Joules CEO to exit, warns of tough trading

By Sandra Halliday - 4 May 2022

In a surprise update on Wednesday, Joules Group said that its CEO of three years, Nick Jones, is to step down during H1 of the next financial year.

It added that “since joining the business in 2019, Nick has helped Joules to navigate through an unprecedented trading environment, particularly during the Covid-19 pandemic. During his tenure Joules has achieved several key strategic milestones including the launch and expansion of Friends of Joules and the growth of the group’s active customer base and brand awareness to all-time highs”.

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What it didn’t say is that the company has also faced a number of problems of its own making, including its infamous supply chain mistakes that badly dented its Christmas 2019 trading, plus, more recently this year, a profit warning.

Joules added that the board “will begin the search for Nick's successor immediately to ensure a smooth transition of responsibilities and will provide a further update at the appropriate time”.

It also added that the 13 weeks to 1 May, have seen it continuing to deliver strong revenue growth, of around 20%. But, “market conditions have become more challenging during and following the Easter period as consumer confidence has been impacted by the rising cost of living. Joules has not been immune to these sector-wide pressures, which have led the group's profit performance to fall below management's expectations”.

It has faced a competitive environment that has been increasingly promotional, "with customer participation highly dependent on promotional activity and reduced demand for full-price items. This has significantly impacted margins through Joules' own channels”.

And “consumer demand for home and garden categories has been subdued, particularly online, with Garden Trading performing significantly below expectations over its peak sales period in March and April”.

Meanwhile, “third-party sales have been weaker than expected across a number of key UK accounts [and] US wholesale sales have remained below expectations due to stock delays and lower demand”.

It “continues to focus on accelerating its plans to improve profitability and cash generation through cost restraint and clearance of aged stock”.

Given the trading challenges that are anticipated to continue during the first half of FY23, the board is cautious about its near-term outlook. “However, underpinned by the continued strength of the Joules brand and the strategic progress already made”, it remains “confident in the long-term prospects of the business”.

The company has been making strategic changes that it hopes will improve the business. These include implementing significant changes to its wholesale operations, such as exiting traditional wholesale in the US and EU from SS23 onwards and introducing higher minimum order quantities in the UK.

“These changes will drive a significant reduction in global wholesale accounts, enabling the group to focus on long-term, profitable partnerships and to focus on Joules' own e-commerce channels in the US and Germany,” it explained.

It has also been improving and simplifying the end-to-end product process to cut costs and shorten lead times by up to four months, boosting the proportion of newness, “and therefore the opportunity for full-price sales, within its collections”.

And it has been diversifying its long-standing, ethically sourced supplier base. It’s therefore on track to reduce its exposure to China to less than 50% of historic levels in AW23. In addition to creating a more balanced supplier base, this importantly allows it to benefit from shorter lead times from countries including Turkey.

Outgoing CEO Nick Jones said: “Building on the strategic progress made so far, over the coming months we will continue to deliver against the clear priorities that will create a strong foundation for Joules to achieve its significant long-term potential, as well as helping the business to navigate the current challenging trading environment.

“Joules is a fantastic brand with great people, loyal customers, and a differentiated product offering. Underpinned by the strategic actions we are taking to optimise the business, Joules will emerge stronger and better positioned to achieve long-term, profitable growth.”

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