Farfetch losses continue but CEO hails GMV surge, paradigm shift to e-luxury

By Sandra Halliday  -  17 November 2020

Farfetch is rarely out of the news these days and as this week ends, it's making headlines with its Q3 results. The company saw its gross merchandise value (GMV) and digital platform GMV growth rates accelerating in the quarter – up 62% and 60% year-on-year, respectively. They reached record highs of $798 million and $674 million.

Overall, Q3 2020 revenue rose 71% year-on-year to $438 million and while it made a loss after tax of $537 million (much wider than the $90 million of a year earlier), its adjusted EBITDA improved to a loss of $10 million from $36 million a year ago.
Its digital platform GMV rose to $675 million from $420 million and with the company now a significant brand owner, its brand platform GMV and revenue rose to $112.3 million from $67.3 million. In-store GMV was up to $11.4 million from $9 million.

Farfetch said its 60% GMV growth was faster than ever and was driven by sales surges in all three of its geographic regions – the Americas, EMEA and APAC. And each of its top five countries grew faster than during Q2.

It said average order value (AOV) recovered to a -1% year-on-year change from -18% in Q2, “driven by increases in sales of full-priced and higher-priced items, despite [the] continued shift into lower-price categories”.

And it saw “continued high levels of customer engagement, with an increase in active consumers of 45%, while app installs rose over 70%, "increasingly becoming a preferred channel for consumers”.

It also signed new e-concession partners with Moncler, Dolce & Gabbana, Ralph Lauren and watchmaker Rado signing up, the latter being its first e-concession from the Swatch Group.

As for the basket of brand’s that it owns directly, we’ve already seen how its brand platform GMV/revenue surged and it was the sixth consecutive quarter that GMV from New Guards brands, in aggregate, exceeded GMV for any other single brand on the Farfetch Marketplace. During the period, Off-White released its second homewares collection, and new sneaker collaborations with Nike. And Palm Angels "continued to gain traction and became one of the top 10 brands on the Farfetch Marketplace, based on GMV”.

Founder and company chief José Neves hailed the three months as record-breaking on the GMV front, “further indicating we are witnessing a paradigm shift in favour of online luxury. The Farfetch platform is not only capturing this opportunity, but is helping drive this paradigm shift both for luxury consumers and brands”.

He said the industry is seeing “the acceleration of the secular trend of online adoption in luxury – an industry that is still very under-penetrated”.

And he believes the recently-announced partnership with Alibaba and Richemont further positions it “to seize the opportunity to bring the luxury industry into the next generation and drive sustained growth and market share for many years to come”.

That partnership with Alibaba and Richemont will see Farfetch luxury shopping channels launching on Tmall Luxury Pavilion and Luxury Soho. The new China JV will operate Farfetch marketplace in the country and will be 75%-owned by Farfetch, with the remaining 25% owned equally by Alibaba and Richemont.

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