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# HANDOUTS

## ENTREPRENEURSHIP AND STRATEGIC INNOVATION IN THE FASHION INDUSTRY -READINGS-

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**This handout is written by students with no intention of replacing university materials.**

**It is a useful tool for studying the subject, but does not guarantee preparation as exhaustive and complete as the material recommended by the University.**





# The Role of Intellectual Property in Branding

**Intellectual property is a cornerstone of branding and innovation.** Companies must proactively manage and protect their IP assets, not only to defend against infringement but also to build long-term strategic value. As technologies like AI evolve, legal frameworks must adapt to ensure that creativity remains protected and rewarded.

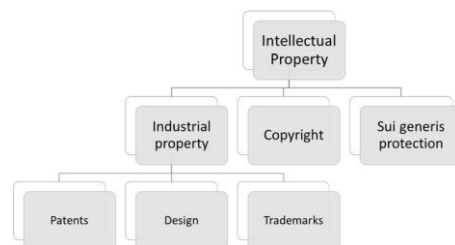
## 1. Why and What to Protect

The fashion industry, driven by constant innovation and aesthetic novelty, depends heavily on design protection to prevent imitation. IP law grants **exclusive rights** to creators over their designs, enabling them to **monetize** and **protect** their work while also benefiting the public by promoting the dissemination of ideas after a set term.

Key types of IP protections include:

- **Copyright:** Automatically protects original works once they are fixed in tangible form. In fashion, it applies to creative elements like **textile patterns, logos, and illustrations**, but not to abstract ideas or processes. It is unique in that it safeguards **the expression of an idea**, not the idea itself.
- **Patents:** Protect **novel technical solutions**, such as inventions, processes, or materials. To qualify, the invention must be **new, useful, non-obvious**, and clearly described. For instance, a waterproof fabric process must be patented to be protected; merely writing about it protects only the expression, not the process.
- **Trademarks:** Cover names, logos, slogans, and other brand identifiers, provided they are **distinctive** and not merely descriptive or generic. Trademarks can last indefinitely if used and renewed every 10 years.
- **Design Rights:** Cover the aesthetic aspects of a product (e.g., **shape, texture, ornamentation**) and must be both **new** and **distinctive**. These can be registered or, in the EU, unregistered for three years post-disclosure. Countries like Italy and France may also protect highly artistic designs through copyright.

The **IP family tree** clarifies how these protections relate and often overlap (e.g., a product can be protected simultaneously by copyright, trademark, and design rights).



International IP is governed through treaties like **TRIPS** (under the WTO), regional systems like EU Directives, and national laws. A key concept here is the **idea-expression dichotomy**, which ensures only the specific expression of an idea (not the idea itself) is copyrightable, maintaining the balance between copyright and patent protections.

## 2. Building Brand Identity with Industrial Property Tools

Strong brands like Chanel, Gucci, and L'Oréal invest heavily in both **product innovation** and **strategic communication**, elements deeply rooted in IP. Brand identity is built not only through product design but through distinctive elements like **logos, taglines, packaging, and even scents or colors**.

- **Designs** must meet criteria for novelty and individual character and can be protected at national, EU, or international levels. Unregistered design protection is useful for fashion, where trends change rapidly, offering a three-year term without formal application.
- **Trademarks** are about **names, logos, and slogans**, and can even include **colors** (e.g., Tiffany blue), **patterns** (e.g., Gucci), and **product shapes** (e.g., perfume bottles). These must be distinctive to be protected and must be used to remain enforceable. Infringement does not require proof of copying, only unauthorized use.



- **Patents** are particularly important for protecting **technical innovations**. Examples include **Hermès' silk printing methods**, **Levi's Water<Less™ technology**, **Nike Flyknit**, and **CROCS' foam resin material**. In beauty, patents protect **skincare formulations and devices**.

Small businesses often overlook IP protection until issues arise. Early registration helps prevent these problems and secures brand equity.

### 3. IP and Artificial Intelligence

The rise of AI introduces complex legal challenges. For example, if an AI is trained on copyrighted fashion campaign images without permission and then generates similar outputs (e.g., replicating Gucci's visual style or Tiffany's color), it could be seen as **copyright infringement**.

These scenarios raise several critical questions:

- Is AI training using copyrighted material legal?
- Do AI-generated works infringe on protected content?
- Do AI prompts count as creative acts deserving of protection?

The **EU AI Act (2024/1089)** and **EU Copyright Directive (790/2019)** begin to address these concerns, especially regarding **dataset scraping** for training. Even AI systems trained outside the EU must comply with EU copyright rules if their outputs affect the EU market.

Legal cases like **Getty Images vs. Stability AI** and **The New York Times vs. OpenAI and Microsoft** highlight these unresolved issues. Getty claims its images were scraped without permission; the Times argues its articles were used to train models without licensing. These cases will likely shape future interpretations of AI's relationship to copyright.

# Business Models and Go-To Market Strategies in Fashion

## 4. Theoretical Framework

The **business model** is a **blueprint** for how a company creates, delivers, and captures value. Drawing from Osterwalder's Business Model Canvas, the discussion begins with three core components: **value chain design**, **value proposition**, and **revenue model**. In the context of the fashion industry, these elements manifest in distinctly different ways across three main types of players.

**Brands** primarily focus on creativity and identity. Their efforts center around designing unique, recognizable collections and crafting compelling brand narratives. They may control production or outsource it, but their key concern lies in product and storytelling. Their go-to-market strategies vary between wholesale (B2B) and direct-to-consumer (B2C), with differing revenue models accordingly: wholesale revenue is generated through sell-in prices to retailers, whereas B2C models earn sell-out revenues at retail prices. Brands often begin with a single product category and progressively expand into other categories, markets, and channels.

**Retailers**, on the other hand, serve as curators. Their value stems from the assortment they offer, which is tailored to specific consumer segments and retail experiences. Unlike brands, they do not usually produce their own goods, although many develop private labels over time. Retailers operate purely B2C and are heavily invested in merchandising, inventory, and store atmospheres.

**Multisided platforms** are a more recent phenomenon accelerated by the rise of digital technologies. These platforms do not own inventory; instead, they create value by enabling direct interactions between multiple user groups, typically brands and consumers. Their revenue models include transaction fees, subscriptions, or advertising. Platforms rely on network effects and user engagement, positioning themselves as intermediaries with lower transaction and search costs.

Each of these actors adopts **distinct** go-to-market strategies, often reflected in their choice of **distribution channels**.

## Case Studies

### Velasca (Vertically Integrated Fashion Brand)

#### Original Value Proposition

Velasca was founded in 2012 with the mission to offer high-quality Italian-made footwear directly to consumers, at prices far lower than those of luxury brands. Inspired by a personal frustration with overpriced designer shoes, the founders identified a market gap between fast fashion and heritage luxury. Their solution was to build a **direct-to-consumer** model that bypassed traditional intermediaries, partnering directly with skilled artisans in Italy's Marche region. The brand positioned itself not only around **quality** and **craftsmanship** but also around **cultural identity** and authentic **storytelling**, encapsulated by the name "Velasca," drawn from the Torre Velasca in Milan.

#### Value Chain

The brand's production model relied on **small batches** crafted by Italian shoemakers who were struggling during the 2012 economic downturn. Velasca minimized overhead by designing its own products, focusing on **timeless** styles rather than trend-driven collections. **Trust and partnership** were foundational to its supply chain, with prompt payments and long-term collaboration strategies. **Marketing** efforts were heavily content-based, employing videos, photography, and interviews to showcase artisanal techniques. A major innovation was the launch of "A Million Steps," a digital magazine celebrating Italian lifestyle and values, intentionally separated from direct product promotion.

#### From Online to Offline



Velasca began as a purely digital direct-to-consumer brand, but realized that its absence in the physical world limited customer acquisition and local impact. By testing physical presence through low-cost initiatives like **pop-up shops** and even mobile shoe displays using ape cars during aperitivo hours, Velasca saw an immediate uplift in engagement and sales. Velasca then transitioned to a **hybrid** model, opening permanent stores starting with Milan in 2015, followed by Rome and several international cities. These retail spaces drove sales and deepened **brand loyalty**, improved the overall customer experience, and allowed for immersive storytelling aligned with their identity.

## Revenue Model

Velasca is **fully B2C**. The company started online, but today 65% of revenue comes from physical stores, while 35% is from e-commerce. By 2017, revenue doubled year-over-year, surpassing €5 million, with 20% of sales coming from international markets. Exports later reached 40%, particularly in the USA and France. The company raised €8 million in investment capital and aimed to scale from €25 million in 2023 to €100 million by 2028. Its growth was fueled by customer demand, a strong focus on product quality, and the expansion of its **omnichannel** presence.

## Lessons for Startups

Startups can learn the importance of launching with a **strong community and brand identity**. Velasca's success shows that storytelling, trust-based supplier relationships, and cultural relevance can be as powerful as technological innovation. Moreover, a lean start with carefully managed expansion (starting digitally and moving to brick-and-mortar) can maximize both reach and local impact. A brand can thrive by focusing on **depth** (craftsmanship, quality, authenticity) rather than breadth or trendiness.

## Moncler (Hybrid Fashion Brand)

### Original Value Proposition

Moncler was founded in 1952 and initially specialized in outerwear for extreme weather and mountaineering. By the early 2000s, the brand had lost its prestige and relevance, prompting Remo Ruffini's acquisition and reinvention of Moncler in 2003. His vision was not to restore the past, but to elevate Moncler into a modern luxury brand while leveraging its alpine heritage. By focusing on lightweight, stylish down jackets, Ruffini positioned Moncler as a bridge between utility and glamour, aiming to shift it from sportswear to fashion-forward luxury, without losing credibility.

### Value Chain

Moncler initially distributed through wholesale, then progressively shifted to a vertically integrated retail model. Its first urban boutique opened in Paris in 2007. The company now runs over 260 mono-brand stores, with Asia being its primary market. Moncler carefully layered its brand offer with lines like Gamme Rouge, Gamme Bleu, Grenoble, and Enfant, tailoring products to different lifestyle and demographic segments. A major milestone was the launch of the Genius Project in 2018, which disrupted the traditional fashion calendar by offering monthly capsule collections from various designers. This required changes in store layouts, supply chains, and marketing execution.

### The Offer Strategy

Moncler's product strategy involved moving beyond its niche of technical outerwear to become a year-round luxury fashion label. Remo Ruffini repositioned the down jacket from a utilitarian item into a symbol of urban style and glamour, merging technical performance with aesthetic innovation. He introduced elements of Japanese design precision, lighter materials, and sophisticated silhouettes. The brand created multiple lines to cater to different segments: *Gamme Rouge* for elegant women's fashion, *Gamme Bleu* for fashion-forward urban men, *Grenoble* for advanced winter sportswear, and *Enfant* for children. This diversification allowed Moncler to address varied needs without diluting the brand. Its strategy was to elevate a single hero product—the down jacket—across demographic and lifestyle spectrums, positioning it as both seasonal and iconic.

### The Business Model Innovation: The Genius Project

Launched in 2018, the Genius Project marked a major shift in Moncler's approach to fashion collections. Instead of traditional seasonal releases, the brand introduced **monthly capsule collections**, each designed by a different creative talent. This allowed Moncler to engage multiple audiences while keeping the brand constantly relevant. Designers like Pierpaolo Piccioli and Simone Rocha reinterpreted Moncler's identity through their own visions, offering stylistic variety without diluting the core brand.

Operationally, the Genius model required **changes in supply chain and retail layout** to accommodate frequent product turnover. Although Genius collections accounted for just 10% of total sales, they were highly effective in attracting new customers and driving visibility. Around half of Genius buyers were first-time Moncler clients, and many later purchased from the main line.

### The Evolution of Moncler's Media Strategy and the Impact of Genius

The Genius Project also transformed Moncler's communication strategy. The brand shifted from traditional print campaigns to a **primarily digital and experience-based** model. Between 2017 and 2019, media investment moved from 60% print to over 80% digital and outdoor.

Each Genius drop became not just a product launch but a **storytelling** opportunity, amplified through social media and localized campaigns, especially in key markets like China. Collaborating with influential designers also expanded Moncler's reach by tapping into new communities. This content-driven, always-on strategy positioned Moncler as a **cultural platform** with constant relevance.

## Sephora (Multibrand Retailer)

### History

Sephora was founded in France by Dominique Mandonnaud and became known for its **open-sell concept**, where customers could freely explore and try products without the mediation of a sales clerk. This was revolutionary in the traditional cosmetics **retail** landscape. Acquired by LVMH in 1997, Sephora expanded globally and became a leader in premium beauty retail. Its innovative format **democratized access to luxury beauty** and redefined how consumers interact with brands in-store.

### Value proposition

Sephora offers an **inclusive and empowering** beauty experience that blends discovery, education, and self-expression. Its value lies in the ability to let customers test, **explore**, and compare across brands, combining a curated multi-brand assortment with **personalization** and **expert advice**. It positions itself not just as a retailer, but as a **beauty destination** that celebrates diversity and creativity, enhanced by services, content, and tailored product recommendations.

### Value chain design: the omnichannel challenge

Sephora's value chain integrates physical stores, digital platforms, and service experiences into a seamless **omnichannel journey**. In-store experiences are enhanced through **technologies** like Color IQ and Fragrance IQ, as well as trained beauty advisors. Online, Sephora offers a rich ecosystem of tutorials, reviews, quizzes, and personalized suggestions. Inventory, CRM, and fulfillment systems are interconnected to allow flexibility between channels, such as buying online and picking up in-store (BOPIS) or returning items across channels. Managing **consistency** and personalization across **touchpoints** is central to its operational challenge and success.

### Pioneering Customer Delight

Sephora's approach to customer satisfaction emphasizes **autonomy**, service, and surprise. Its open testing model and generous return policy encourage **exploration without pressure**. The *Beauty Insider* loyalty program adds emotional value by rewarding engagement through **exclusive** products and experiences rather than discounts. The *Beauty Profile* and clienteling tools allow advisors and algorithms to **tailor advice** to each shopper, while exclusive services like in-store mini makeovers and classes foster deeper **emotional connection** and community participation.

### Digital Journey



Sephora has led digital transformation in beauty retail by adopting a **channel-specific approach to engagement**. On Instagram and YouTube, it offers visual inspiration and tutorials. Facebook and Messenger are used for appointments and service interactions. Tools like quizzes, AI chatbots, and the *Virtual Artist* app help personalize the experience digitally. It also created user-generated content hubs like *Beauty Board* and *Beauty Talk*, encouraging **peer interaction** and authentic product discovery online. The brand's ability to translate its in-store ethos into compelling digital formats has been a key driver of retention and brand love.

### Key Pillars of Sephora's Omnichannel Strategy

Sephora's omnichannel success is built on five main pillars:

1. **Consistent** branding and experience across all channels.
2. **Real-time** customer data integration.
3. **Personalized** content and services.
4. **Continuous innovation** in both tech and retail formats.
5. **Localized** merchandising and marketing strategies.

These pillars ensure that every customer interaction feels cohesive, personalized, and aligned with Sephora's brand values of discovery, diversity, and empowerment.

## Stitch Fix (Multibrand Pure e-Commerce Retailer)

### Original Value Proposition

Stitch Fix was created to address the problem of time-consuming, impersonal shopping by offering **personalized** clothing selections through a **subscription** model. Founded in 2011, the company combines human stylists with data science to create highly tailored outfits delivered directly to consumers' homes. Unlike mass-market e-commerce players, Stitch Fix focuses on curation and convenience, appealing to users who want fashion that fits their lifestyle, size, and budget without the hassle of in-store shopping.

### Value Chain

The Stitch Fix experience begins with a **detailed customer profile**. Clients fill out style quizzes, link social media profiles, and give feedback after each order. **Machine learning algorithms** generate preliminary outfits, which are then adjusted by human stylists. Orders are shipped as a "Fix", which is a box containing five pieces. Customers try items at home, keep what they like, and return the rest. Over 3,000 **stylists** work to personalize every shipment, and all data (purchase behavior, returns, style ratings) is used to refine future suggestions.

### Revenue Model

Stitch Fix earns through a \$20 **styling fee per shipment**, which is deducted if the customer makes a purchase. If they keep all five items, they receive a 25% discount. This hybrid model drives both short-term transaction revenue and long-term loyalty. While owning inventory carries risks, Stitch Fix's **precise demand prediction mitigates waste**. Shipping and returns are free, but represent a cost the company covers to enhance ease of use. The platform benefits from cash flow efficiency by **rotating inventory quickly**.

### Lessons for Startups

Stitch Fix exemplifies how AI and human empathy can coexist to deliver superior customer experiences. For startups, the lesson is to start from a **deep understanding of user pain points** and solve them with both technology and personal touch. Operational scalability, personalization, and capital efficiency can be achieved through smart logistics and data loops. Subscription models work best when they provide not only convenience but also surprise, value, and emotional satisfaction.

## Farfetch (Multi-Sided Fashion Platform)

### Original Value Proposition





Farfetch was launched in 2007 by José Neves to revolutionize luxury fashion retail by connecting small, independent boutiques with a global online audience. The core idea was to **empower local stores**, often limited by geography and digital skills, to sell worldwide while retaining their own identity. Farfetch positioned itself as a **technology and logistics enabler**, not a traditional retailer. It guaranteed fast shipping, 24/7 customer service, returns, and secure transactions. Its user experience merged physical and digital, offering luxury consumers a broad and curated assortment of both **major brands** (like Givenchy, Saint Laurent, and Burberry) and **niche labels**, all accessible via a single platform.

### Value Chain

Farfetch operated as a digital marketplace. It **did not hold inventory**, but instead monitored stock in real-time across partner boutiques using proprietary technology. Key platform activities included product catalog management, order tracking, payment processing, and customer communication. The company took care of pricing transparency, shipping logistics, and import duties, aiming to simplify cross-border luxury commerce. It invested heavily in data infrastructure and software, offering its partners tools for visual merchandising, localized pricing, and customer service integration. The ecosystem included programs like “Farfetch Black & White” for white-label store management and “Farfetch Dream Assembly” to incubate fashion tech startups. The model enabled Farfetch to scale globally without the burden of physical stock or warehouses.

### Revenue Model

Farfetch employed a **revenue-sharing model**. Partners did not pay fixed fees but instead **shared 25% of each transaction**. This allowed boutiques and brands to join with minimal upfront risk, while Farfetch earned commissions on every sale. It also provided **logistics** services and gained from favorable shipping deals. However, the model placed all fulfillment, customs, and insurance responsibilities on the sellers. Farfetch focused its cost structure on **intellectual and digital resources** rather than physical assets, which allowed scalability but also led to high operating expenses, including employee salaries and office maintenance across nine cities. The platform attracted over \$740 million in funding and went public in 2018, reaching \$2.3 billion in revenue by 2022.

### Decline Factors

Despite its early growth, Farfetch began facing serious challenges. Strategically, it **over-expanded**, opening multiple offices and investing heavily in platform development without achieving profitability. Its 25% commission model was seen as excessive by some partners, especially as they bore all inventory and operational risks. Farfetch also **lacked full control over fulfillment**, which sometimes led to poor customer experiences due to partner errors. The biggest blow came in 2024 when **Kering** withdrew all its brands from the platform, significantly weakening Farfetch's luxury appeal. The company also struggled with intense competition from other e-commerce players like YNAP and Mytheresa. Operationally, high fixed costs, low margins, and logistical complexity created ongoing financial strain. In 2024, Farfetch was acquired with an emergency sale reflecting its deep structural crisis.

### Lessons for Startups

Farfetch teaches the danger of **prioritizing scale over profitability**. Heavy reliance on external funding and high fixed costs can become liabilities in times of market volatility. Furthermore, the platform's lack of control over product and delivery quality illustrates the risks of outsourcing core brand touchpoints. Successful platforms must balance **partner empowerment** with **consistent customer experience**. Transparent and fair commissions are essential to maintaining trust with sellers. Finally, **differentiation** must be maintained over time, but here it was eroded by competition.

## Rent the Runway (Multi-Sided Fashion Platform)

### Original Value Proposition

Rent the Runway was founded by Jennifer Hyman and Jenny Fleiss to solve the issue of how to wear designer clothes for special occasions without spending a fortune. The concept was to **rent high-end fashion** for a fraction of the purchase price. From its early days, Rent the Runway positioned itself at the intersection of affordability, convenience, and sustainability. Its mission was to offer women “fashion freedom”, so the ability to access ever-changing wardrobes that matched their style, size, and life events. The platform tapped into the



**sharing economy mindset**, offering both occasional rentals and subscription-based closet-as-a-service experiences.

### Value chain

The Rent the Runway value chain combines **design, logistics, cleaning, customer service**, and **tech** in one integrated system. Clothing is sourced from designers through wholesale purchases or special rental-tailored collaborations. Once garments enter the system, each is tagged and tracked using RFID. After every rental, items are returned, cleaned using in-house industrial laundries, inspected for damage, and re-entered into circulation. **Data analytics** is central: customer preferences, wear rates, and return feedback are constantly used to adjust inventory decisions and inform designers about product performance. The brand also maintains **control over fulfillment** to ensure fast delivery, quality consistency, and cost efficiency.

### How it works

Users begin by **browsing** the platform, selecting garments for **short-term rentals** or as part of a **subscription plan**. With subscriptions, customers can keep items as long as they like and swap them out as often as their plan allows. Once items are selected, they're shipped directly to the customer's address. After wearing them, customers return the pieces in prepaid packaging. Returned garments go through a quick, tech-enabled turnaround process: RFID tracking, deep cleaning, repair if needed, and repackaging for future rentals. The platform "Our Runway" allows customers to view photos of **real users** wearing each item, making it easier to choose styles that suit their body type. This **enhances satisfaction and reduces return rates**.

### Revenue Model

Rent the Runway operates a hybrid of **transactional and subscription models**. Customers can either rent items individually or subscribe to monthly plans allowing for rotating wardrobe access. Subscriptions come with various tiers and benefits, providing recurring revenue and enhancing customer retention. Revenue also includes **fees** for extra items, late returns, or damage protection. As of 2019, the company had exceeded \$100 million in annual revenue. While not yet profitable, it dramatically reduced its cash consumption in 2024 and achieved major cost-saving improvements. By the end of Q3 2024, revenue reached \$78.9 million with a significantly lower net loss compared to 2023. The company projected reaching free cash flow breakeven by the end of the year.

### Lessons for Startups

Rent the Runway illustrates how identifying a specific, relatable consumer pain point can lead to a scalable business with cultural impact. The founders' **ability to adapt** (e.g., launching subscriptions, shifting categories, enhancing user tech) was critical. Startups should understand that fashion is not just about product, but about timing, experience, and access. **Leveraging data** to serve both customers and suppliers builds loyalty and strengthens value chains.

## Wrap-Up Questions Conceptual Questions

### What are the three main components of a business model, and how do they interact?

The three main components are:

- **Value Chain Design:** Encompasses all activities involved in product development, sourcing, manufacturing, distribution, and retail.
- **Value Proposition:** Defines the combination of products, services, and emotional or functional benefits offered to a target segment.
- **Revenue Model:** Refers to how the business earns money, including pricing, monetization formats (DTC, wholesale, commission), and customer relationship mechanisms.

These components interact continuously. The value chain supports the delivery of the value proposition, while the revenue model ensures the viability and profitability of delivering that value.



## Compare and contrast the value propositions of brands, retailers, and multisided platforms in the fashion industry.

- **Brands** focus on uniqueness, creativity, and emotional engagement through ownership of product design and storytelling (e.g., Moncler, Velasca).
- **Retailers** emphasize curation, convenience, and customer service by offering diverse product ranges from multiple brands (e.g., Sephora).
- **Multisided Platforms** prioritize accessibility, efficiency, and reach by connecting buyers and sellers while offering services like logistics or analytics (e.g., Farfetch).

## Case-Specific Questions

### How did Velasca leverage storytelling to establish its market presence?

Velasca utilized lifestyle storytelling via its online magazine “A Million Steps,” emphasizing Italian craftsmanship, slow fashion, and urban cultural themes. This narrative aligned with its direct-to-consumer model, resonated with its target demographic (urban professional men), and distinguished the brand in a crowded market.

### Explain how Moncler’s Genius Project disrupted the traditional fashion calendar.

Instead of seasonal collections, the Genius Project introduced monthly limited-edition collaborations. This continuous release model kept consumer interest high, allowed for constant media engagement, and required rapid, flexible supply chain adjustments—shifting Moncler from a traditional luxury brand to a cultural innovator.

### Discuss how Sephora integrates physical and digital retail to enhance the customer experience.

Sephora combines in-store experiences (makeup tutorials, beauty studios) with a robust digital infrastructure (mobile app, AI-driven personalization, online reviews). The “Beauty Insider” program integrates offline and online purchases, reinforcing loyalty and ensuring data collection for tailored services.

### How does Stitch Fix combine data science and human intuition to deliver its service?

Stitch Fix uses proprietary algorithms to analyze user data (style quizzes, purchase history, feedback) and generate product recommendations. Human stylists refine these suggestions based on contextual insights, creating a hybrid model that combines machine efficiency with personal touch.

## Analytical Questions

### What are the key factors for success in multisided platform models like Farfetch, and how do they differ from traditional retailers?

Key success factors for Farfetch include:

- Scalable tech infrastructure.
- Access to niche and luxury inventories globally.
- Value-added services (e.g., logistics, white-label solutions).
- Brand neutrality and global reach.

Unlike traditional retailers that buy inventory, Farfetch operates as an intermediary, earning commission without owning stock, enabling asset-light scaling.

### How does Rent the Runway’s approach align with trends in sustainability and the sharing economy?

Rent the Runway exemplifies the sharing economy by promoting access over ownership. Customers can rent high-end fashion instead of buying it, reducing overproduction and waste. Its logistics and reverse supply chain systems support sustainable consumption, appealing to eco-conscious consumers.



## Strategic Questions

### **How should emerging fashion brands balance direct-to-consumer (DTC) channels and wholesale strategies?**

Emerging brands can use DTC for control over branding, margins, and customer data. However, wholesale can accelerate brand awareness and access new markets. A balanced approach involves leveraging DTC for core storytelling and community-building, while using select wholesale partnerships for strategic reach and legitimacy.

### **What lessons can startupper learn from the scalability challenges faced by companies like Farfetch?**

Startups should:

- Build modular, tech-driven infrastructure for scalability.
- Maintain flexibility in partnerships and revenue streams.
- Avoid inventory-heavy models to manage risk.
- Ensure a consistent, high-quality user experience as they grow.
- Prepare for the complexities of operating across diverse markets with varying customer expectations and regulatory environments.





# Writing a Business Plan - The Basics

## Structure of the Plan

Although consultants and software tools exist to assist in creating business plans, no software or third-party service can substitute for the foundational thinking that **entrepreneurs** must bring to the process. For this reason, entrepreneurs should maintain ownership over the content and structure of the plan, even if they seek support in editing or formatting.

The importance of a business plan begins with its ability to **unlock external funding**. Lenders and investors need to see a rational and credible narrative before committing capital. However, the plan's value extends **beyond** fundraising:

- **Clarifies business fundamentals:** Writing the business plan forces you and your team to carefully examine every essential aspect of the venture, from strategy to operations, helping to align your thinking and surface critical considerations early on.
- **Invites valuable external feedback:** Presenting your initial draft to knowledgeable outsiders enables you to uncover flaws, overly optimistic assumptions, and missed opportunities. Addressing these issues before launch increases your credibility with investors and minimizes the risk of failure down the line.
- **Acts as an operational roadmap:** A well-crafted plan serves as a strategic guide for the first one to two years of activity. It outlines how much you can spend on staffing, marketing, and other expenses, and defines the key customer segments and performance benchmarks you aim to target.
- **Serves as a financial management tool:** The plan's financial forecasts double as a working budget. By comparing actual results with projections, you gain early warning signals when things deviate, prompting you to investigate and adjust your strategy accordingly.

Different readers require different emphases. A venture capitalist is likely to be interested in the scalability and exit potential of a venture, while a bank lender might focus more on cash flow and debt servicing capacity. For this reason, the business plan should be **tailored** in tone and structure to its audience. The best plans are those that **anticipate** the reader's concerns and answer them proactively.

The business plan is a comprehensive document that outlines a business opportunity, identifies the target market, and lays out in detail how the entrepreneurial team intends to pursue and capitalize on it. It explains the rationale behind the business idea, presents the resources required, details the team's qualifications, and projects future outcomes. A well-structured plan also functions as a **roadmap** for operations, a framework for decision-making, and a mechanism for **internal alignment**.

## Suggested Format

Although not rigid, the recommended **structure** is broadly applicable:

1. Contents
2. Executive Summary
3. The Opportunity
4. The Company, Products, and Strategy
5. The Management Team
6. Marketing Plan
7. Operating Plan
8. Financial Plan
9. Appendix (resumes, market research, product visuals, etc.)

Each section plays a **distinct role** and must be drafted with **care, clarity, and purpose**.



We analyze the example of “Lo-Carbo Foods Company,” a fictional firm producing low-carbohydrate food products.

## Executive Summary

The executive summary is perhaps the most critical section of the entire plan. Spanning two to three pages, it must serve as a standalone document that presents a **persuasive case** for the business opportunity. It must provide a **snapshot** of the entire business: what the product or service is, what market need it meets, what differentiates it from competitors, how large and attractive the market is, who is on the team, how much funding is needed, and what the financial returns are projected to be.

It is the first thing readers will see and, in many cases, the only thing they will read. It is often **written last**, once the full plan is complete.

## Opportunity

This section introduces the **market opportunity** the business aims to capture. It must demonstrate real, quantified, data-backed **demand**. Entrepreneurs must describe the current size of the market, its rate of growth, key consumer behaviors, relevant trends (technological, regulatory, or demographic), and pain points that remain unsolved.

In the case of Lo-Carbo Foods, the opportunity is in consumer health trends, particularly the rise of obesity and the popularity of low-carbohydrate diets. The entrepreneur must show a strong “fit” between what the market demands and what the business provides. This is also the place to outline the scope of the **funding request** and a high-level indication of how funds will be deployed (e.g., product development, marketing, operations, hiring).

A common issue is turning this section into a dump for market research; it is best to summarize essential facts in **narrative form**, while placing detailed studies and graphs in an appendix.

## Company, Products, and Strategy

Here, the business is introduced at the **entity level**. Its legal structure (e.g., LLC, S Corp, B Corp), founding story, core mission, and location are described. The section focuses mainly on the **products or services** offered (what they are, how they work, and most importantly, **why they are better** than what is already available).

Each **product** should be described not only in terms of function, but in terms of **customer value**. For Lo-Carbo, the value lies in taste, satisfaction, and health compliance. If the product is in development, the plan should include sketches or visualizations. If market-ready, photographs and testimonials are recommended.

The **strategy** portion explains how the business will **compete**: through cost leadership, premium branding, distribution convenience, customer experience, or technological innovation. What makes this firm’s approach distinctive? How will that differentiation translate into a sustainable advantage?

**Ownership details** (who owns what, any convertible notes or warrants issued, stock classes, and vesting arrangements) are also addressed here. For IP-intensive businesses, the existence of **patents** or **pending applications** should be clearly stated, along with information about **licensing** or **freedom to operate**.

## Management Team

Investors know that business success often depends on people. This section introduces the **founding team** and **key hires**, with detailed bios that include educational background, professional experience, and previous entrepreneurial ventures. Investors are looking for signs of competence, domain knowledge, adaptability, and commitment.

There are 14 questions that investors should ask about team members, including whether they can attract and retain talent, how they deal with failure, and what motivates them. An organizational chart, compensation table, and details on the **board of directors** (if any) should also be included.

For Lo-Carbo, the team includes a former VP of marketing from a major food brand, a PhD in nutrition, and a food manufacturing expert, all of which add **credibility** and signal **preparedness**.

### *Fourteen Personnel Questions Every Business Plan Should Answer*

- Where are the founders from?
- Where have they been educated?
- Where have they worked—and for whom?
- What have they accomplished—professionally and personally—in the past?
- What is their reputation within the business community?
- What experience do they have that is directly relevant to the opportunity they are pursuing?
- What skills, abilities, and knowledge do they have?
- How realistic are they about the venture's chances for success and the tribulations it will face?
- Who else needs to be on the team?
- Are they prepared to recruit high-quality people?
- How will they respond to adversity?
- Do they have the mettle to make the inevitable hard choices that must be made?
- How committed are they to this venture?
- What are their motivations?

## Marketing Plan

This section must show how the business will connect with its **target market**. It should begin with **segmentation** (who are the customers, what do they care about, how do they decide what to buy?). The plan should describe not only target **demographics** but also **psychographics** and **behaviors**.

Next come the **channels**: how will the product be distributed? Online, in stores, via third-party retailers, or through direct sales?

Then, **pricing**: what strategy is being used (penetration, skimming, value-based) and why?

**Promotion**: which tools will be used (social media, trade shows, SEO, referral programs), and what is the acquisition cost?

The plan should reference **competitor analysis** and show how the business intends to **position** itself. Credibility hinges on grounding these plans in data (customer interviews, pilot campaigns, or third-party research).

## Operating Plan

**Operations** involve everything from supply chain and logistics to physical plant requirements, inventory strategy, staffing, and regulatory compliance. For service businesses, this includes capacity planning and process design.

This section must make the reader feel that the founders understand **how** the business will actually run, and not just what it will offer. A well-thought-out operations plan signals that the team can manage complexity, control quality, and scale responsibly.

## Financial Plan

This section ties everything together in **financial projections**. It should include pro forma income statements, cash flow **forecasts**, and balance sheets for at least **three years**. These projections should be accompanied by a discussion of **key assumptions**: conversion rates, churn, margin expansion, cost structures, and capital expenditures.

**Charts and tables** should visualize sales breakdowns by product and channel, marketing costs, and projected runway. Sensitivity analysis can show how performance varies under different scenarios. Above all, the plan must answer the question about when the company will reach **break-even**, and how big it can become.

## Style and Final Advice

Once the substance of a business plan has been developed, the next step is to focus on **how** the plan communicates these ideas.

The first principle is **economy of language**. Business readers, especially investors and lenders, are highly selective with their time. As such, the document must be concise. This does not mean superficial, but every sentence should serve a purpose. **Sentence simplicity** follows.

Another essential element is **effective use of design and layout**. The document should be visually structured to support readability.

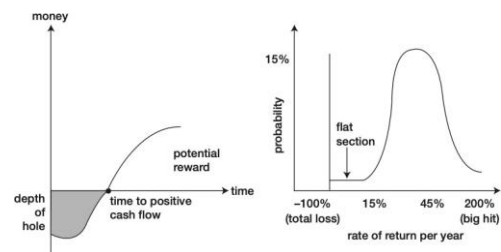
- Strategic use of headings and subheadings helps guide the reader through the logic of the argument.
- Short paragraphs improve pacing and prevent the eye from becoming overwhelmed.
- **White space**, far from being wasted, serves to give the reader breathing room and separates sections cleanly.

**Lists** are especially useful in communicating grouped ideas or processes, but shouldn't be overused:

- **Numbered** lists work well for sequential logic or step-by-step explanations.
- **Bullets** are ideal for parallel points of equal importance.

Financial data, in particular, is easier to understand when presented visually with charts, tables, or graphs. One powerful visual is a “time-to-positive-cash-flow” graph, which provides a snapshot of how deep the financial “hole” will be before the business begins generating returns, and how steep the climb back up will be.

However, overusing fonts, colors, clip art, and decorative effects, is more likely to give an unprofessional idea. The design should support the message, not distract from it, and the business plan is a strategic document, not an advertisement.



Investors are also looking for outcomes, so they will eventually ask: *How do I get my money back, and with what kind of return?* For this reason, the business plan should include a realistic and transparent **exit strategy**, such as acquisition, IPO, management buyout, or private equity transition. Even if the founders envision building the company long-term, they must demonstrate that investor liquidity is possible.





# The Branded Supply Chain

## The Supply Chain Decoded Supply Chain. An Ever-Evolving Concept

The concept of the supply chain has evolved significantly in recent decades. Initially defined as the linear and flow from raw materials to final products, it has now become a strategic engine enabling companies to deliver on the brand promise: the right product, in the right place, at the right time. The supply chain is no longer a background function, but a value-creating driver. It connects brands with consumers, fosters trust, transparency, and speed, and helps strengthen brand loyalty. Branding the supply chain means using it as a storytelling tool and a source of sustainable growth.

There exist three conceptual layers:

- **Linear Supply Chain:** Describes the step-by-step process from planning to delivery.
- **Global Supply Chain:** Maps international trade flows and logistics nodes.
- **Company Supply Chain:** Represents the internal structure of sourcing, manufacturing, and distribution.

Besides its initial process-focused meaning, the term “supply chain” also applies to:

- **Macro flows:** Industry-wide aggregations of trade activities and global production dynamics.
- **Corporate application:** How a company strategically configures its “make or buy” choices, operational processes, and sourcing decisions.

Fashion retailers like Zara and H&M exemplify the strategic use of supply chains. By reshoring production and creating proximity sourcing models, they have drastically improved responsiveness to customer demands. Supply chains today are powerful tools that can generate value, differentiate the brand, and even transform people's lives.

## Transformative Forces Behind Supply Chains' Evolution

Several forces have reshaped the supply chain landscape in recent years:

- **Customer Centricity:** Customization, responsiveness, and speed.
- **Globalization:** Industrial migration, fragmentation of sources, and sustainability.
- **Digitalization:** Visibility, virtualization, and intelligent systems.
- **Covid-19:** Triggering reshoring, agility, and ecosystem coordination.
- **Omnichannel:** Integrated retail models and cross-platform logistics.

### Customer Centricity

As power shifts to consumers in a C2C economy, supply chains must adapt to higher expectations for transparency, variety, and rapid delivery. Supply chains must now make their internal operations visible and accountable to final consumers.

### Globalization

Since the 1990s, globalization enabled firms to reduce production costs by relocating to low-cost countries. However, rising labor costs in China and geopolitical tensions have triggered a partial return to countries like India or Vietnam. In addition, the rise in product variety and shorter product lifecycles has made forecasting difficult, prompting firms to reconsider the trade-off between cost and responsiveness.

### Digitalization

Digital transformation supports the integration of ERP systems, IoT, AI, and advanced analytics into supply chain operations. These tools improve real-time visibility and allow for better resource planning and agility. Still, **data**



**management** and **visibility** remain major hurdles. If not well-governed, data overload can cripple organizational effectiveness. Emerging technologies like blockchain and RFID also promise better transparency and traceability.

## Omnichannel

The shift from multichannel to omnichannel strategies has redefined supply chain priorities. Rather than optimizing sales in isolated channels, companies now strive for seamless experiences across platforms. In supply chain terms, the major impact is seen in inventory, logistics, and fulfillment complexity. Companies like Farfetch illustrate this shift by enabling global inventory visibility and integrating independent retailers worldwide.

## Pandemic and Re-shoring

The pandemic accelerated digital and logistical transformations. Lockdowns highlighted the fragility of distant sourcing, encouraging **re-shoring initiatives**. Re-shoring reduces time-to-market and mitigates risks like exchange rate fluctuations and inventory obsolescence. Political and trade shifts (e.g., new EU textile trade zones) have also prompted companies to reassess their supply chain footprints.

## Strategic and Functional Transformation

Two major shifts define the modern supply chain:

1. **Structure:** The traditional linear model has evolved into complex, networked ecosystems.
2. **Role:** Supply chain functions have merged into a unified model spanning procurement, planning, production, and logistics.

Today, the supply chain is a strategic **facilitator**, not just an executor. It supports brand agility and resilience in an era that demands transparency and rapid adaptability.

## From Risk Mitigation to Value Generation

Because of its role as the **orchestrator of virtually all physical activities** in an organization, the **supply chain** has always been exposed to risks of failure, stemming from both human and business vulnerabilities. Traditional responses to these risks include **mitigation plans**, **what-if scenarios**, and **contingency plans**. However, the increasing complexity of supply chains has led to a more structured, articulated approach. Companies today are expected to proactively **assess and categorize risks**, not only to prevent failure but also to strengthen value creation and long-term brand positioning. Risks can be classified into two particular types:

- **Strategic Risks:** Strategic risks tend to impact the **entire competitive landscape** of a company.
  - **Disruptive:** They can alter the industry itself, as seen with technological shifts or regulatory upheavals.
    - Tech disruption
    - Industry disruption
    - Regulatory exposure
    - Macro-economic turbulence
  - **Reputational:** They can **undermine stakeholder trust** and threaten the brand's equity, often dramatically and quickly, especially in the digital era.
    - Reputational exposure
    - Misalignment with stakeholder expectations
    - Media pressure
    - Misinformation
- **Operational Risks:** Operational risks emerge from **inefficiencies in execution**, failures in technology or planning, or the financial and logistical constraints that arise in daily operations. These risks can cause immediate and visible disruptions to supply chain continuity and cost control.
  - **Managerial**
    - Performance mismanagement



- Inventory control
- IT and system failure
- Supplier loss
- Planning failure
- Organizational disalignment
- **Financial**
  - Exchange rates
  - Inflation
  - Legal requirements
  - Cost escalation
  - Cash flow constraints
- **Physical**
  - Asset location
  - Loss of assets
  - Fatalities

## Operational Risks

Operational risks might materialize in various forms. Examples include **poor demand forecasting**, **system breakdowns**, or **lack of inventory monitoring**. An organizational glitch or an **unforeseen disaster**, such as a fire at a supplier's facility, may halt operations entirely if no contingency plan is in place.

Moreover, **financial operational risks** are often triggered by **external shocks**, such as exchange rate volatility, inflation, or tightened access to credit due to new regulations or duties. These create bottlenecks that affect liquidity and cost structures throughout the supply chain.

## Strategic Risks

Strategic risks have become even more central in today's environment due to two trends:

1. **Disruptive forces**: technological advancements and macroeconomic shifts are creating **fast-changing landscapes**. Organizations must become agile and resilient to anticipate and respond to these disruptions quickly and effectively.
2. **Reputational exposure**: it is becoming more frequent and visible due to rising transparency demands. Incidents such as unethical labor conditions, environmental scandals, or safety issues can **destroy consumer trust overnight**. These "**reputation-killing issues**" are often amplified by social media and the press.

This creates a need to shift from a **reactive-defensive** stance to a **proactive and constructive** one. Supply chain management must align with corporate strategy, adopt the logic of relevance, and understand how and where it can create value.

Examples include:

- A viral photo of child labor in a sweatshop.
- A pesticide scandal in the food industry.
- Workplace discrimination or unethical management practices.
- Corruption and bribery exposed by whistleblowers.

Such events can cause a brand's **value to evaporate in seconds** in the eyes of both consumers and stakeholders.

Among all types of risks, **reputational risk** is now viewed as the **most immediate and pragmatic call to action**.

With an increasing share of brand value coming from intangible assets, any damage to reputation can be devastating. For this reason, the supply chain must be managed not only as an engine of efficiency but also as a **guardian of brand integrity and public trust**.

Supply chain decisions must also weigh:

- **The opportunity dimension:** Sourcing from low-cost countries may offer savings but results in risks such as long delivery times and rigid value propositions.
- **The reputational dimension:** Companies must ask themselves, *“What is it worth to risk being exposed on the misconduct of my remote supplier?”*

Understanding supply chain’s strategic connections becomes essential. As Antoine Arnault (LVMH Group) said: *“Nearly 90% of the questions job applicants ask us relate to sustainability and ethics issues.”*

## Supply Chain Finance 2.0

With multilayered and fragmented supplier networks, particularly in sectors like fashion and food, building trust and financial health within the supply chain is increasingly important. A leader with **strong brand awareness, sizable revenues, and sound financial profile** can support its ecosystem by enabling **access to wide financing opportunities**.

However, **small suppliers** often lack structure, limiting their credit profile and access to funding.

Supply chain finance enables strategic suppliers to benefit from the stronger credit profile of their buyer (called the “pivot”). A lender (bank or fintech company) assesses the pivot’s creditworthiness and extends it to suppliers. This strengthens partnerships throughout the supply chain.

During the Covid-19 crisis, supply chain finance helped suppliers in financial difficulty and became a **chance for survival**. However, its effectiveness is limited when communication between supply chain managers and CFOs is lacking.

### How Fintech is Changing Traditional Supply Chain Finance

The **supply chain finance market** is expanding rapidly. In Italy, average Days Sales Outstanding (DSO) is 74 days, the longest in Western Europe. The total volume of trade receivables exceeds €637 billions, offering significant opportunities.

Globally, China’s market is set to reach USD 2.7 trillion, with fintech and eCommerce platforms outpacing traditional banks.

After 2008, banks, due to **Basel III regulations**, became more conservative, pushing **fintech startups** to offer **alternative models**. These connect SMEs to investors through platforms, often bypassing banks.

While commercial banks are dealing directly with customers and managing the full credit process, different specialized players operate in the unregulated nonmature Fintech market:

- **Cash Seekers:** Companies seeking alternatives to banks.
- **Cash Exploiters:** Use supply chain liquidity for small supplier financing.
- **Working Capital Brokers:** Match clients and institutional investors.
- **Compass Startups:** Provide transparency and comparison tools.

### A Wide Range of Solutions

Some viable solutions are the following:

1. **Reverse Factoring:** The pivot supports its suppliers by allowing early payment at favorable rates.
2. **Advance Invoice:** A bank pays the supplier a portion of receivables upfront.
3. **Factoring:** The supplier sells receivables to a financial company. This can be done with or without recourse (the latter transfers risk entirely).
4. **Invoice Trading:** Receivables are auctioned on fintech platforms. This allows access to cash without banks and reduces discount rates.

### Innovative Fintech Supply Chain Finance Tools

Fintech expands on traditional tools:





- **Purchase Order Finance:** Advances funds to fulfill orders.
- **Dynamic Discounting:** Offers discounts based on days paid in advance.
- **Equipment Financing:** Supports the purchase of durable goods.

## The Credimi Case

Credimi is a leading Italian fintech player in supply chain finance. Founded in 2015, it has lent over €1 billion. With more than 2,500 requests per month during the pandemic, its branchless model combines **automated scoring** and **human judgment**. Credimi's scoring process consists of:

1. **Octopus:** Gathers data from multiple sources like "Centrale dei Rischi".
2. **Jessica:** Screens fraud and inconsistencies.
3. **Know Your Customer:** Final decision by an analyst.

Its low loss ratio (1%) is due to robust systems and "Reverse Factoring without recourse." It collaborates with selected "Partners" and operates based on defined plans and pre-approved supplier portfolios.

## Models of Supply Chain Governance

### Supply Chains: From Markets to Ecosystems

Modern supply chains are no longer linear or simple. Most brands today operate in multi-tiered, demand-driven networks with little upstream visibility. A single shipment may involve over 200 interactions across more than 25 partners. As a result, supply chains must now also ensure **traceability**, **supplier quality**, **legal compliance**, and **certification tracking**. Understanding how the supply chain operates is now a **crucial foundation** for brand strategy.

## A Governance Framework

According to the Boston Consulting Group, supply chain governance can be mapped along two key dimensions: the **need for modularity** (the ability to disaggregate and reconfigure parts) and the **need for coordination** (the synchronization of all supply chain functions). These dimensions define four governance models:

### 1. Vertically Integrated Organization

In this model, the company performs all critical activities in-house. It guarantees control, scale efficiencies, and strategic power. It is especially favored in industries like luxury fashion (e.g., Louis Vuitton, Hermes, Bottega Veneta) and high-tech (e.g., Tesla), where high quality, proprietary capabilities, or volume are key. It is a good fit when supplier reliability is low or when strategic competencies must be kept internal.

### 2. Hierarchical Supply Chain

Here, the company outsources activities to external suppliers but retains strong interdependence. Products are often customized, and buyer-supplier collaboration is high. This model can be **contractual** (with binding legal terms) or **relational** (based on trust, shared values, and mutual flexibility). Examples include Nike and H&M. Unlike full integration, coordination is still crucial due to external dependency.

### 3. Open Market

This model relies on independent and uncoordinated suppliers, offering standardized commodities in a competitive setting. Modularity is high, but coordination is minimal. While cost-efficient, it lacks differentiation potential.

### 4. Business Ecosystem

The most sophisticated model. High modularity is matched by a strong need for coordination. The company works with a wide array of partners, including institutions, to co-create offerings. Each participant influences and is influenced by the others, allowing the ecosystem to adapt to fast-changing environments. Ecosystems are



flexible, resilient, and particularly suited to digitally enabled, high-volatility contexts. Apple, Uber, and Garmin follow this model.

## The Two Dimensions of Business Ecosystems

### A micro dimension (company level)

A micro-business ecosystem functions as a captive system where a specific company or brand becomes the “control tower” and central hub of a selected network of actors. This brand coordinates and orchestrates the actions of partners and institutions across the supply chain, taking a leading role in building and maintaining trust, efficiency, and collaboration among all involved parties. The case of **Li & Fung Group** exemplifies this model.

### A macro dimension (country or industry level)

A macro-business ecosystem is led by a group of organizations with a **broad goal**: to support an industry or group of organizations sharing a common interest. These ecosystems typically emerge through initiatives such as industry standards, lobbying activities, or knowledge management and dissemination. Common examples include industrywide associations. In this context, the **Italian Tanners' Association** serves as a representative case.

## Why Ecosystems Are the Future of Supply Chains

Today's purpose-driven organizations require equally evolved supply chains. Linear and siloed systems no longer suffice. Instead, companies must:

1. **Enter new channels and categories**, embracing diverse knowledge and partnerships.
2. **Acknowledge the interconnectedness** of brand image, operations, and reputation.
3. **Foster resilience through diversity**, benefiting from risk distribution and collective adaptability.

## Case Study: Li & Fung – A Supply Chain Orchestrator

Li & Fung began as a Hong Kong-based textile exporter in the 1950s. Over the years, it evolved into a global supply chain orchestrator. It manages complex end-to-end supply chain and logistics solutions for major FMCG and fashion brands.

With over **17,000 employees** across 230 locations in more than 50 countries, Li & Fung **does not own any factories**. Instead, it acts as a **control tower**, managing and coordinating suppliers and partners at a macro level through a **networked ecosystem**.

Li & Fung's model mirrors that of Uber. Like Uber connects drivers and passengers, Li & Fung connects global factories with Western retailers. It offers:

- Private-label manufacturing
- Product development, design, and sampling
- Digital and financial solutions
- Benchmarking systems to track supplier performance

The company sits at the center of a web of interconnected actors, which ranges from factories and logistics firms to digital solution providers and innovation hubs.

The company has faced increasing disruption due to:

- The shift from **cost optimization to speed-to-market**
- Erosion of trading margins
- **Rising tensions and costs in China**, prompting diversification •

Retail and tech disruption from Amazon and Alibaba

- The **Covid-19 pandemic**, which exposed fragilities in global supply chains

Li & Fung envisions a supply chain that is **multi-dimensional, seamless, and tech-enabled**. Its future rests on two pillars:

1. **Innovation:** Li & Fung is reinventing its ecosystem:

- Streamlining sourcing and relocating production beyond China
- Embracing **3D design** and digital fitting to accelerate speed
- Partnering with institutions like MIT and Singularity University

2. **Sustainability:** The company launched a holistic **Sustainability Strategy** in 2009. It aims to integrate ESG (Environmental, Social, and Governance) into every operation. Its **four pillars** are:

- **Supply Chain Sustainability** •

**Engaging Our People**

- **Our Communities**
- **Managing Our Footprint**

A dedicated 30-member team oversees compliance across 12 countries. Additionally, the **Li & Fung Foundation** supports social initiatives, education, and disaster relief.

Three key focus areas define Li & Fung's ESG initiatives:

1. **Environmental resilience:** Monitoring supply chain safety, transparency, and ethical conduct.
2. **Community engagement:** Strengthening employer branding and encouraging employees to become ambassadors in their local communities.
3. **Leadership and circularity:** Promoting recyclability and the reuse of garments, collaborating with global platforms like the **Global Fashion Agenda**.

## Italian Tanning. A Macro Ecosystem Based On Sustainable Development

Leather tanning is a complex industrial activity connecting upstream livestock and the global meat industry with downstream sectors like fashion and luxury. Italy leads in high-quality tanning, particularly for leather goods, footwear, furniture, and automotive interiors. Despite its past association with pollution and social impact, the **Italian tanning sector** has become a model of **sustainability**, thanks to its location in industrial districts and the development of a **circular ecosystem**. This ecosystem enables the exchange of materials, water, and know-how among companies from various sectors, aiming to reduce waste and maximize resource efficiency, mimicking natural ecosystems.

The major Italian tanning districts are located in Arzignano (Veneto), Santa Croce and Ponte a Egola (Tuscany), and Solofra (Campania). Over the decades, these districts have created a dense, efficient network of consortia, services, and firms. This evolution led to the emergence of a **macro-business ecosystem guided by shared goals**. These organizations promote information exchange, adopt best practices, and cooperate despite market competition. In crises, tanneries often attract investment due to their resilience and reputation. A notable example of innovation is SICTIC, a global leader in hydrolysis regeneration technology.

UNIC, the Italian Tanners' Association, has represented the sector since 1946. It advocates for both **economic and social interests**, while actively supporting innovation and environmental responsibility. Composed of 200 companies (often competitors), UNIC promotes collaboration within a neutral, cooperative environment. It also encourages alignment between investors and industrial stakeholders, especially during times of market crisis. Moreover, it has emphasized acquisitions, sustainability, and reputational risk management as key strategic areas.

The three challenges for building a **transparent and sustainable ecosystem** are:

1. **Sustainability in business models and product standards**

Mislabeling and poor transparency in the tanning sector often mislead consumers, especially concerning sustainability claims. Synthetic materials such as plastic-based or petroleum-derived alternatives compete with natural leather. Industry communication has been limited and technical; hence, the Association now targets a wider audience with more emotional and engaging campaigns to explain the benefits of real leather.

2. **Sustainability and transparency**

Historically, tanning required large quantities of water. Italy's tanneries addressed this by investing in water treatment systems long before regulations mandated them. Today, the sector also focuses on safe chemicals,

improved waste management, and occupational safety, while pushing for a fairer price of sustainable leather goods.

### 3. Economic sustainability of the system

Leather producers often bear sustainability costs (4% to 10% of total costs), which aren't reflected in buyer prices. Especially for SMEs, this leads to difficulties in financing and upgrading practices. The Association supports members by offering education, training, and tools to help meet sustainability standards. However, there remains a critical risk of "sustainability of sustainability": without shared understanding and value recognition, miscommunication between upstream and downstream players can undermine the entire ecosystem.

## Toward the Age of Transparency Supply Chain Transparency

A general definition of **transparency** refers to making relevant information available to all stakeholders in a way that supports understanding, accessibility, clarity, and comparison. Over time, transparency has evolved from a marginal concern into a complex, multifaceted concept.

According to MoT, there are **four ideal types of transparency** in value chains, depending on who discloses the information and for what purpose:

- **Regulatory transparency:** carried out by regulators, ensuring legal compliance.
- **Consumer transparency:** aimed at consumers, to convey product safety and origin.
- **Public transparency:** aimed at the general public, concerning ethical practices.
- **Supply chain transparency:** carried out by firms and suppliers, focused on improving internal processes and building trust.

Transparency includes not only reporting to stakeholders but actively engaging them and using their feedback and input to both secure buy-in and improve supply chain processes.

There are **two essential elements** of supply chain transparency:

1. **Visibility:** Involves identifying and collecting data across all links in the supply chain, such as supplier names, production conditions, and company sourcing decisions. Technology (barcodes, RFID, cloud, blockchain) facilitates this.
2. **Disclosure:** Refers to how much information a company decides to share. The level of disclosure is influenced by regulation, corporate culture, acceptable risk, and brand strategy.

"One size fits all" **is not the solution** for supply chain transparency. Transparency strategies must adapt to: •  
the specific industry

- brand positioning
- business model

Companies need to reflect on:

- What does transparency mean to us?
- How many suppliers do we have?
- What information are we willing (or able) to disclose?

Some firms **intentionally withhold** data due to competitive concerns or lack of systems. Others **fully disclose** as part of their branding and strategic positioning.

### Case Studies: Patagonia and Everlane

**Patagonia** faced severe traceability issues in its wool supply chain. After PETA released footage in 2015, the company stopped sourcing from Ovis 21 and, by 2018, declared all wool used complied with the **Responsible**



**Wool Standard**, ensuring ethical animal treatment and land practices. Other companies like H&M and REI followed.

**Everlane**, a California-based e-tailer, built its brand on radical transparency. Since 2010, it has disclosed markups, supplier locations, and labor policies. However, Everlane has also faced criticism for **greenwashing**, union-busting, and not fully disclosing internal sustainability performance. In 2019, the brand received a “not good enough” sustainability rating from Good On You for lacking transparency on wages and environmental metrics.

## Supply Chain Transparency Regulations: from Mandatory to Voluntary

The global regulatory landscape has shifted from **mandatory regulations** to **voluntary initiatives**. While mandatory frameworks often initiate the process, recent trends show voluntary approaches overtaking them in many industries.

One key milestone is the **California Transparency in Supply Chains Act (2010)**, which imposed mandatory disclosure of supply chain practices to combat slavery and human trafficking. This law sparked a new era of international regulatory transparency:

- **UK Modern Slavery Act (2015)**
- **China's regulations** on hazardous substances (2015, 2019)
- **EU Timber Regulation (2013)**

Governmental regulations often have a **long-term vision** but are difficult to implement internationally and tend to be slow-moving. They typically **do not impose obligations** on companies to identify or correct labor conditions unless violations are legally confirmed. For instance, Brazil introduced a “dirty list” in 2003 to name companies exploiting forced labor, restricting their access to public funds and triggering market responses like boycotts.

Following the **Rana Plaza disaster** in Bangladesh in 2013, which killed over 1,100 garment workers, there was a surge in **voluntary disclosure initiatives**. These efforts addressed a growing list of issues: child labor, gender discrimination, working conditions, climate change, and more. They are **driven by non-governmental bodies**, brands, or certifiers that invite companies to **voluntarily disclose** and improve.

This movement has led to a **global Industry of Transparency** populated by:

- **Multi-Stakeholder Initiatives (MSIs)** •

**Non-profit organizations**

- **Certifiers and digital platforms**

These initiatives vary by scope:

- **Industry-specific** (e.g., textiles, wood, fishing)
- **Transversal** (e.g., child labor, carbon impact, chemicals)

Despite some criticism as “greenwashing,” this ecosystem is growing and beginning to resonate more clearly with **final consumers**.

## Voluntary disclosure initiatives in the fashion industry

The global **textile and fashion industry**, valued at over \$3.3 trillion, is a major environmental polluter and labor employer. It:

- Consumes vast amounts of water, oil, and chemicals
- Employs around 400 million people, many in precarious conditions

Despite these issues, **half the companies evaluated** by the Corporate Human Rights Benchmark (CHRB) in 2020 **failed to show evidence** of addressing human rights in their supply chains.

However, a **growing number of voluntary initiatives** is emerging, forming a **complex, fast-evolving transparency ecosystem**. These initiatives can be segmented into four groups:

1. **Certification and auditing organizations**



They offer standards on topics such as cotton sourcing, farmer welfare, child and forced labor, organic production, chemical use, and more. Examples include:

- Better Cotton Initiative
- Child Labor Free
- GOTS
- OEKOTEX 100
- Responsible Down Standard

## 2. Market transparency and data platforms

These are **digital tools** and **traceability platforms** that enable companies to manage transparency in real time. Examples:

- SourceMap
- Higg Index
- Open Apparel Registry

## 3. Ranking and reporting bodies

These organizations compare **participants across different transparency tracks**, helping consumers evaluate company progress. Example:

- Fashion Transparency Index
- Rank a Brand
- Sustainable Cotton Ranking

## 4. Alliances, pacts, and campaigns

These include **multi-stakeholder initiatives** with broad goals, such as reducing environmental impacts and enhancing openness. Examples:

- Fashion Pact
- ZDHC
- Global Fashion Agenda
- Sustainable Apparel Coalition

These collective efforts have led to a **significant rise in brands disclosing their tier-1 supplier lists**. However, most initiatives still target **the business side**, and **rarely** communicate directly with final consumers.

# Blockchain as a Technology for Supply Chain Transparency

**Blockchain** offers new tools for transparency. It is:

- A **peer-to-peer network** that records each transaction with a **digital ledger**
- Highly secure, **tamper-proof**, and **encrypted**
- Called the “**technology of trust**”

Though it does not guarantee truth or traceability on its own, when **paired with smart RFID tags and third-party certifications**, blockchain becomes a **powerful enabler**. It allows:

- Real-time product tracking
- Authentication of origin
- Interaction between consumers and brands

**Luxury brands** such as **LVMH**, **Farfetch**, **Vacheron Constantin**, and **De Beers** are embracing blockchain. According to Arcangelo D’Onofrio (Temera), post-pandemic luxury needs a digitally traceable supply chain to optimize procurement and logistics.



Davide Baldi (Luxochain) suggests that recording **product lifecycle data** creates trust and enables brand protection, especially in **second-hand markets**. Consumers can verify authenticity through **blockchain-enabled digital certificates**.

### Case Study: VIRGO Blockchain Platform

**VIRGO** is an Italian blockchain platform launched in 2018 for **luxury brands**. It supports transparency and certification from raw material purchase to resale. Key features are:

- Provenance
- Transparency
- Tamper
- Ownership tracking
- evidence
- Consumer insights
- Traceability

VIRGO helps brands tackle **counterfeiting**, enhance **brand storytelling**, and communicate product **authenticity** via digital passports.

## Insight: Mutti, Building a Transparent Supply Chain

The tomato, once considered an ornamental fruit by the Spaniards, began to gain culinary importance in Europe only in the 19th century. As industrial food production expanded, so did the transformation of tomatoes into canned and preserved goods. After World War II, this sector benefited from automation and European subsidies, though over time it grew increasingly shaped by low margins and "just in time" supply logic. Tomatoes, being highly seasonal, require careful cultivation that respects their natural cycles and crop rotation rules.

Today, the United States, Italy, and China are the world's leading producers, with Italy especially recognized for the quality and traceability embedded in its **"Made in Italy"** model.

Italy is widely regarded as a benchmark in the tomato industry for its high product standards and robust local production systems. In this context, **Mutti** has emerged as a symbol of Italian excellence.

Founded in 1899, the company has built its reputation on **product quality** and **stable partnerships with farmers**. Its most recent transformation began under the leadership of **Francesco Mutti**, who took over as CEO at the age of 25 with a clear mission: to "bring the tomato to its maximum expression." His vision shifted the company from a low-growth, low-margin environment toward one of sustainable profitability. From a turnover of €11 million in 1993, Mutti reached €400 million in 2020, while maintaining a strong export share of 40%.

Mutti's success stems from its ability to combine product quality with a clear strategic framework. The company recognizes that **sustainability** includes how food is grown, processed, distributed, and perceived.

This approach is based on two guiding principles:

- **Category premiumization**

Quality for Mutti begins with the product. It means offering tomatoes that are sweet, velvety, and consistent. The brand has invested in differentiating itself through innovation and high standards.

- **A virtuous ecosystem of relationships**

Mutti involves not only consumers and trade partners but also farmers, employees, distributors, and local institutions. Everyone is part of the value creation process, and building long-term, respectful relationships is central to how the company operates.

Mutti integrates **ESG (Environmental, Social, and Governance)** criteria directly into its supply chain and strategy. Rather than treating sustainability as a separate initiative, the company embeds it into concrete actions and partnerships.

Nature is a core part of Mutti's identity, and several initiatives reflect this commitment:

- It was the **first company in Italy to calculate water consumption** throughout its production cycle and adopted smart irrigation systems to optimize usage.
- In collaboration with **WWF Italy**, it launched biodiversity projects like *Agri-Nature* and *Bio-Blitz*, protecting flora and fauna and helping to preserve the local ecosystem.



Mutti's strong corporate culture is built on transparency, ethics, and long-term relationships. The company prioritizes people: developing their skills, offering digital training and coaching, and attracting talent with a low turnover rate. It also supports farmer development through incentives and educational projects.

In 2016, Mutti opened to external capital by partnering with **Verlinvest**, a Belgian investor that acquired 24.5% of the company. Verlinvest was chosen not only for its resources but for its **shared long-term vision** and cultural compatibility. This partnership enabled Mutti to expand internationally while staying true to its identity as a family-driven business.

Mutti recognizes that serious ESG commitment can drive up costs. Yet it firmly believes that building a **responsible supply chain** is a shared task between companies, institutions, and suppliers. The company has defined **five impact areas** where it can take direct and proactive action:

1. **100% automated harvesting:** Since 2018, all harvesting is done mechanically to prevent illegal labor practices.
2. **Full tomato traceability:** Every step of the tomato's journey (from field to packaging) is tracked to ensure quality and accountability.
3. **Price incentives:** Since 2000, Mutti has rewarded farmers who produce higher quality tomatoes with financial incentives.
4. **Collaboration with certified farmers only:** As of 2019, all of Mutti's Southern Italy growers are certified for ethical and environmental practices.
5. **Reporting of wrongdoing:** Mutti launched a secure online whistleblowing platform in 2019, allowing partners to report supply chain misconduct with full confidentiality.

Mutti's approach to transparency and sustainability has evolved. What began as a top-down directive from leadership has grown into a **bottom-up culture of shared accountability**. Today, these values are embedded in every relationship, positioning Mutti as a model for building a truly **transparent and branded supply chain**.



## FOR DOUBTS OR SUGGESTIONS ON THE HANDOUTS



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