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APPAREL AND ACCESSORIES

Ralph Lauren Q1 2020-21 revenues fall 66pc amid prolonged store closures

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Improving online sales could not make up for prolonged store closures. Image credit: Ralph Lauren

By LUXURY DAILY NEWS SERVICE

U.S. fashion label Ralph Lauren saw its revenues fall to $487 million in the first quarter of fiscal year 2020-21, with the coronavirus pandemic leading to declines across all regions.

Similar to many other luxury brands, Ralph Lauren saw struggles with in-store sales but has experienced rapid growth in ecommerce. The brand also implemented cost-cutting strategies in an effort to emerge in a strong position post-pandemic.

"We are living through an incredible period of change whether related to the devastating spread of COVID-19 around the world or the call to systemically address racial injustice," said Ralph Lauren, executive chairman and chief creative officer, in a statement. "Through it all, we are focused on continuing to build a business that stands the test of time staying true to who we are while taking action that enables us to deliver our brand vision for decades to come."

Responding to COVID

With the majority of Ralph Lauren stores in key markets closed for an average of eight to 10 weeks, the brand's revenues suffered significantly. For the first quarter ended on June 27, Ralph Lauren's revenues fell by 66 percent on a reported basis, and 65 percent in constant currency, to $487 million.

A bright spot for Ralph Lauren was 13 percent growth for its digital sales overall, including a 68 percent increase in ecommerce in Asia.

North America saw the steepest fall in revenues a decline of 77 percent year-over-year to $165 million. Bricks-and-mortar and wholesale revenues declined 77 percent and 93 percent respectively, while ecommerce sales only inched up 3 percent.

In Europe, first quarter revenues dropped 67 percent, but a 44 percent jump in online revenue helped offset falls in in-store revenue.

Asia, the region hit first by COVID-19 and the first to see lockdowns ease, was the most resilient market.

Most Ralph Lauren stores were shutdown for several weeks. Image credit: Shutterstock

First quarter revenues in Asia fell 34 percent to $172 million on a reported basis. Bricks-and-mortar revenue declined by 35 percent but digital sales jumped 68 percent.

At the start of the pandemic, Ralph Lauren turned to cost-cutting strategies to buffer itself from declining sales.

In mid-April, Ralph Lauren put the vast majority of its store employees and a portion of its corporate staff on unpaid temporary furlough. The employees continued to receive company benefits such as healthcare, access to its employee relief fund and government assistance where offered globally.

Additionally, Ralph Lauren top brass took a pay cut following the move to furlough employees. The brand's board of directors will also forego its quarterly cash compensation for the first quarter of fiscal 2021 (see story).

The label also negotiated rent abatements and other expenses for its physical stores. Ralph Lauren's marketing spend during Q1 2021 was also down 34 percent y-o-y as the brand shifted away from in-store activations and sponsoring sporting events towards more digital marketing.

While most Ralph Lauren stores have reopened in some capacity, the company expects financial results for its entire fiscal year 2021 to be adversely impacted by COVID-19 and a prolonged recovery. In response to strong digital sales, Ralph Lauren is also investing in its omnichannel offerings, including buy-online-pickup-in-store and curbside pickup.