

Benetton aims to be a faster fashion retailer

Adrian Michaels talks to the deputy chairman about the challenges of running an international business dominated by an Italian family

Alessandro Benetton has outlined plans for a "revolution" at the Italian clothing group as it moves on from last year's executive rifts.

The Benetton group is likely in the next few days to fill its chief executive vacancy, the new appointee becoming the latest to join the deputy chairman's team to oversee a bottom-up reinvention of the group.

Mr Benetton, in his first interview about the tasks of running the company, told the Financial Times of reforms to management style, of a shift in strategy in growth markets such as China and India and of the response to fleet-footed rivals such as Sweden's Hennes & Mauritz and Spain's Zara.

It is a set of issues probably made harder because he is family. In 2003, poor performance prompted operational control to be concentrated through his father Luciano, the oldest of four founding siblings. Now the baton is passing again but Luciano is still in the building, the company's Palladian headquarters near Venice in Italy's north-east.

Luciano, 72, is likely to retain the title of chairman, or *presidents* in Italian, while Alessandro, who is 43, will stay as deputy chairman. The son has to handle his father's legacy with care.

Benetton was founded 40 years ago and has annual revenues of €2bn (\$2.64bn) from its activities in 120 countries. It is two-thirds owned by the family and is the only part of the €8bn empire in which they have a direct managerial role. "Benetton is a crucial part of the family business," Mr Benetton said. "It's our reputation, our history, the backbone of our structure... I see change in many things but our basic values will stay the same."

Mr Benetton is keen to make sure that he represents the family, or shareholder interests, while the company's managers are empowered to manage. "We want to keep the entrepreneurial spirit which will always be identified with the business while doing what we need to become a much larger group... we want a clear separation of the roles of management and shareholders."

The implication is that the company may be big, but its style is still sometimes that of the small, family-owned companies on which the Ital-



In control Alessandro Benetton has 'all the levers' Alberto Corri

ian economy is based. "The Italian economy is based on small and medium-sized companies and this does not help to create a strong managerial class," he said.

There has been tension between family and managers in the past. Silvano Cassano, the chief executive recruited in 2003, displeased the Benettons by selling €4m of shares in the company in September last year. The move brought forward his departure date from this year and he quit with the chief financial officer on the same day in November.

A crucial part of Mr Benetton's "revolution which starts from the bottom not from the top", will be that Mr Cassano's replacement is not seen as a mouthpiece of the family. "A managerial company is not one where the managing director does the job which the owner or entrepreneur used to do. People should not confuse the managing director as just a substitute for the owner."

Mr Benetton has put together a team of old and new which he hopes will understand. There is a new chief financial officer, hired from Burberry, and a new director of business development and licensing agreements from Safilo, the eye-wear company.

They will need to continue the reforms of Benetton's business model, which has been under fire in spite of improvements in revenues and profits in the past few quarters.

Benetton founded its success on a large group of risk-taking small entrepreneurs to which it sold its clothes

wholesale. The company avoided the big investments needed to own and operate a retail network. However, H&M and Zara, working on a retail model, have seemed much fitter lately, more quickly updating their lines and store displays and embracing faster the improving quality of production in countries such as China.

Mr Benetton said the company needed an "open model" - one which was still based on wholesale but would use a retail approach as a "tactical tool". In India, he said, retail and wholesale could work together. In China, retail worked best. In South Korea, customer sales were usually through Benetton areas housed in larger department stores.

The point is to have a strategy for each market, and to target better those countries with the most promise.

In South Korea, where annual sales are now nearly €100m, Benetton has its own research centre, design department and buying offices.

Benetton is updating its collections, this year sending out fresh clothing and display ideas every 15 days. The company will also launch Benetton Man in an effort to increase the contribution to sales of men's wear from 14 per cent to something nearer the 30 per cent of rivals.

Mr Benetton said he saw an important role for his father. "A company should use all the resources it has. If a president still has a unique value to the company he should be used. On my side I will have all the levers - I need."