



Gisma  
University  
of Applied  
Sciences

Final Assessment  
M510 CEO Decision-Making Case Studies

**Diesel - Clothing Brand  
Critical Analysis**

Sandhra Sara John  
GH1027030

SL.No	Topic	Page Number
1	Introduction	3
2	External Analysis	4
3	Internal Analysis	7
4	Strategic Leadership	10
5	Strategic Framework	11
6	Conclusions and Recommendations	12
7	References	13

## Introduction

Diesel, an innovative and creative Italian denim company, is known for its diverse range of clothes and remarkable styles. In addition, the brand offers several collections of accessories, fragrances, jewellery, and watches, and it has more than just clothing.

Therefore, because of its widespread international presence and popularity among celebrities and influencers, it is essential to examine the brand's strategies and frameworks for its global success and assess the external and internal opportunities and threats that have influenced its growth.

Diesel was founded in 1978 by Renzo Rosso, his decision to sew low-rise bell-bottom jeans on his mother's Singer sewing machine at the age of fifteen, to wear them and then sell each pair for ITL 3500 to his friends, laid the groundwork for the denim brand's true essence in the early 1970s. From the outset, Rosso demonstrated his rebellious mindset, which would later become Diesel's trademark. (Vue, 2019).

By partnering with a leading jeans brand company in the 1970's, Goldschmidt. In a market where the US brands were popular, Diesel started the journey by launching its first Men's clothing collection in 1979. Slowly widening the collection towards kids' and women's lines, Diesel began to target audiences and promotions internationally. Most of their denim collections were produced using sustainable processes, contributing to environment-safe practices.

Diesel's first international stores were in Rome, New York and London in the 1996. And it also signed up to be a brand of the OTB group, which helped Diesel in building recognition for developing international brands. Diesel gained a lot of popularity through international partnerships with renowned brands.

As Diesel continues to diversify, we will gain deeper insights into the leadership patterns and the strategies they undertake for the brand's success. Through this study, we will also understand how Diesel deals with market challenges and maintains its brand identity in its competitive market.

## External Analysis

Diesel operates in the Denim market In the Fashion industry/Premium Industry. Alternatively, Diesel has evolved to a point where it can stand alongside other luxury brands like Chanel, Gucci and so on which can also be considered as their competitors.

In 2023, the denim market was estimated to be worth USD 66.67 billion. According to projections, the denim market industry will expand at a compound annual growth rate (CAGR) of 5.81% from USD 71.12 billion in 2024 to USD 111.75 billion by 2032. (Singh, 2021).

Despite challenging macroeconomic conditions, we estimate the overall luxury market reached €1.5 trillion globally in 2023, a robust 8% to 10% growth over 2022 at current exchange rates (11% to 13% at constant exchange rates), setting a record for the industry and proving its unparalleled resilience. ( D'Arpizio, Levato, Steiner, Montgolfier, 2024)

Diesel operates in a rapidly expanding market with increasing demand for a diverse range of denim and innovative denim products. This expansion is due to the advancements in manufacturing techniques and increasing consumer preferences. Social media also plays a significant role in driving this market, representing brand visibility, influencing trends, and boosting consumer demand.

### PESTEL Analysis

**Political:** Diesel is exposed to certain government restrictions, trade agreements and laws in the European market. One of the political factors was Brexit, where they had to alter their exporting plans. Consequently, the company had to deal with the impacts of Brexit such as the rise in import and export expenses, high taxation, business challenges and shortfall in supply chains.

**Economic:** The key economic factor is the price of textiles dropped due to continuous inflation, resulting in less revenue for the company. The company also faced skilled labour scarcity and trade and investment obstacles.

**Social:** Consumers are getting more informed about the products and labour practices employed by the company. For instance, they choose to live sustainably therefore choosing sustainable products. They are also against unethical business practices like child labour. Consumers are also trend-conscious, particularly when it comes to street and casual clothes therefore the company have to adapt how they produce clothing.

**Technology:** The company had to rethink their decisions due to the rapid rise of e-commerce and AI. Along with the digital transformation, technical advances and innovations forced the company to create new business models.

**Environment:** The growing demand for trendy and stylish clothing has led to a flourishing textile industry. This has resulted in increased extraction of raw materials for production, particularly cotton, and the production of synthetic fibres, which use an excessive amount of land and water. As a result, the company is subjected to regulations regarding waste management, carbon emissions and resource use. As well as there is also pressure to make continuous efforts to stay sustainable to fulfil growing expectations.

**Legal:** Diesel has to follow the legalities posed by the country for their longevity, which includes following laws, EU directives, acts, regulations and tax laws. These include Textile Labelling Regulation, Corporate Sustainability Reporting Directive, Labour Regulation and Guide and so on.

### **Hofstede's Cultural Dimensions**

**Power Distance:** Only a small percentage of European Union cultures have extremely low PDIs. Slovakia has the highest PDI(100) and Germany and Italy have modest power distance.

**Individualism and Collectivism:** Individualism is common in the majority of European countries. While Germany and Italy are individualistic, Italy has more individuality than Germany.

**Masculinity and Feminity:** Europe has a highly varied and extreme degree of variation when it comes to the masculinity score. Performance and status are highly valued in Germany and Italy which are considered masculine societies.

**Uncertainty Avoidance:** The high level of uncertainty in the EU countries contributes to a sense of ambiguity and discomfort among the members of the companies and the society. Italy and Germany can be considered nations that avoid uncertainty, but their scores are high. This may have an impact on how Diesel employees operate for the business.

**Confucian Dynamism:** The majority of the nations tend towards a long-term perspective. Germany ranks first in terms of long-term orientation. This implies the business must concentrate on sustainable growth and continuous model enhancements.

### **Porter's 5 Forces Framework**

**Rivalry among existing competitors (High):** Diesel is in the Fashion/denim industry which is evolving and expanding as a result of increasing consumer demand and where the competition is intense. Diesel directly competes with Levi and other companies such as Calvin Klein, Pepe Jeans, Versace, American Eagle and Tommy Hilfiger. Diesel sets itself apart from its competitors primarily through narrative-driven advertising that visually conveys the attitude of the clothing. The company's reputation is built mainly on price compared to its rivals, as well as excellent designs, channels and advertisements.

**The threat of New Entrants (High):** The industry is experiencing a rise in the number of new entrants as entry barriers are falling, which could pose a threat to Diesel. These days, new companies do not require large capital requirements. The new entrants are gathering insights from the industry and incorporating technology breakthroughs and innovations into their products to draw the customer's attention to them.

**Bargaining power of suppliers (Medium):** Diesel has a wide range of international suppliers, meaning the competition between the suppliers is greater than their bargaining power. Therefore Diesel controls the prices and has substitutes and the threat of forward integration is low.

**The threat of substitute products (High):** Diesel operates in the Denim market where the competition level is high, giving consumers a wide range of substitutes. Companies such as Levi, and Calvin Klein are relevant.

**Bargaining power of buyers (High):** Diesel is considered to be in the premium market, which means the customer can shift to other brands that offer the best value, making the buyer's bargaining power strong.

The market of the company is expected to grow more because of the increasing demand for denim clothing nowadays as per the growth analysis. This offers Diesel the opportunity to expand its market share.

#### **Opportunities:**

- From the above analysis, Diesel can use technological advancements to increase demand in their production. For example, giving consumers the ability to customise their designs and ideas and using digital textile printing for this can be a good opportunity to increase popularity.
- Diesel has all the potential to completely establish itself in the luxury market.
- The diversity of power distance and individualism across the EU shown, offers Diesel the opportunity to tailor marketing strategies based on regional preferences.

#### **Threats:**

- It is seen that the company faces intense competition due to new evolving brands and existing brands in the market.
- The expansion towards the luxury market also means that Diesel should be ready to face the most wealthy and prominent competitors in the market such as Gucci, Chanel and so on.
- The factors such as inflation and rising production costs can negatively impact the company's profitability.

## Internal Analysis

Diesel wants to be recognised for being dynamic, modern and forward-thinking, as well as for having a solid understanding of their target demographic. Being a company from 1978, the company will have a lot of experience and has identified its weaknesses as well as strengths. Some of the strengths and weaknesses of Diesel involve:

### **Strengths:**

- The company has a wide range of products and well as it understands the preferences and choices of its consumers.
- Brings new trends and concepts to the market, as I have seen through social media. The different variety of styles they produce.
- When several casual wear companies began to appear, the company chose to use selective distribution, reducing its network from 10,000 stores worldwide to 5000, to protect its reputation and attractiveness. (Bhasin, 2019). This is good for Diesel being a premium company to maintain brand prestige and price control.
- They have strong advertising tactics that involve telling stories through graphics and it is the first fashion company to have an internet presence since 1995.

### **Weaknesses:**

- The products are generally expensive and in few designs.
- Limited accessibility or visibility to the public making it less familiar.
- Depends only on a limited type of apparel to earn major revenue. If there is a slight decrease in the demand for this then there will be a major drop in the whole sales.
- Brand image is impacted by fraudulent imitations and duplicate goods.

### **VRIO Framework**

The main resources and competencies of the company involve:

1. **Brand Reputation:** Diesel, a well-established brand, recognized globally for innovation and premium denim.

Out of 228 reviews, Diesel has an average rating of 3.4. According to the rating, the majority of clients are content in general. Diesel.com is the website for official use.

Men's clothing, fashion, women's clothing, shopping, and children's clothing are all popular categories for Diesel. In the US, Diesel has 22 Yelp locations. See the top-rated Diesel companies on Yelp, along with their customer service scores, by reading the list below. (Yelp, 2023).

- Valuable: Diesel's strong brand image with innovation and premium quality is very valuable to attract customers and differentiate from other competitors.
- Rare: This resource is rare because of the company's long-established, globally recognized brand identity.
- Inimitable: The company's brand image that they have been achieving for years cannot be imitated at all by any other companies.

- Organized: Diesel has many structures and marketing strategies to promote its brand.

**2. Customer Base:** Strong, loyal customer base that associates with the Diesel with premium quality and style.

With 76% of its consumers being female and 23% being male, Diesel's clientele is primarily female. Additionally, the majority of their clientele are in the 18 to 24 age range. As a result, a young adult from the upper middle class who can afford Diesel's premium rates will often be one of its customers. (Breen, 2023)

- Valuable: This is a very critical resource for the business's success. Without a strong customer base, the company cannot exist in the market.
- Rare: This is not a rare resource when compared to other competitors as they also have consumer followings.
- Inimitable: The amount of customer base of Diesel can be attained by competitors through brand loyalty programs or other strategies.
- Organized: The company is well organized to maintain customer relationships through CRM systems, loyalty and customer engagement programs.

**3. E-commerce space:** A well-developed online space to sell a company's products.

- Valuable: This is a very important resource and a critical part of the company as currently, the public is interested in buying online due to the technical advancements.
- Rare: E-commerce platforms are very common across the fashion industry so this is not a rare resource.
- Inimitable: Other competitors can easily imitate online stores with similar user experiences.
- Organised: Diesel's online structure and logistics are well organised along with online marketing.

**4. Design Strategy:** Innovative designs, well-skilled designers and technology.

- Valuable: The unique designs and design strategies of Diesel are very valuable as they act kind of as a trademark which makes them different from the competitors.
- Rare: Diesel has its way of designing to stand out from the competitors therefore it is a rare resource.
- Inimitable: It's not very possible to imitate the design strategies of the company as they have their creative process and heritage
- Organized: The company has a very organised framework to consistently deliver innovative designs.

**5. Marketing expertise:** Skilled and effective development and execution of marketing strategies.



Compared to many other businesses, Diesel takes a distinct approach to marketing and promotion. Always engage the customer instead of trying to sell them something; have a fun, two-way conversation rather than a lifeless, one-way speech. (Fisk, 2016)

- **Valuable:** Diesel's marketing, especially its narrative-driven marketing campaigns, and rebellious campaigns, is crucial for maintaining brand identity and its target audience.
- **Rare:** Diesel has a very creative and high-impact marketing approach unique to itself.
- **Inimitable:** The unique marketing style of Diesel cannot be imitated by other competitors
- **Organized:** Diesel has a strong marketing teams and strategies to leverage this expertise.

**6. Sustainability Initiatives:** Commitment to sustainable fashion and eco-friendly practices.

- **Valuable:** It is a very valuable resource which is very important to modern consumers and to attract environmentally conscious buyers.
- **Rare:** Since other companies also deal with sustainability, the resource is not entirely rare, but the strategies and actions will be different.
- **Inimitable:** The company's sustainable practices can be imitated by other companies.
- **Organized:** Diesel has its structure to support and expand its sustainability programs.

Resource	Valuable	Rare	Inimitable	Organized	Implication
<b>Brand Reputation</b>	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
<b>Customer Base</b>	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
<b>E-commerce space</b>	Yes	No	No	Yes	Competitive Parity
<b>Design Strategy</b>	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
<b>Marketing expertise</b>	Yes	Yes	Yes	Yes	Sustained Competitive Advantage
<b>Sustainability Initiatives</b>	Yes	No	No	Yes	Temporary Competitive Advantage

## Strategic Leadership

### **Hard Wiring Factors:**

**1. Barrier to Model changes:** Since Diesel operates in a global market and relies on a complex and established supply chain. When planning to shift towards a more sustainable production model or expand the company's e-commerce space, there will be a need for significant alterations to its existing processes.

This shift requires a lot of decision making in taking different aspects into consideration. The barrier here is that the business legacy models turn rigid, and this shifting, integrating new technologies and shifting supply chain processes requires significant investment and time.

**2. Barrier of Uncertainty:** Future Diesel has already reached to the public due to their unique fashion, especially the D logo on the outfits, which is a trend throughout celebrities and social media.

Diesels's design strategy is also a hard wiring factor influenced by uncertainty, whether the company should invest in a new line of sustainable and edgy designs or to stick with the classic designs.

Strategic Leadership, using its clear business model, can take this barrier out. Using a clear business model the leaders can identify strategies to balance the shift and usage of investment and time.

The uncertainty of bringing new designs can be avoided by producing fewer new styles along with existing designs to test if their demands are high. This is also can be executed by a well structured business model.

### **Soft Wiring Factors:**

**1. Employee resistance:** Diesel has a very strong brand heritage, which it has stuck to for years. Employees who are familiar with this can resist to any new initiatives in the design processes and the business style. In an industry that values creativity and innovation, employee resistance could hold the adoption of new practices.

Strategic Leadership can use the model of emotional intelligence to deal with this barrier. By identifying these emotions of the employee's emotion. Self Awareness and Relationship Management can help in this context. Giving them the confidence and a sense of team work and collaboration helps in avoiding these barriers.

## Strategic Framework

The strategic framework that was selected for the diesel company is Porter's generic strategy. Since there is increased market competition around Diesel, this framework can help the company continue focusing on being different from competitors.

This strategy aligns well with the unique positioning as a premium industry and luxury/denim/fashion brand that differentiates itself through unique designs, creative advertising and marketing and a rebellious brand identity.

Diesel falls in the **Differentiation strategy** with a **Broad business scope**.

Diesel is mainly differentiated by their advertising style, where they post pictures that narrate a story. Even the public frames the advertising as a collection of Diesel's creative works. The company emphasises premium quality with edgy and rebellious branding and unique styling with attractive logos on the T-shirts where even I thought it would be nice to have a pair of Diesel.

This type of strategy, Diesel implements it in a broad market where the company operates in both the denim market and the luxury fashion industry. While it started with denim it started expanding by selling different other categories of products such as accessories, fragrances, watches and so on.

This type of strategy and business scope is very advantageous to the company as people look for uniqueness and deviating from the competitors can gain lot of attention.

This combination of Diesel to stand out in the highly competitive fashion industry while catering for a broad and diverse consumer community across different regions.

## Conclusion and Recommendations

Diesel's creative designs, bold marketing tactics and rebellious brand identity have contributed significantly to its status as a top and leading brand in the denim and fashion industries. Also, it is understandable that Diesel is straightforward and an edgy and trendy fashion company; therefore, it is demanded by young adults who are fashion freaks and followers of trends.

This report clearly states that the company is faced with possibilities and risks as it is going through a transforming fashion industry due to the rise of e-commerce, growing demand for sustainability and intense competition from luxury brands. These macroeconomic factors also can be challenging to the company.

The Internal factors also play a major role in the working of the company, especially when it comes to the strengths and weaknesses of the company and taking action accordingly. The company focuses on a broader scope of business, targeting the luxury fashion industry, denim industry and premium industry.

From this report, I can understand that Diesel mainly focuses on standing out from other competitors and wants to be a company that is transparent and promotes equality to everyone through their programmes and advertisements.

It would be better if they brought in certain technological advancements using AI and increased their marketing to a wide range of the public in this competitive market to gain popularity and to build a stronger customer base.

## References

- 1) Bhasin, H. (2019). *SWOT analysis of Diesel*. [online] Marketing91. Available at: <https://www.marketing91.com/swot-analysis-of-diesel/>.
- 2) Breen, K. (2023). *Diesel Situational Analysis*. [online] issuu. Available at: [https://issuu.com/keribreen99/docs/situational\\_analysis\\_report\\_print/5](https://issuu.com/keribreen99/docs/situational_analysis_report_print/5).
- 3) D'Arpizio, C., Levato, F., Steiner, A. and de Montgolfier, J. (2024). *Long Live Luxury: Converge to Expand through Turbulence*. [online] Bain & Company. Available at: <https://www.bain.com/insights/long-live-luxury-converge-to-expand-through-turbulence/>.
- 4) Fisk, P. (2016). *Diesel*. [online] Peter Fisk. Available at: <https://www.peterfisk.com/gamechanger/diesel/#:~:text=Promotion%20and%20marketing%20at%20Diesel,a%20hollow%20one%2Dway%20monologue>.
- 5) Singh, S. (2021). *Global Denim Market Overview Source: https://www.marketresearchfuture.com/reports/denim-market-7135*. [online] Market Research
- 6) Future. Available at: [https://www.marketresearchfuture.com/reports/denim-market-7135#:~:text=Global%20Denim%20Market%20Overview,period%20\(2024%20%2D%202032](https://www.marketresearchfuture.com/reports/denim-market-7135#:~:text=Global%20Denim%20Market%20Overview,period%20(2024%20%2D%202032).
- 7) Vue, V. (2019). *Four Decades Of Diesel – For Successful Living*. [online] Vue.ai. Available at: <https://vue.ai/blog/leaders-in-retail/four-decades-of-diesel/>.
- 8) Yelp, Y. (2023). *Diesel*. [online] Yelp. Available at: <https://www.yelp.com/brands/diesel#:~:text=About%20Diesel,Fashion%2C%20Accessories%2C%20Women's%20Clothing>.