

The Athlete's Foot treading warily

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RCG Corporation, the company behind sports footwear franchise The Athlete's Foot, has pledged to report at least flat profit in the first half despite continued declines in sales.

Speaking at RCG's annual general meeting in Sydney yesterday, chairman Ivan Hammerschlag described trading conditions as the worst he had seen in 30 years.

Sales at The Athlete's Foot were down by 1.2 per cent for the first four months of the financial year, or 3.3 per cent when the benefit of new store openings was excluded. However, the company was forecasting first-half profit to remain at least steady against the previous comparable period, and earnings per share for the full-year to be up on last year.

"We're not projecting what our profits are going to be, but we're comfortable we're not going to go backwards," Mr Hammerschlag said after the meeting.

RCG, which also distributes shoes including the Merrell label through its wholesale division RCG Brands, reported a 30 per cent increase in net profit to \$8.9 million over the past financial year, as revenue grew by 39 per cent to \$42.3m.

The company appeared to be gaining market share in the footwear sector in recent months, with sales performance significantly ahead of the 10.6 per cent decline in shoe sales recorded by the Bureau of Statistics for the September quarter.

However, Mr Hammerschlag said there was little reason to celebrate in the lead-up to the crucial Christmas trading season, despite the Reserve Bank's decision to cut official interest rates this month.

"The rate cut may have given a bit of confidence but we're still in a very tough retail environment . . . we're not hearing bells ring and if anyone says they are they must be listening to a different orchestra," he said.

Mr Hammerschlag said he was unconcerned about the threat posed by Rebel Sport, where new owner Super Retail plans to ramp up its sports shoe fitting services to rival The Athlete's Foot.

"We've heard that 10 times from Rebel over the years, but it's not in their DNA, we don't think they can achieve it -- our people are extremely well-trained and you can't get to that level in a corporate environment," he said.

"A lot of our franchisees work directly with medicos and podiatrists who require very high service levels that the big-box players can't provide."