British beauty group Brand Architekts reported its results for the year to June 30 on Tuesday and described it as a period of “consolidation, transition and putting in place the strategic building blocks to achieve the Project 50 goal”. This is to grow the business to £50 million net sales within the next five years.

The company has been investing heavily for the future so it was no surprise to learn that the results this time weren’t exactly stellar. Revenue from continuing operations fell to £15.9 million from £16.3 million a year earlier. And the underlying operating loss was £0.3 million, down from a profit of £0.1 million previously. But the pre-tax loss was £1.9 million, better than the £4.3 million loss of a year ago.

Although the company's revenue fell by 2.3%, the second half actually saw revenue rising 10%, almost offsetting the 10% decline in the first half. And the company saw an improved underlying gross profit margin, which rose to 36.9% from 35.2% and was driven by lower product discounting and the product mix skewing towards higher-margin items.

The underlying operating loss was partly due to it absorbing investment in the group's first ever brand advertising campaign for its key skincare brand Super Facialist in H2.

A “significant amount of work” was done on channel development through expanding its routes to market. Previously, it had limited reach direct to consumers. This reflected the genesis of Brand Architekts, which relied on the strengths of its relationships with a number of key retailers.

But it said that “as the pandemic accelerated a change in consumer shopping behaviour and offline retailers reduced space for non-essential categories, it became extremely important to invest in our own direct-to-consumer site”. Its agreement with THG Ingenuity, will see the launch, before the end of the year of its new online marketplace, theunexpekteedstore.com. “This development will accelerate our sales growth in 2022 and beyond,” it said.
And it added that “our International sales grew during the year despite the pandemic and we expect further progress as the sales team focus on building key international relationships”.

Its brands and products are already sold in 34 countries. Last year it was able to grow its international business and achieve listings in some key retailers around the world, notably in Ireland (Tesco, Dunnes, Macauley, Lloyds Pharmacy), Mexico (Walmart), Qatar (Carrefour) and across Europe on douglas.com.

It explained that a “key strategic focus going forward will be to prioritise time and effort in establishing some direct key international retailer relationships, whereby the retailer has a dominant share of a market; driving several strong distributor markets, whereby the distributor has the proven track record and desire to market at least three of our brands into multiple retailers; whilst maintaining support for all the smaller markets”. The International focus will centre on a “fewer, bigger, better” approach, from both a customer and brand perspective.

CEO Quentin Higham said of all this: “Throughout the period we have been focused on building the foundations, in line with our strategic pillars. We have spent time implementing a root and branch change programme, which will result in a stronger business in the mid term. In response to market dynamics, we have also relaunched seven brands at the same time. Notwithstanding the challenging environment in which we have operated in over the past 12 months, pleasingly the group also delivered a resilient financial performance.

“We now have an excellent platform on which to build future success. We are confident that our brand reach and brand development strategies will enable us to compete successfully in the future as retailers will need to offer an omnichannel solution, as consumers will not be constrained in how they shop beauty and personal care products.”

But he remains “conscious of the challenges faced by traditional retail and whilst we continue to build our own e-commerce platform it will take time and investment before this channel is material. Given the above we are taking a cautious view for the year in prospect but remain confident in our strategy and future growth prospects.”

By Sandra Halliday

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