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Genesco Inc.

First Quarter Fiscal 2025 Earnings Conference Call

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C O R P O R A T E   P A R T I C I P A N T S

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

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

C O N F E R E N C E   C A L L   P A R T I C I P A N T S

Mitch Kummetz, *Seaport Research*

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P R E S E N T A T I O N

Operator

Good day, everyone, and welcome to the Genesco First Quarter Fiscal 2025 Conference Call.

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

I'll 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 first 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 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

Thank you, Darryl. Good morning, everyone, and thanks for joining us.

While the year is unfolding largely as we expected, we were pleased to deliver first quarter top and bottom line results that were ahead of our most recent guidance. Sales at Journeys came in a bit ahead of expectations, paving the way for the more significant progress we're working with urgency to achieve for back-to-school and holiday. Clean inventories and the benefits of our cost reduction and store optimization efforts contributed to the beat, as well. Journeys' results more than offset some pressure at Schuh and Jonston & Murphy, which were both up against robust multiyear comparisons, and both affected by a delayed start to the spring selling season.

Overall, the consumer environment remains choppy. Consumers continue to show a willingness to shop when there's a reason, like we saw at Easter, and retreat when there's not. In addition, faced with ongoing inflationary pressure, they remain quite selective, shopping almost exclusively for key footwear items and brands. When the product is exactly what they want, they're buying, and when it's not, they're moving on.

Since the pandemic, we've taken major actions to evolve in response to the substantial change in our consumer shopping behavior. We've also demonstrated a strong track record over time of successfully evolving our businesses, emerging even stronger when confronted with economic and consumer disruption. Two recent examples are we reimagined J&M's product assortment and branding in response to the shift to casual accelerated by the pandemic and we sharpened our focus on the Schuh consumer with elevated product and marketing to achieve market share gains and record sales. We're taking many of the same actions with Journeys, and I'm confident we will achieve the same success.

Turning around Journeys' business remains our number one priority. With new leadership in place since the beginning of the year, we're diligently executing to our new strategic plan and working to dramatically accelerate the pace of improvement. I'm very encouraged by the traction we're achieving and optimistic that the changes we're making to our assortment, along with other strategic initiatives around building our brand and elevating our consumer experience, will unlock the meaningful potential we know exists in the Journeys business. With what we anticipated would be our most challenging quarter now behind us, I look forward to continuing to execute and building momentum through the balance of fiscal '25, and into fiscal '26.

Now, for color on our individual businesses, starting with Journeys. We were pleased that sales gross margin and expenses all exceeded our expectations in Q1. After a slow start in February, we saw a nice improvement, driven by the Easter holiday, the later timing of tax refunds, and the key items in our assortment that we were able to pull forward to maximize the demand during this peak period. We continue to prudently manage Journeys' inventory, which was down 20% to last year. This enabled us to keep markdowns in check and deliver gross margins that were ahead of our expectations. The savings we captured from our ongoing cost program also helped Journeys achieve an operating income close to last year's level, despite lower sales. Journeys' digital business was also a highlight, posting double-digit growth. Consumers responded well to our recent initiatives and enhanced online assortment, improved digital marketing, loyalty perks for All Access members, and the opportunity to buy online and pick up in store.

In Q4 last year, we experienced increased pressure on Journeys' core product assortment, including boots and vulcanized product. With limited ability to adjust right away, given footwear product lead times, we expected this dynamic to continue into the front half of this year, despite facing easier compares. A diversified assortment across casual and fashion athletic categories that serve multiple wearing occasions is what's resonating with the Journeys customer right now, and we're responding to it. We're excited about the opportunity to deliver newness across a number of brands, which should also drive higher ASPs. This not only helped our results in Q1, but also instills us with greater confidence for the product changes we've made for the second half, as we have secured significantly more allocation of product to drive our back-to-school and holiday business. No other retailer serves the teen customer, especially the teen girl, quite the same as Journeys, with its unique proposition, as the destination for teen fashion footwear across casual and athletic brands. With this strong strategic positioning, we have the backing of our consumer, who drove positive store traffic once again in Q1, and the incredible support of our brand partners, as we work together to drive Journeys' growth.

Moving now to Schuh, in Q1, the business continued to contend with a tough U.K. macroenvironment made more difficult by robust stack compares and extremely unseasonable weather that delayed the start to spring selling. Similar to Journeys in the U.S., the U.K. consumer has become more discriminating and key item-focused in their purchases, putting pressure on the footwear category and frequency of purchases in the market overall during the quarter. That said, for Schuh, very strong Easter selling helped to partially offset softer periods, with the mix shift away from vulcanized product, driving higher footwear average selling prices.

The same brands driving Journeys' business are also resonating at Schuh. At roughly 40% of sales, Schuh's advanced digital capabilities and highly penetrated e-com business remains a key channel for consumer engagement, with relatively stronger performance during the quarter. Additionally, the kids business continued to shine in Q1, with most of our key brands up year-over-year, driving strong sales growth of 9%. On a further positive note, Schuh's comps have improved in the second quarter to date, as more sunny weather has spurred sales of spring and summer merchandise.

The marketplace remains difficult, but looking ahead, the team is focused on several initiatives to improve the trend and drive growth. Bolstered by the recent additions of new marketing and e-commerce heads to senior leadership, the team is building on the progress made to sharply differentiate Schuh's customer proposition, selling fashion footwear to youth, with a focus on the female consumer. These initiatives include gaining even stronger access to the best brands and hottest product, revamping Schuh's creative approach to marketing, employing new digital tools to drive traffic to the webcast, and deploying more campaigns within the Schuh Club loyalty program, which now represents 35% of total sales.

Turning to Johnston & Murphy, against strong multiyear compares and back-to-back record sales years, Q1 proved more challenging than anticipated. From a category perspective, apparel and accessories were a highlight, driven by strength in blazers and woven shirts. Apparel and accessories represented nearly half of J&M's direct-to-consumer business, underscoring the great success the team has had building a true lifestyle brand. Store conversion increased in the quarter, showing high purchase intent and interest in the assortment, although traffic was the challenge, particularly in April, with a slower start to spring selling. However, in May, traffic and seasonal sales have since picked up.

We remain extremely positive on J&M's growth outlook as the cornerstone of our branded business and have now begun to tell the story to consumers in a much bigger way. Last month, J&M launched its much anticipated new marketing campaign, *Not Your Dad's Shoe Company*, which showcases the team's accomplishments repositioning the business into a more casual, modern lifestyle brand. The campaign is part of a strategic effort to celebrate J&M's rich heritage, while reshaping how customers view the almost 175-year-old brand and building awareness with a broader and younger audience on its ongoing evolution. The ads are reaching consumers across broadcast TV, digital placements, J&M's own website, and social media channels, including TikTok, which is a new channel for J&M, that's quickly garnered a very positive reaction. While it's early days, the brand is already seeing a lift in organic search and feedback overall has been strong.

Rounding out the branded discussion, we've made good progress repositioning the Genesco Brands Group business. We've simplified our portfolio of licenses to emphasize key brands and channels, and this means lower sales in the short term, but more profit, which was evident in the results this quarter, and should be going forward.

Now, moving back to Journeys, although product advantages won't be fully evident until the back half, Andy Gray, Journeys' new President, and the team have been hard at work to rapidly accelerate the pace of Journeys' improvement. Part of that process has been strengthening the Leadership Team. We already brought in a new Chief Merchant, are in the process of bringing in a new Chief Marketing Officer, and have established a new strategy and transformation role to oversee the creation and execution of our ongoing plan, and, as I said, I'm very pleased with the traction we are achieving in this plan that will impact the customer across product, brand and experience.

I'll take a moment to update you on the key initiatives, which are a mix of both strategic acceleration and disciplined expense management, which is making a difference as we build toward positive comps.

Number one, drive product leadership and create marketplace differentiation. I've already talked about the most impactful progress our new Chief Merchant, Chris Santaella, and his team have made to drive near-term improvement. They've quickly secured significantly more allocation of in-demand product to drive our back-to-school and holiday business. This includes leaning into both athletic and casual styles across a number of brands. As part of these efforts, they completed an extensive round of top-to-top meetings with our key vendor partners. These partners are aligned with Journeys' unique teen customer proposition and are excited about and supportive of our strategic direction to better serve this customer through elevated assortments and depth. We will build on this footwear leadership position with our key brands and work to add new brands beyond those we're traditionally known for going forward. In conjunction with these efforts, we are deploying an in-store digital and social refresh at the end of the second quarter to build awareness about the enhanced assortment and access.

Number two, build the Journeys brand and enhance the omni experience. This initiative centers around reinforcing Journeys as the destination for teen fashion footwear and Journeys as a leading retail brand. To begin, we've updated our consumer segmentation to better market to our customers and help sharpen our Journeys' brand purpose and market position. We've also onboarded a new creative agency, which is developing a new brand communication strategy. Digital acceleration is an important part of these efforts, including an enhanced web experience and personalized marketing to specific audience with the new segmentation. Layering in new functionality and benefits of our All Access loyalty program will allow us to further differentiate Journeys and incentivize customers to consolidate their purchases with us. Finally, we're developing an updated store concept and next-generation design to better showcase our brands and enhance brand storytelling. Our plans are to roll out and begin testing in the back part of the year.

Number three, leverage the power of our people. We have an incredible group of store employees that sets us apart by providing excellent service as a differentiator. Putting our employees at the center of our brand is key to boosting conversion and driving success in stores. To do this, we're improving our employee training, raising the bar on our service standards, and increasing customer engagement through convenience capabilities, such as mobile point-of-sale and data-driven suggestive-selling.

Number four, optimize to drive operational and cost efficiencies. These are ongoing initiatives aimed toward lowering the leverage point on our fixed costs base. They include continuing to close unproductive stores, while using our customer data to drive higher sales recapture rates online or through nearby stores, and optimization projects focused on major expense items and inventory.

Finally, across our Company, we're going deeper on CRM and customer data analytics. Accelerating these consumer insight efforts is helping us build on the early success of our loyalty and affinity programs, where we now have over 2.5 million members in the Schuh Club in its first two years, over 2.5 million members in Journeys' All Access in under a year, and nearly 900,000 members in J&M Insiders. In all cases, members are driving higher engagement and repeat purchase rates, which is motivating us to grow these programs further.

Turning to our outlook, we continue to navigate volatile consumer behavior and are not assuming any significant change in the near term, especially as we continue to cycle strong compares for Schuh and J&M. As such, we expect our top line to remain under pressure in Q2. We continue to expect the back half to be stronger, as fresh receipts begin to hit Journeys stores later this quarter and our product repositioning is more thoroughly reflected.

Thinking about the cadence of the year, keep in mind the first half consists of our two lowest volume quarters, where sales deleverage and our fixed expense base tends to be magnified. Once sales growth returns, this works to our advantage, providing significant leverage and earnings upside. In the meantime, we're maintaining our full year guidance. As Journeys' product advances and our other strategic initiatives across the business take hold, we expect momentum to build from there into fiscal '26.

Before handing the call over to Tom, I'd like to thank all our people for your incredible dedication and for the tremendous efforts I know you will put forth in the balance in the year. I could not be more excited about the results we will achieve with our footwear-focused strategy and the future prospects for our Company.

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

Tom George

Thanks, Mimi.

We are pleased we kicked off the year with progress on our initiatives and delivered better financial results for the quarter than we anticipated. Journeys and Genesco Brands Group outperformed our expectations in sales, gross margins and expenses, offsetting a profit impact from sales pressure in our Schuh and J&M businesses. Looking ahead, the efforts we are making to return to growth, while better containing expenses, will position us for healthier productivity and profitability.

Turning to results, consolidated revenue for the quarter was $458 million, better than our expectations, and down approximately 5%, compared to last year. The stores we closed last year had a negative 1% net impact on total sales, most of it from Journeys. Positively, these closures resulted in improved overall fleet productivity. In addition, the progress we have made in our digital business helped to offset some of the top line pressure on our stores. Finally, Genesco Brands Groups sales were down, as expected, and accounted for about a third of the overall sales decrease, as we streamline and reposition this business.

Total company comps were down 5%. By channel, total store comps were down 7%, while direct comps were up 3%, with digital sales accounting for 23% of total retail sales, up from 21% last year. Overall adjusted gross margin was up 30 basis points, compared to last year, with disciplined inventory management driving lower markdowns and a greater mix of direct-to-consumer sales offsetting some product mix pressures.

By division, Journeys' gross margin was up 40 basis points versus last year, due primarily to lower markdowns. Schuh's gross margin was down 180 basis points, driven mainly by Brands' sales mix shift. J&M's gross margin was up 70 basis points, driven largely by lower warehouse costs. Lastly, Genesco Brands' adjusted gross margin was up 150 basis points, due primarily to Brands' sales mix shift.

Moving down the P&L, SG&A expense was 54.2% of sales, 220 basis points above last year. Our cost savings initiatives and closure of unproductive stores reduced the impact of sales deleverage offsetting additional variable expenses associated with our direct sales growth, as well as increased appreciation from our technology investments. In dollars, SG&A expenses came in better than expected, down 1.5%, relative to last year, despite across-the-board cost pressure.

As a reminder, the first quarter is one of our lower volume quarters, with expenses at minimum levels and largely fixed, which results in significant deleverage on sales declines. To that end, we remain squarely focused on reducing occupancy costs and overall level of fixed expense in the store channel. In Q1, we achieved a 9% reduction in straight-line rent expense on 119 lease renewals across the Company with an average term of approximately four years. This is on top of 202 renewals in fiscal ’24 with a 15% reduction in straight-line rent expense. Moreover, we continue to have a lot of daylight ahead of us to generate additional rent savings, as over 50% of our fleet comes up for renewal in the next couple of years.

Despite making progress and reducing rent expenses and optimizing selling salaries to drive increased productivity, the impact of minimum wage requirements and competitive hourly wages remains a challenge we continue to actively address.

In summary, for the first quarter, we incurred an adjusted operating loss of $30 million, compared to an adjusted operating loss of $22.7 million for Q1 last year. This all resulted in adjusted diluted loss per share of $2.10 for the quarter, versus a loss per share of $1.59 last year.

Turning now to capital allocation and the balance sheet, we ended the quarter in a net debt position of approximately $40 million, with clean inventories down 17% from last year, as we are well positioned to add newness and freshness to the assortment. Financially, our robust cash flow, solid balance sheet and liquidity available through our revolving line of credit position us well to pursue all our strategic initiatives. Capital expenditures in Q1 were $6 million, with investments primarily directed to retail stores and our digital and omnichannel initiatives.

Lastly, we didn’t repurchase any shares during the quarter. However, we have purchased a total of 7,700 shares at an average price of $24.90 since the end of the quarter. The remaining amount available on our current authorization is $51.9 million. Over the past five years, we have repurchased nearly 40% of our outstanding shares.

We are gaining meaningful traction on our cost plan and continue to target a reduction in the annualized run rate of $45 million to $50 million by the end of fiscal year ’25, before reinvestment. The plan is broad-based across the organization, with all divisions contributing. Major elements include improving store profitability through occupancy cost reductions, selling salaries, productivity, and any other store cost savings. We are also executing initiatives to optimize our inventory, our marketing spend, warehouse, freight and logistics costs, and other procurement efficiencies.

We opened one store and closed 21, ending the quarter with 1,321 total stores. With respect to Journeys store closures, we closed 17 stores in the first quarter, primarily mall-based locations. We continue to evaluate up to 50 potential Journeys closures in total this year. The savings from these closures will eliminate approximately $14 million of annualized costs from SG&A expense, which is in addition to the roughly $25 million of annualized savings from the stores we closed in fiscal ’24, and the $45 million to $50 million of run rate savings we are targeting for this year. Our objective with these cost savings measures and strategic store closures is to optimize our financial performance and achieve greater profitability, even on more moderate sales growth.

Now, turning to guidance, although we exceeded our bottom line expectations for Q1, the operating environment remains uncertain. As such, we are reiterating our full year earnings per share guidance of $0.60 to $1.00 per share.

To give you more color, let me start with some specifics around Q2.

While we are optimistic about the new product receipts that will hit Journeys stores towards the end of the quarter, ongoing declines in the vulcanized category continue to pressure our top line in Q2. Additionally, we are maintaining a more conservative view on Schuh and J&M, as they both continue to anniversary robust multiyear compares, and expect lower Genesco Brands sales. In all, we expect a low-single-digit sales decline versus last year, with comps similar to Q1, but total sales benefiting from a week of back-to-school that shifts into Q2.

Regarding Q2 gross margins, we expect an overall gross margin decrease of approximately 20 to 30 basis points, mostly due to product mix shift at Journeys and Schuh. In addition, a sales decline in our largely fixed costs base will result in an SG&A deleverage of roughly 80 to 100 basis points, leading to an EPS loss in the neighborhood of $0.30 more than we lost in Q2 last year.

Looking to the full year, we remain confident that our turnaround strategy at Journeys can begin to drive meaningful improvements in the back half, as the peak back-to-school and holiday selling periods enable us to generate profitability and positive earnings. That said, given the ongoing uncertainty in the consumer and macroenvironments, particularly during the lulls between peak shopping periods, we believe it's prudent to maintain a conservative view throughout fiscal ’25, with improvements in the latter part of the year setting the stage for more significant growth in fiscal ’26.

Taking this all into account, we continue to expect fiscal ’25 total sales to decrease 2% to 3%, or down 1% to 2% when excluding the 53rd week last year. The variance between the high and low end of the range is primarily due to uncertainty in the consumer and macroenvironments. We continue to expect gross margin rates to be flat to up 10 basis points for the year, with improvement at Schuh mitigating some product and channel mix pressure at Journeys. As a percentage of sales, we now expect adjusted SG&A in the range of flat to deleverage of 20 basis points, versus the range of flat to deleverage of 30 points prior, with the cost reduction efforts I described earlier and the other actions working to partially offset deleverage on fixed expenses. Although these inputs result in an operating margin that is in the range of fiscal ‘24’s operating margin, our guidance assumes no additional share repurchases, which results in fiscal ’25 average shares outstanding of approximately 11.2 million, and we expect the tax rate to be approximately 26%.

In summary, we are encouraged by the progress we have made to improve Journeys and optimistic that the additional steps we are now taking will position the business for stronger growth and success. Further, we are confident that the initiatives we are taking across all our businesses will help us more fully unlock our longer term earnings potential.

Operator, please open the call for questions.

Operator

Thank you. At this time, we’ll be conducting a question-and-answer session. If you’d like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you’d like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question comes from the line of Mitch Kummetz with Seaport Research. Please proceed with your question.

Mitch Kummetz

Yes, thanks for taking my questions. I've got about a handful. I want to start with a couple questions around the guidance, and then maybe work my way a little bit bigger picture on the strategy. I am curious, first, for 2Q, Tom, you said comps similar to 1Q, and I'm specifically thinking about the Journeys business, the comp was down 5% in 1Q, so basically down in 2Q. I know the guide for Journeys for the full year on sales is a mid-single-digit decline, you're closing stores. Can you talk a little bit about, given the progress that you expect to make in the back half with Journeys, how you expect Journeys to comp in the back half? Do you think you can get to a positive comp by maybe the fourth quarter? Can you maybe speak to that a little bit?

Tom George

Yes, good question, Mitch. On the second quarter, I want to comment a little bit on that, as well. We think its appropriate to be more cautious with the second quarter, given the pressures we're seeing with the vulcanized business on Journeys, and some of the pressures we're seeing in the Schuh business and the Johnston & Murphy business, so we think it's appropriate to take a more cautious view. In the back half, with Journeys, we do feel that the third quarter, there still could be some challenges there. Again, it's a little bit of a leaky-bucket kind of concept. The vulcanized will be under pressure, but we feel we've got a substantial amount of new relevant product coming in to be able to mitigate that, but we are taking a cautious view on the comp there, and hoping to get to a positive comp in the third quarter, but that could be challenging, but the fourth quarter, we do feel that we're going to have a positive comp, albeit small, in the fourth quarter.

Mitch Kummetz

Okay, that's very helpful. Then, on the margins, you guys definitely beat plan on margins in the first quarter, I think you made a slight change to your SG&A assumption for the full year, but I guess I'm a little surprised maybe you're not being more optimistic on margins in terms of the full year guidance, based on kind of the outperformance in the first quarter. Can you maybe speak to why that is? I don't know if there were any maybe SG&A shifts out of 1Q into 2Q, but maybe you can talk about some of the conservatism around margins relative to the 1Q outperformance?

Mimi Vaughn

Mitch, thanks for your question. It's Mimi, and I'll hand it over to Tom in a minute, but what we saw in the first quarter, that was very positive for our business, is a lower amount of markdowns than we believed we needed to take, and I think that's a real testament to how clean our inventory is and how well we have been managing inventory. We are looking at some mix shift, where we are seeing a shift in mix of overall product, that will put some pressure on gross margin, and so what's what we are looking at. However, it is a real positive story with higher average selling prices. As we see a shift out of vulcanized product into the assortment and diversified ranges of product and brands that we've been talking about, then we see a pickup in ASPs, and so it's a positive gross margin story for the year. Then, for SG&A expenses, I think there are few puts and takes that put us more in the neighborhood of where we'd end up being.

Tom George

Yes. In the end, with the traction we're getting with the cost savings programs and continuing with the store closures, we actually improved the SG&A deleverage guidance some. Then, back to Mimi's comments on the margin, they were dead on, and that shift from vulcanized to other product, there's an impact on the Schuh business, as well. So, that's the Journeys and Schuh impact, so we thought we—the first quarter, why we outperformed, there were lower margins, again, a testament to our inventory management. But, that said, we think it's best to be more cautious there going forward.

Then, generally speaking, the wholesale business, which Johnston & Murphy has a wholesale business in our Genesco Brands Group, we want to take the more cautious view on that going forward, as well, because the wholesale accounts, we're getting feedback—it's not just for us, but, generally speaking, for the entire industry—it's sort of wait and see how the next few months go, and then they'll be in a better position to evaluate their reorder rates.

Mitch Kummetz

Then, on the assortment pivot at Journeys, it sounds like you're making progress already, and I can appreciate that there are long lead times to these things and that it takes a while for the new leadership to really have an impact, but is there any way to sort of quantify how much turnover you're seeing in the assortment? Like, by the time that you get to the back half, is it going to be, you know, 50% different than what it was a year ago, and once you've sort of achieved the full pivot, is there any way, again, to kind of quantify how much has changed through that process? I don't know if that's a fair question, but I'm just trying to better understand kind of how that moves along and how different things are going to be when you're at the point where you're happy with the changes you've made.

Mimi Vaughn

Mitch, you've got—your perspective is exactly right on what's going on and some of the lead times that we need. We are very excited to have Andy Gray onboard, and his perspective as a merchant and his commercial perspective and brand relationships are just great additions to our strong team here.

We see fashion broadening and we see teens embracing more wearing occasions. This is in both fashion athletic and casual, which we can serve both sides of the market. It's an opportunity to fill our customers' closets with things they didn't have before. Our team's been pretty narrow, focused on vulcanized product on a couple of major brands, and so we're well positioned to take advantage of this move. You know us, over the years, that we just continue to evolve our fashion to where the teen is going. There's also an interest in apparel, which is really positive to see in teen apparel, and there's a greater appetite for newness and freshness, and a lot of times footwear follows into apparel.

We have been moving into the assortment that we know will drive our business. We've got some good reads in the first quarter by pulling forward some of our product and really being able to amplify the assortments during our peak periods, and that bodes well for the back half. So, you will see that there is a pretty significant change in our assortment, and it's lots of brands that we are building into, it's not just one or two, that we are excited about, and so there should be some pretty significant change in our assortment. Chris Santaella, our new Chief Merchant at Journeys, and the team have seriously hustled to make major improvements in the back half, and, again, we've been encouraged by the consumer reaction to those product changes so far.

Mitch Kummetz

Then, maybe just as a quick follow-up to that, before I get into the bigger picture stuff, you mentioned vulcanized a number of times, and your sort of overexposure to vulcanized historically. Again, is there any way to kind of quantify how that's shifting—is vulc, you know, I don't know, 30%, 40% of your business today, and once we get to the back half, it's 20%, and then once all this is kind of completed, it's down to 10%? Like, is there any sort of thing that we can be looking at there?

Mimi Vaughn

Just to give some perspective on that, Mitch, we have been known as a destination for some of that vulcanized product and the consumer has really gravitated toward that over the past several years, it was a mix of lower price point product and just really versatile. We typically go through these fashion shifts, where the consumer finds something new, and we provide something new to them. You will see that vulcanized will be a materially smaller part of our mix, but it’s not going away, there’s certainly still interest in vulcanized products, that lots of other brands, lots of other brands that offer sandals, lots of other brands in the athletic side of the world are gaining lots of interest and lots of traction. This is a positive, because for a while our consumer was just really not motivated to buy anything. I think some of the innovation that didn’t take place that didn’t take place during the pandemic, our brands are catching up on, and we’re excited about what we’re seeing.

Mitch Kummetz

Then, Mimi, in your prepared remarks talking about some of the strategies at Journeys, you mentioned the importance of segmentation and differentiation. Can you talk a little more about what that means for that business, I don’t know if you’re referring to exclusives, or can you just sort of big-picture where do you see Journeys going in terms of the segmentation sort of differentiating itself from some of the competition?

Mimi Vaughn

Mitch, thanks for that question. Reinvigorating the product is the near term goal to start building the momentum that we need, but at the same time we are taking a look, more specifically, at who our consumer is. What’s been distinctive about Journeys is that we provide a place that the teen can go buy both their fashion athletic and their casual assortment, and so we’re so much more lifestyle positioned, and we’ve carved out an important place in the competitive set that is focused more on girls, focused more on that teen girl, which is a really important consumer that our brands want to serve, and also focused not just on the athletic part of the market, which many of our competition does quite well, and so we’ve got a unique place within the environment and a unique place within the mall. This unique value proposition positions us as a fashion authority to come back and to serve our consumers.

When we think about our different consumer segments, all teens aren’t alike. Some tend to wear a more diversified assortment, some tend to like athletic more, some are fashion leaders, they’re ahead of the game, and some are fashion followers, and so by being able to work all of the great investments that we have made against CRM and against data and against understanding our consumer, we’re able to leverage that into more specific marketing around the diversification that we provide in our product line. We are excited about that end-to-end strategy of thinking about our consumer segments, providing product that is relevant for the different segments, and then marketing to those specific segments, and that’s what’s underway right now.

Mitch Kummetz

You started to answer my last question, because my last question has to do with loyalty and the analytics. I think you said 2.5 million members in the Journeys loyalty program. Can you talk about how that’s building, because it’s a relatively new program for Journeys, and, again, if there are any sort of takeaways from Schuh that you think can be applied to Journeys, and when will the analytics really kick in to where you can do better targeted marketing and all of those fun things at Journeys.

Mimi Vaughn

Mitch, the All Access program, which is the Journeys program, you can go ahead and sign up online, if you haven't already. We fully launched that in our stores last July, so it hasn't even been a year, and we have had 2.5 million members sign up. The success we've had with Schuh has been because that's program been a couple of years in the running. The Journeys' customer trusts us a lot, they're excited to hear from us, and so that's a real measure of how quickly we've been able to sign people up. You can get a welcome gift, you can get nice perks, like free shipping, you can earn points. But, what is most compelling is that we are seeing that the spend is greater, because the frequency is greater with people who have joined our loyalty program, and that really is the biggest benefit. Our loyalty program is hooked to our CRM program, and we've built a data analytics capability that goes along with this, and so understanding our customers, as well, in the digital world as we have traditionally done in the physical world will give us a chance to engage with our customers more frequently, to drive higher customer lifetime value. We're already seeing some of those benefits at Schuh, where we are a bit ahead of this, and so it's an important part of how we'll be able to serve our consumer better going forward, and also engage with our customers.

Mitch Kummetz

Great. Thanks, guys, and good luck.

Mimi Vaughn

Thanks for your questions, Mitch.

Tom George

Thank you.

Operator

Thank you. Our next question comes from the line of Mantero Moreno-Cheek with Jefferies. Please proceed with your question.

Mantero Moreno-Cheek

Hello, and thank you for taking my call. I guess my first question would be, on your new Johnston & Murphy marketing campaign, can you talk about any of the early reads there; and, then, is the program helping attracting some younger customers?

Mimi Vaughn

I'm glad you've seen that new campaign. We're pleased with that new campaign. It is centered around leveraging the great heritage of the Johnston & Murphy brand, there are not a lot of 175-year-old brands out there, but with a really modern twist. We have gotten good feedback. That campaign has been in the market for a little over a month, and it speaks to both of those things, how much evolution we've made over time, and we are pleased with the results. Johnston & Murphy, since the pandemic, it's one of the most exciting areas and opportunities of growth for us. The pandemic gave us a change to pivot harder into casual and comfortable product. It's really terrific product that has great styling, but has a lot of proprietary technology, and the technology is what's been revolutionizing our offering, and so we've been investing in product. It's a chance to sell consumers more hybrid product. We've been known for dress product, but this is dressier uppers on very comfortable bottoms.

The reality is that our brand awareness for Johnston & Murph is on the lower side versus peers, and so it's product first, to get the product to be really special product, and then this marketing campaign that we have been wrapping around the product is to build awareness and the repositioning that we've done for the brand. We are getting younger, we are attracting younger customers into the brand, and we see a lot of opportunity. We've added in a number of different categories to Johnston & Murphy, again, apparel and accessories, and have been growing those. It's a real lifestyle brand that our consumers have been telling us that they like buying us across lots of categories, and so we're going to reach a wider audience to tell J&M's story and educate the consumer and appeal to a younger cohort at the same time that we are retaining the customers that we've been able to traditionally serve.

Mantero Moreno-Cheek

Thank you, and then on—I know it was touched on, but is there anything else to add on the strategic initiative at Journeys and just how it positions the brand in the longer term?

Mimi Vaughn

Sure. I've talked about the product initiatives quite a bit and have talked about some of the customer segmentation. There are a number of other elements around the Journeys plan. Importantly, it's building and promoting Journeys as a leading retail brand. We're improving our brand presence in our stores and online and on social. Digital is an important part of this, as well, and we've had great success growing our digital business. There's a real opportunity here. Schuh is at 40%, Journeys is at less than half of that, and so there's a visual refresh of the website that we have lined up, and our All Access program, as well. so, when we think about building the Journeys brand, it is about just calling attention to Journeys as a great retail brand, in addition to the brands that we sell. We've got a creative agency onboard that is crafting that story, that we will reveal later this year. As I said, it's improving our brand presence. It's really using all of the aspects of digital and all of the great work that we've done with CRM and data analytics.

In addition to that, I talked about just leveraging our people. Stores are in important part of our customer journey, and in today's retail world, service can be a real differentiator. Our people and our stores are great ambassadors for our brand, they are very into fashion, they love telling the fashion stories, and so we are thinking of ways that we can engage them around the great changes that we're making on the product side, and also on the storytelling side.

Mantero Moreno-Cheek

Then, I guess last one for me, anything worth noting on add-on purchases?

Mimi Vaughn

Sure. I think the biggest thing to call out is that what we have been seeing, is we have been seeing higher average selling prices, and the higher average selling prices are a really positive thing, and so that is translating into higher ticket prices, higher ticket averages, and that's been a positive thing. Where we have put a lot of focus on add-on sales is that we launched buy-online-pick-up-in-store last year and it's a good opportunity, we're seeing a 10-plus percent rate of our online sales moving to BOPIS, and we're focusing a lot on attachment. When a customer comes into a store, it's an opportunity to put some add-on sales there. As the customer is trying on their shoes, what we have found is that we're quite successful at being able to sell them another pair of shoes, and so that's been an area of attention.

Mantero Moreno-Cheek

Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to Ms. Vaughn for any final comments.

Mimi Vaughn

Thank you for joining us. We are looking forward to you joining us for our second quarter earnings call.

Operator

Thank you. This concludes today's conference call, you may disconnect your lines at this time, and thank you for your participation.