

RETAIL

## How do luxury consumers stand to benefit from Farfetch's YNAP acquisition?

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*YNAP stands to gain Farfetch's hybrid retail model as a byproduct of its acquisition, according to Farfetch CEO Jos Neves. Image credit: Farfetch*

By AMIRAH KEATON

As news of online retailer Farfetch's recent acquisition of Yoox Net-a-Porter (YNAP) from Swiss luxury conglomerate Richemont makes its rounds, so too must considerations for the common denominator demographic between all parties involved.

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Farfetch's investment in the digitization of luxury, the stated goal of its acquisition, marks its assertion as a luxury e-commerce leader as it aims to accelerate the transformation of high-end online shopping with the historic deal, an investigation as to how the luxury consumers will fare amid the consolidation of digital retailers is worthy of exploration. Does Farfetch's deal leave shoppers with better luxury curation and greater product access, or is this demographic set to lose its grasp on the core tenants of the luxury experience, absent a boutique structure?

"Fashion industry acquisitions are a common practice," said Keith Fraley, MBA and Ph.D. Candidate in fashion business studies at Cornell University, New York.

"If conducted well, they can lead to significant positive changes for the company in the long run," he said. "Technology has paved the way for e-commerce to flourish."

### Luxury ecommerce's standing

Today, ecommerce entities are opting for a more modern approach to an age-old pastime, leaving traditional tenants of luxury retail's yesteryear sales associates, immediate product trial and more in the dust, in lieu of new tools and interpretations.

Current digital luxury retail players are seeking not only to revolutionize the online experience but, further, to change the face of retail forever. In the case of this deal specifically, each party is poised to gain specific benefits from its structure.

To start, Farfetch absorbs a large-scale competitor, but this is not the area of most value for the online retailer. The platform gains significant influence and credentialing in the luxury retail space by adding Richemont's heavyweight brands Cartier, Chlo, IWC Schaffhausen, Montblanc, Piaget, Van Cleef & Arpels to its platform.

As it stood, many of luxury's top brands such as Chanel, Hermes and Dior, were not available for new purchase on Farfetch's site. Only second hand listings were live on the site, presumably as a result of lack of legacy brand pipelines and partnerships, as labels of that high stature increasingly seek to safeguard sales channels.

"The launch of Richemont Maison's e-concessions on the FARFETCH Marketplace is a step change in our strategy for hard luxury, which represents more than 20% of the Luxury industry globally, but just 3% of FARFETCH sales, and is an area where we see much stronger customer demand relative to the supply we have had to date," said Jos Neves, founder, Chairman and CEO of [Farfetch](#), in a statement.

Meanwhile, YNAP gains a hybrid retail model a mix of physical and digital retail experiences, modeled after Farfetch's current expansive network of [boutique partners](#).

"We are excited to acquire 47.5% of YNAP and partner with Richemont in YNAP's transformation into a hybrid business model which we believe will drive strong growth and profitability for YNAP," Mr. Neves said.

Finally, though stepping out of an ownership role by selling its controlling stake, Richemont's portfolio of luxury brands will gain access to Farfetch's tech-enabled platform as a result of the deal, bringing its luxury brands up to speed on the digital front.

"The announcement is a significant step towards the realisation of a dream I first voiced in 2015 of building an independent, neutral online platform for the luxury industry that would be highly attractive to both luxury brands and their discerning clientele," said Joann Rupert, Chairman at [Richemont](#), in a statement.

"We knew back then that if we wished to control our own destiny and protect the uniqueness of the luxury industry as it was digitalised, we would need to collaborate as the task was too big to undertake on our own."

With the background of multitudenous benefits for each business party involved at the forefront, one must question how each enhancement will benefit the luxury consumer at core.

Does evolving the department store model for digital audiences with the addition of data and technology give luxury consumers a better, more curated experience and a higher rate of luxury touchpoints, or will shoppers be left to fend for themselves, absent core elements of the brick-and-mortar retail experience?

First, digital's sheer dominance in today's retail landscape cannot go without acknowledgement.

"Considering how dependent consumers are on technology, online shopping is not going away anytime soon," Mr. Fraley said.

"Consequently, many fashion companies are working hard to enhance their digital skills in order to meet evolving consumer expectations," he said. "Farfetch/YNAP deal is an example of a company that has a strong digital presence, making it easier for Richemont to compete with the online marketplace."

This begin said, luxury players are well aware that the vast majority of retail impact still takes place at bricks-and-mortar locations.

Therefore, contrary to what a solely digital player may propose, and evidenced by the prioritization of the hybrid model in Farfetch's deal specifically, luxury retail executives are likely well aware that consumer preferences may always lie somewhere in the middle: luxury consumer experiences can be greatly enhanced by digital options, but should never be fully absent of physical ones as well.

"I agree that the future holds a large portion of sales still taking place in brick-and-mortar and I also think that they will also benefit heavily from digitalization efforts," Mr. Fraley said.

In this 2017 article says "yet to really benefit from the digital revolution" and I think retail has and will continue to build on digital practices, at this point they both need each other to survive

START OF PROS - LIST

START OF CONS - Overlooked, too, is the concept of being able to walk out with an item of interest in the current era of "dopamine-dressing", or psychologically-influenced purchase decisions, heavily based in product interaction and the build out of an aspirational ambiance.

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"Both brick-and-mortar and digitization enhancements should be prioritized & that will be the continued luxury retail landscape," he said.

"It is all about the mix of physical and digital retail experiences!"

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