

## Bertelli: “This is how our brands have become the standard-bearer for Made in Italy throughout the world”

After many years of neglect, politics under Renzi has changed gear and put fashion at the heart of the economy's development. By 2025 customers in the luxury goods industry will number 450m, many of them young people using the latest technology

[by] Giovanni Pons

### **Dr Bertelli, Prada is one of the stars of the luxury goods industry; how much has that market grown in the last thirty years?**

“There's no doubt consumers of luxury goods have grown hugely in number. According to figures in recent research for Bain & Company, there were 40m in 1985; that grew to 90m in 1995 and 250m in 2005, and the figure recorded for 2015 was 340m. The forecast is for up to 440m or even 460m in 2025. The rising tide has lifted every Italian firm doing business in these markets.”

### **What do you regard as the fundamental shifts and turning-points that have marked these years?**

“Since the 1980s Italian fashion houses have been able to count on certain foreign markets providing growth, such as Japan and the United States; but the step-change in terms of scale came with the upsurge in Chinese consumption in the first years of the new millennium. Then came other markets of major scope, like Brazil and South-East Asia”.

### **Technology has been a disruptive factor, not just in your company but throughout the industry. How have fashion houses responded?**

“The arrival of the iPhone on the market in 2007 was a high point in that transformation – so was the iPad in 2010. After that, we moved steadily from a business model totally based on owning the stores, on capital spending and advertising towards an ecosystem in which the things that matter most are experience and expertise, sharing and the community. With new technology there's a new generation of luxury goods consumers who have had the habit, since childhood, of being able to buy anything, anywhere, at any time”.

### **At the start of the millennium the dotcom business boom put traditional manufacturing in the shade, while the Italian fashion houses tried to expand by taking over external lines. It didn't work – why was that?**

“In those years many people were thinking that – what with the introduction of the euro and generally rising affluence – it would be possible to grow fast through takeovers as well as organically. In fact it was the financial system which was pushing that, creating great expectations which afterwards turned to disappointments. The idea got around that if you weren't growing 10% a year you were useless; but when the crisis came in 2007 everyone came back down to earth. Prada set out on the M&A trail, but after a few years it left that path, and since then we're preferred to grow organically by opening single-brand stores and investing in the brand”.

### **There came a time when offshoring of production set in, and firms aimed to cut costs by manufacturing in countries where labour was cheaper. But the trend didn't really take root, did it?**

“People came to realize that offshoring is only suitable for certain specific kinds of production, which in any case represents a marginal slice of the market. Quilting in Romania, making-up in Serbia and Hungary, embroidery in India. But you know, the Italian fashion district is still peopled by craft freelancers and small professional firms whose production quality is the best in the world. When the French want clothing, footwear or leather goods produced, they come to Italy; then they do the

packaging and think up the marketing campaigns – there, they are the masters. For the sake of the future we need to arrange things so that this Made in Italy production ecosystem doesn't get hit by recession; we need carefully crafted economic policies.”

**Your industry has always felt it doesn't get much support from the political authorities overall; yet despite that it's become a power-house of the Italian economy. Do you feel neglected by government after government?**

“In the last twenty years the political class has never paid attention to the fashion industry; our figures have gone up thanks to globalization, not because of anything helpful in domestic economic policy. Having said that, I do think Renzi has begun a phase of growing care for Made in Italy luxury firms, partly because as we grow so does employment, above all in leather goods, footwear and clothing. Renzi is doing a great job for Italy, he's given a helpful push, and he's opened doors for a young generation, breezier and not so hidebound.”

**All the same, in the last ten years there have been many cases of Made in Italy brands being gobbled up by foreign firms, especially French ones. Why is it that Italian luxury firms never manage to put mergers together, but leave it to the French?**

“We did once talk with the then head of Gucci, Domenico De Sole, about an industrial partnership with Prada, but the idea didn't take off. They wanted their independence: putting different brands together, firms with complicated arrangements – it's not easy: we've tried it ourselves, as well, when we've bought up smaller brands. The French are better at organization; they know how to make the most of their critical mass, and they're tenacious when it comes to getting what they're after. We Italians should have more self-confidence: we have more content than we realize; we need to be better at banging our fists on the table, not pussy-footing around in our approach to negotiations. The fact that one generation is taking over from another shouldn't be an excuse, and it can't be allowed to become the main issue.”

**If you had to sum up what the fashion industry needs to be in future, given everything that's happened in the last thirty years, what would you say?**

“The luxury goods industry nowadays – and just as much in future – has to keep its artisan feel as we embrace today's technology. It's not like the 1990s, the store is no longer the centre of all our business; today the dominant force is a three-way alliance of physical stores, online shopping and social networks. Because our brands are selling not only a product but a dream and an image, new technology changes the paradigms. Food and cookery have become luxury symbols – and just look what's happened to tattooing: once it was something for chavs and criminals: now it's an upmarket symbol, it's become a means of expression for the well-off. It just shows how times have changed”.

**The fashion industry has grown up with the great European dream, the integration of national markets. That idea's in trouble today; aren't you worried that a reviving nationalism might cause difficulties for your industry?**

“The European crisis was caused by political problems such as instability in the Middle East, but failure to achieve economic targets played its part as well. The dream of social democracy has not come true, and we see Eurosceptic positions in various countries, challenging the idea of Europe itself. After Brexit, the Netherlands, Denmark and Sweden could want to leave the EU, and so might some East European countries. In that situation there are two choices: either people's different positions get the attention they need and there's a move towards de-merging Europe, or the countries take another look at the treaties with a view to making them accommodate the more radical positions.”