



**UNIVERSITA' DEGLI STUDI DI PADOVA**  
**DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI**  
**"M.FANNO"**

**CORSO DI LAUREA MAGISTRALE IN**  
**BUSINESS ADMINISTRATION - ECONOMIA E DIREZIONE**  
**AZIENDALE**

**TESI DI LAUREA**

**THE RIVA LUXURY YACHT: BRAND MANAGEMENT AS A**  
**STRATEGIC TOOL FOR COMPETITIVE ADVANTAGE**

**RELATORE:**

**CH.MO PROF. PIERGIORGIO DAL SANTO**

A handwritten signature in black ink, appearing to read "Piergiorgio Dal Santo".

**LAUREANDO: FEDERICO PRANDELLI**

**MATRICOLA N. 1103825**

**ANNO ACCADEMICO 2015 – 2016**

Il candidato dichiara che il presente lavoro è originale e non è già stato sottoposto, in tutto o in parte, per il conseguimento di un titolo accademico in altre Università italiane o straniere. Il candidato dichiara altresì che tutti i materiali utilizzati durante la preparazione dell'elaborato sono stati indicati nel testo e nella sezione "Riferimenti bibliografici" e che le eventuali citazioni testuali sono individuabili attraverso l'esplicito richiamo alla pubblicazione originale.

Firma dello studente

*Federico Fraudelli*

## INDEX

<i>Preface</i> .....	4
<b>CHAPTER 1: THE LUXURY CONCEPTS</b>	<b>5</b>
1.1 The four drives of change in luxury .....	5
1.2 The definition of luxury.....	6
1.3 The relativity of luxury.....	7
1.4 The luxury products.....	9
1.5 The luxury brands.....	13
1.6 The relationships between luxury products and brands.....	14
1.7 Types of luxury brands. ....	15
<b>CHAPTER 2: THE LUXURY CLIENTELE</b>	<b>17</b>
2.1 The HNWI.....	17
2.2 The four types of luxury clientele.....	22
<b>CHAPTER 3: THE LUXURY YACHT MARKET</b>	<b>25</b>
3.1 A snapshot of the luxury market.....	25
3.2 Characteristic of the global yacht’s market.....	27
3.3 The super yachts market .....	30
3.4 The EU yacht industry.....	34
3.5 The Italian boat market.....	36
3.6 The yacht industry trends.....	40
<b>CHAPTER 4: RIVA IN THE WORLD</b>	<b>41</b>
4.1 Riva in CHINA.....	42
4.2 Riva in MENA (Middle East-North Africa).....	47
4.3 Riva in US.....	49
<b>CHAPTER 5: THE RIVA LUXURY YACHT BRAND</b>	<b>51</b>
5.1 Riva brand awareness.....	56
5.1.1 Riva history element.....	57
5.1.2 Riva time element.....	60
5.1.3 Riva complexity and work element.....	61
<b>CHAPTER 6: THE RIVA BRAND EQUITY</b>	<b>63</b>
6.1 The two modes of luxury brand building.....	65
6.2 The Riva brand’s dream component.....	66
6.3 The Riva brand architecture.....	68

6.4 The Riva brand identity and image.....	69
6.5 The Riva brand name and logo.....	73
6.6 The Riva brand essence.....	73
6.7 The Riva brand positioning.....	74
<b>CHAPTER 7: THE RIVA MARKETING STRATEGY</b>	<b>75</b>
7.1 The 6’Ps of luxury.....	75
7.2 The 18 anti-laws of luxury marketing.....	76
7.3 The Riva Brand Communication.....	82
7.4 The exclusivity element.....	85
7.5 The Riva’s communication types.....	87
7.6 Riva sponsorship and cobranding.....	95
<b>CHAPTER 8: THE RIVA BRAND MANAGEMENT AND BRAND EXPANSION</b>	<b>106</b>
8.1 The Riva distribution and HR management.....	106
8.2 The Riva salespeople.....	112
8.3 The Riva customer equity.....	117
8.4 The Riva brand model.....	122
8.5 The Riva brand cross-selling and brand expansion.....	127
<b>CONCLUSIONS</b>	<b>136</b>
<hr/>	
<b>BIBLIOGRAPHY</b>	<b>143</b>
<b>SITOGRAPHY</b>	<b>145</b>
<hr/>	

## *Preface*

I chose to write a thesis on Riva brand because, since I was young, I have always been strongly connected to this brand and to the boat industry. Riva has a special meaning in my life, because it has many aspects in common with me. I was born in the same Riva's region: Lombardia (more precisely 40 km divide Brescia, my native city, from Sarinco, the older Riva's boatyard).

After the Riva's acquisition from the Ferretti group, the well-known Italian super yachts manufacturer, and from the Chinese public company, Shig-Weichai, Riva headquarters was moved to Forlì (40 km far from Rimini). This is another similarity aspect, because, since my mum is from Rimini, I have always shared a lot of life-time in that region. Moreover, I have always been a sea and nautical lover. Firstly, because my great-grandfather was a fleet admiral in 'Marina Militare Italiana', so, since childhood, I have stayed in close contact with that world. Second, my father owns a Riva and, even though I still never had the opportunity to get on board, I always stared at it hours and hours, attracted by its charm. This strange coincidence gave me the opportunity to always feel Riva brand awareness in a particular and narrow way. Lastly, during my university studies, I never lost the passion for this brand; I have always tried to take advantage of it for my future career. Luckily, this year I took the master course of 'Brand Management and Licensing' and I immediately loved it. I instantly asked prof. Dal Santo to give me the chance to make a thesis on the Riva brand. He accepted, hence, for me, was the chance to finally reduce the 40 km's gap that always separated Riva from me. Thanks also to Mr. Giordano Pellacani (Riva Sales&Marketing manager) I was invited to Cannes Yacht Festival last September and I went also to visit the Sarnico's boatyard in order to analyse the brand more deeply and closely. During that visit, I truly perceived the intensity of Riva's culture and heritage and above all the passion that resides behind that brand.

Eventually, I also realised, in first person, the origin of the power of Riva's competitive advantage, that allowed this incredible Italian brand to survive over more than 170 years.

# CHAPTER 1: THE LUXURY CONCEPTS

## 1.1 THE FOUR DRIVES OF CHANGE IN LUXURY

Luxury world is changing.

It is fundamental to analyse the four drivers of change to understand how it is evolving.

The first driver is the '**democratization**' that implies two things:

First, the democratization concept permitted everyone to have access to the luxury world.

That process has exponentially increased the number of luxury consumers, hence giving to the entire luxury world a great chance to grow. The other side of the coin is the risk of the vulgarization of luxury that reached a high level.

Second thing is the historical social stratification that is gradually disappearing.

The democratization process, that favours transparency and both cultural and economic levelling out, would have led to the death of luxury by bringing about the disappearance of 'transcendent' leading classes. However, paradoxically, the very opposite has happened: the luxury, that is the offspring of the 'transcendent' stratification of society, does not die just because this stratification has disappeared; instead, it has become its creator and driver.

The second important driver is the **increase in purchasing power**, that permitted a growth in luxury goods in the recent years. This phenomenon increased the availability of money and time, bringing a both qualitative and quantitative linear growth in the consumption of most common products. Moreover, this process has changed also the current marketing activities, that, now, see a shift in strategy from normal products to 'top-of- the-range' or 'premium' products, thanks to the higher wealth level reached by both companies and people.

Furthermore, most of the times, luxury companies has noticed that the surplus accumulated from people, that got rich, is spent only on some specific activities. This behaviour led to a phenomenon called bingeing, that is an extravagant consumption, typical of luxury world.

The third driver is the **globalization**, that speeded up the increasing purchasing power process of people, through wage increases and falling prices of most manufactured products.

The globalization favoured the exchange of products all over the world, hence creating new luxury products, concepts, desires and emotions, that can be considered as sources of luxury in some Countries that instead for other are not. This process has led to the demise of social stratification, bringing to a levelling out of all cultures and a relativism in all religions.

Because of this change, a luxury product is becoming more and more rooted in a specific culture; its uniqueness comes along with the place in which was produced. It must remain faithful to its origins and anchored to it, to not being labelled as non-luxury product. This is the consequence of the vulgarization process, caused by the democratization of luxury.

The last driver, that changed the concept of luxury, is the **communication**.

A change in the communication is caused by the development of the global mass media, television in particular, and the growth in international travels that made everyone aware of the cultural richness and diversity of our planet.

Therefore, every one of us might choose among a vast field of possibilities, which culture best fit his/her personality and then come up with his/her very own social stratification.

In luxury, the last important aspect, that is a result of previous drivers, is the **non-return effect**. or **'ratchet effect'**. This is an outcome that occurs when people have tasted luxury in whatever area, then, it is very difficult for them to turn away from it.

In fact, a strange and symmetrical phenomenon is showed when there is a fall in population's spending power: people start cutting their expenditures of conventional products, to not sell their luxury ones. Most of the times, they invent excuses or find interesting stories to not sell, nor use them. Lastly, the 'ratchet effect' of luxury affects both the personal and the social aspect of people's relationship with luxury, causing huge distortions in people's social lives.

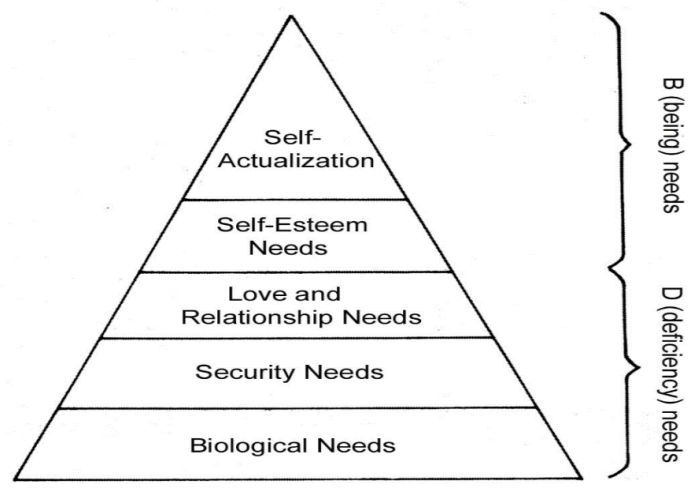
## **1.2 THE DEFINITION OF LUXURY**

Luxury is defined as something that is more than **necessary** and **ordinary** (Reith & Meyer 2003, p. 10). The distinction between necessity and luxury is based on the **availability or exclusivity of resources**. While necessities are possessed by virtually everyone, luxuries are available exclusively to only a few people or at least only on rare occasions (Bearden & Etzel 1982, p.184).

However, not everything that is neither necessary nor ordinary is a luxury.

Besides that, luxury is always meant to satisfy some **human needs and desires**.

Accordingly, luxury is also associated with **"dream"** (Seringhaus 2002 p. 5; Dubois & Paternault 1995). Therefore, Kemp (1998, p. 599) has compared the necessity-luxury relation with the **hierarchy of needs** produced by (Maslow 1970), which ranges from basic physiological needs such as hunger (necessities) up to needs of self-actualization (luxuries).



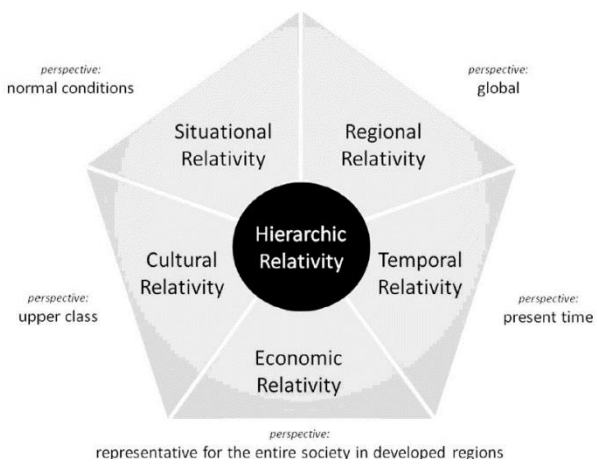
Maslow pyramid of needs

These facts demonstrate that the luxuriousness of any resource is not only based on its availability, but also on peoples’ desire for it.

Accordingly, to this pyramid therefore luxury can be defined as anything that is desirable and more than necessary and ordinary.

**1.3 THE RELATIVITY OF LUXURY**

By considering different perspectives, the decision of what is desirable and more than necessary and ordinary might be relative to the context. The relativity of luxury splits into a regional, temporal, economic, cultural and situational relativity:



The relativity of luxury scheme

**Regional relativity:** refers to the classification of resources on the necessity-luxury continuum depending on their local availability. Some goods are widely available and worth



very little in some regions, but acquire luxury status by virtue of their rarity in another environment (Merki 2002; Reith & Meyer 2003, p. 10).

**Temporal relativity:** refers to changes in the perception of the luxuriousness of resources over time, which are based on changes in their availability and desirability (Klaus Heine, 2012 p. 43). The major causes of these changes are technological progress and societal trends (Klaus Heine, 2012 p. 43). Lastly, technological progress is also the main reason for the decreasing relevance of the regional relativity of luxury goods.

**Economic relativity:** refers to differences in peoples' perceptions of luxuriousness depending on their access to resources (Klaus Heine, 2012 p. 44)

). While most people consider a bracelet costing € 50 as an ordinary item, there are some who see it as a luxury, and still others who would not even regard a watch costing € 5,000 as a luxury. Economic relativity also refers to differences among countries with varying states of economic development.

**Cultural relativity:** Depending on the cultural context, luxury refers to something that exceeds necessity and ordinariness. However, in contrast to the previous categories, cultural relativity does not refer to the availability, but to the desirability of resources to people depending on their culture. The same resource might be considered luxurious in one culture, but just ordinary or even useless and undesirable in another culture (Kemp 1998 p. 604; Kisabaka 2001, p. 121). For instance, champagne can be considered as a luxury in European countries, but generally is not desired in Islamic societies. However, Mortelmans (2005, p. 497) argues that "every social group can be said to have its own luxury." There are culture-specific symbols of good taste and luxury, which are determined by the elite of any cultural group or subculture and are used for social distinction (Klaus Heine, 2012 p. 46). The preferences of luxury are rooted to a great extent in cultural values, which differ by demographic variables such as gender, age, and education. However, the members of a cultural group also differ in their knowledge of the symbols of luxury (Kisabaka 2001, p. 121). These facts demonstrate that there are also differences in the perception of luxury among the members of a cultural group.

**Situational relativity:** it implies that the same resource could be differently classified as necessary, ordinary or luxurious depending on the circumstances. For instance, ordinary food might become luxurious if a person has not eaten it for a long time, and any luxury food could be considered ordinary after eating it for several days (Kemp 1998, p. 598).

Therefore, after having considered all these aspect, luxury might be defined as anything that is desirable and which exceeds necessity and ordinariness. While the exclusivity of resources is evaluated by the entire society, the desirability of resources and the appearance of luxury are determined by the upper class.

#### **1.4 THE LUXURY PRODUCTS**

Luxury products are based, mainly, on consumers' perception.

Six major characteristics including **price, quality, aesthetics, rarity, extraordinariness and symbolism** have been found. Given that, definition of luxury products can be summarized as follows: luxury products have more than **necessary** and **ordinary** characteristics compared to other products of their category, which include their **relatively high level of price, quality, aesthetics, rarity, extraordinariness, and symbolic meaning**.

The major characteristics of luxury products can be considered as dimensions ranging from a minimum level that is also necessary for non-luxury products to a maximum level that corresponds to the highest form of luxury. As these major characteristics, must apply to virtually all luxury products at least to some degree, they are therefore referred to as constitutive characteristics.

The **characteristics of luxury** products are not **independent** of each other. This means that if one dimension is at a high level, it also induces high levels of other dimensions.

Therefore, luxury companies adjust the luxury level of the major characteristics to a specific combination depending on the preferences of their target groups. Consequently, the **six dimensions** offer basic means of **differentiation for luxury products and brands**.

If **consumers' subjective perception** about product's characteristics is the **discriminating factor**, consequently, luxury companies' managers should compete for the best possible perception of the luxury product's characteristics rather than on improving existing product characteristics (Klaus Heine, 2012 p. 55) This is realized by adequate marketing and especially by right communication measures (Kisabaka 2001, p. 102; Vigneron & Johnson 2004, p. 490).

By analysing consumers' perceptions, it has been possible to list actual luxury products. Of course, given that consumers' perception change, this list can be subjected to further changes in the future.

· Fashion products	· Wristwatches	· Furnitures
· Apparel	· Jewelry	· Kitchens
· Shoes	· Pens	· Table decoration
· Underwear	· Diaries	· Silverware
· Fashion accessories	· Writing paper	· Crystal & Glassware
· Belts	· Means of transportation	· Porcelain & Stoneware
· Gloves	· Bikes	· Linens
· Scarfs	· Motorcycles	· Table linens
· Hats	· Automobiles	· Bed linens
· Ties	· Boats / Yachts	· Bath linens
· Eyewear	· Aircrafts / Jets	· Bathroom equipment
· Bags & Cases	· Delicacies	· Carpets
· Luggage	· Beverages	· Lamps
· Hand Bags	· Wines	· Interior electronics
· Wallets & Cases	· Sparkling wines	· Interior accessories
· Cosmetics & Fragrances	· Spirits	· Sports equipment
· Body decoration	· Foods	· Garden furnishing
· Mobile electronics	· Interior decoration	

#### Types of Luxury Products

Luxury products are grouped into 4 categories:

- **Personal vs. Impersonal Luxury Products**

Within the luxury segment there is a continuum that ranges from these very personal to relatively impersonal products, such as bathroom equipment and garden furnishing.

- **Publicly vs. Privately Consumed Luxury Products**

These types of luxury products are differentiated by the social setting of consumption. While publicly consumed products such as cars are seen by others, privately consumed products such as kitchen appliances are not usually seen by many others. For some product categories, the categorization is especially situation-dependent. For instance, a good wine can be consumed conspicuously in a restaurant or just all by oneself at home.

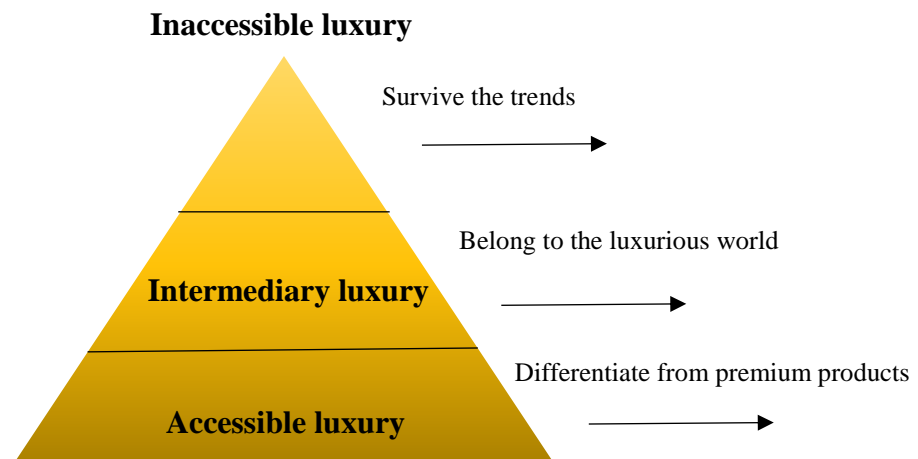
- **Accessible vs. Exceptional Luxury Products**

The major characteristics of luxury products provide relevant means of differentiation. Dubois & Duquesne (1993, p. 38) suggest distinguishing between accessible and exceptional luxury products on the basis of an inter-categorical comparison of their selling price, which also impacts their diffusion level and repurchase rate. While accessible luxury products such as perfumes are affordable for most people at least from time-to-time, exceptional luxury

products such as private jets are only affordable for very few people (inaccessible for most people).

This distinction must recall to Allèrès (1990)'s luxury pyramid framework.

Luxury, in fact, has to be also divided in three universes, each characterized by an accessibility level linked to the pertaining social-class.



Allèrès (1990) - Luxury pyramid

At the top of the pyramid it is placed the ‘**inaccessible luxury**’, in which few pieces of a luxury product are available; often tailor-made, with selected raw materials and distribution at really high prices. These products refer to the most prosperous social class, which wants to show its social superiority, through rare and exclusive objects.

The goal is to survive the trends, keeping the original style. To the next level, the ‘**intermediary luxury**’ characterizes products similar to the previous ladder, despite they are not entirely customizable as those before. Selective distribution and still high prices typify this tier which is targeted to medium social class. The latter is composed by people who got success through work or through legacy. These products must recall the elite society status and the relative life-style.

The last ladder consists of the ‘**accessible luxury**’, which is a luxury produced and distributed on a broad scale. Here is the brand that characterizes the image of luxury of the product more than the uniqueness of product's features. It aims at middle class, which has arisen from pre-war generation. Purchases are exclusively made to imitate upper classes' lifestyle.

The primary goal of this category is to differentiate from premium products, hence being a passkey to luxury brand's world.

- **Unique Pieces, Limited Editions, Expanded-diffusion Products**

Luxury products can also be differentiated by their **exclusivity** and **production volume** (which also corresponds with their production method) into the following categories:

- **Unique pieces:** This top category is well identified and described by the French word “**griffe**”, which refers to the clutch of an inspired creator, who is obsessed by the idea of forming a unique masterpiece, an oeuvre d'art, that is truly unsurpassable in its perfection. This ideal is exemplified by the haute couture clothing of the exclusive circle of couture houses such as Chanel, Christian Dior and Jean Paul Gaultier (Kapferer 2001, p. 323).
- **Limited editions:** Still very close to the ideal of the griffe are products made in highly limited editions. Riva Yacht for instance, in a cobranding partnership with FCA (Fiat) produced in a limited edition of only 500 pieces, the Fiat 500 RIVA car.
- **Limited-diffusion products:** The high rarity of these luxury products relies on their manufacturing complexity which requires a high degree of handwork and craftsmanship (Klaus Heine, 2012 p. 60). Limited-diffusion products include Gucci Bamboo bags, Maybach automobiles and Meissen porcelain figures.
- **Expanded-diffusion products:** although their production volume is still relatively limited in comparison to mass-market products, their production process resembles mass-market serial production (Klaus Heine, 2012 p. 60). Examples include Dolce&Gabbana jeans, Poggenpohl kitchens and Porsche automobiles.

### **Conspicuous vs. Understated Luxury Products**

These product types are differentiated by their proportion of **conspicuous attributes**.

Manufacturers of conspicuous luxury products focus on price in particular, i.e. on a product image of being expensive. Therefore, they equip their products with typical symbols of wealth and high price such as big logos and rich decoration. It's all about symbols, not about substance. True product quality and excellence are less important than maximum performance, features and size (Kapferer - Bastien 2009 p. 315). A splendid example is the fountain pen “La Modernista Diamonds” by Caran D’Ache, an “over-priced savourlessness”, which works with rather ordinary ink cartridges, but is decorated with 5.072 diamonds and 96 rubies (Klaus Heine, 2012 p. 60). Nevertheless, such products form a special market niche for consumers who feel extremely special. The biggest share of the luxury market consists of non-conspicuous products, which might also show some conspicuous attributes, but are not primarily made to be conspicuous. On the other extreme, there are luxury brands such as Jil Sander and Bottega Veneta that are known for their understated products, which seem to hide any conspicuous attributes. However, although Bottega Veneta bags cover no logo, they still

have a characteristic design that can be easily recognized by connoisseurs, which makes them suitable for conspicuous consumption between connoisseurs. The major difference is that conspicuous consumption with understated products is nowadays considered a bit more sophisticated.

## **1.5 THE LUXURY BRANDS**

The modern understanding of a brand is **consumer and identity oriented**.

Accordingly, brands are regarded as images in the minds of consumers and other target groups (Klaus Heine, p. 62), which are designed by companies to identify their products (Philip Kotler et al. 2009, p. 425). Luxury brands are highly associated with their core products (Jean-Noel Kapferer 2008, p. 193). This is reflected by the larger part of the existing definitions of luxury brands, which refer to specific associations about product characteristics (Klaus Heine, 2012 p. 62).

**The main characteristics of luxury products** therefore **correspond** largely with those of **luxury brands**, which leads to the following definition: **luxury brands** are regarded as **images in the minds of consumers** that comprise **associations** about a **high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations**.

Any potential luxury brand should be evaluated through some of the constitutive characteristics of luxury brands already seen for the identification of luxury products. These explanations are summarized by the following principles:

**Price:** The brand offers products which belong to the most expensive products of their category.

**Quality:** The brand aims to create everlasting top-of-the-line products, which won't be disposed of even after long utilization or defect, but rather repaired and which often even gain in value over time so that consumers can even hand them on to their grandchildren.

**Aesthetics:** The brand behaves like a chic and vain dandy, who would never leave the house in less than perfect style. Whenever and wherever the brand is seen, it embodies a world of beauty and elegance.

**Rarity:** In contrast to mass-market brands, the brand needs to limit its production and tries not to disclose its (high) sales numbers. The brand is hard to get and is not available at any times or places.

**Extraordinariness:** The brand has a mind and style of its own and its products offer an extra kick and surprise with the “expected unexpected”.

**Symbolism:** The brand stands for “the best from the best for the best”; its charisma fills the room, and regardless of whether it is of a conspicuous or understated nature, deep inside, it is swollen with pride.

## 1.6 THE RELATIONSHIPS BETWEEN LUXURY PRODUCTS AND BRANDS

By definition, luxury brands need to offer luxury products. Luxury brand image exists only if also exists a related product portfolio that includes luxury products. Nevertheless, the product range of a luxury brand does not necessarily consist only of luxury products (Kapferer & Bastien 2009, p. 312).

Non-luxury brands, instead, are generally associated with non-luxury products.

Nevertheless, there are also many examples of non-luxury brands that still offer luxury products. For instance, luxury yachts by Blohm+Voss, private jets by Bombardier and first-class flights by Lufthansa undoubtedly belong to the luxury segment. These non-luxury brands that also offer luxury products can also be referred to as luxury product brands. These relationships between luxury products and brands are summarized in the figure below.



Luxury brands and products scheme

This demonstrates that a decision about the categorization of a brand as luxury or non-luxury must refer to the brand image and cannot be made just by evaluating the luxuriousness (or even only the price) of some of its products. A highly expensive and luxurious product does not necessarily come from a luxury brand. On the other hand, there are luxury brands such as Mercedes, whose product portfolio consists to a larger extent of non-luxury products, even including construction vehicles and garbage trucks. Therefore, the evaluation of the luxuriousness of a brand should refer to the core product category with which this brand is

associated. A luxury brand that manages to be clearly associated with the constitutive characteristics of luxury within its core product category can successfully extend its product portfolio and even sell garbage trucks.

## 1.7 TYPES OF LUXURY BRANDS

### Luxury brands according to their luxury level

As mentioned above the degree of luxuriousness is determined by the major luxury dimensions and constitutes one of the major means of differentiation for luxury brands (Klaus Heine, 2012 p. 64). According to this criterion and based on the “World Luxury Brand Directory”, it seems reasonable to split luxury brands into the following types:

- **Entry-level luxury brands:** As these brands rank just above the premium segment on the lowest luxury level, they are not even generally recognized as members of the luxury segment. Representative brands include Hugo Boss and Mercedes.
- **Medium-level luxury brands:** These brands are widely recognized as members of the luxury segment, but are a step behind the forefront of luxury. Examples include Dolce&Gabbana, Escada and Moschino.
- **Top-level luxury brands:** These brands are established beyond doubt as leading luxury brands. Examples include Armani, Cartier and Louis Vuitton.
- **Elite-level luxury brands:** As niche brands in the top of the top segment, these brands determine the benchmark of the best quality and highest exclusivity within their category. Puiforcat, for instance, is an elite-level luxury brand within the silverware segment (Klaus Heine, 2012 p. 65) These brands target the “clientèle de connoisseurs”, who do not just possess the necessary financial resources but also a “culture intellectuelle” (Lombard 1989, p. 16).

According to the relativity of luxury, a brand is ranked in comparison to the other luxury brands. The categorization of a luxury brand changes over time.

### Luxury Brands by Awareness

Luxury brands can be differentiated by their brand awareness into connoisseur and star brands (Neono & Quelch 1998, p. 63). This differentiation is of high relevance for brand management, as these brand types require partly contradicting marketing strategies.

**Connoisseur brands**, such as Goyard, a French manufacturer of luggage, are limited awareness brands which often specialize in a niche market. These brands are made by and for



connoisseurs, and do not even strive for high awareness beyond their relatively narrow target group of select insiders. Connoisseur brands are often also network brands, which are recommended by word-of-mouth between friends (Klaus Heine, 2012 p. 66).

**Star brands**, on the other hand, strive for maximum brand awareness well beyond their actual target group. This is in contrast to both connoisseur brands and mass-market brands, which aim at minimizing wastage in their brand communications outside their core target group consumers. Even if star brands are bought only by relatively few people, they preferably should be known by everyone. One of their consumers' major purchasing motives is to demonstrate their wealth to other people, who often cannot afford these luxury products. Therefore, star brands such as Rolex or Louis Vuitton also have to be known by non-target group consumers in order to fulfil the need of their target group consumers for demonstrative consumption. If people would fail to recognize the brand and thereby the value of a Rolex wristwatch, part of its value would be lost (Kapferer & Bastien 2009, p. 319).

Star brands can be differentiated by their actual level of awareness into the following types:

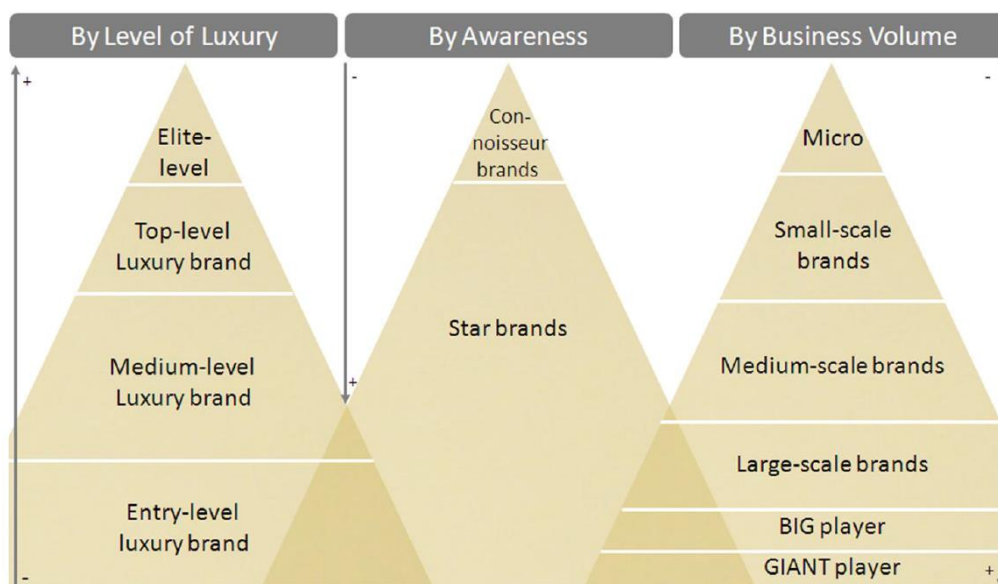
- **Little stars** strive for high awareness, but are (still) relatively little-known. Examples include Asprey, Brioni and Shanghai Tang.
- **Big stars** have already achieved a high level of awareness, but still rank somewhat behind the global stars. Examples include Chloé, Fendi and Moschino.
- **Global stars** are globally well-known flagship brands such as Hugo Boss, Louis Vuitton and Rolex

The “World Luxury Brands Directory” also includes a comparison between countries by their number of luxury brands, which appears misleading if luxury brands are not also differentiated by business volume. A comparison between the business volumes of the brands within the database suggests that they should be differentiated into the following types:

- **Micro-scale brands:** There are luxury brands, often business ventures, which do not have many more employees than the boss himself and have rather modest revenues of under € 10 million. Examples: Julisis and Mont Charles de Monaco.
- **Small-scale brands:** Some brands specialize into markets with relatively little business volume, ranging from € 10 to 100 million. Example: Robbe & Berking.
- **Medium-scale brands:** the midway of the luxury industry with revenues of more than € 100 million. Example: Poggenpohl. Large-scale brands: Within the luxury industry there are not many of these large-scale businesses with revenues of more than € 250 million. Example: Escada.

- **BIG player:** Only a few star brands achieve revenues of more than € 1 billion. Example: Hugo Boss.
- **GIANT player:** However, there are high-turnover product categories such as cars, which allow very few brands to generate revenues of even more than € 5 billion. Example: Mercedes.

The figure down here summarizes the luxury brand types by luxury **level**, **awareness**, and **business volume**. There are some relationships between them: for instance, luxury brands with very high business volumes often cannot reach the top levels of luxury. In addition, there is also a tendency of elite-level brands to be connoisseur brands.



Luxury brands characteristics

## CHAPTER 2: THE LUXURY CLIENTELE

### 2.1 THE HNWI:

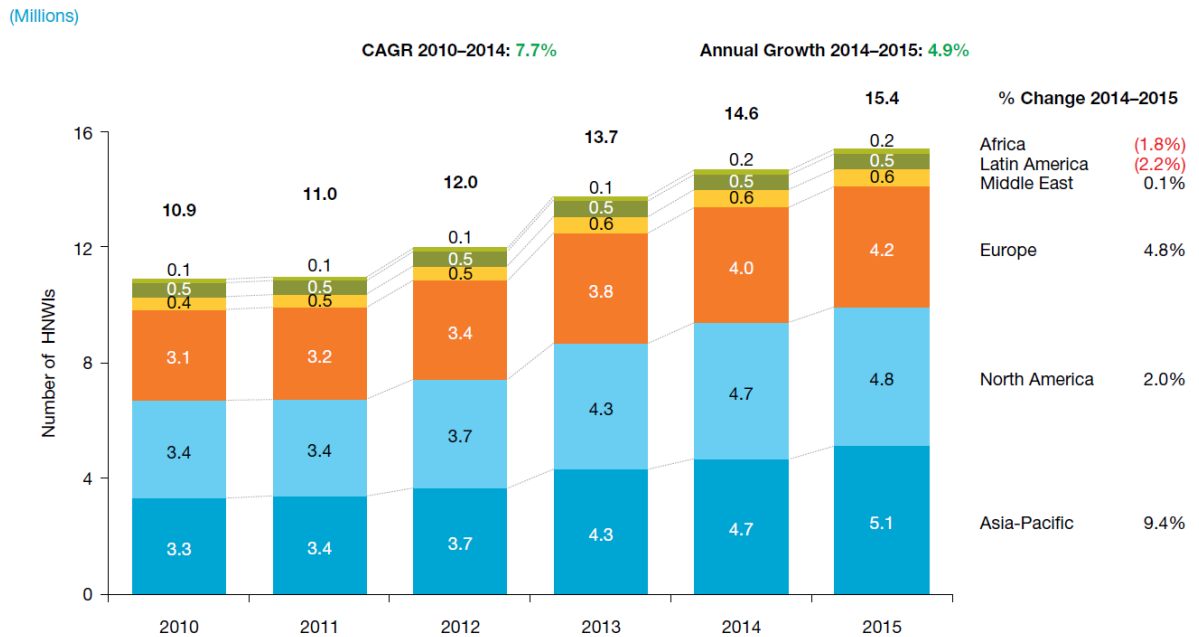
The two biggest companies, Capgemini and Merrill Lynch, expert in wealth management and research, have identified the profile of those who make up the luxury market and the best potential clients: they are the so called **HNWIs**, or '**High Net Worth Individuals**'.

Excluding the principal residence, these are people who have more than \$1 million in assets.

As can be seen in the figures down here, the number of HNWIs has grown modestly all over the world in 2015 (+4,0%), particularly thanks to the Asia-Pacific area expansion (+4,9%).

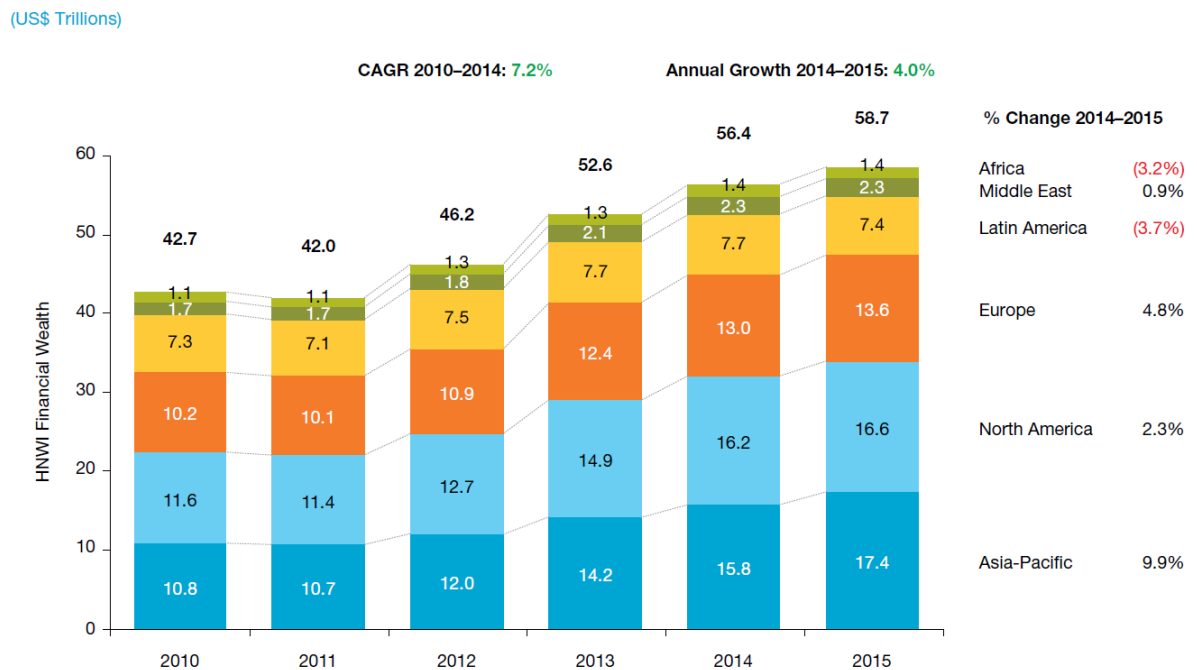
Nowadays, US, Japan Germany and China represent the 61,2% of the entire HNWI

population. Asia-Pacific area of HNWI's surpassed North America for the first time, to become the region with the largest amount of HNWI wealth.



Note: Chart numbers and quoted percentages may not add up due to rounding  
 Source: Capgemini Financial Services Analysis, 2016

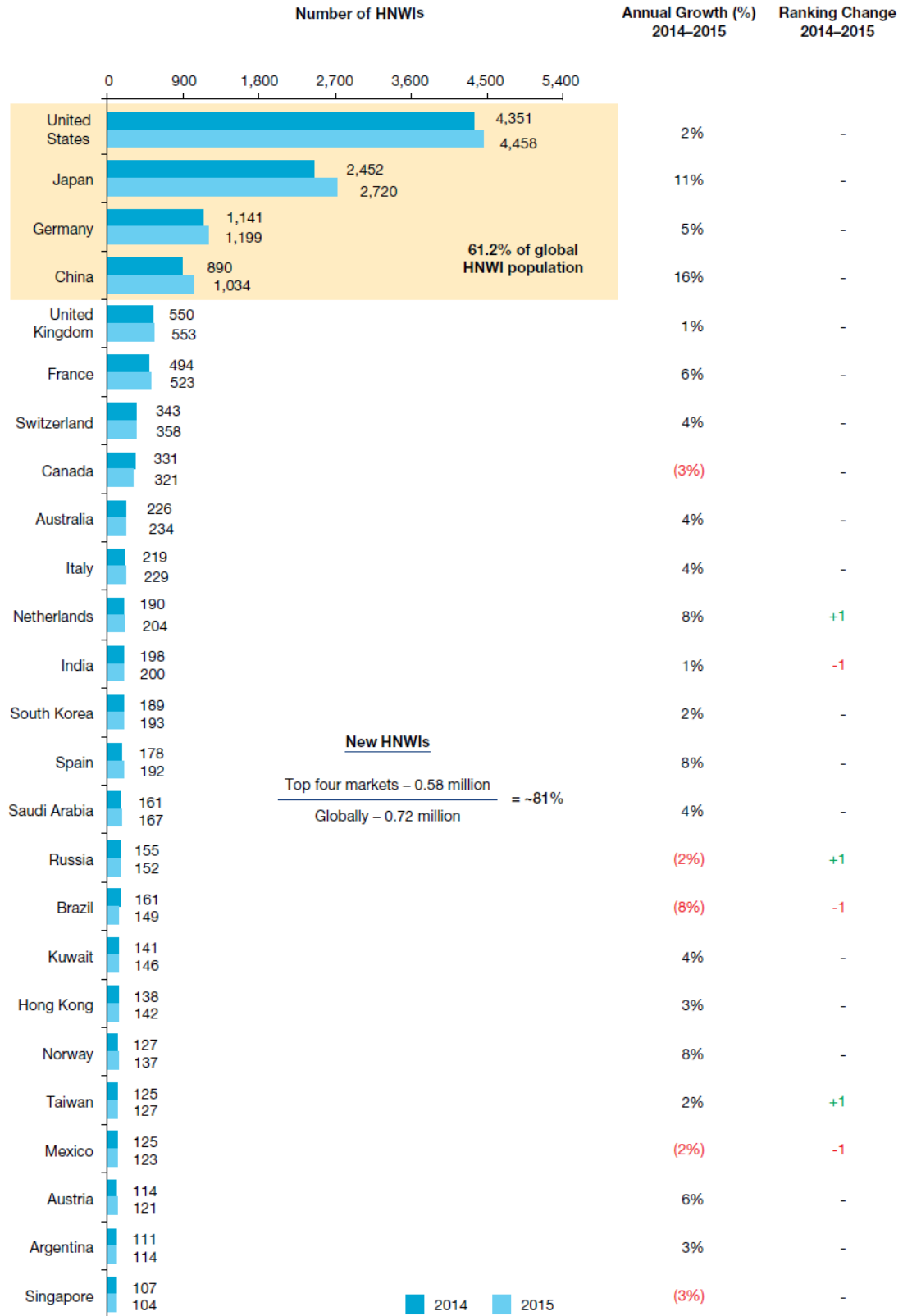
HNWI Population, 2010-2015 (by Region)



Note: Chart numbers and quoted percentages may not add up due to rounding  
 Source: Capgemini Financial Services Analysis, 2016

HNWI Wealth, 2010-2015 (by Region)

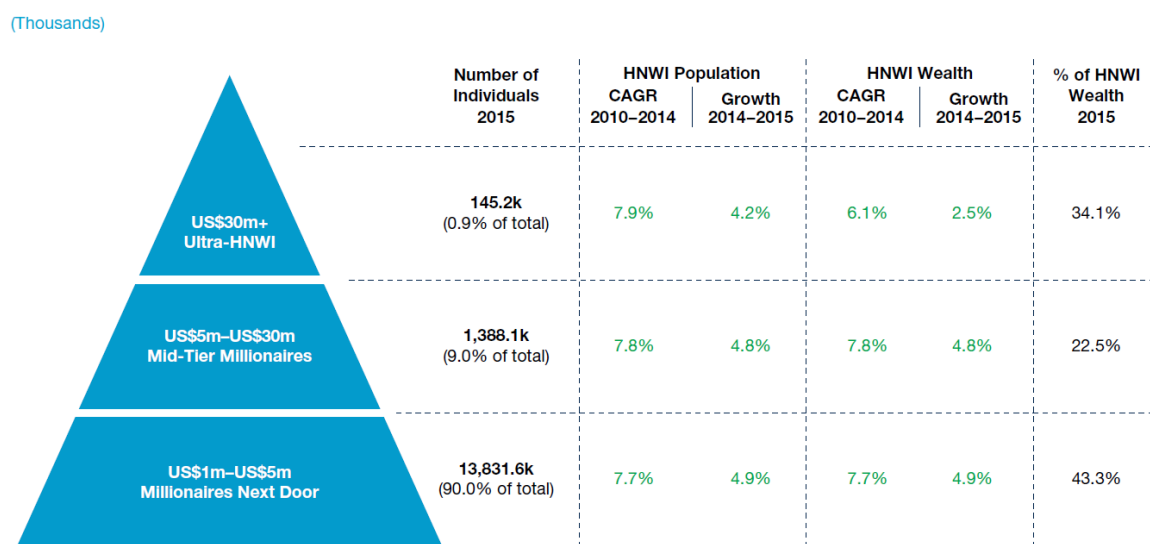
(Thousands)



Note: Chart numbers and quoted percentages may not add up due to rounding  
 Source: Capgemini Financial Services Analysis, 2016

### Largest HNWI Populations, 2015 (by Market)

The following figure of the pyramid, shows also that **ultra-HNWI** wealth did not provide its usual boost in 2015. It expanded by just (+4,2%) and HNWI's wealth only by (+2,5%). As reported in the figure above, the worst market has been the **Latin America** one. Except the latter, the ultra-HNWI segment grew more than the other wealth segments over the past four years. **Brazil** is the **poorest performing country**, losing (7,8%).

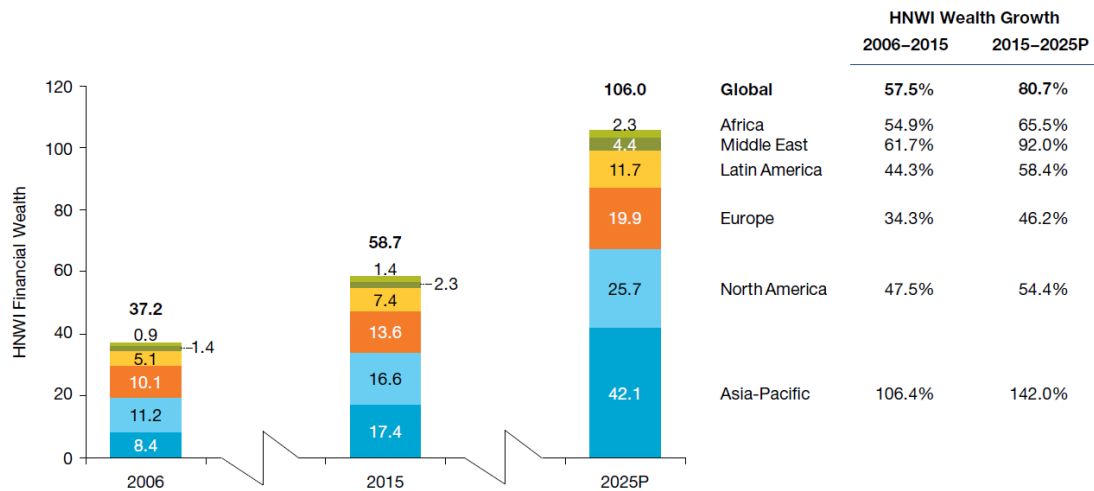


Note: Chart numbers and quoted percentages may not add up due to rounding  
 Source: Capgemini Financial Services Analysis, 2016

#### Composition of Global HNWI Population by Wealth Brands. 2015

The forecasts, represented in the following figure, see the global HNWI projections to reach US\$100 trillion by 2025 (almost the triple amount of 2006), thanks to the strong Asia-Pacific growth. **Asia-Pacific** area will be the **propeller** of the next ten years, representing **two-fifths** of the world's HNWI wealth (this data is greater than that of Europe, Latin America, Middle East and Africa combined).

(US\$ Trillions)



Note: Chart numbers and quoted percentages may not add up due to rounding; 2025 data is calculated by applying the country-level annualized growth rate from 2006–2015 for the 2015–2025 period; Projected data is for illustrative purposes  
Source: Capgemini Financial Services Analysis, 2016

### HNWI Wealth Projection, 2006, 2015, 2015P (by Region)

In the last years, some recent researches found that this part of the population can be distinguished by a gap from another luxury clients' group, which is the one of who purchases occasionally and nicknamed '**day trippers**' or '**excursionists**'. They are primarily buyers of accessories or of products that are mere brand extensions, at accessible prices.

The number of excursionists is slightly increasing every year due to the greater availability of financial resources necessary to live a life of luxury. This phenomenon brings to a mystification of the true representation of the luxury clientele. In fact, the HNWI, where the true potential luxury market lies, are often confused with the increasing number of day trippers who just occasionally buy luxury products.

Therefore, luxury companies adapt to this trend by maintaining or increasing the distance between their brand's universe and the luxury clientele.

Moreover, another important distinction is between '**heavy users**' and '**day trippers**'.

As said before, the number of day trippers is enlarging, additionally they are considered advanced in sociocultural terms. Until 2000, this aspect led them to occasionally purchase motivated by **self-indulgence** or **hedonism** or to celebrate a person or a moment (Kapferer - Bastien 2009 p. 106)

This announced a **democratization trend** of luxury. Today, it is different: the principal volume of the market is characterized by those who buy frequently. From the beginning of the 2000s, in fact the Western middle classes have been worried about the future, and less optimistic: progress is no longer automatically associated with happiness. They fear that their children will have a less pleasant life than their own. This puts a brake on their occasional

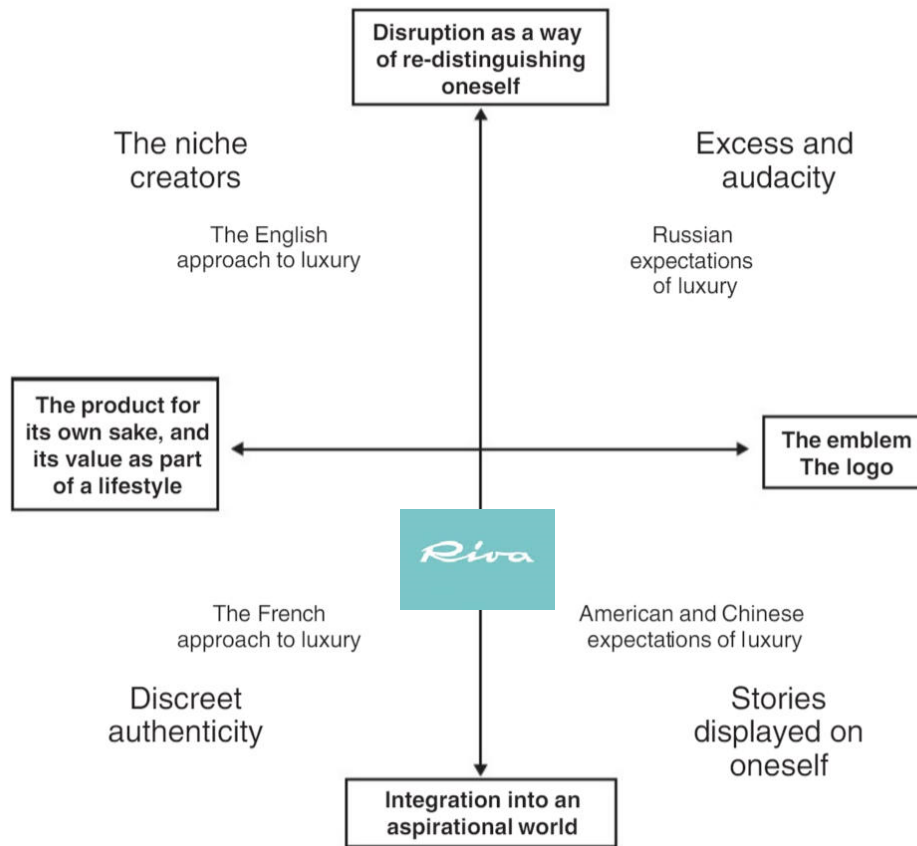
consumption of products perceived as luxury. This polarization of the market has been accentuated from 2001. Having kept their aspirations, but now conscious of a certain precariousness, the middle class has given rise to what is called ‘**masstige**’.

The demands of masstige are well known: boosting the image of the mid-range to capture this demand for **trading up**, with the traditional mid-range being abandoned, either in favour of much less expensive, low-cost type products, or for products that offer rather more in terms of image and perceived quality.

## **2.2 THE FOUR TYPES OF LUXURY CLIENTELE**

Luxury clientele has been found through the statistical analysis of the responses by an international sample of young managers with high disposable income:

1. The first type of luxury is the one who gives **prominence** to the **beauty of the object** and the **excellence** and **uniqueness** of the product, more so than all the other types. The brand most representative of this type of luxury is Rolls-Royce, but it also includes Cartier and Hermès.
2. The second concept of luxury exalts **creativity**, the **sensuality of the products**; its luxury ‘prototype’ is for example Jean-Paul Gaultier.
3. The third vision of luxury values **timelessness** and **international reputation** more than any other facets; its symbols are Porsche, with its immutable design. These are the institutions of the safe choice, of the certainty of not making a mistake.
4. Finally, the fourth type values the **feeling of rarity** attached to the **possession** and **consumption** of the brand: in their eyes, the prototype of the brand purchased by the select few is Chivas or Mercedes, possession of which clearly signifies that you have ‘arrived’.



Riva clientele's type

The previous four clienteles, as showed in the figure above, might be classified into other five dimensions:

1. The **sensitivity to the logo** (emblematic brands);

Typical of the third and fourth clienteles' type, shown above, since they are moved by strong signs, visible and recognized logos: they look for self-confidence, through these known brands and through the incontrovertible institutions of luxury worldwide.

2. The **sensitivity to the product** (search for masterpiece);

This is specific to type one clients because see themselves as connoisseurs, aesthetes, capable of appreciating what is exceptional in a product: they like the authentic and are sensitive to the intangibles, the intensity of a rare, shared moment.

3. **The individualization;**

It is type two clientele's common aspect, since they are more concerned with showing their individuality, through choices that set them apart, above the rest, through the originality of the creator. They buy luxury products in a discrete, almost intimate way mixed with a certain level of cultural background.



4. The **integration**: which is the desire that promotes the great names of luxury, known and safe, thus representing conduits of social propriety and distinction.
5. The **authenticity** of the brand (set apart from the other dimensions);  
Here luxury clients, who are mostly cultured, expect that luxury will compress time. Luxury entails, by definition, ‘tradition and know-how’, hence the brand is expected to have a long history. In fact, even if it is recent, luxury always compresses time.

Over the years, **Riva client’s type** has always been **the first one**. Riva customers always distinguished the brand for the **beauty, the excellence and the uniqueness** of its **boats**. The **attention to details**, the **timeless design** and the **element of rarity** transmit to Riva clients the sensation of being in possess of something at the top of the industry and being part of past, present and future history.

As explained before, luxury type one clientele shows a certain degree of sensitivity to the product. **Riva clients** are in general **connoisseurs, aesthetes and capable of appreciating what is exceptional in a Riva boat**. They appreciate also the **life-style** connected to Riva’s products.

The **logo** for Riva’s owners **is important, but it is not fundamental** to show it off. Also, Riva’s logo, usually, do not stand out on boats, because they must be **recognized at first glance more from their design and style than their logo**.

Riva clientele is **integration oriented**, since it is high the desire to be part of the great names of luxury, known and safe. Riva boats represent conduits of social propriety and distinction, as proves the long series of **celebrities and royals** that **owned** at least a **Riva** boat.

Lastly, **the authenticity** is also a Riva clientele’s common value. People who buy Riva are mostly **cultured** and they buy because of the **long tradition**, an authentic History with capital H and know-how, represented by the brand and the products.

However, this temporal dimension it is not perceived equally around the world.

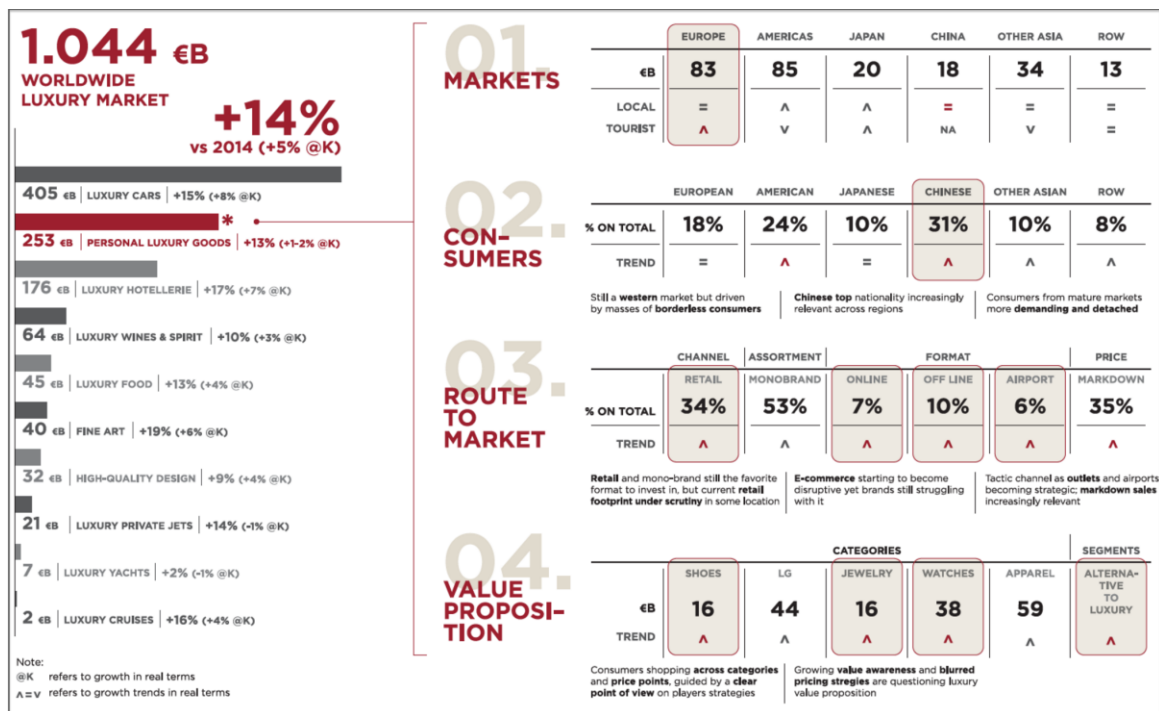
Europeans and many Asian fans think that there is no authenticity without temporal compression, contrary to what Americans do. However, for young people and most Americans the authentic is not expressed by vintage or by historicity. The story telling process (that consists in creating an atmosphere and a genuine impression) is enough to make them dream and to give status through the people who testify to the brand’s rank.

Hence, after Ferretti acquisition in 2000, Riva brand started exposing itself on a global scale, increasing the clientele’s horizon. The brand communication and distribution process should be aligned with different customers in different area of the world. This is a complicated obstacle that Riva must periodically overtake in order the best manage its clientele.

# CHAPTER 3: THE LUXURY YACHT MARKET

## 3.1 A SNAPSHOT OF LUXURY MARKET:

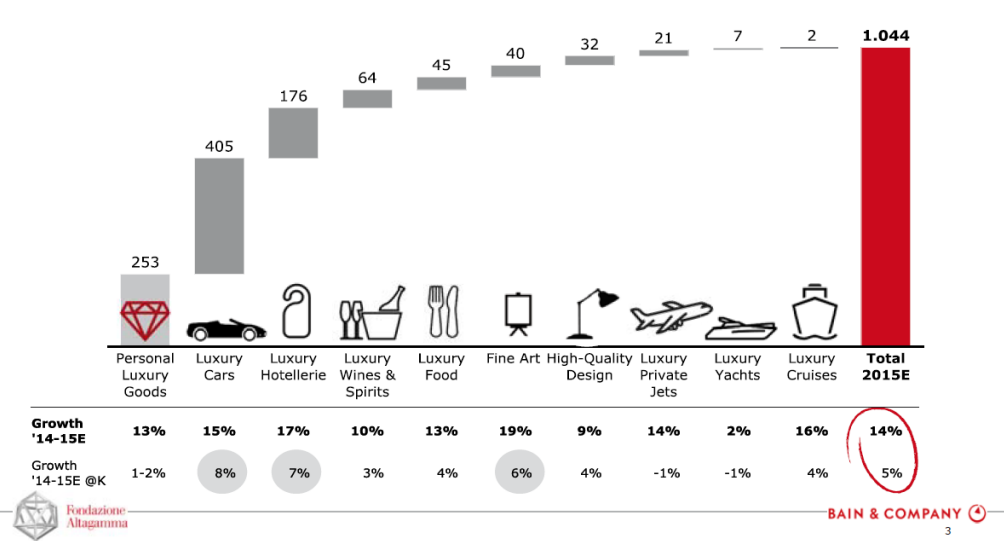
Looking at the chart below, in 2015 the worldwide **luxury market** has grown by **14%** compared to 2014, reaching the amount of **1.044€ Bill.** Luxury leading market is the **American** one (85€ Bill.), followed by Europe (83€ Bill.) and Asia-Pacific market (72€ Bill.). **Higher rate of growth** in terms of consumers expected by **Chinese**, followed by Americans Europeans. The **luxury yachts market**, which will be analysed better in the next paragraph, showed a growth by **(+2%)** compared to 2014, reaching a volume of **7€ Bill.** within the ten segments of luxury markets.



Source: (Altgamma studies & researches 2016)

## Worldwide luxury markets collectively surpassing **one trillion** in 2015

### WORLDWIDE LUXURY "MARKET OF THE MARKETS" (2015E|€B)



Source: (Altgamma studies & researches 2016)

The overall market increased by 5% compared to 2014 (at a fixed exchange rate).

**Driving markets** are those of **luxury cars, hotels, and art**. The personal luxury goods (apparel, hard luxury, perfumes, cosmetics and leather industry has grown over 250€ Bn. Asia luxury market performed low due to slow pace of China and due to the contraction of sales in Hong Kong and Macao.

It is notable that:

- For 2 out of 3 consumers, **luxury** is defined by **intrinsic values** (to brand and to products): in particular, more importance is given to **exclusivity** (73% of customers interviewed) and to sustainability of brands (key factor for young people)



Source: BCG and Fondazione Altgamma

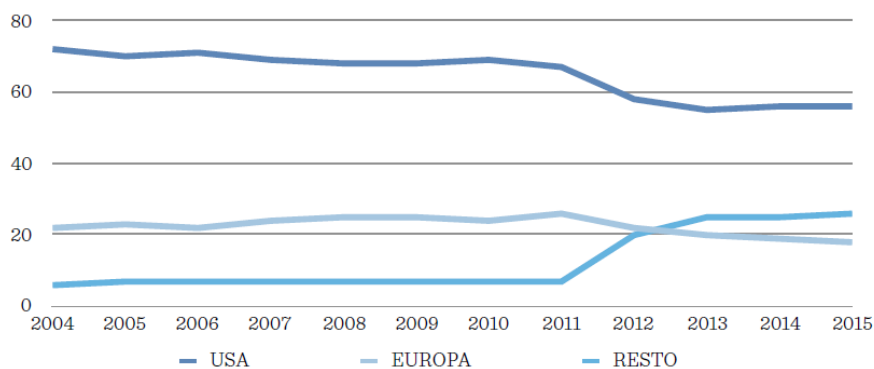
- **Millennials (18-34 age)** are the present and the future of luxury market. They are global consumers, high digitalized, optimists, with inclination to word of mouth and products exchanges, sensitive to sustainability.
- 28% of consumers (**Baby Boomers** above all) are **saturated by personal luxury products**, hence fostering swapping phenomenon (that is the exchange of products, via web, especially among Millennials, and the shift from products purchase to experience research (travels above all).
- 50% of consumers visit once a month the favourite brand shops, but they sought for new digital artistic and experiential forms.
- A curious news is that Milano reached the 4<sup>th</sup> ranking position as preferred destination for luxury clientele.
- About consumers' profile, 50% of purchases are made by the first three segments: 24% the Absolute Luxurer (top spenders, refined and elegant connoisseurs); 17% the Megacitier (metropolitan globalized, trendy); the 12% Experiencer (travels, hotels and gourmet food lovers) and in increasing number 8% (+26% from 2014) the Social Wearer (social sustainability aware).

### 3.2 CHARACTERISTICS OF THE GLOBAL YACHT'S MARKET

In 2013, the entire boat industry showed an important interruption of crisis period, even though the supply was still greater than demand. An economic recovery started from 2014 for almost all boat manufactures.

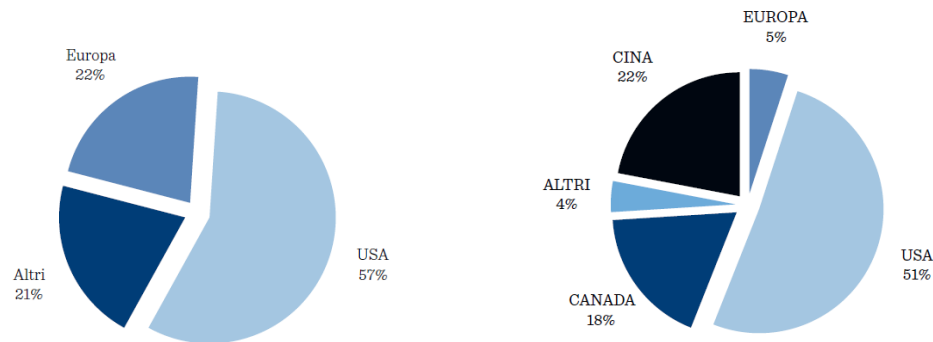
The pleasure boat market, therefore, is recovering after the past few years of crisis.

American and European boat markets, relevant for their dimension, were stopped by the growing power of emerging countries as displayed below:



USA, EU and RoW's boat industry trends

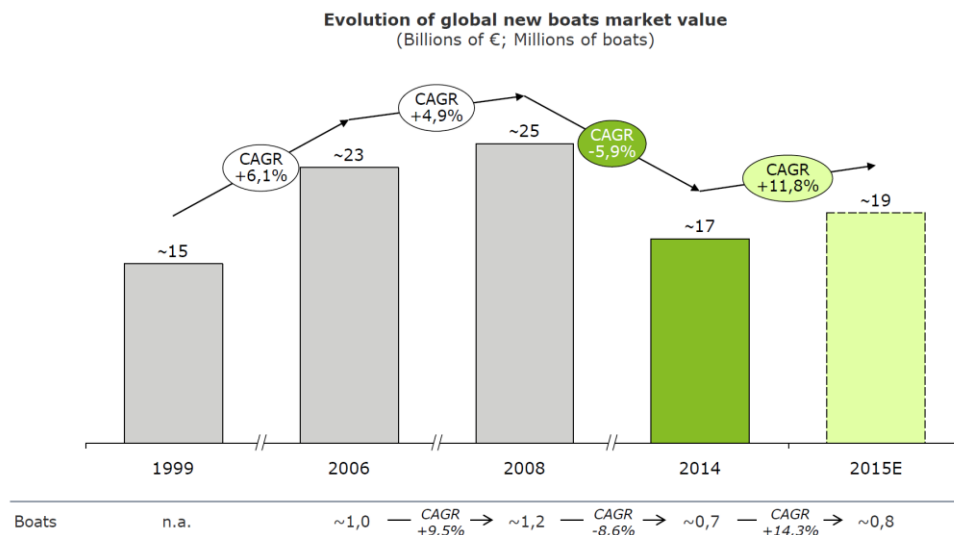
Down here, are also reported, respectively, the **global boat industry composition** and the valuation of different boat manufactures at a global level:



Global boat industry composition and the valuation of different boat manufactures at a global level

**Italy**, with a production value of **1.7 billion euro**, represents **10%** of the global new **recreational boats production** (2014) and is the **second manufacturing country** in the world, after the United States (43%) and followed by the UK (6,9%), the Netherlands (6,5%), Germany (6,4%), France (5,7%) and China (4,1%).

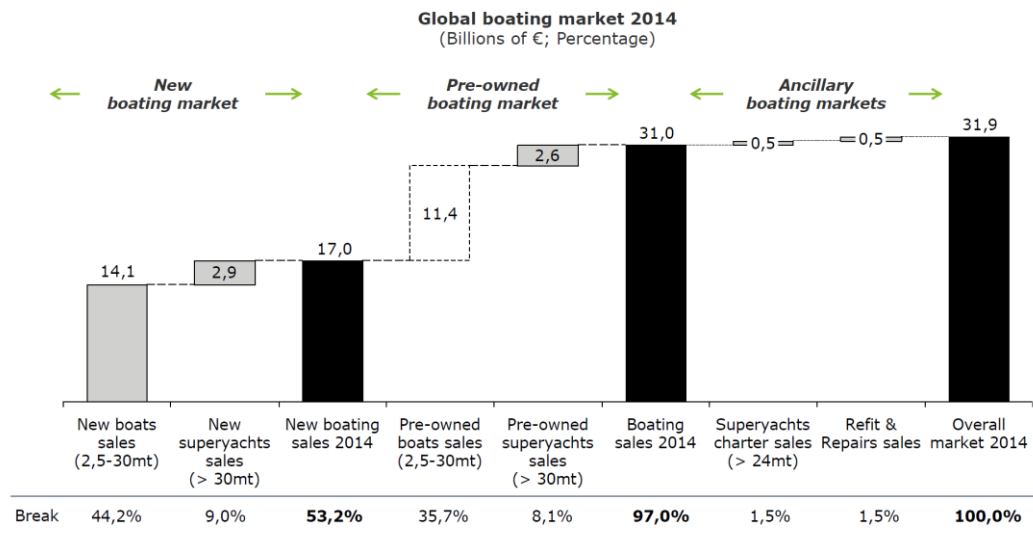
**In 2014**, in fact, the global market of new recreational boats (longer than 2.5 metres) had a value of **17 billion euro**, reached with 700,000 boats sold, while **in 2015** reached the **19 billion euro**, growing by 12% compared to 2014. The boat sold reached an amount of 800,000 boats (+14%) versus previous year.



Deloitte.



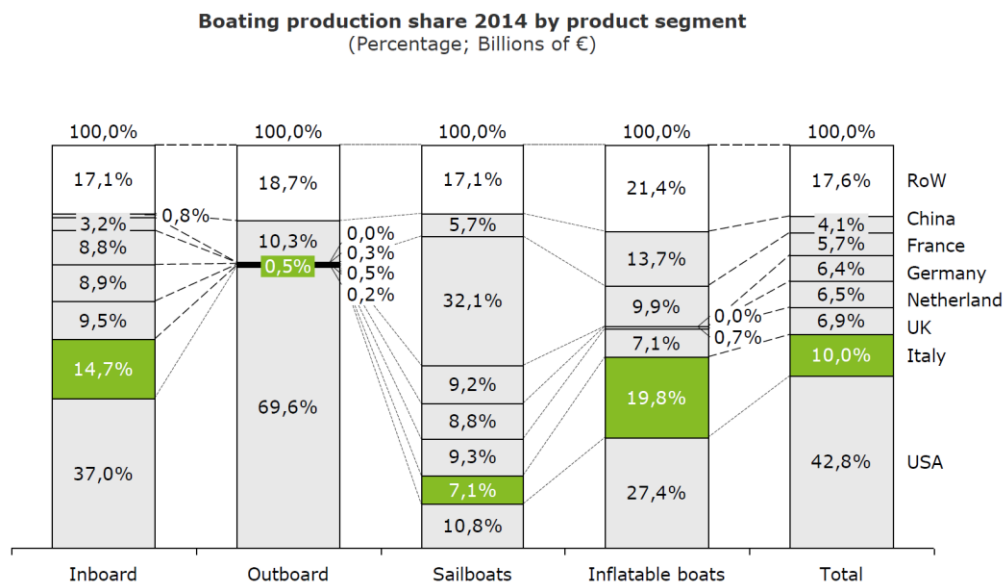
In 2014, as the figure below explains better, the **pre-owned boats** market is worth 14 billion euro – based on the asking price, of which 2.6 billion is in the cluster over 30 meters, 7.4 billion euro by **boats between 12 and 30 meters**, while 4.2 billion euro **under 12 meters**. The segment of **Refit & Repairs** and **superyachts Charter**, instead, are worth at least 1 billion euro in 2014 and represented a new trend for the nautical market.



Deloitte.



The following figure displays instead the **different boat segments composition** depending on the country in which they are produced.



Deloitte.



Results indicate that:

- The **motor boats weights 86%**, while the **sailing boats** are **12%** and **inflatable boats** are worth **2%**.
- The inboard and sterndrive market is worth nearly 10 billion euro globally, 45% in North America and 21% in Europe.
- The market of sailing boats is worth 2.1 billion euro, 74% of the value is represented by the boats in between 12 and 30 meters.

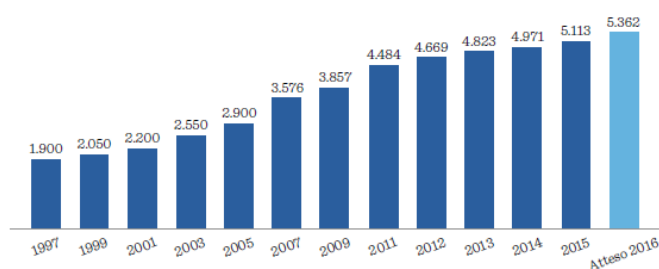
### 3.3 THE SUPERYACHTS MARKET:

As seen in the luxury clientele paragraph, the global panorama shows the importance of the growing HNWI's population which represents a significant drivers of superyacht segment.

In 2015, the richest segments of the world's population (High Net Worth Individuals) are equal to 15.4 million people: (5,1) in the Asian-Pacific area, (4,8) in North America, (4,2) in Europe, (0,6) in the Middle East and (0,5) in South America and (0,2) in Africa.

The **compound average growth rate (CAGR)** of HNWI from 2009 to 2015 has been **7.5%**, while in the **superyachts market penetration** is estimated around **2.5%** of the **Ultra-HNWI** population, highlighting an untapped potential market that has to be conquered.

This uprising trend in HNWI's population and wealth led to an **increase** in the **number and the size of boat orders** as reported by these two figures:



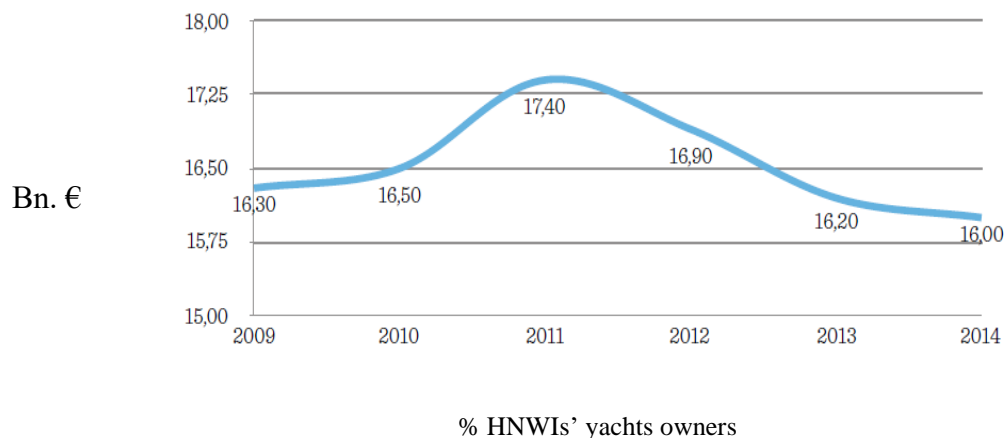
Super yachts fleet growth in the last 20 years

Yacht in construction	2014	2015	2016
Orders book portfolio	411	413	424
Average length (mt.)	47,8	49,9	48,8
Yachts delivered	2013	2014	2015
Average length (mt.)	43,9	44,3	45,0

Super yachts portfolio of orders

Nevertheless, it is confirmed that boat industry analysis follows, but often differs, from global economy trends. This is because **boat industry** is **influenced** both from the **wealth** of **assets** and especially from **emotional** and **cultural attachment** to sailing.

However, These factors are common to all HNWI's market segmentation levels, as reported by the following figure, which displays a decrease of emotional feeling towards sailing for HNWI yachts owners.



The segment of **superyachts** (length over 30 meters) is **worth 2.9 billion euro**, the **motor yachts segment weights 95%** of this market.

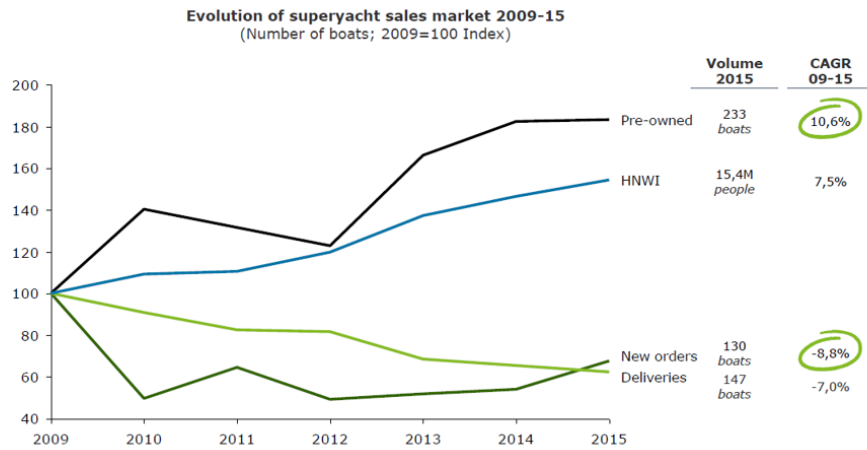
The order book of superyachts in 2016 is estimated at 295 units (excluding on hold orders and ghost boats) with an overall value of 8.7billion euro.

**In 2015, Italy** has a market share in the segment of **superyachts** equal to **42%** of **total deliveries** (62 out of 147 units) and 35% of their value (~1 out 2,9 billion euro)

**In 2016** the new orders of superyachts account for **44%** of the order book.

In the same year, the speculative orders of superyachts account at least 53% of the order book Italy, during this year has reached a 39% market share of the superyachts order book, that decreases to 25% when the overall value is considered.





Deloitte.

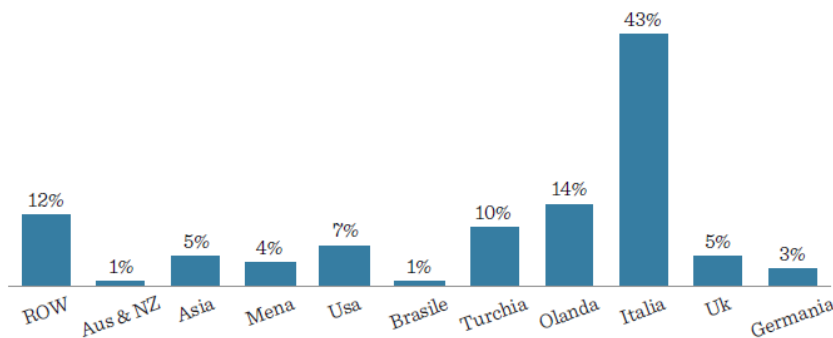


The figure above shows that **from 2009 to 2015** the new orders of superyachts decreased yearly by **8.8%** and **deliveries** by **7.0%**, while the **pre-owned boats market** increased by **10.6%** yearly.

By the way, for four years consequentially 2012-2013, orders book slightly increased, while deliveries have steadily decreased for the same period. The positive aspect is that new orders book has exceeded the deliveries for the first time since 2009.

As known, super yacht manufacturing market is really high competitiveness.

**Italy** confirms the **leading position**, moving **from 37,2% in 2015 to 42,7% in 2016** of the global production as reported in the figure down here:



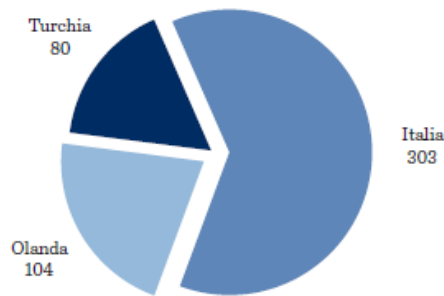
% global orders in 2016 per Country

**US** consists of the **16,5%** of the global production, despite their portfolio of orders is just the **7,6%**. US share has been slightly eroded by **Holland** and by **Turkey**. This is confirmed by the fact that some US yards moved to Europe to remain competitive with the know-how.

Holland and Turkey are facing a rapid expansion. The **former** country is showing a more **stable growth**, while the latter shows a **more fluctuating and volatile rate**.

Turkey, in fact, produced 80 units in between 2011 and 2015. The problem is that they have been made by 45 yards (1,8 units by yard). A comparison with Italian market is risky, because

in the same period the 51 Italian yards delivered 303 yachts (5,9 units by yard), as shown in the following pie-chart.



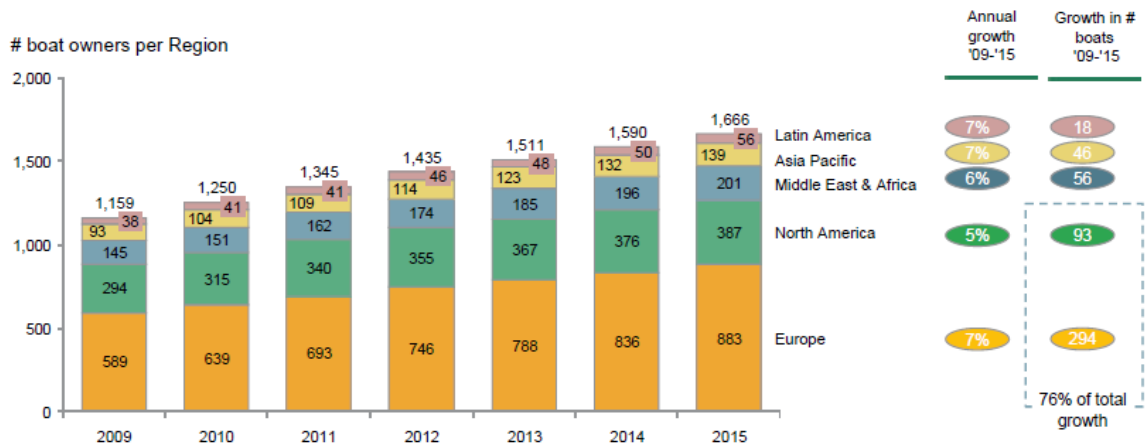
Comparison of units produced in the last five years by Italy, Holland and Turkey

In **2015 new orders of superyachts** grew up by **6.6%** compared to 2014.

2015 shows, instead, lights and shadows in the so called emerging countries: Brazil, Asia (comprehensive of China, Russia and Taiwan), Middle East and North Africa (the so called MENA area). This group of emerging countries reduced the overall deliveries of super yachts. Brazil, for instance, lowered its production, because it delivered just one single super yacht compared to the four super yachts of 2011 and 2012. **MENA** represents **4%** of the global orders, with 30 super yachts produced in 5 different yards in the period 2011-2015. To be precise only 25 out of 30 deliveries come from “Gulf Craft”, (Emirate yard).

Due to the width of the boat market, it is fundamental to segment it in order to analyse different trends. Certainly, big yachts market, despite the recession period of the last years, is now slightly growing in the European and American mature markets. North America, in particular, is the main geographical market with a share of 48%, while Europe has a share of 20%. The **new realties**, here, are, without doubts, **Asian** and **Latin America**. The table indicates the big yachts owners’ nationality:

## Exhibit 6.5 | Traditional markets Europe and North America drive growth of boat owners

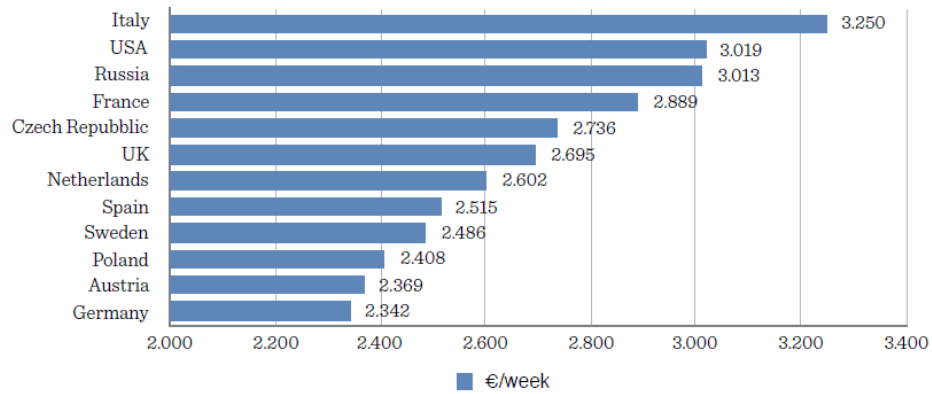


Source: Superyacht Company 2015; BCG Analysis

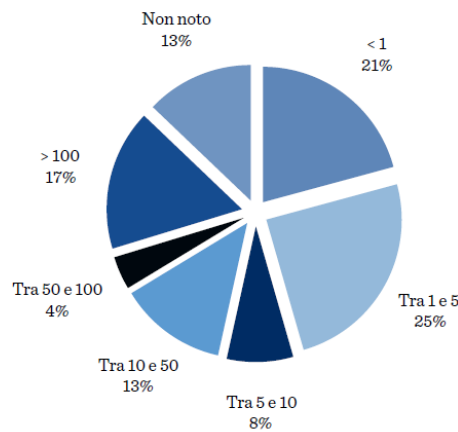
### 3.4 THE EU YACHT INDUSTRY:

The recession period in between 2008-2013 characterized both economic and nautical markets. In 2014 recovery signals were seen, especially thanks to the **recovery of the American market**. The wealth nautical situation depends from country to country. In general, it has been reported an overall increase of 25% in turnover, which varies depending on consumers' trust and ability to pay. A drop in new purchases has been registered during period crisis. By the way, **a common characteristic** to every **EU** country has been the **propensity to export**. Many yards re-adapted the production for the foreign markets. The fact that American market was recovering, gave the opportunity to many EU yards to survive. The only **problem** is that **American boat market** consists of **95% of boats** coming from **local supply**. European Boating Industry reported an amount of 6 ml. of units produced and 36 ml. of recreational boat owners. Their average age has increased from 45 to 55, and nautical expenditures have been reduced. Therefore, more attention has been put in the charters activity, as a propelling element for the industry.

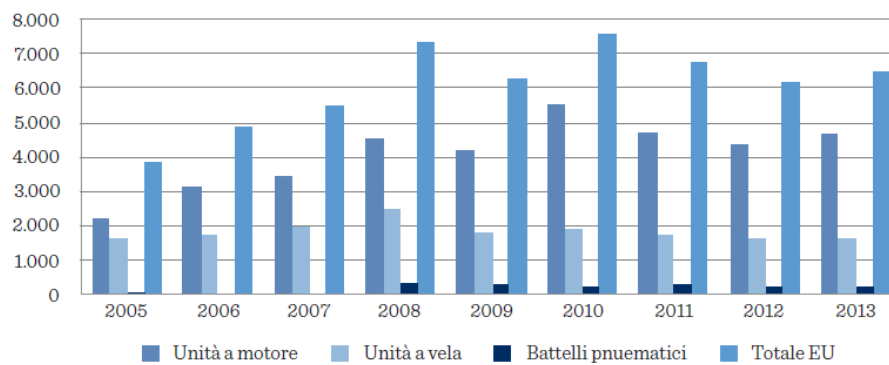
Average amount spent for chartering by country of origin of the customer



The **European turnover** for boats in between 2,5-24 mt. in length and the production value are represented respectively by these two figures:

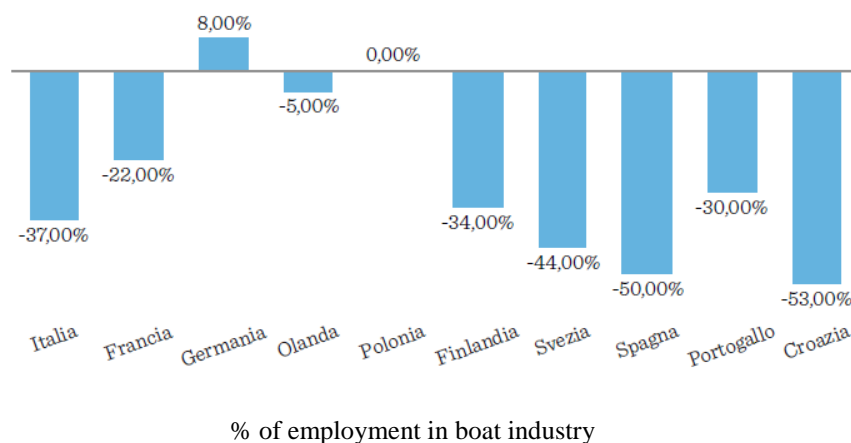


Valore della produzione (milioni di euro)

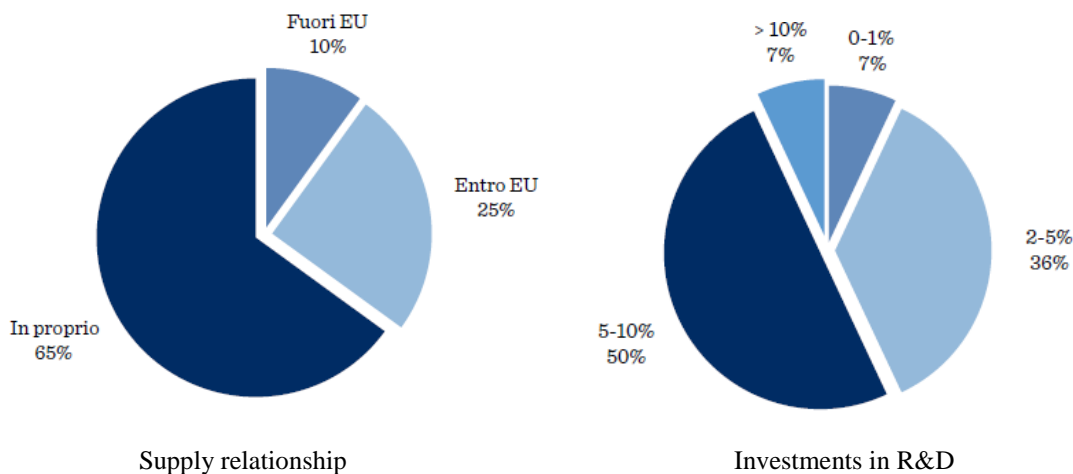


Production value over the years

While regarding the **employment opportunity** of the nautical industry segment, the only positive contribution is given by **Germany** as displayed in this figure below:



Analysing the different EU business models, the figure here shows how is still important for EU yards the supply of ‘made in EU’ products. Good results arise also from the investments/profit ratio of EU yards, meaning how is still important to innovate in this industry.



In strategic terms, therefore EU nautical manufacturing still expresses great importance and potentiality, being strongly and centrally positioned among different international nautical markets. It consists of **trustworthiness**, **attractiveness** of ‘**made in EU**’ and good **technological investments**. The nature of EU industry is aimed at serving emerging markets **eco-friendly** oriented.

### 3.5 THE ITALIAN BOAT MARKET:

**2015** represented the **end of the negative trend** that started in **2008**. The Italian **scenario** is really **unique** compared to other realities in the world.

The first striking aspect is that **90% of production** is pointed towards **export** market and just **5%** of it is faced to local market.

Second relevant element is that **internal market** is weak and characterized by **small-medium engine units, boats and sail boats**.

Third aspect is the leadership in super yachts segment, with as said before, a **book orders** share of **42,7%**, entirely directed to **foreign markets**.

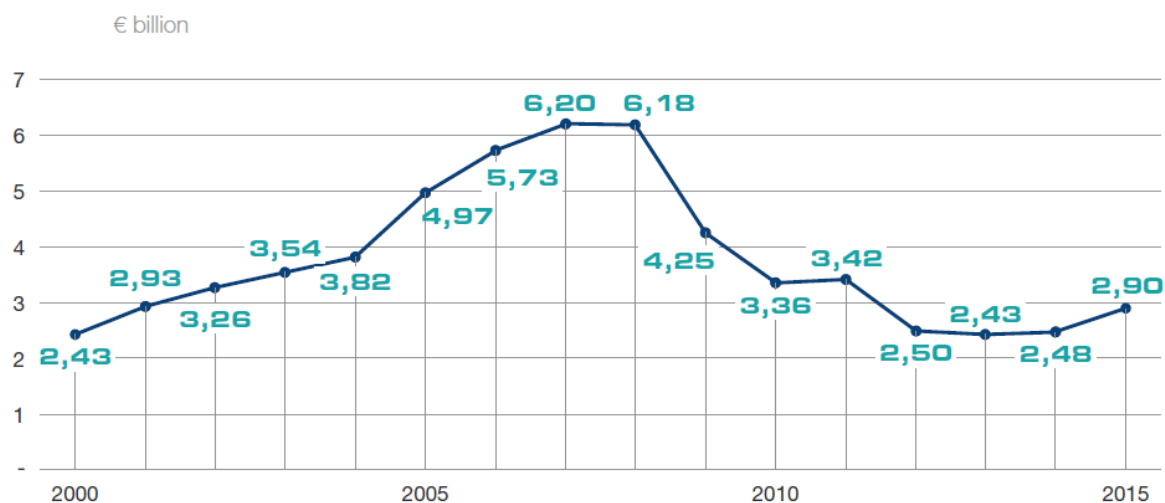
Given that, the anomaly of this market is that all Italian units (apart from pneumatic boats) are imported. **Italian turnover** is made up for **70%** by **10 big players** in the industry, the remaining 30% is composed by around 70/80 manufacturers, oriented to local market.

### 1 ~ Italian boating industry: main figures

Figure	2015 value	2015-2014 variation
Total turnover	2.90 bn €	17,1%
Italian production for the domestic market	0.55 bn €	13,1%
Italian market	0.95 bn €	21,3%
FTE employees	18.130	3,0%
Contribution to the Italian GDP	1,75‰	19,0%

*Note: The above figures refer to the total recreational boating industry, including boatbuilding, refit and repair, equipment and engines.  
Source: UCINA*

### 2 ~ Italian boating industry: total turnover 2000-2015



**Italian turnover** has finally **increased** again, after having lost almost 4€ bn. from 2008.

The boating industry total turnover (considering only the production-related activities of the marine operators, unlike what is often disclosed in corporate communications, which also includes non-core activities of the companies), has reached **€2,9 billion**, registering a significant growth of 17.1% after years of decline. The main contribution to its growth is due to the boatbuilding sector, which generates more than half of the total turnover (55%), followed by equipment (29%), engines (9%), refit, repair and maintenance (7%).

65% of the turnover comes from foreign markets, (19%) from the Italian market and (16%) from imports.

The €950 million turnover generated on the Italian market marked a +21.3% growth on 2014, reverting the negative trend of the recent years. This is a very important signal for the domestic market of new boats, confirmed by the really positive trend of the Italian marine leasing financing turnover, showing a growing confidence of the Italian customers.

In the same way, the **Italian production for the domestic market**, which amounts to **€550 million, grew by 13.1%**.

The export share of the national production, instead, remained stable on the previous year (77%).

The dynamics of full time equivalent **employment** is also characterized by a positive trend, **increasing by 3%** on 2014 to a total of **18,130 jobs**.

80% of the employees refer to the sectors of boatbuilding (8,990) and equipment (5,970).

Finally, considering the value added at market prices, **the 2015 Italian boating industry's contribution to the national GDP** has again exceeded **€2 billion**, thanks to a 19% growth on 2014, generating 1.75‰ of the Italian GDP.



A curious aspect is that **Italian pneumatic boat market** holds the **3<sup>rd</sup> position**, receded only by China and Philippines.

5 ~~~~~ Ranking of the 5 products with the higher export growth between 1995 and 2015

€ million, products with a 2015 trade balance over 1.5 € billion, 4 digit NACE/Ateco codes

Rank	Class	1995	2015	Var % 2015/1995
1	Pleasure and sporting boats	290,1	1.701,7	486,6%
2	Refined petroleum products	2.335,5	12.359,4	429,2%
3	Perfumes and toilet preparations	723,8	3.719,0	413,8%
4	Luggage, handbags and the like, saddlery and harness	1.393,4	6.129,7	339,9%
5	Lifting and handling equipment	1.575,3	5.359,7	240,2%

Source: Fondazione Edison on ISTAT data

**Italian boat industry is placed at the 8<sup>th</sup> position of the global leadership products in which Italy excel.** In the Italian context, in fact, recreational boatbuilding (identified by the NACE/Ateco class 30.12 “building of pleasure and sporting boats”) is an important component of the “Fabricated metal products, machinery and transport equipment” sector which constitutes (with “Fashion and wearing apparel”, “Furniture and ceramic tiles” and “Food and wine”) one of the four main sectors of the Italian manufacturing excellences identified by Fondazione Edison.

#### 10 ~~~~~ Boatbuilding: turnover by type of boat 2015

€

Type of boat	Italian production for the domestic market (a)	Italian production for export (b)	Italian production (a+b)	Import (c)	Total turnover (a+b+c)
Inboard, sterndrive and hydro	96.440.000	1.326.070.000	1.422.510.000	17.520.000	1.440.030.000
Outboard	4.230.000	17.090.000	21.320.000	1.870.000	23.190.000
Sailing	20.060.000	50.300.000	70.360.000	2.720.000	73.080.000
RIBs and inflatables	15.510.000	44.470.000	59.980.000	1.510.000	61.490.000
Small boats	1.500.000	500.000	2.000.000	450.000	2.450.000
<b>Total</b>	<b>137.740.000</b>	<b>1.438.430.000</b>	<b>1.576.170.000</b>	<b>24.070.000</b>	<b>1.600.240.000</b>

#### Italian Yards:

On the base of the annual UCINA statistical survey, the 2015 turnover of the yard sector (including boatbuilding plus refit, repair and maintenance) was €1,807 million.

The **boatbuilding activities sales**, generating **€1.6 billion turnover**, with an increase by 20% on 2014, show an **86.4% export share** (1.54 € billion); **74.5%** of the **exports** are directed to **non-EU markets**. 11,500 employees out of the total 18,130 of the Italian boating industry sector work for yards.

Finally, yards production value is mainly focused on engine boats, which are still preferred on sailings.



Engine/Sailing boats ratio



### 3.6 THE YACHT INDUSTRY TRENDS:

In the next five years, therefore, an overall slight growth of boat industry is foreseen, characterized by these main competitors: Brunswick, Platinum Equity, Group Beneteau, Ferretti, Azimut-

Benetti, Sunseeker, Bavarian, Princess, Sealine. Below, it is reported the 2014 construction yards ranking list (for boats greater than 24 mt.):

Pos.	Cantiere	L totale (metri)	L totale (piedi)	Ordini 2015	L media (piedi)	Ordini 2014	Pos. pregressa
1	<b>Azimut / Benetti</b>	2,555	8,383	66	127	79	1
2	<b>Sanlorenzo</b>	1,690	5,545	48	116	39	2
3	<b>Ferretti Group</b>	1,551	5,089	49	104	32	3
4	<b>Sunseeker</b>	1,082	3,550	36	99	26	5
5	<b>Lürssen</b>	878	2,881	9	320	7	6
6	<b>Amels / Damen</b>	793	2,602	12	217	10	7
7	<b>Feadship</b>	724	2,375	12	198	8	8
8	<b>Princess Yachts</b>	708	2,323	25	93	30	4
9	<b>Heesen Yachts</b>	565	1,854	11	169	10	13
10	<b>Horizon</b>	514	1,686	16	105	16	11
11	<b>Gulf Craft</b>	468	1,535	13	118	15	10
12	<b>Fipa Group</b>	442	1,450	12	121	9	16
13	<b>Overmarine</b>	430	1,411	12	118	14	9
14	<b>Alexander Marine</b>	428	1,404	15	94	11	22
15	<b>Oceanco</b>	392	1,286	4	322	5	12
16	<b>Christensen</b>	360	1,181	8	148	8	15
17	<b>Cerri - Baglietto</b>	303	994	7	142	9	17
18	<b>Palmer Johnson</b>	294	965	5	193	4	28
19	<b>Sunrise Yachts</b>	285	935	5	187	5	26
20	<b>Privilege</b>	277	909	2	454	2	25
21	<b>Abeking &amp; Rasmussen</b>	277	908	4	227	3	30
22	<b>The Italian Sea Group</b>	272	892	6	149	10	14
23	<b>Mengi Yay</b>	263	863	7	123	4	-
24	<b>Oruçoglu</b>	260	853	7	122	8	20
25	<b>Heysea</b>	256	840	8	105	9	27
26	<b>Mondo Marine</b>	253	829	5	166	6	21
27	<b>Dream Ship Victory</b>	238	781	3	260	3	29
28	<b>Perini Navi</b>	228	748	4	187	5	23
29	<b>Hatteras</b>	213	699	8	87	3	-
30	<b>Oyster Marine</b>	209	686	8	8	8	-

Main boat industry's competitors

As can be inferred from the table above, the **first three positions** are occupied by **Italian boatyards**, meaning that, Italian market is still leading the production ranking, thus showing a great visibility and prestige all over the world. It is relevant to underline that **Ferretti group** (which includes Riva Yacht) is at **third position** in the **global scenario** and it is confirming the same position from the previous year. Recent forecasts see Ferretti **upgrading** to the **second position** within 2016.

The official company data reports that, in **2015**, Ferretti group had a turnover of **363€ ml.**, compared to 2014 in which was 231€ ml. (+**57%**). Thus, having reached almost 400€ ml. in turnover, Ferretti is committed to **develop a core-brand portfolio**, through **R&D** and **product development** investments for more than **50€ ml.** The Ferretti goal's is to reach **break-even point** and a **542€ ml. in turnover, within 2017.** The **EBITDA** is targeted to be **positive** for the next two years, at a level of **16€ ml. in 2016** and **44€ ml. in 2017.**

Under the Chinese ownership, Ferretti has been able to launch more than **10 new yachts** in the last boat shows in Cannes, Düsseldorf and Monaco.

Therefore, Ferretti is preparing itself for leading again the global nautical scenario.

However, this goal can be reached only by following the recent boat market trends.

The key success factors for boat industry are steady innovation and technological research.

Within **2019, the entire boat industry** is expected to reach a value of **25\$ bn.**, thanks to the main growth drivers, that are:

- Constantly renewing the fleet
  - Being best technology providers
  - Being environmental friendly
  - Increase the size of the units produced due to the growth of HNWI's wealth
  - Globalised elite tourism
- 

## **CHAPTER 4: RIVA IN THE WORLD**

Emerging countries play a meaningful role with their internal demand, focused mostly on small-medium length.

Either the global economy or the international boats markets are characterised by fragmented and fluctuating scenarios, that prevent to make certain forecasts.

To the European weak situation is contraposed the growing market of North and South America, especially of Brazil. Whereas the Chinese market contraction, considered as a high potential growing market, has surprised every boat market analyst. Among emerging

countries, the most interesting ones are: **Russia** and **Middle East**, that absorb most of the European export, which, instead, is marking a stagnating situation of internal demand. Here is reported a brief international market's portrait with the most interesting realities in which Riva company operates:

#### **4.1 RIVA IN CHINA:**

Every single country has its clientele's type. Most of the differences come from the **various cultures** (which is a fundamental aspect in luxury), the **different origins, the histories, the perceptions and the concepts of luxury**. In order to survive the unstoppable trends, companies adapt their strategies to each country in which they produce, sell or operate. However, luxury brands, as the anti-laws n° 6 suggests, (see anti-laws of marketing paragraph), must dominate their client and not adapt their products to customers' needs. **Riva brand operates on a global scale**. Its awareness is gradually enlarging, by covering several countries. After Ferretti and then Shig-Weichai's acquisitions Riva company structure changed its composition. The company headquarters was moved from Sarnico to the historical location of Ferretti group in Forlì (FC) - Italy. The production sites were increased in number. The original one in Sarnico was left untouched, while another boatyard was placed in La Spezia (SP) – Italy. Two regional offices were, instead, placed overseas. One in Hong-Kong - China that is in charge of managing all the so called APAC (Asian-Pacific) area and the other in Ft. Lauderdale (Florida) – US, in charge of the AMERICAS area. Finally, a number of dealers are spread around the EMEA area (Europe, Middle East, and Africa). Among those, I decided to analyse the Chinese area, firstly because Riva brand is under Chinese control and then because it is one of the most interesting areas with the greatest future potential for the Italian brand.

Chinese economy and population are changing so rapidly. In 2015, **Chinese luxury market** was quantified at **18€ bn.** almost the same value compared to 2014. **Chinese HNWI**s instead are growing at a **16% annual rate** passing from 890.000 to 1,034.000 units. Asia-Pacific **HNWI**s' **wealth** increased by **9,9%** from 15,8\$ (in 2014) to 17,4\$ trillion (in 2015).

Therefore, luxury market stabilized, while HNWI

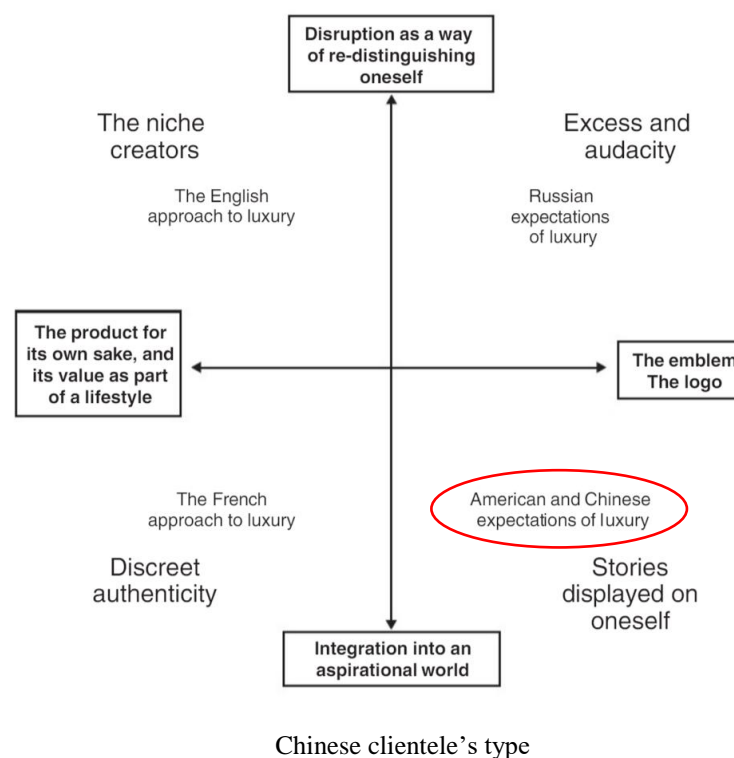
s grew in wealth and number.

The most interesting thing is that from **2006 to 2015 HNWI**s grew by **106,4%**, but even more surprisingly **from 2015 to 2025** they are expected to grow by **142%**. So, a big potential, for luxury brands, is hidden in the Chinese market.

Like USA, China is a country where you climb the rungs of society through economic success. Given that, you then there is a wish to benefit your clan through it and make it widely

known. It is a more **hedonistic, sensual relationship with luxury**, where the **signs of value** must be **strong, known and recognised**. In China, luxury is in the **present tense**, the intense and emotional sharing of a renowned brand. HWNIs exist through luxury.

<<Nothing speaks more clearly than etymology. The word ‘luxury’ derives from Latin “*luxus*”. The Chinese transcribe it through two characters (she chi): the first means ‘important people’, the second means ‘much’>> (Kapferer-Bastien 2009, p. 111). Therefore, luxury in China relates to celebrities: through luxury you become someone important, or simply someone. Luxury helps you to acquire an immediate distinction.



As the figure above shows, Chinese luxury market is based on **ostentation** through the **logo dimension** and on the **integration** through the **incontrovertible institutions** of luxury known worldwide.

Looking at the data reported in the **boat industry composition**, **Chinese nautical market** is still considered **emerging** and, conversely to the HWNIs and wealth's expansion, in 2015 showed for the **first time a contraction**. The latest acquisition (2012) of Ferretti group by Shig-Weichai Chinese group, put high expectations from the side of nautical growth of Chinese boat market. According to a report published by “China Cruise and Yacht industry Association” (CCYIA) in 2010, Chinese fleet, boasted 1.500 units (5 times greater than the last decade), while foresees for 2020 are of about 100.000 units, reaching a value of 10\$ bn. per year. More precisely, boat owners grew by 7% from 2009 to 2015 (+294 super yachts).

Nevertheless, the **Chinese production** in **2014** represented the **4,1%** of the **global market**, while, in 2016, the **portfolio of orders** is just a **5%** of the total orders, denoting a **poor request of boats importations**. The 23% of exportations to China are made by Italian boatyards. The trend of many famous yacht brands is to place themselves in China in order to reduce the **cost of tariffs** (43,5% is the taxation to be paid in order to export yachts to China), being hence more competitive. For instance, **English boatyards** are dominating the **Chinese scenes**, by placing several yards there, but also American (Bluebay yards) and Japanese (Kyala) are relatively strong for boats with 15-24 mt. in length. There are, also, 30 Chinese yards, that are steadily growing inside the Country for boats in between 12-15 mt. For boats over 20 mt., strong players are the American yard Brunswick and other local companies. The rest of this segment is represented by importations. In the next five years, the most profitable segment will be the middle range, with prices up to 350.000, composed by managers and professionals that almost were able to make the same money than the same Western class.

Some limitations to the growth of the nautical market are the several importations, the restrictive rules regarding the navigation inside the Chinese territory, the poor infrastructures and the recent anti-corruption law, promulgated by Chinese government, that obliges public officials to lower their life standard level. Another relevant issue is that in more than 18.000 km of coasts, most of them are military zones. Last important aspect is a cultural deficit, in fact, Chinese boat owners **lack of a sailing culture**. They prefer short than long range navigation.

However, as seen before, luxury consumers are growing more and more and their typical luxury products are cars, jets, art and recently yachts. Chinese government is investing more and more on harbours and boat shows, such as CIBS (China International Boat Show) For the next five years, it is expected a steady growth of the Chinese nautical market, even if a big unexpressed potential should be still exploited. Therefore, the actual situation is optimal for local boatyards to growth and for foreign yards to organize at best the penetration into the Chinese market.

The big question is: why did Shig-Weichai buy Ferretti group?

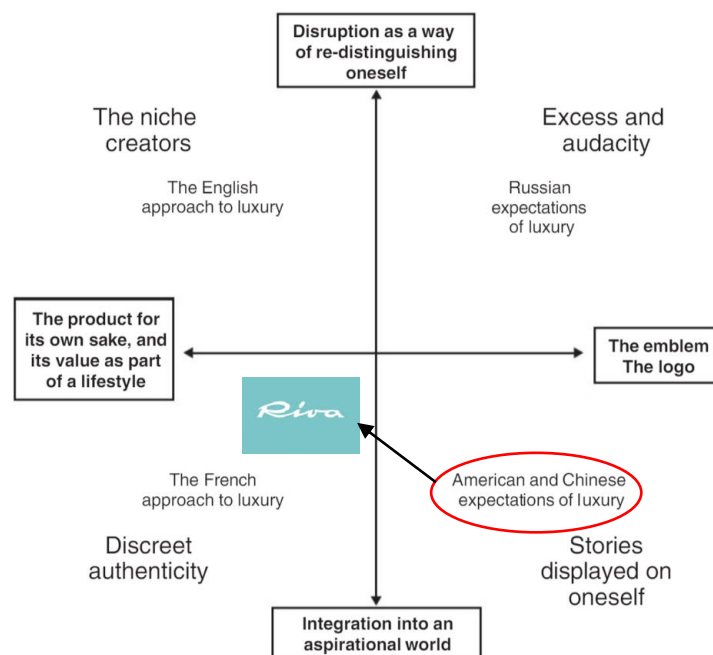
In the last years, Italian market showed great appeal for the 162 Chinese companies, that in 2015 invested around 15€ bn. in Italy. Italy is the second preferred Country for Chinese investments, coming after UK and coming first France. It is enough to remember the biggest and latest acquisition such as: Pirelli, F.C. Internazionale, FCA, Telecom Italia, De Tomaso Automobili Spa, Fiorucci, Miss Sixty, Cerruti, Desmo, Benelli, Prysmian, Mediobanca, General, etc. The favourite investments areas are energy (Ansaldo Energia, Eni, Enel),

infrastructure and bank (Unicredit, Montepaschi, Intesa Sanpaolo) industries. The reason why they acquired is for investment, to understand more advanced value-chains of major success brands, to acquire know-how and technological innovations.

Here are most of the answers of why **Shig-Weichai group** bought the **86,8% of shares** (6,24% are in RBS's hands and 6,94% to SVP Special Situations) of New Ferretti Company, (that holds Riva brand), by a price of **374€ ml.** Shig-Weichai was born in 2002 and is in the automotive sector. It is a Chinese state-owned enterprise, that also manages different business units, brands and products such as: **R&D, powertrain, vehicles & engines, key components, after-market business and luxury yachts.** Having more than 74,000 employees in the world, the group has achieved **107.5 bn. yuan sales** income in 2015, ranked 2th of China top 100 machinery industry enterprises in 2015.

Clearly, it acquired Ferretti group to learn the **Italian know-how and technological innovations**, to understand **consumers-drivers**, to get both **land power manufacturers** and **sea power manufacturers**, in order to develop them inside its Country of origin. More likely, Shig-Weichai wants to fill the **competitive disadvantage** that Chinese boat market is now showing, so that in next decade it will be able to excel at boat sales.

Thanks to these Chinese investments, Ferretti and Riva could start a new period of economic success. The financial aid gave the opportunity to the Italian brands to still lead the global market scenario. However, the problem of Riva in selling to Chinese market is the **great diversity of luxury perception** from Chinese people, as shown again in the following figure.



Riva and Chinese clientele's types

The actual and typical Riva clientele, in fact, is more in the bottom left quadrant, while Chinese luxury clientele is more on the bottom right quadrant.

**How Riva should manage this problem?**

As luxury brand, Riva should dominate its clientele, not adapting the core product range. A **little change** in the **brand strategy** (brand communication, distribution and expansion), instead, should be implemented. The aim, hence, is not to put a big logo on boats to satisfy Chinese clients, known as ‘recognition seekers’, while instead **focusing on the integration aspect** which is already common to typical Riva clientele and on **increasing** the levels of their **sensitivity to product** and **authenticity awareness**. A guided **cultural education**, as many brands company are doing today, is required to make Chinese clients understand Riva’s **products** and **heritage** deeply instead of only consider them as objects to distinguish from the crowd and to signal that they are arrived. The mistake, therefore, is not to **integrate the long-term** associated with luxury: this could be done by communicating and distributing more carefully Riva brand. In luxury, dealers and brokers are famous to be in the first line to sell a luxury product. Hence, Riva should train them more intensely and know always better the product they sell in order to teach the true and complex Riva brand identity to Chinese clients. Riva might also use RBE (Riva Brand Experience) the new entry-level (merchandising products), in which the logo component is more evident, to help Chinese people to understand Riva brands in its entirety.

By doing so, Riva will surely strengthen the brand awareness and image in the Chinese market for the future. Consequently, it will be able to make more profit by convincing and attracting more of growing number of the HNWI’s to buy Riva brand.

Down here is reported a SWOT analysis for Riva in managing China market.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• High growth of HNWI’s number</li> <li>• Remarkable growth in HNWI’s wealth</li> <li>• High potential of Chinese market</li> </ul>	<ul style="list-style-type: none"> <li>• Nautical market’s low growth</li> <li>• Lack of nautical culture</li> <li>• Anti-corruption law for public officials</li> <li>• Military areas in many waters</li> <li>• High tariffs for importation (43,5%)</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• New infrastructure plan</li> <li>• Educate Chinese clients to luxury</li> <li>• Teach Riva brand identity through new accessible products and experienced salespeople</li> </ul>	<ul style="list-style-type: none"> <li>• Chinese clientele in different ‘quadrant’ differently to typical Riva’s clientele</li> <li>• Wrong Riva brand perception</li> </ul>

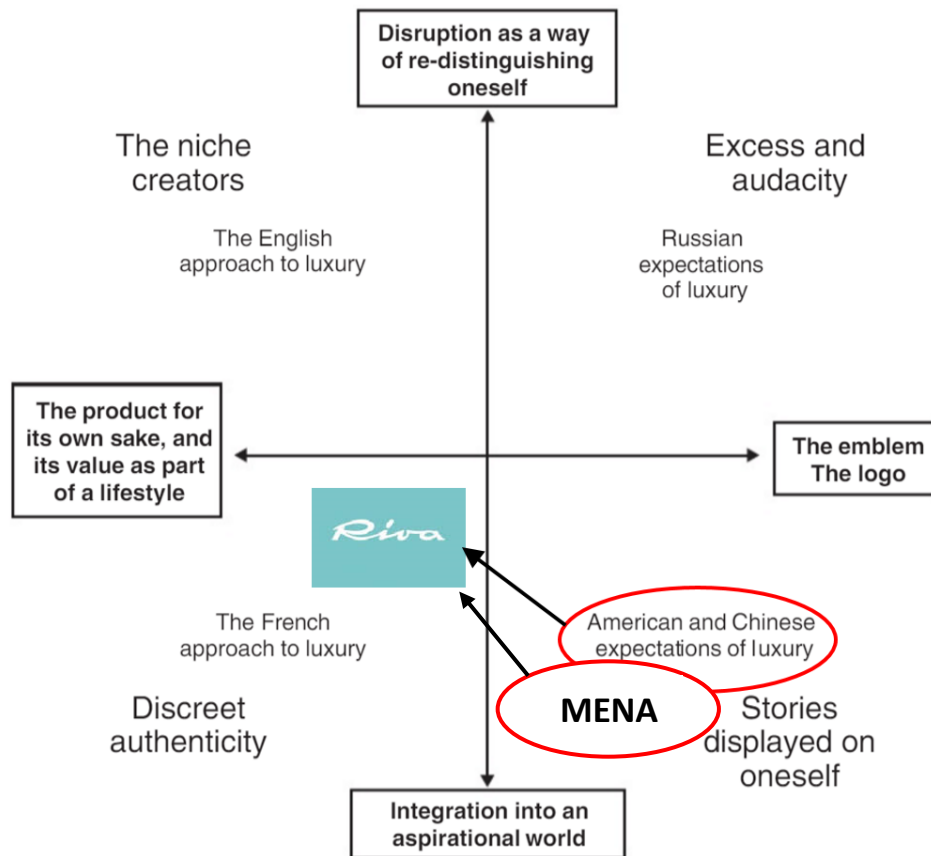
## 4.2 RIVA IN MENA (MIDDLE EAST - NORTH AFRICA)

MENA countries played an initial positive role for European sailing realities, during the crisis period. Unluckily, the internal stability of the country prevents the trustworthiness of trading with EU countries. A great weight is given to the small ability of investments from Arabic world. However, 2015 has been a positive year, in particular for mega and giga yachts, but, recently, also for small-medium boats. MENA represents **4%** of the **global orders**, with 30 super yachts produced in 5 different yards in the period 2011-2015. To be precise only 25 out of 30 deliveries come from “Gulf Craft”, (Emirate yard). From 2009 to 2015, the **super yacht owners market increased by 6%** with 56 more boats acquired.

In between **2014-2015**, MENA HWNIs grew by **0,1%** and their **wealth by 0,9%**. Instead, the growth rate lowered in respect to previous years. However, **from 2009 to 2015 HWNIs’ wealth grew by 58,3%** (calculated as average growth rate for Africa and Middle-East) and **from 2015 to 2025** is expected to **grow by 78,75%** (calculated as average growth rate for Africa and Middle-East).

Therefore, MENA area has still a **good potential** and Riva company is already investing in this area. **Mr. Cristian Boni** (Sales Area manager) in charge for Middle East and also Russia area, underlined that there are several issues when selling to Middle East area. For instance, Middle East does **not** have **many places** to visit for **touristic** reasons. The only goal for those people to possess a boat is to find a place where to enjoy the pleasures of life (smoking, gambling and eating prohibited food) and to show off their social success out of the crowd. Another issue that Riva is encountering while selling in this area is that **MENA clientele lacks of nautical culture**. MENA clientele, like American and Chinese, are **more sensitive to the logo than the product for its own sake**. They do not usually need information for engine room details, instead they ask for discounts when buying Riva yachts (inconceivable for a brand like Riva!) and negotiations times are usually long. These are evident signs that they do not know neither what they are buying nor the Riva brand history and heritage. As for Chinese and Americans, they must be **educated through the right brand communication and distribution**, as shown in the figure below.





Riva and Mena clientele's types

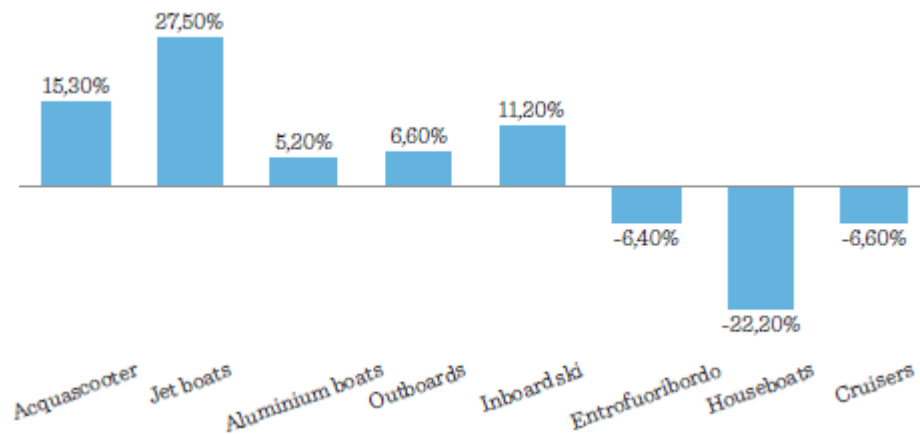
Moreover, the salespeople, primarily, must be really able to understand if their client has deeply understood what he is buying. Sometimes, Mr. Cristian Boni taught me that it is better to stop the negotiation to wait for the right moment (could be weeks, months or years) and 'warmth' to conclude the purchase process.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>Steady growth of HNWI's number</li> <li>Steady wealth growth of HNWI's</li> <li>Big potential for MENA market</li> </ul>	<ul style="list-style-type: none"> <li>Few touristic places</li> <li>Too much focus on logo and size of boat</li> <li>Lack of nautical culture</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>Educate MENA clients to Italian luxury</li> <li>Teach Riva brand identity through new accessible products and experienced salespeople</li> </ul>	<ul style="list-style-type: none"> <li>MENA clientele positioned in different 'quadrant' differently to typical Riva's clientele</li> <li>Wrong Riva brand perception</li> </ul>

### 4.3 RIVA IN US

**US market** consolidated the growth rate of previous year, reassuring everyone about its **importance** and **robustness**. In 2015, the **engine boat market** registered a +8%, aiming at reaching (in 2016) the levels existing before recession period. **A growth in the over 40 ft. segment has been registered**; this segment is represented by **imported yachts**, therefore is **American market remains a good opportunity for European yards**. American demand is looking for innovated products, which means new and fresh attitude to investments. In 2016, small-medium boat manufacturing reached around 250.000 units.

Best segments are: jet boats (+22,3%), water boats (+14,3%), sports boats (+10,6%), medium engine boats (+10,3%), fishing boats (+41%) and (+8%) for boats longer than 12 mt. (40 ft.). Trust in the boat market is given by the so called entry-level boats, that reached pre-crisis levels. The American turnover is about 121,5\$ bn.; 34.900 yards; 472.600 direct job units.



American boats segments results

Moreover, in between **2014-2015**, **US HWNIs** grew by **2%** and their **wealth** by **2,3%**, thus showing a **steady growth rate** in respect to previous years. However, from **2009 to 2015** **HWNIs' wealth** grew by **47,5%** and from **2015 to 2025** is expected to grow by **54,4%**.

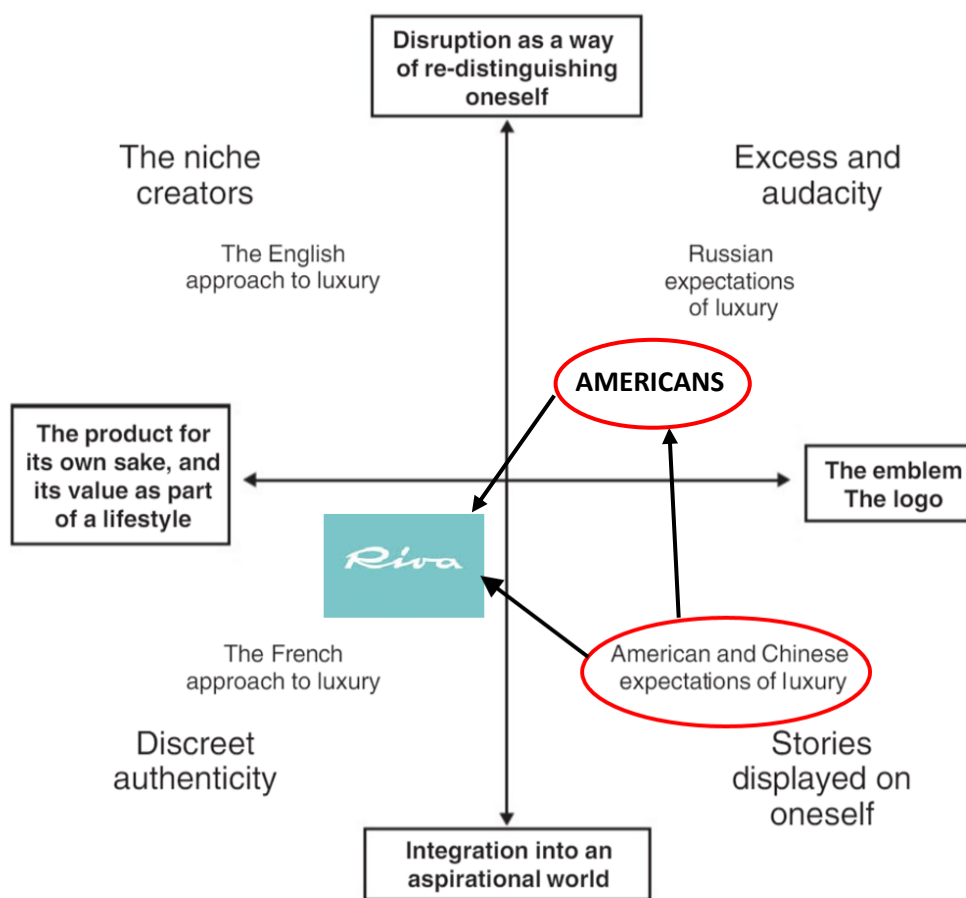
Therefore, US market is an **absolute certainty** for Riva company, that also for this reason has a regional office in Ft. Lauderdale (Florida). **Riva** counts a lot on **US market exportations**.

Mr. Giuseppe Meneghetti (Sales manager for US market), however, highlighted two problems: the first is that **American boat market consists for 95% of boats coming from local supply**, and the other issue is that **US clientele is more 'recognition seeker'** than **connoisseurs**. He divided American Riva clients in: **sophisticated** and **non-sophisticated**.

The former category is made of connoisseurs (one over ten clients belong to it), because they

already know the product. The latter category (nine over ten), needs a **see-try before buying**. Hence, it is a sign that they do not actually know what they are purchasing. Another typical aspect of American Riva client is the impulsiveness. He buys for **self-gratification** and for **self-pleasure** and **he is quite reserved**. This last aspect puts American clients more in the upper-right quadrant (Russian luxury client model) than its typical bottom-right quadrant zone.

Nevertheless, as Chinese clientele, they climb the rungs of society through economic success. It is a **more hedonistic, sensual relationship with luxury**, where the **signs of value must be strong, known and recognised**. Luxury is in the **present tense**, the **intense and emotional sharing of a renowned brand**.



Riva and American clientele' types

Again, the mistake here is not to integrate the long-term associated with luxury. By teaching to American clients, the deep and authentic Riva's brand identity and heritage, recognized at the international level, Riva will succeed in increasing sales and in convincing Americans to not only buy from the internal market (when seeking for luxury yacht).

Down here, a SWOT analysis is reported for Riva brand strategy in US market.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Steady growth of HNWI's number</li> <li>• Steady wealth growth of HNWI's</li> <li>• Stability of American nautical market</li> </ul>	<ul style="list-style-type: none"> <li>• 95% of purchases are made relying the internal supply</li> <li>• Most of the purchases are under 350.000\$ threshold</li> <li>• High tariff costs for importation</li> <li>• Too much focus on middle size boat</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Educate American (non-sophisticated) clients to Italian luxury</li> <li>• Teach Riva brand identity through new accessible products and experienced salespeople</li> </ul>	<ul style="list-style-type: none"> <li>• American clientele positioned in different 'quadrant' differently to typical Riva's clientele</li> <li>• Wrong Riva brand perception</li> </ul>

## CHAPTER 5: THE RIVA LUXURY YACHT BRAND

### Can Riva company be considered as a luxury brand?

The first requirement is the product that a company sells has to be considered as a luxury one. As already explained in the luxury products paragraph, luxury products are based, mainly, on consumers' perception and must reflect the six major characteristics: price, quality, aesthetics, rarity, extraordinariness and symbolism. Riva boats that, at the moment, are the only products the company sells, surely have more than necessary and ordinary characteristics compared to other products of their category. They clearly include all the characteristics previously mentioned: relatively high level of price, quality, aesthetics and rarity, extraordinariness and symbolism. Here is the analysis of each single feature:

**Price:** Riva boats distinguish themselves also for the **really high price**. They are, top price level for their segment. This is justified by Riva boats' excellent quality. Nevertheless, Riva brand manager never talk about the price. In fact, in luxury, price has a peculiar function: it is usually the first driver for customers to distinguishing luxury and non-luxury products, however in luxury none talks about prices. It is the last element showed to customers.

**Quality:** Even if put as second in this list in relation to the price, for Riva the quality of boats must absolutely justify the price. This is how Riva managers and manufacturers must think

when projecting and building a Riva boat. Riva salespeople never have to justify the price. Exactly such as luxury companies do, Riva wants its customers to justify the high price through the exquisite quality.

**Aesthetics:** Riva boats are well known for their exclusive design (that, since 1994, has been entrusted to Officina Italiana Design). Also, the aesthetics by itself justify partially the price, but it is also an intrinsic part of creator's vision. Carlo Riva, in first person, several times said: "Everyone who see a Riva boats sailing must stop, admire it and distinguish it among the others boats. Riva boats must stand out from the rest".

The hardest time, in the company, was to find someone who renewed the spirit of Pietro and Carlo Riva, the young boat builders. Nowadays Riva is still building boats nobody else possibly could.

**Rarity** is a fundamental aspect in luxury product management.

Riva manages the rarity component as best luxury companies do (in the same way of Ferrari, Bentley or Roll-Royce for instance). Riva boats hardly meet demand needs. This is intentionally done in order to enhance the dream towards Riva boats.

**Extraordinariness:** the mahogany material and the ability to work the wood by craftsmen make Riva products pleasing to each of the five senses. These boats are built to surprise. Despite the considerable dimensions, the attention and the dedication to each single detail make Riva boats extraordinary.

**Symbolism:** Over the years, Riva products became an icon for royals, princes, sultans and many celebrities. The Italian design and the concept of agelessness always surrounded the product perception. The slogan that had been built around 'Riva Aquarama' model probably is the best representing the synthesis of Riva brand: "Sun, sea, joy of living".

Moreover, Riva products might be placed, among the four main categories of luxury, as:

- **Personal Luxury Products;** Riva boats are personalized goods. Even though, at the beginning of their life, Riva boats born in 'series'. The Riva's 'TAC' production, in fact, utilizes pre-manufactured hulls (with the same dimension), that can be used for different Riva models production. Only when the client purchases the boat, then the boat starts its customization process. The latter is particularly evident during the after-sale process, in order to match boat owner's tastes.
- **Publicly Consumed Luxury Products;** Despite not much visible by everyone (as happens for cars), Riva's boats are really common to be seen in the best marinas all over the world.

- **Exceptional Luxury Products;** Following some Riva's factors of differentiation such as: quality, price and repurchase rate a hybrid position inside the luxury pyramid must be given to Riva Brand. In fact, the right brand's position is in between the inaccessible luxury and intermediary luxury (actually much closer to the former than the latter). Except for the entirely tailor-made part, many of the characteristics of inaccessible luxury are included in Riva products: such as rarity, selected raw materials, distribution and really high prices, referred to the most prosperous social class, which wants to show its social superiority. The goal of buying a Riva boat is to survive the trends, keeping the original style. Riva boats are not totally custom yachts: which means that they are not entirely customizable. This point belongs more to the 'intermediary luxury' level instead. What differs from this level is the customers' target, which is not the middle-class. As Mr. Cristian Boni confirmed, Riva typical customer is someone who already owns 2-3 boats (including one super yacht at least), therefore someone in between Mid-Tier Millionaires (6\$-30\$ ml). and Ultra-HWNI (+30\$ ml.) tiers.
- **Expanded-diffusion Products**

Riva production volume is constrained by rarity factor. The production method and management make Riva boats to be considered as limited-diffusion products due to the manufacturing complexity, which requires a high degree of handwork and craftsmanship.

### **Conspicuous vs. Understated Luxury Products**

As the biggest share of the luxury non-conspicuous products Riva boats show some conspicuous attributes (such as mahogany colour, wooden-hull and unique design), but these are not primarily made to be conspicuous. Like 'Bottega Veneta', Riva products must be recognized at first glance, without reading the brand name. A Riva is definitively for connoisseurs, even if also non-connoisseurs might distinguish through its conspicuous attributes, (mahogany above all), that make it always stand out.

After having analysed if Riva products might be really considered as luxurious ones, the focus now is on Riva brand.

### **Could Riva brand define itself a luxury brand?**

What defines luxury brands are the images in consumers' minds, that comprise associations about a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations. Hence, any potential luxury brand should be evaluated through the same constitutive characteristics of luxury brands already seen before for the identification of Riva as a luxury products. The difference, here, is not how the company manages the


products as luxurious one, but how Riva brand is perceived and considered in consumers' minds. This is a list of that main features:

**Price:** when asking to Riva connoisseurs directly know that Riva price is in the top-price level for its segment. Moreover, Riva second-hand market is perfectly in line with high luxury brands. All Riva models, in fact, have a production number which distinguish them by others same model types. Some of these models, if owned by very important people might reach really high resale price value (sometimes more than the original purchase price).

**Quality:** Brand is renowned to be in the top-of-the-line products, which will not be disposed of even after long utilization or defect, but rather repaired. Riva brand gains value over time so that its customers can even hand their products onto their grandchildren. Moreover, Riva second-hand market is typical for its high prices, to testify that, most of the times, Riva boats acquire value, instead of losing it.

**Aesthetics:** Carlo Riva, as a detail-oriented person, also disseminate the tradition and the idea of perfection to Riva's manufactures. Like a chic and vain dandy, who would never leave the house in less than perfect style, Carlo, in the past (and craftsmen today), checked many and many times, before the boat launch, the quality and the overall beauty and elegance of the boat.

**Rarity:** A distinction between two major types of rarity must be done: on one the hand **physical rarity**, the best-known type, that of ingredients or processes, and on the other hand a **virtual rarity** or impression of rarity, signified, created and maintained by the communication itself. The first is that of true luxury. As showed in the following figure, Bernard Catry, HEC researcher, distinguishes five types of rarity, from the physical to the virtual, and links these levels to their capacity for opening the floodgates of volume, but also to the types of managerial know-how critical for the so-called 'luxury' company.

Natural	Type of rarity driver	Compatibility with volume
	1. Ingredients, components limited capacity, rare human expertise eg: diamonds, rings, fur	Little
	2. Techno-rarity, innovations, new products and features	Average
	3. Limited editions, custom-made orders, one-to-one relationships	Average
	4. Distribution-based rarity	Good
	5. Information-based rarity, marketing, brand, secrecy	Very good: no physical limit
Virtual		

Source: B Catry (2006)

First type is the **rarity of the ingredients**, by definition, limits the sales volume. Here, the buyer is the key person, because of its ability to secure supplies of the rarest ingredients.

Second type, **technical rarity**: it creates an impression of rarity through the ultimate demand for perfection.

Third type, the **rarity of the production** itself. This is the logic of self-limitation of demand, of limited series, previously announced to the elite for pre-orders and to wind the spring of desire through the emulation of those who will display the product before everyone else, in this intra-class rivalry to signal prominence. Ferrari, for instance, limits its production, hence create a waiting lists that increase desire.

Fourth type, the **rarity of distribution** also creates an impression of rarity.

Fifth and finally type, **the informational rarity** capitalizes on the rarity not of the objects, but of the famous people who wear them, or who frequent such-and-such a hotel, spa or restaurant.

By contrasting the mass-market brands and the democratization of luxury, **Riva** wants to control and limit its production, following the third **type of rarity**. It applies a self-limitation of the production based on the demand forecasted through dealers' indications.

I personally found several hurdles to ask for the precise number of units produced for a specific model, but this aspect is intentionally kept secret as a part of the magic. A desire for the brand must be created among its clients. Riva customers, like the Ferrari ones, are already aware that a period of at least 6 months is required to complete the purchase. Hence, Riva brand strategy wants to keep the label of 'hard to get' and of not available at all times or places.

**Extraordinariness:** Riva brand wants always to put itself at a higher level. Riva commands the market. It clearly needs to have a precise vision. Aided by its tradition and its know-how, Riva is able to deliver innovative products that surprise every time the customers. What is usually noted by Riva's owners is that, despite its excellent style and elegance, that boats are really performing in speed, resilience and safety.

**Symbolism:** In between 60s to 70s, Riva's connoisseurs knew that if they wanted to be someone special and important in sailing (especially celebrities), they needed to own a Riva. These boats are the icons of the sun, joy and see (the so called 'Bella Vita') for many sailing lovers. Furthermore, every single year the company is struggling to maintain in its customers' minds the symbolism and the right 'distance' from the brand. Hence, the innovation and the tradition must be always blended together to keep Riva as a symbol for its connoisseurs.



After having described the characteristics of luxury for Riva Brand, it is important to know that the luxury brand image exists only if exists also a related core product portfolio, that includes luxury products. Sometimes the product range of a luxury brand does not necessarily consist only of luxury products. One single highly expensive and luxurious product, in fact, does not necessarily come from a luxury brand.

In the case of Riva, it has been previously shown which are the luxury features of its products, confirming Riva's boats as luxurious products. Moreover, all Riva boats, that now represent the entire company product portfolio, are considered as luxury ones. Therefore, the result is that Riva sells all luxury products that are part of a luxury brand. This situation is definitively the best for a luxury company, because, in this way, the brand image is at the top, without being mystified by the presence of some non-luxury products within its portfolio.

### **What type of luxury brand is Riva?**

Riva luxury brand is surely in the **elite-level** of luxury brand. This can be easily identified because Riva represents a niche brand in the **top of the top segment**. The brand determines the benchmark of the best quality and highest exclusivity within its category. Riva, as also said before, targets the "clientèle de connaisseurs", who do not just possess the necessary financial resources but also a "culture intellectuelle".

### **5.1 THE RIVA BRAND AWARENESS**

As already explained before, luxury brands can be differentiated by their brand awareness into connoisseur and star brands. This differentiation is of high relevance for brand management, as these brand types require partly contradicting marketing strategies.

**Riva brand** contains some of **both aspects** of 'star' and 'connoisseur' brands, but analysis better, the best fitting is the 'star' one. Riva's partnership with Ferrari is also an indicator of this interpretation. Riva, such as Ferrari, strives for maximum brand awareness well beyond its actual target group. Furthermore, both brands, even if are bought only by relatively few people, they preferably should be known by everyone.

This is testified by the fact that one of their consumers' major motives of purchasing is to **demonstrate their wealth** to other people, who often cannot afford these luxury products: the so called **demonstrative consumption**. If people would fail to recognize Ferrari or Riva brands and thereby their value, part of the latter would be lost.

In terms of level of awareness Riva is positioned in between **little** and **big stars**, because it has reached a **medium-high level of awareness**, but it is still relatively little-known.

Lastly, regarding the business volume Riva is a **small-scale brands** (brands specialize into markets with relatively little business volume, ranging from € 10 to 100 million).

However, Ferretti group, which holds Riva, in 2015 had a turnover of 400€ ml., and it is expected to close 2017 with 500€ ml. **Ferretti**, therefore, is placed as a **medium-scale brands**. At the moment, Riva represents almost the 10% of the total Ferretti group's sales volume. Anyway, the high growth rate (+38%) showed from the Chinese acquisition in 2012, might soon foresee **a shift from small to medium-scale brand for Riva company**.

After having considered all the theoretical aspect that classify a luxury product and brand, there are some other important elements, referred to Riva brand management, that undoubtedly place Riva as a strong luxury brand. These elements are intrinsic factors, embedded in Riva brand equity, which grew together with the brand history and management, strengthening also brand awareness and image.

### **5.1.1 THE RIVA HISTORY ELEMENT**

Every luxury product did not born just with passion, efforts and perfection. <<A luxury forms part of a social process of recreation and signification of social distance, it also presupposes an intimate, intense satisfaction, linked to the object itself and its own imaginary and beauty, bought on its merits and for its merits.>> (Kapferer-Bastien 2009).

Pietro, and then, Carlo Riva had been struggling, since the origin, to create that intense satisfaction, trying to distinguish those who were able to appreciate the product's savour deeply, from those who simply were able to buy it.

Carlo Riva was certain of his vision and wanted to infuse his personal taste to the others. For him, taste is something that money cannot buy.

History components is also relevant to create that kind of taste in consumers' minds. Riva brand, for this reason, is proud to have a long history which started in **1842** on Lake Iseo, in Sarnico-Italy. Everything began with the brilliant idea of its creator: **Pietro Riva**, who had just moved from Laglio, near Como, to perform a true miracle and repair most of the crafts, thus winning the trust of the locals. This was the beginning of the legend of Riva and that of a man, Pietro Riva, who, immediately after moving to Sarnico, became the master of his own destiny. This was the place where the first boats signed by Riva were launched and immediately stood out for their unmatched style and personality. Riva brand rapidly gained great respect and recognition; the boatyard flourished also thanks to the far-sightedness of **Ernesto Riva**, who had succeeded his father Pietro and introduced **internal combustion engines** on Riva boats. The era of large cargo and passenger boats operating on the lake thus began. After World War I, **Serafino Riva** and **Giuseppe Guerini**, rivals in the **boat competitions** but friends outside them, gave Riva products their final imprinting and turned the boatyard's precious crafts into a real brand, allowing it to take a step into history:

production steered from transportation to power boating, which at the time was still dawning. Between the **1920s** and the **1930s** Riva, through its **racing yachts**, collected a large number of records and victories in national and international competitions. Furthermore, the Italian brand during **30s**, started the **mahogany production** of its globally famous runabouts.

The **1950s**, were the years of the revolution, where the absolute protagonist was **Carlo Riva**, Serafino's son, who had been driven by boundless passion for boats and the family business since he was a child. Carlo Riva disagreed many times with his father for the future of the company. He had his vision for the boats' design, which had to correspond to a synonym of elegance, status and perfection and production (intended to be 'in series' to optimize costs). In the 50's, Riva boats became also the symbol for water **ski sport**, due to their speed and beauty. Selected materials of the highest quality, a painstaking care for the tiniest details, unparalleled, long-standing expertise and craftsmanship. Riva's creations became the object of **desire for the aristocracy, award winning athletes, successful businessmen and movie stars**. Even today, these jewels preserve intact all the charm of that time, made of paparazzi, movie stars wearing foulards and glamorous sunshades, celebrity love stories, luxury and timeless elegance. In the decade of the Italian industrial revolution, dominated by the myth of speed and racing cars, l'Ingegnere, as Carlo Riva is called, sensed the importance of this phenomenon and created a series of wooden yachts characterized by unique, unmistakable design features. One of them was the Ariston, of which Carlo Riva says it was "designed with love, born pure and strong like a pedigree horse. Unforgettable! It was my Lord of the Sea". The Tritone followed (the first two-engine yacht), then the Sebino (which marked the beginning of series production), and then the Florida, whose name evokes the American model that was particularly fashionable in those years.

In **1956** Riva started cooperating with designer and architect **Giorgio Barilani**, whose graphic and design activities for the boating industry were then devoted exclusively to Riva, where Barilani was the design manager between 1970 and 1996.

In November **1962** the **myth** was born: the **Aquarama** model. Since its presentation, at the third Milan International Boat Show, the Aquarama became the symbol of Riva par excellence, almost "a brand within the brand". The first trial had been put in Giovanni Agnelli's hands (FIAT's chairman), thus consolidating the boats-cars duo. The name of the yacht drew inspiration from the Cinerama system, the American experimental wide screens. The slogan the yacht was launched with contained several key-words: "Sun, sea, joie de vivre!" The prototype was the mythical **Lipicar no. 1** (which is the blend of three Carlo Riva's daughter (Lia, Pia and Maria) and his wife Carla.

Riva became famous in the best marinas of Italy, Côte d'Azur and the rest of world. Riva boats were conceived as fishing boat, ski water sports boats or yacht tenders.

The year **1969** was another milestone in the history of the legendary brand: it was then that **fiberglass production** started. The new material was first accurately studied by purchasing the hull from the Bertram boatyard. The hull was subsequently redesigned and both models were then finished with wood details, in line with Riva's tradition.

In spite of the success met by fiberglass, Riva's production of wooden runabouts continued until 1996, when the last Aquarama Special (hull number 784) was built.

In September **1969**, Carlo Riva, frustrated by a tough union climate, **sells the shipyard to the US company Whittaker**, maintaining the role of Chairman and General Manager, from which he resigned in 1971. These roles are taken on by Gino Gervasoni, his partner since 1950. Old and new models evolve, Riva's tradition continues. In **1989**, one year after the **English Group Vickers**, of which the brand **Rolls Royce** was part too, had bought 100% of the shares of Riva, Gino Gervasoni, who had married Carlo Riva's sister, left the shipyard after 41 years of activity. This is how the presence of the Riva family at the shipyard came to an end. In the same year, another duo Riva-car happened. In fact, during the Genova boat show, the **32' Ferrari Engineering model** was produced in cooperation with **'Ferrari Corse'**. In **1991** Riva presented the 58' Bahamas at Genoa International Boat Show - it was the first yacht designed by **Mauro Micheli**, one of the two designers of the **Officina Italiana Design** (the studio with which Riva brand cooperated for boats design for the years coming). May, **1<sup>st</sup> of 2000 Riva is Italian again**, due to the acquisition by **Ferretti Group**. Norberto Ferretti, Ferretti's owner, had a clear mission: relaunch both the product and the brand, focusing on quality, design, style and uniqueness. September, 10<sup>th</sup> of 2000, the biggest Riva's parade had been organized to celebrate that unforgettable moment.

In **2012**, Ferretti group was acquired by **Shandong Heavy Industry manufacturing company - Weichai Group** for the 86,8% of stake. This event sets a new page in Riva's historical book. **Management and production** were left in the **Italians' hands**, while **financial resources and ownership** is now **almost entirely Chinese**. This acquisition helped Ferretti Group first and then Riva to survive to the nautical recession period that affected all the industry starting from 2008.

Therefore, Riva brand has been settled down and survived for **174 years now**. Even today it is still every boat owners' desire. It won two times the award "recreational nautical pioneer".

Riva products stand out for Italian style, elegance, materials excellence and above all safety in the weeds. Its success is in these peculiarities and in the ability of keeping those unchanged for more than a century. Riva brand owns an authentic history, which is able to generate a

modern myth, centred in Carlo Riva figure. History gives depth to a brand, and timelessness to its objects. It does not mean imprisonment in the past, but heritage and continuity. <<There can be no luxury brand without roots, without a history to provide the brand with a non-commercial aspect: it constitutes a fabulous treasure through the mythologization that it enables, by creating a sanctum of uniqueness, of non-comparability, while being the origin of an authentic lineage to which each new product can lay claim.>> (Kapferer-Bastien 2009 p. 85). Even if long-history products do not always correspond to luxury and prestige, a true, authentic historical component definitively weights a lot in the Riva brand's awareness as a luxury brand, because it gives substance and coherence both internally and in the eyes of clients.

### 5.1.2 THE RIVA TIME ELEMENT

The 'tradition', meant as attachment to the past time, must not be overused. It bears the risk of mummification and imprisonment within the past. This is the case if the brand does not offer the necessary ruptures and distances that characterize luxury. It becomes self-repetition and no longer forms relationships with today's world.

The right equilibrium between tradition and innovation, between old and new is, hence, sought by Riva.

Luxury embodies time: this is an essential source of its value. This is what distinguishes luxury from the logic of the production industry, where efficiency is the criterion of good management.

If 'time is money' the normal consequence is to work quickly and fast. For luxury and for Riva, it means the opposite: take the time to offer the very best according to the brand's own conception, nourished and matured over time.

**Firstly, time is all contained in the ingredients:** Riva manufacturers know the right time needed to reach the maturation of the best woods, and the time required to find exceptional artisans. Brands themselves also embodies the time in the form of a concentration of transmitted, inherited, respected and venerated values that are then told to customers in form of true/false stories.

Moreover, for Riva brand **time is part of the sales**, and the **purchase process**, as it is explained in the brand communication and distribution paragraphs later on. Riva's customers, in fact, spend a lot of time to purchase a new boat from Riva's salespeople and several months before having it delivered, exactly the same strategy that Ferrari does.

Finally, in luxury **time is celebrated**. Riva perfectly understands this concept by organising several events, meetings and expositions. Last event, recently organised by Riva was the Elton John concert in Monaco, before the opening of Cannes and Monaco boat shows. Waiting times are essential for Riva. Norberto Ferretti said: “Bump into a Riva, try to drive it and afford it are three thrilling moments that can be hardly described with words”. The ecstasy of the moment in which you buy, you possess and then you enjoy a Riva is carefully managed by Riva. Managers want to make those moments happen in the right sequence and with the right timing, in order to **increase the level of dream** linked to the luxury brand. Lastly, a luxury product must last for a life and even further. As Carlo Riva in person said: “**a Riva is a Riva, forever**”. Even if, the concept of eternity requires restrictions on raw materials used and on the uniqueness of style, Riva boats aims at being modern and at the same moment, timeless.

### 5.1.3 THE RIVA COMPLEXITY AND WORK ELEMENTS:

After the advent of democratization of luxury, managers seek to minimize the work required to produce a product, by delocalizing or by suppressing it (automation).

This cannot happen in luxury world. The high price and both the functional and qualitative dimensions are common to every luxury product.

The work value is, therefore, all that remains. For instance, you do not buy a Ferrari in terms of its ability to enable the driver to travel to the office, but as the incarnation of unique, successive know-hows, expressing a unique design, and therefore a sign of a product culture. The same wise and mysterious **mixture of intangibles** (a lineage, a heritage, a single concept of the product drawn from a founder and which must be respected to the letter), added to **implementation processes** that contain something of the miraculous, is what Riva is counting on when producing and selling its products. Through the guarantee of the means implemented upstream and through an imaginary attached to the production process that speaks of **excellence, non-substitutability** and **rarity**, Riva defines its products as luxurious ones. A right **trade-off** has to be sought also in the ‘**hand-made**’ or ‘**production in series**’ aspects of its luxury products. Luxury is not entirely artisanship; that is more on the side of art. Hand-made is a sign of cult and attention to details. It gives a feeling of rarity and preciousness. However, a technological and innovative side of the product is needed to survive the recent trends.

To cope with this problem, after the Ferretti acquisition, Riva management focused on **restoring the design and the old fashion of mahogany boats** by **blending** them with **new technologies in the industry**.

Moreover, since the product is at the centre of the client's dream, and since it carries values well beyond pure functionality, its production is a major act. It must contribute to the dream. Riva, in fact, knows the extreme importance of the manual part of the production process, carried out in a precise location known to the end client, so as to maintain the **original connection** between **craftsmanship** and **standardization of processes**.

For the same reasoning, some parts of Riva boats are completely hand-made, in order to maintain a sufficient trade-off between technical quality and the correct reproducibility of pieces. An example are Riva boats' wheels, which are entirely hand-sewn.

Finally, Riva understands how important is to not outsource or delocalize the production. Outsourcing in fact means lose control and familiarity with production process. By doing this, you cut out artisans, that play a fundamental role, from your manufacturing system. The company would become just an intermediary and the creative team would lose contact with the territory on which the product is created.

**Delocalizing** would still be really **dangerous** for Riva company. It means to deny one of fundamental luxury element: **the cultural specificity**. This is a key point that divides luxury from premium brands. **Riva luxury products** are **linked** to **Italian history** and to **Iseo lake territory**. An Italian artisan will never work as a French or Chinese one, because he does not perceive colours, shapes, details in the same way.

Nobody is at ease when not working in a familiar cultural context. Conversely to the globalisation trend command, the place of **production is a kind of temple** where the mythical alchemy of the product takes place, where the brand myth is born, where the cult is celebrated. It is important for the brand substance that this place may be visited.

Shig-Weichai group, the Chinese company which acquired Riva, managed really well this aspect, in fact, it **left entirely** the Riva **production in Italy** and recently invested some money to **restructure the original Riva boat yard** in order to make it accessible to public and to transform it as a '**Riva living museum**', which also acts as a production centre.

---

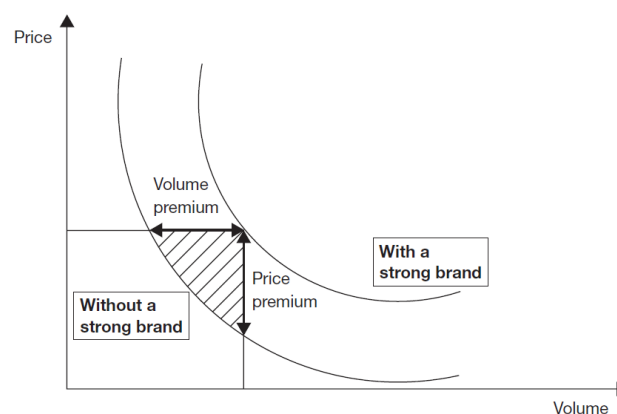
## CHAPTER 6: THE RIVA BRAND EQUITY

Brand equity is a complex concept that started existing from 90's when in businesses, the extreme concentration of intangibles made brand's value by far more important than total assets' value. It consists of combining a **financial concept (equity)** with a manifestly **marketing-based notion (the brand)**. Brand equity is also based on **psychological indicators**, which are measured from the consumers' point of view, and is only worth something if it results in extra profits.

Therefore, brand managers became more and more eager to quantify the intangible part of a product (brand), to understand how much that value was, then, translated into financial evaluations. A broad meaning of brand equity is the extra amount the customer would be willing to pay for the brand versus a generic equivalent. These intangibles help the product to:

- Be perceived differently and produce different interpretation of product performance.
- Enjoy greater loyalty and less vulnerable to competitive marketing actions.
- Command larger margins and have more inelastic responses to price increases and elastic responses to price decreases.
- Receive greater cooperation and support.
- Increase marketing communication effectiveness.
- Yield licensing opportunities.
- Support brand extension.

Brands, in fact, increase the profitability of a company because of the **premium price** they might command as explained in the following figure:



Strong vs weak brands



The **financial value** of a brand is a function of the amount of its **future expected return** and of the degree of risk on these returns. A brand can only be strong if it has a strong supply of loyal customers. There is a debate about what is most important: customer equity or brand equity.

The **luxury brands**, among all brands, are those to which the **greatest part of ‘intangibles earnings’ (brand contribution) is attached**, that is, the percentage of profit that can be imputed to the brand alone and its power to attract.

In consequence, the financial strategy of a luxury brand is very different from traditional strategies; it aims at maximizing not the net profit, but the brand’s value.

However, brand evaluation is a non-uniform and sometimes subjective field with a certain amount of uncertainty and heterogeneity, how testified by the volatility of brand evaluation results calculated from different brand companies. Thus, there will not be only one value of the brand because valuation methods depend on the goals of the valuation.

An example to this misalignment is that since brands have never figured on the balance sheet at their true worth, particularly as long as the company has never been acquired, luxury companies generally have a very high ‘return on equity’, a phenomenon accentuated by often very high profitability. Another doubt is, for instance, if they should be treated as investments or expenditures (such as are now considered).

In conclusion, no single value for a brand; in fact, there are several because the valuation will be different depending on its aims:

1. The value of liquidity in the case of a forced sale;
2. The book value for company accounts;
3. The value needed in order to encourage banks to lend the company money;
4. The value of losses or damage to the worth of the brand should an adverse event occur;
5. The value in order to estimate the price of licences;
6. The value for management control, which depends on the behaviour encouraged by managers;
7. The value for the partial sale of assets;
8. The value in case of a takeover or of a merger and acquisition.

Luxury brands are, surely, those with the **highest volatility in determination of their value**, being the **number of intangibles wider** than a **normal brand**. What, instead, it is more important for luxury brands is the ability to constantly keep or increase their value by wisely

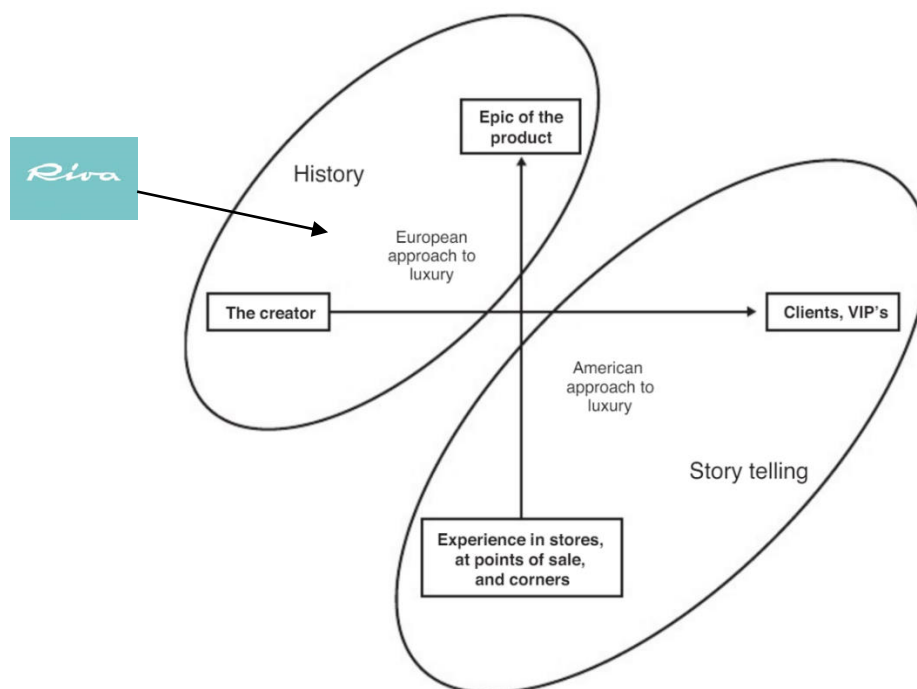
managing their main elements: brand identity, architecture, image, name, awareness, essence, communication, distribution and expansion.

## 6.1 THE TWO MODES OF LUXURY BRAND BUILDING

Luxury brand strategies are focused in building a unique, strong brand perception that should be **inspiring** and **aspirational**. Hence, brands are built following these two main models:

1. The first is based on the **creation of value, product quality** taken to the **extreme**, with a **cult** of the **product** and **heritage**. This model is nurtured at a symbolic level by History with a capital H, of which the brand is the modern emanation. It also pays regular allegiance to the spiritual legacy of its founder, who is embodied in a new creator – passing over their own personality – to reincarnate the original spirit of the brand.
2. The second mode is American in origin. **It lacks the history component**, but it does not hesitate to **invent** one. Ralph Lauren brand is an example. These brands focus themselves in creating an atmosphere and a genuine impression, and of making the brand's values palpable there. This brand gives high priority to the experiential brand side.

As can be seen from the figure reported below, recently, these two models are converging.



The two modes of luxury building

**Riva** reflects entirely the **first model**, since it has a **deep History** with capital H and a product cult which orbits around the ‘Riva Aquarama model’. The **spiritual legacy** with creator (Carlo Riva) is still evident in Norberto Ferretti (actual Riva’s owner), who is trying to reincarnate and to match the old spirit of the brand with the most recent trends. Carlo and Norberto are linked by strong bond based on respect, reciprocal esteem and friendship, that permits to Riva brand to still maintain its original and strong aura.

## 6.2 THE RIVA BRAND’S DREAM COMPONENT

In luxury, the most important consideration is not for the product, while is almost entirely dedicated to the dream component. The fundamental paradox of luxury is that purchases destroy the dream. **Luxury is access to a dream**. In the dream word are included the **social dimension** and the implicit **hierarchy of society**. In fact, all men may be created equal in a democracy, but in a meritocracy, they do not all finish equal: their work, their talent and their relationships cause some to succeed, to gain access to success and glory, and therefore money, by which success is measured nowadays. The dream component also transforms just a luxury object into a to the **sensorial expression** of feelings and **intrinsic pleasure**. This distances the object from the purely functional world of price–quality ratios and usage value.

Companies should constantly measure and mark out the progression of brand dream.

In 1995 Dubois and Paternault, established the luxury dream equation:

**Dream = –8.6 + 0.58 Awareness – 0.59 Purchase.**

The dream formula has been measured by removing the price barrier, since a dream is, by definition, the negation of the obstacles to the attainment of accepted or rejected desires. The statistical analysis conducted shows that dream is function of the difference between brand awareness and the rate of owners of the brand. Hence, the luxury dream is boosted by the distance between those who know and those who can.

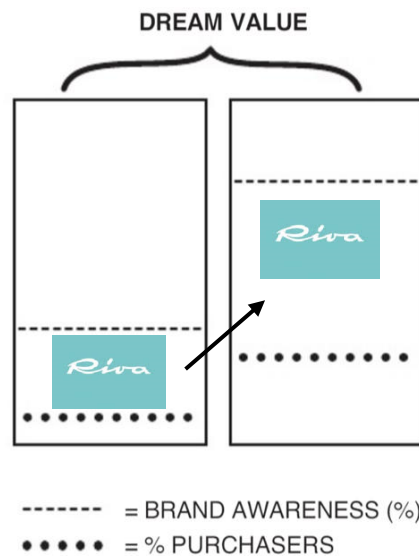
Riva level of awareness has been modest over the years. It had its biggest boom during 60s and 70s, in conjunction with the Aquarama model presentation and with the ‘bella vita’ style typical of those years. However, from 1969 (year of Riva company’s first acquisition by US company Whittaker) to 2000, Riva brand awareness decreased due to the several acquisitions and the financial recession both of global and nautical economy. Luckily, from 2012 (year of the acquisition from the Shig-Weichai group), Riva brand awareness started increasing again. Riva brand managers are not still satisfied of it. They told me that, the brand must **increase in**

**visibility.** It must grow to grab the **unexpressed potential** of the market. This one of the reason why Riva became Ferrari partner this year.

However, by doing this, the risk is that the increased diffusion of the awareness, in an uncontrolled way, kills the dream through the loss of exclusivity and therefore the loss of the social driver of luxury. In order to avoid this risk, the purchases are carefully controlled. Of course, Riva managers aim at increasing the number of Riva boats orders but they do that by well managing the distribution and by increasing selectivity, exclusivity among clients.

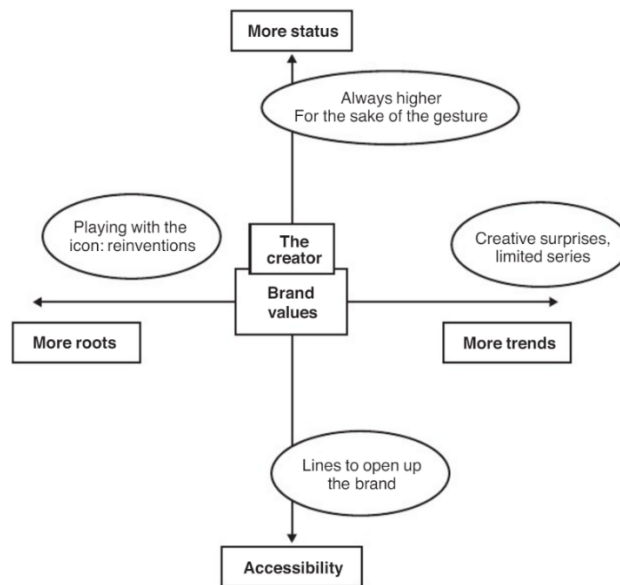
Another tactic is to sell not in a single country. Therefore, **a good network of dealers and brokers** has been created over the years to increase the number of sales in different countries. This strategy permits Riva to manage the penetration factor in every single market and diffusion of its products.

Finally, awareness and diffusion/penetration might be managed through the right communication level. Last year Riva, in fact, changed its communication strategy, that will be analysed later in its specific paragraph. The goal is to decisively increase the level of awareness, while slightly boosting sales percentage. The figure down here summarizes the intended strategy:



Dream value component: brand awareness vs brand penetration

### 6.3 THE RIVA BRAND ARCHITECTURE



Luxury brand architecture: poles and product roles

Luxury brand management implies a right balance between **four poles**: the **reference to the past**, the **pursuit of status and prestige**, the **modernity** that gives it vibrancy, **emotion and creativity**, plus some **accessibility**. Certain of these poles are opposed: past and current creation, or public exposure in opposition to the quest for distinction.

**Riva** was always deeply anchored in its **past** (history, culture and place) and particularly had always the spirit of the creator vivid over the years. The creator also, was able to invent the holy image: the ‘Aquarama model’, that began a cult and an icon which enclosed all Carlo Riva’s strong and authentic values. Riva brand must impress people whenever it is pronounced, recalling the prestigious of its boats, Carlo Riva’s creativity and its status symbol role. This demonstrated brand’s strength, serenity and confidence in the durability of its values.

However, **Riva** always succeed in being also **trend follower**. In fact, during 70s Riva boats **changed the hull material from wood to fiberglass**. Moreover, new boats (such as ‘Rivamare’, and ‘Aquiriva’ models) were created as new icons by blending the old design with new and innovative materials, maintaining Riva’s ability to create unique style also recognizable by future generations. Therefore, the innovation and trend poles of its brand have always been noticeable over the years.

Starting from the next year, Riva super yacht division will start producing new customs super yachts. The goal is to strengthen the ‘trend-setter’ pole of the brand architecture. Riva wants

to demonstrate its power by producing entirely customizable yachts and being able to keep the excellence in design and details also in yacht of a higher dimension.

Lastly, Riva will surprisingly change again its brand architecture by trying to be more accessible. As explained later in the brand expansion paragraph, it will start expanding its brand, by licensing the RBE (Riva Brand Experience), that consists of a set of every-day products sold mainly to increase the brand awareness instead of making profit.

The aim is also to **conquer new clients** for the brand: the ‘**future faithful**’, who will subsequently buy more sophisticated and more expensive products.

Hence, by managing the brand architecture, Riva’s goal is **to raise its status and prestige**, while **nurturing the dream** and its **supremacy**.

#### **6.4 THE RIVA BRAND IDENTITY AND IMAGE**

A brand is not the name of a product. It is the vision that drives the creation of products and services under that name. That vision, the key belief of the brands and its core values is called identity. It drives vibrant brands able to create advocates, a real cult and loyalty.

**Brand is a matter of communication and brand identity**, (which is born recently 10-20 years ago), is the common element sending a single message amid the wide variety of its products, actions and communications. As a form of communication, brand identity helps to distinguish the brand itself from the actual hyper-saturation of communication, to which the current living society is exposed.

Brand identity can be easily compared to the ID card which is a personal, non-transferable document that tells in a few words who we are. In the brand’s ID card is printed also its fingerprint, which does not change during the brand’s life cycle. From this idea, the concept of **brand DNA** has been extrapolated, which tells us the roots and the heritage of the brand itself. This is important since the more the brand expands and diversifies, the more customers are inclined to feel that they are, in fact, dealing with several different brands rather than a single one. What matters is the key message that we want to communicate, without forgetting the **intrinsic values** and the main features of our brand DNA.

Formal aspects, outward appearance and overall looks result from the brand’s core substance and intrinsic identity. Choosing symbols requires a clear definition of what the brand means. However, while graphic manuals are quite easy to find nowadays, explicit definitions of brand identity per se are still very rare. Yet, the essential questions above (i.e. the nature of the identity to be conveyed) must be properly answered before we begin discussing and defining what the communication means and what the codes of outward recognition should be. The

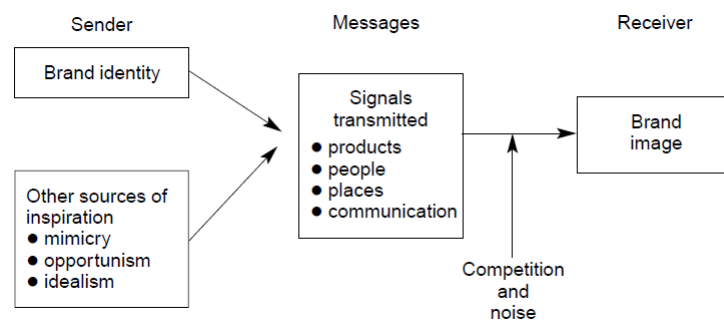
**brand's deepest values** must be **reflected** in the **external signs** of recognition, and these must be apparent at **first glance**.

Brand identity defines what must stay and what is free to change.

For communication means two things: **sending out messages** and **making sure** that they are **received**. Communicating nowadays is no longer just a technique, it is a feat in itself.

**Brand image** is on the **receiver's side**. Image research focuses on the way in which certain groups perceive a product, a brand, a politician, a company or a country. The image refers to the way in which these groups decode all of the signals emanating from the products, services and communication covered by the brand.

**Brand identity is on the sender's side**. The purpose, in this case, is to specify the brand's meaning, aim and self-image. Image is both the result and interpretation thereof. In terms of brand management, identity precedes image. Before projecting an image to the public, we must know exactly what we want to project. Before it is received, we must know what to send and how to send it. Identity reflects the different facets of brand long-term singularity and attractiveness. As such it must be concise, sharp and interesting.



Brand identity and brand image

Therefore brand identity should be represented by a **hexagonal prism**:

1. A brand, first of all, has physical specificities and qualities – its **‘physique’**. It is made of a combination of either salient objective features (which immediately come to mind when the brand is quoted in a survey) or emerging ones. Physique is both the brand's backbone and its tangible added value.
2. A brand has a **personality**. By communicating, it gradually builds up character. The way in which it speaks of its products or services shows what kind of person it would be if it were human. ‘Brand personality’ has been the main focus of brand advertising since 1970. This explains why the idea of having a famous character represent the

brand has become so widespread. The easiest way of creating instant personality is to give the brand a spokesperson or a figurehead, whether real or symbolic.

3. A brand is a **culture**. There is no cult brand without a brand culture. A brand should have its own culture, from which every product derives. The product is not only a concrete representation of this culture, but also a means of communication. Here culture means the set of values feeding the brand's inspiration. It is the source of the brand's aspirational power. The cultural facet refers to the basic principles governing the brand in its outward signs (products and communication). This essential aspect is at the core of the brand. Brand culture plays an essential role in differentiating brands. It indicates the ethos whose values are embodied in the products and services of the brand.
4. A brand is a **relationship**. Indeed, brands are often at the crux of transactions and exchanges between people. This has a number of implications for the way the brand acts, delivers services, relates to its customers.
5. A brand is a **customer reflection**. It is all about how brand is perceived and reflected when seen by each client type. This is why everyone is capable of describing a luxury brand through the image that they have of its clients (this is what we call 'the reflection', the 'external mirror' of the brand), even if we never see clients in luxury advertising.
6. This should not be confused with the **target customer's reflection**, that is identifying the client's target segment who possibly will buy our brand.
7. Finally, a brand speaks to **our self-image**. It is the attitude towards certain brands and the development of a certain type of inner relationship with ourselves. The brand is a 'mentalization' – a facet of Kapferer's identity prism, generally translated as a 'consumer's self-concept'.

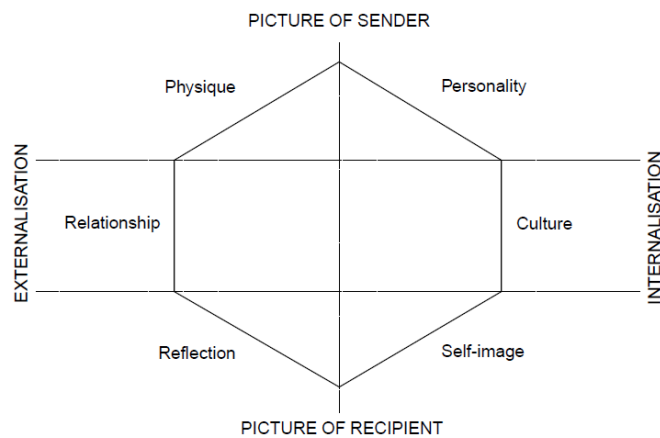
These are the six facets which define the identity of a brand as well as the boundaries within which it is free to change or to develop. The brand identity prism demonstrates that these **facets** are all **interrelated** and form a **well-structured entity**. The content of one facet echoes that of another. The identity prism derives from one basic concept: that brands have the gift of speech. Brands can only exist if they communicate. As a matter of fact, they grow obsolete if they remain silent or unused for too long. Every form of communication also builds a recipient: when we speak, everything seems as if we were addressing a certain type of person or audience. Both the reflection and self-image facets help define this recipient, who, thus built, also belongs



to the brand's identity. The last two facets, relationship and culture, bridge the gap between sender and recipient. The brand identity prism also includes a vertical division. The facets to the left – physique, relationship and reflection – are the social facets which give the brand its outward expression. All three are visible facets. The facets to the right – personality, culture and self-image – are those incorporated within the brand itself, within its spirit.

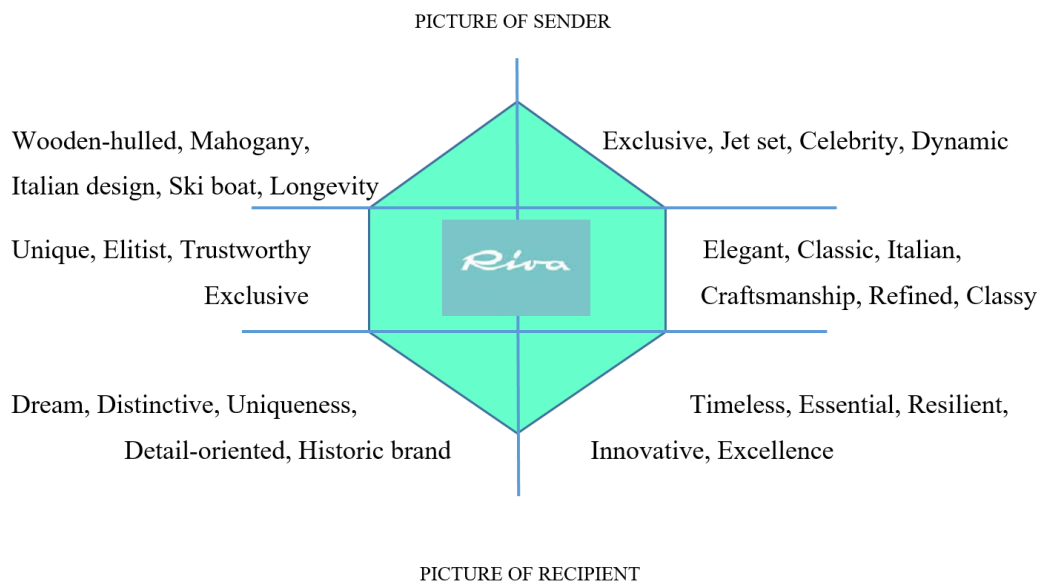
It is also, however, a management tool: as such it should be useful, a lever of coherence, without which there is no brand (luxury or non-luxury).

Finally, it is a springboard for creativity in the service of the brand.



(Brand identity prism - Kapferer 2008)

### RIVA PRISM



## 6.5 THE RIVA BRAND NAME AND LOGO

The world is changing: the brand's values must be respected, yet adapted to modern times. However, several times, brand identity cannot be dissociated from the creator's identity. For Riva family, this aspect was so important that they decided to call their brand as the name of the owner. The relationship between a brand and its creator can last far beyond the death of the creator. Nevertheless, when its creator passes away, the brand often becomes autonomous. That was exactly what happened to Riva company. The brand became the creator's name woven into a set of values and a pattern of inspiration.



Riva Logo

Regarding Riva logo, it is important to note the fact that it has never changed over the years. This is a symbol of brand **strength** and **durability**. It strongly communicates to Riva's connoisseurs the **robustness**, the **long-term vision** and the **strong attachment** to the **creator's name** (typical of **galaxy model brand**, analysed later in brand business model paragraph) and to what are the brand identity's values.

The logo for Riva's owners is important, but for Carlo Riva it is not fundamental to show it off. In fact, Riva's logo, usually, do not stand out on Riva boats, because they must be recognized at first glance more from their design and style than their logo.

Lastly, **Riva brand logo** was kept **unchanged** even **after Chinese acquisition**. This was a **winning strategy**, because it demonstrated another time, the **validity** and the **importance** of the brand. After Carlo Riva left the company, the **creator's identity** is still **releasing** its **aura** and surely the same will happen also after his death.

## 6.6 THE RIVA BRAND ESSENCE

Brand essence is the desire to summarise the identity and/or the positioning of a brand. It wants to explain in an atemporal and global way what the brand sell and what are the key values a brand propose/stand for.

For what I could perceive during my visit in Sarnico shipyard, Riva brand essence consists of three elements:

- 1) The concept of **wood** and **wooden-hulled boats**, which is the first and the most frequent association in Riva brand's identity and image.
- 2) The **creator** itself is part of the brand essence. Carlo Riva, in fact, represents one of many Italian **talented person** with a great **dedication, attention to details**, lot of **competencies** and **skills, courage** and **desire** to stand out in an excellent way. Carlo Riva's name includes also Riva brand's history and roots.
- 3) The **Italian design** that is **unique** and represents at any given time the Italian craftsmanship, brilliance and leadership.

## 6.7 THE RIVA BRAND POSITIONING

In luxury, the world positioning is not permitted. The luxury brand cultivates its uniqueness; it prefers to be faithful to an identity rather than constantly worry about superiority over an opponent (its competitive advantage). Even if the client makes the comparison, the brand is not managed by seeking to compare itself to others. It is like artists. They do not compare one each other, they just follow their personal touch and idea of art.

Riva brands act in a superlative (never comparative) way, as most of the luxury brands do. Riva never compares itself with others. It has no referents except itself and the extraordinary standards that it has set for itself.

Consumer must be able to compare by themselves Riva from both competitors and non-competitors. Therefore, the correct world for luxury brands is not positioning, but brand identity and faithfulness to the latter. I recall here what Mr. Giordano Pellacani (Riva head of Sales&Marketing) told me about Riva's competitors: "The only Riva's competitor is itself and its products". Hence, Riva prefers to be coherent to an identity rather than be always worrying about where it stands in relation to a competitor. However, it is also true that Riva managers are constantly aware of what other main competitors (Azimut-Benetti and Sanlorenzo and Wajer among all) do inside the industry, but this aspect comes later when managing the brand strategy.

---

## CHAPTER 7: THE RIVA MARKETING STRATEGY

### 7.1 THE 6 P'S OF LUXURY MARKETING

By listening, observing and communicating with HNWI's over many years Winsper was able to define six key areas that luxury marketing must pay attention to: people, product, passion, pleasure, purpose, and price.

#### **1. People: They buy from people:**

What counts more when selling luxury products is the value of people in the buying process that is critical to the success of luxury business transactions. Specifically, in the luxury sector, there is the so called 'image through action' model. It is a two-part equation: how the brand marketer tells its story, and how well your story is told by others. Both are equally important. The former is, of course, the beginning of the buyer's journey with the responsibility resting solely on the brand's ability to begin a personal relationship and execute with excellence; the latter is the value of consumer's peer-to-peer communications. This process is helpful to build brand loyalty. The most successful luxury brand organizations have built best practices for the proper training of their brand ambassadors who directly/indirectly touch the consumer (e.g., salespeople, customer service representatives...).

#### **2. Product:**

Within the 6 P's of luxury marketing, product quite naturally plays a central role. As explained in luxury product/brand paragraphs, the six key characteristics of luxury are: quality, heritage, integrity, price, scarcity and superfluity/ non-utility.

#### **3. Passion:** connoisseurship shared in real and virtual communities.

The pursuit of luxury is often a passionate endeavour and the affluent can be very passionate consumers. In many instances, it is their passionate nature that has put them in the position to access the luxuries that comprise their lifestyle. Passionate consumers share their passion in a variety of "old-fashioned" (clubs and association) and emerging (online communities, blogs) arenas. Luxury marketers need to be particularly cognizant of what's happening online: both good and bad news travels fast.

#### **4. Pleasure: luxury is experiential**

Pleasure derived from luxury consumption comes from the experience. A luxury experience implies an emphasis on senses and emotions. Luxury marketers need to ensure that their customers have the opportunity for sensory connection with their products, and should also consider emotional appeals in their marketing campaigns.

**5. Purpose:** luxury may have an element of superfluity, but it can also be practical.

Although luxury might be superfluous, it also serves a purpose.

Most luxury products have an utilitarian aspect, which is more or less important to different individuals. Luxury marketers should arm themselves with a combination of practical, factual information, and ways for customers to connect to the pleasure aspects of their products.

Luxury customers will place varying weights on the importance of pleasure – purpose trade-off. Marketers need to be prepared for all possible combinations.

**6. Price: the rise of fractional ownership.**

Money matters to affluent, who tend to spend rationally, even if it seems to spend a great deal. Aware of the many downsides of ownership, the affluent increasingly favours fractional ownership. While fractional ownership may not always be relevant, luxury marketers should consider adding this to their mix.

These 6 P's are a comprehensive tool on which luxury brand managers should count on when determining what is the best combination of P's that will best impact the targeted segment and deliver the desired interaction.

These 6 P's combined with the 18 anti-laws of luxury marketing identified by Jean-Noël Kapferer and Vincent Bastien (as they are at the opposite extreme of what marketing doctrine normally preaches concerning products and brands, even premium ones) have been helpful to analyse and to understand if Riva is following indeed a luxury marketing brand strategy.

## **7.2 THE 18 ANTI-LAWS OF LUXURY MARKETING:**

1. No brand positioning and no comparative marketing.
2. Your product needs the 'right' flaws.
3. Do not pander to your customers' wishes.
4. Keep non-enthusiasts out.
5. Do not respond to the rising demand.
6. Keep a dominant position towards your clients.

7. The secrets of paucity and inaccessibility.
8. Protect your clients to your non-clients.
9. The role of advertising is not to sell.
10. Communicate to those who you are not targeting.
11. The presumed price should always seem higher than the actual one.
12. Luxury set the price, price does not set the luxury.
13. Raise your prices as time goes on in order to increase demand.
14. Keep raising the average price of the product range.
15. Do not sell
16. Keep stars out of your advertising
17. Cultivate closeness to the arts for initiates
18. Do not relocate your factories

Here, it is reported a brief theoretical explanation of them, while their application will be specified during the analysis of each Riva brand component.

**1) No brand positioning and no comparative marketing:**

As seen in the Riva brand positioning paragraph, luxury brands conversely to classical brand must not target themselves. Luxury brands are unique. Luxury is the expression of a taste, of a creative identity, of the intrinsic passion of a creator; luxury makes the bald statement ‘this is what I am’, not ‘that depends’, which is what positioning implies.

**2) Your product needs the ‘right’ flaws:**

For most people, luxury is the last word in hand-crafted or craftsman-built products. The aim of an upper-premium brand is to deliver a perfect product, to relentlessly pursue perfection. A touch of madness is required for a luxury product to be counted as luxury one. The flaw is not only known, it is assumed, one could say that that is both its charm and its guarantee of authenticity. In the world of luxury, the models and the products must have character or personality. For instance, In the world of automobiles, a Ferrari is anything but a perfect car if you like easy, smooth and silent driving; that is why people would do anything to own one. Every model forces its owner to accept its flaws.

**3) Do not pander to your customers’ wishes:**

The brand must remain true to its values thanks to its willingness to resist client demands when these do not correspond to the company’s very precise vision.

However, this does not mean the luxury brand should not care about its clients nor listen to them. However, it should do nothing that threatens its identity.

In traditional marketing, the customer is king. The luxury brand, on the other hand, comes from the mind of its creator, driven by a long-term vision. Therefore, there are two ways to go bankrupt: not listening to the client, but also listening to them too much.

4) **Keep non-enthusiasts out:**

In traditional marketing, there is this obsession with poaching clients from other brands in order to increase sales that are the primary drivers of success of managers' performance. Companies, hence, come up with new products that will help extend market penetration and thus outperform other competitive brands. When it comes to luxury, trying to make a brand more relevant is to dilute its value, because not only does the brand lose some of its unique features, but also its wider availability erodes the dream potential among the elite, among opinion leaders.

5) **Do not respond to rising demand:**

The prime objective of traditional marketing is to increase sales volume, achieving the leadership in market share to strengthen its power over competitors. The increasing demand must be satisfied with the right supply in distribution centres. This is the essence of the mass marketing model. Luxury brands, conversely, limit the production and control the distribution of their products, like Ferrari does. In fact, at Ferrari, production is deliberately kept to fewer than 6,000 vehicles a year. By acting so, the customers understand why the product is rare and are prepared to wait. Rarity can be managed just like the relationship with the clientele; so it is not a matter here of poor sales forecasting but of a deliberate strategy of resisting demand in order to be master of it.

6) **Dominate the client:**

Meritocracy is an important concept in luxury. Today, luxury stratifies the classless societies, on the basis of merit. Luxury brands are, hence, a way to haul up the society and a reward for rich people. In order to keep this status, luxury brands must always dominate their clients. It does not mean to not respect them: parents dominate their children, but if they treat them as 'best buddies', making themselves out to be their equals, they lose their aura and profoundly disturb their offspring.

This relationship between parents and their children is very close to that between brand and client. As a result, a certain distance is preserved that is not supercilious or aloof, but nevertheless maintains an aura of mystery.

Luxury is the domain of culture and taste. It should be ready to play this role of advisor, educator and socio-logical guide.

**7) Make it difficult for clients to buy:**

The luxury brand is something that has to be earned. The greater the inaccessibility, whether actual or virtual, the greater is the desire. Time factor is at the base of luxury brands: it's the time spent searching, waiting, longing...so far removed from traditional marketing logic, which does everything to facilitate quick access to the product through mass distribution, with its self-service stores, self-checkout systems, the internet, call centres and introductory offers. Luxury has to increase the consumers' desire. Luxury needs to excel in the practice of distributing rarity, so long as there are no real shortages.

**8) Protect clients from non-clients, the big from the small:**

A right trade-off between 'too open' vs. 'too closed' communication must be sought by luxury brands. Being too socially opened means losing customers' desire, while being too close means going bankrupt. A luxury brand needs to be a bit segregationist (isolate their clients from the crowd), while advertise and promote only to ultra-carefully targeted clientele, like the CRM for the privileged and not to everyone.

**9) The role of advertising is not to sell:**

In luxury advertising there would be no commentary, no blurb and no sales pitch, just the cryptic lines.

Nothing is more alien to traditional marketing for luxury brands where the first thing to be done is to come up with a sales proposal, to have a unique selling proposition and the text is there to make the sales pitch. In luxury, the dream comes first. The explanations of the salesmen are simply post-rationalizations.

Luxury advertising feeds on a sustained myth, mystery, magic, private shows, product placement, and art. The dream must always be recreated and sustained, because reality kills the dream.

**10) Communicate to those whom you are not targeting:**



Luxury has two value facets, luxury for oneself and luxury for others. To sustain the latter facet it is essential that there should be more people that are familiar with the brand than those who could possibly afford to buy it for themselves. In traditional marketing, the keyword is efficiency, but over and above efficiency there has to be a return on investment. In advertising for example, the media plan must concentrate on the target consumers and nothing but the target consumers, every person reached beyond the target is a waste of investment money.

In luxury, if somebody is looking at somebody else and fails to recognize the brand, part of its value is lost. It is essential to spread brand awareness beyond the target group.

**11) The presumed price should always seem higher than the actual price:**

In the luxury world, price is something not to be mentioned, but when advertised, the price is that of the top of the range.

Oppositely to traditional marketing and as a general rule, the imagined price should be higher than it really is. Customers must not be attracted by low prices or rebates. People must perceive that what they are buying is higher in value than what they are paying.

**12) Luxury sets the price; price does not set luxury:**

In luxury, high prices do not mean that product is a luxury one. At the base there is the product value then the price comes along; the more a product is perceived by the client to be a luxury one, the higher the price should be. In traditional marketing marketers, instead, tries to find out at what price level there is room for a new product.

The secret is to make sure that sales staff help people understand, share the mystery, the spirit of places and objects, and the time invested for the luxury, so giving a worth explanation for the price.

**13) Raise your prices as time goes on in order to increase demand:**

Luxury behaves in a different way from the standard market model: when the price falls, demand rises.

Going in contrast with the classic price–demand relationship a luxury brand must raise prices even if it sells a lot. Instead of lowering prices it should reinvest the additional profits in quality and in advertising. Brand managers have to invest in the intangibles of the luxury products to, then, being able to be raise prices. By increasing prices, the bad customers, that do not truly appreciate the product, will not buy, but doing so suddenly the product becomes dazzlingly attractive to people who would previously not have given a

second glance to it. Lastly, the policy of systematically raising prices gives the whole company a sense of responsibility, because it forces employees to constantly try to find new ways of creating more value for the customers.

**14) Keep raising the average price of the product range:**

In traditional marketing, the product launch is done at a skimming price, then when competition comes onto the scene, the price is adjusted downwards. In luxury, it is exactly the opposite. A luxury brand must always be raised up to restore the gap between the brand and the client. A brand cannot grow in volume and profitability other than by launching accessible products or expanding to other markets. However, by acting like this it risks to lose the luxury label. So, it is better for that brand to constantly raise the average price of the products up, in order to grab more consumers in foreign market (thanks to the increase of richness around the world), instead of losing its image and recognition, by reducing prices or adding new accessible products.

**15) Do not sell:**

Luxury strategies do not follow the volume strategy. By raising prices, luxury brands must expect to lose customers and sales, however this permits them to not lose their biggest customers and their prestige. The principle of not selling is fundamental. The right strategy is to tell the right story about the product, without pressuring clients, to make them understand why and what is the actual value of their purchase.

**16) Keep stars out of your advertising:**

It is extremely dangerous to promote luxury products by using stars. A luxury brand is courted by the stars, in the same way as those stars are courted by journalists and paparazzi. Still luxury brands must dominate their clients, even the most famous ones. Brands, by using stars, admit that they need them to survive or sell.

If celebrities are displayed to promote the luxury products, the status of the latter must be reduced to that of a mere accessory.

**17) Cultivate closeness to the arts for initiates:**

An affective relationship is what is sought in traditional marketing. To create that, it is often used the most popular music, or at least appreciated by its target audience. It is the brand that follows people's tastes. Luxury brands are themselves promoter of tastes, like art. Luxury and art are closely linked. However, luxury is not a follower: it is creative, it is

bold. That is why it is best for luxury to sought for artist who are emerging or not too much popular. Luxury brands should make themselves patrons of emerging trends.

#### **18) Do no relocate your factories:**

Luxury brand should never reduce cost prices, by relocating factories where it is cheaper.

Luxury management cannot apply this strategy, since luxury items are products steeped into a culture or into a specific country.

The local roots of luxury brands increase their perceived value. Moreover, there is a loss of contact with the raw material and the know-how acquired by the company over the years.

### **7.3 THE RIVA BRAND COMMUNICATION**

Luxury and communication are consubstantial, since one of the two fundamental roles in luxury, that is recreating social stratification, is pure communication. Luxury, in addition, is a transmitter of taste. It must therefore be active at a cultural level.

Luxury brands must be strongly original and differentiate themselves from the universe of classic consumption goods. It results in a completely different use of communication from the habitual function of 'making sales'. In luxury, you communicate in order to create the dream and to recharge the brand's value, not in order to sell (see anti-law n° 15).

<<Luxury brand communication is situated far upstream of the purchase; the product and the brand universe are spoken of in a dreamlike way. It must also be sufficiently vague that many people can identify with it and find their personal share of the dream. This implies refined and artistic communication, highly coded (luxury creates social codes) without being too dated, never direct, highly allusive. >> (Kapferer-Bastien 2009 p. 210).

The practical consequences of this approach are that you can never judge the effectiveness of luxury communication by measuring its impact on a sales campaign. The best way to test luxury communication, instead, is to ask existing clients, who are always delighted and flattered to be consulted, the qualitative impact of it.

A communication campaign aims at least at comforting existing clients, who will make another purchase or convince others to do so through 'word of mouth', the most powerful marketing tool.

- The value of a luxury brand depends on the quality of its image (that is the customers' brand reflection/perception), much more than on its recognition.
- It is better not to communicate at all than to communicate in a mediocre way.

- A good campaign should be pursued for a long time, despite the often-contrary opinion of the creative directors within advertising agencies. (Time element is fundamental in luxury - anti-law n°7).

Hence, the most relevant element of luxury brands is first and foremost the experiential component. To reach this the language is mostly non-verbal: it is primarily visual and sensorial.

In order to achieve the experiential element in its communication, Riva use various codes and these codes are coherence over the years:

- 1) **The figure of the brand's creator:** Carlo Riva, who made the brand a work and not a production: his effigy and his values will be found almost everywhere when referring to its company.
- 2) **The logotype:** the Riva sign. This is also a way of protecting Riva against counterfeiting: it has become an aesthetic form of signature, capable of being repeated ad infinitum.
- 3) **The brand colour:** Riva's turquoise-green.
- 4) **The favourite material:** the typical mahogany inserted in every boat.
- 5) **The cult of detail,** to the point of obsession, which is expressed visually for example through close-ups on wood veining, or on bollard and spotlights.
- 6) The constant hymns to the **manual work**, to the excellence of the artisans who have contributed to each boat production, to the know-how to produce in series something that usually requires craftsmanship.
- 7) The way the **details are well-finished** and the **original design** are Riva brand's typical things.

These codes are always present in Riva's communication, of course, but are also used in organizing the distribution and customer care processes.

Another important aspect for luxury communication, is that is almost forbidden to talk about price; in fact, luxury has changed the consideration of it from a mere raw material to obtain a more refined social stratification than that produced from the money alone. Once this transformation has been done is pointless to still talk about the price (anti-laws n°7 and n°12). By doing so, it means a lack of original communication to your customers that immediately perceive a reduction in the product's values and in brand's dream.

Not talking about money means:

- Not talking about the price of a product in communication, and if you are legally obliged to do so, it should be in small, hard-to-read characters.
- Talking about discounts or savings even less.
- Never talking about financial results, which are the acme of materiality.

Riva salespeople follow strictly these rules (also for the distribution process). They never, **never, talk about the price.**

Conversely to traditional marketing in which the price is advertised in large letters and the act of buying is limited to the choice of a price, in luxury price is almost invisible (see anti-law n° 11). If you ask to Riva's salespeople the price of a boat that you are interested in, they will initially respond at a tangent, showing you the refined details of the product, then, in case you insist, they suggest you to stop the purchasing act and postpone it or abandon it, because maybe you are not ready for it yet.

Riva salespeople's goal is to not sell, they **make you understand**, and **share the mystery**, the **spirit of the place**, of the objects, and the **time embodied in each object**.

The selling process followed is that, when the potential purchaser discovers the price, in the end they will find it not that high for the quality of product that they are buying. (see anti-law n° 15). They, also, highlighted that if you know the Riva's value you do not ask for the price, or if so you do it in the very last moment. On the contrary, they insist on why they are selling such product and its value. **Communication** towards the customer is focused on **keeping the Riva's dream and heritage alive**. They also know that whenever they conclude a negotiation each sale takes a small part of Riva brand's dream out. Therefore, they need to restore the latter, by refreshing the brand's dream, both in the historic and the mythical dimension. A powerful tool which is often used by salespeople is the **storytelling**. <<There is no luxury brand without storytelling>> (Kapferer, 1990 p. 222). As all studies on the diffusion of rumours and urban legends show, is important to tell stories that are perceived as authentic, somewhat secret, and capable of transmitting an implicit message, loaded with collective values. For instance, such as Ferrari's manufacturing methods are surrounded by many stories and legends, **Riva creates its own stories**, in order to feed the myth, the cult through the communication of a luxury brand. Riva's salespeople, in fact, perfectly know the amount of time required to build a Riva boat, also the history and the know-how embodied in each single piece of wood inserted in every boat, therefore they play around this pillars to create interesting stories to tell to customers. Here are three examples provided to me by Mr. Riccardo Sassoli (Historical Archive - Riva Brand Experience): the first is that the different wooden-hulled parts are put together trying to match them by each single wood veining (which is a demanding work!) to not lose the overall aesthetic of the boat's perceived quality making it a unique piece of art. The second is that the painting of wooden parts has not changed over time either: twenty-four layers are applied onto the timber, following Carlo Riva's "recipe", to ensure perfect polishing and flawless resistance to water and saltiness;

moreover, all screws are installed in the same direction, and their head is painted in the same colour shade as the hull.

The third is that Carlo Riva, in person, projected its office called 'La Plancia'.

At that time, the engineer that collaborated with him in the project, suggested him to change the 'Plancia' design because that kind of structure would not have resisted and lasted for long. Carlo insisted with his initial project and so the Plancia was realised as his wish, and it has resisted for many years. This story was then taken as a proof of Carlo Riva's mastery and of brand resistance to any kind of difficulty.

#### **7.4 THE EXCLUSIVITY ELEMENT:**

<<The luxury product is exclusive in two ways: 'I am the only person to own one', and 'This excludes the other'. It makes the owner someone special.>> (Kapferer-Bastien 2009 p. 95)

Exclusivity embeds the social desire aspect. However, if an object is too out of reach, it is hard to desire it; except for the ultra-rich. Therefore, luxury market increase as the exclusivity and rarity aspects decrease.

The most important thing to perfectly manage the trade-off between rarity and exclusivity is to reinforce the feeling of difference. One way to do it is to create selective clubs and public honour. This is important to recreate and redefine the distance between brand and its clients. Luxury functions as a fence: it expresses and recreates hierarchical difference. In contrast to the marketing of demand rules, which always order to sell more, it must therefore be difficult to access to brands products, socially speaking. Hence, the luxury brands are like clubs. This should be taken in the literal sense: they organize their clients into selective clubs. Luxury is the enemy of equality. Swan yachts set their owners up in a private club. Initially, the Black Centurion card from American Express was only offered by invitation.

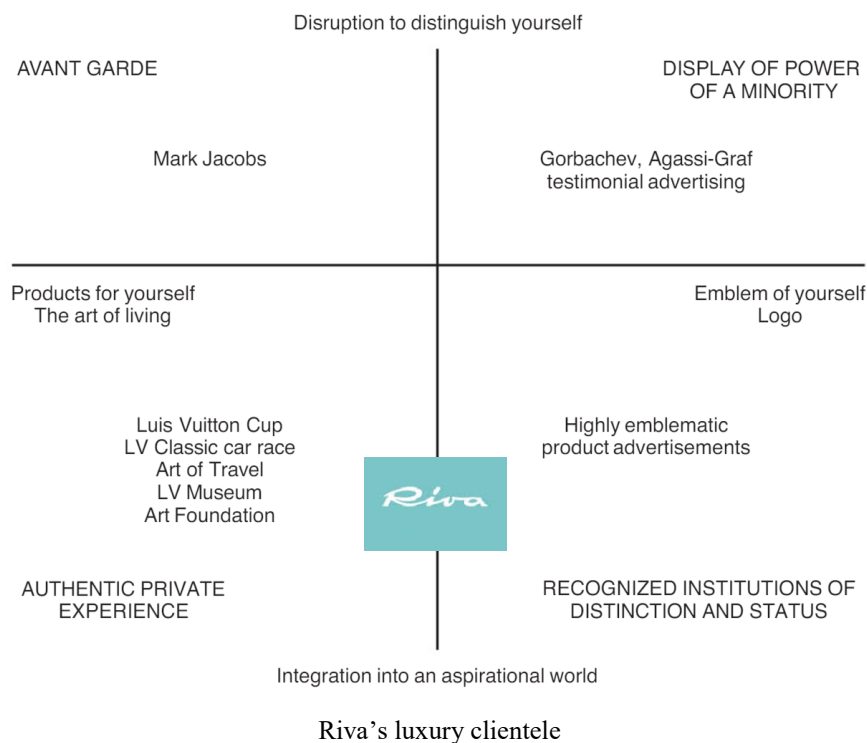
The communication of a luxury brand forms an intrinsic part of the brand, but intuition and creativity are not enough. In order to become a market, luxury cannot be only an intimate personal luxury, but must return to its essential sociological dimension: being a marker of social re-stratification. Luxury is both personal pleasure and a way of distinguishing yourself. This aspiration to distinction is not uniform in degree and can take several modalities, each of which determines a certain relationship to luxury. These are the four types of relationship with luxury in the world:

- 1) **Internalized luxury**, comprising the search for an authentic experience, almost an art of living, exclusive – and therefore distinguishing you from others through a discreet elitism;

- 2) **Luxury of self-expression** through strong creativity and singularity;
- 3) **Luxury of certain values, prestigious institutions**, for those who seek status;
- 4) **Luxury of self-affirmation** relative to others, through the display of wealth, the visibility of consumption famously reserved for a minority

These four types of relationship to luxury do not expect the same communications:

- To the first client type you will talk of the brand's **patrimony** and **heritage**, **timelessness**, and **exclusive know-how**.
- To the second type, you will talk of **creativity**, and **references to contemporary art** will be important.
- To the third, you need to reassure them through the **myth**, the **proof of prestige**, **celebrity** and **social success**.
- The fourth type wishes to stand out from the rest: they are **sensitive** to the **transgressive discourse**, the values of **wealth** and **glory**, **excess** and **power** reserved for a small minority.

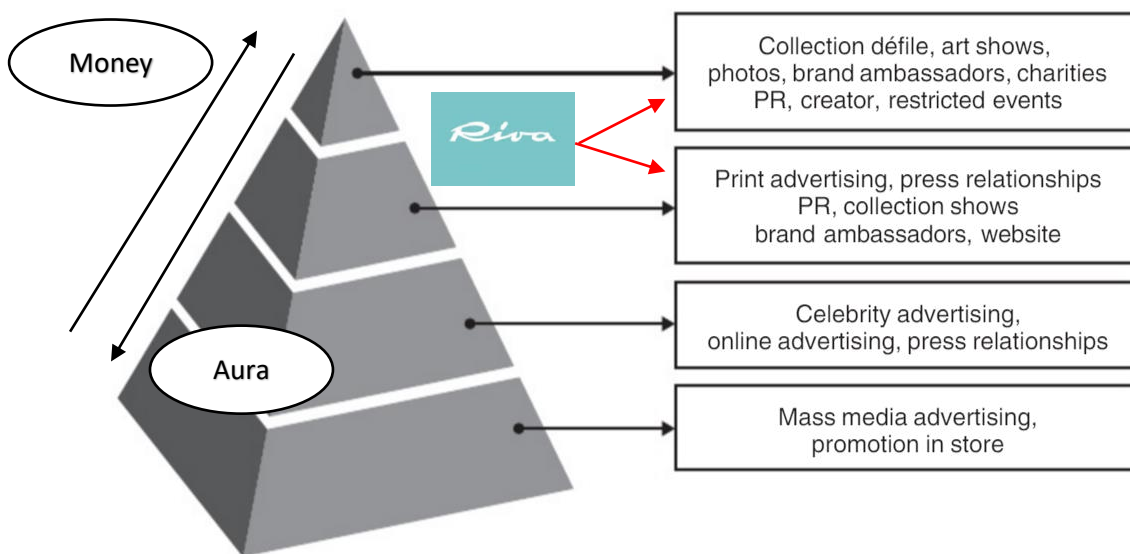


As it can be seen from the chart up here Riva is in **between the second and third type** of luxury communication relations, because Riva owners are people who wants to **personally enjoy** the product in his/her private life but, at the same time, **elevate** themselves towards a **higher status** (which is the prestige, the fame and the social recognition that generally has someone who can afford a Riva boat).

## 7.5 THE RIVA'S COMMUNICATION TYPES

Hence, the role of communication in luxury is different than the classic markets, and so are also different the communication methods. Communication levels differ accordingly to the pyramid's tier to which the specific company belongs. As it can be seen in the image down here, the more you go higher in the pyramid's tiers the less important is to advertise on media channels. Media advertising in luxury plays a secondary role.

Of course, it is not surprising that many companies buy pages in glossy magazines: the so called 'media streets of luxury', however it is more important to well manage press relations and public relations.



The communication pyramid

From this point of view, everything the brand does should be 'PR-able'.

The brand is a transmitter of taste: as such it should be a sign of 'good taste'. In order to be recognized as such it should be present in the high places of taste, living culture, and fashion.

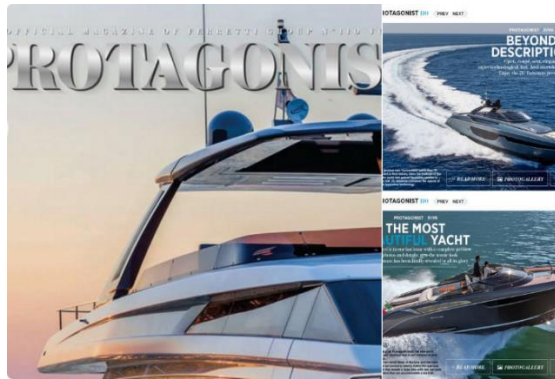
**Riva**, surely, places itself **between the first two tiers of the pyramid**: however, it is a bit hard to identify which of the two is best fitting.

Riva, in fact, sustains a mixture of **restricted/special events, brand ambassadors, press relationship (PR) and website management**. Clearly, **no mass advertising** such as commercial ads are made, because they are extremely **expensive and unselective**.

Another important aspect is that Riva does not pay for advertising itself on luxury magazines.

The only magazines in which Riva brand is shown is the '**Protagonist**', that is an internally developed magazine, financed by Ferretti Group for more than 20 years.





The 'Protagonist' magazine

Every three months, around 26,400 copies are sent out to Ferretti Group clients and friends all over the world, as well as distributed during the most prestigious international events and boat shows.

The magazine was published for the first time in 1987 and its image has been continuously growing. Today, it is an important reference point for motor yacht owners who love going at sea. Protagonist deals with the nautical world as well as with a wide range of topics, from luxury to glamorous items, from lifestyle to design, culture, news, trips and entertainment, with particular attention to the expectations of its readers.

For what concern the other form of advertising, Riva enjoys a **favoured position**, since it has been put on **magazine, movies, video or ads quite always for free** (paying with its brand image) or **being paid**. The last commercial video that it had to pay was the one published in partnership with the Ferrari brand (see Riva brand partnership and cobranding paragraph).

Riva, as pre-announced before, **has a long experience in great movies' appearance**.

This witnesses the importance of the brand history, culture and image that Riva has built over the years. In 60's it became a symbol for celebrities and 'dolce vita' style, while, recently, it is still the symbol of the uniqueness of the Italian design.

Riva marketing managers count a lot on **PR and sponsorships**.

By investing in this communication method, they make sure of getting in contact with a **physical person** and of taking care of them in **personalized way**. Furthermore, they can easily **manage** each single **detail** of an **event**, assuring the **coherence** with the brand. They want be sure that guests' quality strengthens the social stratification.

Riva carefully chose to **not include** any kind of **personalities** in its **marketing campaigns**.

It wants to maintain the personal relationship with the client; it is necessary to allow the client's imaginary for the brand free rein, allowing the affective relation between the client and the brand to establish itself without interference, respecting the fluidity of this relationship and not coagulating it, by interposing a third person, however well known.

It is the relationship with the brand that is sought after in luxury, not the imitation of a third person.

Luxury escapes the trap of ‘**triangular desire**’, which is typical of mass consumption goods and in particular of fashion. This is why Riva decided to avoid using a ‘star’ to success in its advertising campaigns; indeed, it is often harmful, since it screens off the direct affective client–brand relationship, or even destroys it by replacing it with the affective client–star relationship, while reducing the richness of the imaginary.

In luxury, only the domination of the brand, as abstract as a god, is legitimate in the client’s eyes, and not that of such-and-such an individual, especially not that of such-and-such a film star, who will fall out of fashion. Often, the conspicuous use of a star is a way to hide the absence of creative ideas, replaced by the use of the cheque book to buy the celebrity of the moment (see anti-laws n°16). Luxury, however, needs to be particularly creative in communication, so that the brand is not aged by the continual sale of ‘eternal’ products, such as the “Riva Aquarama” (Riva’s flagship product).

Perhaps, it could be surprising that Riva throughout the ages had many personalities surrounding its universe: **Brigitte Bardot, President George W. Bush, George Clooney, Sean Connery, Sophia Loren, Silvana Mangano, Vittorio Gasmann, Anita Ekberg, Elisabeth Taylor, Michael Rennie, Diana Star, princess Marina Doria, Gigi Figoli, Gunther Sachs, Princess Stephanie, Prince Ranieri, Caroline, Alberto, Grace Kelly, Claudia Shiffer, Megan Gale, Christina Onassis, King Hussein of Jordan, Sheikh Hamad bin Khalifa Al Thani of Qatar and former Egyptian President Gamal Abdel Nasser.**

How did it happen? Riva properly managed this phenomenon not considering celebrities and stars for advertising, whereas as **testimonials**. The company wants to show how an extraordinary person uses its product on his/her life.

To better understand why Riva considered them as testimonial an explanation of the nuance among ‘star’, ‘ambassador’, ‘testimonial’ and ‘evangelists’ is needed.

**Brand ambassador** might be taking an active role in the cultural or artistic projects of the brand. In this case the person is simply coupled with a product or service and he/she shows it as part of his/her lifestyle, exclusively, and for a given period.

**Testimonials**, instead show that highly respected people normally use brand’s products, thus confirming their status as common products for exceptional people, and in so doing recognizing the power of the brand. Usually, different personalities are chosen, testifying, at the same time, that they use the product normally and not exclusively. The choice of the person, for the role of testimonial, depends on many elements that must match with the

characteristic of the product/brand, but most of all, the person must be well-known (if possible, in different countries so to maximize the advertising campaign), reliable (to avoid to jeopardize huge investments on him/her) and he/she must be able to express empathy so to catch the attention of media and consumers. **The role of testimonial** is often “**passive**”, he/she simply shows him/herself with the product (in events, videos, advertising campaigns). Testimonials and brand ambassadors are considered as opinion leaders who do not need to be an expert of a topic, what is important is their behaviour or lifestyle (that can be taken as aspirational model). This kind of opinion leaders can speed the acceptance of products and services when they show it in their lifestyle. In the category of opinion leaders, are included celebrities, that is persons really well-known in many countries for their lifestyle or even simply for their glamour (their profession is less important as they are not considered experts, but simply user of a product).

**Evangelists** refer to people fond of a product/service and also expert of it that spontaneously promote it. In most cases, he/she is not paid. At the beginning the evangelist was a person working in the area of new media, today the word is used in many fields where a person sustains a brand/product simply because he/she thinks it is the best. This figure is considered as an opinion maker.

There are two kinds of opinion makers: **informal** and **formal**. The **informal** is a person we know personally, a relative or a friend with specific skills, for instance we know he is a geek and we ask him for a competent advice before buying a pc. Evangelists are included into the “informal opinion maker” category. Instead, the formal opinion maker is a well-known person in a country (or in some), his/her knowledge of a topic is acknowledged, often he/she is also an award-winner for his/her merits. They actively and personally build an opinion on a topic because they are recognized as true experts. In general, they have many followers. Endorsers belong to the “formal opinion maker” category.

In luxury codes, you do not use a ‘star’ who exhibits the product, but a great personality using the product, or testifying that they use it.

The luxury brand must dominate the client. A star whose recognition benefits the brand, through photos that implicitly suggest that the star’s status is higher than that of the brand, which is an admission of weakness (see anti-law n° 6).

The brand ambassador strategy (a single person who is paid to serve as an emblem of the brand, exclusively, and for a given period) is very different from the testimonial one (various personalities testifying, at the same time, that they use the product normally and not

exclusively). This strategy is a source of difference between premium and luxury. The former is considered for premium brands while the latter for luxury brands.

Obviously, **Riva**, as a luxury brand, chose to implement the **testimonial strategy**.

Testimonials have always been **considered** as **passive** one, in the sense that, they are neither paid, nor personally contacted to be brand's testimonial. Riva brand awareness has raised autonomously from the active marketing actions made by the company. A great allure around the brand has been created independently by the spontaneous attraction arisen among the personalities and connoisseurs of the brand. Therefore, Riva brand needs to maintain and expand the distance from their customers and the personalities fostering brand's aura and visibility.

The boat's original slogan "sun, sea, joy of living" was played out by the biggest celebrities throughout the 60's. At that moment, each single personality wanted to own a Riva boat, which was considered the royals' boat (especially the 'Aquarama' model). It was a status symbol, a desire for few and a dream for many. If you had not owned a Riva you would have been considered out of the elite of people who could afford a Riva.

Therefore, several pictures portraying great personalities such as princesses, princes, kings, presidents, sultans, models, famous actors and entrepreneurs are shown on Riva's website, inside videos, movies, on luxury magazines, inside the Riva's historical archive and Riva's experience gallery in Sarnico's boatyard.



Brigitte Bardot on Riva

An exception to the testimonial strategy has been made recently (Monaco, 2<sup>nd</sup> September 2016) with sir: **Elton John**.

Ferretti group and yacht club de Monaco were together for "**blue wonderful**", an exclusive event that illuminated the "magnificent blue" of the Monte Carlo night.

The "Blue Wonderful" event featured a private concert by Sir Elton John which took place in the extraordinary setting of the YCM Marina surrounded by 30 yachts, representing all brands

of the Ferretti Group. Sir Elton John entertained international guests with his solo piano concert performing his most celebrated songs amongst which the opening song “Blue Wonderful”.



Elton John concert – “Blue Wonderful” - YCM Marina

At the end of the concert, he left the stage for the sea aboard his Riva, to a resounding salute as all the yachts in the Yacht Club’s Marina sounded their horns, a fitting tribute for someone who is passionate about yachts.

“Blue Wonderful” marked the opening of “Private Preview” (of Cannes and Monaco Yacht Festivals) gathering, an annual opportunity for Ferretti Group boat owners in Monte-Carlo to visit and try out new boats in the fleet.

Alberto Galassi, Ferretti Group Chief Executive Officer, commented about the event:

“Extraordinary music and the most beautiful boats on earth together for a magic event, thanks to a unique legend of music that opened an amazing weekend filled with many previews. Sir Elton John’s concert was an incredible experience, a breath-taking night that we offered to our clients while awaiting them to visit us again during the upcoming yachting festivals in Cannes, Monaco and Fort Lauderdale.”

This event showed a change in Riva’s communication strategy from testimonial to brand ambassador one.

In fact, following brand ambassador’s definition, Elton John (who owns a Riva and so strictly connected with the brand) has been directly paid for taking an active role in the cultural/artistic project of the brand. He was simply coupled with Riva brand to show it as a part of his lifestyle, exclusively, and for a given period (the concert).

I do not think that this communication strategy entails a downgrade from a luxury to a premium brand strategy.

In fact, by organizing a simultaneously exclusive and incomparable event for restricted groups, intensely translating the brand's values, Riva is fully acting a luxury brand strategy. Little by little, over the years, in each global capital, Riva brand builds a reputation as creator of events that hopefully will become a 'must'.

For Riva, the function of these events is: **first, to legitimize the brand's status as a creator of taste, a cultural transmitter;** but also, to **create this social distance** through the game of inclusion and exclusion: who is 'in' and who is 'out', creating the so called **management of buzz.**

Riva, in general, needs to protect big from small clients (see anti-law n°8). Oppositely to what happen to normal brands, Riva company does not like to have many 'friends', instead it prefers to create enemies by excluding them from their events.

In the past, Riva, acting always as a luxury brand, never actively moved to look for a personality participating and showing off its brand. Now, instead, Riva is in an economical and financial expansion period, so I believe it just wants to strengthen even more its brand image and identity by associating Riva with a particular form of art, the music (as suggests anti-law n° 17).

This is how Riva attempts to signal that it is not simply selling a normal product (a normal boat), but a piece of art which aims at surviving thorough the ages.

The idea is that, such as for the art, Riva will increase its value over the years.

The portrait of Elton John playing piano surrounded by Riva boats should recall to brand's enthusiasts an aspiration of magic, mystery and invaluable consideration.

Eventually, another relevant aspect of this event is the fact that Riva organised it so that also the media will relay it. <<It must be talked about. Rumour, is fed on marvels>> (Kapferer, 1990 p. 219). Such events assume an attention to detail that will give rise to word of mouth, that is vital for a luxury brand.

Riva knows that everything the brand should be made use of in **press relations**. A brand that the press does not talk about does not exist in this world.

For Riva, therefore, it is necessary to feed the media constantly with news, stories, events, facts, etc., which weave the tale of the adventure of its products from conception to use.

<<The brand must be 'mediactive', constantly generating content, whether through a press trip, press releases, leaks, etc. To borrow Danziger's expression (2005), the luxury brand should not be only expensive but expansive, that is, ever-present in selective media and locales>> (Kapferer-Bastien – 2009, p.219).

Lastly, Riva brand's communication consists also of the **internet component: (website, social media and e-commerce)**. This is actually a really controversial area, because it shows

some flaws, if compared with the other big players in the boat industry such as Azimut-Benetti and Sanlorenzo shipyards.

The web is really a dangerous path for luxury brands, even if a web strategy is fundamental for luxury brands that want to position themselves in the brands' Olympus and recreate the distance among the other brands that pretend to imitate luxury codes.

Additionally, luxury is part of the real world, where its role is to bring the dream; the internet is a world of illusion, of the artificial, and in which the false can easily be introduced. Like mass-media, the websites if not well-managed, they might turn to be untargeted and unselective, also losing the human relationship that is vital in luxury.

Luxury brands should talk about the vision of the brand instead of their products.

They need to show a creative flow and radiate themselves as such: they must be "mediactive" (they primary serve as means). A brand that communicates on internet must increase the dream's value for the brand.

Today's internet world is a sensually reductive world: it is not experiential enough. If the eyes and ears are well served, the senses of smell, taste and touch are instead ignored, or served in such a reduced, summary manner that the refinement and the multisensory component of luxury are excluded.

In Riva, the website and social media are now managed (Italy and for foreign countries) by **Mrs. Caterina Ielapi** and other two media marketing people of Ferretti Group, in collaboration with other external marketing agencies.

The Riva website' flaws are a lacking of proper images, effective videos, innovative event announcements and clear corporate web overview. Riva, right now, it is far away from what is the luxury websites' goal: that is fulfilling a correct, personalized identification and multisensory experience (a sort of Web 3.0).

Riva should communicate more efficiently with its followers on internet. This can be done also by taking more control of the digital management, without delegating too much to the external marketing companies. Therefore, a proper improvement of its website should be implemented as soon as possible, paying also attention to create a fitting website, that communicates the right messages according to the different countries to which it aims at.

The last concept is extremely important because when Riva is posting a new event, a company achievement or a boat launch on its website or on its social media (Facebook, Twitter, Youtube, Pinterest, LinkedIn, Google+ and Instagram), the communication provided, spreads all over the world, reaching all people's segments and interests.

Therefore, the posts must be really well created and selected, in order to communicate brand's identity values unambiguously. It is important to remember that the on-line communication is

the way that a company shows itself to its customers on internet, therefore it should be as effective as the off-line one. If the website is poor of contents, as the one of Riva now, that form of communication can mislead or disappoint customers. If still the technology cannot remedy to that deficiency, Riva should, at least, invest more money to guarantee the best and innovative combination of videos, pictures, and website design/architecture to its clients. Therefore, if a Riva website's visitor opens the company's main page he should be able to instantly perceive, as I truly perceived when I visited Sarnico shipyard, the deepness and the strength of Riva brand's history, culture, power, fame and heritage.

Last thing about social media is that marketing department should be able to address the different communication strategies to each Country. This is because in Chinese, American and Middle-Oriental HNWI's care more about the logo and the integration aspects.

Therefore, Riva's posts should be carefully shaped to slowly educate those people to Riva brand's values. On the posts referred to those Countries, in fact, Riva might show bigger brand's logos or focus on celebrities that are in Riva's world to satisfy their integration's need.

The very last point of about Riva and the **e-commerce** relationship. In fact, the new RBE (Riva Brand Experience, introduced from the next year) products' marketing and distribution, will be delegated to the '**Triboo Digitale**' an Italian e-commerce company. The e-commerce side of a luxury brand is a really dangerous world. Luxury brands should just only display their products in an excellent way, while not selling them, because the risk of counterfeiting is really high. By displaying products on-line, luxury companies should induce people to come to their stores in order to recreate the personal and human relationship, typical of luxury. Despite these general rules, Riva decided to sell anyway the RBE products on-line.

It managed this issue by entrusting, through a licensing contract, almost the entire marketing and distribution aspects to a top e-commerce Italian company, while retaining the final decision and control over the 'Triboo Digitale's operations and choices.

In my opinion, this was the best option for Riva, because, by cooperating with an expert external e-commerce company it might get the right competencies and skills to compensate for its poor experience in the field, avoiding the risk of failing for the launch of these new products.

## **7.6 RIVA SPONSORSHIP & COBRANDING**



Regarding sponsorships and patronage, they are both equally legitimate for a luxury brand, always provided that they are coherent with the brand. By sponsoring an event, then, it is possible to control all the parameters.

Luxury brands usually do not sponsor a single participant of an event, but the entire competition, choosing the most prestigious events that are in line with the essence of brand's universe and roots.

Regarding this aspect, Riva chose right this year of being the **Ferrari's sponsor** for the duration of the World Championship 2016, starting with the Rolex Australian Grand Prix in Melbourne and taking in 21 Grand Prix races, including the Monaco GP. This is the only sponsorship enacted by Riva within its brand universe. This strategy is in line with all the other luxury brands, because it allows it to entirely focus on the chosen event, dedicating all efforts and resources available to it.

Conversely to what is expected from a luxury brand, Riva chose to sponsor a single team (Scuderia Ferrari), instead of the entire competition (F1 - Formula One).



Riva Logo on Ferrari helmet and on ads of the circuit

This sponsorship will see the Riva logo placed on the helmets of the two team drivers Sebastian Vettel and Kimi Raikkonen and “it will give birth to an unmatched duo, a legend meeting another legend, racing together on Formula 1 circuits and cruising the seas worldwide,” as said by Ferretti Group's CEO Alberto Galassi.

This new partnership has been chosen to write a new chapter of Riva's glorious history together with Ferrari, thereby renovating a collaboration that, in the past, led to true sea jewels. In fact, this exclusive co-operation brings together two icons of style and technological innovation, which every day thrill speedboat and car-racing enthusiasts all over the world.

From escorting Brigitte Bardot around her native St Tropez to designing the innovative models which helped Michael Schumacher to pick up several world championships, they are indisputably two brands which have a reputation for remaining at the top of their game.

Following their presentation of the new SF16-H car, Ferrari's CEO officially announced the coupling, and was only too keen to elaborate on the potential for the two brands.

They both aim at maintaining an enviable position at the top of the luxury market.

This is not the first partnership between the two Italian brands: in the 1990s there were forty **Riva Ferrari 32** and Riva Ferrari 32 special speedboats built.

Riva has been known for its unparalleled style and personality, so it was inevitable that the boat maker would come to collaborate with the likes of fellow Italian Ferrari, resulting in the ultra-rare Ferrari 32.

The number 32 represents its length, in feet, allowing the watercraft a seamless synthesis of luxury and speed: twin 390 horsepower V-8s rest abaft.

Consistent with the racing-style engines is the F1-inspired hull—finished in Ferrari's flagship Rosso Corsa—as is the carbon fibre spoiler aloft. Combined with the extended transom, these parts were all well ahead of their time at the boat's year of production, 1990, and are exemplary of Ferrari's indisputable elegance and Riva's innovative sophistication.

To prove Riva boat's ageless value, a 1990 Riva Ferrari 32 speedboat was auctioned in Monaco last May, for €180,000.



Picture of Riva Ferrari 32

Moreover, one of the things that is so special about Formula 1 is its close relationship with yachts – best illustrated by looking back at the nine decades of the Monaco Grand Prix.

Where yachts once kept a distance in the 1930s, they are now a prominent feature as they line the racetrack in Monaco's Port Hercules.

There will definitely be plenty of discussion regarding the newly established relationship, and what one brand can do for the other. Surely, the new alliance might be an interesting reason, for instance, to watch a Ferrari hurtling in the Monaco Grand Prix from a Riva chartered yacht moored inside Monaco's harbour. It would be also an opportunity to invite implicitly Riva's owners to flaunt their Riva yachts during the competition, hence increasing indirectly also Riva's brand awareness.

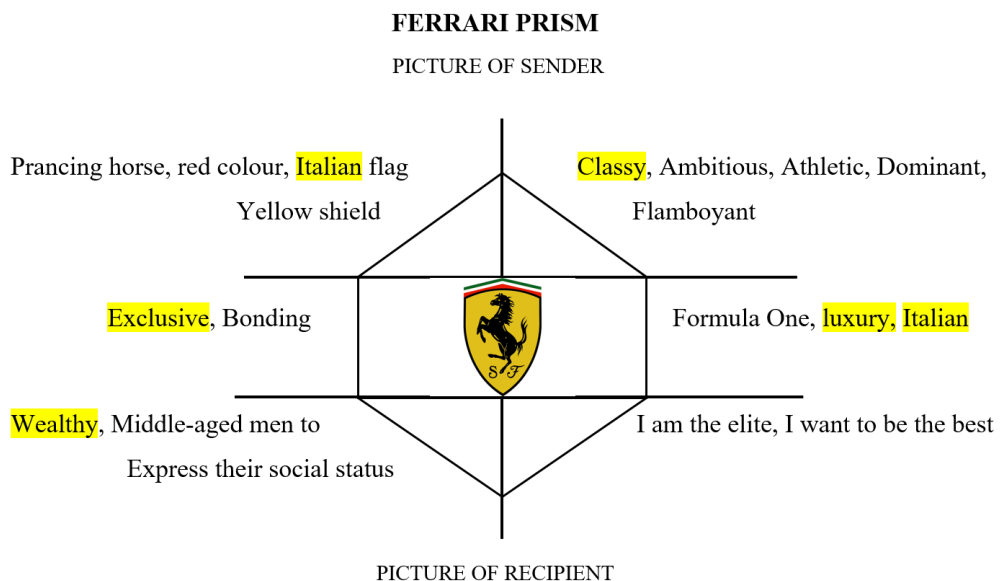
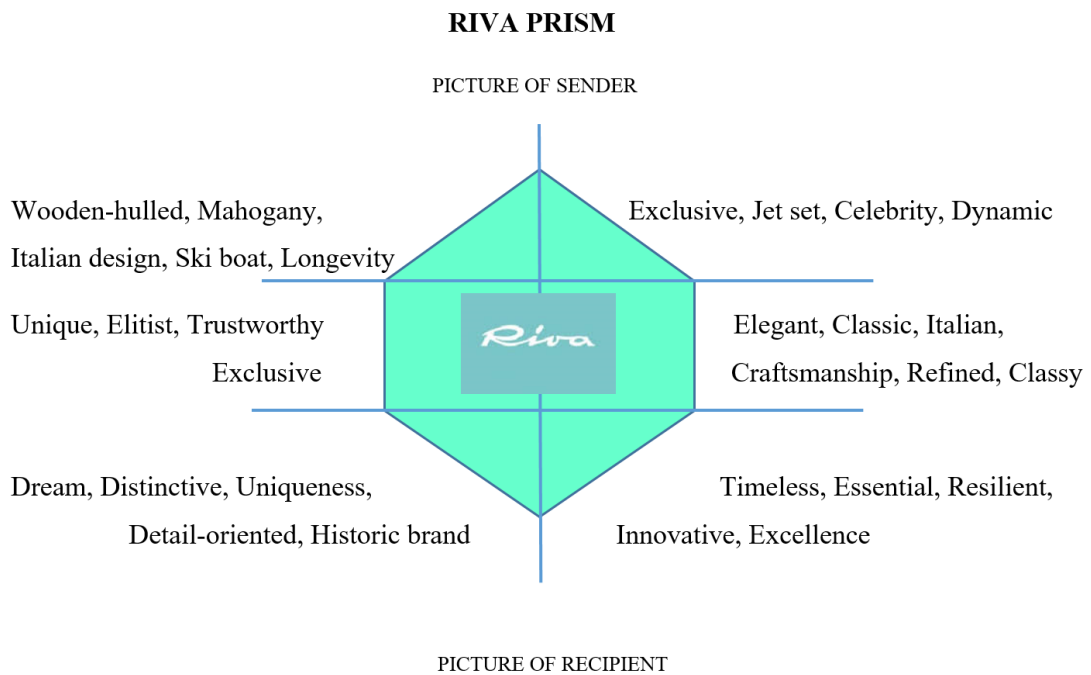
Furthermore, this partnership sponsored by Riva (that paid around 1€ million for this marketing campaign), consists of many initiatives for the two brands (as reported in the contract):

- The duo will be representing itself at the Abu Dhabi Grand Prix later on in the year at what is no doubt one of the best opportunities for the elite travellers to enjoy a luxury yacht chartering in Dubai.
- A commercial video, showing a Ferrari hurtling in one F1 circuit with Riva brand displayed everywhere.
- A Riva temporary lounge placed in Yas Marina Abu Dhabi circuit, where Ferrari racers will be hosted at the end of the race for interviews.
- Riva will be able to offer tender services (with 'Aquariva' model) among paddocks during Monaco Grand Prix
- Ferrari's racers invited to some main events organized by Riva during the commercial year.

Numerous are, also, the **reasons** of this partnership:

- Riva and Ferrari are two brands with almost proportional values, prestige and reputation within respective industries.
- They also have a long brand and company history (even if Riva's history is 97 years older).
- There is a great compatibility in terms of external physique image and design.
- Riva and Ferrari brand identities are really compatible one each other both in the internal and external elements of the brand identity-prism model.
- Sales prices are proportionally comparable.
- Shig-Weichai group (which acquired Riva) is the first sponsor Ferrari's Chinese equipment manufacturing enterprises.
- Alberto Galassi (Ferretti group CEO) knows really well Stefano Domenicali (Ferrari team principal of Scuderia Ferrari until 2014 and now Lamborghini car manufacturer CEO) Moreover, to prove this woven relationship, Lamborghini car manufacturer is now partner of Pershing yachts (brand holded by Ferretti group).
- Alberto Galassi is also Antonella's husband (Piero Ferrari's nephew). Additionally, from last May Piero Ferrari became the greatest Ferrari's shareholder).

Another efficient tool to analyse the soundness of this partnership is comparing the two brands identity prisms:



From these two figures above, it is possible to note that both external and internal facets of brand identity prisms have several elements in common.

In particular, these are the Italianity, the classy and luxury style, the exclusivity of the relationships created with their wealthy (HNWIs) customers. The exclusivity is also reflected in the voluntary limitation in the production and brand distribution policy, to always enhance the dream and the desire of their products. Their products are detail-oriented and sought for the perfection, even if never adapting to customers needs (see anti-law n° 3).

Another aspects that the two brands share is the brand communication, which is very similar. They both belong to the higher tiers of luxury communication pyramid. Hence, they do not advertise on mass-media, they instead communicate mainly through press-relationship, magazines, restricted events and their website. They also are both involved in partnership and patronage of other luxury brand and elite sports events. As luxury brand they need to maintain the exclusivity and the distance from their followers.

Regarding the companies' business models, the two brands are also really similar, especially, if considering the latest version of Riva's business strategy. Riva, in fact, starting from the next year, will shift from 'core-trade' brand model to a 'galaxy' model, by adding the RBE (Riva Brand Experience), that are a new range of accessible products. Also Ferrari brand model is mostly a 'core-trade', because it only had a range of equally luxury products from which the company was able to collect the right amount of profits to compete in the market. In the Ferrari 'core trade' model, even if the purchase price of its luxury products is really high, it is justified by product's long durability. However, Ferrari some years ago shifted understood that its market was too narrow, hence started selling other articles outside the core trade (brand stretching phenomenon), benefiting from its huge creator's aura: Mr. Enzo Ferrari.

However, in the last years, the Ferrari brand's broad expansion and diversification into accessible products (Ferrari laptop, apparels, merchandising, etc.) has shifted Ferrari brand model from a 'core-trade' to a 'pyramidal' one (instead of a 'galaxy' one). Despite this difference in the brand's expansion between the two brands, their business models remain really similar. Hence, this is, surely, a positive factor that can contribute to the success of this partnership.



A view of the Monaco Grand Prix circuit



To conclude, this partnership strategy has been made because the two brands are sure it will clearly bring more global visibility and more brand awareness among the HNWI, that follow Formula One Grand Prix. More association toward the Riva brand will arise when Ferrari fans will watch F1 races.

Furthermore, Riva will gain more aura inside its universe, revitalizing efficiently the dream and the distance among its connoisseurs.

Lastly, the Riva's closeness to the race world entails a symbol of communication's stability to its customers and brand strategic coherence.

Another surprising partnership initiative, in which Riva brand has been recently got involved, is the cobranding contract signed and valid for two years with **Fiat** (one of the Italian brand of FCA group brand). That originated the **Fiat 500 Riva** ("The Smallest Yacht in the world").

This partnership astonished everyone...it was totally unexpected!

The Fiat 500 Riva model has been produced in a limited edition: only 500 models available (a plate near the gearshift, fixed with original Riva screws, shows the production number); the car body is painted with a blue "sera", with some finishing on the external body that resemble Riva boats. The interiors are enriched with mahogany details and leather seats signed with Riva logo. The model has been sold starting from a price of 23.000€ which is a premium price, due to the upgrades made.



Riva 500 and 'Aquarema' models

Many people wondered for the reasons of this cobranding, that seemed so out of target, particularly for Riva brand. In fact, it is really hard to compare or to find common elements,

as instead done for Ferrari brand, the two brands identity-prisms of the companies.

Nevertheless, analysing more in details the entire operation it seems much worth than thought:

- The only element in common is the history: from 60's to now, from 'Cinquino' and 'Aquarama', Fiat e Riva are two icons of Italian design and "made in Italy" all over the world.
- Obviously, the two companies target two different groups, Riva, as proved, is a luxury brand, while Fiat is a generic brand (neither premium one). This match, at first glance, would be consider too risky, particularly for Riva brand, however, the latter, playing on the fact that they are both historical brands, saw the alliance as an interesting joke and something funny to enjoy Riva and Fiat's connoisseurs.
- In this project, Riva did not invest any money, being the higher-positioned brand. Its contribution was its luxury brand image, prestige and fame. Fiat, on the other side, committed to advertise the launch of the product (that was organized on July, 4<sup>th</sup> in Capri in the renowned restaurant 'Il Riccio', with a special event to also celebrate the Fiat 500 model birthday.) The launch was concluded with the arrival from the sea with a 'Aquariva' model, while a violinist was playing aboard. Another time (after Elton John concert in Monaco), Riva wanted to show its luxury personality, by associating the art with its product.
- An amazing commercial ad was also created, with Fiat budget in which it is confirmed the tone of joke in the association of Riva with Fiat brand.
- Another incredible initiative, born thanks this cobranding, was the possibility gave to Riva brand to be displayed (with the 'Aquariva' model) inside the Paris Motor show, last October. This is also the first time in the history that a boat appears inside a motor show. Results show that all the 500 models produced were acquired immediately.



Riva 500 and 'Aquariva' models at the Paris Motor Show

- Fiat marketing department will organize other two events soon in Palma (Mallorca) and Greece for special product placement in order to advertise the Riva 500 models and Riva boats.

The two brands were so satisfied for the results achieved until now for this cobranding. All the 500 models have been sold yet. This was a success for both companies, in fact: Fiat could enhance its visibility, especially in the foreign markets, and its brand image by associating itself with Riva brand. From the recent years, Fiat is changing its strategic business plan, by boosting the brand awareness and prestige, leveraging on the strongest elements of its brand identity (such as, long history, Italian design and “made in Italy” style). Fiat is slowly changing its brand perception moving towards lower-premium brands levels. Riva, instead, confirmed its brand coherence, by associating itself with an Italian brand with a long culture, history and closeness to automotive industry. By accepting this cobranding, it had also the benefit of free advertising, through the right communication channels (motor show, exclusive location in different Countries such as Italy, Spain, Greece...).

Also, the limited-edition feature was really fitting Riva brand strategy, since it is typical of luxury brand distribution (as showed in the distribution paragraph).

This, in fact, led Riva to increase the brand awareness in the right way, following the dream equation, without being perceived as too accessible brand, hence eroding its brand reputation. Even if, it was conceived for fashion addicted and trend setter’s clientele, most of the Riva 500 purchases were made by connoisseurs or wealth people (who were able to buy also 4-5 models in one fell swoop).

Lastly, Riva is confirming (as explained in brand expansion paragraph) the new brand strategy of opening to new more accessible products that orbit around the galaxy created by its originator, Carlo Riva.

Therefore, this cobranding was unexpectedly a big success for both brands so that new limited edition will be maybe re-planned.

Finally, Riva brand is not new to partnership and cobranding activities such as:

- **The 33’ ‘Aquariva by Gucci’ cobranding**
- **The Riva Marc Newson**

**The first** was a partnership between Riva and Gucci produced in a limited edition of the iconic ‘Aquariva’ clothed by the fashion house. The resulting styling, which did not impact on Officina Italiana Design’s original project, is sublimely exclusive, thanks to a cool all-white livery that is picked up in many of the other details aboard.



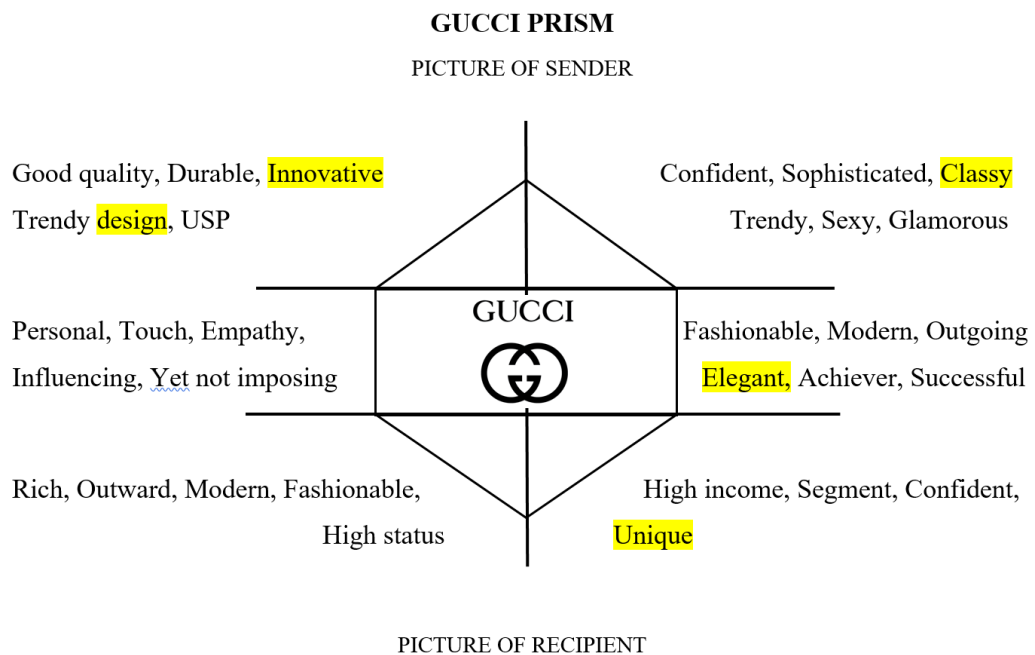
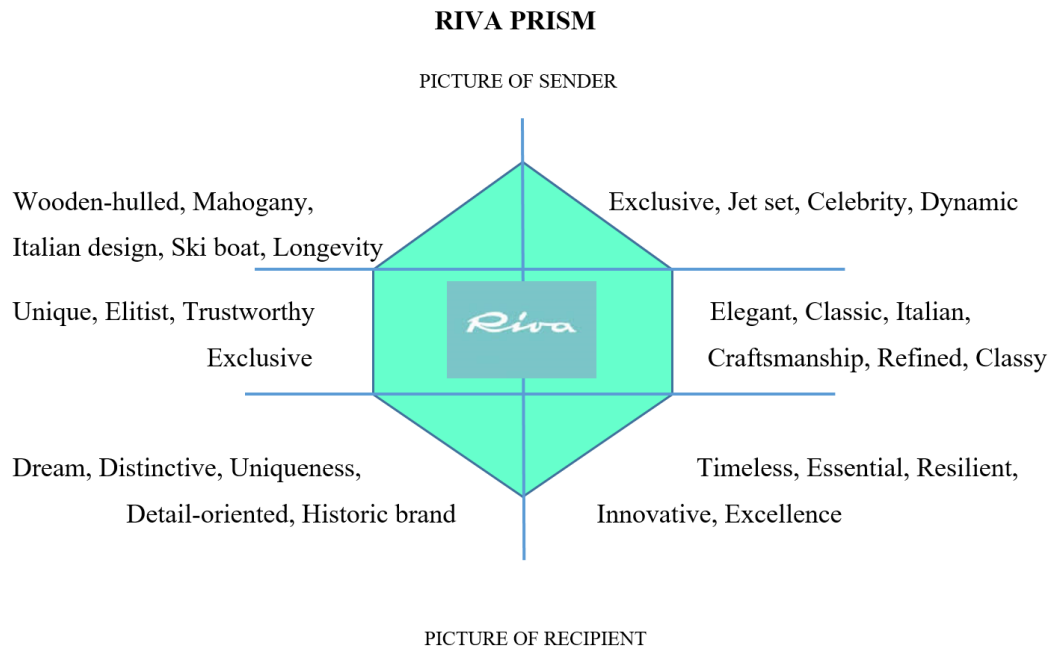


Some pictures of 'Aquariva by Gucci' model

The limited-edition Riva Aquariva by Gucci is a sharply dressed version of the lithe, 33-foot cruiser that the Italian boat maker introduced in 2001. As part of her company's 90th-anniversary celebration, Gucci's creative director, Frida Giannini, gave the boat a makeover that included a glossy white hull, a mahogany-lined cockpit, a mahogany deck, and cockpit and sundeck seats covered with white waterproof fabric embossed with Gucci's signature 'Guccissima' pattern. A green-and-red stripe along the waterline complements the green tint of the crystal-glass windshield. The Aquariva by Gucci can match its appearance with its performance. It has a range of 150 nautical miles when cruising at 36 knots.

This is another symbol of the power of Riva galaxy brand model, where the icon product of the brand (Aquariva), created following the famous Aquarama footsteps, is used by well-known designers to renew and celebrate the myth.

By comparing the two identity prisms, as it possible to see in the two figures below, the cobranding was implemented thanks the several elements that the two brands have in common either in the external facets (physique) or in the internal facets (personality, culture, and self-image). These are: the Italian design, the uniqueness and elegance of the products, the classy style and the innovative mindset.



The made in Italy conception is the most important characteristic on which the two brand leverage the success of the partnership

However, the risk of this alliance was to erode a bit customers' dream of the brand. As anti-law n° 1 suggests, luxury is an absolute concept and the fact that Gucci creator interfered with Riva world could mystify customers' brand image.

Moreover, Gucci sells also accessible products, while Riva do not. This greater accessibility and openness to merchandising could set Riva brand at a lower level in respect to the existing position.

**The second** was designed by the Australian designer Marc Newson in a limited edition the ‘Aquariva’ model in collaboration with the Ferretti group brand and Riva.

The design is called ‘Aquariva by Marc Newson’ and is constructed from a laminated fabric composed of a phenolic compound that mimics wood.

The material was developed at the beginning of the twentieth century, a precursor of fiberglass, combining a natural appearance and texture similar to that of wood. to obtain a high-tech touch while keeping with the traditional elegance of Riva, Newson has also selected an anodized aluminium instead of steel and brass plated components to give the boat a sleeker appearance. Newson’s design draws on the classic glamour of the ‘Aquariva’s predecessor the ‘Aquarama’. In 2010, the boats came in a limited edition of 22 units and sold through Gagosian gallery in New York.



Two renderings of Marc Newson’s ‘Aquariva’ model

This project, also, celebrates the power of Riva brand’s aura. As the years go by, Riva iconic models are still source of inspiration to most prestigious designer and connoisseurs.

---

## **CHAPTER 8: THE RIVA BRAND MANAGEMENT AND BRAND EXPANSION**

### **8.1 THE RIVA DISTRIBUTION AND HR MANAGEMENT**

<<The watchword of luxury brand management nowadays is ‘experience’, the multi-sensory total of what is lived and felt at each point of contact with the brand. Moreover, the origin of many luxury houses is in distribution:

- Only distribution (Fauchon).
- Essentially distribution (Hermès).
- Workshop/shops in tandem (Louis Vuitton).

Distribution is really hard to manage, especially if the brand has a global reach: ensuring coherence and strategic rigour, while remaining profitable, when you are embedded in countries that are totally different culturally and economically, requires considerable engagement and energy from management. Furthermore, the distribution is often entrusted to local partners, which in fact comes down to entrusting the customer service and experience to them. Distribution is generally the weak link of luxury strategy, and this is where many brands die or lose their status.>> (Kapferer-Bastien 2009 p. 194).

In this sense, Riva is in the last case, the “**workshop/shop in tandem**” one.

In fact, the place where the boats are made is also the shop in the strict sense.

However, this aspect helps creating a fundamental aspect which is a personal relation (almost affective) between the brand and the customer. This kind of relation is vital in luxury; the one-to-one relation is an integral part of DNA and of its universe.

Riva knows how important is the role of offering human warmth to customers in an aggressive and impersonal world. Nowadays, this aspect is also confirmed by many studies: <<the customer satisfaction is clearly reached through a salesperson that should certainly not be distant, but on the contrary warm and friendly. You never know who is in front of you: maybe your best future client. Moreover, a client without a certain idea of what to buy prefers a personal advice of a trusted and known salesperson. This mechanism is determinant in luxury>> (Kapferer-Bastien – 2009 p.194).

**Distribution is communication.** nowadays, this perception goes beyond sight; it is also tactile, olfactory and auditory. In general, the luxury store is a privileged place and a major tool of public communication, and the only one in which the brand controls all the parameters. Riva, as all other boat companies, has a limited number of stores for logistic and economic reasons. It has two main ‘stores’ in Italy, which are also the production centres.

The first is the **historical boatyard in Sarnico**, close to the Iseo lake, (which produces the boat ranging between 27 and 68 feet in length). The boatyard extends over an area of 36,000 square meters, 17,000 of which are sheltered, and can rely on 10 available mooring berths, 2 jib cranes, 4 painting booths, and a 50-ton capacity trailer used to move finished yachts to the quays and for the handling of shells and large components. The average production time is around 6 months, for the medium-range products. This was possible thanks to the innovative **TAC production**, that utilizes pre-manufactured hulls (with the same dimension), that can be used for different Riva models production. The customization process starts, instead, only when the client purchases the boats. This method permits to radically reduce production-time, while at the same time not losing the customization phase, so important for luxury boats.

**The second is in La Spezia.** This production center plays, instead a strategic role from an industrial, social, and environmental perspective. Built with the objective of widening the range while preserving the brand's traditions, this boatyard was opened in 2004 and is now the most important technical, logistics, and commercial center for Ferretti Group, providing access to both the Ligurian and Tyrrhenian Seas. Conceived to apply state-of-the-art production technologies and systems, the boatyard covers a total area of more than 60,000 square meters, almost 13,000 of which are sheltered, and includes industrial sheds, office buildings, piers and pontoons extending over 400 meters overall, served by a 300-tons capacity travel lift. This modern plant, where the largest models are built, is also the leading center for the testing, launching and delivery of the Ferretti group's yachts. Customer care and marina services for all Ferretti Group brands are also managed at this shipyard.

These two shipyards have the function to communicate the brand's status to non-clients and owners. Their role is to increase the 'dream equation', that is so important in luxury. As described, the two boatyards are placed in a **symbolic** and **strategic positions**.

They represent the showcase in which products are presented to display and to best promote them.

Moreover, Sarnico boatyard has been recently refurbished in the circumstance of the new 'Rivamare' model launch, adding also value to every boat products displayed within it.

The goal is to exhibit all boats as pieces of art to be shown in the best way possible.

This is testified also by the creation of a **historical gallery experience** inside the Sarnico shipyard, led by Mr. Riccardo Sassoli (in charge of Riva historical archive and Riva brand experience). Mr. Riccardo Sassoli is a living book of the huge history of Riva brand. He knows really well Mr. "l'ingegnere" Carlo Riva and he lived in first person the main events of the last 40 years of the company. He has a deep experience in managing luxury customers, and most of all, he properly knows what is the story telling mechanism in luxury. In fact, he is able to bewitch Riva company's visitors with the right stories and legends about the brand, in order to create the right level of mystery, curiosity and passion. For this reason, he was put in charge to organise the company visits and tours. He has also the role of the moral guide for new employees and the example to be followed inside the company. The Riva gallery experience, hence, is an excursus through all the Riva's history, with some focuses on the manufacturing process (in particular the wood working one), the celebrities who got involved in Riva's world and the greatest events that surrounded the shipyard.

The Riva gallery experience, therefore, testifies how Riva, being a luxury brand, cares about the distribution process as a form of communication towards its clients.

By having few sales points, precise locations, quality sales personnel and the stores as a showcase, Riva confirmed the strategy of distribution as a form of rarity that implies exclusiveness and attraction of an elite of customers. Down here are some pictures I personally took during the gallery experience tour.



Riva brand experience: the Riva gallery experience

Lastly, they are also the scene in which the representation of the brand universe is played out, with the **sales personnel** and **manufacturers** as its actors.

The two shipyards, considered as ‘concept stores’, are able to explicit (without words) the brand’s evolution.

As consequence, in order to maintain its status, Riva wants their customers to deserve its products, whether through financial (price) or cultural (initiation) effort, by dedicating time (going only to a Sarnico or La Spezia to have one) and patience (waiting list to have a Riva



boat). Additionally, for Riva, part of the rarity follows automatically from the conception of the luxury product: **precious raw materials, manual work by qualified artisans**.

Last relevant aspect in distribution is that the moment of purchase is only one step, although the process through which the client enters the brand universe is much more articulated; in fact, the purchase of a luxury product is a long process, where each step (**pre-purchase, moment of purchase, after-purchase**) is important.

Therefore, Riva knows that to succeed in that needs to:

- monitor the product right up to the end client;
- personally knowing its clients, not only their tastes and preferences, but also their lifestyle;
- accompany the client, so that the purchase gains value over time.

Riva has a very discerning **CRM (customer relationship management)**, avoiding the idea of the ‘client file’, in particular in the form of automatic IT management, which is a practice often used in CRM strategies. Riva aims at maintaining the unique relationship with their clients, therefore is implementing the so called CRM (community recognition management), which is properly recognizing and honouring the community of believers and of the followers. (see customer equity paragraph).

Last important thing to observe in Riva distribution are the **new form of interaction** with the clients. These consist of new form of **product placement**, for instance, during events and boat shows or of a new form of vicinity to customers, through the so called Riva lounges. The latter is an innovative idea that Riva had in the last years for the distribution process, that is the **lounge** creation. The last lounge has been built, also for the occasion of ‘Rivamare’ model’s launch, by restoring, a room of the historical main office in **Sarnico**, called ‘La Plancia’. This idea was conceived by Riva to strengthen the personal relationship that characterizes distribution. Riva has now three official lounges: one in Sarnico, another in **Venice** (at Gritti palace), and one (removable) in **Abu-Dhabi** (built occasionally for the Yas Marina circuit, in November 2016).





Riva lounges at Sarnico shipyard (Bergamo) and at Gritti Palace (Venice)

In its lounges, Riva wants to control all the parameters. It wants its clients to perceive all the elements embedded in its brand identity. In the lounges, the clients' perception go beyond the sight; it is also tactile, olfactory and auditory. In fact, the wooden furniture resembles the Riva boats and the interior design increase the customers' imagination in possible association with the brand. This Riva lounges are the ultimately experience for Riva connoisseurs. The fact that they are also placed in few but strategic location, contributes to the luxury concepts of exclusivity and rarity. Lounges can also be considered as the proof of the ultimate change in brand strategy acted by Riva during the last year (see brand expansion paragraph).

Riva lounges might surely involve new possible ideas for diversifying the business in home furnishing or for the launch of the RBE, (Riva Brand Experience), the new Riva's accessible products, for the next year. (see brand expansion paragraph).

Instead, for the **former aspect (new forms of product placement**, during boat shows or events) Riva understood that the problem, common to every boat companies, is that **most of the sales** are **concluded** during **boat shows** or **events**, to which the company participates.

Those, hence, becomes a fundamental phase of the distribution process. It would be like that all boat companies, during the boat shows, move their shipyards to those locations. They must be able to represent all the **brand universe** in one single place and in one single moment.

This is why most of the marketing expenditures and actions are aimed at those events. Riva, being a historical brand knows that boat shows and events play a critical role in the distribution process. Thanks to its long culture and reputation, it enjoys a favoured position in these events. Riva marketing managers want to excel and distinguish from the others.

Everyone, exactly like when you encounter a Riva boat in the see, must turn their heads to it. It is not a matter of competition or positioning, but of being superlative (remember anti-law 1). Last September, I have been invited to Cannes boat festival by Doct. Giordano Pellacani (Riva Marketing&Sales manager) and I could immediately perceive the brand awareness among all the people there. For that event, the Riva brand's DNA was showed off in its entire



splendour. A mixture of **exclusiveness** (a dedicated buffet area for Riva's visitors), **selectivity** (Riva see-trials only available to who already signed the pre-sales contract) and **excellence** (in managing customers in the several stands).

Nevertheless, the creativity feature was the one that excelled over the others. Riva marketing managers successfully used the product placement tool to recall the strength of the brand and its reinvigorated power: an **enormous booth** with the new 'Rivamare' model (launched last summer) was, in fact, placed in front of the Cannes boat festival entrance as a living witness of the boat history.



'Rivamare' model showed at the entrance of Cannes Yacht Festival 2016

## 8.2 THE RIVA SALESPEOPLE

Another fundamental element in distribution for Riva company is the salespeople.

Riva divides its sales personnel (mainly composed by dealers and brokers) in three main areas: **E.M.E.A (Europe, Middle East & Africa)**; **Asia Pacific (A.P.A.C.)** and **Americas**, as displayed from the map below:



Riva in the world

I personally had the chance to meet some of Riva's salespeople:

- Mrs. Paola Procopio (E.M.E.A – Mediterranean Area – Italy- France - Germany)
- Mr. Cristian Boni (E.M.E.A - Russia)
- Mrs. Viola Ravano (E.M.E.A – North Europe)
- Mr. Giuseppe Meneghetti (Americas - Miami/Fort Lauderdale, US)

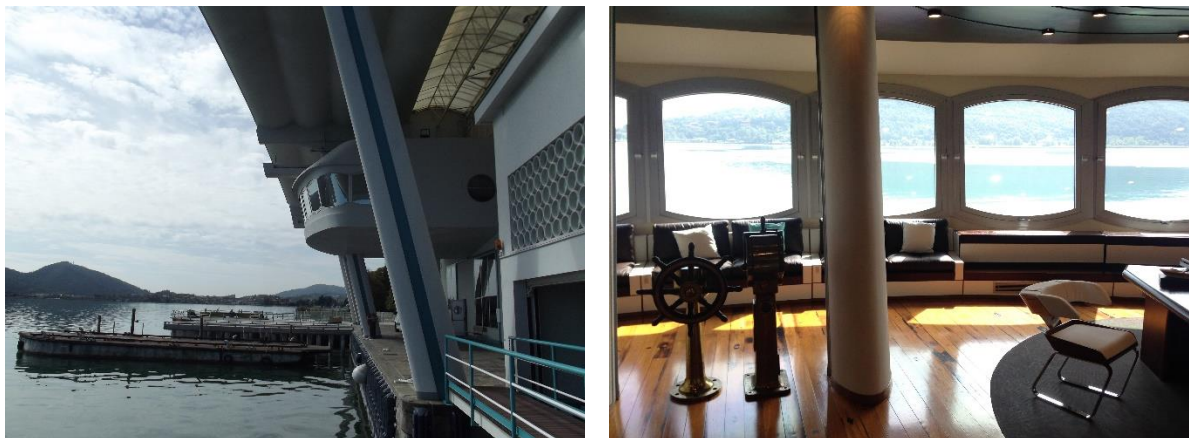
**Employees' stability** (low turnover rate) and the preservation of certain artisanal trades concepts are relevant in luxury and thus for Riva.

Riva's salespeople have already worked for several years inside the company. Employees' **faithfulness leads** to a certain **cultural originality**. It is also important to not demand total stability, which is also a factor of immobility that is particularly dangerous in a universe as fluid as ours today. The right balance of these factors is sought by Riva in managing its human resources. The secret is to know that **pyramid of human resources management in luxury is inverted**. In fact, in luxury, other than the creator, the most important people for the brand are the workers, those who make the product, and the salespeople, those who are in direct contact with the client. They are the first source of value inside the company, being able to communicate with the luxury clients. Other employees inside the business are at their service.

This is one of the reasons why luxury management is so difficult: genuinely assuming the concept of the 'inverted pyramid'.

Another important sign is that the high price of a luxury product is not due to vast, wasted expenditure, but to extreme quality in production and distribution.

In fact, Riva offices in Sarnico are **plain**, not recalling **offices** of a luxury brand, even though they are **placed in a central and main position**, exactly close to what was Carlo Riva's head office, in order to make every employee aware of the deep roots, the long history, the great responsibility and the deep heritage they are working in. I personally had the chance to walk through these office and Carlo Riva's one and it is an experience that takes your breath away, because you are surrounded by piece of Riva history and by old and recent pictures. The heart of the boatyard is, of course, the office of Mr. Carlo Riva, who personally designed it with a special care for functionality. Called "la Plancia" (helm Station), this office is located in the middle of the shed's large dome and features a 40-metre wide arcade supported by two pillars, which also sustain two bridge cranes, each of theme capable of lifting boats weighing over 20 tons.



'La plancia' head office in Sarnico (Bg) boatyard

The innovative, futuristic architecture of this office, which is visible from as far as the opposite side of the lake and is protected - just like the entire boatyard - by the superintendence for cultural heritage, does not go unseen and still represents an impressive example of modern architecture. In the past, Carlo Riva often looked out that windows, to inspire himself, to create and to improve his boats; in the same way Riva's managers told me that are used to inspiring there when thinking about how to manage Riva's brand, products and strategy.

Another Riva salespeople's typical characteristic (and also of boat industry in general) is that they **never** earn **direct sales commission**. This because, as anti-law n° 15 suggests, luxury purchases need the right time. Therefore, salespeople should not force clients to close the sale

to earn commission out of their colleagues. Hence, an individual percentage bonus on the sale would be really unfair.

Moreover, sales commission induces aggressive behaviour among salespeople: they rush at the client, or even fight among themselves. Definitely, that is not Riva's purpose. In such conditions, they are far from showing respect for the client's desire and the creation of the dream.

By implementing a **personalized distribution**, Riva is sustaining **very high cost**.

Although is a quite common aspect for luxury brands, this is a tactful part of its cost structure. Personalized distribution is based on human relations and not on systems, hence it is very difficult to rationalize, both because there is no standardized 'instruction manuals' for salespeople to read, and because there are no written reports from salespeople on the problems clients have encountered: it is vital to discuss them face to face by organizing several sales meetings or to be continually on the move. It is really rare and costly for Riva to find competent salespeople in particular if the company needs to move them abroad.

The most difficult problem is that raised by the **multicultural aspect** of sales nowadays. Salespeople must also be able to leap over both the language barriers problems and cultural/behavioural problems. By working hard at a language that is not your mother tongue, some of Riva salespeople told me that it is relatively easy to become bilingual or trilingual; but becoming bicultural is extremely difficult. In order to make your clients perceive the brand universe clearly, it is necessary that the salesperson should be from the same culture as the client: Chinese in China, American in America, but also from the same universe as the brand (Italian for an Italian brand). Bicultural people are rare and expensive.

Thus, Riva has always hired (following a precise and winning HR strategy) **salespeople who worked and lived many years, in the specific country** in which they operate. Additionally, the company culture wants its managers to travel regularly, so that they can truly understand what is happening on the ground and immediately rectify any aberrations.

Consistently with what said before, Riva salespeople have a huge experience in luxury sales. They are **well-trained** with **advanced** and **professional skills in luxury sales**. Depending on the country in which they sell, a deep customers' knowledge, culture and language is, hence required. They must be able to give the client the right time to buy with calm (without pressuring him) and safety (the true product at the true price), not forgetting that brand must dominate the client (anti-law n° 6). These two essential conditions are put at the first place in training Riva salespeople, irrespective of the country in which they operate.

An example, following these parameters is Mr. Cristian Boni (Russia Sales Area Manager), who previously had years of experience working in a jewellery, before moving to Riva

company. He perfectly knows how to communicate with HNWI clients and the right approach to use with them.

Lastly, since in luxury, the **human hand is everywhere**, Riva wants from their salespeople a great **professionalism, talent, creativity, and sensitivity to detail**. These characteristics involve both salespeople's '**left-brain and right-brain**' sides. This means that to succeed in selling Riva products both highly creative and imaginative (right cerebral hemisphere) and highly rigorous (left cerebral hemisphere) are required.

Managers and salespeople are chosen following the rule of right-left cerebral hemisphere. In fact, if someone has spent too much in traditional marketing companies, then, it would be difficult for him to adapt in managing the specificities of a luxury brand. Moreover, Riva salespeople must have something more, which is a sort of familiarity to work together with artists/designers, that are famous to have a more 'liquid' structure of thinking than managers (that have a more solid one).

Finally, they are also required to know themselves (all aspects of their personality), to be aware of their limits, to remain humble in the case of success (it is not their, but the brand's), and always to remember that luxury is for the client, not for the internal teams. In fact, vast expenses are reserved for the external universe, not the internal one; since the client's money does not belong to them.

This hiring policy has been rooted since the origin of Riva company. Pietro and Carlo Riva, in fact, surely include in their attitudes both hemispheres: they got the rigorous, discipline and hard-working attitudes to lead a star-up company (representing the left cerebral side) while, at the same time, as a detail-oriented, innovative, visionary, insatiable and craftsman of beauty (right cerebral side).

By the way, they knew that they could not manage everything alone, so that they involved, as luxury requires, a great team-work (including artists, artisans and managers).

They always surrounded themselves with the right figures. The **artisans** were **carefully chosen** because the importance of the manufactured side of the product is such that all those who contribute to the production should be genuine, experienced artisans. They always considered artisans as a **rare but critical resource** to manage for Riva competitive advantage, so that they wanted to defend them and to make them **loyal** over the years.

An example of this loyalty, is the Officina Italiana Design (co-founded by Mauro Micheli and Sergio Beretta), the studio that has long links to the famous Riva yard, with which Riva company has worked for over two decades. Officina Italiana Design has been entrusted by Riva and it is responsible for the exterior lines and interior design of all of Riva's contemporary models.

Officina Italiana Design, hence, represents a relevant part and a key resource of the historical memory of the boatyard and of its recent tradition. It has signed all the projects currently being produced.

Therefore, clean lines, meticulous attention to detail, beautifully balanced volumes, materials and colours selected with trademark flair are the signatures of a studio that focused on creating elegant, innovative, timeless products for Riva company.

### 8.3 THE RIVA CUSTOMER EQUITY

Customers are the primary source of all future positive cash flows to the firm, and customer satisfaction is an indicator of the firm's relationship strength with its customers.

**Customers satisfaction** is the building block of customer loyalty which is fundamental to firm growth, profitability and shareholder value. Another important perceptual measure is the **customer loyalty** which is a driver of long-term financial performance. From these two unobservable customer metrics depend the observable customer metric (customer acquisition; customer retention and customer cross-selling), together forming the **CLV (customer lifetime value)**. The latter is the present value of all future profits obtained from customer over life of his relationship with firm. It is a metric that allows to understand customer assets: estimating cost of acquiring customer and comparing that cost to expected benefit of that customer's business during customer's purchasing life.

Typically, these concepts are associated with **CRM (customer relationship management)** that consist of client databases, with fine behavioural segmentation, targeted offers, personalized relational activities, and customer magazines.

When dealing with luxury, instead it is better to talk about another type of CRM which is the **community recognition management**. CRM is fundamental for luxury brands to recognize and honour the community of believers and the followers.

For instance, at Ferrari the community of 38,000 owners of old Ferraris are honoured and cajoled. They are encouraged to send their jewel for an in-depth maintenance check, at the holy of holies, at Maranello. This is the opportunity to possibly come to the very heart of the religion and collect it. At Rolls-Royce, 200,000 enthusiasts visit the site, where there is also a museum, in July and August, on the occasion of two special events. Instead of focusing in mere loyalty bought through loyalty cards, rebates and gifts (that certainly create returns), luxury brands need to nurture true love.

On the other hand, customer relationship management does help brands to demonstrate that they love customers and want to help them, and assist them quickly and efficiently. Both aspects must interact in managing luxury brands.

Following the Ferrari CRM model, Riva is managing, at the same time, the customer relationship management and community recognition management.

Customer relationship management has been fundamental in boat industry for the last years. The other main globally recognized players in the industry, such as Azimut-Benetti and Sanlorenzo companies focus much of their businesses in customers' relationship, also because they produce entirely 'custom' yachts.

In fact, for example, Azimut-Benetti's vision tells: "the constructive, client-oriented approach endorsed by Benetti is a typically Italian added value that is recognised and appreciated the world over." Moreover, a program called 'DEDICATO' is Benetti's yacht operation programme, that provides services such as technical assistance, maintenance, administration and crewing. In this way, owners to optimise the value of their asset and dedicate 100% of their time to enjoying the pleasure of navigation and the yachting lifestyle. Sanlorenzo, as well, delivers products of a 5-stage customisation process. It puts, in the first line, the listening of its customer's needs. Every time, it develops a project based on a plan suited to each customer's personalized space. Every yacht produced is an expression of customer's style and personality.

Riva, on the other side, is not producing entirely custom yachts, but it will start doing it from the next year with the SYD: Super Yacht Division (see brand expansion paragraph).

However, Riva must put much effort in managing its clientele both on-line and off-line to keep at the pace of biggest luxury companies and always growing customers' needs.

These aspects are covered by Riva customer care area. The first line for customers' attention, (as also explained in distribution paragraph), is surely represented by **Riva salespeople**. They must have the right experience and customer/product-knowledge to manage at best the relationship with customers. **Communication always starts from the first contact**. CRM is a matter of optimally blending communication strategies.

Furthermore, Riva offers a range of services pre, during and post sales, to keep the competitive advantage in the industry. **Mrs. Valentina Casella** and **Federica Pagani** (both **Customer & Dealer Care Specialists**) are entitled to stay in contact, on a daily basis, with boat owners in order to satisfy every single need, both in **pre and in after-purchase phases**.

As said before, the **pre-sales** is clearly in **dealers** and **brokers' hands**.

However, to perform at best they must be every time informed and made sure that they are get to know all the Riva changes in products and services strategies. A specific technical training

programme for dealers and brokers called “**Service University**” (available thanks to Ferretti Group resource sharing) has been organized for a number of years with the aim of guaranteeing constant updating of the worldwide service network by developing the specific skills of professionals. Refresher courses alternate with classroom sessions, visits and training both in shipyards and on board of Group yachts. The aim is to give participants the opportunity to get to know the various stages of the production and maintenance process of the different systems on board.

Courses focus on a wide range of skills, from managerial abilities to customer satisfaction, and professionalism in the technical, sales and operational spheres.

With an ever-increasing ability to meet the development requirements for the various groups involved, which the consistent increase in participants over the years clearly shows, ‘Service University’ is currently a fundamental point of reference, and an unmissable appointment for Ferretti Group Dealers and Service Points all over the world.

Another important training course is “**Convergence**”, dedicated to the captains of Ferretti Group yachts and mega yachts to make an in-depth study of issues pertaining to the complex daily management of a motor yacht. The meeting features an intense program with an interesting combination of classroom refresher courses and outdoor activities.

These courses are also taken to understand and analyse better new market, customer trends in the different areas in which Riva dealers and brokers operate.

The second relevant phase is the **after-sales**, where **Customer specialists**, mainly, verify that boats finishing and furniture reflect customer needs. A Riva owners might choose among **countless solutions** to personalized their boats.

Moreover, several customer programmes are available to make Riva owners’ experience always better. These are:

- **Relaxed cruising:** with the creation of Easea>Yachting, the Ferretti Group’s After Sales & Service Division, and the central spare parts warehouse, the Group’s Service Points can count on over 8,000 components and parts available all the time even in the summer. Recently, USA Parts Warehouse in a new, larger facility was opened. The existence of decentralized warehouses at the premises of dealers in the main areas of the Mediterranean and the USA guarantees rapid availability of spare parts.
- **Platinum Selection:** it is program focused on maintaining the quality and value of pre-owned yachts in order to deliver the vessel in excellent condition. To this aim, the Service Division will carry out a series of careful checks, to assess the overall condition of a yacht and decide what kind of work will have to be carried out in order for her to be given the status of Platinum Selection certified yacht.



- **RAM:** it is a different building, placed next to Riva Sarnico shipyard, specialized in restoring old Riva's runabouts. It is entirely Carlo Riva's ownership. Its main activity is to assist owners of old and prestigious Riva runabouts in renewing them with missing pieces, restoring broken parts and bringing them back to the original splendour.
- **Monaco Boat Services:** are other three facilities, owned by Carlo Riva and placed in Monaco, Cannes and St. Tropez, specialised in offering to Riva owners of old runabouts a full service over the years to keep their boats always in perfect conditions. Whenever the respective runabouts' owners want to enjoy their boats, they are already put in the conditions to navigate.
- **Platinum Cruise:** this service enables owners to purchase a range of strategic original spare parts (such as shafts, propellers, rudders, shaft supports, etc.) which facilitate continuation of a cruise, in very short times and at special conditions. Clients also benefit from free delivery of the parts anywhere in the world.

Therefore, in a yacht industry customer relationship management is essential, even if as luxury marketing strategies suggest, luxury brands should not be too much dominated by customers' needs (anti-law n° 6). Exactly like in the parent-son relationship, luxury brands (parents) must give the orders, while fully respecting and loving their customers (sons). Parents, in fact, often treat their sons as like queens or kings. The same happen in Riva CRM management. Clients are treated as royals, but the company gives the main guidelines for products and brand.

The other main aspect of customer equity is the **community recognition management**.

Riva community is famous among its connoisseurs. There are several events organized by **dealers, communities, Riva marketing department** and **boat owners**.

Riva often permits **Riva dealers** to organize some events by asking the authorization to Riva marketing department. This system entails two aspect: from one side, dealers might meet, in a better way, customers' tastes, since they operate in that area. On the other side, by indirectly managing them, it is harder to transmit and communicate in unambiguous way the Riva brand identity.

**Riva marketing department** is, instead, in charge of organizing major events or initiatives, such as the chartering service during the 'Floating piers' of Christo event last summer, or the 'Blue Wonderful' Elton John concert on last September 3<sup>rd</sup>, or the next December charity event called Aquariva Blue Wonderful (where an auction sale of one-off 'Aquariva' special edition model, will be donated for charity). The Blue Wonderful was the colour, chosen in

person by Elton John, to paint 'Aquariva' hull. Riva marketing, of course, manages, together with Ferretti group, all the main boat shows and celebratory event for all company's successes.

Regarding **community** and **Riva owners**, they often meet together to celebrate the glory of the brand and of its history. Many parades (of which the most famous was the one organized to celebrate the 170 Riva anniversary) are frequently arranged to remember the authentic spirit of Riva brand. The problem, here, is that if Riva marketing department leave the organization to the community and to Riva boat owners, then it cannot properly control the entire process of brand communication, which is fundamental to keep the brand awareness in the right direction.

A **solution** to this problem could be the introduction of a '**Riva owner member card**', that would create a sort of controlled community, much more easily manageable by Riva marketing department.

By doing so, Riva would act exactly as the luxury brand strategies suggest. It would create more **exclusivity** and **selectivity** to its brand world. This similar to what American Express has done with the Black Centurion card, reserved only to elite customers. Moreover, this system would guarantee a **greater control** on events management and community meeting. The threshold to get this 'Riva owner card' should be put at a high level. Only particularly **loyal** and **worthy** customers might receive it. It should also give to the possessors some exclusive benefits, such as **special services** and **reserved mooring** in the most famous marinas of the world, or particular **customer care programs**. Furthermore, for instance, these cards could offer **special treatments** (such as exclusive **dinners** or restricted **artistic events**) in the Riva lounges. Finally, as Harley Davidson company does, Riva marketing managers might **organize some special event** in most famous location to create a greater sense of community and a stronger attachment to the brand culture. The only difference, with Harley Davidson, is that the customers must possess the 'Riva owner card' to join the event. By acting so, Riva makes sure to communicate with its best customers in the right way, and also to understand much better the customers' needs. However, Riva must not strive too much in satisfying their requests because, (as anti-law n° 3 tells), luxury brands have to dominate the clients.

Lastly, another important part in customers' care is the Riva management of the communication on **social medias**. The marketing department frequently publishes pictures on Instagram, Facebook and Twitter, that recall the brand dream components, some typical situations in which Riva products would be enjoyed at most, the excellent quality of boat details and main events to which Riva participates.

Riva has been obliged by the digitalization era to constantly stay on social networks and internet. However, being a luxury brand has to carefully manage this aspect regarding its brand communication and distribution. The Riva's goal is always to publish on internet everything that might **increase the brand awareness**, by showing the key elements of its brand identity, while **keeping the right distance** with its followers. The biggest mistake would be to act as non-luxury brands do on internet, that results in the extreme attachment to customers' needs, eroding brand's strength.

#### **8.4 THE RIVA BRAND MODEL**

The management of companies highlights the importance of the brand as competitive advantage, but above all the importance of the business model on which it is developed. Giving the fact that in luxury, a product is always accompanied by a service, it is possible to distinguish six major families of luxury business models, according to whether the product or the service is dominant:

1. One for **'luxury products'**, in which the brand has a **core range** with a **sufficiently large and profitable market**,
2. One for **'luxury products'** in which the brand has a **core range** which is **too narrow** and it **forces** the brand to **sell other articles** outside the core trade, **benefiting from its aura** (brand stretching) in order to be profitable. models.
3. One like the previous two models: the **perfumes model**.
4. One for **'luxury services'**.
5. One for **'luxury in high-tech'**.
6. Luxury products with a **profitable core trade**.

For many years until now, **Riva brand model has been the sixth (luxury products with a profitable 'core trade')**, because it only had a range of equally luxury products from which the company was able to collect the right amount of profits to compete in the market, being able to survive also to the period of crisis that Riva suffered from 1969 to 2000, when Carlo Riva sold the company. In the 'core trade' model, even if the purchase price of luxury product is really high, it is justified by product's long durability. A Riva boat is made to last as long as possible, aiming at agelessness, due to the high quality of materials and the perfectionism sought during the production process.

A fully comprehensive outline of the actual Riva products' range is reported down here:

Feet	30-39	40-49	50-59	60-69.	70-79	80-89	90-99	100-109	110-119.	120-129	130-139	140-149	150-159
OPEN	RIVA OPEN												
COUPE			RIVA COUPE										
SPORTFLY				RIVA DOMINO SERIES									
FLYBRIDGE				RIVA FLYBRIDGE									
SUPERY.												SUPER YACHT DIVISION	

MODELS	PLACE OF PRODUCTION
SUPERYACHTSDIVISION	
50 MT	La Spezia
NEW PROJECTS	
110'	La Spezia
100' CORSARO	La Spezia
OPEN	
ISEO	Sarnico
AQUARIVA SUPER	Sarnico
RIVAMARE NEW	Sarnico
RIVARAMA SUPER	Sarnico
RIVALE	Sarnico
63' VIRTUS	Sarnico
76' BAHAMAS NEW	La Spezia
88' FLORIDA	La Spezia
COUPÉ	
63' VERTIGO	Sarnico
68' EGO SUPER	Sarnico
76' PERSEO	La Spezia
88' DOMINO SUPER	La Spezia
122' MYTHOS	La Spezia
FLYBRIDGE	
SPORTRIVA 56'	Sarnico
75' VENERE SUPER	La Spezia

Riva products range



Riva fleet

Riva brand has generally been fully legitimated within its core range, while outside this territory of legitimacy, the brand might risk to become a ‘premium’ brand, with the consequence fall of profitability.

Genuine diversification is therefore very difficult for Riva, since the success of a luxury brand cannot be separated from a very strong cohesion of the personnel around a specific universe, leading to a high degree of idiosyncrasy, which cannot be transferred elsewhere.

Nevertheless, Riva, following this business model suffered a period of crisis, occurred in between the 1962 and 2000, due to the unsatisfying management period occurred under the previous Riva company's acquisitions made by Whittaker first and Vickers (owning also Roll-Royce's stake) later. The problem was that the coming of a new management team, that assumed the power within the company, was tempted to prove its talent, to reject the past and, simply, to cease to invest in the maintenance of existing products and dedicating most of the cash to new products in a wrong way. It cannot be ignored that a luxury brand is a bridge between the past and the future. Its future and its identity cannot be rejected.

Luckily, when Riva has been acquired by Ferretti group in 2000, Norberto Ferretti (the owner) was able to understand the secret to revamp Riva brand: he launched a new product development strategy that aimed at not forgetting brand's tradition, history and cultural heritage created by Carlo Riva, and blending them with the innovative and more recent material (the fiberglass). **This bond between the new and the old** was a definitively a **winning business strategy** for Riva that relaunched the entire brand. He started the design and the production of the new models keeping the overall idea of Riva's symbol: the 'Aquarama' model.

Here are summarized some key success factors (the product range, production and distribution level) of the Riva 'core-trade' brand model:

#### **About the Product:**

- It only focused on producing luxury boats over the years, in particular **mid-range** products (see the outline above)
- All its products were **profitable** and **desirable**.
- **Introduced parsimoniously the new model ranges**, which were not there to supplant existing ranges, but to round out the offer.

#### **About the Production Level:**

- It has **controlled** almost the entire **vertical integration**, from the production workshop to the customer.
- **No structural subcontracting of production**, since the **manufacturing** of the product **by the artisan** has always been conceived an integral part of the dream.

- **Small**, artisan **production workshops**, but highly organized, and not a huge mechanized factory.

The place of production is not so easily and physically accessible. It is a sort of temple where the cult has its rituals. (see anti-law n°18)

It is important that the substance of the brand can be visited, like Vuitton's Asnières workshop or Ferrari's Maranello factory. The Riva's shipyard visit is carried out with due ceremony. For example, in 2012, Riva offered the possibility to anyone who followed the episode of the TV programme "Megafabbriche Italiane" talking about the famous 'Aquariva', to win a "customised" visit to Riva's boatyard in Sarnico, during which the lucky winner will have the unique opportunity to learn more first-hand about the company and see Riva's legendary yachts with their own eyes.

#### **About the Distribution Level:**

- Being a 'core trade' model, distribution has always been anomalous. It should be completely controlled, even though it is not. In fact, **for the E.M.E.A** (Europe, Middle East & Africa) and **APAC** (Asia Pacific) **distribution is entrusted to official dealers**, while for the **Americas** it is in **brokers' hands**. Dealers have stricter rules to follow in selling and advertising Riva's product, while more freedom to operate is left to brokers.
- Given the extreme importance of the moment of sale, it is totally unthinkable that these products should be sold in places, or by people, that are not part of the Riva brand universe. However, it has to be considered that in the boat industry, for evident reasons, it would be impossible to fully manage all distribution process. To recoup on this issue, Riva has implemented a 'Service University' program that trains and helps to control better the distribution phase and to serve better customers (see customer equity paragraph).

For Riva, the indispensable rigour in managing this business model is compensated through a good profitability, and leads to a considerable increase in value.

Under this business model, there are also other great names of 'personal accessories', such as Cartier, but also of cars, such as Ferrari.

An essential characteristic of the 'core-trade' model originates from the fact that a genuine core range exists, and **the profitability is achieved on the mid-range**. In fact, Riva models do not focus its range on very expensive products (the longest yachts produced in La Spezia, for instance), that are less profitable; therefore, it is pointless to sell too many of them.



Symmetrically, the **entry-level products** (that, right now, are not existing within Riva products, but from the next year the RBE, Riva Brand Experience, that mainly consists of merchandising, will be added as entry-level products), **must not be very profitable either**: since they serve as first access to the brand universe (they target the ‘future faithful’, and not the ‘day trippers’, the occasional luxury buyers). These entry-level products absolutely **must not disappoint the client** on the excuse that **they are not too expensive** and must also **carry all the brand’s important signs**. They cannot therefore be ‘economy’ products.

Finally, it is important to know that the margin structure of entry-level product of ‘core-trade’ business model is the opposite of the pyramid model, where the margins are made on the entry-level products, aimed at making profits at the expenses of ‘day tripper’ clients.

To conclude, this is exactly the strategy that Riva will pursue from the next year when adding RBE to its products range.

## 8.5 THE RIVA BRAND CROSS-SELLING AND THE BRAND EXPANSION

<<There are rules on stretching: each brand is characterized by know-how, a territory of competence, which defines a zone of legitimacy for its stretching and limits them to variants that seem to derive from the same know-how.

In order to be legitimated, the brand expansion must have a ‘fit’, a coherence between the original trade as it is perceived by the public, and the proposed stretch.

Brand stretching in luxury has a particularity: it does not seem to have limits.

Luxury brand is a transmitter of taste and distinction moved by a creative passion and standards higher than the usual, exercised with a total control over manufacture and distribution>> (Kapferer-Bastien, 2009, p. 138).

Stretching has allowed luxury companies to grow more quickly, without being limited to organic internal growth, or finding themselves prisoners of the regression of their original trade. Some of those firms started launching themselves into the licensing system, which then places products that are not luxury on the market. This system usually turns out in two financial aspects:

- on the one hand, building a luxury brand is a long and costly exercise; the need for money, in fact, can lead to a rapid stretching through licences;
- on the other hand, the value of a luxury brand is such that pressure from shareholders to leverage that value on other products, in order to improve the return on equity, is very strong, particularly when the brand is no longer in the hands of its founding family.



Licences are also accelerators of growth: they flesh out the brand and enable it to grow rapidly, without the need to invest, or to take time to acquire all the necessary know-how

- accessories bring profitability (hence their importance in the order of stretching) and visibility and modernity;
- cosmetics, spas, bring intimacy, physical contact with the client.

Luxury brands can stretch in two different directions: horizontally or vertically:

- 1) brand stretches out **horizontally**, without changing its relative price level, parading its lifestyle in other areas of the client's life.
- 2) brand stretches out **vertically** if seeking greater accessibility in price and therefore brings its absolute price down, through accessories, in order to seduce the broad clientele of luxury 'day trippers' or 'excursionists'.

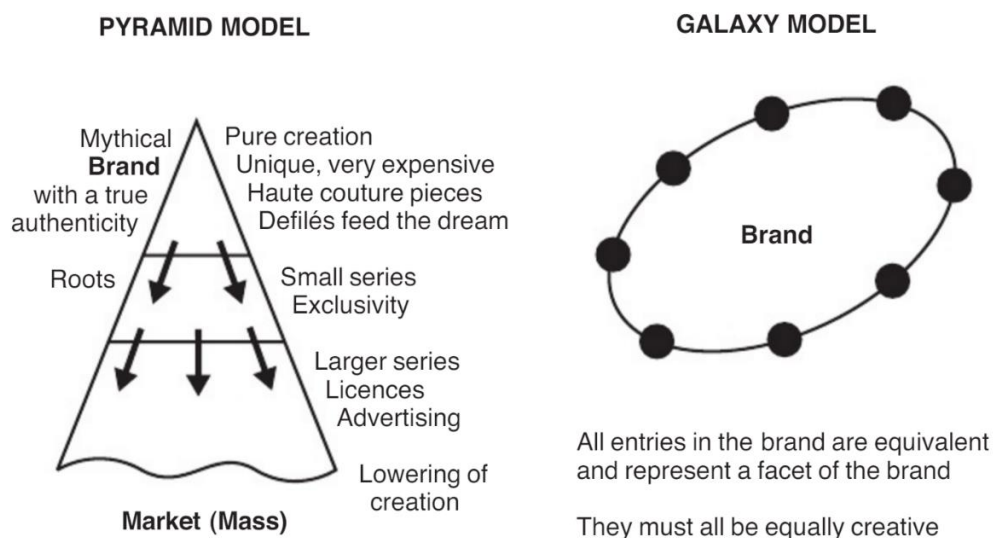
**The first model orbits around a centre, that is the brand's spirit, often in the form of the still living creator.**

In this case, all the extensions of the brand are differentiated expressions of the brand's values, as expressed by the creator or the creator's successor.

**The second model, instead, can vertically move upwards or downwards.**

Beyond brand expansions, these two ways of working are, in fact, business models, two ways of making money in the short but also in the long term: the pyramid or the galaxy.

Here are reported the major differences between these two models:



## **The Pyramid Model:**

This system is **highly stratified**, but **united by the aura**, the **style** and the **name** of the **creator**, whose personality is transmitted through the media and the world of art.

In a pyramid model, **sub-brands names** are chosen to **compensate** for the **lower creativity** or the **legitimacy handicap**.

In the pyramid model, the issue is to maintain a **strict coherence** between the different products that carry the brand, which therefore form a **genuine ‘brand’**.

It is a tempting expansion model for many brands and their financial owners, since it offers a rapid **increase in turnover** and **profits** through lines that have low cost of production through industrialization, but priced upper-range, since they benefit from the prestige halo of the luxury brand.

The two risks of the pyramid model are creative dilution as you move away from the summit, and also contamination from below:

1. **The loss of the creative power** and therefore of its influence on clients and its authority over the other strata may be genuine.
2. **Contamination from below**: ‘easy money’ from small products with high margins leads to the facile solution of highly profitable mass marketing as long as the brand maintains its prestige. This method allows to make short-term profits, hence being attractive to the stock market. However, this carries the risk of the impoverishment at the bottom of the pyramid on the three essential elements of luxury: creativity, excellence and selectivity.

This trading down quickly becomes a descent into hell, through **destruction of the brand value**. Luxury is a dream, but the dream has a fragile equilibrium. The implicit concept is the brand’s democratization process, that reduces its distance from customers, therefore working in an opposite way of luxury, that is meant to create distance. Mainstream clients may not express this need: the elites do. This is why strong luxury brands do not follow this model. They have a long-term vision and seek to preserve their reputation. They develop a very short range for these lines, made of products that are all creative, made in short series, and distributed exclusively in the brand’s own boutiques.

Finally, for this model it must be possible to display all the products in one place, known as the shop, which demonstrates the coherence of the brand, whereas the galaxy is made up of different universes whose coherence is ensured by the creator themselves.

## The Galaxy Model:

This model begins at the **same economic starting-point** (a creator who wishes to develop), but functions differently. Unlike the pyramid, which establishes a clear hierarchy between the summit, small series from the workshop, and the larger series at the base of the pyramid, the galaxy **treats all its products equally**. In the galaxy-type model, the sub-brands are all equal: they are all variants on a single concept at the centre of the galaxy. They represent all doors of entry into the brand.

Just as a galaxy comprises different, separate star systems, which are held together only by the gravitational attraction of the black hole lurking at the centre, this system rests on the talent or attractive power of a single person.

A very important point is the Galaxy model's strategic function: whereas, in the pyramid model, a luxury brand sells products that might not be luxury products, in the galaxy model, as long as the creator is alive, **all its products must be or perceived as luxury products** for those who dream of the brand, because **all its products are legitimized by the creator as forming part of his universe**. Unlike the pyramid model, therefore, the galaxy model does not a priori exclude any product, and does not require all products to be sold in the same place to demonstrate the brand's coherence, under the influence of the product generating the dream; coherence is ensured by the personality of the creator.

The risk with this model is that it rests on a single person, and that person must remain constantly vigilant, even with increasing age, or everything falls apart.

Riva company, starting from this year has launched a new brand stretching within its business. As previously anticipated in the brand management paragraph, Riva today is implementing a 'core-trade' business model, where the focus of profitability is the middle-range products. Despite that, a change of strategy has been done during this year. In fact, Riva is implementing **a switch from the 'core-trade' business model to the 'galaxy model'** one. By introducing two new business units starting from the next year, the **SYD (Super Yacht Division)** and **RBE (Riva Brand Experience)**, Riva wants both to diversify and differentiate its portfolio of business, guiding this expansion with a galaxy brand strategy.

The **SYD** is a new and differentiated Riva's product range that will be made in La Spezia shipyard, due to ships' size. It will include a new size and length for Riva's boats. These yachts will start from 160 ft. in length (a record for the company) and they will be **entirely customizable** (which also a new concept for Riva). The production plan and the rendering have been already made; one model (called 50 MT) in two versions (classic and sport) has

been projected: they will have a **hull** made with **steel/aluminium** materials and an **innovative design**.

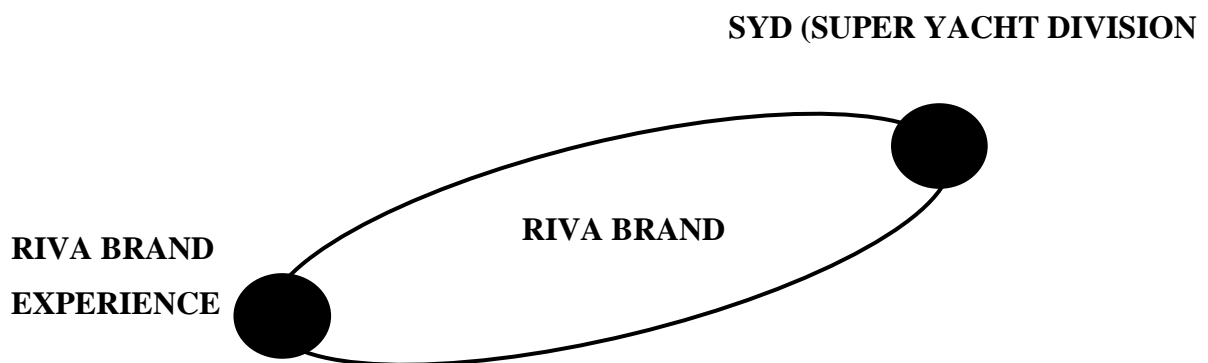
The **RBE**, instead, is a **totally diversified business**, which will sell Riva merchandising.

It will include **caps, polos, Riva wooden-made toys** (including a truck, an ‘Aquarama’ and ‘Rivarama’ mini-models), **keyrings, Ipad and Iphone covers, Riva Corse book and lamps**.

The distribution of this merchandising products will be divided between dealers and on-line sales. Moreover, distribution has been entrusted (through a licensing contract) to the Italian leader Triboo digitale, (which provides fully outsourced tailor-made end-to-end e-commerce solutions for retail brands) for the inventory, production and technical, legal aspects, while the marketing strategy will be managed equally between Riva marketing department and Triboo digitale one.

These two new units will orbit around the centre of gravity which is the Carlo Riva (the original creator)’s aura. The goal is to make perceive these products as luxury products for those who dream of the brand, because all its products are legitimized by the creator as forming part of his universe. They must be equivalent to the original brand, representing a facet of it.

### RIVA GALAXY MODEL



#### Which are the reasons for which Riva enacted this brand extension?


Regarding the SYD, Riva management wanted to **increase the distance from the original core product** and also the **price parameter**, moving in an upward vertical way. The goal, such as in automotive industry, (falling, like Riva, in the core-trade business model), is to offer a product range both to **current** and **new** (the most **demanding**) **clients**, who wants to have an entirely personalized and custom Riva yacht and to spend more money to receive a higher service. This new product range does not aim at being the core one, but a **niche for specific**

**customers.** By belonging to Ferretti group, that holds Custom Line business (entirely dedicated to custom yachts, such as the new model: ‘Navetta 37’, launched this summer in La Spezia), Riva could **share know-how** and have **access to new resources** to create more easily the new business unit, thus **leveraging on group’s capabilities** and **key success factors**.

SYD Riva’s strategic vision is focused on the long-term. A core analysis to understand the deeper meaning of the brand has been done by managers, clarifying Riva identity prism and, in particular, the cultural facets of it. After having seen that the SYD could leverage on Riva core identity, managers placed it at almost the same, or even greater luxury level.

The brand stretching, in fact, is legitimated by the fact that Riva still brings its typical core brand concepts: the know-how in **Italian design, historical craftsmanship, and detail-orientation** inside this new product unit. In this case, the extension has been made in the **same market**, therefore only creating a **differentiation strategy** of the Riva portfolio. The new product belongs a related category and so the customers might be either current or new ones; hence, SYD’s product strategy sought is the **cross-selling** one.

<b>PRODUCT</b>	<b>CURRENT CUSTOMERS</b>	<b>NEW CUSTOMERS</b>
<b>CURRENT CATEGORY</b>	Up-sell, Upgrade	Ongoing acquisition
<b>RELATED CATEGORY</b>	Cross-selling	Cross-selling
<b>UNRELATED CATEGORY</b>	Brand extensions	Diversification



Additionally, a SWOT (Strengths, Weaknesses, Opportunities and Threats) is useful to understand what are the major risks, pro, cons and advantage that could arise from the SYD’s launch and whether the core Riva brand will benefit or not.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Synergies and sharing capabilities with custom yachts division of Ferretti Group</li> <li>• Sailing tradition, know-how and detail-orientation</li> <li>• Exclusive design</li> <li>• Innovation</li> <li>• Increase brand awareness</li> </ul>	<ul style="list-style-type: none"> <li>• New to the market in custom yacht</li> <li>• Less economies of scale</li> <li>• Increase after-sales services personnel.</li> <li>• Time consumed in coordinating the change in the production plan and the training for the workers.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Developing more capabilities and skills to work with bigger dimensions</li> <li>• Expansion of suppliers' portfolio</li> <li>• Strengthen suppliers' commercial relations</li> <li>• Leverage its innovative design for greater spaces</li> <li>• Possibility to diversify the business in interior design and home furnishings</li> <li>• Find new way to decrease the overall time-production</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulties in differentiating from competitors</li> <li>• Low demand</li> <li>• High time absorption from the production centre.</li> <li>• Loss of identity and prestige</li> <li>• Possibility of brand identity mystification</li> <li>• Wrong brand communication</li> </ul>

By casting an overall glance to the SWOT analysis, it is possible to denote a long list of strengths and opportunities, while really few weaknesses and threats, foreseeing a **great probability of success** through in the differentiation strategy enacted by Riva.

Thus, Riva core brand will generally benefit in value from this product brand's expansion.

A similar evaluation process is required to analyse **RBE's brand extension** (Riva Brand Experience).

Here, Riva looked for an **horizontal extension, without lowering its relative price level**, parading its lifestyle in other areas of the client's life.

An important aspect to evaluate in this extension is the **distance** of the new from the core products (represented today by the ‘Aquarama’ and ‘Aquariva’ models). This kind of brand stretching is remotely resembling the merchandising strategy recently implemented by Ferrari. The difference is that Riva wants to maintain unchanged the luxury level. Down here is reported the RBE’s products and their relative distance from the core brand.

PRODUCTS	DISTANCE FROM CORE BRAND
RIVA WOODEN-MADE TOY (including a truck, ‘Aquarama’, ‘Rivarama’ models)	LOW (same know-how- wood industry)
CAP	MEDIUM
POLO	MEDIUM
KEYRING	LOW
IPAD COVER IPHONE COVER	MEDIUM (because containing piece of wood)
RIVA CORSE BOOK	LOW
LAMP	HIGH

**RBE’s goal** is to **give energy** and **daily usage** to the brand: in one word, **increase the brand awareness**. To reach the higher sense of awareness, Riva produces these products that recall its **history** (wood manufacturing) and its **typical brand colour** (turquoise green), both resembling its core brand identity. Some of these products, in fact, have been inspired following Riva’s iconic symbols: such as the ‘Aquarama’, and the ‘Rivarama’ models. The typical Riva’s **attention for details** is the other characteristic to which RBE brand extension refers, particularly for the keyrings, the Riva toys and the lamps products. It is the first time that Riva diversify and extended the brand. Therefore, it carefully chose these elements to recall to its customers the strong emotional resonance of brand’s origin, in order to not mystify its customers. Following the galaxy model, RBE will be positioned at the same level of Riva’s core brand. This operation, in fact, has **not** been done **to make profit** easily. If Riva would pursue only money, the major risk is to mine the original brand’s essence: losing the dream. Being Riva a powerful brand, which makes profits with its core business, it does not need to collect money from merchandising. Finally, Riva strategically chose to license this operation with another top brand in its sector: the ‘Triboo Digitale’, that will guarantee the quality of RBE’s products. Regarding this aspect, Riva has to manage carefully the organization of distribution and licensing process, knowing that for clients, any point of sale bearing the brand name is the brand. Customers,

therefore, expect to be recognized there, particularly if they are major clients. In addition, when licensing, Riva delegates not only the brand's capital but also the client's capital. In particular, Riva management wants to control the licensee's operations in managing RBE's products, in order to give these products a long-term development, to satisfy customers' needs.

Down here is summarised all SWOT analysis's aspects that could lead to an evaluation of RBE brand's extension:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Brand coherence: Riva brand history, culture, symbols and colours' resemblance</li> <li>• Proof of financial health to invest in new brand's operation</li> <li>• Creation of new customer experience</li> </ul>	<ul style="list-style-type: none"> <li>• New to the market in merchandising</li> <li>• New to brand extensions (unknown customers' reaction)</li> <li>• Partial distribution and manufacturing control</li> <li>• Internet distribution in luxury</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Increase customer awareness</li> <li>• Increase customer loyalty</li> <li>• Increase profitability</li> <li>• Extension/Diversification towards new businesses or products (brand search)</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of distribution &amp; production control</li> <li>• Collapse into a pyramidal model</li> <li>• Mystification of Riva's core brand</li> <li>• Wrong customers' quality perception</li> <li>• Wrong brand image/creativity</li> <li>• Brand fragmentation: dream's loss</li> </ul>

The result of this analysis shows a **balanced risk** among the different elements considered for RBE evaluation, thus demonstrating that this new operation is definitively a new challenge for Riva, with **unknown results** or **probability of success**. More probably, Riva took this risk thanks to the financial growth of the last years that permitted to the company to sustain this investment, hence showing a **desire grow** through steady development, extension and innovation.



## CONCLUSIONS

After having analysed every aspect of Riva brand in detail, it is possible to make some conclusions:

- **Riva** has largely demonstrated to be a **luxury brand** in all its aspects. It sells products that respect the **price, quality, aesthetics, rarity, extraordinariness** and **symbolism** characteristics of the luxury ones. It has also managed its brand in a strong and coherent way over the years.

Moreover, Riva brand identity always followed a luxury brand strategy, in which the strongest brand values have never been abandoned.

- **Riva typical clientele** is the one who gives prominence to the beauty of the object and the excellence and uniqueness of the product. Riva customers always distinguished the brand for the beauty, the excellence and the uniqueness of its boats. The **attention to details**, the **timeless design** and the element of **rarity** transmit to Riva clients the sensation of being in possess of something at the top of the industry and being part of past, present and future history. Furthermore, Riva clients are in general **connoisseurs, aesthetes** and capable of appreciating what is exceptional in a Riva boat. They appreciate also the **life-style** connected to Riva's products. The **logo** for Riva's owners is important, but it is not fundamental to show it off.. Also, Riva's logo, usually, do not stand out on boats, because they must be **recognized at first glance** more from their design and style than their logo. Another important characteristic is that Riva clientele is **integration oriented**, since it is high the desire to be part of the great names of luxury, known and safe. Riva boats represent conduits of social propriety and distinction, as proves the long series of **celebrities** and **royals** that owned at least a Riva boat. Lastly, the **authenticity** is also a Riva clientele's common value. People who buy Riva are mostly cultured and they buy because of the **long tradition**, an authentic History with capital H and know-how, represented by the brand and the products.

It has also a clear business model: the '**core-trade**' one, where the core profitability comes from the **medium-range** products, through which the company has been able to survive despite the financial recessions and the several acquisitions.

However, after Chinese acquisition, Riva has much more money to invest in R&D, technologies and brand communication, and it has to carefully decide how to take advantage

of them. Starting from the next year, Riva already decided to start producing the SYD (Super Yacht Division) and the **RBE** (Riva Brand Experience, the new accessible Riva products). These two products will change the Riva brand and products' composition, with also a consequent important change in the brand model for the next 5-10 years.

Riva brand managers must demonstrate to have the right competencies to manage this risky change. The idea is to expand the brand following the **galaxy model**, thus keeping the creator's power to attract at the centre of the galaxy. All the other products (such as the new accessible RBE products) must orbit around that centre and considered equally important as luxury ones. Nevertheless, this is a really hard task, because it is not easy to make perceive the RBE accessible products by Riva customers as luxury ones. Ultimately, these new products will not serve to increase the profitability of the company, as happens, instead, in the pyramid model. To do that it is important to set them at a **high price**, hence having **low margins** on them. Riva customers should perceive them as luxury ones, not accessible, otherwise the risk is to destroy Riva brand's dream.

If the new accessible product will increase the brand awareness without damaging the brand identity, this strategy will be certainly successful, otherwise Riva brand risks to be mystified and considered much more a premium than luxury one. For Riva, the line between success and brand erosion is really thin.

Anyway, I think that this is the right strategy for Riva, because the brand must increase in awareness (many people still do not know what is Riva brand), focusing on its core values, while not penetrating too much in a single market, following the dream's brand equation (see brand equity paragraph).

The idea of selling more accessible products (RBE) will, certainly, lead to a greater growth in **brand awareness**, than the introduction of the super yacht division business unit, which instead is limited to only few and extremely wealth customers. Thanks also to the new financial resources available, it is clearly the right moment to invest and to bring Riva to its past splendour. Riva brand has all the requirements to become great again as during 60's. Probably, in the next 5-10 years, if the RBE brand extension will work, Riva might think to **diversify** even more its business towards other industries, such as the **home furnishing, hotels and maybe perfumes**. The goal is still to consider all these **new possible business units** as luxury ones, therefore adding them to the Riva brand galaxy.

The other side of the coin is that when you expand too much the brand universe, the risk of **brand's mystification** and **erosion** is much higher. Clearly, this is what should be avoided by Riva.

- Related to the previous point, in order to grow both in **awareness** and in **market penetration**, Riva's strategy should focus on different markets, taking advantage of the **globalization**, the **growth in purchasing power** and the **democratization** effects.

Surely, the **partnerships** with renowned brands, like **Ferrari**, **Fiat** and **Gucci** (in the past) help to increase the Riva brand awareness and to penetrate in foreign markets where it is less known. Hence one tactic could be to renew this successful partnership with the Maranello company also for the next years. About the foreign market penetration, it should particularly strengthen its position inside the **US market**, where it already has a **regional office**. This market, in fact, offers a more **mature nautical clientele** and a **stable growth**. However, it should also consider emerging Countries, such as **China** and **Middle-East**, because of their **growing boat industry** and **number of HNWIs**. Riva, by being acquired from a Chinese company, has implicitly an advantage in terms of strategy and market penetration in the Oriental market. **Chinese HNWIs**, anyway, must be **educated** to Riva brand. They are too much **'daytrippers'** or **logo lovers**, since they want to be **highly integrated** and **recognized** by the society. Therefore, an **education process** must be followed using the right channels (such as dealers, brokers, events and luxury accessible products).

**Middle-East**, like China, has a **poor nautical culture** and the **same problem** about the **HNWIs' tastes**. Hence, the same strategy could be adopted to win also that market.

- Lastly, the ultimate challenge for Riva brand is to properly control the **internet component: (website, social media and e-commerce)**.

The web is really a dangerous path for luxury brands. Like mass-media, if not well-managed, they might turn to be untargeted and unselective.

Furthermore, luxury communication requires the involvement of the all senses. Internet can satisfy only the sight and the hearing, leaving the other senses isolated.

The Riva website and social media are now managed (also for foreign countries) by Mrs. Caterina Ielapi and other two media marketing people of Ferretti Group, in collaboration with other external marketing agencies. The RBE products' marketing and distribution instead is left to the 'Triboo Digitale' Italian e-commerce company. The problem of the Riva website is that it lacks of proper images, effective videos, innovative event announcements and clear corporate web overview.

I think that with the right **SEO** (search engine optimization), **SEM** (search engine management), and with the correct **digital metrics** (such as click-through rates, landing pages and bounce rates) Riva might communicate more efficiently with its followers on internet, reaching the so-called web 3.0 dimension, (fulfilling a correct, personalized identification and

multisensory experience), typical of luxury brands. This can be done also by taking more control of the digital management, without delegating too much to the external marketing companies. Therefore, a proper **improvement** of its **website** should be implemented as soon as possible, paying also attention to create a fitting website, that communicates the **right messages** according to the **different countries** to which it aims at. It is important to remember that the on-line communication is the way that a company shows itself to its customers on internet, therefore it should be as effective as the off-line one. If the website is poor of contents, as the one of Riva now, that form of communication can mislead or disappoint customers. If still the technology cannot remedy to that deficiency, Riva should, at least, invest more money to guarantee the best and innovative combination of videos, pictures, and website design/architecture to its clients. Hence, if a Riva website's visitor opens the company's main page he should be able to instantly perceive, as I truly perceived when I visited Sarnico shipyard, the deepness and the strength of Riva brand's history, culture, power, fame and heritage.

In this last paragraph, I also decided to express my opinion of possible and future developments of Riva brand, in terms of strategy model, communication, marketing, distribution, HR management, customer equity and brand expansion.

- Firstly, Riva should think to a development of the existing and successful idea of **Riva lounges**;

Other lounges, hence, might strategically be located in the most **famous and selected marinas of the world** (such as Capri, Porto Fino, Porto Cervo and Porto Azzurro in Italy, Cannes, Monaco, Abu Dhabi, Dubai, Hong Kong and Ft. Lauderdale (FL), Los Angeles and San Francisco). The lounges should not spread out as franchising brands, otherwise the risk is to lose the exclusivity element, so important in luxury. Hence, this is a key point for the future of Riva brand strategy. They are, together with the RBE (Riva brand experience) a step towards the shift of strategy from the core-trade model to the galaxy one. In fact, the lounges represent a world of new possible solutions, that would be, therefore, added to the Riva galaxy brand model.

Riva lounges mainly might serve as:

- Meeting point for Riva boat owners
- Prestigious restaurants and bars
- Transfer of Riva's design and Italian style on a dry land.
- New brand association related to the lounge area, such as home furnishing, expensive cocktails, perfumes and RBE sales, special meals and sparkling wines.

Here, I am going to analyse each of them:

- For the **sparkling wines**, it is important to underline that Sarnico boatyard is really close to the Franciacorta area, renowned for its top quality for both sparkling and classical wines, thus Riva might start a partnership with one this brand (such as 'Berlucchi' wine cellar, which is considered a top cellar). The sparkling wine, hence, produced would be served both in the lounges or aboard the Riva yachts.

- The **special meals** might be an interest solution for new developments.

In fact, Riva might invite or hire prestigious chefs in its top lounges in order to prepare top quality meals. Furthermore, the chefs might be commissioned to prepare special meals by Riva boat owners.

- The **home furnishing** solution would be a brand expansion through a **product diversification**. The ability of Riva to work with wood and its know-how for design would definitively play a central role for the development of this idea. Officina Italiana design, that is already part of Riva brand, might contribute also to develop the design part of this project. Riva would position itself at a high level in that industry.

It should aim at manufacturing top quality and luxury furniture to maintain the coherence with the Riva galaxy brand model, which commands that every new product or business unit might be perceived as luxury one. This idea would be also beneficial for the development of new furniture ideas that then might be shared and placed on the longest and biggest Riva yachts and above all on the new Super Yacht Division.

- Another interesting and long-term solution could be the diversification of the business in the **hotel industry**. Riva might furnish one of the suites of a famous hotel brand chain, like Rosewood Hotels, for instance, that is specialised in top-quality hotels. These suites would be placed near the lounges, therefore close to the best marinas and most renowned boat owners.

As already explained in the customer equity paragraph, Riva should start a '**Riva owner card**' program, that is accessible only to a **restricted number** of Riva boat owners.

The Riva cards would be helpful to create a **community of Riva people**, understand better **customers' needs**, manage **special events**, access to **theatre, art expositions or special meetings** organised in **Riva lounges** (to underline the importance of the connection between art and luxury brands). Additionally, to Riva cards owners would be offered the possibility to receive **special services** in the best marinas or **customer care programs** for their Riva boats. By having 'Riva owner' card, one of the services offered could be to always get a **mooring guaranteed** (and placed in favoured position) in the best marinas of the world.

- Riva has always been a symbol of innovation, therefore, another interesting solution might be the interaction with customers with the aid of new technologies available at the moment. The idea is to strengthen the distribution and production processes, by giving **special virtual realities glasses** to the new customers (once they have signed the sales contract), so that, through these virtual glasses, they will be able to follow at anytime the construction of their boat, as they were in Sarnico or La Spezia boatyards.

This idea would permit to enhance the **after-sales customer care**.

As already explained, Riva production is entirely placed in Italy and so Riva customer & dealer care specialists (Mrs. Valentina Casella and Mrs. Federica Pagani) must communicate with clients, on a daily basis, in order to satisfy their needs. By using, these virtual glasses, the customers that, for instance, live in America or China do not need to frequently come to Italy to see their boat's building status. The Riva virtual glasses will strengthen clients' interaction and care, hence increasing the possibility to better customize and satisfy customers' needs.

This idea could be produced in partnership with Apple, for instance, with which Riva has already worked for the production of the 'Iseo' runabout model, that, in fact, has an Apple iPad to control the entertainment system and other on board functions. I think that also Apple would be glad to develop that product, which now is missing in its product range, with a so prestigious brand, such as Riva.

The new special virtual glasses will be make available to customers, that purchased a Riva boat, by dealers and brokers, during all the production period. By doing so, hence, Riva would make a big jump ahead in customer satisfaction and technological innovation.

Lastly, but not least, some considerations must be done regarding the idea of **Riva perfumes**. This should be launched later in time compared to the other ideas. The reason is because perfumes business model is really complicated. It is a really good solution to raise money, but, on the other side, the risk to erode brand's dream and brand's perception, as not luxury anymore, is really high. Perfumes, surely, might help Riva's customers to increase the sensorial part of the brand, in particular the sense of smell. As said, luxury brands should entirely cover the five senses and perfumes are an optimal solution to that. The problem is that more and more luxury brands for perfumes are shifting their brand from luxury to premium one, because the perfumes market is really segmented and subject to fashion. Therefore, to be profitable many perfumes brand companies act as premium companies. The only way to avoid this, for Riva, is to focus on just one perfume, made in partnership with a big brand, such as Gucci (with which Riva has worked for 'Riva by Gucci' cobranding model), that should not be launched into the market, but autonomously grow in importance and recognition, as usually luxury perfumes do.

However, being the perfume industry so risky, I would truly suggest to Riva to diversify in that business only when the other projects are already launched and proved to be worth for the Riva brand galaxy model.

Hence, as a general rule, all these launches should be implemented really carefully. Time component is fundamental, like it is also for the luxury world. By doing too many things together, the risk it still to mystify Riva brand's perception.

By introducing many accessible products, the threat is also to reduce the distance with Riva's customers. As many times explained, the distance concept is vital in luxury to feed clients' imagination and further associations with the brand.

After having analysed the actual power of Riva brand and all its future possible implementation, I sincerely hope to have given a comprehensive portrait of what is Riva brand's competitive advantage, power, glory and success, and how it will probably develop in the next years. Therefore, I really wish that the path of growth started by Riva from 2012, will bring the company to lead again the global scenario as it effectively deserves.

---

## BIBLIOGRAPHY

- *INTERVIEWS WITH RIVA SARNICO MANAGERS AND SALESPEOPLE:*
  - Mr. Giordano Pellacani (Riva Sales&Marketing Manager)
  - Mr. Jacopo Gessa (Riva Marketing manager)
  - Mr. Riccardo Sassoli (Historical Archive - Riva Brand Experience)
  - Mr. Valerio Venturelli (Riva Marketing trainee)
  - Mr. Cristian Boni (E.M.E.A - Russia)
  - Mr. Giuseppe Meneghetti (Americas - Miami/Fort Lauderdale, US)
  - Mrs. Paola Procopio (E.M.E.A – Mediterranean Area – Italy- France - Germany)
  - Mrs. Viola Ravano (E.M.E.A – North Europe)
  
- *THE LUXURY STRATEGY, Break the rules of marketing to build luxury brands*  
*(Jean-Noël Kapferer–Vincent Bastien–Kogan page - London and Philadelphia, 2009)*
  
- *THE NEW STRATEGIC BRAND MANAGEMENT – (Kapferer Jean-Noel - KOGAN PAGE)*
  
- *THE CONCEPT OF LUXURY BRANDS – (Klaus Heine – Edition 2, 2012)*
  
- *UCINA CONFINDUSTRIA NAUTICA 2015 REPORT – (Fondazione Edison)*
  
- *CRN - DINAMICHE E PROSPETTIVE DI MERCATO DELLA FILIERA NAUTICA DEL DIPORTO (4th edition – 2015)*
  
- *MARKET INSIGHT OF THE INTERNATIONAL RECREATIONAL BOATING INDUSTRY (Deloitte -Extract Cannes, September 7<sup>th</sup> 2016)*
  
- *WORLD WEALTH REPORT (Capgemini – 2016)*
  
- *MARKETING MANAGEMENT (Kotler, Philip et al., 2009., Harlow: Pearson Education)*
  
- *FASHION & LUXURY LOOKBOOK (Deloitte – Autumn/Winter 2014)*
  
- *STRATEGIA, STRUTTURA E IMPATTO SULLE PERFORMANCE AZIENDALI NEL SETTORE LUXURY YACHTS – (Broccardo Laura – Torino - G. Giappichelli, 2012)*



- *LUXUS UND KONSUM* - (Reith, R. & Meyer, Torsten, 2003)
  - *REFERENCE GROUP INFLUENCE ON PRODUCT AND BRAND PURCHASE DECISIONS* - *Journal of Consumer Research* - (Bearden, W.O. & Etzel, M.J., 1982)
  - *OBSERVATIONS: UNDERSTANDING THE WORLD OF INTERNATIONAL LUXURY BRANDS: THE "DREAM FORMULA."* (Dubois, B. & Paternault, C., 1995. *Journal of Advertising Research*)
  - *CROSS-CULTURAL EXPLORATION OF GLOBAL BRANDS AND THE INTERNET.* (Seringhaus, F.H.R., 2002. *In 18th Annual IMP Conference. Dijon*)
  - *PERCEIVING LUXURY AND NECESSITY. JOURNAL OF ECONOMIC PSYCHOLOGY* (Kisabaka, Kemp, S., 1998)
  - *SIGN VALUES IN PROCESSES OF DISTINCTION: THE CONCEPT OF LUXURY* (Mortelmans, D., 2005 *Semiotica*)
  - *MEASURING PERCEPTIONS OF BRAND LUXURY. BRAND MANAGEMENT* (Vigneron, F. & Johnson, L.W., 2004)
  - *THE MARKET FOR LUXURY GOODS: INCOME VERSUS CULTURE* (Dubois, B. & Duquesne, P., 1993, *European Journal of Marketing*)
  - *THE MASS MARKETING OF LUXURY* (Nueono, J.L. & Quelch, J.A., 1998, *Business Horizons*)
  - *PRODUITS DE LUXE - LES CLÉS DU SUCCÈS* (Lombard, M., 1989., *Paris: Economica*)
  - *LUXURY BRAND MANAGEMENT* – (Mazzalovo Gerald; Chevalier Michel - John Wiley & Sons)
  - *BRAND EQUITY & ADVERTISING* – (Aaker David A.; Biel Alexander; Biel Alexander L. - Psychology Press)
-

## SITOGRAPHY

- <http://www.riva-yacht.com/>
- <http://www.ferrettigroup.com/en-us/contacts/headquarters.aspx>
- <http://www.riva170.com/homepage-it.html>
- <http://www.luxgallery.it/barche>
- <http://www.boatinternational.com/yachts/editorial-features/the-10-most-classic-riva-launches--1931>
- <http://en.weichai.com/>
- <http://it.fashionnetwork.com/news/Gruppo-Ferretti-l-obiettivo-e-di-superare-i-500-milioni-di-euro-di-fatturato-a-fine-2017,610160.html#.WCL6tvrhBeU>
- <http://www.designboom.com/design/marc-newson-limited-edition-aquariva/>
- <http://www.italianadesign.it/projects/33-gucci/?lang=en>
- <http://robbreport.com/Boating-Yachting/Best-of-the-Best-2011-Production-Boats-Riva-Aquariva-by-Gucci>
- <http://www.altagamma.it/studi-e-ricerche/>
- [https://www.worldwealthreport.com/reports/wealth/asia\\_pacific](https://www.worldwealthreport.com/reports/wealth/asia_pacific)
- <http://www.riva-yacht.com/Default.aspx?TabID=2511&language=en-US&newsid=224>
- <http://edgardaily.com/en/life/2015/the-history-of-riva-a-boatmaking-legend-9862>
- <http://boatattitudebook.com/ferretti-group-and-yacht-club-de-monaco-together-for-blue-wonderful-an-exclusive-event-with-sir-elton-john/>
- [http://www.ecodibergamo.it/stories/Economia/luomo-del-lago-approda-agli-yacht-dopo-ferrari-riparto-dal-mito-riva\\_1040697\\_11/](http://www.ecodibergamo.it/stories/Economia/luomo-del-lago-approda-agli-yacht-dopo-ferrari-riparto-dal-mito-riva_1040697_11/)
- <http://www.slideshare.net/jwinsper/luxury-marketing-128748>
- <http://www.slideshare.net/SudioSudarsan/luxury-brand-management/44-PracticalUtopianCriticalDiversioryMISSIONPROJECTEUPHORIAINFORMATIIONAllegianceObligationVisionaryMythicalTranscendenceUtilitarianFunctionalValuableAdvantageousAdventureTransgressionDreamTransformationAmusementIndulgenceIncitementDivertissement>
- [http://www.boatinternational.com/yachts/news/riva-sponsors-f1-team-scuderia-ferrari-29653?from\\_global\\_search=true](http://www.boatinternational.com/yachts/news/riva-sponsors-f1-team-scuderia-ferrari-29653?from_global_search=true)

- <http://it.blastingnews.com/economia/2016/06/i-cinesi-fanno-shopping-in-italia-ora-controllano-313-grandi-aziende-00954811.html>
- [http://www.boatinternational.com/yachts/news/brigitte-bardots-classic-riva-to-be-sold-at-sothebys-auction--25243?from\\_global\\_search=true](http://www.boatinternational.com/yachts/news/brigitte-bardots-classic-riva-to-be-sold-at-sothebys-auction--25243?from_global_search=true)
- <https://www.linkedin.com/pulse/global-luxury-yacht-market-2016-industry-key-trends-growth-faucett>
- <http://www.reuters.com/article/us-shandongheavy-ferretti-idUSTRE8090YN20120110>
- [https://www.bcgperspectives.com/content/articles/retail\\_branding\\_communication\\_new\\_world\\_of\\_luxury/?chapter=4](https://www.bcgperspectives.com/content/articles/retail_branding_communication_new_world_of_luxury/?chapter=4)
- <http://www.boatinternational.com/yachts/editorial-features/superyacht-technology-trends-of-the-future--31771/frame-2>
- <https://www.linkedin.com/pulse/20140628134119-31548243-brand-ambassador-testimonial-endorser-very-different-roles>
- <http://www.boatinternational.com/yachts/editorial-features/marques-of-the-jet-set-riva-hacker-craft--1457>
- <http://www.boatinternational.com/yacht-market-intelligence/superyacht-industry-data/superyacht-market-reports/things-you-need-to-know-about-the-superyacht-market-in-july--30907/frame-4>
- <https://www.scribd.com/document/46918562/Paper-on-Luxury-Branding>
- [http://www.boatinternational.com/luxury-yacht-life/lifestyle/riva-and-fiat-team-up-on-limited-edition-fiat-500-riva--30797?from\\_global\\_search=true](http://www.boatinternational.com/luxury-yacht-life/lifestyle/riva-and-fiat-team-up-on-limited-edition-fiat-500-riva--30797?from_global_search=true)
- [http://www.boatinternational.com/yachts/news/specialist-insurance-scheme-launched-for-classic-riva-owners--22703?from\\_global\\_search=true](http://www.boatinternational.com/yachts/news/specialist-insurance-scheme-launched-for-classic-riva-owners--22703?from_global_search=true)
- [http://www.boatinternational.com/yachts/news/riva-world-restores-ferruccio-lamborghini-classic-riva-aquarama-motor-yacht--18145?from\\_global\\_search=true](http://www.boatinternational.com/yachts/news/riva-world-restores-ferruccio-lamborghini-classic-riva-aquarama-motor-yacht--18145?from_global_search=true)
- <http://www.yachtingmagazine.com/ferretti-yachts-850-pershing-5x-and-riva-rivamare-will-be-at-2016-fort-lauderdale-international-boat#page-4>
- <http://boatingindustry.com/features/2010/12/02/creating-a-marine-marketing-plan/>
- <https://www.treksoft.com/en/blog/9-marketing-strategies-for-boat-and-yacht-rentals-and-tour-operators>
- <https://www.theguardian.com/media-network/2014/nov/25/luxury-goods-marketing-ferrari-le-labo>
- <https://www.yachtcharterfleet.com/news/riva-yachts-joins-formula-1-as-an-official-sponser-5849.htm>

- <http://marinemarketingtools.com/7-ways-to-capture-more-sales-leads-at-boat-shows/2366>
- <http://www.slideshare.net/r.bhaargav/luxury-marketing-plan-odyssea-yachts>
- <http://luxurysociety.com/en/articles/2009/06/the-6-ps-of-luxury-marketing/>
- <http://tesi.eprints.luiss.it/11160/1/camaioni-tesi-2013.pdf>
- <http://www.corriere.it/economia/cards/sette-meraviglie-italiane/krizia.shtml>
- <http://www.bergamopost.it/che-succede/al-dragone-piace-litalia-e-si-compra-le-sue-aziende/>
- <http://www.nautica.it/rivista/arretrati-superyacht/509/mercato/analisi.htm>
- <http://www.profinautic.com/en/boat-shows/fairs/?year=2016>
- <http://www.boatinternational.com/yachts/luxury-yacht-advice/yacht-classification-definitions--587/page-3>
- [http://www.ilsole24ore.com/art/impresa-e-territori/2016-09-05/la-nautica-cresce-piu-previsto-170503\\_PRV.shtml?uuid=ADyv4LFB&utm\\_source=dlvr.it&utm\\_medium=twitter](http://www.ilsole24ore.com/art/impresa-e-territori/2016-09-05/la-nautica-cresce-piu-previsto-170503_PRV.shtml?uuid=ADyv4LFB&utm_source=dlvr.it&utm_medium=twitter)
- [http://www.corriere.it/economia/16\\_settembre\\_13/ferretti-con-cura-cinese-88a53190-7995-11e6-8c12-dd8263fa3b6d.shtml](http://www.corriere.it/economia/16_settembre_13/ferretti-con-cura-cinese-88a53190-7995-11e6-8c12-dd8263fa3b6d.shtml)
- [http://www.ilsole24ore.com/art/impresa-e-territori/2013-07-26/rivive-mito-riva-motoscafo-165412\\_PRV.shtml?uuid=AbZZTeHI](http://www.ilsole24ore.com/art/impresa-e-territori/2013-07-26/rivive-mito-riva-motoscafo-165412_PRV.shtml?uuid=AbZZTeHI)
- [http://www.ilsole24ore.com/art/impresa-e-territori/2013-09-21/anni-motoscafi-riva-mostra-190158\\_PRV.shtml?uuid=AbRiANZI](http://www.ilsole24ore.com/art/impresa-e-territori/2013-09-21/anni-motoscafi-riva-mostra-190158_PRV.shtml?uuid=AbRiANZI)
- [http://www.lettera43.it/economia/economiaweb/ferretti-e-la-zavorra-dei-private-equity\\_43675188351.htm](http://www.lettera43.it/economia/economiaweb/ferretti-e-la-zavorra-dei-private-equity_43675188351.htm)
- [http://www.repubblica.it/economia/affari-e-finanza/2016/06/27/news/ferretti\\_sui\\_riva\\_re\\_e\\_attori\\_il\\_fascino\\_del\\_lusso\\_in\\_acqua-142971836/](http://www.repubblica.it/economia/affari-e-finanza/2016/06/27/news/ferretti_sui_riva_re_e_attori_il_fascino_del_lusso_in_acqua-142971836/)
- <http://www.inovat.com/work/ferrari>