

BUSINESS

Gruppo Florence Luxury Pole Expands With Additional Acquisition

● Chairman Francesco Trapani and CEO Attila Kiss discussed the development of the pole as it announces the acquisition of jersey specialist Manifatture Cesari.

BY LUISA ZARGANI

MILAN – Luxury brands need to know they can depend on their network of highly specialized suppliers – more today than ever – and these need to be protected for the long-term, according to Francesco Trapani, chairman of luxury production pole Gruppo Florence.

The group was established last October, as reported, with the goal of developing a platform to supply high-quality Made in Italy products to major luxury fashion brands, leveraging competitive prices, guaranteeing prompt and flexible deliveries and solutions, while safeguarding the technical and cultural know-how of small and medium-sized family-owned Italian companies.

Trapani is also chairman of VAM Investments, the private equity fund that together with [Fondo Italiano d'Investimento](#) and Italmobiliare created Gruppo Florence, acquiring three storied Italian manufacturers that have long worked for major international brands: Giuntini SpA, Ciemmec Fashion Srl and Mely's Maglieria Srl, all based in Tuscany. Today, Gruppo Florence will reveal it has taken control of Manifatture Cesari, based in Umbria and specialized in the production of jersey apparel since 1988.

The operation is financed through a capital increase and the investment in Gruppo Florence by the Romolini family, founders of Manifatture Cesari, but financial details were not disclosed.

Trapani was upbeat about the performance of Gruppo Florence so far, reporting "a much better than expected and high interest" in the new platform, both from established brands and from companies that aspire to be part of the group "confirming our strategy was correct."

Gruppo Florence, which is eyeing the acquisition of another six to eight more firms at the moment, is not looking to buy companies that are financially troubled. On the contrary, these are all solid and technically advanced firms, which "are starting to understand it's good to be part of a bigger group" but whose size can represent a risk for big brands that need to feel safe, Trapani explained.

Giuntini, founded in Pisa in 1957, is a

leader in the production of outerwear; Ciemmec Fashion, founded in Empoli in 1993, specializes in the production of leather clothing, and Mely's Maglieria, founded in Arezzo in 1956, is a knitwear specialist. Their respective founders, as the Romolini family, are staying on and reinvesting in the companies.

Attila Kiss, who started his career in consultancy at Value Partners, and then held the role of head of supply chain at Balenciaga, before being tapped as chief executive officer of Ermanno Scervino, was named CEO of Gruppo Florence. The heads of each of the bigger companies will report to Kiss, since they are located in different towns and are closely connected to their respective territories.

Now that the COVID-19 pandemic is somewhat relaxing its grip on Italy, Trapani and Kiss plan to carry on with

setting up a headquarters in Milan, which will be part showroom, part fitting room and central archive.

"We had to put this on hold because of the second wave of the pandemic but we now begin to see the light," Trapani said.

"Our clients are the main big brands and, while the pandemic gave everyone a terrible fright and caused so many damages – also to designer labels – people have gotten used to the digital platform, there's been a reorganization and the sell-out of brands in different categories is great, there are so many growth opportunities," he continued. "And given these opportunities, there should not be a crumbling and fragmentation of these suppliers. If you are a giant brand and someone offers you an integrated service, it's almost an indispensable requirement to accept to avoid losing market share."

Asked about the reasoning behind the acquisitions, Trapani said "we try to be strategic in the approach as much as possible, but M&As are opportunistic. We are looking at a beautiful denim company to complete our stable, but also at a company that makes soft accessories, as well as a series of small companies that would help strengthen our offer. To be strategic, you need to be highly specialized." The group is also looking at a company that specializes in men's informal outerwear, and at firms focused on pants, daywear and eveningwear, respectively.

Kiss said, "Brands have their organization divided by product category, with a product manager specialized by category and we approached [suppliers] reflecting that scheme. We analyzed which company for each category was



interesting, and on top of this there are opportunities or spontaneous candidates and we evaluate them all.”

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ATTILA KISS

Trapani, who is a former Bulgari and LVMH Moët Hennessy Louis Vuitton executive, resigned from the Tiffany & Co. board last November, shortly after LVMH struck the deal to buy Tiffany & Co. for \$16.2 billion, an amount later reduced to \$15.8 billion. Before kickstarting Gruppo Florence, he made contact “at the top level of big groups to see how they viewed this project. Their feedback was very clear, they were very happy with their suppliers and the passionate entrepreneurs behind them, with the quality and service,” but were concerned about possible financial issues or other variables. The understanding was that if he succeeded in maintaining the specific skills within a group that is more structured, sustainable and solid, the brands would follow. His experience with LVMH opened its doors to Gruppo Florence, he admitted, but he is working also with other major groups and brands.

Sales in 2021 are expected to reach 170

million euros, but Trapani noted that full benefits of the acquisitions will be seen in 2022 or 2023.

“All big luxury brands recognize that most of the pipeline is in Italy and this is where they come and look for suppliers,” Kiss observed. “It’s the only country that covers all the product categories and manufacturing steps – it’s the right country for luxury brands. Their concern is the size of these suppliers, which are strategic partners since without them they wouldn’t see a final product, but they are also aware of their fragility.”

The CEO underscored another reason leading to the success of Gruppo Florence: “The level of service brands demand becomes over the years increasingly more sophisticated and approximation is a deal-breaker. These suppliers need to be more and more precise, the products need to be in that specific window on that specific date,” noted Kiss. “Organization and method are more and more essential, as is a more managerial system.”

Trapani recalled how in the ‘90s, when Bulgari was growing at a 32 percent rate, the jeweler was working with a small supplier, which “became a giant.” The company should have been less dependent on that supplier, but he admitted it was not an easy task to find alternatives.

“Big brands are far-sighted and they have big growth plans, so they worry that the pipeline will not follow them. They don’t have guarantees on the future of skilled artisans, given the generational changes,” Kiss said.

Gruppo Florence is working with main industry associations, such as Confindustria, to plan collaborations with technical and design schools in a structured way. “Small companies would have a harder time going at it alone,” he

observed, touting synergies across the board, with such projects reproduced in different cities.

Sustainability is also high on the agenda, with an internal audit team focused on this.

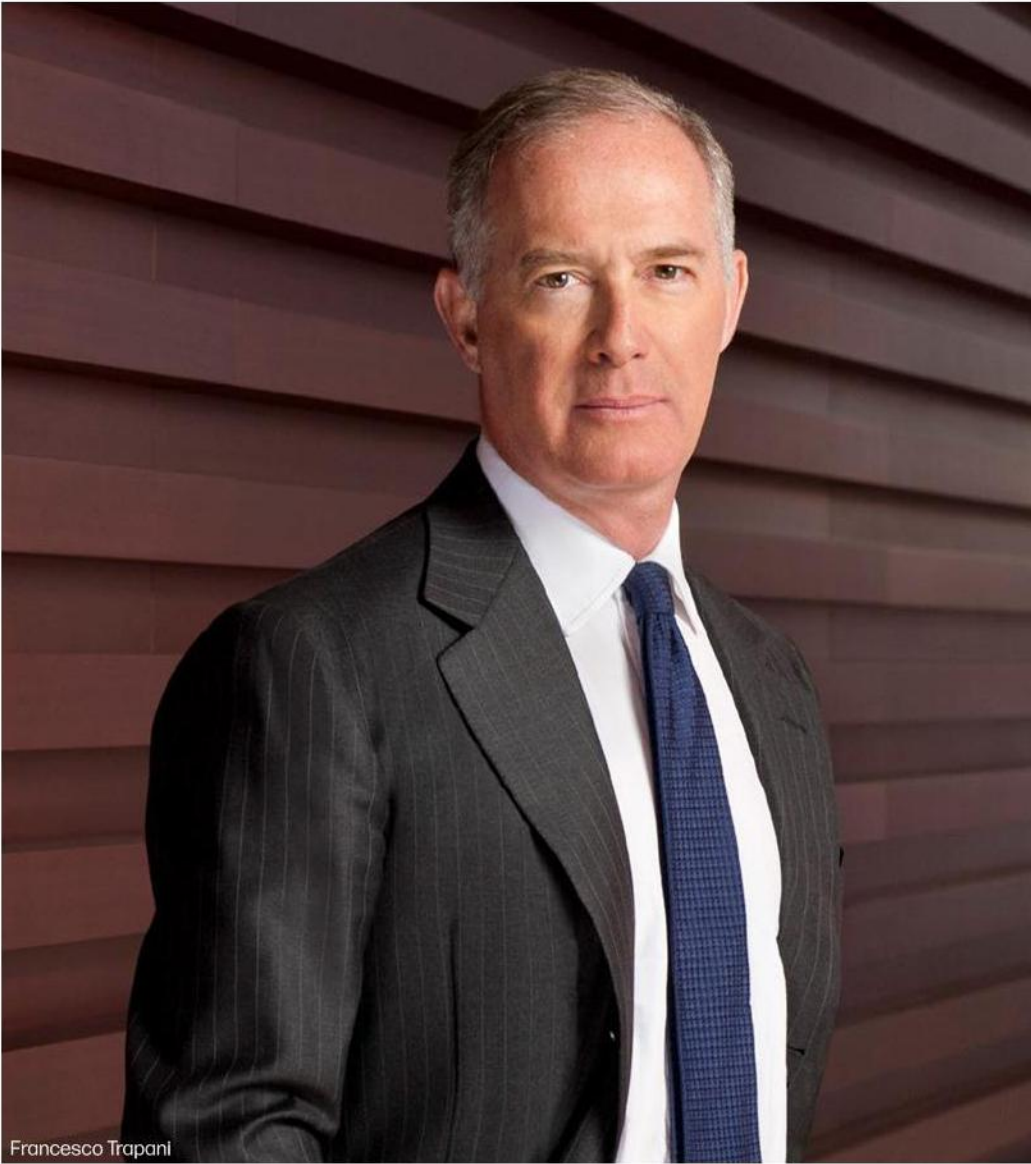
Trapani praised Kiss for two “fundamental” traits. “He is very determined but he knows how to interact, he has a very high relational intelligence, coordinating and pushing the founding entrepreneurs without making them feel as employees. On top of that, he perfectly knows the job because of his past experiences, he can talk about the organization of the plant speaking the same language.”

While many large brands are buying their own suppliers, Trapani believes Gruppo Florence is “more interesting” for designers today than five or six years ago.

Kiss agreed, saying that “brands have such a varied product offer that is not constant and different depending on the moment or the shifts in creative direction, and rigidity is very dangerous.”

He believes that, typically, the integration in apparel is “marginal, not significant,” while it is more common in leather goods. Those brands that have a significant leather goods business are those that have been setting up their internal production, but never surpassing 20 to 30 percent of their manufacturing, which would otherwise lead to limited flexibility. “Killing the supply chain is an own-goal, and impedes a potential restart,” Kiss said.

With a big smile, Trapani quipped: “In a year, if you want to come and produce in Italy, it’s either Gruppo Florence or nothing,” pointing to the name itself. “Gruppo is in Italian, Florence is international and home to manufacturing and to the Renaissance, which stands for the origin of beauty.”



Francesco Trapani