A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics

THE FAMILY BUSINESS IN THE LUXURY AND FASHION MARKET: AN ITALIAN - FRENCH MARKET DRIVER

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MASTER STUDENT NUMBER

3460

A Project carried out on the Master in Management Program, under the supervision of Professor Alexandre Dias da Cunha

January 2018

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ABSTRACT OF THE THESIS

The purpose of this thesis arises from a strong interest in companies operating in the luxury and fashion market and from the prospect that the author will continue his career in this market. Firstly, he analyses and attempts to define the broad topic of Family Businesses (FBs). Furthermore, the main topic is the family business phenomenon in the luxury and fashion context. The luxury-fashion business is very relevant in the global economic context and the FB model appears frequently in luxury-fashion companies; using the 4 Cs Miller and Le Breton-Miller model, he examines the reasons of this relationship. In the following, he describes the luxury and fashion market and the mutation that took place in the last 20 years with the several FBs acquisitions made by French conglomerates, analysing the causes and advantages of those mergers. Finally, he takes a closer look at the evolution of the Italian market, clarifying the difficult question: Why is not there an Italian LVMH/conglomerate despite the large presence of traditional luxury-fashion companies in Italy? One tricky question, two different issues as causes; at the end an additional recent topic that could be further researched in the future: will Italy be a potential main manufacturer for luxury and fashion market?

KEYWORDS:

Family businesses; luxury fashion business; luxury and fashion market;

luxury conglomerates; heritage; value.

LIST OF ABBREVIATIONS (OR) SYMBOLS:

LFBs = Luxury and fashion Business

FBs = Family Business

DEFINING FAMILY BUSINESS

The continuous research to define a family business

"*The family business is the oldest form of multi-party business enterprise. In fact the world's oldest continuously operated family business, the Japanese temple-builder Kongo Gumi, began in 578*" (Hutcheson, 2015). This sentence clearly emphasizes the importance of the global family business and how old still today the concept is. It is difficult to define and understand them, however, FBs have played a crucial role in society both on global and national levels for a long time. They are often discussed due to their presence in the world economy and due to their contribution to GDP and employment levels. As can be seen below (*table 1 - EY Family Business Yearbook 2014*), FBs have an undisputed presence inside many countries.

Continente	% aziende familiari su totale aziende	% sul PIL	% sull'occupazione
Europa	85%	70%	60% (più di 144 milioni di occupati)
Nord America	90%	57% USA 60% Canada	57% (più di 97 milioni di occupati)
America Latina	85%	60%	70%
Medio Oriente	90%	80%	70% (più di 67 milioni di occupati)[1]
Asia - Pacifico	85%	57% Sud Asia 32% Nord Asia	

In fact, the generally available literature should be able to provide sufficient information on the topic. However, this is not the case. The conducted research is still incomplete and due to the broad scope of the topic, there are still various dimensions to be explored. Considering that the literature on this topic is still to be finalized, it is impossible to reach a fixed and unique definition of Family Business. In a comprehensive study of family businesses, Chrisman, Chua, and Sharma found 21 different definitions of family business in their review of 250 research articles. (Chrisman, Chua & Sharma). Family businesses come in various forms such as proprietorships, partnerships, corporations, holding companies, and family-controlled companies. Worldwide, estimates of all enterprises that are considered as family businesses range from 80% to 98% (Poza, 2009). Taking into account the presence of different researches, we could claim that the "*family businesses constitute the whole gamut of* *enterprises in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm. They influence it via their managerial or board participation, their ownership control, the strategic preferences of shareholders, and the culture and values family shareholders impart to the enterprise"* (Poza, Page 5. 2009).

1. THE FAMILY BUSINESS IN THE LUXURY - FASHION CONTEXT

1.1 A definition of 'luxury fashion business'

In order to be able to define FBs it is essential to understand the background of LFBs. First of all, it is important to distinguish between fashion and luxury, which are often used as synonyms (Giacosa,2012).

a) In this case, the word fashion includes everything, which can be clothes and accessories.

b) Furthermore, a 'luxury' object is a symbol of elegance and sophistication, with the emphasis on intrinsic value in numerous categories, and these justify the high price. (Simmel,1957).

Consequently, not all fashion products are luxury products, as they have different kinds of costumers and, naturally, not all luxury products are objects of fashion. When thinking about the luxury world without prior knowledge, most thoughts will be to the concept of inaccessibility, the lifestyle of rich people, expensive items or costly personalized service. The concept of luxury is influenced by different interpretations and contexts in which companies operate and consumers live. What one consumer considers Luxury may not be considered as such by another. It is difficult to pin down the concept, as Kapferer and Bastien assure in their book. There are six different approaches to the topic: from a democratic one, by asking potential clients what luxury means to them, to a six way by asking the creators of luxury themselves what they do, according to which criteria, concepts and values (Kapferer and Bastien, 2009). *Fashion, instead, is a specific type of social change deployed across* *multiple domains of social life beyond clothing* (Godart,2012). It will be considered solely on the luxury fashion business, looking further into the companies that specifically sell accessories and clothing.

1.1 The Luxury - Fashion Family Business and the 4 Cs Miller-Breton model

As we covered at the beginning, the family business phenomenon represents a business model, which is spread across the world. For instance, looking at Italy, the number of family businesses worldwide is estimated to be around 784.000 – more than 85% of the total number of business, in line with that of the main European economies (AIDAF). Starting from this position, it is going to enter in the main part of the project: the family business phenomenon linked to the LFBs.One of the most relevant researches about this topic was written by Carcano, Corbetta and Minichilli; starting from this article, it is important to answer the question why the family business model is so frequently used and such a good formula in the fashion context. When looking at the Interbrand ranking, within the first 100 Best Global Brands 2017 we can find 8 luxury fashion companies which today still remain family companies or companies owned by conglomerates: Louis Vuitton, Hermes, Gucci, Cartier, Tiffany & Co, Burberry, Prada, Dior (Interbrand,2017). Investigating only eight brands is not sufficient to highlight the connection between Family Business and Luxury and Fashion market but, if we include further important brands in this list, such as Ermenegildo Zegna, Ferragamo, Moncler, Prada, Armani, Dolce&Gabbana, Etro, MaxMara, Trussardi, Cavalli, - all large-sized and medium-sized family business - the connection becomes evident. To have a perception of the large number, it could be very helpful to look at members of Altagamma in Italy and French Comité Colbert in French, both luxury brand committee composed of companies in the fields of luxury and fashion (including design, food, jewellery, automobile). Altagamma counts 70 family companies of different sizes with similar features. On the one hand, some are decisive for successful competition in the luxury sector and on the other hand can represent an obstacle that, consequently, reduces company's performance. Danny Miller, professor at HEC Montreal, and Isabel Le Breton-Miller, Human Resources consultant and researcher, discussed this issue in their book "Managing for the Long Run". They developed the 4Cs model after studying the story of 24 family-controlled great, large and old companies that have achieved important results in different markets (Miller and Le Breton-Miller, 2005).

The 4 Cs features are:

CONTINUITY, keeping the mission and the core competencies of the strategy, investing in the long run goals and exercising careful stewardship for competitive advantages;

COMMUNITY, striving to be united in a big and cohesive team, creating a sense of belonging and coordinating the people working in the company

CONNECTION, related to a network based on a series of long lasting relationships with various partners such as suppliers, franchisees and customers;

COMMAND, the freedom to operate a new strategy in any context quickly and independently

Miller and Breton-Miller call these factors "passions or priorities" suitable for any kind of FBs. In the following paragraphs, the main part of my project, I will try to join the four elements at the Luxury and Fashion market, using several examples.

These four factors are very easy to understand and explain, however, difficult to manage and to mix in a creative way in order to survive in in a market, which is as competitive as the luxury and fashion market.

1.2.1 CONTINUITY

In a commercial, Hennessy, the world's luxury cognac, highlighted a quotation from Richard Hennessy (1724– 1800): "*We must let time penetrate what the present cannot.' Luxury embodies time: this is an essential source of its value"*(Kapferer and Bastien,2009). This quotation is very simple and represents the keyword of this aspect: the time. In luxury and fashion companies, time is the right formula: it needs time to create value in the long run, it needs time to achieve a sane growth guided by patience and devotion. It needs time to create a brand or a reputation in the luxury marketplace. A clear example is the jewellery market, where, in according with DeBeers annual report "*It will take at least 10 years to consolidate in the competitive world of top-end jewelers such as Tiffany, Graff and Harry Winston*" (Kapferer and Bastien, 2009). Moreover, factors such as the cultural mission, the accumulation of business core capabilities, the stability of management and the long-term perspective are keys for the Continuity (Carcano, Corbetta, Minichilli, 2011). These company aspects have a higher influence than other factors on both the strategy of a company and the brand value. An authentic history gives a big structure to the brand, internally and for the clients; in other words, the famous "heritage" is a special value driver in the luxury and fashion market. In fact, frequently, Luxury companies frequently develop their image using iconic products: just for instance, the Portoguese watch IWC or the Birkin bag Hermés are best sellers since their origin. The companies tend to be influence their daily strategies by values, tradition and heritage deriving from the past years: they create an important competitive advantage. (Carcano, Corbetta, Minichilli, 2011)

1.2.2 COMMUNITY

In the family firms building connections, establishing unity and collaboration among the main subjects is a priority and it is linked with strong professional values and team culture. Anyone operating in a family business needs to respect others and protect the corporate capital, avoiding any individualistic approach and working for a common value. Looking at one of the relevant luxury groups LVMH (see next chapters for an exhaustive view about it) we can see how the feature of a passionately committed leadership typical of a family firm is well represented either way. Bernard Arnault (CEO LVMH) has built a big group that controls family firms. Even if these firms differ in their history and culture, they create unity and relationships following the same goals (Carcano, Corbetta, Minichilli, 2011).

For this purpose, an example that directly involved the author in his recent job experience, is the corporate seminars organized by LVMH-BVLGARI called "*BeingLVMH*": they have the intent to draw sharing goals. Shared values are elements that any employee, belonging to any company of this group, can follow and at the same time they are the key values to build connections among the several companies. The pillars to inspire excellence are: be creative and innovative, deliver excellence and cultivate an entrepreneurial spirit (LVMH website). From a point of view, it is a way to make up for the drop of "Family-community", which occurs when big conglomerates acquire other Family companies.

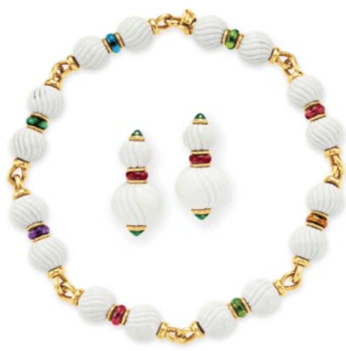
1.2.3 CONNECTION

With Connection we refer to the relationship between company and territorial area on which the brand has originates. Linked to this, we have several deriving factors such as reputation and the social commitment for the territory. Frequently, Family Businesses have a high attachment to their country of origin and this factor is bigger if the country/area owns a huge reputation for the luxury-fashion world. Accordingly, we often refer to Italy and France as two main countries universally recognized as the best in the luxury and fashion market (Giacosa, 2012). Just to mention a good example to understand this factor: Brunello Cucinelli S.p.A. "king of the cashmere" is a family company which sells menswear, women's wear and accessories on a global scale. Brunello Cuinelli corporate life (HQ, offices, workshops, canteen, external suppliers, the creation of a free and calm corporate environment) is based in the small village called Solomeo, on the top of a hill in the middle of Umbria, the "green heart" of Italy. BVLGARI has built its brand thanks to relationship with Rome: the connection with the Roman city has been a key element for BVLGARI, changing not only the perception of the brand and providing legitimacy to the clients in line with the corporate and traditional family, but also encompassing the entire production process, from choice of the Roman jewel suppliers to the creation of the products (all the BVLGARI products have a Roman inspiration such as Colosseum, Baths of Caracalla or the famous floor used through the roman streets).

1.2.4 COMMAND

Breaking the rules of strategy to succeed in luxury, adopting unconventional strategies is crucial (Kapferer and Bastien, 2009). The aspect of the freedom is crucial to many luxury and fashion companies. Family businesses are characterized by a certain freedom to act and decide quickly, in terms of management, innovation and creativity.

In fact, the creativity aspect is a strong value-driving aspect in the luxury market and, hence, in a family firm, a family member o someone near the family is involved also in the creative process (Carcano, Corbetta, Minichilli, 2011). When analysing the BYLGARI strategy, the emblematic product strategy used from 1986 to 1988 is a good example for the freedom to react quickly. In the respective period, the company was still family-owned by two descendent Bulgari brothers and the LVMH acquisition was very far away; the gold price increased very much during that period: 1985 - $327.00 +6.17%; 1986 - $390.90 +19.54%; 1987 - $486.5 +24.46% (Historical Gold Prices). For BVLGARI using of the same quantity of gold for each product lines was a costly strategy. Two Bulgari brothers, Paolo and Nicola had the freedom to react quickly to this external factor, using innovation and creativity. The Chandra collection established in 1989 and was an innovative and



unexpected jewellery collection made by spherical white porcelain components linked by connections in gold (*Picture.1: Chandra Bulgari Necklace*). The use of a new unconventional material linked by inserts in gold (i.e. using a lower quantity) took into consideration the needs of the design. The strategy was very successful due to the freedom to act and decide quickly when facing a new external factor.

2. THE "LUXURY FASHION MARKET"

2.1 The luxury fashion market: a gradual mutation

The discussed aspects are real elements, which still today characterize family companies. Even if the change of the luxury and fashion market happened over the years.

The industry mainly changed between the pre war period and today. After the WWII the family relationships continued to have an important role, which helped the industry to begin on a small scale. Several family-owned companies originated during this time, especially in France, such as Christian Dior SA 1946, Pierre Balmain 1945 and Hubert de Givenchy 1952. Before the 1990, the luxury and fashion sector consisted mainly of many small and medium family companies, which were often led by the founder or his descendants, suffering the effects of cultural and social chaos of the 1960s. In the 1980, the situation changed, as the sector faced the best economic, demographics and cultural trends of the time with a particular success in Italy: companies like Versace, Ferré, Coveri, Moncler were especially favoured by the eighties. With the fall of traditional family structures and a change in the lifestyle, luxury became an extremely heterogeneous and particular phenomenon (Som, Blanckaert, 2015). In the 21st century, however, economic changes on a global scale disrupted the fashion and luxury market. Many of the companies of this market started a conversion/transformation from small and medium sized companies to large companies/family-controlled or, and this will be the main situation studied, acquired by listed international conglomerate group with a highly diversified portfolio. In this case, also the role of the pioneer family changed as well: from founders or designer of the brand to the pillar for the brand's identity. In these years, conglomerates such as LVMH, Kering and Richemont played a fundamental role in the change of the luxury and fashion market. These holdings, created at the end of the eights, accelerated several acquisitions (between 1999-2001 LVMH acquired more than 25 companies) in a context of increased competition (Som, Blanckaert, 2015).

As of today, the luxury market has earned €262 Billion,+5%vs2016 (Crivelli, 2017).

It changed in less than 15 years for various reasons to be discovered, which I will further investigate in the next chapters.

2.2 The big luxury characters nowadays

So far, I have mentioned several conglomerates of luxury companies, including LVMH butto have a more clear view of the market and its change, it is fundamental to understand them their management/strategy. As becomes evident from the Deloitte report Global Powers of Luxury Goods 2017 chart (*Appendix-1: Deloitte report Global Powers of Luxury Goods 2017)*, there are several luxury goods companies in the market nowadays. For this project, I am going to mention and to explore the most important ones from the Luxury and Fashion market, which have a strong relationship with many family businesses, acquired over the last 30 years. They are family businesses in their own indirect way. In the following we will focus on LVMH and Kering; finally an overview on Richemont.

2.2.1 LVMH – Louis Vuitton Moet Hennessey

"Our business model is anchored in a long term vision that builds on the heritage of our Houses and stimulates creativity and excellence. This model drives the success of our Group and ensures its promising future." Bernard Arnault - chairman and Chief Executive Officer of LVMH (LVMH website).

This quote is the key scope of this biggest Luxury – Fashion Conglomerate operating today.

LVMH is the world's largest luxury goods group, with 2016 revenues of about US$37.6 billion as we can see from the chart from their 2016 annual results (LVMH website,2016).

Its history is linked to an important French man, known as Bernard Jean Étienne Arnault, today he is the richest person in France and the eighth richest person in the world according to

Forbes magazine. In 1971, Arnault had just graduated, helped his father Jean to create a family company called Ferret – Savinel. By 1978, Arnault succeeded Jean as chairman of the company and started to reorganize the Financière Agache, holding company owner of the House of Dior by Christian Dior. In that period, he took the first steps to develop a strategy, not only the Dior brand, but a general vision to create a new paradigm in the luxury and fashion market. In 1988**,** the merger between Moët Hennessy and Louis Vuitton was initiated and LVMH was established. Arnault entered LVMH when Louis Vuitton‘s president invited him to buy stock of the newly established holding. This invitation allowed the French Arnault to gain significant power and acquire a large number of stocks in LVMH. At the end of 2010, the majority shareholder of LVMH was the family holding company owned by Bernard Arnault. The group's control amounted to 47.64% of LVMH's stock (with 42.36% held through Christian Dior SE and 5.28% held directly) and 63.66% of the voting rights. Even if LVMH is a big Conglomerate, looking at the management organization, we can consider it a "Vailed" Family Business. If we look deeper, it is clear that the Arnault family members are present in several important positions across the acquired companies, influencing the management decisions significantly and it literally fits with the definition that we covered at the beginning. The oldest of his childrens, Delphine Arnault, 41, is the executive vice president in Louis Vuitton; the brother, Antoine, 39, is chief executive of the shoemaker Berluti and chairman of the cashmere brand Loro Piana. The Arnault children, Alexandre Arnault, 24 years old, recently became co-CEO of the German luggage maker Rimowa (Bagri, 2017).

2.2.1.1 The "domino acquisitions" strategy

LVMH have organized its portfolio in several divisions: wine-spirits, fashion-leather, perfume-cosmetics, watches-jewellery and selective retailing. It has been LVMH's strategy to both achieve organic growth and expand the portfolio through acquisitions. These acquisitions always have a common scope to revive and to evoke family companies heritage without neglecting personal savoir-faire, innovation and quality. To achieve beneficial results, one of the key success factors was following an important retail network strategy. It is a way to benefit from distribution margins, and guarantees strict control of its several "maisons". (e.g. Louis Vuitton). LVMH's success could be attributed also to the way they manage the companies' heritage, having knowledge that it is fundamental for the Luxury and fashion market. Below a timeline of the several acquisitions. (*table 2: timeline LVMH acquisitions*)

1988	GIVENCHY PARIS
1988	CÉLINE
1993	Berluti Paris
1993	KENZO
1994	GUERLAIN PARIS
1995	FRED
1996	LOEWE
1996	DFS
1997	SEPHORA
1997	MARC JACOBS
1998	[illegible]
1999	KRUG
1999	TAGHeuer
1999	LOEWE
1999	PINK
1999	CHAUMET PARIS
1999	EMILIO PUCCI
2000	STARBOARD
2000	benefit
2000	DKNY
2000	MAKE UP FOR EVER
2000	fresh
2000	NEWTON VINEYARD
2001	DE BEERS JEWELLERY
2001	ACQUA DI PARMA
2002	BELVEDERE VODKA
2003	FENDI
2003	ROSSIMODA
2004	GLENMORANGIE
2005	[illegible]
2007	Les Echos
2007	WENJUN
2008	VAN LENT
2008	HUBLOT
2008	BODEGA NUMANTHIA
2009	EDUN
2009	SAMARITAINE
2009	BVLGARI
2013	COVA
2013	Loro Piana
2013	NICHOLAS KIRKWOOD
2015	REPOSSI
2016	RIMOWA
2017	Christian Dior

It is clear how the French and Italian countries have been strategic for the LVMH.

(Look Appendix 2 for a LVMH SIMPLIFIED ORGANIGRAM AS OF 31 DECEMBER 2016 from EXERCICE 2016 DOCUMENT DE RÉFÉRENCE LVMH)

For my scope, I will consider strictly those main companies operating in the luxury and fashion market: Louis Vuitton, Givenchy, Céline, Berluti, Emilio Pucci, Acqua di Parma, Fendi, Edun, Bulgari, Cova, Loro Piana, Rimowa and Dior. For LVMH, they represent important companies especially for their divisions of fashion and leather, perfume and cosmetics, watches and jewellery. Focusing on acquisitions from Italy, LVMH during its rise, acquired many medium sized Family business, which for different reasons, choose to merge with LVMH: Emilio Pucci (Creation date:1947), Acqua di Parma (Creation date:1916), Fendi (Creation date:1925), Rossimoda (Creation date:1977), BVLGARI (Creation date: 1884), Cova (Creation date:1817), Loro Piana (Creation date:1924), Repossi (creation date:1920). For example, during 2011, it was very important for the BVLGARI acquisition that the watches and jewellery segment showed a solid growth.

To understand how much was important the LVMH acquisitions, look at the revenues chart (Appendix- 3: LVMH revenues 2009 – 2010 - 2011). The watches and jewellery segment had a solid growth from the 2010 to 2011 year, when BVLGARI was purchased, passing from €764 million (2009) to €1.949 (2011).

2.2.2 KERING – Previously known PPR (Pinault – Printemps - Redoute)

Fancois Pinault, a man born in 1936, founded the second most important luxury and fashion holding known as Kering, previously named PPR. He started his fortune from a wood-importing business, which he sold then to invest in the LFBs with the holding PPR (Bagri, 2017). In the beginning the company's business retail covered beauté-care products, household items and home furnishings. Even if the different brands in the portfolio, they could cover various needs of its customers. However, when the company acquired Gucci Group in 1999, it reached a new stage. Thereafter, it was the beginning to enter in the luxury sector building a multi brand luxury goods division resolutely. Since 2005, the group changed its structure from not a really homogeneous conglomerate into a cohesive group.

In March 2013, PPR's name was changed to Kering, which means "caring", Ker means "home" or "place to live". Today, Kering holds a dominant position in the luxury and fashion market thanks the takeover billionaire brands, which allowed the conglomerate to create advantages and benefit from the potential of the market (Som, Blanckaert, 2015).

The group reached excellent performances in 2016 with consolidated revenue: €12,385 million, up 6.9% as reported, 8.1% on a comparable basis (Kering website, 2016).

2.2.2 Mergers and Acquisitions

Today, Kering's portfolio is organized in two key divisions: luxury and sport&lifestyle. As we already stated, the run for the luxury and fashion sector made by Kering was influenced by LVMH's several acquisitions conducted by Arnault. Accordingly, Kering started an acquisitions war and restructured the group in order to face competition. A timeline of acquisitions and partnerships is available at Appendix- 4: timeline KERING acquisitions.

Italy has supported the growth of this holding with 4 acquisitions of medium-sized Family businesses: Gucci (Creation date: 1921), Brioni (Creation date: 1945), Bottega Veneta (Creation date: 1966), Pomellato (Creation date: 1967)

I would like to emphasise the importance, even in this case, of the Italian family companies for this holding, especially the old Italian family company Gucci: it was acquired by the French group and it still today supports the Luxury division strongly. The Kering press release from April 2017, in the first quarter of 2017 states that the group had a total revenue of revenue totalling for €3,573.5 million: Luxury activities: +34.0% and +31.6% on a comparable basis of which Gucci +51.4% and +48.3% on a comparable basis. The particularly growth reported by the key pawn Gucci in the first part of 2017 demonstrates the success of the brand's creative reinvention and the skill with which its strategy continues to be implemented (Kering website).

2.2.3 RICHEMONT GROUP: Compagnie Financière Richemont SA

Finally, the third group of the luxury and fashion market, is Richemont Group, controlled by the Rupert family, with an annual revenue of € 10.647 million in 2016.

Their organization is structured in four divisions: jewellery maisons, with Cartier and Van Cleef, specialist watchmakers such as A.Lange, Baume & Mercier, Jaeger-LeCoultre, Officine Panerai, Piaget, International Watch Company; Montblanc Maison and finally other businesses with Alfred Dunhill, Alaïa, Chloé, Lancel, the Net-a-Porter Group, James Purdey. Even though it is only placed third in the market, Richemont played a significant role in the luxury market: its key success factors were actually the mix of brands operating under its portfolio. The brands were some of the most prestigious brands in the watch-industry and known for their exclusivity (Som, Blanckaert, 2015).

2.3 Transition from Family Business into conglomerate: causes and advantages

From this point, my main research is to understand the reasons why some conglomerates - like LVMH - ended up buying up many other family firms and, consequently, their respective competitive advantages. As we saw before, there was a period in the luxury and fashion market where we could only fin independent SMEs that operated in various sectors. During the 1980, the majority of the luxury family houses were able to overshadow the conglomerates. In those years, the family name, the produced items and the pride to be part of such important company were very significant. It seems that the families had a different view of the future. Loyalty and commitment existed among the employees and the companies faced a lower turnover. The reason was that they had more "human touch" and the founders were aware of the people that worked for them. So, the employee was part of a big family. Know-how and competencies were communicated from one generation to the other verbally. Yet something changed. Firstly, by the coming of the Globalization and the importance for this sector of the emerging markets, the family businesses faced some financial problems. Secondly, as we can understand from the Eurispes e Uil-Pa report, a big number of the family businesses have a very short life. Only 5% of the Family companies are able to survive the 3°generation (Amato,2013). In many situations, after the death of the founder, the succession for the next generation started to have several issues due to the presence of many family members, which did not have a unique view for the company future: debate succession started. The companies were inert and little new managerial talent was attracted. The financial strategy used until then it was no longer adequate due to the coming of new markets. This caused the affirmation of the conglomerates on the Family business in the luxury and fashion market (Som, Blanckaert, 2015). Many Italian firms were family-owned and about as keen to sell up as their 30-year-old sons are to leave home. But some of the more ambitious ones realised that, if they wanted to expand, they must look outside the company boundaries for capital (Economist,2012).

A clear example of sale to holdings due to a financial powerlessness and the generational succession is FENDI company: as we can see in an interview of Anna Fendi - one of the six Fendi sisters – FENDI, was not able to react to the economic changes of the early 2000s, which, along with the presence of various owners, was one of the main reasons for the sale to LVMH. The acquired companies are rather similar in their acquisition deals: in the beginning the holding buys an 80% stake, while the remaining part continues to be owned by the origin family for some years. It is important to stress that when Rimowa was acquired, Arnault nominated as Co-CEO the son, Alexandre Arnault (Deeny,2017). Bulgari, and Dior were totally acquired but in different steps. When Bulgari was sold, the Bulgari brothers (Paolo and Nicola) had 3,5% capital share of LVMH, becoming the second bigger family in LVMH capital share. However, the transition from independent FBs to a conglomerate gets some important advantages especially for a competitive and globalized market. This includes access to strategic resources, strong commitment, economies of scale /scope, synergies, international expansion, financial (Som, Blanckaert, 2015). Further aspect to remember when the FBs decide to sell to LVMH could be the "Socio-emotional wealth preservation": this means the safety felt by the FBs when they sell to LVMH. Many times they feel a thin and special connection with the Arnault Family business, very specialized on the luxury and fashion sector. For instance, when FENDI sold to LVMH, the public statement stated: "through the

LVMH partnership own family tradition, our know-how and competencies, brand identity, stylistic freedom, Italian and roman story will preserve" (Repubblica,1999).

3. MAGNIFYING GLASS ON "BEL PAESE": ITALY

3.1 The evolution of Italian market: timeline

In the previous chapters I have mentioned many Italian brands and various Italian companies. Italy is a country with a history of many successful new businesses in different sectors and with outstanding results in luxury and fashion market, known worldwide.

So, the last and most difficult question (which has yet to be answered by the general literature): Why isn't there an Italian luxury-fashion conglomerate despite the strong presence of luxury-fashion companies? Italian family enterprises have had a central role in the Italian economy influencing the Italians' view of business: they have focused on the long run strategy to pass own treasures down to future generations using innovation, anticipation of market trends without losing design and high quality. A competitive advantage for the Italian country has been the industrial districts based over the "Italian Stivale": ISTAT website quotes that the Made in Italy districts are 130, 92,2% of the all country. They are based mainly on the textile and clothing (22,7%), home goods (17%) and leather and footwear (12,1%) (ISTAT). These companies have always coordinated the resources around them (districts) and in different steps expended their companies creating what today are the medium size family companies. Important examples are Della Valle group, Tod's: Tod's SpA is the operating holding of a group with brand Tod's, Hogan, Fay and Roger Vivier. This company enjoyed the power of the Marches district (an Italian region) for the shoemaking. Same situation has been for the Benetton group or Diesel. These examples highlight how important the "Connection" passion (viewed before by Miller and Briton 4'C model) was for these companies. The relationship between these middle-size corporations and their surroundings has been fundamental to the success of Italian companies in the luxury and fashion market. However, the Italian companies operating in these markets have faced different periods and external market crisis, reacting in different ways. For instance, the crisis after September 11 2001, which stopped the Asian tourists visiting Europe with consequences for all the market: It is no coincidence that FENDI was acquired by LVMH in 2003. By contrast, the economic crisis in 2008 affected Italian luxury goods companies not so much, creating problems just for which were on different international markets. Post-2008, Italian companies struggled with their competitors in France. French firms dominated the luxury-goods industry with 36% of the global market share (Som, Blanckaert, 2015). As previously stated, during 2000–2014 years, the worldwide luxury market was impacted by several acquisitions in Italy such as Bulgari, Brioni, Loro Piana, Fendi acquired by the French conglomerates; however still today there are some robust, independent family companies as Ermenegildo Zegna, Ferragamo, Moncler, Prada, Armani, Dolce & Gabbana, Etro, MaxMara, Trussardi, Cavalli, Valentino: it a list of famous brands that Italy has produced and it is a reminder of how much this country still contributes to global fashion and luxury. However, why is the majority still independent, and why is there no Italian LVMH? The reason searched can be grouped into two dimensions: a cultural and business reason.

3.2 Lack of Italian conglomerates: business & cultural issues

Starting from one of the unique article about this topic written by Robin Mellery-Pratt on the website Business of Fashion, the Italian luxury and fashion market has a business issue, which is one of the reason for the lack of a big Italian conglomerate. Even though there is a large presence of different brands, Italy is far to build a conglomerate as LVMH, which reported revenues of US$37.6 in 2016. The French brands, since their origin, are heavily focused on accessories (Chanel bags, Louis Vuitton luggage), which helped to produce the main revenue. Building a Luxury and fashion group needs financial resource and profitable and solid core brand as with famous conglomerates (LVMH with Louis Vuitton and Kering with Gucci). In fact, the French conglomerates focused on four of Italy's nine billion-euro brands arguably big enough to act as a "core" brand in some of their sectors. LVMH owns Bulgari and Fendi; Kering: Gucci and Bottega Veneta. Consequently, today there are not many brands that could become a core brand of an Italian holding. As says Luca Solca – Luxury Exane PNB Paribas – only Prada tried to do something similar in 1999. During the acquisitions market war, Prada began an ambitious acquisition strategy, where it bought brand as Jil Sander, Church's, while taking interests in Gucci and Fendi; however, unfortunately time was not ripe yet. Another fact is the age of many Italian family companies: most of them were created after WWII, in contrast to the French. They are still comparatively young and led by their founders, or their family. This does not mean that they are not ready to aggregate; rather they have all the features to do it even if today it is going to be a hard climb very difficult to catch up due to the significant delay accumulated against European players. (Mellery and Pratt, 2015). I would like to include also an Italian cultural problem. The Italian DNA feature of "personal", which means keen of own personal goods with difficulties to share them with others, is reflected in the Italian family business. (Pratesi 2010)

The Italian Luxury and fashion companies have always followed the strong pride of own internal - personal creativity and business without logics of looking outside to make bigger the Italian power in this sector (creating a luxury – fashion conglomerate) or, furthermore asking financial support to extend the company worldwide: (e.g. quotation on the stock exchange). In fact, following the Pambianco research published annually in partnership with EY, it is strange how many big Italian luxury fashion family companies are already set for the quotation on the stock exchange but they do not keep on through (Pambianco, Ernest Young, 2016). Companies as Armani, Zegna, Versace, MaxMara, Dolce&Gabbana are cases of this situation. They manifest the "personal" feature even through own strategy; they did not diversify their portfolio with the acquisitions of other companies (except Tods Group and

Prada, which tried to create a conglomerate as seen before), but instead create minor brands for the same scope. Today Armani S.p.A. (2016 revenues € 2.9 billion) owns several brands such as Giorgio Armani Privé, Giorgio Armani SpA, Emporio Armani, Armani Collezioni, A|X Armani Exchange, Armani Home. Or, Gianni VERSACE S.p.A, manages 12 different brand such as Versace, Versus Versace, Versace Home, Versace Jeans, Versace Fine Jewellery. Finally, the "personal" factor has consequences even in the management of Italian small-medium family businesses; in fact they are closed to external managers: 66% of Italian family businesses are fully managed by family members, while this applies to only 26% of French family businesses and just 10% in the UK (FABUSS, TUCEP). Italy seems to only be truely "cohesive" during a world football cup.

Will Italy be the future main manufacturer for the fashion luxury market?

This question paves the way for an additional, related and recent topic that could be further researched in the future and it could be a new element for the future of this market. Various Italian articles have stated "Italy undersold at auction" which talks about the Italian discontent about the purchases of Italian FBs made by the French groups in the luxury and fashion market. In contrast with this view, I think that Italy can have a predominant role in the future. It is fundamental to remember an important plus for Italy: the majority brands of LVMH and Kering produces their items among the several Italian discrits, due to the lack of luxury and fashion manufactures in France. Instead, the Italy is strong powerful in hand-made production with several smaller FBs specialized in this area. Recently, Kering has arrived on the Campania region, southern Italy (Viola V. 2017); strange news, if we consider that the production of fashion items are always made in the North-Middle Italy. As we can read from the article, there are already many luxury brands, which produce some items in this territory such as Louis Vuitton, Dior and Fendi. Chanel, is considering the choice of Della Pia as supplier. Finally, news as of December 2017, Holding Industriale (Hind), company owned by

Claudio Rovere announced the birth of Holding Moda, project with the goals of acquisitions and promotion of Italian companies operating on the luxury-fashion apparel and items production for international Luxury brands (Guasco G. 2017). I must point out that LVMH already lunched 3 years ago the "L'Institut des Métiers d'Excellence" a program of professional training that will allow the LVMH Group to ensure the transmission of its Italian and French savoir-faire while enhancing the different métiers in the fields of craftsmanship and creation among young generations (LVMH website).

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