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The premiumization opportunity: enhancing Italian SMEs value proposition through three dimensions

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*To my grandparents,
example of honesty, humility and fortitude.*

*To my parents,
for their unconditional support.*

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INTRODUCTION

Over the last twenty years, the world has undergone radical social and economic changes. The phenomenon of globalisation, which had led global economies to become increasingly dynamic and interconnected, has shown the first signs of deceleration. Wars, health and environmental crises have made the market increasingly fragmented and complex. Many companies found themselves overwhelmed by these changes and were unable to respond to the challenges posed by an increasingly unpredictable global scenario. In this context, Italian companies that based most of their business models on exports found themselves particularly exposed to markets that were increasingly difficult to govern. Many companies went into crisis and searched for new strategic opportunities that could boost demand and production. Worried by unstable markets, some players embraced the concept of reshoring and nearshoring. Other companies decided to sever relationships with international suppliers and partners who were becoming less reliable due to frequent supply chain crises. All of these initiatives have had a production-oriented strategic approach but have not taken into consideration market dynamics and related company positioning. There is in fact a great market opportunity affecting many Italian companies that does not have to do with production strategies but focuses on brand development. The market is changing, consumption patterns are evolving and Italian companies can take advantage of these new trends to emerge on the market with a new value proposition: becoming a premium brand.

The goal of this thesis is to explore the concept of premiumization, the enhancement path that leads a company to become a premium brand. In particular, the focus of the thesis is on small and medium-sized Made in Italy companies, the backbone of the Italian manufacturing sector, as they present the perfect characteristics to embrace this new market offer. The objective is to outline a path that can be rigorously followed by SMEs to achieve a positioning that will guarantee their success in the years to come. In the first chapter, therefore, an analysis is made of the context in which these types of companies operate in order to understand the challenges and opportunities that need to be faced by Italian SMEs. Market demand is changing. The demand for luxury products and the demand for sustainable products is growing

faster and faster. Consumers are more aware and demand more from the brands they interact with. In addition, the economic and production system is evolving, presenting new challenges for companies. New technologies, especially artificial intelligence, are redefining the business models of many companies. It is also increasingly complex to attract and retain young specialised talents. In this scenario, Italian SMEs find themselves rather unprepared, since they struggle to respond to the critical success factors needed to compete in this environment. The second thesis chapter therefore attempts to identify how, through the transformation into premium brands, Italian-made SMEs can overcome this competitive disadvantage. First of all, the role of medium-sized manufacturing companies in the Italian production system is analysed. What emerges is the centrality of this type of companies inside the Italian economy. The analysis of this type of enterprise shows a positive performance especially in the 'Altagamma' sector, the highest market segment. Italian SMEs excel in this market segment, where, however, they mostly play the role of suppliers or subcontractors. This feature intercepts the trend of growing demand for luxury products. The chapter, however, highlights how the choice to compete in the luxury segment is a strategy destined to fail, given the fierce competition coming from Conglomerates, the companies that rule the segment and that have much greater financial and production resources than Made in Italy SMEs. There is, however, a space in the market between the mass offer, where price competition lowers margins and wipes out profitability, and the luxury offer, inaccessible to artisanal SMEs. This space is the premium segment. The second chapter therefore focuses on defining the characteristics of this market offer, to understand whether Italian SMEs possess the necessary elements to successfully position themselves in this segment.

Quality products, distinctive brand identity and customised experiences are just some of the characteristics a business must possess to become a premium brand. The craft SMEs that have been targeted by this thesis possess these elements and thus have what it takes to compete in the premium sector. The second chapter shows, however, that many times these distinctive elements are not effectively enhanced and remain unexpressed, weakening the competitive position of Italian brands and reducing their attractiveness on the market. It is therefore necessary to outline a path of valorisation that Made in Italy companies can follow in order to elevate and

position themselves successfully in the premium segment, with a unique value proposition that differentiates them from other companies. The objective of the third chapter is therefore to provide a guide for companies wishing to embark on the path of premiumisation. Three variables that represent the directions that companies must follow to become premium brands are introduced. Creating a unique brand image thorough strategic storytelling, offering memorable and transformative experiences that go beyond the service and creating an active community of brand supporters. After identifying the steps that companies need to take in the three directions of premiumization, the third chapter introduces the 'Premiumization Evaluation Model', a tool conceived by Prof. Stefano Micelli together with Prof. Marco Bettiol that I have explored in this paper. The model makes it possible to provide a quantitative assessment of the companies' performance on the three axes of premiumization. In this way, it is possible to obtain an objective score that allows companies aspiring to become brand premium to make conscious strategic decisions, so as to prioritise the aspects that first need to be taken into consideration in order to modify their value proposition.

This thesis, therefore, can represent a guide, a manual that Made in Italy SMEs should take into account if they are looking for new market opportunities to differentiate themselves in an increasingly complex and fragmented context. The foundations on which to build a new successful value proposition exist. The path to valorisation is clearly laid out. It is therefore up to companies to invest in this direction in order to continue to prosper, ensuring sustainability for the Italian production system.

CHAPTER I

The global market landscape: Italian companies' strategic position

1.1 Emerging dynamics in the international scenario

The international scenario is changing. For decades, the world has been characterised by globalisation, a process that has generated an increasing interdependence of national economies due to the intensification of trade and economic investment on a global scale. This process has been going on for some time and accelerated tremendously in the period from the late 1980s to the early 2000s, often identified with the term 'hyper-globalisation'¹.

Globalisation has been instrumental in uniting the trade, cultures, traditions and thinking of nation states. This phenomenon has generated an unprecedented level of global interconnectedness, resulting in what is referred to as global 'flattening'.²

Globalization is a phenomenon that has been brought about by several factors. The elements that have contributed most to this process have been the liberalisation of trade and capital movements, the deregulation of economic systems brought about by countries such as Great Britain and the United States of America, the technological revolution with the spread of the Internet, and the strategic choice to relocate much of Western production. These dynamics have made the world more interconnected and interdependent, creating new economic opportunities and transforming the way companies operate globally.

However, despite these developments, recent years have witnessed a reversal of the trend that challenges the strength and inexorable growth of globalisation. Economic and sanitary crises, military conflicts and trade wars are in fact redefining the new global order.

The predominant trend in 2024 is that of 'grand fragmentation'. This dynamic is the result of a 2023 that saw the emergence of new crises and breaking points that

¹ D. RODRIK, *The Globalization Paradox: Democracy and the Future of the World Economy*, W.W. Norton, 2011

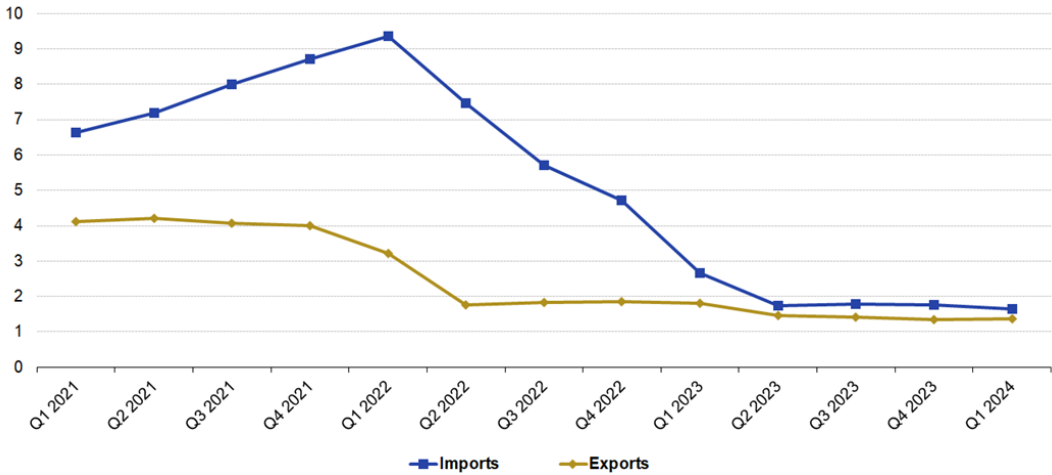
²T. L. FRIEDMAN, *The world is flat*, Farrar, Straus and Giroux, 2005

significantly contributed to strengthening the 'disruptive' forces in the international system.³

From a geopolitical point of view, there are several situations that are generating global fragmentation.

The first disintegrating force is certainly that of conflicts. First and foremost is the war between Russia and Ukraine, which started in February 2022. The conflict brought an end to relations between the West and Russia, leading to an isolation of the country, which sought political and economic alliances in the East, e.g. with China and North Korea, and in the Global South. The war has thus given rise to the reconstruction of two alignments that do not communicate with each other and are increasingly distant and aggressive. Vladimir Putin is the undisputed leader of his country through ruthless repression and anti-Western propaganda fuelled by digital fake news. Putin is determined to see his military mission through to the end and has no intention of backing down against an increasingly weary Ukraine that is less and less supported by the financial and political backing of the West. Globalisation and the interconnection between countries can only suffer from this contingency. Evidence of this is the fact that Russia's share of extra-EU imports fell from 9.6 % in February 2022 to 1.7 % in January 2024.

Figure 1. EU trade in goods with Russia, Q1 2021 to Q1 2024



Source: Eurostat

³ ISPI, *Il mondo nel 2024: la grande frammentazione*, 2024

Another conflict contributing to global fragmentation is the Israeli-Palestinian war, which has seen an explosion of violence since the attacks by Hamas militiamen on 7 October 2023. The consequences of the conflict have already shown significant regional impacts, with, again, the creation of two opposing factions. On the one hand, the Arab countries, led by Iran and its Hezbollah allies, which resolutely and forcefully condemn the Israeli reaction and espouse the Palestinian cause, providing weapons and economic support to Hamas. On the other a more moderate camp, composed of states like the United Arab Emirates and Saudi Arabia, which, while condemning Israel's reaction, recognise the seriousness of the Palestinian aggression of 7 October 2023. Western society is also divided. Formally, Western states support Israel, but due to the violence and disproportionate nature of the Israeli reaction against the Palestinian civilian population, many nations are beginning to criticise President Netanyahu's action. Moreover, the conflict has reawakened Islamism, with Hamas positioning itself as the leader of the anti-Israeli cause, inspiring extremism that frightens Western civilisation, destabilising nations by raising their own security barriers.

A third dynamic that is slowing down the expansion of globalisation is the ongoing trade war between the world's two main economic powers, the United States of America and China, two countries that together account for 43% of global GDP.⁴ These two superpowers contend for global economic and financial leadership and have therefore been competing for more than a decade. The weapon that is most frequently used in this trade conflict is certainly that of customs duties, with an aggressive US policy towards the Chinese started by the Trump administration and continued vigorously by his successor Joe Biden. The Chinese government in fact provides huge amounts of subsidies to its companies to produce goods such as electric cars, solar panels and semiconductors at a price that has no competition on the Western market. This is why the US is increasing the weight of tariffs, which for some goods are as high as 103%, as in the case of electric cars.⁵ The economic difference between the two superpowers is narrowing, with China possibly

⁴ The World Bank, *Countries GDP*, 2022

⁵ ISPI, *Tra USA e Cina è sempre più guerra (commerciale)*, 2024

surpassing the GDP of the United States of America in 2035.⁶ A bipolar scenario characterised by tacit tensions and mutual estrangements.

Fuelling global fragmentation is the fact that 2024 is a year with major elections in play, determining the political and economic direction of many leading countries. The outcome of the polls may in fact contribute to a further accentuation of the fragmentation phenomenon. In the United States of America, the challenge is again, as in 2020, between Donald Trump and Kamala Harris. The country is split down the middle, with two sides representing two diametrically opposed faces of American society. At the moment, the challenge is still contested, with Trump given a slight lead according to the polls.⁷ The rivalry and incommunicability between these two camps only corrodes the country internally. If Donald Trump succeeds in being elected for his second term as president, the consequences on global interconnectedness could be even more impactful. Indeed, the Republican is an avid supporter of trade wars and all-round protectionist policies, which also affect the US's partners such as Europe, in order to support US industry with significant subsidies. In addition, Trump is in favour of tough immigration policies, which aim to close border crossings and protect borders from immigrants, especially from Mexico.

On the European front, the June 2024 elections confirmed an advance of right-wing parties, historically nationalist and Euro-sceptic, more focused on national dynamics than on union policies. The success of the far-right parties represents the extension of social and political polarisation. The fact that no single bloc has emerged to build a majority in the European parliament means that unstable political alliances will be necessary, which could generate decision-making instability within the union.

All of these ongoing situations define an increasingly divided international picture and represent divisive forces fuelling the global fragmentation and retreat of the globalisation phenomenon that has characterised the last decades of world economic history.

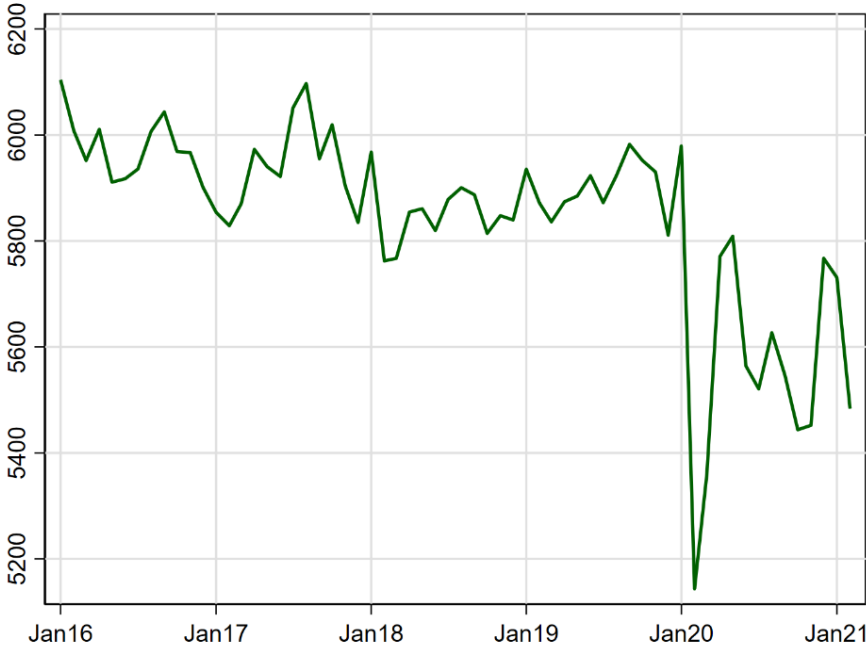
In this scenario, global value chains, the symbol of the spread of globalisation, are in crisis. There are many instances that have shown the weakness and risk of GVCs: from the closure of the Suez Canal in 2021 due to the grounding of the container ship

⁶ Goldman Sachs, *The global economy in 2075: growth slows as Asia rises*, 2022

⁷ Il Sole 24 Ore, *Biden vs Trump, l'America divisa in due sceglie il suo futuro*, 2024

Ever Given, to the attacks of the Houthi rebels in the Red Sea in 2024, to the European energy crisis generated by the halt in Russian gas supply following the war with Ukraine. Precisely in this context, two concepts emerge that will characterise the future of the world economy in the context of globalisation: de-risking and regionalisation. De-risking refers to strategies adopted by governments and companies to reduce and limit risks related to economic interdependencies and global supply chains, factors amplified by the globalisation phenomenon. De-risking involves diversifying sources of supply, reducing exposure to and dependence on single suppliers, and implementing economic policies to mitigate geopolitical risks. A direct consequence of de-risking is the process of regionalisation. This term refers to the organisation of economic activities and supply chains on a regional rather than global level. Economic activities are concentrated in specific areas to reduce dependence on long and risky global supply chains.

Figure 2. Average geographic distance of EU-28 imports (in km)



Source: UN Comtrade

Against a backdrop of globalisation, de-risking and regionalisation, companies need to be able to adapt in order to remain competitive. Companies must re-evaluate global strategies, focusing on regional strategies that mitigate the risks associated with long international supply chains. In addition, firms need to diversify their

suppliers, reducing dependence on a single country or supplier. It is also crucial to invest in technology and digitisation, implementing supply chain systems based on artificial intelligence and big data.

The international scenario has never been so fragmented in recent decades. The crisis of globalisation is now evident and market indicators point to a possible reduction of the impact of this process, to make space for new trade models based on a reduction of supply chain risks. National economies will be affected. Companies need to reshape their business models to cope with an increasingly complex international environment. It is therefore necessary to foster a corporate culture that values innovation and adaptability.

1.2 Italy's economic outlook: export as a key driver

In an international scenario that is being redefined, the Italian economy is also facing several challenges.

First of all, the regional scenario is difficult from an economic point of view. The performance of European countries in 2023 was modest, with a significant drop in GDP (-0.3%) in Germany, the European Union's main economic power, which was affected by supply difficulties and price rises in energy products caused by geopolitical tensions.⁸

In 2023, GDP in Italy grew by 0.9%, decelerating compared to 2022 (+4%) but still higher than the European average (+0.4%).⁹ Inflation as measured by the consumer price index (HICP), i.e. the price increase of goods and services that households buy on a regular basis, has fallen below 1 per cent since November 2023. This figure shows an excellent performance of the Italian economy compared to the European benchmark, with inflation 1.8 points lower than in Germany, 2 points lower than in Spain and 2.2 points lower than in France. The reduced share of inflation can be attributed to falling import prices, which fell by an average of 7.4 per cent annually, and falling producer prices in industry, which fell by 10.7 per cent in January 2024 compared to the same month in 2022. The unemployment rate remained stable at

⁸ Euronews, *Germany sees declining economic growth in last quarter of 2023*, 2024

⁹ ISTAT, *Nota sull'andamento dell'economia italiana – Gennaio-Febbraio 2024*, 2024

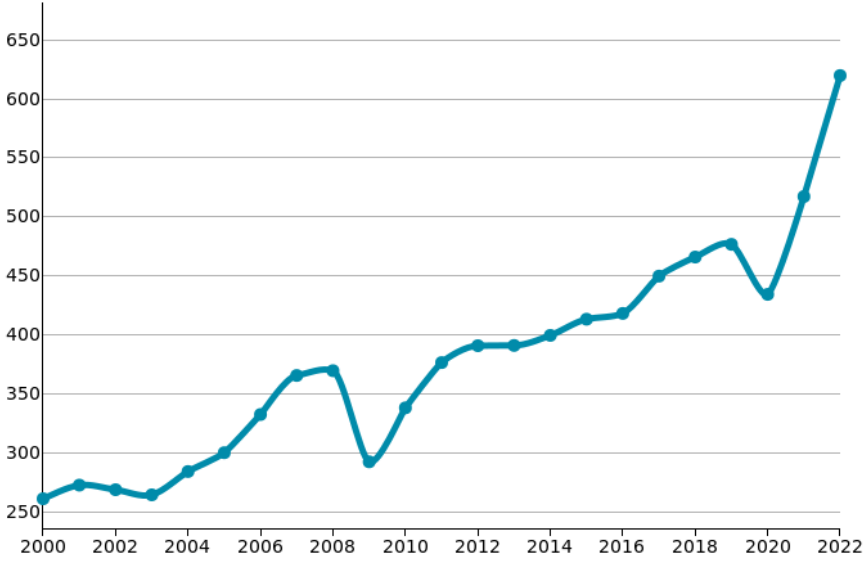
7.2%, which is higher than the European average of 6.4%. Youth unemployment increased again to 21.8%.

As far as trade flows are concerned, Italy continues to be heavily exposed to international markets. In a fragmented global context, the country needs to carefully assess its trade position. Considering only exports of goods in relation to Gross Domestic Product, Italy is the second largest exporter in Europe after Germany. In fact, the share of exports as a function of GDP exceeds 30% in Italy. Italy and Germany, therefore, have a significant trade surplus in the interchange of goods, unlike France, Spain and the United Kingdom.¹⁰

This current picture differs considerably from the country's past. For a good part of its history, Italy was in fact characterised by trade deficits, which were often offset by surpluses in services, particularly thanks to the contribution of the tourism sector. The change of gear, with a decisive acceleration of exports and a parallel reduction of imports, took hold from the 1990s onwards, a period in which globalization was the main market trend. During these years the European Union gradually expanded and continued to drive Italian exports. In this context, Italy started the process of diversifying the importing countries since the incidence of sales to the United States and to emerging Asian economies began to increase. During this period, however, the growing competition from emerging economies, with particular reference to the growth of China, also emerged strongly. The opening up of this country to international markets changed global trade, making it unsustainable to maintain mid-to low-end production. Italy suffered more from competition from emerging economies than other major economies in traditional supply chains such as textiles-clothing and furniture. Compared to the other main economies of the European Union, Italy has seen a contraction of trade in goods and services in the historical areas of specialisation and a progressive direction of trade towards products with a higher technological and knowledge content. In fact, manufacturing products now account for 97% of the value of Italian goods exports.

¹⁰ Istat, *Storia dell'internazionalizzazione dell'Italia dall'Unità a oggi*, 2023

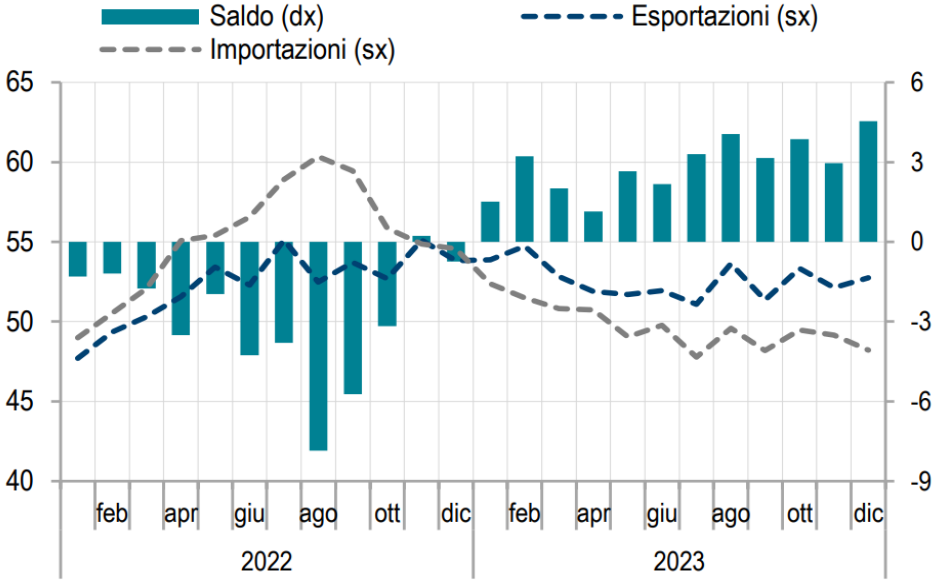
Figure 3. Total exports of goods from Italy (in billion euro)



Source: Export Planning

As for the close present, in the fourth quarter of 2023 both Italian imports and exports confirmed a reduction in values compared to the previous year. These data support a general crisis in international trade and the rise of global fragmentation. Two factors contributed to the reduction in foreign trade values: on the one hand the drop in raw material prices, which contributed to the gradual reduction in average unit values, and on the other hand the decrease in export and import volumes in 2022. Considering 2023 as a whole, exports showed a zero change in values but a considerable decrease in volumes (-5.1%). Imports, on the other hand, fell by more than 10%, mainly due to the increase in the prices of energy goods. The described trade dynamics led to an improvement in the trade balance, which became positive again in 2023 to the tune of EUR 34 billion, compared to a negative balance of EUR -34 billion in 2022.

Figure 4. Foreign trade of Italian Goods in billion euros



Source: Istat

As far as the future is concerned, forecasts indicate a recovery of Italian exports in volume by 2024. The estimated increase is 4.2%. The growth in product export volumes is also expected to continue in the following two years, with an average annual growth rate of 3.7%. If these forecasts will be converted into real data, the export value of Italian products is expected to reach 700 billion euros by 2026. The export of services is also expected to follow a similar growth path. It is indeed forecast to grow by 4.6 % in 2024 and by an average of 4% for 2025-26. This trend is likely to be supported by the increased role of services in foreign trade and the development of the service sector in emerging countries.¹¹

To conclude, Italy’s position as a leading exporter, with exports accounting for more than 30% of its GDP, amplifies the critical role that international trade plays in the country’s economic stability and growth. As the international scenario gets increasingly fragmented, it is vital for Italy to carefully rethink and adapt its trade strategies to maintain its competitive position.

A good part of the country's future lies in Italy's ability to manage this situation. It will be necessary to continue trading with international markets, because a good part of the country's wealth is generated by international trade. On the other hand, it will also

¹¹ SACE, *Rapporto Export 2023, 2024*

be crucial to assess companies' exposure to the risks associated with the current fragmented scenario. Uncertainties and opportunities depict the future. Exports will still be a driver of growth, but companies will have to develop significant decision-making and strategic skills, which will be necessary to navigate effectively in the future environment.

1.3 Emerging Market Trends

Consumer behaviour has undergone profound changes in recent times, directly influencing market dynamics. Consumer dynamics are also part of a global context increasingly characterised by fragmentation and economic and political instability. Increasing volatility and uncertainty is leading consumers to favour a more careful and conscious approach in selecting their purchasing choices. Indeed, modern consumers are increasingly informed and aware and expect transparency from the companies they interact with. For these reasons, demand is evolving and is shifting more and more towards products and services that bring added value to consumers in terms of innovation, quality and sustainability.

This market context therefore presents Italian companies with considerable challenges. Companies must be able to adapt quickly to new market trends in order to respond to a demand that is constantly and rapidly evolving. The ability to understand and sometimes anticipate these trends will be crucial to the success of Italian companies in an increasingly uncertain future.

In recent years, the market has mainly been driven by two major macro-trends: demand is increasingly looking towards luxury and consumers are focusing on sustainability in their purchasing choices.

1.3.1 The rise of Luxury

In 2023, the global luxury market set a new record. The market reached a value of EUR 1.5 trillion and grew by 10% compared to 2022.¹² The largest segment is personal goods, which recorded further expansion in 2023, reaching a value of EUR 362 billion at the end of the year. In spite of the unstable macroeconomic and

¹² Bain & Company, *Altgamma, Luxury Goods Worldwide Market Study 2023, 2024*

geopolitical environment, these figures confirm the resilience of the sector and show how consumers are increasingly attracted to this type of offer.

The most relevant data for companies are those related to consumer behaviour. Analyses on income and age show that the global luxury market has shifted towards younger, lower-income consumers. Millennials - aged 27 to 42 - constitute the largest group of luxury buyers (26%), followed by Generation Z - aged 12 to 26 - with 21%.¹³ According 2024 forecasts 2024, Gen Z and Millennials will increase their spending in the luxury segment by 29% and 27% respectively, while older buyers will tend to spend less on luxury. By 2030, Gen Z will account for 25-30% of purchases in the luxury market, while Millennials will account for 50-55%. The main increase in spending in this segment comes from emerging countries such as China, India and the Middle East. The Chinese market remain the best performer although at lower levels than in pre-pandemic years, with +10%. Asian buyers will see an increase of 7%. The biggest contractions in spending, on the other hand, are to be found in established markets such as Europe. Europeans will be most affected by the macroeconomic environment: high interest rates and inflation weaken the drive for consumption. There will therefore be no growth in 2024.

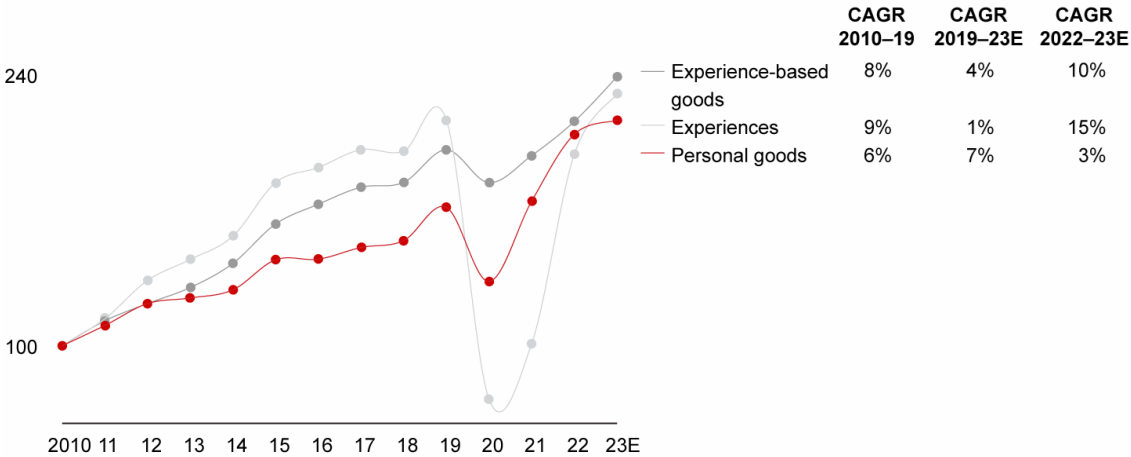
With regard to distribution channels, sales linked to physical shops are growing in the luxury segment (+7%). This channel is becoming increasingly strategic for the segment thanks to new sales approaches that favour personalisation and the consumer experience. A new trend in luxury is phygital, a term that refers to the integration of physical and digital experiences to offer an immersive shopping experience. Examples of this are physical shops that are equipped with special new technologies such as augmented reality. Digital retail continues its growth (+4.5%), but with a less brilliant performance than in previous years. The most successful sales channel is retail. The wholesale channel, characterised by the sale of large quantities to retailers, is in crisis both physically and digitally.

The quest for experiences is one of the main drivers in this sector. Consumers in the luxury world are willing to pay a mark-up on the product they buy if they are individually accompanied in their shopping experience. In 2023, the luxury experience segment grew by 15%, followed by the sale of goods linked to an

¹³ Retail X, *Global Luxury Report 2023, 2024*

experience - such as art or luxury cars - at 15%. The growth of sales of luxury goods unrelated to an experience was only 3%. In this context, one sales strategy that is increasingly being implemented is clienteling, which is the use of new technologies to offer highly personalised shopping experiences. This type of sales strategy is having great success especially in building consumer loyalty to a specific brand. For this reason, single-brand shops are performing very well in recent years. On the contrary, multi-brand shops are experiencing a strong slowdown, both in department stores and specialised shops, challenging the evolution of the value proposition that best meets customers' needs.

Figure 5. Growth of global luxury spending by segment



Source: Bain & Company, Luxury Goods Worldwide Market Study 2023

In the luxury sector, the focus on issues of environmental sustainability and social responsibility has become increasingly important in recent years. This trend especially concerns younger consumers. Gen Z represents the most eco-conscious segment of customers. Luxury is therefore often identified as the opposite extreme of fast-fashion, a type of offer that is far removed from ESG issues. Young consumers often see luxury products as quality, long-lasting and affirming, in addition to taste, the conscious and intelligent use of the planet's resources. Another trend is thrifting, i.e. buying second-hand clothes. Globally, about one in ten consumers buy second-hand luxury goods.

In conclusion, the growth in demand for luxury certainly represents a macro-trend in the market. The strength of this trend lies in the attractiveness of the luxury segment

to an increasingly young and diversified clientele. Young people - Millennials and Gen Z - are significantly increasing their spending on luxury. Sustainability and social responsibility, combined with new consumption preferences such as phygital, are redefining the way luxury is perceived and purchased. Made in Italy companies have in this trend a huge opportunity for the future. However, they will have to understand this market evolution in time if they want to fully benefit from this global trend.

1.3.2 Growing demand for sustainability products

ESG - environmental, societal and governance - issues have transformed the market in recent years. The impact of sustainability and social responsibility in consumers' purchasing choices has increased more and more recently.

Data from the market clearly show this trend. More than seven out of ten consumers (78%) say it is important for a brand to offer 'clean' products that are sustainable and environmentally responsible, support recycling or are made from natural raw materials.¹⁴ 56% of consumers say they are willing to change their purchasing habits in order to reduce their negative impact on the planet. More than seven out of ten consumers (77%) say that sustainability is an important value in their purchasing choices. This group of consumers is therefore willing to pay a premium for brands that support recycling, practice sustainability and are environmentally responsible. Young people represent the most responsible consumer group that pays attention to these issues when selecting products. In fact, 79% of consumers belonging to Gen Z choose a product according to the consequences on their health and well-being, while 78% of people belonging to the Millennials generation support the practice of recycling.

The market proves to be not only concerned about the causes of sustainability in their purchasing choices, but also aware and looking for information that guarantee and prove the actual sustainability of the products on sale. In fact, 73% of consumers indicate product traceability as important in their purchasing selection. This percentage increases in younger groups and decreases among older generations such as Baby Boomers. Furthermore, regardless of the degree of trust in a brand,

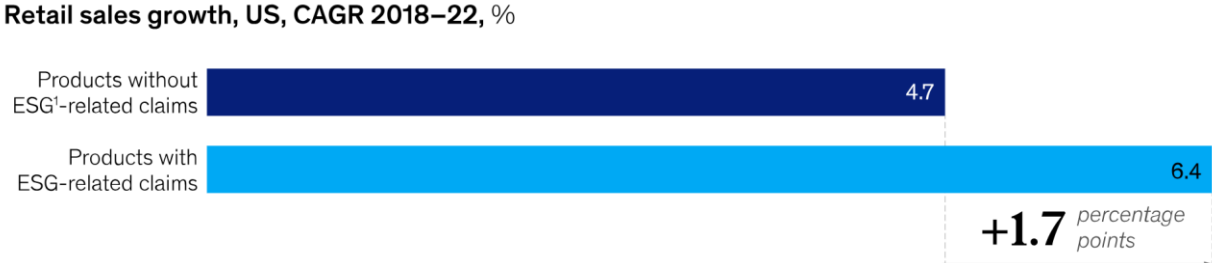
¹⁴ IBM, *Meet the 2020 consumers driving change*, 2020

75% of consumers still do research before making a purchase. Therefore, trust and credibility must be constantly reinforced.

In 2023, the trend of sustainability as a driver for consumer purchasing choices has evolved. In fact, although people continue to become more environmentally conscious, high inflation and the rising cost of living has changed many consumers' perception of the issue. Combining sustainability with economic affordability becomes essential. Many people have started to adopt sustainable lifestyles, preferring goods that are more durable and can be reused or repaired easily. Since 2022, there has been an increase in the portion of consumers considering 'circularity', which is the approach of minimising waste by rethinking production processes and recycling products. The main driver of circularity is saving money. 76% of consumers say they would consider using a repair service - it was 73% in 2022. 39% resold more of their unwanted possessions and 34% bought more second-hand products in 2023. Affordability remains the number one barrier to the adoption of a more sustainable lifestyle. In 2023, the portion of consumers who cite affordability as the number one barrier to purchasing environmentally and socially sustainable products grew.¹⁵

From a business perspective, it is essential to develop effective communication that is able to convey the right messages, making it clear to consumers that values such as environmental and social sustainability are respected. In terms of CAGR, in the United States of America, products with ESG claims had a 1.7 percentage point advantage over products without them.¹⁶ There is thus a clear and concrete link between ESG claims and consumer spending.

Figure 6. Retail sales growth, US, CAGR 2018-2022



Source: NielsenIQ

¹⁵ Deloitte, *The sustainable consumer 2023, 2024*

¹⁶ McKinsey & Company, *Consumers care about sustainability – and back it up with their wallets, 2023*

In an era of increasing environmental and social awareness, companies need to respond to this emerging trend by adopting a strategic and holistic approach. There are several actions that can be deployed by companies.

First and foremost, companies must understand the importance of transparency to build a relationship of trust and loyalty with their customers. Indeed, transparency is an essential element to effectively communicate the values of environmental and social sustainability. If a brand wants to build an identity based on these values, it will have to be ready to clarify to the outside world the nature of its processes, demonstrating the true value of what it supports. An overall strategic awareness is therefore required.

From an internal point of view, the best approach to ensure transparent communication is to seek circularity in the value chain. The goal is to create a sustainable and efficient system in which resources are kept in use for as long as possible. To achieve this, it is essential to involve all business functions, from operations to finance, from marketing to logistics. Change must take place on a systemic level and must be shared by all, otherwise it cannot be fully supported. From an operational perspective, it is therefore essential to develop a clear plan of action that must be implemented consistently and precisely. In this sense, the approach must be managerial and controls and feedback are necessary to understand the company's progress in the area of sustainability. It is therefore necessary to monitor the progress and results that the company achieves in this area, through data analysis and the development of KPIs and precise metrics. Ordinary evaluation processes must therefore integrate environmental and social issues. Reporting plays an important role here. Through documentation such as the sustainability report, companies can openly show their processes from a sustainable perspective. This ensures reliability, generates a positive reputation and contributes to corporate transparency, which is essential for building an image that can be translated into real economic value.

1.4 Critical Success Factors for Keeping Up with Market Trends

In an international context that continues to evolve, companies, especially Italian ones, face substantial challenges to remain competitive. Recent market trends such as increasing demand for luxury goods and sustainability as a driver of consumer purchasing choices require companies to adopt innovative approaches.

In order to respond to the challenges emerging from the new market trends, companies need to prioritise two critical success factors: the adoption of new technologies through the digital transition process and the attraction and enhancement of human resources. These two elements represent the foundations on which to build a path of evolution that leads Italian companies to respond effectively to new market trends, guaranteeing growth and competitive strength.

In this paragraph, these two factors will be analysed in detail. The reasons why companies urgently need to implement these new approaches will be made explicit. Furthermore, it will be crucial to identify how the Italian economic system is positioned vis-à-vis these two enabling forces, in order to understand how much investment is still required to turn challenges into opportunities.

1.4.1 Adoption of new digital technologies

The integration of new digital technologies is an imperative factor for companies that want to remain competitive in today's scenario. Companies that invest in digitisation have an advantage on two fronts: from a market perspective, they are better prepared to respond to new consumer demands; from an operational perspective, they increase the efficiency of business processes.

The process of digital technology adoption has accelerated considerably in the following the COVID-19 pandemic. The pandemic has thus increased the speed at which digital is fundamentally changing business. According to a study published by McKinsey & Company, in terms of digitisation, what was considered best-in-class speed for most business practices in 2018 is now slower than average. Many companies recognise that their business models are becoming technologically obsolete. Only 11% of companies believe their business model will be economically viable in 2030.

Many business leaders take a strategic view of technology. The digital transition should not be seen as a means to reduce costs but as an opportunity to differentiate from competitors. In general, the best performing companies have made greater investments in new technologies such as Artificial Intelligence, Internet of Things, Cloud Computing and Big Data Analysis.

The governance and business organisation of many companies is also changing to cope with digital innovation, introducing new strategic figures such as technology leaders. Technology leadership is an executive role that incorporates the strategic planning, implementation, and management of technology resources to achieve organisational goals and foster innovation.

Top-performing companies are almost twice as likely to have technology leaders actively influencing business strategies. Organisations with tech-savvy leadership teams significantly outperform their peers in the ability to build top-performing endowments. At present, most business leaders do not have the knowledge or experience to identify the correct way to apply new technologies. Business leaders must therefore also become technology leaders, not just internal facilitators.

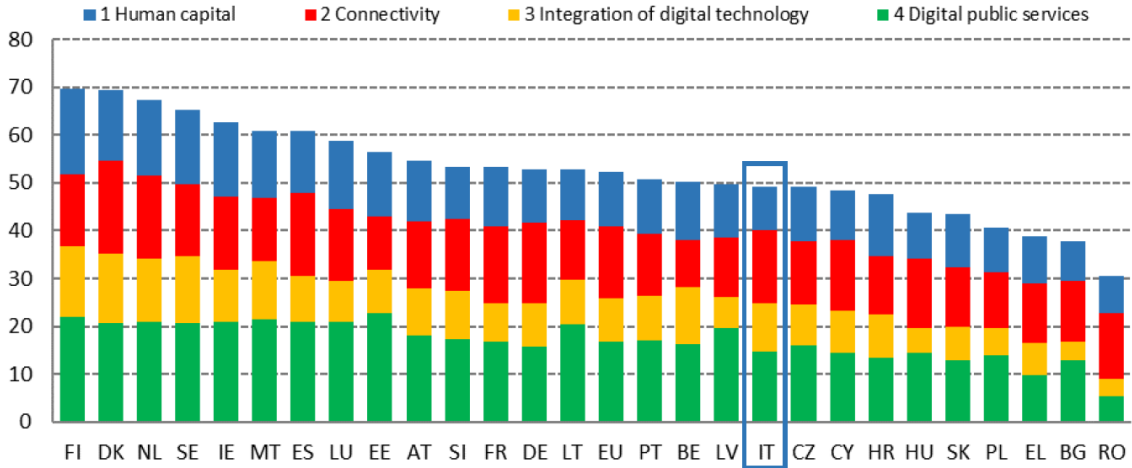
The adoption of new digital technologies is a necessary enabling factor to respond to new market trends. In fact, digitalisation is enabling many companies operating in the luxury segment to offer high-quality and personalised experiences. The practice of clienteling is a concrete example of how this can be achieved. By integrating technological innovation with a market trend, luxury companies have created a new type of offering. New technologies also have a great impact in luxury marketing because, by collecting and analysing data on consumer behaviour and preferences, companies can create highly targeted communication campaigns. Secondly, digitisation is also essential to promote sustainability. New digital technologies, especially artificial intelligence and data analysis, allow companies to monitor and optimise the use of resources, avoiding waste and improving energy efficiency. Techniques such as the implementation of blockchain technology in the supply chain help to build digital traceability of products, which is essential for ensuring corporate transparency.

It is therefore obvious that the adoption of new digital technologies is an indispensable factor for companies that want to continue to compete in today's

market. It is thus necessary to identify the positioning of Italian companies with regard to the digital transition, in order to understand at what level the country's companies are in relation to global competitors.

According to the Digital Economy and Social Index (DESI), the index that summarises indicators relating to the digital performance of EU countries, Italy ranks 18th among the 27 EU Member States. As Italy is the third largest economy in the EU, progress and advancement in the ranking are necessary to reach the goals set by the European Union by 2030.

Table 7. Digital Economy and Society Index (DESi) 2022 ranking



Source: European Commission

First of all, the digitisation process of companies encounters a big difference between the North and the South of the country. In fact, companies in the North are driving Italy towards digitisation, with Lombardy, Veneto and Emilia-Romagna leading the way. While large companies have long since embarked on the road to digital transition, SMEs are still lagging behind in the process of business integration of these technologies. The largest gaps are found in companies with 10 to 249 employees and often concern the lack of ICT specialists and investment in technological-digital training.

However, there are many areas where Italian companies still struggle. In 2023, the percentage of SMEs with online sales accounting for at least 1% of turnover is only

13%.¹⁷ The number of companies in Italy making online sales is 19%, compared to an EU27 average of 23%. Although 74% of Italian enterprises with at least 10 employees have their own website, only 16% offer the possibility to place orders online via an e-commerce. As far as online customer relations are concerned, only 57% of Italian companies have an active social channel. The share drops to 28% in the case of those companies that choose at least two social media.

Italian companies also show significant delays in the adoption of digital tools for data analysis. In 2023, only 48 per cent of companies with at least ten employees use enterprise software. ERP (Enterprise Resource Planning) software is used by 42% of companies, CRM (Customer Relationship Management) software by 19%. Only 14% of companies electronically share data with customers or suppliers along the supply chain, a practice that is essential to increase the operational efficiency of the system. Furthermore, only 24% of Italian companies perform data analysis internally, compared to 28% of the EU27 average.

Artificial Intelligence (AI) is another key component of the digital transition as it is revolutionising the way companies operate. However, Italian companies, especially SMEs, are still experiencing difficulties in adopting and using this technology compared to European and international competitors. Fifty-nine per cent of Italian companies already use artificial intelligence in their activities, mainly in production (39%) in marketing (33%) and in cybersecurity (23%). Despite these discrete indicators, there are still many obstacles and limitations that companies in Italy face when it comes to adopting AI. Underlying poor adoption is a lack of skills, often poorly trained staff, as well as the unavailability or poor quality of the data needed to run AI systems. 49% of Italian companies still rate the costs of adopting AI systems as too high, while 85% of companies are aware of the usefulness and benefits that AI could have on their business processes.

Despite some progress, the digital transition in Italy, especially for SMEs, is still a critical challenge for many companies. The adoption of artificial intelligence, e-commerce and management software must therefore be accelerated to maintain international competitiveness.

¹⁷ ISTAT, *Imprese e ICT 2023*, 2023

1.4.2 Attracting and enhancing human resources

In today's market, the ability to attract, retain and develop qualified and motivated personnel has become an essential component in achieving strategic objectives and ensuring sustainable corporate growth. The dynamics of the labour market are rapidly evolving. Companies must know how to navigate this scenario, because human resources are at the heart of production activities and are the basis of a successful operating system.

Over the years, numerous studies have been conducted analysing the business impact of talented human resources. Studies have shown that high performers are 400% more productive than average ones.¹⁸ The impact of talent on business performance is directly proportional to the complexity of tasks. In highly complex professions, the most talented are 800% more productive than the norm. According to these statistics, it is possible to imagine a scenario in which a company has to complete a task that takes three years to complete. If that company replaced 20 per cent of its human resources with excellent talent and these people were 800% more productive than the norm, it would take less than a year to complete the task. This scenario also applies to competitors. In fact, if a competitor were to utilise 20% more great talent in a similar effort, it could outperform the company in the market even if it started the task a year or two later.¹⁹

From a practical point of view, there are two ways in which a company can make a difference in its human resources management: by attracting talent from the external market or by enhancing resources already present within the company.

Attracting talent from the external market is becoming an increasingly difficult issue to manage. Talent is indeed a scarce resource. Companies struggle to attract and retain top talent, while for entry-level work the situation is the opposite, with supply often exceeding demand.

The difficulties encountered by companies in their search for top personnel are also part of a labour market which, following the Covid-19 pandemic, has redefined itself and requires innovative approaches. In general, since the pandemic, the labour

¹⁸ H. AGUNIS, E. O'BOYLE JR., *The best and the rest: Revisiting the norm of normality in individual performance*, Personal Psychology, 2012

¹⁹ McKinsey & Company, *Attracting and retaining the right talent*, 2017

market has drastically changed and, at present, the attraction of top talent is functional to several aspects that companies have to take into account. For a century, work was seen in a mechanistic way, with well-defined and repeatable tasks. The pandemic has changed this model. The introduction of hybrid work, smart-working and co-creation have had a long-term impact. The labour market has therefore seen a change from the stability that characterised it before the pandemic to the dynamism that has been generated in recent years. Companies, in order to be attractive on the labour market, must create a collaborative pathway with resources, where both co-create the relationship for a common purpose. The use of new technologies that support and improve human performance must be enhanced. The concept of the workplace must be redefined. The focus is no longer on 'where' but on 'how'. Collaborative ways of working that focus on quality of work are therefore favoured. Companies must be prepared to experiment and innovate. They must not only focus on the relationship with the individual talent but must also create positive impacts for society. Issues such as respect for diversity, fairness and inclusion are at the centre of the debate and are a very important lever for the attractiveness of a job offer. ²⁰

The alternative to attracting talent from the external market is to learn how to valorise the resources already present within the company. There are several strategies that can be introduced to pursue this valorisation. First of all, it is crucial to know how to develop internal competences. Companies must invest in development and training programmes. Companies that invest in human capital see significantly higher revenue growth than companies that do not. Investing in human capital means greater resilience in times of crisis. Human capital builders are better at retaining talent, with attrition rates that are about 5% points lower than average companies. ²¹ Companies that pursue a business philosophy based on human capital have a corporate structure that challenges and empowers employees, promoting innovation from the bottom up. This is not the case in companies that seek talent externally, where the management model is vertical and the approach is generally top-down. In addition to the development of internal competencies through continuous training, another key element in enhancing the company's existing resources is the focus on employee well-being and satisfaction. Happy employees are more productive and

²⁰ Deloitte, *2023 Global Human Capital Trends*, 2023

²¹ McKinsey & Company, *Performance through people: Transforming human capital into competitive advantage*, 2023

engaged. Creating a positive working environment, ensuring a balanced work-life equilibrium and implementing incentive programmes significantly increases employee productivity. Finally, another element that contributes to enhancing the value of human resources and increasing their productivity is active involvement. Involving employees in strategic decisions increases innovation and business agility.

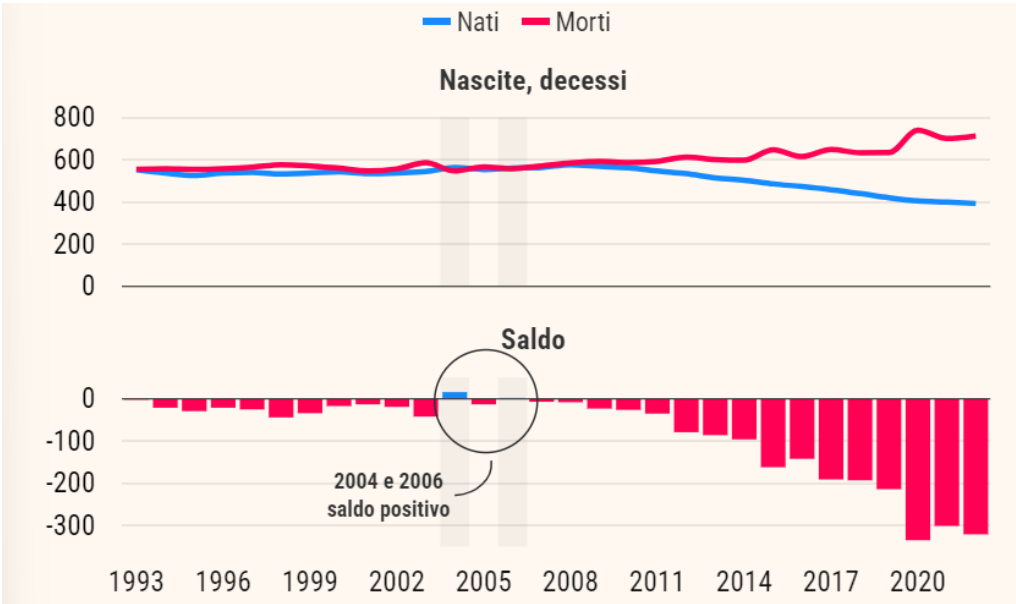
Therefore, depending on the corporate philosophy and the type of personnel sought, a company should understand whether it is more convenient and appropriate to search for and attract talent externally or to valorise human resources already present within the company.

One factor that makes the search for and exploitation of talent even more complex is the phenomenon of the demographic crisis. In fact, there are several countries, especially in Europe, where the population is undergoing a demographic change that leads to a reduction of people in working age. This phenomenon makes the search for personnel even more difficult.

Italy is currently the country in the European Union that suffers the greatest demographic decline, a phenomenon aggravated by the growth of the elderly population and the decrease in the youth population. The trend of births in Italy has been steadily decreasing since 2008. In absolute terms, births from over 560 thousand in 2010 have reached a negative record of 393 thousand in 2022. The number of deaths has exceeded the number of births for thirty years, with the only exceptions of 2004 and 2006.²²

²² A. ROSINA, *La crisi demografica italiana: giovani e qualità del lavoro*, I Quaderni della Fondazione Gerosi, 2022

Table 8. Births, deaths and natural population balance in Italy



Source: ISTAT

The economic consequence of the demographic decline is the weakening of the working-age population, which has shrunk by two million in the last decade. The entry of young people into the labour market cannot compensate for the outflow of workers, mainly from the baby boomer generation, which will amount to 2.7 million in the next four years alone.²³ Italy is therefore among the developed countries most at risk of having a one-to-one ratio between workers and pensioners by 2050, a scenario that is difficult to sustain from an economic point of view, since a quarter of the Gross Domestic Product would risk being absorbed by pensions and healthcare.

There are several actions that must be taken to reduce the impact of the demographic crisis on Italian companies. As a first step, it is essential to reduce the number of young people aged between 15 and 29 who are neither studying nor working (NEET). The NEET population in Italy amounts to 1.67 million potentially employable persons, which is equal to 19% of the active population in this age group. To reach the EU targets - no more than 9 per cent by 2030 - will require twice as much improvement as in the last ten years. It is therefore crucial to invest in training. One of the main problems for Italian companies is in fact the mismatch between the skills required by the labour market and the skills possessed by workers. To reduce

²³ Il Sole 24 Ore, *Perché la crisi demografica è un problema per il lavoro*, 2023

this mismatch, it is essential to enhance secondary and tertiary vocational training. The improvement of specialised skills must be continuous as young people must be prepared for a changing labour market. Finally, an effective management of migration policies could be crucial to deal with the economic consequences of the demographic crisis. The example of Germany, which has maintained a positive migration balance of about half a million people for the past ten years, shows that well-managed migration policies can be instrumental in compensating for a shrinking working population. Foreigners, therefore, could be a key resource for Italian companies. It is estimated that 52% of Italian medium-sized enterprises will hire non-EU workers in the next three years. The main reason why medium-sized enterprises will rely on non-EU workers concerns the unavailability of Italian workers. Foreigners will be hired not only for generic roles but, in 68% of cases, for specialised professions.²⁴

1.5 The premiumization path: elevating Italian market offerings

The previous paragraph clearly indicated how Italian companies are currently at a competitive disadvantage vis-à-vis their European and global competitors on the two main critical success factors, which are the adoption of digital technologies and the attraction and exploitation of qualified talent.

Many companies still lack the basic digital infrastructure, which makes them less prepared to face the challenges of the digital transition. There is a lack of investment in Artificial Intelligence, Data Analysis, Internet of Things and Cloud Computing. The low rate of technology adoption contributes to limiting productivity and the achievement of business objectives. Italian companies also struggle to attract young talent, who often prefer to emigrate abroad in search of better economic opportunities. The so-called 'brain drain' is a phenomenon that weakens companies' capacity for innovation and growth. The main limitations of the Italian economic system in attracting and retaining talent, especially in the technology sector, lie in insufficient investment and the lack of scalability of transversal technologies. These delays, therefore, limit the ability of Italian companies to compete effectively on a global scale.

²⁴ Area Studi MedioBanca, *La competitività delle medie imprese tra percezione dei rischi e strategie di innovazione*, 2024

Despite delays in adopting digital technologies and challenges in attracting talent, Italian companies can count on three distinctive elements of their offerings that can differentiate them in the market: high craftsmanship vocation, superior quality of the products and rich history and heritage of the companies.

Craftmanship is the first fundamental component of Made in Italy enterprises. The vocation to artisanal work of many Italian companies derives from a profound knowledge of traditions and techniques that have been passed down from generation to generation, guaranteeing extensive in-house know-how and often strong ties with the territory, especially in the case of industrial districts. It is precisely in industrial districts that opportunities have been created to elevate artisan techniques to a more entrepreneurial dimension, giving rise to realities that have become landmarks of Italian manufacturing excellence. The ability, especially recently, of many Italian realities has been to succeed in combining the artisan vocation with the use of technologies. Through craftsmanship 4.0, which is the evolution of traditional craftsmanship through new technologies, many companies have managed to evolve their product and service offerings, in many cases succeeding in competing on a global scale while maintaining the uniqueness and quality that distinguish Made in Italy.²⁵

Another distinctive feature of Italian companies that allows them to differentiate themselves from their competitors is their history and heritage. Many Italian companies have roots going back decades or even centuries. This longevity is a considerable strength for companies because it brings with it numerous advantages. First and foremost, the company's history and heritage give its products a strong distinctive identity. The identity of Made in Italy companies is determined to create an emotional bond between the customer and the company. Consumers look for authenticity behind the products they buy and the story behind a Made in Italy product or company often contributes to generating this connection, which is fundamental to a company's success. A further positive contribution brought about by the heritage of Italian companies is that of reputation and image. A long history of success and craftsmanship creates a positive and reliable image on the market. Therefore, a company's history can also be exploited in marketing terms to

²⁵ Confartigianato Imprese, *Una moltitudine di imprese a valore artigiano*, 2022

strengthen the positioning of a brand that, thanks to its history, manages to be credible and iconic in the eyes of consumers.

Finally, the other two pillars that give Italian companies a significant competitive advantage are product quality and customisation. Product quality represents a standard for Made in Italy companies and is the main element of differentiation in an increasingly homogeneous global market. Differentiation therefore allows companies to compete on quality and not only on price, maintaining a solid base of loyal customers. Quality, however, must be conscious, which means properly governed within the company, and shareable, which means properly communicated to the market so that it can perceive its value. Customisation is another fundamental lever used by Italian companies. In fact, these companies often excel in creating customised products that meet the most particular needs of consumers, thus creating added value for clients who are willing to pay a mark-up for this type of offer. Customisation is therefore a competitive lever that can only exist if there is flexibility within company.

The market presents a great opportunity for the Italian companies considered. On the one hand, these companies have solid strengths that make them unique in the market. On the other hand, companies with these characteristics often still have gaps in terms of technology and innovation. The integration of the strengths of Italian companies, such as the vocation for craftsmanship, product quality and corporate history and heritage, with the critical success factors in the current context, such as the adoption of digital technologies and the search for specialised talent, would allow Made in Italy companies to position themselves on the market with a new, high-level offer.

To create this type of offer, Italian companies need to undertake a brand enhancement process that goes by the name of premiumization. Premiumization is a marketing term that refers to the process of building a brand that is not luxury but has its own ability to be perceived and appreciated for clearly recognisable elements of distinction. Unique experiences, connection and community. These are the values that Italian brands that want to seize this opportunity must embody. However, it is necessary to invest in new technologies, especially digital. These brands must be able to communicate their history, essence and uniqueness in an effective, personal,

engaging way. In this manner, Made in Italy companies could intercept a demand that does not refer to the world of luxury but seeks something more than the mass offer. The space in the market exists and can be filled through this new type of offer.

There are already numerous success stories in Italy. One example is Pastificio Garofalo, a historic business in Gragnano, in the province of Naples, founded in the 18th century. In the 20th century, the company concentrated on exporting its products to foreign markets and on production for third parties. It was in 2002 that the Pastificio decided to change its business model by entering into the premium pasta sector. The company developed a product with superior characteristics compared to ordinary pasta, using an artisanal production process with high quality ingredients. Garofalo developed very effective marketing, communicating on the internet and later on social media. It created a true premium brand. The results were outstanding. Turnover went from 31 million to 197 million in less than twenty years.²⁶

In Italy there are hundreds of companies like Garofalo, realities with very high potential but which need to follow a path of valorisation to build a brand that creates economic value. The foundations on which to lay this path exist. There must be no lack of courageous investments in technology and communication. The market is ready to welcome this offer from Made in Italy companies. It is therefore crucial to exploit this great opportunity. Only through this path of valorisation and innovation Made in Italy companies will be able to compete effectively on a global scale, satisfying a demand increasingly oriented towards authentic, high-quality and customised products.

Conclusions

The first chapter of this thesis explores in detail the dynamics that are currently redefining the global scenario and the challenges faced by Italian companies. The paper highlights how globalisation, the phenomenon that had characterised the macro-economy in previous decades, is in crisis. Conflicts such as the ongoing one between Russia and Ukraine and between Israel and Palestine, trade tensions such as those between the US and China, and the growing uncertainty arising from the

²⁶ Il Sole 24 Ore, *Garofalo, da 30 a 200 milioni di fatturato in 20 anni, 2022*

political instability of superpowers such as the United States of America on the eve of the presidential elections, are elements that contribute to the fragmentation of the global economic scenario, fuelling phenomena such as trade regionalisation and the reduction of risks arising from global value chains.

Italy is heavily exposed to this international context in crisis and redefinition. 30% of the country's GDP comes from exports. A large number of Italian companies depend on international trade, and the globalisation crisis puts the business models of many of the country's companies at serious risk. It is therefore necessary to identify other opportunities on the market to diversify business activities, thus reducing the risk arising from the great global fragmentation in order to continue to enhance the value of Made in Italy products.

The market is mainly following two major trends. On the one hand, the growth of the luxury sector, which increases its importance and value year after year. In 2022 alone, the sector reached a record value of EUR 1,500 billion, growing by 10% compared to the previous year, with the younger generation playing an increasingly important role. On the other hand, demand for sustainable products is growing. Again, the younger generations are the most sensitive to these issues. Companies are adapting to this new type of demand, offering products with a low environmental and social impact. Many of these companies are achieving positive milestones and have improved their economic performance.

Keeping up with these trends, however, requires two critical success factors. The adoption of new technologies such as artificial intelligence, which is redefining the business models of organisations, and the attraction and retention of qualified talent, resources that are increasingly difficult to find, especially in the European labour market. These two factors are essential elements for those companies that want to compete on the current international scenario, in order to intercept the two market macro-trends.

Italian companies still have to make considerable progress to keep up with international competitors. In Italy, there is a lack of investment in new technologies, the degree of innovation is often low and the demographic crisis makes it very complicated to find the right resources to be able to present the market with a new and attractive offer. There is, however, a chance of salvation for many SMEs, which

have strengths to exploit in order to create a distinctive value offer. Many Italian companies can become premium brands. They can intercept a customer base that is looking for something more than just mass offerings. The foundations on which to build this value proposition exist and are solid. Craftsmanship, know-how, product and service quality, heritage and history. However, they must be properly valorised. It is therefore necessary to undertake a path of premiumization that allows these brands to accelerate, positioning themselves with strength and authority in the premium segment.

CHAPTER II

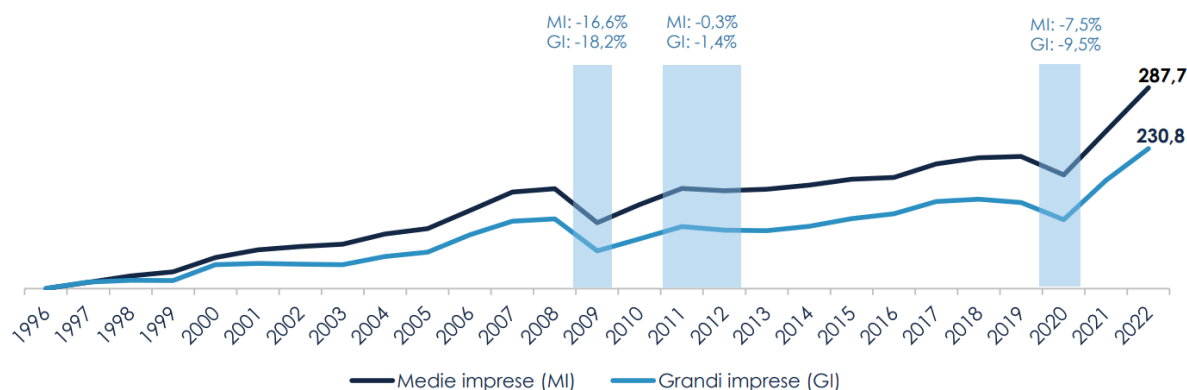
Premiumization as an opportunity for Italian SMEs

2.1 Medium-Sized Enterprises: The Backbone of Italy's Fourth Capitalism

Italian medium-sized enterprises represent a crucial segment of the national economic structure, contributing significantly to the country's GDP and employment. Medium-sized enterprises in Italy have a workforce of between 50 and 499 and a turnover of no less than 17 million euro and no more than 370 million euro. Generally, this type of enterprise has an autonomous ownership structure that can be traced back to family control. The main sector in which medium-sized Italian companies operate is manufacturing. Many of these enterprises represent the excellence of Made in Italy. In 2022, the segment of medium-sized enterprises was made up of more than 4,000 enterprises, which alone account for 16% of the turnover of the Italian manufacturing industry, 15% of its added value, 14% of exports and 13% of total employment. The medium-sized business model in Italy has proven to be solid, especially over the past two decades, where the performance of medium-sized companies has always outperformed that of large companies. Between 1996 and 2022, sales of medium-sized companies grew by 187%, considerably outpacing the growth achieved by large companies (130%). In addition, the sales of medium-sized companies proved to be less sensitive to shocks than those of large companies, especially in the three main recent crises, the 2008 financial crisis (-16% for medium-sized companies, -18% for large companies), the sovereign debt crisis (-0.3% for medium-sized companies, -1.4% for large companies) and the Covid-19 crisis (-7% for medium-sized companies, -9% for large companies).²⁷ The trend is the same also for what accounts exports, with medium-sized companies closing the period with a positive change of + 292 %, while large ones score an increase of + 200 %.

²⁷ Area Studi Mediobanca, Unioncamere, Centro studi Tagliacarne, *La competitività delle medie imprese tra percezione dei rischi e strategie di innovazione*, 2024

Figure 9. Turnover index number between medium and large enterprises 1996-2022 (1996=100)



Source: Area Studi Mediobanca

In recent years, the term 'Fourth Capitalism' has been used to define this type of companies. Fourth capitalism companies are family-controlled manufacturing companies, leaders in their niche, where they have often been pioneers, with a strong vocation for exports and research and development. As natural interfaces between territories and the global market, these enterprises constitute one of the most interesting specificities of the Italian economy. This model of Italian capitalism differs from the models that preceded it. First capitalism in Italy was characterised by the emergence of large private companies during the initial period of industrialisation, which mainly took place at the beginning of the 20th century. These companies focused on sectors such as steel, mechanics, chemicals and textiles, contributing significantly to the modernisation of the country. Fiat and Pirelli are examples of first capitalist companies that marked Italy's industrial history. Second capitalism developed from the 1930s, when the state began to intervene strongly in the country's economy. This period was characterised by the nationalisation of many industries and the emergence of large state-owned enterprises. This type of capitalism gave rise to large public conglomerates in the energy, transport and communications sectors such as ENI and IRI. Finally, the third capitalism emerged in the second half of the 20th century. This model was characterised by the proliferation of small and medium-sized enterprises in industrial districts. Industrial districts are geographic regions where numerous small and medium-sized companies specialised in specific production sectors, collaborating and competing with each other,

generating a dynamic and innovative ecosystem.²⁸ Many of these companies have gone on to become global leaders, such as Benetton and Luxottica.

The Fourth Capitalism is the result of the crisis of the old capitalism, brought about by macroeconomic scenarios whose changes can be attributed to globalisation. This new way of doing business contrasted the system of mass production, typical of the first two capitalisms, with that of flexible production: if the great historical wave of industrial development had been based on a tendency towards mass production, achieved by large corporations through standardised production processes, the crisis of capitalist economies and the development of new technologies have allowed for the rise of an alternative production system, based on smaller-scale production and the use of highly specialised labour and oriented towards prevalently qualitative objectives.

The overcoming of dimensional logic occurred thanks to the business model developed in industrial districts. In this ecosystem, small and medium-sized enterprises specialised in a certain type of product, thanks to their territorial proximity and common socio-cultural environment, have been able to realise a series of horizontal and vertical integrations, achieving results that not only they could not achieve separately, but that have often exceeded those achievable by a single large integrated enterprise.

Medium-sized manufacturing enterprises, therefore, are the protagonists of the fourth capitalism. They are called 'pocket-sized multinationals', thanks to their flexibility in the production and management system and the production of high quality 'Made in Italy' products.

Medium-sized enterprises belong to a stable genus, that is a business configuration with its own characteristics that neither imitates, in smaller dimensions, those of the large enterprise nor represents its previous stage. There are four management and development dimensions that characterise and make the business model of medium-

²⁸ A. BAGNASCO, *Tre Italie. La problematica territoriale dello sviluppo italiano*, Il Mulino, 1977

sized Italian companies unique. Governance, human resources management, internationalisation and innovation.²⁹

As far as governance is concerned, medium-sized enterprises generally have a family-entrepreneurial trait and a managerial trait. Thus, an entrepreneur and a family are actively present. However, in addition to the entrepreneur and the family, there are independent directors who are essential to link the family to the market. In fact, often, when faced with growth in size, the company's founding family decides to remain in control of the ownership but employs external management to run it. Collaboration between these two entities is crucial. On the one hand, the family represents the values and traits of the company such as belonging. On the other, the directors have the task of helping the family to make effective decisions concerning the growth process. It is this arrangement that, on the one hand, distinguishes medium-sized companies from small ones, built exclusively around family members, and, on the other, from large multinationals, where the mechanisms of belonging are depersonalised, since governance is the sole responsibility of the autonomous directors.

Human resources management is also peculiar to medium-sized Italian companies. Personnel management is generally oriented towards the shared creation of value. Medium-sized companies are committed to building a direct and personal relationship with employees. This guarantees staff gratification and helps create a sense of attachment to the company. The person is at the centre of the shared work creation process. This management approach has only been discovered by large companies in recent years, which, in order to combat staff disaffection and disconnection, have had to implement more personalised personnel management systems. Furthermore, in medium-sized Italian manufacturing companies, training is continuous, personal and institutional. The updates are mainly related to technical activities and aim to converge individual interests with organisational objectives. In all medium-sized companies, human resources management is linked to the widespread presence of very strong corporate values. The company core values correspond to the DNA of the owner family and become essential to guide personnel management policies.

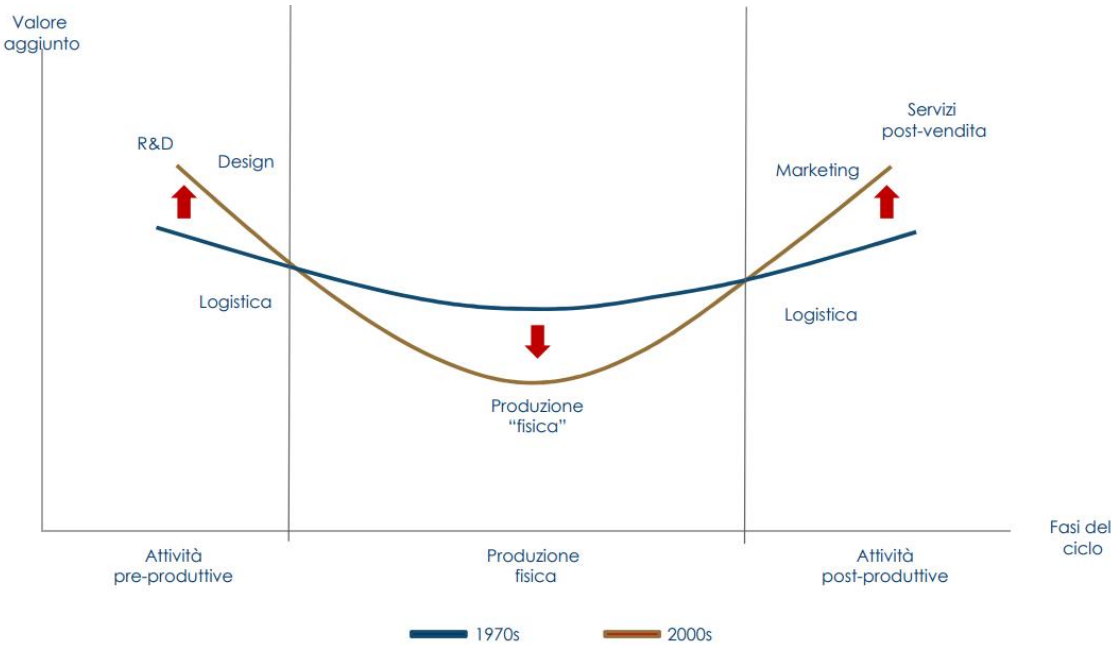
²⁹ L. SERIO, *Medie eccellenti. Le imprese italiane nella competizione internazionale*, Edizioni Angelo Guerini e Associati, 2017

Internationalisation and widespread presence in foreign markets is the third trait that Italian medium-sized enterprises share. In fact, medium-sized enterprises export 42% of their turnover. The main outlet markets are the European Union, followed by North America and the United Kingdom. Internationalisation is therefore a widespread practice. The business model is based on trading, with Italy at the centre where sourcing activities and the main functions of the value chain are managed, and a periphery that distributes products. Medium-sized manufacturing companies have a true international vocation, a propensity to perceive the global arena as their reference market. The definition of these types of companies as 'pocket size multinationals' or 'small global players' highlights their international nature. What distinguishes them from large multinationals is their speed, flexibility and ability to adapt to the context. In most cases, this is linked to direct channel control, which increases structural costs but ensures a high level of channel control. Sometimes, in order to cut costs, medium-sized companies also make use of commercial agents, but always controlling the product development and realisation phases upstream.

Innovation represents the fourth characteristic element of medium-sized Italian manufacturing companies. The innovation related to this type of enterprises is not only technological but is above all linked to the ability to offer complex and integrated solutions in line with evolving market needs. The innovation that characterises medium-sized Italian companies is a hybrid between open and closed innovation. The innovation model analysed can be defined as semi-closed. On the one hand, a strong in-house focus of research and development activities prevails, which are mainly concentrated in the company's technical departments. On the other hand, medium-sized companies establish close relationships with their stakeholders for continuous feedbacks which nurture innovation through a more open approach, for example through small-scale collaborations or partnerships. In general, the type of innovation characterising medium-sized enterprises is incremental, based on a logic of continuous refinement of existing techniques, rather than breakthrough innovation, where initial investments are too high for this business profile. A distinctive feature of medium-sized companies is their ability to combine product innovations with process innovations. In this way, companies are not only always at the cutting edge but also become difficult to be imitated by competitors.

These four elements characterise the strength of the business models of medium-sized Italian companies. These business models have adapted to a phenomenon that has become more pronounced since the 1970s and that has led to an evolution in the value-added contribution of the different phases of the production cycle. Indeed, in recent decades, activities requiring advanced technical skills, creativity and market knowledge such as research and development, design and marketing have produced more added value than physical production activities. Medium-sized companies realised earlier than many others how important it was to concentrate efforts on the activities preceding and following production, as they often already had very efficient and effective internal production systems. This phenomenon has been framed in the literature in the concept of the ‘Smile Curve’, a graph illustrating how the added value generated by the different stages of the production cycle evolves along the value chain. The curve has a shape similar to that of a smile, highlighting how the value created by the central phase of production is both lower and much lower than the preceding and subsequent phases.³⁰

Figure 10. Value added contribution of the production cycle phases of medium-sized Italian companies



Source: Area Studi Mediobanca

³⁰ S. SHIN, *Me-too is not my style*, Asian Institute of Management, 1996

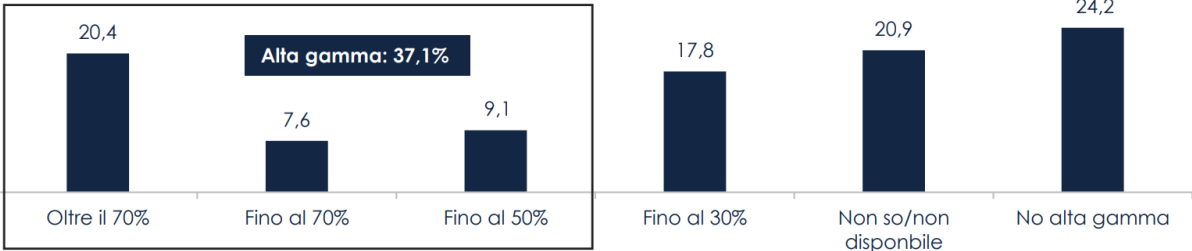
The graph above shows how, in the case of medium-sized Italian companies, the phenomenon of the Smile Curve became more pronounced between the 1970s and the 2000s.

In order to assess the current state of Italian medium-sized enterprises, it is useful to analyse the results of the XXIII Report on Italian Industrial Medium-sized Enterprises presented by Area Studi Mediobanca, in collaboration with Unioncamere and Centro Studio Tagliacarne. The study shows that, in 2022, nominal turnover from medium-sized enterprises grew by +17%, with a parallel growth in exports in nominal values of +16%. In 2022, added value increased by +9.3% over 2021. The production specialisation of medium-sized enterprises is mainly concentrated in three sectors - mechanical engineering, food and beverages and personal and household goods - which together account for 71.5% of the total turnover in 2022. Medium-sized manufacturing companies have a very strong vocation towards the industrial market. 73% of them produce intermediate goods for other companies (B2B). Medium-sized companies also have strong roots in their home territory. In fact, most production still takes place in Italy. Only 11.4 % of medium-sized enterprises have production sites abroad and 85 % of them are based in Northern Italy. Finding reliable managerial staff locally and the cultural distance to the host country are the main difficulties encountered when setting up a plant abroad. The performance of medium-sized enterprises still remain strongly linked to industrial districts. In fact, 31% of medium-sized Italian manufacturing companies are currently based in industrial districts. Slightly less than 90% of this type of enterprises reside in the North-West, North-East and Central areas, those areas that host the vast majority of local production systems. In 2022, companies from the districts again demonstrated a greater propensity for internationalisation and outward sales, with an average export value of 23 million for companies belonging to the districts compared to 18 for other medium-sized companies.

Medium-sized manufacturing companies in Italy are proving to be extremely responsive to the two main macro trends in the market, sustainability as a driver for consumer purchasing choices and the growth in demand for luxury products. Medium-sized companies are in fact driving Italy's green transition. Almost three out of four companies (70%) have invested in sustainable technologies in the three-year period 2021-2023. 50% of the companies belonging to this category have invested in

Net-zero technologies, which allow the total offsetting of the emissions produced, resulting in a net zero balance. 2% of Italian medium-sized companies have at least one patent in one of the strategic Net-Zero technologies. The effects and consequences of these practices are mainly related to internal efficiency. In fact, 34% of companies that invest in Net-Zero technologies plan to increase their production in 2024, compared to 21% of medium-sized companies that do not invest in sustainability. Medium-sized companies are still lagging behind when it comes to communicating ESG issues. Only 25 % of the companies belonging to this group draw up sustainability reports. Data from the report on medium-sized Italian industrial companies also show how this type of company is following the trend of growing demand for luxury goods with positive economic performance. 37% of medium-sized Italian companies operate mainly at the high end of the market, defined as 'Altagamma'. Altagamma is that sector of the market that best enhances Made in Italy products with high quality, innovation and attention to detail. Companies operating in this segment target a very demanding clientele, willing to pay a premium price to receive a superior offer. The medium-sized companies operating in Altagamma performed better than the other medium-sized companies, with an increase in turnover of +2% in real terms. Excellent results were achieved across borders, with growth of +4%, compared to -1% for medium-sized companies operating in the other market segments.

Figure 11. Distribution of medium-sized companies by average share of turnover generated by the sale of high-end products



Source: Area Studi Mediobanca

Medium-sized companies are also dealing with a complex and ever-changing scenario and are mainly faced with two challenges, which are also the critical success factors for being able to respond to macro-trends in the market, respectively

the attraction and enhancement of human resources and the adoption of new digital technologies. The main difficulty medium-sized companies encountered in 2023 was in finding suitable professional profiles. 51% of companies were unable to find what they were looking for on the labour market. The mismatch between the skills sought by companies and the actual skills of the resources on the Italian labour market is considerable. This is why 52% of companies have hired or will hire non-EU workers within the next three years. The motivations will be diverse. The attraction of talent from abroad will not only be a consequence of the lack of availability of Italian workers, especially due to the demographic crisis, but, in several cases, foreign workers will be hired because they possess greater technical skills. The proper management of migration policies, therefore, will be essential in the coming years to ensure adequate labour supply. The second challenge for medium-sized Italian companies is the adoption of new technologies. From an operational point of view, 77% of companies have invested in technologically advanced machinery, equipment and facilities from 2021 to today, often with the goal of achieving greater energy efficiency. 83% of medium-sized companies have invested in digital 4.0 technologies in the three-year period 2021-2023, in many cases also redefining their business model. However, medium-sized enterprises still lag behind when it comes to the adoption of Artificial Intelligence. Only 6 per cent of enterprises use AI applications on a permanent basis. At present, AI is implemented more to develop internal efficiency than to innovate the products and services offered. In fact, 61% of companies that use AI do so exclusively to improve internal operations, while only 8% implement AI to realise new products and services. One element that is evident from the study is the lack of training and knowledge for managing these new technologies, an aspect in which medium-sized companies have always excelled. It is therefore necessary to restart investing in training in order to close the gap that is beginning to be created in terms of the adoption of new digital technologies compared to large companies.

The report developed by the Area Study of Mediobanca, Unioncamere and Centro Studi Tagliacarne thus highlights the strength and weight of medium-sized industrial enterprises in the Italian economic structure. This type of enterprise still represents the perfect mix of the entrepreneurial spirit typical of industrial districts and the managerial inclination towards internationalisation. Medium-sized enterprises, however, as the study shows, need to increase their use of digital technologies,

especially in terms of how these technologies are applied. To the present day, medium-sized manufacturing companies have integrated digital technologies mainly to improve internal efficiency. Investments in digital thus concern the optimisation of production processes, industrial robotics and the integration of digital technologies with management activities. Everything related to external communication is missing. Relations with external stakeholders, sales and the reorganisation of sales channels are not a priority. Only 12 per cent of medium-sized companies have invested in this direction since 2021. In a world in which digital platforms have become an indispensable element of companies' communication success, the lack of investment in digital communication represents a major shortcoming of medium-sized companies that is at the expense of their market leadership. It is therefore crucial to innovate the business models of these companies, integrating digital technologies with highly trained and qualified personnel, in order to continue to be a strong element of the Italian production system.

2.2 Moving beyond luxury

The report developed by the Area Studi of Mediobanca, Unioncamere and Centro Studi Tagliacarne highlights the success of Italian medium-sized companies operating in the Altagamma segment, a market that targets customers with high purchasing power. Medium-sized companies operating in this segment have achieved better economic results than the other companies in recent years. These results intercept the macro-trend that has been growing over the last period, the growth in demand for luxury goods. In 2023, the global luxury market grew by 10 % year-on-year with an increase in consumer spending of 160 billion euro.³¹ This dynamic could therefore represent a great opportunity for Italian SMEs, as the market expands and many Italian SMEs operate in the Altagamma segment. The limitation of many medium-sized companies, however, is that they generally do not offer products directly to consumers (B2C), but 73% of them produce intermediate goods for other companies (B2B).³² This characteristic implies that most of these companies cannot position themselves directly in the luxury market with their own product proposition,

³¹ Altagamma & Bain&Company, *Worldwide Luxury Market Monitor 2023, 2024*

³² Area Studi Mediobanca, Unioncamere, Centro studi Tagliacarne, *La competitività delle medie imprese tra percezione dei rischi e strategie di innovazione, 2024*

but generally medium-sized companies belong to a complex supply chain acting as suppliers for large luxury brands. For those few companies that sell their products and services directly to consumers, it is therefore necessary to understand whether they have what it takes to compete in the global luxury segment.

Currently, the global luxury market is dominated by conglomerates, which are large corporate groups that own and manage a wide range of diversified luxury brands in various sectors. The three largest conglomerates in the luxury segment are the LVMH, Richemont and Kering groups. The LVMH group is the largest conglomerate in the luxury market, with an annual turnover of 96 billion euro, followed by Richemont with 28 billion and Kering with 27 billion euro.³³ These three market leaders have well-defined characteristics that make their operations irreplicable for medium-sized Italian companies, which cannot compete in this segment directly against the conglomerates.

First of all, conglomerates possess enormous financial resources and are run more like financial corporations than like artisanal enterprises. Their founders have a strong entrepreneurial spirit and come from finance, real estate and trading. They had organisational skills rather than the traditional knowledge of how to make luxury goods. During the 1980s, these entrepreneurs were able to transform small family craft businesses with limited resources in terms of capital and knowledge into global companies that produce and sell in mass volumes. Over the years, the business model of conglomerates has increasingly shifted from that of global corporations to that of financial capitalism. All of them are listed on the stock exchange and their shares are owned by different investors, although the founding family always holds the majority share. The economic and financial performance of these companies are very high. In 2022, the top 10 luxury companies accounted for 57% of the revenues of the top 100 luxury companies, 62% of the sales growth of the top 100 luxury companies and 76% of the net profit margin of the top 100 luxury companies. In 2022, the minimum luxury goods sales threshold for a company to enter the Top 10 was more than US\$8.3 billion.³⁴

³³ P. YVES-DONZÈ, *Selling Europe to the world*, Blumsbury, 2023

³⁴ Deloitte, *Global Powers of Luxury Goods 2023*, 2023

Figure 12. Top 10 share of the Top 100 for luxury good sales, YoY growth and Net Profit, FY 2022



Source: Deloitte

The concentration of the luxury market is very high. The Top 10 companies in the segment hold a significant share of the total market. This small number of companies have great market power and can influence the competition with their decisions. During 2022, leading luxury companies increased the number of strategic transactions. These included multibillion-dollar acquisitions, as well as launches and disposals in the luxury beauty sector, luxury watch sector and retail, and taking licensee business back in house. LVMH strengthened its industry leadership, with revenue growth of 22% year-on-year. In April 2023, LVMH became the first European company with a market value of more than US\$ 500 billion, following its record share price. The Kering Group reported sales growth of 15% in 2022. The Group's brands took greater control of multibrand distribution, moving away from wholesale models and towards e-concession models. Gucci, the group's flagship brand, reached a record 10 billion euro in sales. Richemont's results were even better. The group recorded the largest increase in turnover among the top ten luxury companies, with a 50% growth in sales. Richemont recorded double-digit growth in FY2022 across all its business areas, regions, and channels. Competing against companies with such economic results and such financial availability is impossible for medium-sized Italian companies. As a consequence, many of these enterprises are destined to vertical integration. Indeed, often when a medium-sized company becomes strategic for a conglomerate, it is generally acquired and becomes part of the universe of the various brands belonging to the diversified group.

The second element characterizing conglomerates is their international nature. Although conglomerates have strong national origins, they can be defined as global firms. The outward growth of these firms has led to the acquisition of numerous brands around Europe and the world, especially in the United States and China.

The internationality of these groups is evident from their share of sales outside their home markets. Western markets of origin are suffering from ever-increasing inflation and market uncertainty. In Europe and the US nearly 75% of consumers expect to reduce spending on non-essential goods by at least 6%. On the other hand, emerging markets do not seem to be affected by these concerns, with an extremely wealthy clientele that is not decreasing their spending. In fact, in 2021 luxury goods companies generated around 30% of their total sales in Greater China.³⁵ For this reason, the biggest luxury brands have increasingly expanded their international presence in order to reduce dependence on markets such as the Western ones, saturated and less profitable. This strategy requires enormous financial resources that only conglomerates can cope with. Despite the strong international vocation of medium-sized Italian companies, positioning on the B2C market with an international value proposition becomes very complex and costly, representing more of a speculative investment than a profitable strategic decision. It is better to increase one's share and reputation in closer and less insidious markets and then eventually, once a certain financial and image solidity has been achieved, think about an international expansion strategy like that of the big luxury brands.

Finally, the third characteristic that puts an unbridgeable distance between conglomerates and medium-sized Italian craft firms is that of diversification. Conglomerates continuously implement a diversification strategy involving constant acquisitions of other brands. With this strategy, large luxury groups expand their portfolio of products, services and brands to include a wide variety of luxury categories. An example can be the LVMH group. This conglomerate owns fashion brands such as Dior, wine brands such as Dom Perigon, retail brands such as Sephora, jewellery brands such as Bulgari, perfumes brands such as Guerlain, and private equity companies such as L Catterton. The diversification strategy allows large groups to mitigate investment risks. Focusing on a single sector can in fact

³⁵ J.P. Morgan, *Luxury Market Outlook 2023*, 2023

make companies vulnerable to market fluctuations and uncertainties. By diversifying their portfolios, conglomerates are able to spread their business risks across different product categories and customer segments, reducing the economic impact that a crisis in one sector or market segment would have. Furthermore, diversification allows conglomerates to create synergies across market segments. The main advantage of diversification lies in the ability of conglomerates to achieve greater operational efficiency by optimising business operations. Indeed, large luxury groups exploit the economies of scale resulting from the management of several brands in production, logistics and marketing. By sharing the same infrastructure, costs are cut and production and distribution become more flexible. The presence of a broad portfolio of diverse brands in various sectors enhances the group's reputation and overall image. The synergies between the group's various brands stimulate creativity, accelerating internal innovation processes. In 2023, the main investments to increase the diversification of conglomerates involved the growth in the use of licensing, the acquisition of specialised suppliers through continuous vertical supply chain integration, the acquisition of both physical and online distributors, and private equity investments. Italian medium-sized companies do not possess the financial resources to develop a diversification strategy through acquisition and therefore cannot compete with conglomerates on this aspect. Thus, medium-sized companies are often exposed to the risk of single-market dependency, as they do not have a broad brand portfolio. This represents a limitation that negatively affects the possibility to benefit from economies of scale and synergies.

Despite the success of medium-sized manufacturing companies in the Altgamma sector, it is evident that these companies do not have the necessary characteristics to compete directly in the luxury market. The distinctive elements that make conglomerates leaders in the sector are difficult for medium-sized Italian companies to replicate. The main limitation is economic. The financial resources required for a successful positioning in the luxury market are too high for medium-sized Made in Italy companies. Without adequate economic resources, medium-sized companies cannot achieve the degree of diversification and internationalisation that is necessary to compete with conglomerates. It is therefore clear that the entrance of medium-sized companies into the luxury segment represents a challenge that is too complex to be completed successfully.

Instead, it is more logical and rational to think of a value proposition that targets a different market segment, so that medium-sized manufacturing companies can enhance their strengths and differentiation without having to distort the characteristics of their product and service offerings. Instead of trying to compete directly with conglomerates, these companies should focus on market sectors that appreciate the craftsmanship and quality of their products, without falling into the dynamics of luxury. In order to be able to develop such an offer, it will therefore be crucial for medium-sized companies to invest in branding and communication strategies that emphasise the authenticity and uniqueness of their products, so as to position themselves distinctively in the market. This is a great challenge for medium-sized Made in Italy companies, which, in this aspect, are still a step behind their global competitors. The direction for the future of medium-sized companies is not in luxury. Rather, success can be found in less competitive markets that know how to appreciate the strong and recognisable identity of Italian craft SMEs.

2.3 Premium brand: distinguishing elements

Medium-sized companies, the backbone of the Italian economic-productive system, need to find a distinctive positioning in the market in order to continue growing. As previously highlighted, despite its strong attractiveness, luxury is not a segment in which medium-sized companies can compete in B2B. An alternative to luxury for medium-sized Italian manufacturing companies can be the premium market. The value proposition required to succeed in this market segment aligns much more closely with the characteristics of the medium-sized companies identified above. Such companies can seize great opportunities for growth by aligning their offerings to customers in this segment. Before investing in this strategic direction, however, it is essential to understand what the characteristics and distinctive elements of this offer are, what the target customer base is, and which companies have the characteristics to position themselves in this market. Once it is understood how to combine these three factors, it will be possible to structure a path of brand enhancement that can lead medium-sized Italian companies to become premium brands.

A premium brand is a type of brand that is generally perceived as being of better quality than the mass market and having exceptional value in the minds of the target

market. To access this type of offer, people are therefore willing to pay a premium price compared to market prices. But price is not the only distinguishing element of a premium brand's offer. A premium brand has a higher loyalty rate than mass-market brands. It creates an emotional connection with its customers, who continue to buy that brand's products more frequently. Premium brands are therefore able to build lasting and meaningful relationships with their target group. The customers of a premium brand often also become active promoters of the brand. They feel special and tell their relatives and friends about their positive experiences, prompting others to get in touch with the brand, boosting a community around the brand. The image of this type of brand is therefore very solid and communication and marketing are key strategic levers for its success.

Brands that are defined as premium share specific characteristics that make them appear superior.

First and foremost is perceived quality. Customers are willing to pay a mark-up because they perceive that premium products have a higher quality than the market. Therefore, to call itself premium, a brand must concretely demonstrate the superiority of its products; effective communication is not enough. Product quality is the starting point for building a premium brand, without which it is not possible to begin the journey of enhancement. The elements that contribute to enhancing the quality of a product must therefore be tangible to consumers. Better materials and innovative production processes are the two elements that contribute most to the creation of a quality product. Craftsmanship often plays an important role here. Many premium brands have been built from craftsmen who make products with great care, through practices handed down through generations and following a complex and articulated production process. The customer of a premium brand appreciates the artisanal nature of the products and values it economically. The often artisanal quality therefore becomes an important differentiator, elevating a premium brand from ordinary brands, creating connection and trust with consumers.

The second element characterising premium brands is identity. It is not enough for a premium brand to sell high-quality products and services. It is necessary that these products are supported by a strong brand identity. Identity is the way a brand presents itself to the public. Premium brands have a strong brand identity that allows

them to stand out from their competitors, creating an emotional connection with consumers. Customers of a premium brand align themselves with the values expressed by the brand and feel part of a community. It is therefore essential for a premium brand to build an image that reflects quality and uniqueness. The identity of premium brands contributes to building their reputation. Consumers are essential in building a brand's reputation because, through their experiences, they help to spread the brand's positive image in the market. Premium brands often have a long history and possess a valuable heritage that allows them to build a strong reputation that helps to enhance brand identity. Strong identity, solid reputation and high brand equity make up a major competitive advantage that allows premium brands to maintain customer loyalty and attract new market segments. In this sense, communication and marketing play a key role in conveying the right messages to the right target audience. As a result, premium brands invest considerable resources in storytelling and content creation that engages their target audience, in order to keep their attention on the brand at all times.

Offering memorable and authentic experiences is the third element that characterises premium brands. Experiences help create a strong emotional connection with customers and distinguish premium brands in the marketplace. Experience is the set of sensations, feelings and behaviours that people encounter while interacting with a brand. Premium brands, as opposed to standard brands, do not focus exclusively on the customer purchase phase, but interact with their target audience both before and after the sale. In fact, often before the sales phase, premium brands come into contact with their target customers with the aim of educating and training them, providing them with all the information they are looking for, nurturing their interest and curiosity. In addition, the after-sales phase is crucial for a premium brand. The brand maintains active customer relationships through continuous feedback, stimulating an active and spontaneous relationship, creating a sense of community and establishing customer trust. A premium brand interacts with its community through different channels and touch points, ensuring that interactions are consistent with the brand's identity and reputation. Interactions can include both online moments, e.g. through social networks or augmented reality, and offline with in-store experiences, events, exhibitions and visits to the company museum. The provision of memorable experiences by a premium brand is closely linked to the personalisation of products

and services. Premium brands use information from feedback from their community to offer tailor-made products that reflect the demands and needs of their customers. Personalisation also concerns purchasing experiences and after-sales services. By offering personalised experiential moments, premium brands are able to connect deeply with their community, sharing passions and values that help create a positive emotional memory attached to the brand. Premium brands therefore go beyond the simple product and service. By offering memorable and personalised experiences, they create an emotional connection with customers that allows them to stand out in crowded markets.

Premium brands manage to differentiate themselves from their competitors and elevate themselves in the marketplace through the unique values they can offer their community. These values can be divided into three categories: functional, technical and emotional. Functional values concern the ability of premium brands to intercept the specific needs and requirements of their target customers and satisfy them. A premium brand not only promises quality and excellence, it guarantees solutions that are fully aligned with the needs of its community. The second value that is expressed by premium brands is the technical value. Technical values are related to the performance and characteristics of the products and services offered. Premium brands not only produce high quality products, but also make an effort to educate their customers, explaining why one choice is better than another. Through this approach, they position themselves as a reference brand in their sector and manage to build authority and reputation. Finally, the third value expressed by premium brands is the emotional one. It is the most important value that is communicated by premium brands and helps to create a connection with their community. Purchasing decisions are often driven by emotions rather than rationality. Premium brands are well aware of this dynamic and know that they must be able to communicate emotions to their customers if they want to attract and retain them with their value proposition. The experiences offered by premium brands must therefore be transformative. Consumers feel deeply connected as they experience profound emotions when coming into contact with the brand. Consumers of premium brands feel different after interacting with the brand, this makes the experiences unique and desirable. In summary, consumers of premium brands do not only choose these

brands for what they offer, but also for how they make them feel. It is a matter of perceived emotions.³⁶

Italian SMEs have the necessary characteristics to be compatible with a premium brand offer. In fact, a large proportion of these companies have an artisan vocation and can therefore guarantee high quality products, which are the basis for the construction of a premium value proposition. The ability of Italian SMEs has been to integrate traditional craftsmanship with new technological methodologies, which have enabled companies to create products that are always innovative and guarantee a high level of quality. Furthermore, Italian SMEs often have a rich history and an important heritage that can contribute to the creation of a solid and distinctive identity. Small and medium-sized enterprises, however, often do not capitalise on these assets, as they have not yet developed communication skills that would allow greater visibility of their activities. Investments are therefore still needed in this area, although the elements to be exploited to build a successful image already exist. Finally, due to their artisanal nature, SMEs excel in customising the products and services they offer. This attention to detail typical of these businesses should also be extended to the provision of experience, an area in which SMEs are not yet firmly positioned. The combination of tradition, craftsmanship and history is the starting point from which to build a path of experiences that will create active communities around SMEs. The possibility of transforming many SMEs into premium brands therefore exists, as many of them possess the characteristics that are essential to create a premium value proposition. It is necessary to correctly identify and enhance these characteristics in order to be visible and credible on the market.

The value proposition of a premium brand emerges from the market as superior to that of mass-market brands. Premium brands offer something more, as has been pointed out above. Such brands, however, do not belong to the luxury segment. Luxury, as shown in the previous paragraph, is unreachable for small and medium-sized Italian companies. It is therefore essential to identify what are the differences between a premium offer and a luxury offer, so as to have a clear borderline between these two value propositions, in order to be able to position in a market space that can receive and appreciate this proposal.

³⁶ The Brand Auditors, *What is a Premium Brand?*, 2024

A first difference between premium and luxury brands relates to pricing strategies, that is the way prices are determined by companies and perceived by consumers. Premium brands demand a premium price compared to the average and justify their prices by the superior quality of the products and services offered. However, the products are not overpriced. Premium brands must constantly demonstrate to their customers that the premium price they demand is actually justifiable on the basis of a better offer. Their image and reputation depend on it. Unlike premium brands, luxury brands do not have to justify their prices. The pricing strategy in this case is not related to perceived quality but to exclusivity and status. The prices of luxury goods are very high, far higher than those of premium products. This is possible because the price of goods directly influences the degree of exclusivity of these products. The more expensive a good is, the more exclusive it is and thus the more luxurious it is.

The second difference between premium and luxury brands relates to brand image and the values that constitute their identity. Brand identity is fundamental to both value propositions. The founding elements of the premium brand image have already been analysed above. Quality is at the core. corporate values must be appropriately communicated and transferred to one's community, which thus connects directly with the brand. Finally, a distinctive element is that of accessibility. Premium brands are superior to mass-market brands but still appeal to a broad customer base. They are not exclusive, but they are accessible to a good share of the market. The elements that define the personality and image of luxury brands, on the other hand, are very different from those of premium brands. Exclusivity is the main value. Luxury customers want to feel unique and special. This is why luxury products are exclusive, both in economic terms, with very high prices, and in terms of volume, with limited availability of these products. Keeping a limited number of products increases the desirability and perceived value of luxury brands. Luxury brands are also often associated with prestige and status. Luxury customers do not buy products for their quality, but for what the purchase of these products represents in terms of social recognition and belonging to an elite. Finally, another essential value that contributes to determining the identity of luxury brands is that of heritage. The history of luxury brands is often glorious and ancient. The communication strategies of luxury brands often focus on the long tradition of excellence, which is a very strong lever of authenticity. It is therefore impossible to enter the luxury market if one does not have

a centuries-old history to enhance. The identity of luxury brands is well defined and difficult to replicate. Exclusivity and history fuel prestige and status, values on which luxury brands base their business model.

The third element that differentiates premium brands from luxury brands is that of distribution. Distribution is closely linked to the concept of exclusivity on the one hand and accessibility on the other. Premium brands make use of extensive and accessible distribution channels. Premium brands sell their products in various outlets, including proprietary, retail and wholesale shops. Distribution takes place both physically and online through e-commerce. The distribution strategy of premium brands thus aims to reach a very broad customer base while maintaining a high-quality image. Luxury brands, on the other hand, are much more selective. They generally sell their products in exclusively owned boutiques, often located in prestigious locations, where every detail is taken care of with great attention. In this case, the distribution strategy of luxury brands is based solely on the concept of exclusivity. Limiting outlets allows luxury brands to increase desirability in the minds of their customers, reinforcing the perception of luxury.

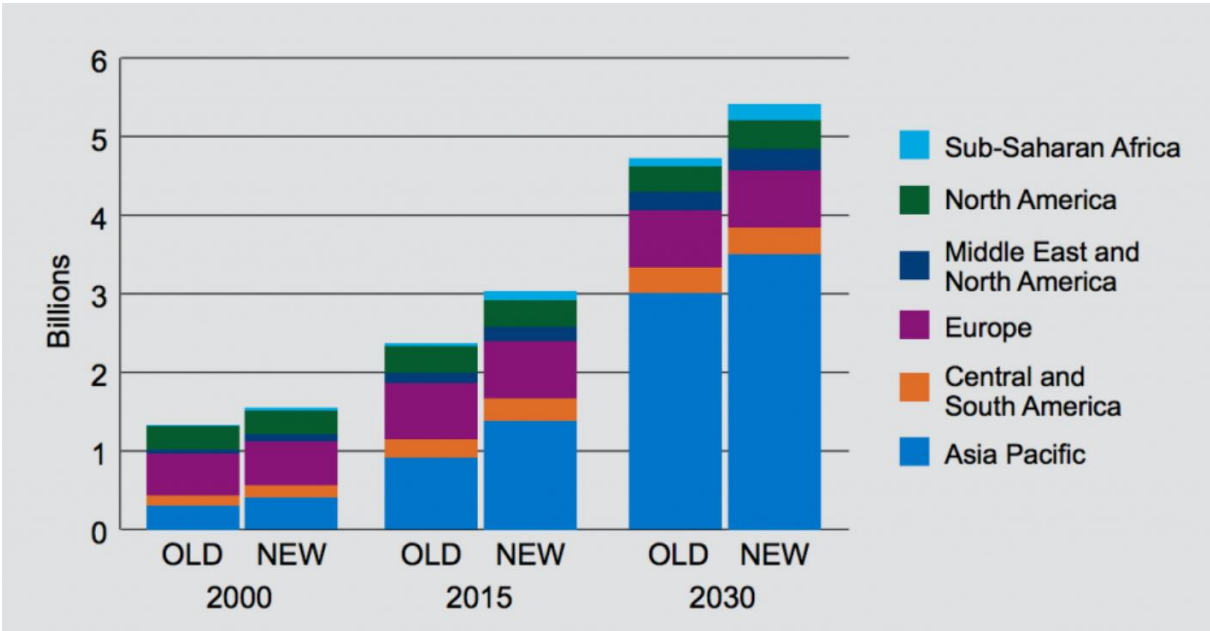
Finally, the fourth element that distinguishes the offer of premium brands from that of luxury brands is the target market. Premium brands target customers who generally belong to the upper-middle class. Customers of premium brands are curious and knowledgeable. They therefore look for a value proposition that can engage and excite them. Their purchasing choices are made on the basis of quality and value experiences, for which they are willing to pay a premium price that they can afford given their financial capabilities. This target customer base, however restricted, still includes a very large number of individuals. Luxury brands, on the other hand, target a very narrow customer base of very wealthy people. These people have often developed important social connections and buy luxury brand products to legitimise their position in the elite, increasing their social status. These consumers are not particularly price-sensitive and do not focus exclusively on the superior quality of the products, as is the case with premium customers. Consumers of luxury goods seek exclusive and highly personalised experiences. This is why luxury brands often organise private events by invitation and run restricted communities. They want to convey the message that owning a luxury brand product brings a person into a restricted club where they can feel unique, special and superior.

Since premium brands target customers belonging to the upper-middle class, it is essential to understand the state of health of this social class in order to understand the real business opportunities of the premium value proposition. In Italy the situation is not the best. 60% of Italians say they belong to the middle class.³⁷ Of these people, 48 percent feel a sense of downgrading and have the feeling of going backward in the social ladder. This feeling is also shared by the other social classes, especially the poorest, and is a further sign of the trend of growing economic inequality, that is, the increasing disparity of wealth between the rich and the poor. The crisis of the middle class in Italy is closely linked to the lack of economic growth over the past two decades. It is no coincidence that the boom in middle class growth occurred in the 1970s and 1980s, where Italian GDP grew by +42 %. This economic downsizing involving the middle class is not an exclusively Italian phenomenon, but also affects other advanced Western countries such as the U.S. and most of the EU countries, buffeted by high inflation and political and economic uncertainties. Globally, however, the middle class has been growing for decades. This phenomenon is largely attributable to the growth of economic conditions in emerging economies, especially in Asia, with the striking case of China, which has seen millions of its citizens move out of poverty and embrace a more affluent lifestyle in the past two decades. In fact, of the 113 million people who will join the global middle class in 2024, as many as 90 will be concentrated in Asia.³⁸ India and China will share more than two-thirds overall of the new middle class, with 33 and 31 million people, respectively. If the trend continues, the middle class in emerging economies will grow from 5 % in 2005 to 25 % in 2030, building a very large target market for premium brands.

³⁷ Censis, *Il valore del ceto medio per l'economia e la società*, 2024

³⁸ Il Sole 24 Ore, *La classe media nel mondo*, 2023

Figure 13. The size of the global middle class, 2000, 2015, 2030 (billion people)



Source: The World Bank

Italian companies that decide to become premium brands will need to consider these data carefully. The opportunities for growth are considerable, but predominantly concentrated in markets distant from Italy's. Therefore, it will be necessary to continue to develop the internationalization capacity of medium-sized Italian companies to reach foreign markets, where the greatest opportunities will develop, given the enormous growth of the middle class in regions such as Asia. The foundations on which to build premium brands exist. Therefore, it is now necessary to build brand enhancement pathways to offer these markets a new value proposition.

2.4 Premiumization

The previous section clearly showed how the creation of a premium value proposition represents a huge opportunity for many Made in Italy companies. The market is increasingly looking for this type of offer, and small and medium-sized Italian companies have the right elements to transform themselves into premium brands, elevating themselves from the crowded mass market and communicating with a target clientele more in line with their offer.

However, it is necessary to undertake a path of acceleration and valorisation that leads Made in Italy companies to become premium brands. This path is called Premiumization. Through this path, the brand undergoes a major transformation that redefines its identity and market perception. The premiumization path consists of well-defined steps that must be taken by all those companies that have identified premium customers as their target market.

The objective of the premiumisation path is to establish trust in the minds of consumers. Trust is crucial because it helps to build solidity, authority and reputation, which are essential elements for increasing one's influence and market share. To nurture trust in the brand, the premiumisation process involves three main activities: creating a distinctive and unique brand identity, offering a premium service and building an emotional connection with its community. A premium brand must excel in each of these three dimensions.

The first thing to do is to define one's brand identity. This involves creating a unique image and personality. The distinctive elements of the brand must be identified and enhanced through a careful communication effort. In the case of Italian SMEs, the elements that have to be valorised are often history, heritage, craftsmanship and the territory to which they belong. The brand personality must be compatible with the target audience, starting from the tone of voice to the graphic and visual style. Storytelling is an essential tool that premium brands must use in order to convey their message correctly, building a unique brand identity.

The second element that characterises the premiumization process is the enhancement of a superior offer. This does not only involve the quality of the product or service, but concerns more generally all the moments in which the brand interacts with its consumers. Premium brands offer experiences. Creating an exclusive experience includes offering a personalised service where the brand listens to and satisfies all the needs and requirements of its customer. High-quality customer service, where every interaction creates value for the consumer experience, is fundamental to the premium proposition. Offering personalised experiences helps in building a loyal customer base that feels deeply connected to the brand.

Finally, the third activity related to premiumization is building a direct relationship and emotional connection with one's customers to create an active community around the

brand. A brand with a strong distinctive identity that offers experiences that go beyond the mere product is able to create connections. It must, however, know how to transform these individual connections into a group relationship, creating a community of enthusiasts who reflect themselves in the brand's values and meet both online, especially on social media, and in presence, at moments organised by the brand such as events or workshops. The community is fundamental because it gives authority to the brand and helps define its solidity and uniqueness.

One example of a brand that has successfully entered the premium market is VeraLab. VeraLab was born from the idea of Cristina Fogazzi, an aesthetician who opened her own beauty centre in Milan in 2009. Fogazzi worked for years in the field of cosmetics and aesthetics and got to know the needs and desires of her clients. She understood that many of these women experienced discomfort because of the imperfections they find in their bodies. She then identified a need to be filled and acted as an ambassador for this group of people. In 2015, without major financial resources and with a remarkable spirit of initiative, she created her own brand - VeraLab - and began marketing her own line of body and skincare products, which over the years became one of the best-selling cosmetics brands in Italy, with a turnover exceeding 70 million euros in 2023.³⁹ The success of this entrepreneur and this brand is fully in line with the dynamics of a premium brand and VeraLab is a significant case study on how to effectively realise the path of Premiumization.

First of all, VeraLab became a brand with a very solid and recognisable identity. VeraLab was very clever in identifying the right target market, women who needed to be told that imperfections are normal and that cosmetics is a world that can also be taken lightly and ironically. Once the right target audience had been identified, VeraLab succeeded in communicating in an original and engaging way, expressing core values such as diversity, passion for make-up and a focus on Made in Italy and environmentally friendly products. Cristina Fogazzi played a key role in the communication. She got directly involved by creating the Estetista Cinica social page. Fogazzi thus positioned herself as ambassador and spokesperson for this group of women, communicating in an ironic, spontaneous and direct tone of voice. The Estetista Cinica thus manages to create a very solid social community around

³⁹ Il Sole 24 Ore, *VeraLab cresce e punta a espandersi all'estero*, 2024

herself, communicating as if she were a friend to confide in. She is not afraid to show her body and her uncertainties and does not promise miracles with her beauty treatments. The social pages became very popular. To date, the Estetista Cinica has more than one million followers on Instagram. This success creates a positive reputation, gives the brand authority and enables visibility that is crucial to VeraLab's commercial success as a premium brand.

VeraLab also goes beyond selling products and continuously creates engaging experiences for its community. Customer service acts at all points of contact with the brand. Starting from the initial consideration phase, where VeraLab is committed to spreading useful information about the world of cosmetics and aesthetics to the post-sales phase, where customers are followed and cared for with newsletters, feedback and direct relations with the online community. VeraLab uses relationship marketing. This type of marketing focuses primarily on the customer and the satisfaction of their needs, seeking to create a quality, long-term relationship by offering experiential moments that go beyond the sale of products. In fact, VeraLab continuously organises events to dialogue and connect with its community. It organises tours with the VeraLab beauty truck that goes around the main Italian cities, a circus on the move, events in public places such as the Brescia castle with thousands of participants. These types of experiences not only help to strengthen the active community, but also allow the collection of as much information as possible on the needs and requirements of the public. In this way, VeraLab succeeds in guaranteeing a high level, unique and personal service, rising above the masses and becoming a premium symbol.

The element that most distinguishes the VeraLab brand and elevates it into the premium segment is that of community. The “Estetista Cinica” has been able to create around herself and around her brand a group of very close and like-minded people who identify themselves in the VeraLab community. These people, in most cases women who do not fully appreciate their own bodies, feel like friends of the entrepreneur and the brand. VeraLab makes its customers feel like members of a big family, making them feel important and giving identity to the group, which becomes a real community. The VeraLab community has an extremely strong and defined identity. Starting with the community's name, the ‘Fagiane’, an ironic and humorous term that reflects the brand's tone of voice and generates identification and a strong

sense of belonging. Cristina Fogazzi is therefore able to establish a direct relationship with her followers and is always willing to listen to their feedback, dreams and wishes. This constant availability on the part of the entrepreneur is an indispensable factor for the success of the brand community because it allows the establishment of authentic and deep relationships. Relationships within the 'Fagiane' community are not only established between the entrepreneur and the customers, but also between the community members themselves. The 'Fagiane' act like a real family, sharing advice and fears, often interacting on social media. In fact, the VeraLab community is active physically but above all online. The Estetista Cinica is a very well-followed and highly commented page. The 'Fagiane' community meets in this space, where VeraLab supporters feel understood. They reply to posts, send each other memes and gifs. This community aspect amplifies the strength of the brand message.⁴⁰

VeraLab therefore fully represents a successful case of Premiumization. Thanks to the construction of a unique and strong identity through effective storytelling, thanks to the offer of personal experiential moments that go beyond the mere sale of products, and above all thanks to the creation of a community that identifies with the brand and conveys its message, VeraLab has succeeded in elevating its proposition, positioning itself as a premium brand. This allows the company to have a more accurate fit with its target audience, finding a profitable space in the market. VeraLab represents a case of success that can be replicated by numerous Italian companies. Companies with the characteristics highlighted in previous paragraphs, which have what it takes to rise to premium brand status. The foundations on which to build this path exist. It is therefore essential to structure a precise path that must be followed meticulously and rigorously by Italian SMEs if they want to reach the goals achieved by brands like VeraLab. Premiumization passes through three directions that must be equally valued: effective communication, unique experiences and community relationships. It is therefore necessary to deeply understand the dynamics of these three elements in order to create a market offer that can succeed among premium consumers.

⁴⁰ Netstrategy, *Caso VeraLab: quando il marketing diventa relazione*, 2023

Conclusions

The second chapter explores how the premiumization path represents a strategic opportunity for medium-sized Italian manufacturing companies. First of all, this chapter analyses the role that this type of enterprise plays for the Italian manufacturing system. Medium-sized enterprises are in fact the leading players in Italy's fourth capitalism and represent the natural successor of the industrial district phenomenon that made the Italian economy flourish in the second half of the 20th century. Thanks to their characteristics, medium-sized enterprises represent the perfect interlocutors for the path of premiumization. Recent studies show their vocation for the Altagamma market, which, however, cannot represent a real outlet market for the value proposition of these enterprises. In fact, medium-sized companies often excel in the role of suppliers of luxury brands but lack the strength to position themselves directly in the luxury market. Entering into direct competition with conglomerates, which have greater economic resources, a much more solid international presence and a high degree of business diversification, would be a strategic choice doomed to failure. However, medium-sized companies can successfully position themselves in an intermediate space between luxury and mass supply, which seeks products and services that coincide with the characteristics of these companies. The space in question is the premium segment.

After having verified the actual compatibility of the characteristics of medium-sized Italian manufacturing and craft enterprises with the value proposition of a premium brand, it is necessary to understand the main characteristics of the target clientele and the steps that are part of the premiumization process to enable the evolution of medium-sized enterprises into premium brands. A premium brand refers to a sensitive and aware clientele belonging to the upper-middle class. The study shows that the state of health of the middle class in Italy is not excellent. In general, there is an increasing polarisation of the economic situation of the country's citizens, with the portion of the upper middle class seeing its wealth grow at the pace of the rich citizens, while the middle class, as a result of inflation and market uncertainty, is increasingly struggling. At a global level, the situation is different. The emerging economies represent and will represent in the years to come a huge market with great potential. In 2024 alone, of the 113 million people who will become part of the world's middle class, over 90 million will come from Asia, driven by nations such as

India and China. Italian medium-sized companies will therefore have to develop their already good international capabilities in order to prosper and successfully position themselves in markets other than the West, where the greatest growth margins will be concentrated. For this reason, it will be essential to determine a rigorous premiumization path to be followed precisely by Italian companies aspiring to become premium brands. Identifying one's brand identity and communicating it effectively through narrative strategies such as storytelling, offering a high level of service through unique and customised experiences, creating a community of enthusiasts who identify with the values expressed by the brand. These are just the three directions that emerge from the second chapter and which need to be explored in more detail in the next chapter.

CHAPTER III

The emerging premiumization model

The premiumisation path must be rigorous and well defined. This chapter aims to specifically identify the activities and processes that must be carried out by companies that want to enhance their value proposition in order to position themselves in the market as a premium brand. The premiumisation process is divided into three directions. Identifying one's brand identity and communicating it effectively through narrative strategies such as storytelling, offering a high level of service through unique and customised experiences, creating a community of enthusiasts who identify with the values expressed by the brand. Every company that wants to embark on this path must undertake a process of self-analysis to understand its positioning in each of these three variables. This first approach is fundamental because it allows companies to define their priorities and the aspects in which it is most appropriate to start working to modify their offer and image. It is essential that this self-analysis activity is correct and lucid.

In order to be able to carry out this self-analysis activity, it is essential that the entrepreneurs and the management structure of the organisation have a clear understanding of the elements that make up the premiumization path. For this reason, this chapter will go into detail on the three variables that build the premiumization path, in order to provide a guide that can help companies in this brand enhancement activity. The definition of each direction of the premiumization path will be accompanied by references to authoritative economic-managerial literature that supports what emerges from the previous chapters.

3.1 From advertising to storytelling

The first variable that has to be taken into account when building a premium brand is the creation of a brand identity through storytelling. All premium brands on the market base their success strategy on a defined and distinctive image. Communication plays a very important role in the premiumisation process. A premium brand has to know

how to tell its story and has to understand what values to convey to its target audience in order to connect and create an active community around the brand. The first step in the premiumisation process is therefore to analyse the narrative variable.

Storytelling plays a major role in building a solid and authentic identity, especially when a brand aspires to position itself as premium. There are two different types of storytelling: creative storytelling and corporate storytelling.

Creative storytelling has little to do with building a premium brand. It is a type of storytelling that focuses on creating stories to be told and is often associated with artistic forms such as literature, blogs and social content. The objective of creative storytelling is to entertain people, without having a commercial or strategic purpose.

Corporate storytelling, on the other hand, has a strategic purpose and is a powerful tool that companies can use to build a successful narrative. It is a marketing tool and has a long-term time horizon. Corporate storytelling aims to create a narrative that communicates the corporate mission, values and success stories of the brand in an engaging way. This type of storytelling, if effectively implemented, allows companies to create deep and authentic emotional connections with their audience. Corporate storytelling, in fact, is not limited to just telling the company's story but corresponds to a more strategic vision of communication, to build an identity and positioning that can be clearly perceived by consumers. In the case of premium brands, corporate storytelling often focuses on the distinctive characteristics of companies such as quality, culture, tradition and desirability. The stories that are communicated through corporate storytelling are not simply related to product specifications but aim to generate interest and a sense of attachment and identification in the minds of brand consumers. Corporate storytelling, therefore, goes beyond mere advertising to connect with the consumer at all the various touchpoints. It must therefore be coherent, structured and unique. A premium brand not only tells the 'what' it sells, but above all the 'how' and 'why'. It builds an imaginary around the brand and arouses emotions in the minds of consumers, who feel involved and engaged. These are the potentials of strategic storytelling.

The storytelling trend is increasingly evident and growing. This is proven by various data mainly from the online world. People have always loved stories and seek out stories to make sense of things. The growth trend of storytelling content is, for

example, represented by the phenomenon of podcasts, audio content that can be accessed online or on dedicated platforms such as Spotify or Apple Podcasts. In 2023, 39% of people between the ages of 16 and 60 enjoyed this kind of content ⁴¹, a figure that shows that the focus on stories is both present and growing. Further evidence of the fact that storytelling is increasingly important in people's lives is the success of Instagram and more specifically Instagram stories, temporary content that users share for a limited period of time. More than 500 million users currently access Instagram stories on a daily basis. ⁴²

In today's market environment, however, storytelling is in crisis. Stories and corporate narratives are becoming increasingly ephemeral and meaningless. The market is saturated with fragmented content and stories turn into data, losing their ability to excite and engage people. This crisis of storytelling also extends to marketing more generally, where it becomes increasingly difficult for a brand to stand out from the crowd and propose something different from its competitors.

For premium brands, the storytelling crisis represents both a challenge and a great opportunity. Storytelling, in fact, cannot and must not be limited to a simple communication tool, but must represent the first and most important element of differentiation for a premium brand. Italian companies enjoy elements that make them unique on the market, but too often these elements - the history of craftsmanship, attention to detail, passion for one's work - are not properly valued and do not stand out in the eyes of consumers. Telling one's story and heritage in an original and authentic way therefore becomes a necessity for those brands that want to stand out and achieve a higher market positioning. In an increasingly crowded and competitive market, telling your own product is no longer enough. Customers, especially the premium ones, are looking for something more, something that excites and engages them. Companies must therefore be able to create a narrative that shapes a defined identity. They must communicate in an original and unique way. The process of corporate storytelling starts with the target audience. It is therefore essential to precisely study one's audience, to understand what type of narrative is most effective and most in line with the expectations, dreams and desires of one's community. The path is not easy and presupposes skilful internal self-analysis skills. Premium brands

⁴¹ IPSOS, *Digital Audio Survey*, 2023

⁴² Facebook, *Q4 Results 2017*, 2017

need to focus their efforts in this area at the beginning of their premiumization journey. If the crisis in storytelling is a well-established trend, companies must therefore be able to break out of this communicative impasse in order to elevate themselves, presenting themselves on the market in a unique and different way.⁴³

The opportunity represented by corporate storytelling is thus evident. It is therefore crucial to decline what steps companies that want to become premium brands must develop in this direction. The process of creating a brand identity through storytelling starts with corporate history. Corporate history belongs to the past. It is made up of facts, moments and people that have defined its steps. Some companies have centuries-old histories sometimes involving several generations of entrepreneurs, other companies have a more recent history. It is not the age of a company that determines an effective narrative, it is the content of this history that makes a brand interesting and attractive on the market. The story of a company is therefore about past events, and how it is interpreted and told is a strategic choice. Premium brands are very adept at what is called 'tinkering'.⁴⁴ They carefully select elements from their own history such as significant moments and iconic products and combine them with imaginary elements to create what is known as 'heritage'. The process of selecting elements from the company's history and merging them with further fictional elements is not a random activity. It is in fact a process that has the well-defined objective of creating a recognisable and unique identity, reflecting the values that the brand wants to convey to its audience. The story therefore serves as the basis on which to build a heritage that must then be communicated externally through an effective storytelling. In the case of Italian SMEs that aspire to become premium brands, the company's history is often characterised by generations of artisans who follow one another and hand down valuable know-how, which enables the creation of high quality and extremely customisable products. History is thus made up of people and products. This type of enterprise must know how to integrate its glorious history with imaginary elements that generate the myth, identifying a hero and generating interest in the public's mind. Engagement with the public must take place through a strategic narrative that knows how to strike the right chords with its target audience,

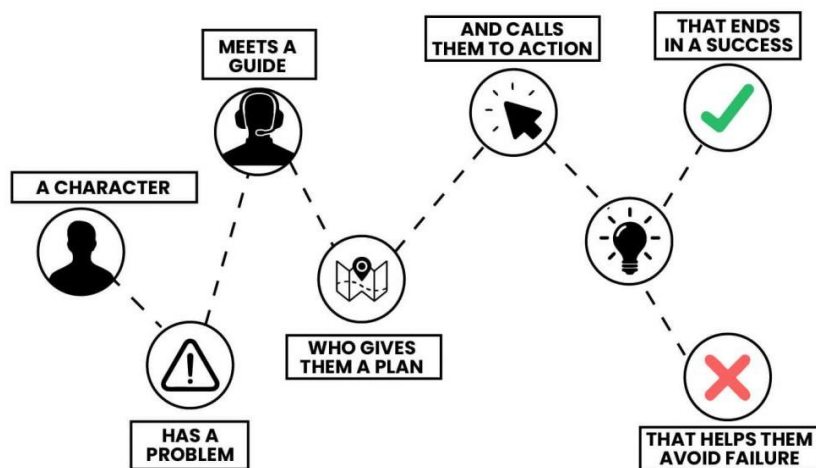
⁴³ B-C HAN, *La crisi della narrazione*, Einaudi, 2024

⁴⁴ P. YVES-DONZÈ, *Selling Europe to the world*, Blumsbury, 2023

differentiating itself from competitors and generating loyalty and a sense of belonging in people's minds.

Premium brands build a narrative and storytelling that often follows a defined pattern and places the customer at the centre of the story. This narrative structure was studied and codified by Donald Miller in the 7-Part Framework.

Figure 14. The 7-part framework by Donald Miller



Source: D. MILLER, *Building a Storybrand*, HarperCollins Publishers, 2017

According to Miller, the corporate storytelling of a premium brand can be summarised in a framework characterised by seven moments. Every company that wants to develop communication that places the customer at the centre of its business model should follow this narrative framework. According to the 7-part framework, the corporate storytelling must start with the protagonist who also plays the role of the hero. In the case of premium brands, the protagonist is the customer. The protagonist, in this case the customer of the brand, faces a challenge on his path. In the corporate narrative, however, the protagonist encounters a guide, a mentor who provides him with a plan on how to deal with this challenge. This guide is represented by the premium brand. In fact, the brand stands as the component of the story that is able to understand the customer's needs and problems and succeeds in offering a product or service that fully satisfies the desires of the customer who would otherwise be lost and disoriented. The fifth step of the framework is the call-to-action moment. The customer, at the centre of the story, is invited by his guide - the brand - to act.

The action, which can manifest itself in the purchase of the product or in joining the brand community, can have two consequences. On the one hand success, represented by the ultimate satisfaction of the customer's need, on the other hand failure, a threat that could have materialised if the protagonist, in this case the customer, had not met his guide, the brand.⁴⁵

This narrative scheme is as simple as it is effective and is adopted by most premium brands because it places the customer at the centre of the story. By doing so, the customer feels unique and develops a strong sense of belonging and loyalty to the brand. It is therefore important for companies that want to develop this type of communication to identify the various steps of the framework to compose their corporate storytelling.

Corporate storytelling is therefore a powerful communicative tool in the hands of companies and an essential element of the premiumisation journey. It allows brands to position themselves strongly and helps to build a deep emotional connection with their target audience. The bond that is created between the company and its audience is fundamental to a premium brand because it allows the company to go beyond a simple commercial relationship by creating a relationship that is based on trust, authority and the esteem that members of the community around the brand have for the value proposition. To build this kind of emotional connection through storytelling, however, it is essential to rigorously and precisely define the brand's identity. A premium brand must have a precise and well-defined identity and must be grasped by consumers for the characteristics that differentiate it from other propositions on the market. Only a brand with a strong identity can tell stories that are credible and interesting. It is therefore central to define what is meant by the concept of brand identity.

Brand identity is the set of characteristics, values and attributes that determine the public's perception of a brand. Brand identity determines the brand's personality and is the main element that makes a premium brand's value proposition recognisable and distinguishable. Brand identity is the aspect that most contributes to creating a bond of attraction and loyalty on the part of consumers, who identify with the values expressed by the brand and become its ambassadors.

⁴⁵ D. Miller, *Building a Storybrand*, HarperCollins Publishers, 2017

According to Andrea Semprini, the concept of brand identity is a complex system that is articulated on three different levels. At the core of a brand identity are the core values, those values that represent the essence of the brand, embody the vision and mission, and are shared by both the entrepreneur and the community that revolves around the brand. The second level that constitutes brand identity is narrative, which is the way core values are communicated to the outside world. Storytelling has the task of creating an emotional bond with a brand's audience, transforming the brand's values into desirable attributes by the target consumers. Finally, the third level that characterises brand identity is that of surface elements, which are the most visible and tangible aspects of the brand such as the logo, reference colours, design style and product packaging. This last level contributes to defining the imagery related to a brand and makes it unique and recognisable.⁴⁶ The concept of brand identity is fundamental to the creation of a solid premium brand. VeraLab, a company previously identified as a successful example of a premium brand, has a very solid and recognisable brand identity. In this case, the core values are transparency, effectiveness and self-irony. The narrative is strongly linked to the figure of the founding entrepreneur, Cristina Fogazzi, who through the character of the 'Estetista Cinica' acts as an ambassador for her community. Finally, the surface elements are the colour pink and the playful design style, in line with the brand identity.

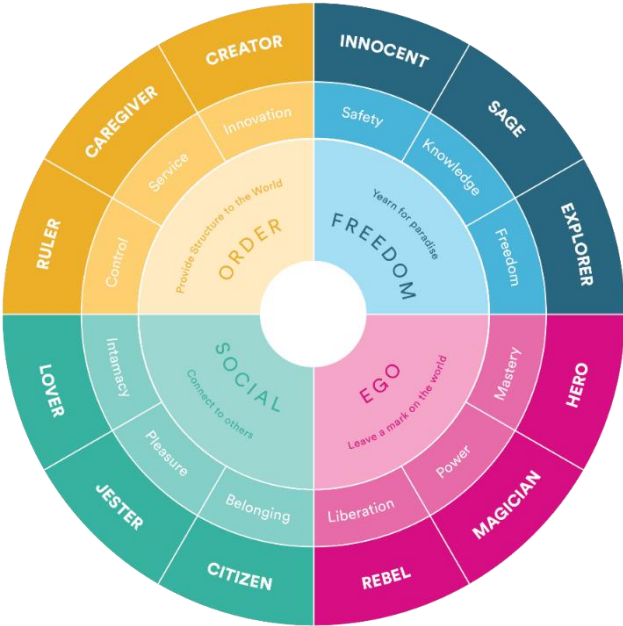
Brand identity is an essential element of a premium brand because it defines its personality. The personality of a brand is the human attributes that characterise it, making it more relatable and closer to consumers. Personality is the element of a brand that most nurtures the connection with the target audience, as it helps to 'humanise' the brand, emotionally connecting the company with consumers. The main tool used in marketing to define a brand's personality is the concept of archetypes theorised by Swiss psychiatrist and psychoanalyst Carl Gustav Jung. Jung defined archetypes as the universal patterns of human behaviour that represent values, aspirations and motivations.⁴⁷ This concept has been adapted in the field of marketing to introduce the concept of brand archetypes. In the context of branding, archetypes define the personality of a brand and how that brand is perceived by the public, acting as a guide to structure a coherent and meaningful corporate

⁴⁶ A. SEMPRINI, *La marca. Dal prodotto al mercato, dal mercato alla società*, Lupetti, 1996

⁴⁷ C. G. JUNG, *The Archetypes and the Collective Unconscious*, Princeton University Press, 1969

storytelling. There are 12 brand archetypes that delineate 12 different personalities. Each archetype fits within one of four main categories: independence, change, stability and belonging. Companies embarking on the path of premiumization must therefore establish their own identity and build their own personality, framing themselves within one of the twelve brand archetypes. In this way, the brand is elevated from a mere supplier of products to an entity with which the community can identify and interact, creating an authentic relationship.

Figure 15. The twelve universal brand archetypes



Source: FluxBranding

In conclusion, the premiumisation path starts with the analysis of the narrative variable. Without a built heritage, a clear and unique identity and a defined personality a brand cannot aspire to position itself in the premium segment. The steps identified above must be followed scrupulously and frameworks such as Donald Miller's and the twelve brand archetypes are just a few examples of practical tools that companies can use to improve their corporate storytelling. If a brand masters this variable, then it will then be possible to focus on the other two variables that contribute to the creation of a premium brand: experiential moments and active community.

3.2 From service to experience

An essential element that characterises premium brands is the offering of experiential moments. The second fundamental step in the premiumisation process is therefore to analyse the offer proposed by the company to see what kind of value proposition is being offered to its community. Premium brands are valued because they elevate service to experience. They offer something more to their customers, something unique and personalised and make them feel special. The experience offering is therefore a crucial aspect on which all companies aspiring to become premium brands must pay attention and invest.

Experiences move people. They arouse feelings that make people active participants. If a brand succeeds in elevating its offer and moves from offering its customers a service to offering unique and personal moments, the level of emotional connection with its target audience will increase and become more solid. These are the premises on which the concept of brand experience is based. The brand experience is the set of perceptions, emotions and reactions that a consumer develops when coming into contact with a brand. The more impactful these emotions are, the more engaged and connected the consumer feels. A strong brand experience creates belonging and identification in the consumer's mind. It is therefore essential for premium brands to build a successful brand experience. This element is a strong differentiating factor and allows brands to position themselves in a higher segment than mass-market brands. Making unique every moment in which the consumer comes into contact with the brand therefore guarantees a high level of loyalty, which translates into connections and communities of active fans, conveying the premium brand message and amplifying its image in the market.

In today's context, consumers increasingly seek unique experiences. There are various data demonstrating this trend. In the tourism sector, this trend is becoming increasingly structural. It is called experiential tourism and is a type of holiday that focuses on the experience of the individual and the community rather than just the destination. In fact, in 2023, more than 35% of tourists who visited Italy and sought experiences that went beyond touristic visits.⁴⁸ The same trend can also be found in other sectors, such as museums, where immersive experiences involving the visitor

⁴⁸ ENIT, *Il turismo in Italia Gen-Nov 2023*, 2023

at 360 degrees are increasingly appearing. Big screens, visors, augmented reality, four-dimensional projections. These are just a few examples of how consumer demand for experiences is changing many sectors. In fact, it is estimated that by 2026 the market value of extended reality, which includes both augmented and virtual reality, will reach \$100 billion. ⁴⁹ Important figures that snapshot an increasingly strong trend, which cannot be overlooked by companies aspiring to achieve a higher positioning.

There are various ways in which a company can create economic value and experience represents the conclusion of what is referred to as the concept of economic value progression. According to this concept, theorised by B. J. Pine and J. H. Gilmore, the economic value realised by a business evolves through a progression from raw materials to transformative experiences. The value created by an enterprise intercepts four moments. In fact, the value chain starts with the raw material, the basis of every traded product. Starting with the raw material, the enterprise creates a tangible good, a product that it can sell on the market. The third level of the economic progression is characterised by service, which is the activity carried out by the enterprise through its employees to satisfy the customer's need. For the purposes of differentiation, the last and most relevant level of economic progression is that of offering experiences. Premium companies must go beyond simply providing goods or services. They must offer experiences. These experiences must be transformative. The consumer, after coming into contact with the brand through the brand experience, must feel transformed, different, better. He must perceive that his life has improved as a result of that interaction. The brand then acts as a partner in the journey of personal growth and fulfilment. A brand can only define itself as premium by moving from the third to the fourth level of the economic value progression. ⁵⁰

Experiences differ from service offerings in a number of well-defined characteristics that make them unique. First and foremost, brands must “stage” experiences. This concept refers back to theatre, where every aspect, from music to lighting, is curated to excite and engage the viewer. The same thing must happen with premium brands.

⁴⁹ Statista, *Extended reality (XR) market size worldwide from 2021 to 2026*, 2023

⁵⁰ B. J. PINE, J. H. GILMORE, *The experience economy: competing for customer time, attention and money*, Harvard Business School Pr, 2019

Every experience offered to consumers must be unique and mythical. The second characteristic of the brand experience is memorability. This aspect is one of the most relevant because, in addition to being transformative, the experience must also remain in the consumer's mind for a long time, triggering a positive memory and a sense of belonging to a community. The third attribute of the brand experience relates to the personal dynamics of the experience. Premium consumers like to receive something that is unique to them and makes them different from the crowd. They therefore demand a tailored experience that fits their wants and needs. Again, a highly personalized experience leads to greater connection and increases perceived value and brand image. An additional feature of the brand experience that differs from offering a service concerns how the consumer is perceived by the brand. Mass brands that offer a service perceive the consumer as a customer. Premium brands that offer a transformative experience perceive the consumer as a guest. They value him, respect him, and make him comfortable. At the centre is no longer the product, as in the case of mass brands, but the consumer, who must be satisfied and surprised and becomes the protagonist of the experience. Finally, the last aspect that differentiates experiences from services is that of feelings. Transformative experiences, in fact, touch all the consumer's senses. Sight, hearing, smell, taste, and touch must be stimulated. The premium brand transports the consumer to a different dimension, where interactions, perceptions and emotions make the experiences memorable.

An additional element that characterizes and shapes brand experiences is authenticity. Premium consumers, who often have a deep sense and knowledge of things, seek products and experiences that are authentic, as opposed to the often overly commercial and artificial experiences offered by mass-market brands. Authenticity refers to the idea of a brand being true to itself and not distorting itself for commercial reasons. Brand identity plays a key role in this aspect. If the brand presents itself with a certain identity but then communicates and acts in another direction, then it loses credibility, authority, and authenticity. If the consumer of a premium brand perceives that the experiences offered by the brand are authentic and consistent, he or she will develop a higher propensity to consume and a greater loyalty and sense of belonging. There are six components that contribute to defining an authentic experience. First and foremost is accuracy. An authentic experience

involves fulfilling the promises and expectations created by the brand in the consumer's mind. Therefore, the brand must attend to every detail to avoid dissatisfaction and inconsistency. The second element is connection. An authentic experience allows the consumer to enter into a close emotional connection with the brand. The consumer feels engaged, espouses the brand's cause, and shares values and visions about the future. The third element that determines an authentic experience is integrity. A brand must act in accordance with its ideals and in a way that is ethical and consistent with its values. This contributes to the brand's reputation. If the brand offers experiences that do not adhere to the ethical values promoted to the public, its reputation will be severely damaged. It is crucial to maintain a positive reputation because without it will be very difficult to successfully position in the premium segment. The fourth element of authentic experiences is legitimacy. A premium brand is legitimized by its history, reputation, and the experiences it offers. Consumers value authentic experiences, and this aspect legitimizes the brand and allows it to position itself more strongly, differentiating itself from the competition. An authentic brand experience must also be original. This is a key differentiator. Offering original experiences, however, does not involve changing the nature and identity of the brand. A brand must stay true to its history, while continuing to innovate and offer unique and original moments that stand out in the marketplace. Expertise is the last element that characterizes authentic experiences. To be credible, a brand must also possess the skills and know-how that enable the delivery of authentic experiences. In addition, it must know how to transfer knowledge to its audience by holding a formative and reference figure. In this way, an authentic experience contributes to building authority in the marketplace.⁵¹

There are three types of experiential moments that a company that wants to embark on the path of premiumization must take into consideration: product experience, shopping experience and consumption experience. The product experience occurs at all those moments when the consumer comes into contact with the product offered by the brand. This interaction occurs at different stages. From the search for the product, to the analysis of its characteristics to the selection and purchase. In the case of premium brands, the product experience is very important, as the consumer

⁵¹ J. C. NUNES, A. ORDANINI, G. GIAMBASTIANI, *The concept of authenticity: what it means to customers*, Journal of Marketing, 2021

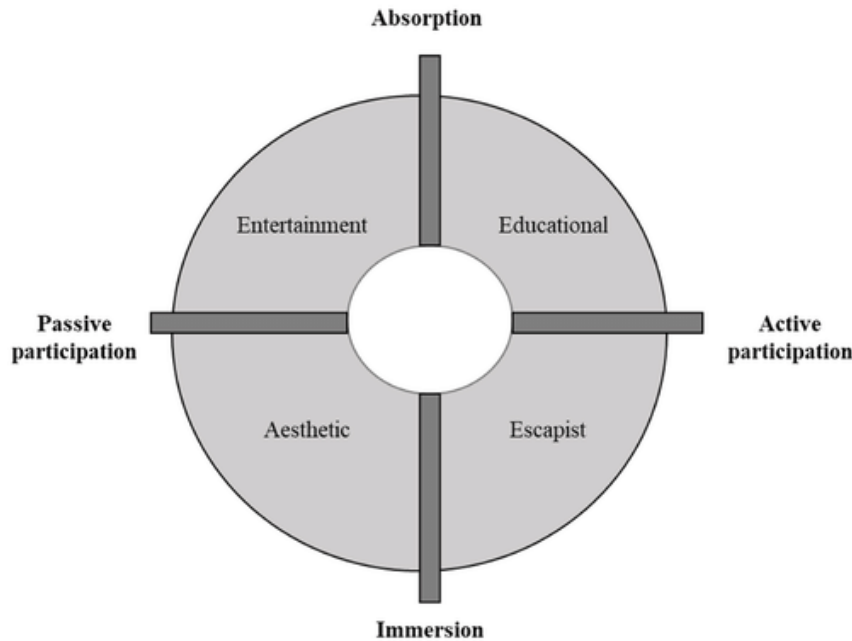
seeks to understand whether the product reflects the identity that the brand communicates externally. A mismatch between product and brand identity ends in a negative product experience that can coincide with consumer loss. Another experiential moment is the shopping experience. The shopping experience occurs when the consumer comes into contact with the physical or virtual environment in which he or she perfects the purchase of the premium product. The shopping experience represents a moment of immersion in the brand world. Every aspect, both physical and digital, must reflect the elements that characterize a premium brand. There must be theatricality; the customer must be at the centre of the experience, must feel unique and special. The staff must be properly trained and the spaces must inspire the consumer so as to retain and amaze them. Finally, the consumption experience is the moment when the consumer satisfies their need, using the product or service they have scrupulously researched. The consumption experience closes the circle of experiential moments and, as it concludes, must be an experience that exalts the consumer. He must find in the purchased product all the attributes that were presented to him in the previous experiential moments. If this occurs, the premium brand acquires a loyal consumer who is unlikely to turn to competitors but is likely to repeat his or her shopping experiences.⁵²

For a premium brand, being able to offer transformative and memorable experiences is therefore one of the main differentiators and determines its market positioning. However, for a company that wants to gain accreditation in this segment, it is essential to understand what kind of experience it can offer its customers. B. J. Pine and J. H. Gilmore have theorized a framework called the “Four Realms of Experience,” and it is an extremely effective tool for identifying what kind of experience to offer its consumers depending on two variables, involvement and degree of connection. Consumer involvement can be passive, when there is observation and listening, or active, when the consumer is directly involved in creating the experience. The degree of connection of the brand experience, on the other hand, can result in absorption, when the connection occurs more on an emotional level, or immersion, when the consumer becomes physically part of the experience. Depending on these two variables, it is possible to identify four realms of

⁵² B. H. SCHMITT, L. ZARANTONELLO, J. J. BRAKUS, *Brand experience: What Is It? How Is It Measured? Does It Affect Loyalty?*, Journal of Marketing, 2009

experience that have different characteristics. An experience can in fact be entertainment, educational, escapist or aesthetic.

Figure 16. The four realms of an experience



Source: B. J. PINE, J. H. GILMORE, *The experience economy: competing for customer time, attention and money*, Harvard Business School Pr, 2019

An entertainment experience occurs when the consumer is passively involved and absorbs the experience without actively participating. Thus, the consumer is exposed to a stimulus but does not interact directly. An example of this type of experience is watching a movie at the cinema or a product presentation at an event. An educational experience occurs when the consumer actively participates, with a degree of connection tending toward absorption, aimed, for example, at learning something new. An example of this type of experience might be a workshop offered by a brand to learn new things in an unfamiliar field. An escapist experience occurs when the consumer is both actively participating and immersed in the proposed activity. This type of experience is highly immersive and the consumer tends to escape from ordinary reality. An example of an escapist experience might be a visit to a theme park or an immersive gaming experience such as an escape room. Finally, the aesthetic experience involves with a degree of immersion the consumer, who passively participates in the experience. He simply appreciates the beauty and

atmosphere around him. In this type of experience, the senses play a key role. Examples of this type of experience include a visit to a corporate museum or inspirational space. A premium brand generally succeeds in combining the four realms of experience to offer experiential moments that cover all the proposed categories. It is also possible to generate a cycle of experiences that starting with entertainment experiences stimulates the consumer's mind, through an aesthetic experience engages the audience on an emotional level, and with an escapist experience engages on both an individual and collective level the target audience. In general, the "Four Realms of Experiences" tool is useful for companies aspiring to become premium brands to understand what types of experiences are not yet incorporated into the company's offerings. Through the framework, a company can also identify the type of experience that best suits its target audience, based on data collected from the field. If, for example, a company's target audience is characterized by older people who are looking for absorbing experiences, it is likely that the company's brand experience strategy will point toward offering educational experiences. This process can be carried out by all companies with a clear target market and a well-defined brand identity.

After highlighting the potential represented by offering experiences for premium brands and outlining the characteristics that these experiential moments should have depending on the target audience, it is useful to understand how this element of the premiumization journey contributes to nurturing consumer loyalty. Brand experiences, if carefully planned and consistent with the corporate image, create a long-term impact on consumers because they stimulate their emotional and sensory engagement. Experiences, if positive, help build connections and emotional bonds, nurturing consumer loyalty. Consumer loyalty occurs both at the behavioural level, with a repeat purchase of products and services offered by the brand, and at the attitudinal level, with an increase in the emotional attachment that consumers develop toward the brand. The latter dimension is particularly developed in premium brands, where consumers deeply identify with the values promoted by the brand and become its ambassadors, active members of the brand community.

In conclusion, the provision of transformative and memorable experiences is the central element around which a solid and lasting relationship with consumers is built. For this reason, it is critical that companies that decide to embark on the

premiumization journey develop these moments within their value proposition. Offering unique experiences and building a solid identity are the first two variables that guarantee successful positioning in the premium segment. These two elements are essential for the creation of a solid and active community around the brand, the third key element of the premiumization journey. It is therefore essential to understand how experiences and storytelling can be strategically leveraged by companies to generate a brand community, transforming individual relationships into communitarian ones. The next section aims to clarify the answer to this question, through a scientific and academic approach.

3.3 From client to community

Turning individual relationships into an active, participatory community. This is what premium brands do. Without a solid group of supporters who become spokespeople for the brand's corporate values and mission, successful positioning in the premium segment is difficult to achieve. Through offering unique and transformative experiences and leveraging corporate storytelling to communicate effectively, a brand community can be created. This aspect relates to the third step in the premiumization journey. It is therefore essential to understand the dynamics involved in the brand community variable in order to identify the steps that companies aspiring to become premium brands must undertake.

As a first step, it is helpful to understand what a community is and what the defining aspects of a community are. A community is a collection of individuals who share a strong sense of belonging and connection to one another. The bond that develops within a community goes beyond aspects of geographic proximity and extends to sharing ideals, passions, ways of living and understanding life. In communities, a collective identity that distinguishes the group from other communities and characterizes the members who take part in it is developed. The main characteristics of a community can be summarized in three variables: shared consciousness, rituals and traditions, and a sense of moral responsibility. Shared consciousness refers to the awareness that members of a community develop relative to the fact that they are part of something bigger than themselves. Members then develop a feeling of unity and oneness, which makes them feel part of and included in a given context. Shared

consciousness develops in two directions. On the one hand, community members identify themselves within a group of which they feel proudly a part. On the other, community members feel different from those who do not participate in their community, and this perception amplifies their bond and sense of belonging to the community to which they belong. Communities develop and consolidate through rituals and traditions that are repeated over time. These two elements are essential in spreading the culture and identity of the community to members, as well as acting as tools to strengthen participation and the degree of internal involvement. Rituals are actions that are repeated and represent symbols of the community, helping to reinforce its identity. An example is the Sunday service for a Christian community. Traditions, on the other hand, are all those social practices that aim to transfer knowledge within the community, identify behavioural norms and values that characterize the group. In this regard, again for the Christian community, an example of tradition is the celebration of Christmas, which takes place on a regular basis according to well-defined rules. Finally, a sense of moral responsibility is that element that acts as the glue within the community. Indeed, community members develop a sense of responsibility to other active participants and are ready to support and protect the interests of the community to which they belong. This collective responsibility manifests itself both in a commitment to defending the reputation of the community's image and in behaviours of care and concern for others. Bonds within the community thus become stronger, embracing a common purpose.⁵³

There are different types of communities depending on the characteristics of their members. In detail, six different types of communities can be identified. Geographic, interest, professional, virtual, cultural and brand communities. Geographical communities are formed by people living in the same geographic location such as may be a neighbourhood or a country. The identity of these communities is often determined by local culture and affection for the area. Communities of interest are formed by people who share a common passion, hobby or interest in general. These communities are formed regardless of geographic location and are nurtured through moments of sharing, which can take place either in-person or virtually. Professional communities, on the other hand, are composed of people who share the same profession. They thus generally arise in work settings and have as their main value

⁵³ A. M. MUNIZ, T. O'GUINN, *Brand Community*, Journal of Consumer Research, 2001

that of mutual support. In fact, they are used to exchange information, opinions and advice and to develop a network of contacts that nurtures the individual growth of members. Virtual communities differ from other types of communities in the manner in which members come together. In fact, in virtual communities, ties are developed exclusively online, where people who share passions or values come together on forums, social networks and discussion groups. Cultural communities bring together people who share the same culture, language and ethnicity. In cultural communities, the sense of belonging is highly developed, and the element that acts as the group's glue and identity is that of shared history. Finally, brand communities are groups of people who gather around a specific brand, sharing its values and appreciating products and services offered by the brand. In brand communities, the emotional connection formed between the enthusiasts and the brand is the main element that fuels loyalty and fidelity, two elements that distinguish this type of community. Members of a brand community actively participate in and help fuel business innovation.

It is on the latter type of community that the premiumization journey focuses. A premium brand must know how to build a brand community, starting with offering experiential moments and communicating through effective storytelling. A brand community is not geographically bound but unites individuals who share a passion for and interest in a brand that knows how to excite and engage them. The success of the brand community depends on the intensity of the relationships the brand is able to establish. Members of a premium brand's community must be involved in various activities and must actively participate in the initiatives proposed by the brand. In this way they become a strategic asset, conveying the brand's message outside the community, increasing the brand's visibility and voice.

For a company that wants to create an active brand community, it is essential to know what strategic elements a brand must possess in order to develop a community around its value proposition. The first essential element that a brand must possess in order to build a community is image. When the brand image is clear, unique and distinctive, it is easy to attract consumers who identify with and recognize certain values and meanings. In order to nurture a community, it is essential that the brand image is recognizable. Consumers want to feel part of something that represents them and is a source of inspiration and motivation for them. The second requirement

that a brand must possess to create a brand community is an emotional culture. If a company offers experiences that engage consumers emotionally, giving space for feelings, they will more easily develop a bond and connection with the brand. When a brand can evoke positive emotions such as joy, happiness, and excitement, more intense relationships are created than when the value proposition is about simply offering a service without personality. The third characteristic shared by brands that succeed in building a community is history and reputation. Particularly in the case of premium brands, reputation is one of the aspects that most facilitates community enlargement. If a brand has a successful and original story that is effectively communicated, consumers feel more attracted to the brand. This increases authority and reputation, which prompts consumers to join the passionate group. Finally, the fourth element that connotes brands that create successful communities is the visibility of brand consumption. This aspect refers to the public use of the products offered. This gives the brand more exposure to the generalist audience and multiplies the occasions when various individuals can be attracted to the company's proposition, thus increasing the chances of broadening the brand community. Indeed, people tend to want to be part of visible and active groups that offer rewarding collective experiences.⁵⁴

Having an active brand community is not only a tool that serves to increase the degree of connection with one's customers but offers, especially in the case of premium brands, several strategic advantages for the brand. First and foremost, a brand with a strong community can count on a loyal and resilient customer base. People who become part of the brand's community are not just customers but are true fans who feel emotionally connected. This dynamic represents a strong strategic business advantage because the brand knows that even in times of crisis or difficulty the community will continue to support and embrace the value proposition offered by the company. Community therefore brings security and solidity. Another aspect that fuels the strategic value of the brand community is the fact that members develop low price sensitivity. This means that consumers are so attached to the products and services offered that they will not go in search of cheaper alternatives; they will prefer to remain loyal to the brand. This allows the company to be able to maintain its

⁵⁴ H. J. SCHAU, A. M. MUNIZ, E. ARNOULD, *How Brand Community Practices Create Value*, Journal of Marketing, 2009

premium pricing strategy without having to enter a price war with its competitors. The third strategic element related to the availability of a brand community is given by its natural ability to expand. Community members, in fact, become the first brand ambassadors and through word-of-mouth help spread the company's message to the market. In this way the brand expands in an authentic way. It is much more impactful to receive a recommendation from a friend than to be stimulated by an advertisement. Through word of mouth, then, the community is nurtured and grows. Being able to have a community of enthusiasts is therefore a great competitive advantage. In fact, community members are often so involved that they disregard the value proposition of competitors. Indeed, they consider the products offered by their favourite brand to be irreplaceable and develop a sense of belonging that continues to fuel this perception. This aspect allows companies that become premium brands a continuous prosperity, without having to constantly differentiate themselves. It is not the features of the product that make the difference, but the emotions aroused by the product itself. This is what premium brands focus on most, aware of the strategic advantage represented by the connections created with their community.⁵⁵

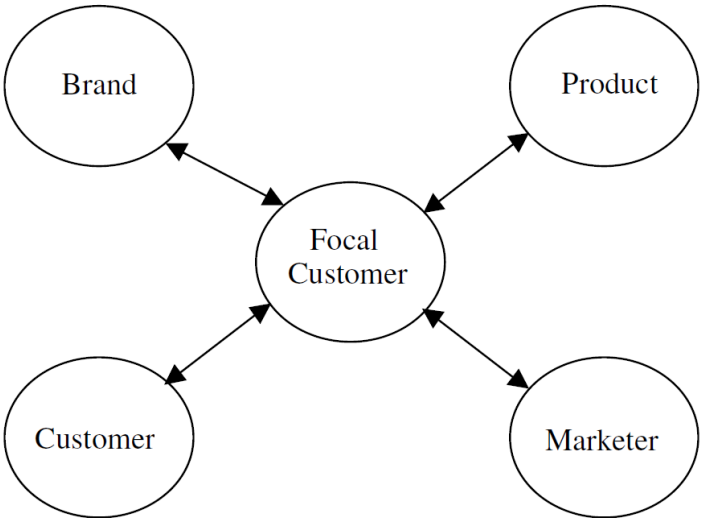
A successful brand community revolves around the relationships established within it. It is therefore critical for a company that wants to position itself in the premium segment to understand what kinds of relationships need to develop within its brand community. There are three models that frame the types of relationships a brand can establish with its consumers, depending on the degree of complexity and interconnectedness. In the traditional model, the relationship between the brand and the customer is bidirectional. The brand communicates its values through its value proposition, and the customer simply receives the brand's message and likes or dislikes the proposed offering. This is the most basic model of brand-consumer relationship and does not trigger a community dynamic but an individual one. The brand community triad model, on the other hand, introduces the community dynamic, going beyond the simple traditional model. In fact, a third dimension is introduced, that of the relationships among the various members of the community. The brand then continues to target its consumers but they develop a community, interacting with each other, exchanging ideas, opinions and experiences related to the brand. It is

⁵⁵ S. A. THOMPSON, R. SINHA, *Brand Communities and New Product Adoption: The Influence and Limits of Oppositional Loyalty*, *Journal of Marketing*, 2008

only the third model, however, that truly frames the relationships that develop within a premium brand community. The model that expresses this type of relationship is called the customer-centric model. This pattern puts the consumer at the centre who becomes the main protagonist of community activity. In this model, relationships take on a decentralized nature, with the brand acting as the facilitator of internal relationships. In fact, the structure of this model is much less hierarchical and more dynamic. Consumers act freely, communicating with each other, with the brand, with the product, and with marketers. They are fully involved in the activities proposed by the brand and participate by co-creating, proposing innovations related to products and services, with ideas, feedback and expertise. They thus contribute to creating value, becoming key players in the business innovation process. In the customer-centric model therefore, the active participation of the consumer is at the centre. In addition, consumers accrue more and more awareness, as they become the main responsible of corporate reputation.

Brands that adopt this model give a lot of weight and value to their community, knowing that if consumers perceive this, they will react by increasing loyalty, engagement and loyalty to the brand. It is therefore a very dynamic type of relationship, where each actor receives according to what they give. Active participation, co-creation and dynamism. These are the elements that distinguish relationships within a premium brand community.⁵⁶

Figure 17. Customer-Centric Model of Brand Community



⁵⁶ J, H. MCALEXANDER, J. W. SCHOUTEN, H. F. KOENIG, *Building Brand Community*, Journal of Marketing, 2001

Source: J. H. MCALEXANDER, J. W. SCHOUTEN, H. F. KOENIG, *Building Brand Community*, Journal of Marketing, 2001

Building brand communities is a key activity in the premiumization journey because it nurtures consumer loyalty. The trust and affection that consumers develop toward the brand are the two main elements that lead to active engagement and participation. Trust is generated when consumers perceive that the brand delivers on its promises, while affection and emotional connections are generated when consumers participate in the experiences offered by the brand and are affected by them, eager to become part of something bigger than themselves, a movement, a community. Loyalty and affection generate commitment. Consumers become members of a group and develop a desire to maintain a long-term relationship. Community members' commitment then translates into loyalty through three behaviours. First with repurchase intention, which develops when consumers become more inclined to repurchase a brand's product or service rather than turn to competitors; second with positive word-of-mouth, which strengthens the brand's outreach and reputation with community members who become active ambassadors; and finally with constructive feedback, which is the set of comments and ideas that arise from the open and dynamic relationship that develops in the context of co-creation between the brand and its community members.

In conclusion, for a premium brand, the availability of a community of fans is a valuable strategic asset. Through a community, a brand is able to increase the trust and participation level of its consumers, innovating through co-creation practices and conveying its message and values through the word-of-mouth of its members, the brand's first ambassadors and supporters. The premiumization journey ends with this variable. After having created a solid and unique brand image, communicated it through an effective corporate storytelling, offered memorable and transformative experiences to its consumers, and succeeded in transforming individual relationships with its customers into a community, the brand has the necessary characteristics to be able to successfully position itself in the premium segment, where it will be able to achieve higher margins by engaging in dialogue with a customer base that best suits the characteristics of its value proposition. The path at this point in the thesis has been precisely outlined. It is now up to Made in Italy SMEs to implement it successfully.

3.4 The Premiumization Evaluation Model

During my university studies, I had the opportunity to collaborate with Upskill 4.0, a spin-off of Ca' Foscari University that focuses on innovation projects, supporting the growth and digital transformation of companies. It was a great opportunity for me to grow personally and professionally, and I had the pleasure of putting into practice the knowledge I learnt during my academic studies. Specifically, I was able to focus on the concept of premiumization, studying how different companies could become premium brands by implementing the strategies that have been described in the previous pages. I participated in training workshops on the subject, discussed with professionals in the field and also had the opportunity to speak directly with several entrepreneurs, who shared with me and my colleagues their thoughts and vision on this positioning strategy. This fieldwork has been extremely useful in expanding my knowledge in the field of premium brands and testing the applicability of theoretical concepts on Made in Italy companies.

The project that was most in line with the themes of premiumization is 'ARTIGIANI 4.0', a digital acceleration path involving eleven companies in Lombardy. The project was promoted by the Lombardy Region and implemented by Upskill 4.0. The aim of the project is to promote Lombardy's high craftsmanship through targeted enhancement strategies that are developed both from a strategic and a technological point of view. The project includes an initial training phase and the creation of a community of enterprises and entrepreneurs. In this first phase, 'ARTIGIANI 4.0' offers companies educational content on the three variables that contribute to the formation of a premium brand: storytelling, experience and community. Entrepreneurs have the opportunity to participate and exchange ideas and opinions, giving rise to virtuous and co-creative paths that enable both individual and collective acceleration. The second part, on the other hand, is more related to the practical implementation of the challenges set by the various companies in the initial phase. Upskill 4.0, in cooperation with its technology partners, will therefore help the eleven companies in Lombardy to develop innovative solutions that will enable the companies to achieve a higher positioning, transforming themselves from high-craft enterprises with great potential into true premium brands. This project, therefore, has the perfect basic

elements to apply what has been outlined in the previous pages. The companies that joined the acceleration process have the characteristics outlined above. They are small and medium-sized Italian companies within the craft and manufacturing sector. They therefore represent the group of companies that is best suited to the premiumization path. These companies have solid basis on which to build a premium brand. Many of them have a history of more than a decade, sometimes even centuries, and a robust reputation. In addition, they produce high-quality products, often offering customised solutions to demanding consumers. They fully represent virtuous examples of Made in Italy craftsmanship. In most cases, however, these distinguishing elements that could potentially represent a great strategic asset are not effectively exploited. There is a lack of strategic communication that makes use of corporate narratives, there is a need for an offer that goes beyond the already excellent services, including experiential moments, and there is a need to develop an active brand community that acts as spokesperson and ambassador of the entrepreneurial message and vision. The initial situation is therefore ideal for implementing the premiumization process, putting into practice in a rigorous and precise way the various steps defined in the previous pages.

While working on this project, I had the opportunity to discuss with Prof. Stefano Micelli, my thesis supervisor and professor of International Management at the Ca' Foscari University of Venice, and Prof. Marco Bettiol, professor of Digital Marketing at the University of Padua, on the subject of premium brands and how it was possible to help the companies in the project to understand their positioning with regard to the three variables of the premiumization process: narrative, experience and community. The professors proposed me a model that they developed together and that is currently being published, which allows companies to quantitatively assess the three directions, giving a score to each of the three variables. In this way, companies can understand what their positioning is on the three axes, identifying the areas where it is most urgent and important to intervene, in order to change their value proposition to align with that of a premium brand.

We were able to apply this model in different contexts. First, we positioned the VeraLab brand, an inspirational case study, which presents the perfect characteristics of a premium brand, offering effective communication based on the solid figure of the entrepreneur, marketing appreciated products, organising unique moments such as

events and workshops, and above all having behind it a solid and active community such as that of the "Fagiane". The model proved reliable as it returned very high ratings for VeraLab, confirming its effectiveness as an inspiring case study. As a second step, we applied the evaluation model to the enterprises that took part in another project carried out by Upskill 4.0 together with Fondazione Cariverona. In this project, twelve enterprises in the provinces of Verona Mantua and Vicenza were followed to develop innovation projects together. As part of the project, a formation workshop was conducted on the topic of premium brands. On that occasion, the evaluation model developed by Prof. Micelli and Bettiol was used to identify the positioning of the various companies in the premium brand segment. This assessment allowed for a discussion with the various entrepreneurs who expressed their views on the assessment obtained and tried to identify the strategies that would be most appropriate to implement in order to achieve a higher ranking. The third step was finally carried out within the 'ARTGIANI 4.0' project, where the companies were evaluated using the model to understand, from a strategic point of view, which areas needed to be focused on in order to identify the challenge to be developed during the acceleration process.

On the instructions of Prof. Micelli, I have developed an evaluation model that takes its cue from the work previously done together with Prof. Bettiol and which I have defined as the 'Premiumization Evaluation Model'. This model, like Micelli's and Bettiol's work, makes it possible to objectively score companies on the three axes of premiumization. For each variable of the Premiumization, several parameters have been identified that contribute to the identification of the final evaluations. Each parameter allows a rating from one to five, depending on the data collected when analysing a company. The various parameters also have different weights that were determined by highlighting those aspects that are most essential to creating a brand identity, offering transformative experiences and nurturing a community of enthusiasts.

The evaluation of the narrative variable is obtained from the contribution of six parameters. The first parameter is the frequency of content. The more active a brand is, the more consumers are likely to enjoy the content it offers. The second parameter is the number of followers on the various social accounts, which represent the success that a brand's business strategy is having. The third parameter is the

number of active social channels, which represents the brand's presence on the various communication channels, useful for reaching different taste and age targets. The fourth parameter concerning the narrative variable is the consistency of messages. If a brand publishes a lot of content but there is no consistency between the content and the various communication channels, the narrative will be ineffective. The fifth parameter is that of customer engagement. As pointed out in the previous pages, the narrative of a premium brand is centred on the role of the consumer as the protagonist. If the customer does not appear in the narrative, the brand is not communicating effectively. Finally, the last parameter contributing to the evaluation of the narrative variable is that of visual impact, which must be in line with the established brand image and must be able to capture the attention and interest of the target consumers.

The second variable that defines a premium brand is that of experience. According to the 'Premiumization Evaluation Model', there are five parameters that determine the final score. First and foremost, the offer of experiential moments such as events, exhibitions, company museums or workshops. These elements represent the basis on which a brand experience can be built. The second parameter is the average online reviews that represent the feedback consumers give once they come into contact with the brand's value proposition. The third parameter is personalised experiences, which is the degree of personalisation a brand is able to offer its consumers. The fourth parameter is the assessment of post-sales engagement. A premium brand follows its consumer in all the moments in which he or she interacts with the brand, therefore the post-sales phase also contributes to the final evaluation of the brand experience. Finally, the last parameter that determines the score of the experience variable is the digital experience, which are the interactions the consumer has with the company's website and the company's e-commerce.

Finally, the third axis characterising premium brands is that of community. Here again, there are five parameters that guarantee an objective and punctual evaluation of this variable. The first parameter to be taken into account is the engagement rate, which is the score that measures the level of engagement of community users with the digital content offered by the brand. The second parameter is the number of physical events, which are essential to nurture a community that gathers around the brand. The third parameter that determines the score of the community variable is

that of co-creation, the degree of participation of community members in the innovation of products and services offered by the brand. The fourth parameter is the degree of involvement of the founder or entrepreneur. A community of a premium brand needs a reference figure to guide it and transmit values and passions. Finally, the last parameter of the community variable is the frequency of newsletters and community digital content such as the blog, elements that keep members up-to-date and arouse interest and desire in the minds of consumers.

Thanks to the depth and variety of parameters, it is therefore possible to obtain a score for each variable that fully reflects the positioning of the brand in that direction. Through this objective score, a company can understand where it is most needed to intervene with a strategy to change the value proposition. This assessment therefore plays a key role in the premiumisation process and should be developed by all companies aspiring to become premium brands. For this reason, I applied the 'Premiumization Evaluation Model' to the eleven companies that are part of the 'ARTIGIANI 4.0' acceleration path, primarily to test its validity and to identify the aspects that each individual company must prioritise in order to successfully position itself in the premium segment.

Figure 18. Evaluations of the eleven companies of the 'ARTIGIANI 4.0' project according to the Premiumization Evaluation Model

Company	Storytelling score	Experience score	Community score	Premiumization rate
VeraLab	9,3	8,8	8,6	8,9
Adea	3,4	6,5	3,9	4,6
Berto	8,0	7,2	6,9	7,4
Bonacina 1889	7,1	7,8	5,1	6,7
CBS serramenti	4,7	6,1	5,4	5,4
Cinelli	7,0	6,2	4,0	5,7
Fabscarte	6,4	7,4	4,5	6,1
Fumagalli 1881	4,6	5,5	3,7	4,6
Laboratorio Paravicini	7,0	6,7	4,3	6,0
Maiorino	6,6	5,8	5,4	5,9
Merti Marmi	4,7	6,6	4,2	5,2
Noah Guitars	4,9	5,8	4,0	4,9

Source: Own elaboration

The first company to which I applied the 'Premiumization Evaluation Model' was VeraLab, an Italian cosmetics company that I used in my thesis as an inspiring case study. The model confirmed the high performance of the brand in each direction. The

overall Premiumization rate obtained by VeraLab is 8.9/10, a rating that places the brand at the top of the premium segment. More specifically, the brand scored 9.3/10 in the narrative variable, 8.8/10 in the experience variable and 8.6/10 in the community variable. Contributing to these high ratings are certainly the content proposed by the brand, always in line with the brand image and identity and always original. The figure of the entrepreneur Cristina Fogazzi through the character of the 'Estetista Cinica' contributes to the success of the narrative. The customer is always at the centre of the narrative and the visual impact and tone of voice reflect the brand's values and identity. On an experiential level, the effectiveness of physical moments such as VeraLab events and e-commerce weighs heavily. The community also scores highly, thanks to the high scores coming from the parameters of co-creation, the centre of corporate innovation and the engagement from physical events. VeraLab therefore confirms itself, also from an objective point of view, as a successful case study.

The first company of the 'ARTIGIANI 4.0' project analysed through the 'Premiumization Evaluation Model' was Adea Srl. Adea is a service company that originated from Lopane, a company that deals with the restoration of classic cars. Adea's business revolves around the provision of services that revolve around the restoration of classic cars such as transporting the vehicles around the world, mechanical support during car events, and all those services required by a particularly wealthy and demanding clientele. Adea Srl scored a Premiumization rate of 4.6/10, one of the lowest ratings among the participating companies. What penalised the company were the two dimensions of narrative and community. In fact, the experience variable scores a positive 6.5/10, as the service offered by Adea is excellent. The service is indeed of the highest quality and highly customised, but lacks memorable experiences that transform customers. Adea Srl, however, registers a rating of 3.4/10 on the narrative axis and 3.9/10 on the community axis. The company, in fact, is practically non-existent in terms of communication, something that cannot exist for a premium brand. Also, given the particular nature of the business, the brand struggles to create community, favouring single relationships with its customers.

The second company analysed through the 'Premiumization Evaluation Model' is BertO, a company operating in the high-quality furniture sector. BertO specialises in

the production of sofas, armchairs and furnishing accessories. BertO is a solid production company in Lombardy and has managed to build a recognisable brand over the years, an aspect that was also identified by the model's evaluation. BertO's Premiumization rate is 7.4/10, the highest among the companies in the project. The variable in which BertO ranks best is that of narrative where it scores 8/10. BertO is in fact a brand with a strong presence on social media, publishes consistently and uses the figure of entrepreneur Filippo Berto as a brand ambassador. The experience variable also scores an excellent 7.2/10, thanks to the considerable efforts made to propose experiential moments, such as exhibitions and the company museum that will open soon. Only the personalisation score lowers the variable's rating. Finally, the community variable also gets a rating of 6.9/10. In fact, the brand's main efforts are moving in this direction. By offering experiential moments, it is trying to create a community of designers, craftsmen, professors and customers who actively participate in BertO experiences.

The third company that is part of the 'ARTIGIANI 4.0' project is Bonacina 1889. Bonacina is a historical company that originated in Lurago d'Erba, in the province of Como, in 1889. The company is dedicated to producing high-quality furniture, using the valuable materials of rattan and wicker. The company represents an example of Made in Italy excellence and is part of the country's historical craftsmanship heritage. The Premiumization rate obtained by Bonacina 1889 is 6.7/10. Bonacina excels in offering experiences, where it scored 7.8/10, the highest among the companies in the project. A key role here is played by the very high degree of personalisation guaranteed to its customers and the offer of experiential moments, first and foremost the company museum, which traces the brand's hundred-year history. The brand communicates effectively, above all by using a clear and distinctive tone of voice and visual identity. For this it scores 7.1/10 in the narrative variable. The area where more investment is needed is community building, where the score is 5.1/10. Here, the target market plays an important role, as Bonacina rarely has direct contact with end consumers, but specialises in the B2B sector. This is why it is necessary, perhaps by taking advantage of the many experiential moments, to build a community of customers who can also feel part of something bigger than themselves, of a product that encompasses more than a hundred years of history.

CBS serramenti is a company in the province of Varese with over thirty years of experience in the high-quality door and window sector. CBS serramenti stands out for its highly personalised service and for the fact that it has become a benefit company, following a business model that wants to increase its positive impact on society and the environment. CBS serramenti's premiumization rate is 5.4/10. In fact, the company has just embarked on the path to becoming a premium brand and differs in the nature of its products from the majority of other companies that have joined the project. What penalises the brand at the moment is certainly the narrative variable, where the brand scores 4.7/10. The brand, in fact, has little online presence and is still poorly followed at the moment. Community is also a limited score, where the brand scores 5.4/10. Here the absence of a co-creation process weighs heavily, but the brand has already taken steps to organise moments that nurture the community, as was the case with the presentation of the sustainability report. Finally, like Bonacina, the best score comes from the experience variable, a score of 6.1/10. In fact, the service offered by the brand is excellent, but the offer of personalised and high-level digital experiences is lacking.

Cinelli is the fifth company evaluated by the 'Premiumization Evaluation Model'. Cinelli represents Italian excellence in the world of bicycle manufacturing. Founded in 1947 by Cino Cinelli, a former professional cyclist and talented Italian engineer, the company has earned a worldwide reputation over the years for its dedication to innovation, design and quality. Numerous legendary cyclists have raced on Cinelli bicycles such as Eddy Merckx and Francesco Moser. Cinelli's Premiumization rate is 5.7/10. Cinelli continues to position itself as a premium brand from a communication point of view. It can indeed leverage a legendary history that still contributes to the company's reputation. The brand is very active on digital channels and has a large following, hence the score of the narrative variable is 7/10. The experience offered to its customers is also positive, with a score of 6.2/10. The digital experience is the one that contributes most to this positive assessment, but the average reviews and the offer of experiential moments also help the brand to rank well. The factor that penalises the brand the most is the creation of a community. In this case the score is 4/10. The company has lost direct contact with consumers and can no longer create authentic relationships that stimulate a process of collective active participation. It

needs to invest in events and moments of aggregation that bring passion back up to the level of the brand's legendary history.

The sixth company that is part of the 'ARTIGIANI 4.0' route and was evaluated using the 'Premiumization Evaluation Model' is Fabscarte. Fabscarte is a Milan-based atelier that conceives, creates and realises wallpapers and design works. The product created by Fabscarte is unique, exclusive and of the highest quality. The creations are the result of careful experimentation and research. Fabscarte's Premiumization rate is 6.1/10. Also in this case, as in many other companies that have joined the 'ARTIGIANI 4.0' project, the absence of a brand community represents the weak element that most penalises the final evaluation. In fact, the brand scores 4.5/10 in this variable, which is largely compromised by the absence of a co-creation process, the lack of a reference figure for the community and the absence of digital content that stimulates the community such as newsletters or blogs. However, the company obtains an excellent evaluation from the point of view of experience, scoring 7.4/10. In fact, the degree of customisation is very high and the average reviews and good digital experience contribute to the excellent ranking. Fabscarte is making a great effort to present itself as a premium brand. The narrative variable is 6.4/10, a good score that demonstrates the goodness of the strategies implemented by the brand to present itself to the public. The frequency of content is still low, but the visual identity and consistency help to raise the rating.

Fumagalli 18881 is the seventh company I have analysed using the 'Premiumization Evaluation Model'. Fumagalli 1891 is a company that represents Italian excellence in the fashion industry, having specialised in the creation of luxury silk accessories, manufacturing products that embody the essence of refinement and elegance. As in the case of Bonacina and Cinelli, the company has a centuries-old history that contributes to its reputation. Fumagalli's Premiumization rate is 4.6/10. In this case, it is necessary to take action in all three premiumization variables, as several interventions are required to position the company in the premium segment. First of all, storytelling scores 4.6/10. The brand has little presence on digital channels and does not communicate through an efficient strategic narrative. An asset that the brand could exploit is the company's more than one hundred years of history, which is not sufficiently exploited and is not perceived by consumers in the market. The experience offered by Fumagalli 1891 has a score of 5.5/10. Fumagalli offers an

excellent, high-quality product, but does not accompany the product with unique moments that could make the consumer feel special. The variable that most penalises the brand is that of community, where a score of 3.7/10 is recorded. The brand, in fact, does not organise events or moments of sharing and therefore fails to nurture a community dynamic but establishes relationships of a bi-directional nature. A space such as the historical archive could be better exploited to bring the brand closer to consumers and the local community, triggering interactions that could rekindle the passion and dynamism of Fumagalli's product enthusiasts.

The eighth company to be part of the 'ARTIGIANI 4.0' acceleration project is Laboratorio Paravicini. Laboratorio Paravicini is a company active in the production and design of high-quality artistic ceramics. Founded in the mid-1990s, it stands out for its dedication to traditional craftsmanship, creating unique pieces according to the requests and wishes of individual customers. Laboratorio Paravicini's Premiumization rate is 6/10. The company has already taken steps to position itself as a premium brand. This is evidenced by the great results achieved in the narrative variable, where the score is 7/10. The product made by Laboratorio Paravicini is unique, and the brand is trying to enhance this aspect by investing in captivating strategic storytelling, which contributes to the success that the brand's content is currently enjoying online. An optimal score also results from the experience variable, where the brand scores a rating of 6.7/10. A key role here is played by the very high degree of customisation offered by the Laboratory, which creates made-to-measure pieces that make the consumer feel special and engaged. The aspect the brand needs to work on most is that of community building. The score in this case is 4.3/10. The brand is successful in establishing relationships with its consumers from an individual point of view but is currently failing to transform this into an active community. Training workshops on ceramic plate decoration could help nurture this community, which is essential to expand the message that the brand is already spreading on its communication channels.

The ninth company I evaluated through the 'Premiumization Evaluation Model' is Maiorino. Maiorino is a company led by Max Maiorino, a shoemaker-influencer who became well-known on social networks during the Covid-19 pandemic. In fact, he decided to open a social page to promote and showcase his shoemaking business and quickly achieved great success. Maiorino's premiumization rate is 5.9/10. In the

case of this venture, storytelling is the element that contributes most positively to the evaluation, scoring 6.6/10. Max Maiorino has succeeded in carrying out powerful storytelling. He acts as an ambassador for the reuse of used shoes, recording himself repairing and fixing his customers' shoes and showing how, thanks to his craftsmanship, the product returns as good as new. Storytelling therefore makes a big impact. What sets it apart from being a premium brand is the fact that the content Maiorino offers is sometimes inconsistent, mixing what is the profile of an influencer with what is the professional content of his company. A successful case study, however, is that of VeraLab where the founder managed to separate the character from the brand. The experience variable scores 5.8/10, penalised by the lack of physical events where the consumer can come into contact with the brand. This aspect also affects the community rating of 5.4/10. Maiorino has a very strong online community, being widely followed on social networks, but its community is not transformed into an active community of members who meet in presence, being based entirely on digital platforms.

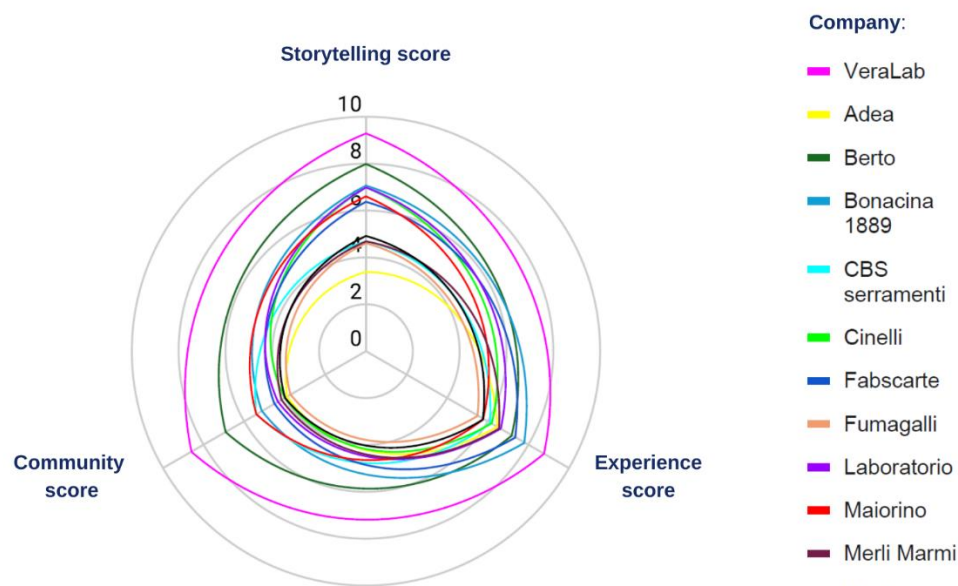
Merli Marmi is the tenth company in the acceleration path that I have been able to evaluate through the 'Premiumization Evaluation Model'. Merli Marmi is a company founded in 1899 that operates in the natural stone processing industry. The products offered by Merli Marmi range from funerary architecture to luxury flooring, from furnishing elements to sculptures. Merli Marmi achieved a Premiumization rate of 5.2/10. One aspect that strongly penalised this assessment is the narrative variable, where the brand scored 4.7/10. In fact, the company is not particularly active from a communication point of view and does not sufficiently value a distinctive element such as the company history, which celebrates 125 years of activity this year. The company history is the element from which to construct an effective storytelling; therefore, the foundations on which to build an effective narrative exist. A similar score is obtained in the community variable, where the rating is 4.2/10. In this case Merli Marmi lacks the organisation of moments of sharing with its customers and in general fails to nurture a community that identifies with the values of craftsmanship and sustainability carried by the brand. The variable in which Merli Marmi achieves the best ranking is experience, in which it scores 6.6/10. Merli Marmi offers products with a very high degree of customisation and follows the customer at all points of the customer journey. There is a lack of experiential moments organised by the brand

such as events or exhibitions, perhaps to be offered within the production spaces, to achieve an even higher rating.

Finally, the last brand I considered through the 'Premiumization Evaluation Model' is Noah Guitars. Since 1996, Noah Guitars has been manufacturing aircraft aluminium electric guitars and basses in Lambrate, Milan. The product made by Noah Guitars represents the highest standards of innovation and is highly appreciated by professionals and enthusiasts who seek perfection in the performance and sound of their musical instrument. Noah Guitars' Premiumization rate is 4.9/10. At the moment, the company has not yet managed to go beyond the production and sale of an excellent product. The rating of the narrative variable is 4.9/10. The digital presence is very weak and communication is not carried out effectively. On the market, it is therefore difficult to perceive those distinctive elements of the value proposition that do exist. It is therefore necessary to make the most of them, also from a communication and branding point of view. The rating for the experience variable is 5.8/10. Again, the company has not yet taken the step towards creating a premium brand as Noah Guitars does not offer experiential moments that engage its customers and make them feel special. The lack of experiential moments also weighs on the community variable, which registers a 4/10 rating. The brand is trying to reverse the current negative trend precisely from this direction, trying to revive the enthusiasm of Noah Guitars enthusiasts, exploiting the high potential represented by the physical shop in Lambrate to organise events, evenings of music and socialising. In this way, it would be possible to rebuild interest around the brand, increasing its visibility and image, in order to subsequently position itself as a successful premium brand.

Once obtained the ratings for all eleven companies that participated in the "ARTIGIANI 4.0" acceleration path promoted by the Lombardy Region, I placed the data collected within a radar chart that could give a graphical representation of the context, in order to more quickly and intuitively identify the results of the study.

Figure 19. Radar chart from the Premiumization Evaluation Model of the project "ARTIGIANI 4.0"



Source: Own elaboration

With the radar chart, it is also graphically evident how the companies considered for this study obtained lower ratings in the community and storytelling variables than in the experience variable. This is a trend that is common to most Made in Italy SMEs that decide to embark on the premiumization journey. In fact, such companies can already boast of the highest quality service offered to their customers, most of the time with customization and bespoke manufacturing experiences. These characteristics are already present in many companies even before embarking on the premiumization path, and this element emerges well from the radar chart and the evaluations obtained from companies more generally. Thus, the aspects that most need to be investigated and invested in are those of effective communication and the creation of an active community. In fact, many Italian brands already start from a solid base, having a distinct and clearly identifiable brand identity. Too many times, however, this identity is not effectively conveyed. The brands in question are often not very active on digital communication channels and do not adopt interesting narrative strategies that can attract market interest. Brand community also turns out to be the variable with the poorest ratings. In fact, most Italian SMEs fail to transform the positive personal relationships they have with their customers, partly due to the

excellent experience they offer, into relationships that generate a community dynamic. In this way, all the burden of communication is always on the shoulders of the company, whereas if the brand possessed a community of fans, they would be the first ambassadors of the company's values and would contribute to spreading the brand's message in the market, fuelling its authority and authenticity. Reflections that need to be carefully considered in general by the Made in Italy SME production system, which needs to analyse in depth strategies to overcome the limitations that hinder the path to premium brand creation.

Conclusions

The third chapter outlines with precision and academic rigor the steps that characterize the premiumization journey. To transform their value proposition, Made in Italy companies aspiring to become premium brands must act on three variables: building a brand identity through corporate storytelling, offering transformative and memorable experiential moments, and creating an active and participatory brand community. The chapter goes into detail on each variable and defines the key steps, through academic references and tools to apply in practice.

The first aspect involved in creating a premium brand is that of brand image and brand identity. As this chapter shows, without a precise, clear, and unique identity, it is difficult for a brand to make itself attractive in the marketplace and attract the attention of consumers. A premium brand must therefore be able to enhance the elements that can differentiate it from competitors such as its history, reputation, and the quality of its products and services. A brand must present itself with its own personality so that it can connect emotionally with consumers, establishing authentic bonds that nurture loyalty and loyalty behaviours. There are several tools that can be put in place by companies to create a premium identity through storytelling. Two examples are those of brand archetypes, which originate from the theory of archetypes formulated by C. G. Jung, and D. Miller's 7-part framework, a narrative scheme that places the customer at the centre of the corporate narrative and makes him or her feel like the protagonist of the story. The chapter analyses these tools in detail and explains how companies can exploit them, to present themselves in the market with attractive and special communication.

The second variable that is outlined in the chapter for creating a premium brand is that of offering experiential moments. Brand experiences are that element that differentiates a mass brand from a premium brand. Mass brands simply offer a product or service, giving no relevance to how they interact with the customer. Premium brands offer consumers unique experiences that go beyond simply offering a service and put the customer at the centre, seeking to satisfy his or her wants and needs. The chapter goes into detail about how a premium brand should create these experiential moments, analysing their strategic value. Experiences need to be memorable, entering the consumer's mind, transformative, enhancing the consumer's life experience and they need to be authentic, to be enjoyed to the fullest by their customer base. One tool that helps companies outline what experiences to offer their community is the “Seven Realms of an Experience,” a framework that ranks experiences based on the degree of connection to the event and the level of participation in it. Through this tool, a brand can figure out what types of experiences to invest in based on the characteristics of its target audience. Providing experiences is thus essential to building relationships of loyalty and trust, which are fundamental to the creation of a brand community.

In fact, the third variable outlined by the chapter is precisely that of building a brand community. A premium brand is one that knows how to build around its value proposition a group of fans who find themselves in the values expressed by the brand and share its mission. The members then feel part of a family and are ready to defend the brand's community and reputation. As highlighted in the chapter, having a brand community is a huge strategic advantage as community members become the first brand ambassadors in the marketplace and help convey and amplify the brand message, making communication more authentic and impactful. A person, in fact, is much more responsive to a friend's advice than to an advertisement on television. The nature of relationships within the brand community is explored in the chapter. Again, the customer is always at the centre and is responsible for the co-creation process, fuelling business innovation with feedback, ideas and proposals.

The third chapter, in the final part, also proposes a model for evaluating the performance of companies that aspire to become premium brands, which is called the “Premiumization Evaluation Model.” This model, generated by the collaboration between Prof. S. Micelli and Prof. M. Bettiol, makes it possible to give a quantitative

evaluation to the three directions that constitute the path of premiumization. In this way a company can understand in which variable its value proposition is less aligned with that of premium brands and can act accordingly. The model has been tested on multiple enterprises and in particular in the chapter it is applied to enterprises that have joined the acceleration path “ARTIGIANI 4.0” promoted by the Lombardy Region and followed by Upskill 4.0, a spin-off of the Ca' Foscari University of Venice. From the application of the model, it emerges how Made in Italy SMEs have difficulties especially in the realization of two variables: corporate storytelling and community creation. This trend is common to all Italian companies in this production sector. Craft SMEs, in fact, often already offer unique experiences to their customers, thanks to the high degree of personalization of their offerings. What is missing is the enhancement of their distinctive elements through effective storytelling and the sharing of these values in a brand community that supports business activities by actively participating, co-creating. The result of this study is extremely relevant because it outlines a systemic trend and allows companies to understand on which aspects it is most urgent to intervene, so that they can successfully transform themselves into premium brands, achieving a positioning that can maximize the distinctive elements of these business entities.

CONCLUSIONS

Becoming premium brands. This is the greatest opportunity that Made in Italy SMEs can take advantage of in the current environment. The content of this thesis is summarized in this sentence. Indeed, the objective of this paper was to research what was the best market strategy that SMEs could implement to enhance their distinctive elements to the fullest, maximizing the profitability of their value proposition.

To find an answer to this question, it was therefore necessary to analyse the global economic environment and the role that SMEs play in this scenario. This analysis reveals an increasingly disconnected and fragmented international context. Globalization is increasingly slowing its momentum. Elements such as wars, health and environmental crises are contributing to global fragmentation and complexity in managing value chains that connect increasingly distant economies. Italian companies for decades have been able to interpret the globalization phenomenon positively, positioning themselves as a reliable and high-quality interlocutor. This is why the export share of the Italian economy exceeds 30 percent of the national GDP. In a scenario like the one just outlined, however, this exposure to international markets can be extremely dangerous for companies, which have found themselves vulnerable to crises and fluctuations in global markets. It is therefore necessary to search for an alternative to international trade for Made in Italy SMEs. This thesis therefore focuses on a possible market alternative, which rather than dealing with a production or logistical aspect, focuses on brand building. Made in Italy SMEs can become premium brands. They can occupy a market space that can ensure prosperity and economic success.

The topic of interest in this thesis is therefore to identify the characteristics of the premiumization path that Made in Italy companies must follow in order to successfully position themselves in the premium segment. Before going into the details of this path, however, the paper seeks to understand whether Made in Italy SMEs possess the necessary elements to become premium brands. The answer to this question is divided into two parts. A first part in which the characteristics that differentiate premium brands from mass-market and luxury brands are listed, and a second part in

which it is verified if these characteristics are compatible with the value proposition of Italian SMEs. Premium brands have characteristics that elevate them from the mass market, disregarding the higher end of the market, which is dominated by luxury conglomerates. A premium brand builds the foundation of its value proposition from a high-quality product and service. Quality must be perceivable and shareable and is the element that most differentiates a premium product from a standard product. A premium brand, however, must not be limited to offering quality products and services. It must complement this with a distinctive brand identity. A premium brand must be recognizable in the marketplace and must be able to attract the attention of consumers. The elements on which a brand identity is built are corporate history and related reputation. A premium brand knows how to enhance these elements. It uses strategic storytelling that puts the consumer at the centre and makes him or her feel like the protagonist of the story. It creates emotional connections that stimulate loyalty behaviours. Premium consumers' trust is earned through the provision of unique moments. Therefore, a premium brand offers brand experiences that go beyond quality service and product. With experiences, the consumer feels special, perceives greater value, and becomes the brand's first supporter. Interactions with consumers become central to the business model of premium brands and are the most important elements in creating active brand communities. These are the characteristics that premium brands share. In the thesis, we then proceed to investigate whether and how these elements match with the value proposition of Made in Italy SMEs. From the study emerges an almost complete convergence between SMEs and premium brands, which consolidates the initial theory according to which the main current market opportunity for Italian SMEs is the transformation into premium brands.

Once the compatibility of Italian SMEs with the characteristics that define premium brands has been verified, the second research question concerns the steps that firms must follow to become premium brands. The thesis, therefore, goes into detail about what is referred to as premiumization, the brand enhancement path that leads firms to become premium brands. Three variables that characterize this path are identified. Indeed, a company needs to be competitive and credible in three aspects: having a solid brand identity, offering memorable and transformative experiences, and building an active brand community. The goal of this part of the paper is therefore to provide a real guide for companies so that they can know precisely and with academic rigor the

various steps they need to undertake if they aspire to successfully position in the premium segment. The first variable that is considered in the premiumization journey is that of storytelling. A premium brand must know how to communicate effectively. Premium brands often employ corporate storytelling, which they use for the strategic purpose of enhancing the distinctive elements of their value proposition. It is critical for a premium brand to present itself in the marketplace with a unique and distinctive brand identity. Consumers need to be able to perceive something special in the brand and be attracted to the narrative that the brand brings forth. The narrative helps to generate a brand image that develops a certain reputation, an essential element in increasing the brand's visibility and the trust that consumers place in it. The second element that is analyzed as an essential variable of the premiumization path is that of experience offerings. As highlighted earlier, the distinguishing element of a premium brand is the ability to go beyond simply offering a product or service, ensuring that its customers participate in experiential moments. The experiences offered by a premium brand are critical because they create authentic connections with consumers and stimulate their loyal behaviours. If a consumer feels special and emotionally connected to a brand, he or she will not seek out competitors' products, but will remain loyal to the brand. This is the strategic value of the experiences offered by premium brands. Experiences that must be memorable and transformative in order to remain impressed in consumers' minds for a long time, generating positive feelings of brand attachment. The third and final variable that emerges from the premiumization journey is that of community. A premium brand, unlike mass-market brands, establishes such authentic relationships with its customers that it enables the creation of a brand community. In a brand community, relationships are not simply bidirectional, with the brand imposing its message and the consumer receiving it but are multiple and dynamic. The consumer is always at the centre of the community and interacts both with the brand and with other community members and outsiders. In premium brand communities, co-creation behaviours are developed, whereby consumers actively participate in business innovation through feedback, comments, ideas, and proposals. Community has a strategic value for premium brands. Members of the brand community become the first brand ambassadors and help to convey the corporate message to the market. In this way, the brand image becomes more credible, authentic and influential.

The final part of the paper is the one that most contributes to the sense of this research. In fact, after identifying the opportunity of premiumization, verifying the compatibility of Made in Italy SMEs with premium brands and outlining the steps that firms must follow to transform themselves into successful premium brands, a model to assess the positioning of firms in this market segment is introduced. This model, developed from the collaboration between Prof. S. Micelli and Prof. M. Bettiol and explored in detail in this thesis, is named the "Premiumization Evaluation Model". The model makes it possible to objectively evaluate the performance of companies on the three variables of premiumization: narrative, experience and community. For each variable, several parameters are identified that allow the objective evaluation of the enterprises' activities in order to obtain scores related to brand positioning. This tool has strong strategic value because it allows companies to understand how their value proposition is more or less aligned with that of a premium brand. Depending on the scores obtained, a company can then understand on which aspects the brand already performs as a premium brand and on which aspects it needs to implement better practices in order to position closer to the typical premium brand offering.

From the application of this model to various companies belonging to the Made in Italy SME sector, a common scenario emerges. Overall, Italian SMEs perform quite well on the experience variable. In fact, these types of companies base their value proposition on high-quality products and services, providing their customers with unique personalization experiences that make the customer feel special and at the centre of the company's efforts. Corporate offerings still lack communitarian experiences such as events, workshops or company visits, but the high level of personalization and excellent customer-care service allow Made in Italy SMEs to score well on the experience axis. An equally positive rating is not achieved in the variables of storytelling and community. Italian SMEs are still lacking in brand communication. Too often, SMEs do not fully exploit the distinctive elements that differentiate them from competitors and that would potentially represent powerful strategic levers to ensure successful positioning in the premium segment. Similarly, SMEs fail to build active communities around their value proposition. In fact, such firms often establish excellent personal relationships with customers but fail to transform these individual relationships into community dynamics that can allow for greater dynamism around the brand. Without an active community, SMEs are less

authentic in the marketplace and have a much harder time conveying their messages, as the communication effort weighs entirely on the shoulders of the brand.

The results of the application of the Premiumization Evaluation Model to Made in Italy SMEs are clear. In order to successfully position themselves in the premium segment, Italian craft enterprises must increase their communication efforts, developing a convincing storytelling that can intrigue the market, enhancing elements that too often remain hidden. They must also be able to develop dynamic relationships with their community, so that they can count on loyal ambassadors, who convey the brand's message and mission in a more authentic way. Finally, although the offer of high-quality products and services is already present in the value proposition of Italian SMEs, it is necessary to invest in organising experiential moments that can truly engage consumers, nurturing a community and contributing positively to the brand image. This is what emerges from the thesis. Premiumization is a great market opportunity for Italian SMEs. The premises on which to build this path exist. The steps to follow have been highlighted. The weak points to focus on are clear. It is now up to enterprises to embark on this journey so that they can continue to prosper in a scenario that is increasingly difficult to navigate.

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