

# Benetton family essay



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Company History: Benetton Group S. p.

A. Company Perspectives: Today the Benetton Group is present in 120 countries around the world. Its core business is clothing: a group with a strong Italian character whose style, design expertise and passion are clearly seen in the United Colors of Benetton and the more fashion-oriented Sisley brands, and in sportswear brands Playlife and Killer Loop. The Group produces over 110 million garments every year, over 90% in Europe. Key Dates: 1955: Giuliana and Luciano Benetton buy their first knitting machine and begin selling Giuliana's woolen sweaters.

- 1965: The Benetton family forms a partnership, Maglificio di Ponzano Veneto dei Fratelli Benetton.
- 1972: The company introduces a new dyeing technique that enables on-demand production.
- 1978: The company incorporates as a limited liability company, Invep S. p. A.

- 1979: The company begins international expansion with its first stores in North America and Europe.
- 1983: The company builds a state-of-the-art warehouse.
- 1985: The company is renamed as Benetton S. .

A. •1986: Benetton is listed on the Borsa Italiana. •1989: The Benetton family acquires Nordica as the first part of its entry into the sporting goods sector under Benetton Sportssystem; the company's first controversial United Colors of Benetton advertising campaign is launched. •1993: The company opens a state-of-the-art production facility in Castrette, Italy. •1997: Benetton buys the money-losing Benetton Sportssystem.

•2001: The company begins selling off its sporting goods holdings; the Sisley youth-oriented brand is launched. 2003: The company completes the sell-off of sporting goods divisions; the company announces a \$526 million spending effort to produce higher-quality goods and adds accessories, cosmetics, and home furnishings under the Benetton brand. Incorporated: 1965 as Maglificio di Ponzano Veneto dei Fratelli Benetton NAIC: 315999 Other Apparel Accessories and Other Apparel Manufacturing; 315191 Outerwear Knitting Mills; 315228 Men's and Boys' Cut and Sew Other Outerwear Manufacturing; 339920 Sporting and Athletic Good Manufacturing; 23910 Sporting and Recreational Goods and Supplies Merchant Wholesalers; 424320 Men's and Boys' Clothing and Furnishings Merchant Wholesalers; 448140 Family Clothing Stores Benetton Group S. p. A. has toned down its controversial advertising campaigns as it seeks to restore its momentum in the 2000s.

Formerly one of the world's fastest-growing fashion chains, Benetton is now playing catch-up to H, Zara, The Gap, and others that emerged as challengers during the late 1990s. Nonetheless, Benetton remains one of the world's largest and most well-known clothing empires, operating more than 5, 000 stores in 120 countries. Benetton markets its clothing under several brand names, including flagship brand United Colors of Benetton. The company has struck back at its edgier competitors with the launch of the fashion-oriented Sisley brand, and has entered the sportswear sector with Playlife, launched in 1998. In 2003, Benetton completed its exit from an ill-fated diversification into the sporting goods sector.

The Benetton family also has stepped back from active management of the company, turning over its operations to CEO Silvano Cassano, appointed in

2003. Luciano and Giuliana Benetton, the founders of the Benetton Group, came from humble origins. The Benetton family grew up poor; their father, who owned a car and bicycle rental business, died while they were children. But Giuliana Benetton developed a skill that would make her family rich. At age five, she fell in love with knitting. In her early teens, Giuliana worked during the day in a tiny knitting business, producing scratchy, somber-colored woolen sweaters. At night, she used a borrowed knitting machine to make her own brightly colored designs. Her brother Luciano, who was then 20 and had worked as a men's clothing salesman in Treviso, realized his 17-year-old sister's talent. The two siblings sold their bicycle and accordion and scraped together enough cash to buy their first secondhand knitting machine in 1955.

Then Luciano sold a small collection of Giuliana's knitted creations to local Veneto area stores. The enthusiastic reception of her designs gave the company a solid start. In the early 1960s, the " Brothers of the Rainbow" invested about \$2, 000 to buy another secondhand hosiery knitting machine, which Luciano converted to make sweaters and jersey materials, and to build a small factory in Ponzano, a few miles from Treviso. Then in 1965, the Benetton company was formed as a partnership, called Maglificio di Ponzano Veneto dei Fratelli Benetton, with Luciano as chairman, his brother Gilberto in charge of administration, their younger brother Carlo running production, and Giuliana as chief designer. To compete in the casual clothing market, which is marked by its competitive and volatile nature, the small company's designs needed to be creative but so did its management.

The company flourished by making “ industrial fashion,” fashionable apparel made and sold through flexible, cost-effective retailing and production systems. To attract attention to their sweaters, Luciano decided to sell directly to the consumer through specialized knitwear shops rather than to retail outlets that sold competing products. This decision formed the basis for the Benetton retail outlets, which sell the Benetton line exclusively; the first such store was opened in 1968 in Belluno in the Italian Alps. The following year, the company opened its first shop in Paris.

Luciano thought that it would be a challenge to bring Italian fashion to the sophisticated Paris market, but if Benetton was successful there, Benetton could make it anywhere. Production at the company was also unique. In 1972 Luciano introduced a time- and money-saving production technique. By dyeing assembled garments made of unbleached wool rather than batches of yarn before knitting, manufacturing time was trimmed and Benetton could produce garments upon demand, which minimized the need to maintain an extensive inventory.

To produce many sweaters at reduced cost and financial risk, Benetton took advantage of an old Italian cottage industry. Benetton farmed out labor-intensive production-knitting and sewing-to small, family-owned companies (many owned in whole, or part, by Benetton management) throughout northeast Italy. Employing advanced technology, these companies allowed Benetton to manufacture in response to increased market demand both domestically and abroad with reduced financial risk. About 80 percent of production was farmed out to 450 subcontractors who employed about 20,000 workers in the Veneto region. The remaining 20 percent of value-added,

capital-intensive production–quality control and cutting and dyeing–was performed in house.

By 1983 Benetton payments for contract work equaled nearly six times the labor expense for work performed in its factories, according to the Harvard School of Business. Benetton's early success is attributable as much to Luciano's genius, as to the Italian and local business climate, however. According to journalist Dante Ferrari of the Italian business daily *Il Sole-24 Ore*, Benetton's management style evolved from the heritage of the Veneto region, which offered a strong artisan tradition, an abundance of labor created from shrinking agricultural production, and hydraulic energy provided by many rivers and springs. During the years 1971 to 1981, despite weak governments and rampant inflation, highly productive, technologically advanced small-to-medium businesses in Italy outpaced those of the other European Community (EC) partners.

By 1977 Italy had become the largest producer of knitted overwear in Europe, producing 60 percent of all EC output. In 1978 Benetton became a limited liability company. Sales, which included T-shirts and denim jeans, reached \$78 million, 98 percent of which came from the domestic market. With 1, 000 stores in Italy alone, Benetton realized that the home market was saturated, and launched a major export campaign. Benetton targeted the rest of Europe and made plans to enter U.

S. and Japanese markets. In 1979 the first store was opened in North America. By 1981, Benetton, operating under the name Invep S. p.

A. had become the world leader in the field of knitwear, generating three times the sales volume of the next largest manufacturer. By 1982, with 1,900 shops in Europe (1,165 of which were in Italy), Benetton was opening stores at the rate of one each working day. To handle its expansion, Benetton invested in distribution and marketing operations, building a \$30 million computerized state-of-the-art warehouse, which made it possible for a staff of seven to handle more than 30,000 incoming and outgoing boxes in a 16-hour work day in 1983. Having grown to a mature multinational company, Benetton needed expert managerial direction.

Aldo Palmieri, from the Bank of Italy, became Benetton's first managing director in 1982, and brought the company into an era of wide expansion, globalizing its capital base. Although Luciano Benetton was not initially receptive, leading Palmieri to leave in 1990, the company eventually adopted Palmieri's vision after he had been rehired in 1992. In 1984, 55 percent of Benetton's \$303 million in sales was generated from foreign turnover, outperforming domestic sales for the first time. The United States became Benetton's fastest growing market by early 1985, boosting sales by 35 percent.

Retail operations also were opened in Eastern Europe—Budapest in March and Prague in September—marking the opening of the first shop by a Western manufacturer since 1948. Following a corporate reorganization in December 1985, the company was renamed Benetton Group S. p. A. It was now one of the world's largest garment producers, with four factories in Italy and one each in France, Spain, Scotland, and North Carolina, and an annual production growth rate of about 30 percent.

In July 1986, Benetton made its first public offering on the Milan and Venice Stock Exchanges, and the listing was subsequently extended to the Rome and Turin Stock Exchanges. Through an innovative corporate finance deal, Benetton sold 20 percent of its equity on the London and Frankfurt capital markets, raising about \$500 million, of which some \$100 million was earmarked for research and development over the next three years. In early 1987, Palmieri approached the international capital market, focusing on the United States, and also began to finance acquisitions and joint ventures. In March, he raised an international syndicated loan with Citibank and authorized Morgan Guaranty Trust to place in behalf of Benetton Group S.

p. A. eight to nine million American Depositary Receipts—worth about \$150 million—on the New York Stock Exchange. This was the first time that an Italian company had attempted to float stock directly on Wall Street.

In addition, Benetton formed Benetton U. S. A. Corporation, listed on the Toronto, Madrid, Tokyo, and Frankfurt exchanges, and made private placements in Europe and Japan.

These moves were aimed not only at eliminating short-term debt but also at broadening the shareholder base between Italian and international investors, as Benetton attempted to expand in North America and the Far East, and instilling the discipline required by the U. S. Securities and Stock Exchange into its corporate culture. Because financial services were poor in Italy, Benetton began lending to its suppliers. By 1986 this informal business grew to \$400 million in leasing and factoring.



Benetton S. p. A. was incorporated as a subsidiary in 1987 to undertake leasing activities, and a financial services company was formed. Like the retail line, financial services were structured with the Benetton management philosophy—independent entrepreneurs selling and receiving commissions. The financial services evolved to include insurance products and personal and corporate financial services.

Other nonretail interests included stakes in Italy's largest department store chains, banks, hotels, and real estate. Unfortunately, these ventures required heavy capital investments and took away concentration of management time from the retail sector. Nevertheless, Benetton's retail line was expanded. Palmieri pushed Benetton to extend the retail product line and introduce a nonretail line, to shift to global manufacturing, and to find local partners able to penetrate difficult or emerging markets in the developing world. The company introduced a new watch and cosmetic line, incorporated Benetton Japan K.

K. to penetrate the Japanese and potential Far East market, and signed licensing agreements to produce clothing in the Middle East and Far East through Benetton International N. V. Benetton Group sales rose to \$2.

billion in 1987, an increase of about 15 percent over 1986 figures. At that time, there were about 5, 000 shops in 70 countries; the EC accounted for 68 percent of sales, North America for 20 percent, and the Far East for 2 percent. In 1988, after years of double-digit profit growth, Benetton's attempts to diversify faltered with consolidated net income flat at about \$99.5 million and stock at about half its initial offering price. Sales stalled in Italy.

In the United States, which accounted for about 15 percent of total sales, revenue fell 20 percent. The slowdown was due to a weak dollar, rising apparel prices, saturated markets, the rising cost of Italian labor, and shifting tastes, especially in the United States. Moreover, in late 1988, several Benetton store owners filed suit in the United States against Benetton's agents, alleging unfair trade practices and also complaining about the disorganization of U. S.

operations and the Benetton Group's practice of clustering stores, which was intended to promote competition among store owners. Benetton countersued two former store owners for alleged defamation. Conceding that these problems were brought about by rapid expansion (250 shops in 1983 to 758 shops in 1988) in North America, Benetton brought in former McKinsey & Co. consultant Federico Minoli to head Benetton U.

S. A. Corporation as an autonomous entity and to improve relations with store owners. Although Benetton spent three years expanding into financial services, reaching the \$300 million mark, in 1988 it sold its merchant banking interests and refocused on its retail line.

Benetton acquired interests in four apparel-related manufacturing companies: Calzaturificio di Varese S. p. A. , a shoe manufacturer and distributor; Galli Filati S. p. A.

, a producer of woolen yarn; and Columbia S. p. A. and Altana Uno S. p. A.

, both licensed to produce and market under the Benetton trademark. To integrate group logistics, Benetton also acquired Azimut S. p. A.

, Benair S. p. A. , and Benlog S.

p. A. To enhance global production and marketing, Benetton built a factory in Argentina to add to facilities built the year efore in Brazil; acquired, incorporated, or sold marketing companies in various countries; opened stores in Warsaw, Moscow, and Cairo; listed on the New York and Toronto Stock Exchanges; planned to expand Benetton Cosmetics, which had operated in North America and Europe for the last three years, into the Japanese and South American markets; and entered into a joint venture with the Japanese trading company Marubeni, creating Benetton Shoes Corporation, to sell shoes in the United States and Canada. Negotiations also were made with Toyobo on joint plans to enter both the Japanese and Brazilian markets, and with Seibu-Saison to convert its license to a production and marketing joint venture. These developments were representative of Benetton's strategy to first use licensees to gain wide exposure in new markets and then to convert the license into production and marketing joint ventures. Accordingly, growth also was accelerated by granting licenses to producers in noncompeting industries.

The Home Colors trademark was developed by acquiring an interest in Eliolona S. p. A. , which was to produce linens under license agreements in Brazil and Israel and to sell them in European markets.

A new joint venture called United Optical was formed between H. J. Heinz and the Italian manufacturer Anser to produce spectacles. Furthermore, W. I.

D. E. Corporation was incorporated in the United States as a joint venture with Avendero S. p.

A. to manage international forwarding and customs clearance operations. By 1989 exports rose to 65.5 percent of total annual sales. To finance this expansion, Benetton aimed to attract investors in the United States, Canada, Japan, and Europe by making a capital issue of 24 million shares.

In that year, Benetton's holding company, Edizione Holding, reinvested its funds from the sale of financial services by buying Nordica, a ski equipment firm, for \$150 million and soon acquired several other retail sports lines. Moreover, the trademark United Colors of Benetton was adopted. In the meantime, the Federal Trade Commission conducted a preliminary investigation to determine whether Benetton had violated federal statutes by failing to file as a franchiser but dropped the inquiry after Benetton asserted that contracts are negotiated by independent sales agents and that store owners pay no fees or royalties, even though they are required to follow stringent merchandising rules. In the late 1980s, Benetton gained additional competitive advantage by implementing global networking to connect sales and production.

A point-of-sale computerized program, which linked the shops to headquarters, was designed to handle order management, cost accounting, production control, and distribution support. Thus agents began booking 80 percent of each seasonal order six months in advance; the remaining orders were placed midseason and relayed to headquarters by computer. The point-of-sale program was replaced by late 1989, and Benetton's decentralized operations were linked by a global electronic data interchange network, which also included freight forwarding and customs applications. Although sales grew by 24 percent in 1990, Benetton lost \$6.6 million in the United

States that year, and another \$10 million in 1991, a loss of 28 percent since 1987.

Thus in 1991 Benetton started to consolidate its stores in the United States as well as Europe, replacing the clusters of smaller stores with the megastore concept, which carried the full Benetton line. In addition, Benetton turned its marketing and sales efforts once again to developing markets in the Near and Far East and to Eastern Europe, and halved its dividend to have more funds for expansion and acquisition. In December, Benetton signed a joint manufacturing agreement with Alexanian in Egypt in light of plans to open 30 stores in that country, and in 1992, 12 stores were opened in Poland. A joint venture agreement was signed for manufacturing facilities in Armenia, which was to produce apparel for the Soviet market under the United Colors of Benetton trademark; future expansion plans came to a halt, however, owing to lagging productivity at this plant. To beat the worldwide recession and increase market share, in 1992 Benetton developed strategies to achieve the following goals: to improve operating margins, reducing prices by about 15 percent, increasing production volume, improving product mix, and taking advantage of the devaluation of the lira; to improve operating efficiency, reducing number of styles of its collection from 4, 000 to 2, 600, and acquiring and integrating the operations of four key former subcontractors; and to improve cash flows, refinancing short- and medium-term debt. The mix of items was improved by introducing sophisticated classic professional apparel through shops dedicated to these higher-margin product lines—And for dress shirts, Di Varese for shoes, and

Benetton Uomo and Benetton Donna for mature men and women—and by continuing to expand into the sporting goods market.

By mid-1992, Benetton bought the remaining interest in Galli Filati and consolidated interests in four suppliers of woolen and cotton materials; now about 68 percent of the cost of production was represented by charges from subcontractors, compared with 87 percent in 1991. As a result, 1992 group sales rose 10 percent. By early 1993, Benetton had continued to close stores in the United States and, for production and marketing reasons, ceased operations at the Rocky Mountain plant in North Carolina. A technologically advanced factory opened at Castrette, Italy, which was designed to expand manufacturing capacity to 20 million pieces per year with about 15 people, using sophisticated robotic technology. Goods were now exported in greater numbers from Italy, where Benetton benefited from the abolition of the wage indexation system and the devaluation of the lira following its withdrawal from the exchange rate mechanism of the European Monetary System.

At this point, Benetton had 32 factories, of which 27 were in Italy, and license agreements in 13 countries. In addition, Benetton decided to expand in developing countries, forming a joint venture with a major Indian manufacturer to produce linens and stationery, opening its 7,047th store, in Cuba, and transforming Benetton Mexico from a sales subsidiary to a manufacturing operation for the North American market. These developments, particularly the continued effort to rationalize production, resulted in Benetton's stock reaching a five-year high. Consolidated revenues increased in 1993 by about 10 percent compared with the previous year, and net income rose 39 percent since 1990. Benetton's global

advertising campaign succeeded in generating a mix of praise and criticism and, ultimately, a fair amount of free publicity since about 1989. The ads, which were initially product-oriented campaigns on themes of multinational and multiracial harmony, eventually focused on institutional-oriented campaigns that featured documentaries on AIDS, sexuality, the environment, interracial relationships, and the war in Bosnia-Herzegovina.

Although many of the ads became the subject of controversy and were withdrawn or banned throughout the world, the United Colors of Benetton ad campaign, which hinged on racial diversity, won Benetton's art director Oliviero Toscani the UNESCO Grand Prix award. Despite the ad controversy, Benetton managed to maintain a sterling corporate image during Italian government kickback investigations conducted in 1993 that involved more than 5, 000 of the country's political and business elite. In fact, Luciano had gotten involved in national politics as part of a movement to overthrow the old system, and in 1992 was elected to the Italian Senate as a member of the Republican party. In 1994, however, Luciano retreated from politics, believing that the Italian government had met its objective, to devote himself to the family business.

In early 1994, Palmieri diversified Benetton by planning substantial acquisitions of either well-known brands or companies in the developing world. One such expansion was a joint venture agreement signed with Timex and Junghans Uhren to produce watches and alarm clocks. In addition, Palmieri planned to double turnover by 1996. To fund these ambitious plans, he placed 11 million shares in foreign markets. This issue was expected to

raise the float from 20 to 30 percent, with the remaining stock controlled by the Benetton family. In the mid-1990s, Benetton's efforts to crack the U.

S. market appeared to run out of steam. While the company's clothing continued to attract European consumers, American shoppers turned away from the brand and its all too controversial advertising campaigns. The company's attempts to enter the Asian and Eastern European markets met with similar indifference on the part of consumers. In the meantime, the 1990s saw the rise of a new breed of trendy designer-retailers who soon were beating Benetton at its own game.

Such names as H&M, Zara, The Gap, Diesel, and many others began drawing consumers from Benetton stores. With its apparel sales in a slump, Benetton also faced a crunch from its effort to crack the sporting goods market. Since the late 1980s, the Benetton family's Edizione holding had been building up a portfolio of sporting goods companies, starting with its purchase of Nordica in 1989. By the late 1990s, the company had tennis manufacturer Prince, racquetball equipment maker Ektelon, the United States' Rollerblade, and others, including golf equipment from Langert, skis from Kastle, and mountaineering boots from Asolo. These holdings were placed under a new unit, Benetton Sportsystem, which was then sold to Benetton S.

p. A. between 1997 and 1998, for \$300 million. Yet the sporting goods division never jelled with the company, and after years of posting losses, Benetton began selling off the sporting goods division. This process was completed in large part by 2003, with the sale of Nordica.



In the meantime, Benetton's problems with its clothing division deepened. The late 1990s saw the company attempt a massive licensing scheme, placing its brand name on items ranging from condoms to mineral water to wallpaper. As one consultant told Forbes: " That is not a good sign. It's usually an indication that a brand is over the hill. " Benetton's desperation to recapture its former glory was highlighted by a distribution agreement reached with staid U. S.

department store group Sears, Roebuck and Co. in 1998. The hoped-for sales never materialized. Worse, Benetton's advertising campaign inspired only revulsion in the United States, when it launched its " We, On Death Row" campaign featuring prison inmates. The resulting controversy convinced Sears, Roebuck to pull out of its distribution agreement.

Benetton continued to struggle into the 2000s, with a lack of focus and little enthusiasm for its clothing designs. The company appointed a new CEO, Luigi de Puppì, who was replaced in 2003 by Silvano Cassano, a former Fiat executive. At the same time, the Benetton family announced that it planned to draw back from the day-to-day operation of the clothing company. Cassano installed new management and led a revamp of the company's clothing designs and a redesign of its retail stores, with a focus on the group's 166 megastores. The company also launched a new brand, Sisley, featuring trendier, edgier youth fashions.

By the end of 2003, as the company's sales continued to slip-back to \$2. 3 billion, Cassano announced plans to spend nearly \$530 million on an effort to revitalize the company's retail offer. As part of that strategy, the company

intended to introduce a new range of higher-quality goods, and diversification into cosmetics, accessories, and home furnishings. Benetton hoped to recapture the flair that had made it one of Italy's major fashion success stories. Principal Subsidiaries Benetton S. p.

A. ; Benetton S. p. A.

; Galli Filati S. p. A. ; Fabbrica S. p.

A. ; Benetton Fashion S. p. A.

; Benetton S. p. A. Benetton Services Ltd. (U.

K. ); Benetton U. S. A.

Corporation; Benetton Capital Investments N. V. (Netherlands); Benetton Holdings N. V.

(Netherlands); Benetton International N. V. (Netherlands). Principal Competitors Industria de Diseno Textil S. A. ; The Gap Inc.

; Hennes & Mauritz AB; Vivarte; Gruppo Coin S. p. A. ; Kiabi S.

A. ; La Redoute; Charles Vogele Holding AG; Peek und Cloppenburg KG; Somfy International S. A. ; Cortefiel S. A. ; Mango S.

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www. strawberry.net. com Biography: Benetton Benetton, founded in 1965, and initially producing fine colorful knitwear, expanded to become the largest apparel network in the world. Benetton Group’s diversification into a wide range of products and activities and its often controversial advertising techniques made the Benetton name a household word. The Benetton clothing line was created by three brothers and their sister in a small knitting shop in Ponzano Veneto, Italy. When their father died, Luciano (born 1935) left school to work in a clothing store in order to support his mother, sister Giuliana, and younger brothers Gilberto and Carlo.

Luciano developed promotional and commercial expertise as a clerk in a textile store in Treviso. Later, as a representative of small textile establishments, he built up contacts with the Roman knitting magnates who were helpful when the family expanded its operation. As president of the Benetton Group, Luciano led the expansion of family holdings, particularly in the 1990s. He served as a senator of the Italian Republic from 1992 to 1994. Luciano is the father of four children, including Mauro Benetton, marketing director of the Benetton Group. Giuliana Benetton (born 1937) gained her experience from ten years of handicraft work in knitting for women.

She created new knitwear collections and oversaw product lines. Giuliana served on the board of directors of both Edizione Holding, the family owned financial holding company and Benetton Group. She is married and has four children. Gilberto Benetton (born 1941), vice-president of the Benetton Group, president of Edizione Holding, and president of Benetton Sportssystem, also handled all Benetton sponsorships of athletic events. Through the Benetton Foundation, he created a sports complex in Treviso, Cittadella dello Sport, which was open to the public.

Gilberto is married and has two children. Carlo Benetton (born 1943) was involved with the manufacturing component of Benetton. He was responsible for production at headquarters and abroad. Carlo served as vice-president of Edizione Holding and was on the board of directors of the Benetton Group. He is the father of four children.

Mauro (born 1962), eldest son of Luciano, began working for the Benetton Group as a student and later managed a shop in Paris. In 1985 he moved to Benetton's headquarters in Ponzano, where he took charge of the relaunch of one of the Group's main lines, which then experienced a period of record growth. Mauro was appointed marketing director of the Benetton Group in 1992, at the age 30. The Benetton family combined and optimized their expertise in marketing (Luciano), production (Giuliana), management and finance (Gilberto) and technical know-how (Carlo). They aimed at the casual wear market with color to catch the eye, first only in woolens but later in cotton.

When regional small plants producing stockings came upon hard times, the Benettons bought their equipment at bargain prices. Now they were ready for a spectacular expansion. Between 1972 and 1976, they expanded into all types of clothing, from jeans to gloves to a complete Benetton wear model. Going into the 1990s there were 14 family members in the business. The Benettons aimed to transform the fashion-fractionalized small handicraft style into an industry with minimum risks.

To achieve this, they expanded in variety and size and decentralized production and distribution. They purchased large quantities of materials in raw form, benefiting from quantity discounts and controlling the processing (especially color) from its rawest form. However, 80 percent of production was performed in plants not owned by Benetton but controlled by the family. In distribution, various attempts were made to control all stores.

At the beginning they would go into partnership with a friend who would in turn find others interested in having a Benetton store. Later, with international expansions, the holdings model was adopted, with the Benettons always having an exclusive contract. As a practical characteristic, the stores were about 400 square feet (while the competition was usually 1, 500 square feet) and 50 percent of all working hours were dedicated to sales (the competition, 22. 5 percent).

This is probably why Benetton's productivity was four times greater than the competition. Still, the success of the " Benetton" model is due to their trust. They wanted the stores to be exclusively Benetton, but allowed the owners to have 51 percent of the holdings. The Benettons have always preferred to

be partners with their producers and distributors rather than to seek vertical integration (where the managers of stores were salaried people with no direct share in the operation). The incentive was to make every representative a majority partner in his particular operation so that, as owners, they would strive to increase sales and profits. In the 1980s, the little 400-square-foot stores developed a turnover more than twice as large as those of competing companies.

Specialization and standardization are the main instruments that allow high productivity. The Benettons found a happy mixture of personal incentives: outright ownership by each unit and overriding control of operations and a quality/product mix to conduct market penetration at low risk with high profitability. The family entered into other business ventures assisted by loans from financial institutions. They eventually purchased the large well-known shoe manufacturer, Varese. In time, they allowed larger store units, depending on the sales as calculated pieces per square foot. The 1980s saw a decline in the number of shops in the United States, but expansion into other global markets.

Benetton increased the number of stores in the Far East and boasted 50 stores in China alone. By 1996 Benetton's presence was felt in over 100 countries, with 7, 000 sales outlets for their main brands of United Colors of Benetton, Sisley, and 012. The sales network included 80 branches and 800 staff responsible for independent stores in specific geographic areas. In 1996 the largest store opened for business in London, England. The Benetton magazine, Colors, was introduced, using multicultural messages the company had featured in its ad campaigns of the 1980s.

In addition to their clothing lines, Benetton diversified into a variety of other enterprises through Edizione Holding. Acquisitions included Rollerblade, Prince tennis rackets, Nordica ski boots, Kastle skis, and Asolo hiking boots. Benetton, along with partners, also acquired Euromercato, Italy's leading superstore chain and interests in GS-Autogrill markets and restaurants. Other product lines included watches, stationery, cosmetics, linens, eyewear, books, the Twingo Benetton car (in collaboration with Renault), and a line of pagers through an agreement with Motorola.

By 1995 Benetton sponsored sports teams in volleyball, basketball, and rugby. Benetton team Formula One World championships include the 1994 and 1995 World Drivers' championship and the World Car Makers' championships. In the 1990s Benetton came under criticism for its use of controversial images in its advertising campaigns, including those depicting war, AIDS, racism, violence, and homelessness. While Benetton was pressured into removing offensive ads from billboards, the same ads were critically praised for their sociopolitical statements.

A number of lawsuits were filed against Benetton by shopowners who claimed that the ads had caused a drop in sales, but these charges were difficult to prove. A downturn in the European economy impacted sales during this period. The images used in the ad campaign have been included in museum collections around the world and continue to spark debate. Benetton, independently and in conjunction with other groups and organizations, contributed to many initiatives aimed at social problems. Examples include a 1995 campaign aimed at generating AIDS awareness in



India. Support for War Child, a charity that helps children in war zones around the world, has also been praised.

Autographed Toscani posters were offered to visitors at a clothes show event in exchange for donations to War Child. The Food and Agricultural Organization (FAO) of the United Nations invited Benetton to create a communications campaign for the first world food summit held in Rome.

Benetton's use of information technology facilitates the management of the global business from Ponzano Veneto. Students from around the world study at Fabbrica, Benetton's arts and communications research center near Treviso, learning communications in all its forms and using the new technologies that will take them, and Benetton, forward into the future.

Further Reading Additional information on the Benetton family can be found at their official Web site, ; in Business Month (February 1989); Business Week (March 5, 1990; April 10, 1995); Los Angeles Times (January 23, 1994; April 21, 1996); New York Times (November 23, 1993; March 20, 1997); Washington Post (January 21; August 29, 1995); and in Italian language references: P. Calvani, "Perche tutti copiano il modello Benetton" *Espansione* (1986); Giuseppe Nardin, *La Benetton* (1987); E.

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ilmarinaio. com/Musto Benetton Find Solutions for your Business. Benetton, Info. & Registration! www. KnowledgeStorm.

comModern Design Dictionary: Benetton (established 1966) By the early 21st century the Italian multinational company Benetton had become one of the largest retailers in the world with outlets in more than 120 countries. The company markets four different brand identities: United Colours of Benetton casual wear for the family; Sisley for older consumers; 012 baby and toddler clothing; and Playlife sportswear. Within a dozen years of its establishment this clothing manufacturing company, founded near Venice by Luciano Benetton, commenced its programme of international expansion. This was helped by the standardization of the company's retail outlets, which were designed in such a way as to show off Benetton products in an alluring manner. Benetton was quick to utilize computing systems in the automation of its operating processes, both in the manufacture of clothing and in the monitoring of stocks and sales. As such, the company was an early exponent of the Just in Time production and distribution system, a philosophy that a number of progressive manufacturer-retailers adopted in the late 20th century.

In northern Italy in the early 1990s Benetton built two new factories that utilized advanced computing technology in the linking of production controls with an efficient ordering and distribution system. Benetton became widely known for its dramatic, and often controversial, advertising campaigns directed by the fashion photographer Oliviero Toscani. These centred on themes such as ' All the Colours of the World' (1984), ' United Colours of Benetton' (1990), and ' HIV Positive' (1992). The company also captured

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tremendous publicity through its involvement in Formula 1 motor racing, televised throughout the world.

Sponsored Links Il Tuo Bazar on Line Acquista in sicurezza da casa tua con un semplice gesto! [www. mercatissimostock. com](http://www.mercatissimostock.com) Bedava Video Benetton Milyonlarca Video'yu Izleyin ve Paylas? n! [4dh. com/Video](http://4dh.com/Video) Modern Fashion Encyclopedia: Benetton Spa (Italian sportswear firm) •Founded: by Giuliana (1938—), Luciano (1935—), Gilberto (1941—), and Carlo (1943—) Benetton, in Treviso, in 1965 as Maglificio di Ponzano Veneto dei Fratelli Benetton.

- Company History: First Benetton outlet opened in Belluno, Italy, 1968; first shop outside Italy, in Paris, 1969; launched major European expansion campaign, from 1978; first U.

S. store, New York, 1979; first Eastern European shop, Prague, 1985; went public in Milan, 1986; formed Benetton Sportssystem SpA, 1989; opened huge stores in Paris, London, Barcelona, Lisbon, Frankfurt, Vienna, Prague, and Sarajevo, 1994; opened 50 shops in China and factory in Egypt, 1995; opened London megastore and New York flagship, 1996; bought sports group from parent company, 1997; formed Benetton USA with Sears, 1998; introduced Playlife stores, 1998-99; dumped by Sears, 2000; concentrated expansion in U. S. , 2001. •Company Address: Via Chiesa Ponzano 24, 31050 Ponzano Veneto, Treviso, Italy.

Company Website: [www. benetton. com](http://www.benetton.com). In recent years the Benetton Group of Italy has become better known for controversial advertising campaigns than for the brightly-colored knitted sweaters with which the company was founded in 1965.

As part of a well defined global strategy to make the Benetton name as well known as McDonald's or Coca-Cola, the sibling members of the Benetton family—Giuliana, Luciano, Gilberto, and Carlo Benetton—created a multibillion-lire business with an ever growing cadre of shops in 120 countries worldwide. The company is a leading producer and retailer of casual apparel and sports-related goods, as well as licensed accessories such as cosmetics, toys, swimwear, eyeglasses, watches, stationery, underwear, shoes, and household items. Benetton collections are aimed at young people and children, but over the years have been adopted by consumers of all ages. United Colors of Benetton attempts to transcend gender, social class, and nationality by manufacturing knitwear that exemplifies a philosophy of life.

This was explicitly reflected in longtime creative director Oliviero Toscani's 1983 advertising campaign " Benetton—All the Colors of the World. " The campaign depicted groups of children representing all walks of life wearing colorful Benetton garments. Subsequent campaigns commented on political and social issues including religion, sex, terrorism, race, AIDS, and capital punishment, without depicting actual Benetton garments. A number of controversial campaigns were banned by advertising authorities, fueling unprecedented media coverage. Similar in attitude to the California-based Esprit company, Benetton epitomizes the values of a generation of young, socially aware consumers.

Garments are designed to be fun, casual with an easy-to-wear cut.

Inspiration is often drawn from past sentiments but produced with a contemporary twist, like 1950s ski fashions in high-tech synthetic ice-pastel

fabrics, 1960s tailored suits in herringbone, 1970s disco garments with sequins and leather combined. Other collections have been based on themes such as the Nordic for little girls, designed in new fabrics like fleece, and Riding Star, drawn from the world of horseback riding. In keeping with the company's cosmopolitan attitude, collections have also been drawn from Benetton family travels. In the beginning, Benetton sweaters were hand-knit by Giuliana in bright colors which distinguished them from existing English-made wool sweaters. The first collection consisted of 18 pieces, the most popular item being a violet pullover made from cashmere, wool, and angora.

Today's apparel, of course, is produced on a much grander scale, using high-tech manufacturing and innovative marketing strategies. Benetton is certainly one of the most progressive clothing manufacturers in the world; yet its rapid rise has not come without a price. Profits fell off sharply after a lower-price initiative backfired in 1994; the European recession forced the closure of nearly 600 stores; its cosmetics division produced dismal results; then came family squabbles, and court battles with a group of German retailers who refused to pay for merchandise after another of Benetton's controversial ad campaigns (eventually resolved in Benetton's favor). By 1995 a seemingly wiser Benetton had toned down its often offensive ads, belatedly realizing the shockwaves cost the firm time and money in having to defend its position. Instead, the firm concentrated on making money and much of it came from the expansion of sister firm, Benetton Sportssystem SpA, which unabashedly pursued its intention of becoming the world's largest sports equipment and accessory company. While Sportssystem was

busy acquiring Rollerblade, Nordica, Langert, Prince, and others, Benetton was fielding major losses in the U.

S. market. By the end of the century, Benetton had opened a factory in Egypt and built megastores in London, New York, San Francisco, Moscow, Riyadh, Berlin, Hong Kong, and elsewhere. In a slick move, Benetton purchased a majority stake in its sibling, Sportssystem, effectively segueing into the sporting goods and activewear industry, then introduced and stocked a chain of sporty stores called Playlife. To bolster its U.

S. presence, the firm formed a joint venture with Sears (Benetton USA) and saw that alliance collapse after another provocative ad campaign (“We, on Death Row”) enraged everyone from consumers to politicians in 2000. Benetton had finally gone too far with its “shockvertising”—not only did it lose the lucrative contract with Sears and part ways with creative director Toscani after 18 years, but was forced to issue a formal apology to the families of those murdered by its poster-boy Death Row inmates. Ironically, a newer, gentler Benetton arose in 2001, surprising everyone with its low-key ads similar to those made popular by Gap. Generally panned, Benetton, as usual, ignored its critics and set about doing what it did best—selling Benetton.

With new stores planned for a multitude of high profile cities in the U. S. , Carlo Tunioli, executive vice president for Benetton USA, promised a bit of the old-style advertising in the near future. “Benetton will always be loyal to its brand DNA, which means social statement,” Tunioli explained to Women’s Wear Daily (20 March 2001). “Benetton will keep working in that direction,

but much will be focused on product. It may be controversial, but we're not going to be controversial in the way you used to see Benetton. " Time will tell if that holds true. Publications On Benetton: Books •Baker, Caroline, Benetton Colour Style File, London, 1987. Belussi, Fiorenza, Benetton: Information Technology in Production & Distribution, Brighton, 1987. •Aragno, Bonizza Giordani, Moda Italia: Creativity and Technology in the Italian Fashion System, Milan, 1988. •Mantle, Jonathan, Benetton—The Family, the Business, and the Brand, New York, 1999. Articles •Bentley, Logan, " The Tightknit Benetton," in People, 15 October 1984. •Lee, Andrea, " Being Everywhere: Luciano Benetton," in the NewYorker, 10 November 1986. •Coleman, Alix, " A Colourful Career," in the Sunday Express Magazine (London), 20 September 1987. Fierman, Jaclyn, " Dominating an Economy, Family-Style: The Italians," in Fortune, 12 October 1987. •Finnerty, Anne, " The Internationalisation of Benetton," in Textile Outlook International (London), November 1987. •" Alessandro Benetton," in Interview, April 1988. •Fuhrman, Peter, " Benetton Learns to Darn," in Forbes, 3 October 1988. •Griggs, Barbara, " The Benetton Fratelli," in Vogue (London), October 1988. •Tornier, Francois, " Les 25 ans de Benetton," in Elle (Paris), 1 October 1990. •Baker, Lindsay, " Taking Advertising to Its Limits," in The Guardian (London), 22 July 1991. Kanner, Bernice, " Shock Value," in New York, 24 September 1992. •Waxman, Sharon, " The True Colors of Luciano Benetton," in theWashington Post, 17 February 1993. •Rossant, John, " The Faded Colors of Benetton," in Business Week, 10April 1995. •Forden, Sara Gay, " Luciano Benetton Sees a Rosy Future Despite Cloudy Days," in Women's Wear Daily, 20 April 1995. •Levine, Joshua, " Even When You Fail, You Learn a Lot," in Forbes, 11 March 1996. •Rossant, John, " A Cozy Deal at

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local stores in the area of Veneto. The positive reaction to his designs was only the beginning of a solid start. Soon after, he asked his sister and his two younger brothers, Giberto and Carlo, to join him. In 1968, the Benetton family opened their first store in Belluno and the year after in Paris, with Luciano as chairman, his brother Giberto in charge of administration, their younger brother Carlo running production, and Giuliana as a chief designer. Its core business is clothing with the casual line marketed as the “United Colors of Benetton”, a fashion-oriented “Sisley” division, “Playlife” leisurewear, and “Killer Loop” streetwear brands. Their products include womenswear, menswear, childrenswear and underwear and they have recently expanded into toiletries, perfumes, exclusive watches and items for the home such as kitchen accessories and baby products. The “United Colors” publicity campaign originated when photographer Oliviero Toscani was given carte blanche by the Benetton management. Under Toscani’s direction ads were created that contained images unrelated to any actual products being sold by the company; a deathbed scene of a man (AIDS activist David Kirby) dying from AIDS, a bloodied, unwashed newborn baby with umbilical cord still attached, two horses mating, close-up pictures of tattoos reading “HIV Positive” on the bodies of men and women, a collage consisting of genitals of persons of various races, a priest and nun about to engage in a romantic kiss, and pictures of inmates on death row. The company’s logo served as the only text accompanying the images in most of these advertisements. Criticisms Benetton has faced criticism from Mapuche organizations, including Mapuche International Link, over its purchase of traditional Mapuche lands in southern Argentina. [1] Benetton aroused suspicion when they considered using RFID tracking chips on clothes to monitor inventory. A

boycott site alleges the tracking chips “ can be read from a distance and used to monitor the people wearing them. [2] Issues of consumer privacy were raised and the plan was shelved. PETA launched a boycott campaign against Benetton for buying wool from farmers who practiced mulesing. Benetton has since agreed to buy nonmulesed wool and has further urged the wool industry to adopt the PETA and Australian Wool Growers Association agreement to end mulesing. [3] Most Benetton locations in Canada and in the United States do not stock any of their men’s collection or will carry only a small fraction of the collection. Unlike comparable clothing retailers such as Gap, Banana Republic, J. Crew, Abercrombie & Fitch and Eddie Bauer, Benetton’s does not list prices for their merchandise on their official websites. See also •Benetton family •Benetton Formula •Benetton Basket basketball club •Benetton Rugby •Sisley Treviso volleyball team External links •United Colors of Benetton •FABRICA (Benetton’s center for design research) •[http://www. regimbald. ca/Benetton/index. html](http://www.regimbald.ca/Benetton/index.html) •[http://www. oot. it](http://www.oot.it) •[http://www. 21investimenti. t](http://www.21investimenti.t) •Benetton vs. Mapuche: land recovery in Patagonia Benetton brands= •Sisley •Playlife •Killer Loop •Undercolors This entry is from Wikipedia, the leading user-contributed encyclopedia. It may not have been reviewed by professional editors (see full disclaimer) Donate to Wikimedia Sponsored Links Free PowerPoint Templates 300 Ready for You to Download Now, Make Your Presentations Look Great! PowerBacks. com publicite benetton Medias & Publicite : l’Actualite Audiovisuel & Cinema sur Le Figaro