

VF Corp.

Supply Issues Hinder Vans

Plan attainment for VF Corp.'s Vans improved during FY2Q21 in North America and Western Europe, but purchases were challenged by supply chain issues and rising competition from other canvas and comfort shoe brands.

- Vans: North American FY2Q21 purchases down yy for 3 of 7 buyers, flat for 2, up for 2 (better vs. down for 5 of 7 in FY1Q21), helped by improving sales but hindered by fulfillment issues, rising competition; Western European purchases down yy for 5 of 6 (vs. 8 of 9 in FY1Q21), hit by delivery delays, competition
- Timberland: North American FY2Q21 purchases down yy for 2 of 3 buyers (vs. 1 of 2 in FY1Q21), brand unable to regain footing; Western European FY2Q21 purchases down yy for all 5 buyers, hurt by less demand
- The North Face: North American FY2Q21 purchases down yy for 4 of 5 buyers (vs. all 4 in FY1Q21), hindered by late fall deliveries

KEY DATA

VF Corp.'s Sales vs. Plan

(number of mentions)

	VANS				NORTH FACE		TIMBERLAND			
	N. AMERICA		W. EUROPE		N. AMERICA		N. AMERICA		W. EUROPE	
	FY1Q	FY2Q	FY1Q	FY2Q	FY1Q	FY2Q	FY1Q	FY2Q	FY1Q	FY2Q
Exceeded	1	2	1	2	-	-	-	-	-	-
Met	3	2	5	4	4	5	-	1	-	1
Fell below	3	3	3	-	-	-	3	3	8	3

"Vans is doing very well for us. Back to school did have a negative impact because kids are learning at home, but back-to-school is only three weeks, so overall July–September sales were up 10%–20%."

North American buyer

BY PATRICIA NEWMAN
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SOURCES & BACKGROUND

18 U.S. and European buyers representing 4,082 doors

UNITED STATES 11 buyers (6 specialty retail chain and 5 independent retailers) representing 2,116 doors; **WESTERN EUROPE** 7 buyers (3 in Germany and 2 each in France and in the United Kingdom) representing 1,816 doors

REPEAT SOURCES 13 (7 U.S. buyers and 6 European buyers) from OTR Global's July note

INTERVIEWS Sept. 3 through Oct. 5

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NORTH AMERICAN BUYERS

Vans sales mixed

Purchases: VF Corp.'s Vans FY2Q21 (July–September) purchases were up yy for two buyers, flat for two and down for three, an improvement from OTR Global's July findings on FY1Q21, when purchases were down for five of seven. While two retailers (one national and one regional) gave the brand high marks, citing growth and continued robust demand, the other five were less positive on the brand. One national retail buyer said the brand has been hurt by competition and has lost share to **Nike Inc.**'s Air Force 1 and, more recently, comfortable shoes like **Crocs Inc.**, a trend heightened by remote learning. Meanwhile, a large regional source said unlike its competitors, Vans never resumed regular deliveries once distribution centers and stores began to reopen in May and June. The buyer said, "It's a huge back-to-school brand for us, but it cut off all deliveries starting in the spring and still hasn't really resumed shipping in a normal way. Our Vans inventory is down, and there's no plan to fix it."

Sales: Vans FY2Q21 sales exceeded and met plan for two buyers each, but fell below for three, a slight improvement from FY1Q21. One large regional buyer whose sales exceeded plan said while Vans sales were hindered by virtual school and less back-to-school demand, sales were still good. "Vans is doing very well for us. Back-to-school did have a negative impact because kids are learning at home, but back-to-school is only three weeks, so overall July–September sales were up 10%–20%." However, another large regional buyer fell below plan and blamed it on the lack of kids' footwear sales. "The biggest thing during the third quarter was a lack of kids' footwear sales because of virtual learnings. This impacted Vans," one said.

Vans continues to impose restrictions on how much product retailers can order, placing limits on total orders as well as requiring retailers to place minimum orders on styles other than Old Skool and Ward. Buyers said there were no major changes to the allocations they receive for 2H21. "Vans wants to keep me on a receipt cap every quarter," one said.

Orders: Vans orders for the next six months were up for four of seven buyers and flat for one, similar to OTR Global's July report, when orders were flat or up for four or five buyers. Sources who increased orders said they expect the brand to recover by spring 2021. "Orders through February are up 15% to support increased sales. We have already placed all spring orders and are placing summer now, which is planned up," one said. However, orders were down yy for two large regional buyers who said the cozy comfort footwear trend is eating into the vulcanized category. "There are a lot of shoes infiltrating that space. Crocs are killing it. I'm selling [**Hanesbrands Inc.**'s] Champion slippers like crazy. The kids have a lot more options at \$50–\$60," said a buyer for a large chain.

Vans' inventory was in line with demand for three of five buyers, but too low for two sources who said the brand is having supply chain issues. "Vans have been partially hit by production issues. I feel more confident with **Skechers [USA Inc.]** getting back in line sooner," one said.

Quotes

"Vans are doing OK. It's still a pretty important brand for us. Canvas shoes overall are OK. It's not what it used to be because people are trimming it down from last year, but it's still pretty good. In Converse, the platform styles are doing very well."

"Sales were up mid- to low-single digits. We're still working with them to open doors. It's holding us to certain doors. We're slightly up [yy]."

"The cozy comfort category will be getting bigger with slippers and fur slides. **Deckers Outdoor Corp.**'s Uggs, **Steve Madden Ltd.** and Skechers will play in that roll."

North American Vans Orders for Next 6 Months

(number of sources)

	JULY	OCTOBER
Up	3	4
Flat	1	1
Down	1	2

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Timberland fails to gain traction

Purchases: Timberland's FY2Q21 purchases were down yy for two of three buyers (compared with one of two in FY1Q21), who blamed fall order cancellations and late shipments as the culprit. "We have received some shipments, but there were several delays. Plus, we canceled a lot of the fall orders," one said. Purchases were up slightly yy for one small independent retailer who was able to get some fill-in orders from the brand. One buyer had no fall deliveries from the brand.

Sales: Timberland's FY2Q21 sales fell below plan for three of four buyers and met for one, compared with all three below plan in FY1Q21. Buyers said the brand failed to gain momentum. "It's still pretty slow. The weather has been pretty warm, and we just finally got a little bit of cold weather. We'll see in the next couple of weeks," said a buyer for a large specialty chain. Sales met plan for one small independent retailer who cited good early fall sales.

Orders: Timberland orders for the next six months were down yy for three of four buyers, who said trends for the brand have been lagging for a while, and up slightly for the fourth, compared with all four sources reporting order declines in July.

Inventory for Timberland was in line with demand for three of four buyers, but too low for one, who did not receive any fall merchandise from the brand.

Quotes

"It's still a decent brand for us, but orders are down."

"We received about 50% less than last year, and there have been a few delays with them."

The North Face fall deliveries late

Purchases: The North Face FY2Q21 purchases were down yy for four of five buyers (compared with all four in FY1Q21) because of order cancellations, late deliveries and reduced fall SKUs. "I've only received 20% of the North Face product from my fall orders. A lot of the styles were canceled by the brand, and we canceled about 15% of our winter bookings," one said. The fifth source (a small independent retailer) said purchases were up yy.

Sales: The North Face's FY2Q21 sales met plan for all five buyers, similar to FY1Q21. Buyers said sales got a boost from the brand's equipment sales more than early sales of fall outerwear. "Apparel sales are down slightly. Hard good sales are up because people are getting outside. Customers are buying outdoor equipment — tents, sleeping bags and backpacks," one said. Another buyer said changing fall weather helped sales of the brand's fall outerwear. "We've been even to last year. We had some cold weather last week, and that helped," one said.

Orders: The North Face orders for the next six months were flat yy for three of five buyers and up or down for one each, a slight improvement compared with down for three of five and flat for two in July. Buyers whose orders were flat yy said the brand is weather dependent and the pandemic has made it hard to predict how the brand will trend. "It's weather dependent. Yes, there's a pandemic and in cold weather we sell outerwear. We're trying to stay conservative in our business, especially with what's going on in the world," one said. One buyer whose orders were up slightly has confidence in the brand's recovery, while another who ordered less yy cited store closures and leftover merchandise for the spring.

The North Face inventory was in line with demand for three of five buyers, and too low for two sources because of late deliveries. "The North Face is lagging on deliveries," one said. "It's late but, because product is scarce out there, I think we'll sell it anyway."

North American Timberland Orders for Next 6 Months

(number of sources)

	JULY	OCTOBER
Up	-	1
Flat	-	-
Down	4	3

North American The North Face Orders for Next 6 Months

(number of sources)

	JULY	OCTOBER
Up	-	1
Flat	2	3
Down	3	1

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Quotes

“Sales have been good with their hard goods side of things not in the soft goods. People didn’t rush to buy or renew their wardrobe since they were confined to their homes.”

“[The North Face] had some shortages and delays, but that’s industrywide with delays in shipments. It’s not just them.”

“VF Corp. made its own plan and canceled a lot of their product for fall and winter, thinking sales would be down. We saw our fall bookings drop by 30% with North Face.”

“From what I can tell, it seems like a lot of North Face stuff will come late. Some stuff has been canceled.”

WESTERN EUROPEAN BUYERS

Vans purchases down

Purchases: Vans’ FY2Q21 purchases were down yy for five of six buyers and up for one, compared with eight of nine down and one flat in FY1Q21. Buyers attributed the lower yy purchases to fallout from canceled or reduced orders caused by COVID-19 lockdowns and store closures. “Purchases were still down low to mid-single digits because of earlier cancellations,” a German buyer said.

Sales: Vans’ FY2Q21 sales met plan for four of six buyers and exceeded for two, an improvement from FY1Q21, when five met, one exceeded and three fell below adjusted plans. “Although traffic has still not fully recovered and more people are shopping online, Vans sell-through remained positive — especially Old Skool but also other styles,” a German buyer said.

Although Vans continues to lose share to Converse for some, several buyers said the brand is showing some resilience. “Old Skool and sales of other SKUs are up double digits. Orders are still going forward, so this is positive. Converse is not really hurting them,” a French buyer said.

Orders: Vans orders for the next six months were up yy for three of six buyers, flat for one and down for two, an improvement from July, when they were down for five of nine and flat for four. Buyers who increased orders said the brand is still very popular and the negative trends caused by COVID-19 and store closures have reversed. “Vans are still gaining some share because the brand is trendy and distinctive. The shoes are affordable and there is not only interest in the Old Skool styles, but other skus are selling very well,” a French buyer said.

Two buyers in the United Kingdom whose order were down yy attributed the decline to competition from Converse and allocation caps on Skool silhouettes that leaves the chains with unsold non-Old Skool merchandise. “With Vans, outside of a few pairs, frankly there’s not enough substance to them. With restriction and Converse growing at quite a pace we’re ordering down for Vans,” one said.

Five of six Western European buyers said Vans has maintained its policies related to allocation limits, but one French buyer reported an allocation change coming in January. “In January, Vans will give access to a program similar to Nike’s response business, which is about securing fast deliveries of best-selling SKUs to avoid any shortages. So de facto, this will circumvent any quota on Old Skool styles,” the buyer said.

Inventory levels were in line with demand for five of six buyers and too low for one, compared with five of nine reporting excess inventories in FY1Q21.

Western European Vans Orders for Next 6 Months

(number of sources)

	JULY	OCTOBER
Up	-	3
Flat	4	1
Down	5	2

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Quotes

“We maintained orders on last year’s level, an improvement compared with last quarter. Not sure how much non-Old Skool stuff we will be able to shift during fall and winter, but orders for spring and summer 2021 are likely to be up again.” *Germany*

“We’re back at a low-single-digit increase — not quite the growth we had pre-pandemic, but at least the negative trends got reversed quickly.” *Germany*

“Old Skool and Sk8-Hi are still very popular, especially with women. The Converse revival isn’t hurting Vans.” *France*

“Vans has reduced what we can sell on our platforms so much, and by that, I mean the amounts of Old Skool we can buy. It’s the same story, which we can’t sell outside of it.” *United Kingdom*

“It’s a low plan, based around Old Skool mainly, and Old Skool is still good news for Vans, as well as Sk8-Hi, but outside of that, it’s a struggle.” *United Kingdom*

“For vulcanized, it’s all about Converse, which is up triple digits and really elevating its platform in the women’s category. It’s one of our fastest-growing brands.” *United Kingdom*

Timberland continues to falter

Purchases and Sales: Timberland FY2Q21 purchases were down yy for all five Western European buyers (similar to FY1Q21), and sales fell below plan for three of four and met for one, compared with all eight sources below plan in FY1Q21. Sources said there is very little demand for the brand outside of a small loyal customer base. “Our plans are lower now, but overall the brand still has its customer base, but it is not expanding,” a German buyer said.

Orders: Western European Timberland orders for the next six months were down yy for all five responding buyers, compared with seven of eight in OTR Global’s July findings. Buyers attributed order declines to less demand and a shift in buying preferences to athletic shoes. “We’ve seen an increase in the athletic category. That trend will continue. It’s not product — it’s a shift in buying. There’s very little demand for [Timberland],” a U.K. buyer said.

Despite lagging sales, Timberland inventory was in line with demand for all five Western European buyers.

Quotes

“Timberland generated very small volumes in summer and started selling in mid-September, so this is too early to tell, but the brand isn’t hot right now.” *France*

“We just started to sell them in September. Weather was very warm during the first two weeks so sales were below plan, but I don’t think it’s just the weather.” *France*

“Our orders are still down. So far we haven’t made any changes to orders because we have to see how the fall and winter goes.” *Germany*

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Western European Timberland Orders for Next 6 Months

(number of sources)

	JULY	OCTOBER
Up	-	-
Flat	1	-
Down	7	5

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1. Did Vans FY2Q21 purchases increase, remain the same or decrease yy?

	NORTH AMERICA	FRANCE	GERMANY	UNITED KINGDOM	WESTERN EUROPE	TOTAL
Up 11%–15%:	1	-	-	-	-	1
Up:	1	1	-	-	1	2
Flat:	2	-	-	-	-	2
Down:	3	1	-	2	3	6
Down 1%–5%:	-	-	1	-	1	1
Down 6%–10%:	-	-	1	-	1	1
Not applicable:	4	-	1	-	1	5

2. Did Vans FY2Q21 sales exceed, meet or fall below expectations?

Exceeded:	2	2	-	-	2	4
Met:	2	-	2	2	4	6
Fell below:	3	-	-	-	-	3
Not applicable:	4	-	1	-	1	5

3. Did Vans orders for the next six months increase, remain the same or decrease yy?

Up 11%–15%:	1	-	-	-	-	1
Up 1%–5%:	-	-	1	-	1	1
Up:	3	2	-	-	2	5
Flat:	1	-	1	-	1	2
Down:	2	-	-	2	2	4
Not applicable:	4	-	1	-	1	5

4. Are current inventory levels for Vans too high, just right or too low for demand?

Too high:	-	-	-	-	-	-
Just right:	3	1	2	2	5	8
Too low:	2	1	-	-	1	3
No response:	2	-	-	-	-	2
Not applicable:	4	-	1	-	1	5

5. Did Timberland FY2Q21 purchases increase, remain the same or decrease yy?

Up 1%–5%:	1	-	-	-	-	1
Flat:	-	-	-	-	-	-
Down:	1	2	-	2	4	5
Down 1%–5%:	-	-	1	-	1	1
Down 41%–50%:	1	-	-	-	-	1
No response:	1	-	-	-	-	1
Not applicable:	7	-	2	-	2	9

6. Did Timberland FY2Q21 sales exceed, meet or fall below expectations?

Exceeded:	-	-	-	-	-	-
Met:	1	-	1	-	1	2
Fell below:	3	1	-	2	3	6
No response:	1	-	-	-	-	1
Not applicable:	6	1	2	-	3	9

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7. Did Timberland orders for the next six months increase, remain the same or decrease yy?

	NORTH AMERICA	FRANCE	GERMANY	UNITED KINGDOM	WESTERN EUROPE	TOTAL
Up 1%–5%:	1	-	-	-	-	1
Flat:	-	-	-	-	-	-
Down:	3	2	-	2	4	7
Down 1%–5%:	-	-	1	-	1	1
No response:	1	-	-	-	-	1
Not applicable:	6	-	2	-	2	8

8. Are current inventory levels for Timberland too high, just right or too low for demand?

Too high:	-	-	-	-	-	-
Just right:	3	2	1	2	5	8
Too low:	1	-	-	-	-	1
No response:	1	-	-	-	-	1
Not applicable:	6	-	2	-	2	8

North America

9. Did The North Face FY2Q21 purchases increase, remain the same or decrease yy?

Up 1%–5%:	1
Flat:	-
Down:	1
Down 6%–10%:	1
Down 26%–30%:	2
Not applicable:	6

10. Did The North Face FY2Q21 sales exceed, meet or fall below expectations?

Exceeded:	-
Met:	5
Fell below:	-
Not applicable:	6

11. Did The North Face orders for the next six months increase, remain the same or decrease yy?

Up 1%–5%:	1
Flat:	3
Down:	1
Not applicable:	6

12. Are current inventory levels for The North Face too high, just right or too low for demand?

Too high:	-
Just right:	3
Too low:	2
Not applicable:	6

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