

DEMOCRATIZATION OF PRODUCT:

Blue Ocean Strategy

According to the *Blue Ocean Strategy*¹ the business world consists of two different types of space, *red* and *blue oceans*. *Red oceans* symbolize all the industries in existence today, the known market space. In *red oceans*, industry confines are defined and accepted, and the competitive rules of the game are well understood. At this point, companies try to do better than their competitors in order to take a greater share of existing demand. As the space gets more and more crowded, estimating profits and growth are reduced.

Red Ocean versus Blue Ocean	
Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost
Value creation or addition = added value	Value Innovation = innovative value

Blue oceans show all the industry not in being today, the unknown market space, without competition. In *blue oceans*, demand is created rather than fought over. There is plenty opportunity for growth that is both profitable and rapid. There are two ways to create *blue*

oceans. In a few cases, companies can give rise to completely new industries. But in most cases, a *blue ocean* is created from within a *red ocean* when a company modifies the borders of an existing industry.

The *blue ocean* logic could be underline by those patterns:

- *Blue oceans are not about technology innovation.* Innovative technology is on occasion involved in the creation of *blue oceans*, but it is not an essential feature of them. Once in a while *blue oceans* are the result of technological innovation. Usually the underlying technology is already in existence.
- *Incumbents often create blue oceans and usually within their core businesses.* Frequently incumbents are not in difficulty to create new market spaces. In addition, the *blue oceans* made by incumbents is usually within their core businesses. In fact, most blue oceans are created from within, not beyond, red oceans of existing industries.
- *Company and industry are the wrong units of analysis.* The traditional units of strategic analysis, company and industry, are not helpful to analyzing how and why blue oceans are created. The most appropriate unit of analysis for explaining the creation of *blue oceans* is the strategic move, the set of managerial actions and decision involved in making a major market-creating business offering.

¹ See *Blue Ocean Strategy* of C. Kim and R. Mauborgne (2011).

- *Creating blue oceans builds brands.* The *blue ocean* strategic move can quickly create strong and preserved brands.

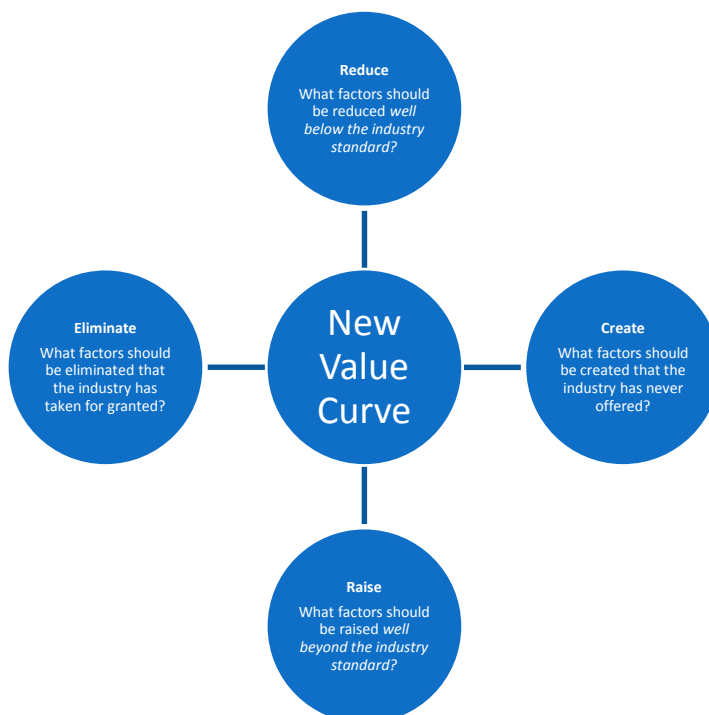
Blue ocean's players never use the competition as a benchmark. Instead, they make it irrelevant by creating a leap in value for both the buyers and the company itself.

Perhaps, the main characteristic of blue ocean strategy is that it rejects the fundamental rule of conventional strategy: that a trade-off exists between value and cost. According to this thesis, companies can either create greater value for customers at a higher cost, or create reasonable value at a lower cost. So on, the strategy is basically a choice between differentiation and low cost.

Contrary in a case of an *blue oceans* scenario, empiric studies demonstrate that successful companies follow differentiation and low cost at the same time².

At the same time by driving down costs and driving up value for buyers, a company can achieve a leap in value for both itself and its customers. As buyer value comes from the utility and price a company offers, and a company generates value for itself through cost structure and price. *Blue ocean strategy* is achieved only when the whole-system of a company's utility, price and cost activities is properly aligned.

A rejection of the trade-off between low cost and differentiation implies a fundamental change in strategic mind-set.



The Simultaneous Pursuit of Differentiation and Low Cost A *blue ocean* is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made from eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in, due to the high sales volumes that superior value generates.

² See *The Competitive Advantage of Nations* of M. Porter, Harvard Business Review (04/1990) and *How information gives you competitive advantage* of M. Porter and V. Millar (2001).

*Creating new market space requires a different pattern of strategy thinking*³. Companies can systematically pursue value innovation by looking across the conventional defined boundaries of competition across substitute industries, across strategic group, across buyer group, across complementary product and service offering, across the functional-emotional orientation of an industry, and even across time.

Looking across substitute industries to create new markets. A company figures not only with the company in its own industry but also with companies in those other industries that produce substitute products or services. As an example the Ryanair which combines the speed of flying with the convenience of frequent departures and low cost of driving. This it can be consider an representative case of *Democratization of Transportation*.

Looking across strategic group with industries. The term of strategic group refers to a group of companies within industries that pursue a similar strategy. In most industries all the fundamental strategy differences among industry players are captured by small number of strategic groups.

Strategic group can generally be positioned in rough hierarchical order built on two dimensions, price and performance. Each jump in price tends to bring a corresponding jump in some dimension of performance. Most company focus on improving their competitive position within a strategic group. The key in to creating new market space across existing strategic group is to understand what factors determinate buyers' decisions to trade up or down from one group to another. Thinking about H&M, which is build on the decisive advantages of the two strategic groups that dominate the high-end clothing fashion design market but lower-priced. As well we can consider as cases of *Democratization of Design Fashion and Luxury* Ikea and Guzzini companies too.

Looking across the chain of buyers. In most industries, competitors converge around a common definition of which is the customers target but sometime in reality there is a chain of customer who are directly or indirectly involved in the buying decision. The purchasers who pay for the product or service may differ from the actual users, and in some cases there are important influencers, as well. While these groups may overlap, they often differ. When they do, they frequently hold different definitions of value.

Individual companies in an industry often target different customer segment large versus small customers, for example. But an industry typically converge on a single buyer group. Challenging an industry's conventional wisdom about which buyer group to target can lead to the discovery of new market space. By looking across buyer group, companies can gain new insight into how to redesign their value curves to focus in a previous over-looked set of customers. Bloomberg as one of the largest and most profitable business-information providers in the world. In that case profit opportunities came from disparities in information. By shifting its focus upstream from purchasers to users, Bloomberg create a value that was radically different from anything the industry have ever seen. (traders, analysts and IT managers). In this case we can speak of *Democratization of Information*.

³ See *Creating New Market Space* of W.Kim and R. Mauborgne, Harvard Business Review (02/1999).

Looking across complementary product and service offering. Unexploited value is often hidden in complementary products and services. The easy way this is to define the total solution buyers seek when they choose a product or service. Following a simple way to do so is to think about what happens before, during and after a particular product is used. Companies can create new market space by zeroing in on the complements that detract from the value of their own product or service. For example, Dyson designs its vacuum cleaners to wipe out the costly and annoying activities of buying and changing vacuum cleaner bags.

Looking across functional or emotional appeal to buyers. Competition in an industries tends to converge not only around an accepted idea of the capability of its products and services but also around one of two probable bases of appeal. Same industries compete mainly on price and function based largely on computation of utility. Their appeal is rational. Other industries compete largely on feeling. Their appeal is emotional.

However the appeal of most products or services is not often basically one or the other. The fact is a result of the way companies have is a result of the way companies have competed in the past, which has unconsciously educated consumer on what to expect. Companies' behavior effects customers expectations in a reinforcing cycle. Over time, functionally oriented industries became more functionally oriented and those are emotionally oriented become more emotionally oriented. Industries have trained customer in what to expect.

Companies often find new market space when they are willing to challenge the functional-emotional orientation of their industries. Often emotionally oriented industries

offer many extras that add price without enhancing functionality. Biting those extras away many create a fundamentally lower-priced and lower-cost business model

that customers would welcome. On the other hand, functionally oriented industries can often introduce commodity product with new life by adding a spell of emotion and so on stimulating new demand. Looking at how Twinings & Co transformed a functional product into an emotional one we can speak of *Democratization of Taste*.

Looking across time. All industries are subject to external trends that affect their businesses over time. Looking at these trends with the right view we can unlock innovation that creates new market space. According to this idea it is important to understand how the trend changes value to customers. By looking across time, from the value a market delivers today to the value it might deliver tomorrow, it is possible to lay claim to new market space. Three principle are critical to assessing trends across time. To form the basis of a new value curve, these trends must be decisive to the business taking into consideration, they must be irreversible and they must have a clear path. iTunes is a typical case creating a new market space looking across time. So on it generates a phenomena of *Democratization of Music*. (Martha Stagno)

Shifting the Focus of Strategy: from Head-to-Head Competition to Creating New Market Space

The Conventional Boundaries of Competition	HEAD-TO-HEAD COMPETITION	CREATING NEW MARKET SPACE
Industry	Focus on rivals within its industry	Looks across substitute industries
Strategic group	Focus on competitive position within strategic group	Looks across strategic groups within its industry
Buyer group	Focuses on better serving the buyer group	Redefines the buyer group of the industry
Scope of product and service offering	Focuses on maximizing the value of product and service offering within the bounds of its industry	Looks across to complementary product and service offerings that go beyond the bounds of its industry
Functional-emotional orientation of an industry	Focuses on improving price-performance in line with the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trend over time

Source: *Creating New Market Space*(1999)

Democratization of Transportation:

The case of Ryanair

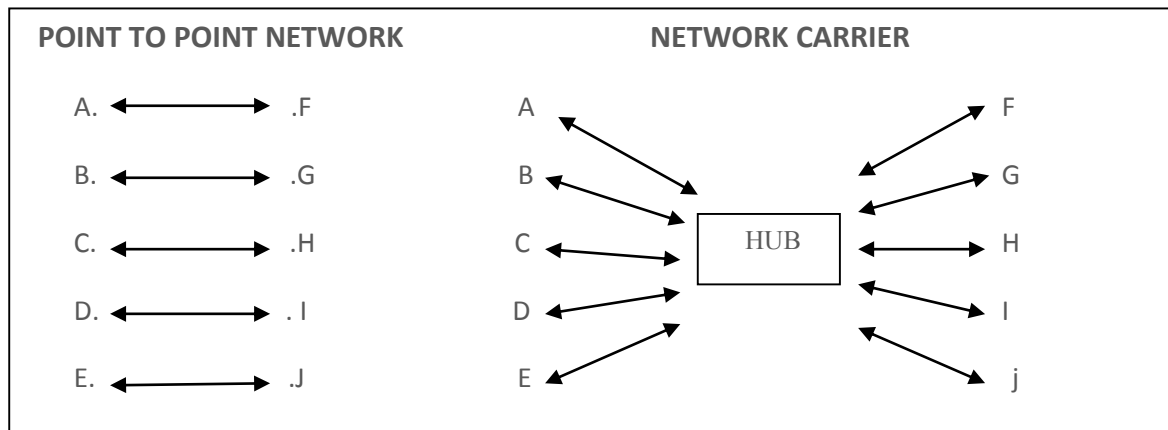
The airline business model comparison. Traditionally⁴ the air transportation market was strongly regulated, the traditional business model of the airline was the “fully connected network”, the companies tried to cover a multiplicity of routes connected all together. The strong protectionism allowed the company to implement not an efficient strategy, in some cases there was a surplus of offer, airline companies mainly wanted to get market share. The airline operators were offering no flexible product in terms of price, mode and time, consequently the costumers had no decision power. Thanks to the deregulation of the sector, new competitor entered in the market. Deregulation was than a crucial step in the evolution of business models of airlines. The new competitors were low- cost carriers, the Southwest Airlines in U.S.E. and Ryanair in Europe. Low-cost carriers (LCCs) have revolutionized the short-haul market, expanding the choice of air transport to consumers at the lowest cost. And they have done so by leveraging their cost efficiency and innovation to remain in a leading position, even in a disconcerting market. The combination of this two elements led to “air transportation and democratization”. Southwest Airlines⁵ was founded on several principles of business; “If you get your passengers to their destinations when they want to get there, on time, at the lowest possible fares, and make darn sure they have a good time doing it, people will fly your airline”. Southwest realized the potential of airline travel to be used by the common people and not as just a means of travel for the

⁴ F. Rotondo: *La ricerca del valore nel settore del trasporto aereo* (2008); Giuffrè.

⁵ Pandora group: Strategic report for southwest Airlines.

elite. From the beginning, Southwest's operational strategy profited from its understanding that in the airline industry customers' choices were primarily driven by price, Southwest has recently added transcontinental service but its primary focus remains short point to point flights. There⁶ are three main business models in the airline industry (Rigas Doganis 2006). The traditional airline business model exemplified by Airfrance, BA etc, and low cost airlines such as Ryanair, Southwest and the Aviation business groups such as Lufthansa or Singapore Airlines.

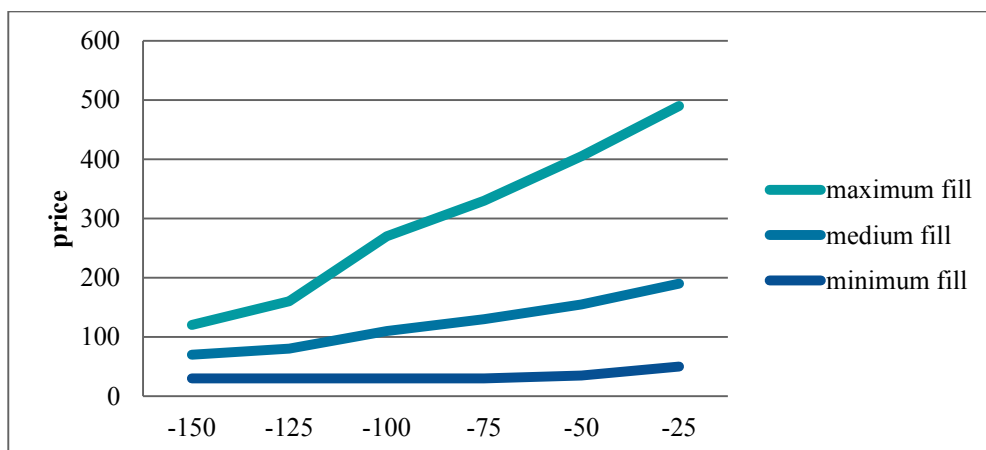
Figure n 1: comparison between the "fully connected network" strategy and Poin to Point strategy



Source : Ryana (2000)

In order to achieve the aim of the air transportation democratization, the low- cost carriers adopt the Yiel management technique, that allows the optimal allocation of a quota of seats for each fare level determined by the company (first-come; firt-served) .

Figure n.2: Yield management: <<prices peak technique>>



Source : Smith S.(2004)

⁶ Sujith K. S. Nair, Miguel Palacios, Felipe Ruiz: Analysis of Airline Business Models in the Development of Possible Future Business Options; World Journal of Management Vol. 3. No. 1. March 2011 Pp. 48-59 .

Ryanair's Market-Busting strategies: Ryanair adopted Southwest Airline's low fares-low frills concept. Ryanair gained success and outperformed its competitors by busting the market. The company employed several market-busting⁷ strategies including:

- 1) *Redirect, Disrupt, or Alter the Evolutionary Trajectory*
- 2) *Dramatically Improve Positives & Eliminate Tolerables or Emerging Dissatisfiers*
- 3) *Digitize to combine or replace links in an existing chain*

Redirect, Disrupt, or Alter the Evolutionary Trajectory. Ryanair realized that consumers desire transportation that was fast and inexpensive. In order to provide such a cheap method of transportation, low costs and efficiency were essential. Thus, Ryanair transformed the industry business model by becoming a low cost carrier which was still able to maintain profits via reduced costs. Based on the Southwest low cost-low frills model, Ryanair created a strategy that drastically differed from the likes of British Airways, Lufthansa and Air France. For example, Ryanair used a single fleet of aircraft which allows for economies of scale in scheduling and training crews, maintenance, and stocking of spare parts. Ryanair's use of point to point secondary airports has helped it maintain low costs as well. Secondary airports offer lower landing and gate fees than larger traditional airports. Also, these airports are less congested and thereby provide for a greater turnaround and aircraft utilization time. Despite the fact that consumers are often placed outside the cities of destination, passengers enjoy on-time flights; 93% of Ryanair's 180,000 flights were on-time in 2004. Competitors like easyJet and British Airways stood at 88% and 82.6%, respectively. Ryanair's no-frills methodology has also improved efficiency and productivity. Traditional in-flight services such as seat allocation, complimentary meals and drinks, and newspapers have been eliminated, because the customer had not a perceive value of those services. Instead, Ryanair reaps the profits from such secondary services by charging customers for in-flight services and other travel expenses such as travel insurance. Ryanair's⁸ strategy is to reduce the fare to the lowest price to attract customers. To do so, every service (i.e.: check-in luggage, food & beverage...) is removed from the ticket package and paid as extra by passengers. The company became so famous for charging for everything that they used it as a communication tool. Hardly a day goes by without the announcement of a new service charged, such as the use of sanitary facilities. Ancillary revenues are not limited to expenses made on flight by passengers. They also include checked-in luggage, hotel booking, car hire, sales of display ads on the company's website, etc.

⁷ Manpreet Dhalla: Ryanair MarketBuster

⁸ Ryanair, Annual Report 2010.

Figure n.3: The ancillary revenues: gathered under four categories, in Ryanair's 2010 annual report

Type	Description	Revenues 2008	Revenues 2009	Revenues 2010
Non-flight Scheduled	Activities related to the sale of air travel (bus and rail tickets, hotel reservations, excess baggage fees – checked baggage fees are counted as passenger revenues)	€ 334,580,000	€ 425,808,000	€ 436,600, 000
Car Hire	Related to Ryanair's exclusive deal with Hertz	€ 25,266, 000	€ 32,172,000	€ 29,900,000
In-Flight	Onboard sales of beverages, food and merchandise	€ 73,314,000	€ 83,196,000	€ 86,500,000
Internet Income	Revenues from Ryanair.com (with the exception of car hire and airline ticket sales revenues)	€ 54,970,000	€ 56,921,000	€ 83,600,000

Source : Ryanair's 2010 annual report

Employees are compensated for sales and thus Ryanair benefits through higher profits and efficiency. Overall, Ryanair's cost advantages are very significant. In 2001, the costs per available seat mile (ASK) were only 4.5 with the next lowest value for European carriers being 7.1 (easyJet). By maintaining low costs through various means, Ryanair can focus on high volumes (quantity of passengers) rather than large margins (per passenger) like other major airlines. By having low fares, individuals who would otherwise have chosen an alternative method of transportation (i.e. driving or trains) now choose to fly. As a result, Ryanair's low-cost-low frills strategy changed the competitive landscape of the European airline industry. Other low-cost operators began to emerge and throughout the years these companies have pushed both traditional operators and charter airlines to adopt the idea of short-haul routes.

Dramatically Improve Positives & Eliminate Tolerables/Emerging Dissatisfiers. By improving Positives and Eliminating Tolerables and Dissatisfiers, a firm can drastically differentiate itself in an industry which can be commoditized. Ryanair has been able to differentiate itself by satisfying its customers. As mentioned earlier, customers want flights to be cheap and quick. Ryanair has provided and improved upon both these positives. In 2004, Ryanair was #1 in the following categories: Lowest Fares, On-Time Flights, Least Cancellations, and Fewest Lost Bags. Customers are thus not only paying less but also receiving better service than Ryanair's competitors. Thus, Ryanair has improved both the positives that customers want when flying but also reduced many of the tolerables and dissatisfiers.

Digitize to Combine or Replace Links in an Existing Chain. Ryanair is able to reach its customers at a low expense because of its successful website. 96% of the company's ticket distribution is through the web, which compares to 2% each for its telephone sales and counter sales. It is estimated that Ryanair's low marketing and distribution costs account for roughly 10-15% of its cost advantage over other airlines. On a per passenger basis, costs are only € .70 per passenger. According to Ryanair's Commercial Director and Chief Financial Officer, Michael Cawley, saves over €40 million annually due to its ebusiness.

Future perspectives and evolution for Ryanair Transatlantic venture. Since 2008, Ryanair, through its CEO Michael O’Leary, has repeatedly raised the possibility that it could launch a transatlantic venture, connecting Europe to the United States with an extremely cheap economy class and a standard business class. The idea, while regularly repeated with success in the press, has also been derided as no more than a marketing gimmick – something confirmed by the fact that the company has made no real move toward realizing the project. Moreover, it is worth noting that trying to establish transatlantic flights would require a huge shift in strategy for Ryanair. Requiring a whole new fleet of adequate aircrafts. Lack of appropriately priced offer on that front seriously limits Ryanair’s possibilities for the time being. Furthermore, structural complexities of transoceanic operations would force Ryanair to review a major part of its employment policy. These factors contribute in making the venture a highly speculative idea rather than a serious possibility.

Hybrid business model. However, as the industry dynamics have changed, so have the business strategies of LCCs⁹. To compete for cost-conscious, short-haul passengers, many traditional full-service carriers created new products, restructured and streamlined their processes, slashed costs and aggressively priced many routes. As a result, LCCs were forced to change or enhance their business models as well. While price remains a key competitive factor, it is no longer the sole driver of low-cost carrier business strategies. LCCs now focus on other areas, such as merchandising, multi-channel strategies and increasing partnerships. They also place more emphasis on:

- Maintaining low costs while compensating for rising costs of fuel and aircraft,
- Integrating new services into the current model and enhancing customer service,
- Crossing international borders and experimenting with long-haul segments,
- Expanding market opportunities such as increasing international reach and accessing the corporate segment by participating in a GDS.

With carriers veering from the fundamental low-cost strategy, it is no wonder that the low-cost business model has been difficult to define in recent years. The result of this shift is the emergence of the “hybrid” business model. This model combines the cost-saving methodologies of a pure low-cost airline with the service, flexibility and route structure of a full-service carrier. The trend toward a hybrid business model impacts the requirements for IT systems and drives the need for a more sophisticated and flexible technology environment. There are many reasons successful hybrid airline executives invest in leading-edge technology with the right technology partner, such as:

- Moving to a new passenger service system (PSS) that supports the current model as well as enables future capability requirements,
- Requiring technology to evolve and support the airline’s scale of business,

⁹ Sabre Travel Network : The Evolution Of The Airline Business Model.

- Requiring a provider with deep industry experience and sophisticated delivery methodology that meets current and future demands,
- Looking for greater revenue-producing code share and interline partnership opportunities,
- Expanding ancillary revenue,
- Identifying marketing opportunities to gain more accurate insight into customers' behavior patterns and needs.

Therefore, as a hybrid carrier, it is crucial to acquire technology that “sets you free” to focus on your changing business challenges. With the right technology, hybrid carriers can propel their businesses forward, responding more quickly and effectively to changes than ever before. (Antonella Fabozzo)

DEMOCRATIZATION OF DESIGN:

The case of Ikea

“One problem with airfares is that no one really knows who pays what. The price varies enormously within any airline; the highest prices are paid by those who buy at the last minute. Michael O'Leary has been known to say that his best customers are the bereaved: they have no choice but to pay up”¹⁰.

This problem doesn't affect the furniture (such as beds, chairs, and desks) in which IKEA is leader. The company is the world's largest furniture retailer. Just kidding. But if you shop at IKEA, you are no doubt familiar with the hassle and frustration of assembling its flat-pack furniture at home. Millions of customers endure it, for two reasons: IKEA's products are stylish and they are very, very cheap¹¹.

Rather than being sold pre-assembled, much of IKEA's furniture is designed by their own to be self-assembled. The company claims that this helps reduce costs and use of packaging by not shipping air; the volume of a bookcase, for example, is considerably less if it is shipped unassembled rather than assembled. This is also practical for many of the chain's European customers, where public transport is commonly used, and the flat-pack methods allowing for easier transport via public transportation.

Ikea is inspired by rational and simple stile, using simple raw material and at a low cost.

However what is most important is that IKEA contends that it has been a pioneering force in sustainable approaches to mass consumer culture. Ingvar Kamprad, the Ikea Founder, calls this "democratic design", meaning that the company applies an integrated approach

¹⁰ Collinson P., *Ryanair – the not-so-low-fares airline*, The Guardian, Nov. 7, 2011. <http://www.guardian.co.uk/global/blog/2011/nov/07/ryanair-theairlineindustry>.

¹¹ Unknown author, *The secret of IKEA's success, Furniture shops, Lean operations, shrewd tax planning and tight control*, The Economist, February 24, 2011.

to manufacturing and design (see also environmental design).

In response to the explosion of human population and material expectations in the 20th and 21st century, the company implements economies of scale, capturing material streams and creating manufacturing processes that hold costs and resource use down, such as the extensive use of MDF (medium-density fiberboard).¹²

As Ryanair let people flight made cheapest airfares, Ikea was able to let them bought design at a good price. But price is not the only added value perceived by costumers of these two companies. Both introduced good prices in market that wasn't subject at the war prices at that time. For sure both they hate waste.

The fact that design was becoming democratic shows itself how much in the past design was considered a concept far away from the low costs mass-production business.

The Ikea approach is: "Anybody can make a good-quality product for a high price, or a poor-quality product for a low price. But to make good products at low prices, you need to develop methods that are both cost-efficient and innovative"¹³. On the opposite somebody notices that design can not be at your fingertip and recently sais: "The design is the haute couture of the object. There is not a haute couture without reach, at your fingertips, because that is called prêt-à-porter"¹⁴, and finally says that Ikea is not design but just some Scandinavian names that make you feel nervous.

However, the product standardization, low cost row material and also low cost labour, were not yet use as tools for design appliances and home accessories.

To do this Mr. Ingvar Kamprad, the founder of Ikea, developed a lot of new industrial ideas.

For example the Swedwood Group that is part of IKEA Industry Group. Swedwood's primary task is to ensure production capacity for IKEA. This is accomplished by establishing and operating sawmills, component and furniture production units strategically located relative markets and/or raw materials supply. Swedwood has more than 33 production units and offices in 10 countries in three continents.

Increasing of education mean also new opportunities and knowledge for people, who start to spend a growing amount of money in culture, travel and fashion products. From the market point of view this means the opportunity to develop new strategies and products, and sell them everywhere, thanks to the Euro market without barriers to trade. A huge population start to desire not only products, but lifestyle-brand for products and services.

Those products and services are different from the so called "new lux" product or "mass artigianal" products.¹⁵ Those products are evaluated for its ability to generate positive

¹² Source Wikipedia.

¹³ www.ikea.com/ms/en_US/about_ikea/the_ikea_way/our_business_idea/our_product_range.html.

¹⁴ Bonami F., *Il design dalla A all'AK47*, Domenica 24, Il sole 24 ore, April 9, 2013, <http://www.ilsole24ore.com/art/cultura/2013-04-09/design-ak47-150507.shtml?uuid=AbcG2bIH>.

¹⁵ For an overview see: Maestri G., *Le strategie del prodotto dei brand di lusso*, www.mymarketing.net, January 20, 2012, SDA Bocconi School of Management, Marketing communication.

emotions and evocations. The material dimension should not be neglected for sure, as for the quality, it is called a cross between craft and fine series, coining the term "mass artigianal" that combines the features close to the good done by hand with production volumes of the industry.

There are also negative effects. At a time of economic crisis, the democratization of the product produced in a country whose economy is tied to the small and medium enterprises, develop an unfair competition. Even today, 70% of the market is held by the distribution of traditional furniture. "A well – said Mamoli the vice president of Federmobili¹⁶ – says why are these shops that give the opportunity for small and medium furniture industry, not structured to provide the large chains, to remain on the market." Yet, after the “advent of the crisis, something has changed. The traditional furniture struggling to keep up and not always able to counter the aggressive policy of the new groups that have sparked a real price war. A game to face a downward market stopped, press for consumption and attract new customers. The offers multiply. Just turn on the TV or walk past one of the many windows that sell furniture to understand: super discounts from Chateau d 'Ax. From Poltronesofà, another of the major competitors of Ikea in Italy, a sofa takes home with only 200 euro. Only in the last three months in the retail sector of the furniture has lost about 35% of its' s turnover – argue Mamoli - and who is going worse is the traditional retailers that sells medium-high quality furniture, so the big loser of this crisis is the Italian middle class, more and more poor”. Business is better for luxury furniture companies and for those producing for everyone. "So - the vice president Mamoli - who can, try to focus on low cost, but without careful management of the purchases (and therefore lower quality) is lost profit margin and is likely to close”¹⁷.

In conclusion, Ikea and Ryanair have many points in common (think of the strong advertising campaigns of the two companies¹⁸), especially for what concerns the democratization of the product as intended. On the other hand different points between the two companies can be seen in the strategies used to sell goods and products at better prices than their competitors. I've already talked about Swedwood Group, as regards Ryanair think of the reckless policy of employment contracts¹⁹. (Michele Antonini)

¹⁶ National Federation of furniture stores, representing over 15,000 distribution companies in Italy today, with nearly 20,000 stores, from: <http://www.federmobili.com/ChiSiamo.aspx>.

¹⁷ Aoi S., *Così le grandi catene low cost fronteggiano la crisi di mercato*, la Repubblica, April 8, 2013. It is curious to note how administrator says the director of Ikea Lars Petersson: "Globally, the rest of the 'Italy is in fourth place in sales of the Swedish group. It is then confirmed at the third place in the rankings suppliers: 's 8.24% of supply are Italian and global Ikea' 80% are mobile "

¹⁸ Unknown author, *Il welfare Ikea riconosce le coppie omosessuali*, Il Sole 24 Ore, May 17, 2012.

¹⁹ For an overview: unknown author, *Le Top 10 des employeurs idéaux : la RATP, Ikea et le CNRS champions de la "diversité"*, Le Monde, November 5, 2012. Also: “IKEA was named one of the 100 Best Companies for Working Mothers in 2004 and 2005 by Working Mothers magazine. It ranked 96 in Fortune's 100 Best Companies to Work For in 2006 and in October 2008, IKEA Canada LP was named one of "Canada's Top 100 Employers" by Mediacorp Canada Inc., and was featured in Maclean's newsmagazine”, source Wikipedia. From a national point of view: *Ryanair supera Alitalia ma restano le turbolenze sui contratti di lavoro*, March 7, 2012, Panorama.

THE DEMOCRATIZATION OF DESIGN AND LUXURY:

The cases of F.lli Guzzini and H&M

In a global market that is always more demanding F.lli Guzzini Company, founded in 1913 by Enrico Guzzini, understood the perfect combination of technology, business and human touch through the recent keywords to success: *Affordability* and *Costumer Care*. With the Mission of satisfying costumers from all over the world keeping in mind the idea of being “World Citizens”, F.lli Guzzini revealed itself one of the first Italian companies that understood the concept of “*Democratization of the product*” and put it in practice through the upcoming tool of E-Commerce. Comfortably sat on their sofas indeed, both Italian and International clients can easily access to a detailed web site of the company, rich of objects, corporate culture and inspirational reading, where it is possible to find an interactive catalogue of every product available, divided into categories, colors, price and collection. Clients can therefore easily shop on line with a simple *clic*, discovering Guzzini’s colanders, containers and cutlery that are born to satisfy every range of price and are not just made to be used every day, but they are conceived to make daily living easier. From this point of view it is probably easier to comprehend the company's motto “designed to be used” that includes an appropriate and sensible relationship between the items with which we surround ourselves and their impact on the environment.²⁰ F.lli Guzzini are dedicating much effort in this regard, and will continue to do so in the future, being aware that every product should be designed keeping a sharp eye on its environmental cost. Guzzini thermoplastics can be recycled and re-used over and over again, being reborn with new shapes and colors for new uses. Finally it is not by coincidence that some Guzzini collections are proudly displayed at the Museum of Modern Art in New York and the Victoria and Albert Museum in London, as well as some of the most beautiful homes in the world. The technicians at the Guzzini Lab - the company’s in-house research and development centre - are constantly experimenting with unique combinations of materials, working closely with designers to offer them the widest range of possibilities for the development of their projects. Design is therefore at the heart of Guzzini’s corporate philosophy with the aim of stimulating the world of design with the most diverse projects. A perfect example of this idea is *Foodesign*, an initiative that combines food, design of objects and philosophy of life, where great chefs, food experts, sociologists and designers use the tools that are designed by the Company. The main ingredient of this recipe is of course optimism, the strategic attitude that allowed F.lli Guzzini to become International and to bring Design culture in the Marche Region. Throughout the years in fact this Italian firm found its place both in the Italian and International market and turned out to be an icon of design, quality and innovation for home appliances²¹. Placing itself as one of the most guaranteed and competitive Italian brands the Company’s vision is to involve the costumer both from a sensorial and concrete point of view, creating a product that could

²⁰ See *Fratelli Guzzini vince la contaminazione* di G. Mancini, (06/03/2012) www.ilsole24ore.com

²¹ See *Al via la settimana della cultura d'impresa: viaggio nella creatività industriale del Made in Italy* di S. Sperandio, (17/11/2012) www.ilsole24ore.com

perfectly mix creativity, design, innovation and low price. Starting from this new frontier of Democratization, it is quite interesting to skip into another fascinating sector, high class fashion, that has surprisingly opened its doors to the most successful Low Cost International brand: H&M. In this regard, in front of a “*limited edition*” promoted on the 17th of November by the high class firm Versace in cooperation with the cutting-edge *low cost* brand H&M we should ask ourselves: “What’s happening to the market?” We are in front of the so called *Democratization of luxury* phenomenon. It consists on a synergy between elegance and luxury, guaranteed by the most important fashion houses of all over the world, and the affordable dreams guaranteed by Hennes & Mauritz, the Swedish *low cost* brand known all over the world as H&M. The story started in 2004 when Karl Lagerfeld decided to sign up a contract with H&M in order to meet women’s desire to have, at least, one luxury item in their wardrobe: this ambitious mission was thought to tickle Women’s vanity with the goal of maintaining prices still affordable. This operation required a specific marketing strategy that revealed itself such a great challenge for Karl Lagerfeld and the goal was finally achieved through a massive *low cost* luxury campaign that brought to the creation of a desirable and affordable final luxury product. The project was such a success that brought thousands of *fashion buyers* to cue for hours in front of the most important H&M stores of all over the world, just to get their “piece of fashion”, that otherwise would have been unaffordable. Since that moment firms such as *Jimmy Choo*, *Stella McCartney*, *Roberto Cavalli* and this year *Donatella Versace* decided to widely open their doors to the most varied, curious and eclectic costumers, through a “*capsule*”, that is a limited edition of a few items, thought to meet the exigencies of quality, style and price of the modern costumers. It is easy to guess that the prototype of costumer has widely changed through the years and in 2013 we are in front of new buyers that don’t care only about brands that stigmatize and proclaim their status symbol, but they are in continuous search for business deals, values and innovation that can match their personal exigencies and believing with the brand’s values and approach. As matter of a fact people are always trying to catch the best offer for those categories of goods that don’t interest them that much, but they are willing to spend a lot of money for those goods that reflect their approach and conception of life. We can infer from that point that the Global Market has therefore subtly established new rules that the most important firms must know: Companies, and fashion houses in particular, are not selling products anymore, but ideas, images and perceptions of life conveyed through series of goods that help people to affirm themselves in order to be recognizable. In this respect together with the new upcoming concept of *Affordable Luxury* one of the most brilliant marketing ideas of the last decade is the *Mix&Match*²². This new formula allows the costumer to personalize his final product choosing from a variety of options that allow him to differentiate from others, finding the perfect solution for him, adaptable on demand to his needs. The escape from standardization is definitely one of the *Musts* that characterized the modern fashion trend, due to a market has been almost totally unstable: it is interesting to notice how this market

²² See *H&M mixes Versace high fashion with low price*, www.dailyherald.com

trend perfectly reflects the human beings modern tendency to skip the daily routine in order to find “space” and “time” for the self²³. (Roberta Rotelli)

THE DEMOCRATIZATION OF TASTE:

The case of Twinings & Co.

An example of democratization of taste can be seen in the tea market. Consumption of tea worldwide is about 300 billion cups every year and the first place is occupied by Great Britain, followed by Ireland, China, India and USA.

Twinings Company is one of the leading tea producers in the world. With an experience of more than 300 years, it offers about 200 different types of tea in more than 115 countries all over the world. The main production plant is located in Andover, in the UK, but the company has also got some owned subsidiaries in other countries, like France, USA, Australia and Scandinavia.

Twinings was founded in 1706 by Thomas Twining, which was able to turn tea, from a little-known drink, into the nation’s favourite hot beverage. In fact, before that time, the most popular drinks in England were coffee, gin and ale, a special kind of beer. Although tea had been drunk in China for thousands of years, in England, where it had been imported, lots of people were suspicious of it. Thomas Twining started selling tea from his coffee house in the heart of the city of London, the famous Tom’s Coffee House, known as “The Golden Lion”, promising to sell only the finest qualities and varieties, at a reasonable price. His tea had a lot of fans, including Charles II and the popular English writer Jane Austen. Nevertheless, at the beginning, only a few people (the rich ones) could afford to by tea, because of its extremely high cost. Richard Twining, grandson of the founder, persuaded the Prime Minister to cut the prohibitive taxes on tea, and, as a consequence, consumption in England immediately doubled. By the 1750s, thanks to Twinings, tea became the most popular drink also among the working classes.

In 1837, Twinings was appointed by Queen Victoria as official tea supplier of the English Royal Family. Today, its philosophy, which is “choose only the best tea”, is still the same as 300 years ago. The core values of the company are: **tradition**, **experience**, **quality**, **excellence** and **innovation**. Twinings chose to adopt a particular strategy that is based on the **democratization of taste**; in fact, the mission of the company is to **create excellent teas for everyone**. Nobody knows tea like Twinings; with nearly 200 different blends, there is something special for everybody –each of these blends has its own special aroma, flavour and character. The company is committed to offering only the best tea for everyone, so, there’s a specific blend for every single taste, mood, living style, or moment of the day. The most popular tea blends of the company are “*English Breakfast Tea*” and “*Earl Grey Tea*”, both of them with specific features. *English Breakfast*, as the name suggests, is associated with the breakfast moment: it revives you, it wakes you up in the morning; it is

²³See *Versace at H&M: opulence at cut price*, www.telegraph.co.uk/fashion

really full-bodied and has an attractive colour. At the contrary, *Earl Grey* blend, is fine, floral and delicate.

Nowadays, Twinings has 4.2% share of the global tea market; its major competitors are PG Tips Tea and Lipton Yellow Label (both owned by the giant Unilever) and Tetley (now property of the Indian company Tata Tea Ltd). Tea offered by Twinings is cultivated all over the world, especially in India, Sri Lanka, China, Kenya, Indonesia and Brazil. These teas are cultivated ethically; in fact, Twinings is committed to improving the working conditions for tea plantation workers worldwide; for this reason, the company was a founder member of the Ethical Tea Partnership formed in 1997.

Twinings products are different from other teas in the marketplace; actually, the company has a great advantage due to the fact that it doesn't own any tea gardens, which means it's not tied to its own producers, so it's not forced to use specific crops, but it can choose the very best one every time, in order to always guarantee an high-quality tea. In fact, quality is non-negotiable for Twinings; it cannot be compromised in any way because the consumers trust the brand and pretend to have always the same excellent product; therefore, to satisfy their needs, Twinings' expert blenders taste more than 3,000 cups of tea every week, so customers can be sure the next cup they taste will be as good as the one yesterday or the day before.

As a conclusion, we can say that the tea market is forecast to grow in the future; the strongest growth is forecast in the premium sectors of black tea, green tea and infusions. This big increase in the tea consumption is also due to the fact that this drink is considered healthy by lots of people; for instance, several scientific researchers showed that black tea can help reducing the risk of heart diseases, while drinking moderate amounts of green tea over a prolonged period is helpful in preventing high blood pressure and is also thought to give some protection against cancer. In addition to this, today a lot of tea lovers are rediscovering the pleasure of drinking tea at home, restaurants, in coffee houses and tea rooms.

That's why, for Twinings, is so important to catch more and more consumers by offering them an excellent product that meets their own tastes. (Ilenia Bianchelli)