



The Marisol case: Challenges of international growth for a successful Brazilian designer apparel firm[☆]



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ABSTRACT

Marisol has forged a successful legacy in Brazil in the market for clothes with a sophisticated, stylish look. Success in Brazil enabled the firm to garner overseas customers. The establishment of subsidiaries in Argentina, Italy and Mexico, as well as sales operations in several countries – including Chile, Colombia, Spain, and the USA, among others – represented important steps in Marisol's internationalization. Marisol's executives have to decide on several issues: how to consolidate their position in the USA market and in other countries? What modes of operation – own stores, franchisees, multi-brand stores, private label supply – to use in which countries? Which brands to launch abroad and whether to adapt them to local tastes, while exploiting the image of Brazilianness?

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1. Introduction

The year 2008 marked the dawn of a new phase in the management of holding company Marisol SA, when Vicente Donini, after 50 years of work, including 17 dedicated to Marisol, passed on the job of CEO to his youngest son, Giuliano Donini, architect and businessman.

The young president's strategic vision for one of the largest Brazilian apparel companies was to continue as a holding company managing a portfolio of brands and distribution channels, strengthening its position in various market segments in which it operated. He also planned to continue the internationalization process, with brands such as Rosa Chá and Lilica Ripilica, through franchising and sales to multi-brand stores, and opening its own stores. This strategy, although it may have reduced the firm's gross exports at the outset, seemed to have worked out in terms of consolidating the brands and bolstering its position as a company managing distribution channels and brands.

Marisol SA, founded in 1964, had embarked on its internationalization process in the mid-1990s, through exports. In order to support this process, a subsidiary in Argentina was set up in 1995, as well as two other subsidiaries in Italy and Mexico (both in 2005) to focus on opening new markets. Marisol Argentina was opened in Buenos Aires,

following a trend of Brazilian firms to invest in that country at that time; Marisol Europe SRL was opened in Gallarate, Italy, to pursue opportunities in Europe and the Middle East; and Marisol Mexico SA de CV, based in Guadalajara, was opened with the goal of identifying possible new clients, managing business opportunities and distribution channels, and conducting logistics-related activities. First, following the 2001 world crisis, the subsidiary in Argentina was closed. Then, due to heavy barriers to internationalization of Brazilian apparel products in Mexico, which made local competitiveness all but impossible, operations there were wound down too.

The main question for Giuliano Donini, which had occupied his thought ever since he was appointed CEO, was how to continue to expand internationally and what the priorities should be. Continue to expand the Lilica Ripilica brand only in Europe, or make forays into the US market? As to the Rosa Chá brand, how should the opening of the new outlets be handled? Should they use the company-owned model, despite the high costs, or the franchise channel and benefit from the knowledge and experience of a partner in the local market? Should they prospect the US market or expand operations in Europe, leveraging the distribution channels already developed? How to balance the domestic vs. international market priorities?

2. Marisol SA

Marisol is one of the largest Brazilian apparel companies. Founded in 1964 in Jaraguá do Sul, SC, by 2012 the company had grown to be a manager of brands and distribution channels, relying heavily on franchise networks and value retailers.

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The Grupo Marisol was the leader in children's clothing and ran the largest franchise network of single brand children's clothing in Brazil, with a capacity to produce 18 million articles of clothes and two million pairs of children's shoes a year. In Brazil, at the end of 2010, the company ran over 150 exclusive franchises and more than eight thousand multi-brand outlets, as well as close to 110 registered stores, who retailed the group's merchandise. In the international

market, Marisol SA penetrated countries such as Lebanon, Mexico, Peru, Chile, Colombia, Costa Rica, Spain, Portugal, Italy and USA.

3. History

Marisol was founded in Jaraguá do Sul, Santa Catarina, on May 22, 1964 by entrepreneur Peter Donini. Over time, the small sun hat factory,

Table 1

Events that marked the Marisol's history.

Year	Event
1964	Initiated activities as a producer of sun hats.
1968	Began to diversify activities by incorporating Tricotagem e Malharia Jaraguá Ltda.
1975	Opened new factory facilities in Jaraguá do Sul in the state of Santa Catarina.
1978	Opened a new clothes production unit in Corupá, Santa Catarina.
1979	Opened the Unidade de Confecção de Massaranduba, a garment factory in Santa Catarina. Acquires controlling stake in Marquardt Indústria de Malhas Ltda. (Marquardt Knitting Industry Ltd), which was incorporated in 1984.
1884	Opened a new clothes production unit in Schroeder, Santa Catarina
1986	Launched the Criativa brand for adult women. Opened another factory, Unidade de Confecção de Benedito Novo, Santa Catarina.
1990	Initiated exports.
1991	Launched the Lilica Ripilica brand for girls.
1993	Launched the Tigor T. Tigre brand for boys.
1994	A profit sharing program with the company's employees was initiated.
1995	Acquired Maju Indústria Têxtil Ltda., later incorporated in 2000. Concluded the first integrated industrial park modernization project. Opened the Marisol Argentina SA subsidiary in Buenos Aires, later deactivated in 2003. Launched the Stone Soup brand for men.
1996	Established Marisol Seguridade Social (Marisol Social Security), a private pension fund.
1997	Opened Mega Store Marisol in Jaraguá do Sul, with all Marisol brands available to the customers.
1998	Established Marisol Nordeste S.A. (in Pacatuba, Ceará state, in the northeastern region of Brazil), another garment factory, whose operations started in 1999.
1999	Obtained ISO 9001 certification.
2000	Marisol was repositioned as a boys and girls clothing brand. Marisol Franchising Ltda. was launched on August 1, 2000 to operate the franchise network Lilica & Tigor, opening three pilot stores. Acquired Calçados Frasul Ltda. and Babysul Calçados Ltda. (in Novo Hamburgo, Rio Grande do Sul state) and Terra de Areia (also in Rio Grande do Sul), and entered the footwear market. Elected "Santa Catarina Business of the Century" by <i>Entrepreneur</i> magazine.
2001	Incorporated Marisol Calçados Ltda., which included Frasul and Babysul, and opened a new manufacturing plant in Novo Hamburgo, Rio Grande do Sul. Roll-out of the brand Mineral, focusing on men's and women's fashion clothing. Diversified product portfolio with the implementation of the Unidade de Negócios Meias, a sock factory. Obtained ISO 14001 certification. Private label exports to the US experiment a sharp raise. A total of 14 Lilica & Tigor stores were then in operation.
2002	Implemented Academia do Varejo Marisol (Marisol Retail Academy) to spur the growth and development of retailing in Brazil.
2004	Launched Volunteer Day. Initiated knitting (clothes and accessories) activities. A total of 78 Lilica & Tigor stores were then in operation.
2005	Acquired and re-launched the brand Pakalolo. Established overseas subsidiaries: Marisol Europe SRL and Marisol México SA de CV. The company then exported to 11 countries. A total of 104 Lilica & Tigor stores were then in operation in Brazil and abroad.
2006	Partnered with fashion designer Amir Slama to create Rosa Chá Studio Ltda., a firm responsible for brand management of Rosa Chá and Sais. Inaugurated the value network called One Store. The first franchise stores abroad were opened: in Lebanon, Italy (in Naples), Portugal and Spain. An own store Italy (in Milan). A small part of the production was outsourced to Asia. A total of 109 Lilica & Tigor stores were then in operation.
2007	Foreign expansion continued via franchise stores, then 17 in total. The factories in Corupá and Massaranduba were closed and their activities were moved to the Ceará unit.
2008	Mr. Vicente Donini left the executive board to occupy the position of Marisol SA's chairman of the board of directors. His son Giuliano Donini took over as CEO. Acquired 50% interest in the Blue Pink retail chain—specializing in bridal outfits, furniture and accessories for babies and children up to six years. Now called Babysol. Announced launch of the Unidades de Negócio (Business Units), designed to manage the brand portfolio and strengthen the firms's position. A franchise store of Lilica & Tigor was opened in Peru and two other ones in Portugal. <i>Maison Rosa Chá</i> was opened in New York. The company now has 147 Lilica & Tigor stores and 21 Rosa Chá stores.
2009	Opened a Lilica & Tigor franchise store in Bolivia.
2010	Purchased the remaining 50% of the Babysol store chain and became its sole owner. The commercial subsidiary in Europe was restructured and a partnership was established with a local operator. The operator gained responsibility over the store, wholesales and distribution in the region. Marisol then had 19 stores abroad, of which 13 under the Lilica & Tigor brand, three under the Lilica brand, and three (in the US, Portugal and Turkey) under the Rosa Chá brand.
2011	A new Lilica & Tigor franchise store was opened in Lima, Peru. Over 170 Lilica & Tigor stores were in operation in Brazil and abroad.

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