

Introduction

Luxury “Made in Italy”

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This book – through an analysis of diverse cases – answers the key issues in the industry of the new “Made in Italy” luxury. We assume that market trends are radically changing and that the industry is attempting to reposition itself in order to respond to new consumers’ orientations and to maintain its competitive advantage. This takes place in a differentiated way, according to the diversity of specific sectors. The text has been written by an international pool of academic authors and experts in luxury brand management and “Made in Italy”.

In the past, luxury had been conceptualized as an exclusive benefit of the few. Its unique mode of consumption concerned only a privileged segment of customers. In contrast, luxury is nowadays a highly diversified ecosystem with disruptive challenges to its identity and authenticity brought by the emerging consumer segments and in particular the young. “Made in Italy” holds a highly significant position in the global luxury market. An economic, but also cultural and social phenomenon, Made in Italy is a powerful example and a textbook case of the so-called “country-of-origin” effect, emphasizing the unique characteristics derived from the “savoir faire” and expertise located in the Italian manufacturing areas. Although historically Made in Italy does not refer only to luxury products, its association with luxury has been increasingly relevant and the related brands have acquired a significant competitive position globally.

Thanks to its characteristics of high-quality craftsmanship, style, authenticity, and heritage, Made in Italy has been able to play a specific role in the development of the luxury industry, with special reference to some sectors such as clothing, leather and jewelry. Later on, Made in Italy brands extended their operations from the original core products to accessories, perfumes and cosmetics, tourism and hospitality, yachts and supercars, household, and design.

This success story needs to be reassessed in the light of the present changes in luxury markets. The recent demographics of the millennial segments and the so-called “democratization of luxury” lead to a reappraisal of the conventional characteristics of heritage and authenticity associated to a Made in Italy product as “*Bello and Ben Fatto*” (“Beautiful and Well Made”). New values and expectations emerge in luxury consumers, emphasizing ethical and sustainable orientations – that can also compensate for the negative perceptions traditionally attached to luxury spending. Excellence in production must increasingly include a sustainability dimension and while this does not necessarily coincide with the manufacturing expertise of the historic clusters, it may find a more credible answer coming from alternative locations worldwide.

The iconic Italian Style and the “*Bello e Ben Fatto*” features are no longer sufficient to ensure global competitiveness. The call for “Responsible Luxury” has imposed an acceleration in the implementation of individual and collective strategies focused on sustainability in its social, economic, and ecological dimensions but also in its innovative one. The 2015 introduction of the “Made Green in Italy” scheme, that is promoting sustainable patterns in manufacturing and consumption as well as guaranteeing transparency in environmental performance, is just one example of the push to foster the eco-competitiveness of Italian brands at national and international levels, developing a new conceptualization of the Italian Made in Italy excellency.

Luxury shoppers are expecting luxury brands to increase their sustainable engagement and behave more responsibly through a tangible involvement in the social, economic, and environmental aspects. The COVID-19 pandemic has also extensively disrupted the luxury industry and in particular the Made in Italy which is a key component of the entire luxury industry besides being its cradle. “Beauty will save the world” wrote Dostoevsky and beauty is an integral part of the Made in Italy, the so defined “*Bello e Ben Fatto*” derived from the Italian “*Sprezzatura*” that has developed a reputation globally to the country. However, until a few years ago, beauty was not necessarily associated to a responsible engagement neither in the Made in Italy nor in the luxury industry that in the name of beauty was justifying non-sustainable choices and operations.

Luxury customers have become increasingly engaged in sustainability and expecting luxury brands to strengthen their commitment to sustainability and develop into new concrete improvements. Most of the luxury shoppers, especially younger adults, have already altered their experience consequently. Luxury shoppers have modified their luxury lifestyle and tried to reduce the environmental impact through their brands choices by preferring those that adopt eco-friendly operations. In the post-pandemic age, the new luxury shopper is mindful, environmentally engaged and socially involved, aiming at avoiding traditional models of consumer behavior. Contemporary luxury customers need to designate their own shopping criteria, give a sustainability-related connotation to the luxury experience, and to make their purchase decisions accordingly. In a post-COVID perspective, Luxury Made in Italy brands have started to plan a responsible future and consequently embrace and uphold the call for sustainability so as to increase trust from customers, in particular from new millennials.

There are increasingly responsible “Made in Italy” brands in the luxury sector that have started to integrate sustainability to their brand value and identity and that are demonstrating that a conscious luxury approach does not necessarily mean to sacrifice ethics for esthetics. Nowadays, the new Luxury paradigm has shifted from being about the product to being about the experience. The New Luxury, that saw its birthplace in Italy, initially within Made in Italy and the fashion sector nowadays is experiencing a different identity embodying the concept of inventive design, manufactured in a zero-waste environment, experienced in an energy-efficient innovative retailing environment. Luxury has been transformed from a “Gold Iconic Product” into a “Responsible Brand Experience” appreciated for its luxury products characteristics of exclusivity, rarity, high-quality but also for its responsible commitment to improve the people’s lives, the planet’s environment, and the way profit is made and invested. Luxury brands from the diverse business sectors have realized the increasing importance of the new Luxury role and created often philanthropic brand narratives that can highlight the brand value and market differentiation and in so doing safeguarding the customer loyalty. Even though some Made in Italy brands consider the sustainable orientation a new challenge, it is nowadays considered a must-do to ensure a competitive positioning in the more recent global luxury scenario. Those Italian Made in Italy brands from the luxury sector that have already understood the value of sustainability for the brand and the luxury industry, have been able to innovate and reposition themselves in the global game. However, it is not a choice that requires a completely different perspective; creating single sustainable initiatives does not require the same commitment and effort as becoming a sustainable innovator. Those luxury champions of the Made in Italy, who can engage in an innovative sustainable commitment, are worth being analyzed in their practices and operations in an applied knowledge perspective. Within an industry that is inherently conservative and takes pride in its heritage, this repositioning is likely to occur only to the extent that creative entrepreneurs (and possibly a new generation of creative entrepreneurs) take the lead in a new wave of innovations, redefining and re-establishing a long-term competitive position. This book will contribute to answer two main research questions:

1. Have “Made in Italy” luxury brands been able to integrate sustainability into the product features and attributes that are relevant to their customers? Is this a sincere, real engagement or it is only done instrumentally for marketing purposes (“green washing”)?
2. Is there some “uniqueness” or at least some specificity in the way this is happening for Italian companies?
3. Local roots (industrial districts), tradition, craftsmanship: are these references consistent with the perception of a productive system that inherently pays more attention to issues like bio, natural materials, sustainable production processes, etc.?
4. Is the prevailing role of SMEs and niche producers (rather than large multinationals) also perceived as a factor leading to more responsible behavior?
5. What is the role of innovation and creativity? What is the potential of new “creative” companies (start-ups) that are “born sustainable” (i.e., integrate sustainability in their business idea since the beginning)?

The book answers these two main research questions through an analysis of exemplary case studies of companies that have addressed – and in some cases hastened – the major transformations in the luxury sectors by capitalizing on a new conceptualization of Made in Italy excellence.

The volume is organized into three sections, introduced by an academic assessment of the specific issue concerned and comprises a series of innovative, sustainability-oriented case studies that cover a wide range of Made in Italy sectors.

In the introduction to the first section, Cecilia Pasquinelli, delves into why and under what conditions Made in Italy today, as a unique and non-imitable asset, is able to address current trends of change and competition in luxury markets. First, by reviewing the academic debate on country of origin and Made in Italy, Pasquinelli identifies the key dimensions and assets of Made in Italy related to tradition, authenticity, and creativity. Second, she discusses in depth how these assets can be transformed into distinctive and credible value propositions in response to the key challenges of sustainability and digitalization. Finally, the author outlines three areas of inquiry that enable us to understand how companies in the sector can overcome repetitive patterns of exploitation of Made in Italy in favor of innovative – and risky – modalities to fully exploit its potential. The first area of inquiry deals with the relationship and synergies between heritage and innovation. Protecting and preserving Made in Italy's value and making it understandable to young global luxury consumers requires a constant search for innovative ways to communicate and experience tradition. A second area of investigation concerns the relationship between the country's national image and the evolution of a "living" Made in Italy in order to express authentic narratives that accurately reflect contemporary lifestyles and values as well as tangible issues of local communities and Italian territories. The third is about the possibilities that digital technologies offer luxury companies to help tackle the challenges of sustainability. The four chapters in this first section provide an exploration of these industry trends through four flagship case studies for luxury Made in Italy.

Second-hand and vintage have taken the luxury and fashion retailing by storm, particularly for the millennial customer segment. However, until now no luxury and fashion brand in the market has directly included second-hand retailing in their strategy. Serena Rovai and Ian Phau analyze this innovative strategy undertaken by Diesel. Diesel has decided to integrate specific second-hand retailing actions in their brand strategy, recognizing the added value that it can give to the brand reputation.

The luxury industry has been challenged by the responsible call for people, planet and profit and to proactively engaging to meet the challenges of sustainability. This reorientation implies a profound cultural shift, as well as the need for innovative ways of communicating this rising change and new mindset to consumers. This includes pointing out sustainable innovations that may not be immediately visible in products or rectifying a perceived image that does not align with the new brand identity. The chapter by Jessica Antonios describes how Vogue Talents, part of Vogue Italia, has played a major role in addressing these needs of the luxury industry through the dissemination of knowledge, the exploration of up-to-date communication codes, and the development of a new generation of young designers with a sustainability mindset.

The DNA of luxury and sustainability is defined by quality, durability, rarity, and support for local economies through the promotion of craftsmanship and Made in Italy. 10 Corso Como, the conceptual brand and multifunctional space founded in Milan in 1990 by Carla Sozzani, offers an intriguing example of how a luxury retail brand can integrate these elements of sustainability into its concept and communicate it effectively across different channels. The uniqueness of 10 Corso Como's strategy, described by Gaetano Aiello and Laura Grazzini, is based on a multiplicity of synergistic elements: the choice of products and collections, the selection of designers to partner with, the ability to communicate through their spaces and displays, and in more recent years, the endeavor to renew communication through digital technologies. In its varied path of development, 10 Corso Como has acted as a key stimulus for the luxury retail sector to integrate sustainability into its offerings and the image of its brands.

Luxury business models are being transformed toward sustainability because company owners firmly believe this change is necessary to ensure a company's continued growth. The pandemic has been a timely period to invest in innovative projects that will produce beneficial effects on the luxury sectors in the years ahead. This is the experience of the Italian family company Yamamay as told by Fabio Iraldo in his chapter of this book. In 2021, as part of the process of rethinking operations and products according to new sustainability values strongly desired by the family, the company launched a new swimsuit line called EDIT (eco-designed

innovative textile) that has already achieved impressive results in terms of reducing the impact of products and packaging on the environment.

The second section examines the processes of transformation of Made in Italy in response to the challenge of sustainability with reference to specific luxury sectors. In her introduction, Stefania Lazzaroni, from the privileged perspective of the Altgamma network, extensively documents how sustainability is a top priority for luxury brands today, and how companies are implementing sustainability in their core business strategy and the results thereof. The author develops two highly interesting analytical perspectives. The first is that the drive for sustainability appears to be hard-wired into Italy's high-end companies as an essential feature of their mission and philosophy. Several reasons can be cited for this: (i) to preserve the high-quality natural resources used in their production processes; (ii) to create products made to last, to be resold, as opposed to disposable; (iii) to ensure high levels of employee wellbeing in order to attract and retain people whose expertise (handcrafting, customer interaction ...) are unique assets difficult to replace; (iv) to have direct control over the entire supply chain thus ensuring the most stringent sustainability standards; and (v) to remain faithful to the values of the "Made in Italy" meta-brand to which consumers around the world attribute intrinsically sustainable qualities: attention to detail, artisanal production, natural materials, and authenticity. Luxury Made in Italy companies need to recognize this inherent attitude to sustainability as a potential competitive driver.

The second key argument of this chapter holds that the concept of luxury is undergoing a radical transformation and that "the shareholders and stakeholders now expect companies to have a purpose, something that goes beyond just being responsible". Nowadays, with their strong commitment to sustainability, luxury companies are redefining their relationship with consumers, shareholders, and local communities based on shared values and beliefs, thereby becoming important social and cultural actors. Italy's high-end brands have always represented authentically sustainable development and therefore enjoy a potential advantage. They have gone from being primarily manufacturers in the 1980s, to retailers with international development in the 1990s, to true media companies that communicate digitally with their customers. Nowadays, they find themselves in a new phase of development where they can act as trailblazers and innovators by implementing unique and virtuous models of sustainability.

We explore this changing scenario with reference to diverse sectors of Made in Italy luxury through an in-depth analysis of several paradigmatic cases: Ferretti in yachting & sailing; Brunello Cuccinelli in knitwear and personal goods; Gucci in fashion and apparel; Principe di Savoia – Dorchester in hospitality; Kartell in household and design; Ferragamo in leather and accessories; and Cantine Ferrari in food and wine.

Flexibility and careful monitoring of the entire supply chain have always been key factors for luxury brands to ensure the excellence of their products. For the yachting & sailing sector, which typically features custom-made and highly elaborate products, this need becomes even more complex to manage, given the requirements of an increasingly sustainability-conscious clientele. The chapter by Francesca Goi and Amedeo Migali analyze how the 360-degree commitment to sustainability of the Ferretti Group, a leading leisure boating company with excellent brands and international distribution, has stimulated other players in the entire production chain to undertake sustainable paths of development.

Within the very fabric of the strategic choices for sustainability that Made in Italy luxury brands are implementing, there is always an underlying vision of the company and its future, its goals, and its management style that is, however, rarely made explicit. This vision is mostly left implicit yet expresses itself throughout all operations of the company. The chapter by Susanne Rank illustrates, through the experience of Brunello Cuccinelli – the Italian leading manufacturer of luxury fashion apparel – what is termed "humanistic capitalism". This is a rather unique human resource and cultural model that strives for business growth and profit-seeking by putting the well-being of people, employees, and the local environment at the center. This approach, profoundly innovative from the short-term shareholder-driven business perspective, has proven its value and may inspire successful sustainable business models of luxury start-ups in the future.

Giulia Tonucci and Mauro Ferraresi's chapter addresses the luxury phenomenon in Italian fashion from a sociological viewpoint. First, the authors explore the concept of luxury and the evolving role of storytelling in

luxury through the centuries, starting from the concept of *megaloprépeia* or magnificence in Greek philosophical thought up to core aspects that define contemporary luxury. The second part focuses on Italian luxury and fashion, which has always been narrated and portrayed through craftsmanship and manual labor, and how it is currently reinterpreted within the context of sustainability. The Gucci case illustrates this process of brand repositioning, starting from the traditional values of exclusivity, preciousness, and product refinement, and then reinterpreting them with the new values of sustainability while leveraging the opportunities offered by digital technologies.

The chapter by Elena Tinacci, Manuela de Carlo, and Martha Friel investigate the “Italian way” toward sustainable luxury hospitality. Following a review of the literature on CSR in the hospitality sector, they discuss the case of the Hotel Principe di Savoia. The authors examine the sustainable commitment of this five-star property owned by the Dorchester Collection from an environmental, but more importantly, social point of view, observing how attention to sustainability strengthens the relationship between the hotel and its guests, thus creating a competitive advantage.

In the following chapter, Michele Coletti and Matilde Rovai tackle a key issue that luxury Made in Italy needs to address in response to current demands for sustainability. The traditional concept of Italian design products as “Belli e ben fatti” (Beautiful and well-made) must evolve into “Belli, buoni e ben fatti” (Beautiful, good, and well-made), with unpredicted implications on rethinking business models.

The authors address this topic through a thought-provoking analysis of the case of Kartell, a design-driven company that has produced timeless objects such as the “Bookworm”, “La Marie” chair, and the “Bourgie” table lamp, by aiming for the innovative use of plastic materials. In the last few years, attention to sustainability issues has led Kartell to introduce novel materials such as recycled plastics and biopolymers, thereby embarking on a path of brand repositioning that could soon lead the company to a radical shift from its classic design-driven innovation approach. The drive to redefine its business model according to emerging sustainability trends has also shaped two other iconic cases of Made in Italy luxury: Ferragamo brand in the leather and accessories sector and Cantine Ferrari in the wine industry. The chapter by Cecilia Pasquinelli and Serena Rovai identify the three pillars of the sustainability architecture that has guided the redefinition of the Ferragamo brand’s strategy: (i) integration – the ability to turn sustainability into an integral approach to business management; (ii) experimentation – the readiness to innovate products and production processes; and (iii) engagement – the striving to pursue sustainability by involving internal and external stakeholders. In particular, the author explains the essential role of corporate heritage and place heritage in the sustainability architecture of luxury firms.

Delving into the case of Cantine Ferrari, a leading Italian winery that has positioned its sparkling wine internationally as a sustainable luxury product, Jacopo Cammeo, Elena Casprini, and Lorenzo Zanni identify the core features of successful strategies in the luxury wine sector: (i) excellence – a high quality of production processes, choice of raw materials, and packaging; (ii) scarcity – the availability of unique natural and knowledge-based resources; and (iii) relationships with internal and external stakeholders. These three key elements along with sustainability and technological innovation have firmly established the quality of the product and its uniqueness.

Italy has always stood out as a place where great business-model innovations take place in a range of luxury industries including fashion, food & wine, and culture & arts. The last section of the book features several emblematic cases of start-ups that, in recent years, have achieved extraordinary gains in terms of internal and external innovation, both incremental and disruptive, either in keeping with traditional values or even redefining the rules of the game in their respective sectors. These case studies, each in a different way, suggest interesting avenues for future generations of innovators – or for anyone interested in responding to new needs and addressing emerging trends in the luxury industries – by drawing inspiration from Italian ingenuity.

Dennis Valle’s introduction to this section examines the factors and dynamics that define these innovative business models. Subsequent chapters discuss a number of interesting cases of innovation, with three attributes in common: a keen awareness of one’s heritage, a strong connection to the environment, and the ability to

create regenerative business models. Such models strive for their own development by responding to the needs of new luxury customers, thereby resulting in positive social, environmental, and economic spillover effects.

The chapter by Daniela Toccafondi describes the development path of Rifò, the innovative start-up launched in the city of Prato by young Tuscan entrepreneur Nicolò Cipriani. In 2017, he began to make and sell products recovering 100% of the raw materials from used clothing and knitwear, limiting the use of new fibers. The concept of re-use is deeply ingrained in the culture of the Prato district, where specialization in textile began in the 12th century. The area was already known in the 1950s for its production of wool from recycled rags, packaging scraps, and production leftovers. Rifò's intuition stems from the tradition of this environment where the principles of circular economy were put in place long before they were theorized and sought after by fashion companies to answer new demands for sustainability. The company's innovative development path contributes to renewing and projecting this tradition into the future.

The chapter by Silvia Ranfagni and Giada Salvetti presents the case of La Milanese, an Italian start-up established in Milan during the pandemic to create luxury handcrafted bags and accessories by combining the recovery of materials and craftsmanship from the past with ethical initiatives aimed at supporting women in distress. The relationship between sustainability and authenticity lies behind the success of this young luxury brand and its remarkable development in Italy and abroad.

The fourth innovation case, analyzed by Jinju Hu and Mark Esposito, tells the extraordinary story of ACBC, the start-up founded by Venetian entrepreneur Giorgio Giacobbe that has radically innovated the footwear industry with a revolutionary business model. The company rapidly established itself as a prime brand with prime international positioning. Its unique value proposition grew out of a radical rethinking of product design as well as the entire production value chain, from raw materials and supplier relations to engagement with responsible consumers.

In the last chapter, Fabio Duma draws an interesting picture of bespoke tailoring in Italy, documenting the role of craftsmanship as a distinguishing feature of Made in Italy. In addition, the author highlights this sector's ongoing contribution to economic, ecological, and social sustainability and to individual well-being. The study focused on an in-depth analysis of five bespoke tailors established between the late 1940s and early 1950s in five different Italian regions (Campania, Lombardy, Puglia, Umbria, Tuscany) and each one still owned by the founder family. The results offer an interpretative framework useful for appreciating the value of many other Made in Italy sectors characterized by a high number of very small businesses deeply connected to the territories where they operate.