

**The Italian Fashion Industry  
as a network ...**

**By Michele Tronconi**

***Pastpresident of Sistema Moda Italia***

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# Summary

- ✓ Part One – Institutional Point of View
- ✓ Part Two – Theoretical Framework
- ✓ Part Three – Framework Analysis
- ✓ Part Four – Emerging Problems
- ✓ Part Five – Final considerations

✓ Part One  
Institutional  
Point of View

# Mainstream View

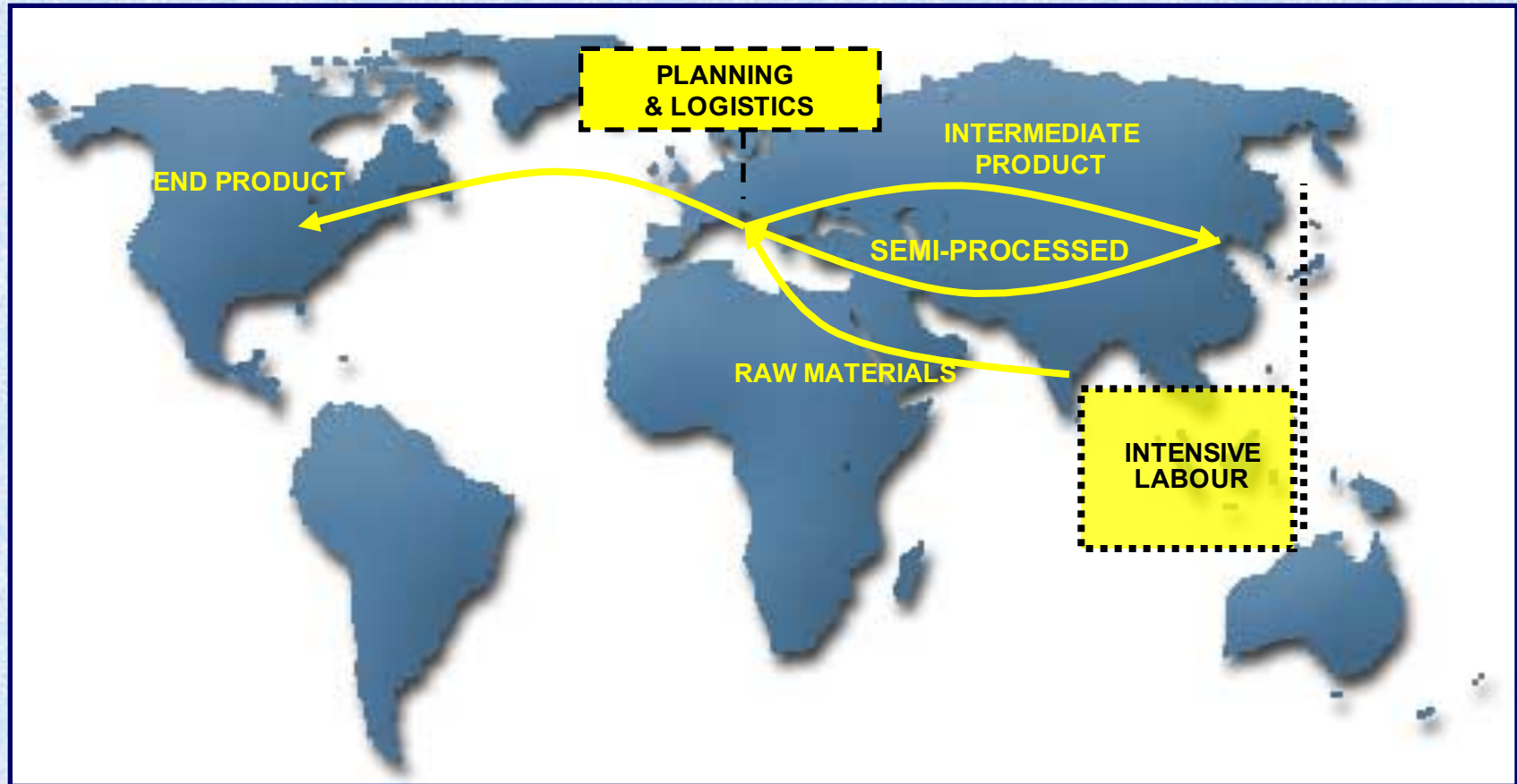
*Sunset Industry?*



*Old Economy?*



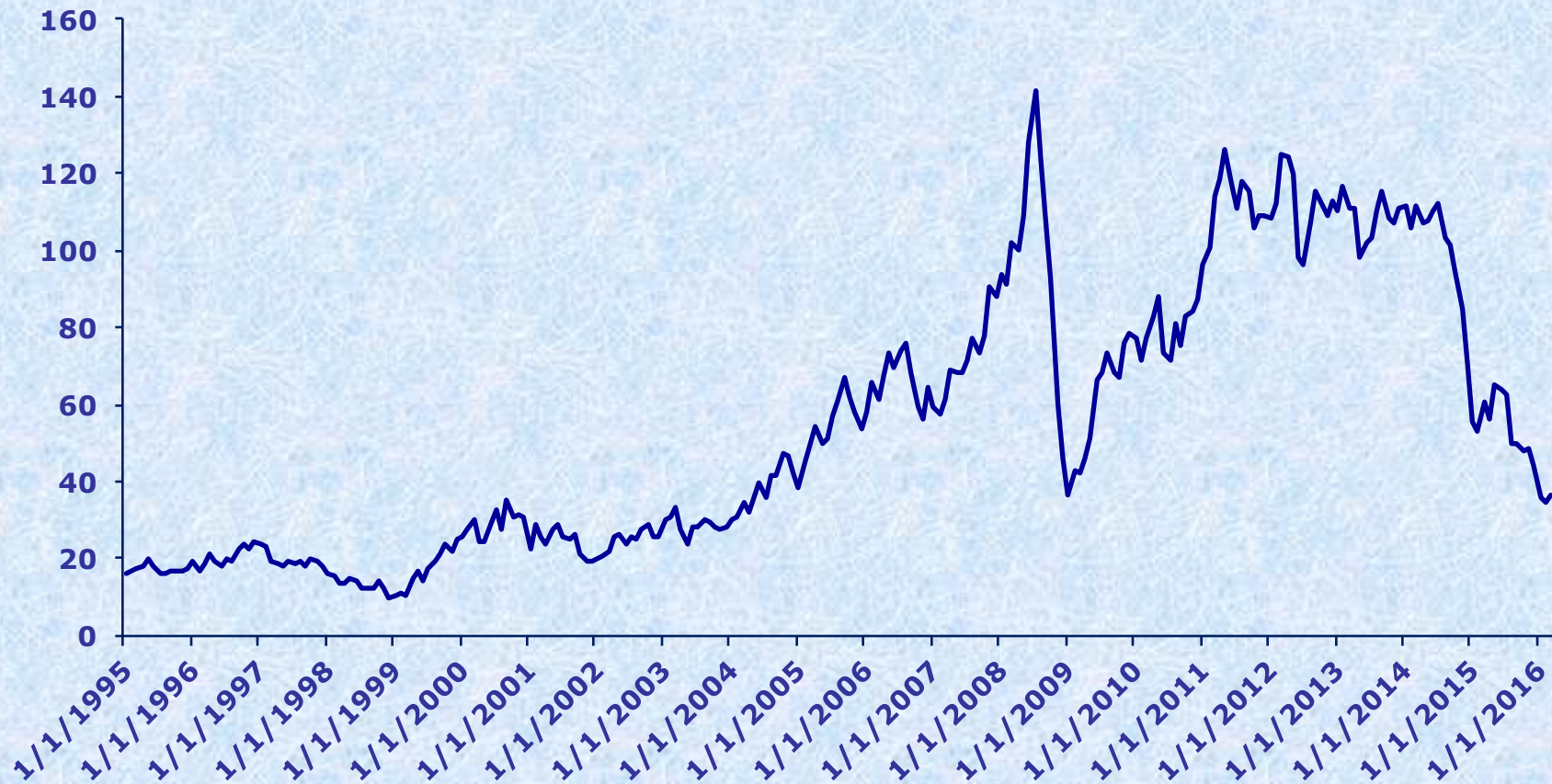
# New Economy = Off-shoring the Old Economy



# The Petroleum Nexus (and Transport costs)

Oil Price (Crude Oil-Brent Cur. Month FOB U\$/BBL)

January 1995 – March 2016



# Main dimensions to understand Made in Italy

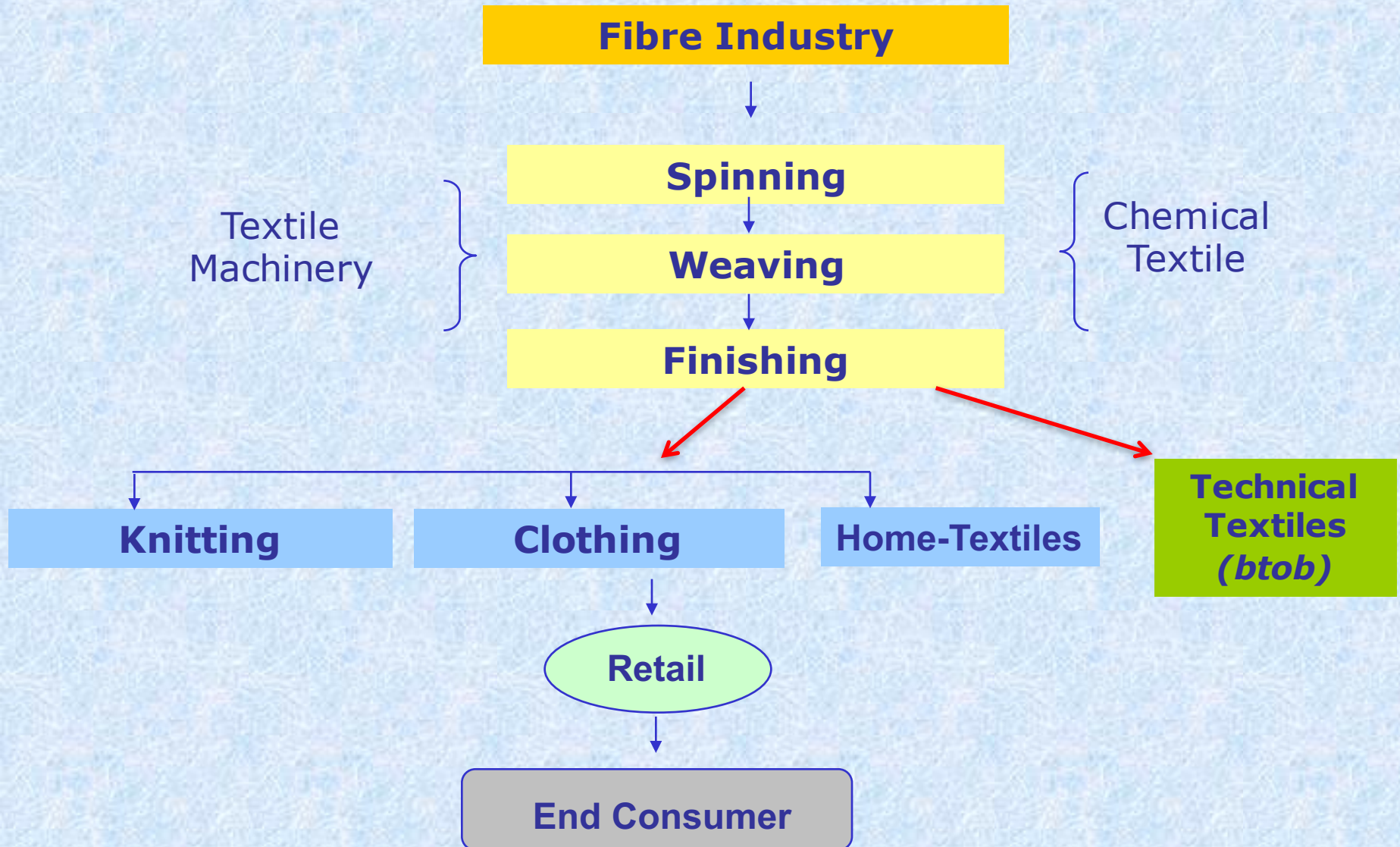
- Coming to the Economic dimension of the *Made in Italy*, we should consider, first of all, the structure of the industry, which appears fragmented in the Fashion business, as well as in the Food or in the Furnishing one. The origin of fragmentation could well be a cultural one, but if the industry 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 did we continue to stay in the 3F business? Evidently because it has been rewording.

# Main dimensions to understand Made in Italy





# Italian Textile-Fashion Industry: the pipeline



# Italian Textile-Fashion Industry: key numbers

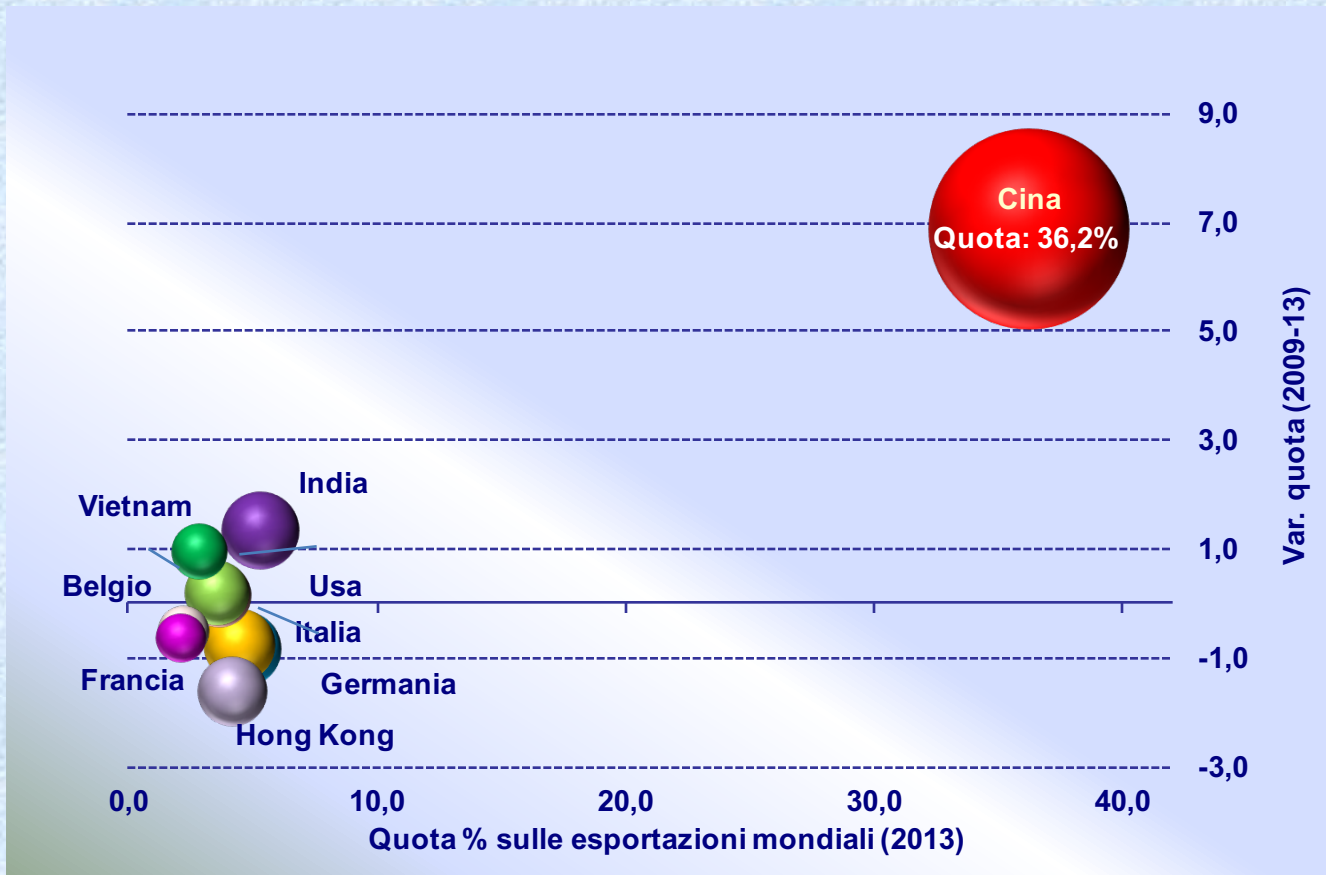
Values in millions of euros

|  | 2008   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015*  |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Revenues</b>                        | 54 718 | 46 312 | 49 660 | 52 768 | 51 090 | 50 720 | 52 066 | 52 639 |
| <i>% change</i>                        | -2,2   | -15,4  | 7,2    | 6,3    | -3,2   | -0,7   | 2,7    | 1,1    |
| <b>Export</b>                          | 27 586 | 22 243 | 24 604 | 26 911 | 26 958 | 27 414 | 28 467 | 29 008 |
| <i>% change</i>                        | -2,2   | -19,4  | 10,6   | 9,4    | 0,2    | 1,7    | 3,8    | 1,9    |
| <b>Import</b>                          | 17 669 | 15 856 | 18 566 | 20 342 | 18 126 | 17 868 | 19 299 | 20 476 |
| <i>% change</i>                        | -1,6   | -10,3  | 17,1   | 9,6    | -10,9  | -1,4   | 8,0    | 6,1    |
| <b>Trade balance</b>                   | 9 917  | 6 387  | 6 039  | 6 569  | 8 832  | 9 545  | 9 168  | 8 532  |
| <i>% change</i>                        | -3,2   | -35,6  | -5,4   | 8,8    | 34,5   | 8,1    | -3,9   | -6,9   |
| <b>Apparent Consumption</b>            | 29 552 | 26 593 | 28 807 | 29 670 | 26 688 | 25 887 | 25 965 | 25 757 |
| <i>% change</i>                        | -2,6   | -10,0  | 8,3    | 3,0    | -10,1  | -3,0   | 0,3    | -0,8   |
| <b>Companies (no.)</b>                 | 56 610 | 54 493 | 53 085 | 51 873 | 50 039 | 48 589 | 47 619 | 47 286 |
| <b>Employees (thousands)</b>           | 508,2  | 482,3  | 458,6  | 446,9  | 423,3  | 412,3  | 406,4  | 405,2  |
| <i>% change</i>                        | -0,9   | -5,1   | -4,9   | -2,6   | -5,3   | -2,6   | -1,4   | -0,3   |
| <b>Avg. employees per company (no)</b> | 9,0    | 8,9    | 8,6    | 8,6    | 8,5    | 8,5    | 8,5    | 8,6    |
| <b>Structural indicators (%)</b>       |        |        |        |        |        |        |        |        |
| Export/Revenues                        | 50,4   | 48,0   | 49,5   | 51,0   | 52,8   | 54,0   | 54,7   | 55,1   |
| Propensity to import (over turnover)   | 39,4   | 39,7   | 42,6   | 44,0   | 42,9   | 43,4   | 45,0   | 46,4   |

Fonte: SMI su ISTAT, Sita Ricerca; Movimprese, Indagini Interne; \*stime SMI-LIUC

# Main Exporters (2009-2013)

World Export : 568 billions €



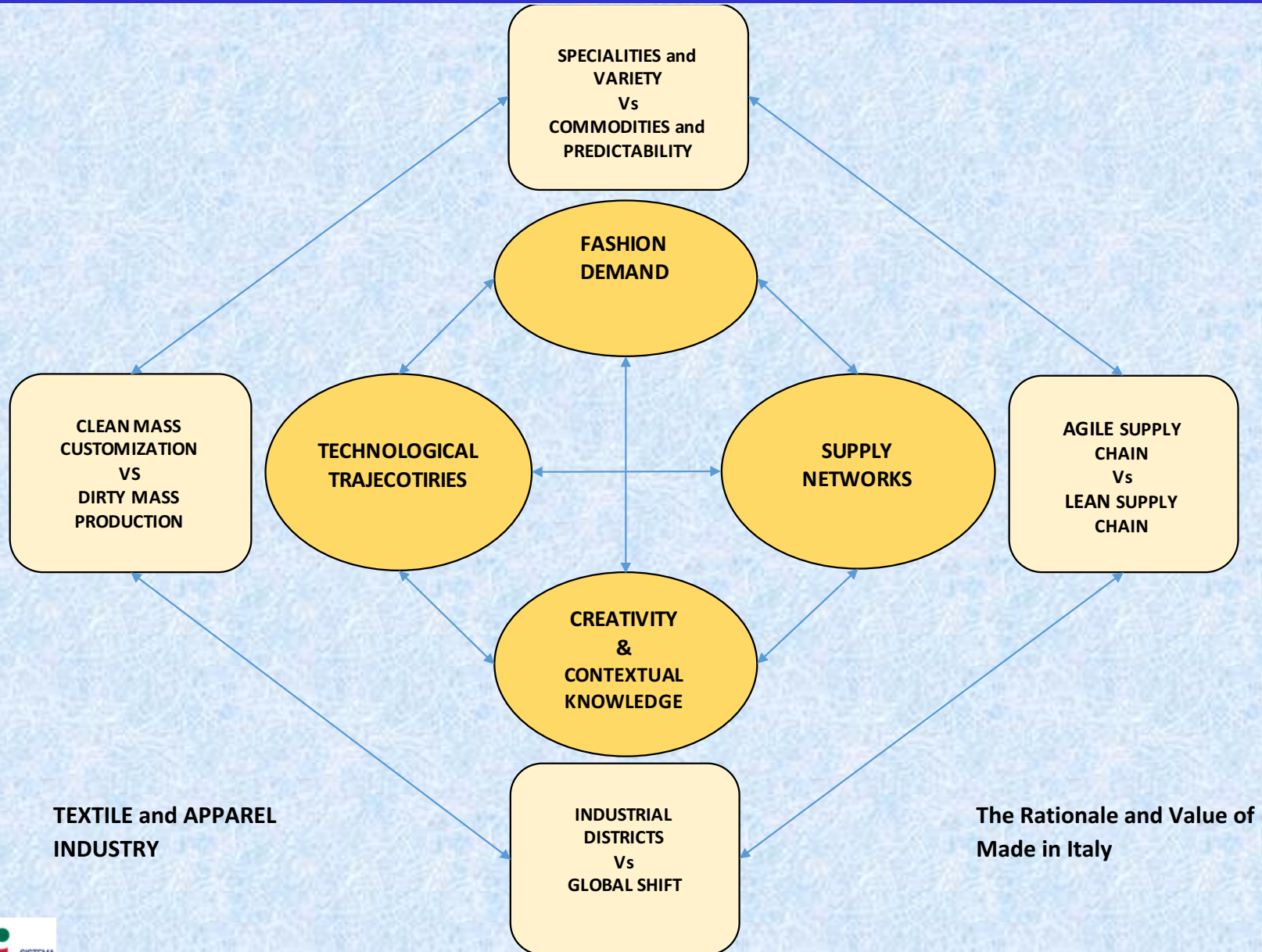
## Italy:

- 3rd exporter after China and India
- Share of world commerce of Textile and Fashion: 4,7%

# ✓ Part Two

# Theoretical Framework

# Theoretical Framework



# ✓ Part Three

## Framework Analysis

# Focus on Fashion Demand

Fashion has solved the problem of market saturation.  
But let's 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 Demand

The main characteristics of Fashion in the first period of the 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 Europe one year could become fashion in the USA next year).



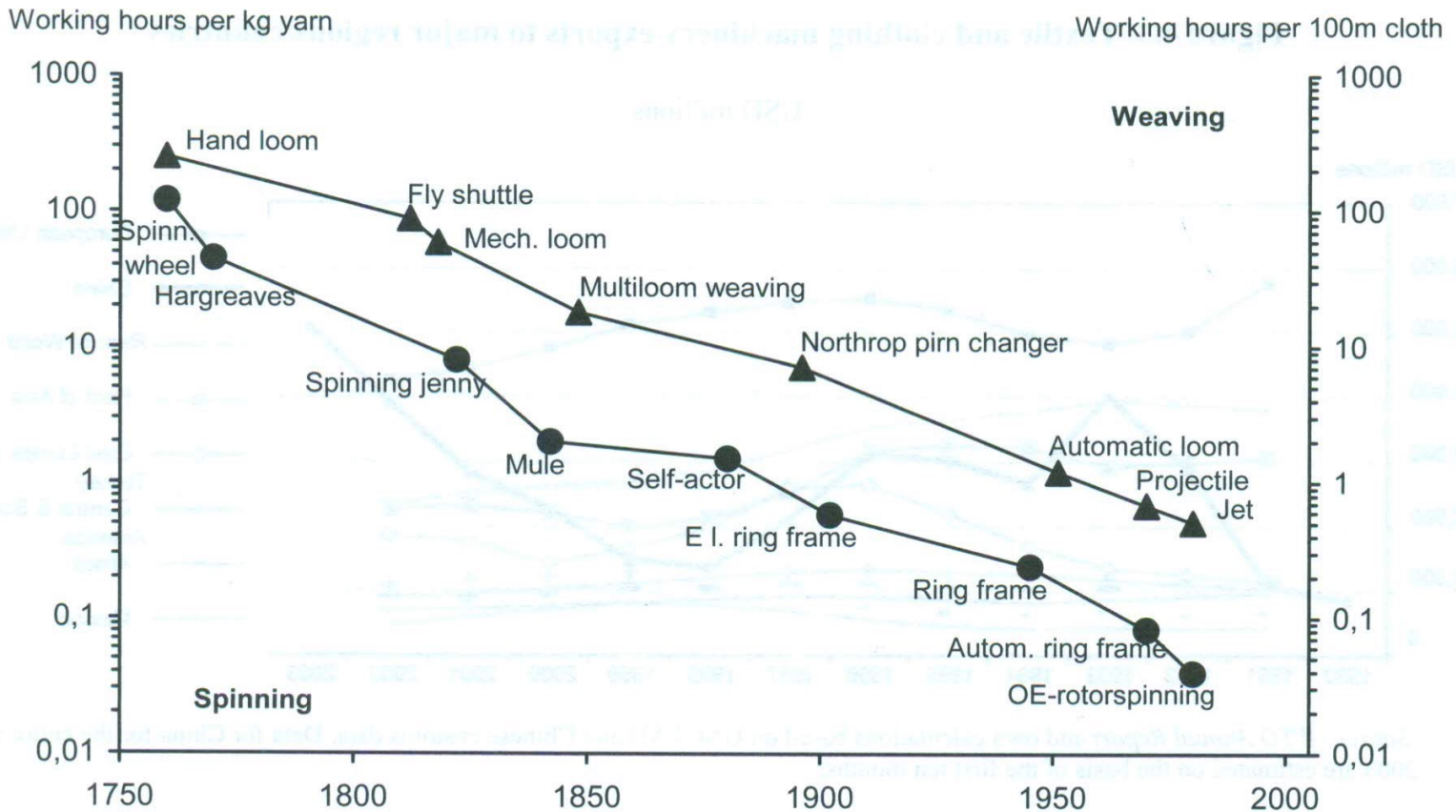
# Focus on Fashion Demand

Because of technical innovation and intense competition, as well as for satisfying the human need for variety and change, today the main characteristics 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.

# Focus on Technological Trajectories

Figure 4.4a. Working hours per unit output in spinning and weaving from 1750



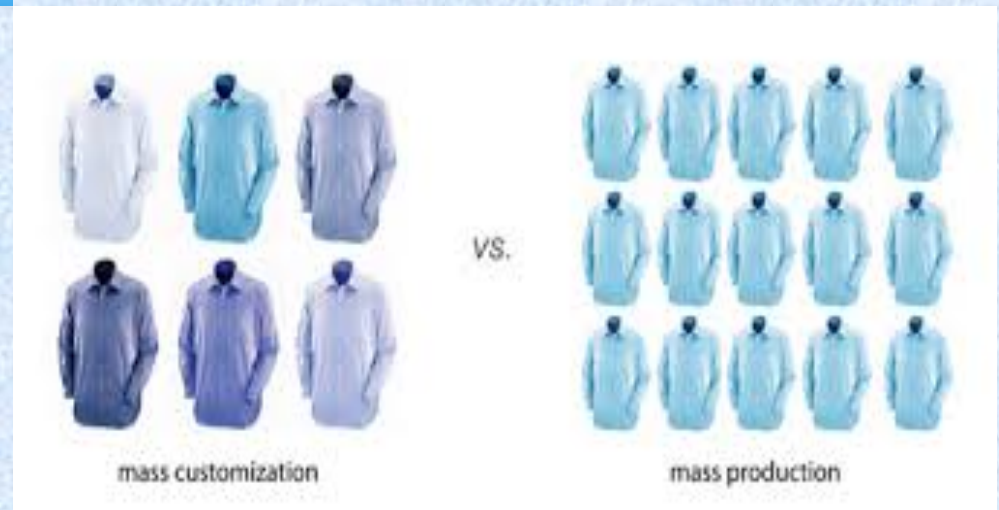
Source: OECD, 2004.

# Focus on Technological Trajectories

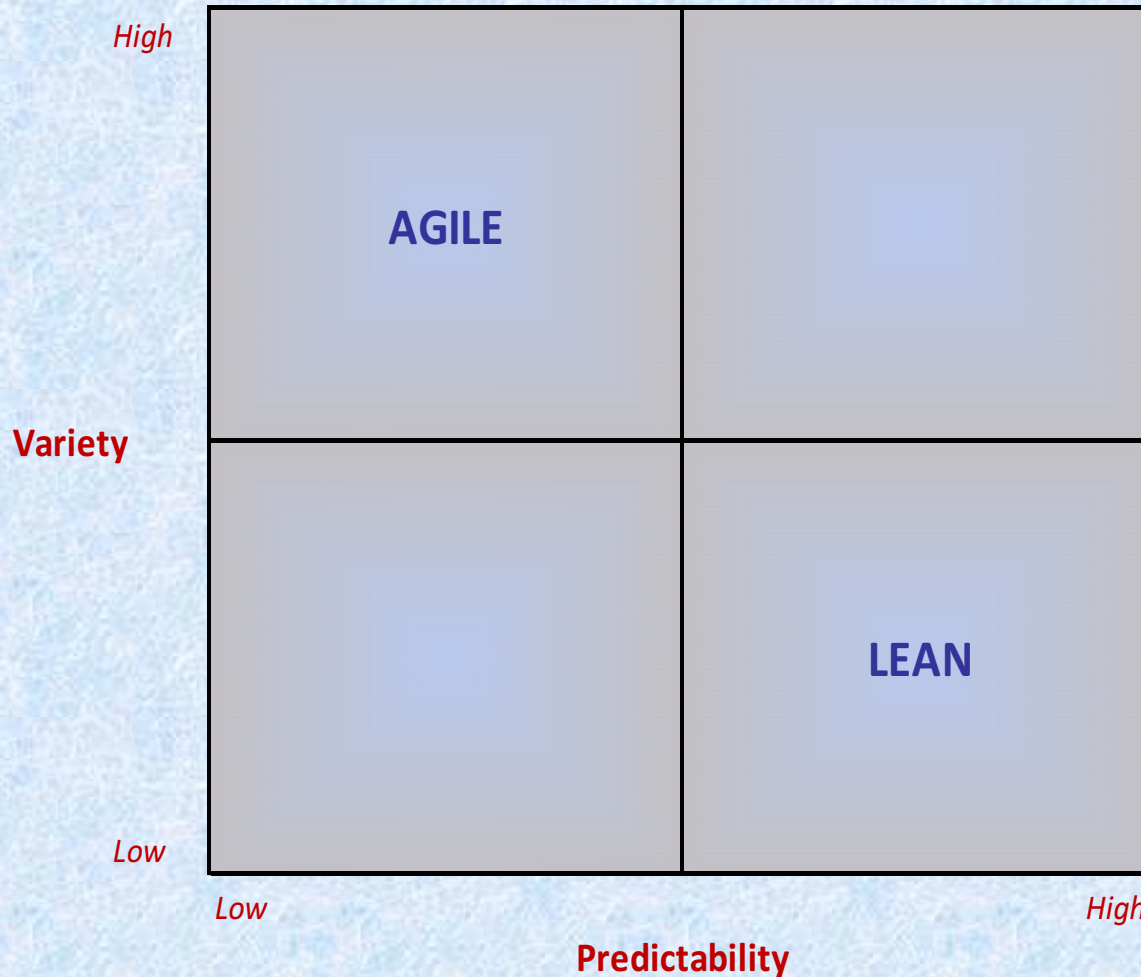


**Sustainability**

**Flexible  
Manufacturing**



# Focus on the Supply Network



*"Agility"* is needed in environments where demand is volatile and the requirement for variety is high.

*"Lean"* works best in high volume, low variety and predictable environments.

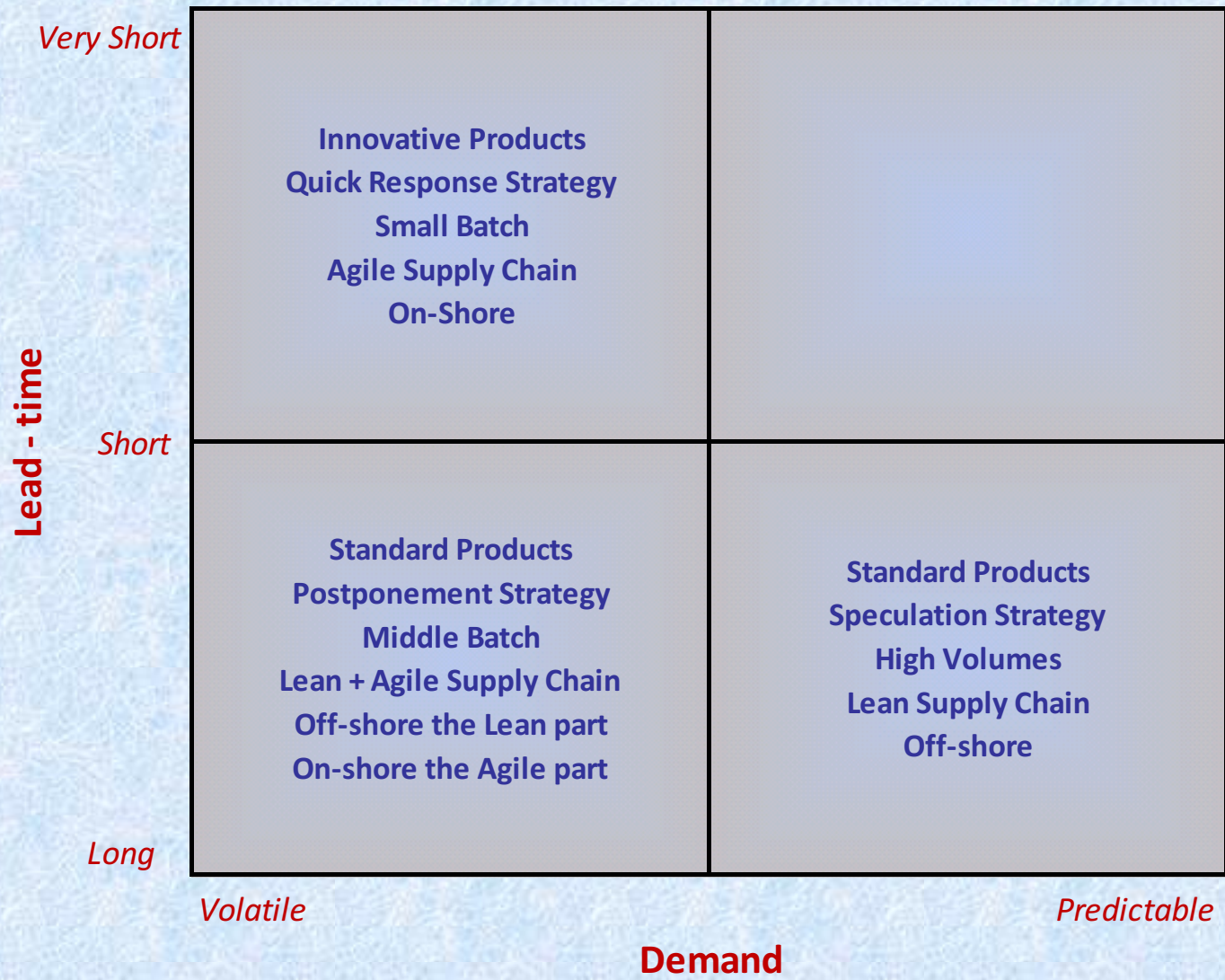
*"Supply chains compete, not companies"*  
(M. Christopher, 1992)

# Focus on the Supply Network

| <u>DISTINGUISHING ATTRIBUTES</u> | <u>LEAN SUPPLY</u>                | <u>AGILE SUPPLY</u>            |
|----------------------------------|-----------------------------------|--------------------------------|
| Typical Products                 | Commodities<br>Standardized Goods | Specialities<br>Fashion Goods  |
| Marketplace Demand               | Predictable                       | Volatile                       |
| Product Variety                  | Low                               | High                           |
| Product Life Cycle               | Long                              | Short                          |
| Volume Orders                    | Large Batch                       | Small Batch                    |
| Customer Drivers                 | Cost                              | Availability Quick<br>Response |

*"In the Fashion Business timing is everything  
since today's style is tomorrow's markdown"*

# Focus on the Supply Network



# Focus on Industrial District

- In 19th century, English economist Alfred Marshall noted an *“industrial atmosphere”* within geographic concentrations of skilled workers:
- *“In districts in which manufactures have long been domiciled, a habit of responsibility, of carefulness and promptitude in handling expensive machinery and materials becomes the common property of all ...The mysteries of industry become no mysteries; but are as it were in the air, and children learn many of them unconsciously.”* A.Marshall, 1890.
- **INDUSTRIAL DISTRICT** is a socio-territorial entity characterized by the presence of both a community of people and a population of firms in one naturally and historically bound region. G.Becattini, 1990.

# Focus on Industrial District





# ✓ Part Four

## Emerging Problems

# What was not done?

- At EU level: **Transparency** in favor of sustainability **was not properly supported** (*made in* regulation);
- At National level: **Prices of main factors** of production (i.e. energy costs) **were not properly reduced**, in favor of the many SMEs which were facing uge international competition;
- At National level: **Bureaucracy remind redundand** and expensive.

# What is happening now (in Italy)?

- **Too little Value Added distribution along the supply chain** (*only big Brands pockets big margins*);

+

- Too little Technology Push because **not enough R&D** in favour of Textile & Apparel;

=

- **No incentives to Capital Investments** in the italian pipeline.

# What is happening now (globally)?



Chart created with NeoTicker EOD © 1998-2009 TickQuest Inc.



**Thanks for your attention!**

# Sistema Moda Italia

**SMI – Sistema Moda Italia** is a national federation for the category and it is a member of Confindustria. It is one of the world's largest organizations representing the textile and fashion industry in the Occidental world.



**SMI** is representative of a sector with over 406.000 employees and nearly 48.000 companies, that is a mainstay of Italy's economy and manufacturing industry.

