Made in Italy, Distributed Worldwide - via Switzerland

Exclusive bags, shoes, luggage, belts, small leather goods, eyewear, dresses, skirts, jackets, shorts, silks, fine jewelry, gifts, watches, leather jackets, suits, shirts, coats, children's wear, iPad cases and much more, made in Italy by expert craftsmen to the highest quality standards and sold, used and admired all over the world. Although impossible to describe in words only, the Gucci brand stands for product excellence, fashion authority, cutting-edge design, sophistication and desirability. Gucci remains inextricably linked to Italy and its creativity, industriousness and many other values. As a global business, it thrives on know-how that took generations to build and is committed to growing its relationship with its home territory of Tuscany. Now operating as the leading multi-label company of the PPR Group in terms of sales, Gucci’s worldwide renown has its roots in founder Guccio Gucci’s vision and real life experience in London and, following his return to Italy, where in 1921 he opened a leather goods company and small luggage store in his native Florence, his early success with international clientele on vacation in Tuscany. Even in today’s multi-label international set-up, Gucci produces 100% of its leather goods, shoes and ready-to-wear in Italy. A key distribution and logistics platform and competence center providing seamless links between Gucci’s core strengths in design and production with a parent group representing a powerful array of brands (Gucci, Bottega Veneta, YSL, Alexander McQueen, Balenciaga, Boucheron, Stella McCartney, Puma and others) operates in the Swiss Canton of Ticino.

In 1996 Gucci established a worldwide distribution center for its own branded products in Cadempino, on the outskirts of Lugano, which quickly became a logistics platform for other Group brands and was moved to new facilities in Bioggio in November 2003. By that time, PPR had become Gucci’s majority shareholder and was thus swiftly repositioning itself to be a major international multi-brand luxury goods group. All processes and movements of goods are planned and executed with extreme precision and continuously monitored, under strict adherence to numerous requirements regarding security, time-to-market, product certification and, increasingly, social responsibility and environmental/economic sustainability.

Delivering Sustainable Transport Solutions

In 2011, a total of 40.1 million metric tonnes of goods were transported through the Swiss alpine routes, setting a new record. 25.6 million tonnes (63.9%) were hauled by rail, of which about 60% via the Gotthard route and 40% through the Lötschberg-Simplon tunnels. Overall, a total of 27 billion tonne-kilometers were forwarded across Switzerland by road and rail (2010), 48% of which were transports between domestic destinations, 12% stemming from imports, 6% from exports and 34% from transit traffic. 70% of this freight category is transported by rail. Air cargo (0.2 million tonnes inbound and outbound in 2010) plays a relatively minor role compared to land transport. However, this carrier is a highly flexible and fast component of the transport infrastructure, especially for fast long-distance shipping of high-value-added or perishable goods.

The Swiss people consider their limited territory and environmental resources, but also their political stability and unbureaucratic ways, as prime assets whose integrity must not be compromised for short-term economic advantages. Switzerland has followed the World Commission on Environment and Development (the Brundtland Commission) and its understanding of sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Long before such definitions were commonly used, groundbreaking achievements for the transport infrastructure such as the railway line through the Gotthard in 1882 with its world-famous loops and the 15 km main rail tunnel were made; more recent examples include the Gotthard motorway with its 17 km road tunnel completed in 1980, or the milestone Alptransit project with a length of 57 km (incorporating high-speed base tunnels through the Gotthard and the Monte Ceneri). The latter is considered as a bold early move to anticipate future market trends, to consolidate leadership through innovation, and to contribute to the cause of long-term sustainability. According to the Federal Department of the Environment, Transport, Energy and Communications, Swiss transport policy “seeks to deliver efficient, economically viable mobility solutions through the appropriate design of transport infrastructure. In line with the principle of a public service, all population groups and regions are entitled to a well-functioning transport system. … At the same time, transport policy must prevent mobility from destroying our natural resources, while also increasing traffic safety.”

In recent years, Switzerland has ranked at or near the top of environmental sustainability as measured by the Environmental Performance Index, which was developed by Yale University (Yale Center for Environmental Law and Policy), Columbia University (Center for International Earth Science Information Network), in collaboration with the World Economic Forum (Geneva) and the Joint Research Center of the European Commission (Ispra, Italy) to rank countries on performance indicators across various environmental and ecosystem-related policy categories. Earlier this year, the Swiss government published an update to its own list of key indicators to measure broad progress towards overall sustainable economic development, providing a summary assessment for each criterion. In the most relevant areas for the purposes of this article, the report points out trends towards increased sustainability for indicators such as CO2 intensity of individual motorized transport, final per capita energy consumption and energy intensity, use of renewable energy and
particulate matter concentration. No significant changes were seen, among others, for greenhouse gas and overall CO₂ emissions, the final energy consumption of transport and landscape fragmentation, while a move away from sustainability appears to be underway, for example, in terms of the intensity of freight transport and the share of rail freight transport in total freight transport (though at 40% this share is significantly higher than the 18% average of the 27 EU countries). Some of these environmental indicators are undoubtedly positively influenced by more widespread use of low-emission vehicles on Swiss roads: The latest generation of Euro class 6 vehicles was introduced in 2011, and the share of domestically-registered Euro class 5 heavy vehicles in terms of mileage rose from 23% in 2008 to 50% in 2010. Accordingly, the need for a complete remodeling of the Gott-hard road tunnel (which will be necessary within the next 10/15 years) is being analyzed and discussed as a matter of increasing importance. Much is at stake and estimates of direct and indirect economic costs (reduced turnover and profits, bankruptcies, higher travel and transport expenditure, infrastructure and external costs) of a protracted closure have been published: These being considerable, a number of alternatives have been put forward, including the opening of a second road tunnel, without any capacity increase following the eventual re-opening of the existing tunnel (as enshrined in the Swiss Constitution following a popular vote).

**Ticino Welcomes Overachievers**

Ticino as a gateway to northern Europe and the rest of the world is a good match for the global aspirations of international companies. The principal positive factors besides the location as such are business-friendly regulations, social peace and political stability, the “Swiss-made” worldwide recognition, an excellent educational system, a well qualified and motivated human resources pool and the quality of life. The proactive and co-operative approach taken by Swiss customs is worthy of note, as it incorporates a number of services that assist companies in developing the international side of their business (e.g. better market access, value of certain certifications, jewelry marks etc.). But there is also a growing awareness that such competitive advantages can be eroded relatively quickly and that they must be continuously monitored and nurtured. In Ticino’s case, potential threats are seen from a “transportation overload” that may result from inadequate planning of the transport infrastructure, seriously hampering mobility and cross-border trade as well as putting sustainable economic growth at risk. The relationship between the ever-changing business world and its host territories is symbiotic. While international companies have specific requirements in terms of human resources, transportation, the presence of industry clusters, international schools, taxation, labor laws, housing etc., they also provide regional economies with resources such as brands, management and technical skills and know-how, finance and marketing strength. They are also becoming increasingly sensitive to the environmental, social and governance issues linked to sustainable growth.

The PPR Group defines its main corporate mission as being value creation by leveraging organic growth opportunities to be achieved mainly through strategic thinking, setting objectives outside the comfort zone (Group revenues, for example, are to reach 24 billion euros over the next eight years, twice as much as in 2011), nurturing creativity, sharing best practices and providing outstanding business expertise. The Luxury brands are to be developed seeking a balance between growth and their exclusivity. This means expanding their networks of directly operated stores, focusing on growth markets such as China, Brazil, India, Mexico and Vietnam (significantly lengthening the supply chain), which will thus swiftly be added to existing Gucci “strongholds” in New York, London, Palm Beach, Paris, Beverly Hills, Tokyo and Hong Kong. New product categories will be launched, improving the brands’ long-term top-line performance, notably through ever more efficient merchandising, effective communications, operational store excellence, and deeper customer knowledge. Among other factors, such ambitious plans rely on the operation and development of powerful logistics and e-commerce platforms, information services infrastructure, or sharing expertise for taxes, communications, human resources, and legal affairs (including intellectual property). None of the latter could be envisaged without proper regard for sustainability.

In March 2011, PPR announced the formation of PPR HOME, a new unit tasked with setting new standards and implementing sustainable development within the Group, thus reducing and mitigating the Group’s social and environmental impacts. Best-practice codes and standards such as SA8000 and ISO 14001 have been adopted across the whole supply chain including suppliers and sub-suppliers. The SA8000 is an auditable certification standard based on international workplace norms of International Labour Organisation (ILO) conventions and the Universal Declaration of Human Rights. Policies and procedures are thus in place that protect the basic human rights of workers in areas such as health and safety, rights to collective bargaining, working hours, remuneration and management systems. ISO 14001 provides the requirements for environment management systems (EMS) adopted by companies to identify and control the environmental impact of their activities, products and services, to improve their environmental performance continually, and to implement a systematic approach to setting environmental objectives and targets, to achieving these and to demonstrating that they have been achieved. Gucci’s logistics operations in Ticino are fully integrated in the group wide system to ensure, measure and promote sustainability: at the same time PPR enjoy considerable decision-making authority within given expansion plans and sustainability standards. Environmental impact data is collected and reported on a regular basis and is also used as an important criterion to select business partners. The road haulage fleet is being constantly modernized and its deployment optimized. Last mile distribution is only carried out using electrically-powered vehicles. High-performance information systems are used to efficiently manage stocks globally using real-time data. This data is also used for the purposes of pricing. Ticino and Switzerland offer advantageous conditions for managing these functions of a global consumer business, not least thanks to the flexibility of the labor force available and the labor laws in force. However, it will be important to remain competitive at the human resources level by adapting the relevant school curricula to future needs, adding new specialist skills and know-how as required.

Ticino as an integral part of Switzerland, one of the world’s most competitive economies, is well equipped to face important challenges and to leverage on new opportunities. Building on its centuries-old tradition of promoting transport ser-
vices and international trade, together with a pragmatic yet balanced approach, the further development and modernisation of its transport infrastructure (mainly by rail, road, air) will require careful analysis and decisions to be made in due time. PPR is following developments closely and is planning on expanding its presence in the Ticino: Construction of a new logistics hub in Sant’Antonino, effectively tripling the throughput capacity in Switzerland, has begun in April 2012. Some might call this a simple fashion statement - others will place the emphasis on sound business planning against the backdrop of a productive partnership with a dynamic business location.

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