

Personal goods. Luxury

## Richemont to spur Yoox Net-a-Porter's Asian push

Buyout will give Swiss parent an online edge over rivals

Kering and LVMH, analysts say

RACHEL SANDERSON — MILAN

Yoox Net-a-Porter is opening the doors to a deal with a Chinese online retailer as it looks to embark on a new stage of growth after its buyout by Richemont. Chief executive Federico Marchetti told the Financial Times in an interview that his aim now was for the fashion retailer to become "a really unbeatable company", aided by the Swiss luxury group's "broad shoulders and additional resources".

Mr Marchetti's comments come as Richemont, owned and chaired by South African billionaire Johann Rupert, this week secured its €5.2bn takeover of YNAP after investors tendered almost 95 per cent of the retailer's shares.

Richemont, which will take full control of YNAP by the summer after having been an investor for the past three years, has declined to specify its investment plans. But the Swiss group behind

Cartier and Chloé made its debut in the corporate debt market in March with a €3.75bn bond, and analysts expect as much as €2bn of the proceeds will be used for YNAP.

Mr Marchetti, 49, who founded Yoox in Italy nearly 20 years ago and in 2015 merged it with UK-based Net-a-Porter, described Mr Rupert, 67, as like "an elder brother" adding: "Johann is preparing the future of Richemont. He is very long term. He is preparing the future for digital customers."

The entrepreneur, who said he intends "to stay and to lead" YNAP, has set his sights on strengthening YNAP's foothold in China, the world's fastest growing luxury market. Chinese consumers will account for more than 40 per cent of the global luxury market by 2025 and be responsible for most of the industry growth, McKinsey estimates.

"Our plan was to grow organically in China and that is the strategy, but we are open to partnerships and this could be a huge upside," said Mr Marchetti.

Chinese online luxury is proving tricky to crack for traditional luxury groups as consumers in the country are evolving an online shopping culture distinctive from that in the US and Europe.

Only about 10 per cent of Chinese luxury sales are done through official online channels, says McKinsey.

Analysts had speculated that Richemont's end game could be to seek a tie-up with a Chinese online retailer once it had fully acquired YNAP to give it a truly global online luxury presence.

China's ecommerce groups Alibaba, WeChat and JD.com are all considered potential partners for YNAP.

Richemont's takeover of YNAP comes as online sales of luxury goods acceler-

ate, rising 24 per cent year on year in 2017 to €23bn and accounting for nearly a tenth of the €262bn luxury-goods market, according to consultants Bain.

By 2025, Bain expects online sales will make up a quarter of total luxury sales.

YNAP faces growing competition from luxury brands and start-ups such as Farfetch, an online luxury retailer that has hired bankers for a listing in New York.

Still, Flavio Cereda, analyst at Jefferies, argued that the deal is "third time

smart" for Richemont's Mr Rupert after his success with previous deals to acquire Net-a-Porter "at a low price" and then back the tie-up of Net-a-Porter and Yoox, combining "a better company, with weak management" with "an inferior company with better management", respectively.

The latest deal will give Richemont "substantial edge" over Kering and LVMH by allowing it to digitalise and also "educate Richemont from within", Mr Cereda added.

Richemont has said it intends to keep YNAP as a separate company as the retailer seeks to maintain some neutrality and remain a purveyor of luxury goods from its corporate rivals.

Mr Marchetti compared it to LVMH keeping cosmetic retailer Sephora and department store Bon Marché as separate from the wider group. Underlining the correlation, YNAP yesterday said it had hired Olivier Schaeffer, formerly Sephora's global chief operating officer, to take on the same role at YNAP.

In the nearly two decades since Mr Marchetti founded Yoox, his company's ascent encapsulates how much sellers of €4,000 handbags and €1,000 shoes have embraced online retail.

Mr Marchetti, taking inspiration from his father who was a warehouse manager for Fiat, founded Yoox in 1999 in an industrial district outside Bologna selling off-price clothes and shoes from Italian designers such as Prada and Versace. In 2017, YNAP made €2.1bn of sales and had more than 3m active customers, of whom more than half shopped on their smartphones.

Mr Marchetti will make about €200m from the buyout as he sells his remaining stake to Richemont.

With Richemont's buyout, Mr Marchetti said he expected "much more hard luxury" to be available on YNAP's platforms in the future.

YNAP recently sold a €138,000 watch via WhatsApp and a €30,000 dress on Net-a-Porter by Ralph & Russo, reportedly the designers behind the wedding dress of British royal bride-to-be Meghan Markle.

"What I see now is that there is basically no limit to what luxury customers can spend online. That is the exciting next part of the journey," Mr Marchetti said.

"Maybe one day we will be selling a Ferrari online or a trip to the moon," he added.



Reflected glory: Federico Marchetti, YNAP chief executive — PHILIP HORN