

# GERRY WEBER NEWS

## RETAIL

### TAKING A CLOSER LOOK AT CONCESSION STORES

Distribution channels explained: the “shop-in-shop” concept for the Retail segment.



## WHOLESALE

### EXPLOITING CORE COMPETENCIES MORE EFFECTIVELY: TRUSTED WHOLESALE

An innovative idea is becoming widely accepted.



## IR NEWS

### GERRY WEBER TAKES YOU ON A JOURNEY AROUND THE WORLD

Learn more about the idea behind the Annual Report.



## THE GERRY WEBER SHARE

Share price performance in the first and second quarter of the fiscal year 2013/14



**GERRY WEBER**

**GERRY WEBER  
EDITION**

**G.W.**

**TAIFUN**

**SAMOON**  
by GERRY WEBER

Dear Readers,



The verticalisation of business models and processes plays an important role in the clothing sector. Due to the market entry and the dynamic expansion of fully vertically integrated fashion companies such as Inditex or H&M, existing processes and traditional distribution structures in the fashion industry have changed. The success of fully vertically integrated fashion companies is reflected not only in the great awareness they enjoy and in their growing market shares but also in their positive financials.

GERRY WEBER has already taken major steps towards (full) vertical integration as reflected in the start-up and expansion of its own Retail operations, the introduction Trusted Wholesale Concept and the fact that the company increasingly controls the complete value chain.

But what exactly does vertical integration mean? Vertically integrated clothing companies control and manage the complete value chain. They know and understand current consumer needs and have the operational excellence that is required to satisfy these needs at the point of sale as quickly as possible. This is extremely important at a time when consumers expect the latest trends to arrive at the POS faster than ever before. Reducing delivery times and having the best possible control over inventory management at the POS are two key preconditions for long-term success.

The latest issue of our Newsletter will tell you more about two key strategies aimed at the vertical integration of the GERRY WEBER Group, namely the concession stores and the Trusted Wholesale Concept.

We wish you pleasant reading

Best regards

Gerhard Weber

## TAKING A CLOSER LOOK AT CONCESSION STORES

**The number of concession stores increased strongly last year. Ralf Weber, Board member in charge of the Retail segment and, hence, of the concession stores, explains why.**

**What exactly is GERRY WEBER's Concession Store Concept about and what distinguishes these stores from traditional shop-in-shops?**

**Ralf Weber:** Concession stores are retail spaces in department stores which are rented by a fashion company and, unlike shop-in-shops, are also managed by the latter. This means that the department store no longer buys the merchandise but leaves the complete inventory management, the staffing and the design of the POS including visual merchandising to GERRY WEBER. In return for the retail space made available to GERRY WEBER, the department store receives a concession fee, which is usually linked to the sales revenues generated in the concession store.

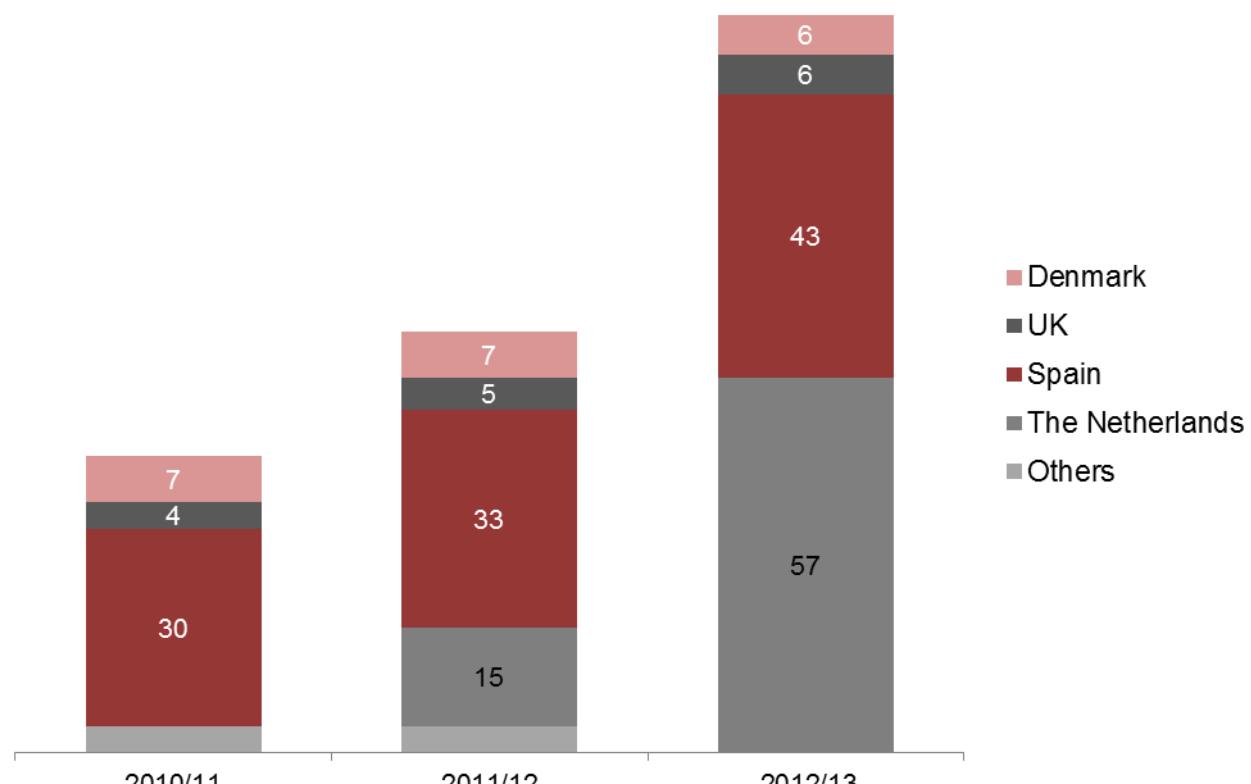
**Where does the idea come from and in what countries is it particularly popular?**

**Ralf Weber:** The idea originally comes from the

Anglo-Saxon region. The aim was to achieve greater productivity on the retail spaces in department stores. Certain department stores therefore decided to have the spaces equipped and managed by the brands and their staff. From the point of view of the fashion manufacturers, the optimised presentation of their garments and the better brand positioning were the main advantages of the concession stores concept. Over the past 20 years, concession stores have emerged primarily in the UK, the USA and in Scandinavia. But there are also many concession stores in department stores in Spain, France and the Netherlands.

**How widespread is the concept in Germany and Europe? Are there any pioneers here in the fashion industry?**

**Ralf Weber:** In the fashion industry, luxury brands such as Hermès or Gucci were the first



Increase in Concession Stores over the past two years

to tap this potential. We also launched our first concession stores in Spain many years ago, together with our partner, "El Corte Inglés", and have achieved very good results.

**Increased productivity and better control over the presentation of the brand – are there any more advantages for GERRY WEBER and what exactly is the reason for the increased productivity of the retail spaces?**

**Ralf Weber:** We can design the retail spaces in such a way that we create a clear brand image and achieve high brand recognition by consumers. Add to this the fact that specially trained staff who know and understand our brands and products can provide our customers with better advice, thus achieving greater satisfaction. Every day, our more than 6,000 points of sale supply us with information about which products sell best in which markets and which store formats. We can effectively use this knowledge to respond more quickly to changing customer wishes and leverage sales potential. This creates a win-win situation for both partners.

**What are the advantages for the concession partner?**

**Ralf Weber:** The landlord, i.e. the department store, benefits from the fact that it does not need to invest in the retail space. Moreover, it no longer bears the inventory risk, which is borne by the concessionaire. Also, there is more staff in the concession store, and they know the individual brands much better.

**You just said that the inventory risk is borne by the concessionaire. Does that mean that the risk of a concession store is generally higher than that of other distribution channels?**

**Ralf Weber:** It depends. If you compare concession stores with shop-in-shops, the risk of the

concession store is higher. After all, GERRY WEBER bears the full investment and inventory risk, which is not the case with a shop-in-shop and in our traditional wholesale business.

But if you compare concession stores with our own stand-alone Retail stores, the risk is lower. The leases for the concession stores usually



have much shorter terms, which means that we can respond more flexibly, for instance, by changing the location of a concession store within a department store. We have control over the goods that are available in the stores and over our brand image. This enables us to generate higher revenues and earnings, which means that the higher risk is justified by greater opportunities.

**What conditions should be fulfilled by a concession store?**

**Ralf Weber:** A GERRY WEBER concession store should have a size of at least 50 square metres. Needless to say, the brand environment should fit and the overall impression of the department store should be consistent with the quality standards of GERRY WEBER.

**Who are GERRY WEBER's partners for this store format?**

**Ralf Weber:** We primarily cooperate with Spanish and Dutch partners.



We have operated concession stores in the Spanish department stores of "El Corte Inglés" for many years; the same applies to "de Bijenkorf" in the Netherlands. The number of concession stores in the Netherlands increased significantly last year, namely from 16 to 57. Our garments are now sold in "van Vuuren Mode" and "Houtbrox" stores. We also maintain concession stores at "Magasin" and "Illum" in Denmark and in the UK.

#### **Are concession stores a model for the fu-**

**ture? Where are new concession stores planned in the medium term?**

**Ralf Weber:** The Concession Store Concept has many attractive benefits for us, but also for the department stores. We can effectively decrease time cycles for our collections. As a consequence we can deliver new merchandise to the sales floor much faster. Plus, we have the control over the merchandise management of the concession stores.

The Concession Store Concept is an important element of our future Retail strategy in Germany and abroad. This is why we will expand the cooperation with our partners in the existing concession markets and will also check new markets for their potential.



## EXPLOITING CORE COMPETENCIES MORE EFFECTIVELY: THE TRUSTED WHOLESALE CONCEPT

**About five years ago, the GERRY WEBER Wholesale segment introduced the Trusted Wholesale Concept, which has proven to be a great success. Time for us to explain this concept and its advantages in greater detail. Read our interview with Arnd Buchardt, Board member in charge of the Wholesale segment.**

### What exactly is GERRY WEBER's Trusted-Wholesale Concept?

**Arnd Buchardt:** Under this programme, GERRY WEBER has sole responsibility for compiling the Wholesale customer's product ranges. This means that our maximum order limit customers leave the ordering process to the GERRY WEBER specialists. We decide what products are supplied to the customer at what time - this truly reflects the confidence they place in us.

### Why does GERRY WEBER believe it is able to compile a more suitable product range than the retailer?

**Arnd Buchardt:** Under this Trusted Wholesale Concept, we allow retailers to share in the intelligence we receive from some 6,000 points of sale which report their sales figures on a daily basis. Based on this knowledge, our experts compile an optimised and customised combination of product groups and models for each individual outlet. So basically everybody does what they can do best: GERRY WEBER controls the flow of goods and the retailer markets and sells the products in the store, with due regard to any regionally specific particularities.

### What is the advantage for the retailer?

**Arnd Buchardt:** The optimised product selection allows sales potential to be leveraged. Moreover, they save time and the costs incurred

for placing their orders. Normally, they would have to take a close look at the collections of all brands, examine the products and their materials and cuts in order to make the right choice. Instead, they can rely on the experience we have gained from many other points of sale. Last but not least, retailers using our Trusted Wholesale Concept benefit from increased mark-up calculation.

### What are the advantages for GERRY WEBER?

**Arnd Buchardt:** The more Wholesale customers use the Trusted Wholesale Concept, the more effectively we can plan and accelerate our collection and product cycles. The elimination of the ordering process leads to shorter delivery times. This also means that trends can be followed up on much faster. Additional potential lies in the reduction of the number of sample collections. Overall, this kind of control over the points of sale allows us to generate better results for ourselves and for the retailers.



### So basically the effect is similar to that of the concession stores, isn't it?

**Arnd Buchardt:** Both distribution formats are vertically integrated, that's right. You know, vertical integration not only means strengthening our own Retail operations but should cover all



*„...retailers will only relinquish control over their merchandise management if they have full confidence in the supplier's competence and capabilities. This kind of confidence and trust needs to be nurtured and cultivated through regular exchange.“*

areas of the company, including the distribution channels. The introduction of vertical structures in the Wholesale segment allows us to achieve similar positive effects as in the Retail segment. This way, we can respond more effectively to the short life of individual fashion trends and the individual wishes of our consumers.

**How many percent of the GERRY WEBER customers are already taking advantage of the programme? And how many more do you want to sign up?**

**Arnd Buchardt:** In Germany, about 60% of the Wholesale customers currently take advantage of the Trusted Wholesale Concept. Outside Germany, we are still lagging behind and have some potential yet to be exploited. Challenges to be overcome are less our customers' lack of confidence in our abilities but rather technical circumstances, which make it difficult for them to transmit EDI data (e.g. daily sales reports). But we do intend to push ahead the Trusted Wholesale Concept. Within the next three to five years we plan to gain control over 70-80 % of our flow of goods.

**What is particularly important to reach this goal?**

**Arnd Buchardt:** First, our sales staff need to understand our products very well and should know which of them sell best at what customer. The important thing is not only to optimally present the products but to understand the figures behind them. This is the very basis of the whole idea. Second, our customer orientation. The original German name of the concept is "Vertrauenslimit", meaning a "limit based on confidence and trust". This reflects the fact that retailers will only relinquish control over their merchandise management if they have full confidence in the supplier's competence and capabilities. This kind of confidence and trust needs to be nurtured and cultivated through regular exchange.

**Will the model become "the accepted thing"?**

**Arnd Buchardt:** We are confident that the Trusted Wholesale Concept is pioneering and will continue to expand the programme. We have excellent knowledge of our products and want to share this knowledge with all our customers. We believe that this form of cooperation also strengthens the position of the retailers.



## GERRY WEBER ANNUAL REPORT: GERRY WEBER TAKES YOU ON A JOURNEY AROUND THE WORLD

**When looking for a theme for the new Annual Report, it is often a good thing to take a step back – away from the figures, percentages and shares that are reported on a daily basis – to take a look at the whole picture. How has GERRY WEBER evolved over the past years? What are the key topics that move the company? Our Annual Report takes you on a journey – from Halle/Westphalia into the world. Travel the globe with GERRY WEBER.**

41 years ago, GERRY WEBER was established in Halle/Westphalia. And we have grown ever since. Today, GERRY WEBER International AG stands for five brands with great appeal: GERRY WEBER COLLECTION, GERRY WEBER EDITION, G.W., TAIFUN and SAMOON form a quintet which caters to the most diverse customer requirements.

### 1999 – Bielefeld

After the first HOUSE of GERRY WEBER is opened in 1999, more and more consumers in different countries become attracted to our fashion products. Today, we have a distribution presence in 62 countries – either through our

own branches or through renowned local partners.

### Vienna, London, Madrid

In Europe, our Retail segment operates 568 own stores, 112 concession stores and 23 outlet centers in eleven different countries. *Madrid, the world's biggest village, swinging London but also splendid, magnificent Vienna and ever-changing Warsaw* are part of our GERRY WEBER journey. We are also becoming more international in the online world, with five e-shops in Germany, the Netherlands, Austria, Switzerland and Poland. More online shops are set to follow this year.

## Russia, Toronto, Sydney

Besides our own Retail distribution activities, we also operate a Wholesale segment. Over 275 Houses of GERRY WEBER worldwide are managed by franchisees. Among them are 52 HoGW in *Russia, the land of the golden cupolas*, and 29 HoGW in *the megacities of the Middle East*. But our journey does not end here; we travel on to the other end of the world, to *Sydney, the city of winds and colours*. In October 2013, Santiago de Chile was added to our itinerary.

### Travel with us for a little longer ...

Starting from our German home market, we have become a global fashion and lifestyle corporation. Women all over the world wear our garments, which are as individual and

special as the cities in which we operate. We hope you will enjoy the journey with GERRY



WEBER. Order the Annual Report on our website [www.gerryweber.com](http://www.gerryweber.com) under "Investors" and travel with us for a little longer.



## Invitation to the Ordinary Annual General Meeting

We invite our shareholders to the ordinary Annual General Meeting to be held on Wednesday, 4 June 2014, 10:00 h (admission from 9:00 h CEST) at the GERRY WEBER Event-Center at GERRY WEBER Stadium, Weststrasse 14, 33790 Halle/Westphalia.

### A G E N D A

1. Presentation of the adopted financial statements for the period ended 31 October 2013 of GERRY WEBER International AG and of the consolidated financial statements for the period ended 31 October 2013 approved by the Supervisory Board, the management report of GERRY WEBER International AG and the Group management report including the reports contained therein relating to the disclosures pursuant to section 289 (4), section 289 (5) and section 315 (4) of the German Commercial Code (HGB) and of the report of the Supervisory Board for the fiscal year 2012/2013 (1 November 2012 - 31 October 2013).
2. Resolution on the appropriation of the 2012/13 profit
3. Resolution on the discharge of the Managing Board from liability for the fiscal year 2012/13
4. Resolution on the discharge of the Supervisory Board from liability for the fiscal year 2012/13
5. Resolution on the appointment of the auditors for the financial statements and the consolidated financial statements for the fiscal year 2013/14
6. Election of a new Supervisory Board member

For more information please visit [www.gerryweber.com](http://www.gerryweber.com) under the heading Investors / General Annual Meeting.

## YOUR GERRY WEBER SHARE (Nov.13 – APR.14)



## GERRY WEBER

### SHARE PRICE PERFORMANCE

#### NOVEMBER 2013 – APRIL 2014

- High: **€ 38,98** (Xetra closing price on 22 April 2014)
- Low: **€ 28,76** (Xetra closing price on 13 December 2013)
- Performance since 1 Nov. 2013: **+35,54 %**
- Closing price on 22 April 2014: **€ 38,98**
- Dividend per share (2012): **€ 0,75**

### IMPORTANT DATES IN Q2 2014

14-15 May 2014	Commerzbank Conference Boston, New York
4 June 2014	General Annual Meeting Halle/Westphalia
13 June 2014	Publication of half-year figures



*Dear investors and interested readers,*

We hope that this issue of the GERRY WEBER Investor Newsletter has helped you understand the concept of vertical integration a bit better. Thank you very much for your interest and until the next issue.  
Best regards

The GERRY WEBER Team

Contact:

GERRY WEBER International AG  
Investor Relations  
Neulehenstraße 8  
D-33790 Halle / Westf.  
Phone: +49 (0)5201 185 0  
Email:  
[c.kellert@gerryweber.de](mailto:c.kellert@gerryweber.de)  
[a.hengelage@gerryweber.de](mailto:a.hengelage@gerryweber.de)