

His company is among the four or five finest manufacturers of men's clothing in the world, with a turnover of over € 130 million and net profits of € 3 million. He has factories in Romania, Slova-

# Corneliani: The knight is still in the saddle

GLOCALIST LEADER 1

edited by Guido Vigna

kia and China. He is not interested in a stock exchange listing because he says the company is self-financed. Who will succeed 75-year-old Mantua native Carlalberto Corneliani?

**S**eventy-five-year-old Carlalberto Corneliani wears his age extremely well. He has the slightest hint of a paunch, an abundant head of hair that is the envy of many, only a few lines furrowing a face dominated by a Roman nose and the elegant appearance and attire of a male model. His looks and conversation are the best advertisement for F.lli Corneliani SpA, the company he founded. Corneliani is synonymous with haute couture – the essence of elegance – for the moneyed man who likes to be well-dressed: not just in Italy but worldwide, the proof being the group's 20 and more stores on nearly every continent, from Paris to New York and from London to Shanghai, about 40 shop-in-shop outlets in strategic locations and, above all, its exports, which account for over 65% of turnover (€ 113.7 million in 2005 and a forecasted € 130 million this year). There is little awareness of the fact that Italian menswear fashion is very successful abroad, because Italian fashion is almost exclusively associated with women's wear. And Corneliani is one of the finest representatives of Italian men's fashion exports. The company continues to be identified with Carlalberto, a "Cavaliere del Lavoro" (a knighthood awarded by the Italian

President for services to Italian industry) and the undisputed head of the firm in his dual role as Chairman and CEO. His children and nephews (i.e. his brother's children) have joined the firm and will probably shortly be followed by the third generation, but for now the "Cavaliere" remains firmly in the saddle. He is the leader, the great strategist, and although he rules with discretion, it seems clear that he will not be retiring anytime in the near future – for Corneliani is his splendid creature, the icon of an entrepreneurial story that began in 1958. F.lli Corneliani will be half a century old in two years, but to the "Cavaliere", an extraordinary and erudite conversationalist with all his "joie de vivre" intact, it feels like yesterday.

## How did you start out?

You could say I was born to the trade. I was born in 1931, the year in which my father Alfredo set up Samam. In the beginning it was an embroidery workshop: everyone wanted embroidered bed linen in those days. Then it became a shirt factory and finally ended up making raincoats – successfully, I should add. We got to the point where we had over 300 workers. My father had a plenty of intuition, but he wasn't always lucky.



\_Carlalberto Corneliani (centre) between his two sons, Sergio and Maurizio, and his nephews Cristiano and Corrado (the first on the left and the first on the right, respectively), who collaborate in the company with him

**So Corneliani can be seen as a continuation of Samam.**

Definitely not, I'd say. Corneliani was set up in 1958 and Samam had closed down quite some time earlier.

**What did you do before you started the company?**

The student life.

**Where?**

High school (science and technology) in Milan and two years at the Polytechnic. I could have become an engineer. And instead...

**Instead?**

Times were hard; you had to work, so I worked, and then I began thinking about following in my father's footsteps. I managed to get a loan of 250,000 liras and started out with my brother Claudio.

**Is he younger than you?**

No, he's older, by exactly ten years. He has always trusted me. We set up Fratelli Corneliani, with three "c"s, for Claudio and Carlalberto Corneliani. We started with clothing, obviously, since it was the family trade.

**What did you make?**

Nylon raincoats. They were very fashionable then and a lot of people wore them. Anyone who's in their sixties and seventies can't have forgotten them.

**How did the market respond to your raincoats?**

We produced them for a third party – for the Coin department store chain. Alfonso Coin put his trust in us – or rather in me, because I had negotiated the deal. But we soon stopped making nylon raincoats.

**Why?**

They were too simple, too easy to make: anyone with basic equipment could give it a try. So we decided to switch to cotton raincoats – I say "we" because my brother Claudio and I always agreed on every move – and then went on to clothing. We were

still making menswear, and we continued to work for third parties.

**Did you keep working for Coin?**

No. The raincoats aside, we worked on clothing for Vitale of Biella, one of the biggest Italian wholesalers at the time. We carried on with Vitale for two or three years. Then we started selling on our own.

**What was the reason for the change?**

We no longer wanted to be a market competitor in disguise. If Vitale could sell our clothes well, it meant we did a good job of our clothing and since we did a good job of it, why not enter the market under our own name? And that's what happened. The results proved us right. Today, Corneliani is one of the world leaders in the mid-to-high range market segment.

**Did things go well from the start or was there a long test period?**

The market took to our products immediately, so much so that in a few years our first factory had become too small. In 1972 we built this plant, which is in itself an indicator of our success. But there's another factor that shows that things went well for us from the outset – my presidency of the industrialists' association of Mantua from 1979 to 1984. You can only be elected president, at least in Mantua, if you have a solid past, present and future. Let's not forget that I have held several other organisational functions...

**For example?**

I was president of the Fashion Committee for over 20 years and president of Federtessile (the Italian Textile Federation) from 1991 to 1993.

**There's also an acquisition in your history.**

Yes. We bought Abital. Abital remains one of the most outstanding events in my business career.

**Tell us about it.**

Abital was a Montefibre company and was losing huge amounts of money – billions. At the time, the chairman of Montefibre was Schimberni, Mario Schimberni, who called me. That was in 1976. "Look", he told me, "this company, Abital, is unmanageable: can you give me some advice?"

**What did you say?**

I wasn't in a position to give him advice. I remember telling him: "I'm not a wizard", but I did make him an offer.

**Meaning?**

It was a challenge rather than an offer. I made a proposal of this type to Schimberni: if he gave me a free hand with Abital and if I managed to get it to break even within three years, I would be given 51% of the company and the option to buy out the rest of the stock.

**How did things end up?**

Abital broke even a year and a half later.

**So you won your bet.**

Yes, but there were the previous losses and Montefibre had no intention of making good the deficit. There was an article (I don't remember which one) in the Italian civil code according to which I couldn't go ahead because the company no longer had any capital, and so I resigned. And Montefibre (Schimberni, in the meantime, had left to join Montedison) reacted by putting Abital into liquidation and laying off the employees. A year went past and the Montefibre people returned to the charge, encouraged by the union trade who had confidence in me, having seen my work. "Mr Corneliani, why don't you come back?" Right – why not go back? I consulted my brother and laid down my conditions: if they made up for the losses, I would commit to starting up again, re-hire about half of the 800 laid-off workers immediately and the rest at a later stage. They accepted my conditions, Abital had capital again, started producing again and nearly all the laid-off workers returned – I say nearly all, because quite a few of them had found another job in the meantime. Abital obviously became ours and has ours been since 1980.

**What do you make there?**

Everything that we produce and sell under licence from the Polo by Ralph Lauren brand.

**Let's talk about foreign markets. Where does Corneliani have its factories?**

In Romania, Slovakia and China. In Romania we make trousers. In Slovakia we make jackets and trousers. In China we produce for third parties. However, I should specify that our production in Romania and

## A family-oriented giant

*It would be hard to find a more family-oriented company than F.lli Corneliani SpA. Its capital is divided equally between the two brothers, Claudio and Carlalberto Corneliani, who set up the company in 1958. Today, as in the past, Carlalberto Corneliani is the undisputed head of the company in his dual role of Chairman and CEO. His sons and nephews hold all the key positions. Corrado is technical director, Cristiano handles foreign sales, Maurizio is the central sales director and Sergio is the creative chief: he supervises the work displayed each year in two collections, spring-summer and autumn-winter, for the group's clothing lines, each aimed at a specific type of customer – Corneliani, Trend Corneliani, CC Collection Corneliani and Nino Danieli. The company's success has led to other creations; as a result, Corneliani now also makes shirts, pullovers and ties. More recently, the company diversified into leather items, shoes, belts, work and travel bags, all conceptualised and designed by Corneliani's creative team and produced under their supervision by highly specialised laboratories. All of which explains the 2005 consolidated turnover of € 113.7 million, a figure that is expected to rise to € 130 million in 2006. The 2007-2009 business plan forecasts average growth of 10-12% per year.*



Slovakia is part of our so-called secondary lines. The Corneliani world, i.e. everything that is sold under the Corneliani brand, is only produced here, in our Mantua factory. It is here that high-quality Corneliani clothing became a market success and here that we continue to use exactly the same work methods aimed at excellence and refinement. We make bespoke clothing – that says it all.

### **Do you work on your own or in partnership abroad?**

We are on our own in Romania. In Slovakia, a local businessman has a 40% shareholding. We have a local partner in China too, but we hold the majority stake.

### **Why did you take your production abroad?**

For one single reason: labour costs. Do you want me to give you the figures? Right: a worker costs me an average US\$ 18 an hour in Italy, from 75 cents to 90 cents in China, \$1.80 in Romania and \$2 in Slovakia. Need I say more? But you should remember that, while it is true that we have delocalised part of our production abroad, it is equally true – I insist on repeating this – that we only make secondary lines or clothing for third parties outside Italy.

### **What is the price of a Corneliani suit?**

The retail price in Europe is from € 800 to € 2,000.

### **Not exactly cheap.**

Why should it be? We're the best and that's a well-known fact.

### **What makes your products different?**

Everything. We use the best Italian and British textiles. Then there's the design and the workmanship. You only have to touch a Corneliani garment to realise that it's different from all the others. Add to that our retail network and you'll understand why Corneliani is among the top four or five in the world in our sector.

### **Are you satisfied with what you've built?**

I could say yes, but actually I always think we could do better. You see, I'm a great reader, of serious books; sometimes I spend eight or nine hours on a Sunday reading, and, as Socrates said, the more I read the more I

realise how ignorant I am. The same thing happens at work: I always think it is possible to do better.

**Any regrets?**

As a businessman?

**Yes, as a businessman.**

No regrets. I can guarantee you that, as a businessman, I would do everything I've done all over again.

**Have you thought about a stock exchange listing?**

I'd say we're not even considering it today.

**Why?**

For a very simple reason: we have no debts; we are self-financed. Corneliani's strength also lies in its growth, which has been gradual, allowing us to dole out our investment and, as a result, not to get into debt.

**Have you ever thought of branching out into women's wear?**

We did think of it, and we gave it a try.

**As Corneliani?**

No. As Abital, and it was an experience that lasted a very short time. We decided it was opportune not to open up too many fronts. We have achieved excellence in menswear. Consolidating our positions in this sector is a big enough undertaking.

**You are 75 years old and it's obvious that you're in very good shape. Still, you must have given thought to your successor.**

My sons and nephews work for the company. Let's see if they are able to decide which of them will take the helm. I'm waiting and watching.

THE GROUP IN NUMBERS

<b>Year of foundation:</b>	1958
<b>Turnover:</b>	In 2005, 113.7 million euros
<b>Net profit:</b>	3.048 million euros
<b>Workforce:</b>	893
<b>Abroad:</b>	Romania, Slovakia, China