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COMMERCE

Luxury acquisitions show signs of recovery, new frontiers

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Lanvin-owner acquired Italian footwear brand Sergio Rossi in early June. Image credit: Sergio Rossi

By NORA HOWE

The luxury industry has recently witnessed a multitude of mergers and acquisitions, indicating positive growth and emerging business opportunities despite a turbulent business environment.

From leather goods and textile brands to cloud services providers and resale platforms, luxury business is making moves as it attempts to rebound from a contemptuous 2020. With digital capabilities and sustainability driving consumer behavior, eyes and dollars are on the circular economy as companies invest in secondhand ecommerce opportunities.

"Companies are confident that the economy is on the rebound and there are opportunities for such transactions," said Steven Berger, partner at management consulting firm Kearney, Chicago. "More specifically, smart companies have been cautious over the past year, preserving cash and limiting their discretionary spending.

"Coming out of the pandemic, we now see that firms are more confident about the future and are quickly trying to fill strategic gaps in their portfolio and capabilities."

M&A

Towards the end of 2020, the worst year in record for the global fashion industry, executives at McKinsey suggested that luxury was in a prime position for more acquisitions and mergers (see story).

The slew of business acquisitions made in the first half of 2021 kicked off with the highly anticipated close of the massive $15.8 billion deal between French conglomerate LVMH and U.S. jeweler Tiffany & Co. (see story).

In June alone, the industry saw luxury players investing in apparel, leather goods, omnichannel and supply chain opportunities and cloud services.

Swiss luxury group Richemont acquired 100 percent of Belgian handbag house Delvaux in a private transaction announced earlier this week.

In 1908, Delvaux became the first house to file an official patent for a leather handbag, thus being lauded as the inventor of the modern luxury handbag. Through the acquisition, Richemont is looking to strengthen its soft goods portfolio and position Delvaux for its next stage of development by leveraging Richemont's global presence and digital capabilities.

Richemont is hoping to augment Delvaux's customer engagement and omnichannel presence (see story).

On July 1, Retail Ecommerce Ventures (REV) made a successful bid to acquire the business and assets of British couture brand Ralph & Russo. The investment company has a record of acquiring and growing well-known global retail brands, and is confident this acquisition will bolster the success of Ralph & Russo, after the fashion house struggled amid COVID-19 lockdowns (see story).

Filati Biagioli Modesto S.p.A. is a cashmere company in the Tuscany region of Italy. Image courtesy of Ermenegildo Zegna Group

Italy's Prada Group and Ermenegildo Zegna Group partnered to acquire a majority stake in a cashmere company in an effort to protect the country's supply chain. Under the new agreement, Prada Group and Zegna Group will each have a 40 percent share in Tuscany's Filati Biagioli Modesto S.p.A.

Through the partnership, the two independent Italian luxury groups are prioritizing preserving "Made in Italy" craftsmanship, allowing them to assure continuity and preserve know-how (see story).

It has been a busy month for Zegna, as it also acquired a majority stake in high-end fabrics company Tessitura Ubertino, strengthening its luxury textile division. Based in Pratrivero, Italy, Tessitura Ubertino is a boutique weaving mill that specializes in premium quality fabrics for women.

Zegna continues to accelerate its growth trajectory by acquiring specialized textile manufacturers while preserving Italian craftsmanship (see story).

Owner of French fashion label Lanvin, Chinese luxury conglomerate Fosun Fashion Group, acquired Italian footwear label Sergio Rossi. Fosun Fashion Group signed an agreement to acquire 100 percent of Sergio Rossi S.p.A. from Absolute Luxury Holding, an independently-managed subsidiary of Investindustrial. Along with Lanvin, FFG's portfolio includes Austrian lingerie label Wolford and Italian menswear brand Caruso (see story).

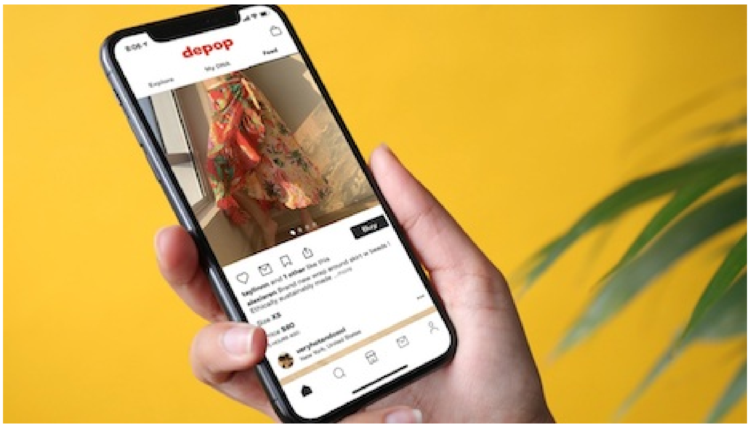
On the digital front, U.S. retail company Neiman Marcus Group is expanding its digital investments with its acquisition of Stylyze, Inc., a cloud-based software platform. The acquisition of Stylyze, which helps deliver enterprise solutions to home and fashion retail verticals, will assist Neiman Marcus in building a differentiated luxury experience.

This is the first of several digital investments and growth moves planned for the retail group.

While Stylyze's technology currently supports Connect, the retailer is planning to explore integrating its functionality into additional digital tools, including ecommerce, mobile apps, messaging channels like text message, chat, and phone calls and other engagement channels (see story).

Resale investments

According to the 2021 Resale Report by resale platform ThredUp, 33 million consumers bought secondhand apparel for the first time in 2020, and 76 percent of those first-time buyers plan to increase their spend on secondhand in the next five years (see story).



Depop is an online marketplace and mobile space where users celebrate culture and fashion through commerce. Image credit: Depop

Global investment in this space reflects this rapidly accelerating interest.

Community-powered online marketplace Depop is joining Etsy, Inc's family of brands as secondhand and consignment fashion continues to grow. Etsy operates two-sided online marketplaces that connect millions of buyers and sellers around the world.

Like Depop, Etsy is committed to fostering authentic, human connections that extend beyond transactions, and using the power of business to strengthen communities and empower people. With the support of Etsy, Depop hopes to grow and develop its global community, enhance its product and marketplace and accelerate its mission to build the world's most diverse and progressive home of fashion (see story).

While luxury conglomerates and brands have not yet acquired any resale or consignment services, they are certainly investing.

This week, online retailer Farfetch partnered with ThredUp to launch its donation service in the United States, following the successful launch of the service in the United Kingdom in 2019.

Consumers in the U.S. can now donate clothes they no longer wear to earn Farfetch credits and raise money for charity.

Farfetch is ThredUp's first resale-as-a-service (RaaS) partner, leveraging its new white label offering and creating a fully customized resale experience tailored to the Farfetch brand and audience (see story).

Last week, French luxury company Kering expressed interest in the circular fashion space with an investment in luxury subscription handbag rental service Cocoon, marking a noteworthy shift in how luxury is approaching the rental/resale market.

"The past year has shown that companies need to get back to basics, focusing on their core and shedding non-core assets," Kearney's Mr. Berger said. "This provides opportunities for strategic and financial (e.g., private equity) buyers.

"For example, private equity has been on the sidelines for a good portion of 2020, waiting for the right opportunities to become available," he said, "We are seeing new seeing private equity funds be much more aggressive in their acquisition appetite, and strategic buyers are looking to build their capabilities and fill portfolio gaps."