

Fashion. Beauty. Business.

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WWD

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BERTELLI

ON THE RECORD

THE CEO OF THE \$4 BILLION **PRADA GROUP** DISCUSSES THE RECENT SIGNS OF LIFE IN THE LUXURY MARKET, **DIGITAL COMMUNICATION** AND **THE NEW CONSUMER** — AND HIS VIEW OF BOTH AMERICAN AND ITALIAN POLITICS.



Patrizio Bertelli
in his Milan
headquarters.

BERTELLI ON THE RECORD

THE PRADA GROUP CHIEF ON MADE IN
ITALY, THE CHANGING CONSUMER — AND
ITALIAN AND AMERICAN POLITICS.

By LUISA ZARGANI

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pearheading a group that last year reported sales of almost \$4 billion, Patrizio Bertelli isn't one to waste time. Arriving directly from another meeting, Prada Group's chief executive officer walks briskly into his roomy office that's luminous even on a gray fall Milanese day, and in a no-fuss way poses gamely for WWD's portrait. He is surrounded by the contemporary artworks he has been collecting for years with his wife Miuccia Prada. Since his previous appointment was late, Bertelli graciously reworks his schedule to fit in the

interview, ahead of a private flight out of Milan to one of the group's factories.

The company relies on Miuccia Prada's design prowess but also on Bertelli's acumen with production, logistics and more. The company owns 11 production sites in Italy and two outside the country — one in Northampton, England, for Church's, and the tannery Mégisserie Hervy in Isle, France.

A new, striking state-of-the-art industrial complex in Tuscany's Valvigna designed by Bertelli's go-to architect Guido Canali, who also conceived the group's footwear plants in Montegranaro and Buresta, will officially open next year. The buildings, fitted with solar panels, are part of Prada's "garden factories" and are nestled in a lush landscape of pomegranate, fig and jujube trees and vineyards. Trees and shrubs grow on the roofs and trail down along the facades. As noted on the group's Corporate Social Responsibility web site, launched in 2015, the wellbeing of employees is top of mind, as well as reduced energy consumption; the reuse of heat and rainwater; a reduction in interior noise; LED lighting, and flood safety. Valvigna covers a total area of more than one million square feet. A new logistics pole in Levaneola, near Arezzo, also designed by Canali, will cover more than 1.1 million square feet and be completed next year. The first part of the site will be ready on Dec. 15.

With distribution in 70 countries, 622 directly operated stores as of the end of July and 12,228 employees, the Prada Group has not been immune to consumers' changing shopping habits, geopolitical tensions and volatile financial markets around the world. Its performance last year and in the first half — when profits fell 25 percent on a 15 percent decline in sales — was dented by a slowdown in key markets such as China, which affected the Asia-Pacific area. To get back on the growth track, Bertelli has been reviewing Prada's operations, cutting costs to improve efficiency and productivity, and create a leaner, more flexible organization. While the company has been expanding and renovating existing stores, such as its Canton Road unit in Hong Kong, or opened ones in new locations such as in St. Barth's with a new concept, it has slowed the pace of openings and continued to streamline its wholesale channel. At the same time, Prada has at last edged into e-commerce, beginning to sell on Net-a-porter, Mr Porter and Mytheresa and aims to boost its engagement with customers via technology and social media.

Here, Bertelli talks about positive signs from key luxury markets and discusses topics ranging from the group's production facilities to digital communication and the new consumer to Italian and American politics. ►

BERTELLI ON THE RECORD

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ou have been emphasizing the relevance of Made in Italy production and have invested over the years in your plants in an effort to find a balance between the impact of buildings and nature. What have your guidelines been working with the architects? How important is sustainability for consumers? What does this word mean to you?

We started thinking of giving an identity to our production sites in the Nineties because we've always been convinced that our employees working in the plants must know that they contribute to the quality of the products. If our technicians work in a pleasing atmosphere they participate more, they express their skills more. This participation is an important element for our products. When we decided to give an industrial structure to the group, we contacted Guido Canali and also [Pierluigi] Cerri with the goal of diluting the impact of our industrial premises on Tuscany's landscape. On Dec. 15, we are inaugurating our new logistics center in Levanella covering 102,000 square meters [1.1 million square feet]. For these premises and industrial warehouses we designed a special landscape of trees in order to minimize the visual impact on the territory. This approach is expensive, but it's long-lasting and we think it has given a strong identity to the Prada brand in the Valdarno region.

We have a newsletter published every two weeks so that our employees are informed about our store openings, events, fashion shows, inaugurations or technical improvements of industrial sites, cultural activities... Everything that has to do with the group's life. Otherwise how does one know about Miuccia receiving an award in L.A. or the opening of a boutique in St. Barth's, if he is in Australia? To know what happens within the group expands people's horizons and you can't only rely on the Internet. And we think that everybody, whether at a warehouse, at the plant, in an office or in a store, must feel they are participating at the company's development.

Unveiling the "Last Supper" by Giorgio Vasari in Florence in November, which Prada has helped restore, you urged your peers to help those in need after the devastating earthquake that hit central Italy at the end

of August and continued to rock the area in the ensuing months. Did your plants have problems?

Yes, the new and old buildings both. In this case, we had no damages near Arezzo, which is less subject to this issue. The plant in Civitanova Marche, created 15 years ago, near Tolentino, that had no problem [despite the earthquake].

You have set up the Prada Academy to train new artisans. Is finding young artisans still an issue?

Until 10 years ago, young people were not interested, but now they are, they want to go back to the factories in qualified positions, since these pay well. This is part of the pipeline. We like for these young students to already have some expertise when they start working with us, but they are not tied to us for life. We transmit the experience, but we don't want to do it in a selfish way or teach them only on condition that they will work for us.

In the past, you lamented the fact that Italy's bureaucracy has been slowing things down. Do you think Prime Minister Matteo Renzi's government has tackled this problem?

Renzi has revved up a mechanism, this is unquestionable. The Jobs Act

ABOVE AND RIGHT: Prada's state-of-the-art industrial complex in Tuscany's Valpurga are part of Prada's "garden factories" and are nestled in a lush landscape of pomegranate, fig and jujube trees and vineyards.

Enter or photograph by Francesco Carrozzini



was a starting point. My point of view is that it's better to do something that can be improved rather than not do anything because you want it to be perfect. We were frozen in a shocking inertia. I must say that with Renzi at least something moved.

Obviously Renzi as a prime minister has his opponents, it's normal. To me, the opponents have used the yes or no vote to their own ends, to be polemic toward Renzi's government, creating instability. After [Bettino] Craxi and [Silvio] Berlusconi, this has been the most stable government. In Italy, any government that lasts for five years is a luxury. In other countries it's normal.

Just ahead of the referendum on Dec. 4 [to vote on changes on Italy's constitution and promoted by Renzi], what is your opinion of the economy and the scenario after the vote?

I think [the idea suggested by some that the referendum would mean] exiting the euro is excessive. Renzi has worked a lot on changes. He's based everything on this reform. If he doesn't win, there is no vote of confidence, it's a rejection of his views and I would expect that he would take a step back. If he stays, he must have his reasons or because of a sense of correctness. We don't know what happens in the palazzo, but it's his decision. ▶

Are you interested in politics? Are you active in any way?

Only through television and the papers and through people that have more experience.

Has the burden of taxes been lessened in Italy?

It's been an issue discussed for the past 20 years. Italy is a state that has spent more than it earns. The only way is to aim at the pockets of citizens and companies to try and get more funds. If those that don't pay their taxes would pay even a little, that would be better. But it's not so bad: In France, the weight is not less than in Italy.

What about access to credit? Italy has been dealing with a severe bank crisis.

They gave credit to people that did not pay back, this is the problem, and they also had to finance provinces and regions. I think banks are still willing to support significant start-ups.

Let's move on to the Prada business. During past conference calls in discussing financial results, you spoke about the need to identify the new luxury consumers. Who are they? How do they buy? Are they loyal? How do you think to engage them?

Every 10 years, there is a presentation of a typical consumer. But the consumer today still wants that same luxury as back in the Eighties or Nineties. The difference now is the approach to that consumer. Until the year 2000, the markets that could benefit from luxury were very much limited, one-third of the world. Then came the globalization, the new markets, Brazil, China, India and this brought three billion new consumers, so the market has tripled but the customers are more diversified in terms of habits, ethnically and so on. These are consumers that use tools that are entirely different from the past, the Internet, computers. Before the iPhone came out, and especially the iPhone 6, there wasn't really a boom of the use of digital images. But after 2014, with the iPhone 6, it's a small iPad. Everything changed with the use of images, and the connection of people, the new digital platforms. [Kim] Kardashian, for example, has 80 million followers – 80 million. What a number. Ten years ago it was unthinkable. The approach of consumers changed also toward fashion. The first contact with fashion is the phone, e-commerce or the store equally are the second contact, stimulated by all these digital activities. This means that companies must be prepared.

Do you think some brands are sneaky and may jump on this and focus on products that stand out on social media?

I think so, but I want to add that people's attention is limited, and speed requires for the images to strike you. And this, whether it's the image or



“FASHION STEMS FROM
NEW INITIATIVES AND
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CERTAIN KIND OF FREEDOM.
IF THERE ARE RULES IT'S
WRONG.”



someone wearing the clothes, changes the identity of the product, so that it is more visible.

I was thinking of each product, focused in terms of photography. Even a big black shopping bag can have an identity be [special] in a context. So it's not the object but the context. We would almost have to do a video per week. It's a big problem in terms of organization, the product is almost "less important" than the skill in presenting it. The representation becomes very important. To align product and representation is the winning asset.

Does this imply a special alignment between designer, entrepreneur and communication?

There must be a direction. This is the new communication, totally different from that on paper, which can last a week or a day. It's the difference between the iPhone and paper, or similarly, between cinematography and the theater. Cinema has a different depth. When you see a movie set, it's poor, compared with what you see on the big screen. The same is if you try to put a theater representation on film. Communication is changing. The relation with newspapers and magazines is no longer what we were used to. In addition, now there are also the relations with VICs [very important clients]. People expect to see the equivalent of what is on paper on their phones and then on films integrated

and expanded. There must be a strong integration and direction. E-commerce and digital stem from this direction, how do we do it, when we do it, it all impacts style and industrial activities.

Early on, you were wary of e-commerce, but now you have opened up to selling on Mr Porter and Net-a-porter so you sell more online than in the past?

We sell more on e-commerce now...

Do you have a different opinion of e-commerce today?

It has not changed for me, but what we expected would happen has happened. E-commerce was very American and now it's moving also to Europe and very strongly in China. The work increases for us. We hoped it wouldn't happen [he smiles]. There will be an overdose of digital in 2017.

Brunello Cucinelli contends that companies should not send too many e-mails around and that communication should be easy on consumers.

We may dream of a world not tied to the past, but it's not right. I remember in 1988 when people would tease me because I had a big phone in my car, but it was better than stopping on the highway with a bag of coins to make calls from public phones.

What is the perception of the markets today?

China is showing signs of a pickup. The markets are not bad at all. After Brexit, the U.K. is much better. Paris is still affected by [the terrorist attacks]. It has not picked up. Between the two options, going to the U.K. and feeling its energy and Paris with its weight of worry, people discard Paris. Athens is performing very well, there are many Chinese tourists going to the Parthenon. Russia has picked up a lot, the Red Square... Ukraine no, it's different. In the U.S., we have problems with our store on Fifth Avenue, just in front of the Trump Tower, because people can't access it.

They say the president-elect will spend a lot of time in New York.

He will go to Washington, it's all smoke. Newspapers write about him, they live off this. I'm not worried, and I don't understand all this concern.



America is a very simple country, it's very conservative, it maintains its habits and structures. It has a very precise establishment, the Federal Reserve, its ministries, a codified system, it's a machine that moves in a structured context. I don't think anyone can just overturn it from one day to the other – no way. Do you know how many obstacles there are?

I am more worried about Boko Haram in Africa.

The Middle East, Singapore, Taiwan, very stable [business]. Did you see they want to double their population in Singapore?

Much has been done to revitalize Milan Fashion Week and you have been working as a member of the Camera Nazionale della Moda's committee. The fashion industry trade fairs are regrouping and taking place at the same time. What do you think of the changes taking place today?

After many years there is an effort to change things, but I want to stay out of quarrels [regarding the shows' calendar]. With the Camera della Moda now, there have been many changes [President Carlo] Capasa is working well, there is a new energy. With the [entrepreneurs part of the Camera's] committee, we are all friends, with [Luigi] Maramotti, [Renzo] Rosso, [Gildo] Zegna, there's never been any contrast, we never quarreled. The same with Pitti Immagine, [president Gaetano] Marzotto. Public or private associations must find a way to coexist, to find situations that can be clearly positive for Milan and the fashion world, rather than anyone [mounting on their high horse] and the perception is good now.

And Renzi has been emphasizing the relevance of the fashion industry.

Yes, he's opened Milan Fashion Week twice. In fact, his opponents say that he was looking for visibility in doing so: a really tasteless comment. He comes among people he doesn't know, must smile and be nice to everyone, and he's put down. That's awful. I think we should all thank him.

What about the women's shows moving to July?

I tried to launch that idea many years ago. Sooner or later someone will do it, but I don't think anything will happen now.

I am favorable to everything. Fashion stems from new initiatives and new challenges, from a certain kind of freedom. If there are rules it's wrong. There is nothing right or wrong in fashion. Brands should do what they think works for them. Showing women's in July would bring production advantages, the same as when men's wear shows were moved from September to June. But if it doesn't happen, amen. In all situations, those that are affected the most are the smaller companies. They can't plan or buy in the dark. We should keep an eye on small companies for every change we want to initiate. It's the same with digital. Those who are excluded are the small brands. Investments cost and the gap between small and big companies increases.

One analyst during a conference call once asked you about a possible delisting.

I am against delisting, I am very satisfied with the Bourse. ■

The Prada men's footwear manufacturing facility in Montegranaro, Italy.



Enter or photographs by Francesco Castagna

