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Organizational Resilience: White Gallery's Case Study

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ABSTRACT

The modern era is characterized by rapid changes and by a constant developing society. These rapid improvements in society are also reflected in the industries present in the economy, as technological changes and globalization cause competition in said industries to become increasingly intensive. As rivalry grows it becomes progressively difficult for firms to survive within the industry and many are forced to leave the market or even worse go bankrupt.

The following thesis will analyze the wrong managerial decision which led White Gallery to bankruptcy. White Gallery is a fashion luxury retail store which first opened in 2009 and which covers 5000m^2, hence classifying it as the biggest fashion retailer in the city of Rome. White Gallery offered a wide variety of the most-known luxury brands, able to satisfy a vast range of consumers' needs. The store also aimed at providing a different service from that of competitors by incorporating inside the retail store a tailor, a wellness area and a fine-dining space. Even if the store looked promising on paper, a series of unprofitable managerial decisions caused White Gallery to close before the expected time.

The first chapter develops the theoretical concept of organizational resilience, which is the firm's ability to thrive despite unfavorable situations and events. The theoretical introduction to resilience is of fundamental importance to the thesis as it is of paramount importance to later understand the reasons why White Gallery was not able to successfully survive. Resiliency is what enables a firm to avoid bankruptcy as if fosters agility within firms, in fact organizations with this ability are those that better overcome unexpected events by adapting and evolving to changing environments. Furthermore, the chapter exhaustively analyzes how resilience stems from a variety of factors that are aimed at fostering efficiency, which is a key factor for profitability. The chapter also presents a detailed explanation on the importance of partnerships, which allow for group thinking and networking. Financial ability also covers a predominant role since an adequate margin is required in order to face unexpected events. Another important factor of resilience developed in the first chapter is supply chain resilience. If a business presents a vulnerable supply chain, then the organization will be increasingly subject to external risks, which are carefully investigated thorough the chapter. It is fundamental for a firm to accurately

assess the potential risks to which the supply chain may be subject to in order to prevent it from disruptions which will harm the firm's profits.

The second chapter carries out an analysis of the fashion retail industry, which is extremely relevant to later understand and contextualize White Gallery in its industry. Being White Gallery a fashion retailer, the first part of this chapter thoroughly explains the relevance and the challenges of the fashion retail market by carefully evaluating the different retail formats and by attentively presenting the obstacles faced by the firms in the industry which include growing consumerism, inventory management and sustainability and compliance. Another central element of the second chapter is the industry's demand pattern. Being the fashion industry's demand highly unpredictable the chapter also discusses the hurdles that arise when trying to forecast demands and develops the different demand categorizations such as intermittence, lumpiness, erraticness and slow-moving demand. In addition, elasticity of demand is another element analyzed as the elasticity of demand for luxury goods differs from the elasticity of demand of normal goods; hence this aspect has a substantial impact on the firm's sales. Following the demand analysis, chapter two targets the fashion industry's product characteristics, such as short life cycle and narrow selling span, which deeply influence the organization's supply chain. The demand and product characteristics along with other determinants led the fashion industry to continuously develop and to continue to expand, therefore the fashion industry development is also analyzed in the chapter as it presents the different factors which ultimately led to this progress. Because of these improvements some trends, including vertical integration, supply chain agility and more, have stemmed and a complete explanation is developed at the end of the chapter.

The final chapter of this thesis focuses on White Gallery's case study and on why it went bankrupt. Through an accurate explanation on how to create an environmentally aware organization and by understanding the importance of the external environment, the chapter illustrates the reasons why White Gallery did not succeed. The knowledge on White Gallery's external environment is deepened through the depiction and the explanation of Porter's five forces This depiction allows to understand the fashion retail industry and how White Gallery finds itself with respect to new entrants, buyers, suppliers, threat of substitutes and against competitive rivalry within the industry. White Gallery's competition is further analyzed by taking a closer look at White Gallery's positioning. The store's main rivals are listed and explained in order to subsequently graph White Gallery's positioning map, which compares White Gallery's price and affluence with that of its competitors. After having provided an overview on the firm's external environment, the chapter presents the location choice problem, which was the major cause of White Gallery's failure. The chapter provides a synopsis of the location and it later explains the consequences of EUR's development delays on the store's profit. Furthermore, the store was not able to be resilient because of the superintendence of the fine arts which did not allow for a sign to be exposed, furthermore the superintendence hindered the construction of the wellness and of the fine-dining areas for reasons developed within the chapter. In addition, White Gallery's value chain is depicted and analyzed in order to understand the fallacies in the retail's primary and secondary activities that ultimately led the store to bankruptcy. Moreover, the chapter analyzes how the store's decision to form a partnership took place at a stage which was too advance in order to gain from it.

I decided to focus on White Gallery's failure because I have recently realized how competitive the industries in general are becoming. Seeing a promising store failing was a wake-up call which taught me to never only trust what we see on paper, because taking wrong managerial decision can destroy all of the business' potential. This episode stressed the importance of taking accurate managerial decision and also taught me that in-depth analysis of the external and internal environment is crucial in order to guarantee an organization's success, since the smallest managerial mistake can substantially influence the business and its future profits.

In my opinion the research carried out throughout this paper will emphasize that the main cause for failure was to locate the store in an undeveloped area. This choice was driven by a heavy reliance on projects that were still to be realized, which was a significant error since these projects were never realized.

CHAPTER 1: ORGANIZATION RSILIENCE

Firms today, as a consequence of an aggregation of small interruptions, can find themselves to face threats to their internal organization, which in the future might lead to an impairment of ordinary activities, or worse, to insolvency. In order to avoid being hindered by these events a firm should be able to develop resiliency. According to Sutcliffe and Vogus (2007) organizational resilience is the organization's ability to maintain positive adjustments after a period of unfavorable conditions or events and to rise from those events as strengthened. But what factors make an organization resilient?

1.1. Factors Of Resilience

Resilience stems from ordinary factors that aim at fostering efficacy, competence and which promote growth. Two fundamental components of resilience are organizational process, which is crucial to building competence and consequently growth, and restoring efficacy, which is achieved through the capacity of quickly analyzing feedback and through the ability of rearranging or transferring knowledge and resources to face situations as they come up (Sutcliffe & Vogus, 2003). These two components are fundamental as studies by Meyer (1982) have found that centralization and rigid structure are negatively associated with resilience, while changes to promote know-how and a broad set of skills within the organization are positively associated with resilience.

Another quality that is positively associated with resilience is mindfulness. According to Weick and colleagues (1999) mindfulness allows the firm to better prevent and take safeguards against unexpected threats before they widen and cause irreparable problems. Improvisation, an opposite concept to mindfulness, is also a main determinant of resiliency. A firm's ability to improvise is its ability to analyze and learn from situations in advance. This ability allows the firm to enlarge its action set, thus allowing it to better deal with unplanned events and to thrive forward.

1.1.2. Financial Ability As A Factor Of Resilience

Besides emotional factors, financial abilities are paramount to resilience since in order to face unexpected events an organization needs an adequate margin. In order to have this margin organizations rely on slack resources, which are excess resources that compensate for the “coalition that governs the organization”[1] (Cytert & March, 1963) and which can be accumulated when an organization earns more profits than what it expects. Slack resources, such as conceptual slack (Schulman, 1993), enlarge the range of perspectives that a firm has in the problems solving area and in the evaluation of new perspectives. Conceptual slack allows organization to choose ad hoc problem solving networks and structures, which enable problems to lower as expertise increases (Rochlin, 1989), thus making them easier to overcome. Even though financial resources alone are not sufficient for an organization to be resilient, they are of fundamental importance as they ensure adequate margins, but also because they allow to retain relational resources such as partnerships (Glitten & Cameron, 2002).

1.1.3. The Importance Of Partnerships In Resilience

Partnerships and networking in general promote an organization’s resilience since positive group thinking drives more insightful ideas and consequently solutions to adverse events. Teams are oriented towards learning, hence they are more favorable to acquire new skills and to grasp new and complex situations (Sutcliffe & Vogus, 2007). This positive approach to unexpected events is more likely to occur in groups since networks are more motivated to face obstacles. The underlying concept behind positive adaptation is accumulated knowledge. It has been shown through research that previous knowledge of a concept is required to gain new insights and to then apply them. Furthermore, accumulated knowledge enhances the application of knowledge in new environments because of the reinforcement aspect of memory development itself (Bower & Hilgard, 1981; Cohen & Levinthal, 1990).

A second crucial element is the group composition. It is important to have a diversified group as different members can contribute to expand the collective knowledge based on their competencies. Moreover, diversity is of fundamental importance as it gives multiple points of view and suggestions on a unique situation. Groups composed of individuals that have broad expertise are more inclined to grasp variations in environments and to acknowledge changes that need to be made to better cope with the situations. The members’ experience also facilitates the combination of skills, knowledge and abilities into

[1] Citation taken from: Richard Michael Cyert and James G. March, A Behavioral Theory of the Firm (Englewood Cliffs, NJ: Prentice - Hall, 1963).

innovative processes. Communication is also of vital importance within groups as it promotes collective efficacy. Collective efficacy is the shared belief in the conjoint capabilities of the group to execute the actions required to achieve the desired goals. Collective efficacy, according to Bandura (1998), stems from an individual perception and ultimately arises from the dynamic among the group's members. This concept contributes to developing resilience since collective efficacy influences how much effort individuals are putting in the group and it also serves as a coping mechanism to failure as it encourages the group in persisting to find new solutions.

1.2. Supply Chain Resilience

The supply chain is a competent and strong system for procuring raw materials to a firm and to distribute finished products (Vicentini, 2016). It is included in the value chain as the supply chain activities are the value chain's primary activities, in fact the supply chain includes all the activities that concern the creation of a good or service, its manufacturing, its transportation and its sale. Furthermore, the supply chain provides a useful structure to manage suppliers and purchasers sequences.

Being the supply chain one of the core elements of an organization, its resiliency has become of paramount importance for companies as unplanned events are only some of the unexpected situations that obstruct the course of the business' ordinary operations. An effective and efficient supply chain is one that allows goods to be produced and delivered in the correct amounts, timely, and in a cost effective way while bringing additional value to both customers and shareholders. Furthermore, a supply chain is designed to speed the flow of good and services by extending the integration of operations management, marketing and logistics into cross-functional and inter-organizational processes (Christopher & Peck, 2004).

Supply chain vulnerability is defined as "an exposure to serious disturbance, arising from risks within the supply chain as well as risks external to the supply chain"[2] (Christopher & Peck, 2004). The supply chain, being a fundamental component of a firm's organization, needs to be as shielded as possible from risks, hence the firm should especially focus on areas of potential risks and focus on carrying out appropriate actions to contain these

[2] Citation taken from: Martin Christopher, Robert Lowson, and Helen Peck, "Creating Agile Supply Chains in the Fashion Industry," International Journal of Retail & Distribution Management 32, no. 8 (2004): , doi:10.1108/09590550410546188.

threats. Even though risks concerning the supply chain have always been present, new threats have emerged during the last years, hence expanding the level of risk.

1.2.1. Efficiency Over Effectiveness

The first factor that that has increased the level of supply chain risk is the focus on efficiency rather than on effectiveness. The constant strive of the firms to increase their efficiency has led them to develop new systems such as the just-in-time production (JIT). The JIT approach is especially useful since through this approach only minimum inventory is required and storage costs are almost inexistent as the fundamental products are delivered at the necessary time and in the required amount (Sugimori, Kusunoki & Uchikawa, 2007). However, despite its cost and time efficiency the JIT approach has its downside as it forces firms to heavily rely on their suppliers. This model also has another constraint as it is very efficient when a firm finds itself in a stable market, but as markets becomes less stable and demand becomes more volatile this model loses its efficiency.

1.2.2. Globalization And Its Consequences

Another important factor that heavily affects the supply chain resilience is globalization. The modern supply chain has globalized as the current economy actively relies on cross-border mergers and acquisitions and on international trade as they often reduces manufacturing costs. Moreover offshore sourcing reduces many other supply chain costs, such as various production and transportation ones (Beamon, 1998). In spite of the positive benefits of these cost based strategies there are also some negative outcomes such as the considerable increase in required time, the increment of obsolescence and greater buffer stocks, which all contribute to increase the supply chain risk of vulnerability.

Another consequence of globalization has been the Single European Act, which redefined the relationship between European domestic institutions and the market by reducing trade barriers across borders leading to the centralization of distribution and product facilities (Streeck & Schmitter, 1991). As the Single European Act has made the centralization of distribution and product facilities possible, firms have taken advantage of the act in order to obtain lower production costs by achieving economies of scale, which can be often developed by producing greater volumes of products in a fewer number of sites. Some firms might also decide to focus their factories, meaning that each site produces an exclusive product (Christopher & Peck, 2004). As a result, this strategy lowers production costs but also damages the supply chain flexibility as goods have to travel enormous distances and because firms produce in bulks in order to achieve economies of scale.

Globalization has also increases the trend to outsourcing which became another fundamental factor that needs to be analyzed when evaluating aspects that can damage the supply chain's integrity. Outsourcing is the method by which a firm uses third parties to perform services that beforehand were performed internally. Every stage of the value chain is affected by this phenomenon as companies can out-source every step of their distribution, accounting and manufacturing, up to the point that some companies are regarded as "virtual". The implication behind this phenomenon is the view that the most successful firms are the one that use differentiation strategies in order to gain competitive advantage over competitors, leading to the formation of network organization. The latter is a group of independent firms that jointly control and coordinate their interactions in order to appear as a unique entity, thus generating overall competitiveness. However, outsourcing comes with risk, as there is the possibility of losing control over the third parties and following the loss of control, supply chain disruption will occur. The more complex the supply network, the more vulnerable are the links, thus the more vulnerable the supply chain and the higher the risk of failure.

As a consequence of the drastic increase of mergers and acquisitions in the last years a firm's supplier base as exponentially decreased. Nowadays firms find themselves with such a shrunk supplier base that they are forced to single sourcing, a situation in which the firm only has a unique supplier in charge of the supply of an item. Single sourcing is a major threat for the supply chain as it has been shown that sizable failures were caused by the collapse of the single source. Despite the firm being hindered to produce the good because of the bankruptcy of the sole supplier, the firm will also suffer from the supplier power. Being the single supplier a monopolist it can charge any price for the cost of the items, prices that even exceed the actual cost of the resource. Moreover, the supplier might also decide to reduce the quality of the item as it remains the only one available on the market, consequently reducing the quality of the firm's product.

1.2.3. Volatility Of Demand

Another prevailing trend that has developed in the last decades is volatility of demand. Demand is becoming harder to predict as the current market is often being disrupted, in fact one of the main reasons for the unpredictability of demand is technological progress.

The constant technological progress, mostly caused by shorter life cycles, increased the risk of obsolescence, meaning that products need to be up to date with the newest technologies in order to have a market. The modern economy also has an high level of competition that causes marketing-led disturbances such as promotions and sales incentives, which alter the consumer demand form the original one (Bass et al., 1986). The strong market competition also led to a wide assortment within product categories, hence making market forecasts less reliable. In addition the volatility of demand is caused by regulations, such as economic regulations on bulk size and re-order level based inventory management systems.

1.2.4. The Controversial Consequences Of Supply Chain Knowledge

Convolutedly the knowledge of supply chain vulnerability is a cause of risk itself. Lack of confidence in the supply chain causes managers to take actions that all together can increase risk and collectively damage the supply chain's resiliency. There is a repeating cycle regarding this point as fear of disruption leads managers to take actions, which will then cause disruption and so forth up to the point where the circle repeats itself infinitely unless there is an increase in confidence in the supply chain. In order to have this increase there are two paramount aspects, visibility and control, that need to be perfected. Visibility is the ability to clearly see, without interruption, from beginning to end of the supply chain. Shortcoming of visibility forces managers to rely on forecast, which can never be perfectly accurate. The difficulty in achieving perfect visibility is based on the fact that no member of the supply chain has precise information of what is happening in the other areas of the supply chain. The other major component to reduce lack of trust is control. Supply chain control is the ability to react promptly to unexpected events. If disturbances are not rapidly recognized a broad amount of time will pass before a solution is found and applied to solve the problem. As the above factors are present in different extents throughout all the supply chains, it is of crucial importance that organizations are aware of the elements that may disrupt their supply chain. Figure 1 shows how do develop an efficient supply chain, which will contribute to create the firm's capability of organizational resilience.

Figure 1**:** Developing a successful supply chain (Christopher Martin, and Peck Helen. "Building the Resilient Supply Chain." *International Journal of Logistics Management* 15, no. 2 (2004): 1-13.)

1.3. The Importance Of Resilience

Resilience is what allows a firm to take accurate and suitable decisions and strategic approaches given the present situation. Moreover, it encourages a firm to develop a broad number of solutions, suitable for different types of situations. In order to achieve resiliency, there are HRM practices and policies through which a firm can achieve strategic capabilities. A capability is an assortment of organizational routines that allows an organization to effectively face unexpected situations (Grant, 1991) and is achieved when a capacity for it is transformed into action within a firm. In order to achieve this skill it is of fundamental importance that the organization takes a configurational approach to strategic management (Lengnick, 2011). As described by Delery and Doty (1996) a configurational perspective is characterized by the identification of unique patterns of elements that are believed to allow the firm to reach maximal efficiency, to take advantage of synergistic effects and incorporates equifinality, the fact that multiple isolated configurations of factors lead to maximal performance, in the process. There is no universal set of factors and of HR practices that ensure resiliency, hence a firm should concentrate on articulating the principles and policies that are key elements of this capacity, rather than on pinpointing a universal practice. Although some common HR practices and HR policies related to the cognitive, behavioral and contextual dimensions of resilience have been cited in more than one study as “best practices”, only following these performance practices will not be sufficient to develop a capacity for organizational resilience. Moreover, a configurational perspective entails that there are various combinations of multiple HR practices that could ultimately generate organizational resilience. However, in order to successfully establish resilience these various combinations of HR practices, policies and employees’ input should all convert individual potential into collective organizational capability.

The flexible and agile organizations are those that will survive to disruptive situation by constantly evolving and adapting to changing environments. The ability to get through unplanned circumstances stems from the effects of cognitive factors that build up resiliency. These elements allow a firm to efficiently analyze environmental conditions and to accurately choose the most appropriate and efficient strategy. From these elements the firm also acquires the ability to decide whether it is more profitable to continue to rely on current resources or if it would be more profitable to use different ones. The behavioral aspects sustains resiliency by ensuring that the firm transforms the required action to gain competitive potential into a realized strategy. In addition, being behaviorally prepared yields an internal standard for how to act when facing threatening situations. Clear and concise rules provide precise guidance for leveraging new resources. Lastly, contextual principles allow the firm to exploit its strategic capability to generate the best advantage possible. These synergistic relations indicate that the contributions of the human capital elements are a requisite for leveraging strategic capabilities. Even though human capital can be successfully applied to multiple goals, opportunity does not guarantee that the desired leveraged potential will be reached. In order to reach this potential a firm needs mental agility as it fosters the ability to learn and grasp knowledge from the consequences of a firm’s actions and allows it to become increasingly efficient in competitive environments.

Regardless of a firm’s capacity for resilience, either extraordinarily high or moderate, it is valuable to acknowledge that investments made to develop organizational resilience might yield high returns in the future. Once the firm has determined a set of skills, it can choose different methods in which to apply it, thus allowing the firm to use this investment in a highly productive way.

1.4. Human Resource Management In Resilience

According to scholars such as Lengnick (2011) organizational resilience can be achieved by developing human resources consistent with cognitive, behavioral and contextual dimensions of resilience. The strategic management of human resources gives organizations the ability to absorb disruptive events, to develop solutions to present unfavorable situations and also to engage in transformative actions that allow an organization to profit from these destructive conditions. The strategic management of human resources makes this possible as it leads to the creation of individual competencies among employees, that, when integrated at the organizational level allow a firm to capitalize from unexpected difficulties. An efficient HR system is composed of various elements. The first elements are HR architecture, HR principles and HR programs, which provide ways in which to align HR strategic objectives and HR practices. The second set of elements comprises some low-range factors such as HR practices and HR processes which indicate the HR activities to be implemented in specific situations (Lepak et al., 2014). Furthermore, in order to become resilient it is important to give attention to core employees since as Lepak et al. (2004) suggest, "different employees contribute to different aspects of organizational success. Within the same firm, employees may be core for different reasons"[3] and therefore need to be accounted for.

1.4.1. A Well-Functioning HR System

A well-functioning HR system, such as the one depicted in figure 2, is of paramount importance to obtain organizational resilience.

[3] David P. Lepak, Jennifer A. Marrone, and Riki Takeuchi, "The Relativity of HR Systems: Conceptualising the Impact of Desired Employee Contributions and HR Philosophy," *International Journal of Technology Management* 27, no. 6/7 (2004): , doi:10.1504/ijtm.2004.004907.

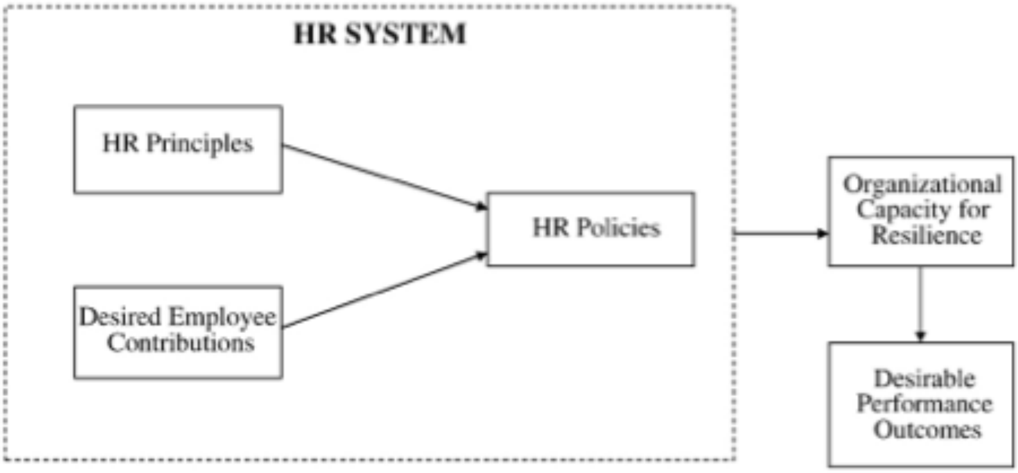

Figure 2: Graphical depiction of HR system (Lengnick-Hall, Cynthia A., Tammy E. Beck, and Mark L. Lengnick-Hall. "Developing a Capacity for Organizational Resilience through Strategic Human Resource Management." *Human Resource Management Review* 21, no. 3 (2011): 243-55. doi:10.1016/j.hrmr.2010.07.001.)

The HR system creates messages that are then sent to employees in order to communicate what is expected from them, how they should work together, what they should focus on etc. (Bowen & Ostroff, 2004; Haggerty & Wright, 2010).

What distinguishes a strong system from a weak one is that the strong system is one in which the message is voluntarily sent from the manager and then is correctly received and absorbed by the employees which will later develop organizational capabilities from this message. On the other hand, a weak HR system is one in which the message sent from the organizational leader is misinterpreted from the employees who then act according to what their personal interpretation of the message is. In order to create organizational resilience, it is fundamental to establish a strong HR system, since it is automatically implied that the capacity for resilience is directly proportional to the strength of a firm's HR system.

1.4.2. Principles of the HR System

Some principles of the HR system, such as developing a partnership orientation with employees, minimizing rules and procedures and centralization of the decision-making power, are designed in order to satisfy the cognitive dimension of resilience. These principles are important as they lay the foundations for the creation of a workplace in which core organizational values shape priorities and behaviors especially in case of unplanned situations. Furthermore, these principles enhance the value of individual diversities since a broad spectrum of perspectives and perceptions is promptly available for decision-making. These principles enable firms to focus on establishing relationships and on encouraging diversity, which will in turn facilitate work organization and resiliency.

An ulterior set of principles of the HR system is related to the behavioral dimension of resilience. Among these principles are included development of cultural organizational ambidexterity, promotion of share of knowledge and elimination of organizational borders. These foundations target the creation of a workplace in which employees are self-assured in their abilities up to the point in which they feel confident to explore something new and to share their findings.

A different set of guidelines instead is related to the contextual dimension of resilience. Principles that promote social interaction within and outside the firm, which create communication structures and those that establish self-management and self-leadership capabilities all build the integration of the HR system with the contextual dimension. This set of foundations supports the multilevel relationships that are required for developing the resilience ability. Individual actions and interactions can develop as a group attribute only by following these principles along with those that relate to the cognitive and behavioral dimensions as it is fundamental for the employees of an organization to work collectively to ensure resiliency.

CHAPTER 2: THE FASHION RETAIL INDUSTRY

The fashion industry is a highly competitive sector and competition is even fiercer when analyzing the fashion retail industry (Newman & Cullen, 2002). Moreover, the fashion retail industry is a very complex one because of the power exercised by the major retailers in the market, for the increased number of own brands retail stores and also because of supply chain decision that are becoming increasingly global.

The consumer base in this industry is also very complex as they are not satisfied only by superior product characteristics. Customers in the fashion retail industry evaluate product attributes, but at the same time are deeply influenced by the overall shopping experience, which is delivered to them at the point of sale (Porter & Claycomb, 1997). The point of sale is a crucial element in determining a fashion retail's resiliency as it is the contact point between the customer and the supply chain.

Being a resilient fashion retail is not easy since fashion markets are subject to rapid changes and because of the quick obsolesce of the goods, therefore commercial success or failure is a consequence of the organization's flexibility and adaptability to sudden and frequent changes (Christopher et al., 2004).

2.1. Relevance Of The Retail Channel

The retail channel is increasingly acquiring more relevance in the fashion industry. There exist different retail formats which are used by companies in order to take advantage of the contact between consumers and products through different contexts, which rage from mono-brand franchising stores to traditional specialist ones (Moore et al., 2000). Different retails formats are used to target various customer segments, in fact diverse formats greatly differ in point of sale structure and in the operations required (Daziger, 2006). Furthermore, different retail formats cause the retail's role in the overall industry to vary since most of the revenue comes from specialists stores while flagships stores do not tend to generate positive profits (Brun & Castelli, 2008).

A fashion retail store's success is determined by the firm's ability to methodically engineer its operations, vision and store's image, which are reflected in the brands offered by the retailer and are evaluated by the store's target customer segments (Burt & Sparks, 2002). An accurate analysis and development of these elements can allow a firm to sustain its competitive advantage, to promote loyalty and ultimately to increase the retail's revenues.

2.2. Challenges In The Fashion Retail Industry

Because of constant developments in the world's economy, the fashion retail industry has faced significant changes in the last years. Nowadays the fashion retail industry does not only satisfy the need of buying useful clothes, it also allows customers to express themselves through clothing. The fashion retail industry is one of the most globally consolidated industries, but as previously mentioned, it is also one of the most competitive markets, thus retailers find it hard to thrive in this industry. Within the vast fashion industry, there are many available clothing options for consumers; hence it becomes increasingly hard to forecast customers' preferences. This difficulty causes three main challenges to stem for fashion retailers.

2.2.1. Growing Consumerism

Modern day consumers have the possibility of choosing among thousands of different brands. Moreover, they have the option of using multiple channels, such as retail stores, e-commerce platforms, or mobile commerce, in order to shop for luxury clothes. Goods in this industry quickly become obsolete as they fall out of seasonal demands and after a few months they are not regarded as the latest fashion item anymore and the demand for that product strongly decreases. Furthermore, media plays an important role in customers' demand. Consumers demand clothing that they see on media channels or that are a celebrity's favorite item. This poses a challenge to retailers because it becomes increasingly problematic for fashion retailers to hold a satisfying stock keeping unit (SKU), while having a wide product range in a short time.

2.2.2. Creating A Unique Experience

Because of the high competition present in the fashion industry, it is challenging for fashion retail brands to gain customers' attention and to provide them with a unique shopping experience. Retailers that are able to create a remarkable customer engagement by differentiating the shopping experience offered through additional services, are often able to obtain superior customer loyalty compared to retailers that just offer their customers an average experience.

2.2.3. Inventory Management

Luxury fashion retailers tend to change their inventory approximately three or four times a year, when the designers release new collections and the seasonal demands change. This process, which is followed by most brands, results in a longer time-to-market since inventories needs to be emptied and later stocked back from zero. Having to decide which goods are going to form the future stock keeping unit is very challenging for retailers because the modern world is very dynamic, thus causing consumer preferences to drastically change in the brief time span occurring between few months, making forecasting demand difficult.

External factors, such as weather, also influence inventory management. If a season is colder than expected then the retailer will have to sell the correct clothing. In fact one of the biggest difficulties is that of developing inventory intelligence.

2.2.4. Sustainability And Compliance

Global sustainability is becoming increasingly important for the modern-day society and the fashion industry, with regards to pollution levels, is second only to the oil industry (Battaglia et al., 2014). The latest environmental concern is that of too much plastic being used. The enormous volume of plastic used everyday is damaging both the oceans and the soil, therefore people are working to become more environmentally aware. The fashion industry is often targeted for high levels of wastage because of the materials employed and for the production techniques used. With regards to retailers the concerns arise for the high use of plastic bags, hangers and plastic displays. This reflects on consumer choices since they will be more inclined to buy more eco-friendly products. For this reason companies and retailers in the fashion industry need to employ sustainable measures and ensure compliance with these rules in order to obtain a positive brand image, which will generate loyalty.

2.3. Demand Pattern

The fashion industry's demand pattern is one of the most complex schemes. In a dynamic and continuously growing industry, demand is very volatile making it hardly predictable. A research by Christopher at al. (2004) has identified general demand characteristics for the fashion retail industry. The distinctive features of this industry's demand are short life cycle, high volatility, low predictability, high-impulse purchasing, high product variety, and large variance in demand and a high number of stock keeping units.

High impulse purchasing is an indication that buying decisions by consumer are not premeditated, but are often taken emotionally at the retail store. This implies that there is a critical need for availability in the store because when a consumer finds himself in front of the product he feels an impulse to buy it, and if the product is not readily available then a sale is lost.

In order to ensure availability it would be very helpful for firms to be able to predict demand, however this is a very difficult task in the fashion industry. Because of the high obsolescence of products and due to high volatility there is low predictability for total demand within a period, let alone predictability for item-to-item demand. High volatility indicates that that demand for fashion products is seldom stable or linear. Demand for this type of products can be influenced by media, VIPs, and even by the weather, as climate influences the type of clothes we wear.

Because it is nearly impossible to forecast demand, there is a large variance in demand and an high number of stock keeping units. In fact, the volume sales for SKU is mediocre (Gutgeld & Beyer, 1995), while the demand for SKUs within the alike product line can significantly change. Hence, even if aggregate demand can be forecasted up to some certainty, it is troublesome to foresee how that demand will be distributed between the vast range of offered products.

Product variety is also an important factor as it makes demand more fragmented. A wide variety allows consumers to raise their expectations and to be more selective about quality and choice.

2.3.1. Forecasting Demand

Being able to forecast demand within the possible limits is crucial in order to ensure efficient operations management as it is an input for planning activities. Inadequate forecasting affects a store as it can cause stock outs or high inventory, obsolescence and inefficient resource utilization. In order to ensure resilience, high performing companies aim at achieving robust demand forecasting approaches. However, since the fashion industry is characterized by short selling seasons and almost unpredictable demand, forecasts almost always result inaccurate. Professionals who work in the fashion industry and those who research forecasting in this market have given up the idea of developing tools to determine the exact industry demands, but have instead acknowledged the fact that fashion markets exhibit high levels of chaos (Nenni, Giustiniano & Pirolo, 2013) and that it would be more profitable, even if not easily achieved, to deliver goods based on real-time demand. A clear example of adoption of this strategy is Benetton. Before, Benetton used to die the thread before knitting the clothing. The managerial team quickly realized that this was not an efficient strategy as they were not able to accurately forecast the demand for each colored item and many items were left unsold because of scarce demand. In order to solve this problem, Benetton relied on JIT approached which was achieved by modifying the production process. Instead of dyeing the thread as the first step, they first knitted the clothing. This allowed Benetton to observe the market demand for that item of clothing and consequently they decide how many items to dye for each color based on demand (Scott & Westbrook, 1991).

2.3.2. Categorization Of Demand Patterns

Varghese and Rossetti (2008) have suggested to classify demand in order to select the most accurate possible forecasting method. The attributes through which scholars propose to divide demand are intermittence, lumpiness, erraticness and slow-moving.

An intermittent demand is defined as a randomly occurring demand characterized by frequent periods presenting zero demands. According to Johnston and Boylan (1996) demand is considered to be intermittent if the mean interval between the non-zero demand periods is 1.25 times greater than the inventory demand period.

Demand is considered to be lumpy if it tends to have periods of zero or very low demand followed by high demand peaks. Lumpy demand tends to be variable, nervous and random (Syntetos & Boylan, 2005).

Another characteristic for which demand can be defined is erraticness. This type of demand is identified because of high variability in non-zero demand periods (Syntetos &

Boylan, 2001). Erraticness rather than pertaining to demand per unit time periods relates to the demand size.

The last attribute is slow-moving. This type of demand is distinguished from the other attributes as it presents infrequent demands occurring in few units (Syntetos & Boylan, 2001). This form of demands is usually intermittent.

2.3.3. Elasticity Of Demand

The demand elasticity for luxury products does not act as the elasticity of demand of normal goods. Income elasticity of demand analyzes the sensitivity of a good's demand to changes in real income of consumers who purchase that good. Normal goods usually have a positive income elasticity of demand, as income rises, a greater quantity of the good is demanded and vice-versa. Normal goods, often referred to as necessity goods, have a demand elasticity that lies between zero and one.

This interval differs from that of luxury goods, since they are normal goods which usually have an elasticity greater than one. This indicates that consumers tend to buy these goods in a larger proportion compared to a percentage of their income and that these goods are very sensitive to changes in income (Varian, 2014). As real income decreases, a lower amount of units of luxury goods will be demanded as they are now worth a higher percentage of income.

2.4. Product Characteristics

Many scholars, including Lee (2002) and Soni et al. (2010), agree on fashion product characteristics.

The first attribute is the product's short life cycle. The fashion items are only momentary as they are designed to capture the state of mind of a specific time period. Since moods are continually changing these goods can only be sold for a limited amount of time and for a determined season. Hence, the products are only successfully sold for a finite number of months.

This narrow span in which the goods can be sold creates the second product characteristic, short selling season. The fashion industry is highly competitive and there is a continuous need to present new product ranges, hence there is a repeated need to change the store's merchandise. Some stores, such as Zara, might even reach twenty seasonal changes every year. This is a very important product characteristic because it is fundamental in order to acknowledge that there are long replenishment lead times, hence the implications for the supply chain are clearly relevant.

2.5. Fashion Industry Development

The fashion industry is a big market and in 2000 consumers worldwide spent around US$1 trillion to buy clothes and globally the fashion industry work force in the same year was around 26.5 million (Evans, 2002). For the past twenty years the fashion industry found itself in a transition stage because of the pressure arising from a variety of elements (Frings, 2005).

2.5.1. Factors Of Development

The first factor that exercised pressure on the fashion industry is a need for cost reduction. As it is the case for many other industries, the fashion market would profit by reducing costs in order to augment competitive advantage. This need is one of the main causes for the low sustainability of this industry as in order to achieve cost reduction it is more convenient to purchase materials and to move production to developing countries where production is cheaper because of lower costs of labor. However, developing countries follow lower sustainability standards, hence threatening the sustainability worldwide.

The fashion industry is continuously developing because of increased customer requirements. The fashion market was initially characterized by mass fashion, but it soon evolved into a segmented market (Sekozawa, Mitsuashi & Ozawa, 2011). Furthermore, the customers' taste is very dynamic as it often changes and their expectations are very diverse (Battistoni, Fronzetti & Mercorelli, 2013). Firms in this industry are not only required to satisfy customer demands on product, but they also need to accomplish customer needs with regards to service levels. Service quality, according to Rayman et al. (2012) is one of the crucial factors in order to develop customer satisfaction. Retail stores have a paramount role in influencing customer satisfaction and in developing brand image (Shubhapriya & Byoungho, 2012).

Another main contributor to the fashion industry development is technology. Technology has highly impacted the market and has caused an increase in customer requirements as it

made instantaneous knowledge of new trends and brands easily available. In addition, it has increased retailers capability for sharing data in their network, thus favoring adequate decision making.
Technology also allowed for the development of two important advances. The first one is automatic replenishment. This innovation enables manufacturers to automatically send goods when inventory falls below the minimum inventory agreed upon. This innovation is helpful to both manufactures and retailers, which are less likely to be left out of stock. The second fundamental innovation is the value chain initiative. In the value chain initiative standardized connections have been developed throughout the market.

The last factor that exerts high pressure on the fashion industry is globalization both in production and in retailing. This trend is increasingly growing as it allows companies to achieve substantial competitive advantages, which in turn generate remarkable profits. Because of globalization it is possible to locate production in developing nations in order to reduce costs. Although this has many benefits there are downfalls since sourcing products and materials off-shore, most of the times, requires longer lead-times.

2.5.2. Trends In The Fashion Industry

As a consequence of the factors mentioned above, the fashion industry is defined by rapid change and by firms' flexibility and responsiveness, which lead to the development of some trends across the industry (De Felice, Petrillo, Autorino, 2013).

The first trend is vertical integration and outsourcing. Vertical integration is a strategy for which a company controls more than one stage of the supply chain. This kind of integration allows organizations to reduce costs while improving efficiencies by reducing transportation costs and by lowering turnaround. Some manufacturers can decide to have all the production process outsourced in order to gain competitive advantage. Through the years manufacturers and retailers have acknowledged that cooperation reduces the time it takes for product development, production and distribution while favoring higher profits.

Another frequent trend is having an agile supply chain. An agile organization entrenched with an agile supply chain is better performing with respect to conventional organizational structures and compared to forecast-driven supply chains. The latter types of supply chain are not adequate in satisfying the challenges presented by the fashion industry, therefore they are not profitable for a firm which will not be flexible enough for the industry in which it finds itself (Christopher & Towill, 2001).

In addition to the above-mentioned trends there is that of quick response. Fashion retailers have adopted various measures in order to reduce the inventory level, which for them is a source of risk (Iyer & Bergen, 1997). Responsiveness is defined as the capability of quickly up scaling or downscaling and as the timely inclusion of consumer preferences into the supply chain's process. A relevant aspect of this trend is the capability of quick response to uncertainty and to unplanned negative situations. A quick response system enables manufacturers to promptly adjust their production to the different styles, sizes and colors in response to the seasonal retail sales. Responsiveness can be often used as an efficient substitute of the forecasting ability and of the inventory requirement for operating under unpredictability.

CHAPTER 3: THE WHITE GALLERY CASE

White Gallery is a family owned luxury brand retail store located in the EUR neighborhood in Rome. First opened in October 2009 by Claudio Cesetti, one of the most known clothes retailer of Rome and CEO of Gruppo Clark, Claudio Cesetti Boutique and owner of his own clothing line Cesetti, with the vision of making White Gallery the first and the biggest luxury lifestyle store in Rome. White Gallery is the biggest fashion retail store in Rome as it covers 5000m^2 with various areas dedicated to clothing, bags, accessory, fragrances and more. One of Cesetti's goals for White Gallery was for it to become the reference luxury store for national and international brands, such as Armani, Brunello Cucinelli, Chloé, Celine, Jimmy Choo, Off-White and many more.

Despite Cesetti's expertise in clothes retailing and his bright perspective for the future of the store, White Gallery remained open only until December 2014 when it was declared bankrupt. After an initial investment of approximately 15 million euros, White Gallery was expected to become an attraction for tourists and high-spender clients, however it did not manage to become a resilient organization because of wrong managerial decisions and for both internal and external factors which hindered its development.

3.1. Creating An Environmentally Aware Organization

Analyzing and understanding the external environment is critical in acknowledging the opportunities and the threats that a firm might face. If companies fail to master the analysis of the external environment they are not very likely to be resilient. If managers only focus on internal efficiency, the firm might become the most efficient producer of the good or service, but if managers do not consider the external environment they will miss opportunities presented to the firm.

In order to become environmentally aware a firm needs to scan what surrounds it. Environmental scanning involves examining the external environment to spot occurring changes in it, and to forecast changes that might come (Vicentini, 2016). This is a significant process as it alerts the firm about critical trends and events, and allows for it to develop a concise pattern, all before competition reorganizes to the new changes. If this does not happen the firm will then be forced to enter in reactive mode to survive.

Experts have agreed that in order to recognize the upcoming trends a combination of internal knowledge, consumer knowledge and external knowledge is required. This complete picture of the firm will help the business to better identify the emerging trends that might affect it.
Another indicator of emerging trends is the leading firm in an industry. If the leader can sell a large amount of its premium products without cutting price sharply it is an indication that consumers in that industry might have become less price-sensitive.

The process of collecting and interpreting data on competitors, including strength and weaknesses, and that of understanding the industry is called competitive intelligence. If correctly executed, competitive intelligence makes a firm resilient as it allows the company to avoid surprises by foreseeing competitors' moves and enabling the firm to act responsively. When dealing with competitive intelligence it is important for a firm to carefully evaluate its actions as they can easily become illegal or illicit. To forget about entrant firms would ultimately mean to threaten the resiliency of the firm, in fact, managers should always balance the attention given to existing competitors and that given to entrant firms in order to be prepared to any kind of event.

Another crucial element in order to become a resilient firm is environment forecasting. Environmental forecasting deals with the development of realizable projections about the objective, the velocity and the direction of market changes (Fahey & Narayanan, 1986). This element is of paramount importance since its aim is that of predicting changes, thus making the firm ready to face future disruptive events. The only downside to this element is that it relies on forecasts, and forecasts are always subjective and not always perfectly accurate given the high demand unpredictability. Managers might analyze only a limited number of situations while not considering other important gray areas (Courtney, Kirkland & Viguerie, 1997), hence only preparing strategies to deal with a narrow number of situations.

3.1.2. White Gallery's Porter's Five Forces Model

The most accurate model to describe the firm's ability to set prices while minimizing costs is Porter's five-forces. According to this model the competitive environment is divided in five main competitive forces: the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitute products and services, and the intensity of rivalry among competitors within the industry (Porter, 1979). Being familiar with this model allows managers to decide whether it is more profitable to stay or to exit from the industry. It also enables managers to understand if the firm should increase or decrease resource commitments and it helps them acknowledge new ways in which to improve the competitive advantage.

By analyzing Porter's five forces it is possible to understand why a store, which on paper looked promising, ultimately went bankrupt.

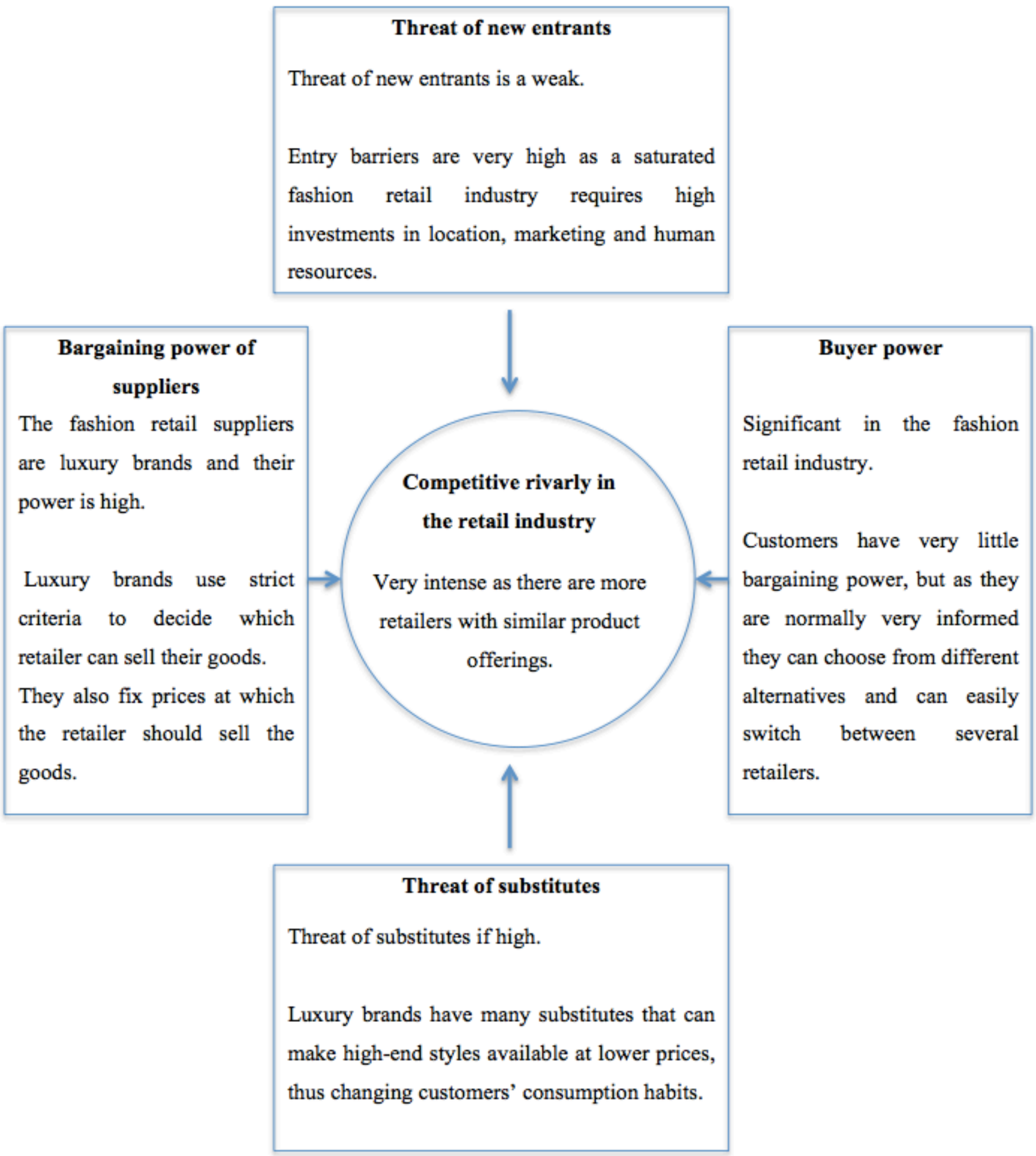

Figure 3: White Gallery's Porter five forces

By analyzing White Gallery's market, it can be determined that it finds itself in a very competitive industry. The fashion retail industry is full of stores that offer similar products, as they are not able to differentiate the goods sold. It is true that distinct retailers can offer a different variety of brands, however the actual clothing items that the luxury brands send them is the same for every retailer.
Furthermore, luxury fashion retailer cannot exploit the cost leadership strategy as the prices are fixed by the luxury brands, making it impossible for retailers to sell below a common price.

The buyer power in the luxury fashion retail industry is very high, however individual customers do not have high bargaining power. As already mentioned, retail stores have fixed prices, which the buyers can hardly change. Being these prices fixed, the customers at the till cannot bargain for a lower price. Moreover, customers cannot demand higher quality good for a cheaper price as the luxury fashion industry sells high quality products at a pre-determined priced which cannot be lowered.
However, because of technological development, well-informed buyers can choose among a wide range of retail stores and can easily decide to switch between several retailers, thus increasing the buyer power.

Because the fashion industry is highly competitive and offers an extensive variety of clothes at drastically different price points, the threats of substitutes is very high. One of the many substitutes of luxury fashion retail brands, such as White Gallery, are retailers of less expensive brands, such as Zalando and Wish. These retailers offer lower priced brands that can make the customer achieve the same high-end style while saving money. This is a very significant threat for White Gallery as these retailers can change consumers' habits and reduce White Gallery's profits. Additional substitutes are online retail stores. Online stores can offer the same clothing offered by White Gallery, but without having to make the consumer move from his own house, thus facilitating his purchasing process.

Another important threat for a luxury fashion retailer is supplier's power. The fashion retailers are sent the clothes directly from the fashion brands, which become the retailer's only suppliers. Their power is very high since luxury brands do not allow every retailer to sell their brand. Retailers have to undergo strict inspections from brands' representatives

who value the retailer with very strict criteria in order to assess if that particular brand's clothes can be sold in that retail store.
Moreover, the suppliers have very high bargaining power as they choose the retail's price. By fixing the prices, retailers do not have the possibility to differentiate their prices from other retailers, making all of them more or less equal in terms of price. Suppliers also have a very high bargaining power as they are unique. Only the brand itself can sell to the retailers that brand's clothes, which cannot be retrieved anywhere else.

The last element of Porter's five forces is threat of entrants. This element is not very influential in the luxury fashion retail industry. The barriers to entry in this industry are very high, thus discouraging firms that want to enter the market. In order to enter and survive in the industry a high capital is required. To open a successful retail store high investments on location, marketing and human resources are required, otherwise the entrant firm will always be left behind the incumbent and eventually will have to leave the market.

3.2. White Gallery's Positioning

A firm's profitability, competitive advantage and the nature of its industry are often shaped by the development of the competitive environment. The competitive environment is composed of many factors that influence a firm's strategies and future positioning. The actors of the competitive environment, also referred to as the industry environment, are competitors, both existing and potential, suppliers and customers.
A firm's manager, in order to understand the sources of sustained competitive advantage, first needs to carefully develop techniques to efficiently analyze their competitive environment, as it plays a fundamental role in shaping the firm's future.

The fashion retail is competition intense, hence White Gallery needs to face a large number of competitors. Because fashion retailers, such as White Gallery, sell high-end brands, they cannot rely on price differences in order to create competitive advantages since prices are more or less standardized. Therefore, in order to understand how White Gallery positions itself in the industry it is helpful to compare the turnout differences between the different retailers.

To create a positioning map it is first mandatory to identify White Gallery's main competitors.

3.2.1. Zita Fabiani – IV Municipality

White Gallery's main and most direct competitor is Zita Fabiani. The firm inaugurated its first small boutique in 1963 in a peripheral zone of Rome, via Ugo Ojetti. In 1984, after partnering with Gianni Colasanti, Zita Fabiani increased its profits and the activity expanded to a 2500m^2 store. Even though this location is peripheral, the municipality shows a high population density, hence the store presents high affluence. Additionally to improving its point of sale, Zita Fabiani became a store of reference because of the careful partnerships chosen and because of substantial investments in communication and marketing the store through media. Zita Fabiani provides its customers with a variety of luxury brands including Fendi, Off-White, Moschino and many more.

3.2.2. Gente – I Municipality

Gente Roma is one the main luxury multiband retailers of Rome. First opened in 1982 in Via Cola di Rienzo, a central area of Rome, now it accounts for seven stores in the most prestigious areas of the city and the main retail store is located in Via del Babuino. This road is located in the most central area of Rome and the store finds itself in a renowned luxury shopping area. Being the center, this municipality presents high touristic affluence and is traditionally considered the main shopping site for roman citizens. The key values for this retail shop are coherence, value and modernity, which are also reflected on the team. Gente offers a wide variety of brands including Celine, Azzedine Alaia, Moncler and Alexander McQueen. The customers can discover the best Italian and international fashion brands, but at the same time can also find clothing from avant-garde designers.

3.2.3. Coin Excelsior – XXII Municipality (ex XVII)

Coin Excelsior in Via Cola di Rienzo, is a 4.300m^2 luxury fashion retail store located in a central neighborhood of Rome. Moreover, this municipality presents a high population density and it is also a business district, a factor that contributes to increase the affluence to the neighborhood. It is the first Coin Excelsior in Italy and its aim is that of offering a new perspective on contemporary fashion and modern luxury lifestyle. It is one of the biggest retail stores, second only the now closed White Gallery. Coin excelsior offers Italian and international fashion brands, beauty, jewelry, home décor and fine food in a unique location. Coin Excelsior offers brands such as Valentino, Jimmy Choo, Ralph Lauren, and Chloé.

3.2.4. Leam – IX Municipality

Leam is a firm born in Rome in 1950. Since the beginning Leam specialized in selling personal brands and the main luxury fashion ones. The Leam store is located in Via Appia Nuova, a shopping site situated in a high-density population neighborhood, and it extends for 2000m^2. Even though this municipality presents a high population density, the spending capacity of the neighborhood's residents is not elevated. Leam serves a vast selection of the most exclusive fashion brands including Balmain, Balenciaga, Fendi, Moncler and Off-White. The store is located in a semi-peripheral area of Rome, but it also offers a website through which it is possible to purchase the clothing goods. Leam is also part of "The Best Shop" group that gathers the best stores in Italy.

3.2.5. Positioning Map

A positioning map is a marketing process which differentiates a product or a service offering from what is already offered to consumers by competitors. A positioning map is a diagram which delineates a business' position compared to that of competitors (Kotler et al., 2012).

The graph below shows White Gallery's position with respect to competitors in 2010-2011 with regards to price, which is assumed to be standardized because of the type of goods sold, and based on affluence.

The data on affluence is determined on the basis of the municipality's residents density and on the location of the stores[4]. On the basis of these data and after having considered the preference of roman citizens to purchase luxury goods in centrally located stores, it can be concluded that even if the central locations present a more intensive competition, consumer

[4] For database refer to appendix 1

affluence in this area is greater. Affluence in this area is also influenced by the large amount of tourists in the central municipality because of the many tourist attractions present.

Taking in consideration that White Gallery is located in a low-affluence and peripheral area, as it will be later described, the positioning map results as follows.

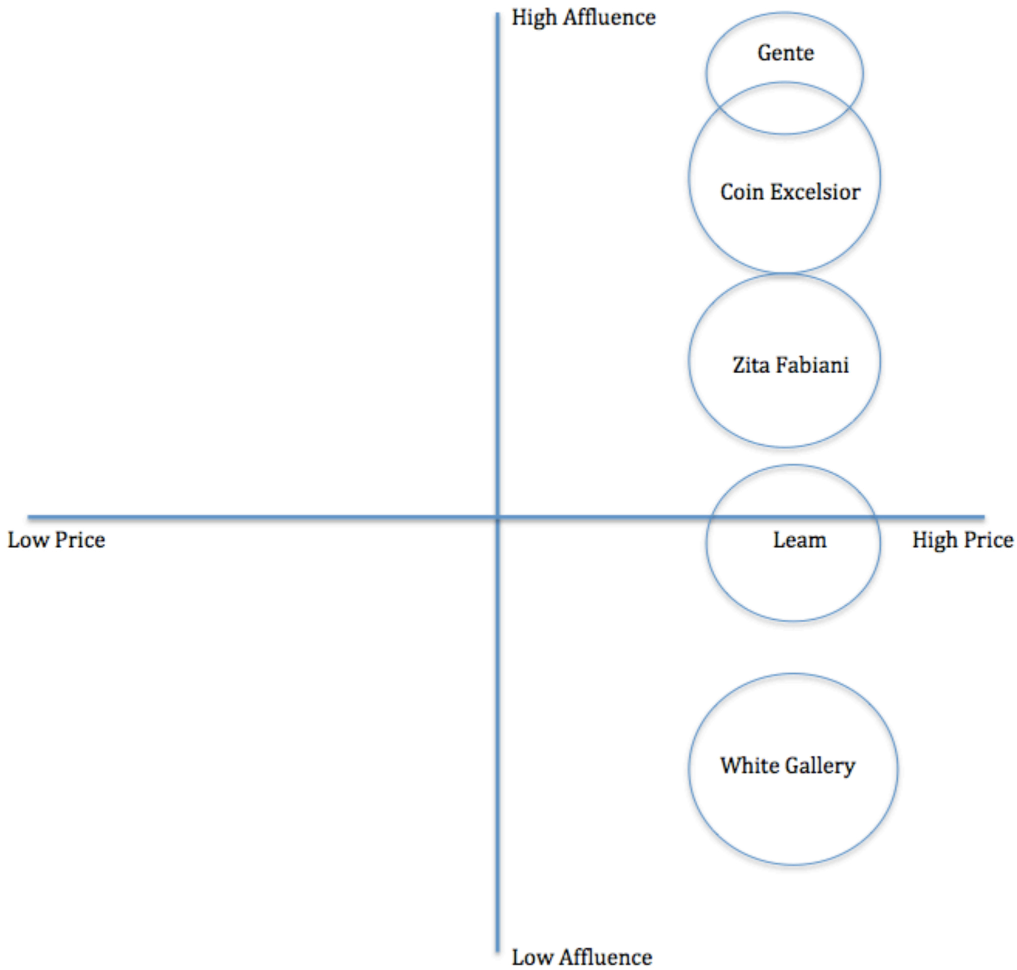

Figure 4: White Gallery's Positioning Map

The size of the circles in the positioning map represents the store's sizes.

As it can be observed from the above graph, White Gallery presents the lowest affluence among its competitors. The low affluence is due to poor location choice, in fact competitors located in more strategic areas present an higher affluence. The abundant affluence is caused by an elevated population density, but also from the many tourists who visit the stores as they are located next to touristic sites. Moreover, the competitors are located in clever areas, which are considered primary and traditional shopping areas by the roman citizens.

3.2.6. Market Competition As A Performance Improving Factor

Although it might sound controversial, firms are able to improve their performance if market competition is high. Within all existing firms one of the biggest and more relevant obstacle is the agency problem. The agency problem consists in conflicts of interest in any relationship in which one party is expected to act in order to benefit the other party. Among firms this problem arises as there exists a conflict of interest between the agent, often is the manager, and the principals, usually the stakeholders, since the manager is supposed to make decisions that will benefit shareholders by maximizing their wealth instead of his own.

Through market competition a firm is able to reduce the agency problem by diminishing misleading earning management and by improving the flow of information within the firm. By analyzing the Herfindahl-Hirschman Index from the Census of Manufacturers to proxy for product market competitions, it is possible to observe those firms that find themselves in highly competitive industries are less likely to engage in earning management, which consists in presenting an overly positive view of the firm's business activity and financial position. These firms are more inclined to engage in income smoothing, balancing fluctuations in net income from one period to the next, thus improving earning informativeness about future cash flows (Marciukaityte & Park, 2009). Furthermore, competitive industries usually have higher earning smoothing rations and also present a positive relationship between current accruals and future changing in operating cash flows.

3.2.7. Market Pressure On White Gallery

White Gallery's ambition was that of becoming the largest luxury retail store in Rome and to become a reference point for both local and foreign fashion lovers. However, in order to do this it was forced to compete against a strong rivalry composed of retailers such as Gente and Zita Fabiani. The intense market competition led Cesetti to maximize White Gallery's performance by building a unique store dedicated to luxury clothing, which reflected luxury even in its décor. The store also had a wide variety of goods, which was able to satisfy diverse customer needs. Moreover, in order to further improve its performance Cesetti included a tailor and planned to add a restaurant and a wellness area in order to diversify its retail store from those of competitors. In addition, when the store first opened it was the only store of Rome which sold Jimmy Choo products, which did not have any flagship store in the city. If all of Cesetti's plans were to have succeeded, White Gallery would have become an eligible competitor to these major fashion retailers, in fact both the store and the goods sold could easily face external competition. Even though White Gallery's performance could have been maximized through the planned improvements, Cesetti was never able to develop his ideas, therefore White Gallery was never truly able to compete against its rivals.

3.3. Location Choice

Claudio Cesetti chose the EUR neighborhood as the location of his first luxury store. His choice was driven by the constant promises and plans that the city of Rome had to improve the area by building attractions which would have brought people and tourists to EUR and consequently clients to the store. However, this plans never transformed into something concrete.

3.3.1. EUR Overview

The EUR neighborhood, which extends for 184 Km^2, is the second largest municipality of Rome. Started in the 1930s but only terminated in the 1950s in the occasion of the XVII Olympic Games the EUR neighborhood was supposed to be an attraction site for the Roman citizens, however its relevance decreased from year to year because of the closure of many of its attraction points.

In the early 2000 the Roman municipality started, through its owned company Ente EUR S.p.A., the improvement of the area by planning the construction of a new congress center, new office buildings, the city aquarium and architectural attraction such as *the Nuvola di Fuksas* and the *Lama* hotel, all to be completed by 2010 in order to bring EUR back to its original splendor.

According to the municipal plan of the city of Rome, the EUR municipality (XII) was progressively expanding, both for number of residents and for the number of build permits issued for non-residential use with respect to the other municipalities as shown in the graphs below.

Building Permits in Roman Municipalities – 2007

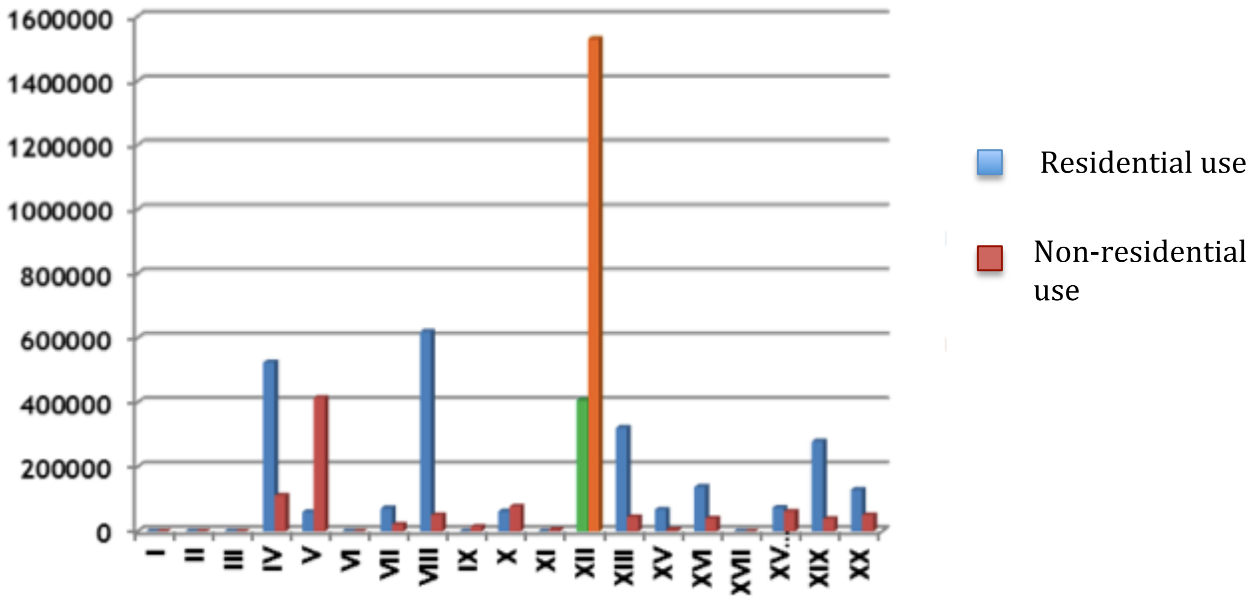

Figure 5: Building permits in Roman municipalities (Italy. Roma Capitale. Municipio XII EUR. Piano Sociale Municipale 2011-2015. 2016. 7-13.)

Building Permits in Roman Municipalities - 2008

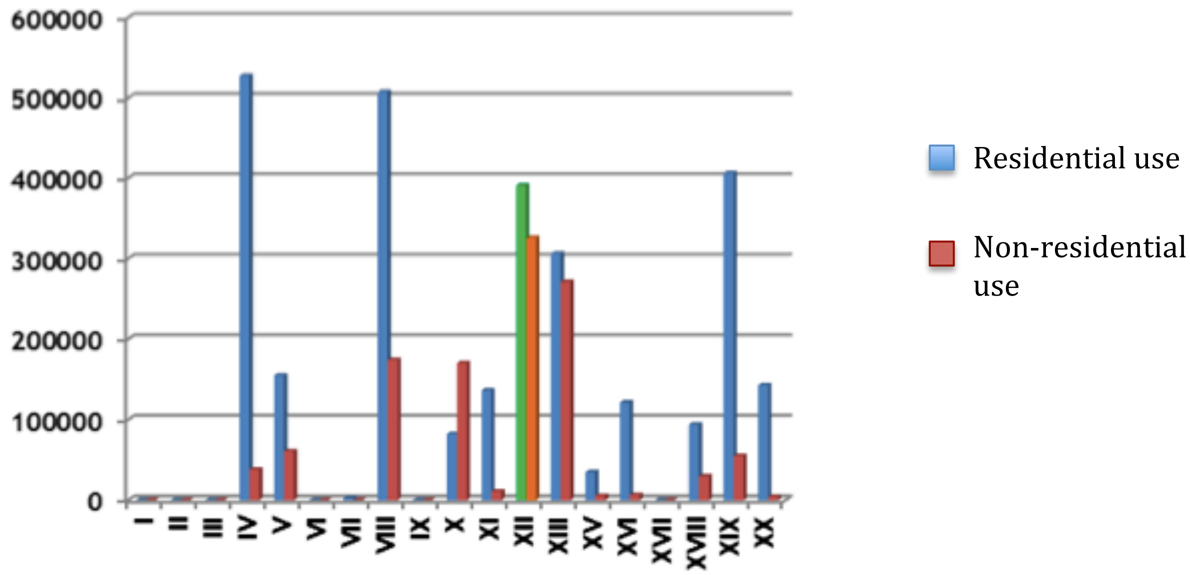

Figure 6: Building permits in Roman municipalities (Italy. Roma Capitale. Municipio XII EUR. Piano Sociale Municipale 2011-2015. 2016. 7-13.)

The planned improvements, which would have brought an higher number of people to visit EUR, were the main motivations which led Cesetti to build White Gallery in proximity of the soon to-built *Nuvola*.

3.3.2. EUR Renewal Delays Consequences

The decision which harmed White Gallery's business activity the most was the choice of locating in EUR, a neighborhood which promised to bring a consistent amount of people because of the many attractions that were to be built, but that were never actually realized. Being this location far from the city center, the tourist attractions and also distant from the main shopping sites, such as Piazza di Spangna, Via Condotti and the surrounding area, the store was heavily relying on these attractions, which in the end, never assured the sufficient amount of clients to the business.
Cesetti should have been more cautious when choosing the location. Cesetti should have not relied on planned improvements and he should have better evaluated the location, which finds itself in an unusual area with not much affluence. Affluence in in fact paramount for retailers and stores in general as these types of activities should position their stores in a pedestrian space. The location, for not having anything nearby has in fact determined the bankruptcy of the store for lack of clients.

3.3.3. Superintendence Of The Fine Arts

The superintendence of the fine arts of Rome had an important role in the bankruptcy of White Gallery as well. Cesetti's initial plan for White Gallery was to create a luxury retailer which also had a tailor on the upper floor and which also had a wellness area and restaurant. Although this was the initial plan, the wellness and the restaurant areas were never realized since the superintendence of the fine arts asked for the safeguard of the area, therefore did not allowed major works to be done; for this reason the Roman Municipality did not issue Cesetti the building licenses. This changed Cesetti's plans as he was not given the permission to build the wellness and the dining areas, which would have contributed to attract an higher number of customers by differentiating the shopping experience offered by Cesetti from that of rivals.

Moreover, the superintendence of fine arts did not allow Cesetti to properly advertise the store as initially it did not allow Cesetti to put a sign outside, in order to indicate White Gallery's presence. White Gallery was able to display a sign only after the opening of the store, in fact, after the sign was displayed the profits grew quite a bit.
Cesetti, before the store opening, should have better planned the store's project development. Before starting the activity he should have verified that he would have been given all the required permits in order to open the store with all the areas he required and with the possibility of displaying a sign.

3.3.4. Loyalty Development Through Location

Loyalty is the commitment to re-buy product and services consistently in the future despite market efforts to cause switching behavior (Oliver, 1999). The underlying factor of loyalty is satisfaction, and studies have found that increased level of customers' satisfaction resulte in the increase in number of visits and willingness to recommend the location to others. The higher the attachment to a place, the higher the loyalty and vice versa (Alexandris et al., 2006). Researches have analyzed the relationship between place attachment and satisfaction and found out that the impact of the former on the latter is very big (Fleury-Bahi et al., 2008). Being emotionally attached to a place makes the customer feel at home, thus promoting a positive evaluation of the location and of the shopping experience.

In order to develop synergistic effects between the firm and the external environment, it is important to foster the customers' attachment to location. If we take a retail store, the customer who develops an attachment to location will consequently develop ties with the community members and his overall experience will improve (Wolf, Stricker & Hagenloh, 2014), hence promoting loyalty and increasing revenues for the firm. Furthermore, building loyalty reduces buyer power (Benton & Maloni, 2005), leading to a reduction in the number of threats that a buyer can pose to a firm.

Place attachment is the process by which humans form emotional bonds to specific places (A.Yuksel, F.Yuksel & Bilim, 2010). A customer can encounter different experiences in an environment, the physical one and the social one. Although these two dimensions are positively correlated, according to Williams and Vaske (2003) the dimensions do not always act uniformly.

Besides, place attachment there is place dependence. The latter is a functional attachment to a place, which is fostered by a specific set of activities (Williams & Roggenbuck, 1989). Because of the existence of place dependence, people tend to choose locations that meet their personal needs (Brocato, Baker & Voorhees, 2014) and are prone to positively evaluate these places against alternatives.
It is important for the firm that the customer sees their location as the best one to satisfy his needs in order to generate loyalty.

As White Gallery finds itself in an area which does not present any kind of attraction, it was very challenging for the store to promote loyalty through location. Given the unusual location it was not very plausible that many customers would have chosen White Gallery's location to be the one that best satisfied their needs.

In order to develop place attachment and place dependence, customers would have needed to form emotional bonds to the location through their experience, and through a specific set of activities. Since White Gallery's was located in an unfavorable position, it heavily relied on customer's experience. In order to ensure a superior experience, the store's employees needed to always be on their best behavior and should have tried to satisfy any customer requests, so that customers found White Gallery to be the best choice to satisfy their needs.

Furthermore, White Gallery tried to build customer loyalty by attracting the customers to the location. To promote the location, Cesetti often planned events in the store, such as runway shows and car exhibitions, to which he invited A-list celebrities and the store's clients. The presence of celebrities attracted the press' attention, which published pictures of the store in newspapers and magazines, however the problem with this strategy was that the customers who were invited were already White Gallery's clients. The fact that they were already habitudinal clients did not benefit White Gallery's sales since those clients were the ones who were already loyal to the store and who did not need an event to visit the store. Another problems which raised from these events were the high costs incurred for a low increase in the customer base. This strategy would have been more helpful if the invitations were open to more people so that new customers would have visited the store, and through the events would have developed a positive experience and later became loyal to the store.

3.4. White Gallery's Value Chain

A value chain is a model developed by Michael Porter that illustrates how a business receives raw materials in order to create finished products and how it sells the finish products to customers. Analyzing White Gallery's value chain, depicted below, is of paramount importance in order to understand why White Gallery was not a resilient organization.

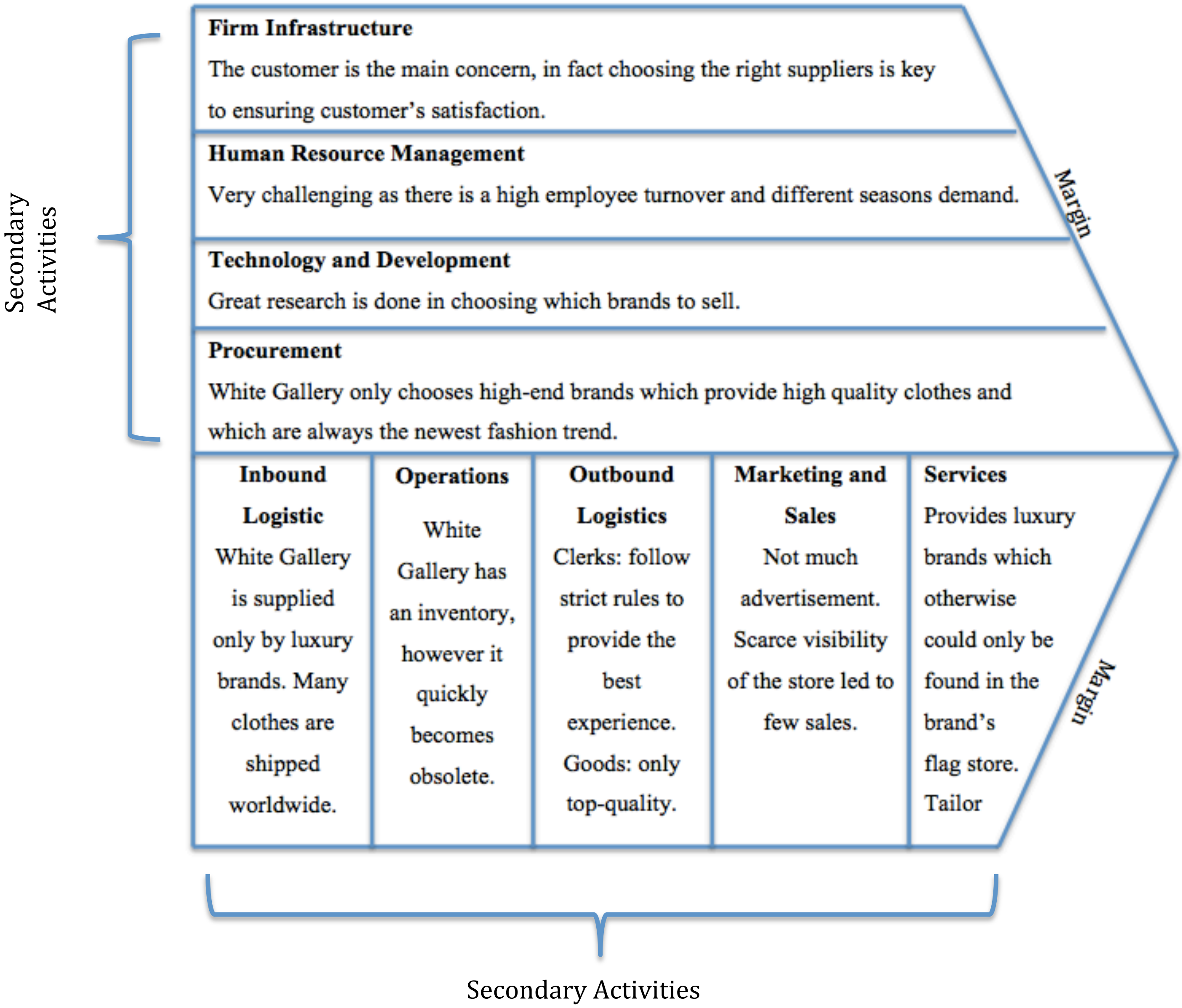

Figure 7: White Gallery's Value Chain

3.4.1. Primary Activities

In order to understand from the value chain why White Gallery was not resilient, first we analyze the primary activities.

In order to have an efficient retail store, managers need to fast-track trendy items which will be sold in the store, and also need to think about a replenishing process that will cut costs. Inbound logistic is very challenging for White Gallery, as it is for any fashion retailer, since the only suppliers are the fashion brands themselves. Supply chain resiliency with this type of supplier, a unique one, is very challenging. White Gallery's supply chain was not a resilient one as it was costly and time consuming. If a customer requested a piece of clothing that was not in store, he would have no clear indication of when the item would be back in stock, or even worse if the item was going to be back in stock. This harmed the consumer as his needs were not satisfied on the spot. Moreover, the store did not offer any shipping services, hence when the item arrived the customers was forced to go back to the store in order to purchase it.

In order to perform its ordinary operations, White Gallery held an extensive inventory, which, based on forecasts, had a wide variety of clothing in order to satisfy all of its customers. Holding such an ample inventory is a very risky choice since, given the quick turnover of fashion preferences and very diverse seasonal demands, the inventory quickly becomes obsolete. In fact, most fashion retailers believe that is it better to lose a sale than to carry risky inventory, since every item of clothing that remains in the inventory is a lost profit for the retail store. Moreover, it is also very challenging to sell a fashion clothing item after the season in which it is considered in-style, since not many people would be interested in that clothing item. In order to realize an operating margin, Cesetti should have thought of a better way in which to satisfy customers' needs, such as the just in time inventory, which would have saved the store an high amount of storage costs. Because the initial costs of buying the high-end clothes was very high, Cesetti should have though of a way in which to cover the initial costs that he incurred when buying. A profitable solution might have been that of finding a way in which to clear-out all the unsold merchandise. Cesetti could have opened an outlet store or could have sold the items at a lower price in order to gain a profit, even is smaller, from those items.

An efficient customer relationship management is what leads to loyalty, as customers believe that specific retailer to be the best one for them. In fact, the customer relationship management used is what allowed White Gallery to have many returning customers. White Gallery only sold in the physical store based on what was stocked in its inventory. In order to ensure the best customer's experience White Gallery had a very strict consumer relationship management. The first element was the appearance of the store clerks. Being a fashion retailer, the store's environment passed on to the customers a sense of luxury, therefore the clerks needed to dress in all-black suits in order to transmit the same feeling. Moreover, the clerks were all instructed with precise rules on how to behave and relate with the customers, so that their needs could be satisfied in the best possible way.

Marketing and sales were another weak point in White Gallery's value chain. Given the unprofitable location and the lack of a sign, Cesetti should have heavily relied on marketing to attract customers. However, the marketing campaign employed by Cesetti was very weak, in fact the store remained unknown to most people. The investment on the marketing campaign should have been much higher. More accurate marketing campaigns should have been done in order to attract the attention of the target customers as this would have made the store an attractive point in which to shop, consequently increasing the number of sales.

The initial plan was for White Gallery to offer a broad variety of services. White Gallery was not only supposed to be a store with a tailor on the upper floor, but it should have offered its customers a wellness area and a restaurant. As already mentioned these plans were never completed, thus White Gallery remained a simple retail store. The only thing that differentiated White Gallery from the other retail stores was the in-store tailor. This feature attracted many customers who could get the clothes suited to their body or could get a complete new suit designed from the tailor especially for them. If the other projects were completed, White Gallery would have been a very different retail store from the already existing one, thus making it more appealing for different customer segments. Not only people interested in fashion would have visited this store, but also people who wanted to enjoy a meal, thus contributing to raise the profits.

3.4.2. Secondary Activities

White Gallery's secondary activities are as important as the primary ones in determining the store's resiliency.

The first indication of White Gallery not being a resilient firm is the firm infrastructure. In order to satisfy the customer's high expectations, who expect high-quality products, it is fundamental to choose the right suppliers. Unluckily for White Gallery the only available suppliers are the luxury brands themselves. As it can be observed in the Porter's five forces (figure 3) this makes the suppliers power very high, thus influencing White Gallery's supply chain by making it less resilient. This unstable supply chain is what ultimately led to the retail's bankruptcy because of the high costs required by the suppliers.

The same problem of a unique supplier is what contributed to making the firm's procurement not very resilient. White Gallery only chooses high-end brands that provide high quality clothes that are in-trend, therefore it can only refer to the luxury brands themselves in order to obtain the goods required. As mentioned above this unique supplier situation contributes to undermine the value chain's resiliency, which in turns threats the supply chain's stability.

White Gallery's human resource management was an effective one. The store developed a well-functioning HR system, in fact it enabled employees to understand what was expected from them, how they should work together and what they were expected to focus on. White Gallery's employees were instructed in order to satisfy, to the maximum extent possible, the customer's needs and desires. This HR system was a strong one since employees were instructed by the manager, who directly sent the message, which was then absorbed by the employees. The only downfall to this strong HR system was that the luxury fashion retail store is one in which employee turnover is vey high and is determined by seasonal demand. Although this was a well-functioning HR system, high costs in terms of time and money were encountered in order to instruct the new employees. Instructing new workers takes time away from the previously hired employees who will have to focus on training the newly hired employees by taking some attention away from customers.

For being a retail store, White Gallery does not use any major technological developments. However, it uses technology in order to determine which brands consumers like, and which ones they would be more willing to buy. The consumer research that was carried forward was not very accurate since the sales predicted by Cesetti were much higher than the one which actually occurred. The goods sold are luxury goods, thus their consumption highly depends on the economy's business cycle, which determines the income received by people. Given that the store opened in 2009, the year in which the world was largely affected by the global crisis, the demand for the luxury goods strongly decreased. This is a clear sign that the market research was not executed properly, both because it was the wrong time to open a luxury store and also because the market research should have indicated that the demand for the luxury goods was very low.

3.5. Environmental Management

Environmental management is the focus on the advancement of human welfare for present and future generations, and it has a paramount role in a firm's financial performance. A firm's profitability will be hurt if is encounters higher production costs of environmental management initiatives (Klassen & McLaughlin, 1996), hence an effective environmental management is needed to improve financial performance. The traditional role of the environmental manager is changing because of the modern unstable social and political environment, which led to question the traditional skills of the environmental manger. The environmental manager now adopts the view suggested by Gray (1985), a view that pictures the firm as a set of actors brought together because of a common problem. In order for the firm to successfully find a solution to a common problem it is of fundamental importance that the firm is organized in such a way in which it is able to enhance collaboration between actors to collectively find a favorable solution. In fact, environmental management nowadays focuses on collaboration and research has shown that there has been an increment in collaborative approaches to decision making (Voinov & Bousquet, 2010).

The increase in collaboration in environmental management is becoming more obvious as managers support centralized decision making through the use of standing committees, associations and designated groups that help with planning and managing resources (Selin and Chavez, 1993). Besides finding solutions through joint efforts, collaboration is very useful in creating partnerships, open decision-making and in shortening the research related to transactive planning. These elements combined highlight continuous dialogue between stakeholders to have a shared perspective on the firm's future.

3.5.1. Lack Of Partners

Collaboration is a central element to strong environmental management as diligent environmental managers tend to highlight the benefits of collaboration by implementing it through centralized decision making. Creating a partnership helps firms become more resilient as it contributes to find solutions in unpredictable situations and it helps decision-making in areas in which managers have less knowledge. Although partnerships might have some downsides, a well-established partnership's benefits greatly overcome its negative sides.

Cesetti's project for White Gallery was that of combining a luxury retail store with a fine dining experience and to also include a wellness area. Cesetti is very experienced in retailing, however he had never managed a restaurant or a wellness related business before, therefore he would have largely benefitted from a partnership. Cesetti considered establishing a partnership once the project was already started instead of taking it in consideration prior to the shop's opening. If Cesetti would have taken in consideration a partnership with food-specialized and leisure related firms prior to opening, he could have largely profited from it. Cesetti could have gathered more capital in order to finance his activity, and could have benefitted from advices in operating decisions in the areas in which he is less experienced; however the search for partners should have been conducted before starting the project. The late start of the research for partners caused Cesetti to have to renounce to his project. Without disposing of the adequate entrepreneurial knowledge, he was not able to develop the store and he was not able to bring his project to completion since alone he was not capable of satisfying the business financial requirements.

3.6. Financial Aspects

The financial aspects are the foundations of every business activity. An accurate prediction of the financial capital required enables a business to successfully start its operations, and it lays the base for resiliency. If the estimated financial capital required is not accurate, then all the business operations will be hindered and this lack of funds will eventually lead to bankruptcy as it becomes impossible to conduct ordinary operations.

White Gallery was a 5000m^2 three-floored luxury store, therefore a substantial investment was required in order to start the activity. Despite the enormous size of the store, also the goods sold had a very high initial cost. Regardless of the hefty initial investment of 15 million euros, these funds were not enough to sustain an activity of this magnitude.

3.6.1. Fixed Costs

One of White Gallery's main problems was Cesetti's prediction of fixed costs. Cesetti predicted an inferior number of fixed costs than those that were actually needed once the store opened. This wrong prediction was one of the key factors which led White Gallery to a disastrous future because from this inaccurate prediction a lower than needed sum of money was invested. If Cesetti had meticulously predicted the required financial capital, then White Gallery's probability of going bankruptcy would have drastically reduced.

One of the main errors with regards to fixed costs was the amount of fixed costs that needed to be reserved in order to pay wages. A store this big required a significant amount of employees that was not accounted for. Moreover, White Gallery need a variety of personnel as it required clerks, cleaning staff, security and a more specialized personnel such as personal shoppers. Another relevant cost was composed of all the staff which was needed in the tailoring department as it required an experienced tailor, able to create tailor-made suits. The combination of all this personnel and the fixed rental costs accounted for an ample amount of fixed costs. This amount was not reckoned, in fact Cesetti should have conducted a more accurate prediction. If this prediction were to be more accurate than White Gallery would have had a greater fighting chance.

Another wrong financial prediction was with regards to the good bought by the store. The specific product mix and the peculiarity of the goods sold required, besides an in-depth knowledge of the industry, a considerable financial capital in order to sustain the expensive purchases of the goods to be sold. These financial expenses were not accurately accounted for, in fact White Gallery founds itself with serious debts. As mentioned in the above subparagraph, Cesetti should have better calculated the required financial investments.

3.7. Bankruptcy In Italy

Bankruptcy is a proceeding which arises when a company or a sole traded is regarded to be insolvent, therefore he is not able to regularly meet his obligations. In order for a company to be declared insolvent, it must be a trading one as defined by the Italian Civil Code. While in Anglo-Saxon countries there is a trustee who manages bankruptcy, this figure in

Italy does not exist, and the missing figure creates some difficulties in the case studies. Furthermore, there exist simple bankruptcy and fraudulent bankruptcy. The distinction between the two is based around different categories of main offences, which content does not comply with the modern methods of bankruptcy classification that also accounts for the psychological element. Simple bankruptcy is distinguished by fraudulent bankruptcy as simple bankruptcy arises from negligence, while fraudulent bankruptcy is intentional.

When a company is declared insolvent and an order is issued by the bankruptcy judge, there is the immediate appointment of a deputy judge, who will supervise the proceedings, and of a receiver, who is in charge of distributing the debtor's assets. Furthermore, there is the establishment of terms under which creditors must file their claims on the debtors' assets, and agreements with respect to date and place of creditors' meeting. A bankruptcy procedure entails the debtor's loss of specific civil rights such as the right to leave the city of residence and the right to communicate in a written form with his business. The debtor's name is removed from the bankruptcy register only once all the creditors' claims are satisfied, or after the debtor has reach a valid settlement with the creditors.

3.7.1. White Gallery's Bankruptcy[5]

Cesetti after unsuccessfully trying to re-start the business was ultimately declared insolvent by the bankruptcy judge on the 4th of December 2014. Having a limited available share capital – €10.000 – the company had suffered many debts towards banks and suppliers. All the above examined factors led White Gallery's debts to increase from €6.9million in 2009 to €12.0million in 2013, and ultimately to failure in 2014.

Furthermore, intense competition in the industry prevented White Gallery's revenues to reach the breakeven point. The revenues in the first year, 2009, were very scarce, in fact it only accounted for €1.8million, however we have keep in consideration that the balance sheet for 2009 only accounts for three months since the activity started in October 2009. By analyzing White Gallery's EBITDA, earnings before interests, taxes, depreciation and amortization, illustrated in the table below we can come to some conclusions.

[5] For balance sheet references refer to appendix 2

	2009	2010	2011	2012	2013
Value of production	€1.762.114	€9.965.245	€10.616.428	€10.158.582	€8.179.034
Costs of production	€1.333.356	€8.200.210	€8.637.830	€14.517.061	€7.591.666
Costs of labor	€261.313	€1.084.103	€1.099.922	€1.161.888	€755.568
EBITDA	€167.445	€680.932	€878.676	€-5.520.367	€-168.200

Table 1: White Gallery's EBITDA

The first thing to keep in consideration is that, as previously stated, even if the 2009 EBITDA is positive, it is not a reliable value as the balance sheet only accounts for three months. Furthermore, White Gallery is paying the costs related to the start-up phase. 2010 is the fist year in which White Gallery's operations are at regime. The 2010 EBITDA is positive, €680.932, however it is barely sufficient to pay operating costs, let alone to repay or reduce the debt incurred. The same situation arises in 2011 in which EBITDA is positive, however not enough to repay the debts. Even though these EBITDA values are positive a business of this magnitude involves high amortization and meaningful financial expenses, therefore, the EBITDA even if positive demonstrates White Gallery's deficiency in covering these costs.

2012 is the first year in which White Gallery faces a negative EBITDA. This is a clear indication of White Gallery's worsening situation since a negative EBITDA shows White Gallery's failure in repaying debts, but also its inability to face the operating costs. In 2013 the management tried to act to avoid White Gallery's failure by reducing the merchandise purchased, the costs of labor and in general the costs of production. This action caused the EBITDA to increase, however this remedy was not enough and the business quickly worsened, until its bankruptcy in 2014.

Moreover, the data analyzed illustrates that White Gallery's assets and liability situation confirms the negative performance trend. The debts continue to rise year by year, while the assets' value continuously decreases, hence predicting White Gallery's near failure.

CONCLUSION

The above thesis, through theoretical and empirical evidence, has analyzed the factors and the incorrect managerial decision which ultimately led White Gallery to failing in being a resilient organization. As suggested by the hypothesis in the abstract, the case study highlighted that the inaccurate location choice was the main cause of the retail store's bankruptcy. The poor location decision and the denied licenses, such as the lacking permits to build the wellness and the dining areas and the impossibility of exposing a sign, caused White Gallery to remain an anonymous store although it was projected to become the main fashion retail store in the city of Rome.

In 2009 EUR was a neighborhood which was expected to exponentially improve through the building of tourists attractions, business buildings and hotels. The promises of the new structures are what led Cesetti to choose EUR as White Gallery's location, however as pointed out in the thesis he should not heavily relied on future plans as he should have accounted for an high level of uncertainty. If the building delays did not occur, Cesetti would have increased his profits since the store would have benefitted from augmented affluence by roman residents, but also from greater affluence by tourists. The incorrect judgment of the location also caused White Gallery's inability to establish loyalty through location as consumers did not find White Gallery to be the best place to satisfy their needs. If the retail store would have succeeded in establishing loyalty, its sales would have exponentially increased and the business would have had a greater chance of being resilient.

The wrong managerial decisions with regards to the location were even worsened by the decision of making a mediocre investment in communication and marketing through social media. As it can be seen from the value chain, White Gallery's marketing activity was almost inexistent, and this contributed to the anonymity of the store.

An additional challenge that emerged from the value chain is that of keeping a satisfactory inventory of goods which quickly become obsolete. Forecasting fashion products demand is nearly impossible, thus for a retailer it is a challenge to decide which units to stock. Cesetti held an extensive inventory based on seasonal demands, hence he held a very risky inventory that resulted in losses of profits because many items were left unsold.

In addition, as the goods sold by White Gallery were luxury goods, the costs of acquiring these products are very high. Cesetti did not accurately calculate the costs that we would incur, in fact, the initial investment was too little to cover the operating costs. Furthermore, a store of 5000m^2 needed a substantial amount of money to cover the fixed costs, however this value was not accurately calculated, thus resulting in high debts incurred with banks. Cesetti could have solved the capital problem by building a partnership. Although Cesetti was favorable to expanding his network, his search for partners started too late, only once the business was already running. The lack of partners was an important contributor of White Gallery's failure in becoming resilient as a partnership would have provided more insights to Cesetti as it favors group decision-making. In addition, Cesetti should have looked for partners in areas in which he did not have much expertise, such as wellness or dining, in order to ensure the smooth operation of these areas.

An in-depth analysis of the White Gallery case also highlighted the difficulties that Cesetti encountered because of the industry in which he was located. The fashion retail industry is highly competitive, and Cesetti did not own the adequate means to sustain the intense competition. The lack of these resources caused Cesetti to fall behind White Gallery's competitors and ultimately to go bankrupt. The intense competitive environment of this industry is emphasized through White Gallery Porter's five forces. A careful analysis of this model highlights that White Gallery was forced to face high buyer power, high supplier power, high internal competition and high internal rivalry, hence demonstrating that the fashion industry is a very challenging one. Knowing the difficulty of such an industry Cesetti should have carefully weighted his decisions as even the smallest mistake could cause a business activity to drift away from resilience.

The evaluation of the business case carried in the present elaborate also revealed that the business' balance sheet had predicted the near failure. The balance sheets of the year 2009-2013 show that White Gallery's EBIDTA was too low to cover operational costs, let alone to repay debts. The debts continued to accumulated without the possibility of being repaid, therefore threatening White Gallery's resiliency. Moreover, while the debts continued to rise through the years, the assets' value continuously depreciated, hence lowering the firm's perspective for resilience.

The present elaborate developed how wrong managerial decision can highly threaten a firm's resiliency. If Cesetti were more careful in his decisions regarding the location's choice and with respect to conducting ordinary business activities, White Gallery would have had a concrete chance in becoming the reference luxury retailer of the city of Rome. A combination of unlucky events, including the delays in the EUR development, and inaccurate managerial decisions were fatal to White Gallery's resilience and ultimately led the business to fail.

By analyzing the business case I understood the importance of carefully evaluating both the internal and the external environments before starting a business. In addition, an accurate calculation of fixed costs is crucial in ensuring a firm's resiliency, because financial capital is fundamental to carry forward ordinary operations. If Cesetti had better evaluated the industry and the costs that he had to face he would have managed a resilient retail store which could have potentially been the biggest fashion retailer of the city of Rome.

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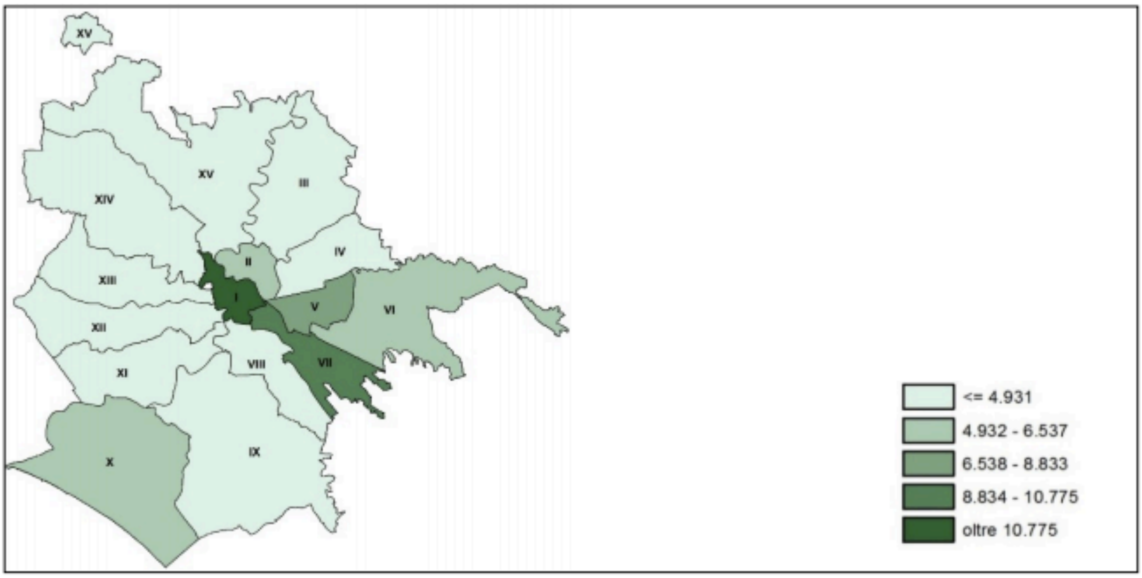
APPENDIX

Appendix 1 – References For Affluence Determination

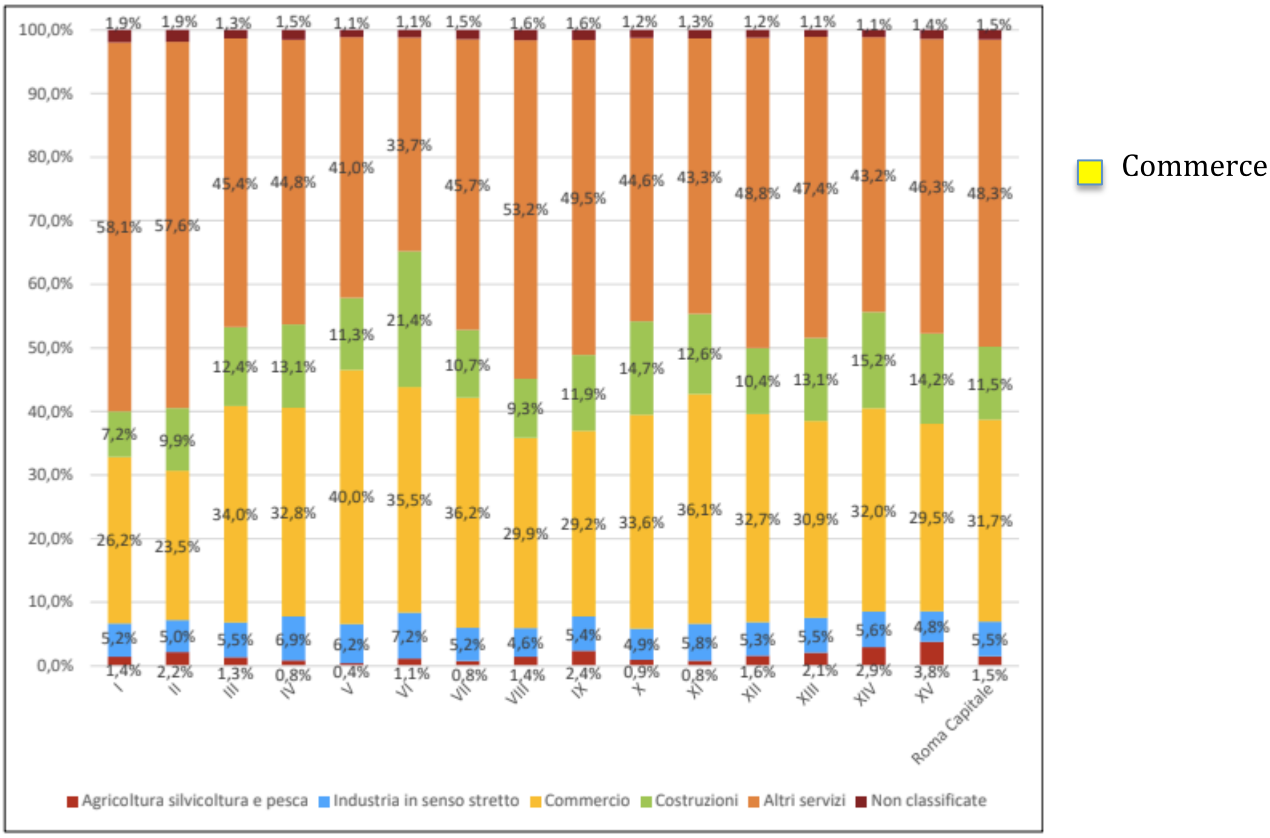


Stock of active local units in the "Commerce" sector divided by municipalities. Year 2011.
(Italy. Roma Capitale. Ragioneria Generale. *Il Sistema Locale Delle Imprese a Roma Capitale*. Rome, IT, 2017.)

MUNICIPIO	SUPERFICIE (ha)	POPOLAZIONE (a) al 31/12/2011	DENSITA' per ha
I	1.430,1	128.454	89,8
II	1.367,2	122.152	89,3
III	591,0	52.059	88,1
IV	9.781,8	204.538	20,9
V	4.915,2	177.950	36,2
VI	791,6	122.327	154,5
VII	1.906,0	123.653	64,9
VIII	11.335,5	249.583	22,0
IX	807,0	125.701	155,8
X	3.868,0	184.044	47,6
XI	4.729,2	134.568	28,5
XII	18.317,1	177.032	9,7
XIII	15.064,3	228.252	15,2
XV	7.087,5	153.025	21,6
XVI	7.312,5	142.350	19,5
XVII	560,9	68.804	122,7
XVIII	6.867,0	137.132	20,0
XIX	13.128,3	186.288	14,2
XX	18.670,5	158.222	8,5
Totale	**128.530,6**	**2.885.272 (b)**	**22,4**

Population Density for Each Municipality. Year 2011-2015.

Italy. Roma Capitale. Municipio XII EUR. Piano Sociale Municipale 2011-2015. 2016. 7-13



Local businesses devided for economic activity in each municipality. Year 2011-2015. (Italy. Roma Capitale. Municipio XII EUR. Piano Sociale Municipale 2011-2015. 2016. 7-13.)

Appendix 2 – White Gallery's Balance Sheets

Balance Shhet 2009-2010

WHITE GALLERY SRL

Sede Sociale: Roma, Via A. Pacinotti n. 8 H

Capitale Sociale: Euro 10,000 i.v.

Iscriz. Reg. Imprese di Roma al n. 10299161009

Iscrizione REA di Roma al n. 1224433

C.F. n. 10299161009

BILANCIO AL 31.12.2010

STATO PATRIMONIALE

<u>ATTIVO</u>	ESERCIZIO 01/01/10-31/12/10	ESERCIZIO 01/01/09-31/12/09
A) CREDITI VERSO SOCI PER VERSAMENTI DOVUTI		
TOTALE CREDITI VERSO SOCI (A)	0	0
B) IMMOBILIZZAZIONI		
I Immobilizzazioni Immateriali	1.124.825	978.239
Totale immobilizzazioni immateriali (I)	1.124.825	978.239
II Immobilizzazioni Materiali	926.443	526.084
meno: f.do di ammortamento	(91.877)	(33.509)
Totale immobilizzazioni materiali (II)	834.566	492.575
TOTALE IMMOBILIZZAZIONI (B)	1.959.391	1.470.814
C) ATTIVO CIRCOLANTE		
I Rimanenze	5.761.250	3.415.736
Totale rimanenze (I)	5.761.250	3.415.736
II Crediti		
a) entro 12 mesi:	518.755	11.121
4bis) crediti tributari per IVA	222.764	825.781
Totale crediti (II)	741.519	836.902
IV Disponibilita' liquide:	73.098	1.089.353

Totale disponibilita' liquide (IV)	73.098	1.089.353
TOTALE ATTIVO CIRCOLANTE (C)	6.575.867	5.341.991
D) RATEI E RISCONTI		
Totale ratei e risconti attivi (D)	141.710	166.635
TOTALE ATTIVO (A+B+C+D)	**8.676.968**	**6.979.440**
PASSIVO	ESERCIZIO	ESERCIZIO
	01/01/10-31/12/10	01/01/09-31/12/09
A) PATRIMONIO NETTO:		
I Capitale	10.000	10.000
IV Riserva legale	378	0
VII Altre riserve		0
VIII Utili portati a nuovo	7.186	
IX Utile d'esercizio	9.949	7.564
IX Perdita d'esercizio	0	0
TOTALE PATRIMONIO NETTO COMPLESSIVO (A)	27.513	17.564
B) FONDI PER RISCHI ED ONERI		
TOTALE FONDI PER RISCHI ED ONERI (B)		
C) TRATTAMENTO DI FINE RAPPORTO DI		
LAVORO SUBORDINATO	40.209	13.155
TOTALE T.F.R. DI LAVORO SUBORDINATO (C)	40.209	13.155
D) DEBITI:		
a) entro l'esercizio successivo:	4.020.756	2.985.802
b) oltre l'esercizio successivo:	4.565.098	3.944.270
TOTALE DEBITI (D)	8.585.854	6.930.072
E) RATEI E RISCONTI		
TOTALE RATEI E RISCONTI PASSIVI (E)	23.392	18.650
TOTALE PASSIVO (A+B+C+D+E)	**8.676.968**	**6.979.440**

CONTI D'ORDINE DELL'ATTIVO		
Merci di terzi in deposito per conto vendita	296.491	
Beni in leasing	528.678	528.678
Cedenti beni in leasing c/impegni	318.259	408.845
CONTI D'ORDINE DEL PASSIVO		
Depositanti merci in deposito per conto vendita	296.491	
Cedenti beni in leasing	528.678	528.678
Impegni per canoni leasing	318.259	408.845

CONTO ECONOMICO	ESERCIZIO 01/01/10-31/12/10	ESERCIZIO 01/01/09-31/12/09
A) VALORE DELLA PRODUZIONE		
1) Ricavi delle vendite e delle prestazioni	9.903.258	1.759.114
5) Altri ricavi e proventi	61.987	3.000
TOTALE VALORE DELLA PRODUZIONE (A)	9.965.245	1.762.114
B) COSTI DELLA PRODUZIONE		
6) Per materie prime, sussid. di consumo e di merci;	9.038.558	4.471.845
7) Per servizi;	499.942	56.610
8) Per godimento di beni di terzi;	1.007.224	220.637
9) Per il personale:		
a) salari e stipendi	804.471	186.887
b) oneri sociali	212.161	52.383
c) trattamento di fine rapporto	48.824	13.875
e) altri costi	18.647	8.168
10) Ammortamenti e svalutazioni:		
a) ammortamenti delle immobilizzaz. immateriali	292.369	44.651
b) ammortamenti delle immobilizzazioni materiali	58.369	33.509
11) Variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	(2.345.514)	(3.415.736)

Balance Sheet 2010-2011

Stato patrimoniale	2011-12-31	2010-12-31
Attivo		
A) Crediti verso soci per versamenti ancora dovuti		
Parte richiamata	-	-
Parte da richiamare	-	-
Totale crediti verso soci per versamenti ancora dovuti (A)	-	-
B) Immobilizzazioni		
I - Immobilizzazioni immateriali		
1) costi di impianto e di ampliamento	1.384	1.873
2) costi di ricerca, di sviluppo e di pubblicità	706.676	654.707
3) diritti di brevetto industriale e diritti di utilizzazione delle opere dell'ingegno	-	-
4) concessioni, licenze, marchi e diritti simili	-	-
5) avviamento	-	-
6) immobilizzazioni in corso e acconti	-	-
7) altre	663.070	468.246
Totale immobilizzazioni immateriali	1.371.130	1.124.826
II - Immobilizzazioni materiali		
1) terreni e fabbricati	-	-
2) impianti e macchinario	20.855	12.729
3) attrezzature industriali e commerciali	119.770	110.164
4) altri beni	901.834	711.672
5) immobilizzazioni in corso e acconti.	-	-
Totale immobilizzazioni materiali	1.042.459	834.565
III - Immobilizzazioni finanziarie		
1) partecipazioni		
a) imprese controllate	-	-
b) imprese collegate	-	-
c) imprese controllanti	-	-
d) altre imprese	-	-
Totale partecipazioni	-	-
2) crediti		
a) verso imprese controllate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese controllate	-	-
b) verso imprese collegate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese collegate	-	-
c) verso controllanti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso controllanti	-	-
d) verso altri		

esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso altri	-	-
Totale crediti	-	-
3) altri titoli	-	-
4) azioni proprie	-	-
azioni proprie, valore nominale complessivo (per memoria)	-	-
Totale immobilizzazioni finanziarie	-	-
Totale immobilizzazioni (B)	2.413.589	1.959.391
C) Attivo circolante		
I - Rimanenze		
1) materie prime, sussidiarie e di consumo	-	-
2) prodotti in corso di lavorazione e semilavorati	-	-
3) lavori in corso su ordinazione	-	-
4) prodotti finiti e merci	7.573.310	5.761.250
5) acconti	-	-
Totale rimanenze	7.573.310	5.761.250
II - Crediti		
1) verso clienti		
esigibili entro l'esercizio successivo	206.426	413.991
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso clienti	206.426	413.991
2) verso imprese controllate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese controllate	-	-
3) verso imprese collegate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese collegate	-	-
4) verso controllanti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso controllanti	-	-
4-bis) crediti tributari		
esigibili entro l'esercizio successivo	2.357	179.242
esigibili oltre l'esercizio successivo	-	-
Totale crediti tributari	2.357	179.242
4-ter) imposte anticipate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale imposte anticipate	-	-
5) verso altri		
esigibili entro l'esercizio successivo	83.998	84.684
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso altri	83.998	84.684
Totale crediti	292.781	677.917
III - Attività finanziarie che non costituiscono immobilizzazioni		
1) partecipazioni in imprese controllate	-	-
2) partecipazioni in imprese collegate	-	-
3) partecipazioni in imprese controllanti	-	-
4) altre partecipazioni	-	-
5) azioni proprie	-	-
azioni proprie, valore nominale complessivo (per memoria)	-	-
6) altri titoli.	-	-

Totale attività finanziarie che non costituiscono immobilizzazioni	-	-
IV - Disponibilità liquide		
1) depositi bancari e postali	460.675	37.375
2) assegni	-	-
3) danaro e valori in cassa.	82.320	35.723
Totale disponibilità liquide	542.995	73.098
Totale attivo circolante (C)	8.409.086	6.512.265
D) Ratei e risconti		
Ratei e risconti attivi	141.710	141.710
Disaggio su prestiti emessi	-	-
Totale ratei e risconti (D)	141.710	141.710
Totale attivo	10.964.385	8.613.366
Passivo		
A) Patrimonio netto		
I - Capitale	10.000	10.000
II - Riserva da soprapprezzo delle azioni	-	-
III - Riserve di rivalutazione	-	-
IV - Riserva legale	876	378
V - Riserve statutarie	-	-
VI - Riserva per azioni proprie in portafoglio	-	-
VII - Altre riserve, distintamente indicate		
Riserva straordinaria o facoltativa	-	-
Riserva per rinnovamento impianti e macchinari	-	-
Riserva ammortamento anticipato	-	-
Riserva per acquisto azioni proprie	-	-
Riserva da deroghe ex art. 2423 Cod. Civ	-	-
Riserva azioni (quote) della società controllante	-	-
Riserva non distribuibile da rivalutazione delle partecipazioni	-	-
Versamenti in conto aumento di capitale	-	-
Versamenti in conto futuro aumento di capitale	-	-
Versamenti in conto capitale	-	-
Versamenti a copertura perdite	-	-
Riserva da riduzione capitale sociale	-	-
Riserva avanzo di fusione	-	-
Riserva per utili su cambi	-	-
Differenza da arrotondamento all'unità di Euro	-	-
Riserve da condono fiscale:		
Riserva da condono ex L. 19 dicembre 1973, n. 823;	-	-
Riserva da condono ex L. 7 agosto 1982, n. 516;	-	-
Riserva da condono ex L. 30 dicembre 1991, n. 413;	-	-
Riserva da condono ex L. 27 dicembre 2002, n. 289.	-	-
Totale riserve da condono fiscale	-	-
Varie altre riserve	-	-
Totale altre riserve	-	-
VIII - Utili (perdite) portati a nuovo	16.638	7.186
IX - Utile (perdita) dell'esercizio		
Utile (perdita) dell'esercizio.	57.062	9.949
Acconti su dividendi	-	-
Copertura parziale perdita d'esercizio	-	-
Utile (perdita) residua	57.062	9.949
Totale patrimonio netto	84.576	27.513
B) Fondi per rischi e oneri		
1) per trattamento di quiescenza e obblighi simili	-	-
2) per imposte, anche differite	-	-
3) altri	-	-
Totale fondi per rischi ed oneri	-	-
C) Trattamento di fine rapporto di lavoro subordinato	70.804	40.209

D) Debiti		
1) obbligazioni		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale obbligazioni	-	-
2) obbligazioni convertibili		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale obbligazioni convertibili	-	-
3) debiti verso soci per finanziamenti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso soci per finanziamenti	-	-
4) debiti verso banche		
esigibili entro l'esercizio successivo	1.946.523	1.632.540
esigibili oltre l'esercizio successivo	3.370.646	4.549.054
Totale debiti verso banche	5.317.169	6.181.594
5) debiti verso altri finanziatori		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso altri finanziatori	-	-
6) acconti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale acconti	-	-
7) debiti verso fornitori		
esigibili entro l'esercizio successivo	3.705.804	2.254.725
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso fornitori	3.705.804	2.254.725
8) debiti rappresentati da titoli di credito		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti rappresentati da titoli di credito	-	-
9) debiti verso imprese controllate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso imprese controllate	-	-
10) debiti verso imprese collegate		
esigibili entro l'esercizio successivo	1.281.952	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso imprese collegate	1.281.952	-
11) debiti verso controllanti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso controllanti	-	-
12) debiti tributari		
esigibili entro l'esercizio successivo	42.363	22.154
esigibili oltre l'esercizio successivo	-	-
Totale debiti tributari	42.363	22.154
13) debiti verso istituti di previdenza e di sicurezza sociale		
esigibili entro l'esercizio successivo	33.790	8.554
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso istituti di previdenza e di sicurezza sociale	33.790	8.554
14) altri debiti		
esigibili entro l'esercizio successivo	373.694	55.225
esigibili oltre l'esercizio successivo	-	-
Totale altri debiti	373.694	55.225
Totale debiti	10.754.772	8.522.252
E) Ratei e risconti		
Ratei e risconti passivi	54.233	23.392
Aggio su prestiti emessi	-	-
Totale ratei e risconti	54.233	23.392

Conto economico

	2011-12-31	2010-12-31
A) Valore della produzione:		
1) ricavi delle vendite e delle prestazioni	10.056.320	9.903.258
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati e finiti	-	-
3) variazioni dei lavori in corso su ordinazione	-	-
4) incrementi di immobilizzazioni per lavori interni	-	-
5) altri ricavi e proventi		
contributi in conto esercizio	-	-
altri	560.108	61.987
Totale altri ricavi e proventi	560.108	61.987
Totale valore della produzione	10.616.428	9.965.245
B) Costi della produzione:		
6) per materie prime, sussidiarie, di consumo e di merci	9.187.633	9.038.558
7) per servizi	437.254	499.942
8) per godimento di beni di terzi	825.003	1.007.224
9) per il personale:		
a) salari e stipendi	811.276	804.471
b) oneri sociali	227.173	212.161
c) trattamento di fine rapporto	46.821	48.824
d) trattamento di quiescenza e simili	-	-
e) altri costi	14.652	18.647
Totale costi per il personale	1.099.922	1.084.103
10) ammortamenti e svalutazioni:		
a) ammortamento delle immobilizzazioni immateriali	317.795	292.369
b) ammortamento delle immobilizzazioni materiali	76.830	58.369
c) altre svalutazioni delle immobilizzazioni	-	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilità liquide	-	-
Totale ammortamenti e svalutazioni	394.625	350.738
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	-1.812.060	-2.345.514
12) accantonamenti per rischi	-	-
13) altri accantonamenti	-	-
14) oneri diversi di gestione	138.791	46.640
Totale costi della produzione	10.271.168	9.681.691
Differenza tra valore e costi della produzione (A - B)	345.260	283.554
C) Proventi e oneri finanziari:		
15) proventi da partecipazioni		
da imprese controllate	-	-
da imprese collegate	-	-
altri	-	-
Totale proventi da partecipazioni	-	-
16) altri proventi finanziari:		
a) da crediti iscritti nelle immobilizzazioni		
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
altri	-	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	-	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) proventi diversi dai precedenti		
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
altri	333	61
Totale proventi diversi dai precedenti	333	61
Totale altri proventi finanziari	333	61

17) interessi e altri oneri finanziari		
a imprese controllate	-	-
a imprese collegate	-	-
a imprese controllanti	-	-
altri	270.236	199.606
Totale interessi e altri oneri finanziari	270.236	199.606
17-bis) utili e perdite su cambi	-	-
Totale proventi e oneri finanziari (15 + 16 - 17 + - 17-bis)	-269.903	-199.545
D) Rettifiche di valore di attività finanziarie:		
18) rivalutazioni:		
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-	-
Totale rivalutazioni	-	-
19) svalutazioni:		
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
Totale svalutazioni	-	-
Totale delle rettifiche di valore di attività finanziarie (18 - 19)	-	-
E) Proventi e oneri straordinari:		
20) proventi		
plusvalenze da alienazioni i cui ricavi non sono iscrivibili al n 5	-	-
Differenza da arrotondamento all'unità di Euro	-	-
altri	11.260	1.796
Totale proventi	11.260	1.796
21) oneri		
minusvalenze da alienazioni i cui effetti contabili non sono iscrivibili al n 14	-	-
imposte relative ad esercizi precedenti	-	-
Differenza da arrotondamento all'unità di Euro	-	-
altri	1.560	2.026
Totale oneri	1.560	2.026
Totale delle partite straordinarie (20 - 21)	9.700	-230
Risultato prima delle imposte (A - B + - C + - D + - E)	85.057	83.779
22) Imposte sul reddito dell'esercizio, correnti, differite e anticipate		
imposte correnti	27.995	73.830
imposte differite	-	-
imposte anticipate	-	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-	-
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	27.995	73.830
23) Utile (perdita) dell'esercizio	57.062	9.949

Balance Sheet 2012-2013

Stato patrimoniale	2013-12-31	2012-12-31
Attivo		
A) Crediti verso soci per versamenti ancora dovuti		
Parte richiamata	-	-
Parte da richiamare	-	-
Totale crediti verso soci per versamenti ancora dovuti (A)	-	-
B) Immobilizzazioni		
I - Immobilizzazioni immateriali		
1) costi di impianto e di ampliamento	407	896
2) costi di ricerca, di sviluppo e di pubblicità	282.078	496.377
3) diritti di brevetto industriale e diritti di utilizzazione delle opere dell'ingegno	-	-
4) concessioni, licenze, marchi e diritti simili	-	-
5) avviamento	-	-
6) immobilizzazioni in corso e acconti	-	-
7) altre	353.917	524.027
Totale immobilizzazioni immateriali	636.402	1.021.300
II - Immobilizzazioni materiali		
1) terreni e fabbricati	-	-
2) impianti e macchinario	97.979	19.014
3) attrezzature industriali e commerciali	4.059	108.421
4) altri beni	866.268	999.922
5) immobilizzazioni in corso e acconti.	-	-
Totale immobilizzazioni materiali	968.306	1.127.357
III - Immobilizzazioni finanziarie		
1) partecipazioni		
a) imprese controllate	10.000	-
b) imprese collegate	-	-
c) imprese controllanti	-	-
d) altre imprese	-	-
Totale partecipazioni	10.000	-
2) crediti		
a) verso imprese controllate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese controllate	-	-
b) verso imprese collegate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese collegate	-	-
c) verso controllanti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso controllanti	-	-
d) verso altri		

esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso altri	-	-
Totale crediti	-	-
3) altri titoli	-	-
4) azioni proprie	-	-
azioni proprie, valore nominale complessivo (per memoria)	-	-
Totale immobilizzazioni finanziarie	10.000	-
Totale immobilizzazioni (B)	1.614.708	2.148.657
C) Attivo circolante		
I - Rimanenze		
1) materie prime, sussidiarie e di consumo	-	-
2) prodotti in corso di lavorazione e semilavorati	-	-
3) lavori in corso su ordinazione	-	-
4) prodotti finiti e merci	-	2.462.636
5) acconti	-	-
Totale rimanenze	-	2.462.636
II - Crediti		
1) verso clienti		
esigibili entro l'esercizio successivo	2.429.426	379.408
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso clienti	2.429.426	379.408
2) verso imprese controllate		
esigibili entro l'esercizio successivo	2.530	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese controllate	2.530	-
3) verso imprese collegate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso imprese collegate	-	-
4) verso controllanti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso controllanti	-	-
4-bis) crediti tributari		
esigibili entro l'esercizio successivo	700	3.693
esigibili oltre l'esercizio successivo	-	-
Totale crediti tributari	700	3.693
4-ter) imposte anticipate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale imposte anticipate	-	-
5) verso altri		
esigibili entro l'esercizio successivo	192.106	49.000
esigibili oltre l'esercizio successivo	-	-
Totale crediti verso altri	192.106	49.000
Totale crediti	2.624.762	432.101
III - Attività finanziarie che non costituiscono immobilizzazioni		
1) partecipazioni in imprese controllate	-	-
2) partecipazioni in imprese collegate	-	-
3) partecipazioni in imprese controllanti	-	-
4) altre partecipazioni	-	-
5) azioni proprie	-	-
azioni proprie, valore nominale complessivo (per memoria)	-	-
6) altri titoli.	-	-

Totale attività finanziarie che non costituiscono immobilizzazioni	-	-
IV - Disponibilità liquide		
1) depositi bancari e postali	185	457.718
2) assegni	-	-
3) danaro e valori in cassa.	367	38.157
Totale disponibilità liquide	552	495.875
Totale attivo circolante (C)	2.625.314	3.390.612
D) Ratei e risconti		
Ratei e risconti attivi	25.882	88.747
Disaggio su prestiti emessi	-	-
Totale ratei e risconti (D)	25.882	88.747
Totale attivo	4.265.904	5.628.016
Passivo		
A) Patrimonio netto		
I - Capitale	10.000	10.000
II - Riserva da soprapprezzo delle azioni	-	-
III - Riserve di rivalutazione	-	-
IV - Riserva legale	3.729	3.729
V - Riserve statutarie	-	-
VI - Riserva per azioni proprie in portafoglio	-	-
VII - Altre riserve, distintamente indicate		
Riserva straordinaria o facoltativa	-	-
Riserva per rinnovamento impianti e macchinari	-	-
Riserva ammortamento anticipato	-	-
Riserva per acquisto azioni proprie	-	-
Riserva da deroghe ex art. 2423 Cod. Civ	-	-
Riserva azioni (quote) della società controllante	-	-
Riserva non distribuibile da rivalutazione delle partecipazioni	-	-
Versamenti in conto aumento di capitale	-	-
Versamenti in conto futuro aumento di capitale	-	-
Versamenti in conto capitale	-	-
Versamenti a copertura perdite	-	-
Riserva da riduzione capitale sociale	-	-
Riserva avanzo di fusione	-	-
Riserva per utili su cambi	-	-
Differenza da arrotondamento all'unità di Euro	-	-
Riserve da condono fiscale:		
Riserva da condono ex L. 19 dicembre 1973, n. 823;	-	-
Riserva da condono ex L. 7 agosto 1982, n. 516;	-	-
Riserva da condono ex L. 30 dicembre 1991, n. 413;	-	-
Riserva da condono ex L. 27 dicembre 2002, n. 289.	-	-
Totale riserve da condono fiscale	-	-
Varie altre riserve	-	-
Totale altre riserve	-	-
VIII - Utili (perdite) portati a nuovo	-6.396.658	70.847
IX - Utile (perdita) dell'esercizio		
Utile (perdita) dell'esercizio.	-1.509.980	-6.467.505
Acconti su dividendi	-	-
Copertura parziale perdita d'esercizio	-	-
Utile (perdita) residua	-1.509.980	-6.467.505
Totale patrimonio netto	-7.892.909	-6.382.929
B) Fondi per rischi e oneri		
1) per trattamento di quiescenza e obblighi simili	-	-
2) per imposte, anche differite	-	-
3) altri	-	-
Totale fondi per rischi ed oneri	-	-
C) Trattamento di fine rapporto di lavoro subordinato	149.690	114.944

D) Debiti		
1) obbligazioni		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale obbligazioni	-	-
2) obbligazioni convertibili		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale obbligazioni convertibili	-	-
3) debiti verso soci per finanziamenti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso soci per finanziamenti	-	-
4) debiti verso banche		
esigibili entro l'esercizio successivo	2.733.751	1.670.228
esigibili oltre l'esercizio successivo	1.748.492	2.486.003
Totale debiti verso banche	4.482.243	4.156.231
5) debiti verso altri finanziatori		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso altri finanziatori	-	-
6) acconti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale acconti	-	-
7) debiti verso fornitori		
esigibili entro l'esercizio successivo	3.994.523	5.035.947
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso fornitori	3.994.523	5.035.947
8) debiti rappresentati da titoli di credito		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti rappresentati da titoli di credito	-	-
9) debiti verso imprese controllate		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso imprese controllate	-	-
10) debiti verso imprese collegate		
esigibili entro l'esercizio successivo	2.280.654	2.340.654
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso imprese collegate	2.280.654	2.340.654
11) debiti verso controllanti		
esigibili entro l'esercizio successivo	-	-
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso controllanti	-	-
12) debiti tributari		
esigibili entro l'esercizio successivo	1.133.723	264.240
esigibili oltre l'esercizio successivo	-	-
Totale debiti tributari	1.133.723	264.240
13) debiti verso istituti di previdenza e di sicurezza sociale		
esigibili entro l'esercizio successivo	116.268	34.733
esigibili oltre l'esercizio successivo	-	-
Totale debiti verso istituti di previdenza e di sicurezza sociale	116.268	34.733
14) altri debiti		
esigibili entro l'esercizio successivo	1.712	34.304
esigibili oltre l'esercizio successivo	-	-
Totale altri debiti	1.712	34.304
Totale debiti	12.009.123	11.866.109
E) Ratei e risconti		
Ratei e risconti passivi	-	29.892
Aggio su prestiti emessi	-	-
Totale ratei e risconti	-	29.892

Conto economico

	2013-12-31	2012-12-31
A) Valore della produzione:		
1) ricavi delle vendite e delle prestazioni	8.076.992	10.095.395
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati e finiti	-	-
3) variazioni dei lavori in corso su ordinazione	-	-
4) incrementi di immobilizzazioni per lavori interni	-	-
5) altri ricavi e proventi		
contributi in conto esercizio	-	-
altri	102.042	63.187
Totale altri ricavi e proventi	102.042	63.187
Totale valore della produzione	8.179.034	10.158.582
B) Costi della produzione:		
6) per materie prime, sussidiarie, di consumo e di merci	3.714.849	7.676.963
7) per servizi	671.681	837.113
8) per godimento di beni di terzi	742.500	892.310
9) per il personale:		
a) salari e stipendi	546.191	815.378
b) oneri sociali	129.593	268.282
c) trattamento di fine rapporto	53.845	61.942
d) trattamento di quiescenza e simili	-	-
e) altri costi	25.939	16.286
Totale costi per il personale	755.568	1.161.888
10) ammortamenti e svalutazioni:		
a) ammortamento delle immobilizzazioni immateriali	407.836	388.683
b) ammortamento delle immobilizzazioni materiali	174.216	86.760
c) altre svalutazioni delle immobilizzazioni	-	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilità liquide	410.646	-
Totale ammortamenti e svalutazioni	992.698	475.443
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	2.462.636	5.110.675
12) accantonamenti per rischi	-	-
13) altri accantonamenti	-	-
14) oneri diversi di gestione	39.846	121.949
Totale costi della produzione	9.379.778	16.276.341
Differenza tra valore e costi della produzione (A - B)	-1.200.744	-6.117.759
C) Proventi e oneri finanziari:		
15) proventi da partecipazioni		
da imprese controllate	-	-
da imprese collegate	-	-
altri	-	-
Totale proventi da partecipazioni	-	-
16) altri proventi finanziari:		
a) da crediti iscritti nelle immobilizzazioni		
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
altri	-	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	-	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) proventi diversi dai precedenti		
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
altri	134	360
Totale proventi diversi dai precedenti	134	360
Totale altri proventi finanziari	134	360

17) interessi e altri oneri finanziari		
a imprese controllate	-	-
a imprese collegate	-	-
a imprese controllanti	-	-
altri	291.723	298.351
Totale interessi e altri oneri finanziari	291.723	298.351
17-bis) utili e perdite su cambi	-	-
Totale proventi e oneri finanziari (15 + 16 - 17 + - 17-bis)	-291.589	-297.991
D) Rettifiche di valore di attività finanziarie:		
18) rivalutazioni:		
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-	-
Totale rivalutazioni	-	-
19) svalutazioni:		
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
Totale svalutazioni	-	-
Totale delle rettifiche di valore di attività finanziarie (18 - 19)	-	-
E) Proventi e oneri straordinari:		
20) proventi		
plusvalenze da alienazioni i cui ricavi non sono iscrivibili al n 5	-	-
Differenza da arrotondamento all'unità di Euro	-	-
altri	30.696	63.259
Totale proventi	30.696	63.259
21) oneri		
minusvalenze da alienazioni i cui effetti contabili non sono iscrivibili al n 14	-	-
imposte relative ad esercizi precedenti	-	-
Differenza da arrotondamento all'unità di Euro	-	-
altri	48.343	115.014
Totale oneri	48.343	115.014
Totale delle partite straordinarie (20 - 21)	-17.647	-51.755
Risultato prima delle imposte (A - B + - C + - D + - E)	-1.509.980	-6.467.505
22) Imposte sul reddito dell'esercizio, correnti, differite e anticipate		
imposte correnti	-	-
imposte differite	-	-
imposte anticipate	-	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-	-
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	-	-
23) Utile (perdita) dell'esercizio	-1.509.980	-6.467.505