

Altagamma

Strategies for Italian
Excellence



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CURTAIN

INTRODUCTORY ESSAYS

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The Altagamma Foundation celebrated its twenty-fifth anniversary this year. The member companies of Altagamma have evolved significantly over the course of the last quarter century – and so has the world we live in. This milestone isn’t therefore just the recognition of another year gone by, but a significant occasion to examine what we have achieved thus far, to study the new economic and political issues shaping our time, and to chart our future together.

In the following pages you will not find stereotypes or commonplaces, but a guide for those looking for explanations and who love facing challenges in new scenarios with a continuous evolution, and an optimistic, proactive approach, shared by everyone who has contributed to this work.

We are living in a historic moment of great disruption, on a global level as well as within our own industry of excellence.

In order to envisage a strategic proposal, it is therefore necessary to try to understand on the one hand the macro-context in which we move, and on the other, to analyze the market, the consumer, technology and competition, calculating the sector’s strengths and weaknesses and examining everything that contributes to its competitiveness.

We will then proceed, after a quick look at the major forces that drive global change on four levels: investigating the industry of excellence in the world and in the Made in Italy context; analyzing high-end companies; and finally, asking ourselves what Altagamma’s mission should be as it goes forward.

The recipients of the strategic proposal that follows comprise all of the Altagamma Foundation’s stakeholders, the ECCIA partners, Confindustria and other Italian and foreign partners, as well as our politicians, our citizens, the Parliament, the Government, local authorities, European institutions and the President of the Republic.

The global context: out of chaos, a new order

Twenty-five years ago, when Altagamma was founded with the aim of uniting the industry’s top cultural and creative businesses, the world was very different than it is today. The wave of globalization had just begun to crest and the advent of the Internet had just started taking shape. The European Union was very different from what it is today, China was still a “poor” country, just as the world’s population was generally poorer, and only a few prescient minds foresaw the environmental problems that exist today.

1992–2017: a different
world

*Systemic unsustainability:
environmental, social,
economic*

*The end of the
petroleum era*

*Today: digitalization,
social media and
disintermediation*

The slowdown in growth

*The effects on financial
speculation*

The unprecedented acceleration that has affected the globalized world has transformed the planet, but this has generated a situation of systemic unsustainability. The wide availability of cheap energy obtained from fossil fuels has been the cause of global warming and, indirectly, the demographic explosion of the last decades, which have led to economic and social unsustainability, causing emigration, terrorism and intolerance. The dynamic at work is similar to what happens in ethology when a species identifies a resource-rich ecosystem that first generates a proliferation of species then, later, due to the superabundance of individuals, brings about the decimation of the species itself. The cycle then recommences. In the case of humankind, the exponential economic growth during the second half of the twentieth century was supported by the availability of oil. However, now after the last twenty-five years, we can say that we are essentially approaching the end of the petroleum era, also due to reasons related to pollution and global warming.

Looking at the present, digitization is altering society by rapidly speeding up communication and exchanges, in which networks grant us a sort of ubiquity and favor disintermediation at all levels. Social media has undermined the traditional political system, guaranteeing very small fringes of the population the possibility of expressing an unprecedented conditioning and thus reformulating the very idea of representation, the concept of trust in the institutions, and the extent of delegation to the latter, because today citizens have the opportunity to inform themselves and develop specific opinions on almost every subject.

At the geopolitical level, the increasingly influential role of China, together with the ongoing political crisis in the United States and the European Union, which remains a “work in progress”, are contributing factors to systemic instability. At the same time, Africa is beginning to step up and take its place at a global level, with a growth trend that will soon be close to 5%: by the end of the period we are taking into consideration, the continent may halve its development disadvantage compared with OECD countries, and become one of the most attractive macro-regions for international investments and consumer products.

Faced with fluctuating political and economic macro-scenarios, the major problem of advanced nations remains that of growth. In the last three decades, economic momentum has slowed without being counterbalanced by growth in emerging countries. The reasons for this slowdown are related to decreasing population growth and productivity – the latter not sufficiently fueled by innovation.

Growing pains also affect the financial sector, which, in contrast, needs to produce increasing returns for its investors, mostly represented by the pension funds of an ageing population, and therefore constantly subject to imbalances between deposits and pensions. These imbalances are putting pressure on companies and financial markets, which pursue dangerous speculative returns.

Hypercompetition

*Disruptive business
models: from Airbnb
to Google*

*Exponential technologies
and the effects on the
value chain*

*A new Renaissance, with
Italy at the forefront*

The next twenty-five years

*The era of singularity:
biological and artificial
intelligence*

*Energy: towards a zero
impact society*

*Circularity of society
and the economy*

Speculation, globalization and growing pains are interacting in an ever more complex way: the effect of this is that the competition has reached the point of the so-called “hyper competition”, with rapid changes to the rules of the game, new players disrupting the market balance, and overwhelming supremacies in some areas that appear almost unconquerable.

Following the digitization of the economy, disruptive business models have emerged as in the case of behemoths such as Uber and Airbnb. These business models leverage the company’s external resources and have perfected formulas that have allowed them to reach a considerable critical mass faster than their competitors. The exponential growth relies on technology, while the catalogue of exponential technologies – those based on Moore’s Law, according to which the cost-performance ratio is halved every eighteen months – continues to grow. Artificial intelligence, robotics, biotechnology, renewable energy, space technologies, medical diagnostics, drones and 3D printing are just some examples of technologies that are leading to the disruption of the value chain of each and every industry known to us. It is an inevitable process.

The era we are living, according to Ian Goldin’s interpretation, is in some ways similar to the Renaissance, whose innovations and creations consequently sprang from a deep crisis. Nonetheless, these advancements are considered as the precursors of modernity. Just as Italy was the engine of change in that era, so today our country could again assume a world leadership role in several sectors.

If this is a summation of the current situation, what idea might we formulate about the next twenty-five years?

According to the forecast by Raymond Kurzweil, over the course of the next two decades we will enter an age of singularity, in which biological intelligence and artificial intelligence will merge. The phenomenon will have disruptive effects on technological innovations and on the new world order in general. The publishing industry, newspapers and television as we know them might disappear; unmanned vehicles may revolutionize transport, while genomics and biotechnology could be headed for a real boom. Natural raw materials may be replaced by synthetic ones, and biosynthesis may have the potential to produce both steaks and leather.

The revolution will be driven primarily by climate and environmental problems, whose magnitude we have just begun to understand. In the space of a few years we will have begun to phase out of fossil fuels and triggered the carbon negative trend: we won’t be a zero impact society yet, but we will have created the conditions to become one. Energy is expected to become almost totally renewable.

Over the next twenty-five years, many factors will contribute to radically transforming both society and the economy, which will shift ever more towards a circular model. Respect for the environment will prevail,

European production, Chinese and American clientele	<p>pecially in the very significant sub-sector of aspirational luxury. This is a vital element for the future of the market because it directly refers to the middle class we see relentlessly growing in emerging countries with a high demographic density.</p>
A sophisticated value chain, a complex business	<p>The explosion of the excellence market in the 1980s saw an unquestionable European dominance. Even today, Europe controls 75% of the production of high-end goods. The largest consumers, in addition to Japan – which first started the phenomenon thanks to its refined market – are the Chinese and the Americans. The production of high-end goods calls for a sophisticated value chain, which starts from the research of precious raw materials and goes through handmade and artisanal processes, mostly with a monobrand-oriented distribution in experiential locations that are similar to real temples. All these features make excellence a difficult and complex business, particularly in some sectors, where the collections change frantically.</p>
The 5 disruptive factors of the high-end sector	<p>After the incredible ride of the last thirty years, during which the sector won over the best and more easily accessible portion of consumers, it now finds itself facing five disruptive factors.</p>
1. Competition	<p>The first and most obvious of these is undoubtedly competition, now closely linked to a critical mass, now essential for developing global brands and supporting selective distribution. In order to reach the said critical mass, to which there is a real entry barrier, large groups were created, such as LVMH, Kering, and Richemont, which united various major brands along the way.</p>
2. The new players	<p>Other champions, such as Armani, BMW, Chanel, Dolce & Gabbana, Ferragamo, Hermès, Prada, Rolex, Technogym, Tod's and Zegna, have managed to maintain their autonomy in the market.</p> <p>A second disruptor is related to new players. Although the world of excellence is already increasingly influenced by the digital culture through social media and digital marketing, the entry of various new players has amplified the disruptive effect. Consider, for example, the Yoox Net-à-Porter case, which is a phenomenon that should not be underestimated, since in digital industry there is a real oligopoly made of Google, Facebook and Amazon that makes it even harder to reach the necessary critical mass than in the offline scenario.</p>
3. The consumer	<p>New consumers are another disruptor, whose characteristics we can discover in detail today thanks to digitalization. We know that they are part of an increasingly ageing society, and are living in a health age in which wellness is sought through healthy lifestyles. We know that they express online their assessments of consumer products. The “granularity” of the data leads us towards a micro-segmentation of the offer, which becomes more and more individualized, even to the extreme of the “segment of one” and the creation of tailor-made products that try to intercept the increasing variety in tastes. Moreover, the “traditional” consumer has now</p>

Millennials	<p>4. Experientiality</p> <p>5. The supply chain</p> <p>A new value proposition for the Italian excellence industry: creativity rooted in culture</p> <p>Uniqueness, coolness, culture</p> <p>Elegance</p> <p>Creativity, culture and heritage: a new kalokagathia</p>
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<p>been joined by so-called Millennials, a completely new type of consumer oriented towards knowledge and technology, inclusive, potentially definable as anti-yuppies due to their social and behavioral values, which seem to be the exact opposite of those of the 1980s. At that time luxury was created to satisfy the desires of the new rich, eager to show off their social status achieved in a buoyant society enjoying strong economic growth. Today, however, Millennials are more aware and attentive consumers, without particularly high incomes and with more uncertain prospects for the future. For the first time they have a lifestyle that is able to influence adults, and specific companies are emerging to cater for them, already highly valued by the markets. Therefore the real crux for companies lies in the need to reinvent and reposition themselves to win back both young people and, due to the force of their effect, the not so young.</p> <p>Since the new consumers are immune to the need for ostentation, only the true value of an item or an experience justifies its higher price. Moreover, access to this item or this experience is more important than owning it. We could almost call them anti-materialists, who are more inclined towards experiences – the fourth disruptor – than material goods.</p> <p>The last disruptor resides in the supply chain, which is unsettled on the one hand by new technologies, and on the other by the demand from new consumers for social and environmental sustainability, which requires a rethinking of all the supply chains in terms of traceability and equity.</p> <p>This brings us to the need for a new value proposition, a new narrative for the industry and for the excellence of Altagamma companies.</p> <p>We start from branding, recalling the image of the “golden triangle” theorized by Jean-Noël Kapferer. The apex of Kapferer’s triangle is formed by heritage, status, and experience – all necessary elements in defining excellence.</p> <p>A high-end product no longer needs to be flaunted. Rather than ostentatiousness, a solid value proposition, given the selectiveness of consumers and their sophistication, should take into account enhancing its uniqueness. It must enhance what Kevin Roberts dubbed coolture, a term derived from the merger between coolness and culture, referring to the integration of two elements: the ability to manufacture fashion products and the ability to maintain a high cultural profile. This is not necessarily the case when one wishes to impress or provoke.</p> <p>Our value proposition must not forget elegance. Elegance that also needs to be educated without making compromises with the market, or accepting the vulgar debasement of creativity and aesthetics for the sole purpose of attracting attention.</p> <p>Creativity, like a plant, must therefore be rooted in the culture, and nurture its fruits with the heritage. It is a new rendition of the concept that ancient Greeks defined as <i>kalokagathia</i>, a term which defines the inseparability of the beautiful and the good. An idea which an artist refers to</p>	
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The centrality of
the digital in the route
to market

every time he performs a creative act. The higher the culture is, the higher the beauty that expresses itself through creativity and, therefore, offers a greater experience for the consumer and an experience of excellence.

Finally, according to the new value proposition, the **route to market** must keep in mind that the consumer experience is increasingly **digital**, and that 75% of purchasing acts are now digitally influenced. This is based on a new consumer behavior that has been dubbed ROPO (research online, purchase offline). Online experiences include the identification of objects of interest and buying happens off the Internet. A practice that involves the dual need to reach levels of excellence online and then to integrate the real and the virtual environments in a single coherent and univocal world. This challenge is rendered even more arduous by monobrand stores, increasing in numbers and always emptier. Still stuck in an anti-Yuppie paradigm, which is viewed as static and ostentatious, monobrand stores have reached a point of saturation.

The *Bel Paese*

Italy has been famous over the centuries for its beauty and culture, and has always been beloved and synonymous with a high quality of life.

The homeland of culture and art, stunning landscape portraits by leading painters from all eras, refinement, superb food, and superior living, the Italian peninsula has exerted an intense fascination for European travellers since the nineteenth century.

This admiration has proved to be an unchanging element over time and a distinctive feature of our country. Italy can still count on an unparalleled beauty, generated and nourished by a geographical position that sees it at the center of a melting pot of civilization, namely, the Mediterranean: a beauty that over the three millennia of the country's history, has inspired the best creative minds in every field of thought, from the arts to the sciences, fuelling a virtuous cycle that continues to enhance this beauty, making it the main feature of our country.

Nature, culture, and workmanship: a heritage that is unrivaled in the world and that still constitutes a fundamental element of our identity and an inestimable competitive advantage that we could define as endogenous to Italy.

Beauty and culture pervade the entire country and, as they have in centuries gone by, continue to inspire Italian creativity and the manufacturing sector, nurturing the new Made in Italy products. Most of the investigations conducted on the subject pointed to three main areas of Italy's appreciation by non-Italians: the artistic heritage (especially the historic cities), food quality and the culinary tradition, and fashion as the hallmark of an industry with a high aesthetic value.

The *Bel Paese* is thus known and appreciated in the end for its unparalleled biodiversity, heritage, traditions and cultures, food and wine. These elements together constitute a real asset for the national economy.

Italy and beauty:
a historical union

The beauty of the
landscape, the arts,
thought, the sciences,
manufacture

Art, cuisine, fashion:
the best of Italy according
to foreigners

Nature, culture,
biodiversity: assets of
the national economy

Scientists and innovators

The richness of Italian
history as the basis
of our creativity

Beyond the Italians:
the "Italics"

Objective: from cultural
superpower to
commercial superpower

The peculiarity of the
Italian model

But that is not all. Italy was and is home to some of the greatest scientists and innovators of all time. Plastic, the telegraph, the helicopter, even the microchip are only some of the inventions by Italians who have changed the world and who rely on their ability to conceive original solutions, one of the main national characteristics. This is confirmed today in the numerous Italians recognized for their achievements in various fields, including, among others, aerospace and biomedical science. It is no coincidence: the *genius loci* of Italian creativity has its roots in this country, where culture has been handed down, art has been inherited, and nature is varied and exuberant. And added to this, of course, a history of multiple political and cultural exchanges, foreign invasions and foreign patrons, theft and patronage. It is a history that has aided this country and its inhabitants to acquire a unique set of skills, to display openness to new things, flexibility and resilience, and an entrepreneurial attitude toward taking risks. Our past is at the core of our creativity; without this history we would be just like everyone else.

Admirers of Made in Italy products are people who have a more refined, worldly taste, the so-called lovers of what is "bello, buono e ben fatto" (beautiful, good and well-made), who are also admirers of the quality of life. Piero Bassetti has dubbed this *coterie* a "civilization of Italics": people who live anywhere in the world but have a special relationship and affinity for Italy. Let's not forget that Italian is the foreign language most studied in the world from passion, and that holidays in Italy are often the dream of a lifetime. The civilization of Italics constitutes a community of no less than 250 million people, all of whom share a common love for Italy. This community represents a bracket of consumers seriously worth targeting. With this in mind, Italy, already considered a cultural superpower, can legitimately aspire to also become a commercial superpower. We can already boast several sectorial leaders, highlighted by studies carried out by the Edison Foundation, not all well known: from leather accessories and wooden furniture to leather shoes and packaging machines, not to mention recreational boating, eyewear, pasta, ceramic tiles, prosciutto, faucets, and wine. Leadership in these and other sectors is particularly strong in the high-end sector, where the disadvantage of low productivity is offset by a much higher intangible added value.

National leadership in these sectors is certainly not random: it is based on the Italian model, which is different from the French one, which is just as influential in the global market of excellence. If the latter has a strong centripetal connotation, based on the national "grandeur", the Italian model is rather, if anything, centrifugal, a mirror of that strong sense of individuality that limits our capacity for collaboration. Italian companies, however, are part of many functional **ecosystems** that were in some ways precursors of the well-known Silicon Valley. At times these ecosystems are explicit, in the form of districts, consortia and cooperatives, which are

Milan's example with
Expo 2015

An ecosystem based
on weak links

The proposal: to engineer
the Italian model

Italy, the seventh industrial
power with a reputation
in need of improvement

much more numerous in Italy than any other country. Other times they are implicit, as in the case of cities: ancient Rome and Renaissance Florence are precursors of the brilliant success of Milan, catapulted by Expo 2015 to the top of the rankings of the world's most dynamic and attractive cities, and the flywheel of national creativity.

These ecosystems are privileged to possess a collective intelligence, a powerful tool they can use to address the complexity of their environment as a whole. An intelligence that is not only mental but also manual, where artisans are its most refined expression. What powers ecosystems is a very special motor, fueled by interpersonal relations. Sui generis relationships, where instead of concluding business through a notary, thus creating strong constraints – typically contractual and corporate – we tend to maintain friends and acquaintances through weak, informal ties, which often prove to be equally fruitful.

Such relationships have a strong territorial base: they include schools, universities, institutions, parishes, and association-based organizations. Altruism is at the base of our model and is not in contradiction with the legendary Italian individualism, which, after all, it is nothing but a form of "intelligent egotism" which, through the "brains network", facilitates the management of complex systems and creates economic value. The strength of these ecosystems is what makes even the most fragile companies resilient, and still today this creates a disincentive to the professional management and growth of companies, which is precisely the most important node in need of strengthening.

Much more than in other countries, Italian factories and companies feed off one another. In the rest of the world, there are "human resources" or more transient employees. In Italy, unlike any other nation, we have lifetime employment and the retention of employees who work for the same company, developing competencies and skills that could not be found on the market.

The Italian model can be interpreted as an evolution of that of the Italian communes of the medieval era, which, however, **needs to be engineered** and adapted to the complexity of a contemporary age, thus building where possible a development paradigm that is applicable in different contexts.

The national performance is remarkable: Italy is the seventh global industrial power and therefore one of the most robust economies in the world. Despite this, however, the country's reputation is not at the height of either its economic strength or its beauty. The reasons for this are certainly to be found in congenital political instability and historical institutional fragmentation, which prevents Italy from organizing and promoting itself as other countries do. But they are also present in the widespread pessimism, and an overall tendency to be polemical and disparaging, especially when it comes to ourselves – both on the national and international stage.

Italy's obstacles and
difficulties

Crisis as opportunity

The holistic strategy
for Made in Italy: a vision
of the future + strategic
planning

Italy's strengths

Made in Italy brand equity
and the distinctive
features of Italian quality

The difficult economic situation was partly accentuated by the crisis that hit the country between 2007 and 2013. The negative economic juncture hit Italy harder than other countries because of its combination of high public debt and stagnant productivity. The financial crisis also struck during a time when many companies were already facing challenges posed by tough competition from China's manufacturing sector, which exploded precisely in those years and at the expense of other industrial powers, Italy among them. Other companies had not yet adapted to the transformation of the banking sector – a transformation that culminated in 2007 with the implementation of Basel II. Italy could not react either to the competitive devaluations, implemented before the advent of the monetary union, or with expansionist fiscal policies, due to excessive public debt. Despite the monetary policies of the ECB, companies had a difficult time accessing credit. The result of this "perfect storm" was a 25% drop in industrial production, which led to one of the longest periods of reduced investment in the history of the nation combined with rising unemployment – an aftermath that in some ways resembled what was witnessed after the war.

The proposal: a holistic strategy for Made in Italy products

In recent years we have finally begun to address ways to increase the country's competitiveness and restore an allure that we have not seen since the postwar era. Thanks to these efforts, the crisis is finally coming to an end, even though economic momentum is still not strong enough to trigger a virtuous circle that would decrease the national debt, the tax burden, and unemployment. Nonetheless, the moment is propitious: historically, Italians have given their best in difficult moments, demonstrating that they know how to be reactive, strong and capable of achieving extraordinary results with few means, as in the case of the reconstruction period that followed World War II. Today, as occurred during the Renaissance and in the postwar period, there is a chance to rebuild the country and to create catalysts for the nation as a whole. The crisis is actually a huge opportunity that should not be wasted.

To recover, we need a **strategy for Made in Italy** that can be defined as **"holistic"**, based on a clear vision for the future and defined by a **strategic planning program** that takes our strengths into sufficient account by allocating more resources to these in the medium period, but also our weaknesses, where intervention is required to fill the most obvious gaps.

Our greatest strength is the extraordinary worth of the "Made in Italy" signature. According to a widely cited study by KPMG, Made in Italy is the third best-known brand in the world after Coca-Cola and Visa. Another research study, conducted by Eurisko for Symbola, identifies in a concise but complete way the distinctive features of Italian quality that characterize the Made in Italy image: aesthetics, craftsmanship, culture, social and relational quality, variety, and, overall, quality of life.

The foreign perception of excellence for Italian high-end industry

The strategic key: the upward repositioning of the entire national offer, beginning with beauty, culture, and heritage

The importance of tourism: trading up and centralizing promotion

Weaknesses

Good taste, style, and natural elegance are all cornerstones of Italian daily life. Our products reflect this: on a symbolic level buyers experience them as “ingredients” of a better quality of life.

Sometimes habit leads us to consider these concepts trivial. This is a risk we cannot run: this image of Italy, so multifaceted and yet coherent, constitutes our real competitive advantage and should be nourished and diffused among the new and numerous consumers worldwide, many of whom have a confused idea of Italy and of Made in Italy.

But we must consider how, given the increasing cost competitiveness caused by globalization, this positive perception of Italian products only affects the high-end sector. Therefore, Italy can beat the competition in terms of quality and the aesthetic and experiential content of its products.

The main focus should not stray from rendering our products “beautiful, good and well made”. This is not just a choice, but a necessity demanded by the market.

A holistic strategy should therefore be **based on the overwhelming value of beauty, culture, and heritage, together with a wider move to further enhance the desirability of the country, which has to involve a repositioning towards the high end of products on a national level.** A robust program of trading up the Made in Italy brand is required, with the selection of an offer that combines quality, design, and prices that genuinely live up to the expectations of international consumers and are therefore focused on a high target.

What we need is a “premium-ization” involving all stakeholders interested in promoting Italy and all sectors, from industry to services, with particular regard to those involved in tourism.

The latter is, in fact, one of the great opportunities we have at hand: Italy offers travellers every possible tourist attraction, culture, food and wine, from religious to coastal and seaside tourism. Italy is home to the largest number of sites present on the UNESCO World Heritage list (53 in total). We still maintain a very strong leadership in tourism, but in recent years we have also lost significant market shares also because of the unfortunate state of the tourism promotion budget, which is entrusted to individual regions, resulting in a severe loss of critical mass on the international market.

Tourism is a key sector of our economy: **its international promotion needs to be industrialized and centralized – or at least coordinated – and, above all, it needs to be subjected to a trading up program,** because aiming at the mass market alone not only generates a low economic value, but seriously compromises the country’s image.

The main weaknesses of our industry are rooted in certain national structural deficiencies, which require much-needed political and economic reforms. A number of recognized factors make Italy unattractive, thus in-

Political instability, justice, labor market, taxation

The gap in vocational training

The entrepreneur, the first agent for change

Governance and corporate structure: the proposal for a new business model

hibiting foreign investments and openings to international business: the slow pace of justice, difficulties linked to the labor market, the so-called tax wedge and, in general, political instability. These are among the main gaps to be filled in order to give solidity to any recovery plan.

The theme of education deserves a separate mention: the percentage of Italian university students is far below European standards, and our system of vocational training is not even comparable to that of the most developed countries, such as Germany.

The technical and scientific faculties continue to be less frequented than the humanities. Naturally, the first effect is widespread youth unemployment.

In some cases, universities also tend to be self-referential, whereas collaboration with businesses needs to be increased. This is mainly because professional training has to teach the trades of the future: we should remember that in the 4.0 industry the automation paradigm has been reversed. Today, it is the human who assists the machine, not vice versa. This has opened the way for totally new trades, which require completely rethought schools and curricula and substantial investment in training.

Who are the actors implementing the new path we hope to see?

The first prime mover of change must be the entrepreneur, the economic individual who, more than any other, has the energy and the right insights to boost his or her business and drive a piece of the national economy. Private companies constitute a major share of GDP, employment, and innovation. Without entrepreneurship no recovery is possible. Hence the entrepreneur is and should be a key figure in the holistic strategy for Made in Italy.

This task is animated by the so-called “animal spirit”: entrepreneurs have a nose for investments and the willingness to take risks. They know even intuitively the direction to take and how to organize resources and raise capital to achieve their objectives.

Now, in Italy, this animal spirit seems to be awakening but it still needs to be activated in order to accelerate the change of business culture: firms are too small and there are few start-ups. It seems that the country is emerging from a post-industrial phase. We must reverse the trend by facilitating **generational turnover in companies and tackling the task of governance and corporate structure.**

For an efficient business, it takes a professional management team that will envisage and implement an entrepreneurial vision. In Italy, however, companies are all too often managed by an all-purpose figure, who in many cases is the founder and the owner of the family business. A figure who, no matter how brilliant, is bound to find him/herself in difficulty, without time to devote to the strategic planning necessary for the

*The virtuous effect of
a stock exchange listing*

sustainable long-term growth of the company, which today is a dictat and no longer merely a possibility.

The best way to embark on this path has been factually demonstrated by companies that today are among the major national establishments due to their listing on the stock exchange. Entering the market forces the firm to adopt a clear strategy for organization, governance, and growth, without which an IPO would not be possible. Companies today can take advantage of accompanying programs and advanced finance tools offered by the stock exchange itself. Regardless of the actual listing, **preparation for the listing** would in itself be a useful exercise for all companies.

*Policies, the other
accelerator for change*

Another accelerator is policies. To improve our strengths and respond to the Made in Italy proposal for a holistic strategy, effective policies are needed in the areas of taxation, economic development, education, and the protection and promotion of artistic and cultural heritage.

Interventions focused on encouraging business growth, start-ups, innovation, and talent training.

*Tax policies aimed at
encouraging growth,
research and
development, youth
entrepreneurship*

One of Italy's biggest problems is a tax system characterized by an overly high total tax rate. The country's excessive public debt prevents an indiscriminate reduction of taxes. Therefore targeted tax policies are needed. There should be fewer taxes on those who reinvest profits to capitalize businesses, and tax rewards to companies who invest growth to achieve sufficient critical mass to compete internationally.

Spending on research and development should also be promoted more by fiscal policies, in particular if linked to job creation in Italy.

Just as important is the tax policy that impacts the labor market: one of the biggest problems we face is the lack of young entrepreneurs, especially in sectors with a high technological and innovatory content. Young entrepreneurs and professionals should be absolutely encouraged because they are the future and the key to prosperity for many new businesses. Therefore, we must focus on start-ups and incubators, and, above all, give a strong impetus to venture capital.

*Promotion policies
for Made in Italy*

The policies related to the promotion of Made in Italy products and foreign investment should also facilitate this holistic strategy. In the repositioning of Made in Italy brands, we need to rethink our country as a "product" by improving services and infrastructure, particularly those linked directly or indirectly to tourism.

Even before this, however, we need a shared vision of what Italy should be and how this can be communicated, and, above all, a real will to collaborate on the part of all public and private subjects. The multiplicity of perceived values is the differentiating element, the strength of the Made in Italy brand: the challenge is to illustrate its essence within a coherent concept that can be expressed in every promotional action by the country-system.

*The multiplicity of values
in a single promotional
concept: Italy, leader of
style and quality of life*

*The Italian delay in
digitization: from gap
to advantage*

*A summary of the Made
in Italy holistic strategy*

*The necessary policies
at the European Union
level*

*Public-private
collaboration*

Beyond individual excellence, we should be able to tell the whole world that it needs Italy for its quality of life and style.

When we think about promoting Made in Italy, we have to also consider that Italy has a substantial digitization gap. Redressing this disadvantage represents an enormous opportunity for building from scratch the digital image of the country-system, offering services, organizing tourism, connecting our ecosystems, and narrating Italian heritage in a coherent and integrated way, thus establishing synergistic strategies in a position of attack rather than defense. If the goal is to create a critical mass in order to arrive on the major world markets, we should not repeat online the same mistake we made offline in the past decades, where a fragmented and poorly organized presence has kept us from conquering major world markets.

To summarize: our proposal is therefore to create a holistic strategy for Made in Italy based on a very strong vision of what we want Italy to become. Other countries have already done so successfully, among them Singapore, the United Arab Emirates, China and Germany.

After choosing the way to proceed, we will need to **develop strategic planning, with, as a guideline, the repositioning of Made in Italy branding** through:

- **industrial policies** that benefit the industry with an elevated added value level;
- **tax policies** targeted to grow businesses using every means, and the renewal through youth entrepreneurship;
- **education policies** to bridge our gaps and develop the talents of the future with a strong investment in innovation;
- **export promotion and tourism policies** through the digitization of Made in Italy products.

At the same time, it is necessary that **European institutions** should insure that the cultural and creative industry of excellence continue to develop and maintain the extraordinary share of 70% of the world market, and in particular:

- **industrial property** is protected; without this innovation efforts would be thwarted;
- **Internet governance** is reviewed to ensure consumer protection;
- **tariff and non-tariff barriers** are reduced in international trade;
- **selective distribution** is made possible in both traditional and on-line retail.

It is a huge undertaking that can only succeed from a strong partnership at the public-private level, and which requires a new awareness of the value of Italian products, as well as a cultural change, and last but certainly not least, international marketing, the need for which is still felt at times in

Italy. This is an ambitious project that should involve our citizens, but at the same time it is totally within our reach, because there are potentially billions of world citizens who share the dream of the “dolce vita”.

The role of the high-end cultural and creative industry

If you want to go fast, go alone.
If you want to go far, go together
(African proverb)

The Italian high-end industry: creativity and culture, innovation and tradition

Italy, a country of excellence

Italian brands: leaders in the high-end market

The opportunities and strengths of the high-end industry

The critical points and weaknesses of the high-end industry

Excellence is the *noblesse oblige* of Italy. Just like the Chinese yin and yang, creativity and culture are essential components for high-end Italian products: creativity is the lifeblood of the project and culture is the essence of the tradition. Tradition and creativity feed off each other, producing the perfect combination of ephemeral and eternal. We cannot overlook our aptitude for the creation of beauty, effortless elegance, and etiquette, because Italy is perfectly defined as a country of excellence: an extraordinary country where the different sectors fertilize each other and know-how is a resource that affects everyone. Italy is thus the home of the “noble virtues” with the greatest ability to create, develop and manufacture products with the highest aesthetic and experiential content. The luxury industry is, in fact, our best expression, a request we cannot avoid, not only because our “privilege entails responsibility”, but also because this is what the market expects from us.

Excellence results directly from culture and is an extraordinary market, with a great future. Italy is already a champion of luxury in the world. According to research conducted by Deloitte in 2017, in terms of excellence, 26 Italian brands are ranked among the top 100 in the world across 10 sectors. Italy is also the country that boasts the highest number of companies present in the creative and cultural sectors. Our brands, thanks to an average export share of 50%, are responsible for around 10% of world consumption (more than 100 billion euro). In some areas of enormous visibility and prestige – sectors such as furniture and design, food and personal goods (including clothing, accessories, footwear, leather goods, cosmetics, jewelry, and perfumes) – we have cornered over 20% of the market share. Not to mention the considerable shares – about 10% each – held by wines and spirits and the nautical sector.

Opportunities for the luxury sector are remarkable. The global market’s continuous and sustained growth in the areas of excellence and innovation, as well as tourism and digitization, are opportunities not to be missed. These include the beauty, heritage, lifestyle, expertise, sectorial leadership, intersectorial transversality, iconic brand and the sizeable critical mass reached in terms of production in certain sectors. Of course, the creative and cultural industry has its problems: competition, the risk of commoditization (the loss of design quality and the price devaluation that results from mass production), sectorial concentration, counterfeiting

Italy’s leadership in perceived manufacturing quality

High-end brands, ambassadors of Italian culture and lifestyle

Positive effects on the national industry as a whole

Optimization of intellectual property and greater penetration of markets

Innovation in the high-end industry: a more digital route to market and optimization of craftsmanship

(where Italian products rank second in the world) and digital oligopoly all threaten our industry.

However, these situations can be tackled by focusing decisively on our strengths and trying to minimize weaknesses, such as the limited size of companies, bureaucracy, low productivity, financial pressures, a damaging individualism and, unfortunately, the country’s reputation.

The enormous popularity of the brands of excellence has a decisive impact on how Made in Italy products are perceived, as another insight on consumers has revealed: those who buy high-end products recognize Italy’s leadership in quality manufacturing in all categories, with the exception of the car and timepiece industries, which are historically linked to Germany and Switzerland (though exceptions such as Ferrari, Lamborghini, Maserati and Alfa Romeo are not lacking). One of the most powerful assets the best Italian brands of excellence manage to convey through their products and in their communication is their Italianness, a distillate that exalts the best aspects and obscures any negative stereotypes.

Our high-end brands, which have thousands of stores in key locations, are the best ambassadors of beauty, culture and lifestyle in the world. This universal appreciation has important indirect effects on Made in Italy brands, due in large part to the specific profile of the high-end consumers. They are, in fact, often opinion leaders in their respective countries, among larger or smaller circles of people, who, in turn, represent a potential target for other sectors, including – in first place – tourism.

The significant reach the luxury industry has on the rest of the nation’s production is remarkable and also bestows upon its leaders a responsibility for the development of this nation, contributing to the pursuit of the holistic strategy of the Made in Italy brand which was outlined in the previous chapter.

It may be a paradox, but the best promoters of the Made in Italy name are our French cousins, who are known to produce in Italy the luxury goods that are an expression of their national identity. If we do not want to relegate ourselves to being defined by the excellence of someone else’s reputation, we need to accelerate our pace in penetrating the markets and exploiting the intellectual property of our brands.

Hence there are many good reasons for focusing decisively on high-end Italian products in order to revive the national economy. But how do we do it?

The main step is to **innovate the supply chain**. The goal is to adapt to the digital revolution and achieve a more **streamlined route to market** in order to respond to the urgent demands of the market. This is in line with the “Impresa 4.0” Government plan, the innovation strategy for the luxury industry, which I like to call “Know-How 4.0”.

The first, in its capacity as a fiscal policy for the industrial sector, applies *erga omnes* to the entire industry (and therefore – for example – to invest-

Talent training	<p>ments for digitalizing the supply chains, robotics, data collection, traceability, new technologies and training). For the creative and cultural industry, the program can instead be defined in the sense of “know-how”, which focuses on the wealth of the production chain and aims to innovate it by exalting expertise and craftsmanship rather than replacing it with machines.</p> <p>This also implies a far greater investment in education, both by supporting public education to improve the basic training of talents and focusing on specialized schools. Once these measures are put into place, it will be easier to repatriate some of the production that, over time, was relocated and outsourced.</p>	A cooperation strategy based on the integration of ecosystems	<p>is the same person who travels to Italy on vacation, buys an Italian car, a dress, or a food product Made in Italy, with the same enthusiasm.</p> <p>What is, in detail, Altagamma’s cooperation strategy? It is a strategy based on promoting intersector synergies for the companies active in the cultural and creative industry, through the integration of the related public and private ecosystems. Intersectorial synergies are to be nourished as much as possible through relationships, and by sharing as many – tangible and intangible – resources possible in the various value chains. Altagamma is committed to integrating the ecosystem made up of, among others, associations, fairs, businesses, cultural institutions, public administration, schools, and universities. This will be possible by fostering public-private partnerships between local authorities, the Government, the European Union, and import countries.</p>
New retail formats	<p>To avoid the prospect of becoming the luxury subcontractors for others, in addition to innovation, it is necessary to encourage the growth and development of retail and global brands, implementing new formats – traditional and digital – that respond to the challenges of the digital transformation and the new consumer. This involves the opportunity to resort to advanced finance, which in the luxury sector, increasingly offers, even in Italy, specific and profitable tools.</p>	Contribute to growth and competitiveness	<p>The mission of Altagamma is thus to contribute to the growth and competitiveness of the cultural and creative Italian companies, thereby also enabling a contribution to the economic development of the country.</p>
Advanced finance	<p>In the short term, we can therefore establish ourselves to a greater degree, but to do so we must care for our model, our ecosystems, and our companies, and ultimately focus on every factor that may contribute to our competitive advantage.</p>	To be ambassadors of the Italian lifestyle	<p>The vision of Altagamma, an ambassador to the world of the Italian lifestyle, is to sustain a creative and cultural ecosystem that is the most important accelerator of Made in Italy products. A vision not intended as unrealistic, but manifestly aware of the role that this sector can play in the coming years, due to its still wide margins of growth.</p>
Coopetition	<p>Faced with these challenges, the most effective approach is that of “coopetition”: cooperating in pre-competitive activities, such as innovation and market development, and from there compete on the prerogatives of individual companies.</p> <p>The Altagamma Foundation was established in order to communicate the beauty and heritage of Italy and to contribute to the development and internationalization of its businesses and, indirectly, of the national economy.</p>	The ultimate goal: to produce beauty and accelerate growth	<p>Altagamma is therefore a place for cooperation, for implementing holistic strategies in the different strategic areas of intervention: in promotion, understood as the optimization of differentiating factors; in institutional relations and with stakeholders; and in the development of shared projects through knowledge and collaboration. Innovation in the supply chain, new retail formats, training, advanced finance, and cross-sector synergies and relationships all contribute to the ultimate goal, which is to produce well-made beauty. And to accelerate growth.</p>
The Altagamma motto: cooperate to compete	<p>Twenty-five years ago the sector was still small, but the intuition of a group of enlightened people who foresaw the incredible growth it would have, gave rise to this Foundation, which, since then, has been dedicated to promoting Italy’s cultural and creative industry.</p> <p>It was then that the first motto of Altagamma, “cooperate to compete”, was coined. Twenty-five years later, reading the authoritative contributions collected in this book, this still seems the best approach to the complexity of the challenges that lie ahead.</p>		<p>There are still opportunities to create value in the sector of excellence. If we do not want anyone else to plunder our value, we must speed up our development.</p>
The importance of intersectorial synergies	<p>The most important accelerator of the Altagamma Foundation – which makes it unique – is recognized as its inter-sector synergies, dynamics in which the sectors are no longer seen as closed silos, but instead make shared elements and skills a common denominator, such as the culture of the project, the business language – which is common to the entire industry of excellence – the ability to organize supply chains, and the narration. Our cultural background is a joint one and our customer is the same. Often, it</p>	Objective: 15% market share	<p>The Altagamma Foundation has set itself the long-term strategic goal of doubling its market by fostering the growth of Italy’s largest enterprises, helping to make the smaller ones large and selecting new ones from emerging Made in Italy companies, and from start-ups. With a vision focused on creating the critical mass required to penetrate the market in all areas, we are striving to boost our market share of the world’s high-end industry from 10% to 15%. In addition, through organic growth, we aim to double the current 100 billion euro, which already contributes 5% of Italian GDP, to over 200 billion euro.</p>

Altagamma's contribution:
promotion of Italy's image
and the connection of
ecosystems

Ambitious strategies
to achieve together

We therefore aim to serve as the standard bearer for the luxury industry's new value proposition as leader of the holistic strategy for Made in Italy products. The Altagamma Foundation, in partnership with the Italian Government, can make its specific contribution in two areas:

- promoting the country's image and the essence of Italian identity, creating content that enhances beauty, heritage, and the Italian life-style, while also serving as a communication framework for Altagamma companies, as much as possible through the Internet;
- working to connect, especially through digitization, the various ecosystems Italy can count on.

Altagamma's strategy and the project for its business, and for the country, are ambitious, but also concrete and achievable. This is demonstrated by the speed with which our industry has developed over the past twenty-five years. Over the next twenty-five, we know we still have very far to go. We also know that when Italians work together they are able to solve any problem, optimizing a treasure that no one else in the world possesses.

So let's go together.