There has been a lot of speculation this week that Mulberry would turn in improved results for the first half on Wednesday. So now that the report is out, have those upbeat predictions come true?

Yes, up to a point. There's clearly momentum behind the brand and its work on e-tail and international expansion is yielding results. But it's not out of the woods yet with profits and meaningful sales growth still elusive.
The luxury bags-to-fashion firm said that in the six months to September 30, further Asian expansion, improved margins from reduced markdowns, and increased cash flow were among the good news it had to report.

And, importantly, its new products have resonated with customers (both existing and new) with the Amberley bag becoming a bestseller. That has helped it achieve a “steady performance” in the UK “with an increase in tourist spending in London”.

So, plenty to cheer about, but what does it all mean in terms of the bottom line? Let’s look more closely at the figures.

THE NUMBERS

Total revenue was virtually flat at £74.6 million (actually a year ago it was £74.5 million), with sales through its Retail channel up 2% to £56.6 million, but comparable sales down 1%. The gross margin increased 248 basis points (up £1.9 million) due to its full-price focus, and its all-important cash balances increased to £16.4 million from £11.3 million “after higher investment levels”.

But while Retail sales increased, the UK was flat. London may have been helped by that healthy tourist spending, but domestic demand beyond the city was lower.

Meanwhile sales for its International operation grew 8% to £11.3 million with strategic locations showing “an encouraging performance on new products”.

Global Digital sales were up 3% to £10.7 million for the period from £10.4 million, accounting for 14% of group revenue.
And while Wholesale decreased 6% to £18 million, this was “primarily” a reflection of the acquisition of two stores in North Asia.

The operating profits performance was “in line with last year” with a loss before tax of £0.6 million, actually slightly worse than the year-earlier £0.5 million. But at least the focus on full-price sales and new products, with lower markdown sales during June and July, has contributed to the increase in the gross margin to 61.5% from 59.1%.

**BETTER NEWS**

So plenty of work still to do for the label, but current trading figures show that the improvement is definitely under way. Total Retail sales are flat for the 10 weeks to December 2 but Retail comp sales are up 1%. Meanwhile Digital is up 9% in the latest 10 weeks and International is up 12% on a comparable basis and 25% in total.

The International performance has been helped by the firm’s Asian agreement with Onward Global Fashion Co (OGF) to develop the business in Japan. An initial presence of four stores “in key locations” has been expanded and there are now five stores in operation.

It all meant that CEO Thierry Andretta was able to justifiably claim that the company is “delivering on our strategy to grow Mulberry as a global luxury brand.”

He added that the “focus on full-price sales growth has delivered good results with new designs proving popular with customers” and highlighted that Amberley bag success after the product was only launched as recently as June.

He also said that the increase in tourist spending in London has been crucial, despite the fact that “the UK remains uncertain” and insisted that “the group remains in a strong position to invest in further developing the customer experience in key international markets and enhancing its unique UK design and manufacturing base.”

For the future, Mulberry will continue with its see now, buy now approach. It held previews of its SS18 collection to international press and buyers in Paris recently. And the collection will be unveiled during London Fashion Week in February 2018 to “offer an instantly shoppable, real-time global consumer experience” with the shift meant to enable it to “continue to drive engagement and increase relevance with its customers.”
It will also “continue to strengthen its position in the UK and expand internationally through its omnichannel strategy, with well situated stores complemented by a strong digital presence.” It said the penetration of omnichannel is expected to grow in the UK, Europe and North America and it also plans to introduce omnichannel services to newly controlled territories, including China, Hong Kong and Australia.

Yet despite the global growth, it remains committed to its Made In England approach with around 50% of its bags still made at its two factories in Somerset, England. But interestingly, a specialist Artisan Studio has been created within one of the factories, “showcasing the group's distinctive British craftsmanship on special and limited edition products.”

By Sandra Halliday

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