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Day 41: life in Italy under lockdown. Rethinking luxury, post pandemic



CFlisi

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Among the things I miss most when outside walking my dog are the high-end boutique window displays. Either the windows are dark and empty, shuttered (if the store has failed, which is sadly not infrequent), or time-warped with mannequins and clothing of two months ago.

I never looked at those windows because I wanted to BUY something. (Since my office is at home and neither my dog nor my husband pays much attention to what I wear, cutting-edge fashion is not a high priority. Plus, duh, budgetary constraints). Instead, I savored those displays for their color and energy; they reminded me of why so many visitors fall in love with this country: *la moda italiana* is the quintessence of Made in Italy.

What will happen to fashion in the months ahead? What will be the market for all the other high-end products that define Made in Italy to the world — the cars, shoes, yachts, furs, furniture, wines, jewelry that I can't afford but love to see on display . . . because they influence the products I CAN afford and improve the general level of quality for all consumers?

Matteo Lunelli thinks that luxury goods will by and large come out of this crisis better than ever. He speaks not only for his family business, Ferrari Lunelli S.p.A. (makers of sparkling wine), but also for the luxury goods industry in general, as he is president of Altagamma, a foundation whose members include 107 top-of-the-line companies in a variety of sectors, from Alfa Romeo (autos) to Zegna (clothing), from Benetti (yachts) to Boffi (kitchens).

He admits that the luxury goods segment of the market has been hit hard by Italy's lockdown. Management consulting firm Bain & Company predicts a 25 percent drop in revenues for luxury goods in 2020, and this segment represents almost seven percent of Italian GDP, with over 400,000 employees. Altagamma and other industry associations have asked the government for assistance during this period, mainly for the small and micro-businesses that constitute their supply chains. The makers of buttons and door handles, the growers of grapes and vegetables need liquidity and tax deferments now, and probably other support for the near future.

But that doesn't dampen Lunelli's long-term optimism. He expects that the luxury market will change as a result of the pandemic, but in positive ways, reflecting trends already in motion.

First and most immediate, luxury will turn even more to *digital* for communications with its consumers, for press contacts, for events. "Today our consumers in quarantine express conviviality through zoom parties and on social media. This desire will be even stronger when the crisis is over. So we must create a positive online social experience for our products," reports Lunelli.

At the same time, he cautions, customers want to feel part of a brand that conducts itself in an ethical manner. They will be more inclined than ever to judge a company on its *social responsibility* — how it acts in relation to its customers, its

employees, its environment, the contributions it can make to its community. “This was already a trend we observed in the luxury sector before the crisis, and it will be even more emphatic in its wake,” he affirms.

He also sees the consumer being more attentive to the value of what is being bought — its *intrinsic value*. This bodes well for Altagamma products because they are largely handmade, with Italian artisanship. They may cost more, but the consumer perceives their inherent value.

For the near future, the luxury market will be influenced by *China*. It was already responsible for 90 percent of luxury’s growth last year, and will be more so in the near term because China seems to be the first to recover from the corona crisis. Right now, Lunelli sees a pattern of “revenge buying” in the early stages of Chinese recovery. “Customers may be buying less overall but they are buying more in specific retail outlets than ever before.”

Sustainability will be a major theme for Altagamma members, encompassing both environmental and economic sustainability. Each Altagamma company has its own sustainability program, but the foundation is helping them by:

- encouraging an exchange of best practices. “We are finding this especially useful with companies in different sectors,” Lunelli enthuses. “There is cross-pollination when, say, our fashion and food members exchange ideas.”

- compiling and communicating sustainability reports so Altagamma can show the rest of Italian industry what its members are doing.
- conducting research and holding conferences on sustainability issues.
- involving the small companies that are part of Altagamma members' supply chains. According to Lunelli, some small and medium companies in Italy have excellent sustainability projects but lack the marketing reach to let others know what they are doing. Altagamma as a group can help them instruct others, and learn from them at the same time.

The longer-term impact on the luxury industry will depend on how long the current crisis will last. "In this second quarter, we are facing the biggest drop in the economy since the end of World War II. It is without precedent," notes Lunelli. "Obviously purchasing power is affected. The luxury market is often the first to be affected by a downturn, but it is usually the first to recover."

His optimism is buoyed by the cohesion he sees in this crisis, as Altagamma works together with other industry associations and with the government. "We all feel part of a collective destiny."

The luxury goods most likely to rebound first are fashion and personal goods. Last in line for recovery are hospitality (hotels,

restaurants, travel). It's easier to buy a suit than to plan a trip abroad, observes the president of Altagamma. On the other hand, someone in quarantine may be salivating for future travel rather than for a fur coat.

Me, I am not about to lay some plastic on any of the above. But I sure would like to see something new and pretty in the window.

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