

# **HIGH ROAD TO WORK ORGANISATION CASE STUDY**

**The Basicnet Group  
(Turin, Italy)**



**Alessandra Pistani & Matteo Boemi**

**Nomisma**

**December 2001**

## **Abstract**

BasicNet is a sportswear and casual clothing company located in Turin, in the Piedmont Region of Northwestern Italy. The company owns two well-known Italian sportswear brands, *Kappa* and *Robe di Kappa*. This case study focuses on the company's implementation of an innovative new business model based on web and Internet-driven technologies.

## Hi-Res Case Study: The BasicNet Group

### Sector

Nace Code , sportswear and casual clothing company

### Key Words

Internet-based business to business and business to consumer network model; digital nervous system; fully web integrated company.

### Table of Contents

Abstract	
Keywords	
Sector	
<b>1. Background Information</b>	<b>1</b>
<b>2 Drivers for change</b>	<b>1</b>
<b>3 Characteristics and Process of change</b>	<b>2</b>
<b>4 Obstacles to change</b>	<b>3</b>
<b>5 Risk analysis</b>	<b>3</b>
<b>6 Benefits of change</b>	<b>4</b>
<b>Conclusions</b>	<b>4</b>

## 1. Background Information

BasicNet S.p.A. is an Italian sportswear and casual clothing company based in Turin (Piedmont Region) and licensee of three internationally well-known clothing brands: *Kappa*, *Robe di Kappa* and *Jesus Jeans*.

The history of BasicNet S.p.A. involves the history of two different firms, *Maglificio Calzificio Torinese* and *Basic Merchandise S.r.l.*. The first of the firms, *Maglificio Calzificio Torinese*, was established in 1916 and has undergone several phases of development during its 85-year history. The company was able to survive the Second World War by converting its production to clothing for military forces. During the 1960s, thanks to very innovative ideas, the company was completely modernised and transformed from an underwear manufacturer into one of the most active and up-to-date youth-oriented sportswear and casual clothing firms. It is also during this time that *Jesus Jeans* and *Robe di Kappa* brands were established and *Maglificio Calzificio Torinese* began moving towards what will become the most important factor of success in Italy and Europe: sports sponsorship. The 1980s represented the most successful period for *Robe di Kappa*, culminating with the sponsorship of several Italian and European football teams and especially the U.S. national athletics team during the 1984 Los Angeles and 1988 Seoul Olympic games. The year 1988, however, also marked the beginning of serious problems for the company, which, due to a series of negative developments, ended up in bankruptcy in the following year.

At the auction following the bankruptcy in 1984, *Maglificio Calzificio Torinese* and its brands were purchased by *Basic Merchandise S.r.l.*, a company established in 1983. *Basic Merchandise S.r.l.*, formerly known as Football Sport Merchandising, was the first company in Italy and one of the first in Europe to obtain licences from the most important football teams to produce and distribute clothing marked with their team names, colours and distinctive insignia. *Basic Merchandise S.r.l.* was established to participate in the increasingly competitive market for products associated with nationally and internationally well-known sports teams. In purchasing *Maglificio Calzificio Torinese*, *Basic Merchandise*'s objective was to optimise its production processes and improve distribution in international markets, while completely overhauling its organisational and commercial potential in the sportswear and casual clothing market.

The acquisition of *Maglificio Calzificio Torinese* constitutes the beginning of the process of evolution of the Basic Net Group's production and commercialisation system.

## 2. Drivers for Change

Basic Net Group resulted from the acquisition of *Maglificio Calzificio Torinese* and its brands by *Basic Merchandise S.r.l.*

A success-oriented mentality and a strong entrepreneurial vision constitute important elements in the evolution of the company. The strategic plan was the natural outcome of this approach, in which a long-term perspective has allowed the transformation of intangible assets and competitive factors into a successful and tangible system of production, commercialisation and communication. In fact, thanks to a strong web-oriented vision, BasicNet has created important synergy effects between its units, resulting in the establishment of an innovative web and Internet-based business-to-business and business-to-consumer network model.

For an enterprise adopting Internet and web-related technologies as a key factor of success and competitiveness, technology constitutes a principal driver for change. The process of reorganisation of the BasicNet Group can therefore be seen as a technology-driven process of change.

A system based on a climate of reciprocal trust between BasicNet S.p.A., the head of the group, and the network of companies, franchisees and trading companies reinforces the sharing of the company's strategic vision, therefore strengthening participation in the process of change taking place. The system of relationships between BasicNet S.p.A. and the satellite actors working with the company has facilitated the shift from a traditional system of conducting business to a new web-based system and a "fully web-integrated company". Thus, the shift has involved the application of new information technologies and systems to the previously existing traditional network of relationships.

### **3. Characteristics and Process of Change**

Following the purchase of the brands, a strategic short-term plan with a specific objective was devised: the restoration of the brands' prestige and status through the introduction of a new business model.

The new business name stems from the approach taken by the BasicNet Group right from the start in conducting its business activities with manufacturers and distributors around the world which, along with the Group's companies, comprise a network integrating several small firms into a single business operation through the web. The Group is headed by BasicNet S.p.A., which adds value to the trademarks by designing fashion collections and carrying out specific marketing activities, co-ordinating global communications and managing development. Although participating in the earnings produced by the network's production cycle, no products are actually manufactured directly by the BasicNet Group. In fact, manufacturing is outsourced to third parties constituting the network, represented by independent businesses to which the trademarks owned by the Group are licensed and with whom growth strategies are co-ordinated, providing design collections of international interest and marketing tools.

Beginning in 1994, the year in which the *Robe di Kappa* and *Kappa* trademarks were acquired, creative thinking across the BasicNet Group has been focused on the following strategic principles:

- Seizing opportunities arising from globalisation to achieve international competitive advantages and a strong global presence by developing a network, which encompasses eight Group companies that manage the network and its activities, 37 licensees and three trading companies.

- Creating an harmonised organisation within the network in which information sharing on a real-time basis contributes to accelerating decision flows and transactions with the ultimate objective of shortening, to the greatest possible extent, the amount of time needed by the supply chain to respond to consumer demand.
- Integrating all processes of the supply chain into a modern IT platform developed in-house by the BasicNet Group and perceived as the network's "digital nervous system", based on the use of new technologies and applications in Internet environments.

The BasicNet Group, via specific source centres or trading companies, supervises and optimises all manufacturing phases on behalf of the licensees, capturing significant economies of scale and scope by seeking out the most appropriate production sources in terms of cost and standards of quality at a world-wide level. The BasicNet Group develops and co-ordinates the network and supervises its business-critical building blocks. Every one of these building blocks constitutes a "dot.com" division realising a single task within the production process and interacting with other units within the same network via on-line transactions.

*basictrademark* manages the trademarks of the company and ensures maintenance of the brands' image. The production process begins when the brand images are transmitted to the *basicsamples* division, whose task is the design of the fashion collection and the creation of "business opportunities" for the world-wide licensees that will buy the parts of the collection they intend to manufacture for their sales campaign.

Collection samples are developed and delivered, while the *basicforecast* division produces a forecast of the sales based on past sales and the *basicspecs* division starts to plan the products' specifications according to these forecasts.

Product specifications and quantitative sales forecasts constitute important elements in undertaking the bidding process for production contracts through another dot.com division called *basicbiddings*. The trading companies successful in bidding for the production contracts will work with another division, *basicfactory*, which allocates the production orders. No more than three months pass from the acceptance of the orders to final product delivery, and during these three months *basicforecast* works with the licensees in order to forecast sales and determine surpluses, which are bought by BasicNetwork and sold in the outlet store located at the headquarters or through the web.

The activities and services referred to above are essential elements of the BasicNet Group business system oriented towards enhancing trademark value and product diffusion. This modular, flexible and structured business system has been created and aimed towards encouraging growth and development either in-house or externally.

## 4. Obstacles to Change

There has been a very rapid and significant impact of technology on the former traditional business system, and it has affected all aspects of the company culture. In fact, the whole company is now completely organised around a web-oriented vision, from payments to attendance time sheets to mailing systems. The profound change brought by the adoption of this new system has required quick and not always easy integration with the old system and a significant shift in the work culture of employees and partners.

## 5. Risk Analysis

The adoption of the web as a key technology for management and transmission of business information and the progressive implementation of different business portals represent an innovative way to gain access to the whole range of services inside and outside the company. The utilisation of the web, together with e-commerce practices, requires the application of new forms of control and administration in order to manage this new architecture and to maintain the required quality standards. To guarantee the sustainability of the whole system, new forms of problem-solving and personnel competencies related to the use of new technology are required. For instance, management of supply stocks requires continuous monitoring of the availability of merchandise from the all of the BasicNet brands licensees on a world-wide basis. This managerial aspect therefore constitutes a particularly critical aspect of BasicNetwork's business since, for example, monitoring of products only manufactured in Italy involves more than 710,000 articles per year.

## 6. Benefits of Change

The starting point of BasicNet's evolution and growth is the year 1994, with the purchase of the *Kappa* and *Robe di Kappa* brands. Since then, ongoing positive results have led this world-wide network of production and commercial units to be the first company to completely manage its business through the web and to achieve tremendous results. Consolidating its web-oriented vision, BasicNet has restored the brands' international prestige, penetrated new markets, quadrupled its earnings and hired 250 new employees.

Today BasicNet directly employees 350 people. This number jumps to 1500 individuals based in 80 countries, if those that work indirectly for the group are considered. In 1998 the total value of products marketed under the group's brand names reached 290 million Euros.

The business-to-business and business-to-consumer infrastructure has required an investment of only a few million liras with a significant return on investment in the first few months after its establishment.

Benefits also flow to the various franchisees associated with BasicNet S.p.A. and these consist of a 20% cost saving and a 10 day reduction of the delivery period.

The digital mode of organising work also has had a positive impact on the working conditions for employees, since, as mentioned above, web technologies affect all aspects of the company culture, including timesheets and payments, and this greatly improves work efficiency and style.

## Conclusions

The case presents an example of a company which has achieved outstanding results due to the implementation of a new business system in which technology represents the key to success of the company. The BasicNet Group has understood that a successful business is one that uses information technology in order to reinvent its *modus operandi* and therefore allows it to be able to make decisions with extreme speed, to operate efficiently and provide quality products for its customers in an innovative and more profitable way.

---

**Publication Details**

**Published by:** Nomisma  
**Publication date:** 2001  
**Journal:** -  
**URL:** -  
**Revised:** -  
**Notes:** -

© 2001 Nomisma. All rights reserved.