Tarì
martedì, 22 novembre 2022

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The New York Times International Edition

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A focus on growth

Houses like Bulgari, Cartier and Prada are expanding their factories and adding new product lines


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BY VICTORIA GOMELSKY At first glance, the factors unsettling the economic outlook for 2023 - rising inflation, looming recession and the war in Ukraine - seem like harbingers of doom for the high -end jewelry business.

But among luxury jewelry brands, optimism has never been higher. How else to explain why Bulgari and Cartier are expanding jewelry factories and opening new ones, Tiffany & Company is on a retail renovation spree and Prada just introduced its first fine jewelry collection?

"Of course these brands don' t plan just for next year; they plan for the next 10 years," Federica Levato, a senior partner at Bain and Company in Milan, said on a recent video call. "Jewelry in general is more resilient versus other luxury categories through crisis periods.

" The pandemic certainly proved Ms.

Levato' s point. In 2021, the luxury jewelry market was valued at 22 billion euros ($22.8 billion), a 7 percent increase over 2019 totals, according to Bain. As the category is continuing to expand, shoppers around the world can expect the selection of branded jewelry to increase, even though consolidation is expected to diminish the number of companies making it, experts said.

"If we look at personal luxury goods, jewelry is gaining share over other segments, from a demand perspective," Ms.

Levato said. "But there' s also a vertical integration trend happening in all luxury markets, where big players are buying their competitors. So the amplifying and doubling capacity is driven both by market growth but also by the strategy of the brands themselves.

" In October, Bulgari announced it was planning to double the capacity of its jewelry factory in Valenza, in northern Italy' s Piedmont region, a five -year -old, 150,000 -square -foot facility that already is considered one of the largest of its kind in Europe. There, the brand employs a mix of automation and hand craftsmanship to produce precious, repeatable jewels that retail for as much as 100,000. (The company maintains an atelier in Rome for its high jewelry fabrication.

) By the end of 2024, when the expansion is expected to be completed, the facility is to span nearly 344,500 square feet, or almost eight acres, on three levels. And by 2028, it is projected to employ about 650 new people, bringing the factory' s staffing to a total of about 1,400.

"We bought the land during Covid," Jean-Christophe Babin, the chief executive of Bulgari, said on a video call from the Maldives, where he was checking on the Bulgari Resort Ranfushi, expected to open in 2025.

"You can' t forget that jewelry is the only luxury that never, ever loses value," he said. "That is the prime factor why it is growing faster and is more resilient than any other luxury - because it' s visceral, deep in our minds and hearts, and global.

" It is born by a highly fragmented industry. Unlike other luxury categories, the jewelry market remains dominated by smaller players or local, family-run businesses, said Marco Carniello, global exhibition director of the Jewellery & Fashion Division of the Italian Exhibition Group, which organizes Vicenzaoro, an annual event that is Italy' s largest gold and jewelry fair by both the number of exhibitors and attendees.

"Jewelry from high-end brands like Bulgari, Tiffany, Cartier, et cetera used to be around 20 percent of total jewelry consumption, which is a relatively small share if you compare it with fashion," Mr. Carniello, a former Bain consultant, said on a recent phone call.

"It meant 80 percent of jewelry was from small regional brands or it was unbranded - the retailer played the biggest part in relation to consumers.

" That dynamic, however, began to change rapidly about a decade ago. Ms.

Levato said that, in 2021, branded jewelry represented 25 percent to 30 percent of the jewelry market, a marked increase from the 15 percent to 20 percent that it represented in 2011.

Jean-Philippe Bertschy, a luxury goods analyst at Vontobel, a private banking and investment management group based in Zurich, predicted that branded jewelry - including collections by fashion interlopers, such as Prada, which in October introduced its new Eternal Gold collection of genderless jewels in certified recycled gold - would account for more than one third of the market in a few years.

"The opportunities are huge, and I expect that the larger, strong brands will continue to outperform and gain market share," Mr. Bertschy wrote in an email.

Why? In a word: trust. "Brands are on the stock exchange, they' re very famous and reputable, and they are everywhere," Mr. Babin said.

"Anywhere you want to celebrate a moment of your life," he added, "you can find Bulgari.

" Unless, that is, Cartier seduces you first. The Paris-based jeweler, widely considered by luxury analysts to be the brand to beat, is planning to open two new jewelry factories in 2023 just down the proverbial street from Bulgari: one in Valenza, the other in nearby Turin.

(The house did not respond to questions about where it now manufactures its jewelry.

) In early November, Cyrille Vigneron, Cartier' s chief executive, wrote a post on LinkedIn that obliquely addressed the need for growth, saying social media helped boost luxury sales during the pandemic. "Search engines are run by algorithms," he wrote. "The more searched, the more visible.

" "We tend to think that luxury brands or products cannot go beyond a certain reach without losing their appeal and desirability," Mr. Vigneron wrote. "Yet, a handful of maisons have broken this glass ceiling. The more they are seen the more they get desired.

" Tiffany seems to have been capitalizing on such desire since it was acquired by LVMH Moët Hennessy Louis Vuitton in January 2021. While LVMH does not report revenue by brand, its financial report for the first half of 2022 said: "Building on the record results of 2021, Tiffany experienced an excellent first half." And LVMH noted what it called "record sales" for Tiffany' s Blue Book high jewelry collection.

"We closed on a record year in 2021; we will close on another record year in 2022," said Anthony Ledru, the company' s chief executive, on a recent video call. "This year has been really focused on product elevation. One reason we' ve been growing fast is we went quite big on high jewelry.

" He singled out the brand' s famed Bird on a Rock brooch, designed by Jean Schlumberger in 1965, which has a starting price of $75,000. "Today we have close to six months of waiting time on that specific piece," Mr. Ledru said.

And yet other luxury jewelers are banking on growth through the production and sale of more accessibly priced pieces, especially in China, where consumers have been continuing to spend on brand-name luxury goods. To capture clients, particularly though digital channels, brands are placing more emphasis on entry-level collections of pieces starting at around $3,000.

"Even Gen Z wants now to go on Instagram or TikTok with an iconic product and these are the brands you want to have," Mr. Bertschy said on a follow-up call.

The French diamond jewelry brand Messika has been on a boutique-opening blitz centered on Asia, where, by the end of this year, the company is expected to have opened nine stores, including locations such as Seoul; Osaka, Japan and Chengdu, China, bringing its regional presence to 20 locations, out of 70 worldwide. (Another 15 openings are planned for Asia in 2023).

"This year we are on trend for 45 percent growth over 2021," Valérie Messika, the brand' s founder and chief executive, said in a video call. "And Asia - we just started there after the pandemic - is now almost 8 percent of our turnover.

" Indeed, the essential question for anyone contemplating the future of the luxury jewelry industry is no longer how many branded baubles people are willing to buy, it' s how many can brands produce? "The key part is not about finding customers, it' s trying to get the goods," Ms. Messika said.

In Italy, where the competition for skilled workers - especially in and around Valenza, a town of about 18,000 residents known for its master goldsmiths and gem setters - has reached a fever pitch, jewelry is like the new tech, a phenomenon not lost on Maria Carola Picchiotti, marketing director of Picchiotti, a jewelry atelier founded in 1967 by her father, Giuseppe.

"With all the big jewelry brands coming to Valenza to locally manufacture, the social and economic fabric of our little town has drastically changed," Ms.

Picchiotti wrote in an email. "When I was a little girl, there used to be many small 'mom and pop' workshops that would employ two to three workers manufacturing for bigger local brands or even selling to wholesalers and retailers.

" "Now, everything is very different," she wrote. "Small workshops virtually no longer exist. The big brands, mainly French, come to Valenza and either build big manufacturing plants or acquire many of the local workshops to grab all the manpower they can possibly hire.

" Sabina Belli, chief executive of Pomellato, an Italian jeweler acquired by the French group Kering in 2013, said when she joined the company in 2015, she was comforted by the knowledge that its Milan-based atelier employed 100 goldsmiths. But, "when I started looking at some of their profiles, I realized that some were about to retire," Ms. Belli said on a recent phone call.

Still, "in 2016," she added, "a bit naïve, I said to our H.R. director, 'Go out and start recruiting the next generation.

' And that' s when the real trouble started because we realized it was not that easy.

" To remedy the situation, both Bulgari and Pomellato have partnered with Italian jewelry-making schools - the Tarì Design School in the southern Italian province of Campania for Bulgari and Galdus in Milan for Pomellato - to help train goldsmiths.

But traditional bench skills are only part of the equation. Automation and artificial intelligence are helping brands fine-tune their production and distribution strategies, speeding goods to retail locations where they are most likely to sell, Mr. Babin said.

"A.I. is regulating the supply-demand balance so that our rare and precious workers in Valenza do not craft more jewels than are needed," Mr. Babin said.

If it all sounds like a well-oiled machine, it is - one keenly focused on cultivating the next generation of loyal brand customers.

To hear Mr. Ledru of Tiffany tell it, the key to that effort lies in what he called a "visual transformation," centered on relocating, enlarging and renovating its 300 brick-and-mortar locations around the world, starting with the Fifth Avenue flagship in New York. (The renovation, announced in 2020, before the LVMH acquisition, had been expected to be completed this year.

) "The biggest opportunity for Tiffany moving forward" is its stores, Mr. Ledru said. "The first stop will be the heart and soul of Tiffany, the landmark, the mythical 55th and Fifth.

" But the brand' s ambitions go way beyond that. Mr. Ledru said the company would be adding digital operations in 30 countries, including large markets like Brazil, and introducing a high jewelry offering that would harken back to the Schlumberger days.

As for brick and mortar, "in two years, I believe we' ve secured the most exciting embassies worldwide for Tiffany & Company," Mr. Ledru said, "from Milan to Madrid; Chengdu, Beijing, Shanghai, Seoul and Sydney.

" "And I forgot São Paulo. We have a very exciting project there. It' s global and it' s coming," he said. "That Tiffany blue wave is on its way.

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