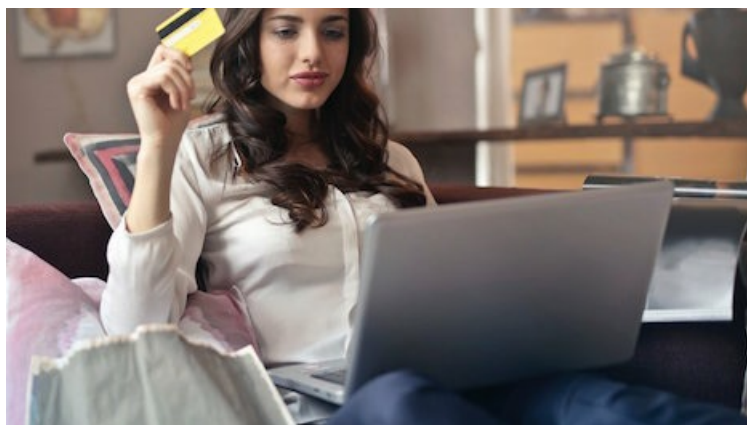


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How Richemont is plotting Yoox Net-A-Porter's expansion with Alibaba

January 11, 2019



Trump card: Alibaba to open doors for Richemont and Yoox Net-A-Porter in China. Image credit: Luxury Society

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While 2018 saw several luxury conglomerates consolidating their empires through brand acquisitions, others such as Yoox Net-A-Porter looked to strategic partnerships.

With the new Richemont and Alibaba deal, the company is now able to better bring its retail offerings to the world's largest luxury audience: China.

As Richemont's takeover of ecommerce giant Yoox Net-A-Porter has come to a completion, the Swiss-based luxury group is mapping out its growth ambitions for the platform and working towards solidifying its leadership position in the online space.

Among Richemont's top priorities: tapping into the China opportunity.

Yoox Net-A-Porter's presence in the region has been limited to date, as the company lacks the logistical tools to service the market. But as Richemont is looking to scale YNAP post-takeover, China which is expected to account for half of the global luxury market share by 2025 can no longer be ignored and provides a viable avenue to achieve the kind of growth the group is looking for.

Richemont partnership

That is why Richemont formed a strategic partnership with Alibaba earlier this year, which will enable the company to bring all of Yoox Net-A-Porter's retail offerings to Chinese consumers.

As part of the joint venture, Alibaba will provide the technology infrastructure, marketing support and payment logistics to power the launch of two new applications, for Net-A-Porter and Mr Porter.

In addition, both Net-A-Porter and Mr Porter will open online stores within Alibaba's Tmall Luxury Pavilion.

The venture is focusing on YNAP's on-season, premium luxury sites for the moment. But the company added that in the future Yoox and the Outnet, which sell off-season, discounted stock and Watchfinder, which sells second-hand watches online, will also be able to benefit from the tie-in.

Johann Rupert, Richemont's chairman, said that the venture recognizes the growing importance of Chinese consumers both at home and abroad, and readies the company to build up its China business, which is currently still "in its infancy."

"We believe that partnering with Alibaba will enable us to become a significant and sustainable online player in this market," Mr. Rupert said, adding that the investment costs of the deal were relatively small and that the company sees clear potential in the tie-in, despite the stagnation in consumer growth in China and the brewing trade war with the United States.

"We would not have done this deal if we could not see potential in the medium and long-term future," he said. "Everybody is excited about China and Chinese travelers, and we thought this was the best way to go. We don't have the tools for China, but Alibaba is a vast ecosystem and marketplace."

Plug-and-play approach

The deal has received positive feedback from retail analysts too, who see potential in the strategic marrying of YNAP's strong brand relationships and curated approach, with Alibaba's ecommerce leadership in the region, as well as its logistical, technological and marketing capabilities.

"It's a sensible move with an obvious appeal, of tapping into Alibaba's pool of 600 million potential customers," said Paul Thomas, retail consultant at the United Kingdom-based firm Retail Remedy, adding that Alibaba's anti-counterfeiting efforts across all platforms are also more closely aligned with YNAP's values than other Chinese ecommerce players.

According to Thomas, partnering with a local player and adopting a plug-and-play approach into China's bigger digital ecosystem is the best way to go, even for established ecommerce companies.

"This deal should accelerate YNAP's top line development in Asia, which only accounted for the group's sales in 2017," said Royal Bank of Scotland retail analyst Rogerio Fujimori, explaining that the company is more likely to see sales growth in the long term, given the increasing competition in the ecommerce space.

Ecommerce market in China

Other players such as Farfetch have also been making waves in China.

The online marketplace which was valued at \$5.8 billion following its IPO scored a \$397 million investment from JD.com last year to help expand its China business. It also purchased Chinese marketing platform CuriosityChina to add to its branding services and be better positioned to help fashion houses amplify their presence in the Chinese market via local social media platforms and digital marketing initiatives.

"YNAP's long-term sales potential looks compelling but the increasing competition in the ecommerce space means that higher investment power will be required," Mr. Fujimori said.

Mario Ortelli, partner at consultancy Ortelli & Co, seconded his thoughts saying that Richemont's targets to expand into new territories and become more agile are still "a work in progress" and it will take some time until the group can increase value for its shareholders and ensure that YNAP becomes profitable.

For YNAP, the Alibaba deal will also provide an important new growth avenue that will help outweigh the recent loss of a significant portion of its online flagship business.

Kering rival luxury group to Richemont has pulled out of its joint venture with YNAP through which the company was powering the online platforms of Kering-owned labels such as Alexander McQueen, Bottega Veneta, Balenciaga and Saint Laurent.

In the longer term, the deal could also provide a gateway into China for Richemont-owned brands such as Cartier, Piaget, Jaeger-LeCoultre and Vacheron Constantin, which have slowly been embracing the world of online commerce joining the carefully curated fine jewelry and watch hubs of Net-A-Porter and Mr Porter a new, growing category for the platforms that is also providing another additional means of achieving scale.

Natalie Yiasoumi is a journalist and editor specializing in luxury fashion, fine jewelry, business strategy and online retail. She has written for a wide range of business-to-business platforms and consumer publications in the London and Middle Eastern markets. Biggest areas of interest include the intersection of fashion and technology and new media frontiers.

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