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Hugo Boss: 2-brand strategy

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Abstract

Title: Hugo Boss: 2-brand strategy

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The area of business adaptive strategies can be applied to several industries. The fashion industry, as a large global industry, consists of a variety of players that choose brand strategies. This paper examines the dynamic brand management strategies of Hugo Boss, focusing on its 2-brand approach. The company has experienced a decline in brand relevance, forcing the company to react. The development of a dynamic strategic framework with a focus on dynamic capabilities implying reinvention and reorganization helped the company to overcome the difficulties. This research provides insights into adaptive strategies in the fashion industry in terms of brand management. The thesis contributes to the understanding of how companies can revitalize themselves in the face of challenges and declining relevance through strategic adaptability. The focus on Hugo Boss' 2-brand strategy serves as a valuable case study that demonstrates the potential for companies to succeed through flexible and dynamic brand management in a highly competitive market.

Keywords: dynamic capabilities, business adaptive strategies, brands, brand strategy, brand relevance & awareness

Resumo

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A área das estratégias empresariais adaptativas pode ser aplicada a vários sectores. A indústria da moda, enquanto grande indústria global, é constituída por uma variedade de intervenientes que escolhem estratégias de marca. Este documento examina as estratégias dinâmicas de gestão de marcas da Hugo Boss, centrando-se na sua abordagem de duas marcas. A empresa registou um declínio na relevância da marca, o que a obrigou a reagir. O desenvolvimento de um quadro estratégico dinâmico, centrado nas capacidades dinâmicas que implicam a reinvenção e a reorganização, ajudou a empresa a ultrapassar as dificuldades. Esta investigação fornece informações sobre estratégias adaptativas na indústria da moda em termos de gestão da marca. A tese contribui para a compreensão de como as empresas podem revitalizar-se face aos desafios e ao declínio da relevância através da adaptabilidade estratégica. O foco na estratégia de duas marcas da Hugo Boss serve como um valioso estudo de caso que demonstra o potencial de sucesso das empresas através de uma gestão de marcas flexível e dinâmica num mercado altamente competitivo.

Palavras-chave: capacidades dinâmicas, estratégias empresariais adaptativas, marcas, estratégia de marca, relevância e conhecimento da marca

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1. Introduction

The global fashion industry is valued at \$1.7 trillion in 2023. It has been an impactful industry for a long time, and it accounts for approximately 2% of the global GDP. It has changed significantly over the years and companies are constantly faced with changing conditions that impact business strategies.

Certainly, this influences the way companies operate in the fashion industry. The industry was especially hit hard during the Covid-19 pandemic since companies' businesses were significantly impacted by lockdowns affecting a large share of their revenue streams.

This thesis presents the established fashion company Hugo Boss, located in Metzingen Germany. It delineates the strategic approach the company adopted a few years ago, illustrating how, among other factors, it facilitated an effective recovery from the pandemic. This strategy also enabled the company to successfully address subsequent macroeconomic challenges and shifts in consumer behavior, ultimately reclaiming brand relevance within the fashion industry.

The company has set an ambitious target to become one of the top 100 global brands. As articulated in its corporate Claim-5 strategy introduced in 2021, a key aspect of this ambition is to increase brand awareness and strengthen the 2-brand strategy, which is the focus of this paper. The idea of boosting brands relates to the company's 2-brand strategy implemented in 2017, playing a pivotal role in achieving sales targets and getting closer to the top 100 global brands. This paper provides a comprehensive analysis of the company's strategic framework.

Firstly, the paper presents the current and past literature on brand management concerning business adaptive strategies. This is followed by the presentation of the Hugo Boss case study and a general overview of the fashion industry and Hugo Boss as a part of it. Afterwards, the company is summarised and an elaboration on how the strategy came into existence is illustrated. Following that, the strategy case of Hugo Boss with its 2-brand strategy is presented and the connection to the brand management and adaptive strategies concludes the paper.

2. Literature Review

In order to understand the notion of brand strategy as part of Business adaptive strategies in crisis, the following section reviews the current literature on business adaptive strategies and brand management and the underlying streams that relate to it.

Firstly, the three streams, adaptive marketing capabilities, dynamic capabilities, and the RA theory are presented. For the introduction to brand management, the concept of a brand and brand equity is defined, and how they relate to brand management. After that, the different types of value creation linked to brand strategy are elaborated. This is followed by a discussion of the literature that points to the flexibility & adaptability of brands and how this relates to brand management and strategy and its potential threats. Subsequently, the section refers to market and brand orientation and the underlying elements brand image and brand identity and their relevance for brand strategy alignment. The transition to different types of brand management and their connection to flexible and adaptive brand management as well as the emergence of different paradigms is then outlined.

2.1. Business adaptive strategies: general overview

In the field of business adaptive strategies are three common streams, namely, marketing capabilities, dynamic capabilities, and the RA (resource advantage) Theory. These streams are related to each another, however, have different attributes at their core. In line with the three streams, scholars argue that firms need constant renewal in order to maintain their competitiveness in a very dynamic and competitive economy (Hunt & Madhavaram, 2020).

The focus following the adaptive marketing capabilities lies in a firm's ability to respond quickly to rapidly changing markets. (Day, 2014) claims that this ability is formed by persistent and attentive market learning, adaptive market experimentation, and establishing open marketing partnerships with organisations that are more aligned to market changes.

(Teece et al., 1997) suggest three core elements of dynamic capabilities – coordination, learning, and reconfiguring, as a part of sensing, seizing, and transforming. Teece describes the alignment as an 'orchestration' process. The scholar indicates that strategic management should strive to find value-enhancing combinations within organizations, among organizations, and outside of them. (Teece, 2007) states that most of the valuable assets within the company are knowledge-based and are therefore not tradable and not replicable in the market. Hence, the scholar elaborates on the strategic function of managers regarding

dynamic capabilities. In relation to this, he argues that allocation, reallocation, combination, and recombination of resources and assets are necessary to exploit opportunities in response to changes in the market. This requires a certain skill set to recognize, exploit, and manage such opportunities according to the scholar. A company starts by sensing opportunities that are related to the change in customer needs and seizing the value from meeting these needs. The transformation phase reflects the constant renewal that is entailed by the previous steps (Teece, 2014).

The R-A theory converges the adaptive marketing capabilities and the dynamic capabilities and emphasizes a firm's competencies. According to (Hunt, 2000), the renewal of competencies is crucial to anticipate potential market segments, design market offerings, and to foresee the need to acquire, develop, or create the resources necessary to add value.

2.2. Concept of a brand

For the relationship between brand management and business adaptive strategies in crisis, firstly, it is necessary to determine what the essence of a brand as such is.

According to (Boatwright et al., 2009) brands used to be viewed as a tactical tool for product sales. Building on this, brand management was a mechanism for creating brand meaning and managing brand performance. However, following (Dunes & Pras, 2013), a concept that seems to be missing here is the notion of internal branding. In more recent literature, brands are considered to be a strategic resource that generates value for multiple stakeholders. This leads to a more intertwined approach of market orientation and brand management as organisations become more concerned with market events and can adapt accordingly to manage their (Thomas, 2014, 2015).

The development of the strategic brand management process highlights the importance attached to creating and maintaining brand equity.

2.3. Brand equity

The definition of brand equity varies slightly among scholars, nevertheless, this section refers to Aaker's definition of brand equity which is defined by five asset components: brand loyalty, brand name awareness, perceived brand quality, brand associations or brand image, perceived quality, and other proprietary assets, such as patents, trademarks, and channel relationships.

Brand equity reflects the influence of brand knowledge on consumers' response to the firm's branding such as trust and commitment (Gustafsson et al., 2005) Maintaining and protecting brand equity is crucial to survive in a competitive environment. Strategic brand management becomes central to achieving this and the scholars. (M'zungu et al., 2010) suggest three stages for building and protecting brand equity, namely adopting a brand orientation mindset, developing internal branding capabilities, and a consistent delivery of the brand.

Brand orientation is concerned with actively engaging with target customers. This helps firms to strengthen and protect their brand identity (M'zungu et al., 2010). It is associated with emotional and symbolic values that are linked to a brand. Brand orientation views the brand as a strategic resource and an expression of organizations that also create a sustainable competitive advantage (M'zungu et al., 2010).

(Gulati, 2007) suggests four internal branding activities: coordination, cooperation, capability development, and connection. These have to be developed and acquired by employees of a company who seek added value. (Ulrich & Smallwood, 2008) relate the concept of internal branding capacities to leadership qualities. The leadership qualities have to be aligned with customers' and investors' expectations. Leadership should coordinate the organizational culture which is embedded in companies' policies and requirements.

Brand delivery is an important factor for the brand's reputation among customers. Chaudhuri (2002) emphasizes the importance of reputation as a brand's assets as he claims that advertising influences market outcomes indirectly through brand reputation. Reputation is also linked to credibility and trust, as Delgado-Ballester & Luis Munuera-Alemán (2005) highlight that consistent value delivery results in stronger customer relationships.

2.4. Intrinsic, extrinsic, and combined value creation

There are different approaches to brand management, brands have to choose one that determines how to create and capture value and which strategy is the right one to align their brand.

The scholars Högström et al., (2015) suggest two types of value creation, namely extrinsic and intrinsic value creation. The extrinsic value creation is related to customer experienced utility as price, for instance, whereas the intrinsic value creation is concerned with the customer experienced subjective responses (Smith & Colgate, 2007). This relates to the

symbolic or expressive meaning of a brand. The literature points out a more dynamic approach which is a hybrid model of the extrinsic and intrinsic model.

2.5. Archetypes for brand management

Regarding intrinsic and extrinsic value creation, Högström et al. (2015) present three archetypes that relate to each of the orientations. The calculative orientation is concerned with the extrinsic market value. Thus, in this archetype a company deals with external factors that influence the brand's identity and its knowledge about offering. Högström et al. (2015) argue that this is a short term, efficient archetype which aims to stabilize and reduce uncertainty.

The heuristic archetype opposed to the previously presented calculative orientation deals with the intrinsic value of brand meaning and experience. Accordingly, there is a strong sociocultural component in this approach based on attachment and trust in the brand (Gustafsson et al., 2005).

The third, the dynamic archetype is a modern approach that is regarded as a flexible combination of the calculative and heuristic archetype. Flexibility is viewed as key to creating and capturing value in markets (Priem et al., 2013). Hence, brands do not make an either-or decision, but rather develop brand capabilities that balance contradictory and diverse demand, and, therefore, have a diverse principle at the core of brand strategy.

2.6. Brand flexibility and adaptability

As the literature suggests, brand management developed several stages over the years and scholars agree that in order to maintain a competitive brand it is necessary to develop dynamic brand capabilities and strategies (Priem et al., 2013). Brand flexibility, hence, becomes a key to sustaining brand competitiveness. Therefore, scholars claim that firms constantly have to reorganise, adapt, renew, and integrate internal as well as external resources and competencies in order to make market-driven decisions.

However, this dynamic approach has also to be assessed somewhat critically as other scholars refer to the threat this approach entails. (Kang et al., 2007) point out that the constant change in the form of renewal of knowledge, skills, and materials may jeopardise the return on its investments as well as gaining legitimacy. Thus, the constant change can lead to negative spillover at the cost of the brand identity. The approach of constantly changing and adapting may jeopardise a brand's image, identity and consequently success. However, a rigid approach on the other hand can lead to becoming uncompetitive.

Urde et al., (2013) argue that there are different ways to align a brand. They name an arrangement that focuses on either brand identity, brand image, or something in between. Accordingly, this determines whether a company is more brand-oriented or market-oriented. Market orientation proposes a brand image focused approach, while on the other hand, a brand identity focus, establishes brand orientation as a central component of the company.

This idea relates to the archetype presented by Priem et al. (2013). A more dynamic brand orientation, such as combining brand and market orientation, is in line with the idea of the dynamic archetype, which proposes a combined and more adaptive way of brand management and shifts away from focusing on only one side.

2.7. Adaptive Paradigm

Louro & Cunha (2001) claim that in the adaptive paradigm, brands are consumer-oriented. They state that brand management is a tactical process that is described as a cyclical adaptation to consumers. The adaptive paradigm suggests that the brand image becomes the core theme underlying the strategic formation. The brand image is defined as the consumers' perception of a brand and their associations with it (Keller & Swaminathan, 2020). The consumer determines the central element of the brand's strategy as the brand image gradually replaces the brand identity.

There are limitations to the adaptive paradigm as Aaker (2012) claims that brand strategy is primarily determined by the customer and neglects the role of the company's identity, mission, strategic intent, and characteristics. Certainly, this is a one-sided approach and fails to incorporate the brand's essence as such.

2.8. Relational paradigm

The relational paradigm responds to the shortcomings of the adaptive paradigm as it is not merely customer-based. In this paradigm, the emphasis is on identifying a brand identity additionally to the brand image that is determined by customers. The brand identity is a co-construct of firms and consumers through interactions, collaborations, and co-creating personalized experiences (Ramaswamy & Prahalad, 2000). Hence, the competitive environment in this relationship is collaboratively shaped by firms and consumers (Rindova & Fombrun, 1999). Consequently, competitive advantage is created through an interactive process of social influence, characterized by a consciously emergent pattern in the formation of brand strategies.

Concerning the successful implementation of brand management within that paradigm the scholars (Louro & Cunha, 2001) state that the firms need to adapt their organizational structures accordingly to allow for more flexibility and relationship-based management.

2.9. Literature review proposition

The literature demonstrates the importance of brand equity for brand management and how companies need to adapt to certain situations to align the brand strategy accordingly. It's crucial to be flexible when it comes to brand strategy and to be market and brand oriented to develop a dynamic and adaptive brand strategy. To achieve this, it is relevant to have a brand image that is shaped by consumers as well as a strong brand identity that is developed within the company. A dynamic strategy is essential, however, this also runs the risk of jeopardising the brand's legitimacy and preventing returns on investment.

3. Hugo Boss: Case Study

The subsequent section deals with the presentation of the case study. The focus of the case study revolves around the fashion company Hugo Boss, examining its 2-brand strategy. The methodical structure begins with a comprehensive analysis of the industry focusing mainly on the Covid-19 pandemic, general macroeconomic trends, and consumer behaviour, followed by a thorough exploration of the company and its strategic paradigm and development.

3.1. Industry analysis

The global fashion industry is valued at \$1.7 trillion in 2023. It has been an impactful industry for a long time, and it accounts for approximately 2% of the global GDP (FASHIONUNITED, 2022).

The apparel industry can be divided into four segments: luxury, premium, mass, and value-off price segment (Alderman et al., 2022). The luxury segment is characterised by exclusivity and high entry prices. In the premium segment, high quality is a driver for higher prices; it is the second most expensive category after the luxury class. Many high-quality sportswear brands are located within the premium segment. The mass segment appeals to a broader consumer audience with more affordable price points. The 'value-off price' retail is based on discount and has the lowest entry price levels (Alderman et al., 2022).

3.1.1. Competition

Hugo Boss is positioned in the premium and to some extent in the luxury segment. Hence, the predominant sphere of competition for the company is the premium segment. A smaller share

can be attributed to the luxury segment where the company faces competition like Moncler. In its 2022 annual report, Hugo Boss states that the strategic position of its two brands lies in a comparative analysis with pertinent competitors against which the company measures its performance, thus establishing benchmarks for its operational key figures and financial performance. “Total shareholder return (TSR) is a measure of financial performance, indicating the total amount an investor reaps from an investment—specifically, equities or shares of stock” (Ganti, 2021). Figure 1 presents the list of close competition. (*Hugo Boss Annual Report 2022, 2022*)

RELATIVE TOTAL SHAREHOLDER RETURN (RTSR) - PEER GROUP		
Burberry Group plc	Levi Strauss & Co.	SMCP Group
Capri Holdings Ltd.	Moncler Group	Tapestry Inc.
G-III Apparel Group	PVH Corp.	VF Corp.
Guess Inc.	Ralph Lauren Corp.	

Figure 1: Relative Total Shareholder Return: competitor list (Hugo Boss Annual Report 2022, 2022)

Following the company’s 2022 annual report, Hugo Boss was in the middle of the ranking of peer companies in terms of total shareholder return from 2019 to 2022. The target achievement by 2025 is a position among the top 25% in the premium segment. (*Hugo Boss Annual Report 2022, 2022*).

Despite the company’s top and bottom-line improvement (elaborated in Table 1: 6-year overview in € mio), Hugo Boss is behind the competition in terms of profitability. The company’s EBIT margin in 2022 was 8,5%, and thus below the industry average. The target EBIT margin by 2025 is 12% (Bayer, 2023).



Figure 2: EBIT-margin in % in the first 6 months of the financial year 2022 (Bayer, 2023)

3.1.2. Covid-19 pandemic affecting the industry

The fashion industry, and the stationary retail in particular, have been severely affected by lockdowns during the pandemic.

Nevertheless, in 2021, the fashion industry had a remarkable recovery from the negative effects of the Covid-19 pandemic on the industry in 2020. The economic profit significantly increased compared to the pandemic year 2020, but also surpassed the pre-pandemic level of 2019 (Amed et al., 2022). The recovery was driven by several factors such as the overall pandemic recovery, easing lockdowns, removal of travel restrictions, increased consumer spending power from government stimuli, improved market conditions, and restored investor confidence all played a role in boosting the industry's top line (Amed et al., 2022). The aforementioned factors contributed significantly to the industry's good performance in 2021, as consumer consumption rose sharply as a result.

In general, the industry exhibited revenue and even higher profit growth, with the industry's average gross profit margin rising to 52,8% and the EBITA margin increasing to 12,3% (Amed et al., 2022). Several factors contributed to this bottom-line growth, including a boom in consumer demand, limited product supply due to supply chain disruptions leading to more full price sales, and companies focusing on cost control and operational efficiency (Amed et al., 2022). Capital investments were made more cautiously and resulted in a 6% decrease compared to 2019 (Amed et al., 2022).

Digital transformation was crucial for the industry in response to the Covid-19 pandemic and has also emerged from it. The given circumstances forced the industry to transform as offline retail was shut down for some time. As a consequence of the pandemic circumstances, consumer behaviour was increasingly shifting toward digital channels (Amed et al., 2022).

Based on a BCG report, in 2020 digital commerce was estimated to increase between 35 and 55% of total sales (Bianchi et al., 2020). In the report (Bianchi et al., 2020) state that competitive advantage is enforced by data. Companies that have access to data from all sales channels, offline and online, and can consolidate it on an analysis platform have a competitive advantage since it improves companies' decision-making for processes such as planning, buying, promotions, markdowns, and marketing activities (Bianchi et al., 2020).

After the fashion industry's recovery from the pandemic, new challenges lie ahead as macroeconomic conditions around the world create uncertainty in the market.

3.1.3. Macro-economic Challenges influencing consumer behaviour

Starting in 2022, the macroeconomic situation has changed globally, which led to volatility and uncertainty. Rising energy prices, as well as high to hyperinflation rates, particularly in the US, Europe, and South America, are having an impact on the fashion industry (Amed et al., 2022). Prices across the value chain are increasing and lead to higher costs of production. This increase in cost leads to a decrease in margins and volume, which means that lower prices are not to be expected in the short term, resulting in a decrease in consumer demand (Amed et al., 2022). As Figure 1 illustrates, the US Consumer Price Index for apparel increased by 5,5% CAGR from 2021 to 2022.

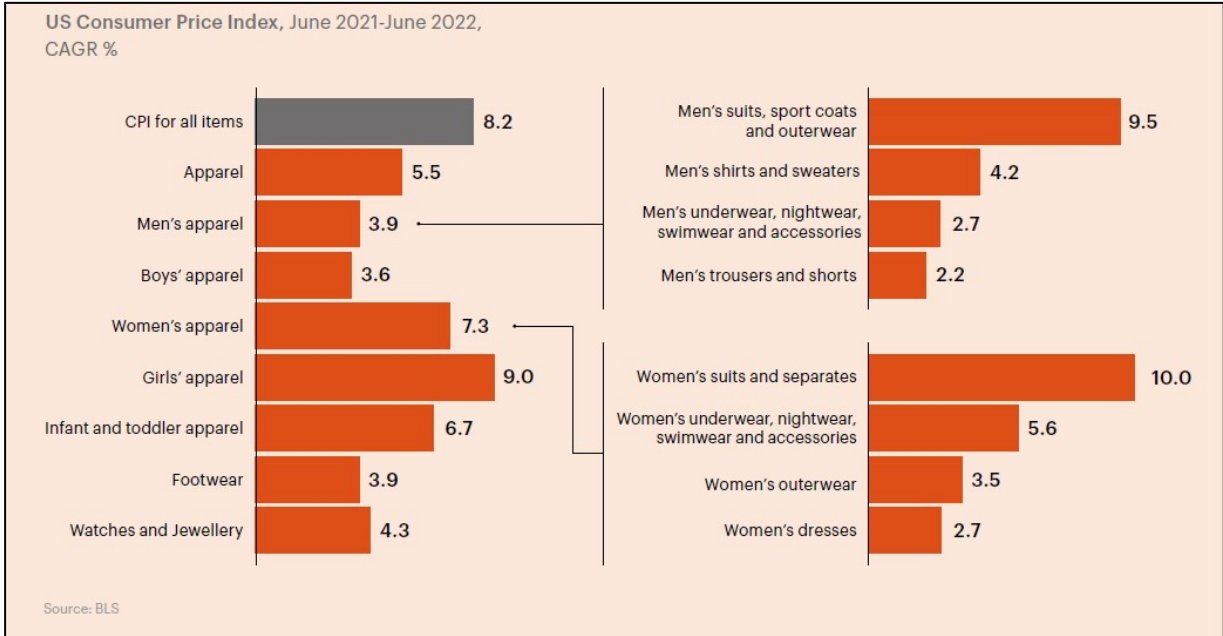


Figure 3: US Consumer Price Index (Amed et al., 2022)

Following the industry analysis conducted by McKinsey associates (Amed et al., 2022), consumer spending is generally expected to suffer across all generations and income levels. Figure 4 indicates the consumers spending on discretionary and non-discretionary products.

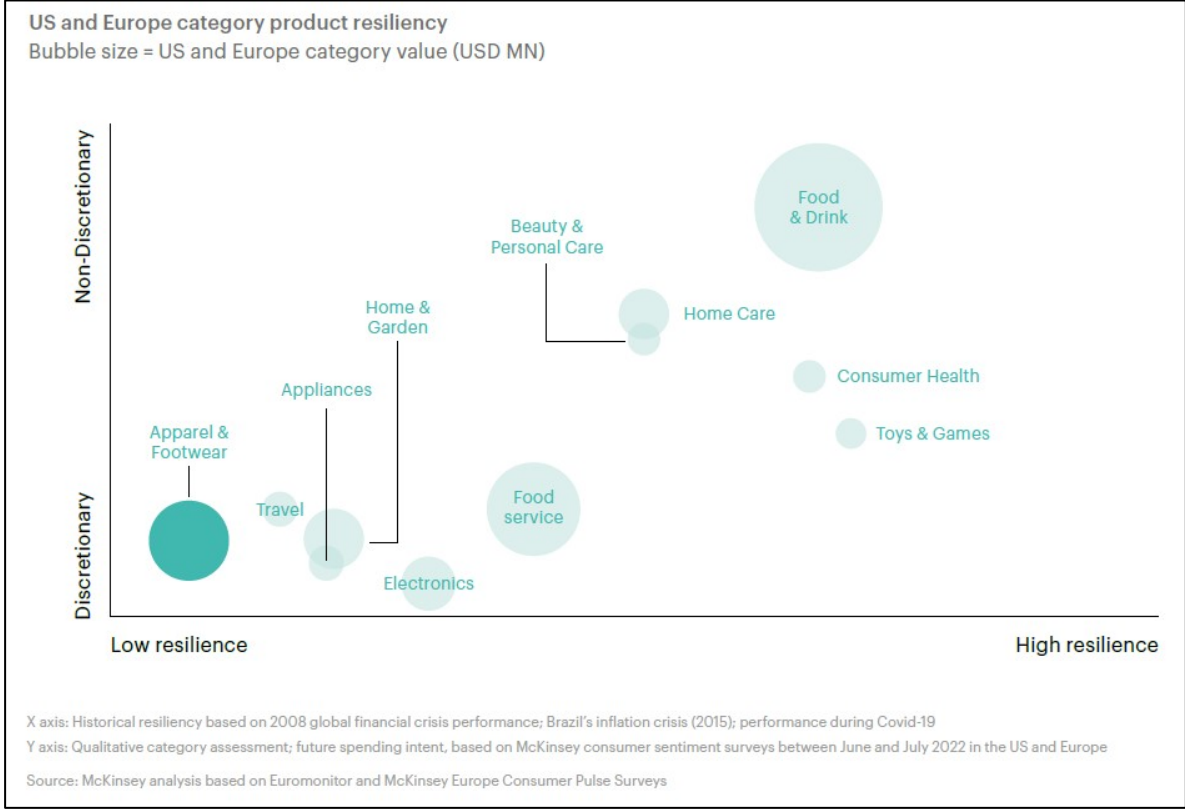


Figure 4: US and Europe category product resiliency (Amed et al., 2022)

The Mc Kinsey report highlights that lower income households will deprioritise discretionary goods and are likely to trade down to cheaper products in the category of fashion. Lower income households are especially hit hard by high inflation for instance and struggle to cover expenses for non-discretionary goods. Higher income households, according, to the report are less impacted in difficult economic periods, at least in the short to medium term. The higher income households are therefore likely to continue spending on discretionary goods. Younger consumers buy discretionary goods more carefully and wait for promotions or look for cheaper alternatives.

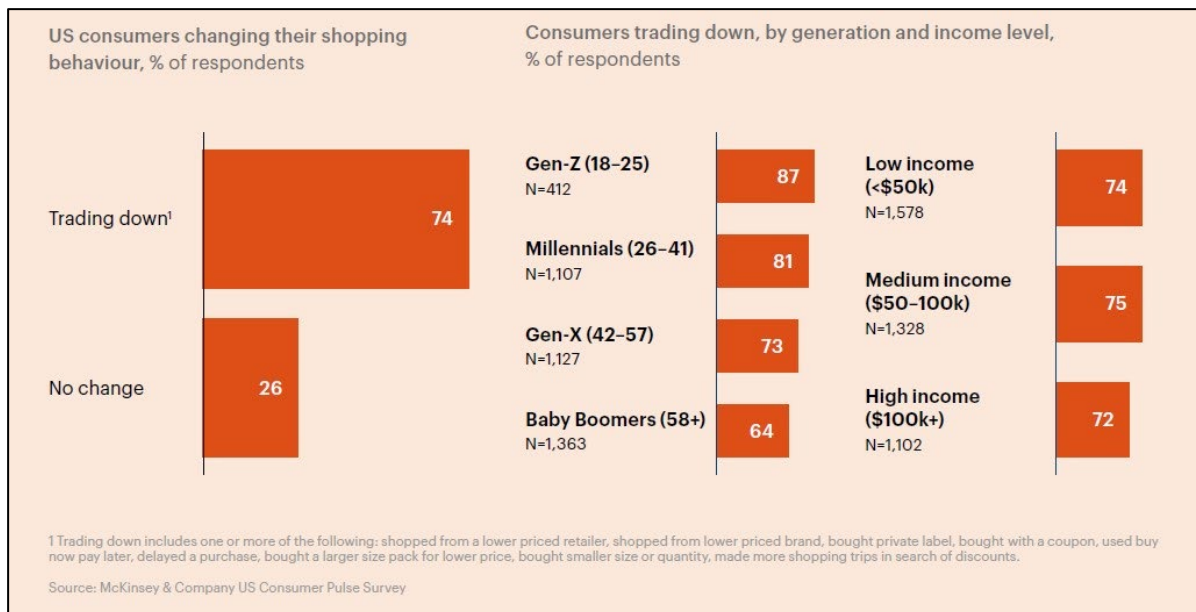


Figure 5: US consumer behaviour (Amed et al., 2022)

Figure 5 illustrates the general changes in consumer behaviour based on data from the US population. As previously mentioned, the general trend in the population is to trade down. Trading down is defined as: "includes one or more of the following: shopped from a lower priced retailer, shopped from lower priced brand, bought private label, bought with a coupon, used buy now pay later, delayed a purchase, bought a larger size pack for lower price, bought smaller size or quantity, made more shopping trips in search of discounts" (Amed et al., 2022, p.27). Luxury brands have largely remained unaffected by macroeconomic turbulences, as some companies in that segment reported revenue growth of 20% (Amed et al., 2022). Premium brands, on the other hand, portray a more multifaceted picture. Consumers driven by value considerations and lower income levels tend to transition towards value, off-price, and private labels, whereas individuals with higher income levels exhibit comparatively lower frequency in brand switching. Among generations is Gen Z the most likely to trade down (refer to Figure 5).

3.1.4. Market Drivers for revenue change in the fashion industry 2023

Figure 6 (Statista Market Insights, 2023) illustrates the market drivers for revenue change in the fashion industry for the year 2023. Supply chain pressure, geopolitical uncertainty, and negative consumer sentiment have the main negative impact on revenue in the fashion industry according to Figure 6 presented above. The enhanced online shopping experience yields the highest positive impact on revenue. Social commerce trend and innovation in technology also positively impact revenue.

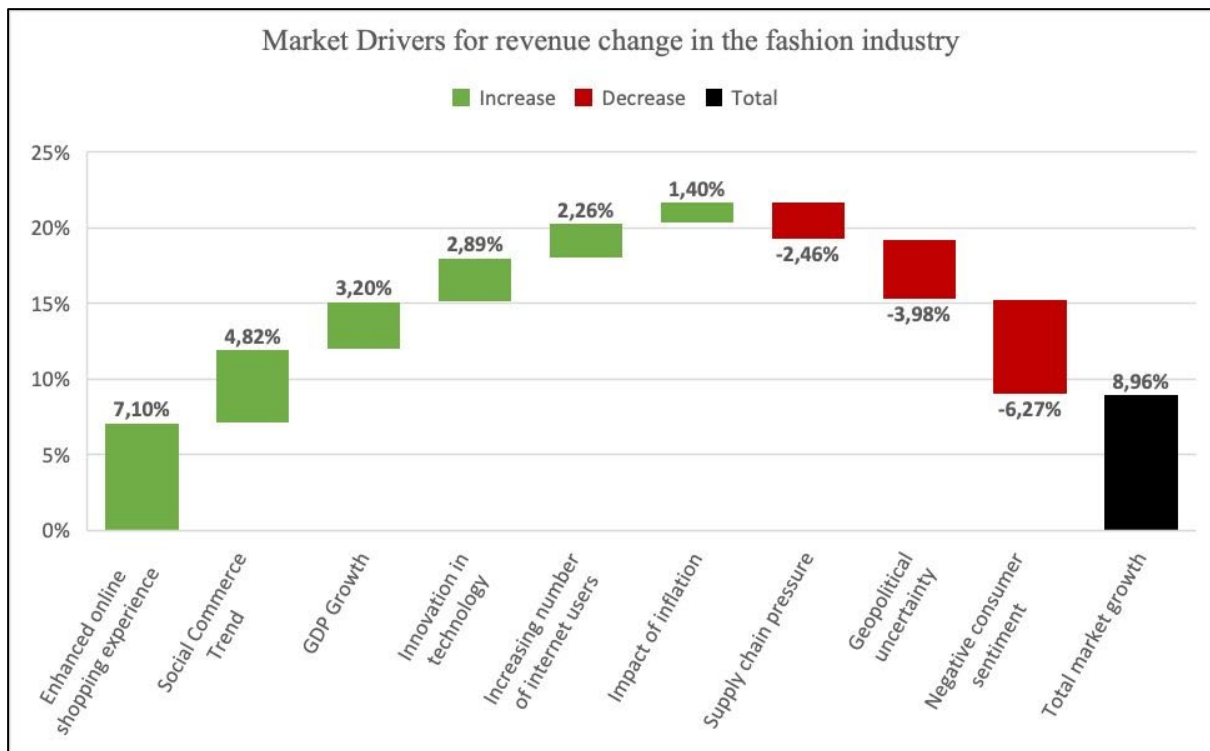


Figure 6: Market Drivers for revenue change in the fashion industry (Statista Market Insights, 2023)

3.1.5. Rise of the athleisure market

The sports and athleisure wear segment increased as a consequence of the pandemic. Athleisure in itself is a huge global market, valued at \$248,31 billion in 2020, and is expected to grow at a CAGR of 6,54% from 2021 to 2026 (MarketResearch.com, 2022). The category sportswear & athleisure continues to be the most robust category in the non-luxury goods sector, with further growth in all price segments (Amed et al., 2022).

Next to luxury, premium and sportswear brands have been outperforming the rest of the apparel industry since before the Covid-19 pandemic. In the luxury and premium segments, shareholders' return increased significantly. The premium segment realized a return of 18% from 2019 to 2021 compared to the value and mass market segments with returns of 8,9% and 6,2% respectively (see Figure 7). The sportswear trend also familiar as athleisure has strengthened significantly during the pandemic as customers deprioritised formal looks while working from home.

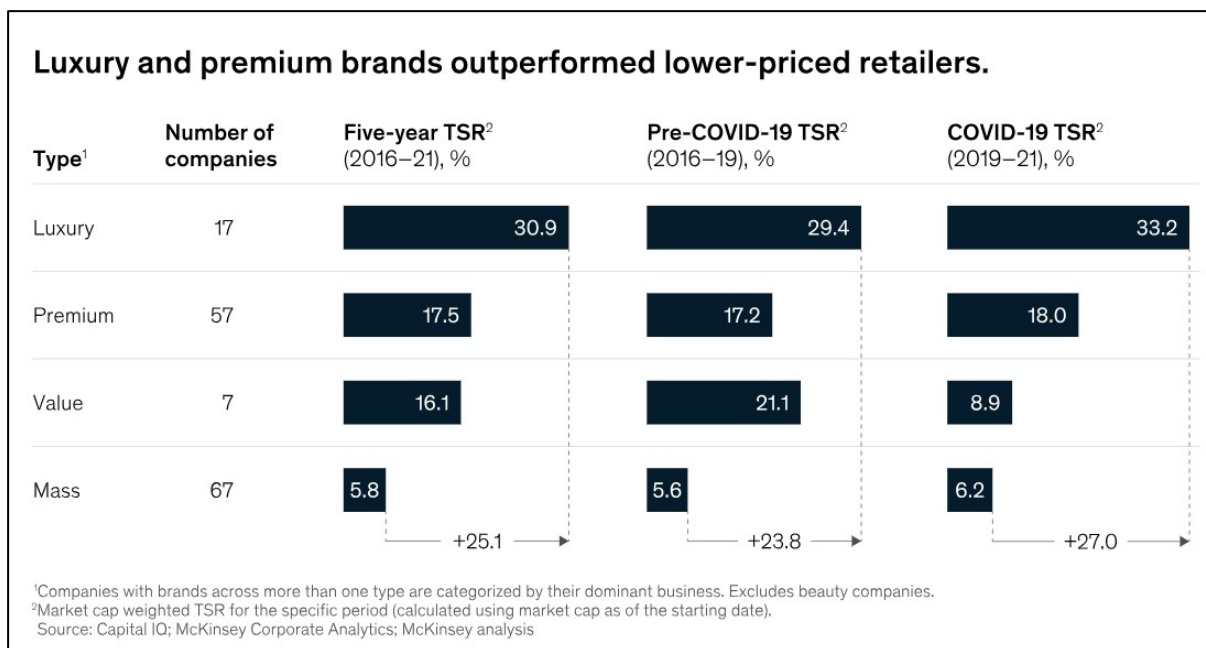


Figure 7: TSR performance luxury & premium brands (Alderman et al., 2022)

3.2. Hugo Boss: History & Introduction

Following on from the industry analysis, the subsequent section provides an analysis of the company Hugo Boss and its strategy development over time.

3.2.1. General company overview

Hugo Boss is a leading global fashion and lifestyle company in the aforementioned premium segment, for men and women apparel, shoes, and accessories (*Hugo Boss Annual Report 2022*, 2022). Hugo Boss employs around 17 000 employees and is headquartered in Metzingen (Germany), Shanghai (China), and New York City (USA). The operations regions are divided into EMEA (74% of employees), Americas (13% of employees), Asia/Pacifics (13% of employees), and licenses (externally operated). In 2022 the company reported record sales of €3.65 billion and an EBIT of €335 million. There are 7,400 brick-and-mortar points of sale worldwide. In 2022, the EMEA region accounted for 63% of the global sales, Americas for 22%, and Asia/Pacific for 13%. The remaining 3% are attributed to licenses. The license segment includes the following products: fragrances, eyewear, watches, children’s fashion, and dog accessories (*Hugo Boss Annual Report 2022*, 2022). Table 1 presents the company’s sales, EBITDA, and EBIT development from 2017 to 2022. Table 2 presents the company’s sales by region figures for the most recent years 2021 and 2022.

Table 1: 6 year overview in € mio.

	2022	2021	2020	2019	2018	2017
Sales	3651	2786	1946	2884	2796	2733
change in Sales	31%	43%	-33%	3%	2%	/
EBIT	335	228	-237	344	347	341
change in EBIT	47%	196%	-169%	-1%	2%	/
EBITDA	680	568	239	707	476	499
change in EBITDA	20%	147%	-67%	49%	-5%	/

Table 2: Sales by region 2021 & 2022 (Hugo Boss Annual Report 2022, 2022)

Sales by region						
SALES BY REGION (IN EUR MILLION)						
	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
EMEA	2,303	63	1,742	63	32	32
Americas	789	22	543	20	45	29
Asia/Pacific	467	13	423	15	10	6
Licenses	92	3	77	3	19	19
Total	3,651	100	2,786	100	31	27

3.2.2. History and strategy development

In order to understand the evolution of the company and the development of its strategy, the following section gives a brief overview of some historical milestones and events that shaped the company as such and shows the development of the strategy over time.

Hugo Ferdinand Boss, the founder of the company, established his workshop in 1924, laying the foundation of Hugo Boss. Notably, the company operated during the Third Reich, a period with complex historical implications. However, due to the scope and focus of this paper, the examination of the company's history during these times is not subject to this paper.

The narrative relevant to the thesis commences in the year 1970 when the company launched the brand BOSS. The Hugo Boss Group was founded in 1985 when it was listed on the German stock exchange (Hugo Boss AG, w. Y.). The company operates on the market as a publicly listed company to this day. In 1993 the company introduced a tri-brand strategy, next to the already existing brand BOSS, 2 new brands became part of the brand portfolio, HUGO and Baldessarini. HUGO as a progressive and innovative brand plus Baldessarini with luxurious and sophisticated appeal to new target groups. However, the Baldessarini brand was discontinued in 2006 (Hugo Boss AG, w. Y.). The most fundamental strategy for the sake of

this paper was announced in 2017, the 2-brand strategy in which the company states, that it will operate with 2 brands only, and previous lines become subject to either of the brands. Following the pandemic, a further strategy, the Claim-5 strategy, was announced in 2021, which also includes the 2-brand strategy and further strengthens this approach.

3.2.3. The initiation of the 2-brand strategy in 2017

The following section provides an initial strategic outlook on the 2-brand strategy in order to establish a link to the strategy as announced at its launch in 2017. The section thus presents the initial ideas and objectives and provides an overview of the 2 different brands and their respective concepts. It then outlines the development of the strategy in subsequent years and highlights the importance of the strategy after the Covid-19 pandemic.

In 2017, the company announced to operate with 2 brands only. The strategy entailed a brand realignment, focusing on BOSS and HUGO, each brand with a distinct target group and brand positioning. The Group's strategy focused on customer orientation. A core part of its strategic approach was to be digital, agile, sustainable, and global (*Hugo Boss Annual Report 2017, 2017*). These principles guided the measures in different strategic areas. This included the realignment of the brand portfolio with BOSS and HUGO, an associated improvement in the sales strategy, digital transformation, and further development of the operating model and corporate culture.

Table 3: Sales by brand 2017 & 2018 (Hugo Boss Annual Report 2018, 2018)

Sales by brand						
Sales by brand (in EUR million)						
	2018	In % of sales	2017	In % of sales	Change in %	Currency-adjusted change in %
BOSS	2,422	87	2,336	85	4	6
HUGO	374	13	397	15	(6)	(4)
Total	2,796	100	2,733	100	2	4

3.2.4. Brand portfolio realignment

The central element, the brand portfolio realignment involved a clear distinction between the brands BOSS and HUGO, however, with shared values such as innovation, premium quality, and sustainability as the company states in the 2017 annual report (Figure 6). The company describes the brands and the underlying target groups as follows: BOSS, on the one hand,

caters to status-oriented, quality-focused customers, while HUGO targets a more fashion-conscious and individualistic clientele (*Hugo Boss Annual Report 2017, 2017*)

BOSS's 2017 presented growth strategy focused on product value proposition, particularly in the entry-level price range. The brand invests in quality, presenting confident business wear and refined casualwear (*Hugo Boss Annual Report 2017, 2017*).

HUGO, with a more fashion-forward approach, planned to increase sales by 30% in the medium term, leveraging digital campaigns and strategic events, according to the annual report of 2017.

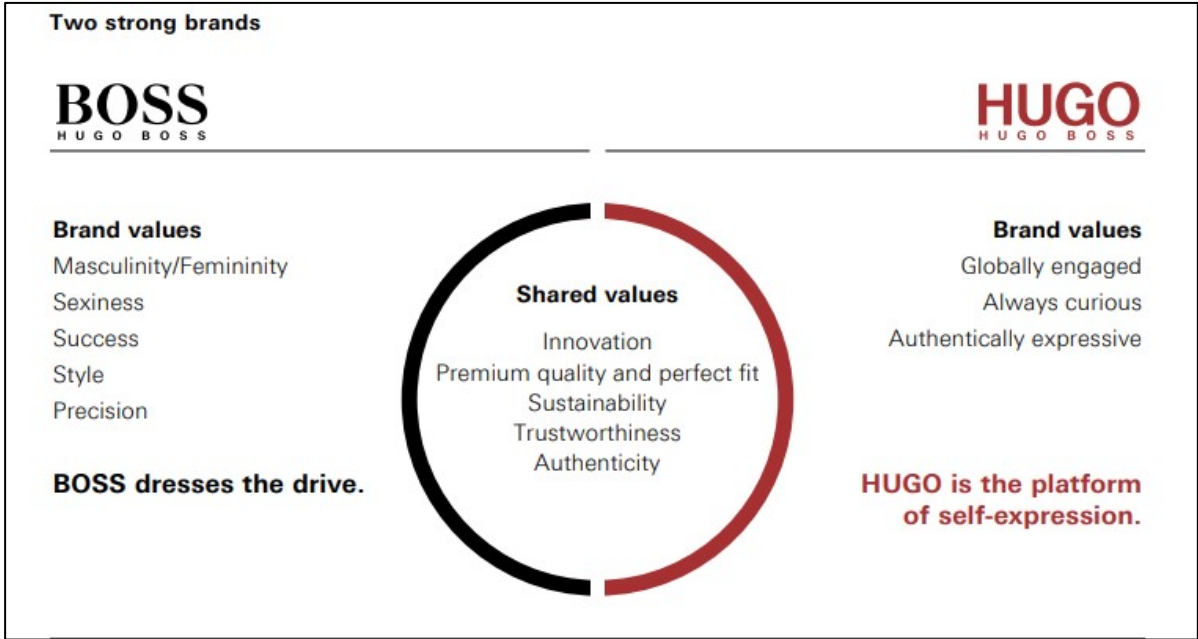


Figure 8: BOSS & HUGO brand values (*Hugo Boss Annual Report 2017, 2017*)

3.2.5. Sales Strategy & Digital Transformation

The company’s investment focus as they present it was its own retail business. In accordance with this investment direction, Hugo Boss planned to renovate existing retail stores and invest in the cross-channel integration and digitization of retail activities (*Hugo Boss Annual Report 2017, 2017*).

As part of the investment into the retail business, the company has developed distinct concepts for each brand. In 2018, the Group was actively engaged in the swift transformation of current BOSS stores to the updated furniture concept. Simultaneously, strategic investments were made to open the first HUGO stores, with a focus on European locations (*Hugo Boss Annual Report 2018, 2018*). This strategic investment demonstrates the

company's commitment to its new strategy by offering a separate store concept for each brand and maintaining two distinct identities, both in terms of appearance and shopping experience.

In line with the rebranding, the company developed further digital concepts. For the brand HUGO, the product development for the shirts, ties, and knitwear categories was fully digitized. To improve efficiency in the wholesale selling process the company introduced a digital showroom that simplifies and optimizes the wholesale process and resolves the need for a physical ordering process (*Hugo Boss Annual Report 2017, 2017*). The company stated in 2017 that the technology is expected to be the basis for both brands in the medium term (*Hugo Boss Annual Report 2017, 2017*).

3.2.6. 2-brand strategy development: 2018 - 2020

Concerning Hugo Boss' 2-brand strategy, the company went through various phases in the following years of initiation until the Claim-5 strategy was announced in 2021.

In 2018, the company opened 12 HUGO stores in metropolitan areas like London, Paris, Amsterdam, and Dubai underlining the company's expansion plan for the brand HUGO (*Hugo Boss Annual Report 2018, 2018*). Transitioning to 2019, a strategic move in line with the company's digital transformation was the integration of seamless integration of online and offline retail services (omnichannel) in BOSS and HUGO stores as the year also revealed a growing reliance on digital channels by consumers (*Hugo Boss Annual Report 2019, 2019*). The company also responded to industry shifts, experienced an upswing in casual and athleisure segments amidst a slowdown in premium apparel linked to the Covid-19 pandemic.

Building on these changes, Hugo Boss made concerted efforts in 2020 to emotionalize its brands. The aim was to create an emotional connection with the consumer and get the consumer to identify with the brands by focusing on three pillars: highlight events, strong partnerships, and collaborations with exclusive other brands (*Hugo Boss Annual Report 2020, 2020*).

The marketing around the brands was also pushed on a global scale with the intention of maximising brand awareness, reach, and impact (*Hugo Boss Annual Report 2020, 2020*). The events were chosen according to the respective target audience and were simultaneously livestreamed on social media and the company's website. The Milan Fashion Week in 2020 is an example of a BOSS fashion event, where the brand revealed its Spring/Summer collection for 2021. At the same time, the company organised a brand experience event in Shanghai

across digital Chinese platforms like WeChat and T-mall. The collaboration “BOSS x Justin Teodoro” (New York based artist) was revealed during the event.

The company identified significant potential for the Chinese market and was looking for growth opportunities. According to the company in 2020, it is the region a key strategic growth driver for the Asia/Pacific region. Part of the strategy was to expand the retail presence in mainland China, focusing on both online and offline retail. Hugo Boss was implementing targeted marketing measures to enhance brand awareness, supported by regional events, such as Chinese Valentine’s Day or Golden Week, and local brand ambassadors like Chinese actor and singer Li Yifeng. The offline expansion entailed increasing the retail space by 10% annually (*Hugo Boss Annual Report 2020*, 2020). Online strategies were focused on leveraging platforms like Tmall and JD.com and enhancing payment apps like WeChat. The offline expansion, however, and success were negatively impacted by the 0 Covid policies in China, whereas the online market experienced a significant increase.

4. New corporate strategy: Claim 5 growth strategy

In 2021, after the pandemic, Hugo Boss announced a new corporate strategy, that is at the heart of the company. After the 2-brand strategy announcement in 2017, in 2021 the company presented the Claim 5 strategy, which places great emphasis on the 2-brand approach. One of the 5 claims is “boost brands” that serves the 2-brand strategy. The further 4 claims are: Product is king, Lead in digital, Drive Omnichannel & Organize for growth. The strategy is a growth strategy and was implemented to achieve significant revenue growth and to increase the global brand relevance.

4.1. Introduction to the Claim-5 strategy

The company’s brand portfolio still sticks to a clear distinction between the brands BOSS and HUGO initiated in 2017 as Figure 10 illustrates.

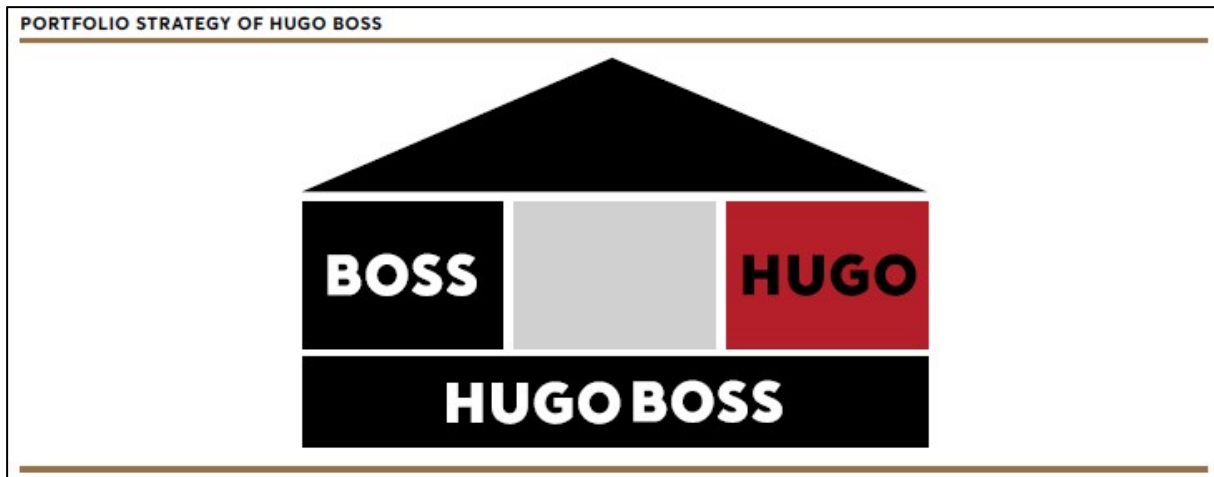


Figure 9: Portfolio Strategy of Hugo Boss (Hugo Boss Annual Report 2021, 2021)

The Claim 5 growth strategy is intended to drive sales growth across both brands and all genders. The claim product is King emphasises investments into price value proposition, providing premium quality and innovative products that embody casualisation and comfort.

The brand BOSS is allocated in the premium luxury segment, whereas HUGO provides a broader range of contemporary and commercial pieces.

The primary objective of 'Leading in Digital' is to enhance and advance digitalisation throughout the entire value chain. This encompasses activities ranging from trend identification and digital product development to the implementation of AI-driven pricing capabilities and the worldwide expansion of digital showrooms, building upon the foundation established in 2017. A part of the digital project is also the establishment of a digital campus located in Porto which is discussed in section 4.4. The company announced investments into the digital transformation of € 150 Mio. by 2025 (*Hugo Boss Annual Report 2021, 2021*).

The strategy also focuses on expanding omnichannel activities and further enhancing the seamless brand experience across all consumer touch points which was already initiated in 2020. The goal is to boost digital sales to more than a billion by 2025 and to increase in-store productivity by 3% per year. The global store network was planned to be improved through refurbishment and overall investments of € 500 Mio. by 2025 according to the annual report in 2021.

Since the strategy is a growth strategy, the notion of growth is significant to the strategy's success, however, the company at the same time is committed to balancing the global

footprint. The company announced a commitment to sustainability, including climate neutrality by 2030 as part of the strategy.

Asia/Pacific remains a key region for the company’s growth, which is targeting a compound annual growth rate in the low double-digit range.

Table 4: Sales by brand 2021 & 2022(Hugo Boss Annual Report 2022, 2022)

Sales by brand						
SALES BY BRAND (IN EUR MILLION)						
	2022	In % of sales	2021	In % of sales	Change in %	Currency-adjusted change in %
BOSS Menswear	2,868	79	2,181	78	31	27
BOSS Womenswear	239	7	192	7	24	21
HUGO	545	15	413	15	32	27
Total	3,651	100	2,786	100	31	27

Comparing the Sales figures from 2022 and 2021 to 2017 and 2018, there was a strong increase for both brands. In 2022, the brand BOSS generated €3,107 Mio. in sales and HUGO €545 Mio. compared to €2,336 Mio. and €397 Mio in 2017 respectively. The share per brand as a percentage of sales remained approximately the same. The company’s record sales and growth for both brands can largely be attributed to the momentum the company gained from the rebranding with new logos for BOSS & HUGO in 2022 (Amed et al., 2023).

4.2. Target groups and partnerships

In 2022, the company once again publicly announced the clear distinction between the 2 brands, BOSS and HUGO, thus enforcing the original 2-brand approach from 2017. The year marked an important chapter in the history of Hugo Boss regarding the 2-brand strategy. In January 2022, as part of the aforementioned Claim 5 strategy, the company initiated a thorough revitalisation of the brand images for BOSS and HUGO. This involved changing logos, refining product and marketing strategies, and introducing new design concepts for both physical and digital consumer touchpoints. The logo change was a historic day in the history of Hugo Boss, as the BOSS logo was redesigned for the first time in 50 years and the HUGO logo for the first time ever.

Both brand lines target younger generations, HUGO being more moderately priced and attracting Gen Z, whereas BOSS is more upscale and targeted to millennials between the ages

of 25-40 (*Hugo Boss Annual Report 2022, 2022*). To exploit the potential of BOSS and HUGO, the company has developed two distinct marketing strategies aimed at inspiring global consumers, with a strong emphasis on social media, engaging events, and noteworthy collaborations.

In order to reach younger customers, the brand HUGO is working together with people who are famous among the Gen Z generation and established personalities in social media. Khaby Lame, the most followed person on Tik Tok, became a strategic long-term partner of Hugo Boss (*Hugo Boss Annual Report 2022, 2022*). According to the company, the partnership brought multiple new and younger customers to the company.

Next to the partnership with Khaby Lame, both brands partnered up with several celebrities from diverse backgrounds. The company is represented in various communities. Partnerships with for instance tennis star Matteo Berrettini, models Naomi Campbell and Hailey Bieber, rapper Future, or actor Lee Min reflect this diversity. This helps the company to appeal to various customers in different regions, whether it is BOSS, HUGO, or both according to the company.

4.3. Dividend structure & marketing expenditures

According to a report from the magazine Textilwirtschaft, the company had more money in 2022 than in previous years (Bayer, 2023). Textilwirtschaft attributes this among other things to the reduction of dividends. While Hugo Boss paid out €2,70 per share in 2018 in pre Covid-19 times, which corresponded to a payout ratio of 79%, the company gives shareholders €1 per share for 2022, which equates to a ratio of 33%. In 2022, the company increased the marketing budget by 41% (*Hugo Boss Annual Report 2022, 2022*) and spent €288 million, which corresponds to 7,9% of sales (Bayer, 2023).

Table 5: Marketing expenditures in € mio. & in % of Revenue (Bayer, 2023)

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total
Marketing expenditures	80	58	71	79	288
Revenue	772	878	933	1068	3651
in % of Revenue	10,4%	6,6%	7,6%	7,4%	7,9%

Table 6 shows the development of the dividend per share from 2017 to 2020. It indicates the significant difference between the dividend per share in 2017 and 2018 the years prior to the pandemic compared to 2022. The dividend per share in 2019 and 2020 of 0,04€ is the legal

minimum dividend which was agreed upon due to the challenging nature of the Covid-19 pandemic.

Table 6: Earnings per share & Dividends per share in €: 2017-2022

	2022	2021	2020	2019	2018	2017
Earnings per share	3,04	1,99	-3,18	2,97	3,42	3,35
Dividend per share	1,00	0,70	0,04	0,04	2,70	2,65

In the first quarter of the year, the company invested the most in marketing campaigns, as Table 5 illustrates (*Hugo Boss Annual Report 2022*, 2022). In line with the Claim 5 growth strategy, the high marketing expenditures were made to leverage brand awareness and to boost both brand images. In January 2022, Hugo Boss launched global campaigns for BOSS with #BeYourOwnBoss and HUGO with #HowDoYouHugo. Together, the two campaigns achieved 1,9 billion impressions with 75 million interactions on all social media platforms (McKinnon, 2022). The campaign paid off for both brands, with Boss' social engagement on Instagram increasing by 84% and HUGO's Tik Tok followers increasing by 30% (McKinnon, 2022).

Sales and marketing expenditures combined increased by 29% compared to the prior year, primarily driven by a rise in variable rental costs, payroll outlays, and fulfilment expenses, all attributed to the strong upward trend in top-line performance. Furthermore, this rise can be linked to investments in marketing, predominantly reflecting the success of BOSS and HUGO's brand campaigns and fashion events throughout the year, with the goal of enhancing global brand relevance. Total marketing costs increased by 41%, reaching €288 million, constituting 7.9% of Group sales, in contrast to the previous year's €204 million, which represented 7.3% of sales in 2021.

Hugo Boss explains in its 2022 annual report that rebranding is more concerned with changing the way of doing business and not simply changing the product. Nevertheless, the rebranding also implied a change in product, as also part of the claim 5 strategy 'product is king' entails. The brand adapted to the changing working culture that resulted from the pandemic.

4.4. Hugo Boss & the athleisure trend

Hugo Boss used to be known as a tailoring company for suits. Due to the pandemic, the culture in many companies has shifted to home office or hybrid models, which means that a

classic outfit in the workplace is no longer necessary in most cases. CEO Grieder said: “It’s now clear to the young generation that this brand is not just a suiting brand” (Williams, 2022). The company has started to create more comfortable suits and generally clothes with stretch fabrics that represent their new definition of tailoring, and this suits a more casual lifestyle. The athleisure trend is elaborated in section 3.1.5. Hugo Boss increased the share of athleisure and sportswear in accordance with the increase in demand.

The casual and contemporary lifestyle is also embodied in the Claim 5 strategy with a particular focus on the brand HUGO (*Hugo Boss Annual Report 2022*, 2022). As mentioned at the beginning of section 4, the brand offers premium quality and innovative products that embody casualisation and comfort.

4.5. Building on digital transformation: Digital Campus

Building on the digital transformation project announced in 2017, the company has launched a project to set up a digital campus in 2021 to improve the company's digital capabilities. This initiative is part of the Claim 5 pillar lead in digital.

In 2022 the company invested heavily into the digital infrastructure of the company. €47 million were invested in 2022 compared to 25 million in 2021. The investment was among other things related to the digital campus project in Porto (*Hugo Boss Annual Report 2022*, 2022).

In 2023 the company opened the digital campus in Gondomar (Porto region) in Portugal. The digital campus is a joint venture between Hugo Boss and Metyis. Metyis is “a multinational provider of solutions in big data, digital commerce, marketing & design, and advisory service” (Metyis AG, 2023).

Hugo Boss states that the project was initiated to increase data analytics capabilities and boost digital sales by improving the data architecture infrastructure to constantly develop and improve the company’s e-commerce platform and services. The goal according to the company is to increase digital sales to 1 billion euros by 2025.

With analytics capabilities as part of the digital campus, the company aims to improve the customer experience and create added value from emerging trends (Metyis AG, 2023). The data basis helps the company to identify and categorise customers' brand preferences and address them accordingly.

5. Current status & outlook

In line with the two-brand strategy announced in 2017, the company has continued to invest substantially in the two brands and is committed to its strategy which has a significant impact on the company's financial performance.

Corresponding to the Claim "organize for growth" the company is further on the rise. The company published its third-quarter results on November 2nd. The company continues to grow, and the Top- and Bottom-line forecast for 2023 has already been revised upwards twice. Hugo Boss expects to close the 2023 financial year with a new record sale of between €4,1 and €4.2 bio., which corresponds to an increase of 12 to 15% compared to the previous year (Westermann & Stöhr, 2023). The EBIT is expected to increase by 20% to 25%, resulting in an EBIT of between €400 and €420 mio. in 2023 (Westermann & Stöhr, 2023).

The two-brand strategy and the resulting brand awareness among consumers and the Claim-5 strategy have helped the company to achieve this growth.

6. Teaching note

The teaching note serves to establish a link between the theoretical part of brand management and the business adaptive strategies developed in the literature review to the practical case of Hugo Boss. The strategic measures taken by the company in response to the surrounding macroeconomic effects or changing consumer behaviour are illustrated in line with the theoretical framework. The example of Hugo Boss illustrates a strong basis for implementing business adaptive strategies to changing conditions that affect the company's operations and jeopardise the success/existence of the company.

6.1. Reinvention manifested in a dynamic strategy: How did the company reclaim relevance and manage growth?

To understand the company's strategic adaptive actions and the underlying dynamic 2-brand approach, the section begins with a quote from Daniel Grieder, the CEO of Hugo Boss. The quote reflects the dynamic and innovative mindset of the company.

In 2023 Grieder said: "As a brand, you have to constantly reinvent yourself to stay relevant to customers. Hugo Boss has lost relevance over the past few years, and we are reclaiming our position now. Our ambition is to become one of the Top 100 global brands, and with this, in mind, we introduced our Claim 5 growth strategy last year, based on five strong pillars: Boost

Brands, Product is King, Lead in Digital, Rebalance Omnichannel, and Organize for Growth. The brand refresh is part of this strategy and will boost our brands” (Grieder, 2023).

Taking a closer look at Grieder’s statement, it can be related to a dynamic and adaptive brand capability and strategy approach as illustrated by Priem et al. (2013) in section 2.6. By constantly reinventing the company takes a specific allocation and integration of competencies, whether already available or externally added. The company’s renewal of competencies is also in line with the core ideas of the RA theory to create and add value (see section 2.1.) suggested by Hunt & Madhavaram (2020).

The integration of internal and external competencies can be attributed to several things. Internally the company is constantly working on operational efficiency –i.e., improving efficiency across the entire value chain and for instance improving the global store network as elaborated in section 4. The establishment of the Digital campus in Porto is characterized by external competencies since it is a joint venture between Hugo Boss and an external company ‘Metis’. The Campus is an excellent resource for Hugo Boss to improve data analytics. It is a powerful instrument that helps to categorize consumers and target them according to their preferences and interests to determine brand preferences, among other things.

In order to achieve targets, the company is organising its growth path in terms of 5 pillars elaborated in section 4. The organisation and clear structure in terms of timelines and clear figures give guidance and present a well-structured plan. Additionally, the company is financially committed to the strategy since capital expenditures increased significantly in line with the 2-brand and Claim 5 strategy which aims for substantial return in the long term.

As part of reorganising, adapting, integrating resources and competencies, the company is focusing on boosting brands, among other things, as part of its reinvention. The 5 pillars generally complement one another and establish synergies for the company to grow and reclaim relevance.

6.1.1. The role of brand flexibility & adaptability: BOSS & HUGO

The constant reinvention also corresponds well with the concept of brand flexibility and adaptability illustrated in section 2.6.

Regarding the aforementioned concept by Priem et al. (2013), the company came up with a plan to reorganise its structure in terms of running two brands under one organisation (see Figure 10, section 4). The brands both received a remarkable refresh in 2022 in line with the

Claim 5 strategy, as the company created new logos and distinct marketing concepts. The refresh helped the company immensely to catch momentum and pushed the brand awareness resulting in great financial performance.

The company developed a dynamic adaptive strategy over time, starting with the 2-brand strategy approach in 2017, the company built up to include further pillars that enhance the 2-brand approach and increase the brand relevance. Moving to the Claim 5 growth strategy, the company is significantly investing in growth by relying on and pushing its brands.

6.2. How does leadership impact the strategy and drive change?

Leadership also played a determining role in the company's strategy development, pursuit, and consistent delivery.

Hugo Boss CEO Grieder refers to leadership pioneers: "It is all about mindset: companies that are not prepared for change can face an existential threat at any point. All industries are facing similar challenges that require transformation. Leadership can make a difference in taking a company from one era to the next. Leaders can act as enablers and be the ones who set the tone and pave the way for their teams to leave their comfort zone and think differently. We can never really know when a time for change will come, but we can work to be ready to adapt quickly" (Grieder, 2023).

The branding capabilities according to Ulrich & Smallword (2007) illustrated in the literature review are related to leadership qualities. Leadership qualities are important for the relationship to customers and investors, as well as for transformation. As Grieder stated leadership can make a difference, for instance when companies face challenges such as the changing macro-economic conditions described previously in section 3.1.3. These challenges require change and companies must adapt accordingly. The 2-brand and Claim 5 strategies therefore illustrate a remarkably adaptive approach to being robust and flexible when it comes to embracing change and also striving for alteration.

The transformation was led by Grieder and a new top management team of industry experts that was appointed to revive the company (Thomasson, 2021). Since the appointment of the new leadership team, the company has achieved immense results.

Leadership is also relevant when it comes to communication. The corporate communication internally as well as externally has a strong focus on Claim 5, thus also on boosting 2 distinct brands. All corporate communication is directed towards its strategy, making it present inside

and outside of the company. The brands also receive a great deal of attention, as the "boost brands" part is constantly pursued, and two consistent brand identities and images are presented inside and outside the company. This type of communication is also enforced by strong leadership, presenting a unified and clear path to the outside embedded in the corporate culture.

6.3. How did the company develop and strengthen Brand Equity?

Brand equity plays a crucial role in enhancing the competitiveness and awareness of the company's brands. The two-brand strategy, combines both brand and market-oriented strategic approaches, illustrating an example of their simultaneous reconciliation.

6.3.1. The company's development of a dynamic archetype: market and brand orientation

The company's strategy development reflects an interplay between the calculative and heuristic approaches (see section 2.5), which indicates an extrinsic market orientation and an intrinsic brand orientation respectively, although not strictly in the order described in the literature. The company has succeeded in combining both orientations in a dynamic strategic framework.

Over time, the dynamic framework model enabled the company to give both brands an identity that consumers can identify with, but also to respond to market trends and adapt the offering to customers. The increasing demand for athleisure wear as a consequence of the Covid-19 pandemic for instance is an indication of an external factor influencing the company's actions. Hugo Boss in response increased the share of athleisure wear and also changed the fabrics that suit a more casual lifestyle (section 4.3). By having two different brands with different target groups, the company also appeals to different income classes and generations, as described in section 3.1.3. The 2-brand approach, thus, makes it possible to respond to changing consumer sentiment and is therefore less vulnerable to trading-down effects, as described in section 3.1.3.

The company's strong brand equity is further reinforced by strong infrastructure, offering an exclusive customer experience through the introduced omnichannel service through the seamless connection of online and offline retail. This led to Top line growth but also increased the brands' relevance and awareness.

The emotionalising process of the brands (section 3.2.6.) and rebranding as such on the other hand can be associated with intrinsic value embodied in the heuristic archetype. Creating a brand identity involves actively engaging with customers (section 2.3.) through highlight

events like Chinese Valentine's Day, Milan Fashion Week, and strategic partnerships with diverse personalities. Strategic partnerships, including figures like Khaby Lame, Matteo Berrettini, Naomi Campbell, Hailey Bieber, Future, and Lee Min, provide a broad spectrum of diverse identities for consumers to connect with emotionally. By targeting distinct groups for each brand, the company acts flexibly, allowing for adapting to varied consumer preferences. This approach provides customers with the freedom to choose.

Additionally, the 2-brand construct affords the company flexibility in responding to uncertain market conditions, including consumer sensitivity and the impact of inflation as described above. This approach allows customers to identify with one or both brands, offering diverse price points and further contributing to the company's adaptability and competitiveness.

6.4. How did the realignment of financial structures boost performance and increase brand relevance?

The company, next to the announcement of the 2-brand and following the Claim 5 approach, also financially pursued a more aggressive and attention seeking approach. Large parts of the company's investments associated with the 2-brand strategy went into marketing campaigns outlined throughout the paper. The 2-brand strategy as such involved a financial restructuring that included an increase in the marketing budget with the aim of increasing sales. The share of marketing expenditure in sales was increasing and will be kept constant at a level of approximately 8%.

In section 4.3. the reduction of dividends and the increase of marketing expenditures are outlined. The company decreased the dividend to 1€ per share and at the same time increased the marketing expenditures by 41% from 2021 to 2022 to €288 Mio.

This is in line with the company's growth strategy claim 5. The company's goal is to become one of the top 100 lifestyle brands. To increase the brand awareness and strengthen brand equity marketing efforts were made to support and sustain growth. The profitability in the short term has suffered slightly as a result, however, since it is a long-term growth strategy, the company is investing in long term and sustainable growth, expecting higher returns on the investments in the future.

7. Discussion & Limitations

The paper thoroughly examined the theoretical and practical framework of brand management with regard to business adaptive strategies, using the case of Hugo Boss as an illustrative

example of well-executed adaptive and dynamic brand management in alignment with the theoretical argumentation and strategy proposition of the literature. However, there are some limitations that have to be acknowledged. The exclusive focus on Hugo Boss may restrict generalising the findings to other companies. The absence of a more sophisticated comparative framework demonstrating other companies' strategies, similar to or different from the presented case were not analysed thoroughly, thus, hindering a more comprehensive understanding of the broader industry landscape in terms of brand management and business adaptive strategies. Therefore, a more detailed analysis of companies' approaches within the industry, covering different data sources, could have broadened and further strengthened the study. The data applied to this case was predominantly based on secondary data provided by the company, introducing a possibility of information bias. While the analysis partly adopted a critical stance, the jeopardy of the dynamic approaches with high investments that could have failed was not excessively stressed.

Consequently, to provide a more expansive, nuanced, and critical overview of the success, potential failure and implementation of brand management strategies in the context of business adaptive strategies, a comparative analysis of competing companies employing both similar and different approaches is apparent for future research.

8. Conclusion

The case of Hugo Boss is a compelling example of how to adapt a company to a changing environment and to enforce the revival of a brand. In line with the ideas of business adaptive strategies, the company developed a flexible and dynamic framework over the past years starting in 2017. The formulation and execution of the 2-brand strategy and later the Claim 5 strategy not only helped the company to achieve significant growth but also to revive its brand relevance. The company's flexible and global approach penetrating multiple markets and all available channels, online and offline globally contributed to the success story.

The 2-brand strategy laid the foundation for the company's current rise to become part of the top 100 brands, which is being further pursued with the current Claim 5 corporate strategy.

The strategy formulation and implementation also demonstrate the company's evolution and adaptation to the changes in the environment described in the paper, whether it is a change in consumer behaviour or the need to expand the offline store network and digital channels.

The company has successfully developed brand identities, targeting different income classes and generations through remarkable events and strategic partnerships that reflect global diversity. At the same time, the company is constantly responsive to market changes which is supported by a strong infrastructure that the company has established to improve analytic capabilities.

The company continues to grow, and the 2-brand approach and current Claim 5 strategy demonstrate the company's willingness to constantly reinvent itself in order to maintain long-term, sustainable growth and strong brand awareness.

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