



Can Gucci's new boss restore its lustre?

Luca de Meo revived Renault and now has the keys to Kering. Can he jump-start its shares, Isabella Fish writes

When Luca de Meo transformed Renault from a flailing automaker into a leaner, more profitable business, few imagined that his next act would take place on the Paris fashion circuit.

Yet this month the Italian executive — known for his engineering discipline, fluent command of five languages and penchant for sharp suits — was handed the keys to Kering, the luxury group behind Gucci, Saint Laurent and Balenciaga.

He will take over as chief executive in September, charged with refreshing a business that has lost ground to rivals and needs to find its rhythm again.

The French luxury group has shed two thirds of its market value in the past three years. Now, with sliding sales, Kering is placing a bold bet that an outsider from the world of cars can rescue a business built on handbags and heritage.

As HSBC Global Research put it: "Kering has been losing market share year on year since the pandemic. Several attempts to turn the business around, with new chief executives and creative designers at Gucci, mostly internal appointments, have failed. François-Henri Pinault has now taken the decision to step back and separate his chairman and chief executive roles."

While the company's shares rose by 11.8 per cent on the news of De Meo's appointment, they are more than 60 per cent below their 2021 peak, reducing the Paris-listed group's market value to €23 billion.

In the most recent quarter, Kering posted a 14 per cent fall in sales to €3.9 billion, underperforming already bleak analyst expectations.

Gucci, its flagship brand, has been hardest hit. Sales fell by 25 per cent year-on-year, dragged down by slowing

demand in Asia and North America, waning store traffic and a muddled brand identity that appears out of sync with the vogue for "quiet luxury".

A leadership reshuffle — including the appointment of Sabato De Sarno as creative director — has failed to reverse the trend. A US class-action lawsuit over exotic-skin products has only deepened concerns.

"Primarily, Gucci needs to restart,"

Luca Solca, a luxury analyst at Bernstein, said. "If

Gucci works, everything works. While Pinault said he is not hiring a firefighter, the situation at Kering is dire and needs to be addressed."

The appointment of De Meo, 58, a native of Milan with deep ties to Italy's industrial and cultural fabric, is unusual and, some argue, overdue.

"He definitely comes in with an excellent pedigree: he did super-well at Fiat, at Seat and at Renault," Solca said. "The market-cap change on the day of the announcement is worth €15 billion or so when you look at what Renault has lost and what Kering has gained. The market wants to believe."

De Meo's career began in the 1980s as a business student at Bocconi University in Milan. The son of a professor, he went on to hold senior roles at Fiat, Audi, Seat and Volkswagen, eventually leading

Renault through a period of turmoil. When he joined Renault as chief executive in 2020, the company was reeling from the fallout of former boss Carlos Ghosn's arrest and was racked by internal discord.

De Meo launched the "Renaulution" strategy, a cost-saving and brand repositioning campaign that reoriented Renault from "volume to value". Under his stewardship, the carmaker returned to profitability and its share price doubled.

His record in brand revival is widely recognised. He relaunched the Fiat

500, created the Cupra performance brand at Seat and ushered in an electric era at Renault with the Renault 5.

Nicholas Found, retail analyst at Retail Economics, said: "He'll bring structure, speed and spark, which the business needs. But the risks are clear. He's been ingrained in automotive ... and is an outsider to luxury, now swapping handbrakes for handbags."

Despite being a Paris-listed company, Kering's luxury empire is rooted in Italy. Eighty-eight per cent of its supply chain is based there and brands like Gucci, Bottega Veneta and Pomellato all carry the Italian stamp.

De Meo's background is likely to help bridge what some claim is a growing cultural divide between Kering's French headquarters and its operations in Italy.

Pinault, 63, who took over from François Pinault, his father, in 2005, transformed Kering from a retail conglomerate into a luxury powerhouse. With the business faltering, he has now opted to remain as chairman while handing the reins to De Meo.

Pinault said De Meo's "experience at the helm of an international listed group, his sharp understanding of brands and his sense of a strong and respectful corporate culture convinced me that he is the leader I was looking for to bring a new vision and steer this chapter in our group's history".

Analysis

Analysts agree that De Meo's most urgent task is reviving Gucci. As Solca, from Bernstein, put it: "One needs a vision that fits the brand DNA. As we have seen with Sabato De Sarno and the -25 per cent topline decline Gucci has clocked, we are not there yet," (Isabella Fish writes).



(Kering must also stabilise Saint Laurent, its second-largest brand, and address questions around recent acquisitions such as Creed, the high-end fragrance house, which some investors saw as a costly distraction.

Debt management is another priority. Kering has spent heavily in recent years on property and brand expansion, including a stake in Valentino. To shore up its balance sheet, the company has begun selling off parts of its real estate portfolio.

HSBC analysts said: "The key areas ... for Kering will likely centre around reviving luxury assets, with first Gucci managing debt and the portfolio and ownership structure long-term."

De Meo's outsider status may prove a strength in a sector grappling with new consumer behaviours, technological disruption and rising global competition.

"Luxury, more and more, seems to demand managers capable of rethinking the value chain," the publication Modae said. "De Meo does not come from the fashion world, but he knows how to build a brand story, reposition products and transform operations. In the current context, this outweighs fashion pedigree."

Nicholas Found, retail analyst at Retail Economics, said De Meo had turned around Renault "operationally and steered them

through an EV transformation by playing on brand heritage and identity. Luxury applies these principles in storytelling, cultural cachet and heritage, and De Meo is well placed to instil these values back into Kering."

As Aldo Gucci, the eldest biological son of Guccio Gucci, who founded the company in 1921, once said: "Quality is remembered long after the price is forgotten." Now it is De Meo's job to make sure that Kering's brands are remembered for both.

Out of fashion



Rejuvenating Kering, the luxury group behind Gucci, will prove a significant challenge for Luca de Meo