

# Foreword

by *Marco Bizzarri*

I was pleased to accept the invitation to write the preface for this book for a number of reasons. First and foremost, I feel passionate about the topic. I then thought about a presentation I made to the students of the Bocconi University in September 2015, nine months after having assumed my position as CEO of Gucci. On that occasion, I told the story of the journey I have taken in my career, the choices I have made, the obstacles I have overcome and the lessons I have learned along the way. Experiences that help to shape you for your next challenge. In taking on the role at Gucci, I drew upon all my past experiences as I set about reinvigorating the company, which given its size and complexity and the expectation for fast results was not straightforward.

Probably the most fundamental and unique factor that determines success in our sector is the need for a perfect harmony between the creative and business competencies. Neither should ever be sacrificed at the expense of the other.

As the CEO of a fashion company you know that you have to establish conditions that nurture creative talents, who have great sensitivity towards products, developed over the course of years of study, work, experience, and through their personal lives. These individuals have a skill that you do not have. Your job is to open up possibilities for them and ensure they realize that the company will do everything to bring their creative vision to life. The biggest mistake you can make as a manager is to think that you should constrain and shape them.

This means understanding how they work, what they fear, what they love, what they detest, and make sure that the team and the entire company allow them to do what they know how to do. Their ideas must flourish. Their talent must be expressed.

Therefore, my first principle of management today is the importance of creating an environment of empowerment and respect. It is of course necessary to respect not only the company's creative director, who has such a pivotal role, but all of the employees of the company. In fact, on arriving at Gucci, the first thing I did was to meet as many colleagues in the company as I could, in all of the functions and markets. Considering that the only evident and concrete signs of the new Gucci were two fashion shows, in January and February 2015, while everything else - stores, products, website, advertising campaigns - did not yet express the new Gucci we were envisioning. It was essential for me to meet and talk to as many colleagues as possible to explain the new vision and identity we wanted to give the brand. I calculated that I met three thousand people on those trips. I shook everyone's hand.

I presented the new strategy and told them what I expected from them. I explained that there would be significant changes and that there would be risks which they would be empowered to take. It meant that the company would accept the fact that mistakes could be made, because it is impossible to innovate and simultaneously insist that no mistakes can be made.

This leads me to my second principle, that of risk-taking. My choice for the new Creative Director may be the most obvious example, given that it fell on a person who was unknown and certainly not being considered as a contender for the role. The industry certainly expected the appointment of a renowned talent. I could have played it safe, but as I have always maintained in my career, if I have to be removed from my position, I want it to happen because of a mistake I made, not simply because I took a decision that everyone wanted me to take.

I was looking for someone who would restore Gucci's position as a global fashion authority. In my very first encounter with Alessandro Michele for a coffee and conversation that ended up lasting for over three hours, my instincts told me immediately that he could be the right person.

Thanks to the undivided support of our shareholder, the Kering Group, I took a risk and today can say that that risk has been rewarded, not only from the standpoint of recognition, but also in terms of performance.

Speaking of performance, you can imagine that a company like Gucci generates an enormous quantity of information and indicators. We have all been taught that the more information you have, the more thought-out and far-sighted your decisions can be. However, today there is a danger in thinking that the information we have is never sufficient and that it will not be possible to take decisions without 100% of the information being available.

This approach ultimately leads to a paralysis in decision making that is even worse than making a wrong decision. So, my third guiding principle is to never be afraid to follow one's instincts.

Lastly, and here we come to the theme of this book, I want to address the importance of the product and collections. You can govern all of the numbers and indicators you like, but if there is no sensitivity to the product you will never succeed. This sensitivity must be the basis for building the collection. There cannot be a situation where the Creative Director designs a collection and then at the end of the season the merchandiser says that the best sellers must be made in different sizes or colors.

Dialogue must be constant, in every phase of the process. There must be respect, as I have already said, for everyone's role and contribution, and the organization itself must be considered not as something immovable and fixed, but in constant evolution, a sort of 'learning organization', in which the generation of new ideas and new ways of working is ongoing. This is especially important in fashion, because everything is changing fast, and what works for today does not necessarily work for tomorrow.

The obligation to innovate must be constant, healthy, and present at every level of the organization. When you believe you have arrived and have found the magic formula, you can be sure you are starting to decline.

This is why I recommend the book you are about to read. It concentrates on the product, which is the central aspect of a fashion company. But a product of course reflects the creativity of the designer. And at the same time it is also the expression of the values of the brand and the culture of the company itself – that at Gucci is built upon the values of respect, empowerment, innovation and risk-taking.



# Introduction

This book aims to analyze the logics and instruments by which fashion companies create collections, taking into account the variety of companies' characteristics and business models. The collection development process is a critical activity for fashion, that must continuously renew its offering, and is subject to increasingly strict time, cost and quality goals. In addition, this activity impacts all phases of the value chain, from raw materials to distribution of the finished product available to customers, also taking into account the numerous relationships that are established between the operators in the chain. The issue is very relevant at this time, in light of innovations in the scheduling of fashion shows and the timing of introducing new collections onto the market.

The fashion system is a sum of different businesses belonging to different sectors. Indeed, today fashion extends to product areas, such as glasses and cosmetics, that are far from those it represented historically, i.e. textiles, clothing and the part of leather that includes footwear and accessories such as bags, belts and small leather goods. This book concentrates on these historical production chains of fashion, the only deeply linked to a concept of seasons and thus forced to introduce new items each season. In particular, many concepts and examples refer to clothing, where the product is more complex and the production chain is more structured, even though the concepts are easily transferable to footwear and leather goods as well. In addition, even though some international companies are present, many of the examples in the book are drawn from the personal experience developed by the authors in Italy.

Any fashion company must produce at least two collections per year, even though the current trend is towards proposing additional in-season

collections, or even to place new articles on sale every one or two weeks. Even when the collection is not completely renewed in each cycle, the rates of presentation and delivery are pressing, leading to considerable management complexity. Other sources of complexity are given by the number of activities that make up the collection development process in its various phases (analysis of sales data, definition of guidelines, collection planning, technical development, and presentation) and the variety of actors involved. The latter belong to almost all company functions. In addition, there are outside actors, such as raw materials suppliers or manufacturers, that can be involved in the development processes. There must also be interaction between the creative and managerial competences present in the company. For all of these reasons, fashion collection development requires uncommon coordination and integration abilities.

The book opens with an analysis of the variety of fashion companies and their processes, to identify best practices and useful recommendations for successful management of collection development. An operational approach is followed, with careful attention paid to the problems that fashion companies must face daily. This book is the product of the work and efforts of various authors, from both the academic and professional worlds. The authors have discussed and shared the contents of the different chapters, seeking to adopt a common language that, without pretending to be universal, can bring some order to the terminological variety of the objects, concepts, tools, techniques and roles relating to fashion. To enrich the text numerous examples have been included, where possible citing the company, or maintaining its anonymity if necessary.

Chapter 1, written by the editors, examines the issue of innovation in fashion, surveying the most recent changes taking place in the sector. Around the perpetual question of stylistic creativity and the organizational philosophies required to sustain it, many new phenomena revolve that generate risks and opportunities for fashion companies, like the compression of development cycles and delivery of collections, the growth of direct distribution, the transformation of events in the sector, attention to sustainability, and also the development of e-commerce and digital activities.

Chapter 2, by Davide Ravasi and Paola Varacca Capello, identifies the most important strategic dimensions that define the variety profiles of fashion companies. In particular, the authors discuss the implications of different logics of interaction with the market, based on the length of lead times and the choice between make to order and make to stock. Organi-

zational options are also presented to effectively define the style-industry relationship and the licensing system. On this basis, the authors outline two approaches to collection development: rational and relational.

Flavio Sciuccati and Paola Varacca Capello are the authors of chapter 3, that is dedicated to the discussion of the activities in the collection development process. This chapter starts with a description of the fundamental elements that define a collection (that is, the positioning and intended target, the style identity, and the collection structure) to then deal with the management problems relating to collection planning, technical development and presentation to the market. Particular attention is paid to the temporal dimension of the process.

Diego Rinallo wrote chapter 4, that looks at the issue of trend formation in the world of fashion. This chapter shows how trends are born through the interaction of numerous actors who mutually influence each other and operate at various levels in the production chain, from fabric producers to trend hunters, from media to distributors, without forgetting celebrities and the consumers themselves. The interaction between these actors is not random, but centered on scheduled events, specific geographic locations and mechanisms of consultation in the sector. There is also an examination of the new role of social media and fashion bloggers.

Chapter 5, by Giorgio Brandazza and Paola Varacca Capello, concentrates on the problem of defining collection guidelines (that should precede the creative development phase) starting with a rational analysis of the sales data. The chapter deals with numerous aspects of sales performance of fashion companies, such as actual price, margins or distribution of sales between models and articles, examining their effects in terms of market positioning and collection complexity.

Chapter 6, by Giorgio Brandazza and Paola Varacca Capello, discusses an essential tool, the merchandising plan, and the figure of the merchandiser. The chapter illustrates the phases of building the plan and the main problems that companies face in preparing it. The plan defines the collection structure and provides indications on the gross margins anticipated, including by defining in detail the relationship between industrial costs, wholesale prices and retail prices. The merchandiser, who at times is given limited organizational power, must therefore perform a delicate connecting role between the initial creation and the development of the collection.

Chapter 7, by Flavio Sciuccati and Paola Varacca Capello, takes an in-depth look at the critical aspects of the collection development process,

regarding planning, industrialization and variety. Fashion companies are used to managing pressing schedules and urgent requests, but they increasingly need to shift from informal practices based on personal experience to more formal project management tools. The chapter focuses on techniques for reducing unproductive variety, providing concrete examples and experiences.

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