Zalando seeks to double revenue by 2020

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Zalando set out a target to double in size by 2020 as Europe's biggest pure online fashion retailer announced a raft of new partnerships that underline its ambition to move from being just a wholesaler to a provider of services to brands.

Founded in Berlin in 2008, Zalando has expanded rapidly and now delivers 1,500 brands in 15 countries, but is looking for ways to diversify as the pace of growth has slowed.

Up until recently, Zalando has focused on the wholesale business, buying shoes, clothes and accessories from brands and shipping them to customers from huge out-of-town warehouses.

Now it has built up technology and logistics expertise, as well as a loyal customer base, it is offering these services to brands, potentially a more profitable business than just selling fashion itself.

"The target is to double the company again by 2020," co-chief executive Rubin Ritter told a media event.

A spokeswoman said Zalando aimed to double from the 3.6 billion euros ($4 billion) in sales reached in 2016. Analysts currently expect Zalando to reach sales of 7.6 billion euros by 2020, according to Thomson Reuters data.

However, it is the first time that the company itself had set out mid-term sales goals.

Zalando will have capacity to handle 8 billion euros of sales once new warehouses planned in Sweden and Poland are ready, said Birgit Opp, new senior vice president finance, adding that the company ultimately targets 20 billion in sales.

Zalando says that the wholesale model that accounts for about 90 percent of revenues can yield an earnings before interest and taxation margin of 10 percent, with Opp saying the margin should be higher for the new services it offers brands.
Zalando announced on Friday that Nike and H&M's Weekday brand are joining its partner programme, which involves Zalando selling a wide range of their inventory on its website for a commission, rather than buying stock wholesale.

David Schroeder, operations chief at Zalando, said the scheme was particularly attractive for brands that want to retain control over their stock and its presentation.

"It turns Zalando into a shopping mall in which there is also an H&M store," he said, adding that also helped to differentiate Zalando from Amazon, seen as a threat to Zalando as it expands its fashion ranges.

Zalando said that Danish fashion group Bestseller, which owns brands such as Jack & Jones and Vero Moda, is becoming its first major customer for logistics services, paying Zalando to store its stock in its warehouses and ship orders.

In addition, Zalando said it has struck deals with German shoe retailer Schuh.de to put the inventory of its physical stores on its site as well as with four stores of U.S. brand Tommy Hilfiger in Berlin. ($1 = 0.8951 euros)