Italian firm looks to leave rivals in shade

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A researcher at a Luxottica production center in Dongguan, Guangdong province. Photos provided to China Daily

Andrea Guerra, CEO of Luxottica, says China is fertile territory for creativity and research.
Well-oiled production and marketing machine produces spectacular results for eyewear company

China is playing a big role in the business plan of Luxottica, an Italian company that is a world leader in the design, production and distribution of sports and luxury eyewear brands such as Oakley and Vogue.

The company has four primary production and design hubs in China, which it sees as playing a key role this decade and for years to come.

Company officials say China not only meets their manufacturing needs but can also provide services such as high quality research and development.

"The four production centers are all based around Dongguan, in Guangdong province: two large plants and two smaller ones, for our lenses, frames and R&D," says Andrea Guerra, CEO of Luxottica. "China today offers a highly fertile terrain for creativity and research.

"In China, our company also has a large distribution center and a service center which plays an important role in support, while our headquarters is in Shanghai, which oversees brand and retail management."

The company, which employs 73,400 people worldwide, was founded in 1961 by Leonardo Del Vecchio, a Milanese engraver, in Agordo, a town in the foothills of the Dolomites.

The company has a strong portfolio, controlling about 40 high-profile brands. Since the 1990s, major fashion houses have turned to Luxottica to design, create and market their own eyewear. These brands include Bulgari, Chanel, Dolce&Gabbana, Giorgio Armani, Prada, Paul Smith, Stella McCartney and Versace.

Luxottica's proprietary brands include Ray-Ban, Oakley, Vogue Eyewear, Persol and Oliver Peoples.

Globally, the retail division reported net sales of 4.3 billion euros last year and 77.3 million pairs of glasses were produced.

The Luxottica Group had global revenues of 7.3 billion euros last year, 56 percent from North America, 20 percent from Europe, 13 percent from the Asia-Pacific region, and 11 percent from the rest of the world.

Guerra discussed the company's trajectory at Luxottica's Milan headquarters. The walls of his office are covered with photographs of classic and contemporary stars wearing glasses.

"Our business in China began back in 1998 through subsidiary Tristar Optical Co," he says.

"Initially, like many other companies, we entered the huge Chinese market with the aim of producing low-cost products. Nevertheless, we realized that, even nine years ago, China was becoming an ideal terrain for higher quality products, given its superior technology and excellent HR resources, in particular in engineering."

"When we began to understand how the Chinese market really worked, 10 years ago, we started to introduce our brands, strengthening our ties with Chinese consumers."

The company, which is present in 130 countries and is listed on the New York and the Milan stock exchanges, decided to become more deeply invested in China.
"Luxottica was the first Italian company to have a wholly-owned facility in China and the first to enter the retail market in 2006, five years after China had become a member of World Trade Organization in 2001," Guerra says. "At that time, we decided to enter the Chinese market as retailers."

Guerra says that the firm wanted to adapt its business model to the huge country. "In time, we have built an efficient and well-structured organization to support production, logistics, wholesale and a retail network."

"So today we are on the way of spectacular growth. In the Chinese mainland and Hong Kong, in 2013, our retail division reported a strong performance. Last year alone, store sales increased at a double-digit rate, an amazing 50 percent. We are really happy with these results."

Luxottica's production system is spread over three countries: China, Italy and the United States.

Del Vecchio, the company founder, was fond of saying the company's strategy was to take an open approach to exploring the resources, aptitudes and values of the countries in which it operates to create a harmonious business environment for everyone.

"Today, I can confirm that our Chinese production plants, together with our Italian ones, are the nerve centers of our business the world No 1 in research, automation, materials and craftsmanship," Guerra says.

Luxottica benefits from using a strong executive team of 60 Chinese personnel, including designers and engineers. "Extremely creative, they are working for us in our style and design department in Dongguan," Guerra says. "I believe that our collaboration with our Chinese team will bring spectacular results over the next five to 10 years."

Luxottica has more than 7,000 optical retail stores in North America, China, Thailand, India, Europe, Latin America and South Africa.

In China, the company retails through LensCrafters stores. In 2006, it started to expand those stores through a re-branding operation. It has 300 points of sale, largely through the acquisition of three Chinese chains in Beijing, Shanghai, Guangdong and Hong Kong.

Luxottica has decided to give its presence in China a higher profile by opening a new showroom in Beijing, with the aim of creating a space to meet its target clientele, and to allow media and visitors to familiarize themselves with its collections.

Plans call for the Beijing showroom to be inaugurated on June 18. Guerra confirmed that Luxottica plans to increase its presence in the huge, competitive Chinese market by expanding its sales network. "We work to open more than 50 LensCrafters stores in the current year and we are planning to expand into new cities and to also seize e-commerce opportunities."

The company has chosen actress and dancer Liu Shishi for the launch of its Vogue Eyewear collection, which has been designed and made in China. A gala event is set for July 23 in Shanghai. This new Vogue collection reflects Luxottica's localized design, called the "Asian fitting".

"Many of Luxottica's brands have been tailored so that their frames have been adapted specifically for Asian wearers to ensure optimal fit, comfort and original style," Guerra says. "These adjustments are made at Luxottica Group's design studios in China."
Asked whether the company is collaborating with a Chinese fashion designer on a new brand of glasses, Guerra says: "We have always been open to new ideas. Openness characterizes our company's philosophy."

Guerra also says that Luxottica is always ready to hire a "talented person" every time and everywhere.

"We have always been on the lookout for new talent to bring to our company," he says. In China, the company generally selects staff through design schools as well as academic and engineering faculties.

The company will produce frames for Google's new Internet-connected eyewear, "Google Glass", a project that will involve staff in China. The push to market will be next year. The company forecasts the Google partnership will grow at between 5 percent and 10 percent.

"At first, our Google Glass will only be sold exclusively in the US, but in terms of the development of the products, our creative teams in China, Italy and the US will be also involved," Guerra says.

The two major proprietary brands of the group, Ray-Ban and Oakley, will be part of the Glass collaboration, though details about the new products will be disclosed later, he said. In addition, the Italian company has just signed an exclusive licensing agreement with Michael Kors Holdings Ltd for its collection of glasses and sunglasses, which will be launched at the beginning of next year.

Luxottica's main competitors are Safilo Group and Marcolin Group. Smaller competitors include De Rigo, Charmant and Marchon Eyewear.

The Italian Safilo and Marcolin companies are both located in the glasses-manufacturing district of Belluno, in the Veneto region. Safilo also has a production center in Suzhou, in China's Jiangsu province. Dior, Gucci, Bottega Veneta, Jimmy Choo and Hugo Boss are its most important licensed brands. Marcolin Eyewear, whose Asian headquarters is in Hong Kong, has recently signed an exclusive licensing agreement with the Ermenegildo Zegna brand for worldwide production and distribution.