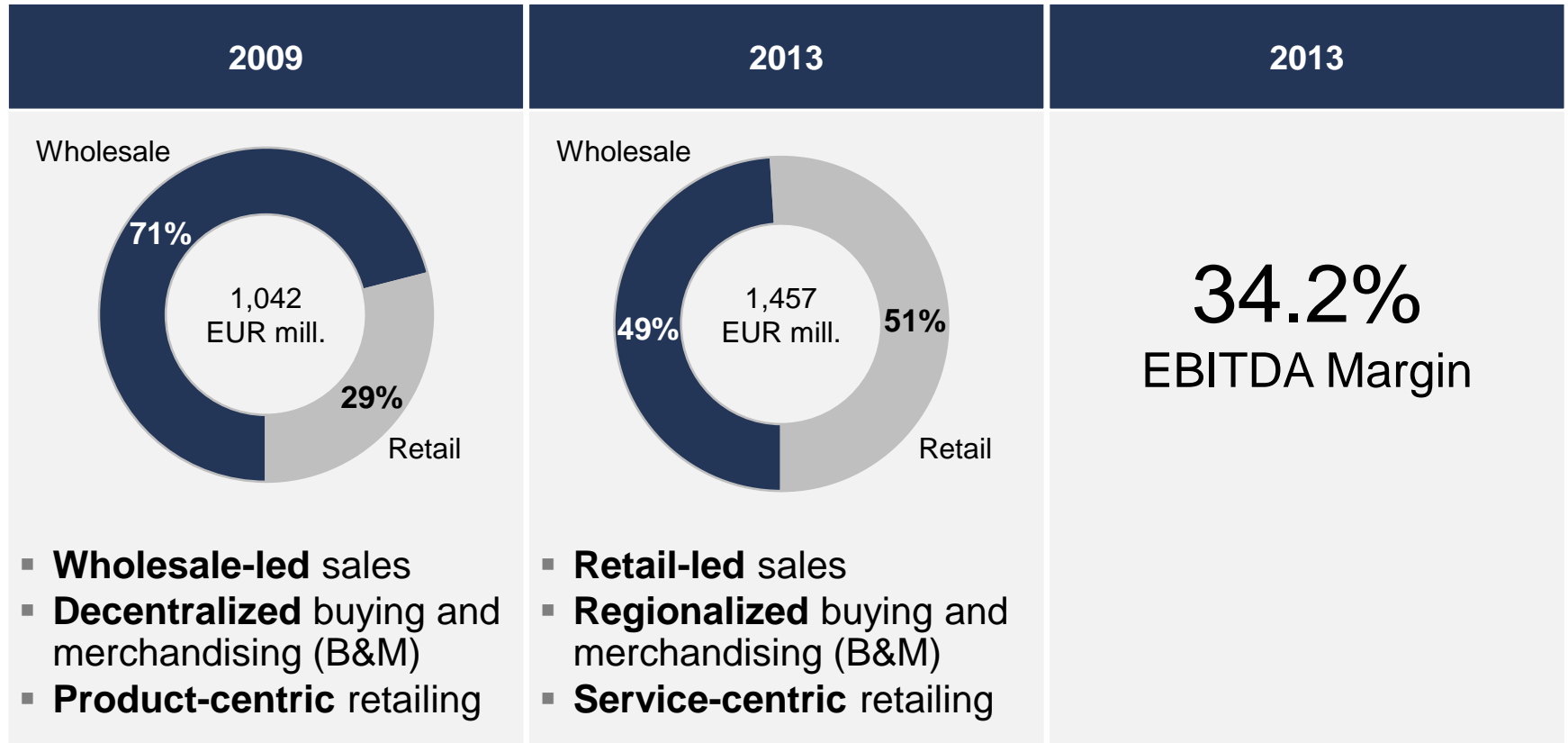


## **Investor Day 2014**

### **Strategy Europe**

Bernd Hake, Senior Vice President Europe, Middle East, Africa & India  
Paris, November 19, 2014

## EMEA'S TRANSFORMATION

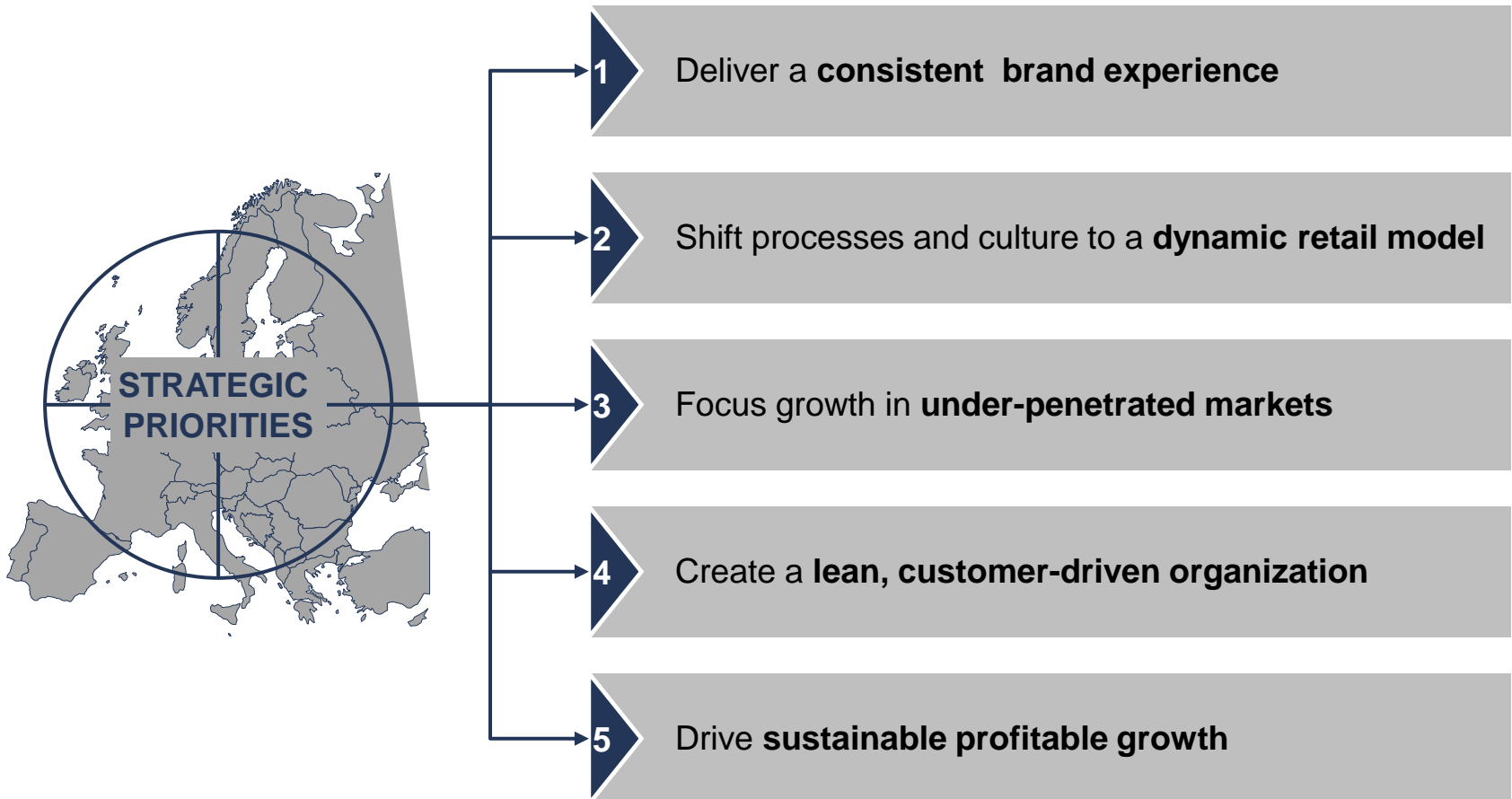


# EMEA: LARGEST REGION FOR HUGO BOSS



\*excl. Royalties

## OUR AMBITION: THE MOST SUCCESSFUL PREMIUM / LUXURY BRAND



1

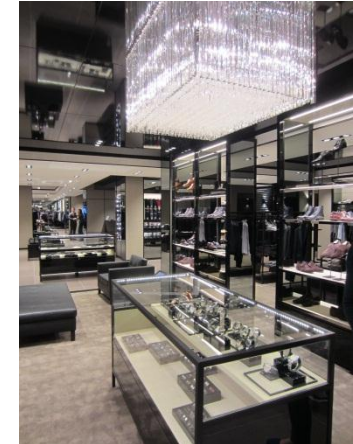
## CONSISTENT BRAND EXPERIENCE: DIRECTLY OPERATED STORES

### Transform physical retail

- Invest in **flagship stores** in metropolitan cities
- **Upgrade existing store layouts** to maximize brand consistency
- Targeted **DOS expansion** in **travel retail**
- **“Premiumization”** of **outlets**
- Enhance **in-store customer experience**
- Proprietary **360-degree marketing campaign**



Sloane Square, London



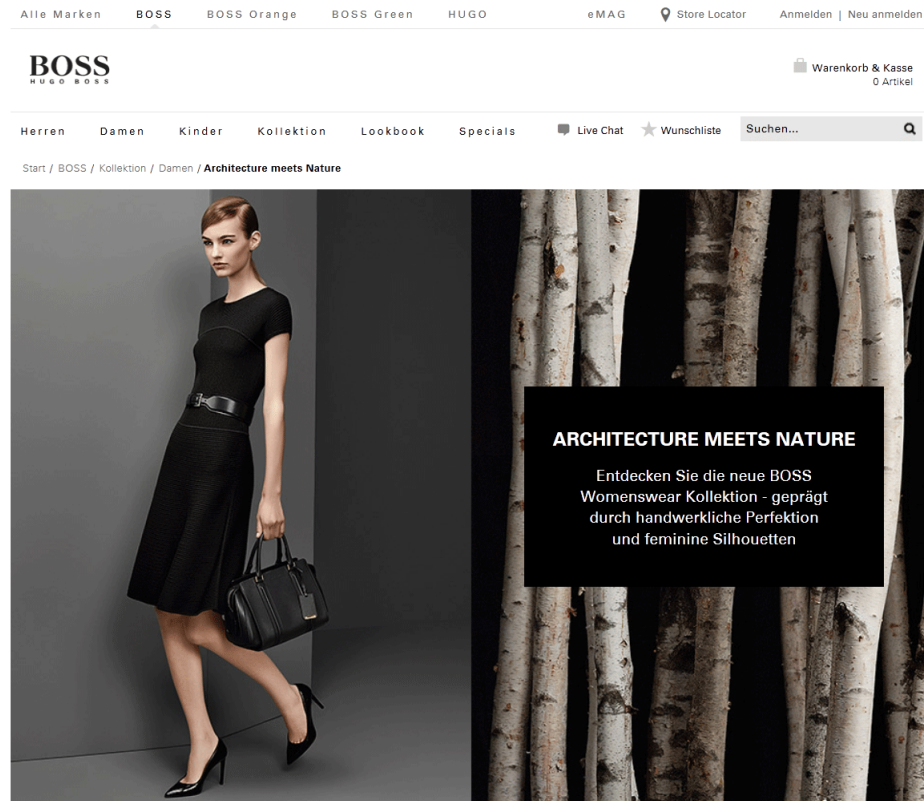
Champs-Élysées, Paris



1 CONSISTENT BRAND EXPERIENCE: ONLINE

Enhance online footprint

- Evolve our strategy from a channel focus to an **integrated omni channel** approach
- **Connect** the physical with the digital world to gain in-depth **consumer insights**
- Introduce **click & collect** offering
- Offer **real time customer service**
- Enable **seamless experience**



1

## CONSISTENT BRAND EXPERIENCE: WHOLESALE

### Transform our wholesale relationships

- **Department stores** invest significantly in brand experience
- **Franchisees** enhance store layouts and align assortments with DOS
- Enhanced experiences within **opinion-leading multi-brand** retailers
- **VM support** and **individual trainings** to align customer experience and manage brand experience
- Optimize wholesale performance via **knowledge sharing**



BOSS Store, Dubai  
The Dubai Mall



BOSS Menswear Shop, Frankfurt  
Peek & Cloppenburg West



BOSS Store, Abu Dhabi  
Sowwah Square, Al Maryah Island

Breuninger, Germany, Stuttgart

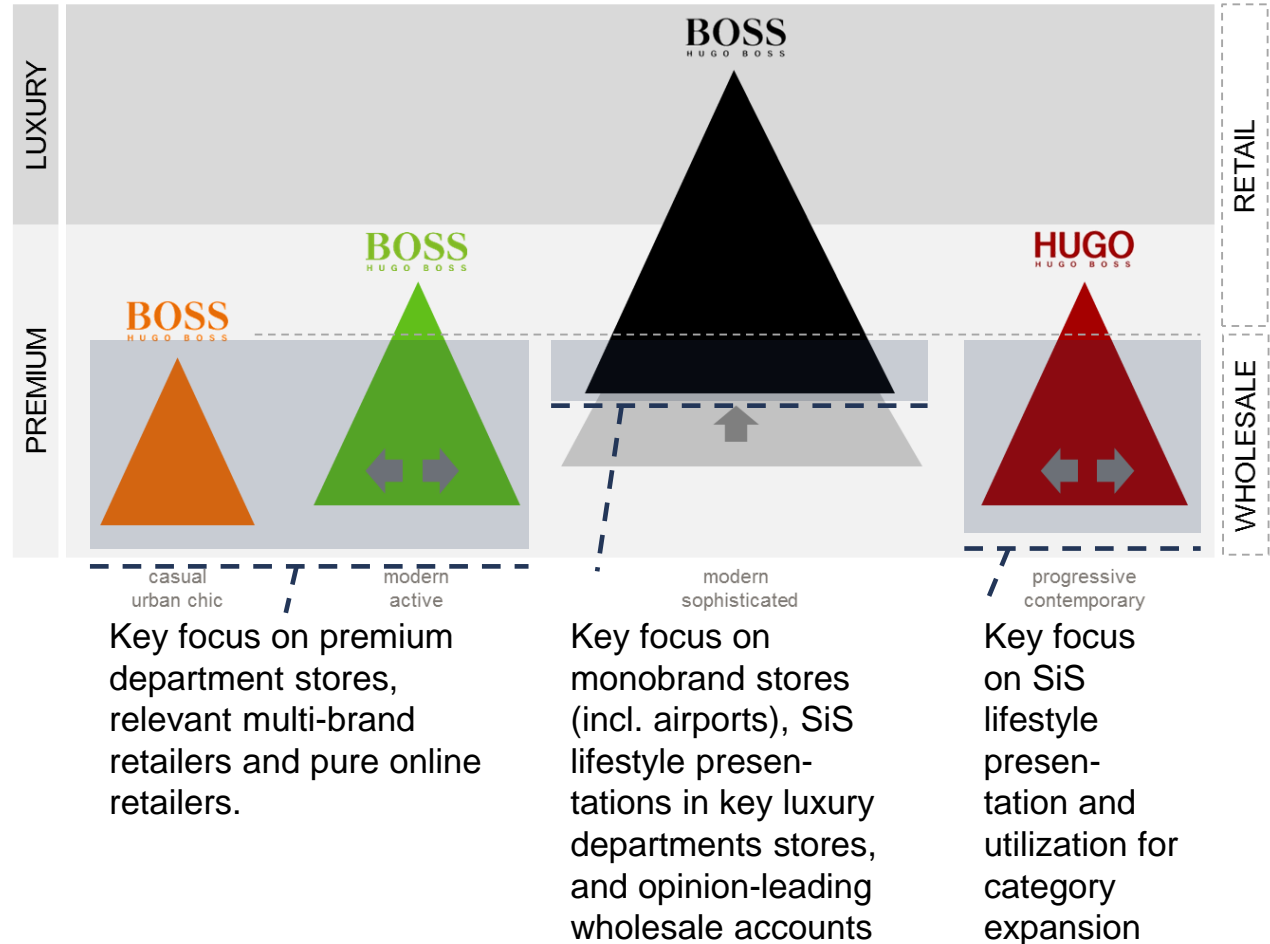


1

# CONSISTENT BRAND EXPERIENCE: REVISED MARKET POSITIONING

## Strategic Rationale

- Customer / brand segmentation goes vertical
- BOSS:** Distribution to increasingly penetrate luxury segment
- BOSS Orange / BOSS Green:** Traditional positioning with enlarged distribution
- HUGO:** Refocus brand on tailoring










## SHIFT PROCESSES AND CULTURE TO A DYNAMIC RETAIL MODEL

| Merchandise Management  | Retail Operations   | Customer-focused Service  | Organizational Culture  |
|---|---|---|---|
| <ul style="list-style-type: none"> <li>▪ <b>Cross-country</b> and <b>cross-channel</b> merchandising</li> <li>▪ Offer the <b>right product</b> at the <b>right price</b> and <b>time</b></li> <li>▪ Maximize <b>in-store productivity</b></li> <li>▪ <b>Strategic alignment</b> of in-store management, retail operation, buying &amp; merchandising</li> </ul> | <ul style="list-style-type: none"> <li>▪ Drive <b>operational excellence</b></li> <li>▪ Build, manage and maintain <b>high performance</b> sales force</li> <li>▪ Link <b>incentive schemes</b> to performance</li> <li>▪ Improve <b>supply chain efficiency</b></li> <li>▪ <b>Synchronize</b> marketing / PR / in-store merchandising</li> </ul> | <ul style="list-style-type: none"> <li>▪ Integrate all <b>customer-facing activities</b></li> <li>▪ <b>Train sales force</b></li> <li>▪ Create a powerful, engaging <b>store image</b></li> <li>▪ Enhance <b>customer relationship management</b></li> <li>▪ Encourage, recognize and reward <b>service innovation</b></li> </ul> | <ul style="list-style-type: none"> <li>▪ Implement a dynamic, <b>consumer-centric culture</b>, striving for excellence</li> <li>▪ Encourage <b>cross-functional collaboration</b> and entrepreneurial behavior</li> <li>▪ Emphasize <b>performance-oriented leadership</b></li> </ul> |
| <p><b>Contribution Margin ↑</b></p>   | <p><b>Net Sales ↑</b></p>   | <p><b>Customer Acquisition / Retention ↑</b></p>  | <p><b>Responsibility / Accountability ↑</b></p>   |

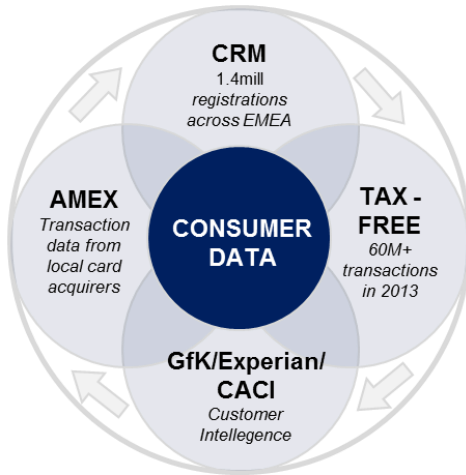
UNDER-PENETRATED MARKETS: GROWTH OPPORTUNITIES

| Central Europe   | Russia  | Middle East   | Africa  | India   |
|--|---|---|---|---|
|   |    |   |    |    |
| <ul style="list-style-type: none"> <li>▪ Carefully <b>expand metropolitan</b> city footprint</li> <li>▪ Focus on <b>retail execution</b> with strong LFL sales development</li> <li>▪ <b>Omni-channel</b></li> </ul> | <ul style="list-style-type: none"> <li>▪ Use Russian subsidiary to <b>expand DOS</b> network</li> <li>▪ <b>Acquire luxury locations</b> from franchise partners</li> <li>▪ Refine wholesale distribution</li> </ul> | <p><b>Distribution Strategy</b></p> <ul style="list-style-type: none"> <li>▪ Build stronger <b>brand presence</b> in the Middle East</li> <li>▪ Formation of a <b>Joint Venture</b> covering key markets to manage distribution more effectively</li> </ul> | <ul style="list-style-type: none"> <li>▪ Capitalize on strength of most <b>dynamic franchise partners</b></li> <li>▪ Focus expansion on <b>metropolitan cities</b> with fastest-growing wealth</li> </ul> | <ul style="list-style-type: none"> <li>▪ Explore growth opportunities in <b>metropolitan cities</b> that hold the <b>greatest potential for luxury retailing</b></li> </ul> |
| <p><b>HIGH</b> Degree of Retail Penetration</p>  |   | <p>LOW</p>  |   |   |

3

UNDER-PENETRATED MARKETS: FOCUS ON GROWTH OPPORTUNITIES

Identify the customer



Determine the location



Potential fully utilized

€1M < Potential < €2M

Potential > €2M+

Define the channel of distribution

BY MARKET CATEGORY

METROPOLITAN CITIES

SUBURBAN CITIES

TOURIST DESTINATIONS

RESORT / HOLIDAY DESTINATIONS

BY CHANNEL

DIRECTLY OPERATED STORES

DEPARTMENT STORES

TRAVEL RETAIL

INDEPENDENT-RETAILERS

Translate consumer insights into effective action

## CREATE A LEAN, CUSTOMER-CENTRIC ORGANIZATION

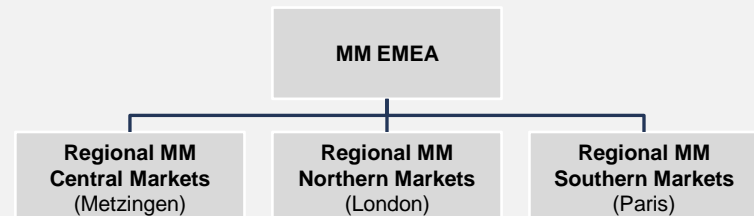
### Organize for growth

- **Align organizational design** to strategic initiatives
- **Remove layers** for more consistent execution
- Develop **“Regional Centers of Excellence”** for main business functions
- Ingrain a sales culture that
  - features a high degree of **single-point accountability**
  - is strongly **committed to excellence**
- **Engage employees:** Reward excellent performance with monetary bonus and recognition within the company
- Foster **performance-oriented leadership** that translates into truly committed employees and excellent results

### Regionalized Management Functions



### “Regional Centers of Excellence”, example: Merchandise Management (MM)



5 DRIVE SUSTAINABLE PROFITABLE GROWTH

| Targeted Expansion  | Pricing   | Merchandise Management   | Operational Cost Management   |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>▪ Focus <b>DOS expansion</b> on <b>BOSS</b> core brand</li> <li>▪ Implement a <b>distribution roadmap</b> for sales excellence</li> <li>▪ Increase number of M - XL <b>modules</b> to showcase consistent product competence</li> <li>▪ Optimize <b>outlet format strategy</b> to enhance merchandise liquidation</li> </ul> | <ul style="list-style-type: none"> <li>▪ Harmonize prices across EMEA</li> <li>▪ Increase <b>full-price sell-thru</b></li> <li>▪ Implement profit-maximizing <b>mark-down management</b></li> <li>▪ Expand <b>luxury share</b></li> <li>▪ Refine <b>wholesale exposure</b></li> </ul> | <ul style="list-style-type: none"> <li>▪ <b>Improve inventory accuracy and availability</b></li> <li>▪ Drive <b>sales productivity</b></li> <li>▪ Optimize <b>season-end inventory</b></li> <li>▪ Reduce <b>initial allocation</b> to improve inventory turn over</li> <li>▪ <b>Launch</b> new collection earlier</li> <li>▪ Focus on in-store VM to enhance <b>KPI performance</b></li> </ul> | <ul style="list-style-type: none"> <li>▪ Achieve cost advantages through <b>lean</b> and <b>standardized processes</b></li> <li>▪ Leverage <b>capital expenditure</b> more effectively</li> <li>▪ Drive sales force efficiency through optimized <b>staff planning</b></li> <li>▪ Exploit brand desirability in <b>lease negotiations</b></li> <li>▪ Build demand-driven <b>supply chain</b></li> </ul> |
| <p><b>Net Sales</b> ↑</p>   | <p><b>EBITDA</b> ↑</p>  | <p><b>Contribution Margin</b> ↑</p>  | <p><b>EBITDA Margin</b> ↑</p>   |

5 DRIVE SUSTAINABLE PROFITABLE GROWTH

| Retail KPI                | Levers                                  | Targets 2015 |
|---------------------------|---|--------------|
| Visitors                  | Acquire higher-value customers          | →            |
| Conversion                | Accelerate purchasing frequency         | ↗            |
| Net Sales per Transaction | Increase average selling price per item | ↗            |
| Net Units per Transaction | Elevate number of items per transaction | ↗            |
| Mystery Shopping          | Improve customer experience             | ↗            |

## EMEA'S TRANSFORMATION GOALS FOR 2020

| 2020 Sales by Channel  | 2020 Outlook |            |           |     |        |     |   |
|--|--------------|------------|-----------|-----|--------|-----|---|
| <p>A donut chart illustrating the 2020 sales distribution by channel. The chart is divided into two segments: a dark blue segment representing Wholesale at 25%, and a light gray segment representing Retail at 75%.</p> <table border="1"> <thead> <tr> <th>Channel</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Wholesale</td> <td>25%</td> </tr> <tr> <td>Retail</td> <td>75%</td> </tr> </tbody> </table> | Channel      | Percentage | Wholesale | 25% | Retail | 75% | <ul style="list-style-type: none"> <li>▪ <b>Omni channel</b>-led sales</li> <li>▪ <b>Centralized</b> buying and merchandising</li> <li>▪ <b>Experience-centric</b> retailing</li> <li>▪ Further improved regional <b>EBITDA margin</b></li> </ul> |
| Channel  | Percentage   |            |           |     |        |     |   |
| Wholesale  | 25%          |            |           |     |        |     |   |
| Retail   | 75%          |            |           |     |        |     |   |

**Thank you for your attention!**



**H U G O   B O S S**