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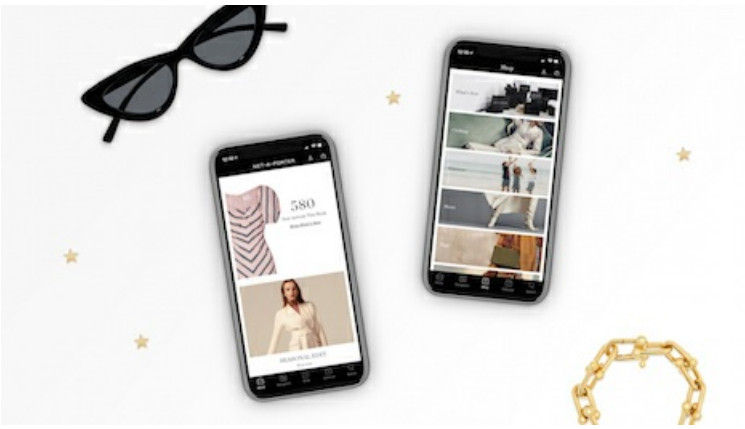
RETAIL

Monobrands gain ground in luxury ecommerce, but multi-brands maintain prominence: report

June 11, 2019



Net-A-Porter updates its mobile offerings. image credit: Net-A-Porter

By SARAH JONES

While luxury brands take the lion's share of all of the market's revenues, they are less dominant in ecommerce, accounting for only 68.9 percent of online sales.

According to a report from RetailX, brands have put more emphasis and investment into their bricks-and-mortar stores than their online presence, leaving more of the ecommerce market open to multi-brand players. Among the factors that have hindered monobrand luxury ecommerce growth were the delay in adoption of online sales, logistical issues, lack of multichannel services and the need to hire for key roles.

"Largely these problems are being solved, and with no lack of energy or ambition," said Ian Jindal, CEO of RetailX, London. "However the result has been a lag' in adoption, leaving the market to the luxury innovators like Net-A-Porter, Farfetch, Matchesfashion.com.

"In the interim the online channel has been a sumptuous magazine' for the products, but not an industry leading commercial channel," he said.

RetailX's report looks at 23 luxury companies in the fashion sector, including brands and retailers.

Luxury landscape

The most dominant forces in the luxury business are group owners such as Kering and LVMH. Of the companies that RetailX analyzed, these firms accounted for about three-quarters of total revenues and 60 percent of online revenues.

Meanwhile, monobrand owners, such as independent labels, capture 21.5 percent of the sector's revenues and 8.7 percent of online sales.

Comparatively, multi-brand pure players generate 24 percent of the sector's total ecommerce sales, despite accounting for only 2.8 percent of all luxury revenues. However, this quarter share of ecommerce is down from 44

percent in 2008.

French companies have a greater share of the overall luxury business than they do in ecommerce, whereas Italian, American and Swiss companies have a share of the ecommerce market that is greater than their multichannel portion of the luxury business.

The report estimates that 11 to 12 percent of 2017's 262 billion euros, or $296 billion, in luxury sales happened online in 2017.

More luxury sales are happening online. Image credit: Fred

Compared to the overall 3.4 percent compound annual growth rate expected for the luxury business through 2020, ecommerce sales are projected to rise 11.2 percent during the same period.

As ecommerce becomes a greater part of the luxury business, the bigger companies have been working to lead in that space, either through development or acquisition. For instance, Richemont acquired Yoox Net-A-Porter Group and Watchfinder last year in an effort to boost its digital capabilities.

Smaller companies are also struggling to keep up with the demands for online shopping, as they lack the bigger budgets that groups have. Some have chosen to tap third parties for the transactional side of the Web sites.

Along with digital commerce, China is another of the business' key growth drivers.

Chinese consumers represent one-third of total luxury spend. Even though this audience is significant for luxury brands, only six in 10 have a Chinese language option for their Web site.

Further, integration of mobile payments such as WeChat Pay, Unionpay and Alipay is virtually nonexistent, with only one or two of the index brands offering the payment methods that are preferred by Chinese consumers.

2017 was a challenging year for most luxury companies, with many of those studied seeing their worst growth rate since 2009. Balking the trend were Kering and Chanel, who each saw their strongest performance during the time period in 2017.

Circular economy

RetailX sees opportunities for brands to get into the secondhand personal luxury goods market, worth an estimated 17.5 billion euros, or $19.8 billion.

As of now, the penetration of the secondhand personal luxury goods market is only 7.6 percent of the total of new items sold.

Similarly to how car marques own their used market, there is the potential for luxury brands to take advantage of the interest in pre-owned personal goods such as handbags and watches.

The report notes that in the U.K., there are more transactions in the secondhand car market than there are new vehicle purchases. This circular economy also opens up brands to a more aspirational audience.

Swiss watchmaker Audemars Piguet is reportedly launching its own secondhand business, catering to the booming market for pre-owned luxury.

According to a report in Reuters, the brand piloted secondhand sales at a store in Geneva with plans to roll it out to more of its Swiss locations. Audemars Piguet's strategy marks a potential shift in luxury resale, showing the potential for brands to own more of their products' lifecycles (see story).

Similarly, luxury consignment platform The RealReal and fashion label Stella McCartney have partnered to exhibit the opportunities resale platforms offer.

In an effort to create more sustainable practices in fashion, The RealReal and Stella McCartney are working together to keep the fashion brand's items out of landfills through consignment. The partnership offers incentives to Stella McCartney customers looking to discard old clothing (see story).

"I think that there's more heat than light at present," Mr. Jindal said. "Consumers talk a lot about values of sustainability etc., but continue to buy fast fashion with an unabated appetite.

"However, the global brands have adopted the cause of sustainability not just during manufacture, but the whole of a product's impact-cycle and it's now a matter of brand identity and core value to them," he said. "This means that we'll see a continued push from the luxury brands, and growing appreciation and behavior change from consumers. I don't expect a single Big Bang' moment, but rather a continuous journey to mainstream.

"Initially products will be affected, and then services, then refurbishment services can grow as well as marketplaces for products, product-sharing/renting and of course end of life recycling and recovery. These will all grow together - although perhaps not always in synch."