High-performing Gucci remains Kering’s leading label in 2021

By Dominique Muret - February 18, 2022

Gucci has found new impetus, enabling the Kering group to close 2021 in style. The Italian label, which by itself accounts for over half of the French luxury group's revenue and for three quarters of its operating income, ended 2021 with a bang, recording a 31% revenue rise year-on-year to €9.73 billion, going back to its pre-pandemic levels. The Kering group, which also owns among others Yves Saint Laurent, Balenciaga and Bottega Veneta, generated in total a revenue of €17.6 billion in 2021.
After the arrivals of Creative Director Alessandro Michele and CEO Marco Bizzarri, Gucci enjoyed an exceptional growth spurt between 2015 and 2019, but had slowed down somewhat in the last two years. Results were disappointing in Q3 2021 in particular, when Gucci grew by only 3.8% owing to the renewed surge of Covid-19 cases in Asia and the late arrival in-store of the Aria collection for the Fall/Winter 2021-22. But a strong acceleration in Q4, when Gucci grew by 17.8%, enabled the label to bounce back.

The direct-to-consumer channel, which now accounts for 91% of Gucci’s revenue, was especially dynamic, with sales increasing by 37% over 2020, despite partial store closures on account of the pandemic. Compared to 2019, which had been a record year, the channel's growth was 10.4%, a rate well above the comparable sales growth of the label's total sales over two years, which was 3.4%. In Q4 alone, the sales increase in the label's directly owned stores was 35%, and 25% over two years. Added to that, Gucci boomed in the e-tail channel, which now accounts for nearly 16% of its retail business. Online sales skyrocketed, growing by 55.1% over 2020 and 163% over 2019. The label is also benefiting from a gradual recovery of its travel retail business.

In a conference call with financial analysts, the Kering group’s boss François-Henri Pinault underlined that Kering has boosted its direct retail business worldwide, starting with Gucci, for which the wholesale channel accounted for only 9% of sales in 2021, as opposed to 15% in 2019, the goal being to settle for a share between 5% and 7%. In 2021, Gucci’s wholesale revenue was indeed down by 10%, and by 39% compared to 2019.

Gucci greatly improved its fundamentals in 2021, its recurring operating income growing a whopping 42% year-on-year to reach €3.715 billion, with an operating margin of 38.2%. “Gucci’s profitability bounced back significantly even as the label deployed a strategic investment plan, notably focused on clienteling and advertising, but also on improving its retail network, by opening new stores and relocating others,” said Kering’s CFO Jean-Marc Duplaix.

Gucci’s year-end growth burst was driven by sales for the Aria collection and The Hacker Project capsule collection, a joint effort with Balenciaga, and also by an intense promotional calendar featuring in-store events and pop-up initiatives as well as various capsule collections, like Gucci’s centenary drop and the collaboration with The North Face, which enabled the label to create a new category. The programme for 2022 promises to be just as rich, with a spate of new collaborations.

In 2021, Gucci also broadened its product range, going even more upmarket in terms of values. “[Gucci] was successful in fine jewellery and in the market’s top-end segments,” said Pinault, explaining that “this new section of the assortment has broadened considerably, and is priced at significantly higher levels than Gucci’s existing range. It will play a major role this year.”
Especially rewarding for Gucci was the redesigned assortment, with the Aria collection marking a significant step in this direction: “the collection was more upmarket, and this went hand in hand with a rise in average retail price and selective price increases in all sectors. The strategy clearly involved raising the average price in all categories and boosting the collection's perceived image,” said Duplaix.

Given this, 2021 was a pivotal year for Gucci. “It is the year in which we decided to broaden the product range and focus on Gucci’s high-end products. This goal was realised with the Aria collection, and the strategy continues, as shown by what we did with the subsequent collection, Love Parade,” said Pinault. “Gucci isn’t simply synonymous with creativity and seasonal novelties, it also means a design identity, craftsmanship and iconic, timeless products. Our goal is to reach new consumer segments and strengthen our power in terms of pricing,” he added.

Geographically, Asia remains Gucci’s main market, with a share of revenue of 44%. In 2021, Gucci’s sales in the region grew by 29.5%, chiefly thanks to China but also to the improved performance of markets like South Korea. In Japan, sales were on the rise again, growing 19%.

Gucci’s second-largest market is North America, accounting for a 27% revenue share. Sales in the region boomed, growing by 67% at constant exchange rates over both 2020 and 2019, thanks to a broadened assortment, tapping the growth in local luxury consumers, notably young ones. This trend is prompting Kering to strengthen its US presence. “There is potential for us [in the USA] also in less important cities, where we will be opening new stores, as in Austin, where Gucci will open in April,” said the group's managing director Jean-François Palus.

Finally, Gucci recorded a notable recovery in Europe, which accounts for 17% of total sales. Gucci’s revenue in the region grew by 16.9% year-on-year, though it was still lower than in 2019, penalised by weak tourism flows. However, the investments made to stimulate the European clientele by boosting services, for example via personalised meetings and early-bird promotions, did bear fruit.

Results were more than satisfactory, leading the group to expect “very solid growth for Gucci in 2022.” Pinault concluded by saying that “[Gucci] is a century-old label that has all the characteristics of a young adult. People sometimes forget it is still in the building-up phase. It is making very good progress. We have added a great deal of value [to Gucci] in the last 20 years, and we promise that the next 20 years too will be exceptional.”

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