Harrods on a high as store makes the most of luxury boom, is planning for no-deal Brexit

By Sandra Halliday - 2 October 2018

Harrods is one department store that’s not suffering from the cloud that’s hanging over many of its sector peers further down the price chain. And like other luxury names Selfridges and Harvey Nichols, it’s riding a wave of luxury and tourist spending that’s sending profits soaring.

In the 12 months to February, its pre-tax profits rose 9% to £215.9 million, while sales also rose to a little over £2.1 billion. The fact that sales rose by a smaller percentage than profits (6.8%) shows that the company was able to drive its margins higher, even though its salary costs and capital expenditure jumped sharply. Operating profit was up a healthy 15.8% to £218.4 million, The Times reported. Owner Qatar Holding received a £125 million dividend.

MD Michael Ward was understandably upbeat and said the company had been helped by ongoing strong demand, especially from Millennials who bought into the store’s menswear, beauty and fine jewellery offer.

The almost-200-year-old business is clearly not struggling to remain relevant in the modern retail world. Part of its current success is due to its razor sharp focus on the customers who count and also its investment strategy that is ensuring those customers spend more time there and more money too.

The company spent £55 million upgrading key chunks of the Knightsbridge store during the fiscal year with high-end watches and jewellery being added, as well as a wellness centre. The planned £200 million spend over the next three years will see its menswear department becoming the world’s biggest and it should be able to claim the same status for its upgraded sports department too after its makeover/extension.
Harrods is operating in a high stakes market as global luxury shoppers show they’re willing and able to spend big on luxury goods but they’re demanding the most luxurious surroundings, the most experiential stores and the most exclusive brands as the price for doing so.

Both Harvey Nichols and Selfridges have also been pumping tens of millions into their physical spaces and seeing sales benefits as a result. And while that could have seen all three treading on each other’s toes, they’ve been careful to differentiate themselves. Harrods and Selfridges are several miles away from each other and can focus on their size and ability to offer “the world’s biggest...” without worrying about a rival being close by. Harrods is also all about ultra-luxury while Selfridges is a bit more edgy. Harvey Nichols, which is virtually Harrods’ next-door-neighbour, meanwhile focuses on its more niche appeal.

Harrods, which has been owned by Qatar Holding since 2010, is planning to double the size of its beauty hall, as well as adding more wellness and interactivity into the department.

Michael Ward told The Times: “At the moment we have 150,000 sq ft of the store under refit — that is equivalent to 30 to 40 high street stores all being refurbished at the same time. Over the next three years we plan to refurbish a further 600,000 sq ft.”

He also said that if a no-deal Brexit happens, it could cost Harrods almost £8 million more a year in paperwork. He added that the company is ensuring inventory levels for beauty and clothing are higher than usual in the event of Brexit-related delays next spring.

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