Trends in the Fashion Business: Spain and Italy in Comparison, 1973–2013

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This article investigates the dynamics that characterized the top fashion industry companies in Italy and Spain in the last three decades of the twentieth century and the first thirteen years of the new millennium. The first section describes the sources and the methodology adopted. The second compares the features and transformations of the largest firms in the industry. The third focuses on these companies in 2013. The fourth discusses our findings, focusing on the impact that globalization and a possible "advantage of backwardness" had on the emergence of Italy and Spain as trendsetters.

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Introduction

The fashion industry[1] was significantly changed in the twentieth century by the emergence of new business models that arose in parallel with the rise of nations to the position of trendsetters. The countries at the forefront of innovation in the fashion business—the trendsetters—boasted companies able to create and exploit competitive advantages within the new framework, while the champions in the former paradigm proved unable or unwilling to develop internally or take advantage of new opportunities.

Previous studies have explained the arrival of newcomers in the international fashion market in the latter half of the twentieth century. The market had been dominated by France, but World War II led to the isolation of Paris and magnified the disastrous effects of the collapse of the international economy in the 1930s.[2] At the end of the war, French fashion had to face fierce competition.[3] Paris responded to the challenges to French primacy with the "New Look" fashion collection, launched in 1947 by Christian Dior, who drastically ramped up the existing standards of opulence by placing emphasis on the conspicuous, even scandalous and provocative, use of sumptuous fabrics.[4]

This upgrade had momentous effects on the international fashion industry.[5] As the French fashion industry focused on luxury goods, new players entered the market in those niches unfilled by the fashion capital; Italy emerged as a trendsetter. In the 1970s, Italian ready-to-wear fashion gained international preeminence as the mass-produced alternative to French haute couture.[6] During the next decades, Italian companies targeted the luxury market segment.[7] While they succeeded in the luxury ready-to-wear field, a new trendsetter and a significantly different business model emerged. In the 1990s, Spain emerged as the cradle of "fast fashion," defined as "the strategy of adapting merchandise assortments to current and emerging trends

1. For the purposes of this paper, the fashion industry is the industry whose products have a short life cycle due to their seasonal nature. The scope of the research is limited to textiles, clothing, knitwear, footwear, and leather accessories.

2. Veillon, *La mode sous l'Occupation*.

3. Merlo and Polese, "Turning Fashion into Business"; Steele, *Fifty Years of Fashion*.

4. Jones and Pouillard, "Christian Dior"; Palmer, *Dior*.

5. Pouillard, "Christian Dior"; Pouillard, "Production and Distribution."

6. Merlo, "Italian Fashion Business"; Merlo and Polese, "Turning Fashion into Business"; Segre Reinach, "Milan"; Muzzarelli, *Breve storia*.

7. Merlo, "Italian Luxury Goods Industry"; Merlo and Perugini, "Making Italian Fashion Global."

as quickly and effectively as possible."[8] Spanish companies took advantage of the opportunities provided by this new business model to exploit fast fashion as a competitive alternative to Italian ready-to-wear fashion.

The literature suggests that the main fashion industry business model moved from haute couture to ready-to-wear and then to fast fashion, which paved the way for the trendsetter role to move from France to Italy, and from Italy to Spain. Beyond this evidence, however, knowledge of the dynamics of competition in the international fashion market is still embryonic.

The present study analyses the second phase of this process, that is, the evolution of the fashion industry in Spain and Italy from the 1970s onward. These two countries have since played an increasingly influential role in the fashion industry at the European and global levels. According to Eurostat, Spain and Italy rank among the top five European Union countries in terms of value added and number of employees in the textile, clothing, leather, and footwear industries. Italy ranked first in Europe in 2001 and 2006 on both indicators, while Spain moved from fifth to fourth in terms of value added and from the fourth to third in terms of number of employees.[9]

Of course, this is not the first study on this topic. Studies have been undertaken on specific companies,[10] on the role of industrial districts in the fashion business in both countries,[11] and on the Spanish and Italian fashion industries in general. While globalization has continued apace from the last decades of the twentieth century, the data and the literature show that nations still matter as units of analysis in the study of the evolution of the fashion industry. The economic integration the world has experienced since the 1970s has entailed increasing competition between corporations and between nations. Far from decreasing in importance, nation-states remain key actors

8. Sull and Turconi, "Fast Fashion Lessons," 6; Bhardwaj and Fairhust, "Fast Fashion"; Arrigo, "Fast Fashion"; Segre Reinach, "China and Italy."

9. Eurostat, *European Business: Facts and Figures 1998–2002*, 84; Eurostat, *European Business: Facts and Figures 2009 Edition*, 116.

10. Literature includes fashion designers' biographies, in-house celebrative books, and books and articles on specific topics. See, e.g., Molho, *Being Armani*; Rasche, *Coats Max Mara*; *Ermenegildo Zegna*; Camuffo, Romano, and Vinelli, "Back to the Future"; Alonso Álvarez, "Vistiendo a Tres Continentes"; Badía, *Zara*; Blanco and Salgado, *Amancio Ortega*; Salerno and Gay Saragoza, *The Mango Story*; Puig Raposo, "Una multinacional holandesa."

11. See, among others, Amighini and Rabellotti, "Italian Footwear Industrial Districts"; Dei Ottati, "A Transnational Fast Fashion Industrial District"; Catalan and Ramon-Muñoz, "Marshall in Iberia"; Manera Erbina, Molina, and Casasnovas, "La atmósfera industrial del calzado en Baleares"; Llonch Casanovas, "La competitividad de los distritos catalanes."

in the international marketplace. National economic and industrial policies are more crucial than ever to support fashion companies' efforts to achieve and maintain their international standing, whereas companies can improve their chances of competing successfully by leveraging the appeal of the country brand. In light of these considerations, this article equates nations to trendsetters while focusing on those companies that have emerged as top players over time.

The idea of equating nations to trendsetters is grounded in marketing and business history research into the country-of-origin effect. Marketing scholars have mainly focused on how a product's country of origin affects consumer choices and behavior. They argue that the consumers' perceptions of the quality and value of products are greatly influenced by their provenance, to the extent that they will even pay a premium for products from countries that boast a high reputation in a specific industry. Business historians interested in the country-of-origin effect have paid particular attention to industries that have benefited from a country brand with strong, positive connotations—typically, Made in Italy and Made in France, for fashion—when seeking footholds in foreign markets. Those historians who focused on single companies argued that the companies' international success was decisive in strengthening the country brand and even played a major role in establishing the reputation of the country itself in specific industries.[12]

Fashion is endowed with intangible attributes, including country-of-origin reputation, and has been investigated in depth by both marketing scholars and business historians. To some extent, these studies obtained common findings. First, the majority of fashion brands are based in a few countries that are internationally perceived as being leaders in the industry. Second, market leadership is strongly associated with specialization within the fashion industry. More specifically, France is perceived as the leading country in haute couture, Italy in luxury ready-to-wear fashion, and Spain in fast fashion. Third, market leadership relies on country-of-origin reputation supported by innovative business models. Consequently, leading countries in the fashion industry are trendsetters in a twofold sense: they both decisively affect the latest fashion consumption trends and also set the direction of the future development of the fashion industry.

Despite the many studies on the fashion business, no thorough analysis has been made of the main trends affecting the Spanish and Italian fashion industries. The article aims to bridge this gap by answering two broad research questions. The first considers how the

12. For a comprehensive literature review, see Miranda "The Country-of-Origin Effect." See also Pinchera and Rinallo "The Emergence of Italy" and Belfanti, *Storia culturale*.

fashion industry, and especially its largest companies, has evolved during the last forty years; the answer provides an original perspective of the industry. The second considers the role played by history in this process. More specifically, we aim to understand whether latecomers have benefited from a form of "advantage of backwardness" to emerge eventually as trendsetters, and we analyze how globalization impacted on these dynamics. Because the Italian and Spanish time lines do not exactly overlap, Spain being less developed, less internationally integrated, and less advanced in the fashion industry than Italy until the last decades of the twentieth century,[13] a comparison between these nations might be especially appropriate in addressing this question.

The idea of a "latecomer" turning disadvantages into advantages was formulated by Alexander Gerschenkron in his study on the rise of Germany, which caught up with Britain in the late nineteenth century and secured its advantage by entering the science-based industries.[14] In 1986 Moses Abramovitz focused on the conditions and mechanisms of the catching-up process,[15] which paved the way for seminal studies in the field of economic convergence.[16] Following the pioneering article by Marvin Lieberman and David Montgomery,[17] the 1990s was also a prolific decade in the field of managerial studies.[18] Streams of research developed at the time resulted in a vast literature on the benefits of being a first mover or late entrant into a market.[19] Experts in managerial studies have explored the first-mover advantages enjoyed by incumbent innovators at the expense of followers and imitators; the resource-based theory of the firm applied to the explanation of cases of successful industry entry, especially in high-technology markets; and the sustainability of competitive advantage against the potential for imitation and transfer.

The existing literature on the advantages of backwardness has neglected the fashion industry. This sector thus provides new ground for research on the backwardness advantages for countries and firms and for the dynamics of imitation and innovation.

The article is divided into four parts. The first describes the sources and the methodology adopted and presents the database used to map

13. Binda, *The Dynamics of Big Business*.

14. Gerschenkron, *Economic Backwardness*.

15. Abramovitz, "Catching Up, Forging Ahead and Falling Behind."

16. Maddison, *Dynamic Forces*; Baumol, Nelson, and Wolff, *Convergence of Productivity*; Crafts and Toniolo, *Economic Growth*.

17. Lieberman and Montgomery, "First-Mover Advantages."

18. Lieberman and Montgomery, "First-Mover (dis)Advantages."

19. The literature has been comprehensively reviewed by Zachary et al., "Entry Timing."

the Spanish and Italian fashion industries. The second addresses the first research question concerning the main features and transformations of the firms ranked among the largest companies in the fashion industry between 1973 and 2013, from a comparative perspective. The third focuses on the top Italian and Spanish fashion companies in 2013, discusses their wide variety of activities, and analyzes the historical reasons behind their success. The fourth addresses the second research question and demonstrates how the main findings of our analysis contribute to the understanding of the evolution of the fashion industry.

The Fashion Industry in Spain and Italy, 1973–2013: Methodology and Populations

To map the Spanish and Italian top companies in the fashion industry from the 1970s and analyze the historical dynamics in this field over time from a comparative perspective, the first step was to create a database of the largest companies in this industry in different benchmark years. The second was to analyze the companies' main features by collecting information included in yearbooks, annual reports, economic press releases, business histories, case studies, and the biographies of entrepreneurs and managers.

The present study focuses on the largest fashion companies operating in Spain and Italy between the early 1970s and the early 2010s, particularly in five benchmark years—1973, 1983, 1993, 2003, and 2013.[20] For each benchmark year, and in both nations, we analyzed the 400 largest enterprises ranked by revenue. We based our analysis of the Spanish companies on the rankings published by the journal *Fomento de la Producción* for 1973, 1983, 1993, and 2003 and on the Web "Ranking de empresas España 2015" for 2013. As for Italy, the main source used was the surveys published by Mediobanca in 1974, 1984, 1994, 2004, and 2014, each of which includes information relative to the previous year.

The data set focuses on the companies in the textile, clothing, and leather and footwear industries that are large enough to be part of the panorama of the 400 largest firms in each country. Consequently, our data set does not fully reflect a fixed number of "top" fashion businesses.

Building the data set in terms of the relative performance of the key fashion companies in these nations, and not on their absolute

20. Note that 1973 is the first year for which sources—*i.e.*, the rankings listed—are available both for Spain and Italy.

performance, might have some shortcomings. However, it is justified basically by two reasons related to the research questions. First, to analyze how the fashion industry has evolved during these forty years and to provide an original picture of its features, we considered it important to examine its performance in terms of size and representation in comparison to the largest corporations in the two nations. A decrease in the number of fashion companies in the data set from one benchmark year to the next might mean, for instance, that these firms were losing position with respect to other, more competitive firms in other industries, that is, the role of the fashion industry was changing as, perhaps, was its importance in the national context. Second, particularly in some benchmark years, choosing a fixed number of "large" fashion companies to compare between the two countries might have led us to consider very small enterprises in one country, while excluding important companies in the other, as the empirical evidence provided in the next sections will show. Focusing on a fixed number, such as the ten largest Italian and Spanish fashion industry companies in 1993, for instance, would have led us to include in our database a company that ranked 1219th in the Spanish list of enterprises (i.e., Textil Santanderina), while excluding big companies such as Dolce e Gabbana, Salvatore Ferragamo, and Gianni Versace, among others, from the Italian list. This would have led us to compare very different enterprises in the two countries and would not have allowed us to focus on larger corporations, that is, companies that drive their respective countries to emerge as trendsetters over time and that are influential at an international level.

The yearbooks we consulted also provided information on company revenues, relative position in the rankings, number of employees, and headquarters locations. This data, complemented by other primary and secondary sources, allowed us to create a database that includes detailed information on 144 firms. Tables 1 and 2 provide basic information from the database. A more detailed analysis follows in the next section.

Continuities and Transformation: A Comparison Between Spain and Italy

This section aims to reconstruct and compare the dynamics of the fashion industries in Spain and Italy through an analysis of the companies ranked in the top 400 by revenues in our benchmark years. The empirical evidence shows that the Spanish and Italian fashion industries underwent some similar major changes in their development, but also maintained some important continuities.

Table 1 The fashion industry in Spain, 1973–2013

Company	Position in the ranking	Main activity	Main shareholder	Revenues (millions of pesetas in 1973, 1983, 1993, millions of euros in 2003, 2013)
		1973		
La Seda de Barcelona	49	T	Foreign	7.622
Safa	106	T	Foreign	4.141
Industrias y Confecciones	144	C	Spanish	3.070
Cyanenka	174	T	Foreign	2.700
Manufactura del Vestido	177	C	Spanish	2.680
Hilatura Fabra y Coats	206	T	Foreign	2.339
Industrias Fontanals	228	T	Spanish	2.075
Hytasa	263	T	Spanish	1.803
Montefibre Hispania	268	T	Foreign	1.799
Intelhorce	307	T	Spanish	1.615
Industrias Casacuberta	309	T	Spanish	1.602
Silvestre Segarra e Hijos	324	L	Spanish	1.542
Unión Industrial Textil	349	T	Spanish	1.450
Loewe	369	T	Spanish	1.350
Colonia Güell	370	T	Spanish	1.350
		1983		
La Seda de Barcelona	105	T	Foreign	24.622
Industrias y Confecciones	142	C	Spanish	17.417
Text. y Confec. Europeas	220	C	Spanish	13.798
Hilados y Tej. Puigneró	236	T	Spanish	13.187
Cortefiel	240	C	Spanish	13.114
Montefibre Hispania	246	T	Foreign	12.834
Cyanenca	254	T	Foreign	12.537
Safa	263	T	Foreign	12.222
Nurel	284	T	Spanish	11.149
Sáez Merino	368	C	Spanish	8.600
		1993		
Industria y Confecciones	117	C	Spanish	54.662
Industria de Diseño Textil	123	C	Spanish	53.450
		2003		
Industria de Diseño Textil	25	C	Spanish	4.598
Mango Mng Holding	164	C	Spanish	782
Industria y Confecciones	304	C	Spanish	437
Sara Lee D.E. España	334	C	Foreign	395
		2013		
Inditex	20	C	Spanish	5.363
Punto Fa	99	C	Spanish	1.230
Cortefiel	183	C	Foreign	730
H&M	245	C	Foreign	578
Abasic	315	C	Spanish	452
C&A	348	C	Foreign	406

Note: C, clothing; L, leather and footwear; T, textiles.

Sources: "Fomento de la Producción" special issues "Estudio de las mayores empresas españolas. Edición 1974," "Las 2.048 mayores empresas españolas/edición 1984," "Las 2.491 mayores empresas españolas, edición 1994," "Las 2.500 mayores empresas españolas, edición 2004," and http://epoca1.valenciaplaza.com/nacionalrankings/lista/general?limite_pagina=1000.

Table 2 The fashion industry in Italy, 1973–2013

Company	Position in the ranking	Main activity	Main shareholder	Revenues (millions of lire in 1973, 1983, 1993, millions of euros in 2003, 2013)
	1973			
Snia Viscosa	16	T	Italian	307.789
Montefibre	23	T	Italian	207.496
Gruppo Finanziario Tessile	73	C	Italian	78.604
Lanerossi	76	T	Italian	77.165
Manifattura Lane G. Marzotto	90	T	Italian	65.941
Gruppo Tessile Miroglio	118	T	Italian	51.195
Cotonificio Cantoni	128	T	Italian	47.683
Cotonificio Olcese Veneziano	131	T	Italian	45.891
Bustese Industrie Riunite	166	T	Italian	35.944
Giovanni Bassetti	194	T	Italian	31.240
Vallesusa Industrie Tessili	301	T	Italian	29.815
Cucirini Cantoni Coats	219	T	Italian	27.431
Lebole Euroconf	235	C	Italian	25.172
Silan	261	T	Unknown	22.188
Bemberg	271	T	Unknown	24.475
Manifatture Cotoniere Meridionali	276	T	Italian	20.481
F.I.S.A.C.	280	T	Italian	20.328
Novaceta	302	T	Italian	18.353
Industrie Zignago S. Margherita	311	T	Italian	17.798
Cotonificio Maino	314	T	Italian	17.626
Ind. Manifatture Tessili A. Paoletti	326	T	Italian	16.800
Manifattura di Legnano	337	T	Italian	16.106
Linificio Canapificio Nazionale	342	T	Italian	15.564
Maglieria Ragno	355	C	Italian	15.057
Vincenzo Zucchi	360	T	Italian	14.778
Niggler & Küpfer	370	T	Foreign	11.966
Lanificio di Somma	378	T	Italian	11.966
Mizar	379	T	Italian	13.783
Calzaturificio di Varese	389	L	Italian	265.000
Filatura di Grignasco	393	T	Italian	13.029
	1983			
Benetton	81	C	Italian	479.988
Gruppo Finanziario Tessile	99	C	Italian	432.042
Miroglio Tessile	100	C	Italian	422.712
Manifattura Lane Gaetano Marzotto e Figli	124	T	Italian	329.772
Lanerossi	194	T	Italian	206.950
Manifattura di Legnano	284	T	Italian	139.777
Lebole Euroconf	311	C	Italian	127.127
Carrera	336	C	Italian	117.677
Ellesse	340	C	Italian	116.211
Bassetti	371	T	Italian	106.735
Klopman International	382	T	Foreign	104.242
	1993			
Benetton Group	46	C	Italian	1,861,928
Manifattura Lane Gaetano Marzotto e Figli	87	T	Italian	966.092

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Table 2 continued

Company	Position in the ranking	Main activity	Main shareholder	Revenues (millions of lire in 1973, 1983, 1993, millions of euros in 2003, 2013)
Miroglio Tessile	96	C	Italian	240.985
Gruppo La Perla	288	C	Italian	409.672
Levi Strauss Italia	247	C	Foreign	383.658
Gft (Gruppo Finanziario Tessile)	249	C	Italian	379.245
Legler Industria Tessile	286	T	Foreign	346.598
Stefanel	295	C	Italian	338.072
Gft (Gruppo Finanziario Tessile) Donna	301	C	Italian	335.236
Prenatal	306	C	Foreign	332.790
Mantero Seta	356	T	Italian	289.289
Golden Lady	383	C	Italian	272.384
Calzaturifici Filanto	391	L	Italian	270.737
Manifattura di Legnano	393	T	Italian	269.359
Salvatore Ferragamo	396	L	Italian	268.304
	2003			
Benetton Group	47	C	Italian	1.858
Manifattura Lane Gaetano Marzotto e Figli	53	T	Italian	1.750
Giorgio Armani	77	C	Italian	1.255
Max Mara Fashion Group	87	C	Italian	1.070
Miroglio	108	C	Italian	905
Sit-Fin	131	T	Italian	794
Diesel	145	C	Italian	746
Prada	147	L	Italian	740
It Holding	173	C	Italian	668
Ermenegildo Zegna Holditalia	195	C	Italian	601
Dolce e Gabbana	201	C	Italian	578
Salvatore Ferragamo	227	L	Italian	508
Sixty	260	C	Italian	450
Gianni Versace	282	C	Italian	396
Fin. Part.	285	C	Italian	395
Vincenzo Zucchi	293	T	Italian	388
Tod's	308	L	Italian	371
Rino Mastrotto Group	328	L	Italian	357
Mariella Burani Fashion Group	332	C	Italian	349
Calzedonia	341	C	Italian	341
Sara Lee Branded Italia	344	C	Foreign	339
Tecnica	345	C	Italian	338
	2013			
Prada	32	L	Italian	3.587
Giorgio Armani	66	C	Italian	2.186
Calzedonia Holdilng	87	C	Italian	1.655
Otb	96	C	Italian	1.551
Max Mara Fashion Group	123	C	Italian	1.289
Ermenegildo Zegna Holditalia	124	C	Italian	1.269
Salvatore Ferragamo	129	C	Italian	1.247
Bencom (Gruppo Edizione–Benetton)	142	C	Italian	1.190

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Table 2 continued

Company	Position in the ranking	Main activity	Main shareholder	Revenues (millions of lire in 1973, 1983, 1993, millions of euros in 2003, 2013)
Tod's	172	L	Italian	967
D&G	177	C	Italian	949
Lir	196	C	Italian	849
Miroglio	206	C	Italian	828
Zara Italia	258	C	Foreign	653
Engifin	277	C	Italian	621
Moncler	291	C	Italian	580
Valentino Fashion Group	307	C	Foreign	546
T&M Holding	33	C	Italian	508
Gucci Logistica	337	C	Foreign	502
Loro Piana	345	C	Foreign	483

C, clothing; L, leather and footwear; T, textiles.

Source: Mediobanca, Le principali società italiane, 1974, 1984, 1994, 2004, 2014.

We will focus on five comparative elements: number of firms included in the rankings and their relative positions, main activities undertaken by the companies, company life span, ownership structures, and finally, geographic distribution within the respective countries. While a deeper analysis of these elements awaits further research, this comparison provides an overview of the industry in both countries and an appropriate context for the section that follows, which narrows the focus to the Italian and Spanish fashion companies in 2013, the final benchmark year.

Number and Relative Position of Companies in the Rankings

The number of companies in the populations decreased significantly over time. In Spain, the drop was dramatic. In 1973, the list of the top 400 Spanish companies included fifteen fashion businesses; this number dropped to nine in 1983 and bottomed out at two in 1993. The new millennium saw a partial recovery, with four and six fashion companies ranked in the top 400 list in the years 2003 and 2013, respectively. As for the Italian companies, the bottom was reached in the 1980s when the companies in the population dropped from thirty (1973) to only eleven (1983). After a partial recovery in 1993 (fifteen) and 2003 (twenty-two), in 2013 the number of companies decreased again to nineteen. These trends might be explained by the facts that in Italy big companies were important in the age of Fordism and that some decades later, globalization made it necessary to invest huge amounts of capital in brand building and retailing.

Despite their reduced representation in the overall populations, fashion enterprises improved their positions in the rankings in both countries. While the largest fashion companies in Spain dropped several positions in the list of 400 between 1973 and 1993, and in some cases dropped out of the list, in the early twenty-first century a recovery was observed, with the largest fashion firm ranking twenty-fifth and twentieth in the lists in 2003 and 2013, respectively. The distribution by company size shows a quite similar trend: between 1973 and 2003 fashion firms in the 100 largest companies increased from 7 percent of the population in 1973 to 43 percent in 2013. In summary, big Spanish fashion companies decreased in number, but increased in size.

As to distribution by company size in the Italian rankings, the main changes that took place over 1973–2013 can be fully appreciated by comparing the first benchmark year with the last. In 1973, most of the companies were ranked between 200 and 400. While they were less numerous in 2013, they performed better in terms of revenues to the point that most of them achieved higher rankings.

In general terms, we observed a reduction in the number of fashion companies among the 400 largest firms in both countries, but also some important differences. The Spanish companies became less numerous, but at the same time they reached comparatively higher positions in the rankings; in sum, there are fewer of them, but they are now comparatively larger in the national economy than the Italian firms are in the Italian economy. Moreover, while the number of Italian companies bottomed out in 1983, reflecting the watershed in the industry during the 1970s, in Spain this happened a decade later, in 1993, following the watershed of the 1980s.

Figures 1 and 2 contrast the Italian and Spanish fashion industries in terms of turnover of companies and average rankings. A turnover of firms is clearly discernible in both countries throughout the entire period. Yet, in Italy, in each benchmark year (except 1983) the number of the firms that entered the rankings for the first time, or moved up the rankings, was greater than the number leaving. Figure 1 might lead one to conclude that Italy offered more growth opportunities to a greater number of fashion companies than Spain, but this is not the full picture. As shown in Figure 2, the average ranking of the few Spanish firms (black line) was higher than the average ranking of their Italian counterparts (gray line) throughout the entire period. The picture that emerges is of a Spanish fashion industry characterized mainly by the presence of big companies, whereas Italy features a greater number of companies with smaller differences between them in revenue terms.

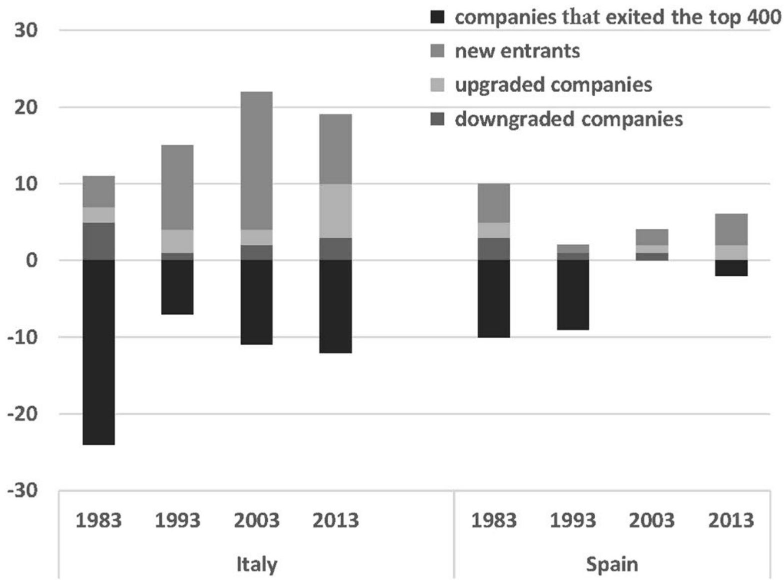

Figure 1 Turnover in Italian and Spanish fashion companies, 1973–2013.

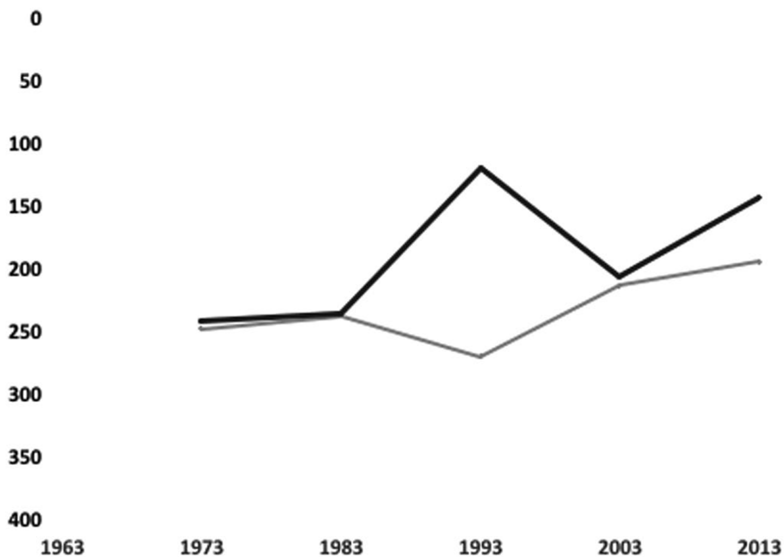

Figure 2 Average rankings of Spanish (black line) and Italian (gray line) fashion companies, 1973–2013.

Companies' Main Activities

The evidence showed that, for the second element, the fashion companies' main activities, Spain experienced a major transition from textiles to clothing. In 1973, the majority of the population consisted

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of textile companies, with cotton, wool, silk, artificial, and synthetic fibers being the main fields of activity.[21] During the following years, clothing became preeminent; in 1973 it was relatively marginal, but by 1993 it was the main activity in the sample. Thus, during this period, clothing replaced textiles in Spanish industry. The few companies active in the leather and footwear industry in 1973 disappeared from the top 400 population between 1973 and 1983 and were not replaced by other large firms in the same area.

In 1973 the textile industry was also the largest sector in Italy in terms of number of firms and revenues. Clothing companies were almost absent from the rankings at that time, but thereafter increased in number and, from the 1980s, became the main protagonists in the sample. The primacy of Italian clothing firms, however, has been partially eroded by the increase in the number of leather and footwear companies, such as Prada, Salvatore Ferragamo, Gucci, and Tod's, that entered the rankings starting from the 1990s.

We can, thus, argue that in both countries textiles were replaced by other activities, particularly clothing, leather, and footwear in Italy and clothing in Spain. However, the transition from textiles to clothing in Spain happened a decade later than in Italy.

Company Life Span and Survival

The third trend we observed was a drastic effect on the oldest of the bigger corporations, which were largely replaced by relatively recently established companies. In Spain, almost all the large "old" textile companies established before World War I disappeared from the sample between 1973 and 1983. Other textile companies (especially cotton fabrics) created in the 1940s and 1950s were also unable to maintain their positions in the ranking in the early 1980s; in some cases, they did not even survive and went bankrupt in the late 1970s and the 1980s.[22] Corporations established in the interwar years remained in the sample until the benchmark year of 1993, along with other companies, established in the late 1960s and early 1970s, engaged in the production of artificial fibers.[23] Only two companies, both in clothing, survived long term: Industrias y Confecciones,

21. Capalbo, "Creativity and Innovation," emphasizes the role of the Italian manmade fiber industry in prompting the development of the fashion industry.

22. See, e.g., Binda, *The Dynamics of Big Business*, 121; Fernández Roca, "HYTASA"; Tarín, "Ascenso, cumbre y caída del magnate Julio Muñoz Ramonet"; Rovira, "Hilados y Tejidos Puigneró S.A."; Missé, "Hilados y Tejidos Puigneró, SA, suspende pagos y declara una deuda de 9.433 millones de pesetas."

23. On artificial fibers, see Puig Raposo, *Bayer*; Moreno Castaño, "Josep Vilà i Marquès."

controlled by the big department store El Corte Inglés, and Cortefiel, established in 1880.[24]

The 1990s, thus, represented a watershed in the history of the Spanish fashion industry, as our company population confirms. In 1993, the rankings included only two fashion companies: Industrias y Confecciones, the only survivor of the large Spanish companies of the "old generation"; and Inditex, a representative of a "new generation" of Spanish fashion firms established in the 1980s and 1990s that includes PuntoFa (Mango) and Abasic (Desigual).

The analysis of company life span in Italy shows that the period 1973–1983, which started with the "oil shock," was a watershed in the history of the Italian fashion industry in many respects. During those years all the companies established before World War I dropped out of the top 400 ranking. Some of them reappeared in the benchmark year 1993. With two exceptions, Ermenegildo Zegna and Prada, they exited again from the rankings a few years later. The energy crisis of the 1970s also decimated the companies that had been established in the interwar period. As a result, the number of top Italian fashion companies decreased greatly between 1973 and 1983.

The Italian companies that remained in the rankings were mainly established after World War II. Those that survived the 1970s crisis were strongly innovative both in terms of product and in their production processes. Among them, Carrera is synonymous with jeans, Ellesse with sportswear, Benetton with multicolor knitwear, Miroglio with new dyeing techniques, and Gruppo Finanziario Tessile with ready-to-wear clothing produced in collaboration with fashion designers. Finally, all the companies that entered the rankings in the new millennium were established after the mid-1970s. Despite a decrease in their number between 2003 and 2013, their presence has significantly changed the composition of the population of Italian firms ranked among the top 400. As a result, by the last benchmark year, the rankings had polarized into "young," well-known fashion brands—such as Giorgio Armani, Dolce e Gabbana, Valentino, OTB (Diesel), Tod's, and LIR (Geox)—and well-established brands—such as Gucci, Ferragamo, Ermenegildo Zegna, and Prada. Therefore, in the 1970s the older Italian companies tended to go into decline, as happened later in Spain.

Company Ownership Structures

All companies, in both countries, had a relatively concentrated form of ownership and were controlled by two kinds of shareholders:

24. "Cortefiel, de mercería a multinacional," *El Mundo Economía*; Hernández, "La familia Hinojosa cuelga la percha."

locally based private investors, families for the most part, and foreign investors, in some cases in partnership with local shareholders. We have categorized as "foreign companies" those firms in which a foreign shareholder held 50 percent or more of the voting stock.

Using this criterion, we found that family firms were more common than foreign-owned companies in every benchmark year in Spain; in 1993, indeed, none of the companies were in foreign hands. The main family firms listed in the early benchmark years produced cotton, wool, and silk textiles, leather and footwear, and clothing, while the foreign-owned companies concentrated on the production of artificial fiber textiles.[25] The discontinuity, which emerged in the 1990s, changed the names of the main protagonists, but not their nature. Essentially, new Spanish family firms and foreign-owned firms replaced the previous family and foreign-owned companies. In the last benchmark year, 50 percent of the companies in the industry were in foreign hands, being basically local branches of foreign companies, and 50 percent were in the hands of Spanish shareholders.

In the benchmark years, the Italian landscape was dominated by privately owned fashion companies. The vast majority were family-owned and were, fully or in part, family-run businesses. Since the 1990s, foreign competitors have either taken over, or taken substantial holdings in, an increasing number of Italian fashion companies. Just few—Gucci, Valentino Fashion Group, and Loro Piana—are listed in our database. Gucci was acquired by the French group Kering (formerly PPR) in 1999. The Valentino Fashion Group has been owned by Qatari Mayhoola for Investments since 2012. Loro Piana passed into the hands of the French group LVMH at the end of 2013. In the last benchmark year, foreign companies represented only 21 percent of the population. Thus, we can conclude that mergers and acquisitions (M&A) activity did not significantly affect big Italian fashion companies up to 2013.

Although the Italian case is characterized by a recent trend in foreign acquisitions of former "national champions" in the fashion industry, our data show that foreign companies in this field are more common in Spain than in Italy.

Geographic Distribution

As for the geographic location of the largest fashion companies in Spain, we observed a persistent concentration of fashion companies in the Madrid area and in Catalonia, with some large companies emerging in other regions. Madrid hosts the two most enduring Spanish

25. Puig Raposo, "Una multinacional holandesa."

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clothing companies, Industrias y Confecciones and Cortefiel, whose presence is detected in almost all benchmark years. More recently, Madrid has also become the location of the Spanish headquarters of foreign fashion multinationals with presences in Spain. Catalonia was the main Spanish textile region par excellence and was the cradle of the Spanish industrial revolution in the sector.[26] The decline in traditional textile activities is reflected in the decline of Catalonia as a home for companies in this field, although Barcelona has been able to rebuild its competitive advantage in this sector and today hosts the headquarters of large clothing companies such as Mango and Desigual. Other areas hosted big companies in some benchmark years, but these later disappeared. The textile companies Hytasa and Intelhorce were established in Andalusia in 1941 and 1957, respectively, but their performance increasingly declined during the 1970s, and they were not included in the 1983 population.[27] In 1973 the Valencia area hosted the main Spanish shoemaker and the first Spanish denim clothing manufacturer.[28] In recent years Andalusia and Valencia have been replaced in the rankings by Galicia, which today hosts the headquarters of Inditex, the largest Spanish corporation.[29]

The changes that took place in Italy between 1973 and 1983 also affected the geographic locations of the largest fashion companies. Some, mainly the youngest, were established in Milan, which emerged as a fashion hub in the 1980s. As a result, the northern Italian regions of Piedmont, Lombardy, Veneto, and Emilia Romagna, which already hosted the majority of firms before the 1970s, further increased their preeminence in this sector. Among the fashion companies located in other regions, just a few—Manifatture Cotoniere Meridionali (1973), Calzaturifici Filanto (1993), and It Holding (2003)—were in the south. The remaining firms—such as Ferragamo and Tod's—are located in regions that boast long manufacturing traditions, Tuscany and Marche. Thus, far from being scattered throughout the country, the fashion industry is deeply rooted in the areas where Italian industrialization first took place. In terms of geographic distribution, continuity prevailed over change in both countries, with few exceptions.

In synthesis, the Italian and Spanish fashion companies ranked among the top 400 by revenue in the period 1973–2013 have strong similarities as well as interesting differences. The shift from textiles

26. On the geographical distribution of large companies in Spain in historical perspective, including textiles and the apparel industry, see García Ruiz and Manera Erbina, *Historia Empresarial de España*.

27. See, e.g., Becerro, "Hytasa, el sueño de la industria textil sevillana que se tornó en pesadilla."

28. Biot Roig, "Joaquín Sáez Merino."

29. See, e.g., Alonso Álvarez "Competitividad internacional."

to clothing stands out as the main structural change that has affected the fashion industry in both countries, along with a generational change that, according to our database, occurred in the 1980s. Among the notable differences is the increase in the number of Italian leather and footwear companies in the new millennium. This trend, which is clearly discernible in the Italian fashion industry from the 1980s, has not been seen in Spain. Furthermore, the Spanish fashion industry experienced its major transition from textiles to clothing later than its Italian counterpart, and diversified into the textile, clothing, leather, and footwear industries to a lesser extent. Finally, over the last decades, Italian companies have increasingly fallen into foreign hands.

The main findings of the comparison between the fashion industries in the two countries allow us to put forward some conclusions. At a country level, as previously discussed, the main finding is that similar changes affected the largest Spanish and Italian corporations, but not at the same times and rates or to the same degree. Our comparative analysis therefore corroborates the claim that, in the textile and clothing industries, "country distinctiveness has become less apparent."[30] Furthermore, it shows that the first intimations of this converging trend date back to the 1970s, the years when imports from newly industrialized countries began to penetrate western markets. The increasing competition faced by European textile and clothing manufacturers since the 1990s, following the signing of the World Trade Organization Agreement on Textile and Clothing (1994), consolidated the earlier tendency. The comparison between Italy and Spain thus provides evidence that globalization is changing the nature of competitive advantage itself, which is not country based to the same extent as hitherto.

Second, at the industry level, a divergent trend has affected textiles and clothing. More specifically, the textile industry in both countries has proved to be more vulnerable to international competition than the clothing industry. As it is more capital intensive than the clothing industry, the textile industry has experienced greater reconfiguration difficulties. More labor intensive, and consequently more flexible in adapting to change, the clothing industry instead introduced high value-added activities.

Third, within this general framework, the main differences between the Spanish and Italian fashion industries—such as the greater drop in the number of large Spanish firms, when compared with Italy, between 1973 and 1993, and the bigger size of the Spanish firms—can be better understood at the company level. Spanish firms diverged from the historical path that searched for lower production costs at

30. Taplin, "Restructuring and Reconfiguration," 175.

a later date, and thus suffered from changes in international competition to a greater extent than did their Italian counterparts. The very few that moved away from that obsolete paradigm focused on technological developments and capitalized on the retailer's search for smaller quantities of more varied goods and for shorter throughput times, both of which were more in line with increasingly volatile consumer purchasing behavior. As explained in the following section, the Italian companies initially targeted sophisticated and demanding consumers. Their smaller sizes were therefore better suited to niche markets than to the mass market exploited by the biggest Spanish companies.

Top Spanish and Italian Fashion Companies in 2013

The following section provides a more detailed analysis of the main protagonists in the Spanish and Italian fashion industries in 2013.

Top Spanish Fashion Companies in the Last Benchmark Year, 2013

The story of large companies in Spanish fashion between the last quarter of the twentieth century and the first fifteen years or so of the twenty-first century is a history of business concentration. In the first of the benchmark years, the list was generally made up of a significant number of relatively big companies focused on a single business (in most cases, textile production) and oriented to the domestic market. Nearly forty years later, we find a completely different situation. Only six companies are listed among the 400 largest corporations, but distinct from their 1973 homologues, they are now big companies, sometimes of impressive size, such as Inditex.[31] These firms are substantially different from the largest corporations in 1973 and, to varying degrees, are largely diversified and have global presences.

If we look at the identity and historical origins of these companies, two facts immediately stand out. The first is that half of the largest firms, three out of six, in the Spanish fashion industry belong to foreign investors; the Swedish Hennes & Mauritz, the Dutch C&A, and Cortefiel, a onetime Spanish family business that was bought by the British investment fund CVC in the early 2000s. The second is that, despite the large number of Spanish companies listed in 1973, none of the three top Spanish companies has a long history. Inditex, Punto Fa (Mango), and Abasic (Desigual) are all relatively new firms and, interestingly, also have quite different origins and features.

31. Fortune Global 500, 2000; Fortune Global 500, 2016.

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Inditex, currently the premier global fashion retailer, is the oldest group. Its history and business model have been investigated extensively.[32] Amancio Ortega, the founder, was the son of a railway worker, who decided to learn how to produce handmade clothing and founded his textile and clothing manufacturing company in the early 1960s. In the 1980s, production capacity increased sufficiently to cover the national market, garment sewing was outsourced to independent workshops, and the holding company Inditex was established. While its first steps toward internationalization were taken in the 1980s, it was at the end of the twentieth century that Inditex became a global company.[33] In 2015, Inditex had 7,013 stores and was present in 88 physical markets,[34] with highly flexible production of products ranging from clothes, through shoes, to accessories.[35] Inditex's flexibility is made possible by the use of advanced technology in their logistics and production processes (which have been largely robotized since the 1990s) and by an efficient combination of vertical integration and outsourcing (located near and far from their headquarter facilities).[36] This flexibility allows Inditex to respond to the needs and tastes of consumers in accordance with the imperatives of fast fashion.[37] Amancio Ortega has always been media-shy, but existing biographies describe his business ideas.[38] Although the beginnings of his company are rooted in traditional clothing production, Ortega's success is based on his ability to take advantage of new technologies in the field, which made him a pioneer in the emerging fast-fashion industry. In synthesis, he is an entrepreneur from an old sector who revolutionized the sector from a production perspective.

The second large Spanish protagonist has a very different, and shorter, history. Punto Fa, better known as Mango, was founded in 1984 by two brothers, Isak and Nahman Andic, whose family had migrated to Barcelona from Turkey some fifteen years previously. The first Mango shop imported and sold ladies' clothes. During the 1980s and early 1990s, the company consolidated its business model based on a just-in-time system and a retail network. It started its

32. See e.g., Alonso Álvarez, "Vistiendo a Tres Continentes"; Badía, *Zara*; Blanco and Salgado, *Amancio Ortega*; Alonso Álvarez "Competitividad internacional."

33. López and Fan, "Internationalization of the Spanish Fashion Brand Zara"; Alonso Álvarez, "Competitividad internacional."

34. Inditex, *Annual Report 2015*, 12.

35. Castellano, "Una ventaja competitiva"; Castellano, "El proceso de interacionalización de Inditex."

36. Alonso Álvarez, "Competitividad internacional."

37. Agulló Fernández, "Producir y Consumir."

38. See Blanco and Salgado, *Amancio Ortega*; O'Shea, *The Man from Zara*; Martínez, *Zara*.

internationalization process in the 1990s.[39] Although its strategy may seem similar to that of Inditex, some important differences are evident. First, Mango is still much smaller than Inditex[40] and it has only ever designed and distributed its products; production has always been outsourced. Second, Inditex collaborates with several European suppliers, but most of Mango's production is based in the Far East. Consequently, whereas Inditex constantly changes its collections, Mango is not able to change them more than four times a year, which means that its fast fashion is not as fast.[41] Third, Mango focuses on a single brand.[42] Fourth, the companies have different advertising strategies, Inditex being quite conservative, and Mango much more active. Behind the different business models are different kinds of entrepreneur. Isak Andic, Mango's main shareholder, is not experienced in textiles or clothing design or production. Since its very beginnings he has focused on commerce and developing the main competitive advantages of his company in the field.

The third large Spanish company followed another growth path. Abasic, better known as Desigual, is the smallest and most recently formed of the three groups. Desigual was founded in 1984 in Ibiza by the Swiss brothers Christian and Thomas Meyer. Thomas, who today owns almost all of the company's shares,[43] began as a fashion designer. The young company went bankrupt in 1988. However, it moved to Barcelona and slowly started to consolidate. The impressive growth of the company started only in 2002, when Manel Adell, a manager with no experience in the fashion industry, entered the company. The combination of Meyer's creativity and Adell's managerial skills proved successful.[44] Unlike its main competitors, Inditex and Mango, Desigual did not aim to retail huge quantities of items to its customers prior to the early 2010s. Desigual is smaller than Inditex and Mango, but it expanded tenfold from 2007 to 2014. In 2014 it had outlets in 109 countries, but around 90 percent of its sales were still in Europe.[45] If Inditex's and Mango's success are based, respectively, on production and retail, Desigual's is based on design and fashion creation.

Top Italian Fashion Companies in the Last Benchmark Year, 2013

A detailed analysis of the origins and development of the twenty-two largest Italian fashion companies would not significantly improve our

39. Campuzano, "La internacionalizacion de la empresa."
40. "The Dedicated Followers of Fast Fashion," *Economist*.
41. "Mango cambia de estrategia para ser más competititive," *Expansion*.
42. Salerno and Gay Zaragoza, *El Corazón de Mango*.
43. Villar, Alós, and Taulés, "La vida (muy) chula del fundador de desigual."
44. Lamelas, "Thomas Meyer, la victoria del empresario hippy."
45. "The Dedicated Followers of Fast Fashion," *Economist*.

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knowledge of the Italian fashion industry as a whole. As they are all engaged, to a different degree, in the design, production, and distribution of clothing and accessories under well-known brands, they can be grouped according to various criteria on the basis of their business orientations.

Some—Ferragamo, Prada, Gucci, Zegna, Loro Piana, Max Mara, and Tod's—are mainly product oriented. These companies have decades-long histories, boast solid industrial foundations, and rely on proven knowledge and experience in product and process innovation that are deeply rooted in the specific industrial sector—textiles, leather, or footwear—where the founders took their first steps. Keeping these sectors as their main fields of activity, the founders entered the clothing business, pursued brand expansion strategies, and invested in retailing to get closer to the final consumer. Lir and Miroglio can also be considered product-oriented companies, but as we will show, the market segment in which they operate and, consequently, their brand strategies, make them quite different.

Other companies are mainly brand oriented. Among them are those established by well-known fashion designers, such as Giorgio Armani and Valentino, who in the 1970s collaborated as consultants with industrial clothing companies that marketed their fashion collections in foreign markets. The industrial capabilities, royalties, and organizational skills provided by their industrial partners allowed those fashion designers to become financially and managerially independent, to the point that they established their own companies. Soon, their brands gained foreign recognition that paved the way for the global success of a new generation of fashion designers. Other companies—the Benetton Group, T&M Holding, Calzedonia, and Engifin—are strongly retail-oriented firms and their success, in general, is due to their franchise networks.

Italian fashion companies can also be grouped based on market segment. Most are listed among the top 100 luxury companies in the world,[46] that is, they are among the companies that produce expensive, exclusive items aimed at high net worth individuals, mostly sold through selective channels.[47] The remaining companies—Benetton Group, T&M Holding, Calzedonia, Engifin, Lir, and Miroglio—are positioned at lower levels of the fashion scale.

Finally, the Italian fashion companies can be grouped on the basis of brand strategy. In this respect, there are mono- and multibrand companies. They manage in-house brands or, alternatively, a mix of

46. Deloitte, *Global Power of Luxury Goods*.
47. Deloitte, *Global Power of Luxury Goods*; Bain and Company, Luxury Goods.

in-house and licensed brands. Brand strategies can be mainly focused on core business or diversified into a variety of sectors. Most of the Italian fashion companies pursue diversification by managing a portfolio of mostly in-house brands, which allows them to leverage their know-how in product sectors related to their core businesses, to reach customers with different purchasing power, and to obtain financial resources by exploiting synergies with perfumery and cosmetics.

This analysis of the reconfiguration of the large Spanish and Italian corporations between the last quarter of the twentieth century and the beginning of the twenty-first century is summarized in Table 3.

The Advantage of Backwardness, Globalization, and the Emergence of New Trendsetters

Having assessed the main features and transformations of the Spanish and Italian fashion industry from the 1970s, we now address our second research question, which concerns the role of history in shaping these dynamics.

In particular, the aim is to understand whether latecomers to the fashion industry benefited from a form of "advantage of backwardness" to emerge as trendsetters over time. This process normally involves the acquisition of technologies, business models, and marketing strategies from more advanced economies. In Italy and Spain, the catching-up process initially relied upon imitation of the French paradigm, but market leadership was achieved by turning imitation into reinvention.

Fashion historians conventionally date the "birth" of the Italian fashion industry to 1951,[48] when Florence hosted a fashion show that

Table 3 Comparison of top Italian and Spanish fashion companies, 2013

	Spain	Italy
Date of founding	Post-1963	Twentieth century
Main sector of activity	Clothing	Clothing (accessories included), leather and footwear.
Brand strategy	In-house brand, mostly multibrand	Mostly in-house, multibrand
Market segment	Mass market	Luxury, affordable luxury, mass market
Business model	Retail oriented	Brand and product oriented
Path of development	Company specific	Country specific

48. Paris, "Orígenes del Made in Italy." Capalbo, "Creativity and Innovation," dates the beginnings of the Italian fashion system back to the interwar period.

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for the first time attracted the attention of American buyers. Italy, as a follower, initially benefited from imitating France, which, thanks to Dior, had positioned itself at the top of the luxury market. The buyers who attended the show—agents of the main American department stores—welcomed the advent of a fresh couture, one cheaper than the French. Despite its initial success, however, the Italian attempt to become an haute couture producer in competition with its French counterpart had ephemeral results. The evidence of our database shows that the decline of Florence, culminating in the 1960s, was associated with a process of business reconfiguration toward a new business model focused on industrially produced, ready-to-wear fashion, and that this process was still in progress when Milan emerged as a fashion hub.[49]

The main impulse to diverge from the French model came from the crisis of the 1970s. In Italy, textile companies and firms manufacturing standardized clothing downsized production and introduced flexible industrial structures that allowed them to reduce costs and to react promptly to fickle fashion trends. In France, however, the domestic clothing industry moved abroad, where labor costs were lower. Italy then had the opportunity to become a fashion trendsetter by exploiting the advantages of the peculiar backwardness of Italian industrialization, which during the twentieth century continued to be dominated by labor-intensive industries.[50]

Our database also shows that the 1980s and 1990s were crucial for the consolidation of this advantage through the reorientation of the Italian fashion industry toward the luxury goods market. Partnerships between fashion designers and industrial entrepreneurs were crucial in this stage, as they allowed Italian companies to enter the luxury business. In parallel, to maintain their competitive advantage, Italian companies changed their focus from manufacturing to the exploitation of design and brands. Except for the few that still rely on domestic production, Italian fashion today is designed rather than made in Italy.

While Italy was creating and consolidating its competitive advantage in luxury ready-to-wear, the Spanish fashion industry was still focused on textiles and was behind technically due to the protection granted to the domestic market by the Franco regime. Our database shows that all the main developments over this period in the Italian fashion industry, and especially its transition from the old model with several relatively small companies active in the textile industry to a small number of new, large companies predominantly active in

49. Merlo, "Italian Luxury Goods Industry."
50. Cafagna, "The Industrial Revolution in Italy," 304–305.

clothing, took place in Spain approximately a decade later. Imitation initially targeted ready-to-wear fashion. But the delay made it very difficult for Spain to catch up by imitating the Italian model, as both its internal and the international dynamics were evolving. When the Spanish fashion industry experienced its most serious crisis in the 1980s and tried to initiate a recovery process, Italian ready-to-wear could no longer be successfully imitated. Spain, thus, was trapped; it could not compete in the low-price segment of the industry, where production was based in countries with lower wages, or in the high-quality segment, which at that time was firmly in the hands of France and Italy, both more experienced at the international level.[51]

From 1986, when Spain entered the European Economic Community, the process of globalization played a key role in the recovery of the local clothing industry, because it forced the once-protected Spanish companies to deal with both European competition and competition from emerging countries in different segments. As the sample shows, the 1980s was the worst period for the Spanish fashion industry, testified to by the disappearance of large fashion companies from the top 400. However, the history of the companies analyzed in "Top Italian and Spanish Fashion Companies in 2013" shows that Inditex and a few Spanish followers were able to reformat their business models exactly when Italy was diversifying its fashion production into the luxury market segment. In those years, successful Spanish firms specialized in fast fashion and adopted flexible production processes that, due to technological and organizational innovations, allowed them to rapidly adapt to market demand and produce attractively designed clothing and accessories with medium to low prices.

The evidence of the database is that the main impulse for change—the opening to international competition in the 1980s—paved the way for many company closures, rather than prompting a process of industrial reorganization. The lack of competitiveness of Spanish companies pushed the country, a latecomer to the field, to develop a new kind of business model centered on the reinvention of ready-to-wear fashion. Taking the path of flexibility traced by Italy, Spanish companies adopted technological and organizational innovations aimed at making their production processes even more adaptable to market changes. Yet innovation in the industry has definitely moved from manufacturing, designing, and branding fashion collections to shortening their life span. Thus, retail has emerged as *the* means to enhance the innovation peculiar to fast fashion and to monopolize the market.

51. Miranda, "The Country-of-Origin Effect."

Conclusions

In this article we have analyzed and compared the evolution of the fashion industries in Spain and Italy. These countries were chosen for their leading positions in the European and global fashion industry and the increasingly significant trendsetter function they have assumed in the last decades. First, we took into consideration the aggregate of firms ranked among the top 400 in both countries in 1973, 1983, 1993, 2003, and 2013. We then focused on the companies in the last benchmark year, 2013, to identify similarities and differences between the top Italian and Spanish businesses in the fashion industry. The main findings can be summarized as follows.

First, the fashion industry in both countries experienced momentous changes over the period. Most of these changes were related to the emergence of new players in the international arena, which led to a drastic reorganization of the market. In this respect, fast fashion is just the latest stage of a long-term, ongoing process of innovation in which retailing has progressively superseded production as the core business of fashion companies.

Second, increasing competition generated country-specific patterns of industrial reconfiguration. The Italian fashion industry entered the international market in the 1980s, massively investing in value-added activities such as product development, design, fabric innovation, brand building, advertising, and retailing. Spain, in contrast, entered the international market in the 1990s by adopting innovations that shortened the fashion life cycle and by investing massively in retailing. Yet Spain shows that development paths are increasingly company rather than country specific.

Third, different business models exist in the two countries and between companies within the same country. In general terms, these differences reflect the companies' improved capabilities in matching demand and supply. The enhanced responsiveness of the supply chain to changes in demand is, thus, the latest trend in the long history of a mature sector, fashion, which ultimately reinvented itself in Italy and Spain.

Fourth, the "advantage of backwardness" provides a helpful conceptual framework in which to explore long-term fashion industry trends. Our analysis shows that the sources of advantage changed dramatically during the second half of the nineteenth century. The solid, long-established industrial bases, which were so crucial to the emergence of Italy as trendsetter, have been critical for Spain, but to a lesser extent.

Fifth, predictably, exposure to international competition marked a turning point in the history of both the Italian and Spanish fashion industries. A less obvious effect concerns whether, and how, globalization impacts the nature of competition itself. In our opinion, M&A activities provide the most convincing answers to these questions. The few companies listed in the database that are no longer Italian have been acquired by foreign competitors aiming at strengthening their positions in the strategic, albeit limited, category of personal luxury goods, and at enlarging their brand portfolios. We believe that M&A activities will continue to play a primary role in strengthening the market power of luxury conglomerates in the near term. As a consequence, Italian companies, and especially those whose competitive advantages are based on manufacturing and design skills, are expected to be acquisition targets for foreign competitors, such as LVMH and Kering, thus following the path of Bulgari, Brioni, Pucci, Fendi, and Bottega Veneta, just a few of the brands that are no longer Italian owned. While luxury is being concentrated in the hands of a few conglomerates, the Spanish latecomer mainly targets the other end of the market. Globalization, thus, is profoundly changing the nature and size of the international fashion markets.

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