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Richemont strikes China ecommerce partnership with Alibaba

Deal will see Net-a-Porter and Mr Porter web stores launched on Tmall Luxury Pavilion

Rachel Sanderson in Milan, **Ralph Atkins** in Zurich and **Alice Woodhouse** in Hong Kong
10 HOURS AGO

Swiss luxury group Richemont has formed a joint venture with Chinese ecommerce giant Alibaba in one of the strongest signs yet of how the combined forces of China and online retail are reshaping the global luxury goods industry.

The partnership will see Richemont-owned online retail sites Net-a-Porter and Mr Porter launched on Alibaba's Tmall Luxury Pavilion, an ecommerce site created specifically to try to appease brands' concerns about online shopping not being luxurious enough.

Johann Rupert, Richemont chairman, said: "Our digital offering in China is in its infancy and we believe that partnering with Alibaba will enable us to become a significant and sustainable online player in this market."

The agreement has been expected since Mr Rupert earlier this year bought out Yoox Net-a-Porter, the Anglo-Italian online luxury business founded by Federico Marchetti. Neither Richemont nor Alibaba specified the value of the agreement, or how much they intended to invest.

The deal is a significant shift for the luxury goods industry which was a laggard in embracing online retail and has regarded Chinese ecommerce with suspicion amid concerns it fosters counterfeiting.

In a conference call, Mr Rupert spoke of the disruption being wrought on the luxury industry by new technology and the emergence of China as the main driver of growth.

"There not a luxury goods group in the world that can catch up with Alibaba in terms of its ecosystems. It is sad that all the luxury goods groups are finding themselves with a prisoners' dilemma where everyone is fighting each other, when we are entering a market as fast as China we simply do not have the tools," he said.

YOOX
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Johann Rupert, Richemont chairman © Bloomberg

The global luxury industry has tripled in size since 1996, according to consultants Bain & Co. Bain forecasts the industry will be worth €280bn in 2018, rising to a total of €390bn by 2025. This growth has been fuelled most recently by Chinese shoppers, both at home and abroad.

Crucially, a surge in sales in the past two years came predominantly from Chinese millennials who shop online. Millennials overall now account for 40 to 60 per cent of global sales for big brands Louis Vuitton, Gucci and Cartier, said Rogerio Fujimori of RBC, the Canadian bank. Their weight was even higher for luxury sales in China, he added.

Mr Rupert told the Financial Times: "The speed of change here [in China] is more dramatic than in any other society that I have witnessed . . . Everything is mobile.

"Unless you have got mobile friendly apps, you are just not going to reach the people."

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Alibaba will provide the technology, logistics, payment and marketing support for the venture. The agreement covers both Chinese consumers shopping at home and abroad.

On the risk of counterfeit luxury goods being sold on Chinese websites, Mr Rupert said Richemont "would never think of entering a situation where we felt uncomfortable".

"We have looked at their systems and what they have done to combat counterfeiting and I am satisfied that this is a very, very, very low risk scenario," he added.

Michael Evans, Alibaba president, said the Chinese group had "invested a lot of time and commitment in dealing with counterfeit".