



# River Island

A recent overseas expansion drive is evidence of the fashion retailer's renewed confidence

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River Island has opened and extended stores in the UK and overseas

BY BEN COOPER

River Island's Stockholm store, which opened last month, is its first in Sweden. The opening followed several years of overseas launches across Europe and the Middle East as part of the young fashion retailer's international expansion.

River Island now operates around 40 predominantly franchised overseas stores.

Last year River Island made its Australian debut with a localised website and it has plans to open physical stores in the country. It also entered into a deal with Asian fashion and beauty retailer Zalora last year to sell its wares across Singapore, Hong Kong and Malaysia. The range has been specifically selected for Asian customers.

But River Island has not forgotten about the UK. In June 2013 it opened one of its largest stores, trading across 20,000 sq ft, in the

Park House development on London's Oxford Street. The move followed a series of extensions to existing stores. River Island wants larger stores of 20,000 sq ft to enable it to extend its product offer across categories such as footwear.

In 2011, the retailer opened its first standalone accessories format in Nottingham, although it doesn't seem to have been rolled out as expected.

Despite River Island's expansion, sales growth has been lacklustre since 2009, when it generated turnover of £826.4m. Sales fell to £802.2m in 2010 and have plateaued at this level – despite opening a further 13 UK stores between 2009 and 2013 – because of the challenging fashion market.

Earnings have also been hit. Group pre-tax profits fell from £160.5m to £138.6m between 2008 and 2009 as a result of investment

in a new website, a distribution centre in Milton Keynes, and a refurbishment of its London offices.

Group pre-tax profits continued to fall in 2011 as the retailer opted not to pass the rising cost of cotton on to customers.

However, the latest figures for 2012 show River Island is back in growth, with group pre-tax profit increasing from £86.9m to £97.9m.

Gross margins have also come under pressure as the retailer has been forced to discount heavily to keep up with fashion rivals. In the 12 months to December 2011 gross margins fell to 16.9%, representing the first time in eight years they have dropped below 20%, and well below the 2005 peak of 27.3%.

River Island is the third incarnation of a retail business with its genesis in post-war London, where Bernard Lewis, whose fam-

## CLOTHES BOX

- **Group chairman** Bernard Lewis
- **Chief executive** Ben Lewis
- **Group sales** £802m in the 12 months to December 2012
- **Group pre-tax profit** £97.9m
- **Number of UK stores** 255 (December 2013)

ily still owns it today, first sold knitting wool on the capital's Blitz-battered streets.

In the 1960s Lewis made the most of London's hip new image, rebranding the business as Chelsea Girl to ride the wave of interest in fashion sweeping through the capital.

Trading until 1988, the Chelsea Girl name disappeared from the high street as Lewis prepared to launch his most successful retail venture to date.

A rebrand and merger with a menswear chain he had launched six years earlier followed and River Island was born.

The retailer has since brought Chelsea Girl back into store as a heritage label.

To further boost its credentials among younger shoppers, last year it collaborated with pop star Rihanna. The Rihanna for River Island collection launched to much fanfare, including a grand unveiling at a catwalk show at London Fashion Week. The partnership came to an end after two seasons as expected, but the deal seemed to do the trick, boosting River Island's fashion credentials and brand awareness across the world.

And it is still at the forefront of shoppers' minds in the UK. According to the Dressipi Fashion Brands Index, published in December, River Island is firmly rooted in the nation's top 10 high street shops, occupying fourth place behind New Look, H&M and Topshop.

If River Island continues with its pace of global expansion while pulling off transformative partnerships like its one with Rihanna, the retailer will soon no doubt be front-of-mind for overseas shoppers too.

## THE RETAIL WEEK KNOWLEDGE BANK VERDICT

**Wendy Massey, Retail Week Knowledge Bank analyst**

After a challenging 2011, conditions seemed to ease for the retailer in 2012, although trading would have remained difficult for much of 2013.

High levels of discounting continued to be a feature of the fashion market for most of the year and profitability remains under pressure as a result – although River Island has more room for manoeuvre on this front than

many of its rivals.

It remains the case, though, that the young fashion sector has become increasingly competitive in recent years and this is showing no sign of let-up as rival businesses have been equally committed to developing their own points of difference in a challenging marketplace.

With economic conditions eventually starting to improve towards the end of 2013 and into 2014 and youth

unemployment – while still high – now easing, River Island should be relatively well-placed to benefit from its renewed dynamism and continued investment in the brand and store environments against a more buoyant trading background.

Momentum will also be provided by the continued growth of the online channel both at home and increasingly internationally, following the move into dedicated sites for key markets.