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Richemont quarterly sales down 47pc over pandemic shutdowns, but ecommerce growth is strong

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Richemont-owned Cartier recently launched its Sumature I high jewelry collection

By LUXURY DAILY NEWS SERVICE

As expected with the COVID-19 fallout, Cartier parent Richemont reported sales for the Swiss conglomerate's fiscal first-quarter were down 47 percent compared to the year-ago period.

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But what stood out was the embrace of ecommerce among its customers.

Quarterly online retail sales came in at 25 percent of all group sales versus 17 percent for the year-ago period as retail stores were temporarily shut worldwide between April and June.

But more interesting was another revelation: excluding online distributors, online sales accounted for 8 percent of group sales versus 2 percent for the prior-year period.

Clearly, more customers of Richemont are buying watches, jewelry, fashion and leather goods online, even prior to the onset of COVID-19 shutdowns.

Richemont owns brands such as Buccellati, Cartier, Van Cleef & Arpels, A. Lange & Shne, Baume & Mercier, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Roger Dubuis and Vacheron Constantin.

The Geneva-based company also owns online distributor Yoox-Net-A-Porter Group, as well as Alaa, Chlo, dunhill, Montblanc and Peter Millar.

	April-June		% change vs prior year	
	2020 €m	2019 €m	constant exchange rates	actual
Sales by region				
Europe	436	1 072	-59%	-59%
Asia Pacific	1 013	1 423	-29%	-29%
Americas	277	698	-61%	-60%
Japan	112	298	-64%	-62%
Middle East and Africa	155	249	-38%	-38%
Sales by distribution channel				
Retail	1 052	1 851	-43%	-43%
Online retail	506	648	-22%	-22%
Wholesale	435	1 241	-65%	-65%
Sales by business area				
Jewellery Maisons	1 083	1 827	-41%	-41%
Specialist Watchmakers	359	823	-56%	-56%
Online Distributors	356	612	-42%	-42%
Other	204	493	-59%	-59%
Inter-segment eliminations	-9	-15	-40%	-40%
Total Sales	1 993	3 740	-47%	-47%

Snapshot of sales by region, distribution channel and business area for Richemont's first fiscal April to June quarter. Source: Richemont

Report card

Per Richemont, here are the financial highlights for the April to June period:

- Strong impact from COVID-19, with sales for the quarter down by 47 percent at actual and constant exchange rates compared to the prior year period
- Double-digit sales decline across all regions, distribution channels and business areas due to widespread temporary store and distribution center closures, a halt in tourism and subdued consumer sentiment in many markets; at actual rates

o Decreases were less pronounced in the Middle East and Africa and in Asia Pacific, the latter benefiting from 47 percent sales growth in China

o Online retail sales showed stronger resilience than sales in other channels; excluding online distributors, online sales contributed 8 percent of group sales compared to 2 percent in the prior year period

o Jewelry maisons and online distributors fared better than the other business areas

- As of June 30, all distribution centers and most stores have reopened with exceptions in the Americas and travel retail
- The group's gross and net cash positions at June 30 amounted to 7.9 billion and 1.8 billion, respectively

During the quarter under review, the group's trading and operations were strongly impacted by COVID-19. Sales contracted significantly across all regions, channels and business areas, notwithstanding a 49 percent increase in China.

Performance reflected unprecedented levels of disruption and widespread temporary closures of internal, franchise or multi-brand retail partner stores, as well as the closure of online distributors' fulfillment centers.

The pandemic affected regions to varying degrees, depending on the duration of closures, reliance on tourist spending and the "feel good factor" of their domestic clientele.

In Europe, sales were 59 percent lower than in the prior year period, with all markets impacted by public health protection measures, as well as subdued local demand and a lack of international tourism when stores gradually reopened during the quarter.

Sales in Asia Pacific were the most resilient. The 29 percent sales decrease across the region reflected declines across all markets, with the exception of China, which delivered triple-digit online sales growth and very strong domestic retail sales in the absence of overseas purchases from the Chinese clientele from the mainland.

Sales in the Americas contracted by 61 percent, with business areas impacted significantly by the temporary store and distribution center closures.

In Japan, sales declined by 64 percent as stores were closed for most of the quarter under review.

The year-on-year sales decline in the Middle East and Africa was contained to 38 percent, partly reflecting the recent internalization of operations in the Kingdom of Saudi Arabia as well as advanced purchases in anticipation of the Kingdom's VAT increase on July 1.

Retail and wholesale sales decreased by 43 percent and 65 percent, respectively, due to temporary store closures,

severely reduced tourism and generally weak consumer sentiment.

Retail sales were lower across geographies, with the exceptions of strong increases in China and the local South Korean market. Online retail sales decreased by 22 percent, largely due to the temporary closure of the online distributors' fulfillment centers, following strong double-digit growth in the comparative prior year period.

Of note, quarterly online retail sales exceeded wholesale sales in the period, reaching 25 percent of group sales compared to 17 percent in the prior year period.

Excluding online distributors, the contribution of online sales rose to 8 percent of group sales from 2 percent in the prior year period, fueled by strong demand across all business areas.

The 41 percent decrease in sales at the jewelry maisons reflected lower sales across all product lines and regions, with Asia Pacific recording a lower rate of decline than the business area average.

In China, sales increased by 68 percent over the period. This was particularly driven by increased online and offline retail spend and the contribution of the recently opened Cartier flagship store on Tmall Luxury Pavilion.

Sales at the specialist watchmakers decreased by 56 percent due to the aforementioned negative factors, accentuated by a strong reliance on multi-brand retail partners, a comparatively low exposure to China and low online retail penetration worldwide.

During the quarter, the specialist watchmakers launched a number of online initiatives and participated in the Watch Show on the Cloud to introduce their creations to the Chinese market.

Online distributors recorded a 42 percent sales decline as a result of temporary distribution center closures and a highly competitive pricing environment.

The group's other businesses posted a 59 percent sales reduction, with all maisons impacted by temporary store and distribution center closures.

Richemont will hold its annual general meeting Sept. 9 in Geneva. The full fiscal-year results will be released Nov. 6.

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