



# Ermenegildo Zegna Group

## Sustainable Innovation in Luxury Retail Strategy

## **About This Report**

The Sustainable Innovation in Luxury Retail Strategy report delves into the pivotal shift towards sustainability and innovation within the luxury goods sector. By prioritizing these elements, luxury brands can secure their competitiveness and long-term viability in a rapidly evolving business landscape. This report explores key strategies and insights to help luxury retailers navigate this transformation successfully.

## **State of the Market**

The luxury goods sector is undergoing a profound transformation marked by key trends that signal a shift towards sustainability and innovation. These trends include a heightened emphasis on transparency, circular economy practices, nature conservation efforts, sustainable materials adoption, collaboration and community engagement, as well as the integration of green technology and innovation. By embracing these trends, luxury brands can meet the demands of environmentally conscious consumers and pave the way for a more sustainable future in the industry.

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*The Luxury Goods sector's future is marked by a strong turn towards sustainability and innovation with transparency, circular economy principles, nature conservation, sustainable materials use, collaboration, and green technology leading this transformation. Brands will cater to environmentally conscious consumers, steering the industry towards a sustainable trajectory. Looking ahead to 2029, Ermenegildo Zegna Group will embody this shift, achieving the objective of prioritizing sustainability while staying competitive. Embracing transparency, recycling, and upcycling initiatives, while integrating green technology, Zegna Group will stand out as a champion of sustainable practices that appeal to eco-aware consumers and ensure long-term success.*

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## **Market Landscape**

### **Opportunity Spaces in Other**

- Changing definitions of luxury goods
- Ethical supply chains
- Embracing circular economy principles
- Protecting and preserving nature
- Investigating sustainable materials
- Working together with communities
- Incorporating green technology and innovation

### **Drivers of Change**

- Technology Advancements:
  - Artificial Intelligence and Machine Learning
  - Virtual and Augmented Reality
  - Internet of Things (IoT)
  - Blockchain Technology
  - 5G Technology
  - Smart Home Devices
  - E-commerce and Online Shopping
  - Cybersecurity and Data Privacy
- Environmental Conservation:
  - Sustainability and Green Technology
  - Nature Conservation and Restoration
  - Sustainable Materials and Alternatives
  - Green Technology and Innov

## **Ermenegildo Zegna Group**

### **Opportunities**

#### **Opportunity Areas for Ermenegildo Zegna Group**

- Sustainability and innovation
- Transparent supply chains and traceability
- Circular economy practices
- Nature conservation
- Sustainable materials
- Collaboration and community engagement
- Green technology and innovation
- Integration in manufacturing processes

#### **Marketing Ideas**

- Advertising to Key Influencers
- Engaging and Immersive Social Media Experiences
- Empowering Sustainable Communities

#### **Product Ideas**

- Sustainable Luxury Clothing Line
- Diverse Collaboration Collections
- Virtual Reality Fashion Show Experience

# COMPANY ANALYSIS

Ermenegildo Zegna Group



# Ermenegildo Zegna Group

### Rewritten Analysis:

At the heart of the Italian luxury goods industry is Ermenegildo Zegna Group, which recently revamped its menswear brand with the amalgamation of three sub-brands under a single, modern Zegna-branded umbrella. This rebranding strategy included a collaboration with the streetwear label, Fear of God, a move which expanded Zegna's horizon from bespoke suits to luxury leisurewear. This diversification strategy squarely targets a younger audience and it paid off with the company reporting a robust 16% increase in sales for 2022, amounting to €1.5 billion (\$1.6 billion).

In a world increasingly focused on sustainability, Ermenegildo Zegna Group aligns perfectly with this global trend by emphasizing eco-friendly processes in their business operations, enhancing their market position and driving sales growth. In the digital era, Zegna understands the power of online platforms, leveraging them for brand identity and to foster strong customer relations, rightly displaying their forward-thinking approach.

Zegna's business strategy demonstrates a focus on expanding and penetrating upscale American markets in a bid to tap into the increase in demand for luxury goods. The company has left no stone unturned, undertaking bespoke events and various outreach methods to enhance customer relationships and solidify its influence in the American luxury market.

At its core, Ermenegildo Zegna Group operates on a blend of market expansion, customer engagement, innovative and sustainable practices, intertwined with strategic growth initiatives. This blend epitomizes their journey to success. The group strikes a perfect balance between innovation and traditional strategies, guided by strategic foresight in managing unpredictable market conditions. Zegna's commitment to sustainability and digital engagement ensures it remains at the forefront of the ever-evolving consumer preferences in the luxury goods market.

*"We prioritized sustainability and innovation amidst challenges, leading to strong growth and nearly EUR2 billion in revenue." – Gildo Zegna, Chairman & CEO, Ermenegildo Zegna Group*

Sector: Luxury Goods

Competitors: Burberry, Gucci, Prada, Dolce & Gabbana, Versace, Armani



# Ticker: ZGN

Ermenegildo Zegna Group, in its 2nd Fiscal Quarter of 2023 (ended on June 30, 2023), realised significant financial growth. The company's primary operation sales income surged by 23.88% year-over-year, reaching 451.53 million EUR. Operational expenses increased parallelly by 23.44%, amounting to 229.17 million EUR. Net earnings, after accounting for operating costs, taxes and interest, experienced a dramatic increase of 227.45%, totaling 22.98 million EUR. Meanwhile, the EBITDA showed a dip by 8.76%, amounting to 75.60 million EUR.

On the balance sheet, the company held short-term investments and cash of 369.10 million EUR, indicating a 44.80% decrease from the previous year. Total assets experienced an uptick of 8.14%, valued at 2.67 billion EUR. Company debts slightly increased by 3.67%, amounting to 1.86 billion EUR.

Key cash flow figures reveal a noteworthy 227.45% increase in net earnings, reaching 22.98 million EUR. Net cash from core business activities experienced a remarkable 279.15% surge, totaling 53.79 million EUR. Net cash used in investing activities rose by 515.98%, reaching 30.48 million EUR. Conversely, net cash used in financing activities, including loans and dividend payments, showed a decrease by 22.54%, totaling -82.76 million EUR. The cash balance throughout this fiscal period experienced a 100.64% increase, totalling 359,500 EUR. Note: All figures are represented in EUR.

### Leadership

Ermenegildo Zegna

# FUTURE SCENARIOS

Recommendations for  
Ermenegildo Zegna Group



# Luxury Goods

In the forthcoming years, a paradigm shift will redefine the luxury goods sector, underpinned by sustainability and innovation.

Harnessing transparency and traceability, luxury brands will illuminate every stage of their supply chains, offering discerning consumers the means to understand the environmental implications tied to their purchases. This maximal transparency will fortify consumer trust and brand devotion, particularly among the environmentally conscious spenders.

A discernible pivot towards a circular economy will hallmark the industry's evolution. This will be evidenced by luxury brands instigating waste reduction via optimised strategies across their product life cycles. Innovative recycling and upcycling practices will be commonplace, giving way to uniquely luxurious and eco-friendly product offerings.

Highlighting the rising prominence of nature conservation and restoration, luxury brands will capitalise on technological and financial frameworks designed to bolster conservation. This alignment with environmental preservation will yield twofold benefits – it will draw the attention of eco-conscious customers and foster a healthier planet.

In their pursuit of innovative sustainable materials, luxury brands will explore alternatives, such as plant-based textiles and vegan leather. These eco-friendly options, though cruelty-free, will not compromise on the alluring appeal luxury consumers seek. Ensuring that beauty doesn't come at the cost of sustainability will become a crucial value proposition for these brands.

The luxury sector's future will also underscore the power of collaboration and community engagement. In line with this, brands will foster an eco-system of shared, sustainable growth, anchored by partners from across the supply chain, including suppliers, manufacturers, and local communities.

Next, green technology and innovation will permeate all operational aspects of luxury brands. Groundbreaking advancements in sustainable manufacturing processes and novel eco-materials will be instrumental in driving sustainability progress. Green will not just be a colour of choice for products, but also an essential trait defining development and delivery processes.

In conclusion, the forthcoming era of luxury goods will be typified by an unwavering dedication to sustainability and innovation. These brands will pivot around themes of transparency, a circular economic model, nature conservation, sustainable materials, collaboration, and green-tech integration. By assimilating these guiding principles, luxury brands will not only cater to the shifting preferences of environment-aware consumers but also curve a more sustainable pathway for the broader industry.

# Ermenegildo Zegna Group

By 2029, the Ermenegildo Zegna Group envisions itself as a trailblazer in sustainable luxury, driving transformative change in the high-end fashion industry. Being at the forefront of the intersection between sustainability and luxury, the company will continue to blend Italian craftsmanship with environmental responsibility. Every product line will be an embodiment of Zegna's deep commitment to preserving Earth's resources, with circular economy practices embedded in all our operations – from supply chain to product design.

Our collaborations and partnerships will relentlessly push boundaries, bolstering our contributions to both social and environmental causes. As a visionary brand, we will set new standards for sustainability, becoming a beacon for other luxury brands and an example of how to seamlessly integrate sustainability into the core of business operations.

While engaging with the community and fostering diversity will remain important, so will the idea of inclusivity extend to our customer experiences. They will be tailor-made to adapt to the parameters of the new age, investing in experiential marketing with a deep emphasis on sensory inclusivity.

Our innovative use of technology and AI, aimed to reduce carbon emissions, will help us meet our future sustainability targets. At the same time, advancements in green technology will allow us to offer the next-generation consumer an array of sustainable, yet luxurious choices.

Our successful foray into the upscale American market will continue to grow, capturing new hearts with our iconic collections that seamlessly amalgamate responsible practices with high-end design. Comprehensive digital and personalized platforms will deliver unprecedented value and foster relationships with our ever-growing community of environmentally conscious consumers.

In essence, we see the Ermenegildo Zegna Group of 2029 as being synonymous with sustainable luxury, leading the charge in realizing a future where environmental commitment and exceptional quality coalesce, shaping a more inclusive and green future for luxury fashion.



# Ermenegildo Zegna

## Marketing ideas

**Advertising to Key Influencers:** Develop targeted advertising campaigns that feature influential individuals and organizations within the sustainability and fashion space. Showcasing these partnerships will amplify the brand's commitment to sustainability, establishing Ermenegildo Zegna Group as a key player in driving transformative change in the industry and appealing to socially-conscious consumers.

**Engaging and Immersive Social Media Experiences:** Use social media platforms to create interactive and immersive experiences that educate and engage consumers on Zegna's sustainability initiatives and products. Collaborate with content creators and influencers to develop engaging storytelling campaigns that showcase the brand's commitment to preserving Earth's resources and offer a behind-the-scenes look at their circular economy practices.

**Empowering Sustainable Communities:** Foster strong alliances with sustainability-focused communities and organizations. This could involve partnering with environmental nonprofits, supporting education and development programs that prioritize sustainable practices, and engaging in initiatives that elevate the sustainable fashion conversation through targeted events, talks, and workshops. By supporting these communities, Ermenegildo Zegna Group positions itself as a genuine advocate for environmental responsibility and a catalyst for transformative change within the luxury fashion industry.

## Product ideas

**1. Sustainable Luxury Clothing Line:** In line with our future vision, we will introduce a new line of sustainable luxury clothing, made from organic and recycled materials. These pieces will be created using circular economy practices and with a low carbon footprint. The line will showcase our commitment to environmental responsibility while still maintaining our signature Italian craftsmanship and design. This collection will not only attract environmentally conscious consumers but also set new benchmarks for sustainable luxury in the fashion industry.

**2. Diverse Collaboration Collections:** We will continue to pioneer collaborations and partnerships with organizations and designers that share our values of sustainability and inclusivity. These collections will not only showcase unique designs but also promote social and environmental causes, raising awareness and funding for important issues. With each collaboration, we will push the boundaries of what is possible in sustainable fashion and inspire other luxury brands to follow suit.

**3. Virtual Reality Fashion Show Experience:** As a leader in embracing technology for the benefit of the environment, we will introduce a virtual reality fashion show experience for our customers. This will not only reduce carbon emissions from travel but also make our fashion shows more inclusive for those who are unable to attend in person. Through this innovative and immersive experience, customers will be able to see our collections up close and personal, and also learn about our sustainable practices and initiatives.



# Ermenegildo Zegna Group

1. Research and develop eco-friendly fabric alternatives that maintain the luxury and quality standards of the brand.
2. Create partnerships and collaborations with sustainable influencers, brands, and organizations to leverage collective impact and further drive innovation in sustainable luxury fashion.
3. Evaluate and optimize the supply chain to ensure traceability, transparency, and adherence to circular economy principles.
4. Implement sustainability-focused marketing campaigns to effectively communicate the brand's commitment to responsible practices and attract eco-conscious consumers.
5. Establish a dedicated research and development team to explore cutting-edge green technologies and applications within the fashion industry, striving for carbon-neutral or carbon-negative production.
6. Develop a stronger focus on experiential marketing techniques, creating immersive sensory retail experiences that highlight the brand's inclusivity and commitment to exceptional customer experience.
7. Increase investments in product customization and personalization technologies to ensure tailored offerings that meet the diverse needs and preferences of the next-generation luxury consumers.
8. Pioneer the adoption of artificial intelligence and machine learning in product design, manufacturing efficiency, and inventory management to minimize waste and optimize resource utilization.
9. Engage in educational initiatives aimed at promoting sustainable practices within the fashion industry, sharing the expertise and lessons learned from Zegna's own sustainability journey.
10. Continuously monitor industry forecasts, evaluate emerging sustainable fashion trends, and engage in proactive market research to anticipate and shape future consumer demands.

*RoadMap is a list of jobs-to-be-done for the Ermenegildo Zegna Group team to achieve the Vision based on this objective: Prioritize sustainability and innovation to remain competitive and ensure long-term viability in the dynamic business environment.*

# INDUSTRY ANALYSIS

Other / Luxury Goods

# Other

## Industry Overview

This in-depth review uncovers how each enterprise forges its unique path, carved by major sector-specific strategies and industry insights. Ermenegildo Zegna Group places stake in sustainable operations without trailing off from distinct branding elements. Meanwhile, Forza X1 ingrains an approach that balances reasonable pricing with environmental stewardship within the electric boat industry. In contrast, FreightCar America successfully rides the wave with operational efficiency at the steering wheel, undeterred by the niche client needs within the bustling railcar sector. The crux of this elaborate analysis presents a kaleidoscope of inspiring performances, forthcoming endeavors, and the testing waters these industry heavyweights glide through. It gives readers a peek into the intricate weave of individual approach catered to evolving industry dynamics, offering intuitive understanding of what moves the success needle within diversely unique sectors.

*"I understand the optics were not great. But for those of you that know me, you also know that I strongly believe in change brings opportunity." – Joseph Visconti, CEO, Forza X1*

Ikea's creative agency Mother launched a fictional premium brand to showcase Ikea's kitchen furnishings, featuring elements of humor and satire. This unique campaign demonstrates the potential for creativity and innovation in brand advertising.



# Luxury Goods

## **Sector Overview**

The luxury goods sector refers to a market that offers high-quality, prestigious and exclusive products or services that are not essential for daily living. These goods are typically associated with luxury, elegance, and superior craftsmanship. The sector encompasses various industries, including fashion, beauty, accessories, jewelry, watches, automobiles, yachts, travel, and hospitality.

Luxury goods are often positioned as a status symbol, representing wealth, sophistication, and social status. Consumers of luxury goods are typically affluent individuals who can afford to indulge in these high-end products or experiences. These products are known for their exclusivity, limited availability, and meticulous attention to detail.

The luxury goods sector operates through various distribution channels, including luxury branded stores, department stores, online platforms, and specialty boutiques. Additionally, luxury brands often engage in strategic partnerships and collaborations with celebrities and influencers to enhance their brand image and reach a wider audience.

The sector is driven by factors such as increasing disposable income, growing consumer preferences for premium products, global tourism trends, brand recognition, and evolving consumer tastes. However, the luxury goods industry is also susceptible to economic fluctuations, changing consumer behavior, and competitive pressures.

Overall, the luxury goods sector is known for its aspirational nature and its ability to cater to a niche market of affluent consumers seeking exclusive and high-quality products that reflect their personal style and social status.

# MARKET TRENDS

/ Sustainability /  
Innovation

# Sustainability Trends

Based on our analysis of sustainability trends, we have identified several overarching themes for businesses to consider. These themes reflect the current landscape and provide strategic insights for achieving sustainability goals:

1. Supply Chain Transparency and Circular Economy: Promoting transparency in supply chains and transitioning to a circular economy are key themes. Businesses are focused on traceability, minimizing waste, and promoting resource reuse and recycling.
1. Nature Conservation and Sustainable Materials: Recognizing the importance of nature conservation, businesses are embracing sustainable materials and alternatives. This includes innovative solutions for creating eco-friendly and durable products.
1. Collaboration and Community Engagement: Collaboration and community support are vital themes for sustainability. Businesses are engaging in partnerships and initiatives to drive positive social and environmental impacts.
1. Green Technology and Innovation: Advancements in green technology and innovation play a crucial role in sustainability efforts. Businesses are leveraging these tools to develop eco-friendly alternatives and reduce carbon emissions.

These higher-level themes emphasize the importance of transparency, circularity, conservation, collaboration, and technological advancement in achieving sustainability goals. By aligning their strategies with these themes, businesses can make a positive impact on the environment, society, and their own competitiveness.

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*"This year we want to cut more prices than ever before to give our customers access to the healthiest products. At Aldi we are committed to making healthy and varied food affordable for everyone." – Julie Ashfield, Managing Director of Buying at Aldi*

# Innovation Trends

Prominent trends in creativity, experience, and innovation can be grouped into several higher-level themes. The first theme revolves around creating inclusive experiences through sensory inclusivity and promoting diversity in art and design. The second theme highlights the importance of experiential marketing and unique consumer engagement, while the third theme focuses on seamlessly blending urban and outdoor elements in retail and design. The fourth theme explores the innovative integration of AI and technology, while the fifth theme emphasizes sustainability and eco-design practices. These higher-level themes capture the broader shifts in creativity, experience, and innovation, reflecting the industry's commitment to inclusivity, immersive marketing, harmonious environments, tech integration, and sustainable practices. Business leaders can leverage these themes to enhance customer experiences, drive innovation, and contribute to a more sustainable and inclusive future.

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# Ermenegildo Zegna Group

## Sustainable Innovation in Luxury Retail Strategy

# APPENDIX

# **PSFK REPORTS**

These reports provide members of our **PSFK IQ** service a level of insights for every major industry and at each stage of the customer journey. They are produced by our researchers using a mix of AI-research tools and bespoke proprietary databases.

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