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JEWELRY

Richemont abolishes CEO role amid declining profits

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Image courtesy of Richemont's Cartier

By STAFF REPORTS

Luxury conglomerate Richemont's profits decreased by 51 percent to 540 million euros, or $599 million at current exchange rate, for the six-month period ending Sept. 30.

Richemont, which owns Cartier, Chlo and a number of high-end watch brands, saw sales decrease by 13 percent at actual exchange rates to 5.086 billion euros, or $5.654 billion at current rates. A challenging global environment and strong comparatives in Japan and Europe has impacted Richemont's results, but the group did note positive momentum in China.

Troubles

For the first half of 2016, Richemont's retail sales were driven by its stable of brand-owned boutiques and online storefronts. Richemont's operated business outperformed that of wholesalers.

Richemont saw positive developments in accessories and resiliency in jewelry, although watches saw poor sales.

To combat struggling sales, a number of Richemont brands have been proactive, working with multi-brand retail partners to improve the quality of their inventory by buying back slow moving items. By doing so, Richemont brands saw a one-time charge of 249 million euros, or $276 million.

By region, Richemont witnessed a sales slowdown in most of its markets. Mainland China, the United Kingdom and South Korea.

Richemont-owned Chloe, fall/winter 2016

"We remain convinced of the long-term prospects for high-quality products, in particular for watches and jewelry," said Johann Rupert, Richemont's chairman, in a statement. "Our maisons stand for timelessness, quality and craftsmanship - values that are particularly sought after in uncertain times.

"Richemont, with its portfolio of long-established maisons, strong balance sheet and worldwide geographic footprint, is well positioned to weather the current difficult environment and emerge stronger when global circumstances improve," he said.

Alongside its financial results for the half, Richemont also announced that Richard Lepeu and Gary Saage, CEO and CFO, respectively, will be stepping down next year. Both Mr. Lepeu and Mr. Saage will retire, and Richemont has no immediate plans to replace either position.

Speaking with Reuters about his decision to nix the CEO position at Richemont, Mr. Rupert said, "One individual cannot be held responsible, it's unfair. We will never have a similar CEO again. Now it's time for us to start looking at another generation."

Richemont-owned dunhill, fall/winter 2016

British fashion house Burberry recently came to a similar conclusion regarding its appointment of Christopher Bailey, who has served as both chief creative officer and CEO since 2014. In July, Burberry announced Marco Gobbetti as its next CEO, with the executive slated to take over the role next year.

Mr. Bailey, who has been criticized for his inability to keep Burberry profitable, will retain his position as chief creative officer and take on the title of president when Mr. Gobbetti takes on the role of CEO (see story).