WWD
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Succession?
Prada's Patrizio Bertelli hinted he might step aside in three years, or maybe not.
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Against the Grain
The new Portland-based streetwear brand Unless aims to combine sustainability and cool.
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Parties Aplenty
From Paris' DVF Awards to Dior at the Guggenheim and a Mytheresa dinner, events are back.
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Luxury on Ice

Value Retail's Scott Malkin will next year bring three of his passions together: professional ice hockey, luxury retail and high-end hospitality. The property mogul will break ground on his first luxury outlet village in North America, part of a major development at New York's Belmont Park that will include UBS Arena, the new home of major league hockey team the New York Islanders, which he co-owns. A four-star boutique hotel is under construction, too. *For more on the development, see pages 6 and 7.*

PHOTOGRAPH BY MASATO ONODA

BUSINESS

Macy's Studies Dot-com Spin-off

● The retailer has hired AlixPartners to examine ramifications of a split of its dot-com and store operations.

BY DAVID MOIN

Macy's Inc. has hired AlixPartners to review a potential separation of its dot-com and brick-and-mortar businesses à la Saks and Saks Fifth Avenue.

Jeff Gennette, Macy's chairman and chief executive officer, confirmed that the retailer has tapped AlixPartners to examine the ramifications of the move. An activist investor, Jana Partners, has been pushing for the reengineering at Macy's with the goal of raising shareholder value. Earlier this year, Saks Fifth Avenue separated its dot-com and store fleet into two separate companies, putting pressure on many retailers to examine the possibility.

CONTINUED ON PAGE 13

BUSINESS

Farfetch's José Neves Looks Beyond Stock Drop

● The CEO said after a deceleration the business is back on track; talks with Richemont continue.

BY EVAN CLARK

José Neves might be busy burnishing his reputation as fashion dealmaker extraordinaire with talks underway to tighten ties between his Farfetch and Johann Rupert's Compagnie Financière Richemont – but Wall Street is still keeping the profit pressure on.

Shares of Farfetch dropped 23.2 percent to $35 in after-hours trading on Thursday after the luxury platform posted strong third-quarter growth that was nonetheless short of the significant growth envisioned in August.

Farfetch's adjusted earnings before interest, taxes, depreciation and amortization for the quarter ended Sept. 30 tallied $5.3 million. That compared

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WWD

Lorenzo and Patrizio Bertelli

BUSINESS

Prada's Capital Markets Day Addresses Succession Plans, Farfetch/YNAP Merger, More

- Chief executive officer Patrizio Bertelli and his son Lorenzo fielded questions on a possible retirement time frame, a potential double listing and more.

BY LUISA ZARGANI

MILAN – To retire or not to retire?

That is the question swirling over the potential succession at major Italian luxury houses – recently even more insistently, with Giorgio Armani arguably top of mind despite his ongoing hands-on approach – but on Thursday, during Prada's first Capital Markets Day since 2014, the issue of Patrizio Bertelli's retirement was once again a topic of interest for analysts and the press meeting at Fondazione Prada's cinema here.

Following a Bloomberg report that day that Prada's chief executive officer was going to pass the baton to his son Lorenzo in three years, Bertelli was almost surprised by the questions about his retirement and tried to clarify his stance.

"I was asked by the journalist, but it was a bit of a trap question – we'll see. The important thing is to plan the succession the right way. I am 75 and, statistically, there's only a 10 to 12 percent possibility I'll be alive in three years, but I am not anxious, I've spent my years well, I've had fun, done things. See where we all are, not in a rented hotel or a public cinema."

Of the potential retirement, Lorenzo Bertelli said with a smile that "it's news to me and I don't believe it too much." He echoed his father by saying that "it doesn't matter whether it's in two or three or five years, when there is a generational succession, the important thing is to plan it in time."

Bertelli senior's choice is not a surprise as his son has increased his responsibilities and been a driver of change since joining the company in 2017. He was named group marketing director in 2019 and, additionally, head of corporate social responsibility in 2020. In May, he joined as a director of the board. He underscored that "the Prada name is so relevant, there is the ambition to still deliver amazing results and inspire the future, like my parents have done, and Prada can inspire the most."

His father was also asked about Miuccia Prada's potential retirement, but he deflected the question to his wife. "You have to ask her, she will decide what she will want to do." While the designer asked Raf Simons to join her as co-creative director in 2020, at the time she brushed off any idea of retiring.

The group has been publicly listed on the Hong Kong stock exchange since 2011 and, addressing a question about the location and a potential double listing, Patrizio Bertelli said: "We are satisfied with Hong Kong, it was the right choice." However, he admitted "we could explore a listing in Europe. That said, we don't feel the need to now, we are OK this way." He acknowledged "certain investors" do not consider channeling their investments in Hong Kong, but, "after all, we [the family] have 81 percent of the capital."

Another hot topic was the potential merger of Compagnie Financière Richemont's Yoox Net-a-porter platform with Farfetch, building on a partnership forged a year ago. Asked if Prada would consider making an investment, responding to Richemont's chief Johann Rupert's call for collaboration in creating an open e-commerce platform, Lorenzo Bertelli did not rule it out, but said he did not have enough elements to commit to an answer.

"I think we can expect they will come and talk to us, we are their partners, but it's premature, they have not even closed the conversation. We are open to any opportunity but the scenario is not clear enough yet to give an answer."

Asked about the lack of consolidation in the Italian fashion industry, Patrizio Bertelli said: "The question should not be made to Prada, but to the Italian entrepreneurs." In any case, the ship has sailed, he contended. "The premises are overdue, an expanded vision was needed 10 years ago, now we must defend the Italian know-how, help the small and medium-sized companies that are dealing with issues such as digital and sustainability."

> Prada is expanding its manufacturing capabilities, with in-house production eventually accounting for 60 percent of the total, up from the current 40 percent in the medium term.

To be sure, Bertelli has been busy vertically integrating his group for years. In June, Prada and the Ermenegildo Zegna group joined forces to acquire a majority stake in Filati Biagioli Modesto SpA, which specializes in the production of cashmere and other precious yarns.

After investing 80 million euros in the 2019-21 period, further vertical integration is planned with strategic acquisitions. The group is earmarking 70 million euros for planned investments in 2022 and scouting for further opportunities.

Prada is expanding its own manufacturing capabilities. It grew its headcount in its Italian plants by 100 people in 2021 and plans to add 200 jobs in 2022. The company has 23 manufacturing sites and has been investing 100 million euros in a new 432,000-square-foot logistics plant in Levanella in Tuscany, which is almost completed and will be fully operational by the end of 2022. The hub will have a potential handling volume of up to 15 million units shipped a year and it aims to improve the e-commerce dispatching time with 80 percent of sales within 24 hours.

Prada is expanding its manufacturing capabilities, with in-house production eventually accounting for 60 percent of the total, up from the current 40 percent in the medium term. It plans to simplify the architecture of the collections across all categories to improve sell through and reduce inventories. It will reduce the number of styles launched by 43 percent compared with 2019.

In terms of product, Lorenzo Bertelli said the group is "planning a bigger launch next year for the jewelry category, always a passion" of his mother.

Patrizio Bertelli said he was not worried about the price or availability of raw materials, but rather about the rising costs of transportation and energy, which will lead to an increase in prices. He did not provide details but said "the increase will be spread throughout 2022."

The Prada group is targeting an operating profit of around 20 percent of sales in the medium term. When one analyst suggested Prada lagged behind its peers in terms of operating profit, the executive said "the company has worked on many different aspects at the same time, investing on plants and to give identity to the products, penalizing its EBIT [earnings before interest and taxes]. Other [companies] target the short term, we work thinking of the next 20 years."

In comparison, Kering and Hermès in 2019 had a recurring operating income margin of 30.1 percent and 34 percent, respectively.

Chairman Paolo Zannoni chimed in: "We like to under-promise and over-deliver. The brand is bigger than the business and there are opportunities to grow."

FAIRCHILD MEDIA
WWD

Prada Targets 4.5B Euro Sales in Medium Term

On the occasion of its Capital Markets Day today, the group is reporting an acceleration in retail and online sales in the third quarter and a progressive improvement of its profitability.

*By*LUISA ZARGANIPlus Icon

NOVEMBER 18, 2021, 8:00AM

Prada RTW Spring 2022 AITOR ROSAS SUNE/WWD

MILAN – **Prada** Group is aiming high.

The luxury company's chief executive officer **Patrizio Bertelli** will be hosting the group's Capital Markets Day today at Milan's Fondazione **Prada**, providing an update on its growth strategies.

Financial targets in the medium range include reaching revenues of around 4.5 billion euros, which implies almost doubling 2020 figures, as last year the company posted revenues totaling 2.42 billion euros. The company is also targeting an operating profit of around 20 percent of sales.

Key objectives are to double the percentage of the group's online sales to represent 15 percent of retail revenues and to increase the productivity of directly operated stores by 30 to 40 percent.

Prada is poised "to generate growth in the long-term," believes **Bertelli**, through "its relevance, **sustainability** and incisiveness."

The executive asserted that the group "expresses a conceptual and pioneering vision of fashion. In a moment of cultural and social change as the current one, luxury must continue to evolve in line with the market. The fluidity of our conversations and our perspectives allow us to continuously reinterpret the idea of luxury."

The Capital Markets Day follows an encouraging set of **first-half results**, which saw a return to profit and a 60 percent jump in revenues in the first six months of the year. Highlights included triple-digit growth in its online channel, and solid gains in the Asia-Pacific and U.S. markets. In the six months ended June 30, the group reported a net profit of 97 million euros, which compares with a loss of 180 million euros in the same period last year.

Revenues amounted to 1.5 billion euros compared with 938 million euros in the first half of 2020.

The group has been actively raising its luxury positioning, slashing wholesale accounts, endorsing full-price sales by canceling markdowns and investing in online sales, marketing and communication.

In its trading update, the group is reporting an acceleration in retail sales in the third quarter, which were up 18 percent compared with the same period in 2019. It is also seeing a very strong progression of retail sales in the last quarter.

In addition, Prada registered strong online growth in the third quarter, up 400 percent compared with the third quarter of 2019.

The group saw a progressive improvement of its profitability in the third quarter in all key metrics and strong cash generation, as well as an additional improvement of circulating capital. The net financial position was close to zero at the end of September.

Bertelli said in July that he was confident in the second half and that he was planning to continue to invest in the direct control of Prada's supply chain, which gives the group a competitive edge.

Chairman Paolo Zannoni confirmed this to WWD in his first interview since his appointment in this role at the end of May, **when he succeeded Carlo Mazzi.**

"We saw an acceleration in the third quarter compared with the first half," said Zannoni.

Echoing Bertelli, he said the vertical integration of the group will allow it "to increase control over the supply chain, leading to an improvement of time to market and to strengthening of industrial know-how and more flexibility." In addition, **sustainability** is also a priority and controlling the pipeline will help "guarantee the right working conditions."

The company is proposing two new board members to expand its ESG competence, reach zero emissions and increase gender parity. They are Pamela Culpepper, founding member of Have Her Back Consulting, and Anna Maria Rugarli, corporate sustainability vice president of Japan Tobacco International. They will be part of an ESG committee to be newly formed together with Lorenzo Bertelli, head of corporate social responsibility.

Zannoni said that after a "blip slowdown" in China in August, the area picked up immediately after, but he admitted tensions with the West and potential, additional government restrictions related to the COVID-19 pandemic are cause for concern.

The U.S. market is "potentially one of the most interesting, and it grew in 2021 for Prada compared with 2020 and 2019 at higher rates than the luxury market's growth rate."

The U.S. accounts for 19 percent of the group's revenues and Zannoni sees additional strong growth opportunities in the region in light of the changing demographics and distribution of wealth. The market grew more than 80 percent in the third quarter on a two-year stack.

Europe is also picking up, he said, lifted by local traffic, and the Middle East, while still a smaller market for the group, "is growing a lot."

While the Asia-Pacific area is a solid region for the group, Zannoni singled out Korea – always a strong market for Prada – as showing an "extraordinary performance."

Asked if Prada is contemplating an increase in prices, in line with its competitors, the chairman said there have been “gradual increases,” and that they were partially due to the increase in the price of raw materials.

Zannoni has been international adviser at Goldman Sachs since 2019, providing advice to the firm’s business across Italy and the rest of Europe. He has recently resigned as chairman of Dolce and Gabbana Holding Srl. He has long been familiar with the company as with Goldman Sachs he led Prada’s IPO project, which took place in 2011.

Zannoni joined Goldman Sachs in 1994, was named managing director in 1997, partner in 2000 and was chairman of the Italian investment banking business between 2000 and 2013. He also spent a period as co-CEO of Goldman Sachs Russia. Prior to joining Goldman Sachs, Zannoni was a vice president at Fiat SpA and a lecturer at Yale University.

VOGUE BUSINESS

Prada’s bold new plan primes Lorenzo Bertelli as future CEO

Prada CEO Patrizio Bertelli and his management team unveiled an ambitious plan in Milan to build a €4.5 billon brand, with son Lorenzo likely to take over as CEO in three years.

BY SARAH SHANNON

19 NOVEMBER 2021

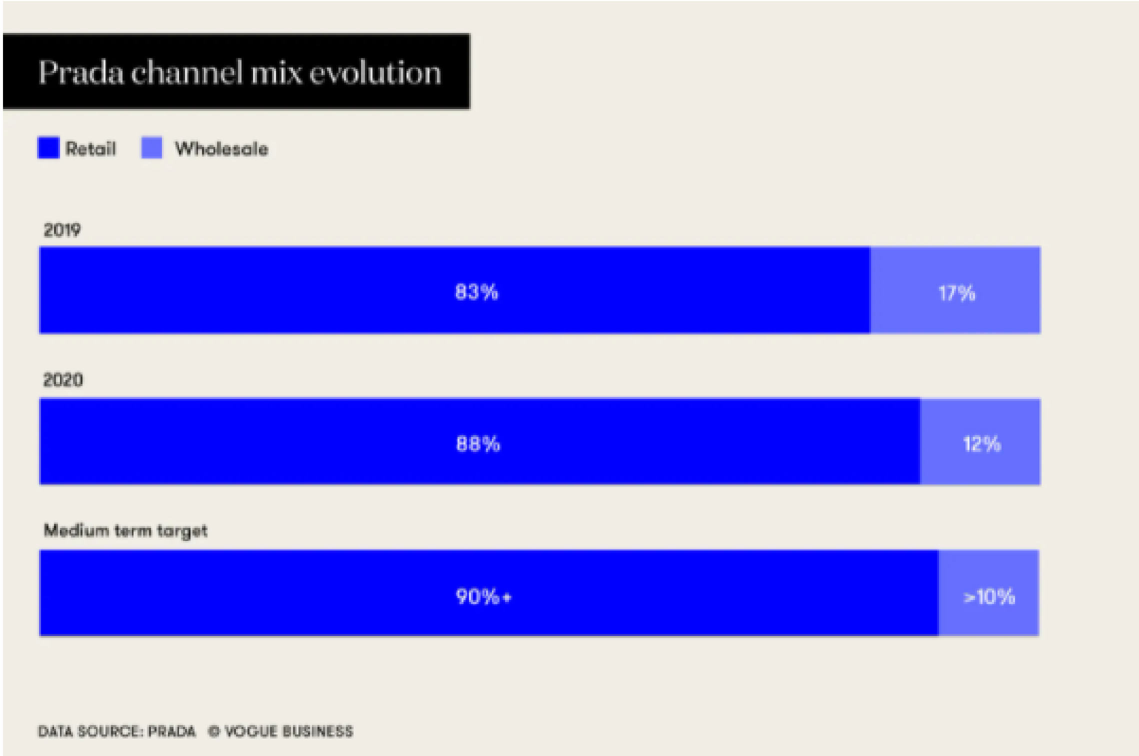
Prada Group has big, new ambitions.

The Italian luxury owner of Prada and Miu Miu unveiled a raft of new plans to drive growth including launching beauty, home and fine jewellery, raising average prices, expanding its stores in the US, Middle East and Asia, doubling online penetration, buying up more of its suppliers and increasing its commitment to sustainability (including the addition of two new female board members with ESG credentials, and ambition to reach net-zero emissions by 2050). Sales will climb from €3.2 billion today to €4.5 billion in the medium-term.

“By being relevant, sustainable and impactful we will drive long-term growth,” Mr Bertelli told investors and press at a presentation inside the cinema at the Group’s Fondazione Prada contemporary art centre in Milan. The CEO added his son, Lorenzo Bertelli, currently marketing director and head of CSR who joined in 2017, will take over the top role in three years’ time. His son quickly retorted, “Dad says he is going to retire, but I don’t believe it.” Still, pressed by *Vogue Business* on what his future as CEO would be, Lorenzo was unflinching: “There is no doubt on the value of the Prada Group. We need to align our business to our value.” In other words, the Prada brand is bigger than the business itself, and has significant potential.

Prada is back trading above pre-pandemic levels, and while trailing larger French rivals, its quick recovery has surprised investors. Now, for the first time in seven years, the brand, with new chairman and former Goldman Sachs investment banker Paolo Zannoni, opened up its strategy to analysts and press to show how they will accelerate growth for two distinctive brands, Prada and Miu Miu. (The business is 80 per cent controlled by the Prada family still, with a Hong Kong listing.) Already, the business has been focused on raising prices, increasing product quality, eliminating markdowns and cutting back on wholesale accounts after a period of decline. Added to that, the addition of Raf Simons as creative co-director alongside Miuccia Prada was well-received.

Now, Prada is supercharging its growth plans. First up is a focus on direct-to-consumer sales. The aim is to reach or surpass 90 per cent direct sales in the medium term, up from 83 per cent today. “Even in a digital era, we do have a fundamental role in our stores,” said Mr Bertelli, as he showed a picture of Prada’s epicenter store in New York by star architect Rem Koolhaus, which opened in 2001. America is a big opportunity as the company seeks out the redistributed wealth in cities like Atlanta, San Jose and Seattle, where Prada currently doesn't have a presence. Also topping regional priorities for store openings is the Middle East and, of course, Asia. European stores will be upgraded.



More events and pop-ups are planned, and store associates will be empowered with new clienteling tools and rebranded "client advisors". Lorenzo says already, more than 20 per cent of sales are driven by activities on its clienteling app, which opens up full stock levels, sends exclusive content to customers and brings a "human touch" to digital.

It's more of a turnaround story for Miu Miu, the smaller label with 147 stores and a less conventional viewpoint. "Miu Miu is the place where I am completely myself," Miuccia Prada told *Another* magazine in October. There, defining a distinctive identity (Raf Simons does not design for Miu Miu) that is unique, empowers women and appeals to millennial and Gen Z customers is part of the plan. Miu Miu still lags pre-pandemic levels: for the first nine months of 2021, sales reached €279 million, versus €321 million in 2019. Miu Miu general manager Benedetta Petruzzo says to expect more seasonal drops, special projects and products that are "immediate and in the moment", like upcycled dresses and Levi's vintage items, alongside newness and excitement like the spring summer 2022 collection catwalk takeover by artist Meriem Bennani whose fantasy sequences where mixed real-time into the broadcast of the show to blur lines between virtual and reality.

Part of Prada's unique leverage has been its vertically integrated business model, started in the seventies with Mr Bertelli buying up its suppliers in order for Miuccia Prada to have the best quality products. All prototypes, samples, production, leather goods cutting, quality control and warehousing is done in-house, while handbag and footwear assembly is for the most part outsourced. That process and ownership of 23 sites today has meant margins haven't always reached the level of French luxury rivals who outsource production. But it allows the brand to be reactive to demand, avoid hefty unsold stock, have a higher sell-through and maintain quality control.

At a time when supply chain bottlenecks and reshoring production are top of mind amongst the wider industry, Prada's decision has proven its worth.

"We are convinced we are the best at what we do. We constantly invest in our assets and our people, our maestros in our factories," Industrial director Massimo Vian said. He joined 18 months ago from Luxottica, the eyewear giant with a similar business model that owned the license for Prada.

His focus is on reducing the time products reach the store, a crucial window as product drops and capsule collections are increasingly relied upon to drive newness. That means simplifying collections, with fewer pieces in ready-to-wear and leather goods planned.

A new logistics hub in Tuscany, fully covered in solar panels, is 80 per cent complete, and will be able to ship up to 15 million units a year. Dispatching online sales in 24 hours is the target.

More supplier acquisitions are on the table, with €70 million set aside for largely "upstream" investments, i.e. the raw materials needed for production. Already, Prada Group has taken a 40 per cent stake in Filati Biagioli, the fine cashmere supplier for its ready-to-wear, and a napa leather tannery (a core product category) in the French town of Limoges. More leather is on the agenda, and owning fine jewellery suppliers to support the category's development: the first jewellery pop-up launched this week in SKP mall in China, selling products from €5,000 to €25,000. A high jewellery collection is also being considered.

The deals will mean knowing "more about the complete traceability of the very raw materials and to give finally our consumers the confidence that we really own the full process, from sourcing the raw materials to distributing in stores the products," Vian told *Vogue Business.*

Owning the supply chain means investment, often missing in sustainability agendas, where the vast majority of greenhouse gas emissions come. A new goal for 2029, "the most challenging milestone" per Lorenzo, is to reduce 42 per cent of greenhouse gas emissions of Scope 3, i.e. the supply chain. An internal reassessment of transportation is also underway. Prada is currently heavily reliant on passenger aircrafts alongside the entire luxury industry, but Vian says trains could take replenishment products to Asia and sees a long-term goal to drive that to 10 per cent of sales.

As for discussions about a future Italian luxury conglomerate, Mr Bertelli thinks it is too late. On the YNAP and Farfetch tie-up, his son Lorenzo was coy, suggesting an interest in talks. "If we have a nice opportunity to take, we will participate in the discussion, but at the moment I don't want to comment." The metaverse, though, has been on his radar for over a year. He thinks of it like social media; watch this space was the message.

Chairman Paolo Zannoni had the final word: "Today you have seen the division of our two main brands are as firm as they are clear: Prada is brainy, subtle, clever. Miu Miu is instinctive, playful, brave. The different visions appeal to different [consumers] ... Both brands have ample room to grow." The intention has been set.

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- MARKETS
- HEARD ON THE STREET

Prada Grows Into Its Roomy Share Price

The Italian luxury brand set new financial targets at an investor day and hinted at its succession plans

Reducing Prada's dependence on China seems wise, even if there is no sign of a slowdown in Chinese luxury spending. A Prada store in Beijing.

PHOTO: TINGSHU WANG/REUTERS

By
Carol Ryan
Nov. 18, 2021 1:03 pm ET

Prada's first 10 years as a public company have been patchy. But the family-controlled luxury brand has a sharper new look and leader-in-waiting.

On Thursday, Prada set profitability, revenue and e-commerce targets at its first investor day since 2014. The fashion label wants to grow sales to €4.5 billion, or $5.1 billion, within a few years, up from the €3.2 billion it made in pre-Covid 2019. Prada is aiming for a 20% operating margin, compared with 11% currently, and wants to roughly double the size of its e-commerce business as a percentage of overall sales.

Patrizio Bertelli, Prada's chief executive and husband of the brand's designer Miuccia Prada, discussed retiring over the next three years and handing the reins over to his son, Lorenzo Bertelli. The younger Mr. Bertelli, who joined the board earlier this year after taking over the brand's digital communication strategy in 2017, gave presentations on Prada's e-commerce and sustainability plans at the event.

Tight family control hasn't worked in investors' favor so far at Prada. Since making its market debut in Hong Kong in 2011, the stock has delivered annual total shareholder returns of 6%—well below the roughly 20% annual gains of LVMH LVMUY 0.70% and Hermès, which are also dominated by their family founders.

Mr. Bertelli and Mrs. Prada underestimated the importance of e-commerce, which contributed just 2% of sales in 2019, although this number has since jumped to 7%, so far this year. With a small free float, minority investors in the company have had little power to push for a shake-up in the management or design teams. However, changes are happening. Prada is investing in online technology, hired a new co-chairman six months ago and brought in co-designer Raf Simons.

The goals set on Thursday aren't especially ambitious—Prada used to make an operating margin of 27% in 2012, for example—but there is a clear plan to achieve them. Selling more goods directly to consumers rather than through department stores and other third parties should boost profitability. Prada is taking costs out of its supply chain and managing its inventory more efficiently.
The brand has an opportunity to grow in the booming U.S. luxury market, even if it is late to the party. Prada makes around 14% of overall sales in the Americas, compared with 22% for Cartier's owner, Richemont. The Americas are now the world's biggest luxury

market by value, making up 31% of the global luxury sales compared with 21% for China, according to consultancy Bain & Co.

Reducing the brand's dependence on China seems wise, even if there is no sign of a slowdown in Chinese luxury spending. Between mid-August and late-September, Prada's shares lost 28% of their value after China's president, Xi Jinping, gave a speech hinting at greater wealth redistribution in the country. They have since recovered, but investors would probably welcome a more balanced look.

Considering how well known the brand is, Prada is still a surprisingly small business. Even if the label hits its new sales target, Prada will be less than half the size of Christian Dior, CDI 1.12% which is just one of 70-plus luxury brands in LVMH's portfolio. Investors pay a ritzy 48 times projected earnings to own the Italian label's stock. Prada finally looks ready to measure up.

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- BUSINESS

Prada Heads to Austin, Chasing New, Wealthy U.S. Markets

Maker of high-end shoes, handbags says it ‘underinvested’ and plans stores in places like Austin, Texas, and Baltimore-D.C.

A Prada store in New York. The luxury-goods maker is looking to open U.S. stores outside the traditional consumer hubs of New York, Los Angeles and Chicago.

PHOTO: NINA WESTERVELT/BLOOMBERG NEWS

By
Trefor Moss
Nov. 18, 2021 2:23 pm ET

Prada 1913 4.67% SpA, long a bastion of Fifth Avenue and Rodeo Drive, is planning to open more stores across the rest of the country, making U.S. expansion key to a three-to-five-year plan to boost overall sales by 50% from pre-pandemic levels.
“We are underinvested in the U.S.,” said Paolo Zannoni, Prada’s chairman, in an interview. “That’s going to be a significant area of growth and profitability.”

The luxury group, whose brands include Prada, Miu Miu and Church’s footwear, said it is aiming to boost annual sales to €4.5 billion, or about $5.1 billion, from €2.4 billion in pandemic-affected 2020 and €3 billion the year before. Luxury demand is accelerating, the company said, with third-quarter revenue up 18% on the same quarter in 2019.

While Prada and other luxury companies have focused heavily on China in recent years, Mr. Zannoni said the emergence of pockets of new wealth in the U.S. outside cities including New York, Los Angeles and Chicago—where the luxury sector has traditionally focused—has created opportunities across the country.

Prada already has stores in Dallas and Houston, but now plans to open in Texas cities like Austin. It also is planning stores in Atlanta, Seattle and the Baltimore-Washington, D.C. metropolitan area.

“There are now some states where the consumer has become richer, more educated and more open to brands like Prada,” Mr. Zannoni said.

A Prada store in London. Chinese tourists, some of the luxury sector's most lucrative shoppers, haven't returned to European boutiques.
PHOTO: ALBERTO PEZZALI/ASSOCIATED PRESS

The company currently makes 19% of its revenue in the U.S. That compares with an industry average of about 31% for luxury goods companies, Prada figures. The market was Prada's best performing globally in the first half of 2021, with sales growing 53% from the same period in 2019.

Other big luxury houses have refocused on the U.S., after years investing in China, now the world's biggest luxury market. In 2019, LVMH Moët Hennessy Louis Vuitton SE opened a factory in Texas to make handbags for U.S. shoppers.
Like LVMH and Gucci owner Kering -—both much larger fashion-brand conglomerates—Prada is still adjusting to a market that was jolted by the pandemic. Once largely reliant on tourists visiting marquee boutiques in places like Milan, London, Paris and New York, luxury groups last year focused their efforts on marketing their goods to consumers in their home countries.
The biggest luxury players have thrived through the pandemic, able to build out their online offerings more robustly than smaller players. As economies started to reopen, these brands have benefited from pent-up demand.
While some of the industry's most lucrative shoppers—Chinese tourists—haven't returned to European boutiques, big players have developed robust digital marketing and

sales channels inside China. Demand online has soared. As many Covid-19 restrictions fell away in China, then in the U.S., shoppers have returned to stores there.

Shares of LVMH, a bellwether for the industry, have soared, turning the company into one of Europe's most valuable. Many analysts expect that to continue. Global luxury sales are forecast to come in at between €360 billon and €380 billion in 2025, according to Bain & Co., up from around €283 billion this year.
Mr. Zannoni said Prada would add more products priced over €3,000 in an effort to boost margins. He said it recently increased the average price of the group's products, and that hasn't dented sales in any of Prada's global markets. That has helped convince the company to keep moving upmarket rather than into "affordable luxury," Mr. Zannoni said.

Prada hopes to grow digital sales, too, from about 7% now to 15% in the next three to five years, Mr. Zannoni said.

While the U.S. is now a priority, the company will continue to invest in China. President Xi Jinping's "common prosperity" campaign has taken aim at rising inequality in Chinese society, which some analysts have warned could threaten luxury sales in the country.

The policy is a risk for the luxury industry, as is friction in relations between China and the U.S. and Europe, Mr. Zannoni said. But, "the fact is that we have not seen any change in appetite for Prada goods in China," he said.

"Would you slow down investment and commitment in a market that is the single biggest luxury goods market in the world?" Mr. Zannoni said. "Even if you were worried, would you do that? No. You keep investing."

Write to Trefor Moss at Trefor.Moss@wsj.com

Appeared in the November 19, 2021, print edition as 'Prada Chases Pockets of New Wealth.'

REUTERS®

November 18, 20212:07 PM CETLast Updated 2 hours ago

Retail & Consumer

Prada sets 4.5 bln euros revenue goal, to boost e-commerce

Reuters

A logo of luxury goods company Prada is seen at the entrance of a shop in Brussels, Belgium July 2, 2021. REUTERS/Yves Herman

MILAN, Nov 18 (Reuters) - Italian luxury group Prada targets 40% revenue growth in the medium-term from pre-pandemic levels by boosting its online business and the profitability of physical stores, it said on Thursday after sales accelerated in the third quarter.

At an investor presentation, the Milan-based, Hong Kong- listed company said retail sales in the three months to September grew by 18% compared to the same period in 2019, before the health emergency hit. That marked an acceleration from the 8% growth rate of the first half of the year. read more

The medium-term sales growth target of 4.5 billion euros ($5.1 billion) compares with revenues of 3.2 billion euros in 2019, and record sales of 3.6 billion euros the group posted in 2013.

Last year, due to shop closures and lack of tourism, Prada's sales fell to 2.4 billion euros.

The family-owned group, which in recent months has been reaping the fruits of a strategic revamp, said that in the medium term it targets an operating profit of 20% of total sales, more than twice the 2019 level. It also aims to double the proportion of online sales to 15% of retail revenues over that timeframe.

The group's strategy focuses on direct distribution "to increase store productivity and online penetration," it said in a statement ahead of the presentation, the second "Capital Markets Day" it has held since its 2011 listing.

It said it had close to zero debt at the end of the third quarter, adding profitability had further improved over the period.

($1 = 0.8821 euros)

Reporting by Claudia Cristoferi, editing by Silvia Aloisi