



The Italian Fashion Industry: the secrets of Made in Italy

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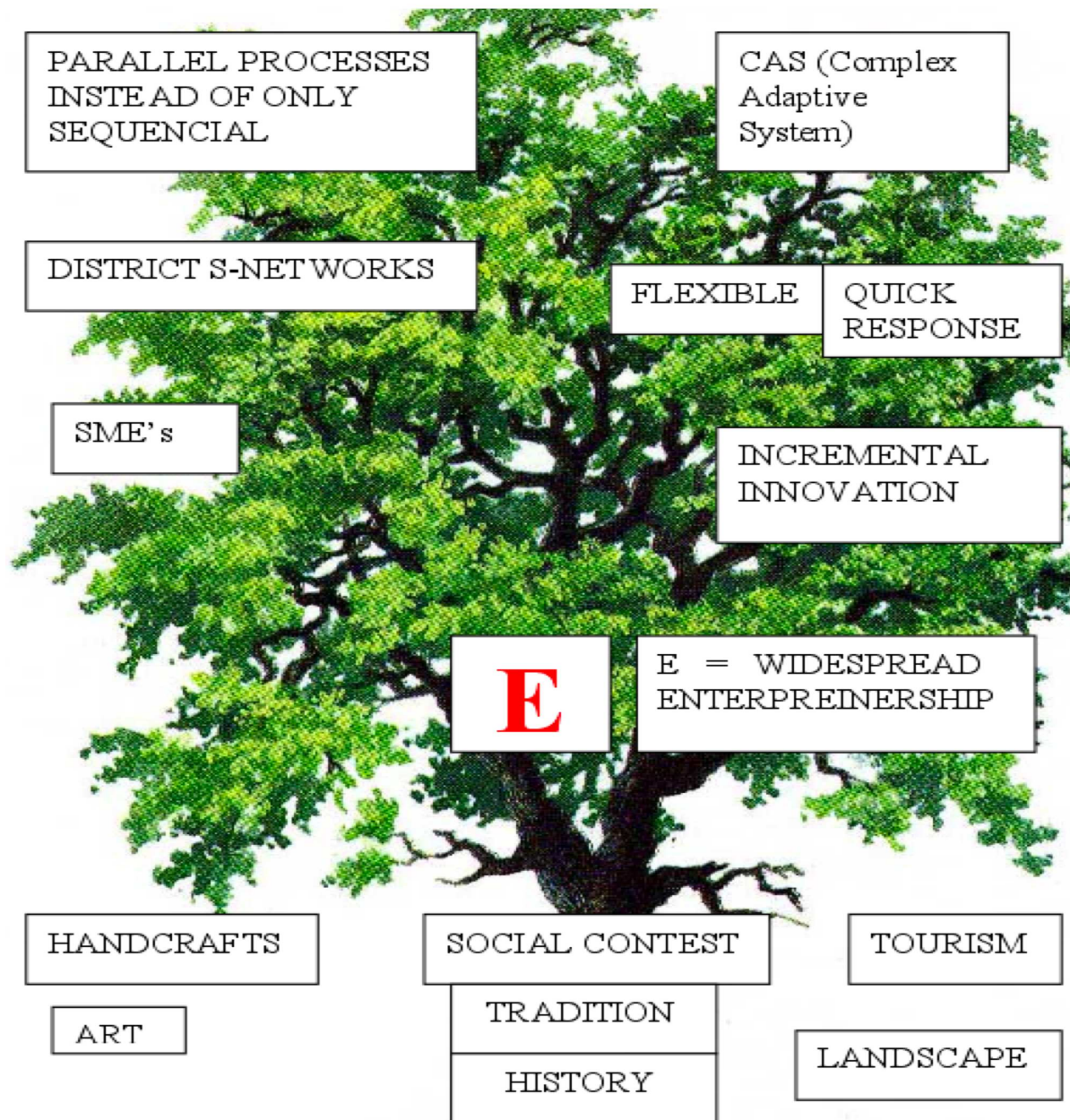
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Main dimensions to understand Made in Italy

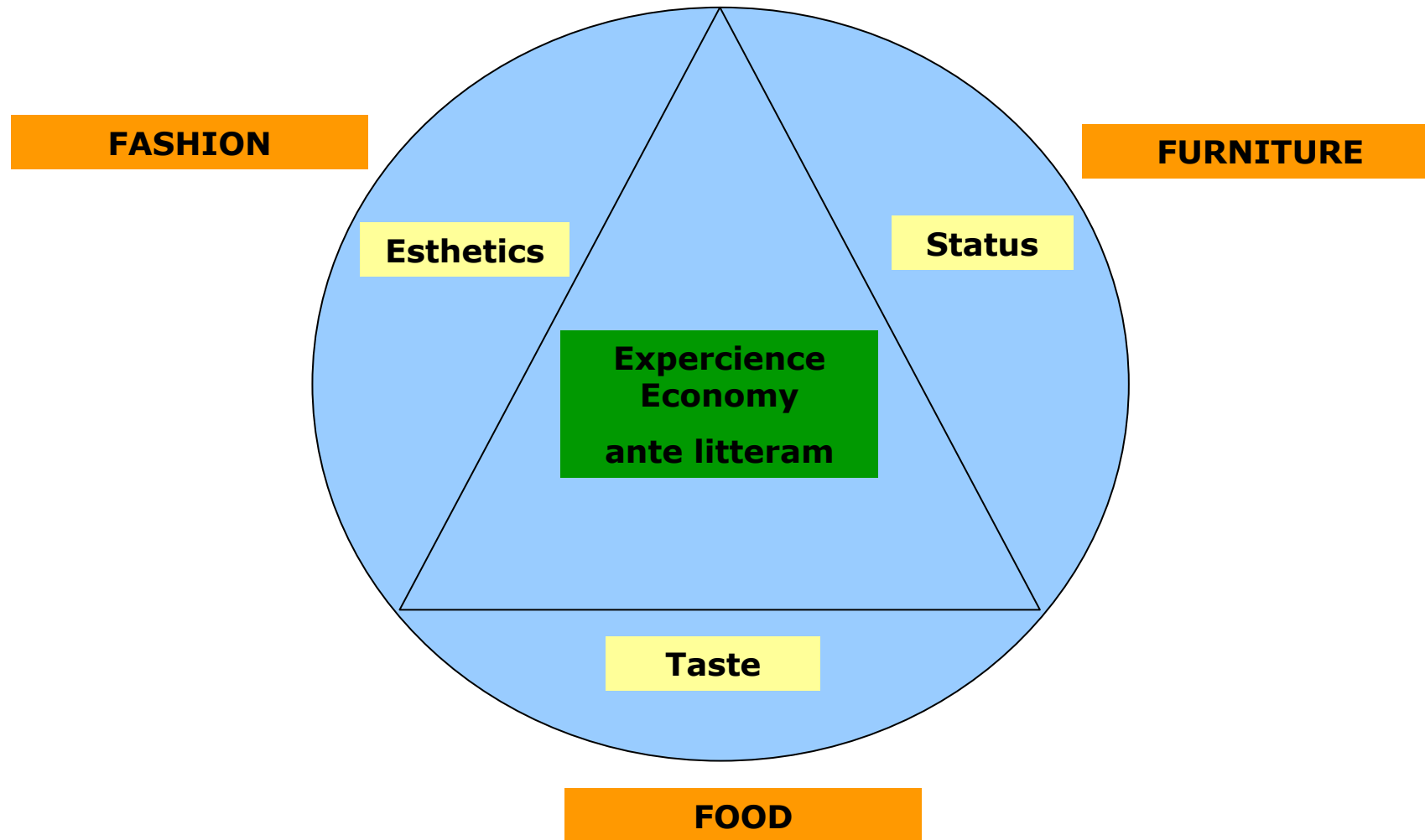
Our trip to a better understanding of the industries that contribute to shape the idea of *Made in Italy*, as is the case of the Textile and Apparel, could be organised in four main dimensions, as follows:

- ◆ Culture
- ◆ Economics
- ◆ Technology
- ◆ Politics

THE CULTURAL DIMENSION OF MADE IN ITALY



The three “F” Model



Main dimensions to understand Made in Italy

- Culture and historic heritage help us to understand two things: the “*what*” and the “*how*” of the Made in Italy.
- The “*What*” – I mean what kind of productions – is grouped around three concepts: Aesthetics, Status and Taste, as a common denominator to explain the development of three industrial sectors: Food, Fashion and Furnishing that taken as a whole are consistent with the so called *Italian way of life*.

Main dimensions to understand Made in Italy

- We breath beauty growing up around beautiful monuments and learning from handicrafts; we put our sense of beauty in our products so that it can be shared by our customers. For many respects our economic system is an Experience Economy *ante litteram*.

Main dimensions to understand Made in Italy

- The “How” depends on the many SME’s which populate many Industrial Districts spread around Italy, but interlinked, permitting many Parallel Processes made on small scales, instead of only Sequential ones, but made on large scales. The result, taken as a whole, is a Complex Adaptive System (CAS), characterised by Incremental Innovation, Flexibility and Quick-Response.

Dynamic Legacy - by Suzane Berger (MIT)

“The historical differences in the ways capitalism developed in Japan, the United States, the United Kingdom, Italy and Germany, are perpetuated, because resources these systems generate get used in new combinations for new objectives. ... Any firm’s legacy is a fund of such assets and capabilities, and the business picks and chooses among them as it works out new directions. Through the legacy, past choices influence current strategies. ... But ... legacies are not like DNA that goes on indefinitely reproducing familial traits. While legacies have deep roots in the decisions of the past and in the thicket of institutions and interests that grows up around the pathways from these prior experiences, they need to be nurtured by new choices today. We should think about legacies not as destiny but as an ever-expanding reservoir of choices. Our actions in the present are required to keep it full and deep.”

Main dimensions to understand Made in Italy

- Coming to the Economic dimension of the *Made in Italy*, we should consider, first of all, the structure of the industry, which appear fragmented in the Fashion business, as well as in the Food or in the Furnishing one. The origin of fragmentation could well be a cultural one, but if the industry developed itself maintaining the fragmentation it means that there were economic incentives to do so, till nowadays. The same could be said about economic specialisations: why we continued to stay in the 3F business? Evidently because it has been rewording.

Main dimensions to understand Made in Italy

- Fragmentation is recomposed within the Industrial Districts with their social sense of belonging, contextual knowledge, specialisation and informal integration. It's what we refer to as external economies of scale which are one of the main keys to really understand differences in economic performance between countries.
- Nonetheless, there is another more specific reason to explain not only the success but also the necessity of fragmentation. It is inherent to the evolution of the Fashion Business.

Focus on Fashion

Fashion, for some respect, has solved the problem of market saturation. But let consider how it works:

- ✓ is there some one who could control Fashion?
- ✓ who can say what will be fashionable, and how much will be sold of a certain product?
- ✓ who invents new Fashion?

Focus on Fashion

The main characteristic of Fashion in the first period of modern era were as follows:

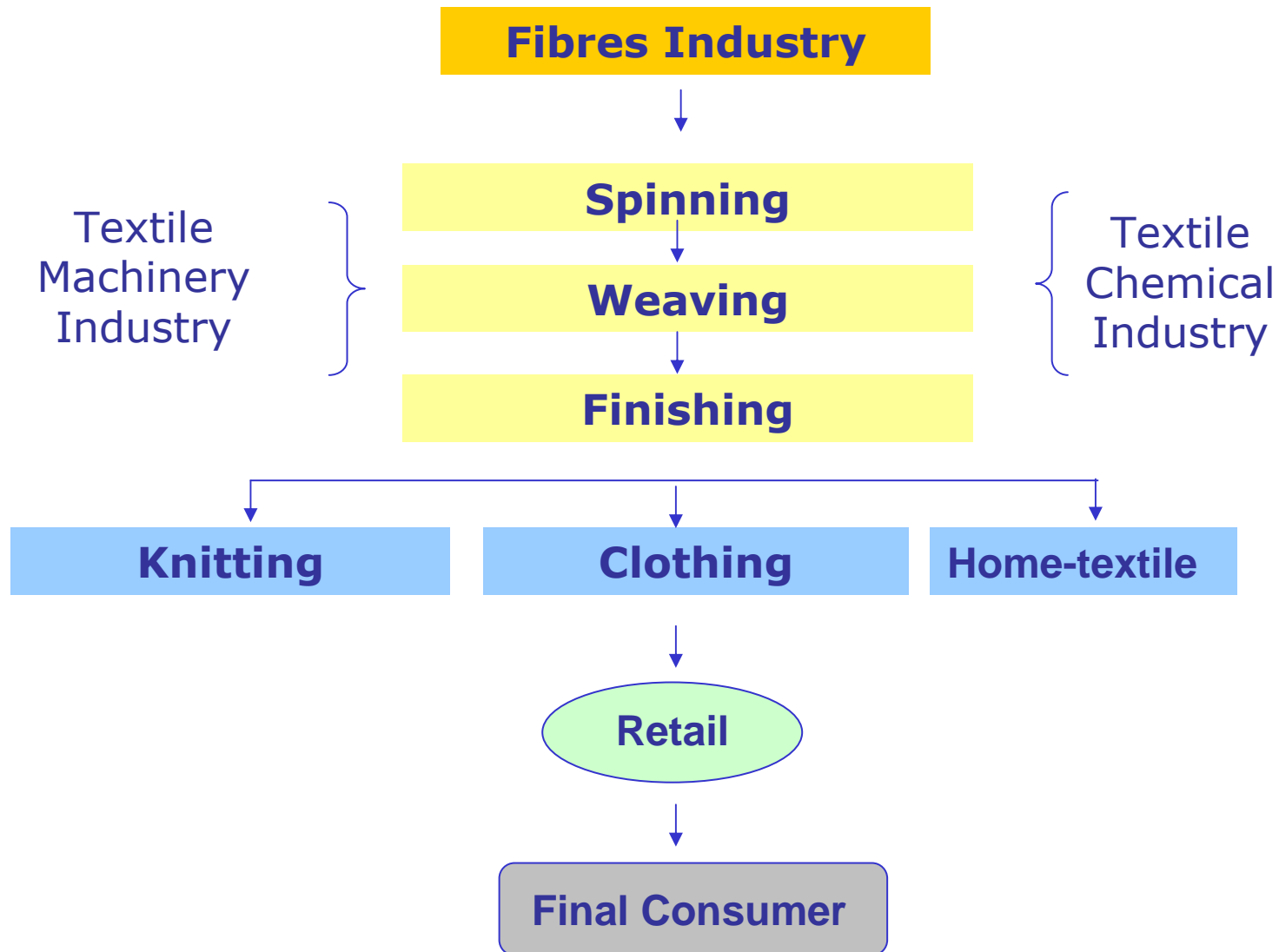
- Very large diffusion in the population; big market - but geographically segmented;
- Answering to a need of identification, more than distinction;
- Absorbing an industrial “push”;
- Permitting large productions of standardized items;
- With a product life cycle frequently longer than a single season and geographically replicable (what was fashion in the USA one year could become fashion in Europe next year).

Focus on Fashion

Because of technical innovation and intense competition, as well as for satisfying the human need for variety and change, today the main characteristic of Fashion, especially for apparel and shoes, are as follows:

- Very segmented diffusion; niche markets – but globally;
- Answering to a need of distinction and identification (i.e. status symbol);
- Reacting to the industrial “push” in a very selective way and mixing with consumers “pull”;
- Asking for customisation;
- With very short life cycle of products, even if in some mixed way.

Italian Textile-Fashion Industry (2008): the pipeline



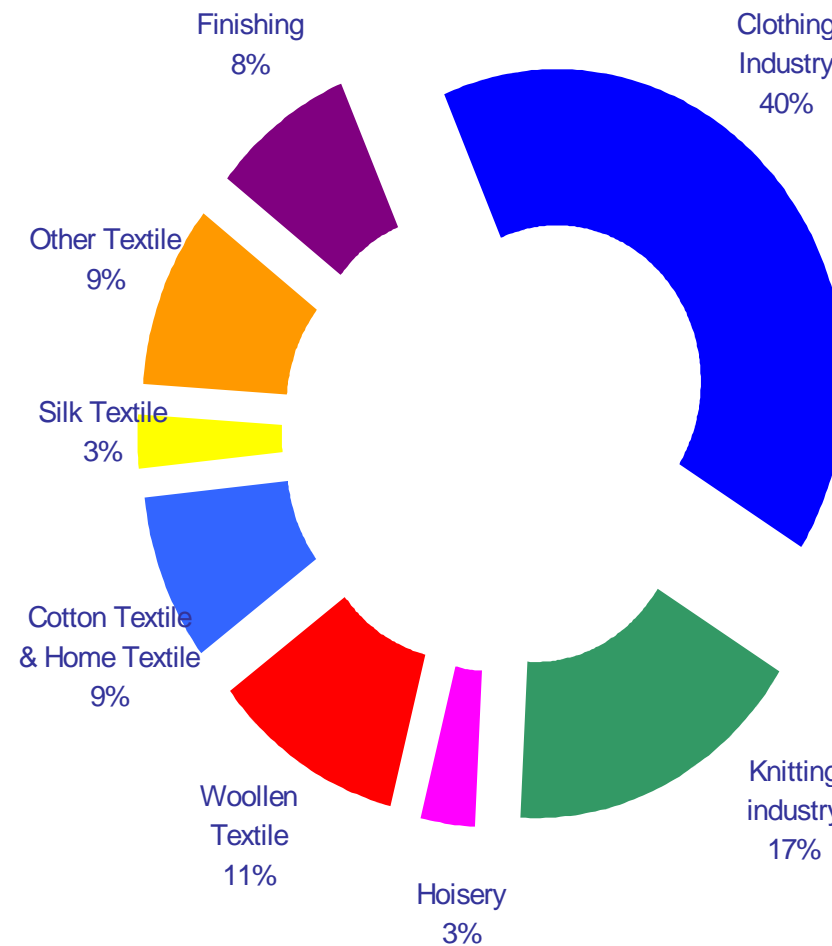
Italian Textile-Fashion Industry: key numbers

	2005	2006	2007	2008	2009	
<i>Values in millions of euros</i>	Turnover	53.056	53.361	55.021	54.117	45.187
	<i>% change</i>		0,6	3,1	-1,6	-16,5
	Exports	26.572	27.559	28.070	27.775	22.137
	<i>% change</i>		3,7	1,9	-1,1	-20,3
	Imports	15.568	17.465	17.912	17.774	15.826
	<i>% change</i>		12,2	2,6	-0,8	-11,0
	Trade balance	11.004	10.094	10.158	10.001	6.310
	<i>% change</i>		-8,3	0,6	-1,5	-36,9
	Employees (thousand)	524.930	516.674	512.956	508.200	482.282
	<i>% change</i>		-1,6	-0,7	-0,9	-5,1
	Structural Indicator (%)					
	Export/Turnover	50,1	51,6	51,0	51,3	49,0

Source: SMI on ISTAT, SITARicerca e Internal Survey; SMI-LIUC Esteems

Italian Textile-Fashion Industry (2008): the pipeline

Turnover by T-F sectors

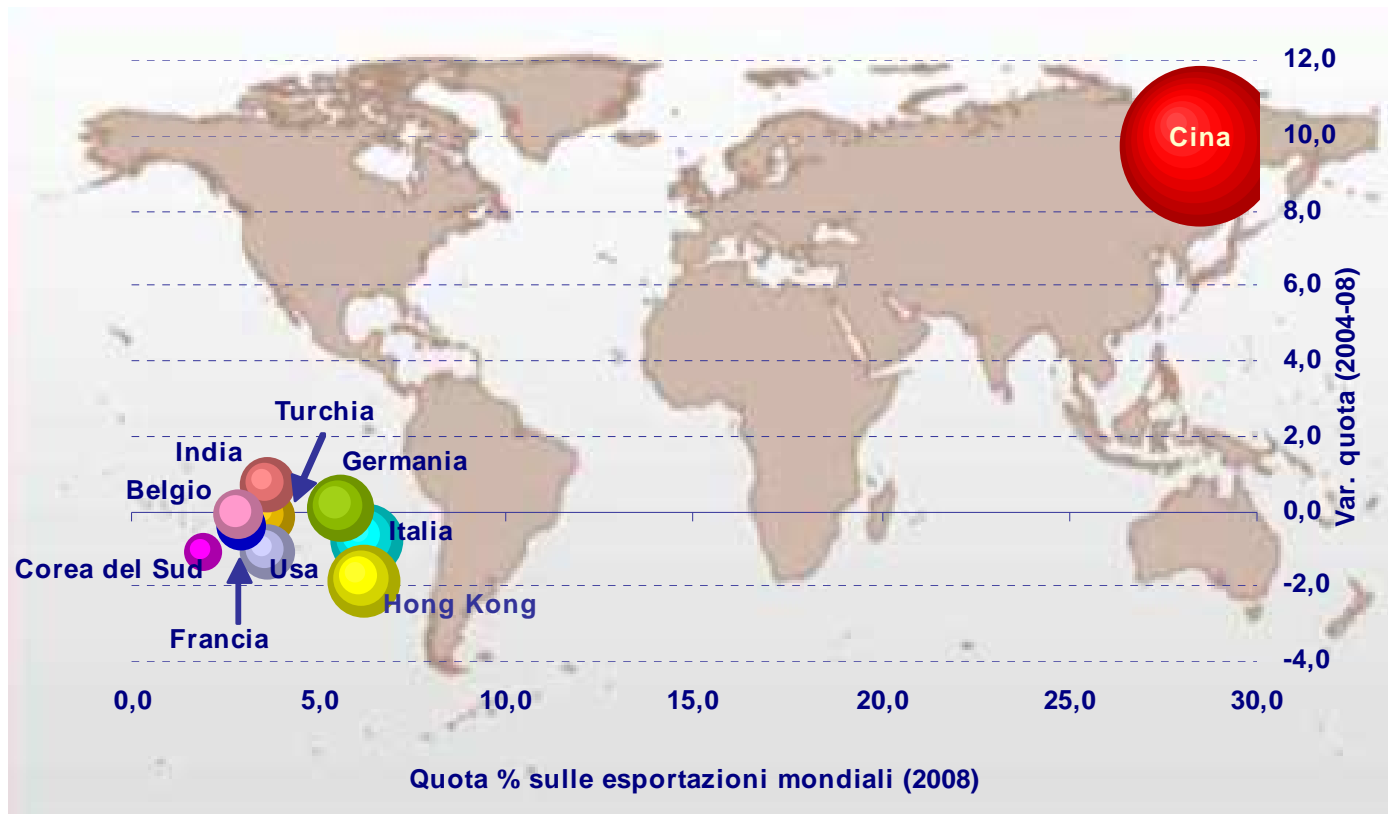


Source: SMI on ISTAT, SITARicerca e Internal Survey

Textile-Fashion: main exporter countries (2008)

The international scenario

World Export : 460,845 bill. €



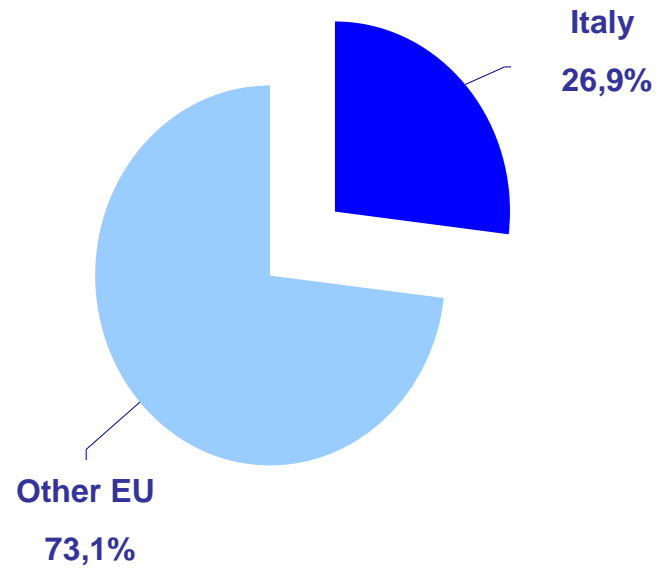
Italy:

- 2° exporter after China
- Italian share on TF global trade: 6,2%

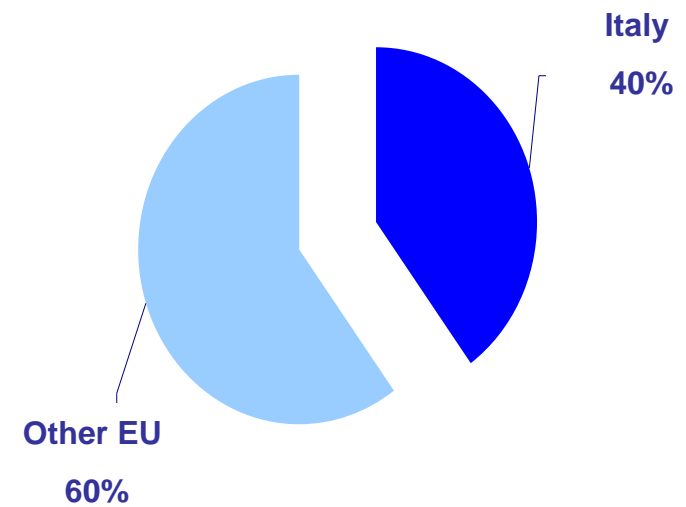
Fonte: SMI su UNCTAD

Italian Textile-Fashion Industry in EU27 (2008)

Turnover



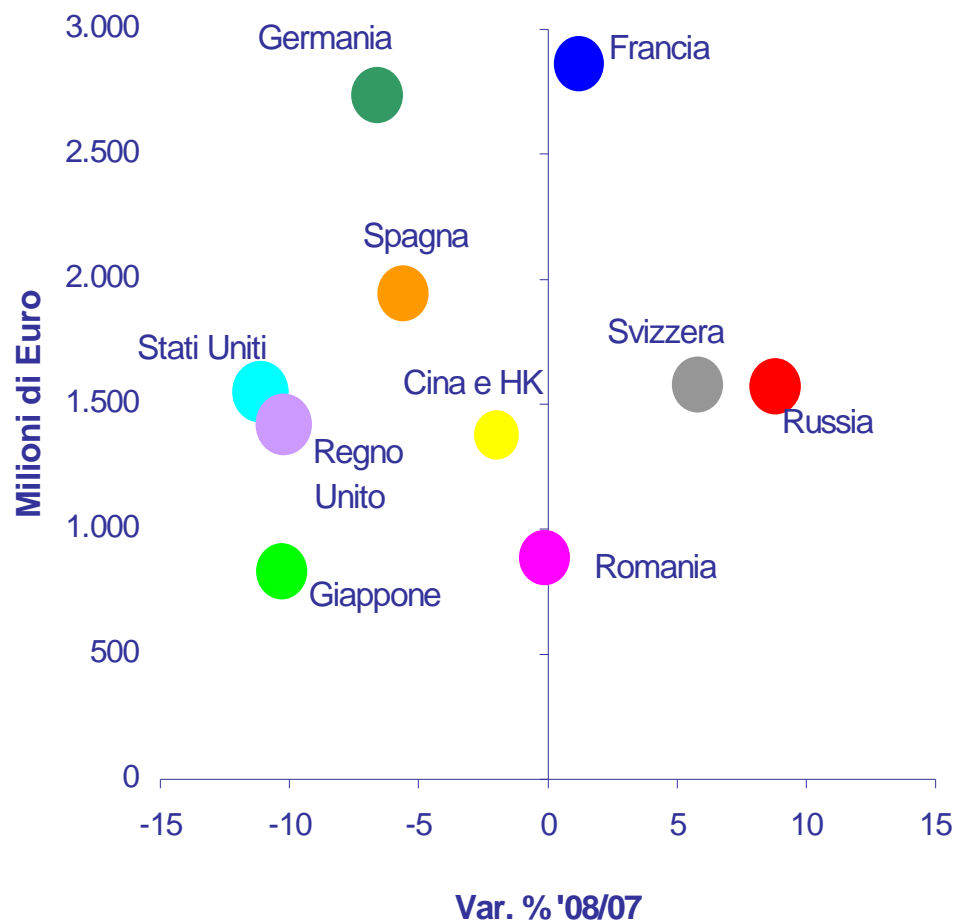
Companies



Source: SMI on Euratex

Italian Textile-Fashion Industry: foreign trade (2008)

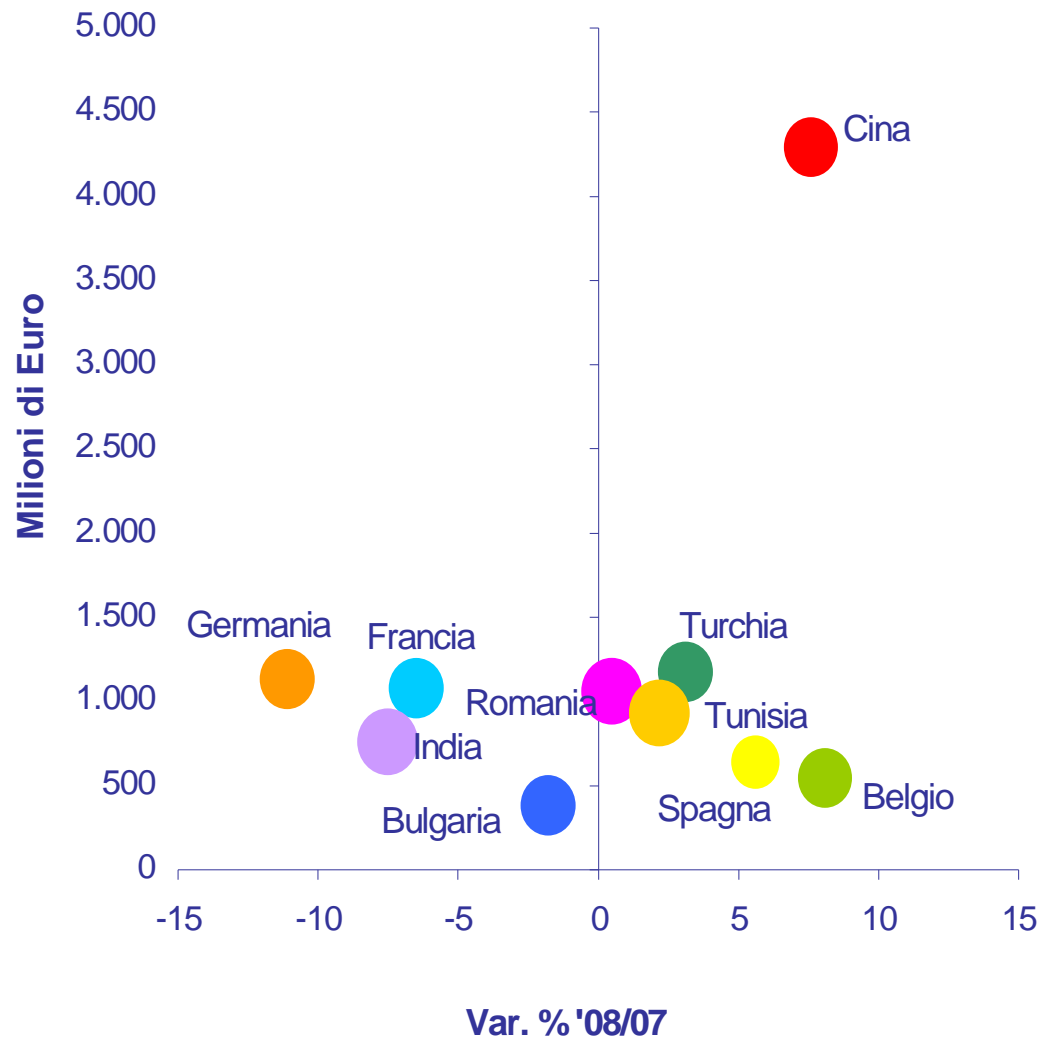
Export – Top Clients



Source: SMI su ISTAT

Italian Textile-Fashion Industry: foreign trade (2008)

Import – Top Suppliers



Source: SMI su ISTAT

Italian Textile-Fashion Industry: role in Italian manufacturing economy

T-F on manufacturing

(%)

	2008
Production (*)	7,3
Added value	8,4
Employment	11,6
Exports	7,8
Trade Balance	16,0

(*) 2007

Source: SMI on ISTAT

Trade Balance

(Bill. euro)

	2008
Instrumental Mechanics	44,0
Rubber, plastic, non-metalliferous minerals	11,4
Textile-Fashion	10,0
Electrical appliances	9,1
Furniture	7,4
Coke and refined oil products	6,8
Leather goods	6,2
Jewelry and costume jewelry	3,2
Metallurgy	0,8
Other manufacturing activities	0,2
Wood, paper, printed matter	-2,7
Pharmaceutical	-2,6
Food beverage and tobacco	-3,2
Transport means	-3,3
Chemical substances and products	-9,7
Computer and electronics	-13,1
Manufacturing Industry	64,2

Source: SMI on ISTAT

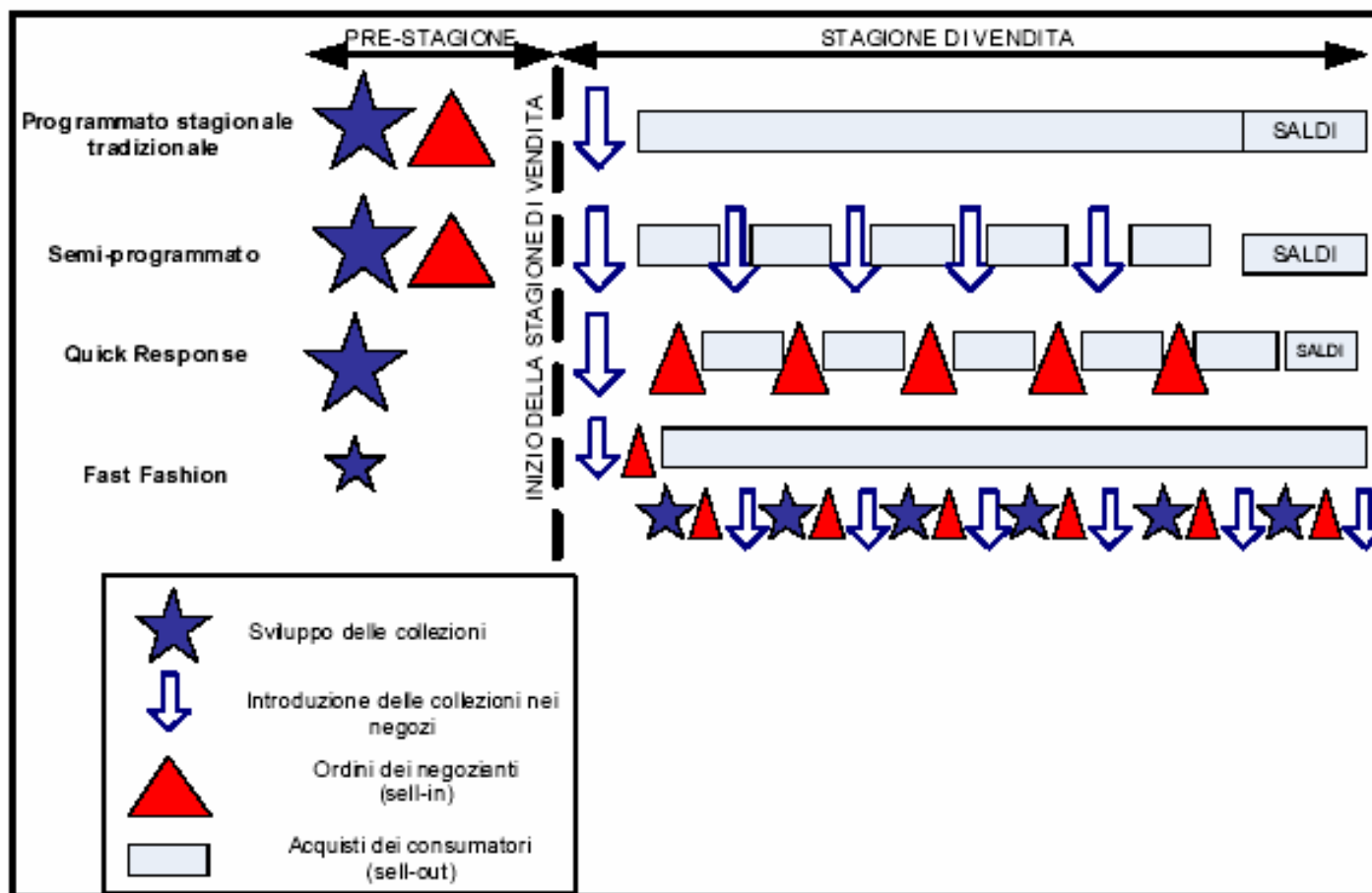
Fast Fashion in Italy – key numbers

- **Turnover:** 2.500 mill. €
- **Export:** 800 mill. €
- **Export/Turnover:** 32%
- **Companies (n°):** 120
- **Employees (n°):** 5.500
- **Supply-chain network (indotto):** 2.500 companies, 20.200 employees

Source: Cietta, 2008

Fast Fashion

Four Sourcing Model



Source: Hermes Lab, 2009

Fast Fashion

Traditional Model

Fast Fashion

Time to market

18/24 months

Up to 2 weeks

Multiplier of
average value
(from materials to
final product)

~ 6/8

~ 2/2,5

Turnover average growth
(2002-2006)

~ +0,6%

~ +17%

Source: *The European House Ambrosetti – Cietta*

What's in the near future?

A Dynamic Legacy: FCW

- ◆ Fast
- ◆ Close
- ◆ Worth