

# Farfetch's \$200 million investment in Neiman Marcus underscores the importance of physical retail

Article

**The news:** Luxury fashion platform **Farfetch** and retailer **Neiman Marcus Group (NMG)** are entering into a mutually beneficial partnership, per a joint announcement. Farfetch will **invest up to \$200 million** in NMG, while the retailer will use the platform's tech to power **Bergdorf Goodman's** website and mobile apps.

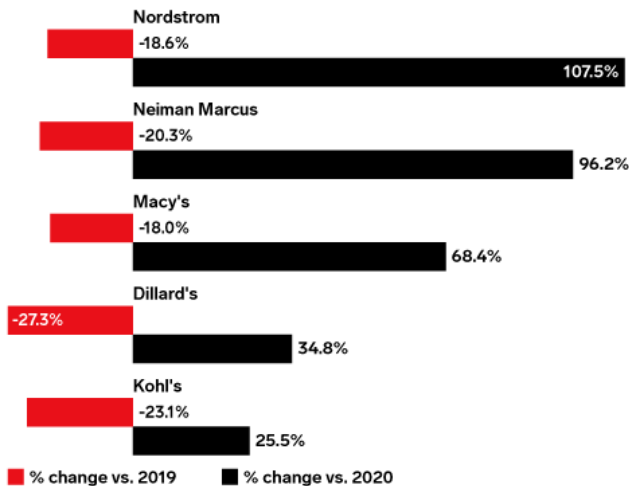
**What's in it for Neiman Marcus:** Since filing for bankruptcy in 2020 due to the pandemic, Neiman Marcus has restructured its business to prioritize digital sales over brick-and-mortar. The deal with Farfetch gives the retailer **access to much-needed capital to grow its tech and digital capabilities**, while enabling it to leverage the platform's existing ecommerce solutions.

- As part of the agreement, NMG has committed to implementing several Farfetch Platform Solutions (FPS) tools, including foundational international services. Neiman Marcus and Bergdorf Goodman will both join the Farfetch Marketplace to sell products globally.
- By relying on Farfetch to do most of the heavy lifting on the ecommerce side, Neiman Marcus can focus on integrating its in-store and digital capabilities, which could enable it to compete more effectively with other luxury retailers like **Saks Fifth Avenue** and **Nordstrom**.

**Analyst insight:** “This partnership should put an end to the recent pressure on NMG to **spin off** its ecommerce business or split off Bergdorf Goodman, while giving the company much-needed access to global luxury shoppers—especially in China, where Farfetch has a deep partnership with **Alibaba**— as well as a trove of data on these consumers' online shopping habits,” said **Sky Canaves**, eMarketer principal analyst at Insider Intelligence.

## Coronavirus Impact: US Shopper Visits to Department Stores on Black Friday, by Store, 2021

% change vs. 2019 and % change vs. 2020



Source: Placer.ai as cited in company blog, Jan 10, 2022

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**What's in it for Farfetch:** Signing up a major luxury retailer to its platform—particularly one with strong name recognition—could give Farfetch's sales a significant lift, while giving it insight into how customers shop across channels.

- While younger consumers are **embracing luxury**, they increasingly prefer to shop on digital channels. Farfetch founder and CEO **José Neves** noted that “businesses will have to significantly upgrade their digital capabilities...to meet these new customer expectations and stay ahead.” This reality gives the platform an opening to **position itself as a tech provider for other legacy fashion retailers** looking to expand their omnichannel capabilities quickly.
- With many online fashion marketplaces **struggling to turn a profit**, having an additional revenue source would enable the company to avoid the fate of **other digitally native retailers** and maintain consistent growth.

**The big takeaway:** Luxury retail has been slower to adapt to the ecommerce boom, in part because the in-store experience is still **central to the purchasing journey**.

- The partnership between Farfetch and Neiman Marcus gives each the best of both worlds: Neiman Marcus can boost its ecommerce capabilities, while Farfetch can learn more about the brick-and-mortar side of the business.
- With luxury brands stepping up their ecommerce game, the pressure is on retailers and fashion marketplaces to find new ways to engage customers and make the purchase journey

more seamless.

### Factors that Lead US Luxury Shoppers to Digital Purchases, by Generation, Oct 2021

% of respondents in each group

	Gen Z (18-24)	Millennials (25-40)	Gen X (41-56)	Baby boomers (57-66)
Click-and-collect ability	57%	54%	43%	30%
The ability to get the goods (so I can touch/feel the products) delivered before I have to pay	39%	47%	57%	50%
The ability to pay securely	34%	49%	49%	54%
The ability to talk to a sales rep before I make the purchase	31%	33%	28%	37%
The ability to use a virtual dressing room	16%	25%	17%	7%

Source: Klarna, "The State of Smooth: Unpacking Luxury in 2022" conducted by Dynata, Jan 19, 2022

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