

APPAREL AND ACCESSORIES

How Prada is transforming itself for the Digital Age

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Ad campaign for Prada's fall/winter men and women's collections. Image credit: Prada

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Prada has long been a fashion insider's favorite, its seasonal show in Milan considered a pilgrimage of sorts for buyers and editors around the world.

But the brand's wide retail distribution network, high price points and initial reluctance to sell online has meant that industry applause has not always translated to healthy cash flow.

In March, the company reported a 17.6 percent decline in net profits, which fell to 205 million euros, for its financial year ended Dec. 31. It also posted a 10 percent drop in operating profit of 324 million euros, falling short of analysts' expectations of 378 million euros, sending its shares down by 11 percent on the day, its biggest one-day fall since September 2017.

This, combined with five years of plunging profits, has caused the Italian fashion house to drastically rethink its strategy, mapping out a series of bold business moves that it hopes will help proof itself against the fluctuations in the luxury market in an age where digital is king.

Historically, Prada has been slow to adapt to the online luxury market.

The label only made its online debut on **Net-A-Porter** three years ago, and while it has expanded to other online retailers such as **Matchesfashion.com** and **Mytheresa.com**, its efforts have not been enough to match the sales of its peers in the luxury market including **Louis Vuitton** and **Gucci** who have both reported growth in their businesses.

Bigger push

Prada finally seems ready for a bigger push.

As of this month, both Prada and **Miu Miu** products will be sold on the Chinese luxury platform **Secoo**.

Prada was also the first brand partner for streetwear publication **Highsnobiety**'s ecommerce launch. It offered its Linea Rossa range on Highsnobiety.com on an exclusive basis a sign that the company is now more open to experimenting and becoming serious about digital and reaching a new consumer, be it in China or in the young,

streetwear communities.

"It is clear that the digital transformation has radically altered relationships with consumers, making them ever more aware of their purchasing choices," said Patrizio Bertelli, Prada's chief executive, in a statement announcing the company's results.

"In this context, communication takes on an even more crucial importance to effectively reach our customers," he said. "With this objective in mind, we will continue to invest in all our digital assets to create an increasingly immersive brand experience with a unique and engaging involvement at all touch points."

The company did not respond to requests for comment.

These intentions were also highlighted in the brand's new long-term plan for special campaigns, the latest of which was created by international Chinese artist Cao Fei and features Cai Xukun a C-pop megastar, who has more than 22 million followers on Weibo.

Following American actor Dane DeHaan around Shanghai before the Prada Spring/Summer 2020 Menswear show

In the same spirit of experimentation, the group is rethinking its wholesale strategy and planning to cut back its retail network, particularly when it comes to bricks-and-mortar partners. Its ultimate goal is to be in a better position to offer customers consistent price points across physical and digital channels.

"The growing complexity and fragmentation of the wholesale market" and a desire to be "transparent" with consumers is what led the company to this decision, said a spokeswoman for Prada on a call with journalists after the release of its financial results.

According to analysts, the move might bring a short-term hit on sales performance, but in the long term it will advance the image and positioning of the brand.

"The switch is consistent with Prada's aim to enhance brand desirability by cutting exposure to grey market risks and adapting to ongoing consumer shift to e-tailers," said Rogerio Fujimori at RBC Europe Limited in an analyst note.

Shifting focus on ecommerce and the growth of one's own platforms is also in line with wider market trends, wrote Luca Solca, managing director of luxury goods at Sanford C. Bernstein, in a note.

"Mega-brands who dominate the luxury industry today have little to gain from feeding winner takes all' third-party distribution platforms," Mr. Solca said. "Gucci and Prada are starting to realize this."

As part of its digital efforts, the brand is also spearheading a long-term partnership with Adobe to utilize the tech giant's analytic and marketing tools and analyze how customers interact with its social networks, Web site and digital stores to build a stronger omnichannel strategy.

Going beyond digital

In addition, Prada is aiming to go beyond just enhancing its digital strategy, to reach a younger audience who are known for their social conscience.

The company announced in May that it would ban fur from its collections and products, setting out its brand values and receiving much applause from the eco-conscious online community.

In order not to waste existing fur products, it will continue selling them until the inventory is exhausted.

But starting with its women's spring 2020 ready-to-wear collection, no animal fur will be used and instead, the focus for Miuccia Prada and her design team will be to explore new, innovative materials.

As part of its sustainability plans, the brand has also re-imagined its famous nylon bags with a new regenerated nylon material known as [econyl](#).

Econyl will be used for a special new capsule dubbed "Re-Nylon" but the goal is to ensure that by 2021 the nylon it uses for all its products is recycled.

THIS RETHINKING and re-evaluation on Prada's part shows much needed progress from the company to adapt its business to the more modern demands of luxury consumers.

However, the question remains on whether it will be enough to catch up to its peers and transform itself once again into a leader in the luxury market.

[Please click here to view the Prada Re-Nylon video](#)

[Read more to learn the reasons why.](#)

Natalie Yiasoumi is a journalist and editor specializing in luxury fashion, fine jewelry, business strategy and online retail. She has written for a wide range of B2B platforms and consumer publications in the London and Middle Eastern markets. Biggest areas of interest include the intersection of fashion and technology and new media frontiers.

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