CASE STUDY: A FOUR GENERATION FAMILY BUSINESS

1889 Angelo Zegna starts a small textile business

1910 - Ermenegildo Zegna launched the brand and founded the Woolmill in Trivero.

His dream: create and produce the best fabrics in the world

CONTROL OF RAW MATERIALS

The importance of selecting the best raw materials directly from the origin markets

Prof.ssa Elena Cedrola - Università degli Studi di Macerata - Economia e Gestione delle Imprese e Marketing
Australia - Superfine wool
China - cashmere and silk
South Africa - mohair
Peru - Vicuna and Alpaca

THE ERMENEGILDO ZEGNA WOOL TROPHIES

1963
Stephen Walker

2002
Not Vital

1980
Graham Sutherland
Promotion of the brand

1937

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1960’s Aldo and Angelo Zegna

- Vertical integration of the process
- Ready to wear men’s collection
- Internationalization of production and markets
4TH GENERATION

- Different product lines
- Brand Extension
- Product customization
- Retail development
- Emerging Markets
- Ladies pret a porter: AGNONA
PRODUCT LINES

- Italian style
- Contemporary
- Precious & exclusive materials

Ermenegildo Zegna

- Timeless elegance
- Luxury & quality

Zegna Sport

- Leisure time
- Sporty Elegance
- Technical performance
- High quality materials
- Modern fashion
- Urban
- Sexy & cool
- Branded “object” of desire

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BT iJACKET
scopri

L'evoluzione tecnologica della celebre iJacket è la Bluetooth iJacket.

Una giacca multifunzionale che permette di restare sempre in contatto con il cellulare, anche mentre si ascolta la musica, mantenendo il controllo di entrambi grazie a un pannello posto sulla manica.

Performance
Sei in ascolto con le cuffie del tuo iPod e puoi controllare la musica con i comandi situati sulla manica della giacca. Sta arrivando una telefonata, il volume della musica si abbassa automaticamente e il pannello di controllo sulla manica cambia funzionalità. Entra in modalità cellulare, prendi la chiamata. Hai terminato la comunicazione telefonica, chiudi e ritornerai in ascolto.

Try your BT iJacket
Zegna iJacket è realizzata in un particolare tessuto tecnico di micrylon, con l'esterno smerigliato per ottenere una mano naturale e piacevole al tocco.

È completamente impermeabile grazie alle cuciture termo-nastrate e può essere lavata come un capo normale, senza alcuna cura particolare.
Made to Measure
Suits; Shirts; Ties; Shoes

4 weeks delivery in every Zegna store around the world

PRODUCT CUSTOMIZATION

BRAND EXTENSION

• Leathergoods
• Shoes

Licensing:
• Fragrance
• Eyewear
Elegante, moderna e con caratteristiche di super comfort. La nuova collezione di abbigliamento intimo Zegna presenta un’ampia gamma di prodotti caratterizzati da dettagli inconfondibili, per soddisfare tutte le esigenze.

Al top del lusso la scelta dei materiali di grande pregio come il Filo di Scozia, il Tessuto Cashmè e l’esclusivo Oxylag, arricchiti da loghi ricamati, dettagli sofisticati e dal gestato, icona dello stile Zegna, che attraversa tutta la collezione.
Marketing Corridor

**SCOPE**
- To acquire new customers
- To increase and convert sales
- To create and consolidate the relationship

**CUSTOMER CORRIDOR**
- KNOW BRAND: Brand communication, Store location
- KNOW STORE: Store communication, Direct marketing, In store event
- ENTER STORE: Store window, Store set-up, Opening hours
- BUY: Product design, Store assortment, Pricing, Product branding & packaging

**MARKETING LEVERS**
- USE PRODUCTS: Returns process, Maintenance services, In store event
- REPEAT BUY: Direct marketing, Loyalty program
<table>
<thead>
<tr>
<th>RECRUITMENT</th>
<th>CEREMONY</th>
<th>REPEAT BUY</th>
<th>UP GRADING</th>
<th>RECOVER</th>
<th>AFTER-SALES</th>
<th>CUSTOMER SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>Recruit new customers</td>
<td>Provide an excellent customer relationship and services during the sales</td>
<td>Rewarding and exciting the best customers with the final goal to increase the share of wardrobe</td>
<td>Increase customers’ share of wardrobe by cross and up selling stimulus</td>
<td>Lost Best Customers recovery and prevention</td>
<td>Consolidate the customers relationship</td>
</tr>
<tr>
<td>Pre-analysis</td>
<td>INFORMATION</td>
<td>INFORMATION</td>
<td>INFORMATION</td>
<td>INFORMATION</td>
<td>INFORMATION</td>
<td>INFORMATION</td>
</tr>
<tr>
<td>Market and customer needs</td>
<td>Quality of services - Mystery client</td>
<td>Scoring RPM</td>
<td>Scoring</td>
<td>Scoring</td>
<td>Scoring</td>
<td>Scoring</td>
</tr>
<tr>
<td>Customer profiling</td>
<td>Reasons for not purchase</td>
<td>Purchase frequency</td>
<td>Cross selling</td>
<td>Loyalty Matrix, Lost domestic customers</td>
<td>Services effectiveness (SLX)</td>
<td>Complaints management report</td>
</tr>
<tr>
<td>Age, sex, profession</td>
<td>Services effectiveness (SLX)</td>
<td>Period Evaluators</td>
<td>Period Evaluators</td>
<td>Purchase Frequency</td>
<td>Services effectiveness (SLX)</td>
<td>Complaints management report</td>
</tr>
<tr>
<td>Customer nationality</td>
<td>Database accuracy and completeness</td>
<td>Contact Frequency</td>
<td>Contact Frequency</td>
<td>Retention rate</td>
<td>Services effectiveness (SLX)</td>
<td>Complaints management report</td>
</tr>
<tr>
<td>Customer ZIP code analysis (geomarketing)</td>
<td>ZIC services effectiveness</td>
<td>Contact Frequency</td>
<td>Contact Frequency</td>
<td>Retention rate</td>
<td>Services effectiveness (SLX)</td>
<td>Complaints management report</td>
</tr>
<tr>
<td>Target Groups Selection Criteria</td>
<td>Potential customers (domestic, foreign)</td>
<td>All customers - non customers</td>
<td>Best customers</td>
<td>Active Customers</td>
<td>Inactive Customers and churers</td>
<td>Domestic customers</td>
</tr>
<tr>
<td></td>
<td>Sex, age, residential, socio-economic variables</td>
<td>SLX: Life Time Value (LTV group) / look up / query builder</td>
<td>1. spending, 2. loyalty, 3. New ...</td>
<td>1. product category, 2. spending, 3. ZIC/New LP</td>
<td>1. loyalty, 2 spending, 3. ZIC/New LP</td>
<td>Local based: spending, products (MNM)</td>
</tr>
<tr>
<td>Source</td>
<td>External lists and partnerships</td>
<td>Customers database</td>
<td>SLX: Look up / query builder</td>
<td>SLX: Life Time Value (LTV group)</td>
<td>SLX: Look up / query builder</td>
<td>Customer database</td>
</tr>
<tr>
<td>Commercial Proposal</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Campaign Description</td>
<td>Hotels, ambassadors, wedding ...</td>
<td>Voucher, Store Mng letter, catalogue, etc...</td>
<td>Sales process</td>
<td>Sales staff</td>
<td>X-Mas</td>
<td>Phone, email, card, gift</td>
</tr>
<tr>
<td></td>
<td>Partner (Masani, Lufthansa, Amex, Agnico, etc...)</td>
<td>On/off line mailing, newsletters, in store events, etc...</td>
<td>Collect Customer personal data</td>
<td>Guest card</td>
<td>Birthday</td>
<td>Phone, email, card, gift</td>
</tr>
<tr>
<td></td>
<td>City local events, exhibitions</td>
<td></td>
<td>Promote ZIC / New LP</td>
<td>Sales staff</td>
<td>Partner events</td>
<td>Invitation</td>
</tr>
</tbody>
</table>
| | Web site | Portal, e-mail, etc... | | | 1:1 | Special reward (dinner, theatre, etc...)
| | Partners, web site | MDM | New LP | Ad hoc | Services/effects | New LP |
| Check the results | Traffic analysis | Traffic analysis | retention 1 to 1 | Redemption evaluator | Redemption evaluator | TYN / Follow up monthly report | Share of resolution and timing |
| | Redemption evaluator | Database accuracy and completeness | LTV group | Cross selling | Retention rate | Services effectiveness (SLX) | Cost per effective contact |
| | Recruitment capability | ZIC services effectiveness | scoring RPM | Period evaluator | | Time to close an incident |
| | Period evaluator | New LP effectiveness | Cross selling | Migration Matrix | | Complaints management report |
| Key Performance Indicators (KPI) | NP of new customers and value | Traffic analysis, database accuracy & completeness | - | average sales bill, cross selling | NP of returned customers and value | Share of customers contacted | Customer satisfaction index |
PROFITABLE CUSTOMERS

WHAT IS THE VALUE OF EVERY CUSTOMER?

€ 300,000

You don’t need to loyalize every customer, but you should choose the most profitable ones.

If you are able to segment your customers according to their value, you are also able to increase your “CUSTOMER RETENTION” rate.
The increase in three years spending is strongly influenced by the increase in terms of number of years of purchase (loyalty).
CUSTOMER KNOWLEDGE
Frequency of purchase

<table>
<thead>
<tr>
<th>FREQUENCY</th>
<th>CUSTOMERS</th>
<th>SALES</th>
<th>AVERAGE</th>
<th>IN THREE YEARS</th>
<th>The more a customer comes back, the more he spends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>63%</td>
<td>22%</td>
<td>480 €</td>
<td>+ 9%</td>
<td>MORE FREQUENCY = MORE BUSINESS</td>
</tr>
<tr>
<td>2</td>
<td>17%</td>
<td>13%</td>
<td>525 €</td>
<td>+ 15%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>8%</td>
<td>9%</td>
<td>553 €</td>
<td>+ 21%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4%</td>
<td>7%</td>
<td>583 €</td>
<td>+ 26%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2%</td>
<td>6%</td>
<td>605 €</td>
<td>+ 39%</td>
<td></td>
</tr>
<tr>
<td>&gt;5</td>
<td>6%</td>
<td>43%</td>
<td>667 €</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The more a customer comes back, the more he spends
MORE FREQUENCY = MORE BUSINESS
CUSTOMER KNOWLEDGE
Customers and sales

40% of total sales are produced by 7% of customers.

These are customers we must target.
RETAIL CUSTOMERS:
MAP OF CUSTOMERS RESIDENCE
## RETAIL CUSTOMERS: CLUSTERIZATION

<table>
<thead>
<tr>
<th>CLUSTER</th>
<th>SALES</th>
<th>ATTITUDE</th>
<th>PROFILE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Connoisseur</td>
<td>Zegna <strong>collections</strong> (EZ, ZZ, ZS), <strong>all categories</strong></td>
<td><strong>High</strong> spender, <strong>loyal</strong></td>
<td><strong>Old</strong> and slightly more <strong>foreign</strong></td>
</tr>
<tr>
<td>Cheap but Chic</td>
<td><strong>Formal</strong> collections (EZ), <strong>shirt and ties</strong></td>
<td><strong>Low</strong> spender, <strong>not loyal</strong></td>
<td><strong>Young, domestic</strong> and <strong>bargain seekers</strong></td>
</tr>
<tr>
<td>Prudent Dandy</td>
<td><strong>Formal</strong> collection (EZ, CO), <strong>sleeve unit</strong></td>
<td><strong>Medium high</strong> spender</td>
<td><strong>Bargain seekers,</strong> <strong>European and old</strong></td>
</tr>
<tr>
<td>Classy Detail Seekers</td>
<td><strong>Accessories,</strong> <strong>shoes and sleeve unit of formal collections</strong> (EZ, CO)</td>
<td><strong>Medium</strong> spender, <strong>not loyal</strong></td>
<td><strong>Mainly young</strong> and <strong>slightly more foreign</strong></td>
</tr>
<tr>
<td>Gentleman Ambassador</td>
<td><strong>MTM formal</strong> collections (EZ, CO), <strong>sleeve unit</strong></td>
<td><strong>Very high</strong> spender, <strong>loyal</strong></td>
<td><strong>Domestic, old,</strong> <strong>not emerging countries</strong></td>
</tr>
<tr>
<td>Head to Waist Sophisticated</td>
<td>All <strong>collections,</strong> <strong>sleeve unit</strong> (ZZ,EZ) and <strong>outerwear</strong> (ZS)</td>
<td><strong>Medium high</strong> spender</td>
<td><strong>Asian</strong></td>
</tr>
<tr>
<td>Casual Elegance</td>
<td><strong>Sportive:</strong> <strong>knitwear outerwear and trouser</strong></td>
<td><strong>Low</strong> spender</td>
<td><strong>Mainly American and Chinese</strong></td>
</tr>
</tbody>
</table>
A DESIRABLE “ROAD MAP”

1- Gentleman Ambassador:
customers to be delighted

2/3- Head to Waist Sophisticated and Prudent Dandy:
improve loyalty offering other products (Retention / Cross Selling)

4- Brand Connoisseurs:
improve spending (Repeat Buy / Up Selling)

5/6/7- Casual Elegance, Cheap but Chic, Classy Detail Seekers:
customers to develop, improving loyalty & spending (Retention / Up - Cross Selling)