



***Success factors of the department store concept***

**Stockmann Capital Markets Day 2012**

**Maisa Romanainen**

**Director, Department Store Division**

**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 - 150 years in department store business





**1. Stockmann - 150 years in department store business**

## **2. Facts – recent years**

**3. Vision, concept and brand**

**4. Wide and unique assortment of high quality**

**5. Excellent and professional customer service**

**6. Competitive price-quality ratio**

**7. Inspiring shopping milieu**

**8. Modern and international atmosphere**

**9. Focus for future**

**10. Right now**



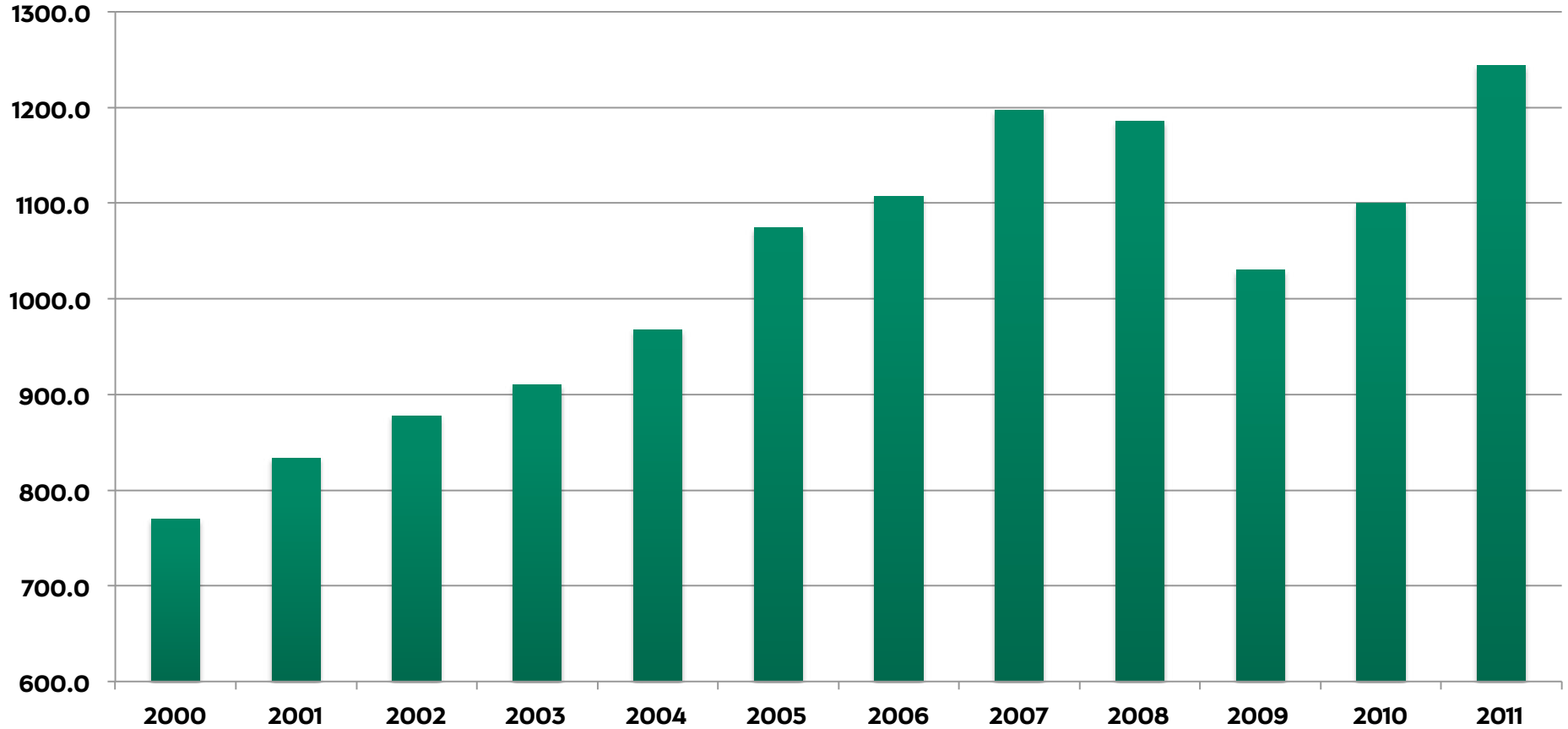


# Facts – recent years

## Revenue 2000-2011

EUR mill.

Revenue (DSD w/ Hobby Hall)



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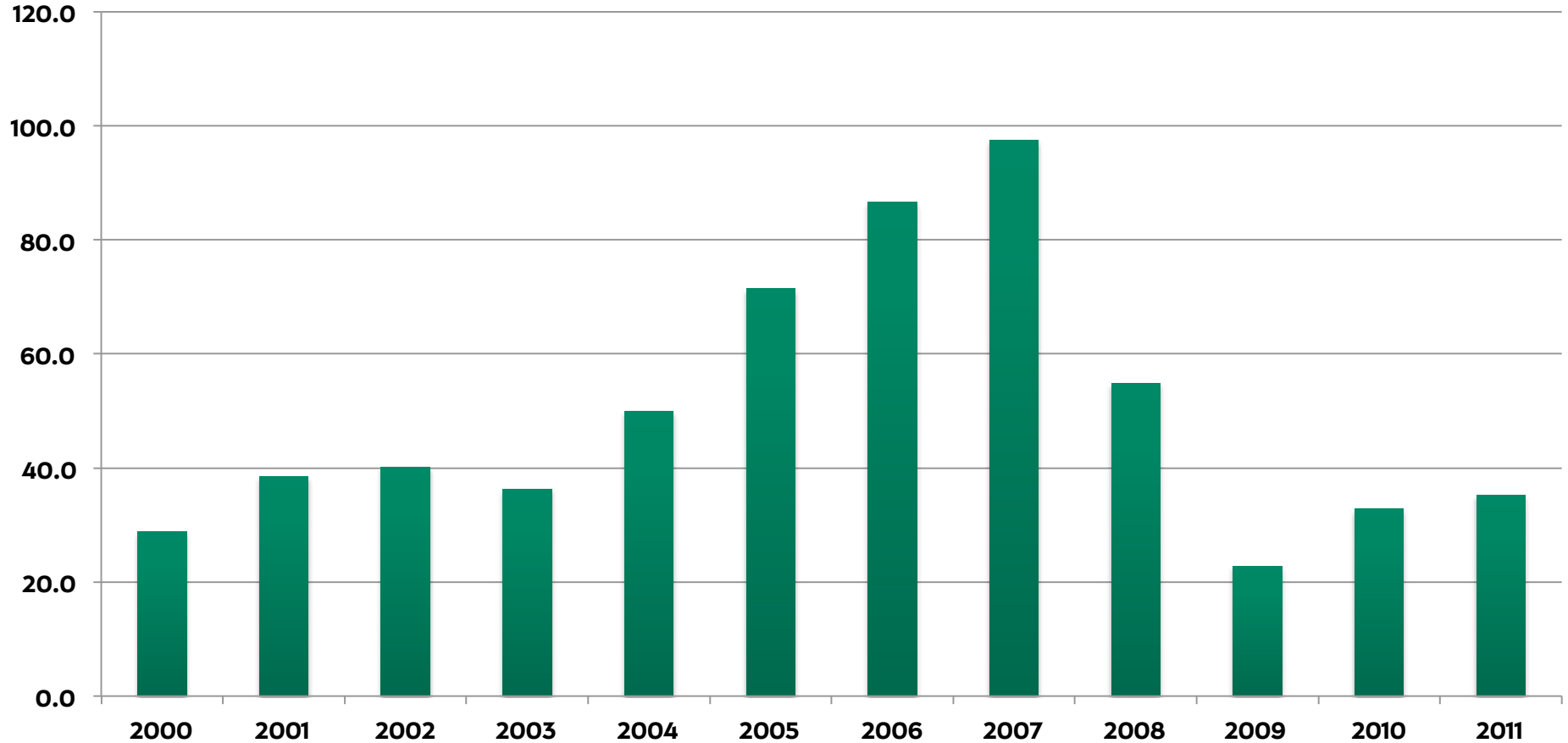


# Facts – recent years

## EBIT 2000-2011

EUR mill.

EBIT (DSD w/ Hobby Hall)



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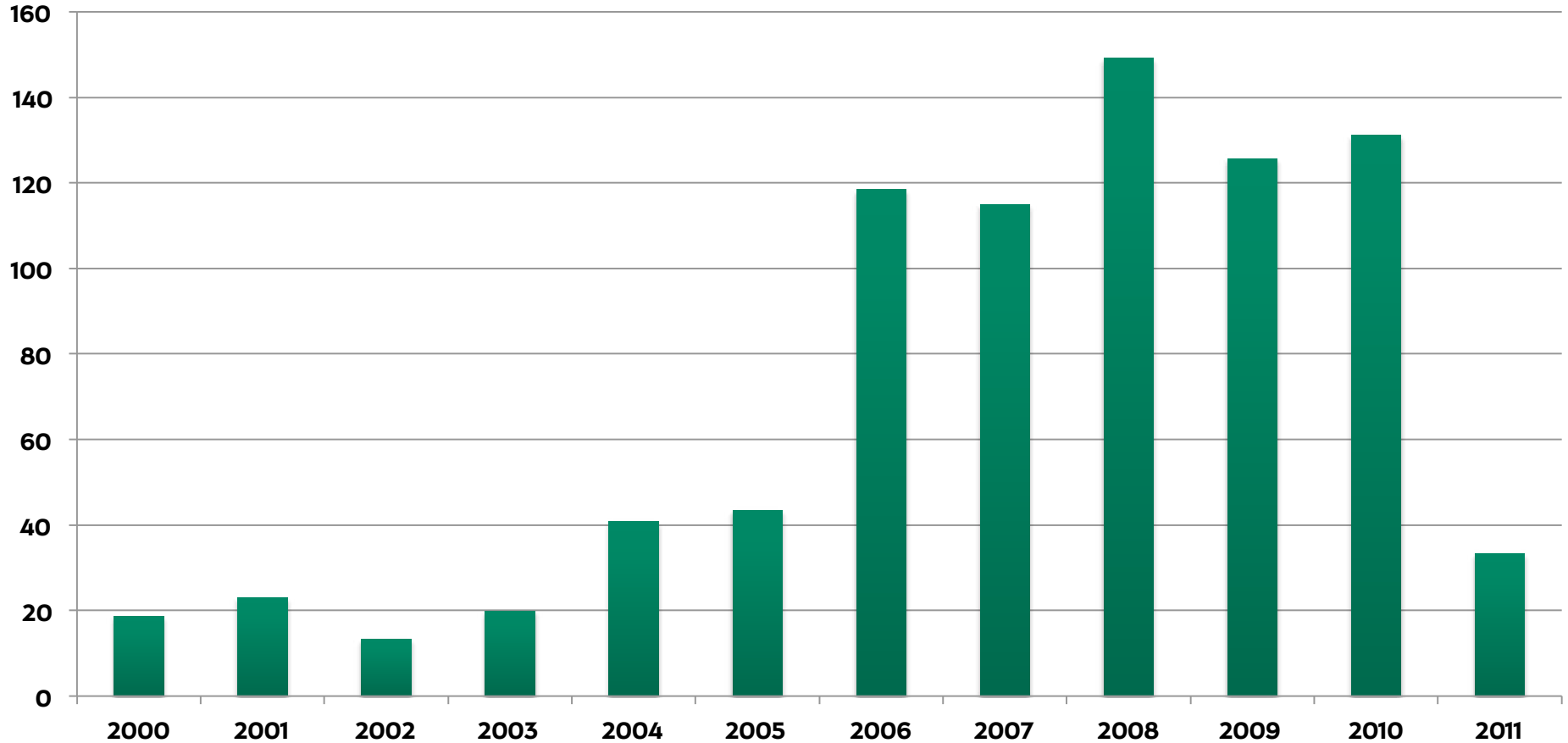


# Facts – recent years

## Investments 2000-2011

EUR mill.

Investments (DSD w/ Hobby Hall)



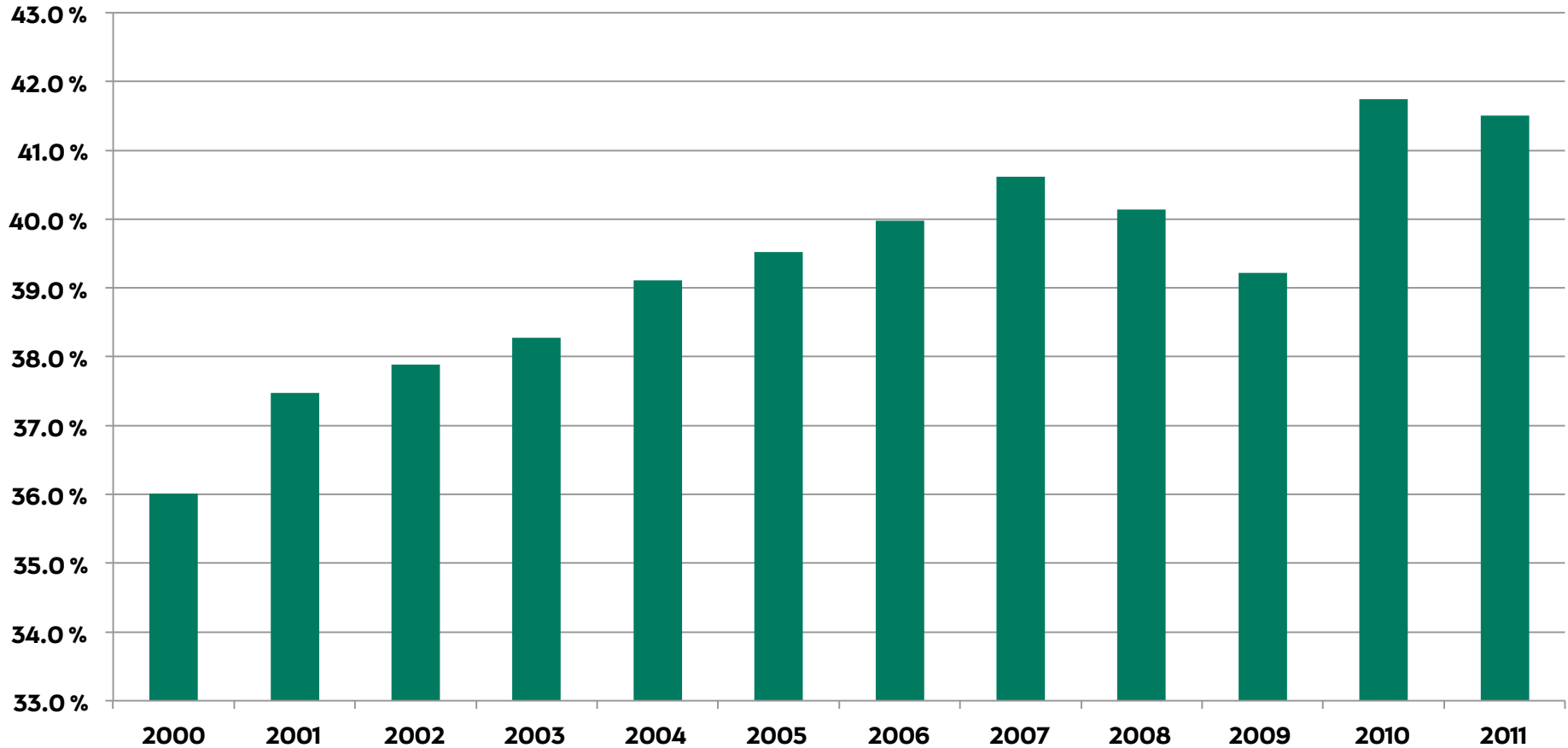
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## Facts – recent years

# Total Gross Margin 2000-2011

Total GM % (DSD w/ Hobby Hall)



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# 16 department stores in 4 countries



**FINLAND / ONLINE STORES**  
Stockmann.com  
Hobbyhall.fi  
Akateeminen.com

**ESTONIA**  
Tallinn

**LATVIA**  
Riga

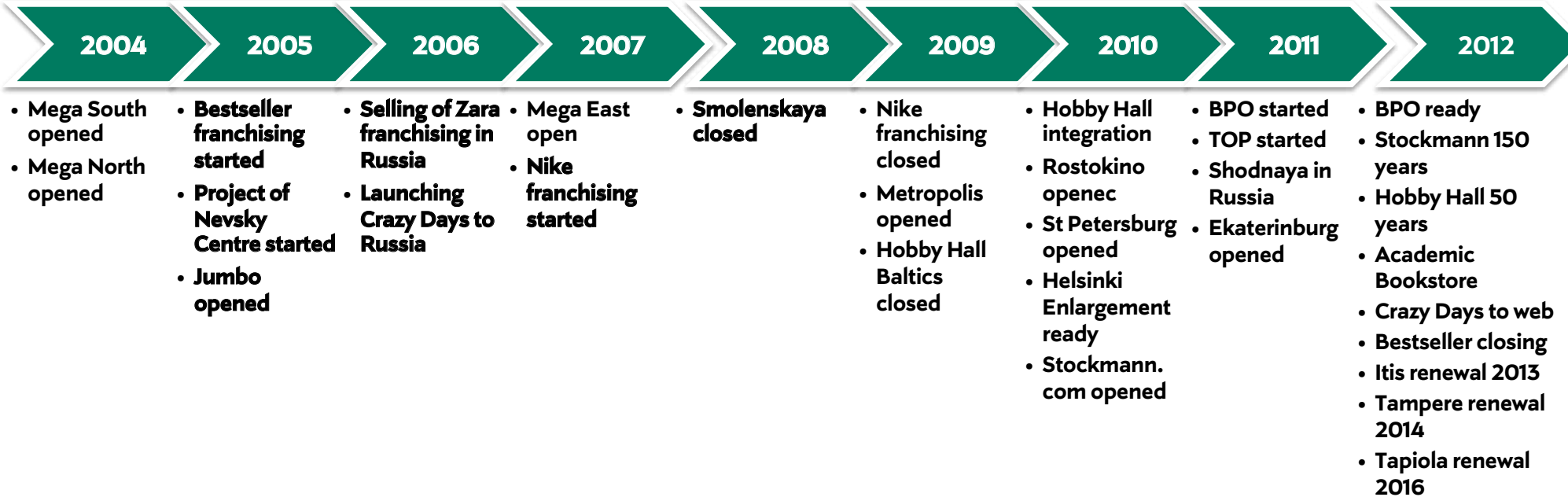
**FINLAND**  
Helsinki  
Tampere  
Tapiola  
Turku  
Itäkeskus  
Oulu  
Jumbo

**RUSSIA**  
Mega South, Moscow  
Mega North, Moscow  
Mega East, Moscow  
Metropolis, Moscow  
Rostokino, Moscow  
St Petersburg  
Ekaterinburg

7 Academic Bookstores, Hobby Hall mail order sales and store, 12 Stockmann Beauty stores, 4 Zara stores, 3 outlet stores, shopping centre, concept store and 10 Bestseller stores.



# Timeline 2004-2012





## Facts – recent years Selected KPIs 2011

Revenue EUR 1 240 mill.

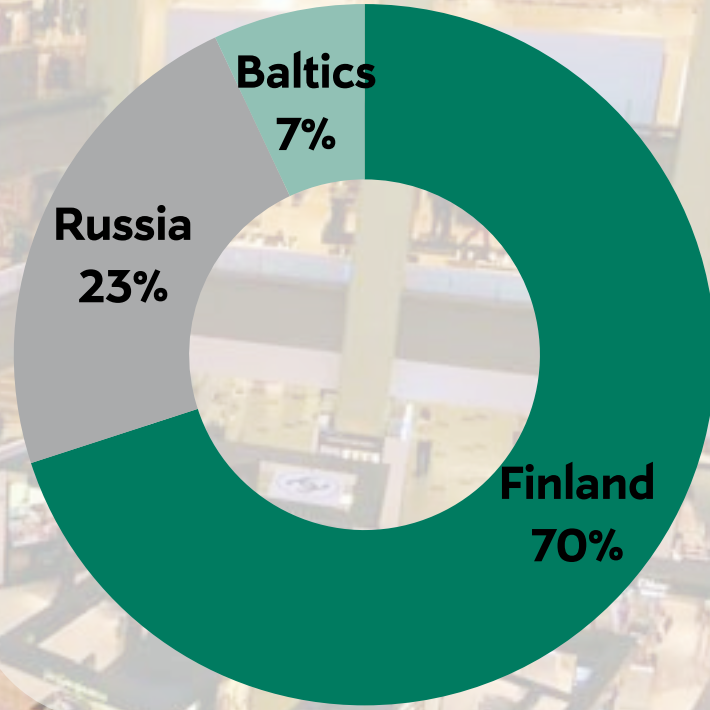
Operating profit EUR 35.2 mill.

Personnel 9 700

Total sales area 238 500 m<sup>2</sup>

70 million served customers

## Revenue by Market 2011



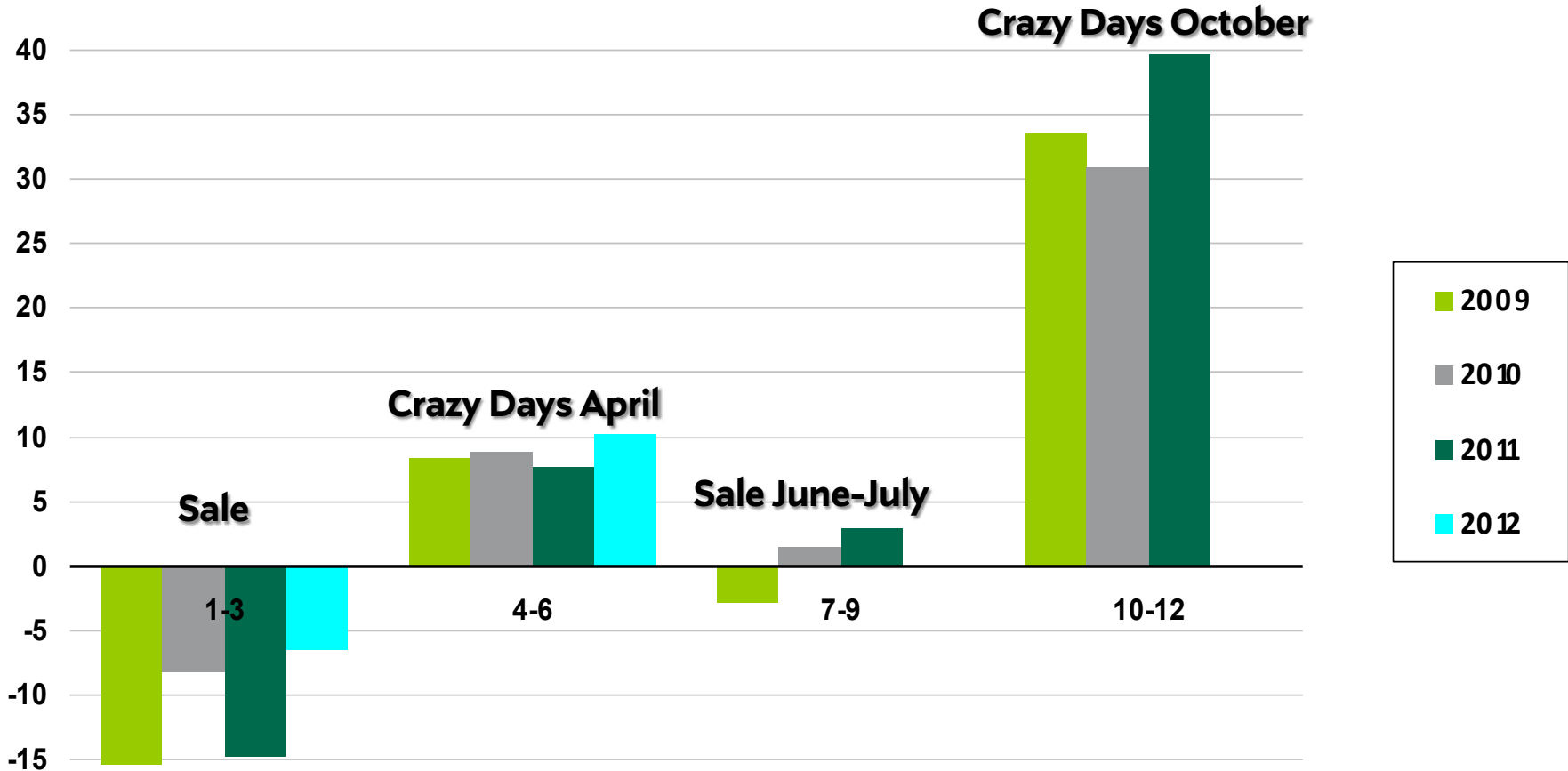
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# Facts – recent years

## Quarterly operating profit 2009-2012

EUR mill.



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# Vision

**Best European department store chain –  
in selection, customer service, store  
milieu and profitability.**

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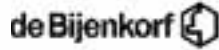


# Business Concept

**Department store chain operating in Finland, Russia and Baltic 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, stationery and food. Stockmann offers additional services to complete the product selection. Excellent customer service is our priority and we always aim at exceeding our customers' expectations.**

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# Among the 10 largest European department store chains

Europe (department stores only)	Sales latest available year (Euros m)
Marks & Spencer	9886
El Corte Ingles	9612
John Lewis	3656
Galeria Kaufhof	3584
Galeries Lafayette	3351
Karstadt	3300
Debenhams	2898
Manor	2328
House of Fraser	1472
<b>Stockmann</b>	<b>1101</b>
Printemps	1100
V & D	880
Harrods	851
Selfridges	741
Hertie	683
Ahlens	638
Globus	636
Bijenkorf	495
Breuninger	437
Coin	435
Sokos	430



El Corte Ingles



Selfridges



DeBijenkorf



Breuninger



Galeries Lafayette



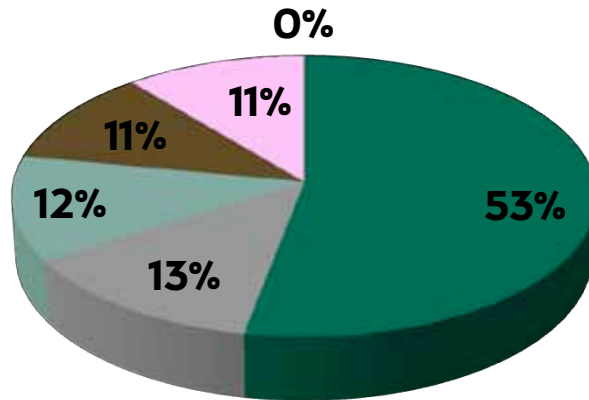
Kaufhof





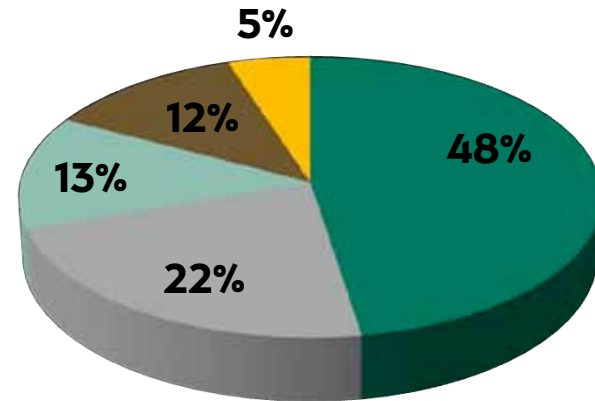
# Wide assortment - Revenue by merchandise area

## IADS Average



- Fashion
- Food and restaurants
- Leisure
- Home and House
- Cosmetics

## Stockmann



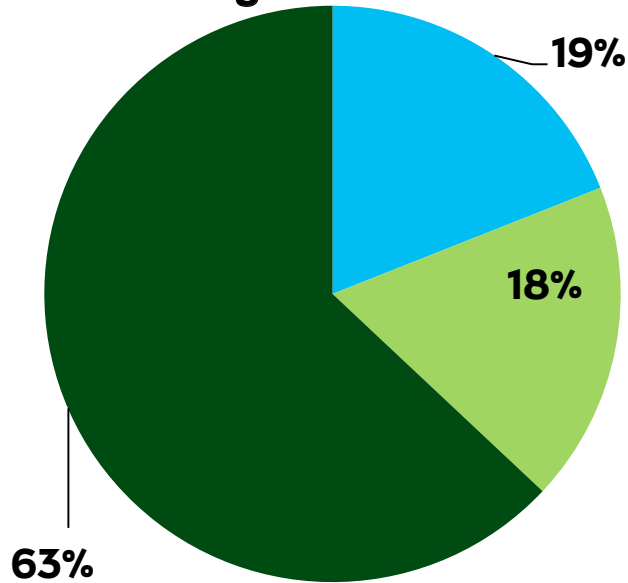
- Fashion
- Food
- Leisure
- Home
- Books, stationery and paper

# STOCKMANN

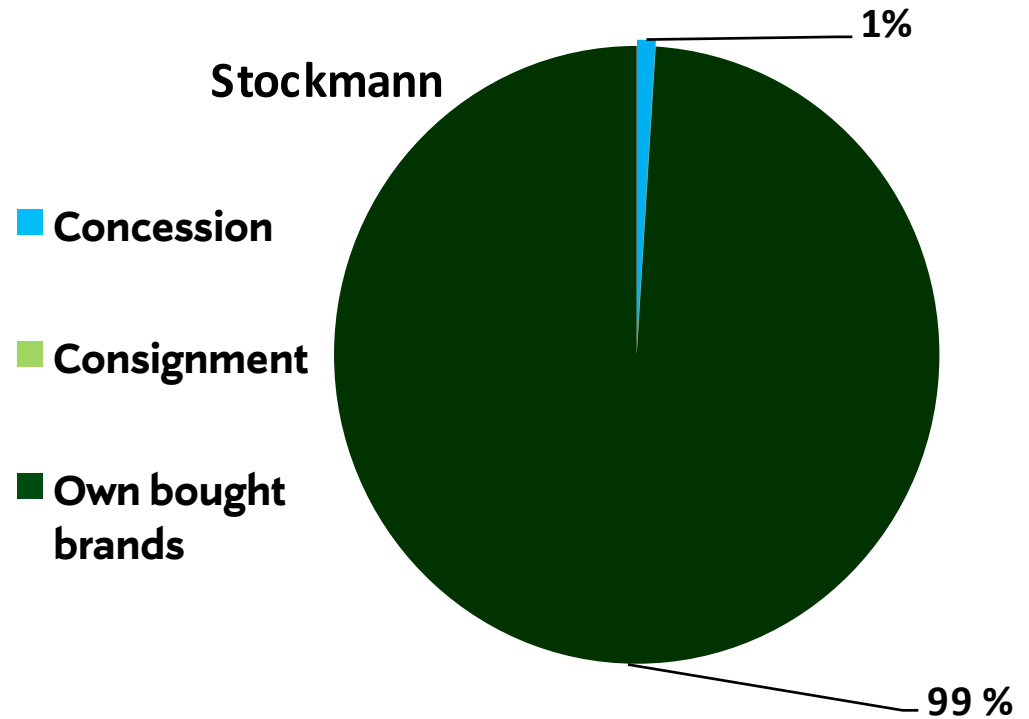


# Different business models: Own bought vs concession

IADS Average



Stockmann





## Selected KPIs – IADS vs Stockmann

2010 (including food)	Stockmann Finland	IADS Average
Gross margin	39.95%	38.81%
Stock turn	4.55	4.09
Sales/M <sup>2</sup>	EUR 5 597	EUR 4 842
Sales/sales person	EUR 249 978	EUR 227 842

Helsinki Flagship – among the 4 largest department stores in Europe  
– by sales and square metres!

Company – store	M <sup>2</sup>
Galleries Lafayette – Haussmann	64 254
Stockmann – Helsinki	54 000
Le Bon Marché	28 925
Manor – Geneva	21 833

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**Stockmann Brand**

**More than I expected**



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# FASHION SHOPPING GUIDE



# DESIGN SHOPPING GUIDE



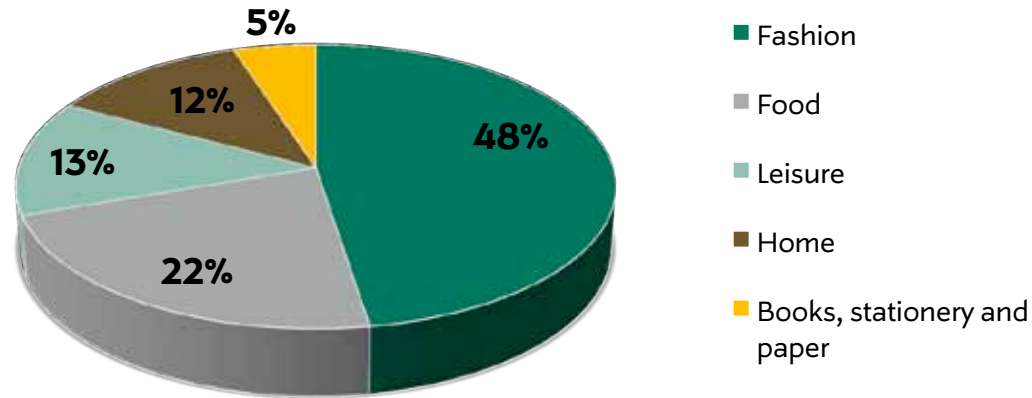
# GOURMET SHOPPING GUIDE





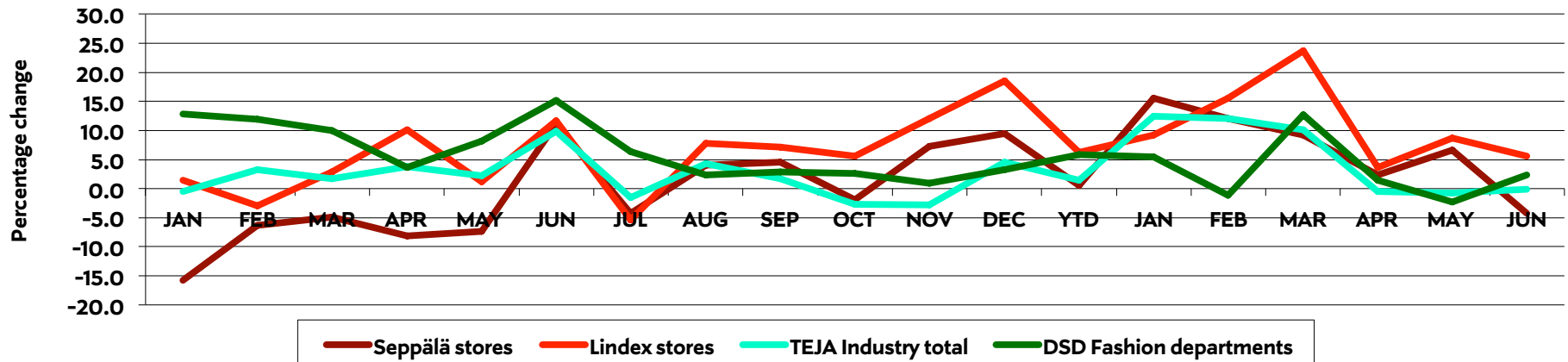
# Leading Fashion Retailer in Finland

## Revenue by merchandise area



**More than 1.5 million SKUs  
– thousands of brands!**

## FASHION TRADE Finland 2011-2012





# Leading Fashion Retailer in Finland



SCHLOSSBERG SWITZERLAND

JOOP! marimekko® LEXINGTON  Kartell



ESCADA

SONIA RYKIEL MAISON

# STOCKMANN





# Wide and unique assortment of high quality Strong Stockmann Brand program

- **16 Fashion Brands, 3 Home Brands, 6 Food Brands**  
– completes the wide selection of international brands!
- Designed and sourced by Stockmann – **15 designers**
- **7 Stockmann buying offices** located in 5 countries
- **Gross Margin up to 60%**



Women's	Men's	Children's	Youths'	Home	Food
<ul style="list-style-type: none"> <li>• NOOM</li> <li>• E'NY</li> <li>• Christelle &amp; Co</li> <li>• Global Essentials, Global G</li> <li>• Global Accessories</li> <li>• Global Lingerie</li> </ul>	<ul style="list-style-type: none"> <li>• Caphorn</li> <li>• Bodyguard</li> </ul>	<ul style="list-style-type: none"> <li>• Bogi and Bogi Baby</li> <li>• Cube Co.</li> <li>• Global Girl</li> </ul>	<ul style="list-style-type: none"> <li>• STC</li> <li>• Zoey M.</li> </ul>	<ul style="list-style-type: none"> <li>• Villa Stockmann</li> <li>• Decor Stockmann</li> <li>• Casa Stockmann</li> </ul>	<ul style="list-style-type: none"> <li>• Stockmann Bakery</li> <li>• Stockmann Meals</li> <li>• Stockmann Delicatess</li> <li>• Stockmann Gourmet</li> <li>• Stockmann Sushi</li> <li>• Stockmann Choco</li> </ul>

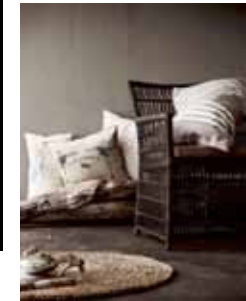
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BODYGUARD



CASA STOCKMANN DECOR villa STOCKMANN STOCKMANN



CRISTELLE & CO.



CAP HORN

CUBE CO.



GLOBAL girl



GLOBAL





# Wide and unique assortment of high quality Professional Buying Planning Organisation

- Stockmann introduced in 2011 a completely new buying organisation model where central Buying Office is selecting the buying for the whole chain in all countries.
- The organisation will develop deep expertise in both Buying and Planning functions.
- This will enable Stockmann to **drive sales, boost margin and manage inventory** more effectively.
- New model will be fully implemented within 2012 and all benefits reached with the ongoing ERP project.

## BUYING

- > Understanding the **customer** and our **markets**
- > Selecting trend-right **product** for all channels and markets
- > Creating unique, **compelling assortments**
- > Improving **supplier relationships**
- > Determining appropriate **competitive strategies**
- > Optimising **in season strategies** to drive sales and profit

***Equal Partnership***

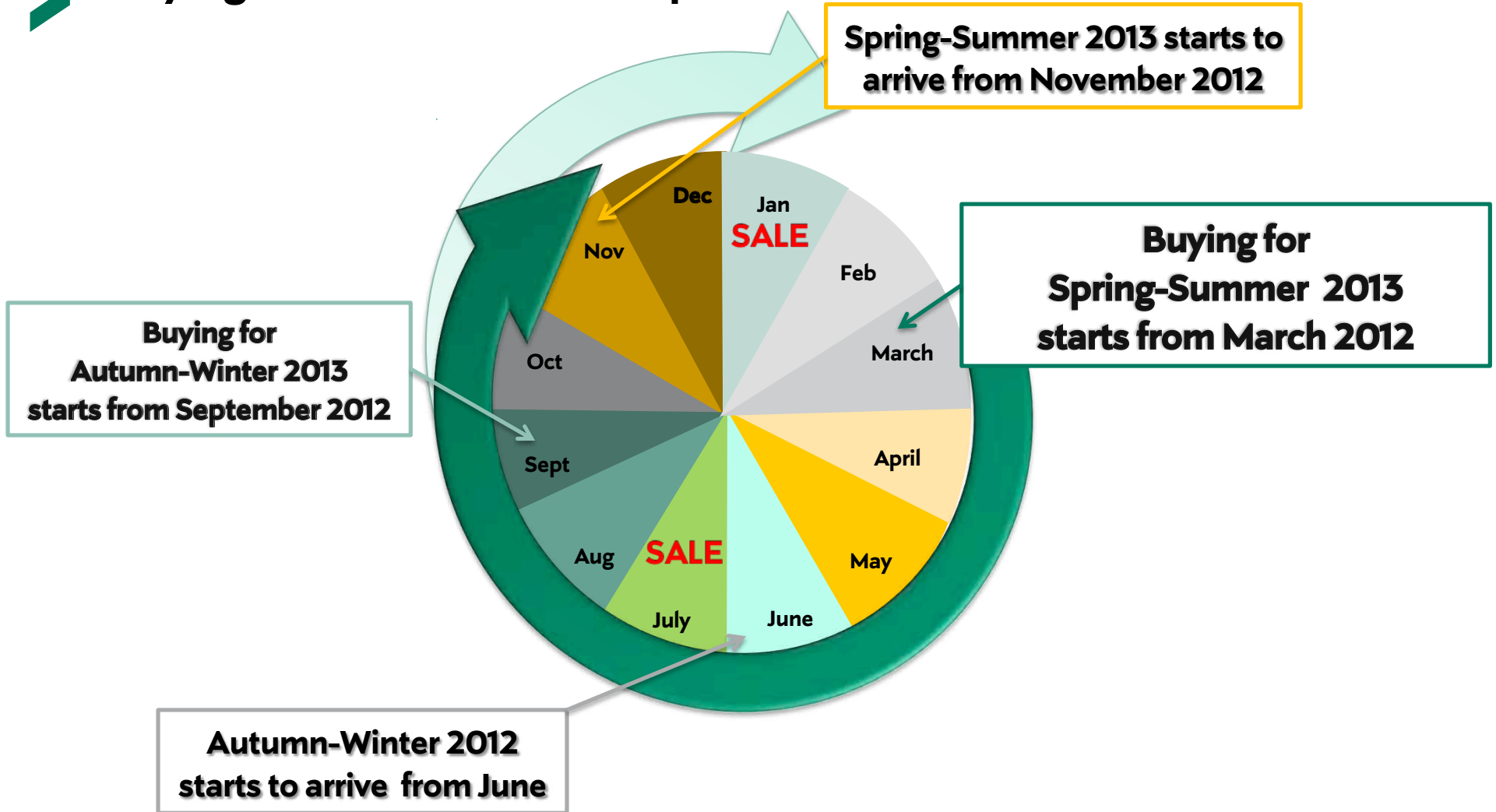
***Shared Responsibility***

## PLANNING

- > Providing a **financial** and **analytical point of view**
- > Creating profitable yet achievable **financial plans**
- > Optimising **store** and **space** profitability
- > Determining **purchase commitments** based on bottom-up need
- > Optimising **allocation** and **replenishment effectiveness**
- > Managing **inventory flow, markdown and promotions**
- > Managing **OTB** and identifying in season opportunities to optimise sales and profit

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# Wide and unique assortment of high quality Buying for Fashion – Annual plan 2012



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10. Right now



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# Excellent and professional customer service

## Real benefits for loyal customers

- Extensive and successful Loyal Customer Program covering all markets
- Over 2.8 million loyal customers
- From the beginning of 2012 already more than 200 000 new loyal customers!
- Monthly loyal customer communication with leaflets, print media, e-mails and digital media
- Each month selected items with -20% loyal customer discount
- Vast selection of other benefits: parking, First Lounge, stylists, home delivery, on-line campaigns, shopping days etc.
- Variety of different services provided by partners and tenants with discount or with special prices.



	Number of LCs	NEW LCs
FINLAND	1 151 819	55 581
ESTONIA	199 401	8 227
LATVIA	278 783	11 832
RUSSIA	1 231 756	130 206

Three levels: Basic, Exclusive, First





# Constant development of customer service and services offering

Women's Fashion Service Concept

- Pilot 2012 Turku

Electronics Service Concept

- Pilot 2012 Tapiola

After Sales Marketing

- 2012

Delicatess Home Delivery

- 2012-2013

Fashion Services

- 2013

Gift Packaging

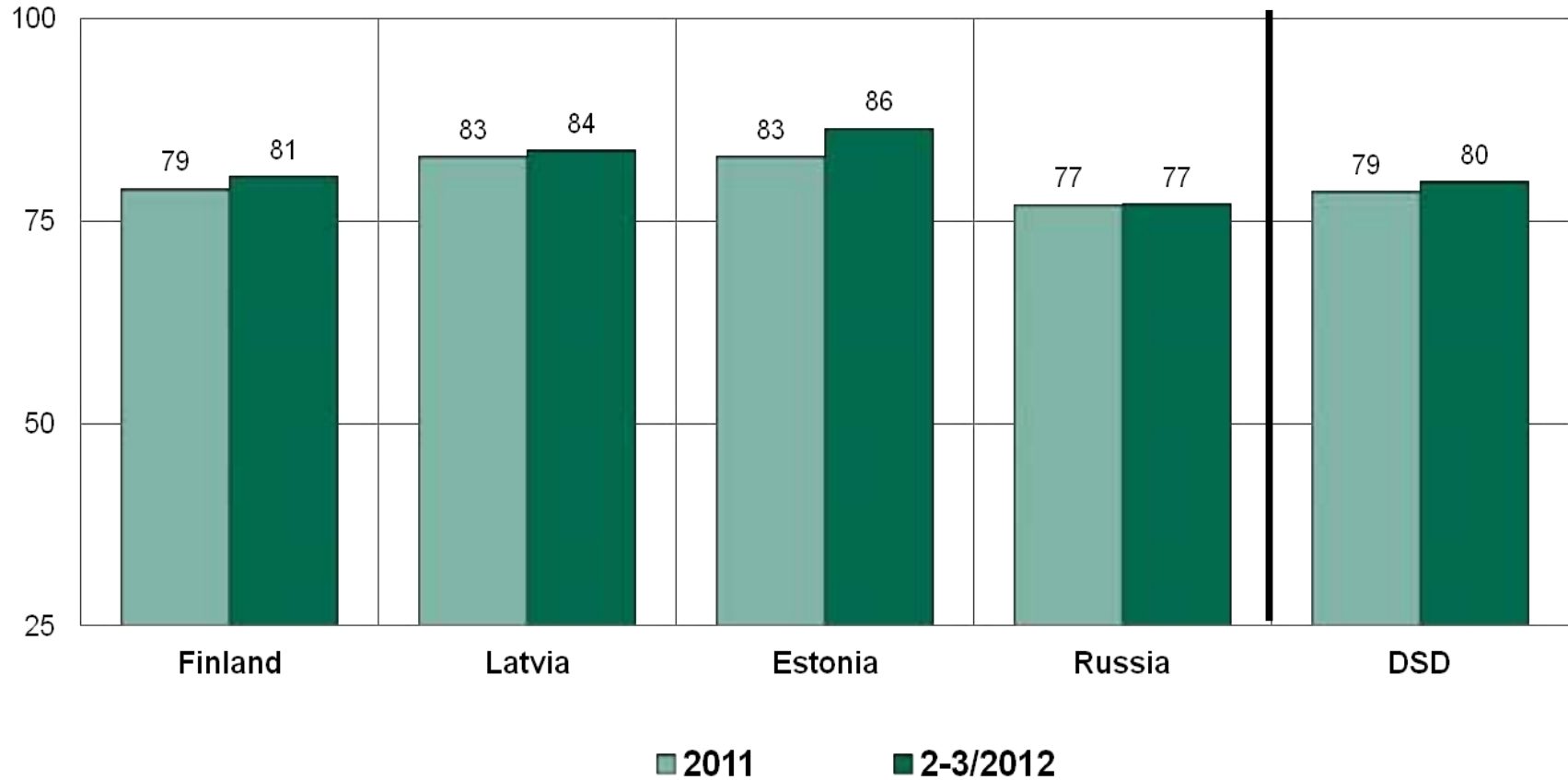
- 2012



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# Excellent and professional customer service Measured constantly with Mystery Shopping



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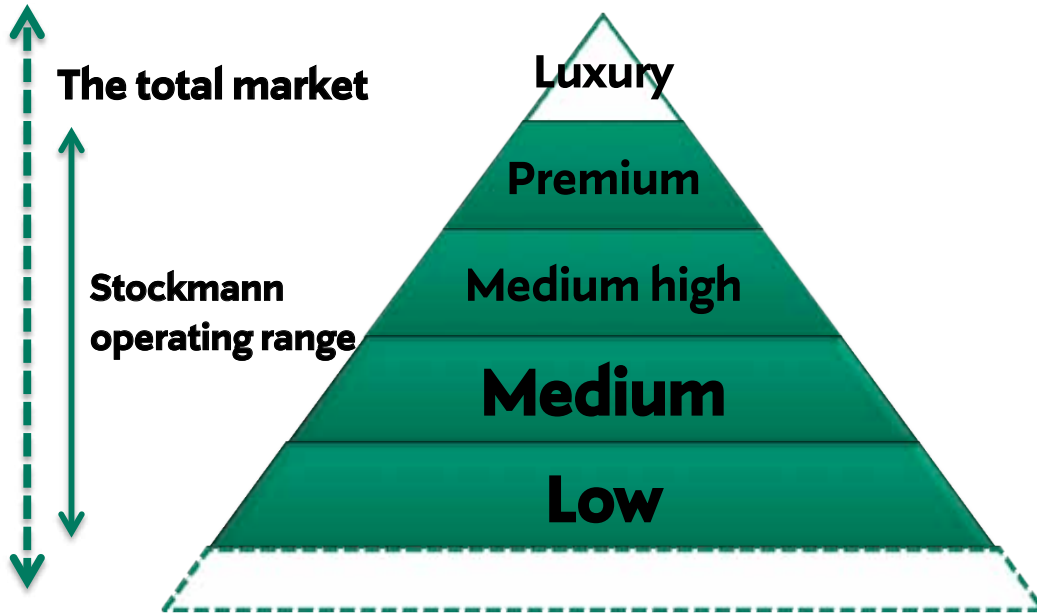
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# Competitive price-quality ratio



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

**KATSO HINTAA!** Muista myös pysyvästi edulliset Katso Hintaa -tuotteet.

Eldorado: Spaghetti 500 g (1,50/kg)	<b>075</b>	Eldorado: Basilico-pastakastike 400 g (3,25/kg)	<b>130</b>	Snellman: Ohuen ohut savustettu perhekinkku 250 g (1,96/kg)	<b>299</b>	Ohvi: KevytOlo-kivinäisvedet 1,5 l sis. pantin (0,99/l)	<b>189</b>
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Riivioistä mallioppilaita

Loppurysäys!

**ALE -60%**  
alkuperäisistä hinnoista.  
Nyt on kiire!

**OFFOFF**  
Intensivointi laajennettu  
Lopla Stockmannin verkkosivustolla

Washing Machine	279,-	Washing Machine	499,-	Washing Machine	899,-
Camera	355,-	Camera	6,90	Camera	9,90 19,90

Suomen laajin pokkari-valikoima -20%

Etä myyntiä 1.-12.6.  
Osta loppu 28.7.

AKATEEMINEN KIRJAKAUPPA  
**STOCKMANN**

AKATEEMINEN KIRJAKAUPPA  
**STOCKMANN**

Ср-Вс 9:00 – 23:00

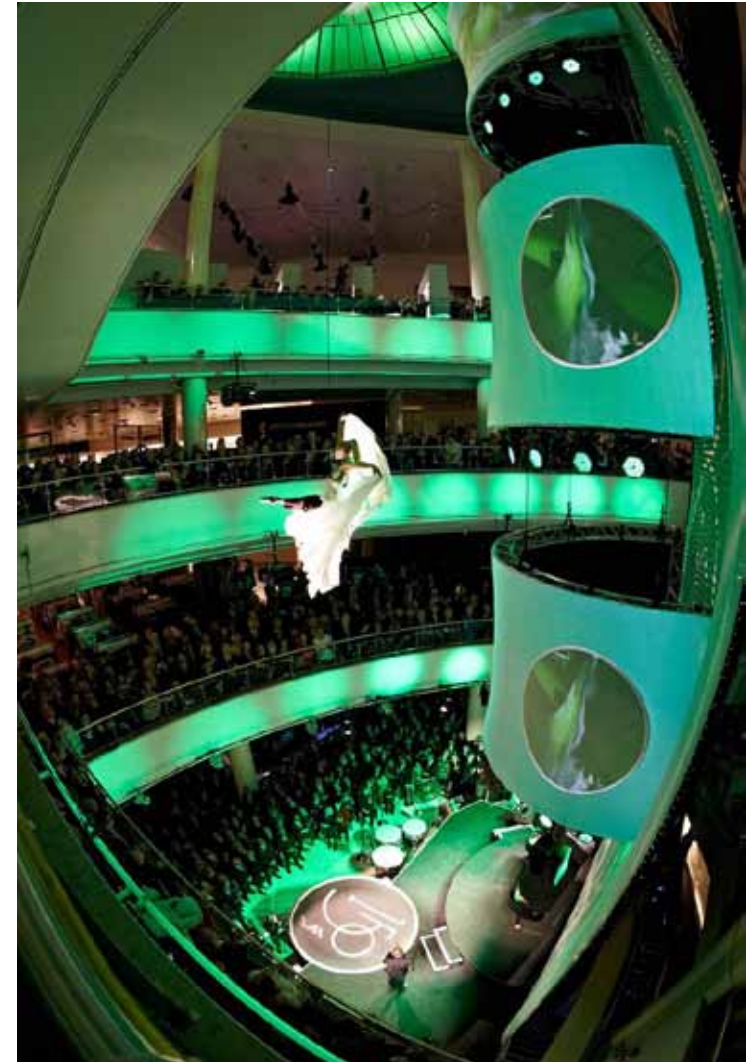
СО СРЕДИ ПО ВОСКРЕСЕНЬЕ – КАЖДЫЙ ДЕНЬ НОВЫЕ ТОВАРЫ!

СР-ВС 10–14.10.2012  
**Сумасшедшие Дни**  
crazydays.ru  
**СТОКМАНН**  
САНКТ-ПЕТЕРБУРГ

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# Inspiring shopping milieu



Helsinki 54 000 m<sup>2</sup>



St Petersburg 17 500m<sup>2</sup>



Tallinn 16 500 m<sup>2</sup>



Oulu 14 000m<sup>2</sup>



Tapiola 13 500 m<sup>2</sup>



Tampere 13 500 m<sup>2</sup>



Turku 13 500 m<sup>2</sup>



Itäkeskus 12 500m<sup>2</sup>



Riga 12 500m<sup>2</sup>



Mega East 12 000m<sup>2</sup>



Mega North 11 500m<sup>2</sup>



Jumbo 11 000m<sup>2</sup>



Mega South 11 000m<sup>2</sup>



Rostokino 11 000m<sup>2</sup>



Ekaterinburg 8 000m<sup>2</sup>

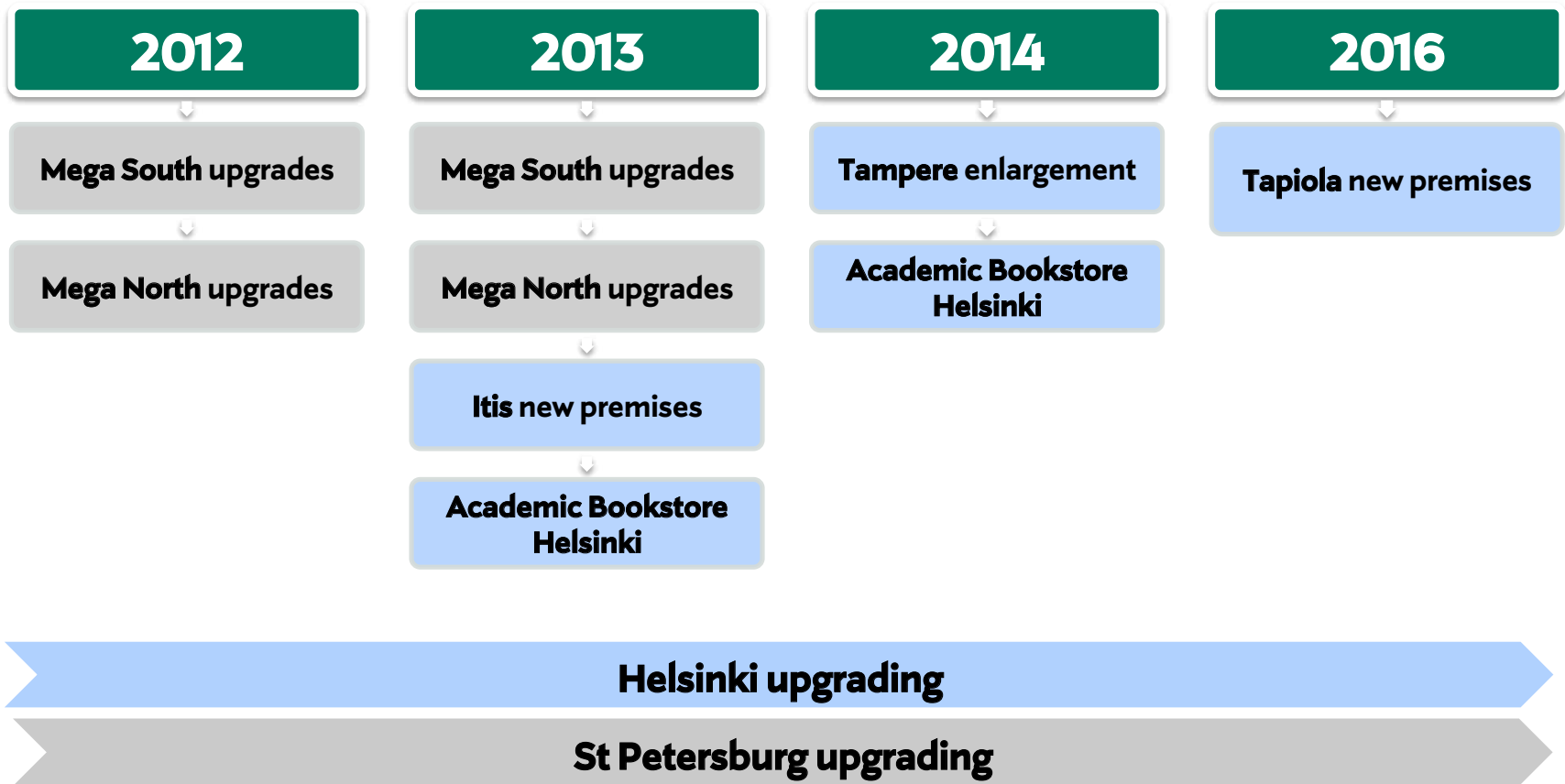


Metropolis 6 500m<sup>2</sup>



# Inspiring shopping milieu

## Constant upgrading of department stores



# STOCKMANN



# Inspiring shopping milieu – Projects

- **Tampere**

- Detail planning approved and department store building works started in June
- Construction of Hämpin parkki ongoing since 2009 – target to open 30 Nov 2012
- Investment estimate EUR 6.5 million
- Grand opening 11/2014 – Enlargement part of Delicatessen to be opened Spring 2013

- **Tapiola**

- Metro and infra building works at active stage. Merituulentie closed for traffic.
- Planning work ongoing for building – internal work to start Autumn 2012 with a selection of an agency

- **Itis**

- Building works started – target to open for Christmas 2013
- 11 000 sqm in "Piazza" premises
- Totally renewed store with St Petersburg level concept
- Wereldhave's total investment to Itis EUR 90 million – to Stockmann premises EUR 30 million



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# Modern and international atmosphere

## Kohtaamispaikalla huomenna

Vuoden odotetuin  
romaanin on ilmestynyt!



Kun kylvökset  
katosivat  
25,-  
Kustantaja: WSOY  
ISBN: 978-952-03-3200-0



klo 13.00  
Sofi Oksanen

Haastattelija: Matti Haanpää



## Kirjojen yö

klo 15-24

Tampereella to 9.8.  
Turussa to 16.8.  
Oulussa to 16.8.  
Helsingissä to 23.8.

Kirjojen yön ajan esilintyjien  
kirjat erikoishintaan  
ja pokkarit -20 %  
myymälöissä ja uudistu-  
neessa verkkokaupassa!

Ostoksille 24/7:

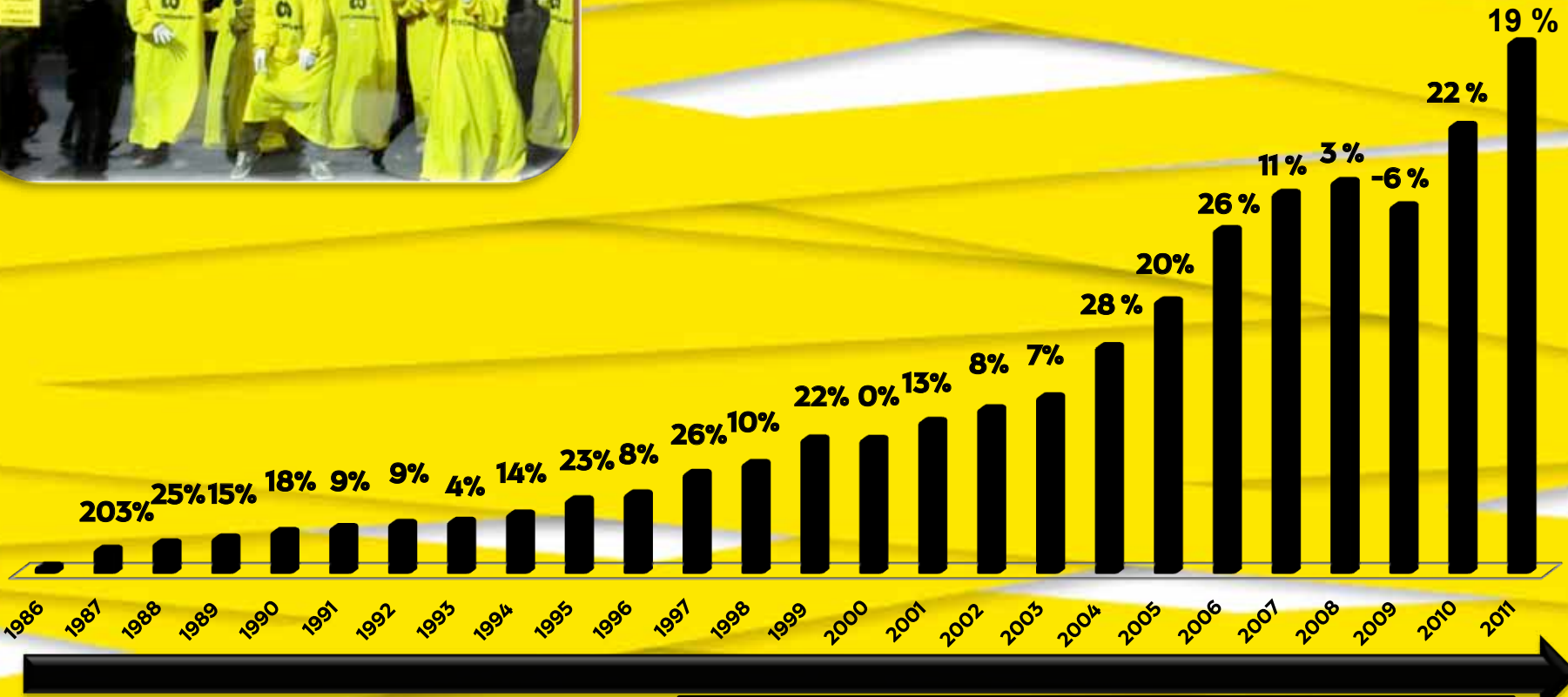
AKATEEMINEN  
.COM

AKATEEMINEN  
KIRJAKAUPPA





# Crazy Days net sales growth% 1986-2011



1997 Tallinn  
 2005 Spring Riga  
 2006 Spring Russia

Spring 2012 the growth was 13%.



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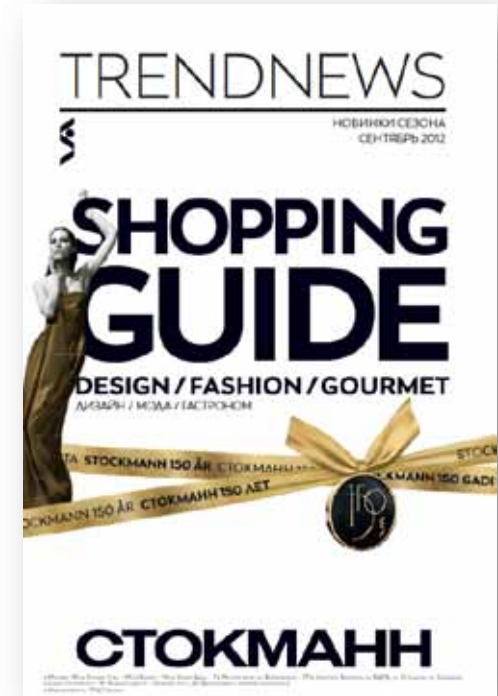


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## Focus for future – Improving profitability in Russia

- Department store business comparable first time after 2007.
- Very strong growth in newest units St Petersburg, Ekaterinburg, Moscow-Metropolis and Rostokino. All stores growing and Stockmann taking market share.
- Costs under strong control – operating costs increasing clearly less than revenue.
- New buying organization able to concentrate in optimal allocation, right pricing and interesting product mix in existing units. This supports the volume growth and leads to healthy gross margin levels.
- With cost control and improving gross margins, relatively smaller volume increases lead to significant profit improvements.
- Unprofitable Bestseller franchising stores are to be closed by the end of 2012 – estimated losses are substantial (2011: EUR -5.7 million).



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# Benchmark – John Lewis is an Omnichannel Retailer, not just a Multichannel Retailer

To accomplish this they are currently using the following sales and marketing channels:

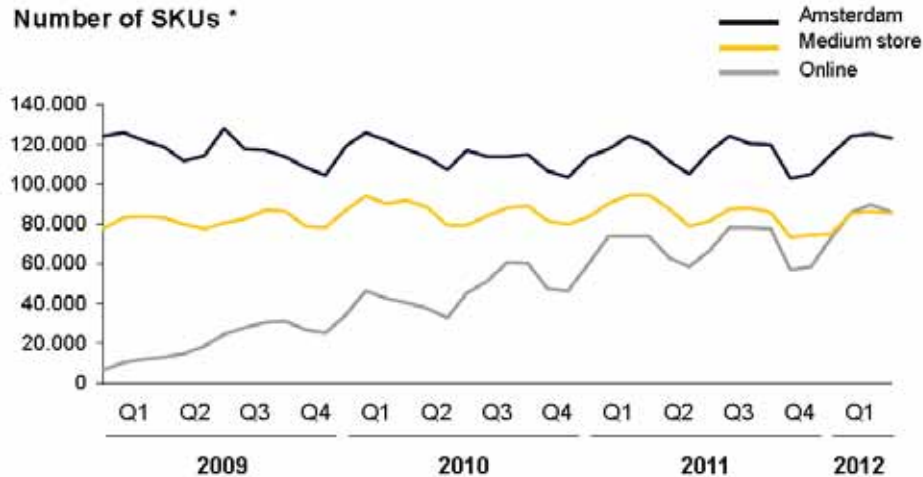
- Departments stores
- Online store
- Mobile store
- Mobile apps, also scanning applications for barcodes
- Online shopping "kiosks" in department stores
- Strong presence in social media (Facebook, Twitter, own YouTube channel)
- Wifi internet connection to customers in all department stores so that customers can use all these simultaneously





# Benchmark – de Bijenkorf web store development

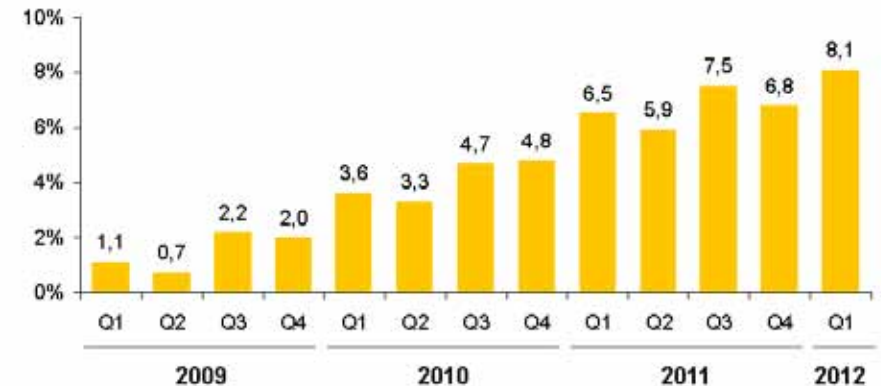
## Online assortment at 70% of flagship



\* Excluding concession and restaurant assortment

## Online sales share approaching 10%

Online sales  
Percent of de Bijenkorf sales



\* Online sales excluding returns



## Focus for future – Multichannel business

**HOBBY HALL**



**2009**

- Preparing for HH integration
- Planning Stockmann.com
- Akateeminen.com functioning as part of bookstore organization

**2010**

- Hobby Hall Integrated; strong emphasis on increasing web commerce for Hobby Hall
- Stockmann.com introduced
- Logistics solutions, IT and customer services supporting both brands
- Studio set-up for Stockmann.com

**2011**

- Further development of Stockmann.com
- Integration of all distance retail units under a common organization structure
- Starting Akateeminen.com development work
- HH loyalty system renewal

**2012**

- Akateeminen.com re-launched
- Amount of SKUs on Stockmann.com increasing
- Crazy Days to Stockmann.com
- Mobile app to Stockmann.com
- Food home delivery

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# Focus for future – Strong presence in e-commerce



Stockmann.com



Hobbyhall.fi



Stockmann.com Crazy Days



Akateeminen.com

# Focus for future Omnichannel – digital technology in retail



**Avajaisten kunniaksi kaikki kirjat verkkokaupassa kanta-asiakkaille**

-20%

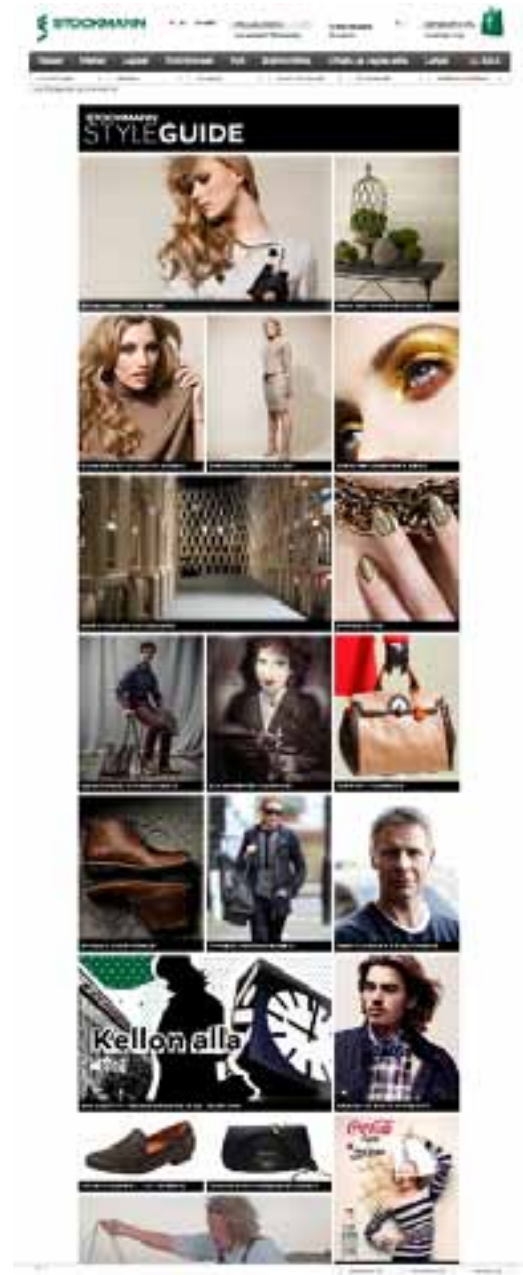
Elä myymälään kassapöydästä kirjain verkkosivustolla kirjautuneena. Käytössä vain verkkokaupassa. Maksimialku hinta €110,000 alku.

**TELEAKATEMIEN LUTJISIKIN 30.8. MEDISSÄ JA OSALLISTU ALUOITAJAN PALKINTONA UPEA ARTENIN REPPULAIKSI.**

**STOCKMÄNNIN KÄTES-KORTTI ILMAISEKSI JUBILAUVOODEN AJAN**  
(sum. 30,00)  
**LITTY TÄSTÄ KANTA-ASIAKKAAKSI!**

**COM** Stockmannin verkkokauppa

Design: Juhani...  
Käyttöjärjestelmä: S.S. 3.3.







## Focus for future – Process efficiency with TOP

- Modern IT tools designed for retail.
- Replacing existing ERP systems (Move, MASI, Eidos, Heavy, ASW)
- Integrated to new group finance system FAST.
- Enables modern, efficient chain wide processes in buying, logistics, store operations, distance retailing, and retail finance.
  
- 2012: Planning and testing
- 2013: Main part of implementations
- 2014: Finalizing the project with new processes
  
- Internationally recognized partners: Oracle, OLR and Accenture





# Focus for future – Tourists



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## 2012 H1

- Revenue up 7.8% to EUR 606.5 million
  - Finland up 3.4% to EUR 409.5 million and international operations up 18.4% to EUR 197.0 million
- Gross margin continued positive development and was 41.0% (40.6%)
  - Well planned buying resulted to an improved gross margin and healthy stock levels
  - franchising down by 35%, as expected
- H1 operating profit significantly up, by EUR 10.9 million to EUR 3.7 million (EUR -7.2 million)
  - All department stores in Russia improved clearly
  - Bestseller franchising operations' losses on expected level
  - Operating costs increased slower than the revenue





# Outlook for the rest of 2012

- Market situation in Finland is challenging. Important fashion market has been in slight decline during summer season – **Stockmann department stores have gained market share.**
- During the important Autumn/Winter season 2012 focus will remain on achieving volume targets, controlling the stock situation with careful buying, and keeping a tight cost control in all units.
- September's store-wide campaign presents a wide selection of design in all product areas – including the new Stockmann fashion brand **Noom** for urban casual women.
- Stockmann.com will introduce **online Crazy Days** with a limited selection offered via e-commerce in Autumn 2012.

