GUCCI



# Gucci 25.0 – The Quantum Leap
## The Journey of Desire continues

7th June 2018 | Florence

KERING

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# Agenda

## ENVISIONING GUCCI

JOURNEY OF DESIRE PROGRESS REPORT

WHAT ARE WE GOING TO DO WITH ALL THIS FUTURE?




CoCo Capitán

# Ground-breaking results in 2017, breaching the €6Bn mark

Overachieving the initial ambition set in June 2016

2017 KEY FIGURES

REVENUE

€6.2Bn

EBIT MARGIN

34%+

# Unique approach to change: the competitive advantage



# Time for a disruption



WWD

22 Jan 2015

RY 22, 2015 WWD.COM

## Michele Confirmed at Gucci

(Continued from page one)

the brand is touting the upcoming women's fall 2015 collection as his first official collection.

Bizzarri voiced enthusiastic confidence in Michele's abilities, calling him "exactly the right person" for Gucci's creative helm. He is tasked with halting Gucci's recent performance declines while restoring its one-time position as a major force in directional fashion. "When he started discussing Gucci, his vision, his talent and the images associated with the way he looked at Gucci were exactly in [keeping with] the way we wanted to move Gucci forward," Bizzarri said.

Bizzarri admitted to first considering numerous "big names," some of them the subjects of ample press speculation, and some not. Among those buzzed about: the red-hot Riccardo Tisci, whose contract with Givenchy has a ways to go. Bizzarri vehemently rejected the suggestion that Michele's might be a closet "interim" hire. "I never contacted Riccardo Tisci once; it was never a discussion," he said. "Alessandro is definitely *the* choice; he is not the temporary choice. Alessandro is by far my personal choice, and that of François-Henri Pinault. We share the same vision."

Bizzarri assumed his post at Gucci on Jan. 1, from parent company Kering's luxury couture and leather goods division. He and Michele effectively begin their tenures together, an instant team with fortunes tied in a manner that has become something of a brand tradition forged by Domenico De Sole and Tom Ford and followed by Giannini's partnerships, first with Mark Lee and later, Patrizio di Marco, with whom she became involved personally.


Marco Bizzarri

This is a critical moment for Gucci, one Bizzarri did not shy away from discussing. Within the challenged luxury sector, Gucci's market share has been hit more than most. Yet it's not only the brand's bottom line that has fallen off, but its reputation as a bold, brash, aggressive fashion leader that reached its pinnacle during the Tom Ford glory years. Granted, that fashion moment was very different. One could argue (convincingly) that the fashion of fashion mattered far more than now, when focusing on the mutual obsessions of globalization and online "likes" too often trump serious consideration of the strength or weakness of what's shown on the runway.

Though he spoke openly, Bizzarri voiced "great admiration and respect" for the accomplishments of Giannini and di Marco. At first, Gucci's numbers flourished under Giannini's creative direction. But as the increases started to slow, the retreat from fashion influence became more pronounced. Giannini's often-appealing, sometimes-overwrought clothes veered toward flash of the accessible sort. Her approach didn't develop in a vacuum but played into a trend toward clothes with a contemporary look at luxury prices. While officially, the house stood behind her choices, at some point, the mood changed. Bizzarri now acknowledges the brand's fashion decline and cites it as a major factor in need of correction. As he tells it, he and Pinault won't be satisfied to merely restore Gucci to golden cash-cow status; the house must regain its fashion prominence as well. "Gucci should become again a brand that is in the mind of opinion leaders, of fashion people. They should [feel] the need to go into the Gucci shop," he said. "What do you feel about [the brand]? What is your perception? Is it/this relevant or not relevant? Our business it is not just about the results. It's about what you feel about [the brand] and the perspective."

At issue is the loss of a clear-cut identity such as that which underscored the Ford years. "I think Gucci lost a little bit of relevance in the past one or two years, so I think that's the moment to change," Bizzarri said. "Both Patrizio and Frida brought amazing things to Gucci. They created a huge company from a business standpoint. [Now] from a creative standpoint, it's time to give a little bit of push in terms of modernity to make Gucci relevant again in the fashion world."

Bizzarri stressed that this renewed emphasis on directional fashion will not mean retreat from the Giannini-di Marco focus on craftsmanship or on the archival awareness that Giannini made integral to her Gucci platform. Nor will it mean rejection of all things accessible. "The company is very big. You need to have something that is wearable and accessible," he offered. "The point is, what's driving the accessibility? It takes a reference to something very fashion-forward. That doesn't mean we're going to destroy what we have now, not at all. It's something that's valid, something we need to respect. And being so big and we have different markets to satisfy. But always they should be linked under the same umbrella."

To that end, Bizzarri loves a logo. He calls Gucci's an amazing asset that must be utilized proudly and properly. "You invest in a logo for so many years and then you're going to be ashamed because there is a trend outside, and you say, 'I'm sophisticated. I don't use the logo?' That's not sophistication," he said.

Rather, Bizzarri views celebration of legacy as essential, adherence to certain codes and values a path to a powerful brand equity that can be achieved only over time. Yet, he noted, legacy must be invoked sagely, lest the brand be "held hostage" by its own history.

He noted two elements essential when considering brand position. One is the brand's values, linked to and derived from its legacy. The other is the culture and customer. "Being relevant is understanding how the consumer works, and respecting your tradition but making progress and communication that make sense for today. Otherwise you look at the past, what happened 20-25 years ago — nobody cares, especially today, in the world that moves so fast."

As for the consumer, at the luxury level, the richer the better. Yet there's no single archetype. Once everyone's darling, the aspirational customer is now viewed variously as asset or albatross, depending upon a brand's point of view. Gucci classifies her firmly as the former. "She's the customer of tomorrow. You need to pamper her," Bizzarri said. "You need to understand why she wants to be a part of [your brand]. And why she's aspirational. Is it a matter of disposable income or accessibility in terms of distribution?"

Bizzarri acknowledged that fashion's hyper-growth mode has been a mixed blessing across the luxury spectrum. He noted that fashion is essentially a discipline of emotion and that purveyors forget that at their own risk. "When you talk about big companies, you're talking about market share, merchandising, etc.," he said, noting those are big parts of the equation.

"Everything is linked together. We need to continue to foster the emotional side of our brand [along with] the sales. We need to sustain and protect the business; we have a 3.5 billion euro company and we have thousands of people working for Gucci so we need to protect that. In order to do that, we need to push, and at the top, we need to create a vision through emotion and creativity."

Bizzarri brought the conversation around seamlessly to its primary topic. "The way you do that is through a great creative director," he said. "I like the fact that Alessandro came out from nowhere. He's been here forever and is emotional about the company. He's super-respected by everybody here. They recognize him as a leader and someone who can drive them to the next steps."

"He has a willingness to take risks." Bizzarri continued. "Gucci is very much about that. The brand needs to take risks, the industry needs to take risks. We need to move. Otherwise, it's boring if everyone looks the same."

— WITH CONTRIBUTIONS FROM LUISA ZARGANI


Alessandro Michele


Two looks from Gucci's recent men's collection.

> Gucci should become again a brand that is in the mind of opinion leaders, of fashion people. They should [feel] the need to go into the Gucci shop.
> — MARCO BIZZARRI

*"**Restoring** its one time position as a major force in directional fashion"*

*"Gucci should become again a **brand that is in the mind of opinion leaders, of fashion people**"*

*"They should feel **the need to go into a Gucci shop**"*

*"You **invest in a logo** for so many years and then you are going to be shamed of it because there is a different trend outside?"*

***"Legacy cannot hold you hostage of your history"***

***"Emotions versus simple rationality"***

***"Willingness to take risks"***

*"Brands and industry need **to take risks otherwise it is boring and we lose traction** as a brand and as an industry"*

# Brand ambition

A metamorphosis of Gucci's legacy with courageous ingenuity in accordance with social change



Re-establish Gucci's position as a pivotal Italian luxury fashion brand – leading the industry by setting the tone with innovative runway collections and groundbreaking creativity



*"Make Gucci a definitive 21st century statement of contemporary coolness"*
Alessandro Michele

# Giving meaning: empowering self-expression

Brand mantra

2.
EMPOWERING
SELF-EXPRESSION

*"To me elegance and beauty have something to do with freedom.*
*Now people feel the desire to express their individuality,*
*they don't want to fit the mold anymore.*
*And fashion has to reflect and describe this social change"*
Alessandro Michele




FREEDOM

PERSONAL

INDIVIDUALITY

AUTHENTIC



# Gucci Tribe: continuous creative narrative nurturing a sense of belonging

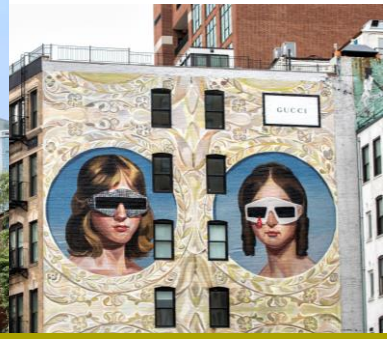
3.
ENGAGING
AUTHENTICALLY



*"Gucci's take on youthful rebellion is at its heart romantic rather than angry – after all, these young dreamers quote verse by bohemian symbolist poet Rimbaud and come together under the banner of Liberté, égalité, sexualité"*
Hypebeast

# Guccification: bringing Gucci to the world

3.
ENGAGING
AUTHENTICALLY

OUT OF HOME MARKETING




COLLABORATIONS



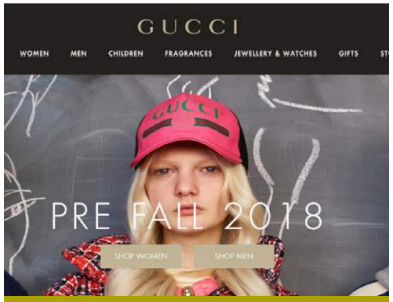
WINDOWS



ADVERTISING CAMPAIGN



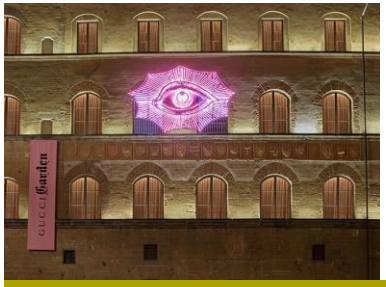
STORES




WEBSITE




SOCIAL MEDIA




GUCCI GARDEN AND GUCCI OSTERIA



PACKAGING



FASHION SHOW



MOBILE APP

# A unique culture built on new values inspired by the brand mantra



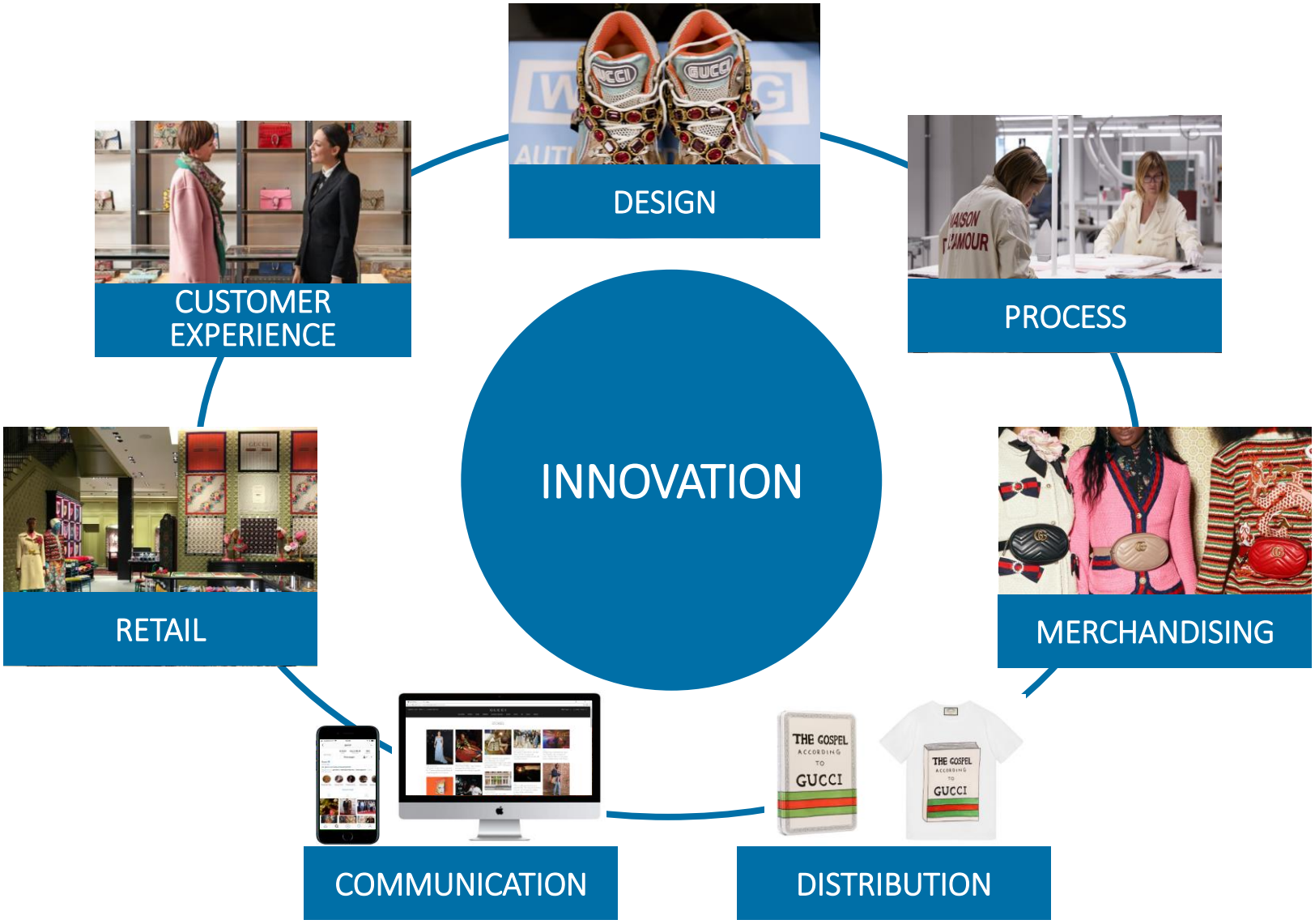
## BE THE VOICE OF SELF EXPRESSION

| EMPOWERING | INCLUSIVE | RESPONSIBLE | PROGRESSIVE |
|---|---|---|---|
| START-UP MENTALITY | CELEBRATE UNIVERSAL DIVERSITY | INTEGRITY | CREATIVITY |
| AGILE DECISION-MAKING | JOY AND PASSION | TRUST | INNOVATION |
| RECOGNIZE AND REWARD TALENTS | OPEN AND FLEXIBLE | HUMANITY AND SUSTAINABILITY | CHALLENGE THE STATUS QUO |

Attract talents, take decisions based on the true nature of the brand and be fast

# Pursuing innovation all round





# Our journey of desire is just at the beginning

A long-term sustainable strategy that builds on the brand's unique values and fully capitalizes on the digital revolution

| | |
|---|---|
| Gucci close to its 100th anniversary | • Gucci is now in its 97th year, three years away from its 100th anniversary. What has defined and underpinned the brand's **success over time** has been its **constant capacity for reinvention and regeneration**, but always based on the foundation of its unique DNA |
| Connected to a new generation of consumers | • It is not good enough just to be "modern and timeless", you need to **engage emotionally through an authentic and compelling narrative experience** and in so doing **create connections** |
| Creativity rooted in Gucci's DNA | • Alessandro Michele's seamless collections fully capitalize on **Gucci's incredible archive**, **reinterpreted as a powerful source of suggestion** that needed to **be reframed and reinvented** according to today's contemporary world |
| Business strategy perfectly executed | • **Gucci has successfully regained its position** as the industry's most desired brand, but not due to an "it bag" or a one-off stellar collection; instead, **it has successfully implemented the innovative and courageous business strategy** it laid out in June 2016 with perfect execution |
| Sustainable competitive advantage | • With all regions and all categories showing sustained **double-digit growth,** this is not about a passing moment. Gucci has created a competitive advantage within the luxury sector by **placing creativity and innovation at the center of all activities**, combined with **agile decision-making**, a **test-and-learn risk-taking** mentality and a **progressive corporate culture** |

*"Mr. Michele has managed, in a mere three years, to cement Gucci as an adjective, to expand his purview into home décor and a restaurant and to make his reinvention of the brand a reference point for the industry"*

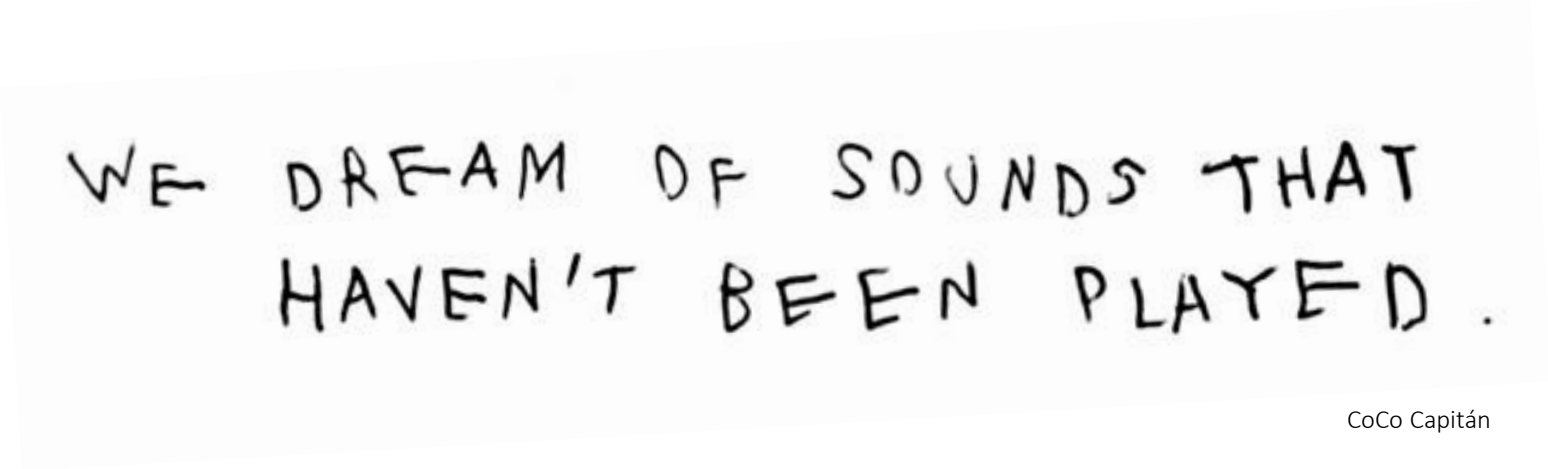
Vanessa Friedman, New York Times

# Agenda

ENVISIONING GUCCI

JOURNEY OF DESIRE PROGRESS REPORT

WHAT ARE WE GOING TO DO WITH ALL THIS FUTURE?




CoCo Capitán

# 360° strategy starting from emotions

The Journey of Desire

| 2015<br>RECREATING THE DREAM | 2016 AND 2017…<br>DELIVERING THE DREAM | …AND BEYOND<br>ACCELERATING & SUSTAINING THE DREAM |
|---|---|---|
| Starting from emotions | Establishing firm foundations to sustain long-term growth | |
| The foundation: **Envisioning Gucci** | Clarifying and formalizing **the brand identity and territory**<br>**Repositioning the product offer**<br>**Updating** all communication **touchpoints** | Setting the **business ambition**, building a **solid business strategy** |
| | | Upgrade **consumer experience** and **increase sales density** across channels |
| | | Unleash **business potential** across **categories** |
| | | Convert **buzz momentum** into **long-term** brand **engagement** |
| | | **Deliver the right product in the right place at the right time**, reducing coverage and inventory level |
| | | **Attract** the **best talent**, build an **agile** and **responsible organization** |

# Five action plans to reach full potential

**DISTRIBUTION**

**Upgrade consumer experience and increase sales density across channels**

PRODUCT

Unleash business potential across categories

COMMUNICATION

Convert buzz momentum into long-term brand desire and engagement

S&OP

Deliver the right product in the right place at the right time, reducing coverage and inventory level

PEOPLE AND CULTURE

Attract the best talent, build an agile and responsible organization

# A well-balanced distribution model in line with our business strategy



| Sales mix evolution by channel | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|
| RETAIL INCL. E-COMMERCE | 82% | 83% | 85% |
| WHOLESALE | 16% | 16% | 14% |
| ROYALTIES | 2% | 1% | 1% |

Strategically reduced weight of wholesale to increase channel direct control

# New store concept and aesthetics

New store concept to enhance customer “inclusivity”, reduce barriers between the product and the client and enhance cross-selling opportunities












# New store concept yields better KPIs and performance



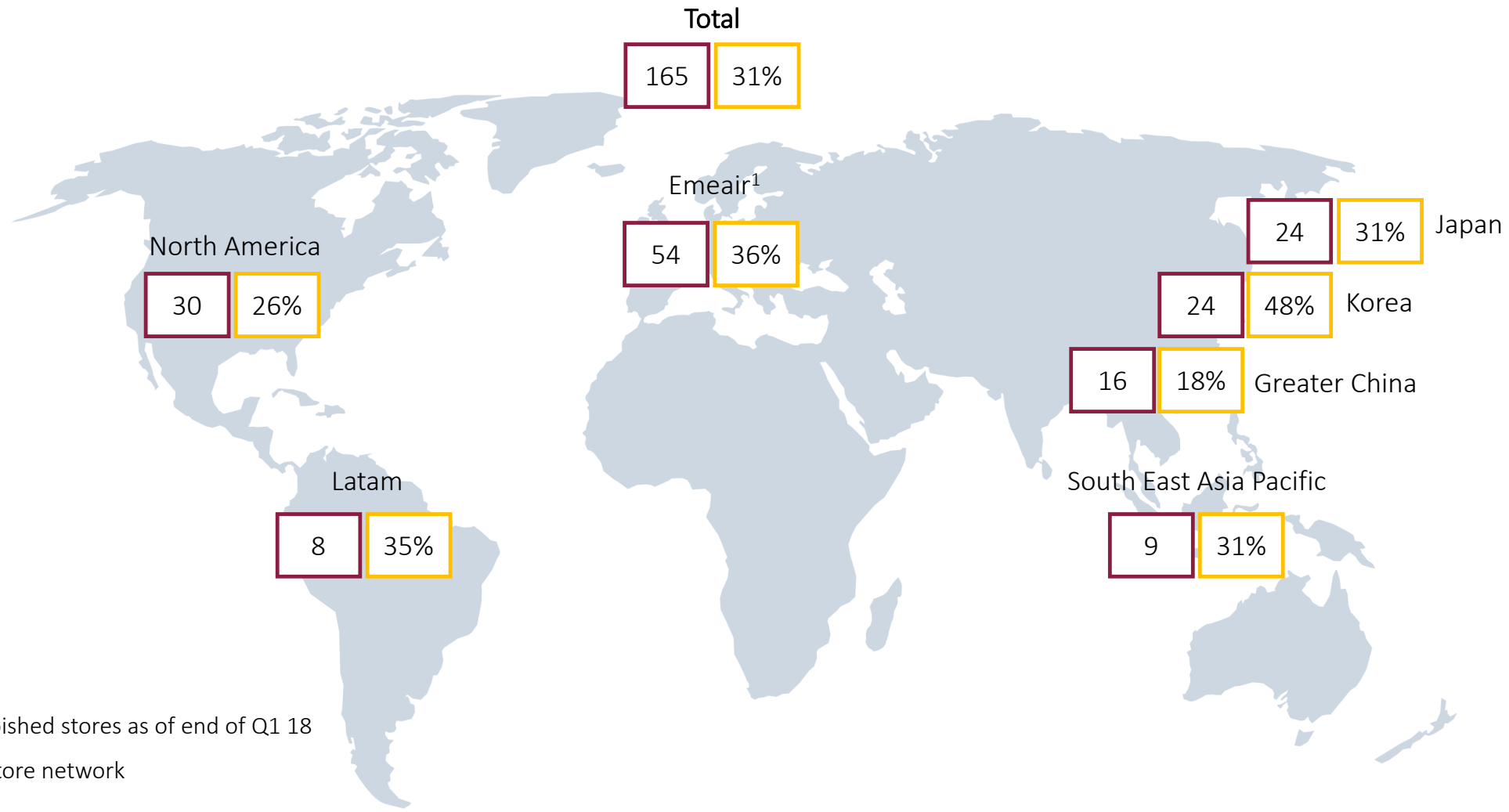
| AVG TICKET | UPT | CROSS-SELLING |
| --- | --- | --- |
| ↑ ↑ | ↑ ↑ ↑ | ↑ ↑ ↑ |

SALES GROWTH OUTPERFORMANCE: +20-30%

# Stable store network and continuous roll-out of new store concept



**Acceleration in the roll-out** of the new store concept with 165 stores refurbished by the end of Q1 2018 in order to align the brand aesthetic of the most impactful stores across regions




Note: 1) Emeair: Europe, Middle East, India and Russia

# Superior customer experience through retail excellence

Key strategic actions to drive the client matching experience to the next level

1. DISTRIBUTION



## STORE PROFILING
to ensure the client matching experience

Identification of **different store profiles**, based on clientele typology and traffic and review of the **store organization to match clients' expectations**



## STAFFING THE STORES
to transform increased traffic in stable conversion

**Strong investment in people**. The effort in staffing the stores has been focused in adding more talented sales associates as well as new roles to constantly re-design a seamless experience (ex. Runners, Floor Managers) through an upgraded selection process



## RETAIL CONSTANT MONITORING
evolving into a new mystery shopping program

Introduction of a **new mystery shopping program** based on a **flexible customer journey** to match the different clients' expectations and to provide assessment and feedback on the whole customer experience *(from browsing to return)*



## CONSTANT PRESENCE OF CROSS-FUNCTIONAL TEAMS
in key locations

**360° approach for key locations** to take stores and categories to full potential and deliver a **unique client experience** with a constant presence in store of a cross-department team

# Strategic actions to drive improvement across all KPIs

Client-centric approach to improve quality of sales and performance across the main retail KPIs

1. DISTRIBUTION

**HIRING**

- Upgraded selection process
- Increased hiring and added more talented sales associates
- New roles to constantly re-design a seamless experience

**CLIENTELING**

- Focus on clienteling actions such as caravans, OTO appointments, special activities on very important clients, MTO and DIY collections

**STORE OPERATIONS**

- Ongoing store operations and back-of-house optimization
- Ongoing assessment of payment methods
- Sales associates tools upgrade

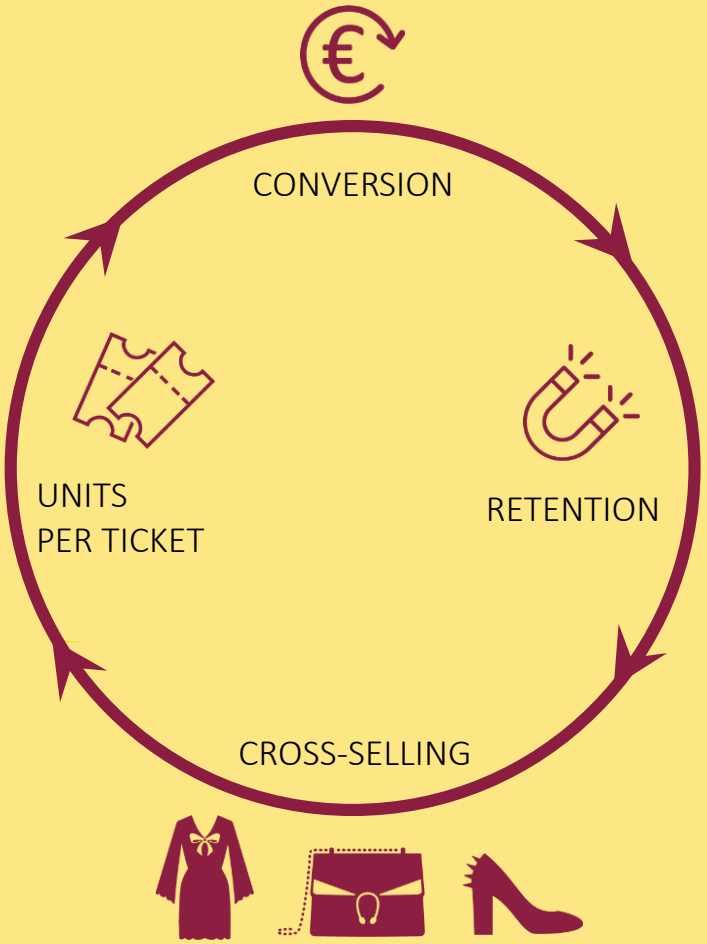
**TRAINING**

- New trainings and training tools
- Strengthening cross-selling skills and product knowledge with the aim of turning sales associates into “problem solvers” and “consultants” for clients

**PRODUCT ASSORTMENT**

- Tailored assortment by store based on the store’s clientele profile

**….To drive improvement across all 4 main retail KPIs**



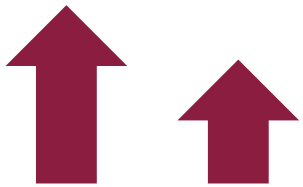
# Delivering positive performance across KPIs



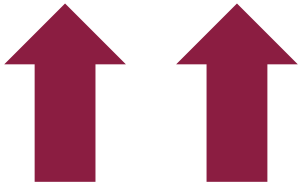
TRAFFIC



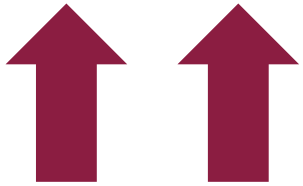
CONVERSION



RETENTION



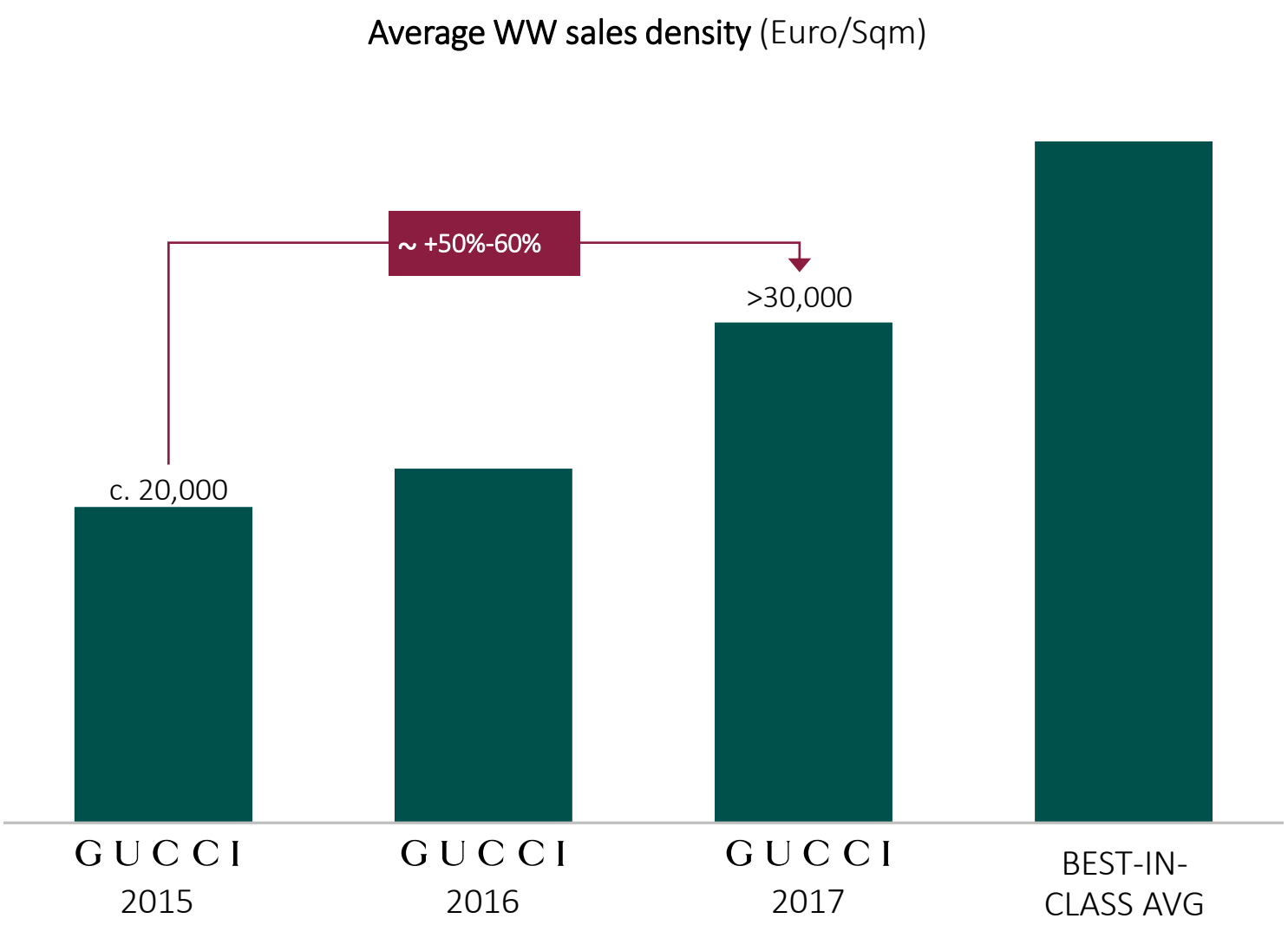
AVERAGE TICKET



# Delivering sales density growth across all regions

Opportunity for further growth in sales density






Source: estimates from publicly available information

# Wholesale channel: selective approach complementing distribution strategy





- MARKET INDICATOR
- HEALTHY GROWTH AND PERIMETER CONTRACTION
- BALANCED CATEGORY MIX
- STABLE FRANCHISING
- POWERFUL COLLABORATION

# Travel retail: strategically managed to enhance brand visibility and coherence





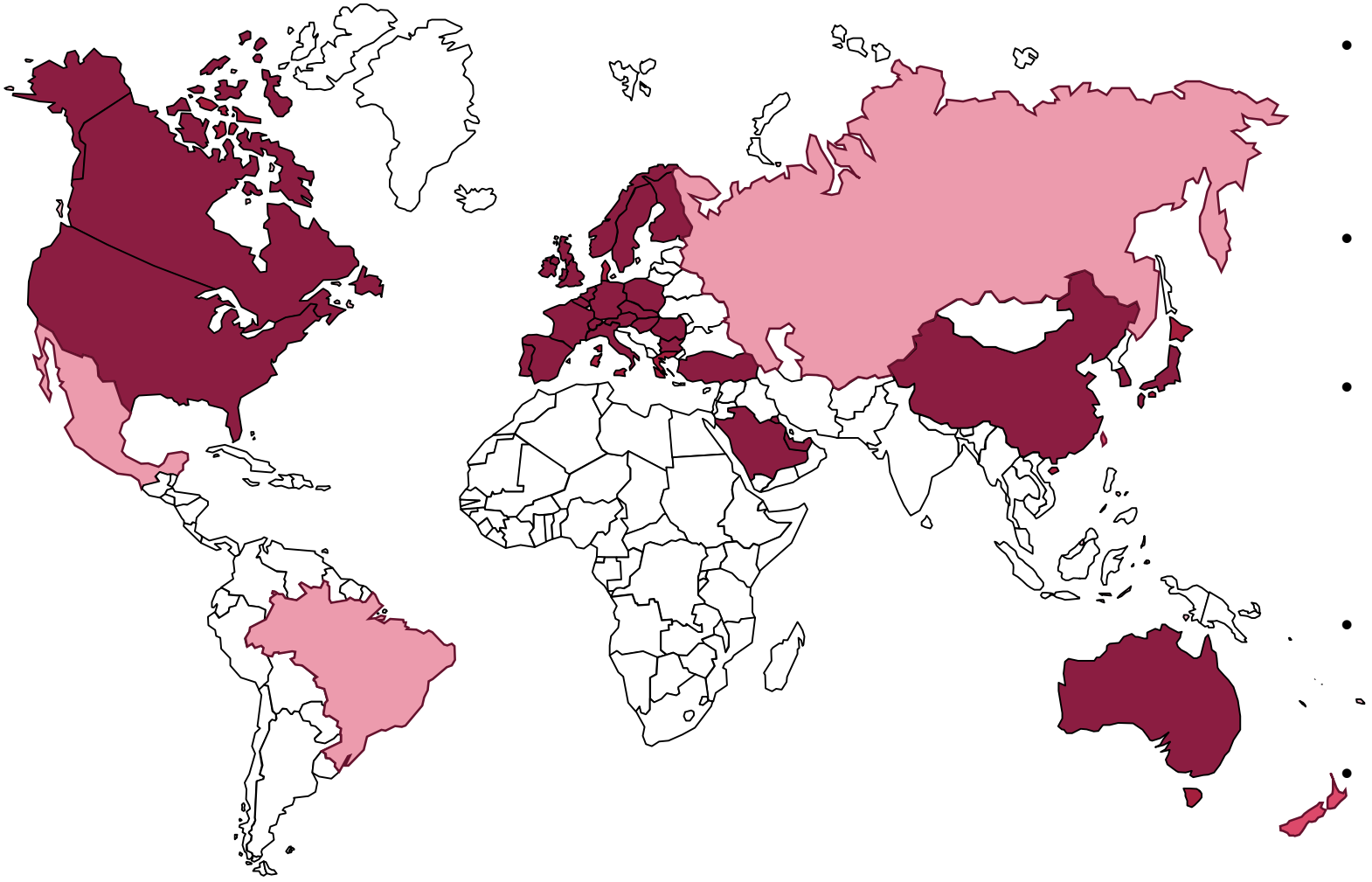

73 doors at YE17 corresponding to c. 7% of FY17 sales

- OUTPERFORMING THE OTHER CHANNELS
- ACCELERATION OF NETWORK REFURBISHING
- DIVERSIFIED DISTRIBUTION CHANNEL (a mix of DOS and wholesale)
- DEDICATED ORGANIZATION
- SELECTED NEW OPENINGS TO CAPTURE MARKET OPPORTUNITIES
- NEW "TRAVEL RETAIL STANDARDS" WITH A 360° APPROACH (assortment, visual,...)

# E-commerce: ongoing roll-out on a global scale

On the way to cover all key geographies. New Zealand and Hong Kong next launches in 2018






- **Sales growth:** sales more than doubled between 2015 and 2017, mostly from LfL (from €120M to c. €270M)
- **Traffic growth:** doubled in the period (from 100M to 224M)
- **New launches:** successful launch of China in June 2017, Saudi Arabia in November 2017, Qatar and Kuwait in April 2018
- **Mid-term launches:** Mexico and shoppable international website
- **Concession:** development of online concession

# Gucci.cn

Fully adapted to local specificities, showing very positive results since soft launch on June 8, 2017

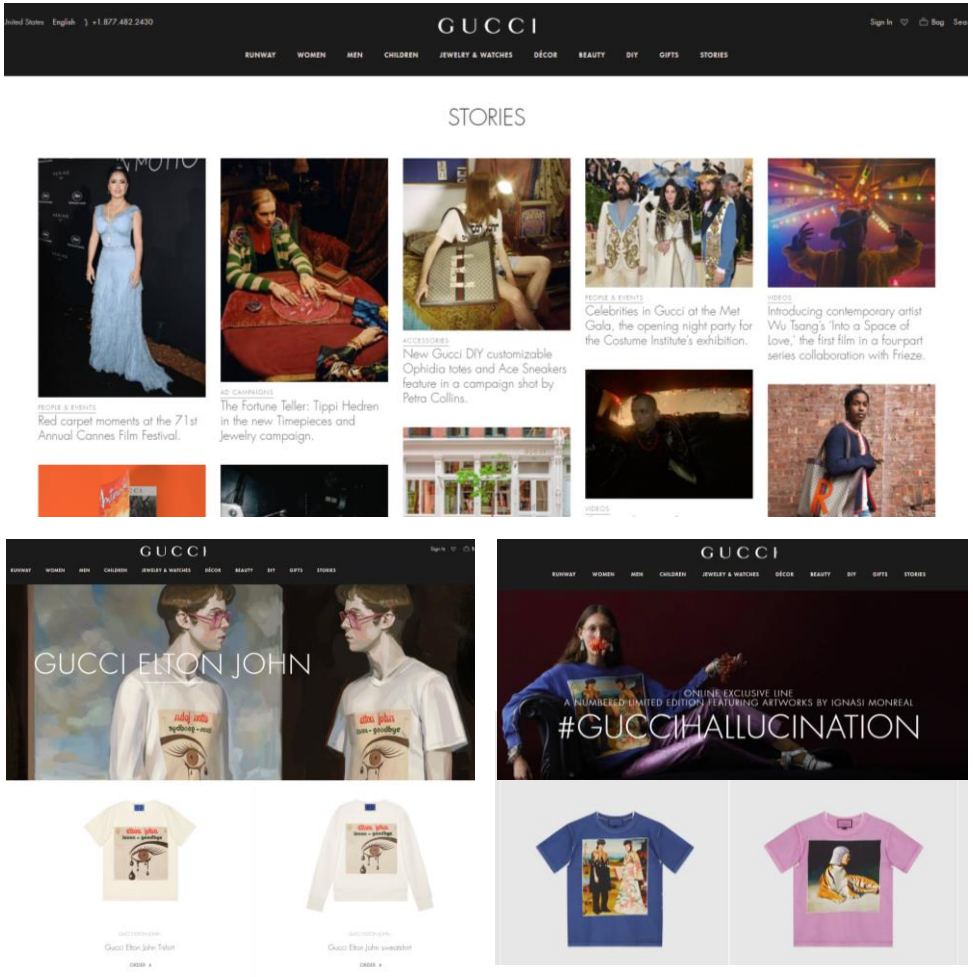





- **Locally hosted** to ensure fast site speed
- **Local payment methods** Alipay WeChat Pay cash-on-delivery
- **Store locator** integrated with Baidu 百度
- Integrated WeChat **store**
- **Purchases** received **from over 300 cities**, 1/3 from Tier 1
- **Fully localized marketing strategy** leveraging China specific ecosystem

# Continuous improvement to deliver a best-in-class experience






*A mobile-first platform blending storytelling and commerce that is delivering exceptional results*

## IMPROVEMENTS…

- Seamless blend of commerce and rich storytelling
- **Mobile:** fully optimized mobile website (capturing c. 73% of the traffic)
- **Optimization:** constant optimization of the user interface and overall shopping experience
- **Languages: 9 languages** and **32 markets** covered and continuous enrichment of languages on the existing website
- **New services:** gradual addition of services (payment methods, order tracking, same day delivery…)
- **Centralization of buying:** dedicated merchandizing team to optimize assortment
- **Exclusive product:** capsule collections and DIY

## …AND CONTINUOUS INNOVATION AND EXPERIMENTS

- Shoppable stories
- Personalization
- Machine Learning fraud detection engine
- Reactive and proactive live chat
- Omnichannel service pilots (iPad in store, 90 min service, Find in Store)
- Chatbot experiments

# Client service beyond market standards to create brand loyalty and incremental revenue





- Built **client service teams in all regions** to locally support e-commerce growth with native language speakers
- **Proactive and reactive client engagement**
- Currently rolling out a full set of **market leading tools to support client engagement**
- Ambitious **recruitment plan in progress** to provide a full set of omnichannel services increasing client satisfaction and driving additional sales

# Outlet channel part of our distribution strategy





- LIMITED OVERLAP IN CLIENTELE
- DEDICATED BUSINESS UNIT
- QUALITY ASSESSMENT OF THE NETWORK
- STABLE PERIMETER
- NEW STORE CONCEPT AND ASSORTMENT STRATEGY

# Five action plans to reach full potential

DISTRIBUTION

Upgrade consumer experience and increase sales density across channels

**PRODUCT**

**Unleash business potential across categories**

COMMUNICATION

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S&OP

Deliver the right product in the right place at the right time, reducing coverage and inventory level

PEOPLE AND CULTURE

Attract the best talent, build an agile and responsible organization

# Creative inspiration

The repositioning of the brand was always rooted in a vision inspired by urban settings and lifestyles



*"Gucci's historical archive is an incredible treasure: it is* ***full of codes, images, icons and artifacts that created the glorious past of the brand****…what is crucial is to reinterpret the archive as a powerful source of suggestion that necessarily needs to be reframed and* ***profoundly reinvented according to the contemporary world****"*

Alessandro Michele, January 2015



***"I love couture, but the other side of me loves the street, and I think the mix of these two can create something new.*** *When I go to New York and London, I love to see how very brave the young people are—they have no rules. Even the superchic ladies of the past, like Princess Irene Galitzine, had supermodern attitudes.* ***Today they'd all be into street style****"*

Alessandro Michele, Vogue, June 2015

# On the Runway






A continuous narrative across collections reflecting societal change, Alessandro Michele ingeniously combines inspirations, time periods and references – including streetwear – creating a unique, eclectic style

# And in advertising campaigns

The new men's tailoring campaign featuring Harry Styles, launched this week, epitomizes the way contemporary style is brought to life in a compelling narrative





# All categories fully transitioned to new aesthetic

An accelerated transition of all product categories to Alessandro Michele's new creative vision, blending contemporary influences with new interpretations of Gucci's rich house codes and symbols

2.
PRODUCT

NEW CREATIVE AESTHETICS

% OF SALES

HANDBAGS



LUGGAGE



SLGS



BELTS



SILK ACC.



## PRODUCT MIX

A new balanced mix across categories driving strong performance, while diversifying Gucci's business

## UPGRADED POSITIONING

Selected and very limited price increase on carryover, **but enriched collections covering all price points helped to drive AUR up by approximately 20%, on all product categories since 2015**

NEW CREATIVE AESTHETICS

% OF SALES

W SHOES



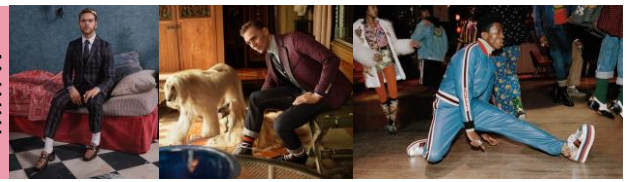
M SHOES



WRTW



MRTW



WAT & JEW



# Balanced mix between fashion and volume-driven products



## COLLECTION DEVELOPMENT

The offer is built through an **equilibrium between creativity and market needs** which are developed in order to further enhance the creativity of the collection

FW 15 FASHION SHOW



CRUISE 19 FASHION SHOW



*"Michele's talent for taking the obscure and making it relevant again also saw the **horsebit loafer gain renewed appeal** some 60 years after it first arrived in the scene"*
The Evening Standard, March 2016

## COMMUNICATION

**Balanced communication across fashion/image and volume-driven** products, which are always presented with a fashion attitude

PRE FALL 18 ADV & ADVERTISING CAMPAIGN



# Strong and dynamic carryover to ensure a healthy growth and sustainable performance



## BALANCED MIX CARRYOVER & NEWNESS

- **Balanced mix between carryover (70%) and newness (30%)** to guarantee a sustainable and healthy growth
- Continuous renovation of the offer with the **injection of ~30% of newness**:
  - **Fashion driven**: development of image-driven products to stimulate the interest of opinion leaders
  - **Functionality driven**: complete the offer in terms of functions, price points and address missing opportunities

## DYNAMIC CARRYOVER BASE

- **Strong carryover base** made of new iconic lines which is **continuously evolving** to prevent from over-reliance on these lines
  - A **portion of the newness** injection remains only **seasonal**
  - Another part of the newness offer becomes **carryover to substitute existing SKUs**
- This dynamic approach to carryover has ensured a **stable # of SKUs** in the collection with a **potential slight decrease** going forward

# Handbag offer

The reinterpretation of the “House Codes” in a contemporary way





# Luggage offer

Building a diversified offer to address a wide variety of clients





# Shoes offer

Well-balanced between market trends and classic functions





# RTW offer

Fashion influencer positioning with a segmented offer to address different customer types

2.
PRODUCT

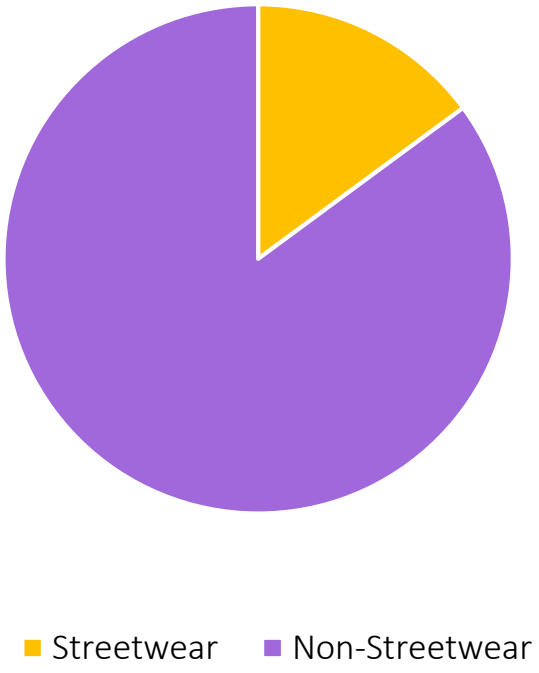


# The customer response

While streetwear strongly resonates with our customers, the majority of sales and clients are associated with other product categories – predominantly leather goods



## SALES CONTRIBUTION
(% of sales)




## CLIENT MIX
(% of clients)



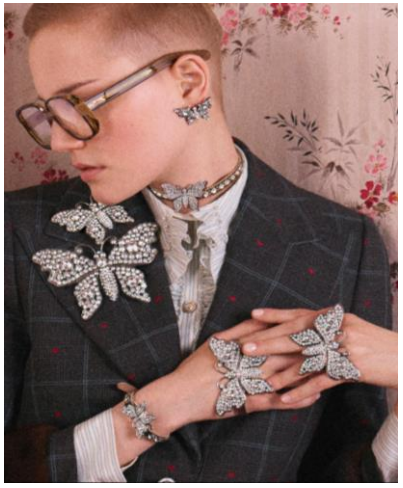

- 85% of sales are associated with Non-Streetwear categories
- Only 10% of Gucci's client base exclusively purchases streetwear categories
- Streetwear-only clients tend to skew younger and more male; 69% of these clients are newly acquired

Note: Last Twelve Months, as of March 2018; Directly Operated Stores; Full-Price Only. Streetwear includes selected functions within RTW and Shoes. LG are excluded

# Traffic builders

Leverage on traffic builders to cover entry price points for aspirational clients and to enhance cross-selling

2.
PRODUCT

| | SMALL LEATHER GOODS | SILK ACCESSORIES | SILVER & COSTUME JEWELRY | WATCHES | EYEWEAR |
|---|---|---|---|---|---|
| COVER ENTRY PRICE RANGE |  |  |  |  |  |
| ENHANCE CROSS-SELLING |  |  |  |  |  |

# Fragrances

Pushing fragrances to full potential with key new introductions and strong support on existing pillars



## THE LAUNCH OF GUCCI BLOOM



**Launch date:** August 2017

Ranked within the
TOP TEN FRAGRANCES
in key markets in less than a year, leading the fragrances business to a strong increase in market share

## 25 AWARDS FOR GUCCI BLOOM IN 2018

ELLE INTERNATIONAL BEAUTY AWARDS 2018

REFINERY29 Beauty Innovator Awards

BAZAAR SINGAPORE Beauty Awards 2017 Winner

PREMIO 2018 Accademia del PROFUMO

READERS' CHOICE allure THE BEAUTY EXPERT AWARD WINNER

THE FRAGRANCE FOUNDATION AWARDS

## NEXT STEPS FOR THE FUTURE




Establish Bloom as the new brand pillar by fueling it with the launch of a new flanker, Acqua di Fiori, and with other future extension




Continue to sustain our historical pillars, Guilty and Flora, with new product introduction and specific marketing campaigns



Continue to leverage the success of the new creative direction for the launch of new pillars and of special and image-driven projects

# Five action plans to reach full potential

## DISTRIBUTION

Upgrade consumer experience and increase sales density across channels

## PRODUCT

Unleash business potential across categories

## COMMUNICATION

Convert buzz momentum into long-term brand desire and engagement

## S&OP

Deliver the right product in the right place at the right time, reducing coverage and inventory level

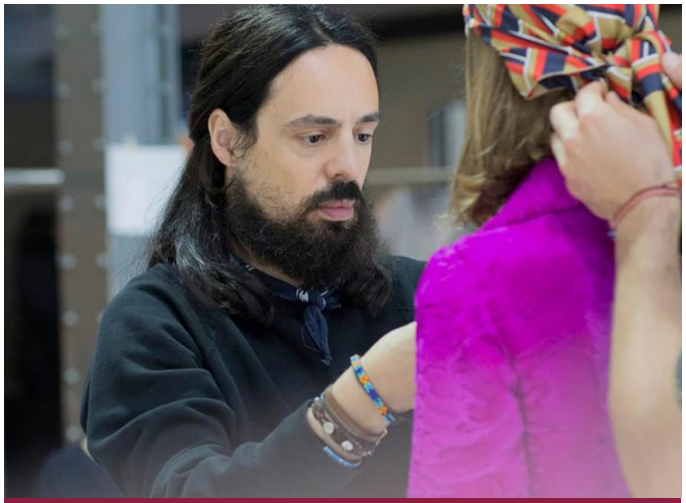
## PEOPLE AND CULTURE

Attract the best talent, build an agile and responsible organization

# Emotional brand engagement

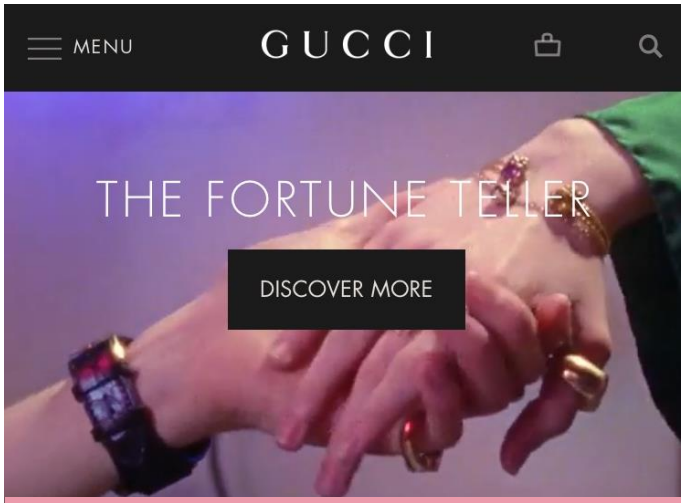
Differentiated and authentic creativity powered by innovative digital marketing and a consumer-centric approach

3.
COMMUNICATION



## CREATIVITY

A differentiated creative vision that reinterprets Gucci's brand values and historic codes through a consistent narrative across all product categories and customer touchpoints




## DIGITAL

A "test-and-learn" approach driving accelerated adoption of digital innovations, supported by a strong growth in digital media investment



## CONSUMER

An inclusive approach to clienteling propelled by the brand mantra of "self-expression", engaging clients across age groups, demographics and geographies

# Collaborations and connections

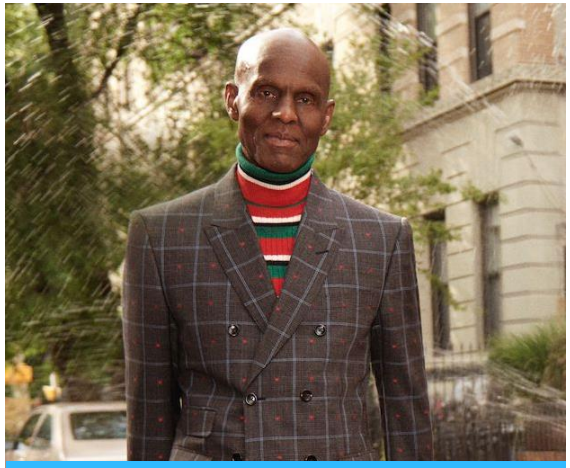
Authentic collection collaborations with talents complemented by innovative programming have created rich moments of engagement with customers

3.
COMMUNICATION

SELECTED COLLABORATIONS



IGNASI MONREAL

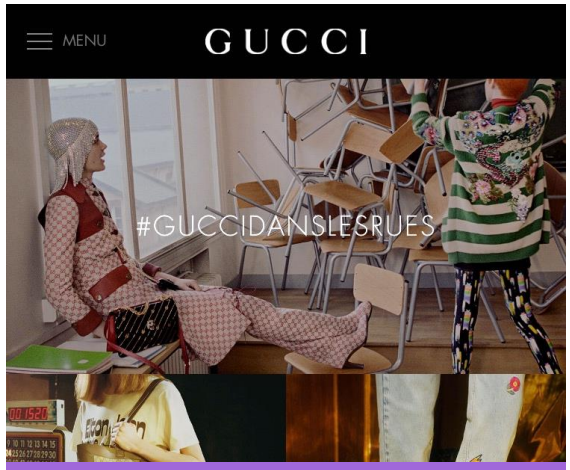


DAPPER DAN



UNSKILLED WORKER

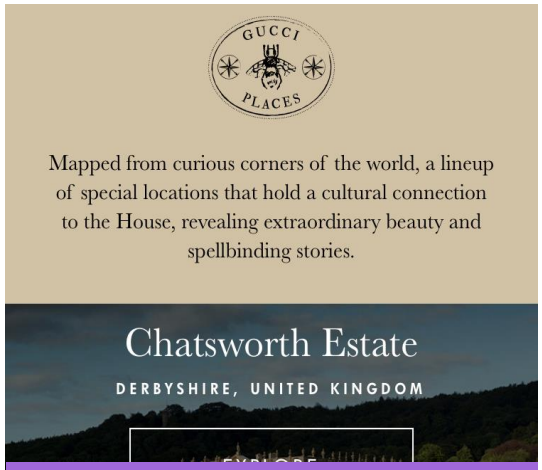
CONNECTIONS




GUCCI APP




ART WALLS




GUCCI PLACES

# Digital first

Placing digital at the center of our brand engagement strategy to create, leverage and manage connections with our customers and our community around the world





*"Creativity is often born and finds its voice in digital media, a vital source of visual culture"*
Alessandro Michele

**GUCCI.COM**

Global roll-out of a new website that seamlessly blends editorial content with the shopping experience and an increasing focus on personalization and "best-in-class" service

**CONTENT**

A strong editorial content hub is fulfilling a daily rich narrative flow through imagery, videos and storytelling to new innovative formats like augmented reality

**DIGITAL MEDIA**

A "test-and-learn" approach constantly experimenting with new formats supported by increased investment in digital media

**CONNECTIONS**

Constant programming of SEM[1], newsletters, key influencer relationships, App developments, geo-targeted activations, curated store listings, etc. to drive connections

Note: 1) Search Engine Marketing

# The Gucci community

Across our digital touchpoints, Gucci connects directly with a growing, massive and engaged audience around the world






| | |
|---|---|
| GUCCI.COM | 224M ANNUAL VISITS IN 2017 |
| E-CARDS | 6.5M EMAILABLE CONTACTS (+37% vs. LY) |
| 52+ MILLION SOCIAL AUDIENCE MEMBERS | |
| GUCCI APP | 1.9M DOWNLOADS & 8.3M UPGRADES SINCE MARCH 2016 RE-LAUNCH |

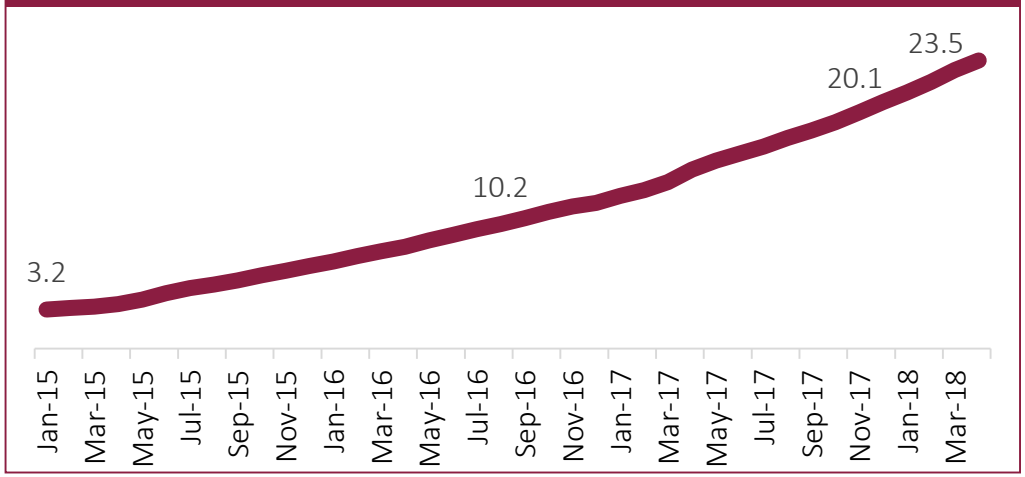
# Social media: audience and engagement growth

Impressive growth on our social media platforms and significant acceleration in engagement as audiences respond to our original and authentic content



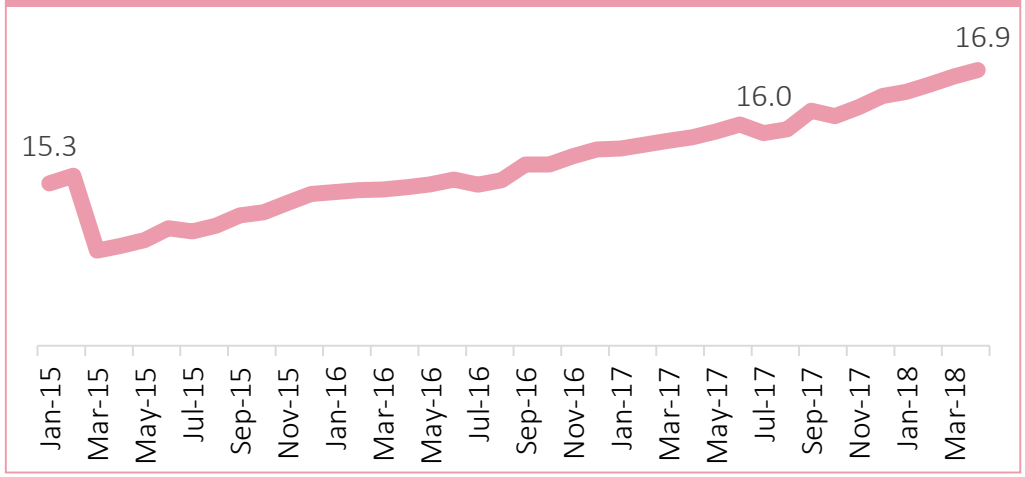
## INSTAGRAM AUDIENCE

(Millions of followers)



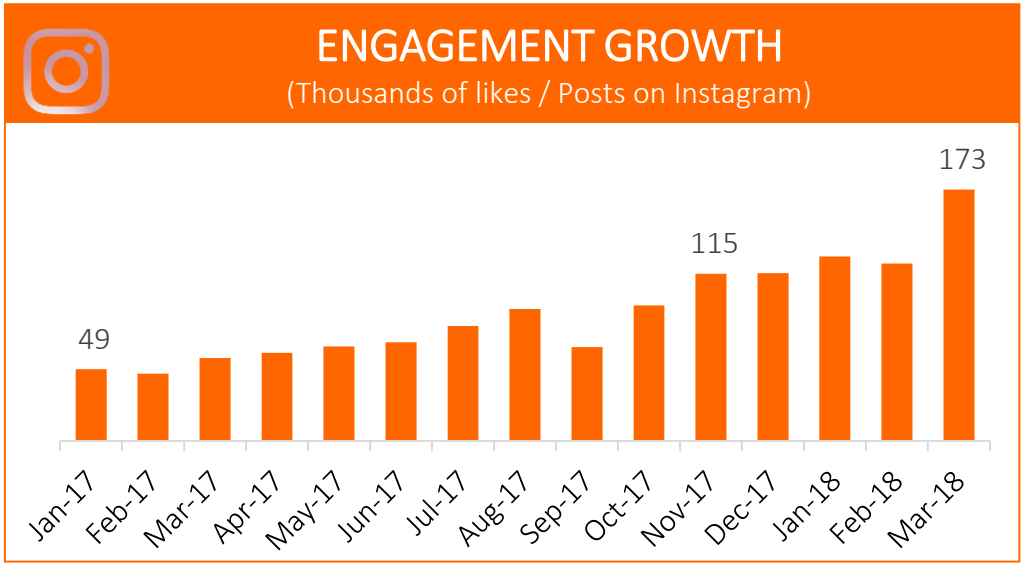

## FACEBOOK AUDIENCE

(Millions of followers)



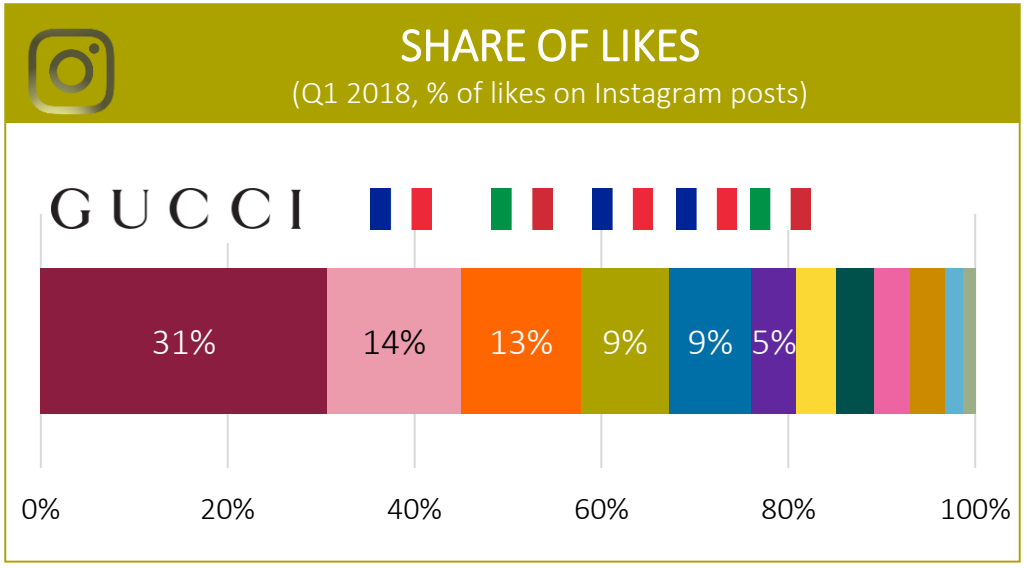

## ENGAGEMENT GROWTH

(Thousands of likes / Posts on Instagram)




## SHARE OF LIKES

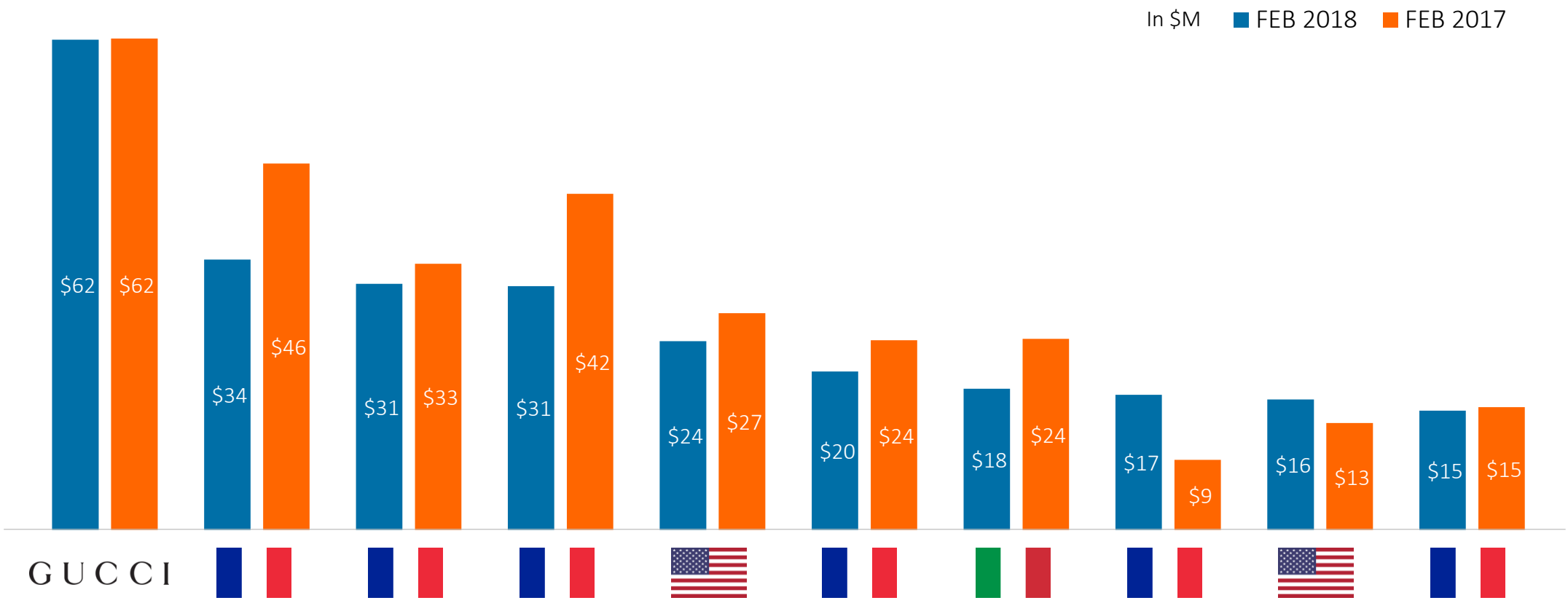
(Q1 2018, % of likes on Instagram posts)



# Earned media value: #1 rank

According to Tribe Dynamics, Gucci's programming and content strategy generate earned media value relative to competition, at an estimated value of $62M






Earned Media Value ($M) is Tribe Dynamics "prescribed metric that quantifies the estimated value of publicity gained through digital earned media and their respective engagement levels," which factors in views, likes, comments and shares

Source: Tribe Dynamics, "Tribe Top 10 | Luxury", February 2018

# Google brand query: outpacing competition

Gucci experienced triple-digit growth in 2017 across multiple markets



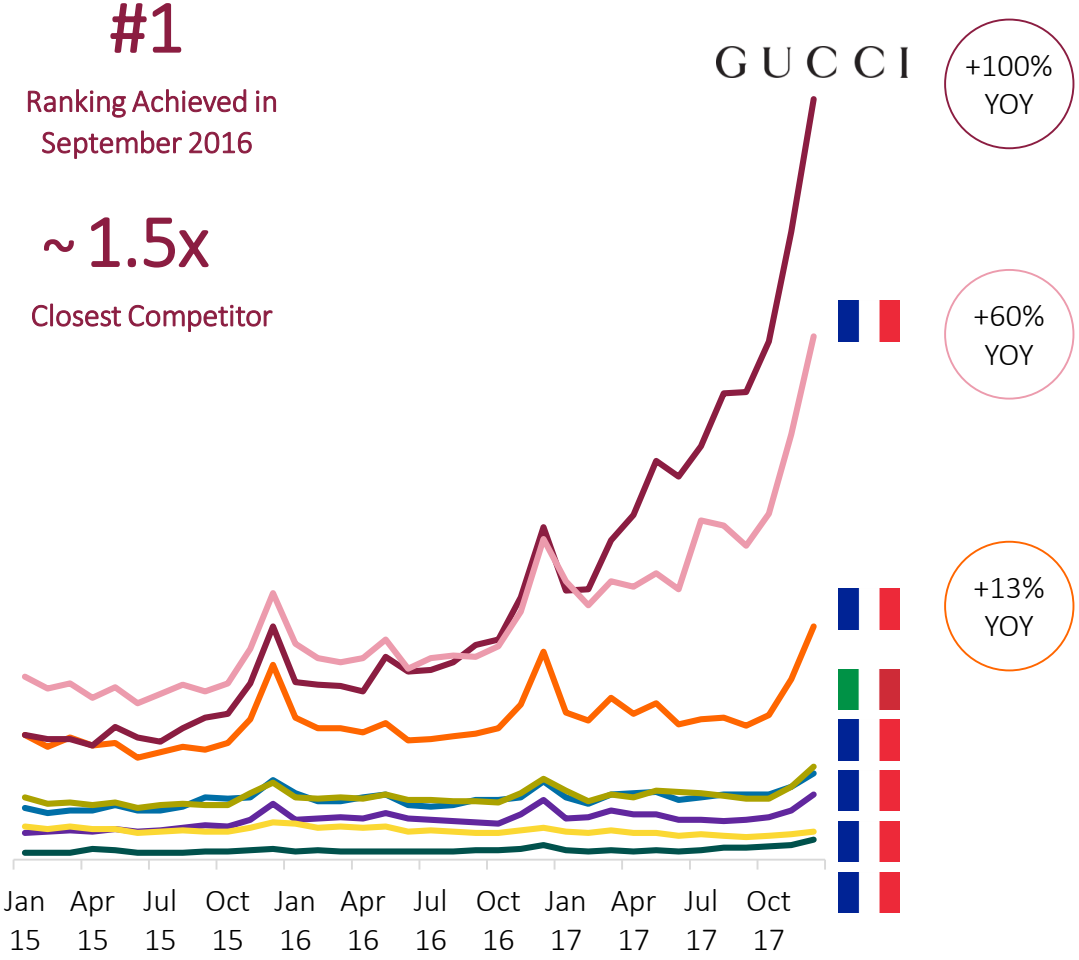
## TOTAL QUERY VOLUME: USA

**#1**

Ranking Achieved in September 2016

**~1.5x**

Closest Competitor




Source: Google

- Search queries for the Gucci brand are increasing rapidly, with the largest volumes registered in the United States and United Kingdom
- For footwear specifically, Gucci captures the majority of search queries across our core markets of United States, United Kingdom, Italy and Germany
- Q1 2018 has registered impressive results (YOY):

**USA: +103%**

**UK: +91%**

**ITALY: +100%**

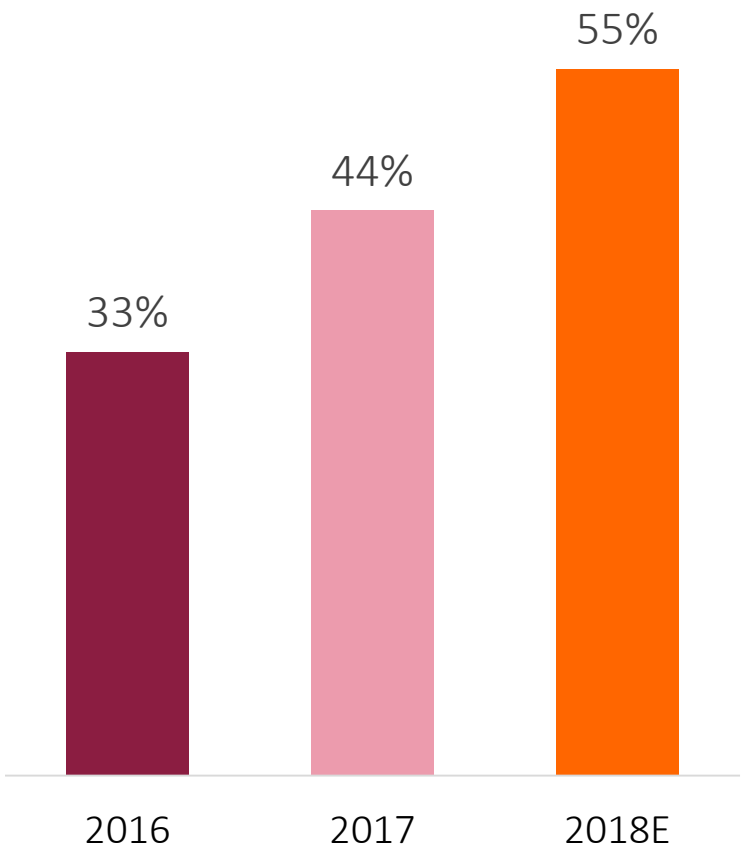
**GERMANY: +118%**

# Digital media investment

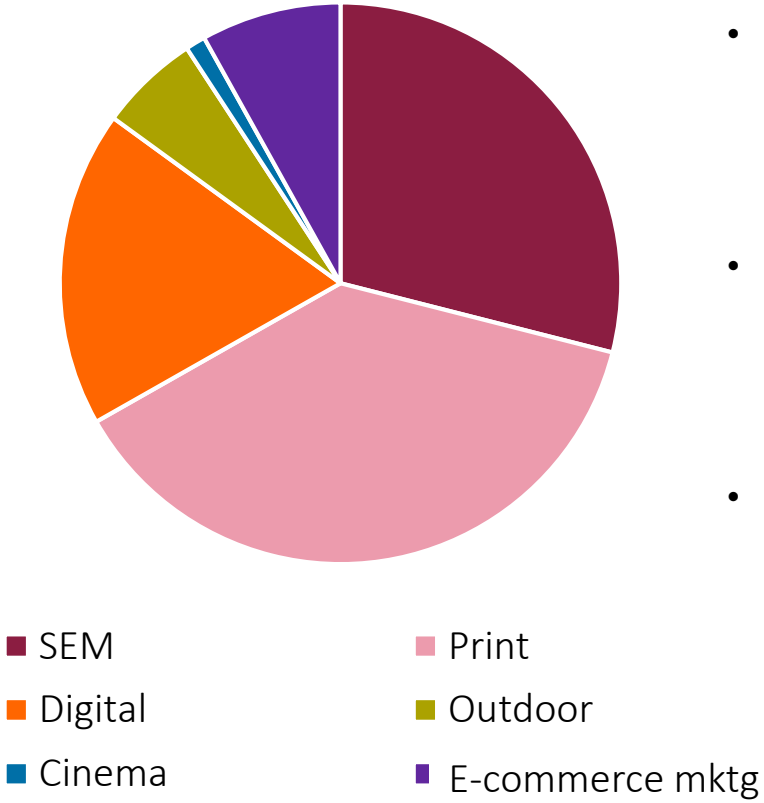
Gucci's investment in digital media, including SEM[1], continues to grow, reaching 55% of total media spend in 2018



## DIGITAL MEDIA INVESTMENT
(% of total media spend)




## MEDIA ALLOCATION
(2018E)




- For the first time, in 2018, Gucci's aggregated digital media investment will exceed the investment in traditional media channels
- The redistribution of Gucci's media mix has been predominantly driven by incremental investments, not a reduction in print
- The largest component of the Digital spend (excluding SEM) has been allocated towards native programming, followed by paid social

Note: 1) Search Engine Marketing

# Digital strategy: China focus

A localized digital content and media strategy to reach this strategic cluster by adapting, optimizing and amplifying corporate campaigns

3. COMMUNICATION

## STRATEGY OVERVIEW

新浪微博 weibo.com

YOUKU 优酷

Tencent 腾讯

Display

Baidu 百度

WeChat

Awareness → Interest → Consideration → Purchase

- A **multi-platform**, **multi-media** digital strategy to maximize opportunities along the **customer journey** from awareness to interest & consideration, and finally to purchase
- **Search represents our greatest media investment**, followed sequentially by social media, key opinion leaders, video and digital display
- **Local adaptation of corporate content** and marketing materials to ensure messaging resonate strongly and appropriately for the audience/channel

## WECHAT FOCUS

- **Actively using several functionalities** in Gucci's WeChat service account to engage with clients from customized mini-programs, integrated shopping and location-based services
- **Outpacing competition – only Gucci has posts breaking through 100K in views**
- Not just in China: WeChat moment ads released in **34 different countries**, reaching audiences while they are traveling

**100K+**

Views Achieved on Top Posts

**~2.8x**

Average Views vs. Competition




*"Gucci has also been able to connect with China's youth in a way no other luxury brand has been able to attain…Gucci seems to understand better that social media is not a marketing tool but an extension of its brand"*
Jing Daily, May 2018

# Global high touch personalized engagement

From macro to micro campaigns aiming to deliver more and more personalized customized communications, powered by new technologies





Laying the groundwork and infrastructure (e.g. Salesforce) to radically shift our marketing and communications strategy leveraging on new technologies

**Rich Data Collection**

- Integration of customer data from POS, Gucci.com, after sales, etc. for a 360° customer view
- Enrichment and cleansing of data

**Targeted Campaign Development**

- New targeting capabilities to identify actionable customer segments and behaviors
- Piloting new data solutions to help maximize potential and pattern identification

**Personalized Customer Journey**

- Developing increasingly personalized customer journeys, powered by new innovative technologies
- Driving every customer interaction to appear as one-to-one

# Inclusivity: engaging with consumers

Engaging with customers across age groups, demographics and geographies





## Not a demographic, but a state of mind

In 2017, Gucci's sales increased by double digits across all of its customer segments and geographies driven by the inclusive and universal brand mantra of "*self-expression*"

# At a glance: Gucci's customer base

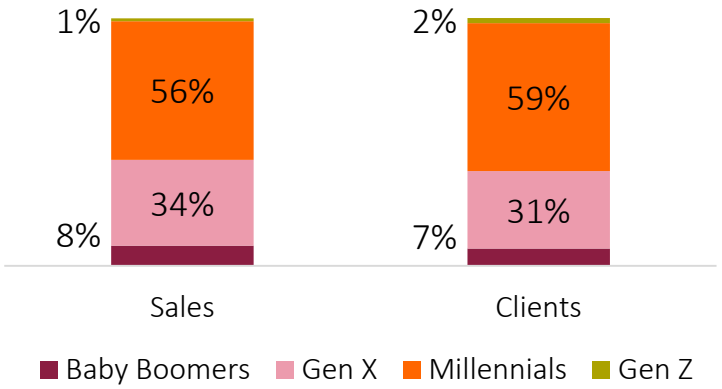
A healthy customer base to propel long-term, sustainable growth



## A LOOK AT GENERATIONS

(2017 Registered client data)

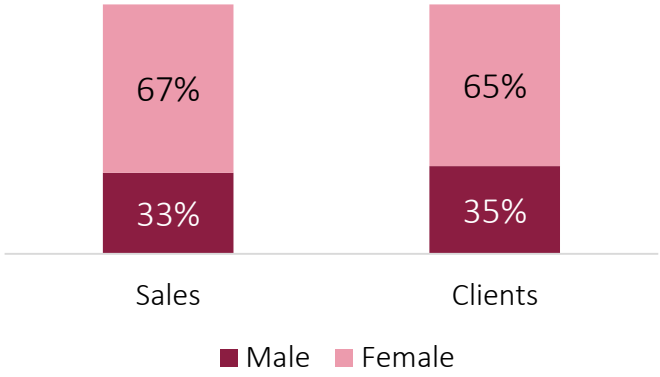
Growth well-balanced across all age ranges.
A strong penetration of Millennial clients




## BREAKDOWN BY GENDER

(2017 Registered client data)

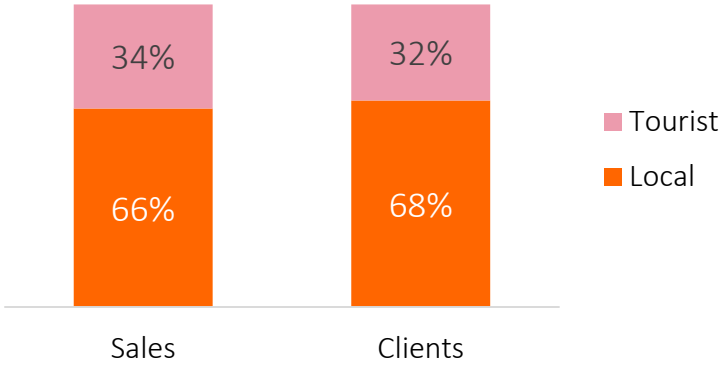
A balanced mix of male and female clients; clients responding positively to the breakdown of traditional gender norms




## A LOCAL CLIENT BASE

(2017 Registered client data)

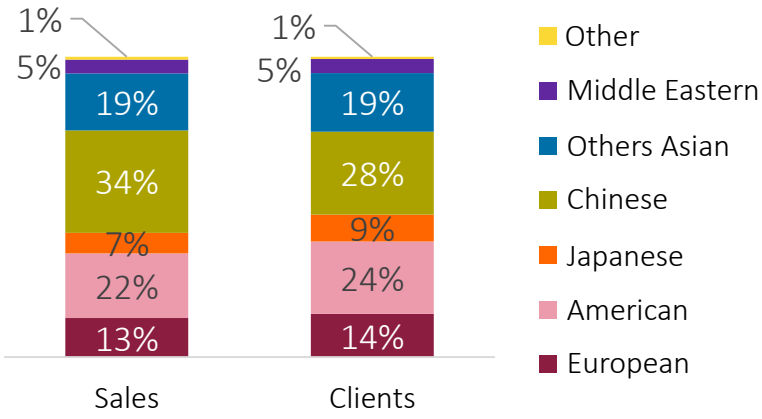
Local clients account for 66% of our business, providing strong clienteling opportunities




## BALANCED ACROSS NATIONALITIES

(2017 Registered client data)

Well-diversified in terms of client nationality and have experienced double-digit growth for all nationalities




Source: Full Year 2017, Directly Operated Stores, Full-Price

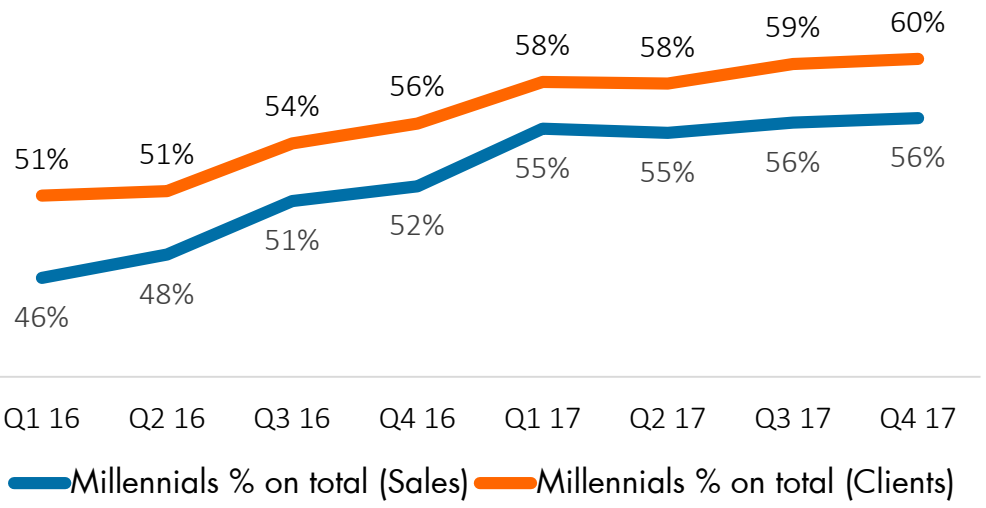
# In detail: Gucci's Millennial customer base

A healthy customer base to propel long-term, sustainable growth

3. COMMUNICATION
*Consumer engagement*

## THE MILLENNIAL FACTOR

- Gucci's ability to connect with and engage with Millennial audiences is a competitive differentiator in the luxury industry




## DISPELLING MYTHS: MILLENNIAL BEHAVIORS

**FROM ONE-TIMERS TO VIGS**

*Full representation of client typologies from "Explorers" to "VIGs"*

**NOT JUST ENTRY PRICE**

*Gap between average ticket for Millennials and Non-Millennials continues to narrow*

**LOYALTY**

*Retention rates for Millennials and Non-Millennials are very close*

Source: Full Year 2017, Directly Operated Stores, Full-Price

# Five action plans to reach full potential

## DISTRIBUTION

Upgrade consumer experience and increase sales density across channels

## PRODUCT

Unleash business potential across categories

## COMMUNICATION

Convert buzz momentum into long-term brand desire and engagement

## S&OP

Deliver the right product in the right place at the right time, reducing coverage and inventory level

## PEOPLE AND CULTURE

Attract the best talent, build an agile and responsible organization

# Sales & operations planning

Fully redesigned buying and supply chain flows, from a push to a pull model

4.
S&OP

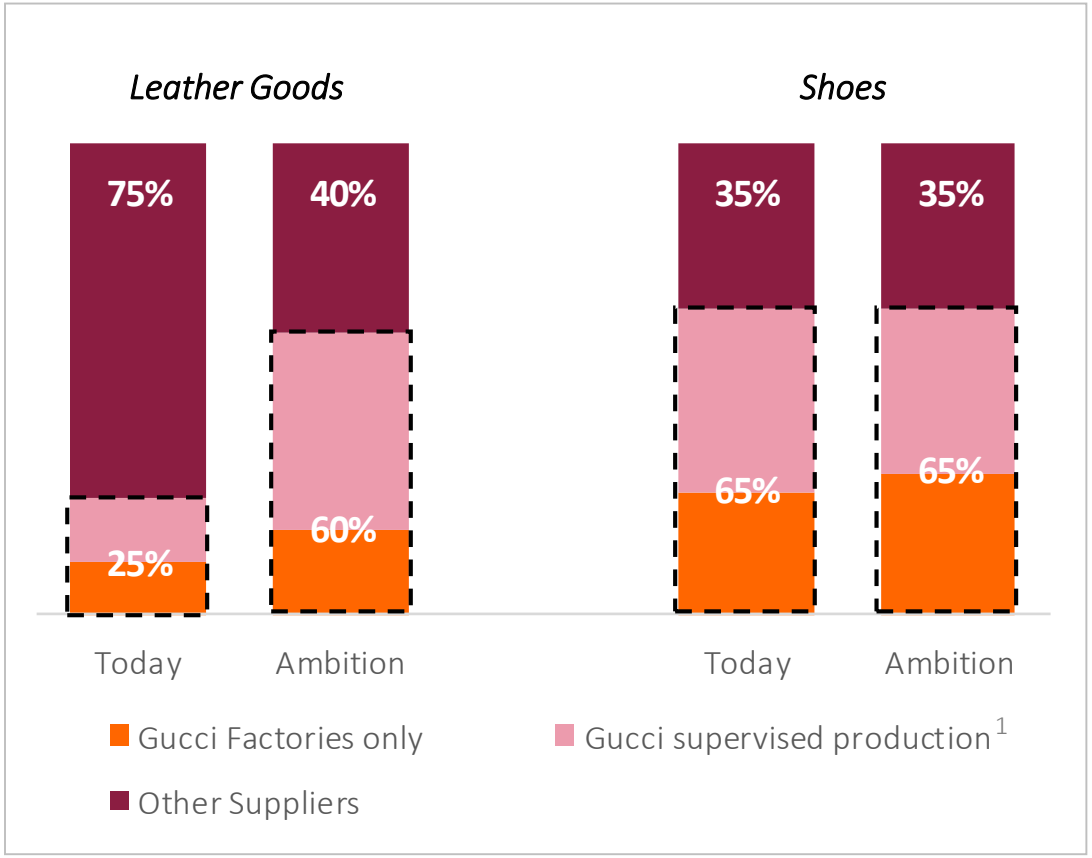
| HOW | WHAT | IMPACT |
| --- | --- | --- |
| • Created and trained a new supply chain team at WW and regional level<br>• Designed and rolled out a full suite of algorithm-based tools to support decision making<br>• Continuous pilots and experiments to improve current tools with AI | • Carryover production volumes 100% determined centrally through rolling sales and inventory forecast<br>• Carryover and newness replenished "just in time" based on short-term sales forecasts<br>• Inventory mutualized at WW and regional level | Increased sales<br>Optimized inventory and working capital<br>Focused buyers' time on the quality and granularity of newness buying |

# Increased production capacity to meet higher demand



- **Adaptation of the production capacity** to address volume and product complexity increase
- **Internal capacity expansion**: built a proprietary industrial platform able to manufacture internally all key product typologies/functions
- **Vertical integration**:
  - Invested in +40,000sqm manufacturing space (excl. ArtLab)
  - 10+ M&A closed; 10+ in pipeline including leather & metal hardware industrial platforms
  - Doubled HC at the end of 2017 vs. 2016
- **Technology improvement**:
  - Patented new processes & technologies
  - Investments in R&D and experimentation

## GUCCI LG & SH INDUSTRIAL PLATFORM




Note: 1) Supervised production indicates that only the assembly phase is external

# Five action plans to reach full potential

## DISTRIBUTION

Upgrade consumer experience and increase sales density across channels

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## COMMUNICATION

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Deliver the right product in the right place at the right time, reducing coverage and inventory level

## PEOPLE AND CULTURE

**Attract the best talent, build an agile and responsible organization**

# People power: building an agile organization

Selected key initiatives





**CONNECT & ATTRACT**

Brand and employer communication alignment, **social media** used as platforms to create **on-demand communities**, talents engaged in innovative ways such as **scouting blitz** and **talent parties**

**HIRE & ONBOARD**

Progressive introduction of profiling; streamlined selection process now mainly based on collective **assessment centers**; massive investments in onboarding programs such as **Gucci U** in USA

**SUPPORT PERFORMANCE**

Replaced annual appraisal with more frequent **performance check-in and conversations**, supported by technology allowing a **crowd-based feedback** collection

**AGILE ORGANIZATION**

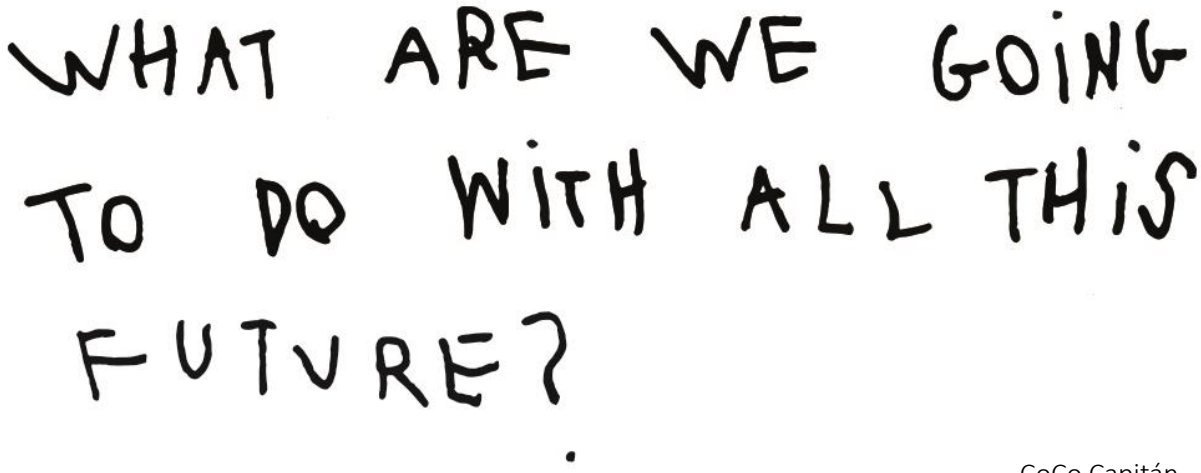
Progressive recognition of new flexible organizational forms such as **alliances, streams or task forces**, which co-exist with traditional functions, the primary homes of employees

# Agenda

ENVISIONING GUCCI

JOURNEY OF DESIRE PROGRESS REPORT

**WHAT ARE WE GOING TO DO WITH ALL THIS FUTURE?**




CoCo Capitán

# Challenging the status quo: organizational change

To further simplify structures, processes and find additional synergies between functions

MERCHANDISING & GLOBAL MARKETS



BRAND & CUSTOMER ENGAGEMENT



DIGITAL BUSINESS & INNOVATION



INDIRECT CHANNEL, OUTLET & TRAVEL RETAIL



# Gucci 25.0: an agile organization to maintain and sustain the momentum

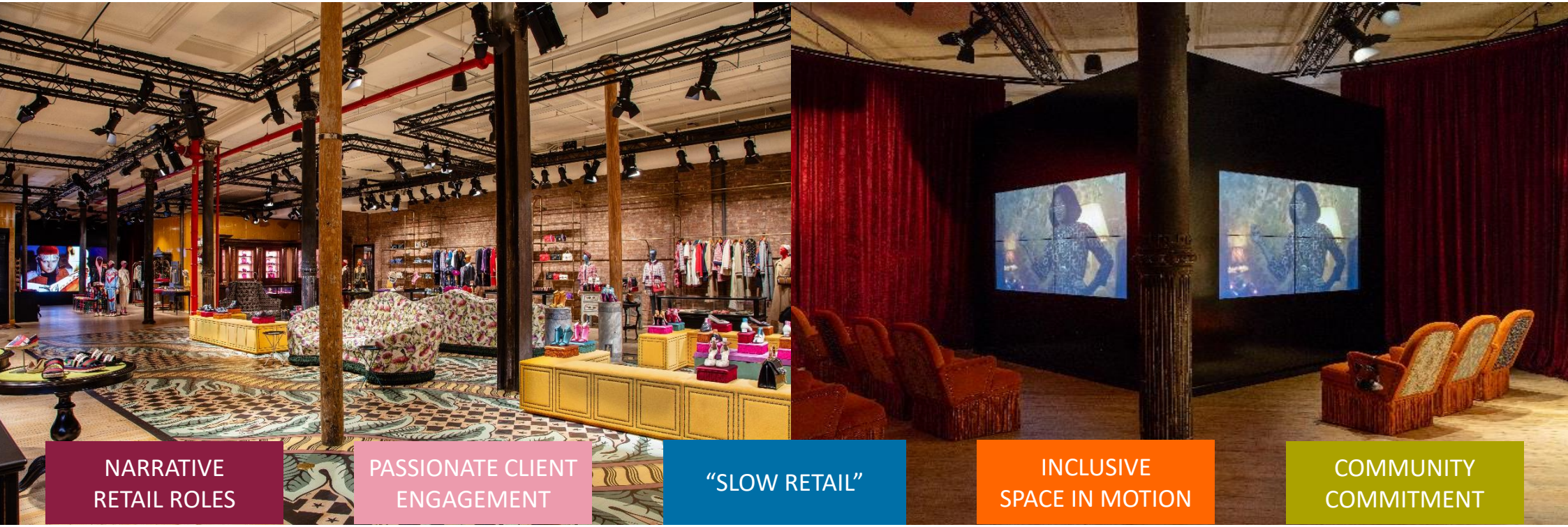



BUILDING ON THE JOURNEY OF DESIRE BUSINESS STRATEGY TO MAKE GUCCI A SUSTAINABLE ORGANIZATION THAT FULLY CAPITALIZES ON THE DIGITAL REVOLUTION AND GENERATIONAL SHIFT

# The Future: experimental retail experiences

Gucci Wooster – a center for creativity and culture

*"Some say retail is dead. Gucci proves otherwise"*
Cultured Magazine




*"Gucci Wooster Takes Over New York's SoHo District"*
Hypebeast

# The Future: extraordinary brand experience

Gucci Garden – a living, collaborative and creative space

*"We decided to make the space a laboratory where you have all the elements with which to creatively experiment"*
*Maria Luisa Frisa, curator and critic of the Gucci Garden Galleria*









- The Gucci Garden is dedicated to an exploration of the eclectic creativity that lies at the very heart of the House
- The Gucci Garden includes a retail space (the Boutique), some exhibition spaces (the Gucci Galleria) and the Gucci Osteria by Massimo Bottura

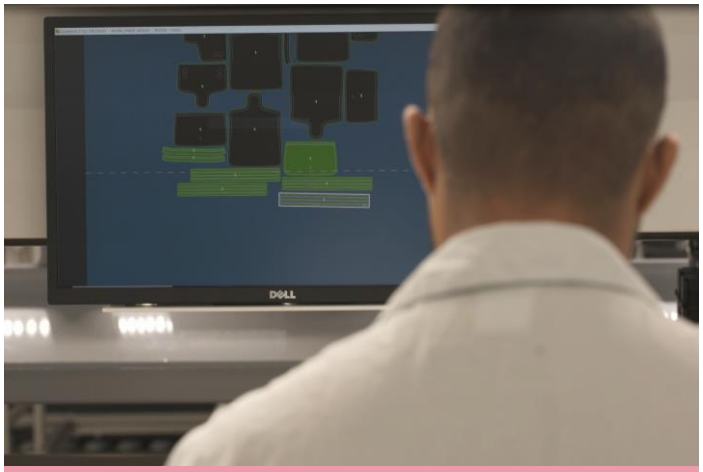
# The Future: industrial craftsmanship and innovation

ArtLab – the company's futuristic center of industrial craftsmanship and experimentation laboratory for leather goods and shoes




## PROCESSES IMPROVEMENT

- Exploit **synergies** and share best practices
- **Preserve know-how**: internal Technical Academy to transfer passion & skills through generations
- **Reorganization of the supply chain**
- Simplify processes thanks to standardization: Gucci quality system, strategic sourcing based on group technologies, lean/agile activities on manufacturing floors, etc.



## SIGNIFICANT UPGRADE ON IT INFRASTRUCTURE

- Full **integration** with supply chain
- Cloud-based data centered architecture

**-50% lead time[1]**



## CULTURE OF CHALLENGING THE INDUSTRY STATUS QUO

- Digital transformation
- Sustainable materials & industrial processes
- Full in-house prototyping & sampling activity for leather goods
- R&D laboratories for new materials, metal hardware and packaging
- Innovation center to test new technologies (eg. 3D, vitro leather), new industrial processes and new way of working

Note: 1) Production Lead time: from order placement to central warehouse delivery

# The Future: differentiated corporate culture

A distinctive and authentic corporate culture to attract and retain talents



## EMPOWERING
SMART WORKING

Gucci will soon be experimenting some **innovative work practices**, focusing on more **collaborative** and **result-driven approaches**, based on trust and **empowerment**




## RESPONSIBLE
VOLUNTEERING

**Empowerment of employees** to have an **impact in their local communities,** through a new dedicated project



## PROGRESSIVE
VOICES OF INSPIRATION

Gucci is also engaging a number of **inspiring external voices**, whose personal journeys of discovery will spark us. They will be traveling to our offices and stores in every region to **engage and motivate us through their vision and values**

# The Future: innovation in sustainability

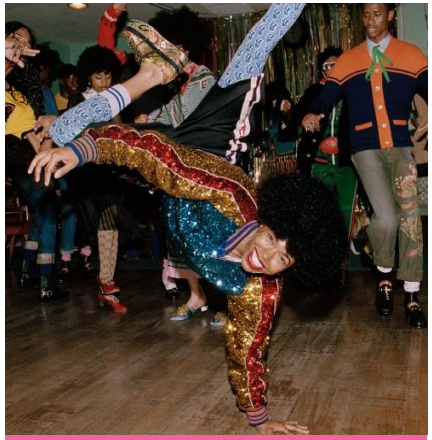
Gucci Equilibrium – a balance of the aesthetic of what we do, with the ethics in which we believe




EQUILIBRIUM



ENVIRONMENT



PEOPLE



NEW MODELS

Gucci is committed to a culture of purpose, putting positive environmental and social impact at the very heart of the brand.

As a company, we are resolved to manage the planet's finite resources, and build a culture in which our people respect these, and while doing so, are also free to innovate, create, and grow.

Responsible business for all generations of today and tomorrow.

We call this 'Gucci Equilibrium'



# Financial Outlook

# The new ambition

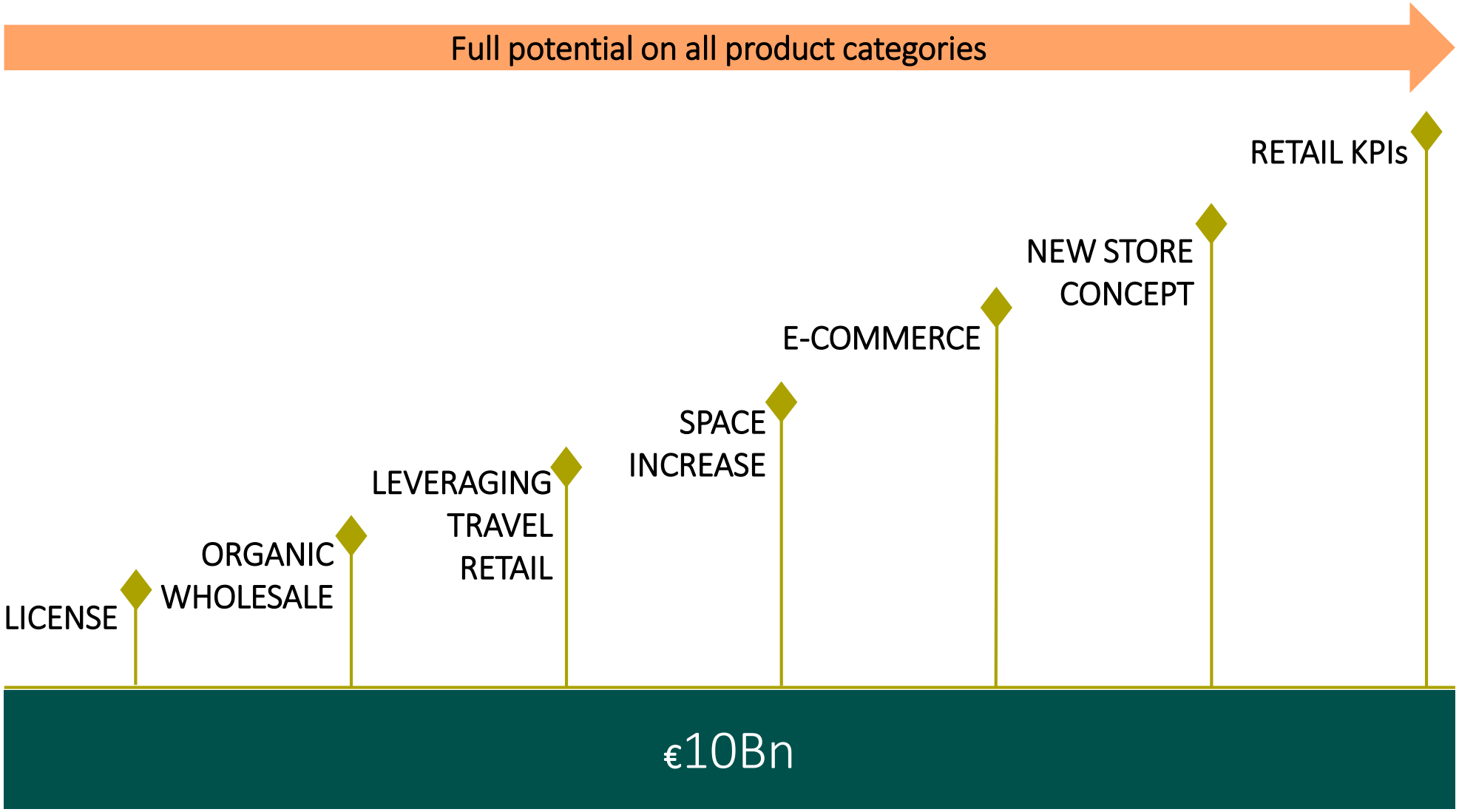
REVENUE

€10Bn

EBIT MARGIN

40%+

# The road to €10Bn

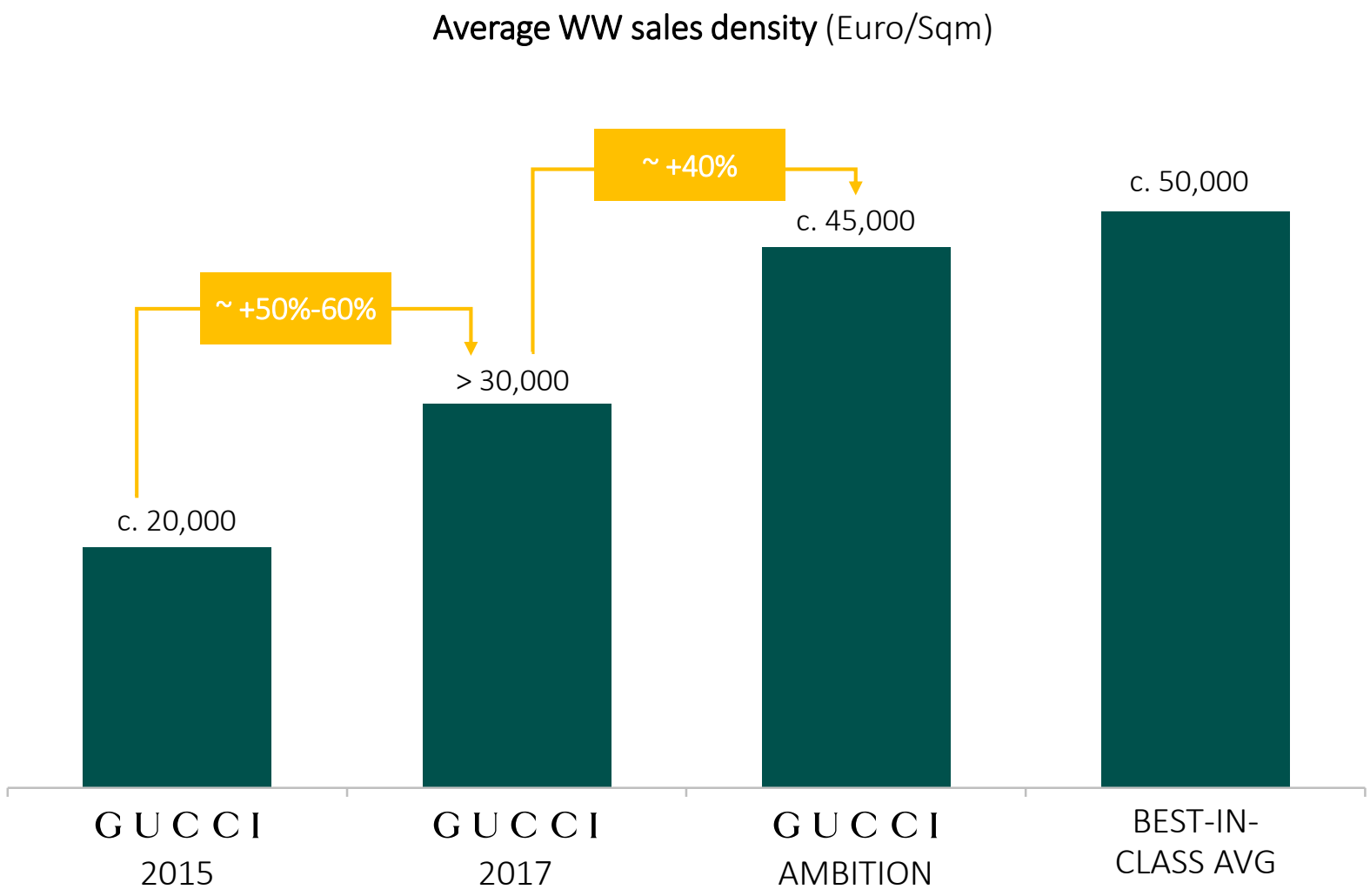


# Top line trajectory

| Channels | Main Drivers | Weight on Sales % |
|---|---|---|
| RETAIL EXCL. E-COMMERCE | • Focus on organic growth by **increasing sales density** on existing network and **improving retail KPIs**<br>• Uplift from full **roll-out of new concept**<br>• **Space increase of approx. 3% p.a** mainly driven **by store enlargement and selective buybacks** | ~ 80% |
| E-COMMERCE | • **Tripling revenue**<br>• **Organic growth** as main driver through higher penetration and enhanced customer experience<br>• **Roll-out of Gucci.com** in new markets<br>• **Conversion of key e-tailers** (virtual concessions) | ~ 10% |
| WHOLESALE | • **Organic growth** by increasing productivity on existing doors<br>• **Tight cooperation with e-tailers**<br>• Stable franchising network<br>• Conversion of doors, mainly travel retail and e-tailers | ~ 9% |
| LICENSE | • **Doubling revenue**<br>• **Leveraging Kering Eyewear synergies**<br>• Full potential on **fragrances with new key introductions and development of the beauty category** | ~ 1% |

# Continuous growth in sales density across all regions

Sales density growth driven by enhancement in KPIs

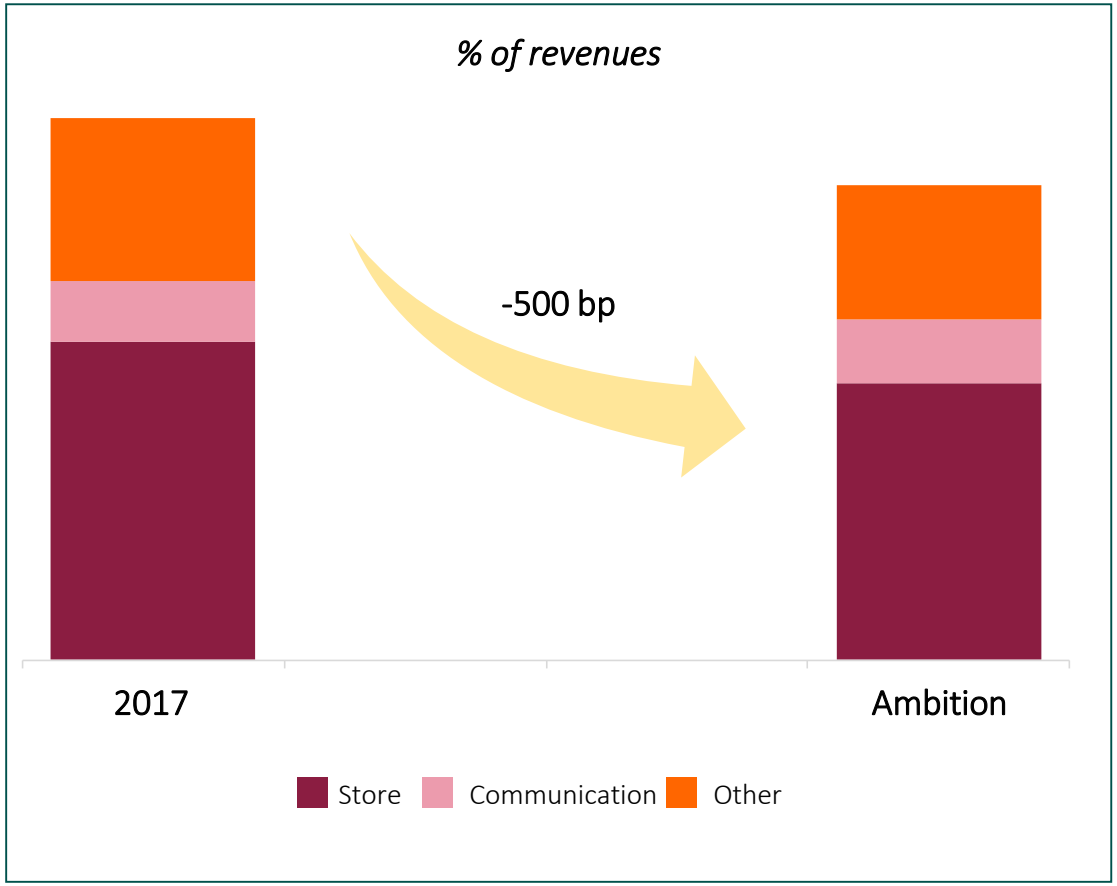



Source: estimates from publicly available information

Note: Sales density estimate at Q1 2018 c. 34K/Sqm – based on last twelve months performance

# Ongoing efficiency program yielding EBIT expansion

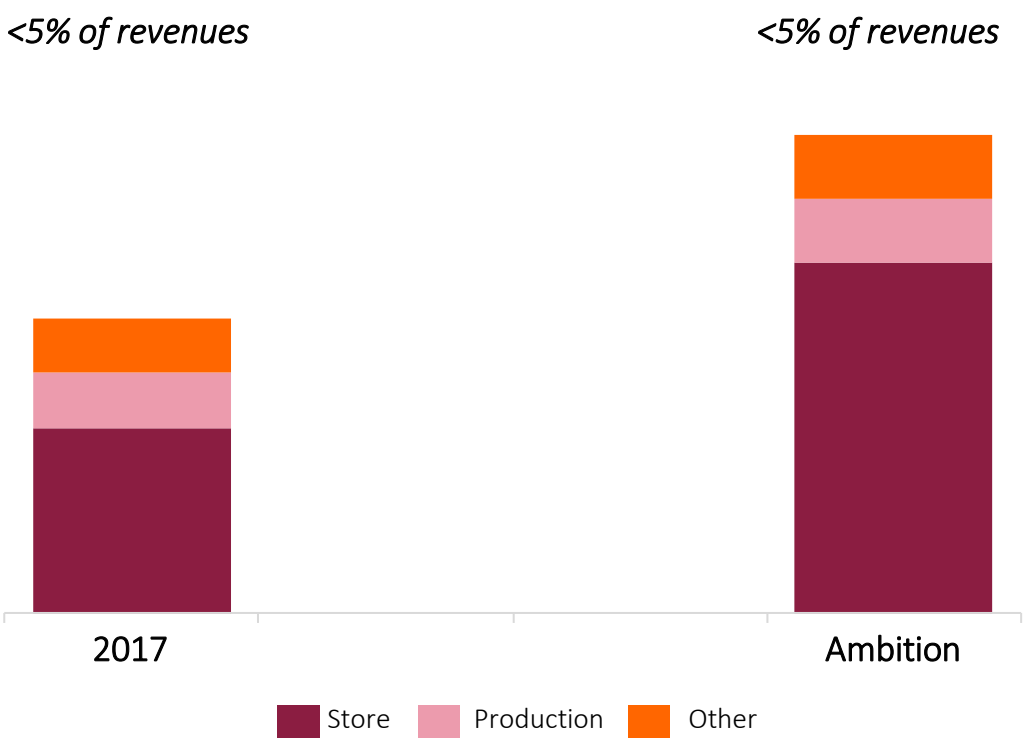
## OPEX TODAY VS. AMBITION




- **Reduce store expenses weight on total costs**, notwithstanding a significant investment in store personnel to support traffic and a client-centric approach
- **Further rent negotiation and optimization** leveraging Gucci success in various locations
- **Significant investment planned in communication and digital** (almost double in mid-term)
- **Other investments** to sustain top line increase **in different areas** and structures: retail, clienteling, customer service
- Leverage on **competitive biddings and negotiations** for all relevant expense lines

# Capex stable as percentage of sales while fully rolling out the new store concept

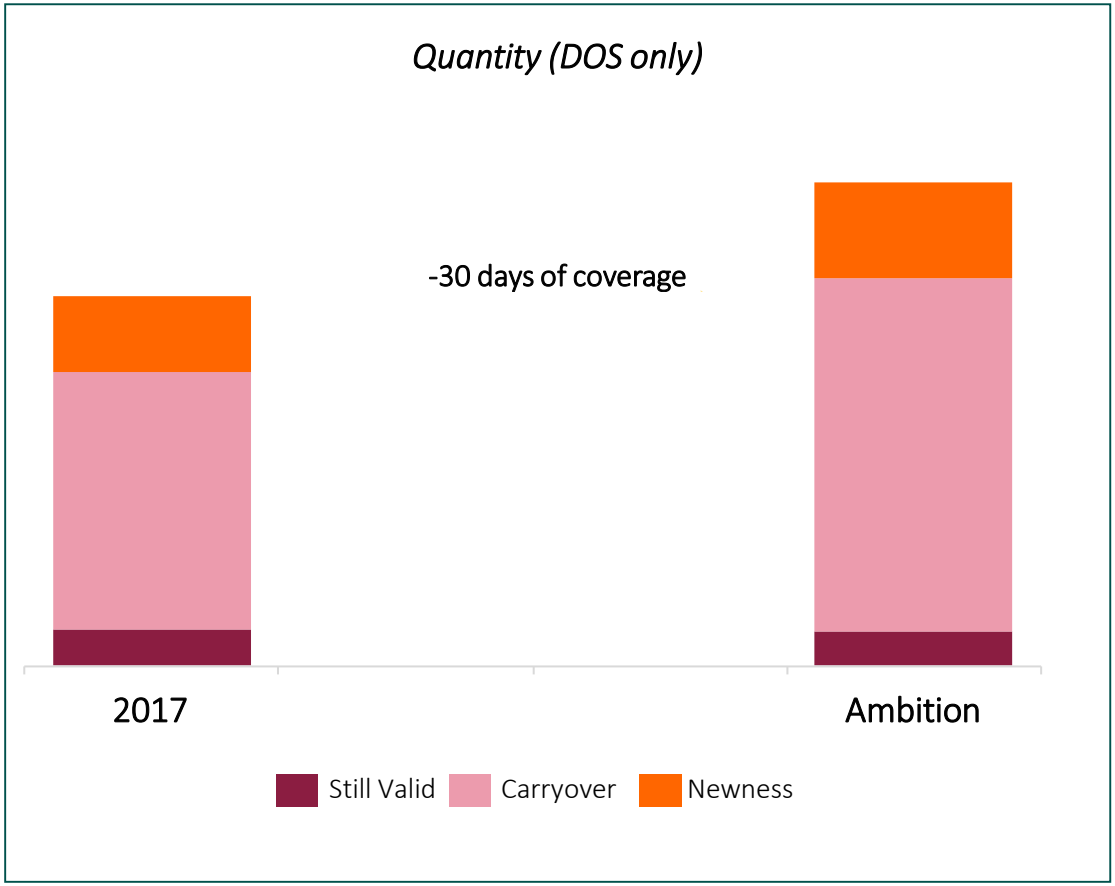
## CAPEX TODAY VS. AMBITION




- **Store-related** capex represents **over 70%**
- **Acceleration starting from 2018 on refurbishment for new concept** with the objective to fully renovate the network
- **Substantial investments** done (e.g. ArtLab) and to come **in industrial projects** to increase production efficiency and response to market
- Important **investments in IT** to support business growth (both supply chain and retail)

# Efficient supply chain with active inventory management to increase cash generation

## RETAIL INVENTORY TODAY VS. AMBITION




- **Very healthy inventory:** coverage already reduced by 30%; further reduction to improve **working capital and cash generation**
- **Well-managed buying** and **increased ability to plan** with dedicated and **centralized structure** (70% of total orders)
- **Supply chain** upgraded **from push to pull**
- **Further investments** to sustain supply chain activity and increase in volumes

# The building blocks for long-term sustainable growth

The Journey continues: long-term growth and profitability drivers

| | KEY DRIVERS | 2019 & BEYOND[1] | AMBITION[1] |
|---|---|---|---|
| REVENUE | • Sales density improvement<br>• Full roll-out of new concept<br>• Space increase of c. 3% p.a.<br>• Wholesale organic growth<br>• Tripling e-commerce, doubling license | 2x<br>Market growth | €10Bn |
| EBIT | • Optimization of gross margin (channel mix, production internalization and efficiency)<br>• Operating leverage | Gradual margin expansion | 40%+ |
| CAPEX | • Completion of store network upgrade<br>• Sustain industrial platform to meet higher demand<br>• IT Transformation | Below 5% of revenue | |

Note: 1. Excluding Fx effect

I'VE COME TO
TELL YOU
THE TRUTH,
MY TRUTH.
'CAUSE THERE'S
NO OTHER BUT
ONE'S OWN TRUTH.
& THAT'S THE
TRUTH.

CoCo Capitán

GUCCI



# Thank you

KERING