New Product Development – The Benetton Group

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** This case study has been written as a basis for class discussion rather than to illustrate effective or ineffective managerial or administrative behavior.
1. Case Overview

Benetton, known for its colourful clothes, is truly a global company that had grown within 30 years (founded officially in 1965) from a small family business into a 5 bill. EUR business divided in three distinctive areas: First, the Benetton Group, with the traditional core business with the main brand United Colors of Benetton, second, Benetton SportSystem that had been integrated into the Benetton Group in 1997 and third, 21 Investimenti under the umbrella of the Benetton Edizione Holding. 69% of the Benetton Group shares were held by the Edizione Holding that was equally owned by the family founders (Luciano, his sister Giuliana, the brothers Gilberto, Carlo). The Benetton SpA, the most known part of the company, has been integrated into the Group in the mid-eighties.

The Benetton core business generated about 2 bill. EUR in 2002. The United Colors of Benetton was the original clothing business with its franchising system. The product range however has grown immensely. Today, there are around 7,000 Benetton stores in 120 countries. Not all diversification activities were successful: Benetton SportSystem that has been mainly developed through mergers and acquisitions and that had reached approximately 425 mill. EUR sales in 1998, was practically phased out. The main brands such as Nordica, Rollerblades and Prince were sold by 2004. 21 Investimenti is Benetton’s own investment group that undertakes more or less unrelated diversification projects (e.g. Benetton bought in January 1995 the company Autogrill, a highway restaurant chain in Italy). Aggregate turnover in 2002 was about 850 mill. EUR. The companies (previously) acquired through 21 Investimenti (that became subsequently stand-alones) had estimated sales of more than 4 bill. EUR.

The history of the company showed that Benetton was very proactive concerning new product and market development, and the creation of new business opportunities. However, the company’s recent steps seemed to suggest that the Benetton core business had been losing importance. New products markets might be a viable option to strengthen the core business, i.e. the Benetton Group. A key question facing the company in 2003 was: How could Benetton capitalize best on its brand name, United Colors of Benetton?

2. Luciano Benetton, the Benetton Family and the Benetton System

Spring 2003, Ponzano Veneto. From their headquarters, in a 17th century Venetian Villa, the Benetton family saw a different world than in the company’s early days. The Benetton logo has covered the world in the last thirty years like Coca Cola after the Second World War. United Colors of Benetton, the clothing brand had become one of the best known brands in the world. To keep the company growing, Benetton has engaged over the years in unrelated diversification activities such as investing in Supermarket chains, Autogrill (an Italian highway restaurant chain) and in related diversification activities such as the Benetton SportSystem. The consolidation of the Benetton SportSystem and its integration into the Benetton Group (i.e. the core business) had been accomplished in