



'Made in Italy? Who cares!' Prada's new economic geography



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ABSTRACT

The fashion firm Prada is currently turning away from the idea of place-image (communicated through its 'Made in Italy' labels) as a source of monopoly rents. In this article, I concern myself with this and other recent changes in the firm's profit making, monopoly rent generating, and wealth producing strategies and tactics – linked together by the need, on the part of Prada, to deal with the recent loosening of the once tight interweaving of place and production. How Prada, in the process, redefined what counts as 'place' in a relational manner is interesting; as is the fact that the firm has become even more sophisticated in its attempts to extract every drop of profit, monopoly rent, and wealth out of the capitalist system (via, for example, a strategy of corporate appropriation which involves not only a distinctive 'anti-brand/anti-fashion/anti-commercial' position but also a supposedly disinterested patronage of contemporary culture). All this has significant implications for the geography literature.

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Introduction

In Fall 2010, Miuccia Prada, the co-owner and chief designer of Prada (the fashion firm that has been, for a long time, the proud producer of 'Made in Italy' labels) launched her 'Prada Made In' collection: woven tartan kilts were introduced under the 'Prada Made in Scotland' label; and handcrafted alpaca wool knits came with the 'Prada Made in Peru' label. Meanwhile, Miuccia Prada was reported (by many newspapers including the *International Herald Tribune*, the *New York Times*, and the *Telegraph*) to have said that she no longer cared whether or not products were made in Italy. The exact words repeatedly published in the popular literature were 'Made in Italy? Who cares!' – giving the impression that Prada was, all of a sudden, willing to risk losing the premium that came from the value-adding qualities of 'Made in Italy' labels. Was Prada adopting, in the words of fashion observers, a 'too cool to care about place-image' attitude? Was this a new kind of snobism? (see, for example, Menkes, 2010). Soon afterwards, it became clear that at the time when Miuccia Prada made these comments she had had no choice: the firm was preparing to sell over 423 million shares to new investors, and its Initial Public Offering (IPO) prospectus (a legal document which was required by the Hong Kong Securities and Futures Commission) would inevitably disclose the fact that most of Prada's production was actually done through a network of around 480 manufacturing suppliers (390 of which were located in Italy with the remaining 90 in China, Turkey, Vietnam, and Romania). Moreover, the prospectus would

also mention those products for which "one important phase of the production process was performed internally," confirming, despite the less than clear wording, an allegation that had been circulating since at least 2002 (Prada IPO Prospectus, 2011, p. 126); namely that many 'Made in Italy' products were actually prepared elsewhere and then somehow finished in Italy, where small pieces (the handle, the buttons, the lifts) were attached, in order to earn the 'Made in Italy' label (see Thomas, 2007). It looked as if both the supposedly 'too cool to care about place-image' attitude and the 'Prada Made In' collection (a limited edition 'capsule' collection) were meant to establish an alternative reality: that Prada was now going to exactly the right 'place' to produce every item for perfection-related reasons: to Scotland (for tartan kilts), Peru (for alpaca knits), India (for shoes in vegetable dyed goats leather), and Japan (for jeans). But, in fact, except for the small number of items put together for the 'capsule collection' basically to create an aura around the brand, Prada was shifting its production to China, Turkey, Vietnam, and Romania essentially for cost-related reasons. The misleading emphasis on the tartan kilts of Scotland or the alpaca knits of Peru was Prada's way of doing what marketing experts call "managing the dark side" (Holt et al., 2004, p. 6).

In this article, I concern myself with the manner in which Prada 'managed the dark side' of shifting its production from Italy to lower-cost countries such as China, and discuss the thesis of the proponents of this strategy that there is now a decline in the monopoly rent yielding advantages arising from consumers' perceptions of country of origin associations (relative to the perceptions driven by a brand's global-ness). In the process, I look at the manner in which Prada has redefined what counts as 'place'

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in a somewhat relational manner, and become even more sophisticated in its attempts to extract every drop of profit, monopoly rent, and wealth out of the capitalist system (via, for example, a strategy of corporate appropriation which involves not only a distinctive ‘anti-brand/anti-fashion/anti-commercial’ position but also a supposedly disinterested patronage of contemporary culture). This is very interesting looking from the perspective of economic geography – a point I will come back to after the next section which discusses how economic geographers view the relationship between geography and fashion, and, more specifically, what they already know about the Milanese Prada. While the next section is basically a literature review, the rest of this article is predominantly based upon secondary sources, i.e. material and information not specifically gathered for this particular article. Many of these sources provide new information based upon direct quotations that I have supplemented with data from Prada’s 589-page IPO Prospectus dated 2011 – a document which offers more material on Prada than could possibly be processed in an article length manuscript.

Geography and fashion

Geography has always played a fundamental role in the fashion industry’s business strategies. For example, Parisian, Florentine, and Milanese firms such as Louis Vuitton, Gucci, and Prada have long benefited from the premium that consumers put on the value-adding qualities (both real and perceived) of these cities. As Scott (2002, p. 1302) writes, the creative capabilities, innovative energies and value-adding resources associated with a particular place seem to be “a form of socialized wealth” that is potentially accessible to all firms located there. Firms consider this socialized wealth not only when they decide on their profit making strategies but especially when they articulate their monopoly rent generating and wealth producing schemes. After all, as Scott (2004, p. 468) writes, the place-specific competitive advantages that, for example, Parisian, Florentine, and Milanese firms acquire “by reason of local cultural symbologies that become congealed in their products and that imbue them with authentic character” are “*exactly*” (emphasis added) what the concept “monopoly rent” refers to. Obviously, Louis Vuitton, Gucci, and Prada do not only owe their current success (indicated, among other things, by their remarkable sales figures – which in the case of Prada, for example, was €3.59 billion, that is \$4.9 billion, in 2013) to the fact that they were established, respectively, in Paris, Florence and Milan, but also to a host of other firm-specific assets (including designers with high cultural credibility in the eyes of consumers and successfully built myths around their brands), and effective corporate strategies (including cost containment, the development of sufficiently complete product pyramids, and functional upgrading). However, it is also clear that none would be what they are today without their historic Parisian, Florentine or Milanese associations.

Geographers have, more often than not, looked at the capabilities, energies and value-adding resources associated with particular places from the angle of production and production-related services (Scott, 2004, 2009). In other words, it is the “tight interweaving of place and production” that most interests them; and what is of the utmost significance about places such as Paris, Florence and Milan are their roles “as fountainhead[s] of unique product characteristics, especially where local crafts, traditions, cultural resources, sensibilities, skills, designs and so on, are available for exploitation” (Scott, 2004, p. 468; Scott, 2009, p. 586). It is through the exploitation of these place-specific advantages that industries such as Parisian *haute couture*, Florentine leather goods, and Milanese ready-to-wear have grown into powerfully competitive agglomerations (see Molotch, 1996, 2002; Scott, 1996, 1997).

One such agglomeration is situated in and around Milan, which rose to prominence as a fashion capital in the second half of the twentieth century after Paris failed to adjust to a shift in the culture of fashion from *haute couture* to ready-to-wear (Merlo and Polese, 2006). There were significant opportunities associated with this shift which mainly grew out of the large and wealthy American market; and when Paris failed to fully exploit these opportunities, a competition developed between Rome, Florence, and Milan, with each city “boasting its own traditions in craftsmanship and industry, in consumption habits and tastes, and in cultural and artistic identity” (Merlo and Polese, 2006, pp. 423–424). At the end,

Milan emerged as the winner, owing both to the sheer variety of specialized resources it was able to accumulate and to the institutional intermediaries working within the city. [Thanks to its many small workshops] the municipality of Milan had the highest concentration of firms actively involved in all the fashion-related sectors, and it employed the highest number of workers in these industries... [Moreover] Milan featured a different productive structure than that of Florence, one that was characterized by larger companies (Merlo and Polese, 2006, p. 424; 433–434).¹

Milan still enjoys this prominence despite the many challenges that it has experienced, especially since the late 1990s when a sharp decline occurred in Italy’s textile and clothing industries as a result of the intensifying competition arising from globalization (Dunford et al., 2013). As recently as the mid 2000’s, Dunford (2006) called the district of Milan, with its many small workshops and smaller number of large companies, a “magic circle” made up of

the manufacture of textiles, textile machinery, and clothing, along with shoes, machines for making shoes, leather goods, eyewear, cosmetics, perfumes, jewelry, a wide range of accessories, and related material and immaterial service activities (including research, design, showrooms, catwalks, magazine publishing, and trade fairs) (Dunford, 2006, p. 36).

Dunford (2006) also made two interrelated observations concerning Milan’s ‘magic circle’ that are especially relevant here. First, despite its strengths, in the mid-2000s, Milan was already displaying some fragility and vulnerability to global pressures: some firms were insufficiently oriented toward export markets. Secondly, a polarization of the market and of corporate performance was developing, with the strong getting stronger and the weak getting weaker. More specifically, the gap (between those firms which could functionally upgrade and those which could not) was growing. In other words, only some firms had, in the words of Dunford (2006, p. 56), “creative, innovative, and technological capabilities; commercial drive; ability to create direct retail networks; financial resources; and more advanced training and research infrastructure.” Prominent among these firms were the larger companies which had been previously overlooked by researchers because of their preoccupation with the smaller Italian firms.

Despite their importance, both in the emergence of Milan as a center of fashion (Merlo and Polese, 2006) and in its success since then (Dunford, 2006), Milan’s larger firms have thus far received less attention than they deserve. This is unfortunate since it is through these larger firms that we can best understand the extent to which Milan’s ‘magic circle’ is part of a wider global network. Without this understanding, as Dunford (2006) and Hadjimichalis

¹ According to Merlo and Polese (2006, p. 434), in 1961 the employee-firm ratio in the textile industry in Florence was 6.5, while in Milan it was 31.7.

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