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INTERNATIONALIZATION OF LUXURY FASHION FIRMS.  
EXAMINING THE BUSINESS MODELS OF SMES,  
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Abstract

**Purpose.** Filling a gap in current literature, the book innovatively focuses the analysis on small- and medium-sized enterprises (SMEs) with the aim to investigate the internationalization of luxury fashion organizations and the relationship between internationalization and business models. Design/methodology/approach. The qualitative methodology adopted by the book is that of case research, and, recognizing the key role of Italy in the luxury fashion industry, the empirical context of the study is the Italian fashion sector. This book provides six in-depth case studies of Italian luxury fashion SMEs; while two organizations are artisanal realities, the other four cases investigated are medium-sized companies.

**Findings.** The book is conceived around three main research questions which the Authors answer by linking the theoretical framework adopted with the research results. The study presents the reasons and modes of internationalization of luxury fashion SMEs, and the main implications for their business models. A possible structure of the business model of luxury fashion SMEs is suggested according to the mechanisms of value creation, value capture, and value delivery.

**Practical and Social implications.** Entrepreneurs, managers, and people involved in the luxury business can find valuable implications in the results of the study. Moreover, the book offers original insights about the international development of luxury fashion SMEs.

**Originality of the study.** The book enriches the international business and the international marketing literature by extending the debate on internationalization and business models from multinational enterprises (MNEs) to SMEs. The concept of "genetic internationalization" is originally proposed and discussed with reference to the luxury fashion industry.

## Review

In the luxury fashion industry, internationalization is not only a prerogative of large companies, conglomerates, and multinational enterprises (MNEs), but it is also an effectively exploitable possibility for small- and medium-sized enterprises (SMEs). Starting from and exploring this fundamental concept, the book contributes to the international business and international marketing literature through the investigation of the reasons, processes, and forms which characterize the internationalization of luxury fashion organizations. To this aim, particular attention is paid to the study of the relationship between internationalization and business models. As claimed by the Authors, the research perimeter could fall on the study of large companies and, therefore, of those fashion brands that enjoy greater fame and success. However, in this book, the approach takes on a different and certainly innovative nuance. The analysis, in fact, focuses on SMEs to understand why luxury fashion is particularly prone to the process of internationalization and why it has become one of the sectors most able to lead globalization in recent years.

The research field choices made by the Authors find numerous reasons. First of all, the luxury fashion industry stands out for the peculiarity of the relationship between sector and distribution. This factor favors the vertical integration of luxury fashion companies and a specific type of internationalization connected with the opening of retail stores abroad. Thus, there is a sectoral interpretation of the internationalization process. Moreover, luxury fashion firms operate in a customer market and, at the same time, are surrounded by a network of suppliers, business customers, and influencers. Secondly, to address a gap in the existing literature, the Authors considered it appropriate to examine SMEs, because, as well as large companies, they can have the necessary resources to expand internationally. Although, indeed, the internationalization theory has long considered the possibility of small businesses to internationalize quickly even after a few years from their creation as surprising, in international luxury fashion the perspective appears different. In this regard, the Authors refer to companies that are “born global ante litteram” and which have become widespread roughly since the Second World War.

Hence, the book deepens the internationalization of luxury fashion organizations through the case of the internationalization of SMEs. An original and inedited element of the work lies in taking SMEs as a strong emblem of internationalization, even if they notoriously suffer from general liabilities (e.g., smallness and newness) and liabilities specifically linked to the internationalization process (e.g., foreignness and outsidership). Inter alia, the international business literature conceives the liability of foreignness as the liability which derives from being in contexts different from the national

ones, while the liability of outsidership regards the difficulties related to being external to the most crucial and profitable international business networks. Nevertheless, SMEs can be as international as large companies but their size requires them to adopt ad hoc business models to operate in the global luxury industry and to deal with uncertain conditions. The book underlines the need to analyze the business models of luxury fashion SMEs as scholars and practitioners have always addressed the topic mainly based on large players.

In an innovative, far-sighted, and comprehensive way, the three Authors investigate and explain what are the main features of the business model of SMEs in the luxury fashion industry and to what extent the dimensions of these models relate to internationalization. In order to do so, the empirical investigation carried out in the book is on Italian small- and medium-sized enterprises which have a manufacturing base.

The entire book is structured around three cleverly defined questions that the Authors actually answer during the chapters: a) *Why* do luxury fashion SMEs internationalize?, b) *How* do luxury fashion SMEs set the internationalization process?, and c) *What* are the implications of internationalization for the business models of luxury fashion SMEs?

The book inquires these questions in eight chapters, where the first one is an exhaustive and complete introduction that presents the highlights of the book itself. Chapters 2, 3, and 4 retrace some specific aspects of the theoretical background generally referred to luxury fashion companies. Chapter 5 introduces the methodology adopted in the book and presents two case studies. Chapter 6 details the characteristics and specificities of the other four case studies. The penultimate chapter discusses the six business cases considering the theoretical framework outlined in the first chapters, while the last chapter concludes the book with theoretical and managerial implications.

To understand the important contribution of the book to the extant literature, it is required to briefly specify the content of each chapter.

Chapter 2 focuses on the relationship between internationalization and luxury, and provides the reasons that push luxury companies to undertake the path of internationalization, even since their foundation. The Authors show that luxury fashion firms look for foreign markets for, at least, four motives. First, luxury fashion organizations could find the demand in the domestic market insufficient and limited for their development. In addition, these companies could be also motivated by the growing interest among consumers in purchasing luxury products and by the increasing number of consumers from emerging countries. As a second reason, global image means global reputation and global recognition. For luxury fashion firms, it is also important to have a certain visibility on those cities commonly connected to the sale of luxury products; the Authors effec-

tively bring the example of cities like Milan, Paris, London, New York, and Monte Carlo. Thirdly, luxury fashion enterprises internationalize because luxury product consumers are usually cosmopolitan and attentive to the international scenario. Finally, the management of distribution and communication channels have some advantages, such as the economy of scope and the economy of scale, which can be maximized at the international level; hence, luxury fashion companies invest through the opening of both offline stores and online platforms.

Chapter 3 proposes an overview of the literature on the internationalization process of luxury fashion companies, taking into account three fundamental aspects: the opening of retail stores in foreign markets, which are an evident sign of internationalization, the configuration of the supply chain and sourcing strategies, which are needed to know and meet customer requirements, and the role of e-commerce, which enables companies to get in touch with consumers from all over the world. This chapter concludes with an articulated analysis of the main difficulties, i.e., the liability of foreignness and the liability of outsidership, that luxury fashion companies may encounter during their internationalization path.

Chapter 4 emphasizes the link between internationalization and the business model of luxury fashion organizations. Starting from the most recent academic debate, the Authors stress that, in the luxury fashion industry, internationalization is not a strategy but a necessary component of the business model in order to gain success. The chapter proposes a suitable business model taxonomy consisting of four types of business model referred to various luxury players: large luxury fashion MNEs, independent entrepreneurial SMEs, vertically integrated luxury suppliers, and digital native luxury brands.

The methodology used in the book is detailed in Chapter 5 and it is precisely a case study methodology. The empirical context of the analysis is the luxury fashion industry in Italy. Also in this case, the Authors coherently explain the reason for this methodological choice. Italy has a highly recognized role in the global luxury fashion sector. Italian luxury fashion organizations have always enjoyed remarkable international success thanks to a demanding internal consumption, a specific distribution system, a manufacturing expertise in areas such as textiles, clothing, and leather products, a solid presence in exclusive segments of luxury fashion, and a significant attention to sharing external resources with local production systems. Furthermore, the specific “Made in Italy” declaration arouses appeal and favorable value perceptions among foreign markets. To answer the research questions and explain the internationalization of luxury fashion companies through the example of the internationalization of SMEs, the Authors investigate six Italian manufacturing SMEs operating on an international scale in the luxury fashion industry. Chapter 5 focuses on two of

the six case studies adopted by the book. Sapaf and Bontoni are small-sized luxury fashion organizations in local clusters. They have a deep bond with the territory of origin. Sapaf is historically present in the Florentine territory (Tuscany region), while Bontoni is located in the Montegranaro district (Marche region). These two artisanal realities use leather as raw material and share a severe vocation for internationalization since their creation.

The other four companies are detailed in Chapter 6 as they are characterized by both a notable dimension growth and international expansion. Fabiana Filippi is based in Umbria, while E. Marinella was born in the Campania region; Antonelli Firenze and Monnalisa are both of Tuscan origin. These four cases are medium-sized organizations.

Chapter 7 wisely combines the theoretical framework with the findings of the empirical research carried out. In this perspective, the theoretical background of the book is specifically linked to the case studies to answer the research questions. The Authors, therefore, explain in detail the results of their investigation and, in particular, *why* luxury fashion SMEs are international, *how* they internationalize, and *what* are the implications of internationalization for their business models. The chapter not only proposes the business model of luxury fashion manufacturing firms and the relationship with the internationalization process, but also compares these business models with large global actors in the luxury sector. It is worth emphasizing that the Authors suggest the structure of the business model of luxury fashion SMEs on the basis of three mechanisms (i.e., value creation, value capture, and value delivery), where seven pillars of the international dimension of the business model are combined.

Finally, Chapter 8 closes the book. The study of luxury SMEs internationalization is the original contribution given by the Authors. From a theoretical perspective, the book responds to the gap found in the literature by discussing the “genetic internationalization” of luxury SMEs and the liability of localness: these two concepts summarize the international nature of the business model of luxury SMEs. Indeed, addressing the international market is not a strategy; many SMEs are genetically international because, in order to develop, the luxury fashion industry requires internationality as an element of the company business model. On the contrary, SMEs would be affected by a liability of localness: operating only at the local level would mean setting significant barriers to work in the luxury fashion sector. From a managerial point of view, entrepreneurs, managers, and people interested in the luxury business, regardless of the reference industry, may be involved in the insights provided by the research.

The book offers a cutting-edge and unique view of SMEs: their liabilities do not prevent them from being genetically international; the proposed case studies are a proof of this statement, even in the case of the two small artisanal realities. Considering the luxury fashion industry, Runfolà, Mila-

nesi, and Guercini combined their academic, professional, and personal experiences to enrich the international business and the international marketing literature by demonstrating that also manufacturing SMEs can lead and influence the internationalization process.