

## BUSINESS

# Fashion Industry Heavyweights Break Down Gen Z Consumers

● Massimo Piombini, Chiara Ferragni, Massimo Giorgetti and Andrea Grilli discussed the theme in Milan on Tuesday.

BY MARTINO CARRERA AND SANDRA SALIBIAN

**MILAN** — The next generation will represent 80 percent of fashion and luxury consumers in 2035, according to a study by consulting firm Bain & Co., forcing the entire fashion pipeline to understand their values. The study also predicted these generations will help drive a 150 percent increase in the size of the sector over the next 15 years.

At the 2019 edition of the two-day Milan Fashion Global Summit, held at the futuristic IBM Studios building on Piazza Gae Aulenti, which closed on Tuesday, industry experts, fashion designers and entrepreneurs discussed the impact that not only consumers' habits but also technology, the supply chain, retail, as well as marketing and social media can have on fashion's sustainable growth.

"It's the first time in history when five generations are buying the same products," said Bain & Co. partner Federica Levato presenting the research. She noted the next demographic really driving growth for the luxury sector is Gen Z, which represents a cluster of consumers "for which product returns to be key," overcoming the experience-driven Millennials' purchases.

Raised by Gen X, who had experienced the financial crisis of the early Nineties, she described Gen Z as "a post-digital generation of consumers that are more human, more aware and more critical." To this end she stressed technology no longer guarantees a competitive advantage, rather "it's a new baseline to build engagement on, promoting an emotional bond through every touchpoint according to a high-tech, high-touch approach." Transparency and sustainability were also seen as key values to engage Gen Z customers. "They are activists for what they believe in, brands should be activists for the sector's survival," she noted.

To be sure, tapping into this new generation emerged as a pivotal goal.

Balmain's chief executive officer Massimo Piombini praised the ability of the brand's creative director Olivier Rousteing to serve as an authentic loudspeaker for the values the storied fashion house wants to be associated with today. "In the past two-and-a-half years since I joined, we've built [the brand's image] around Olivier's persona rather than marketing the brand itself," Piombini said, noting that the brand's Instagram posts reach 16 million followers between its and Rousteing's platforms.

The executive said 51 percent of the company's employees at the Paris headquarters joined the house less than two years ago and the average age is 31. "The 'next generation' concept is an authentic commitment for us, then it takes time to telegraph it into products and distribution," the CEO said.

With an average annual growth rate of 30 percent, he stressed Balmain's strategy is to avoid diluting the brand's equity while at the same time developing entry-level categories, such as handbags and accessories, as well as pivoting on



Balmain's CEO  
Massimo Piombini.

collaborations that tap into different fields, such as music, the arts and cinema.

Nicolò Beretta, founder of luxury footwear label Giannico and creative director of L'Autre Chose, was the youngest speaker on the panel, leading the rise of Gen Z designers in the industry.

"I tapped him primarily for his talent and creativity, but his being digitally native was a plus," said Alice Carli, chief executive officer of both labels.

As reported, Carli appointed Beretta shortly after joining L'Autre Chose in June 2018, after the Sator Private Equity Fund bought 84 percent of the company. In January, the fund acquired the remaining 16 percent stake. As reported, last month L'Autre Chose took full control of Giannico, which was launched by Beretta in 2013.

"It would have been less risky to choose a more 'proven' [experienced] creative director but I saw in him talent and multi-disciplinary approach," she continued, mentioning an asset that is becoming key in the fashion industry.

In talking about the evolution of L'Autre Chose since her appointment, Carli said her efforts focused not only on working on the product but also on the internalization of the brand and developing an omnichannel strategy, through the relaunch of the web site and expansion of the distribution network. To that end, during the panel she revealed

that on Tuesday morning the company signed an agreement with a Chinese partner — whose name she did not disclose — to open 10 franchise stores in the region, as she is eyeing Asia-Pacific as a new key market for the brand.

Andrea Grilli, CEO of Off-White — a role he took on after the brand's licensee New Guards Group was acquired by Farfetch last August for \$675 million — noted the deal was "strategic on both ends. Farfetch — which is the biggest luxury [online retail] platform — can have direct access to [some of] the brands it sells on the platform, while for New Guards Group it would enhance our digital and online business expertise." The executive revealed Farfetch will take over the group's online operations in the first quarter of 2020.

In addition to building a cult-following, Grilli touted the group's ability to set up an effective and quick supply chain answering Abloh's and the market's demand for newness. "The strongest connotation for Gen Z [customers] is speed, and over the past six years we've been able to think out of the box," he contended.

Palm Angels' creative director Francesco Ragazzi feels his company — also part of the New Guards Group portfolio — has always leveraged a digital native mind-set. "The next goal is to translate that know-how into online, e-commerce assets. We created the company with an iPhone,

built our image with Instagram and social media," he offered, adding he is in charge of the brand's Instagram account and often directly manages product placements and celebrity endorsements via direct messages.

Instagram proved to be not only a booster for communication strategies but also for the creative process. Case in point: a slogan that MSGM founder and creative director Massimo Giorgetti shared on social media and that served as an inspiration for a collection.

"Pensavo fosse amore, invece era Milano ['I thought it was love, but it was Milan instead,' in English] started as a post on Instagram. It got the highest number of interactions and likes in my feed and from that, a whole concept was developed," he said. "I'm honest, I didn't invent anything. Slogan and messages on clothes were already there in the Eighties, but mine are on the city and are really meaningful for me."

The designer, who this year celebrated the 10th anniversary of his label, has always had an eye for new media. Retracing his beginnings in fashion, he said he was more interested in focusing on the phenomena that were rising back then, such as influencers, rather than investing in traditional advertising and printed media.

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FRANCESCA TRANQUILLI,  
YOOX NET-A-PORTER

"If there's a lesson we all learned in the past 10 years it is that we have to avoid being too snobby," he said, also addressing the fact that the brand got international awareness first and then gained popularity in Italy.

Last year, Italian private equity fund Style Capital acquired a 32 percent stake in the company, which was launched in 2009 as a project involving Giorgetti and three friends. "Now the real work is beginning. We have to structure ourselves, the time for games is over, but I hope the enthusiasm, passion and spontaneity that led me throughout these 10 years won't go away, also because the customers can sense if behind a brand there's marketing or a real passion," Giorgetti said.

Asked about a possible future listing of the company, the designer said it was difficult to forecast this scenario and that he was hoping it won't happen in coming years as "there's still a lot to build and do," including further developing the accessories category.

It's time to step up the game at Palm Angels, too, first launched as a fashion photography project depicting the West Coast skater community. Ragazzi said he wants the brand "to become a lifestyle label. My dream is to be a 3.0 version of Ralph Lauren or Tommy Hilfiger or Moncler," said the designer, who's been artistic director at the Italian outerwear company through its evolution from a small business to a publicly listed company. "I'm interested in finance, too. Having seen Moncler's evolution, I would be delighted to see my company eventually listed," he said.

Ragazzi also unveiled plans to open a Palm Angels flagship in the U.S. by the end of 2020, expanding the current network of seven monobrand stores and 250 wholesale accounts globally. ►



GCDS creative director Giuliano Calza believes the beauty of digital lies in “having no boundaries” and offering a democratic platform that can represent everybody,” an approach he always wanted to instill in its label not only through fashion collections but also with ventures in the beauty arena or cross-category projects, such as the latest collaboration with Barilla. The latter features women, men, drag queens, models and actors – including Sophia Loren – because “that represents my table,” he said.

The brand’s appeal is strong among younger generations, which makes it a possible acquisition target for bigger players.

“Some rumors are true, others false. To be honest, I’ve met with just a few people. I’m really scared because it’s true that it would represent an opportunity, but on the other side now I’m the owner of the brand, I have the freedom to act and do all the risky and provocative things I’m doing without giving explanations to others,” he concluded.

Despite the online channel still having momentum, the Bain & Co. study indicated the “phy-gital” approach resonates particularly with Gen Z customers. To this end, Balmain’s Piombini noted the company’s online sales are growing 30 percent year-over-year, a result fueled by the implementation of a multichannel strategy.

Francesca Tranquilli, president of online flagship stores at Yoox Net-a-porter, the company’s division that manages fashion brands’ e-commerce platforms, said 25 percent of Gen Z customers can be labeled as “no-channel.”

“Today we’re connecting the digital and physical...implying that we provide the customers with what they want, where they want it and in the fastest and easiest way possible,” she said, noting 40 percent of consumers looking

for omnichannel are under 30 and the “reserving online, picking up in-store” service is growing triple-digit.

Widely recognized as an enabler rather than a competitive asset, technology and the use of data were seen as pivotal in structuring a strong retail network, both online and off-line.

Antoine Auvinet, omnichannel and client director at the LVMH Moët Hennessy Louis Vuitton-owned Celine, said with a network of less than 200 doors his aim was not to “implement too much customer-facing technology, which can be a bit gimmicky, but use it to enhance the experience on the sales floor...as the proposition of retail is to tap into the more emotional side of the transaction.”

The Bain & Co. study indicated “ethical sobriety” as another trait associated with Gen Z customers, such as the demographic’s attention to sustainability and responsible consumption.

Carlo Capasa, president of the Italian Camera della Moda, said Gen Z already represents 2.4 billion consumers and underscored their appetite for sustainability and responsible products. “It’s estimated that half of the fashion industry revenues are generated by companies that have taken a stance to reduce the use of harmful chemicals,” he contended.

Fabio Fusco, managing director at Bank of America Merrill Lynch, also indicated the sharing economy and the secondhand markets have momentum, with vintage generating \$25 billion in annual sales. Maria Raga, ceo at Depop, the London-based peer-to-peer fashion marketplace, said 90 percent of its customers are under 26 and top sellers can generate as much as \$500,000 in yearly revenues.

Also promoting an eco-friendly approach, clothing rental is picking up and across generations, according to Alessandro Varisco, ceo of Twinset,

MSGM creative director  
Massimo Giorgetti.



the advanced contemporary brand controlled by private equity firm the Carlyle Group. The executive said the “PleaseDon’tBuy Signed by Twinset” renting project has exceeded expectations, although he declined to provide figures as the project officially debuted at retail only in September.

He added 65 percent of the customers showing interest in the project are new ones and can easily convert into actual Twinset clients.

While Fusco explained re-commerce and sustainable fashion companies are generating interest among investors, at the same time, Catia Cesari, partner at New York and Hong Kong-based Tau Investment Management, acknowledged, “The big elephant in the room when we talk about responsible fashion is the lack of funding and money to implement the quantum leap change.”

She stressed that while according to the Global Fashion Agenda the fashion industry is on a trajectory to reach the \$3.3 trillion threshold in 2030, with an increasingly negative impact on the environment, the pace of the mitigating actions is slowing down as “we’re not empowering the operators that can lead the change.” She noted 90 percent of the social and environmental impact is embedded in the back-end of the industry.

Among the young designers shaping the Italian fashion scene and embodying the values of the “next generation” of consumers was Margherita Maccapani Missoni, who is trying to inject “a change in mentality” toward a more sustainable approach in the family company since she took the helm of the M Missoni fashion line last year.

“The goal with this line is to give a new life to deadstock of threads and fabrics we have in our archives, prints we developed and we never used, which we decided to re-color or revisit in new ways. We are definitely working with an upcycling

approach,” said the designer, daughter of Missoni creative director Angela Missoni.

The return of Maccapani Missoni to the family’s fashion company is one of the first signs of change following the sale of a stake in the firm last year, when FSI, or Fondo Strategico Italiano (Italian Strategic Fund), acquired a 41.2 percent holding in Missoni for 70 million euros.

“The deal has been a critical element in my return. It gave the company the governance we didn’t have and which is essential, as we now have external people in our family business and in the board,” she concluded.

Capping off the two-day event, Chiara Ferragni said in a video broadcasted at the end of the summit that “the next generation is the generation that has changed through the Internet. It’s more democratic and informed, far more protagonist and loud compared to the past.”

The influencer and entrepreneur behind The Blonde Salad digital platform and the Chiara Ferragni Collection label appeared in a clip to briefly explain how her journey evolved over the last decade and the role played by Instagram both in her career, “changing the perception people had of me” and in everybody’s life, “introducing globally a language that I was using but just few people were accustomed with and understood.”

In addition, her relationship with fashion labels has evolved as “they are trusting me more, they ask for my opinion and we think together about a campaign or a product. They want to know my point of view.”

The entrepreneur hinted at upcoming plans, including expanding the reach of her Beauty Bites beauty masterclass launched earlier this year in Milan to Dubai and locations in Spain and France in 2020, as well as a secret wish that would “honor” her: to see her Chiara Ferragni Collection label acquired by LVMH Moët Hennessy Louis Vuitton. ■



Palm Angels’  
Francesco Ragazzi.