Millet Mountain Group

With online shopping and sky-high rents hurting traditional retail and wholesale business, confusion reigns in the debate about how best to come into contact with consumers. The group behind outdoor brands Eider, Lafuma and Millet believes it has found a solution.

A response to the retail crisis

Almost as soon as outsourcing every possible aspect of the business became the norm, which it certainly was by the start of this century, many clothing companies began to pine for the days when they made things for themselves. Vertical integration was, and is, a term that inspired respect and reverence and, to judge by how well it has served groups such as Ecco and Inditex, showed itself to be a possible route to riches too. Many argued that the appeal of entrusting the sourcing of materials and construction of products to third parties had diminished and that bringing at least some things back in-house would be a good idea. But times change.

As this century's second decade draws to a close, something has happened in this debate that would have seemed like science fiction as recently as the 1990s: many companies no longer want to run shops now. This is not just a debate about having your own shops or entrusting them to franchise partners. Nor is it about managing wholesale relationships with multi-brand retail partners alongside your own network of stores. It is that shops, full-stop, are ceasing to function as a good way to interact with consumers and convince them to buy your products. Who would have thought?

Closed shops

Searching, shopping and paying for goods is now an online sport for consumers of all ages and backgrounds and, as a result, shops in hundreds of cities, all of which cost money for rent, taxes, energy and staff, are increasingly becoming a burden. Stores are closing down and lying empty everywhere and it is becoming increasingly difficult for councils and property owners to find retailers (own-brand or multi-brand) to take them over. Retail industry observers in the US have complained that high rents are doing more to force small retailers out of major cities (and often out of business) than the online shopping phenomenon. These days, the landlords of the prime retail real estate are often investment companies who were, initially, happy to have national or global chains move in instead. Now even those big groups are finding it hard to make traditional retail pay.

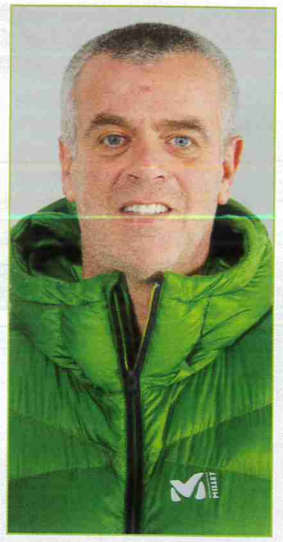
In February 2019, trade association the British Retail Consortium said a new study shows almost 10% of spaces on high streets across the UK to be empty and it predicted the situation will become worse. At the end of last year, the chief executive of sports and outdoor retail group Sports Direct, Mike Ashley, called on the UK government to implement a new tax of 20% on online retail sales to help address this problem. Mr Ashley appeared before a parliamentary committee in December and presented his idea as a way of saving the high street. He said that, in many towns and cities, the high street is "already dead". But he said other places could keep their main in-town shopping areas open by taxing retailers who, through online sales, are avoiding local and national taxes.

He admitted that the suggestion may not go down too well with fellow directors at his own group. In his comments, Mr Ashley also made it clear he thought the 20% tax should apply to pure-play online retailers and to the online sales of clicks-and-bricks companies like his. He argued that any company generating more than 20% of total sales online should pay the 20% online sales tax and said this would be a way of persuading retail companies to invest in town centres again; to stay under the threshold of 20% of total sales, they will make efforts to attract shoppers back to bricks-and-mortar sites. No one likes town centres that are lifeless. But it is not easy for companies to run shops now, especially smaller or medium-sized brands, which many in the outdoor and athletic business are.

A move away from the classic model

Learning from the world of fashion, Millet Mountain Group believes it has found an answer, a compromise, a third way. Thibaut Cornet, the head of sales for the group, which has Lafuma, Millet and Eider as its main brands, says it is moving away from a classic wholesale model and already has a new set-up in place in a number markets, including Japan and Spain.

Japan is an important market for Millet Mountain Group, accounting for more than 10% of sales. "We have been there a long time," Mr Cornet explains, "we have a wholly owned subsidiary there and we develop local lines for Japan. We work with a retail partner, ICI, and the arrangement we have with them is what we call space management. ICI owns the retail space, we do the sales to the consumer and we pay ICI a commission. I think that's the future." The spaces in question can be as little as 15 square-metres or as much as 50, and the people working there are Millet Mountain Group employees. "This is very common in fashion retailing," Mr Cornet continues. "Galeries Lafayette does this; fashion brands make sales under Galeries Lafayette's roof and pay a commission. The outdoor industry is a little behind on this, but it is starting to look at this model and I think it can be big. Having more of your own retail stores looks attractive on paper, but the capital expenditure is huge, as are staff costs. It's not easy to reach the levels of profitability you need."



Millet Mountain Group head of sales, Thibaut Cornet.

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Advantages for both

Another retail partner with whom Millet Mountain Group has worked in their new way is Spanish department store chain El Corte Inglés. Thibaut Cornet sees advantages for both sides of the partnership. "They have the space," he explains, "and consumers come through their doors. We have the brands and the product, and we manage everything. We have staff there but the team that does the merchandising for our own stores can carry out this function for these spaces too and the staff there, who know how to work in retail and know how to present products well, can concentrate on that. We need more square-metres of selling space, our partners need to manage their level of risk."

Brands need to be ready for all the changes that this new set-up entails, he insists, part of which is a change in mindset. There needs to be what he calls "full trust" between retailer and brand and this includes "perfect transparency", instantly, on the numbers, which amounts to the finished product brand allowing its back office to "drop into" the back office of the retail company.

The right combination

"I don't believe the market will become 100% digital," the Millet Mountain Group head of sales concludes. "For us, 80% of our business is still through the wholesale channel; we have 2,000 doors in Europe alone and we cannot manage them on our own. But things change. I know one retail company in Chamonix who used to do multi-brand but has now converted that very expensive retail space into five different standalone, single-brand stores. Another company here, which had operated 100% online for nine years, has now opened three physical spaces, one in Annecy, one in Lyon and the other in Chamonix. The future is about all the different ways in which you can reach the consumer, a combination of things."