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## How China's silver lining saved Salvatore Ferragamo

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*COVID-19 hurt Salvatore Ferragamo's performance in the first half, but the brand projects an upswing for the second half of the year, especially in China. Image credit: Shutterstock*

By [Chenyue Fu](#)

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Italian luxury goods company Salvatore Ferragamo Sept. 14 reported its half-year earnings for the six-month period ending June 30, with sales heavily impacted by the enforced lockdown in the wake of the **COVID-19** pandemic.

Given this, the company posted a net loss of 86 million euros, compared to a handsome profit of 60 million euros for the same period last year. Revenues also fell 46.6 percent to 377 million euros, compared with 705 million euros at the end of June in the previous year.

The Asia-Pacific region, which has long been **Ferragamo's** main market, represented 44.3 percent of total sales in the first half of 2020 for Ferragamo, even though it suffered a 39.9 percent decrease in sales in the period, which amounted to 166.7 million euros.

In the second quarter, however, their retail channel in China recovered, recording revenue growth of 11.6 percent at constant exchange rates the silver lining for a rough first half of the year.

**Michele Norsa**, executive vice-chairman of the Florence-based company, pointed to the Asia market as a winning asset, with the brand's "special place in the heart of consumers, especially in Asia is a big advantage" over some competitors.

Meanwhile, Mr. Norsa sees opportunities for investments and to increase the brand's presence in key cities in mainland China and cited as "most interesting" the opening of Chinese borders to Macao, **Hong Kong**, Thailand and Cambodia post-pandemic.

Moreover, Ferragamo CEO **Micaela Le Divelec Lemmi** pointed to an ongoing reorganization of the group's network of stores, as well as potential closures in Europe.

"There is solid ground for growth: we're planning five openings in China in **second- and third-tier cities**, and to leverage pop-ups to engage customers."

Ms. Lemmi also emphasized Ferragamo's investments in its **digital platform** and communication and its **omnichannel** service.

"We are not changing our priorities," she said.

By product category, sales of shoes fell 46.4 percent to 159.5 million euros, representing 42.4 percent of Ferragamo's total.

Leather goods and handbags fell 43.6 percent to 158.6 million euros, accounting for 42.1 percent, while ready-to-wear dropped 47.3 percent to 19.1 million euros, representing 5.1 percent of the total.

However, Mr. Norsa expressed his confidence in the brand's core strategy and storied category during the earnings call.

"We need to have a vision and a mission, and Salvatore Ferragamo is the ideal candidate to be a leader in women's and men's shoes," he said.

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