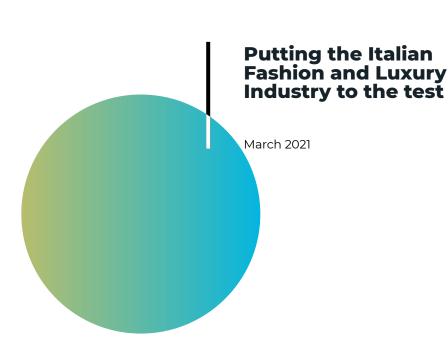


# Italy's Fashion & Luxury industry Digitally resilient or not?



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## **About this** report

#### Is the Italian Fashion and Luxury Industry digitally resilient in the face of the Covid adversity?

This paper looks at the results of a mid-pandemic study of 101 medium-large Italian companies, representing 52 % of the overall turnover in the Fashion & Luxury sector in Italy. The research was conducted between September and October 2020, by SDA Bocconi, the graduate business school of Milan's renowned Bocconi University, under the patronage of Confindustria Moda and in cooperation with Certilogo and BeSight, a provider of technology solutions for the Fashion & Luxury industry.

The main **objective** of the research was to

measure the degree to which the Italian Fashion and Luxury industry, the 4th largest in the world after the USA, China and Japan, is taking advantage of the **power of** ICT and digital technologies to navigate the arduous road to recovery from the pandemic. In this context and given Certilogo's business interest in "phygital" products as a driver of customer connections, we wanted to take a closer look at the use of smart tagging solutions as a means of establishing and reinforcing brand engagement with new and loyal customers alike.





#### **Companies surveyed**

1. Agordat	37. GGR srl (Gianvito	73. Pelletteria Giordano
2. Alpinestars SpA	38. Gianni Versace srl	74. Pespow Spa
3. Arena Spa	39. Giorgio Armani Spa	75. PGI Spa (Cartier)
4. Aru Srl	40. Golden Goose Spa	76. Prada spa
5. Benetton group	41. Grey Mer Srl	77. Pramaor Srl
6. Boggi Milano	42. Grotto spa (GAS).	78. Rinascente.
7. Brooks Brothers Europe srl	43. Gucci	79. Safilo Group.
8. Brunello Cucinelli spa	44. Hermes Italie spa	80. Safilo SpA.
9. Bulgari	45. Herno Spa	81. Salvatore Ferragamo Spa.
10. Calzaturificio Brunate S.p.A.	46. Industries SpA	82. San Giorgio srl.
11. Calzaturificio Gritti Srl	47. Jil Sander Spa	83. Save The Duck SPA
12. Calzaturificio Lepi srl	48. Kering Eyewear spa	84. Sease
13. Calzedonia	49. L.G.R srl	85. Silhouette italia
14. Canepa Spa	50. La Perla Global Management	86. Slowear S.p.a
15. Carl Zeiss Vision Italia Spa,	UK	87. Sportswear Company
divisione Sunlens	51. LM Europe SA (La Martina)	88. Stefano Ricci Spa
16. Carlo Pignatelli srl	52. Loro Piana	89. Taroni Spa
17. Carvico Spa	53. Lotto Sport Italia S.p.A.	90. Teseo, Tessitura Serica di
18. Centro Style spa	54. LTL Spa	Olmeda
19. Coccinelle Spa	55. Luna Srl	91. Tessilform (Patrizia
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71. OVS spa

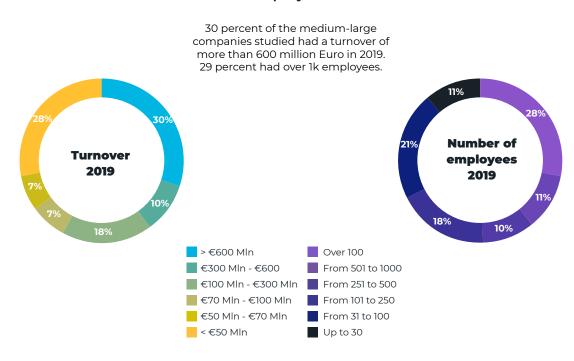
72. Pattern spa

35. Fendi srl

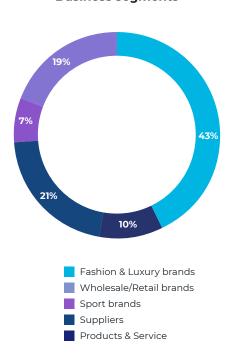
36. Furla SpA



#### **Company sizes**



#### **Business segments**





## 2020 – A segue into the Future of the Fashion Industry

### A bird's eye view of 2020, the year that changed everything

The pandemic has caused brands and design houses to shutter their doors, cancel upcoming runway shows and postpone major events. A long list of major retailers, department stores and shopping malls around the world have had their doors closed for the most part of the year. In addition to crushing consumer demand, the COVID crisis has acted as a cataclysmic force upon the industry's ability to manufacture and ship their products, resulting in a disruption of the fashion supply chain, unprecedented in its magnitude and scale.

No wonder that the past year will go down in history as one of the most challenging for Fashion companies. More importantly, however, 2020 will be remembered as the catalyst for a long overdue systemic change of the entire industry. In fact, the pandemic is accelerating trends that were already sweeping the Fashion business, in particular the shift to digital and to a demand-centric model.



#### It's high time to reimagine the industry altogether

Well before this "Black Swan Event", the Fashion industry was under intense pressure to reshape the industry. The need for ever growing operational agility, fundamental changes in consumer sensitivities and the shift towards digital sales channels were already acting as potent change

agents. The pandemic, however, has dramatically accelerated all of these trends compelling Fashion companies to speed up the process of re-engineering their businesses. In particular, it has compounded the need to go "all-in" on digital, which in turn is boosting innovation.

## Shopping shifts to digital, permanently

As consumers were forced to stay at home, travel came almost entirely to a halt and physical stores were shut, digital consumption reached new heights and continues to grow. With increased time spent at home and in front of a screen, consum-

ers have also experienced a rise in their expectations towards the online shopping experience. This shift is **permanent**, and is **accelerating the timetable** for digital transformation.



Source: "State of the connected customer", 4th edition, 2020, Salesforce"

In fact, many brands that had shunned online prior to the pandemic have now embraced digital. Meanwhile, the **trailblazers** amongst Fashion brands, have ventured into territories that would have seemed

off-limits only 12 months ago, such as conversational-driven customer service and social shopping leveraging WhatsApp, Facebook Messenger, WeChat and other **digital platforms**.



#### **Connected customers** expect connected journeys

To match rising expectations, Fashion brands will need to elevate the customer experience by blending the digital world into the physical world, and vice versa, so that the client can move seamlessly between the channels. Consequently, companies will need to invest in creating an omnichannel ecosystem that works across platforms. Increasing the knowledge and understanding of the consumer will be

equally important, since customers expect brands to provide an ever more personalized, engaging, and therefore ultimately more compelling, experience.

This report will provide insight into the degree to which the Italian Fashion and Luxury industry is ready to respond to the highlighted challenges and show resilience in the face of the Covid adversity.





#### Key finding of the study

# Assessing the digital resilience of the Italian Fashion and **Luxury industry**

#### **Resilience - the** superpower of the fittest

Business resilience is the ability of an organization to respond to adversity, crises and challenges in a way that allows it to bounce back and even improve as a result of the strategies and actions put in place. In a broader sense, it is a measure of a company's ability to take advantage of a crisis to reinforce their strengths, tackle their weaknesses, and exploit opportunities not only to recover from disruptions but also to gain competitive advantage. In essence, it

is the superpower of the fittest.

With "digital resilience" we mean the ability to leverage the power of digital technologies to contribute to the overall resilience of the company. To assess it, the study looks at the goals that the responding companies have set for themselves and the strategies put in place to achieve those goals.

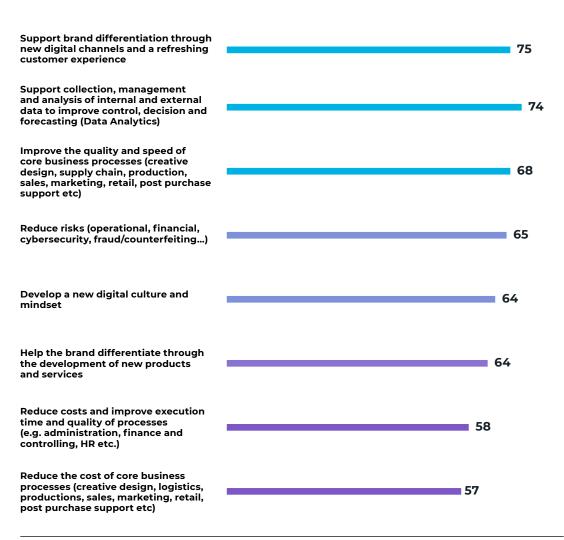


## What are the most important goals assigned to Italian ICT and Digital Executives?

Respondents were asked to rank a certain number of goals they may have been asked to pursue by their companies' leadership in terms of importance. The key finding was that the most important goals assigned to ICT and Digital Executives relate to (i) the design of digital channels to strengthen the brand's differentiation through the creation of unique **customer experiences** and to (ii) the design, engineering and implementation of **data analytics systems** to support business intelligence, decision making and forecasting.

#### Strategic lines of action of ICT/Digital and information technology functions

Importance attributed to lines of action, from 1 to 100, average value on entire sample





The study also shows that the least importance was attributed to reducing costs by re-engineering overhead functions, such as administration, finance and HR, and core business functions such as design, manufacturing, logistics, sales and customer service.

The emphasis put on achieving goals that relate to differentiation and growth rather than to cost reductions is striking as it arguably indicates that the industry believes that the answer to the crisis lies in innovation as opposed to downscaling. This raises the question whether or not the strategies put in place by the respondents align with the set goals.

When split by category, the result of the survey show a differentiated picture. However customer experience and data analytics are amongst the top 3 priorities for Fashion and Luxury brands, sport brands and retail brands alike.





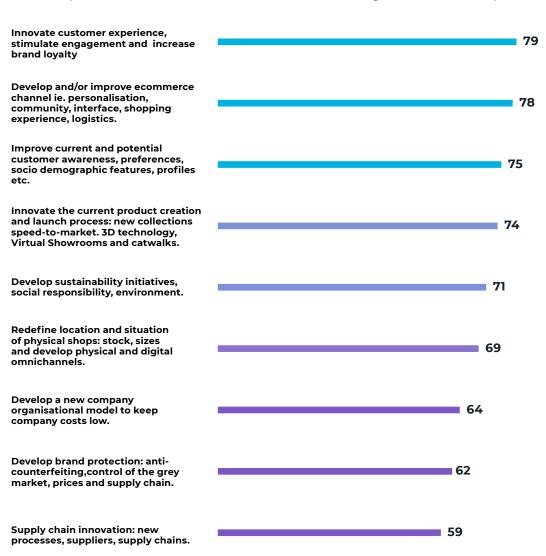
## Cost or differentiation strategy?

In the last few years Fashion and Luxury companies have slowly but surely dedicated a growing attention to D2C (Direct to Consumer) channels. With this in mind and considering that the pandemic has heightened the consumer's expectations towards digital, it is not surprising that the survey's respondents have given top priority to the implementation of **con-**

sumer-centric strategies based on digital channels, first and foremost eCommerce. Almost the same degree of strategic focus is put on gathering relevant profiling data and on gaining insight into the customers' purchase behaviors and the "personas" to be addressed in an omni-channel context, which further confirms that consumer-centricity is the name of the game.

#### Leading strategy goals

Importance attributed to lines of action, from 1 to 100, average value on entire sample





Still important, albeit to a lesser extent, are product related strategies, more specifically strategies aimed at innovating the process of designing and launching new products and of improving sustainability.

Interestingly, a fairly low importance is

sustainability. agility.

assigned to making changes to the **supply chain** which might imply that Fashion and Luxury companies have already taken the necessary steps to achieve operational agility.



Source: "Digital resilience in the Fashion and Luxury sector: technology, trends, strategies and future challenges for companies in italy" Certilogo/Besight/Bocconi Research Report

Significant differences emerge once the results of the survey are split by category. In fact, **Fashion and Luxury brands** consider customer centricity a top priority and therefore focus on innovating the customer experience, improving consumer engagement and develop their digital sales channels. This finding is consistent with the fact that these consumer-facing companies need to be constantly on the

lookout for new ways of delivering unique and emotionally gratifying shopping experiences in the context of an increasingly challenging competitive setting. One departure from the past, however, is that Fashion players are now paying more attention to ESG related issues\* that resonate strongly with today's consumer, rather than focus solely on the hedonistic aspect of the customer experience.

<sup>\*</sup> ESG is an acronym that stands for Environmental, Social and Governance, and refers to a broad range of environmental, social and governance criteria on which companies are measured.



Wholesale and retail brands, on the other hand, focus firstly on powering up the experience in physical stores by weaving digital into it, secondly on improving their online sales channels and thirdly on upgrading the customer experience as a whole.

**Sports brands**, finally, put the most emphasis on improving the capabilities of their direct and indirect eCommerce channels. A second priority is to expand their

understanding and knowledge of the profile, buying preferences and multichannel personas of their customers, while the third most important strategy relates to innovating the process of creating and launching new products.

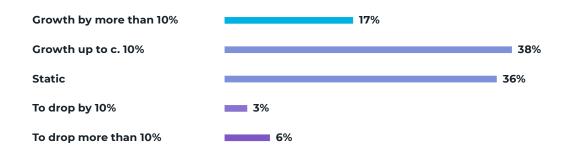
Priorities may change from category to category but for all three of them "customer-centricity" related strategies make it onto the winners' podium.

## Walking the talk

The manifest coherence between set goals and pursued strategies also translates into consistent expectations in terms of **Capex** and **Opex expenditures**, as shown here How not to think that there's widespread optimism amongst the F&L business community when an impressive **55% of re-**

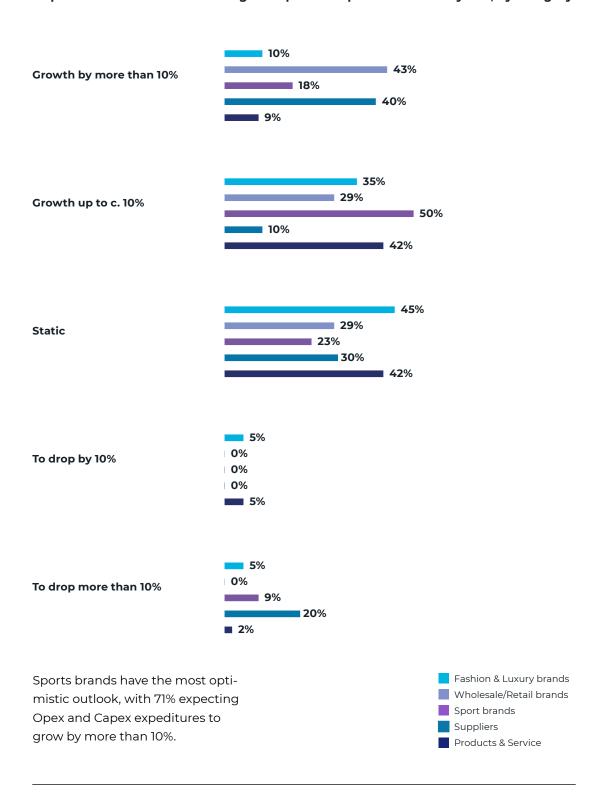
spondents are expecting a growth of 10% or more in Capex and Opex expenditures related to ICT and Digital? The results also further confirm that companies are thinking of responding to the crisis by following a differentiation strategy rather than a cost cutting strategy.

#### Growth and investment over the next 3 years.





#### Expected variation in ICT and Digital capex and opex in the next 3 years, by category





## Zooming in on consumer engagement through smart product tagging technology

As we've seen, digital adoption has soared during the Covid crisis and many brands have accelerated their efforts to embrace innovations to respond to the ultra-connected consumers' demand for ever-more refined digital interactions capable of blending offline and online, physical and digital.

It therefore comes as no surprise that brands have started to turn their attention

to one of the most powerful touchpoints with their customers, one that embodies the identity of the brand like few others and one that more than any other touchpoint gives substance to the emotional and commercial bond between the two; the product. Consequently, interest in so-called "smart product tagging" solutions, which can turn a physical product into a digital two-way communication channel, has grown significantly in recent years.

#### What is a Smart Tag?

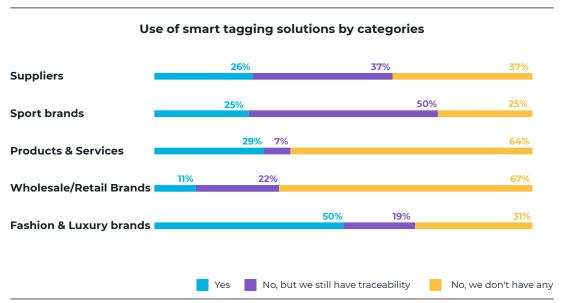
A **Smart Tag** is a **4.0 digital tool** whereby the physical, connected product is enabled to both **receive** and **transmit data** throughout its **life-cycle**. From sourcing **materials**, **production-and distribution** to point-of sale, after sale, resale and recycling, a customer can **reach out** to a brand and the brand can **monitor** and include **add-ons** throughout the product's lifecycle.

	RFID Chip In-store scanning inventory and logistics		Not accessible to consumers
0	Digital Fingerprint Scanning with the specific app easily combined with packaging		
(rec)	NFC Chip Tap with through smartphone app. Instant on devices, innovative and perishable.		
	QR Code Scanning with phone camera, resistant, economical, recognisable.	•	
· AREAR BOOK	Alphanumeric Code and URL Code inserted into browser via phone or PC, Universal access, economical. Fully accessible to customers.		Fully accessible to consumers



The study confirms that the Italian Fashion industry is no exception to this trend, es-

pecially companies belonging to the Fashion and **Luxury brands category**.



Source: "Digital resilience in the Fashion and Luxury sector: technology, trends, strategies and future challenges for companies in italy" Certilogo/Besight/Bocconi Research Report

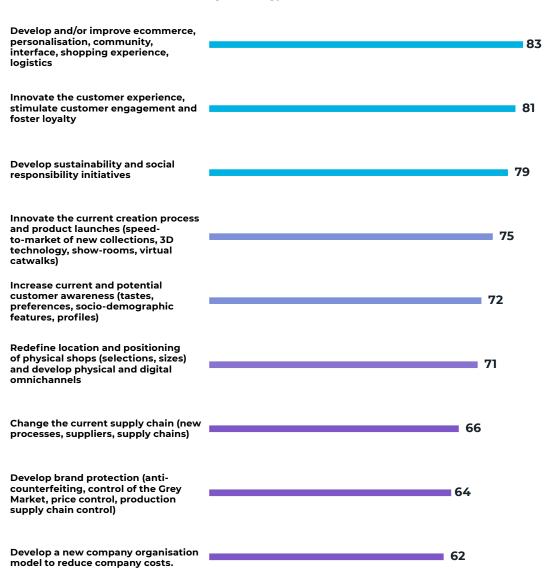
In fact, 50% of **Fashion and Luxury brands** have already adopted a consumer-facing smart tagging solution, while an additional 19% say they have an item-level supply chain traceability solution in place, which may arguably be considered a preliminary step in the direction of a possible future involvement of the consumer. Supply chain traceability solutions are of particular im-

portance for **Sports brands**, with 50% already having them already put in place, whereas 25% are using product tagging solutions that consumers can interact with. It is safe to assume that this latter percentage is bound to increase in the coming years, given the overarching trend towards a growing consumer-centricity.



#### **Brands' strategic goals in using Smart Tagging**

Average strategy value from 1-100



Source: "Digital resilience in the Fashion and Luxury sector: technology, trends, strategies and future challenges for companies in italy" Certilogo/Besight/Bocconi Research Report

For companies making use of consumer-facing smart product tagging solutions, the three most pressing strategic issues are (i) the expansion of their eCommerce capabilities (average weight of 83/100), (ii) the innovation of the customer experience (average weight of 81/100) and (iii) the development of ESG programs (av-

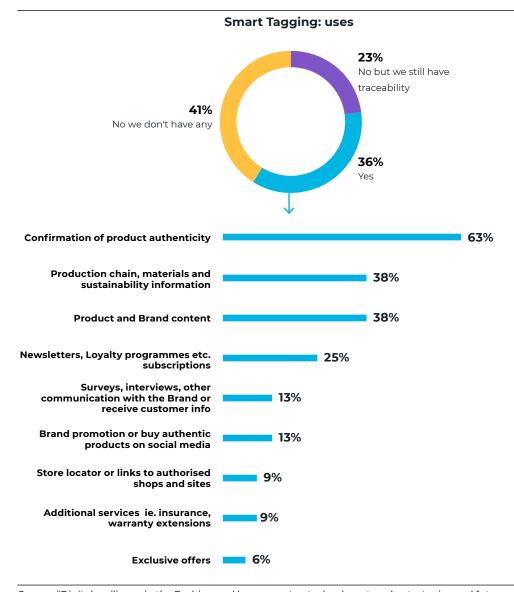
erage weight of 79/100). This is consistent with the fact that consumer-facing smart tags turn physical products into **relation-ship-enabled**, **digital touchpoints** that can become an integral element of the customer journey as well as a bi-directional communication channel.



Unsurprisingly, companies using smart tagging solutions for the sole purpose of tracking and tracing their products do not consider the customer experience to be amongst their top priorities. These companies also attribute a greater importance to gathering information about the end-customer as compared to those who use consumer facing solutions. That is most likely linked to the fact that the latter already have a broad availability of these information, as a result of using their digitally connected products which, amongst oth-

er things, are designed to gather profiling data on the end-customer.

It's interesting to note that there is a strong positive correlation between a company's sensitivity towards ESG and its propensity to adopt consumer-facing product tagging solutions. With consumer, political and investor momentum aligning and ESG initiatives surging as a result of the coalescence of these powerful forces, it is only fair to assume that the use of consumer-facing product tagging solutions will continue to grow.



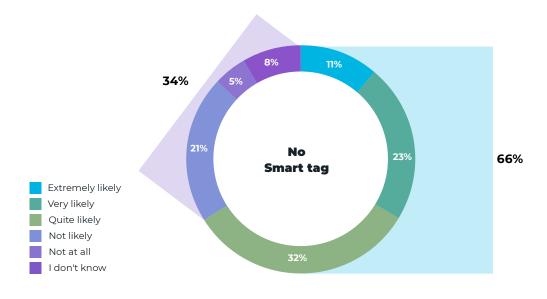


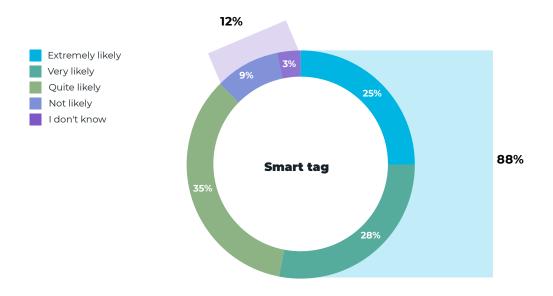
Overall, 36% of all responding companies have already adopted a consumer-facing, smart product tagging solution, of which **63% use it primarily to confirm product** 

authenticity, although providing content and information is also an important application (38%).

#### **Product authentication**

Percentage of customers likely to use free authentication/engagement services.







As with any new technology, there is a significant divide between **adopters and laggards** in terms of understanding of its most valuable applications and benefits.

In fact, when asked how likely an end-customer is to interact with a smart tag either for authenticating the product or for accessing other services or content, answers differ substantially based on whether the respondent is already making use of the technology. Only 33,9% of those companies who do not use smart tagging say that consumers are likely or very likely to interact with a smart tag, while the percentage is 53,1% in case of respondents who have already implemented this technology. Amongst this

latter group, less than 10% think that the consumer is unlikely to make use of the smart tag.

Surely the level of confidence in smart tagging as a means to activate consumers through interaction with a physical product depends on experience: those who have implemented it know that it can work, however they also know that consumer engagement is higher if services and contents attached to the product are relevant, interesting, useful and the experience is designed with the end user at the heart.







## Conclusions

## Test result for digital resilience... passed

Although the existence of significant differences between the responding companies point at the presence of a **digital divide within the Italian F&L landscape**, the **overall picture is positive**:

- Goals, strategies and investments are alligned and geared towards consumer-centricity; improved customer experience, development of digital channels and better understanding and knowledge of the end-customer.
- The Italian Fashion and Luxury Industry is increasing its ICT and Digital investments rather than cutting costs.
- Overall, companies are monitoring the evolution of digital technologies and looking for ways to leverage them to their advantage, in particular when it comes to developing digital channels and gathering data on their end-customers.
- 50% of Fashion and Luxury brands have already adopted a consumer-facing product tagging solution, both for the purpose of tracing their supply chains and for the

purpose of engaging the end-customer with value-added content and services, a tangible proof of the growing

The COVID-19 pandemic is acting as an accelerator of a digital transformation of the Fashion and Luxury industry that has been a long time in the making. As companies grapple with the crisis' far reaching business ramifications, including a sharp drop in global demand and a severe disruption of supply chains, some will prove to be more resilient than others, namely those who have properly invested in their digital capabilities while at the same time putting consumer-centricity high up on their strategic agenda. However, the results of the study lead us to the encouraging conclusion that the industry as a whole is well positioned to treat itself and its customers to a much needed, major digital upgrade. Digital resilience test: passed.





## **About Us**

#### 180 Countries 10 Languages Any digital device

Certilogo engages high-value fashion and luxury consumers to authenticate their purchases everywhere they shop — a disruptive digital service that, since it was created in 2006, has grown to serve 1 user every 8 seconds in 180+ countries and 10 languages.

Participating brand products are connected to the Certilogo platform with unique identifiers in RFID, NFC, QR, numeric, and fingerprint formats that are recognised instantly when consumers interact with the service using a smartphone or digital device.

Authenticating a product engages consumers with a best-in-class digital experience before and after purchase and connects them directly with the brands they love. The same real time results unmask clones and replicas of brand labels, safeguarding loyal customers and ensuring data integrity for products tracked in private databases and distributed blockchain ledgers.



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