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Introduction

Since ancient times, fashion and luxury have been a part of the human experience as much as these two phenomena relate to our culture, to our need for identification and differentiation and hence to our social identity. But just as human societies have evolved dramatically over time, what fashion and luxury represent has also continued to change, once over a period of centuries, now in the span of decades.

The system of fashion and luxury goods found fertile ground in the Italian and international sphere in the late 1970s to the 1980s. Today, however, these favorable conditions no longer exist. In fact, there is no longer a single concept of fashion or luxury; instead, we have a variety of fashions and luxuries, given the ever-expanding yet simultaneously ever-more segmented market in terms of customers, competitors, channels, and media. Once willing to pay ample price premiums for given brands, today customers are bored with the proliferation of brands and products with little or nothing that distinguishes one offering from another. In fact, consumers are now more selective and more oriented toward value, yet always and forever searching for the “dream factor”. Growth comes primarily from new markets such as India

and China, which have different characteristics and needs than Western customers.

Competitors have become bigger and more international, especially since 2001. Often listed on the Stock Exchange, these players need to balance operational management and (often short-term) economic results with creativity and innovation.

The independent multibrand stores which once dominated apparel and accessories distribution in Europe have given way to large international vertically integrated chains with own brands in fashion, and networks of monobrand boutiques in luxury. New channels appear to point toward a revolutionary way of doing business: Internet, travel retail, and outlets. Social networks, celebrity marketing, and Customer Relationship Management are innovative communication tools for a progressively sophisticated and critical customer/user.

On the global scene, serious doubts regarding the international economic situation do not encourage luxury consumption. On the contrary, present circumstances favor ethical consumption, and demand greater corporate social responsibility of all companies. At the same time, the benefits and experiences sought after through luxury and fashion are redefined by a maturing population.

A new world requires a fresh, more sophisticated way of approaching markets, products, brands, and communication. Strategies once based on a single product and a single brand for a single consumer today must be able to segment the offering through a different value proposition for different segments on different markets in terms of product, store, communication, and service.

From this perspective, our text is intended, on one hand, as a management handbook for fashion and luxury companies. On the other, our aim is to slot management tools into a context undergoing a radical evolution; providing substantiation through real-life examples makes the book topical. The purpose of part one, defining fashion and luxury, is to offer an analysis of what the fashion and luxury system represents today from an etymological standpoint and in terms of the structure of business pipelines. In the second part, the focus of our analysis lies on the major competitor nations and different country models. The third

part explores the competitive system, i.e. industry segments, business models, and consumption drivers. Finally, in the last part we discuss the following levers available to management: brand storytelling, and stylistic, retail, and communication identity. Fashion and luxury are treated like two business logics which are separate yet convergent when they serve the same customer in the same channel with the same “reason why”.

Throughout this book, we argue that traditional managerial science developed and established for fast-moving consumer goods industries must be enriched with different perspectives in order to be truly helpful for fashion and luxury companies. These perspectives deal with the relation between managers and creative people; the role of tradition versus innovation; the relation between core and extended product categories. Managers, the “rational spirit” of fashion firms, are more and more important to drive these companies into new markets, new channels and new product categories; but still managers need to respect and interact with the creative people who represent the “reason why” of these firms. At the same time creative people need to understand the market and the consumer and see the commercial results of their efforts. Brand heritage and iconic products should be leveraged and presented as sources of legitimacy, but at the same time these companies need to be innovative and ground-breaking in terms of their products. Extending the brand into different segments and products is needed in order to preserve growth, but at the same time the core business and client should be maintained and respected in order to avoid losing relevance and confusing the market. The book also argues that from fast consumer goods industries, fashion and luxury companies should learn a more quantitative, precise and scientific approach to the business in the areas of consumer insight, retail and operations. Now this is a necessity, no longer an option.

This book is intended to be among the first European and Italian contributions to international students, researchers and managers in the field of both fashion and luxury management. The objective is to deal with all management issues and business processes that are most significant for these companies. We provide the support of many real examples coming from almost 15

years of experience of the two authors in the field of teaching, researching and consulting these companies. We also adopt a European perspective, considering the reality of small and medium sized firms, generally managed by an entrepreneur or a family, willing to improve their managerial skills.

This work is the fruit of research by the authors, enriched by continually exchanging and sharing ideas.

Erica Corbellini wrote *Chapters 3, 4* (with Leandro D'Souza), 6, 8, 13, and *Sections 1.4, 2.4, 11.4, 12.1, 12.4* (on the Internet), 12.6, and 14.4.

Stefania Saviolo wrote *Chapters 1, 2, 5, 7, 9, 10, 11, 12, 14*, and *Sections 3.5, 6.1, 6.2*.

Introduction and *Conclusions* were written by both authors, likewise *Sections 2.3, 3.4, 7.4, 8.1, 8.2, 8.3*, and 14.3.

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