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JEWELRY

Richemont sales down 4pc for fiscal 2017

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Image source Cartier

By STAFF REPORTS

A result of changes in consumer demand and consumption habits, luxury conglomerate Richemont's wholesale channels saw challenges in 2017.

While the group's own retail sales grew 4 percent, its wholesale channels decreased 14 percent as the company underwent inventory buy-backs, primarily for its watches. Due to these measures taken to respond to the challenging environment, Richemont's gross profit also declined 4 percent.

Inventory management

Richemont's sales for the year were $10.647 billion, or about $11.625 billion at current exchange.

The group's profit for the year was down 46 percent, since the previous year included income from the Yoox Net-A-Porter merger. Taking the unusual transaction out, the company's profit would have been down 24 percent.

Richemont's specialty watchmakers saw a sales decline of 11 percent for the year. Despite difficulties in watches, Richemont's leather goods, jewelry and writing instrument sales grew during the year, with progress for Montblanc and Chlo.

Chlo spring/summer 2017

By region, the Americas saw a sales increase of 2 percent, while all other regions reported declines.

In Asia Pacific, store closures impacted fashion sales, while currency shifts impacted Richemont's sales in the Middle East. The U.K. saw a boost post-Brexit, while France and Italy saw some of the largest falls, with the region experiencing a 9 percent sales decline overall.

Richemont is currently in the midst of corporate leadership restructuring.

Last November, Richemont announced that Richard Lepeu and Gary Saage, CEO and CFO, respectively, would be stepping down in 2017. Both Mr. Lepeu and Mr. Saage will retire, and Richemont has no immediate plans to replace either position (see story).

From April, Georges Kern became the head of watchmaking, marketing and digital, while former Montblanc CEO Jrme Lambert was installed as head of operations, overseeing the businesses outside of the specialist watchmakers, Cartier and Van Cleef & Arpels.

In his written statement about the results, Richemont chairman Johann Rupert said, "Volatility and uncertainty in the geopolitical and trading environments are likely to prevail. Our attention is focused on transitioning the group to adjust to operating in a more sustainable growth environment, by adapting our product offer, communication and distribution to new consumption patterns while allocating resources primarily towards research and innovation, digital marketing, online sales platforms and training in all of our maisons.

"Richemont has a strong cash flow and a strong balance sheet that enables us to focus on value creation for shareholders over an extended time horizon," he said. "This approach allows our maisons, which have significant brand equity and heritage, to plan and grow in what we continue to believe is a unique business with excellent long-term prospects."