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Experiential Tourism: The Strategic Role of the Factory Outlet Centre for the Development and Attractiveness of the Destination

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1. Introduction

The combination of fashion-tourism is one of the concepts emerging in the ranks of the strategies of territorial attraction. In recent years there has been a widespread distribution of factory outlet centers, places that are not just a multi-channeling alternative to the dis-intermediation and distribution of fashion products, but a real and concrete attraction opportunity towards those tourism catchment areas moved by glamour and trends light motive. These facilities – located above all in suburban areas than in urban centers – are increasingly taking the contours of real fashion resorts: inside them, the tourist has the opportunity to buy clothes of known brands at an affordable price and also, through appropriate diversifying strategies by the marketing management of the outlet, it has at its disposal a wide range of extended products and services to be enjoyed, in addition to the core product, identified in this case as clothing and accessories.

Each project of retail space, involving the consumer through a multisensory approach, aims at creating an atmosphere even before an image: this represents a tow vehicle for the configuration of community stores, places where visitors tend to identify themselves with the values of the chosen brand, and it is through multi-channels of contact with the consumer that the purpose of the factory outlet is to generate a competitive advantage through a total customer experience, not limited to the purchase of textiles, but accompanied by a number of tangible and intangible assets that surround the fruition of the site in question.

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The aim of this work is to provide an interpretation key of this phenomenon, which aims to bring together the fashion industry to experiential tourism, by building a model of development applicable to all the present realities, in order to implement the correlation between segments of fashion and tourism.

2. From the "Farm Shop" to "Factory Outlet Centre": Evolution of the Concept from the ‘80s to Today

The outlet concept comes alive for the first time in the United States in 1974 with the first FOC Vanity Fair (made in Reading, Pennsylvania), by an idea of the president of *VF Corporation* M.O. Lee. He originally suggested the idea of drawing up a sales selling morning in order to remove the excess inventory inside the store and in a few hours, although the only instrument of communication was the *word of mouth*, the goods was completely depleted and the locals were so much crowded that even the manager found himself forced to work at the cash payments to cope with the large flow of buyers. Lee, remaining so impressed by the huge sales volumes, made a mental note to repeat the formula two weeks later, not only by promoting discounted merchandise comes directly from that plant production but also from other warehouses owned, getting an even more striking result than the last time.

At this point, that formula used in an almost random way to dispose of excess inventory became the guiding principle for the creation of the first outlet in the world which, originally, was born adjacent to the factory, with a space of about 5000 square meters, separated from it only by a huge black cloth. If – then – the outlets were born in America and were built around the late eighties, they formally landed in Europe around the early nineties, as the direct heirs of the "farm shops", *locals* placed just in a few steps from the factories in which there were sold at a reduced price those flawed garments deriving from the production process or unsold from the collection of the previous year. The real purpose of the farm shop was just to dispose of the production excess and it would hardly have imagined it evolve into a privileged sales channel or into a great alternative way to increase sales volumes.

For what concerns the United States the transformation of a *farm shop* in an*outlet* was early so that in 1995 there were already about 300 *factory shopping villages* (outlet in the strict sense) on American soil. Subsequently, North American outlets have spread to England and then move progressively towards the south of the continent: in 1995 in Mendrisio (geographically located in Switzerland but in reality placed in a walking distance from the Italian border) arose the first outlet accessible to Italians while the inauguration of the first outlet in the country dates back to 2000 with the opening of the outlet of Serravalle (Alessandria).The prototype of contemporary outlet is separated almost completely from the original type of farm shop, with a new and well-defined identity, although they are still in a process of progressive change. Nowadays, in fact, manufacturers recognize an increasingly importance to the sales points inside the outlet, considering its almost like the traditional boutique located in the main streets of the city centers and this aspect – in some ways revolutionary – in the view of the store is still in a process of evolution. The success of the formula tied to the Factory Outlet Centre is due to the ability of long-term vision of certain entrepreneurs who, in times that didn't portend moments of economic and financial crises, have bet on this concept, unknown to the Italian scene, and have managed to overcome the distrust and prejudice of companies that refused to sell at reduced prices and that they would never conceived the idea of bringing in the game their products in a showcase considered minor if compared to traditional fashion boutiques.

Table 1 – Evolutionary Map of the Concept: from the "Usines" Centers to the Factory Outlet on ship

	FIRST GENERATION (1984-1989)	**SECOND GENERATION (1993-2000)**	**THIRD GENERATION (2000-2007)**	**FOURTH GENERATION (2007 ad oggi)**
Positioning & Marketing	Usines Centers	Brand Centre	Brand Villages	FOV (Factory Outlet Village)
Architettura&Design	Warehouse Style	Stylish	Look in Village Style	Importance of Environment
Location	Industrial cities and metropolitan areas	Industrial cities and metropolitan areas	Luoghi ad attrazione turistica con elevati flussi	Aree strategiche a forte vocazione turistica
Target	Families	Families	Occasional visitor	Tourist

Source: Personal reworking from Markup, November 2009.

Today – instead – there is a growing number of brands that are pushing for joining the outlet and, in a manner no more surprising, even luxury brands – which in the past would have bluntly repelled the idea of entering into this distribution channel – land in the villages of fashion, although with specific terms agreed with the outlets that are able to guarantee sales worthy of the prestige of the name they carry[3].From the Table 1 is possible to observe how significant has been the evolution of the concept, verifiable within four time bands from the early eighties, through which it denotes how the phenomenon of the outlet has progressively transformed, moving from very spartan location as abandoned places and reverted to unsold markets up to the modern Factory Outlet Village, with more and more exclusive and detailed design, careful to satisfy the logic of experiential marketing, necessary for the satisfaction of the modern consumer. Originally, the first FOC consisted of real shops of the manufacturer (usines centers), characterized by low visibility of the brands placed in it and by the limited presence of real estate and commercial promoters; the downward price changes also not had systematic and structured nature and extra-trade services were still reduced. For what concerns the communication policy of the structure, it was essentially based on word of mouth among customers, whom found themselves from time to time to take advantage of periodic sell-offs applied to inventories; furnishings were unappealing because it was locals adjacent to the factories and just for this reason them appeared to be very simple and basic; at the beginning the *farm shop* was located in the immediate proximity of the industrial cities and major metropolitan areas while the target was mainly composed by families who took advantage of the offers to replenish both the personal wardrobe and the one of their children.

In the second generation outlets the concept start to change, moving to the concept of *brand centre*: the offer becomes more exclusive, specialized promoters are on the scene, the price reductions are more regulated, the services offered are enlarged. Also with regard to the design, the centers are more cared and it starts to glimpse in the projects the idea to repropose the city streets with traditional shops; however, the locations (metropolitan areas) and the target (families) remain unchanged. The outlet of the third generation begins to assume the contours of the fashion village (*brand villages*) and increase the differences with the first centers of use.

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3 With reference to the outlet of Serravalle, in 2009 there was a 24% increase in the presence of luxury brands, as well as hosting international brands such as Bulgari and Damiani.

The brands begin to be selected according to a medium-high level, the services are extended (areas exclusively for children) and it starts focus very strongly on the concepts of brand communication and shopping comforts. The increasing competitiveness, which developed subsequently to the opening of a large number of such centers, is an incentive for customer loyalty, which is ascribed an increased attention. The progressive change of the target – which is more and more oriented towards a tourism consumers – also involves changes in terms of the choice of location: although – in fact – are maintained as a reference point the major metropolitan areas, are beginning to be taken into account for the opening a new outlet village those areas with high visitor flows.

The outlets of fourth generation are those that follow mostly the concept of *factory outlet village* (FOV): the additional services next to the core supply are becoming increasingly important as it starts to spread the concept of *fun shopping*[4] and the brands research is more and more in the direction of the luxury brand and top range. Important changes are also found from the architectural point of view since the general attention to sustainability encourages the building of villages in an environmentally responsible: they have a growing number of tree-lined streets and places perfectly suitable to walk into the nature. The choice of location in this case assumes a strategic importance because the modern Factory Outlet is designed in a tourist key even before on a commercial basis (the tourist is – in this case – the target) and it is precisely for these reasons that the placement cannot ignore the fact that the area in question should be marked by a strong tourist vocation. The phenomenon of globalization, that the digital age has seen its greatest explosion due to the simplicity of contact with any part of the globe, has driven fashion companies to produce ever larger stock that generated a greater amount of unsold stock to be disposed, due to the fact that just the aforementioned globalization has grown in tandem with the spread of the economic crisis.

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[4] The Rainbow Magic Land inside the outlet of *Valmontone Fashion District*, opened in 2011, represents – without doubts – the most significant example.

For this purpose, the distribution channel consisting of the factory outlet center is one of the best and more controlled tools for the disposal of unsold, the samples collection of exposure, the defective products: although companies cede the *overstock* at discounted prices (which usually ranging from 30% to 70%), they retain total control over their goods since the stores located inside an outlet are managed directly by the companies who take care firsthand of the planning phase, process the sales policies and occupy with the selection and training of the staff. In this way the companies, especially those producing *luxury goods*, can have the certainty that their manufactures goods are not distributed in a incautious way through sales channels without control, whom may represent a threat for its brand identity. Second, another of the changing aspects is related to the changing of consumer habits: if before the purchase of an item within a *farm shop* was almost hidden by families because it was poorly received from the outside as a symptom of precarious economic condition, today the visit to an outlet has become trendy among the population and the purchase of a widely good low-priced product is such a source of satisfaction from the customer; the brands more conscious and more inclined to the analysis of consumer behavior have perceived this change in the psychology of the consumer buying behavior and just for these reasons they chose to position itself with stores inside the outlet villages.

Among the various reasons that over the years have consolidated the affirmation of the outlet as an alternative distribution channel, it should to be undoubtedly counted the decrease in the purchasing power of the average Italian family which contributes not only to influence consumer habits but also change in their way of thinking and acting: since the items inside the outlet – although recently we are witnessing more and more frequently to a diversification process that led to the opening of eno-gastronomic sale points – do not represent subsistence goods or food but clothing, accessories and household items, they are certainly not essential for survival; for these reasons, an outlet visit is dictated not so much by the real need to save but especially from the awareness that the savings represents a positive element because, in a period marked by uncertainties such as the one we are witnessing, the purchase of voluptuary goods transmits the consumer a feeling of well-being often accompanied by immediate “guilt feelings” for having committed the money in unnecessary goods.

The purchase of these goods – if performed within an outlet – is less unpleasant for the consumer because conscious, first, to have purchased an item with a great saving percentage and, secondly, to be got holding an object that in all probabilities he would never have bought in a boutique at full price, both for income inability or for *mindset*. The outlet is designed in the direction of satisfying those who choose to give confidence to a certain brand, but that require both a right relationship between quality and price, because – today – the line between saving money and no consumption is extremely thin and the compromise to accept is that of having to settle for wearing clothes or accessories of past collections, an element that would be inconceivable for the so-called *fashion victims* but that seems totally irrelevant to those who are determined to buy a product of a specific brand and have a special eye to the price. Toward this last category of consumers belongs undoubtedly those foreign, both from neighboring countries (France, Germany), both by rich nations (USA, Japan) and by both emerging economies (China, Russia, Brazil, Serbia, Ukraine, the Middle East and countries in South East Asia): they contribute significantly to the sales of our own outlets and represent a growing phenomenon so that in some outlets the foreign visitors contribute to revenues in a percentage that is close to 50% of the total.

The foreign visitor can be placed inside a dual type of consumer: the first is referred to those arriving in Italy exclusively to go in search of the deal in the outlet while the second refers to that type of consumer/tourist which inserts the visit in the shopping temples as one of the steps inside a frame travel so much broader. They use varied methods of displacement ranging from traveling by camper (to have the opportunity to stay more days in the immediate vicinity of the outlet), the bus trip, until the charter flight leased by those tour operators who can skillfully exploit this trend in order to build a real holiday, combining the traditional cultural visits in the city centers with the time for shopping and recreation. Not rare to see how the same outlet make available to travelers without car also transfer services, in order to ferry the buyer directly from the centers of major art cities[5].

[5] In 2009 the *McArthurGlen*, (outlet of *Barberino del Mugello* in province of Florence), recorded an increase of +21% of purchases from foreign tourists, while there was a decrease of -7% of the same in the cities of Florence and Bologna, which are the two main cities in the immediate proximity of the outlet. The same happens to the Rome and *Castel Romano Outlet* where there are, respectively, a decrease of -7% and an increase of +12%.

While on the one hand, therefore, the decrease in the purchasing power of the consumer has represented – without doubts – one of the *leitmotifs* for the development of the Factory Outlet Centre concept, it does not constitute the only reason that explains the evolution process of this type of structures. The maxi-discounts offered on items in the outlets are not the only ones to stimulate shopping but is above all the atmosphere of relaxation that characterizes such location to lord it: they are the real villages created from nothing, without the logistical and structural limitations that are found instead in the vicinity of the historic centers, designed to offer visitors the best *shopping experience*[6] possible. The environment that the outlets try to recreate is so much different from the confusion and banality of modern shopping malls and looks like very much an historical center of a small town, from which, however, have removed all the downsides; within them are generally used various eateries, benches, fountains, around which it is possible to get relax and in some cases there are also special facilities with trained staff which are concerned with entertaining the children up to 6 years. The main difference with a city center is found in the fact that inside them don't circulate vehicles that have emissions in the atmosphere but the cars, buses and motorcycles can be left in the large free car parks outside the village.

[6] The concept of *shopping experience* is closely related to that branch of marketing called "experiential marketing". The meaning of this term should not to be found in the product itself, but rather through the consumer experience since it's not sold just a product but an experience of consumption. In this regard, the primary purpose of a marketing strategy becomes to identify what kind of experience associated with the purchase phase will tend to make the best product. Walking through the contemporary theories about the consumer buying behavior, it is evident how the product itself represents only one component of a much wider offer, so that companies must develop a global entertainment and spectacularization of the listing goods, so as to engage the consumer all-round. Therefore, it is essential to the construction of shopping environments in which the secondary components revolve around the core business, in order to offer the customer/visitor a unique shopping experience; in this sense is fundamental the highly experiential characterization of FOC – marked by strong uniqueness and personalization – within which the offer becomes the group of the activities connected to the relationship between customer and company. It is through the design of spaces of aggregation and entertainment, integration with theme parks, health clubs, cinemas, organization of events, shows, audio-television and cultural events, that the Factory Outlet Centre are not only purchasing places of designer products at reduced prices, but also as multifunctional meeting centers. The approach to experiential marketing is crucial in the management of a FOC: the goal – therefore – is to offer high quality products in a welcome and original place, allowing the transformation of an ordinary moment of shopping into an unique shopping experience and the development strategies of the store and information management are the key factors in the skills of distributors.

As concerns the characteristics of the consumer, however, is increasingly fading away the belief that the same person couldn't buy at the same time in a boutique at full price and in an outlet at a discount price: the same fashion companies, providing the *outlet consumer* a range of services that are closer and closer to those offered at the *boutique consumer*, are strengthening this theory, implicitly confirming that the outlet is no longer a stopgap choice but a first choice. Each brand has full control over its stores and there are many companies that decide to enrich the shopping experience inside the outlet through positive signals: they are increasingly cared with attention to details and resemble more and more to those boutiques where the merchandise is sold at full price, sometimes adding free additional services such as the *personal shopper*. Recently several fashion houses have even prepared the design of alternative collections to offer inside the outlet in a totally exclusive way, not limiting simply to expose goods from past years collections or unusable clothes because characterized by slight production errors.

The purpose – which follows roughly the one related to traditional boutique – is to enhance customer loyalty, even though it happens in a different way considering the stores within the Factory Outlet Centre, where it preferred to work in the construction of a thin interpersonal relationships network instead to focus on predefined and standardized methods such as, for example, the points collection. In this way it becomes possible to prepare a real database of *vip* customers, which are promptly notified in case of promotions or discounts particularly interesting, based on the characteristics and preferences expressed from time to time by the customer at the time of his visit in the store[7]. Finally, about the topography of the outlet, it can be very variable because in some cases it is preferred to plan the village around a main street (*Value Retail*, Outlet Fidenza), while others tend to recreate real cities with alleys, whose buildings are inspired by the typical architecture of the area where the outlet is placed (Mc Arthur Glen). Ultimately, the opening of a Factory Outlet Centre can represent a great opportunity for the area and can provide a lifeline for the economy of the place where it is but – however – it's the strategic choice of the place in question that represent the most important variable, because an assessment error in this regard risks to compromise permanently the economy and local identity.

[7] The statistics show how the guarantee to the customers special attentions when he goes inside a store in FOC is extremely productive, so that at least 85% of the visitors make a purchase and the average expenditure per capita is about 600 euro.

3. Localization of an outlet and Impact on the Area. The Identification of Target Markets through Techniques of Geomarketing

It seems evident how the decision to place a factory outlet in a specific area produce effects not only against the direct beneficiaries and users of the structure but – taking into account all the indirect and induced effects that it is able to generate – also to all those economic and productive units located in the territorial tissue in question. For these reasons, at the opening of structures of this kind, it is appropriate to carry out the specific assessments that take into account a plurality of aspects: first, the relationship that has always linked trade with the dynamics of urban development; subsequently, synergies, opportunities and problems that there are between the economic and productive sector already existing in the territory and the new structure; finally, the social, environmental, economic and demographic factors deriving from the localization of a Factory Outlet Centre. The settlement of a FOC places – at the same time – problems and opportunities that need to be properly screened in order to predict the possible effects on existing economic activities and their future evolution, in terms of viability, protection of natural resources, quality of life and consumption habits.

The outlets are generally located near the motorway exits for two main reasons: from one side, they are more easily accessible, from the other, the sub-device positioning helps to reduce the impact of traffic on ordinary roads. Not infrequently happens that at different times of the year, generally corresponding to the festivities periods, the queues at toll stations located close to the outlet even surpass the 10km tail and just for this reason the planning of this type structures requires a right location and careful evaluations complementary: it is necessary to observe the problems both for what concerns, both for the strategic choices of placement of the brands inside the outlet, since the presence of the same brand within a few kilometers that produces a strong policy of price discrimination could trigger dangerous mechanisms of direct competition. Among the positive aspects related to the localization of a factory outlet there are – no doubt – the revitalization of the area subject of settlement (which corresponds in most cases to a peripheral area not yet interested by productive investments of any kind), the employment impact arising from hiring staff for the management of the shops located inside the structure, and – more generally – the economic benefits that derive from it including, in particular, the induced effects and the importance of location choices.

As for the induced trade, although it is difficult to be able to calculate its effect even when it is simply a new plant, it is possible to identify certain aspects that makes it “tangible”. Despite the inherent nature of this kind of settlements tend to melt the main activity with those peripherals (gas stations, food services, parking) outlets have a strong impact on employment, direct (management staff of the structure in its entirety, individual employees in each store) and indirect, less visible and in some cases not classifiable (window dressers, stand fitters, signs suppliers and all those have the opportunity to work in a non-continuous way with the outlet business of the outlet). In this way, to calculate the outlet induced effect is appropriate referring, first, to all occupational positions of various kinds that lie ahead at the opening of the structure (managing director, marketing manager, press secretary, secretarial, senior management, managers of individual stores, clerks, maintenance workers of the structure, technical staff etc.) but – however – it is also necessary to consider the effect that the location of a FOC can produce on the population’s income, divided in half between the one generated directly by the property while operating and the other produced by the center’s visitors that impacts on the economy of the territory. For what concerns the choice of location, the Factory Outlet are designed to be placed in areas of high centrality, which are accessible especially with means of transport which – at the same time – are able to guarantee long distances but with short duration of journey.

They appear clear the differences between the traditional shopping malls and *factory outlet centre*: if the first ones tend to be commonly placed in urban areas peripherals, FOC arise – usually – in the vicinity of two or more urban centers, but sufficiently distant from them (in most cases along the main communication highway), so as to pursue a logic of minimizing transportation costs faced by those consumers who represent the potential catchment area[8]. A choice of this type, however, is not exclusively dictated by logistical reasons, but also from a purely economic and anthropological needs; it is important that the placement of an outlet is perceived positively by the inhabitants of the place where it will be built because if on one hand the residents will suffer the inconveniences related to the changes of the landscape for the road, on the other they will be able to benefit the advantages that will arise in the short and in the long term, if the choice of location turns out correct.

[8]Birchester Village (Value Retail) lies about 60 miles from the London’s luxury road "Bond Street", the Fidenza Outlet Village, however it is close to Parma, still maintains the necessary distance from major centers like Milan and Bologna, while the outlet of Serravalle is about two hours by car from "via della Spiga" (Milan).

An outlet located in the best way can have a positive effect on the economy of the place because if inside it are directly generated new employment opportunities, at its edges can also indirectly reborn the local economy[9]. Because of the need for large surfaces for the location of a large commercial establishment, just like a FOC, it is not possible to think the realization of such structures within or in close proximity of an urban center. It is just through the dissociation of the outlet destiny from the one of the city that derives a further potential advantage: the absence of a direct competition – which would also be in an urban center – and the distance from the economic activities of the city are an element for the development of the factory outlet centre, which can enjoy in this way to a broader public of users-consumers from other areas and not just from the reference city. If, on one side, the opening of an outlet village is an opportunity to stimulate local trade, on the other it has – inevitably – threats and disadvantages for operators already existing in the territory.

In this case, the opening of an outlet in suburban area would be a competitive element to the malls present in the same area: the novelty, the new opportunity to visit and exploration, the new way of shopping and the easier accessibility for different types of target would lead to a distortion in the attitude to attend central areas repeatedly, and no doubt would generate a drop in consumption in the same. Additionally, the opening of an outlet could cause a reduction of turnover and workforce both for the downtown shops but especially for those sites in the peripheral zone. However, this disadvantage would be offset by the attractive power of the outlet itself towards the flow of consumers from neighboring cities, which ones could extend the visit also to citizens shops and limit the gap; of course, all this would be plausible only when the tourist attraction policy of the territory and the promotion and communication of the outlet converge in unison in the same direction.

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[9] The one just described is the case of Serravalle town, a country located in the middle of nowhere and struck by the closure of surrounding factories that held up the economy. The opening of the outlet has reconverted the place into a vibrant center of trade since into the immediate surroundings have arisen other commercial facilities and for leisure (golf course). The most significant element, however, is the possibility of work relocation of those who had suffered firsthand the closure of factories and – more generally – there has been a strengthening process of hotel's economy, thanks to which it was possible to replenish the municipal coffers through the urban development costs and the increase in property value.

Finally, among the possible disturbance factors, it is appropriate to underline that the opening of an outlet village can affect from a point of view of the increase in traffic in the area with the consequent negative environmental impacts resulting there from, in particular in the first opening period in which – as experience shows – increases traffic congestion, especially on holidays during the hours of exit from work (the late afternoon and evening). In order to analyze and understand the market dynamics in detail, integrating data that express the potential of the territory with those related to company and competitors performances, it is plausible to advocate the use of Geomarketing instruments. It is an innovative support for strategic marketing (identifying higher potential areas), for the commercial management (for the sales network optimization, the logistical plans and areas in which to promote conquest actions of the territory) and communication (towards a specific target, maximizing the investments). It often happens that the simple demographic and income indicators are not by themselves sufficient to define accurately the target customer profile, requiring a better knowledge of the area of its dynamics to undertake marketing efforts more targeted and effective.

The offer must be designed in relation to the area in which we choose to position ourselves and must integrate the classic market indicators such as socio-economic, demographic and psychographic variables with a careful process of geographical segmentation. The Geomarketing, using technology provided by information systems (GIS), is able to correlate the data already in corporate databases with external characteristics to get accurate answers on specific questions. To realize this segmentation and profiling system is collected a large number of variables and indicators of various sources (refer to the territory, housing, education, possessions of goods, wealth, consumption) and every six months this data are enhanced by market research that allow to know the used media and favorite channels. The variables that describe the target audience in market research are crossed with those available at the local level and reported on the territory with geo-statistical tools[10].

[10] In some cases, it is possible to take into account not only the socio-demographic and consumption variables, but also the strength of the brand, in order to reach the construction of an index of territorial absorption.

With the availability of territorial databases it is possible to build indicators of potential consumer market considering three crucial aspects: the presence of sociodemographic cluster closer to the profile of the own target consumer, the appearance of tourist flows and the presence of trade routes indicators or luxury roads that express indirectly the potential of a specific area in terms of retail (willingness to open a location) and wholesale (multibrand stores which offer a concession). The territorial approaches of this type allowmeasuring the use of territorial potential (sales/potential of the area), joining together sell-out and sell-in data. In other words, through the mapping of current and potential customers in a particular geographic area, it is possible to perceive intuitively what are the areas with greater or lesser propensity to penetrate the market and, therefore, to modify or diversify the associated marketing strategies. Through Geomarketing is possible to view the data on a geographic map and the immediacy in the perception of the obtained situation allows to identify opportunities and business issues related to the area under consideration, monitoring the evolution of the market simply by keeping the data updated in the database.

Additionally, in order to determine the success related to the development of a sales points network (in this case with reference to the boutique) is essential the choice of a concept and a shopping experience extremely linear: we need to identify the types of customers that gravitate in the area to define the range coherent with the target and build adequate marketing policies able to generate traffic in sales points, such as invitations to events, strengthening the system of customer relationship management, *guerrilla marketing*[11]. This activity is facilitated by the presence of the consumer loyalty programs, increasing in the fashion and luxury segment, both from the point of view of fidelized consumers, both as regards companies that begin to approach systematically the logic of CRM.

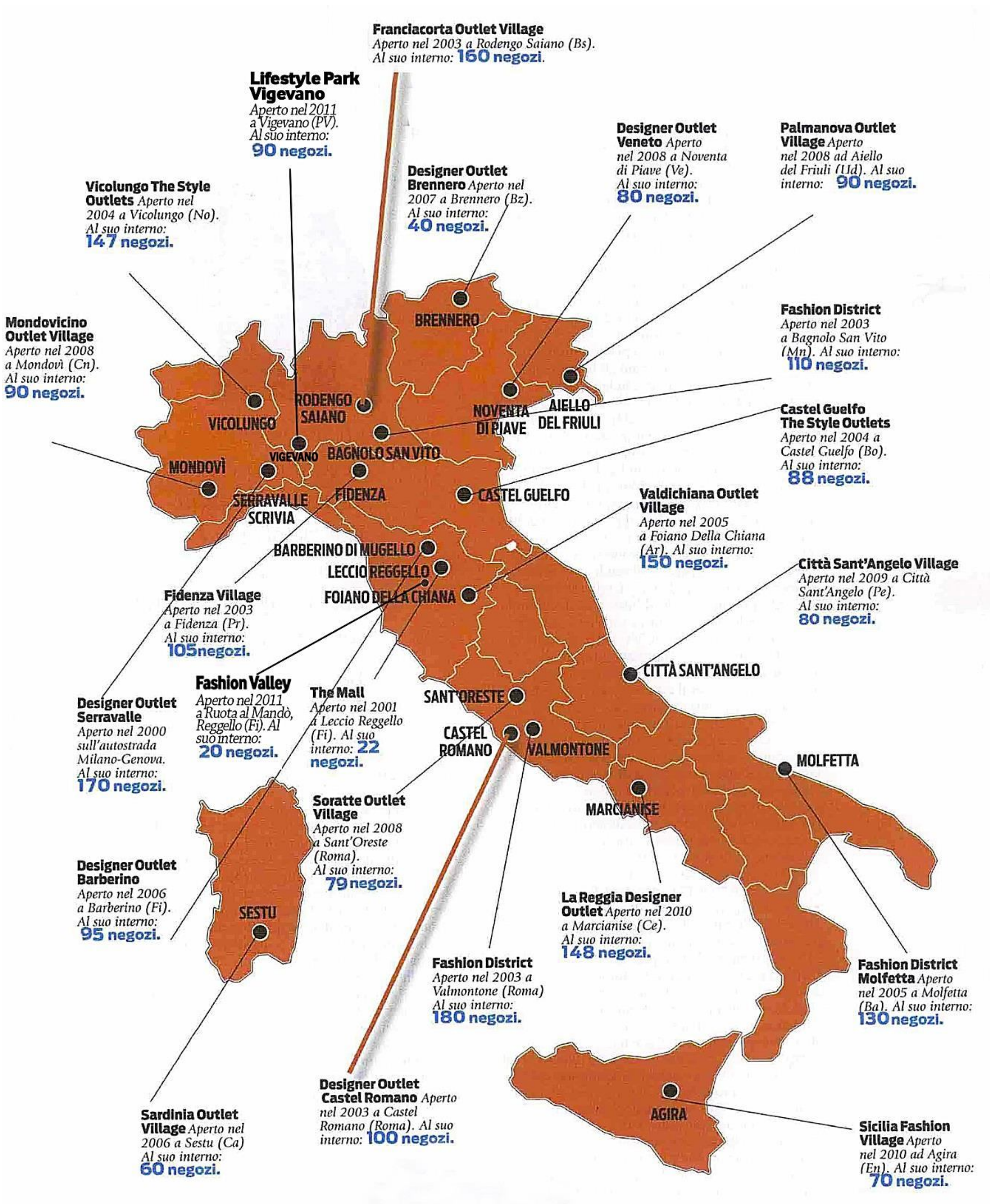
[11] The term *Guerrilla Marketing*, which can be reunited with the most modern *Viral Marketing*, was used for the first time in 1982, to indicate a series of non-conventional and low budget instruments, whichcan promote products or brands, using methods and creative stratagems to amaze the audience and capture the attention of the media. Originally, to make use of these tools were those small businesses without large capital to invest which compensated this deficiency by focusing in creativity the central element of any communication plan.

Ultimately, through the systems of georeferencing is possible to define in a specific way not only the pool of available market, but also the level of penetration that the outlet will obtain on the various sociodemographic clusters present within the area where the structure will born, the diagnosis and the ranking of the single territorial area regarding specific and average values, the orientation of the commercial activities of the sales network, sharing with agents analysis and business plan for an adequate exploitation of the area's potential.

4. The Factory Outlet Centre in Italy: Current Situation and Development Prospects

In Italy, in the area of large-scale distribution, the FOC have taken a very significant role for various reasons including the economic downturn that, causing a stagnation of consumption, has also highlighted the difficult times that the general businesses are going through. The reflection of this situation from the perspective of the buyer resulting in a substantial change in the way and in the places of purchase, since models such as the *discounters* are increasingly preferred by the average Italian consumer. In light of the difficulties encountered by other formulas – which in recent years had instead received wide acceptance by consumers – as the *franchise*, the Factory Outlet can assume a role undoubtedly important in this scenario. The market of the outlet can be configured as a kind of *secondary market* within which are introduced its own brands and productive peculiarities that don't undermine the main market, favoring moreover the disposal of excess production, through mechanisms of sales price adjustment.

Fig.1 – The Map of the 23 ItalianVillages – 2012



Source: personal graphic elaboration by Panorama and Markup

Although Italy has experienced the phenomenon of the Factory Outlet Center with about 20 years later than the United States and the first was opened only in September 2000 by *McArthurGlen* in SerravalleScrivia (Alessandria), this format has experienced a later exponential growth, in fact, already in 2003, there were 7 openings. At the moment Italy is within the top five among the European countries with major sales area (574.032 square meters and an average of about 100 outlets per structure) and are provided in not too remote times new openings, which will add up to 23 existing centers. Among the reasons that facilitated the development of the FOC in Italy, must be included without doubt the strong sensitivity of the Italian consumer to the brand, together with an high population density, which helps to provide a good customer base in order to find the affordability in investment. An additional and not a secondary element of development is represented by entertainment activities linked to the *villages*, in addition to the current time of economic crisis, which pushes before any other reason the consumer to try to save money on non primary goods such as textiles.

However, the formula of the Factory Outlet Centre is commonly identified with the product category of clothing and its performance follows, therefore, the fashion industry. However, the important proliferation of this type of channel coincided with a crisis in the fashion industry, due to several factors such as economic difficulties of consumers, high prices and also a way to dress different from the past. This crisis in the sector has caused a rift in the fashion market, leading to the subdivision of the consumers in two bands, one high and one low.And it is in this aspect that the villages of fashion have found their greatest advantage: fill the gap left by the average customer, the first to stretch the brake towards *shopping*in search of the great brand. The model of the FOC, characterized by a remarkable dynamism, is able to influence not only the initiatives of the industry, but also the production and distribution policies of the big brands. With regard to the typical profile of the Italian consumer, it is characterized by high price sensitivity, not least for the quality/price ratio, which converges in a more conscious approach to shopping, in order to push the consumer to a nomadic behavior in the choice of the desired store.

The Italian customer no longer sees rarely consumption as a search for gratification from purchase (experiential shopping) and according to a series of interviews conducted on the frequenters of FOC emerge several distinctive features: it is mainly women (55%), with a higher percentage concentrated in the range between 26 and 45 years, although the male percentage – lower – shows strong growth; the economic condition is concentrated in a medium/low income strip, with a percentage which ranks almost entirely in a segment characterized by the absence of points in correspondence of the extreme limits, upper and lower; as regards the level of education, instead, the average visitor holds the diploma (67%), while only in 2% of cases there is an higher degree; about the frequency of access, the typical consumer visits the structures 3 or 4 times a year (accompanied in 85% of cases) and he is willing to make between 20 and 50 km to reach the FOC; finally, almost all of the sample subjected to interview states to pay attention to the brand as well as to the quality/price ratio, enclosing his visit in a time that is slightly less than two hours and spending in average little more than what he would spend in a shop in the city center.

Taking as minimum size 10,000 square meters of GLA (gross leasable area) today on the Italian territory there is the presence of 23 Factory Outlet, with an area of about 570,000 square meters and about 2300 stores. About half of these villages is owned by four companies, two European and two Italian ones[12]. It is, therefore, a sector characterized by medium-high levels of concentration and this reflects in a rather specular way the European standards.

Table 2 – The Main European Operators

Promoting Companies	Nationality	Centers	Sales Ares
McArthurGlen	United Kingdom	18	400.000
Realm	United Kingdom	12	185.000
Neinver	Spain	11	195.000
Value Retail	United Kingdom	9	161.000
Concept & Distribution	France	9	120.000
Freeport	United Kingdom	3	115.000

Source: Magdus, Troyes, European Observatory on factory outlet

[12]The operator *McArthurGlen* counts among its FOC those of Serravalle, Barberino del Mugello, Castelromano and Noventa; *Neinver* instead realized those of Vicolungo and Castelguelfo. As for the two Italian operators, *Fashion District*head the FOC of Mantua, Rome-Valmontone and Molfetta, while *Promos*head those of Palmanova and CittàSant'Angelo.

Comparing the ranking of the first six European operators with the Italian one is easily observed as only two of these are present in Italy (McArthurGlen and Neinver), where McArthurGlen is the leader in terms of turnover. In Europe at least 70 operators are active but only the six listed in Table 2 represent 36% of all the centers currently operating in Europe, as well as 47% of total GLA. During the conference held in October 2009 in Milan and promoted by ICSC (International Council of Shopping Centers), dedicated to the Factory Outlet have been defined the standards proposed by the new advisory committee on FOC; among the main objectives there is the creation of a reference point for all parties involved – at various levels – in the field of the FOC, the monitoring of the evolution of the same through collaboration with the industry of shopping centers and the establishment of a point reference for information and public opinion. But among the objectives, the most interesting one concerns the research of a unique statistical definition that could frame the segment of FOC according to a classification principles that are the least ambiguous possible.

This is because, until now, the type of retail real estate has traversed an independent road from the one of the classic shopping centers, compared to which the FOC represent a feared competitor, and in some cases a real buying alternative, especially in the light of the current crisis. The formula of the *factory outlet centre*, present in Italy not from long time, has experienced a good success, creating an ever closer relationship with the surrounding territory and coming together with the same. The location of these centers has both positive and negative effects, which can occur both immediately and in the long term. It is possible to distinguish between economic effects (consumption, income, employment and the competitive balance between the commercial formulas), social effects (mobility, aggregation, social and cultural development) and environmental effects (on the topography of the area and the pollution degree of the area in question). Specifically, about the hardships that the placement of a FOC can cause in the territory, the main critical aspects are the effects on the environment (air pollution and landscape), the impact on the local economy (mechanism of competition with small local merchants), criticism of alleged social discrimination that involves the establishment of such structures. Among the main problems linked to the opening of an FOC there is undoubtedly the increase in traffic and a consequential surrounding pollution, which can cause a decrease in the value of housing adjacent the center; there is also a general reduction of small shops managed by local merchants, with a negative impact on the unemployment rate.

The supporters of this distribution model underline how the realization of new investments is be able to produce a set of positive effects on the local economy, including a general increase in economic resources for the improvement of the local settlement system and the generation of new employment, in addition to the positive effects on the implementation of rehabilitation programs of degraded or not used areas; the factory outlet centre also allow the important transfer of know-how in the area, new management techniques, new models of business organization, new knowledge from the point of view of organization and management. However, the impacts of large commercial structures like the FOC are able to establish tangible and intangible effects, and in order to evaluate the effects the most used techniques are both quantitative as the cost-benefit analysis (based on the quantification of tangible effects through monetization techniques of various kinds) both qualitative as the environmental impact assessment (oriented to a qualitative determination of impacts without a precise allocation of money but through the use of threshold values which to report the description of the identified effects).

Similarly to what was said about the effects, the settlement of a large structure such as factory outlet requires an integrated assessment of various aspects of compatibility including the territorial compatibility (which defines the settlement in relation to the availability and status of resources), the economic compatibility (which allows to verify the fallout on the activities already settled in the area and assesses the ratio compared to those planned and future) and the socio-cultural compatibility (about the identification of the effects on consumption patterns, styles and quality of life). In other words, the evaluation of a FOC tries to identify causal relationships between the direct and indirect impacts, reason that allows us to say that this type of structure is able to take on a key role in the creation or modification of existing links with the territory. Hence, the need to develop different models for the evaluation and management of these aggregations, which would allow, where possible, to transform potentially damaging effects in positive impacts for the territory.

Table 3 – Surface GLA, Number of Stores and Territorial Distribution of the FOC, 2012

Factory Outlet Centre	Region	Provincia	Municipality	GLA Surface (mq)	Stores (N°)
Città Sant'Angelo Village	Abruzzo	Pescara	Città Sant'Angelo	22.000	80
La Reggia Designer Outlet	Campania	Caserta	Marcianise	26.300	148
Castel Guelfo The Style Outlets	Emilia Romagna	Bologna	Castel Guelfo di Bologna	24.600	88
Fidenza Outlet Village	Emilia Romagna	Parma	Fidenza	22.500	105
Palmanova Outlet Village	Friuli Venezia Giulia	Udine	Aiello del Friuli	24.000	90
Castel Romano Designer Outlet	Lazio	Roma	Roma	25.000	100
Soratte Outlet Shopping	Lazio	Roma	Sant'Oreste	20.900	79
Valmontone Fashion District Outlet	Lazio	Roma	Valmontone	45.000	180
Franciacorta Outlet Village	Lombardia	Brescia	RodegnoSaiano	36.000	160
Mantova Fashion District Outlet	Lombardia	Mantova	Bagnolo San Vito	38.000	110
Lifestyle Park Vigevano	Lombardia	Pavia	Vigevano	35.000	90
Serravalle Designer Outlet	Piemonte	Alessandria	SerravalleScrivia	37.500	170
Mondovicino Outlet Village	Piemonte	Cuneo	Mondovì	19.000	90
Vicolungo the Style Outlets	Piemonte	Novara	Vicolungo	34.132	147
Molfetta Fashion District Outlet	Puglia	Bari	Molfetta	40.000	130
Sardinia Outlet Village	Sardegna	Cagliari	Sestu	17.000	70
Sicilia Fashion Village	Sicilia	Enna	Agira	20.000	70
Valdichiana Outlet Village	Toscana	Arezzo	FoianodellaChiana	28.000	150
Barberino Designer Outlet	Toscana	Firenze	Barberino del Mugello	20.000	95
Fashion Valley	Toscana	Firenze	Ruota al Mandò	5.500	20
The Mall	Toscana	Firenze	LeccioReggello	5.000	22
Dob- Designer Outlet Brennero	Trentino Alto-Adige	Bolzano	Brennero	10.000	40
Veneto Designer Outlet	Veneto	Venezia	Noventa di Piave	18.600	80
Totale				**574.032**	**2.314**

Source: reworking from Markup's data, 2012

4. Conclusions and Perspectives

From the considerations made until now, it is clear that the market of Factory Outlet Centre – although much later than the nations promoters – has known an important development in Italy. The fashion industry, a cornerstone for what concerns the Italian productivity in the world, is experiencing this phenomenon gradually. Among the reasons that can help to explain the delay in the acceptance of this new business model by big brands can be – no doubt – included the fact that the Italian designers, notoriously the most prestigious in the world, doesn't see with a good eye the possibility to put their creations in places considered of *second-level*; this, according to the point of view of a brand "Made in Italy", could be seen as a decreasing in the level of production, probably jarring with the proven reputation that the Italian tailoring owns the rest of the world.

However, it is certainly not the only one reason that is enough to explain the slowness of this format implementation: if in the other European countries the factory outlets work in the best way, with all the expanded services widely discussed above, in the Italian fashion villages there are considerable doubts in terms of services, hospitality, diversification. The consumer often finds himself alongside an avenue without trees, with few benches available, without free space where it's possible to have a stop and have a meal and – in some cases – with an excessive distance to travel in order to visit the structure in its entirety. All this, naturally, falls against not only to the potential consumer, who is not tempted to go back in a place that doesn't meet his expectations but, above all, the problem moved to the apex of the organization, resulting in many cases the closure of outlets and consequently the loss of a potential huge business both from the point of view of employment and from the point of view of economic-tourism, as happened not infrequently in Italy recently.Sometimes the reasons are sought in the unattractiveness of the proposed brands (what is widely true in some cases), sometimes in the difficulty of reaching the headquarters of the Outlet Village in question: this could also have a meaning in terms of the overall assessment of the structure, although it does not represent the only critical point which, often, falls into the lack of attention paid to details and customer needs, items that in most cases determine the success or failure of the business in question.

For these reasons it is necessary – in the first place – to institute a system for monitoring the performance of the outlet based on effective and accurate assessments of consumers (often distorted with questionnaires and questions not appropriate, which distort the final result of satisfaction), second, it is necessary a targeted analysis to the additional services offered by each structure to see if it might be able or not to meet the needs of the wide-ranging consumer, in last – and perhaps in order of importance, the first step needed – in the time in which it's planned to build a structure like the FOC should be weighted sector studies in the best way, by applying techniques such as the aforementioned geo-referencing and geo-localization, which can predict the actual feasibility and the economic response that can bring a structure of this type within a territory, deciding, in case in which the studies should demonstrate that the opening of a FOC can't bring benefit to the host community, not to proceed with the project.

In conclusion, despite the problems exposed, it is evident how a Factory Outlet Village can represent a significant opportunity for growth or development of a determined territory; all this applies to those locations that are located on the edge of the large urban areas, which often end up to obscure in a negative way the immediately surrounding land, through a shadow effect that causes stagnation of the local economy at the expense of the one of the urban center. The location of a FOC can allow the job relocation of those who have suffered the closure of major companies and that – as a result of this – do not find opportunities because the only reality present in its territory was just the company of which they were part; still, an outlet village can be the necessary tool to give the right visibility to those areas located in the vicinity of urban centers and allow a definitive development in terms of economy and tourism, without they should be satisfied by the indirect and induced impacts (sometimes minimum or non-existent) that come from the economy of the city center. It remain, however, many the perplexities on the actual effectiveness of these structures for the improvement of territorial marginal areas, despite through simple comparisons with other countries it's easy to understand how this tool can actually make a decisive contribution to the territories development. It is necessary to exceed certain limits in terms of planning and overall management of the facilities in order to be able to consider that also in Italy the Factory Outlet Centre as an important tool for the channeling of economic flows in the low visibility areas.

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