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Chapter

Cultural Heritage Tradition and Innovation in the Internationalization of Family Business: A Case Study from the Italian Fashion Industry

Anna Claudia Pellicelli and Erica Varese

Abstract

The fashion industry is one of the main businesses in the global economy in terms of employment, investment, trade and revenue and Italian companies are worldwide recognized as representative of cultural heritage, expertise and high-quality standards. The adoption of traceability technologies, such as Radio Frequency Identification (RFId), from the very early stage of the production chain, may help to obtain a more effective process and may also assure the origin of the garments, a key aspect in the fashion industry. The chapter aims at presenting an Italian family business, Oscalito, which has adopted the RFId technology, joining tradition and innovation in its production. A qualitative case study methodology has been adopted, to explore this experience within its context. Oscalito has applied RFId tags to each label, to ensure complete traceability throughout the production chain for each single item (and not merely by lots), fine-tuned control over the production process, and timely and accurate shipment. Thanks to their application, the production chain has been monitored and the Italian origin of the garments has been guaranteed. This research has undoubtedly some limitation due to the applied method. Deeper studies are requested in order to check a general fashion industry trend with reference to the application of RFId technology.

Keywords: Heritage, Country of origin, Radio Frequency Identification (RFId), fashion industry, family business, case study, tradition, innovation, internationalization

1. Introduction

The importance of the consumers’ perception of the country of origin, which is a strategic aspect for the Italian fashion industry, dates back to the first decades of the 20th century. In fact, a first set of studies addressing the perception of the countries can already be found in the 1930s and 1940s [1–4]. Since then, the fact that country images are both the cause and effect of social as well as psychological processes, together with the multitude of their possible economic, cultural and political effects, have led to various studies across a range of scientific fields.
From the perspective of business studies, different concepts have been developed in the subfield of marketing with a focus on nation brands as well as country of origin effects: country of manufacturing [5], country of design [6], country of brand [7], country of origin image [8].

In the field of communication management Passow et al. [9] and Yang et al. [10] applied a model focused on corporate reputation in analyses of country reputation. Buhmann [11] applies the 4D model to analyze image transfer and halo effects between companies and their country of origin.

To assure the exact country of origin of a product and also to consider other strategic issues such as the prove that the garments are not counterfeited, business operators of the fashion industry may adopt recent technologies, such as RFID tags.

The aim of this study is to present a case study in the fashion sector related to an Italian family business. One of the key elements of this company, Oscalito, is undoubtedly the link between tradition and innovation, the latter realized also thanks to the use of RFID technology.

Oscalito has been preserving and defending an authentically Made in Italy supply chain for 80 years and its clothing line is closely related to Italian tradition of high-quality standards.

Oscalito, established in 1936, initially created clothing lines of underwear and fashion knitwear for men, women and children, using high quality natural fibers. After the disasters of World War II, in a building located in Torino (Italy) alongside the Po river, the Casalini brothers (Osvaldo and Lino) set up two knitting machines that had survived the war and started production again, in a country where reconstruction was enthusiastically underway. The logo of the company is shown in Figure 1.

Figure 1.
Oscalito’s logo. Source: Oscalito.
In 2012, Oscalito started the use of RFID tags, linking the tradition in quality of their outputs with innovation and technologies.

This study, which is part of a branch of research (fashion industry and new technologies) carried out by the Authors [12–14] fills a gap in the literature: to the Authors’ knowledge, this is the first paper which presents a case study of an Italian family business company able to joint with success tradition and innovation technologies.

This chapter is divided into 4 sections: Section 2 presents the research methodology; Section 3 is focused on Oscalito, the case study, while the final conclusions are drawn in Section 4.

2. Methodology

With the aim to realize the objective of this research, the following hypothesis has been developed:

H1. The Italian fashion industry pushes for maintaining its tradition while using innovative tools to guarantee the origin of the production and protecting it against counterfeiting. RFID tags allow both the above-mentioned objective to be attained, while pursuing and enhancing aspects of the company tradition.

The Authors decided to apply a qualitative case study methodology for exploring this experience within its context [15, 16]. As stated by Yin [17, 18], the selection of this method is justified because there is the necessity to answer “how” and “why” and furthermore because the Authors are not able to influence the conduct of those involved in the research. Last, but not least, the study is focused on an up-to-date experience.

The Authors have chosen Oscalito company to focus their research because it is a pretty unique case [17, 19, 20]: it has maintained a strong tradition while innovation technologies have been introduced to monitor all the supply chain.

With the aim to deeply investigate this case study, a large variety of sources of information have been used.

As this research has been realized during the COVID-19 pandemic crises (October 2020), the data triangulation suggested by Eisenbardt, [21] was realized with some adaptations due to the current situation: it was obviously not possible to conduct a direct observation in the company buildings, but Authors were invited to some online meeting to have the opportunity to observe the company behavior in real time. A lot of time has been dedicated for the analysis of company documents (reports, studies, memoranda etc.) and interviews (the managing director and other people in the company) thanks to online meetings with video and screen sharing. All these actions allowed the Authors to deeply examine the company.

Each interview lasted for approximately 45 minutes and was conducted by both Authors.

Further information was collected from the company website.

All the collected data were analyzed autonomously by the two Authors and then compared.

In accordance with Ying’s categorization of case studies, this is a “descriptive” one: it defines a “phenomenon and the real-life context in which it occurred” [16, 17].

3. Case study: Oscalito

3.1 Company core values and positioning

The beginning of Oscalito’s production was basically characterized by use of tubular fabric (without stitching), using circular machines. Lino’s sons, Arrigo and
Andrea, later joined the firm, extending the product range to fashion clothes and gaining success even on foreign markets: today a total of 60% of its revenue comes from exports.

Andrea began to experiment with designs on wild and pattern textile machines and with new yarns and fashion garments, broadening the range to more fashionable items. His innovations found favor on the USA market, while orders, commitments and production took off.

In 1975 Arrigo joined the company, giving a fresh boost to sale and the following years were marked by constant growth: women’s fashion items began to play a central role as the export market became increasingly important. Oscalito is a family-controlled business as Casalini family has more of its members in key management positions. [22, 23]

The role of entrepreneurship and the culture for facilitating internationalization efforts is clearly powered at Oscalito and ensures a company’s long-term competitive advantage: most business originally begin as family business then evolve into larger business, depending on performance. [24].

While Oscalito constantly innovates, it remains true to its core values: turning out first-class garments meant to be worn next to the skin, using natural fibers relying on an entirely Italian supply chain. The narrow space between skin and undergarment determines the comfort; this microclimate’s temperature and humidity is kept in perfect balance by living natural fibers. These react with the external environment just as they do in nature, absorbing or releasing heat and water-vapor molecules. With synthetic fibers, which are non-absorbent, moisture remains on the skin.

In 2014, the third generation joined the company as Dario Casalini, gradually took over the reins in a spirit of continuity, refreshing the brand while expanding onto the international market.

The positioning is the result of the company intention to offer superb comfort, quality, well-being in a unique, original and recognizable style [25].

3.2 Oscalito’s use of RFId tag

Nowadays, RFId technology is commonly used for monitoring food [26] and non-food products.

In the textile sector the implementation of RFId technology is considered a huge prospective.

The literature, for instance, has put into evidence that a resource allocation system which uses RFId tags is able to ensure more effective processes than those realized by conventional procedures [27], furthermore, it has been demonstrate the positive impact realized along the supply chain thanks to the application of these tags [28].

Many brands (for example Tesco, Wal-Mart, Benetton, Prada, and, recently, Zara [29]) have already examined the implementation of this technology [30].

It is in this context that Oscalito, since 2012, has decided to adopt the RFId technology, which is applied to each label, to ensures complete traceability throughout the production chain.

This technology uses radio-frequency to recognize, find and trace things [31]. The company uses RFId tag for each single garment (and not merely by lots): this allows fine-tuned control over the production process, and timely and accurate shipment.

Additional considerations related to RFId technology for monitoring the supply chain and for fighting against counterfeiting may be found in this already published chapter [14].
RFId technology has emerged as a valid support for the company not only to monitor the supply chain, but also to protect the Italian origin of production, improving the link with the company’s tradition.

In the next paragraphs, further suggestions about the company’s use of RFId tags will be provided.

3.3 Competition analysis

Upon analysis of the industry using the Porter’s Five Forces Framework [32–35] Authors may affirm that competition within the industry is very high due to the number and the different purposes of competitors, and that the competitive pressure especially derives from chains and department stores.

Oscalito exports about 60% of its products, therefore its main competitors are foreign companies such as Hanro and Zimmerli, which manufacture in Switzerland.

Its suppliers have a high bargaining power, in that Oscalito – to maintain the same level of excellence of the natural fibers and Made in Italy mark – sources extremely high-quality raw materials from a very restricted niche of suppliers.

Its customers also have a high bargaining power due to low switching costs that push them to spend less money on underwear products by purchasing from competitors that produce low-cost products and sell them at accessible prices.

Barriers to entry are high – due to the sector’s high competition level – with the only relevant threat being the recent emergence of e-commerce underwear companies attempting to enter the sector. The threat from substitute goods is low, but the high quantity of competitors does offer numerous alternatives to Oscalito products.

Hanro and Zimmerli and all others direct Oscalito’s competitors do not use RFId tags: without the application of this technology, the supply chain and the subcontracting (for instance those linked to East Europe, Portugal, China and India) are not put in evidence.

RFId tags may be considered as a competitive advantage only for the retailers receptive to the “Made in” topic, which, nowadays are still a tiny minority.

3.4 Value chain and success factors

The source of Oscalito’s competitive advantage lies in its differentiation [36, 37], allowing the company to impose a premium price thanks to the high fiber quality, product excellence, and Made in Italy mark.

Customers are willing to pay a premium price as they can perceive the higher quality offered by the company as opposed to its competitors.

Another source of competitive advantage is the product innovation pursued through use of tubular machines (Figure 2), allowing the company to produce seamless knitwear.

RFId technology enable consumers to be fully informed on the origin of the products and protect them from misleading indications of origin.

As well as its differentiation strategy, Oscalito also pursues cost advantage, especially by means of process innovation. Its slow production allows close control of the vertically integrated supply chain. Moreover, it achieves cost reduction through innovative use of RFId tags, which allow tracking of every single item of clothing throughout its entire lifecycle, all the way to its sale to the end user, thus a guarantee of full traceability and extensive control over manufacturing and shipping. RFId is useful for monitoring supply chains and as tools for fighting against counterfeiting [14].

Upon analysis through Porter’s Value Chain, one may comprehend the uniqueness of Oscalito products, and how the company manages to turn input to
high-quality output by means of vertically integrated activities within a fully Made in Italy supply chain.

The production phases range from yarn spinning to the finished product: weaving, fabric finishing, cutting, sewing, finishing of the end product, quality control, and warehouse logistics.

The initial phases (weaving and fabric finishing) are performed using bar codes, bearing all the information related to the manufacturing steps to make the finished product; such data is then transmitted via the RFID antenna. In the cutting phase, the cutting slip includes details of the fabric bolt or bolts, and the sewing slip includes bar code details related to the bolt, the cut area, and the Bill of Materials, which also includes the past details related to the bolt, the cut area, finishing, and origin of the thread.

When the item is complete an RFID tag is applied – containing the above information – in that, until that moment, it is simply considered a unit of production. Upon application of the tag, the logistics history of the item becomes independent and contains data related to shipping, recipient, store to which the product is shipped, and quantity sold (only for wholly-owned stores and franchisees).

Figure 3 shows some crucial phases of Oscalito’s production.

3.5 Marketing activities, distribution, and network

Oscalito’s levers of success may be identified upon analysis of the marketing mix.

The brand’s products are made of extremely high-quality natural fibers, and the slow production philosophy preserves such quality and guarantees maximum wellness to its end users.
Figure 3. Some phases of Oscalito’s production. a) Design and prototyping; b) lace cutting c) rib fabric manual cutting d) sewing line. Source: Oscalito.
The premium price applied to the goods is justified by their quality level, and consequently the customer perceives an excellent value for money.

The promotion and communication policy are mainly based upon the Made in Italy mark, and Oscalito transmits an image coherent with its brand values through elegant, refined, and neutral-colored retail outlets.

The products are distributed to a number of countries through independent agents, distributors, monobrand stores and – in certain countries – the e-commerce channel.

The vision is to wear 100% Italian, high-quality underwear or knitwear.

In order to compete with the players in the fast fashion business – offering the same functional benefits as Oscalito – the company needs to leverage its social and emotional unique selling proposition, making consumers conscious of the greater benefits that purchasing Oscalito products may imply.

Elegance-conscious consumers with a middle-high income experience a feeling of great wellness offered by the natural fibers that preserve the necessary microclimate for maximum comfort.

Oscalito stands out from its competitors due to the raw materials and manufacturing technology it uses to create its products, with a constant commitment to investigating new styles and developing new production methods in line with environmental responsibility.

At the end of the year 1990, the company created a sorting system for processing stations based upon an IT system: each processing station is automatically distributed by a CPU to the various processing machines. After the sewing phase, each item of clothing undergoes quality control (Figure 4), which allows only 1% of company products to go to waste.

Since its establishment and until the 1980s, Oscalito had a single sales network: independent agents (as the company did not have the necessary turnover to hire exclusive agents) who also sold complementary products.

In the fashion industry, the evolution of the supply system has had a strong impact on the market.

From the business point of view, regardless of the size, management of distribution channels is a crucial element that may determine the success or failure of the firm itself. Within such sector, manufacturers and large brands offer a value proposition that depends on the combination of physical traits of the product but also its related intangible elements and services [38].

Oscalito has recently opened an e-commerce platform in the United States.

When a sales network is deeply enrooted in a Country, it becomes dangerous to launch and e-commerce platform, in that other retailers view it as a direct competitor. This danger exists both in Italy and France, where the retail network is deeply entrenched. Launching an e-commerce platform also implies an increase in stock and in investment in logistics.

Figure 4.
(a) and (b) quality control on shaping lamps. Source: Oscalito.
On average, in the clothing sector 12% of turnover is spent on marketing. Oscalito, instead, spends 1%. In order to compensate such lack, the company has adopted a number of solutions: seminars for retailers in Italy and France; and industrial tourism, namely visits to the company. The problem is that it is crucial to the company that retailers inform customers about the Oscalito production process and product.

Oscalito belongs to company networks that offer promotion of the brand through free-of-charge advertisement, namely Italian Lingerie Export and Exclusive Brand Torino. Italian Lingerie Export is the consortium bringing together Italian companies that manufacture high-quality lingerie. Exclusive Brand Torino is the consortium for the promotion of selected brands and top products from the Piedmont area on the foreign market, whose member companies share a set of values, such as attachment to the territory and excellence. Nevertheless, the consortium's multi-sector nature is also an obstacle, in that it struggles to offer common initiatives.

Since now, Oscalito has not implemented marketing strategies for consumers focused on the application of RFId tags even because, from the company point of view, it is not easy to choose which are the appropriate information that can be given to the consumers. It is crucial not to benefit competitors (for instance, indicating which material allow to obtain a certain high-quality) or to avoid creating problems to the retailers (the indication of the date of production may reveal the consumer that the item has been stored for a long time).

3.6 The international market: advantages and critical aspects

Countries offering the greatest opportunities in the fashion industry are developing countries such as China, India, and Japan.

An additional market that has recently gained high relevance in the sector is the Iranian market, especially in terms of luxury European brands, due to the abolition of economic sanctions and consequent facilitation of luxury brand import. Ever since the 1970s, Iran has suffered enormous fines introduced after the Khomeini revolution. Sanctions were renewed in the following decades due to human rights violations and the development of nuclear technology. Furthermore, it is estimated that the average expense per capita on underwear will increase by a considerable margin in the next few years. Until 2016, Iran faced a trade embargo, usually eluded through contraband imports. Despite this, upon the end of the sanctions a great customer pool has developed, fast-growing and including young consumers.

Moreover, the Iranian market was historically linked to Italy and responsive to the Made in Italy mark.

At the moment, small and medium retailers dominate the market but shopping centers are growing exponentially. Such growth is due to the fact that Iranian consumers associate European and US products with a high-quality level.

The fast growth of the underwear market in developing countries is also due to the fact that women are gaining the willpower to show themselves in public, and are expanding their perspectives in terms of acceptance of underwear, dedicating more and more time to its purchase [39].

The Asia Pacific market (China, Japan and South Korea in particular) and the Indian one are the market growing most rapidly. The transition in consumer lifestyle, supported by growing urbanization and buying power, is the main cause of this [36].

The methods Oscalito uses to choose its distributors and retailers are the following:

- Product placement, which must be adequate, not only in terms of price (Oscalito products belong to the high-end market), transportation, and
customs charges (particularly high outside of Europe), but also in terms of the ability to maintain a product placement that is suitable to the brand image;

- Reliability of the distributor in financial terms, in that the Oscalito supply chain is very long, thus a canceled order is a relevant issue for the company.

- The ability to describe the product, which must be very strong. The distributors and retailers shall have the skills and motivation to describe the product to the end customer.

The future of distribution within the analyzed industry appears to be organized retail, where the brand is provided to the retailers who each have their loyal brand or pool of brands. Nevertheless, market growth also includes online stores.

The Oscalito brand does not only represent high quality and excellence through slow production, but also represents Made in Italy.

Made in Italy is one of the bestselling global brands and is linked to positive values such as creativity, esthetics, quality, and attention to detail. It has become a synonym of “knowing how to make things well”, and is an added value to our production system: basically, a collective asset [40].

Upon analysis of such data, the Authors may firmly state that the European and US markets have a high level of attractiveness and competitiveness, thus it is worth maintaining corporate presence within such markets.

The problem of counterfeiting and imitation is an issue that starts above all from China, jeopardizing brands image and offering fake products which brands need to be protected from. Every day there are attempts by China to register the brand and, in relation to a particular case in which the Oscalito brand has been filed on non-clothing classes, the company attempted to appeal but the transaction was not successful and further costs would be incurred.

Fighting against powers such as China at a local, or national, level is quite difficult, expensive and disadvantageous.

Traceability obtained thanks to RFID tag is very appreciated abroad but sometimes the market requires other appropriate certifications: it is for this aim that Oscalito has the Italian Identity Certification [41], which covers the whole supply chain and very soon it will be certified also Tessile & Salute [42] (Textile and Helath).

4. Conclusions

With reference to the fashion sector, the objective of this chapter was to verify the possibility to guarantee the origin of the production of an Italian family business and the protection against counterfeiting while pursuing and enhancing aspects of the company tradition also linked to the Made in Italy concept. It has been stated [43] that the concept of made in Italy dates back to the 1970s and identifies the Italian garment with “some examples of innovations in design and history that maintain and reinforce the high levels of Italian craftsmanship, attention to detail, beauty, and cultural heritage, the values that define the Italian character and style at its best”. As a kind of loop, the heritage, as well, enhances the [44] contemporary Italian fashion.

Some Scholars express some criticisms about the case study method, as it is not rigorous and, as it is focused only on a single case examination, it is difficult to get a generalizing conclusion. Even if these above-mentioned issues are generally accepted and are definitely critical aspects, the Authors of this chapter trust that
through the evaluation of Oscalito case study, they have been capable to describe how innovation, mainly represented by the application of RFId tags, has been capable to guarantee the origin of the production and to ensure the transmission of traditional characteristics of the company.

RFId tags guarantee a full traceability and an extensive control over manufacturing and shipping.

Thanks to the implementation of RFId tags along the supply chain, Oscalito, as a proof of excellence, has earned the Italian Identity certification issued by Italcheck, as well as the “bestseller” award by magazines specialized in underwear.

Other consideration is that this research has been realized during the COVID-19 emergency and, as it is not predictable when it will be solved, most of the above-mentioned thoughts may be reconsidered in light of the ongoing of the global pandemic crises.

Oscalito, during these months, has immediately reinvented itself and decided to contribute to the fight against the Coronavirus by converting some line producing masks. Great quality, despite all the economic damage suffered, even without the necessary aid and due, has succeeded in creating a new product, absolutely innovative, produced designed and packaged entirely in Italy. Also this product has a supply chain with an almost total sustainability and transparency content. These masks are “medical device CE certified (surgical masks Type II registered with n. n. 1955886 and 1955920) in pure Egyptian cotton jacquard fabric with lateral adjustable drawstring, elastic for ears and bottom opening to refill disposable SMS40 filters. The ideal solution to combine safety (certified medical device), health (breaths in cotton and not in plastic), environment (removable and recyclable disposable filters) and savings (the filter is much less expensive than a disposable medical device)”. The mask is also CE patent pending.

This research has undoubtedly some limitation due to the applied method as it has been adopted a qualitative methodology for a single case study. Deeper researches are requested in order to check a general fashion industry trend with reference to the application of RFId technology.

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Conflict of interest

The Authors have no conflict of interest.

Other declarations

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