



RePro Case



POLINELLI

History

Polinelli holding was founded by Riccardo Polinelli in 1977, after a long working experience as the head of the sales department in an important eyewear producing company.

Riccardo Polinelli built up the project to set up his own business when he discovered the company he worked for was not sharing his ideas and taking the wrong decisions in running the business: he foresaw the risk the company he worked for was running, that's to say being dropped out from the eyewear business market.

Polinelli believes that one of the main features of a company to remain competitive is the sharing of the ideas and purposes to be reached in the business, in other words, the mission of the company and the objectives of middle management

Disagreeing almost totally with the company outlines, partly according to his own ambitions and partly anxious for the interests of the company, Polinelli matures the decision to start up a new business experience

Obviously, other facts helped and contributed in his decision, mainly his character and strong personality as a businessman.

Riccardo Polinelli is in fact extremely dynamic and perseverant, ready to work hard because he believes in what he does. He spends most of his free time doing various activities.

His business spirit and his optimism built up on a strong knowledge in the field of the eyewear business; contribute deeply in making him take the right decision and this is how he founded the Polinelli business, an eyewear trading company.

Riccardo Polinelli is aware of the great risk taking, not having any experience in running his own business, having always worked for other firms

Armed with his large experience in that sector he has to obtain the necessary financial resources to be invested in the setting up of the new business.

But Riccardo Polinelli is convinced and optimistic enough to set off in the new adventure.

And this is how Polinelli S.r.l is launched; its turn over is fixed to the legal minimum of (20, 000 000 lire) about (10329, 00 euros). The capital to be invested in the business is made possible thanks to Polinelli's family.

Riccardo Polinelli shows from the very beginning his strong spirit in dealing with the business, investing a great deal of energy in the development of the business for the coming years. In that purpose, he takes up precious working partners who will collaborate for a long period, motivating them and providing them with the right professional career prospects for the future.

The product

The slogan of the company is, "BE FIRST, BEST or DIFFERENT" which stresses the will to make out and launch the new product in the market, offering quality and performance to challenge the products of other competitors

In that purpose; Polinelli is aware of its limited dimensions and resources, financially and managerially, to compete with other international players and their world wide spread trade marks. Nevertheless he is determined to build up and share a part of the international eyewear business.

Polinelli is set up as a mono product business company. In fact, it deals exclusively with sun eyewear. In order to grow and avoid excessive focus on the mono product trading, yet, the company has always tried to develop its portfolio, increasing its range of eyewear products meeting the various needs of the large range of customers, including competitive prices and fancy. Classics, trendy and sportive high quality eyewear.

For that purpose the company has always manufactured products using various materials and designs. In the meantime it has always got the most of it, trying to play its own active part in the market, exploiting all the channels of products distribution. Polinelli products are in fact sold in retail shops, large stores, sportswear and in the main organized distribution sectors.

The opportunity of the company to consolidate its presence on the market, is facilitated by Polinelli himself, playing an important part in the managerial councils of the most important organizations, National or International. Among the most important ones, it is worth mentioning ANFAO, national

organization of optics producing articles, and CERTOTTICA, an institute for the authentication of optics, whereas for international organizations, it is worth mentioning, SAA, sun eyewear association of America, and EAS, European sun eyewear association, Riccardo Polinelli has contributed to found and is HEAD HONOURARY .

The Italian eyewear sector

Italy represents the homeland of the eyewear industry in the world, the products of which meet the needs of the eye wearing in the world., thanks to the good export skills of the Italian eyewear companies .The idea sun eyewear convey, whether in Italy or elsewhere in the world, goes beyond the technical and material content of the product. Sun eyewear are in fact, communicative bodies, life styles, expressing the personality of those who wear them.

The Italian eyewear industry has always acted as a pioneer and dictated a particular role in the international sector of the eyewear industry

The Italian producers devote their own creative resources and technical abilities to produce a wide range of optic products, including frames, sun eyewear, lenses, and various components, together with machinery for the industry and all their accessories. The Italian companies for optics, with their talent and the creative power of their designers are the ones that realize the most important collections of international logos.

These creative skills and aesthetics tastes common to many companies specialized in the Italian made, have played an essential part in establishing themselves internationally in the market place that still presently appreciate our products , as proved by the high rate of our exports , reaching 80 PERCENT OF THE ITALIAN production.

Polinelli is part of the productive system in the Varese made product, a county in Northern Italy, an area highly industrialized, in which the eyewear industry is asserting itself day after day. The sun eyewear district of Varese represents today the third in Italy for its importance, behind BELLUNO, known for SAFILO and LUXOTTICA groups, and TREVISO.

In the area nearby Polinelli group, we can find about fifty small sized factories activating in the production of eyewear and employing about a thousand people

The Polinelli trade skills

Polinelli's mission is and remains mainly commercial. Its main objective is to explore the market and meet the needs of the consumers wherever they are. For that purpose, it has, among its employees, a team of high skilled designers but in the meantime seeks for international guidance and advice for the study and production of new models, paying special care for style details to make its products more captivating to the customers.

A particular attention to grasp the new trends and introduce them in new collections is in attending the main fairs and exhibitions in this particular sector in which POLINELLI regularly takes part, MIDA in particular, held in Milan every year .

To secure the utmost of its products for the growing needs of the consumers, Polinelli pays special attention to the legislative legal side, the changes of which may affect the dynamics of the progress in this field. The company makes the right steps according to the NATIONAL and EUROPEAN regulations for the safeguard of the eye sights from ULTRAVIOLET sun rays. In 2003, the HIGH HEALTH INSTITUTE introduced a program "LTRA VIOLET RAYS and SOLAR PROTECTION" to test and evaluate the products for the protection of eyewear users against the dangers of sun rays.

So Polinelli guarantees high quality products in conformity with the European regulations (89/686 CEE and 93/ 42 CEE) by controlling the quality of the product during the processes of production before being commercialized and through CERTOTTICA, an institute that controls and certifies the products. The department for the control of the quality is technically up to date and a pioneer in that sector, disposing of the most recent and sophisticated machinery, such as OPTOSTER, SPETTROFOMETRO, DROP BALL TESTER, and FRONTIFOCIMETRO.

Regarding the running of the product distribution department, Polinelli suggests his retailers a very cooperative marketing approach called B2B

“business to business“ and introduces himself as a partner rather than a mere product supplier. Polinelli, in fact, runs the entire business within the retail points, setting product ranges, display, quantity, and ordering modalities.

To all his clients, Polinelli offers a whole package, eyewear products, display, anti shoplifting devices, means for advertising, securing in this way high quality services thanks to a highly computerized structure for the ordering and delivery of the eyewear products.

Consequently, the retailers can rely on Polinelli's know how for the supply with suitable trendy products and display them in the best of ways. The retailers can offer the customers the best Polinelli products in total security, backed by a strong and innovative company, with which they entertain strong and regular business relations at short term expirations within the retail shops thanks to Polinelli staff, ready to supply them, renew the products, and sort out any queries or trouble .

Polinelli most important retail clients in Italy are: RINASCENTE, AUTOGRILL, AUCHAN, CISALFA, INTERSPORT, SPORT SPECIALIST.

Today, Polinelli S.r.l occupies the whole national territory with a body structure composed by direct retailers and representatives organized according to the different areas. Furthermore, Polinelli, directs a net of merchandisers who run the management in the retail shops so as to offer their clients the best of services

The trademarks

Polinelli trademarks made out “FASHION AND SPORT“ are well known and easily recognized. To these trademarks, are added other marks worked out from straight collaboration with important distribution chain stores, for which Polinelli created dedicated marks, and commercialized only in these distribution stores .

Within the trademark “FASHION”, we can find, RICCARDO POLINELLI, the most elegant line , BEST FASHION, which includes a large full range of products for men and women, up to date according to the trend., BEST SPORT, a line of products studied for the most dynamic sportsmen and those who enjoy outdoor life activities, BEST KIDS, a line, strictly studied for up to

12 year old kids. The promotion of these products is carried out within the retail shops, through advertising spots, placards and radio spots. In 2002, Polinelli launched the sports eyewear brand and invaded the optic sport wear market, in both, winter and summer sport activities, with the trademarks "BLAST AND SUNTEAM"

So the main efforts are concentrated on the spreading of these trademarks in order to reach a constantly growing demand. This experience has proved to be a great success.

BLAST proves to be a high outline sport collection, strictly orientated for top sport wear shops, with technically, high quality and innovative products, destined for sportsmen and women. BLAST products are mainly mono and double lens goggles for top level athletes, free riders and snowboarders, and high tech eyewear that combines fashion and technique in a unique design and which guarantees top performances.

SUNTEAM is a free service product, a collection of good quality sun eyewear and goggles, to meet the needs of the least demanding customers. In the same collection, one can find MULTI SPORT and LEISURE TIME EYEWEAR for men, women and kids. Models and colours are trendy and characterized by their top fit frames, offering the best of comfort.

This careful business strategy led Polinelli to a leading role in the National market, with about 30 direct retailers and representatives to cover up the whole Italian national market.

Optical self service products

Another of Polinelli's particular choice has been to invade the alternative optical market, or the self service market. That's to say, eyewear for reading, praising top quality price bargains and offering a variety of trendy coloured eyewear.

Riccardo Polinelli discovers that, in this particular business, numerous are the inefficiencies in the handling of this system and decides to exploit and make the most out of it.

In fact reading eyewear, apart from optical chains have not been fully exploited, partly because of the retailers lack of knowledge and information to

provide the target clients, their preferences and partly because of the market evolutions. Polinelli outlines that, the person who uses this eyewear, has certainly never used any eyewear for reading in his life time and consequently is not eager to wear them. Such a client, who needn't buy such an expensive eyewear, might on the contrary buy a few pairs at lower price.

Nevertheless, the advantageous sales possibilities of self service eyewear products, combined with the phenomenon of ageing population, are bound to strong growing needs of reading eyewear.

The human resources

Riccardo Polinelli pays a particular attention to the running and valorizing of the human resources for a company. The company staff poor turn over testifies this. Still today, the head of the company has among his most loyal mates those who joined the company at the very beginning of its setting up. Another essential step taken for the running of the department of human resources is the continuous training, necessary to go with the coherent historical changes, the company is going through.

As an example, the organization of Spanish courses, consequently to the growth, Polinelli is witnessing in Spain. The course is compulsory for those having certain positions in the company but is optional to any employee who is willing to attend it.

Polinelli in the most recent years

Recently, Polinelli has launched a program of internationalization that has strongly determined its net for distribution, witnessing great progress in FINLAND, SPAIN, Portugal, NETHERLANDS, FRANCE, SWITZERLAND, NORWAY, THE TCHEQUE REPUBLIC, and AUSTRIA. In those countries the most important customers are important distributors such as, ALCAMPO, EL CORTE, TORERO, BLANCO CONTINENTE, DE BIJENORF, STOCKMANN, MAKO, BULA, and BATA. To enforce this international

expansion, it is worth mentioning that, up to the present time, Polinelli group represents 30% of the Portuguese most important market distribution chains and the rates vary from 5 to 10% in the rest of the European countries. This internationalization has been carried out in the best of ways. The selected countries are those geographically the closest (European countries) and those having cultural similarities and whose populations share more or less similar life styles.

Successively, more attention has been paid to the US market to prove the willingness of the Polinelli group to approach the sources of the new styles, fashion and inclinations as far as eyewear sports wear is concerned. Another important step for the strategy of the company has been to create and put up a company public store where the customers can easily buy Polinelli products. This important step has brought up meaningful advantages: On the one hand, it has increased the direct contact with the real eyewear users and on the other hand, it is being used as a potential eyewear wear desk in order to explore, make comments, control and adjust, in the best of times .

Time passing, an optician has been installed in one of Daverio's eyewear wear desk , turning the desk into a 360° optician's surgery, an aspect appreciated by the clients in such a way that the invoicing has increased drastically.

This positive experience, according to Polinelli's , will have to be carried out, setting up other factory outlets in the country.

Since the project of international expansion has been largely launched, Polinelli is wondering what next to be done to keep up with the company's growth opportunities. A company, as Polinelli's, founded through individual initiative and that has, in a short period of 30 years, known such a success, has at one time or another had to face financial difficulties to get the necessary funds to keep on growing .

Though the high growth rates of the company and the actual critical period of world trade instability and disturbance, Riccardo Polinelli keeps on thinking of how to consolidate, expand and improve his success to keep in constant competition on national and international markets.

From the very beginning, Polinelli has had the conviction that the success of a company is not the result of one's wealth or any lucky circumstances.

Interviewed on his managerial philosophy, he insisted on the respects of the company's basic regulations, considering that he who sows and cultivates great care for his own field, will sooner get the best harvest .

The balance sheets

Here attached it is possible to find the balance sheets of "Polinelli S.r.l." of 2002, 2003 and 2004. The sheets provide detailed information about financial and economic situation of the company. By examining the data it is possible to get synthetic, but useful, information to see the impacts of the decisions previously taken on the financial standing of the company and to analyze the possible future of the company. Therefore it would be interesting for you to analyze the balance sheets proposed.

So, once again, the entrepreneur, bearing in mind his own farm land, wonders about new opportunities for success.

The new competitive setting, globalization, technical innovations may offer various alternatives for that purpose. Various countries to invest in or trade with, new tastes and needs to meet, new potential markets, the possibility to maintain a life style and an image, bound to the "made in Italy" or to give them up in favour of a totally new look.

Enclosed:

- Invoicing graph reports relative to 1999/2005
- Invoicing graph reports concerning foreign business relative to 2001/2005
- Polinelli staff graph relative to 1999/2005
- Organization chart
- Balance sheets relative to 2002/2003/2004 (tables 1, 2)
- Pictures book and presentations c/o retailers

Web sites

- www.polinelli.it

- www.anfao.it
- www.safilo.com
- www.luxottica.com
- www.real-eyes.it/ (in italiano)

Balance sheets of Polinelli S.r.l

Table 1

Assets		2002	2003	2004
B	<u>FIXED ASSETS</u>			
I	INTANGIBLE ASSETS	15.836	39.604	354.483
II	TECNICAL FIXED ASSETS	388.202	420.302	470.811
	total fixed assets	404.038	459.906	825.294
C	<u>CURRENT ASSETS</u>			
I	INVENTORY	871.929	1.049.616	1.508.157
	-			
II	CREDITS	2.316.754	3.018.185	3.524.449
	- beyond 12 months	9.815	113.841	113.924
III	SHORT TERM INVESTMENTS	6	6	1.220
IV	CASH AND BANKS	36.839	42.989	115.355
	total current assets	3.225.528	4.110.796	5.149.181
D	B42	103.214	121.513	141.266
	TOTAL ASSETS	3.732.780	4.692.215	6.115.741

Liabilities				
A	<u>SHAREHOLDERS' EQUITY</u>			
I	SHARE CAPITAL	41.600	41.600	41.600

	RESERVES	124.603	154.071	163.697
	DEBTS TO HOLDERS	25.306	25.306	25.306
IX	PROFIT FOR THE PERIOD	29.467	9.624	56.506
	total shareholders' equity	220.976	230.601	287.109
C	<u>STAFF LEAVING INDEMNITY</u>	317.121	380.375	439.656
D	<u>DEBTS</u>	3.028.083	3.882.765	5.168.352
	- beyond 12 months	113.627	129.127	144.627
E	<u>ACCRUALS AND PAYABLES</u>	166.600	198.454	220.624
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3.732.780	4.692.195	6.115.741

Table 2

INCOME STATEMENT		2002	2003	2004
A)	<u>VALUE OF PRODUCTION</u>			
1)	revenues from sales and services	6.178.524	7.279.628	8.534.593
5)	other revenues	619.524	633.906	548.294
	total value of production	6.798.048	7.913.534	9.082.887
B)	<u>COSTS OF PRODUCTION</u>			
6)	cost of raw materials	2.075.336	2.353.103	2.999.952
7)	costs of services	1.041.285	1.266.173	1.532.444
8)	cost for utilization of third parties' assets	209.564	309.172	342.277
9)	personnel costs	1.721.968	2.090.271	2.161.255
10)	Depreciation and write			

	downs			
a)	depreciation of intangible assets	27.666	15.082	22.513
b)	depreciation of technical assets	276.261	278.019	240.664
11)	variation of inventory of raw materials	-64.468	-177.687	-458.541
14)	other operating charges	1.091.744	1.314.984	1.651.012
	total costs of production	6.379.356	7.449.117	8.491.576
	DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)	418.692	464.417	591.311
C)	FINANCIAL INCOME AND CHARGES			
15)	income from investments in share capital	213	111	127
17)	interest and other financial charges	243.465	250.785	299.756
	total financial income and charges	-243.252	-250.674	-299.629
E)	EXTRAORDINARY INCOME AND EXPENSES			
20)	extraordinary income	18.294	5.168	19.496
21)	extraordinary expenses	10.939	27.502	10.076
	total extraordinary income and expenses	7.355	-22.334	9.420
	PROFIT BEFORE TAXES	182.795	191.409	301.102
	income taxes for the	153.328	181.785	244.596

period			
NET PROFIT	29.467	9.624	56.506