

**H U G O B O S S**

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## **Americas Strategy**

Mark Brashear, Chairman & CEO Americas

November 8, 2011

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## About me

- Born 20 August 1961 in California, USA
- Education
  - 1983 Bachelor of Science and Commerce Degree in Finance, Santa Clara University
- Professional background
  - 1993-1996 Store Manager at San Francisco Centre and Hillsdale Mall
  - 1997 Divisional Merchandise Manager, Men's Apparel at Southwest Group
  - 1998-2000 Vice President, Strategy and Finance Manager at Southwest Group
  - 2000-2001 Executive Vice-President, General Manager at Nordstrom, Southwest Business Unit
  - 2001-2008 President at Façonnable; Executive Vice-President at Nordstrom
  - Since 2009 Chairman and CEO of HUGO BOSS Americas Region



## **AGENDA**

**INTRODUCTION**

**HUGO BOSS IN THE AMERICAS**

**KEY AMERICAN MARKETS**

**SUMMARY AND OUTLOOK**

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## HUGO BOSS in the Americas today



~1.300

EMPLOYEES



~25

COUNTRIES



~1.200

POINTS OF SALE



120

RETAIL  
POINTS OF SALE



~1.100

WHOLESALE  
POINTS OF SALE

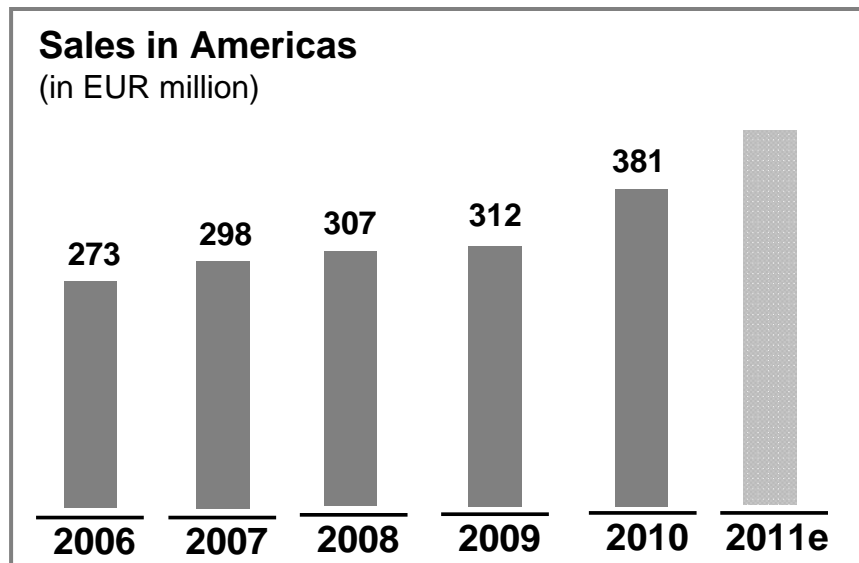


~400

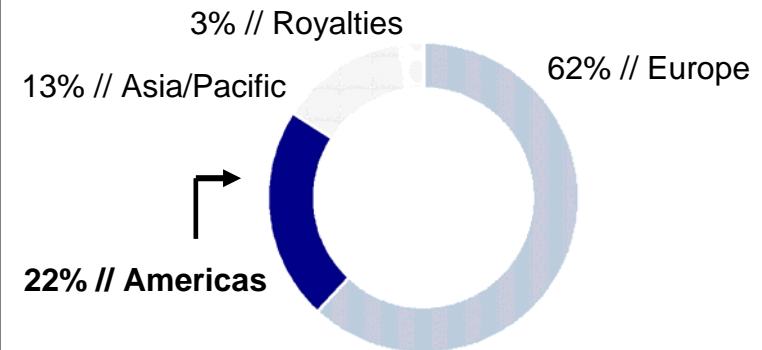
WHOLESALE PARTNERS

## AMERICAS – A dynamic growth region

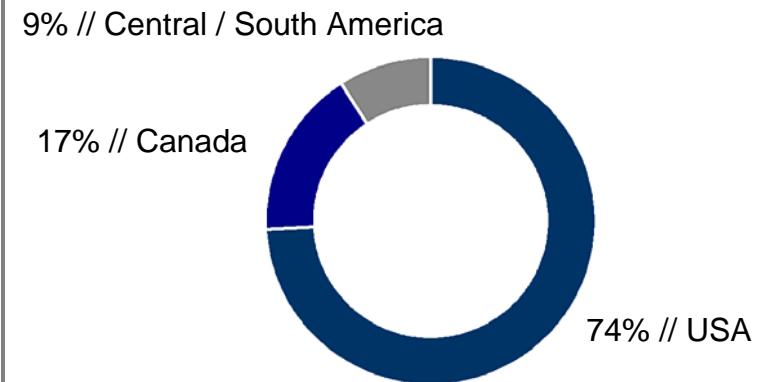
- Strong top line momentum
- Second-largest region within the Group
- North America accounting for vast majority of business



### Sales by Region FY 2010



### Sales by Market / Americas FY 2010



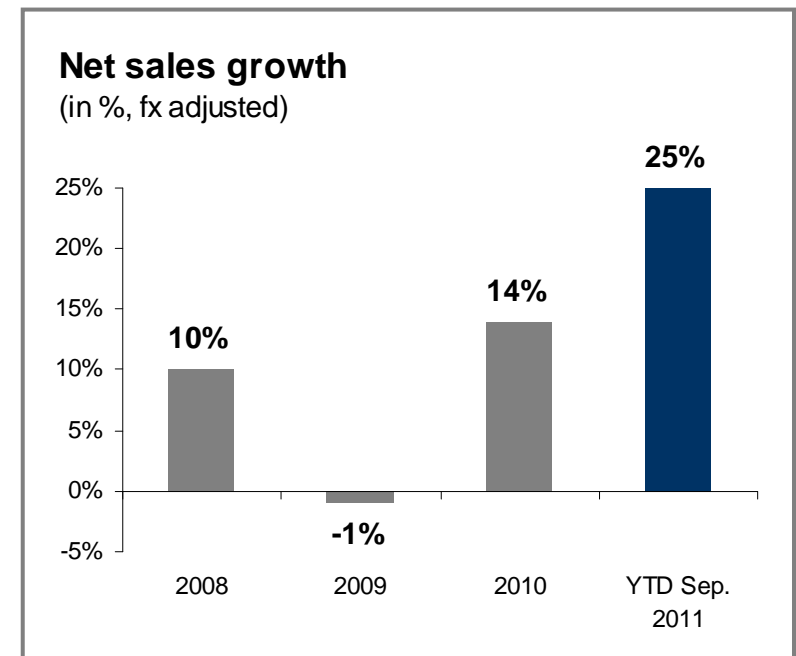
## Vision for the Americas

- Build HUGO BOSS Americas into a world class organization of talented leaders who deliver strong results consistently, who build team, inspire others and lead by example
- Focus on building our business one customer at a time, through customer service and selling skills
  - The Americas will achieve around 700 million euro of sales by 2015, accounting for around 23% of global HUGO BOSS net sales
  - We will grow in all our distribution channels: mid-single-digit growth in Wholesale, double-digit growth in Retail
- We strive for further profitability improvements



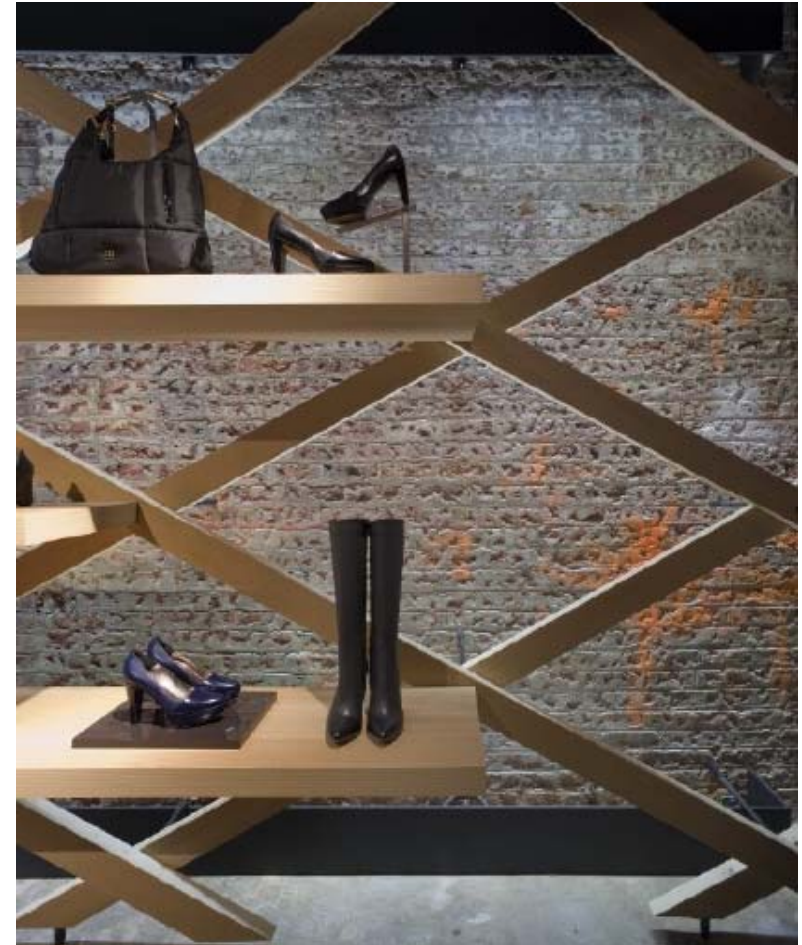
## Major achievements

- Best financial results in the history of the region
- Enhanced brand repositioning
  - Brand presentation
  - Selective partnerships
  - Growth in key categories
  - Relevant connections with targeted customers
- Increased operating efficiencies and discipline in cost management
- Management reorganization in the region
  - Management realignment
  - Sharpened operational focus
  - Streamlined overhead functions



## Long-term development strategies

- Multi-channel strategy and coordination of channel expansion:
  - Retail
  - Wholesale
  - e-Commerce
- Development of own retail competencies and execution across all channels
- Increased responsiveness to demand
  - Acting upon real-time business performance
  - Merchandise and inventory management
  - Replenishment
- Customer service enhancement across all channels



## Key market dynamics

- Uncertainty in the state of the economy, consumer confidence
- Volatile financial markets affecting psyche of luxury customers
- USD weakness
- Importance of relationship management with key retailers
- More competition in menswear market

## AGENDA

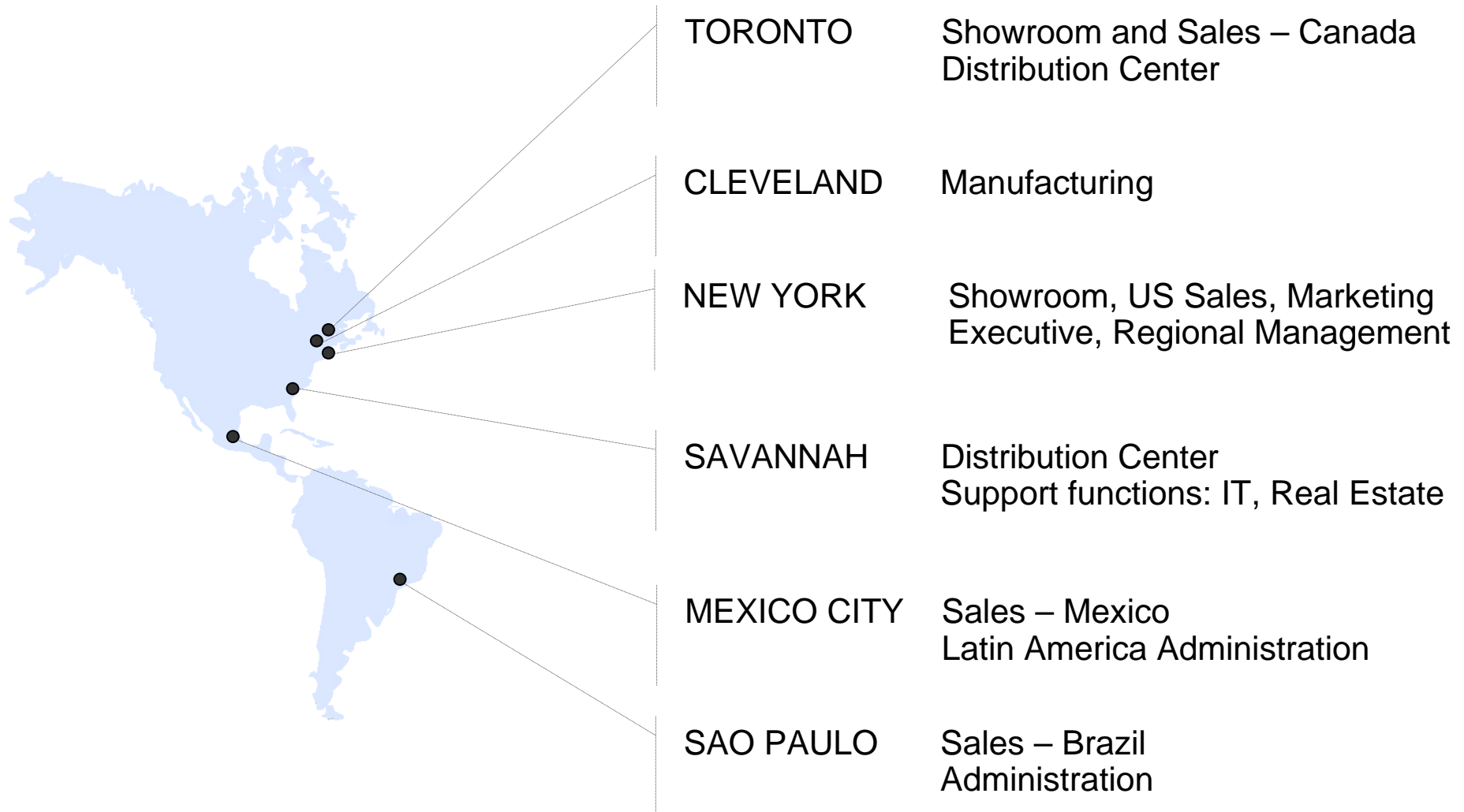
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## Organizational and operational structure



## DISTRIBUTION – Retail strategy

- Own retail store roll-out
  - Penetration into third-tier cities in the US
  
- Merchandising and product flow
  - Planning, allocation and flowing of products based upon performance
  
- Customer Service
  - Enhancing customer experience through knowledge and service
  
- Store Operations
  - Improving store execution and operating efficiencies





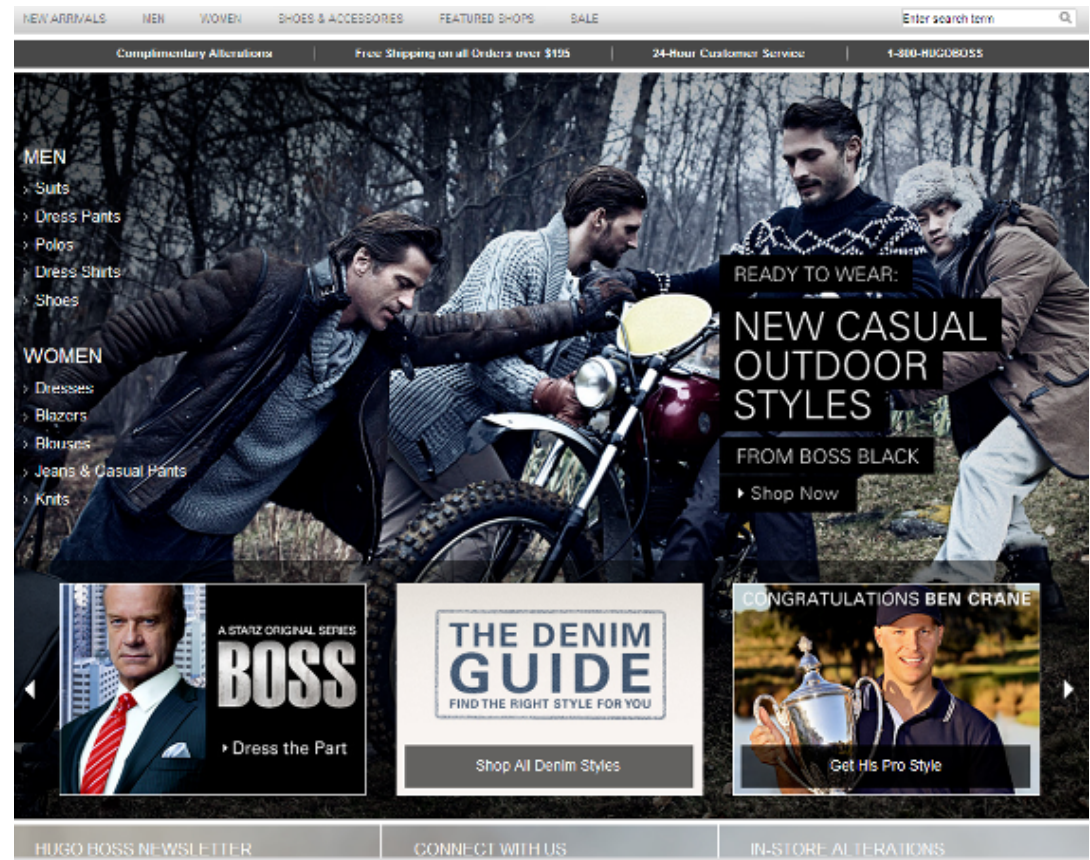
## DISTRIBUTION – Retail strategy

### Key Retail Store Openings and Renovations



## DISTRIBUTION – e-Commerce strategy

- Expand merchandise assortment
- Optimize performance & email marketing
- Enhance site regional relevance
- Payment, fulfillment, and multi-channel advancements

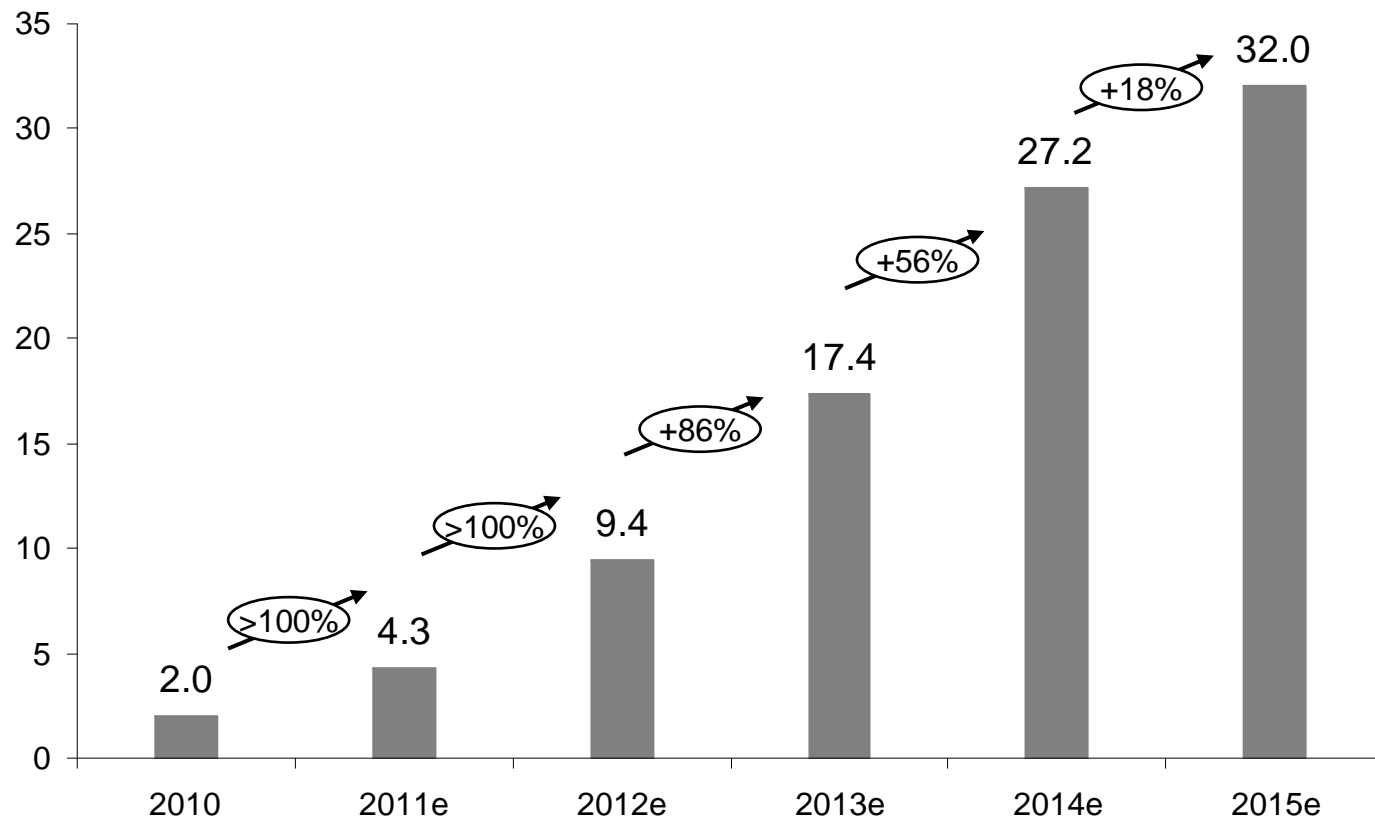




## DISTRIBUTION – e-Commerce strategy

- Strong development of e-commerce channel in the region

**e-Commerce sales development**  
(in EUR million)

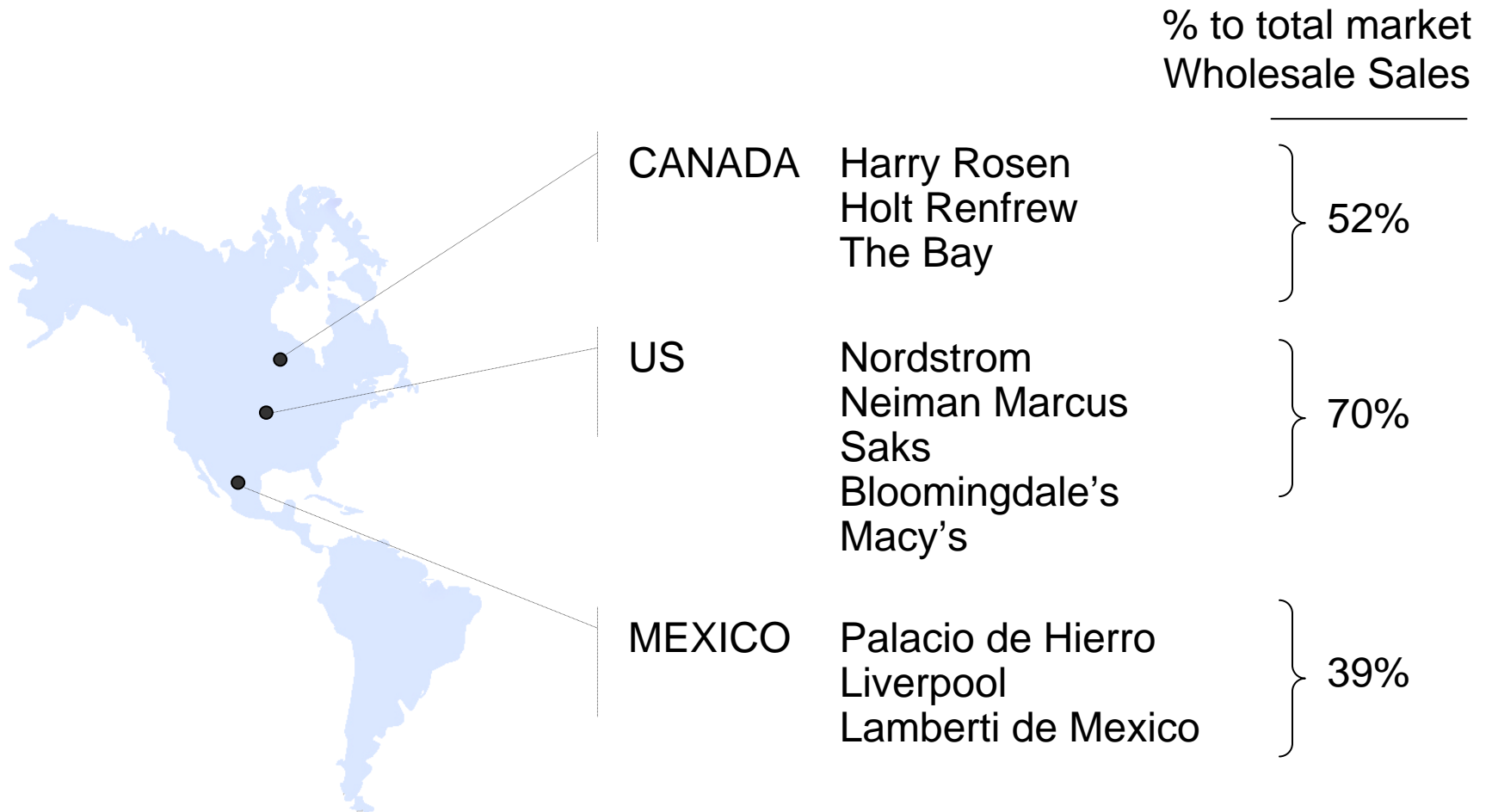


## DISTRIBUTION – Wholesale strategy

- Partnership with key retailers
  - Selective, high-end US department stores
  - Key retailers in Canada and Latin America
- Demand management
  - Maximize order fill rate and replenishment
- Specific product development through regional collaboration
- Brand presentation enhancement
  - Retail coordinator program
  - Shops roll-out with key retailers
  - Focused online presence

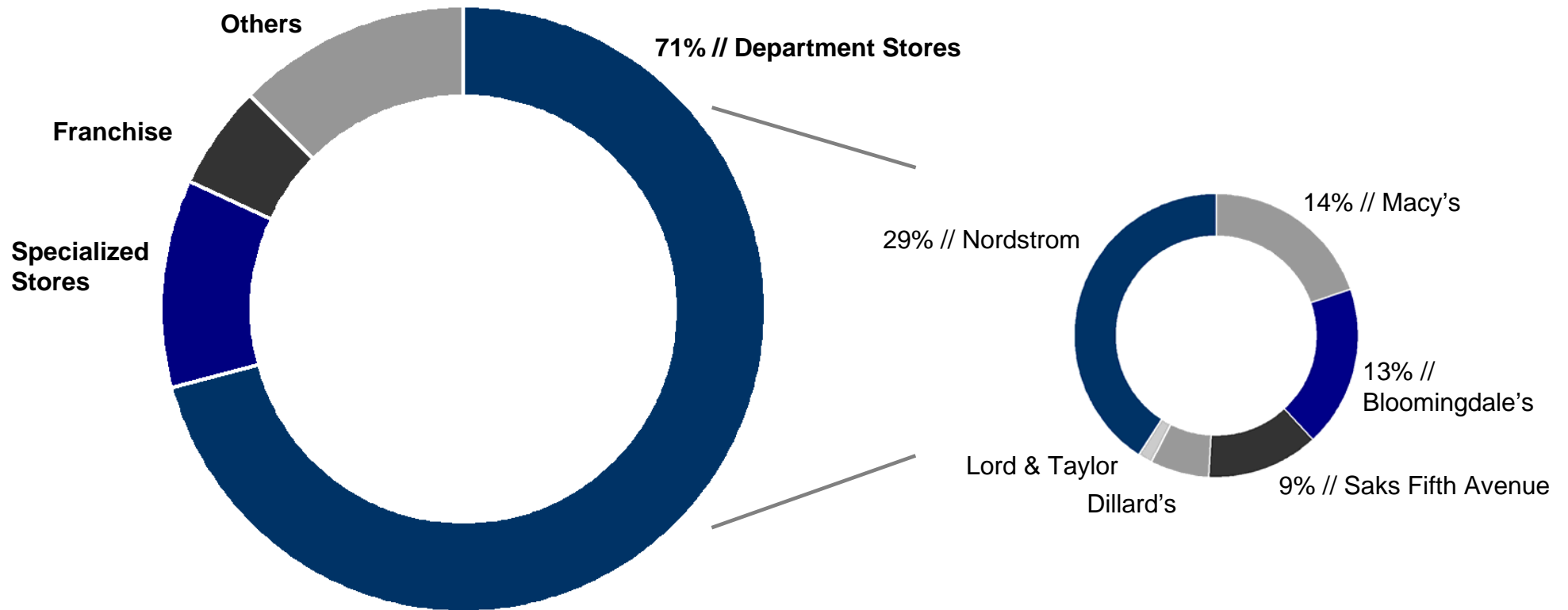


## DISTRIBUTION – Wholesale key partners



## DISTRIBUTION – Wholesale

**Breakdown of US wholesale business by customer group**  
(FY 2010)



## DISTRIBUTION – Wholesale success stories

### Nordstrom partners in excellence award



## DISTRIBUTION – Wholesale key initiatives

- Comprehensive shop-in-shop roll-out plan with Saks and Bloomingdale's

Number of shops	2010	2011e	2012e
<b>Bloomingdale's</b>	<b>1</b>	<b>7</b>	<b>14</b>
<b>Saks</b>	<b>1</b>	<b>8</b>	<b>13</b>
<b>Total</b>	<b>2</b>	<b>15</b>	<b>27</b>



## DISTRIBUTION – Wholesale key initiatives



**SAKS 5<sup>TH</sup> AVENUE NEW YORK WOMEN'S SHOP**

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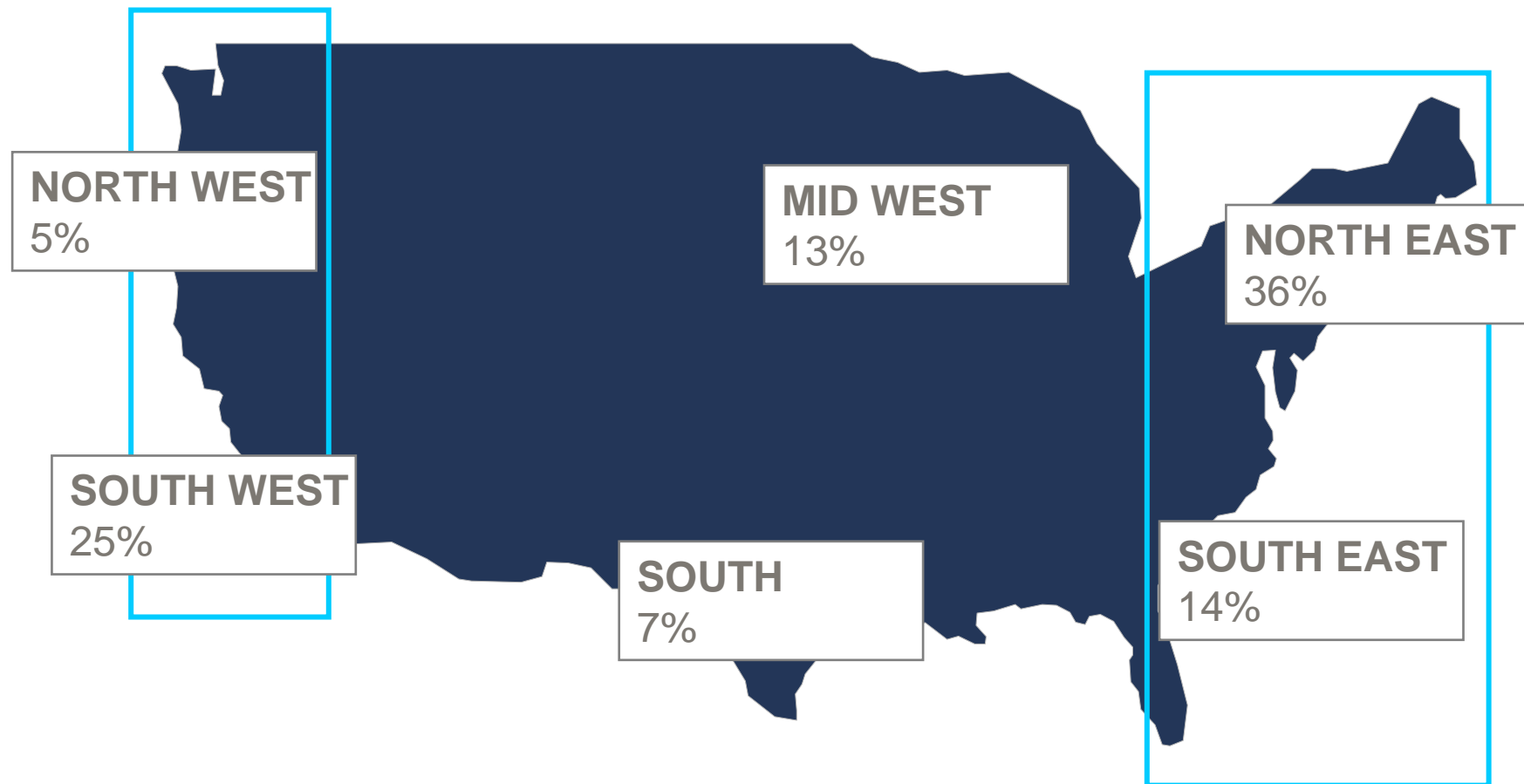
## MARKET SPECIFICS – USA



- Dynamic retail landscape
  - Rise of online, mobile, cross-channel shopping
  - Strong foothold of department stores
  - Growing private labels
- Size and scale
  - High cost of doing business
- Price sensitivity and discount
  - Promotions
  - Outlet specific business model

## MARKET SPECIFICS – USA

- Business concentrated around East and West coasts = 80% of volume



## MARKET SPECIFICS – USA

- US consumer extremely demanding and volatile
- Representative HUGO BOSS customer:
  - Male
  - Interested in European design
  - Looking for dressier models
  - Searching fit consistency
- Specific brand attributes amongst US customers

### HUGO BOSS brand perception\*



\*Results of focus groups held in March 2011 on several US markets.

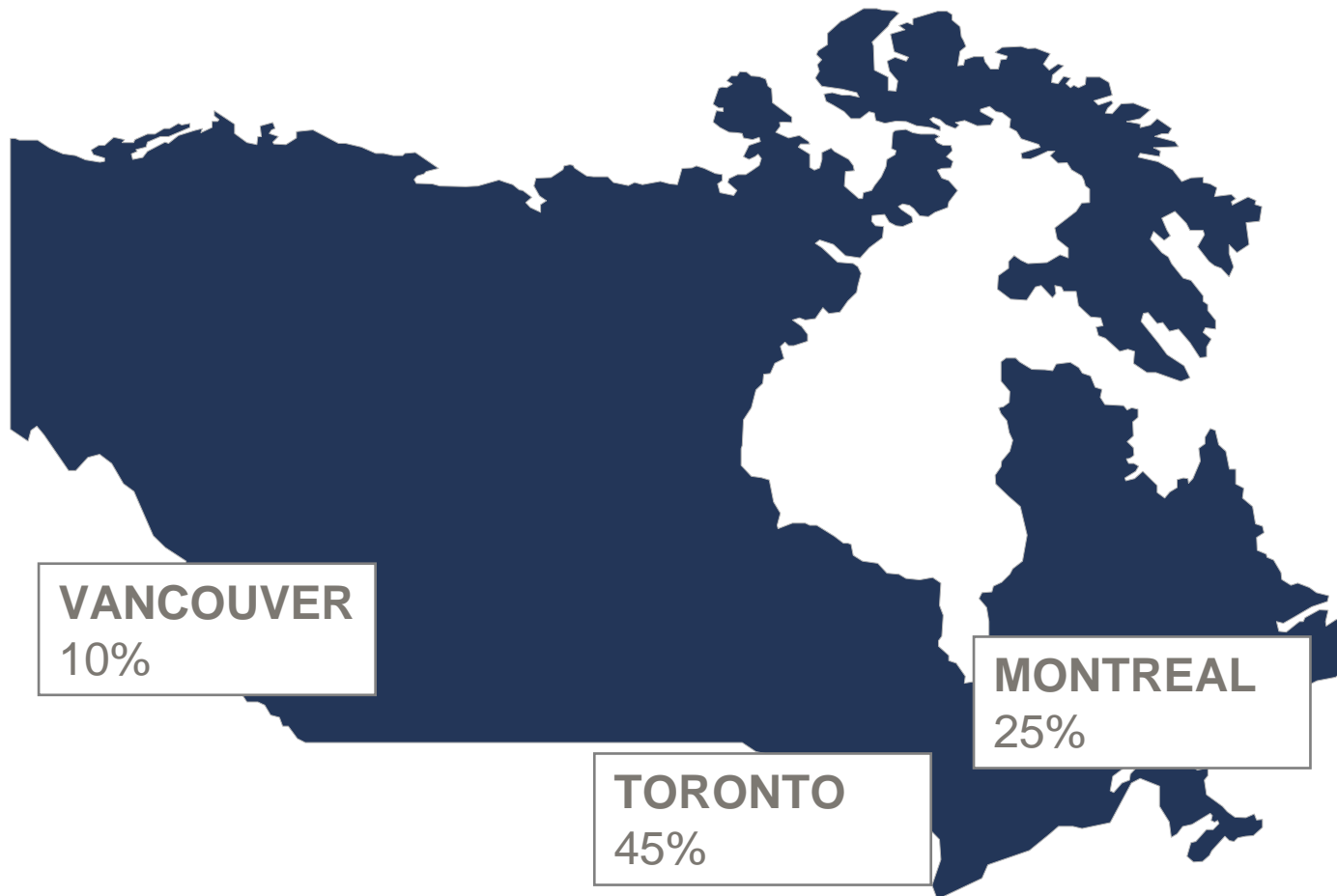
## MARKET SPECIFICS– Canada



- Specific retail landscape
  - Consolidated dominant players in men's business
  - Online still a small portion of sales
  - Retail space hard to find
- Importance of cross-border shopping
  - Becoming the normal competitive environment
- Customer tastes different to the US
  - More and more knowledgeable and focused

## MARKET SPECIFICS– Canada

- Business concentrated in top three markets = 80% of volume



## MARKET SPECIFICS – Central and Latin America

- Retail landscape
  - Sophisticated landscape in key Latin American metropolis
  - Geographical and cultural diversity
  
- Strong brand presence in major markets
  - Own retail in Mexico and Brazil
  - Franchise stores in secondary markets
  
- Competing on higher-end segment
  - Brand positioning and pricing
  - Currency fluctuations affecting shopping
  
- Solid Growth Opportunities
  - Execution at retail in the region
  - Retail network expansion in Brazil
  - Retail expansion in Colombia and Chile

### Sao Paulo Iguatemi re-opening Sep. 2011



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## Key success factors for future growth in the Americas



### RETAIL

- Expand own retail network into **new markets**
- Leverage technology for **cross-channel integration**
- Further improve **in-store operations**



### WHOLESALE

- Continue **shop-in-shop** roll-out
- Strengthen **presence in points of sale**
- Initiate **concession business model**



### MARKETING

- Increase presence and leverage **social media** communication
- Broaden use of **CRM**
- Further expand **media tie-in activities and events**



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