



Patrizia Pepe: Unconventional Innovation and Integration in Fashion Supply Chain

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Abstract Tessilform is an Italian medium-sized enterprise producing clothing, footwear, bags, and accessories for young women, men, and girls under the brand Patrizia Pepe, and can be considered one of best practices for its positive financial performance, attained through a unique proactive and reactive intelligence system for approaching innovation with an obsession with details. Tessilform company is an organization permeated by creative thinking that could be defined as a thinking organization. Its dynamic hybrid business model is a flexible lean and agile integrated system. Fast and flexible capabilities infuse its entire supply chain, with a joint focus on continuous supply chain process innovation, to deliver high-quality products and customer service levels. The supply chain collaboration in trying and

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experimenting new solutions enables the fast adoption of new technologies together with its supply chain partners. This approach to process innovation, called collaborative experimentation, drives to a more flexible supply chain that easily reacts to change and is able to quickly respond to new trends and market challenges. Patrizia Pepe's case study explains "unconventional" innovation as composed by three dimensions: being a thinking organization; evolving an integrated system as business model; and continuously innovating processes, including collaborative experimentation with supply chain partners. In this chapter, we review this case story and vision, supported by the leaders' words to discover the real roots of their particular "unconventional" innovation approach that drives their success.

Keywords Process innovation • Agile integrated system • Collaborative experimentation • Flexible supply chain • Customer experience

INTRODUCTION

Tessilform Spa is an Italian company well known in the fashion industry for its famous brand Patrizia Pepe. For the past 25 years since its establishment in 1993, Patrizia Pepe shows a successful story thanks to the vision of Italian entrepreneurial couple: Claudio Orrea, CEO with strong leadership, who manages a collaborative network and Patrizia Bambi, creative stylist, the primary thought-leader of the brand positioning based on her particular vision of the ideal woman. Their managerial approach led their organization (initially very small) to continuously grow after the brand introduction and survive multiple challenges even during the recent global economic crisis.

Different strategies enable Tessilform to generate positive results in terms of revenues and profits, along with enhanced brand reputation. Patrizia Pepe brand is now considered a best practice, with its rapid growth and a continuous collaborative experimentation approach. In this case study, we review some managerial concepts, revealing innovation within a business model. Reading through this business decisions storyline, it is possible to understand what "unconventional" innovation is, and related strategies that are leading to vertical integration, supply chain and logistics optimization, corporate identity, branding, and multichannel customer experience excellence. This case study demonstrates a continuous innovation philosophy, based on a

unique capability to have both a proactive and reactive intelligence system for approaching innovation with an obsession with details. This company has a flexible organization that reacts to change and is able to quickly respond to national and international market trends, with high-quality products and service levels.

This chapter is based on a longitudinal case study research method (Leonard-Barton 1990) to observe the evolution of a phenomenon in its real-life setting over the years. For 20 years, one researcher in our team has been following this company, communicating with the main business actors by interview sessions and direct observation (Guercini 2004), adopting a qualitative case study methodology (Yin 2017), using a large collection of a variety of data sources: several semi-structured interviews of different functional representatives and business partners, archive sources such as internal documents, reports, historical records, organizational charts, and statistics. Other secondary sources used include financial data from AIDA Bureau Van Dijk database. In addition, information in many managerial articles and Internet including social media threads was examined. We conducted an on-site follow-up interview with the CEO in 2018 to update our knowledge and better understand future opportunities and challenges this company face. The last interview research protocol included topics such as business model changes, the company's own definition of innovation, strategies and tactics, future trends and perspectives. Having retrospective studies, we could identify patterns indicative of dynamic processes and the longitudinal study provides a close-up view of those patterns as they evolve over time. As such, this study relies on complementary and synergistic data gathering and analyses that could enhance its validity. This chapter begins with a description of the company, including its history. We review this case by the elements that characterize the brand and company's success, with particular emphasis on its "unconventional" approach to innovation.

OVERVIEW OF TESSILFORM GROUP

Tessiform is a medium-sized Italian company established in Prato in the 1970s, when the owners decided to start their entrepreneurship adventure in producing clothing. At the beginning, the company was a micro family business, acting as a subcontracting manufacturer of synthetic fur, evolving into producing knitwear using circular knitting machines and selling to wholesalers. In the mid-1980s, Tessiform was a still small company with five employees, producing ready-to-wear medium/low-priced women's

clothing and distributing unbranded products to wholesalers (Guercini 2003). In 1993, Tessilform progressed to establish its own brand name Patrizia Pepe with a specific fast fashion business model focusing on lean processes and the centrality of the relationships with retailers as direct clients. Since then, the company evolved significantly, in particular creating a new “total look” approach to the business with a product upgrading strategy, a new brand name, and simultaneously innovating the business model. Tessilform is nowadays a global group of 18 wholly owned companies made up of 509 employees, with total revenues of €131.4 million, net profit of €10.98 million as of 2016 (Aida Bureau Van Dijk 2018), three registered shareholders and 24 registered participating companies. Table 2.1 represents the list of companies in the Tessilform Group with country, percentage of direct and total ownership, variation date, total revenues, and number of employees for each company.

In the next paragraphs, we explain in detail the story of this brand. Tessilform, the main company of the Tessilform Group, has its headquarters in Campi Bisenzio (Florence in Tuscany, Italy), producing clothing, footwear, bags, and accessories under the brand Patrizia Pepe. Today, Tessilform has 289 employees (“Tessilform Company Card” 2018), and has established many distribution partnerships in Italy and 20 international markets (Russia, Poland, Greater China, Emirates, Belgium, and in other 15 countries).

Tessilform’s success, thanks to Patrizia Pepe brand project, started back in 1993 (at that time the brand name was “Patrizia Pepe Firenze”) when revenues were only approximately €3.1 million. The firm grew to €53.5 million by 2003 (company internal report, 2005), €108 million by 2013, and more than €113 million by 2016. Table 2.2 reports Tessilform’s financial performance during 2007–2016 with revenues, EBITDA, net profit, number of employees, and some profitability indices (Return on Sales, Return on Assets, Return on Equity). Over time, sales growth flattened while profits rose, enabling a shift from revenue growth to margin growth. Tessilform’s revenues in 2017 are 52.5% within Italy, and the rest 47.5% is comprised of international markets (see Table 2.3 for details).

History and Philosophy of Patrizia Pepe

A brief review of Patrizia Pepe brand history explains the strategies behind Tessilform’s growth. The branding strategy of this company is Branded House (multiproduct branding): The company brand Patrizia Pepe is the

Table 2.1 List of companies in the Tessilform Group

| <i>Subsidiary Company name</i> | <i>Country</i> | <i>% of direct ownership</i> | <i>% of total ownership</i> | <i>Variation date</i> | <i>Total revenues (million €)</i> | <i>No. of employees</i> |
|----------------------------------------|----------------|------------------------------|-----------------------------|-----------------------|-----------------------------------|-------------------------|
| 1. T.O.P. S.R.L. | IT | 100.00 | 100.00 | 04/2017 | <0.5 | 0 |
| 2. TESSILFORM BELGIQUE | BE | 100.00 | 100.00 | 12/2016 | 3 | 13 |
| 3. TESSILFORM FRANCE SARL | FR | 100.00 | 100.00 | 12/2016 | 3 | n.d. |
| 4. TESSILFORM HONG KONG | CN | 100.00 | 100.00 | 12/2016 | n.d. | n.d. |
| 5. TESSILFORM HONG KONG LIMITED | HK | 100.00 | 100.00 | 02/2018 | n.d. | 80 |
| 6. TESSILFORM HONG KONG LTD | CN | 100.00 | 100.00 | 12/2016 | n.d. | n.d. |
| 7. TESSILFORM SPAIN SL. | ES | 100.00 | 100.00 | 02/2018 | <0.5 | 1 |
| 8. TESSILFORM SWISS SAGL | CH | 100.00 | 100.00 | 12/2016 | n.d. | 35 |
| 9. TESSILFORM VERTRIEBS GMBH | DE | 100.00 | 100.00 | 02/2018 | n.d. | 15 |
| 10. LACOUR SARL. | FR | – | 100.00 | 12/2016 | n.d. | n.d. |
| 11. LIMITED LIABILITY COMPANY PATRICIA | RU | – | 100.00 | 12/2016 | 4 | 96 |
| 12. ROYAL CAMBON | FR | – | 100.00 | 12/2016 | n.d. | n.d. |
| 13. TESSILFORM SHANGHAI LIMITED | CN | – | 100.00 | 12/2016 | 11 | n.d. |
| 14. T.P. S.R.L. | IT | 51.00 | n.d. | 03/2017 | <0.5 | 3 |
| 15. T.V. S.R.L. | IT | 51.00 | n.d. | 04/2017 | <0.5 | 6 |
| 16. UCW UNIQUE CHILDREN WEAR S.R.L. | IT | 50.00 | n.d. | 06/2017 | 11 | 35 |
| 17. T.V.A. SRL IN LIQUIDAZIONE | IT | 26.01 | n.d. | 12/2016 | <0.5 | 0 |
| 18. ENJOY THE SUN S.R.L. | IT | – | 15.00 | 12/2016 | <0.5 | 7 |
| 19. KICK OFF USA INC. | US | 15.00 | n.d. | 12/2016 | n.d. | n.d. |
| 20. KICKOFF FRANCE SAS | FR | 15.00 | n.d. | 12/2016 | n.d. | n.d. |
| 21. KICKOFF RETAIL SL | ES | 15.00 | n.d. | 12/2016 | n.d. | n.d. |
| 22. RAINBOW S.R.L. | IT | 15.00 | n.d. | 01/2018 | <0.5 | 0 |
| 23. CONSORZIO PRATOINVEST | IT | – | n.d. | 01/2018 | <0.5 | 0 |

Source: Data extraction from Aida Bureau Van Dijk database (2018)

Table 2.2 Tessilform S.P.A financial performance (2007–2016)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenues (million €) | 104.97 | 103.6 | 104.08 | 118.55 | 129.91 | 119.17 | 108.02 | 103.25 | 104.62 | 113.47 |
| EBITDA (million €) | 11.53 | 11.33 | 13.94 | 15.12 | 12.03 | 10.22 | 10.21 | 13.82 | 14.88 | 22.25 |
| Net profit (million €) | 4.33 | 3.62 | 5.43 | 6.91 | 4.00 | 4.01 | 3.25 | 7.33 | 7.92 | 10.78 |
| EBITDA/Sales (%) | 10.84 | 10.78 | 13.21 | 12.55 | 9.15 | 8.44 | 9.27 | 13.17 | 13.98 | 19.23 |
| ROS (%) | 6.85 | 6.49 | 8.75 | 9.04 | 5.56 | 4.62 | 5.03 | 8.73 | 10.66 | 16.48 |
| ROA (%) | 7.85 | 6.98 | 8.94 | 9.1 | 5.83 | 4.85 | 4.89 | 7.79 | 9.12 | 14.5 |
| ROE (%) | 8.48 | 6.63 | 9.04 | 10.32 | 5.72 | 5.43 | 4.21 | 8.67 | 8.72 | 11.05 |
| No. of employees | 239 | 257 | 273 | 297 | 316 | 299 | 273 | 264 | 264 | 289 |

Source: Data extraction from Aida Bureau Van Dijk database (2018)

Table 2.3 Patrizia Pepe, percentage of revenues per country (2017)

| | |
|-------------|------|
| Italy | 52.5 |
| Germany | 12.4 |
| Russia | 6.4 |
| China | 5.3 |
| Belgium | 5.2 |
| Poland | 2.8 |
| Holland | 2.6 |
| France | 1.8 |
| Austria | 1.4 |
| Hong Kong | 1.3 |
| Switzerland | 1.1 |
| Others | 7.2 |

Source: Patrizia Pepe (2018)

dominant source of identification and meaning of the company. The Patrizia Pepe brand is 25 years old and is well known for “irreverent romance,” offering a total look to an ideal female, thin and sexy, elegant and modern.

Its product portfolio is comprised of clothing (coats and jackets, top wear, dresses and jumpsuits, jeans and trousers, suit, skirts, lingerie) and accessories (handbags and clutches, shoes and boots, jewelry, headscarves, belts, hats, pouches, keyrings, stickers, patches) for women, men, and girls. The Patrizia Pepe brand has evolved with entrepreneurial capabilities and managerial skills of the founders. A decade since the birth of the brand, Stefano from the Orrea Family became a top manager and shareholder of the company, and he is now the Sales and Marketing director. The Patrizia Pepe brand now has a clear identity, as also stated in their company blog: *“Our brand is based on a particularly successful philosophy; Patrizia Bambi pays great attention to the fashion universe and the market where she presents her ideal man and woman. Her collections manifest well-groomed minimalism, combined with a passion for details. Her clothing style is based on harmony, suppleness, and character. Practical and original for every moment of the day, whilst also being unfailingly elegant and modern for every moment of the night”* (“About” 2018).

The brand name and logotype creation provides an interesting anecdote to understanding top management’s philosophy: the personal name of the creative brain of the company, Patrizia, gives personality; *Pepe*, a word that in Italian means “black pepper” completes the name with a spicy note: *“It represents the brand’s identity, unconventional and dynamic. A brand that combines practicality of everyday life and glamour for those*

special occasions, thanks to a combination of elegant minimalist lines and meticulous attention to details” (Patrizia Pepe n.d.). Adding a fly to the logotype is also an unconventional choice, Patrizia explains, *“The Fly symbol in our logo would like to communicate a message of irreverence, ‘unconventionality’, freedom. Choosing an insect as a brand mark for clothing is an unconventional decision in itself... However, this is a lightweight bug, determined, that never gives up and ...I see it as a little bit dark, precisely like my new collection. It was a decision taken with instinct, not rationality... and usually the best ideas come in this way”* (Redazione Tg24 2018).

The Tessilform company expresses its core essence in the Patrizia Pepe brand, revealing itself through its “unconventional” approach to business, that is striving toward uniqueness in every managerial decision, with creativity permeating the entire organization and a constant obsession to details. The entrepreneurs and their direct collaborators continuously made strategic decisions with a customer-centered marketing orientation. Every innovation they pursued was to improve their efficiency and effectiveness, to improve customer satisfaction, and to maintain a focus on the brand personality. Patrizia Bambi, talking with Dua Lipa (a famous singer chosen as 2018 brand testimonial), said: *“A person who tries to reach her limits, to play with limits, it’s maybe what brought me to choose you for my advertising campaign. ... My vision of a woman is just a woman who is dropped into reality, who is also free to move, to play, and that doesn’t take it too seriously”* (“Patrizia talking with Dua Lipa” 2018).

Although a superficial observer would consider this successful firm similar to many others in “who it is” and “what it is doing,” a closer look reveals what is not written in company brochures. A youthful mentality to problem solving, together with strategic management skills, is driving top management to continuously innovate: *“the common phrase ‘we always do it this way’, to us does not exist”* (as the CEO stated during our interview). Moreover, speaking with top management, their constant tension to be effective in improving processes in order to better serve their customers is palpable.

The Patrizia Pepe’s distribution strategy is comprised of two main distribution systems: retail and wholesale. Patrizia Pepe has an international distribution system composed of 48 mono-brand flagship stores, 19 outlets, 7 showrooms, 46 franchising stores, 20 department stores, and 1546 multibrand stores around the world (Patrizia Pepe 2018). The next tables detail the number of point of sales per country of the retail system (Table 2.4), and of the wholesale system (Table 2.5) (Patrizia Pepe 2018). In addition, since 2009, it has an online store, known as “THE STORE,” with sales now representing about 6% of total revenues.

Table 2.4 Patrizia Pepe’s retail distribution system: number of point of sales per country (2017)

| <i>Company-owned stores</i> | | <i>Outlets</i> | |
|-----------------------------|----|----------------|----|
| Greater China | 17 | Italy | 11 |
| Italy | 13 | Holland | 1 |
| Germany | 6 | Germany | 1 |
| Belgium | 4 | Austria | 1 |
| Russia | 4 | Switzerland | 1 |
| Spain | 3 | Russia | 3 |
| France | 1 | Greater China | 1 |
| Total | 48 | | 19 |

Source: Patrizia Pepe (2018)

Table 2.5 Patrizia Pepe’s wholesale distribution system: number of point of sales per country (2017)

| <i>Showrooms</i> | <i>Multibrand stores</i> | <i>Franchising stores</i> | <i>Department stores</i> |
|------------------|---------------------------|---------------------------|--------------------------|
| Milan | 1 Managed by showrooms | 542 | Russia 13 |
| Padua | 1 Managed by agencies | 916 | Poland 7 |
| Florence | 1 Managed by distributors | 88 | Greater China 3 |
| | Total | 1546 | Estonia 1 |
| Munich | 1 | | Italy 4 |
| | | | Slovenia 1 |
| Dusseldorf | 1 | | Total 20 |
| | | | United Arab Emirates 3 |
| Paris | 1 | | Belgium 2 |
| Anversa | 1 | | Ukraine 2 |
| Total | 7 | | |
| | | | Austria 1 |
| | | | Belarus 1 |
| | | | Bulgaria 1 |
| | | | Croatia 1 |
| | | | Cyprus 1 |
| | | | Germany 1 |
| | | | Latva 1 |
| | | | Lebanon 1 |
| | | | Qatar 1 |
| | | | Czech Republic 1 |
| | | | Serbia 1 |
| | | | Spain 1 |
| | | | Total 46 |

Source: Patrizia Pepe (2018)

UNCONVENTIONAL INNOVATION

The context of this case study is the Italian fashion industry, and more properly it was “pronto moda” (Guercini 2001) fast fashion in its first evolutionary stage. “Pronto moda” is a definition that describes a formula, or better a class of formulas, adopted by fashion firms to reduce time gap between trends, production, and market, more than in the traditional seasonal fashion formulas; this is achieved either by putting together more frequent selections or by continuous redesigning and constant new production. Product innovation, together with process innovation, in the relationships between industry and distribution in the textile and clothing pipeline has always been crucial (Runfola and Guercini 2013). In particular, in the fast fashion industry, market trends pushed companies to quickly adapt and invest in communication and coordination along the supply chain (Milgrom and Roberts 1988), increase the number of seasonal collections to weekly collections (Sheridan et al. 2006), and sustain business growth by expanding into foreign markets (Choi 2011).

Paraphrasing a discussion with the CEO, innovation is not only product innovation or adopting the most advanced technology; it is a philosophy of conducting business. Being innovative in an “unconventional way” means looking at problems to find different routes and sometimes breaking the rules. Specifically, Patrizia Pepe’s “unconventional” innovation covers three dimensions:

- being a thinking organization
- evolving an integrated system as business model
- continuously innovating processes, including collaborative experimentation with supply chain partners: both suppliers and customers.

A Thinking Organization

In this case study firm, firm’s top decision makers support and feed creative thinking by hiring relatively young employees from the best fashion schools in the world and any place where creativity can be found, who would bring a youthful spirit to the organization and fresh air to the working environment. This youthful energy is combined with seasoned managers to create powerful teams with business savvy and creative acumen. The organization strives to reduce the weight of hierarchies and seniority, eliminating rigid autocracy from interpersonal relations as much as possible, allowing staff significant

independence within their own spheres of responsibility. This in turn requires staff to show initiative and to be highly motivated self-starters (Guercini 2001). Employees are kept motivated through active management of the culture, including creation of an energized and supportive environment (fitness center, restaurants, etc.) and inclusion of events and activities such as art expositions within the building that taps into employee's passions. This reflects a serious attention to human resource management and employee empowerment (Guercini and Runfola 2009). Infusing creativity throughout the organization and creating functional roles for teams not only results in product innovation but also organizational innovation. The CEO explained: *"Patrizia, my wife and creative brand director, works with a great attention to the business, without 'shooting from the hip' [not acting recklessly] and supported by technical and creative teams that permit her to evaluate every article in terms of our price and quality strategic lines. Creativity helps business when it is driven by a dynamic spirit, like Patrizia's, that combines with her research design efforts, keeping her close to the market. (...) Her commitment to creativity is to be admired; she always finds time for direct contact with sales employees, with our key buyers and sometimes also with final customers"* ("Patrizia Pepe. Interview to Claudio Orrea" 2008).

The rapid growth of this company is again requiring a complete organization redesign (this project is still in progress at the time of this writing), with specialized divisions and units (style and research, retail, digital marketing). This organizational change will enable a concentration of specific competences in professionally managed divisions, along with inter-functional teams allowing the desired internal process coordination and communication. Top management contributed to help evolve their company into a constantly thinking organization, adding a mix of creativity and managerial skills to every strategic decision.

The "Integrated System" Business Model

Initially, before the introduction of the Patrizia Pepe brand, the Tessilform's business model was a ready-to-wear clothing manufacturer that has a long distribution channel where domestic distributors and wholesalers were the main customers. High customer service levels, in terms of quick response and fast deliveries, but with higher-quality products compared to direct competitors were their main competitive advantage in domestic markets. Speed, a value-pricing strategy, and fast adaptation to market changes, achieved through strong relationships with intermediate customers were

primary strengths. In the past, Tessilform's innovation was to be reactive in imitating major fashion trends in short time, relying on wholesalers to filter these trends and understand market preferences (Guercini 2003). *"Responding faster and faster to customer requests is in our company's DNA,"* the CEO commented during our interview.

With this expertise, the brand was launched in 1993, and the first evolutionary stage (1993–1999) saw Tessilform vertically integrating its supply chain to the market and opening three wholesale distribution centers (known as "Diffusioni" and located in Bologna, Milan, and Florence) designed to sell directly to retailers. This decision helped in respecting customer needs and requests, with very high-quality service levels. Moreover, the Patrizia Pepe total look required a change in the business model, designed to offer retailers a high variety of new garments frequently (every week), while also ensuring a reduction of unsold items and stock outs. Then, the company added the "pronto moda" formula to its business model. This particular fast fashion model comprised of roughly 40 weekly mini-collections per year with 15–20 new product proposals per week. This fast fashion model was perfect for reducing customers' risks (Ciappei and Sani 2010). The new Patrizia Pepe system reached a sell-out ratio of 90%, higher than any other direct competitors. In addition, the reduction in time to market cycle was reached thanks to increased collaboration through the entire supply chain, with all members oriented to increase flexibility and agility. About 80% of suppliers were local: in Prato, near Florence, there is a freight village (a logistics infrastructure system) of textile manufacturers, mainly Chinese (Guercini and Runfola 2010; Pieraccini 2011). Tessilform initially outsourced all production phases to many suppliers, except for the cutting operations, that are very critical for these kinds of products. Later, Tessilform outsourced every production stage to integrated suppliers, in this way allowing them higher margins, which led to the creation of even stronger and more collaborative relationships (Guercini and Runfola 2010). This upstream strategy drove reductions in batch production and lot size, to obtain more scheduling flexibility and respect of delivery dates (hour of delivery) (Runfola and Guercini 2013). Furthermore, the direct management and control of warehouse and transportation systems enabled Tessilform to maintain delivery flexibility.

The second evolutionary stage (2000–2006), in this period recording the growth of direct stores and a rapid internationalization expansion (Guercini and Runfola 2010), added another piece to the business model: the "flash formula." "Flash" in this case means fast-planned collections, with

retailers being asked to purchase small quantities frequently (“Tessilform Spa. Imprese per Innovazione” 2007). This change was necessary to meet foreign customers’ requests that were more oriented toward a classical business style with collections created on samples (prototypes), the presentation of the collections to customers, then production to order and deliveries, with about 60 days cycle times (Runfola and Guercini 2013). The internationalization process added new branches to the company group and directly managed show rooms, which guaranteed more direct control of the market with immediate feedback from retailers and outlets. Strategic partnerships with local wholesalers helped the company to open new distribution centers, in particular in culturally and physically distant markets.

The business model mix of “pronto moda” and “flash” formulas, along “with speed in its DNA” (speed also in terms of fast decision processes), increased flexibility and customer service levels (Cietta 2008). However, this model started to show some pitfalls, including a lack of control of the entire process. More importantly, the company was at that times beginning to face higher market risks of forecast errors and unsold items; that particular moment was another critical changing point.

The strategic decision to upgrade the product for a higher-quality brand positioning was the driver of another business model change. A new product concept, with its own personality, permitted Patrizia to infuse all of her creativity in product and distribution design. It created an innovation wave that was more proactive than reactive. This downstream strategy started in early 2000, rapidly expanding since 2005, with the opening of a growing number of independent mono-brand stores, corporate-owned flagship stores, and franchise stores. This additional stage of evolution in distribution systems supported the new branding strategy, together with a better control of the market and direct connections with final consumers. At the same time, this set of decisions motivated the company to adopt a more traditional business model (planned fashion) that is similar to the high-end fashion industry, with main collections and longer life cycles, due to the time needed in style and research creativity stages. At every season, Patrizia Pepe presents:

- a main collection, with cycle time similar to the planned system
- a “flash collection” created in autumn and sold in spring
- approximately 20 weekly mini-collections that are based on the “fast fashion model” to integrate main collections (Misani and Capello 2016).

Even the “traditional” model here is uniquely flexible, adding a “fast touch” in multiple services, thanks to the managerial ability and expertise proper of the still existing business model mix. However, the company noticed that this main collection model has some important limits, with long cycles and unpredictable market risks. In 2018, 80% of revenues came from the traditional model, with a future strategic goal to balance it at 50% with the flash collection, in order to have a traditional base attached to a flexible side. Flexibility is critical when future trends predict more demand volatility and uncertainty. In every country, as well as online, the firm is now defining proper strategies, with personalized agile and effective logistics networks and different times to markets for each segment.

In summary, as defined by the CEO, the Patrizia Pepe business model can be considered an “integrated system,” composed of multiple business models added in layers through the years. Started as a fast fashion business model, the brand is now integrating into a contemporary “griffe” model (Golizia 2016). That is why *“Our fashion is ‘easy’, and we are now competing with the second line of big fashion brands,”* Patrizia commented (*“Patrizia Pepe e il successo della moda facile”* 2014).

Continuous Process Innovation and “Collaborative Experimentation” Along the Supply Chain

The competitive advantage of Patrizia Pepe based on rapid and flexible supply chains enables the brand to offer fast and accurate customer service with quick response. These capabilities are the result of many process innovations, driven by top management’s constant attempts to improve the “industry standard” of performance, including new technologies. First of all, the company invested in IT information systems, with an “on demand” IBM philosophy: this solution drove to higher flexibility in managing applications, operation systems, and database (Tessiform-Patrizia Pepe 2008). Other technologies were added to optimize logistics flows. For example, in 2009, this company started a collaboration with the University of Florence to test the feasibility of RFID tags in internal logistics, to improve shipping logistics from suppliers to distribution centers and retail locations. This pilot study started tagging 60,000 articles of the second season collection. With positive results, the brand is convinced to scale it to the entire organization now attaching tags (RAIN RFID) to approximately 2.2 million products (*“Patrizia Pepe doubles logistics efficiency with RAIN RFID”* n.d.).

This solution reduced time and errors in warehouse operations. Replacing traditional barcode readers with hands-free devices improved individual productivity in terms of picking volume from 200 to 400 items per hour, and it also improved accuracy on item distribution (Stamo 2014). Products on racks in the warehouse are read with four antennas, enabling geo-tracking and positioning of the entire inventory yielding benefits in warehouse efficiency, inventory management, delivery, and order accuracy. The company carefully selected service and technology suppliers for this innovation, initially starting in warehouses, expanding to the transportation system, and now applied to the entire supply chain, from suppliers to retailers. As such, a logistics flow optimization helped information flow accuracy (reduced delivery errors to zero) and supply chain synchronization. The main goals are to reduce time, thanks to a mixed solution of tunnels and gates, and to eliminate errors in information flows for every subject of the logistics chain. Lorenzo Tazzi, the Tessilform group CIO, explained *“The processes of our entire group are all rotating around a fast logistics for goods, to optimize the availability of every single item. Working with our partner Solos, we have engineered our supply chain to guarantee maximum fluidity of production and distribution processes”* (Capoferro 2015).

The technology solution was then adopted in show rooms and stores, becoming a “fashion tech” supply chain. Patrizia Pepe retail stores now include product information on large screens that can adjust their content displays based on what customers have in their hands. Thanks to RFID whole integrated system, Patrizia Pepe is delivering in-store customer experience with large screens offering customized content to each customer (from garment construction details to videos of models wearing clothes, coordinating items, or accessories), which add more sales opportunities (“Patrizia Pepe doubles logistics efficiency with RAIN RFID” n.d.). In this way, customers could find other references and accessories: *“Here you can clearly see the online-offline convergence: we are starting to show our online inventory in our totems, to push customers to buy online while they are in our store”* (Capoferro 2015).

Patrizia Pepe is already investing for the future, adopting a 4.0 e-commerce system, a circular model of e-commerce that also includes the television. For this company, a multichannel strategy is not only an integration between online and offline distribution channels, but it is a direct link between communication and sales, with the real possibility of transforming TV viewers into consumers. This innovative technology

will enable consumers to purchase the products they are watching in a traditional media, simply by taking a photograph, and instantly be linked to an e-commerce platform to buy it (“A Giglio Group il 100% di Evolve, controllata da Tessilform (Patrizia Pepe). Al via ibox.” 2017). All these innovation projects rely on a collaborative approach, building up strong partnerships with supply chain members. Another technology innovation recently adopted by Patrizia Pepe is the acquisition of a large configuration of integrated 2D/3D solutions for its product development, production and sales showroom. It will initially drive the digital transformation of its apparel department before extending them to the bags department. The general manager Sebastiano Lombardo commented, *“By incorporating EFI Optitex digital solutions into the company design and production workflows, we expect to decrease our time to market by 30%, while better streamlining our internal processes and significantly reducing our costs...Moreover, we expect to launch high-quality offerings more frequently in order to meet our clients’ needs”* (Hanson 2017).

An ongoing challenge, as noted by the CEO (2018) and highlighted in recent research (Flint et al. 2018) is to ensure that everything the company communicates and behaves is congruent throughout all channels and touchpoints with customers and suppliers in order to portray a holistic image of the corporation and the brand.

As we look to the future, Patrizia Pepe continues to evolve. They act as a lab, or “pilot fish” as defined by the CEO. It means being pioneers, always the first in experimenting innovative solutions. The company acts as a “pilot fish,” collaborating with selected suppliers to innovate processes, whereby “collaborative” experimentation yields innovation and improvements. This approach to process innovation, called collaborative experimentation, drives to a more flexible supply chain that easily reacts to change and is able to quickly respond to new trends and market challenges. For example, there currently exists concentrated effort to reduce the use of environmentally harmful plastic packaging and where necessary, only use recycled plastic, and as such different solutions are discussed together with selected suppliers and customers. Speaking with the CEO in our follow-up interview (2018), we recognized his “visionary” leadership in its orientation to sustainable supply chain (Signori et al. 2015) by trying to do everything “correctly.” This company is not taking actions alone but it is collaborating with selected supply chain partners, and at the same time maintains a healthy business skepticism about competitors’ sustainable initiatives.

DISCUSSION AND IMPLICATIONS

Patrizia Pepe has speed in its DNA that is comprised of three critical dimensions, all resulting in continuous growth and profitability:

- an organization permeated by creative thinking, becoming a thinking organization
- a unique lean and agile integrated system as a hybrid business model, evolving an integrated system as business model
- fast and flexible capabilities throughout the entire supply chain, continuously innovating processes, including collaborative experimentation with supply chain partners.

The story of this company reveals a continuous metamorphosis that includes organizational dynamics and interpersonal growth. It focuses on continuous improvement, consistent with total quality management principles, yet applied in an “unconventional” way: unconventional is the creative thinking organization, unconventional is the integrated system business model, unconventional is the supply chain collaborative innovation approach, and as such unconventional is also the brand positioning, well differentiated from other brands in the industry. This case study is important because it demonstrates how organizational innovation and state-of-the-art supply chain management in business practice can contribute to the fashion industry, typically known mainly for product innovation and branding.

This chapter contributes to the academic literature by highlighting the importance of collaborative relationships within a supply chain context, with a global network comprised of small to large firms. Practical implications include insights of “unconventional innovation” that drives to think outside the box. This creative thinking may lead to revolutionizing the entire system, selecting core suppliers and customers and redesigning the supply chain to reach higher effective and efficient performance. Reading this case study, top managers could take insights on how to refine their business models with an innovative approach, continuously evolving their processes to adapt to new trends and market challenges. Furthermore, this story shows that process innovation could be reached in collaboration with supply chain partners, with whom doing field experiments to discover new applications and solutions. This collaborative approach to process innovation may help in discovering and adopting new application of technologies to logistics, to better manage the multichannel environment and

create unique customer experiences. In conclusion, this case serves as an example of organizational rejuvenation and continuous improvement within a mature, highly competitive, fast-paced business context.

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