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WHY LUXURY FIRMS ARE FAMILY FIRMS?

RATIONALES ANALYSIS AND APPLICATION TO BRUNELLO CUCINELLI SpA

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INTRODUCTION

The intent of this script is to examine why in the luxury context there are so many predominant and successful family firms.

With this work, I tried to combine the topics, my academic path has brought me to love the most, the Luxury industry and the Family Businesses reality. This thesis is made up of four chapters, and each of these has the aim of analyzing a different aspect of the discussion.

What one person considers a luxury, may not be so for another. *Luxury is a multi-faceted concept: to someone luxury can also mean spending a whole day reading a book.*

The conceit has so many declinations and faces, although its essence remains the same; excessive, extravagant, elitist and eternal, notwithstanding the product category, it has different traits.

What we will focus on, in the *First Chapter*, is to proper define, what are the key ingredients that a luxury brand has to include, to build a coherent system of excellence, exclusivity, intended to a global recognition; considering each aspect of the brand, of the consumers they refer to and of the macro trends recently shaping the industry.

The worldwide luxury environment is made up of nine segments and unique elements that shape the brand as a luxury one; we will consider individually each element, to be able to construct the Luxury Pyramid, and differentiate in the market between Supreme, Aspirational or Accessible luxury. As we will see, each segment has different strategies and refers to different customer and competition is all along the pyramid; it happens also that, a specific brand has several offers competing themselves. Then, luxury clientele will be analyzed, taking into considerations their latest segmentation, behaviors and aptitudes, and what influence them in the purchasing process, the so-called *Consumption Theories.*

In the *Second Chapter*, Family Business are introduced and analyzed in their essence and within the Luxury Industry.

Family business model is the leading one in profitmaking globally. It is a worldwide phenomenon. In Europe, 60% out of the businesses are family one, in the United States reached the 80%.

In the first part of the chapter, we will emphasized the essential elements in a Family firm, starting with a literature review on the definition of Family Business, to find what businesses should have in common to be defined as Family Ones, and then beginning with the exploration of what is really differentiating here, so the Familiness conceit. With reference to this point, we will see through the chapter, how family-owned firms, operate mainly with a hard luxury approach and emphasizing in communication the role of the family, *i.e.* Patek Philippe, using the motto "value of a family watch company". Although the above large-sized family businesses are important, the economic strength of the luxury context is also belonging to medium-sized family businesses, which have artisan characteristics.

The analysis of *Deloitte Global Power of Luxury Goods 2019*, matched with the *Interbrand 2019 Ranking*, will be crucial for us to establish the actual number of powerful family firms in the luxury industry; in fact, among the 100 companies ranked by Deloitte, we kept only the family-managed ones, this is intended to really evaluate and quantify the relevance of the family business phenomenon in the luxury environment.

Chapter Three submits the focus of the script, by introducing the literature on what our research is based on, that principally comprehend early *2000* family businesses studies by Miller and Le Breton Miller. The two scholars had taken into account for their studies, both performing and non-performing businesses, 46 belonging to the first category and 24 belonging to the last one, by considering and evaluating each company's strategy, system organigram, vision and main concerns. There were recognized four leading significances; significances that comprehend in their nature, both advantages, but also weaknesses, they have called "the 4 Cs": *continuity, community, connections* and *command*.

Final purpose of this work, is to evaluate if luxury family firms exploit and manage these four significances, mixing them all inside the company strategy. Throughout the entire script, these characteristics will be highlighted, to finally converge in the application of this model to the luxury business of Brunello Cucinelli, in which we have been able to appreciate the special strengths of the family ownership and what really is the symbolic capital of a luxury firm. The final chapter, in this way, made up on the analysis of Brunello Cucinelli S.p.A. reality, that starts from an outside investigation that is validated by a detailed interview, questioned to Brunello Cucinelli co-workers, about these four significances.

CHAPTER ONE: THE LUXURY INDUSTRY CONTEXT

1. Luxury Industry Overview

The luxury brand, more than any other kind, reflects the existence of an internal project. Its purpose is not just to meet some requirement, but also to convey a creative intent.[1]

An economist, contrariwise, would define luxury as an item for which demand increases disproportionally compared to income; he will add that some items have price convexity, because desire of purchasing rises with price. A McKinsey luxury analyst would define a luxury brand as a brand which is constantly able to justify a high price, meaningfully higher than product having comparable tangible functions.

A further perspective would be also given when taking into consideration the key ingredients that a luxury brand can include, here the ones provided by Dean Witter of Morgan Stanley[2]: *Exclusivity, Global Recognition, Critical Mass, Core Competence, Product Quality and Innovation, Powerful Advertising, Immaculate Store Presentation, Superb Customer Service*[3], that today we would transform as Superb Customer *Experience*.

Though, even if the global luxury environment continuously evolve through the years, and categories are constantly added, today we can state a nine segment market, as in *Figure 1.1* below, that includes: Personal Luxury Good, Luxury Cars, Luxury Hospitality, Fine Wines and Spirits, Gourmet Food and Fine Dining, Fine Art, High End Furniture, Private Jets and Yachts and Luxury Cruises.

Showing the wide variety of any product, service or *experience*, the market has embraced that are nonetheless components of a luxurious lifestyle. A luxurious lifestyle that now supports the individual singular image rather than the old-fashioned social one. The ultimate trend setting methodology, is discreet, difficult to pinpoint, demonstrating self-reliance and character rather than wealth and fortune. The long-lasting concepts of the superfluous and unneeded, the desire for social status and acknowledgment, have been replaced by the need for voicing and identifying oneself, by enjoying and being and less about displaying and owning.

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[1] Kapferer, (1997). Journal of Brand Management, Vol 4 No 4, pp 251-260.
[2] Kent et al.
[3] Birtwistle, Moore and Bruce, (2007). *International Retail Marketing: A Case Study Approach*, Elsevier.

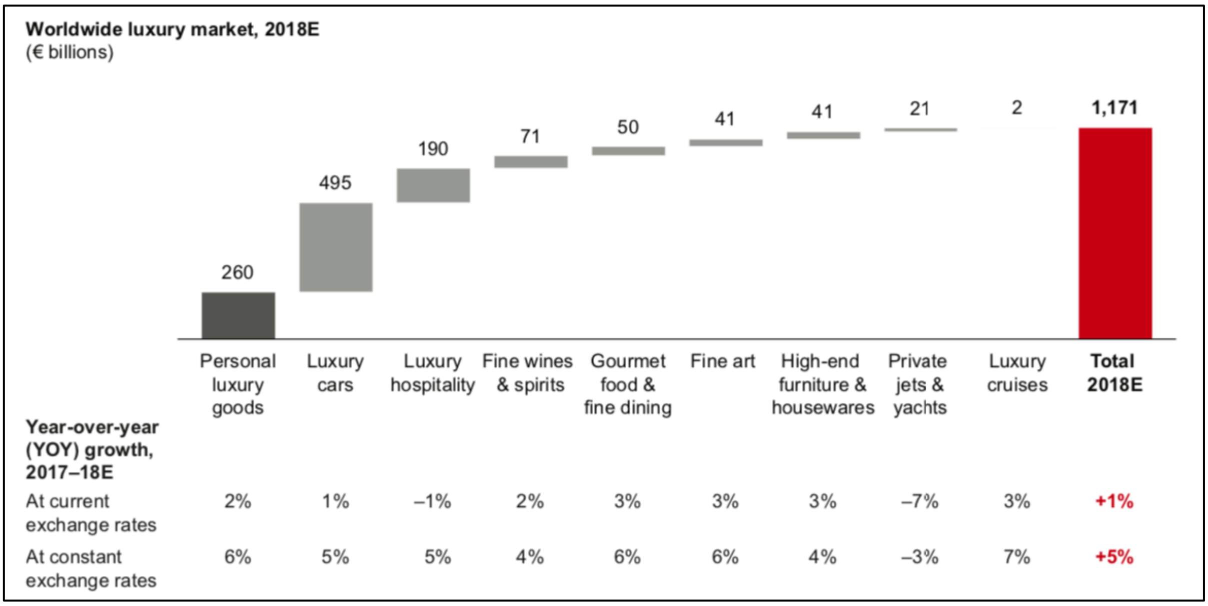


Figure 1.1: *The Global Luxury Market Growth 2018*, Bain & Company.

The luxurious lifestyle that has several typical meanings among crowds and when it comes to be studied, due to its multidimensionality, its characteristics have to be separated and treated otherwise. Highly subjective principles should be taken for granted, like *high price* resulting from *high quality*, *heritage* and *tradition*, *scarcity* and *aesthetic value*, *excellence* and *durability*. All these characteristics should be looked considering at least concerning two dimensions: age and market[4].

Age is indeed relevant, especially when it matched with nationality, because it represents the main source for segmentation. The youngest are insistently observed because of their solid concentration and implication for the market, and their need to a personalized customer experience that impeccably should integrate and engage both online and offline platforms.

Actually, Millennials are predicted to account for the 50% of the personal luxury market by 2025, expecting a market growth of 130% by 2025. Contrasting Baby Boomers, these clients are anticipated to link with brands transversely a variety of digital boards, rather than merely through old-fashioned channels. Crucial for their customer journey is also the in-store shopping, from which they demand and presume an upper, refined, sophisticated experience. Brands should pursue the flexibility of their corporate models to assemble this request by offering peculiar services like loyalty programs and invitations to private events. Supplementary, brands are strengthening traditional attributes such as quality and unicity with lifestyle and ethics, embracing a more sustainable, recycled and zero

[4] B. Dubois, G. Laurent, S. Czellar, (2001). *Consumer Rapport to Luxury: Analyzing Complex And Ambivalent Attitudes*; HEC.

emissions standard. Luxury brands recently, have started to emphasize their highly renewable approaches, starting from accurately selected materials, to the consequent overcommunication and accentuation of these energies into the diminish of the environmental effect of their production practices.

The retail networking practices, and the supply chain ones are spreading for the luxury industry globally. Although habitually the industry has operated on a West basis, figuring out the market has it real relevant one, and diminishing its work towards the rest of the world, the hottest trends feature the growing prominence of regions like Asia and Middle East. A well persistent and fresh demand for luxury goods there, was possible also due to the escalating opulence in these emerging markets and the control mechanism over the black market, but also asked for a need to support and accomplish investments on the digital side. Connectivity, mobile-based consumers and consistent models have been the key components of the personal luxury industry today. Observers state that major fluctuations in these regions arose due to groundbreaking retail concepts and business models, supply chain management, industrial improvement and international speculation, combined to growing sales.

2. Luxury Unique Elements

Overseeing luxury, means handling complex, specialized areas of craftsmanship combined with overseeing the consequential managerial and amenability burden[5].

Instances of newest implemented strategies by these brands have included the change of the selection arrangement to increase scarcity, like the reduction of the number of entry-level products, to build a general higher priced portfolio; the increase of physical distance of “discount” outlets from the city high-end, luxurious streets flagship stores; the re-orientation of insights with the intention to put the emphasis on iconic products to help maintain their sensation of esteem, have become Luxury brands major attentions.

Although the essence of luxury remains the same; excessive, extravagant, elitist and eternal, notwithstanding the product category, it has distinguished traits. We would define the luxury brand as a *coherent system of excellence*, and contemplating this approach, luxury results as a balanced system of attributes and beliefs that can be summarized as in the *Figure 1.2* below.

[5] E. Corbellini, S. Saviolo, (2009). *Managing Luxury and Fashion Companies*, Rizzoli ETAS.

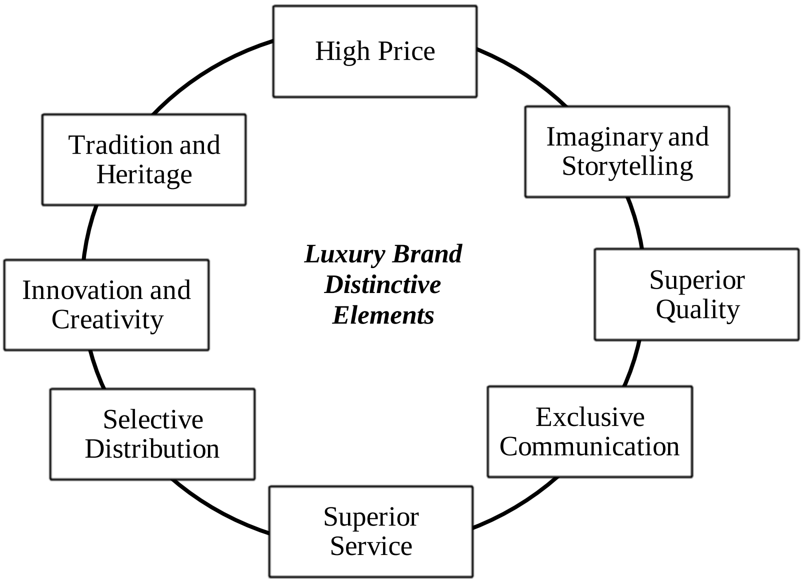


Figure 1.2: Personal elaboration, *Luxury Brand Distinctive Elements.*

Examined in detail:

High price. Pricing is crucial for the branding process. A dream nurtures desire, but a desire that can be easily satisfied, carries no dream. In a system of excessive production, distribution and media hysteria around the majority of products, luxury brands, contrariwise, are those able to produce, distribute and communicate less than what the market demands. Luxury is what is hard to achieve, what requires effort and struggle to overcome the common.

Prestigious companies are those companies whose index of functionality utility to price is little, meanwhile their index of intangible utility to price is big. That results funds that the price of luxury products is significantly higher than the price of comparable products with analogous tangible qualities, but these tallest intangible qualities and features belonging only to luxury goods can justify the high price. The brands we are studying have customarily embraced, to accentuate the brand forte and to distinguish from the lowest fashion segments, the premium pricing tactic, upper excellence and exclusiveness.

Here, target customers, essentially suppose a higher price to be paid for those goods and are less concerned about the price, so they also think these brands merit a price boost rather than to be economically priced[6].

Tradition and innovation. A luxury brand sets its own rules and does not follow fashion or consumer demand. The brand fashions a strong, flawless culture, where attention to details and a clear vision

[6] U. Okonkwo, (2007). *Luxury Fashion Branding: Trends, Tactics, Techniques*, Palgrave McMillan.

are crucial. The brand is able to show an aptitude for leadership, where uniqueness and extraordinariness are brought together by the work of artisans and the creative thinking. Moreover, the history and tradition of the *maison*, the artisan elements, are vital, brands are increasingly making customers aware and sensitive about their production processes and materials accurate selection. The *Hermès Behind the Scenes* travelling exhibition, for example, tells the story of the legendary label, showing the craftmanship behind saddlery, watchmaking or pottery painting. The brand, here, has perfectly challenged its clients, their responsiveness, understanding and acumen, making them feel involved and amused while creating a product-conscious and perfectly informed customer.

Imaginary. Desirable and exciting, it is the dreamy factor. A notable creator, artisan skills, remarkable logos, heritage, mysteries and myth are combined to create an aura of attractiveness. Today, the puzzling challenge is to convey and translate all these elements into the point of sale. The point of sale is no longer merely assumed as the physical place where the buying takes place, but it now undertakes such an important role as a real relational platform, efficient to link the brand values to its consumers. It should be a unique and unprecedented place, where the customer can enjoy the experience of consumption, absorb values, arouse in him moving feelings, prolong his stay, become a place for amusement and engage, built the relationship, so a point of permanence.

The store's atmosphere[7], like the smells and the sounds, the welcome, for instance, are some of the most significant strategic variables, highly investigated recently because of their impact on purchase.

Superior quality. Quality, craftsmanship and creativity, are obviously the reasons that distinguish luxury companies from the rest. The union between the very strong artisan skills and the solid creative tradition of Made in concept, moreover, the elements that over the years have progressed connected the product to the origins, developing clusters (like the artisanal shoe making one in Marche region), allow the protection and the promotion of a legacy from the past that is reconfirmed more and more as a priceless heritage and strategic value for the future.

Brands have to offer beyond-standard quality, continuously raising the bar on traceability, raw materials and processes. In this perspective, the maison has to continue to invest in recovering the tradition and reworking its own heritage, features that have made the stylistic history of each brand in the past, are today increasingly re-emerging in the luxury brand collections.

[7] Kotler defines the atmosphere as "that set of environmental stimuli that, looking for a specific emotional effect on the consumer, increase the likelihood of buying.

Selective distribution. Distribution positioning is crucial. A recent debate has been brought to life from the newest challenges and contradictions that have transpired since the fresh maturity of the luxury in the late nineties. This maturity and consolidation of big companies into conglomerates such as LVMH, Estée Lauder and Richemont. Those top three luxury powerhouses for example, have conveyed double-digit profits every year for the past five years, underwriting an enlargement of Personal luxury that reached 330 B€ in 2018[8]. Exclusive and elitist, in a market where everything is accessible everywhere, inaccessibility creates desire.
Companies having straight control over distribution, by managing the retail channel, have full control of their entire retail environment and of prices selected to retail clientele. The most suitable channel for distribution of luxury goods is the DOS, directly owned store, both for the offline and the online, because it establishes the brand desire of exclusivity and flawlessly personalized distribution through the uninterrupted control and prestige through brand image projection.
Licensing contrariwise, is commonly bad news for luxury brands in terms of quality and distribution, due to the lack of impersonal management control. For real luxury companies like Dior or Chanel, licensing could bring several inconveniencies. A brand, of this kind, has to grow and build its exclusive vending proposition. This resulted lately, at the beginning of the decade, as the reason why several luxury companies such as Yves Saint Laurent and Gucci have started the buying back of their over-used licenses practices from third parties.

Exclusive communication. Models, brand ambassadors, photographers, maxi-billboards, glossy magazines, are not enough if not always combined with work on the exclusivity frontage. Sarcastically, and this is a discernable paradox for the luxury industry, to sell the most highly levered goods and services, no communication is frequently the most successful method of communication. Traditionally, uniqueness, status and flawless service, holding distance between themselves and their customers is what examined businesses have based their identity on, in terms of communication[9]. Nevertheless, recently, they have been obliged to engage with the audience differently, with interactions and customization, *i.e.* social media, previously seen as mass market tools, that now are their most challenging issues to face out, without bargaining their prestigious brand values.

[8] Deloitte, (2019). *Global Powers of Luxury Goods* 2019.
[9] Greenwood, (2013). *Fashion Marketing Communications*, John Wiley & Sons.

3. The Luxury Pyramid

This is an industry entirely built on human expertise.

Craftsmanship is crucial in differentiating the industry between fashion and luxury, and its several segmentations. These two conceptions are habitually misunderstood. Luxury is iconicity, prestige and symbolism, it cannot be commercialized easily, it can seldom benefit from economies of scale or moreover it could never be traded to low-cost countries to shrink weights on the cost side.

The concept also pertains to hyper-exclusive, super-expensive goods and services that are unfamiliar to the broad community. In some circumstances, it assumes different connotations, so conveys to a more appropriate and exhaustive pyramidal segmentation of the market, compared to the fashion-luxury unpretentious one. Supreme, Aspirational or Accessible luxury make up the Luxury Pyramid, (*i.e.* sandals by Jimmy Choo vs. sneakers by Hogan).

Unique luxury businesses race also with themselves, with a portion of their portfolio, in the more accessible segment, for example by selling the so-called entry-level products, like fragrances or keychains, that contemporary preserve status, recognizability in terms of codes and communication. But how much as the accessible offering expands, the brand and its products are repositioned, requiring ensuring that the dreamy feature is still untouched.

The study of the description of a luxury brand may not be finalized without postulating the type of proposal to encounter the luxurious essentials. Thus, it is correct to place the dissimilar acceptances of luxury into the appropriate dissimilar classes, relatively to the affordability of the offer. This analysis has led to the partition of categories as shown in *Figure 1.3*.

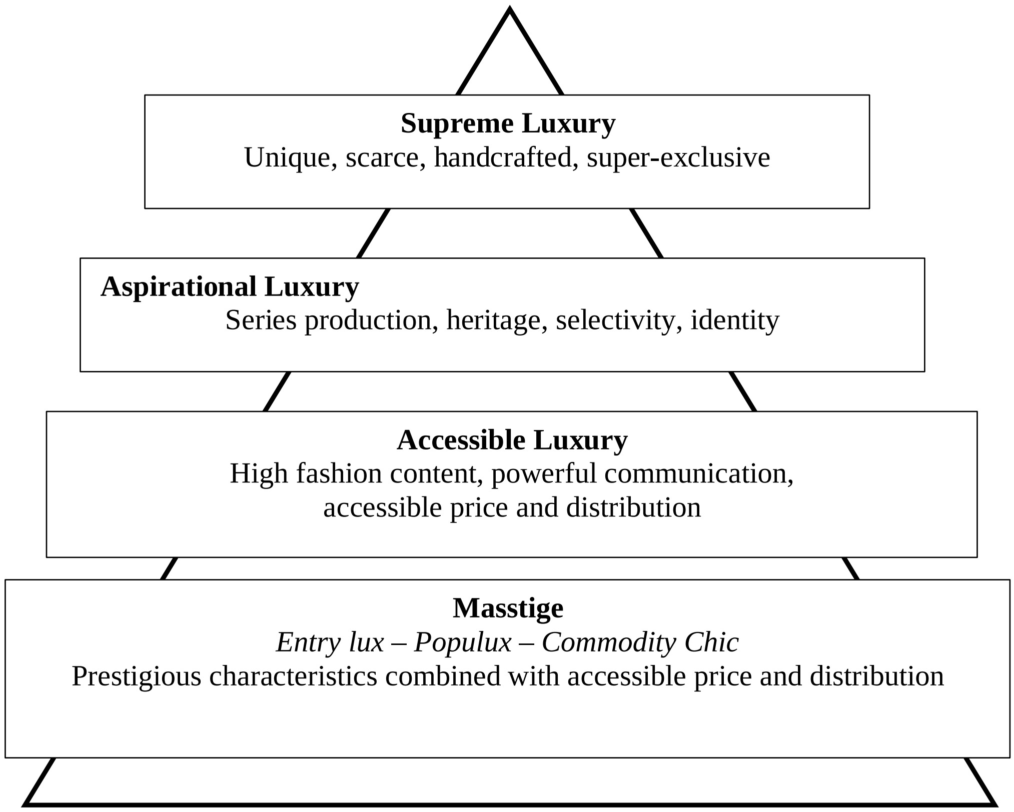


Figure 1.3: Personal elaboration, *The Luxury Pyramid*.

Supreme luxury labels the uncompromised luxury, limited, elitist, where the company does not show, sell, display the offer, it is unwrapped. That category of luxury goods it is intended to whom have what is called *argent de poche*, High Net Worth Individuals, they have disposability, they are ready to spend, they are eager to spend on unique fashionable products; goods of exceptional materials, creativeness, affordable to chosen few. Unique pieces, capsules, limited-editions, luxury beyond imagination, is always handmade, handcrafted, in the majority of the cases made-to-order; the dream that is achieved by the creation of unique models, combinations of aesthetic selections for example colors or materials. These characteristics make a brand unique in the eyes of the consumer and whatever the case, it is not for everyone, as per the case of the Hermes Birkin bag, totally handmade, unique leather, precious materials, no need for product advertising, massive prices and a waiting list to be joined.

Aspirational luxury is the major noticeable consequence of the new democratization[10] of luxury. The status of owing something from that specific brand is declared, buyers are allured by a reasonable

[10] The increasing wealth of consumers, strengthening of the middle class and the emergence of new markets cause that on the luxury goods market we can observe a new trend called the democratization of luxury (or the new luxury) and the emergence of the new consumers of luxury goods. On the one hand, the democratization of luxury is a chance for the less affluent consumers to "taste" luxury. But on the other hand, the problem is whether the goods in this category are still luxury goods. K. Plażyk, (2015) *The democratization of luxury, a new form of luxury.*

high quality plus a solid aesthetic content, but at more reasonable prices, compared to the previously analyzed segment, here buyers are declaring their luxurious status but even without the need to buy an expensive haute couture dress. It generates the perception of belonging to a clear and undeniable elitist community, hereafter the product or service is mainly a tool for social empowerment, even if it hasn't an excessive price. Belonging to the category are those products which, as far as style and brand are concerned, have characteristics common to the upper category, like the outstanding feature, the scarcity and the selective supply, but these product manufactures are based on wider scale business models. Prêt-à-porter, perfumes and leather goods, are actually, intended for stimulate buying from customers who are exceptionally sympathetic to the company, simultaneously incapable or unwilling to expend disproportionate amount of capital, but still willing to do financial detriments to possesses a stylish product that fits and communicate the belonging to that elitist class.

Affordable luxury. The category is made up of those goods considered not so standardized, qualitatively sought after, trendy, well-designed, performing, emotionally involving. Obtained at non-prohibitive prices, or that do not oblige the buyers to an extortionate economic effort. This segment thus includes mass-produced, largely distributed goods, that nonetheless have a fashionable, remarkable stylistic content. They are sold at a price that is smaller if it is related to the excellences of the whole category; however, they are proposed to the public at higher prices parallel to the other typical products in the same category. These products have a strong prestigious aptitude, although, at the same time, they are produced at lower unit price that makes them accessible also to the average customer; credits to the standardized production procedures and the exploitation of economies of scale, brands are bright to succeed in the production of extraordinary capacities and moderate the final price. This enlarged manufacture process, for example, has ran to an expansion of the assortment of the offered products; brands following an expansion through the trading-down strategy, are proposing entire product lines aimed and thought to a wider market population, less concerned about the quality standards, but very sensitive to the brand.

While the super-rich are breaking the early decade consumption patterns to demonstrate their personality, overspending and paying premium price while mixing with skimping and discount prices (H&M with Celine, Ferretti Yacht with Zara Home). The middle range is starting its withdrawal because their consumption is moving or to the high-end or the mass, from one point of view, historical luxury companies have started trading down, spreading their portfolio propose leading to the inclusion of a broader audience of clients, for instance with goods priced and thought to have greater approachability. From another point of view, the opposite is happening. The mass segment has proved to be capable of appropriate trading-up practices; fundamentally founded around the intention, the communication, and the marketing settings of luxury goods. To maximize growing opportunities, sector managers are supplementary segmenting the offer, within the same brand, into three different categories, the concepts of supreme, aspirational and accessible luxury that we will analyzed after in the chapter.

The masstige[11] strategy, offers mutual opportunities to luxury brands and retail chains. For the former is predominantly about seducing a clientele which is out of their characteristic one (due to the lower purchasing power), though, it is concerned about the brand symbols, values and fashion, and that strategy makes the brand visible and accessible in their minds.[12]

However, also in the context of *masstige*, three are the major categories detected: *Entry lux*, that entails the lowest-standardized-priced models of manufacturing or lines, for example *Prada for Adidas 2020 collection*. The practice is attractive on one hand, luxury brands are hoping to encourage and convert potential customers to buy their offer and visit stores, on the other hand overzealous to conquer the market, it could result into a dangerous move for the association with the masses, losing legitimacy and loyal customers, injuring the image and the unicity of the brand. *Populux,* brings in low spenders' consumer that are also keen as being recognized as fashionable or trendy. Chains such as Zara haven't merely built up their success with a trendy yet inexpensive offering, they've even demonstrated they aren't only the followers of haute couture brands, they are actually imposing style. *Commodity chic*: previously an undistinguishable good, here a manifestation of good stylish savor. The ascertains of an art of extracting and creating something unique out of a good firstly contemplated as fuzzy.

Summing up, this second paragraph illustrate the mass market is asymmetrical, the communication here have refocused, following the same pattern as esteemed goods and the offer have become trading up using different labels. The essential comparisons from the quality perspective are balanced with the figurative significance related to the uniqueness of the luxury high-end products. Nevertheless, it is particularly arduous to establish a constant correlation between goods, clients and shops, because of the speedy rushing with the amount of production implementations, lack of inventions of iconic

[11] Chevalier M., Mazzalovo G. (2008). *Luxury Brand Management. Una visione completa sull'identità e la gestione del settore del lusso*. Franco Angeli.
[12] W. Batat (2019). *The New Luxury Experience: Creating the Ultimate Customer Experience*.

products, cycles and cannibalization of their very own creations. When talking about masstige brands, we have a completely different set for competition; here is faced principally through communication, enrichment of product status through the signature of known designers, choice of super models as testimonials, creation of fake limited editions, occupation of high-traffic locations, investment in huge traffic spaces.

But these brands are not able to move to the luxury sector, because they are clearly offering a mass experience, focus wholly onto diminish the unspoken detachment between the world they try to communicate with marketing and the real goods the consumer could purchase. In other words, they aren't good, or neither try to appeal to super-rich.

4. Consumption Theories

At a time when consumption patterns are swapping, prices of the latest freshly goods are unreasonable, customers are enthusiastic about recurrent turnover, advance and expansion is still optimistically steady for the businesses in luxury. These transformations in behaviors have brought to the creation and the consequential accomplishment of a flourishing second-hand market, that among fanatics is booming, consumers are able to access reasonable-pried, pre-owned version, of their luxurious products providing them the opportunity to save money[13].

The imaginary conception of luxury, its related to individual and interactive reasons, and it thus predominantly built its meaning around customer sensitivity. A study by Dubois and Lautrent, found out that consumers thinking regarding the concept could diverge meaningfully and they could simultaneously reveal threatening favorable and adverse feelings towards it. Parties involved in the study, spontaneously recalled the term in association with terminologies like for example upscale, excellence, fineness and class, as well as tastelessness and ostentatiousness. Apparently, a luxury good satisfy a personal need, both from a functional perspective and moreover from a psychological perspective. Due to the changeableness of the concept and people contrasting definitions on the concept, most scholars had to approve that the conception of luxury meanings were taking unalike

[13] Shao, Grace, Ross, (2019). *Consumer Motivation and Luxury Consumption: Testing Moderating Effects*, Journal of Retailing and Consumer Services 46.

forms and were contingent on two focal factors: the context and the people concerned[14], consequently, luxury is obviously a strongly idiosyncratic concept.

Major effects in consumption as the Veblen one, occur repeatedly in the luxury industry; Leibenstein in 1950, emphasized the implication of the *signaling effects* on consumption patterns, these establish, from a microeconomic point of view, that a product's utility increases or decreases respectively if others are purchasing and consuming it or if others aren't buying and consuming, or another explanation is if it brings a higher or a lower price tag. From a communicative perspective, in marketing studies overall, is stated that the audience buy luxury to impress[15] and the majority of customer investigations have indirectly supposed that luxury is shown and purchased for signaling a specific social status[16].

Specifically, there are three relevant effects impacting on luxury choices; a *Veblen* effect that rise up whenever a shopper preference for a good upsurges as a straight consequence of its price, the higher the price the eager to buy; a *Snob* effect that occurs whenever a predilection for a product arises when its relative quantity in the market decreases, the less is seen the most is searched; and finally a *Bandwagon* effect, experienced when customer predilection for a product rises up when the amount of people purchasing rises up, everybody are buying, so do I.

Another research[17] on luxury consumption, has headed to the modern confirmation which bids for a discrepancy between the social and the personal oriented customers, and four were the traits emerged to be related to the Bandwagon, the Snob and the Veblen effects, previously revealed: Need-For-Uniqueness, Vanity, Status-Seeking and Susceptibility to Interpersonal Influence.

Need-for-uniqueness is said as the peculiarity of following differentness in relation to others throughout the procurement, consumption and availability of goods.

Vanity is postulated to be surely correlated to both autonomous and inter-dependent self-concepts.

[14] B. Teimourpour, K. Hanzaee, (2013). *Segmenting Consumers Based on Luxury Value Perceptions*, Idosi.
[15] Leibenstein, (1950). *Bandwagon, Snob, and Veblen Effects in the Theory of Consumers' Demand*, Oxford Journals.
[16] Kapferer, 2006; Dubois, Laurent, and Czellar, 2001.
[17] Kastanakis and Balabanis, (2011). *Bandwagon, Snob and Veblen Effects in Luxury Consumption*; Advances in Consumer Research, Volume 38.

Status-seeking is outlined as the procedure by which individuals struggle to progress their community status with the prominent ingestion of goods that could award and denote this standing[18].

Consumer susceptibility to interpersonal influence, indicates the necessity to classify or heighten the individual appearance in the estimation of noteworthy others, throughout significant consumption[19].

5. Segmenting Customers

The expanded ground of affluent-papabile clients, the shifting in outlooks, perceptions, preferences, and whole mindsets, called for a new a segmentation of the industry. It is clear that insights about costumer behaviors are domineering in the sector analyzed. Gone is the time when goods were assured to vend, assuming they were goodly manufactured, designed, and elitist, attaining to a luxury standard. Nowadays luxury clients are special. They need to be amazed, provoked, enchanted, delighted and repetitively pleased; while the competitive environment is also asking persistently about appealing and preserving the client's attention and devotion.

Consumer segmentation is the procedure of cataloguing clients and audience in general, into reasonably homogeneous groups, that could take place on the basis of their necessities, desires, responses to hypothetical marketing proposals or simpler behavioral and geographical ones. Segmentation, here in the industry, help to define and identify seasonal specific features on which the brand's offer system could be built on, with respect to market trends. At a time when the position of individual consumers and one-to-one dialogue is hugely recognized, segmentation can be regarded as an artificial, fictional way, to define those segments of reference, on which rely theoretical assumptions, that formulate a trustworthy base, because of the impossibility and unnecessary singular segmentation of the market.

In real life, persons move from one segment to another, groups switch attitudes, brands change focus, costumers became moving targets, many sub-cultures are created, niche tastes and peculiar lifestyles built, additionally, the proliferation of virtual environments imply that the consumer is recognizable and he becomes increasingly more sophisticated, even within the mass, with its tastes and personality well demarcated.

[18] Eastman, Goldsmith, and Flynn, 1999.
[19] Bearden, Netemeyer, and Teel, 1989.

There are two macro over-used segmentation that could be based on either descriptive variables or behavioral ones. The objective of the *descriptive* segmentation is to portray the singular person without taking into consideration the purchasing behavior; geographic (countries, regions, cities), anthropomorphic (height, average size), socio-cultural (income, age, gender, profession) and demographic criteria, grouping customers who have in common largely accessible and objective info based on statistical data. In this industry, income and age are highly considered when it comes to segmentation, a higher income individual has certainly more appeal for brands in this sector than in any other, however these criteria aren't able to satisfy company's marketing strategy requests.

Behavioral segmentation, instead, is based on the singular person rational, their buying method and consumption pattern, their way to approach with the brand, here, as shown, the segmentation principles are mainly based on comportment or lifestyles. This segmentation on behaviors, and especially their purchase behavior, is all around the awareness, the mindsets and the responses on the singular process, it comprehends the discovery, the assessment, the arrangement of the individual and its buyer's user status, or occasion of use or loyalty to the brand. With regard to user status, consumers can be gathered into non-user, potential user, new user, habitual user and former user. Occasion of use, otherwise, relates to the purposefulness or context of use of the specific product, without regard to the consumer's characteristics, is widely used in fashion. The third, loyalty, outlines diverse subdivisions on the basis of the different levels of positioning towards the company. This last variable is increasingly assuming importance in the elaboration of programs suited on the customer, to release the best possible tailormade experience.

Age, as stated before, keeps a fundamental role for this industry segmentation, but the construction and interpretation of segments is very different from the past. Particularly noticeable is the recent classification by year of birth used in luxury reports, as it follows:

Millennials or *Gen Y*. Those born between 1980 and 1994, who are demanding for brand consideration. Wealthy ones presently exemplify more than a tenth of the whole outflow in the market, however they are not the greatest payers today, but are forecasted to overcome affluent Baby Boomers by 2030. Their expenditure is different, travel or experiences, they look for an entertaining journey with the brand, like adventures but in glamping options with unique, tailor-made fits. Having grown up in this age and prosperous, they are quite resistant to the more traditional marketing communications, mainly due to the over-exposure since childhood. The group resulted being less brand oriented, well informed on purchases, they do lots of online research both previously and subsequently purchase while making comparisons in stores. Seeking for prompt data and trusting on their mobiles, they search and buy luxury goods, mainly to create and shape their persona, shifting their look to innovative brands, rather than preferring traditional companies preferred by their parents, the so-called Boomers.

Generation X, from 1965 to 1979, actually entering theoretically, their career golden period, resulting in a rise of spending for luxurious looks or purchases of luxury gifts for friends. Extremely influenced by cynicism and carefulness payable what they have been through their adolescences. Whereas they are always bringing with them mobiles, they are also skeptical about marketing activities received on these tools. So, smartphones, are not their primary and favorite choice to participate with a brand[20]. Gen X result more tending to answer and being triggered by emails, or prone to be the first to try new luxury products or to appreciate a brand that beg their need of modernism and freshness. Prosperous Gen X may not be as populous as other generations, but they compensate with their uplift spending: this generation actually represents around a third of global luxury consumption and has the highest luxury spend per capita.

Baby Boomers, (born from 1946 to 1964). Baby boomers seek for attributes, durability, tradition and craftsmanship, while transcending their attention on prices. Boomers are quite conventional and conformist, favoring big-old-name brands and following friends and family suggestions rather than advertising. This demystify the legend that people who are entering their middle age are lethargic and unconcerned about fashion-fresh tendencies. In this group they are not such as technophobes as the others, especially for the youngest, embracing more online purchases and subsequently driving up a major online evolution.

6. Macrotrends Shaping the Industry

The luxury industry has been through numerous transformations since the nineties. From the fluctuation of economic trends, the speedy digital revolution, the late-imperative quest pending on luxury companies to manage and be present online, power condensed into big-groups, and evolving shopper predilections and sensitivities, will shape a fresh, up to date, competitive landscape wheresoever conventional tactics and models could not work anymore. Nonetheless, improvements and adjustments in this context will continue constantly to take place.

[20] E. Corbellini, S. Saviolo, (2009). *Managing Luxury and Fashion Companies*, Rizzoli ETAS.

Looking ahead, with predictions for the next five years, we expect market nitty-gritties to remain encouraging and advantageous for what concern the personal luxury, that are forecasted to reach a growth of 5 per cent per year within 2025, reaching an overall value of more than 350 billion of euro.

From our analysis[21], we recognized 12 trends that, in our opinion, will structure the future of the luxury context within 2025.

Shorter ownership. Clients exposed to a steady flow of trends through influencers and social platforms, will not eager long-lasting ownership, but willing to own a subjective, peculiar, up-to-date style, that help them in building up and transform their fashion-content personality.

Digital invasion. In five years, online purchases will account for 25% of the market's value, so forecasted to grow up from the lowest 10% of today. Roughly, demi of the overall luxury buying will took place in the digital environment, manipulated by interactions and facilitated by new technologies all beside the supply chain.

A Store of the Future. With less foot traffic in physical, offline shops, a huge strengthening in retail networks, an imperative interconnection of the online-offline experience, a shift from the POS, flagship store, face of the brand, to a true touchpoint for consumer engagement and entertainment, an all-in-one, end-to-end experience which should guarantees validity, image, uniqueness and superiority.

The Second-hand Market[22]. Limited luxury goods, both iconic and unique, belonging to special capsule, are speedily placed on second-hand digital platforms. Digital platforms who takes advantage from huge exposure of contractors, compared to the typical-physical limited stores, and establishing very small prices maintaining however profitability prospect. The market raised to €22 billion in Europe and several were the online platforms born to support the purchases. *Vestiaire Collective*, for example, was launched in 2009 as a community platform, to sell and buy perfectly held or undamaged items controlled by experts, and it is only one out the several spreading community with the same intent. Out of the True Luxury customers, 30% sell pre-owned products, while 25% buy unique pieces accurately selected by experts.

[21] Results elaborated on the Luxury Reports for 2018 and 2019 by Deloitte, Bain & Company, BCG and Altagamma.
[22] Ryding, Henninger, Blazquez Cano, 2018. Vintage Luxury Fashion, Exploring the Rise of the Second-hand Clothing Trade, Palgrave McMillan.

Generation Y and Z[23]. These two generations will account approximately for the 55% of the global industry within the next 5 years and they could contribute to a major growth, that swings around more than 120%, counterweighing the drop in sales among elder generations; establishing a total new, fresh, atypical segmentation to be studied, and of particular interest for the huge impact they will have on the luxury industry. Luxury streetwear is completely natural for Gen-Z.

A Cultural brand. Nowadays, luxury companies emphasize an unequivocal cultural authority. Brand built culture; brand bear their own culture; brand interpret contemporaneous culture. So, they need a perpetual inflow, discover, deliver of new meanings. This has obviously led to shadow the lines between fashion and luxury (*i.e.* Supreme with Louis Vuitton). True-luxury consumers are searching for collaborations, unique pieces, special editions, in contrast with the traditional luxury ones, still searching for products lasting over time without going out of fashion like iconic pieces. However, here will come the unequivocal approach of a well-studied marketing strategy, as the Fendi *Baguette* one; the baguette bag is sold both with typical leather, color-blocked looks for the latter consumers, but for the former ones, the bag is constantly rethought, with sparkling paillettes, vibrant colors and never-seen materials.

Market of One. Brands will face smudging aggressive margins, the standardized business model of progress, due to which they could either befit a company that is a specialist in the category or befit a company that is general and massive, that could differentiate between a wider range of goods and services.

Lithe. EBIT margins in 2017 were 19 per cent, they went up to 20 per cent in the next year, confirming higher profitability. Though, digital disruption will continue through the next years to make s brands' P&L suffering, showing Brands the necessity to develop more receptive models so as to withstand their profitability stages.

The Made in Label. It has intrinsically validated products that belongs to a certain location since ever. The use of country of origin has become particularly essential for countries such as France and Italy. However, the concept is reshaping, new countries are charming valuable of interest and the made by

[23] Gen Z is the newest generation to be named and were born between 1995 and 2015; they represent today only 4% of personal luxury, but have a clearly different set of behaviors & values that brands should better monitor and understand, like *Collaborations,* are key to the new luxury, they are looking for innovation in design, along with unique collections that reflect their individuality and values; *Second-hand market*, it is not just the lower price that attracts, is often to buy scarce, limited-edition, special sold-out collaborations missed the first time or vintage items; *Sustainability,* environment, animal care and ethical manufacturing; *Social Media* and *Mix & Match.*

human notion is spreading. Among True-Luxury consumers and Millennials, Made-in Italy renews to toughen today, meanwhile Made-in China has started growing among its Chinese consumers.

Sustainability, for Real. From the no fur brands to entirely recycled brands, this is a keep growing trend. Driven by environmental, ethical and animal manufacturing concerns, several are the companies interested in maintaining their reputation while improving healthier, better policies. Clients inspect a company's social responsibility, objectives, practices; customers will boycott or sustain those in line with their ethical thoughts. For example, in 2018, the website Gucci Equilibrium was launched, dedicated to more clearness in procedures, labor, and sustainability. LVMH decided to reduce CO2 emissions by 2020 for the whole group and several were the ethical consumers websites. In august, this year, the *Fashion Pact*, was signed by an assembly of the most prominent global fashion companies, committed to a main new climate procurement.

Chinese ramp up. Chinese buyers will intensify dramatically their purchasing, focusing on the enclosed market. By 2025, these market would represent around 45% of the worldwide one (growing up from around 30% in the previous year); Chinese luxury buyers will took half of their consumptions indoor, in China, (compared to 24% in 2017), replacing their traditional characteristic of purchases taking place mainly in Europe or directly in the luxury good's country of Origin.

Manage the Cloud. Loyalty programs, customer centric experience, and tailor-made journey, based on the data captured by the systems are the key. The big role CRM may play in driving up client retention rates, which will be translated into higher sales volume with increased consistency and steadiness of forecast revenues, and consequently into less business-related risks and more investment opportunities and chances of growth. In fact, until the marketing evolution has not gone all the way through a complete brand focus on costumer rather than product, brands that operate in the luxury industry will experience poor-quality customer relationships and lack in ability to preserve those relationships. All this results in low customer retention rates among luxury brands, although it's common knowledge that to keep a customer is less expensive than to acquire a new one. Fortuitously, platforms managing the cloud are all spreading around, Salesforce or SAP for example, have functionalities directly focused on CRM programs building, loyalty rewards and marketing practices.

CHAPTER TWO: FAMILY BUSINESS IN THE LUXURY INDUSTRY

1. The Family and the Business

Families are about caring and businesses are about money, making family business an unlikely formula for a successful partnership. [24] There is an intrinsic anxiety, rigidity, amongst the essentials and expectation of the family and those of the business.

The dangers are great.

As said by Freud, love and work, are the fundamentals to accomplish pride, confidence and gratification in one individual's life fulfilment. In family businesses, we have a major joint of these two concepts, here thus, fiasco or divergences in one will certainly distress the whole situation.

Families and companies are very diverse organisms, structures with diverse methodologies concerning decision making, policies of problem solving and tactics of communication.

Whilst customs and patterns of the businesses might be seen as simpler to be figured out, and easier to identify which configurations are they basing on their systems; the customs and patterns of the families are exclusive and peculiar to the single family, deepened and rooted in each system.

The family's commonsense preparatory circumstance is to gather and process principles and standards as roots for outlooks and strategies; values and vison, will certainly regulate what the business is introduced or requires seeming.

In Italy, 70% of the whole Italian GDP is built on the Made in Italy branding process; here, the luxury industry overall, in fact, is made up on copious small and medium size family businesses, from food and beverage to fashion and jewelry. Plus, in the luxury fashion segment in particular, 80% of the large-sized businesses are family ones.

[24] R.S. Carlock and J.L. Ward, (2010). *When Family Business Are Best, The Parallel Planning Process for Family Harmony and Business Success*, Palgrave Macmillan.

Family business model is the leading one in profitmaking globally. It is a worldwide phenomenon. In Europe, 60% out of the businesses are family one, in the United States reached the 80%. If the settled strategy, however, is to stay a small, family-managed company, operating in the local market, aspects like employment conditions will be peculiar, sharply in contrast to a growth focused business, here, reliability and family's membership would be crucial criteria. On the opposite side, businesses who search for expansion and large-scale leadership, would focus on skilled, educated and experienced employers, whether they belong or not to the family, here, is not a criterion.

Figure 2.1: Personal elaboration, *Most Profitable Family Business in 2019*, based on Fortune Forbes 500 2019 ranking and the The World's Top 750 Family Businesses Ranking by Family Capital.

Company Name	**Family Owner**	**Year of Foundation**	**Country of Origin**	**FY2019 Revenues bill$**
WALMART INC.	Walton	1962	USA	514.4
VOLKSWAGEN AG	Porsche and Piech	1937	Germany	287.90
BERKSHIRE HATHAWAY INC.	Buffett	1955	USA	242.14
EXOR NV	Agnelli	1927	Netherlands	170.82
FORD MOTOR COMPANY	Ford	1903	USA	156.78
BMW AG	Quandt and Klatten	1916	Germany	118.80
KOCH INDUSTRIES, INC.	Koch	1940	USA	110.00
CARGILL, INCORPORATED	Cargill and MacMillan	1865	USA	109.70
SCHWARZ GRUPPE	Schwarz	1930	Germany	109.65
BOSCH GMBH	Bosch	1886	Germany	94.63
ALDI GROUP	Albrecht	1913	Germany	84.92
COMCAST CORPORATION	Roberts	1963	USA	85.53
ARCELORMITTAL	Mittal	1976	Luxembourg	68.68
GUNVOR GROUP LTD	Törnqvist	2000	Switzerland	64.00
DELL TECHNOLOGIES INC.	Dell	1984	USA	61.64
METRO AG	Schmidt-Beisheim	1996	Germany	60.19
ROCHE HOLDING AG	Hoffman and Oeri	1896	Switzerland	56.51
LG ELECTRONICS INC.	Koo	1947	South Korea	55.71
AUCHAN HOLDING SA	Mulliez	1961	France	53.15
CK HUTCHINSON	Li	1828	Honk Kong	53.00
AMERICA MOVIL	Slim	2000	Mexico	51.63

LVMH	Arnault	1987	France	51.14
JBS SA	Batista	1953	Brazil	49.50
CHINA EVERGRANDE GROUP	Hui	1996	China	47.93
RELIANCE INDUSTRIES LIMITED	Ambani	1966	India	47.36
AMER TECHNOLOGY CO. LTD.	Wang	1994	China	46.62
CASINO GUICJARD PERRACHON	Naouri	1898	France	45.86
LOUIS DREYFUS COMPANY BV	Louis Dreyfus	1851	Netherlands	44.08
PORSCHE	Anheuser and Busch	1931	Germany	43.17
TATA SONS LTD	Tata	1868	India	41.41

2. What is a Family Business

The utmost global wide spreading business model is the family one.

Given the predominance and the profitability of family businesses, the either hypothetical or observed practice, is to look at them as the most successful and prosperous globally, but it became essential to further scrutinize if that is really true.

When it comes to define a Family Business, typical criteria like dimensions, sectors, legal forms don't count, and it becomes delicate to analyze and define a specific set of criteria the business has to fulfilled to be categorized as a Family one.

Here appears to be no likelihood to consistently circumscribe family business with no clue, academics charted in latest publications the divergences concerning their description perseveres; based on the literature definitions we are now going through, we have to face firstly what differentiates family from non-family businesses.

Figure 2.2: Personal elaboration, *Selected Family Firm Definitions* from the Literature.

Church	1969	The whole capital is privately held, practically all the important and administrative posts are filled by members of the family.

Barry	1975	An enterprise, which, in practice, is controlled by the members of a single family.
Barnes and Hershon	1976	Controlling ownership rest in the hands of an individual or of the members of a single family.
Tagiuri and Davis	1982	Organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights.
Beckhard and Dyer	1983	The subsystems in the family firm system include: the business as an entity, the family as an entity, the founder as an entity, and such linking organizations as the board of directors.
Ward	1987	Business that will be passed from one generation to another to manage and control.
Leach	1990	A company in which more than 50 per cent of the voting shares are controlled by one family, and/or a single family effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family.
Shanker and Astrachan	1996	Requires family to have some degree of effective control of strategic direction, and the intention of keeping the business in the family, plus founder or descendants of the founder should run the business, plus generations should be involved in daily operations of the business.
McConaughy et al.	2001	A public corporation whose CEOs are either the founder or a member of the founder's family.
Chrisman et al.	2004	A firm that is owned and managed by family members and seeks to ensure transgenerational involvement through family succession.

Muñoz-Bullón and Sánchez-Bueno	2011	A business is considered a family firm when both of the following conditions are met: two or more directors are related, and family members hold a substantial proportion of equity.

By recollecting these definitions, we are now enabled to figure out the identifying, shared factors that build up the conceit of family business as an exclusive mixture of the following:

- *Family Presence and Relationships;*
- *Ownership Control* (percentage of voting shares[25]);
- *Influence of the Family onto the Management,* a strategic influence;
- *Competitive Advantage*, deriving from the long-term vision, familiness and harmony;
- *Continuity Across Generations, Dream of Succession.*

In Family Business[26] is defined as the whole extent of firms in which an entrepreneur, his fellow heir, or one or more family members, meaningfully guide the business. Their guidance could be either managerial or with taking participation to the board of shareholders, and their ownership control, the strategy, the culture and the ethics are conveyed to the enterprise.

However, Family business started to be studied and observed as a whole inclusive system, in the seventies, building up on two overlapping conceits, family and work. From the start, was unmistakable that well-suited strategies should fit both these two micro systems, crucial for all the family businesses.

Family and business are not automatically matching, they are overlapping, interacting, and interdependent systems, with distinctive structural arrangements and furthermore, with distinctive implementation grade of these three elements in between, distinctive family businesses, crafting them as mixed organizations.

Individually, these two systems have a defined, inimitable, setting of morality, and standards, each has its own distinct rules of conduct. Even their existence is built on different motifs and pursue different scopes. Although one happens to watchful and cherish its members, it searches to reduce alterations in order to preserve an internal steadiness, so, running an inside looking, the other one,

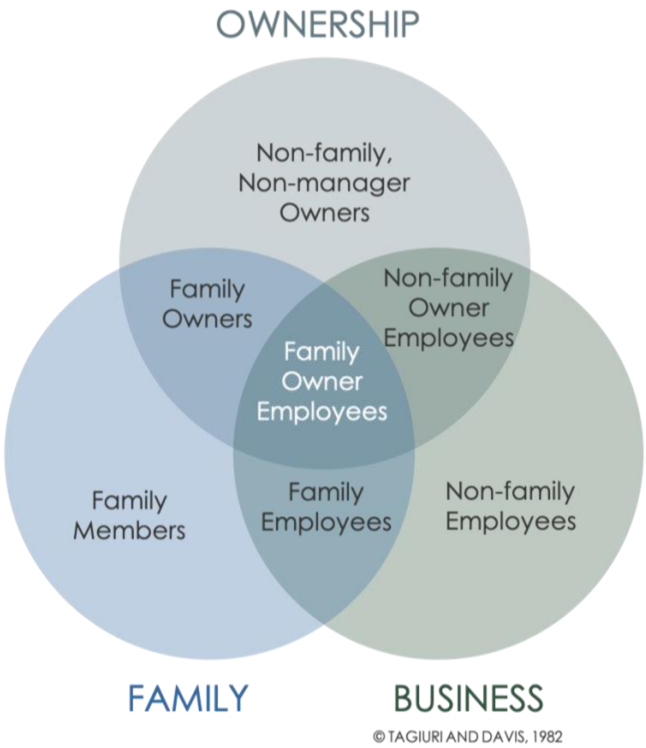
25 In Italy, the voting shares should be greater than the 50 per cent, if owned by one family or more families when related, and, greater than the 25 per cent, if the company is listed on the Stock Exchange; Bocconi Observatory.
26 Ernesto J. Poza, (2009). *Family Business*, 3rd Edition, South-Western College Publications.

contrariwise, happens to generate and care only about revenues, searching for alterations in order to embrace persistence, so, running an outside looking.

As said by Ward, 1987, "*The very nature of business often seems to contradict the nature of the family. Families tend to be emotional; businesses are objective. Families are protective of their members; businesses, much less so. Families grant acceptance unconditionally. Businesses grant it according to one's contribution."*

A three-circle model developed by *Tagiuri and Davis* in the eighties, describes the system adding the Ownership conceit to the one of the Family and the other of the Business, the model has been widely accepted because of the instantaneous functionality, concerning roles and conflicts, primacies and borders.

Figure 2.2: Tagiuri and Davis, *Three Circle Model of Family Business*, 1982.



With this model, every individual belonging to the family company, can be located into one and only one place, out of the seven mini systems, made up by the overlapping circles. An employee, who has no shares of ownership and it is not a family member will fall only in the Non-Family Employees segment, the macro business one; an individual who is a family member, who works in the company and has ownership share will compulsory fall in the Family Owner Employees segment.

Starting from this model, we have to take into consideration time and evolution. The firm could not be seen as a static entity, it communicates and receives from the environment, it changes and shapes in the inside, it has to reflect and adapt to both the internal and external impulses.

When it comes to analyzes individuals in the system, we take into consideration their moves and paths made in the business; for their membership and belonging to the organization, we know that each decision and deviation taken has reactions influencing the entire system.

An employee becoming an owner, a family member becoming a family member-employee and so one, are all examples of what we meant before, every action taken by the individual along their paths are reflected into the whole system and for this we need to add the development dimension to the primary model. That creates the ownership, the business and the family developmental dimension.

Proprietorship structure aside, what really distinguishes family firms from non-family firms organizations, is what is imprinted in the company: intangible assets referring to the familiness, the goals, the ethics, the behaviors, the approach, the attitude, shared by the founder and absorbed by the family and the employees.

The outcome is certainly unique; the combination of the family, the administration, the relationships, the interdependencies in the system are exclusive to the single business; furthermore, the resulting competitive advantage is inimitable.

For what concerns family influence on building interdependencies with the management and with the business itself, three crucial distinctive elements were found out[27], to establish and settle the real effectiveness of the family guidance; the *power*, the *experience*, and the *cultural dimension*.

- *The Power Dimension:* Ownership, Management, Supervision.

Generally, when family members are able to charge and assume positions in at least one of the bodies or boards that we are now starting to analyze, they are empowered to align their interest, and so the entire family interests, with the ones of the company. These three dimensions provide the family with the ability to influence and guide the firm follow in their interest, and this authority and control could

[27] Astrachan et al., Klein et al..

allow the family to significantly influence decision-making processes on such matters as strategies and organizational structuring.

Ownership, the firms we are studying, could typically be formed either with condensed ownership in the family hands or fragmented ownership in mixed families or organizations hands. This concept is strictly linked with the rights and accountabilities, the family and its members has; controlling shareholders means controlling interests pursued, this will understandably lead the family to exercise and extend their control on the ownership as much as they can, owning and retaining maximum shares as the model taken implies, like listed *vs* private holding, sole ownership *vs* multiple ownership, direct *vs* indirect, voting *vs* non-voting shareholders.

Although the majority of the families, somewhat own the business, barely few are additionally managed by them. *Management,* in this way, became a tricky dimension in running the business, when the family for example is able to fulfill major managerial positions or has the possibility to control the board of directors, or moreover to place and choose the CEO, it stands in a position of dynamic and effective control. Positioning it in a way they could bring into line interests of the family with the ones of the company.

When we refer to *Supervision*, the board exerting the function is the supervisory one, it fulfills the functions of a checking, watching, consulting and controlling bulk.

- *The Experience Dimension*: Generation and Commitment.

The quality of participation and the *Commitment* of family members is perceptibly a fundamental feature in these firms. A family business, as we described it before, is a business in which next generations, succession and inheritance care are differentiating it from a non-family one. That process will inevitably release in the company a specific culture and experience, and a specific set of values and capabilities.

When we talk about *Generation,* instead, we have to refer to the three power dimensions taken into consideration before: ownership, management and supervision, and distinguish the generations relatively to that categories. If it is still a founder business or if it is a third-generation business, is quite significant in the analysis, how much as it is significant the level and number of family members included. It is clear, that when there is the majority of family members involved, they are contemporaneous belonging to different generations and they are highly committed to the business, while being actively participants, the family resulted to have an influence on the business, so their interests are aligned with the ones of the business.

- *The Cultural Dimension.*

Company culture indicates the *character* of the business; expressing the working atmosphere, business's vision and mission, values, morals, norms and objectives. An imperfect inimitable set, shared by the company, imprinted in the employees, and mainly shaped on the basis of the founder and the family values and behaviors. Culture would be inevitably impressed on top management decision making processes, strategy setting and policies, but at the same time at the employee level, with trust, ethics and objectives setting.

3. The Familiness

But, how can the merely existence as a family owned company, implies the magnification of the actual irreplaceable resources and the development of specific skills, that leads to a strategical-competitive advantage? What is inside, characteristic, intrinsic, peculiar, irreplaceable, successful, and intangible for the family firm, and absolutely incompatible and atypical for a non-family one, is the so called *familiness*.

Starting from the analysis of Habbershon and Williams, who considered the family firms as an entity that is *complex, dynamic, and opulent* concerning *intangible resources*. The intense competition of the economic world would prescript and impose to the businesses the systematic procedure and the progressive enhancement of these intangible resources.

It's rational to suppose that family businesses are more, compared to other companies, placed and arranged for the conception, conservation, and disposition of these advantages. To clearly progress or tacitly embrace a strategy that use those advantages, rooted in the family approach, like, principal know-hows, assets and experiences, would be useful to be winning or to be successful in the economic environment and accomplish the business scopes. The vision, of basing the strategy on the basis of the peculiar company features, is certainly relevant when it is time to made up and shape the business; but as much as the time goes by, a *Competitive Advantage* that is intrinsically created, should also be shaped as new time comes. Strategic and competitive advantages need to be adapted and thought, following each improvement, change, development and/or exploitation of any of all the sets of aptitudes, possibilities, and most of all these intangible resources, belonging to the family business[28]. The competitive advantage is a concept that is strictly related with timing and environment; what is strategic and gainful today, we cannot ensure it would also be in the future; it is certainly a source by then, but as well as it is certain the vulnerability of the conceit. Exposure to contemporaneousness and modernizations, fluctuations in tastes, developments in products, technological innovations, process improvements, would make the competitive advantage liable to each revolution occurring through generation's passages.

We saw that, to make a major distinction between family and non-family business, we can generally refer to the concept of familiness. The paradigm of *familiness* has been identified and defined on the basis of the resources and the capabilities that are unique, and exclusively related to the family's involvement and interactions within the business.[29]

The definition is used to describe a characteristic, unique, bundle of assets and competences resulting from the firm's family system interfaces and connections[30]. A set of resources and capabilities which are certainly:

- *Inimitable* by other Family Businesses and for Non-Family Businesses;
- *Rooted* in the Family Business;
- *Non-Transferrable* to other Businesses.

Familiness, through the years, has been proposed by scholars and researchers as the major foundation of competitivity for this kind of firms, causing its enrichment both from an economic and internal perspective. The clarity of the conceit could be settled by pinpointing the relationships that builds up this tacit involvement; furthermore, it would inevitably describe the constructive impact of the family contribution and participation in within the firm.

But how is created? For example, with history and experience, operate as matchless strengthening circumstances which stimulate, those connections, making the business social capital quite exceptional, and dependent on singular and peculiar situations, difficult to be replicated for its tacit nature. We have to discuss the concept of *social capital*, to discover properly how familiness could be generated.

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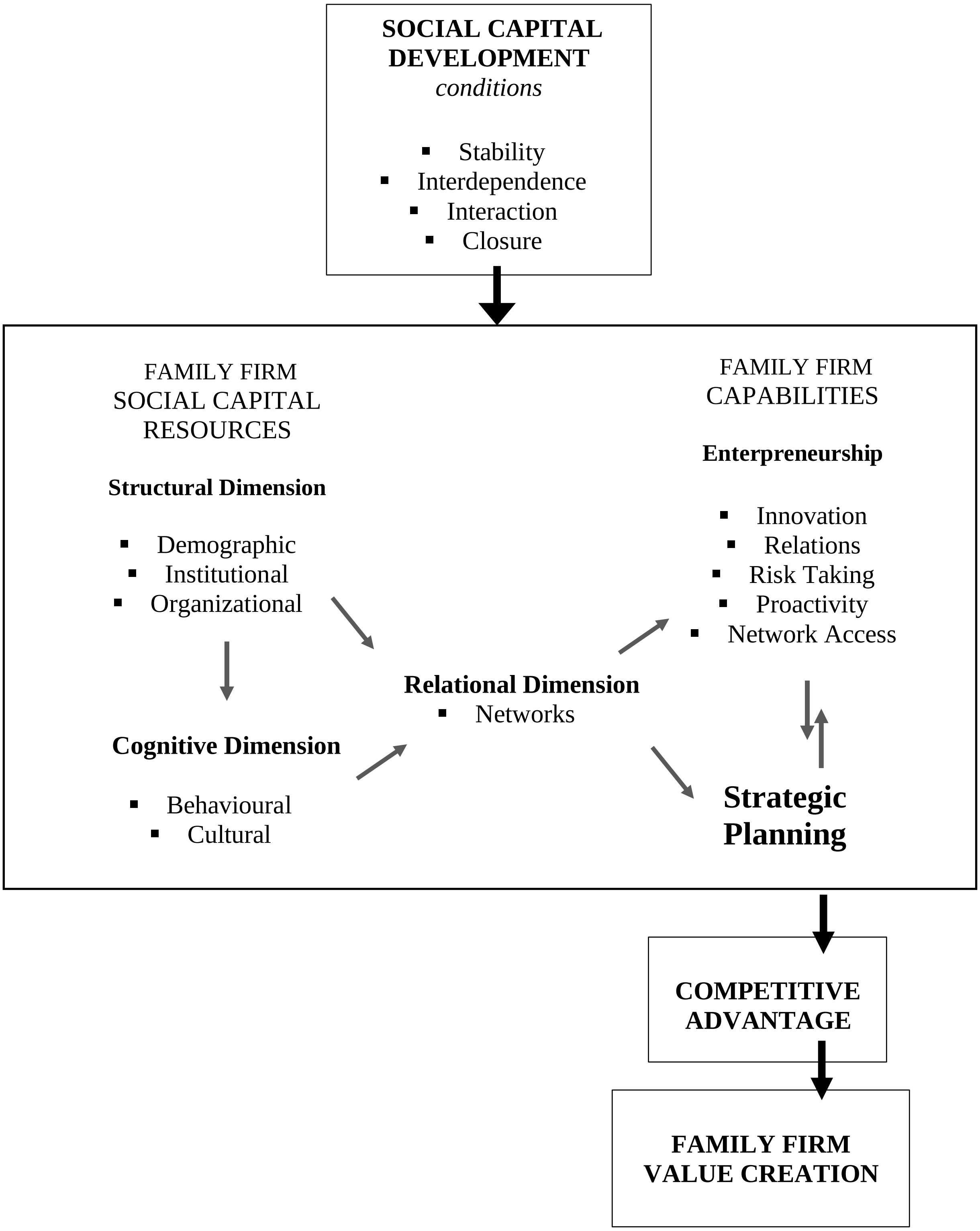
[28] Barney, (1991); and Hitt, Bierman, Shimizu, & Kochar, (2001).
[29]W. Pearson, J.C. Carr, J. C. Shaw, (2008). *Towards a Theory of Familiness: A Social Capital Perspective,* Baylor University.
[30] Habbershon, Williams, & MacMillan, (2003); Chua, and Litz (2003).

Here, in *Figure 2.3*, a scheme based on the Social Capital Model of familiness by Pearson et al., 2008, that we will now examine in detail.

Figure 2.3: Personal adaptation of *the Social Capital Model of Familiness* by Pearson et al, (2008).



We have to refer to social capital theory to stipulate enough clearness to identify the behavioral and social resources that constitute familiness; in this outlook, social capital theory is needed to investigate and analyze how familiness is generated, how it could be implicit in the family firm existence and enormously arduous and challenging for competitors to reproduce[31]. The scheme is

[31] Dess & Shaw, (2001).

relevant to run a suitable framework to investigate the results, the consequences and the precursors that constitute the familiness, considering as well, the individual behaviors and the common assets that are implicitly involved.

Several were the scholars who decided to investigate and deepen their acquaintances on the social theory and its relationship in the built of the familiness construct; at the end of the nineties, Nahapiet and Ghoshal, for example, proposed the social capital concept as the ancestor, the forerunner of the intellectual capital and the competitive advantage; at the beginning of the millennium, Dess and Shaw instead, investigated the exclusive interactions between this capital, execution and turnover. More newly, Arregle, Hitt, Sirmon and Very, went through the analysis of four principal elements: stability, interaction, interdependence, and closure, in this way, they applied the theory with a more flowing, on-going perspective, describing each transformation and each dynamic development occurring in the firm. Collected, these elements mark the stream and the fluidity of the social capital, and they take turns to stimulate its internal development.

Summing up, we can see familiness originating from the intersection of the family and the business or from a consequential relationship as proposed by Arregle. Additionally, we can suggest that in a family firm, the family and the business do not exist as distinct entities, but, instead, are tangled with one to another, producing a compound, strict, collaborating net of relations, which comprehend both the family and the firm. Furthermore, we can challenge that familiness result from the synergies amongst the social, attitudinal, and shared resources enclosed within this family working system.

Genuinely relevant for this analysis is the *deep-rooted value* the two concepts incapsulate; is in the family nature being committed and involved, caring for its members and building trustful relationships, is in the family firm consequently, being committed and efficient, and this would be justified with the familiness.

Rather than an individual-centric, opportunistic, methodology, analyze the concepts with an internal perspective, help us to accentuates the mutual, shared, goodness, as the consequence of family social capital. Per se, viewing social capital in this internal perspective, is utmost coherent with the familiness impression of interface and contribution of the family in its collectivity. The internal assessment of the social capital theory then, concentrates on the internal associations and relations amongst individuals and clusters within the combined, inclusive, features that provide the firm with the communal, trustful, cohesiveness and collectivity of engagements.

The observation of these concepts as intrinsically rooted, has been recollected also by Adler and Kwon in the early 2000, they were able to saw that specifically, in the connections and in the relationships among people and/or assemblages of people, who have cohesiveness, consistent unity, harmonious linkages, and thus they are able to connect with trust and relate to pursue common objectives, whilst ease achievements and create value.

Academics inspected the exchanges between the family and the business, so as to comprehend the transformation of social capital to family social capital and then in the business social capital, is crucial to investigate how the social interactions supply the competitive advantage for the firm.

5. Family Businesses Presence in the Luxury Industry

In addition to the relevance of the family business phenomenon itself, the luxury business is also a full of example of successful family business companies, being an important topic both in the literature and in the economic context, in which the family business model so frequently appears.

A family luxury brand is authoritative and dominant, as it touches the customer construction relationship and empathy development within social groups, denoting branded goods with a series of attributes, heritage, very fiercer and further long-lasting than every usual brand. These qualities gave luxury products or services a sentiment of desirability, attractiveness, exclusiveness, matchless; all characteristics hardly to be attacked and barely easy to be replicated by competitors, and, last but not least, an eternal fascinating vibe.

This eternal, ethereal vibe, that in luxury brands, is marked by the iconic pieces the company produces over the time, constantly. Brands, however, should not underestimate the importance of creating and promoting new products on the market; the unveiling of a product, that came out to be efficacious and profitable, produces numerous benefits for the business. Crucial for luxury and non-luxury-company, is predicting changes and future market evolutions, because, the purpose for a business who wants to be profitable, fundamental in its actual existence, is the satisfaction of a need who itself generates for its consumers, and/or the supplementary assessment it is capable to place on the economic environment.

The newest report about the industry, that is significant for our examination and from which will extrapolate the data for our analysis is the *Global Powers of Luxury Goods 2019 Report* by Deloitte. The report takes into consideration the 100 largest luxury goods companies worldwide, and classifies them on the basis of the consolidated sales of luxury goods in the financial year 2017, which is considered ending the 30th of June 2018.

This report examines performance by luxury goods product sectors[32] as well as by country of the company's origin.

Five luxury goods product are taken into consideration for the evaluation:

- *Clothing and footwear*
- *Bags and accessories*
- *Cosmetics and fragrances*
- *Jewelry and watches*
- *Multiple luxury goods*

From this last product category, the *multiple luxury goods,* is important to already noticed that in the ten companies, three contributed with more than 65% in market shares, LVMH, Kering, and Chanel in FY2017.

Nonetheless, nearby the huge conglomerates *(LVMH Moët Hennessy-Louis Vuitton SE, Kering SA,*), stand out two *Italian* family companies: the Prada Group and Salvatore Ferragamo SpA; and two French family ones Hermès International SCA and *Chanel S.A.*

This companies have produced aggregated revenues of 247 billion dollars, compared to the previous FY, revenues jumped up with a 13,8% increase, moreover, the average size of these companies is around 2.47 billion dollars. Among these 100 companies, Italian ones are leading with *24* luxury

[32] A company is considered in the Top 100 ranking, if belongs to supreme luxury, super premium and aspirational luxury, and also to affordable luxury; by evaluating their positioning towards: Price premium, Quality, Scarcity, Craftmanship, Exclusivity, Service, Boutique atmosphere; and by assessing if more than an half of the company's sales are generated by luxury goods belonging to the 5 products categories of luxury goods.
A business is assigned to one out of the five specific luxury goods product categories if the majority, or a substantial value of the company's luxury sales are consequential of that product category. Multiple luxury goods companies are those with substantial sales in more than one of the luxury goods product sectors.

goods firms, followed by the American ones with 14 companies and 10 companies for the United Kingdom.

Figure 2.4: Personal elaboration, *Family Luxury Goods Firms* in the *Global Powers of Luxury Goods 2019 Report* by Deloitte.

FY2017 Luxury goods sales ranking	Change in ranking	Name of company	Country of origin	Selection of luxury brands	FY2017 Luxury goods sales (US$m)
1	0	LVMH Moët Hennessy-Louis Vuitton SE	France	Louis Vuitton, Christian Dior, Fendi, Bvlgari, Loro Piana, Emilio Pucci, Acqua di Parma, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	27,995
2	0	The Estée Lauder Companies Inc.	US	Estée Lauder, Bobbi Brown, La Mer, Jo Malone London, Aveda; Licensed beauty & fragrance brands inc Tom Ford Beauty	13,683
3	0	Compagnie Financière Richemont SA	Switzerland	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai, YNAP	12,819
4	1	Kering SA	France	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Pomellato, Girard-Perregaux, Ulysse Nardin	12,168
5	-1	Luxottica Group SpA	Italy	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	10,322
6	New	Chanel Limited	UK	Chanel	9,623

↓	-1	L'Oréal Luxe	France	Lancôme, Kiehl's, Urban Decay, Biotherm, IT Cosmetics; Licensed brands	9,549[e]
↔	0	Hermès International SCA	France	Hermès, John Lobb	6,255
↓	-4	Ralph Lauren Corporation	US	Ralph Lauren, Polo Ralph Lauren, Lauren Ralph Lauren, Chaps, Club Monaco	6,182
↓	-2	Prada Group	Italy	Prada, Miu Miu, Church's, Car Shoe	3,445[p]
↓	-1	Swarovski Crystal Business	Austria	Swarovski	3,043
↓	-3	Fossil Group, Inc.	US	Fossil, Michele, Relic, Skagen, Zodiac, Misfit; Licensed brands	2,683[e]
↓	-1	Puig S.L.	Spain	Carolina Herrera, Nina Ricci, Paco Rabanne, Jean Paul Gaultier, Penhaligon's; Licensed fragrance brands	2,181
↑	+2	Max Mara Fashion Group Srl	Italy	MaxMara, SportMax, Marina Rinaldi, Max & Co, PennyBlack	1,784
↓	-2	Salvatore Ferragamo SpA	Italy	Salvatore Ferragamo	1,556
↑	1	Ermenegildo Zegna Holditalia SpA	Italy	Ermenegildo Zegna, Z Zegna, Agnona	1,369
↔	0	Patek Philippe SA	Switzerland	Patek Philippe	1,239[e]
↓	-1	Tod's SpA	Italy	Tod's, Hogan, Fay, Roger Vivier	1,108
↓	-1	Tory Burch LLC	US	Tory Burch, Tory Sport	1,050[e]
↔	0	Audemars Piguet & Cie	Switzerland	Audemars Piguet	995[e]
↔	0	Le Petit-Fils de L.-U. Chopard & Cie SA	Switzerland	Chopard	848[e]
↑	3	Graff Diamonds International Limited	UK	Graff	693
↓	-1	Longchamp SAS	France	Longchamp, Le Pliage	626[e]
↑	7	Furla SpA	Italy	Furla	574
↑	1	Brunello Cucinelli SpA	Italy	Brunello Cucinelli	570
↓	-2	Gerhard D. Wempe KG	Germany	Wempe, Wempe Glashütte, By Kim	565[e]
↓	-1	De Rigo SpA	Italy	Police, Lozza, Sting; Licensed eyewear	483
↑	5	Euroitalia S.r.l.	Italy	Reporter, Naj-Oleari Licensed Fragrance brands: Moschino, Versace, Missoni	402
↓	-3	Liu.Jo SpA	Italy	Liu.Jo	388
↓	-1	Aeffe SpA	Italy	Moschino, Pollini, Alberta Ferretti, Philosophy	357
↓	-4	Gefin SpA	Italy	Etro	338

This table, takes out from the 100 largest luxury goods business, the ones which are family business, classified on the requirements we recognized in the first part of the chapter.

As we can see, the firms that we have extrapolated from the ranking that are family ones are 31, out of the total luxury ones that are 81[33]; attaining to a rough **37%** of the companies in the luxury good sector are family firms.

Arnault Family (*LVMH*), Lauder Family (*Estèe Lauder*), Rupert Family (*Richemont*) and more families like the Pianult (*Kering*), Del Vecchio (*Luxottica*), Wertheimer (*Chanel*) ones; are all, like the others in *Figure 2.4*, managed and crontrolled by the family of the founder.

They perfectly embrace and exploit the family firms characteristichs, that have lead them being succesfull in the industry. These companies are all examples of years of leadership, and management practices, that have brought them into the highest position of the luxury industry. There are cases of companies belonging to the family's by 5th generations, like the *Swarosky Cristal Business*, or the 3rd generation, like the *Longchamp SAS*; but there are also company like *Patek Philippe* in which the founder's family passed the business to another related family.

What is really valuable is also the country of origin, and the *Figure 2.5*, helps us in clarifying the actual weight the Luxury Good Family Firms have on the whole amount of Luxury Good Firms.

France and Italy are rekowned, for promoting, cultivating and encouraging craftmanship, heritage and tradition, and it always seemed an intrisically rooted country culture; long history heritage companies belong to these two countries.

In the FY 2017, France confirmed its positioning as the highest sales growth and the greatest share of the total luxury sales in the ranking, with only seven companies, as it is home to some of the leading sector companies and conglomerates, LVMH, Kering SA, L'Oréal Luxe and Hermès, in the first eleven positions of the ranking. LVMH, is the world's top personal luxury company, being also a family company, with luxury goods sales of nearly US$46,83 billion in 2018. Another important information to notice is that *French* family firms, are 5 out of the 31 whole family firms extrapolated by the ranking, reaching a 16% on the total luxury goods family business; moreover, *French* luxury goods company as we saw before, are only 7 in the whole Deloitte's report, this is translated in a crucial information about family firms in *France*, that they have a huge impact, shouldering a *72%* of the total french luxury goods companies.

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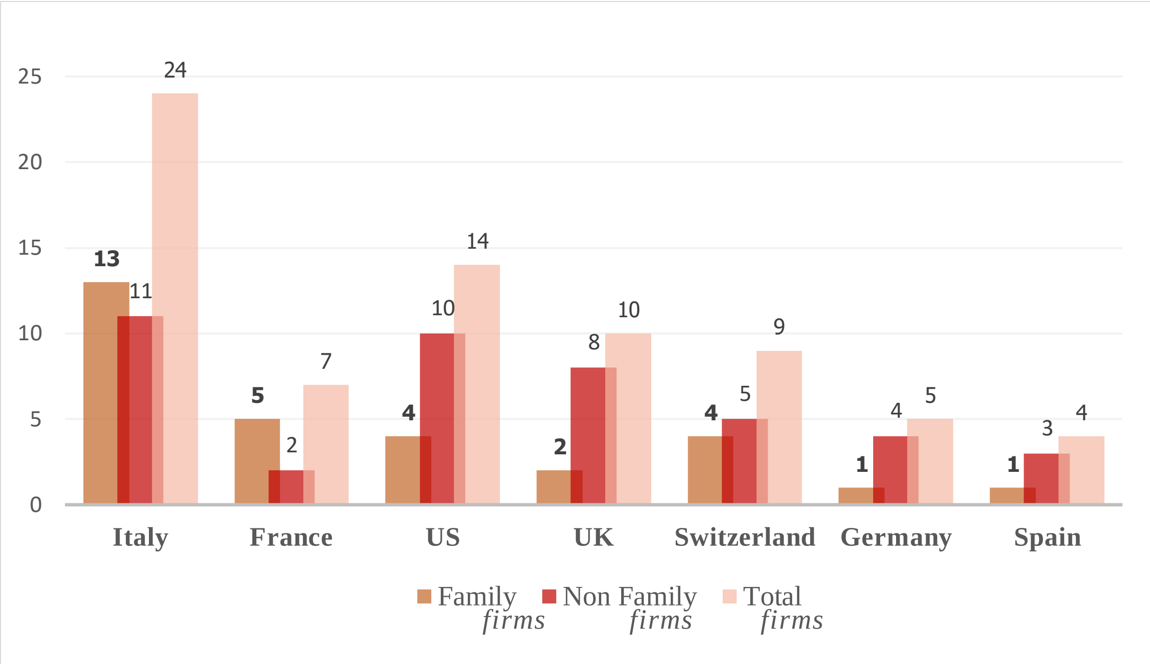
[33] The analysis is adjusted with recent M&A and takes into consideration all the country worldwide as per the Deloitte 2019 Report, except for: Honk Kong, India, China and Japan.

Also in Italy this number is good; in fact, among these 31 worlwide family firms, there are 13 that are *Italian* family firms, getting a solid percentage of 42% out of the whole luxury goods companies.

Made in Italy, is so strong that is translated in the mind of customers with sophistication, classiness, quality and craftsmanship, Italy reserves its leadership for what concerns the number of companies in the Deloitte's ranking, having 24 of them. The majority of the Italian Luxury Good companies manufactures for the first product category, clothing and footwear; Luxottica, Giorgio Armani, Max Mara Fashion Group, Moncler and Brunello Cucinelli all recounted double digit net profit margins.

Figure 2.5: Personal elaboration, *Comparison between Family and Non Family Firm in the Luxury Goods Sector*, based on the *Global Powers of Luxury Goods 2019 Report* by Deloitte.



In family firms, is all about building the brand around personal, individual, familiar experiences. And this is winning and successful for a brand in luxury too.

We decided to take into consideration the Interbrand Ranking, which classifies Brands for their financials, strengths and power, because of the major implications it has in the luxury sector. The brand, here, is what really identifies the company and distinguishes it from competitors, pushing customers towards purchases, making them loyal; it includes associations and it is an element of recognition. Meanwhile, it is certainly needed to be linked to showiness, because in luxury, as we stated in the first chapter, is all about showing and displaying the brand.

We can undoubtedly see, from the *Figure 2.6*, that in the first hundred positions of the ranking, brands that are relevant to the public, that are family firms, are ten, and 8 out of ten are also luxury ones. Moreover, we can also discern that, belonging to the fashion-luxury sector and the automotive-luxury sector are three out of ten for each category.

Figure 2.6: Personal elaboration, *Top Family Firms in the Interbrand Best Global Brands 2019 ranking*.

A detail, that should not be bypassed, and that is relevant even in the brands in figure, is that in the context of luxury, the majority of the company's brand names, matches with the name of the founder, the owner or of the family.

Ferragamo, Fendi, Missoni, Cuccinelli, Hermés, and then, Ferrari, Porsche, Antinori.

The family name surely imprints trust, awareness and familiarity; the clients is able to see and image something related to its own family, which is human, reliable and consistent. The fact that the brand has traditions, heritage and history, reveal passion, and most of all, quality and expectations. As we have seen, all the marketing-communication strategies, are well-suited and studied around these concepts, of showing off steadiness through the years, a fabled- renowned history, a geographical-artisanal indication of origin.

When the purchasing expenditure is high, the client indubitably wants to be assured and guaranteed about the services or products is he/she going to buy; and for family firms, assurance and warranty, seems to appear as intrinsic and essentials. This paradigm probably depends on the customer, who automatically empathize himself with the brand's family.

As formerly stated, in the ecosphere of the luxury context, the product carries with itself a variety of intrinsic communications that the purchaser wishes to be noticed by others; contemporarily, the beliefs of the family are also frequently personified in the products or services sold, as the business and the brand symbolize a specific presence in the purchaser's intellect. Accordingly, the product is in this way, jam-packed with representative-symbolic significances, that should be imprinted also in new product developments, as identified by Crawford & Di Benedetto in 2006, this procedure is central for the evolution and the durability of the family business.

Additionally, because of the increasing rivalry and enlightened globalization, incorporating also the high-end sector, in which businesses, should compulsory propose goods or services which, for certain purpose or another, embrace a sophisticated status associated to somehow comparable products already present and sold on the marketplace.

Unique launches are unquestionably not the solitary requirements that sign and warrant the achievements of the company; family firms also demand a speedy and well-timed response to the fresh, latest, everchanging dynamics in the international environment. Crucial would be to foresee participants' attempts in the market, their checking over flavors, adjust production and manufacture consequently, and appropriately state their new position[34]. If constantly chased, these are the unpretentious strategies allowing businesses to preserve and high maintain the competitiveness, while keeping up the performance in each fragment they are competing[35].

34 De Woot, (2002).

35 Companies have been proven to achieve a great amount of their revenues and increased profitability, consequently to the developments, innovations and launches, of new products, that came out to be successful; Crawford & Di Benedetto, (2006).

In order to face it and to achieve prosperity into the luxury context, a variety of activities should be implemented, both would be the case, for family businesses and for non-family businesses. In our imagination, in the latter, the product improvement procedure is followed and implemented by product-sector specialists; the former instead, the ones who we care about, specifically in small or very core-familiar businesses, the efforts and the stimuli for the conception of new products originated from the entrepreneur's or founder's subjective interpretation of the trendiness in the market[36].

Family respects and searches for fineness, superiority, exceptional carefulness, in products and services features excellence; and this would be deliberately followed also for what concern new launches and each new process implementation.

Continuity ownership consents the firm to gather and transmit the acquaintance which features next generations to be able to nurture and cultivate propensity with desire for the brand products. Moreover, family size could build supportive, cohesive, bonds within the diverse number of members in the competition arrangement and it is an assurance of legitimacy for the customers searching for a luxury company.

From our examination, we have previously identified anything that distinguishes and creates an efficacious family business; there were, actually, a set of bonding, related, qualities and particularities, some of which are decisive also for being booming and winning the competition in the luxury market.

The economic power in the luxury sector, is belonging for the majority of the market shares to small or medium size family companies, many of which have still a foremost artisanal, craftsman, component; the shared constituent is the pursuit of attractiveness, aesthetic, exclusiveness and classiness archetypal of the luxurious environment.

[36] Calabrese, Coccia & Rolfo, (2002).

CHAPTER THREE: WHY LUXURY FIRMS ARE OFTEN FAMILY FIRMS?

1. Being Successful in Luxury

So far, we have gone through the examination of the luxury context in the first chapter, after we went through the analysis of the family business, taking into account their major characteristics, deepening then the matter really significant to our analysis, the one of luxury family firms; we will now implement a literature review concerning the reasons why those businesses are particularly successful.

Beginning with the reflection that many luxury players are family firms, we will put the attention on the divergent counterparts between the features of the family businesses and those of luxury businesses; to accomplish the finale that the majority of the family characteristics, what we detected as familiness, is necessary to participate in that specific business environment, both in terms of capabilities and principles. The inimitable, exceptional package of assets genuinely belonging to the family business intrinsically possesses the likelihood to deliver advantages compared to non-family businesses, in luxury-connected industries.

On the whole, luxury competitors, even with stated-renown brands, are medium dimension organizations or huge conglomerates, that are at the same time, both facing either a sharp competition dilemma between economic and symbolic aspects, or, moreover, they are fronting a worldwide, challenging, meticulous, crescendo piece of customers[37].

The economic aspects are strictly connected with the operative process, manufacturing, development of the product or the service, that is pretty objective when it comes to be outlined and measured. Those aspects conform, follow, submit, to practical, mechanized logics of economies of scale and costs decrease; meanwhile, the symbolic aspects, are pretty subjective, individual-related, biased and influenced a lot by lifestyles, tastes and behaviors. This subjectivity, challenging to be achieved, is based on family uniqueness, history, symbols, value chain and social capital; it, contemporary, conforms to the logics of system interconnections, and growing profitability. However, growing in luxury and at the same time guarding for the industry-required exclusiveness, is a spot-on complex challenge. Growing profitability and competition advantages, in terms of returns above the market

[37] Schwimmer, (1972).

average, could be achieved and sustained, with the use of symbolic strategies[38]. Strategies like, over expensive, lavish, extreme fashion runaways or exhibitions, refer to particularly selected choices made by the brands, that are not explicitly taken only with regards to financial rationality, like *the* Hérmes *"Behind the Scenes"* or the LVMH *"Les Journées Particulières",* in the latter, for example, brands belonging to the Moët Hennessy Louis Vuitton SE group, showcased in particular days to the general public, their craftmanship and expertise through real artisans in actual boutiques, same strategy was applied also by the former. Those strategies are not openly aimed at increasing sales and purchases, but furthermore at creating an educated, well-informed clientele, aware of each manufacturing process and of each product details. The demonstration of symbolic capital, that is often really high-priced in monetary terms, is said that makes capital goes to capital[39], speculations in their expressions of symbolic capital are also fundamental to guarantee a human solidity and a consistency among individuals; in this way a social symbolic action, creates a belief, a bond, a link, between the brand and the customer. Who, after having saw what the brand wanted to share, feels the brand boldness, its values, he/she extrapolates and comprehends the whole vision, then he will either transfer his knowledges to other eligible clients not already interested in the brand, or, he will at each time became a total dedicated, devoted, client. Nonetheless, these pure marketing strategies are intended at boosting, what we called the firm's symbolic capital, in an industry built entirely around the concepts of status, esteem and prestige.

As we stated before, luxury stratagems are influenced by the vital balance between the performance of the economic and the symbolic capital; managers both if they are belonging to the family or not, could result in some circumstances attracted unconsciously to over-concentrate on only one of the two aspects, which is usually the economic one, that is more tangible and theoretically easier to be managed and studied, while under-caring about the extra one, resulting in the injury of the symbolic capital over the long term.

Increasing profitability is certainly an evident indicator of success for a whatsoever generic company, so it would be pertinent to equally apply this method to measure a luxury company success[40].

In pursuance of the perpetuation over the long run, of rising profitability standards, luxury companies must concentrate predominantly on the principal business and then they would like to extend it, following a measured, well-ordered methodology. This is because, the principal business of a luxury

38 We refer to the *Strategies of Symbolic Action* by Harrison, (1995).
39 Bourdieu, P. (1977). *Outline of a Theory of Practice, Cambridge Studies in Social and Cultural Anthropology*; Cambridge University Press.
40 Kapferer and Bastien (2009).

company should constantly be as dominant as to be able to confirm by itself a survival in the long run. In several occasions the core business today, it is still the traditional-historical one, the business which was set up by the founder of the company, and it would still preponderate over the greatest part of the total revenue margins.

In the luxury context, managers have to deal with the endless, constant, consistent growth and desire for profitability without mitigating the symbolic value, although, there is the continuous struggling pressure of the financial markets. Examples from the luxury industry are like, Prada and Yves Saint Laurent leather goods, Fratelli Rossetti shoe making, Montblanc writing tools, Patek Philippe haute horlogerie; when the top management with the product development area decides to introduce and promote on the marketplace new products, that are not principally correlated with the original area of proficiency and expertise, so diversification of the business in narrow and controlled production, could be understood as the application of the symbolic capital influence as a type of *tournament of value*[41], in terms of application and extension of the original symbolic positioning to all the new widened offerings.

Luxury competitors are mostly small or medium companies for what concern dimension, but simultaneously, they have a massive, worldwide, international, outlook setting. Due to the aggressive competition, for several companies among these players, diversification in offering can result, as the only one exclusive method to sustain their growth and preserve their positioning in the industry.

2. The *4 Cs* by Miller and Le Breton Miller

But, why is family ownership so entangled with luxury company's successes? What is the rationale behind it?

According to recent qualitative researches[42], we are able to state that, the atypical qualities characteristics of the majority of family firms adapt roughly flawlessly with the competitive rationality. Consequently, we have to demonstrate that the inimitable bonded package of resources

[41] Appadurai, (1986).

[42] Based on the researches by: D. Miller, Le Breton-Miller, (2005). *Management Insights from Great and Struggling Family Businesses;* Long Range Planning.
D. Miller, Le Breton-Miller, (2005). *Managing for the Long Run: Lessons in Competitive Advantage from Great Family Businesses*; Harvard Business Press.
D. Miller, Le Breton-Miller, R.H. Lester, A. Cannella, (2007). *Are Family Firms Really Superior Performers?*; Journal of Corporate Finance.

the family business possesses intrinsically[43], could fit and shape a prosperous foundation on which there is the likelihood to build a consistent advantage if compared to non-family businesses, in the luxury context.

Miller and Le Breton Miller were the two major scholars to have investigated the issue and from which we will develop our analysis. They started by the hypothesis that, what they studied as Family Controlled Businesses, FCBs, are seen as liable to inertia, clannishness, biases and impulsive management. Thus, how is it possible that so many family firms are extremely fruitful? The scholars had taken into account both performing and non-performing businesses, 46 belonging to the first category and 24 belonging to the last one, they considered each company's strategy, system organigram, vision and main concerns.

There were recognized four leading significances; significances that comprehend in their nature, both advantages, but also weaknesses, they have called "*the 4 Cs*": *continuity*, *community*, *connections* and *command*.

The major finding was that, family businesses who had efficiently reached success and profitability steadiness with the exploitation of each of the 4 Cs, meanwhile, the fruitless, ineffective firms seemed to be under-exploiting and forgetting about these significances.

Each of these *4 Cs*, that the company needs to prioritize in order to conquer the market, introduces a series of policies and schemes, that are recommended by the authors to be tracked.

2.1 CONTINUITY

The importance of the conceit is guaranteed by internal dynamics like history and heritage, the cultural mission, the accumulation of business core capabilities, the stability of management and the long run vision. Fascinating enough, a countless majority of luxury companies, started their businesses around the centuries 1700 - 1800, and since then a long history of tradition, interlaced between the experiences of the family and the ones of the company, have been effective in creating or satisfying special niches of the luxury-related industries. It is actually on these past experiences, through which they have been going on together, by both the family and the firm, that the family firms built their strategies on, and they will be definitely manipulated by, further than anything else. The history conceit is definitely a constructive strengthener for a luxury competitor, because it

[43] G. D'Allura, A. Minichilli (2012). *Family Business and Competitive Strategy Research*; Elgar Handbook of Research on Competitive Strategy.

provides to the clientele: consistency, confidence, expectations in regard to the brand, and changelessness and endlessness, to the brand's offering. There cannot exist any actual luxury player without an authentic history, heritage is of pivotal significance in the luxury competition, because companies repeatedly center their strategy around renowned, celebrated, iconic pieces, that represent their greatest-finest sales, even if their commercial launches occurred many years before, for instance, the Santos refined watch by Cartier, the Kelly bag by Hermès, the Fendi's Baguette or the Reverso watch by Jaeger-LeCoultre.

Time after time, although, these pieces could be revisited to make them follow up to date trends and tastes, nonetheless, major aesthetics and distinctive designs, that made the good that iconic, have to persist as the times go by. The transfer of acquaintance and know-how is a significant driver to shape the competition of luxury companies, who ground their evenhandedness and standing on product traits depicted by industrial techniques passed down through generations of artisans. Buccellati, as a jewelry manufacturer is globally recognized for its renaissance stylishness and the honeycomb technique. The education on the job to be adequately independent for novel craftsmen, usually take several years, in fact, a carver training can take almost ten years. In finest watchmaking, traditional abilities and instruments have not drastically transformed through the years, due to the authority the family has over the strategy implemented, they can choose how to transmit and on what to focus their patrimony of resources, principles, standards and customs, these characteristics are accompanying the social mission of the business, being part of the symbolic capital. Family businesses are usually typified by a precise extent of expertise and craftsmanship, around which they make converge their strategies, assets and processes[44].

That kind of focalization might encourage a profitable strategy, exploit core competencies and abilities, was certainly the reason making the founder constitute the company, unfollow that strategy, detaching from the original competitive advantage should not be the preferable path to keep on if not markedly justified. As we saw until now, clients recognize and celebrate the brand core values and vision, and that is why they decide to trust and consider the brand when comes the time to make a purchase and continuously through the years. For instance, is the case of the Missoni, the family had initiated and stated a straightforward, unambiguous, unequivocal fashion of clothing, characterized by colorful, vibrant and zigzag, striped, waved, twisted themes.

[44] Corbetta, (2010).

Family managers and working members, have the tolerability and the persistency needed to drive and to produce value with a long run perspective[45], sometimes even victimizing and leaving out financial outcomes in the short period, in an industry in which timing and responsiveness is undeniably decisive.

2.2 COMMUNITY

Community is linked with the company culture, the working environment and the professional principles and the employee philosophy. In this industry, managers, owners, creators, artists and artisans have to regard and care about each other, think and work mutually, safeguard and improve the company symbolic capital; any individualistic, self-interested, egoistic attitude results unbeneficial. Whether 5 or 500 years old, it is every brand commitment to maintain a strict alignment with every day, modern culture that keeps high both internal and external expectations and connected to those who demand and appeal. Huge changes are happening in the market, whether colossal conglomerates are consolidating (*i.e.* Estée Lauder), new platforms are spreading (*i.e*. Farfecth), success and commitment belongs to culture, and those that are able to flourish as convincing employer firms, fascinate and retain the finest talents on the employment market. Family firms are cohesive because of the craving to generate a robust, durable feel of commitment to the business, that is conveyed in a noticeable harmony and a consistent cooperation between the individuals working within it. Luxury business will quest for insights and modernism, in habits that are significant to its people, to power their volition of growth and the one of the firms. They will be advocated by a working culture that turn out to so protecting for the brand, that is crucial to comprehend that great brands begin from within[46].

Prada's CEO, Patrizio Bertelli, partner in life of Miuccia Prada, for example, has recently criticized what he defined an archetypal constraint of the Italian business culture in general, is avoiding new launches and starting a new business, because of failure and risk aversions. Bertelli's entrepreneurial culture, is made up on business and creativity, so he trailed what the brand has focused on since its foundation in the seventies, the power of reinventing itself without walking off from key particularities and matchless firm's identity[47]. Luxury managers like him, appear to motivate their

[45] A growth strategy suggested in 2010 by Carcano and Ceppi, was in fact, the so-called *Bonsai System*, through which only family firms have the endurance and perseverance to fix, work and sustain the business.
[46] R. Robins (2017). *Luxury is Culture*, Interbrand Report.
[47] SDA Bocconi School of Management, (2019). *Instinct, culture and values, the leadership mix by Bertelli*; Leadership Series.

teams, employees, professionals, on the basis of their own cultural beliefs, philosophy and understandings, which in practice, essentially effect choices and results.

To sum up, the vision of the already mentioned, Prada's CEO, when chatting about leadership was: "*Most of all, in my wife Miuccia's and my own opinion, leadership is about managing and developing the culture and values of our group*"; is really what a luxury leader should follow.

2.3 CONNECTIONS

Connection priorities are associated with reputation, credit, honor and reliability, all features that can create a steady basis relationship with contractors, franchisees, clienteles and all the involved shareholders. As we already saw, reliance and status build the business value creation in every sector, moreover in the luxury one, and all would be encouragingly strengthened when the founder name is accompanying the brand. Estée Lauder, Salvatore Ferragamo, Ralph Lauren, using both the founder name and surname; Audemars Piguet, combining founders' surname; Bulgari, Fendi, Gucci, taking only the surname, are few of the many instances from this industry, demonstrating a preservation of the symbolic capital, greatest resolution[48] to make in the business.

Sharing and showing the existence of the family outside the company, by the merch sold or the services connected to the consumers and the distribution and the sale process, with the marketing activities, an individual touch became such a serious driver when it comes to create value. Family businesses cultivate and care about building very long-term connections with own employees, because it will be led to the conception of an interrelated group of individuals who can powerfully identify and recognize itself with the company and the owners. Human capital is so significant, because luxury companies are centered on artisans, artistes and engineers, who generally completed their career into the same company. Furthermore, Family relations with their natural roots and their singular commitment for their territory; because a luxury product is eternally rooted in a specific culture and it is a manifestation of that family primary place.

Successful family businesses have to cultivate local strict connections with the neighborhoods they are related with, and have to remain coherent with their original heredities, heritages, traditions,

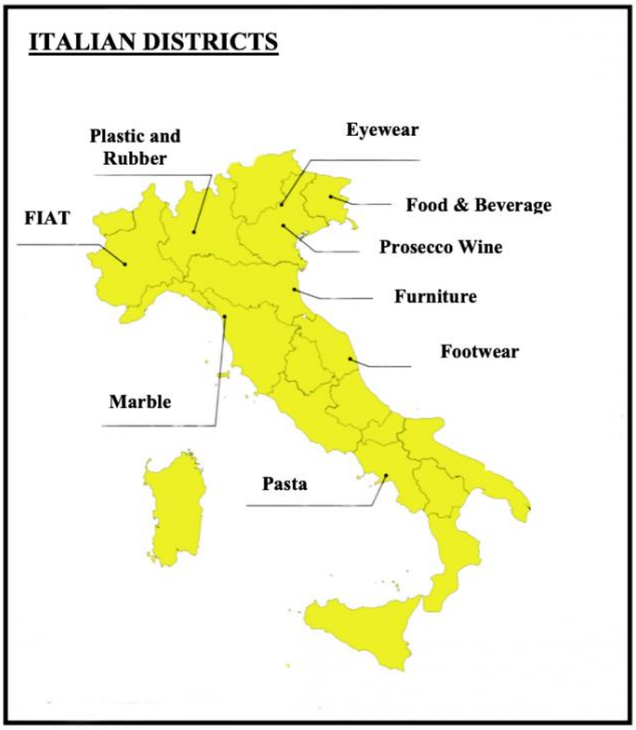
[48] Strategies that brought the enhancement of symbolic capital, brought to the company what is called, *credit of renown.* In 1977, Bourdieu, argued that, the collection of the symbolic capital as we saw, is a logical choice to make, so as per the collection of economic one. It is needed to build it over time, with high investments, creativity and caring.

origin, (*i.e.* Shoes in Marche region or Champagne in France). Tod's, for example, has recently presented its brand-new operative plant in Arquata del Tronto, they built it in less than a year, and gives employment to many people; a hopeful opportunity for a land and its people shattered by a terrible earthquake in 2016. The group had taken the decision for a subjective, intimate choice but also with a commercial perspective, intended to bring the principles of Made in Italy and shot them into collective heritage[49]. Examples of businesses exploiting the advantage of the bond between family brand and territory are several, Ferrari in Modena or Ferragamo in Florence, Benetti in Viareggio or Loro Piana in Biella, also the exploitation of secure networks of distributors in a specific area would be a tactical solution, like the implementation of districts; The advantages of these craftsman districts in Italy are manifold: the teamwork between companies consents greater flexibility and efficiency, creates, induced and guarantees a higher standard of quality, both in terms of professional figures and products.

Indeed, each company, thanks to the collaboration of the district to which it belongs, can specialize in a specific activity: spinning, warping, weaving, dyeing and finishing or finishing. In this way, a high level of skills is created, and production is differentiated, which are the necessary elements for dealing with economic fluctuations and changeable market rules. End-to-end competitiveness is reduced exponentially to leave room for fruitful cooperation for all, the several districts divided by specialization areas could be seen in *Figure 3.1*. In terms of growth performance and profitability, among the 20 unsurpassed best performing districts, there are two that can be connected to the luxury fashion sector of accessories: namely *Belluno Eyewear* and *Leather goods and footwear of Florence*[50]; however, thousands of new yarns, textile designs and fabrics are created in the textile Made In Italy districts every year.

Figure 3.1: Personal adaptation of Mondo PMI (2019); *Distretti Industriali: Cosa Sono E Quali Sono I Più Importanti In Italia.*

[49] Tod's Group investors site (2017). *Stabilimento di Arquata del Tronto*.
[50] Pambianco News, (2019). *I distretti corrono. Ma quelli della moda vanno meno lontano*.



2.4 COMMAND

The last priority is command. A decision-making activity, based on speediness, uniqueness and audacity and distinctiveness is key. The above-mentioned long vision usually pushes the family firm to participate in competition with exclusive and unusual stratagems, that fits special market niches, that it is critical to betrayal the competition and to flourish in the luxury industry [51].

The greatest place to fit in, in all the sectors, is a niche one, and uniqueness is certainly a driver for fitting there, in those kind of firms a family member is usually in charge of the creative systems, is the case for Fendi, in which recently, Silvia Venturini Fendi took the position, after Karl Lagerfeld death, of the Creative Director. She was the only one among her sister, not taking a step back from the family activities, this like other generation passages, was a tricky phase for the company evolution, due to the intricacy of the step in a so faint process. "*It is not because you are born a Scheufele that you necessarily know how to make watches"* said Karl-Friedrich Scheufele from

[51] Kapferer and Bastien, (2009).

Chopard[52]. However, we have also to take into consideration, the distinction between global and local clientele, even if it is smudging; firms have to communicate coherently across every market to each dissimilar costumer. There is the obligation to recognize the consumer and attribute to different profiles, likings, necessities and potentials, the most appropriate offer, and here the leadership has to align with the strategy. Leadership is so important in the industry to adapt every need to each local market[53] the brand plays in, in fact local teams must efficiently share data for the implementation of the most suitable solutions to make the organization working, with effective communication and knowledge transferability[54].

In order to increase this sharing and support while planning and achieving, leaders demand five elements to stimulus commitment: recognition, empowerment, interaction, open communication and organizational support. So, today's luxury managers have to chase an efficient international managing, a worldwide brand aura with local adjustments, a successful retail control, an influential relation-build experience with local consumer, an excellent customer tailored journey. Talented luxury managers in this way, both in established and evolving markets, necessitate an elaboration of a universal outlook with an eye on the consumers with dissimilar cultures and markets; and this would lead to the implementation of an innovative vision, supported by creativity and boosted by talented local.

3. Major Drivers for Winning in Luxury

We started modeling our analysis on the renown 2005 model by Miller and Le Breton-Miller; now we have to broaden the examination taking into consideration, a model[55] introduced by Elisa Giacosa in 2014, who herself recognized a series of detailed qualities of family firms that lead to a competitive advantage in the setting of the luxury industry.

The winner drivers are organized into the subsequent categories: *Corporate Heritage, Long-Term Vision, Specialization, Internal and External Relationships,* lastly, *Innovation.*

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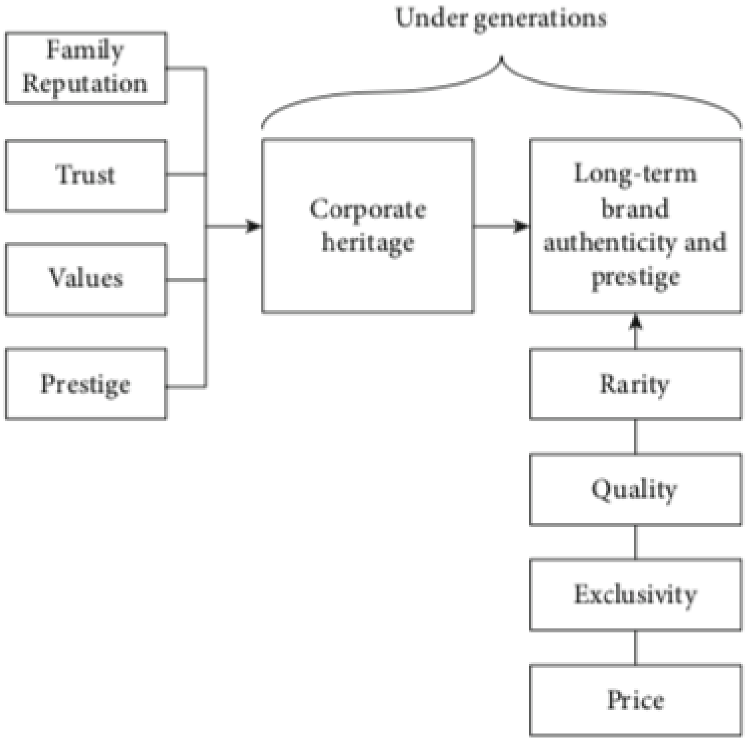
[52] D. Kenyon-Rouvinez, J.L.Ward, (2005). *Family Business Key Issues*; Palgrave Macmillan.
[53] In Luxury, reference to local segmentation and specialists of each market are spreading. Major segmentation involves sectioning of the global market in macro-areas with common traits, for what concerns client needs; *i.e.* EMEA that comprehends Europe, Middle East and Africa, is a crucial market with consistent, harmonized characteristics, and other segmentation like the Asia Pacific, that is built up on a quite inhomogeneous group, but has a major weight on the global market.
[54] E. Lacresse-Rigaud, F.M. Pini (2017). *New Luxury Management: Creating and Managing Sustainable Value Across the Organization*; Springer.
[55] E. Giacosa, (2014). *Innovation in Luxury Fashion Family Business: Processes and Products Innovation As a Means of Growth*; Palgrave Mcmillan.

3.1 Corporate Heritage

The heritage element, an endowment of ancestry, built through the years, descending from the accrual of prestige, standing and trust, passed on with generations, discharging the brand with a secure authenticity.

Figure 3.2: Corporate Heritage from *Innovation in Luxury Fashion Family Business,* by E. Giacosa, (2014).



The peculiarity of this heritage aspect is that it survives even when the company's goes through major transformations, also when it comes to revolutions in ownership. Notwithstanding these revolutions, we have to recall what we saw in *Chapter 2*, heritage is a crucial competitive advantage, that the company have to preserve and encourage. When the company is going through a generation passage or even when the family is being left out, managing the heritage should be incessant, because being successful and fruitful means convey endless custody of the crucial primary proficiencies, which reinforced the prestige of the brand and made the company a foremost expert of the essential skills for hitting the industry. Endure with what has made the family prosperous, faithful to the original ideals, in contemplation of not misplacing the coherent image shaped over the time and to not cause misperceptions in the clients.

The *reputation*; what is recognized and hunted in the brand, is mostly what also is recognized and found in the family. What is clear in the minds of customer, is generally so strong and rooted that persistent efforts are necessitated to strengthen their perceptions without damaging and shadowing the culture or the virtuous status shaped over time, but also it will be so difficult to change a misconception that became to identify the brand.

Successful luxury brands, today, are those in which the patrimony created by the founder is still extremely marked and unmistakable. Heritage donates *prestige*, and so imagery and symbolism. It is what distinguishes the offer and gives a social standing to the buyer; the brand became a tool to communicate and represent the individual, who believe in what the business and the family represents and stands for. The logo, the color, the pattern, but also the smell, the atmosphere in the stores, are clear in the consumers mindset, are what they expect from purchases, are what they wanted to communicate adjoining *exclusiveness*, quality and fineness.

When the company belongs to the upper level of the luxury pyramid, the non-affordable one, the brand inspire *rarity* (limited productions of Chanel 2.55 for example), that coexists with *quality*, and that latter feature of the heritage characteristics is what the author has demonstrated to be the most representative of a family firm managing luxury, because of the choices that were taken by suppliers in the scheduling of the manufacture procedures. A family luxury firm is trustful, prestigious and high quality, especially when the client belongs to that category of the luxury pyramid, they seem to be as enormously classy, enthusiasts and specialists, with obviously a huge spending power. If we parallel a Loro Piana branded cashmere sweater and another non branded nameless one but still artisanal manufactured, the first will fascinate a consumer who certainly have enough money to make a luxury purchase of this type, but that also have enough confidence and belief in what the brand stands for; the second one is a consumer who recognizes absolutely identifies and appreciates the quality of the raw materials but who does not have to attain to an evident status. This testifies, that the prestige of the family firm, is transferred consequently at a largescale on the consumer when he communicates to the society, he is in.

The heritage has a recognizably evident economic benefit, that is also a statement communicative tool for the brand, the possibility to request a higher price. The *price* turns out to be a conventional boundary that when it is noticed by consumer's intellect, it is mechanically branded as a product of incomparable, unbeatable quality; a product who apparently deserves to belong only to similar status consumer. The price is settled in agreement with the type of luxury level in which they are positioned; but even though, it is the *exclusivity* that the company mirrors, and not the solely price, that determines the price mark-up, luxury firms could build their policy on. It is regularly, not advertised, or difficult to be noticed, and this is true throughout all the luxury pyramid, even if the product sold and its quality could not validate the price requested; we can think about some average mark up for the sector, that for piece of clothing like t-shirts are around the 100% to price increases that reaches 2000% for limited edition bags.

Already in the eighties Aldo Gucci, centered what the message of luxury companies would be by saying : "*The quality is remembered long after the price is forgotten*"; price might depend by the image of the brand, its attractiveness and prestige, however, when the consumer is persuaded by the brand communication, he will purchase everything, forgetting about the price. Brands like Louis Vuitton, Chanel or Hermès, custom a peculiar common strategy, they practice very high prices even if not of that comparable high quality, and have started increasing prices by near the 7% (or more, Louis Vuitton Neverfull bag, went up from 500 € in 2010 to 900€ in 2017) each year, this was intended to increase the average portfolio price, bringing up also the prices related to entry level products, like key chains or wallets, those items have really high prices but not as elevated as the top exclusive goods, thus, are meant to appeal to different customers not already in the brands arm. However, sales policies, friends and family reductions, high end outlet are part of the industry, because of the helpful consequence of broadening the clientele, even if temporarily, alluring customers into stores and encouraging the shopping by powering their wishes.

The *identity* of a luxury brand boosts the classiness and stylishness of the good. It awakens symbols, quality, scarcity and the creativity of the brand, because is based enduring, perpetual, style codes, that embodies the brand, its traditional trait d'union. And, every time the company is presenting a new collection, edition, runaway, or product, it is required to managers that they should partially renovate, meanwhile they should regenerate and maintain the core symbols of the brand, to emphasize the identity on the long run. Laurel for Fred Perry, baroque for Versace, zig zag for Missoni, every of these elements distinguish the brands by evoking something slightly different for each other, a casual British style for the first, a fancy outrageous one for the second and a cozy colorful style for the last one.

3.2 Long-term Vision and Generation Passage

A longer-term vision in the strategy, compared to non-family companies, can obviously be deducted by the consideration made at the beginning of the chapter, about the Continuity in the 4 C's model. Clear resolution of a family business is to handover the company to the future generation, consequently, the whole processes from management decisions to changes in ownership or strategy implementation should pursue this objective. Consequently, family shareholders are less interested in the return on equity in a short-term vision, but more interested in the survival of the company and in maximizing the return on social and symbolic assets of the company.

Therefore, a long-run approach is compulsory both for the single, the founder, the owner at the time, and for who is running the firm at that moment and for the following generations; whenever the former trusts and supposes a preservation of the firm, to be accomplished by the latter, he will undertake actions for and enduring business existence. Members of the family, who are committed and dedicated, being cohesive within the business, have a strong inspiration towards durability and performance of the firm, supporting long time, taking risks, choosing right investments for the creation of value through next generations. This inspiration of management, usually, progressively deteriorates with the passage to next generations, as their connection and affection to the business typically declines.

The *generation passage* is among the most life-threatening aspects for a family business, apart from the attachment deterioration, successors might not be in charge of the same management capabilities or trained or propended for the same industry[56]. Generational change is a multifaceted path, which may embody both a danger and a possibility for the continuity of the business. Generational passages seem occurring instantaneously, but is the conclusion of a procedure that[57]: initiates when the youngsters are still very little, is made up of a variety of stages that happen over long periods which could last decades, it endures customarily with parents coworking with the offspring for somewhat protracted time, experiencing different roles and ongoing changes; resulting in an ultimate newfangled governance and managing structure for the family business. Continuity and long-term vision can be threatening if no appropriate heir may be identified in the family, and selling the business or transferals in ownership, could seem the best solutions for all the shareholders and the family itself. Continuity is merely achievable if there is in the family firm a culture founded on meritocracy.

Undeniably, unpredictable happenings can occur during the process, and endanger the actual survival of the firm, these contingencies embrace: founder unplanned inability to work; no heir fascinated by ongoing the family firm; if the management approach is based on meritocracy or on family relations; if successors are distanced and financial contingencies. Nevertheless, this passage embodies the

[56] S. De Falco, (2016). *Family Business: Ownership Governance and Management*; Giappichelli Editore.
[57] G. Corbetta, C. Salvato (2012). *Strategies for Longevity in Family Firms: a European Perspective*; Palgrave Macmillan.

possibility to redirect the business strategy, to infuse fresh liveliness and sharpening renewed proficiencies to the entrepreneurial attitude.

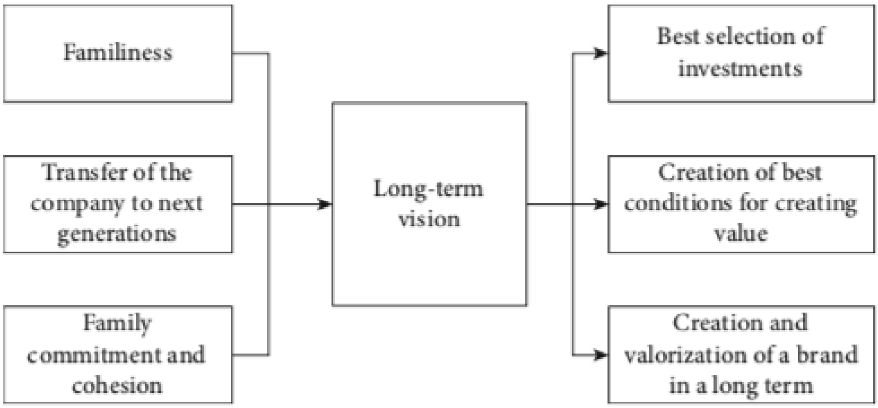
When challenging with generational passages, we have to reflect on the precise structures of the family firms, like:

- if they are belonging to the founder-first generation or have previously faced a generational passage;
- if the business represents for the family a minor slice or it accounts for the majority of the whole patrimony;
- or, how the family approaches to development of strategies, independently or cooperatively;
- taking into consideration the dimension, small or bigger ones;
- if family members are active or only façade ones;
- if are diversified companies or mono business ones;
- if are family firms where the family has the majority of the shares or there is the presence of little shareholders.

In recent years, the percentage of family businesses with a turnover of over € 50 million with authoritative-committed family members in the management has decreased by 10 points, furthermore, since 2015, the contribution to management decisions of unfamiliar leaders has progressively improved, so as per the percentage of family consultants, although if more slowly, even among the smallest companies[58].

[58] G. Corbetta, F. Quarato (2019). *Le Imprese Familiari e il Mondo*; XI AUB Observatory.

Figure 3.3: Long-term vision from *Innovation in Luxury Fashion Family Business*, by E. Giacosa, (2014).



So, this long-run vision, it is vulnerable to descendants' choices generation; sometimes, the entrepreneur could be attracted by attaining results in short periods, if convenient to cumulate value and increase the selling price of the firm. On the other hand, family leaders, who believe in the creation of a branded culture, powerfully mixed with an innate sentiment of self-sacrifice, are moved to reach and increase the safety, the control and the authority of the company in the industry.

The vision is also contingent on the *familiness* issue, a competitive advantage that, as we saw, is the package of exceptional, individual and implicit resources descending family relations and commitment. In the luxury industry, to compete is compulsory to have a long-time vision, the *patient* capital brought to life by the familiness factor, represents what is monetary invested that has not an expectable, foreseeable revenue, but is somewhat concerned with originality and modernization, respecting tradition, harmony and warmth.

Brands in the industry need to create a trustful renown reputation and to develop loyal and fascinated consumers; and, to sustain the managerial struggles of the founder, the successors should interiorize the brand values and propose an offering that should be coherent and consistent with the original one. Only a long-time strategic vision, is capable to shape and valorize a brand, and to led, obtain and preserve its prestige; prestige that has to be reinforced by the company, as only a prestigious brand can advocate symbolism, distinguish the offer, boost the buyer social standing and ask for a premium price.

The brand turns out to be the a no words message carrier, in the industry specifically, being fully intrinsic of symbolic capital, it is the initial interaction with the outside, it complements, distinguishes and represents the brand behind the products. As the standing of the brand is automatically reflected on the standing of the firm that manages the brand, and in some cases mainly because both the names frequently match, so as per the greatest is the positive aptitudes accredited to the family are also attributed to the company and the other way round; as if, like the brand, the family seems a carrier of identity.

The brand message is usually extremely noticeable for affordable luxury brands, and a typical overused marketing instrument, like the double FF check of Fendi printed on bags, that resulted more A luxury family firms does not cease to exist when the product is bought, because it also sells intangible factors. As we have stated in the first chapter, a luxury brand has a low functional utility-price ratio, it is characterized by a high intangible utility-price ratio, it thus, appeals to customers that are more inclined to the status the brand incorporates, since functionality is obvious.

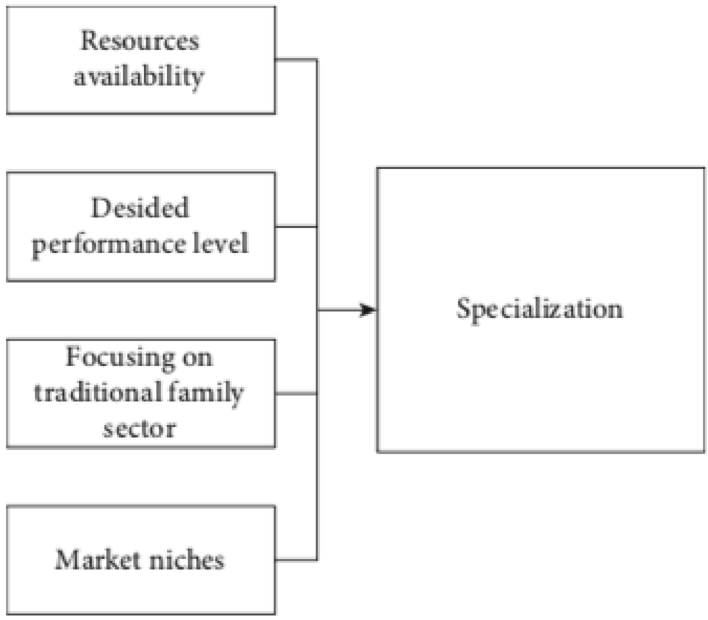
An efficient *investment strategy*, near the investments in symbolic capital, is contingent on the brand equity, which is reflected on the price increase the customer is eager to spend to possess a product belonging to the brand, compared to what he would spend for the same but unbranded product. Brand equity is extremely elevated for non-affordable luxury companies, it is subjective to brand awareness[59], so the reputation of a brand, or its being so famous and recognizable that it is spontaneously recalled in the minds of consumers, and by the goodwill of a brand, so what a business thrives to deliver to preserve its clients, appearing as a consistent and thoughtful company, trustful and credible, all characteristics that cannot be created overnight but earned long time. The conjoint effect of these two brand characteristics have a positive combination, that generates for the company an immaterial, intangible advantage, to be cared and controlled to succeed in the long run. A kind of brand cult is noticeable even when the company decides to build up a co-branding strategy with other companies, that compete in totally different sectors; this could prove that the brand appeal is so strong that may result as successful as they were competing in their main sector, so as per the case of Fiat and Gucci and the Fiat 500 by Gucci.

[59] In the nineties, D. Aaker figured out the Brand Equity model, and among the components there was the brand awareness. The different stages creating the brand awareness were imagined like shaping a pyramid, in which at the basis there is no knowledge or recognizability of the brand in consumers mind, (stage called: *Unaware of a Brand*); then the consumer started to recognize the brand, but through questions that recall it to the memory, (*Brand Recognition*); when there is the tendency to spontaneously associate the brand with a specific category of goods, without any stimulus (*Brand Recall);* and finally at the highest stage of the pyramid, there is the brand to which the client immediately thinks when asked to his favourite, (*Top of Mind*).

3.3 Specialization

Usually, family firms invest in sectors that could be seen as extensive of the founder original operational field, where the family formerly worked and shaped its family's tradition.

Figure 3.3: Specialization from *Innovation in Luxury Fashion Family Business,* by E. Giacosa, (2014).



Usually, family firms are said to prefer labor-intensive industries in which bigger acquaintance and culture are needed compared to capital-intensive ones. Additionally, family firms are inclined more than non-family ones to focus and invest in market niches, they typically try to differentiate the product range or manage and concentrate on selected specific stages of the production procedure. In the luxury background, these decisions, might be contemplated as the more accurate strategies, the greater the business specialization, the fewer the number of products offered. Particularly, the business which focuses on one exclusive brand only, might contemplates to center all the dynamisms and investments on this one. Contrariwise, when the specialization is not so evident, the brand is applied to a variety of product categories, and its attractiveness is the motivating influential strength, utilizing the synergies amongst the distinctive products and exploiting the advantage of having loyal clients dependable on the brand, because of the esteem and the appreciation attained. This type of brands used to replicate and reflect their influence on all the other company brands are called *Umbrella brands*, because brand products share messages, attitude, culture and a convincing feel of belonging to the winning brand. In this way, the brand, confirms to be an intangible component among the assets of the family firm, signifying the brand represents the future of the firm, and usually, the customers have a clear hierarchy in their minds in terms of brand preferences, so when it comes to make a purchase decision, they will base its relatively to the organization of principles, standing, prestige and beliefs that the brand arouses, meanwhile, real functionalities and operativity of the products are scarcely took into consideration, or contemplated later in the process.

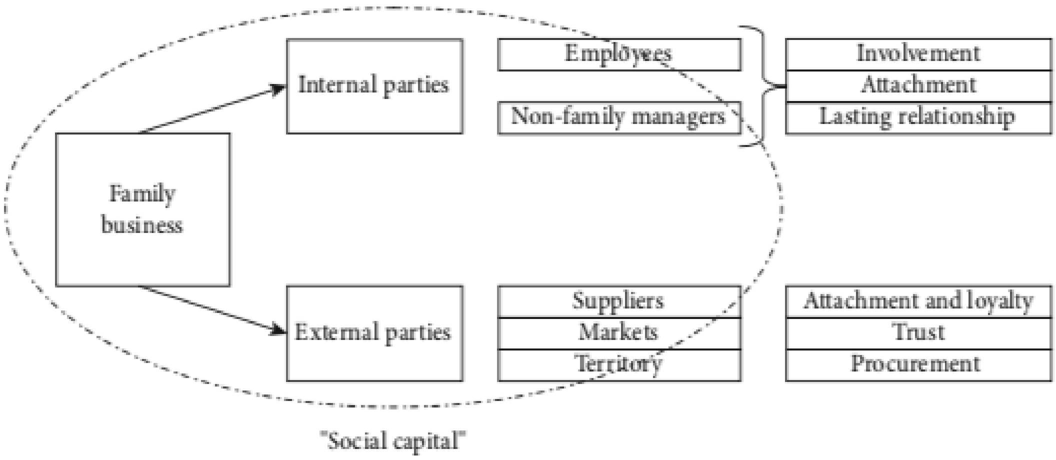
Alternatively, to specialization, a brand could follow a *multi-brand strategy*, like Tod's Group, with Tod's, Fay and Hogan; with this approach each brand belongs to a distinctive business idea, that might involve different product categories, the group has chosen to differentiate each brand. Diversification allows an autonomous development, because each brand is noticed independently from the rest of the group, nearly without any visible linking, consequently, bad performance of brand have no damaging effect on the others, so as per the positive attributes. The resultant brand portfolio is capable to produce synergies and optimum efficiency originating from diversification, when multi-brand strategy is consequent to a procedure of M&A, the firm could choose to keep distinct and independent brands, which have peculiar features and already specific market segments, to not generate perplexity in the customers' minds. Unconnected management necessitates superior control and encouraging fortitudes because it is beyond complicated to build economies of scale among the brands, since each brand entails unconnected, specific advertising campaigns or detached distribution channels. For instance, group like Prada with MiuMiu brand, or conglomerates like Richemont, with Celine; the macro group, here, decided to make changes in the creative direction of the brand, substituting the long lasting Phoebe Philo with Heidi Slimane, who also decided to remove the accent from the logo and refocus the brand identity.

3.4 Internal and External Relationships

Long-term relationships with third parties, are what mostly portrayed these kinds of businesses; and this is due to trust and reputation, which led the company to progress a competitive advantage.

Via these relationships the company attain to enter a variety of intellectual, human and financial resources belonging to these shareholders, who make an enormous effect on the company's rate of continuation.

Figure 3.4: Internal and External Relations from *Innovation in Luxury Fashion Family Business,* by E. Giacosa, (2014).



Internal relations are those relations falling within the individuals working in the firm. When those relationships are beneficial, they encourage and disseminate the human capital, that, in this way turns out to be a production factor, just as per the further inputs involved in production. The nature of the relationships among the employees, reminds of a kind of family relationship, due to the feeling of belonging to the same reality; a reality in which they truly recognize themselves and of which they reciprocal assign the same arrangement of values.

A long-lasting relationship between the employees and the family, is the key to drive business culture and business performance. When the working forces share: a feeling of intimacy and closeness with the family, a greater connection with the company, a sentiment of involvement and attachment to the same values; they will fight and work a lot harder to satisfy themselves and the family, compared to non-family firms, because they would often result to have interest in achieving the same goals the company has prefixed. When this tendency is so strong that bonds numerous family generations and its employees, a virtuous circle is shaped and established on reciprocal cooperation.

The employee resembles a necessary source that nurtures the business' social capital, because of the goodness and the advantage they contribute to provide to the organization; that goes way too far than the meager, solely implementation of their tasks. Whenever the relationships with the personnel are grounded on an ethical, principled, virtuous relation, and firm's human resources are constantly emphasized, the employee's efficiency could be enriched and perfected, consequently, company's efficiency could be enrichened and perfected. Intrinsically in the family business, there is the fastest simplification of building in these kinds of family-employee's relationships; working professionals are frequently psychologically and fervently related to the family colleagues, to the degree that, they would favorably aspire to get in touch and work strictly with the family managers rather than with the non-family ones.

For employees working in luxury firms, the sales forces are also ambassador of the brand, who are obligatory required to nurture a convincing, solid, robust feeling of closeness and attachment to the company. They are obliged to execute their responsibilities passionate and enthusiastic, impersonating also the roles of spokespersons and communicating with pleasure and steadiness the brand’s thinking. The workforces are intensely selected, inspired, encouraged and educated for the purpose, fitting perfectly the role of a nexus between the brand and the clientele. The personnel in this way, is the unifying trait with the market, through which the company is able to carry its messages, its products and services, its pleasures; an instrument for preserving and instigating consumer loyalty.

The *External relations*, instead, are categorized correspondingly with the kind of entity the company interacts with:

- Relationships between the Family Firm and Entities suppliers of goods and services;
- Relationships with the area and territory in which the Family Firm functions or initiates;

The businesses have a huge variety of relations with a huge variety of *entities* related with the supply of goods and services, both at the beginning of the production process, for instance with suppliers and subcontractors, and at the end of the production process, for instance with dealers and the retailers. Obviously, if the family business has a relevant dimension, there is no possibility to manage at a private level these relationships with these external entities, as per the case small family firms. A strong link between the firm and the entity is difficult to be created when the dimensions are so great, because the contractor isn’t able to see the family and capture the trustful sentiment they are said to spread; this sense of faithfulness and reliability that is typical of a family firm, that is noticed when a family member is observed, is seen as a substitute of security and solidness, helps also in obtaining these factors of production and close deals with entities. Commonly, family firms base their strategies on long-run relationships with the external entities, through which the resultant linkages are founded on relations built on expectation, confidence and unselfishness.

Counterparts habitually appear to favor to cooperate with members of the family rather than with non-family managers, whenever pointing at solutions and answers to delicate issues. That is because, family members have both an exhaustive, comprehensive knowledge the company dynamics, and an aware understanding of a variety of problems, and finally, because of their commitment to the company long-run survival.

Regarding the relations among the business *area* and *territory*, the distinctive features of the family business give it an advantage in attracting clientele when it relies on the good reputation of the family, in both commercial and production terms. That peculiarity is acutely marked when it is someone belonging to the family whose during an advertising message elucidates and shows the product, being ambassador of its family, placing himself on the frontage, carrying and transferring the message that it is a family product, used also by the family, so the customer should rely on the firm. Therefore, it is obvious and unmistakable that, the reputation and the label attached to the family in the sphere of the business and its relationships it is so significant.

An up-and-coming brand is a brand with a global profitmaking significance, it has been said. When the brand is renowned universally, or almost in the most important markets of reference, because of a sequence of relationship established between the firm and its markets, over and above, specific physical and geographical, social and ethical limits that typify some precise market environments. Locating boutiques in the greatest significant and esteemed fashion roads and the contemporaneous amount of internationalization in marketing policies.

Yet, the brand is additionally portrayed by the neighboring connection with its native primary land, particularly if it is a country which has a convincing standing and a robust prestige for luxury. This is the case of Italy and France, unanimously accepted as icons of excellence and refinement. Heritage esteem of the firm, and legacy with the roots of the family, bring a genuine sentiment of community in many renowned family companies. Connection with the land of origin, its natural environmental aspects, its splendor, is shown off with the creation of an adequate composed operating environment; since the businessperson might be influenced by the magnificence of the area and the relationship of the employees with their same sorority connection to the origin, pooled with the peacefulness of the headquarters that helps in promoting inspiration of the workforces. Is important to share to the whole working force contributing in the ordinary reality of the company, unrelatedly with the role they undertake; each employee has to know that his tasks deliver a vital contribution to the collective growth. Business quality is consequential to internal quality delivered individually.

The country of origin effect has conveyed a succession of advantages to the brands of Italian and French family businesses. In the outlook of the customer, a label of this kind, helps not only in differentiate the brand itself among the competitors, especially if beyond the country borders, but it connects the brand with a series of heritage values, culture, proficiencies, fineness and quality. The companies that are renowned in the industry, have helped in strengthening the Made in Italy or Made in France label, and that has validated and made also benefit the lesser known Italian and French firms, flattering a kind of certification of quality.

For example, if this is so, Italy is widely acknowledged as the family luxury businesses' country of origin, as Ferragamo, Fendi, Zegna, Armani, Missoni and so on. The *Made in Italy* label since, the post-Second World War, was deep-rooted and confirmed as the marker granting excellent superiority and class, authenticity and moreover a feel of stylishness universally admired. When compared to the French savoir faire and its connection with the country of origin, we might see that many luxury goods bring with them the Made in Italy label, in fact, brands like Dior make their bags made in Italy. The label is well-known internationally for the quality of the raw materials and the finished goods, for the capabilities of the artisans and the craftmanship, and overall for the mixture of labor quality and classiness of the constituents. Protection of the label, requests to companies an enduring challenge to craft initiatives to encourage people around the world to pick Made in Italy products.

The *BrandZ TOP30 Most Valuable Italian Brand* classification stated that: luxury brands in Italy, in 2019, grew by 14 per cent in the last year, reaching a net-worth of €96,9 billion, at the highest level of the list we find Gucci, with a company worth of €24,4 billion, followed by Prada, Armani, Fendi, Bottega Veneta and Ferragamo. Luxury account for the 40 per cent of the entire wealth derived from the *Made in Italy* label and is the major component of enduring magnetism for consumers worldwide[60].

The *Made in* label and its connection with the country of origin, provides the consumers but embrace also the entire production process, with the impression of the quality associated to the product, and reassure and legitimate the brand using community heritage and the family tradition. Design, value, craftsmanship, and the assistances connected with the sales process, intensify the business's standing and present the brand with legitimacy. A legitimacy that offers a vital, further component of diversification with competitors.

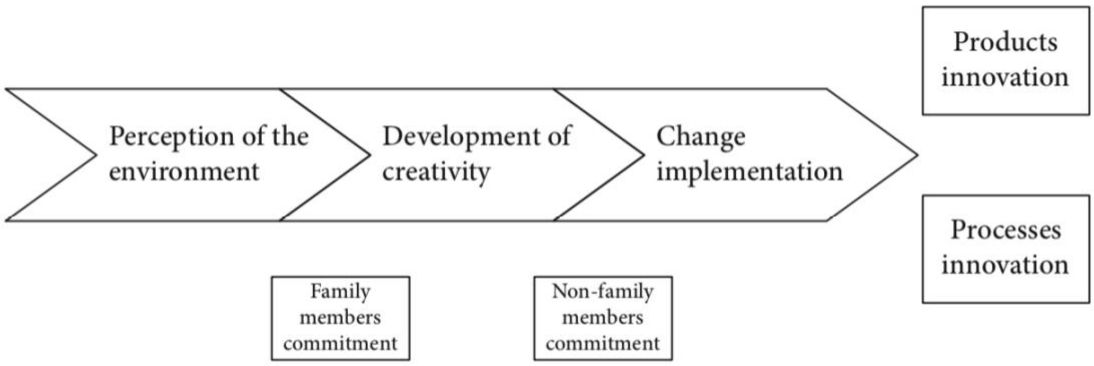
[60] A. Girardi, (2019). "*Made In Italy": What Is Behind The Worldwide Famous Label?*; Forbes.

3.5 The Tendency to Innovate

Innovation is among the tools used to accomplish and perform business growth, meanwhile, it supports the development of the competitive advantages and the long-term survival of a company.

Family businesses seem accelerate on innovation activities; because of the deeper commitment of the family members, the human aspects, the social capital and the familiness. Generally, credit to their famous long run vision and aware of the fact that innovation increases long run competitiveness, they contemplate and implement investments in innovation to arise performances and safeguard generation passage.

Figure 3.5: The Innovation Strategy from *Innovation in Luxury Fashion Family Business*, by E. Giacosa, (2014).



Innovation is the main source for chasing opportunities; is a process brought not only from the inside of the company but also carried by the market fast pace, competitions in luxury demands an up-to-date offering for increasingly demanding clients, who knows what they want, who quest for differentiated and original luxury goods. The importance of a well performed innovation strategy is acutely perceived by highly entrepreneurial family businesses, that are likely to be risk-taking and try constantly to retain competitors at bay. These kind of family companies are also expected to create wealth over the long run, exploiting opportunities, captivating needs unfilled in the market; because they have an innate attitude regarding evolving and employing current knowledge and discovering and incorporating it with new-fangled information and capabilities. Invest in innovation could be the solution to reach prefixed goals, for which a well-adjusted arrangement of investigation of new and development of old, is essential for accomplishing and maintaining long run performance.

The purpose is not be to innovative at all costs obviously, but to renovate while bringing monetary benefits to the company and value to the consumers, to create the stimulus to make the purchase; actions should be matching with actual finances and human resources. Excessive innovation is unproductive, it could lead to imitate existing products, and it may trigger a business damage, both in terms of corporate image and financial performances.

A well-suited innovation strategy for the luxury family business context must combine two essential undertakings:

- *Exploitation*. This is meant at apply everything the business already understands and properly developed through the years, in interpretation of potential developments. Now, this accomplishment in innovation is fundamental, as it is strictly linked to the individuality and uniqueness rooted in the brand, that we already established the huge roles it plays in the luxury industry. Those exploitation activities are projected to regenerate the brand identity notwithstanding the time and generation passage; they promote and nourish the sanctification of the brand, with minute but incremental changes.

- *Exploration*, instead, includes an enduring research for new products, processes, markets, methods and structures. The family business has to be able to have the right attitude in original ideas initiations, without any discrimination on the identity. The client in this way, seems guaranteed with previously faced traditional codes and quality, while strengthening the social standing of a cultural trendy brand, enhancing single gratification. Excessive exploration shouldn't produce any misunderstanding in the users' mind, a corporation's age has a helpful effect on this variable. Certainly, the elder the family firm, the greater the participation of generations; this means a melting pot of different understandings, acquaintance, talents, capabilities, expertise and creativity.

Contemplating these two undertakings, exploitation and exploration, for the strategy is compulsory their balanced interaction, disproportionate focus on one can cause destruction of the family firm competitive advantage, (focusing too much on new and forget about the existing, or continue focusing on the existing and forget to explore, are both unproductive strategies).

In the luxury environment, being trendy, fresh, up to the minute and modern culture responsive, nourish the attractiveness of the brand, conferring competitive advantages. Also, the utmost advocated loyal client should be steady fascinated and continuously amused by the brand culture, and its products. Creativity to make the brand extremely looked-for is mandatory. LVMH, for instance, has worked with Microsoft and ConsenSys to craft a blockchain system to authenticate luxury goods, called AURA platform, through it, users will be able to search for the pedigrees of the good they want to purchase, involving both the raw materials, the manufacturer and the distribution process.

Awareness of the setting environment is vital for family firms operating in the luxury context, due to the volatility of the tendencies and trends sudden speedy changes. This role of a kind is undertaken by a specific creative group, that hunts aesthetic modernity, up-to-date drifts in raw materials, fresh patterns and colors by considering markets and behaviors, groups and individuals, deciphering signs and happenings, which could motivate and excite demands.

Operatively, to align the creative directions with the strategy, the creative group should communicate with the management, the manufacture and the marketing extents. Creativity has to be seen as an outlook, a mindset. Creativity requires an unceasing culture research, at each business level, because creative ideas could arrive from everybody, everywhere; is the aggregate of the creative process of all the personalities employed in the family firm.

CHAPTER FOUR: BRUNELLO CUCINELLI AS A SUCCESFULL FAMILY FIRM

1. Research Question

From the literature review we recognized four prominent shared features: "*the 4 Cs*": *continuity*, *community*, *connections* and *command*, by considering each company's strategy, system organigram, vision and main concerns.

The major finding was that, family businesses who had efficiently reached success and profitability steadiness had in common the exploitation of each of the 4 Cs; meanwhile, the fruitless, ineffective firms seemed to be under-exploiting and forgetting about these four significances.

In this way, our purpose is to validate the hypothesis that, what we studied as Family Businesses, FBs, have those four common characteristics, so rooted and flourishing exploited, that had led them to be effective and prosperous in the luxury environment.

2. Methodology

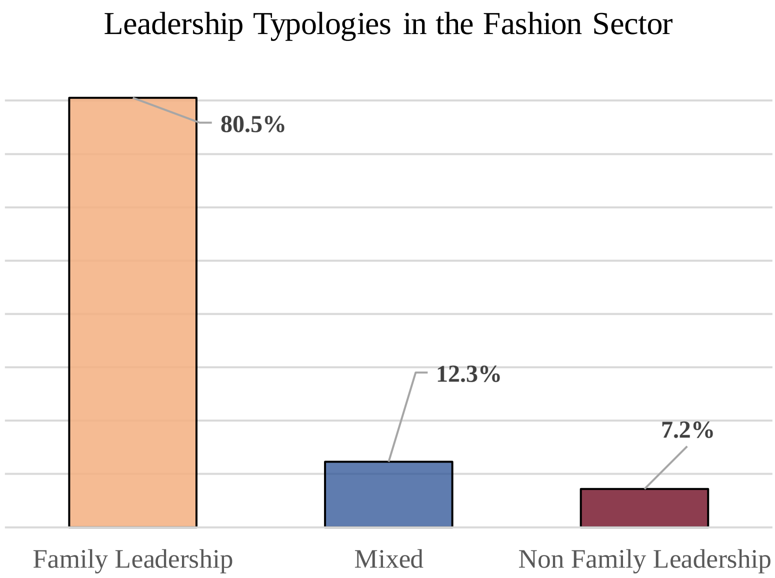
Starting from a major overview, that focuses on the setting, the Italian situation, we will collect data about Brunello Cucinelli, starting from their corporate website, that is quite detailed, taking into consideration financial, strategy, vision. Collecting details, we will deepen with an interview to direct coworkers of the Cucinelli family, on the topics that interest us the most, the *4 C's* by Miller and LeBreton Miller.

The interview had four sections, with 39 questions, that required open answers, or multiple answers or rating scales answers. The first section was intended to investigate the *Continuity* aspect; it included questions on *Brand Identity* and *Heritage*, the purpose here, is to analyze their admirable keeping of the company, their distinguishing values and peculiar craftmanship, their relationship between heritage, modern world and long-term vision. The second section was intended to measure the *Community* aspect, it contained questions concerning the internal relations and its declinations on the culture, the ethic, the philosophy, the commitment and so on; thus on the other side, the third section was then centered around the *Connections* aspect, the one of external relations. Here, investigated were the relations and attitude family-façonists, the latest are major suppliers for the company, so their confidence, reliability and expectations of both parties are included. Finally, the last section concluded the interview with questions on the *Command* aspect: leadership, human resources and family presence was inspected.

3. BRUNELLO CUCINELLI, an Investigation from the Outside

As we pointed out in the second chapter, among the first worlwide luxury family firms, there are 13 out of 31, that are *Italian* family firms, attaining in this way, a solid percentage of 42% out of the whole luxury goods companies.

Figure 4.1: Personal adaptation of the "*Family Leadership"*, by The AUB Observatory Report on Italian Family Firms, (2019).



Around 4 out of 5 family firms in the fashion industry in Italy are still managed by the family, a percentage that is much greater than the average of the other industries, and here, family leaders are the ones who demonstrate higher performance[61]. Made in Italy, appeared so strong in the mind of customers, and connected with exclusivity, classiness, quality and craftsmanship, that in the Deloitte's Luxury goods ranking, 24% of the luxury goods companies in the world are *Italian*.

[61] C.Salvato, (2019). *Focus on the fashion industry*; AUB Observatory Report on Italian Family Firms.

To catch a glimpse of what we aim to analyze at the end of this chapter, investigating the website for this company is crucial.

We are already able, to figure out, that showing off products is demanded to the only Boutique website, meanwhile, a huge display of the company values, philosophy, ethic and principles is made on the corporate website.

Figure 4.2: *Brunello Cucinelli's Website Menu*, February 2020.

My Life
The Family
Beauty
\+ Solomeo
\+ The Company
My Idea of Humanistic Capitalism
\+ Harmony with Creation and Human Sustainability
Thoughts on the Contemporary World
Press Room
The School of Arts and Crafts in Solomeo
\+ Foundation

Figure 4.3: *Brunello Cucinelli's Menu Detailed Sections,* February 2020.

← **Solomeo**

Hamlet of the Spirit

Pleasant Peripheries

← **The Company**

The Origins

Cashmere

The Value of Craftsmanship and Manual Skills

Communication

← **Harmony with Creation and Human Sustainability**

› Our Ideals for Life and Work - *Ten rules*

» Our Mother Earth

» To Our Gracious Co-Workers

» To Our Esteemed Partners

← **Foundation**

The Brunello and Federica Cucinelli Foundation

The Cucinelli Theatre

The Library

Art and Culture in the Hamlet

From *Figure 4.2* and *4.3*, the corporate intent seems immediate and the 4C's we wanted to investigate, already introduce themselves. From the Decalogues it appears clearly.

"*We have striven to promote healthy relationships of esteem and trust among workers, whom we call "thinking souls"; "VIII. If our company lasts for centuries, as we hope, this will be the result of the generation turnover that we have always promoted over time"* or *"I. We have always seen to it that our workplaces were well-tended and welcoming, providing all workers with the possibility to look up and see the sky."; Community, Connections, Command* and *Continuity,* are already scattering themselves in the Decalogue "To Our Gracious Co-Workers".

In the one about Partners for example, t we can read: "*V. It would be commendable if you too favored an ongoing generation turnover, like we do";* continuity is not limited only within the company, is asked also outside, to partners and suppliers.

3.1 The Company as a Luxury Fashion Family Firm

Among those companies previously mentioned, pops up *Brunello Cucinelli*, that has newly started climbing the Global Luxury Goods ranking, prowling around the 60th position. The company is the first using the definition of *absolute luxury* to describe itself, and the first to have understood how this segment is becoming increasingly distant from the one called *accessible luxury*.

Brunello Cucinelli S.p.A, is a family luxury business rooted in the medieval village of Solomeo and has given life to a one of a kind entrepreneurial dimension. A dimension that locates people at the center of the business and identifies in working, one of the finest expressions of human value.

The Group's product offering focuses on a single brand: Brunello Cucinelli, recognized, internationally, as one of the main examples of "absolute" luxury in which Made in Italy is combined with the ability to innovate and perceive the new trends.

Aim of the company is to improve the life of those who work within it; to preserve the beauty of the world; to carry out projects intended at maintaining continuity of the business to future generations. Brunello Cucinelli, has based and anchored his entrepreneurial model onto some distinctive elements that identify and position the brand in what we described in chapter one as very high-end, non-affordable luxury, because of the:

- *Italian Craftsmanship,* synonymous with the carefully choose of raw materials, very high quality, heritage, attention on manufacture, creativity, wise management of the value chain. The search to innovative, highest quality raw materials, the artisan knowledge infused in unique and special garments, the close and solid relationship with craft workshops present exclusively in Italy and for the vast majority in Umbria, all these represent the cornerstones that have allowed the brand to reach very high levels of prestige, affirming it as a point of reference for the ready-to-wear casual chic offer during the day in the very high end of luxury.

- *Exclusivity*, the client is fulfilled with uniqueness, authenticity and social status. The contemporary taste is mixed with craftsmanship and quality, style and selective distribution, all flowing into the necessary demand for a massive high price. The brand identity is guarded by the exclusive allure based on the balance between craftsmanship, enhancement of tradition, attention to new trends and research aimed at creating a contemporary taste. Investments in support of the distribution network also participate in this “custody” work, with the selection of top-level locations in exclusive locations, the coherent and updated management of all spaces both in the single-brand channel and in all areas intended for the brand. in the multi-brand channel, and finally the careful management of online publications.

The family firm, decided to focus on a gentle sustainable growth, assumed as the natural rhythm development in order to progress harmoniously the conditions of the business and according to a right time-healthy profitability; the goal, in fact, is to create an innovative solid dimension, oriented obviously towards profits generation, while caring about the working conditions, the well-being of the people respecting the surrounding territory.

This model of *"Humanistic Enterprise"* is conceived around the *Humanistic Capitalism*, has made it possible to develop a very intense sense of participation, developed both internally among employees, and externally in relations with suppliers, commercial partners and customers.

3.2 The Company as a Successful Luxury Family Firm

Financial performance and growth concerns are the measurements we need to focus on.

Revenues for the financial year 2018 were 552,996 millions of euros, up from the 503,600 millions of euros of the previous financial year, with a relevant increase of the 9,8%.

In the first six months of 2019, *revenues from sales and services* stretched to 291,811 thousand euros, recording an increase of 8.1 per cent, if compared to the revenues of the preceding semesterly period. The value of the *EBITDA* at the end of June 2019 mounted at € 49,864 thousand, equal to 17.1% of *revenues from sales and services*, the same percentage as of June 2018, recording an increase in absolute value equal to € 3,631 thousands. Also, the percentage incidence with respect to the cost of production for raw materials and for external processing reduced to 33.4% in the first half of 2019 compared to 34.7% in the same reference period in 2018. This was additionally improved, thanks to the greater percentage rate of the channel Retail, 51.5% in the '19 competed with a 49.7% in '18[62].

Figure 4.4: *Regional Percentage Net Revenues On The Total Net Revenues*, based on the Brunello Cucinelli Investors Relation, First Semester 2019.

[62] *Relazione Finanziaria Semestrale Al 30 Giugno 2019*, Brunello Cucinelli Investor Relations.

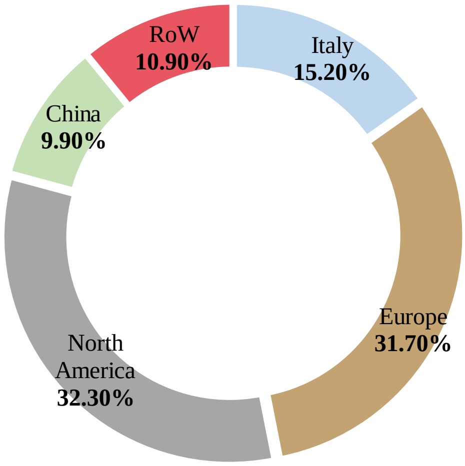
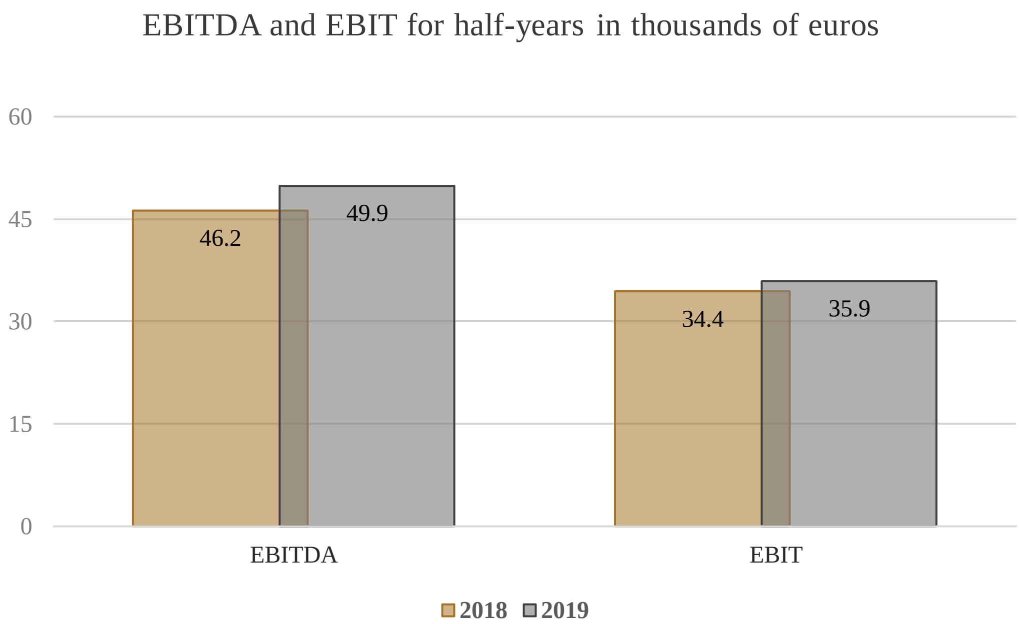


Figure 4.5: *Comparison between 2018 and 2019 EBITDA and EBIT*, based on the Brunello Cucinelli Investors Relation, First Semester 2019.



The growth, was partially organic in existing point of sales and partially generated by the increase in number of direct sales shops, 5 DOS, Directly Operated Stores, and 5 *hard-shop in concession*, that had generated a corresponding increase in rental and personnel costs, seen as a sort of compensation for the improvement in average margins and the growth of some operating costs.

A central valuable aspect for the firm is that the end customer increasingly identifies himself as the *ambassador* of Brunello Cucinelli's taste, due to the contemporary essence of the offer, which contributes to increasing the appeal and desirability of the company's artifacts. In this sense it is created a loyal-bonded client who feels to belong to a defined community, with a specific lifestyle and philosophy that characterize also the company, and all those who shares their existence within Solomeo. In fact, in "*Borgo dello Spirito*[63]", the company has the pleasure to host customers and "friends" of the brand more and more frequently.

4. INTERVIEW

4.1 CONTINUITY

BRAND IDENTITY and HERITAGE

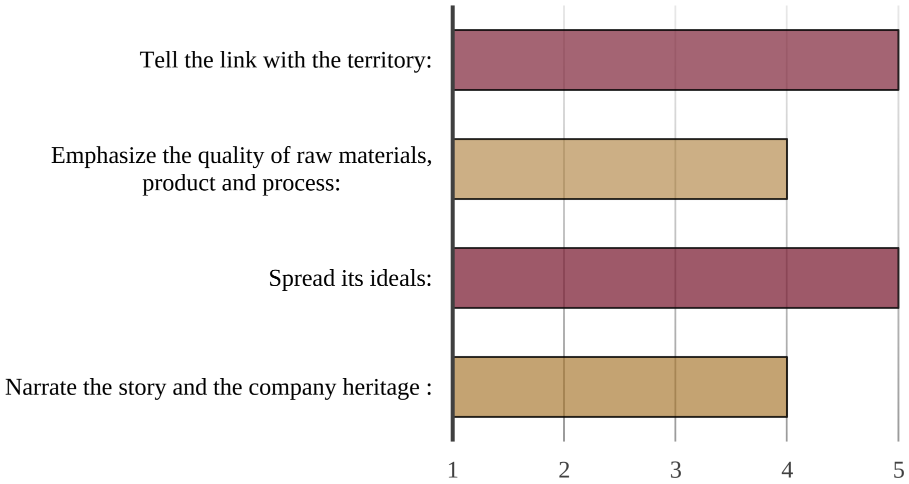
1. How does a brand born quite recently, to be able to personate itself with the Made in Italy tradition, to fuse and perfectly enhance the past of Solomeo and Umbria; resulting in this way, the symbol of a well-identified, complex and characteristic heritage?

The Brunello Cucinelli company was born about forty years ago, but since the beginning it has grafted onto an important territorial tradition and immediately tries to enhance it, enrich it and renew it in a modern context. Umbria boasts a long tradition in the production of high-quality knitwear, widespread throughout the region and deeply rooted both at an industrial and domestic level, the latter in particular represents the basis of what will develop as work "à la façon". During the twentieth century these characteristics allowed the development of numerous signatures of local entrepreneurs (among the most famous Spagnoli, Ginocchietti, Ellesse ...) as well as numerous collaborations with national and international signatures that rely on Umbrian savoir-faire for the production of their knitwear collections. When Brunello Cucinelli's intuition arrives, the artisan knowledge is ready to be converted to a precious fiber such as cashmere and to face a new evolution towards the contemporary and innovative taste that the company

[63] According to the desire to ensure dignity and enrich the beauty of the places where the company and employees work and live, numerous works have been promoted since 1985 for the restructuring and creation of what is now called the "Borgo dello Spirito", which extends from the Solomeo castle to the whole valley below.

impresses on it. The choice to establish the nerve center of the production in Solomeo and to restore the ancient village has also made concrete and enhanced - in the eyes of the specialized press as well as that of customers - the desire to continue this long and fascinating Umbrian tradition.

2. Evaluate how important is, from one to five*, to know how to:



*with one being not very important, and five being very important.

3. Do you believe that the company is succeeding in the aim of narrating and telling the above? (History, Ideals, Link with the Territory and Quality)

The interviewed answered 5; the company is surely succeeding in narrating and telling the above-mentioned elements.

4. How important is it to protect such a well-defined and distinctive brand identity?

The interviewed answered 5; it is fundamental to protect these kinds of identities.

5. How important is it valorize the identity without destroying it?

The interviewed answered 5; it is fundamental to valorize the identity without damaging it.

6. How is it possible to enhance and evolve the brand identity, adapt it to the modern world and make it contemporary, without destroying its tradition and history?

For some time now, the strategy shared with Solomeo, on the impulse of Brunello Cucinelli and by virtue of an effective cooperation work between mature collaborators and younger collaborators, as well as between senior executives and apprentice managers, is to enhance the humanistic root of the company by acquiring at the same time new skills. All this also thanks to a work and a language of "contemporary craftsmen". After all, tradition without innovation would risk generating stagnation, innovation without tradition would be blind.

7. Do you believe that the company is managing to evolve without destroying the brand identity?

The interviewed, among the options choose yes; Brunello Cucinelli is succeeding in evolving and innovating identity.

8. Well known is the difficulty that luxury brands with high traditional and artisanal content encounter in facing digital and riding the waves of its platforms. What are the main challenges for your company?

In harmony with what has already been said, the main effort is to accept and measure the best in technological innovation, connected but not too much. The important thing, when dealing with technology, is never to forget humanism and human confidentiality, the dignity of every human being and respect for all.

9. The website recites: "*We hope to become a rich generation of "Humanist Web Artisans". Like the Humanists of the past, we will have to allow the thought to fully unfold through the new medium, to flourish to enrich everyone's future*". How do you intend to translate this wish into the reality of the digital world?

The idea of the "humanist artisans of the web" was born from Brunello Cucinelli's profound conviction that every digital product, such as a website, must be created with the same care and craftsmanship peculiar to the creation of the collections. Like cashmere, which is a high-quality fiber, and which requires a high quality of manpower, even a site in this sense must be inspired by a principle of care, harmony and special attention. This principle coincides with that by virtue of which Solomeo's enterprise stands as the 'place' for the realization of a possible humanistic capitalism: this is the value of Made in Italy, but also the moral and economic dignity of work, all in a close link with the territory.

10. "*In the journey of every day I listen to the word of the greats of the past, from Socrates to Seneca to Kant, from Marco Aurelio, to Alexander the Great to San Benedetto. I believe in* *the quality and beauty of the handmade product; I think that there can be no quality without humanity* ", we read in the section My Life. Also, in the entirety of the site, it seems to be preferred to emphasize beauty from a "philosophical" point of view rather than presenting and display the actual product offering? Why did you choose to follow such a digital strategy?

As Brunello Cucinelli likes to repeat, all this is better understood if one goes to reread the fundamental Sienese "Costitutio" written in 1309. It also states, among other things, that «it is the duty of those who govern to take utmost care of beauty. For reasons of delight and joy to strangers. For prosperity, dignity of the city and citizens ". Let's go back to man and the origin of humanism and find that true prosperity has its secret in beauty, which is the real dignity of the city and citizens. The beauty of what is produced, always talking about the highest quality garments and special care of skilled hands, is the daughter of this world view.

LONG-TERM VISION and GENERATION PASSAGE

11. Maintaining and preserving itself over time, therefore, seems to be a substantial prerogative for the reality of Brunello Cucinelli, but how can we manage the generational change and ensure that the culture and corporate philosophy that have made it successful to date, is transmitted to the future generations?

Within the life of the company, a real balancing exercise between young people and people with more experience becomes a priority, as already mentioned before. You become a senior adviser to what the current CFO will be. The younger generations thus feel that trust, which is the fundamental stimulus to do well, to improve, to grow. On the other hand, it is for the same reason that the company does not stamp the card: a form of self-responsibility arises spontaneously. We grow together.

12. What are the objectives that the company intends to pursue through the Solomeo School of Arts and Crafts?

The same principle of balance that we said applies to the Solomeo School of Crafts, whose workshops are designed on the model of the Renaissance artisan workshop. That is, a shop-gym where the master had pleasure in transmitting his knowledge and his art as young apprentices had the pleasure of gaining a very precious experience following that special master.

13. How important was it, on a business continuity level, to find the School of Arts and Crafts?

The interviewed responded 5; the foundation of the School of Arts and Crafts was fundamental.

14. Are there other projects aimed at the safeguard and the custody of the corporate craftmanship and cultural identity?

Custody is one of the most cherished topics for the whole Cucinelli family and of course the Brunello and Federica Cucinelli Foundation, like the company, puts it into practice with projects and works for the redevelopment of the territory of human sustainability. In addition to the Beauty Project, which involved the valley at the foot of the village of Solomeo with the construction of three large parks (Industry Park, Park of the Lay Oratory and Agricultural Park), several other projects have dedicated and devote attention to some realities in difficulty, such as that of the beloved community of Norcia, wounded by the earthquake.

4.2 COMMUNITY

FAMILINESS and CULTURE: The Humanistic Capitalism

15. Is in the philosophy of *Humanistic Capitalism* that the company caught the foundations for its corporate vision and culture?

Of course, one cannot but reiterate how humanistic capitalism is possible, if we understand the expression in an ethical meaning of capitalism. The fulcrum is that of bringing the person back to the center of everything, not putting profit in brackets, but certainly interpreting it as a value only to the extent that it creates widespread well-being and is respectful of the dignity of those who work, at every level of the production chain .

16. Within the different decalogues, is there a sentence, that in your opinion, most of all, is representative of the corporate culture?

Perhaps there is not one more important than the others, we can say that they are all linked, and all inspired by a first principle of harmony with oneself, with others and with the universe. If you want to focus attention on a particular aspect, considering the great importance of the method - in a work environment as in the field of knowledge and research or even on a spiritual journey - it remains essential "We work by supporting the right useful and the harmony between profit and gift ". From here comes the rest: respect, dignity, harmony.

17. And for what concern the treatment of collaborators and the work environment?

Already speaking of collaborators instead of employees says something not secondary. Among the various opportunities offered to collaborators, wanting to give an example, there is also the Culture Bonus (confirmed from year to year), or a contribution for the purchase of books, tickets for the theater, for the cinema.

18. Family-run businesses are characterized by the external collaborator's greatest involvement and attachment to the company, in the same way as per real family members. How could we actually evaluate their involvement and attachment?

In this sense, Brunello Cucinelli spa can be understood as an extended family-run business. There is a whole virtuous induced that works for the common good of the company and the latter naturally favors a widespread diffusion of highly skilled and highly professional workers in the work area. There is no shortage of convivial moments during which to meet, discuss new collections, deliveries, appreciation from partners and so on.

19. How does the company manage to make them feel belonging to the family itself?

There is no real strategy: it is spontaneous to find oneself in every possible convivial occasion to share the work done together, each according to their own competence. The important thing is to also share information on how this is going, on how to improve this other, on an idea that a team is working on, etc.

20. How important is it that external collaborators, feel this sense of belonging to the company?

The interviewed responded 5; is fundamental.

21. Projects such as "*The human being at the center of the Contemporary Factory: Pro hominibus dignitatem*", do they have succeeded in the intent they had set?

Certainly, and it is gratifying even just to receive positive impressions from those who have known Solomeo's reality closely.

22. Are workers involved or listened to, when it comes to decisions that involve them, or that are aimed at changing the processes they are part of?

As already said, sharing is an essential value and in daily practice there is a direct comparison between those who work in a specific department: from cutting to packaging, to marketing.

23. The Brunello and Federica Cucinelli Foundation with claiming that "*that the future is not entirely ours but is not entirely not ours*", aims to strengthen the human person and his ideals in his glorious moments but also in the weakest moments. How important do you think it is for a luxury brand to invest in foundations of this type?

It can be said that it is a question of identity, therefore of prime importance. In the case of Solomeo there is a fundamental coherence, a real harmony, between what are the purposes of the family Foundation and those which are the values embodied by the work in the company. The real glue is the humanistic enterprise.

24. What is the project the company is most satisfied with, completed by the foundation?

Privileging one project over another would risk being forced. As can be read on the website, under the corresponding entry, the Brunello e Federica Cucinelli Foundation "promotes various projects, with the desire to contribute to happiness and raising the human spirit, also thanks to actions aimed at enhancing the spirit of the places. Cultural activities, initiatives in favor of the protection of artistic beauties and projects of care and support for the people and the territory in which they live, and work are at the center of every involvement of the Foundation, in Italy and worldwide. The initiatives carried out in Solomeo and in its territory surrounding are an example of such aspiration. "

25. Is the foundation working on new projects?

Like the company itself, the Foundation is also very focused on several projects in progress and certainly the one already mentioned in favor of the beloved community of Norcia occupies a very important place.

4.3 CONNECTIONS

FAÇONISTS and SUPPLIERS

26. How much does the work of the *façonists* weigh on the total production?

The sample production is approximately 90% carried out internally, the commercial production is instead carried out almost exclusively by façonists, therefore their role is very, very important and a true tradition of amiable relations with Brunello Cucinelli and the Solomeo company.

27. How important is that the company shows its familiar aspects in the relationship with the *façonists*?

The interviewed answered 5; fundamental.

28. Is the familiar aspect the foundation on which the relationship of credibility and mutual trust with suppliers is based one?

We say that this aspect plays a decisive role, but at the same time it is the quality of relationships that speaks here too we can speak of beauty, that is, of relational beauty.

29. The Company makes itself available to its suppliers by offering them organizational, legal and financial consultancy support. In this way the *façonists* have the serenity to exploit professional support that goes beyond the mere technical aspects, it also affects the organizational ones. How important is the bond with them?

The interviewed answered 5; fundamental.

30. How important are policies such as the "*Supply Chain Program*", launched in 2015, for improving relationships?

The interviewed answered 4; those policies are very important.

KEEPERS OF THE CREATION: Territory and Sustainability

31. What are the reasons that led the company to believe in strengthening the bond with the territory and how can this bond influence company behavior and performance?

As already mentioned, among the purposes of the family foundation there is the protection and enhancement of the territory as a loved land and place of beauty: naturalistic, but also human, community, social. The same relationship between the company and the company with the territory is not dissimilar: everything contributes to a relationship of harmony, respect and precisely human sustainability. In this sense, the restoration work started in 1985 conformed as a work of 'artistic work' on the territory and for the territory.

32. How important is it in this historical period to be sustainable and sensitive to the cause?

The interviewed answered 5: being sustainable is fundamental.

33. Does the company thought to invest in new projects that make reality even more sustainable?

The research continues and there are working groups focused on an ever-better implementation of the value of human sustainability.

34. How much do you think the Brunello Cucinelli company is sustainable?

The interviewed answered 5; the company is very sustainable.

4.4 COMMAND

LEADERSHIP and FAMILY INVOLVEMENT

35. Is the idea of *Humanistic Capitalism* taken up as a foundation also to base the leadership view within Brunello Cucinelli's reality?

There is no doubt, it is first of all a vision of the world and then, coherently with this, it derives a system (of method and daily practice) of ethical capitalism.

36. In “The Family" section of the website we read: *"... because the company does not inherit: the property is inherited, not the ability to do business. I therefore appreciate that in the meantime they have chosen this job of mine. For many reasons, and first because we live in a village. This aspect is central*". It often happens in family-run companies that the management is inherited without any merit; how important is that the heirs also live the company reality as employees, following the typical apprenticeship?

The interviewed answered 5; apprenticeship and ordinary work is fundamental.

37. How much is the Cucinelli family as a whole in the company routine?

The interviewed answered 5; the family figures with an everyday presence.

38. Is the relationship between Brunello Cucinelli and family members working in the company based on the same criteria on which the relationship with collaborators outside the family is based?

It is an effective collaboration relationship, based on the right need and the common good; there are no convenience treatments or alike, and for example the daughters of dr. Cucinelli have the same hours as all other collaborators who work in the company.

39. Is the relationship between family members working in the company and collaborators based on the same criteria on which the relationship with collaborators outside the family is based?

Of course, a relationship of fruitful and mutual collaboration.

5. Discussion and Conclusions

A former external investigation, at paragraph *4.3*, throw light on the family reality in Brunello Cucinelli, authenticating why we considered the company as a luxury successful family firm, and already intrinsically found out that it is based onto the perfect mix of the 4 C's by Breton Miller.

The first question of the interview was meant to extrapolate the real expression of the continuity conceit and how is it translated into the company identity. It became immediately clear what the heritage and the brand identity are based on; the choice to establish the center of the production in Solomeo and to restore the ancient village, the desire to continue the long Umbrian tradition of the deeply rooted work "*à la façon*", the idea of converting the artisan knowledge about cashmere into new contemporary tastes. *Continuity* in this company is so marked, well-defined and naturally innate that it makes the company looks extremely ancient and time-honored, entrenched with a secular tradition, even if it was recently born; and this is in virtue of their deep-rooted bond with the territory and with the artisanal process. At the beginning, Brunello Cucinelli, focused out what its company place in the world would have been, he knew what he wants to base its communication on, that goes beyond any product or material exhibition, and what his leadership philosophy would have been. In fact, to cite the interviewed: "*When Brunello Cucinelli's intuition arrives, the artisan knowledge is ready to be converted to a precious fiber such as cashmere and to face a new evolution towards the contemporary and innovative taste that the company impresses on it. The choice to establish the nerve center of the production in Solomeo and to restore the ancient village has also made concrete and enhanced - in the eyes of the specialized press as well as that of customers - the desire to continue this long and fascinating Umbrian tradition."*

Establish continuity means for the company, recruitment of young fresh minds, that are supporters and strict collaborators of those more skilled and sophisticated ones; "*tradition without innovation* *would risk generating stagnation, innovation without tradition would be blind"*, the interviewed said. The younger generations thus feel that confidence they are given of, the expectations on which they subjective to, are the fundamental stimuli to do great, to improve, to grow, and a form of self-responsibility arises spontaneously. The School of Arts and Crafts, for example was fundamental, to create what the interviewed defined as *contemporary craftsmen,* and totally represent what we, in *Chapter 3* called education of the job. In Solomeo, in fact, the master has pleasure to transmit his knowledge and his art to young apprentices that have the pleasure of gaining a very precious understanding experience*, "We grow together"* the questioned stated. It can be said that it is a question of identity, therefore of prime importance.

"Digitally talking, humanisms and human confidentiality have to be respected with dignity; every digital product, such as a website, must be created with the same care and craftsmanship peculiar to the creation of the collections" spread from the interview. The company is in its opinion succeeding in protecting the identity and valorizing and innovating it without any damage; what is central for the company, when dealing with technology, is never to forget humanism and human confidentiality, the dignity of every human being and respect for all by a principle of care, harmony and special attention: this is the value of Made in Italy, but also the moral and economic dignity of work, all in a close link with the territory.

Community, on the other end, is evident throughout the whole discussion, a strict sense of belonging is shared, with Solomeo, with the Family, the Beauty and the Creation. In the case of Solomeo there is a fundamental coherence, a real harmony, between what are the purposes of the family Foundation and those which are the values embodied by the work in the company. The real glue is the humanistic enterprise.
Respect, dignity, harmony. In this way, *Humanistic Capitalism*, is the fulcrum, bringing the person back to the center of everything, not putting profit in brackets, but certainly interpreting it as a value only to the extent that it creates widespread well-being and is respectful of the dignity of those who work, at every level of the production chain: "*They work by supporting the right useful and the harmony between profit and gift".* The brand's philosophy identity remain firmly founded on the "respect for the moral and economic dignity" of the work and of the people who represent the daily life of the company, especially for the "skilled hands" of the artisan workshops, present in Solomeo, in Umbria and Italy, which with dedication, care and very high skills, make our products.

Along these lines, the fact that the company mentions collaborators, instead of employees says something not secondary. These are intended as an extended wing of the family-run business. There is a whole virtuous process that consist in working for a common company good that innately favors an extensive dissemination of highly skilled, highly professional, highly involved workers. Familiness is created; brought by the internal commitment and association at the whole business levels, A big extended and comprehensive family business here is shaped, because of no shortage of convivial moments during which to meet, discuss new collections, deliveries; "*it is fundamental, spontaneous to find oneself in every possible convivial occasion to share the work done together, each according to their own competence. The important thing is to also share information on how this is going, on how to improve this other, on an idea that a team is working on, etc.".*

Façonists are the instance of what we wanted to analyze as the expression of *Connections*; we saw how influential in *Chapter 3* was to accompany the business with the name of the founder, because of how powerful is towards suppliers show off the family with no intercessors, to build up a trustful durable link. Here the bond with *façonists* appeared so strong that the company introduced many policies in their favor, like *the "Programma Filiera";* in fact, also the interviewed confirmed that the familiar aspect is the foundation of the relationship of credibility and mutual trust with suppliers, at the same time: "*it is the quality of relationships that speaks here too we can speak of beauty, that is, of relational beauty".*

Throughout the whole interview, emerged how valuable for this family firm is to spread their ideals and narrate their territory, more than narrating the history of the company and the quality of product and materials. With the family foundation, *Brunello Cucinelli e Federica Cucinelli Foundation*, in fact, they aim to protect and enhance their native territory as a loved land and place of beauty: naturalistic, but also human, community, social. Everything contributes to a relationship of harmony, respect and precisely human sustainability. In this sense, several restoration works have started in 1985 conformed as an "artistic work" on the territory and for the territory, projects like the Beauty one, which involved the valley at the foot of the village of Solomeo or the devote support to some realities in difficulty, such as Norcia, wounded by the earthquake; sum up what the real essence of the company identity is.

Beauty is so central and vital for Brunello Cucinelli, that is also snatched when it comes to *Command;* the questioned mentioned the Sienese *"Costitutio"* of 1309: *«it is the duty of those who govern to take utmost care of beauty. For reasons of delight and joy to strangers. For prosperity, dignity of the city and citizens "*. Humanism and beauty are recaptured to focus the company leadership values; *"let's go back to man and the origin of humanism and find that true prosperity has its secret in beauty".*

From the website, in the section *My Ide of Humanistic Capitalism*, we can appreciate Brunello Cucinelli's leadership vision: *"Humanistic capitalism has been the guideline for my conduct as an entrepreneur from the very beginning, and I have imagined and come up with this definition for my enterprise."* Due to past experiences, habits but also frightening events, he shaped a very clear definition of what an entrepreneur and its Company have to stand for. Not casually the back of its book "Il Sogno di Solomeo" recites: "*The eternal values of beauty, of humanity and of truth are ideal and guide of all our actions*".

Again, making profit with ethics, dignity and morals, living in harmony with the Creation.

Lastly, we saw how more than other issues, command without meritocracy, nepotism is damaging in family businesses. From the website we read: *"... because the company does not inherit: the property is inherited, not the ability to do business. I therefore appreciate that in the meantime they have chosen this job of mine. For many reasons, and first because we live in a village. This aspect is central*". It often happens in family-run companies that the management is inherited without any merit; meanwhile, is imperative that heirs live the company reality as employees, by following the same rules and standards of coworkers and rise gradually through the ranks. We appreciated that in the board of directors, daughters and brothers in law appear, but we also know, from the interview, that the family in the company has a daily working presence, with same hours and treatments as per the other collaborators. The questioned explained: "*It is an effective collaboration relationship, based on the right need and the common good; there are no convenience treatments or alike, and for example the daughters of dr. Cucinelli have the same hours as all other collaborators who work in the company".*

CONCLUSIONS

According to Chua, Chrisman, and Sharma (1999), a family firm is a business, governed and managed, with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family that is potentially sustainable across generations.

The uniqueness of family companies arises from an exclusive combination of a family with the business (Habbershon & Williams, 1999). Basically, family businesses attempt to a steady long-run existence by investing in trustful relationships, both internally and externally. After establishing in *Chapter 2*, what a family business is, and how relevant it's the family business phenomenon itself, the luxury sector is also a full of example of predominant and successful family business companies. Resulting an important topic both in the literature and in the economic context, in which the family business model so frequently appears.

In family firms, is all about building the brand around personal, individual, familiar experiences. And this is winning and successful for a brand in luxury too.

A family luxury brand is authoritative and dominant, as it touches the customer construction relationship and empathy development within social groups, denoting branded goods with a series of attributes, heritage, very fiercer and further long-lasting than every usual brand. These qualities gave luxury products or services a sentiment of desirability, attractiveness, exclusiveness, matchless; all characteristics hardly to be attacked and barely easy to be replicated by competitors, and, last but not least, an eternal fascinating vibe.

Our ultimate intent was to extrapolate why family ownership entangled with luxury company's successfulness: and, accordingly to recent qualitative researches, we are able to state that, the atypical qualities characteristics of the majority of family firms adapt roughly flawlessly with the competitive rationality. Consequently, we had to demonstrate that the inimitable bonded package of resources the family business possesses intrinsically, could fit and shape a prosperous foundation on which there is the likelihood to build a consistent advantage if compared to non-family businesses, in the luxury context.

If we consider only Italy, several all the examples that popped out in the ranking, and that we can easily recall by mind: Ermenegildo Zegna, Prada, Salvatore Ferragamo, Missoni.

The model by Miller and Le Breton Miller, investigates the issue, and it is the basis from which we had developed our analysis. They recognized four leading significances; significances that

comprehend in their nature, both advantages, but also weaknesses, they have called "the 4 Cs": continuity, community, connections and command.
The major finding for them, was that, family businesses who had efficiently reached success and profitability steadiness, were with the exploitation of each of the 4 Cs, meanwhile, the fruitless, ineffective firms seemed to be under-exploiting and forgetting about these significances. Each of these *4 Cs,* introduces a series of policies and schemes, that are recommended by the authors to be tracked. Continuity refers to the keep pursuing the mission and the core competencies needed to achieve it, community is linked with the desire to unite the team, connection refers with the desire to development of durable relationship with business partners and, lastly, command is the freedom to act and decide speedy and to be innovative in running and renewing the firm. The success of a family in business it is not a matter of owning all the four ingredients but of the ability to combine them in an original way. Applying this model to the luxury context, we could appreciate the importance of a family ownership for luxury businesses.

We applied the model to Brunello Cucinelli S.p.A.; choosing this company, was for the intent immediate, is what embody itself the most the conceits of heritage, made in Italy, familiness, caring for people and resources, trustfulness and craftsmanship.

The company with the continuous search for uniqueness, they try to maintain, for the existing spaces and for the new locations. Quality, craftsmanship, creativity, exclusivity and culture of beauty are the distinctive elements of the brand, but combined with a great desire to listen to the market and new trends that allows to create a casual chic ready-to-wear line capable of embracing the tastes of a very large clientele young and old and able to maintain value over time.

We conducted a first investigation analyzing company's financials, brand identity and digital performance; then we interviewed Brunello Cucinelli co-workers, on indication of Carolina Cucinelli founder's daughter, to validate the hypothesis that, what we studied as Family Businesses, FBs, have those four common characteristics, so rooted and flourishing exploited, that had led them to be effective and prosperous in the luxury environment.

Since the first's questions and the corporate website analysis is clear that the company knows how important the 4 C's are in building a brand; but what is crucial here, is that the company is really into the exploitation of these characteristics. Brunello Cucinelli had created a reality that naturally, immediately and continuously is inspired in everyday practices by the *Humanistic Capitalism.*

In this way, the company identity, is intrinsically founded on choices, principles and values, that led the family, the façonists, the collaborators and their relationship with each other and the Creation, being managed by the conceits of ethic, morality and dignity.

Establishing the center of the production in Solomeo and to restore the ancient village, the desire to continue the long Umbrian tradition of the deeply rooted work "*à la façon*", the idea of converting the artisan knowledge about cashmere into new contemporary tastes.

Checking *Continuity* was instantaneous, the family business is characterized by a pure will to continue its mission, to share its ideals to future generations and create the basis to do that. "*If our company lasts for centuries, as we hope, this will be the result of the generation turnover that we have always promoted over time.*"

Younger generations are stimulated to do great and to improve, also within *The School of Arts and Crafts*, where *contemporary craftsmen* are created, and innovation and evolution are pursued. In this way, the series of core competencies unique for the company are passed and improved for reaching goals in the long term and achieving and maintaining the competitive advantage.

What appeared to be central for the company, when dealing with technology, was again based on the conceit mentioned before, so never to forget humanism and human confidentiality, the dignity of every human being and respect for all by a principle of care, harmony and special attention.

The real glue is the humanistic enterprise. *Community* also was identified in the family business, because, a strong sense of belonging to the firm is present, a marked unity and collaboration between the people operating within it too. Set is the will to share, adopt a fair aptitude, respect, dignity, harmony and the person at the center of everything, collaborators, instead of employees. These are intended as an extended wing of the family-run business. There is a whole virtuous process that consist in working for a common company good that innately favors an extensive dissemination of highly skilled, highly professional, highly involved workers. Familiness is created; brought by the internal commitment and association at the whole business levels. A big extended and comprehensive family business here is shaped, because of no shortage of convivial moments during which to meet: *"It is our custom to meet on a regular basis during the year to discuss things, so that everyone is up to date as to how the business is evolving".*

Connections are easily individuated in the questions concerning relationship with *Façonists,* the family firm has a series of strong, long-lasting relationships with all their partners, that create a productive network that can benefit the company's long-term competitiveness, "*We find it valuable to always cooperate very closely together - as it is the case with us - fully aware of our full and mutual independence".* Or the family foundation particularly, but the whole family shareholders, network with the local territory, Mother Earth and sustainability: "*We have always pursued a fair profit achieved with ethics, dignity and morals, manufacturing highly artisanal products that wouldn't damage Creation, or as little as possible".*

Lastly, *Command*, the most difficult to be identified, family businesses should be characterized by a certain freedom to act and a decision-making process quite agile, from the outside is tough to be recognized. However, for the fact that the company has a very forceful culture, based on the *Humanistic Capitalism*, the leadership vision and the business identity is focused and sharp. The *Humanistic Enterprise* is founded, economic values go hand in hand with human ones; there, live in harmony and without harming Creation is mandatory. *Fairness*. A fair and sustainable profit, marking a balance between profit and giving back; donating to the world as guardians of creation, leaving to those coming after us not the very same world we found, but a more amiable one. And making profit with ethics, dignity and morals, sustaining mankind in each process and relation.

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APPENDIX

INTERVIEW

CONTINUITY

BRAND IDENTITY and HERITAGE

1. How does a brand born quite recently, to be able to personate itself with the Made in Italy tradition, to fuse and perfectly enhance the past of Solomeo and Umbria; resulting in this way, the symbol of a well-identified, complex and characteristic heritage?
   - *Open answer.*
2. Evaluate how important is to know how to:
   i. Narrate the story and the company heritage
   ii. Spread its ideals
   iii. Emphasize the quality of raw materials, product and process
   iv. Tell the link with the territory
   - *Rating scale answer*; with one being not very important, and five being very important.
3. Do you believe that the company is succeeding in the aim of narrating and telling the above? (History, Ideals, Link with the Territory and Quality)
   - *Rating scale answer*; with one being not succeeding, and five being surely succeeding.
4. How important is it to protect such a well-defined and distinctive brand identity?
   - *Rating scale answer*; with one being not very important, and five being fundamental.
5. How important is it valorize the identity without destroying it?
   - *Rating scale answer*; with one being not very important, and five being fundamental.
6. How is it possible to enhance and evolve the brand identity, adapt it to the modern world and make it contemporary, without destroying its tradition and history?
   - *Open answer.*
7. Do you believe that the company is managing to evolve without destroying the brand identity?
   - *no*
   - *yes, but more effort is needed*
   - *yes*
8. Well known is the difficulty that luxury brands with high traditional and artisanal content encounter in facing digital and riding the waves of its platforms. What are the main challenges for your company?
   - *Open answer.*

9. The website recites: "*We hope to become a rich generation of "Humanist Web Artisans". Like the Humanists of the past, we will have to allow the thought to fully unfold through the new medium, to flourish to enrich everyone's future*". How do you intend to translate this wish into the reality of the digital world?
    - *Open answer.*
10. "*In the journey of every day I listen to the word of the greats of the past, from Socrates to Seneca to Kant, from Marco Aurelio, to Alexander the Great to San Benedetto. I believe in the quality and beauty of the handmade product; I think that there can be no quality without humanity* ", we read in the section My Life. Also, in the entirety of the site, it seems to be preferred to emphasize beauty from a "philosophical" point of view rather than presenting and display the actual product offering? Why did you choose to follow such a digital strategy?
    - *Open answer.*

LONG-TERM VISION and GENERATION PASSAGE

11. Maintaining and preserving itself over time, therefore, seems to be a substantial prerogative for the reality of Brunello Cucinelli, but how can we manage the generational change and ensure that the culture and corporate philosophy that have made it successful to date, is transmitted to the future generations?
    - *Open answer.*
12. What are the objectives that the company intends to pursue through the Solomeo School of Arts and Crafts?
    - *Open answer.*
13. How important was it, on a business continuity level, to find the School of Arts and Crafts?
    - *Rating scale answer*; with one being not very important, and five being very important.
14. Are there other projects aimed at the safeguard and the custody of the corporate craftmanship and cultural identity?
    - *Open answer.*

COMMUNITY

FAMILINESS and CULTURE: The Humanistic Capitalism

15. Is in the philosophy of *Humanistic Capitalism* that the company caught the foundations for its corporate vision and culture?
    - *Open answer.*

16. Within the different decalogues, is there a sentence, that in your opinion, most of all, is representative of the corporate culture?

- *Open answer.*

17. And for what concern the treatment of collaborators and the work environment?

- *Open answer.*

18. Family-run businesses are characterized by the external collaborator's greatest involvement and attachment to the company, in the same way as per real family members. How could we actually evaluate their involvement and attachment?

- *Open answer.*

19. How does the company manage to make them feel belonging to the family itself?

- *Open answer.*

20. How important is it that external collaborators, feel this sense of belonging to the company?

- *Rating scale answer*; with one being not very important, and five being very important.

21. Projects such as "*The human being at the center of the Contemporary Factory: Pro hominibus dignitatem*", do they have succeeded in the intent they had set?

- *Open answer.*

22. Are workers involved or listened to, when it comes to decisions that involve them, or that are aimed at changing the processes they are part of?

- *Open answer.*

23. The Brunello and Federica Cucinelli Foundation with claiming that "*that the future is not entirely ours but is not entirely not ours*", aims to strengthen the human person and his ideals in his glorious moments but also in the weakest moments. How important do you think it is for a luxury brand to invest in foundations of this type?

- *Open answer.*

24. What is the project the company is most satisfied with, completed by the foundation?

- *Open answer.*

25. Is the foundation working on new projects?

- *Open answer.*

CONNECTIONS

FAÇONISTS and SUPPLIERS

26. How much does the work of the *façonists* weigh on the total production?

- *Open answer.*

27. How important is that the company shows its familiar aspects in the relationship with the *façonists*?

- *Rating scale answer*; with one being not very important, and five being fundamental.

28. Is the familiar aspect the foundation on which the relationship of credibility and mutual trust with suppliers is based one?

- *Open answer.*

29. The Company makes itself available to its suppliers by offering them organizational, legal and financial consultancy support. In this way the *façonists* have the serenity to exploit professional support that goes beyond the mere technical aspects, it also affects the organizational ones. How important is the bond with them?

- *Rating scale answer*; with one being not very important, and five being fundamental.

30. How important are policies such as the "*Supply Chain Program*", launched in 2015, for improving relationships?

- *Rating scale answer*; with one being not very important, and five being fundamental.

KEEPERS OF THE CREATION: Territory and Sustainability

31. What are the reasons that led the company to believe in strengthening the bond with the territory and how can this bond influence company behavior and performance?

- *Open answer.*

32. How important is it in this historical period to be sustainable and sensitive to the cause?

- *Rating scale answer*; with one being not very important, and five being fundamental.

33. Does the company thought to invest in new projects that make reality even more sustainable?

- *Open answer.*

34. How much do you think the Brunello Cucinelli company is sustainable?

- *Rating scale answer*; with one being not sustainable, and five being very sustainable.

COMMAND

LEADERSHIP and FAMILY INVOLVEMENT

35. Is the idea of *Humanistic Capitalism* taken up as a foundation also to base the leadership view within Brunello Cucinelli's reality?

- *Open answer.*

36. In “The Family" section of the website we read: *"... because the company does not inherit: the property is inherited, not the ability to do business. I therefore appreciate that in the* *meantime they have chosen this job of mine. For many reasons, and first because we live in a village. This aspect is central*". It often happens in family-run companies that the management is inherited without any merit; how important is that the heirs also live the company reality as employees, following the typical apprenticeship?

- *Rating scale answer*; with one being not very important, and five being very important.

37. How much is the Cucinelli family as a whole in the company routine?

- *Rating scale answer*; with one never present, and five daily present.

38. Is the relationship between Brunello Cucinelli and family members working in the company based on the same criteria on which the relationship with collaborators outside the family is based?

- *Open answer*.

39. Is the relationship between family members working in the company and collaborators based on the same criteria on which the relationship with collaborators outside the family is based?

- *Open answer*.

SUMMARY

The intent of this script is to examine why in the luxury context there are so many predominant and successful family firms.

With this work, I tried to combine the topics, my academic path has brought me to love the most, the Luxury industry and the Family Businesses reality. This thesis is made up of four chapters, and each of these has the aim of analyzing a different aspect of the discussion.

What one person considers a luxury, may not be so for another. The conceit has so many declinations and faces, although its essence remains the same; excessive, extravagant, elitist and eternal, notwithstanding the product category, it has different traits.

The luxury brand, more than any other kind, reflects the existence of an internal project. Its purpose is not just to meet some requirement, but also to convey a creative intent. An economist would define luxury as an item for which demand increases disproportionally compared to income; a McKinsey luxury analyst would define a luxury brand as a brand which is constantly able to justify a high price, meaningfully higher than product having comparable tangible functions.

In *Chapter One*, we stated a nine segment market, in which the long-lasting concepts of the superfluous and unneeded, the desire for social status and acknowledgment, have been replaced by the need for voicing and identifying oneself, by enjoying and being and less about displaying and owning, that includes: Personal Luxury Good, Luxury Cars, Luxury Hospitality, Fine Wines and Spirits, Gourmet Food and Fine Dining, Fine Art, High End Furniture, Private Jets and Yachts and Luxury Cruises.

Although the essence of luxury remains the same; excessive, extravagant, elitist and eternal, notwithstanding the product category, it has distinguished traits. We defined the luxury brand as a *coherent system of excellence*, and by contemplating this approach, luxury had resulted as a balanced system of attributes and beliefs that are:

- *High Price.* Pricing process is crucial for branding. A dream nurtures desire, but a desire that can be easily satisfied, carries no dream. Prestigious companies are those companies whose index of functionality utility to price is little, meanwhile their index of intangible utility to price is big. In this way, price of luxury products is significantly higher than the price of

comparable products with analogous tangible qualities, but highest intangible qualities and features belonging only to luxury goods can justify the high price.

- *Tradition and Innovation*. A luxury brand sets its own rules it has a strong, flawless culture, where attention to details and a clear vision are crucial, uniqueness and extraordinariness are brought together by the work of artisans and the creative thinking. The history and tradition of the *maison* and craftmanship, are vital.

- *Imaginary,* the dreamy factor. A notable creator, artisan skills, remarkable logos, heritage, mysteries and myth are combined to create an aura of attractiveness that let the consumer identify himself with the brand.

- *Superior Quality*. Quality, craftsmanship and creativity, are obviously the reasons that distinguish luxury companies from the rest. Offer beyond-standard quality, continuously raising the bar on traceability, raw materials and processes.

- *Selective Distribution* is crucial. Exclusive and elitist, in a market where everything is accessible everywhere, inaccessibility creates desire. Companies having straight control over distribution, by managing the retail channel, have full control of their entire retail environment and of prices selected to retail clientele, for this we saw how in luxury, the most suitable channel for distribution of luxury goods is the DOS.

- *Exclusive Communication.* Models, brand ambassadors, photographers, maxi-billboards, glossy magazines, are not enough if not always combined with work on the exclusivity frontage. Here comes the paradox for the luxury industry, to sell the most highly levered goods and services, no communication is frequently the most successful method of communication.

After in the First Chapter, a differentiation in the market between Supreme, Aspirational or Accessible luxury, taking into consideration also the lower neighboring *Masstige* segments, is made, because each segment demands different strategies and refers to different customer, and surprisingly, competition is all along the pyramid. Then, customers had been analyzed, one-to-one dialogue is hugely important today and so tailoring communication; define and identify cyclical specific features on which the brand's offer system could be built on, with respect to market trends is crucial and can be made by giving thought to the latest segmentations references, based on year of birth:

- *Millennials*, or *Gen Y*, (1980-1994), who are demanding for brand consideration, who look for an entertaining journey with the brand, but are quite resistant to the more traditional marketing communications, mainly due to over-exposure. They seemed less brand oriented, well informed on products, due to the amount of online research both previously and subsequently purchases.

- *Generation X*, (1965-1979), influenced by cynicism and carefulness, result more triggered by emails than mobile advertising, prone to be the first to try new luxury products or to appreciate a brand that beg their need of modernism and freshness. It is not as populous as other generations, but compensate with uplift spending, representing a third of global luxury consumption with the highest luxury spend per capita.

- *Baby Boomers*, (1944-1964), seek for attributes, durability, tradition and craftsmanship, while transcending their attention on prices. They are quite conventional and conformist, favoring big-old-name brands, in this group they are not such as technophobes as the others, especially for the youngest, embracing more online purchases and subsequently driving up a major online evolution. and following friends and family suggestions rather than advertising.

Influences throughout the purchasing process, the so-called *Consumption Theories*, have major effects impacting on luxury choices, like the *Veblen* one, that rise up whenever a shopper preference for a good upsurges as a straight consequence of its price; a *Snob* effect that occurs whenever a predilection for a product arises when its relative quantity in the market decreases; and finally a *Bandwagon* effect, experienced when customer predilection for a product rises up when the amount of people purchasing rises up.

To conclude the luxury context analysis, was dutiful to contextualize trends shaping the industry; luxury reports from the last two years by *Deloitte*, *Altagamma*, *BCG* and *Bain* were taken into account to conduct the analysis and 12 were the trends that, in our opinion, would structure the future of the luxury context within 2025. *Shorter ownership, Digital invasion, Store of the Future, the Second-hand Market, Cultural brand, Generation* Z *compelling, Market of One; Sustainability; Chinese ramp up* and *Manage the Cloud*.

With Chapter Two, it is entered the discussion about family businesses.

Family business model is the leading one in profitmaking globally. It is a worldwide phenomenon. In Europe, 60% out of the businesses are family one, in the United States reached the 80%.

As said by Freud, love and work, are the fundamentals to accomplish pride, confidence and gratification in one individual's life fulfilment. Families and companies are very diverse organisms, structures with diverse methodologies concerning decision making, policies of problem solving and tactics of communication. Given the predominance and the profitability of family businesses, the either hypothetical or observed practice, was to look at them as the most successful and prosperous globally, and the intent in the Chapter was to further scrutinize if that was really true.

Starting by recollecting Literature definitions, like the one from Chrisman et al. (2004), "*A firm that is owned and managed by family members and seeks to ensure transgenerational involvement through family succession";* we were able to figure out the shared factors that build up the conceit of family business: *Family Presence and Relationships, Ownership Control, Influence of the Family onto the Management, Competitive Advantage, Continuity Across Generations* and *Dream of Succession.* Family and business, however, are not automatically matching, they are overlapping, interacting, and interdependent systems; these two systems have a defined, inimitable, setting of morality, and standards, each has its own distinct rules of conduct. When we had to analyze individuals in the system, we had to take into consideration the moves and paths they made in the business; contemplating their membership and belonging to the organization, knowing that each decision and deviation taken has reactions influencing the entire system, by using the Three Circle Model by Tagiuri e Davis.

For what concerns family influence on building interdependencies with the management and with the business itself, three crucial distinctive elements were found out, to establish and settle the real effectiveness of the family guidance; *the Power Dimension:* Ownership, Management, Supervision; *The Experience Dimension*: Generation and Commitment and finally, and *The Cultural Dimension.*

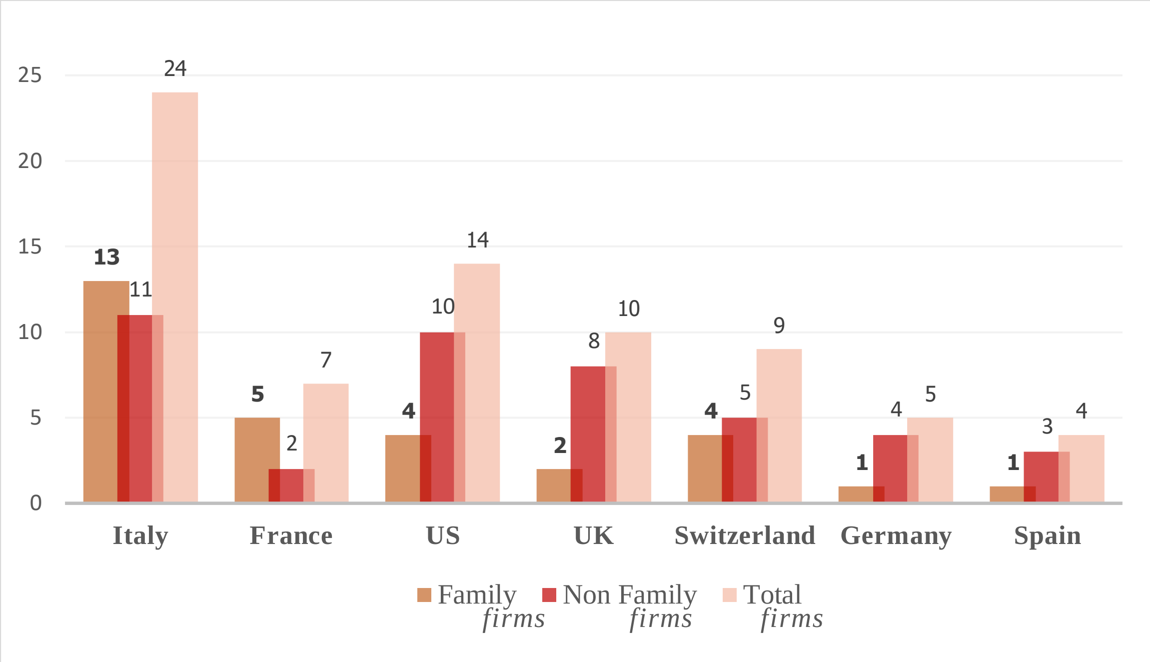
Intention of the work, was to investigate how can the merely existence as a family owned company, could imply the magnification of the actual irreplaceable resources and the development of specific skills, that leads to a strategical-competitive advantage? What is inside, characteristic, intrinsic, peculiar, irreplaceable, successful, and intangible for the family firm, and absolutely incompatible and atypical for a non-family one, is the so called *Familiness*. Strategic and competitive advantages need to be adapted and thought, following each improvement, change, development and/or exploitation of any of all the sets of aptitudes, possibilities, and most of all these intangible resources, belonging to the family business. A set of resources and capabilities which are certainly: *Inimitable* by other Family Businesses and for Non-Family Businesses; *Rooted* in the Family Business; *Non-Transferrable* to other Businesses. Here, we had to refer to social capital theory to stipulate enough clearness to identify the behavioral and social resources that constitute familiness.

For what concerns a family luxury brand, it should be authoritative and dominant, as it touches the customer construction relationship and empathy development within social groups, denoting branded goods with a series of attributes, heritage, very fiercer and further long-lasting than every usual brand. These qualities gave luxury products or services a sentiment of desirability, attractiveness, exclusiveness, matchless; all characteristics hardly to be attacked and barely easy to be replicated by competitors, and, last but not least, an eternal fascinating vibe. This eternal, ethereal vibe, that in luxury brands, is marked by the iconic pieces the company produces over the time, constantly. Brands, however, should not underestimate the importance of creating and promoting new products on the market; the unveiling of a product, that came out to be efficacious and profitable, produces numerous benefits for the business.

From the *Global Powers of Luxury Goods 2019 Report* by Deloitte, of the largest luxury goods business, we had extrapolated the ones which are family business, classified them on the requirements recognized in the first part of the Chapter Two. Finding out that family ones were 31, attaining to a rough 37% out of the luxury good companies.

Family like: Arnault (*LVMH*), Lauder (*Estèe Lauder*), Rupert (*Richemont*) and more like Pianult (*Kering*), Del Vecchio (*Luxottica*), Wertheimer (*Chanel*); are all, managed and controlled by the family of the founder. They perfectly embrace and exploit the family firms characteristichs, that have lead them being succesfull in the industry. These companies are all examples of years of leadership, and management practices, that have brought them into the highest position of the luxury industry. Through the analyis were foundend in the ranking companies belonging to the family's by five generations, like the *Swarosky Cristal Business*, or the three generation, like the *Longchamp SAS*; but there were also company like *Patek Philippe* in which the founder's family passed the business to another related family.

Noticebaly, France and Italy confirmed their reputation, for promoting, cultivating and encouraging craftmanship, heritage and tradition, and it always seemed an intrisically rooted country culture; the figure demonstrate how evident is the phenomenon in the two countries.



In family firms, is all about building the brand around personal, individual, familiar experiences. And this is winning and successful for a brand in luxury too, in this outlook was needed to consider also the Interbrand Ranking, which classifies Brands for their financials, strengths and power. Among the major implications discovered, it has in the luxury sector, a detail, that emerged, is that in the context of luxury, the majority of the company's brand names, matches with the name of the founder, the owner or of the family. Ferragamo, Fendi, Missoni, Cuccinelli, Hermés, and then, Ferrari, Porsche, Antinori. The family name surely imprints trust, awareness and familiarity; the clients is able to see and image something related to its own family, which is human, reliable and consistent. The fact that the brand has traditions, heritage and history, reveal passion, and most of all, quality and expectations.

When the purchasing expenditure is high, the client indubitably wants to be assured and guaranteed about the services or products is he/she going to buy; and for family firms, assurance and warranty, seems to appear as intrinsic and essentials. Also, family respects and searches for fineness, superiority, exceptional carefulness, in products and services features excellence; and this would be deliberately followed also for what concern new launches and each new process implementation. Continuity ownership consents the firm to gather and transmit the acquaintance which features next generations to be able to nurture and cultivate propensity with desire for the brand products. Moreover, family size could build supportive, cohesive, bonds within the diverse number of members in the competition arrangement and it is an assurance of legitimacy for the customers searching for a luxury company.

On the whole, luxury competitors, even with stated-renown brands, are medium dimension organizations or huge conglomerates, that are at the same time, both facing either a sharp competition dilemma between economic and symbolic aspects, or, moreover, they are fronting a worldwide, challenging, meticulous, crescendo piece of customers. Increasing profitability is certainly an evident indicator of success for a whatsoever generic company, so it would be pertinent to equally apply this method to measure a luxury company success. In pursuance of the perpetuation over the long run, of rising profitability standards, luxury companies must concentrate predominantly on the principal business and then they would like to extend it, following a measured, well-ordered methodology.

In the luxury context, managers have to deal with the endless, constant, consistent growth and desire for profitability without mitigating the symbolic value, although, there is the continuous struggling pressure of the financial markets.

But, why is family ownership so entangled with luxury company's successes? What is the rationale behind it? Is the question we wanted to ask through the work.

Chapter Three in this way submits the focus of the script, by introducing the literature on what our research is based on, that principally comprehend early *2000* family businesses studies by Miller and Le Breton Miller. The two scholars had taken into account for their studies, both performing and non-performing businesses, 46 belonging to the first category and 24 belonging to the last one, by considering and evaluating each company's strategy, system organigram, vision and main concerns. There were recognized four leading significances; significances that comprehend in their nature, both advantages, but also weaknesses, they have called "the 4 Cs": *Continuity, Community, Connections and Command*. The major finding was that, family businesses who had efficiently reached success and profitability steadiness with the exploitation of each of the 4 Cs, meanwhile, the fruitless, ineffective firms seemed to be under-exploiting and forgetting about these significances.
Consequently, we had to demonstrate that the inimitable bonded package of resources the family business possesses intrinsically, could fit and shape a prosperous foundation on which there is the likelihood to build a consistent advantage if compared to non-family businesses, in the luxury context.

Each of these *4 Cs*, that the company needs to prioritize in order to conquer the market, introduces a series of policies and schemes, that are recommended by the authors to be tracked.

- *Continuity*, a countless majority of luxury companies, started their businesses around the centuries 1700-1800, and since then a long history of tradition, interlaced between the experiences of the family and the ones of the company, have been effective in creating or satisfying special niches of the luxury-related industries. Family businesses are usually typified by a precise extent of expertise and craftmanship, around which they make converge their strategies, assets and processes. Family managers and working members, have the tolerability and the persistency needed to drive and to produce value with a long run perspective, sometimes even victimizing and leaving out financial outcomes in the short period, in an industry in which timing and responsiveness is undeniably decisive.

Exploit core competencies and abilities, education about the job, were certainly the reasons making the founder constitute the company, unfollow that strategy, detaching from the original competitive advantage should not be the preferable path to keep on if not markedly justified For instance, is the case of the Missoni, the family had initiated and stated a straightforward, unambiguous, unequivocal fashion of clothing, characterized by colorful, vibrant and zigzag, striped, waved, twisted themes. The client recognizes and celebrates the brand core values and vision, and that is why he decide to trust and consider the brand when comes the time to make a purchase and continuously through the years.

- *Community* is linked with the company culture, the working environment and the professional principles and the employee philosophy. In this industry, managers, owners, creators, artists and artisans have to regard and care about each other, think and work mutually, safeguard and improve the company symbolic capital; any individualistic, self-interested, egoistic attitude results unbeneficial. Family firms are cohesive because of the craving to generate a robust, durable feel of commitment to the business, that is conveyed in a noticeable harmony and a consistent cooperation between the individuals working within it.

- *Connections*, these priorities are associated with reputation, credit, honor and reliability, all features that can create a steady basis relationship with contractors, franchisees, clienteles and all the involved shareholders. Sharing and showing the existence of the family outside the company, by the merch sold or the services connected to the consumers and the distribution and the sale process, with the marketing activities, an individual touch became such a serious driver when it comes to create value. Family businesses cultivate and care about building very long-term connections with own employees. Furthermore, relations with their natural roots and their singular commitment for their territory is crucial; because a luxury product is eternally rooted in a specific culture and it is a manifestation of that family primary place. Successful family businesses have to cultivate local strict connections with the neighborhoods they are related with, and have to remain coherent with their original heredities, heritages, traditions, origin, collaboration of the district to which it belongs, can specialize in a specific activity: spinning, warping, weaving, dyeing and finishing or finishing.

- The last priority is *Command*. A decision-making activity, based on speediness, uniqueness and audacity and distinctiveness is key. "*It is not because you are born a Scheufele that you necessarily know how to make watches"* said Karl-Friedrich Scheufele from Chopard, emphasizing how important is meritocracy in being successful in every business. Leadership is so important in the industry to adapt every need to each local market the brand plays in, in this way, a family manager who really knows his workforce, that is present and auditor, could be agile and respond speedy to market request. We saw how implementation of the most suitable solutions to make the organization work, with effective communication and knowledge transferability, increase this sharing and support while planning and achieving, leaders demand five elements to stimulus commitment: recognition, empowerment, interaction, open communication and organizational support.

Later, the 2005 model by Miller and Le Breton-Miller was expanded with a broaden examination, that gives ought to detailed qualities, a model introduced by Elisa Giacosa in 2014, who herself recognized these series of detailed qualities of family firms that lead to a competitive advantage in the setting of the luxury industry: *Corporate Heritage*, *Long-Term Vision, Specialization*, *Internal and External Relationships*, lastly, *Innovation.*

To demonstrate what has been studied and analyzed in the first three chapter, the final purpose of this work, was to investigate actual companies, to really evaluate if luxury family firms exploit and manage these four significances, mixing them all inside the company strategy.

Throughout the entire script, these characteristics will be highlighted, to finally converge in the application of this model to the luxury business of Brunello Cucinelli, in which we have been able to appreciate the special strengths of the family ownership and what really is the symbolic capital of a luxury firm. The final chapter, in this way, made up on the analysis of Brunello Cucinelli S.p.A. reality, that starts from an outside investigation that is validated by a detailed interview, questioned to Brunello Cucinelli co-workers, about these four significances.

According to Chua, Chrisman, and Sharma (1999), a family firm is a business, governed and managed, with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family that is potentially sustainable across generations.

The uniqueness of family companies arises from an exclusive combination of a family with the business (Habbershon & Williams, 1999). Basically, family businesses attempt to a steady long-run existence by investing in trustful relationships, both internally and externally. After establishing in *Chapter 2*, what a family business is, and how relevant it's the family business phenomenon itself, the luxury sector is also a full of example of predominant and successful family business companies. Resulting an important topic both in the literature and in the economic context, in which the family business model so frequently appears.

In family firms, is all about building the brand around personal, individual, familiar experiences. And this is winning and successful for a brand in luxury too.
A family luxury brand is authoritative and dominant, as it touches the customer construction relationship and empathy development within social groups, denoting branded goods with a series of attributes, heritage, very fiercer and further long-lasting than every usual brand. These qualities gave luxury products or services a sentiment of desirability, attractiveness, exclusiveness, matchless; all characteristics hardly to be attacked and barely easy to be replicated by competitors, and, last but not least, an eternal fascinating vibe.

Our ultimate intent was to extrapolate why family ownership entangled with luxury company's successfulness: and, accordingly to recent qualitative researches, we are able to state that, the atypical qualities characteristics of the majority of family firms adapt roughly flawlessly with the competitive rationality. Consequently, we had to demonstrate that the inimitable bonded package of resources the family business possesses intrinsically, could fit and shape a prosperous foundation on which there is the likelihood to build a consistent advantage if compared to non-family businesses, in the luxury context.

If we consider only Italy, several all the examples that popped out in the ranking, and that we can easily recall by mind: Ermenegildo Zegna, Prada, Salvatore Ferragamo, Missoni.

The model by Miller and Le Breton Miller, investigates the issue, and it is the basis from which we had developed our analysis. They recognized four leading significances; significances that comprehend in their nature, both advantages, but also weaknesses, they have called "the 4 Cs": continuity, community, connections and command. The major finding for them, was that, family businesses who had efficiently reached success and profitability steadiness, were with the exploitation of each of the 4 Cs, meanwhile, the fruitless, ineffective firms seemed to be under-exploiting and forgetting about these significances. Each of these *4 Cs,* introduces a series of policies and schemes, that are recommended by the authors to be tracked. Continuity refers to the keep pursuing the mission and the core competencies needed to achieve it, community is linked with the desire to unite the team, connection refers with the desire to development of durable relationship with business partners and, lastly, command is the freedom to act and decide speedy and to be innovative in running and renewing the firm. The success of a family in business it is not a matter of owning all the four ingredients but of the ability to combine them in an original way. Applying this model to the luxury context, we could appreciate the importance of a family ownership for luxury businesses.

We applied the model to Brunello Cucinelli S.p.A.; choosing this company, was for the intent immediate, is what embody itself the most the conceits of heritage, made in Italy, familiness, caring for people and resources, trustfulness and craftsmanship.

The company with the continuous search for uniqueness, they try to maintain, for the existing spaces and for the new locations. Quality, craftsmanship, creativity, exclusivity and culture of beauty are the distinctive elements of the brand, but combined with a great desire to listen to the market and new trends that allows to create a casual chic ready-to-wear line capable of embracing the tastes of a very large clientele young and old and able to maintain value over time.

We conducted a first investigation analyzing company's financials, brand identity and digital performance; then we interviewed Brunello Cucinelli co-workers, on indication of Carolina Cucinelli founder's daughter, to validate the hypothesis that, what we studied as Family Businesses, FBs, have those four common characteristics, so rooted and flourishing exploited, that had led them to be effective and prosperous in the luxury environment.

Since the first's questions and the corporate website analysis is clear that the company knows how important the 4 C's are in building a brand; but what is crucial here, is that the company is really into the exploitation of these characteristics. Brunello Cucinelli had created a reality that naturally, immediately and continuously is inspired in everyday practices by the *Humanistic Capitalism.*

In this way, the company identity, is intrinsically founded on choices, principles and values, that led the family, the façonists, the collaborators and their relationship with each other and the Creation, being managed by the conceits of ethic, morality and dignity.

Establishing the center of the production in Solomeo and to restore the ancient village, the desire to continue the long Umbrian tradition of the deeply rooted work "*à la façon*", the idea of converting the artisan knowledge about cashmere into new contemporary tastes.

Checking *Continuity* was instantaneous, the family business is characterized by a pure will to continue its mission, to share its ideals to future generations and create the basis to do that. "*If our company lasts for centuries, as we hope, this will be the result of the generation turnover that we have always promoted over time."*

Younger generations are stimulated to do great and to improve, also within *The School of Arts and Crafts*, where *contemporary craftsmen* are created, and innovation and evolution are pursued. In this way, the series of core competencies unique for the company are passed and improved for reaching goals in the long term and achieving and maintaining the competitive advantage.

What appeared to be central for the company, when dealing with technology, was again based on the conceit mentioned before, so never to forget humanism and human confidentiality, the dignity of every human being and respect for all by a principle of care, harmony and special attention.

The real glue is the humanistic enterprise. *Community* also was identified in the family business, because, a strong sense of belonging to the firm is present, a marked unity and collaboration between the people operating within it too. Set is the will to share, adopt a fair aptitude, respect, dignity, harmony and the person at the center of everything, collaborators, instead of employees. These are intended as an extended wing of the family-run business. There is a whole virtuous process that consist in working for a common company good that innately favors an extensive dissemination of highly skilled, highly professional, highly involved workers. Familiness is created; brought by the internal commitment and association at the whole business levels. A big extended and comprehensive family business here is shaped, because of no shortage of convivial moments during which to meet: *"It is our custom to meet on a regular basis during the year to discuss things, so that everyone is up to date as to how the business is evolving".*

Connections are easily individuated in the questions concerning relationship with *Façonists,* the family firm has a series of strong, long-lasting relationships with all their partners, that create a productive network that can benefit the company's long-term competitiveness, "*We find it valuable to always cooperate very closely together - as it is the case with us - fully aware of our full and mutual independence".* Or the family foundation particularly, but the whole family shareholders, network with the local territory, Mother Earth and sustainability: "*We have always pursued a fair profit* *achieved with ethics, dignity and morals, manufacturing highly artisanal products that wouldn't damage Creation, or as little as possible".*

Lastly, *Command*, the most difficult to be identified, family businesses should be characterized by a certain freedom to act and a decision-making process quite agile, from the outside is tough to be recognized. However, for the fact that the company has a very forceful culture, based on the *Humanistic Capitalism*, the leadership vision and the business identity is focused and sharp. The *Humanistic Enterprise* is founded, economic values go hand in hand with human ones; there, live in harmony and without harming Creation is mandatory. *Fairness*. A fair and sustainable profit, marking a balance between profit and giving back; donating to the world as guardians of creation, leaving to those coming after us not the very same world we found, but a more amiable one. And making profit with ethics, dignity and morals, sustaining mankind in each process and relation.