



Gildo ZEGNA LOOMING LARGE.

Beginning a century ago as a small mill in the Italian Alps looming fine woollen cloth, Ermenegildo Zegna has grown to become not only one of the world leaders in superlative textile production, but an international luxury menswear empire, the key dominion of which is China. Grandson and namesake of the company's founder, CEO Gildo Zegna talks about the brand's success in the Far East, the increasingly China-focused future of the luxury industry, and why despite its size, Zegna remains at its heart a close-knit family business.

by **christian barker** photography **andy barnham**

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his is a story of Italy, but it is also a story of China. It is the story of an Italian empire, but it is also the story of a Chinese empire. And it's the story of Italians building an empire in China.

When you think of 'empire', right away, you'll probably think of Italy, right? Rome, specifically — and maybe the British Empire as an afterthought. But let's not forget, when it comes to empire-building, the Chinese are certainly no slouches. For examples, well, we could go way back — medieval on yo' ass, ancient even — but let's stick to relatively modern history. In the late 18th century, the Chinese Qing Empire stretched across around 13 million contiguous square kilometres, with a population of about 300 million — almost a third of the world's population at the time. (To give some idea of scale and scope, with 80 million subjects, the mighty Roman Empire, at its height in the 2nd Century, also encompassed about a third of the global populace, but only took in around six million square kilometres of land.)

The Qing Empire was, to put it mildly, massive — and it forms, with a nip and tuck here and there, the basis for modern-day Greater China — spanning, at some 10 million square kilometres, a territory as big as continental Europe (quite a bit larger, if you count in Mongolia), with a population of over 1.3 billion — one-fifth of the people in the world. Comprising myriad ethnic and dialect groups, numerous provinces that for the most part were at one time independent kingdoms, China is a country built on the top of the remains of an empire. Had the Roman Empire survived, uniting Europe as a group (and not in the haphazard, Keystone manner the EU has attempted to do), and had the people there bred like Viagra-dosed rabbits, the result might be something like modern China. In the same way you can't easily categorise Europe, or a European, so too is China a Frankenstein's monster of disparate people and parts. China — its name is legion.

And today, China contains legions of affluent individuals. Newly minted affluent individuals. *Forbes* counts 128 US-dollar billionaires in China (second only to the US, with 403, and followed by India and Russia, each of which had roughly half the number found in China). The China-based Hurun Rich List, meanwhile, says the number of Chinese billionaires far exceeds *Forbes'* estimate. Upon releasing his 2010 report, accountant Rupert Hoogewerf, the man responsible for compiling the Hurun list, said, whereas in 2003 there were none, "China probably now has the largest number of billionaires anywhere in the world. We already know of 189 US-dollar billionaires in China this year, but you can safely say that we have missed at least half again, meaning there are between 400 and 500 US-dollar billionaires." Why the discrepancy? Well, while the Chinese super-rich are very good at flaunting their wealth, they're even better at concealing it from the authorities. They're also, on average, about a decade younger than their financial peers in Europe and the US, and far less likely to have come into their money 'the old-fashioned way': Less than one percent of the individuals on the Hurun list inherited their wealth, as compared to 25 percent of the richest in the United Kingdom and 35 percent in the United States. Chinese millionaires and billionaires (often literally) have bundles of crisp, fresh cash in their pockets, and unlike their more restrained counterparts in the so-called Old World, they're hell-bent on enjoying their new wealth, wearing their success on their sleeve.

So, what's all this got to do with Zegna? Very simply, Ermenegildo Zegna is the clothier of choice of the man on the Hurun list, and those that aspire to be like him — visibly prosperous (if inconspicuous to the tax man) and, to paraphrase Deng Xiaoping, "gloriously rich".

With incredible foresight, Zegna went into the 'Middle Kingdom' in 1991, back when most luxury brands purely thought



Ermenegildo Zegna's autumn/winter 2011-12 collection, themed 'In The Mood for China', drew inspiration from classic Chinese style, allowing the brand's vast customer base in the Orient to sport sharp Italian tailoring rich in Eastern cultural references.



Mr. Gildo Zegna is shown wearing an immaculate Zegna Couture suit in 'Fabric No. 1', a re-creation of the first cloth produced by his grandfather, Ermenegildo Zegna, which was given a new lease of life for Zegna's centenary in 2010. Today, in its mills, Zegna produces almost two-and-a-half million metres of fabric each year — superfine wool, silk, cashmere, mohair, alpaca and vicuña that are used in Zegna's own collections, and by the best tailors and clothiers around the world. Gildo Zegna's father Angelo and uncle Aldo transformed the textile company founded by their father into a vertically integrated menswear business, which has been greatly expanded under the auspices of the current generation of the family: Gildo, Paolo, Anna, Benedetta, Laura and Renata Zegna.

of China as something you put out at teatime — certainly not as the future of their business ... Which is just how most European luxury labels would describe China today. During the Global Financial Crisis, while its late-coming contemporaries were struggling to gain a foothold in seemingly the last cash-rich, growing, increasingly prosperous market, Zegna (which, like everyone else, suffered a downturn in American and European business during the GFC) was still thriving, thanks in no small part to having long ago established an enviable following across Asia generally, and China specifically. The company has more than 70 stores in China, and a staff of 1,000-plus. The country accounts for approximately half of Zegna's sales (in 2010, they shifted almost a billion euros of product worldwide; do the math) — a good deal more if you count sales to Chinese customers shopping at overseas stores (as they're wont to do, in order to avoid the tremendous import and sales taxes levied in mainland China). Very simply, this ever-so-Italian brand has built an empire Julius Caesar himself would envy, and its most important, broadest outpost is China; its most important subjects, the Chinese people.

So it is that I find myself sitting in a salon at Ermenegildo Zegna's latest grand Shanghai boutique, a few hours before the company spectacularly celebrates its centenary with a huge party in this city (the follow-up to a smaller-scale shindig in Milan), in July 2010. I'm here to take in the festivities, and interview CEO Ermenegildo 'Gildo' Zegna. When I begin our chat by asking him to explain Zegna's success in China, Mr. Zegna speaks with the sort of 'filial piety' that Confucian Chinese culture holds so dear. "First of all, I must give credit to my father," he says, referring to Angelo Zegna, former chairman and the son of

the company's founder, after whom Gildo was named. "It was my father's idea, his push to go into China 20 years ago. We believed in China — we prepared ourselves in the market just right, and timing was key. We certainly made some mistakes in the beginning, but making mistakes at the beginning of a long journey is less costly. Today, there is a barrier of entry into the luxury market here, not only in first-tier cities [e.g. Beijing, Shanghai], but also second-tier cities [e.g. Chongqing, Dalian], that if you are not an established brand in this market yet, you just don't make it. It's not only a question of size, it is a question of being known and perceived as an important part of the luxury landscape — if not, they put you in the back. But fortunately, we saw the opportunity, the immense opportunity to grow in China. We invested huge amounts of time and money here — as much as we did in America. And now, the time we've spent building the brand here is our biggest competitive advantage." The Chinese consumer wants to buy from a brand he knows and respects — and importantly, a brand his friends also know and respect. That's just what he gets from Ermenegildo Zegna. Zegna, you see, has serious '*mian zi*' — the key Chinese concept of 'face', which though difficult to translate, is a chimerical mix of reputation, standing, respect, prestige and honour. The Chinese customer knows he'll 'gain face' by wearing Zegna. Over the past 20 years, Zegna has created a face in China akin to the portraits of Mao adorning the entrance to the Forbidden City: mighty big, and mighty impressive.

Building up its *mian zi* took Ermenegildo Zegna a great deal of time and effort. The greatest hurdle when the company



started out in China, says Zegna, was establishing a presence in the right locations. Twenty years ago, the super-malls and luxe shopping precincts that dot China's cities today simply didn't exist. "The only real estate available was tiny spaces in hotels. Maybe in the backyard, so you have to go through a corridor, walk past a men's room, and then you find the store — this was the

space that was allocated, and that's how we started. We had no street-level stores, no luxury malls." Today, thanks to putting in the hard yards over the past two decades, Ermenegildo Zegna is one of the top five best-known, best-perceived luxury brands in China. This means there's no chance of the brand being put "in the back", and Ermenegildo Zegna has access to the best retail real estate. They're committed to using that real estate in the most effective, forward-thinking way. "If you look at the stores here in China from the top luxury brands, you'll see the latest innovations in store layout, design, visual merchandising, product. So one of my challenges is to ensure not only that our stores here are of that standard, but that our stores around the world are just as competitive. We need to welcome the Chinese customer, here and abroad, to this state-of-the-art level of store."

That's right: Zegna's Peter Marino-designed sartorial temples in the world's great cities aren't merely there to cater to the local clientele. Increasingly, they're aimed at indulging the travelling mainland Chinese consumer. "We are learning things from China and we are exporting the ideas. Fifty million Chinese

"You have to make the customer feel very special, because they are ordering something very special."

Gildo Zegna is photographed here in his office at the company's Via Savona, Milan headquarters; the desk from which he rules over the Zegna empire is shown opposite. Though Zegna is a very large company, with nearly a billion euros in sales last year, it maintains the atmosphere of a close-knit family firm. Mr. Zegna says, "My office has an open door, any of our employees can email or contact me. This openness is very important".



are travelling the world this year — 50 million! It's estimated there will be 120 million in 2015. So, we'd better make sure that we know how to treat these customers that travel the world. There have to be Chinese-speaking sales staff to serve them. We have to have their sizes. We have to have the colours they want, and the appropriate fit. The luxury brands that are doing well, and that will do well — this is the way they're thinking. Any brand that doesn't currently count the Chinese consumer as its number one or two market is missing out on a big opportunity."

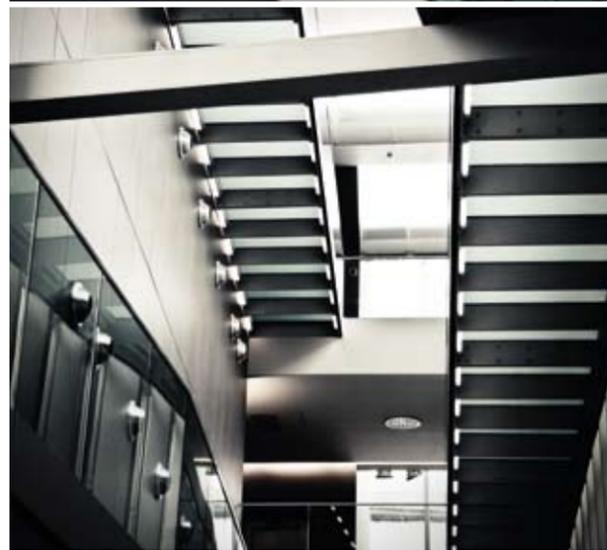
At the ultra-luxury end of the Zegna spectrum — the customer ordering a made-to-measure vicuña coat, say, or the man who buys a new Zegna Couture shirt for every day of the year (yes, such a customer does exist) — the rarefied atmosphere and level of service need to be raised to the maximum, nothing less than perfection. "You have to be equipped," says Zegna, "you have to make the customer feel very special, because they are ordering something very special. There are customers that don't want to be seen. We open the store especially for them, we bring them here into a private room, and we will offer them

a glass of champagne and just make them feel comfortable, like they're in their own apartment. It's like going back to the couture houses of the 1940s, it is unbelievable." In fact, Zegna sees the contemporary incarnations of two of the old couture houses as standard-bearers of modern luxury service provision, store design and product offering. "Chanel and Dior: these are women's brands, and so they're very different to Zegna, but there's a shared mindset. If the lady going for the type of product Dior and Chanel sell, the beautiful bag, or the couture dress, has a certain mindset, don't you think that her man has a similar mindset? So, I want to give her man, her male friends or her father, the same possibility to enjoy outstanding personal service and beautiful products in a refined environment. I want to give him that sort of atmosphere. One of the best decisions we ever made, about five years ago, was to start looking outside the menswear box, to look at what all other luxury brands — not just menswear brands — were doing, and learn. This is the game we're playing, and that's why we're so successful, and that's why we stay ahead of the pack."



Completed in 2008, Zegna's state-of-the-art, sustainability focused, environmentally sensitive headquarters on Via Savona, Milan, were designed by eminent architects Antonio Citterio and Patricia Viel. It is here that Zegna not only handles global corporate operations, but holds its fashion shows (Mr. Zegna is seen, bottom left, backstage at the autumn/winter 2011-12 Z Zegna show in June).

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It's not just the retail environment, but the offering in the shops, that has evolved to keep in step with the demands of the Chinese consumer, says Zegna. “Sportswear is a huge part of the business, it's 50 percent of what we sell here in China. I'd say a third of our clothing today falls under the 'sports' category, what we call 'upper casual', and by that I mean things like unlined sport coats that you can wear as classic clothing for a cocktail party, or dress down as something casual, use for travel, mix and match; the more sophisticated a customer gets, the more capacity he has to mix and match different styles, casual, sports and formal. Shoes are an important part of that. Today, any brand that is not in the loafer or the sneaker business, is out of business. We've seen an incredible growth of rubber-soled shoes with new ideas, new styles, new materials. Why? Because they go well together with the mix and match approach of the sportswear trend. But then, in parallel, there's also huge growth in very dapper shoes like yours, handmade, with lots of detail. We're talking about \$5,000 to \$7,000 shoes. And our sartorial made-to-measure, that's also doing incredibly well. I think the reason we have seen an incredible increase in made-to-measure is because there are less and less brands capable of doing made-to-measure properly, and delivering it properly, with the right fabric. So, internationally, upper casual and made-to-measure, those are the two biggest business growth areas of the season for us. We are lucky that we are masters in both.”

One of the other central lessons the brand has learnt in China, says Zegna, is that constantly keeping the customer interested is key. “It's incredible how quickly the Chinese customer reacts to novelty, and innovation, and new trends. For instance, in the past we generally used more sombre colours, but we've been trying really hard to come up with more fun colours, and they are just flying out of the store. Colours are selling because the consumers here are younger and they want

to have fun. Another innovation, I remember when I started working in the United States, we had two collections a year, and then it went from two to four collections; now, thanks to China, we have six collections. There's the winter season, the summer season, but between those seasons we'll bring in, for instance, summer-weight clothing, but with the colours of autumn. We have new deliveries to the stores every six weeks, not every six months; we have to — the data we have shows that our customers here visit the store twice as often as our customers in Europe, so you'd better make sure every time they visit the store, there is something new, that they're not seeing the same thing. That's one of the things that makes this market so exciting.”

Though Greater China is its biggest market, and business is also particularly strong in the rest of Asia, the United States, Brazil and Russia, Zegna's home of course remains Italy. The brand's spiritual fount and centre of production will always be the picturesque region surrounding Trivero, the village in the Italian Alps where, in 1910, founder Ermenegildo Zegna established his first mill, around which a vast industrial and residential hub — a community comprising Zegna workers and their families — has been built by the Zegna family over the past century. But the command centre of the Zegna empire is its ultra-modern corporate head office on Via Savona, Milan. An architectural marvel designed by the renowned firm of Antonio Citterio and Partners to incorporate all manner of environmentally friendly features, most visibly via the maximisation of natural light, the building appears for the most part to have been constructed from glass. Despite the prevalence of this delicate construction material, on the day we visit in January this year, Zegna HQ has the air of a fortified stronghold. Apt, considering that it's the epicentre of a global empire. A row of modern-day imperial guards — tall, burly, black-clad security guys — lines the entrance. It's a few

Educated at Harvard Business School, Mr. Zegna (shown opposite in his office) expresses unwavering faith in “the American model of management, and of a free market and free enterprise... I think that those rules hold true for any successful business, whether or not it is a family business, small or large, Italian or any other nationality.”

“A sense of family is part of our DNA and of our values. It fosters loyalty within the workforce, and a sense of history. Here, there is this feeling of belonging to a business that cares, of being part of a family.”

hours before the presentation of the autumn/winter 2011–12 collection from Z Zegna — Ermenegildo Zegna’s more youthful, fashion-forward, technologically advanced line — and while the military-precision planning for the show goes on within, incursions from outsiders and infiltrators are unwelcome.

The *Rake*’s photographer Andy, attempting entry earlier in hopes of scouting locations for our shoot with Gildo Zegna, had been politely but firmly rebuffed. I’d made a couple of phone calls, though, and safe in the knowledge that our publicity contact awaited us at reception, strode purposefully past the Italian stallions obstructing the doorway, stating “We have an appointment with Mr. Gildo Zegna.” Upon hearing the CEO’s name uttered, the security detail surrendered more humbly than Vercingetorix at the Siege of Alesia.

Mr. Gildo Zegna is, you see, very much the commander-in-chief of this operation. If this is an empire, he’s Caesar. His cousins Paolo and Anna Zegna (respectively, the company’s chairman, and its image director) and sister Benedetta (the talent management director) hold very senior positions within Ermenegildo Zegna Holditalia S.p.A., as do other members of the clan. But as CEO, Gildo tops the chain of command. This isn’t cause for squabbling among the various family members involved in the business; quite the opposite. By having a single decisive individual at the helm, with final say, Zegna avoids the infighting that has been the downfall of many a growing family business, where the equality of various kindred stakeholders results in a ‘too many chefs’ situation, with decision-making impeded and the implementation of cohesive forward-planning hindered by opposing opinions and voices.

It may be an international luxury leviathan, an empire, but Ermenegildo Zegna is, like several other leading Italian luxury companies, very much a family business, run by members of the founding family, each of whom share a common purpose and

present a unified front. But the sense of family extends beyond the members of the actual Zegna clan in management, and throughout the company’s entire workforce.

“A sense of family is part of our DNA and of our values,” Zegna tells me. “It fosters loyalty within the workforce, and a sense of history. I believe that many young talents in particular are attracted by this sense of family and private enterprise. Here, there is this feeling of belonging to a business that cares, of being part of a family. My office has an open door, any of our employees can email or contact me. This openness is very important, in particular after the uncertainty that the financial crisis created around the world.”

Still, says Harvard Business School alumnus Zegna, “You should run a family business like a public company, that’s my motto. You have strong corporate governance, and you have clear goals, roles and responsibilities. I’m very American, in that sense. I’m American-educated and I don’t care what people say, I believe in the American model of management, and of a free market and free enterprise. Every day, I’m trying to apply those rules. I think that those rules hold true for any successful business, whether or not it is a family business, small or large, Italian or any other nationality.”

He adds, “Growth is essential for a company — and not just for the sake of shareholders. Growth is the best way to attract talent, good people and young people need to see that you’re moving forward, expanding, that you’re investing in the future.” This, says Zegna, “is the only way to attract talent, and retain that talent.”

Speaking less like a family company patriarch than a potentate, he concludes, “What we are creating is, essentially, a fortress.” A fortress from which to run an empire that stretches across the globe, to the farthest reaches of the Middle Kingdom. Hail Zegna — *sartoria maximus*. ■

