

**H U G O   B O S S**

## **HUGO BOSS Investor Day 2015**

### **Omnichannel Strategy**

Patrick Berresheim (Director Digital Retail)

Bernd Hake (Senior Vice President Europe, Middle East, Africa & India)

Gerd von Podewils (Senior Vice President Global Communication)

Metzingen, November 24, 2015

## Agenda

**Content-focused website upgrade builds emotional brand perception**

**hugoboss.com offers convenient online shopping and drives customers to store**

**Omnichannel services make shopping experience “noline”**

**Gerd von Podewils, Senior Vice President Global Communication**

## Agenda

**Content-focused website upgrade builds emotional brand perception**

**hugoboss.com offers convenient online shopping and drives customers to store**

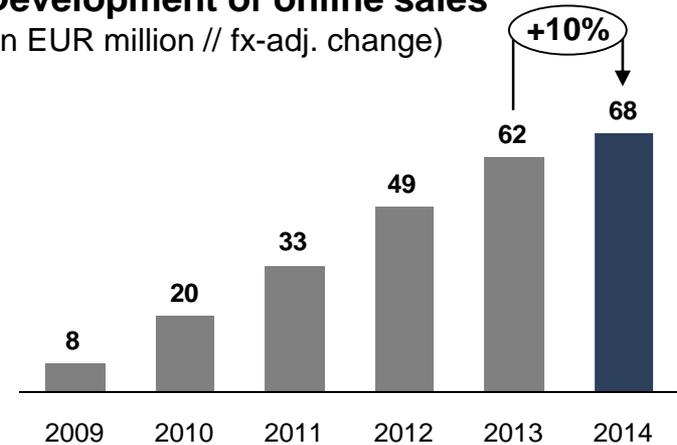
**Omnichannel services make shopping experience “noline”**

## What we achieved: Website upgrade has driven sales

- Online frontend insourced in early 2014
- Website relaunch in autumn 2014 has enhanced emotional appeal of commercial platform
- Strong traffic increase has supported significant online sales growth acceleration in 2015

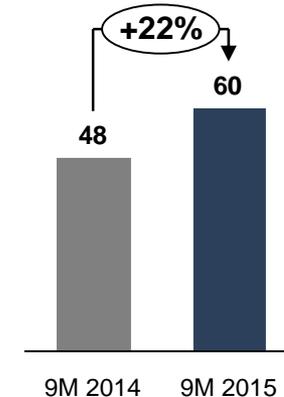
### Development of online sales

(in EUR million // fx-adj. change)

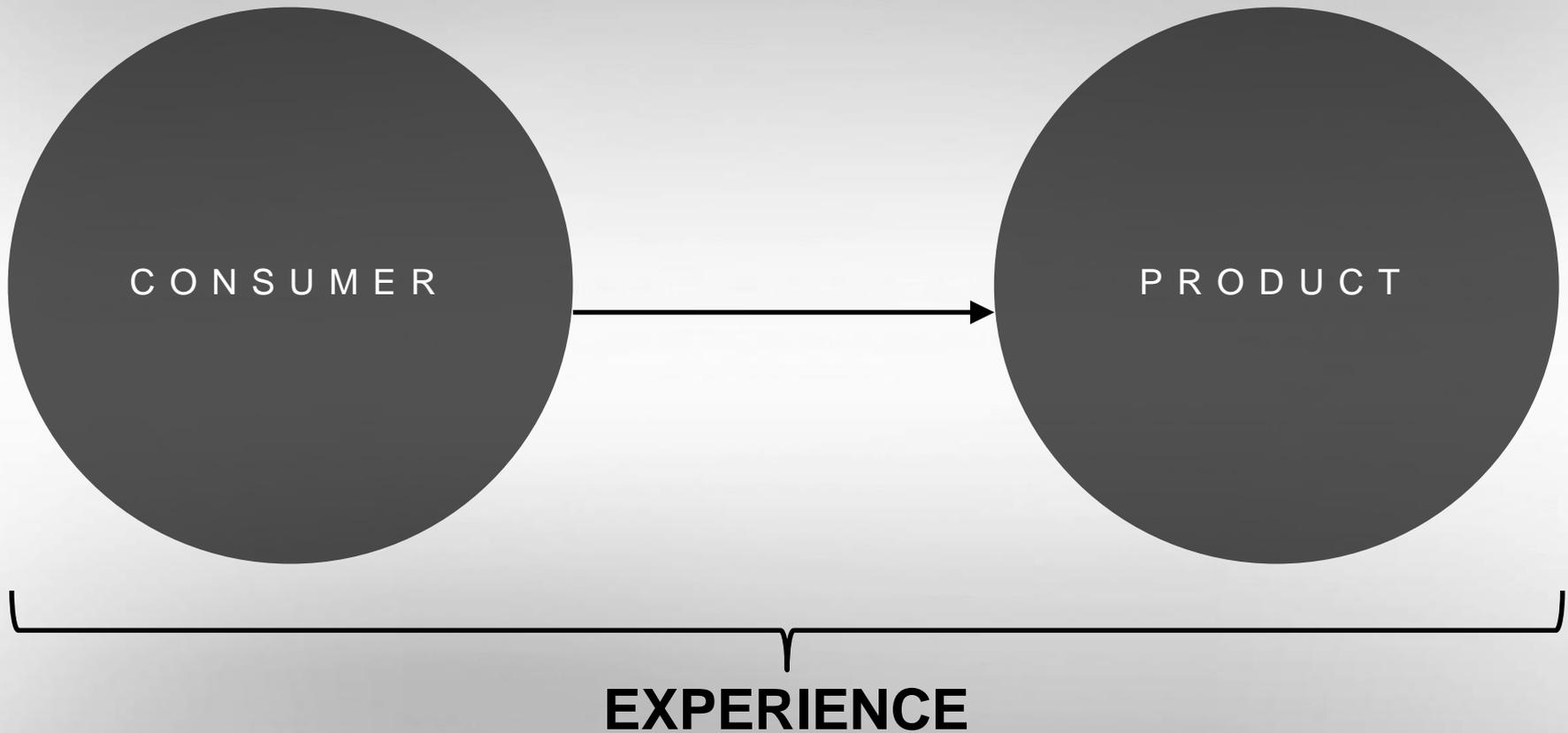


### Online sales development 2015

(in EUR million // fx-adj. change)



## What was a linear relationship once...







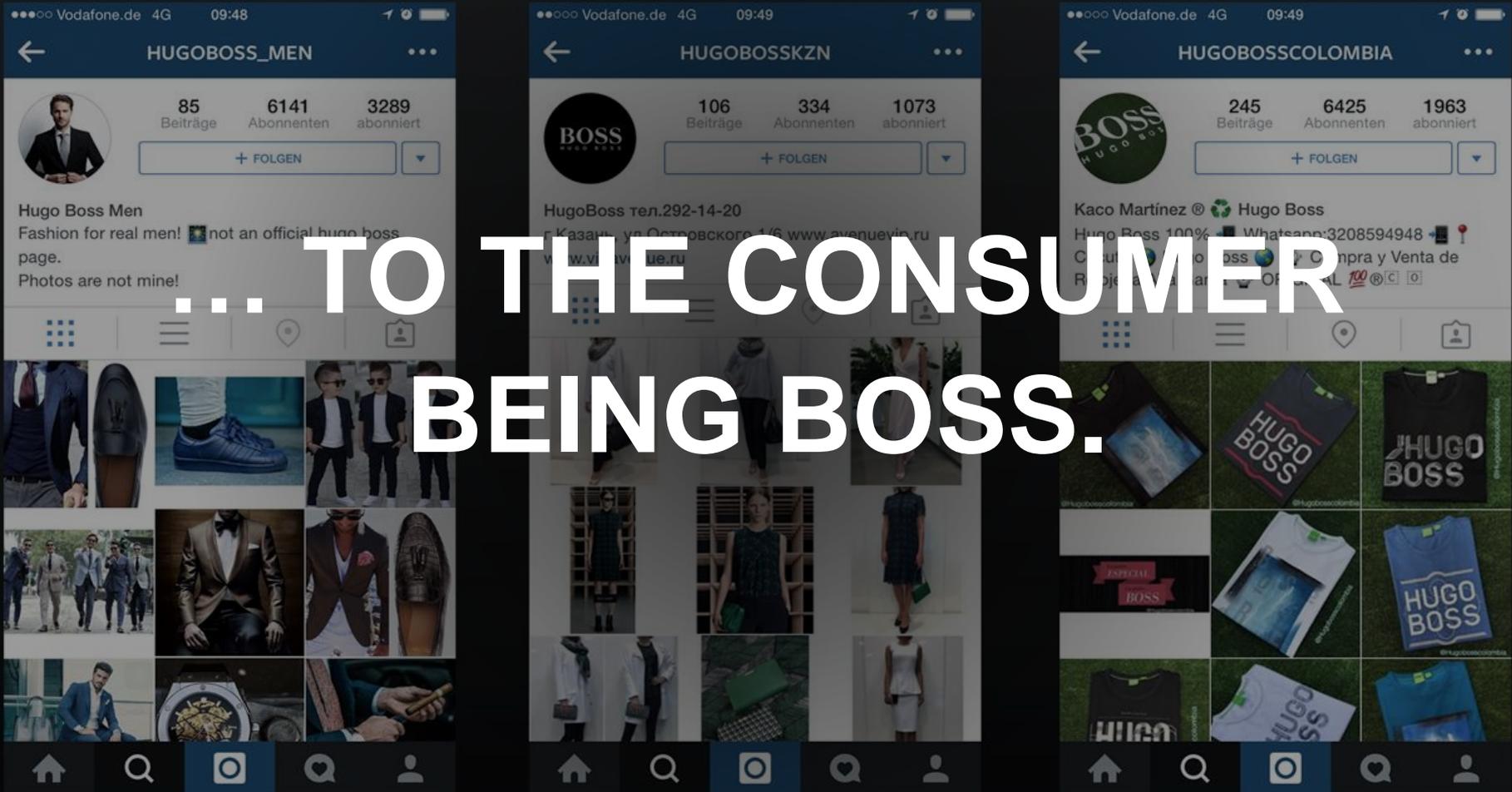
FROM CREATING AN  
UNATTAINABLE WORLD ...



**...TO PARTICIPATORY  
EXCLUSIVITY**

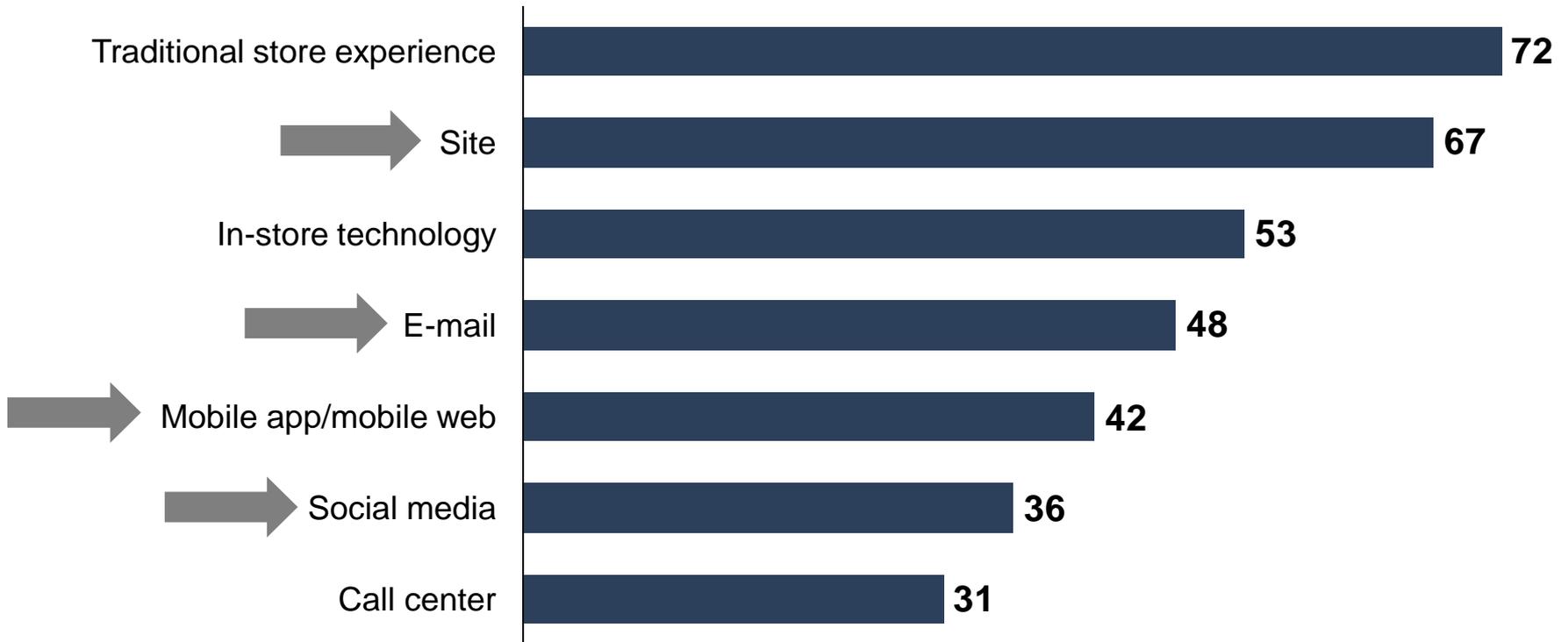


# FROM CONTROLLED EXPERIENCES ...



# The brand website is the key digital channel comes close behind the physical stores

**Omnichannel retail: Importance of selected digital channels when making a purchase**  
 (June 2014 // in %)



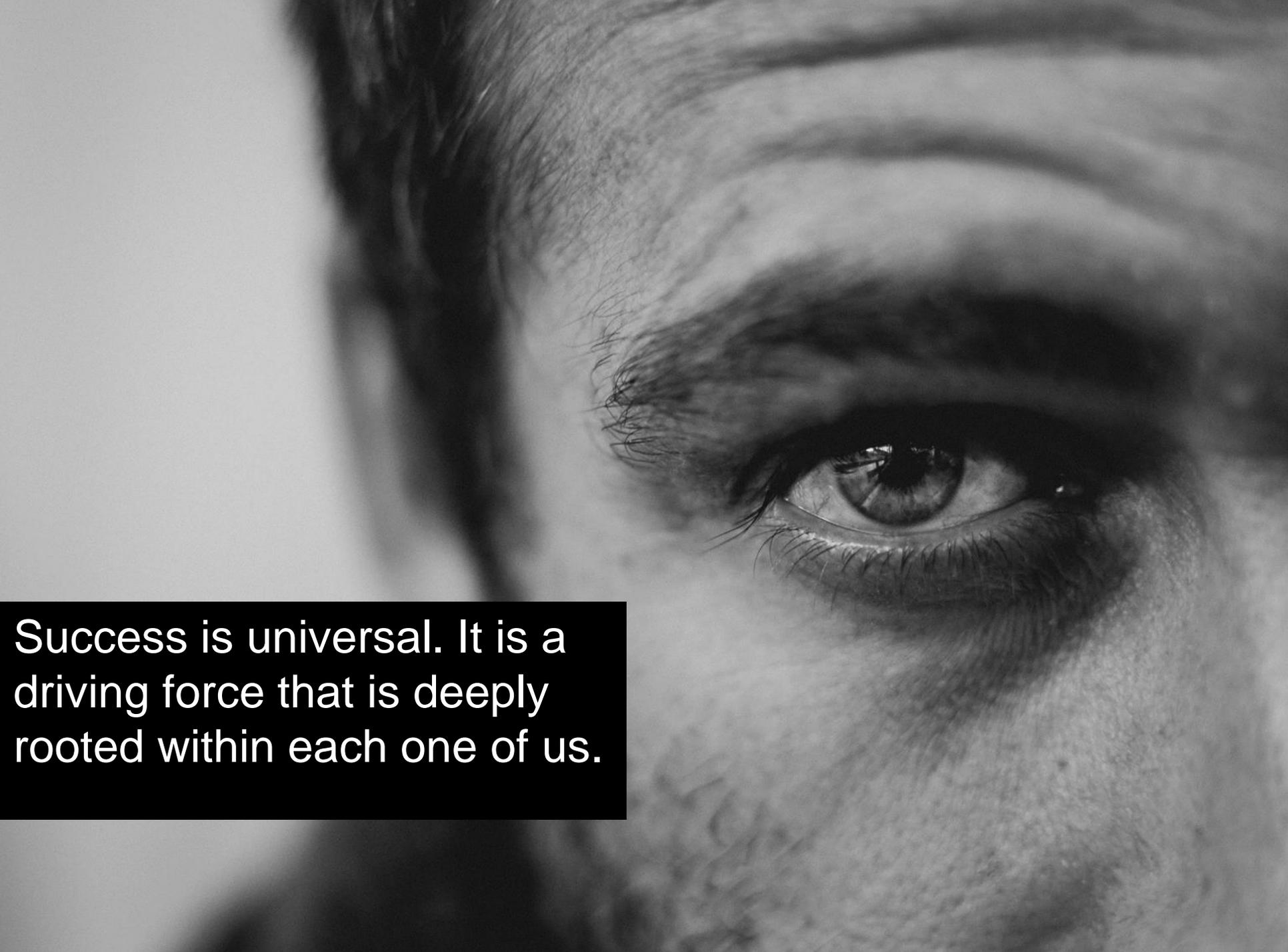
Source: "Digital Shopper Relevancy Report 2014", Capgemini, September 2014

# Driving NOLINE sales and profit is the overarching goal of everything we do in digital



Success is personal. It means something different to everyone.





Success is universal. It is a driving force that is deeply rooted within each one of us.

This will to succeed is fueled by the confidence that enables us to achieve whatever we strive for in life.



Making our customers feel more confident is at the core of everything we do at HUGO BOSS.





Our signature is the combination of craftsmanship in tailoring and the artistry of modern engineering – a combination that ensures the uniqueness of all HUGO BOSS products and services.



**HUGO BOSS** builds confidence through garments and accessories that are rooted in legacy but modernized by constant innovation.

**HUGO BOSS** builds  
confidence through  
structured creativity which is  
always refined and never  
complicated.

We push the aesthetic  
boundaries by drawing on a  
modernist approach.



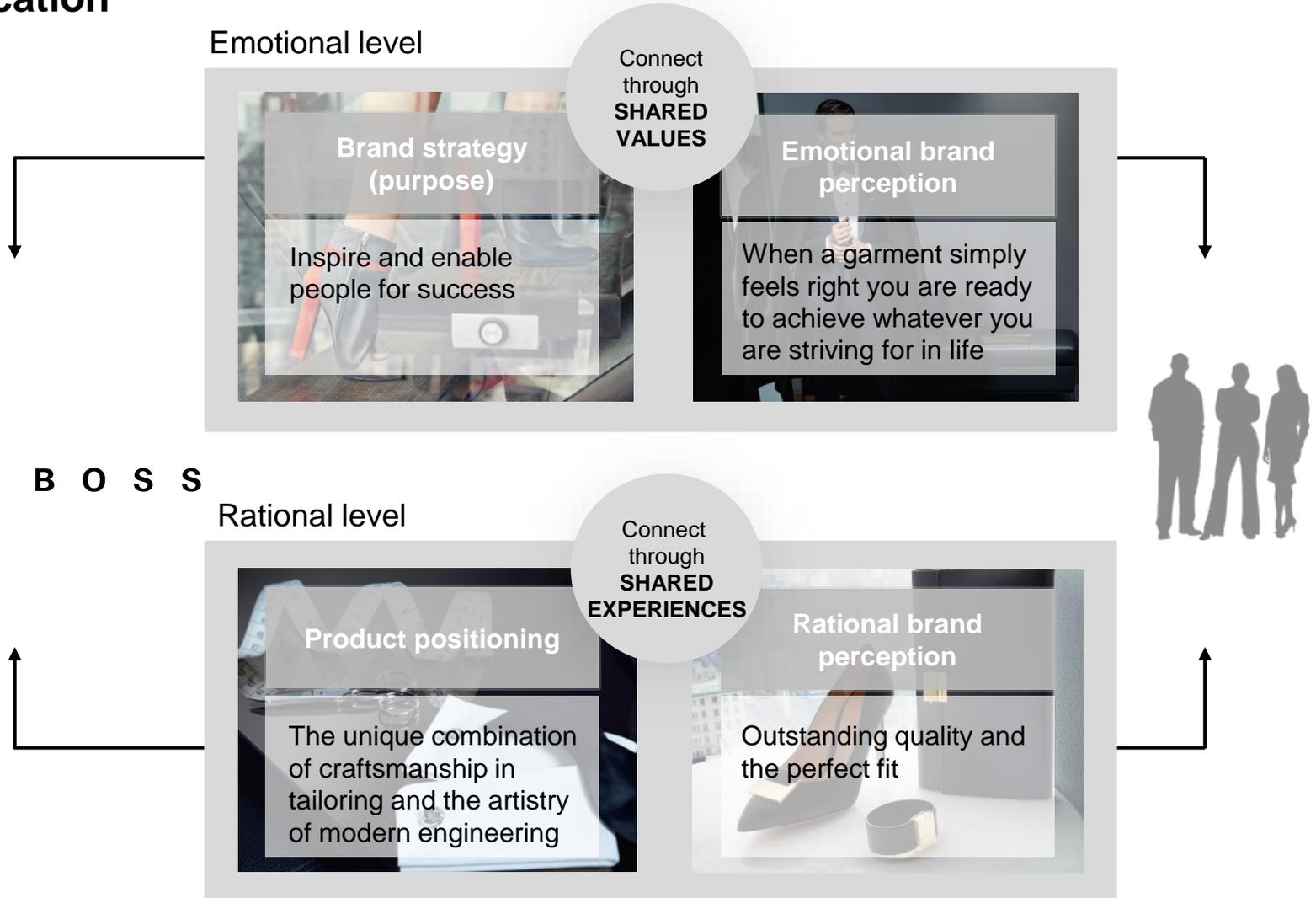


**HUGO BOSS** builds confidence through always delivering outstanding quality and the perfect fit. We know that when your outfit simply feels right you are ready to achieve whatever you are striving for in life.

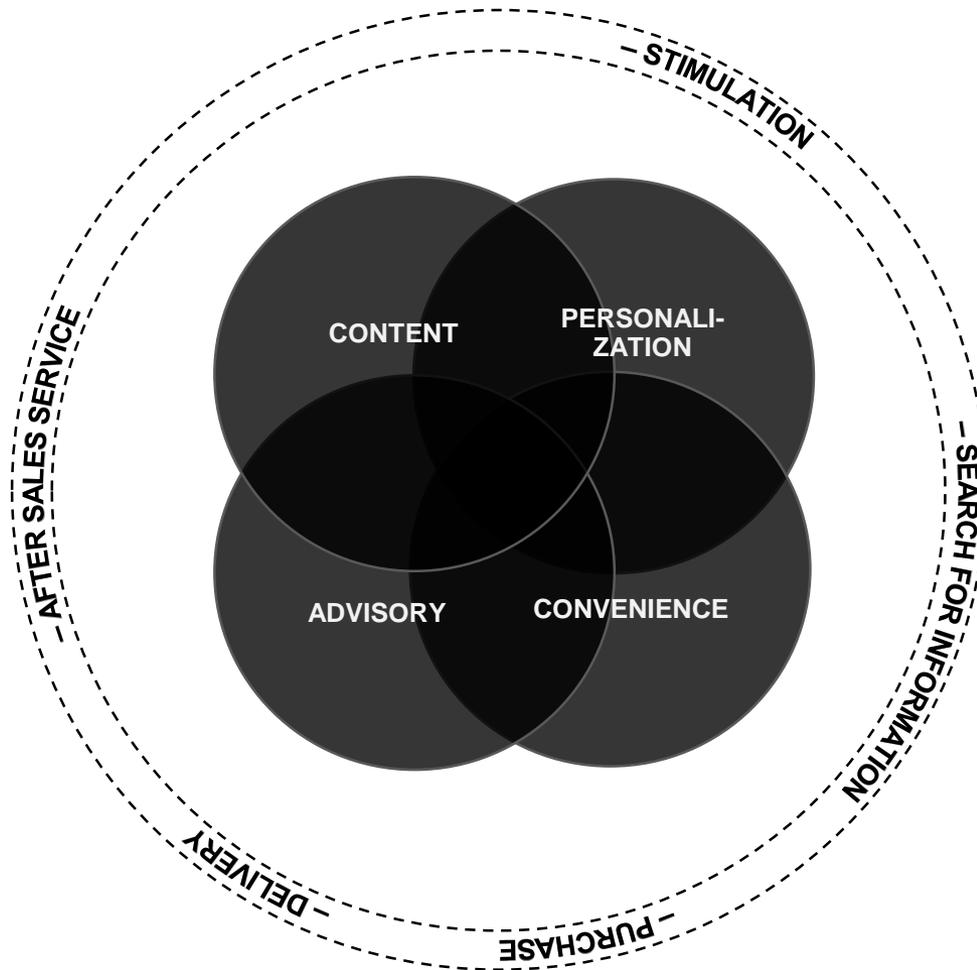
A black and white photograph of a woman with long, dark hair, looking directly at the camera with a serious expression. She is resting her chin on her hand. She is wearing a dark-colored Hugo Boss watch with a black dial and a dark leather strap. The watch face has the 'BOSS' logo and 'HUGO BOSS' text. The background is blurred, showing what appears to be a crowd of people.

**HUGO BOSS** inspires people to  
succeed by fostering the most  
fundamental element of success:  
**the confidence that you can.**

# The focus on building emotional brand perception drives all our communication



## Four focus areas guide digital reset



## Strong lineup of topics creates storytelling website content

#1

GREAT PRODUCTS

#2

FASCINATING  
SPONSORSHIPS

#3

UNMISTAKABLE  
BRAND DNA

#4

UNIQUE ADVISORY  
COMPETENCE

Hub pages are key elements of future hugoboss.com website

Topic-specific

# HUB PAGES

will connect

# EMOTION and COMMERCE,

integrating editorial content,  
advisory elements and access to  
store.



## Hub pages are starting point of customers' on-site journey

YOUR BRAND: BOSS ▾

HUGO BOSS



⋮ MENU

**BOSS**  
HUGO BOSS

MEN WOMEN DISCOVER

MADE IN ITALY

# BOSS BESPOKE

SHOP NOW



# Hub page structure adapts dynamically to profile of visiting customer

Unrecognized customer seeking advice



Recognized customer (through IP, cookie or registration) seeking inspiration



Unrecognized customer interface components:

- Search bar with a question mark icon.
- Four navigation buttons labeled A, B, C, and D.
- Content card with a 'READ' button.
- Content card with an 'APPOINTMENT' button and a calendar icon.

Unrecognized customer hub page layout:

- Large header area.
- Grid of four content blocks.

Recognized customer hub page layout:

- Large header area.
- Section labeled 'Profile Content'.
- Grid of four content blocks, including 'Profile Content' and 'Local Content'.

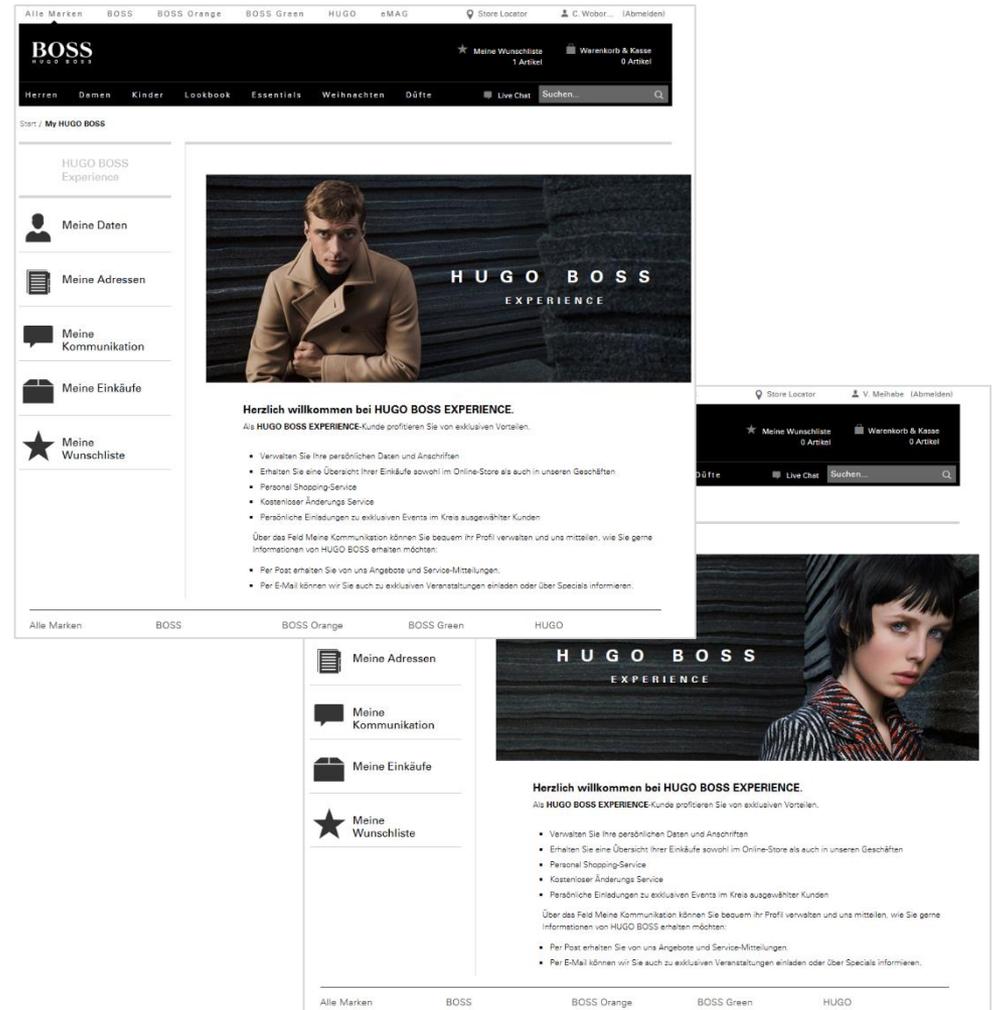
Recognized customer interface components:

- Content card with a 'READ' button.
- Social media icons for Facebook, Instagram, Pinterest, and Twitter.
- Product card with a 'BUY' button.

HUB PAGE

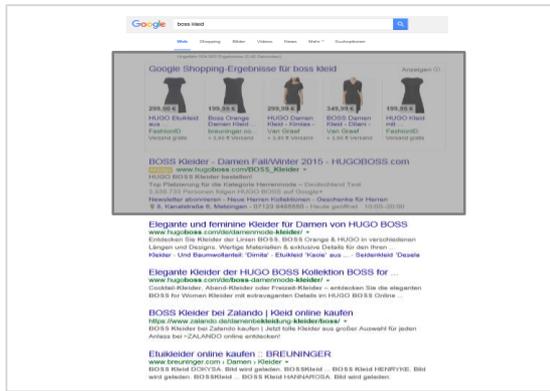
## my HUGO BOSS offers personalized customer experience

- Pilot rollout in Austria, Switzerland and Belgium started in September
- Rollout across all other European e-Com countries and other non-e-Com countries planned in 2016
- Continuous addition of personalization options in 2016 and beyond

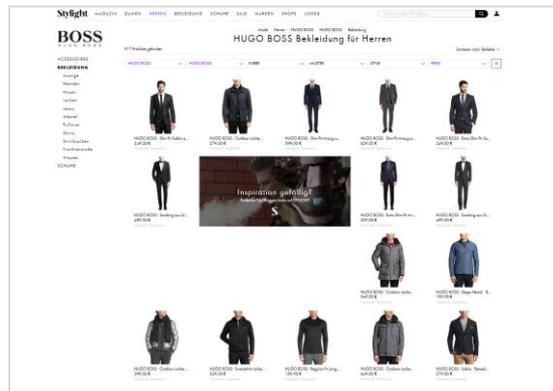


# Digital marketing channels are all tools to drive customers to hugoboss.com

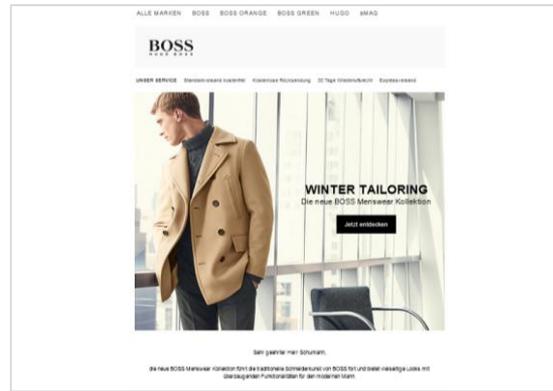
## Search Engine Advertisement (SEA)



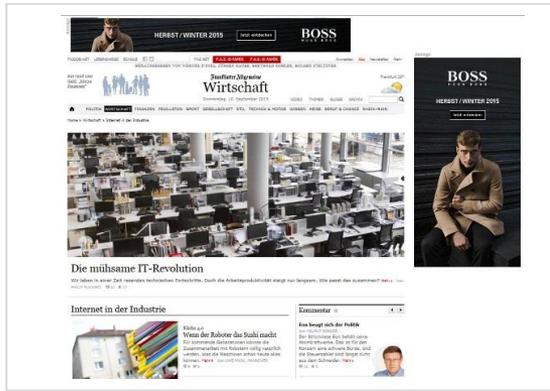
## Affiliate / Publisher



## E-Mail



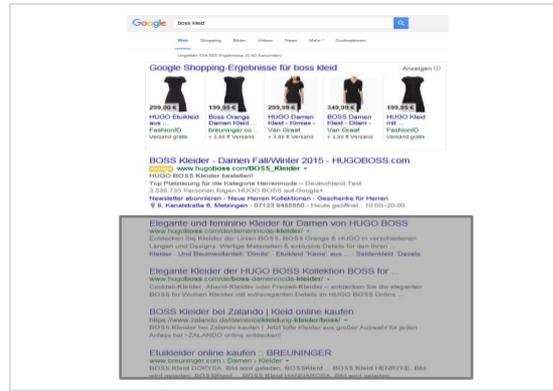
## Display Online Banner



## Social Media



## Search Engine Optimization (SEO)



▶ Push of social media to accelerate move from owned to earned media

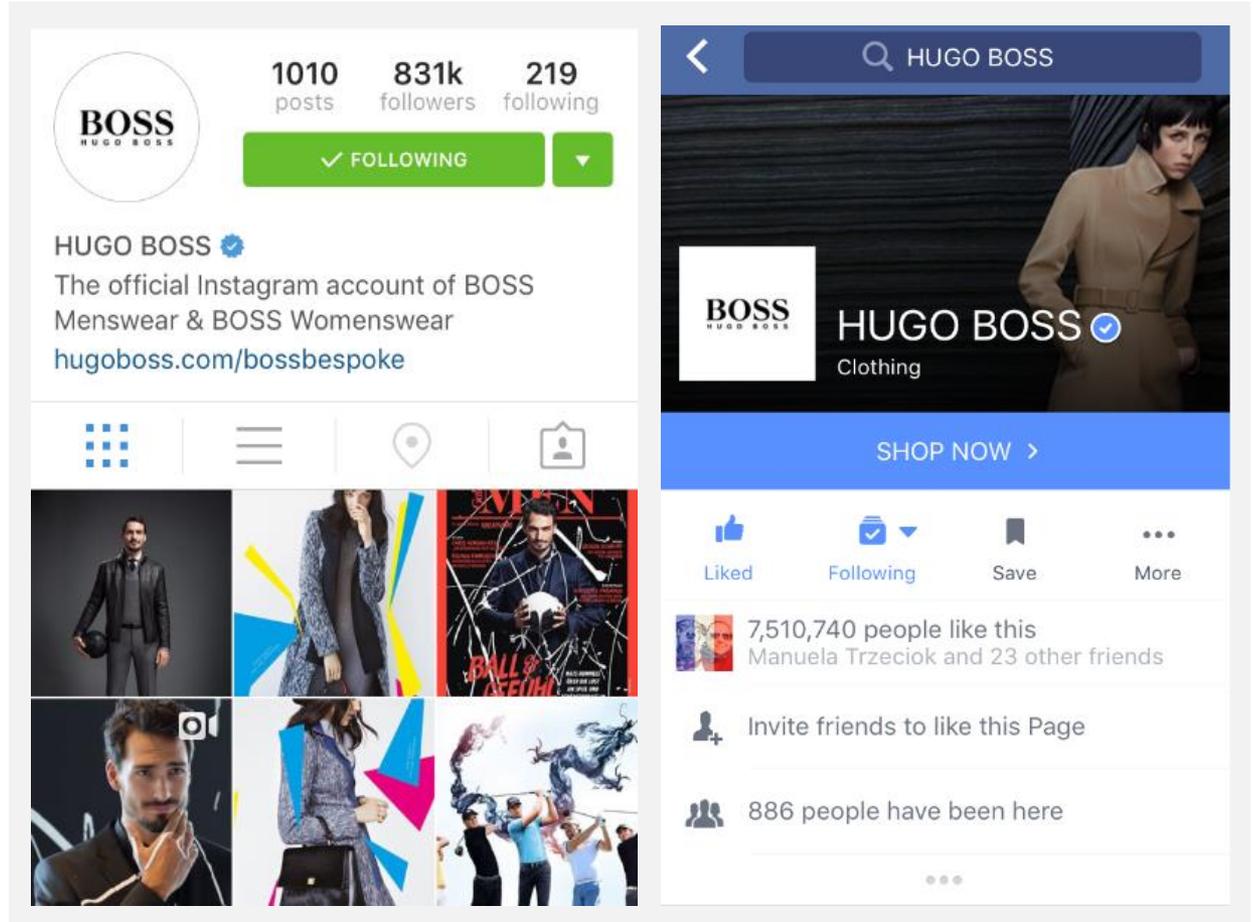
## Social media reach in being further extended

**Follower growth**  
(Jan-Oct 2015)

**Instagram** +224%  
823,000 followers

**Twitter** +50%  
560,000 followers

**Facebook** +5%  
7.5 million fans

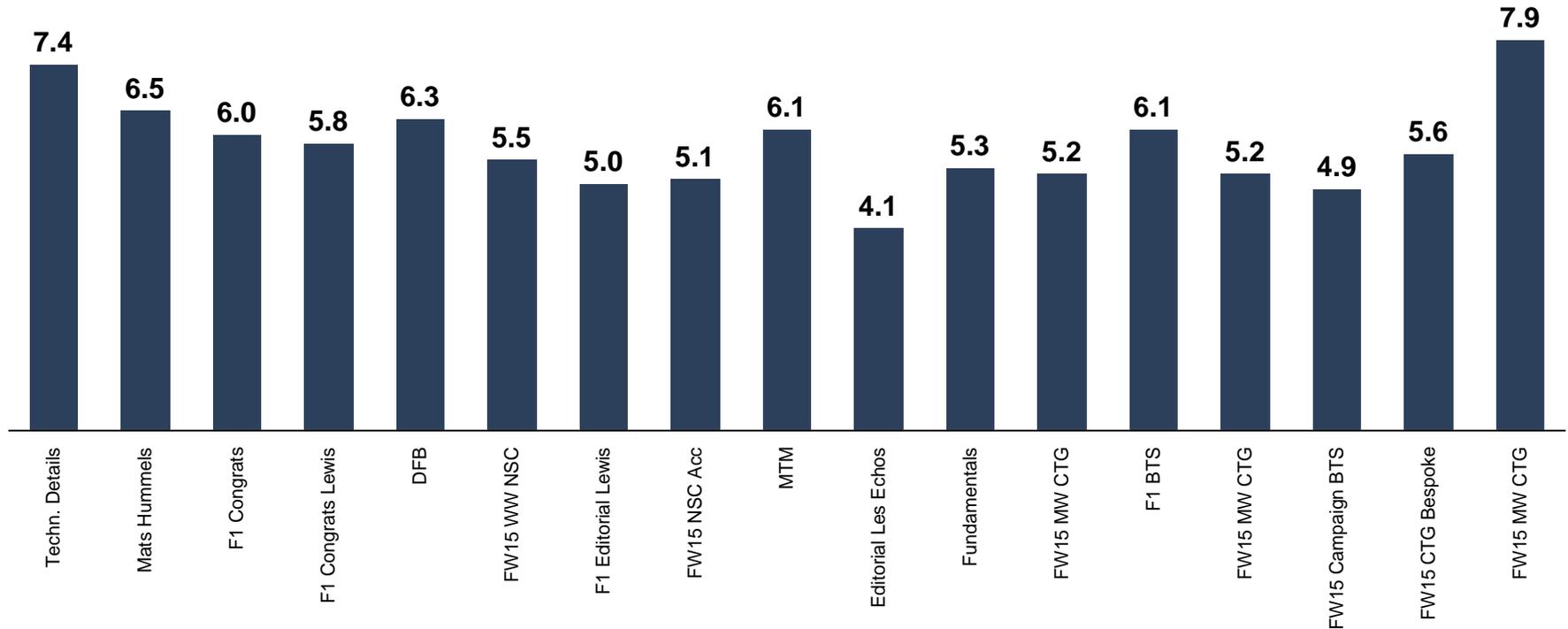


Target to double Instagram reach by March 2016 based on NYC Fashion Show activation

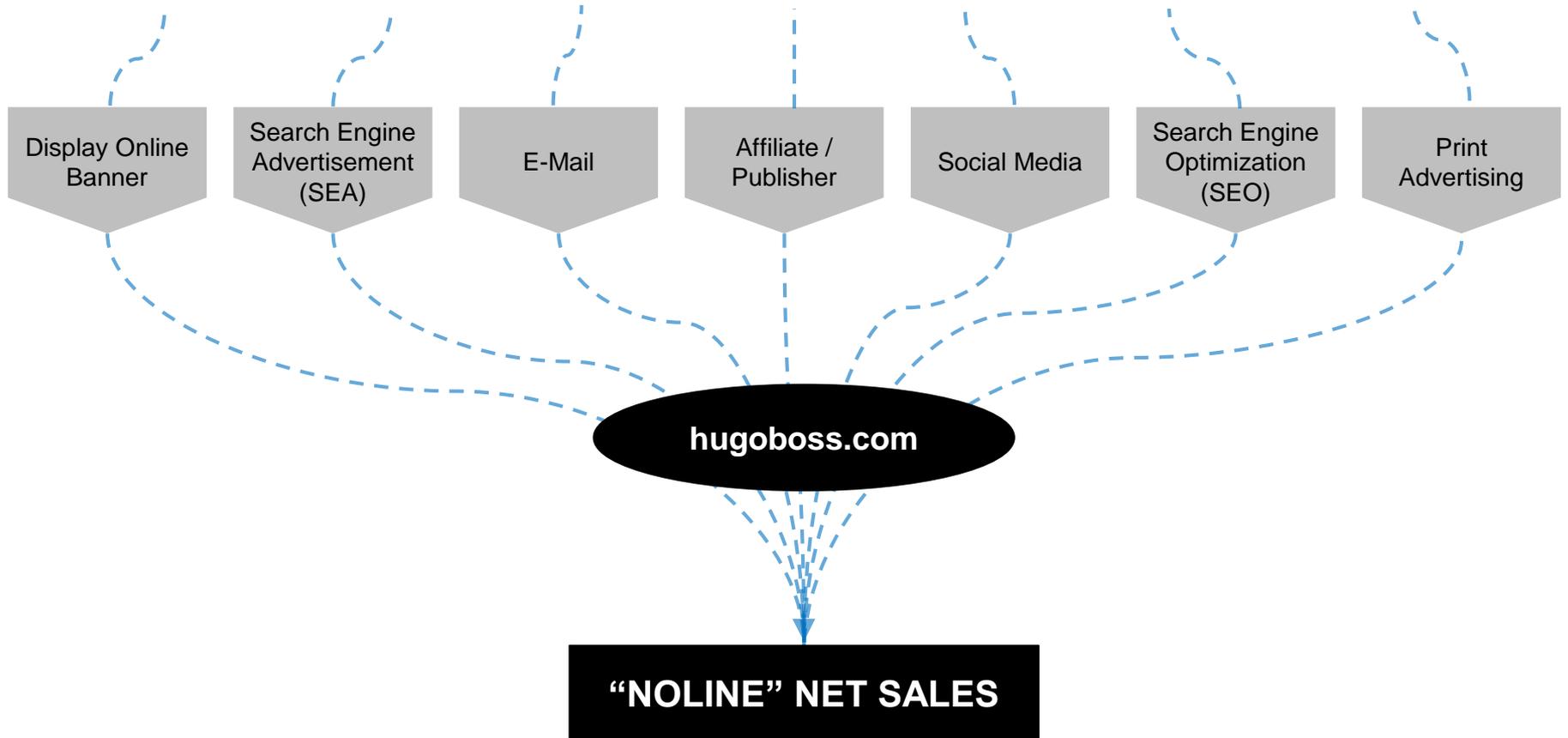
# Continuous engagement tracking helps to evaluate content effectiveness

## Instagram engagement

(w/c Oct 11, 2015, in % // average engagement: 5.8%)



## All digital marketing activities drive traffic to hugoboss.com



**Patrick Berresheim, Director Digital Retail**

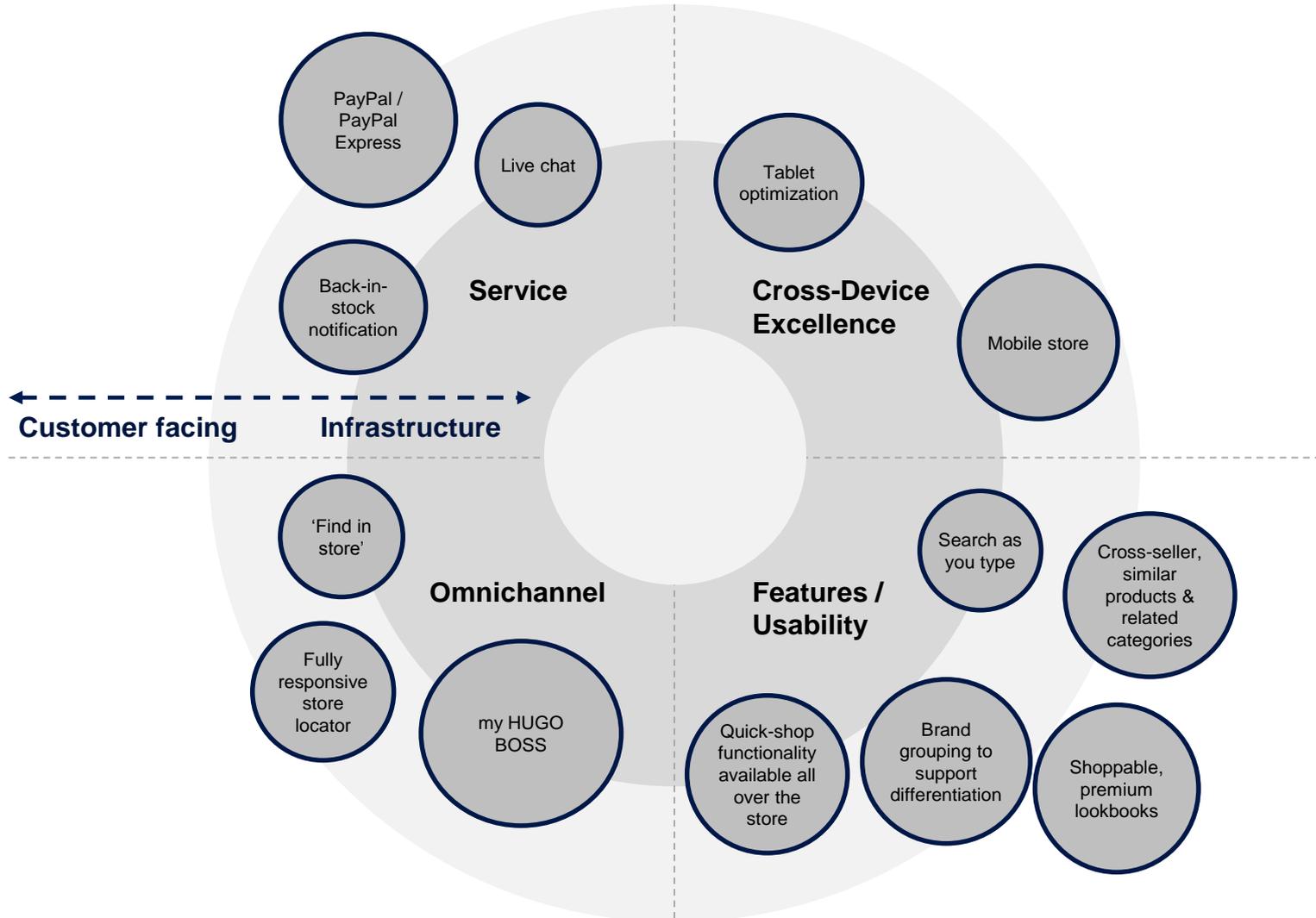
## Agenda

**Content-focused website upgrade builds emotional brand perception**

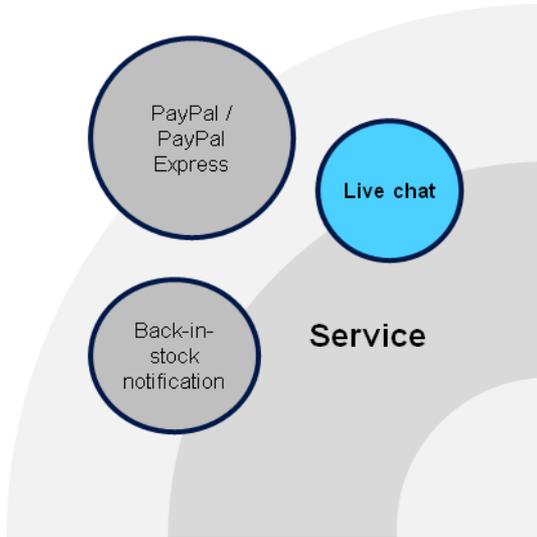
**hugoboss.com offers convenient online shopping and drives customers to store**

**Omnichannel services make shopping experience “noline”**

## hugoboss.com scores high on convenience and usability



## Live chat adds convenience

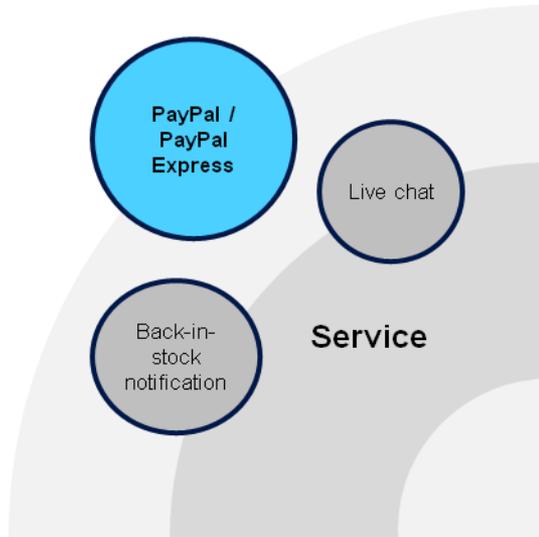


### Live Chat...

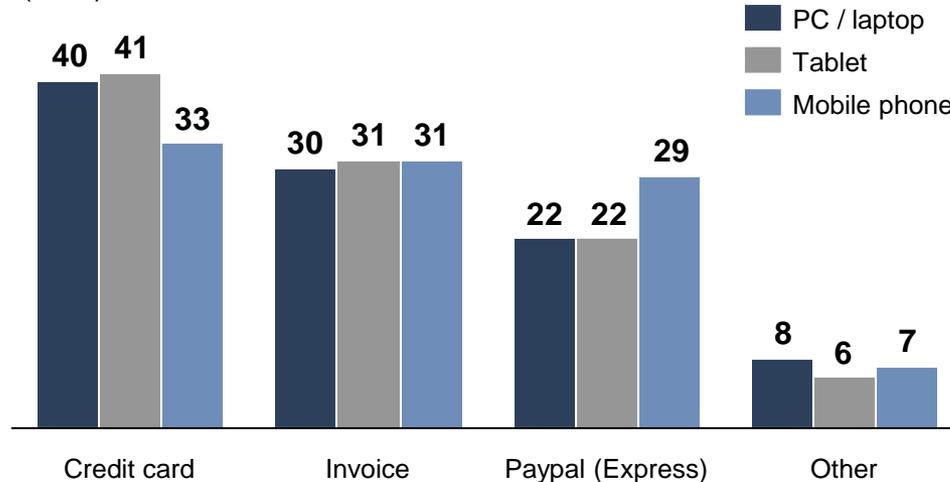
- ...is an important tool to offer personalized fashion and product advice
- ...improves conversion rates and average order values
- ...offers deep insights into customer behavior and preferences

▶ Live chat capacities to be expanded significantly going forward

## Paypal introduced successfully across all markets and devices



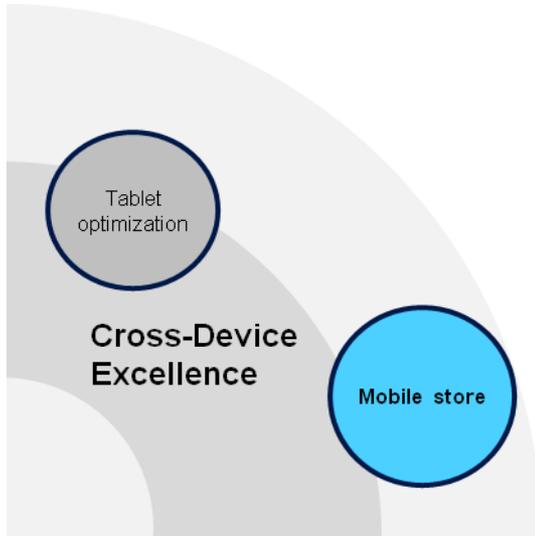
Customer choice of payment options per device (in %)



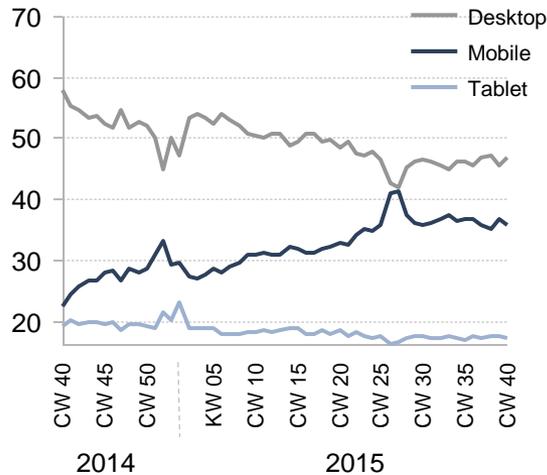
- Introduction of Paypal has been well received by customers
- Paypal Express has high adoption rates especially in mobile usage
- Significantly different payment preferences by market

Offering of payment options has high impact on check-out conversion rate

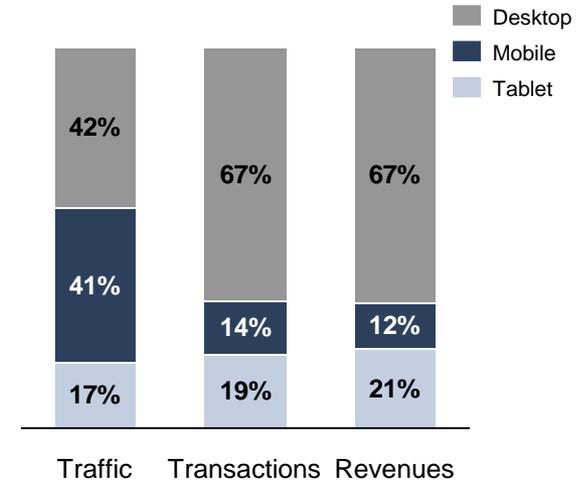
## Mobile on the verge to becoming the mostly used device



Traffic development by device  
(in %, last twelve months)



Traffic / transactions / revenues by device  
(Oct. 2015)



- Share of mobile traffic has more than doubled since 2014
- Mobile expected to become the number one traffic-driving device in 2016
- Desktop maintains leading role in terms of conversion

“Mobile first” strategy caters to explosive growth of smartphone traffic

## Easiness to purchase crucial in driving sales

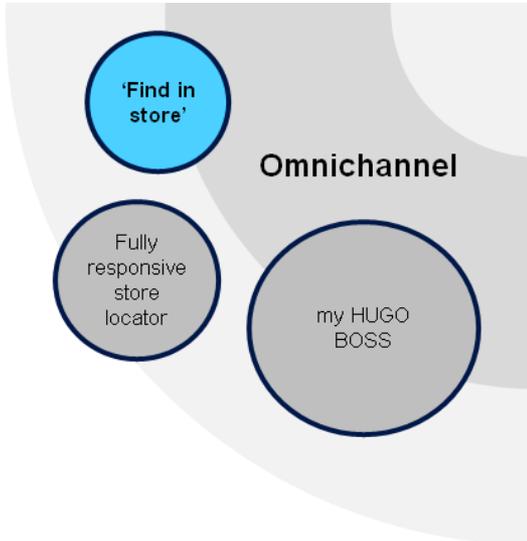
**Features / Usability**

- Search as you type
- Cross-seller, similar products & related categories
- Shoppable, premium lookbooks
- Brand grouping to support differentiation
- Quick-shop functionality available all over the store

- Shoppable lookbooks, campaigns and runway styles emotionalize and drive conversion
- Sophisticated site search includes auto-complete functionality with thumbnail preview
- “Style With”, “Similar Products” and “Recently Viewed” support cross-selling

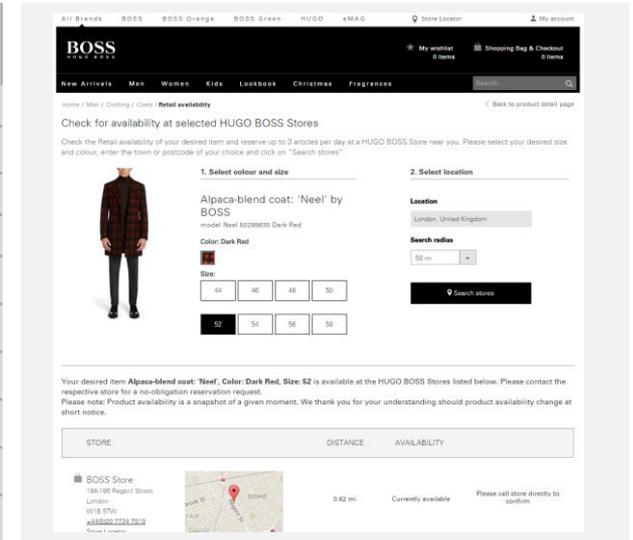
▶ Making all content shoppable and easy to find is key

## 'Find in store' functionality leverages strength of retail network



**Top 10 locations by usage**  
(based on IP address, Oct 2015)

London
Paris
New York
Berlin
Los Angeles
Hamburg
Amsterdam
Madrid
Munich
Vienna

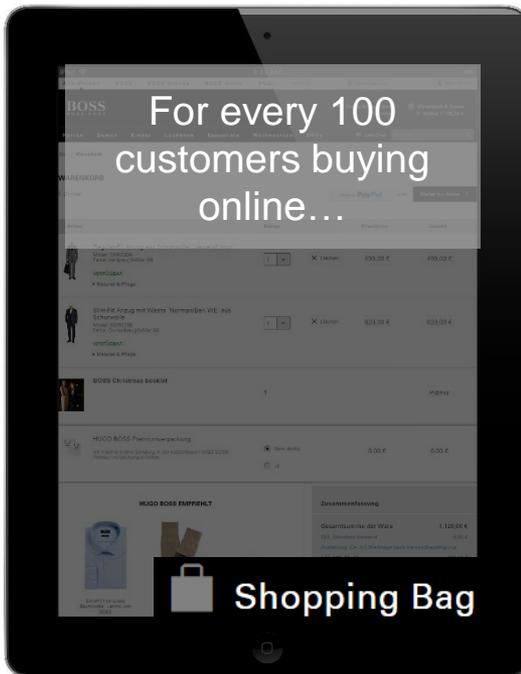


- High levels of usage in key metropolitan areas
- Particular relevance for high-value product groups
- Strong adoption by female users

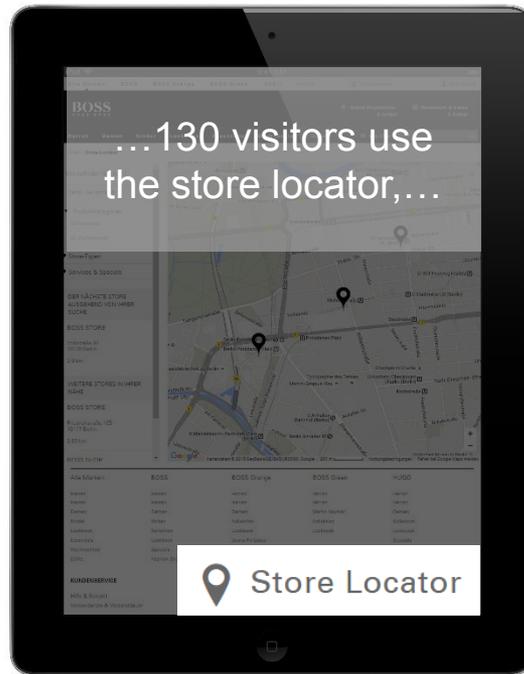
First element directly connecting online and offline retailing at HUGO BOSS

# hugoboss.com plays an important role in driving customers to store

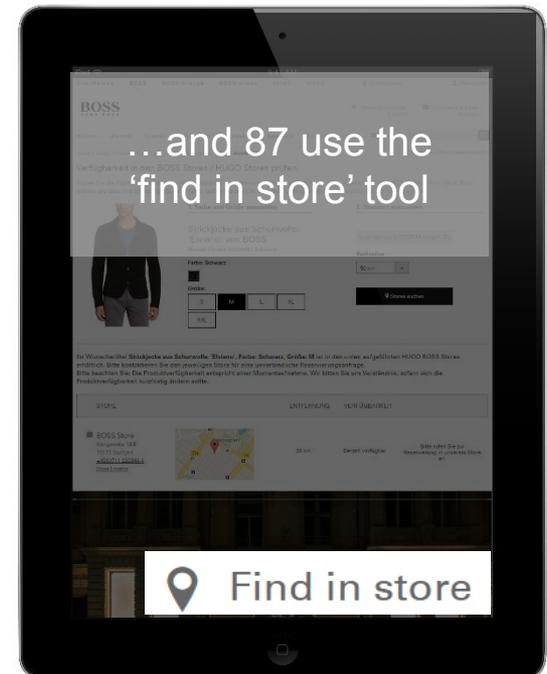
➔ Generates online sales



➔ Drives traffic to store

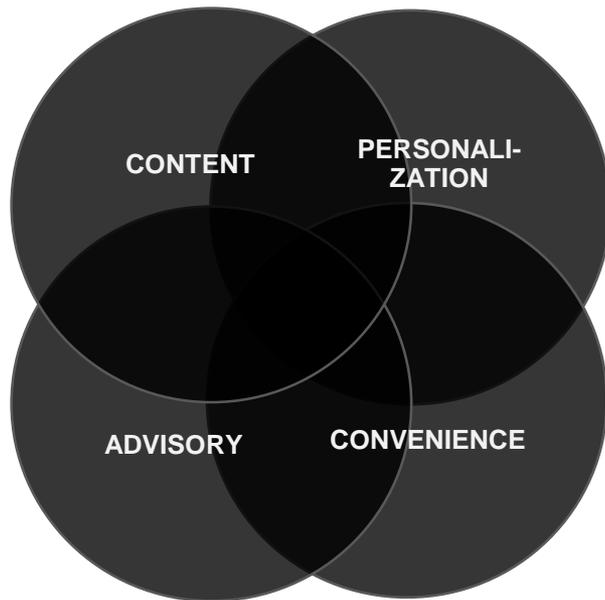


➔ Drives traffic to store



## The role of hugoboss.com is changing

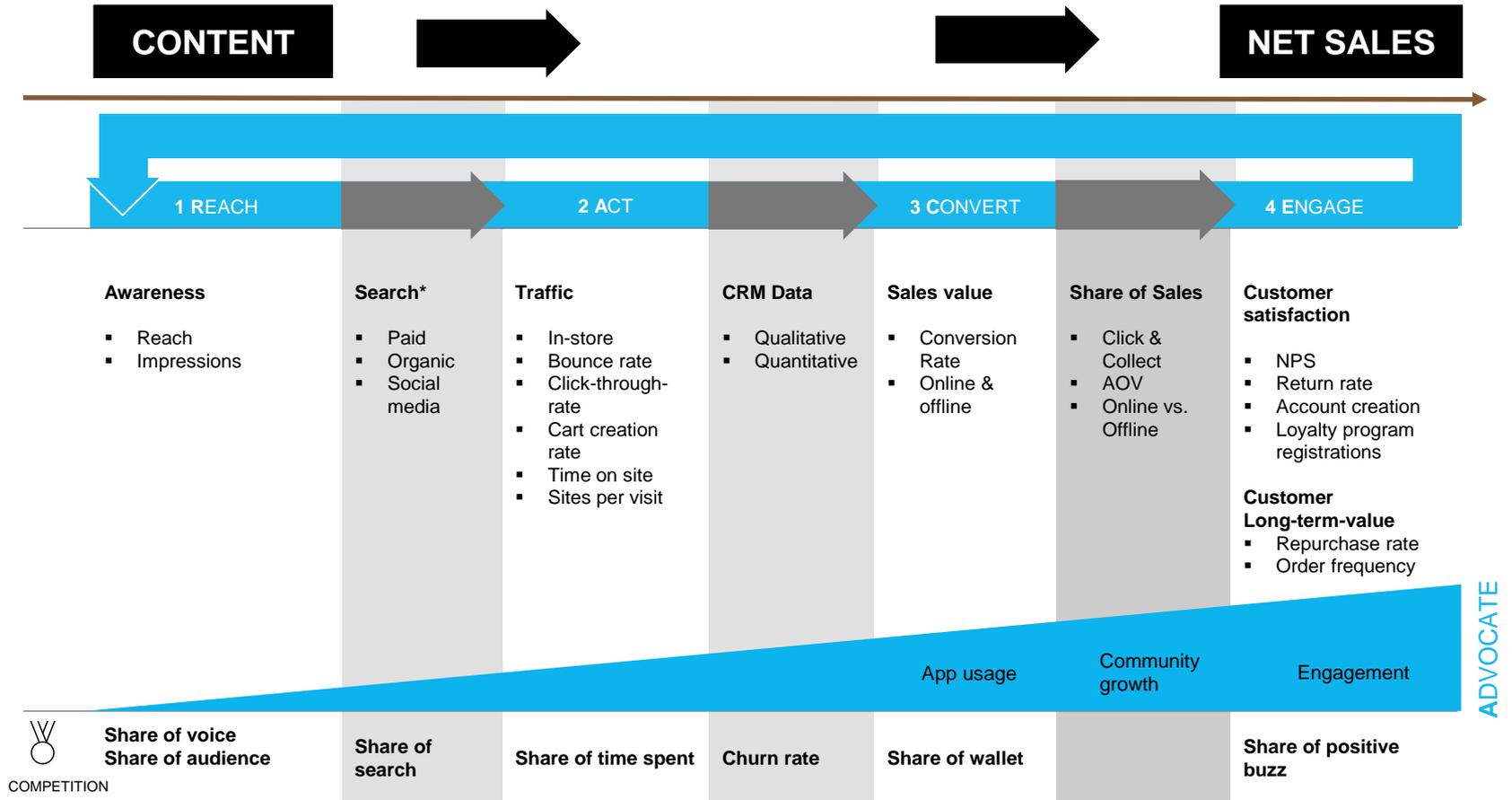
### Digital reset focus areas



Upgrades across all four dimensions elevate hugoboss.com to state-of-the-art center of all digital activity at HUGO BOSS

hugoboss.com is changing from a pure distribution channel into a source of inspiration, engagement and advice, driving customers to buy online and, even more so, offline

## Detailed KPI framework measures digital success



▶ Omnichannel KPI framework integrates the impact digital is having on physical retailing

## Omnichannel requires region-specific approach

### Europe

Size of online business and cost reduction potential warrant insourcing of key elements of e-Com value chain in preparation for offering of omnichannel services

### Americas

Rollout of omnichannel services in the US started in current set-up with fulfillment partner

### Asia Pacific

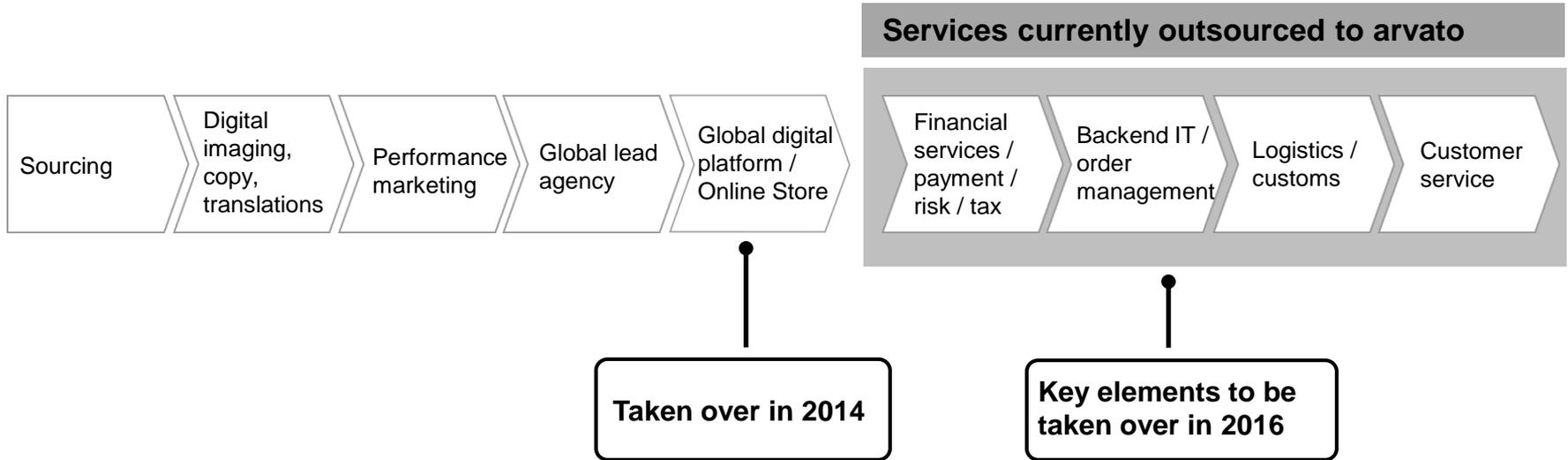
Broadening of China online assortment by virtual integration of physical store inventory

Planned rollout of omnichannel services in China in current set-up with fulfillment partner

**SAME DIGITAL PLATFORM**

**SAME FULFILLMENT PARTNER**

## Key elements of digital retail value chain in Europe to be taken over in 2016



- Restructuring of **financial services**: Insourcing of receivables management, new risk service solution
- Insourcing of **IT backend** important foundation for omnichannel fulfillment
- Integration of previously stand-alone teams into **omnichannel customer service**

# Insourcing of online fulfillment will enhance service levels and lower costs

## Current status (fulfillment outsourced)



### Service

- Cut-off at 3:30 pm
- Varying service levels, delivery times can be > 2 days



### Returns

- One-by-one handling without synergies
- Backlogs in customer returns



### Costs

- Sales-based service fee



### Processes

- Process setup not HUGO BOSS-specific



## New set-up (fulfillment insourced)

- Cut-off at 6:00 pm
- High service levels



- Return handling and product refurbishment across all channels
- Efficient processing of return credit memos



- Lower handling costs per unit and full transparency



- Tailor-made processes meeting the premium requirements of HUGO BOSS



**Bernd Hake, Senior Vice President Europe, Middle East, Africa & India**

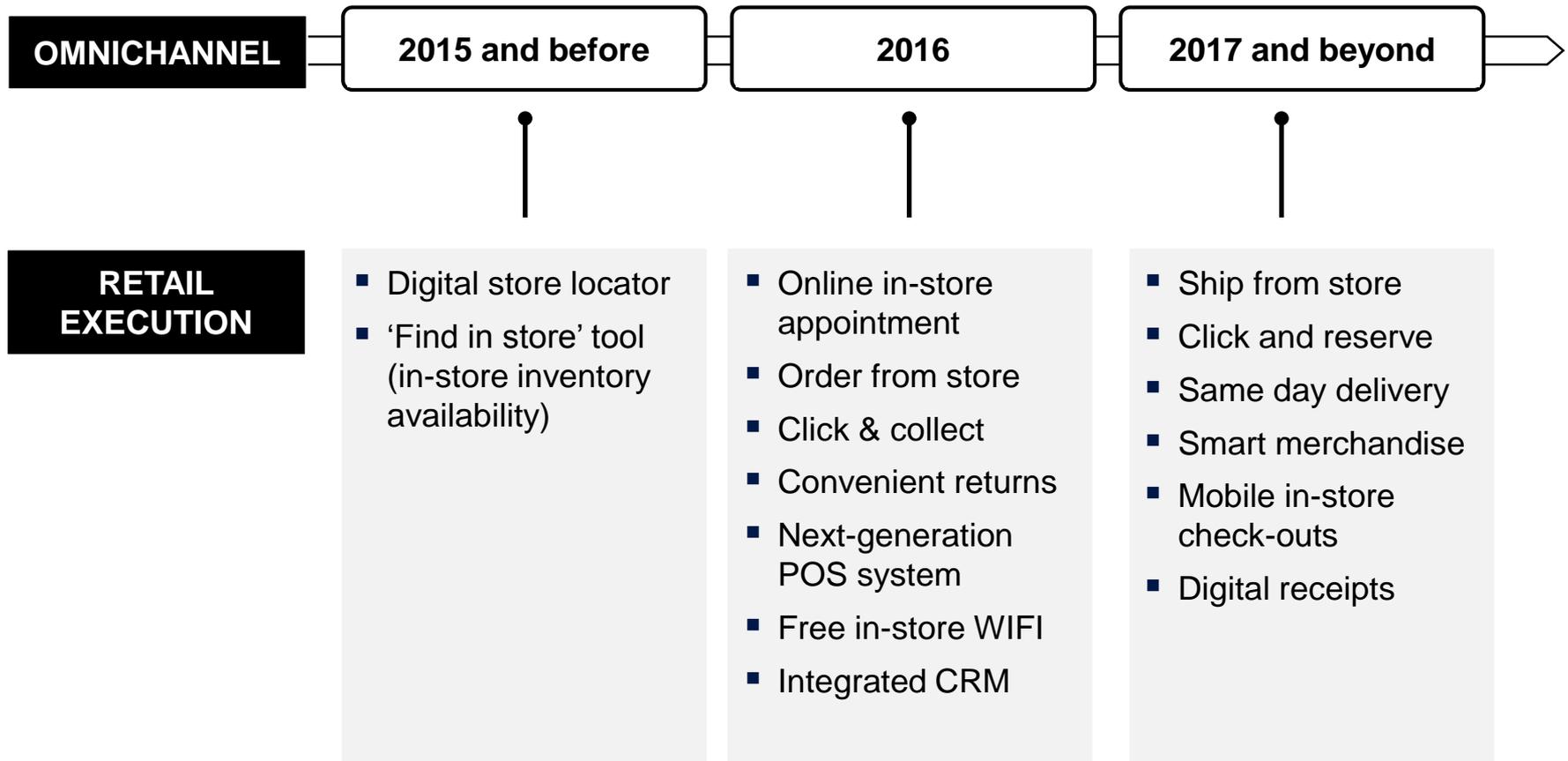
## Agenda

**Content-focused website upgrade builds emotional brand perception**

**hugoboss.com offers convenient online shopping and drives customers to store**

**Omnichannel services make shopping experience “noline”**

## The impact of omnichannel on physical retailing



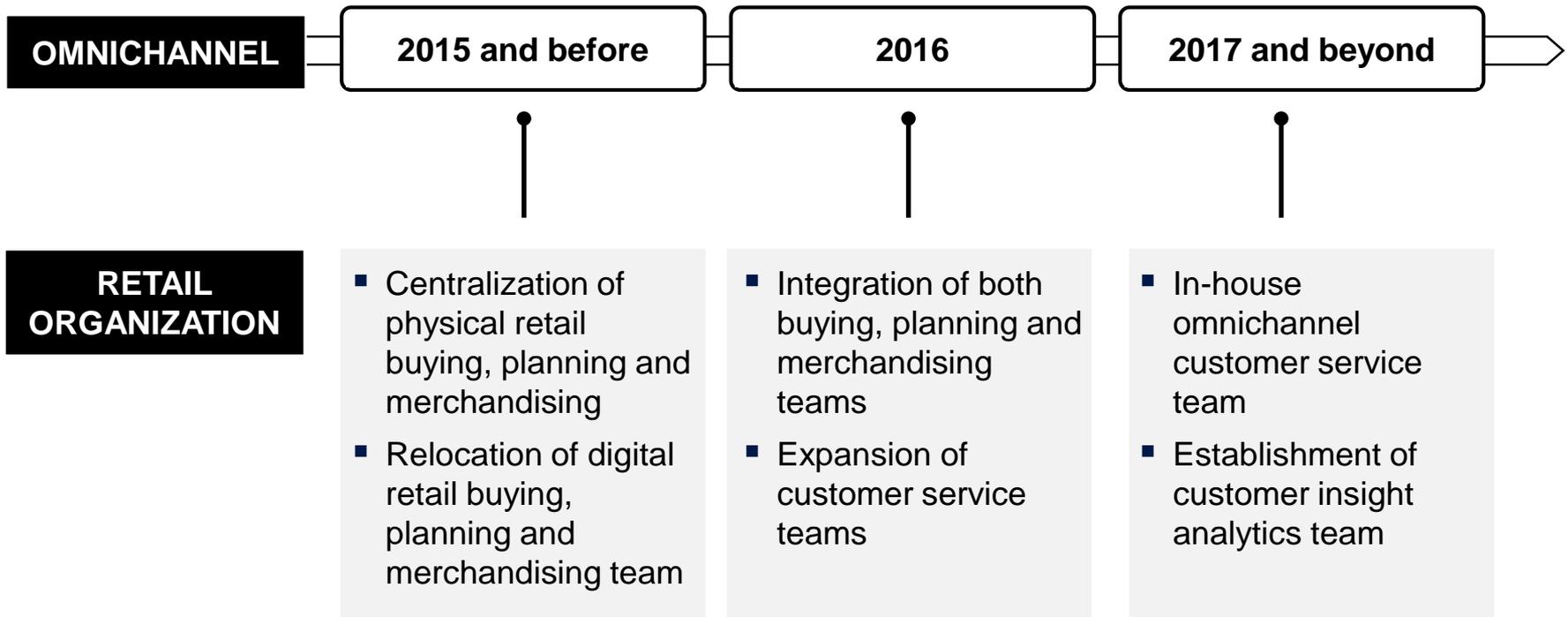
## Integrated CRM enables seamless customer service across channels

The image displays two views of the HUGO BOSS CRM system. On the right, a desktop monitor shows a customer profile for 'Paul Fane' (Customer ID 20654019). The interface includes a navigation bar with tabs for 'PERSONAL DATA', 'ADDRESSES', 'COMMUNICATION', and 'SALES'. The 'PERSONAL DATA' tab is active, showing a photo of a man in a dark shirt and blue pants. Below the photo are four data sections: 'BASIC DATA' (Customer no: 20654019, Last name: Fane, First name: Paul, Home phone: +33 08123531, Date of birth: 1981/3/30), 'STORE & MEMBER' (Member status, Store credit, Created on: 2015/8/20, Created in, Last purchase date), 'FACTS & FIGURES' (Total Net Sales incl. VAT: 11460.78 €, Total Net Sales store incl. VAT, Total returns: 0.00 €, 0 NS-PT: 664.28 €, 0 U-PT: 3.71), and 'PURCHASE HISTORY' (Main store, Last purchase in store, Last purchase date).

On the left, an iPad displays a retail application interface. The top of the screen shows 'MOCCA' and a woman in a red dress. Below the image are navigation icons for 'Search & Add', 'My Clients', 'Prospects', 'Store Clients', 'Goals', and 'Store Goals'.

- In-store application provides store personnel with full customer data based on integration with my HUGO BOSS
- Easy access via iPads and cash desk
- Rollout starting early 2016

## Evolution of organization to reflect omnichannel



## Organization is aware of the challenges of omnichannel implementation

### Provide seamless and reliable service

- Develop end-to-end systems and processes
- Align price and promotions across channels
- Drive cross-functional collaboration
- Synchronize payment options

**SATISFACTION**

### Deliver a consistent brand experience

- Align online, mobile, and in-store technology
- Enhance consistent performance through customer analytics
- Generate insights powered around customized content

**TRUST**

### Establish an omnichannel operational framework

- Perform training and development of core team
- Create full inventory visibility
- Develop the necessary IT and logistics capabilities
- Identify cost effective shipping and fulfillment solutions

**LOYALTY**

## Omnichannel builds brand equity

### Better brand equity

- Ensure consistent brand experience across all touchpoints
- Allow the shopping experience to be emotionalized
- Engage customers across the path-to-shop
- Increase customer satisfaction



Digital will be the key future business driver at HUGO BOSS

## Omnichannel enhances customer experience

### Richer and easier shopping experience

- Enable researching and buying anywhere, at any time, on any device
- Personalize the shopping experience
- Upgrade service levels
- Allow for broader choice

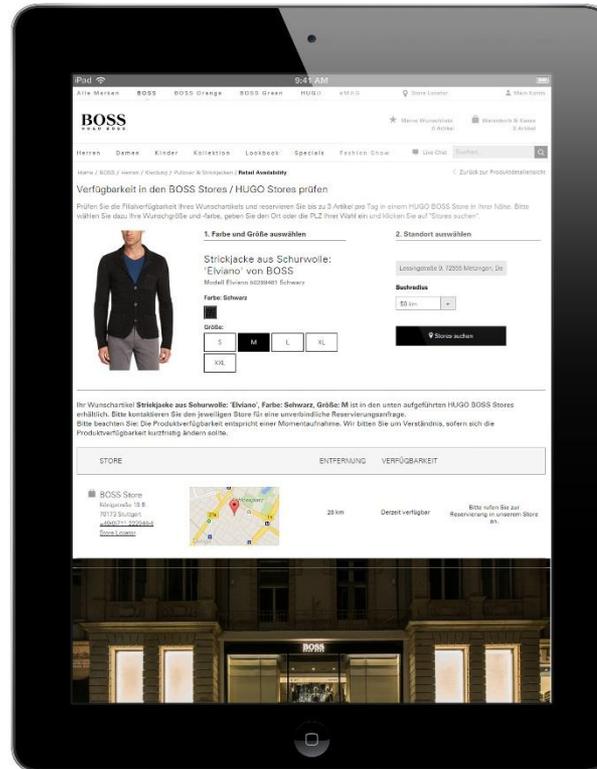


Digital will be the key future business driver at HUGO BOSS

# Omnichannel grows enterprise value

## Greater sales and profitability

- Drive sales online and offline
- Leverage strength of existing IT and logistics backbone to create cost efficiencies
- Improve inventory visibility and flexibility of merchandise allocation
- Increase marketing effectiveness



Digital will be the key future business driver at HUGO BOSS

**H U G O   B O S S**