https://www.wsj.com/business/retail/armani-stuck-to-the-classics-but-his-business-needs-a-refresh-17beeba7

Armani Stuck to the Classics. But His Business Needs a Refresh.

Late designer's brand has a business model that other luxury companies have moved away from

By *Carol Ryan* Follow

Sept. 6, 2025 5:30 am ET

Armani is as recognizable to consumers as any luxury fashion brand. PHOTO: GONZALO FUENTES/REUTERS

Giorgio Armani didn't like to follow trends on the runway or in the boardroom. The designer leaves behind an elegant and timeless brand but a slightly outdated business model.

Armani, who died in Milan on Thursday, gave mixed signals over the years about whether he would accept a takeover offer for the business he founded in the 1970s with just $10,000. He didn't want to sell to French luxury conglomerates Kering KER **-2.37%** ▼ and LVMH MC **-0.84%** ▼ . But in a 2021 interview, he told Vogue that he would be open to an Italian suitor.

The decision about what happens to his brand next passes to the Giorgio Armani Foundation he set up in 2016 to govern the company after his death. The bylaws say the business can go public, but only if a majority of directors approve.

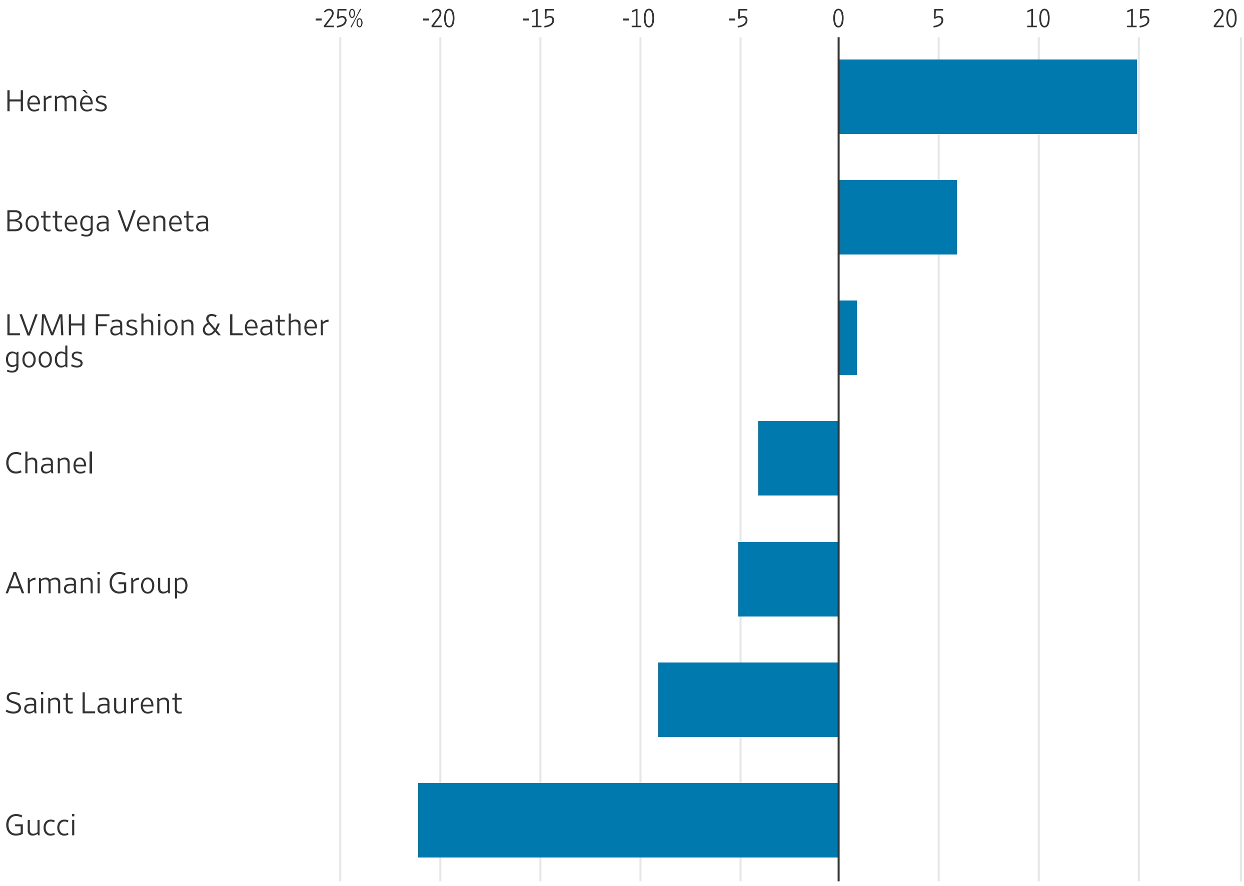
The Armani brand is as recognizable as Gucci or Prada, so it would attract a lot of interest if it was ever for sale. As a ready-to-wear label, however, it wouldn't get the same valuation as Chanel or Dior, which have big handbag businesses—a category in which profit margins are much higher than for clothing.

The recent sale of a stake in another Italian ready-to-wear brand gives clues about what Giorgio Armani might be worth. In 2023, Kering bought a 30% share in Valentino at a valuation equivalent to 16 times its earnings before interest, taxes, depreciation and amortization over the previous year.

Ralph Lauren, another brand run by its tastemaker founder, also trades at a 16 times multiple. Based on Armani Group's disclosed earnings before interest, taxes, depreciation and amortization of 398 million euros, or about $467 million, in 2024, the business might be worth around $7.4 billion at today's exchange rates.

Armani Group is privately owned, so it is hard to see what is going on inside the business. But the figures it does publish indicate demand has slowed. Sales fell 5% last year, worse than the overall luxury industry. Operating margins were a slender 3%. Heavy investment in store refurbishments might explain the low profitability, though. Margins were closer to 10% in previous years.

Sales growth by brand in 2024



Source: the companies

If the brand is ever sold, a new owner would probably need to overhaul how it does business. Almost half of Armani Group's revenue comes from sales through third-party retailers such as department stores and licensing agreements. This structure was common in the 2000s, but has fallen out of fashion.

Luxury brands have spent a decade closing accounts with department stores and selling more through their own flagships. This gives them greater control over prices and distribution, and can boost profitability. Gucci reduced its wholesale business from 21% of total sales in 2014 to 9% last year, for example.

The Armani business also has an unusually wide price range. Shoppers can spend tens of thousands of dollars on an Armani Privé dress or $50 on a T-shirt at Armani Exchange. This increases the base of consumers but muddies the brand's positioning.

Armani already cut the number of subbrands from seven to three in 2017. Really polishing up the business would mean focusing on couture label Armani Privé and the pricier Giorgio Armani brand, and sacrificing revenue from outlet stores.

The consistency of Giorgio Armani's designs is rare in an industry that is churning through creative directors. Let's hope that won't ever change, but the business itself could benefit from a more modern look.

Write to Carol Ryan at carol.ryan@wsj.com

Appeared in the September 8, 2025, print edition as 'Armani's Fashion Empire Needs a Refresh'.

Further Reading

What's Next for Giorgio Armani's Fashion Empire?

Videos