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Kering CEO François-Henri Pinault on the Luxury Boom in China and the Millennial Shopper

By Pierre Briancon June 19, 2019 7:15 am ET



François-Henri Pinault, CEO of Kering. Photograph by Marlene Awaad/Bloomberg

François-Henri Pinault, 57, didn't just inherit the management of [Kering](#) (KER.France) from his father; he transformed the French luxury-goods leader in his 14 years at the helm, turning it into a pure play through savvy acquisitions and astute divestitures. Shoppers have snapped up Gucci, Balenciaga, and other Kering brands, [particularly in Asia](#), while investors have loaded up on the company's shares.

Pinault, whose family controls 40% of the company, was recently named to [Barron's 2019 list of the World's Best CEOs](#). In an interview conducted by email, he explained the company's acquisition strategy and the luxury market's appeal to millennials and Gen Z consumers. An edited version follows.

Barron's: You have refocused Kering and made it a pure play in luxury goods and merchandising. What is your main driver when you contemplate acquisitions? And, do you see any "hole" in the portfolio of

brands you currently own, or any area you would wish to get into?

François-Henri Pinault: We focus on growing organically. All our brands have great potential and we are investing to bring them to their next phase of development. We don't need acquisitions to grow. That said, we have the financial capacity to seize opportunities.

When looking at potential acquisitions, we have always had clear criteria: The asset has to fit into our luxury portfolio and complement our existing brands, and it has to have worldwide growth potential.

We don't see blatant holes in our portfolio but there are areas where we could be stronger. To take an example, Gucci announced the launch of its first high-jewelry collection this July in Paris, because we saw an opportunity here for the brand. With the creative identity of [Gucci top designer] Alessandro Michele, we know there will be no style competition with our Parisian high-jewelry brand Boucheron.

How confident are you that Kering could withstand a serious economic slowdown in China? And, do you see a need to rebalance your sales away from Asia?

We continue to invest in and develop our China store network and services, and our global store network with Chinese-speaking staff to serve Chinese tourists. Chinese demand continues to support the business. We have been in Greater China for more than 40 years (Gucci opened its first store in Hong Kong in 1974 and in Shanghai in 1997), which shows that our investment is over the long term.

The potential of the luxury-goods market is still considerable. It is driven by geographic and demographic factors, and by the emergence of new consumer categories. Luxury is a supply market: It is the quality and creativity of the offer that make the difference. As we have seen recently with Gucci and Saint Laurent, or with Balenciaga, when the creative risk-taking is sincere, and when it pays off, the growth potential is impressive.

How confident are you that future generations, whether in Europe, Asia, or America, will have the same attitude toward luxury as your current customers?

Millennials and Gen Z are a new generation of customers massively entering the luxury market: They already represent half or more of the customers for some of our brands. These customers are digital natives: They are highly informed and connected; they are "experience first"; they want to be

emotionally engaged; they value incomparable experiences that engage them. Exhibitions, stores, and e-commerce are all places of experience. They are also pushing us to be truly excellent, innovative, and creative in how we interact with them.

However, our growth is well balanced in terms of age categories. For instance, at Gucci, all age groups contributed to the performance last year, including customers over 60.

How do you see consumer concerns about sustainability and the environment affecting the long-term future of your industry?

Let's face it, our operations have a negative impact on the environment. It is therefore our primary responsibility to reduce this footprint. Although luxury is a relatively small segment compared to the fashion industry at large, I am convinced that luxury players have a special role to play in sustainability. It is a major aspect of my vision as CEO of this group.

The luxury sector has a special responsibility for two reasons: first, because luxury has an influence over the whole apparel industry - and beyond. Creativity is at the center of everything we do. We take risks. Our designers are opinion leaders. We are the best placed to lead the way and inspire the others to change.

The second reason is simply that we can. Thanks to its business model, the luxury industry has the financial means to invest in the search for new solutions. It is also our duty to share our findings, so that other luxury houses and the entire fashion industry can adopt them. This is what we did for innovative processes that we have implemented, such as metal-free tanning.

For me, sustainability is a business opportunity. It makes you more innovative, as it forces you to question your old habits and rethink the way you do business. If you approach it this way, sustainability isn't only economically viable: it generates new opportunities. Beyond that, it helps define the sense of purpose that modern companies must pursue.

Thank you.

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