Mulberry plunges to loss as shoppers cut back on luxury goods

Luxury handbag maker Mulberry has plunged to a half-year loss after seeing sales fall amid the cost-of-living crisis, it told investors on Wednesday (November 30).

The Somerset-headquartered group reported a pre-tax loss of £3.8m for the six months to October 1 – against profits of £10.2m a year ago – despite hiking prices in March and September to offset soaring costs.

Results a year earlier were boosted by business rates relief support as well as profits on the sale of a shop lease in Paris, but even with these stripped out, Mulberry sank to an underlying £2.8m half-year loss from profits of £4.5m.

The Chilcompton-based fashion brand's UK retail sales drop 10% to £34.1m, while online sales in Britain dropped 24% as people returned to stores.

However, in China the company fared better after seeing sales rise 6% despite Covid-19 restrictions, helping limit the decline in overall group revenues to 1%.

Mulberry said trading improved in the eight weeks to November 26, though it warned over ongoing cost and economic pressures.

The group said: "The wider macro-economic environment continues to present some uncertainty, in particular with regards inflationary pressures. As a business we are managing inflationary challenges through various measures."

It said price rises were made to "ensure we make no compromises on the quality of our product" and protect profitability in the face of rocketing inflation.

Mulberry’s boss is also leading a strategy refresh, including better integrating online and shop offerings, driving sales internationally and in Asia Pacific particularly, and moving away from the franchise model to full ownership of stores.

Chief executive Thierry Andretta added: “We are confident in our ability to execute our strategy and to continue to invest across the group for our future growth, in spite of the challenging economic and geopolitical backdrop.” We are well placed for the festive trading period.”

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