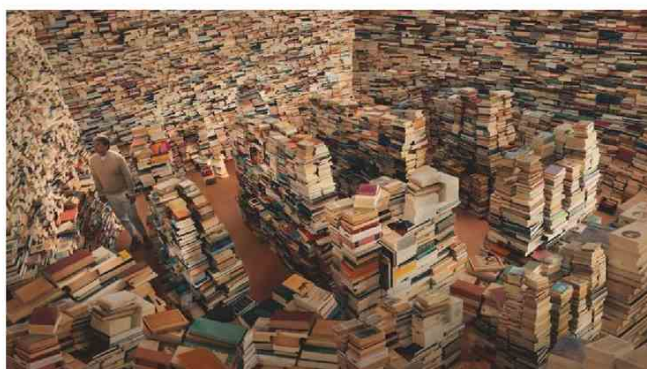


Does Brunello Cucinelli Have the Answers to Luxury's Problems?

The 'quiet luxury' Italian cashmere label that's still generating double-digit sales growth amid a sharp downturn in luxury demand has cast itself as the tortoise to the wider sector's hare.

By Sarah Kent



SOLOMEO, Italy — On a muggy day in late August, Italy's "king of cashmere," Brunello Cucinelli, is mulling the state of the luxury industry.

Throughout the go-go years of the last decade, when exuberant double-digit growth rates were the norm for many major high-end brands, his "quiet luxury" label sold a different story to investors, framing ambitions to grow revenue by a steady 10 percent a year as a more sustainable, stable approach to doing business.

Now, amid a bruising luxury downturn, his brand is among a handful of labels defying the broader market. While the luxury sector is expected to contract between 2 and 5 percent this year, Brunello Cucinelli's sales rose nearly 11 percent in the first half and are projected to grow at an annual rate of 10 percent through 2026.

In an August note, BofA highlighted that the brand is the only luxury label in its coverage "where we expect double-digit revenue growth to continue."

"It seems that we have done a huge discovery, a breakthrough, with this kind of growth that we have been pursuing," Cucinelli said during a recent interview at his headquarters in the Umbrian hamlet of Solomeo. "You came here in order to understand the secret, but what secret?"

Slow Luxury

Brunello Cucinelli casts his label as something of a tortoise to the wider luxury industry's hare.

To be sure, the brand's top-tier luxury positioning has made it resilient to a downturn driven, in part, by a sharp decline in aspirational spending on high-end labels amid persistent economic uncertainty. With tastefully unbranded fitted jackets and deceptively casual cashmere sweaters that retail for thousands of dollars, Brunello Cucinelli primarily caters to the 0.1 percent. It targets the kinds of consumers who buy their handbags at Hermès and have so far proved largely unfazed by this year's global financial gyrations.





But the company has also avoided some of the self-inflicted wounds that have bedevilled the wider luxury industry, including the aggressive store expansion programmes and eye-popping price hikes that kept growth rates high but left many of luxury's top names over-exposed and under scrutiny from consumers who increasingly wonder whether their goods are worth it.

Cucinelli, by contrast, "has always taken a more prudent approach when it comes to growth," said UBS Investment Bank luxury analyst Chris Huang. Even when its sales surged amid a post-pandemic luxury boom between 2021 and 2023, the company's growth guidance remained cautious as it sought to preserve its top-end luxury status.

"All along, we have planned for a growth that we like to define as gracious," said Cucinelli.

A few years ago, he recalls, a Chinese investor came through with a familiar sales pitch. Chinese shoppers were clamouring for the brand's products and now was the time to expand, the investor said. His advice was more is more: more investment, more stores and, as a result, he argued, many more sales. "I said, 'listen, I think you can go back to Shanghai right now,'" Cucinelli recalls. "There's no way we're going to change our strategy."

The company could have followed the investor's advice and enjoyed sales growth of 30 percent or so for a year or two, but after that would have come an inevitable rebalancing, Cucinelli argues. "The brand would face a slow down; the investor would move on," he said. Meanwhile, the label would have lost something fundamental to the traditional appeal of luxury goods: exclusivity.

"If you overdistribute your products, that's goodbye to exclusivity. If in the stores there is a queue outside to get in, you can rest assured that there will be no one else wanting your brand in two years' time," he said.

To be sure, this narrative is also part of Cucinelli's brand storytelling, which leans heavily into classic luxury tropes of craft and quality. There are naysayers who don't "drink the Brunello Cucinelli Koolaid," said Isabelle Harvie-Watt, co-founder of Milan-based brand and communications consultancy Anima. But there's no denying that its market positioning and brand consistency have proved a winning formula.

"The luxury industry is in a crisis because of 'greedflation,' because of too many logos, and [Brunello Cucinelli] seems to be a solid, old-school choice of quality," said Achim Berg, the founder of corporate think tank FashionSights.

'Cashmere King'

Cucinelli's rise to the top of the luxury food chain is an unlikely one.

He grew up on a farm in rural Umbria with no electricity or running water. Though his family had little money, he recalls his childhood as an arcadian idyll, filled with nature and family. But in the late 1960s, when Cucinelli was 15, he moved to Perugia, where his father started work at a factory. City life brought home comforts and access to modern appliances, like telephones, toilets and televisions, but the demeaning treatment his father received working as a small cog in an industrial machine left a deep impression that has shaped his approach to business ever since.

When he founded his cashmere label in 1978, it was on the principles of "humanistic capitalism," the idea that the pursuit of profit should be balanced against worker wellbeing and environmental sustainability. Large portions of the brand's corporate communications are spent highlighting its efforts to ensure fair and dignified working conditions at all levels and avoid "exaggerated" profits.

Cucinelli is not without critics who see his moralising as marketing. Whatever his humble beginnings, he now has a multi-billion euro fortune. Cashmere itself is a troublesome fibre from an ethical perspective, linked to a host of environmental, social and political problems.





But Cucinelli also puts his money where his mouth is. In 2018, he sold a 6 percent stake in the business, creating a €100 million (\$117 million) endowment for his philanthropic efforts. Like other luxury brands, he has used donations to art and culture to burnish his label's image, pouring millions into restoring Solomeo. The company says workers at its factory earn about 20 percent above the country's average industrial wage.

"I am a capitalist," Cucinelli shrugs. "I want to be a capitalist, but I would like to make a fair profit."

The company's positioning stands out at a time when the broader luxury industry has been confronted with a series of supply-chain scandals. Brands including Dior, Armani and Valentino have been linked to sweatshops outside of Milan. Even Cucinelli rival Loro Piana — whose reputation for craft and quality was long considered unimpeachable — was tied to subcontractors where undocumented migrant workers were allegedly paid just a few dollars an hour to make luxury jackets that retailed for thousands.

Big brands say the cases represent isolated incidents, caused by suppliers who outsourced production without their knowledge or permission. But prosecutors say the issue is systemic, accusing the industry of turning a blind eye to risks of exploitation in order to boost their business.

Cucinelli is far too discreet to throw shade at individual peers, but he doesn't hold back when it comes to his take on what's gone wrong with the industry at large. "To have huge profits we have really squeezed the supply chain... That's the truth," he said. The industry "can't really say that they didn't know. When you have your costs calculated, it's pretty easy to see this, you know. It's really evident."

While the brand works with about 400 external suppliers, it says it has a direct relationship with all of them, avoiding the risks that often come with subcontracting. Cucinelli himself knows these suppliers by name and they in turn have his phone number, said Hakan Karaosman, an associate professor at Politecnico di Milano, who has spoken with a number of the brand's manufacturing partners. That level of access is "unheard of," he said. "We would never see that with other designers." Most are located in the local area.

"When we went public, we stated clearly to all investors. If you're looking for a company that is outperforming on its profitability every year and that is pursuing profit maximisation, you know, to the detriment of its workers and supply chain, then do not buy our stock because we will never do that," Cucinelli said.

Since listing on the Milan stock exchange in 2012, the company's revenue has grown by double digits, while its net profit margin has remained around 10 percent. Its share price has risen nearly tenfold and its market value has reached close to \$8 billion.

"The investors made money," Cucinelli said. "The whole supply chain benefited, made money."

'Gracious' Growth

When I visited Solomeo late last month, the wall by its central square had just been draped with Brunello Cucinelli's fall campaign.

Most of the image is taken up with books — 60,000 to be precise — but look closely and there is Cucinelli, dressed in a beige cashmere jumper and white trousers while staring up at the wealth of knowledge around him.

The books are destined for a new library under construction in Solomeo. The ad points to a brand determined to maintain its elite "stealth wealth" vibe, even as it grows.

In fact, Cucinelli says he would prefer it if fewer people were aware of his brand than they are today, safeguarding the perception of exclusivity that sits at the heart of the label's value proposition. The company spends about 7 percent of revenue on marketing, a relatively small proportion for the industry.





Over the last few years, it's also spent significant amounts on industrial projects, expanding its in-house manufacturing capacity to support future growth.

"More and more, things need to have value," said Simon Longland, the director of buying at Harrods, a major distributor for the brand. "Brunello Cucinelli are very focused on themselves, which gives a real sense of authenticity with the brand at every touchpoint... They are 100 percent clear about who they are, and what they want to achieve, and what the client wants from them. Everything they touch is undiluted."

The brand has been a consistent strong performer for the luxury retailer, appealing across age ranges and nationalities thanks to perceptions of its timeless quality and strong value proposition, Longland said. "We've not had a year, other than 2020, where we haven't delivered growth on Brunello Cucinelli," said Longland. "If you grow that way over a decade, you can keep on growing that way; where sales double overnight, I get nervous." Harrods recently moved the brand's womenswear selection to a bigger and better space in the store. Menswear is due a similar upgrade next year.

At 71, Cucinelli shows no sign of slowing down and his outlook for the luxury industry is optimistic. The current downturn is no crisis, but simply an inevitable rebalancing after several years of excessive growth.

"Some people say, you know, there's no longer a desire for luxury. It's not true," said Cucinelli. "Customers, they are longing for luxury, but it needs to be exclusive."

As for Cucinelli, he's just going to keep doing what he's always done. "I don't want to judge others. I don't want to preach," he said. "I'm like they were in Athens. I'm going to tell you and state what I do. That's it. Then it will be up to you to decide on how you behave in life."

