



A.Y. 2024/2025

BLAB

HANDOUTS

ENTREPRENEURSHIP AND STRATEGIC INNOVATION IN THE FASHION INDUSTRY -NOTES-

WRITTEN BY

MATILDE BALDINI



TEACHING DIVISION

“

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.





Setting the Scene of Fashion and its Global Challenges

What is Fashion?

Fashion is a multifaceted industry that blends creativity, self-expression, industrial production, branding, and business strategy. At its core, fashion serves as a **visual language** through which designers communicate.

Fashion exists as both a form of **artistic expression** and a **commercial industry**, shaped by cultural influences, social movements, and external content creators. The business side of fashion involves elements such as **fashion weeks, runway shows, influencer marketing, textile and fiber trend analysis, and high-profile events like the MET Gala**. These factors shape trends and consumer preferences.

Fashion is the expression of the self, the brand, and **creativity**, a connection with art influenced by archives but also by future visions. It can be interpreted differently, providing freedom but also necessitating an understanding of established codes. **Industrially** replicated in sizes, it is a heavily branded business where pricing power is linked to the brand's associations and intangible value.

A defining feature of the industry is **seasonality**. Collections evolve from one season to another, with short product cycles lasting only a few months. However, creating these collections requires a long and complex process that takes nearly a year. This **high-risk** structure necessitates high prices and margins, as full-price sales must cover markdowns during sales periods. Some luxury brands opt never to discount in order to maintain exclusivity and pricing integrity.

Fashion is also one of the most impactful industries in terms of **ESG (Environmental, Social, and Governance)**, particularly in the realm of **fast fashion**, where sustainability concerns, labor ethics, and environmental waste remain critical issues.

Segmenting Fashion and Luxury

By Product Category

Fashion and luxury goods are divided into two primary categories:

- **Apparel** spans multiple segments, from casual wear and sportswear to high fashion and couture.
- **Accessories**, including **leather goods and footwear**, play an essential role, often generating greater profitability than apparel. Items like handbags, shoes, and small leather goods function both as practical items and as **status symbols**, making them key drivers of revenue in premium and luxury sectors.

The **apparel industry** stands as a significant contributor to the global market, with **apparel items** accounting for **37%** of turnover of Italian textile and fashion industry, and it has exhibited steady growth over the years. Despite a dip in **2020**, the market quickly rebounded, reflecting its resilience and capacity for expansion. This growth is driven by factors such as the **rising global population, increased middle-class purchasing power, and heightened demand from emerging markets**.



The **digital transformation** of retail, spurred by **e-commerce** and **AI-driven personalization**, is fundamentally reshaping consumer shopping behaviors. **Fast fashion** and **ultra-fast fashion** continue to thrive, while the rise of **sustainability** and **circular fashion** underscores a growing consumer focus on ethical choices. **Luxury apparel** remains a strong sector, supported by exclusivity and strategic brand collaborations.

Innovation plays a pivotal role in market growth, with advancements in **smart textiles, material science**, and the expansion into the **metaverse** unlocking new revenue streams. The influence of **social media** and **influencer marketing** accelerates consumer engagement, while shifts in **urbanization** and **hybrid work lifestyles** are



redefining fashion preferences. As the industry adapts to these evolving dynamics, it remains poised for continued expansion and diversification.

By Occasion of Use

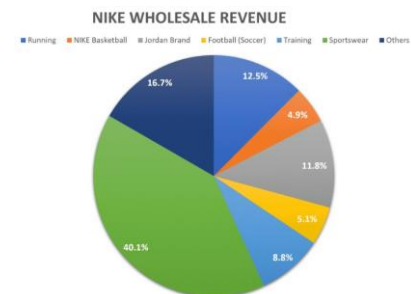
The occasion of use is also critical in segmentation, as brands diversify their offerings based on different lifestyle needs, whether for casual wear, formal events, or activewear.

Brands often establish themselves by focusing on a **single product** or **specific category** before expanding into broader markets. For example, *Moncler* initially specialized in **winter outerwear**, while *Nike* began with **basketball shoes**. These initial offerings help define a brand's identity, creating a strong foundation that can later support diversification into new **categories** and **occasions of use**.

As brands grow, they strategically broaden their product ranges, tapping into adjacent markets to attract a wider consumer base and strengthen brand loyalty. This process includes diversifying into sectors such as **casualwear**, **accessories**, and **lifestyle products**, enabling brands to cater to varying consumer needs and preferences.

Moncler exemplifies this expansion strategy by moving beyond outerwear to include collections in **hi-tech**, **luxury**, **streetwear**, **sportswear**, **outdoor wear**, **sport & wellness**, and **fast fashion**. This approach allows the brand to maintain its luxury positioning while appealing to a broader audience.

Similarly, *Nike* has expanded its product lineup well beyond basketball shoes, as reflected in its **wholesale revenue** distribution. Sportswear leads with 40.1% of revenue, followed by running (12.5%) and the *Jordan* Brand (11.8%). Other notable segments include football (soccer) (8.8%), training (5.1%), *Nike* Basketball (4.9%), and various other categories contributing 16.7%.



By leveraging strong brand identities and continuously innovating, companies like *Moncler* and *Nike* successfully navigate new markets, ensuring sustained growth and deepening consumer engagement.

Fashion Market Segments by Occasion of Use		
Casualwear	Brands: Uniqlo, Levi's, H&M, Zara, Gap, Mango, COS	Everyday clothing, denim, basics
Sportswear	Brands: Nike, Adidas, Puma, Under Armour, Lululemon, Reebok	Activewear, performance gear, athleisure
Workwear	Brands: Hugo Boss, Brooks Brothers, Zegna, Massimo Dutti, J.Crew	Formal office wear, business casual
Eveningwear	Brands: Ralph Lauren, Giorgio Armani, Tom Ford, Versace	Cocktail dresses, suits, gala attire
Luxury	Brands: Chanel, Louis Vuitton, Prada, Dior, Hermès, Valentino	High-end designer fashion, couture
Streetwear	Brands: Supreme, Off-White, Fear of God, Stüssy, Palace	Urban-inspired, hype-driven fashion
Outdoor	Brands: The North Face, Patagonia, Arc'teryx, Canada Goose	Technical clothing, outerwear
Resortwear	Brands: Zimmermann, Missoni, Jacquemus, Emilio Pucci	Beachwear, cruise collections, summer essentials

Beyond direct sales, many luxury brands generate income through **licensing agreements**. Rather than producing and distributing every product themselves, they often grant specialized companies the right to manufacture and sell items such as beauty products, watches, and eyewear under their brand name. Major players like *L'Oréal*, *Fossil*, and *Luxottica* handle production and distribution in these segments, allowing luxury brands to extend their reach without managing every aspect in-house.

In this arrangement, the licensing company / **licensee** gains the right to use the brand name in exchange for royalties, which represent a percentage of wholesale sales. This strategy not only ensures the brand's presence in a wider range of markets but also strengthens its positioning across different lifestyle categories. By maintaining control over product quality and design while leveraging external expertise, luxury brands successfully balance exclusivity with global accessibility, reinforcing their status as leaders in the fashion industry.

By Price

Fashion brands can be classified based on their price positioning and seasonality approach:

1. **Luxury Brands:** They are known for their exclusivity, high-quality materials, craftsmanship, and heritage.
2. **High Designer Fashion:** They are positioned as fashion-forward, high-end brands with distinctive designs.
3. **Premium Brands:** These brands are more affordable than luxury but still maintain premium quality and brand prestige.
4. **Fast Premium Fashion:** These brands offer trendy fashion but at a higher price point than fast fashion retailers.
5. **Mass Basic Retailers:** These brands focus on affordable, everyday basics rather than fashion trends.
6. **Fast Fashion Retailers:** These brands focus on affordable, trendy fashion with quick turnaround times.



The **most expensive** brands are at the top, while the **cheapest** ones are at the bottom. The **most fashion-forward** brands are on the right, while **classic and timeless** brands are on the left. Some brands, such as *Moncler* or *Burberry*, fall between **luxury and premium**.

This map helps understand how different brands are positioned in the market in terms of **pricing and fashionability**, which is useful for understanding consumer perceptions and industry segmentation.

Luxury is the high-end of the market pyramid. It is a price point characterized by strong branding, superior quality, and timeless appeal. Luxury brands support a business of icons that never go out of fashion, emphasize exclusivity, and avoid discounts to maintain brand integrity.

Fashion Apparel Segmentation

Fashion apparel is segmented into various categories based on price, exclusivity, and distribution, reflecting the diverse market positioning of brands.

- **Ready-to-Wear/Couture**, a **niche** segment rooted in the legacy of haute couture. Emerging in the 1970s and 1980s, this category brought renowned **couture** houses into the **ready-to-wear** market while maintaining an emphasis on creativity and uniqueness. Prestigious brands such as *Chanel*, *Yves Saint Laurent*, *Versace*, *Valentino*, *Armani Privé*, and *Giorgio Armani* continue to dominate this space, showcasing their collections in Milan and Paris. Their distribution remains exclusive, reinforcing the luxury and rarity of their designs. They are **globally** renowned.
- The **Designer** category represents the **first lines** of well-established designers. This segment gained prominence in the 1980s and 1990s, particularly in Milan, and includes influential names such as *Dolce & Gabbana*, *Prada*, *Gucci*, *Calvin Klein*, and *Ralph Lauren*. Unlike traditional couture, these brands focus on **fashion-driven**, market-responsive collections, balancing exclusivity with broader accessibility. The key success factor in this space is maintaining a strong brand image and a sense of glamour. The **global** focus is evident.
- For consumers seeking luxury aesthetics at a more accessible price point, the **Diffusion/Upper Bridge** segment serves as an entry into designer fashion. These lines are often **extensions** of high-end brands, offering a more affordable take on their signature styles. Brands like *Red Valentino*, *Armani Collezioni*, *Versus*, and *Calvin Klein's* European collection cater to this segment, along with **industrial brands** such as *Max Mara* and *ESCADA*. Formerly known as "**pronto moda**," this category includes contemporary designers like *Twin Set*, *Pinko*, and *Isabel Marant*. Distribution remains selective, ensuring a blend of exclusivity and accessibility, with a focus on providing brand identity and style at a lower cost. This time we could talk about a more **multi-national** approach.
- Sitting between luxury and mass-market fashion is the **Bridge** segment, which originated as a **marketing strategy** for department stores and mid-tier designers. In the United States, designers such as Emanuel and Ellen Tracy pioneered this space, while in Europe, industrial brands and retail-driven labels such as *The Couples*, *Max & Co.*, and *COS* have strengthened its presence. Additionally, mass retailers like *Zara* have



introduced higher-priced collections within this segment. Fashionability at an attainable price remains the defining characteristic, with widespread distribution across **multinational** markets.

- At the most accessible end of the spectrum is the **Mass** market, encompassing a broad range of price points and retail formats. This category spans vertically integrated chains such as *Zara* to mainstream fast-fashion retailers like *H&M* and *Uniqlo*. Beyond traditional fashion retailers, the mass segment also includes private-label clothing found in supermarkets and food superstores, such as *Auchan's* apparel offerings. The defining factor here is affordability, with price playing the most crucial role in purchasing decisions. This category operates on a **glocal** model, blending global reach with local market adaptation.

Each segment within the fashion industry serves a distinct consumer base, balancing exclusivity, affordability, and accessibility. Luxury and designer labels maintain prestige through exclusive distribution and high-end craftsmanship, while diffusion and bridge brands offer aspirational styles at reduced price points. At the mass-market level, fashion is driven by affordability and volume, ensuring accessibility to a global audience.

What is Luxury?

Luxury is more than just high-end products; it is a concept deeply rooted in branding, quality, and exclusivity. Defined by **Comité Colbert-McKinsey (2001)**, the luxury goods industry is distinguished by several key factors.

- It thrives on **strong branding** that aligns with an exclusive lifestyle, elevating products beyond mere functionality to symbols of prestige and aspiration.
- Luxury is synonymous with **superior quality and timelessness**, ensuring that items maintain their value and desirability over time.
- These goods exhibit **stylish and extravagant design**, setting them apart through craftsmanship, aesthetics, and innovation.
- A defining principle of luxury is its **exponential pricing and strict avoidance of discounts**, reinforcing its exclusivity and appeal.

However, the perception of luxury varies significantly across cultures. In the **United States and the United Kingdom**, luxury is often associated with **pleasure, emotion, and experience**, where indulgence and personal gratification play a crucial role. In contrast, **Japan, Italy, and France** emphasize **patrimonial luxury**, valuing history, tradition, and heritage. The prestige of a brand is linked to its origins and legacy, making the cultural and historical depth of a product just as important as its quality.

In **China, France, and Italy**, luxury is seen as a **symbol of social status**, offering a way to distinguish oneself and affirm belonging to an elite group. Owning luxury goods is a marker of success, recognition, and prestige in these societies. On the other hand, **France and Japan** also harbor **critical perspectives on luxury**, viewing it as superficial or even an insult to the daily struggles of ordinary people. In these cultures, ostentatious displays of wealth may be met with skepticism or disapproval.

Luxury, therefore, is a multi-dimensional concept shaped by branding, cultural heritage, social dynamics, and personal values. While it consistently embodies exclusivity, quality, and craftsmanship, its significance varies depending on regional attitudes and traditions, influencing how people perceive, desire, and consume high-end goods.

Luxury Market Trends and Economic Factors

The global personal luxury market has undergone a significant transformation over the past decades, evolving through **eight distinct phases** driven by brand expansion, internationalization, tourism, and retail development. This journey has been marked by shifts in consumer behavior, economic cycles, and broader cultural trends.

The market first gained momentum in the **late 1990s**, a period characterized by the **prevalence of logos and maximalism**. Luxury goods became status symbols, with bold branding and recognizable icons dominating consumer preferences. "**Sortie du temple**" is a term that translates from French as "exit from the temple." In the context of the luxury industry, it refers to the period when luxury brands transitioned from being exclusive, closed-off institutions to becoming more widely accessible and commercially driven. As the industry moved into the early 2000s, **democratization** took hold, allowing luxury to reach a broader audience. During this phase, demand expanded significantly, with an increasing number of consumers aspiring to own high-end products.



However, the financial crisis of **2008-2009** led to a temporary contraction in the market, reflecting the vulnerability of luxury spending to economic downturns. This was followed by a strong **Chinese acceleration**, where China emerged as a dominant force in luxury consumption. The sheer volume of demand from Chinese consumers fueled an era of **luxury bulimia**, where aligned performance and aggressive expansion strategies defined the industry.

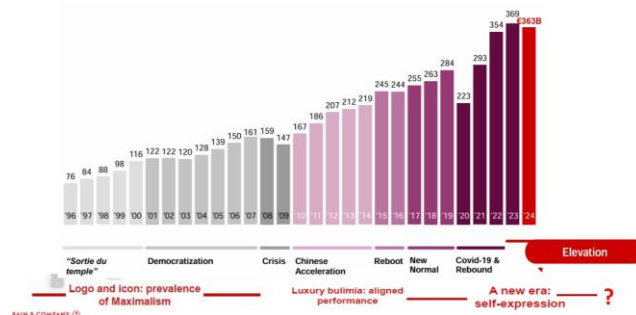
The mid-2010s brought a **reboot**, as brands recalibrated their strategies, focusing on long-term sustainability rather than unchecked growth. This period led to the **New Normal**, where the industry stabilized, driven by steady but more organic expansion. The pandemic-induced **Covid-19 recession in 2020** briefly disrupted this trend, yet the luxury market rebounded sharply in the following years, reaching record-breaking revenues in 2023.

Now, the market faces its **first slowdown in 15 years** (excluding Covid-19 disruptions) due to the pricing crisis, raising questions about the next phase of luxury. The previous drivers of success, such as logo-centric branding and mass appeal, are evolving. The concept of **elevation** suggests a shift toward a more refined and meaningful form of luxury consumption. Looking ahead, self-expression appears to be the emerging frontier.

The luxury market has experienced **steady growth** but remains vulnerable to macroeconomic events:

- **2001:** The U.S. suffered from a decline in luxury tourism post-9/11.
- **2008:** The financial crash and global recession reduced discretionary spending.
- **2020:** COVID-19 disrupted global retail and tourism-driven luxury sales.
- **2024:** The industry faced a **pricing crisis**, as excessive price increases without brand elevation (quality) deterred consumers.

Luxury brands cannot separate **pricing from perceived quality**, as brand value is closely tied to exclusivity and pricing integrity.



A key turning point was **China's luxury boom (2010-2014)**, during which Chinese consumers heavily influenced luxury sales in Europe and the U.S. However, recent shifts, including fewer high-net-worth Chinese and Russian tourists, have led to changes in global demand.

Distribution and Go-to-Market Strategies

Fashion and luxury brands must define their **distribution strategy**, which can include:

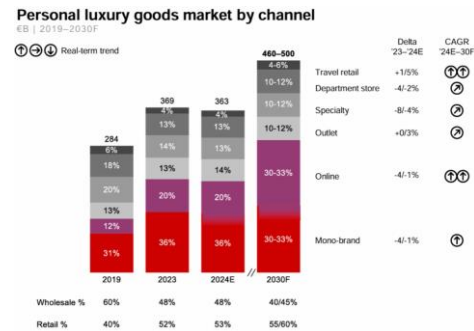
- **Direct Retail:** Flagship stores and brand-owned boutiques.
- **Specialty Stores:** Multi-brand retailers that offer curated selections.
- **Outlets:** Discount-focused locations for past collections.
- **E-commerce:** Digital storefronts for direct-to-consumer sales.

Brands must decide whether to manage **private labels**, sell **third-party products**, or focus exclusively on their own brand offerings.

The luxury industry is undergoing a **major transformation**, with **direct retail (mono-brand and online)** becoming the dominant sales channels.

Traditional wholesale models like **department stores** and **specialty retailers** are losing relevance, while **e-commerce** and **direct-to-consumer sales** continue to thrive. Brands will need to adapt by investing in **digital experiences**, **exclusive brand stores**, and **personalized luxury shopping models**.

Parallel markets (or grey markets) are an ongoing challenge in the **luxury industry**, where brands strive to maintain **pricing integrity** and **control over their sales channels**.



While direct retail dominates luxury distribution, some wholesale agreements and distributor sales create **leakage points** that allow luxury goods to enter unauthorized markets. Luxury brands are continuously fighting to limit these unauthorized channels, but the complexity of global trade, overstock issues, and third-party reselling make **grey markets a persistent reality**.

How is the Industry Structured?

The fashion and luxury industry is structured according to different levels of market concentration and competitiveness:

1. **Market Concentration:** The level of concentration depends on the category. The rise of **luxury conglomerates** has increased market control, with a few dominant players accounting for over 50% of market share in luxury. However, other segments, such as **sneakers**, remain fragmented, with the top brands holding only 8% market share.
2. **Barriers to Entry:** The industry has **high barriers to entry** due to the heavy financial investments required in branding, advertising, influencer partnerships, and retail infrastructure. Operating directly managed stores, both online and offline, demands significant capital for **rent, wages, store design, logistics, and brand marketing**.
3. **Profit Margins:** Compared to other **FMCG (Fast-Moving Consumer Goods)** sectors, fashion enjoys **exceptionally high margins** due to strong branding and premium pricing.

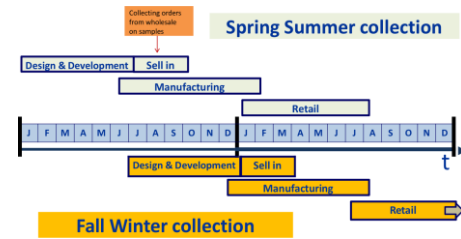
Apparel is a growing market projected to expand over the next 4-5 years, alongside other categories like leather goods and footwear, which involve distinct manufacturing techniques and craftsmanship.

Seasonality

The traditional fashion cycle follows a **long and structured timeline**, requiring extensive planning, from the initial concept to the final retail launch. This process is particularly evident in the development of **seasonal collections**, which take **nearly two years** from the selection of yarns to the arrival of garments in stores.

For the **Spring/Summer 2025 collection**, the process begins in **June 2021**, when brands start considering yarn suggestions for future collections. By **September 2023**, **yarn fairs** (*Expofil* and *Pitti Filati*) take place, where fabric suppliers showcase their latest developments. This is followed by **textile fairs** (*Milano Unica*, *Première Vision*, and *Interstoff*) in **March 2024**, where designers and manufacturers make final selections for fabrics and materials. By **September 2024**, the fashion show presents the finalized collection to buyers and media, shaping consumer expectations and industry trends. Finally, after months of production and logistics, the collection officially arrives in stores by **February 2025**. Throughout this timeline, key industry trade fairs, such as *Milano Collezioni*, *Pitti Uomo*, and *Paris Fashion Week*, play a crucial role in setting trends.

This **traditional approach to fashion seasons** revolves around two main collections: **Spring/Summer** and **Fall/Winter**. Each collection follows a cycle spanning nearly a year for each season. The process begins with **design and development**, followed by a **sell-in phase** where brands collect wholesale orders based on samples. Once orders are secured, the **manufacturing phase** (planning+production) begins, ensuring that production aligns with expected demand. Finally, after months of preparation, the collection reaches the **retail phase** (distribution and logistics+sell out), allowing consumers to purchase the latest designs.



While this structured timeline has been the industry standard for decades, the **long lead time** presents challenges, particularly in responding to rapidly changing consumer preferences and market trends. This has led to the rise of **fast fashion and see-now-buy-now models**, which seek to shorten the production cycle and bring designs to market more quickly. However, for luxury and high-end fashion houses, maintaining the **craftsmanship, exclusivity, and quality** of traditional seasonal collections remains a key priority.

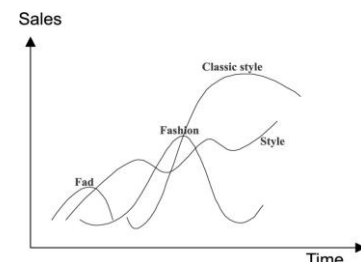
Fashion Product Cycles

The **fashion cycle** refers to the lifespan of a trend, from its initial introduction to its eventual decline and replacement by new styles. This process reflects changes in **style, product categories, materials, colors, and design elements**, influenced by consumer preferences, cultural trends, and industry innovation.

Types of Fashion Cycles

Fashion cycles vary in their duration and impact. Some styles maintain long-term relevance, while others quickly fade.

1. **Fads:** These are short-lived trends that rise and fall rapidly, often driven by media influence or social trends. While they may generate a temporary sales boost, they lack lasting appeal.
2. **Fashion:** These trends have a longer lifespan, evolving through different phases: introduction, growth, peak popularity, and eventual decline. Unlike fads, fashion trends may last for several seasons before being replaced.
3. **Styles:** These trends often return in cycles, resurfacing in different eras with modern adaptations.
4. **Classic Styles:** Certain designs, such as trench coats, white shirts, or little black dresses, maintain a **timeless appeal**, experiencing steady demand without drastic fluctuations.



Modern Fashion Cycles: Beyond the Traditional Seasonal Model

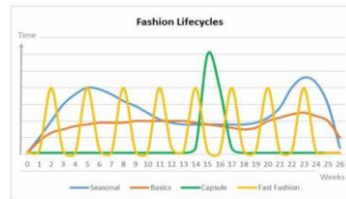
Traditionally, the fashion industry operated on a **biannual cycle**, launching **Spring/Summer and Fall/Winter collections**. However, the modern market has evolved to accommodate **multiple product cycles**, allowing brands to cater to diverse consumer needs.

1. **Basic Products:** These items, such as plain T-shirts or polo shirts, remain in stock year-round and are not tied to seasonal trends.
2. **Traditional Seasonal Collections:** Luxury and high-end brands continue to follow the Spring/Summer (**SS**) and Autumn/Winter (**AW**) collections, complemented by capsule collections and special deliveries (e.g., Christmas, cruise, or Valentine's Day collections).
3. **Fast Fashion:** Brands like *Zara* and *H&M* disrupt the traditional cycle by releasing new collections every **15 days**, responding quickly to consumer demand and micro-trends.

Fashion Pyramid

Fashion items can be categorized based on their trend relevance:

- **Basics** (timeless, always available)
- **Seasonal Collections** (core industry cycles)
- **Capsule Collections & Special Events** (limited edition or exclusive pieces)
- **Fast Fashion** (rapidly changing trends with frequent releases)



As consumer behavior shifts, the industry continues to evolve, balancing **timeless classics**, **cyclical styles**, and **the rapid turnover of fast fashion trends**. The future of fashion will likely blend **sustainability**, **personalization**, and **adaptability** to meet the needs of an increasingly dynamic market.

Capsules and Collaborations

Capsule collections and brand collaborations have become essential strategies in the fashion industry, allowing brands to **refresh their in-store assortment** throughout the season. Unlike traditional seasonal collections, these **limited-edition releases** keep offerings dynamic, engaging, and relevant to evolving consumer tastes.

By introducing capsule collections, brands create a sense of **exclusivity and urgency**, which generates buzz, attracts new customers, and maintains excitement around the brand. These collections also provide an opportunity for brands to experiment with **new styles, materials, and collaborations** without fully committing to a long-term production cycle.

Collaborations, in particular, offer a **cross-pollination of creativity**, merging the aesthetic identities of different brands or designers. For instance, *Kith x Moncler* combines streetwear influence with Moncler's luxury outerwear expertise, making the collection appealing to a wider audience. Similarly, the *Stone Island Shadow Project* takes the brand's technical heritage and pushes it into an avant-garde, experimental space.

Another example is *Ralph Lauren's upcycled capsule*, which showcases how brands are incorporating sustainability into their strategies. By repurposing and reimagining existing garments, this approach aligns with modern consumer values while reinforcing the brand's craftsmanship and authenticity.

Luxury brands such as *Louis Vuitton* also utilize capsule collections to refresh their core offerings, introducing playful or artist-inspired designs that appeal to collectors and trend-conscious consumers.

Overall, capsules and collaborations allow brands to **stay innovative, maintain exclusivity, and engage with both loyal and new audiences**, ensuring they remain relevant in an increasingly fast-moving industry.

	Basic/carry over	Fashion/seasonal
Style	Classic, carry-over	Trendy
Market	Demand stable and predictable	Volatile
Variety (of products)	Low	High
Product Lifecycle	Medium to Long	Short
Profit Driver	Traffic and brand awareness	Brand image
Negative impact of stock-outs	Medium-low	Very High
Discounts	Not on classic items	Yes (end of season)

Business Models in Fashion

Business Models

A **business model** defines how a company **makes money**. It explains how the business **creates value** (through its value proposition), **delivers value** (via go-to-market strategies), and **captures value** (through revenue streams and profit). In short, it answers the question: *How does the company generate profits from its operations?* In fashion and luxury, the business model varies based on market positioning and customer benefits:

- **Fast fashion brands** like **Zara** and **H&M** operate on rapid production cycles, enabling them to bring new trends to market quickly at accessible price points.
- **Luxury houses** such as **Hermès** and **Chanel** follow an exclusivity-driven model, centered on craftsmanship, heritage, and scarcity to sustain desirability and premium pricing.
- **Direct-to-consumer (DTC)** premium brands like **Warby Parker** and **Glossier** skip traditional retail by using e-commerce and community engagement to build loyalty and capture higher margins.

For investors, the preferred way to visualize and assess a business model is through the **Business Model Canvas**. This framework provides a structured and visual representation of all the core components of a business, divided into two main dimensions:

- **Downstream Activities:** How the company delivers value to the customer
 1. **Value Proposition:** What specific problem does the business solve in the market? What is the unique benefit it offers to its customers?
 2. **Client Segment:** Who are the target customers? This includes defining the **type** of customer (**B2B** or **B2C**) and the **customer profile** (needs, behavior, age, location, preferences).
 3. **Channels:** What is the company's **go-to-market strategy**? How does it reach its customers and deliver its value? This includes **distribution** methods (e.g., e-commerce, wholesale, direct-to-store).
 4. **Customer Relationship Management (CRM):** How does the business acquire, retain, and grow its customer base? This includes strategies for **customer acquisition**, **retention**, and **upselling**.
- **Upstream Activities:** How the company is structured internally to deliver its offering
 1. **Supply Chain:** Based on **Porter's value chain**, this includes decisions around the **make or buy** options (i.e., what to produce internally and what to outsource).
 2. **Key Resources:** What are the essential assets required to operate the business? These include **human**, **physical**, **intellectual**, and **financial** resources.
 3. **Key Partners:** Who are the strategic allies that support the business? Especially in early stages, **startups often externalize many activities** (such as manufacturing, logistics, or design) to **avoid fixed costs** and remain agile.

When combined, **upstream and downstream activities** determine the company's **revenue streams**. Every decision in either area influences the **cost structure** and **revenue potential**, which in turn affects the **overall profitability and financial sustainability** of the business.

Understanding the business model is essential to evaluate the **scalability** of a business. This insight is critical for **valuing the company's shares**, as scalability is a major driver of long-term return on investment.

The Business Model Canvas

The **Business Model Canvas** framework, developed by **Alexander Osterwalder**, is a strategic management tool that helps organizations visually conceptualize, analyze, and innovate their business models. It breaks down the core elements of how a company creates, delivers, and captures value through **nine essential building blocks**. This structured and visual approach enables a comprehensive understanding of a business's internal operations and external market interactions.



The slide provided illustrates these nine blocks with detailed examples relevant to fashion and consumer goods industries, enhancing our grasp of how theoretical concepts translate into practical execution. The **nine building blocks** of the business model canvas are:

1. **Customer Segments:** This block identifies the different groups a business serves. As shown in the slide, customer types include **B2B** and **B2C**, and profiles are defined by characteristics such as **niche vs. mass market**, **needs**, **gender**, **age**, **behavior/attitudes**, and **geography**. These segments determine whom the company is creating value for.
2. **Value Proposition:** This describes the bundle of products and services that create value for specific customer segments. The slide prompts companies to answer: "What value do we deliver? Which problems are solved?" A quote from the company can often encapsulate this promise.
3. **Channels:** Channels are how the value proposition is delivered to customers. The slide divides them into **distribution** (DOS, wholesale, franchisee, e-commerce) and **communication** (traditional and digital media), showing the importance of both physical and virtual contact points.
4. **Customer Relationships:** This block covers the types of relationships a company builds with its customer segments, such as **customer retention**, **customer acquisition**, and **upselling**. These strategies are key to fostering loyalty and maximizing customer lifetime value.
5. **Revenue Streams:** This explains how a company earns revenue from each customer segment. According to the slide, revenues are broken down by **product category**, **geography**, **channel type** (own stores vs. wholesale), **franchisee**, and **licensee**, offering insights into which segments are most profitable.
6. **Key Resources:** Key resources are the assets that allow the business model to function. These include **physical** (production facilities, retail network), **human** (number of employees), **intellectual** (number of patents), and **financial** resources. These enable the delivery of the value proposition, reach to customers, and revenue generation.
7. **Key Activities:** These are the most important actions a company must take to be successful. The slide highlights **supply chain analysis**, including both **upstream** and **downstream** activities, which are critical in industries like fashion, where production and distribution efficiency matter.
8. **Key Partnerships:** Partnerships help reduce risk and acquire resources. In the example, these include **suppliers**, **manufacturers**, **external staff** (e.g., designers), **franchisees**, **wholesalers**, **partners**, **licensees**, **distributors**, and **agents**. These relationships support various aspects of the business, from production to market reach.
9. **Cost Structure:** This refers to all costs required to operate the business model. The slide distinguishes between **variable costs** (raw materials, external designers) and **fixed costs** (manufacturing, DOS, advertising). Understanding cost drivers is essential for profitability and pricing strategy.

At its core, the **Business Model Canvas** is a tool that enables organizations to **make money strategically** by aligning resources, partners, customer relationships, and operations around a clear value proposition. By mapping these interrelated components visually and in detail, companies can identify gaps, optimize processes, and innovate effectively in fast-evolving markets.

Business Models in Fashion

To define a business model in the fashion and luxury sectors, it is essential to consider four core components. These building blocks capture how a brand creates and captures value, structures its operations, earns revenue, and governs itself.

Value Proposition

This refers to **what the brand offers to the market** and **who the target customer is**. It encompasses the **unique benefits**, **price positioning**, **quality**, and **emotional or functional appeal** that make the brand attractive to a specific audience. The value proposition

Value Chain Organization

This addresses **how the brand structures and controls its operations**, especially regarding the **degree of vertical integration**. It involves decisions about in-house production versus outsourcing, and the level of control the brand maintains over design, manufacturing, logistics, and retail distribution.



differentiates a brand from competitors and defines why customers would choose it.

Examples:

- Convenience for the mass market
- Trend appeal for fashion-forward consumers
- Timeless luxury for high-end clientele
- Investment-worthy positioning for affluent buyers

Governance Model

This defines **how the company is structured and governed**. It affects decision-making power, access to capital, and long-term strategy. Governance can influence both the brand's agility and its reputation.

Examples:

- Family-owned businesses
- Listed public companies
- Independent firms
- Large conglomerates: they benefit from **vertical integration, diverse category portfolios, and financial stability from high-margin products**.

Together, these four dimensions shape the **strategic foundation of any fashion or luxury brand**, influencing not only how the company operates but also how it competes, grows, and positions itself in the market.

Examples:

- Fully integrated vertical chains (e.g. H&M)
- Outsourced manufacturing
- Control over downstream retail channels

Revenue Model

This explains **how the company generates income** from its products or services. In fashion and luxury, revenue models vary widely depending on pricing strategies, types of sales (e.g., retail vs. wholesale), international presence, and additional sources such as licensing.

Examples:

- High margin vs. high volume models
- Percentage of international vs. domestic sales
- Share of retail vs. wholesale revenues
- Revenue by product category
- Licensing fees

Business Models in Fashion

Industrial brands, retailers, and online multisided platforms represent three **different business models** that coexist and compete in the fashion industry, each with its own approach to value creation, distribution, and customer engagement.

Brands

Brands offer **unique product design** and compelling **brand narratives**, driven by a **design-led approach**. The product itself is only one part of the value, as brands build on storytelling, image, and identity to establish a strong emotional connection with consumers.

Go-to-Market Strategy

Brands may choose **B2B, B2C, or both**.

- Through B2C (or **Direct-to-Consumer**) they integrate the entire value chain by selling directly to the final customer through their own stores or online → **sell-out model** (retail price)
- Through B2B, they distribute via **wholesale partners** (departments stores or multi-brand retailers, e.g., wholesale), which helps spread inventory risk and amplify the brand's visibility → **sell-in model** (wholesale price)

Retailers

Retailers offer a **curated assortment** of various brands directly to consumers. Their key strength lies in their **customer insights**, allowing them to fine-tune product mix, style diversity, and inventory levels per location.

Retailers focus on **creating destinations**, so stores that people want to visit not just for what they sell, but for the experience. Visual merchandising, layout, and the retail environment are critical.

Go-to-Market Strategy

Retailers are fully **B2C**. Their entire business model is based on **retail price sell-out**. They take on **inventory risk** in exchange for control over the customer relationship.

With increasing **retail digitalization**, many brands are shifting to the **DTC model**, bypassing wholesalers to establish a direct relationship with consumers. This



Expansion Strategy (Evolution)

Brands typically begin by focusing on one **product vertical** (e.g., Cucinelli on knits or Adidas on sneakers) and later expand into new **product categories**, **markets**, and **distribution channels** (e.g., Gucci moved from leather goods to ready-to-wear, footwear, and cosmetics).

Sales Formats

- **Concessions:** Spaces in department stores managed directly by the brand, replicating the retail experience.
- **Factory Outlets:** Brand-owned discount stores.
- **Distributors:** Intermediaries (common in Asia) that manage product distribution, sometimes contributing to **grey markets**.
- **Wholesalers / Concept Stores:** Stores like **Dover Street Market** that curate and buy selective lines or special capsules (e.g., Moncler Genius).

▼ Example: Nike

Type	Channel	Control Level	Revenue Model
Direct Retail (B2C)	Nike stores, NikeTown, Concessions (Multibrand and Department stores), Outlets	High	Sell-out
Wholesale (B2B)	Corners and Walls at department/multibrand	Medium	Sell-in
License/Distributors (B2B)	Third-party-run Nike stores in Asia	Low to Medium	Licensing / Sell-in

approach improves margins and enhances brand control over distribution and marketing.

Expansion Strategy (Evolution)

Retailers grow by:

- **Opening new stores.**
- **Developing private labels** to improve margins and differentiate their assortment (e.g., Sephora).
- **Building customer mindshare** through emotional connection and shopping experience (e.g., "Let's stop by Harrods or Rinascente on Saturday").

Sales Formats

- **Corners:** Unlike concessions, these are brand-dedicated areas **managed by the retailer** (e.g., department stores), where the brand has little control over pricing or display. Retailers decide the assortment and presentation.

Multi-Sided Platforms

Platforms such as **MyTheresa.com**, **Net-a-Porter**, **Farfetch**, **Vestiaire Collective**, **Amazon Fashion**, **Vinted**, or **Alibaba** play facilitate **concession-based online spaces** for brands. They enable digital transactions between sellers and buyers without owning inventory, functioning as **multi-sided platforms (MSP)** rather than traditional retailers. MSPs **create value** by enabling direct interaction between **two or more customer groups** (e.g., buyers and sellers), while **reducing search or transaction costs** (or both). Their **revenue model** is typically based on **commissions**, **fees**, or **subscription services**.

Go-to-Market Strategy

The strategy is to bring multiple sides onto the platform (e.g., consumers, brands, logistics providers) and **enable seamless interaction** among them. Each side is affiliated with the platform. What distinguishes an MSP from a retailer is that:

- In a **pure MSP**, there is **direct interaction** between users (e.g., Farfetch connecting brands with customers).
- In a **retailer-reseller model**, the platform **controls pricing, inventory, and presentation** and holds stock (which MSPs do not).

Retailers **own the inventory** and re-sell, whereas MSPs **do not take ownership** of the stock they list.

Evolution

Many platforms evolve over time:

- **Amazon** began as a **pure retailer**, owning and selling inventory. It later **shifted toward an MSP model**, enabling third-party sellers to reach consumers directly through its website.
- Some digital players like **Zappos** initially allowed direct fulfillment by brands but later **pivoted to traditional retail models**, managing their own stock and distribution.

Similarly, **fashion MSPs** have evolved their platforms by refining seller onboarding, improving logistics, and sometimes experimenting with physical touchpoints.

While many MSPs **started online**, some are now opening **physical stores** to increase **customer acquisition and retention**. Conversely, traditional retailers are building **online channels** to stay competitive. Pure online models are increasingly **difficult to sustain** in isolation due to **high customer acquisition costs** and **limited scalability** unless supported by hybrid strategies.

BRAND		RETAILER		MULTISIDED PLATFORM
DIRECT TO CONSUMER (DTC)	MIX WHOLESALE/DTC	ONLINE AND OFF LINE	ONLINE ONLY	ONLINE ONLY
VERTICALLY INTEGRATED FASHION PLAYERS BTC	HYBRID FASHION PLAYERS BTB-BTC	MULTIBRAND RETAILER	MULTIBRAND PURE E-COMMERCE RETAILER	
<i>Consolidating multiple steps of the value chain downstream beyond that of a pure brand including own retail and e-commerce but no wholesale</i>	<i>Own retail and potentially own e-commerce as well as wholesale customers</i>	<i>Physical Stores offering several brands, often also offering own brands (private label) as part of the assortment (potentially with associated e-commerce)</i>	<i>Online stores offering several brands, often offering own brands also within the assortment</i>	<i>Multi-sided platforms which get two or more sides on board and enable interactions between them</i>
<i>Velasca</i>	<i>Moncler</i>	<i>Sephora</i>	<i>Stitch Fix</i>	<i>Farfetch, Rent the runway</i>

Pricing Strategies

Fashion pricing follows a typical value chain structure, where a product moves from manufacturer to brand, then to retailer, and finally to the end consumer. This involves **three key pricing steps**:

1. **FoB (Free on Board / First Cost)**: The cost of manufacturing the product.
2. **Sell-In Price**: The price at which the brand sells the item to the retailer (includes a markup from the FoB to cover the brand's margin, overhead, and operations).
3. **Sell-Out Price**: The price the final customer pays, allowing the retailer to make its margin (another markup is applied).

When brands **sell directly to the customer**, they **capture both margins**.

Keystone markup is a common fashion pricing method where the cost is **doubled** at each stage of the chain. This is a rule of thumb, though it can vary:

- It can go as high as **5x** in industries like **jewelry** or in **markets with long distribution chains** (e.g., Japan).

The markup reflects not only margin but also fixed and variable costs absorbed by each actor in the chain.

Some **special pricing** strategies include:

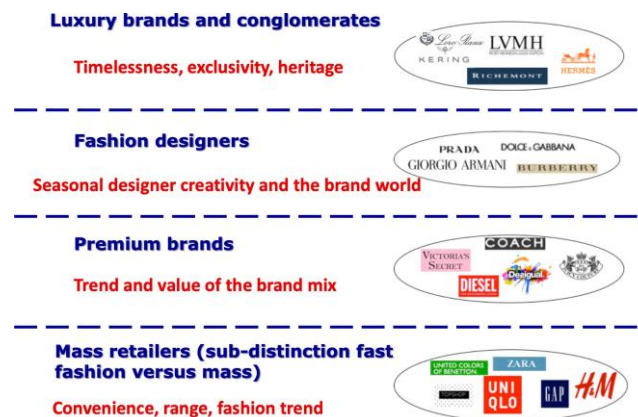
- **Prodotti civetta (loss leaders)**: Products sold at minimal or zero margin to attract customers into the store.
- **Dumping strategies**: Retailers may **sell below production cost** during heavy promotions to **clear inventory** or **generate traffic**.

Tariffs and currencies also have an impact on prices:

- When **tariffs** are introduced, brands face higher import costs. To manage this, they either **raise retail prices** or **cut retailer margins** to stay competitive.
- When a **currency appreciates**, imported goods become cheaper. However, in **fixed-cost luxury models**, brands may **keep prices stable** to preserve margins and brand positioning, rather than reduce prices.

Business Models BTC in Fashion and Luxury

The **business model** (retailer, brand, multisided platform) defines the **go-to-market strategy**. However, to build a coherent identity, one must also define the **market positioning** based on **price, quality, and exclusivity**.



Luxury Brands and Conglomerates

Luxury fashion curates an entire world built on **storytelling, heritage, and exclusivity**.

They present collections during **sales campaigns** (fashion shows, showrooms, samples). They only produce what's ordered, so there is **no overproduction**, except for **basic perennial items** (20% of the collection) that are always available. Brands may produce in-house (**vertical integration**) or work with **qualified external suppliers** (e.g., Brunello Cucinelli).

Campaigns are designed to evoke a lifestyle, not just a product. Discreet codes and insider language (e.g., "If you know, you know") reinforce exclusivity.

Value Proposition

Timelessness, heritage, exclusivity, and the highest price positioning within a category.

Revenue Model

Income mostly comes from **leather goods, fragrances, and accessories**, not just clothing. Licensing revenues are minimal. Most luxury brands are **globally oriented**.

Evolution

Focus is on **line extension** rather than brand extension to avoid dilution of brand equity.

Segmentation and Governance

Segment	Characteristics
Uber-Luxury	Highest price, rare materials, extreme craftsmanship
Luxury Fashion	High creativity, broader accessibility
Accessible Luxury	Premium image, lower entry price



Luxury brands operate under different ownership structures:

- **Privately owned & not listed:** e.g., Chanel.
- **Private but listed:** e.g., Hermès, Ferragamo, Tod's, Zegna.
- **Owned by conglomerates:** e.g., brands under LVMH, Kering, Richemont.

Fashion Designers

Designer brands are built around the **creative vision of a named designer**, where style, aesthetic identity, and innovation drive the process. They operate with a seasonal logic and use **fashion shows** for brand building. They



still maintain a “**no overstock**” logic and only begin production once an order has been placed.

Their communication is bold, **image-led**, and built around **seasonal storytelling**, ambassadors, and a curated total look. The fashion show remains the most strategic branding moment, together with capsule collections.

Value Proposition

Seasonal creativity, strong designer identity, and fashion-forward image-building.

Revenue Model

Business spans **multiple segments** (RTW, diffusion, upper bridge, haute couture, and royalty-based categories such as beauty, eyewear, sport, and kidswear). Revenue is increasingly **retail-driven**, though **wholesale remains important**. Production is managed via a **network of external qualified suppliers** (often Made in Italy).

Evolution

Designer brands are becoming more **retail-driven** over time, but maintain wholesale as a pillar. They preserve **creative freedom** and often test new aesthetics before they become mainstream.

Governance

Designer brands operate under different ownership structures:

- **Vertically integrated and family-run:** e.g., Armani, Dolce & Gabbana.
- **Vertically integrated and listed:** e.g., Prada.
- **Private equity owned:** e.g., Valentino, Missoni.
- **Conglomerate-owned:** e.g., Dior (LVMH), Marc Jacobs (LVMH).

Prada

Prada illustrates a designer brand that balances creativity with global retail efficiency.

- **Brand Contribution:** Prada 83%, Miu Miu 15%, Church's 2%
- **Distribution:** 90% retail, 9% wholesale, 1% duty-free
- **Product Mix:** 56% leather goods, 24% RTW, 18% shoes, 2% other
- **Regional Sales:** 44% APAC, 27% Europe, 14% Japan, 12% Americas, 3% Middle East

The brand follows a cycle of **design** → **order collection** → **production** → **distribution**, maintaining strict control over **quality** and **worker safety** while reinforcing its fashion identity through **campaigns and fashion shows**.

Premium Brands

Premium brands operate in a **bridge segment** between luxury and mass-market fashion. They are **less exclusive** than luxury but still offer an aspirational dimension, often grounded in **specific product categories** (e.g., denim, underwear, outerwear) rather than seasonal storytelling.

Unlike luxury or designer labels, premium brands are highly **commercial**, often relying on **marketing, trend appeal**, and **distribution efficiency** rather than heritage or exclusivity. Their communication is **less seasonal** and more **product-focused**, aiming to consistently highlight the quality and performance of their key category. Their merchandising logic is more practical than emotional, with collections designed for broader accessibility.

Value Proposition

Deliver **fashionable, quality products** at accessible prices by combining **industrial know-how** with a strong **commercial strategy**.

Revenue Model



Revenue is driven by **retail and outlet sales**, supported by **product-based marketing** and broad distribution. Premium brands may begin to **internalize retail operations**, though production remains mostly **outsourced**.

Evolution

Marketing and merchandising are central. Many premium brands are moving from wholesale to **direct retail channels**, investing in physical stores and brand spaces to **better control brand image and inventory**.

Governance

Premium brands have diverse governance models, from family businesses to global

corporations: • **Multibrand monobusiness groups**: e.g., Diesel Group, Victoria's Secret, Pink

Limited Brands. • **Family-owned (Italy)**: e.g., Pinko, Furla.

• **Public (mainly U.S.)**: e.g., Patagonia, Guess.

Mass retailers

Mass retailers operate on **high volume, low price**, and **broad accessibility**. While traditional mass retailers prioritize assortment and affordability, **fast fashion** players lead in **trend replication** and **speed-to-market**.

They rely on **large-scale store networks**, easy shopping experiences, and an expansive range of SKUs. **Fast fashion** introduces new styles weekly or even daily, blurring the lines with high fashion through **prestige-inspired communication**.

Fast fashion mimics luxury in terms of **visuals and brand image**, adopting high fashion aesthetics to elevate perceived value. Mass market retailers deliberately adopt luxury communication codes to create a **“masstige” effect**, where prestige meets mass accessibility.

Value Proposition

Availability of a **wide assortment** in large, welcoming stores at **affordable prices**, with **frequent product refreshes** in the case of fast fashion.

Two Value Chains

Type	Description
Fast Retailers	Quick response systems (e.g., Inditex/Zara), based on vertical integration , make-to-order , and proximity sourcing in the EU. Weekly “drops” respond immediately to trends.
Mass Retailers	Longer production cycles, make-to-stock model (e.g., Gap, H&M). Products are outsourced to low-cost countries , often coordinated via local sourcing offices .

The trade-off between **speed and cost-efficiency** determines their market positioning.

Governance

• **Multibrand, Monobusiness Groups**: Inditex (Zara, Massimo Dutti), H&M Group (COS, &OtherStories).

• **Publicly listed companies**: Common governance structure, leveraging economies of scale and wide market coverage.



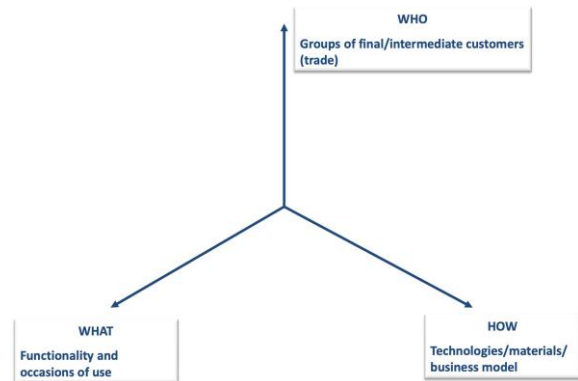
Industry Analysis and Developing a Value Proposition in Fashion

Industry Analysis

Industry analysis (**Porter's 5 Forces**) allows us to understand the structure, trends, and dynamics of the environment in which a business operates. It helps clarify where profitability comes from, how competition works, and what conditions are required to succeed.

To define a business, we apply **Abell's model** using three questions:

- **WHO** is being served? Final or intermediate customer segments (e.g., athletes, fashion consumers, sport enthusiasts).
- **WHAT** is being satisfied? The customer needs or functions being addressed (e.g., technical performance, fashion expression, comfort).
- **HOW** are these needs being satisfied? Through technologies, materials, or business models (e.g., performance innovation, fashion collaborations, B2C retail).



You cannot analyze an entire company as if it belongs to a single industry. Most companies today are **multi-business**. Each product line or brand may operate in a different segment, facing different competitors, trends, and success factors.

That's why it's essential to **break down the company by business unit or category** before doing any analysis. To understand the competitive landscape:

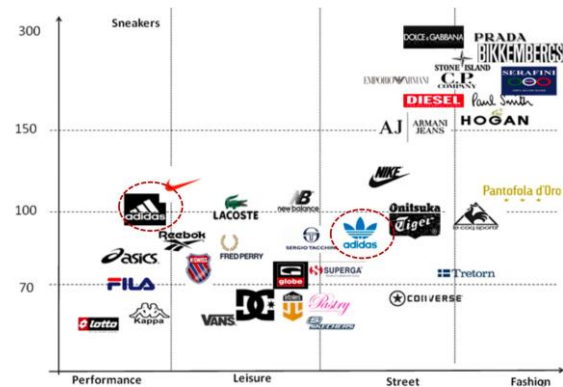
- Look at **price positioning** and **occasion of use**
- Identify which brands or businesses compete in **performance**, **fashion**, or **lifestyle** segments
- Recognize that **technical complexity typically decreases** as you move from performance to fashion, while emotional value increases

Each segment has **its own competitive set** and **strategic logic**.

Adidas

In the case of **Adidas Group**, we are not looking at one single business, but **multiple**. Each brand and sub-brand within Adidas competes in **different segments** and serves **different purposes**, meaning the business must be broken down accordingly.

Adidas competes in both **performance-driven** (Adidas Performance) and **fashion-driven** (Adidas Originals) markets. As we move from performance to fashion, the technical complexity decreases, and emotional or aesthetic value increases. Thus, Adidas Group cannot be analyzed as one homogeneous player. **Each brand must be benchmarked** against different competitors, based on its use case, positioning, and value logic.



Industry analysis is not about the company but about the **business**. One must define and segment the business first, then analyze each one based on its unique context, competitors, and success factors. This is the only way to understand where profitability comes from and how to build a meaningful competitive position.

Sources of Profitability

Understanding profitability requires analyzing how value is created and captured across the industry structure. According to Porter, the average profitability of a business depends primarily on three forces: customers' willingness to pay (buyer power), competitive intensity (market saturation and rivalry), and the balance of power across the value chain (supplier power).

However, these are structural factors. To understand what drives **profitability at the strategic group level**, we need to look more closely at two complementary lenses: demand and competition.

From the **demand side**, companies must ask:

- Who are our consumers?
- What do they truly want or need?
- What are the purchase drivers and expectations in this segment?

On the **competitive side**, they assess:

- What are the drivers of competitive advantage in the group?
- What's the level of rivalry?
- What kind of strategies help a firm outperform others?

These questions guide the identification of **Key Success Factors**: the necessary conditions for being competitive in a particular cluster or strategic group. KSFs are not firm-specific advantages, but instead, they are **shared competitive requirements** that apply to all players in the same segment. They are the minimum set of capabilities needed to remain viable in the market.

KSFs typically include three dimensions:

1. **Customer Requirements**: Consumers expect a certain level of value for the price they pay, and this differs across segments. In technical apparel, it may mean performance and durability, while in fashion it could involve aesthetics and speed-to-market. Distribution and media choices (such as e-commerce, influencers, or exclusivity) also shape what is expected.



2. **Competitive Capabilities:** Firms need to match the dominant competitive logics of their group. If competition is based on price, fast delivery, or innovation, companies must develop corresponding capabilities (e.g., efficient logistics, creative design, strong supplier control) to succeed.
3. **Regulatory and Industry Standards:** Especially in global or safety-sensitive sectors, regulations define baseline participation rules (e.g., product safety, environmental standards, compatibility with other systems). These do not necessarily create competitive advantage, but failing to meet them means exclusion from the market.

In summary, **KSFs** define what a firm must be good at, simply to stay in the race. They help explain why some firms survive in a given segment while others are forced out.

EBIT Margins

Although many luxury companies show similar **gross margins** (i.e., sales minus cost of goods sold), their **EBIT margins** (Earnings Before Interest and Taxes, a measure of operating profitability) can vary greatly. This is because EBIT takes into account **store-related costs**, **staff expenses**, and especially **marketing and advertising investments**.

Large conglomerates like **LVMH** operate thousands of stores globally and employ over 200,000 staff. Their scale requires substantial investment in distribution and communication, which compresses EBIT margins. Despite this, LVMH maintains competitive profitability through a combination of brand power and portfolio diversity.

The most profitable companies tend to rely on **higher-than-average prices**, **strong volume growth**, and **tight cost control**, rather than just scale. This demonstrates that **leaner structures with disciplined spending** can outperform even the biggest players.

Product Categories

Within LVMH, not all product categories are equally profitable. The most lucrative is **Fashion & Leather Goods**, which benefits from:

- **No sizing issues**, unlike apparel or shoes, reducing inventory complexity
- **Lower markdowns** and unsold stock, because leather goods are **less seasonal** and not trend-driven
- **High brand desirability**, which sustains price premiums and lowers discount pressure

In contrast, categories like **Perfumes & Cosmetics** and **Selective Retailing** yield much lower margins, mostly due to intense competition, lower pricing power, and reliance on third-party retail networks.

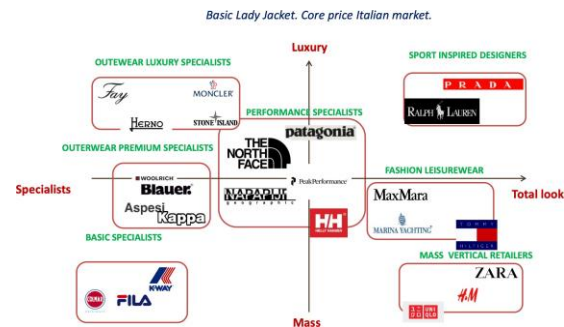
The takeaway is that **profitability is deeply influenced by the business model and product nature**. High profitability comes from offering iconic products with high perceived value, low obsolescence risk, and minimal operational complexity.

Strategic Group Analysis

Strategic groups are clusters of firms within the same industry that follow similar strategies. They target the same segments, adopt comparable positioning, and rely on similar marketing mixes. What differentiates firms across groups is not just what they sell, but how they compete: through distinctive resources and competencies. This is aligned with the **resource-based view**, which stresses the internal strengths that allow a firm to stand out within a shared market logic.

Creating **strategic group maps** involves a few steps:

1. **Identifying the key drivers of competition**, such as price, style, product range, or geographic coverage.
2. **Positioning brands** on a map according to these dimensions. For price, this means plotting each firm's entry, core, and top range.
3. **Clustering firms** that share similar strategic profiles, which become the strategic groups (3-10 players with comparable offers, pricing and positioning).
4. **Defining the Key Success Factors (KSFs)** for each cluster: which product features matter most, which distribution channels dominate, and what type of media or communication is expected by the target audience.



These groups is not just an academic exercise reveal **real barriers to entry**: new brands cannot simply imitate one product or price point. They would need to replicate the whole strategic architecture (logistics, communication, identity, and positioning) to gain legitimacy in a specific cluster. For this reason, firms within established groups often enjoy a **sustainable competitive advantage**.

Through this method, instead of comparing all brands with one another, firms can **focus their benchmarking within their own strategic cluster**, and tailor their value proposition and competitive efforts accordingly.

DTC Fashion Brands

The Direct-to-Consumer (DTC) fashion landscape includes around 500 vertically integrated digital-native brands, of which approximately 77% focus on apparel and accessories. Within this universe, brands can be mapped along two key dimensions.

1. **Degree of specialization in the assortment**: Distinguishes brands that specialize in a single product category (develop deep expertise and brand identity around one core category) from those offering a broader, total-look assortment (create an entire lifestyle proposition across multiple fashion segments).
2. **Price positioning**: Some brands operate in the **premium** segment, focusing on affordability, transparency, and values like sustainability, while others take a **high-end/luxury** approach, with higher prices justified by quality craftsmanship, material excellence, or brand prestige.

Velasca

Velasca is a clear example of a vertically integrated DTC brand from Italy. Launched in 2012, it is built around a promise of delivering high-quality, Made in Italy shoes without traditional markups. By cutting out intermediaries (wholesalers, distributors), Velasca offers the same product quality at a lower price for the final customer.

The **DTC model** is characterized by:

- **Value Proposition**: Outstanding quality at an honest price (no intermediary margins).
- **Revenue Model**: In the short run, revenues come mainly from e-commerce; over time, brands may expand to physical retail and generate additional value through customer data monetization. Costs are related to marketing, operations, and R&D.
- **Go-to-Market Strategy**: DTC brands often rely on digital marketing, especially social media ads and word-of-mouth to create awareness and drive traffic to their websites.
- **Value Chain Design**: These companies manage the entire value chain internally, from product design and prototyping to delivery. This allows for fast time-to-market, agile optimization, and seamless data integration.

Value Proposition

To build a strong business model, one must first clearly define the **strategic identity** (who you are, what you offer, and how you operate). Then, it needs to be aligned with the components of the **Business Model Canvas**.

To build a coherent business strategy and model, a company must answer **four core questions**, which define how a business **creates, delivers, and captures value**:

W Question	Strategic Question	Focus Area	Canvas Block(s)
WHO?	Who is the target customer?	Customer Targeting	Customer Segments, Customer Relationships
WHAT?	What do we offer them?	Value Proposition	Value Proposition
HOW?	How do we create and deliver that value?	Value Chain & Operations	Key Activities, Key Partners, Key Resources, Channels, Costs
VALUE? (WHY?)	Why is it profitable? How is revenue created?	Revenue Logic	Revenue Streams, Cost Structure (profitability equation)

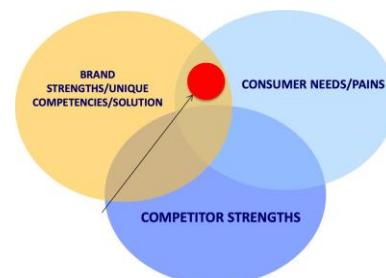
The **value proposition** is the core of the business model: it expresses **what the brand offers, to whom, and why it matters**. A strong value proposition captures the **reason a customer would choose one brand over another**, aligning the offer with real customer needs while differentiating it from competitors.

To define a clear and effective value proposition, a company must balance:

1. **Consumer Needs and Pains:** Identify your **target audience** and understand their **pain points, desires, and expectations**. Ask:
 - What problem are we solving?
 - What are the KSFs in the market?
 - What do customers value most in this product category?
 - Is the market opportunity large and profitable?
2. **Competitor Strengths:** Benchmark against existing players: •
 - Who are your closest competitors?
 - What are they doing well?
 - How can you position yourself differently?
3. **Brand Unique Strengths:** Clarify the **brand's unique assets and competencies**: •
 - What can we do that competitors can't easily imitate?
 - Why is our offer a better solution?
 - What are the barriers to imitation, and how can we protect our idea?

The **ideal value proposition** sits at the **strategic sweet spot**, which is the **intersection of brand strengths and customer needs**. It is where the brand's unique capabilities meet a market pain point.

Importantly, it **excludes competitor strengths**, because the goal is not to compete on what others already do well, but to differentiate by focusing on what only the brand can offer.



Brand Positioning vs. Value Proposition

While **brand positioning** defines the emotional and conceptual space a brand wants to occupy in the minds of consumers, the **value proposition** is the **practical, solution-driven promise** the brand delivers. A strong value



proposition should be:

- **Meaningful** to consumers
- **Credible and believable** •
- Unique and defensible** •
- Durable over time**

It expresses **why the offer matters**, how it solves a real need, and why the brand is best positioned to deliver it, turning the **brand purpose** into something actionable and monetizable.

This breakdown allows us to **position** each brand precisely and identify **relevant competitors per segment**.



Designing a Business Plan

Identifying Ideas or Business Opportunities

A **business opportunity** arises when several conditions come together. First, it must **solve a genuine problem** for customers, addressing a clear need or pain point. Second, it should offer attractive, **risk-adjusted profit potential**, meaning the expected return justifies the risks taken. Third, the opportunity must **align with the capabilities** of the founding or leadership team, leveraging their existing skills and resources. Additionally, it should promise **profitability within a reasonable timeframe** and be feasible in terms of access to **financing**.

Recognizing a promising opportunity requires a blend of **expertise**, **motivation**, and **creative-thinking skills**. **Creativity** is the result of a dynamic combination of these elements. The creative-thinking skills, also known as **discovery skills**, are:

- **Associating**: Connecting unrelated ideas or problems in innovative ways.
- **Questioning**: Challenging assumptions and probing conventional logic.
- **Observing**: Paying close attention to consumer behaviors and everyday phenomena.
- **Networking**: Engaging with people from varied backgrounds to expand perspective. •
- **Experimenting**: Running low-risk tests to validate assumptions and learn iteratively.

These behaviors are not random but part of a disciplined approach to innovation and ideation.

Successful entrepreneurs are executors, who tend to share four core traits:

1. **Passion for the business**: Genuine enthusiasm fuels persistence and energy.
2. **Customer/product focus**: They stay grounded in delivering value to users.
3. **Execution intelligence**: They know how to translate ideas into viable operations.
4. **Tenacity despite failure**: Resilience is crucial as setbacks are inevitable.

Entrepreneurship vs. Intrapreneurship

Entrepreneurship refers to the process by which individuals **pursue opportunities regardless** of the resources they currently control. This definition, proposed by Stevenson and Jarillo, highlights the ability to **act upon potential** without waiting for perfect conditions. Venture capitalist Fred Wilson further simplifies it by defining entrepreneurship as the art of **turning an idea into a business**.

More specifically, **entrepreneurs** are those who gather and integrate the necessary resources (funding, people, and strategic models) to transform an invention or concept into a **viable and operational venture**. This involves not only ideation but also execution, coordination, and leadership.

In contrast, **intrapreneurship** is the practice of engaging in **entrepreneurial activities within an existing organization**. While the mindset remains entrepreneurial, the setting is corporate, meaning that intrapreneurs innovate and drive new ideas forward but within the boundaries and support of a larger firm.

Why Write a Business Plan?

A business plan serves as a structured tool for a management team. It ensures all business issues are **addressed rigorously** and methodically, allowing the team to develop clear operating and strategic assumptions across every aspect of the business. It allows these assumptions to be **tested** continuously and updated as business conditions evolve.

Moreover, it supports the **monitoring** of strategic goals and how effectively the business is achieving them, but also allows the managers to **update and change assumptions** and, therefore, operating procedures, as business conditions change. Finally, it **attracts investment** and potential acquirers through structured messaging; internally, it fosters consensus and facilitates knowledge sharing among team members.

The **business model** is a fundamental component of the business plan. It describes the venture's strategic positioning, the resources needed to implement it, and its value proposition. It also helps the entrepreneur clarify

the assumptions behind financial forecasts.

The **business plan**, on the other hand, **expands** upon the business model by including data and analytics. It **shapes a story** that outlines how the entrepreneur will:

- Secure a unique strategic **position in the market**.
- Mobilize and organize the necessary **resources and capabilities**.
- Address **key risks** and assumptions through specific experiments and traction-building activities.

Finally, the **business pitch** is a more concise and visual format used to present the business model and opportunity to external stakeholders like investors, partners, customers, or potential hires.

A business plan explains the opportunity and how the business intends to pursue it. It typically answers three fundamental questions:

- **Why this?** What makes this a valuable opportunity? This includes the industry context, the positioning of the business, the broader opportunity landscape, and its connection to financial forecasts.
- **Why now?** Why is the timing right? This evaluates whether the market window is open and long enough to reach a positive cash flow and provide a profitable exit to investors.
- **Why you?** Why are you and your team the right people to do this? This refers to the entrepreneur's qualifications and access to key stakeholders such as customers, suppliers, advisers, and partners.

Ideas become opportunities when filtered through the right people and context and gain value when backed by people with firsthand experience, strong connections, relevant capabilities, passion, and the right mindset.

From a **context** perspective, industry trends and disruptions, favorable societal or regulatory conditions, and stakeholder needs are all essential factors.

From an **opportunity** standpoint, success comes from identifying a real market need, having a compelling and differentiated offering, securing customer willingness to pay, and ensuring distribution is viable.

Ultimately, assumptions behind the plan must clarify risks and guide financial forecasts. Plans should also be designed to reduce uncertainty, paving the way for successful implementation and future growth.



Common types of business plans

For **external stakeholders**:

- **Mini-business plans** summarize the essential strategic, operational, and financial aspects of a venture in a compact format.
- **Traditional business plans** include in-depth discussions about strategy, market approach, operations, and financials, often using scenario-based stress testing to identify key risks and validate projections.

For **internal planning**:

- **Go-to-market plans** focus on understanding unmet customer needs and defining how the offering will meet those needs, along with its value proposition.
- **Operating plans** concentrate on the concrete actions and milestones needed to bring the product or service to market, guiding the development and delivery of the first version of the offering.

Business Plan Structure

A business plan is typically organized into several core sections, each serving a distinct strategic and operational purpose. It begins with the **executive summary**, a concise overview of the entire plan aimed at capturing attention and summarizing key elements. This is followed by a **description of the company**, which outlines its mission, vision, and values, providing insight into the business's identity and long-term intentions.



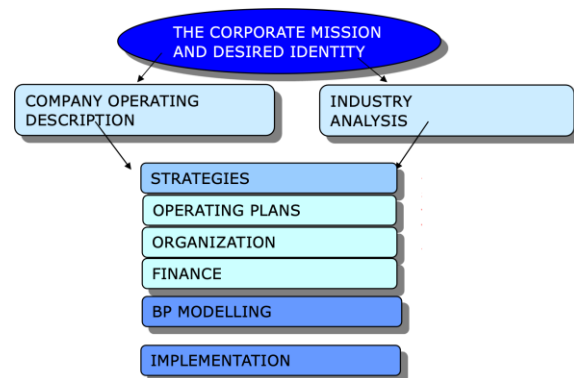
Next, the plan presents an analysis of the **marketplace**, detailing the competitive environment, target segments, and market dynamics in which the company operates. This sets the stage for the **business idea** section, where the product or service offering is explained, including what makes it valuable or innovative. The **strategy** section then follows, describing how the business intends to achieve its objectives through differentiation, positioning, and operational planning.

Further sections include **marketing and sales**, which define how the business will attract, convert, and retain customers; and **management, employees, and Board of Directors**, which introduces the people behind the company and their responsibilities. The **financial overview** includes projections, key financial indicators, and funding needs. Additionally, **scenarios** may be included to assess potential risks and outcomes under different conditions. Lastly, **appendices** provide supporting data, visuals, or extended analysis that complement the main content.

Business Planning Process

The business planning process begins with the definition of the company's **mission** and the **identity** it wants to build in the market. From there, two major analytical inputs are developed in parallel:

- The internal analysis is the **company operating description**, which outlines the company's resources, structure, and operational characteristics.
- The external analysis is the **industry analysis**, which explores the competitive environment, customer needs, market trends, and regulatory factors.



These two blocks are not yet the business plan itself, but they serve as essential inputs that inform it. Together, they enable the actual planning phase, which consists of the following components:

- **Strategies:** They guide the business in choosing markets, identifying competitive advantages, and defining its positioning, and use some tools to determine where and how the company should compete.
 - **Market Attractiveness Analysis**
 - **SWOT Analysis**
 - **Entry Mode Analysis**
 - **Positioning**
- **Operating Plans:** These translate the strategic choices into concrete, actionable plans across operations, logistics, marketing, sales, and product development.
- **Organization:** It defines the team structure, internal roles, and governance mechanisms that will support execution.
- **Finance:** This step assesses the company's economic and financial viability through short-term and current-state evaluation.
 - **P&L Analysis**
 - **Financial Indexes**
- **BP Modelling:** It moves into projections, using scenario modelling to test how the business will perform under different conditions, and to validate assumptions.
 - **Break-even Point (BeP) Analysis (forecasts)**
 - **Financial Indexes (forecasts)**
- **Implementation:** Here the strategy and planning are put into action. The plan is executed, and the business begins to operate according to what was designed.



Business Plan as a Team Effort

A business plan is a **team effort**, requiring collaboration across multiple functions. The **team leader** typically coordinates the process, ensuring that all perspectives are integrated and aligned. **Sales** contributes market intelligence and revenue projections, while **HR** provides insights on staffing and organizational development.

The **supply chain** function contributes operational feasibility and logistics planning. **Marketing** defines the communication strategy and value proposition delivery. **Finance** prepares financial models, forecasts, and funding requirements. **Information technology** supports the infrastructure and systems planning needed for digital tools and platforms. Finally, **public affairs** may be involved to assess stakeholder communication, regulatory concerns, and broader societal impact. Together, they the business plan is both comprehensive and feasible.

Data Sources

The quality of a business plan heavily depends on the **reliability and relevance of the data** used to support its assumptions. Data sources fall into two main categories:

- **Primary data** is collected directly by the team and includes **meetings, interviews, personal networks**, and informal methods such as **walkarounds** to observe markets or operations firsthand.
- **Secondary data** (macro-level insights and benchmarking) includes information obtained from the **web, reports and research papers, specialized press**, and **company documents**.

Regardless of the source, all data used in the business plan must be **reliable, consistent, reasonable, and realistic**. These characteristics are essential to ensuring that the plan is credible and useful both for internal decision-making and for convincing external stakeholders such as investors, partners, or lenders.

Exploring and Presenting Business Opportunities

Industry analysis aims to build a complete **understanding of the economic and competitive environment** in which a business operates or plans to enter. This type of assessment is essential for both startups and established firms as it helps shape strategic decisions, identify opportunities and risks, and ground the business plan in market realities.

The process begins with a general overview of the **industry** and the factors that are contributing to its growth. This includes identifying market opportunities, analyzing overall and segmented market size and growth, and understanding the main players in the competitive landscape. Consumer behaviors and preferences, as well as the structure and efficiency of distribution channels, are also examined. A critical part of this phase involves recognizing key industry trends and major issues shaping the environment.

To do this, external frameworks are often employed. **PESTEL** analysis helps examine the **macro-environment** by looking at political, economic, social, technological, environmental, and legal forces. Each of these dimensions reveals factors that may influence the industry's evolution, from government regulations and tax policies to climate change and data protection laws. The **Six Forces model** expands on Porter's Five Forces by also considering the power of complementors. This model evaluates the **intensity of competition and overall attractiveness of the industry** by analyzing the threats of new entrants and substitutes, the bargaining power of suppliers and buyers, and the degree of rivalry among existing competitors.

The analysis then turns to **more concrete metrics**, such as the **potential market size** for a given product or service (estimating the number of target customers, expected sales volumes, and pricing levels). The **expected growth of the market** is assessed along with the **factors** that could drive or limit that growth, such as technological developments, policy changes, or shifting consumer preferences. A detailed examination of **competitors** is conducted to understand who the major players are and what they offer. Their **strengths and weaknesses** are compared, often in the form of a table or rating system, to determine how well-positioned the business is relative to them. Factors such as time to market, access to proprietary technologies, and relationships with key suppliers and customers are evaluated in this step.

In **global or multi-local contexts**, geographic specifics become especially important. Questions are posed about the activity level of local **competitors**, the impact of **transport times and costs** on competitiveness, and



consumer attitudes toward foreign products. Additionally, it is important to gauge whether local consumers have a preference for domestic goods or show **openness toward imported alternatives**.

An industry analysis is only effective if the **data collected** is good enough. Reliable, consistent, and realistic data should be sourced from both public and private companies, industry research organizations, specialized reports, press articles, and technical literature. Gathering a wide range of insights ensures that the business plan is grounded in **objective evidence** and that **assumptions** regarding risks, trends, and market behavior are **justifiable and credible**.

Moving to Implementation

To move toward a concrete implementation strategy, it is essential to begin with a detailed and structured **operating description**. This starts with a **general overview** of the company, encapsulating its mission and vision in a concise narrative. Then, the company's **historical background** and **key features** such as its founding, management team, geographic location, main activities, and significant milestones or facts are highlighted.

This is followed by a presentation of the **products and services** offered, covering volumes, average pricing, core features, brand identity, and how these offerings are positioned in the market. The **sales and marketing** approach is described through an analysis of past performance, distribution channels, geographical reach, brand communication strategies, and customer relationship management practices. The description continues with **operations and supply chain insights** and moves on to the **organizational structure**. This includes an organizational chart, the profiles of required skills, and an outline of the company's achievements, such as financial results and performance indicators. The section ends with a **summary** using tools like SWOT analysis (internal factors-strengths and weaknesses, and external factors-opportunities and threats) to distill the key strategic drivers that will influence the company's path forward.

This analysis guides decision-making and prioritization of strategic initiatives.

Building on this foundation, the **business idea** and strategy section defines the rationale behind the project, setting out clear goals in light of market conditions and the company's distinctive traits. It elaborates on the **business concept**, starting with the entry or launch strategy for the targeted market. This includes evaluating whether the strategy is innovative or mirrors competitors, breaking it down into phases, and defining how key activities such as sales, marketing, and logistics will be managed.

The **organizational concept** involves defining whether the business will operate independently or in partnership, and identifying the people and competencies necessary for success. The **financial concept** focuses on where the company will invest and how these activities will be funded.

Marketing and Sales

Marketing strategy outlines objectives and tactics concerning the product, distribution channels, and brand image. **Sales strategy** involves organizing the team, clarifying goals, defining tactics, and exploring potential partnership opportunities. These strategies then address **specific promotional plans**, the distribution process including necessary **partners**, and the **pricing** strategy tailored to different customer segments and quantities.

In addition, the product's **features and functionalities** are described, along with the identification of the **target customers**. The **value proposition** is clarified by matching customer needs with the product's ability to address them. The **revenue model** is defined, followed by the **development status** of the offering and a roadmap for transforming the business idea into a deliverable product or service. If applicable, **prior examples** of this model's success are included to add credibility.

Management, Employees and Board of Directors or Outside Advisors

Within the organizational concept of the business plan, it is essential to describe the **team** that will execute the strategy. This section serves to demonstrate the company's internal capabilities and build external trust.

The starting point is the **management** team. One must describe their main strengths and provide concise bios to introduce their background and expertise. Similarly, the **employee** structure must be outlined, covering their key capabilities, distribution by functional areas, and an overall personnel plan. This also includes identifying



members of the **board of directors** and **external advisors**, emphasizing how their presence adds credibility or strategic support.

Equally important is presenting the **founders'** profiles, clarifying their qualifications, relevant experiences, and previous achievements. The centrality of the **idea originator** to the success of the project should also be assessed, especially when the concept is highly dependent on individual vision or expertise. Clarity is expected on **how management responsibilities are distributed** across the team, specifying roles and main tasks.

Furthermore, the plan should highlight any **future hiring needs or intentions to strengthen the management team**, including a timeline for recruitment and the specific skills being sought.

The **organizational structure** of the company must be clearly described, with an explanation of how it supports the business strategy. This includes the number and type of positions across **departments**, the functional description of each **role**, and the key **skills** required. It is also necessary to outline the **scope of operations**, distinguishing what the company will do internally and what will be outsourced.

Finally, any existing or intended strategic **partnerships** and **key vendors** should be identified. If these have not yet been secured, the plan must detail how these **collaborations** will be developed, including **backup** options. Future plans for **team development** are laid out, including hiring timelines and skill needs. The **organizational structure** is then explained in terms of how it supports business goals. Critical resources, hiring strategies, and internal versus outsourced functions are clarified.

Financials and Sustainability

The financial concept includes projections for the next three years and must cover at least one year beyond the breakeven point. These projections involve:

- The **income statement**, which should include detailed revenue sources as described in the business model.
- The **cash flow statement**, necessary for understanding the liquidity and cash movements within the business. •

The **company valuation**, using:

- **Discounted cash flow analysis**
- **Revenue multiples**
- The **balance sheet**, giving a snapshot of assets, liabilities, and equity. In

addition to the financial statements, the plan must define:

- The **key assumptions** used in the financial proforma, such as cost of capital, market share, and margins.
- The **financial requirements** for the business and the identified sources of financing. This includes a financial schedule outlining the amount needed and possible sources.

Sources of Funding

Entrepreneurs typically use a **wide variety of funding sources**. These include internal resources such as personal savings, as well as external capital from credit cards, bank loans, family contributions, business acquaintances, angel investors, close friends, venture capital, and government grants. The relative frequency of use of each source varies depending on the stage and nature of the business. These insights are drawn from empirical studies on entrepreneurial financing behavior.

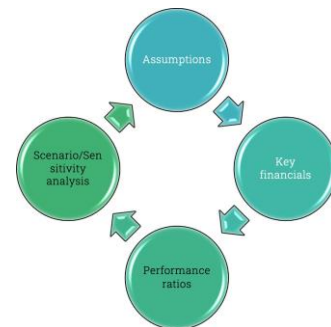
For **scaling businesses**, capital sources expand to include:

1. **Internal cash flow from operations:** This is cost-free if shareholders are not demanding dividends, but it may be insufficient to support major growth investments.
2. **Debt capital:** Although interest payments are deductible from taxable income (if any), debt increases the enterprise's financial risk. The interest rate depends on prevailing market conditions, loan terms, and the borrower's creditworthiness.
3. **Venture capital:** Venture capital is typically the most expensive form of financing. It involves significant ownership dilution and power-sharing with investors, though it may also come with valuable business advice and mentorship.

4. **Initial Public Offering (IPO):** This method can raise substantial funds but involves even greater dilution than venture capital. IPOs impose regulatory obligations and demand public transparency, which can be burdensome.

The BP Model

The business plan model works in a **cyclical and integrated** way. It begins with the **assumptions** on which the plan is based, which then guide the creation of **key financials** (such as income statements, cash flows, and balance sheets). From those financials, **performance ratios** are calculated to assess the business's health and efficiency. These ratios are then tested through **scenario and sensitivity analysis**, which simulates different market or operational conditions to evaluate the robustness of the plan. The outcomes may then lead to refined assumptions, thus restarting the cycle.



The business plan can also be understood and developed through a **simulation** model. This involves working sheets that simulate different areas of the business such as supply chain, marketing and sales, and headquarters functions. These operational elements feed into software that calculates financial outputs like profit and loss statements, income statements, and performance ratios. This simulation approach allows for dynamic testing of decisions and forecasts.

Implementation Schedule

An **implementation schedule** provides a detailed **timeline** for putting the business plan into action. This includes a short-term implementation plan, often visualized through a monthly Gantt chart that details specific tasks, responsible individuals, major milestones, and interdependencies. Additionally, it includes a 3-year implementation plan with quarterly breakdowns. The schedule must also outline who is in charge of each phase and what the potential long-term paths for the business might be.



Appendices

The appendices of a business plan serve to **support** the main body with essential documentation and quantitative detail. These typically include three-year **financial projections**, **summaries** of operating and liquidity statistics, the organizational chart, and any relevant marketing materials. Further annexes can be added depending on the specific needs of the plan or the requirements of potential investors or partners.

Executive Summary

The executive summary condenses the entire business plan into a **high-level overview** designed to quickly communicate the core ideas. It presents the company and its key achievements to date, a description of the market opportunity, a summary of competitive strengths, the main operational components, and finally, the capital requirements and proposed structure of the transaction. Though it appears first in the document, it is typically **written last**, as it reflects all the critical insights developed in the rest of the plan.



Designing Growth Strategies in Fashion

Fashion companies can grow in three main ways. The first is **internationalisation**, which means expanding into new markets and geographies. The second is **line or brand extension**, where growth happens by targeting new customer segments, genders, or product categories. The third is **vertical integration**, either upstream (closer to production) or downstream (closer to the consumer), for example by opening directly operated stores. Each of these paths represents a different growth axis: markets, products/targets, or stages of the value chain.

Internationalization

The **global clothing export market** is dominated by Asian countries, especially **China**. In Europe, major exporters include Italy, Germany, and Turkey. Despite being third in overall volume, **Italy** stands out for maintaining a positive trade balance in fashion, which is less common among other leading countries like the US or Germany. **North America** heavily depends on imports for both apparel and footwear.

Trade relations between global fashion hubs have fluctuated over time due to **political and economic tensions**. **Tariffs** influence luxury and mass fashion brands differently. **Luxury brands** are less vulnerable to price increases due to their wealthy customer base and strong brand equity. They can sometimes absorb part of the tariff costs or shift their market focus toward Asia and the Middle East. On the other hand, **mass and premium brands** face a more price-sensitive audience, which may start changes in distribution strategy, a shift in production locations, or reduced online sales due to customs delays and higher shipping costs.

When expanding globally, fashion brands must consider how much to **adapt their brand** across countries. Rather than deciding whether to standardize or adapt, the key issue is determining the **degree of adaptation**. Some aspects such as the brand value proposition may remain consistent, while others like retail management, communication, or customer experience may require adjustments based on local preferences. Factors like global customer tastes, distribution infrastructure, media presence, and regulatory barriers all influence how global a brand can be.

Not all fashion sectors are equally globalized. Sportswear brands are highly global due to shared customer needs and strong media presence. Luxury jewelry and leather goods are also relatively global because of their iconic status and minimal sizing issues. Retailers like Zara and H&M achieve global reach thanks to scalable formats. In contrast, apparel and beauty brands often need more localized adaptation due to cultural, size, and regulatory differences.

Global Brand Strategy

A global brand strategy aims to build a coherent, recognizable, and relevant brand presence across multiple countries. It is anchored in four key pillars:

- **Presence:** Global geographic reach ensures that the brand has physical and digital footprints in the main world regions.
- **Awareness:** It is about being top of mind and easily recognized.
- **Relevance:** It means that the brand connects meaningfully with local consumer needs and cultural values.
- **Consistency:** It allows the brand to maintain its identity and messaging across all customer touchpoints, regardless of location.

Nike's strategy emphasizes maintaining a unified identity ("One Brand. One Voice.") while adapting communication tones to fit regional nuances.

Luxury and fashion brands often aim for a **balanced presence** across major regions: roughly one third of stores in the Americas, one third in EMEA (Europe, Middle East, and Africa), and one third in APAC (Asia-Pacific). This balance supports diversified revenue streams and reduces regional risk exposure. **Currency exposure** follows a

similar pattern, with revenues typically denominated in EUR, USD, CNY, and other local currencies, depending on store location.

Awareness and Image

Brand **awareness and image** are essential pillars of global branding. They are the foundation of brand equity and help to **distinguish** one brand from another in the minds of consumers.

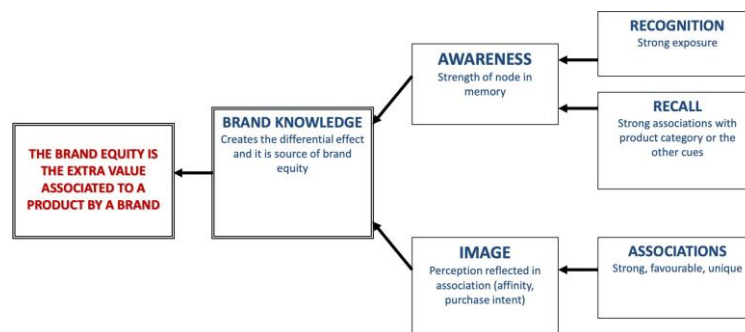
A **trademark** is any sign that can be graphically represented and used to distinguish a company's goods or services from those of competitors. It is a form of **intellectual property** and offers legal protection if it meets three requirements:

- **Distinctiveness** (not being purely descriptive).
- **Novelty** (being different from existing commercial signs).
- **Legality**.

Trademarks are registered for **10 years and are renewable**.

A **brand** is an **asset** based on consumer **associations**, both tangible and emotional. **Tangible** associations include names, logos, colors, and other visual elements, which support **identification**. **Emotional** associations refer to the values and benefits the brand represents in consumers' minds, building **affinity**. These associations are what allow brands to charge a premium over unbranded products, generating **brand equity**, which is none other than the extra value consumers attribute to the brand.

According to Keller's model (2003), brand equity derives from **brand knowledge**, which consists of **awareness** and **image**. Awareness is built through **recognition** (based on strong exposure) and **recall** (how well a brand is linked to its product category or other cues). Image reflects perceptions, purchase intentions, and emotional responses, shaped by **associations** that are strong, favourable, and unique.



Different branding strategies require different communication tools. For **mass-market and global brands**, building recognition relies heavily on broad exposure through media like TV, press, or global influencers. For **luxury and niche brands**, image and associations are more important and are developed through more exclusive channels such as PR, events, or micro-influencers.

Global Relevance

In luxury fashion, **relevance** today is no longer defined by national borders but by **client profiles**. With international consumers constantly traveling and shopping across countries, brands must shift focus from geography to customer behavior. Relevance stems from creating **meaningful content** that **resonates with diverse client expectations**, regardless of where they live.

Customer needs are not universally homogeneous. Global brands must acknowledge that consumers' purchasing motivations are rooted in behavioral and cultural differences. Success lies in understanding why these consumers buy, what they look for, where they shop, and how they are influenced, rather than assuming all global customers behave the same way. Relevance can be achieved through psychographic profiling rather than demographic or geographic generalizations.

Cultural sensitivity and genuine understanding, rather than superficial localization, when trying to connect with regional audiences are extremely important as well. Visual campaigns also need to adapt to regional norms,



especially in conservative markets. These adjustments may involve altering poses, attire, names, or color schemes to maintain brand presence while respecting cultural boundaries.

Entry

The international expansion of a brand must be aligned with its core identity. This identity guides every strategic decision, from goal setting to market choice and operational execution. Two foundational elements shape this process: the brand's home base advantage and its specific firm advantage, both of which define its source of competitiveness abroad.

1. **Establishing strategic goals and objectives:** It involves setting clear strategic ambitions. These could range from market expansion and revenue growth to brand awareness and positioning goals. This phase defines what the brand wants to achieve internationally.
2. **Understanding competitive advantage:** To succeed globally, a company must understand what gives it an edge. This includes its product uniqueness, cost leadership, innovation capabilities, or brand equity. This competitive advantage determines where and how the firm can compete effectively.
3. **Choice of countries and entry strategy:** In this phase, firms must select the most suitable markets and define their approach to entering them. This decision is supported by several analytical tools:
 - **Market/product attractiveness analysis** helps prioritize markets based on demand potential, growth, and competitive intensity. To assess the attractiveness of a potential market, companies must interpret product market data through four key analytical lenses:
 - **Market Dimensions and Growth**
 - Assess total market size and segmentation
 - Analyze past growth trends
 - Estimate future growth potential
 - **Current and Future Profitability**
 - Monitor price trends
 - Evaluate competition:
 - Market share and its evolution
 - Price levels
 - Product differentiation and assortments
 - Analyze distribution channels:
 - Formats (e.g., retail, online)
 - Dimensions (reach and scale)
 - **Barriers to Entry or Growth**
 - Identify economies of scale that favor incumbents
 - Consider advertising dominance and brand visibility
 - Evaluate logistical challenges
 - Assess ease of access to distribution channels
 - **Current Positioning of the Company**
 - Examine historical and projected sales volumes
 - Review customer base penetration and loyalty
 - Understand current brand positioning and image in the market
 - **SWOT analysis** identifies strengths, weaknesses, opportunities, and threats specific to each market.



- **Entry modes analysis** compares options such as exporting, franchising, joint ventures, or wholly owned subsidiaries.
 - **Positioning analysis** helps determine how to differentiate the brand in the new market.
4. **Estimating costs and risks:** Before execution, firms must forecast potential costs and risks of market entry and operations. This includes:
 - **Break-even analysis (BeP)** to evaluate the volume of sales needed to cover investment and operating costs.
 - **Financial indexes** to assess profitability, return on investment, and capital requirements under different scenarios.
 5. **Entry strategy execution:** This step is about turning the plan into action, and it involves setting up operations, hiring teams, launching marketing activities, and beginning commercial activities in the new market.
 6. **Entry strategy evaluation:** The firm must assess the performance of its international strategy using:
 - **P&L analysis** to track revenues and costs.
 - **Updated financial indexes** to monitor profitability and strategic alignment over time.

This approach ensures that internationalization decisions are grounded in analysis and remain aligned with the brand's identity and long-term vision.

Entry Strategies

When a company decides to expand its operations across borders, one of the most important decisions it faces concerns how to enter the new market. The choice of entry strategy determines the level of investment, control, risk, and commitment involved.

Exporting

Exporting represents the most traditional and accessible method. It allows companies to produce goods in their home country and sell them abroad without establishing a physical presence in the foreign territory.

Indirect exporting involves intermediaries such as import agents or domestic export management firms. It is characterized by **limited commitment**, minimal financial risk, and high flexibility. This makes it especially appealing for firms with little international experience. However, the drawbacks include a **lack of control** over distribution and branding, limited feedback from customers, and missed opportunities to tailor products or strategies to local markets.

Direct exporting, by contrast, requires companies to establish direct relationships with **foreign retailers or distributors**. It involves a higher level of investment and

Contractual Agreements

Contractual agreements allow a company to expand internationally by forming structured agreements with local partners.

Licensing is a low-investment model where a foreign company is granted the right to use the brand, product, or technology in exchange for royalties. It allows rapid entry and is ideal for smaller markets or peripheral regions. However, it often leads to limited financial returns and may enable future competitors. Maintaining quality standards and brand integrity can be challenging.

Franchising involves a more comprehensive transfer of a business format, including branding, operational procedures, and managerial training. It is common in the services sector, and reduces financial exposure for the parent company while tapping into local

Wholly-Owned Subsidiaries

Creating wholly-owned subsidiaries is the most resource-intensive form of international expansion, as the company maintains complete ownership of its operations in the foreign market.

Acquisitions offer rapid market entry and provide access to established distribution networks, experienced personnel, and an existing customer base. They can also reduce competitive pressure by absorbing local rivals. However, acquisitions often involve complex integration processes, potential culture clashes, and the difficulty of aligning the acquired firm with the parent company's operations and strategy.

Greenfield investments involve building a new operation from the ground up. This approach gives the company full control over operations, the ability to implement state-of-the-art technologies, and the opportunity to tailor the business structure to its needs.



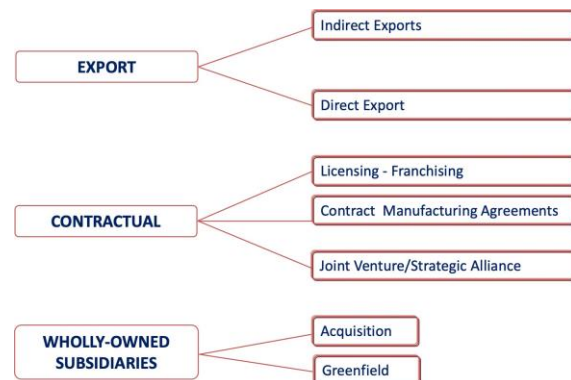
organizational effort, often necessitating a local sales team. In return, it provides greater control over the brand and customer experience, better market insights, and stronger sales performance. While it demands a higher degree of commitment, it also lays the groundwork for **deeper long-term market integration**.

entrepreneurial talent. It still requires great effort to train franchisees and enforce standards, which can complicate operations and dilute the brand.

Joint ventures and strategic alliances involve a more integrated collaboration with a local company, including shared ownership and decision-making. They are valuable for accessing local know-how, navigating regulatory frameworks, and spreading investment risk. Yet, they come with cultural clashes, conflicts of interest, and having to align objectives.

While it promises long-term efficiency and coherence, it requires significant time, capital investment, and the challenge of establishing new relationships and market awareness from scratch.

Selecting the right mode of entry is not a one-size-fits-all decision. Each strategy varies in terms of control, investment, speed of entry, and exposure to risk. Exporting is best suited for companies looking to test the waters with minimal risk. Contractual agreements allow firms to share responsibility and leverage local expertise, while wholly-owned subsidiaries are ideal for firms seeking complete control and long-term market commitment. The final choice must be aligned with the company's resources, strategic vision, and the specific characteristics of the target market.



Vertical Integration by Retailization

The fashion and luxury industries have shifted dramatically toward retailisation. What used to be sectors driven primarily by wholesale operations are now increasingly shaped by retail-driven strategies. This shift has been especially accelerated by the diffusion of retail practices from fast fashion to luxury, a phenomenon often referred to as "technology transfer." Luxury companies now view stores not only as profit centers but also as powerful brand statements that are instrumental in shaping the customer experience. Additionally, retail expansion requires significant investments and captures a substantial share of the company's value generation potential.

Successfully managing retail integration requires attention to both **rational and emotional** business dimensions. Companies must make **strategic decisions** about store location, concept, and customer targeting. Effective in-store product flow and buying processes are essential for ensuring that the right products are available at the right time. Other key areas include **visual** merchandising, customer service, CRM systems, channel integration, marketing, store organization and KPIs.

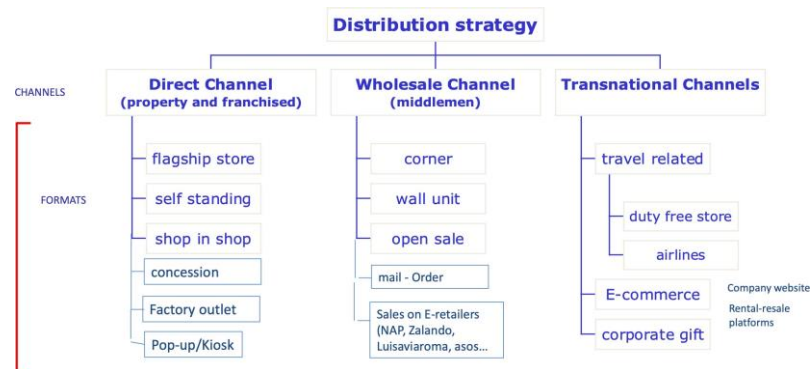
Modern branding increasingly involves **brand entertainment** strategies that create emotional engagement through a variety of formats. These include events, art shows, music branding, celebrity ambassadors, cinema, sport, TV formats, virtual reality (Web3), and gaming. Social media, both global and local, plays a pivotal role in amplifying these experiences. The goal is to create immersive, memorable encounters that forge deep emotional bonds between the consumer and the brand.

Finally, there is a fundamental difference in how **high-end fashion brands** and **mass-market brands** communicate. Luxury brands prioritize brand image and target trade professionals and opinion leaders through seasonal PR campaigns, catwalks, prestigious store locations, and visually rich storytelling. In contrast, mass brands focus on brand awareness, communicate with final consumers through more frequent promotions, and

prioritize accessibility and cost-effective reach. While high-end communication leans heavily on creativity and aesthetics, mass-market communication is rooted in traditional marketing techniques with measurable performance goals.

Distribution Channels

There are three main channel categories that allow brands to build retail identity and deliver consistent experiences across multiple customer touchpoints. The **direct channel** includes company-owned or franchised formats such as flagship stores, self-standing boutiques, shop-in-shops, concessions, factory outlets, and pop-up stores or kiosks. Second, the **wholesale channel** involves intermediaries, such as corners in department stores, wall units, or open sales through mail orders and e-retailers. Third, **transnational channels** serve travelers through duty-free shops, airport stores, airlines, and platforms such as corporate gifting and e-commerce.



Formats

Each retail format serves a different strategic purpose in reinforcing the brand's image and customer reach:

- **Flagship stores** are often located in iconic cities and serve as temples of the brand.
- **Neighborhood stores** target local clientele.
- **Factory outlets** help clear inventory and reach more price-sensitive customers.
- **Mall stores** benefit from high foot traffic in urban shopping centers.
- **Shop-in-shops** integrate into larger retail environments.
- **E-commerce platforms** have also become critical, especially post-pandemic, for reaching global audiences and supporting omnichannel experiences.

From Wholesale to Retail

The **wholesale model** offers high market diffusion and lower investment risk, but typically results in a lower margin of contribution, weaker brand image, and less control over merchandising. On the other hand, **retail** offers higher margins, stronger brand control, and full ownership of merchandising decisions. However, it also involves high investment risks, limited geographic coverage, and greater organizational complexity. Brands must weigh these trade-offs.

Communication in Retail

Effective communication is fundamental to retail and brand success. It is a **process** that involves a message traveling from a source to a receiver through specific media channels. In fashion, this communication must evoke emotions and transmit **symbolic meanings** associated with the brand. Media types include traditional advertising, PR, social media, sales promotions, special events, trade shows, and direct marketing. The message and the media must be aligned to reinforce the brand identity and appeal to the target audience.

E-Commerce Business Models



E-commerce in fashion has evolved beyond simply replicating physical store models. There are now various e-commerce business models. The **Direct-to-Consumer (DTC)** model allows brands like Louis Vuitton and Gucci to sell directly through their own platforms, preserving control over pricing, inventory, and customer data. **Platform models**, like Farfetch, act as intermediaries between boutiques and consumers, without holding inventory. **Wholesalers** such as Yoox purchase and resell branded products. Other formats include **Rental** models, like Rent the Runway, which offer temporary access to luxury items, and **Resale** platforms such as Vestiaire Collective, which cater to the growing market for second-hand luxury goods. These models offer flexibility, sustainability, and new revenue streams.

Digital and physical retail channels each offer distinct advantages and drawbacks. **Digital commerce** provides broad access to collections, limitless availability, and strong data analytics capabilities, but it often lacks the immersive brand experience, shopping assistance, and human interaction that physical stores provide. In contrast, **brick-and-mortar stores** excel in delivering experiential touchpoints and personal relationships, though they may be limited in product availability and data insights. Most successful fashion brands now embrace an omnichannel approach to combine the strengths of both.

Line and Brand Extension

In the fashion industry, brand and line extensions are essential growth drivers. The two main reasons behind these strategies are to generate **new revenue streams**, and to **strengthen customer affiliation** with the brand. Extensions are not just commercial moves but also relational ones, aiming to deepen the emotional bond with consumers.

Fashion brands typically follow three phases when implementing line and brand extensions:

1. **Complete the product range:** Brands move from their core product (e.g., handbags) to adjacent categories like shoes, apparel, jewelry, and perfumes, broadening their assortment.
2. **Encourage cross-selling and trading up:** Customers are encouraged to combine different products from the same brand or purchase higher-end items.
3. **Build brand equity as a lifestyle universe:** The ultimate goal is to move beyond products and create a holistic brand world that customers want to be part of.

All fashion brands seeking revenue growth aim to achieve these objectives, going beyond simple brand familiarity or recognition.

Line Extension vs. Brand Extension

The difference between a **line extension** and a **brand extension** lies in both the product category and whether a new brand is introduced.

- **Line extension** involves launching new items within the same product category under the existing brand, such as new styles or distribution channels (e.g., Nike Air Max under Nike).
- **Brand extension** refers to entering a **new product category** using the same brand name (e.g., Nike launching eyewear or perfume).
- **Multibrand strategy** means launching a **new brand** in the **same category** (e.g., Prada creating Miu Miu).
- **Diversification** involves launching a new brand in a new category (e.g., Prada's acquisition of Marchesi 1824 in food & beverage).

	Existing product category	New product category (as defined by technology)
Existing brand (sub-brand; endorsed brand)	LINE EXTENSION (new market segments, new distribution channels, additional product attributes)	BRAND EXTENSION
New brand	MULTIBRAND STRATEGY	DIVERSIFICATION

We further differentiate between:



- **Sub-brands**, which maintain a close association with the master brand, enriching it while addressing niche audiences.
- **Endorsed brands**, where the master brand lends credibility but stays somewhat insulated from the endorsed offering (the endorsement adds prestige but the brand functions with a degree of independence).

Line Extension Today

In today's fashion landscape, **line extension strategies** are applied differently depending on the type and positioning of the brand.

Luxury brands typically avoid line extensions altogether. Their strategy is rooted in preserving exclusivity, consistency, and a tightly controlled brand image. There are no diluted versions like "Chanel Kids" because any extension perceived as mass-market could undermine the core brand.

Designer brands (particularly those from Italy and the US) have historically embraced line extensions, which played a key role in their growth. Over time, however, many of these lines have either evolved into **independent brands** (such as *Emporio Armani* or *Valentino Red*) or were canceled to allow **broadening the master brand's territory** by integrating new price points or usage occasions. Brands like *Burberry*, *Marc Jacobs*, *Versace*, and *Dolce & Gabbana* exemplify this shift.

Premium brands may still use line extensions, though these are often tied to **specific occasions or lifestyle needs**. A good example is *Week End by Max Mara*, which offers a more casual, accessible take on the Max Mara aesthetic. Typically, these brands operate within a **multi-brand group**, allowing them to pursue distinct positioning strategies for different consumer segments.

Vertical retailers such as *Inditex* (Zara) have adopted **multi-brand strategies**, targeting varied styles and demographics with specific sub-brands. Within each brand, they also occasionally introduce **line extensions or themed collections**, often with a sub-brand identity (e.g., *Zara SRPLS* or *H&M Conscious*). This allows them to create special projects without departing from their core commercial model, maintaining flexibility and innovation while addressing specific customer niches.

Across the board, line extension is no longer a one-size-fits-all strategy but a carefully calibrated decision based on brand identity, market positioning, and long-term growth goals.

Risks of Overstretching the Brand

While extension strategies offer many opportunities, they also carry significant risks. These include:

- **Diluting parent brand equity**: Overextending a brand into too many sub-lines or categories can blur its identity, making it less distinctive and reducing its perceived value.
- **Undermining parent brand loyalty**: When consumers perceive inconsistency or confusion within the brand offering, their trust and loyalty may erode.
- **Weaker line logic, over-segmentation, and cannibalization**: An excessive number of similar or overlapping products can confuse consumers and cause internal competition among a brand's own offerings.
- **Fragmentation of the overall marketing effort and increased cost of variety**: As marketing resources are spread thin across numerous sub-lines, the effectiveness of campaigns diminishes and the operational complexity increases.
- **Line extensions do not increase total demand**: Introducing more versions of the same product often redistributes existing demand instead of creating new interest or expanding the customer base.
- **Retail shelf space expands slower than product proliferation**: Physical and digital retail spaces are limited, and an increase in product variety doesn't guarantee additional visibility or sales space, leading to underperforming items crowding out stronger ones.

These risks highlight the importance of strategic discipline in brand extension. Without clear differentiation and consistent value, brands risk weakening their overall market position rather than enhancing it.

How to Get Extension Right

To successfully implement line and brand extensions, three key pillars must align:



1. **Brand emotional fit and product-level similarity with new categories:** The new product must feel like a natural extension of the brand's identity, maintaining emotional and stylistic coherence (consumers should immediately recognize the connection, like Chanel translating its iconic design codes into eyewear).
2. **New market opportunities with the right timing:** Extensions must meet real, timely demand, as success depends on entering markets when consumer interest is rising.
3. **Leveraging organizational capabilities:** Brands must ensure they have the infrastructure (production, distribution, and marketing) to support the extension.

When these pillars are in place, extensions can drive growth without compromising brand integrity. To operationalize these strategies, brands should:

- **Determine the key competencies** required for success in the new category, including manufacturing expertise, distribution channels, and marketing strength.
- **Define the appropriate business model:**
 - *Organic growth:* Building capabilities internally.
 - *Licensing:* Partnering with third parties for manufacturing, distribution, or global expansion.
 - *Subcontracting:* Outsourcing specific parts of the process.
 - *Joint ventures:* Sharing ownership and responsibilities with a partner.

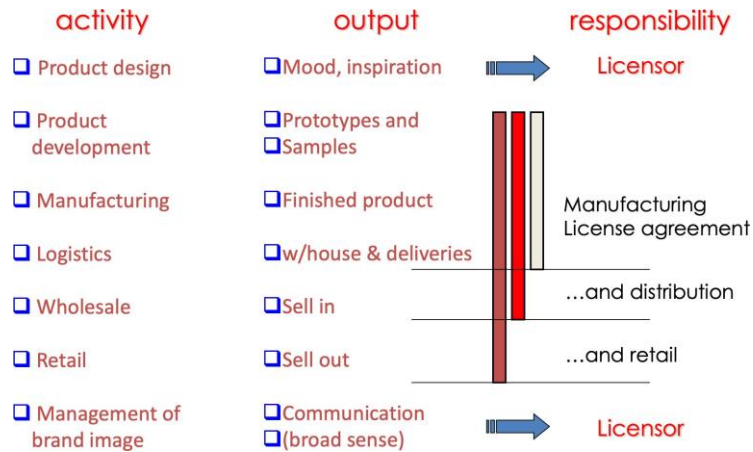
By ensuring a strong brand fit, capitalizing on the right market moment, and executing through capable organizational systems, brands can pursue extensions that enhance rather than dilute their core identity.

Licensing

Licensing in the fashion industry is a strategic agreement where a brand owner (**licensor**) allows another entity (**licensee**) to use its name and designs for the production and/or distribution of **specific product categories**, within a defined **territory** and **time** frame. In exchange, the licensor receives royalties (percentage of wholesale sales) and may also require a contribution to communication and marketing efforts. The key elements typically included in a licensing agreement are:

1. **Exclusivity:** Defines whether the licensee has sole rights to the brand in a given category or market.
2. **Product approval:** Covers design and branding elements such as names, logos, materials, and graphics.
3. **Manufacturing:** Specifies quality expectations and production responsibilities.
4. **Royalties:** Includes financial terms such as percentages, minimum guarantees, and marketing contributions.
5. **Reporting requirements:** Details sales performance, client breakdowns, order statuses, and regional data from the licensee.

The operational division of tasks between licensor and licensee is clear-cut. While the licensor retains control over the brand image, product inspiration, and communication strategy, the licensee assumes responsibility for execution (including product development, manufacturing, logistics, and sales). This division is formalized through a manufacturing and distribution license agreement.



Key Success Factors

- A strong **partnership** between licensor and licensee, with open communication and mutual trust forming the foundation of the collaboration.
- A compelling and coherent **creative project** led by the licensor, ensuring that the brand's identity is clearly expressed in the licensed products.
- Deep **knowledge and experience** on the part of the licensee regarding both the product category and its distribution landscape, allowing for effective market penetration.
- A well-structured **distribution plan** that aligns with the brand's positioning and supports its commercial goals without diluting its prestige.
- **Professional contract and operational management**, including detailed oversight of day-to-day execution, dedicated staff, and regular monitoring of results to ensure alignment with brand standards.

Critical Areas

- A fragile **balance between brand image and commercial diffusion**, where overly aggressive market expansion by the licensee may damage the brand.
- A **mix of royalties, minimum guarantees, and financial obligations** may create tension between selective distribution and high sales goals.
- **Unclear creative briefings** from the licensor, leading to misinterpretation and off-brand product design.
- **Inappropriate management of manufacturing and distribution** by the licensee, resulting in delivery delays, or unsold inventory.
- **Insufficient managerial commitment or structural support** from the licensor that can limit oversight and weaken the partnership.
- **Internal competition or overlap**, where the licensor grants licenses in overlapping territories or the licensee manages its own brands alongside licensed ones, creating conflicts of interest.
- Risk of a **takeover of industrial operations** by the licensee, reducing the licensor's control and long-term brand equity.



Sustainable Business Models in Fashion

Sustainability has become a **central driver of business transformation**, moving beyond compliance and corporate social responsibility to become a source of **innovation** and **strategic advantage**. It is increasingly understood through the **ESG framework**, which encompasses three core objectives:

- **Environmental transition:** This objective focuses on an **energetic and circular transition** and involves shifting towards **renewable energy sources**, improving **energy efficiency**, and adopting **circular design principles** that extend product life cycles and reduce waste.
- **Social equity:** It addresses the **reduction of inequalities**, which includes promoting **fair labor practices**, **diversity**, and **inclusion** both within companies and across supply chains.
- **Strong governance:** It emphasizes **robust and transparent governance**, requiring **ethical leadership**, **accountability**, and decision-making structures that align with stakeholder expectations

To act on these goals, companies are expected to implement three main actions. The first is **integrating a culture of sustainability** across the organization. This means embedding environmental and social awareness into every level of the business, from strategy to daily operations, ensuring that sustainability becomes a **natural part of corporate identity**. The second is **leveraging sustainability as a driver of innovation**. By rethinking **products, processes**, and **business models** through a sustainability lens, companies can identify **new opportunities for growth and differentiation** while simultaneously reducing negative impact. The third action involves **integrating ESG metrics** into **strategic and financial planning**. This ensures that sustainability performance is not only tracked but also informs business decisions and **mandatory reporting**, meeting both **regulatory demands** and **investor scrutiny**.

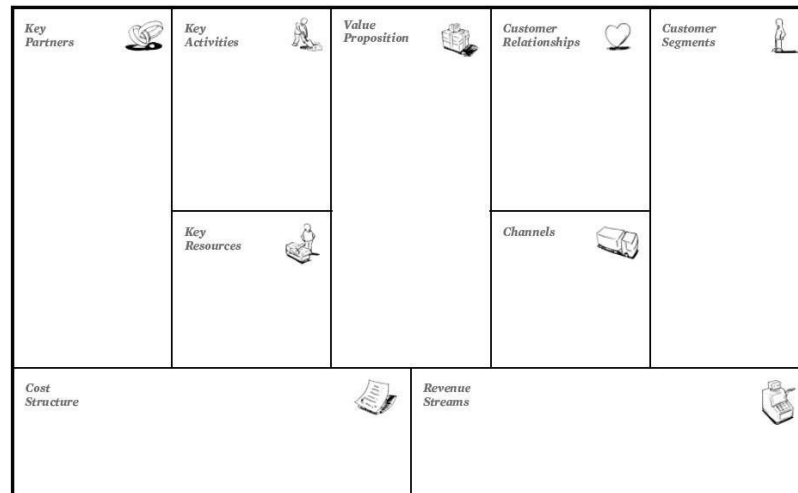
These actions are supported and reinforced by evolving regulation, particularly the European Union's **Corporate Sustainability Reporting Directive (CSRD)**. This directive modernizes and expands existing rules on environmental and social disclosure. It requires companies to report not just on **past performance**, but also on **future risks and impacts**, especially those related to their **supply chains**. The directive will be implemented in stages.

In parallel, the EU is applying this regulatory approach specifically to the **textile industry** through sustainability reporting and **taxonomy standards**. These include clear expectations on how products should be designed and manufactured. Companies must focus on **longevity and reuse**, ensuring that garments resist wear and washing while retaining quality. **Design for recycling** is also emphasized, encouraging material blends that are easier to separate and repurpose, or using **recycled material** altogether. **Chemical use** is strictly regulated, limiting **substances of very high concern** and encouraging safer alternatives in finishes.

Sustainability as a Driver of Innovation

Sustainability is a fundamental driver of business model innovation. Companies across sectors are rethinking the foundations of how they create, deliver, and capture value, leveraging sustainability as a tool for competitive advantage.

A way to approach this shift is through the **Business Model Canvas**, a framework that outlines the key building blocks of any business. Sustainability can influence all these components. For example, a sustainable business model might emphasize circularity in its **value proposition**, use **recycled materials** as **key resources**, rely on **repair services** as a **revenue stream**, and communicate through **transparent, traceable supply chains**.

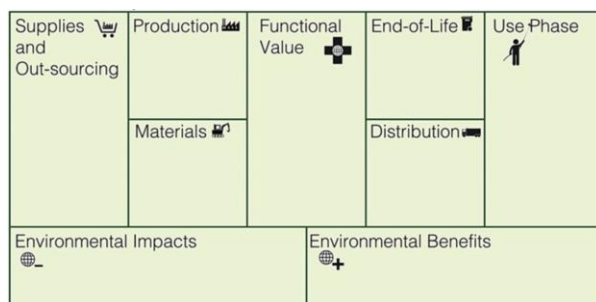


Behind these transformations are several **innovation drivers** linked to sustainable growth:

- **Technological** drivers include **maximizing material and energy efficiency**, **creating value from waste**, and **substituting renewable or natural inputs**. Examples here are lean and additive manufacturing, to circular economy solutions, and reuse, remanufacturing, and recycling practices.
- **Social** drivers, on the other hand, reimagine consumer roles and expectations. These include models that shift from ownership to access, and others that promote consumer care, ethical sourcing, and education for responsible consumption.
- **Organizational** drivers reshape the business itself. These involve **collaborative value creation**, **local production**, and **hybrid for-profit and social enterprise models**.

To identify where sustainability can make a difference, we can also analyze its impact across two critical dimensions: **environmental** and **social**.

From an **environmental** standpoint, sustainability touches every stage of a product's lifecycle. It begins with sourcing, as in using **responsibly procured materials** and **ethical suppliers**. During **production**, it includes minimizing waste, water, and emissions. The **use phase** focuses on longevity and energy efficiency, while **end-of-life** strategies involve recycling, reuse, or biodegradability. All of these influence the overall **environmental impact** and define the **environmental benefits** a company delivers.



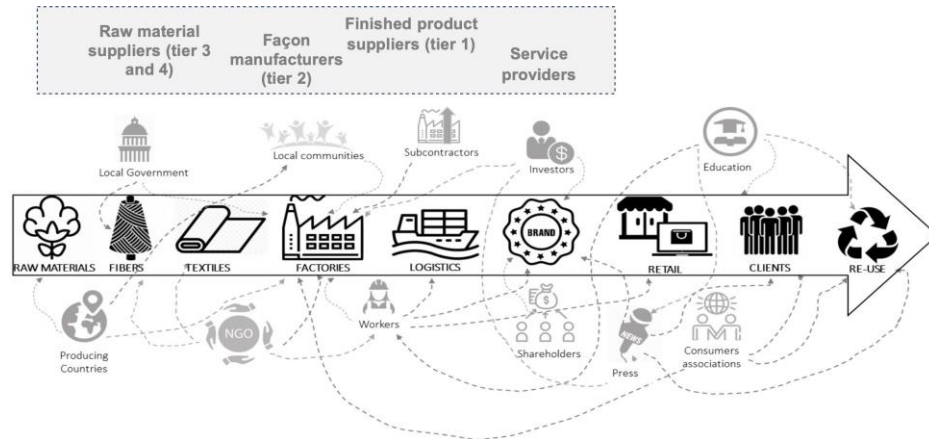
From a **social** perspective, the pillars shift toward people and communities. Businesses must consider their relationship with **local communities**, their **employees**, and the **governance structures** that uphold ethical standards. Value is created not only for **end users**, but also by fostering a **positive societal culture** and expanding the **scale of outreach**. The dual aim is to increase **social benefits** while reducing **negative social impacts**, whether through equitable labor practices, inclusive innovation, or stakeholder engagement.



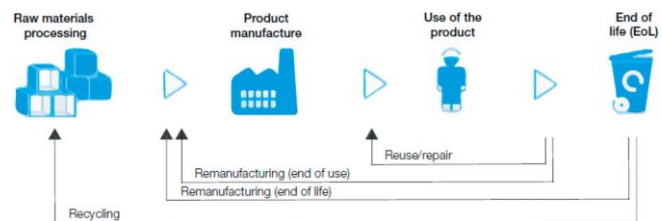
The Fashion Challenge

The fashion industry faces a formidable sustainability challenge rooted in its complexity and scale. At its core is a **fragmented and interdependent value chain**, spanning from raw material suppliers (tiers 3 and 4), to façon

manufacturers (tier 2), finished product suppliers (tier 1), and service providers. This chain also includes stakeholders such as local governments, communities, subcontractors, investors, and education institutions, all connected through a dense network of mutual dependencies. The journey from **raw materials** to **reuse** involves a multitude of actors, including NGOs, workers, shareholders, press, and consumer associations, highlighting the ecosystem's intricate structure.



To achieve sustainable growth, fashion must address **circularity**, requiring systemic alignment across the entire value chain. This circular approach starts with **raw materials processing**, continues through **product manufacturing**, and extends into the **use phase** and **end-of-life**. Key strategies include **remanufacturing** at both the end of use and end of life, along with **recycling** and **reuse/repair** initiatives. The model underscores that a collaborative effort across all stages is essential to close the loop and reduce environmental impact.



Public Awareness and Accountability

Rising consumer scrutiny is driving pressure for **greater transparency** and **responsibility** in fast fashion practices. Fashion is **the second most polluting industry globally**. The statistics are striking:

- It takes **700 gallons of water** to produce a single cotton t-shirt. •
- Only **1%** of used clothing is recyclable.
- The industry contributes to **20% of global plastic production** and accounts for **8–10% of global CO₂ emissions**.
- **35% of all microplastics in the oceans** originate from textiles.
- A **garbage truck's worth of textiles** is landfilled or burned **every second**.
- Despite a growing market (expected **32% growth** in global sports apparel between 2020–2026), only **2% of garment workers** earn a livable wage.
- The number of people working in the industry globally is around **75 million**. •

Since 2001, **global garment consumption has increased by 400%**.

- Yet, **60% of garments are not sold at full price**, indicating a substantial overproduction problem.

Large companies are starting to lead sustainability efforts, but **commitment remains relatively recent**. According to the BoF Sustainability Index, firms are evaluated across six categories: **transparency, emissions, water &**

chemicals, materials, workers' rights, and waste.

- In the **luxury sector**, companies like **Kering** and **Hermès** lead with relatively higher scores.
- In the **high street segment**, brands such as **Levi Strauss & Co.**, **H&M Group**, and **Inditex** show stronger commitments.
- Among **sportswear brands**, **Nike** and **Puma** perform better than others like **Under Armour**, which scores notably low.

Despite progress, overall scores reflect that most companies have **a long way to go** in embedding robust, measurable, and impactful sustainability practices.

Sustainability and the Business Model

Environmental Impact

According to data from McKinsey's *The State of Fashion 2023*, the most significant climate impact within the clothing lifecycle arises from the **production of materials**, which alone accounts for **35%** of emissions. This is closely followed by **yarn and fabric preparation and wet processes**, responsible for another **30%**. These two stages dominate the emissions profile, while **retail and consumption** contribute **25%**, and **garment manufacturing** and **end-of-use** contribute only **5%** each.



This trend is further corroborated by data from VF Corporation's annual report. VF reports that **70%** of their carbon emissions stem from **raw material extraction, processing, and production**. In contrast, **product assembly** and **logistics** each contribute **5%**, while **corporate purchasing** adds **4%**. The company's **direct operational impact is under 1%**, highlighting the disproportionate environmental burden of upstream activities.

Similarly, **Kering's supply chain analysis** identifies **Tier 3 (raw material processing)** and **Tier 4 (raw material production)** as the most impactful stages in terms of environmental degradation. Visual representations show that these stages generate the highest levels of **GHG emissions, land use, and water consumption**. The company's tiered supply chain approach allows them to pinpoint where interventions can yield the greatest sustainability returns.

Traditional fashion models follow a **linear economy**: garments are designed and produced, used, and then disposed of, often ending in landfills. This process generates massive waste and emissions, and only a tiny fraction of clothing is recycled.

In contrast, the **circular fashion economy** aims to redesign this flow. Here, garments are **designed for longevity, manufactured with renewable materials, and worn, repaired, resold, and ultimately recycled**. The goal is a closed-loop system where value is retained throughout the lifecycle of a product. Concepts like **design for circularity, reuse, repair, and community involvement** play key roles in this reimagined business model.

Social Impact

Fashion production is highly labour-intensive, and a compelling illustration of this disparity can be seen in the cost comparison between making a denim shirt in the U.S. versus Bangladesh. In the U.S., the total cost is **\$13.22**, with **\$7.47** (or **56%**) of that being labour costs. In contrast, producing the same shirt in Bangladesh costs only **\$3.72**, and labour accounts for a mere **\$0.22**, or **5%** of the total cost. Material costs and industrial laundry are also significantly lower in Bangladesh. This stark difference underlines the global inequalities in labour valuation within the fashion supply chain.

Moreover, **garment workers in countries like India and Bangladesh are paid far below what is needed to sustain a dignified life**. On average, wages are **2 to 5 times less** than what is necessary to afford basic needs like food, housing, healthcare, education, clothing, transport, and savings. Specifically, Indian workers receive **2.8 times less** than the living wage, while in Bangladesh the gap widens to **4.8 times less**. This profound wage gap reflects systemic exploitation.



Despite these wages, **fashion executives accumulate extraordinary wealth**. A vivid contrast is drawn by pointing out that **in just four days**, a top fashion CEO earns as much as a **garment worker does in her entire lifetime**. This inequality is not only economic but moral, especially when considering the vulnerable conditions under which many workers operate.

Investigative reports have further exposed unethical labour practices embedded within the **luxury fashion supply chain**.

Best Cases

Sportswear

Sportswear brands are **transformation leaders**. They fully integrate sustainability into their value proposition and value chain design.

Patagonia

Patagonia stands out for integrating sustainability into its business model. With initiatives like the **Common Threads Initiative**, it promotes:

Reduce, Repair, Reuse, Recycle, and Reimagine.

The brand encourages consumers to **buy less and use more**, making it a **leader in responsible fashion**.

Veja

Veja represents another strong case. This French sneaker brand makes shoes from **organic cotton and wild Amazonian rubber**, without overtly marketing its ethics. Despite its integrity, its products must **compete head-on with non-sustainable alternatives**.

Veja's production is **transparent** and localized, especially in Brazil. While it could make shoes **three times cheaper in China**, it chooses **social and environmental responsibility**. As a result, **VEJA sneakers cost five times more to produce** than mainstream alternatives, but the brand remains committed to **fair trade, organic materials, and ethical practices**.

Luxury and Designer

Luxury and designer brands are **adaptors**. They select specific projects, often on materials, from which to start the sustainable transformation.

Prada Re-Nylon

Prada Re-Nylon highlights a shift from traditional synthetic materials to sustainable alternatives. Originally launched in 1984 during the height of polyester use, Prada's iconic nylon bags have been reimaged using Econyl, which is a regenerated nylon. This reflects a broader philosophy of blending heritage with modern sustainability and continual reinvention.

Gucci Demetra

Gucci Demetra introduces a next-gen material developed in-house. Composed of 75% plant-derived resources and free from animal products, Demetra aims to merge innovation with traditional, culturally rooted tanning alternatives. Gucci uses high-profile campaigns to emphasize the eco-conscious shift.

Moncler

Moncler's Sustainability Strategy is anchored in ethical practices, emphasizing raw material traceability and humane sourcing. Their Down Integrity System & Traceability (DIST) guarantees that down is farm-sourced without live-plucking or force-feeding, reinforcing animal welfare standards.



Kering

Kering and South Gobi Cashmere Project in Mongolia is a concrete example of upstream intervention. Faced with climate extremes and ecosystem degradation due to cashmere demand, Kering supports 170 herder families in transitioning to regenerative practices. This model strengthens sustainability through direct contracts and fair pricing, preserving both livelihoods and land.

FOR DOUBTS OR SUGGESTIONS ON THE HANDOUTS



MATILDE BALDINI

matilde.baldini@studbocconi.it

@_matildebaldini_

+39 3470273884

FOR INFO ON THE TEACHING DIVISION



VITTORIA NASONTE

vittoria.nasonte@studbocconi.it

@_vittorian_

+39 3274441476



ELENA CACIOLI

elena.cacioli@studbocconi.it

@elenacacioli_

+39 3928931605



TEACHING DIVISION



OUR PARTNERS



ETHAN
SUSTAINABILITY

700+
CLUB

DELIVERY VALLEY
NO GENDER KITCHEN

LA PIADINERIA

