Fashion System: The Case of Italy

World Journal Of Social Sciences

ISSN: 1838-3785 (Print) and ISSN: 1839-1184 (Online)

The aim of the World Journal of Social Sciences (WJSS) is to provide platform to the multidisciplinary academia, researchers and students to develop, improve and test the theoretical issues relating to all areas of social sciences such as political sciences, economics, finance, sociology, management and marketing with the real world situation. It encourages them to apply all l empirical methods such as, qualitative, quantitative, triangulation methods and case studies to arrive at a robust conclusion that explicitly provide their contribution to the body of knowledge. It accepts papers not only form related fields but also from any country or region.

Navigation Menus

Issue: May 2012 Volume 2 No 3

Paper Title: Performance of ICT Sector In India Under Globalised Regime: 1991-2007
Author: Vikram Chadha and Seema Kapoor

Download This Paper

Paper Title: Training Module/Curriculum and Training Effectiveness: An Empirical evidence from Foundation Training Course at BPATC in Bangladesh
Author: Md. Zohurul Islam, S. M. Arifuzzamman and Nuzhat Fatema

Download This Paper

Paper Title: Management Issues for Improving NGO Sustainability in Kazakhstan
Author: Francis Amagoh and Aliya Kabdiyeva

Download This Paper

Paper Title: Financial Distress Signaling & Corporate Social Responsibility
Author: S.N. Jehan and M.T.A. Khan

Download This Paper

Paper Title: Historical Moments that are Meaningful to the Three Generations of Employees in Malaysia
Author: Lee Su Teng and Angeline Tay

Download This Paper

Paper Title: Remodeling Education at Grass-roots Level- A Critical Study of Primary Education System of Pakistan
Author: Nisar Ahmad

Download This Paper

Paper Title: Poker Machine Wars: Social Responsibility and Marketing
Author: Fredy-Roberto Valenzuela and Josie Fisher

Download This Paper

Paper Title: International Financial Risk, Investment and Growth in Nigeria
Author: Pat Donwa and Osaro Agbontaen

Download This Paper

Paper Title: Consequences and Causes of Inflation: A Study In the Context of Bangladesh
Author: Mohammad Nayeem Abdullah, Robaka Shamsher and Newaz Ahmed Chowdhury

Download This Paper

Paper Title: Valuation Methodologies Used In Emerging Markets versus Developed Markets
Author: Alaa Rady and Laura Núñez

Download This Paper

Paper Title: The Quantitative Consumer Testing Leading to New Product Concept
Author: Noppamash Suvachart

Download This Paper

Paper Title: Organisational Culture and the Job Satisfaction-Turnover Intention Link: A Case Study of the Saudi Arabian Banking Sector
Author: Abdullah Aldhuwaihi, Himanshu K. Shee and Pauline Stanton

Download This Paper

Paper Title: Transforming Customer Postal Address into Spatial Address for Demographic Analysis: A Case of Non-Contractual Customers in Seberang Perai, Pulau Pinang of Malaysia
Author: Abdul Manaf Bohari, Ruslan Rainis and Malliga Marimuthu

Download This Paper

Paper Title: Australian University Adoption of the E-Services System- A Case Study
Author: Kamaljeet Sandhu

Download This Paper

Paper Title: Renewable Energy, Sustainability and Environment: Are We There Yet?
Author: Mohammad I. Azim and Samina Rahman

Download This Paper

Paper Title: The Determinants of Tax E-filing among Tax Preparers in Malaysia
Author: Saliza Abdul Aziz and Kamil Md. Idris

Download This Paper

Paper Title: Fluctuation of Foreign Exchange Rate by Triangular Arbitrage
Author: Yuan-Long Peng and Chuang-Yuang Lin

Download This Paper

Paper Title: The Relationship of Emotional Intelligence on Students Performance
Author: Zanariah A Rahman, Ishak Md Shah and Nazihah Omar

Download This Paper

Paper Title: Fashion System: The Case of Italy
Author: Francesca Culasso, Elisa Giacosa and Alberto Mazzoleni

Download This Paper

Previous Issues

Home Aim and Scope Editorial Board Instruction for Author Publication Ethics Our Co-sponsored conference Manuscript Submission Guidelines
Instruction for Reviewers Referencing Guidelines Publication Process Blind Review Language and Proof reading Who To Contact

World Journal of Social Sciences
Vol. 2. No. 3. May 2012. Pp. 209 – 226

Fashion System: The Case of Italy

Francesca Culasso*, Elisa Giacosa** and Alberto Mazzoleni***

The aim of the research is to analyze the Italian "fashion system" and its commercial relations with the rest of the world. This paper tests the hypothesis that the Italian "fashion system" can be considered particularly representative at world level, thanks to the recognised creative and quality characteristics of the Made in Italy products. The main findings suggest that the Italian "fashion system" is particularly representative at international level, as Made in Italy products are appreciated worldwide and make fashion a symbol of the Italian economy. In addition, Italian companies have great abilities in the fashion system, due to investment in quality, innovation and creativity.

JEL Codes: M10

1. Introduction

The first objective of the research is to analyse the Italian "fashion system" and its commercial relations with the rest of the world. The purpose is to investigate if the Italian "fashion system" should be considered as a representative market at world level. To achieve this first objective, the following RQ (*RQ1*) was asked: *can the Italian "fashion system" be considered as highly appreciated on the world fashion scene?*

The second objective focuses on peculiarities and strengths of the Italian fashion companies, which have enabled them to become leading players on the international stage. Many companies have become "multi product", extending their product range with categories of goods from several sectors and orienting themselves to a wider clientele: clothing, shoes, bags, perfumes, jewellery, household items, hotels, nautical products and helicopters. This opening up towards new areas of activity has often been achieved maintaining one single brand. To achieve this second objective, the following RQ (*RQ2*) was asked: *what are the specific characteristics of the Italian fashion companies that make them leading players on the world stage?*

The first motivation for this study is related to the observation of how the Italian "fashion system" is reacting to Asian competition. Indeed, the "fashion system" has been substantially influenced by the strong Asian competitors: companies have responded by totally or partially transferring the production phase to countries with lower labour costs. They also have increased the quality and creativity of their products.

The second reason is related to the observation of profound recent changes in the Italian fashion system. In particular, many companies have decentralised their production in

*Prof. Francesca Culasso, Department of Management, University of Turin
Italy . Email : culasso@econ.unito.it
** Prof. Elisa Giacosa, Department of Management, University of Turin
Italy. Email: giacosa@econ.unito.it
*** Prof. Alberto Mazzoleni, Department of Business Administration, University of Brescia
Italy. Email: albmazz@eco.unibs.it

order to increase elasticity and flexibility. The phases of the production process mainly involved in decentralisation are those with lowest added value, i.e. the production of semi-finished goods or component parts. On the contrary, the activities with highest added value continue to be carried out in-house.

The research findings achieved are additional to those of previous studies. Indeed, this research is multidisciplinary: it focuses both on macroeconomic aspects and on business ones. The study considers macroeconomic peculiarities of Italian context, correlating it to the business opportunities for the Italian fashion companies. In addition, findings focus on the impact of recent world financial crisis and Asian competition on the Italian fashion system.

2. An Overview of Italian Fashion Industry

Made in Italy is a distinguishing feature of the Italian economy in the world. Fashion is one of the most representative sectors of Italian excellence. Italian companies do not confine themselves to manufacturing commodities, but they also produce excellence, quality and differentiation of supply. This has had the effect of "validating" (Corbellini & Saviolo 2009) the quality generally found in the Made in Italy products: also Italian companies without a brand known indirectly enjoy the benefit of producing Made in Italy. Indeed, the foreign consumer perceives the quality of the product also in relation to the country of origin. The result is that Italian fashion is universally recognised as an emblem of quality and refinement, contrary to Chinese fashion and that of other Asian countries. When an Italian company is faced with the choice of delocalising its production to low labour cost countries, it must take into account the delicate cost-benefit ratio: a decrease in production costs must be related to a possible loss of image if the product is made in China, Taiwan or India.

It's now interesting to describe the structure of Italian market. The market represents a sort of "competitive arena" in which fashion companies operate in strong competition: every competitive move by one company has repercussions on the operations of the other companies (Campedelli 1998). The market can be regarded as (Ferrero 1987):

a) A set of exchanges: The market is the meeting place for consumer demand and manufacturer supply. There are multiple market types: shops, boutiques, stores, outlets, shopping centres and websites of the fashion firms (Rechenmann 1999; Ries & Ries 2000; Giacosa 2003; Levy & Weitz 2006).

b) A set of relations: In the widest sense, the market is the set of relations between the various parties involved (manufacturers, distributors, trade customers, end consumers, other sector operators, etc.).

The structure of the Italian fashion market can be organised into segments, which are characterised by decreasing customer numbers (Terzani 2007):

a) Mass market: This is the basic end of the market. These products have a limited style content and are sold at low prices, becoming accessible to the majority of customers. They can be used for different occasions, such as work, daily life and leisure.

b) Bridge market: This consists of products aimed at consumer targets who want to keep up with the latest fashion trends (such as young people). The companies must be able to make the latest fashions rapidly available on the market. The price is accessible to the majority of customers, while the style content is limited. Examples are the collections by Motivi and Oviesse, which constantly feature the latest fashions due to frequent re-stocking of the sale outlets. The main competitors are Zara and H&M.

c) Medium-high or diffusion market: This comprises products with a high innovative or quality content, designed for day wear or for work. These products are geared to a limited target, consisting of people with a certain spending power. They are looking for quality, for which they are willing to pay a substantial price. This market comprises the second and third lines of the stylists: Versus (Versace), Emporio Armani (Giorgio Armani), Blugirl (Blumarine) and others.

d) High end of the market: This comprises the “high fashion” products, characterised by refined creativity, high price and quality, designed for a very limited target, characterised by inaccessibility (Kapferer 2004; Bruce & Hines 2007). They represent a status symbol for their owners. The high end of the market is split into two intermediate segments: the haute couture, an exclusive custom-fitted clothing produced by a stylist, using hand-executed techniques (Valentino Haute Couture and Armani Privé), and the prêt-à-porter, with a high stylistic value and a high albeit not inaccessible price (Prada, Gucci and Missoni).

3. Literature Review

A large body of literature has concentrated on the fashion system, according to various analysis perspectives. For the purposes of this study, we focus attention to the literature on the concepts of “production chain” and “fashion system”.

The “production chain” (Saviolo & Testa 2005; Cao & Zhang 2008; Chaudhry & Hodge 2012) represents the path followed by the product in the context of its production-distribution process, i.e. from the raw material (the fibre) through to the end product on the market. The production chain consists of a set of operating phases and processes (Culasso 1999; Mazzoleni 2004) which involve various economic sectors. In particular, it comprises the following levels of action:

a) The manufacture of yarns: This operating phase is the most upstream stage of the production chain.
b) The production of fabrics or knitted fabrics from the yarn.
c) The production of the garments, by cutting the fabrics or knitted fabrics and using other elements (accessories, buttons, zips, leather parts, etc.).
d) The distribution and marketing of the products to the customer, who can be an end consumer or a trade customer.

In the production chain, small and large companies operate in different activities, each one contributing a different element to the creation of a product. The end product is consequently the final result of a web of different companies positioned upstream and downstream of the supply chain; every company contributes to the creation of value. Introduction of the concept of production chain allows us to define the “fashion system”. The fashion system is the set of the following economic sectors (Saviolo & Testa 2005; Terzani 2007): textile and clothing; leather, footwear and accessories; distribution; other sectors not forming part of the production cycle but having a supporting function.

The fashion system can be considered a “cluster”, as it involves a high number of economic entities operating in various sectors (Saviolo & Testa 2005). The “fashion system” comprises two macro production chains (Saviolo & Testa 2005; Forte & Mantovani 2005; Giacosa 2011):

a) The “textile-clothing” macro production chain: It operates in the fibres and clothing segments.
b) The “leather-footwear-accessories” macro production chain: It operates in the leather-footwear-accessories.

The literature has also concentrated on the types of companies operating on the “fashion system” (Giacosa 2011):

a) Companies that operate in one single macro production chain, with a diversified offering: They carry out their business in one single macro production chain (for example, in the leather-footwear-accessories one), but with articles belonging to one or more product categories, as shoes, bags and leather goods (Jimmi Choo, Coccinelle and Sergio Rossi).

b) Companies that operate in several macro production chains, under one single brand: The brand is imposed via a product offering across the board in several sectors (Ross & Harradine 2010; Goldsmith, Leisa & Clark 2012). This is possible due to strong distinctive competencies and high brand recognisability (Tong & Hawley 2009; Husic & Cicic 2009; Matthiesen & Phau 2010; Ross & Harradine 2011; Choo et al., 2012). The atmosphere and emotion coming from the brand is felt into the shops (Matthiesen & Phau 2010; Parsons 2011), increasing customer loyalty (Wang & Sejing 2011). The company can pursue the following line extension (Ellwood 2000; Keller 2003; Sherrington 2003; Liu & Choi 2009). For this purpose, the companies transform the company fabric into an “umbrella” (Randall 1997), under which multiple activities are carried out. The majority of designer companies have chosen to operate in several sectors under one single brand: Gucci, Louis Vuitton, Dior, Burberry, Chanel, Hermès, etc.

c) Companies operating in several sectors via several brands: The strategy (Chandler 1962) is to create a multi-brand group, operating via several brands with product categories belonging to different sectors. The group operates via a brand portfolio (Fabris & Minestroni 2004). Examples of luxury multi-brand groups (Park, Rabolt & Jeon 2008) are: Prada, LVMH, Gucci Group and Tod’s Group. The various brands owned can be positioned in the same price range (Fratto, Jones & Cassill 2006) (as in the case of Gruppo LVMH, which operates on the luxury goods market) or in different price ranges (for example, Giorgio Armani owns brands operating in different ranges, such as Giorgio Armani Privé, Emporio Armani and Armani Jeans).

The research questions of this study differ from those of other previous analysis. Due to a multidisciplinary approach, we focused on macroeconomic aspects that characterize the Italian context and their impact on the business opportunities for the Italian fashion companies. This study has allowed to improve previous ones by incremental inputs, also referring to the impact of the recent world financial crisis and Asian competition on the Italian fashion system

4. Methodology

The subject of the research and the hypotheses to be verified were identified by examination of the existing international and national literature. The market data were made available by important Italian trade associations operating in the field of fashion, such as Camera Nazionale della Moda Italiana (National Chamber of Italian Fashion), Sistema Moda Italia (Italian Textile and Fashion Federation) and Federazione Moda Italia (Italian Fashion Federation).

The sample used for an in-the-field analysis is composed by the main Italian fashion companies in terms of 2010 turnover; in particularly, this study is based on a sample of twenty Italian companies, that represent about 38% of the total 2010 turnover of Italian fashion companies. Considering that the total number of Italian fashion companies is about 53.086, the sample companies are very representative because of their turnover (Camera Nazionale della Moda Italiana 2011). Twenty interviews were held with managers that operate in these companies and ten interviews were conducted with the owners of the firms. In addition, sixty interviews were made with sector operators (journalists, big buyers, sellers and market research agencies). These interviews had a qualitative and quantitative structure, concerning the companies' business models, their strategy and management of operations. The analyzed period is related to the six previous years (2006 to 2011).

In addition, we analysed over one hundred articles published in national and international magazines and newspapers, comprising fashion sectors journals (PambiancoWeek, Fashion, MilanoFinanza Fashion) and economic-financial publications (The Economist, Il Sole 24 Ore, MilanoFinanza).

The approach used is multidisciplinary: indeed, we combine macroeconomic data concerning the Italian context to business aspects about the companies activities. The study considers macroeconomic peculiarities of Italian system, correlating it to the business opportunities for the Italian fashion companies. Therefore, this approach permits to improve previous studies by incremental inputs, also referring to the impact of the recent world financial crisis and Asian competition on the Italian fashion system.

We have said that the objective of the paper is to analyse the Italian "fashion system" and its commercial relations with the rest of the world. Attention has also been focused on the peculiarities and strengths of the Italian fashion companies that operate in the "fashion system". To achieve this objective, the following research questions were asked:

RQ1: *Can the Italian "fashion system" be considered as highly appreciated on the world fashion scene?*
RQ2: *What are the specific characteristics of the Italian fashion companies that make them leading players on the world stage?*

In relation to the above research questions, the following research hypotheses were formulated:

H1: *The Italian "fashion system" can be considered particularly representative at world level, thanks to the recognised creative and quality characteristics of the Made in Italy products.*
H2: *The business of the Italian fashion firms presents a series of strengths, due to a combination of their creative and managerial skills.*

5. Findings

The results of the study are illustrated below and are discussed as follows:

a) Analysis of the Italian “fashion system” and its commercial relations with the rest of the world.
b) Analysis of the specific characteristics of the Italian fashion companies operating in the “fashion system”.

5.1 Analysis of the Italian “Fashion System”

Referring to *RQ1 - Can the Italian “fashion system” be considered as highly appreciated on the world fashion scene? -* It is useful to analyse the fashion company market. A distinction must be made between:

a) The market demand.
b) The market supply.

5.1.1 The Market Demand

The Italian “fashion system”, comprising textile, clothing, footwear and leather goods production, can be considered particularly representative at world level. In the textile sector, Italy is the third exporter in the world, after China and Germany. The world market share held by Italy was equivalent to 5.1% in 2010 (between 2006 and 2008, it dropped from 7.2% to 6.5%, while in 2009 it was equivalent to 5.5%). China’s world market share increased in the years considered, representing over 30% in 2010. Germany’s world market share decreased to a 7.9% level in 2010 (in 2009, the market share was about 9.1%). The world market shares in the textile sector are shown below (Table 1).

Table 1: World market shares in the textile sector

Countries	2006	2007	2008	2009	2010
China	22.0	23.4	25.6	28.3	31.0
Germany	8.7	9.0	9.0	9.1	7.9
Italy	**7.2**	**7.0**	**6.5**	**5.5**	**5.1**
United States	5.6	5.0	4.8	4.6	4.7
South Korea	4.4	4.1	3.9	4.1	4.1
India	3.2	3.4	3.4	3.3	3.7
Turkey	1.8	2.0	3.8	3.7	3.6
Taiwan	3.8	3.5	3.2	2.9	3.3
Hong Kong	4.8	4.1	3.5	3.4	3.3
Pakistan	2.9	2.8	2.5	2.8	2.7
Total main exporters	**64.2**	**64.1**	**65.9**	**67.6**	**69.3**

Source: Sistema Statistico Nazionale & Ministero dello Sviluppo Economico 2011

In clothing, Italy is the second world exporter after China. The world market share held by Italy was equivalent to 5.6% in 2010, a reduction compared to the previous years. The market shares of the main European competitor countries (such as Germany and France) also dropped during the years considered, albeit not to the extent of the Italian market shares. The world market shares in the clothing sector are shown below (Table 2).

Table 2: World market shares in the clothing sector

Countries	2006	2007	2008	2009	2010
China	33.3	36.2	36.0	36.8	39.7
Italy	**6.4**	**6.6**	**6.9**	**6.1**	**5.6**
Germany	4.5	4.9	5.2	5.4	5.1
Bangladesh	3.0	2.9	3.2	3.8	3.9
Turkey	3.2	3.4	3.7	3.6	3.6
India	3.0	2.9	2.9	3.2	3.0
Vietnam	1.8	2.1	2.4	2.7	2.9
France	2.9	3.0	3.2	3.2	2.8
Netherlands	2.1	2.1	2.2	2.3	2.3
Belgium	2.3	2.4	2.6	2.6	2.2
Total main exporters	**62.4**	**66.3**	**68.2**	**69.7**	**71.1**

Source: Sistema Statistico Nazionale & Ministero dello Sviluppo Economico 2011

Italy is the second world exporter after China also in the footwear and leather goods sector. The world market share held by Italy was equivalent to 11.3% in 2010, a reduction compared to the previous years. The greatest market share losses occurred in the United States, United Kingdom and Japan. The world market shares in footwear and leather goods are shown below (Table 3).

Table 3: World market shares in footwear and leather goods

Countries	2006	2007	2008	2009	2010
China	32.3	32.8	34.5	36.5	38.8
Italy	**13.4**	**13.7**	**13.3**	**12.1**	**11.3**
Vietnam	4.2	4.2	4.5	4.7	4.5
France	4.3	4.3	4.5	4.7	4.4
Germany	3.7	4.1	4.2	4.2	3.8
Belgium	3.3	3.4	3.3	3.5	3.1
Hong Kong	4.0	2.9	2.6	2.7	2.7
Netherlands	2.9	2.6	2.5	2.7	2.6
India	2.4	2.5	2.5	2.5	2.5
Spain	2.5	2.6	2.5	2.6	2.3
Total main exporters	**72.8**	**73.0**	**74.5**	**76.0**	**76.1**

Source: Sistema Statistico Nazionale & Ministero dello Sviluppo Economico 2011

In terms of market demand, the main buyer countries of Italian fashion are listed below, taking into account the Italian textile, clothing, leather, leather goods and footwear industries (Table 4).

Table 4: The main buyer countries of Italian fashion (January-May 2011) compared to the same period in 2010 (millions of Euro)

Textile			Clothing		
Country	Mln Euro	Var. (%)	Country	Mln Euro	Var. (%)
Germany	544.4	18.1	France	817.6	14.1
France	394.1	14.5	Germany	585.1	15.4
Romania	332.1	28.4	Switzerland	469.8	24.4
Spain	226.7	-3.3	Russia	427.5	19.7
Tunisia	204.6	2.4	Spain	422.6	9.6
Hong Kong	190.1	8.5	United States	365.2	16.0
U.K.	167.4	16.4	U.K.	355.8	13.9
Turkey	154.1	25.1	Hong Kong	272.1	40.6
United States	138.4	12.9	Japan	243.0	17.9
China	129.9	22.1	Netherlands	191.1	6.1
EU 27	2,564	16.2	EU 27	3,459	10.3
Outside EU 27	1,643	15.5	Outside UE 27	2,834	20.6
World	4,207	15.9	World	6,293	14.7
Leather-footwear			**TOTAL**		
Country	Mln Euro	Var. (%)	Country	Mln Euro	Var. (%)
France	773.9	15.9	France	3.299	11.5
Switzerland	584.4	37.3	Germany	2.850	10.1
Germany	575.9	14.8	Switzerland	1.762	2.0
United States	429.4	26.2	Spain	1.678	7.0
Hong Kong	365.5	23.8	United States	1.611	19.2
Spain	292.1	10.2	U.K.	1.421	14.2
U.K.	275.6	8.9	Hong Kong	1.299	36.0
Russia	267.3	27.2	Russia	1.292	5.0
Romania	253.0	25.4	Romania	961	16.7
Japan	206.7	22.0	Japan	891	-2.0
EU 27	3,265	13.4	EU 27	9,288	13.0
Outside EU 27	3,073	26.0	Outside EU 27	7,551	21.6
World	6,339	19.2	World	16,839	16.7

Source: Camera Nazionale della Moda Italiana 2011

Also for 2011, the best customers are France and Germany which represent, overall, 36% of exports. In particular, Italian textile production is exported mainly to Germany and France, Italian clothing production to France and Germany and Italian leather goods and footwear to France and Switzerland.

The Chinese market can be considered an opportunity for Italian companies, a sort of “eldorado”. It is estimated that in five-seven years time the Chinese market could be on a par with Japan and, in twenty-five years time, the second or first market for Made in Italy products. Indeed, in China there is a portion of wealthy people fifteen years younger than the world average and constantly on the increase. In addition, the wealth is distributed over almost the whole country, in which there are more than forty cities with over one million inhabitants. The Italian fashion companies can therefore locate their sale outlets not only in Beijing, Hong Kong and Shanghai, but also in other areas of the country. Made in Italy has been present in China since the nineties. The table below compares the number of shops in China of Italian fashion companies with those of other fashion houses (Gibellino 2011) (Table 5).

Table 5: Shops in China of the main brands (2010)

Brand	Total (2010)	Openings in 2010
Armani	116	26
Cerruti	100	25
Zegna	75	0
Canali	74	12
Burberry	50	50
Gucci	48	8
Ferragamo	45	10
Louis Vuitton	37	7
Tod’s Group	37	5
Trussardi	33	1
Hermès	32	4
Dolce & Gabbana	26	11
Prada	25	5
Gianni Versace	25	0
Bottega Veneta	22	6
Versace Collection	19	0
Loro Piana	12	0
Miu Miu	11	1
Just Cavalli	11	0
Class Cavalli	10	0
Sergio Rossi	10	0
Versus	8	0
Balenciaga	5	3
Chanel	5	0
Boucheron	3	0
Yves Saint Laurent	3	0
Roberto Cavalli	2	0
Stella McCartney	2	0
Versace Jeans	2	0

Source: Gibellino 2011

Analysis of the market demand shows the validity of H1. In fact, the Italian “fashion system” is particularly well represented at world level, both in the European and non-European context, thanks to the universally recognised creative and quality input of the Made in Italy products. In clothing and footwear and leather goods, Italy is the second world exporter after China; in textile production, Italy is the third world exporter, after China and Germany. At the level of market shares, Italy is a considerable way behind China, which competes at world level due to its strong competitive advantage in terms of cost. The Italian companies, on the other hand, compete in terms of the quality, originality and creativity of their products. Italian fashion has customers all over the world, both trade and end consumers: the Italian products are sold in company shops, in franchise shops or shops owned by local entrepreneurs.

5.1.2 The Market Supply

The table below shows the data for the Italian textile, clothing, leather and footwear industry in 2009 and 2010, with forecast data for 2011 (Table 6).

Table 6: The textile-fashion sector in millions of euro

Indicator	2007	2008	2009	2010	2011 (forecast)
Turnover (mln Euro)	69,269	66,498	56,524	60,198	62,606
Variation %	2.5%	-4.0%	-15.0%	6.5%	4.0%
Export (mln Euro)	42,100	40,544	32,888	36,542	41,636
Variation %	1.9%	-3.7%	-18.9%	11.1%	13.9%
Import (mln Euro)	25,215	24,609	21,713	24,752	28,490
Variation %	2.0%	-2.4%	-11.8%	14.0%	15.1%
Foreign balance (mln Euro)	16,885	15,935	11,175	11,790	13,146
Production (% var.)	2.1%	-1.9%	-12.5%	6.5%	
Employment (.000)	786	775	698	690	
Number of firms	over 80,000	over 80,000	over 80,000	over 80,000	

Source: Camera Nazionale della Moda Italiana 2011

2010 was the year of recovery for the Italian textile-fashion sector. The growth in turnover compared to 2009 was equivalent to 6.5%, and likewise the growth in the value of production. The export trade recovered, increasing by 11.1% compared to 2009. The majority of exports were directed towards the foreign shops of Italian companies and this boosted the turnover of these companies. Imports increased by 14% compared to 2009; China accounts for 30% of clothing imports followed, albeit a long way behind, by France, Romania and Tunisia. The forecasts for 2011 indicate a 4% growth in turnover compared to the previous year. Exports should increase by 13.9% and imports by 15.1%.

The following table shows the incidence of the Italian textile-fashion industry on the Italian manufacturing sector as a whole in 2009 and 2010 (Table 7).

Table 7: % incidence of textile-fashion industry on Italian manufacturing sector

Indicator	2009	2010
Added value	8.9	8.8
Employment	10.9	10.5
Exports	8.0	7.6
Trade balance	13.0	15.0

Source: Sistema Moda Italia 2011

The added value produced represents 8.8% of the total (8.9% in 2009), employment accounts for 10.5% (10.9% in 2009), exports for 7.6% (8% in 2009), and the trade balance for 15% (the latter accounted for 13% in 2009). The structure of the textile-clothing industry in Italy consists of a production chain comprising companies operating in the various upstream phases, i.e. in the production of yarns and fabrics, manufacture of underwear, clothing and household linen. In Italy, industrial districts are widespread, with small and medium-sized companies, highly specialised and often operating in niche markets.

The Italian entrepreneurial fabric is fragmented into a number of companies, many of which are small-medium sized, often with a mainly family-type structure. The entrepreneur, who is also the stylist, plays an important role. On the contrary, in France the entrepreneurial fabric consists of big luxury groups, which continue their expansion by acquiring new already established brands (for example LVMH and PPR). They often depend on investment holding companies and are run by managers.

Below, the turnovers for 2010 and 2009 of the main Italian fashion companies are analysed, also making a comparison with foreign companies (Table 8 and 9). The fragmentation of the Italian entrepreneurial fabric into many companies clearly emerges, if compared to the main foreign fashion groups.

Table 8: The main Italian fashion groups in order of turnover for 2010 and 2009 (in millions of euro)

Company	Turnover 2010 (millions of Euro)	Turnover 2009 (millions of Euro)
Gucci	2,669	2,266
Benetton	2,053	2,049
Prada	2,046	1,561
Armani	1,580	1,518
Coin-Oviesse	1,736	1,285
Gruppo Only The brave (Diesel)	1,300	1,272
Dolce & Gabbana	1,028	1,030
Miroglio	997	930
Geox	850	865
Gruppo E.Zegna	963	797
Tod's	788	713
Ferragamo	782	621
Bottega Veneta	511	402
Loro Piana	480	394
Replay	243	272
Versace	292	268
Aeffe	219	217
Roberto Cavalli	176	188

Source: company websites

Table 9: The main foreign fashion groups in order of turnover for 2010 and 2009 (in millions of euro)

Company	Turnover 2010 (millions of Euro)	Turnover 2009 (millions of Euro)
LVMH	20,320	17,053
Nike	15,096	13,937
PPR	14,605	13,584
H&M	13,906	11,348
Inditex	12,527	11,084
Adidas	11,990	10,381
Gap Inc.	10,851	9,896
Vf Corp	5,642	5,030
Hermes	2,401	1,914
Hugo Boss	1,729	1,562
Guess	1,532	1,575
Mango	1,270	1,144

Source: company websites

Some Italian companies have opted for listing on the stock exchange. This decision is driven by the twofold need to expand the market and to have access to the necessary financial resources (Devecchi, Antoldi & Cifalinò 2003). The main listed Italian companies operating in the fashion system are given below, comparing them with other European companies (Table 10) and American ones (Table 11). The comparison shows the clear quantitative difference in terms of stock market capitalization of the Italian companies compared to the foreign companies: the stock market capitalisation of the latter is higher. This shows the Italian companies' low propensity for listing on the stock exchange, compared to their European and American counterparts.

Table 10: Main fashion companies listed on the European stock exchanges

Company	Stock exchange	Capitalization (millions of euro)
LVMH	Paris	56,972
Inditex (Zara)	Madrid	39,492
H&M	Stockholm	34,782
PPR	Paris	13,968
Adidas	Frankfurt	10,452
Hermès	Paris	8,559
Burberry	London	6.347
Puma	Frankfurt	3,912
Hugo Boss	Frankfurt	2,281
Tod's (Italy)	Milan	1,993
Salvatore Ferragamo (Italy)	Milan	1,902
Benetton (Italy)	Milan	618
Geox (Italy)	Milan	588
Aeffe (Italy)	Milan	61
Stefanel (Italy)	Milan	27
Antichi Pellettieri (Italy)	Milan	13

Source: stock exchanges websites

Table 11: Main fashion companies listed on the American stock exchanges

Company	Capitalization (millions of US dollar)
Nike	47,650
Coach	22,963
Vf Corporation	15,253
Limited brands	14,943
Ralph Lauren	14,401
Gap	10,136
Abercrombie	4,172
Pvh	3,831
Guess	2,648

Source: stock exchanges websites

5.2 Analysis of specific Characteristics of Italian Fashion Companies operating in the "Fashion System"

With reference to *RQ2 - What are the specific characteristics of the Italian fashion companies that make them leading players on the world stage?* - Below the particular characteristics of the Italian fashion companies are illustrated, which constitute a competitive advantage resulting from a mixture of creativity, experience and technology (Saviolo & Testa 2005):

1) Design and construction of models in the creation of new collections. Italian companies have a great ability to produce garments that are more difficult to imitate, highly creative and technologically advanced. This makes Italian companies a reference point for international prêt-à-porter production, as a result of licence agreements with foreign companies. On the contrary, Italy is less competitive in terms of research into fibres and materials, an area in which American, Japanese and German companies are very competitive.

2) Investment in the quality and in the innovation. The companies invest in the quality of the materials used, in the innovation of the products and processes. They own high operational competence, often acquired as a result of skills being handed down from generation to generation.

3) The ability to combine both creative and managerial elements in the company activity. The creative and managerial elements must create a blend without which the company could not survive on the market (Terzani 2007). Italian companies have good teams of stylists, who give the company a very creative product range, reflecting the company's culture and shared values (Davis 1984). At the same time, they also have a managerial group entrusted with running of the company. The managers are required to maintain the correct economic-financial balance (Ferrero 1968; Airoldi, Brunetti & Coda 1989; Catturi 1989; Ceriani 1996; Teodori 2000; Melis 2001; Ferrero et al. 2003) and to satisfy the interests of the stakeholders (Freeman 1984). This means that the creative group must observe the constraints imposed by a careful management and reconcile their demands with the budget constraints (Weetman 1999; Meigs et al., 2001). The managerial group must take into account the often unusual requests of the creative team which, more than any others, identify the company on the market and create its image.

4) Communication ability, evident above all in the fashion shows and trade-fairs (Lipovetsky & Roux 2003). On these occasions, the companies do not confine themselves to exhibiting their product range, but they use them as a showcase for their creativity. In addition, the shop is transformed into a place not only for buying clothes, but also for funning. The objective is not to make a sale, but to create customer loyalty.

5) The strength of the brand (Klein 2001; Bontour & Lehu 2002; Chevalier & Mazzalovo 2008). Thanks to the brand's tangible and intangible elements (Vanderbilt 2000; Aaker & Joachimsthaler 2001; Okonkwo 2007), the customer loyalty increases. The brand must be able to conquer the greatest possible number of consumers, and consumer minds and souls (Mariotti 1999). The strength of the brand must be able to retain the current customer, who represents a source of income in the long term (Aaker 1997). If the feeling of belonging to the brand becomes total, the company creates a unique bond with the consumer, a sort of commitment (Kapferer 2000).

6) The strong presence of small, medium and large-sized firms, which often create alliances or establish commercial agreements. The Italian entrepreneurial fabric comprises a variety of companies (Saviolo & Testa 2005):

> *a) Large companies:* They operate in an international context, offer a wide product range (clothing, bags, shoes and other accessories, often also combining textile activity) targeting both men and women, and they own a brand with strong market recognition. This category comprises: Miroglio, Marzotto, Ermenegildo Zegna, Loro Piana, Benetton, Max Mara, Stefanel and Benetton.

b) Fashion houses with famous designer names: They operate in an international context, and they offer a wide product range. Production is carried out in-house or they outsource production via brand licence agreements. Examples include Missoni, Valentino, Armani, Versace, Cavalli and Prada.

c) Medium-sized companies: They target specific market segments (such as clothing, underwear, hosiery) with a more limited product offering. They have their own brands, which are often managed under licence agreements. They operate on a mainly national market, with a development of a policy of internationalisation. Examples include Corneliani and La Perla.

d) Medium-small sized companies: They supply a specialist product range (such as women's clothing, men's clothing, shoes, shirts) to a mainly national market. They have their own brands, which are often managed under licence agreements. Examples include NeroGiardini, Mazzini and Coccinelle.

e) Large international companies: They don't produce directly, but manage in a globalised context in-house design, logistics and retail distribution in shops owned by them or under franchising. Examples include Zara, H&M, Promod and Gap (Lopez & Fan 2009).

f) Firms operating in one of the following categories: Subcontractors, which are small or medium-sized firms that produce finished or semi-finished garments; "façonisti", which are smaller in size, often artisan, carrying out one or more production phases on a semi-finished product supplied by another company.

7) The marked level of technological innovation in the Italian textile machinery sector. This sector produces machinery and plants for the transformation of raw materials and semi-finished products by other companies. The fashion companies have the possibility of creating new yarns and fabrics, due to the innovation of this sector.

8) A strong coordination throughout the production chain. It ensures that the various players involved operate harmoniously, avoiding production and distribution inefficiencies. The relationship with the suppliers becomes collaborative.

Analysis of the specific characteristics of the business model of the Italian fashion companies demonstrates the validity of H2. In fact, the business of the Italian fashion companies presents a series of strengths, due to a successful combination of the creative and managerial sides of the company. Within the company, these two elements must work together to pursue supply competitiveness, following original creative solutions. The joint working of the two elements generates the so-called "creativity management". The managerial side must be able to reconcile its management requirements with the need for widening and renewal of the existing product range (Ricchetti & Cietta 2006).

6. Conclusions

The Italian "fashion system" is particularly representative at international level, both in the European and non-European context. Made in Italy products are appreciated worldwide and make fashion a symbol of the Italian economy. Italian fashion has customers all over the world, both trade and end consumers, and Italian products are sold in company shops, in franchise shops or shops belonging to local entrepreneurs. In clothing, footwear and leather goods, Italy is the second world exporter after China; in textile production, Italy is the third world exporter, after China and Germany.

In a strongly competitive context, also due to Asian competition, Italian companies are increasingly geared towards product and process innovation, essential for differentiating their products on the market. For this purpose, it is not enough to renew collections on a seasonal basis: companies must devise new materials, think up new ideas and new ways of meeting a need. To be successful in the long term, Italian companies pursue the objectives of growth in both dimensional and quality terms. This growth is pursued increasingly via processes of integration, acquisitions, mergers and strategic alliances, which permit more rapid access to resources and knowledge.

Last but not least, Italian companies offer a creative product range while observing the correct economic-financial balance. The combination between the creative and managerial side increases the probability of offering products that are fashionable, high quality and winners on the market. At the same time, it increases the chances to obtain a correct economic-financial balance, because the right product must also be able to meet the needs of budget constraints.

Our research presents some limits that can be summarized as follows:

a) The sample considered: Few firms in the sample have been considered, even if they are representative capturing about 38% of the total 2010 turnover of Italian fashion companies. It will be interesting to compare them to the business of smaller companies in term of turnover.

b) The further classification of companies within the sample: There is not a distinction between listed and non-listed companies of the sample. In addition, no separate consideration has been made between family firms and non-family firms.

c) The method: To improve our method we could adopt some econometrical model.

It would be very interesting to apply the same study model to the “fashion system” of other countries. The purpose should be a comparison with the Italian system, in terms of characterisations of the business model of the fashion companies.

This study contributes to the literature on Italian fashion firms. It shows that the Italian “fashion system” can be considered particularly representative at world level, thanks to the recognised creative and quality characteristics of the Made in Italy products. In addition, we discover that the business of the Italian fashion firms presents a series of strengths, due to a combination of their creative and managerial skills.

References

Aaker, DA 1997, *Brand equity. La gestione del valore della marca*, Franco Angeli, Milano.
Aaker, DA & Joachimsthaler, E 2001, *Brand leadership*, Franco Angeli, Milano.
Airoldi, G, Brunetti, G & Coda, V 1989, *Corso di Economia aziendale*, Il Mulino, Bologna.
Bontour, A & Lehu, JM 2002, *Lifting de marque*, Editions d’Organisation, Paris.

Bruce, M & Hines, T 2007, *Fashion Marketing. Contemporary Issues*, Elsevier Ltd, Riverport.
Camera Nazionale della Moda Italiana 2011, *Fashion Economic Trends*, Camera Nazionale della Moda Italiana, Milano.
Campedelli, B 1998, *Analisi aziendale: strumenti concettuali, metodologici e di valutazione dell'impresa*, Giappichelli, Torino.
Cao, N & Zhang, Z 2008, 'How are supply chains coordinated?: An empirical observation in textile-apparel businesses', *Journal of Fashion Marketing and Management*, vol. 12, no. 3, pp. 384-397.
Catturi, G 1989, *Teorie contabili e scenari economico-aziendali*, Cedam, Padova.
Ceriani, G 1996, *Lezioni di Economia aziendale*, Cedam, Padova.
Chandler, A 1962, *Strategy and Structure: Chapters in The History of American Industrial Enterprise*, Mit Press, Cambridge, Mass.
Chaudhry, H & Hodge, G 2012, 'Postponement and supply chain structure: cases from the textile and apparel industry', *Journal of Fashion Marketing and Management*, vol. 16, no. 1, pp. 64-80.
Chevalier, M & Mazzalovo, G 2008, *Luxury brand management*, John Wiley & Sons, Singapore.
Choo, HJ, Heekang, M, Hyunsook, K & Namhee, Y 2012, 'Luxury customer value', *Journal of Fashion Marketing and Management*, vol. 16, no.1, pp. 81-101.
Corbellini, E & Saviolo, S 2009, *Managing Fashion and Luxury Companies*, Etas, Milano.
Culasso F 1999, *Sistema-impresa e gestione per processi*, Giappichelli, Torino.
Davis, SM 1984, *Managing Corporate Culture*, Ballinger Publishing Company, Cambridge, Mass.
Devecchi, C, Antoldi, F & Cifalinò, A 2003, *La quotazione delle imprese*, McGraw-Hill, Milano.
Ellwood, I 2000, *The essential brand book. Over 100 techniques to increase brand value*, Kogan Page, London.
Fabris, G & Minestroni, L 2004, *Valore e valori della marca*, Franco Angeli, Milano.
Ferrero, G 1968, *Istituzioni di economia d'azienda*, Giuffrè, Milano.
Ferrero, G 1987, *Impresa e management*, Giuffrè, Milano.
Ferrero, G, Dezzani, F, Pisoni, P & Puddu, L 2003, *Le analisi di bilancio. Indici e flussi,* Giuffrè, Milano.
Forte, F & Mantovani, M 2005, *Lezioni di economia della moda*, Giappichelli, Torino.
Fratto, GM, Jones, MR & Cassill, NJ 2006, 'An investigation of competitive pricing among apparel retailers and brands', *Journal of Fashion Marketing and Management*, vol. 10, no. 4, pp. 387-404.
Freeman, RE 1984, *Strategic Management. A Stakeholder Approach*, Pitman, Marshfield Mass.
Giacosa, E 2003, *L'economia delle aziende della net economy*, Giappichelli, Torino.
Giacosa, E 2011, *L'economia delle aziende dell'abbigliamento*, Giappichelli, Torino.
Gibellino, F 2011, 'La Cina saluta il boom del retail di lusso', *MilanoFinanza*, 37, p. 7.
Goldsmith, RE, Leisa, RF & Clark, RA 2012, 'Materialistic, brand engaged and status consuming consumers and clothing behaviors', *Journal of Fashion Marketing and Management*, vol. 16, no. 1, pp. 102-119.
Husic, M & Cicic, M 2009, 'Luxury consumption factors', *Journal of Fashion Marketing and Management*, vol. 13, no. 2, pp. 231-245.
Kapfefer, JN 2000, *Les Marques. Capital de l'Enterprise*, Editions d'Organisation, Paris.
Kapferer, JN 2004, *The new strategic brand management*, Kogan Page, London.

Keller, KL 2003, *Strategic brand management. Building, measuring and managing brand equity*, Prentice Hall, Upple Saddle River.
Klein, N 2001, *No logo,* Baldini & Castoldi, Milano.
Levy, M & Weitz, BA 2006, *Retailing Management*, McGraw-Hill/Irwin, New York.
Lipovetsky, G & Roux, E 2003, *Le luxe éternel. De l'âge du sacré au temps des marques*, Gallimard, Paris.
Liu, SC & Choi, TM 2009, 'Consumer attitudes towards brand extensions of designer-labels and mass-market labels in Hong Kong', *Journal of Fashion Marketing and Management*, vol. 13, no. 4, pp. 527-540.
Lopez, C & Fan, Y 2009, 'Internationalisation of the Spanish fashion brand Zara', *Journal of Fashion Marketing and Management*, vol. 13, no. 2, pp. 279-296.
Mariotti, J 1999, *Smart things to know about brands & branding*, Capstone, Milford.
Matthiesen, MI & Phau, I 2010, 'Brand image inconsistencies of luxury fashion brands: A buyer-seller exchange situation model of Hugo Boss Australia', *Journal of Fashion Marketing and Management*, vol. 14, no. 1, pp. 202-218.
Mazzoleni, A 2004, *Informazione e comunicazione nel sistema di controllo di gestione*, Franco Angeli, Milano.
Meigs, RF, Williams, JR, Haka, SF & Bettner, MS 2001, *Financial Accounting*, Irwin McGraw-Hill, New York.
Melis, G 2001, *Elementi di Economia Aziendale*, Giuffrè, Milano.
Okonkwo, U 2007, *Luxury Fashion Branding*, Palgrave Macmillan, New York.
Park, HJ, Rabolt, NJ & Jeon, KS 2008, 'Purchasing global luxury brands among young Korean consumers', *Journal of Fashion Marketing and Management,* vol. 12, no. 2, pp. 244-259.
Parsons, AG 2011, 'Atmosphere in fashion stores: do you need to change?', *Journal of Fashion Marketing and Management*, vol. 15, no. 4, pp. 428-445.
Randall, G 1997, *Branding*, Kogan Page, London.
Rechenmann, J 1999, *Internet e marketing*, Editions d'Organisation, Paris.
Ricchetti, M & Cietta, E 2006, *Il valore della moda*, Bruno Mondadori, Milano.
Ries, A & Ries, L 2000, *The 11 immutable laws of internet branding*, HarperCollins Business, London.
Ross, J & Harradine, R 2010, 'Value brands: cheap or trendy?: An investigation into young consumers and supermarket clothing', *Journal of Fashion Marketing and Management*, vol. 14, no. 3, pp. 350-366.
Ross, J & Harradine, R 2011, 'Fashion value brands: the relationship between identity and image', *Journal of Fashion Marketing and Management*, vol. 15, no. 3, pp. 306-325.
Saviolo, S & Testa, S 2005, *Le imprese del sistema moda*, Etas, Milano.
Sherrington, M 2003, *Added value. The alchemy of brand-led growth*, Palgrave Macmillan, New York.
Sistema Moda Italia 2011, Il tessile-moda in numeri, Sistema Moda Italia, Milano, <http://www.sistemamodaitalia.com>
Sistema Statistico Nazionale & Ministero dello Sviluppo Economico 2011, *L'Italia nell'economia internazionale. Rapporto 2010-2011*, Ministero dello Sviluppo Economico, Roma.
Teodori C 2000, *L'analisi di bilancio*, Giappichelli, Torino.
Terzani, S 2007, *Controllo di gestione nelle imprese di alta moda*, Franco Angeli, Milano.
Tong, X & Hawley, JM 2009, 'Creating brand equity in the Chinese clothing market: The effect of selected marketing activities on brand equity dimensions', *Journal of Fashion Marketing and Management*, vol. 13, no. 4, pp. 566-581.

Vanderbilt, T 2000, *L'anima di gomma. Industria e culture della scarpa sportiva*, Feltrinelli, Milano.
Wang, C & Sejin, H 2011, 'Store attributes influencing relationship marketing: a study of department stores', *Journal of Fashion Marketing and Management*, vol. 15, no. 3, pp. 326-344.
Weetman, P 1999, *Financial & Management Accounting*, Financial Times/Prentice Hall, London.