

APPAREL AND ACCESSORIES

Prada sees double-digit growth in APAC, excluding Hong Kong

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Prada reports APAC growth took a hit due to Hong Kong protests in FY 2019, but mainland China remained strong. Image credit: Shutterstock

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Italian luxury fashion house Prada SpA, parent company of **Prada**, **Miu Miu**, Church's and Car Shoe, reported on March 18 that its FY 2019 results (ending Dec. 31, 2019) showed positive momentum, with revenue growing 2.7 percent to 3.22 billion euros and profits up 24.5 percent.

In overall APAC, the company reported a slump for FY 2019. This is largely due to the **state of protests in Hong Kong that widely affected the luxury market**.

Excluding Hong Kong, full price retail reached double-digit growth in H2 in APAC.

Prada attributed overall global positive performance to **a long-term strategy on brand exclusivity and value**.

Full-price sales continued to increase 6 percent year-on-year, which offset the negative impact of ending markdowns and a reduced wholesale allocation. Ready-to-wear sales grew by 12 percent in the first half-year.

However, facing the unexpected global presence of COVID-19, the company is unsure whether such growth can be maintained.

"The start of 2020 has been very buoyant for the Prada Group; the coronavirus outbreak has interrupted our growth trajectory," Prada's chief executive, Patrizio Bertelli, stated.

When asked about the virus' effect on the group, he explained: "We are expecting a negative impact on this year's results and are implementing a comprehensive contingency plan to mitigate it, relying on our flexible supply chain and lean organization."

The Jing Take

Prada's recent growth in mainland China can be attributed to the brand's long-term business transformation strategy.

In many areas, the brand has been careful to jump too quickly to adopting popular marketing strategies in the China region. Notably, it was only last summer that the brand began to actively **push creative campaigns featuring influential local idols**.

Over the past year, the brand has been more focused on localizing on the mainland, given that the Greater China market accounts for approximately 22 percent of the company's business.

The group also recently clarified it is now pursuing, "more stringent policies to better control digital platforms."

With its recent opening on Tmall and a pop-up WeChat Mini Program dedicated to SS20, Prada's digital efforts in China are only just taking off.

Meanwhile, the recent appointment of Raf Simons as brand co-creative director initiated ripples of positive reactions from fashion insiders and netizens in China. Whether this will translate to commercial success remains to be seen.

The state of COVID-19 in China will undoubtedly affect the brand's results for 2020, as is the case for the wider luxury industry.

However, a more localized digital strategy, coupled with the excitement around Mr. Simons, could result in a strong financial future for Prada.

Whereas many brands have largely exhausted their digital options in China, Prada is only now easing into them and stands to gain.

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