Department of Economics and Finance
Chair in Management

"New scenarios in the fashion industries for start-uppers: The case of three Italian start-ups."

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INTRODUCTION

"A business model describes the rationale of how an organization creates, delivers and captures value" Alexander Osterwalder

An organization to be successful needs to create values for its customers. To creates value means to help people to satisfy a need, to perform an important task, to solve a problem.

In defining what it concerns "creating value" we need to introduce the concept of perceived value, which is not the absolute value of a product or a service, but it is what a customer perceived in terms of difference between benefits obtained from the item purchased and the opportunity cost of purchasing it. The opportunity cost is the effort, in terms of time, money, alternative physical actions that an individual could have done instead of searching, deciding and purchasing the chosen product.

Since the market evolves continuously, an organization need to adapt itself to the new external transformations, to the innovations in technologies which characterize our historical era, and to changes in demand due to the identification of new needs never exploited before.

The companies that succeed in keeping up with this rapid evolution of the market are the ones who will survive. The business model arises to help companies in doing it, it provides a set of generic level descriptors of how a company organizes itself to create and distribute value in a profitable manner.

Michael Lewis refers to business model as "a term of art" and like all form of art it is quite difficult to define but it is really recognizable. It's about "how you planned to make money" according to Lewis, and how you expect to deliver value to your customer at an appropriate cost. Alexander Osterwalder in 2010 invented a revolutionary type of business model, the business model Canvas, which allows to visually represents how the organization creates and captures values for its customers, in a very simple and intuitive way. The business model Canvas is recently the most used by all companies because it is seen as the most effective one, since it follows the human logic.

It's divided into two macro parts, the left side focused on *efficiency,* which aims to achieve goals at the lower possible cost, therefore representing the rational part of the human brain. The right part communicates all information about the value that the company would like to deliver to its customers, and like the right side of our brain, it's the creative one.

In this experiment I'm going to use this model to analyze three different companies who have shown up into the market few years ago, and they are still evolving to try to survive into an industry, the fashion one, which changes very rapidly.

Before analyzing the sector that we are going to exploit, I would like to take a step back to the origin of the business model, to let you understand better how it was thought and how much is important for a business nowadays.

Chapter 1

1. Business model literature

The origin of the business model concept is recent and quite confusing.
This concept became prevalent with the advent of Internet in the middle of the 90s.
Even if before it was somehow already integrated into the economic behaviour, is only from that moment on that a lot of scholars and business experts started to publish books, documents and articles on business and scientific journals, around this idea.
Charles Baden-Fuller and Mary S. Morgan, starting from a previous research of Ghaziani and Ventresca (2005), conducted a research using the EBSCOhost database and found that up to December 2009 the term business model had been included in 1202 articles in academic journals, and in 8062 nonacademic documents from 1975 to December 2009, focused for the majority from 1995 forward. Many scholars see a connection with the intensive use of the term and the diffusion of internet, which was becoming popular in the same years, and with the rapid growth of industries and organizations driven by the postindustrial technologies.
The rationale behind this absence of specific literature lies in the lack of consensus on the theoretical grounding behind the definition of what a business model is (Teece 2010; Zott 2011). There exists no generally accepted definition of the term "business model" and the diversity of the terminology also may have contributed to spark this debate (Morris et al. 2005).
For instance, the terms "business model", "business strategy" or even "economic model" are often used interchangeably.
The business model has been referred as a statement (Stewart & Zhao, 2000), a description (Applegate, 2000; Weill & Vitale, 2001), a representation (Morris, Schindehutte & Allen, 2005; Shafer, Smith & Linder, 2005), an architecture (Dubosson-Torbay, Osterwalder & Pigneur, 2002; Timmers, 1998), a conceptual tool or model (George & Bock, 2009; Osterwalder, Osterwalder, Pigneur & Tucci, 2005), a structural template (Amit & Zott, 2001), a method (Afuah & Tucci, 2001), a framework (Afuah, 2004), a pattern (Brousseau & Penard, 2006), and a set (Seelos & Mair, 2007).

According to Teece (2010), business models reflect the "management's hypothesis about what customers want, how they want it and what they will pay, and how an enterprise can organize to best meet customer needs and get paid well for doing so".
The strategic choices on how to exploit knowledge and manage resources in pursuit of competitive advantage (Andersén, 2011; Cegarra-Navarro, 2011; Chilton and Bloodgood, 2010; Lin, 2010) It

outlines the business logic required to earn a profit, and define the landscape in which the company will operate (Casadesús-Masanell and Ricart, 2010; Garnsey, 2008).

According to Zott and Amit (2010) business model design stands as a key issue for any individual willing to create a new business. Business models integrate basic insights of innovation, business processes and routines (Cavalcante, 2011).

The business model outlines the way the organization will pursue its goals given the threats and opportunities in the environment and the constraints of its resources and capabilities (Nandakumar, 2010).

For at least one third of the publications around this concept, though, it is referred to the business model without giving it a proper definition, assuming its meaning for granted; other publications, instead, use definitions of other authors to explain the concept.

Despite the diversity of approaches, we can observe a common trait; research contributions tend to address "what business models do" rather than questioning "what business models are" as in the strategic organizational literature. They describe a tool which aims to organize the element of the companies within itself and with the external environment and provide a systematic behaviour, placing itself as a model.

For many authors is important to focus on the relationship between business model design and firm performance (Zott and Amit 2007, 2008).

Business models can be perceived as a key organizational design tool that may help predict business success, it reflects the architecture of value creation and delivery, specifying the instruments that will be used to meet customers' needs; studies, indeed, have stressed that there is a closed relationship between the efficiency of business model planning and profitability or survival of the firm, and therefore it should be modified in parallel to the firm life cycle evolution.

When somebody is asked "what is a strategy?" it probably will give an answer which includes the worlds business model.

According to some authors, the business model was born with the function of exemplar role models that might be copied by other firms, as *scale* model, which offers a representation or a brief description of a business organization, *copies of things*, for example the "franchising business model", or the *role* model, which offers an ideal case to look forward to, or *thing to be copied*, as "Illy Cafè business model". In business models these two notions come together, real examples that give life to brief descriptions, as Google is to the internet business model. They were used like representatives for a class of things, that can be manipulated in many fields and they have seen also as recipes, to understand the role of innovation and deviation from the general model: it is important to find the right combination that can create success.

Another research revealed that the business model was mainly used to try to explain three phenomena:

1. *e-business* and the use of information technology in organizations;
2. *strategic issues*, such as value creation, competitive advantage, and firm performance;
3. and the *innovation and technology management*.

1. The term *e-business* means "doing business electronically". It includes e-commerce, e-market, and Internet-based business, which communicates with their partners or manage their portfolio through the Internet. The rapid diffusion of Internet in the latest year, which cut enormously the transaction and communication costs, develop new ways to deliver value, and consequently new approaches in the design of the business model, changing the way entrepreneurs and managers organize and engage in economic exchanges both within the firm and industry boundaries, with suppliers and customers. Several authors have classified e-business models in order to developed typologies and taxonomies, by identifying categories depending on different variables; ad example according to the value proposition and their modes of generating revenues (Rappa, 2001). Applegate (2001), instead, identifies six types of e-BM: focused distributors, portals, producers, infrastructure distributors, infrastructure portals, and infrastructure producers. They analyze also the components of this e-business models dividing them in three classes: *participants* are ones who have interest into and carry out activities of the business (company itself and its shareholders, suppliers, customers, allies, investors), *relationships* among these participants, and *flows* of money information, products and services. They highlight the concepts of value (value stream, customer value, value proposition), financial aspects (revenue streams, cost structures) and aspects related to the architecture of network between the firm and its exchange partners (delivery channels, network relationships, logistical streams, infrastructure). Each of these elements constitute part of a generic business model, and it could be a source of differentiation among business model types.

2. The business model is also used to explain the concept of customer-focused *value creation*; an innovative, revolutionary business model can create superior value for customers and be a source of competitive advantage with respect to other companies in the same market, overcoming the old way of doing things and improving companies' performance.
It involves a complex, interconnected set of exchange relationships and activities among multiple players. In the age of revolution companies need to develop new business models in which both value creation and value capture occur in a value network, which can include suppliers, partners, distribution channels, and coalitions that extend the company's resources. (Hamel, 2000).

Seelos and Mair define it as “a set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives”.
Based on a sample of 150 firms, Amis and Zott propose different sources of value creation through the business model: novelty, lock-in, complementarities, efficiency. These value drivers mutually enforce each other; the existence of one can make more effective the others, and vice versa.
Giensen, Berman, Bell and Blitz (2007) analyze the relationship between business model innovation and firm performance, identifying three types of BMI: *industry models* (innovation in an industry supply chain)*, revenue models* (innovation in how companies generate value) and *enterprise models* (innovation in the role the structure of an enterprise plays in new or existing value chains). The conclusion of this analysis is that each business model innovation is able to generate success.
An efficient and effective business model design needs to be accompanied by an equally effective marketing strategy; business model design and product market strategy are complements, not substitutes (Zott & Amit, 2008). The former is about value creation, on how to build a sustained competitive advantage in the market (based on choosing differentiation or cost leadership); the latter focus more on cooperation, joint value creation and partnership.

3. In the technology and innovation management field the business model is seen as an instrument that connects a new technology to customer needs and to other firm’s resources. A company commercializes its innovative ideas through its business model; its position is in between of firm’s input resources and market outcomes, as “organizational and financial *architecture of the business*” (Teece, 2010). When a new relevant technology comes in, it can trigger changes in the company operational and commercial activities; the company needs to adapt to the changes by creating a whole new system, innovating its business model to capture the economic potential value of this new technology. A technological innovation which cannot be exploit by a firm does not create a competitive advantage that can be sustained; it does not represent a value *per se,* if it is not exploit at maximum. The concept of business model innovation arrived after the concept of business model, and it is relatively new.
As we said before, to innovate the business model for a company it means to create value; with everything else equal, a company can grow and improve its performance without having to create a new product or process technology innovation, just by organizing its activities in a more efficient and effective way in order to exploit all its potential.
The business model can be a vehicle *for* innovation and as well a subject *of* innovation.

Comparing and Contrasting Literatures on Business Models

	e-Commerce	Strategy	Technology and Innovation Management
Main **purpose** (why the business model concept is offered)	To describe new gestalts and Internet-based ways of "doing business" To offer typologies or taxonomies (to which class does an observed business model belong to?)	To explain new network- and activity system–based value creation mechanisms and sources of competitive advantage	To understand how technology is converted into market outcomes • To understand new networked modes of innovation
What a business model is **not**	Components in isolation, e.g., • Marketing model or strategy (Timmers, 1998) • Network structure (Tapscott et al., 2000) • Pricing model/strategy (Rappa, 2001) • Revenue model/cost structure (Dubosson-Torbay, Osterwalder, & Pigneur, 2002) • Value proposition (Dubosson-Torbay et al., 2002)	• Business processes (Shafer, Smith, & Linder, 2005) • Market adoption strategy (Ojala & Tyrväinene, 2006) • Corporate strategy (Richardson, 2008) • Product market strategy (Zott & Amit, 2008) • Senior leadership team processes and structures (Smith, Binns, & Tushman, 2010)	• Technology (Chesbrough & Rosenbloom, 2002) • Open innovation, collaborative entrepreneurship (Chesbrough, 2003; Miles, Miles, & Snow, 2006) • Management teams (Patzelt, Knyphausen-Aufseβ, & Nikol, 2008) • Policy (Johnson & Suskewicz, 2009)
Antecedents of business models	• New information and communication technologies (Timmers, 1998; Dubosson-Torbay et al., 2002)	• Value drivers (Amit & Zott, 2001) • Choices (e.g., Shafer et al., 2005; Casadesus-Masanell & Ricart, 2010) • External pressures, regulation (Tankhiwale, 2009) • Discovery-driven experimentation (McGrath, 2010)	• Technology (Chesbrough & Rosenbloom, 2002; Chesbrough, 2007a) • Technological development, innovation (Calia, Guerrini, & Moura, 2007; Björkdahl, 2009)
Mechanisms through which business models influence outcomes	• Value chain deconstruction and reconstruction (Timmers, 1998) • Pricing systems (Tapscott et al., 2000; Rappa, 2001) • Revenue mechanisms (Rappa, 2001) • Control activities, transaction governance structure (Weill & Vitale, 2001)	• Competitive advantage, unique value propositions (Teece, 2007) • Total value creation and distribution of bargaining power through business model design themes (Zott & Amit, 2007, 2008) • Advantageous cost structures (Teece, 2007) • Schumpeterian innovation (Teece, 2010)	• Connection of technology with customers (Chesbrough, & Rosenbloom, 2002) • Network plays (Calia et al., 2007; Björkdahl, 2009)

Table 1.1, Christoph Zott, Ralphael Amit, Lorenzo Massa: The Business Model: Recent Developments and Future Research, July 2011

	e-Commerce	Strategy	Technology and Innovation Management
Outcomes and consequences of business models	• Interaction patterns (Mahadevan, 2000; Dubosson-Torbay et al., 2002) • Industry structure (Applegate, 2001; McPhillips & Merlo, 2008) • Rules of competition (Applegate, 2001; Tapscott et al., 2000) • Value capture (Pauwels & Weiss, 2008; Clemons, 2009)	• Total value creation (Amit & Zott, 2001) • Competitive advantage (Christensen, 2001) • Firm performance, e.g., measured as stock market value (e.g., Zott & Amit, 2007, 2008; Casadesus-Masanell & Ricart, 2010)	• Creation and appropriation of value from technology (Chesbrough & Rosenbloom, 2002) • Value creation (Hedman & Kalling, 2003) • Innovation network dynamics (Calia et al., 2007) • Relationship infrastructure (Björkdahl, 2009)

Table 1.2, Christoph Zott, Ralphael Amit, Lorenzo Massa: The Business Model: Recent Developments and Future Research, July 2011

The Business Model Canvas was introduced in 2011. It is the most used model, by almost every new business, or by companies who want to do repositioning strategies or enter into new markets. Osterwalder, the Canvas' creator, was also the first to give a definition to the business model concept which sums up all interpretations provided by several authors in the past years.

"A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams."

The Canvas radically change the way of seeing things, by proposing new methods of organizing ideas. It is a model who gives a lot of space to creativity and imagination. It was first divided into *nine blocks*, that I am going to exploit in detail through the case studies in *chapter 3* together with the strategies and the process phases;

Each of these blocks can be the starting point of the business model; it requires a team to work on it and it is a very tangible tool used to create the skeleton and the network of a company to better create value and use resources in the most efficient and effective way possible.

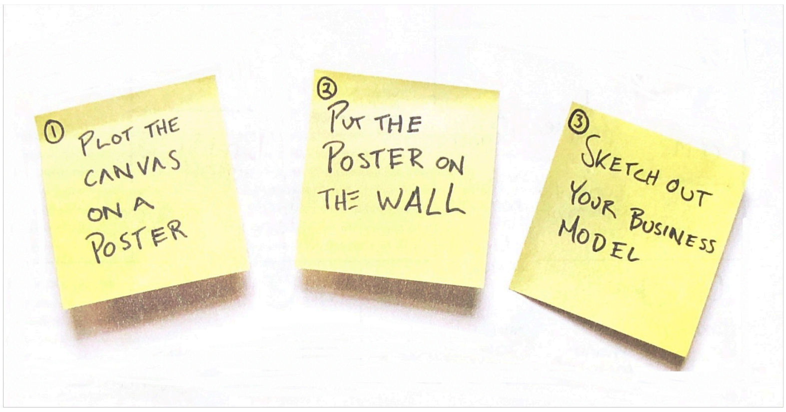
It introduced different methods to find the perfect combination; the scenario-guided business model design, for example, describes different situations and imagines possible futures in concrete detail, how an innovative idea can be managed and organized in an efficient framework, and how it can evolve under different conditions.

Another innovative method is the Visual Thinking; though the use of Post-it™ notes, and sketchers people can better represent what sometimes they are not able to express in few words and be at the same time more effective for who sees them.

Post-it™ notes are essential in the construction phase, especially in co-creation, because they can be added or removed easily or they can be replaced in other building blocks, and they improve communication, by stimulating discussion around how to place the different elements in order to create value.

Prototyping, which is a typical technique used in design or engineering disciplines, like visual thinking can be very useful to show in a concrete and tangible form, concepts that can be abstract or too difficult to visualize only though the dialogue. To build different prototypes of a business model gives the opportunity to take in consideration pros and cons of each one, mixing the different profitable elements from each prototype.

The storytelling technique help to communicate what is written or drawn; it has the power to capture the listener and prepare him to exploit in detail the business model without losing his attention. It can be done in different was, talking during presentations, though videos, by role plays usually during workshops. Sometimes telling a story from the point of view of the consumer or of an employee can be very effective.



Imagine taken by "Alexander Osterwalder &Yves Pigner, Business Model Generation, 2010"

To sum up, the evolution of the BM literature has been broadly categorized into three streams of research (cf. Lambert & Davidson, 2013; Zott et al., 2011). First, the BM is used as a basis for enterprise classification: By the early 21st century, as new e-business ventures emerged, the BM construct was increasingly employed to understand and classify value drivers of (e-commerce) BMs (see Amit & Zott, 2001; Magretta, 2002). Second, the BM is seen as an antecedent of heterogeneity in firm performance; specifically, BMs are argued to be an important factor contributing to firm performance. As some types of BMs are found to out- perform others (cf. Weill, Malone, D'Urso, Herman, & Woerner, 2005; Zott & Amit, 2007, 2010), successful BMs are seen as examples to be imitated (cf. Chesbrough, 2010; Teece, 2010) or replicated (Doz & Kosonen, 2010; Winter & Szulanski, 2001). Third, the BM is seen as a potential unit of innovation (Zott et al., 2011).
All researches converge into the creation of the business model Canvas, which has proved to be the most used and useful for a company to gain sustainable competitive advantage in an industry.
A resource even if it can make the difference, if it is not integrated into an efficient system, it can only give to the company a temporary competitive advantage that can easily be imitated or overcome.

I’ve decided to put right below an insert taken by the book of Osterwalder and Pigner which explains the nine blocks of the Canvas model, in details, and that you can see applied to the companies in the 3rd chapter.

Focus: The Canvas’ nine blocks

CUSTOMER SEGMENTS: it describes the different groups of people or organizations that a company wants to reach and serve. The core of all businesses are customers, without them none company can survive. Customers have different needs, tastes, buyer behaviors, are reach through different Distribution Channels, they required different relationships, they’re willing to pay for different aspects, so they need to be grouped following similarities in these characteristics in order to serve the right customers and serve them in the best possible way.
Each company can choose different levels of segmentation:
It can decide to not segment, in this case the company’s offer refers to the **mass market**, meaning that it’s equal for everyone and does it not follow the Customer Segments.
If a company decide to target a **Niche market**, Value Proposition, Distribution Channels and Customer Relationships are made-to-measure to this type of market.
A company can decide to choose more than one segments, each one with slightly difference needs, in this case we will have a **Segmented** customer business model.
If the differences instead are massive, so that the company serves two unrelated Customer Segments, we will have a **Diversified** customer business model.
Some companies serve two or more interdependent Customer Segments, and both are required to make the business model works. **Multi-sided markets**

VALUE PROPOSITION: it represents the bundle of products and services that create value for a specific customer segment. The value proposition of a business model is the main reason why the customers turn to one company over another. It is the one that solve a customer’s problem or satisfies a customer’s need. To better explain, the value proposition is an aggregation of benefits that an organization offers to its consumers. A valid Value Proposition must be innovative and must differ from the existing ones. A Value Proposition creates value for a Customer Segments through the different combination of elements to satisfy the need of that segment.
Newness: Some Value Proposition satisfy a new set of needs that customer didn’t recognize before giving the absence in the market of similar offers.
Performance: a familiar way to create value is through the improvement of products and services performance.
Customization: It’s becoming progressively more important to tailor products and services to the needs of individual customer.

"Getting the job done": by helping customer to solve problems is a way to create value, many modern companies focus on improving their customer services.
Design: in fashion and electronic industry design can be an important part of the Value Proposition
Price: it's common to satisfy the needs of price sensitive Customer Segments to offer the same value at a lower price.
Cost reduction: to help customers to reduce costs is an important way to create value.
Risk reduction: assurance services can help reduce risks of purchasing an expensive item and create value.
Accessibility: making products and services available to customers who previously lacked access to them is a way to create value.
Convenience/usability: to make things more easily to use or to access to can create value.

CHANNELS: it describes how a company communicates with and reaches its Customer Segments to deliver a Value proposition. Channels are touchpoints between the company and its customers and play an important role in the customer experience. They have different phases; each channel can cover one or more phases.
Awareness is about raising awareness about company's products or services.
Evaluation is about helping customers to evaluate the company's Value Proposition.
Purchase is about allowing customers to purchase products and services.
Delivery is about delivering the Value Proposition to customers.
After Sales is about providing post- purchase customer assistance.

We can distinguish between <u>direct</u> and <u>indirect</u> channels, and between <u>owned</u> and <u>partner</u> ones.
It's crucial for a company to choose the right mix of channels to bring in the most efficient way its value proposition to its customers, to offer them a great experience and to maximize revenues.
Owned channel can be both direct and indirect.
Direct owned channels are the company's web site or the in-house store.
Indirect ones are retail stores owned by the organization.
Partners' channels are retailers, wholesale distribution, or websites owned by other companies, and they can only be indirect.
With Partners' channels the company can gain lower margins with respect to the owned ones, but they can offer many benefits because it's costly for a company to have and manage so many different types of channels.

CUSTOMER RELATIONSHIPS: it describes the types of relationships a company establishes with specific Customer Segments. A customer can decide it according if it's focused on customer retention, on customer acquisition or on boosting sales (upselling).
A company can establish different relationships with its customers.
Personal assistance: based on human interaction. A real employer gives assistance to the customers during the sales or after it, at the point of sale, through call centers, by email or on-site.

Dedicated personal assistance: an employer gives assistance to an individual customer. It represents the strongest relationship and it develops over a long period over time.
Self-service: there's no direct relationship with customers, they are provided with all they need to help themselves.
Automated services: mix of more sophisticated form of self-service' with automated services.
This type of relationship is built on the ability to recognize the type of customer and his characteristics and offer information about transactions and orders.
Communities: virtual spaces where customers can change information and knowledge to solve each other problems. Communities can help the company to understand better its customers.
Co-creation: it's a system that wants to go beyond the traditional vendor-client relationship, through the introduction, for example, of reviews customers can write in order to give indication on products and services. In this way customers co-create value together with the company.

REVENUE STREAMS: it's the cash the company generates from its activities from each Customers Segments, subtracting cost to revenues a company obtain earnings. A company needs to understand each Customer Segment how much is willing to pay for its products or services.
There are two types of Revenue streams; the first one results from the transaction revenues from one-time customer payments, the second one results from ongoing payments to deliver a Value Proposition to customers and provide post-purchase customer support.
Revenues can be generated:
Asset sale: through a physical product
Usage fee: through the use of a service, more is used more the customer pays.
Subscription fees: by selling continuous access to a service.
Lending, Renting, Leasing: by temporary granting someone the exclusive right to use a particular asset for a fix period in return of a fee. The renter benefits from the usage of a product or an asset without having to buy it. The lender has a continuous revenue.
Licensing: by giving customers permission to use protected intellectual property in exchange for licensing fees. A license allows to generate revenues from a property without having to manufacturer a product or commercialize a service.
Brokerage fees: from the provision of an intermediate service to third parties.
Advertising: from fees for provide advertisement of a particular service, product or brand.

Each revenue stream has its own price mechanism. There are two types of price mechanisms, the fixed one and the dynamic one.

Fixed Pricing: a product is sold at a certain price and consumers must either take it or leave it.
In that case price could depend on features of the products, on quantity purchased.

Dynamic Pricing: different prices are offered to different customers, or we could find different prices in different times based on market conditions.
Some examples of dynamics pricing would be segmented pricing, negotiated pricing, and auction.

Segmented Pricing: a company might sell a product at different prices, but the difference in prices is not due to costs, but according to geographic reasons or by consumer perception of what a product should cost. For example, Starbucks is more expensive than other coffee places because their customers are willing to spend more money on coffee.
Negotiated Pricing: buyer and seller negotiate about the fair price for an item. It's typical in the car industry.
Auction: the price is determined by the winner of the bid.

KEY RESOURCES: are the most useful assets needed to make a business model work. These resources help a company in the creation of its value proposition that will be offered to the customers, to create and maintain relationship with the customer segments, to reach the markets and earn revenues.
Every business model has its own key resources, that can be directly owned by the company or acquired from the Key Partners.
We can make a distinction between:
Physical resources including buildings, machinery, distribution networks, point-of-sales systems.
Intellectual resources such as brands, holding knowledge, patents and copyrights, partnerships and customers database. They're difficult to obtain but they can create a substantial competitive advantage.
Human resources: all employees of a company. They are essential in creative industries or in knowledge intensive ones.
Financial resources: such as cash, lines of credit, a stock option pool for hiring key employees.

KEY ACTIVITIES: are the most important actions a company must do to operate successfully. They explain what a company do. Like key resources they are needed to help a company in the creation of its value proposition that will be offered to the customers, to create and maintain relationship with the customer segments, to reach the markets and earn revenues.
They differ from business to business.
They can be categorized as:
Production activities concerning designing, making and delivery a product.
Problem solving activities related with the capacity to solve individual customer problems.
Platform and Networks activities which can be found in a business which has as a Key Resource a digital platform.

KEY PARTNERSHIPS: All network of suppliers and partners that make a business model to work. Companies create alliance to, reduce risk, to optimize their business models or acquire new resources.

There are four different types of partnerships:

- Strategic alliance between non-competitors
- Coopetition: strategic alliance between competitors
- Joint ventures to develop new businesses
- Buyer-supplier relationships to assure reliable supplies

And three motivations to create a partnership:

Optimization and economy of scale: buyer-supplier relationship created to optimize the allocation of resources and activities, to reduce costs by exploiting the economy of scale, by outsourcing or sharing infrastructure.

Reduction of risk and uncertainty: partnerships can help to reduce risk of an uncertain environment. Sometimes companies create an alliance in a business while competing on another one.

Acquisition of particular resources and activities: Company cannot own all resources it needs for each activity it performs. Partnership can be signed to acquire intangible assets such as knowledge, licenses or access to customers.

COST STRUCTURE: describes the most important cost a business is subjected to for the creation and deliver of value, for the maintenance of customer relationship, in order to generate revenue.

Cost need to be minimized. But for some businesses it’s more important than others.

In fact, **Cost-driven** business model focused on minimizing cost. It's characterized by minimal structure, low price value proposition, automation, and extending outsourcing.

Some other companies, called **Value-driven**, focus on the creation of Value. Their focal points are a Premium Value Proposition, and a high personalized service.

But many business models are a mix of these two extremes.

Cost structures have different characteristics:

Fixed costs which do not depend on the quantity of produced products or services.

Variable costs which vary proportionally to the quantity of produced products or services.

Economies of scale which explains the fact that more output expands less it will cost for the company.

Economies of scope which explains why using the same resources, machinery, distribution channels, is an advantage in terms of costs for the company.

Chapter 2

2.1 Fashion industry analysis

First of all, it is really important to understand and analyse the industry in which I'm going to do my research. The Industry, defined by Michael Porter in 1979, is "group of competitors producing substitutes that are close enough that the behaviour of any firm affects each of the others either directly or indirectly". But sometimes the boundaries are not well defined.

The fashion industry is one of those cases. It is the industry which handles with the design, manufacturing, distribution, marketing, retailing, advertising and promotion of any types of clothes, accessories in its widest definition, and shoes.

It employs millions of people internationally; it is one of the most ancient and profitable industries; it has made huge contributions to national economies.

The luxury fashion sector is the fourth largest revenue generator in France and one of the most prominent sectors in Italy, Spain, USA, China and India.

Fashion is so common in everybody life, even historical periods, or different cultures, are defined by their own fashion styles and that have survived to this day.

We deal with fashion every day, even when we need to decide which pairs of socks to buy. Okonkwo wrote "Fashion is a strong force that has always played a significant role in the evolution of mankind's society. As far back as the Egyptian, Greek and Roman Empires, fashion was a key social element that reflected the society through apparel, accessories and cosmetics. Fashion also had an influence on decisions regarding politics, economy, education and art".

It is a very huge industry, which encompasses the expensive and rare *houte couture,* but also the no branded clothes you could buy at the stand across the street, from the apparel to the shoes market, or the jewellery one. It is so large that can be considered as a cluster of closely interconnected industries. For this reason, there are many authors which follow different approaches to try to do a properly segmentation of this industry.

Jarnow and Dickerson (1997) follow the SIC, Standard Industrial Classification, identifying three segments:

- Textiles (yarn, fabrics, made-up art, and related products)
- Articles of apparel
- Clothing accessories stores

Corbellini and Saviolo (2010) instead, talk about the fashion *pipeline* as a result of a "long and developed chain of stages and activities whose interaction is largely responsible for the product's final success on the market". Pipeline because it is a vertical system that starts from the recruitment of raw materials, to the production process, down to the distribution and marketing strategies. They are also included industries which do not take part of the vertical chain but play a supportive role in the activities. "The fashion industry is made up of different sectors, that can be further segmented according to product categories, end users and price ranges".
Product category explains the use function of the product, *end users* are the people who uses the product and they can be intermediaries, distributors, wholesalers, retailers, or consumers.
For wat it concerns the price, they classify products in into five different ranges

- *Couture,* which comprises the highest price articles (Chanel Haute Couture usually cost between $40,000-80,000)
- *Ready to wear* has a price from three to five times more with respect to the average price; designers compete in this category
- *Diffusion* has a price which is three times/double than the average. Second- and third-lines designers are in this class.
- *Bridge* lines have more unique styling than *mass market companies* miss but are -usually- not as pricey as designer lines.
- *Mass market* in which big industrial brand (*fast fashion*) compete, and the price is inferior with respect to the average.

Companies can be grouped together according different variables since the fashion industry, as we have seen, is a macro-industry which includes a lot of different markets.
To better understand the boundaries, we are going to introduce a new concept, introduced by Porter, the *strategic business area*, representing "a specific area of business which is part of the company's overall activity and which, if separated from the company, is able to survive independently"; controlled by a *strategic business unit* which is a profit centre and focuses on product offering and market segment. Each company can operate in different *businesses;* we take for example Prada, which is into the leather market, the shoes market, the apparel one, and many others, each of them having its own mission, its own strategy, and competes with different companies.

A business area, to be such, needs to have some characteristics: it has to be *relevant, manageable autonomously,* to have *similar products, similar prices, similar production and distribution strategies, similar critical success factors,* to satisfy *similar needs*.
In the market, for each price range and target chosen, they can compete specialized and non-specialized companies, or companies which can have very different business models.
The *strategic group* is a concept which defines these boundaries even more, because it is indicates a "cluster of firms in the same business which have similar strategies" (Porter, 1985). All companies use a strategy, that can be explicit or implicit, but it is what allows a company to gain a competitive advantage over its competitors and earn and maintain higher profits.

Since the fashion industry is a really complex one, it needed to be divided it into different levels

1. Macro fashion business
2. Single fashion sector (*strategic business area*)
3. Sub-sector (according to which we can identify the *strategic groups*)
4. Price range

The first level, the macro fashion business is embodied by many sectors, each one representing a product category, like apparel, leather, watches, perfumes and cosmetics. The sectors are expanding continuously, companies diversify entering into new businesses and always create new product categories.
The second level is represented by the single product categories, which represent an independent business with respect to the others. There are companies who compete only in a business sector, like Ray Ban, specialized in glasses, and they build their strategy around it; other companies operate in few sectors, like Tod's, who compete in apparel and shoes; or companies like Ralph Lauren who is present in many sectors, apparel, shoes, leather, glasses.
They formulate different strategies, one for each sector in which they perform.
The third level, the sub-sector, is possible to find only in some fashion sectors, and it is identified with the product sub-category. An example is the apparel, where it is possible to find the luxury fashion, the sportswear, the activewear, the casualwear, the formalwear, the underwear, and many others. Companies that compete in different sub-sectors have almost nothing in common, their strategies and their business models are very distant from each other's. If we take the activewear, representing by companies like Nike and Adidas, and formalwear companies like Kiton, Corneliani and Brioni we see that their products are really different, and so the materials and the technologies used to produce them, industrial for activewear and semi-industrial or homemade

for formalwear. It is possible that the same company could compete in the activewear and in the formalwear, using completely different strategies.

The price range is another variable according to which it is possible to segment the single sector. Companies with different price range compete in different markets, with different strategies. Hermès and Chanel compete in the highest price range in the leather sector (bags), they sell handmade products at very high price and quality in few single-brand shops, mainly owned by the company itself. Furla and Coccinelle, instead, sell an industrial product at an affordable price, through different distribution format, from single-brand shops, owned by the company or in the franchising formula, to multi-brand stores, on the internet or in department stores.

Corbellini and Saviolo (2010) contribute to the academic literature on fashion business, first of all identifying in the fashion business model four main elements, the "value proposition", the targeted customers, distribution channels and the supply chain management. According to these elements they recognised four business models:

1. *Fashion griffe*
2. *Luxury brands*
3. *Premium brands*
4. *Fast fashion retailers*

Fashion griffe identify all companies who compete in the luxury fashion, in the ready to wear, in the diffusion and in the high *bridge*. The value proposition of these companies is the reputation of the designer who represent the strength of the brand, as for Giorgio Armani, Valentino Garavani, Dolce&Gabbana, Gianni Versace. Strategic operation like the line extension (Valentino Red for Valentino), or vertical integration, are typical of these brands.

Luxury brands' value proposition is characterized by *heritage* and *exclusivity*. The product offer is represented by a single, or correlated products, even if, later on, some of these companies have extended to other businesses their offer. They are very integrated for what concerns both production and distribution.

The third model, *premium brands,* included companies of different nature who position themselves in the medium-high range, in between *bridge* and *diffusion*. They are not very integrated and the figure of the entrepreneur and its global vision, both commercial and industrial, is fundamental.

The *fast fashion retailers* have changed the mass market scenario. Very fast, standardized and integrated production allow them to be really profitable companies, rapid to respond to the market demand and to its changes.

A more recent and global study that takes in consideration all the point of view collected in years by all these authors, try to identify the characteristics that differentiate the strategic models in the fashion industry.

- The <u>specialization level of the product</u> is about how many product categories the company is willing to produce and sell. There are companies who specialize only in one product, like Rolex with watches, and companies who operates in more than one business with different products.
- The <u>strategy</u> adopted by unspecialized companies: the strategy "*buy*" which involves to buy already existent companies and englobe them; or the strategy "*make*" adopted by companies who what to create *ex novo* new brand or new product lines; or using both these strategies like Inditex who bought the brand *Strativarious* which already existed, and found new brands as *Zara Home*.
- The <u>origin of the company</u> is an information that for many companies, in particular for *historical griffe,* is fundamental because it represents the core of the business; for many others like *industrial brands* is useless.
- The <u>made in</u> is another factor that could give value to a company. Famous are the Made in Italy and the Made in France, which add a great value to a product. For industrial production this factor is less or none relevant at all.
- The type of <u>founder</u> and its role in the company: a couturier like Coco Chanel, a designer like Giorgio Armani, known by consumers or essential for the positioning of the brand; or an entrepreneur which is not useful for the brand awareness.
- <u>Level of specialization in the price range</u>: is it a company who compete only in one price range (high for Luis Vuitton, medium for Diesel and low for Bershka) or more than one (like Giorgio Armani)?
- The <u>naming strategy</u>: there are companies who maintain the same name for all product lines, like the *historical griffe (Dior, Gucci),* others who use different names, all related to the parent company (Armani Privè, Armani Exchange).

- Supply chain management: fast fashion and the griffes usually control their supply chain, of their suppliers and distributors; industrial brands instead have a low control of them.
- Target: to serve the mass market or an exclusive target?

According to these characteristics we can identify three *macro strategic groups*:

1. **Specialized companies**
2. **Les grand groups de luxe**
3. **Non-specialized companies**

Specialized companies are those companies who has been faithful to their original business and they offer one (or main) category of product.
They are perceived as experts in producing that specific product, and their profits comes from it and a sub sequential diversification has only a marginal function. They are also specialized in a price range, only few of them offers products at very different prices. Some of them have selected only a target, others serve different customer groups.
Nike is an example of this group; it offers sportswear clothing to several different types of potential customers; Rolex as well offers luxury watches for people who want to show off their *status*.
Specialized companies, in turn, can be divided according to the product category in which they are specialized, that can be casual, formal, underclothing, leather, shoes, sunglasses, make up.

Les grand groups de luxe involves holding companies which have diversified their businesses through the *buy* model; they buy existent companies. LVMH Group has more that 60 world-famous brands. It goes from *Louis Vuitton* accessory brand, at la Maison Givenchy, but it also has the perfumery chain *Sephora*, or the new arrival *Fenty* beauty, the brand of the famous pop star Rihanna.

Non-specialized companies are companies which follow a diversification strategy called *make,* focus on introducing, next to the original product, new product categories created ex novo by the company itself.
Starting from a product category, they decide afterwards to open up to other markets, through a *brand extension*. An example is Giorgio Armani who decided to enter into the perfume industry (acqua di Giò), in the lodging industry with Armani Hotels; Armani Fiori is specialized in interior design, and Armani Dolci is into limited editions and specially designed sweets for exclusive occasions.

Armani diversified also through the same product category; next to the core brand Giorgio Armani, known also as the *black label,* he founded Armani Privè, the haute couture brand, Armani Exchange, the *fast fashion* brand, Emporio Armani for urban-casual clothing dedicated to young people, EA7 specialized in sportswear and technical apparel, and AJR Armani Junior targeted to 3 months/16 years old children.

Other brands, like Prada, Louis Vuitton, Gucci, who were born in the leather sector, have diversified their product categories in new markets, like apparel, sunglasses, perfumes, jewellery.

They did a gradual repositioning of their brands not only opening up to other markets, but they create a *new brand identity* based not anymore on product's attributes as specialized companies but on emotional characteristics perceived by the customer that identified herself in the lifestyle of the brand or of its founder and becomes loyal to it. Infact they are perceived as lifestyle companies, as for the brand we took as example, Giorgio Armani, the name of the designers is always the same for every product category even in different markets, just because it created an identity. They modify their *selling policy* from wholesale to a single brand, becoming *globalized* companies.

The last group, which is the most heterogeneous one, is divided into other four groups, according to other variables such as the historical background of the company, the price range of its products, who is and what is the role of the founder, its segmentation and targeting strategies, how it is positioned on the market, the control on the supply chain, what are its digital and marketing strategies.

1. <u>Historical *griffe*</u> (Chanel, Dior, Ferragamo, Gucci, Hermes, Kering, Louis Vuitton, Prada) are the pillars of fashion, all founded between 1800 and first decades of 1900 by a *couturier* or by an artisan created tailored for an elite clientele. Their origins are the *holy Grail* for the *maisons* who are part of this group; together with the coherence of their strategies which are almost the same since they were born, are the keys for the success of these brand and what made them famous all over the world. Their reputation is bound to the creativity and the geniality of the founder who gave the name to the original atelier or the embroidery or shoemaking.

Tab - Historical griffe revenues

Company	Average revenues (mil €) 2015	2017	2018	2017/15 %	2018/17 %
Hermes	4.841,0	5.630,0	5.966,0	16,3%	6,0%
Chanel	6.024,0	8.600,0	9.890,0	42,8%	15,0%
Prada	3.522,0	3.050,0	3.142,0	-13,4%	3,0%
Ferragamo	1.430,0	1.397,0	1.350,0	-2,3%	-3,4%
Total	**15.817,0**	**18.677,0**	**20.348,0**	**18,1%**	**8,9%**

Data source - www.fashionbi.com

Table 2.1, *data collected on a sample made of representatives of Historical griffe group*.

2. Modern *griffe* (Calvin Klein, Dolce&Gabbana, Gianni Versace, Giorgio Armani, Hugo Boss, Ralph Lauren, Tommy Hilfiger) are created by brilliant designers, artists with managerial skills, founded between the end of the 60s and the beginning of the 80s. Creators of the *ready to wear,* they made luxury fashion accessible to all and they represent the ultimate trends, identifying a *lifestyle* in which the consumer reflected herself. As for the historical griffe the founder is the core of the business, he's fundamental for the brand positioning. The *Made in* is also a peculiarity. Walter Albini is the creator of this formula; in the 1969 he was the first to send out on the catwalk, in Palazzo Pitti, a total look for an industrial man Papini, thought and designed for a particular target and ready to be mass produced.

Company	Average revenues (mil €) 2015	2017	2018	2017/15 %	2018/17 %
Ralph Lauren	7.037,2	5.697,5	5.300,0	-19,0%	-7,0%
Hugo Boss	2.808,7	2.730,0	2.790,0	-2,8%	2,2%
Giorgio Armani	2.635,0	2.335,0	2.109,0	-11,4%	-9,7%
Pvh	7.105,7	6.606,0	7.200,0	-7,0%	9,0%
Michael Kors (*)	4.070,6	4.060,0	4.380,0	-0,3%	7,9%
Dolce&Gabbana	1.088,6	1.290,0	1.382,0	18,5%	7,1%
Average	**4.124,3**	**3.786,4**	**3.860,2**	**-8,2%**	**1,9%**

Data source - www.fashionbi.com
(*) 2018 estimated

Table 2.2, data collected on a sample made of representatives of Modern griffe group.

3. Industrial Brands (Diesel, Liu Jo, Max Mara, Patrizia Pepe, Pinko, Stefanel, Tod's) are brands which are not founded by a designer, but by entrepreneurs with the aim to be positioned in the medium/high price range. The role of the founder does not count very much. Their perceived quality is higher with respect to the actual nature of the products.

Tab - Industrial brands revenues

Company	Average revenues (mil €) 2015	2017	2018	2017/15 %	2018/17 %
Tod's Group	1.048,4	963,9	940,4	-8,1%	-2,4%
Guess	1.748,4	2.072,5	2.290,0	18,5%	10,5%
MaxMara	1.430,0	1.180,0	1.600,0	-17,5%	35,6%
Stefanel	156,6	125,3	n.a.	-20,0%	n.a.
Liu Jo	307,0	339,0	368,0	10,4%	8,6%
Pinko	180,0	204,0	210,0	13,3%	2,9%
Patrizia Pepe	71,0	110,0	120,0	54,9%	9,1%
Average	**705,9**	**713,5**	**921,4**	**1,1%**	**29,1%**

Data source - www.fashionbi.com

Table 2.3, data collected on a sample made of representatives of Industrial brands group.

4. Fast Fashion (Benetton, Bershka, Gap, H&M, Ovs, Top Shop, Uniqlo, Zara) are those who are revolutionised the boundaries of the fashion industry in the latest years. They focused on the low-cost strategy, taking advantage of the control on the supply chain. They are the "newcomers", founded by an entrepreneur too, they produce in a standardize way, changing collections every week to keep up with the latest fashion trends, offering products at very low prices.

Tab - Fast Fashion revenues

Company	Average revenues (mil €) 2015	2017	2018	2017/15 %	2018/17 %
H&M	19.572,7	23.740,0	20.300,0	21,3%	-14,5%
Inditex	20.900,0	25.336,0	26.145,0	21,2%	3,2%
Uniqlo	10.170,0	14.070,0	16.100,0	38,3%	14,4%
United Colors of Benetton	1.190,0	931,2	1.005,0	-21,7%	7,9%
Arcadia Group	1.950,0	2.287,4	2.160,0	17,3%	-5,6%
Miroglio	650,0	489,0	519,0	-24,8%	6,1%
MANGO	2.327,0	2.194,0	2.233,0	-5,7%	1,8%
GAP	14.400,0	13.970,0	14.600,0	-3,0%	4,5%
Total	**71.159,7**	**83.017,6**	**83.062,0**	**16,7%**	**0,1%**

Data source - www.fashionbi.com

Table 2.4, data collected on a sample made of representatives of Fast Fashion group.

Tab - Strategical groups revenues

Strategical groups	Average revenues (mil €) 2015	2017	2018	2017/15 %	2018/17 %
Historical griffe	15.817,0	18.677,0	20.348,0	18,1%	8,9%
Modern griffe	24.745,8	22.718,5	23.161,0	-8,2%	1,9%
Industrial brands	4.941,4	4.994,7	5.528,4	1,1%	10,7%
Fast fashion	71.159,7	83.017,6	83.062,0	16,7%	0,1%
Total	**116.663,9**	**129.407,8**	**132.099,4**	**10,9%**	**2,1%**

Data source - www.fashionbi.com

Table 2.5 data collected on a sample made of representatives of the four groups.

In each of these four groups there are still companies who have different characteristics, as for example different targets, different styles, or different origins. We are going to analyse the sub-groups which brings together brands that have the same characteristics, using also positioning maps.

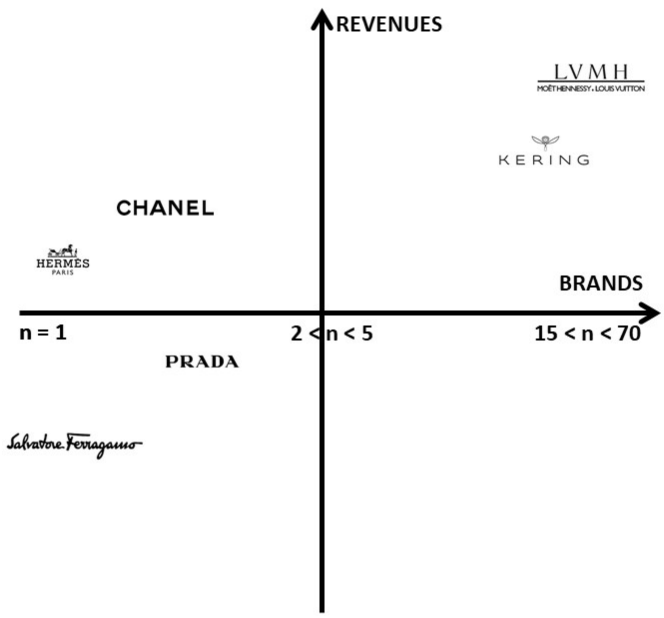
1. The *Historical griffe* group is the most homogeneous one.

We can distinguish three sub-groups: *heritage inimitable*, *les grand groups de luxe*, "*le italiane da sole*", using two variables, the origin country (Italian or Frech) and if they belong or not at a financial group.

Heritage inimitable (Hermès and Chanel) is formed by French independent companies who are not controlled by any group. On the positioning map they are collocated in the middle-left, since Chanel have only one brand and Hermès three brands and they have lower revenues* than *les grand groups,* and more with respect to *italiane da sole*.

Les grand groups de luxe includes *historical griffe* controlled by LVMH and Kering, multinational companies that control many brands. Louis Vuitton, Givenchy and Fendi belong to LVMH which controls more than 60 brands; Gucci, Dior, Saint Laurent, Sergio Rossi and Bottega Veneta and other 10 brands are part of Kering. On the positioning map they are collocated on the top-right, since they control many brands and they have the higher revenues**.

Italiane da sole is represented by Ferragamo and Prada, who are not controlled by any group.
The made in Italy is what differentiate them from the first group, heritage inimitable.
They have one brand for each, and they earn less revenues*** than the two other groups, so in the positioning map they are on the bottom-left.



Positioning map 2.1, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

* *Heritage inimitable* 15.89 billion of euros in revenues in 2018 (6 billion for Hermès, 9.89 billion for Chanel)

** *Les grand groups de luxe* 60,4 billion of euros in 2018 (LVMH earned 46,8 billion, Kering 13,6 billion)

*** *Italiane da sole* 4.492 billion in 2018 (3,142 billion for Prada, 1,35 billion for Ferragamo)

In the following positioning maps, we focused on brands rather than on sub-groups;
In the first one Dior, Chanel and Hermes are positioned in the exclusive luxury brands which have a very high price. Gucci and Luis Vuitton, instead, are more commercial with respect to the former ones and they have high prices, but lower than the others.

Positioning map 2.2, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

The following map shows the position of Prada that with respect to other historical griffe compete on the market with more modern griffe.
On the axis we have as dimensions the style and the seniority of a company in the market. Hermes, Chanel, Dior, Yves Saint Laurent, are heritage brands, more traditional than the others. Prada competes with Balenciaga, Saint Laurent and Céline which are more heritage than other modern brands as Margiela, and Alexander Wang.

Positioning map 2.3, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

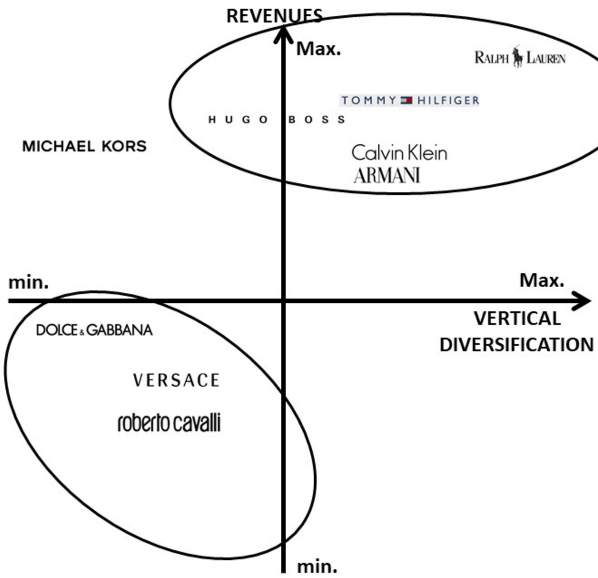
2. *Modus vivendi*, "*italiane che ostentano"* and *americans casual* are the three sub-groups in which the Modern griffe are divided.

The first group is formed by Giorgio Armani and Ralph Lauren.
The *modus vivendi* came from their huge horizontal diversification strategy. They are the example of lifestyle brands; their portfolio is the widest in the whole fashion industry. They were born in the latest 60s and the first 70s, and they are the pioneers of the modern griffe. Name, brand identity, and trademarks are really strong and recognizable. Since they cover different targets, with different products in different markets they involve several price ranges. Armani has both the haute couture brand, Armani Privè, and the casual one, Emporio Armani. The distribution is global and very various, it combines single brand stores with many formats like multi-brand stores, department stores, outlets, duty free and via internet.

*"Italiane che ostentano" (*Cavalli, Versace and Dolce&Gabbana)
In the consumer mind are all brands who recall to sexy, transgressive and modern style; the materials, and the prints, usually *animalier,* point to dress women who want to be counted, who love themselves and want to seduce. Their portfolios are made of one or few brands.
The communication is very aggressive, they usually use strong women as testimonials.

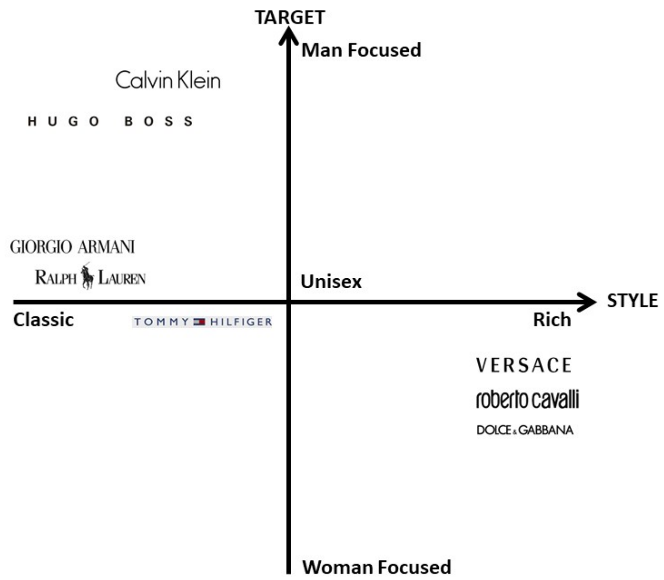
Americans Casual Calvin Klein, Tommy Hilfiger and Michael Kors
These brands have its roots in the American culture, the luxury sportswear.
Michael Kors recently bought first Jimmy Choo in 2017, then Versace in 2018.

In the map below we can see that the group *modus vivendi* earn high average revenues and they have many brands in their portfolio, while le "*italiane che ostentano"* have lower average revenues and have one or few brands.



Positioning map 2.4, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

The positioning map below is focused on targets (women or men) and styles (Classic or Rich). *Le "italiane che ostentano", are* all three focused on woman and have modern, sexy and rich styles. In the unisex space is positioned Tommy Hilfiger, which is more oriented through classic style even if less than Giorgio Armani and Ralph Lauren, brands both for women and men.



Positioning map 2.5, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

3. *Industrial brands'* is the most heterogeneous strategic group. We can distinguish between four sub-groups.

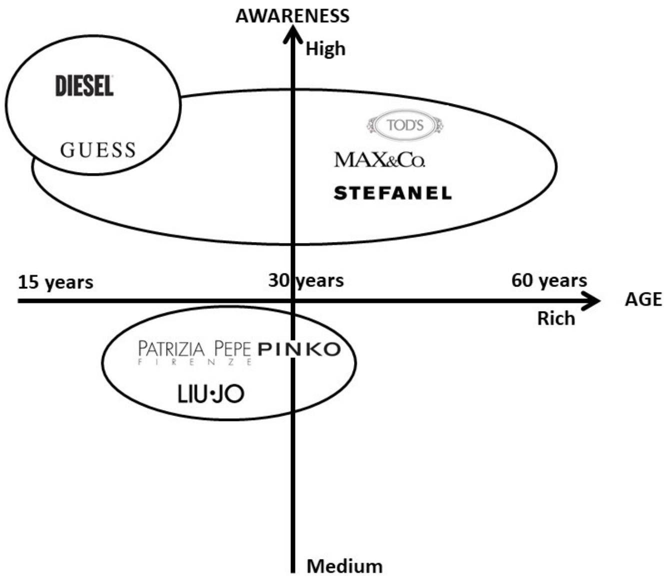
Follow Us' main leaders are Liu Jo, Patrizia Pepe and Pinko. They are the companies that represent the most this group. The sense of belongings is the key element; they try to make their consumer feel to be affiliated to the brand. They were born like unbranded companies; they produced generic lines of clothes at first, then they decided to implement a repositioning strategy, trying to make their brand strong and recognisable. Their target is younger than other sub-groups' companies one, mainly composed by trendy women. A mixed distribution, a low control of the supply chain and an outsourcing production are elements that characterize this group.

The *Classicals* are the founders of the industrial brands group. The brand Max Mara is the leader, Max&Co, the retail brand of MaxMara Fashion Group, and Stefanel which became part of this group after a repositioning strategy which brought it up from the lower end. Their style, as the name of the sub-group at which they belong, is classic, heritage, and the target is more "agé" women; the quality of the products is higher than other industrial brand's and they are represented by a product: the coat for MaxMara and knitwear for Stefanel.
They distribute in single-brand stores, they have a in house production that allows them to have a vertical control over their supply chain.

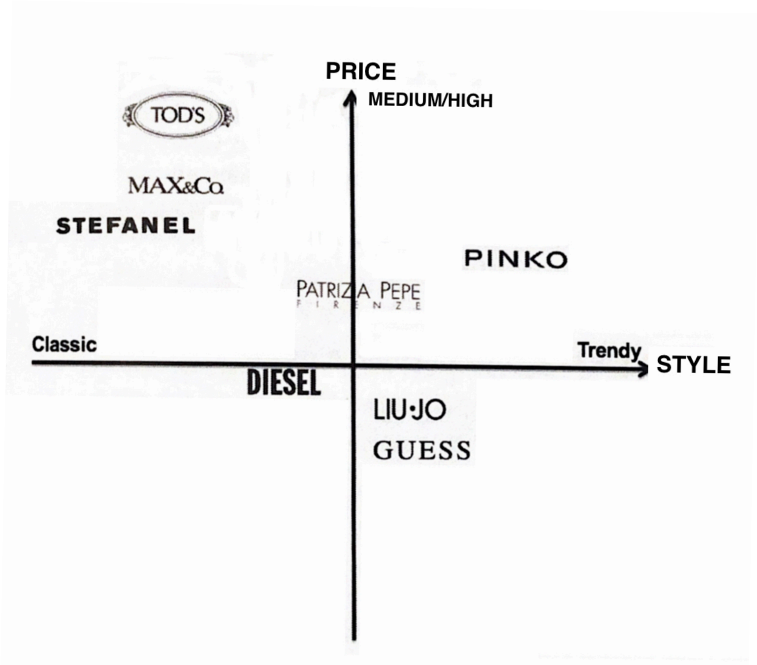
(ex) Jeanswear group is the newest one. All brands specialized in jeans are part of it.
Many of them have done or are doing repositioning to be perceived as lifestyle brands, not more specialized in one category product; next to the core product, the denim, they entered into more markets with different products, in apparel, in sunglasses, in perfume. The target is both women and men, and it is the youngest one with respect to the four sub-groups. Their reputation is very strong, since they were perceived as leaders in Jeanswear.

Premiums are the brands more closed to be perceived as griffe than industrial brands (Tod's, Hogan, Fay). After a repositioning process, and investing a lot in marketing and communication, they placed themselves as lifestyle brands, even if they have some characteristics of industrial brands, for example their funders are entrepreneurs, not designers.

Positioning map n°2.6 have awareness and age as dimensions. Map n°2.7 has on the vertical axis the price and on horizontal one the style. We are going to analyse them together.
We can see how Diesel and Guess have the youngest targets and are the most famous brands among the industrial's; Diesel' style is more classic than Guess, that is more similar to Liu Jo, as we can see in map n°, and they have a lower price than the other brands, slightly lower than Diesel's.
Patrizia Pepe and Liu Jo target young women, Patrizia Pepe is more famous, its prices are higher, and its style is more classic than Liu Jo.
Tod's Max&Co and Stefanel are more classic than other industrial brands, they are all famous brands, for middle age women, and they have also the higher prices: Tod's fist, followed by Max&Co and Stefanel.
Pinko is the trendiest brand, it targets 30 years women, it is known as Patrizia Pepe but its prices are higher.



Positioning map 2.6, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).



Positioning map 2.7, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

4. *Fast fashion* can be divided into three sub-groups.

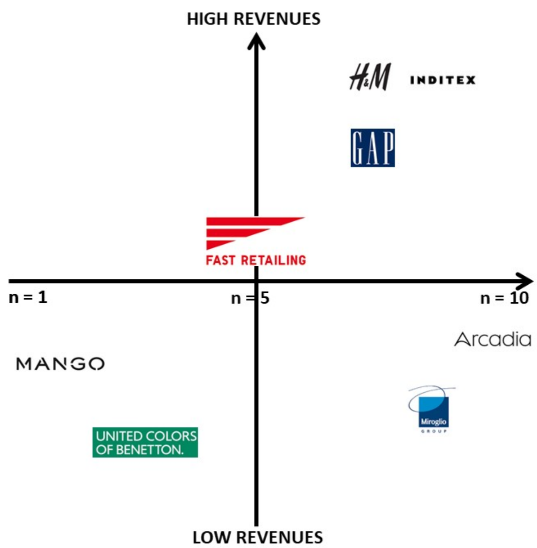
Global leaders (H&M Group, Inditex Group, Gap and Fast Retailing)
They have very high revenues, and many brands, one of those is the leader brand, who gives the imagine to the whole group, H&M, Zara, Gap and Uniqlo.

Inditex and H&M are the leaders with not only the huge number of brands, but also higher revenues than the others, followed by Gap and Fast Retailing which is in the middle with 5 brands and medium revenues.

Medium/small multi-brands Arcadia Group (Top Shop), Miroglio (Motivi, Oltre, Elena Mirò, Fiorella Rubino), Benetton, as global leaders have many brands in their portfolios, but they gain less revenues and they are less known.
Arcadia Group has the higher number of brands and medium/low revenues, followed by Miroglio Group that has lower revenues. Benetton has 4 brands and it is the less profitable group among the fast fashion.

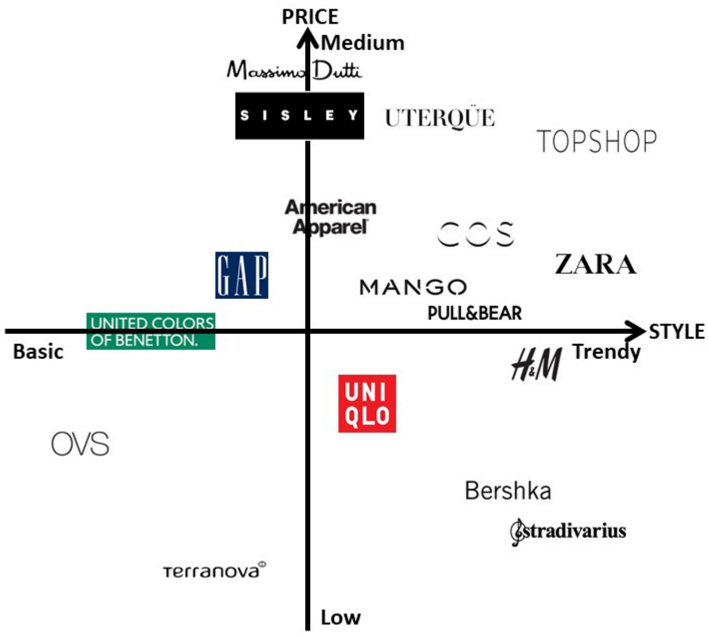
Medium/small single-brands American apparel and Mango are the main brands of this sub-group. They present the same characteristics of the multi-brands, but they have only one brand in their portfolio.
Mango is a single-brand and it is increasing its revenues in the last years.

Here there is the positioning map of fast fashion companies on revenues and number of brands for each group; Inditex group is the leader in the fast fashion, together with H&M they have the higher revenues and the higher number of brands. On the opposite side we can find Mango, the single-brand company, and Benetton which have medium-lower revenues. Miroglio group has also many brands, but its revenues are lower. Fast Retailing is in a central position with its five brands and medium revenues. (see *Table 2.4* for numbers)



Positioning map 2.8, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019)

Below we can see how fast fashion brands are distributed, from the most basic ones, OVS and Benetton, to Zara, Top Shop and Stradivarius which have more trendy styles. On the vertical axis there is the price offer, which goes from medium to low. In the medium price range there are Massimo Dutti, Sisley and Uterqüe, in the low one there are Terranova, Stradivarius and Bershka.



Positioning map 2.9, Dario Golizia: Fashion Business Model, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

The fashion industry has changed with respect to a decade ago; the crisis of the 2009 has radically changed the view of what is important to obtain and maintain for a company to be successful, and profitable for long time in that industry.

The social element came in; it's not sufficient anymore to create a great collection, but it's necessary for the designer to be at the same time an artist and a businessman.

The leaders in the market are those that managed to adapt, modify and innovate their strategies to the changing in the environment. Among the elements that changed the most there is the consumer position with respect to the market; she became more *demanding,* meaning that she is now aware of what she wants to wear. She does not accept passively anymore what the designer proposes to her, but she decide by herself her look, following her personal taste or her mood.

The globalization is an additional element, with new markets that have appeared. With the diversification strategy, the companies add to the original core business new products in order to compete also in other markets.

The communication needed to be changed too, from the old view of marketing of "telling and selling" to the new view who's aim is to satisfy the customer and let him identify into a brand lifestyle and philosophy, so that he becomes loyal to it. As a consequence of this also the distribution changed, becoming *omnichannel,* including all physical and digital selling platform, from sales stores, outlets, boutiques, to the web sites or social platform.
The localization of the production has changed, it is one of the key elements that innovated the nature of the fashion business. It is very costly for a business to have the production plant in its native country; therefore, companies usually move the production process to other countries which has cheaper processes in order to monetize the investments and speed up the supply to the market demand.
The *time to market* is also a keystone, in a reality in which the trends are volatile, the consumer is more aware, the competition is very high, and the market is in need of new ideas, the aim of the fashion business man is to create more collections, to cut the waiting time, and innovate in order to capture and maintain the consumer who will buy more.
The web has becoming essential in this millennium, it has radically changed the way to sell products, to communicate directly with each consumer. Companies rely on a *relationship-centric* approach, and through the social media marketing they can reach in very little time the selected target.
As a consequence, companies need to spend more money in investments, not anymore in physical assets and machineries, but also in digital marketing, new technologies, and partnerships with other companies to develop an increasingly more efficient supply chain.

2.2 Fashion start-ups

The start-up original concept was born to indicate companies which operate in the IT sector and were able to offer innovative and state-of-the art systems, characterized by a very rapid growth and worldwide diffusion. Start-ups today exist in many other industries, from the food industry to the fashion one, and the name, according to the Italian law, refers to new companies constituted for less than five years.

Italy is one of the motherlands of fashion, and even if on one hand is stuck to its huge tradition and origins, and it does not have a such progressive past, it is showing in the latest years a sensibility to the evolution of new trends coming from abroad, to new social issues and to changes in the behaviour of consumers.

Italian start-ups in fashion are experiencing a period of a "rebirth" as Declan Eytan wrote in an article on the magazine *Forbes,* named *the 10 start-ups redefining Italian Fashion (2018),* exhibiting a forward-thinking approach through new technologies. From innovative designs, as the extravagant stilettos by Giannico, to the *deluxe* streetstyle of Palm Angels, and the D1 Milano' polycarbonate watches; to the most technological ones, as the FABS' app, very useful for fashion buyers to help them to insert, though photos taken during fashion weeks, catalogue in an online server and store as many pieces, in which colours and sizes, they want for their shops.

Front Row Tribe is another very innovative start-up in the Italian market. They introduced themselves via a clever guerrilla marketing strategy, which saw the centre of Milan covered in paper clothing hangers displaying the Front Row Tribe logo. They started from the idea that every occasion has its own special dress, but not everybody can afford to buy for each occasion a different outfit. They create an e-store on which you can take for rent clothes from the coolest last collections, dry-cleaning services included.

Oscar Tiye founded a luxury shoes brand for power women, with a strong personality, inspired by the Queen Tiye, and characterized by a jewelled scarab, the same she received as a wish for her wedding, to bless every woman have his shoes on.

Else Corp created a 3D virtual retail platform; it is a B2B or B2B2C platform which can be included into businesses' online fashion platforms. It allows customers to customize shoes and find the right fit for them.

Le Village is a brand of customizable (on orders) handmade sneakers with minimal designs, of which some include special features such as soles that glow in the dark.

Le Petite Joueurs, is a brand with a colourful pop DNA, started out as a hobby of customizing vintage handbags with LEGO.

SUNNEI are a menswear brand, characterized by full ready-to-wear looks, which are defined by relaxed tailoring and clean design.
There were born also a lot of sustainable start-ups, concerning for the environment, like *Rifò*, which produces 100% cashmere articles from remainders and recycled clothes; *Fashion for Good*, a platform for sustainable innovations and *Dream Assembly* which is a sustainable start-ups accelerator; *Orange fibre,* Ferragamo's and H&M's partner, and *Piñatex* which are manufacturer which use refuses from oranges and pineapples; Massachussetts institute of technology (Mit) is collaborating with Inditex to develop a 4 million program to promote new sustainable technologies based on recycle.

A report of March 2019 of Unioncamere have registered more than 10 thousand Italian start-ups, 10027 to be precise, and about 18.5% in the manufacturing sector, considered as a whole and around 2000 founded online. It is possible to find a list, updated each week on http://startup.registroimprese.it.
The govern in charge in Italy in 2012 tried to build an ecosystem fully of tax concessions aim at promoting sustainable growth, technological improvements, young employment.
From July 2016 the new operative provision allows companies to save at least 2000 euros only for starting the business. In 2018 were founded online 953 innovative start-ups, 896 in the 2017, with a growth of 6,4% per year.
The start-up was defined as "a company working to solve a problem where the solution is not obvious and success is not guaranteed" (Blumenthal cit. in Forbes, 2013).
A typical start-up's trait, in fact, is the need of funding; we have observed that typically the brilliant idea comes from students or engineers, who do not dispose for enough money to found and raise a company. Start-ups creates new jobs and are responsible for the technological process of the country. For these reasons, in Italy there is a big concern for innovative start-ups; start uppers, have special concession from the State, like bureaucratic and financial reductions, flexible corporate management, equity incentive plans, equity crowdfunding's, facilitating access to bank credit, tax incentives for investments, fail-fast, in the whole period in which the company is recognised as a start-ups (5 years); and they are also represented by the *Italia start-up,* the Italian association of start-ups. Even the EU has released funds to support innovative start-ups. For example, they found the COSME program, with a budget of over 2.2 billion of euros to increase the competitiveness of the companies and to incentivise entrepreneurs to create new ones. The strategic objective they are supposed to reach is to increase the EU's GDP of 1.1 billion per year, from 2014 to 2020.

This is only one of the many program EU, and Italian government provided to help companies to grow.

In Milan in the last June, Startupbootcamp, which is the most important European start-up's accelerators, and one of the first worldwide, have chosen the fashion 'world capital to its first program *FashionTech* dedicated to the innovative and technology-centric start-ups in the fashion industry. The foundation *Industrie Cotone e Lino*, partner of the project, hosted the launch event. They propose to focus on growth and value creation in the fashion sector, having as the main strategic objective a 2-3% of average growth and revenues focused on only 20 out of 100 companies, proposing strategies to innovate and grow, followed by a preview of the technological trends that are changing the value chain of the fashion industry. Have join the presentation representatives of partners' program: Accenture, Coin, Dedagroup Stealth, Fondazione Industrie Cotone e Lino, Gruppo Prada, PwC, Sopra Steria, Stone Island, Unilever e Withersworldwide. Partners who are part of the entire supply chain of the Italian and international fashion industry, from manufacturer, to suppliers, retailers, ITC and services, who will participate to the definition for global scouting based on specific interests and innovation and they will pick the start-ups and be mentors for them.

In three years, the program will bring to the speeding up of 30 innovative start-ups able to influence the present and the future of the industry. More than 500 applications are expected for this program, among which there will be chosen, after a strict selection process, the best 10 teams from all the most important cities worldwide for fashion and innovation. The admitted Start-ups will be hosted in Milan for a bootcamp 13 weeks long, that allows them to grow up exponentially through a network of potential partners, and investors. Alceo Rapagna, Global Strategy Officer & CEO Italy di Startupbootcamp, Innoleaps e The Talent Institute declared "the decision of Startupbootcamp to enter in Italy is an opportunity to the development of our environment, starting from fashion.

Companies, institutions, research institutes, Venture Capital, will collaborate all together to this project in order to combine the Italian excellence with new technologies to put the roots for what it will be the fashion in the future. Startupbootcamp FashionTech challenges are to find new business models and new technologies, like Artificial Intelligence, robotics, Internet of Things, blockchain, mixed reality, able to change the entire value chain, from product, to operations, marketing, distribution channels, focusing on sustainability.

Chapter 3

3.1 Analysis of the fashion start-ups' business model

I will guide you, step by step, through the study I conducted, to explain what the aim of my experiment is, how I choose the companies, what is been the process I followed and the conclusion at which I arrived.
I've taken three innovative start-ups, which operates in the fashion industry, but in different markets, with different price ranges and targets, and with original proposition; I'm going to build their business models, with the Canvas BM, and to use them to understand the things in common and the differences; from their creation, starting from the initial stages where they needed to face more or less the same difficulties, the same challenges, before affirming themselves as actual companies, and the different direction that they can take with years to be successful and competitive in their markets.
Very few start-ups, in fact, survive to the initial stage without losing money, and even fewer of them gain a competitive advantage which can be sustained in time so that they became successful companies. That's because to have an innovative idea is not enough, it is important to organize ideas and resources in the most efficient way and coordinate activities within the company and with the supply-chain' partners, in order to communicate and deliver value to the customers in the most efficient way and made them feel closed to the vision of the company.
The founder role is fundamental in the success of the company; she need to have always an eye on what it is changing in the environment, and be ready to adapt to innovations, changes in consumer demand, new trends, unexpected events that can have an influence on the profitability of the company, especially in an industry, as the fashion one, which it is about creation and innovation, having available very little time between a collection and the following one.
The Canvas can be very useful in this process, as we have already said, because it is a very intuitive model, that is divided like the human brain, and can be very effective to organize information.
First of all, I started my research exploring through the fashion start-ups world to select the companies which attracted me the most, as a consumer, for their styles, potential or innovative ideas, and which reflect the actual trends of the market.
I tried to select all different companies; each one is unique in its kind. After having selected them, I conducted a survey with a series of questions that are going to be useful in the construction of the companies' BM. The three interviews can be found in the Appendix section.
After having briefly introduced the brand, I am going to start analyzing the BM Canvas, with the auxilium of the interview.

The interview is divided into 4 parts:
an introduced part on the origins of the business;
succeeding by a section about how to create and deliver value to the customers;
the three following questions are about incurred costs, and revenues of the company and from which activities they came from;
Then, resources and activities of the company and how they are integrated and organized;
plus, a conclusive question on projections for the future, focused on understanding what the strong elements are and what can be improved.
The business model, as we have seen, it is divided into nine blocks, that shows the logic of how a company intends to make money, from the choice of the target to serve, to the partnerships that collaborate with the company. The nine blocks cover the four main areas of a business: customers, offer, infrastructure and financial liability. We are going to exploit the nine blocks in details, case by case, to let you better understand the building process.
The interview is useful also in the next chapter, in which I am going to compare companies, according to different variables: the **founder** role, the initial **investment**, the **target**, the **price range**, the **vision**, the **strengths** and the **weaknesses**.

3.2 SBBruce

Image 3.1, collage of different version of the SBBruce's logos.

The first brand that I've chosen it is called SBBruce; the idea behind it was born in Milan in 2012 from the intuition of the three young co-founders, Stefano Sarcinelli which is the art director and graphic, Marco Brugnola, the painter and street writer and Antonio Monaco, the layer who deals with the economic and administrative part of the brand. The fact that Stefano and Marco came from Milan, and Antonio from Salerno gives to the brand a wider vision of what "streetwear" represents in Italy. The logo of the brand shows a triangle made of an S and a B which stand for "Street Boyz". The words, together with the triangle, want to communicate the strong relationship with the urban environment. The name "Bruce", that lately became "Brvc3", came from the passion the owners have for Bruce Wayne (Batman) and the dark charm of his comics and films. The production of the item with which the brand was launched, the snapback, is homemade in an embroidery business the company owned. For the first two year of their business, the production was limited to the snapback production, then it became what it is today from the 2014. The other pieces of the collection are produced by different supplier partners and they are all made in Italy and homemade. The collections are available online, on the web site of the brand, and in some physical stores in Salerno, Milano and Saronno (VA). The brand has different collaboration with famous people who have dressed SBbruce, like the famous rapper Clementino, the model and basketball player Valentina Vignali, the Donatella's, the old-style rappers Chicoria and Walino.

Key Partners

Retailers;
Confezioni di "Annunziata Luigi";
Collaboration with different artists, singers, rappers, athletes,
Instagram models;
Sponsor for clubs: Drop Milano, Varese, Sud Italia; Roma web festival;
collaboration with rappers: merchandising for Clementino.

Key Activities

Management of the website, instagram and facebook pages, management of the factory of embroidery, designing collections and managing the orders for the production of clothes

Key Resources

Embroidery Factory;
Designers (2/3 owners)
Original patterns

Value Propositions

To deliver an high quality, original, made in Italy products at an affordable price

Customer Relationships

Direct, through e-mails or website and instagram and facebook pages with personal assistance
Indirect, through retailers, trust relationship,
free shipping and returns

Channels

Retailers (5)
Show room
Instagram page
Website
Big cartel
Facebook page

Customer Segments

Geographic/Demographic segmentation:
North Italy 22-30 years
South Italy 13-22 years
North L-XL
South S-M
Psychographic: Hip-hop, streetwear, basket, skaters
Behavioural:
Benefits→ Limited Editions
Originality

Cost Structure

Advertising costs;
Production costs (economies of scale);
Website;
Shipping costs

Revenue Streams

Retailers: on consignment (80% -20%);
Website revenue from direct-sales
(prices are 2 times the cost of production)

Table 3.1, personal elaboration on interview's information.

The first things that we are going to analyze is the target that the business serves.

From the geographic point of view, SBBruce compete exclusively in Italy, with differences in its offer between North and South Italy, according to the age.

Customers are mainly men, in the north from 22 to 30 years old; in the south from 13 to 22.

Recently they are designing basic items also for women.

The man to which the brand turns to is a young guy just like the founders: they share a common passion for the streetstyle. The roots of this style are American; it involves a common background of people who came from, or grew up in, the streets, of artists, who felt a deep need of expression, through art, music, way to dress up.

SBBruce produces high quality, handmade and made in Italy products, at a low price with respect to the quality that it provides, and with the focus on originality, which is the essence of this brand.

They take care of the production of the garment from the design to the last embroidery, which is not done in an industrial way but by our machineries. This makes every piece unique.

They sell products to its customers mainly on online platform: like its website, and on its socials (Instagram and Facebook). Physically they sell through retailers and in the showroom, they recently opened in Milan.

They believe that it is fundamental to build a trust relationship with their customers; that's why they are always flexible and helpful. They provide for free shipping and returns, and they are always

available to offer personal assistance and answer to all customers problems and doubts, giving them the opportunity to contact them on many platforms.
The most important resource that allows them to have an excellent quality/price ratio is the embroidery factory they own; it gives the opportunity to produce personalized embroidered items at very lower cost.

Image 3.2, Instant picture of the SBBruce's website.

The designers have different backgrounds, one came from the academy, the other is a street artist; they complete with each other's and it gives to the brand a wider vision, and they create so always original patterns.
Management of the pages, of the factory, the management of the relationships with partners, of the orders of products, and designers' activities, are the main activities in which the company is enrolled. The main partners are from the supply side the "confezioni di Annunziata Luigi", which is the main producer of the company; they collaborate with five retailers in Milan, Salerno and Saronno with which they have consignment contracts (80%-20%) on each sale. Other revenues came from the sales online and from the showroom.
They collaborate with different artists from the music, web and the entertainment industries with personalized items made just for them; rappers, singers, athletes and also Instagram models which promotes the products to increase brand awareness.
They have been sponsoring for clubs like Drop in Milan, in Varese and some clubs in south Italy, and we had a stand in the Roma web festival.

Production costs are low, thanks to the closed partnership with the production company and the ownership of the embroidery factors. They spend a lot of money in advertisement, on the social platform and to empower the website, together with distribution expenses, since they provide for free shipping.

Image 3.3, SBBruce, "Tracksuit Baroque", from 2019 collection. Taken from the brand's Instagram official page.

3.3 Rifò

Image 3.4, Rifo's logos and brief description, from the website.

The second brand is called Rifò, and it will bring you into a totally different reality.

It was founded by Niccolò Cipriani e Clarissa Cecchi, two young people from Siena, in December 2017.

Rifò (Sustainable wear Project) is able to transform fabric shards into new clothes that retain the same qualities as the original products.

The clothes' regeneration takes place from the collection and selection, by color and quality, of old garments; then all the hinges and seals are removed, and they are chopped, frayed, and transformed again into raw materials, spun and then tiled in soft sweaters in cashmere, cotton or in summer t-shirts and beach towels. It is a mechanical process, they do not waste anything: for example, they derive the burgundy hue from old garments of that color, they do not dye anything.

All the new garments, in addition to being "made in Italy" and made entirely in the textile district of Prato (at zero distance) are produced by the artisanal method at the "drop", a special type of production that guarantees quality results and minimum waste of material, since it allows sewing garments without any kind of cutting.

Thanks to this innovative method a new life is given to the remainder of the processing, reducing for 90% the use of water, 77% the use of energy, 90% the use of chemicals, 95% CO2 emissions and 100% the use of dyes compared to the production of a new item.

The process designed by Rifò requires only 30 liters of water t-shirt and reduces the consumption of pesticides and chemicals used during production.

“Rifò was born to take back the resources that we have already used and reuse them, with the aim of proposing an ethical, sustainable and alternative model to the classic fashion industry’s ones” explain to me Niccolò.

This is a fundamental step for the protection of our planet, significantly reducing the problem of world overproduction, which also affects the clothing sector. The waste perpetrated by companies that produce much more than can be sold is aggravated by the fact that only in the European Union more than 80% of the clothing is disposed of in landfills together with household waste.

Rifò is also a social project: in fact, a part of the revenues is devoted to leading associations in the socio-sanitary and environmental sectors that have been operating for years on Prato and on the national ground.

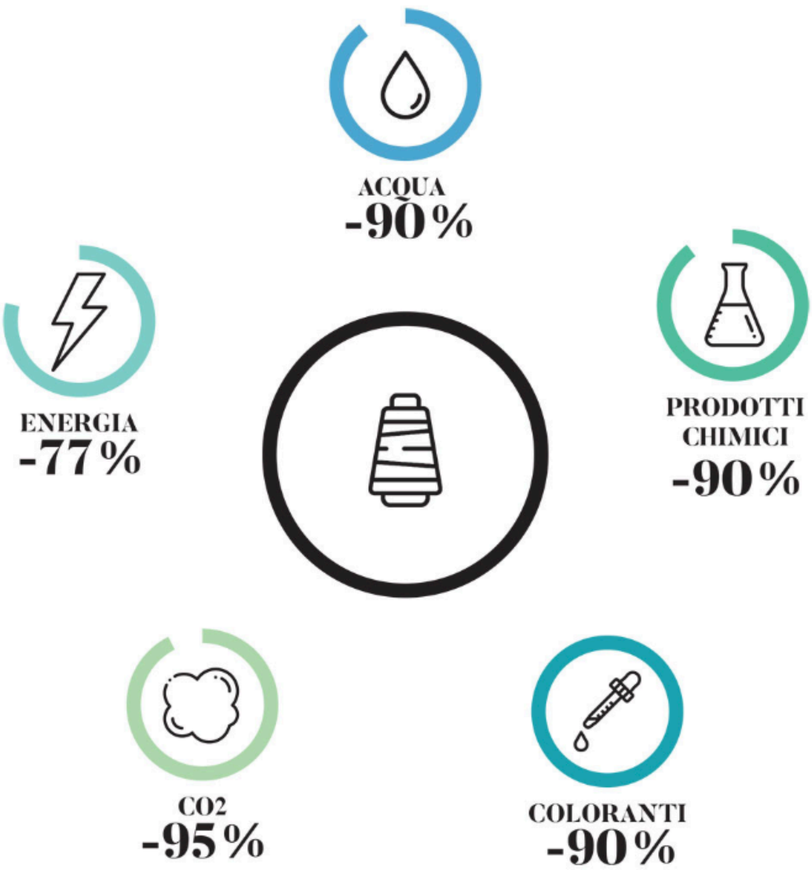


Image 3.5, Instant taken from Rifò’ web site.

Rifò is the first company in the world that has marketed a knitwear product made with a yarn derived 100% from recycled and reclaimed denim fabric composed of 97% cotton, and the remaining 3% made with the material whom are made the jeans' seams.
This is a huge goal, since for the realization of each sweater are recycled about five pairs of jeans and are used only 80 liters of water against the 3000 required by an identical garment in virgin cotton. Denim absorbs up to 35% of the world cotton production which, in turn, is a fiber that requires a lot of water in the growing and processing stages, as well as a large amount of pesticides and insecticides; In addition, colouring and finishing phases involving the use of chemicals that are very harmful to the environment and to the workers involved.
That's why Rifò attained a very huge goal for sustainability: in this way we can give a new life to our old jeans, that can transform in a new cloth instead of being thrown in the landfill or in the incinerator.

Image 3.6, Instant taken from Rifo's website.

Key Partners	Key Activities / Key Resources	Value Propositions	Customer Relationships / Channels	Customer Segments
"I Cenciaioli" from Siena (in the process of regeneration of textiles); Associations who collects old clothes.	**Key Activities** Management of website and social (also through awareness campaigns); Collection of used clothes from customers. **Key Resources** Strong and very closed relationship with partners.	To deliver an ethically and high quality product; Recycling old textiles without damaging the planet; To collect old clothes from partners and customers and recycle them (rewarding them with discounts).	**Customer Relationships** Personal assistance (available 24/7 via e-mail and through a chat on the website). **Channels** Online (website); Retailers; Social media; Own shop.	**Geographic:** Italy; **Demographic**: women of 25-45 years; **Psychographic:** travellers, environment lovers, acculturated; **Behavioural:** sustainable and high quality, products that last years basic items like sweaters, t-shirts wearable in every occasion; limited editions.

Cost Structure	Revenue Streams
Production costs; Advertising and communication costs; Logistics and operation costs.	Revenue stream from direct; Sales, via website, socials and in the shop; Resellers.

Table 3.3, personal elaboration on interview's information.

Rifò's target, it is very different, opposite I would say, with respect to the previews brand: women, from 25 to 45 years old, who are interested in sustainability, who love to travel and to meet other cultures. They often have a high education level, and care about our planet.

The brand produces high quality, handmade and made in Italy, sustainable products, available to the Italian market.

Sustainable because Rifò takes old or unused clothes and after a process of textiles regeneration, thanks to the auxilium of its suggestive and folkloristic suppliers, it sells new high-quality products: sweaters, hats, scarves, t-shirts and beach towels, 100% cashmere.

It gives the possibility to take part to the collection program and being rewarded with discounts, or customers can send their own old clothes and regenerate into new items.

It is a zero-kilometer project: Jeans sweaters and all Rifò products are made in the textile district of Prato, because "local production limits fuel consumption, creates job opportunities and ensures the quality and ethics of the production process".

Finally, the company produces just in time, that is only after receiving the order, so as not to create overproduction.

Rifò reaches its customers through the website and the social medias (Instagram and Facebook), by retailers, and in its own shop. It wants to cultivate a close relationship with its customers, by providing a 24/7 assistance, via chat on the website.

The most important resources needed to make the business work are the suppliers; the collaboration with the "cenciaioli" is the most precious resource, first of all because they guarantee the quality of the product, which is immediately perceived by the customer as very valuable because it came from a very ancient art, then because they use and transmit a sustainable process (explained in detail in the biography) used to regenerate old clothes and produce new ones without wasting energy.
The company provides to the collection of clothes from associations, with which they have a partnership, and from private customers; to the management of the online and physical stores, both owned and retailers; to the customer care always available, and to campaigns to raise awareness on the topic.
Next to the "cenciaioli", they collaborate in the collection of garments with many associations and companies that gather old and unused clothes from the United States and from Northern Europe.
The higher costs come from the production, then advertising costs and logistics and operations ones.
Rifò is also a social project: in fact, a part of the revenues coming from online and physical sales, in own shops and retailers, is donated to leading associations in the socio-sanitary and environmental sectors that have been operating for years on Prato and national ground.
Through the #2lovePrato initiative, customers can choose to which association she wants to donate €2 to one of the three foundations operating on the Prato territory.
They launched a crowdfunding campaign, which has collected 6.200€, with a cotton 100% recycled t-shirt at a very low price, both for woman and man. The money will go for the production of a summer collection made in cotton, because this material is one of the most used fiber in the fashion industry but at the same time it needs a lot of water. To produce a t-shirt normally they are implied more or less 100 liters of water, with the process that Rifò have implemented they only need 30.

3.4 DressYouCan

DRESSYOUCAN

JOIN THE FASHION REVOLUTION STOP BUYING START RENTING

Chose. Wear. Have fun. Return

RENT IS MORE

Image 3.7, collage of different version of the DYC's logos.

DressYouCan was born from an idea of Caterina Maestro and successively from her collaboration with Elene Battaglia, respectively the mind and the arm of the project, in 2015, and then also Carola Ferrari and Gloria Contrafatto added as shareholders and co-workers of the company.
It is a women's luxury clothing and accessories rental service for special occasions.
It is an "infinite" wardrobe, shared between women, where to take clothes only as needed, to satisfy a curiosity, to go to a special and unique event, and store them, after being used.
Anyone can then try the euphoria of wearing a high fashion dress, for a few hours, at an average price of 109 euros. A dream for all fashion victims.
DressYouCan applies the concept of sharing economy to the fashion market, adding the support of a professional customer care: for every woman it is finally possible to access an endless wardrobe every day.
It is the first fashion renting e-commerce that provides for a total look, not only clothes, but also accessories, shoes, and additional services of make-up and styling in the physical showroom open recently in Milan, and also the first who gives space, for a 50%, next to the biggest griffes, to new designers.
It was in the list of most innovative start-ups of 2016, according to F*orbes, and it* earned the "Premio dei Premi" at the Italian Senate; it was been selected among "the champions of Innovation for the change" in the category *Service Design* in the services, with the project "Covers the Change".

<table>
<tr>
<td rowspan="2">Key Partners

Brands and designers;
Both emergent and Famous ones.
TakeMyThing delivery.</td>
<td>Key Activities

Management of the wardrobe;
Rent activities;
Management of collaborations with brands;
Assistance in the shops.</td>
<td rowspan="2">Value Propositions

To rent branded and expensive clothes for special occasions (for 4 days before the event, from the day to create a giant «wardrobe» to which each customer can participate by lending their clothes (and gain money from them «fashion airbnb»);
To give opportunity to young designers to let people now their brands;
In the showroom people can be assisted to chose the right outfit, to customize it; To make the hems, to have styling and make-up services focusing so on the total outfit (1st e-renting who offers a total look);
To offer supportive services like; insurance against accidents (5€), refund if you don’t use the dress, tailoring and laundry services for free; “try” service in the showroom.</td>
<td>Customer Relationships

Value co-creation through reviews photos and comments of past experiences with the brand;
“Customer should feel assisted like a star”;
Community (blog) in which women can see the last trends and exchange information and experiences;
Free advisory services in the showroom by personal shoppers and experts.</td>
<td rowspan="2">Customer Segments

Geographic: Italy.
Demographic: women of 18-50 years.
Psychographic: people who like to follow trends and who want to be always fashionable and well dressed and at the same time save money and be sustainable.
Behavioural: woman usually have a lot of special occasions to which they have to participate and dress up (they usually buy clothes they only wear once and close in the wardrobe).</td>
</tr>
<tr>
<td>Key Resources

Huge inventory (wardrobe) with more than 1.500 clothes, more than 300 pairs of shoes, more than 100 accessories;
blog;
Human resources.</td>
<td>Channels

Website (“wardrobe”),
Showroom.</td>
</tr>
<tr>
<td colspan="2">Cost Structure

Advertising costs;
Logistics and operation costs.</td>
<td colspan="3">Revenue Streams

Via website, from direct rental, from rental in the showroom;
Gift cards (shoes 64€; dress 79€; 4 events card 299€).</td>
</tr>
</table>

Table 3.4, personal elaboration on interview’s information.

DressYouCan is a slightly different company with respect to the other two start-ups; first of all, it was born from a recognized individual desire; to solve a personal problem which, however, comes from the very nature of being woman.

The customer segment that the company want to serve, in fact, is exclusively feminine, because the need that it wants to satisfy, it is not very typical of men.

The company actually operates only in Italy, and it wants to affirm in this country before trying to get out of the borders. It turns to women from 18 to 50 years old, who like to feel confident and to be always well dressed and trendy; who like to go to parties or special events wearing luxury and high-quality clothes without having to spend too much, and feel guilty if they wear a 600€ dress and then close it in the wardrobe. In this way, a customer can save, at the same time, both her wallet and the environment, because the same dress can be used by different people.

We know, as women, that we are never satisfy of our wardrobe; the phrase I hear the most from my friends is “I really don’t know what to wear”, from who have a modest closet, to who have a one-room apartment as a closet.

A consequence of this our unrestrained desired to buy new thing is that in a woman wardrobe you have an half of the chance to find at least one labelled clothes; many of them are only used once, because they were an impulsive purchase, since we usually use to go shopping as a therapy, and it is typical of a woman to buy things she doesn't really want.

DressYouCan gives the possibility to rent clothes for special occasions, luxury and high-quality clothes for cocktail parties, business dinners or lunches, weddings, of friends but also your own one. Doing so you can afford to wear an haute couture dress at an affordable price and you also contribute to the sustainability of our planet.

All you have to do is to choose the type of special occasion, to select the day of the event and your size, they send you the chosen dress one day before the event, that you can take for 4 days.

The delivery expenses and insurance costs are included in the renting price and, the tailoring and laundry services are for free; you need to select your shoulder-heel height, and the size of your heels and they customize the dress for you. Once the dress is arrived at your home, you can prove it and if you are not satisfied, as long as you leave the seals unbroken, you can return it and be refunded. You can also decide to prove the dress in advance, paying an extra, and then deciding if to wear it or not for your special occasion.

Image 3.8, Instant taken from DressYouCan web site.

It is the first renting e-commerce to provide to customers a total outfit; it makes available more than 1500 clothes, about 300 pairs of shoes and more than 100 accessories.

It is also the first that gives to its customers the possibility to gain from renting to other women their own wardrobes; doing so, the community that it creates have the access to an infinite wardrobe which grows day by day, a "fashion airbnb".
DressYouCan gives also the chance to young designers to be known; next to the Big ones, on the catalogue you can find, for about 50% of it, new designers, selected from the most promising ones.

Next to the website, the company opened, few years ago, a showroom in Milan.
In the showroom you can try directly the clothes you like, take measures for any hems and pick up and return the clothes rented, thus saving on shipping costs.
You can take an appointment, the first time for free, then, if you haven't found what you were looking for, paying just an extra of 5€, they reserve for you a dressing room for 45 minutes, in which you can try whatever you want, and you can take advantage of the free and personalized advice of the staff, who works on your total outfit, giving you also styling and make up consulting services. The customer is the focus of the business, in fact, "customer should feel assisted like a star".
Value co-creation is a key word; thanks to a community, in which women can exchange information about their experience, posting photos and comments, and give suggestions on how to improve the services, DressYouCan can evolve continuously in the right direction.
The main resources of DYC are, next to the website and the showroom, human resources, the infinite wardrobe and the partnerships; the continuous increase of emerging designers causes us to be presented with new proposals every day, and thanks to the participation of private individuals, it is really difficult to spend more than a couple of days without the arrival of at least a couple of new products.
The management of the website, of the collaborations with the brands, the organization of the showroom, and of the wardrobe, controlling the renting activities and the assistant services, are the main activities of the business.
The business model is based on a "mixed supply", composed of pieces of young designers, emerging partners, world famous brands and iconic pieces of the wardrobe of individual users who play the dual role of supplier and user.
The choice to range for at least 1/3 of the DressYouCan catalogue among fashion names completely absent or still not present on the national scene, is particularly appreciated by customers, more interested in fitting than in the brand itself.
On the clothing side, 98% of our users said they had never bought the newly rented emerging brand before, but 90% of it said to be in favor of doing so in the future.

Among the famous ones, we can find names as Elisabetta Franchi, Alexander Mcqueen, Dior, Dolce&Gabbana, Gucci, Giorgio Armani, Givenchy, Versace, Prada, Valentino and many more. On the shoes side, the icon of the fashion of the 90s is the master: Manolo Blahnik, which became famous from the film and tv-series "Sex and the City".

For the deliveries in Milan they collaborate with TakeMyThing, an eco-friendly pony sharing service that allows to reduce CO2 emissions.

The costs in which DYC incurs comes from the web site management and from the improvement of the showroom and its services. They can provide free services to cuddle their customers thanks to their low expenses; the company do not promote the clothes with expensive advertisement campaigns, or by paying influences and celebrities, because it doesn't have to sell clothes, but to promote an innovative service and they understand that the most effective way is through value-creation of people who have benefited from the experience and voluntarily promote it.

The revenue streams, therefore, come from the renting services, both thought the website and the showroom. To retain customers subscriptions and gift cards are available; shoes GiftCard for 64€, cloth GiftCard for 79€ and a DressCard for 299€, valid for a year from the subscription date that give you the opportunity to rent 4 dresses for 4 special occasions.

Chapter 4

4.1 A Comparison of 3 Italian start-ups

In this section I would like to compare companies and analyze them according to different variables: the **founder** role, the initial **investment**, the **target**, the **price range**, the **competition**, the **strengths** and the **weaknesses**.

The aim is to understand the things in common, the diversity and the direction that each start-up are taking. Starting from the same point, in fact, start-ups need to find a way to emerge and to be noticed. It is fundamental to have valuable resources that can give companies sustainable competitive advantages over the competitors in order to build a successful company durable in time.

I would like to analyze the role of the founder because we have seen that in the fashion industry it is a significant variable, which allows to differentiate the type of brands.

Companies	Founders	Investments	Targets	Price Range	Competion Level	Strengths	Weaknesses
SBBruce	2/3 designers, 1/3 lawyer	Private investments	Men, North Italy (22-30), South Italy (13-22); Streetwear lovers, creative people	Medium price (good price/ quality ratio)	Saturated market, full of competitors with loyal customers both in high and medium price ranges; (company is still small, but with competitive advantages to exploit: lower prices and high quality, customized items)	Good price/ quality ratio, originality in patterns and models, customized articles, Made In Italy	Presence in the market
Rifò	2/2 Entrepreneurs	Initial private investment + Nana Bianca's Hubble programm acceleration program	Women, (25-45); Sustainability, travel & culture lovers	Medium price (good price/ quality ratio)	One of the stronger companies in Italy; in Europe still small than competitors (growing because of its competitive advantage in production process which is at 0 km and made in Italy	Good price/ quality ratio, valuable production process, Made In Italy, coherence and credibility in conformity with its values	Small with respect to its European competitors
DressYouCan	4/4 Entrepreneurs (founder & CEO, Marketing Manager, Amministrative Manager and Showroom Manager)	Private Investments	Women, (18-50); Almost every woman wich follows the latest fashion trands	Medium-High (but lower with respect to its competitors)	New market in Italy, competitive advantage over its competitors	"fashion airbnb", only Made In Italy brands, community (blog), "infinite wardrobe"	It provides for a lot of services in the showroom but they only have one store in Milan (they would like to increase their physical presence in other Italian cities)

Table 4.1, on personal elaboration with information taken by the interviews.

SBBruce's founders are for 2/3 designers, both Rifò and DressYouCan contribute to circular economy and are managed by entrepreneurs more than inventors, even if they are characterized by very different mindset; for what concerns Rifò, the cofounders passion for environment, sustainability and for traditions of their motherland pushed them to activate and create a unique proposition for their brand. DYC, instead, proposes a solution to a problem that was experienced directly by the founders, a problem which is common to all women, that turns out to be also sustainable. DYC's shareholders are 4, each of them recovers a different role: Caterina is the founder & CEO, Elena is the marketing manager, Carola is the financial and administration manager, Gloria is the Showroom manager.

The three start-ups, in a first moment, financed themselves by their own investments; then Rifò won the Nana Bianca's Hubble accelerator program, and DYC's founder Caterina found an investor which became the second majority partner of the company.

As we just said the targets of the three brands are very different: DYC and Rifò have in common the gender and more or less the age (respectively women from 25 to 45 years old, and women from 18 to 50 years old); despite this basic characteristics they are completely different types of people: Rifo's woman loves different cultures and the environment, she cares a lot about sustainability and usually is well informed about what is happening in the world and less about fashion trends.

The DYC's woman it can be any type of woman; a "social butterfly", a business woman, or a party girl, but also a woman who simply need to go to an important event; for sure they have in common the passion for trends and they want to feel special, without having to feel guilty to spend a lot of money for a dress that maybe will remain in their closed.

SBBruce, instead, serves a completely different target; young men, from 13 to 30 years old, artists and streetwear lovers.

The price is a common element: SBBruce and Rifò, in fact, since they can count on lower production costs they can charge for a good price-quality ratio with respect to their competitors in the market. For what concern DYC, it rents clothing at a medium/high price, but slightly lower with respect to its Italian competitors. It provides for clothing from 30 to 400 euros (for bridal dresses), shoes from 45 to 75 euros and accessories from 35 to 65 euros, and gifts cards for 64€ (one pair of shoes), 79€ (one cloth), and subscription for 299€ (4 dresses valid for 1 year).

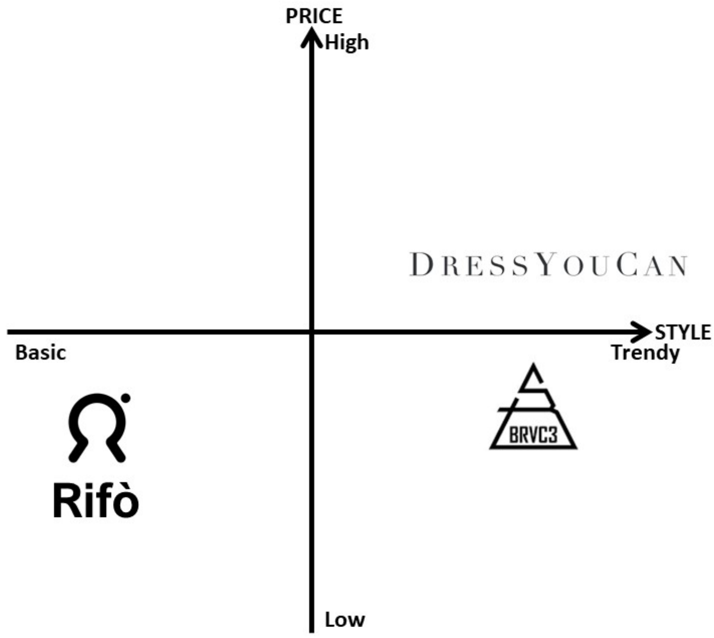
Talking about competitors in the market, each of these companies have very innovative propositions, and for that reason there aren't many competitors like them in the market, for different reasons they are quite unique.

Talking about Rifò they are not the first to have thought about regenerating tissues; there are other companies in Europe that trade clothes made of regenerated textile fibers, where, however, the packaging process often takes place in poorer countries or emerging economies.

Rifò differs from them not only because its products are completely made in Italy, and of very high quality, but they are also at 0km, which is something that is perfectly in line with its values.
SBBruce seems to compete in a saturated market, which it is plenty of competitors. In price and style, he could compete with famous brands like Supreme, Obey, Stüssy, Kith, HUF and many others but on the quality side they have the advantage of the made in Italy, which brings immediately a superior quality to the product, which is handmade. It is still small, but it has very powerful cards to play: originality, good quality/price ratio, customized items.
DYC have bought a format which is very common in America, here in Italy is a market which is developing in the very last years. The biggest competitor DYC have is Front Row Tribe which has a closed value proposition, with the difference that on DYC consumers can also make available their own clothes to the community and make profit from this; DYC have created a sort of "fashion Airbnb". Moreover, doing this, it gives the possibility to new designers to let themselves know to the public, with only one prerequisite, they have to be all Made in Italy brands.
We can say that this "Infinite Wardrobe" is exactly the strengths of the brand, because it allows customers to identify in the community and participate actively, renting its own clothes, posting photos and reviews of clothes that rent from designers or from other users.
Both Rifò and SBBruce answer to my question about what could have been their strengths according to them with being extremely competitive on the prices, giving the quality of their products; so, to have an excellent price/quality ratio and all their articles are Made in Italy.
Then the originality in the patterns and models and the possibility to customize articles for SBBruce, and the coherence and credibility to provide a product, and correlated services, perfectly in conformity with their values, for Rifò, which it cannot always be found in other companies that recycle old textiles.
While the Rifò brand it is very strong in Italy, especially after the recent invention of the new process to recycle denim and transform this tricky material into sweater, the founders would like to improve in the other European cities in which it operates, because there it is still small in comparison with its competitors.
DYC, instead, is focusing fist on "conquering the national market" then it wants to expand to the international one. An incremental enhancement of the web platform, an implementation of the logistic structure, and to open showrooms in other strategic cities of the national territory, it is what they are planning to do to take a step further from competitors and gain competitive advantage over them. SBBruce's weakness is the presence in the market, it would like to increase awareness by implementing a marketing campaign in which it underlines its differences from existed competitors,

focusing on exploit its advantage in the production by creating more customized items, in a market, the streetwear one, which is totally dominated by Modern Griffe in consumer minds.

If we analyze the fact that SBBruce has in common with the streetwear's Modern Griffe the quality of the product, and with the industrial brands already mentioned the price range and the target, we can easily understand that it does not have real competitors.



*Positioning map 4.1, on personal elaboration (*all three brands have high quality)*

4.2 The present and the future directions of fashion trends

I have chosen these three start-ups because they represent the present and the future of the fashion market. The present is represented by the boom of the trend of the streetwear, that have cut the distance between different groups of fashion, from the Historical Griffe to the fast fashions; it has been the trend that has promoted the rediscovery of the luxury brands, which have suffered a declining period around 2013/2014.

A lot of luxury brands decided to diversify to reach millennials in this direction; Gen Z and Millennials, in fact combined resulted in 85 percent of all luxury growth in 2017

Even the most classical companies like Fendi proposes collaborations to create a capsule, Fila x Fendi, which had as iconic item the typical pouch and the sneakers. In 2017 Louise Vuitton launched a collaboration with the streetwear brand Supreme. Brands like Balenciaga, Versace and Givenchy became the trendsetters in the market. Balenciaga in 2017 launched the famous triple S sneakers from which have taken inspiration many other brands.

By 2015, every luxury house, big or small, had created their minimal sneaker inspired by adidas' Stan Smith and Superstar models.

Streetwear, sportswear and other luxury brands followed suit with a thousand and one versions of the sneaker and by the time Virgil Abloh debuted his first collection as artistic director of Louis Vuitton and Kim Jones at Dior Homme in June 2018.

Palm Angels, which was a start-up until one year ago, was born by the idea of Francesco Ragazzi of creating an elegant jumpsuit that you can wear wherever you go and you can wear matched with sneakers, becoming in few years a million-dollar company which now compete with all modern and historical griffe.

However, brands who want to enter into this market now are later incumbent; they have to deal with a market which is already full of competition. Their possibility, therefore, is to make their way in a new and parallel market, a Blue Ocean one, by introducing innovative value propositions that will represent a uniqueness, and which makes the company in a position in which there not exist competitors.

The world of fashion is increasingly going in the direction of the so-called sharing economy: the new generations are less and less possessive and prefer the experience over to hold things, enjoying goods (in the cars market for example it is very common) which they would not normally be able to afford and which, once they have completed their task, may be transferred to another (temporary) owner.

Fashion renting also reduces the impact that our clothes (purchased and used in the traditional way) have on our planet. We are not just talking about using raw materials, farming or intensive crops to obtain fibers or CO_2 emissions, but also about the life cycle of clothing products. According to a recent study, in fact, in the last 15 years the duration of garments has decreased by 36% and today clothes have an average life of less than 160 uses, a situation which generates 16 million tons of textile waste every year in the European Union alone.

It is increasing more and more the concerning about the environment and we hear a lot talking about circular economy.

According to the Ellen Macarthur Foundation the circular economy is “a generic term to define an economy designed to regenerate itself. In a circular economy, the flows of materials are of two types: the biological ones, capable of being reintegrated into the biosphere, and the technical ones, destined to be revalued without entering the biosphere”.

In practice it is a zero-waste economy, where any product is consumed and disposed of without a trace. Of course, in the circular economy renewable energies and the modularity and versatility of objects are the key elements, which can and must be used in various contexts in order to last as long as possible. It is therefore clear that the circular economy presupposes a systemic way of thinking, which is not limited to the design of products for a single purpose. It is an economy that not only protects the environment and saves on production and management costs, but also produces profits. And in this the Italy is in a good position in the Europe, despite not having a precise law that regulates it, but only some hints in the within of the plan Industry 4.0: it manages to obtain performances of 3.4 euros per kg of waste disposed.

One of the most important themes of these years is the overheating of the atmosphere caused by the CO_2 emitted for industrial activity, for energy production, and for transport.

In particular, according to the latest IPCC (Intergovernmental Panel on Climate Change) study of October 2018, to avoid the global temperature rise above 1.5°C compared to the pre-industrial period (the maximum limit to avoid catastrophic effects on the global ecosystem) we have about 12 years to reduce CO_2 emissions by 50% and about 30 years to eliminate them completely. Otherwise, some of the effects that are already manifested will widen even further with a devastating impact of drought, fires and floods. Such events have already caused $320 billion in damage in 2017.

Another particularly important issue is plastics and the damage caused by it. Only 15% of plastic is recycled worldwide (OECD 2018), 25% is subject to energy recovery and the remaining 60% ends up in landfill.

Air pollution is another huge problem that should be taken into account, with the result that about 9 million people die every year. For breathing problems or related to them we spend about 3 trillion a year on medicines and medical care.

On 2 December 2015, the European Commission adopted some provisions on the circular economy. It consists of an EU action plan with measures covering the entire life cycle of products: from design, supply, production and consumption to waste management and the secondary raw materials market. The rules aim to have a practical effect on the lives of European citizens. The measure obliges member countries to recycle at least 70% of municipal waste and 80% of packaging waste and prohibits the dumping of biodegradable and recyclable waste. The rules should enter into force from 2030. MEPs will need to strike a balance between the concepts of 'waste and 'recycling and harmonize a system that includes countries with different habits: Germany and Austria already recycle 66% of waste, the Czech Republic that does not reach 30%.

There exists a lot of financing programs and many concessions and tax benefits reserved by the European Commission to innovative stat-ups which promotes activities connected to the circular economy and sustainability.

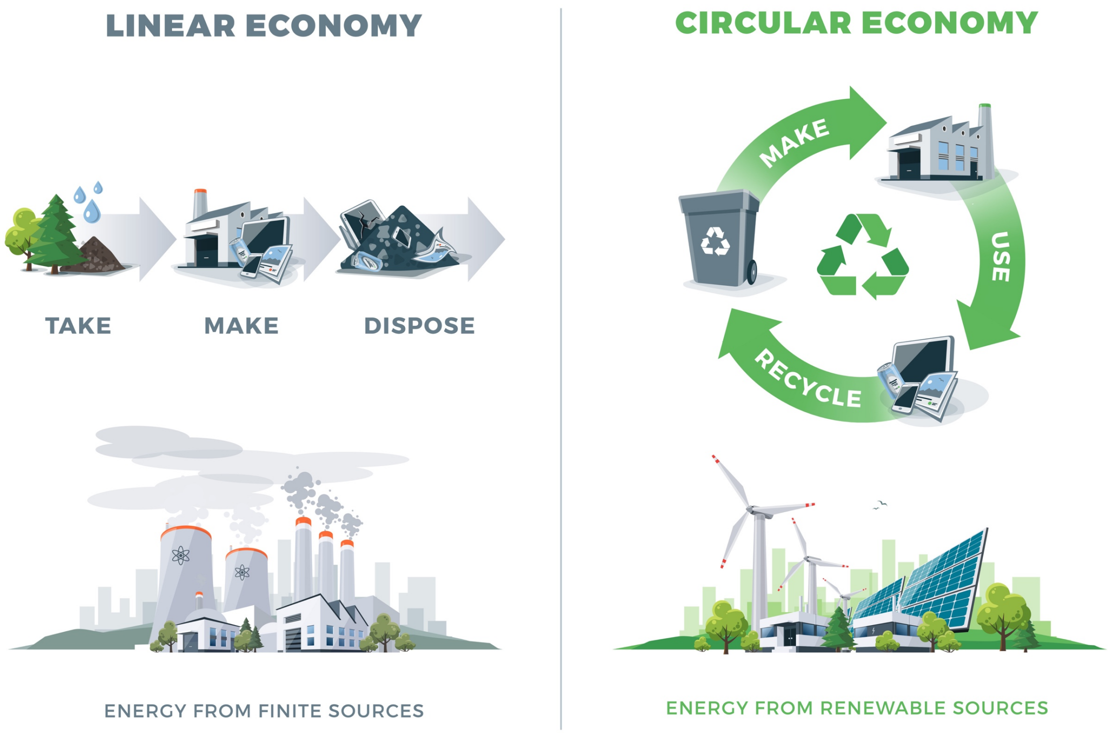
Five European national promotional banks and institutes have launched in Luxembourg, together with the European Investment Bank (EIB), the financing institution of the European Union, the Circular Economy Joint Initiative; its aim is to support the development and implementation of circular economy projects within the Union. This very important partnership aims to reach at least 10 billion investments over the next five years (2019-2023).

Its objectives are: to prevent and eliminate waste generation, to improve resource efficiency, and to support innovation by promoting circularity in all sectors of the economy.

Italy is in the first places in European ranking, with actually 103 points for the circularity index;

there are many initiatives and programs in support of it, launched by the Italian State and by the Regions.

Ad example from the "Lazio Innova" project, which gives funds to innovative start-ups in the Capital's region, are actually reserved more than 10 million for outright grants in support of business programs which promote circular economy and sustainable energy for outright grants.



Andrea Milluzzi, "Economia circolare: che cos'è la circular economy e perché può mantenere l'Europa competitiva", Luglio 2019, Network digital 360.

The circular economy is however something more than the recycling of waste: it provides the development of a real economy to be opposed to the linear one that goes from the production of a product to its becoming waste.

Conclusions and Remarks

The world of start-up is a very challenging one; companies at their beginnings need to find a position in the markets. In particular in an industry like the fashion one in which the market is dominated by "colossus" in every price ranges and different targets, which constitute barrier for new companies to enter.

The secret is for sure to create their own space by owning a resource which can add something more to the market. This can be done in many different ways, ad example by recognizing a new consumer need and propose an innovative product or services, creating so a Blue Ocean,

unexplored by competition; or entering into existent market but differentiate its proposition with exclusive services.

It is not enough, though, to have a resource that gives you a competitive advantage if it is not exploit in the most efficient way, by coordinating all the activities within the companies and with its partners. The most useful instrument to build a functional, solid but dynamic, organization, is the Canvas Model; it gives the opportunity to work on in in teams of experts, that even if they usually talks in different "languages", they can communicate and easily understand each other's, by using different techniques like drawing or telling stories, and this promote collaboration and integration, to let the company works and being organized in the best possible way.

I've provided for a complete vision of how is divided the fashion industry in Italy, which are the main actors in a market that remained closed ad attached to the history of big names for decades, and that is only in the last years evolving and opening to innovation and technology.

I interviewed three fashion start-ups and based on their answers I've built and explained their Canvas models. I've chosen three companies which follows the latest trends of the market.

Then, to understand things in common and differences between them, I've built a table with the founder role, the initial investment, the target, the price range, the competition level, the strengths and the weaknesses, as variables. These variables help us to understand how to collocate these companies in the fashion market. Last, I've explained which are these trends and how they can evolve in the next future. The aim is to understand which are the challenges that a company which decides to enter into an industry with huge level of competition in almost every businesses, at every price range and every target, have to face and how it can survive to the early stage of its life cycle and becoming a successful company.

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Table 1.1- Table 1.2 Nicolai J. Foss, Tina Saebi: Fifteen Years of Research on Business Model Innovation: How Far we Come, and Where Should We Go? January 2017.

Table 2.1-Table 2.5: on personal elaboration, data source *fashionbi.com*

Positioning map 2.1- Positioning map 2.9: Dario Golizia: *Fashion Business Model*, Franco Angeli, 2016 (on personal revision, updated to 2018/2019).

Image 3.1-Image 3.8: Instant picture from the start-up's websites.

Table 3.1-Table3.4, on personal elaborations on interviews' information.

Table 4.1 and Positionig map 4.1, on personal elaboration with information taken by the interviews.

Information on the European and Italian funds for start-ups:
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Europa.eu/youreurope;
www.finanziamentistartup.eu
MFFashion.com

APPENDIX

Interview questions

The Origins

1. *How the idea of founding a start-up was born?*
2. *What kind of investments did you make to open your business?*

Create value for the customer

3. *Who is your customer?*
4. *What type of need are you satisfying for your customer?*
5. *Why a customer should prefer your brand to competitors? What is your added value?*
6. *How do you reach your customers? What distribution channels do you use?*
7. *What types of customer relationship did you build with your customers? And what after-sale services do you offer?*

Expenses, revenues and from where they came from

8. *How many collections do you usually produce per year? How many pieces? Are they pieces that customers can order at every time, limited editions, or both?*
9. *What are and from where your revenue stream came from?*
10. *What is your cost structure? Which resources and activities are more expensive?*

Companies resources and how they are organized

11. *What are the essential resources that you own?*
12. *What key activities do your value proposition require?*
13. *Which are the partners with which you collaborate? What are the resources they bring to your company?*

The future

14. *What are, according to you, your brand's strengths? And weaknesses?*

Interview n°1: SBBruce

Interviewer: *How the idea of founding a start-up was born?*

Antonio: The key words are *urban* and *streetstyle*.

We have a common passion for what the streetstyle represents, in terms of real lifestyle, we feel it. The roots of this style are American; it involves a common background of people who came from, or grew up in, *the streets,* of artists, who felt a deep need of *expression*, through art, music, way to dress up.

Interviewer: *What kind of investments did you make to open your business?*

Antonio: For our business we have always counted on our own investments, with the future intention to be able to access to PMI State's or European's funds. That is for sure one of our short-term objectives.

Interviewer: *Who is your customer?*

Antonio: We speak to people like us. Since we are three men, it was easier for us to start designing for a male client, coming from the urban reality, from the hip hop and trap environment, graffiti lovers, or who came from the skate world; all creative people who love to be *different* and *original*.

We are recently designing and selling few female pieces too, because we have planned to expand our target to women.

We have two different customer targets for what it concerns the age and consequently the sizes.

In north Italy we attract customers from 22 to 30 years old and we sell more L and XL;

in South Italy, instead, from 13 to 22, are preferred S and M sizes.

Interviewer: *What type of need are you satisfying for your customer?*

Antonio: Our customers are creative people who love to be different and original, in what they do and in how they appear. We create a lot of limited editions and extravagant outfits for them. Another strength of our brand is the made in Italy; we try always to improve the quality of our products, which are all handmade and original, satisfying so, both the need to be different from others, and to show a precious outfit.

Interviewer: *Why a customer should prefer your brand to competitors? What is your added value?*

Antonio: In the price range in which we compete the quality usually is not very high.

We sell pieces at the same price of industrial brands', but our clothes are handmade, and our row materials are made and processed in Italy.
One of our objectives is to maintain the same prices trying to improve the quality even more.

Interviewer: *How do you reach your customers? What distribution channels do you use?*
Antonio: The channels we use the most are the social media, since we grew up in a reality in which the most effective way to reach brand awareness is on platform like Instagram, in which people spend most of their time on. Connected to our Instagram page there is our web site, sbbruce.bigcartel.com, through the big cartel platform, which is an e-commerce site that help businesses to create sites.
We sell also in 5 retail multi-brands stores, placed in Milan, Salerno and Saronno.
We have recently open up a show room, in Milan, in which we exposed our pieces and organized events to launch new collections.

Interviewer: *What types of customer relationship did you build with your customers? And what after-sale services do you offer?*
Antonio: We tried to build a trust relationship with our customers.
Since people usually trust more physical shops than e-commerce, especially for size problems and because the quality cannot be verified though pictures, we decided to provide free shipping and returns for all customers throughout Italy and to be more flexible in regard to changing of sizes.
Customers can find in our web site a section called contact, in which he can write an email explaining the problem and we tried to answer personally and fix the problem as soon as possible.

Interviewer: *How many collections do you usually produce per year? How many pieces? Are they pieces that customers can order at every time, limited editions, or both?*
Antonio: We produce two collections per year, autumn/winter and spring/summer. We have some standard collections, with pieces like t-shirts or polos, that we produce, on request, at every time, and then we have drop collections which are limited both in pieces and sizes. Usually we order a minimum of 20 pieces for item of clothing, but we produce more if the demand is higher.

Interviewer: *What are and from where your revenue stream came from?*
Antonio: We do not gain very much at the moment. Prices are doubled with respect to costs. We think that is one of our strength's points the quality/price ratio, and we want to focus on raising the number of sales. We sell mainly online, though resellers we have chosen to give our collections on consignment, with a percentile of 80%/20%.

Interviewer: *What is your cost structure? Which resources and activities are more expensive?*
Antonio: The reason why we are able to charge medium prices and high quality is that our production costs are low. We spend money in advertisement, social and website management, and distribution, since we provide free shipping.

Interviewer: *What are the essential resources that you own?*
Antonio: 2 out of 3 founders are designers. They came from very different background, one of them is a street artist, the other came from the academy. This difference is definitely a plus point because it gives us two different point of view. I will take care of the most rationale part, to the organization and the logistics of the business.
We own an embroidery, and since we produce a lot of embroidered items, it is a huge strength because it gives to us the opportunity to lower costs.
The relationship with partners is an important resource too, in particular from the production side.

Interviewer: *What key activities do your value proposition require?*
Antonio: We focus on the management of the site and the social media and on designing; on running the embroidery and handle with other partners for production and distribution.

Interviewer: *Which are the partners with which you collaborate? What are the resources they bring to your company?*
Antonio: We collaborate to all of our collections with "confezioni di Annunziata Luigi" for what concern the production side.
In years we collaborate with different artists from the music and the entertainment industries with personalized items made just for them; rappers, singers, athletes and also Instagram models which promotes our products to increase our brand awareness. We sponsor for clubs like Drop in Milan, in Varese and some clubs in south Italy, and we had a stand in the Roma web festival.

Interviewer: *What are, according to you, your brand's strengths? And weaknesses?*
Antonio: For sure we believe in the freshness and in the originality of the collections that we propose. The made in Italy gives us the opportunity to communicate the quality of our brand; people are surprised to see how carefully our clothes are refined and personalized.
On the other hand, we need to work more on communication; we need to improve our media coverage, to invest more in advertisement and marketing, so to improve awareness of the brand.

Interview n°2: Rifò

Interviewer: *How the idea of founding a start-up was born?*

Niccolò: The idea was born after a work experience I did in Vietnam.

I saw with my own eyes how the overproduction in the fashion industry is a concrete and huge problem. The streets of Hanoi are full of Made in Vietnam shops which sells clothes homemade produced, that had been sent back after being exported to the West and not being sold. The unsold articles are usually sent back to the original production countries because, instead, they would have lowered the occidental market prices. If they remain unsold these articles are dumped in the junkyard and burned. In the textile industry it is produced way more than what is the real demand. After that it came to my mind that I could take back a tradition of my hometown, Prato, of taking unsold and dumped clothes and regenerate them to create something new. This process definitely creates value in the market.

Interviewer: *What kind of investments did you make to open your business?*

Niccolò: Initially it took me 15,000€ to start the business, after which we won the Nana Bianca's Hubble acceleration program, that gave us another 50,000€.

Interviewer: *Who is your customer?*

Niccolò: Women, from 25 to 45 years old, who are interested in sustainability, who love to travel and to meet other cultures. They often have a higher education level.

Interviewer: *What type of need are you satisfying for your customer?*

Niccolò: The want to dress ethically without harming our planet, without wasting resources, because they are limited.

Interviewer: *Why a customer should prefer your brand to competitors? What is your added value?*

Niccolò: The consumer should choose Rifò for his values and for his quality. We do not only make an ethical and sustainable product but also of high quality; people are surprised when they touch our cashmere hats, they cannot distinguish them from those virgins!

Interviewer: *How do you reach your customers? What distribution channels do you use?*

Niccolò: We mainly sell via web site, resellers and social media, we raise awareness campaigns to communicate our values.

Interviewer: *What types of customer relationship did you build with your customers? And what after-sale services do you offer?*

Niccolò: The customer is our friend, is part of our family, without him we do not exist.

We are always available 365 days, 24 hours per day for him.

Interviewer: *How many collections do you usually produce per year? How many pieces? Are they pieces that customers can order at every time, limited editions, or both?*

Niccolò: We produce 2 collections, one for the winter season and one for the summers.

We produce as many pieces as our customers demand, but generally not many in the first production, if an item is appreciated and requests, we produce it again.

We do not want to create overproduction. There are items that the customer can order at any time and limited-edition ones.

Interviewer: *What are and from where your revenues stream came from?*

Niccolò: Revenues come from by selling on our e-commerce, in our shop and by re-sellers; how much it depends on the quantities sold in that month.

Interviewer: *What is your cost structure? Which resources and activities are more expensive?*

Niccolò: The production costs are the highest, then it comes the communication and the logistic and operation expenses.

Interviewer: *What are the essential resources that you own?*

Niccolò: The strong and very closed collaboration we have with our suppliers is definitely the greatest resource, and the website too, since we are an e-commerce company.

Interviewer: *What key activities do your value proposition require?*

Niccolò: A continuous maintenance of the web site and social media pages, and to grow relationships with partners.

Interviewer: *Which are the partners with which you collaborate? What are the resources they bring to your company?*

Niccolò: The "cenciaioli", which are folkloristic characters from Siena, take care of the key process of turning old chiefs into new garments, they are our producers.

Interviewer: *What are, according to you, your brand's strengths? And weaknesses?*
Niccolò: The strengths are the competitiveness on the prices in the market and the high quality; the message we want to transmit is very strong, I think that a customer who choose to buy from us feel a sense of belonging in the same ideals that we share.
We should improve instead on the presence in the market, in particular in German, France and Canada, where we are still small in comparison to other competitors.

Interview n°3: DressYouCan

Interviewer: *How the idea of founding a start-up was born?*
Caterina: In January 2014 during a trip in Marocco, me and some friends of mine, annoyed by a bad weather, and with very few things to do, we decided to go shopping in boutiques of Medina.
We were snooping and contracting, once we saw a unique-piece, beautiful leather jacket, which fitted incredibly well on all of us.
It immediately came to my mind that, since our friendship was more important that a jacket, why can't we create a shared closet, so that each of us can wear it whenever she wants?
DressYouCan, therefore, was born from a personal necessity, of satisfying the woman's common need of having more clothes than she actually needs, and wears; despite this, we feel the impetus and the belief that our dresses are never enough, and we want to buy more and more clothes, even if some of them will remain forever in our closet with the price tag attached.
An "Infinite Wardrobe" shared between women, where to take clothes only as needed, to satisfy a curiosity, to go to a special and unique event, and store them, after being used.
According to a survey we conduct at the beginning of our path, we know that

- the 80% of a woman wardrobe is not worn regularly.
- On average, every woman spends 95€ on unused clothing every year.
- More than 50% of a woman's wardrobe was worn only once, because many clothes were bought by impulse or they did not follow the trends anymore or are of the wrong size.
- 46% of women have at least one item of clothing in their wardrobe that is never used or even labelled.

As Virginia Wolf said "Vain trifles as they seem, clothes have, they say, more important offices than to merely keep us warm. They change our view of the world and the world's view of us."

“The idea of our startup is the exact opposite of low-cost fashion: points to quality and makes classy clothing affordable for everyone with affordable prices and with a very simple online and offline rental system that is enjoying great success” explains Caterina Maestro.

Interviewer: *What kind of investments did you make to open your business?*
Caterina: We made personal investments, at the beginnings, together with the second majority shareholder Gloria Contrafatto, but for an activity like ours, the most important things are the collaborations with the brands; in doing this my co-worker Elena was essential, thanks to her expertise in the fashion sector.

Interviewer: *Who is your customer?*
Caterina: DressYouCan is not aimed only at fashion victims who choose the rental as an alternative means to access dresses that they could not otherwise afford, but also to modern women who have many occasions to show off unique and always different clothes and who, in doing so, they prefer the practicality of a thoughtless supply model.
The target audience of DressYouCan is exclusively female, of a age range mainly between 18 and 50 years, with good/excellent spending capacity, which prefers, to diktat and fashion trends, fit, comfort and variety (so much so that, especially in the 18-28 range, it finds in the subscription of monthly cards that give access to a varied catalog of clothes and accessories ample and varied form of fashion enjoyment most congenial).

Interviewer: *What type of need are you satisfying for your customer?*
Caterina: As an alternative to buying, the rental of clothing has indirectly offered a solution to the overwhelming production of clothing, enabling people to have a more sustainable approach in step with fashion trends, representing a winning alternative for both women and the environment because, if, on the one hand, it allows the use of a luxury and high quality item at a fraction of its value, on the other hand drastically eliminates the problem of waste at its root by imposing an increasingly strict limit on the production of clothing (one piece of clothing, shared, satisfies multiple users).
Nearly half of the customers become our recurrent consumer and 38% of the members of DressYouCan have already reported to buy less clothes.
The result is so promising that we hope for a twofold success: to help the environment and eliminate the buyer’s remorse in one fell swoop.

Interviewer: *Why a customer should prefer your brand to competitors? What is your added value?*
Caterina: From the point of view of the user, DressYouCan in a certain sense revolutionizes the very concept of fashion: the heart of the experience is no longer the brand, but the individual customer, who passes from target to focus of the rental core business.
This is why, unlike all competitor, the marketing (customer and not product at the center), the selection of the product catalogue (not necessarily only the must have of the latest fashion shows or top designers) and the mission (allowing each woman to choose her own style without any diktat) are not oriented to make the user a fashion product of the moment, but to make the fashion of the moment a product in the hands of the consumer depending on his wants in that moment.
What is the real innovation is the creation of the first really Infinite Wardrobe.
It's a new chapter for fashion: the Airbnb chapter of wardrobes, accessible from every point of view: economic, physical and ideological, where to rent your clothes (and thus optimize your capital), hire clothes from the catalog (take advantage of shared resources) and help make the approach to fashion more sustainable.
DressYouCan, in fact, is the first renting company in which a woman can also rent their own clothes and make them available to other women, monetizing her wardrobe and contributing with her taste to the definition of seasonal trends according to her preferences and fit.
A wardrobe that also opens the doors to the emerging talents of design (about 50% of the catalogue) and the unparalleled taste of all the targets of style and age.

Interviewer: *How do you reach your customers? What distribution channels do you use?*
Caterina: The infinite wardrobe is our main way to reach our customers. We opened a showroom in Milan few years ago.

Interviewer: *What types of customer relationship did you build with your customers? And what after-sale services do you offer?*
Caterina: We believe in the co-creation of value; our customers exchange information in our community through reviews, photos and comments of past experiences.
In the showroom we provide for several additional services, because with us "customer should feel assisted like a star". Each woman who came to visit us can reserve a dressing room and be assisted to choose the perfect outfit and have styling and make up consultancy services.

Interviewer: *What are and from where your revenues stream came from?*

Caterina: They came from the purchases of the clothes, from the extra services and from the subscriptions.

Interviewer: *What is your cost structure? Which resources and activities are more expensive?*
Caterina: To maintain and improve the web site, and the showroom are the activities in which we spend more money.

Interviewer: *What are the essential resources that you own?*
Caterina: The collaboration with our partners is essential, together with our human resources.
Each of the shareholders has its own role and is fundamental for the company.
Ad example, Gloria Contrafatto is the showroom manager and deus ex machina behind the satisfaction of our customers.

Interviewer: *What key activities do your value proposition require?*
Caterina: Maintenance of the web site, and of the showroom; we do everything we can to make the experience unique and special for our customers, to follow the community suggestions and grow even more.

Interviewer: *Which are the partners with which you collaborate? What are the resources they bring to your company?*
Caterina: Both famous brand like Elisabetta Franchi, Manolo Blahnik, Alexander Mcqueen, Dior, Dolce&Gabbana, Gucci, Giorgio Armani, Givenchy, Versace, and new luxury designers. For the deliveries in Milan we collaborate with TakeMyThing, an eco-friendly pony sharing service that allows to reduce CO2 emissions.

Interviewer: *What are, according to you, your brand's strengths? And weaknesses?*

Caterina: DressYouCan provides an innovative and concrete answer to the important challenges posed by the world of fashion to modern society: acceleration of the rhythms of fashion and textile waste, fast fashion brand and overproduction, high quality products and convenience, social networks and bloggers and life expectancy of the product, emerging designers and fashion victims, shopping compulsive and economic crisis, multiplication of opportunities but coincidence of social contexts. Through the rental DressYouCan offers much more than the recurrent access, unconditional and convenient to the closet of their dreams: it fulfills the dream of every woman, who at 15 as at 55 wants to feel beautiful and confident with a special outfit for special occasions, without having to feel guilty about wearing that expensive dress only once and then close it in the wardrobe; at the same time every woman can gain from making her wardrobe available to other users, contributing to the inexhaustible increase of the catalogue itself.

We are working for "converting" every woman to the use and not to the possession of fashion, creating a "wardrobe airbnb".

For the future, we are confident in a vertical increase in partnerships with new brands and retailers. DressYouCan is a very powerful marketing channel for the fashion industry: for emerging designers it is the ideal tool to show, promote and distribute their creations without incurring fixed costs; for International brands and retailers, it is a means to reverse the trend towards the commercialization of labels, test innovative product lines dynamically, acquire and retain new market segments.

Our plan for the future is definitely to conquer the national market, then to expand to the international market, strong of the advantages linked to the quality, taste and creativity of Made in Italy, enhancing in particular research, collaboration, and, why not, incubation and promotion of brands still unknown and/or little known on the national market.
I think that we need to work, next to an incremental enhancement of the web platform, on a natural implementation of the logistic structure, with opening of showrooms in other strategic cities of the national territory.