

Brioni Goes Public?

**An Interview with Umberto Angeloni,
 Chief Executive Officer, Brioni of Rome**



Umberto Angeloni

EDITORS' NOTE

Given the many challenges the grim economy is currently presenting for the luxury-goods sector, CEO Umberto Angeloni believes there is no time like the present for companies to "do some deep reflection on their strategies."

Further, "there's another major factor at the root of the problem," he contends: namely, that many luxury companies "have been steadily diluting themselves" over the years "by introducing non-core products and services." Although Brioni of Rome has extended itself to comprise a network of 23 stores, a ladies' clothing line, and a luxurious Mediterranean resort, that "doesn't mean that we're diverting from our core product, which is clothing, or from our core vision, which is luxury," Angeloni emphasizes. On the contrary, by pursuing brand extensions very selectively, "the dream is to keep the company growing at a rapid pace without damaging its image." And as consumers are indeed expressing a new "wave of interest" in "sartorial, bespoke, made-to-measure, and handmade clothing," Brioni of Rome "should fly faster than the others," the CEO concludes, emerging "like a surfer just ahead of the next big wave."

Prior to assuming his present post in 1990, Angeloni served as VP of Marketing for Brioni of Rome since 1982. He holds an M.A. in economics from Rome University and an M.B.A. from the University of Western Ontario; he is a CPA and CFA in Italy.

COMPANY BRIEF *Named after one of the most elegant resorts on the Adriatic coast, Brioni of Rome was founded in 1945 when master tailor Nazareno Fonticoli and fashion designer Gaetano Savini opened one of the first men's fashion houses on Via Barberini. Uniting innovation with*

classic style, the brand immediately became a favorite among European aristocracy and movie stars such as Clark Gable, Gary Cooper, and John Wayne. Today, Brioni is still regarded as a world leader in hand-tailored clothing; employing some 1,000 tailors at its main factory; creating about 200 models in various styles and sizes each season; and offering roughly 5,000 fabrics from which to choose. The entire Brioni Group comprises nine factories, with 2,000 employees.

Since the events of September 11, 2001, and the subsequent economic downturn, the fashion industry has faced some serious challenges. Do you expect success in 2003?

The suffering extends far beyond the fashion industry; instead, it affects the entire luxury marketplace. The major brands – including the very old, established, and superior ones, which I call "thoroughbred" – saw rapidly declining sales and profits in 2001 and 2002. Plus, the analysts aren't expecting things to return to the 2000 levels before 2004.

So it's a moment when companies need to do some deep reflection on their strategies.

Aside from the economic crisis, the fact that people aren't traveling as often, and other current restraints on consumption, there's another major factor at the root of the problem: Most of the so-called luxury brands, especially the fashion brands, have been steadily diluting themselves by introducing non-core products and services. For example, they've created third, fourth, and even fifth clothing lines, which have diffused their brands by catering to lower economic levels whose spending tends to evaporate quickly if things don't go well economically. In addition, many luxury brands have been using channels of distribution such as discount outlet malls, which also tend to attract a different consumer – one you can't rely upon in terms of loyalty and staying power. Plus, these brands have created too much accessibility for themselves by opening endless chains of stores, not only in major cities, but also in smaller ones. As a

result, these brands are no longer perceived as exclusive.

But Brioni has been opening stores and recently launched a whole new line of ladies' products. Will the brand remain exclusive as it expands?

It's true that we've also opened several stores in the last five years, but don't forget that we were relying almost 100 percent on independent trade, which was not a totally healthy situation in today's circumstances. The fact is, we need to have our own retail spaces to represent the entire world of Brioni products and accessories. So, today we have 23 stores, which still isn't a lot compared to the hundreds and thousands that some brands have. Plus, we only concentrate on major international cities and resorts, such as Paris, London, New York, Tokyo, Capri, Marbella, St. Moritz, and so on. There we cater to exactly the same type of clientele.

The fact that we've launched a ladies' clothing line doesn't mean that we're diverting from our core product, which is clothing, or from our core vision, which is luxury. We're extending our core business, not diverting from it.

Your ladies' division has been quite successful.

Yes, we opened our Brioni Women stores directly next door to our men's stores – in Milan, in February 2002; and in Rome and New York last September. Today, I can say that we've been very successful; the jury is no longer out. Interestingly, Harvard Business School just completed a case study on Brioni Women, and it found that historically no men's brand has ever been successful in launching a ladies' line.

What particular products do you offer the ladies?

Primarily jackets, suits, and overcoats, and then secondarily pants, skirts, blouses, knitwear, and bags. These are all accessories to the core brand and the core product.

But some women have been buying your core products for many years.

Yes, the ladies have always envied

the men for their opportunity to buy superior fabrics, which are not available in women's fashion. They also envy our male customers because of the amount of hand detail in their garments, which you also don't usually find in ladies' fashion. Plus, they envy the men's access to bespoke services, which they don't typically have. So we're now bringing the assets and core identities of men's fashion to the world of ladies' fashion.

You're known as an imaginative chief executive, and your brand may be the first in its field to have its own island.

This is very important, and it's a major project. Again, we're not mimicking what some of the luxury brands have been doing in opening branded hotels; such ventures are simply instances of labeling products and services completely outside of their core competencies. In our case, it's much different because the 13 islands of Brioni are where our name originated.

In the period between the early 1900s and World War II, the archipelago of Brioni was an international luxury-resort destination. It had the first indoor pool in Europe, and in 1912 it already had two five-star hotels, an 18-hole golf course, and possibly the most famous polo course in Europe, so it was the jet-set destination of that era. Then, Italy lost the territory of Istria to Yugoslavia. Recently, the Croatian government asked our company to help relaunch the resort.

So today we're putting together a group of investors who are at the top of the pyramid in spas, hotels, resorts, and golfing, in order to establish this as the ultimate Mediterranean retreat. To give one name, the Aman Group will be present on the island, but we still need many more investors, not only for the archipelago, but also for the mainland, which is also pristine and available for development.

Is there a convenient landing strip near the island?

Yes, 10 kilometers inland of the fishing village facing the islands, there's a former military airport capable of handling 747s; and the city of Pula has a harbor. The island is only two nautical miles from shore and 60 miles from Venice, and they're in the process of building a highway that would cut the driving time from Venice to about two hours. It's a five-and-

a-half-hour drive from Munich and four hours from Vienna, so it's truly at the core of Europe.

And when do you think it will open for business?

If we break ground this spring, some of the initial pilot projects, which include villas and residences, should be completed by the summer of 2005. So we're



now inviting investors to join us in this dream project.

You've put many dreams into action since you first joined Brioni in 1990. What dreams lie in wait for the future?

I think the company still has enormous potential for growth, even without going outside of its core business and without diluting the brand by extending itself through lower quality levels. Of course, growth can also be achieved by

entering fields such as fragrances, eyewear, more leather goods, and home furnishings, and then, of course, by slowly increasing our retail network. So the dream is to keep the company growing at a rapid pace without damaging its image or vision in any possible way and then to go public one day.

That should be a very good initial public offering. But what would the timing be for that? Is the current economy good enough, or will you wait a while?

We're thinking that the window between 2005 and 2007 might be a good time to go public. The company is very profitable and almost debt-free, which is a rarity today. I think the market is looking for companies that not only have a brand, but also have a true competency, and we make everything we sell. Our products aren't just made in Italy; they're "Made in Brioni." We have an unbelievable skill factor cultivated during the last 60 years, which I think the market can appreciate. This is something tangible – we're not just an brand or design that is here today and will be gone tomorrow. So, hopefully when the market turns around, we should be in a position to go public.

Are there any current trends in the industry that might also be promising for Brioni's business?

Many brands claim that they do sartorial, bespoke, made-to-measure, and handmade clothing. And there's a rush now toward these garments because the consumer is more concerned about quality and individuality, rather than just status symbols or expensive items per se. This is good news for Brioni, of course, because all along we've been custom-oriented; in fact, 25 percent of our production is custom-made. So, with this wave of interest in quality handmade and bespoke clothing, Brioni should fly faster than the others.

You could say that Brioni has already been flying faster than the others.

We have. When the market contracts and people become pickier and more aware, Brioni emerges like a surfer just ahead of the next big wave. ●

Actor Pierce Brosnan in a Brioni suit for the movie "Die Another Day"