Alibaba, Richemont to invest $1.1 billion in Farfetch with focus on China

Alibaba Group Holding Ltd and Swiss group Richemont will invest $1.1 billion (£837 million) in online luxury fashion retailer Farfetch Ltd and its new Chinese marketplace, as online demand for luxury goods booms in the Asian country.

Alibaba said on Thursday it will launch Farfetch shopping channels on its e-commerce sites Tmall Luxury Pavilion and Luxury Soho, while also investing in newly formed Farfetch China along with Richemont.

Farfetch’s shares jumped about 9% in after-market trading.

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The Chinese luxury market, which is expected to account for half of global luxury sales by 2025, has seen a strong recovery this year as shoppers emerging from COVID-19 lockdowns splurged online or in retail stores.

Versace owner Capri Holdings Ltd, Coach owner Tapestry Inc and Louis Vuitton parent LVMH are some companies that have been able to offset slumps following lockdowns in global fashion capitals as demand in China rose.

Alibaba and Richemont will invest $300 million each in Farfetch, and $250 million each for a 25% stake in the joint venture, that will include Farfetch's marketplace operations in China.

Farfetch, which counts Alibaba competitors JD.com and Tencent Holdings Ltd among its investors, will be able to expand its reach to Alibaba's 757 million consumers.

Separately, Artemis, the controlling shareholder of Gucci-owner Kering, also plans to increase its stake in Farfetch, according to a joint statement.