

Skechers - one of the top ten in 2015 and is on course for another good year. The brand is stepping up its efforts in Europe.

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A recent report ranked the top ten non-athletic footwear groups in the world by their 2015 revenue; *World Footwear* examines how they are faring so far this year.

Footwear's front runners

Earlier this year specialist online media in Spain published a list of the top ten non-athletic footwear groups in the world based on revenues in 2015.

Although not a definitive list, due to changing currency exchange rates and the fact that companies often release overall sales figures that include non-footwear items, the information gives a clear list of the major players in this segment of the global footwear industry. It took into account that in some cases the companies' year-end dates extended to the early months of 2016.

World Footwear has made some attempt to update the list and add extra information where possible. As well as converting all figures into dollars (it is important here to consider the fluctuations that global exchange rates have experienced in recent months), an updated value for the revenue of one of the footwear companies, Clarks, in 2015, which was unavailable when the list first appeared, is included. The figure attributed to Belle International has also been revised as it included sales from its sportswear and apparel business as well as for footwear on the original list. This has moved Belle down one position on the *World Footwear* list. Following these amendments, the ten companies recorded a combined revenue of \$26.9 billion. The list includes one Asian company, six from the US and three from Europe.

German giant on top

German footwear retail group Deichmann topped the list following *World Footwear's* adjustments, with total revenue of \$5.8 billion. It was far ahead of the chasing pack; its revenue was nearly twice that of the company in second place. It only releases full-year financial results and so it is not yet possible to say whether it is building on this dominant position. Deichmann has announced plans to add a considerable number of stores to the 3,000 it already operates in Europe, the US and more than 20 other countries; more than half of the new openings will be in Germany. It also completed the acquisition of boot-focused retail brand Buffalo Boots in October this year as part of a diversification strategy. Heinrich Deichmann the company chairman, said it is targeting "new growth areas" to further boost its sales.

Hong Kong-based Belle International took the top spot in the original list which gave its revenue as \$5.9 billion. However, this included sales of sportswear and apparel as well as footwear business. Only 51.7% of Belle's revenue for the period came from footwear, meaning a value of \$3.1 billion is a more representative figure. What's more, the company's revenue from footwear was in decline during the period in question, dropping 8.5%. This continued during the first half of 2016 as Belle's footwear sales fell by 12.7%.

COMPANY	2015 REVENUE (\$ BILLIONS)
 Deichmann	5.8
 Belle International	3.1
 Skechers	3.1
 Payless Shoesource	3.0
 Wolverine Worldwide	2.7
 Caleres (Brown Shoe)	2.6
 Clarks	2.0
 Deckers	1.9
 Ecco	1.4
 Steve Madden	1.3

Not plain sailing

Belle International is not the only company in the top ten to appear to have had a difficult current year. Wolverine World Wide, fifth on the list with revenue of \$2.7 billion, saw sales in the first half of the year fall 7.9% to \$1.1 billion. Things didn't improve in the third quarter with an 11% drop in sales. Blake Krueger, chief executive of Wolverine, said it continues to "strengthen product innovation". October also saw Wolverine break ground on an extension of its manufacturing facility in Big Rapids, Michigan. This investment will primarily increase production of its Bates brand of military footwear in preparation for further contracts from the US Department of Defence.

Deckers, with revenue of \$1.9 billion in 2015, has also experienced a drop in sales. In the first quarter of the 2016/2017 fiscal year (which ends on June 30), the owner of the Ugg, Teva and Sanuk brands saw an 18.4% decrease in revenue; it attributed this decrease to the timing of shipments and insisted that it was on track to meet its targets. It suffered a further dip of 0.2% in the second quarter, although CEO Dave Powers said the company was "pleased" with the results. Deckers is adjusting to life under new leadership after Mr Powers replaced the retiring Angel Martínez as CEO at the start of June.

Caleres, formerly known as Brown Shoe, achieved revenue of \$2.6 billion in 2015, making it the sixth largest footwear group. CEO and president, Diane Sullivan, said on announcing a 2.3% fall in revenue in the second quarter of 2016 that the company is coping well in a "challenging environment". The group saw a 3% fall in sales in the previous quarter.

Skechers rise continues

Of the companies in the top ten to have released either quarterly or half-year financial results during 2016 only US



Deckers is best known for its Ugg brand of sheepskin boot, but it has made efforts to diversify in recent years.

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brand Skechers has seen any significant increase in footwear revenue. Having increased its full-year revenue by 32% in 2015 to \$3.1 billion, it had record net sales of \$1.86 billion in the first half of this year. This came off the back of record second quarter sales and was followed by a further increase of 10.1% in the third quarter.

"International is a key focus for Skechers as we expand our reach and deliver more product into more channels of distribution," its chief executive, Robert Greenberg, said on the release of the brand's half-year results. As well as planning the opening of 42 new stores in China and its first stores in Belgium, Norway and Finland, Skechers is taking advantage of the increase in revenue to develop its European operations. So far this has taken the form of a new UK headquarters in the city of St Albans (about an hour north of London) and the expansion of its European distribution centre in Belgium. The fourth expansion of the site in the south of the country was completed in July, adding an extra 26,5000 m² to its total size. Skechers chief operating officer, David Weinberg, said this was to prepare for "continued growth" in the region, adding that it allowed the company to ship 8.1 million pairs of shoes in the first half of 2016.

Steve Madden, which sneaked into the top ten with revenue of \$1.3 billion, has experienced slight growth so far in 2016; after creeping up 1.7% in the first quarter, sales grew 0.6% in the second.

Best of the rest

Danish footwear group Ecco invested heavily in its store network in 2015, opening a total of 174 new stores; it also closed 79. Its revenue of just under €1.3 billion (\$1.4 billion) was a 7.4% increase year-on-year. The company has not released any financial results so far in 2016. At the summer edition of the GDS exhibition in Düsseldorf, in July, Ecco placed the spotlight on its range of shoes for children. Having established a separate unit, Ecco Kids, in September 2015 to this end, it is now focusing on



UK brand Clarks is going through a transition following a change in leadership; it came in response to a significant drop in profit.

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extending the market for its children's shoes to the German-speaking regions of Europe, according to Kristin Käßlinger, vice-president of Ecco Kids. She says it is hoping the brand can become a "well-established line".

US discount footwear retailer Payless ShoeSource just missed out on a place in the top three of the ranking after achieving revenue of \$3 billion in 2015. No up-to-date information is yet available as to its recent progress. It has launched two superstores, one in Costa Rica and one in the Dominican Republic, with plans to open more. This follows on from the successful opening of its first in November 2012. It also owns stores in the US, Canada and Australia.

UK-based retailer Clarks was included in the original rankings based on its 2014 revenue. Since the publication of the table, the company has released its full-year results for 2015, which showed an increase of 2.6% in sales to \$2 billion. Like Deckers, which it just pipped to seventh spot in the table, Clarks is going through a transition following a change of CEO; Mike Shearwood, former chief executive of fashion brand Karen Millen, was appointed in October to replace Melissa Potter, who left her role in the wake of disappointing financial results after 27 years with the company. 🔄

Ecco used the recent GDS show to showcase its range of shoes for children. It is targeting the German-speaking areas of Europe.

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