

APPAREL AND ACCESSORIES

## Safilo to cut 700 jobs, turn consumer-facing and digital as loss of \$220M LVMH business stings

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*Safilo has to reinvent itself after luxury brands take eyewear manufacturing in-house. Image credit: Safilo Group*

By STAFF REPORTS

Safilo Group, an Italian eyewear giant that makes sunglasses and frames for some of the biggest names in luxury, is initiating a major restructuring plan after the loss of its LVMH licensing business.

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The 2020 reorganization is designed to make Safilo more focused on building a digitally oriented, direct-to-consumer business even as it seeks licenses to make eyeglasses, frames and sunglasses for leading luxury and premium brands. The loss of LVMH licenses will cost \$220 million (200 million euros) to Safilo's bottom line and lead to the 700 job redundancies in its Italian home base.

"There are clear challenges and opportunities posed by the evolutions of the market context, from the internalization of luxury eyewear by the two key industry players, to the ongoing industry consolidation and digitalization," said Angelo Trocchia, CEO of Padua, Italy-based Safilo, in a statement.

"Today, at Safilo, we are facing them all, with a pragmatic approach, updating and upgrading our business model with clear, new and necessary choices," he said.

"We will continue preserving and enhancing our undisputed leadership in design, product development and innovation, our global commercial footprint and our strong know-how in brand management to continue pursuing a high-potential multi-segment brand portfolio strategy.

"At the same time, we are now upgrading our business model through a more decisive shift towards a digital transformation strategy, which will support and enable significant improvements of our customer-centric activities through the adoption of innovative, state of the art digital contents and services, as well as allow a more significant growth of our direct-to-consumer ecommerce activities through an increasing mix of internal and external capabilities and investments.

"Today, we also need to reorganize our manufacturing footprint by realigning its current capacity to our future

production needs, thus safeguarding the group's competitiveness and financial solidity for the long term.

"Despite the call for the emergence of alternative solutions, the new industrial plan ultimately impacts a significant number of people, for whom we will activate all the best possible and most responsible solutions, working closely with trade unions and workers' representatives."

#### Capacity revamp

**Safilo** has opened talks with trade unions and workers' representatives to discuss the layoffs.

The company expects its wholesale business to grow 3 percent for 2019 compared to the year-ago period, owed mostly to the performance of the three eyewear brands it owns, Carrera, Polaroid and Smith.

However, Safilo has downgraded its revenue guidance for 2020 to 960 million euros to 1,000 million euros, from the previous target of 1,000 million euro to 1,020 million.

This downgrade in guidance is primarily due to the winding-down of the Dior license. LVMH had served notice July 1 this year that it would not renew Dior's license beyond 2020.

The "industrial reorganization and restructuring plan," as Safilo puts it, is forcing the company to rethink its manufacturing footprint and business model.

LVMH will end its Dior license Dec. 31, 2020 and the Fendi business July 1, 2021. The loss of such big accounts has led to extra manufacturing capacity that Safilo may not need.

That said, licensing is still a lucrative business, with the extension of the partly LVMH-owned Marc Jacobs contract to end of 2026 and the renewal of the Tommy Hilfiger, Hugo Boss and Kate Spade licenses.

Safilo signed new licenses this year, including David Beckham, Levi's, Missoni and M Missoni, Levi's and Under Armour.

Kering, owner of such brands as Gucci and Bottega Veneta, has also renewed its supply agreement with Safilo.

But Safilo one of the bigger eyewear makers along with Luxxotica is not taking chances anymore.

The company is buying trendy eyewear brands to develop its own direct-to-consumer business as insurance against conglomerates such as LVMH, Kering and Richemont taking their eyewear manufacturing operations in-house. As a consequence, Safilo announced days ago that it had acquired Blenders Eyewear, a sunglasses brand popular in California.