Supergroup soars as China, US, Europe and womenswear mean more growth ahead

By Sandra Halliday - July 3, 2017

We might think we know everything there is to know about Supergroup’s annual results after a preliminary sales report in May and last week's rushed profits report.

But the company still had plenty to say Monday morning as its official results statement was released. It talked about continuing its progress towards becoming a global lifestyle brand as it prepares to enter new product categories and the huge opportunity it sees in womenswear and sport.

And it talked about its broadening geographic footprint too with a focus on mainland Europe, China and the US. Proof of its heavy international focus could be seen in the fact that 72% of its total sales volume is now from outside the UK, while 98% of the new retail square footage opened in the last year was overseas. Its wholesale business grew by 43% and 89% of this revenue came from outside the UK.

To recap on its results, the firm said that on a comparable 52-week basis, revenue was up 27.4% to £752m, with comparable retail sales growth of 12.7%. The underlying gross margin was down 130 basis points to 60.2% as the slightly less profitable wholesale channel took a larger slice of overall sales, and underlying profit before tax...
slightly less profitable wholesale channel took a larger slice of overall sales, and underlying profit before tax rose 18.4% to £87m.

Within all this, e-commerce was the standout performer with growth of 35% that saw e-tail making up 26% of total retail segment sales. That growth came even though physical retail itself expanded fast. The company’s retail store numbers rose by 80 to take it to 555 Superdry stores globally. And while it increased its number of franchised stores with a rise of 23%, it still managed to open an extra 154,000 sq ft of owned retail space, mainly in mainland Europe. It opened seven new stores in North America.

The company said it has also trialled an updated new store format aimed to improve sales density while also cutting costs and the first two trial stores in Manchester’s Arndale centre and White City in London seem to have worked. They have seen uplifts in comparable sales of 20% and 10% respectively and mean there will now be a wider revamp programme, starting with 10 stores in the UK this financial year. The concepts developed in the trial stores are also being introduced into all new store openings.

PRODUCT AND SOURCING

The stores are the obvious parts of the business that the customer sees but the less publicly visible sourcing and distribution ops really are key too as the company focuses heavily on these areas. It said Monday that it has established a single global merchandising function consolidating the previous retail and wholesale teams.

Its established in-market sourcing operations in India and Turkey continue to drive efficiencies through increasing the level of product that is direct sourced. And a Chinese sourcing office, located in Shenzhen, will open later this year, enabling the percentage of direct sourced purchases to increase from around 65% towards its medium-term goal of 80%.

On the product front, the company thinks there is a clear opportunity for it to “own” certain key categories, such as jackets and graphic T-shirts. Its Jackets campaign last autumn combined range development and social media-based communication of the breadth and technical benefits of the range. It has exploited the current padded jacket trend to its fullest.

But as well as making the most of such categories, the opportunities to extend Superdry into adjacent product categories and ranges “that are natural extensions for the brand” are equally significant. The company has further developed its Sport, Premium, Snow and footwear ranges “which continued to gain traction” with its customers and tactically introduced a widened range of gifts to support the key peak trading period.

Its premium ranges, both Superdry branded and those branded in collaboration with Idris Elba, have provided “a natural range and price hierarchy extension and have developed each season following the insight gained from our customers.”

But Supergroup thinks its most significant opportunities are in sport and womenswear. The athleisure element of its range “provides the natural entry point for customers before widening their buying to more technical products, where options are expanding and building range credibility,” it said. It plans to introduce a number of dedicated Sport "shop-in-shops" in larger stores, enhance the technical capability of its range including improved moisture wicking, weather tolerance and higher visibility, and further develop its footwear offer.

The long-term strategy is to grow its womenswear category to the same value as Superdry menswear with the category again growing marginally faster than men’s to reach 36.5% of the total.

This brand strategy targets a more feminine approach to both its product and customer experience. Its in-house category and design teams have broadened the core ranges “to better match and appeal to our identified customer profiles and introduced more regular injections of new ranges to encourage repeat purchase.” Within its stores, the
promises and introduced more regular injections of new ranges to encourage repeat purchase. Within its stores, the merchandising developments delivered within the Next Generation store re-fit programme “provide the inspirational story that women are looking for at the point of purchase.”

And greater expansion of its core customer is coming through its focus on design via its SuperDesign Lab which, led by James Holder, “will focus on the creation of further extensions of the Superdry brand into adjacent lifestyle categories and providing a fast route to market where commercial opportunities are identified.”

E-TAIL AND GLOBAL FOCUS

The company’s growth ambitions will be achieved though a mixture of retail, e-commerce and wholesale with its research showing that multi-channel customers “are more valuable to us than single channel customers as they spend more often and have greater brand loyalty.”

That’s certainly the case in its domestic market but is especially so abroad. As mentioned earlier, international growth really is key for the brand and it is achieving this both through its owned and franchise store network and its online operations.

The company said its e-tail aim “is to make it inspiring and easy for people across the planet to buy Superdry products.” To help this it has introduced features such as image-based search on search engines, use of social media to increase awareness and keep customers engaged, changes in creative style of the product imagery and fully responsive technology implemented throughout the site. This year it plans to integrate a new order management system that will facilitate the launch of regional fulfilment capability in its new Belgian warehouse allowing it to service Europe from there.
Its partner programme through sites such as Zalando, La Redoute, and The Iconic has seen good growth during the year and now represents 14% of its e-commerce business. Meanwhile customer interaction with each of its 27 fully localised websites continues to be led by mobile use. Some 67% of visits originated from either a mobile or tablet during the period, with visits from mobiles having grown by 34% year-on-year.

On the store front, its main focus for owned stores continues to be mainland Europe, where it is under-represented but where the stores it does have are delivering strong returns. Germany is a priority market for the brand and it now has 31 owned stores and 14 franchises there.

Its development markets in North America and China “continue to progress in line with their respective plans” with the US at planned break-even level and China really powering ahead.

It has a 10-year minimum 50:50 joint venture agreement with Trendy International Group and has worked to establish an experienced joint venture team who manage the Chinese business with its own involvement focused on strategic direction, product and brand support and supporting store opening and marketing activities. During the latest year, it opened five trial stores with a sixth opened in May 2017 and three franchises. If the operation of the trial stores is successful it plans to undertake a measured rollout programme using a combination of owned and franchised stores.

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