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Will Farfetch take the lead in online luxury ecommerce?

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Backed by Alibaba, Farfetch has aggressively expanded its footprint in China. Now, could fresh lockdowns push it ahead in the luxury ecommerce race? Image credit: Farfetch

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In 2020, Farfetch shook the fashion world with the announcement of a **landmark deal**: Alibaba, Richemont and Artemis would invest \$1.15 billion in the luxury retail platform and its new venture specifically tailored to the Chinese market.

This cooperation would not only help global brands access Chinese consumers but also reimagine the luxury shopping experience by leveraging Farfetch's and Alibaba's omnichannel technologies.

As Farfetch founder Jos Neves **commented**, the tie-up was a "strong validation of [Farfetch's] position as the global platform for luxury."

Since then, a lot has changed.

Notably, Farfetch officially **launched its flagship store** on Tmall in March 2021, ushering in more than 3,000 small and independent brands.

The London-based company also entered talks with Richemont for a potential minority investment in rival **Yoox Net-A-Porter** to create a "neutral platform," which, if achieved, could broaden Farfetch's customer base and its supply of curated products. And just last week, it announced an **investment of up to \$200 million** in Neiman Marcus Group to revolutionize the customer journey.

Now, **as fresh COVID-19 outbreaks** in China disrupt offline business once again, the industry titan finds itself at the forefront of a huge growth opportunity. Below are a few reasons Farfetch could emerge as the leader of luxury ecommerce.

Digital sales are Farfetch's bread and butter

Globally, online channels ballooned to an estimated **62 billion** in market value in 2021, up 27 percent from the year prior.

In China, digital sales of personal luxury goods outpaced physical sales across all categories, increasing **almost 56 percent**, according to Bain & Co. Although pandemic-induced store closures in the world's second-largest economy are only temporary, they nevertheless point to the advantages of ecommerce in times of uncertainty.

This rapid digitalization has worked in Farfetch's favor.

Serving as a virtual marketplace for independent boutiques, the 15-year-old company has seen its numbers surge. In **fiscal 2021**, Farfetch achieved its first full-year of profitability at the adjusted EBITDA level, with revenue jumping 35 percent year-over-year to \$2.3 billion and gross merchandise value surpassing \$4.2 billion.

Although its stock price is another story sinking nearly **70 percent** over the past year the e-tailer's underlying business remains strong supported by over 3.6 million customers.

Forging strong ties with China's VIPs

While Bain & Co. warns that China's luxury consumption **may decelerate** in 2022, the country is still on track to become the world's largest luxury goods market by 2025.

As such, Farfetch has ramped up its operations in the country. Earlier this year, it finally rolled out Tmall Luxury Pavilion storefronts for Off-White, Ambush and Palm Angels after acquiring New Guards Group in 2019.

The company has also put concerted effort into developing Chinese brands, **according to Alexis Bonhomme**, Farfetch's vice president of commercial for Greater China and APAC, onboarding names such as Shang Xia, Uma Wang, Canotwait and Team Wang.

On top of this, the luxury platform is committed to a high level of localization, from using social channels such as WeChat, Weibo, Douyin and Xiaohongshu its primary traffic and conversion touch points to strengthening customer relations.

Specifically, an important part of Farfetch's China business is offering "**Private Clients**" premium experiences such as dinners, master classes and art exhibitions. As Mr. Bonhomme **told *Jing Daily*** in a previous interview, "Farfetch China has now become the most localized Western platform in luxury operating in China."

Investing in the future

In addition to localization, Farfetch has doubled down on category expansion.

In December, it announced the acquisition of resale platform LUXCLUSIF in hopes to significantly accelerate its resale capabilities through features such as automated pricing and authentication.

This move aligns with industry trends, which show that resale is growing **three times faster** than the primary market. In fact, Farfetch reported that half of its customers bought or sold pre-owned products in the first year of the pandemic.

Sustainable goods are also on the up-and-up, growing **three times** as fast as regular products. That is why the British-Portuguese retailer launched its own sustainable brand in October 2021 called **There Was One**, described as elevated closet staples that transcend the hype. Created alongside New Guards Group, the fledgling label focuses on carefully planned drops instead of following a seasonal calendar.

Finally, Farfetch is also leaping onto the luxury beauty bandwagon, estimated to be the **second-largest** category within the personal luxury market after leather goods.

In January, it announced the acquisition of cult favorite luxury beauty destination Violet Grey best known for **vetting beauty products** with its community of makeup artists, dermatologists, aestheticians and influencers to gain the latter's industry expertise. This comes ahead of a planned launch of beauty on Farfetch Marketplace later this year.

Standing out from the crowd

Of course, Farfetch is not the only player to zero in on China's ecommerce opportunity.

Just last month, **Mytheresa quietly opened an official e-boutique** on JD.com, bringing brands such as Balmain, Versace and Ganni to JD's 550 million active users.

However, Mytheresa CEO Michael Kliger pointed out that this approach "is very different" from that of Farfetch.

"We are not looking for high sales of accessories like bags and shoes, but see a flagship store as a channel to build

brand awareness to JD.com visitors," he explained to *FashionUnited*.

Despite mounting competition from international ecommerce platforms, Farfetch has maintained an upper hand by focusing on both brand awareness *and* sales, boosted by its localization and diversification strategies.

Partnerships with Alibaba and the Neiman Marcus Group further differentiate Farfetch from other marketplaces and put it one step closer to conquering the global luxury frontier.

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