

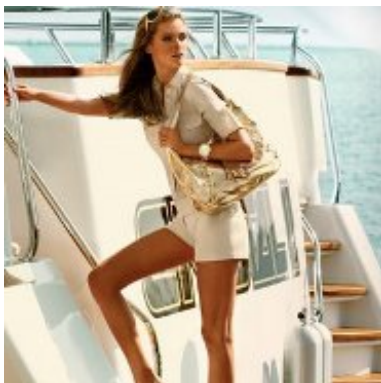
COMMERCE

## Going public is key for luxury brands to grow on a global scale

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By KAYLA HUTZLER



A number of luxury brands went from privately- to publicly-

owned companies in 2011 to help increase the scale and reach of the label, particularly in emerging markets.

Luxury brands such as Michael Kors and Salvatore Ferragamo went public in their respective hometowns. However, Prada and L'Occitane successfully took to the Asian market for their public listings and will likely inspire others to do so in 2012.

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“A lot of luxury companies took 2010 as a year to become leaner and more focused organizations,” said Tomasz Stefanowski, a New York-based director in the financial advisory services practices of **Duff & Phelps**.

“Over the last year and a half they have gotten the benefit of strong spending by the American luxury consumers and then the benefit of the Asian middle class aspirational shopper and the huge increase of the wealthy consumer in Asia that are interested in Western luxury brands,” he said.

“So those factors from a performance point-of-view, combined with the strong pricing multiples that these companies could get for their businesses resulted in these companies being able to raise capital [in the form of IPOs].”

Points for public

The potential growth of interest in luxury brands from consumers in the BRIC [Brazil, Russia, China, India] markets likely resulted in the influx of luxury brand IPO listings this year.

In many cases luxury brands did not have the capital to expand into these countries. However, going public gives brands the necessary funding to do so.

“The wealth across the world continues to grow amongst the highest earners and BRIC countries along with the U.S. and Europe continue to fuel the growth of wealth worldwide,” said James Dean, vice president and head of luxury practice at [WealthEngine](#), Bethesda, MD.

“Luxury brands are in growth mode and going public allows them to expand their reach and open up more stores anywhere in the world based on where the affluent are shopping,” he said.

Along with the increase in capital, going public also gives luxury brands more structure and more discipline to help them grow and expand in new markets, according to Milton Pedraza, CEO of the Luxury Institute, New York.

Indeed, the growth of luxury brands and the continued increase of affluent consumer spending in 2011 presented a good time for marketers to tell their story to potential investors.

“I think there was a wonderful window of opportunity where, despite a world recession, luxury brands had been doing extremely well,” Mr. Pedraza said.

“Therefore, they had a wonderful story to tell not only about the present but the future,” he said. “Not only the resilience of luxury but the potential growth.

China bourne

A number of big-time luxury brands have already jumped the gun and listed their companies publicly to much success.

American lifestyle label Michael Kors went public last month on the New York Stock Exchange.

Its initial public offering price was \$20, and a total of 47.2 million shares were sold above at \$20 or more. The brand was up 21 percent on the close of its first day, T

The public offering put the Michael Kors company at a value of \$3.6 billion dollars, according to an article by the New York Times.

Additionally, Salvatore Ferragamo went public in its home city of Milan this past summer.

The company sold about 25 percent of its stock in a deal worth \$520.4 million in an effort to develop the organization with continuity and a strong management, according to Women's Wear Daily.

Indeed, some luxury brands looked to China for not only a new affluent consumer base but also for investors.

Italian fashion empire Prada went public in Hong Kong with the largest IPO for the country last year.

The brand listed about 20 percent of its shares on the Hong Kong market, bringing in about \$2.15 billion, according to an article from Forbes.

Indeed, many other luxury brands were also stated they were planning to go public in 2011. Luxury outerwear brand Moncler and American designer Tory Burch were both rumored to be going public in the near future.

Prada's example may cause these brands and other luxury labels looking to go public to pay more attention to the Hong Kong investors.

"By listing in Hong Kong, a luxury brand gains not only attention from wealthy Asian investors but also increases its brand awareness in China and among Asian consumers," said Duff & Phelps's Stefanowski .

"It's a huge marketing play in that going IPO in Singapore or Hong Kong gives brands so much visibility to the consumers as well as access to the Asian retail stock investors and the institutional stock investors," he said. "So it's a combination of investor interest and the consumers who are interested in Western luxury brands."

Final Take

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