

RE LOAD

COMPETING IN THE EUROPEAN TEXTILE RETAIL MARKET –
STRATEGIC CHALLENGES & OPPORTUNITIES

7th July 2016

TOM TAILOR GROUP

A man and a woman are standing in a modern, brightly lit interior space, possibly a train or a public transit station. The woman is on the left, wearing a light blue, short-sleeved, textured top and dark pants. The man is on the right, wearing a blue denim jacket over a white shirt and light-colored pants. They are both looking towards the camera. The background is blurred, showing architectural elements like windows and doors.

DATA IS THE NEW OIL ...
BUT THE "BRAND" IS STILL THE SPARK

TOM TAILOR GROUP

WHAT YOU SHOULD TAKE AWAY TODAY

We operate in a challenging environment

Industry players apply a set of levers to survive

Technology plays a key role to keep the engine running

But brand equity rules – without it, no right to exist

AGENDA

Snapshot of the Tom Tailor Group (TTG)

Our challenging business environment

How to keep the engine running

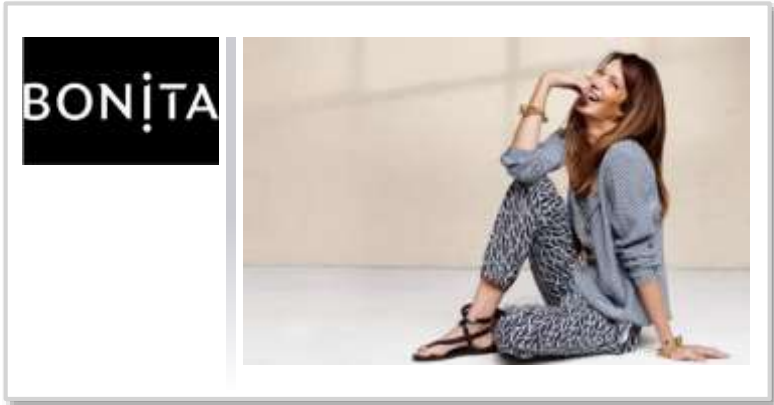
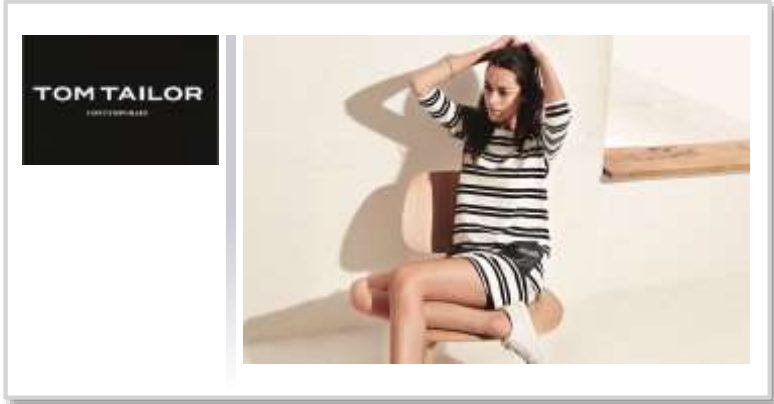
Why brand equity matters

Wrap-up

TOM TAILOR GROUP (TTG) AT A GLANCE



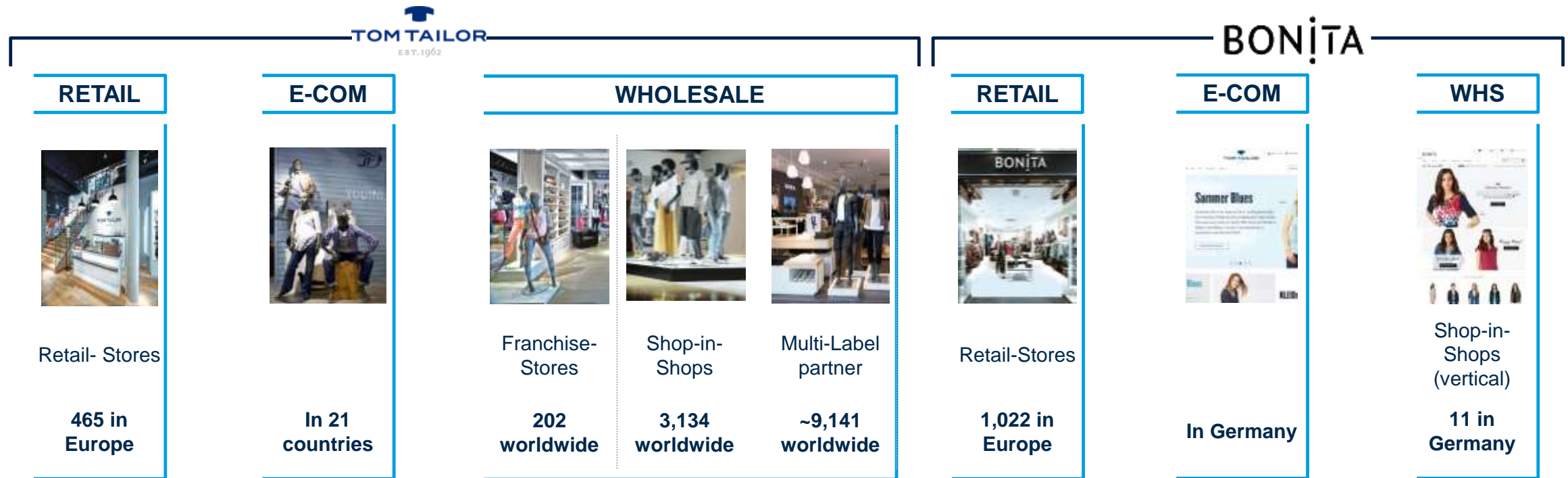
TWO UMBRELLA BRANDS – FOUR BRANDS



SALES GREW TO ~€1B – ~4.5X IN 10 YEARS



TTG: AN OMNICHANNEL PLAYER



14.000 POS around the world

AGENDA

Snapshot of the Tom Tailor Group (TTG)

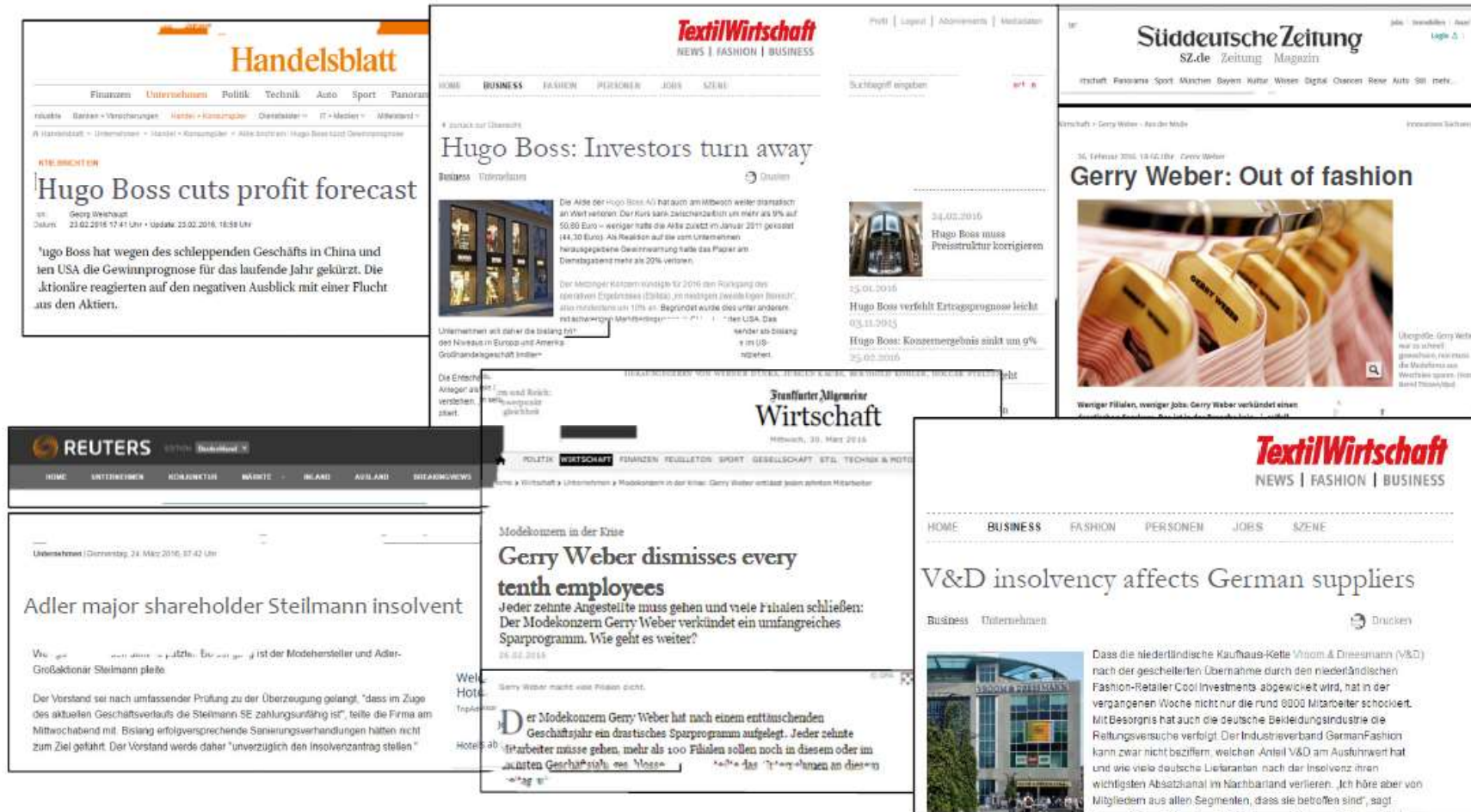
Our challenging business environment

How to keep the engine running

Why brand equity matters

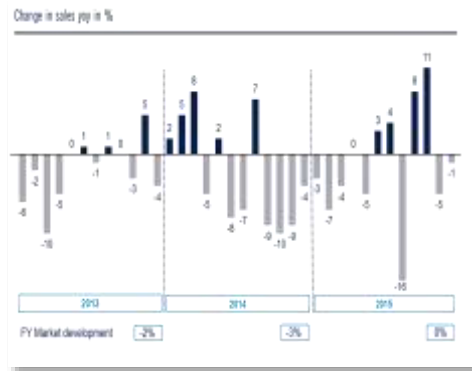
Wrap-up

FASHION – A TOUGH ENVIRONMENT



FASHION – A TOUGH ENVIRONMENT

Stagnating market



Every month...

... a new collection



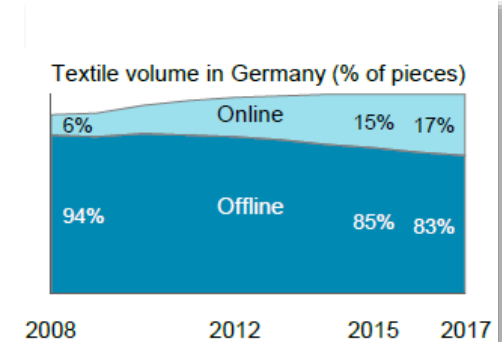
Price challengers



Outsourced production



Channel mix shift

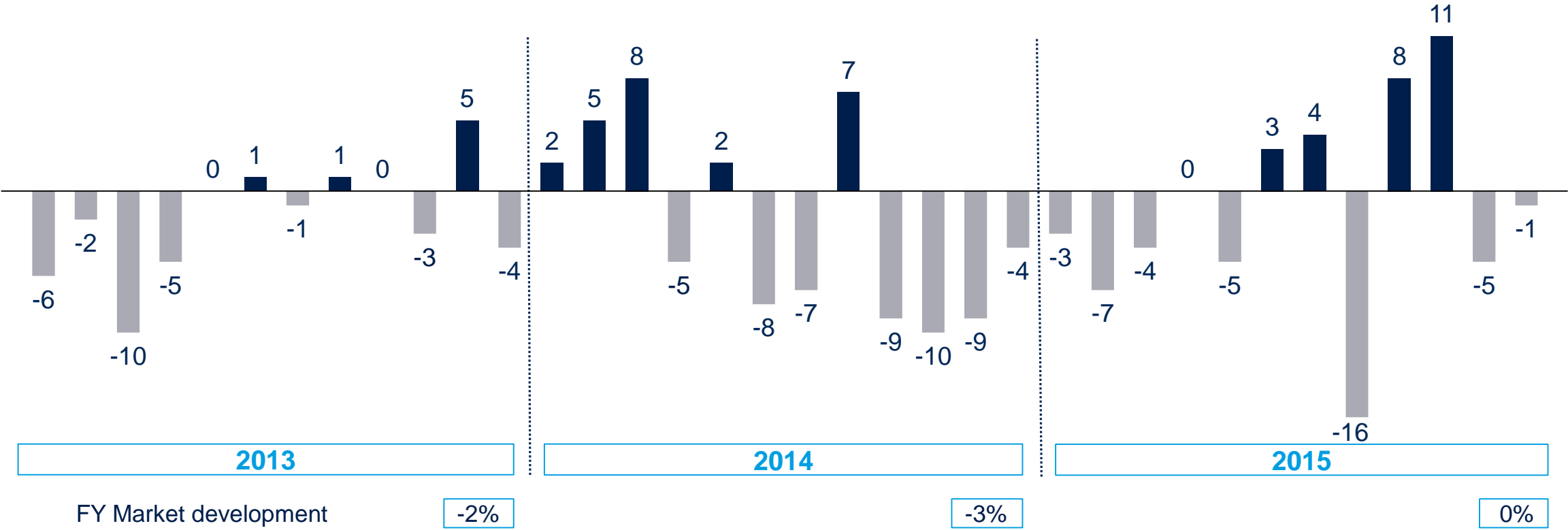


Volatile commodities



A VOLATILE GERMAN TEXTILE MARKET

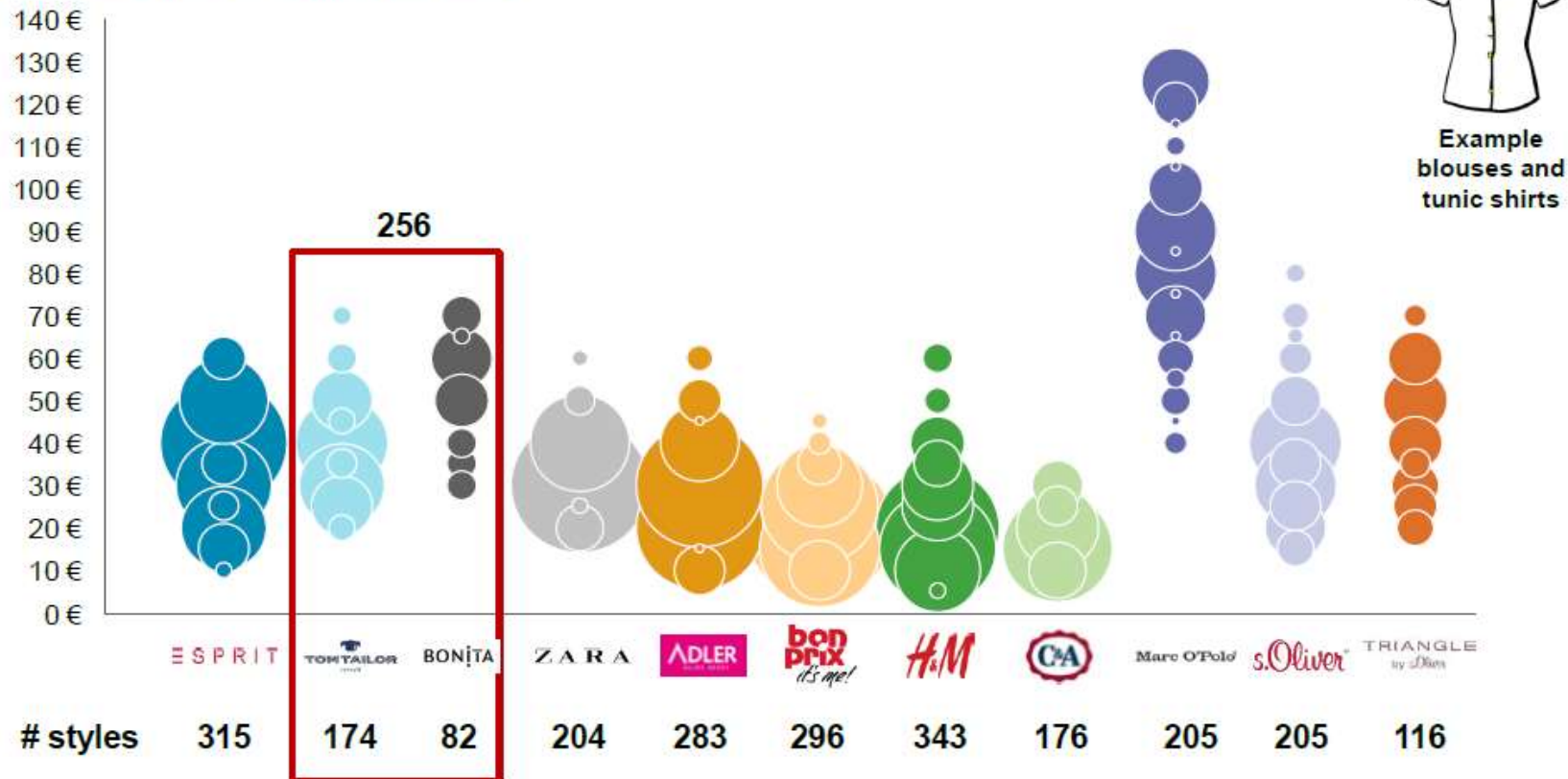
%-Change in market sales year-on-year



PRICE PRESSURE FROM THE “LOW END”

Comparison of price point coverage¹ against selected competitors

Based on online shops, incl. promotions

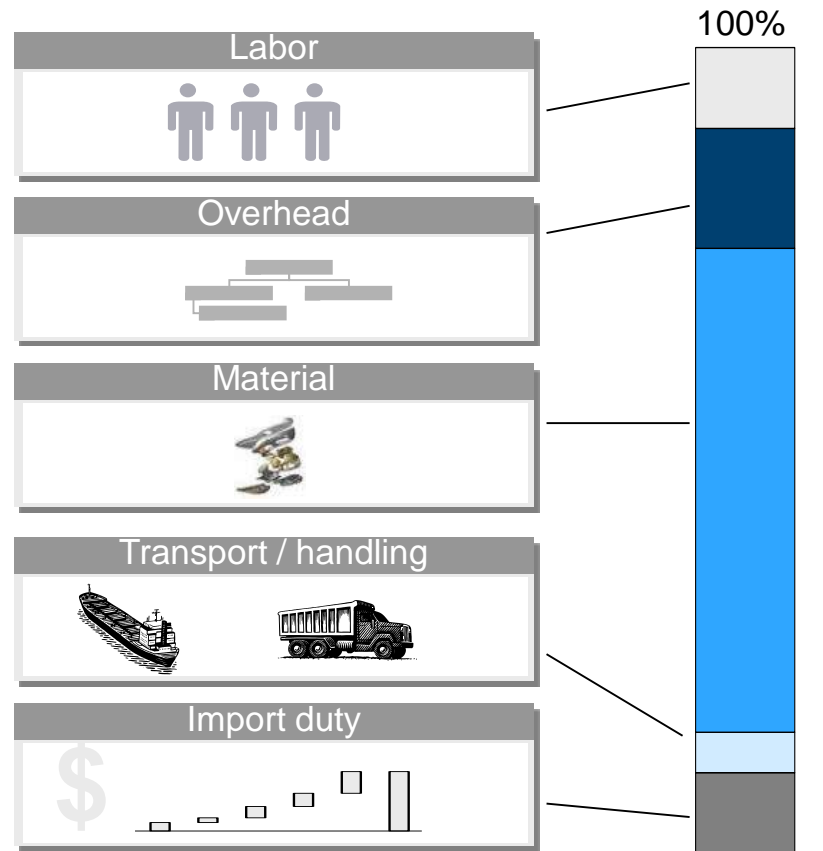


1. Outliers removed

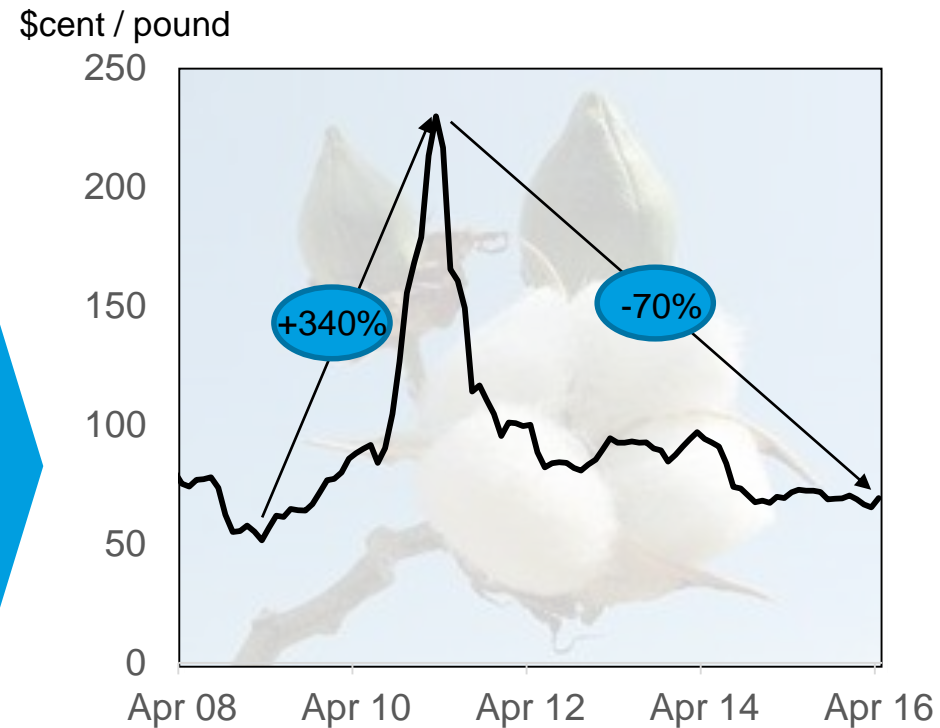
Comment: Online store checks for this sample, April 2016; Oliver Wyman analysis

MATERIAL PRICES TOUGH TO PREDICT

Materials ~65% of total cost

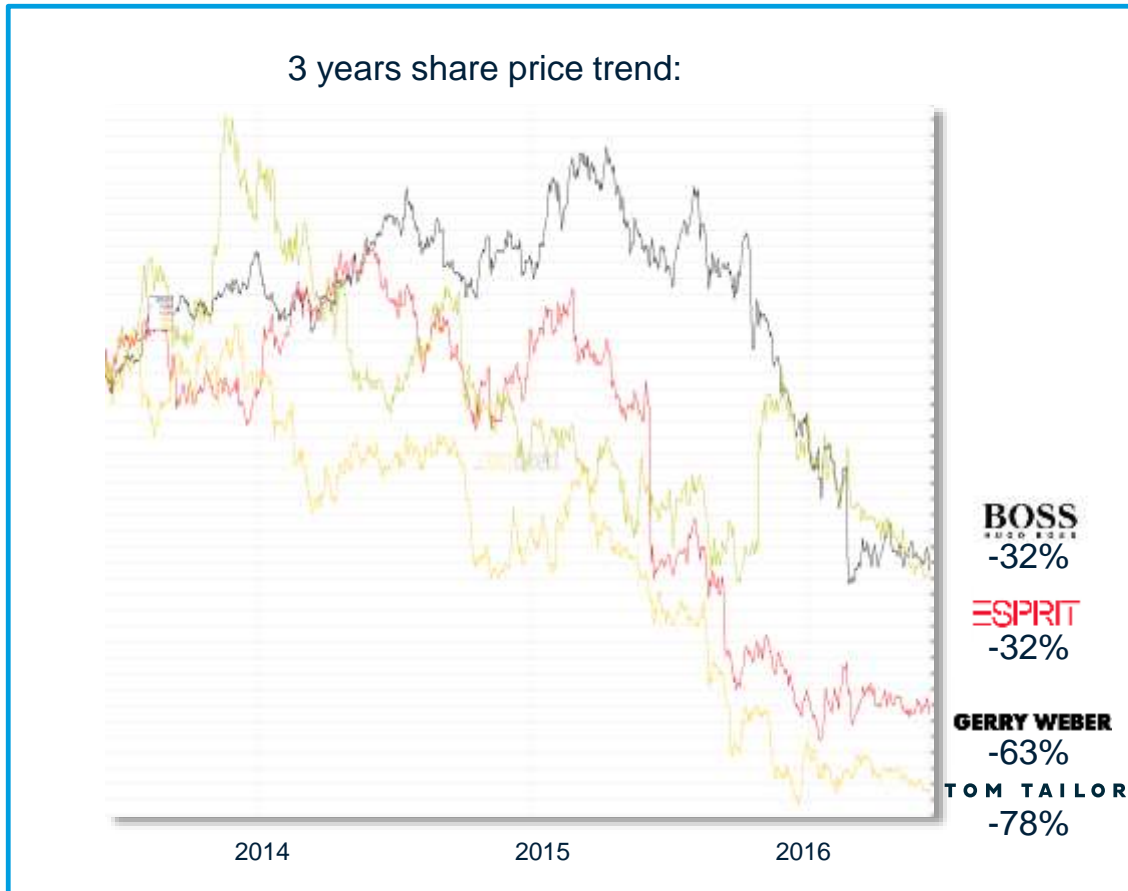


Tough to predict – example cotton

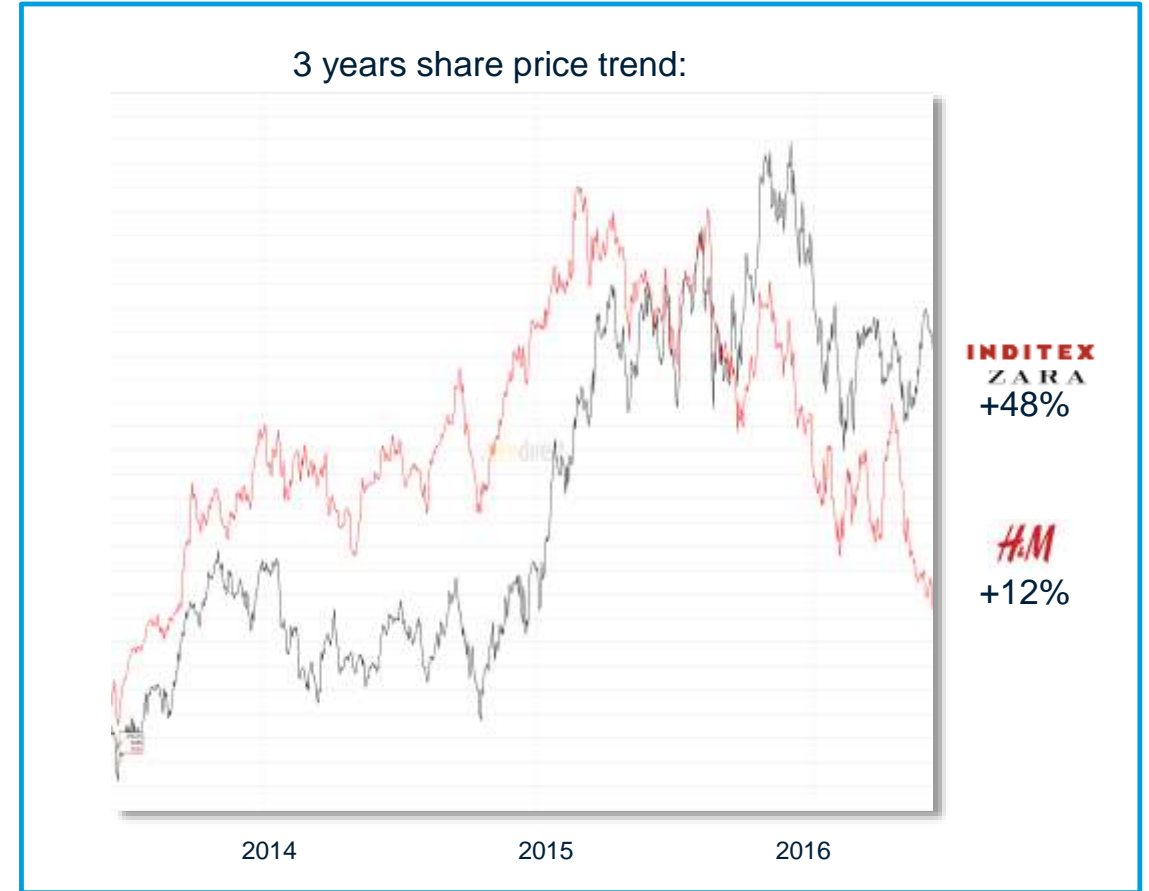


RESULT: INVESTORS SKEPTICAL ABOUT OUR INDUSTRY

Many players lost value in the last years...



..only few verticals gained



AGENDA

Snapshot of the Tom Tailor Group (TTG)

Our challenging business environment

How to keep the engine running

Why brand equity matters

Wrap-up

TECH: SOME GOOD GROWTH LEVERS

Omni-channel capabilities

Endless aisle / order from store

Click & collect /
inventory check

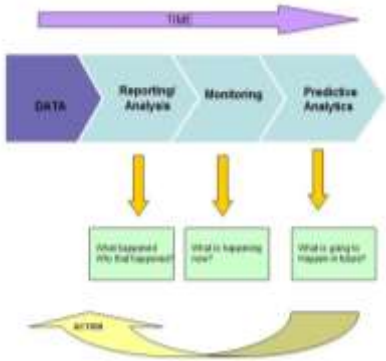
Ship from store
Return to store



Predictive Analytics

Context-driven
forecasting

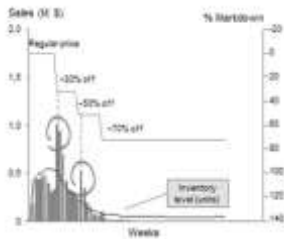
Inventory
modelling



Pricing / Promotions

Dynamic pricing

Mark-down mgmt.

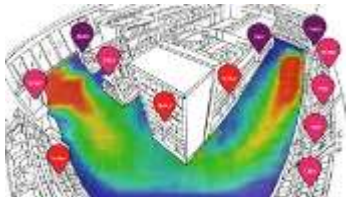


Consumer Journey

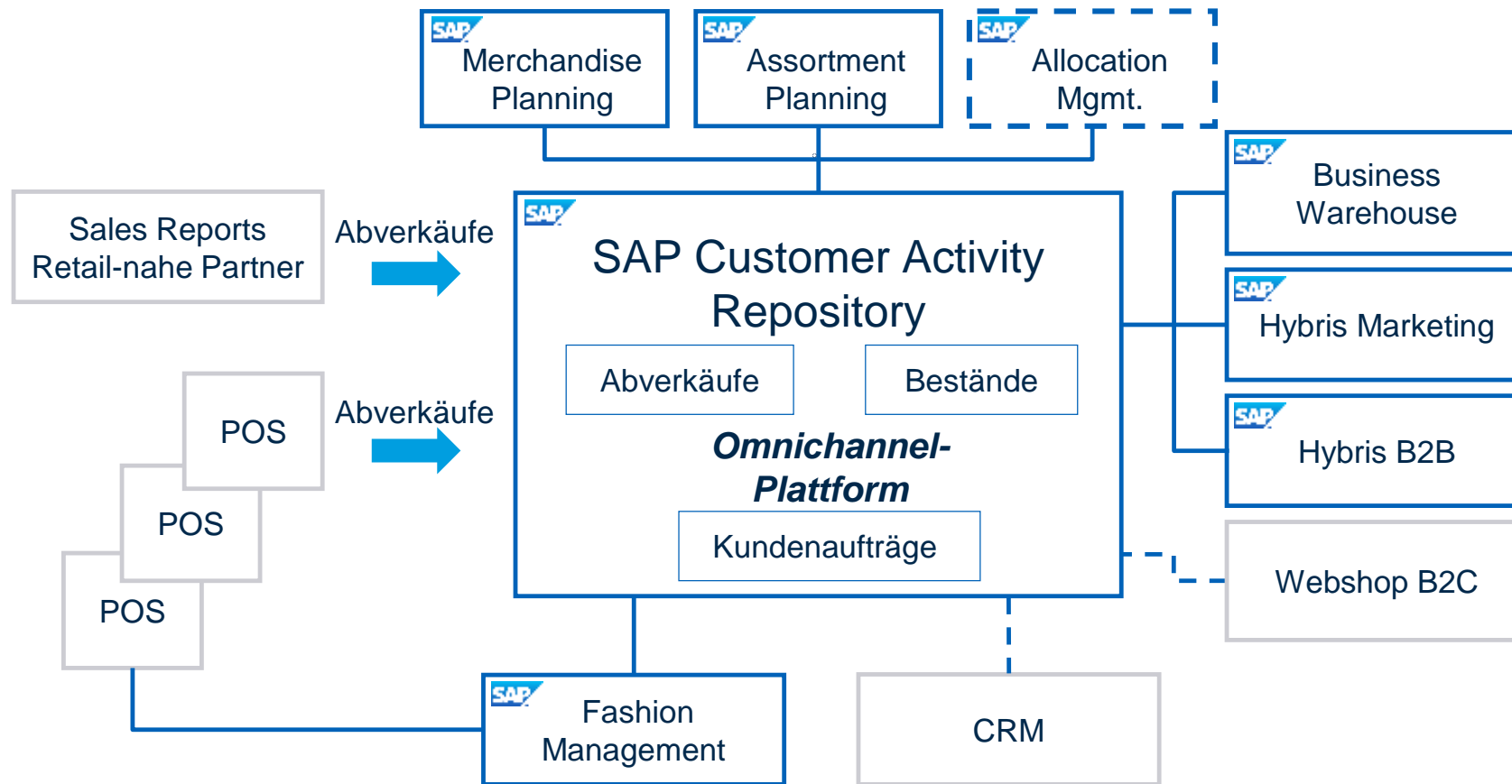
On-/offline journey

POS motion tracking

In-store mobile ads



WE ARE CURRENTLY BUILDING OUR NEW TECHNOLOGY PLATFORM



AGENDA

Snapshot of the Tom Tailor Group (TTG)

Our challenging business environment

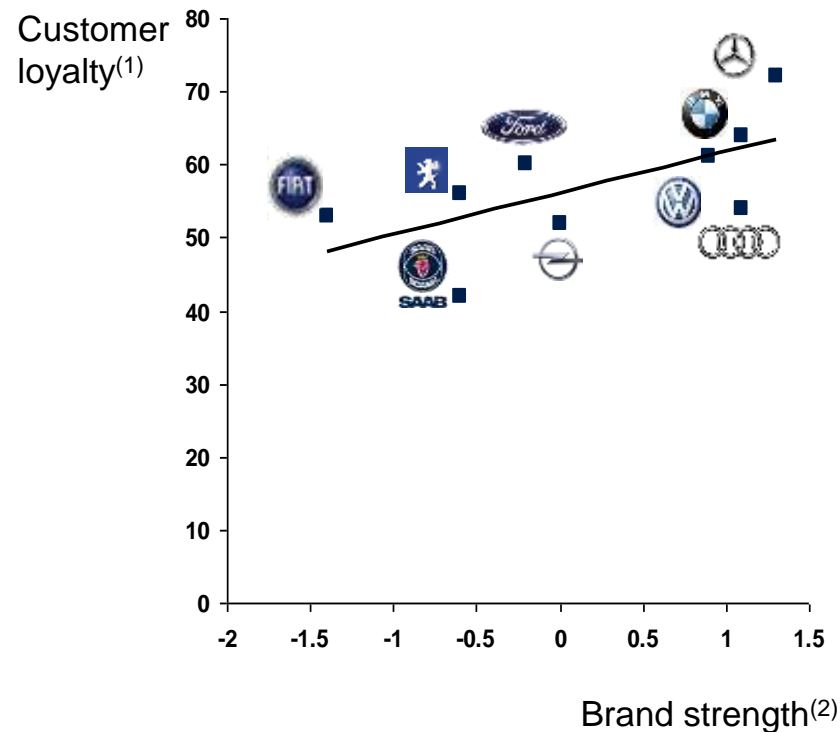
How to keep the engine running

Why brand equity matters

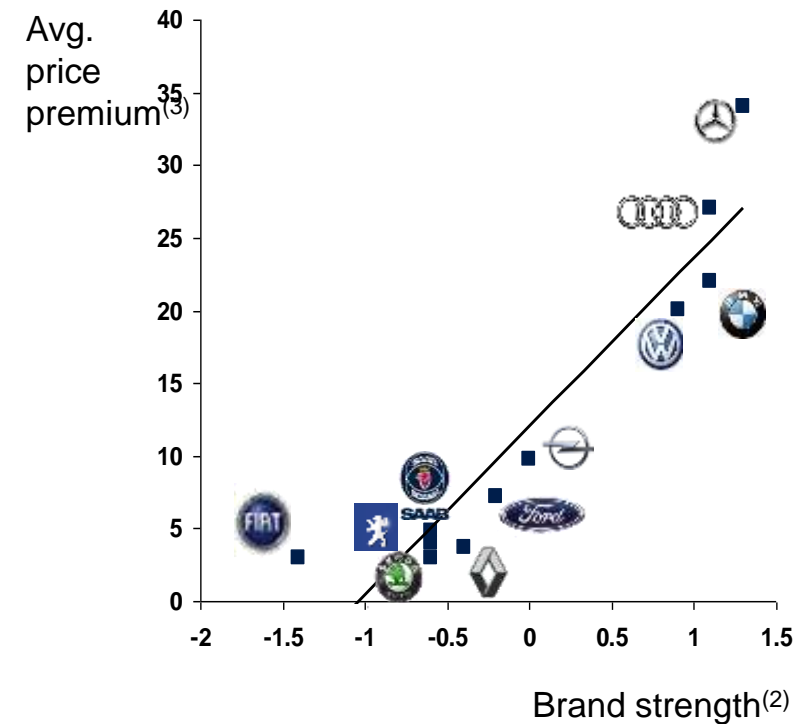
Wrap-up

A STRONG BRAND IS GOOD – ALWAYS A UNIVERSAL TRUTH – E.G., AUTOMOTIVE

Drives customer loyalty ...



... and willingness to pay



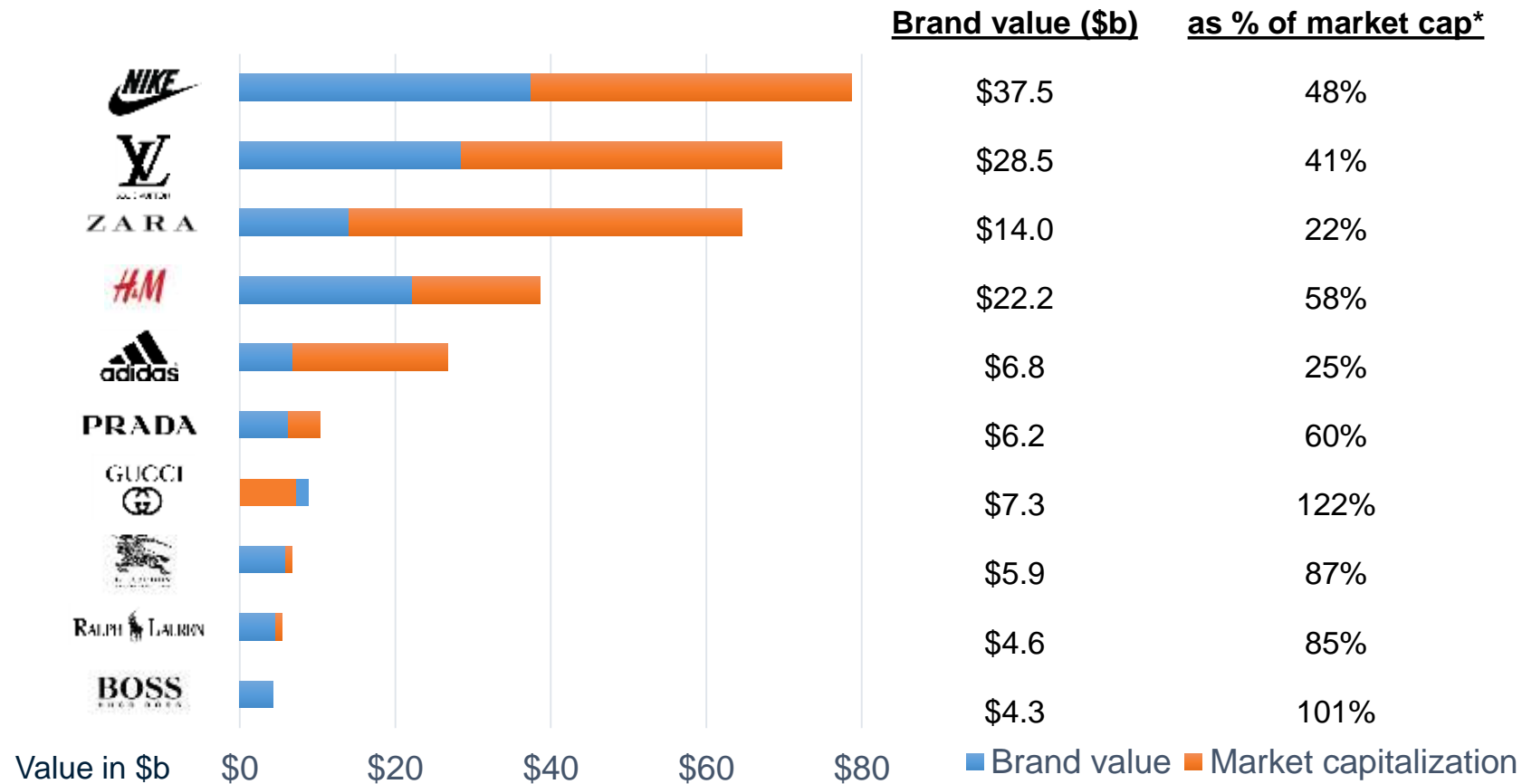
(1) Anteil derjenigen Autobesitzer, die bei Kauf eines neuen Autos der Marke treu bleiben

(2) Relativ zum Marktdurchschnitt; ausgedrückt durch Gesamt-Markenwahrnehmung; bewertet durch Notensystem von 1 bis 10 mit 10 als bester Note

(3) Preisprämie, die Hersteller über alle Modelle hinweg erzielt; in jedem Segment, relativ zum 10 %-Quantil berechnet (kleinste Importmarke mit signifikantem Volumen); bereinigt um unterschiedliche PS-Ausstattungen

Source: DRI; Automotive Market Research Data; BCG-Projekterfahrung; BCG-Analyse

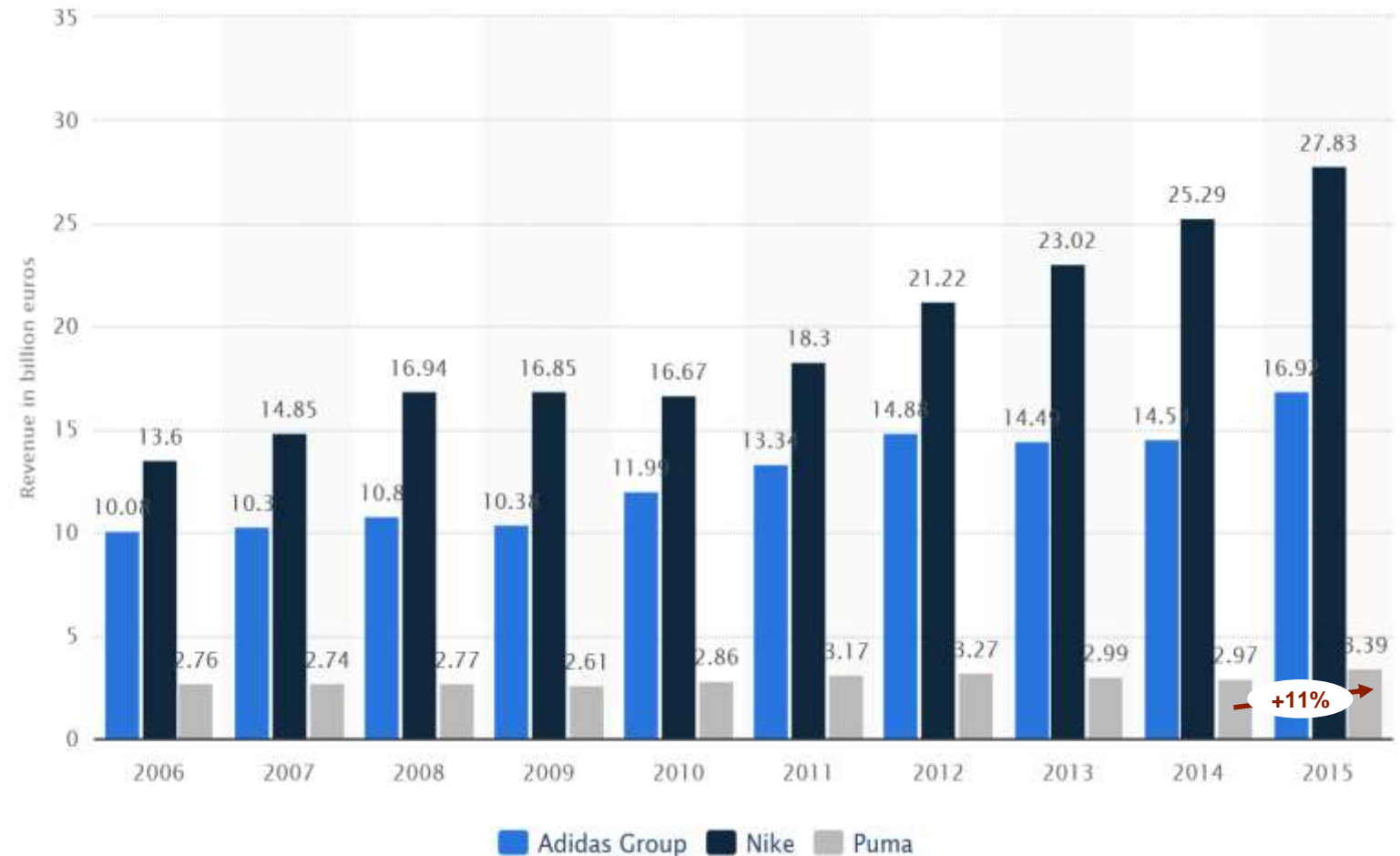
BRAND MATTERS ALSO FOR TEXTILE PLAYERS



CLEAR ROI ON MARKETING IN TEXTILES...

Marketing spend as % of sales

- Adidas / Nike: ~11-13%
- Puma (till 2014): ~4%
- Puma: (2014/15): ~12%



AGENDA

Snapshot of the Tom Tailor Group (TTG)

Our challenging business environment

How to keep the engine running

Why brand equity matters

Wrap-up

WRAP-UP

Fashion is & will remain a tough market

We'll see continued consolidation of brands & trade partners

Technology & data helps to survive

But without brand equity, there is no reason to exist