

# ANALYSIS

Boden is banking on international growth and building its UK store estate to offset falling profits. *Retail Week's* Prospect team looks at the strength of the business as it expands

## Swot: The stress test for Boden as it bets on expansion in China

**F**ashion retailer Boden, which reported a £8.1m fall in its full-year profits to £23.9m last week, has outlined its expansion strategy to bring the business back to growth.

As the retailer plans two more UK stores and a launch into the lucrative – but notoriously hard to crack Chinese market – we take a closer look at the current state of its business.

### Strengths

#### Online scruples

Boden's launch in the early 1990s meant it was well placed to capitalise on the rapid penetration of online shopping.

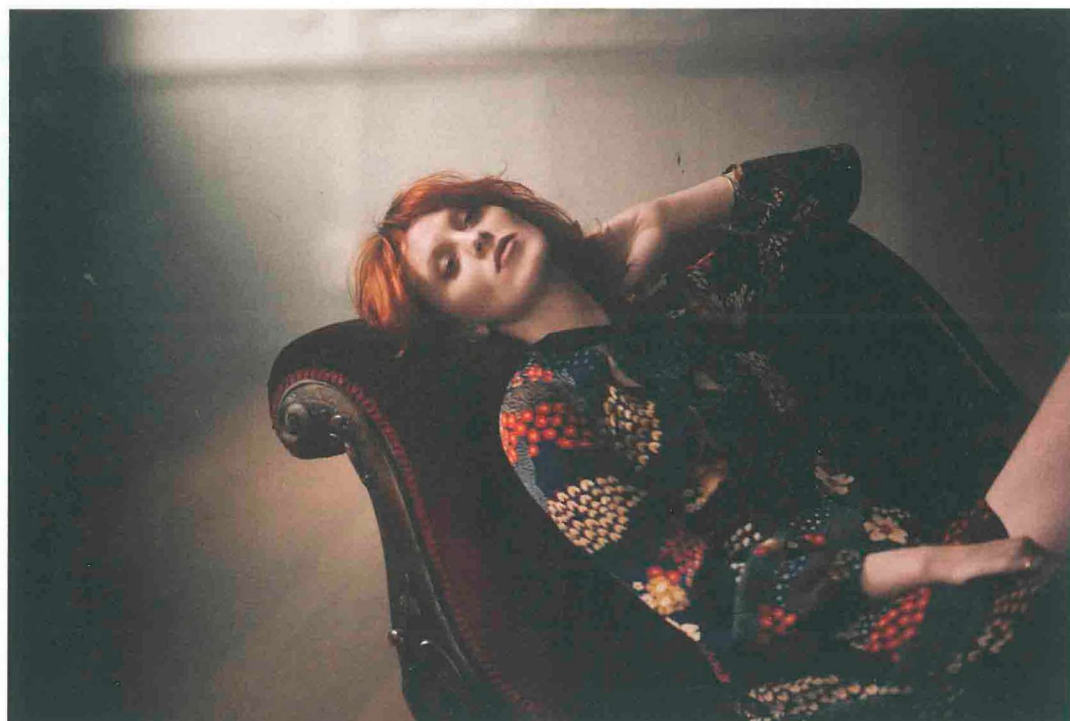
The company has been at the forefront of innovation in this area, having been one of the first to introduce suggestions for putting outfits together, as well as incorporating product ratings and customer reviews.

It constantly improves the customer experience by making continual functionality improvements and tests and tweaks its web presentation for different markets.

#### US success

The fashion retailer has form in successfully launching into foreign markets.

Capitalising on the current appeal of classic British fashion, Boden has achieved considerable success in the US. Experience of establishing itself in this



challenging market is now proving useful in creating a significantly strong continental European business.

### Weaknesses

#### Indecision on retail stores

UK sales have been under pressure for the past few years amid mounting criticism that Boden had lost touch with its customer base during the last recession.

The company has had a series of half-hearted experiments with retail outlets in the UK, although its presence failed to develop beyond a couple and in 2015 was

restricted to the original store in west London.

#### Fulfilment

Compared with the likes of Next and Asos, fulfilment options at Boden look weak, with relatively long lead times and fairly hefty delivery charges.

### Opportunities

#### More online exclusives

Going forward, Boden is looking to drive up margins by increasing the number of online exclusive products within the offer. These ranges do not incur catalogue mailing costs.

However, this needs to be balanced by the fact that the catalogue drives sales. Online exclusive products were selling at around half the rate of merchandise featured in Boden's 2014 catalogues.

#### Rapid global development

Lack of growth in the more mature domestic market is being offset by rapid international

expansion. The appointment of Isobar's former chief executive of digital agency, Penny Herriman, as its first global brand director in 2013 was a clear indicator of intent.

The US is proving particularly lucrative, and will soon overtake the UK as the group's most important market.

The retailer will expand its international business via Alibaba's Tmall platform this year.

### Threats

#### Erosion of USP

Initiatives to widen Boden's brand appeal in the UK could alienate the original upmarket customer base. There is a risk that if it becomes too associated with promotional discounting, the offer could lose some of its exclusivity.

#### Increasing competition

The lifestyle fashion sector has become increasingly competitive in the UK, and a number of its competitors such as White Stuff and Joules now have a growing presence on the high street.

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