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Tesi di laurea

The relationship between Brand Identity and Ownership Status in the Luxury Industry: the Gucci Brand Case

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Alessandra Pastore

Abstract

Lo scopo di tale elaborato è quello di porre in relazione due elementi che hanno assunto, soprattutto negli ultimi anni, una forte rilevanza nell'industria del lusso: l'identità e la proprietà del marchio. La domanda da cui è partita la mia ricerca di tesi è stata "È possibile che i cambiamenti di proprietà dei marchi di lusso incidano sull'identità del brand? E se si in che modo?". Partendo da questo quesito ho sviluppato il mio lavoro su quattro capitoli, ognuno dei quali ha una tematica principale. I primi due capitoli sono impostati per poter dare una base teorica alla mia ricerca, il terzo capitolo è applicativo e l'ultimo riguarda sia le riflessioni che sono sorte al termine della ricerca sia la rilevanza dei nuovi attori economici.

Il primo capitolo è suddiviso a sua volta in tre sezioni che si occupano rispettivamente di: individuare le caratteristiche intrinseche dei brand di lusso, identificare le componenti su cui costruire una solida identità di marchio and infine le misure utilizzate per quantificare economicamente il valore del marchio stesso. Nel secondo capitolo vengono presentate le tre tipologie di proprietà maggiormente utilizzate nell'industria del lusso ed in particolare della moda: azienda privata familiare, azienda pubblica quotata in borsa e azienda appartenente ad un conglomerato di diversi brand. Per ogni tipologia di proprietà viene proposto un esempio di un'azienda operante nel settore luxury fashion che rappresenti al meglio la categoria di appartenenza. Infine, a dimostrazione della rapidità cambiamenti di proprietà in questo settore, vengono presentate le aziende che potrebbero essere trasformate i marchi quotati in borsa e le aziende sotto il mirino dei grandi conglomerati francesi del lusso.

Nel terzo capitolo, i due aspetti fin ad ora presentati a livello teorico vengono applicati e correlati attraverso l'utilizzo di un caso studio: il marchio Gucci. L'evoluzione dell'identità del marchio viene correlata ai cambiamenti di proprietà che esso ha subito nel corso del tempo. La ricerca si basa sia sull'utilizzo di articoli scientifici che su materiale fornitomi direttamente dell'azienda di moda stessa. I risultati ottenuti mostrano che il marchio Gucci ha subito delle variazioni di proprietà, anche turbolente, che hanno talvolta causato delle crisi di identità e coerenza sul marchio mentre in altre occasioni hanno portato ad una sua esaltazione (come nella fase attuale).

Il quarto capitolo, infine, presenta le mie riflessioni sul rapporto esistente tra identità e proprietà. Esiste una relazione forte tra i due elementi ma non può essere dimostrata una regola a priori. Ogni marchio ha un'identità ed una storia diversa correlata ad una scelta di proprietà altrettanto diversa. Il rapporto può essere talvolta positivo, talvolta negativo ma non possono crearsi dei paradigmi a priori su tale relazione. A conclusione viene evidenziata la rilevanza dei nuovi attori che potrebbero affiancarsi ai conglomerati già esistenti, globalmente riconosciuti per la loro rilevanza economica.

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Introduction

The recent sale of the Italian privately held luxury brand Versace to the American conglomerate group Michael Kors holding's company (now called Capri Holdings) has opened a debate on the importance of the preservation of the ownership for the luxury brands and on its progressive losses in order to reach optimal profitability and sales volumes.

The maintenance of ownership is generally seen as a tool to protect a brand's identity and integrity, elements that have become crucial in the development of a competitive advantage.

For this reason, this thesis is focused on the description of these concepts and the aim is to find out if there is a possible correlation between these two important aspects of the luxury companies: their brand identities and their ownership status.

Before analyzing these concepts, it is important to remark that this thesis revolves around the luxury industry, a sector that is becoming crucial for the whole worldwide economy. In 2018, according to the website Interbrand.com, the luxury industry has grown by 42%. The reason why this sector has become one of the most productive is that it is able to understand and respond to the continuous evolving cultural trends. Being able to provide an immediate response to these trends improves the value of the brands by 43%. The luxury industry is one of the best examples in the capacity to adapt to new situations and conditions. [1]

Having explained this, it is impossible to ignore its presence and its impact on the world's economy.

As said before, identity and ownership are intrinsic values intertwined within luxury brands.

The aim of this thesis is to identify in the characteristics, components and measurements of these two elements and to try to find a connection between these two elements. The thesis tries to respond to the question "is there a connection between the ownership status of a luxury company and its own brand identity?".

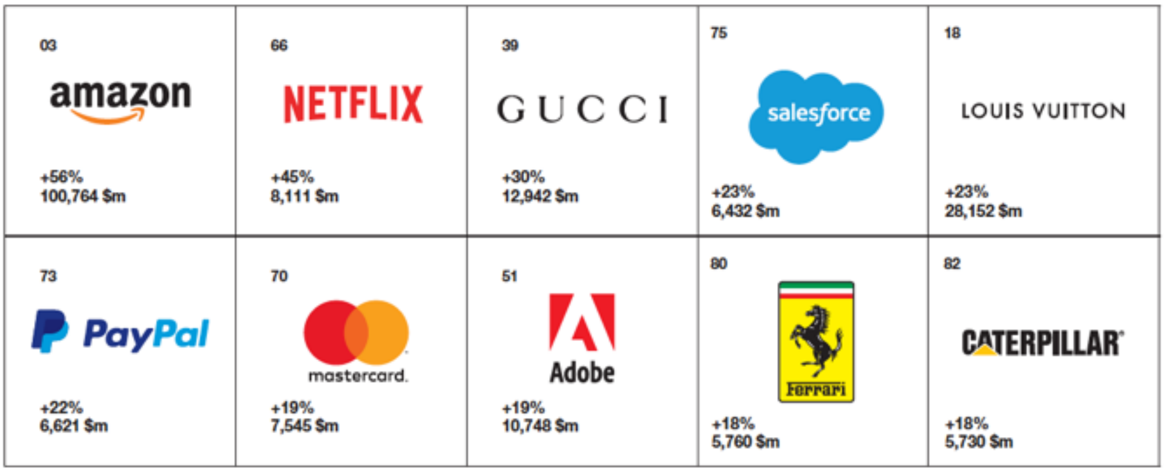
Once the theoretical framework behind these concepts is identified, they will be applied to a case study: the Gucci brand. Gucci was chosen for many reasons. First of all, Gucci as a company has experienced all the different ownership situations: from a private firm it changed (and survived) into a public firm and finally became part of a conglomerate. Having lived all the three different types of ownership, it is easier to identify the advantages and disadvantages of status lived applied to a specific luxury brand in the real world.

Moreover, the brand was selected because it has proven to possess the abilities to preserve, glorify and when it was necessary to transform its brand's identity in order to create a solid competitive advantage.

[1] Interbrand.com, "Activating brave", Best global brand 2018 report, 2018, p. 6 – 7

Today Gucci's identity is strongly and clearly defined yet over the years it has outlived different changes. Gucci is a clear example of how identity is transformed, adapted and exalted in relation to the ownership status needs and structure. Besides this, Gucci can be also used as an excellent example for my research because at this moment it is considered, not only a superbrand, but also one of the best performing brands in terms of financial results (see Figure 1). Its financial performances could be linked to its ability (embodied into the CEO and the Creative Director) to manage the brand's identity adapting it to contemporary trends.

Figure 1. The best worldwide brands in terms of growth' s rate



Source (Interbrand.com, 2018, p. 15)

According to what has been explained, the thesis is structured as follows: in Chapter 1 brand identity is presented, detailing its characteristics, components and measurements. The situation about the current value of a brand's identity in the luxury industry is also presented.

In Chapter 2 the advantages and disadvantages of each ownership status' (private family - owned business, public firm and conglomerate) are shown. For each level of ownership a real-world example in the luxury industry is presented. In the end, future changes in the ownership's status are presented.

In Chapter 3 brand identity and ownership are composed and explained using the Gucci case. The aim is to discover the connection between these two elements. Gucci is utilized as a tool to understand how the relationship between identity and ownership is changed over time.

In Chapter 4 some reflections about this relationship are explained and developed. Moreover, future possible relevant actors in the luxury industry are identified.

The scope of the thesis is to find out if there is a connection between ownership and identity in the luxury industry, if there is a correlation between these two elements are intertwined and if they can influence each other.

1. Brand Identity in the Luxury industry

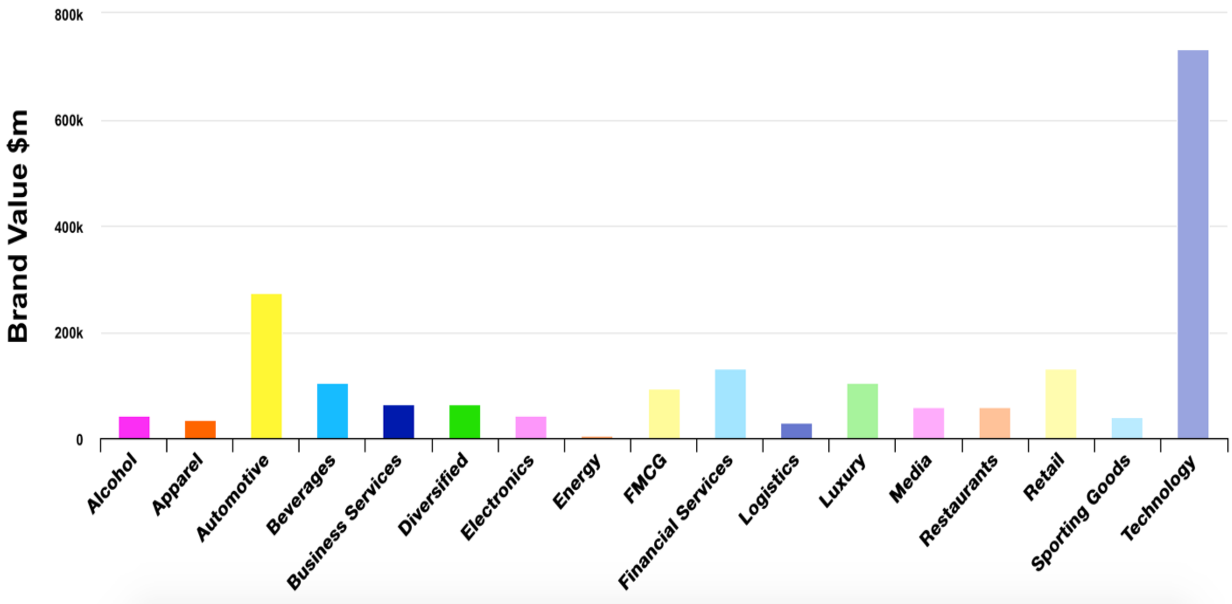
In the last years, the global consumption of luxury goods has changed deeply. New macro trends arose and consequently, also companies' strategies changed to increase sales volumes.

First of all, the consumption of luxury goods became global, new markets opened to luxury companies. This happened because the level of wealth increased worldwide, especially in emerging markets (such as BRIC). European luxury companies started to sell more to Asian customers and sales volumes increased at a faster rate. In this perspective, luxury companies began growth strategies to expand their markets and satisfy this increasing demand.

Global trends such as globalization, digitalization, international convergence of interests, consumption habits and increased attention from mass media communications led to an unexpected growth of the entire industry from a value of € 18 billion to an estimate of € 276 billion (for personal luxury goods) in 2018. [2]

The luxury industry has become a business characterized by relatively small number of companies, being strongly competitive, having a high volume of sales and with a worldwide influence. As shown figure 1.1 the luxury industry represents the fourth largest sector according to brand value in the world.

Figure 1.1. Sector overview

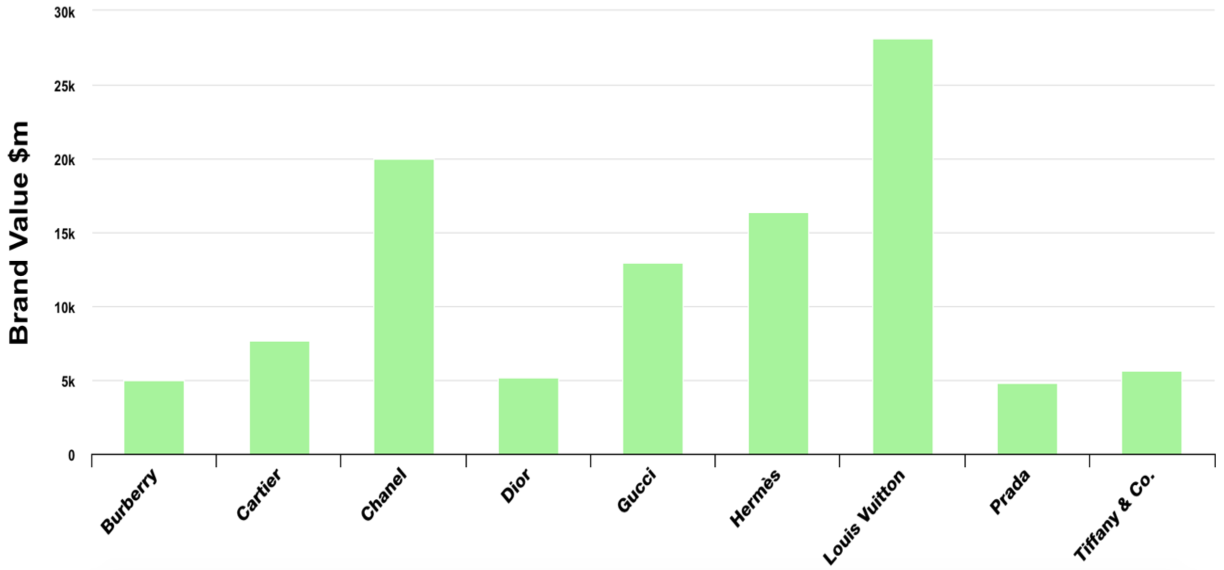


Source (Interbrand.com)

[2] https://www.bain.com/about/media-center/press-releases/2018/bain-spring-luxury-report-2018/

In particular the most powerful companies in terms of brand value in the luxury sector are shown in Figure 1.2.:

Figure 1.2. Sector overview – luxury



Source (Interbrand.com)

To compete in the market companies started to focus on brand building with the aim of differentiating themselves from the competition and increasing their customer base.

Strategies were modified and the focus today is more on the brand itself, the brand's perception among consumers measuring brand strength through brand equity.[3]

The core concepts of these strategies are: brand identity defined as the core definition of the brand, brand image linked to reputation and brand equity seen as the asset value of brands. [4]

Brand identity, in particular, has become the key factor for defining successful global brands. Attention is not only on characteristics of the products, but more on values, stories and identities behind brands.

The objective is to establish a luxury brand culture where the brand is seen as the product of associations (from identity to brand image) created to impress consumers. [5]

The hardest challenge will be to satisfy increasing demand while maintaining this exclusivity and intrinsic values of the brand. Strategies must be focused on differentiation with competitors, in order to increase loyalty and reputation.

[3] U. Okonkwo, "The luxury brand strategy challenge", Journal of brand management, vol. 16, 2009, p. 287 – 288

[4] S. Anholt, "Competitive identity: the new brand management for nations, cities and regions", ed. Palgrave, 2007, p. 6

[5] Y. Seo, M. Buchanan-Oliver, "Luxury branding: the industry, trends and future conceptualizations", Asian Pacific Journal of Marketing and Logistics, Vol. 27, 2015, p. 84; 93 – 94

1.1. What is a Luxury Brand?

Before defining brand identity and how to build it, it is necessary to better understand what a luxury brand is and what are the intrinsic characteristics that give it a particular value for consumers.

1.1.1. Definition of Luxury Brands

In general, a brand can be embodied into a name or a symbol, a distinctive symbol, as the double C for Chanel or the Medusa's head for Versace. The aim of the brand is to point out the product (goods or service) that is offered and sold by one company and to make it different and special respect to competitors' offers.
A brand building goes around creating values and characteristics that differentiate the company. Strong brands should have the ability to be easily recognized by consumers; this is the base to build a consistent brand identity. The idea behind the brand is, in summary, to differentiate from the others. [6]
Characteristics of a luxury good can be:

- Tangible: they are represented by quality, physical aspects, product performance, utility, raw materials used
- Intangible: they can be emotions that are linked to good's purchase, social desire, what customer wants to communicate when buying the product.

A luxury brand, with respect to a non-luxury brand, has higher intangible characteristics than tangible features. That is because, often, luxury products have a low utility, but high emotional and social feelings involved in the purchase experience. The emotional, intangible aspects must be high and must have a strong impact on consumers to justify premium prices that are typical of luxury products. Therefore, key features of luxury goods can be embodied in: superior quality, non-essential utility, very high prices, presented as a sense of rarity and exclusivity and with a high concentration of emotional values and symbolic feelings. [7] For example, the Ferrari group has created only two hundred of a unique special version of the famous car, called "LaFerrari Aperta". This car has been sold to only particular loyal customers that have already had different Ferrari's cars in the exclusive red version and that are involved in the Ferrari world (participating to special events and consumers meeting created by Ferrari). The idea is to create

[6] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 155
[7] C. Tynan, S. McKechnie, C. Chhuon, "Co-creating vale for luxury brands", journal of business research, vol. 63, 2010, p. 1158

a sense of extreme uniqueness and exclusivity directed to reward special consumers and create a particular mystical aura around the brand. [8]

A brand "represents the core beliefs and values of the company as a whole. By aligning the elements of the vision and culture within the company, companies create a favorable image in the public market resulting in strong brand identity" (Cavender, Kincade, 2013 p. 223). The brand is therefore closely linked to the company's vision, how it wants to be represented outside, in the consumer's mind.

It is possible to identify some shared characteristics, common to all luxury brands, as:

Figure 1.3. Ten defining characteristics of luxury brands

(1) Maintaining a premium image for luxury brands is crucial; controlling that image is thus a priority.
(2) Luxury branding typically involves the creation of many intangible brand associations and an aspirational image.
(3) All aspects of the marketing program for luxury brands must be aligned to ensure quality products and services and pleasurable purchase and consumption experiences.
(4) Brand elements besides brand names – logos, symbols, packaging, signage and so on – can be important drivers of brand equity for luxury brands.
(5) Secondary associations from linked personalities, events, countries and other entities can be important drivers of brand equity for luxury brands.
(6) Luxury brands must carefully control distribution via a selective channel strategy.
(7) Luxury brands must employ a premium pricing strategy with strong quality cues and few discounts and mark downs.
(8) Brand architecture for luxury brands must be managed very carefully.
(9) Competition for luxury brands must be defined broadly as they often compete with other luxury brands from other categories for discretionary consumer dollars.
(10) Luxury brands must legally protect all trademarks and aggressively combat counterfeits.

Source (Keller, 2009, p. 180)

As figure 1.3. shows, the main characteristics of luxury brands should prove their exclusivity, justify their high price, create a full service (from the creation to the distribution process) that satisfies the consumers and gives them a sense of prestige.

If the brand is able to convey these feelings, consumers will be willing to pay a premium price, even in times of recession. Brands such as Hermès and Bottega Veneta, during the crisis stated in 2008, never betrayed their strategy of exclusivity and rarity. They did not lower prices in

[8] O. A. Eideh, "Ferrari, ecco perchè non basta essere ricchi per comprare una LaFerrari Aperta", 2016, http://www.lastampa.it ,

order to reach a higher number of consumers. This strategy was successful because, not having betrayed their brand's image, luxury consumers continued to buy their product.[9]

The brand must reflect a clear and coherent company image and must be protected.

The luxury brand must be able to transmit a sense of uniqueness, premium quality, an instrument to increase social status or to reveal it to others. It must transmit something that is impossible for non – luxury products, a sense of exclusivity. [10]

Luxury brands, with their special qualities and values, create a unique experience in the purchase process. They share multiple intrinsic attributes that, all together, create a total luxury brand experience.

These values can be summarized as: [11]

- Innovation and superior creativity
- Premium price
- Special storytelling
- Tradition and unique heritage
- Inimitable quality
- Elite communication
- Unique service
- Selective and superior distribution

As every other sector, also in the luxury industry there can be tradeoffs that marketing managers must face in order to better communicate the brand to the society.

Among these tradeoffs, the most evident are: [12]

- Exclusivity – accessibility: As it was said before, a luxury brand must be presented as unique and with a sense of inaccessibility, but on the other hand managers have to increase their customers to sustain company's growth through higher accessibility's conditions. For this reason, many brands create different product's lines as Emporio Armani for Giorgio Armani or Red Valentino for Valentino with the aim to reach younger luxury consumers and increase their accessibility without betraying the exclusivity of the brand (embodied in the principal product line).

[9] D. Golizia, "Fashion business model: strategie e modelli delle aziende di moda", ed. Franco Angeli, Milano, 2016, p. 63

[10] Y. Seo, M. Buchanan-Oliver, "Luxury branding: the industry, trends and future conceptualizations", Asian Pacific Journal of Marketing and Logistics, Vol. 27, 2015, p. 88 – 89

[11] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 26 – 27

[12] K. L. Keller, "Managing the growth tradeoff: challenges and opportunities in luxury branding", Journal of Brand management, vol.16, 2009, p. 184

- Historical – contemporary image: luxury brands often have a strong storytelling focused on the past, on the brand's heritage that gives them austerity and reliability, but on the other hand brands must to keep up with the times and look at new trends. For this reason, in the seasonal collection there are always products linked to iconic elements of the brand mixed to new concepts inspired by new trends and the creativity of the designer. Double strips in Gucci will be always present in the seasonal collection as iconic and recognized element of the firm but will be mixed with other new seasonal elements.

Managing brands means to take the right choices, communicate the company's value and vision without excluding new perspective and future opportunities.

1.1.2. Luxury Consumption [13]

As it was seen, luxury products are special goods/services and, consequently also luxury consumers must be treated using a different approach respect to non-luxury consumers.
Before indicating characteristics of consumers, it is necessary to underline that luxury consumption is driven by two major motives among customers: level of wealth and need to affirm their social status.
From this perspective, it is possible to identify four different consumers' groups, divided according to: financial possibilities and status motivations.
Groups, in this framework, try to associate or disassociate among them, and brands' choices are based on the will to be associated to a group or to be represented in a certain way, excluding some brands respect to others.
The brand choice reflects the intention of signaling status among customers, the aim is to show a certain image to the others. The buyers could be divided into:

- Patrician: are able to sustain a premium price for their purchases and have a high level of wealth. The aim of this type of customers is to be associated into their own category, to be recognized among other patricians, the first desire is to be recognized respect to be dissociated from the other categories. They seek for brands with a low brand signal (as in the Bottega Veneta example, where the logo is hidden. Only he/she buys the product recognizes it). They do not seek brands with logos to increase their status because they do not need it. They already have a higher social status.
- Parvenus: are characterized by a high level of wealth yet not enough to be considered at the top of the social pyramid. They seek brands to affirm their social status and to

[13] Y. J. Han, J. C. Nunes, X. Drèze, "Signaling status with luxury goods: the role of brand prominence", Journal of marketing, vol. 74, 2010 p. 16 – 18

increase their positions in society. Brands must show their will to appear (as in the Luis Vuitton example, where the logo is clearly shown on its products)

- Poseur: can be identified as people that want to show someone that they are not. Their first desire is to try to reach a higher social status although they do not have the financial resources to sustain it. They aspire to higher positions and they absolutely do not want to be reconnected to the lower social classes. These customers are sensitive to counterfeits because often they are not able to buy original products.
- Proletarian: do not have the financial possibilities to buy premium products, they do not try to seek a higher social status; they are aware of their positions and it does not matter for them to increase it because they know that is not possible. They would like the premium brands, but they know that these goods are out of their possibilities, so they buy cheaper brands where the signaling status does not matter (as Zara, where the logo is not shown because is not important, is not a value increasing for the product).

In this framework it is evident that luxury consumption is often guided by desire linked to social conditions and will appear in a certain way.
This is the consumption's perspective under which it is possible to distinguish these buyers from the non-luxury consumers.

1.2. Brand Identity

In luxury brand building it is important to underline one aspect of the brand that is particularly relevant: the brand identity and its components.
Identity, as it will be shown, is the base of the creation of a strong brand strategy and for the implementation of the brand equity.
A corporate brand identity is used to explain how the company wants to be seen by stakeholders, how the company represents itself outside. Corporate brand identity is linked to the values, promises, a vision that company wants to transmit to its consumers. It is can also be defined as "a holistic brand management approach adopted by companies to craft a unique corporate identity (…) a strongly cultivated corporate brand provides the firm with a sustainable competitive advantage that drives loyalty" (So, Yap, Parsons, 2013, p. 405).
The idea behind the corporate brand identity is to use a unique brand identity to identify all the goods/services offered by the brands, to guide all the brand's operations under the same coherent vision, the same core value and to represent the brand with a strong identity in order to obtain an inimitable competitive advantage. Ferragamo is an example of this process, the brand identity is clear transmitted. Brand during the time has maintained its fame based on the

handmade leather process and the use of excellent raw materials. These elements are worldwide recognized and have formed a strong competitive advantage, especially in the shoe sector.

A Strong brand identity is the result of a continuous process and it is seen as one of the fundamental aspects to build a strong luxury value proposition; is become crucial to obtain success into the luxury industry and is one the most important parts for the creation of a brand strategy. Identity is used to describe the company's history, its value, to communicate the brand's vision and it must be seen as a source of inspiration for employees.

Brand identity is composed, as it will be seen later, by: brand image, retail identity and brand heritage; these elements together are used by managers to build (and maintain over the time) a brand strategy focused on creating a long-term positioning in the minds of consumers. [14]

Therefore, brand identity, combined with a pre-determined marketing vision is the stronger tool for strategies focused on brand positioning and differentiation by competitors.

These concepts are summarized in figure 1.4. which shows the relationship between brand strategy, brand identity, brand image and personality.

Figure 1.4. The relationship between brand strategy, brand identity and brand image

Dimensions Interpretation process	Sub-variables	Operational definitions	Measurement
Brand strategy		Unique to each brand; a strategic, visionary, and proactive approach to enhancing internal and external opportunities of the brand (Heding *et al.*, 2009)	
Interpretation process Brand strategy dimension and sub-variables as a measure of brand management success or failure (*RQ1*)	Brand identity	"The identifiable attributes and identifiable elements that make up the brand and how these are perceived and interpreted by people that come into contact with the brand" (Okonkwo, 2007, p. 110)	Brand image associations in the form of attributes, benefits, and overall consumer attitudes, and; brand personality (Keller, 1993; Okonkwo, 2007)
	Marketing vision	"Top management's aspirations for the company" (Hatch and Schultz, 2001, p. 130)	Vision inspires all its sub-cultures, vision is effectively communicated to stakeholders, and company image is aligned with stakeholder's image of the company (Hatch and Schultz, 2001)

Source (Cavender, Kinkade, 2013, p. 236)

[14] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 163

1.2.1 Brand Image and Brand Dilution

Brand image can be defined as a tool used to measure the influence and the effectiveness of brand identity, how the identity is perceived in the consumer's mind. It can be represented as the brand's reputation expressed by consumers and embodies associations, emotional feelings, values and memories that the consumer links to the company's products. [15]

The fashion and luxury world are characterized by the so-called "dream factor", an element of exclusivity, happiness and prestige. The aim of the brand image is to transmit this idea to a bigger audience, to make the dream real, building a desirable image of the brand through the brand's visibility. Visibility is one of the more important elements of the image, it is reached through strong communication campaigns focused on attracting consumers.

An increase of the brand image must be the main purpose of every communication program, it must be very effective and designed on large scale (for example with the use of celebrities or high-impacted spaces), must be coherent with the image that the company wants to transmit and easily understandable by everyone.

A communication strategy must reflect the brand vision, the image of the company must be clear and without misunderstandings. It must be helpful to increase the brand's reputation that should be in line with the image desired by the company itself. [16]

Bulgari has transmitted its image of inaccessibility, it offers an extraordinary product with a high price to communicate the prestige and the uniqueness of the value of the brand and it is perceived by consumers.

If to manage well the brand image increases the company's reputation and consolidates its identity, managing it badly leads to brand dilution. Brand dilution can be reconnected with the idea of the destruction of brand integrity. This concept can be explained as the consumer's push to buy something that he/she could find cheaper elsewhere.

The decrease of brand integrity leads to the phenomenon of brand dilution, that can be explained as the idea to dilute the high price of the product and make it more available (even physically, increasing the retail channels and its physical availability) in order to achieve higher sales and higher profits. This sale strategy can bring higher profits in the short-term but, in a long-term perspective, it will cause a decrease of the brand image, the product will lose its characteristic of exclusivity and inaccessibility typical of every luxury brand and sales, as brand identity, will, in the end, be damaged. In summary, brand dilution leads in the long-term to a decrease of a brand's value and the company's sales due to a decrease in users.

[15] S. Anholt, "Competitive identity: the new brand management for nations, cities and regions", ed. Palgrave, 2007, p. 5

[16] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 223 – 227

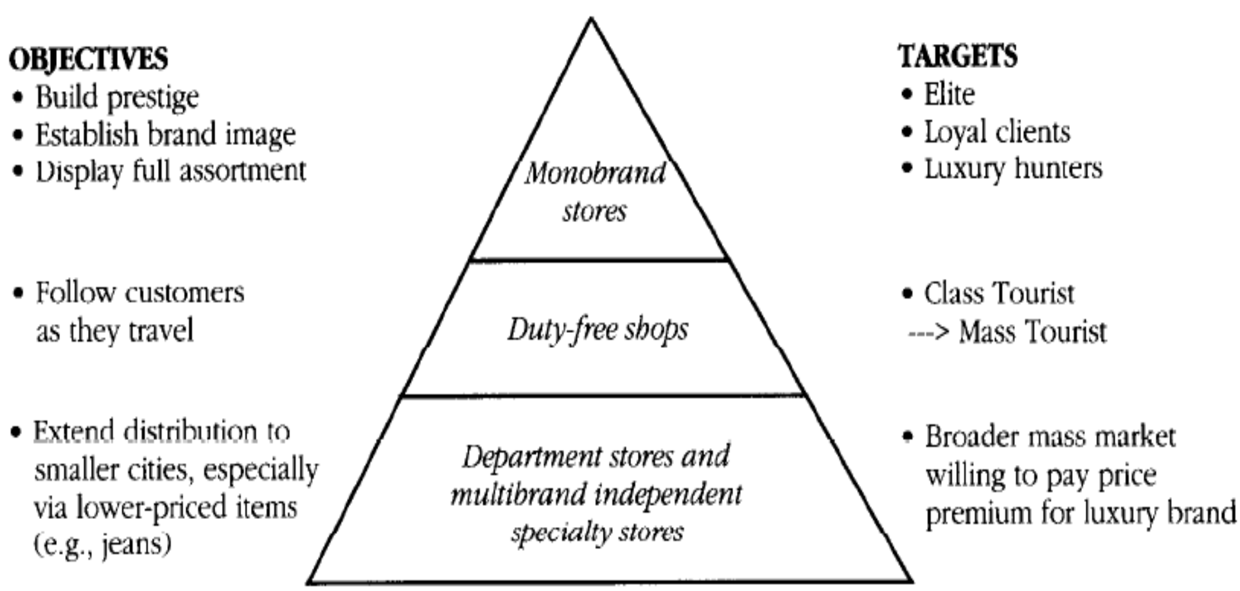
For this reason, it is extremely important to carefully manage the brand' s image, in order to avoid changes in the brand's reputation and a brand's allocation in the consumer's mind. In the next chapters will be seen as the brand dilution, for example, implied a decrease of the brand value and a strong financial crisis for Gucci. [17]

1.2.2. Retail Identity

Retail identity is another tool used to establish a stronger brand identity on the market. The retail strategy consists of managing the distribution channels that bring the products to the market. To establish a unique and strong brand identity (through the retail identity) is necessary to treat the product, located in different places (stores, countries...), in the same way. In order to manage the brand' image, the product must be served to the market in same way, with the same language and with the same image, to avoid misunderstandings among consumers about the brand's identity. Giving a positive retail image to consumers, the company can achieve a total brand experience, as mentioned before, aligning the retail strategy with the communication strategy of the brand. [18]

To manage the retail identity means also to decide which could be the distribution channels that better transmit the brand's identity.

Figure 1.5. Mixed of distribution channels for luxury products



Source (Nueno, Quelch, 1998, p. 67)

[17] P. M. Kort, J. P. Caulkins, R. F. Hartl, G. Feichtinger, "Brand image and brand dilution in the fashion industry", Automatica, vol. 42, 2006, p. 1364; 1369

[18] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 216

The choice of the distribution channel depends on the type of customers that companies want to reach and on the type of product.

Typically, luxury companies choose to use different channels, distinguishing it on the base of geographical location, social context, consumer target.[19]

In this perspective the location of the flagship store is essential to increase brand image as premium brand.

These stores are generally allocated in big cities, in famous rich areas, easily recognized and with a strong reputation (such as New Bond Street in London, Fifth Avenue in New York, Avenue des Champs Elysées in Paris, Via Montenapoleone in Milan, Causeway Bay in Hong Kong). [20] [21]

These shops are meant to show the brand's DNA, its identity and for this reason, it is born the concept of retail architecture.

This approach concerns the will of brands to well organize spaces and manage all the components of the store (from the internal design to the allocation of the products), to give a unique experience to customers.

The stores are not highly profitable in terms of turnover and costs are enormous, but they are able to support the marketing strategy of the brand and create a sense of majesty and rarity that increases the brand' image and therefore the identity.[22]

On the contrary, for small less popular locations a multibrand store is preferred, where costs are lower but also the brand's visibility.

In addition to the choice of the physical distribution channels company, especially in these last years, have to create an omnichannel strategy that includes even the online distribution.

This phenomenon is now impossible to ignore considering that online sales are quickly increasing.

McKinsey in 2015 conducted a study on the online purchases and it found that between the 2009 and 2014, the online sales in the luxury industry have grown by 27% with a value of € 14 billion and it was estimated that in ten years the value will be around € 70 billion.

If at first brands preferred to use indirect online channels offering their product on retail's websites as Luisaviaroma.com, now they adopted an omnichannel strategy where the identity, the emotional experience and feelings must be transmitted also via web.

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[19] A. Brun, C. Castelli, "Supply chain strategy in the fashion industry: developing a portfolio model depending on product, retail channel and brand", International Journal of production economics, vol. 116, 2008, p. 171

[20] F. Tortora, "Le strade dello shopping più costose", 2017, https://www.corriere.it/

[21] https://www.fashionmagazine.it/market/le-vie-pi-costose-al-mondo-cushman--wakefield-causeway-bay-a-hong-kong-si-riprende-la-pole-position-101242

[22] C. M. Moore, J. Fernie, S. Burt, "Brands without boundaries: the internationalization of the designer retailer's brand", European journal of Marketing, vol. 34, 2000, p. 930

Every distribution channel must be interconnected and communicated the same identity.
An example of this phenomenon can be Louis Vuitton that from 2008 has started online sales in Italy through the use of an international website.
This channel during years has been combined and coordinated with the brand's social media to create a unique online experience.[23]

1.2.3. Brand Heritage

In the identity construction and preservation, many companies have adopted that choice to enhance their history and past, often reviewed in a modern key.
This exaltation of the past is represented and communicated through the brand heritage.
Bran heritage can be defined as the preservation and transmission of the past values, the company's ability to do storytelling, the DNA of the brand, its beliefs.
It can create a sort of nostalgia about past years, an increase of the commitment linked to tradition. It can give a sense of stability, it links the past and the present of the brand in the sense that the past experiences glorify the present and give a sense of credibility on the actual projects.[24]
Heritage is used as a tool to give authenticity and veracity to the product' s quality. Consumers, through heritage, feel that can trust the product and brand itself.
Authenticity's sensation gives to the brand an iconic aspect, something that deserves respect among consumers.
This sense of authenticity can be derived from an objective evidence as the production process or the use of special and valuable raw materials or a subjective fact as consumers' feelings linked to the product.[25]
Though heritage, brands assume an aura that gives them authority, iconicity and stronger brand identity. On contrary, not every brand has its own brand heritages, each of them possesses a brand's history but history is not directly connected to heritage.

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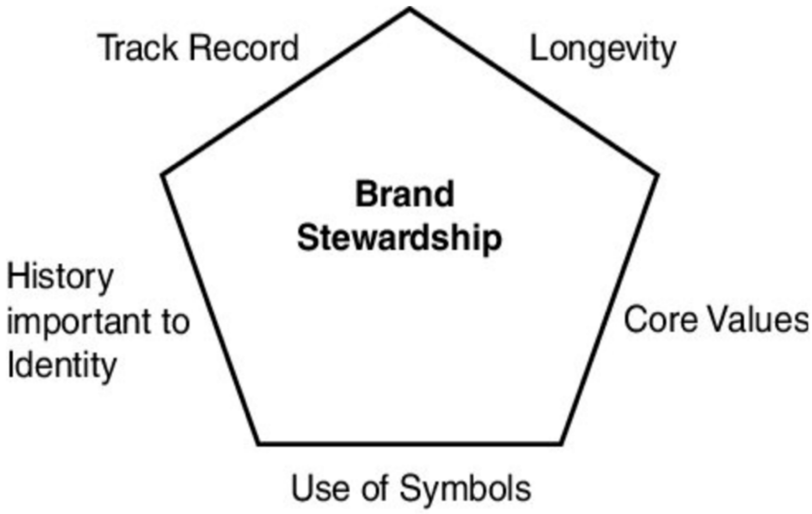
[23] D. Golizia, "Fashion business model: strategie e modelli delle aziende di moda", ed. Franco Angeli, Milano, 2016, p. 82 – 83
[24] G. M. Rose, A. Merchant, U. R. Orth, F. Horstmann, "Emphasizing brand heritage: does it work? And how?", journal of business research, vol. 69, 2016, p. 936 – 937
[25] N. Alexander, "Brand authentication, creating and maintaining brand auras", European journal of marketing, vol. 43, 2009, p. 551 – 553

Figure 1.6. The framework of heritage branding



Source (Urde, Greyser, Balmer, 2007, p.9)

To understand if a brand owns characteristics that reflect heritage, it is possible to identify five different elements that can create heritage: [26]

- Longevity: it refers to the brand 's existence and continuity overtime
- Core values: refers to intrinsic brand's values that are maintained and transmitted continuously by the company and now are reconnected to the brand
- Symbols: are visual elements that are directly connected to the brand (as the logo or physical characteristics common to all products)
- Track record: refers to the benefits conferred by stakeholders over time
- History: refers to the use of the brand's history as a tool to identify and decide which strategy takes

As mentioned before, the element of heritage in the process of building identity can be essential to create an imitable advantage against competitors.
Heritage is something unique that cannot be created instantaneously and is directly linked to the brand's history, is impossible to replicate it. Just because it is unique and built over time, it must have a solid base formed on four different possible concepts: [27]

- Historical place: refers to the place where the business started, the historical first store (for example Florence for Gucci, Paris for Hermès …). A store can be transformed into a heritage store adding elements that are linked to the business' s history and identity. They become part of the heritage building, describing the core values of brand thought

[26] F. Mosca "Heritage di prodotto e di marca: modelli teorici e strumenti operativi di marketing per le imprese nei mercati globali di lusso", ed. Franco Angeli, 2017, p. 18 – 19
[27] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 166 – 167

mystification and glorification of the place itself. Many brands have created a sort of myth around these special stores where the core values of the brand are described and glorified in every aspect. These are not just stores, but their aim is to underline the sacred history that characterized brands. A clear example of this process can be identified in the Dior's store located on Avenue Montaigne in Paris where the historical events of the brands are showed and mystified everywhere. [28]

- Key person: refers to symbolic people that contributed to create and develop the brand. They could be the founder for example or the family itself. Especially the founder often is seen as a sacred figure, his/her stylistic identity is preserved and celebrated. Chanel, for example, is always linked to the figure of Coco Chanel, an emblem of femininity and elegance. After her death, the business continued but it never betrayed her vision of the brand and she becomes an iconic figure and a fashion myth. Besides the founders, also particular celebrities or influent people helped over time the popularity of a brand. To name a few: Audrey Hepburn and Tiffany or Chanel and Marylin Monroe. Even now these brands are positively associated with these important and iconic celebrities.[29]
- Legend behind the brand: it refers to legend events that created the brand and helped to increase its value and reach popularity. Also, it can remind the aim behind the choice to start the business itself (particular tendencies and peculiarities of the founders such as the love for traveling of Louis Vuitton).
- Product characteristics: it is linked to particular products that became iconic over time, as the Kelly bag for Hermès or the Flora scarf of Gucci. It can also be referred to particular manufacturing technics that characterized a brand, as the "Intrecciato" for Bottega Veneta.

Once have been identified elements that characterized their own heritages, companies must be able to carefully manage it.
This process implies four different activities: first of all, there is the "validate phase" where managers become aware of the brand's heritage and its importance in identity's building. Successively, there is the "articulate phase" where are recognized and defined all the intrinsic characteristics of heritage. After that, it is possible to move to the "relate phase" where managers try to link the past experience and history with the actual characteristics of the brand and its future developments. This is the most difficult phase because it is important to create a

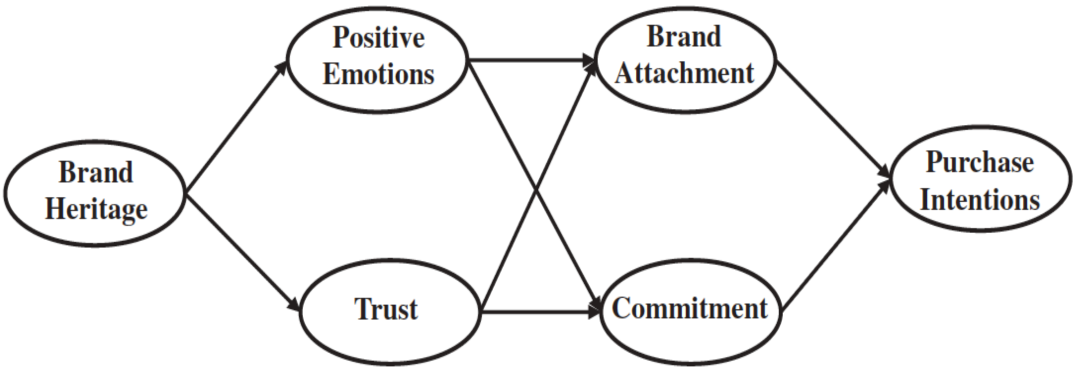
[28] D. Dion, S. Borraz, "Managing heritage brands: A study of sacralization of heritage stores in luxury industry", Journal of retailing and consumer services, vol. 22, 2015, p. 77 – 82
[29] F. Mosca "Heritage di prodotto e di marca: modelli teorici e strumenti operativi di marketing per le imprese nei mercati globali di lusso", ed. Franco Angeli, 2017, p. 88; 98

coherent system that correlates together past, present e future of the brand. Finally, there is the "adopt phase" where all strategies are applied to create and maintain the heritage in the brand's DNA. All these phases must be supported with adequate marketing tools to increase and preserve heritage and brand' s identity; even these instruments can be divided into four different categories: [30]

- Storytelling: includes a website, use of social media and corporate videos. These are all marketing instruments that are able to transmit the brand's myth in a suggestive way.
- Branding: tools that belong to this category are: Visual identity and retro- branding (the logo for example). These are able to transmit the company's identity immediately, using just the visual aspect.
- Organizational units: represents museums, archives and company's foundations. They are physical elements used to preserve the brand's memory.
- Public relations: consist of events, associations and merchandising. These tools are used to communicate something precise and special at that precise moment for the company.

As it was described before, heritage is used as a tool to increase the brand's reputation and the brand's image but in addition to this, it is useful to affect the consumers' purchase decisions. That link is due to a particular connection between heritage, brand trust, fidelity, and the purchase decision.
Heritage, in fact, arouses a sense of trust in the brand's quality and authenticity that create a bond between the brand and the consumers. The consequence is, of course, the purchase decisions.

Figure 1.7. The link between brand heritage and purchase intentions



Source (Rose, Merchant, Orth, Horstmann, 2016, p. 938)

[30] F. Mosca "Heritage di prodotto e di marca: modelli teorici e strumenti operativi di marketing per le imprese nei mercati globali di lusso", ed. Franco Angeli, 2017, p. 16; 21 – 23

Heritage leads to, as mentioned before, positive emotions (as authenticity, rarity and exclusivity) and trust (in the brand itself). These elements bring to an increase of the brand attachment and commitment, consumers will have more fidelity and will be felt in touch with the brand and, in the end, will purchase the product. [31]

In summary, brand heritage causes positive direct effects on the company itself increasing the brand's reputation, brand's identity and its awareness of its history and past and affects also consumers. It influences consumers' fidelity and commitment to the brand.

1.3. Brand Equity

The concept of brand equity is rather modern. This because just in the early 1980s, managers start to speak about it and its relevance was noticed.

In particular, the concept arose after that marketing managers started to understand that brand could be used as a competitive advantage and for this reason it was important to give it a value. Brand equity can be embodied in the idea that " if a company, product or service acquired a positive, powerful and solid reputation, this becomes an asset of enormous value: probably more valuable ,in fact, than all the tangible assets of the organization itself, because it represents the company's ability to continue to trade at a healthy margin for a long as its brand image stays intact" (Anholt, 2007, p. 6).

Brand equity is, therefore, described as an intangible asset of the companies linked to their reputation and identities, it concerns the brand's value and its growth over time.

Actually, it is possible to identify three different theories about what concerns brand equity and these are:[32]

- Brand equity linked to financial value: there is the need to give a monetary value to express it; this aspect becomes central when a company starts an acquisition activity or is the subject of a takeover.
- Brand equity correlated to brand extension: it is measured on the capability of the company to help and develop brand extensions. The focus is on the future growth capabilities of the companies, if the brand is able to sustain future developments.
- Brand equity based on customer perspective: brand equity is determined on the base of the value assigned to the brand by consumers. It is based on brand knowledge by consumers. The focus is on consumers' perceptions.

[31] G. M. Rose, A. Merchant, U. R. Orth, F. Horstmann, "Emphasizing brand heritage: does it work? And how?", Journal of business research, vol. 69, 2016, p. 936 – 938

[32] E. Corbellini, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli, 2009, p. 156 – 158

This section will be focused on this last approach where the brand equity is associated with a customer-based view where the brand's identity, image and reputation are fundamental aspects. It is based on the consumer's associations about the brand.
In summary, brand equity can be seen as a measurement of the company's growth and, in particular, the brand's capacity to attract new consumers without betraying old ones in order to increase the customer base.

1.3.1. Measurement of Brand Equity from a consumer-based perspective [33]

Measuring brand equity means evaluating the impact of the brand on consumers.
It is possible to identify four dimensions that can be used for its measurement.
First of all, are used the brand strength and stature; brand strength is measured through:

- Differentiation: the capability of the brand to be seen different by consumers respect to competitors
- Energy: the capability of the brand to seize opportunities
- Relevance: the capability of the brand to be attractive to consumers

Brand strength evaluates the future growth possibilities of the brand, while on the contrary, brand stature evaluates the past performances of the brand.
It is measured by:

- Esteem: the brand's reputation among consumers
- Knowledge: how much the brand is recognized and close to consumer's mind

These two concepts estimate the past and the actual performance of the brand, from a macro-perspective view.
The second parameter, on the contrary, has a micro- perspective view and it is represented by brand imagery. It consists of the evaluation of how much the brand is close to consumers' social desires. It deals with their psychological spheres and depends on what consumers evaluate the brand from an abstract point of view and how they perceive its intangible attributes.
These attributes can be classified in:

- Types of users: who uses the brand using psychological or demographical parameters. In any case the user can be a real user of the product or an aspirational user, particularly important for the luxury industry.

[33] K. L. Keller, "Managing the growth tradeoff: Challenges and Opportunities in luxury branding", Journal of brand management, vol.16, 2009, p. 185 – 193

- Purchase occasion and use: in which situation a consumer should or not should buy a product and when should use it.
- Personality: a brand's characteristics and values; how people perceive the brand.
- Heritage: How a brand's heritage is fitted on past experience and history of the consumers.

The third element used to measure brand equity is brand feeling. It can be defined as the consumer's emotional reaction to the brand, which feelings arise.
These feelings can be:

- Fun: brand transmit joy and happiness (for example Disney)
- Excitement: the consumer feels a sense of energy, they consider the brand as special experience (for example Nike)
- Warmth: consumers feel pace and affection (for example Coca-Cola)
- Security: consumers trust the brand (for example Mercedes-Benz)
- Social acceptance: consumers feel to be approved by others (for example Porsche)
- Self-respect: consumers are proud of themselves (for example Bottega Veneta)

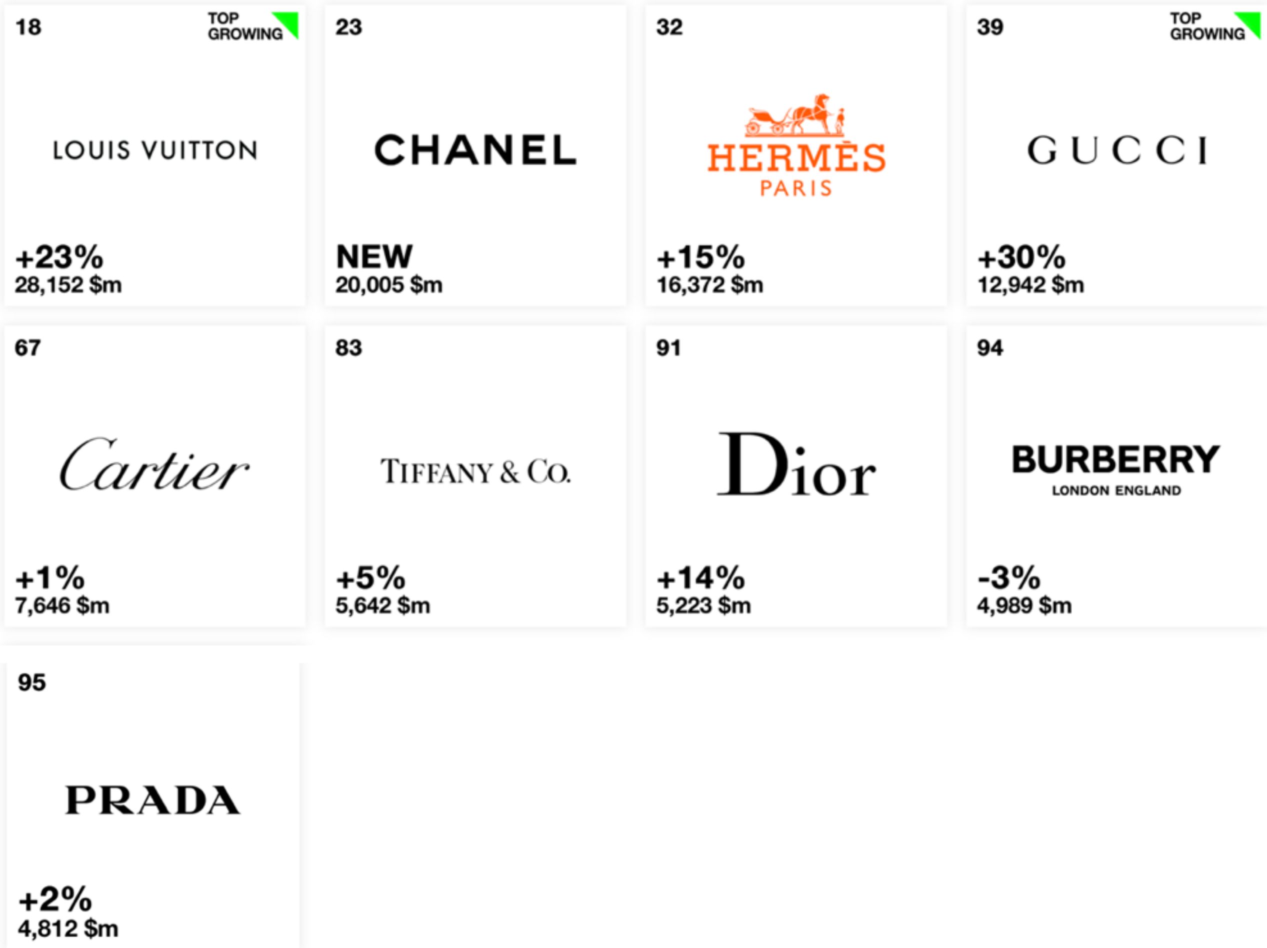
The last measurement is represented by brand expectations. A brand embodies promises and must satisfy expectations expressed by consumers.
The alignment between promises and expectations is a fundamental issue for increasing and maintaining the consumer base.

1.3.2. Luxury Brand Equity: the current situation

As it was said before, brand equity is an important asset for understanding the brand value. For this reason, it is possible to classify a luxury brand on the basis of their brand equity.
Every year, the website Interbrand company established a ranking of the first hundred most powerful brands, independently from their industry sector.
Figure 1.8. shows which were, according to Interbrand, the best global brands operating in the luxury sector in 2018 according to their brand equity. [34]

[34] https://www.interbrand.com/best-brands/best-global-brands/2018/ranking/

Figure 1.8. Luxury brands classified by brand equity



Source (Interbrand.com)

2. Ownership status in the Luxury industry

Ownership can represent a crucial element for strategic objects of the company.[35] In fact, the ownership status can be linked to the firm's performance, capability and structure and can influence the future moves of a company. In the luxury industry, companies can be defined, from an ownership's point of view, as:

- Private family owned firm
- Public firm
- Conglomerate

The aim of this chapter will be to analyse each one of them, to identify their intrinsic characteristics and advantages and disadvantages of each form that can be linked to a fashion brand. At the end of each paragraph will be presented an example from the luxury industry that better represents every ownership form, as a proof of what is written before.

2.1. Private, Family owned firms

In the luxury industry, especially in the Italian context, a private firm is usually owned by a family (or family of the founder). That is the reason why in this chapter the private firm will be linked to family business. Figure 2.1. shows that the most important fashion brands were created as family business.

Figure 2.1. Primary ownership of the most successful luxury brands

#	BRAND	FOUNDATION	REVENUES (2010, ML EURO)	OPERATING PROFIT (2010, ML EURO)	BRAND VALUE (2009 $ ML)	OWNERSHIP
1	Louis Vuitton	1854	7,581 (1+9)[1]	2,555 (1+9)	19,781	Family
2	Hermès	1837	2,400	668	8,467	Family
3	Gucci	1921	2,666	765	7,588	Family
4	Chanel	1909	n.a.	n.a.	5,547	Family
5	Hennessy	1765	1,664 (5+7)[2]	453 (5+7)	5,368	Family
6	Rolex	1905	n.a.	n.a.	4,742	Foundation
7	Moet&Chandon	1743	=	=	4,279	Family
8	Cartier	1847	2,688 ([3])	742	3,964	Family
9	Fendi	1925	=	=	3,199	Family
10	Tiffany	1837	2,170	258	2,383	Public Company

Source (Carcano, Corbetta, Manichilli, 2011, p.45)

[35] P. Varacca Capello, D. Ravasi, "The Variety and the evolution of business models and Organizational forms in the Italian fashion industry", Business and economic history online vol. 7, 2009, p. 7

In any case, most of the brands presented in Figure 2.1., as it will be analyzed, were already bought from conglomerates or have become public.
An Example a successful luxury brand that has remained private is Missoni, that has always refused to become public keeping its independence.

2.1.1. Definitions and economic relevance

In general, the percentage of family business widespread in the world is around from 65% to 80%[36]; for example, they contributed for a half to the U.S. gross domestic product and they use more than 80% of the workforce.[37]
"According to the European Family business statistics for 2012 an estimated 70%-90 of the total GDP annually is created by family businesses. The vast impact is further proved by the creation of 50% - 80% of the jobs in the majority of the countries worldwide, also 85% of start-ups companies are established with family money. Estimations indicate that in the most countries around the world, family businesses are between 70% and 95% of all business entities" (Debarliev, Janeska-Iliev, 2015, p. 40).
These dates imply that this ownership status remains the most used form chosen by a company and it gives an enormous contribution to the worldwide economy. As it will be seen later, Family owned firms are often chosen as the initial form for the begins of a new business and often is abandoned for different ownership solutions. For example, Versace war born as a family business and, after the founder's death, was stocked in the exchange market. Recently, the firm was sold to another brand, Michael Kors.
The definition of a family business is a topic largely debated across the authors. It is not easy to find a clear explanation of what a family business should embody in itself.
Cited Neubauer, a family business is a "business over which one or more families have substantial influence. Such influence can be exercised by means of ownership and the resulting control function, on the one hand, or by direct involvement in the business management, on the other" (Neubauer, 2003, p. 270).
The idea, in this case, is that the predominant factor that distinguishes this form from the others, is the family influence over the business.

[36] H. Neubauer, "The dynamics of the succession in the family businesses in the western European countries", Family business review, vol. XVI, no.4, 2003, p. 269
[37] D. Miller, L. Steierb, I. Le Breton-Millerb, "Lost in time: intergenerational succession, change and failure in family business", Journal of Business Venturing, n.18, 2003, p. 514

Some authors define the company as cited, “a company mostly owned and manage by a single root family. Succession and equity control are among the critical factor leading to problems within family businesses” (Brenes, Madrigal, Requena, 2011, p.280).
Another diffused definition is that business can be defined as family businesses if the family members control the majority of decision-making rights inside the company and at one member (or more) of the family is connected within the firm’s governance.[38]
In any case, a precise definition cannot be given because the extension and the modality of the family influence over the business depend on the institutional and cultural context that differs among countries.[39]
In the luxury industry, family businesses are very common. It is possible to name Ferragamo and Armani as just two of the successful examples in the luxury industry.
The most famous and historical brands were often born as a private firm and some of them has remained private, some others not as it will be illustrated. For this reason, it is important to focus on the main characteristics of this ownership status because for most of the luxury brands it was the starting point for their activities.

2.1.2. Advantages and disadvantages of family - owned businesses

The first thing that it is important to clarify when it talks about family business, is that each of them differs from the other for their history, vision and culture. No one is equal, and there is heterogeneity among them.[40] This heterogeneity can create a sustainable competitive advantage for the firms because, being different, they possess different resources that are not easily imitated by the competitors and that can contribute to establish a strong competitive advantage. [41]

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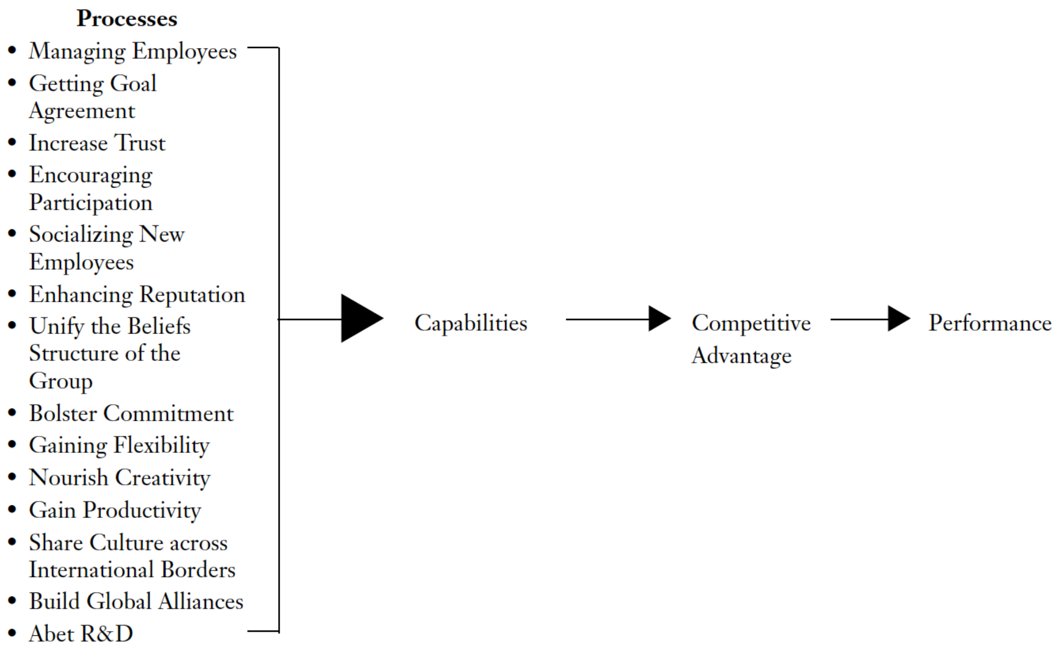
[38] F. Andersson, D. Johansson, J. Karlsson, M. Lodefalk, A. Poldahl, “The Characteristics and performance of Family firms: Exploiting information on governance, kinship and ownership using total population data”, HUI working paper series, n.135, 2018, p.7
[39] J.M. San Martin-Reyna, J. A. Duran-Encalada, “The relationship among family business, corporate governance and firm performance: Evidence from the Mexican stock exchange”, Journal of Family Business Strategy, n.3, 2012, p. 108
[40] H. Neubauer, “The dynamics of the succession in the family businesses in the western European countries”, Family business review, vol. XVI, no.4, 2003, p.270
[41] T.G. Habbershon, M.L. Williams, “A resource-based frameworks for accessing the strategic advantages of family firms”, Family business review, vol. XII, no. 1, 1999 p. 9

Figure. 2.2. Family Business processes available as family firm performance



Source (Habberson, Williams, 1999)

Figure 2.2. underline the connection between available resources inside the firm and the creation of potential competitive advantage that will increase the firm's performance.

Another typical element that characterizes a family firm is represented by the narrative. The narrative can be defined as "personal and social histories, myths, fairy tales, novels or everyday stories that are used to explain or justify our own, or other, action and behavior" (Smith and Anderson, 2004, p.127). Narratives are typical of the family business because are linked to the family's history, past experiences and family sphere in general. Narratives allow to better understand how a company works, its past, its management style, motivation and memories. They are useful to underline the company's identity, the family's past experience and how these experiences influence the business dimension of the firm.

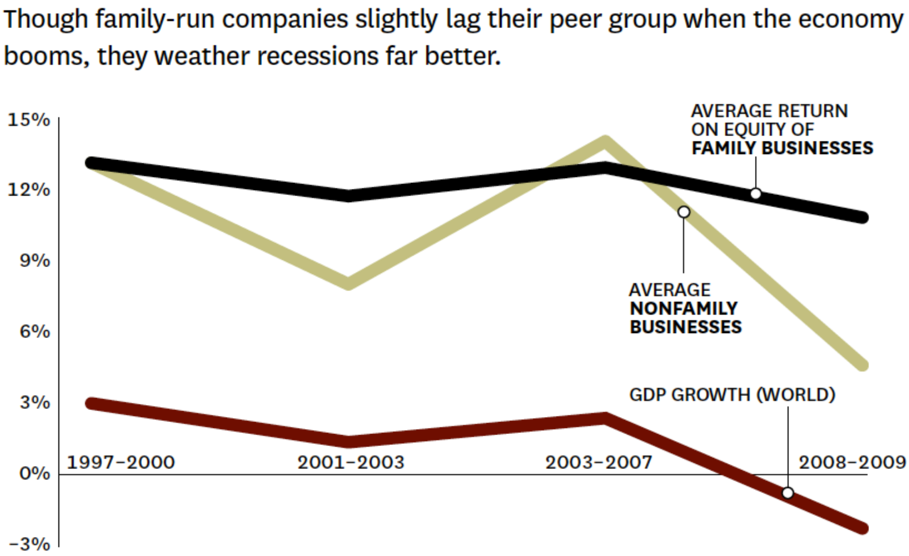
Narratives can be used to link the first generation of the family with the next one. That is because stories will survive overtime and will be transmitted to the next generation and will be fundamental to make a sense of continuity. In summary, narratives can be used as a tool to: create a firm's identity, justify the firm's goals and objects, simplify the succession phase, create a sense of community inside the firm.[42]

Often, these narratives are also recovered by firms that have abandoned this type of ownership, to give a sense of continuity with the past and sustain, as said in the first chapter, a heritage. Bulgari for example has abandoned its family form in order to raise their sale volume (as it

[42] E. Hamilton, A. D. Cruz, S. Jack, "Re-framing the status of narrative in family business research; toward an understanding of families in business", Journal of family business strategy, vol. 8, 2017, p.4 – 8

really happened). Today is a brand owned by the conglomerate LVMH, but the brand has never abandoned these narratives to link the current products with the family's history and traditions. One aspect that must be underlined is the strong long-run strategy that characterized the family firms, the family's objects are in line with the business strategies and create a unique system. The long-run perspective is also justified by the fact that the family wants that the company survives time.

Figure 2.3. The long-term view of family-business performance



Source (Kochaner, Stalk, Bloch, 2012)

Family members are focused on the long-run objects of their companies, and this results in a coherent and strong reputation among stakeholders and a better performance as shown in Figure 2.3. The long-run perspective helps the firm to survive and to be profitable also in periods characterized by crisis. This long-run perspective is supported by a clear vision and a strong commitment by the family that creates accordingly an increase of trust and loyalty among employees.

This loyalty is also reinforced by the willing of the families to emphasize the personal/family values over the corporate values.

The result is an increase in the commitment of the family's members and employees that feel to be part of one big family. [43]

Another characteristic of the family business is the great flexibility that it is possible thanks to the presence of more informal decision-making channels and the use of a family language.

Especially family language increases the possibility to create a faster exchange of information with a strong protection of them. In fact, the privacy of the firm's information can create a

[43] M.F.R. Kets de Vries, "The dynamics of family - controlled firms: the good and the bad news", Organizational dynamics, vol. 21, 1993, p. 62

strong competitive advantage against the competitors because it's not easy for them to know what is happening in another family business.
Giorgio Armani has in its own strategy a strong privacy policy. In fact, the firm's information is not published and is kept secret inside the management to guarantee more security against competitors.
The concept of trust among employees and family's members also implies lower transaction costs and a decrease of control and monitoring costs.[44]
Another positive aspect of the family firms is that there is a reduction of the agency costs due to an alignment of the owner and management's interests about growth possibilities and risks and the safety that the management (represented by the owner) has a strong commitment in the allocation of resources in the best way possible.[45]
Of course, there are not only advantages related to this ownership status but can be identified also disadvantages.
These aspects are identified in Figure 2.4.:

Figure 2.4. Advantages and Disadvantages of family - controlled firms

ADVANTAGES

- Long-term orientation
- Greater independence of action
  - — less (or no) pressure from stock market
  - — less (or no) takeover risk
- Family culture as a source of pride
  - — stability
  - — strong identification/ commitment/ motivation
  - — continuity in leadership
- Greater resilience in hard times
  - — willing to plow back profits
- Less bureaucratic and impersonal
  - — greater flexibility
  - — quicker decision making
- Financial benefits
  - — possibility of great success
- Knowing the business
  - — early training for family members

DISADVANTAGES

- Less access to capital markets may curtail growth
- Confusing organization
  - — messy structure
  - — no clear division of tasks
- Nepotism
  - — tolerance of inept family members as managers
  - — inequitable reward systems
  - — greater difficulties in attracting professional management
- Spoiled kid syndrome
- Internecine strife
  - — family disputes overflow into business
- Paternalistic/autocratic rule
  - — resistance to change
  - — secrecy
  - — attraction of dependent personalities
- Financial strain
  - — family members milking the business
  - — disequilibrium between contribution and compensation
- Succession dramas

Source (Kets de Vries, 1993, p.61)

44 T.G. Habbershon, M.L. Williams, "A resource-based frameworks for accessing the strategic advantages of family firms", Family business review, vol. XII, no. 1, 1999, p.4 – 5

45 J.M. S. Martin-Reyna, J.A. Duran- Encalada, "The relationship among family business, corporate governance and firm performance: Evidence from the Mexican stock exchange", Journal of family business strategy, n.3, 2012, p. 108

One of the points that must be underlined is the possibility for the family business to have a problem in accessing the capital market, that can influence the firm's performance and the continuity of the business.

Anyway, most of the disadvantages are linked to a psychological sphere; for example, there is the problem that could happen that family's members are not able to manage the firm but, being part of the family, remain in charge.

Link to the management of the firm, there is the problem that family firms are reluctant to hire an outside director, and this can lead to concentration problems that imply an exaggerated role of the owners with its leadership. It can happen that the owner has too much attention on personal interests instead of corporate interests. [46]

Other problems can be due to family feuds for the control of the firm and irrational choices can be made. This aspect, for example, was crucial in the Gucci's management history as it will be better analyzed in the next chapter.

Even the role of the founder is controversial: on one hand his/her figure can be used to emphasize the heritage of the brand and to maintain consumers' loyalty, but on the other hand, can create a resistance for the change and innovation and ignore the changes in the economic environment. [47]

Finally, one of the most common causes of troubles for family businesses is represented by the next generations. This aspect must be developed separately because it deserves a deeper analysis.

2.1.3 Next generations

Next generations' issue is one of the most diffused causes for the crisis of the family business. Data confirm this, in fact, only 30% of these firms survive the transaction to the second generation and among them only 10% to the third one. In the other cases, the firm loses its family aspect or ends to exist.

The ownership's transfer is a one-time event that occurs in the firm context and it should be treated as a continuous process.[48]

The first aspect to observe is the reason behind the choice of ownership transfer.

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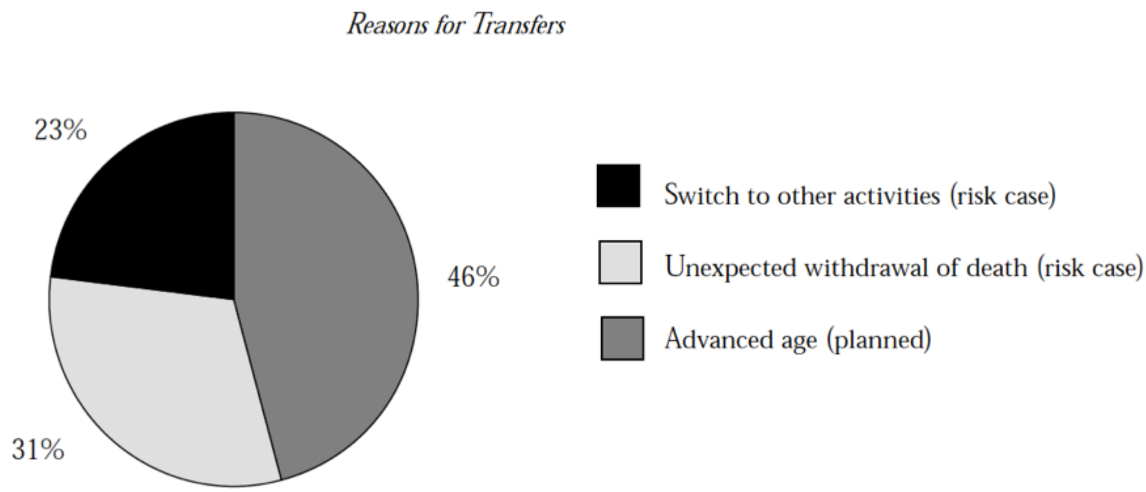
[46] J.M. San Martin-Reyna, J.A. Duran- Encalada, "The relationship among family business, corporate governance and firm performance: Evidence from the Mexican stock exchange", Journal of family business strategy, n.3, 2012, p. 109

[47] M.F.R. Kets de Vries, "The dynamics of family - controlled firms: the good and the bad news", Organizational dynamics, vol. 21, 1993, p. 63 – 67

[48] J. Lambrecht, "Multigenerational transaction in family businesses: A new explanatory model", Family business review, vol. XVIII, n. 4, 2005, p. 267

Figure 2.5. Triggers for business transfer

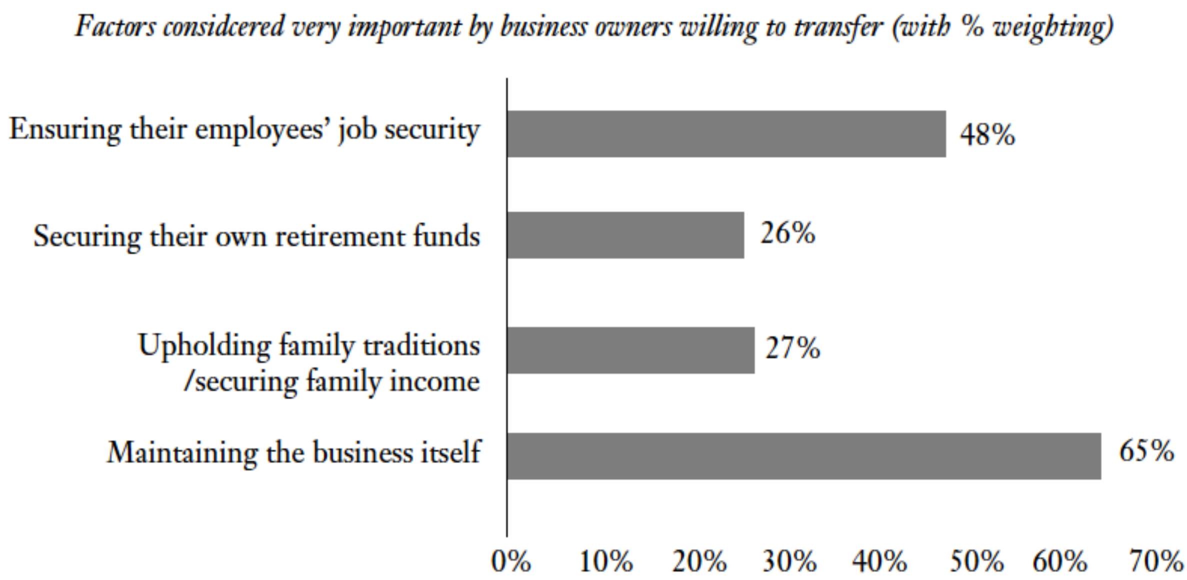


Source (Neubauer, 2003, p. 273)

As the figure shows, the main trigger is embodied in a planned succession due to age's owner. What can be also noticed is that the majority of these processes are characterized by the risk (54% of the cases).

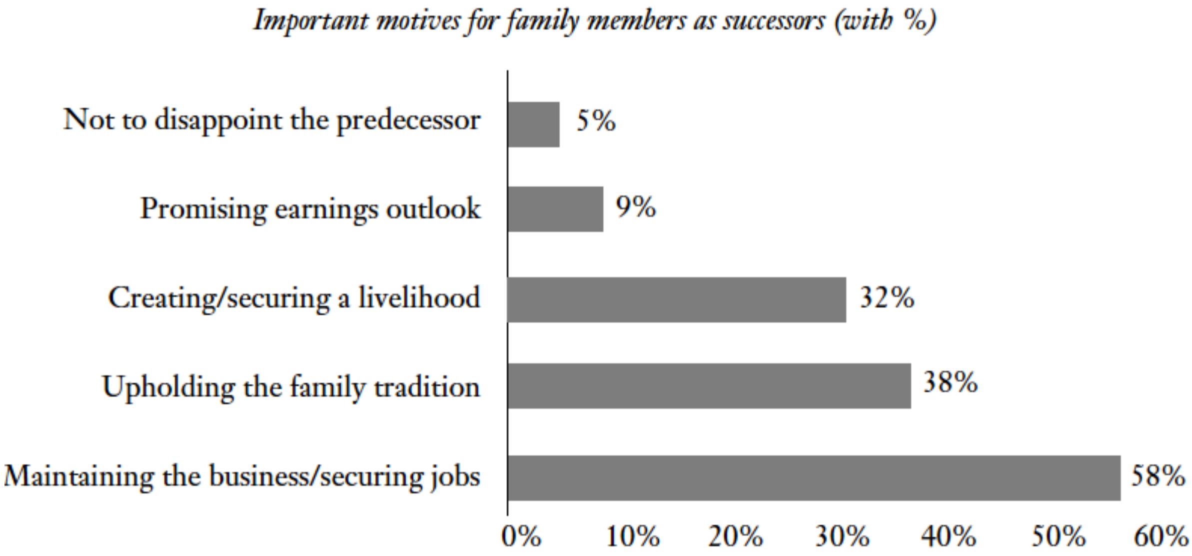
From an individual point of view, motives for the transfer of ownership can differ from the successor to the predecessor to the successor.

Figure 2.6. Motives for business transfer from the predecessor's perspective



Source (Neubauer, 2003, p. 274)

Figure 2.7 Motives for business transfers from the successor's perspective



Source (Neubauer, 2003, p. 275)

In each case, the focus is on the maintaining of the business, to preserve the family business heritage, the history and the family's reputation.

Once established the reasons behind the choice to do the business transfer, the second aspect to analyze is whom to make the transaction. Statistics show that the subjects of the process are, in most cases, family members.[49] This happens because the family, as it was said before, is the actor that most cares about the firm and its continuity.

In this way, it is obvious to think that a family member is the best choice for the transfer process. For family firms, it is important to preserve the firm's value and the firm's heritage created by the founder and it can be easier to do it for a family member respect to an outside manager. Another aspect that must be evaluated is the conservation of the family's name over the time that it is an important emotional and psychological factor for these types of firms.

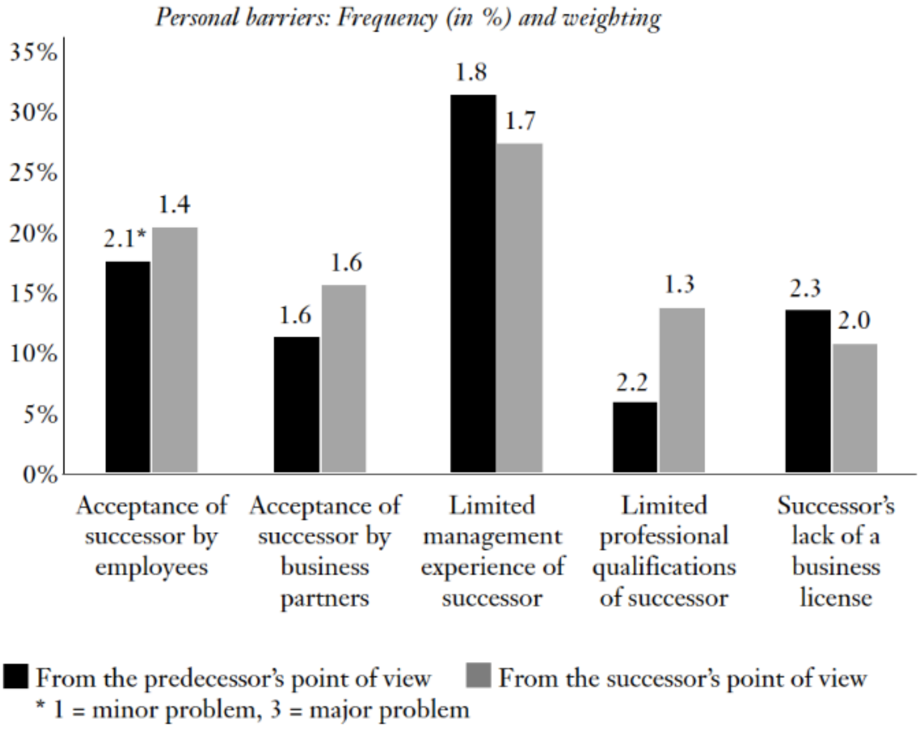
Family members can be better understanding the vision and the long-term objects of the firms respect to an outside, it is natural for family firms to pass the management and the ownership to them. [50]

Of course, this is not an easy process, but on the contrary, the hardest one that a firm can face. There are a lot of obstacles and barriers, mostly psychological, that must be pass in doing this.

[49] H. Neubauer, "The dynamics of succession in Family businesses in western European countries", Family business review, vol. XVI, n. 4, 2003, p. 274

[50] J. Lambrecht, "Multigenerational transaction in family businesses: A new explanatory model", Family business review, vol. XVIII, n. 4, 2005, p. 275

Figure 2.8. Personal Barriers to succession



Source (Neubauer, 2003, p. 275)

Personal barriers are the hardest one to pass when there is a transfer of ownership. The new owner has to prove his/her capacity to manage the firm and to be accepted by employees.

Also, business barriers related to the sustainability of the process and financing aspects must be evaluated.

Barriers can be represented by the founder's anxiety that the successor will destroy the company's image that he/she built over the time.

Also, the choice itself it is not an easy process, especially if there is more than one candidate. The risk is that can be created family disputes that could ruin the firm and decrease the firm's performance (as it will be seen in the case of Gucci).

Once, the successor has been designated, it is possible to identify three different succession strategy:[51]

- Conservative succession: Where the new CEO does not generate clear changes in the firm's organization. In this case, the new owner lives in the shadow of the previous one.
- Wavering succession: in this case, there is not a clear idea. On one hand, there is the desire to change and distinguish itself from the past, on the other hand, there is a sort of hesitation due to fear and respect for the oldest values. It can cause a sense of disorientation and changes could be ineffective.

[51] D. Myller, L. Steier, I. Le Breton-Miller, "Lost in time: intergenerational succession, change and failure in family business", Journal of Business Venturing, n.18, 2003, p. 517 – 522

- Rebellious succession: in this last case, the new CEO wants to change everything in the organization and strategy of the company, for example through to significant acquisitions and changes in the firm's portfolio. This is the rarest case between three.

Succession process includes some different aspects, as it was shown before, that must be traded with extreme attention. For this reason, it must be considered the most delicate phase of the firm. As it will be seen after, family troubles and succession's problems can cause huge losses inside the firm.

2.1.4. Example: Giorgio Armani s.p.a. [52] [53]

Giorgio Armani s.p.a. represents one of the best excellent examples of how a private firm can be one of the worldwide leaders in the luxury industry. Giorgio Armani is still the only owner of the company and his control is exercised throughout aspect of the firm.
The strengths of the firm are embodied in: first of all, the entrepreneur's control over the supply chain, from creation, to production to finally to distribution and the diversification strategy of product and brand.
From a production point of view, Giorgio Armani internalized the production process for the clothing business (buying specialized firms) and he chose joint ventures for the businesses that are far from the core of the firm (such as perfumes, sunglasses watches and so on).
From a distribution point of view, he chose a mixed strategy: an exclusive and mono-brand strategy for the premium brand (such as Armani Privé) to a multiple and more accessible for the cheapest ones.
The other important aspect to underline in the Armani's strategy, as mentioned before, is his mixed portfolio, built through the use of product/brand extensions.
The composition of this particular portfolio helps the entrepreneur to reach different targets with different products and to possess a huge range of products as, for non -fashion brands:

- Armani Orologi: developed through the expertise of Fossil
- Giorgio Armani Beauty: with the collaboration of L'Oréal
- Armani Home: using the partnership with Dada
- Armani Hotels&Resorts: using the partnership with Eemar Properties PJSC
- Armani Dolci: the production is entrusted to Venchi
- Armani Fiori

[52] D. Golizia, "Fashion business model, strategie e modelli delle aziende di moda", ed. FrancoAngeli, 2016, p. 135 – 154
[53] https://www.armani.com/it/armanicom

- Armani Nobu: situated only in Milan
- Armani Ristorante: opened in Dubai, New York and Tokyo
- Emporio Armani Café
- Armani Privé: exclusive discotheques

For the fashion brands, his portfolio includes:

- Armani Privè: Haute couture, is the top brand inside the portfolio. The target is very rich women, not sensitive for the price.
- Giorgio Armani: is the main collection. It is addressed to rich men and women between 30 and 60 years.
- Emporio Armani: is considered a bridge between the inaccessible luxury and cheaper lines. The target is young wealthy men and women between 20 and 35 years. Inside this category in 2017 included Armani Jeans (accessible and causal, addressed to consumers around 15 and 25 years) and Armani Collection: (high quality, made for workers as the lawyer, manager and entrepreneur.)
- Armani Exchange: represent the fast luxury fashion and represent the younger consumers (between 14 and 20 years) with lower economic possibilities.
- EA7: Is the sportswear line
- Armani Junior: dedicated to children between 3 months and 16 years

Giorgio Armani is proof that a private firm can be competitive and international without the financial aids of outsider shareholders, combining innovation with tradition and maintaining the brand's heritage.

The heritage is continuously transmitted by its founder. In fact, in 2015 Giorgio Armani inaugurated his first brand museum: the Armani/Silos. The museum represents the evolution of the brand from 1980 until today. In the museum it is possible to identify the creativity and the stylistic evolution of the brand.

Giorgio Armani can be considered an iconic figure in the luxury industry because he has brilliant managerial capacities, that made him a pioneer of the luxury industry, combined with a clear and elegant fashion taste. He was one of the first that recognized the possibility of the fashion connected with another sector as catering and furniture, he was the first Italian stylist figurate on Time magazine's cover and he is one of those have invested more in brand and line extensions. [54]

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[54] G. Crivelli, "Luci ed ombre sul bilancio di Armani, alla sfida del cambiamento", 2018, https://www.ilsole24ore.com

Despite this enormous success, the brand has lived a huge crisis in these years. Some critics are made against the management of the brand. In fact, it appears that the brand is losing its effectiveness and prestige in the markets. The multiple brand strategy of the group has weakened the brand's efficacy. That is because the brand was not clear on the market anymore, not excelling as a premium brand in the luxury industry (with the lines of Giorgio Armani, Armani collections and Emporio Armani) or in the fast fashion (with his cheaper lines). These weaknesses in the brand's image were significant also on the turnover of the firm.
For this reason, several changes were announced in 2017, lines as Armani jeans and Armani collections were eliminated and also was predicted a reorganization of the stores with a reduction of their numbers.
Other critics arose from the stylistic point of view, the brand needs a restyling to be able to reach young consumers and attract more attention to its offers.[55]
The financial situation reflects these changes that need for a lot of money. For this reason, turnover is decreased to € 2,3 billion as the EBITDA (decreased by 5,4%). The net profit in 2017 is around € 242,4 millions but these decreases reflect the tendency of the brand on making enormous investments to raise again the brand.

Figure 2.9. Financial position of Giorgio Armani

GIORGIO ARMANI spa

€ million	2014	2015	2016
Sales	2.536	2.650	2.511
EBITDA	507	519	463
EBITDA %	20,0	19,6	18,4
Net Equity			1.971
Net Financial Position (cash)*			-881

*A negative value means cash, whereas a positive value means debt.

Source (Pambianco.com)

In addition to this, like any other private firm, the next generation' s issue remains a crucial point for this company, especially because the business goes around the figure of the founder and he controlled each aspect of the company (both the creative and the managerial aspect).

55 https://www.ilpost.it/2017/10/13/giorgio-armani-cambia-crisi/

Giorgio Armani has not announced yet a successor and the future of brand remains yet unstable. He also announced the creation of the "Fondazione Armani" in order to avoid takeover from competitor after his death. He has declared the fashion firm will be untrusted to three people, chosen by him.[56] According to Pambianco' s website, the company could be an optimal candidate to become a public company in the next years but the will of the founder is still uncertain.

The hardest challenge could be to find someone who will replace strategically and creatively Giorgio Armani in the future.

2.2 Public firms

"A public company (sometimes called a publicly held company) is usually a corporation that issues shares of stock. In a public company, the shares are made available to the public. The shares are traded on the open market through a stock exchange" (Murray, 2013).

This first definition of what is it a public company clarifies the main difference respect to a private one. The shares are traded, and the ownership of the firm is no longer possessed by one person/family, but it is shaped by the stock markets and its acquisitions.

For this reason, it becomes crucial to organize the sales of stock, keeping in mind the ownership's structure that will be created. In fact, will be shareholders with a little number of shares and other with a huge number of shares that will influence the decision-making of the firm and will keep the ownership.[57]

Today, in the luxury industry the reality of the public firms is increasingly significant, that is because this type of ownership implies a lot of specific advantages that can increase the firm's performance, especially from a financial point of view.

A significative example of this type of ownership is represented by Tiffany & Co.

The company is a public company listed on the New York stock exchange and it is one of the stronger players inside the luxury industry with a turnover of around € 3.9 billion in January 2018. [58]

The financial markets where it is possible to quote the shares are multiple, the most famous are:[59]

- NYSE and NASDAQ located in New York
- Japan Exchange group located in Tokyo

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[56] http://www.affaritaliani.it/costume/moda-armani-lascero-la-fondazione-a-3-persone-di-mia-nomina-505952.html

[57] A.S. Mello, J.E. Parsons, "Going public and the ownership structure of the firm", Journal of financial economics, n. 49, 1998, p. 80

[58] https://it.wikipedia.org/wiki/Tiffany_%26_Co.

[59] https://it.wikipedia.org/wiki/Lista_di_borse_valori

- Shanghai Stock Exchange
- Hong Kong Stock Exchange
- London stock exchange group
- Euronext located in Amsterdam
- Milan stock exchange

The stock value depends on different factors as:[60]

- Company performance: its wealth and future possibilities of growth
- Competitors performance: performance of the company compared to its direct competitors in the same sector
- Macro trends and political events
- Company's reputation and news

Companies' histories suggest that many firms, born as a private company, became public for different reasons. In the next section will be analyzed these motives.

2.2.1. Why a private firm should become public?

Reasons under the decision to become public can be multiple, and the final choice must be taken considering all the advantages and disadvantages of the case.
First of all, the choice of going public is made with a long-run perspective of growth. The firm's growth the first object of every firm and to sustain growth it is necessary, not only a long-turn strategy, but also huge financial resources that can be obtained much more easily and quickly using the exchange markets. The growth capacity of the firm can help it to open to foreign markets and increase internationalization's level.
Another aspect that can cause the transformation of a private firm into a public firm is the succession problem, that it was discussed in the past session, and families' troubles that can be fixed with the choice of going public. Going public can end all the families' disputes or resolve problems linked to the next generation's transfer.[61]
A private firm that is transformed in a public firm increase its transparency, due to the fact that they have to respect the capital markets rules of the country. This implies also an increase of credibility among stakeholders.[62]

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[60] https://www.money.it M. Contini, "Mercato azionario: cos'è e come funziona", 2018,
[61] P. Mazzola, G. Marchisio, "The role of going public in Family: Businesses' long-lasting growth: A study of Italian IPOs", Family business review, vol. XV, N. 2, 2002, p. 134 - 135
[62] U. Celikyurt, M. Sevilir, A. Shivdasani, "Going public to acquire? The acquisition motive in IPOs", Journal of financial economics, n. 96, 2010, p. 345

Investors give more trust to public firms because they can know everything about the financial position of the firm, in fact all the financial documents become public.
Also, being listing on an exchange market increases the recognition of the firm among investors and, consequentially, its visibility.
It's important to notice that, having an external investor can give the possibility to the firm to possess an external monitoring capacity. From this point of view, going public can be seen as an adverting move to increase the firm image and the reputation on the market.
Another main benefit of going public is that it can be seen as an exit strategy of the owner. Going public can encourage the owner to leave the firm or at least to abandonee the management of the firm. It is important to underline that all these considerations must be shaped on the different legal and institutional contexts that characterized each different country. [63]

The choice to become public can help firms to acquire more market share respect to their competitors who remain private.
Moreover, this process increases the possibility to gain capital with a lower price respect to the private firms and it can influence the capability to attract more specialized employees who require higher wages.[64]
A public firm, respect to a private one, possess a higher financial status due to the possibility to acquire, as it was said before, more capital in a quicker way. This implies that these firm can access easier to new markets because they have necessary financial resource. An increase in the financial resources leads to higher motivation among employees, that can take part to the financial possibilities of the company, higher satisfaction and immediate liquidity for the owner (who possessed the firm when it was private).[65]
It must be underline that, having share on exchange markets, firms can increase their investments' horizon, create a currency for their share, eliminate uncertainty about the share's value of the company (the value of the share is recognized by everyone and it linked to the value of the company itself) and increase the cash inside of the company.
Going public can be seen as the first step for future acquisitions made by the company. Having share on the exchange market, firms can have the possibility to start M&A operations and increase the capacity and the power of the companies of doing them.[66]

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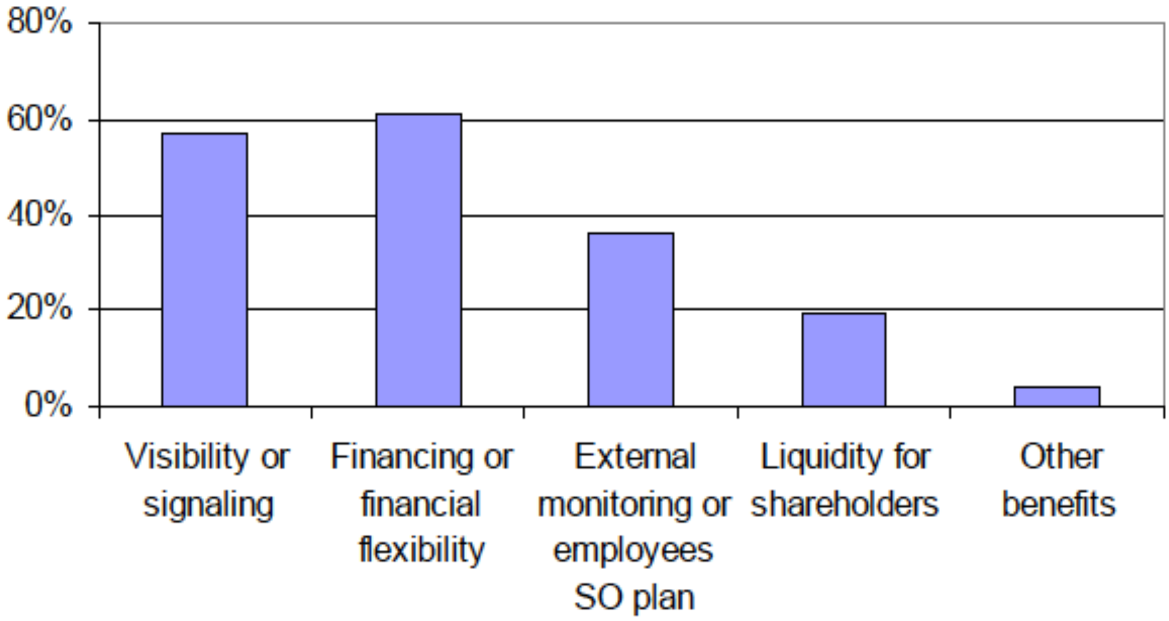
[63] F. Bancel, U.R. Mittoo, "Why European firms go public?", SSRN eLibrary, 2008, p. 9 – 17
[64] T. J. Chemmanur, "IPO waves, product market competition, and the going public decision: Theory and evidence", Journal of Financial economics, n. 101, 2011, p. 383 - 384
[65] KPMG, "A guide to going public", KPMG report , 2015, p. 6 – 7
[66] U. Celikyurt, M. Sevilir, A. Shivdasani, "Going public to acquire? The acquisition motive in IPOs", Journal of financial economics, n. 96, 2010, p. 346 – 348

Figure 2.10. Major benefits of the IPO



Source (Bancel, Mittoo, 2008, p.44)

There are not only benefits arising from this type of ownership, but it is possible to identify some disadvantages.

Going public, as it was said before, implies that all financial information is available on the market and that increase the credibility and the transparency of the firm but on the other hand some of this sensitive information of the company can be simply and quickly known by competitors and that can create competitive disadvantages for the firm.

Also, being all information public, the firm can face public pressure from the shareholders about its decision and its performance.

Another aspect to show is that a public company has less flexibility in the decision process; for example, in a public firm a decision is taken by the management that it is composed by different types of shareholders that have different time of decision right that must be respected or to take an assembly for taking decisions about the company.

All the shareholder must be advised, it can increase the timing of the decision-making. Inevitably, going public implies also a fragmentation of the ownership of the firm.

Could be the possibility the first owner losses the control of the company and that must be accountable when a private firm decides to become public. [67]

After this process, maybe, family members do not have to leave the firm's control, but it is evident that also the minority shareholders have rights into the decision process.

The concept of the loss of control introduced also the issue of the takeover.

[67] KPMG, "A guide to going public", KPMG report 2015, p. 7

Going public is risky for a private firm because competitors have the possibility to acquire the majority of the share and steal the family's control.[68]

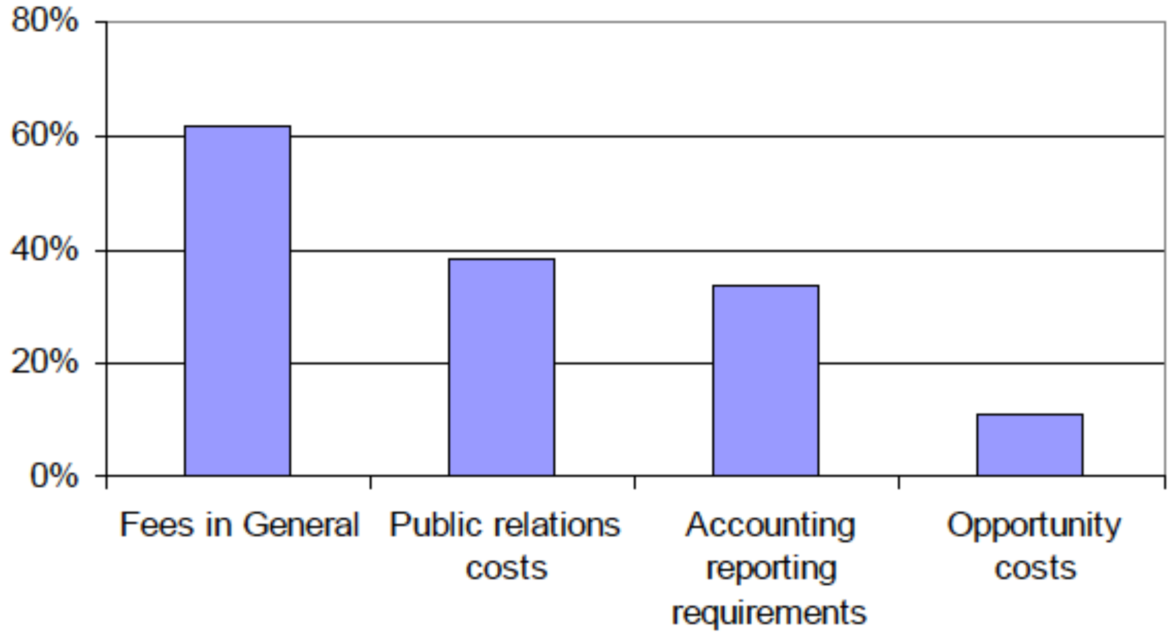
Costs are one of the biggest disadvantages of the process.

These costs can be direct or direct and some of these are immediate and linked to the process and others are additional.

One of the initial and direct costs is represented by the underwriters' commission that is the most expensive for the firm.[69]

Other costs are embodied in: legal taxes, auditing an accounting and marketing expenses.

Figure 2.11. Major costs of the IPO



Source (Bancel, Mittoo, 2008, p.44)

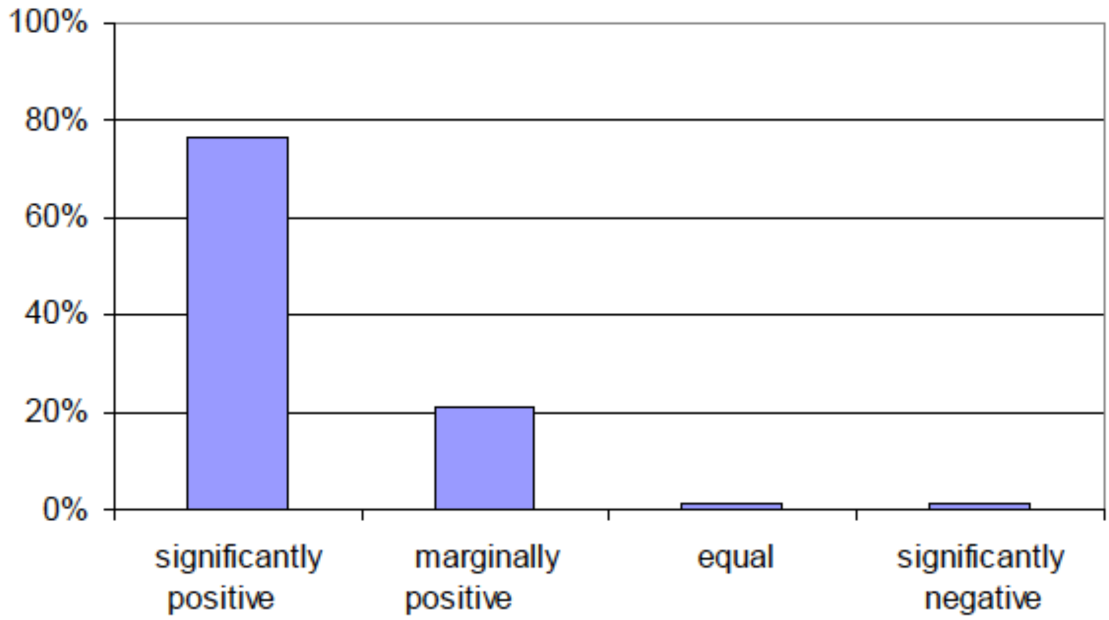
Of course, all these huge costs included in this process, must be balanced with the acquired benefits for the company, to better understand if the choice will give a positive result for the firm or not.

As Figure 2.12 shows, studies confirm that there are net benefits from this process, and the high costs are not a real issue for the company compared to the highest benefits.

[68] S. Abouzaid,"Family business going public", IFC Family business governance handbook, section V, Fourth edition, p. 53

[69] F. Bancel, U.R. Mittoo, "Why European firms go public?", SSRN eLibrary, 2008, p. 20

Figure 2.12. Cost and benefits of the IPO



Source (Bancel, Mittoo, 2008, p.44)

2.2.2. The IPO process as a "middle step"

Going public is a complex process that is made through the instrument of the initial public offering (IPO). The IPO is "offering stock for sale to the general public, thus creating a public company" (Murray, 2013).

In general, an IPO is seen as a positive event in the company's life because it implies that the company needs more capital to sustain its increased performance and, as it was seen before, implies a lot of advantages and some disadvantages. Certainty, this decision influences the structure of the firm from an ownership point of view.

The decision of going public can be seen as a desire for change in the firm's structure, a desire to start a series of M&A activities and consequently to grow faster or to be the subject of an acquisition. It can be seen as a middle step between the private firm and the creation of a group or an opportunity to enter in an established group. The IPO can be seen as a first step for becoming big companies, going public can help the luxury family businesses to enlarge their investments in order to establish a stronger market position, also in foreign markets.

The IPO is chosen as a way to reach new founds, to enlarge their market positions, to establish the presence into new markets and or to be acquired by large corporations with higher financial possibilities (in other words conglomerates as it will be presented in the next session). [70]

[70] P. Donzé, R. Fujioka, "Global luxury: organizational change and emerging markets since the 1970s", ed. Palgrave, 1° edition, 2018, p. 19 – 20

Data reveals that there is a direct connection between newly listed firms and the start of new M&As. 31% of these firms in fact realize at least one M&A activity in the first year after the IPO. Between the IPO announcement and the fifth year, 77% of them carry out at least one acquisition.
Respect to a private firm, a public one is more incentive to conclude M&A activities (19% of the private firms are involved in M&As in the five years before of the IPO against the 74% of the public firm that conducts an acquisition in the five years after the IPO).[71]
That can be explained because going public implies an increase of cash and financial possibilities that facilitate the possibility of doing M&As.
Acquisition activities are not the only possible results after the IPO decision. As it was said before, the firm can be the subject of an acquisition from another firm and it can become a target for an acquisition and loses its independence. It must be noticed that being acquired from another firm is not for sure something seen as negative but can be a positive event for the firm (an increase of the firm's value, reputation and performance). [72]
From this point of view, going public appears to be a transaction phase from the more restrictive and close reality of the private firm to the big groups that dominate the market today.

2.2.3 Example: Prada s.p.a. [73] [74]

The Italian luxury firm Prada is listed on the stock exchange (In Hong Kong stock exchange) and is not controlled by a conglomerate.
The firm was founded in 1913 as a private family firm in Milan and its business is focused on fashion accessories and leathers goods.
The real revolution happens only during the 70s years when Miuccia Prada (for the creativity part) and her husband Patrizio Bertelli (for the business part) guide the firm to become an international player in the luxury industry.
Their successful partnership is characterized by the combination of creativity with managerial abilities to compete into international markets.

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[71] U. Celikyurt, M. Sevilir, A. Shivdasani, "Going public to acquire? The acquisition motive in IPOs", Journal of financial economics, n.96, 2010, p. 346
[72] S. De, J. Jindra, "Why newly listed firms become acquisition targets", journal of banking & finance, n.36, 2012, p. 2617
[73] D. Golizia, "Fashion business model, strategie e modelli delle aziende di moda", ed. Franco Angeli, 2016, p. 55 – 58
[74] C. M. Moore, S. A. Doyle, "the evolution of a luxury brand: the case of Prada", International Journal of Retail & distribution management, Vol. 38, 2010, p. 918 – 924

Under their guidance, Prada diversified its brand portfolio including a ready to wear line, creating another sub-brand, Miu Miu, adopting a mono-brand retail strategy and with the creation of "Fondazione Prada".

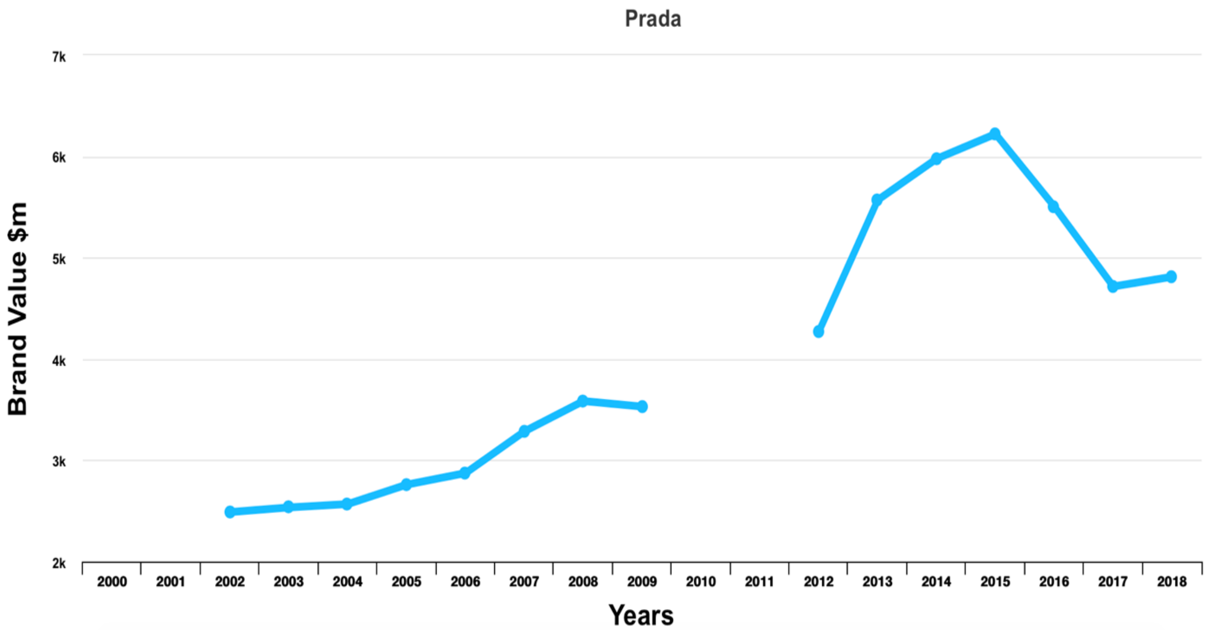
Prada, as a lot of other firms, was not immune to the acquisition waves that characterized the 90s but if in first stage these acquisitions appeared profitable for the firm, afterward create enormous debts for the family firm. The initial aspiration of the firm was to become a conglomerate (as LVMH for example) but the enormous acquisitions were not sustainable for the financial possibilities of the firm. In fact, during the first years of the XXI century, it sold its shares of many of its controlled firms, maintaining only the ownership of Church's, Car shoe and Pasticceria Marchesi and ended its acquisition strategy.

In 2011, the firm is listed on Hong Kong stock exchange, the IPO instrument was used to find the right funds to continue growth's strategy.

This is a clear example that proves that an IPO can be useful to regenerate the financial performance of private companies. During 2015, the new Fondazione Prada was opened.

In 2017, the company closed the financial year with a turnover of € 3 billion. [75]

Figure 2.13 Brand Value of Prada



Source (Interbrand.com)

Prada has undergone a period of crisis between 2015 and 1016, also due to the consolidation of strong players such as luxury conglomerates.

[75] http://www.affaritaliani.it/costume/prada-chiude-il-2017-con--36-fatturato-utili--105-529638.html

But in 2018 Prada started to grow once again and today revenues have increased by 9% and net income increased by 11%.

The core business of the company is still leather goods (like bags and shoes) but also the clothes lines have increased in their sale volumes by 20%.[76]

Interbrand has recently published an interview to Carlo Mazzi, chairman of Prada in which he has explained that the objective of Prada, to face to new global challenges, is to create a stronger relationship with the customer during his/her purchase experience. The connection with customers has increased also in e-commerce, the focus is on the online experience which has had the ability to reach new, young consumers.

Mazzi underlined the aspect that Prada combines tradition and its craftsmanship heritage with innovation.

Prada's strategy is directed in building customer relationships, selected stores opened in strategic areas and evaluation of the retail strategy in line with markets' possibilities.[77]

The current strategy of Prada can be summarized as: an increase of presence inside the digital world and an optimization of the retail network.

These elements are able to attract new consumers to Prada's world, its brand identity and its vision of products.[78]

Speaking of firm's ownership, many companies in these last years have been acquired by big conglomerates (such as LVMH or Kering for example) and this tendency seems to increase especially towards Italian brands. The last case is represented by Versace that has been recently acquired by Capri Holdings.

On the other hand, Prada, through its CEO Patrizio Bertelli, has clarified its position. The brand will not be sold to anyone and its intention is to stay independent.

The brand's will is to control other brands but not to be controlled by someone and this concept is recently been underlined to clarify that the solution of the past crisis will not be a conglomerate's acquisition. [79]

Also the acquisition strategy, followed in the last years, has been abandoned by the brand.

Bertelli has underlined that the current situation of the brand values estimated for M&A is not favorable for doing acquisitions. [80]

[76] G. Crivellini, "Semestre di svolta per Prada: ricavi in crescita del 9%, utile netto a 11%", 2018, https://www.ilsole24ore.com ,

[77] https://www.interbrand.com/best-brands/best-global-brands/2016/ranking/prada/interview-with-carlo-mazzi-chairperson-and-executive-director/

[78] https://www.mffashion.com/news/livestage/bertelli-un-nuovo-capitolo-per-prada-201803091930323977

[79] S. Pieraccini, "Bertelli: Prada non è in vendita. E apre la strada al figlio Lorenzo." 2018, https://www.ilsole24ore.com ,

[80] https://www.mffashion.com/news/livestage/bertelli-non-venderemo-prada-201806082029084968

2.3. Conglomerate

In the luxury industry, the presence of this ownership form is now very common and recent. These firms differentiate themselves from the others for their multi-brand strategy, the opposite of the most traditional mono-brand strategy.

The mono-brand strategy refers to brands that are presented as unique (the brand can be diversified with the brand extension or line extension), in contrast with the multi-brand strategy that refers to the ownership of multiple brands (the ownership can be represented in the form of real possession of the brand or under license).[81]

The strategies of these multi-brand corporations can be different and can be summarized as:[82]

- The will to continue to emphasize brand heritage, brand quality and the superior characteristics of the product
- The will to increase the brand prestige with rational prices
- The will to diversify the consumers base, entering into new unexplored markets

Today the most influential groups in the fashion market, in order of turnover, are:

- LVMH (Moët Hennessy Louis Vuitton SE) with a turnover of € 42,6 billion (2017)[83]
- Kering with a turnover of € 15,5 billion (2017)[84]
- Richemont group with a turnover of € 10,6 billion (2017)[85]

These giants were created from a period characterized by changes due to globalization and increasing of M&A activities.

All of them, today, have a strong influence on the luxury industry but, however, do not have an identical approach and, in fact, present some differences as their sizes and their portfolio.

About the size, it was reviled that in 2015 LVMH has a value for its total assets around € 57.6 billion and 57.601 employees, Kering (previously called PPR) around € 23.4 billion and 34.697 employees and Richemont around € 20.1 billon 28.324 employees.

These data show that certainty LVMH is much bigger than the others and has a higher economic impact.

The second difference among them is represented by the portfolio composition.

[81] P. Varacca Capello, D. Ravasi, "The variety and the evolution of the business models and organizational forms in the Italian fashion industry", Business and Economic Hystory on-line, Vol. 7, 2009, p. 3

[82] Y. Seo, M. Buchanan-Oliver, "Luxury branding: the industry, trends, and future conceptualizations", Asia Pacific journal of marketing and logistics, vol. 27, 2015, p. 83

[83] https://it.wikipedia.org/wiki/LVMH

[84] https://it.wikipedia.org/wiki/Kering

[85] https://en.wikipedia.org/wiki/Richemont

In fact, LVMH, having brands that operate in the fashion, perfume and cosmetics, wines and spirits and watches and jewelry industries, has the most diversified portfolio respect to the others.
The others two conglomerates are more focused (Richemont, for example, does not have brands linked to the cosmetics or beverage industries).
The three conglomerates, however, have also some common aspects.
First of all, these three multi-brands companies were built by entrepreneurs that were able to understand the opportunities linked to European luxury brands. All of them were founded with the idea to create a worldwide distribution network to export European luxury products also in other geographical areas (often much more profitable).
The role of the entrepreneur for each of them was central and essential for the development of their global strategy.
The second common element is represented by the level of internationalization. In fact, their strategies are not focused on the European markets but also, especially in these last years, in other geographical sectors such as Asia where sales are increasing. [86]

2.3.1. Rise of conglomerates

The birth of conglomerates derives from new social trends that influenced the XX and XXI centuries.
From an economic point of view, the 90s was characterized by a series of historical and socio-economical events as: increase of health in general among the society, decrease of the level of unemployment, increase of the sale volumes due to the emergence of new markets (such as BRICS) with a higher market power than before, rising of Internet that led to globalization process and an slowly elimination the entry barriers between different countries.
The consequence of these global changes was an increase in the demand for luxury goods influenced by this increase in health and the desire of the consumers to improve their social status.
These events influenced the luxury firms to increase their sales volume and to extend their brand portfolio and reach more new potential customers.[87]
The competition level increased, the firms were aware of the market's possibilities and started consolidation and expansion activities.

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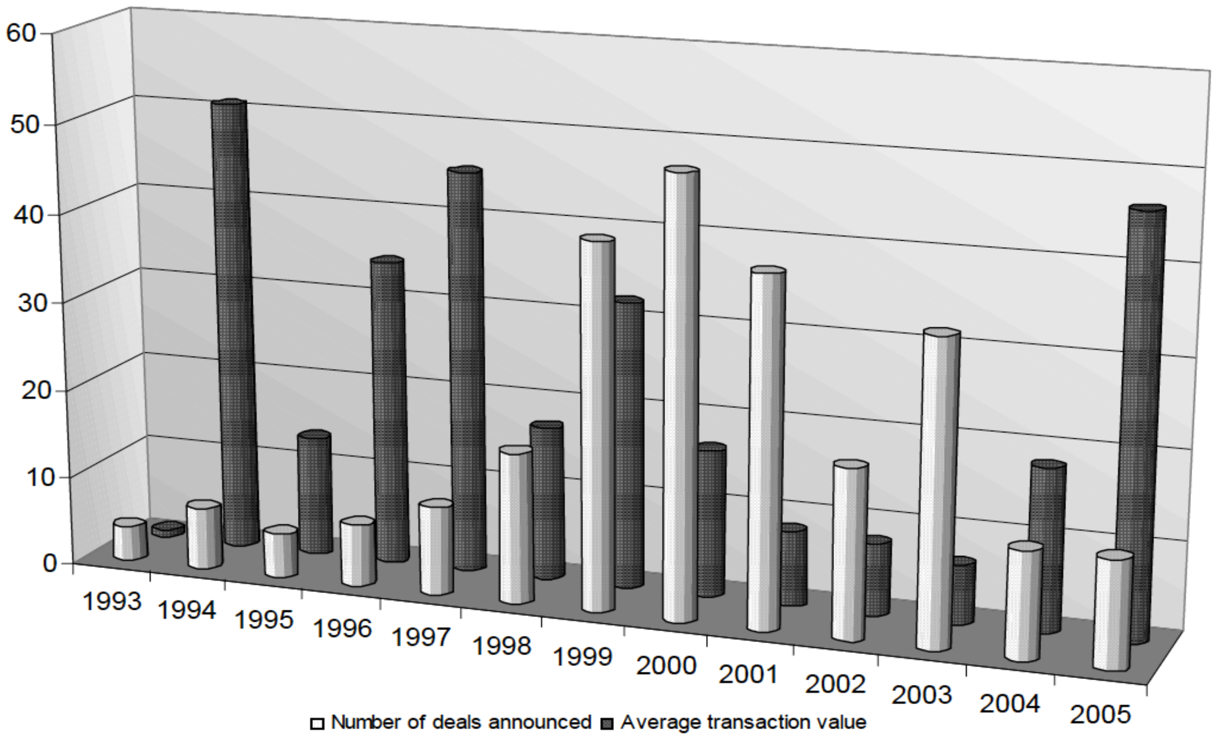
[86] P. Donzé, R. Fujioka, "Global luxury: organizational change and emerging markets since the 1970s", ed. Palgrave, 1° edition, 2018, p. 34 – 35
[87] R. Cavender, D. Kincade, "Management of luxury brand: dimensions and sub-variables from a case study of LVMH", Journal of fashion marketing and management, Vol. 18, 2014, p. 231 – 232

This carried out a period called "merger mania" where the M&A activities increased significantly.
In this context, the industrial landscape changed inevitably, passing from the predominance of a huge number of small artisans working into family firms to the emergence of big luxury conglomerates of brands under the same ownership.[88]
Figures 2.14. and 2.15. give an idea of the volume of the M&A activities that were conducted in those years, distinguishing which firms were involved and in which geographical area.

Figure 2.14. Number of M&A transaction and average transaction volume per year since 1993



Source (Königs, Schiereck, 2006, p. 6)

[88] Y. Seo, M. Buchanan-Oliver, "Luxury branding: the industry, trends, and future conceptualizations", Asia Pacific journal of marketing and logistics, vol. 27, 2015, p. 83

Figure 2.15. Details on luxury companies involved in M&A transactions

Company	Industy	Home Country	M&A Deal Involvements		Average Transaction Value (GBP)
			Acquiror	Target	
LVMH	Luxury Conglomerate	France	51	-	275,902,141
PPR	Luxury Conglomerate	France	36	1	565,817,749
Richemont	Luxury Conglomerate	Switzerland	6	-	1,607,500,000
Swatch	Luxury Conglomerate	Switzerland	6	1	n.a.
Christian Dior	Fashion	France	1	1	39,300,000
Escada	Fashion	Germany	2	-	10,800,000
Etienne Aigner	Fashion	Germany	-	2	6,561,847
Gucci	Fashion	Italy[20]	19	19	961,064,771
Hardy Amies	Fashion	United Kingdom	1	2	743,400
Hermès International	Fashion	France	3	-	10,563,333
Hugo Boss	Fashion	Germany	-	2	n.a.
Mariella Burani	Fashion	Italy	10	-	18,536,923
Marzotto	Fashion	Italy	3	2	149,594,805
Polo Ralph Lauren	Fashion	USA	5	-	181,190,410
Tommy Hilfiger	Fashion	USA	1	-	126,399,792
Wolford	Fashion	Austria	1	-	n.a.
Ittiere Holding	Accessories	Italy	-	1	n.a.
Luxottica	Accessories	Italy	8	-	201,780,647
Tod's	Leather & Accessories	Italy	-	1	1,255,359
Bulgari	Jewelry	Italy	4	2	26,696,209
Golay-Buchel	Jewelry	Switzerland	1	-	n.a.
Tiffany & Co.	Jewelry	USA	3	-	38,576,666
Remy-Cointreau	Champagne, Wines & Spirits	France	3	1	319,870,000
Taittinger	Champagne, Wines & Spirits	France	-	9	441,588,155
Rosenthal	Crystals & Porcelain	Germany	3	1	49,192,079
Waterford Wegdwood	Crystals & Porcelain	USA	12	1	122,762,679
Clarins	Perfume & Cosmetics	France	1	-	n.a.
Elizabeth Arden	Perfume & Cosmetics	USA	-	2	161,913,379
Estée Lauder	Perfume & Cosmetics	USA	5	-	19,230,473
L'Oréal	Perfume & Cosmetics	France	14	-	39,668,087
Shiseido	Perfume & Cosmetics	Japan	1	-	n.a.

Source (Königs, Schiereck, 2006, p.7)

What emerges is that these three conglomerates were the main actors of the merger mania and these activities were focused in the European area.

In the end, the rising of conglomerates is just the proof of the tendency of the fashion firms to increase their portfolio and try to keep up with the new macro trends.

Figure 2.16. Fashion companies' evolution

	Original Business (Clothing, LG, Shoes)	**Related Businesses** (Clothing, LG, Shoes)	**Connected Businesses** (Eyewear, Home, Fragrances, Jewelry)
One Brand One Brand Endorsed Brands	A: Line extension new segments	B: Brand extension	C: Brand extension
New Brand	D: Multi-brand strategy	E. Multi-brand/Multi-business strategy	F: Multi-brand/Multi-business strategy

Source (Capello, Ravasi, 2009, p.9)

Figure 2.16. shows the evolution of the strategies of the fashion companies during these last years.

Conglomerates can be identified in the choice F, in fact it is possible to connect this choice to a multi-business strategy.

For example, LVMH has inside of its portfolio not only fashion brands but also brands linked to: watches and jewels, wines and spirits, distribution retailers and perfume and Cosmetics, for this reason it is possible to define it a multi-business group.

Others instead have chosen to remain independent from these big conglomerates and to develop a brand extension strategy (such as Giorgio Armani than passed from A to B and finally to C strategy).

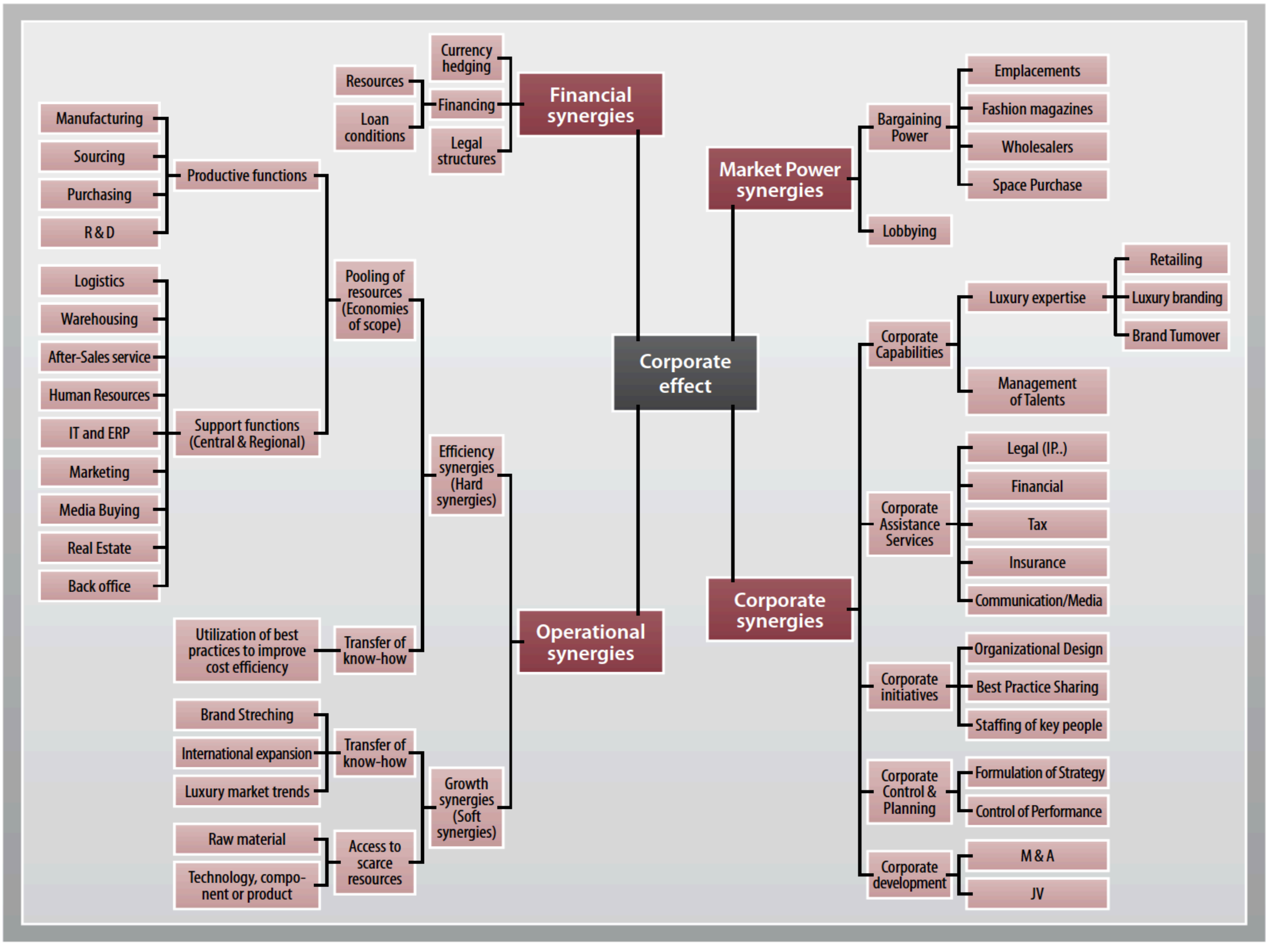
What is sure is that, today, conglomerates have an enormous impact on the luxury industry and present for the stand-alone firms an attractive solution to increase their margins.

2.3.2. Does the conglomerate strategy really work?

The conglomerates' strategy is focused on in the idea to give to brands under their control the necessary financial and managerial resources to sustain their growth.

Especially in the fashion market, firms do not have the possibility to serve alone multiple markets or to increase their customer base. For this reason, often they leave their autonomy to become part of a bigger group with higher resources. The basic idea is that "big is beautiful", the idea is to use the advantage of size to obtain better performances and to reach some kind of synergies. The first goal of these group should be: to reach a corporate effect that is "value creation at corporate level, which corresponds to both the vertical relationship between the corporate center and the businesses and the horizontal relationship between the businesses" (Ijaouane, Kapferer, 2012, p. 25). The second goal to reach is to create strong synergies inside the group, that means that all units of the group should be more valuable if considered as a whole rather than as a single.

Figure 2.17 Typologies of synergies within luxury groups



Source (Ijaouane, Kapferer, 2012, p. 25)

Figure 2.17. summarizes the advantages that a firm can be reached inside of a conglomerate. Synergies can lead to, the possession of resources that were not available before or a better use of them, to transfer specific know-how between the brands, exchange useful researches about market's trends and new consumers' habits , to benefit from the "parenting advantage" (the sub - brands exploit the ability of the major brand that possesses them, as it is happened into Gucci Group). Financial synergies are very important because, often, is one of the major motives to join a conglomerate. As it was said before, sometimes a luxury firm (especially a private one) does not have the necessary financial support to sustain a mass-production or a mass-distribution, and for this reason it is possible to choose to be acquired by a firm or a group to reach these resources.

The ability of these conglomerates to penetrate new markets appear to be higher than mono-brand firms, that is because they can increase their presence worldwide using different target segments for each brand (one brand can be used to reach younger consumers, another for reaching people with higher economic possibilities and so on).
It implies a diversified portfolio and the achievement of a worldwide distribution. [89]
In summary, this ownership's choice can be translated into more growth's possibilities and development of huge investments as it happened to Loro Piana.
The Italian brand has become part of the French conglomerate in 2013 and since then it has grown its revenues and financial positions. In this case the conglomerate (Kering) was able to respect and maintain the brand's identity identified into a small family firm specialized in high production's quality. Its competitive advantage embodied into the "Made in Italy" was valorized coming to higher financial results. [90]
As the others ownership forms, even conglomerates present some critical aspects.
First of all, can happen that could be a sort of lack of quality management.
It is due to the fact that in a group there is the continuous development of new projects and, at the international level, there are still few available managers that have the ability to coordinate them. This lack of knowledge can cause unfavorable conditions inside the group, especially in H&R level.
Another aspect that can be controversial is that conglomerates have a strong power against suppliers, but it can cause also a decrease in the quality and the experience in favor of a cost reduction. This can damage the quality of the final product and consequently, the brand 'image.
Finally, it can happen that a group is not able to manage the brand. It can happen because the story, the vision and the soul behind the brand are not well understood.
The conglomerate should be careful to buy a brand that has the same vision of the whole group in order to avoid misunderstands about the whole group's image among consumers.
Stella McCartney, for example, has chosen to purchase back her brand's shares from Kering in order to restore her independence, after a long period inside of the group's portfolio. [91]
Kering in this sense has eliminated over time brands that were not in line with the exclusive image that it wants to transmit to consumers (as the case of the sale of Volcom).[92]

[89] P. Varacca Capello, D. Ravasi, "The variety and the evolution of the business models and organizational forms in the Italian fashion industry", Business and Economic History on-line, Vol. 7, 2009, p. 11
[90] C.A.F. "Da Versace a Gucci: tutti i marchi della moda venduti all'estero", 2018, https://www.ilsole24ore.com/
[91] https://www.ilsole24ore.com/art/moda/2018-03-28/stella-mccartney-lascia-gruppo-kering-designer-piu-green-diventa-indipendente--182603.shtml?uuid=AEye2UPE
[92] https://fashionunited.it/news/business/kering-sta-per-vendere-volcom/2018041017391

Figure 2.18. Action plan before to conduct an M&A

Key do's & don'ts

Do:

- Include the branding/marketing department early on as a strategic partner throughout the deal.
- Establish a procedure for integrating branding and corporate finance processes and conduct proper marketing due diligence before the deal.
- Approach how to brand an acquisition within the context of your brand strategy and consider how it may strengthen your overall brand portfolio and position in the market.
- Determine how to brand the acquisition by analyzing the target company across a number of key criteria that ensure alignment of business and brand strategies.
- Establish a brand migration plan that takes into account all customer touch points to ensure a smooth and convincing transition.
- Use brand valuation metrics to manage the migration.

Don't:

- Ignore branding and marketing issues until after the deal is completed.
- Allow short-term monetary incentives to dictate how the acquisition should be branded.
- Assume due diligence is completed merely by putting a value on the brand.
- Migrate the brand without ensuring that customers will consistently experience the brand promise.
- Migrate the brand without ensuring that the appropriate metrics are in place to guide and control the process.

Source (Kumar, Blomqvist, 2004, p.25)

The conglomerate' ownership provides different benefits/costs these should be suitable and in line with the intrinsic characteristics of each different brand's identity. The risk is that the group could not be able to replicate the past success of these brand because they do not have the ability to manage or to increase its brand equity. The acquisition's operation could cause a change in the brand's perception among consumers, that will not feel in contact with the brand and with the idea behind the brand.[93]

Every time that an ownership change is concluded there is always the risk of brand dilution or loss of consumer's trust and consequently of the brand's prestige. For this reason, the change should be coherent with the brand's identity and image, avoiding a decrease in brand reputation and brand equity.[94]

It is important to remember when there is the will of building conglomerates to not sacrifice or destroy the identity and heritage of the brand in order to increase profitability and sales volumes. [95]

[93] E. Corbelli, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli. 2009, p. 132 – 136
[94] V. Ijaouane, J – N. Kapferer, "Developing luxury brands within luxury groups – synergies without dilution?", Marketing Review St. Gallen, Vol. 1, 2012, p. 25
[95] P. Danziger, "Luxury brand mergers and acquisitions set to explode", 2016, https://www.forbes.com/

2.3.3. Example: LVMH SE [96] [97] [98]

LVMH (Louis Vuitton Moët Hennessy SE), founded in 1987, represents one of the best examples of the success of the luxury conglomerates and the most profitable luxury company in the world. The history of the company is characterized by a long list of acquisition activities that led to having into the firm's portfolio more than 60 brands specialized in:

- Wines and Spirits (such as Moet & Chandon, Hennessy, Dom Perignon)
- Fashion and Leather goods (such as Louis Vuitton, Loro Piana, Givenchy)
- Perfumes and Cosmetics (such as Guerlain, Acqua di Parma)
- Watches and Jewelry (such as Tag Heuer, Bulgari)
- Selective Retailing (such as Sephora, DFS)
- Other Activities (such as Royal Van Lent)

LVMH strategy is focused on managing brands that are similar to the core business of the company. For this reason, it owns just exclusive brands and it cut from its portfolio during the years, those were not profitable for the group (as it happened the RoC, a cosmetic firm that was sold because not prestigious compared to the other cosmetic's brands owned). Using M&A strategy, the profitably of the group has increased faster and faster and today LVMH is the leader of the fashion industry.

Acquisitions are used by the group, not only to acquire new luxury brands but also to control the production process. The idea developed by LVMH is to acquire the local manufacture firms that follow the production's process of luxury products in order to control and ensure raw materials, quality and product's components. An example of this acquisition's strategy is that, in 2009, LVMH created a joint venture with a local firm that was a leather supplier of Louis Vuitton since 1988. It is important to clarify that, even if LVMH's strategy is to focus on rapid acquisition sin order to increase its control, elements like traditions, know-how and handmade techniques are always respected and preserved. These activities are considered by the group important to preserve the group's authenticity, quality, and creativity.[99]

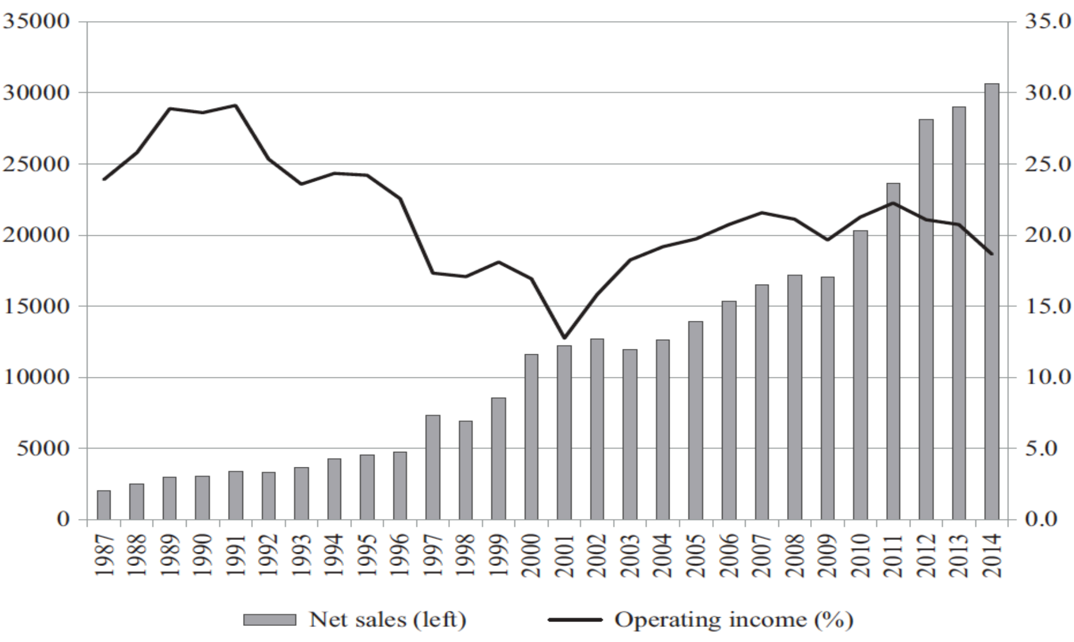
[96] D. Golizia, "Fashion business model: strategie e modelli delle aziende di moda", ed. Franco Angeli, 2016, p. 50 – 51

[97] E. Corbelli, S. Saviolo, "Managing fashion and luxury companies", ed. Rizzoli. 2009, p. 41 – 42

[98] P. Donzé, R. Fujioka, "Global luxury: organizational change and emerging markets since the 1970s", ed. Palgrave, 1° edition, 2018, p. 63- 70

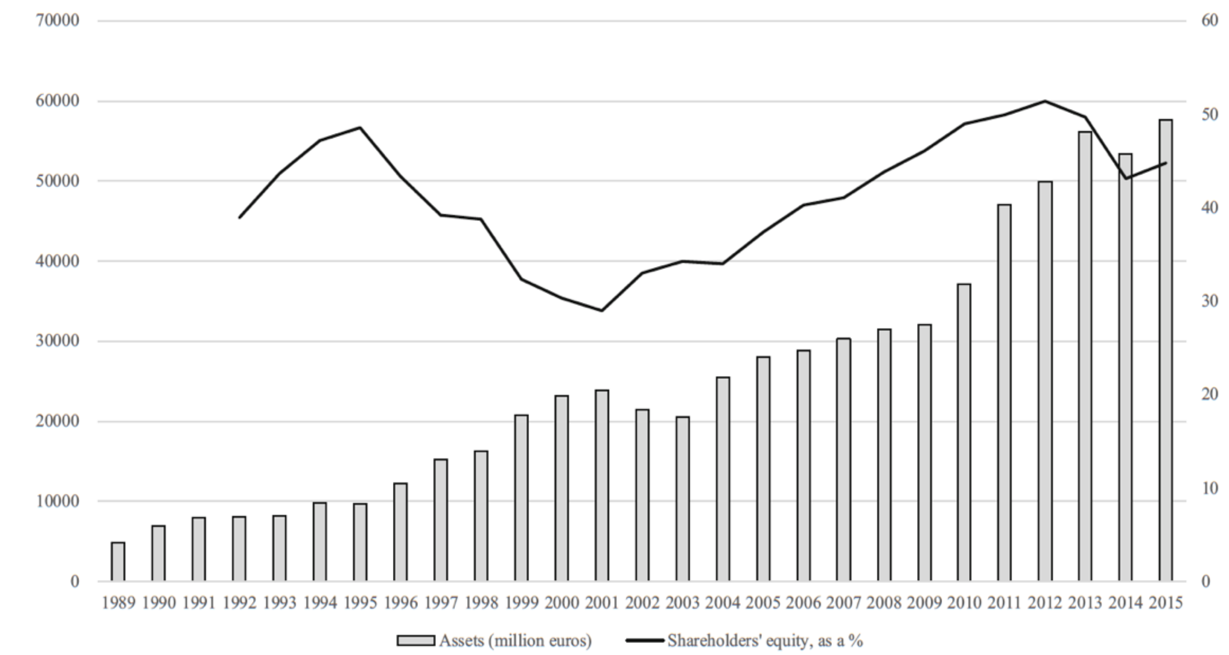
[99] P. Donzé, R. Fujioka, "Global luxury: organizational change and emerging markets since the 1970s", ed. Palgrave, 1° edition, 2018, p. 79

Figure 2.19 Net sales in million euro and operating income as a %, 1987-2014



Source (LVMH, annual reports, 1987-2014)

Figure 2.20. the relationship between shareholders' equity and LVMH assets 1989 - 2015



Source (P-Y Donzè, 2018, p. 23)

The group's strategy is focused on three main points: a complete control of the production system, a strong commitment to communication's investments and concentration on the improvement of direct distribution.

Creativity and innovation are always central points in the mission of the firm, that can count on a strong financial position that help these processes. "Passionate about creativity" is like a mantra for the firm, in fact this "slogan" appears in every annual report between 2002 and 2010. These elements are often supported by the development and valorization of every single brand's heritage.

LVMH supports a brand's history and contributes to create new legends, new storytelling when necessary. Histories and heritages of brands are seen like added values for the company that is able to support these past elements with the use of more contemporary managerial tools. Brand's heritage alone does not explain LVMH's success, but also the creative use and the ability to evaluate and implement these stories are key factors for the conglomerate's success. The ability of LVMH consists on to take these brands with their heritages and legends and to reinvent them (also with the assumptions of new famous creative directors) in order to raise the brand's value, using extraordinary managerial abilities embodied in capable managers able to well link past and present of each brand.

Synergies between brands are also a central point to understand the LVMH's success.

For example, Kenzo in 2000 launched on the market for the first time its own perfume, thanks to the synergies created inside the group. [100]

LVMH is actually a giant of the luxury industry and this is due to the right support that it gives to every single brand.

The demand is that if all this control on the societies could lead to an elimination of the independence to conduct some strategies that could be far from the core business of LVMH, but profitable for the single brand.

3.5. Future ownership changes

The luxury industry, especially in the Italian landscape, was characterized by small family firms for years. In fact, in the Italian context where companies are often undercapitalized due to the small size and private ownership, firms become more and more subjects to attract the attention of the conglomerates or to be closed to become public.[101]

Loro Piana, Bulgari, Gucci, Fendi and Bottega Veneta are examples of Italian fashion brands owned by foreign companies. On the other hand, Ferragamo and Prada are examples of stand-alone, public companies.

One of the most excellent examples of a private luxury brand is embodied in Chanel. It has recently revealed, after a long period of secrecy, its financial results [102], positioning between

[100] P. Donzé, R. Fujioka, "Global luxury: organizational change and emerging markets since the 1970s", ed. Palgrave, 1° edition, 2018, p. 73 – 80

[101] P. Donzé, R. Fujioka, "Global luxury: organizational change and emerging markets since the 1970s", ed. Palgrave, 1° edition, 2018, p. 60 – 61

[102] Its turnover is equal to € 8.6 billion

the most powerful luxury brand in the world (Chanel is considered the second for brand equity according to Interbrand's ranking referred to 2018).

This move was probably concluded in order to show its power and to clearly declare its will to remain independent, being during the years always subject of the conglomerates' attention.[103]

Chanel is an excellent example of the strength of the unlisted companies still maintain.

The control will remain embodied in Alain and Gérard Wertheimer but not every brand seems to be able to sustain the development alone. [104]

In fact, Brands that are still private are less and less and in order to survive the choices are few. One of the most natural transformation to increase profitability is to become public.

Every year the website Pambianco creates a ranking of the next possible brands that could become public.

The selection of the brands is based on particular characteristics and at least one of following criteria must be satisfied in order to be considered adapt to be listed: [105]

- Turnover's growth equal to +8% in the last three years and average Ebitda's percentage higher than +6%
- Turnover and Ebitda's level of growth always positive and international visibility of the brand
- In the last three years negative Turnover's growth (maximum – 15%) but an Ebitda's percentage higher than +10%

Figure 2.21. Methodology applied

Fattori	Peso %
1. CRESCITA % (2016 su 2013)	18
2. EBITDA % MEDIO (2016-2015-2014)	18
3. NOTORIETÀ DEL MARCHIO	16
4. DIMENSIONE	13
5. EXPORT	13
6. RETAIL (negozi diretti)	9
7. INDEBITAMENTO	8
8. FASCIA DI MERCATO (Lusso, Medio/Alta, Media)	5
Totale	100

Source (Pambianco.com)

[103] G. Bolelli, "Le firme del lusso indipendenti sotto pressione dopo l'acquisto di Versace", 2018, https://it.fashionnetwork.com/

[104] A. Ginori, "La prima volta dei conti di Chanel. Batte le stime su Fatturato e utile", 2018, https://www.repubblica.it/

[105] L. Testoni, "Valentino prima tra le quotabili", 2018, https://www.pambianconews.com/

Figure 2.22. The next possible public firms

Ranking 2016	Ranking 2017	Trend	Ragione Sociale	Main Brand	Score
2	1	↗	Valentino spa	VALENTINO	80,1
1	2	↘	Giorgio Armani spa	GIORGIO ARMANI	77,8
5	3	↗	Dolce&Gabbana Holding srl	DOLCE&GABBANA	74,2
9	4	↗	Golden Goose spa	GOLDEN GOOSE	71,4
31	5	↗	GGR srl	GIANVITO ROSSI	70,6
3	6	↘	Ermenegildo Zegna Holditalia spa	ERMENEGILDO ZEGNA	67,7
8	7	↗	Calzedonia spa	CALZEDONIA	67,4
4	8	↘	Gianni Versace spa	GIANNI VERSACE	67,1
13	9	↗	Max Mara Fashion Group srl	MAX MARA	66,7
6	10	↘	Giuseppe Zanotti spa	GIUSEPPE ZANOTTI	64,9
11	11	→	Furla spa	FURLA	64,8
20	12	↗	Sportswear Compani spa	STONE ISLAND	63,4
7	13	↘	Stefano Ricci spa	STEFANO RICCI	62,5
16	14	↗	Kiko spa	KIKO MILANO	62,4
NEW	15		Gruppo O bag	O BAG	59,6
10	16	↘	Dama spa	PAUL&SHARK	59,3
14	17	↘	Etro spa	ETRO	59,0
15	18	↘	Fabiana Filippi spa	FABIANA FILIPPI	58,2
25	19	↗	Twinset Simona Barbieri spa	TWINSET	57,8
24	20	↗	Carlotta srl	ERMANNO SCERVINO	57,5
19	21	↘	Liu Jo spa	LIU JO	57,3
23	22	↗	Ciro Paone spa	KITON	56,2
NEW	23		AGF88 Holding srl	ALTER EGO ITALY	56,2
12	24	↘	Gruppo Canali spa	CANALI	56,1
38	25	↗	Alfa Parf Group spa	ALFA PARF	55,6
17	26	↘	OTB spa	DIESEL	55,0
47	27	↗	Collistar spa	COLLISTAR	55,0
26	28	↘	Marcolin spa	MARCOLIN	54,8
29	29	→	Missoni spa	MISSONI	53,4
NEW	30		Sodalis srl	TESORI D'ORIENTE	52,1
36	31	↗	Ecuador spa	IMPERIAL	52,0
30	32	↘	Betty Blue spa	ELISABETTA FRANCHI	51,9
27	33	↘	L'Erbolario srl	L'ERBOLARIO	51,1
33	34	↘	Teddy spa	TERRANOVA	51,0
34	35	↘	Cris Conf spa	PINKO	50,7
22	36	↘	Herno spa	HERNO	50,2
37	37	→	Luisa Spagnoli spa	LUISA SPAGNOLI	50,1
28	38	↘	Capri srl	ALCOTT	50,0
NEW	39		Isaia & Isaia spa	ISAIA	50,0
41	40	↗	Manifattura Mario Colombo spa	COLMAR	49,6
40	41	↘	Imac spa	PRIMIGI	49,4
21	42	↘	Coccinelle spa	COCCINELLE	49,1
39	43	↘	Pianoforte Holding spa	YAMAMAY - CARPISA	46,4
44	44	→	La Sportiva spa	LA SPORTIVA	46,9
42	45	↘	Euroitalia spa	EUROITALIA	46,5
NEW	46		Istituto Ganassini	RILASTIL	45,9
49	47	↗	Morellato spa	MORELLATO	45,5
NEW	48		Tatarella spa	PRIMADONNA	45,4
NEW	49		Davines spa	DAVINES	45,4
43	50	↘	Bag spa	NERO GIARDINI	44,6

Source (Pambianco.com)

As figure 2.22. shows Valentino has surpassed Armani as the first next possible luxury brand that has the requites to become public.
The company, founded by Valentino Garavani in 1960, today is owned by the Mayhoola for Investments S.P.C. [106] Until now Valentino appears to maintain a strong link with Mayhoola, despite the rumors about its quotation are more and more insistent.
In the second place there is Giorgio Armani. Armani, as mentioned in chapter 2, has already created a foundation in order to avoid hostile takeovers from foreign conglomerates in the future and today the intention seems to be to relaunch the brand maintaining the established ownership status.[107] On the other hand, most fashion companies have abandoned its private form and have already adopted the public ownership seeking growth's opportunities.
In the Italian context excellent examples of this form are, just to name a few: Tod's, Moncler and Prada. The last one, as it was mentioned in chapter 2, has developed a multi - brand strategy avoiding the risk to be bought by other firms.
The will of Patrizio Bertelli and Miuccia Prada is clear, the sale is not an option for them. At the contrary their son, Lorenzo Bertelli, is preparing himself to become the next CEO of the brand. The direction of the group will remain in the family' hands and the ownership status seems to be stable for the moment.[108] Also Tod's has created a multibrand group under its control. Its portfolio includes Hogan, Fay and Roger Vivier. The brand, after a period of crisis, are relaunching its brand. The financial results are, for the moment, in line with this restructuring's phase. [109] [110]
Moncler was able during the years to survive as stand-alone brands thanks to its capacity to renovate itself and present every year creative collections.
It has developed a strong identity and creativity based on continuous innovation and for this reason consumers seem to be loyal to the brand that is living a period of growth. [111]
The control of the brand will be passed to Pietro and Romeo, sons of Remo Ruffini.[112] Exiting for the Italian landscape there are many other luxury public companies that are winning without losing its independence, like Hermes.

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[106] https://www.valentino.com/it
[107] C.A.F. "Da Versace a Gucci: tutti i marchi della moda venduti all'estero", 2018, https://www.ilsole24ore.com/
[108] F. Camurati, "Da Prada con Lorenzo Bertelli a LVMH con Frédéric and Alexandre Arnault, fino a Pietro e Romeo Ruffini eredi di Mr. Moncler e Margherita Maccappani Missoni. I delfini delle dinastie di moda prendono il potere e una nuova generazione si prepara al comando", 2018, https://www.mffashion.com/
[109] In the first nine months of 2018 revenues are € 706 million with a decrease equal to -2.2%
[110] https://fashionunited.it/news/business/il-titolo-tod-s-scende-sotto-i-50-euro/2018110918719
[111] G. Crivelli, "In borsa vincono i creativi: l'innovazione spinge i bilanci della moda Made in Italy", 2018, https://www.ilsole24ore.com/
[112] F. Camurati, "Da Prada con Lorenzo Bertelli a LVMH con Frédéric and Alexandre Arnault, fino a Pietro e Romeo Ruffini eredi di Mr. Moncler e Margherita Maccappani Missoni. I delfini delle dinastie di moda prendono il potere e una nuova generazione si prepara al comando", 2018, https://www.mffashion.com/

<u>Figure 2.23. The most powerful Europe luxury brands on the stock exchange</u>

AZIENDA	BORSA	PREZZO 31 dicembre '17	Δ% 2017	CAPITALIZZ. (Mln €)	EV / EBITDA
AEFFE	Milano	2,25	89,1	236	8,61
KERING	Parigi	391,08	84,6	51.003	19,55
PIQUADRO	Milano	1,81	58,8	99	12,62
MONCLER	Milano	26,08	56,5	6.410	16,97
PUMA	Francoforte	363,00	45,8	3.680	19,10
LVMH	Parigi	245,40	37,6	121.832	13,76
RICHEMONT (CHF)	Zurigo	88,30	34,1	42.390	15,26
BRUNELLO CUCINELLI	Milano	27,01	32,3	1.870	23,01
GEOX	Milano	2,89	29,6	740	10,99
STEFANEL	Milano	0,18	28,6	15	N/M
SWATCH (CHF)	Zurigo	397,40	28,4	17.842	16,12
HUGO BOSS	Francoforte	72,20	27,2	4,900	9,46
BURBERRY (£)	Londra	1792,00	22,3	7.802	12,26
CALEFFI	Milano	1,49	19,2	22	16,90
OVS	Milano	5,55	17,1	1.330	9,98
HERMES	Parigi	446,25	14,2	46.760	21,85
ADIDAS	Francoforte	167,15	11,7	34.574	15,85
DAMIANI	Milano	1,08	11,3	78	N/M
LUXOTTICA	Milano	51,15	0,6	24.260	12,73
TED BAKER (£)	Londra	2711,00	0,0	1.507	16,51
TOD'S	Milano	60,90	-0,0	2.000	10,73
NEXT (£)	Londra	4525,00	-1,3	8.168	8,48
SALVATORE FERRAGAMO	Milano	22,15	-2,0	3.750	13,22
MULBERRY (£)	Londra	1055,00	-3,8	677	37,83
SMCP*	Parigi	19,25	-8,3	1.344	n/m
INDITEX	Madrid	29,05	-8,7	89.800	16,63
GERRY WEBER	Francoforte	9,50	-15,2	422	9,03
PANDORA (DKK)	Copenaghen	675,50	-19,0	8.454	N/M
H&M (SEK)	Stoccolma	169,30	-30,0	27.102	8,30
SAFILO	Milano	4,77	-40,6	325	27,47
				MEDIA	16

Source (pambianconews.com)

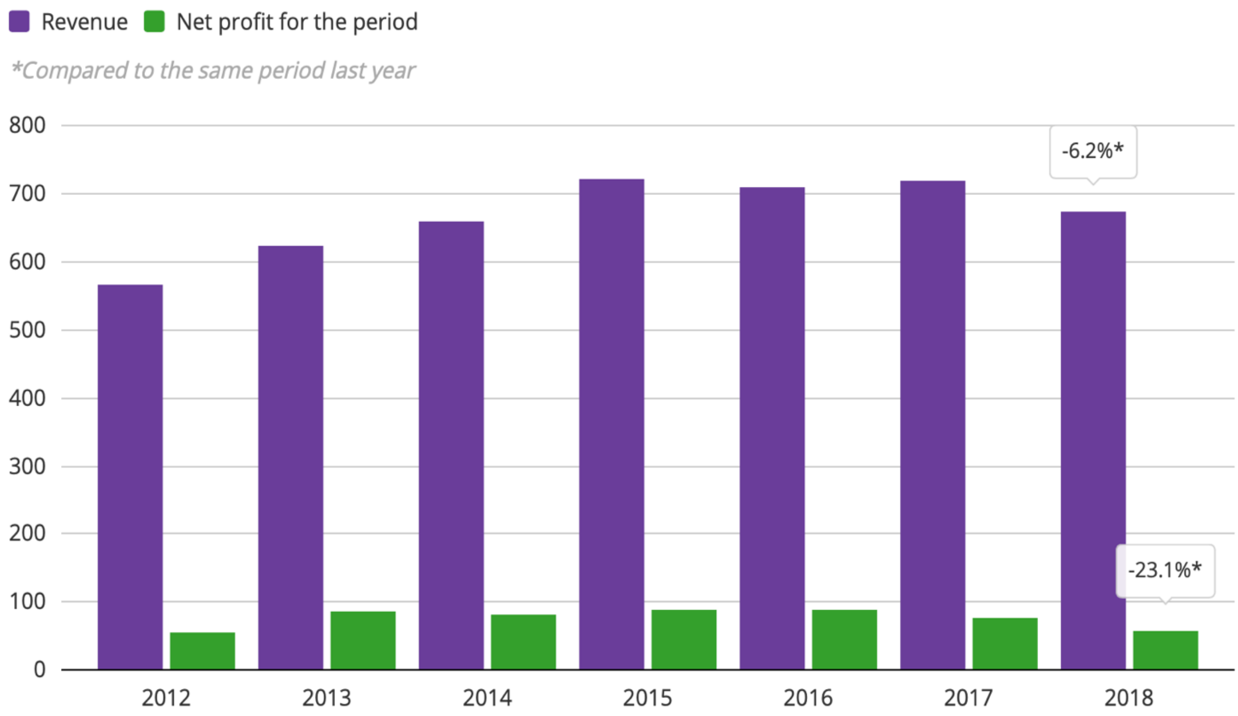
<u>Figure 2.24. The most powerful American luxury brands on the stock exchange</u>

AZIENDA	BORSA	PREZZO 31 dicembre '17	Δ% 2017	CAPITALIZZ. (Mln €)	EV / EBITDA
CANADA GOOSE*	NY	31,56	96,3	2.975	45,26
STEVEN MADDEN	NY	46,70	54,1	2.256	13,22
ABERCROMBIE & FITCH	NY	17,43	52,8	1.190	5,50
SKECHERS	NY	37,84	52,0	5.136	12,74
PVH CORP.	NY	137,21	51,0	9.314	12,10
GAP	NY	33,83	49,2	10.850	6,81
WOLVERINE	NY	31,88	46,8	2.484	13,67
GUESS	NY	16,88	46,8	1.225	9,22
MICHAEL KORS	NY	62,95	46,1	8.184	8,93
VF CORPORATION	NY	74,00	42,6	25.596	17,89
TIFFANY	NY	103,95	36,5	10.849	13,91
TAPESTRY	NY	44,23	28,7	10.815	13,92
COLUMBIA SPORTSWEAR	NY	71,88	27,7	4.152	14,95
AMERICAN EAGLE	NY	18,80	26,1	2.592	6,23
G III	NY	36,89	25,5	1.479	16,27
URBAN OUTFITTERS	NY	35,06	22,7	2.992	8,49
NIKE	NY	62,55	21,9	88.506	20,06
LULULEMON	NY	78,59	17,6	8.578	18,58
RALPH LAUREN	NY	103,69	17,1	7.655	8,01
MOVADO	NY	32,20	15,0	609	10,14
HANES	NY	20,91	-2,7	6.776	11,35
LIMITED BRANDS	NY	60,22	-5,0	12.011	8,31
UNDER ARMOUR	NY	13,32	-48,3	5.022	14,45
FOSSIL	NY	7,77	-70,5	386	5,92
				MEDIA	13

Source (pambianconew.com)

As said before, being public can imply also the acquisition from another brand. Brands that can be a prey of these M&A activities are often in a period of financial crisis or cannot sustain huge investments in innovation and expansion in order to compete into international markets.
Giuliano Noci, professor of Strategy and Marketing at Politecnico di Milano has declared that the independent brands often have not enough resources to compete into the fashion market that is characterized by volatility and fast changes respect to the conglomerates. For this reason, becoming part of them could appear to be inevitable.
Brands as Burberry, Tiffany and Ferragamo could be next objects of M&A from the big conglomerates.
All of them are working to relaunch their brands but living a period of crisis are more exposed to hostile takeovers. [113]
Salvatore Ferragamo for example is the symbol of the inimitable made in Italy's quality. The control is always embodied in the family's members (the current CEO is Micaela Le Divelec Lemmi) but in these last years has suffered a decrease in sale's volume.
In the first nine months of 2018 revenues are decreased by 3.3%. [114]

Figure 2.25. Financial results of Salvatore Ferragamo (2012 – 2018)



Source (Fashionunited.it)

[113] G. Bolelli, "Le firme del lusso indipendenti sotto pressione dopo l'acquisto di Versace", 2018, https://it.fashionnetwork.com/
[114] I. Naef, "Salvatore Ferragamo: ricavi in flessione nei primi nove mesi", 2018, https://fashionunited.it/

A possible resolution for this period of crisis could be an acquisition's operation by LVMH. Rumors are insistent about this ownership's resolution while the family continues to deny this hypothesis (as it happened for Prada). There is not the intention to become part of any conglomerate and lose independence and family's control.
Ferragamo could be the next conglomerate's target as it happened to others unique Italian excellences as Bulgari and Pucci (part of LVMH), Bottega Veneta and Brioni (part of Kering), La Perla (bought by Sapinda, a Holland company) and the list is much longer.
The last one is Versace, bought by Michael Kors, that has increased the higher pressure that the Italian independent firms suffer.
Their special know-how, their heritage and traditions, their excellent histories are factors that make them attractive for big conglomerates that want to enter in niche markets where these brands often operate. These factors in fact are irreplaceable and the Italian financial law seems to not protect or help to avoid these foreign acquisitions. [115]
As it happened to Versace, if the brand is living a long period of crisis something must be done and sometimes the acquisition way appears to be the easy solution in order to avoid stagnation. Even other brands outside of the Italian context could be the next targets of the conglomerates as for example Tiffany and Burberry. These brands, as Ferragamo, are working to improve their performances but the recovery is slow and not easy. [116]
In summary, in the ownership context the choices are limited.
The first is to remain private (if the brand is not already listed) and to find and develop competitive advantages to sustain innovations and increase profitability without losing autonomy as Chanel.
The second one is to become public seeking funds and increasing innovation's opportunities and foreign investments. Brands must take into account to protect themselves from M&A activities as having developed Prada or Hermès.
The last one is to become part of a conglomerate to obtain more financial support and synergies. The brand and the conglomerate must be careful to manage the brand's identity avoiding losing consumers' loyalty and trust. Good examples in this sense are Gucci or Dior.
Future changes in this sense are presented but the future is uncertain, rumors are always insistent about some brands but the reality, especially in the luxury industry, could be much more different and could change quickly.

[115] C.A.F. "Da Versace a Gucci: tutti i marchi della moda venduti all'estero", 2018, https://www.ilsole24ore.com/
[116] G. Bolelli, "Le firme del lusso indipendenti sotto pressione dopo l'acquisto di Versace", 2018, https://it.fashionnetwork.com/

In addition to what is mentioned before, there is also another option for a brand from an ownership's point of view, becoming a conglomerate adopting a multi - brand strategy. This possible strategy will be analyzed in the next section.

3. The Gucci Brand case

In previous chapters brand's identity and its components and the firm's ownership status in the luxury industry were analyzed. Now, these concepts will be analyzed using the example of the Gucci brand.

The brand's strategies and changes related to ownership will be intertwined inside the Gucci brand organization to better understand the possible relationships between these two elements. Today Gucci represents one of the most powerful and iconic luxury brands over the world but what is interesting to notice are Gucci's strategies and organization's changes adopted during the years that carry the brand to become what is now, a giant of the luxury industry.

Using the company as a case study will be possible to make a reflection on the effects of changes in identity and ownership on luxury brands.

3.1. Gucci's background

For a better comprehension of the Gucci's strategic decision making is necessary to point out the brand's highlights that have signed it from its origin until now.

Figure 3.1 Gucci's timeline

Source (successstory.com)

As figure 3.1. shows, there were numerous events that significantly changed the brand's identity and its ownership status during the years.

3.1.1. A historical retrospective [117]

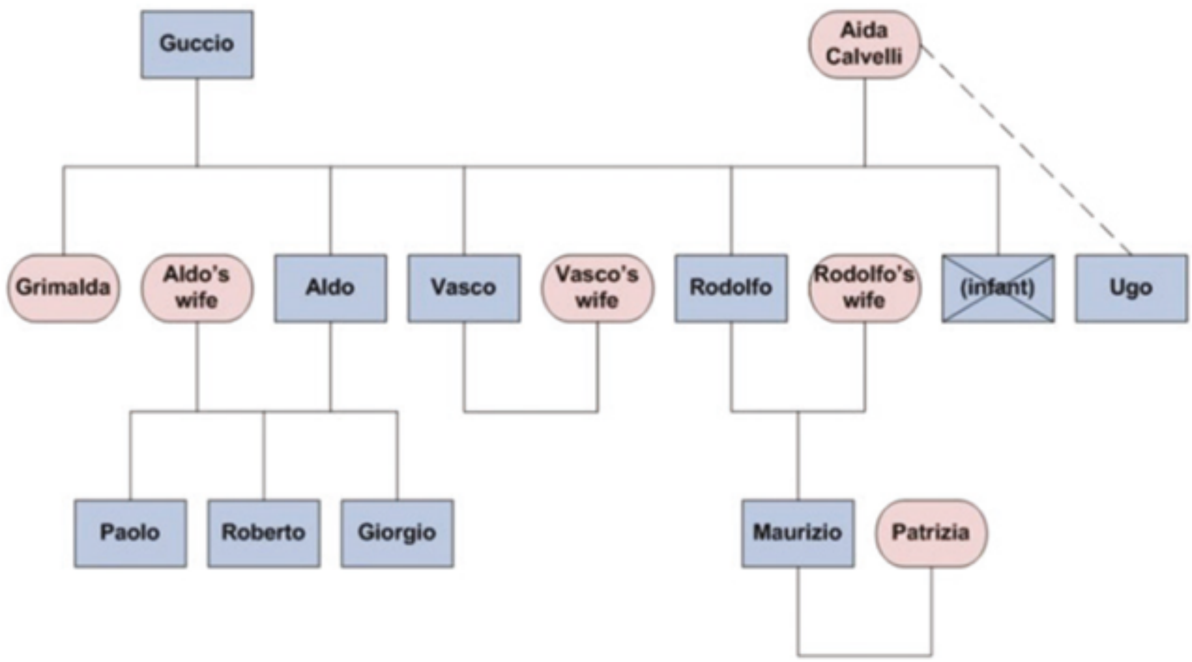
Gucci's brand was created from an idea of Guccio Gucci, its founder. Guccio Gucci was born in 1882 in Florence and he opened his first shop in Florence in 1921. The small leather store offered products as luggage and travel accessories made in the leather's laboratory placed in the store itself.

When he opened the store, his will was clear from the beginning. His stylistic idea was inspired by his stay in London and he returned to Italy with the idea to offer leather products made by Italian artisans that could satisfy the English noblemen and their sophisticated tastes.

The enormous success that these products had, led Guccio Gucci to expand his offer to bags shoes and belts all inspired by the equestrian world that he loved so much. [118]

People appreciated the elegant and fine taste of the products and this allowed Gucci's business to expanded in all over Italy. In fact, thanks to the expansion's desire of his son Aldo, a period of enormous growth began in 1938 when was opened the first store in Rome in Via Condotti and then in 1951 in Milan.

<u>Figure 3.2. Gucci Family's structure</u>



Source (Fahed-Sreih, 2018, p. 80)

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[117] https://it.wikipedia.org/wiki/Gucci

[118] D. Golizia, "Fashion Business Model: strategie e modelli delle aziende di moda", ed. Franco Angeli, 2016, p. 52

As the figure 3.2. shows, Guccio Gucci had four sons and especially Rodolfo and Aldo were involved in the family business. Thanks to Aldo's vision, business lived a huge retail growth between the 50s and 70s.
In 1967 was opened the first international store, in London. In the next years Gucci has expanded also to Paris and New York. [119]
Especially Aldo Gucci brought Gucci to become a luxury Empire, through his international retail strategy and his marketing strategy focused on the association of Gucci with international celebrities. In few years Gucci became a powerful luxury company with an international visibility.
These years were characterized, in addition to a retail expansion strategy, by stylistic developments through the introduction of the recognizable logo (the double G) and by the creation of products that became iconic over the years. Among these iconic products can be identified for example The Bamboo Bag, The Jackie O. bag (linked to the figure of Jackie Kennedy), the classic moccasin with the horse bit and Flora's scarf worn by the Princess Grace Kelly.[120]

Figure 3.3. Grace Kelly wear Flora

Source (d.repubblica.it)

Figure 3.4. Gucci's moccasin

Source (Nagasawa, Fukunaga, 2014, p. 31)

From an ownership point of view, the business started as a Family business managed by the Gucci's family itself. The management passed from Guccio Gucci to his sons (in particular Rodolfo and Aldo Gucci) and finally to their sons. In 1982, Gucci became a public company but the management of the business remained among the family's members.
In these years Gucci lived a strong crisis from a stylistic and management point of view. In fact, in 1979 Gucci expanded its offer and introduced "Gucci Accessories Collection" that implied

[119] C. M. Moore, G. Birtwistle, "The nature of parenting advantage in luxury fashion retailing – the case of Gucci Group NV", International Journal of Retail & Distribution management, Vol. 33, 2005, p. 261
[120] D. Golizia, "Fashion Business Model: strategie e modelli delle aziende di moda", ed. Franco Angeli, 2016, p. 53

more than 20.000 different product lines. Even the availability was increased, Gucci's products were available in more than 1000 different stores.
This offer's expansions led to a dilution of the brand that implied a damage for its image among society and a loss of its sense of exclusivity.
The management in those years was embodied in Maurizio Gucci (Rodolfo's son), but this brand's crisis associated to family's disputes about ownership of the company led him to sell part of his shares to InvestCorp [121], a foreign investment company.
Subsequently in 1993 InvestCorp bought all the shares of Maurizio Gucci, that was exonerated from the Board of Gucci.[122]
To raise the company from its deep crisis the management of the brand was given to Domenico De Sole and the creativity part was entrusted to Tom Ford. The couple Ford – De Sole created a revolution inside the brand, as it will be studied in the next session. The style of the brand was reinvented by Tom Ford that restored the Gucci's identity with his revolutionary stylistic vision. From the managerial point of view, De Sole gave back exclusivity and prestige to the brand and transformed the company into a multibrand group.
Even from an ownership point of view, the brand lived many changes.
Being a public company, could imply a take over from other companies and it happened to Gucci. After long disputes between LVMH and PPR (now called Kering), the last one acquired in 2004 the 99,4% of the total shares of Gucci.
When Tom Ford and Domenico De Sole left the brand in 2004, their successors were embodied in Frida Giannini (for the creativity part from 2004 to 2014) and first Mark Lee and then Patrizio di Marco (as CEO from 2008 to 2014).

3.1.2. The current state of Gucci

A real turning point happened in 2014 when Giannini and Di Marco left their position and were replaced by Alessandro Michele, as creative director, and Marco Bizzarri as CEO. Under their guide, Gucci is living now a period of enormous growth.
The brand in the first semester of 2018 has achieved a sales' volume around € 3.85 billion. Sales are increased by 44% respect to the previous year. Even the net income is increased enormously, in 2018 it is around € 1.47 billion (+ 62%).

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[121] "InvestCorp was established in 1982 in Manama, Bahrain. It is publicly traded company and its goal can be defined as "a bridge between surplus funds in the Gulf region and alternative investments opportunities on both sides of the Atlantic" (Kappes, King, Mattioli, Vaze, Benusa, 2015, p. 1)
[122] J. Fahed - Sreih, "Conflicts in Family Business: Conflicts, Models and Practices", ed. Palgrave Macmillan, 2018, p. 81

It will be possible to make a comparison to give an idea of the rapid growth that the brand is living: actually, the sales volume of the first semester of 2018 are equal to those registered in 2015 for the whole year.

Comparing these results with its direct competitors the result is even more encouraging. For what concerns the fashion division, LVMH has increased its sales volume by 15% while Hermes is growing by 11%.[123]

From a digital point of view, Contact Lab and Exane Bpn Paribas in their annual ranking about competitive digital presence has elected Gucci as the leader for the luxury sector in 2018, together with Burberry.[124] This result is proved by the fact that Gucci in these last years has pushed on its online presence, and as consequence the e-commerce is increasing by 88% in the first semester of 2018.[125]

This huge growth was supported by Marco Bizzarri that has decided in 2017 to divide the organizational structure of the company, dedicating one of four established departments to the Digital Business & Innovation. [126]

Figure 3.5. The four different Gucci's departments

Source (Kering report, 2018, p. 66)

From a brand equity point of view, the website Interbrand every year gives an estimation of each brand equity for the hundred strongest brands all over the world.

In 2018, it has positioned Gucci as the third luxury brand, after Louis Vuitton and Chanel.

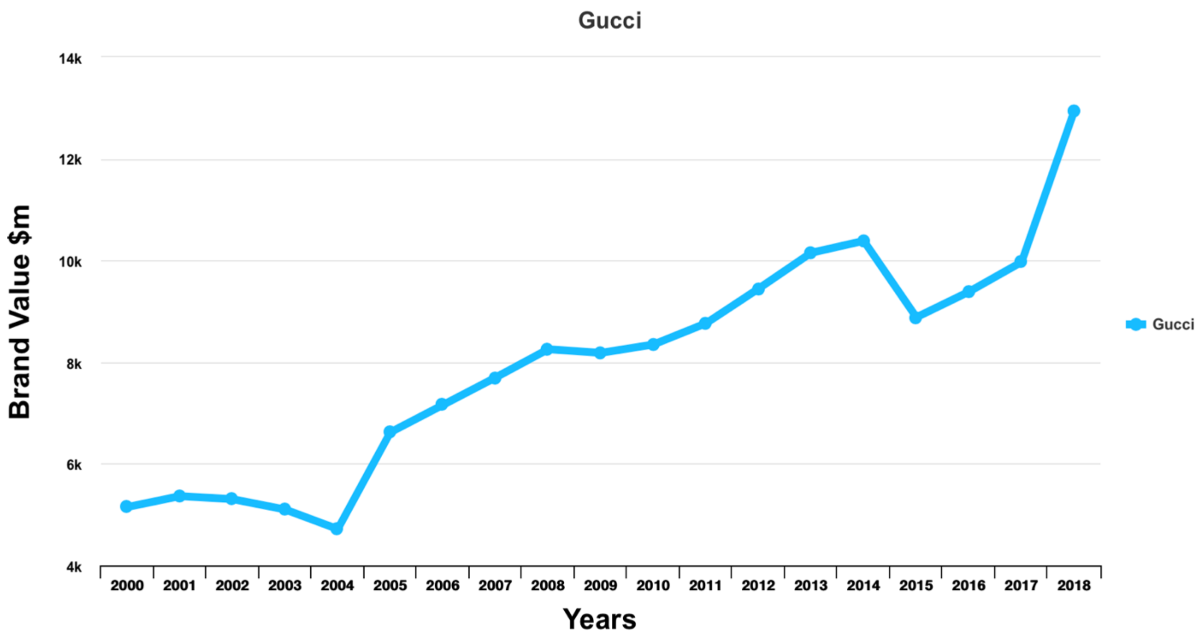
[123] "Gucci sfiora I 4 miliardi nei 6 mesi", C. Zanzi, 2018, https://www.pambianconews.com/

[124] "Gucci guida la leadership digitale dei marchi italiani", P. Cassola, 2018, https://www.pambianconews.com/

[125] "Gucci sfiora i 4 miliardi nei 6 mesi", C. Zanzi, 2018, https://www.pambianconews.com/

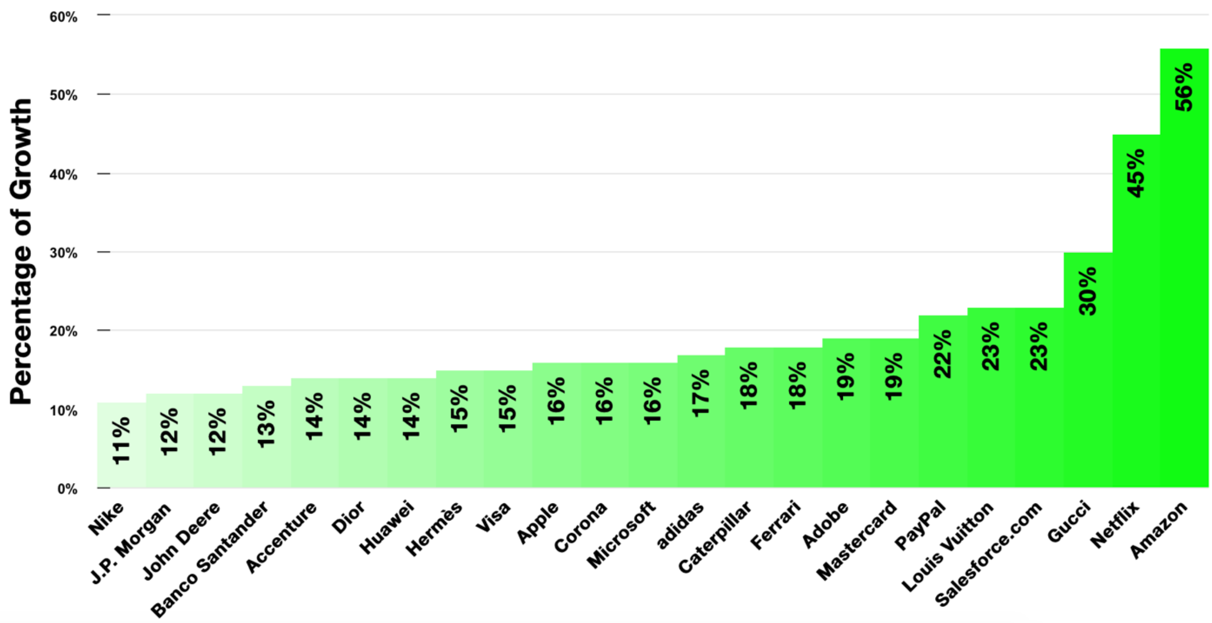
[126] "Gucci si riorganizza. Crescerà su 4 nuovi pilastri", C. Zanzi, 2018, https://www.pambianconews.com/

Figure 3.6. Brand value of Gucci (2000 – 2018)



Source (Interbrand.com)

Figure 3.7. Comparison of the growth's percentage of the strongest brands



Source (Interbrand.com)

Gucci, being part of the group Kering, gives a huge contribution to the revenues of the whole group. In the first quarter of 2018, Kering, thanks also to the rapid growth of Gucci, has increased by 27,1%.

Gucci, together to the other strongest brands as Balenciaga and Saint Laurent, has contributed enormously to the economic wealth of the whole group. [127]

3.2. Gucci's changes in Brand Identity and Ownership Status

As it was seen in the first chapter, a brand's identity is a fundamental aspect in every marketing's strategies regarding the luxury industry. The right communication of the identity causes a huge impact on the brand's revenues and on reputation among society.
Strategies regarding communication and development of the Gucci's identity have changed over the time.
In this section will be identified the different approaches regarding identity that the brand lived. In some case, as it will be underlined, Gucci's management was able to give the right support to glorify and emphasize the brand's values, in other cases the management failed in the transmission of the brand's identity taking the brand closed to bankruptcy.

3.2.1. The beginning: Gucci's intrinsic value [128]

When Guccio Gucci founded in 1921 the first store in Florence, the identity of the products was clear. The initial idea was to offer leather goods as luggage using the Italian craftwork experience. With the increase of tourism at the end of the first world war, sales increased tremendously, and Gucci's products were more appreciated by foreign tourists. For this reason, its offer increased and was enlarged with wallets and belts.
The leather was the principal raw material in the production of the goods offered. The quality was excellent guaranteed by the handmade work of raffinate leather.
This recognized quality was embodied into the artisan production of each product while the Gucci's identity was transmitted using characteristic signals as the equestrian motives and through the use of the logo with the double G (as a reminder of the founder).
During the second world war, however, the supply of leather was reduced considerably. For this reason, Gucci's family had to adapt its offer to the new market situation and started producing products made with poorest materials like linen, hemp and bamboo. In these years were created iconic products as the Bamboo Bag and canvas bags. Through the use of new materials, Gucci could be defined as an innovative brand. In fact, according to the Christensen's theory about innovation, Gucci in those years was able to create a disruptive innovation,

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[127] "È ancora Gucci che traina di conti di Kering nel primo quarter del 2018", V. Assuma, 2018, https://www.pambianconews.com/
[128] S. Nagasawa, T. Fukunaga, "Strategic brand management of the luxury brand GUCCI", Waseda business & economic studies, Vol. 50, 2014, p. 39 – 48

creating a product as the Bamboo Bag (Figure 3.8.), proving its high performance in the sector without the use of its favorite material: the leather.

Figure 3.8. The Bamboo Bag

Source (alvufashionstyle.com)

This change in raw materials proved that Gucci was able to adapt its offer to the market's situations without losing its quality and prestige. This is also the proof that, from the beginning Gucci identified itself as an innovative brand, capable to create new trends, an innovative design and unique style.

Another example of successful products can be identified into the horse bit on the moccasin and the iconic green/red/green web stripe.

The Gucci's identity was valorized by the family that glorified the craftwork's elements of the products, its unicity and quality. In particular Aldo Gucci, one of the sons of Guccio Gucci, was able to emphasize the exclusivity of the products. According to this view, a clear retail strategy based on exclusivity was started by him.

Aldo Gucci expanded stores at the beginning in Italy (Milan and Rome) and then in foreign markets (as London, Paris, New York). Stores were few and located in exclusive areas of the cities (just to name a few: Via Condotti in Rome, Fifth Avenue in New York).

The strategy used was based on limited distribution channels through the use of store directly managed by the family. The control of the family was over every aspect of the business.

On the other hand, the exclusivity was emphasized offering limited product lines with a high price to transmit their luxury values. The high price was justified by quality offered. Guccio Gucci always said "Quality is remembered long after the price is forgotten".

Gucci's family, to increase the popularity of their products, started associating products with Hollywood stars like Audrey Hepburn, Jackie Kennedy and Maria Callas. Another example of how they transmitted the value of the product was that was created a scarf for Grace Kelly, Princess of Monaco. In these years (from the beginning of the business until the 70s) the DNA and the intrinsic values of the brand were established. These elements were the base for the building of the brand's heritage that today is remarked and glorified to ensure the products' quality. In an interview conducted in 2013 to the current CEO Patrizio Di Marco (now replaced by Marco Bizzarri), he defined this initial phase of the Gucci's business as "the golden era of the Gucci brand. Gucci in those years was without a doubt the quintessential expression of the Italian luxury with a product offering perfectly balanced between high craftsmanship and fashion forwardness. Our products were embraced by actors, actresses, royals, celebrities-those who would now call the style leader" (Nagasawa, Fukunaga, 2014, p.34). The Gucci's strategy of this first period can be summarized in Figure 3.9.:

Figure 3.9. Gucci's strategy (1921 – 1970)

4P	Gucci's start-up period
Product	• High-quality leather goods made by skilled craftsmen in the Tuscany region • New products, including Bamboo Bag and canvas bags, launched under the embargo
Price	• High prices with target customers being the wealthy and tourists; fair prices in terms of quality
Place	• Limited channel, confined to several directly-managed stores in Florence, Rome, Milan and other major Italian cities at home and 5th avenue, New York
Promotion	• Utilized publicity as products were used in movie scenes and other media as well as by celebrities in various quarters

Source (Nagasawa, Fukunaga, 2014, p.47)

This kind of approach based on exclusivity, quality and innovation prized the brand that became one of the most popular and appreciated luxury brands of those years and it gave the base to build later a strong brand's heritage.

3.2.2. Identity crisis

After a golden era where Gucci established its luxury positioning, the brand lived a period of enormous crisis during the 80s.

In the 70s, the brand was living a fast growth that led the management to introduce new products lines to increase the sale volumes. In fact, in 1979 Gucci launched a new diffusion line called GAC (Gucci Accessories Collection). This collection was though to reach a higher number of consumers.

This was a turning point in the brand's identity strategy of the company. Allowing indiscriminate licensing agreements for the production of more than 22.000 product lines associated with the Gucci brand the company lost control over the quality of their products.

Gucci's strategy consisted into an increase of the sales, associating its logo to a series of products (such as key chains, alcohol, playing cards, even if toilet paper) that were very far from the core business of the brand.

These cheapest products were distributed in indiscriminate department stores and the result was that people began to think about Gucci as a drugstore brand, more similar to a non – luxury brand. These licensing agreements also led to an increase of the number in counterfeiting products that carried Gucci to open thirty-four lawsuits, just in six months. [129]

This overexposure of the brand implied that Gucci lost its sense of unicity and exclusivity that had characterized the golden era and consequently lost its customer base.

Even the distribution approach was wrong. It increased the availability of the products ruined the prestige, that was an intrinsic value of the brand.

This strategy in fact brought to a misunderstanding of the brand's identity among consumers and the brand's reputation was inevitably ruined. Gucci in this case, failed in managing the tradeoff between the exclusivity and the maximization of the profits. Other problems were due to the lack of management from the Gucci's family.

In fact, from an ownership point of view, arose problems about next generations. There was not a clear direction, every member of the family wanted to be involved in the company's management but there was not a person able to continue the work of Guccio and his sons.

[129] T. Jackson, C. Haid, "Gucci Group – The new family of luxury brands", International Journal of new product development & Innovation management, 2002, p. 162

The result was a general confusion about the brand's direction and identity inside the company and consequently among the consumers.

For those reasons in 1982, it was decided that Gucci should become public. The hope was to gain access to new credit lines and raise the brand from its delicate position. In fact, Gucci in that period was closed to bankruptcy for both these strategy's mistakes and family's disputes regarding ownership of the brand.

Being public could imply new founds and possibilities of international growth in order to survive (for example increasing the presence in foreign markets or possibility to make huge investments on the brand).

On the other hand, this choice implied that family slowly began losing its control on the society and on the ownership itself. With this ownership's choice, it started the process that led the company to abandon its family characteristic.[130]

Unfortunately, Gucci as a public firm did not have great financial results. The inefficiencies of the management embodied also in Maurizio Gucci and the family's fights led to lose around € 102 million between 1991 and 1993. Exploiting this period of crisis InvestCorp in 1993 obtained all the shares of Gucci and dismiss Maurizio Gucci as CEO of Gucci. From this date, Gucci's family lost definitely its involvement in the brand.

In 1995, InvestCorp named Domenico De Sole as CEO and Tom Ford as creative director of the brand and officially began the rebirth of the brand. They changed every aspect of the brand: from production to distribution and promotion, carrying the brand to restore its lost identity.

During their presence inside the company, they made also changes in the ownership's status that brought Gucci to become a multi - brand group. The transformation was completed between 1994 to 2004 and was developed into three different phases, as shown in Figure 3.10.:

Figure 3.10. Gucci's phases (1994 – 2004)

Source (Moore, Birtwistle, 2005, p. 257)

[130] C. M. Moore, J. Fernie, S. Burt, "Brand without boundaries: the internationalization of the designer retailer's brand", European journal of marketing, Vol. 34, 2000, p. 926 – 927; 933

Starting from the first phase, it was characterized by actions focused on a brand's stabilization. De Sole began to reestablish the brand equity of Gucci through a huge commitment about control over the brand's products and a series of investments.

From a product point of view, De Sole's aim was to restore the control over the products and their distribution. He declared that "The situation where no product message is conveyed is the worst for any business (…) we devote all our energies to crafting products of the highest quality. We would like to sell truly worthy products to our consumers" (Nagasawa, Fukunaga, 2014, p. 45).

De Sole started reducing the licensee's agreements from 22.000 to 7.000. Also the distribution points were reduced and upgraded. The aim was to limit the Gucci's offer and to own fewer product lines with a higher price in order to restore the exclusivity of the brand.

In 1996, Gucci owned 180 stores and of them 69 were directly controlled by the company. This change in the distribution strategy continued and in 1999 Gucci possessed 130 directly controlled of 181 owned.

Figure 3.11. Gucci's division – Number of stores (1995 – 2000)

Gucci Division	1995	2000
DOS	63	143
Franchised	83	43

Source (Jackson, Haid, 2002, p. 167)

De Sole changed also the communication's strategy, investing more than € 60 millions on advertising. The CEO declared that the idea was to spend around 7,5 % of the Gucci's total turnover each year on advertising in order to support and encourage the incremental growth for the brand.

De Sole's strategy was supported by the creative estrus of Tom Ford that restored and upgraded the brand's image. Tom Ford created innovative products combined with more fashionable elements. He was able to create innovation maintaining and restoring iconic products and at the same creating new unconventional products that communicated the brand's DNA. He gave to Gucci a sexy and fashion image in order to reattract the consumers lost in the previous years.

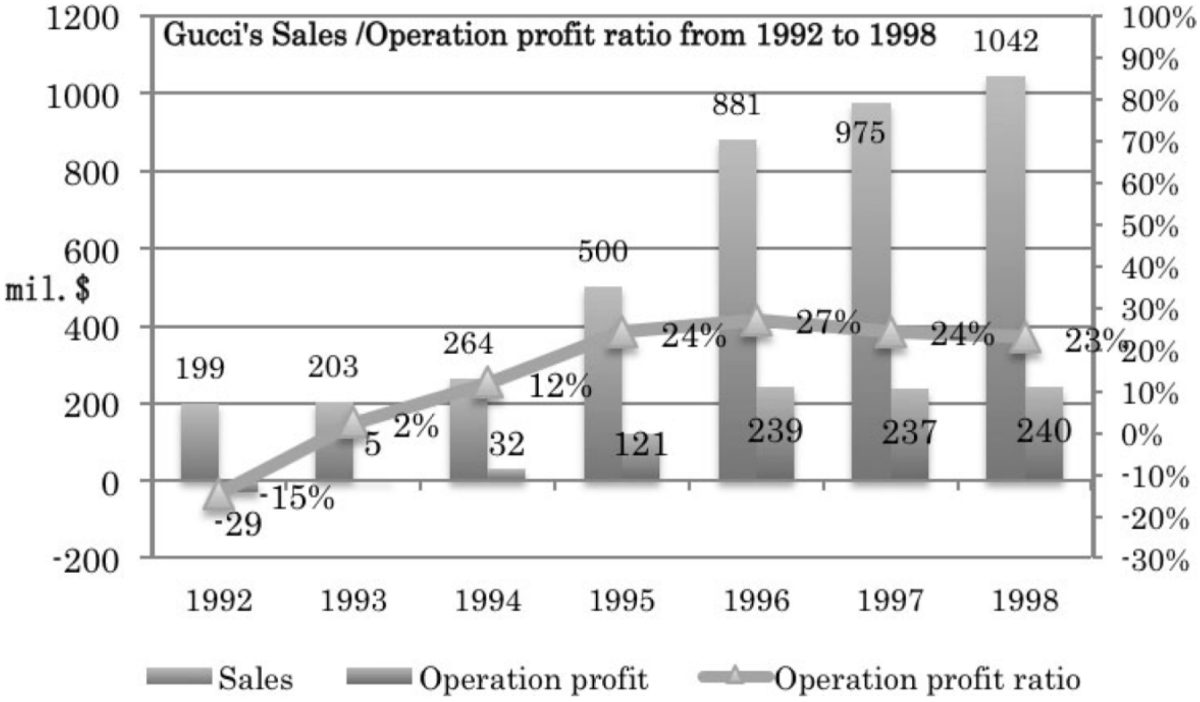
Tom Ford brought a new era of innovation and stylish inspiration. He believed that the brand should communicate its identity in every possible aspect and for this reason he reinvented every component of the brand: from the product itself (combined old iconic elements with stylistics innovations) to stores (studying the interior of the stores and their architectonical compositions), packaging and selection of the wholesalers.

The will was to communicate the brand and its values in a unique language avoiding misunderstandings or confusions among consumers. [131]

The brand was able, through Tom Ford's guide, to create a new unique luxury consumption that communicated clearly the brand's identity.

As Figure 3.12. shows the result of the alliance between De Sole and Ford was incredible. Gucci increased enormously its sales and the brand restored its old image of a strong fashion brand.

Figure 3.12. Gucci's sales and operating profits (1992 -1998)



Source (Nagasawa, Fukunaga, 2014, p. 40)

3.2.3. PPR and the Multi – Brand strategy

From an ownership point of view Gucci was living a delicate phase.

After a short period from the shares' acquisition in fact in 1996 InvestCorp, before the full recovery of the brand, decided to sell them on the stock markets of Amsterdam and New York. Therefore, the fast growth that the brand was living contributed to make Gucci an attractive brand for those companies whose aims were to build strong differentiated brands' portfolios.

131 C. M. Moore, G. Birtwistle, "the nature of parenting advantage in luxury fashion retailing – the case of Gucci group NV", International journal of retail and distribution management, Vol. 33, 2005, p. 261 – 263

For this reason, between 1998 and 1999 Gucci became subject of a fight for its ownership between Prada and LVMH.
To preserve brand integrity from takeovers, was established a strategic alliance with Pinault – Printemps Redoute (PPR) in 1999 and consequently the French group bought 42% of the Gucci's shares.
The will under the acquisition was to create a multi-brand portfolio for Gucci in order to expand its growth's possibilities limited by a single brand strategy maintaining its independence (PPR did not have the majority of the shares).
It's important to remember that, as it was said in chapter 2, that was a period characterized by a huge amount of acquisitions worldwide. For this reason, this choice appeared to be a natural consequence of growth's desire for Gucci. Thanks to the financial infusion made by the PPR's acquisition, Gucci started the second phase (it is referred to Figure 3.10.) that can be called the Multi-brand acquisition phase. Gucci started to engage itself in a series of acquisitions that brought it to become faster a multi – brand luxury group. [132]
In fact, in order to maintain the restored Gucci's exclusivity Ford and De Sole may have wanted to adopt a multi - brand strategy with the aim to increase the revenues without betraying the prestige of the Gucci brand.
The idea under this choice could be the desire of Gucci to better balance the tradeoff between profitability and exclusivity that was previously poorly managed.
In fact, respect to family businesses, becoming public implies more pressures about economic performances and sales volumes and for this reason a multi - brand strategy could be the right solution for managing this tradeoff. [133]

Figure 3.13. Gucci's acquisitions between 1999 – 2001

Date	Brand	Gucci holding (per cent)
November 1999	Yves saint Laurent	100
November 1999	Sanofi Beaute – renamed YSL Beaute	100
November 1999	Sergio Rossi	70
June 2000	Boucheron	100
December 2000	Alexander McQueen	51
December 2000	Bedat & Co.	85
February 2001	Bottega Veneta	78.5
March 2001	Di Modolo	100
April 2001	Stella McCartney	50
July 2001	Balenciaga	91

Source (Moore, Birtwistle, 2005, p. 264)

[132] C. M. Moore, G. Birtwistle, "the nature of parenting advantage in luxury fashion retailing – the case of Gucci group NV", International journal of retail and distribution management, Vol. 33, 2005, p. 263
[133] T. Jackson, C. Haid, "Gucci Group – The new family of luxury brands", International Journal of new product development & Innovation management, 2002, p. 168

As it is possible to notice in Figure 3.13., Gucci's acquisitions were fast and multiple.
The Gucci's strategy, coordinated by De Sole, was focused on the acquisitions of brands that could grow faster and better after the takeover.
Gucci's strategy was not built only on acquisitions made to create a luxury empire but also on the possibility to take brands under its umbrella and help them to develop their business.
Gucci, embodied in its CEO, had the desire to develop these brands in order to upgrade their situations (in terms of stylistic creativity, distribution, communication and so on).
Gucci's support over its brand was strong, the aim was to buy and change their critical aspects in order to have better performances.
This was a completely different strategy respect to that for example developed by LVMH.
This one received a lot of critics during those years because often it bought brands and then it left them in their previous (sometimes critical) situations. [134]
The Gucci's strategy was focused on the acquisition of three different types of brands:

- Brands in crisis: as Yves Saint Laurent that needed a new stronger support
- New emerging brands: as Alexander McQueen that appeared to have the possibility to increase faster its revenues
- Complementary brands: as Boucheron that had a different core activity respect to Gucci

Figure 3.14. Gucci's group composition in 2002

Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewellery
• Gucci	• YSL Beauté	• Luxury Timepieces International:
• Yves Saint Laurent	• Roget & Gallet	• Yves Saint Laurent
• Sergio Rossi	• Oscar de la Renta	• Boucheron
• Bottega Veneta	• Van Cleef & Arpels	• Gucci
• Alexander McQueen	• Fendi	• Bédat & Co.
• Stella McCartney	• Boucheron	• Bocheron Jewellery
• Balenciaga	• Alexander McQueen	
	• Ermengildo Zegna	

Source (Jackson, Haid, 2002, p. 165)

[134] T. Jackson, C. Haid, "Gucci Group – The new family of luxury brands", International Journal of new product development & Innovation management, 2002, p. 164

Figure 3.15. Gucci Group's division: Sales by products in 2002

Category	Contribution (%)
Leather goods	45
Watches	16
RTW	15
Shoes	12
Jewellery	4
Other	3
Royalties	3
Silks (Ties & Scarves)	2

Source (Jackson, Haid, 2002, p. 165)

The ability of Gucci in this period, consisted of creating synergies between brands without betraying each brand's identity. In fact, every brand maintained its own identity and heritage, even Gucci itself, without standardizing all under the same unique group's identity.

De Sole was able to manage a multiple portfolio, emphasizing on one hand the core values of every single brand and on the other one increasing synergies among them in order to have better performances as a group.[135]

Each brand possessed its own designer, Gucci through Tom Ford (its creative director) just helped them to develop and increased their creative possibilities of growth without to change its identity and product integrity.

In an interview he declared "After the acquisition it is my job to assist in the development of the creative team at each of these companies. My involvement varies from company to company based on need and my end goal is to back myself out of these companies altogether" (Jackson, Haid, 2002, p. 164).

This multi - brand strategy did not change the vision developed by De Sole and Ford about the control over the brand (from the production to distribution and communication).

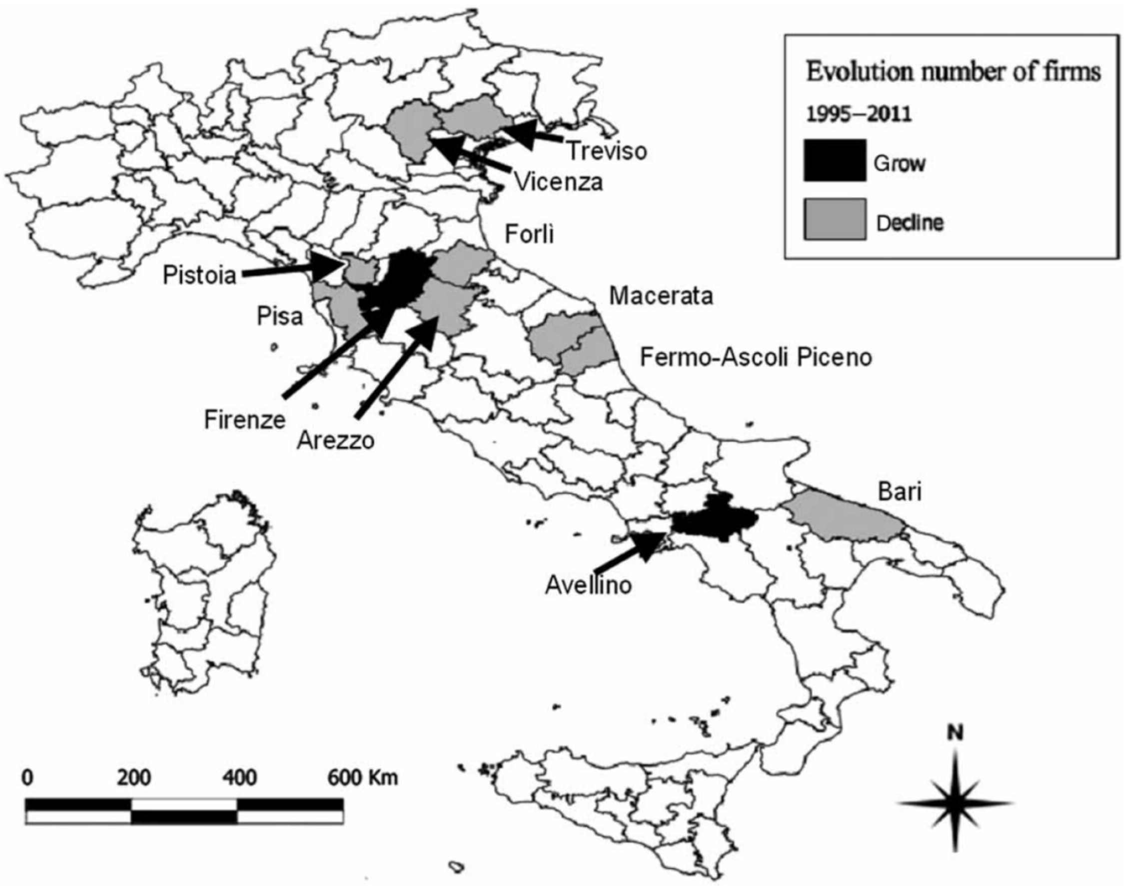
When the multi – brand strategy started they continued to maintain control in every aspect of the brand.

From a production point of view, the enlargement of Gucci's portfolio and its fast growth (also as a single brand) needed better production solutions to ensure quality and high reputation.

For this reason, from 1998, Gucci started to entrust its production to the cluster of leather formed in Florence and this strategy was applied also to all the other owned brands. In fact, it must be said that in those years, this leather cluster was growing faster as Figure 3.16. shows.

[135] C. M. Moore, G. Birtwistle, "The nature of parenting advantage in luxury fashion retailing – the case of Gucci group NV", International journal of retail and distribution management, Vol. 33, 2005, p. 264

Figure 3.16. the Italian cluster specialized in the production of leather products



Source (Randelli, Lombardi, 2014, p. 1203)

The Florence cluster was one of the most famous in the leather production and it had acquired a recognized reputation among consumers. This is the reason why Gucci's production was moved there. In addition to this, De Sole made a lot of agreements with the local suppliers with the aim to build strong relationships with the local leather cluster.

The Florence leather cluster had become famous for this high quality and consequently Gucci localized 80% of the total production there.

This choice reflected De Sole and Ford 's idea to maintain control over the products and to transmit the identity of the brand through the communication of the superior quality of the Gucci's product. The fame earned by the Florence leather cluster ensured a better reputation among consumers about the quality offered.

This way to manage the production rewarded Gucci that increased its brand's reputation and consequently also the images of the other owned brands. [136]

After this transaction phase from a single brand to Gucci Group it is possible to identify the last phase (from 2001 to 2004) that can be defined as a consolidation phase (see Figure 3.10).

[136] F. Randelli, M. Lombardi, "The role of leading firms in the evolution of SME clusters: evidence from the leather product cluster in Florence", European planning studies, Vol. 22, 2014, p. 1202 – 1203

In those years the multi - brand strategy started in 1999 was fully developed by De Sole and Gucci and brands under the same umbrella started to enjoy of the parenting advantages deriving from Gucci Group.

What it is important to underline is that from an ownership point of view Gucci as a brand was partly controlled by the conglomerate PPR (it owned 42% of the Gucci shares).

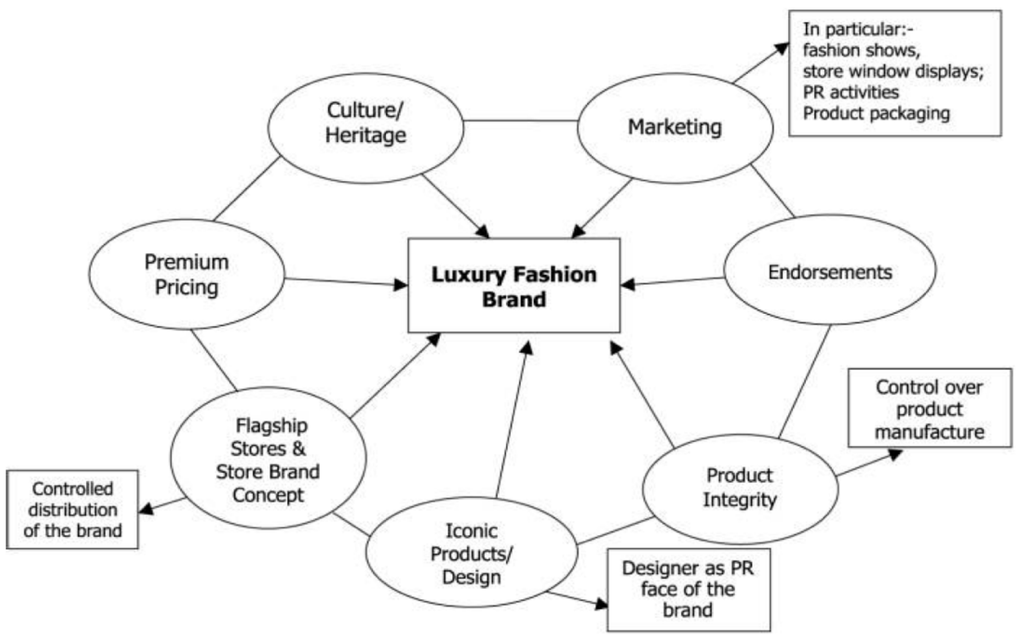
However, Gucci as brand maintained its autonomy. Gucci through the financial possibilities of the French conglomerate developed its multi – brand strategy to create an umbrella of luxury brands where at the top there was (and it still is) Gucci itself.

Gucci's identity was not betrayed passing from a single brand to part of a conglomerate. Being part of a conglomerate was useful to obtain the financial resources to create a multi brand strategy without transforming the brand in something different.

Gucci embodied in the figures of Ford and De Sole coordinated the Gucci Group's actions that represent until today the luxury division of PPR (now Kering).

Gucci's success to manage a multi-brand portfolio could be explained by the ability to control successfully different brands that were unique, with distinctive core values and strong identities and on the other hand exploiting synergies, skills and competitive advantage among the brands. The ability of Gucci of managing the sub-brands consisted into the capacity to transfer the expertise developed during the years to the other brands, creating the so - called "parenting advantage". Gucci transferred to other brands its vision about how to manage a luxury brand and it can be summarized in Figure 3.17:

Figure 3.17. Gucci's model to manage a luxury brand



Source (Moore, Birstwistle, 2005, p. 268)

The will was to control every aspect of the product (design, quality, distribution and promotion) and at the same time to create and maintain a coherent and strong brand identity (through heritage, iconic products, price...) that could ensure growth in a long view.
The idea was to pass the expertise developed after the brand crisis (during the 80s) to other brands. As this approach had worked in restoring the Gucci's identity could be transmitted to other brands in order to achieve better performances.
The last phase in the Gucci's transformation from a single brand to multi – brand group ended in 2004. This year is also characterized by two important events.
First of all, in that year Tom Ford and Domenico De Sole left Gucci in order to develop independent projects.
Secondly, in that year PPR, having achieved excellent results from the strategic alliance with Gucci, bought the remaining shares reaching 99,4% of them. The ownership of PPR on Gucci was at the end completed and the next year the conglomerate changed its name in Kering.

3.2.4. The Giannini – Di Marco era

The acquisition of the remaining shares of Gucci increased the influence of Kering on the Gucci's management choices. In fact, after the leaving of De Sole and Ford, Kering chose independently to replace them with Frida Giannini (as creative director of all creative lines in 2006) and Mark Lee (as CEO) in 2005.
Frida Giannini was already involved in the Gucci's business as artistic director for the Gucci's accessories but just in 2006 she became the effective creative director. [137]
Lee and Giannini together tried to valorize the Gucci's past and tradition in a contemporary view. The creative director, according to the CEO, began to propose again past elements of the Gucci's heritage in a modern key.
Giannini started her creative work from the study of the historical archive of the brand in order to reevaluate elements of the Gucci heritage combined with her personal taste. The attention for the brand's heritage and its iconic values was underlined in her creations.
An example of this attention for the past was the renovation of the Gucci's store in Rome. It was the second oldest store of Gucci and its restoration was an example of the Giannini – Lee 's attention for the Gucci's tradition and heritage.
The attention on the Gucci's origin was confirmed when Lee emphasized the importance of the European and in particular the Italian markets for Gucci, despite the increasing attention of the fashion brands on the emerging markets (as China and India).

[137] "Frida Giannini, la vita dopo Gucci", E. Rossi, 2018 https://www.esquire.com

In an interview he declared that the European markets were yet strategic and his intentions were focused on investing more in these markets.
He also declared that the Milan and Rome's stores were among the most five profitable stores worldwide as proof of the importance of the brand's origins. He continued emphasizing the role of the Made in Italy embodied in Gucci (the production was established in Italy) and the importance of the heritage and traditions.
In summary, the aim of the duo was to create new innovating products without betraying the Gucci's traditions and heritage but on the contrary creating continuous references to the past.[138]
Unfortunately, after a short period (from 2005 to 2008), Mark Lee decided to abandon the brand and he was replaced by Patrizio di Marco.
He was already CEO of the brand Bottega Veneta (already part of the Kering's group) and he was chosen by François-Henri Pinault, chairman and CEO of Kering, because he had proved his managerial abilities restoring Bottega Veneta brand from a critical financial situation between 2001 and 2008.
Moreover, the Kering policy about the CEO's nomination was focused on the preference for those figures that were already involved in the conglomerate's businesses.[139]
Di Marco continued the work started by Mark Lee. The focus was always on the brand's heritage and history. The idea of the CEO was to rebalance the two major aspects of the brand: the fashion and the heritage of Gucci. The fashion aspect should be evaluated respecting the heritage of the brand in order to maintain its exclusivity and avoid identity's dilution.
The strategy was a combination of past (embodied in the heritage), present (current trends and markets to satisfy) and future (innovation) elements.
Ancient and historical aspects of the brand were continuously mixed with the modernity, both in the products that in their communication.
He released an interview that can summarize the previous concepts: "brand is based on a continuous marriage between tradition and modernity, artisanal craftmanship and innovation, a brand based on its forever heritage but also on its now fashion edge. Gucci heritage is (..) something alive and built everyday" (Nagasawa, Fukunaga, 2014, p. 21).
This strategy focused on the brand's heritage was implemented through different actions, coordinated with Frida Giannini's creations.
First of all, Di Marco continued to stress the concept of the made in Italy, intrinsic value of the brand and the strong relationship of Gucci with the territory in order to differentiate its products from competitors.

[138] "Gucci, radici made in Italy", G. Crivellini, 2008, https://www.ilsole24ore.com
[139] "Patrizio di Marco nuovo ceo di Gucci", PBADM, 2008, https://www.pambianconews.com

Linked to the craftsmanship and the made in Italy concept was also the project called “Forever now” launched in 2010. The campaign was focused on showing the work of the craftsmen from the 50s until to the current years. The idea is to transmit the handmade work’s heritage to the next generations and to encourage consumers to appreciate this fine work, unchanged over time. Following this concept of the past ‘exaltation, was also proposed a new modern version of the iconic Bamboo bag, created in 1947. [140]

The exaltation of the heritage and brand’s identity passed also through the use of a strong retail identity: stores were restructured and changed in their compositions in order to be in line with the brand’s identity and there was a progressive reduction of the wholesale stores in order to emphasize the more authentic mono - brand stores.

This choice was made because stores were considered the ultimate and visible communication of the brand and they had to be treated in every single aspect.

Moreover, following this identity’s strategy, Giannini and Di Marco, during the 90th anniversary of the brand established to open a brand museum. The aim was, on one hand, to glorify and better understand the Gucci brand’s story and on the other hand to communicate the innovations made. It was a tribute to the brand’s heritage and at the same time a way to show how much the brand was still innovative.

Giannini, following Di Marco’s strategy, revisited the iconic products of the brand. The idea was to represent these iconic models for glorifying them and their historical origins. The iconic products were, in fact, considered strong and direct vehicles to transmit to the new generations brand’s heritage and history.[141]

Furthermore, the creative director started to associate again the brand with the Hollywood celebrities as was happened during the 50s / 60s. Gucci started to appear on the red carpet and created a specific collection though for these events, the “Première collection”.

The will was to restore the image of the brand as one chosen by the most famous celebrities worldwide. [142] This winner strategy was applied to each brand of the Kering’ s luxury division considering its success among consumers (just to name one: Rihanna was associated with Puma). [143]

From an ownership point of view the situation was finally stable. Gucci was entirely owned by Kering that had the control over the brand. Gucci was positioned at the top of the luxury

[140] D. Calanca, “Italian Fashion History and Culture Heritage: Data for a tourist guide”, AlmaTourism – Journal of Tourism, Culture and territorial development, Vol. 5, 2012, p. 29

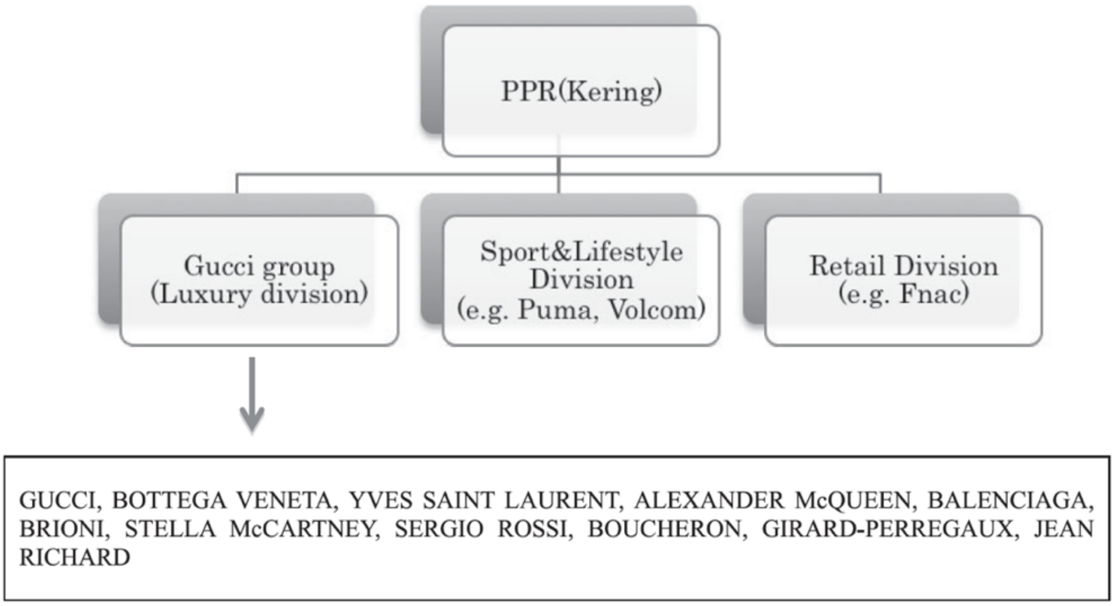
[141] S. Nagasawa, T. Fukunaga, “Brand Management on GUCCI – interview with CEO of Gucci”, Waseda business & economic studies, Vol. 50, 2014, p. 20 – 33

[142] https://www.milleunadonna.it/photogallery/gallery/gucci-da-il-benservito-a-frida-giannini-la-stilista-che-ha-riportato-la-doppia-g-tra-le-star/52917/167?stat=stop/

[143] A. Wolfe, “François – Henri Pinault: The business of luxury – the Kering group chairman and CEO on fashion, e-commerce and the meaning of luxury”, The Wall Street Journal, 2015

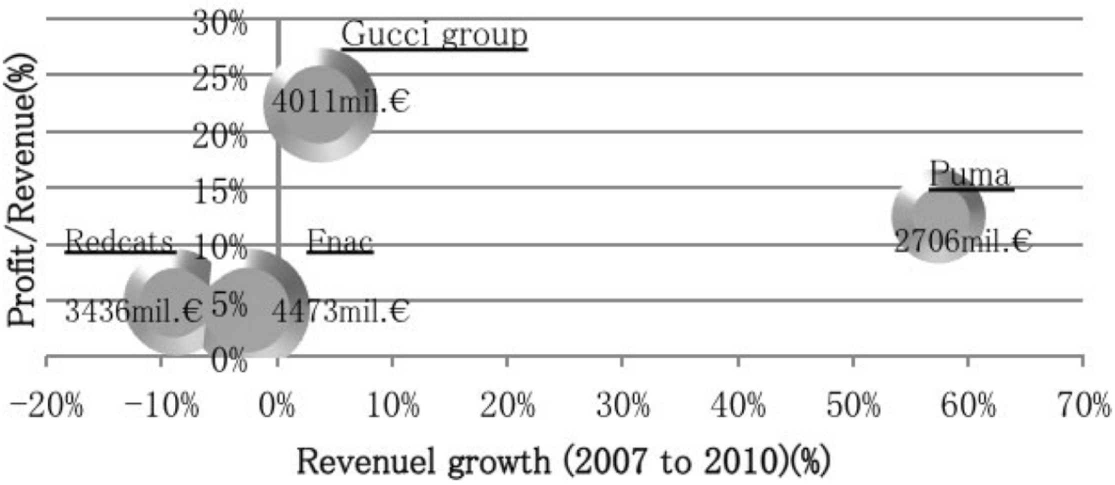
division of Kering but the last word for every managerial decision was given to the chairman François – Henri Pinault. In fact, Kering decided who should be the creative director and the CEO of the group. It gave autonomy about the brand's strategy, but the brand should respond to the conglomerate of its financial results. The structure of the group in 2011 was the following:

Figure 3.18. Kering's structure in 2011



Source (Nagasawa, Fukunaga, 2014, p. 41)

Figure 3.19. Kering's sector growth and profit ratio



Source (Nagasawa, Fukunaga, 2014, p. 43)

Moreover from 2014, Kering decided also to divide its luxury division into two subcategories: Luxury – Couture & Leather goods (are included: Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Brioni, Christopher Kane, McQ, Stella McCartney, Tomas Maier and

Sergio Rossi) and Luxury – Watches & Jewelry (are included: Boucheron, Girard-Perregaux, JeanRichard, Pomellato, Dodo and Qeelin).

Every CEO of each brand should respond for the brands' performances to the CEO of their division.[144] The chairman has declared that it was made in order to encourage the specialization of each department and intensify the monitor activities over each brand.

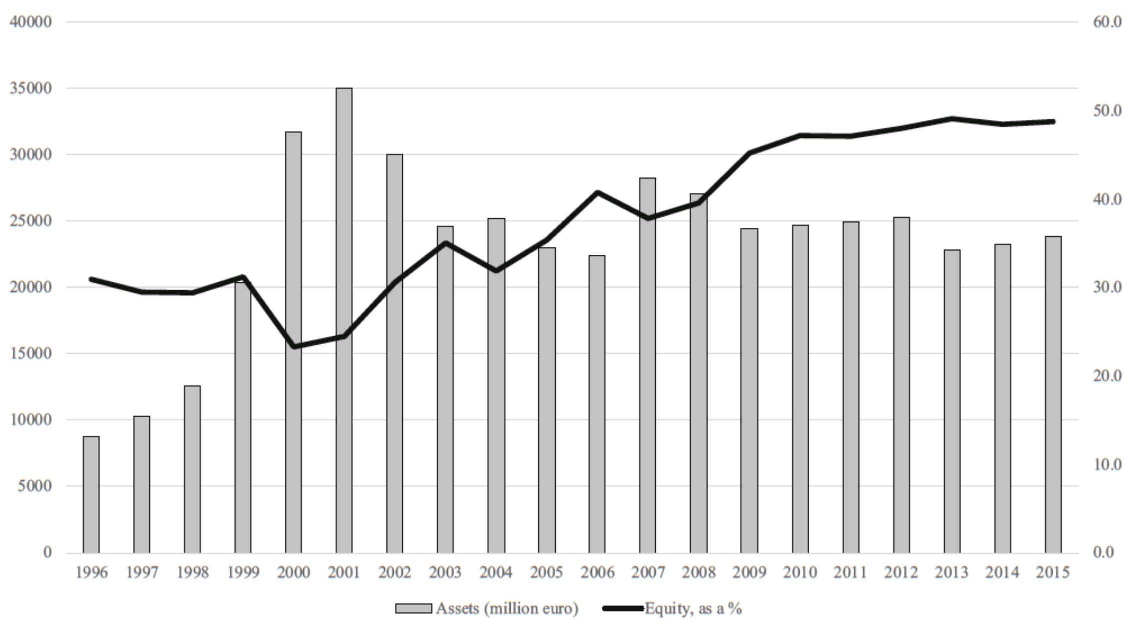
But what is really important to notice is that Gucci is not included in this division.

Gucci remained under the direct control of Pinault, Di Marco had to report directly to him about his strategic decisions.[145]

This fact shows how much was (and it is still) important the brand for the conglomerate. The Gucci's performances were those that most affected the conglomerate's turnover and for this reason Pinault wanted to have the maximum control over the brand.

As Figure 3.20. shows, when Gucci increased its performance (for example 1999 – 2004 in Ford and De Sole era), also PPR's performance increased overtime as prove of the strong bond between them.

Figure 3.20. Financial position of Kering (1996 – 2015)



Source (Donzè, 2018, p.82)

Gucci's was gradually losing its autonomy (maintained in the first period of the strategic alliance) after Kering's total acquisition in 2004.

[144] Marco Bizzarri was hired as CEO of the Couture and Leather goods' division and Albert Bensoussan for the other one.

[145] "Kering divide il lusso a metà. Bizzarri ai vertici", C. Dainese, 2014, https://www.pambianconews.com

In line with this more limited autonomy Pinault, at the end of 2014, announced the end of the relationship between the couple Giannini – Di Marco and Gucci.
A possible explanation of this decision can be that the financial results of the brand were not so exalting. The luxury industry was living in this year a consumption's crisis and Gucci has lost 4,5% in the total revenues in the first semester of 2014 (revenues has reached € 1.6 billion), not an excellent result but however in line with the consumption trends.[146]
Another critical factor in the Gucci's performance was a decrease in the sale volumes of the leather bags, the core business of the brand and one of its strengths.
Being Gucci responsible for 65% of Kering's revenues probably Pinault did not accept these non – brilliant performances and decided to replace their position with Marco Bizzarri (as CEO) and Alessandro Michele (as Creative director) hoping to give back glory to this brand. [147]

3.3. Gucci today

Marco Bizzarri was already involved in the Kering's business. He was the first CEO of Bottega Veneta (part of the luxury division of Kering) and then was nominated CEO of the Luxury – Couture & Leather goods of Kering.
For this reason, the choice to nominate him as new CEO of Gucci appeared to be a natural consequence of the established policy of the group to select people already involved in the Kering's business.
Alessandro Michele, on contrary, was almost unknown to the luxury industry.
He had been working for twelve years in the creative departments of Gucci, but he has never reached "fame" before. Bizzarri himself chose him because they shared the common dream to reinvent the brand and create a real transformation of the brand starting from inside.
Together, they started a real revolution of the brand in order to avoid creative stagnation that had characterized the last two years of the brand (causing a decrease in sales volume) and leading it to become a superbrand.

3.3.1. Gucci's current revolution

Bizzarri e Michele's aim from the start was to give back the old fashion authority to Gucci. In those last years Gucci was losing its creative impact and there was a lack of creativity that was leading the brand to a decrease in its brand equity.

[146] "Sul semestre di Kering pesano cambi e Gucci", P. Cassola, 2014, https://www.pambianconews.com/
[147] "Terremoto Gucci, Pinault <<licenzia>> il duo al vertice di Marco – Frida", P. Bottelli, 2014, https://www.ilsole24ore.com

From this idea started the Gucci's revolution in order to create a sort of disruption from the past. There was a transformation of every aspect of the brand: from product, advertise and communication, distribution and store's composition to brand's vision.

The first collection show happened in January 2014 and it created a shock among press and consumers. People remained confused about the brand's stylistic changes and someone started to regret the Giannini's style.[148]

Michele, supported by the full trust of Bizzarri, in fact created extreme products in order to upset the previous old brand schemes.

There was a real disconnected from the past, an element that on contrary had characterized Gucci's collection in the last fifteen years under the guide of Giannini – Di Marco.

Even Pinault was confident about their abilities, despite the numerous critics that they had received after the first show.

He declared that he was confident about their expertise and that Gucci had already a history of change and there was something that must be done.

Bizzarri pushed Michele to realize extreme ideas, to focus on the feeling behind the purchase's decision respect to the product itself.

Bizzarri declared "the strategy was very much oriented to the figures and less to the feelings or sensibility of the product (…) I work in the business, the more I think it is less and less number driven and more and more product driven" (Amed, 2015, https://www.businessoffashion.com/).

The duo has focused their strategy on the creation of feelings, emotions through the use of storytelling and narratives. They had the object to transmit through products new corporate values, new positive perceptions about the brand.

The idea behind this product and identity's revolution is explained by Bizzarri himself. He declared that in this new world characterized by fast communication and rapid changes the brand should return to the origin of the fashion: fashion as a vehicle to anticipate trends, to create them and not follow them.

This strategy was, and it is still, built on the creation and development of four different competitive advantages: [149]

- Priority to creativity: Creativity should be reflected in revolutionary products. The idea was to reestablish the brand's reputation as a fashion Italian leader through innovative collections and strong creativity. Brand's values and historical iconic motives are reinterpreted in a new creative thought. The aim is to transform the brand's legacy causing also a social change

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[148] https://www.vogue.it/news/vogue-arte/2017/12/07/lintervista-a-marco-bizzarri-e-massimo-bottura-vogue-italia-dicembre-2017/

[149] Kering, "Gucci 25.0 – The quantum leap: the journey of the desire continues", Corporate report, 2018, p. 5 – 12

- Exaltation of the self-expression: Brand should underline and reflect consumers' different personalities. Consumers should buy Gucci because it is suitable to express their sense of freedom to communicate their individualities and personal tastes. The brand should communicate freedom to show themselves
- Create engagement into the brand: The subject of actions is not anymore just the quality and the tradition but to create feelings and positive associations with the brand during the purchase experience. Consumers should feel part of the "Gucci tribe", they should feel part of a community that shares the same values. The consumer should feel involved in the brand, the brand should communicate inclusivity and not anymore exclusivity. According to Bizzarri's though, exclusivity brings the consumers to not feel close to the brand, while an inclusive approach creates engagement. The scope is to transmit the "Guccification" to the world. It means to create a world characterized by the Gucci's taste and style, to spread its sense of fashion around the world. This term was firstly used by media and social media indicating the new untraditional fashion idea created by the duo and now it is used by the brand itself (a representation of the term is also present in the Gucci Garden, the corporate museum) [150]
- Create a unique corporate vision and culture: Principles that guide their strategy are: the ability to change, to renovate itself, capacity to quickly adapt to new generational contexts. These abilities are typical of new small businesses (as start-up companies) and this is the real challenge of the CEO, to act as a start up with 11.000 employees. [151] In this way, Bizzarri defined Gucci as a "learning organization" where everything evolves fast and corporate organization must be adapted to these changes. He transformed the way of thinking of the company, was able to build commitment among employees and destroy the psychological and technological barriers for change. [152] Gucci has upset the old fashion conditions: the big established brand should restart from the bottom, from the consumers' desires, to act as the small unknown brands perceiving the consumers' needs and consequently adapting its offer. [153] To summarize these concepts, it is possible to use the new brand mantra "Attract talents, takes decision based on the true nature of the brand and be fast" (Kering Report, 2018, p.11).
- Push innovation: The idea is to transform Gucci into an example of fashion innovative brand. A brand that was able to reinvent itself and adapt to the contemporality without

[150] F. Sarica, "Marco bizzarri Rivoluzione Gucci", Studio magazine, vol. 35, 2018, p. 67 – 68

[151] "Bizzarri (Gucci): Pensiamo da start up che punta a 6 mld", C. Dainese, 2016 https://www.pambianconews.com/

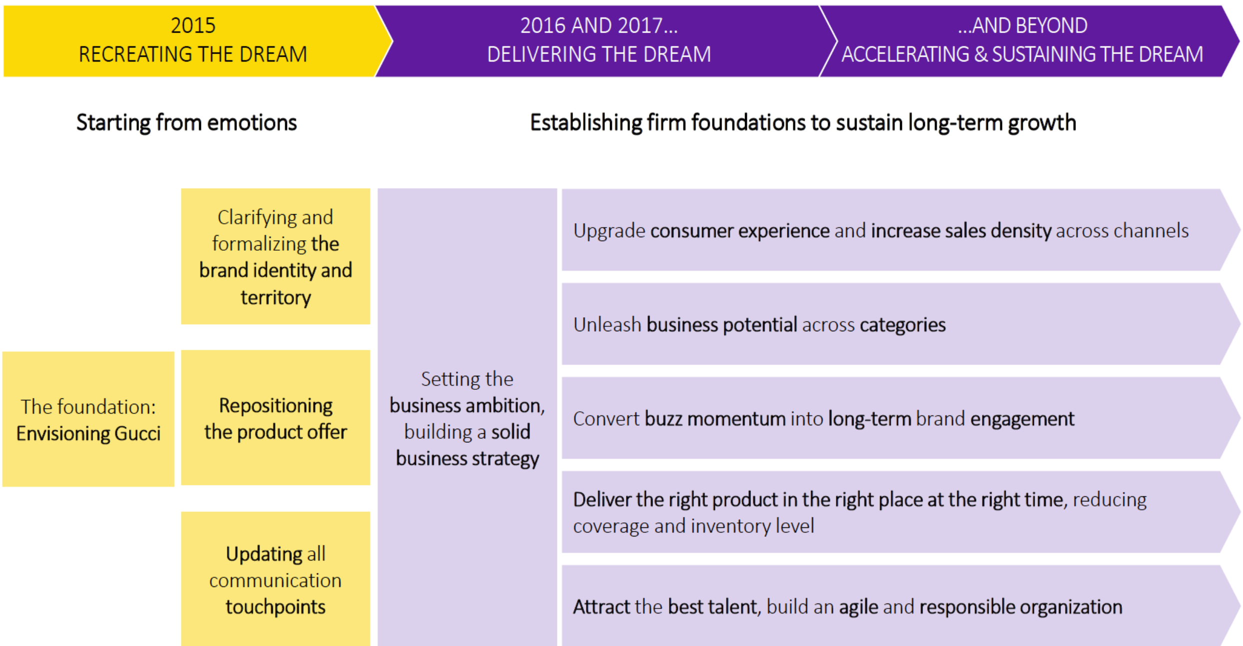
[152] https://www.businessoffashion.com/articles/careers/gucci-a-learning-organisation

[153] "Lo tsunami dietro i 10 miliardi di Gucci", D. Pambianco, 2018, https://www.pambianconews.com

losing credibility.[154] To anticipate trends and break the habits does not mean to disrupt the brand's past but to read it in a new light. It means to not replicate the same old concepts, the same items and the same story but on contrary, starting from these, to push at the maximum the creativity combined with innovation. As a proof of this, recently Fast Company has placed Gucci in the global ranking of the 50 most innovative firm in 2018 (it has been positioned in the 30th place)[155]

These concepts were applied from 2015 in order to follow an established strategy, called "the Journey of Desire", explained in Figure 3.21.:

Figure 3.21. Gucci's strategy from 2015



Source (Kering report, 2018, p.15)

In order to establish and follow this precise strategy based on the reconstruction of the brand and increase of the long-term growth Bizzarri and Michele changed every aspect of the brand itself.

The first element that underwent strategic changes was obviously the product itself. Gucci, as mentioned before, has a strong stylistic archive and long fashion history.

The challenge for the duo was to interpret these old and glorious concepts in a contemporary key, repositioning the brand in a contemporary view without betraying its glorious past.

[154] F. Sarica, "Marco bizzarri Rivoluzione Gucci", Studio magazine, vol. 35, 2018, p. 68 – 72

[155] "Meet the man who made Millennials fall in love with Gucci", E. Segran, 2018, https://www.fastcompany.com/

The brand wants to communicate the social change that the society is living, wants to transmit this new freedom to self – express and for doing this it is necessary to break the old fashion rules.

The products are reinvented using contemporary codes, but iconic elements of the brand remain in order to not betray heritage.

The iconic symbols of the brand are reinterpreted in a revolutionary view. An example of this is that Michele was able to recreate appeal for the horse bit moccasin, a 60 – years – old product.[156]

Figure 3.22. The reinterpretation of the horse code in a contemporary way

Source (Kering report, 2018, p. 39)

As the product changed also the distribution process (and store itself) should change in order to transmit this new identity's revolution.

Bizzarri and Michele increased the potentiality of the directly controlled stores to communicate a strong retail identity.

[156] Kering, "Gucci 25.0 – The quantum leap: the journey of the desire continues", Corporate report, 2018, p. 32 – 45

Figure 3.23. Distribution division of Gucci

Sales mix evolution by channel	FY 2015	FY 2016	FY 2017
RETAIL INCL. E-COMMERCE	82%	83%	85%
WHOLESALE	16%	16%	14%
ROYALTIES	2%	1%	1%

Source (Kering report, 2018, p. 17)

Figure 3.24. Gucci's stores

Source (Kering report, 2018, p. 18)

Stores had to be the maximum expression of the creativity of Michele's collection, and for this reason he started a renovation of the store's interior, to better communicate the brand's revolution and identity. [157]

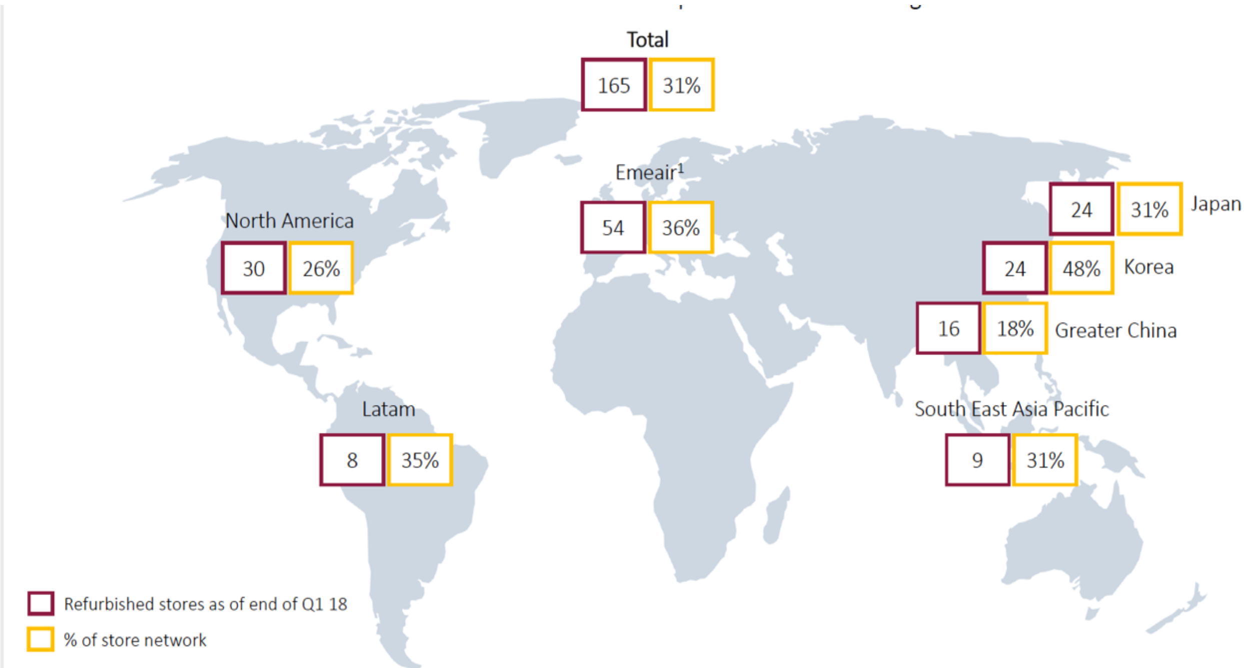
[157] "Reinventing Gucci: Marco Bizzarri, president and CEO of Gucci, speaks exclusively to Imran Amed about the reinvention of the superbrand", I. Amed, 2015, https://www.businessoffashion.com/

The store had to communicate feelings to consumers, create a new luxury experience around the purchase. Being the store an essential factor in his strategy, Bizzarri himself went to the numerous Gucci's stores with the aim to meet the sale staff and communicate them what he wanted to transform in the purchase's experience. Gucci's objective should be to create inclusivity, starting from the store itself.

Even the sale staff was training in order to recreate positive emotions during the purchase's moment. Store staff should be natural and confident with the consumer.

The aim is to create a good memory about the Gucci's purchase experience. [158]

Figure 3.25. Number of refurbished stores all over the world



Source (Kering report, 2018, p. 20)

The choice of the staff itself became more selective and talent-focused and the retail monitoring's activities increased considerably.

Stores became suitable for the clients' profiles of each different geographical area and new opening in strategic areas are now considered (as New Zealand and Hong Hong).

Example of this approach more sensitive to the clients' needs is the development of different marketing strategy in China where the society is completely different.

An unpowered distribution system more closed to the clients' needs creates more loyalty, improves the brand's image and increases sales volumes.

[158]"Bizzarri <<Finita l'era dell'esclusività. È l'ora del lusso inclusivo", C. Zanzi, 2018, https://www.pambianconews.com/

Figure 3.26. Next distribution actions to develop:

Source (Kering report, 2018, p. 30)

Bizzarri/Michele's revolution passed also to the communication strategy.

This process involved for example the corporate museum, Gucci Garden, strongly desired by Frida Giannini although it never fully expressed the brand's identity.

For this reason, Alessandro Michele decided to transform it in order to communicate the revolution that was started. A restyling was made in 2017 with the aim of creating a coherent image that could reflect the new fashion concepts. [159]

Inside the museum it is explained that it represents a historical narration from 1921 (the begin of the business) until the contemporary. In Gucci Garden the different stylist phases of the brand up to Michele's contemporary collection are represented.

Following the path, it is possible to find an explanation of the new term "Guccification". It reflects the new way of representing of the brand from Alessandro Michele point of view, it communicates his new brand' narrative and his new revolutionary idea behind the brand and the logo (the double G).

Michele was able to differentiate its personal style from the others, leading the community (media, social media, millennials) to coin a new word in order to express his creativity.

The iconic themes of the brand (as the Flora print for example) are differently interpreted by the creative director in order to create at the same time a continuum with the past and an interruption from it.

[159] "Gucci: anche il museo sarà targato Michele", A. Lucchese, 2017, https://www.pambianconews.com/

Figure. 3.27. Gucci Garden exposition

Source (Personal photos)

Inside of the museum it is also possible to find a boutique and a restaurant, the Gucci Osteria, under the guide of Massimo Bottura, a multi-starred chef.

Beside this, other new communication's tools are used, for example strategic selected collaborations with talent artists (as Ignasi Monreal) creating new innovative communication's programs.

Even the digital has become a strong strategic instrument. It has become a central part of the Gucci's communication program in order to increase engagement and connection with consumers. In fact, as it was said in chapter 2, Digital and E - Commerce are becoming a key factor in fashion communication strategies.

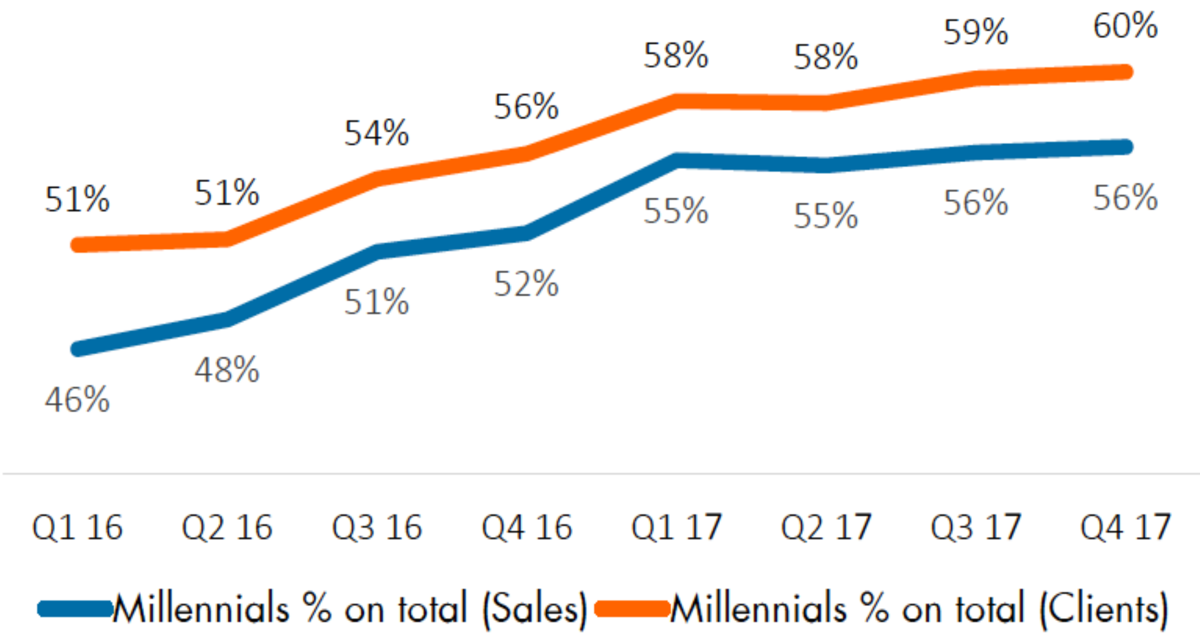
Michele was able to use them to reach the "millennials" transmitting a new idea of the brand among them. They represent the future of the luxury consumption. According to a research conducted by Bain and Altagamma, in 2025 millennials' consumption will be the 45% of the whole luxury consumptions. In this research is also explained that in 2017, they contributed by 85% of the total growth of the luxury sector. For these reasons, it's impossible ignoring their economic relevance.

Bizzarri in a recent interview has declared "if you are able to spontaneously and genuinely talk to millennials in a way that they can see really comes from the heart, you are talking their language (…) they are not loyal and switch from one brand to the next. This may be true, but it doesn't apply to us" (Segran, 2018, https://www.fastcompany.com/)

According to this, Gucci and Louis Vuitton have been elected the best fashion brands in the millennials view. The ranking was based on the amount of likes per post and visibility on the social media. [160]

[160] https://www.ubs.com/global/it/wealth-management/marketnews/home/article.1390074.html

Figure 3.28. Millennials' growth rate



(Kering report, 2018, p. 59)

The creative director himself has declared "Creativity is often born and finds its voice in digital media, a vital source of visual culture" (Kering report, 2018, p. 49).

The digital world is fully expressed by Gucci using and empowering the website, Gucci.com (in 2017 it has counted 224 million annual visits) and the Gucci App (since 2016 it has counted 1.9 million downloads and 8.3 million upgrades).

For example, in 2018 Gucci is starting to offer an online product customization service called DIY – do it yourself. This possibility is available on the official website and allows to create Gucci's products with the addition of own initials. [161]

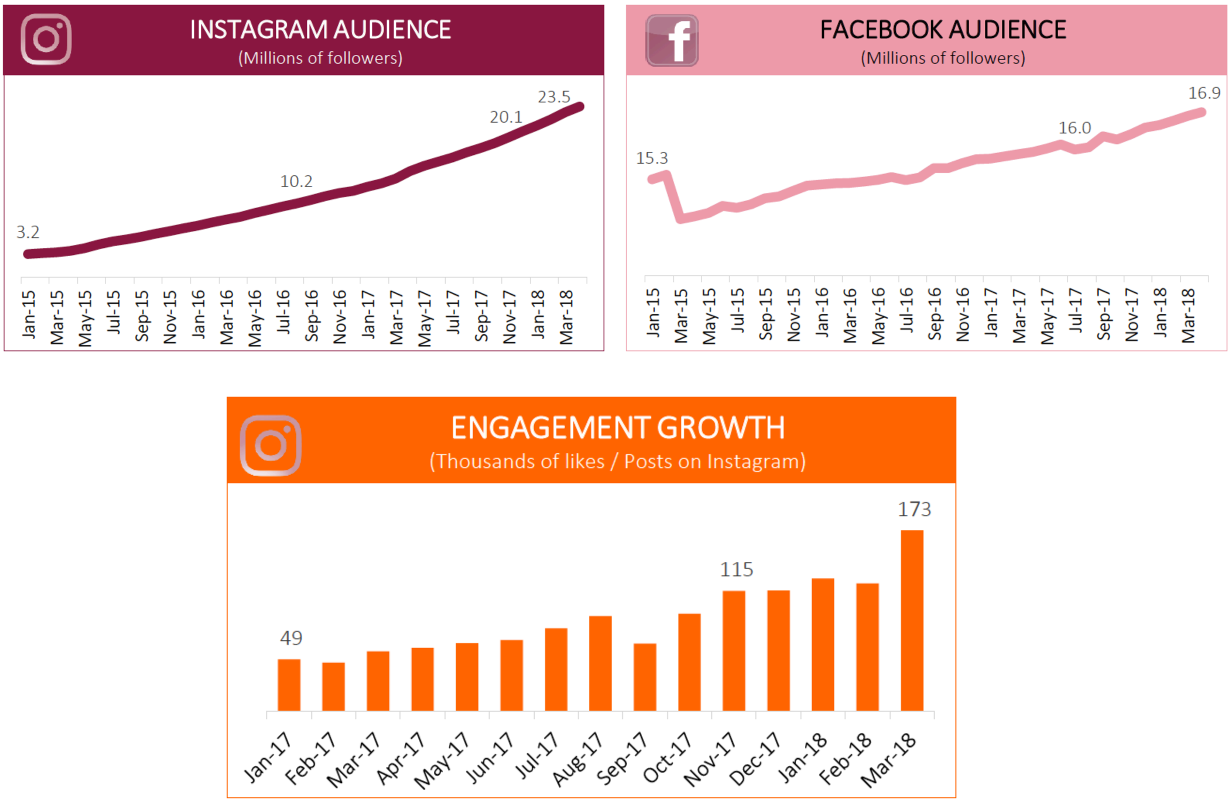
But, besides these tools, the major source of the Gucci's digital strategy is based on social media.

The utilization rate has grown quickly, people have become interested in Gucci's original contents and has developed a consequence more loyalty to the brand.

The estimated economic value earned through the use of social media is around € 55 million and the utilization rate is increasing in every geographical area.

[161] "Gucci scommette sulla personalizzazione", C. Zanzi, 2018, https://www.pambianconews.com/

Figure 3.29. Growth rates in digital tools



Source (Kering report, 2018, p. 51)

Results represented in figure 3.29. are the consequences of a massive investment in the digital communication. In 2018, 55% of the investments about media contents were destined to the digital world, overcoming the investments into traditional media channels.

Bizzarri identifies in the digital world a way to reach much more consumers building with them a strong emotional relationship. [162] The inclusivity concept expressed before is strong returns in the use of the digital channel. It is thought with the aim of creating a contact with the user, digital is used in order to eliminate demographical barriers and to create a community where people can feel free to self-express. [163]

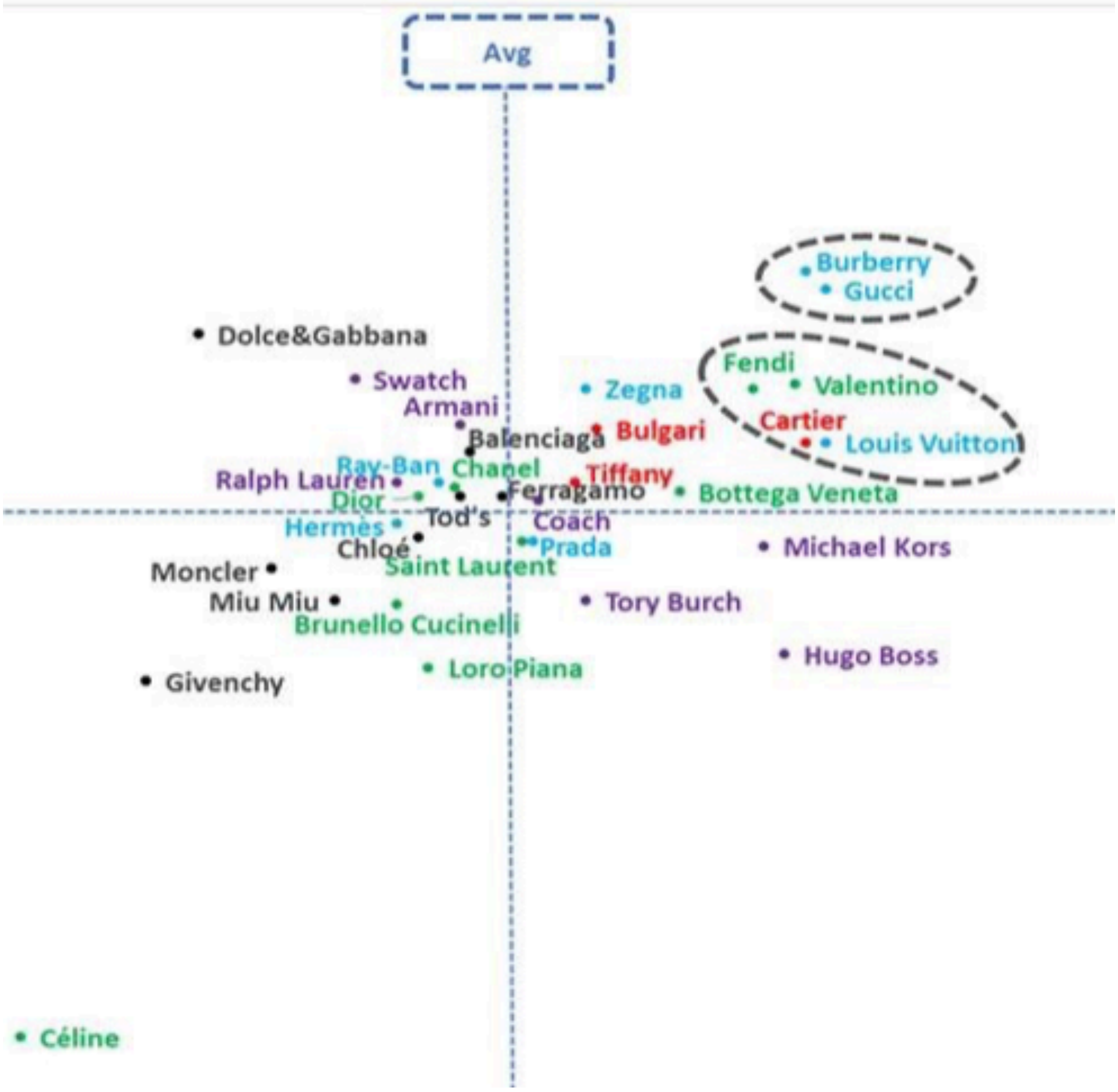
Examples of the use of the social media can be represented by the Gucci's will to post on the brand's official profile photos where unknown artists, using Gucci's products, interpret and represent them in different ways using their personal style.

Also, as it mentioned before, Gucci in 2017, has been rewarded as the leader in the digital marketing.

[162] "Gucci si riorganizza. Crescerà su 4 nuovi pilastri", C. Zanzi, 2018, https://www.pambianconews.com/

[163] Kering, "Gucci 25.0 – The quantum leap: the journey of the desire continues", Corporate report, 2018, p. 46 – 59

Figure 3.30. The Digital Competitive Map Luxury – May 2018



Source (Contactlab.com)

At the Altagamma Digital awards Gucci, like Louis Vuitton, has been rewarded for the best customer relationship in the digital area. Gucci has implemented different factors as:[164]

- Attention for the choice of the online product
- High quality of direct marketing
- Multiple choices for the delivery of the products bought via web

The digital presence of Gucci today is stronger than never before.
Gucci's revolution was continued also in the structural reorganization of the company itself started by Bizzarri.

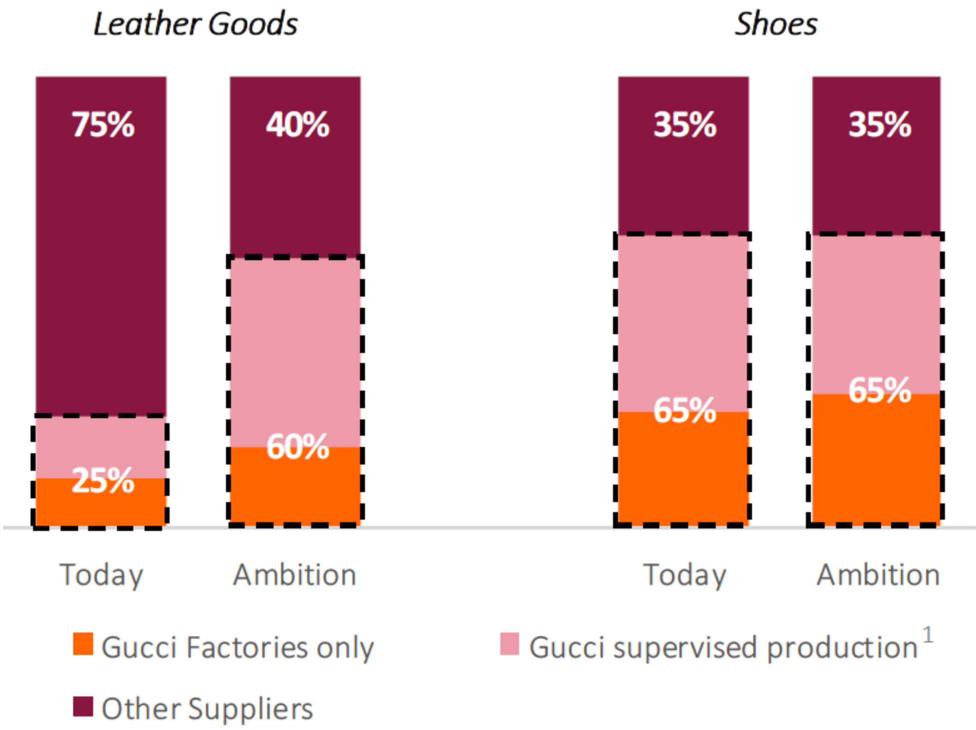
[164] https://www.ilsole24ore.com/art/moda/2018-07-17/burberry-gucci-louis-vuitton-dolcegabbana-e-valentino-sono-campioni-lusso-online-111454.shtml?uuid=AEO9PzMF

Examples of this are the creation of Gucci Hub in Milan, the new headquarter of the brand and the inauguration of a new laboratory, the ArtLab, for the production of shoes and bags in Scandicci (Florence). The center is though as a point where industrial craftsmanship and innovative experiments conducted in laboratories are mixed. Innovation is a key feature of the entire project.

The production is also linked to sustainability. Gucci in the production process has declared its commitment to improve the sustainability of the entire process (thought circular economy, traceability of the raw materials and elimination of the fur coats, just to name a few).[165]

The choice to build a production laboratory in Florence is dictated by the desire to centralize and empower the production process itself.

Figure 3.31. Gucci's production structure



Source (Kering report, 2018, p. 62)

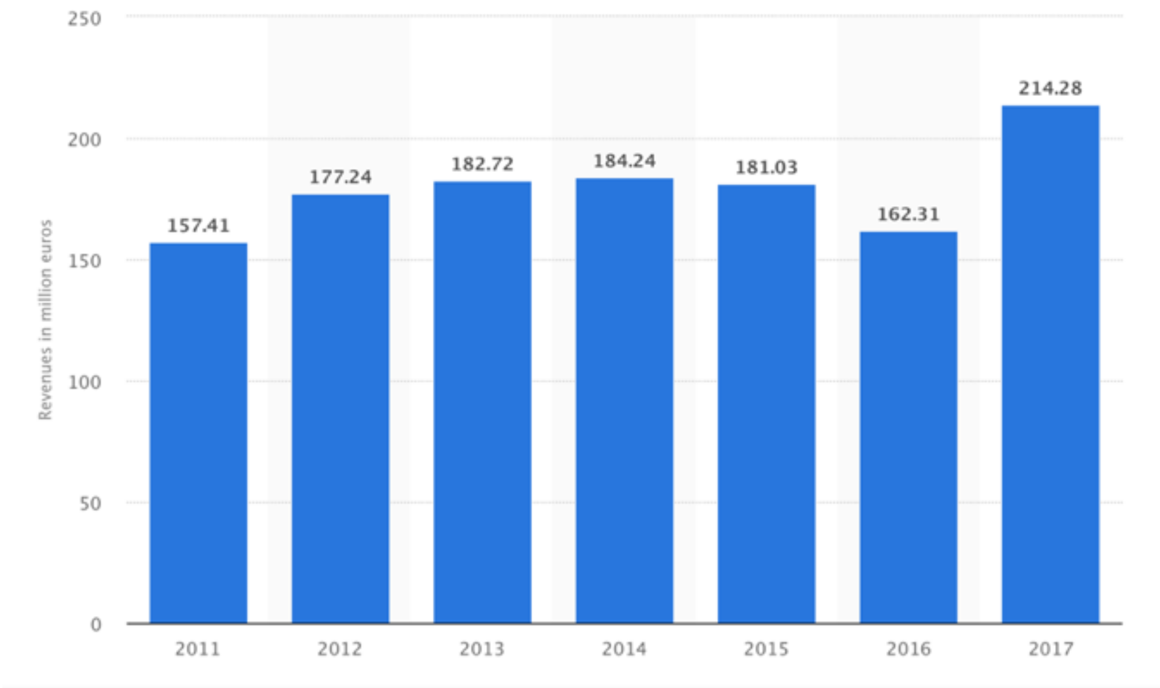
Even in the organization, changes were made. Bizzarri has joined marketing, markets and merchandising activities in the same department. It was made with the idea to reduce the control over all the aspects of the brand and encourage creativity and freedom of thought.

As said before, Bizzarri was able to conduct the company as a start – up, to eliminate the size's problem about the decision – making speed. It created a fast system that it is able to adapt to fast changes and even to anticipate and create them. Into this fast and agile system, he

[165] "Marco Bizzarri, Gucci scrive un futuro green", S. Roncato, F. Gibellino, 2018, https://www.mffashion.com/

implemented conversations and performance check-in among talents employees that create together task forces and alliance in order to generate faster problem - solving. The idea is that the change should start also from inside, from the management of the company itself.
The key factor of this success is the coherence that Bizzarri, from a managerial point of view, and Michele, for the creative part, transmit. The message that they want to communicate is clear and it is present in all the aspects of the brand (from production to distribution).
They were able to create a revolution of the brand, to reinvent it without losing coherence in their actions. They were able to increase the speed of reaction to external stimuli, taking huge risks, and change Gucci's image.
These enormous changes in the brand's identity and the company's structure were followed by extraordinary financial results, in these last years Gucci has reached incredible performances. Michele and Bizzarri took risks but in the end, they won over the competitors.

Figure 3.32. Gucci's revenue (2011 – 2017)



Source (www.statista.com)

The result of the strategic decisions taken by Bizzarri – Michele had their effects in 2017 where the growth was enormous.
Some effects were already visible in 2016 the brand was beginning its growth with an increase by 4.8% on its total sales.[166]

[166] "Il rilancio Gucci spinge Kering oltre le stime", C. Dainese, 2016, https://www.pambianconews.com/

In the first trimester of 2017, only Gucci 's turnover was increased by 51.4% (this is the proof of how much it is important and fundamental the brand for the conglomerate's total turnover, as it will be better explained later).

Gucci was also the only Italian brand present on the ranking made by "Business of fashion" (also called Bof) about the fashion companies in which is better work. [167]

At the end of the year Gucci has reached a giant growth with revenues around € 6 billion (+44.6%) and profits equal to € 2 billion (+ 69.1). [168]

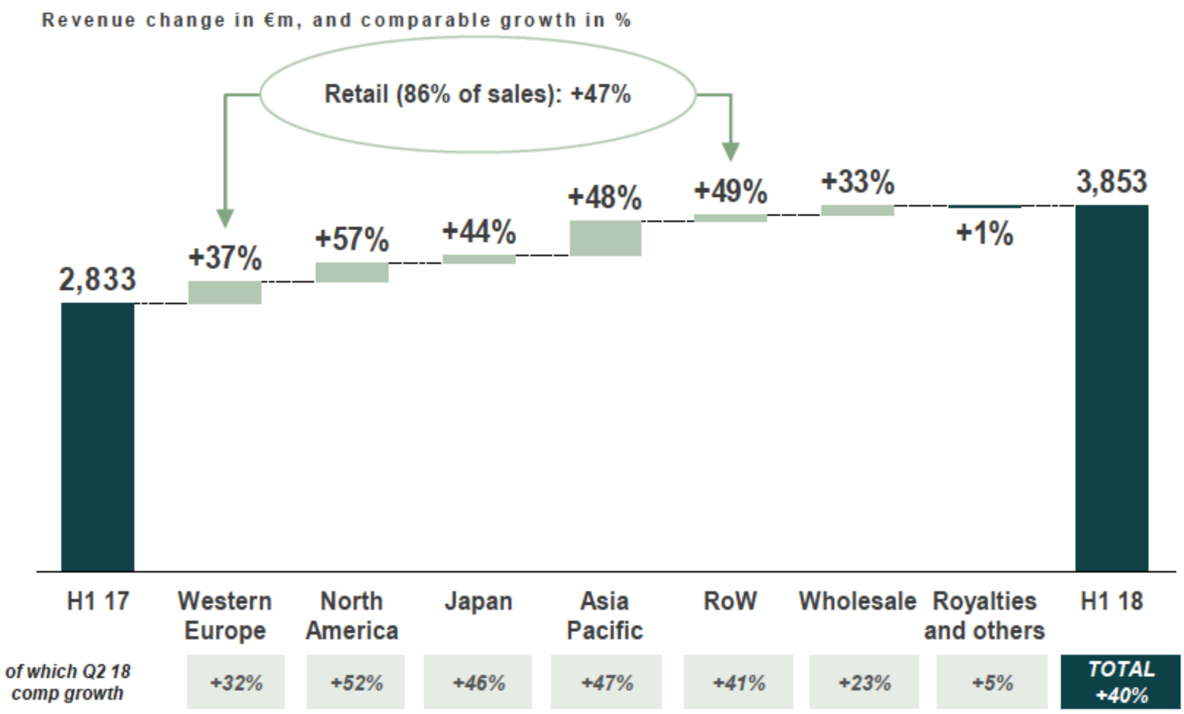
Sales were increased by 42% in the directly owned stores and by 80% on the e – commerce (underlining the efficacy of the digital strategy of Gucci).

Gucci has surpassed the brand "Hermès" becoming in 2017 the second luxury brand for revenues (second only to Louis Vuitton).

The fast growth is often compared to that experienced by Apple during Steve Jobs 's era. [169]

In 2018 financial results are excellent. Figure 3.33. shows the brand's revenues in the first half of 2018. These are equal to the full revenues recorded in 2015.

Figure 3.33. Gucci's revenues in the first half of 2018

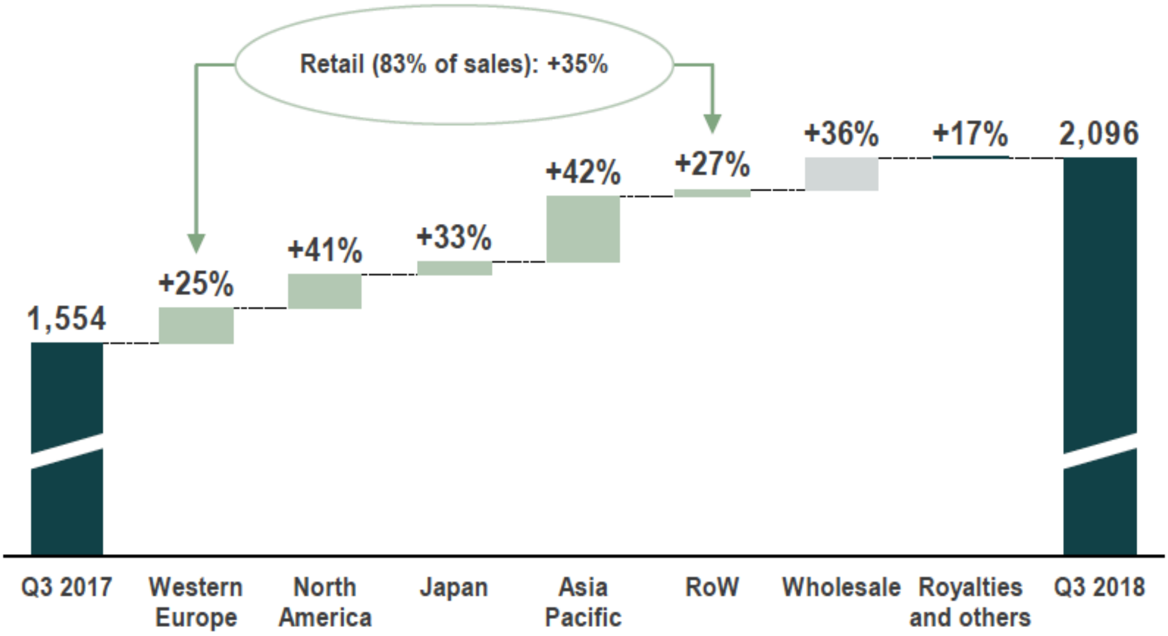


Source (Kering 's first-half results, 2018, p.9)

[167] "Gucci stellare (+51.4%). Kering festeggia in borsa", G. Sciola, 2017, https://www.pambianconews.com/
[168] "Kering batte le stime, utili operativi a + 56%", G. Sciola, 2018, https://www.pambianconews.com/
[169] "Gucci supera Hermes. Davanti (per ora) c'è solo Vuitton", G. Sciola, 2018, https://www.pambianconews.com/

Figure 3.34. shows in the third quarter retail sales are increasing by 35% respect to the previous year and revenues are around € 2 million having at the moment 538 directly operated stores. The group has declared that online sales are increased by 68%. These are the most recent available financial results. [170]

Figure 3.34. Gucci's revenues by region and channels in 2018



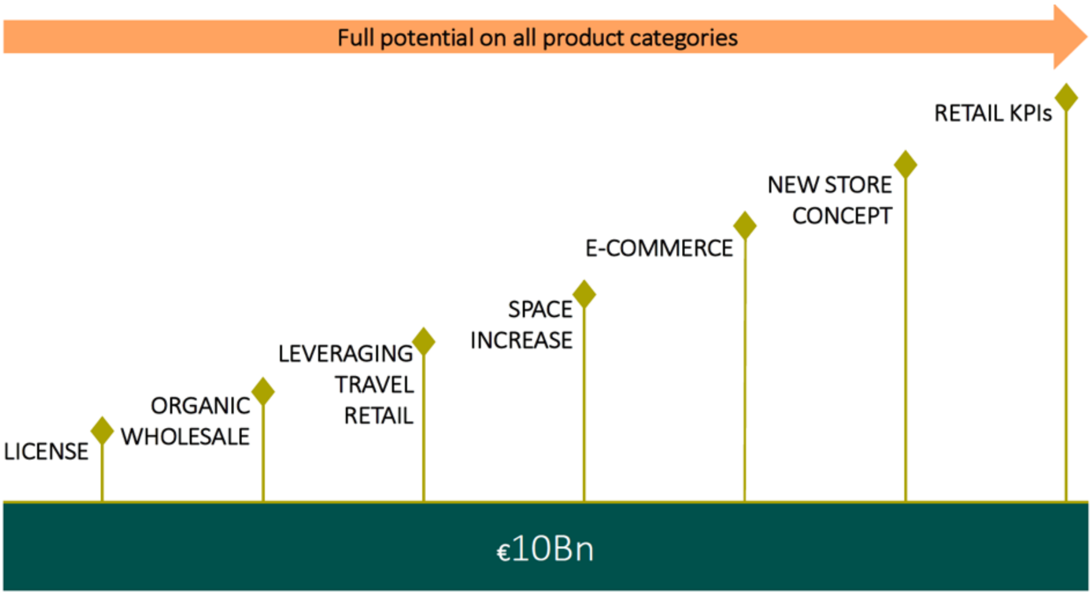
Source (Kering' s third quarter report, 2018, p. 4)

But the race of the growth started by Michele – Bizzarri seems to be just at the beginning. The future challenge for the brand will be to reach €10 billion revenues and an EBIT margin equal to + 40%.

This estimated numbers, although appear enormous, are not unreal seen the growth rate of the brand of these last years.[171]

[170] Kering, "2018 third quarter revenues", Kering report, 2018, p. 6
[171] "Lo tsunami dietro i 10 miliardi di Gucci", D. Pambianco, 2018, https://www.pambianconews.com

Figure 3.35. Future strategy of Gucci to reach € 10B revenues

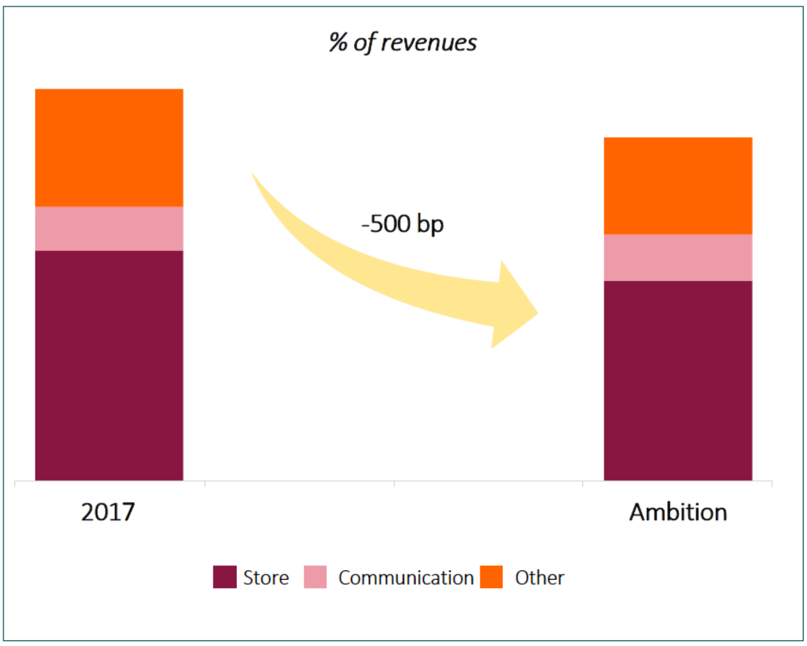


Source (Kering report, 2018, p. 75)

Future strategy of Gucci will be based on the increase of revenues through an upgrade of the retail system. The change will pass through an increase of the sale density across all geographical regions, increase of the refurbishment of the new concept stores and creation of stores' network, tripling e-commerce and doubling licenses.

Instead, the increase of the EBIT's percentage will be reached through a reduction of the store's total expenses, rent negotiations, huge investments in communication, digital, IT and industrial innovations.

Figure 3.36. Strategy for EBIT expansion



Source (Kering report, 2018, p. 78)

The risk is that this growth cannot last forever and the financial comparison from year to year will become increasingly difficult to face it.
To maintain these glorious results and to create a sustainable organization, Gucci has as objects to maintain and empower:

- Excellence in production and quality
- Unique culture and identity
- Extreme Innovation

3.3.2. Kering and Gucci

When it comes to Gucci it is impossible to not refer also to Kering. In fact, as it mentioned before, from 2004 Kering group owns the 99,4% of the total shares of Gucci.
Gucci has remained during the years the strongest brand of the group (for this reason for example the brand is under the direct control of François Pinault, CEO and chairman of Kering). Through the years the bond between the brand and the group is becoming more and more strong and today, the wealth of the group depends largely also from the financial situation of the brand. As the brand itself has grown during these last year also consequently Kering has increased its revenues.
Especially during these last two years, Gucci has led the financial results of the whole group. In fact, at the beginning of the 2017 Kering revenues were increased by 31.2%, increasing its financial position on the stock market of Paris.[172]
At the end of the year the revenues reached € 2.95 billion on net profits and € 15.4 billion on revenues (+25%). These incredible results depend also from the brilliant financial performance conducted by Gucci.
Other strong brands of the group are: Bottega Veneta (+2.4% on total sales), Yves Saint Laurent (+25.3% on sales) but their growth rate cannot be compared to that of Gucci.[173] Gucci has a strong influence on the financial position of the group.

[172] "Gucci stellare (+51.4%). Kering festeggia in borsa", G. Sciola, 2017, https://www.pambianconews.com/
[173] "Kering batte le stime, utili operativi a + 56%", G. Sciola, 2018, https://www.pambianconews.com/

Figure 3.37. Kering's financial results in 2017

In €m	H1 2017 RESTATED (*)	H1 2017 REPORTED	FY 2017 RESTATED (*)	FY 2017 REPORTED
Revenue	5,073	7,296	10,816	15,478
Gross margin	3,674	4,725	7,916	10,133
Gross profit margin	*72.4%*	*64.8%*	*73.2%*	*65.5%*
Recurring operating income	1,158	1,274	2,691	2,948
Recurring operating income margin	*22.8%*	*17.5%*	*24.9%*	*19.0%*
Consolidated net income	861	861	1,865	1,865
Of which net income, Group share	826	826	1,786	1,786
Net income, Group share, from continuing operations excluding non-recurring items	815	872	1,887	2,002
CAPEX	227	283	605	752
CAPEX/sales	*4.5%*	*3.9%*	*5.6%*	*4.9%*
Free Cash Flow from operations	848	718	2,206	2,318

Source (Kering's first-half results, 2018, p.5)

As proof of this, in the first semester of 2018, Kering's stocks were losing almost seven points on the share's value.

This could be the consequence of a slowdown of the Gucci's growth that, although always excellent, was growing by 40% (in the first quarter by 49%), underlining a little decrease.[174] This proves how much deep is the bond between the brand and its group. Financial results of the group as a whole are showed in figure 3.38 and 3.39. in September 2018 the directly controlled store owns by the group are 1400 and total revenues are € 3.402 million in the third quarter (+27,5%).[175] As it possible to see in these results and in those of the first half year of 2018 (see Figure 3.38 and 3.39), Gucci's contribution to the total revenues is much higher respect to the other brands. Through these numbers the strong link between Kering and the brand is better proved. The health of the entire conglomerate strongly depends on one single brand, Gucci.

[174] "Kering fa un altro boom. Ma la borsa estiva non perdona", G. Sciola, 2018, https://www.pambianconews.com/

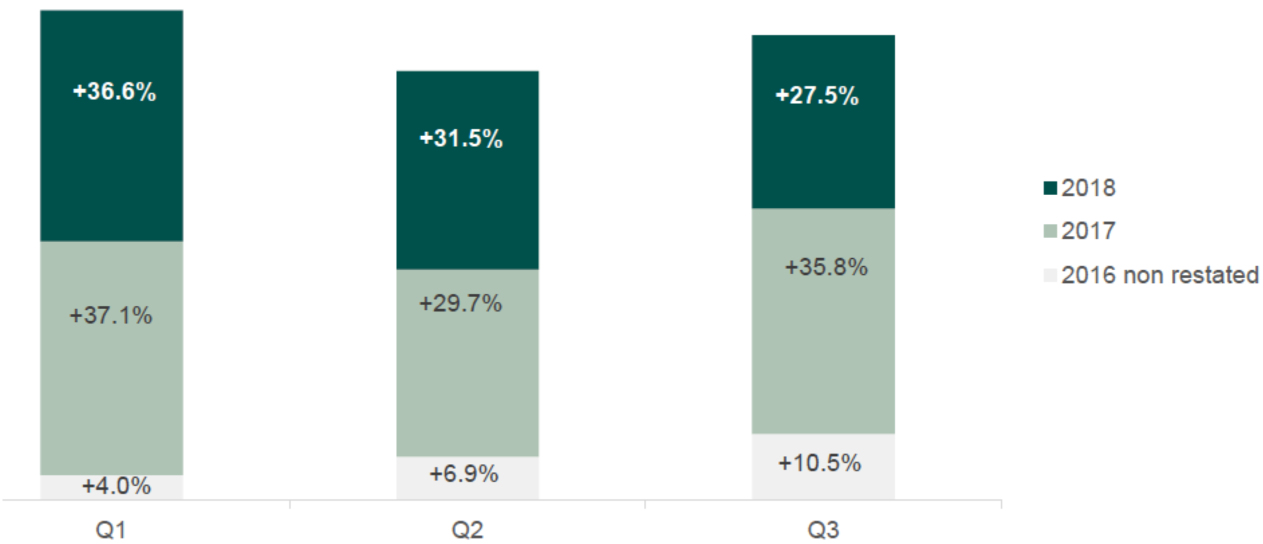
[175] Kering, "2018 third quarter revenues", Kering report, 2018, p.4

Figure 3.38. Kering's revenues (in €m)

	Q3 18 Revenue	Change (%)		9M 18 Revenue	Change (%)	
		Reported	Comparable (*)		Reported	Comparable (*)
Gucci	2,096	+34.9%	+35.1%	5,949	+35.6%	+40.8%
Saint Laurent	447	+16.5%	+16.1%	1,255	+14.7%	+18.4%
Bottega Veneta	259	-7.8%	-8.4%	811	-6.9%	-3.5%
Other Houses	516	+32.2%	32.2%	1512	+31.4%	+35.0%
Total Houses	**3,318**	**+27.2%**	**+27.1%**	**9,527**	**+27.0%**	**+31.5%**
Corporate & other	84	+48.8%	+43.7%	307	+30.0%	+35.3%
Kering total	**3,402**	**+27.6%**	**+27.5%**	**9,834**	**+27.1%**	**+31.6%**

Source (Kering' s third quarter report, 2018, p.14)

Figure 3.39. Comparison of Kering' s revenues (2016 – 2018)



Source (Kering' s third quarter report, 2018, p. 4)

Always in 2018, Kering decided to sell the Puma's shares (it maintained only 15.7% of the total capital) in order to focus its brand's portfolio only on fashion luxury brands in line with the vision based on fashion exclusivity of the group (and Gucci itself).[176] The attention of the group will be always focused on the brand and its performance.

[176] "LVMH – Kering, la sfida", D. Pambianco, 2017, https://www.pambianconews.com

Figure 3.40. First half year financial performance of Kering

FINANCIAL PERFORMANCE

In €m	H1 18	H1 17 RESTATED
Revenue	**6,432**	**5,073**
Gross margin	**4,776**	**3,674**
Gross profit margin	*74.3%*	*72.4%*
Recurring operating income	**1,772**	**1,158**
Recurring operating income margin	*27.5%*	*22.8%*
Other non-recurring operating income and expenses	(40)	(44)
Finance costs, net	(97)	(108)
Corporate income tax	(385)	(219)
Share in earnings of equity-accounted companies	(3)	(3)
Net income from continuing operations	1,247	784
Net result from discontinued operations 1	1,148	77
Consolidated net income	2,395	861
Of which net income, Group share	2,360	826
Net income, Group share, from continuing operations excluding non-recurring items	**1,262**	**815**
Net income, Group share, per share (in euro)	18.74	6.55
Net income per share from continuing operations, Group share, excluding non-recurring items (in euro)	10.02	6.47

1 Mainly PUMA net capital gain and P&L contribution

(Kering's first-half results, 2018, p.14)

Figure 3.41. First half revenues divided brand's contribution

			Reported change	
In €m	H1 18	H1 17	€m	%
Gucci	3,852.8	2,832.5	1,020.3	+36.0%
Saint Laurent	808.2	710.8	97.4	+13.7%
Bottega Veneta	552.2	590.4	(38.2)	-6.5%
Other Luxury Houses	995.5	759.5	236.0	+31.1%
Total Luxury Houses	**6,208.7**	**4,893.2**	**1,315.5**	**+26.9%**
Corporate & Other	223.2	179.8	43.4	+24.1%
Kering continuing operations	**6,431.9**	**5,073.0**	**1,358.9**	**+26.8%**

(Kering 's first-half results, 2018, p.14)

3.4. Reflections on Ownership changes and Superbrand Identity

If Gucci was created as an independent family business, today it has lost this intrinsic characteristic. As said before, today Gucci is strongly controlled by Kering.

Although CEO and the Creative Director can feel a sort of freedom about strategies to follow, the last world will always be of Francois Pinault, as it happened for example for the replacement of Giannini – Di Marco. The relationship now is strong, the link between the conglomerate and the brand appears to be unbreakable.

Gucci, during the years has abandoned its “freedom” in order to obtain the right financial support from the group that in the end has led to become Gucci a luxury giant.

What is necessary to say is that during the years Gucci was able to create, maintain and transform (when it was necessary) its identity, also as a consequence of its ownership status.

For a better explanation of this concept it is necessary to start from the beginning of the business. Starting as a family business the brand built its identity on quality, craftsmanship tradition and stylistic identity. This type of identity was in line with the family ownership, focused on the heritage’s preservation and on the transmission of the family and business values among consumers.

Family characteristics and brand identity were in line with the brand’s image among consumers.

With the increase of the Gucci’s success, going public appeared to be the only solution in order to seek more financial funds and increase international sale volumes.

In fact, it is important to notice that one of the main disadvantages of a family business is in fact the lack of financial funds (as it was mentioned in chapter 2).

On the other hand, the main disadvantages of going public are an increase in financial controls from new shareholders and a decrease in the family control over the business as happened also to Gucci.

To satisfy these financial pressures, Gucci lost its identity causing the brand’s dilution. The identity was compromised through this ownership status which led to a lack of a clear brand vision and a betrayal of the brand’s core values.

However, Gucci was able over time to reinvent itself. It came out successfully from its identity crisis thanks to a newly renovated brand identity combined with new financial possibilities provided by the French group PPR (now called Kering).

Concerning relationship, it is impossible to not notice a mutual benefit between them.

If in a first moment Kering helped thanks to its financial support Gucci to build a multi brand portfolio, through years Gucci went completely under the control of the conglomerate and now is the first major source of the total revenues for the group.

Today, Gucci can be seen as the most important brand for the group and for this reason the group gives it a special importance with respect to the other brands.
Despite the strong influence of the group, the brand however was able to maintain and preserve its identity and when it was necessary to transform it and reinvent itself (as it happened in the last years through the "Gucci's revolution).
The brand identity of Gucci did not suffer the transaction into a part of a conglomerate but on contrary the identity was often exalted and sustain by the group itself.
Kering, in particular, was able to respect the brand and to help its development when it was necessary without betraying brand's vision, creativity and core values. Thanks to the conglomerate's support, Gucci has become a superbrand.
Gucci is without doubts an example of how a brand, with the right financial support, can be able to preserve and increase its brand's value. What it is possible to presume is that without the group probably the brand alone would not be able to reach the success that it has now.
Gucci embodies the example of how a brand can benefit from being part of a strong group, but on the other hand it can be also considered a special case.
As it was said before, the brand owns characteristics that give it the ability to transform itself, to adapt to new situations and new consumption trends, not every brand could be able to adapt to a new ownership status and not every conglomerate could be able to respect brand's identity and give it the right freedom of action.
It is impossible to affirm without doubts that an ownership status can be better for a brand respect to another. It depends on the characteristics of the brand's identity itself, its intrinsic values and if these can be associated with those of the whole group. Gucci was able to enjoy from the relationship with the group but for example going public was a terrible phase in its business life.
In the case of Gucci, Pinault has encouraged the Gucci's revolution started by Michele and Bizzarri but this is not an ordinary fact. In most case, fashion brands tend to remain in their "comfort zone" where sale volumes are stable (maybe not excellent) and the consumer base is consolidated, as happened in the era of Giannini and Di Marco.
In the end, in the process of choosing to become public or to be under the control of a conglomerate, a brand must be aware of the fact that in some cases this event could imply a reduction of creativity's freedom and could create a damage of the brand's identity itself.
Every brand has its own story, identity and intrinsic characteristics and the ownership status should be in line with them.
In the ownership status in the luxury industry is not fixed, changes happen continuously, the ownership composition in the luxury industry changes fast following the rapid economic changes. One of the last significative change in this sense was the acquisition of Versace from

the American group, Michael Kors. The operation has cost € 1,83 billion and has an enormous impact on the media.[177]

Versace represents just one of most Italian brands that have left their ownership to foreign companies. This acquisition has just increased the pressure on the remaining independent brands that are fighting to maintain their autonomy, in a world where conglomerates are performing better and faster respect to the other. [178] New relevant actors in the luxury industry will be presented in the next section.

[177] S. Schirinzi, "Perché Michael Kors ha comprato Versace", 2018, https://www.rivistastudio.com/

[178] G. Bolelli, "Le firme del lusso indipendenti sotto pressione dopo l'acquisto di Versace", 2018, https://it.fashionnetwork.com/

4. Conclusions concerning future ownership changes in the luxury industry

The luxury industry is living a bumpy ride, consequently, before analyzing possible future developments, it is important to underline what is the connection between Ownership and Brand identity, the two elements that have been analyzed.
As result of this thesis, it is possible to state that there is no proof that a particular ownership status is more suitable respect to another for the development and support of a strong brand identity. Identity and ownership status do not have a positive or a negative correlation in any case. There is not a clear solution that refer to this relationship. What is important to notice is that a correlation between them exists and must be respected. A brand's identity should not be transformed with the aim to only improve the financial situation or to search quick solutions in order to increase profitability and sales volumes.

In any case, when a new ownership status is achieved, the brand must be prepared for the inevitable consequences and sometimes (as happened to Gucci) to change or improve its identity in order to survive. In this sense, if a brand desires to maintain its independence and conserve its family DNA in order to transmit this kind of heritage to consumers, it could choose to remain private. Another motive is also the desire to not jeopardize control of the business. It should be noted that family ownership was the primary form adopted by the majority of most successful luxury brands. This proves that this form is well - suited for the needs and particular characteristics of the luxury industry.
Should a company want to maintain freedom but requires financing to sustain rapid growth and avoid stagnation, it could adopt the choice to become a public company. A clear example is Tiffany & Co., which is publicly held but it has maintained overtime an independence.
Finally, a company could follow the trend of being part of a conglomerate, a very common ownership status in the luxury industry allowing increase in stability, obtaining financial security, exploiting synergies (manufacturing network, economies of scale and scope…) and parenting advantages inside of the group.

The choice of a particular ownership status should improve and sustain the development of the brand in each of its component. It also reflects the freedom of creativity that characterizes each brand. If the Creative Director of the brand is also the owner of the company, as it often happens in family businesses, he / she has more freedom in creative choices.

The Creative Director knows the style codes perfectly and is able to better manage the brand's identity. On the contrary, there is the possibility that the creative freedom of a brand could be stopped by the risk aversion of the stakeholders (in the case of the public companies) or by the chairman of the entire group (in the case of a conglomerate).
The freedom to express stylistic change could cease in order to avoid a loss in sales volumes and a decrease in the financial results. The fact that the creative director must communicate their stylistic intentions to someone else (the stakeholder on the financial markets or the CEO of the group) could slow down innovations and radical changes.

For this reason, the key to success for the conglomerates in the luxury industry should be entrusted to an innovative creative director who clearly understands the brand's identity and heritage. He / she must be able to reinvent those values in a contemporary key. At the same time, the creative director should work alongside by a CEO that understands the language of creativity and understands the financial boundaries of the company. The marketing strategy must sustain the creative strategy, in order to create synergies between them. An imbalance in the relationship between creativity and business could generate an unbalance in the brand's identity.

4.1. The new luxury conglomerates

The increase in M&A activities not only concerns big luxury conglomerates previously cited (LVMH, Kering and Richemont), but is becoming a profitable tool also for other groups to expand sales revenues and access new markets.
The sale of Versace, in fact, has marked the emergence of a possible luxury conglomerate: Capri Holdings Limited. This is the name of the group created by Michael Kors Holdings Limited that has started a series of acquisitions in order to become a multi - brand group and to compete particularly with the French luxury conglomerates.
In July 2017, Michael Kors purchased Jimmy Choo and with the purchase of the Italian brand Versace has established itself to become the first American luxury conglomerate.
With these acquisitions Michael Kors is trying to compete with the French conglomerates and to become the first American conglomerate focusing on global brands rather than just on American brands that could have heritage's limits.

The rise of these new players is just a sign of structural changes undergoing in the luxury industry. Other players like Tapestry are developing (previously called Coach Inc.), an American conglomerate which owns Coach, Kate Spade and Stuart Weitzman. Also, Fosun

International, a Chinese conglomerate that is investing heavily in the luxury sector. The Chinese conglomerate has a diversified portfolio that includes also luxury brands such as: Lanvin (its strongest luxury fashion brand), Folli Follie, St John, Caruso, Tom Tailor, Wolford and Iro.
Also, Mayhoola for Investments LLC (Qatar) owns the Maison Valentino is increasing its portfolio. It has acquired the license for Missoni's M Missoni line and in 2016 acquired Balmain. This conglomerate is quickly increasing its revenues and could become a real strong competitor for the French established conglomerates.
But before that these new conglomerates can compete with the French conglomerates there are many fundamental strategies to undertake. The competitive advantage of LVMH or Kering is embodied in the ownership of heritage brands, with a historical background that have established a global fame among consumers (as Dior or Gucci). These emerging conglomerates that are building their own portfolio possess currently Brands without these competitive advantages. They are trying to reinforce coherent stories behind individual brands in order to obtain credibility and recognition among luxury consumers.
Once again, identity and heritage established during the years are key factors to obtain excellent results in this particular industry. In the end, these elements must always be respected in any form of ownership status chosen, no one is excluded.

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