

**Personal & Household Goods**

## Italian make-up brand Kiko plans expansion despite Covid setback

Company's chief uses pre-pandemic turnaround as launch pad for global retail push



Kiko chief Cristina Scocchia says 'as business people, we have a big social responsibility' to protect jobs during the pandemic © KIKO

**Silvia Sciorilli Borrelli** in Milan OCTOBER 19 2020

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Upmarket Italian cosmetics brand Kiko Milano, which was forced to quit the US two years ago, is to increase its global store network by a third as it uses a turnaround launched before the pandemic to refocus on expansion.

The company — founded in 1997 by Antonio Percassi, the entrepreneur who owns Atalanta football club, launched Zara stores in Italy and holds the national Starbucks licence — plans to open 300 new stores globally by 2022.

“We were lucky to face a crisis years ago and focus on the company’s turnaround in 2018 and 2019; it made it easier for us to face Covid,” said chief executive Cristina Scocchia, the former boss of L’Oréal Italia who was poached in 2017 to oversee an overhaul at the company.

During the first three years of her tenure, Kiko closed all but five of its 30 US stores through a Chapter 11 bankruptcy of its domestic subsidiary and went through a €230m debt restructuring. About 760 jobs were cut and 14 per cent of global stores were shut down following a failed “fast and furious international expansion from 2014, which the structure wasn’t ready for”, said Ms Scocchia.

Last year, the company doubled its earnings before interest, taxes, depreciation and amortisation to €58m on sales of €600m. Global make-up sales have been growing steadily and, according to McKinsey, the \$500bn [beauty industry](#) is expected to prove resilient in spite of coronavirus.

Kiko plans to continue its pre-pandemic strategy of shutting 15 to 20 non-performing stores each year, but the chief executive said job protection during the pandemic had been a priority. “As business people, we have a big social responsibility, and in moments as dramatic as this one it’s important to remember we each play a part,” said Ms Scocchia.

## **There will be a new dimension for retail but it doesn’t mean retail is dead . . . only traditional retail is**

**Cristina Scocchia, chief executive of Kiko**

“When you furlough 7,000 to 8,000 employees you feel the responsibility for those people . . . because a job doesn’t just mean a salary, it means dignity, fulfilment,” she said.

The company was forced to close almost all of its 900 stores across 26 countries for more than two months because of coronavirus, prompting a 30 to 50 per cent fall in revenue. All but eight Israeli stores have reopened and

Kiko managed to avoid job losses and paid employees’ salaries, even in jurisdictions where governments had not set up furlough schemes.

In August, Kiko secured a state-backed €270m loan, which according to Ms Scocchia will allow the company to focus on expansion. “We will open 50 shops by the end of this year in Israel, Russia, Saudi Arabia and Greece,” she said.

The company anticipates that increasing the store network by 30 per cent will boost revenue and profits over the medium term. “We are partnering with local companies on the ground, which means we’ll divide both risks and rewards through franchise agreements,” said Ms Scocchia.

The turnaround has focused on strengthening the brand, customer experience and digital presence. After an overzealous European expansion last decade, which was one of the causes for the company’s downfall, Ms Scocchia has concentrated on non-European markets.

“We went from being a European player to a global one, we focused investments in the Middle East and Asia, we worked with local ecommerce platforms around the world and invested in technology well before the pandemic.”

A successful combination between physical stores and online channels is retailers’ recipe for survival and, according to analysts, companies that have begun investing in digital technologies and boosting their online presence before the pandemic, will recover before their peers.

“The trend existed well before Covid-19 . . . it’s been accelerated and there will be a new dimension for retail but it doesn’t mean retail is dead . . . only traditional retail is,” Ms Scocchia said.

As it looks to bolster online sales, the company plans to hire 50 full-time employees at its Bergamo headquarters by the end of the year, many of them in marketing and technology.

Hiring in the city, one of the wealthiest and most industrialised in Italy, is something of a symbol, too.

Bergamo turned out to be Italy’s coronavirus epicentre, drawing international attention as morgues and cemeteries struggled to cope with the number of deaths. “It was clear from early on something was going on and we had to put people first,” said Ms Scocchia.

Now the situation had evolved, with the community and businesses better equipped to manage the situation, and the city was “proudly and cautiously restarting”.

“There’s an element of courage and optimism [in our expansion plan],” she said. “We see this [pandemic] as a negative parenthesis but it can’t last for ever.”