

# *A Business Analysis of Salvatore Ferragamo in the Luxury Industry*

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**Abstract:** Established in 1927, Salvatore Ferragamo S.p.A. is a renowned Italian luxury company renowned for its excellent craftsmanship, particularly in ready-to-wear clothes, leather products, and footwear. To shed light on Ferragamo's potential and difficulties in the global luxury market, this study examines the company's financial performance, customer experience, marketing initiatives, and market positioning. Ferragamo caters mostly to affluent clients that appreciate elegance and superior quality, such as professionals and celebrities. Ferragamo prioritizes traditional craftsmanship and elegance over that of rivals like Gucci, despite difficulties in expanding internationally and gaining market share. The company leverages influencers and well-known brand ambassadors to increase its reach, particularly among younger consumers, through both traditional and digital marketing strategies. However, Ferragamo's financial results for 2023 showed a sharp drop in earnings and sales, pointing to the necessity of making tactical changes. To be competitive and seize expansion prospects in the changing luxury market, Ferragamo will need to concentrate on strengthening its online presence, increasing manufacturing efficiency, and investigating new markets going forward.

**Keywords:** Ferragamo, Marketing, Luxury brand, Consumer psychology.

## **1. Introduction**

Salvatore Ferragamo S.p.A., founded in 1927, is a representative of the Italian luxury brand, known for its exquisite footwear design and high-end fashion. Founder Salvatore Ferragamo combines traditional craftsmanship with innovative design, giving the brand a significant position in the global luxury market. Ferragamo's products include footwear, leather goods and ready-to-wear, adhering to iconic design and high-quality materials [1]. Ferragamo's brand positioning emphasizes luxury and classic, combining modern fashion and traditional Italian craftsmanship. The brand's design style is classic and the pursuit of innovation. In addition, Ferragamo has a certain influence and success in the global market. This study will explore Ferragamo's market positioning, marketing strategies, sales tactics, customer experience and service, as well as financial performance and metrics, and analyze its possible future challenges and opportunities in the luxury market. This will provide valuable insights into the success factors and marketing strategies of luxury brands.

## 2. Market Positioning

Salvatore Ferragamo's target market is primarily high-end luxury consumers. From the demographic analysis, because it is a high-end luxury brand, customers need to have a certain economic foundation, so the age of customers is mainly concentrated in adults above 20. The professional focus of the customer base includes celebrities, public figures, and some professional success, such as Princess Diana was also a customer of Ferragamo. In terms of psychological statistics, as a luxury brand, Ferragamo's brand personality can be regarded as sophistication. Ahmad and Thyagaraj mentioned the impact of three brand personalities on consumer behavior, Respectively, the expression of brand functionality through brand personality, brand personality as a sign of self-reflection and the establishment of the relationship between consumers and brands through brand personality [2]. Therefore, it can be inferred that the customer groups who choose Ferragamo can be divided into those who attach great importance to quality and craftsmanship, those who pursue luxury and unique design, and those who have high loyalty to Ferragamo and want to make repeated purchases or recommend them to others.

Ferragamo's sales channel includes Directly Operated Store (DOS), Third Party Operated Store (TPOS) and multi-brand channel. Among them, DOS includes offline brand stores and online official websites, and TPOS includes luxury specialty retailers and travel retail channels. These two different sales channels have different sales effects. For Ferragamo DOS, the direct management of the brand can better maintain high sales and customer loyalty. Brands often promote new products through DOS, hold exclusive events, etc., to boost sales. However, the disadvantage will be reflected in the possibility of greater sales volatility, which is greatly affected by the economic situation and the retail environment. For Ferragamo TPOS, although it can rapidly expand the market and increase brand exposure and sales opportunities, its weak brand control may affect the execution effect of the sales strategy, resulting in less stable sales effect than DOS.

Analysis of the competition between Gucci and Ferragamo, both offer high-end footwear, leather goods and ready-to-wear, but Gucci's products focus on modern trends and bold design, while Ferragamo emphasizes classic craftsmanship and elegant style. Gucci attracts young consumers with its innovative and avant-garde design, while Ferragamo is more focused on high-end elegance and traditional craftsmanship, and the target group may be slightly more mature. Gucci often attracts media attention and influence in the fashion circle through collaborative collections and fashion shows, while Ferragamo focuses on its unique craftsmanship and classic design to maintain the reputation of the brand and improve brand loyalty. However, Gucci is at the forefront of luxury fashion globalization, Gucci owns and controls 487 directly operated stores worldwide, is an important and influential player in the growth of global luxury fashion goods, Ferragamo has only 378 directly operated stores [3,4]. Through this data, it can be judged that Gucci has more directly operated stores, which means its influence and coverage in the global market is wider and indicates the enhancement of its market position and brand influence. At the same time, Gucci's number of directly operated stores is higher than Ferragamo, showing its advantages in terms of global expansion strategy and resource investment. At the same time, in daily life, in people's cognition, even if not luxury buyers will know Gucci, Ferragamo is not.

## 3. Marketing Strategies

The analysis of Ferragamo's marketing strategy will be divided into two parts: the first part is advertising strategy analysis, and the second part is brand positioning and information transmission.

Advertising is divided into online advertising and traditional advertising. In terms of online advertising, Ferragamo uses platforms like Instagram, Facebook, TikTok, etc., to deliver attractive ads. These social platforms create an environment where products can be presented in a visually

pleasing way through photo sharing, short videos and stories, which bring a lot of intrinsic value [5]. The content includes short videos, stories, graphic posts, new product showcases, events and special series. In addition to ambassadors, Ferragamo works with fashion bloggers and social media owners to use their influence to promote Ferragamo products. Ferragamo also uses print and outdoor advertising as traditional advertising campaigns. Ferragamo often places ads in fashion magazines such as Ferragamo Spring 2023 Ready-to-Wear in Vogue, showcasing the brand's products and designs [6]. Ferragamo has also placed outdoor advertising, such as large billboards, in the commercial shopping areas of some cities to display the Ferragamo brand. These advertising strategies have brought several significant benefits to Ferragamo: First, the advertising strategy has increased brand awareness for Ferragamo. By placing ads on popular social media platforms and fashion magazines, Ferragamo can effectively increase brand exposure and attract the attention of more potential customers. Second, the advertising strategy gave Ferragamo an expanded market presence. Working with young idols and fashion bloggers helps brands build a strong presence among young consumers, thereby expanding their market reach. Third, the advertising strategy enhances Ferragamo's brand image. Through well-designed advertising content and high-quality presentation, Ferragamo can enhance the brand's luxury image and market positioning. Finally, the advertising strategy increased sales opportunities for Ferragamo. The wide reach of advertising helps guide consumers to stores or online platforms to buy, which drives sales growth.

Ferragamo's brand positioning is "glamour, elegance, craftsmanship, creativity and innovation" [3]. In terms of information transmission, it not only conveys to people the Italian craft brand with a long history, but also highlights the dedication to high-quality materials. In Ferragamo's 2023 Annual Report, "Use of Ferragamo products by leading personalities from the world of cinema, theatre and entertainment. [3]" The phrase also shows the elegance and uniqueness of the brand's design, thereby conveying its high-end fashion positioning. There is a reference in the 2023 annual report to Ferragamo's group strategy to "strengthen its competitive position among the leaders in the global luxury. market". The strategic approach includes a product-centric approach, injecting new energy into the brand, enriching the customer experience, and focusing on the digital realm [3]. The strategic approach includes a product-centric approach, injecting new energy into the brand, enriching the customer experience, and focusing on the digital realm [3]. In the product strategy, Ferragamo mentioned to adapt its products to the new demand of young people, and strengthen the focus on footwear, leather goods and ready-to-wear products. The new energy injected is to improve the customer experience by enhancing the digital channel. It is mentioned that in the current market context, the priority of using digital communication is to attract more customers. At the same time, in digital communication, the use of clear language for the place to express, accurate transmission of information, to increase the user experience. Through these strategies, Ferragamo can not only improve the brand itself, but also communicate a clear brand positioning and style.

#### 4. Sales Tactics

Ferragamo uses sales techniques in turn to high-end customer relationship management for personalized service and product knowledge and promotion. Ferragamo focuses on providing customers with a personalized shopping experience, including exclusive customer service and personal shopping meetings, thereby increasing customer satisfaction with their purchases. And regularly hold brand exclusive activities to maintain the relationship with high-end customers and enhance customer loyalty to the brand. At the same time, Ferragamo provide detailed product knowledge and fashion design training for sales team and counter staff to ensure that they can effectively recommend products, answer customers' questions and provide suggestions. For the creation of new sales Tactics and Techniques, I recommend two points: one is to provide products close to real-time trends through data collection and analysis, and the other is to deepen personalized

service. In the previous comparative analysis, it was mentioned that Gucci has more young customers than Ferragamo, because Gucci has a good grasp of the world trend and provides more fashionable designs. It is also mentioned in the previous strategies of Ferragamo that it wants to attract more young customers, and it may be easier to gain young customers by using this innovative strategy. At the same time, because Ferragamo attaches great importance to the provision of personalized service experience, it will bring greater benefits by deepening the provision of personalized service. These personalized services can be to provide free customization such as the engraving of the customer wants to engraved characters, to provide color and material choices, to meet the unique needs of customers.

## 5. Customer Experience and Service

Ferragamo generally provides a very perfect customer experience and service. It is reflected in both Pre-sales support and consultation and Post-sales support and aftercare. On the official website, the Frequently asked questions section has a series of pre-sales questions and answers, from how to place an order to choosing a product size to shipping orders. After-sales service is also very good in Ferragamo, Ferragamo products not only support the refund of seven days after receipt, but also the return cost and the freight required for return are free, and the refund will be returned to the original payment account.

But the opened products such as perfume and customized products can not be returned or replaced [1]. Each product interface will also have product details, payment methods, size width guide and delivery return questions answer, so that customers more convenient to solve the question. These after-sales services really bring customers an excellent shopping experience, thereby strengthening customer loyalty to the brand and playing a competitive advantage in the luxury brand market.

But these services still have room for improvement. Ferragamo can establish a customer feedback channel to ensure that customers' opinions are handled in a timely manner and set up a satisfaction survey to collect customer feedback and satisfaction indicators regularly, to evaluate the current service quality and help the brand to constantly improve. Better Services can also encourage customers to purchase brand products repeatedly and enhance brand loyalty through membership and points. Finally, some customer care such as exclusive event invitations, birthday gifts and personalized services mentioned above should be given to enhance customer loyalty and satisfaction with the brand.

## 6. Financial Performance and Metrics

Ferragamo's 2023 Net Financial Income and Charges are generally mixed. Table 1 mentions that the net interest for 2023 and 2022 is 6,206 thousand euros and 7,077 thousand euros respectively. The two-year change is 5,499 thousand euros, which shows a significant increase in Ferragamo's net interest income from 2022 to 2023. This indicates either an increase in interest input or a decrease in interest expense, or both. Other net income/(charges) in 2023 and 2022 are (1,778) thousand euros and (1,666) thousand euros which increase by (112) thousand euros. This indicates an increase in expenses or a decrease in income from other sources. At the same time, there was also a substantial increase in net interest and expenses on lease liabilities (21,010-10,915 = 10,095). This reflects a significant increase in the charges associated with the leasehold liability, indicating an increase in the cost of leasehold. The net gain/loss from exchange rate differences in 2023 is negative (-11,223), which greatly increases the loss from exchange rate differences, indicating that the unfavorable exchange rate has a greater negative impact on the entire financial result. However, there has been a significant improvement in the net gain on the fair value adjustment of financial instruments, which indicates a significant gain in the valuation of derivatives. Although total net financial income showed

a slight improvement, it was still negative. This indicates that the overall financial situation has improved, but challenges remain. Overall, while there were improvements in net interest and fair value adjustments for financial instruments, there were significant increases in charges and losses, particularly those related to lease liabilities and exchange rate differences. The slight improvement in overall net financial income /(expenses) indicates a slight improvement in financial conditions, but significant challenges remain.

Table 1: Ferragamo 2023 Net Financial Income and Charges. Source: Ferragamo's official website

| (In thousands of Euros)   | 2023     | 2022     | Change 2023 vs 2022 |
|---|----------|----------|---------------------|
| Net interest  | 6,206    | 707      | 5,499               |
| Other net income/(changes)  | (1,778)  | (1,666)  | (112)               |
| Net interest and expenses on lease liabilities                          | (21,010) | (10,915) | (10,095)            |
| Net gains/(losses) on exchange rate differences                         | (11,223) | 3,024    | (14,247)            |
| Net financial income/(charges) for fair value adjustment of derivatives | 1,367    | (17,926) | 19,293              |
| Total   | (26,438) | (26,776) | 338                 |

As shown in Table 2, there have been some significant changes in the Group's financial performance in 2023. In terms of revenue, 2023 revenue was 1.156 billion euros, down 7.6% compared to 1.252 billion euros in 2022. The decline in revenue may be due to reduced market demand and increased price competition. Gross profit in 2023 was 839 million euros, a decrease of 6.8% compared to 901 million euros in 2022. Gross margin increased slightly, from 72.0% to 72.6%. Despite the decrease in revenue, the improvement in gross margin means that the Group's gross profit efficiency has improved despite the decrease in revenue. Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) in 2023 was 251.8 million euros, a decrease of 15.8% compared to 298.9 million euros in 2022. EBITDA ratio decreased, from 23.9% to 21.8%. This indicates that despite the improvement in gross margin, overall operating efficiency is reduced, which may be affected by higher operating costs or other expenses. Operating profit in 2023 was 72 million euros, compared to 127.9 million euros in 2022, a decrease of 43.7%. Operating margins also fell significantly, from 10.2 per cent to 6.2 per cent. This indicates that the company's profitability has been greatly affected by the decrease in revenue and the increase in costs. Net profit in 2023 was 26.2 million euros, 59.9% less than the 65.4 million euros in 2022. The group's net profit fell more sharply than operating profit, showing the financial pressures facing the company. The Group's net profit was 26.1 million euros, down 62.6% from 69.6 million euros in 2022. The net profit for minority shareholders was 0.2 million euros, an improvement from -4.3 million euros in 2022, but with less impact on the overall results. In addition, compared with its competitors in the same industry, Gucci is better than Ferragamo in revenue (9.9 billion euros) and operating margin (33.1%) [7].

Overall, Ferragamo reported significant declines in both revenue and profit and may need to review its business strategy, cost control and market positioning to address future challenges and improve its financial position.

Table 2: The Group's Main Income and Financial Results for the Year 2023 of Ferragamo.

| (In millions of Euro)                     | 2023    | 2022    | % change<br>2023 vs 2022 |
|---|---------|---------|--------------------------|
| Revenues                                  | 1,156.3 | 1,251.8 | (7.6%)                   |
| Gross profit                              | 839.4   | 901.1   | (6.8%)                   |
| Gross profit %                            | 72.6%   | 72.0%   |                          |
| EBITDA                                    | 251.8   | 298.9   | (15.8%)                  |
| EBITDA %                                  | 21.8%   | 23.9%   |                          |
| Operating profit/(loss)                   | 72.0    | 127.9   | (43.7%)                  |
| Operating profit/(loss) %                 | 6.2%    | 10.2%   |                          |
| Net profit/(loss) for the period          | 26.2    | 65.4    | (59.9%)                  |
| Net profit/(loss) - Group                 | 26.1    | 69.6    | (62.6%)                  |
| Net profit/(loss) - minority<br>interests | 0.2     | (4.3)   |                          |

## 7. Challenges and Opportunities

Ferragamo is facing challenges in terms of market trends and economic factors and internally. Challenges to market trends and economic factors are reflected in economic fluctuations, consumer preferences, and competitive pressures. Global economic instability may reduce consumer spending on luxury goods, thereby affecting Ferragamo's sales and profits. Consumer trends in the luxury market are constantly changing, such as increasing concerns about sustainability and environmental protection and changing of world aesthetics. If Ferragamo fails to adjust its product and brand strategy in time, it could lose market share. At the same time, the luxury market is highly competitive, especially from other high-end brands such as Gucci mentioned above. Ferragamo needs to continuously improve its brand differentiation and market positioning to maintain its market share.

At the same time, Ferragamo had some internal challenges to face. In terms of production efficiency, Ferragamo always emphasizes the high quality of products, but it is a challenge to maintain high quality and improve production efficiency at the same time. If production costs rise while quality control remains unchanged, it may affect the company's profitability. In addition, Brand digitalization is not only the focus of the brand, but also the development direction of the industry, so Ferragamo needs to stay ahead of the curve in digitalization and e-commerce. Failure to integrate new technologies effectively can affect a brand's competitiveness. Finally, Ferragamo needs the right talent management, and attracting and retaining designer and executive talent is key. Talent loss or recruitment difficulties can affect a brand's innovation and market performance.

In the face of these challenges, the growth and improvement opportunities include digitalization and e-commerce enhancement, luxury consumption upgrading, brand innovation, global expansion and customer experience enhancement. Digital transformation and the growth of e-commerce platforms provide new sales channels. Ferragamo can expand its market reach through online platforms, especially in fast-growing markets such as China and India in Asia. Luxury consumption is escalating as the number of wealthy people around the world increases. Ferragamo can attract high-end customers through high-end customized services and personalized products. In addition, in terms of innovation, Ferragamo can introduce new product lines through innovative design and materials to meet the market demand for novel and unique luxury goods. At the same time, Ferragamo's international influence is at a disadvantage, so it is suggested that Ferragamo enter new markets, especially countries and regions with rapid economic growth, which can bring new growth opportunities. The brand should increase its brand presence and store network in these markets could boost the company's performance and finally, to enhance customer loyalty and brand appeal by



enhancing the retail store experience and providing personalized service. Moreover, the Salvatore Ferragamo Museum is also able to express a set of values connected to the cultural identity of Made in Italy that contribute to enforce the authenticity and credibility of the brand [8,9]. Ferragamo should exploit the publicity effect of its museum to further increase its brand awareness and user stickiness. Based on these opportunities for improvement, Ferragamo may be able to achieve long-term revenue growth and brand enhancement.

## 8. Conclusion

In conclusion, Ferragamo's main customer group is likely to be adults seeking high-end products. In terms of international influence, although Ferragamo has a certain influence, it is not so dominant in the entire luxury industry and still needs to be improved. In addition, it can be clearly understood that the successful application of advertising strategy can increase the sales opportunities of Ferragamo and convey a clear brand positioning and style. Ferragamo's sales skills focus on high-end customer relationship management and provide personalized service and product knowledge promotion and bring a good customer experience. However, the analysis of Ferragamo's financial results for 2023 shows that it was a challenging year for Ferragamo, with significant declines in both revenue and profit. In the face of market challenges, Ferragamo needs to be flexible in responding to economic fluctuations and market changes, while seizing the opportunities presented by emerging trends such as digital transformation, the development of new markets and product innovation to achieve long-term profit growth and brand enhancement.

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