

# Sweet Sounds of Success

HAVING ENTERED ADMINISTRATION TWO YEARS AGO, HMV HAS REGAINED ITS PLACE AS ONE OF THE MOST ADMIRED, ICONIC UK BRANDS, UNDER THE GUIDANCE OF NEW OWNERSHIP. RLI TALKS TO PAUL MCGOWAN, CEO OF HILCO CAPITAL, TO FIND OUT MORE ABOUT THE BRAND'S STUNNING REBIRTH AND HILCO'S ROLE IN THIS RESURGENCE.



An iconic brand and the leading specialist retailer of music, film, games and technology products, HMV currently operates 130 stores across the UK, 107 in Canada and 59 in Ireland, including 50 co-branded HMV/Xtravision stores. Overseas, the company has partnered with the Al Mana Group

to open a further 25 HMV stores across the Middle East over the next three years. The first is scheduled to open in Dubai Mall in 2016 and discussions are underway regarding similar arrangements in India and Australia.

In 2013, HMV Group Plc went into administration, with a new, streamlined business emerging two months later, under the ownership of Hilco Capital, as a lean and agile private company.

"We've stabilised the retail businesses and they are trading strongly in all three territories, so our focus this year has been to focus on what we can do to use that as a foundation for growing the HMV brand elsewhere – online, within other retailers and in other sectors, as well as re-visiting the digital environment," explains Paul McGowan, CEO of Hilco Capital.

The perception of the brand continues

to improve as it is ever more distanced from the shadow of administration. "This is partly a function of time – trading normally, opening new stores, advertising on TV and sponsoring events such as the JUNOs in Canada," he adds. "However, PR has been a hugely important part of the process, from repositioning the narrative from 'beleaguered retailer' to 'resurgent retailer', to ensuring that we have a constant stream of hmvLive celebrity in-store events that generate ongoing positive consumer PR and word of mouth buzz."

And it's working. HMV has been one of the top five biggest improvers in YouGov's BrandIndex over the last couple of years.

The new brand positioning launched in 2013 says it all: 'Home of Entertainment'. The focus from day one has been to take HMV back to basics, getting those basics right and re-engaging the brand with its core consumer, generating the excitement that would be expected from an entertainment-focused brand.

"Prior to administration, I think the old business had lost sight of what it stood for and what its customers were actually looking for. We stripped out the low margin ancillary product – iPads, mobile phones, fashion – and made sure the core entertainment lines were well merchandised, easy to shop and, most importantly, actually in stock," explains McGowan.

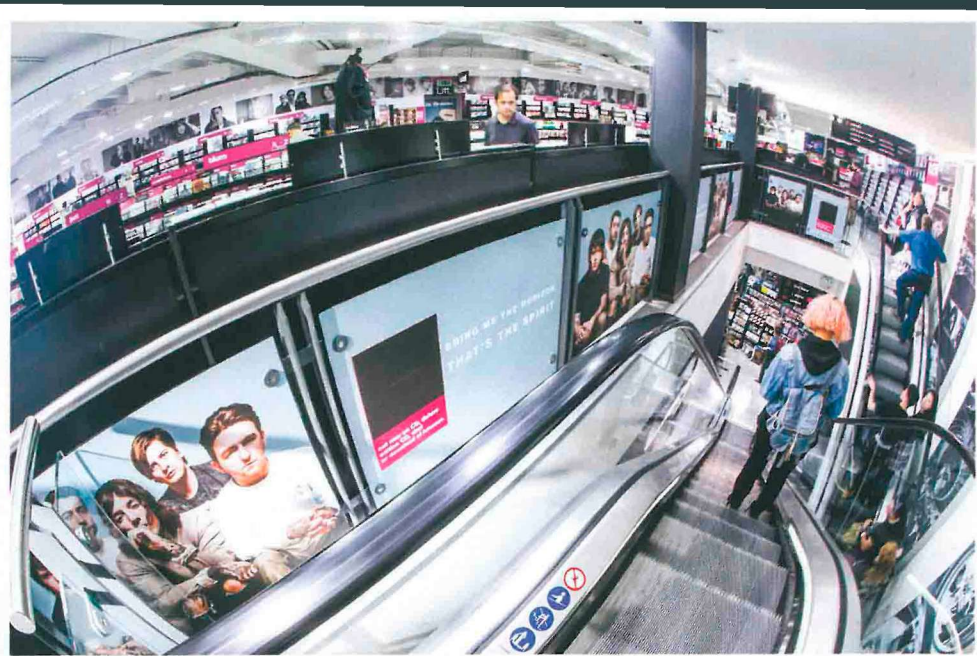
The company is also driving e-commerce

hard internationally in territories in which there is a residual brand awareness, and it is currently in the final stages of reviewing options in relation to launching digital music, film and TV services globally. There are also partnerships with other retail brands in place which McGowan says will be announced before the end of the year.

As a brand, you have to be where your customers are and, for a huge number of HMV's customers, that's on Twitter, Facebook and Instagram. Where social media really comes into its own in its marketing strategy is with the hmvLive in-store events, from generating pre-awareness to giving fans a behind-the-scenes look on Instagram and using Periscope to live stream from the stores.

"After an event, the natural thing for customers to do now is to share their own photos and videos online and we'll also upload our videos to HMV's YouTube channel, all of which extends the reach of the event. Given we're running close to 1,000 events a year across the three territories, that's really moving the dial," he says.

A massive part of HMV's success over the last couple of years has been with the PureHMV loyalty scheme, which had been languishing under the old regime. Hilco has invested substantially in relaunching Pure and is seeing 8,000 new members signing up every week in the UK alone, and are already close to three million members globally.



The resurgence of HMV should come as no surprise; Hilco Capital has successfully guided other retail brands out of the financial doldrums. Hilco purchased stoneware specialist Denby in 2009, on the eve of its 200th birthday and likely collapse. In the six years since, the company has grown significantly every year, opened 30 new retail outlets, acquired three other heritage potteries and become a major exporter with orders from South Korea accounting for close to 25 per cent of the factory's output.

"Away from the headline-grabbing deals, there's a lot we do behind the scenes that people aren't necessarily aware of," says McGowan.

For example, when Littlewoods decided to get out of bricks-and-mortar altogether to become Shop Direct Group, it sold the stores to Associated British Foods. ABF then appointed Hilco to operate the Littlewoods business and manage a staged handover process over a 26-week period. "We ended up delivering every store to ABF exactly on schedule, exceeding their sales targets during the process and helping them to establish Primark as a national retailer in the UK," he says. "But Hilco Capital's not just about retail. I mentioned Denby, which is a manufacturing business, and we've developed our expertise and in-house resources in the wholesale, distribution and manufacturing sectors over the past ten years. Aside from HMV, one of our biggest investments at the moment is Kraus Group, Canada's largest carpet manufacturer and flooring distributor, which we acquired in 2012 and has just had biggest year in its 57-year history!

"Over the years, it's been these kinds of project that have helped us gain a reputation as a safe pair of hands."

