Stefano Martinetto of Tomorrow London says Brexit forced group to invest heavily in Italy

By Dominique Muret - 11 November 2021

Stefano Martinetto founded Tomorrow London Holdings Ltd with his partner Giancarlo Simiri in London in 2010. Since then, he has transformed what was initially a showroom into a multinational firm focused on emerging fashion designers, one that has further evolved in 2021 by entering the direct retail channel.

Tomorrow London recently bought the Martine Rose label, adding to a portfolio which includes names that are currently among the most intriguing, like A-Cold-Wall, Coperni, Colville, Charles Jeffrey Loverboy and Athletics Footwear. Speaking to FashionNetwork.com, Martinetto explained how he has reorganised the company in the midst of Covid and Brexit.

FNW: You recently bought a 60% stake in Martine Rose, which in turn acquired a small stake in Tomorrow.
Was this a first for you?

SM: It was a very significant deal, because it marks the start of a new investment approach. Tomorrow is becoming an investor in labels founded by creative leaders with a strong, almost political vision of their role in society. Designers-entrepreneurs who remain independent in their hearts. With Martine Rose, we experimented with this new formula. Through a share capital increase and a shares swap, we allow the label to access all our services, but also to have a stake in our growth. A way of aligning the interests of the label's founder with those of Tomorrow, in other words the platform that supports it.

FNW: What is Tomorrow’s philosophy?

SM: Our goal is to contribute to the creation of tomorrow's labels. We claim to be the last platform that defends the interests of emerging independent brands. We don't think the world is going in the direction of the three well-known luxury conglomerates, especially not Gen Z individuals, who will account for 50% of consumers in five years.

We believe we have found a unique positioning that enables us to have a very large slice of a comparatively small market. We’re extremely competitive because, thanks to the scope of our cross-platform functions, we enable our labels to turn a profit very quickly. They reach a minimum threshold with a revenue of approximately €5 million, and generate healthy profits from around €10 million.

FNW: How is your organisation currently structured?

SM: The primary service we offer is B2B business via permanent and temporary physical showrooms. We work with some 50 labels, differentiated into Tomorrow Originals, our own labels or brands we have invested in, and Tomorrow Next, the next generation of labels. Then there is our international Goods & Services division, which works with 25 to 30 labels that aim for larger volumes.

FNW: Alongside B2B, you also recently entered the direct retail arena.

SM: We have created a B2C channel that is both multi and monobrand. It operates via a multibrand platform consisting of London concept store Machine-A, specialised in emerging designer labels, which we bought at the end of 2020 with its own e-shop, which also operates our clients' monobrand e-stores. Finally, we have 10 Redchurch, our own retail outlet on Farfetch.
FNW: You have also developed a consultancy service.

SM: Within our B2B environment, we set up the Tomorrow Projects agency, run by Julie Gilhart, chiefly aimed at heritage labels keen to connect with Gen Z consumers. For example, we have worked on a collaboration between Zegna and Fear of God, and also developed Diesel's Red Tag initiative. We consult for a number of labels, and we currently have 12 new ongoing projects.

FNW: With all this activity, do you currently need to hire?

SM: In the next 12 months, we plan to hire between 70 and 78 people. It's worth mentioning we built up the B2C channel starting virtually from scratch, with Machine-A's eight employees, and we now have more than 30 people. In parallel, the B2B channel is growing strongly, and we also boosted our labels’ operational and output capacity. We now have about 210 people working on this channel.

FNW: Have you been penalised by Brexit?

SM: Well, the Covid-19 crisis wasn’t enough by itself ... We took the brunt of Brexit’s impact at a time when Tomorrow was in the midst of a strategic transformation and technology development phase. We trusted the UK government to take rational decisions, and thought we had to deal with new arrangements that would be relatively simple to manage. But on December 23 we received a 1,700-page document with the new Brexit regulations that were taking effect, in part, from January 1!

FNW: How did you deal with the situation?

SM: We had to take decisions in a matter of days, in the midst of Covid, about what to do with all the designers and retailers who had respectively sold and bought products and who suddenly found themselves burdened with customs duties on trade flows into and out of the UK. We took on these extra costs ourselves, and overhauled our logistics arrangements. We had to immediately open a bonded warehouse in the UK and a distribution centre in France, at a cost to us of about €3 million.
FNW: And now?

SM: We could not continue in this fashion. Brexit has forced us to invest heavily in Italy again, in Prato, near Florence, where we are transferring our central European warehouse. We will move hundreds of thousands of products there. We are keeping our logistic hub in Birmingham, to serve the UK and the countries with which it has trade arrangements. Our headquarters remain in London, but the majority of day-to-day operations are no longer run in the UK.

FNW: What's your view of the current market situation?

SM: I'm extremely optimistic and positive, in fact I’m surprised by the speed and extent of the [post-Covid] economic recovery. I didn’t expect it. Our Spring/Summer 2022 collections have generated 20% more sales than we ever did. A remarkable achievement, all the more so since, during the commercial campaign, we had only one fifth of our usual physical meetings. It was all done online.

FNW: How do you explain this phenomenon?

SM: The fashion market's resilience is incredible, it defies logic. After a long time without any chance of going out or dressing up, it's amazing to see how fashion has become a genuine means of gratification. Clearly, after the fear, euphoria has set in. The market will perhaps cool down. But the mentality has fundamentally changed.

FNW: What do you mean?

SM: Gen Z consumers, our core consumers, are more oriented towards value-sharing. We believe that, in future, customers will be less influenced by the reputation of brands that rely on their heritage and huge fire-power, but they will choose products that are more strongly identified with a label’s founder. A creative leader, embodying specific values, whether in terms of gender or ethnicity, artistic genre, sustainability and the like. There are major opportunities for emerging labels. Especially within a B2B world that has been redefined, and is very different from what it was two years ago.