



'King of Cashmere': Brunello Cucinelli owns the 14th-century Umbrian village of Solomeo where his sportswear business is located

Alessia Perdomo

A philosophy that fits snugly

Monday interview

Brunello Cucinelli
Founder and CEO, Brunello Cucinelli

The Italian believes his beneficent feudalism is the best way forward for luxury businesses, writes Rachel Sanderson

It is 42 degrees centigrade outside and Brunello Cucinelli, Italy's self-styled "King of Cashmere", has just run up the stairs to his office in the Umbrian hills. He is having a busy day.

First he went to see the mayor of nearby Perugia to talk about donating €1m (\$1.4m) to restore an Etruscan archway in the city. He then paid a visit to a local football team to give a pep talk before a game. Later he will throw a party in Solomeo, the 14th-century hilltop village he owns, where he and his employees live and work and which he has rebuilt, including its castle and amphitheatre.

"As Emperor Hadrian said: I feel responsible for the beauty of the world," Mr Cucinelli offers by way of explanation, rolling up the sleeves of his shirt - his own design - as he paces his all-white office looking for an air conditioner. "Or to quote Dostoyevsky," he reconsiders, "beauty will save the world."

In the realms of Italian entrepreneurship and luxury goods, Mr Cucinelli holds a special place. At 57, with sandy-coloured hair and a bouncy, athletic gait honed through daily yoga and football with friends, he has built a cashmere sportswear business with 55 stores on five continents and an annual turnover this year of €250m.

His own-name brand, sold in resorts such as Capri and Saint Tropez, is a favourite of investment bankers and C-suite managers who can afford the four-figure price tags on its cashmere sweaters and leather jackets.

That niche market has proved resilient to the economic turbulence. Annual revenues are forecast to be up 20 per cent this year, following a 30 per cent rise last year. Next spring

Mr Cucinelli wants to list a third of the business on the stock exchange in Milan.

The brand started in the Umbrian hills when Mr Cucinelli, the son of a rural labourer, decided to drop out of engineering school 30 years ago. He got a loan from his local bank to try his hand dyeing cashmere sweaters - for which Umbria was already well known - a bright rainbow of colours.

Since then he has built his business on a beneficent feudalism born of a self-taught interest in philosophy. He calls it "humanist capitalism" and believes unbendingly that it is "the only way" forward for modern businesses "as consumers want to know, or will want to know, that their goods are made humanely".

To elaborate, Mr Cucinelli pulls out a piece of paper as he sits down at his white desk in his all-white office in the highest tower of Solomeo. To his right on the wall are portraits of European philosophers, Umbrian mystics and Barack Obama, the US president. On the bookshelves are the writings of Aristotle and Descartes. He starts to draw lines fanning outwards. "First, it is important to make a profit because there is nothing wrong with that and that is the purpose of a business. Secondly, to take some of that profit for myself and my family, because there is nothing wrong with making Brunello rich.

"Thirdly, the profit must go to the workers to give their work dignity and lastly, profit must also go towards the local community, whether that may be a hospital, a theatre, a monastery." Mr Cucinelli looks up and grins, something he does a lot.

The evidence of Mr Cucinelli's belief can be seen all around in the hilltop village, bits of which he started buying 20 years ago when it was rundown and deserted to set about making it his headquarters.

His employees, who include most of the 500 inhabitants of the sun-kissed maze of streets, as well as families in nearby villages, earn higher than average wages. They do not clock in and out. Work ends promptly at 6pm. Lunch is three courses daily for €2.80 - including wine and olive oil from Mr Cucinelli's groves - cooked by those workers who are not

The CV

- Born: Castel Rigone, Umbria, 1953
- Education: Qualified surveyor; three years of an engineering degree in Perugia. Quit before graduating to become an entrepreneur.
- Holder of an honorary doctorate in Philosophy and Ethics from the University of Perugia
- Career: 1978 Starts business from novel idea of dyeing cashmere bright colours
- 1987 Solomeo becomes company headquarters
- 1996 Opens first store in the Sardinian resort town of Porto Cervo, followed soon afterwards by a second store on Capri
- 2002 Opens first store outside Italy in Saint Tropez, France
- 2006 Opens first US store on New York's Bleeker Street
- 2008 Completes restoration of Solomeo, including amphitheatre
- 2010 Receives Cavaliere del Lavoro award, Italy's top recognition, from the president of Italy
- Interests: Philosophy, Tibetan yoga, football

in the workrooms using magnifying glasses to sew buttons or stitch on lapels.

At Solomeo's centre, Mr Cucinelli lives in the main Villa Antinori, having precisely restored this and Solomeo's housing, shops and workrooms. Mr Cucinelli says he likes to think of it as a "principato illuminato", a phrase more typically used to describe a golden age of imperial Rome.

But just as was the case with industrial philanthropists in Victorian England, there is a business rationale. Mr Cucinelli realised earlier than many of his peers in the luxury goods industry that in order to continue to command stellar prices they would have to be rooted in artisanship. And artisanship needs artisans.

"In order for people to want to stay and work with me and build their skills, they have to be offered something more," Mr Cucinelli says. He also believes strongly that companies will be forced by their consumers and employees to be humane, and that pressure starts from the very rich who can most easily afford it.

"If you buy a sweater for €1,000 and you know that the funds you are paying are also going to help to build a hospital and a school, wouldn't you think better about it? If I know a product is made well I will buy. I don't want to buy something that has harmed anyone, this is my absolutely strongest belief, and I believe other people think this too. Or if they don't now, they will."

How many other people support his theory will in part be tested when Mr Cucinelli lists his business. "I want to list, I think that is the best way forward," Mr Cucinelli says. "I think businesses live longer that are on the stock market."

But will Solomeo's beneficent feudalism stand up to the rigours of quarterly reporting? Mr Cucinelli points out that selling luxury goods is also about selling a way of life.

He recounts an episode a few weeks earlier when a group of Chinese executives and their families came to visit Solomeo.

"They wanted to buy up everything," he says. "Not just the clothes - the theatre, the dining rooms, even the olive trees."

'For people to want to stay and work with me and build their skills, they have to be offered something more'



Cucinelli in stake listing to fund growth

GENERAL RETAILERS

By Rachel Sanderson
in Milan

Brunello Cucinelli, an Italian luxury cashmere retailer, has appointed bankers to list a third of the company on the Milan stock exchange early next year.

It is the latest move among Italy's privately owned luxury goods companies to seek extra funding to expand into Asia.

The company, which is based in a hilltop hamlet in Umbria, sells cashmere sweaters and leather jackets for upwards of €1,000 (\$1,420), mostly in Europe and North America, and has emerged as a leader in the luxury niche in the past

decade. The move by Mr Cucinelli follows the successful listing of Italian luxury goods companies Prada and Salvatore Ferragamo on the stock exchange this year and the sale of Moncler, a maker of pricey sportswear, to private equity as they raise funds to reach consumers in China and South America.

Brunello Cucinelli, who has masterminded the expansion of his eponymous company over the past three decades, said he wanted to list "around a third" of the business in order to raise funds to expand into Asia, Brazil and into perfumes and watches.

The business is almost equally split geographically

between Italy, the rest of Europe and North America. China accounts for just 2 per cent of sales.

Mediobanca and Bank of America Merrill Lynch have been appointed to handle the listing of as much as 35 per cent of the company, together with a small capital increase.

Cucinelli made a turnover of €200m in 2010, a yearly increase of 28 per cent. That is forecast to rise around 20 per cent this year to €245m, Mr Cucinelli, told the Financial Times. Pre-tax profit is expected to rise to €30m, up 65 per cent, a sign of the resilience of the spending of the wealthy even amid a pullback in consumer spending. In Italy, as opposed to France,

Europe's other fashion hub, many luxury goods companies including well-known names Armani, Dolce & Gabbana and Versace, have remained in private hands. Bankers say the pressure of requiring funds to expand, together with generational change is forcing them to consider sales.

Mr Cucinelli, 57, said he wanted to list because "I think the stock market helps companies to live longer".

Italy's stock exchange, Borsa Italiana, is also promoting itself as a destination for luxury goods as it is one of the largest untapped sectors in the Italian economy.

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