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# Genesco Inc.

## Second Quarter Fiscal 2025 Earnings Conference Call

## September 6, 2024

## CORPORATE PARTICIPANTS

**Darryl MacQuarrie,** *Senior Director, FP&A and Investor Relations*

**Mimi Vaughn,** *Board Chair, President and Chief Executive Officer*

**Tom George,** *Senior Vice President, Finance and Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Mitch Kummetz,** *Seaport Global Research*

**Mantero Moreno-Cheek,** *Jefferies LLC*

## PRESENTATION

**Operator**

Good day everyone and welcome to Genesco's Second Quarter Fiscal 2025 Conference Call.

Just a reminder, today's call is being recorded.

I will now turn the call over to Darryl MacQuarrie, Senior Director of FP&A. Please go ahead, sir.

**Darryl MacQuarrie**

Good morning everyone and thank you for joining us to discuss our second quarter fiscal '25 results.

Participants on the call expect to make forward-looking statements reflecting our expectations as of today, but actual results could be different. Genesco refers you to this morning's earnings release and the Company's SEC filings, including its most recent 10-K and 10-Q filings, for some of the factors that could cause differences from the expectations reflected in the forward-looking statements made today.

Participants also expect to refer to certain adjusted financial measures during the call. All non-GAAP financial measures are reconciled to their GAAP counterparts in the attachments to this morning's press release and in the schedules available on the Company's website in the Quarterly Results section. We have also posted a presentation summarizing our results here, as well.

With me on the call today is Mimi Vaughn, Board Chair, President, and Chief Executive Officer, and Tom George, Chief Financial Officer.

Now I'd like to turn the call over to Mimi.

**Mimi Vaughn**

Thanks Darryl. Good morning everyone and thank you for joining us.

I'll start today with a review of the key drivers of our second quarter performance and provide updates on the strategic initiatives to drive growth at Journeys and elsewhere in our company. Tom will review the financials in more detail and walk through our current outlook, and then we'll be happy to take questions.

We were pleased in the second quarter to once again delivery top and bottom line results ahead of our expectations. Sales exceeded the levels we anticipated, led by Journeys, more than offsetting some pressure at Schuh and Johnston & Murphy which continued to face robust multiyear comparisons. Our digital business was a standout of high single digits, and our ongoing plan to optimize the store footprint and reduce costs contributed to the bottom line as well, allowing us to leverage expenses in what is one of our lower volume quarters.

Our number one priority is and has been to improve performance at Journeys. Step one of our plan centered around efforts to inject our product assortment with more newness, excitement and storytelling, to drive an inflection in Journeys' comps and deliver that to our consumers through enhanced store, digital and social experiences. And as we anticipated, our Q2 results demonstrated solid progress against that plan. Journeys' assortment resonated well, brought in strong sequential sales improvement with comps turning positive in July, before the onset of back-to-school, and accelerating into August.

We saw a notable tick up in attention to footwear marked by growth in traffic by our North American youth consumer as the quarter progressed. The Journeys customer has become more interested in a broader range of brands they are buying and more diversified in the styles they are wearing. This shift plays well into Journeys' proposition as the consummate curator of styles across both casual and fashion athletic brands. New Journeys leadership accomplished a lot in a short time, to seize the opportunity to meet these changing footwear preferences and deliver positive back-to-school results.

With greater depth on brand and styles teens want, we expect to be well positioned to similarly drive demand for the important holiday season. We have more work to do to unlock Journeys' full earnings potential, but our recent performance gives us confidence we're on the right track and is a key first step toward achieving this critical goal.

Nevertheless, we continue to navigate a choppy environment. Faced with higher prices, the consumer remains very selective about what to buy and what not to buy, continuing to shop primarily for key footwear items and must-have product in Q2 and passing on others. They again showed willingness to shop when there's a reason, like during Fourth of July and back-to-school, and retreat when there's not. We expect these behaviors to carry on particularly during non-peak shopping periods.

As we demonstrated with Schuh and J&M coming through the pandemic, we have a solid record of managing well through adverse economic and fashion cycles, evolving with the customer to meet and exceed their changing footwear preferences and emerging stronger. We are committed and excited to do the same with Journeys as we execute strategies to elevate the Journeys product, brand and consumer experience. Driving positive Journeys comps gives us considerable EPS upside with the leverage in our model enhanced by our recent cost reduction and share repurchase actions.

Now, for color on individual businesses starting with Journeys, during holiday at the end of last year we faced increased pressure on Journeys core assortment including vulcanized product and boots. With minimal ability to adjust right away given footwear lead times, we expected this dynamic to continue through much of the first half this year despite the easier compares until we could deliver enough product to meaningfully impact the mix. Knowing our young customers' preferences were shifting in favor of this more diversified offering, the team, led by our new Chief Merchant, took aggressive and quick action and successfully added significant newness and freshness across several major brands. Our key brand partners, very enthusiastic about Journeys' unique customer proposition, stepped up with tremendous support of our strategic direction to better serve this cohort through elevated assortments and guests.

Following a more challenging May and June, receipt of this product in time to kick of a strong back-to-school drove positive comps in July and higher ASPs, with solid results in early back-to-school markets and over tax-free holidays. The comp trend improved further in August when we entered the third quarter as shoppers turned out in a bigger way during key back-to-school weeks. Importantly, store traffic nicely outpaced the broader market as it accelerated through the quarter, highlighting that Journeys remains a key footwear destination.

Journeys' digital business remained very healthy, posting another quarter of double-digit growth as our performance marketing, all access loyalty incentives, CRM campaigns and omnichannel delivery options enticed shoppers to purchase online.

Finally, Journeys' inventories remain very clean, enabling us to drive full-price selling and keep markdowns below last year's levels. This positions us well to pull forward receipts to build inventory and maximize the demand in the back half.

Moving to Schuh, up against a strong two-year stacked comp of 26%, it proved to be a tough summer season and quarter for Schuh. Q2 started off on a good note with pent-up demand from a late start to spring selling, but as summer kicked in with a higher cost of living, consumers were generally not motivated to make purchases in the footwear category and Schuh's seasonal assortment did not resonate to the level we expected.

Like Journeys, Schuh's customers have also been shifting away from vulcanized footwear. These pressures prompted Schuh to increase promotional activity to clear slower moving product and match activity in the marketplace. While this helped drive a sequential improvement in comps and kept inventories in good shape, it took a toll on gross margin in the quarter. E-comm helped offset the weakness in stores and Schuh's digital business, a meaningful channel at almost 405 of sales, remains a key avenue for driving growth and engagement.

Despite the challenging backdrop, according to Kantar, Schuh held its number 10 position in the UK footwear market versus last year, remaining a key destination for the youth shopper. Many of the brands and styles at Journeys are resonating at Schuh for back-to-school, and while demand remains muted, we expect less pressure on gross margin in this period given the cleaner inventory. The kids business remains the highlight, outperforming the business as a whole for the quarter and during back-to-school to date.

Looking ahead, the team is implementing several initiatives to improve the trend and sharpen its customer focus. These include efforts to gain even stronger access to the best brands and in-demand product, putting in pliant, new customer segmentation based on its latest market research, revamping Schuh's creative marketing content, accelerating signups for the Schuh Club loyalty program which now represents nearly 35% of total sales, and deploying new campaigns to drive higher loyalty point redemptions and sales.

Now turning to our branded business, starting with Johnston & Murphy, efforts to evolve and reimagine J&M as a more comfortable, more casual, multicategory lifestyle brand led to years of solid growth and success coming out of the pandemic. During this time, J&M drove footwear market share gains by growing both its physical and digital direct-to-consumer channels. However, the combination of robust 29% two-year stacked comps and considerable softening in the men's premium non-athletic footwear market pressured sales and caused deleverage in Q2.

On a positive note, new product and new footwear franchises like the Amherst 2.0 are resonating well, showing the great appetite for freshness and reinforcing the ongoing desire for innovation and distinctive product. J&M has responded by pulling forward new product launches like the Anders sneakers program, fast-tracking programs like the Upton dress shoe program, and rethinking its future development calendar to find places to inject more innovation and newness much more frequently into the assortment. Another major opportunity is to build on the success of apparel and accessories, which now represent almost half of its direct-to-consumer business.

Woven shirts, blazers, bags, and wallets have all been standouts this year in our mission to step up J&M affluence (phon) customers' wardrobe, increase apparel purchase frequency and outfit them with confidence from head-to-toe. To accelerate progress for the rest of the year, we are looking forward to the arrival of more new fall product and franchise launches, which we'll pair with product story marketing and J&M's new brand campaign. We'll be increasing engagement with J&M's most valuable customers by leveraging its Insiders Affinity Program, which now consists of roughly 900,000 members. The program is driving higher average transaction size and more purchases while, at the same time, nearly two-thirds of new customers are joining as well.

Finishing the branded discussion, we continue to achieve success with the repositioning of Genesco Brands Group. Efforts to simplify the license portfolio to emphasize key brands and channels, means lower sales in the short term but more profit, which was evident once again in Q2 results and we expect will be for the future.

Moving back to Journeys and its strategic growth plan, Andy Gray and team have made substantial progress on initiatives to rapidly accelerate Journeys improvement and reinforce its leading market position for the longer term. Product advantages are at the forefront of this effort initially, but ultimately it's about elevating our product brand and experience and putting the customer at the center of everything we do.

A critical component has been strengthening the leadership team, which began with the addition of Andy, then a new Chief Merchant, and a new leadership role for the SVP of Strategy and Transformation. Most recently, we strengthened the team further with the addition of Stacy Doren as Journeys' new Chief Marketing Officer. An exceptional marketing leader, Stacy joins the team following an accomplished career at Levi's. We're excited for what her expertise and many achievements in consumer brand building will bring to Journeys offense.

I'll take a moment now to share with you updates on other key initiatives.

Number one, drive product leadership and create marketplace differentiation. Beyond successfully broadening our assortment and re-merchandising our stores to put an even sharper focus on footwear, we've also completed extensive customer research and updated our segmentation. The outcome of that work has revealed significant upside to build on our unique proposition, being the leading destination for the young fashion teen and in particular the teen girl. This is an underserved consumer in the footwear space. While many retailers in the mall cater to young females with fashion apparel, Journeys is the only destination in footwear for her with an authentically inclusive environment and strong presence across categories and premium brands. The diversity of our footwear offering, which is led by style versus any one category, is our leadership position.

Number two, build the Journeys' brand and enhance the omni experience. This focuses on marketing and brand awareness to underscore Journeys as a leading retail brand. Beginning with our store environment, we're executing parallel initiatives to first implement a visual refresh across all our stores, and second, roll out in a small group of test stores an updated store concept with a modern aesthetic that embodies Journeys youthful attitude and energy. The fleet-wide refresh gets underway in mid Q3, highlighting Journeys' footwear leadership and enhancing the in-store shopping experience with stronger visuals and storytelling. We plan to begin rolling out the updated store concept and next-generation design in October.

And next, through our updated brand positioning and customer segmentation, we see considerable opportunity to both reach more consumers and better serve our current ones, meeting their needs for all footwear wearing occasions. We're already doing that with best sellers in running, sandals, clogs, boots, and vulcanized styles. Over the next several months, we'll enhance how we market to these consumer segments through digital and social channels delivering Journeys updated brand-positioning, and tone of voice.

Number three, leverage the power of our people. Here we're doubling down on our amazing group of store employees. Providing excellent service is the key to differentiating Journeys from competition and ensuring our stores are fun and engaging places to shop. To do this, we are investing in our people, improving employee training to help drive more efficiency and stronger conversion on the sales floor, and we're increasing customer engagement through store technology like mobile checkout and browsing.

Number four, optimize to drive operational and cost efficiencies. These efforts aim to lower the leverage point on our fixed expense base, and to that end we continue to optimize the store footprint, closing unproductive stores, and investing to meaningfully drive profitability in better locations. Sales recapture rates from these stores continue to exceed the level required to achieve breakeven.

Turning now to our outlook, we're very encouraged by the positive reaction to Journeys improved back-to-school assortment and optimistic we'll be positioned to drive similar results for holiday. But in addition, we're taking a more cautious view for Schuh and J&M over the remainder of the year.

While we now expect higher sales in total, we are maintaining our full year guidance. We look forward to building on Journeys' momentum going forward to unlock the considerable growth and value here and across the rest of our company in fiscal '26 and beyond.

Before passing the call, I'd like to give an extra special thank you to our incredible people. Our unmatched ability to reinvent ourselves, evolve and grow over the years with a keen understanding of what our customer wants is our true competitive advantage. There's no better reminder of this than the celebration of our company's 100th anniversary this summer. Congratulations and thank you for your tremendous efforts to drive our business for the balance of the year.

With that, I'll hand it over to Tom.

**Tom George**

Thanks, Mimi.

We were pleased results for the quarter exceeded expectations. Improved profitability in Journeys and Genesco Brands more than offset pressures in J&M and Schuh. Looking ahead, getting back to positive comps at Journeys provides us with meaningful opportunity to drive earnings per share upside given the cost reductions and share repurchases we have made, and overall leverage in our model.

Turning to results, consolidated revenue for the quarter was $525 million, which was better than we anticipated and flowed through to better leverage. In addition, the Journeys stores we closed over the last year—which drove a roughly 4% reduction in the size of our total fleet—resulted in improved overall productivity and had only a 1% net impact on total sales. The progress we've made in our digital business helped overcome the top line pressure on our stores and wholesale business.

Total Company comps were down 2%, which was a healthy sequential acceleration. By channel, total store comps were down 4%, while direct comps were up 8%, with digital sales accounting for 22% of total retail sales.

Overall, adjusted gross margin was down 90 basis points compared to last year. By division, Journeys gross margin was down 90 basis points, due primarily to product mix and a higher mix of e-Comm sales. Schuh's gross margin decreased 210 basis points, driven mainly by increased promotional activity. J&M's gross margin was up 40 basis points, due largely to a comparison against increased inventory reserves last year, partially offset by increased retail markdowns and a lower mix of DTC volume. Lastly, Genesco Brands adjusted gross margin was down 20 basis points due primarily to brand sales mix shift.

Moving down the P&L, SG&A expense was 48.6% of sales, leveraging 100 basis points over last year. The combination of our cost savings initiatives, closure of unproductive stores and some improvement in other expenses offset the increased variable expenses to support our direct sales growth, as well as additional selling salaries. In addition, expenses benefited from some one-time items including a royalty reversal and a favorable pickup in certain non-income taxes.

Finally, we experienced increased depreciation from our technology investments.

Optimizing our store fleet to reduce occupancy cost and fixed expense levels in the store channel remains one of our key financial objectives. In Q2, we achieved a 9% reduction in straight-line rent expense on 45 lease renewals across the Company with an average term of approximately four years. This brings our year-to-date renewals to 164 with a 9% reduction in straight-line rent expense. With over 50% of our fleet coming up for renewal in the next couple years, we will continue to be opportunistic to capture rent reductions as appropriate.

In summary, for the second quarter we incurred a better than expected adjusted operating loss of $9.3 million compared to an adjusted operating loss of $10 million for Q2 last year. This all resulted in an adjusted diluted loss per share of $0.83 for the quarter versus an adjusted diluted loss per share of $0.85 last year. The year-over-year improvement was driven by the shift of a key week of back-to-school into Q2 from Q3, which added approximately $20 million to $25 million to the top line and roughly $0.40 to earnings per share.

Turning now to capital allocation and the balance sheet, we ended the quarter in a net debt position of approximately $32 million with clean inventories down 8% from last year. Journeys' inventory was down 9%, leaving us well positioned for the fresh new receipts we were bringing in through the back half. Overall, we plan to start building up our inventory level to drive sales.

Looking at our financial flexibility, our strong balance sheet and free cash flow generation combined with our revolving line of credit provide us with ample liquidity to pursue all our strategic objectives.

Capital expenditures in Q2 were $8 million with investments primarily directed to retail stores and our digital and omnichannel initiatives. After a cycle of investment in digital and omnichannel where we are currently getting the benefits, we are shifting the emphasis to refreshing our store base.

Lastly, during the quarter, we repurchased almost 382,000 shares for $9.3 million for an average cost of $24.49 per share. We have $42.8 million remaining on our current authorization. Over the past six years, we have repurchased nearly 50% of our outstanding shares.

Looking at expense savings, we continue to gain traction on our plan to reduce cost by $45 million to $50 million on an annualized basis by the end of fiscal 2025, before reinvestment with savings from all divisions and across the entire organization. Initiatives include lowering occupancy costs and increasing selling salary productivity to improve store profitability. In addition, we are working on optimizing our inventory marketing spend, warehouse freight logistics costs and other procurement efficiencies. These actions to reshape our cost structure are designed to strengthen the economics of our store channel and enable investment in other strategic areas such as marketing and technology.

We opened 5 stores and closed 12 Journeys stores, ending the quarter with 1,314 total stores. Year-to-date we've closed 29 Journeys stores, primarily mall-based locations. We continue to evaluate up to 50 potential Journeys closures in total this year. We expect these closures to eliminate approximately $14 million of annualized SG&A cost, which is incremental to the roughly $25 million of annualized savings we realized from the stores we closed last year, and the $45 million to $50 million of run rate savings we are targeting for this year.

Now turning to guidance, although Q2 results were better than we expected, we continue to retain a cautious view and, as such, reiterate our most recent full year EPS outlook of $0.60 to $1.

Before I walk through our assumptions, I'd like to quickly recap that despite a challenging first half, our comp sales trends showed nice sequential improvement from Q1 to Q2, led by Journeys with overall comps turning positive in July. This momentum accelerated in August, driving comps further into positive territory Q3 to-date. Given this progress, we remain optimistic that our assortment and consumer engagement initiatives have Journeys positioned to deliver a solid holiday season, as Mimi said.

However, as we've seen over the past couple years, the peaks and valleys of consumer shopping patterns have gotten more pronounced, marked by higher peaks and deeper troughs. As such, we expect trends to moderate over the remainder of Q3. In addition, we have adopted a more cautious view for J&M and Schuh, given their current trends and the uncertain operating environment, and expect that to offset the current strength at Journeys. In all, we expect Q3 comps to be up low single digits versus last year, with sales down slightly due to the 53rd week shift. For additional color, we expect an overall gross margin decrease of approximately 60 to 80 basis points in Q3, mostly due to (inaudible) pressure from product mix shift at Journeys and Schuh and some increased levels of promotional activity at Schuh. In addition, the sales decline on our largely fixed cost base will result in SG&A deleverage of roughly 10 to 40 basis points, leading to earnings per share approximately $0.35 lower than Q3 last year. As I mentioned earlier, the timing of back-to-school sales shifted approximately $0.40 of earnings per share out of Q3 and into Q2.

Looking at Q4, we are assuming comps at a similar level to Q3, however, given the higher sales volumes in Q4, we are able to generate much more operating leverage on our expense structure to drive earnings.

Taking this all into account for the year, we now expect higher sales and higher leverage, but more pressure in gross margin. Therefore, we now expect fiscal ‘25 total sales to decrease 1% to 2%, or flat to down 1%, when excluding the 53rd week last year, versus our prior guidance for a total sales decrease of 2% to 3%.

We now expect adjusted gross margin rates to be down 10 to 20 basis points for the year versus flat to up 10 basis points prior, primarily due to product mix and the higher expected promotional activity at Schuh, along with some product and channel mix pressure at Journeys.

As a percentage of sales, we now expect SG&A in the range of flat to a leverage of 20 basis points versus a range of flat to deleverage of 20 basis points prior. Our guidance assumes no additional share repurchases, which results in fiscal ‘25 average shares outstanding of approximately 11 million, and we expect the tax rate to be approximately 27%.

To sum up, we're pleased with our progress at Journeys and confident that the measures we're implementing will position the business for even stronger long-term growth. Supporting that are the many other initiatives across our businesses that will collectively enable us to unlock considerable earnings potential, return to growth, and create meaningful shareholder value.

Operator, please open the call for questions.

**Operator**

Thank you. We'll now be conducting a question-and-answer session. If you would like to ask a question at this time, please press star, one from your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to withdraw your question from the queue. Participants that are using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that's star, one. Thank you.

Thank you and our first question comes from the line of Mitch Kummetz with Seaport Research. Please proceed with your questions.

**Mitch Kummetz**

Yes, thanks for taking my questions. I've got a handful. I want to start with the third quarter guide. Tom, if I heard you correctly, I think you said you are expecting a low single-digit comp. Was that a consolidated comp, and if so, what kind of a Journeys comp is embedded in that?

**Tom George**

Yes, Mitch, that is a consolidated comp and, relative to Journeys, Journeys is low single digits as well.

**Mitch Kummetz**

How are you thinking about September and October? It sounds like August has been a very good month for Journeys. Mimi, you talked about the pattern of shopping, that consumers are shopping peaks and kind of disappearing in between. Are you assuming that comp stays positive in September and October or does that kind of single-digit Journeys assume that you go negative for the balance of the quarter?

**Mimi Vaughn**

Mitch, thanks for joining us this morning.

We are really excited about what we are seeing in Journeys. What is different now is that there is more interest in footwear overall, just in general, in the category, and a lot of interest with our youth consumer. They've been quite interested in buying apparel and typically when they are interested in buying apparel, they're then interested in buying footwear. We couple that with Journeys much improved assortment and we're going after a diversified assortment of brands and of styles and repositioning overall what we are offering and that's been a good combination. So, as we said, we saw a nice pickup as we dropped a new product that our merchant team has been working hard to chase in July and then that accelerated into August.

We expect that we will continue to see positive comps because we do have that product that will drive, and that combination of consumer demand and having great product to serve the consumer will continue into September and October, but we also then think the consumer just pulls back and gets interested in other things.

We then again think about holiday and being able to pursue demand during those peak weeks leading into holiday. So, it continues to be positive, to be pulling back, and then strengthen again as we get to the holiday period.

**Mitch Kummetz**

Mimi, for holiday, I guess starting with back-to-school, it seems like you've had a lot of newness, particularly on the athletic side, which really feeds into kind of back-to-school demand. But going into holiday, then it kind of shifts more towards boots and things like that. Do you feel like you've got enough newness on the boots side to maintain this momentum, or do you just think that like what you're doing on the athletic piece really just sort of carries forward into holiday as well to drive the positive comp in 4Q that Tom referenced in the outlook?

**Mimi Vaughn**

Sure. Mitch, what's interesting is that what we've seen resonating for back-to-school is not just athletic, but it's also on our casual side. It is not just one brand; it really is a variety of brands, and in fact we saw strength in even more brands than we had anticipated for back-to-school. So it's a few brands certainly on the athletic side and athletic is where we have strengthened the most—you're right about that—but also on what we call the casual side we have seen some nice strength.

The (inaudible) category in particular, it seems like consumers have gone more to season-less style, whereas they used to shift to sandals in summer, you know, wear athletic year-round and then boots in the winter. It seems like there's more carry-through of product, and so we've read through all of that and have leaned into an assortment that will be more athletically oriented for holiday but will also lean across all those brands and all those styles that are resonating. We've talked with you about how the boot category specifically has been declining over the past few years. We're not expecting boots to pick up, but we are seeing some green shoots across some boot brands, and so if that comes and gets some traction then that will be additive to where we are. But it's really looking through the assortment today and saying, "What's going to resonate in the fourth quarter?" and we do believe that we have the product to back up the comps that we're expecting for holiday.

**Mitch Kummetz**

Then, Mimi, you mentioned in your prepared remarks this opportunity to better serve the teen girl consumer. Can you just elaborate on that? How much of that is further tweaking the assortment versus maybe doing a better job marketing to that consumer? Then from an assortment standpoint, obviously there are lead times, so how quickly can you make adjustments in order to better serve that consumer?

**Mimi Vaughn**

Sure. Mitch, it's all of the above in terms of what you're talking about. If you think about the competition that serves the teen customer, there are lots of great competitors out there who do a terrific job, particularly serving that male, that boy customer with athletic product. Our ability to serve that teen across that diversified assortment of both athletic and of casual for whatever your wearing occasions are, and girls are wearing athletic, they are slipping into sandals, they are wearing athletic across lots of brands. We've seen coming away from vulcanized that the concentration within a couple of brands has proliferated. More options is better for us. More ability to serve the customer is better for us.

We are more female than we are male today. We traditionally have been serving the female consumer well, but we are doubling down on that. We've done a battery of research that's allowed us to do even more refined segmentation around our customer group, and so you're going to see a real change in our overall marketing to the consumer. You're going to see some real emphasis within our stores to cater to that female customer. You're going to see an elevation of our assortment. You're going to see just the premium nature of our brands come through because we've gotten that feedback that we can really deliver to the customer on that space and she's looking for it. It's a white space in the market that we are jumping into.

This is something we've been talking about for a while and we have been working on the assortment to be able to deliver on that vision. It's a complete picture of starting with product, adding marketing, having a great store environment, getting out there on social, speaking to that customer, letting her know that we are the place when she thinks about coming and buying her fashion footwear. And it's not just the female that we're talking about, but we do think leading with female, we will open up the aperture for customers we aren't serving today, and certainly we welcome anybody who wants to come shop in our Journeys stores.

**Mitch Kummetz**

My last question just on the stores, you talked about a refresh starting in 3Q. Is that going to be complete before the holiday season really kicks in? Then as far as the updated concept is concerned, can you just remind us like what's really different there versus the current box? When do you expect to have that test done and what might a rollout look in terms of taking that through more doors?

**Mimi Vaughn**

Mitch, the refresh that we're talking about starting in Q3 will touch all of our stores, and it's going to be a lot with visuals. It's going to be a lot with how we merchandise within the stores. We started a little bit of that, but this will be a rollout across the entire footprint and that will be completed before holiday kicks in. We are taking advantage of that period between back-to-school and holiday. It’s visuals as you walk in the store, it’s the placement of product within the store. It is those things that we can get done in a pretty immediate and pretty impactful fashion.

Then in terms of what's really different in terms of the new concept versus the current box, I think you've known our Journeys store for a long time and I would say that it's been more of an evolution than a revolution. This new concept is going to be really different, and it is going to absolutely highlight the product. It is going to put us in a position where we'll have more flexibility and more functionality but that we can highlight our brand partners, we can speak to the product, we can speak to our customer, we'll have flexibility of being able to do it in this new box. Yet it will at the same time keep that great youth energy and that excitement that Journeys is all about.

The beginning, we are going to roll out to a handful of stores to begin with, as we said, starting in October, and we're starting in the big volume locations where we know we can drive productivity and impact. And so we will test as we go along. Not only are we putting in place a new look of the store, but we are combining that with better marketing, with better social, with increased merchandising. It's going be a full picture, a full 360 picture to be able to speak to the customer that we're trying to appeal to and so we're going to test that and we're going to roll it as we get the results and we'll go from there.

**Mitch Kummetz**

Great. Thanks, good luck.

**Mimi Vaughn**

Thank you.

**Operator**

Thank you. If you would like to ask a question, you may press star, one at this time.

The next question today comes from the line of Mantero Moreno-Cheek with Jefferies. Please proceed with your question.

**Mantero Moreno-Cheek**

Hello, and thanks for taking my call today. Just two quick ones from me.

First one is just, I think last when we talked about Johnston & Murphy marketing and it was like, 'Not your father's shoe,' so just anything else to how you're thinking with the marketing for J&M and just other of the brands in your company.

**Mimi Vaughn**

Good morning, Mantero. We have been pleased with the results of our new brand marketing campaign for Johnston & Murphy, and it speaks to the progress that we've made reinventing the brand and evolving with the consumer. I know that we pivoted hard into casual and comfortable styles and traditionally Johnston & Murphy has been known for wingtips and cap toes, but we did a lot coming out of the pandemic to absolutely reposition the assortment and we need to let the customer know about this and also know about the great technology and the features that we have built into our footwear. In addition to that, we've grown categories outside of footwear and it comprises almost half of what we're selling in our DTC channel today, so getting the word out has been really, really important.

We have found that our awareness for our Johnston & Murphy customer is lower than we'd like it to be, so the brand marketing is directed at updating the consumer to know the latest with Johnston & Murphy and then also being able to build that awareness for customers who are similar to the ones who already shop with us but don't necessarily know about Johnston & Murphy.

What is important right now is newness, new products and new franchises. I spoke about that in the overall remarks, that we are pulling forward product because it's what's resonating with the consumer, digital opportunity for innovation and more distinctive product. So, it's not just marketing that is going to make a difference and drive sales going forward, but it is also the great product and the great product stories that we'll tell with that marketing.

**Mantero Moreno-Cheek**

Thank you. What brands would you say—not brands. What would you say is the great trend that we should be looking forward to for the back-to-school season right now?

**Mimi Vaughn**

It's a good question and I can't tell all our secrets; you'll have to come in our store to check it out. But the theme of the day is diversification, and great interest. I said it to Mitch that what is exciting right now is that the customer is really enthusiastic about footwear. We've seen that in overall traffic patterns for the category, but Journeys traffic has really outstripped the overall category benchmark. There's a lot of just interest in footwear, and I think that over time we've spent a lot of time discussing the fact that during the pandemic we didn't offer a lot of innovation and our brands didn't offer a lot of innovation and that innovation is hitting now. It's not just interest in one brand, it's not just interest in athletic or in non-athletic product. It's really interest across the board in a number of brands and a number of styles.

What is good for us is that average selling price has also gone up, ticked up pretty significantly with the new assortment that we are selling, which is more premium product at higher price points.

So there's interest across a number of different brands. There's still a move away from vulcanized product, which was represented by a couple of strong brands in particular, but vulcanized will always be part of our assortment and we will continue to offer newness that comes along with vulcanized. But the great trend right now is a lot of interest and a lot of diversification and better price points as a result of all of that.

**Mantero Moreno-Cheek**

Thank you.

**Mimi Vaughn**

Thank you.

**Operator**

Thank you. At this time, I'd like to turn the floor back to management for further remarks.

**Mimi Vaughn**

Great. Thank you for joining us today and we look forward to speaking to you on our third quarter earnings call.

**Tom George**

Thank you.

**Operator**

This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.