

# Asos to slash office space and shut storage warehouses after sales fall

Asos plans to cut office space and close down storage warehouses after reporting a drop in UK sales.

The beleaguered online retailer said it had embarked on a £300 million package of “cost mitigation measures” as it battles raging inflation and dwindling consumer demand.

Office space will be “rationalised” and three storage facilities including one in the UK will be closed, while 35 unprofitable brands will be withdrawn from the Asos site as part of the cost-cutting plans. It comes on top of a previous decision to reduce staff costs by 10% through a series of layoffs.

Asos boss José Antonio Ramos Calamonte said: “We are undertaking necessary strategic and operational changes, with our focus shifting from prioritising top-line growth to building a more relevant and competitive fashion business with a disciplined approach to capital allocation.”

The firm reported sales of £1.3 billion in the four months to end December, down 6% at constant currencies, while turnover in the UK fell 8% and revenues outside Europe and the US sunk 31% to £130 million. Asos blamed the downturn in sales on weaker consumer sentiment and disruption in the delivery market which resulted in earlier cut-off dates for Christmas orders.

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Charlie Huggins, Head of Equities at Wealth Club, said: “ASOS’ trading performance...has been disappointing and stands in stark contrast to the likes of Next. Inflationary pressures on its customers, a normalisation of returns rates and mounting costs have conspired to produce a cocktail of headwinds.

“ASOS’ business model isn’t well set up to deal with the current economic environment. With no stores and a 20-something customer base with a tendency to over-order, dealing with returns is a very costly problem. This contributes to low profit margins, meaning it only takes a small decline in sales to blow a large hole in profits.”

Asos shares fell 4% to 563p, before later surging to 690p in an apparent vote of confidence in the turnaround plans by investors.