

FRAGRANCE AND PERSONAL CARE

Kering sets sights on new beauty division, China as growth drivers

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Kering is looking to diversify its revenue by creating new mid- and long-term drivers. Image credit: Weibo, Kering

By [Lisa Nan](#)

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French luxury conglomerate Kering is pushing a grand expansion into beauty.

The group **announced** it is creating a dedicated in-house beauty division to develop cosmetics and perfumes for its Bottega Veneta, Balenciaga, Alexander McQueen, Qeelin and Pomellato fashion brands.

Kering crown jewel brand Gucci is absent from the list as its beauty license is held by Coty until 2028, while YSL's is with L'Oral.

Helming Kering Beaut will be Raffaella Cornaggia, a beauty industry veteran who served as Chanel's global cosmetics marketing vice president and worked for Estée Lauder for 14 years.

RBC Capital Markets analyst [Piral Dadhanian](#) welcomed the move to media.

"Overall, we view the decision to progress with Kering Beaut as positive on a midterm time frame, as it should provide Kering with sufficient time to build and develop its in-house capabilities in the category with smaller brands, and over time, offer an alternative in-house option for Gucci Beauty for when the Coty license deal expires," Mr. Dadhanian said.

The Jing Take: Kering Beaut is only one element of the luxury behemoth's plans for 2023. The giant urgently needs to diversify its revenue and find a new growth engine for the mid- and long-term.

In third-quarter 2022, Kering luxury brands' revenue declined 8 percent year on year, according to its latest earnings [report](#).

The beauty division presents a natural opportunity for the group.

Luxury cosmetics and fragrances heavily rely on brands' exclusive aura, which Kering's brands enjoy. Given the lower entry price points of these products compared to ready-to-wear and leather goods, they enable brands to widen their range of consumer targets.

The beauty market is lucrative in China and worldwide.

As per the latest report by [GlobalData](#), the Chinese cosmetics market revenue is forecast to grow at an annual compound growth rate of 7.4 percent from 2021 to 2026, reaching \$11.7 billion (80 billion RMB).

Rival [LVMH](#) generated \$8.2 billion (56 billion RMB) in beauty revenues last year.

With China lifting travel restrictions, tax-free beauty products at international airports are likely to see local tourist demand rise.

Notably last week, Francois-Henri Pinault, chairman and chief executive of Kering, traveled to China as borders reopened. Surprisingly, the first stop was not a top-tier city but Chengdu, which was followed by Nanjing, Shanghai and Beijing.

Mr. Pinault's tour confirms the rise of China's new first-tier cities as luxury shopping destinations.

The visit is also a display of confidence in the Chinese market and an opportunity to strengthen relations between Kering's headquarters and its local team in China.

Despite sluggish market performance over 2022, [analysts](#) still expect China to become the world's largest luxury market by 2025. There is little doubt the country will be a pillar of the group's growth strategy along with an expanded beauty department.

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