

RETAIL

Richemont eyes Chinese ecommerce with Alibaba alliance

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Net-A-Porter's spring/summer 2018 campaign was shot in Mexico City. Image credit: Net-A-Porter

By SARAH JONES

Swiss conglomerate Richemont's Yoox Net-A-Porter Group is strengthening its digital presence in China by teaming up with local ecommerce giant Alibaba.

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Through a joint venture signed on Oct. 26, the retail company will launch Net-A-Porter and Mr Porter stores on Alibaba's Tmall Luxury Pavilion, taking advantage of Alibaba's expertise in marketing and ecommerce operations in China. This partnership comes as Chinese ecommerce sites continue to ramp up their efforts in the luxury market, catering to the growing appetite and customer base for high-end goods in the nation.

"This joint venture will present Alibaba with a significant advantage to secure a prominent and almost immediate front row seat in preparation for the forecasted growth of Chinese luxury consumers, who are expected to account for nearly half of the global luxury market by 2025," said Rebecca Miller, founder/CEO of **Miller & Company**, New York.

"With Alibaba bringing its resources and expertise in marketing, payments and technology infrastructure to the joint venture, Richemont will, in turn, provide Alibaba's 600 million consumers exposure to well-known luxury brands, elevating their level of taste and sophistication through greater exposure, choice and product knowledge," she said.

"Keep in mind, 68 percent of millennials' luxury purchases are 'digitally influenced.'"

Ms. Miller is not affiliated with Alibaba or Richemont, but agreed to comment as an industry expert. **Alibaba** and **Richemont** were reached for comment.

Linking up

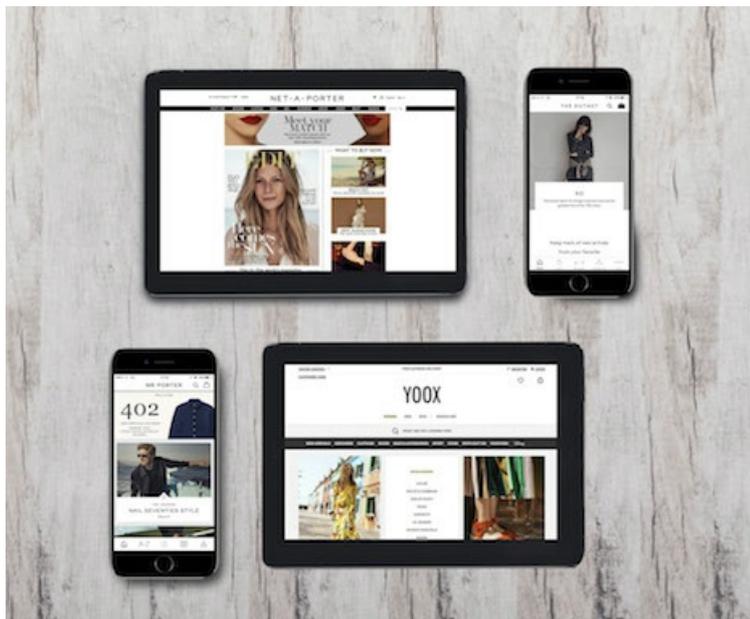
Yoox Net-A-Porter owns 51 percent of the joint venture, while Alibaba owns the remaining 49 percent.

On Tmall's Luxury Pavilion, Net-A-Porter and Mr Porter will be able to create custom brand stores for the platform's members.

The approximately 100,000 shoppers on the invite-only Luxury Pavilion spend an average of \$159,000 on Alibaba's

platforms per year. Luxury Pavilion shoppers also skew younger, with 49 percent of the customer base born after 1980, accounting for 45 percent of total sales.

Both of the YNAP-owned retailers are known for their editorially-driven ecommerce experiences, customer service and merchandise selection, with a mix of both established and emerging labels. Currently, YNAP sells 950 of the brands it carries in China.



YNAP's retail sites. Image credit: YNAP

This venture allows Alibaba to offer access to luxury labels by leveraging Net-A-Porter and Mr Porter's existing brand relationships.

Along with establishing Net-A-Porter and Mr Porter shops on Luxury Pavilion, the joint venture will work to create omnichannel shopping experiences for Chinese consumers. This will include efforts in merchandising, marketing, payments and delivery.

This initiative is also aimed at reaching shoppers when they are abroad. Chinese consumers tend to buy a significant portion of their luxury goods while traveling internationally.

"Chinese customers at home and abroad are an increasingly important customer base for Richemont and for the broader luxury industry," said Johann Rupert, chairman of Richemont, in a statement. "Our digital offering in China is in its infancy and we believe that partnering with Alibaba will enable us to become a significant and sustainable online player in this market.

"Alibaba has become the preferred online destination in China, with world-class teams in technology, logistics and marketing," he said. "Through this joint venture, we look forward to opening the important Chinese market to Net-A-Porter, Mr Porter and the luxury brands they offer their clientele."



Mr Porter will launch a brand store on Luxury Pavilion. Image credit: Mr Porter

Recently, Alibaba has added a number of luxury labels to its Luxury Pavilion, including Moschino and Giuseppe Zanotti. However, YNAP represents the upscale platform's first multi-brand distributor.

Counting on China

Chinese ecommerce sales have surpassed \$1 trillion for the first time, with no signs of sales or growth slowing down for the world's largest digital retail market.

The Chinese ecommerce market must be of increasing importance to luxury retailers as it continues to pull away from the United States in terms of value. According to Digital Commerce 360, in 2017 online purchases by Chinese consumers reached \$1.12 trillion, or 7.18 trillion yuan at current exchange, a 32 percent jump from 2016's \$869 billion in sales ([see story](#)).

Along with Alibaba, platforms including JD.com, VIP.com and Secoo are hoping to snap up greater shares of the booming luxury ecommerce market in China through partnerships.

Other ecommerce giants have also linked with luxury retailers, trading knowledge of the Chinese market for access to high-end labels.

Indicative of the need for local expertise in China, online retailer Farfetch joined forces with JD.com to tap into the country's growing luxury ecommerce market.

Farfetch has linked with ecommerce giant JD.com, allowing the former to benefit from JD's logistics, marketing and service capabilities designed to cater to local clientele. When ramping up efforts in an international market, finding a local player with existing infrastructure, relationships and firsthand knowledge can help to scale expansion ([see story](#)).

While Richemont was slower to adopt ecommerce than many of its competitors, its acquisition of the entirety of YNAP earlier this year sought to move the conglomerate in a more digital direction ([see story](#)). With the help of Alibaba, it is poised to tap into the lucrative Chinese ecommerce market.

"Johann Rupert has embarked on a 'transformation journey' to confront the complex demands of luxury consumers in a precipitously changing selling environment," Ms. Miller said.

"The consensus is, 'Richemont has to develop a robust omnichannel proposition that blends physical and digital channels to stay relevant to fast-changing customer experiences,'" she said. "This will take time and investment to bring to realization.

"Will this effort impact the joint venture with Alibaba or lead to greater innovation between the two entities? It may be too early to predict."