

Investments in E-commerce Capacity to Bring About Satisfying Results, Augusto Beato Assures

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Many retailers are expected to experience challenges as they try to address the requirements of e-commerce but will eventually enjoy the fruits of their investments, says Portland SEO's Augusto Beato. He was reacting to news that fashion retailer H&M suffered an unexpected 10 percent drop in quarterly pretax profit as it invested in new warehouses to try to capture a bigger share of the fast-growing online market.

Shares in the Swedish company fell 4 percent in early trading after pretax profit for September-November shrank for the sixth straight quarter to $482 million.

For 2018 as a whole, profit fell for the third straight year as competition from the likes of Zara, Primark and ASOS and the shift to online shopping hit trading at its core budget stores.

H&M, the world?s No. 2 fashion retailer after Zara owner Inditex, has invested heavily in logistics and digital technology and is reviewing its mix of stores and brands, while also working on a new H&M store concept.

Costs of around 450 million crowns related to upgrades of logistics systems weighed on quarterly profit as the company opened three new fulfillment centers so it can make deliveries faster. It said capital expenditure would fall in 2019.

Beato pointed out that a similar case existed with parcel carrier UPS which is beginning to reap benefits from a three-year plan to increase spending on new aircraft, automation, and package-sorting to cope with surging e-commerce demands.

Profit margins held at more than 10 percent in the quarter even with capital spending that jumped to $6.6 billion in 2018, more than double the average annual amount over the previous five years?evidence the company was able to keep costs in check while handling the peak season?s higher volume.

H&M group CEO Karl-Johan Persson announced that there are signs the company?s transformation efforts are beginning to take effect a difficult first half.

H&M said it planned to add a net 175 stores in 2019, with almost half of them to be newer fashion brands like COS, Monki and Weekday - part of its drive to mimic the success of Inditex by targeting multiple sub-sections of the market.

"Adding capacity and technology may initially affect profits but it would soon translate in increased earnings," Beato, who is the CEO of Portland SEO, assures.

E-tailers could enhance profits by tapping the services of Portland SEO through this link.
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