

Economy of Beauty

The soft power of Beauty

The Italian model turning
heritage into value

Italian Cultural Institute
London, May 15, 2024

Italians imbue their work, in the broadest sense, with their deepest identity.
This "hidden curriculum" is the spark of the Economy of Beauty

“ *Economy of Beauty is that peculiar sector of the Italian economy that generates wealth through a virtuous translation of our country's deepest identity and traditions into business*

Beauty is a distinctive productive factor that stems from care and excellence across Italian manufacturing sectors, uniting in a common denominator the production of custom-made machines with the making of a design object or a dress

**The keywords of Beauty
as productive factor**

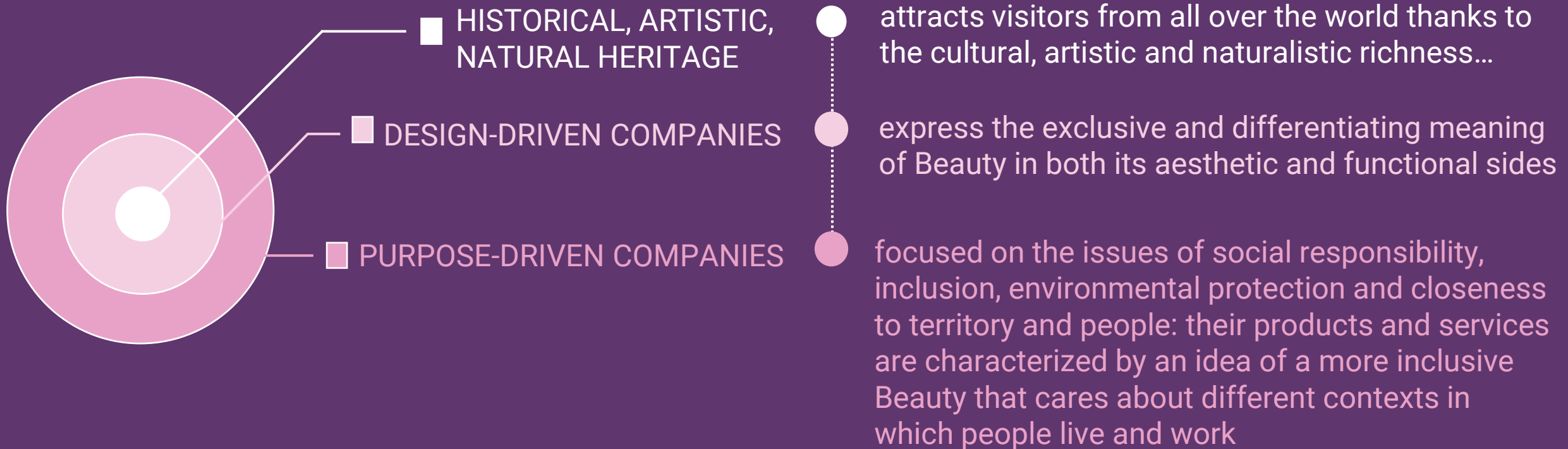
landscape tradition
identity purpose art
social culture nature

Kaleidos
Banca Ifis 

Economy of Beauty is an entrepreneurial culture platform of Banca Ifis' Social Impact Lab

A program that brings together all initiatives that put people at the center

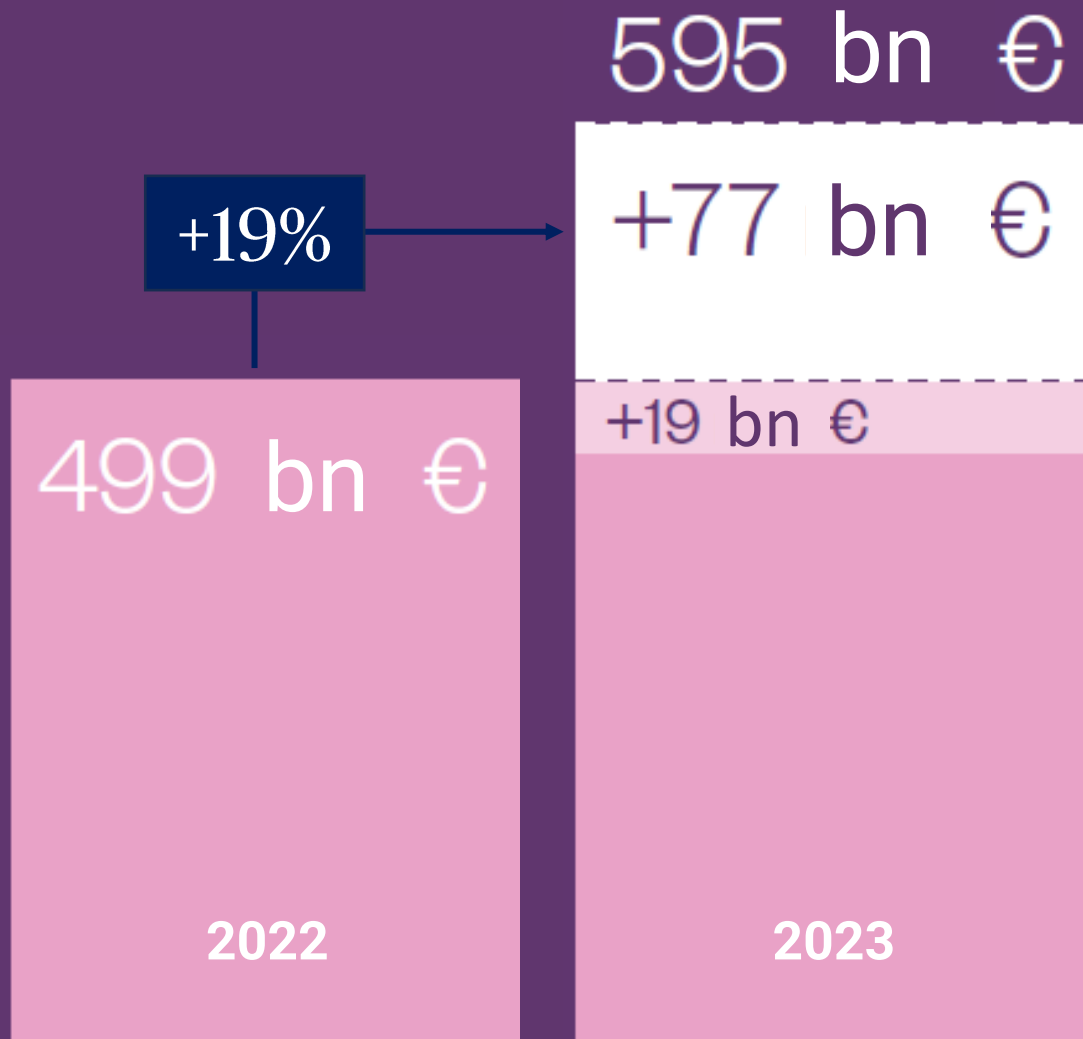
The business network is alive, it is changing over time



Is it then possible to measure this Beauty, which turns out to be such a broad and many-sided concept? The answer was surprising: 346.000 companies and a huge variety of activities

Segments of Economy of Beauty	Industries	GDP value (as % of tot)
<i>Design-driven enterprises</i> # 339.000	Cultural and naturalistic tourism	23%
	Tourism and ancillary service provision companies (e.g., hospitality)	30%
	Mechanics and other Manufacturing	8%
	Agribusiness & Eno-gastronomy	5%
	Automotive	5%
	Fashion	2%
	Home System & Design	1%
	Cosmetics	1%
	Watchmaking and Jewelry	1%
<i>Purpose-driven enterprises</i> # 47.000	Artistic handicraft	24%
	Cross-cutting across all market segments	

A record-breaking 2023! GDP produced by the Beauty Economy increased by 19% from 2022

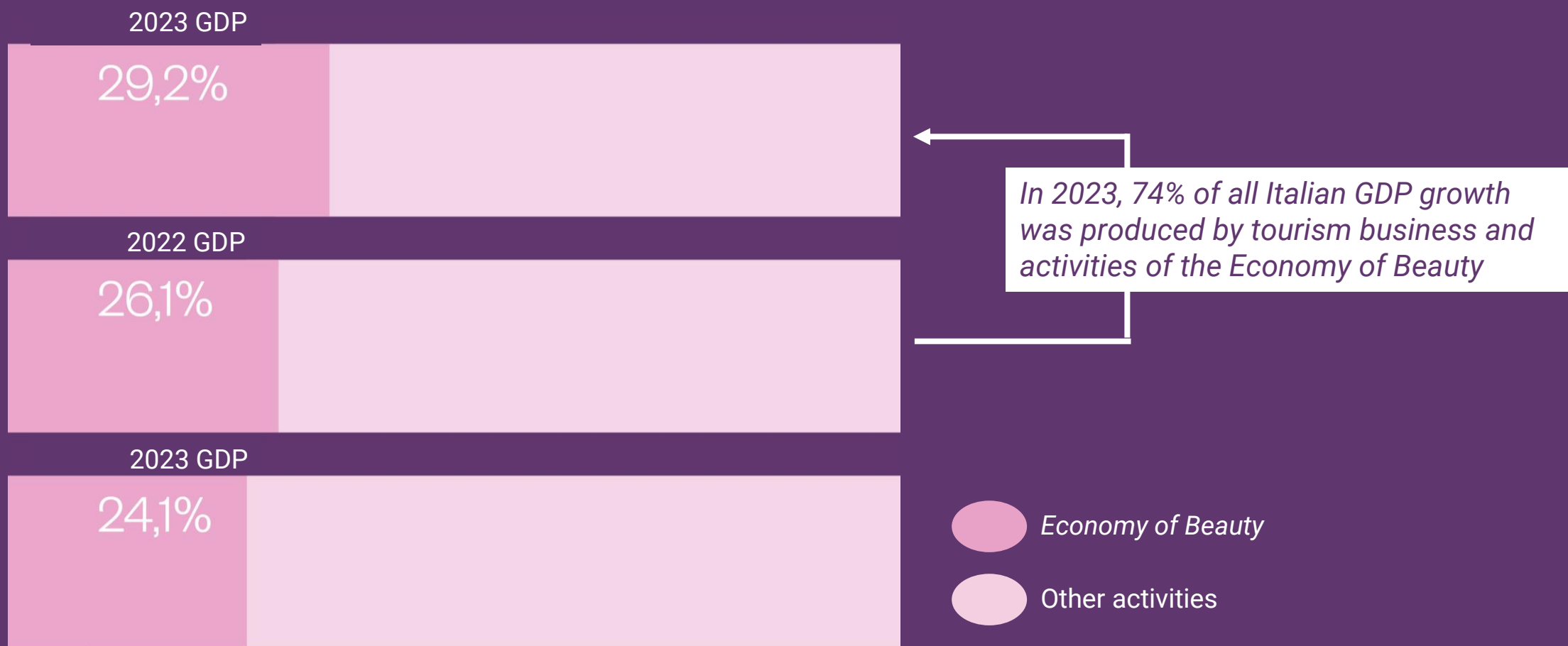


Beauty's growth drivers

- ← Fashion
- ← Automotive
- ← Cosmetics
- ← Agribusiness & Eno-gastronomy
- ← Cultural and naturalistic tourism



In 2023, Beauty's sector reached 29.2% of Italy's total GDP, increasing its share from 26.1% in 2022



If the Economy of Beauty is a booster of domestic production, it is worth investigating where the excellence of Italian manufacturing, our *Made in Italy*, originates from

- “
1. We interviewed entrepreneurs and managers in manufacturing
 2. We deepened the work of Masters of Art, capable of producing even very complex objects
 3. We inquired Masters of Art about their ability to operate within large production contexts
 4. We asked Italian and international consumers what is the value of Made in Italy related to Beauty



Artisanal “know-how” is fundamental to the Italian manufacturing fabric and Made in Italy production

Manufacturing entrepreneurs told us about the work of the Masters of Art that...

54%

Is the contribution to turnover of artisanal “know-how,” amounting to 88 bn€

88%

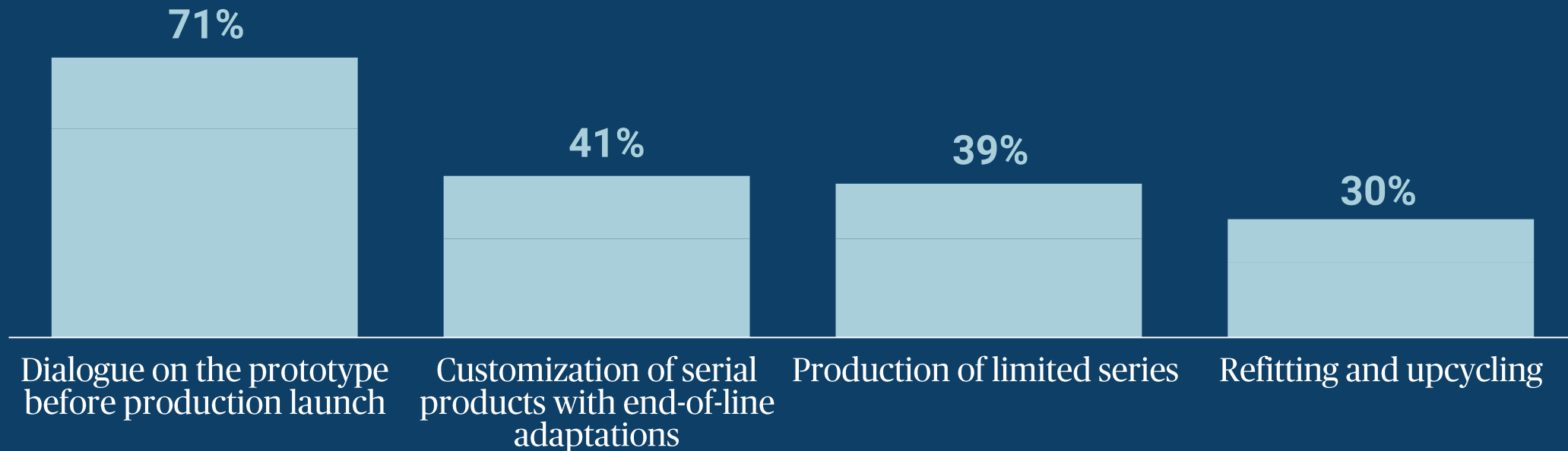
In almost 9 out of 10 cases, it is not replaceable by machinery

Is a value spread across all territories

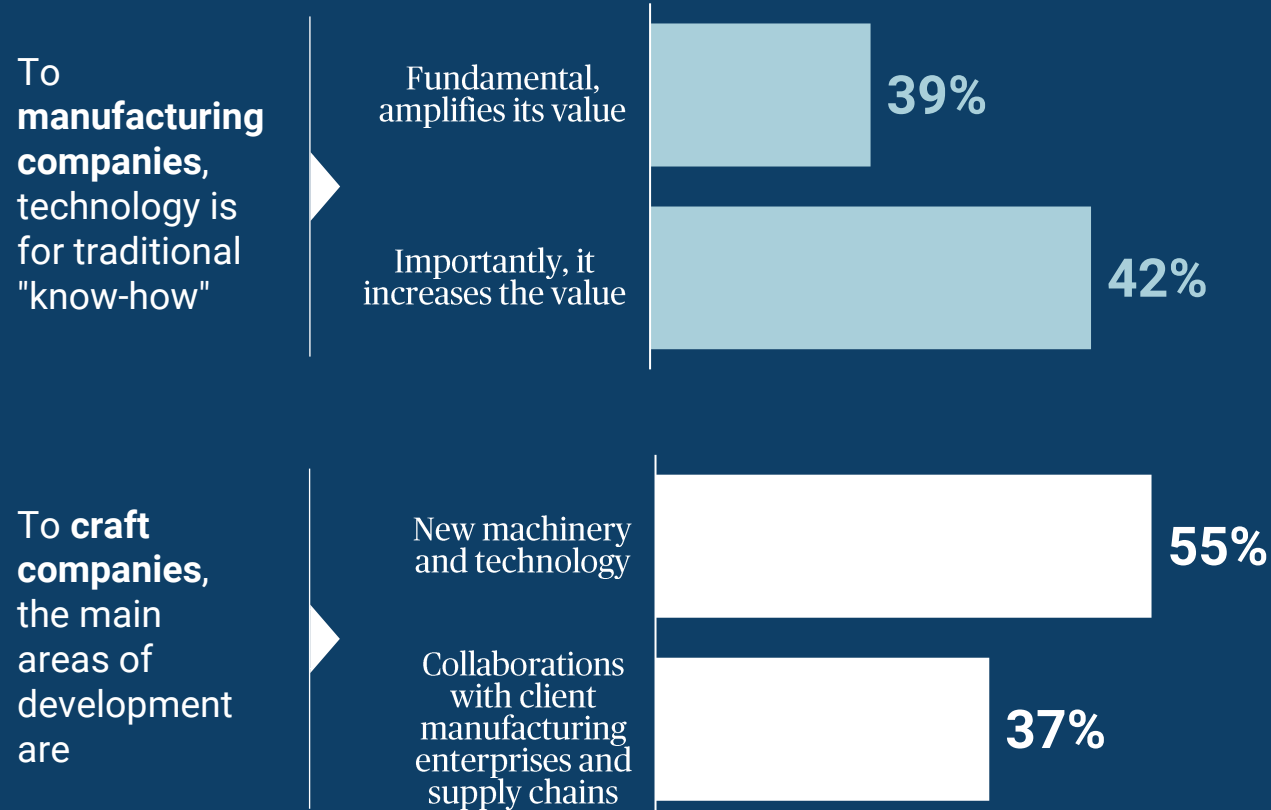


To manufacturing companies, the added value of craftsmanship and customization plays a significant role in production: it is not just showmanship or execution of luxury products, but in most cases Masters of Art are asked to put to use their valuable ability to "shape" ideas through the creation of prototypes

Handcraft value-added activities - % manufacturing companies



There is a double-wire link with technology: 81% of manufacturing entrepreneurs believe that new machinery and new technologies can further amplify the value of traditional "know-how"



Objectives of introducing new technologies:

- increased production speed
- increased safety in the workplace
- improvement in supply chain management
- reduction in costs and consumption

Artisanal “know-how” is a distinctive factor of competitiveness in domestic and international markets. A real productive factor that helps Made in Italy stand out in the global offer for its identity characteristics and high quality

“ Sharing, hybridizing, innovating: the Masters of Art are figures capable of giving uniqueness to the product, integrating interpretation in a contemporary key with the attribution of value in the name of tradition, innovation and sustainability

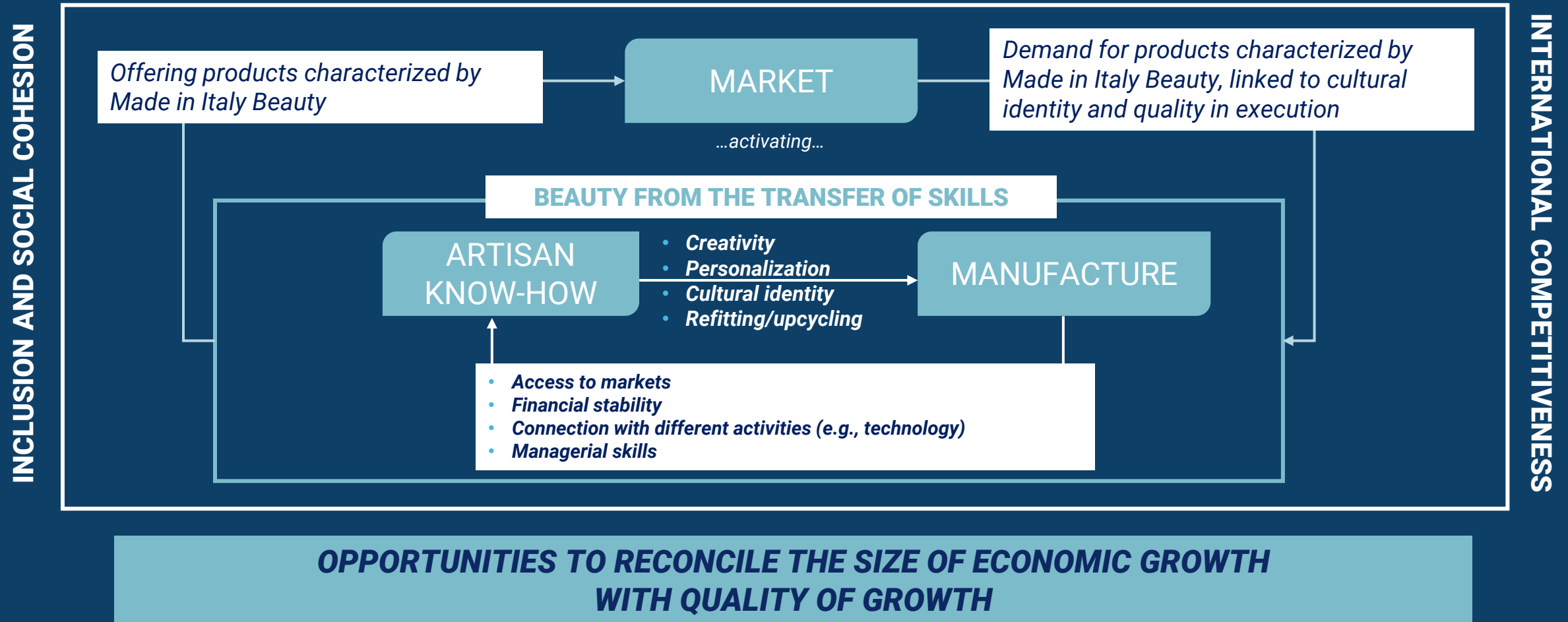
80%

of manufacturing companies consider the “**know-how**” of the **Masters of Art** to be **crucial for market positioning**

91%

of manufacturing companies believe that craft skills enable them to **respond quickly to new market trends and needs, with continuous renewal**

Craftsmanship of the Masters of Art and manufacturing: a hybridization that gives ground to the distinctive model of the Italian economy



Looking closely, two important specificities of Made in Italy emerge that also make it an instrument of social inclusion and cohesion

The specificities of *Made in Italy*

- **connection to the local area:** virtually all Italian municipalities (99%) are home to artisan companies
- **capacity for social integration:** craft companies already absorb 80% of the foreign workforce in Italy

99%

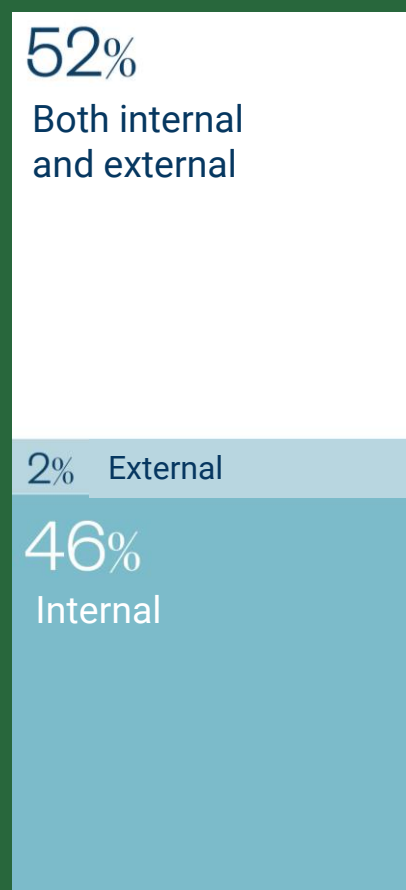
Italian municipalities with at least one craft companies related to manufacturing

80%

Active foreigners employed by craft companies

Manufacturing companies are turning to the internalization of skills previously sourced externally to keep the artisanal "know-how" alive

Provenance of
resources with
craft skills
% companies



Tools for internalizing artisan "know-how"

81%

On-the-job training with
the experienced
craftsman

12%

In-house theoretical
training

7%

Supports external
expertise



The value of craftsmanship and customization in the attitude towards Made in Italy

The results of an international survey in the 5 main foreign markets for the Italian export

Products rich in craftsmanship and customization, in consumers' perceptions, have a very strong aspirational connotation, connected with the concept of luxury

- **Strong (above 80% in both domestic and international markets) association between "luxury" and craftsmanship/customization in production**
- **International spokesperson** for the imagery linking artisan "know-how" and the luxury industry is **China**, with almost all (96%) of consumers identifying a deep connection between these two worlds

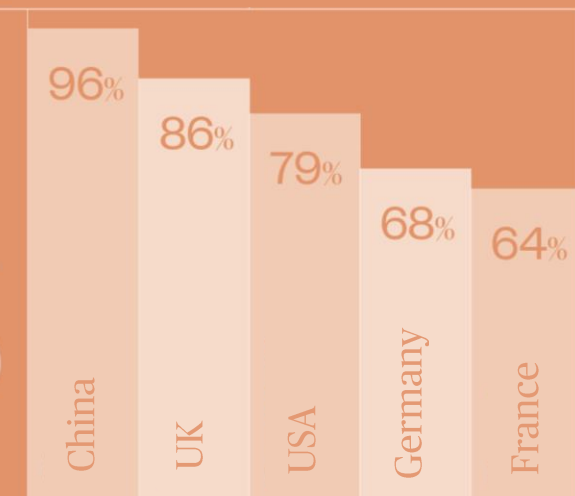
Italy

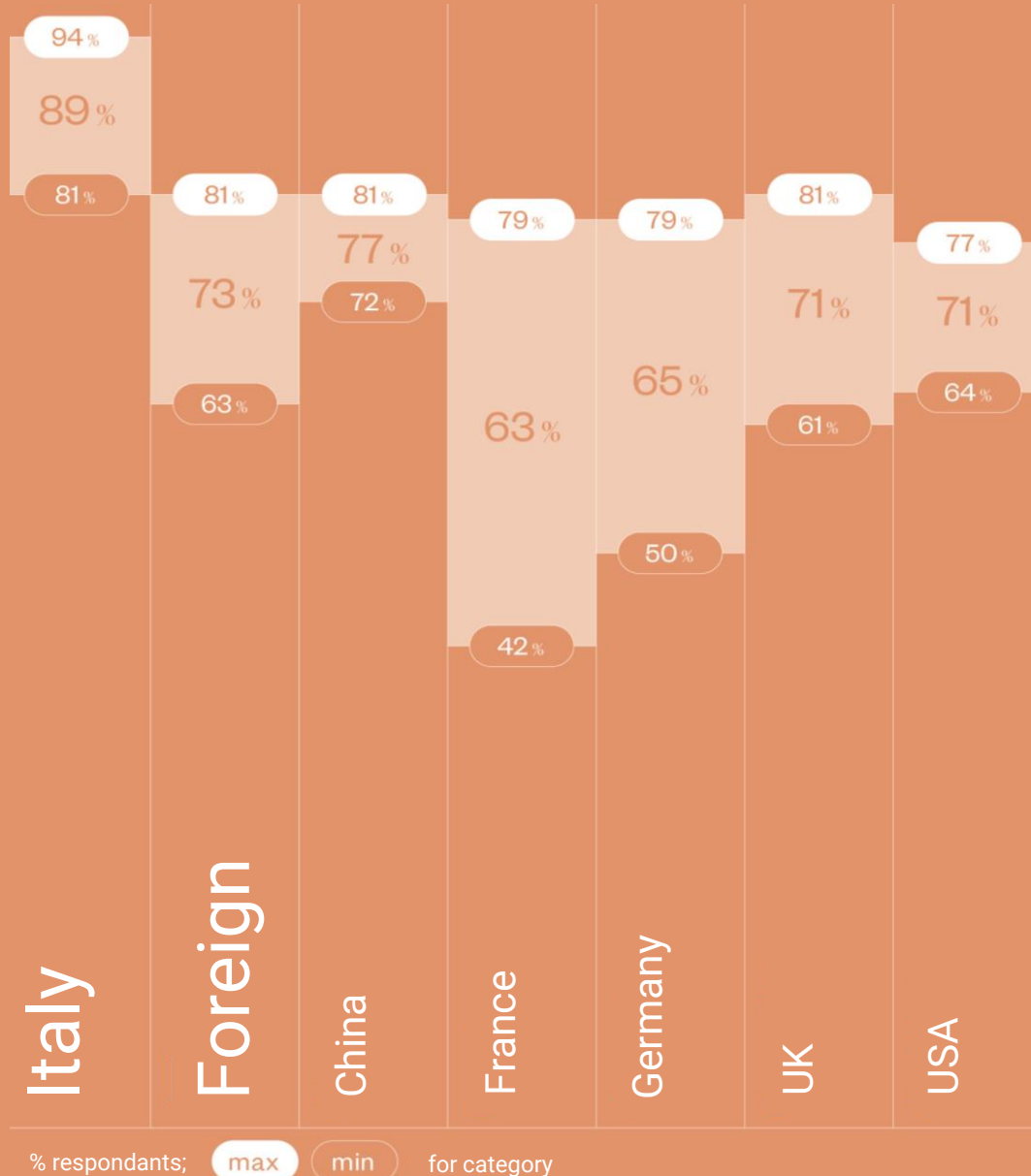
87%

Association between
craftsmanship/customization
and luxury
% of respondents who indicated "very" or
"fairly" connected

Foreign

80%



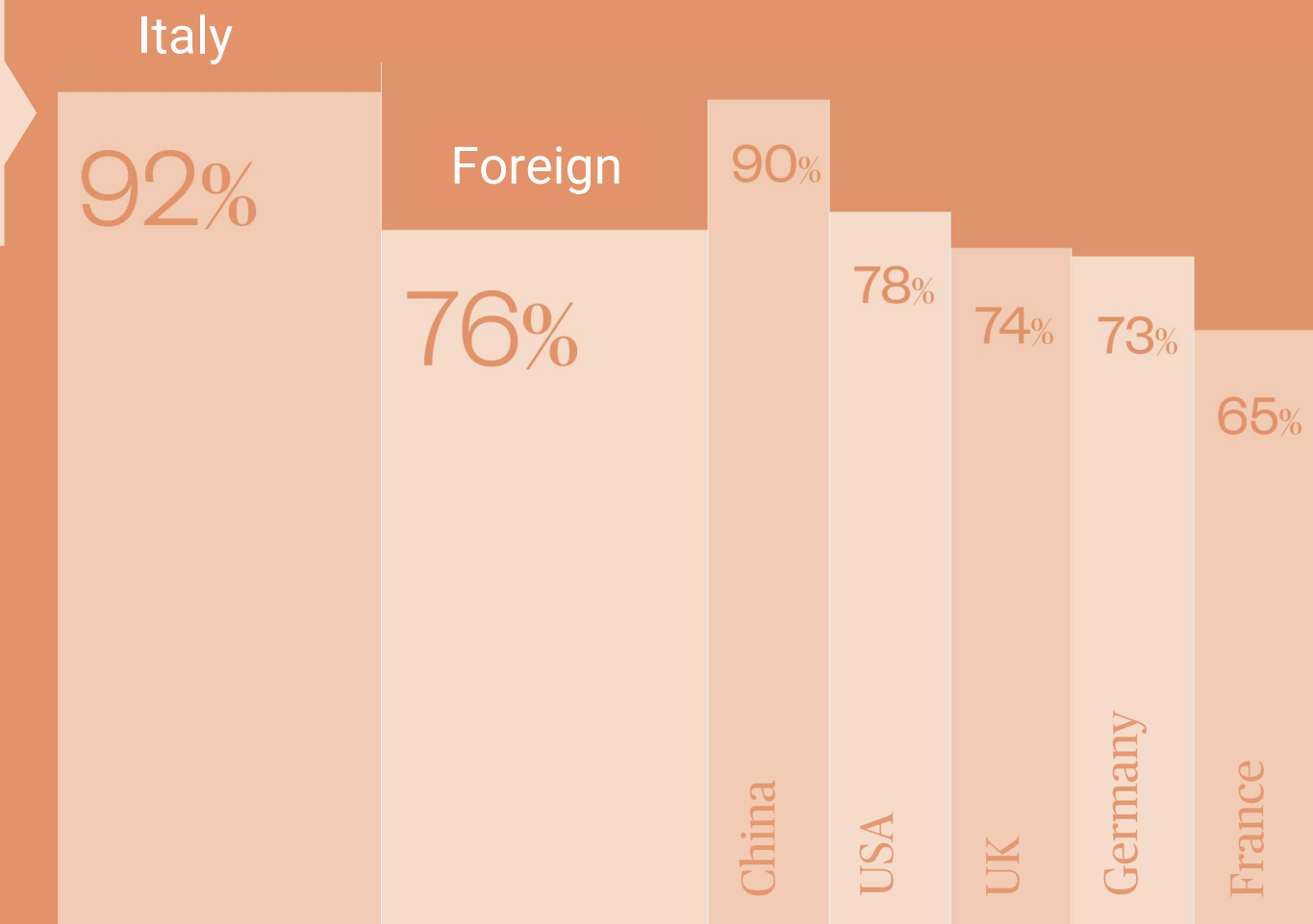


The propensity to purchase products characterized by artisan "know-how" and/or with a high level of Made in Italy customization is very high, confirming the appeal that our country is able to exert on the domestic and international markets

- **More than 60% of consumers, regardless of their country of origin, would buy Made in Italy products rich in "know-how" or with a high level of customization**
- The higher the average propensity to purchase Made in Italy manufacturing, the lower the variability by product type

Made in Italy is enhanced in economic terms by consumers' willingness to spend more, both in Italy and abroad (Chinese consumers at the top). The drivers of this increased valorization are: **high quality and attention to detail/sophisticated design**

Consumers inclined to spend more to buy made-in-Italy products and reasons - % respondents



Drivers that increase willingness to spend more

- | | |
|----------------------|----------------------|
| Italy | Foreign |
| High quality | High quality |
| Attention to details | Attention to details |
| | Sophisticated design |

Beauty is good both for the product and for the country.
The combination of tourist destinations, high-quality goods and technological innovation gives value to Italian Soft Power

Soft Power metrics distinctive for Italy

Rich heritage

Influential in arts and entertainment

An appealing lifestyle

Food the world loves

A great place to visit

Products & brands the world loves

Acts to protect the environment

Reputation

Influence

Soft Power

A positive influence, capable of engaging people and generating a sense of belonging, inviting one to follow and abide by a value system to the point of almost perceiving it as one's own

Global Soft Power Index Top 20				Brand Finance			
	1 =	United States			11 ▲	Spain	
	78.8	74.8	+4.0		59.2	55.1	+4.3
	2 =	United Kingdom			12 ▼	Sweden	
	71.8	67.3	+4.5		59.0	54.9	+3.9
	3 ▲	China			13 ▲	Australia	
	71.2	65.8	+6.2		58.6	54.8	+4.0
	4 =	Japan			14 ▲	Netherlands	
	70.6	65.2	+5.4		58.2	54.6	+4.5
	5 ▼	Germany			15 =	South Korea	
	69.8	65.0	+4.0		58.0	53.9	+4.1
	6 =	France			16 ▼	Russia	
	67.3	62.4	+4.9		57.7	53.7	+2.9
	7 =	Canada			17 =	Norway	
	64.4	60.7	+3.7		56.8	52.6	+4.2
	8 =	Switzerland			18 ▲	Saudi Arabia	
	62.9	58.5	+4.4		56.0	51.8	+4.7
	9 =	Italy			19 ▼	Denmark	
	62.0	56.6	+5.4		55.5	51.3	+3.7
	10 =	United Arab Emirates			20 =	Belgium	
	59.7	55.2	+4.5		55.2	51.2	+4.0

General warning.

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