# Title: **Flooding in Italy stokes fears of climate-induced supply chain delays**

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Catastrophic floods hit Tuscany in Italy earlier this month, following the floods in the Emilia-Romagna region in May. With climate disasters becoming more prevalent in the country, where so much of the luxury supply chain is based, brands and their suppliers are weighing the costs.

The most recent flooding is linked to Storm Ciarán, which has affected several areas in Europe including France, Belgium and the Netherlands, and has caused at least 17 deaths, with many others displaced from their homes. Italian prime minister Giorgia Meloni declared a state of emergency, and assigned an initial €5 million to assist the worst-hit areas. The disaster — which climate scientists have linked to rising temperatures, as warmer air holds more moisture — is estimated to have cost €300 million of damage, according to Italy’s Civil Protection Agency.

The floods are just the latest in a long line of extreme weather events in Italy, which is [particularly susceptible to climate risks](https://climateknowledgeportal.worldbank.org/country/italy) and is experiencing tropicalisation due to its position in the Mediterranean. The water body is heating up more quickly than others because of its smaller size; its position between the hot climate of Africa and mild climate in northern Europe; and its dense population, which can impact its sensitive ecosystems.

Italy plays a central role in luxury’s supply chain, providing both raw materials and manufacturing for companies of all sizes. Among the areas that have been hit the worst by the floods this month is Prato, one of the largest textile districts in Europe, which specialises in fabrics including cotton, wool and viscose. In some cases factories have been flooded, while in others their workers haven’t been able to get in, delaying production.

“At a high-end cotton mill we work with, half of our order was in a warehouse and the other half was completely underwater. They couldn’t save anything because as soon as the fabrics touch dirty water, it can’t be recovered,” says Lora Nikolaeva Gene, founder of B Corp certified womenswear brand Lora Gene. “They’re buying new computers and trying to find new premises to work from. The level of damage is something they haven’t dealt with before.”

This is having a significant impact on her own business. “Our suppliers say they’ll try to recover the material that we need as fast as possible, but that’s going to take another six or eight weeks, which is a longer lead time,” she says. Still, Gene considers herself one of the lucky ones; others have had it even worse. “It will affect the supply chain for sure, but luckily we are a DTC brand and we do slow fashion, thus we are way more flexible in the way we sell. The conversation with our customers is much more personal and they are willing to understand and work with us,” she says.

“A lot of the factories I work with haven’t [been impacted], but I know some factories have damages with machines ruined or fabric being wet, so you have to throw everything away,” says Samuele Shalloufeh, founder and CEO of Italian luxury fabric and leather goods manufacturer, wholesaler, importer and facilitator Benario Consulting. “When that happens, everything will be delayed. If you had an order that was in boxes ready to be delivered next week, you would have to start the beginning and that could take three or four months to recover everything”

It’s not just Italy. Designer Gene says her suppliers in Bulgaria are already facing raw materials shortages, as well as in Turkey where her cotton suppliers were facing issues after the earthquake happened earlier this year. Cotton in particular is rather vulnerable to the effects of climate change because it is so dependent on water — drought can be [ruinous for the crop](http://texastribune.org/2022/08/31/texas-drought-cotton-farming-economy/), while floods last year [impacted around 40 per cent of annual cotton yields](https://www.voguebusiness.com/sustainability/climate-change-is-coming-for-fashions-supply-chains) in Pakistan.

This could change the way brands design their collections. “Suddenly, luxury companies need to do what they’ve never done and tell the designers the limitations of the raw materials. In fast fashion we’ve done that, but in luxury the designer is the god who dreams of something amazing and then we find all the components to make that dream happen and the supply chain workers serve the designer rather than working together,” says Carlos Cordon professor of strategy and supply chain management at Swiss business school the International Institute for Management Development (IMD). “Now, designers may be told, ‘You can’t use these materials because they’re not available.’”

## **What’s the solution?**

To tackle the growing risk of flooding, some factories in Italy have restructured their buildings to keep fabric stores higher up. “I’ve seen some factories building levels, so the first level there’s nothing there just the reception, and then the second level is the showroom, and the third level is the cutting and sewing and all the fabric,” says Benario Consulting’s Shalloufeh.

Designer Gene says insurance policies may cover machinery, but not the actual fabrics. “Most people have insurance, but the insurance in Italy isn’t [very comprehensive] and doesn’t cover floods because it’s not something that they’re used to in this part of the world,” adds Shalloufeh. “New insurance policies cost a lot of money.” Even if you recoup any losses through insurance, you can’t get the time back, Gene points out. “The fabrics we’re getting are for next season, but I would imagine a bigger organisation will probably have fabrics coming for winter 2024, so we’ll see the consequence of that in stores next year.”

Shalloufeh says large brands could do more to help. “Big brands are investing in factories and changing the structure of the factory inside, but they never say, ‘I know you’ve been damaged, I’m going to give you money to help,’” he says.

In May, Kering and LVMH both donated money to help the Emilia-Romagna region, which was hit by deadly floods that left more than 36,000 people homeless. In a statement at the time, Kering said it has 13,000 employees in Italy and was “close to all those who are currently impacted by the dramatic flood in their daily lives”. LVMH, which has 35 production sites across Italy, said the country was its “second home after France”. Kering did not respond to requests for comment from Vogue Business regarding the Prato floods, and LVMH was not able to provide a comment by the time of publication.

Many big brands manufacture a small part of each item in a different factory that has a different specialism; this avoids copies but also minimises the damage to the overall product. “If the factory is damaged or has a problem, it’s also not a big deal because it’s only a small part [of the item],” Shalloufeh says. On the other hand, “they’ve established relationships with [these factories] for decades so it can be a challenge to change”, says IMD’s Cordon. “If you look at what’s happened overall in the industry, everybody has been looking for alternative suppliers to build a more resilient supply chain, but luxury has more challenges because quite often they don’t have a lot of flexibility and tend to be relatively slow compared to [other segments like] fast fashion.”

Another change we may see is that “companies will try to provide customers around the world with the same experience but use local and regional materials or solutions to create the product”, says Cordon, drawing an analogy of a branded chocolate bar that tastes slightly different across the world. “That takes a lot of trials,” he adds. Cordon also expects luxury companies to start stocking up on raw materials. “My expectation is some luxury companies may say, given we use these leathers or materials, let’s buy a bit more. For luxury, the cost of components is not as much compared to the potential profit, so they may increase their warehouse [capacities],” he says. However, this will only be possible for the brands with the access to bigger warehouses — smaller or middle-sized brands may struggle.

Gene is calling for better policies that support farmers and supply chain workers as climate issues persist, as well as offering funding for responsible practices. “We’re going to see more and more [climate disasters] everyday, but we’re not seeing a response with any policies being made,” says Gene. “I’m hopeful that the more climate change affects the supply chains of bigger organisations, they’ll have to do something because it’s disrupted already. Hopefully this is going to be a wake up call.”