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Hugo Boss plans to scale back stores due to profit loss

August 5, 2016

Boss On Demand

By STAFF REPORTS

After posting poor results for the first half, German fashion label Hugo Boss expects a decrease of between zero and 3 percent for the entirety of 2016.

While its numbers are down, Hugo Boss reported that it made initial progress on the return to sustained profitable growth despite sales being down 1 percent for the second quarter. Due to the dismal outlook, Hugo Boss is planning store closures and structural changes within the United States' wholesale business to reshape its strategy.

Sales down, hopes up

Hugo Boss' business in Europe has developed positively, but the global market has proved challenging. With sales down, Hugo Boss will change its Chinese store portfolio and will be shuttering 20 freestanding stores around the world in the next 18 months.

The brand feels that the 20 stores have diluted its EBITDA margin by nearly 60 basis points in 2015. For the second quarter of 2016, Hugo Boss saw improved gross profit margins and strict cost management decline in EBITDA to 13 percent.

For the full year, Hugo Boss is expecting the EBITDA, before special items, to decline by between 17 and 23 percent.

Hugo Boss spring/summer 2016 eyewear

"In an anything but easy market environment, we have performed well over the past few months," said Mark Langer, CEO of Hugo Boss, in a statement. "We have already significantly improved our operating efficiency by introducing series of measures.

"To return to profitable growth again in the medium term, we have made decisions that are painful to begin with," he said. "These include the closures of stores and structural change of our distribution in the U.S. wholesale channel.

"The market environment will remain difficult for the foreseeable future. However, it is in our own hands to strengthen our brands and our business model. As a company, we need to become a more customer-centric, faster and more flexible."

Earlier this week, Hugo Boss worked to become more customer-centric with the debut of Boss on Demand.

With the help of Uber, Hugo Boss debuted Boss On Demand, a multichannel shopping experience designed to combine the diverging strengths of in-store and online shopping. As bricks-and-mortar revenue decreases and ecommerce grows, an omnichannel approach will allow Hugo Boss to maintain both channels and stand out from competitors.

Boss on Demand consists of three major services: Effortless Shopping, Impeccable Service and Inside Access (see story).