

FURLA

Measuring and Driving Performance in the Fashion Industry

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Business Controller



FURLA

So many informations...

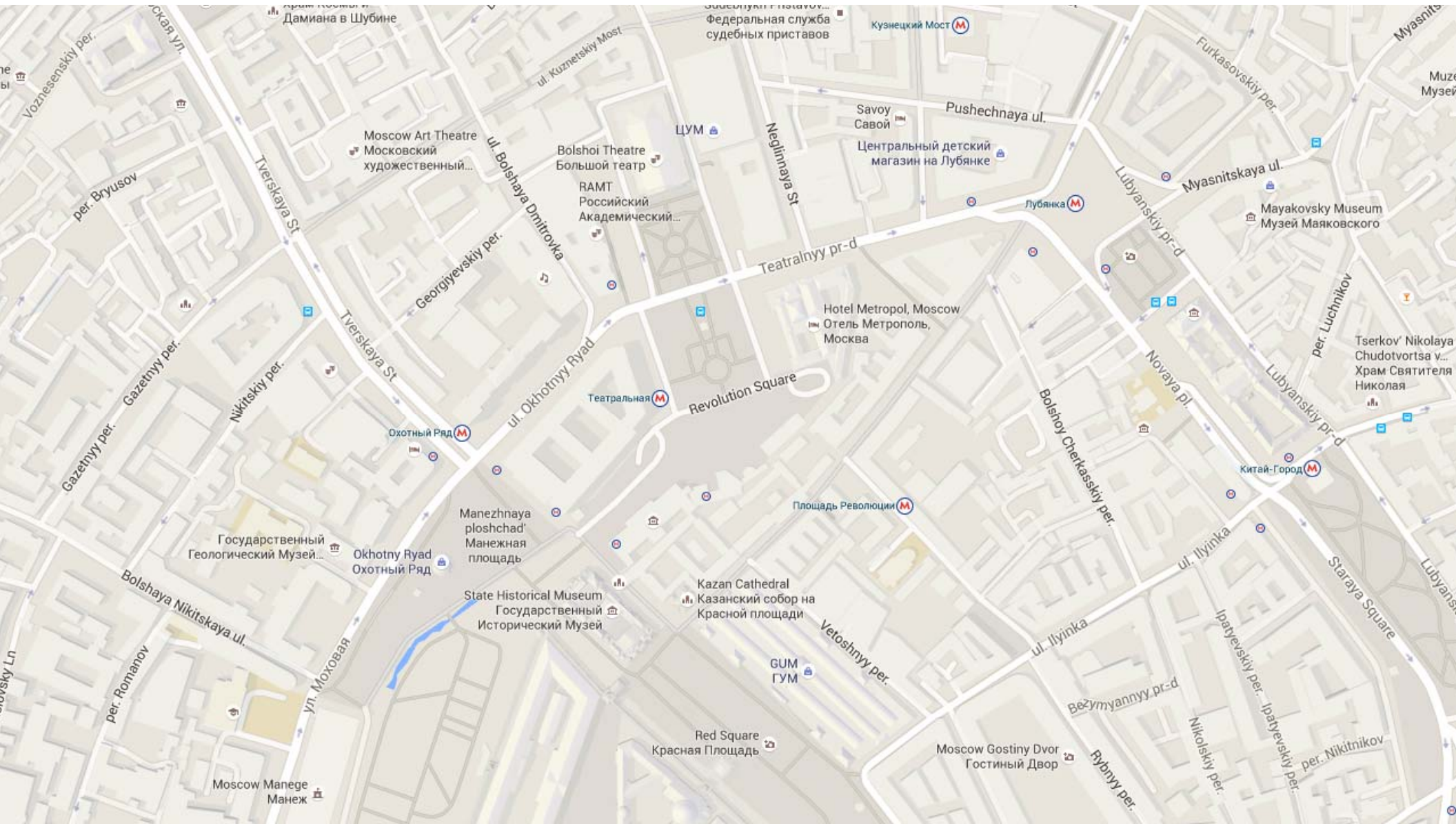
Gross Margin
Maintenance
Working Capital
EBIT
Fixed rent
Opening Year
Variable rent
Net sales
External Services
Selling Personnel
Retail format
Depreciation & Amortization
BEP
Latest refur. / exp. / rel.
Rent expiration
Product mix
CAPEX
Non selling sqf



Adding complexity...

- Different marginality between countries;
- Different product mix between stores;
- Necessity to be in some city, even if not profitable;
- Days and months with picks in sales and entrances;
- Tourist flows;
- Different profitability between stores;
- Possible cannibalization between stores;
- ...





How to manage this complexity...

We need a strong database with all these infos and a supportive reporting that led us take the decision in a short time. We have few very important dimensions:

1. Store network;
2. Sales
3. Store database;
4. Store P&L.



1. Store network

- It's important to keep the traditional distinction in terms of area: APAC (ex Japan); Japan; Europe; America;
- You may need to focus on an important market or growth;
- You have to keep the distinction between: Full Price; Outlet; Franchisee; Corner and E-commerce
- It's an important instrument also to share infos with different office: store layout; P&A; etc.



1. Store network

STORE NETWORK				
Number of Stores	Current Network	Openings	Closures	Current Network
	ACT Dec 14	Done at the end of October	Done at the end of October	ACT October 2015
Europe	60	4	1	63
America	45	3	2	46
Japan	53	0	1	52
Rest of Asia	52	6	1	57
Total	210	13	5	218

- It's really key to make a clusterization of the stores to prepare more supportive reporting
- It's also important to have an idea of the store network of competitors, to understand their cover in terms of cities and countries, all the infos are available through their sites



2. Sales

It's the key variable, so it's really important to have infos quickly, realiably and in a format useful to take quick decision

	NET SALES €															
	LAST WEEK								YEAR-TO-WEEK							
	TY	BDG	LY	Var BDG	% BDG	Var LY	% LY	% Comp	TY	BDG	LY	Var BDG	% BDG	Var LY	% LY	% Comp
TT	€ 1.774.924	€ 1.289.942	€ 1.140.480	+ € 484.982	+38%	+ € 634.444	+56%	+32,3%	€ 61.266.449	€ 48.127.951	€ 40.738.839	+ € 13.138.498	+27%	+ € 20.527.611	+50%	+25,3%
FULL PRICE	€ 849.492	€ 602.292	€ 532.668	+ € 247.200	+41%	+ € 316.824	+59%	+20,1%	€ 30.953.509	€ 24.552.135	€ 22.557.491	+ € 6.401.374	+26%	+ € 8.396.018	+37%	+17,1%
OUTLET	€ 925.431	€ 687.650	€ 607.812	+ € 237.781	+35%	+ € 317.620	+52%	+40,7%	€ 30.312.940	€ 23.575.816	€ 18.181.348	+ € 6.737.124	+29%	+ € 12.131.593	+67%	+25,7%

In addition to that we always need the full details under these figures

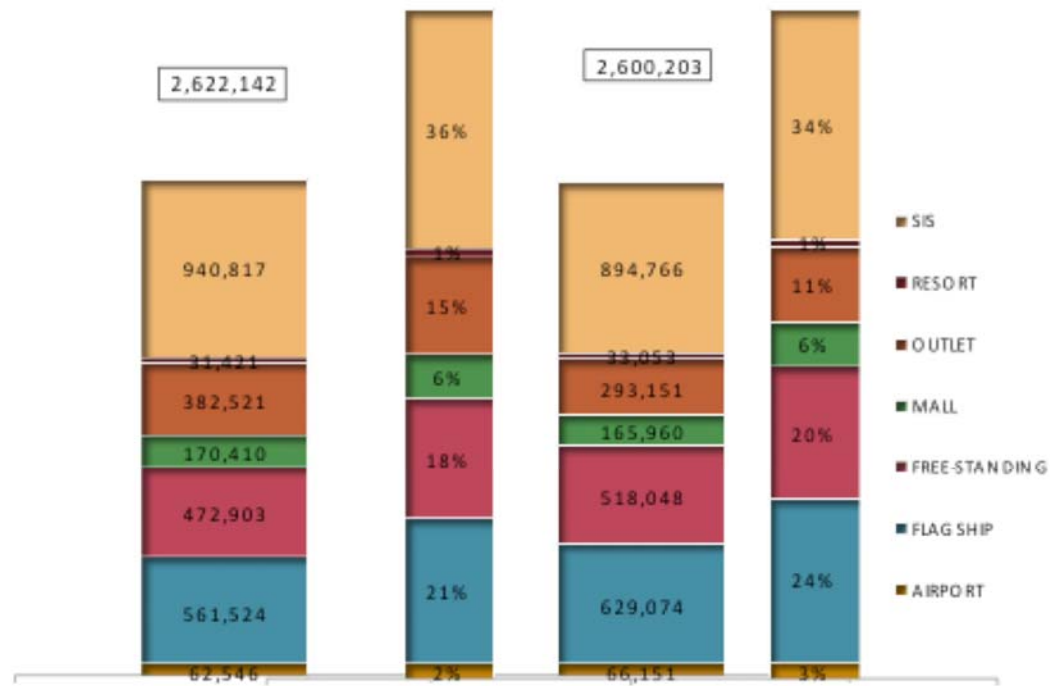
Store	Net Sales €	BDG €	Var BDG €	% Var BDG	Net Sales € LY	Var € LY	% Var LY	Sales Units	Sales Units LY	Var Units LCY
MONTECATINI T	89.590	81.923	+7.667	+9,4%	72.855	+16.735	+23,0%	535	530	+5

Store	AUR	AUR LY	# Tickets	# Tickets LY	UPT	UPT LY	EPT	EPT LY
MONTECATINI T	367	257	343	334	1,6	1,6	461,2	350,1



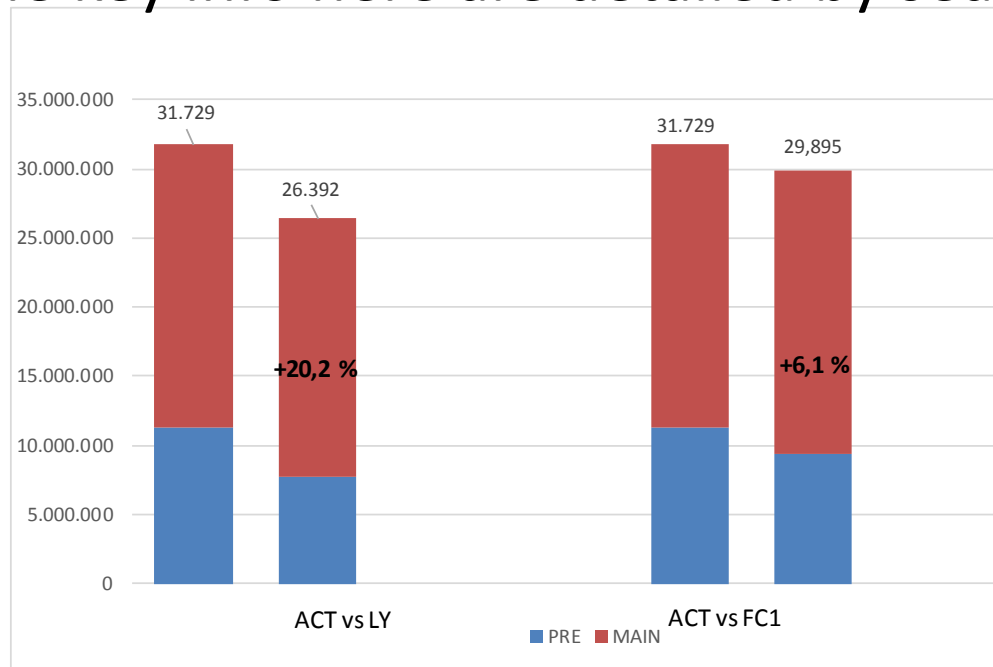
2. Sales

It's really useful to analyse also sales figures in term of the defined clusterization

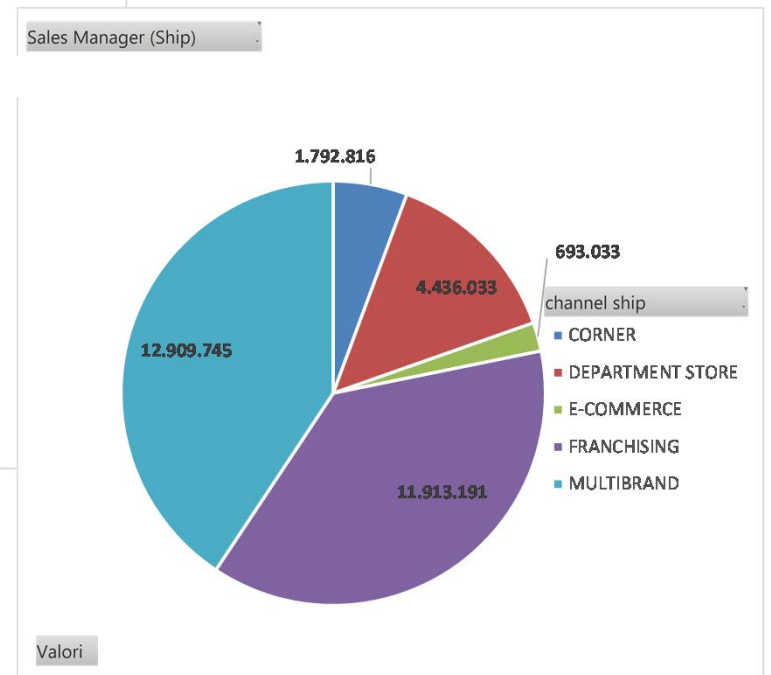


2. Sales in WHS business

The key info here are detailed by seasons and channels



	ACT	LY	FC1	ACT vs LY	ACT vs FC1
PRE	11.235.733	7.725.455	9.334.680	45,4%	20,4%
MAIN	20.493.350	18.666.822	20.560.060	9,8%	-0,3%
TOT	31.729.083	26.392.277	29.894.740	20,2%	6,1%



3. Store database

- It's really key to follow stores not only from a P&L side, but to have also a full view on its main aspects;
- Infos to be collected are a lot:
 - Currency;
 - Opening year;
 - Selling sqm;
 - Non selling sqm;
 - Selling personnel;
 - Non selling personnel;
 - Layout;



3. Store database

- Rent expiration;
- Latest refurbishment / expansion / renovation;
- Store plan;
- Capex, Key Money, Working Capital and their evolution through years;
- Fixed Assets;
- D&A;
- ...
- With all these infos we can have a complete dashboard for strategical analysis



3. Store database

Example of a DB:

Channel	Commercial Area (Ship)	Region	Country	Currency	Store	Store Desc	Sq m	First Sale Date	Net Sales CW LC	Var CW LY LfL	Net Sales CW-1 LC	Var CW-1 LY LfL	Net Sales CM LC	Var CM LY LfL	Net Sales YtW LC	Var YtW LfL	R52 Budget LC	R52 Actual LC
FP	ITA	ITALY	IT	EUR	IT12 4	ITALY - MONTECATINI T.	117	19/12/2013	64	40.6%	83	59.3%	365	44.8%	3061	63.8%	3247	4008

City	Expiration	Landlord	Loc type	SQMT TOT	Last remodel	Next Remodel	Design	Space descr	Dimension	Entrance	Cash register	Level	Address	ZipCd
MONTECATINI T.	31/01/2025		Luxury/Fashion street		2013/Dec		HMKM	Corner		Free-standing	02	Two floors	Via Rosselli 42	51016

Shoes	Men	Lifestyle	Base rent	Variable Rent	Extras	Extras (Perc)	Furla Notice to terminate (Months)	Lenght of the contract (Years)	Effective	Radius	Others (description)	FTE LM	FTE R52	TOTAL COST R52 (LC)
			361.05				12	12	2013		1 year notice due from 5th year	11.3	10.8	306.32

Store mgr (name)	GM(Perc) YTD	GM YTD LY(Perc)	NBV Tang	NBV Intang	Deferred rent	Sales density R52 (LC)	Sale FTE R52 (LC)	SQMT per FTE	AVG FTE COST (LC)	AVG FTE COS vs R52 (LC)	Traffic	Touristic	Type of customer	Number of windows
	44.7%	45.2%				34.26	369.50	10.8	28.24	7.6%				



3. Store database

- Having these infos we can prepare specific report to help to take strategic decision as an example:
 - DOS average selling surface by Region;
 - DOS per Region by Architectural Concept;
 - DOS average age per Region;
 - Net Fixed Assets invested by Region.
- In some case the usual split by region won't be enough, so an additional split will be required, by tier in China, by prefectures, etc.



3. Store database

Two key reports to evaluate the opportunity to refresh the images of stores:

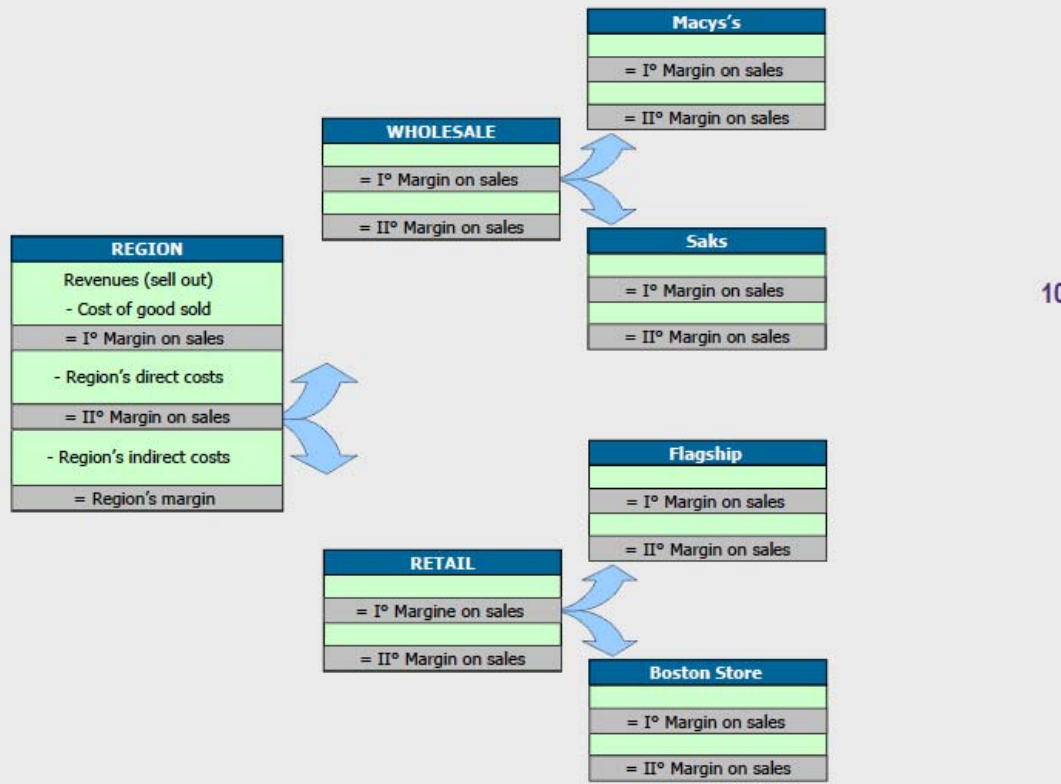
	2006		2007		2008	
	Stores	Avg.age	Stores	Avg.age	Stores	Avg.age
Europe	20	6,5	22	6,2	23	6
America	12	5	14	4,7	15	4,6
Japan	13	7,5	13	7,8	12	7,6
Hong Kong	3	4	3	3,8	4	3,4
China	4	3	6	2,6	10	2,1
Korea	5	2,5	5	3	6	3,3
Australia	2	3,2	2	4,2	2	5,2
Macau					1	0
APAC	14	3,1	16	3,2	23	2,8
TOTAL	59	5,6	65	5,4	73	5,0

	2006	2007	2008
	Net FA	Net FA	Net FA
Europe	27.840	29.277	35.365
America	19.243	23.386	28.784
Japan	4.541	5.214	4.427
Hong Kong	1.810	2.238	3.740
China	1.614	5.460	9.801
Korea	435	321	215
Australia	314	286	225
Macau			331
APAC	4.173	8.305	14.313
TOTAL	55.798	66.181	82.888



4. Store P&L

From data to margins



- A P&L by store is the key financial instrument to evaluate the health of a store

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4. Store P&L

- The necessary focus in terms of details is really different if we are reviewing a closing as a Financial Controller or we are preparing top management reporting:
 - a) In the first case we need details by each line of P&L and to have the possibility to drill the figures to a detail by invoice;
 - b) In the second case we need less details, since the main objective is to understand if the location is profitable.



4. Store P&L

a)

STORE P&L	Local currency				Euro			
	Actual2015		Actual2014		Actual2015		Actual2014	
NET SALES	31.545		31.916		3.321		3.122	
TOTAL STORE SALES	31.545		31.916		3.321		3.122	
TOTAL FIRST GROSS MARGIN	15.292	48,5%	14.388	45,1%	1.610	48,5%	1.407	45,1%
Shortage	5	0,0%	6	0,0%	1	0,0%	1	0,0%
Markdown	3.054	9,7%	3.133	9,8%	321	9,7%	306	9,8%
Damage goods	17	0,1%	32	0,1%	2	0,1%	3	0,1%
MAINTAINED MARGIN	12.216	38,7%	11.217	35,1%	1.286	38,7%	1.097	35,1%
Selling Personnel	1.496	4,7%	743	2,3%	157	4,7%	73	2,3%
Non Selling Personnel	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Temporary staff	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Sales Commissions	368	1,2%	566	1,8%	39	1,2%	55	1,8%
PERSONNEL	1.864	5,9%	1.309	4,1%	196	5,9%	128	4,1%
Fixed Rent	450	1,4%	450	1,4%	47	1,4%	44	1,4%
Variable Rent	3.690	11,7%	3.645	11,4%	388	11,7%	357	11,4%
RENT	4.140	13,1%	4.095	12,8%	436	13,1%	401	12,8%
DEPRECIATION	1.189	3,8%	1.284	4,0%	125	3,8%	126	4,0%
AMORTIZATION	0	0,0%	0	0,0%	0	0,0%	0	0,0%
CONSULTING	0	0,0%	0	0,0%	0	0,0%	0	0,0%
LEGAL EXPENSES	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Main Windows	350	1,1%	200	0,6%	37	1,1%	20	0,6%
Interior Display	0	0,0%	0	0,0%	0	0,0%	0	0,0%
V.D. Materials	0	0,0%	0	0,0%	0	0,0%	0	0,0%
VISUAL DISPLAY	350	1,1%	200	0,6%	37	1,1%	20	0,6%
STORE EVENTS	0	0,0%	0	0,0%	0	0,0%	0	0,0%
MARKETING TOOLS	0	0,0%	0	0,0%	0	0,0%	0	0,0%

STORE P&L

STORE P&L	Local currency				Euro			
	Actual2015		Actual2014		Actual2015		Actual2014	
Utilities	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Uniforms	154	0,5%	199	0,6%	16	0,5%	19	0,6%
Training	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Travels	11	0,0%	0	0,0%	1	0,0%	0	0,0%
Gifts	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Telephone & postage	62	0,2%	38	0,1%	7	0,2%	4	0,1%
Maintenance	119	0,4%	117	0,4%	13	0,4%	11	0,4%
Equipment Rental	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Stationery	46	0,1%	31	0,1%	5	0,1%	3	0,1%
Cleaning	26	0,1%	24	0,1%	3	0,1%	2	0,1%
Moving	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Security	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Credit cards charges	325	1,0%	329	1,0%	34	1,0%	32	1,0%
Deliveries Exp. / (Inc.)	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Shopping bags	61	0,2%	57	0,2%	6	0,2%	6	0,2%
Materials	0	0,0%	0	0,0%	0	0,0%	0	0,0%
External services	25	0,1%	21	0,1%	3	0,1%	2	0,1%
Taxes	69	0,2%	28	0,1%	7	0,2%	3	0,1%
POS & discr. discounts	101	0,3%	154	0,5%	11	0,3%	15	0,5%
Stores rec. bad debts	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Sales commission	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Repairs	0	0,0%	0	0,0%	0	0,0%	0	0,0%
Miscellaneous	77	0,2%	43	0,1%	8	0,2%	4	0,1%
GENERAL EXPENSES	1.076	3,4%	1.041	3,3%	113	3,4%	102	3,3%
IC RECHARGES EXPENSES	0	0,0%	0	0,0%	0	0,0%	0	0,0%
IC RECHARGES INCOME	0	0,0%	0	0,0%	0	0,0%	0	0,0%
TOTAL OPERATING EXPENSES	8.619	27,3%	7.929	24,8%	907	27,3%	776	24,8%
CONTRIBUTION MARGIN	3.597	11,4%	3.288	10,3%	379	11,4%	322	10,3%
Total personnel (FTE)	22		22		22		22	
Selling personnel (FTE)	21		21		21		21	
Total square feet	3.838		3.838		3.838		3.838	
Selling square feet	2.825		2.825		2.825		2.825	
Sales per square feet	11.166		11.298		1.175		1.105	
Sales per person	1.502		1.520		158		149	

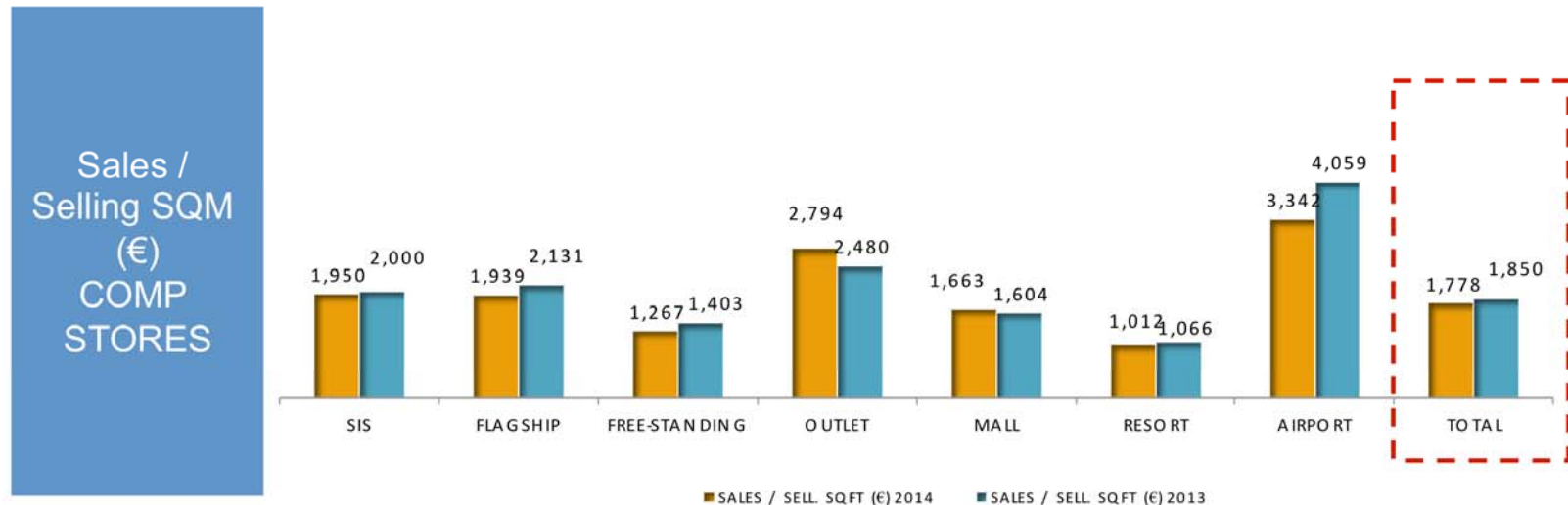
4. Store P&L

b)

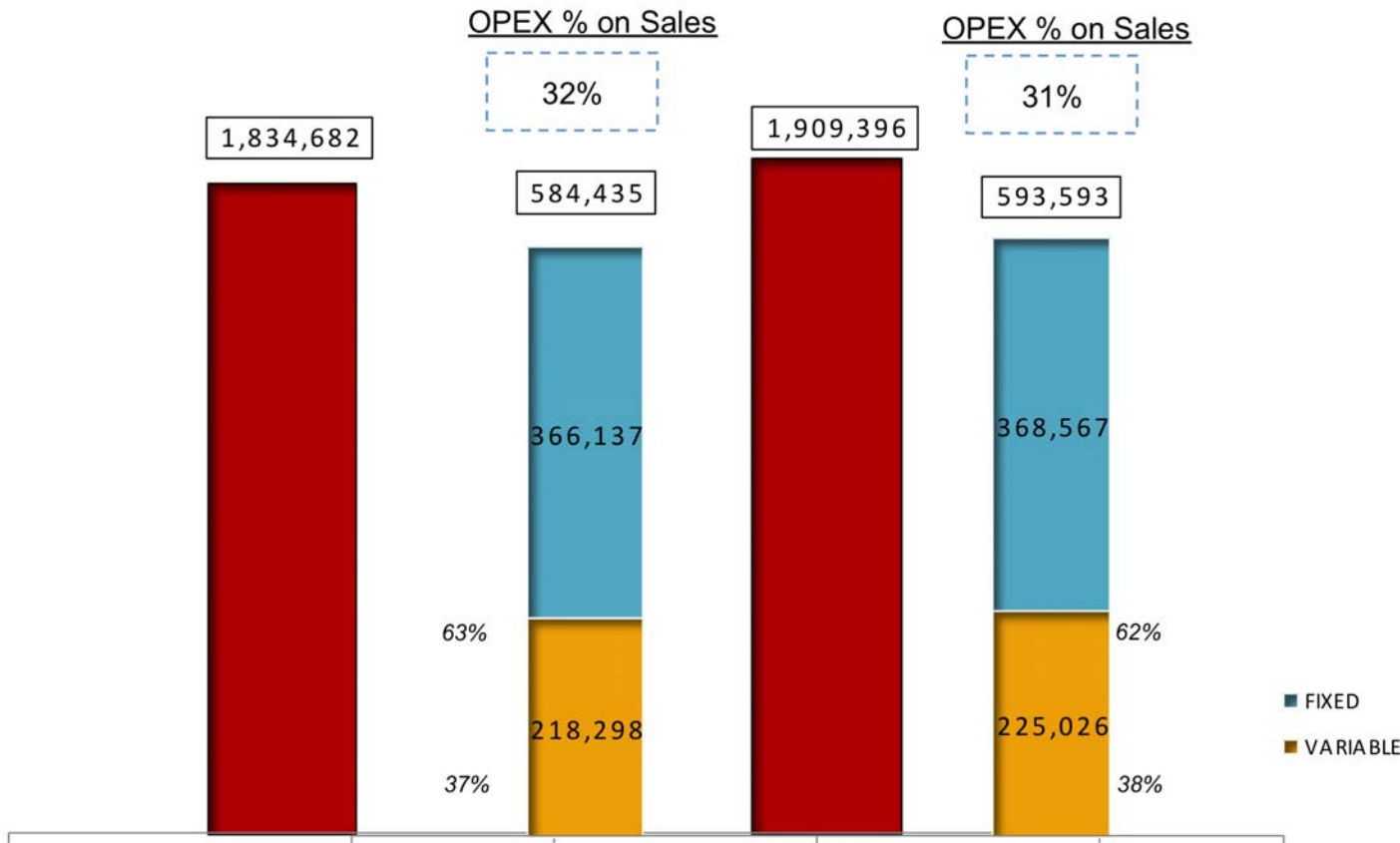
	ACT YTD Septembe		BDG YTD Septembe		Δ vs Bdg		LY YTD Septembe		Δ vs Bdg		TOTAL BDG September		TOTAL LY Septembe		BDG vs LY	
	r	%	r	%	ABS	%	r	%	ABS	%	September	%	r	%	ABS	%
Net Sales	1.484.078	100,0%	1.335.265	100,0%	148.812	11,1%	1.219.444	100,0%	264.634	17,8%	1.977.348	100,0%	1.804.407	100,0%	172.941	9,6%
Cost of Sales	-396.239	(26,7%)	-373.847	(28,0%)	-22.393	6,0%	-349.963	(28,7%)	-46.276	11,7%	-525.108	(26,6%)	-491.322	(27,2%)	-33.786	6,9%
Gross Margin	1.087.838	73,3%	961.419	72,0%	126.419	13,1%	869.481	71,3%	218.357	20,1%	1.452.240	73,4%	1.313.085	72,8%	139.155	10,6%
4Wall Personnel cost	-344.794	(23,2%)	-360.272	(27,0%)	15.478	(4,3%)	-386.710	(31,7%)	41.916	(12,2%)	-540.408	(27,3%)	-536.490	(29,7%)	-3.918	0,7%
4Wall Rent	-206.807	(13,9%)	-208.888	(15,6%)	2.081	(1,0%)	-203.451	(16,7%)	-3.355	1,6%	-313.332	(15,8%)	-304.127	(16,9%)	-9.205	3,0%
4Wall Other Cost	-73.799	(5,0%)	-79.140	(5,9%)	5.341	(6,7%)	-73.838	(6,1%)	40	(0,1%)	-118.477	(6,0%)	-139.727	(7,7%)	21.250	(15,2%)
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-4.143	(0,2%)	4.143	(100,0%)
Credit Management	-	-	-	-	-	-	-	-	-	-	-	-	-1.413	(0,1%)	1.413	(100,0%)
Commissions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Personnel cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Rents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising & Promotion Cost	-2.880	(0,2%)	-744	(0,1%)	-2.136	287,1%	-	-	-2.880	100,0%	-1.116	(0,1%)	-1.260	(0,1%)	144	(11,4%)
Total Opex	-628.279	(42,3%)	-649.044	(48,6%)	20.765	(3,2%)	-664.000	(54,5%)	35.721	(5,7%)	-973.333	(49,2%)	-987.160	(54,7%)	13.827	(1,4%)
Four Wall Contribution	462.439	31,2%	313.119	23,4%	149.320	47,7%	205.481	16,9%	256.958	55,6%	480.023	24,3%	332.741	18,4%	147.282	44,3%
EBITDA	459.559	31,0%	312.375	23,4%	147.184	47,1%	205.481	16,9%	254.078	55,3%	478.907	24,2%	325.925	18,1%	152.982	46,9%



- As it is understandable from the previous slides the top management receives a lot of information, so it is increasingly important to develop meaningful KPIs to provide rapid flash



KPIs



- This report provides evidence of the incidence of fixed cost and so the rigidity of the business

