



# THE LUXURY OF HAVING AN OPINION WHY BRUNELLO CUCINELLI GROWS 12% WHEN GUCCI SHRINKS BY 25%

Emil Kotomin

London, December 2024



# THE VOID

The luxury industry shifts uneasily from side to side on a crumbling edge of a cliff, melancholically looking into the void, trying to envisage how bad the fall would be.

There's a myriad of reasons for how we got here, but this deck is about what it would take to step back.

Bull markets make everyone seem like a genius; a good crisis highlights the few companies that do things somewhat differently and can, perhaps, provide a lesson.

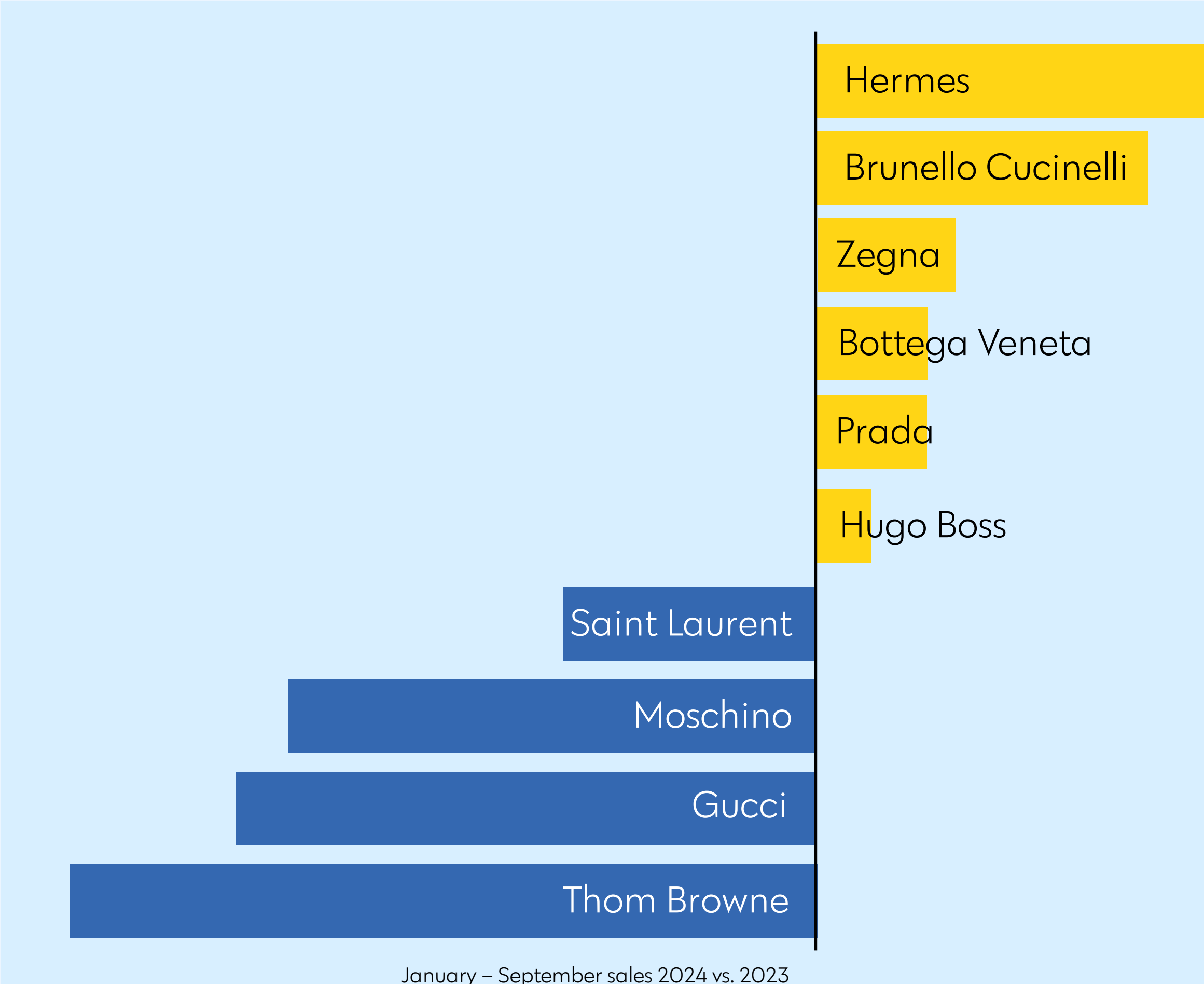


Kering's third-quarter sales fell 16% with flag-bearer Gucci down 25%, but Bottega Veneta – the “bright spot” – is up 5%.

LVMH does not disclose individual brand performances, but confirmed that with group Q3 sales down 5%, Loro Piana, Loewe and Rimowa performed better than their siblings.

In the nine months to the end of September, the Zegna Group's (Thom Browne, Tom Ford Fashion) organic revenue was down 4%, but Zegna's own sales rose 3.4%.

Hermes Q3 sales were up 11.3% (ready-to-wear up 15%), consolidated revenue for nine months: up 14%.





Bottega Veneta, Loro Piana, Zegna and Hermes, different as they may be, share a combination of distinct strengths:

- Rich histories
- Identifiable positioning
- Supreme quality
- Priority of timelessness over seasonality and (generally speaking)
- Focus on the wealthy consumers comfortable in their skin, rather than those, merely aspiring to life without a budget.





The quintessential 2024 luxury success story, Brunello Cucinelli, has reported Q3 revenue growth of 9.2% (12.4% for the year to date), blossoming across markets and channels.

In search of insight, Cucinelli is the purest member of the timeless luxury cohort:

- The company is still under family control
- Achieved its current state within one generation, and
- Has delivered unusually stable results for over a decade since going public.

So – what, if anything, can be learned from their success?



# STORY

If you haven't already, do visit the company's dedicated story website – [Brunello Cucinelli AI](#). The “AI” part is a red herring, but the narrative weaved is deep, unique, beautifully written and seems authentic, not the usual dolce vita pastiche, devoid of any meaning beyond marketing vibes.

Cucinelli AI is a long read that dives into the founder's family history and philosophical musings. Their intellectual value is irrelevant – in the era of 30-second videos, the material reads like a Hesse novel and offers an intimate insight into Cucinelli's personality and by extension – the brand's origin story.

Going against the zeitgeist, leaning into the long form text, sifts out fashion tourists lacking genuine interest, while building and strengthening a community of believers in it for the long haul.

## **Take-away:**

Not every company has a rich story to tell, but any business can take its relationship with consumers seriously and direct it – consider what audience it would like to attract and what that particular audience would find appealing.

If the honest answer is “we are for everyone, who can afford us” – it may be worth to spend a minute in quiet introspection – visualising the void and considering whether generic glamour is the optimal path to long-term success.



# VALUES

Here too, Cucinelli has a perspective that goes beyond platitudes. Thankfully, the man has been writing about Humanistic Capitalism since the mid-1990s. The company's values are used to articulate a comprehensive vision that differentiates the business from its peers.

Of course a company can produce high quality blazers without having an opinion on Epicurus. But the genuine luxury consumer pool is shallow, limiting their churn requires brand loyalty, and loyalty to a luxury brand rarely grows out of purely rational benefits.

**Take-away:**

The term “values” may seem pretentious and unnecessary in a business strategy – fluff put together by corporate marketers to anthropomorphise otherwise soulless organisations.

However, applied well (which doesn't happen often, but worked for Patagonia, Sonos, Apple, Virgin et al), values can be a very useful strategic tool – differentiating the brand, and helping prioritise investments and make consequential decisions at breakneck speed in the state of perpetual uncertainty.

# LONG-TERM STRATEGY

Few public companies can proclaim their prospective investors should either accept slow growth or move their money elsewhere. Few CEOs can say their business considers the next five centuries and not be laughed out of the room.

Cucinelli CEO does not need to demonstrate inflated short-term growth to get a bonus and move on to a bigger brand. Staying present, working without incessantly eying the next big thing, allows time and mental space to cover the basics exceptionally well:

- Focus on, and gain deep understanding of, the core customer
- Invest in developing meaningful relationship with that particulate group
- Avoid things that would attract new audiences at the cost of alienating the core

**Take-away:**

Unlike many peers, Brunello Cucinelli can afford to march to their own drum, but perhaps that is precisely the lesson – knowing who you are, who you are for, and not bowing to pressure to attract mercurial trendsetters; no matter the size of their social following.



# QUALITY

Companies that over-performed invested in both – the actual quality of their products as well as the perception of prioritising product quality over profit margins.

Cucinelli invited rival Chanel to co-invest in the top cashmere producer to ensure supply and support artisanship. Loro Piana promoted the use of AI to spot colour and weave defects in wool bales.

Following eyebrow raising, mostly opportunistic, price hikes that make even long-term luxury consumers cry foul, high quality will be table stakes for sustaining customer loyalty.





# TRANSPARENCY & AUTHENTICITY

The luxury fashion industry has been promising supply chain transparency since before Barack Obama ran for the White House. And did little, because opening most supply chains to consumer gaze would be a PR disaster.

While it is still unclear whether the mass consumer is ready to pay extra for ethical sourcing and production, luxury companies that invested in their supply chains make proof of virtue a marketing differentiator.





# PRODUCT DISCOVERY

Several of the 2024 champions leverage AI to offer personalised product and style advice. Zegna is already there, Cucinelli plan a roll out next year, Loro Piana clearly spent some energy on the subject as well.

Instant analysis of exorbitant amounts of data helps AI identify patterns unrecognisable to the human eye and make much more personalised recommendations.

The lesson is – to not cut corners by replacing good advisors with efficient software, but to train gifted and passionate people to use AI as a tool.





# ONLINE JOURNEY

Callimachus AI website builder that Cucinelli plan to licence to other brands, will allow a more meandering e-commerce experience not based on a product grid.

Hard to say if a marketing play or something of genuine use, but this would be a rare attempt by a luxury company to design an online retail experience that is substantively different from grocery shopping.





## WHAT'S NEXT?

Luxury may be rooted in artisanal craftsmanship, but 2024 winners also demonstrate deep understanding of, and interest in, tech beyond attention-grabbing headlines.

It would be a fairly low-level speculation to suggest they are likely to explore the following directions. As, of course, could anyone else.



# AI-POWERED ENGAGEMENT STRATEGIES

Artificial intelligence allows intimacy at scale.

With the right data sources (e.g. a partnership with AMEX), AI could help luxury houses understand their clients as people – beyond purchase history and accidental anecdotes picked up by sales consultants – and develop personalised engagement strategies, pivoting from universal, brand-focused communications to targeting specific individuals in the context of their individual lives.





# AI-POWERED PRODUCT SUPPORT

Instead of leaving customers to frantically google how to rescue off-white cashmere from being permanently damaged by red wine, armed with product knowledge and trained by top cleaning experts, a <Loro Piana> bot could assess the tools at the caller's disposal and instantly offer several options for that exact scenario – in text or by voice.

Unlike human support, AI bots communicate at consistent quality at any hour, accent free and in the customer's native language, irrespective of their location.

They can pick up on the caller's tone of voice, respond accordingly and supplement instructions with relevant audio or video materials in real time.

If necessary, they can involve reliable local specialists, organising professional help even if the client is abroad and would struggle to explain the matter in a local language.





# AI-POWERED SOCIAL MATCHMAKING

According to recent research, 73% of members use private social clubs to connect with friends and meet like-minded individuals.

Working UHNWIs are typically of age and in position that make striking new friendships rather hard. Finding people with common interests and social status is challenging enough, engaging them without particular pretext or goal goes beyond what most would consider.

Leveraging rich customer data, <Bottega Veneta> could invite small groups of clients to events highly relevant to their individual interests. The events may be the <Bottega's> own or public – premieres, exhibitions, concerts, lectures, restaurant openings etc. <Bottega> would make clients subtly identifiable (e.g. with a pin) and create opportunities for light touch interactions, guided by gifted hosts (e.g. via drinks and discussion in a small circle).

New friendships would increase the loyalty customers feel towards the brand, strengthen the brand community and open doors to more commercially-minded engagements.





# AI-POWERED TRAVEL DELIGHTS

For travelling subscribing UHNWIs, <Zegna> AI could put together music and podcast playlists pertinent to their destinations and, upon arrival, have a highly curated welcome package of local partner brands from across relevant categories – non-competitive fashion, culture, venue reservations – waiting in the customer's hotel room.

This would allow clients to get a deeper sense of the places visited, while the highly relevant experiences would bring them in touch with <Zegna's> local fans of similar interests, expanding the brand community across borders.





# CODA

In short, the few winners of 2024 demonstrate coherent brand and business strategies and a sense of identity that doesn't sway with marketing trends.

They lean into exceptional product quality and ethical manufacturing and make the most of emerging technologies without falling into sensationalism.

The elephant in the room is, of course, that the rate of revenue growth currently expected by the market is extremely difficult to achieve. Price increases worked for a while, but by 2024 even the wealthy got tired of being milked.

With that in mind, what could the purveyors of luxury, feeling the cold breath of the void on their groomed skin, do next?



# 1. DRAMATICALLY EXPAND THE AUDIENCE

If selling things for more stopped working, one could, of course, try to sell more things. Fast expansion comes with weaker bonds though – the newly acquired fans would have limited loyalty and demand continuous attention, which is costly.

Appealing to a wide variety of consumers – who have jumped on the bandwagon at different times for different reasons, and expect different things – would further dilute the brands' sense of identity and limit opportunities for long-term strategic decision-making.



## 2. CREATE NEW PRODUCT / SERVICE CATEGORIES

Before Chanel N°5, selling perfume that complimented their design aesthetic was not something fashion companies did. Today, it is where many draw much of their profit.

What could be the next long-term opportunity and does it have to be something physical?  
It is often said that luxury is a lifestyle – so what niches could companies competently fill?

- Could they become guides into the complex world of culture – both as entertainment and investment opportunity?
- Could cyber safety & wellness become a rich territory in the increasingly digitised lives?
- Are there avenues for cross-category partnerships that reliably solve complex problems, producing one true luxury – the peace of mind?



### 3. RECONSIDER THE PARADIGM

As the slowdown lowers performance expectations, the houses could also slow down the search for gimmick du jour. Executive teams could have a cold drink, meditate, and go back to the basics – figure out who they cater to, what value they could produce and then lean into delivering as much of that value to that audience as they can, with as little mindless, unstrategic chaff around it as humanly possible.

Would that make the most amount of money? Probably not.

Do all companies produce value? Unlikely.

Would it crater companies' market valuation? Not necessarily.

In combination with a promising new product or service launch, a well-articulated re-calibration could put a business on a much more realistic and, potentially, lucrative footing.

The void is nigh, but not inevitable; the way out requires the luxury of having an opinion.





**“IT’S NOT BECAUSE THINGS ARE DIFFICULT THAT WE DARE NOT VENTURE.  
IT’S BECAUSE WE DARE NOT VENTURE THAT THEY ARE DIFFICULT.”**

Marcus Aurelius