

May 6, 2021, 02:45pm EDT | 388 views

True Religion CEO Michael Buckley Talks Turnaround And International Growth



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Retail

I write about retail and the forces that are redefining shopping.



True Religion has been thriving since exiting bankruptcy court. COURTESY OF TRUE RELIGION

Denim-based True Religion successfully emerged from Chapter 11 bankruptcy protection in October 2020 after filing in April of last year. Michael Buckley, who was president of True Religion from 2006 to 2010, returned to the brand in 2019 and guided it through a “massive restructuring.”

“The company got disconnected with who the consumer was,” Buckley said in an exclusive interview. “This was a wealthy customer with a household income of over \$150,000, a Nordstrom [JWN](#) **-0.6%** customer, who from around 2011 to the last 10 years really changed.”

Buckley said one of True Religion's biggest assets is its customer base of 15- to 40-year-old men and women of all races, with an average household income of \$65,000. It's one of the most diverse apparel brand consumer bases in the industry today outside of Levi's or Guess GES -1.1%, he said, adding, "They'll pay \$29 or \$39 for a T-shirt, \$60 to \$70 for pair of jeans and \$35 for a hoodie. Like everyone in the digital world, we're promotional."

"When I came to True Religion, I knew what had to be done," Buckley said. "I figured it would take a year to 2 years to turn the company around. Then, the Covid-19 pandemic happened in March of last year all a sudden 60 percent of the revenue disappeared from our wholesale accounts and our own retail stores."

True Religion's trip to bankruptcy court allowed it to shed 37 store leases and exit a \$3 million corporate lease. Restructuring the organization involved cutting \$30 million in SG&A and rethinking the brand's supply chain.

For the trailing 12 months that ended in March, the company logged EBITDA of \$35 million, compared to a loss of \$25 million in the trailing 12 months that ended in March 2020.

Cutting the average unit retail to about half of what it was 10 years ago, required a different supply chain, Buckley said, adding, "True Religion was continuing to source \$25 and \$35 jeans, and \$10 T-shirts, but the supply chain never changed.

With industry-leading product margins of 50% in the wholesale channel, business has been "incredibly strong," Buckley said. Growth isn't expected to come from the brand's 50 owned stores, but rather, e-commerce, which does \$80 million to \$90 million and is seen growing to \$250 million in the next four or five years, and overall sales of more than \$500 million in the time period.

Truereligion.com is expected to account for 50% of sales, with 30% to 40% from wholesale and 10% to 15% from the company's retail fleet. "We have a very strong international business," Buckley said. "We're the number one denim brand in Selfridge's and sit next to strong Italian brands. We're in China, Korea, India, and 30 other countries. International will grow to 30% to 35% of the business while retail maintains its dollar volume."



The brand is known for its T-shirts and jeans. COURTESY OF TRUE RELIGION

Buckley believes the apparel industry is heading into a strong denim cycle. “One of the diversification initiatives we have is to be 40% jeans, in terms of sales, 30% T-shirts, and 30% woven’s, hoodies and accessories. Jeans should probably be 50% of the business, and I think they will get back to that as the world opens up and people go back to work.”

True Religion has spent the last 15 months working on its web site to ensure it’s on-brand. “We’re focusing on getting the right influencers, who are wearing the products and talking about them. Our Gen Z customer is on TikTok, YouTube, and we have Millennials on Instagram.

“We believe more in micro-influencers that have up to a couple million followers,” Buckley added. “We just did a collaboration Kida the Great that’s really more for the Gen Z crowd. We did a whole collaboration with product, and created a video with him dancing that really resonates well with our younger audience.”

Kida the Great is just one of 10 to 20 micro-influencers working with True Religion.

The brand is always looking for people “who are relevant, but we also want people who love and believe in True Religion,” Buckley said. “It’s important that they really love the brand.”

True Religion has been able to hold on to 40-year-old consumers while attracting the younger cohort, something other denim brands have tried, but failed to do. “A lot of brands try to get that younger customer,” Buckley said. “Some higher-end brands that continue to sell to Nordstrom priced \$100 to \$150, are never going to get that customer. To begin with, the consumer can’t afford those prices.”

When True Religion carried high prices in previous years, it penetrated about 5% of the total apparel market. “Today, we believe we penetrate half the apparel market and that 150 million consumers fit into the demographic of the True Religion profile. There’s a lot more people who can afford it. We can tap into the price points that represent half the \$15-plus billion apparel industry.”