



# STOCKMANN

Multi-market, multi-channel  
Department Store Division

Maisa Romanainen  
Executive Vice President,  
Director of Department Store Division



## Department Store Division in brief



Share of Stockmann's  
revenue in 2010  
EUR 1 099.9 million, 60%

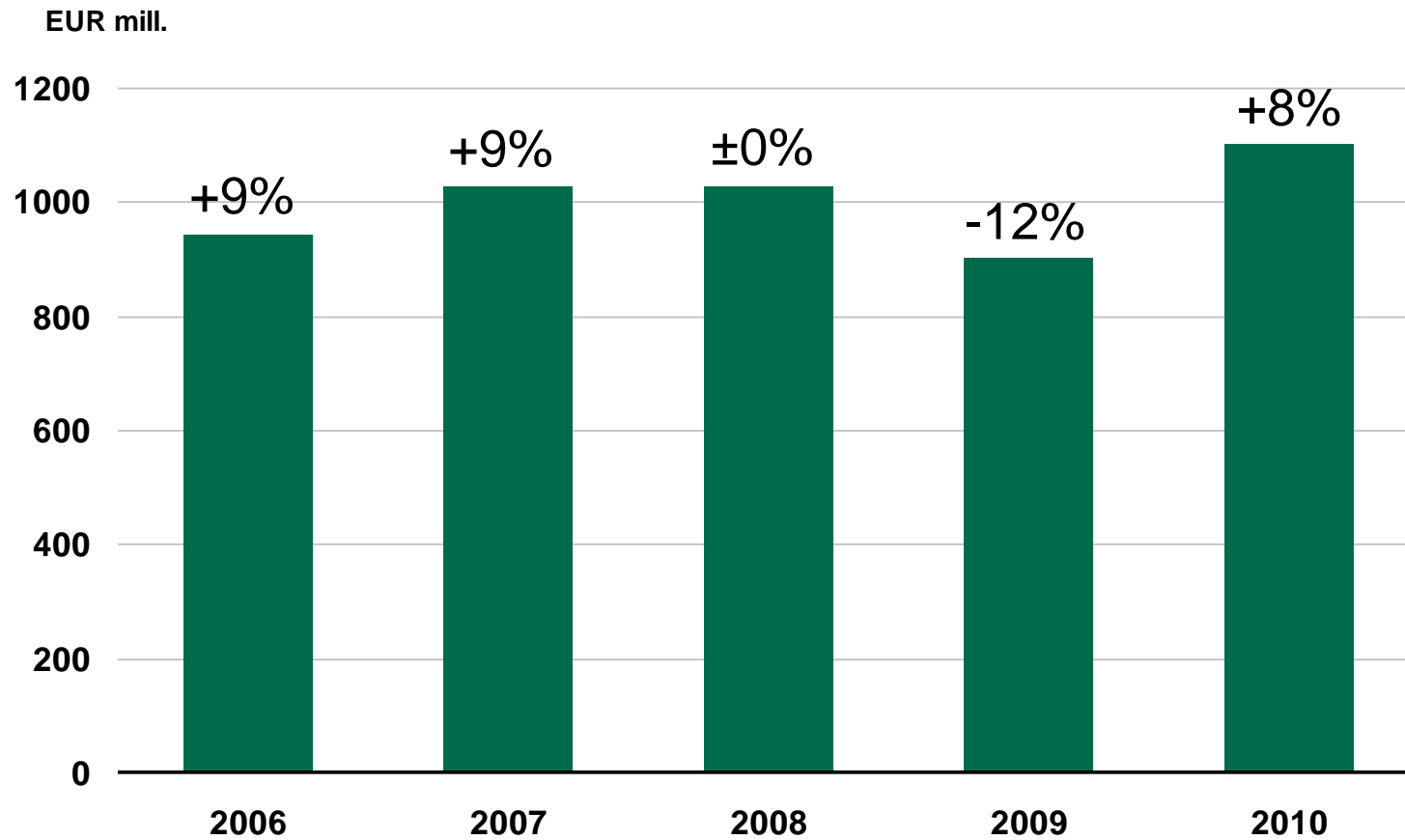


Share of Stockmann's  
operating profit in 2010  
EUR 32.9 million, 34%



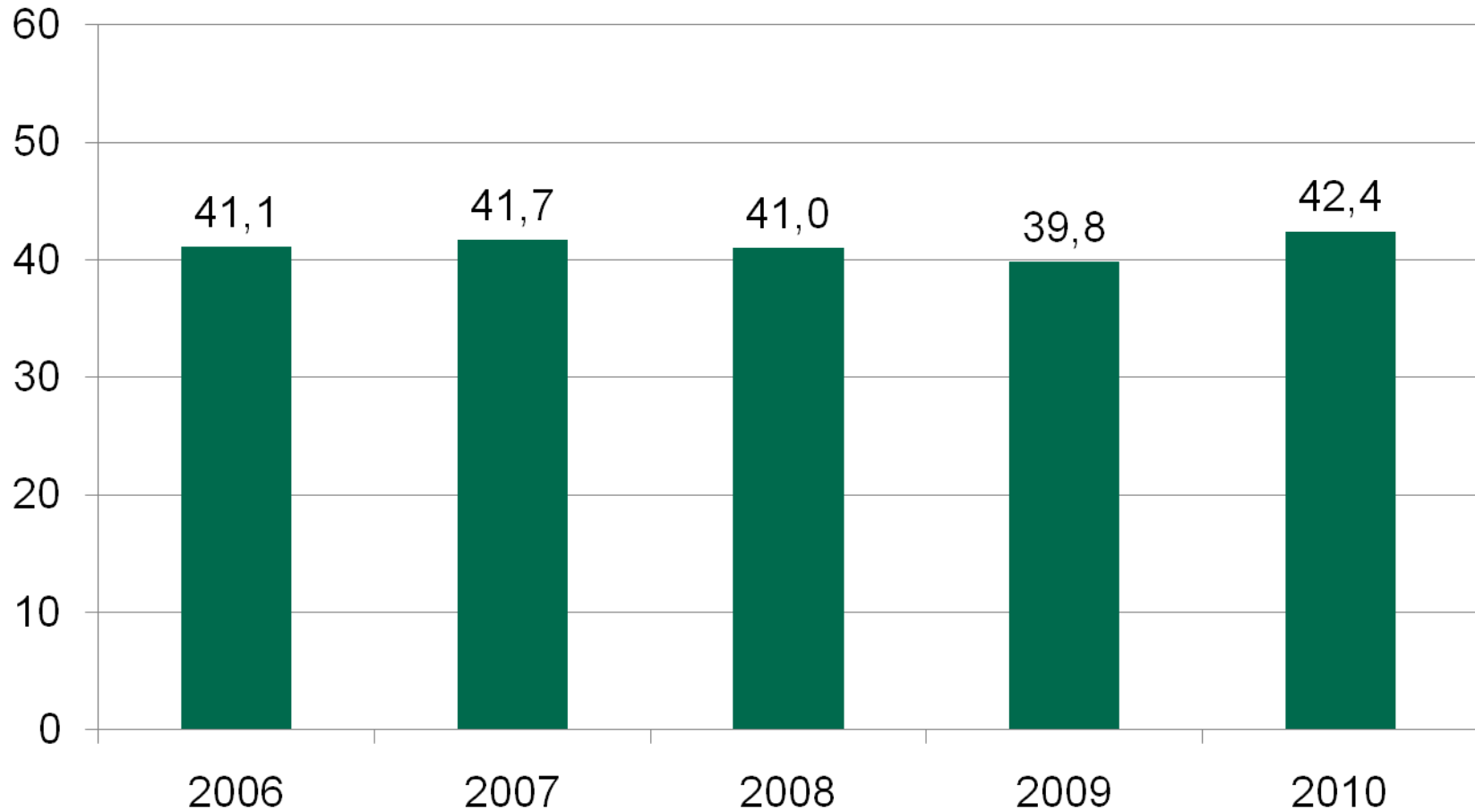


# Development of Department Store Division's revenue





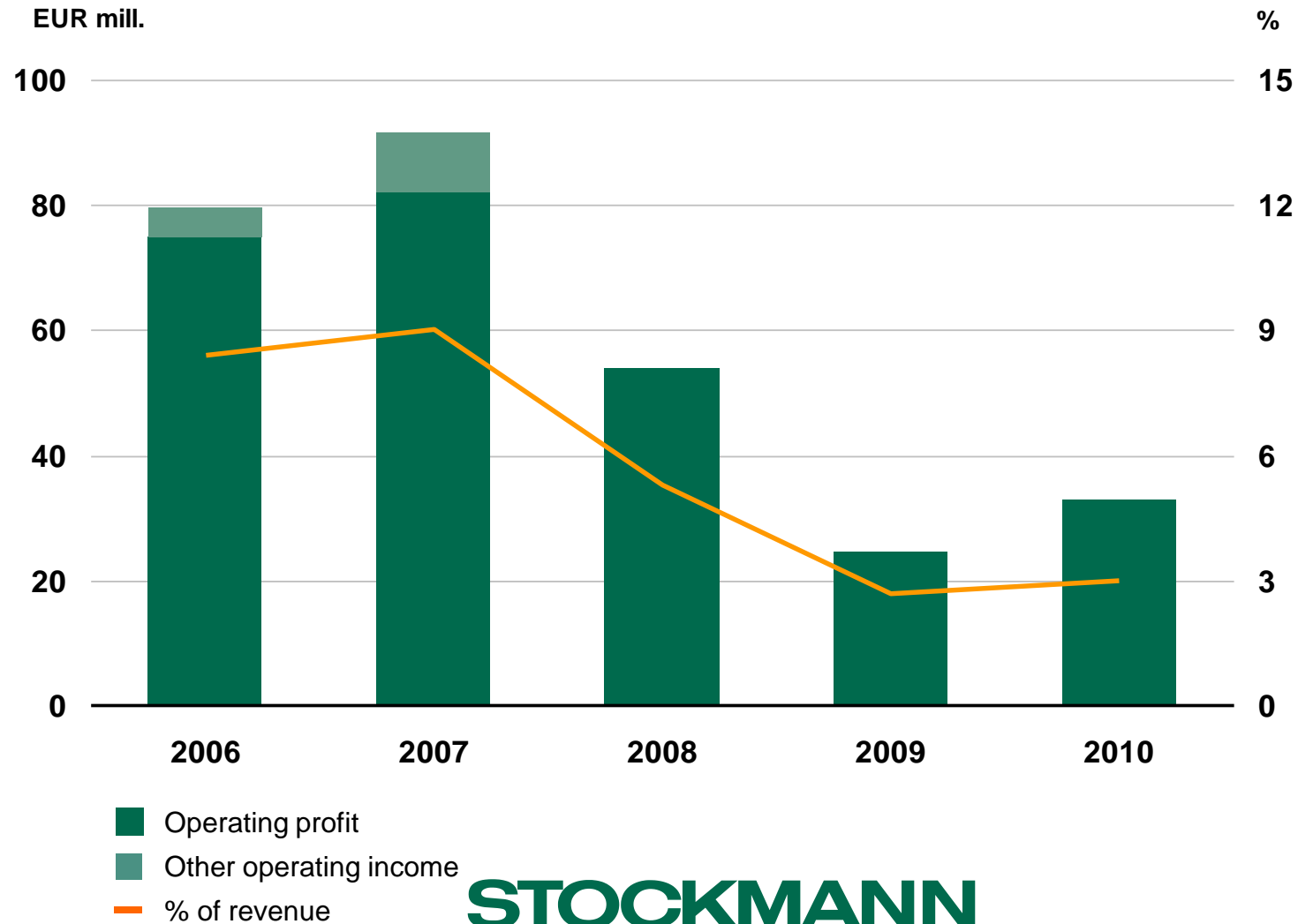
## Development of relative gross margin



**STOCKMANN**



# Development of operating profit





# A company with great history



1862  
Stockmann was founded



1880  
First Department Store



1930  
The new Helsinki downtown department store was opened



1989  
Stockmann's first store in Russia was opened in GUM in Moscow



1996  
Stockmann's opened its first department store abroad in Tallinn, Estonia



1998  
Stockmann's first department store in Russia was opened in Moscow



2003  
Stockmann opened a department store in Riga, Latvia

# STOCKMANN



## Many brands – many channels

### FINLAND

- 7 department stores
- 7 Academic Bookstores
- Hobby Hall mail order sales, online store and 1 store
- 14 Stockmann Beauty stores
- 4 Zara stores
- 1 Outlet

### ESTONIA

- 1 department store
- 1 Outlet

### LATVIA

- 1 department store

### RUSSIA

- 7 department stores
- 1 shopping centre
- 20 Bestseller stores
- 2 Outlet stores

### ONLINE STORES

- stockmann.com in Finland
- akateeminen.com in Finland
- hobbyhall.fi in Finland

**STOCKMANN**



**HOBBY HALL**



**AKATEEMINEN KIRJAKAUPPA  
AKADEMISKA BOKHANDELN**

**akateeminen.com**



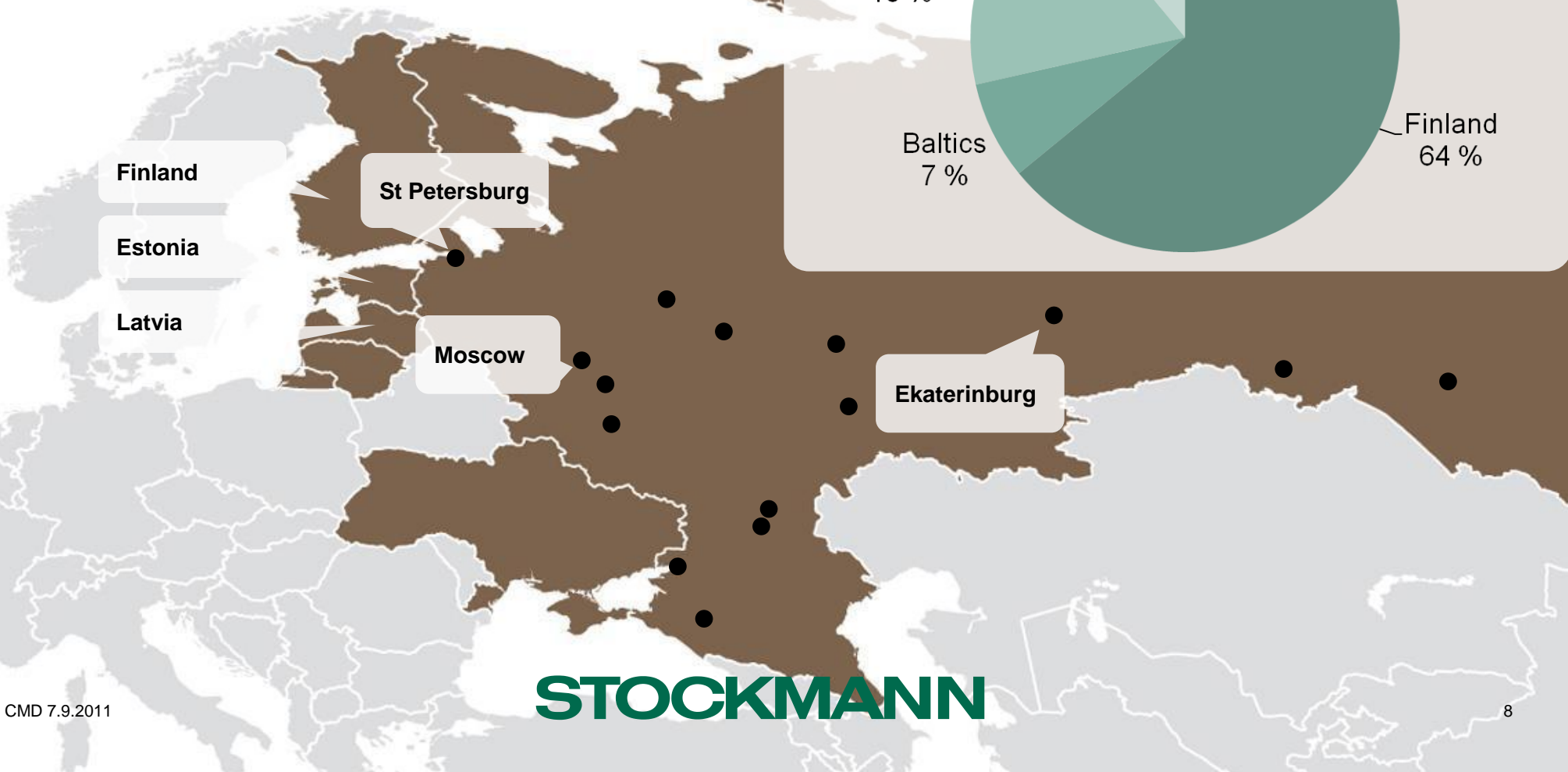
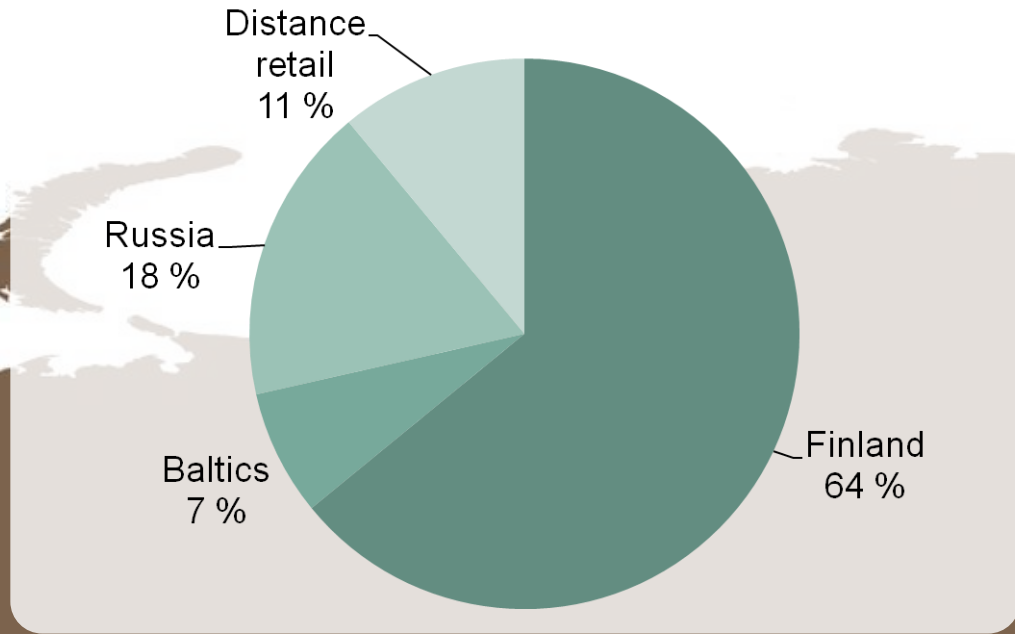
**STOCKMANN**

**ZARA**



# Market coverage

Revenue by market in 2010







## Business concept – More than I expected

Department store chain operating in Finland, Russia, and the Baltics, including distance retailing in Finland. Stockmann department stores offer one stop shopping experience with excellent quality and competitive prices for a wide customer group. Product selection includes fashion, cosmetics, home decoration, consumer electronics, sports, books, stationary, and food. Stockmann offers additional services to complete the product selection. Excellent customer service is our priority and we always target to exceed our customers' expectations.

**STOCKMANN**



# Among leading European department stores chains





## The Stockmann brand

**More than I expected**

**Wide and unique assortment of high quality**

**Excellent and professional customer service**

**Competitive price-quality ratio**

**Inspiring shopping milieu**

**Modern and international atmosphere**

**STOCKMANN**

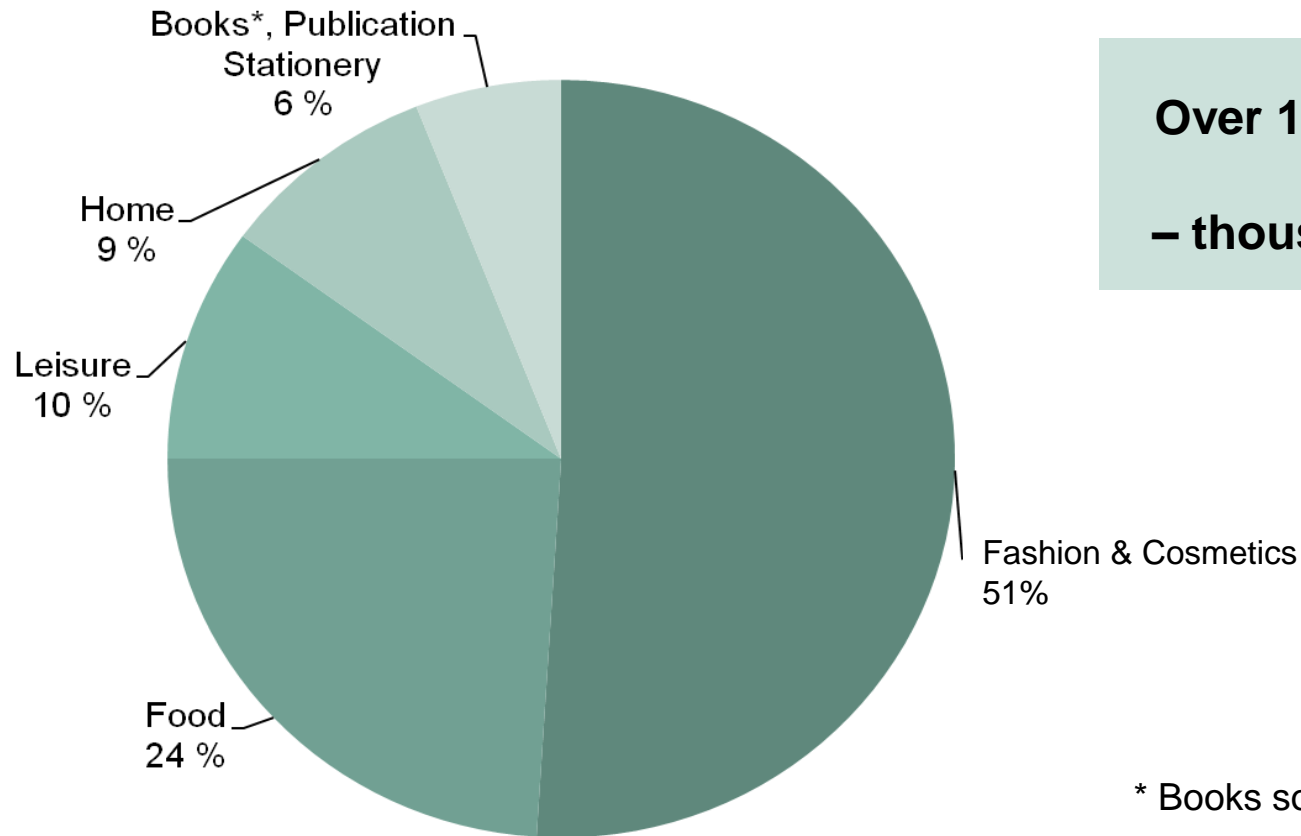


# Wide and unique assortment





# Wide and unique assortment



**Over 1.5 million SKU's**  
**– thousands of brands**

\* Books sold only in Finland



## Stockmann brands

- Designed and sourced by Stockmann
- Major part of sales in medium/lower medium price category in Fashion and Home
- Mainly produced in tight co-operation with Stockmann's own buying offices



CRISTELLE & CO.®



CUBE  
CO.®

zoey m.

*villa*  
STOCKMANN



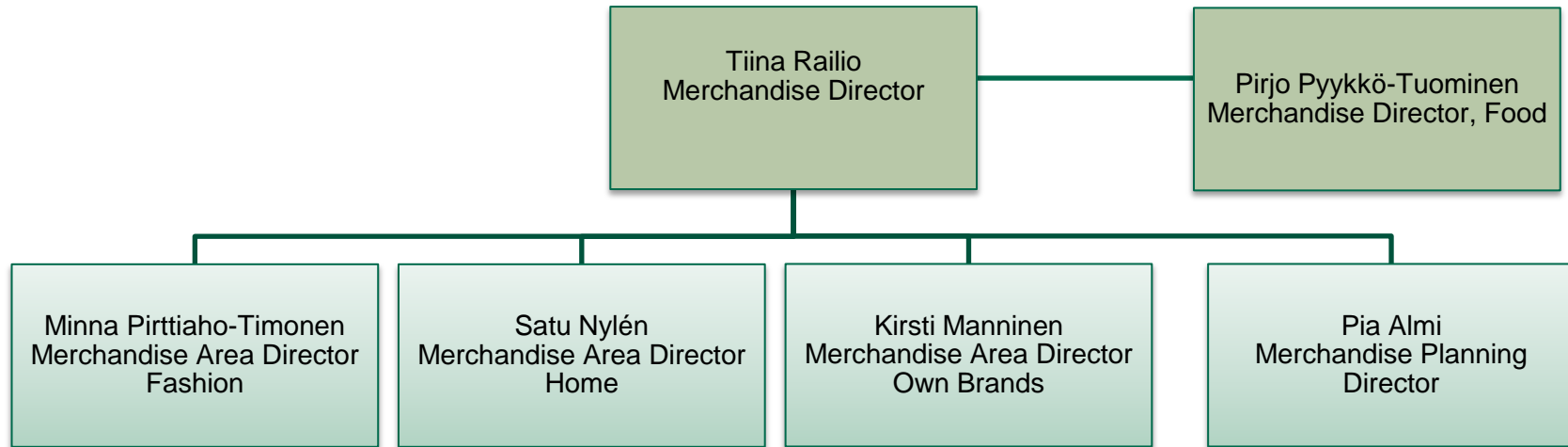
GLOBAL  
ACCESSORIES

BODYGUARD





# Efficient buyer-planner chain organisation



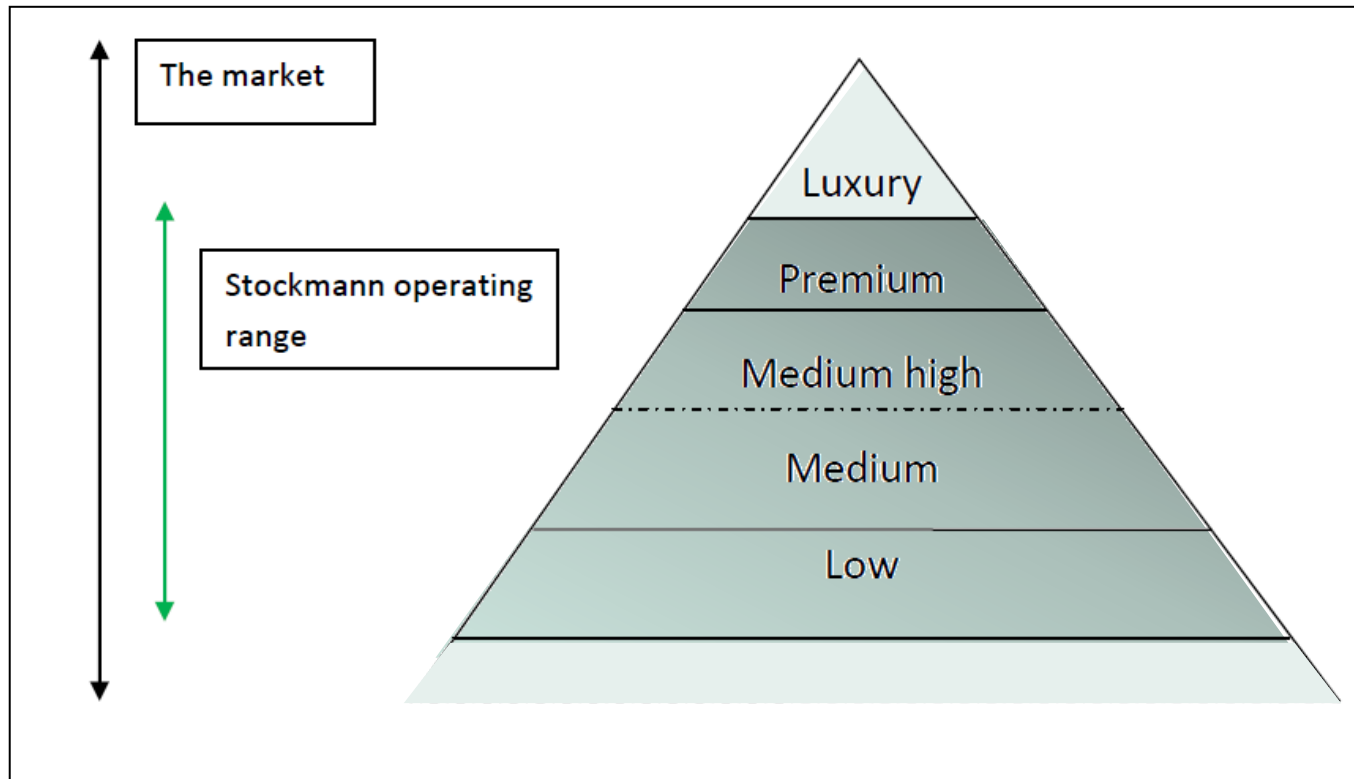
Gross margin % 2010 (2009)	Stock turn 2010 (2009)
<b>42.4</b> (38.3)	<b>4.7</b> (4.7)

Major change process in 2010–2013

Oracle ERP project in 2011–2014



# Competitive price / quality ratio

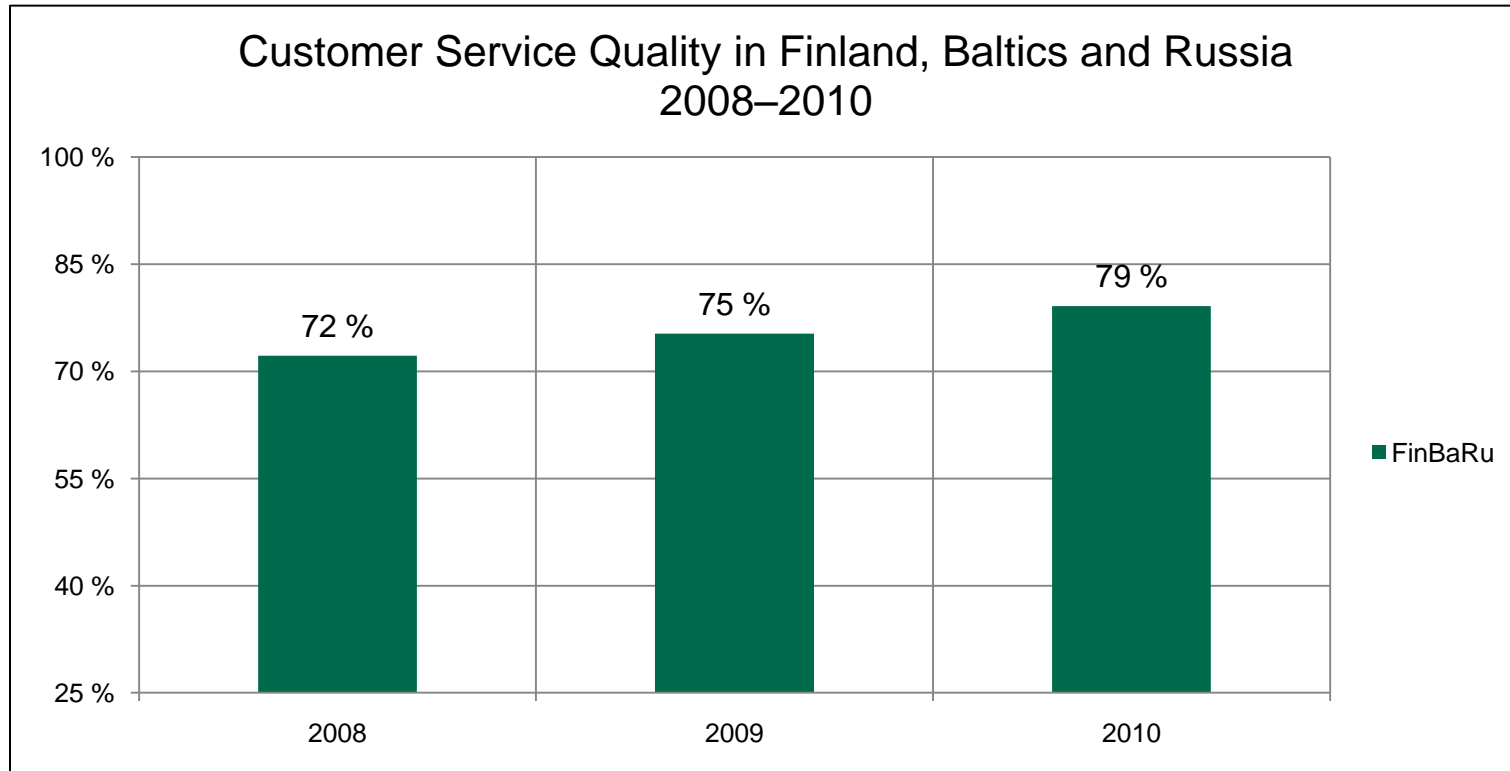


Price/quality ratio of all items in each price category must be competitive and reliable in all markets we operate.





## Excellent and professional customer service



- Over 40 million customers in 2010 with an average purchase of ~ €23
- ~7 000 sales persons

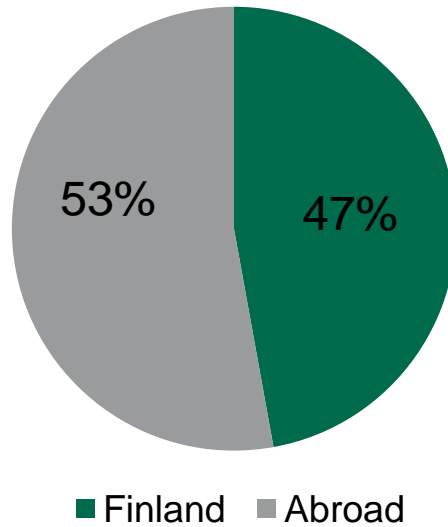


# Over 2 million loyal customers

- ~70% of revenue from loyal customers
- Co-branded program; in Russia with Citibank, in Finland and Baltics with Nordea



### Loyal Customers in 2010





# Monthly loyal customer marketing

PREMIERE

9 2011

STOCKMANN COM

BERLIN IST IN 2011

STOCKMANN

Syyskuun edut  
Förmåner i september

STOCKMANN COM

Kanta-asiakkaan edut Stamkundens förmåner 09/2011

STOCKMANN

LEHTI STOCKMANNIN EKSLUSIIVE-KANTA-ASIAKKAILLE LEHTI STOCKMANNIN EKSLUSIIVE-KANTA-ASIAKKAILLE LEHTI STOCKMANNIN EKSLUSIIVE-KANTA-ASIAKKAILLE

Exclusive

3/2011

HELSINGIN KESKUSTAN TAVARATALON OMA LEHTI

MIINI kaupunki annilla

Kietoudu 7 syksyyn!  
7 uusia muotia

left

MITTATILAUSENGÄT -20 %  
Leikkaukseen mukautettuja kengät, jotka sopivat jalkojen muotoon. Kengät ovat valmistettu korkealaatuisista materiaaleista. Kengät ovat valmistettu Suomessa. Kengät ovat valmistettu Suomessa. Kengät ovat valmistettu Suomessa.

MÄTTBESTÄLLDA SKOR OCH BÄLTEN -20 %  
Leikkaukseen mukautettuja kengät, jotka sopivat jalkojen muotoon. Kengät ovat valmistettu korkealaatuisista materiaaleista. Kengät ovat valmistettu Suomessa. Kengät ovat valmistettu Suomessa. Kengät ovat valmistettu Suomessa.

STOCKMANN

Firmenegilika Zeugnis

-20%  
MITTAPUVUUSTA  
MÄTTBESTÄLLDA  
KOSTYMER  
268.-259.

STOCKMANN



# Inspiring shopping milieu

## LARGE UNITS

- Flagship 50 000 m<sup>2</sup>+ Helsinki
- Category A 15 000 m<sup>2</sup>+ St Petersburg
- Category B 10 000 m<sup>2</sup>+ Tapiola, Tampere, Turku, Jumbo, Itäkeskus, Tallinn, Riga, Mega South, Mega East, Mega North, Rostokino
- Category C 8 000 m<sup>2</sup>+ Metropolis, Ekaterinburg

TOTAL SALES AREA ~200 000 m<sup>2</sup>





# Helsinki Flagship Store

- Opened originally in 1930
- Largest department store in the Nordic Countries
- Among the five largest department stores in Europe
- Approx. 50 000 m<sup>2</sup> of retail space, of which ~7 000 m<sup>2</sup> rented out
- 12 million customers annually
- Delicatessen totalling 500 m<sup>2</sup> on one floor
- Customer parking for 600 cars





# Helsinki Flagship Store





# Academic Bookstore in Helsinki





# Inspiring shopping milieu – Helsinki







# Inspiring shopping milieu

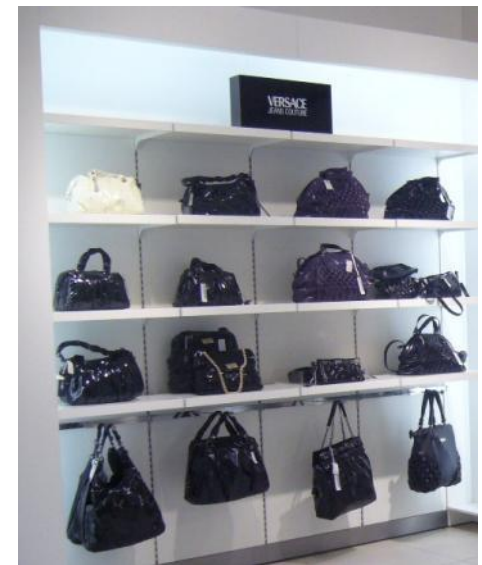
Nevsky Centre and St Petersburg department store in brief

- Opened in November 2010
- Property fully owned by Stockmann; commercial plot acquired in 2006
- Total investment approx. €185 million
- 98 000 m<sup>2</sup> of floor space, retail space 50 000 m<sup>2</sup>
- Russia's largest Stockmann department store, 20 000 m<sup>2</sup> of retail space
  - Fashion, home decoration, everyday goods, food (3200 m<sup>2</sup> Delicatessen)
- Other commercial services on seven floors: over 70 stores and other service companies, 14 cafes and restaurants
- 5 500 m<sup>2</sup> of office space
- Underground car park for 560 cars





# Inspiring shopping milieu – St. Petersburg





# Inspiring shopping milieu – Ekaterinburg

- Opened in March 2011
- Commercial area 7 750 m<sup>2</sup>
- Employees 270
- Investment 14 M€





## Inspiring milieu – upcoming enlargements and facelifts

- Tapiola department store has currently approx. 11 500 m<sup>2</sup> of retail space and is Stockmann's second largest department store in Finland.
- Target is to open the store in new leased premises in 2016 with the Tapiola Group.



- Tampere department store enlargement is planned to be ready in 2013.
- The renewed store is planned to have approx. 15 000 m<sup>2</sup> of retail space.



# STOCKMANN

S A R C KAUPUNKIKESKUS TAPIOLA  
Arkkitehtitoimisto  
Tammusammekintie 3  
00180 Helsinki, Finland  
Tel. +358-9-62261160  
E-mail: YH@SARC.FI

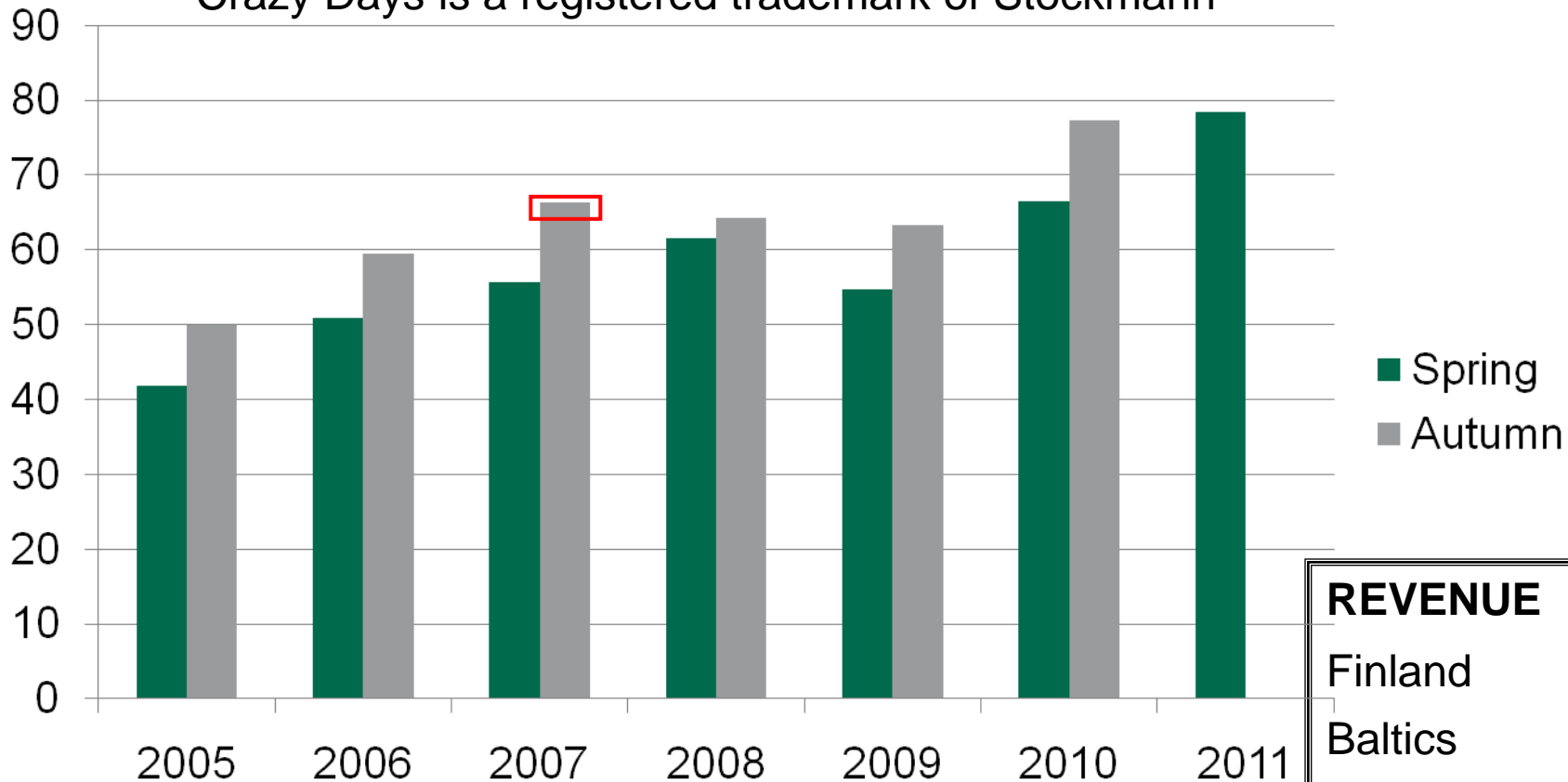
Näköymä Kulttuuriraitilla  
LUONNOS  
HELSINKI

10.5.2011



# Creating a Buzz – Crazy Days

- Crazy Days – the most powerful retail promotion in the Baltic Sea area
- Crazy Days is a registered trademark of Stockmann



Sales of Smolenskaya dpt store A/07

# STOCKMANN

REVENUE	IND s11/s10
Finland	ind 105
Baltics	ind 118
Russia	ind 170
DSD total	ind 118



# Creating a buzz – Crazy Days





# Creating a buzz

## Stockmann in Facebook

**StockmannBerlin ist in** Tuossa

Yläosat | Alaosat | Päällysvaatteet | Asusteet

Tuote XX €	Tuote XX €	Tuote XX €	Tuote XX €
Tuote XX €	Tuote XX €	Tuote XX €	Tuote XX €

**BERLIN** RAAHAA TUOTTEET TÄNNE

**facebook** Haku Etusiv

**Stockmann**  
Company

**Wall** Stockmann · Everyone (Most Recent) ▾

Share: Post Photo Link Video

Write something...

**Stockmann**  
Berliini houkuttelee sisustamaan! Tänä syksynä kannattaa käyttää rohkeasti värejä ja yhdistellä vapaasti uutta ja vanhaa. Hallittu hillittömyyskin on sallittua!

**BERLIN IST IN - Stockmann.com**  
stockmann.com  
BERLIN IST IN, Stockmann.com verkkokauppa

Like · Comment · Share · 3 minutes ago

2 people like this.

Write a comment...

**About**  
Stockmann-verkkokauppa/näbutik:  
<http://stockmann.com/>

**1,695**  
like this

**Likes**

- Berlin ist IN**
- Hullut Päivät, Galna Dagar**
- Akateeminen Kirjakauppa - Akademiska**

**Stockmann**  
Company

**Wall** Stockmann · Everyone (Most Recent) ▾

Share: Post Photo Link Video

Write something...

**Stockmann**  
Berliini houkuttelee sisustamaan! Tänä syksynä kannattaa käyttää rohkeasti värejä ja yhdistellä vapaasti uutta ja vanhaa. Hallittu hillittömyyskin on sallittua!

**BERLIN IST IN - Stockmann.com**  
stockmann.com  
BERLIN IST IN, Stockmann.com verkkokauppa

Like · Comment · Share · 3 minutes ago

2 people like this.

Write a comment...

**Stockmann**  
Näytä hyvältä! -kauneustapahtuma on käynnistynyt Helsingin tavaratalon Argoshallissa. Paikalla on paljon ammattilaisia ja tarjolla esim. iho- ja hiuspohja-analyysseja ja pikakampauksia. Startataan syksyyn entistäkin upeampina!

**Näytä hyvältä! - Stockmann.com**  
stockmann.com  
null

Like · Comment · Share · Friday at 12:29

9 people like this.

**Stockmann** Se bra ut! skönhetsevenemanget har börjat i Argoshallen i varuhuset i Helsingfors centrum. På plats är flera skönhetsproffs och du kan få bl.a. hud- och hårbottenanalys och en snabbfrisyr. Inled hösten vackrare än någonsin!  
Friday at 12:29 · Like

# Creating a buzz – Stockmann 150 years in 2012







Stockmann – multichannel retailer with 3 web stores



**HOBBY HALL**

**akateeminen.com**

**STOCKMANN**



# Hobby Hall – leading distance retailer in Finland

- 50 years in 2012 – founded in 1962
- Acquired by Stockmann in 1985
- Online launch in 2000
- Part of the Stockmann Department Store Division as of 2010
- The most convenient way of shopping with flexible payment methods
- Modern, easy collection of Home, Electronics ,and Leisure
- Online, catalogue and one store in Helsinki capital region

**HOBBYHALL.fi**

Käytössäsi: Käytössäsi: Käytössäsi: Käytössäsi

Rekisteröidy / Ota yhteyttä

Kanta-asiakastarjoukset: Suositut tuotteet

Lapset Kauneus ja terveys Kodinkeinot Koti Elektronikka ja viihde Uihelu ja vapaa-aika Pukeutuminen Tarjoukset

Etusivu » Kanta-asiakastarjoukset

Kanta-asiakastarjoukset

Lapset  
Kauneus ja terveys  
Kodinkeinot  
Koti  
Elektronikka ja viihde  
Uihelu ja vapaa-aika  
Pukeutuminen

KANTA-ASIAKKUUUS  
Lisä kanta-asiakastarjoukset  
Kanta-asiakastarjoukset  
Uusi kanta-asiakastarjoukset

**KANTA-ASIAKKAAN PARHAAT EDUT JOPA YLI -20%**

Kanta-asiakastarjoukset voimassa 14.8.2011 asti.

Kanta-asiakkuus kannattaa!  
Littyminen on ilmaista ja edut saat heti. Lityskanta-asiakkaaksi »

**KOTI**  
24-os. Teema-astiat  
**219,00**  
(norm. 249,00)  
Lisää kanta-asiakastarjoukset »

**KODINKEINOT**  
Valera-matkakalvain  
**59,90**  
(norm. 79,90)  
Lisää kanta-asiakastarjoukset »

**ELEKTRONIKKA JA VIHDE**  
Samsung LE22C456 LCD-TV 22"  
**229,00**  
(norm. 299,00)  
Lisää kanta-asiakastarjoukset »

**UIHELU JA VAPAA-AIKA**  
Futura T420SL -parilaksugrilli  
**279,00**  
(norm. 349,00)  
Lisää kanta-asiakastarjoukset »

**LAPSET**  
Britax Evolva 123 Plus -turvakasvatinsuora-istuin  
**199,00**  
(norm. 249,00)  
Lisää kanta-asiakastarjoukset »

**PUKEUTUMINEN**  
Björn Borg Core Plus -pöytäkalvi  
**23,00**  
(norm. 29,00)  
Lisää kanta-asiakastarjoukset »

**KAUNEUS JA TERVEYS**  
House of Elliot Cecilia -sunnus  
**20,00**  
(norm. 25,00)  
Lisää kanta-asiakastarjoukset »

Oletko jo kanta-asiakas?  
Tarjoamme kanta-asiakkaillemme tuntuvia etuja. Lity nyt, saat edut heti!  
Lity kanta-asiakkaaksi »

KUVAUS O: Seuraava kanta-asiakastarjoukset  
Tilaa tarjoukset »

**STOCKMANN**

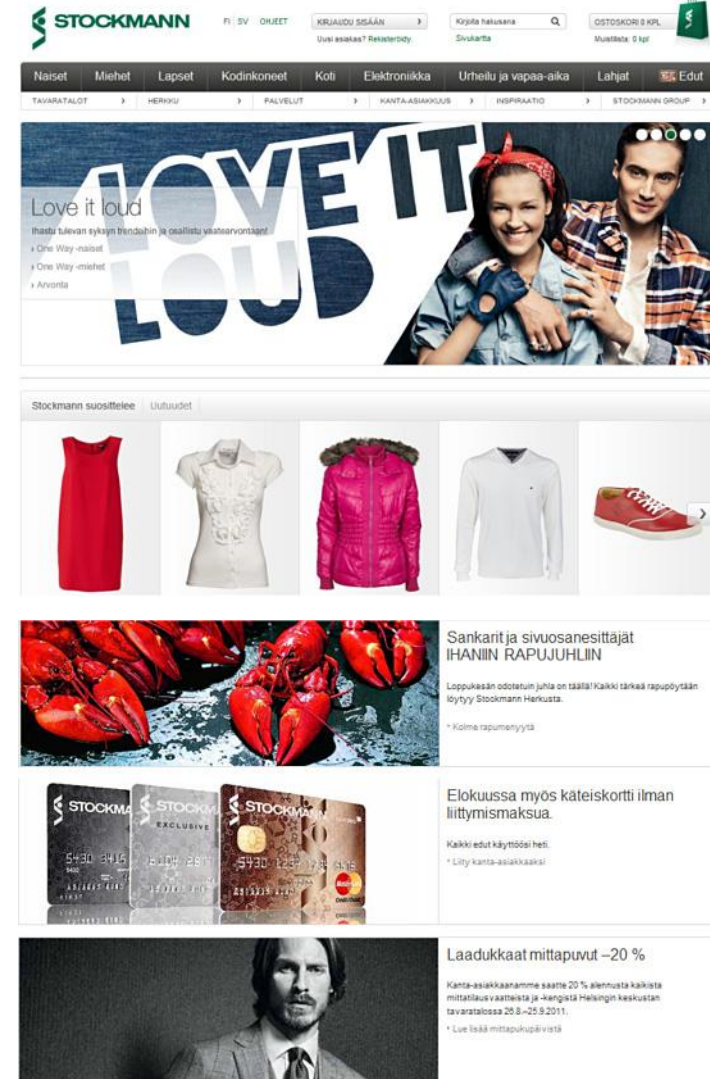




# Stockmann.com



- Launched in October 2010
- ~30 000 items
- Hundreds of international and Finnish brands in Fashion, Home and Leisure
- Stockmann department store at your home
- Tightly integrated to department store processes
- Popular click and collect delivery



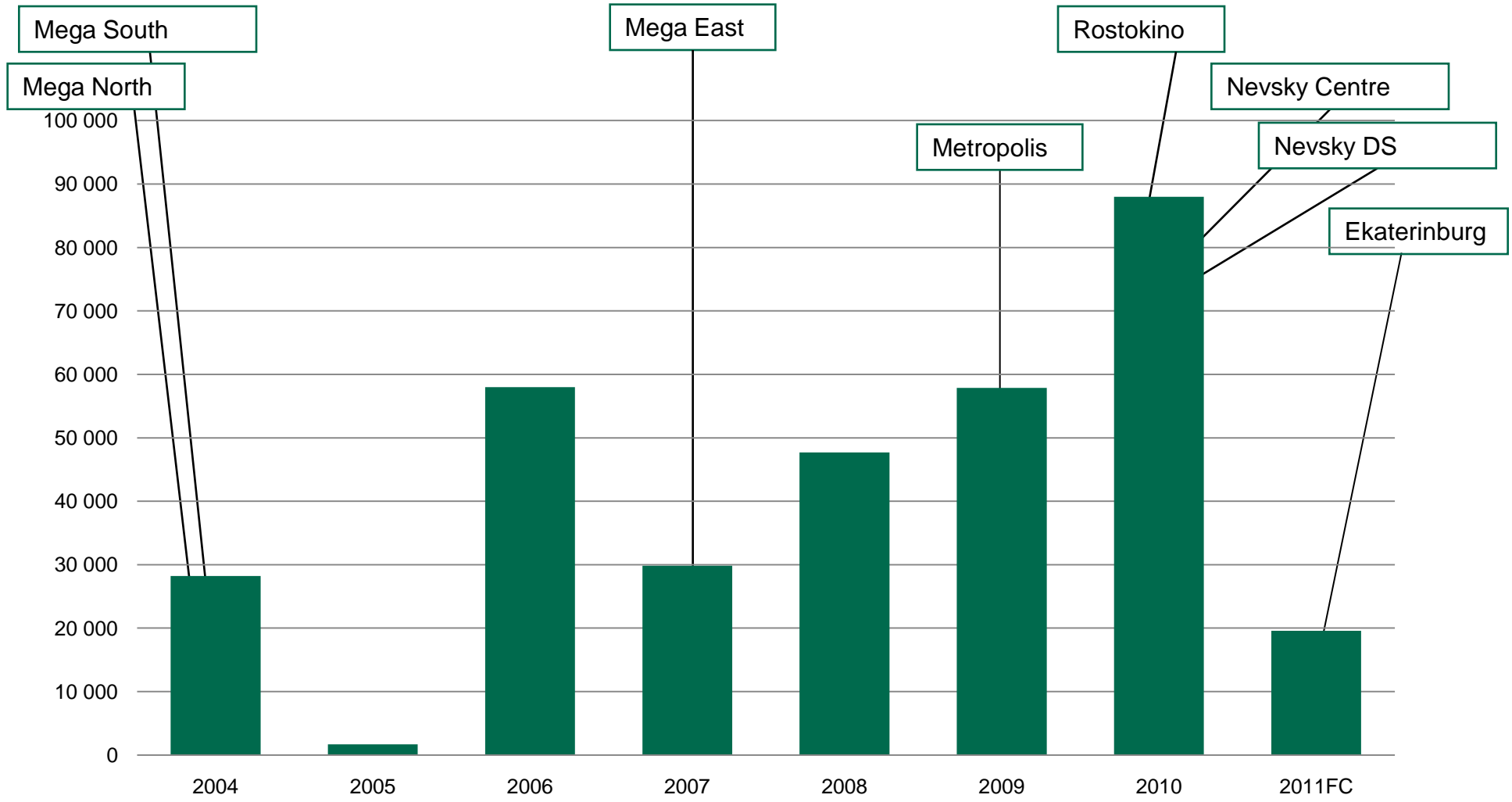


# Department Stores in Russia

**STOCKMANN**



# DSD Russia investments and openings





# Department stores in Russia today

**MEGA SOUTH**



Opened 4/2004

**MEGA NORTH**



Opened 12/2004

**MEGA EAST**



Opened 2/2007

**METROPOLIS**



Opened 2/2009

**ROSTOKINO**



Opened 3/2010

**NEVSKY CENTRE**



Opened 11/2010

**EKATERINBURG**



Opened 3/2011

# STOCKMANN

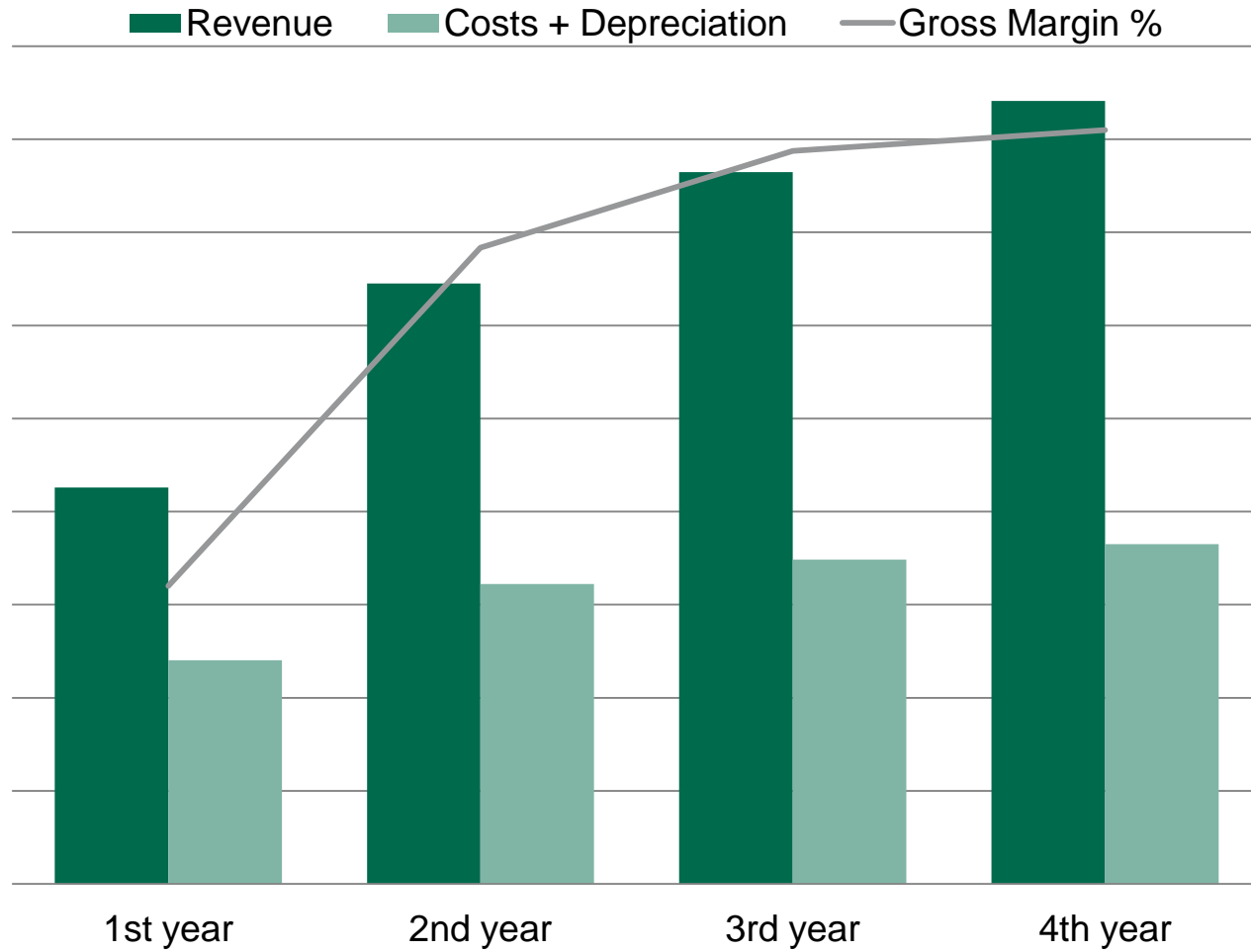


It takes several years...

**STOCKMANN**



# Typical development after opening



**STOCKMANN**





## Starting phase / Revenue

Annual revenue development during the first 3–5 years is normally substantial. However, it takes even more time to reach the full potential of the location and square meters.

- **Fashion is bought in advance** – We are now buying Spring 2012 and planning Autumn 2012. These are the first collections with which we have some experience to utilize for example in St Petersburg. We need experience to get the best out of brands, square meters, campaigns, collections – and to offer customers the items they demand.
- **Majority of revenue comes from loyal customers** – Building the base from zero to the full potential takes several years. Ekaterinburg started from zero in March – now we have approx. 30 000 LC card holders, with thousands more gained monthly.
- **New location – new brand – new customers** – It takes time to gain recognition especially in Russia and to become a preferred place to shop.
- **New sales team** – A year ago the 270 sales associates in Ekaterinburg had no idea of what Stockmann is. Now they are 110% committed to offering visitors the Stockmann customer service.



## Starting phase / Gross margin

Gross margin development is directly related to revenue development – and it takes a few years to reach average levels.

In the first year the relative gross margin depends greatly on the opening month – St Petersburg had two sale periods during the first 10 months of trading.

- **Majority of products is bought in advance** – therefore the first sale campaigns tend to be larger, as there is no experience on allocated items and quantities – or even brands in the opened store. Allocations improve largely during the second and third year.
- **Food needs to be fresh every day** – losses are typically considerably bigger during a start up phase, until demand and supply meet.



## Starting phase / Costs

The majority of costs related to running a store come from real estate and personnel.

- **Real estate costs remain typically on a relatively stable level**, not depending on revenue.
- **Personnel costs vary** – but not to an extent that it would cover the revenue differences. A new store's operating hours are just the same as in the old ones.
- **To enter a new city or even a new part of a city** requires extensive marketing support in the very beginning.
- **To depreciate**, a major department store investment takes a long time frame – and depreciations start to diminish notably only after the first five years.

**AFTER 3 FULL YEARS, A STORE TYPICALLY REACHES A PROFITABLE LEVEL  
– THE FULL EBIT POTENTIAL IS REACHED ONLY AFTER SEVERAL YEARS**



Right Now

**STOCKMANN**



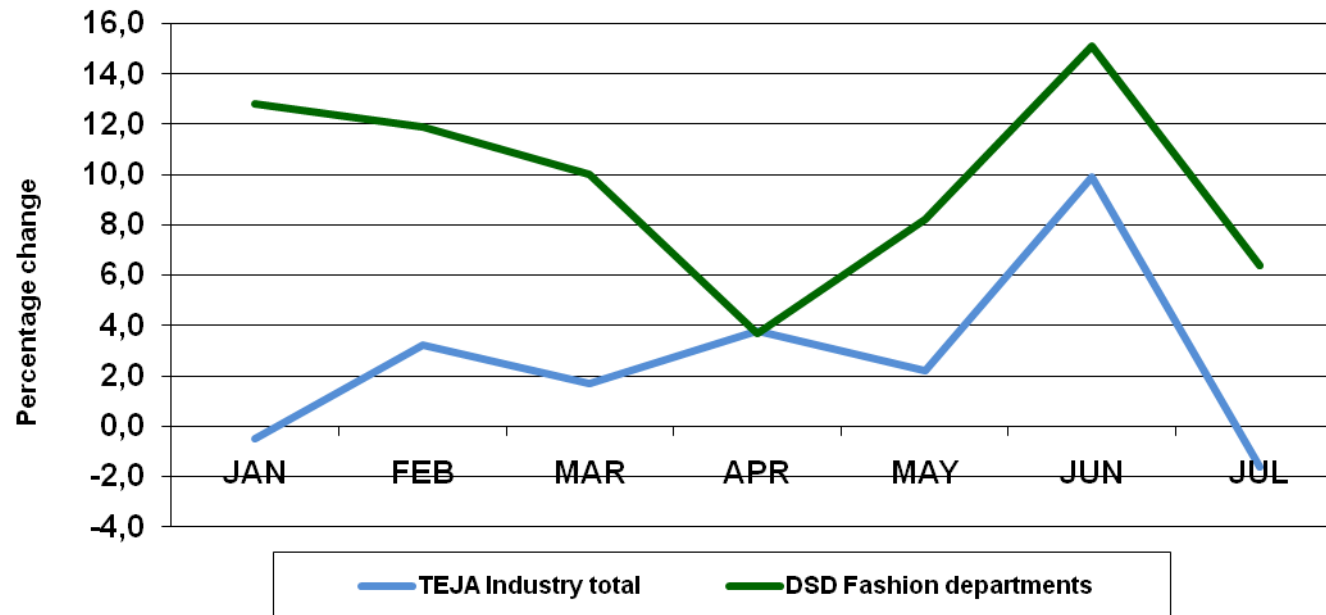
## Main strategic aims

1. Taking full potential out of investments – especially in Helsinki and St Petersburg
2. Clear brand position as the leading department store in each operating market
3. Improved profitability of total operation
4. Considerably less investments
5. Strengthening competitiveness in all branches – enlargements and facelifts of different scale
6. Strong multichannel approach – ensuring future growth
7. Efficient chain processes – main focus on Oracle ERP implementation and buyer-planner organisation change
8. Focus on efficiency in merchandising and supply chain – improved stock allocation, stock turnover, gross margin, and availability



# Market development

## Fashion trade: Monthly sales growth in 2011 in Finland



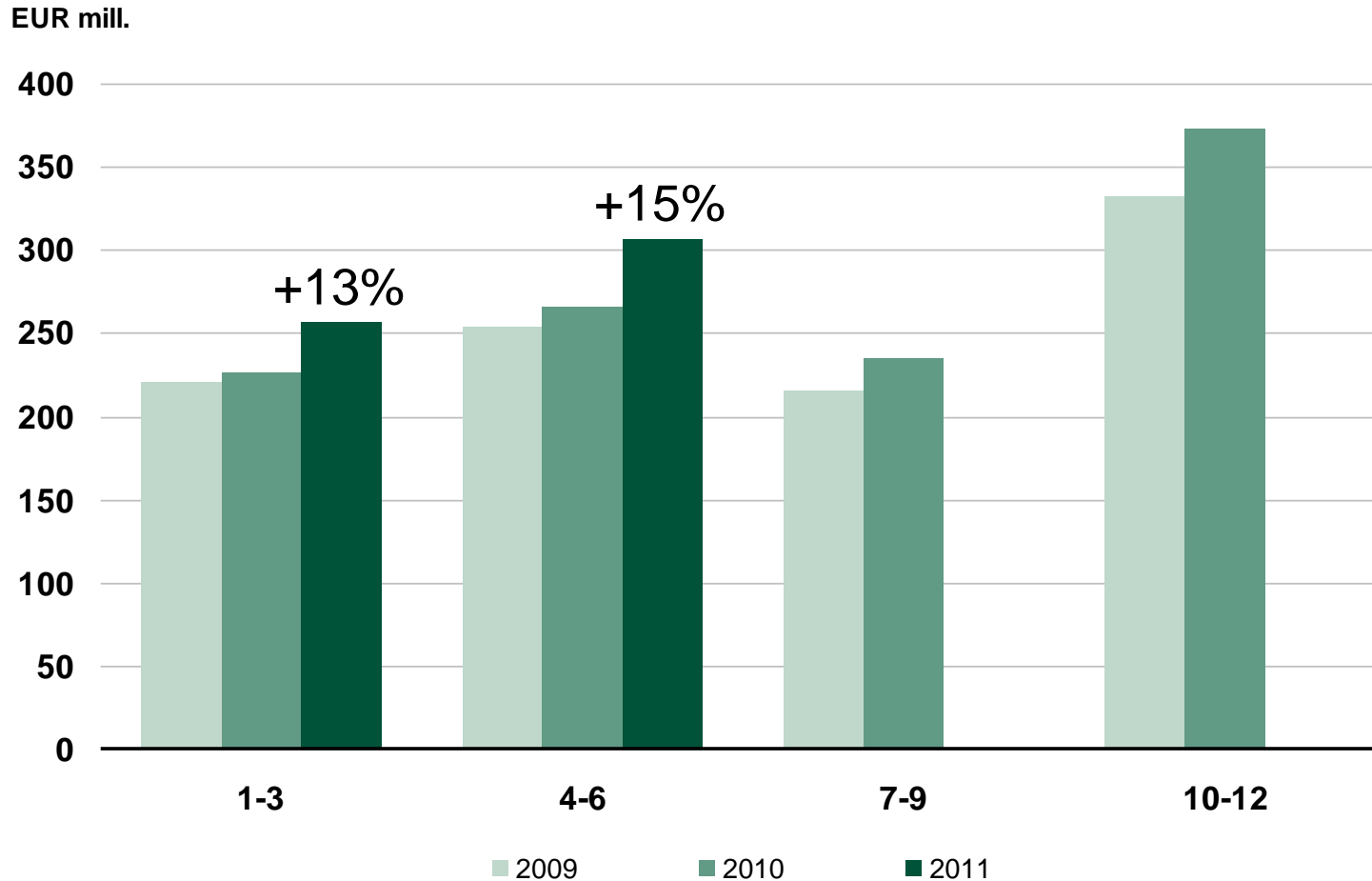
RUSSIA	2009	2010	2011F	2012F	2013F
Retail sales, change %	-4,9	4,4	3,8	4,5	5,3

Source: Ministry of Economic Development in Russia

# STOCKMANN



# Quarterly revenue, Department Store Division

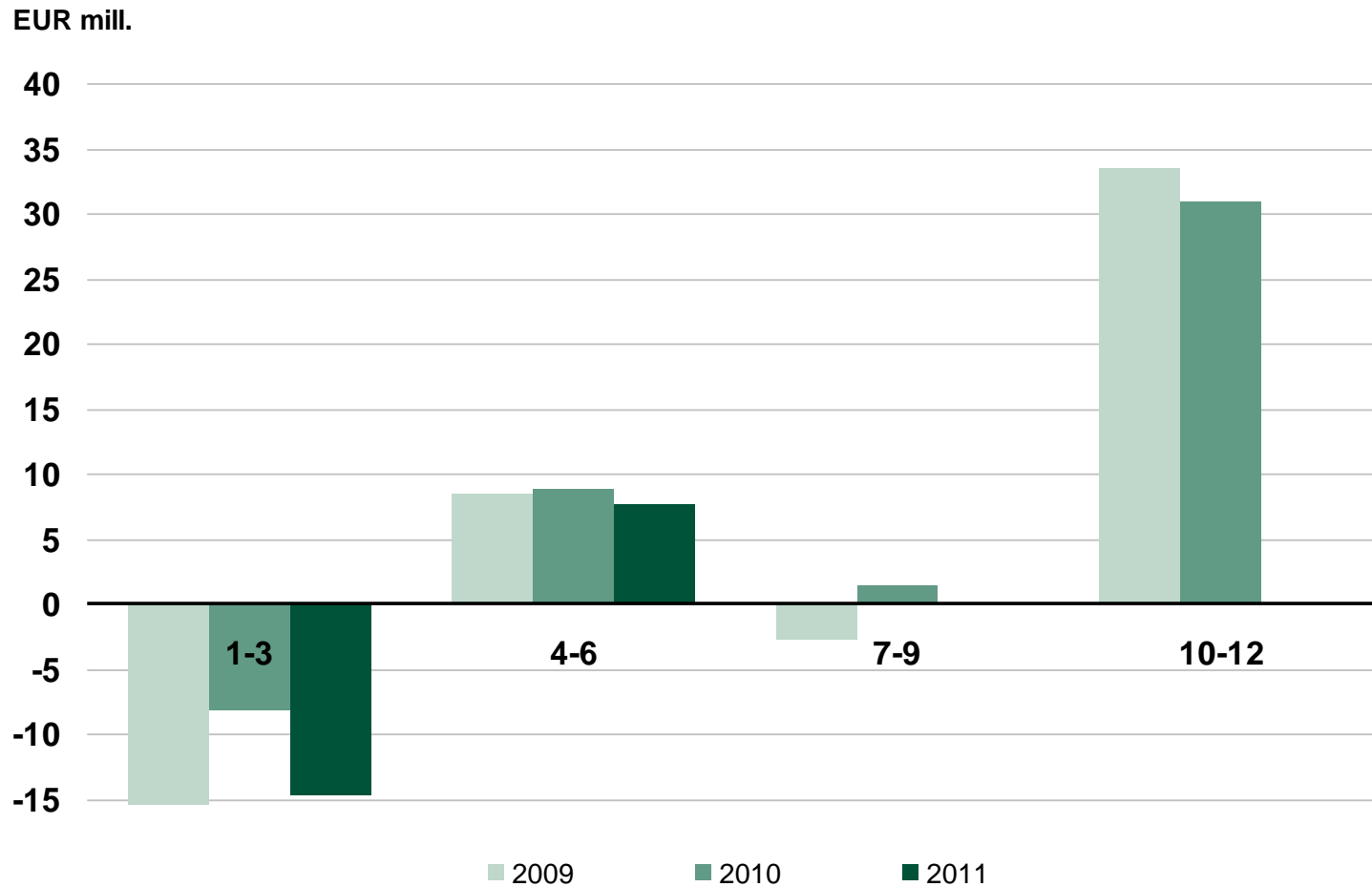


Hobby Hall has been integrated into the Department Store Division since 1 January 2010. The Department Store Division's figures and indexes include Hobby Hall (exclusive of HH's closed international operations).

**STOCKMANN**



# Quarterly operating profit, Department Store Division



**STOCKMANN**





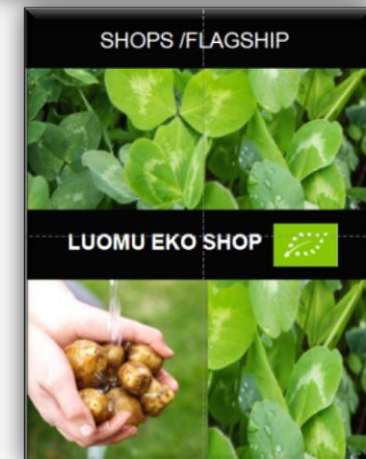
## Bestseller franchising in Russia to end in 2012

- Stockmann and the Danish fashion company Bestseller A/S have agreed on ending the franchising co-operation in Russia by 31 December 2012
- Bestseller will be responsible for running the store operations in Russia when the franchising agreement ends
- Detailed plans of transferring the business activities will be made gradually during autumn 2011 and spring 2012
- Ending the franchising activity is estimated not to have a substantial effect on the Stockmann Group's earnings
- Currently there are 20 Bestseller franchising stores in Russia
- Co-operation was started in 2005 and has been loss-making for Stockmann
- Stockmann will continue the long-term co-operation with Bestseller in its department stores which all sell Bestseller's brands also in the future
- Strategic decision to concentrate on developing the department store business and own fashion chains in Russia



# Activities and outlook for the rest of 2011

- The important autumn season opened with a store-wide Berlin theme campaign in all markets
- 5-day Crazy Days campaign in October – for the first time in Ekaterinburg
- Tapiola department store to celebrate its 30-year and Oulu its 10-year anniversary
- Christmas season brings a significant part of revenue and earnings of the division
- With the new and enlarged units, the division has a good starting point for the challenging H2



**STOCKMANN**