HUGO BOSS

HUGO BOSS

Investor Day 2014
Digital Strategy

Gerd von Podewils, Senior Vice President Global Communication

Paris, November 19, 2014

Agenda

Change in consumer expectations

Omni channel business model

Digital communication strategy
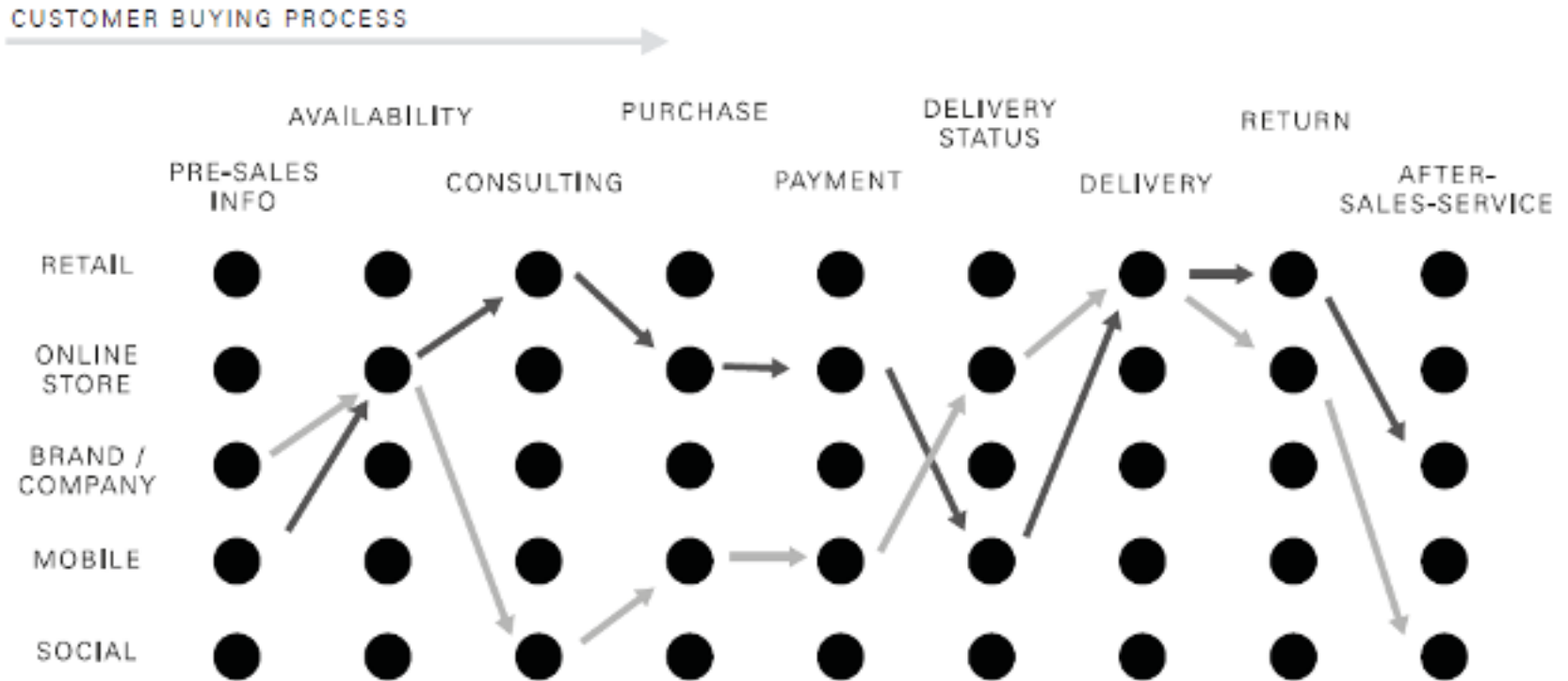
Agenda

| Change in consumer expectations |

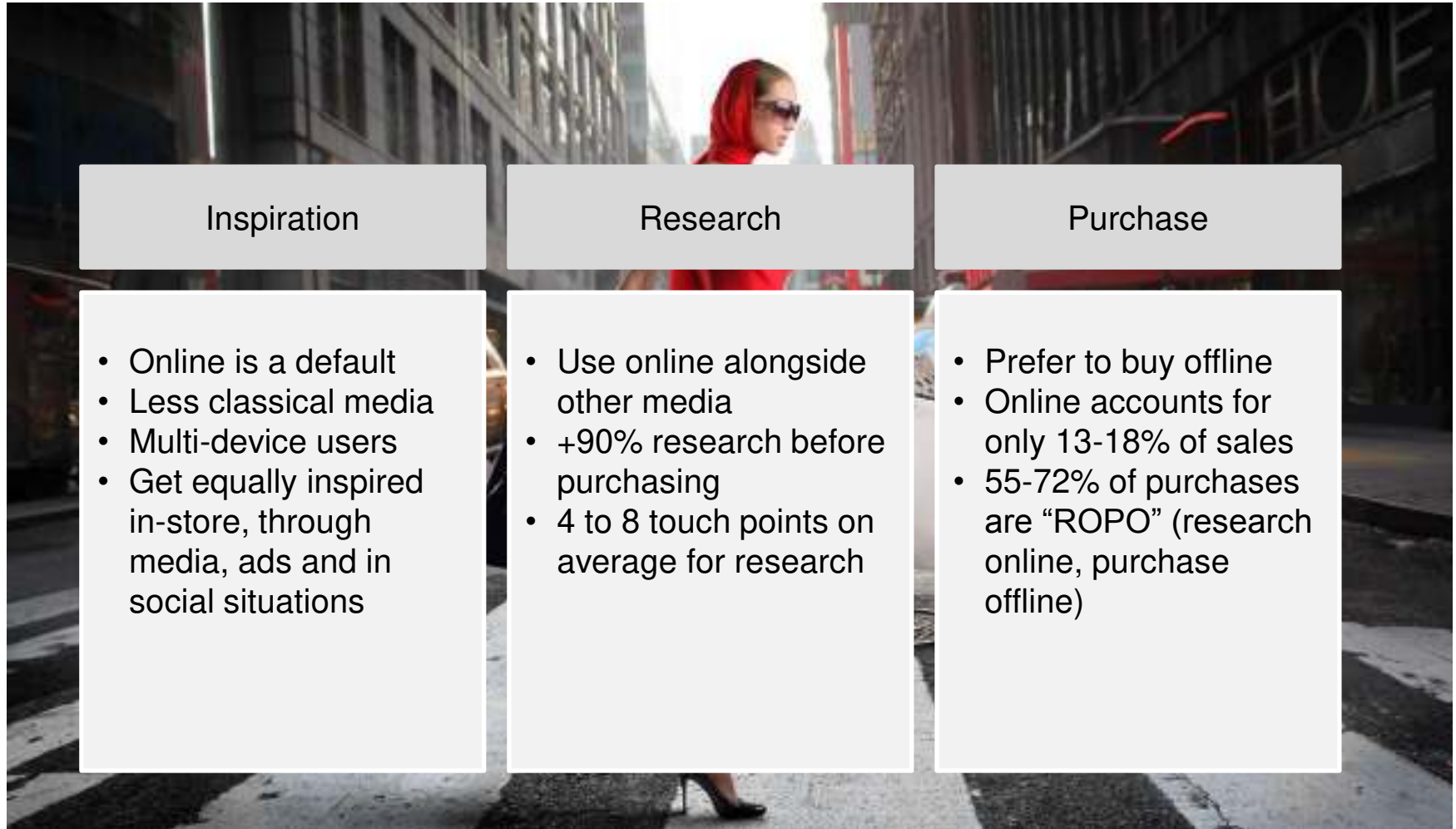| Omni channel business model |

| Digital communication strategy |

Consumer-led approach

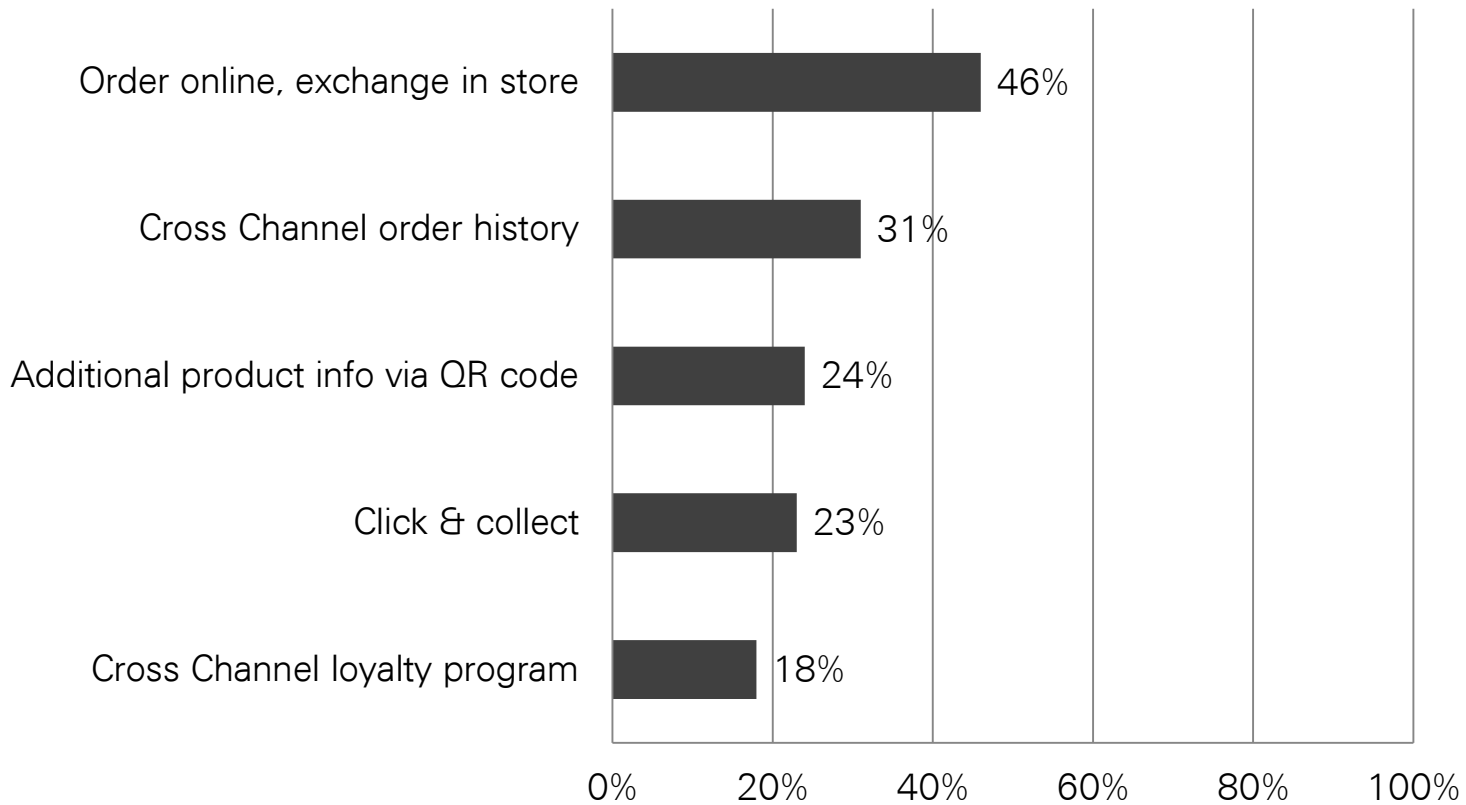# THE CONSUMER IS BOSS

The consumer path of purchase is becoming more complex

CUSTOMER BUYING PROCESS

Consumer behavior has changed from "offline versus online" to "noline"

Inspiration	Research	Purchase
• Online is a default • Less classical media • Multi-device users • Get equally inspired in-store, through media, ads and in social situations	• Use online alongside other media • +90% research before purchasing • 4 to 8 touch points on average for research	• Prefer to buy offline • Online accounts for only 13-18% of sales • 55-72% of purchases are "ROPO" (research online, purchase offline)

Source: Google

Consumers expect close integration of online and offline retailing

DESIRED OMNICHANNEL SERVICES

Service	Percentage
Order online, exchange in store	46%
Cross Channel order history	31%
Additional product info via QR code	24%
Click & collect	23%
Cross Channel loyalty program	18%

Source: ECC Study 2013 – Cross-Channel Purchase of Branded Goods, N=904 surveys
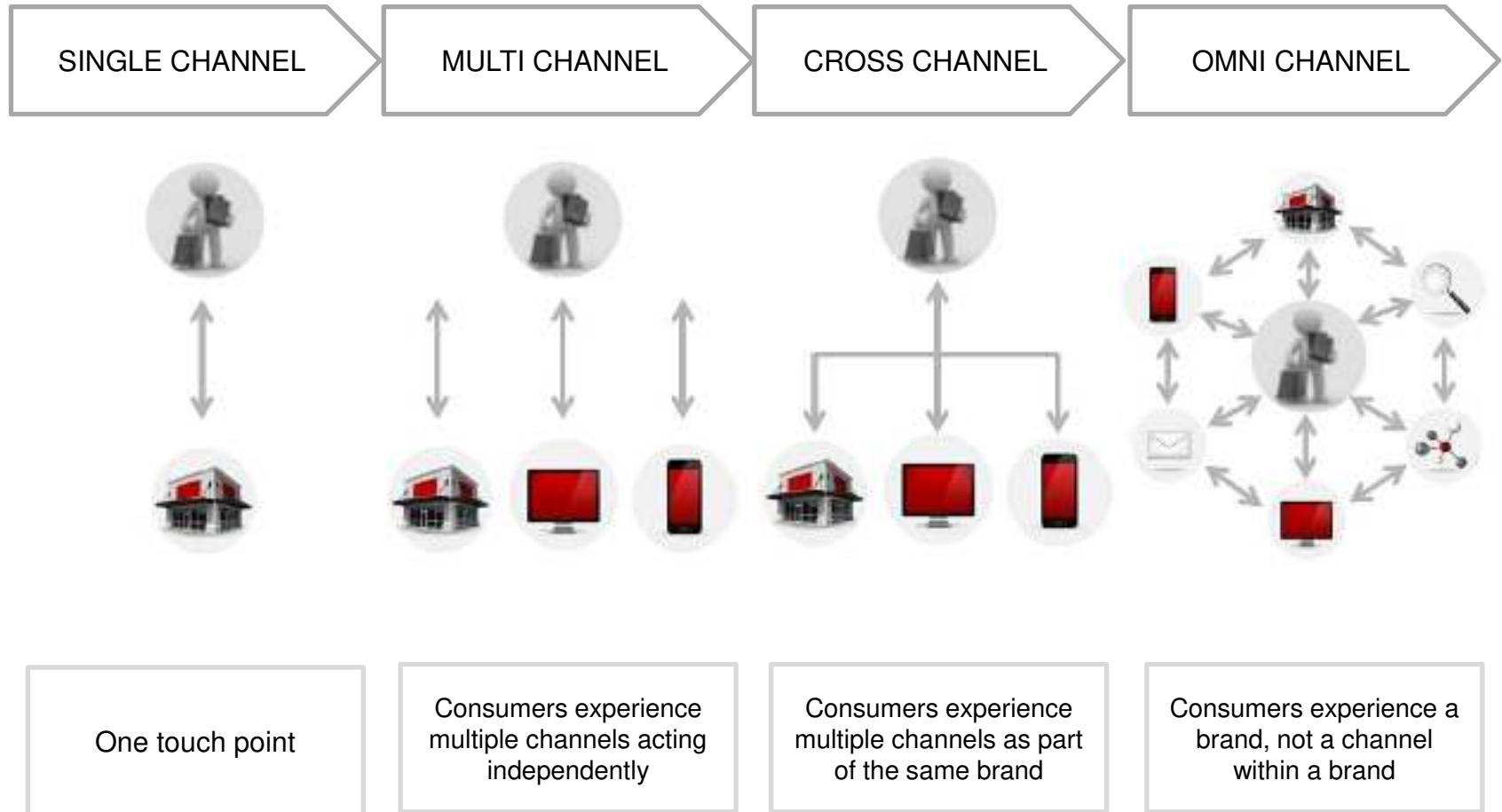
Agenda

Change in consumer expectations

Omni channel business model

Digital communication strategy

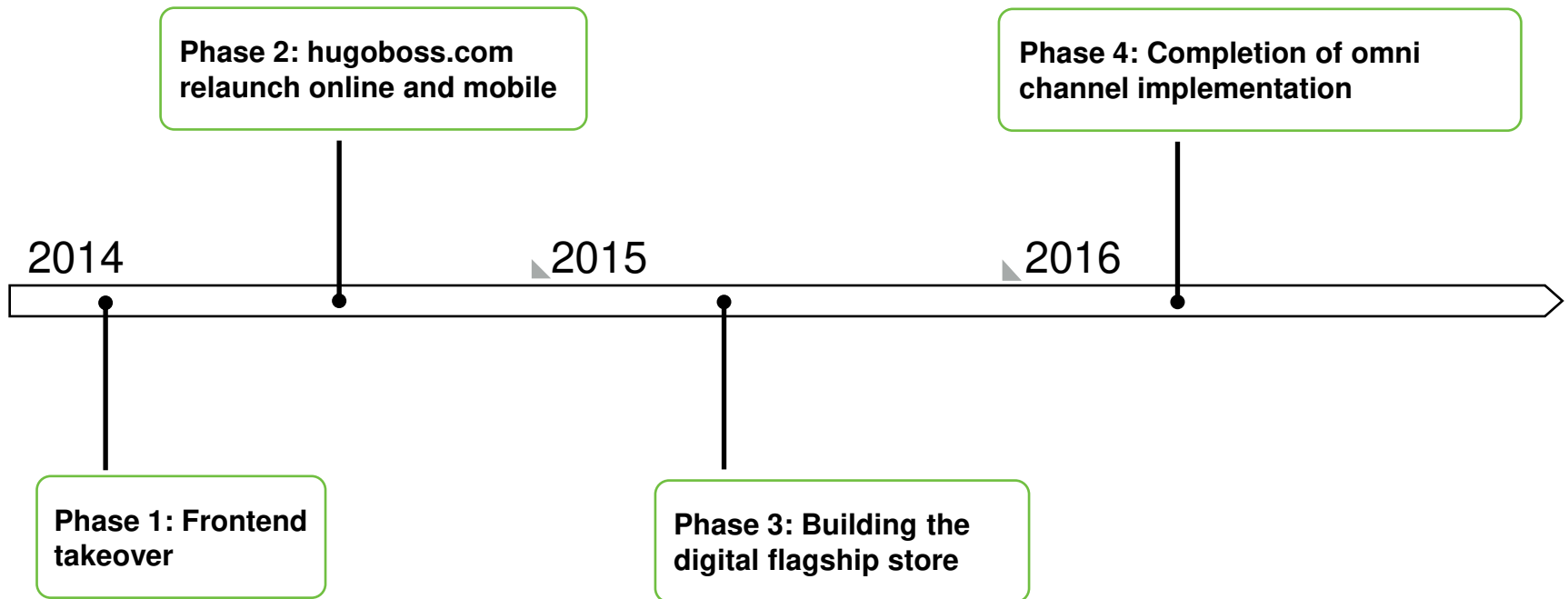# Omni channel means full integration of previously individual channels

| SINGLE CHANNEL | MULTI CHANNEL | CROSS CHANNEL | OMNI CHANNEL |

| One touch point | Consumers experience multiple channels acting independently | Consumers experience multiple channels as part of the same brand | Consumers experience a brand, not a channel within a brand |

Registered multichannel consumers are the most valuable

Consumer group	Net sales per member	Transactions
Retail customer	€521	1,7
eCom customer	€451	2,8
Multichannel customer	€927	4,4

Consumer group	Net sales per transaction per member	Net sales per transaction per non-member	Δ Net sales per transaction w/o VAT
Retail customer	€297	€213	€71
eCom customer	€162	€135	€23

Engaging and serving consumer omni channel promises an even higher commercial value

HUGO BOSS is executing an end-to-end omni channel roadmap

Phase 2: hugoboss.com relaunch online and mobile

Phase 4: Completion of omni channel implementation

2014

2015

2016

Phase 1: Frontend takeover

Phase 3: Building the digital flagship store

By 2016, HUGO BOSS will offer consumers a seamless brand and shopping experience across all channels

HUGO BOSS

Key initiatives defined

Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	By end of 2014
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2014 / 2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven CRM measures	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

HUGO BOSS

Takeover of frontend has upgraded overall look and feel

HUGO BOSS

Frontend takeover lays the basis for all further development steps

	Outsourced	**Own frontend**
Degree of store customization	None	Fully customized
Responsibility for store development	Partner	Direct
Platform innovation	Only if appropriate for all partners	Constant innovation
Performance	No direct influence	Fast
Inhouse know-how	Limited	Comprehensive

Takeover has secured best-in-class architecture

Ideal startup setup

Ideal setup to maximize growth opportunities

Key initiatives defined

Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	by end of 2014
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2014 / 2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven CRM measures	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

Merger of online store and brand website drives traffic

Before

Two different gateways for eCom store and brand website

Today

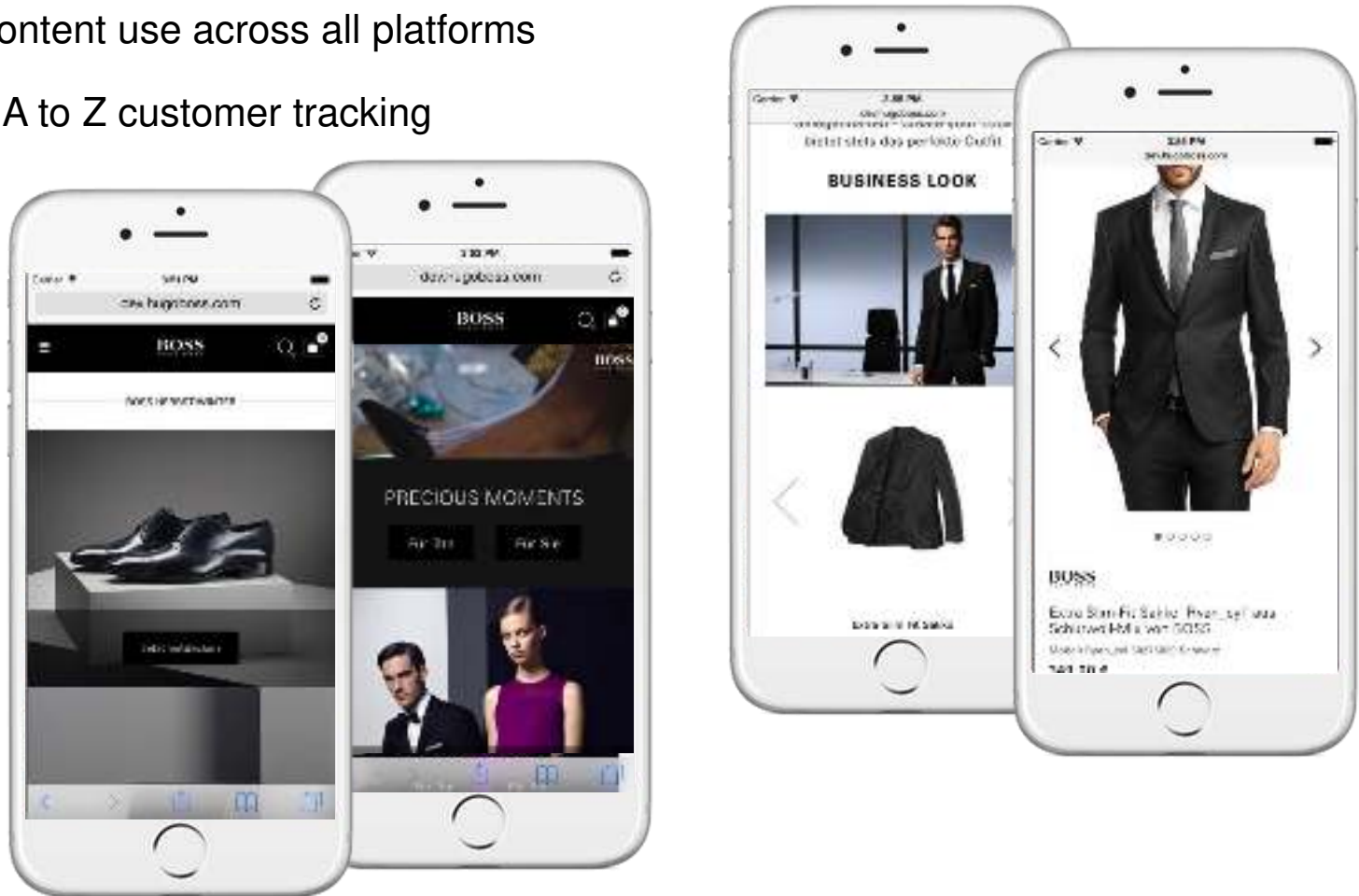Seamless integration of content and commerce

Key initiatives defined

Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	By end of 2014
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2014 / 2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven CRM measures	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

# Mobile becomes an integral part of digital through responsive design

- Mobile store to be migrated to one common platform with online store

- Allows content use across all platforms

- Enables A to Z customer tracking

HUGO BOSS

Key initiatives defined

Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	By end of 2014
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2014 / 2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven CRM measures	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

Continuous store upgrades support conversion and customer satisfaction
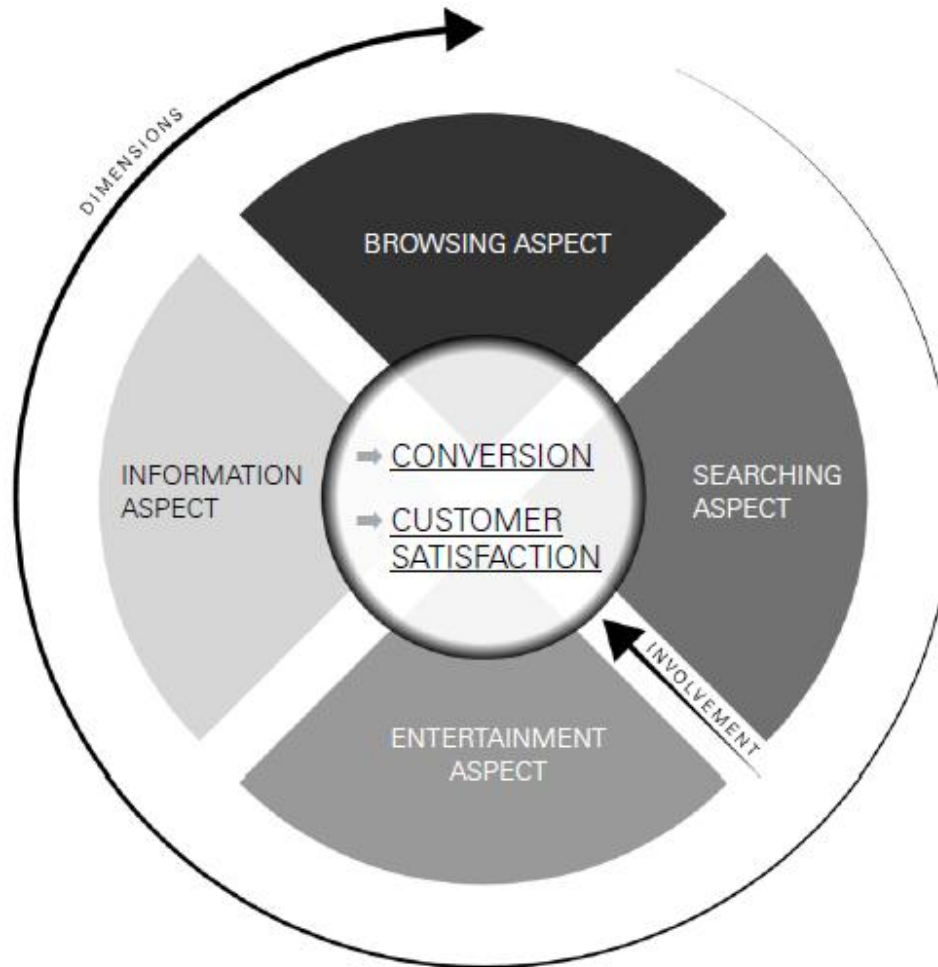
Introduction of in-store availability feature

- Provides real-time store inventory information

- Enables search for product in other stores

- Locates closest store in relation to customer's IP address or GPS position
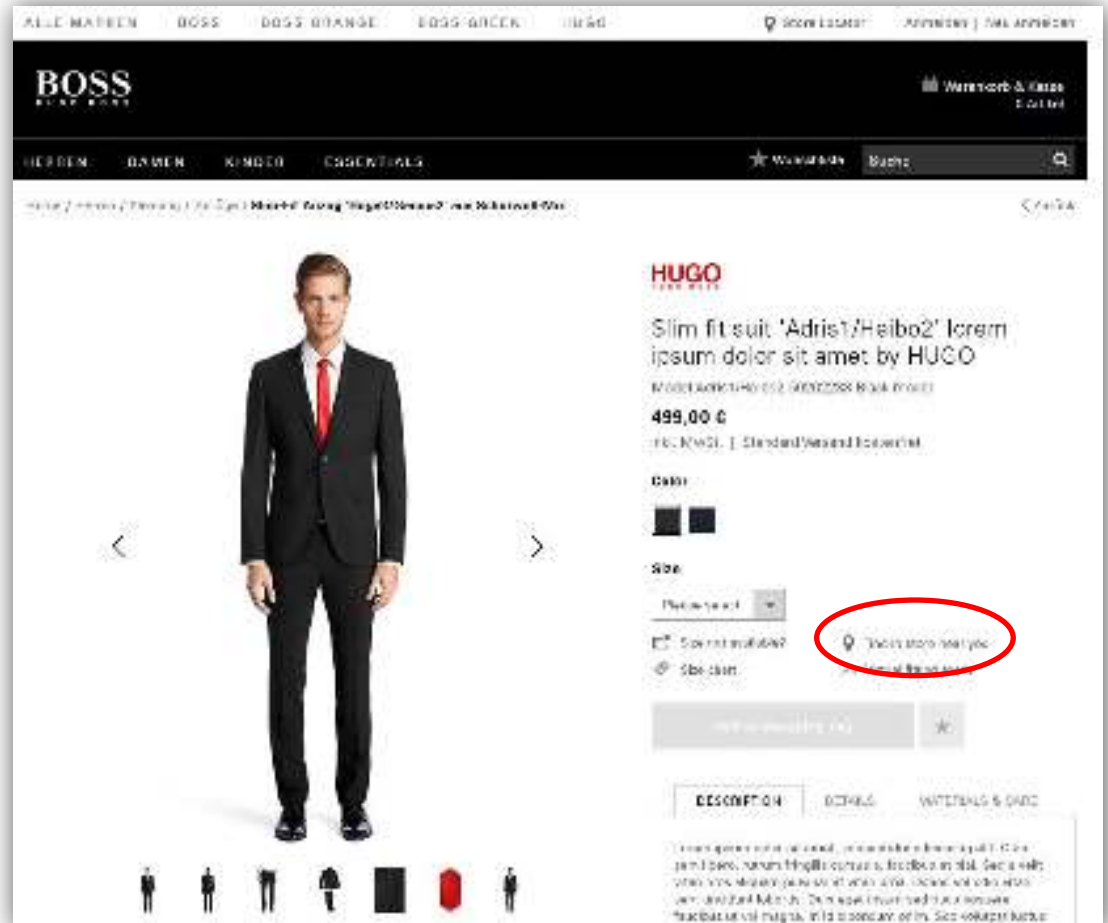
Live chat functionality to be rolled out across more markets

- Offers advisory service proactively or upon request

- Has proven successful in US online store

- Positive impact on conversion rate and basket sizes
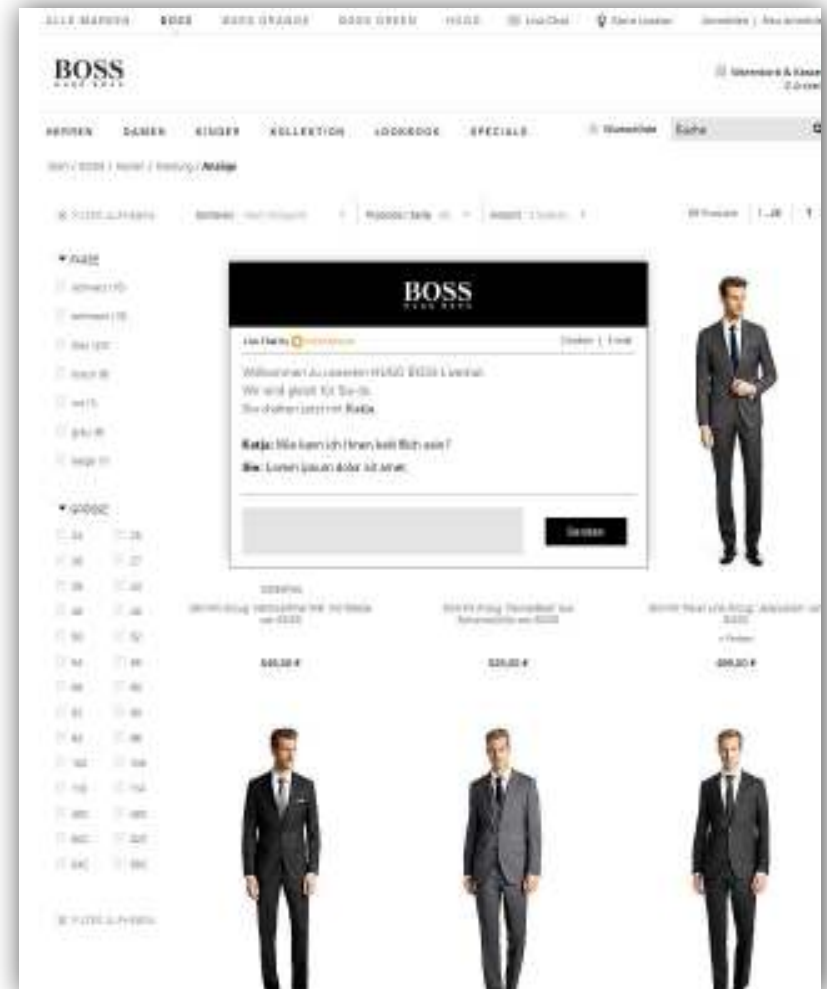
Product recommendation functionality to be extended

- Provides color-specific product recommendations
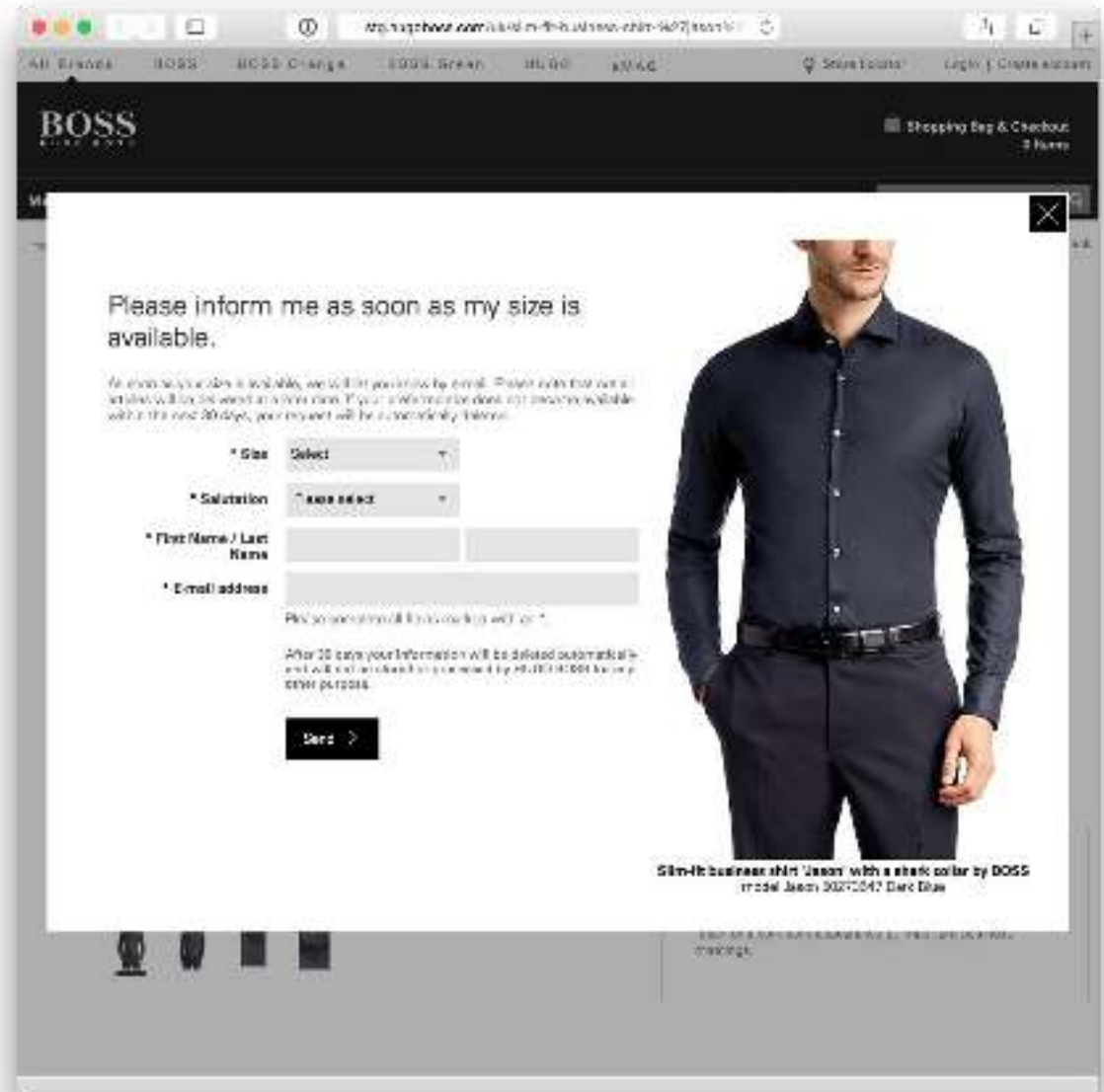
- Complements total looks

- Drives cross-selling
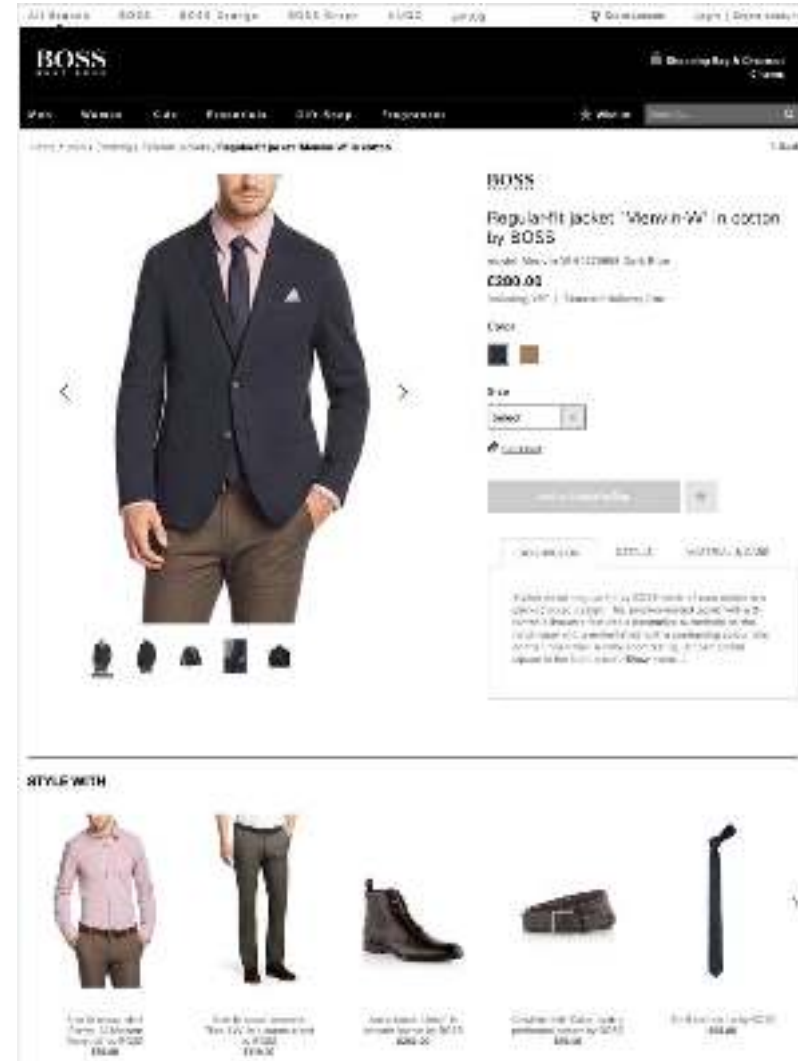
Introduction of quick shop feature

- Automatic opening of additional window offering detailed product view and purchase opportunity

- Provides direct link between campaign and product without distracting the customer journey
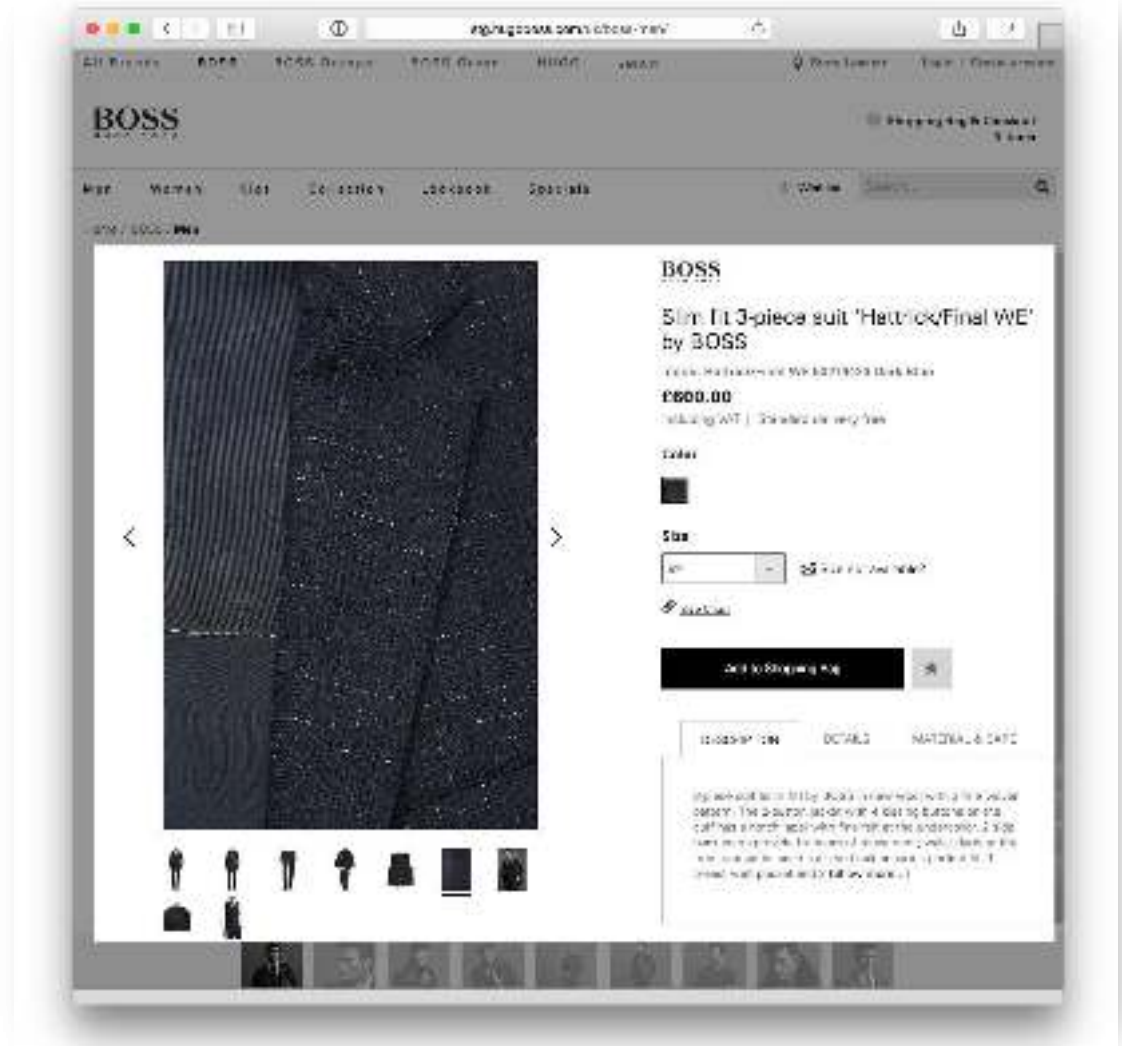
Back-in stock notification adds convenience

- Notifies the consumer as soon as a product becomes available again

- High levels of usage

- Visitors using the tool have significantly higher conversion rate

Key initiatives defined

Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	By end of 2014
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2014 / 2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven CRM measures	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

# myHUGOBOSS will allow consumers to define their style preferences
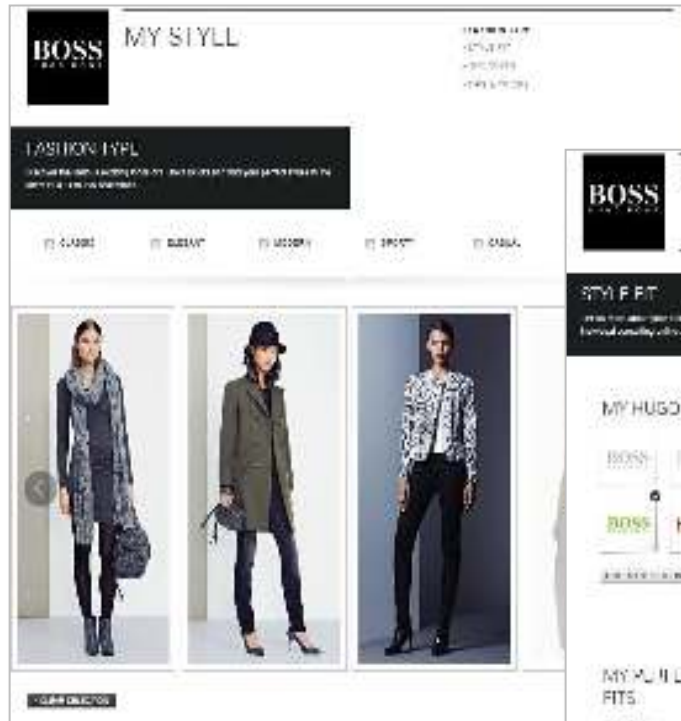
My Style

Fashion Type
Customers discover the different HUGO BOSS looks and find their perfect style in the latest HUGO BOSS collections.

Style Fit
Customers choose their fashion style based on size, preferred brands, materials and colors. This enables us to personalize information and the consulting service online and in-store.

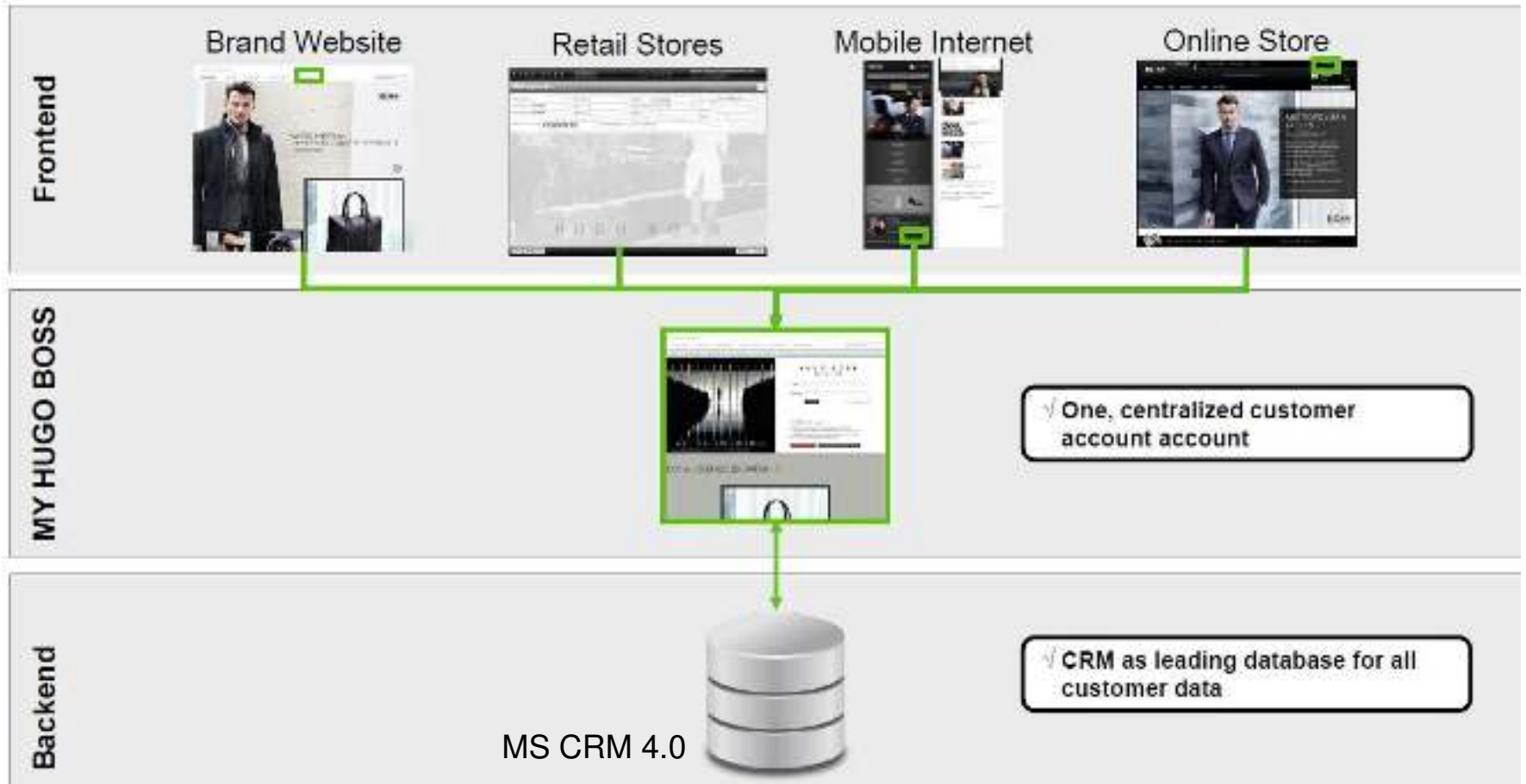# myHUGOBOSS will allow tailored communications with the customer
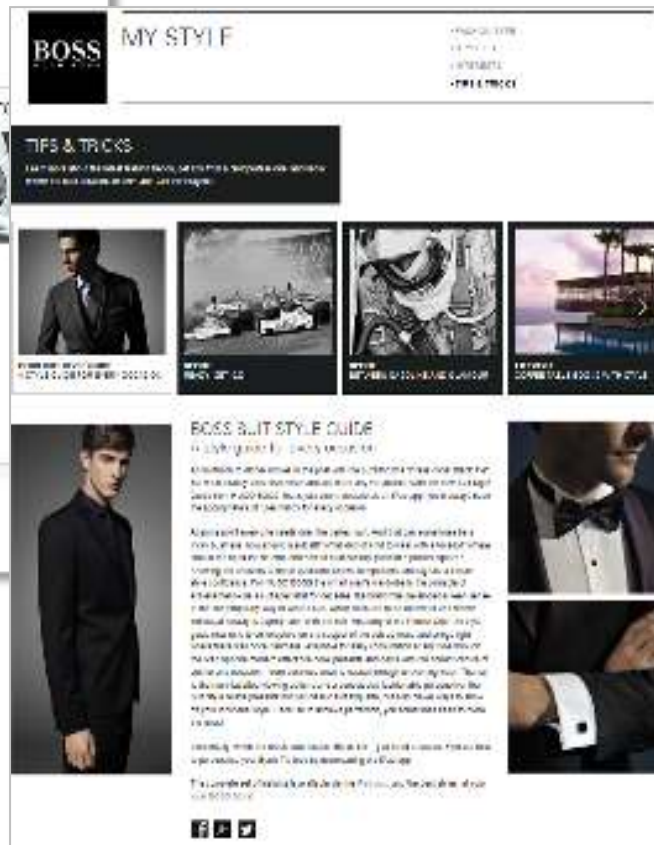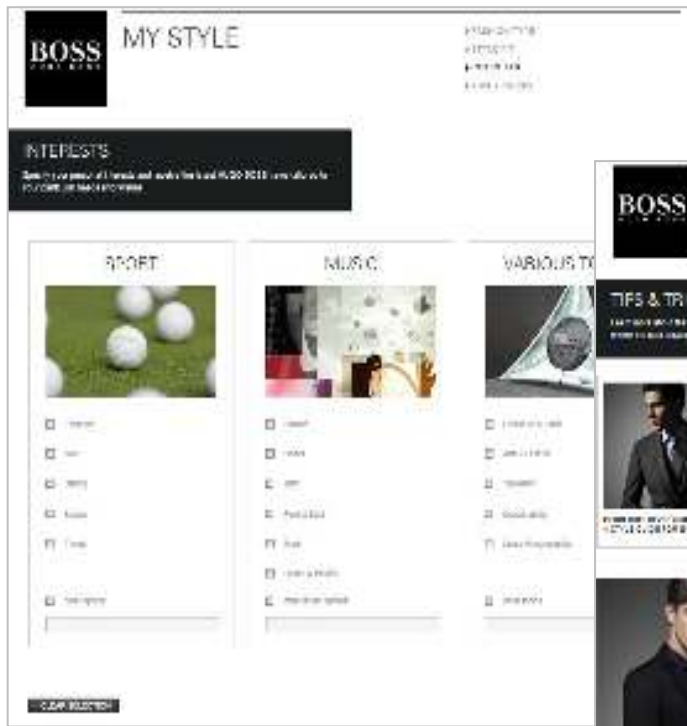
My Style

Interests
Customers specify their personal interests and receive the latest
HUGO BOSS news tailored to their particular needs and wishes.

Tips & Tricks
Customers receive personalized news about tips and tricks for styling, lifestyle, music, etc.

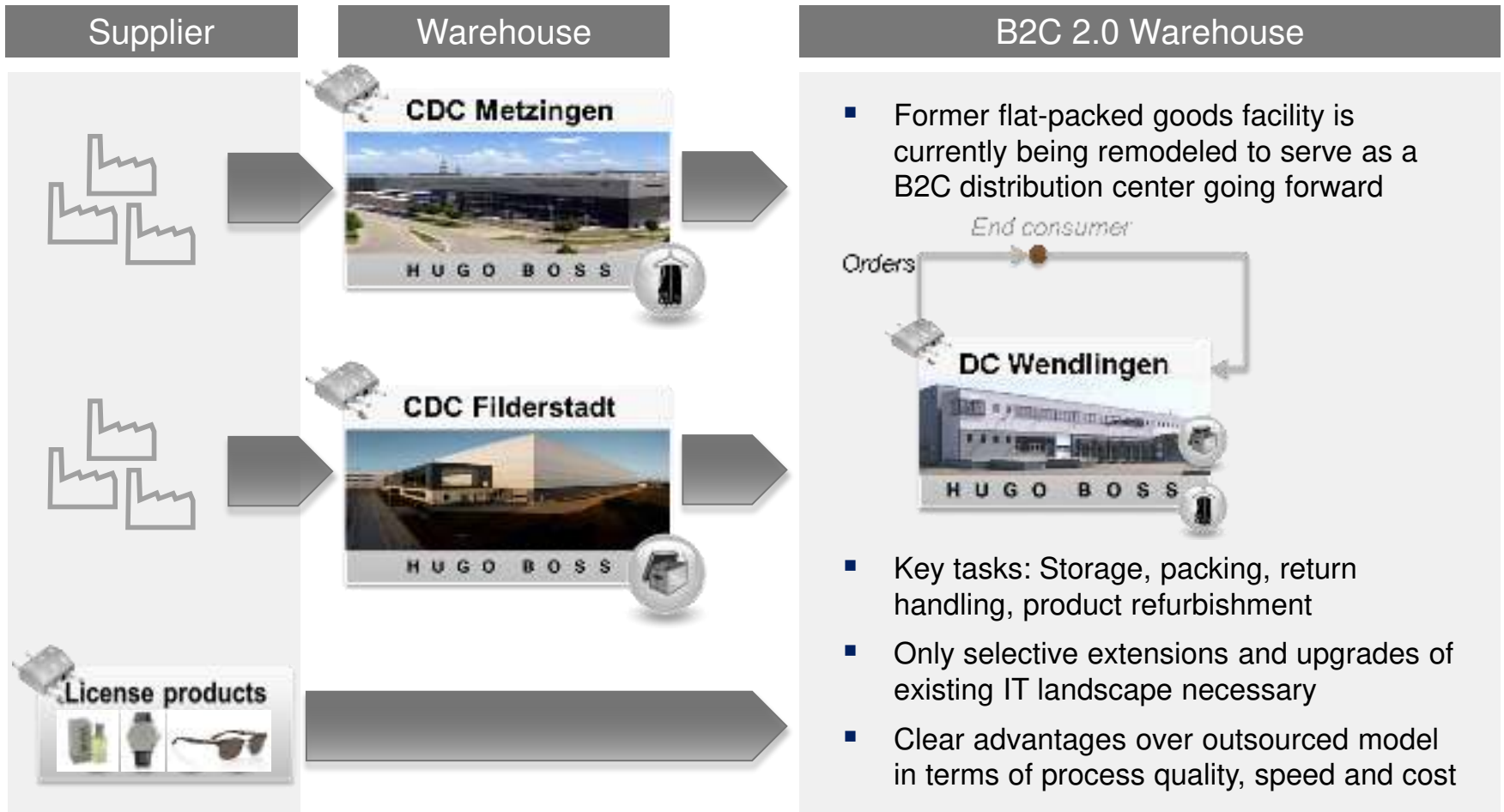# Centralized account to serve customers across touchpoints

Frontend

Brand Website · Retail Stores · Mobile Internet · Online Store

MY HUGO BOSS

√ One, centralized customer account account

Backend

MS CRM 4.0

√ CRM as leading database for all customer data

Key initiatives defined

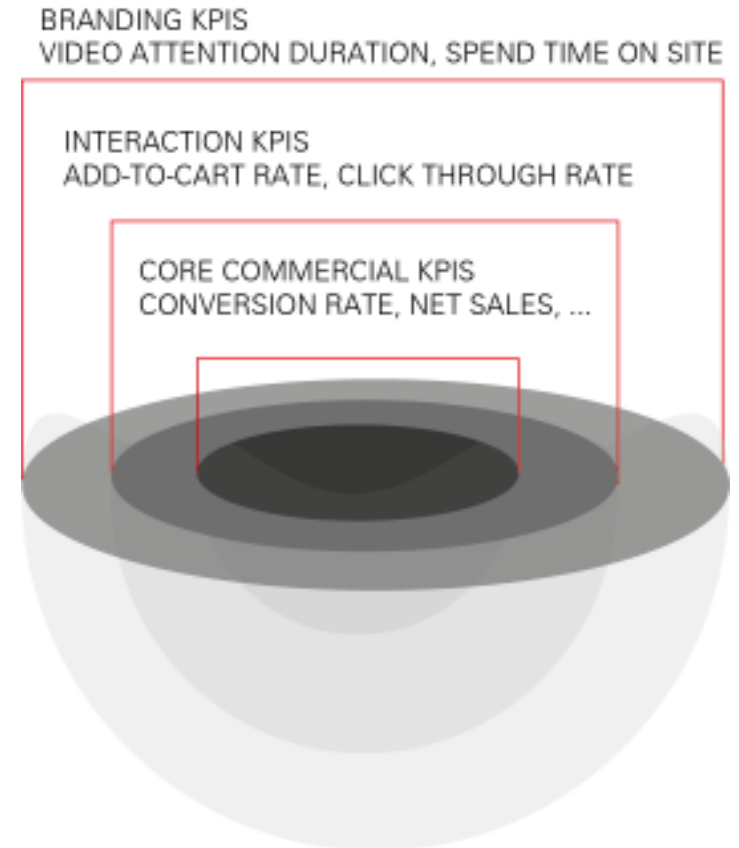| Initiative	Description and rationale	Status
Launch of own store frontend	Takeover of demandware software from former fulfillment partner enabling full control	Done
Relaunch of hugoboss.com	Migration of formerly separate eCom and brand worlds driving traffic to store	Done
Mobile store upgrade	Seamless integration of mobile store based on responsive design	By end of 2014
Ongoing store upgrades	Addition of new features to drive in-store experience and usability	2014 / 2015
myhugoboss.com / "Mocca" POS system	Integrated customer database enabling store-driven	2015
In-store online ordering	iPad-based in-store ordering from significantly wider online offering	2016
Order online, exchange in store	Offering standardized and seamless return process for maximum convenience	2016
Click & Collect	Order online, collect in-store	2016

Taking full control of core logistics and IT processes will enable full omnichannel services

Process of establishing a B2C operational infrastructure has already begun

Supplier	Warehouse	B2C 2.0 Warehouse

CDC Metzingen

HUGO BOSS

CDC Filderstadt

HUGO BOSS

License products

- Former flat-packed goods facility is currently being remodeled to serve as a B2C distribution center going forward

  End consumer

  Orders

  DC Wendlingen

  HUGO BOSS

- Key tasks: Storage, packing, return handling, product refurbishment
- Only selective extensions and upgrades of existing IT landscape necessary
- Clear advantages over outsourced model in terms of process quality, speed and cost

Global KPI framework to measure success

■ Enabled by global platform rollout

■ Integration of formerly separated commerce and brand KPIs in one holistic framework covering all digital touch points

BRANDING KPIS
VIDEO ATTENTION DURATION, SPEND TIME ON SITE

INTERACTION KPIS
ADD-TO-CART RATE, CLICK THROUGH RATE

CORE COMMERCIAL KPIS
CONVERSION RATE, NET SALES, ...

Agenda

Change in consumer expectations

Omni channel business model

Digital communication strategy

Communication will become a key traffic and sales driver

EMOTIONALIZE IN ORDER TO SELL

HUGO BOSS

Engaging consumers emotionally across digital touchpoints

#THISISBOSS Part 1 February	#THISISBOSS Part 2 September	Mastwalk March - May

#THISISBOSS Part 1 / February
- Live stream views – 212k
- Overall reach: 107m people
- 3M views on Youtube

#THISISBOSS Part 2 / September
- Live stream views – 254k
- Instagram fan growth: + 19k fans
- http://www.youtube.com/watch?v=OsSyI5jBAq4

Mastwalk / March - May
- Video views: 1.2M
- Visits special: 30k
- Newsletter click rate 10.5%

Year-round content creation and publication

#Masterthelight
April - June

MASTER THE LIGHT

- Video views: 2.9m
- Instagram: +21,000 fans

#Berlinbag
August - September

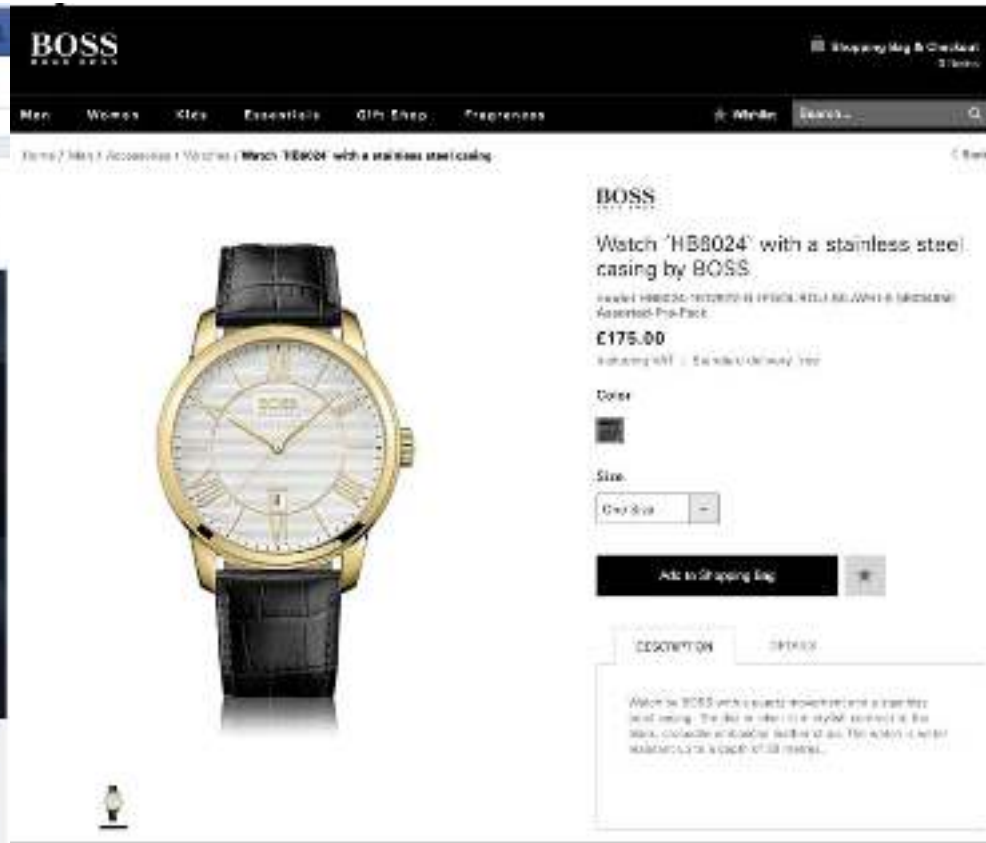- Social Reach: 5.1m views
- Likes: 63,452

#Dfb
May - July

- Social Reach. 5.3m impressions
- Newsletter: opening rate 28%
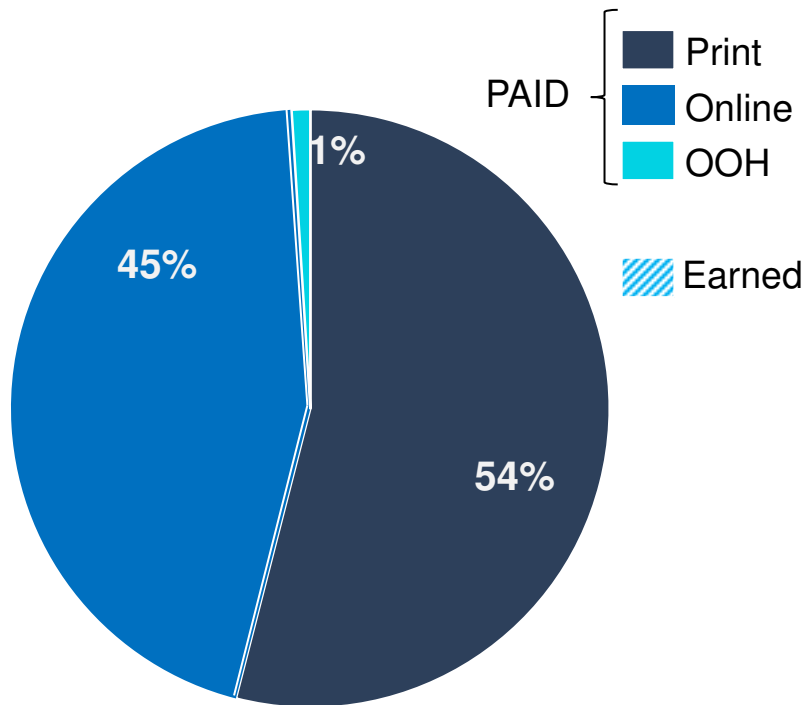
Leverage emotional content in order to drive conversion

http://www.youtube.com/watch?v=y4loB_UGxw8

All social media activities to drive consumers to store

Changing media mix reflects growing importance of online

2013 spendings


```
PAID ⎧ ■ Print
     ⎨ ■ Online
     ⎩ ■ OOH

     ▨ Earned
```

1%

45%

54%

Pure online sales

13-18%

Offline sales **directly generated** by **online** experience
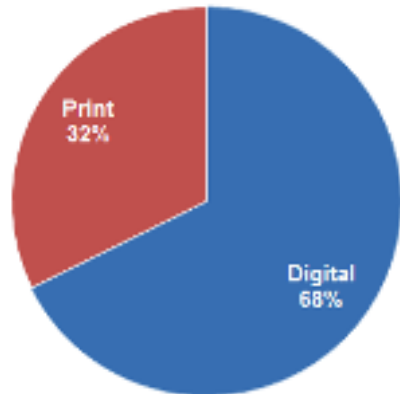
55-72%

Offline sales **influenced** by online experience

Increasing "earned media" through "own content" and "paid amplification"

Bloggers surpass reach of traditional publishers

Instagram most engaged digital vs print Sep 2014

Print 32%

Digital 68%

Instagram Most Post Likes Fashion Media
Digital vs Print Sept 2014   Stylophane.com

Digital Fashion Media Instagram Top 10 Most Engaged in Sept 2014

Rank	Brand Name	Followers	New Photos	Photo Likes
1	The Blonde Salad	2,839,646	362	18,275,557
2	Kayture	1,036,527	375	9,397,923
3	Kenzas	880,436	132	4,969,391
4	Sincerely Jules	1,558,469	111	4,911,186
5	Song of Style	1,759,594	157	4,172,907
6	I am Galla	911,552	101	3,815,564
7	Tuula Vintage	1,254,341	99	3,422,342
8	Michelle Phan	1,741,270	38	2,665,302
9	We Wore What	647,108	228	2,399,678
10	Bryan Boy	544,869	322	1,280,061
	TOTALS	13,173,812	1,925	55,309,911

**Print Fashion Media Instagram Top 10 Most Engaged in Sept 2014**

Rank	Brand Name	Followers	New Photos	Photo Likes
1	Vogue	2,635,195	82	3,590,942
2	Teen Vogue	850,834	151	2,725,147
3	Elle UK	381,150	623	1,215,542
4	Seventeen	595,952	64	1,156,159
5	Vogue UK	484,929	177	1,023,066
6	Nylon	667,112	201	960,530
7	iD Magazine	223,164	440	717,606
8	Harpers Bazaar	502,344	143	700,302
9	Elle	485,307	201	687,984
10	V	411,504	188	683,506
	TOTALS	7,237,491	2,270	13,460,784

Source: Stylophane.com Instagram Fashion Media Index in Sept 2014   Sort: Photo Likes, Digital and Print
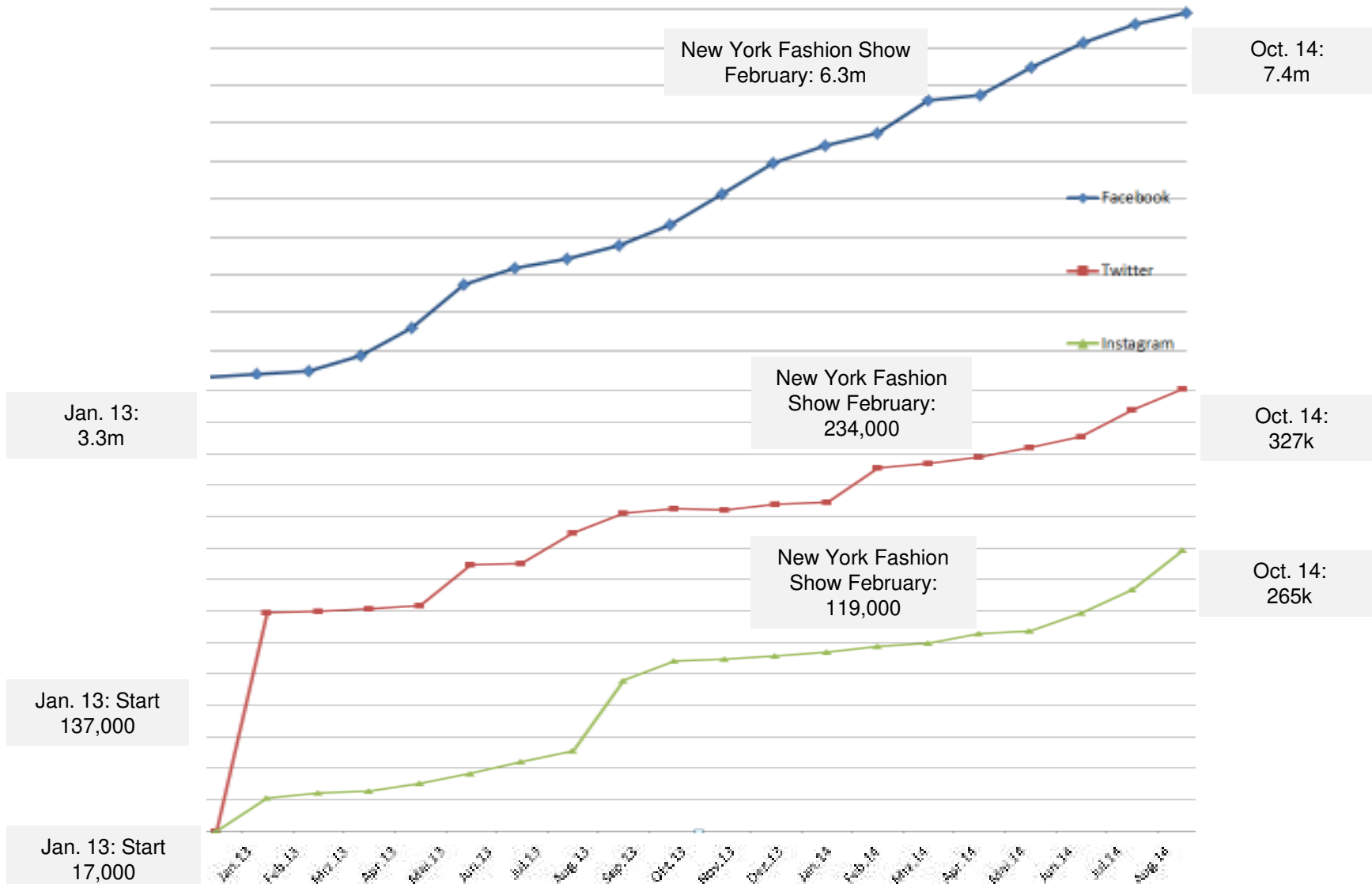
Facebook will remain the lead channel

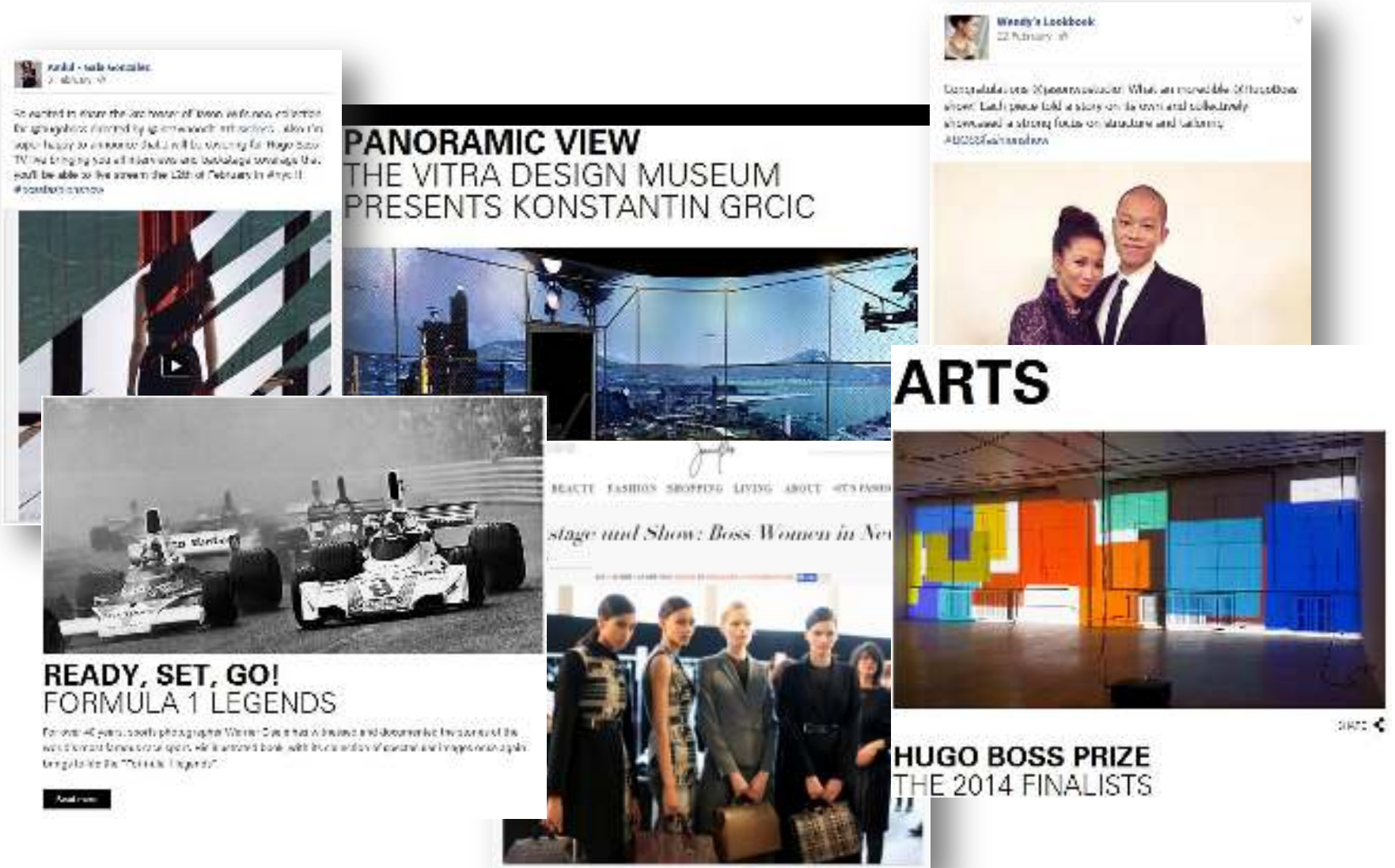**Instagram is becoming the most important visual channel for fashion**
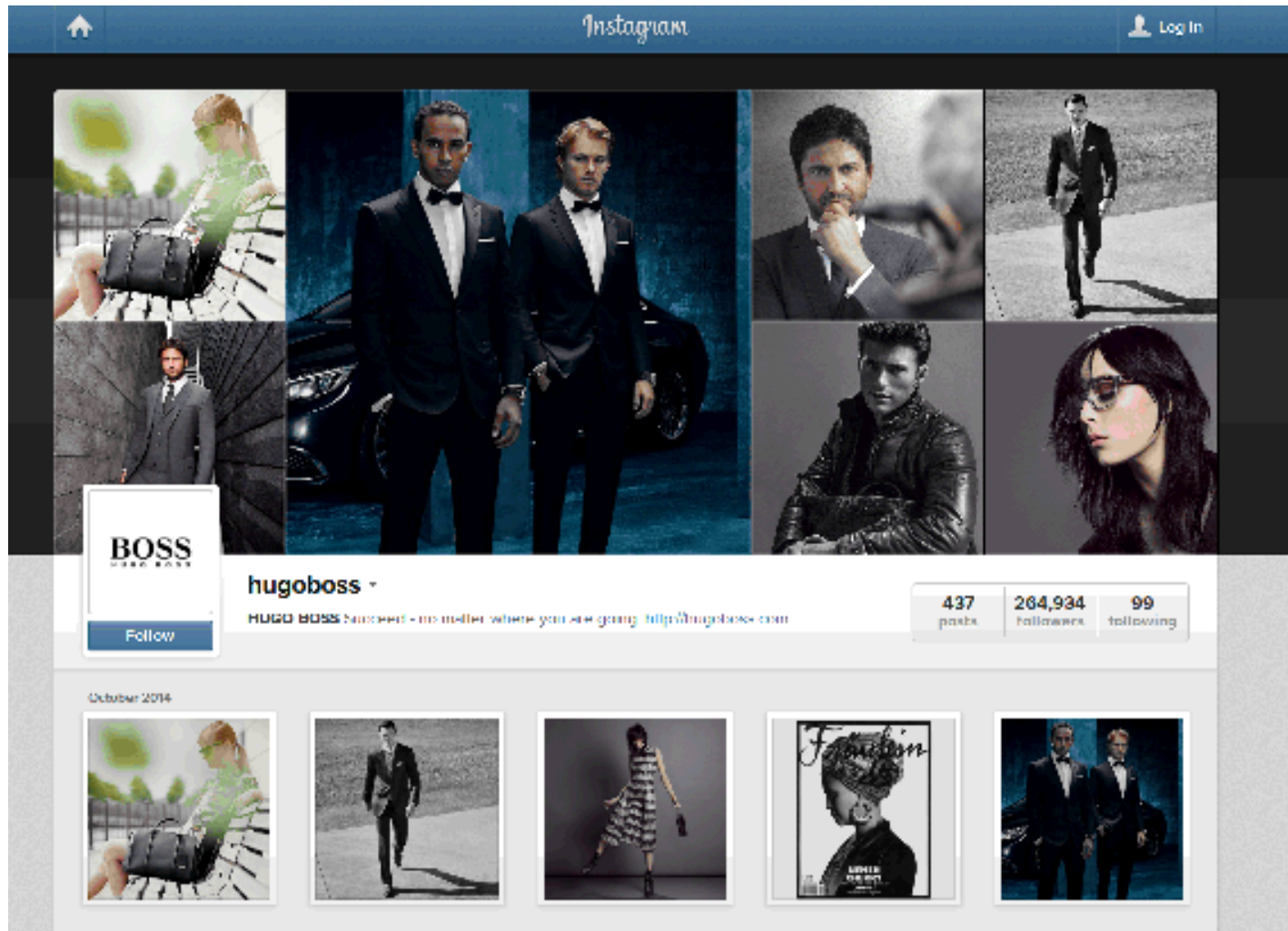
Twitter remains the most responsive account – brand coherence is crucial

HUGO BOSS is the fastest growing brand on key social media channels

New York Fashion Show
February: 6.3m

Oct. 14:
7.4m

Facebook

Twitter

Instagram

Jan. 13:
3.3m

New York Fashion
Show February:
234,000

Oct. 14:
327k

New York Fashion
Show February:
119,000

Oct. 14:
265k

Jan. 13: Start
137,000

Jan. 13: Start
17,000

Jan. 13   Feb. 13   Mrz. 13   Apr. 13   Mai. 13   Jun. 13   Jul. 13   Aug. 13   Sep. 13   Okt. 13   Nov. 13   Dez. 13   Jan. 14   Feb. 14   Mrz. 14   Apr. 14   Mai. 14   Jun. 14   Jul. 14   Aug. 14

Own editorial team will ensure high-quality, high-relevance content

The lifestyle world through the HUGO BOSS lens – 60k views per month

Omni channel is just a means to an end

ENGAGING AND SERVING CONSUMERS ANYTIME ANYWHERE

HUGO BOSS

Thank you for your attention!

HUGO BOSS