

Farfetch

**FARFETCH**

THE WORLD'S GREATEST SELECTION OF LUXURY

## **Assignment #2**

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## **Executive Summary**

This paper analyzes Farfetch's marketing strategies and comprehensive marketing platforms. Since its foundation in 2008, Farfetch now has nearly 1 million active users (Lunden, 2018).

Compared to its competitors, Farfetch has a significant advantage in terms of website traffic (Exhibit 3 and 4). However, after combining with its online and offline marketing strategies, Farfetch's advantages are weak compared to one of its competitors, Net-A-Porter (Exhibit 5). This paper will provide a deep analysis of the details of Farfetch's marketing strategy. Although Farfetch has not significant advantage among the marketing platforms, it still has a strong strength to realize the users' flow through its own big data analysis and artificial intelligence technology.

As a Luxury e-commerce platform, Farfetch not only focuses on increasing its luxury goods sales goal, but also provides its customers with mixed marketing strategies, including online and offline methods, to educate and improve its customers' fashion taste and interest. Farfetch effectively used offline marketing, include physical "future store" and its high-tech personalized and customized services. Farfetch has successfully used social media such as Facebook and Instagram to promote its products and cooperated brands. It also increased its market awareness and users' loyalty through email marketing, Website, and apps notification, display advertising, and SEO technology. We analyze each of the Marketing tools'

effectiveness, advantages, and disadvantages. This paper provides a broad perspective on Farfetch's marketing strategy.

### **Marketing strategy and the e-commerce platform of Farfetch**

As an e-commerce platform, Farfetch has grown so fast that it received orders from over 300 countries due to its unique business model and market strategy, which contains the product, price, people, place, and promotion these five parts.

#### **Product**

Farfetch is an online website of luxury and fashion that sells products from over 700 boutiques and brands around the world (South China Morning Post, 2017). It acts more like a platform that builds a connection between customers and suppliers, mainly facilitates the communication between luxury brand retailers and luxury shoppers. Luxury boutiques provide goods that are sold on the platform. They are usually high-end stores located in the high streets of famous Fashion cities like London or Milan or in exclusive locations, like Carpi and Forte dei Marmi. Buyers and sellers can directly connect, and the platform only divides revenue with each store. One of its most important partners is luxury boutique, luxury brands such as Gucci, Balenciaga, Fendi, Chanel, Givenchy, Burberry all have the partnership relationship with Farfetch. Just as normal luxury brand websites, Farfetch includes all kinds of product categories, such as clothing, shoes, bags, accessories, jewelry, watches and so on. On the Farfetch website, there's a section designed for those luxury boutiques,

which contains the location and a brief description of the store, with an emphasis on the most exciting designers to look out for (Lorenzo, 2017). In order to provide customers with complete series of products, Farfetch selects the latest series of products based on market data of each season, and Farfetch usually subscribes to different products in the latest series of the same brand from different buyer shops. And now, it is expanding its offerings to include watches and fine jewelry and increased its exposure to the streetwear segment through the acquisition of Stadium Goods (Robert Stephens, 2019).

### **Price**

Since Farfetch provides products from a large variety of luxury brands and designer shops, the price of each product can have a big difference. Usually, the price of one product on Farfetch website is depended on the sellers or buyer shops, which are more familiar with the original price. In other words, prices are determined by each Farfetch partner, therefore the price of the same item may vary depending on customers' location and where the order an item from. Although Farfetch doesn't have any control over price variation, it will always offer its customer the best price available to the destination at the time of purchase (Farfetch Inc, 2019). Boutiques and brands can choose the orders, which means they can determine the place where the items are shipped to, and sometimes one item may be unavailable in the certain area. For a more accurate idea of what's available and for what price, customers need to set their location when browsing the site (William, 2018). On the other hand, for

the shipping fee, customers only need to pay only one fee even when they order from multiple boutiques and brands, and the item could come from the nearest location.

The business model of Farfetch does not necessarily lend itself to offering the best prices, rather, its purpose is to offer pieces that customers likely won't find elsewhere (William, 2018), this also explains why Farfetch can grow so fast in recent years, which enhances its position in the luxury competitive market.

### **People/Place**

As the first and largest application on the Farfetch platform, "Farfetch" brings over 90% revenue to the Farfetch. On the other hand, the users of this app come from 190 different countries, with more than 2.3 million users, and sellers consist of more than 980 luxury stores. For these consumers, Farfetch is undoubtedly their most convenient and comprehensive choice, and for the sellers, this platform has built numerous bridges for them and luxury lovers around the world. Statistics show that Farfetch has attracted more consumers from China, the Middle East, and Latin America based on the traditional luxury market of Europe, America, and Japan. Among the consumers, Millennials and Generation Z account for 85%. And their spending is expected to account for 45% of the market in 2025 (Ciara, 2018). Farfetch has already connected online and offline in many countries. They offer 90-minute delivery with Gucci in ten cities, including Tokyo, Dubai, Miami, and L.A. As the Chinese market has grown at an unstoppable rate in recent years, more and more luxury stores have begun to develop their China strategy. In 2017, Farfetch accepted a

capital injection of 397 million U.S. dollars. The cooperation with JD.com enables Farfetch to use JD's Black Box technology and big data resources to establish an automated marketing system in China to create a smoother and more direct connection with Chinese luxury consumers. At the same time, it will bring more luxury goods choices to Chinese consumers and a long-awaited omnichannel high-end shopping experience (Yiling, 2018).

### **Promotion**

“After attempting to generate sales via Facebook Ads in the past, Farfetch sought the help of ROI Hunter to reap higher results and augment their presence on the social network by employing Dynamic Advertising. After a year of working with ROI Hunter and Facebook, Farfetch increased 4 times of their investment in Facebook ads and had a 10 times increase in the revenue generated from Facebook ads. Instagram can now be accounted for more than 20% of the new campaign's income on Facebook/Instagram” (Welton, 2018). Farfetch also posted a large number of coupons online. Customers can receive different brands of coupons on the Farfetch website. Users can get another 10% off if they refer Farfetch to their friends. In addition, the cooperation with JD.com has enabled Farfetch to open up a broader Chinese market and attract more young Chinese consumers. To remain competitive with other e-commerce companies, Farfetch also launched a biannual seasonal price reduction campaign. These promotional methods made Farfetch the leading technology platform in the global luxury fashion industry.

## **Company's Marketing Communications Strategy**

Luxury advertising is considered one of the most stable sources of traditional media groups. According to research Organization Triby Dynamics, digital advertising in the luxury goods industry invested \$1 billion in 2016, a 63% increase over 2013, while traditional media advertising spending fell by 8% during the same period. Triby Dynamics created a metric called “Earned Media Value”, which showed how much brands save through social media posts (Exhibit #1) (Kevin, 2017). Therefore, for all traditional magazine publishing groups, their most urgent task is to consider how to build a new revenue structure under the impact of social media and the changes in the advertising industry.

## **Offline Marketing Communication**

In order to attract more web traffic and make Farfetch platform stand out among other competitors, content is one of its most prominent marketing communications. Since 2014, Farfetch has increased its investment in content, especially the editorial content of the Condé Nast Group was “coordinated technology cooperation” with Farfetch in 2017; Condé produced a special shopping guide sections in their Vogue for Farfetch and recommend fashion items on the Farfetch platform; Condé Nast’s traditional social platform also created the “browse and buy” feature to support Farfetch’s offline and global marketing. The cooperation began with the most prestigious magazine in the US, VOGUE, and GQ; and then there were further expansion and innovation. “Condé, which says it has an audience of more than

340 million, had billed Style.com as a “connector” between the magazines and the products, one that could offer an added layer of service to readers” (Samantha, 2017).

In addition, the physical “future stores” may prove to be one of the most important initiatives to change company marketing communication. José Neves, the founder of Farfetch, released the “The Store of the Future” to 200 fashion insiders and partners in 2017, and this advanced store used the newest technology, which helps brands and boutiques to bridge the online and the offline world. Although the growth of luxury e-commerce is fast, by 2025, the proportion of online purchases of personal luxury goods will increase from the current 7% to around 25%, which means that most of the consumption will be in the foreseeable future. It will still happen in physical stores rather than benefiting from the digital revolution (Vikram, 2017). The “Future Store” plan fully compensated for the lack of data when customers spend in physical stores from the perspective of consumer behavior data. Farfetch has built a system that collects online and offline data, leveraging its technological advantages to enhance the store's customer experience. Consumers can talk to fashion consultants in the app and preview them online, pick the right clothes, and try out the clothes more efficiently. At the same time, salespeople provide consumers with a more personalized and customized experience and interaction, even if you have never walked into this store before. In the future, stores will not only have standardized products, but will focus on the consumer-centric marketing strategy to enhance the consumer experience in the store, and gradually polish the project (Vikram, 2017).

## **Online Marketing**

As a technology-based E-commerce company, Farfetch did very well of its online marketing. It mixed a variety of digital platforms to deliver the uniformed goal to their customers, promoting its brand and the stories behind it. From 2015 to 2017, Farfetch invested \$4 million in its own marketing technology platform development (Milnes, 2017). Combined with its big-data analysis and IT technology, Farfetch accurately knows customer's taste and habit. As a result, Farfetch can give the customers products recommendation based on their preference, and finally increase its promoting efficiency (Bold, 2019).

## **Social Media**

Farfetch developed a mature structure of its social media promotion, which includes Facebook, Instagram, and Twitter.

Facebook: Farfetch posted the latest fashion trend and products on their facebook page. There are around 1.9M likes it. Farfetch shares content include videos, pictures, and articles to advertise and education at the same time. Since Farfetch posted content every day, the regular posting can obviously improve Farfetch's marketing exposure and SEO results. Moreover, the page manager post back timely to the fans comment, which strengthened the communication the relationship between the company and its customers.

Instagram: There are 1.4 M followers and 628 following on Farfetch Instagram. Most of the Followings are designers, models, and cooperated brands. It

has 7982 posts, each one has thousands of likes. The posts include new products, designer introduction, and outfit guidance. However, the comments under each post are usually less than 100.

When Instagram becomes more and more popular, the Farfetch should invest more campaigns on it, and install new functions, such as purchasing and customer service to provide more options for the customers.

Twitter: Farfetch has 13.3 Posts and 90.1K followers. Compare to its Instagram page, Farfetch has fewer pictures and more links and articles on Twitter. It also posts interesting surveys to improve engagement with their followers. In general, Twitter is a very useful method to increase networking and product cognition for Farfetch brand marketing.

### **Email Marketing**

Email Marketing is a critical method of Farfetch's marketing strategy. Farfetch uses Email to collect customers' interest and identify their needs. It also used CRM technology (Keona Liu, 2019) to track the customer's interest, which can help in guiding new email campaigns.

Farfetch uses emails to construct loyal customer communities, providing new fashion ideas at each season. Farfetch used email to deliver its corporated brands notification to the customers, offer new products and online coupon or promo code to stimulate the new purchase.

Different from other traditional E-commerce, Farfetch invests its in-house team to do email marketing, content marketing, and data analysis. Since Farfetch has the first-hand information of the corresponding level of demand, the brands and boutiques willing to have long-term cooperation with it as well (Hilary, 2017).

## **App**

Farfetch launched the App “Farfetch Discover” on iOS devices. Compared to the display and sales of large and comprehensive merchandise on the website, Farfetch made a little streamlined shopping guide content on the mobile side, and boldly added new product elements. Through the App, users can not only browse the fashion boutiques located around the world, but can also further explore the interesting places in the cities where these stores are located, including restaurants, hotels, museums, and interesting streets and so on. The positioning of the new app is “The fashion insiders’ travel app”. It was designed as a bridge between the e-commerce and bricks-and-mortar. The new customers can choose to receive notifications so the Farfetch can strengthen its marketing efficiency by both email and app. The app also provides significant discount information at the homepage so the customers will be willing to check the app regularly to see the availability of the new coupons (Exhibit #2) (Farfetch Inc, 2019).

However, Farfetch is still facing strict challenges from its competitors such as Net-A-Porter at the digital marketing field. For example, when the customer searches Farfetch at App Store, the Net-A-Porter will come first, even before Farfetch

shown up. As a result, Farfetch should pay attention to its competitors' marketing strategy and increase its investment in corresponding promotion expenses.

### **Searching engine marketing**

Search engine marketing means that merchants pay to make their ads appear on search engine pages. Merchants bid on keywords that may be entered by service users in Google or Bing when looking for a specific product or service, so advertisers can display ads along with the results of those search queries. Farfetch has advertised on many core search engines, such as Google, Bing, Yahoo! (Japan), Yandex (Russia), Naver (Korea). Farfetch works with Adobe Consulting to optimize search portfolios and implement automated bidding algorithms with Adobe Media Optimizer. "We have to adjust our keywords strategy for different markets. In addition to translating keywords into different languages, local trends and nuances need to be honed." Rich Brown said, the head of Farfetch's performance marketing (Alicia, 2015).

### **Display advertising**

Display advertising (also known as banner advertising) is a form of online paid advertising, usually designing images or photos and copies. The viewer can then click on the image with the promotion and enter the corresponding login page. Display ads are placed on the site to attract consumers' attention in the form of animations or images. There are many types of display advertising, such as email, YouTube, blogs. Farfetch has display ads on YouTube, Google Display Network,

Criteo, etc. According to the data from SimilarWeb, 6.78% of Farfetch's traffic is from display ads. The top 5 leading publishers referring advertising traffic to farfetch.com are YouTube, Reddit, outlook, yahoo mail, and rstyle.me. Farfetch is also looking forward to using display function in Adobe Media Optimizer to increase marketing returns (SimilarWeb, 2019).

### **Website**

Founded in 2008, farfetch.com has been established for eleven years. In the last six months, the total visits of farfetch.com are 15.97M on desktop and mobile web (SimilarWeb, 2019). The Farfetch website is available in 9 languages, including Chinese, English, Japanese, etc., allowing fashion lovers to enjoy the "one-stop" high-end experience of global fashion boutiques. Farfetch's fast delivery service reaches more than 190 countries. Customers can search for products by brand, gender, product types, sale, trending, etc. In addition to providing a wide range of product browsing and search, Farfetch's web design offers a wealth of fashion information and editorial content (Exhibit 6).

### **Conclusion**

Since its inception in 2008, Farfetch has grown from an initial startup to a "unicorn" company in the fashion industry, it is the world's highest-traffic luxury e-commerce website nowadays. Farfetch not only positions itself as a luxury e-commerce platform, but also a technology provider for high-end luxury brands.

Three large acquisitions from Farfetch showed how much it valued the content marketing and customer experience. They have acquired Browns, a well-known fashion buyer chain in the UK, and Style.com, a fashion content e-commerce website of the Condé Nast Group. Recently, Farfetch announced the acquisition of China's digital technology startup CuriosityChina (Ingrid, 2019). By using social media, especially Facebook, Instagram, and WeChat, to help overseas high-end and luxury brands build and manage digital platforms, and provide brand relationship management and digital marketing services to attract potential customers. Social networks can help them expand more marketing methods and sales channels. Even though e-commerce has continually eaten the cakes of the physical retail store in the last 20 years, the physical store has its own unique value to be the consumption scene of consumer emotional catharsis and connection. With the increasing mobility and connectivity of high-end brands consumers, luxury goods sales have redefined business patterns in the new retail era to define new consumption patterns for consumers. Traditional retail is infinitely close to online sales, while e-commerce platforms are constantly incorporating offline marketing, Farfetch is the real “revolutionary” in the luxury e-commerce platform.

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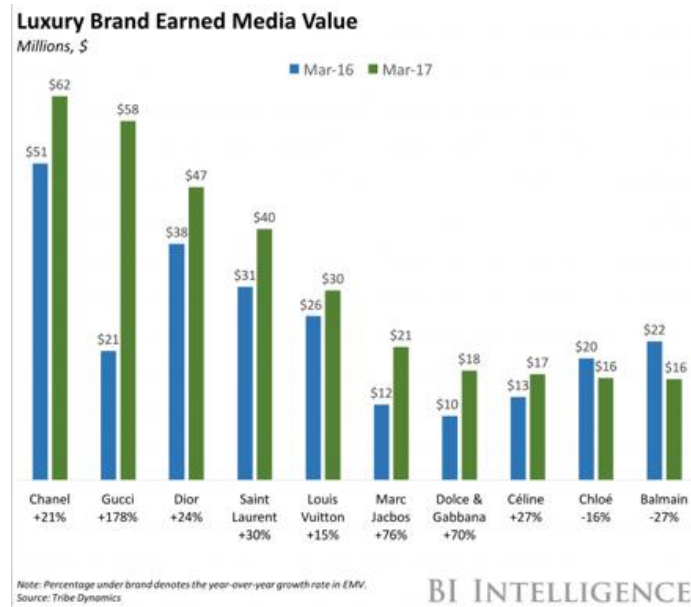
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## Appendix

### Exhibit 1



### Exhibit 2

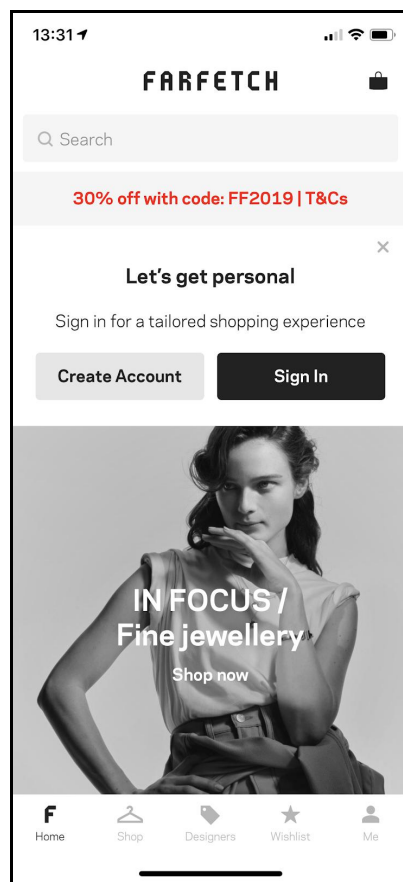
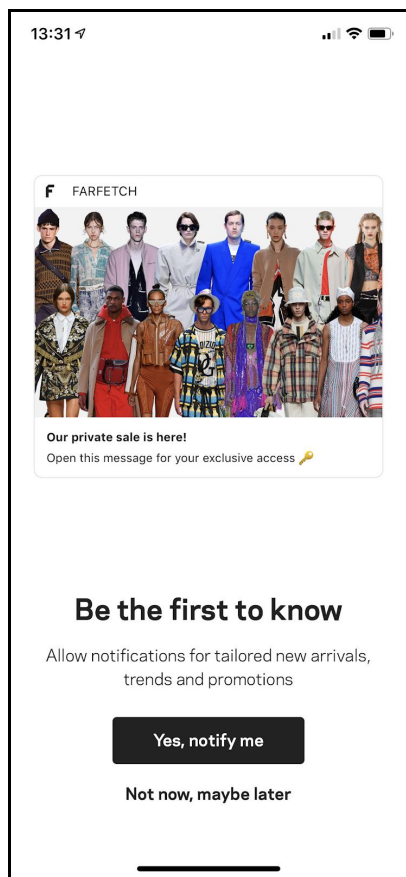
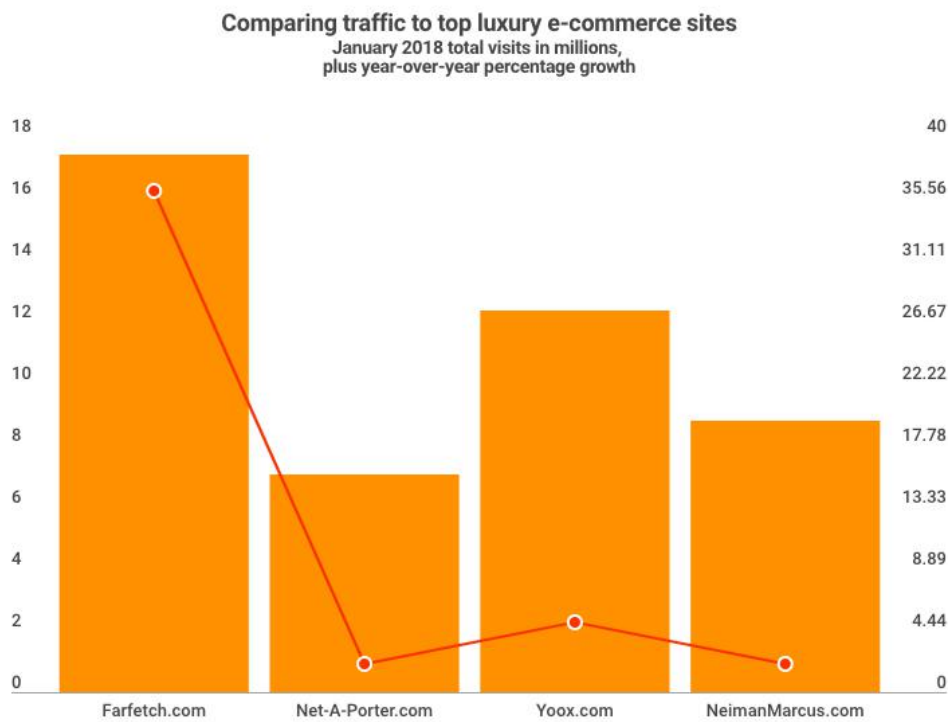


Exhibit 3

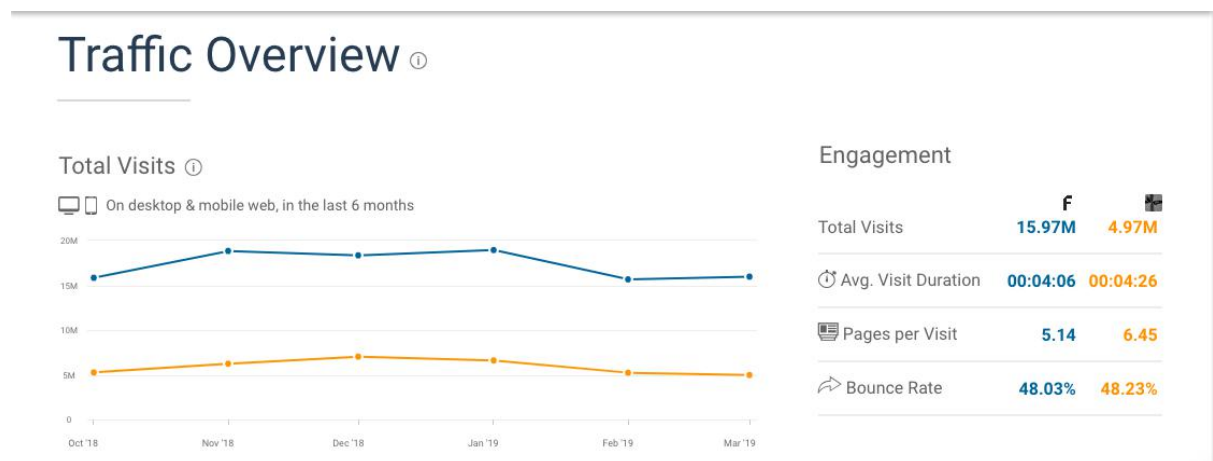
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<https://www.digitalcommerce360.com/2018/03/01/flush-with-cash-farfetch-steps-up-us-marketing-for-its-online-luxury-mall/>



Source: SimilarWeb, Internet Retailer

Exhibit 4



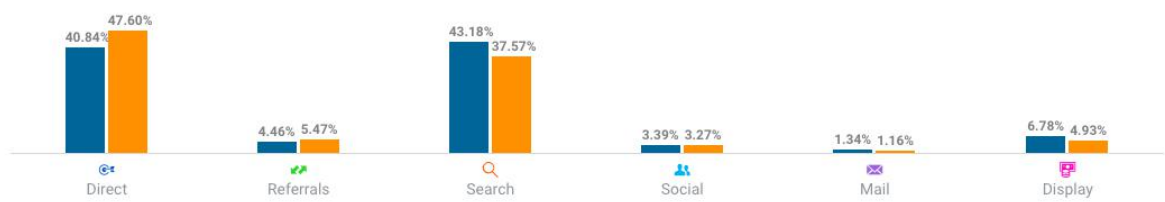
Retrieved from

<https://www.similarweb.com/website/farfetch.com?competitors=net-a-porter.com>

### Exhibit 5

#### Traffic Sources ⓘ

🖥️ On desktop



Retrieved from

<https://www.similarweb.com/website/farfetch.com?competitors=net-a-porter.com>

### Exhibit 6

