Kering could directly manage its beauty lines

By Dominique Muret - 23 August 2022

Will Kering be the next luxury player to run its beauty business directly? “All options are open,” said Kering’s group managing director, Jean-François Palus, acknowledging that such an idea is entirely possible, coinciding with the publication of the company’s half-year results at the end of July.

Although Chanel and Dior have long opted for this strategy, most of the major fashion groups had not ventured into the field of direct retail for beauty lines until recently, instead preferring to operate through licences, as is currently the case with Kering. However, in the past two years, things have changed and the highly buoyant market has fuelled a desire to retail beauty lines directly, especially for the big names in luxury which are on a perpetual quest to harness new growth levers.

Certain brands, such as Burberry, had previously tried to run their beauty businesses internally, but later threw in the towel. More recently, other brands have made a real commitment. In 2020, Hermès took internal control of its perfume and beauty segment and, today, that segment accounts for 4% of the company's total revenue, growing by 23% to reach a total of €230 million in the first half of the year. Dolce & Gabbana also created its own segment dedicated to beauty in early 2022.

The world of cosmetics requires a great deal of expertise and a large organisation. It also requires significant investment and a degree of risk-taking. However, the market can be more profitable as beauty products tend to target a wider audience, due to their more affordable prices.

“When it comes to beauty, it is a natural extension of our brands’ territory,” said Palus on a telephone conference call with analysts. “We are currently operating on a licence model. However, our success with Kering eyewear has demonstrated that we can create a lot of value for our brands, and as a result for the group, by adopting certain disruptive and innovative approaches. Beauty is certainly an area that we could consider in the future.”

Starting from nothing in 2014, the group’s business which specialises in eyewear reported a revenue total of €700 million in 2021. In the first half of 2022, the segment has already reported a turnover of €576 million which represents 50% growth in terms of data published and 26% growth on a comparative basis. These figures must be significant for Kering, especially as it does not have the best relationships with its beauty licensees. The group currently operates under license with American business Coty for its brands Gucci, Alexander McQueen, and Bottega Veneta, with L'Oréal for Saint Laurent, and with Interparfums for Boucheron.
In 2020, Kering’s head François-Henri Pinault complained, in particular, about slow progress in the development of cosmetics manufactured under license by partner Coty. “The potential is enormous,” said Pinault at a press conference. “We are very disappointed with the speed at which this potential is being exploited.”

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