

WWD

Fashion. Beauty. Business.



Peaceful Coexistence

LVMH links with UNESCO in biodiversity initiative.

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R.T. + G.H.

Riccardo Tisci taps Gigi Hadid to front Burberry Monogram campaign.

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A Texan Turn

"Dior: From Paris to the World," lands at the Dallas Museum of Art.

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Richard Quinn's silk dress over latex bodysuit and gloves.



Chloë's World

Chloë Sevigny's new film "The Dead Don't Die," directed by Jim Jarmusch, today opens the Cannes Film Festival, marking the third time the actress has worked with the filmmaker. As for what the longtime fashion girl will wear on the red carpet, she already has it planned: a Mugler dress by Casey Cadwallader. Sevigny says of the vibe she is going for: "I think, being 44, it's like that transitional phase. I want to go for chic but still a bit alternative." *For more on Sevigny's views of Cannes, her take on fashion and her own goal to produce a feature film, see pages 14 to 16.*

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BUSINESS

Stocks Plummet On Trade War

- The Dow Jones Industrial Average dropped over 600 points as China retaliated against Trump's tariff hit.

BY EVAN CLARK

Add Wall Street investors to the list of losers in the U.S.-China trade war.

The Dow Jones Industrial Average dropped 2.4 percent on Monday, or 617.38 points, to 25,324.99 as China fired back, meeting President Donald Trump's tariff challenge by adding 25 percent duties to \$60 billion in U.S. imports. Last week, Trump boosted tariffs on \$200 billion in Chinese-made goods to 25 percent.

Fashion and luxury shares worldwide didn't escape the market's jitters. Among the biggest decliners in the U.S. market on Monday were Signet Jewelers, down 11.9

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CEO TALKS

Cristina Scocchia On Kiko's Turnaround, Future Strategies

The chief executive officer maps out the company's priorities to turn the Italian beauty player into a global powerhouse.

BY SANDRA SALIBIAN

MILAN — Cristina Scocchia is no ordinary woman — especially not in Italy.

Industry professionals who have worked with Kiko's chief executive officer and listened to her analysis of the state of the beauty business during lectures and summits know it well.

Her signature calm tone and determination were forged during the 20 years she spent working at multinationals, first at Procter & Gamble Co. — where from 1997 she held positions of increasing responsibility working on mature and

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CEO TALKS

Cristina Scocchia On Kiko's Turnaround, Future Strategies

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emerging markets until assuming the role of cosmetics international operations division leader – then at L'Oréal Italia, where she served as CEO for four years.

In 2017, she left her comfort zone to join Kiko SpA, the parent company of Italian accessible cosmetics label Kiko Milano. She succeeded Stefano Percassi, the entrepreneur who cofounded the brand in 1997 as a single corner in the storied and hip Fiorucci flagship in Milan.

Since her arrival, the company has undergone significant changes: The American arm of the brand filed for bankruptcy at the beginning of 2018, closing nearly all of its 29 retail locations in the U.S.; the company sold a 33 percent stake to private equity fund Peninsula Capital, and Kiko inked a range of partnerships with international e-commerce platforms including Amazon, Tmall Global, Nykaa, Myntra and Trendyol.

It all served the purpose of returning Kiko to profitable growth, according to the 2018-20 business plan conceived by Scocchia and focusing on three key drivers. These include the redefinition of Kiko's geographic footprint, with strong investments in markets that are experiencing high rates of development in Asia, India and the Middle East; the modernization of IT systems and the supply chain, and the expansion of the e-commerce platform.

If what Scocchia sowed in such a short time appeared to be drastic at first, the results after a year made it all worth it. In 2018, Kiko's earnings before interest, taxes, depreciation and amortization increased 37 percent to 41.8 million euros compared to the previous year, while sales were stable at 596 million euros despite the closure of 13 percent of the company's global retail network. Kiko counts more than 7,700 employees, 900 direct stores in 22 countries and an e-commerce channel serving 35 countries.

"I tend to talk about facts when they materialize, it's important to first deliver and then speak," said Scocchia when asked if she has set any sales goals for the future. This hints at her pragmatic attitude and a humility that emerged during an extensive interview at Percassi Group's modern offices in central Milan.

Here, Scocchia talks about what has changed since she joined Kiko, what needs to be done and how it feels to be a woman in her role in Italy.

WWD: What did you find when you joined the company and what has changed since your arrival almost two years ago?

Cristina Scocchia: Kiko has done quite an important turnaround over the past two years. Two years ago, the company's financial situation was a byproduct of a growth that was too fast, too soon and that often compromised profitability. To stabilize this situation, refinancing, focusing on profitable growth and optimizing global operations contributed to quite a tough, yet pretty successful journey. In the past 18 months, we had an intense and rapid transformation and reorganization aimed at boosting the company's financial and operational efficiency and aimed at laying down the foundations for the relaunch of this iconic Italian brand.

I have to say 2018 ended very well, we are very proud of the results because we closed with an EBITDA of almost 42 million euros compared to 30 million in the previous year, so almost a 40 percent increase, and we



Cristina Scocchia

stabilized the turnover. This is very important to me because we stabilized it despite closing 13 percent of our store network. So if you close 137 stores and, despite that, your turnover is almost flat, it means that the like-for-like trend is favorable and healthy.

WWD: Let's address the elephant in the room right away: What went wrong in the U.S. and how has the strategy changed for this market?

C.S.: I think that, as I mentioned before, our growth was a bit too fast and too soon and the expansion in the U.S. was part of it. We simply realized that the market conditions in the U.S. are not in line with our growth strategies. When you develop a business plan and a strategy you need to decide what you do but also what you can't do. Strategy is a choice, so what we have decided in the U.S. is that we want to stick to three brick-and-mortar stores, two of which are very important flagships in Times Square and in Miami. They are also a marketing investment for us because they are in very important locations with worldwide appeal. And then we want to grow through e-commerce: We are pushing kiko.com but we signed also a partnership with Amazon and we're about to announce a partnership with another important U.S. player to boost our online presence.

WWD: Were similar measures taken elsewhere? Where did you close the 137 stores?

C.S.: We closed stores mainly in the U.S., the U.K. and Germany. This is also where the general retail situation is the toughest one for brands like ours.

WWD: Which are the three best-performing markets for you at the moment?

C.S.: Usually we don't give results by country, there's too much competition already [laughs]. Let's be clear: Kiko is at its core a European player. Europe and especially Southern Europe is our stronghold, but my goal is to transform a regional beauty player into a global one. This is what we're doing by focusing on the Middle East and Far East. Middle East and Asia-Pacific are the two regions in which we want to grow and I like to call them bets. We want to [focus on them] because the population is growing the fastest, the markets are very dynamic, there is a huge percentage of Millennials and customers are very much forward-looking in these regions, so there are all the ingredients to make them very appealing for our future growth.

We already have a small footprint there because we are present in Hong Kong and in India, but we want to step change there so we decided that in Asia we will grow through distributors, online platforms and franchising. Just to give you an idea: in 2018 we grew by 54 percent in the East, including the Middle East and Far East. We launched on Tmall, which

was very successful because we brought this Italian product and [Tmall] worked with us in a true partnership launching it in a proper way for the Chinese consumers. Apparently we broke many records, including selling something like 3 million renminbi [\$442,700] in the first hour of Singles' Day. We achieved stellar results beyond our expectations and this encouraged us to open other marketplaces, such as Nykaa and Myntra in India, Trendyol in Turkey and many more that are going to be launched in the next few months.

WWD: Yet franchising is new for you. Why now?

C.S.: Because, as I said before, I strongly believe my objective is to make this regional beauty player evolve into a global one. At the moment, we are present in 22 countries with 900 directly operated stores, but the world is much bigger than that and the fastest and safest way to conquer new markets is also through franchising. This doesn't mean that from now on we will open only new markets through franchising, but it's one of the key business models we chose to expand globally. We signed the first franchising deal in Israel last year, we opened [in April] the first store close to Tel Aviv and we're going to open another one in a couple of weeks. But Israel is just the first market....The goal is to do between three and four deals this year. ▶

WWD: What do these business partners find attractive in Kiko? What do you think really triggers them?

C.S.: Kiko is the Italian spirit translated into beauty. Italian brands have got a plus, a differentiating factor on the global scene, but our point of difference is that we're an Italian brand at an affordable price, because you happen to have many labels that are luxury and upscale. This opens up our product to a vast population of possible customers.

The second strength of the brand is that we offer a vast array of products, colors, textures to appeal to global customers, we've got innovation in our DNA. We have an unstoppable desire to launch innovation[...]also in terms of customer experience, because let's not forget that we are a retailer, so the customer experience is really of a paramount importance for us.

WWD: What do you think is the state of the Italian market?

C.S.: Italy is a very mature market for cosmetics and also for retail so overall it is not a dynamic, growing market – we need to be open and transparent about that. Yet it's 30 percent of our revenues, it's our home and therefore it's going to be for us a core market also in the future. Let's face it, we are the number-one makeup brand here, we've got a huge awareness and this is helping us to fight and balance the fact that the market is not the most dynamic out there.

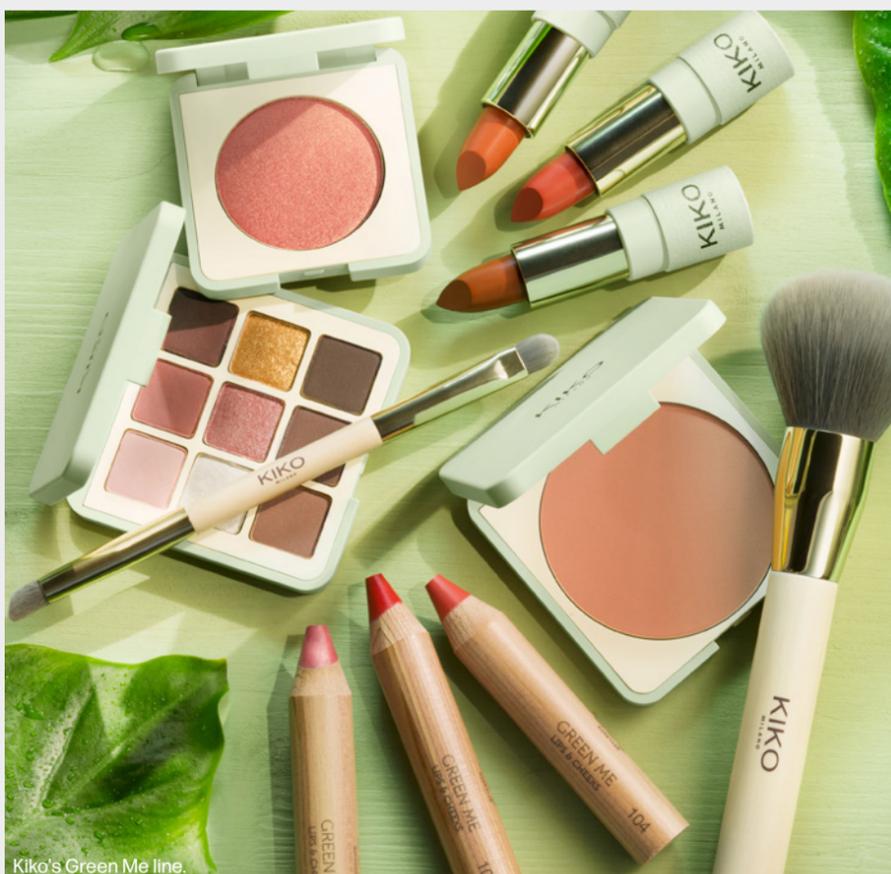
WWD: Going back to the online strategy, when you were first appointed you said you wanted this channel to grow to represent 7 percent of your sales. Has this goal changed?

C.S.: No, it hasn't. When I arrived at Kiko in 2017, we had only 3.6 percent of our turnover done through our e-commerce and I thought immediately that there was room for improvement and said the target was at least doubling this share in three years. We're achieving this goal because we closed 2018 with 4.6 percent [of our turnover done via] e-commerce, up 28 percent compared to the previous year, which gives us confidence that we can reach at least the 7 percent target and ideally even stretch to reach 10 percent. For me, e-commerce is very important because it allows us to reach markets in which we are not present.

We have stores in 22 countries, but we are in 35 e-commerce markets, so it allows us both to reach our customers that otherwise wouldn't be able to buy us and complement our physical retail in markets in which we're present, but where we can't have a broad-based distribution.[...] E-commerce is an important – but not the only – piece of a bigger strategy, which is the digital one. We need to disrupt the way we reach out and engage with our customers: Gone are the times when we were talking to consumers, now we talk with consumers, so it's a two-way dialogue. This is what I always tell my marketing people – we were used to talking to, now we talk with. It's completely different, it requires a mind-set shift and this is what we're doing in this company, we're implementing a digital strategy, a digital transformation enabling us not only to win in e-commerce, but also to change the way in which we engage with our customers.... It's important that this becomes the culture everyone in the company is embracing.

WWD: Is this kind of a struggle in Italy?

C.S.: Let's say that if I look at the macro-economic context, Italy is not the most favorable place neither for digital nor for e-commerce but, as Henry Ford used to say: "An airplane takes off against the wind," and we might have some headwind because Italy is not Silicon Valley. But we aim to be a global company, we have a very diverse, global talent pull and whether Italy is or is



not very advanced in this area, our goal is to be very advanced in this area.

WWD: How are you investing the injection of money received by selling the 33 percent stake to Peninsula Capital?

C.S.: The purpose of that money is to fuel the growth. We developed a three-year business plan which requires fuel so this money was invested in our turnaround and growth plan. The private equity arrived last year and [its team] fully embraced the business plan we had put together, they didn't require any change and this was a good injection of confidence. I guess they're pretty happy because the 2018 results are far above and beyond their expectations.

WWD: Have there been changes product-wise?

C.S.: We're very active on innovation and I think Kiko has proven through the years that we can be a quite agile innovation machine. We've got around 2,000 stockkeeping units in our stores and every year we've got between 800 and 900 new sku's. Last year we had 27 big product innovations between the collection and capsules, and new product innovations accounted for 21 percent of our turnover, growing double-digit versus the year before. In 2019 we plan to keep it up, invest even more in innovation, so we will go even above the 27 we had last year because we strongly believe this is a competitive advantage and we want to build on our strength.

WWD: Who do you think is your competition at the moment? Can Instagram indie brands or Italian emerging labels that are popping up represent competition for you?

C.S.: We are considering everyone selling makeup our competitor, from the biggest to the smallest. Whether they're big or small, there's always something they can do better than us, so we better watch out, stay humble and try every day to do better in order to keep growing. This is our attitude.

WWD: What's next? What still needs to be done?

C.S.: Actually there's a lot of work that has to be done, the business plan is a three-year [journey]. We have completed the first year, there are two more to go so there's a lot of work ahead of us. The biggest challenge is the overall decline of the retail

sector, which is affecting all the Western markets. It's not only the U.S., also Europe is beginning to feel the impact, so this is the number-one challenge for Kiko and this is why we started to shift our strategic choices toward the expansion East.[...]We want to invest in brand-building, improve productivity, optimize our operations. We know it's a big challenge, but I think we put together a strategy which is facing reality and addressing the opportunities we have within this context.

WWD: You come from multinational groups that are very ahead on the sustainability front. Did you find the same approach here? What's Kiko's position on this topic?

C.S.: I come from 20 years in multinational companies, 16 years at Procter & Gamble and four at L'Oréal and of course, both companies are very advanced in sustainability. In Kiko sustainability has got two dimensions, an internal one and an external one. The internal one is that 100 percent of our cosmetic production is done in Europe and sustainability is a priority for European companies, so every day with our suppliers we are relentlessly looking at ways to improve the footprint of our production and reduce the negative impact we have on the environment.

The other dimension [revolves around the question], "Can we offer customers more sustainable products?" Last year we launched Green Me, which is made of 90 percent natural raw materials and 100 percent recycled or recyclable packaging. It was a capsule and it had an amazing success, we sold out of stock in less than three weeks because we were really able to serve one key customer need and therefore this year we developed a bigger collection, which we launched in March. Since this one was also extremely successful, we decided to make it part of the ongoing range of products.[...]We're working on ways to make it bigger and broader in terms of offering and maybe this will also enable us to have the possibility to lower its premium price moving forward.

WWD: Let's get back to your appointment: What attracted you to this job and what did you bring into Kiko from your former experiences?

C.S.: I spent 20 years in multinationals, not one day, so this [reality] was where I learned everything I know about

leadership, business, organization, global operations. I think, though, that this role is a whole new experience for me because here, for the first time, I'm the ceo of the company. I'm the pilot and not the copilot, which means that I have the honor and responsibility to craft the future of this company business-wise and organization-wise and I have the duty and the honor of inspiring people on the vision and strategies so that we bring them to life all together in the best possible way.

This is an amazing professional opportunity and at the end of the day my role is to lead Kiko's entrepreneurial spirit with my multinational know-how, so I'm trying to merge the two worlds and I tried to build a team that is doing exactly that. We have people who grew in Kiko and people who are coming from P&G, Unilever, Coty and big multinational companies because we want to have the best of the two worlds, which can build a very diverse and therefore stronger team by cross-pollinating each other.

WWD: How do you choose people? What do you look for?

C.S.: I look for strategic thinking, it's very important to have the ability to think in a strategic way mid-long term. I look for people who, on top of this, have a collaborative leadership style. I like strong leaders who can make an impact and a difference but in a collaborative way, feeling that their duty is to [put together] the best possible teams where everyone is really motivated to give their very best. And I look for people who have high ethical standards because we work and live in the company so I think we all like to be surrounded by generous, good people with strong, ethical values.

WWD: What does it feel like to be a woman in your position in Italy? There are not so many female chief executive officers here, so do you feel any additional pressure?

C.S.: What you're saying is very true, there are very few female ceo's in Italy – and not only in Italy, unfortunately. And it's true that the level of scrutiny is always higher, because you are a bit of an exotic ceo being a woman [smiles]. Having said that, I try to be a little example that stereotypes and prejudices shouldn't dictate who you should be or become. This has always been my mantra and this is what I'm telling my female mentee. At the end of the day, if you have a professional dream, fight for it with passion, determination and resilience. There are going to be very tough times, but you need to be self-confident because if you don't trust yourself, nobody will.[...]For me it's also about reaching back. If at the end you happen to achieve your professional goal, don't forget that you have got the duty to look back and pull someone else up because achieving your goal is as important as giving back and helping someone else to achieve their goals.

WWD: Do you think now it's easier compared to when you started, also considering there's much more attention to female empowerment in the media?

C.S.: We're definitely moving in the right direction: Now it's easier compared to 20 or 40 years ago, so of course time is helping and I hope in the next 20 to 40 years it's going to be even easier than now. Yet sometimes I have the feeling that we talk more than act. If you look at the numbers of discussions, congresses, articles on female empowerment, you see lots of big numbers. If you look at the number of actual women ceo's, you see that the figures are smaller. But it's OK, it's a journey, so we're on the right track and in 20 to 40 years it's going to be much easier, ideally as easy as for men. ■