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Prada's Patrizio Bertelli on plans for €1bn retail investment

The Italian luxury group is doubling down on its retail spaces as higher-spending consumers seek immersive experiences



The Prada store in Galleria Vittorio Emanuele in Milan © Agostino Osio

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Prada is doubling down on its retail strategy, with planned investments of €1bn over the next five years, as demand for its products rises across geographies, and high-end luxury consumers increasingly seek “experiential shopping”, according to chair Patrizio Bertelli. The vision, he explains, is to bring together Prada’s many facets — clothing, accessories, food and art — under a single roof, combining them as part of one large immersive experience.

The Hong Kong-listed Italian luxury group has been snapping up real estate over the past year — noticeably in the US, despite the fact that sales in the region have remained flat. In December, it bought the Manhattan building that has housed its store since 1997, for \$425mn (the company said that the “property’s location offers high strategic value being characterised by increasing scarcity and long-term potential”.) A neighbouring location was also purchased by the family’s holding company.

While New York’s commercial real estate sector has experienced a turbulent few years as it struggles to recover from the impact of the pandemic, and a retail reckoning has forced historic department stores such as Barneys to shut down, “the problem is not lack of demand”, Bertelli, Miuccia Prada’s husband, tells the Financial Times. “If you manage a luxury department store as merely a financial operation as opposed to focusing on the commercial aspects, the products and the customer experience, of course it goes wrong.”

As the US luxury market shows promise, fashion houses have added 650,000 sq ft of retail space between 2022 and the end of 2023, according to research by real estate firm JLL. Brands are also looking for new ways to engage with top-spending customers, who increasingly seek unique and personalised retail experiences. “I never believed that ecommerce would have cancelled the need for retail stores . . . only ill-prepared analysts thought so because they ignore how consumer trends have evolved throughout history,” says Bertelli.



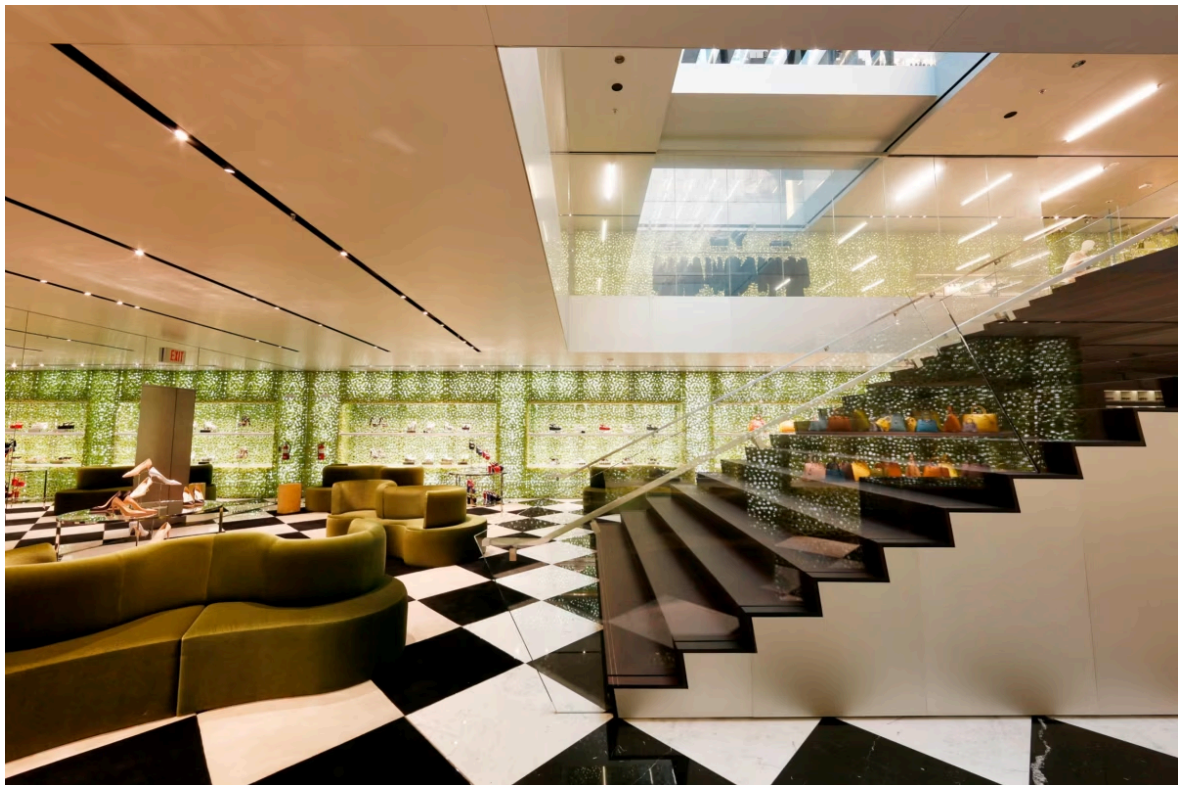
Patrizio Bertelli: 'We want it to be a mindset, an experience centred around the Prada brand' © Maximilian Virgili

His assertion comes off the back of the group's annual 2023 earnings on Thursday, where net revenues were up 17 per cent to €4.7bn compared with the previous year, fuelled by a sharp surge in Miu Miu sales (up 58 per cent compared with 2022) and the group's strong momentum in Japan, where sales were up 44 per cent year-on-year, mainly driven by local customers. Meanwhile, Prada sales were up 12 per cent over the same period; sales across Europe grew 14 per cent boosted by tourist spending.

As Prada prioritises its retail investments in New York as well as across other key cities including Milan, London, Paris, Shanghai, Hong Kong and Tokyo, the goal is to create a destination where customers can discover not only its ready-to-wear but enjoy a vast array of services, including food — offered by its Marchesi 1824 pâtisserie — and art shows and cultural exhibitions made possible by the Fondazione Prada, the family's contemporary art foundation. “I’m not saying ecommerce platforms will no longer exist, they will,” clarifies Bertelli. “But retail stores will become experiential spaces that bring people together.”

In-store marketing activations can help draw higher-spending customers, while online channels are used to drive broader engagement. However, growth across ecommerce is slowing “compared to both what we had seen historically and broader retail sales”, according to Monique Pollard, co-head of Citi's European internet equity research team, while a “big return” to in-person shopping, which took place immediately after the pandemic, has continued into 2023.

Meanwhile, a large physical space can be costly and complex to maintain, and some industry insiders have raised doubts as to whether the uncertain macro-environment is the best time for such investments. Bertelli says he sees value in “creating an identity that transcends what we sell. We want it to be a mindset, an experience centred around the Prada brand.”



The Prada store in Beverly Hills, Los Angeles © Elisabeth Caren

Over the past two decades, Prada has launched three so-called “epicentres” in New York, Tokyo and Los Angeles — retail spaces that double up as venues for film screenings, performances and other “intellectual” gatherings. “We’ve been accused of consumerism, but actually, we saw what was coming, how customer demand would shift,” says Bertelli.

The idea is to get closer to customers by being a more active participant in cultural conversations, Bertelli explains. “After all, the definition of luxury nowadays is quality of life in every aspect, including what we eat, how we travel, the art and culture we have access to and what we wear.”

Miuccia Prada, the founding family’s scion and co-creative director of the brand, has long been interested in art as a tool to reflect on the world, and has sought to interpret her ideological concepts through clothes. Her spring/summer 1996 “Banal Eccentricity” collection marked a turning point as it established the transgressive identity the brand is known for today. By featuring contrasting concepts, colours and textiles, it marked the beginning of Prada’s subversive approach, reshaping ideas of aesthetics and making the ugly appealing.

That attitude continues throughout the brand’s DNA, as “Prada fights the obvious through innovation and experimentation”, claims Bertelli. “Of course, this does not mean that Prada’s aesthetic and experience will be universally appreciated . . . but it’s not a question of beautiful or ugly. It’s a question of [substance],” he says.

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