Kering Eyewear creates €500 million business in five years

By Dominique Muret - 8 October 2019

“No, we are not interested in Safilo.” The CEO of Kering Eyewear, Roberto Vedovotto, emphatically denied the rumours that the French luxury group has its sights trained on the Italian eyewear manufacturer controlled by Dutch investment fund HAL. “We abandoned the licensing business model and have no intention of returning to it,” said Vedovotto last Thursday, speaking to a select group of media outlets, among them FashionNetwork.com. Kering also announced the renewal of its production agreement with Safilo for Gucci’s eyewear. It was scheduled to expire in 2020, and has been extended until the end of 2023.

“We revolutionised the market by jettisoning the licence-based model in order to produce our eyewear internally. We will not step backwards. Having factories doesn’t interest us. We prefer to remain flexible by resorting to different suppliers. We have been asked frequently to manage collections under licence, but we want to dedicate ourselves solely to our shareholders’ labels,” said Vedovotto, the founder and brains behind this start-up, which turned a profit in three years, reaching a revenue of €495 million in 2018 - up 45% over 2017 - and generated sales in H1 2019 worth €320.8 million. “We are currently the second-largest group in luxury eyewear after Luxottica,” claimed Vedovotto.

Kering Eyewear established its operational base in the heart of Italy’s eyewear district, the Veneto region, setting up its headquarters and design studio at Villa Zaguri, a historic mansion on the outskirts of Padua. “When we arrived here in October 2014, there was nothing, not even tables and chairs. There were four of us,” recalled Vedovotto, explaining that the hardest thing was to “fight against generalised scepticism. No one believed in us except François-Henri Pinault, who with his group, Kering, invested extensively in the project.”

Kering currently holds a majority stake (63%) in Kering Eyewear, with another 7% held by the executive committee members. In March 2017, Richemont too became a shareholder, with a 30% interest. At that time, Cartier’s eyewear factory in Sucy-en-Brie, France, became part of Kering Eyewear, as its factory specialised in ‘jewellery’ eyewear. The group started to operate the eyewear licences for Cartier and, more recently, for Alaïa and Montblanc, two other brands owned by Richemont.

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Kering Eyewear's brand portfolio also includes Kering's 10 maisons (Gucci, Saint Laurent, Balenciaga, Bottega Veneta, Alexander McQueen, MCQ, Courrèges, Brioni, Boucheron and Pomellato), plus Puma and Stella McCartney, brands which are no longer controlled by the French luxury group but whose eyewear business remains in the hands of Kering Eyewear. Gucci is the company’s best-seller, followed by Cartier.

Kering Eyewear currently has a staff of 1,300 people, between its headquarters in Padua, its Milan offices concentrating on communication, marketing and sales, and its overseas designers based in London, Hong Kong and Seoul. It operates an extensive distribution network servicing over 16,000 clients and 30,000 retailers in approximately 100 countries.

Kering Eyewear products are manufactured by 40 partner sub-contractors, 65% of them located in Italy, at most one hour away from the Padua headquarters, and the rest by producers in Japan, China and France.

Previously run via a series of regional centres, logistics is now wholly internalised, and is centrally operated at a hub not far from Padua, at Vescovana, where last year Kering Eyewear built a huge, 15,000 m2 warehouse, with the option of extending it by another 7,500 m2. The hub has room for handling 5 million units, and a daily delivery capacity of 35,000 units. Quality control is also carried out on-site. The facility enables Kering Eyewear “to control the entire process with a higher level of quality, to be faster and more flexible and to offer greater service, including personalised deliveries,” said the managers in charge of the hub.

One of the eyewear group’s main assets is its highly motivated and engaged workforce, also and especially at the design studio and prototyping centre in Padua, where 48 people work under the supervision of Nadia Rossi, product development director, and creative directors Massimo Zuccarelli and Nicola Bonaventura. The work of the design teams is increasingly integrated with the various maisons’ own creative process, enabling them to conceive, season after season, eyewear collections that are entirely consistent with each label’s aesthetic, offering a broader, more relevant range of products. The close collaboration between design studio, merchandising initiatives and advertising campaigns means a higher degree of coordination, notably ahead of catwalk shows.

“It's the connection that makes the difference. We’re part of the same family, we have the same goals. As a result, motivation is much higher. It's a way of operating that's totally different from the licensing model,” said the executives at Kering Eyewear, adding that “our glasses mirror exactly the spirit of the labels' ready-to-wear collections, and answer the market's genuine needs, because we also offer a wide range of prices.”

Vedovotto emphasised how “design is at the heart of our organisation. Our business model is innovative because it's wholly internalised, meaning the relationship with labels is totally different. We work like colleagues, striving for
It's wholly internalised, meaning the relationship with labels is totally different. We work like colleagues, striving for the same objectives. For example, we have a designer in Rome who takes care of Gucci, another in Paris for Saint Laurent, there are people in Asia who create products suited to the local markets, and so on." Operating so close to the markets enabled Kering Eyewear to considerably reduce lead times, now approximately 10 weeks between initial briefing and industrialisation, as opposed to 20 weeks in the past.

"Proximity to labels also allowed us to tap communication, digital and marketing synergies to their full extent. One of the other advantages of this new business model is that we are no longer dependent on a fixed-term contract. We are no longer exposed to the risk of an abrupt change in direction by a label, as often happens with the licensing system," said Vescovotto.

Kering Eyewear also entirely overhauled its distribution network, streamlining it and picking and segmenting its distributors more selectively. Based on the positioning of its partner clients, the group offers them different segments of its collections, as well as bespoke marketing tools and materials.

"The outcome of this strategy is that our products are available at top retailers, and the latter have become more profitable. We cut down the number of doors by 30%. The opticians’ channel remains the most important, followed by multibrand chains, specialist stores and department stores," said Vescovotto. The Kering group's labels' eyewear collections, now that they are internally managed, are selling more and growing faster.
Kering Eyewear’s geographical footprint is well-balanced: Europe ranks first with 40-45% of total sales, followed by the USA (30-35%) and Asia. Of total sales, 70% are generated by sunglasses and 30% by eyeglasses, while 55% of end-consumers are women.

In terms of sustainable development, Kering Eyewear is working notably on its packaging. In 2017, it joined forces with Italian company Bio-on, a specialist in bio-plastic, to create innovative, bio-degradable plastic materials. Finally, it is working on a blockchain-based solution that will enable its suppliers to make each product fully traceable, from its component materials to all its supply-chain elements.

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