



Loro Piana Japan Co., Ltd.

Italian Textile Maker Loro Piana Makes a Splash

Expanding retail sales of Loro Piana fashions and textiles are leading growth at Loro Piana Japan Co., Ltd., founded by Italian luxury textile manufacturer Ing. Loro Piana & Company. Loro Piana is a textile house dating from the early nineteenth century, when it was a trader in wool textiles. Since moving into textile production in the mid nineteenth century, Loro Piana has specialized in the manufacture and sale of high quality fabrics made of precious yarns such as fine wool, cashmere and vicuna. The world leader in the production of fine quality cashmere fabrics, it is the world's largest buyer of fine merino wool (18.0 microns and finer) from Australia and New Zealand.

The Loro Piana name is backed by both time-honored traditions and state-of-the-art technology. The company has cultivated relationships of trust over the years with cashmere producers in Inner Mongolia, the source of this luxury yarn. In its quest for fine yarns, it has set up bases in Beijing and Ulan Bator to ensure quality. That quality is reinforced by living tradition. Its headquarters in Borgosesia on the outskirts of Milan has employed generations of the town's residents, passing along the tradition of creating fine textiles from parent to child.

Loro Piana launched its own clothing line in the first half of the 1990's, with a range that includes knitwear for both men and women, sporty outerwear, accessories and luxurious furnishings for the home. Loro Piana retail shops may now be found throughout the world.

Successful Conversion to Direct Sales

Loro Piana initially employed an import agent to access the Japanese market. In 1991, however, it founded Loro Piana Japan Co., Ltd., and switched over to direct sales. "The goals were twofold: to gain market feedback and to communicate the Loro Piana tradition and superb quality directly to customers," notes Mitsuhiro Shibata, president of Loro Piana

Japan.

Loro Piana supplies both ready-to-wear clothing and tailor-made clothing producers. The first step, in 1991, was to begin serving the ready-to-wear market through its own sales channel through a trading company that supplied Loro Piana fabrics to manufacturers of men's clothing and others in the garment trade. Ready-to-wear clothing is mass-produced, generating attractively large orders. Using a trading company as an intermediary, however, kept Loro Piana's sales margin in the ready-to-wear industry thin.

At the time, sales to tailors were handled through wholesalers. Unlike sales to ready-to-wear manufacturers, transactions with individual tailors tend to be small, but with a large margin. Thus, Loro Piana Japan broke with industry practice and switched to selling directly to tailors in 1993. Many loudly questioned Loro Piana's move which flew in the face of custom. But Shibata and his team surmounted all obstacles to make a go of it.



A cashmere cape, culmination of the Loro Piana tradition of luxury; made in Italy; 987,000 yen (US\$9,193.91*), inclusive of tax.

They met with success since Japan's tailors already knew and trusted Loro Piana products. When its sales people would call at a tailor's shop, they received a warm welcome, and the tailor readily talked business. Timing was also in its favor. It launched its direct-to-tailor marketing during the collapse of Japan's economic bubble, just as the existing distribution system was beginning to break up.

And since they were no longer going through a wholesaler, the company could also lower its prices, a strong point with tailors.

While developing this market, Loro Piana Japan was also developing a tighter profile of its target customers. They concentrated on providing products to the very best tailors for more efficient direct sales. In addition to ranking tailors in terms of their purchasing volume and customer segment, they began to charge low volume customers for their catalogs. These efforts honed their focus down to about 100 shops from among the approximately 5,000 tailoring establishments around the country.

Knitwear and Sporty Outerwear

Direct fabric sales produced results, and Loro Piana Japan solidified its position in Japan as the top luxury fabric brand. Then, in 1999, it launched retail sales of its own product line. That venture has so been successful that sales have increased beyond all expectations.

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The Loro Piana parent company has long produced riding wear, yacht team uniforms and other specialty items for certain customers. In 1998, it decided to make a business of it. It subsequently opened directly operated retail stores in Italy first and then elsewhere in Europe, as well as the U.S., Japan and South Korea.

The Loro Piana line includes knits, sports wear, hats, bags and other accessories. The materials used in the fall and winter collections are principally the wools and cashmeres for which Loro Piana is famous, while the spring and summer collections use cottons and linens. Natural materials, natural effects and a natural taste are a consistent theme throughout the collections. It is worth noting, though, that Loro Piana has not entered the formal wear market. As Shibata explains, "Loro Piana fabrics are mainly used in tailoring formal suits, coats and business wear. If we moved into that area with our branded apparel, we would be competing

directly with the tailors who purchase our fabrics. Instead we are producing casual sports wear in wool and cashmere to showcase new possibilities for Loro Piana fabrics."

From the Loro Piana men's collection, the Storm System? jacket, tailored of a fabric that retains its elegance even in stormy weather; made in Italy; retailing at 396,900 yen (US\$3,697.12*), inclusive of tax.

In the fall of 1999, Loro Piana Japan opened its first two directly managed shops, using the shop-in-shop format, in two high-end department stores: Isetan in Shinjuku and Mitsukoshi's flagship store in Nihonbashi. It now has 16 shops in leading department stores throughout the country, including Takashimaya, Isetan and Hankyu. It has also launched stand-alone shops in Tokyo's most fashionable areas, magnets for its target customers, such as on Namiki-dori, in the heart of Ginza, and in Roppongi Hills. Sales of Loro Piana brand products have come to account for over half of Loro Piana Japan's total sales.

"I think we will see more and more ways to use luxury-quality fabrics," Shibata says. "They can be tailored to Japanese clothing, for example, or used in furniture upholstery and even automotive interiors. We are strengthening the Loro Piana name recognition and offering Japanese consumers luxurious lifestyles." Acting on that confidence, the company is set for significant expansion, to potentially 30 shops in Japan.

*Calculated at 107.35 yen per US\$1



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