

Brunello Cucinelli Warns Against Web Chaos

The Italian entrepreneur remarked on the perils of the web as he discussed growing profitability and revenues in the first half of the year.

By [Luisa Zargani](#) on August 29, 2017



MILAN — Trust [Brunello Cucinelli](#) to do things his own way.

Just as online retailing is being hailed as the be-all and end-all for most industry players, the Italian entrepreneur, chairman and chief executive officer of his namesake company voiced caution during a conference call with analysts on Tuesday as he discussed growing profitability and sales in the first half of the year.

“We must protect the brand, even renouncing [part of] sales. The web is bringing chaos, which is a negative to the value and image of a brand,” said Cucinelli.

The remarks were made despite Cucinelli’s investments in its new e-store launched earlier this year and his high praise for Net-a-porter, Mr Porter and [Mytheresa.com](#), which he reiterated on Tuesday. Quoting 18th-century Swiss philosopher Jean-Jacques Rousseau and his ideas on the uniqueness of each individual, Cucinelli said “exclusivity” is emerging as a priority today. “The network massifies everything. Political leaders are massifying their image. There are always the same faces saying the same things on the same subjects. It would be best for leaders to be less visible and more exclusive.”

Without naming anyone, he cited one political figure who only had two tweets recently and “was not invasive.”

“The world of the Internet is wonderful and fascinating, but complicated to interpret,” he continued.

Cucinelli warned against being intrusive at both physical stores and online. “There is such a flow of documents, images and data that takes away charm from things,” he said.

The brand has been working to create a relationship with its customers online with special packaging, offering gifts of oil, books and now even flour produced in the Solomeo shop, located in the Italian medieval hamlet which Cucinelli restored and where the company is based.

“We want to offer a friendly service, with hand-written notes, for example,” he said.

Cucinelli has also introduced a service to recondition old cashmere sweaters. “We see great value in waiting for something special. Our customers appreciate the wait. The super speedy delivery does not work for us.”

As reported, this is all part of Cucinelli’s efforts to “humanize the web.” [Brunello Cucinelli’s online site was launched in the first quarter](#) and is no longer managed by the Yoox Net-a-porter Group, but by the company in-house. It offers a “philosophical” area that describes the brand’s story.

In any case, the strategies set by Cucinelli are helping the company to continue to grow. In the six months ended June 30, net profit climbed 10.6 percent to 19.9 million euros, compared with a normalized net profit of 17.9 million in the same period last year.

[As reported in preliminary results in July](#), revenues rose 10.7 percent to 243.3 million euros, compared with 219.8 million euros, lifted by growth in all markets and all distribution channels. In the period, sales outside Italy grew 11.7 percent.

Earnings before interest, taxes, depreciation and amortization gained 13.1 percent to 41.6 million euros.

Cucinelli said that, at current exchange rates, he expected growth of more than 10 percent in the year, and double-digit growth in sales and earnings before interest, taxes, depreciation and amortization in 2018 based on the “very interesting” spring orders.

“We are very pleased with the performance of our business in the first half of the year; both revenues and profit show strong growth. Sales of the winter collections are going very well. All this considered, we expect 2017 to display double-digit growth in both revenues and profit.”

He also envisaged “more double-digit growth for the near future.”

Cucinelli observed that the company celebrated the fifth anniversary since its listing on the Italian Stock Exchange in April 2012. “Going public has been an important choice and we are immensely glad with it; we feel we have confirmed all that we had planned back then with our coworkers, analysts and investors in terms of constant, double-digit gracious growth.”

In the first half, sales in Italy rose 6 percent to 41.8 million euros, representing 17.2 percent of total revenues. [The company’s largest boutique opened on Milan’s Via Montenapoleone earlier this year](#).

Revenues in Europe climbed 9.9 percent to 75.2 million euros boosted by both local demand and high-end tourism. Purchases made by “young new customers” are playing an increasingly important role, said the company.

North America was up 9.3 percent to 83.6 million euros, accounting for 34.4 percent of total sales. Asked by one analyst about the performance of department stores, citing Neiman Marcus as an example, Cucinelli downplayed any issue. “We are working very well with department stores, also Neiman Marcus. They are looking for particular and exclusive things. This is fundamental, as is visual merchandising. I am not worried, on the contrary,” he said.

Greater China was up 34.6 percent to 18.4 million euros, representing 7.5 percent of total sales.

“We are also witnessing a gradual increase in tourism of our Chinese and Asian customers who spend time shopping, especially in the fashion and luxury capitals of the world; thanks to the variety and range of our collections, shopping abroad is also prompted by the fact that products showcased at shops in Paris or New York at a certain time of the year may not be in available at boutiques in Shanghai and Beijing,” said the company.

This same approach in terms of exclusive distribution is pursued in the multibrand channel, which is now gradually developing in China.

The Rest of the World area saw revenues rise 11.4 percent to 24.3 million euros.

The retail channel grew 21.7 percent, reporting sales of 121.1 million euros, representing 49.8 percent of the total.

Like-for-like sales grew 3 percent in the period between Jan. 1 and August 20.

As of June 30, the company counted 91 directly operated stores, with just one opening over the past 12 months and with four stores in Moscow being converted from the wholesale monobrand channel to the retail channel. In March, the company also signed an agreement to convert five shops-in-shops in Holt Renfrew in Canada to directly operated from wholesale. The strategy is to open three stores a year, remarked Cucinelli.

The wholesale monobrand channel was down 20.8 percent to 17.6 million euros, reflecting the change from wholesale to the direct channel of the brand’s online boutique and four units in Moscow.

The wholesale monobrand network consisted of 32 boutiques at the end of June, unchanged in the last 12 months, excluding the four conversions of boutiques to the retail channel.

The wholesale multibrand channel was up 6.7 percent to 104.6 million euros.

Investments in communication rose to 12.5 million euros from 11.2 million euros with an incidence on revenues stable at 5.1 percent.

Capital expenditure totaled 22.2 million euros, compared with 17.9 million euros at the end of June last year, forming part of the investments scheduled in the 2017-19 program following the completion of the four-year investments of 150.5 million euros in the 2013 to 2016 period.

Commercial investments amounted to 18 million euros in the first six months of 2017; the major part of these related to investments made in Russia for the conversion of the four Moscow boutiques from third-party management to direct management, as well as investments for renovating existing boutiques, carrying out selected openings and repositionings and increasing the area of the sales floors in the luxury department stores.

Investments for production, logistics and IT and digital amounted to 4.2 million euros.

As of June 30, net debt stood at 59.4 million euros compared with 79.7 million euros at the end of June last year. “We are very satisfied and expect debt to be in the range of 30 to 35 million euros by the end of the year, which is not worrisome,” said Cucinelli.

In July, the company finalized the purchase of the minority interest in its Chinese subsidiary [Brunello Cucinelli](#) (Sichuan) Fashion Co. Ltd. taking its holding to 100 percent.