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FASHION AND INDUSTRY

**PATRIZIO BERTELLI:**

**“A LUXURY CLUSTER? MAYBE IT’S TOO LATE  
BUT WITH PRADA WE’RE AT 4 BILLION  
AND WE CAN GROW ALONE TOO”**

by **Maria Silvia Sacchi 10-11**

Photo: Patrizio Bertelli, CEO of Prada

CLUSTERS? A MISSED OPPORTUNITY  
WE'LL GROW ALONE  
THE FUTURE OF LUXURY IS ONLY MADE IN ITALY

# PATRIZIO BERTELLI

The CEO of the Prada group: clusters should have been created in the early 2000s. I tried to do it, but the system was against me. The fashion house gained significant market shares and is approaching 4 billion in revenues. In the sector, the gap between those who produce in-house and those who don't will be increasingly marked.

by **Maria Silvia Sacchi**

These are complicated weeks. The images of the war in Ukraine affect even those who are not at war, and after two years of Covid, their psychological weight is even heavier. On entrepreneurs too, of course. "By nature, it's hard for me to be indifferent to what's happening around me," says Patrizio Bertelli, who with his wife Miuccia Prada is the majority shareholder and CEO of the Prada group. While it's impossible to intervene on the geopolitical level, it's easier locally. Bertelli is from Arezzo, a formerly farm town that's become an industrial city without benefiting from tourism like places such as Siena or Florence; many service industry businesses are suffering. Like the restaurant La Buca di San Francesco, closed since early in the lockdown. Bertelli recently bought it for himself (see accompanying article).

**Has it become more difficult to be an entrepreneur?**

"The difficulties are innate. What's increased over the past 20 years – after 9/11 as I see it – is the complexity. That doesn't mean success is impossible, in fact there are even more opportunities now: the world has expanded and new customers have arrived. But to address this greater complexity you have to be industrially very well equipped."

**Many companies are bringing production back to Italy, has the era of delocalization passed?**

"We need to make a careful distinction. Delocalization is a natural process because it involves costs, so at the global level, the production platform will continue to expand. It's different for sectors like ours: the fundamental element of luxury is products made in Italy, which will continue to be rewarded over the long term. To me, the gap between those who produce in Italy and those who don't will be increasingly marked."

**In last week's *L'Economia*, Ferruccio de Bortoli kind of told Italian entrepreneurs to step it up, there are fewer of them in the Fortune 100 now. Stop complaining, you can grow so do it.**

“I’ve always thought that the size problem was fundamental, in particular after 2000 with the market expansion I was talking about before, because organizational, logistical, production, marketing, and distribution aspects have become fundamental. I feel that the true great limit in our sector — because I’m talking about our sector — has been this... I don’t know what to call it ... I’d say the decision to “settle,” preferring an EBIT of 5% instead of 15%. But a company that doesn’t earn can’t grow. Now, for example, there’s a run to the malls, which will significantly contribute to growth, but to be there you have to have the resources to invest. But in Italy, we have examples of the opposite, take a look at Luxottica and Ferrero, the best names we can do: two companies that have always focused on growth, one listed, the other not... I think that this is an issue of entrepreneurial attitude. In fashion this didn’t happen.”

**You tried to create clusters...**

“...With the system against me. In the early 2000s the theory, from a certain Anglo-Saxon perspective, was that brands would lose their autonomy and ability to be creative. Instead, it was precisely Kering and Lvmh’s acquisitions that made it possible to protect the brands, which not only became more creative, but also repositioned themselves on the market. When we had Jil Sander, the accounts weren’t bad, but there was a cultural resistance, with Helmut Lang as well. They knew their ability to move the company forward was limited, but they didn’t accept it having a new owner. If I were to offer advice, maybe I’d say don’t acquire companies where the founder designer is present.”

**There was also a lack of political leadership, in France the system supported the creation of clusters.**

“Everyone always uses politics to justify their own failure to act. I think an entrepreneur needs to act like an entrepreneur. Politics is useful for certain laws, for example labor regulations, but it can’t replace what are entrepreneurial aspects. Rather, politics never looked at fashion as a force that contributes to an important percentage of Italian GDP. In fact it’s wrong to say “fashion,” we should talk about the “fashion industry,” because the term “industry” tells you that there are hundreds of thousands of employees who participate and contribute with their daily work.”

**Is a large Italian cluster still possible?**

“I think the opportune moment was from 2000 to 2010, now we’re very late, the French have been positioning themselves since then.”

**Could you try to create a cluster again? You’re big enough and there are brands on the market.**

“A lot of people ask me that, but I think that things should be done when you really feel it. Probably I felt it more in the 2000s. But fundamentally, I think the “springtime” of this situation has faded somewhat.”

**What will happen to independent brands like yours?**

“For my group, we’ve gained a significant market share, we’re the smallest of the big luxury firms, we’re approaching 4 billion. The others can decide to stay as they are and become a niche market if the business capacity is there. Maybe that’s okay. It depends on the market, if it’s calm or if it’s experiencing earthquakes like now. Covid, war...Size is the condition for global level distribution so you can offset markets that are experiencing problems. For example, during the Olympics year

Japan was not very productive because in order to put on the Olympics they closed everything due to fear of Covid, but there was China or Korea that compensated for that. Now it's China that's creating problems.”

**China in lockdown, Russia at war. Can you confirm forecasts for Prada or revise them?**

“Russia only accounts for 2% for us, but China is important, for 15 days now more than 50% of our shops are closed, we have to wait and see. But the first quarter went well, better than expected, there are markets like the United States that compensate and even in the first part of April results were good. No, we don't expect to revise our forecasts.

**Do you still want to invest in direct distribution?**

“Yes, we're at 89% now and we'll continue.”

**To acquire production capacity too?**

“Certainly, it's one of the fixed points of our industrial activity. We have opportunities now, we'll see which ones we'll carry out.”

**You're friends with Gildo Zegna. You bought a small personal shareholding in Zegna, when it was listed in New York, and your companies together took over Filati Biagioli Modesto. Could you perform other transactions together?**

“Yes, for sectors that they're also interested in related to raw materials. We'll see if there are other opportunities.”

**The generational transition is a difficult moment. You've placed Raf Simons alongside Miuccia Prada in design, how are you organizing things in management with her and your son?**

“Training a CEO takes a long time, it's a daily process. Lorenzo — who now handles marketing, communication and sustainability — is on the board of directors and is looking at a lot of aspects, investments, a continuous experience of daily life and work to prepare himself to take over for me in three or four years. We don't have only a family relationship, but also a professional one.”

**What's your son like?**

“I think he's reached maturity, he has clear ideas, when he tackles a problem he's analytical, he examines many aspects, he's determined to reach his goal. And I think he's very capable in human and personal relationships as well.”

**You were listed in 2011. Do you recommend listing?**

“Yes, because the stock market forces you to manage the company in a completely different, 'orderly' way; this doesn't mean that it used to be disorderly, but you have to follow principles that force you to reflect on the whole management process.”

**You're listed in Hong Kong, will you list in Milan as well?**

“It's something we're considering, we'll see if we can do it, but it's not an issue we're addressing right now.”

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**I also have a professional relationship  
with my son Lorenzo,  
training a CEO takes a long time**

• **Family**

Patrizio Bertelli with his wife Miuccia Prada, who is co-creative director for the group (since 2020 she's shared the position with Raf Simons). Son Lorenzo (photo below), head of marketing and sustainability, will be the new CEO. The group ended 2021 with revenues of 3.366 billion euros (41% more than 2020 and 8% more than 2019)

**INVESTMENTS IN AREZZO****What's needed now is a "glocal" portfolio**

People like Charlie Chaplin and Salvador Dali once sat at the tables of La Buca di San Francesco. Says Bertelli, "The walls and the license were purchased, but management will be entrusted to third parties. It was closed, abandoned, a restaurant that existed for 100 years. On the square, there's also the problem that another historic coffeehouse, the Caffè dei Costanti, also closed. As a boy I went by there every morning on my way to school, and the owners, Mr. and Mrs. Bianconi, knew us all by name, they were like parents." Will he buy that one too? "No, absolutely not." And Marradi, the candied chestnuts company people were talking about? "I went there to talk, to try to see if I could help them. I have to say that it did help in some way, I know they reached an agreement with the owner so that the company didn't have to close. The thing is, I'm sorry to see our local area deteriorate like this." Bertelli has always had close ties to his city, but now he notes a new phenomenon. "Along with an expanded vision of Europe, there's also one opposed to it. It's not a political problem, to me it's a problem of states of mind, with all this turmoil in the world, people are more and more taking refuge in their connections, traditions, including culinary traditions, because it gives them a sense of security. So we could say that localism has greatly increased, as something that brings people together so they feel more secure. I think it's a phenomenon that's also related to many young people having rediscovered the country and nature." According to Bertelli, localism isn't necessarily negative. "For example, in our sector it also manifests in the fact that workers, employees, have more ties to the company, they identify with the brand they work for. The company has become a center for culture and social congregation, not just a workplace." So there's also less trade union presence? "No. Unions have transformed, they participate; it's different from the 1970s, but they're just as important as they were then. And I think they're a necessary partner, because they're representative, and they're also part of Italian culture." Does localism mean the end of globalization? "Not at all. There's no going back from globalization, there could be some slowdowns, some management complications, but any attempt to stop it will be a failure. I can promise you that."

**M.S.S.**

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## BUSINESS

# Patrizio Bertelli Speaks Up About Supporting Pipeline, Zegna, Retirement

● Prada's CEO addressed the impact of the sanctions on Russia and the war in Ukraine on small and medium-sized companies in Italy during a conference in Florence.

BY LUISA ZARGANI

**Prada Group** chief executive officer Patrizio Bertelli on Friday urged the Italian government to support the small and medium-sized companies in the fashion industry face the consequences of the war in Ukraine and the sanctions imposed on Russia, as it did during the COVID-19 pandemic. He underscored that the size of those companies "does not allow them to have negotiation power and they are beginning to have problems."

The small and medium-sized companies are the "axis of the fashion system" in Italy, and they need to be helped by the government "immediately and with the same procedures employed during the pandemic" to overcome the consequences of the war, said Bertelli.

Earlier this month the Prada Group suspended its retail operations in Russia,

and Bertelli said the company will pay its employees in the country their salaries for three months and then "see how things evolve."

The CEO was speaking at the two-day Future for Fashion event held Friday in Florence in the Salone dei Cinquecento of the Palazzo Vecchio town hall. The event was organized by Confindustria Firenze, in collaboration with the City of Florence and the Centro Firenze per la Moda Italiana,

Last year Bertelli gave a tangible sign of his increased efforts to protect the country's unique supply chain when the Prada and Ermenegildo Zegna groups joined forces to acquire a majority stake in Filati Biagioli Modesto SpA, which specializes in the production of cashmere and other precious yarns.

As per the agreement, while financial details were not disclosed, Prada and Zegna each took a 40 percent stake in the company, which is based in Montale, outside Pistoia, Italy.

Further pointing to a strong relationship with chairman and CEO Gildo Zegna, Bertelli on Friday said he had taken "a small" stake in the Zegna company through a personal investment (not through the publicly listed Prada Group), expressing his high regard for the executive.



Patrizio Bertelli

Zegna in December publicly listed on the New York Stock Exchange after entering into a business agreement with Investindustrial Acquisition Corp., a special purpose acquisition corporation, sponsored by investment subsidiaries of Investindustrial VII LP.

Once again, Bertelli said he was not considering a sale of the Prada company. "There's no reason to sell, you sell if the next generation does not want to continue, if they are not interested," he said.

Instead, Bertelli reiterated that he will pass the baton to his son Lorenzo "in an

intelligent manner, in two to three years, when he will feel ready."

As reported, in November, during Prada's first Capital Markets Day since 2014, Bertelli addressed the issue of his retirement, saying Lorenzo would be next in line to helm the company.

This was not surprising as Lorenzo has increased his responsibilities and been a driver of change since joining the company in 2017. He was named group marketing director in 2019 and, additionally, head of corporate social responsibility in 2020. In May, he joined as a director of the board.

## Ukraine crisis, Bertelli (Prada) requests government intervention for fashion SMEs

(Teleborsa) - **Patrizio Bertelli**, CEO of **Prada**, has called for government aid for small and medium-sized enterprises of the Italian fashion sector impacted by the crisis in Ukraine and by the consequent sanctions against Russia. "We mustn't look at brands like **Prada** or other major names, but at the SMEs that don't have the same contractual power and which are starting to have problems" he said during an event in Florence. According to Bertelli, "the political system must intervene as it did for Covid. The government must adopt the same procedures that it implemented for Covid, and it must do so immediately, without delay, not for the big brands but for the SMEs, which are the backbone of fashion".

The geopolitical crisis "will not be a problem for **Prada**, but for the companies that work for the entire fashion sector", says Bertelli, explaining that the Russian market "accounts for only 2% of **Prada's** sales, and that the company has guaranteed three months of salary to its local collaborators". "This will be a problem for small and medium-sized enterprises in Europe - he adds - including those that work for France. And the problem will worsen in upcoming months: the signs are not positive and the situation will be difficult from September onwards".

In this scenario, "some brands will suffer less, as they have the capacity to be distributed on various continents", and furthermore, "Russia is closed, but the Russians are all in Dubai spending", said the chief of the Italian luxury group listed on the Hong Kong stock exchange.

To the question "Are you for sale?" Bertelli responded: "No, why would we be?", adding that there is an entire generation of young people ready to work in the company. According to the businessman, the reasons behind the sale of a company "generally regard new generations that do not want to continue doing that work, who want to do something else and do not wish to develop what has been left to them". "The problem is passing on this work in an intelligent manner. This transfer will take place when my son is ready to face this challenge, in around 2-3 years".

Bertelli also commented on Zegna, with which he has stated to have an excellent relationship. "When Zegna was listed in New York, I also acquired a very small personal stake", he revealed.

