####  Tommy Hilfiger Case Study.

Answer the questions concerning the case study. Questions 17-1. The case explains five international marketing orientations. Which one most applies to Tommy Hilfiger? Explain why. 17-2. The case explains five elements in the marketing mix (product, price, promotion, brand, and distribution). In which of these have Tommy Hilfiger’s operating practices been the most standardized globally? Explain why this has been possible and desirable.

Mark Twain said, “The finest clothing is a person’s skin, but, of course, society demands more than this.”1 Tommy Hilfiger, a notable international clothing brand, now owned by Phillips-Van Heusen (PVH), exemplifies efforts to respond to these demands. Its 2015 retail sales exceeded $8 billion, with over half coming from abroad. Europe, to which it began its push in 1997, accounts for the largest portion of international sales, and China is the fastest-growing area. (The opening photo shows one of its stores in Manchester, England.) As the company moved internationally, it learned that applying every U.S. marketing strategy abroad did not work because country markets are very different. Our discussion centers on contrasting Hilfiger’s U.S. and foreign (mainly European) operations. Product The Hilfiger brand’s early success was largely due to two men: U.S. designer Tommy Hilfiger and Indian clothing magnate Mohan Murjani. Murjani sought Hilfiger as a designer for a new brand of clothing by offering a line of slightly less preppy and less expensive clothes than those offered by Ralph Lauren to attract a young mass-appeal audience. From the start, Hilfiger clothes have been casual, of good quality, and distinctive enough in color and shape (along with their little red, white, and blue logos) that the public can usually distinguish them from those of competitors. Nevertheless, this is an industry in which product lines must evolve. Maintaining that “Fashion brands have to reinvent themselves, just like Madonna does,” Hilfiger has gone from preppy to urban and back again. In addition, Hilfiger has encountered some different national preferences. To accommodate European tastes, Hilfiger has added wool sweaters, adjusted to the European partiality for slimmer-looking jeans and smaller shirt logos, and created a line of added-luxury items, such as leather jackets and cashmere sweaters for the Italian market. It has also developed brighter colors for Italy, tartans and plaids for Japan, and sleeker designs for Chile. During the late twentieth and early twenty-first century, Hilfiger’s U.S. sales fell each year, apparently because its product lines had become faddish (e.g., baggy jeans and large logos on clothing) and no longer compatible with its established image. This led to discounting, compromising on quality, and a resultant lower brand image. Meanwhile, the autonomously operated European division refused to go along with the U.S.’s faddish moves, and its sales grew in tandem with U.S. decreases. In response, Hilfiger set up a European design staff that has led to more harmonization in its U.S. and European products, a move more up-market, and a turnaround of its U.S. performance. Pricing Whereas the early U.S. pricing strategy was to sell a shirt for $79 that looks like an $89 shirt, Hilfiger learned that its brand cachet warranted selling a shirt in Europe for $99 that looks like a $150 shirt. For instance, in Germany, its largest European market, men don’t mind paying $50 more than the highest-priced Hilfiger shirts in the United States, but they want them in a higher-quality cotton. In addition, European department store margins can be 50 percent to 100 percent higher than those in the United States, thus impacting price differences. Promotion and Branding Hilfiger’s promotion and branding have been so intertwined that separating them is almost impossible. At the company’s inception, there were two primary needs: to convince stores to stock a new brand and to convince customers to want it. Although the first year’s (1985) ad budget was US$1.4 million, quite small for an unknown brand in a mass consumer market, the ads were aimed strictly at getting Tommy Hilfiger’s name known. These ads were in leading magazines and newspapers, along with a billboard in New York’s Times Square. They showed no clothes or models. Instead, they included Hilfiger’s face, the logo for the clothes, and words describing Hilfiger as being on a par with such well-known designers as Ralph Lauren, Perry ­Ellis, and Calvin Klein. The bizarre ads resulted in free publicity through newspapers around the world and quips on popular late-night TV shows. The publicity showed an eclectic group of celebrities—Bill Clinton, the Prince of Wales, Michael Jackson, Elton John, and Snoop Dogg—wearing Hilfiger clothes. This fed into the image that Hilfiger clothes had cachet; thus the company’s brand was quickly known nationally and internationally. Soon, New York surveys revealed that the public thought of Hilfiger as one of the four or five most important U.S. designers. And the logo-loving public rushed to buy the brand, especially young managers who were eager to be seen in upscale sportswear during the newly popular “casual Friday” workdays. Despite Hilfiger’s early publicity in Europe, its acceptance was not as quick as it expected. Because Europeans tend to see France and Italy as the upscale fashion centers and the United States as a ­trendsetter in jeans, Hilfiger initially encountered some negative reactions to being a U.S. upscale brand. However, Hilfiger has since played up its Americanism, and the perception that the brand and price are a step below the pure luxury brands has successfully helped its European sales find a niche. Hilfiger has used celebrity advertising, such as Sheryl Crow, Jewel, Beyoncé, Rafael Nadal, and the husband and wife team of the late David Bowie and supermodel Iman. The company has used “delebs” (dead celebrities), such as Grace Kelly and James Dean. To help advertise its children’s clothes, Disney artists have drawn Pluto and other Disney characters wearing the line. However, aside from celebrities, Hilfiger learned that the type of models it uses to sell successfully in the United States may not work well in Europe. For example, its models for men’s underwear in Europe, including those on point-of-purchase package displays, must be thinner and less muscular than those in the United States. Hilfiger also found that its average European consumer was older than that in the United States, so it dropped the Tommy Jeans name because it sounded too much like a teen product. Advertising has been a cornerstone of Hilfiger’s success, depending on multimedia campaigns that include indoor and outdoor print placements, digital and social media promotions, and webisodes. Distribution Early on, Hilfiger relied mainly on wholesaling to about 1,800 U.S. department stores, many of which contained stand-alone Hilfiger departments. It has avoided chains considered more low-end, such as JCPenney and Sears, though it does sell its outdated stock to discount chains T.J. Maxx and Marshalls. However, in 2007, Hilfiger gave Macy’s exclusive rights to sell its sportswear lines. Although Macy’s has about 800 stores, the move required Hilfiger to pull sales from other department stores, such as Dillard’s. Distribution is perhaps the biggest difference Hilfiger found when entering Europe. Because of the company’s U.S. department stores success, it put an early European emphasis on such department stores as Galeries Lafayette in France and El Corte Inglés in Spain. However, Hilfiger found the European market to be one of fragmentation (sending small amounts to small stores that carry select pieces) as opposed to the U.S. market’s concentration (sending a lot to department stores). European operational costs are about three times those in the United States because of this more fragmented retail and wholesale system. Hilfiger has inaugurated large flagship stores in prime locations within large markets, such as in New York City, Paris, and Tokyo. These stores not only make sales, but also demonstrate the variety of Hilfiger merchandise. Non-U.S. stores are decorated to emphasize an American image, while simultaneously connecting the United States to the host country, such as including a poster of a U.S. magazine with the Eiffel Tower on the cover in the Paris store. By locating in prestige areas, Hilfiger promotes an aura of having high-end products, yet its aim is to be a high-margin brand with prices a notch lower than luxury brands. Nevertheless, this concept did not work in London, where Hilfiger closed its Bond Street store a year later. In effect, Hilfiger over-promoted to retailers and under-promoted to final consumers. Thus, too much merchandise was in stores, which forced them to get rid of excess inventory. Further, a cheap lookalike brand called Tommy Sport confused consumers, tarnished Hilfiger’s image, and forced the company to buy it out. There is an old adage that clothes make the man. Hilfiger, while making and selling clothes, has succeeded in convincing customers that its merchandise will help boost (or make) their positions.