New Hugo Boss CEO Daniel Grieder targets €4 billion sales by 2025

By Olivier Guyot - 26 August 2021

Blue is out, black is in. For his first strategy address, Daniel Grieder, who left Tommy Hilfiger last year and took charge of Hugo Boss in June 2021, opted to wear a two-button black suit over a white shirt with Italian collar. “Tommy is more casual. Boss means excellence in formal wear. In recent months, I have opened up my wardrobe, which is full of Tommy Hilfiger items, to my sons and friends. For myself, I now have a complete Hugo Boss wardrobe,” said a grinning Grieder during his online press conference.

Daniel Grieder gave his first presentation online on August 4 - Capture d'écran de la présentation digitale

The Swiss-German executive, who has spent more than 20 years with Tommy Hilfiger, becoming its CEO in 2014, four years after the label was incorporated in the PVH group, officially joined German fashion giant Hugo Boss last June. Grieder left Tommy Hilfiger in the summer of 2020, and in the last few months he has been able to study how the pandemic has impacted the fashion world.

“I have to say that the world has gone digital. It started with all those meetings held via digital meeting apps. Right from the start, companies that did not already have a digital infrastructure in place suffered more than those that were already configured that way. I think that, specifically in fashion, labels that did not already have the means to, for example, design collections digitally, were truly in trouble. We did it years ago with Tommy Hilfiger, and Hugo Boss too has gone down this road. I think this is a big advantage over our competitors. And I also believe that fashion has changed significantly. People have shifted towards more comfortable, more casual products, made with more pleasant materials. This is very much a contemporary trend. But we don’t think it's game over for formal wear. In fact, we still see that, for business or special occasions, people keep making an effort in how they dress. Though in general, people's wardrobes have become more casual.”

Grieder has integrated these observations into Hugo Boss's new corporate strategy, which he presented during on online video conference on August 4. He didn't limit himself to explaining the difference between the Tommy Hilfiger and Hugo Boss styles of formal wear. Grieder analysed the market situation and opportunities for the German group, using a sporting analogy appropriate in this Olympic year. He believes that for Hugo Boss “everything is already in place. There is no need to create a new narrative. We simply need to unlock our potential. For me this is a come-back. Like it sometimes is for athletes who are former Olympic champions. They may go through a difficult patch. But then they come back to establish their supremacy again. To realise our potential, we need to reach younger consumers, we need to improve our brands’ relevance, we need to optimise our distribution.
need to reach younger consumers, we need to improve our brands’ relevance, we need to optimise our distribution network. We need to invest in our product range in order to optimise it.”

The German group, whose sales fell below the €2 billion threshold in 2020, with operating income plunging in the red by €236 million, has made its ambitions clear: to top the €4 billion mark in sales by the end of the 2025 financial year. A revenue that will have to be accompanied by an operating income of approximately €480 million. “By 2025, we want to double our sales compared to 2020, and then move beyond the €5 billion mark. We are also planning to return to a profitability level equivalent to an operating margin of 12%. And for this reason, our opportunities lie not just in a single region, a single sales channel or in menswear only. We can grow with all our brands, across all channels and in all regions. Our potential is incredible. Of course, consumers must be at the centre of all our efforts. Consumers must become more than mere consumers. They must become our fans. We need fans,” insisted Grieder.

Yet, while the management is predicting sales worth at least €2.5 billion for the 2021 financial year, after an encouraging Q2, the group will still have to come up with an extra €1.5 billion in four years. Specifically, the group is forecasting that, by the end of 2025, Boss menswear will generate a revenue of €2.6 billion, Boss womenswear will reach €400 million and Hugo €800 million, twice as much as in 2019. The group is also relying on licenses, which were previously worth €80 million and are expected to generate over €200 million by 2025. To achieve this, the Hugo Boss group is planning to boost its results in all its markets, but especially in Asia, whose share of global sales is forecast to grow from 15% to 20%, while the EMEA region's share is set to drop to 55%, down from almost 63% in 2019. The Americas region is expected to retain a 20% share of the business, while 5% will be generated through licenses. The group is also planning for its e-tail business to reach a share of 25% to 30%, when in 2019 its direct online sales accounted for only 6% of the total.

Enlisting plenty of new customers seems crucial if Hugo Boss is to reach these objectives. But how does Hugo Boss plan to do so? By deploying ‘Claim 5’, a strategy built on five key elements which Grieder described in detail during his digital presentation.
First of all, Grieder emphasized his goal of bolstering the Hugo and Boss brands. Crucially, Boss will introduce a redesigned logo, to be featured on the collections available next December. Beyond the new logo, the group intends to build a new narrative for its brands, by means of ad campaigns, digital initiatives and a stronger connection with the young generation. At Tommy Hilfiger, Grieder was able to make the brand more appealing by developing relationships with artists and athletes, like F1 champion Lewis Hamilton. An expertise that he could also tap at Hugo Boss. “I don't plan to do the same things I did with Tommy. I never try to copy what was done before. We are trying to create collaborations in different ways and in different fields for Hugo and Boss. I can't give details yet, but they will necessarily be different from those we did with Tommy. They will be much more than mere fashion collaborations; other industries will be involved.” In his presentation, Grieder reasserted the two labels’ potential for collaborations in fields ranging from art to sport, music and beverages, as well as with other fashion labels.

In practical terms, the group has revised each brand's marketing approach in order to appeal to younger customers without, as in Boss’s case, jettisoning its long-standing clientèle. Work is under way around the word ‘Boss’, with the aim of “giving a new definition of Boss.” The label is keen to explore the notion that the term does not apply to business leaders only, but to all those men and women who want to decide which direction their lives should take. It is also a way of bringing a lifestyle touch to the label. As for Hugo, the label will play on phonetics, with ‘Hu-go’ turning into ‘You go’, the leitmotif for marketing campaigns that are expected to be highly engaging, especially online.

**Increased investment in marketing and digital tools**

The Hugo Boss group clearly intends to step up its efforts in this field by releasing an additional €100 million for its marketing budget. Group CFO Yves Muller said the marketing budget has increased from 6% to 8% of revenue. Indeed, Grieder and his team are portraying the group as a development platform for Hugo and Boss, but also for potential brand acquisitions. “We are aware that there currently exist acquisition opportunities on the market, but for the next two years we are focusing on the development of Hugo and Boss,” Grieder did however underline.
The second element of the group's strategy is called 'Product Is King'. Boss, for a long time a major player in formal wear, is keen to position itself unambiguously as a lifestyle label. "We are a lifestyle brand 24/7," repeatedly asserted the group's top executives during the presentation. The label’s product range will include plenty of more laid-back formal wear, but also casual wear, as in the pre-Fall collection showcased by Akikuma, Jihoon Jim and Céline Denefleh.

Above all, colour will once again feature in Boss's menswear collections. The label, which had abandoned the segmentation into Boss Black, Orange, Green and Camel, will revert to it. “I'm not concerned about making it confusing for consumers. First of all, we have two labels, Hugo and Boss. But then I see Boss Black, Boss Green, Boss Camel and Boss Orange as an opportunity to expand our presence. If you have formal wear, casual wear and athleisure and you mix everything up, then it ends up being much more confusing for customers. And with regards to retail outlets, you're able to reach a greater number of stores and retailers, each specialising in a segment, or to be present in many different department store sections. We will work with precision to give each [segment] a genuine DNA, while preserving the Boss spirit.”

Hugo, for its part, will work with renewed focus on the product range, seeking to combine contemporary clothes with more commercial items in order to reach younger consumers.

In the face of current sourcing and logistics challenges, which are pushing up costs, the issue of price revisions potentially undermining the group's strategy might conceivably arise. “Changing our pricing isn’t part of the strategy,’ said Grieder, adding that “besides, we have taken the decision to cut into our margins in order to invest more in our product range. We want to become the brand with the best value proposition. If you look at our margins, we went from 65% to 62% then 60%, simply to be able to boost the quality of our clothes. This approach already anticipates the impact of the supply chain issues that are cropping up the world over. So no, I don't plan to modify our pricing architecture. As for the current tensions, having worked for 30 years in fashion, I have seen a number of crises. One way or another, we always found solutions to deal with them. However, if I had to make a prediction, in future I believe there will be more manufacturing in the Americas for the Americas, in Europe for Europe, and in Asia for Asia. It’s a change that will perhaps occur, and to which we will adapt.”
Thirdly, the Hugo Boss group wants to significantly boost its level of digitalisation. It is not only a matter of online sales reaching a 25% to 30% share [of the total], it is the group’s entire architecture and organization that needs to go digital. “Digital investments are not simply limited to investment in e-sales and a digital showroom. They also involve design, product development, marketing and logistics. This concerns the whole organization, because the future will be digital and data-driven,” said Grieder. The group has therefore announced it will boost its digital investment budget by an extra €150 million, focusing on recruitment and internal development. The group is keen to create an ecosystem of partner companies and will, in the coming months, deploy a new innovation-focused hub in Porto, Portugal, strengthening the teams already active at Hugo Boss’s German headquarters.

Revamping the store network

These initiatives will underpin Hugo Boss’s plans to extend its omni-channel reach. The group is keen to offer “seamless” experiences to its customers, whether at its own stores, at partner retailers or online. The group’s digital strategy will primarily feature mobile solutions. The store network is expected to undergo some tweaking, based on a roadmap forecasting a revenue of approximately €2 billion. And while the scope of the network seems set to change, the group has decided to invest €500 million over the next few years in renovating its monobrand stores. In the next three years, some 80% of the group’s own stores are expected to incorporate the revamped Hugo and Boss retail concepts.
“We're going to optimize our retail portfolio, which means we're going to relocate some stores, close others and open some more. We believe in retail, but also in the wholesale and e-tail [channels],” said Grieder. “In fact, we believe in an omni-channel [strategy]. We are working on the stores’ efficiency, so we are busy on this issue and, for example, we are renegotiating our rents. We are trying to make stores more productive. Besides, we are expanding our presence via the wholesale channel, which also includes franchisees. The square-metre footprint of Hugo Boss stores is going to increase,” he added.

Finally, the fifth and last element of the German group's ‘Claim 5’ strategy is labelled ‘Organize for Growth’. This covers several points. It concerns the personnel structure needed to generate the expected growth in the different regions. It also encompasses the ability of the group’s staff to understand that they can design and create 90% of their products with digital tools, and reduce time-to-market by 30%. Strangely, while eco-sustainability is one of the primary rallying cries of affordable luxury labels, it is not an element of Hugo Boss's strategy. The group maintains that sustainability is integrated into its strategy for optimal growth, which aims to increase the share of products that are developed with a circular approach to 80% by 2030. “You can't become 100% sustainable and circular at a click of the fingers,” said Grieder. He added that “already, over 40% of our Spring/Summer 2022 collection features sustainable materials. In fact, every day we try to do better, and every season we will have more circular products in our collections. We are shifting a number of elements to the digital domain. This may take time, but it will also help in terms of sustainability. A digital showroom, for example, means that we no longer have to produce all those samples, our staff will take fewer flights, and we will generate less waste. We are adding a circular approach to our business model. These are not things that will begin to take shape in 2030, there are many ongoing projects that will be finalised before then.”

If the group will endorse these plans, and will manage to maintain a growth rate of 6% per year, then the German giant might well be able to top the €5 billion revenue mark in 2030.

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