



## **ASX & MEDIA RELEASE**

**1 November 2017**

### **Strategy Update**

Myer Holdings Limited (MYR) today set out the progress made on the New Myer strategy and the areas of new emphasis for FY2018 and beyond, in light of an increasingly competitive environment, and rapidly changing customer behaviour.

Myer Chief Executive Officer and Managing Director Richard Umbers said: "Two years into a five year journey, we are proud of our achievements to date although we recognise that we still have more work to do. The Board and management team have always been convinced of the need for change and are committed to the New Myer transformation agenda, despite tough trading conditions.

"New Myer will evolve to ensure Myer's relevance in a highly competitive and rapidly changing retail environment. Customers are increasingly shopping online, and traffic to shopping centres and physical stores is declining.

"Today we signalled a heightened focus on the growth of our very successful omni-channel business as well as experiential retail to create inspiring destinations. We also highlighted the importance of our MYER one program and the increasing use of customer data to personalise our offer, both in terms of range and services in store, and through marketing activity.

"All of Myer's metrics in digital and online are moving strongly in the right direction. Sales, profitability, click and collect take up, website traffic and conversion are all increasing. Cost of fulfillment, and fulfillment times are falling. Building on the strength of this business is a key focus going forward," Mr Umbers said.

Myer today also confirmed an acceleration of the rollout of new retail concepts across its store network including six new food partners, five upgraded food offers and 12 locations for new beauty and grooming services.

The focus on costs, efficiency and driving productivity are unabated. The Myer clearance format represents a viable alternative use of space that is generating a positive customer reaction and the early financial results around traffic, sales and margin are encouraging.

Mr Umbers said: "The financial metrics we established at the start of the journey were developed during a period of relative buoyancy and were appropriate for the retail environment at that time. We have recalibrated our Metrics to reflect the tougher trading conditions and also to incorporate the evolution of the strategy into the future."

The Strategy Day presentation will be webcast at: <http://streamcast.com.au/myer/1Nov17/>

An archive of the Strategy Day presentations will be available at [www.myer.com.au/investor](http://www.myer.com.au/investor)

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*Myer shares are traded on the Australian Securities Exchange (MYR). Myer has a Sponsored Level I American Depository Receipt program which trades in the United States on OTC Markets (MYRSY).*

*The financial information provided includes non-IFRS information which have not been audited or reviewed in accordance with Australian Accounting Standards.*

*This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of Myer. The non-IFRS financial information includes total sales, sales per square metre, OGP margin, CODB, EBITDA, total funds employed, net debt, working capital, operating cash flow and free cash flow. These are measures frequently quoted in the industry and forms the basis upon which many investors, financiers and analysts are briefed.*

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1 NOVEMBER 2017

# MYER STRATEGY DAY 2017

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# STRATEGY DAY AGENDA

Introduction

Customer Service and Experiential Retailing

Merchandise

Productivity, Efficiency and Property

Off-Price Retail

Omni-Channel, Digital and Data

Closing Remarks

# New Myer agenda spans four priority areas

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1	CUSTOMER LED OFFER	2	WONDERFUL EXPERIENCES	3	OMNI-CHANNEL SHOPPING	4	PRODUCTIVITY STEP CHANGE
<ul style="list-style-type: none"><li>• Cluster optimisation</li><li>• Category optimisation</li><li>• Brand optimisation</li><li>• Channel optimisation</li><li>• Localisation</li><li>• Supplier collaboration</li></ul>	<ul style="list-style-type: none"><li>• Elevated Visual Merchandise</li><li>• Dwell spaces</li><li>• Improved fitting rooms</li><li>• Enhanced Myer Hub</li><li>• Signature service</li><li>• Trained and capable staff</li><li>• Targeted customer engagement</li></ul>	<ul style="list-style-type: none"><li>• Strengthen online proposition</li><li>• Omni-channel experience</li><li>• Right infrastructure and operations</li></ul>	<ul style="list-style-type: none"><li>• Store network optimisation</li><li>• Flagship store emphasis</li><li>• Right sizing support office</li><li>• Cost focus and efficiency focus</li></ul>				
<ul style="list-style-type: none"><li>• Efficient operating model</li></ul>	<ul style="list-style-type: none"><li>• Execution focused culture</li></ul>	<ul style="list-style-type: none"><li>• Technology, processes, systems</li></ul>	<ul style="list-style-type: none"><li>• Strengthened balance sheet</li></ul>				

# New Myer will evolve to maintain relevance to our customer

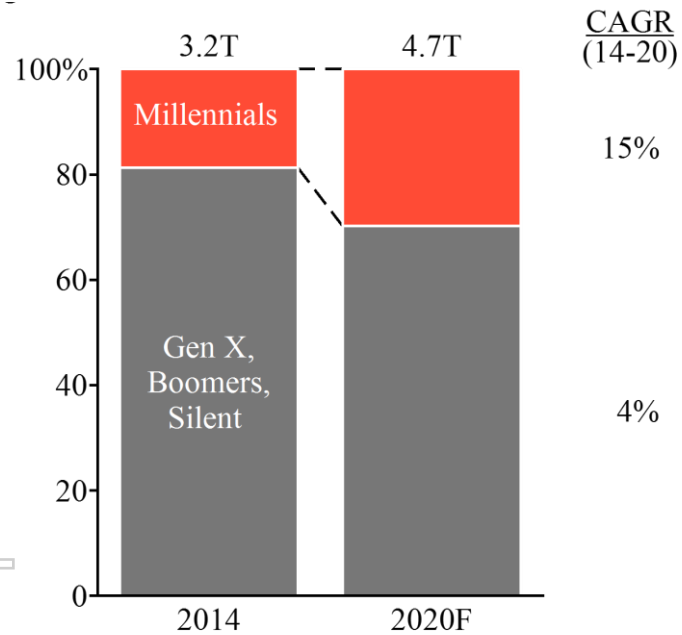
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<ul style="list-style-type: none"><li>• <b>Strengthened category destinations</b></li><li>• <b>Merchandise Planning capability</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Customer Service and Experiential Retail</b></li></ul>	<ul style="list-style-type: none"><li>• <b>MYER one use of customer data</b></li><li>• <b>Omni Channel Acceleration</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Myer Clearance</b></li></ul>				
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# The market is changing rapidly

## Generational shifts

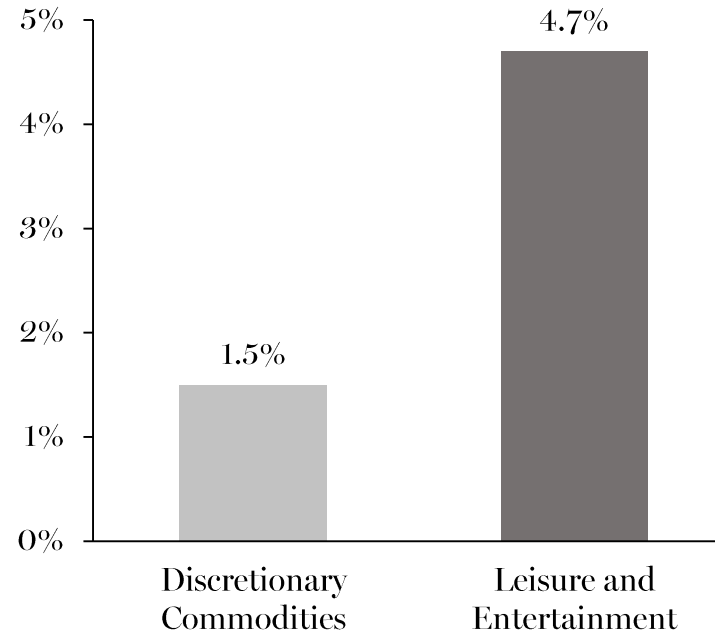
Retail Spend by Generation<sup>(1)</sup>  
(2014 – 2020F)



*“78% millennials would **choose to spend money on a desirable experience over buying something desirable**” Harris Poll*

## Increased spend on experiences

Annual Spending Growth<sup>(2)</sup>  
(2011-16)



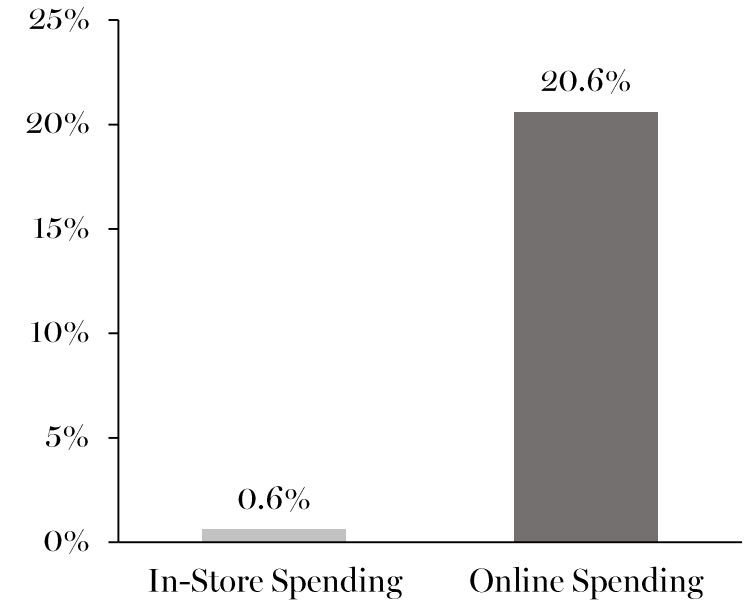
Total Spend  
(2016, \$B)

105

138

## Rapid online migration

Apparel Spending Annual Growth  
(2011-16)



Total Spend  
(2016, \$B)

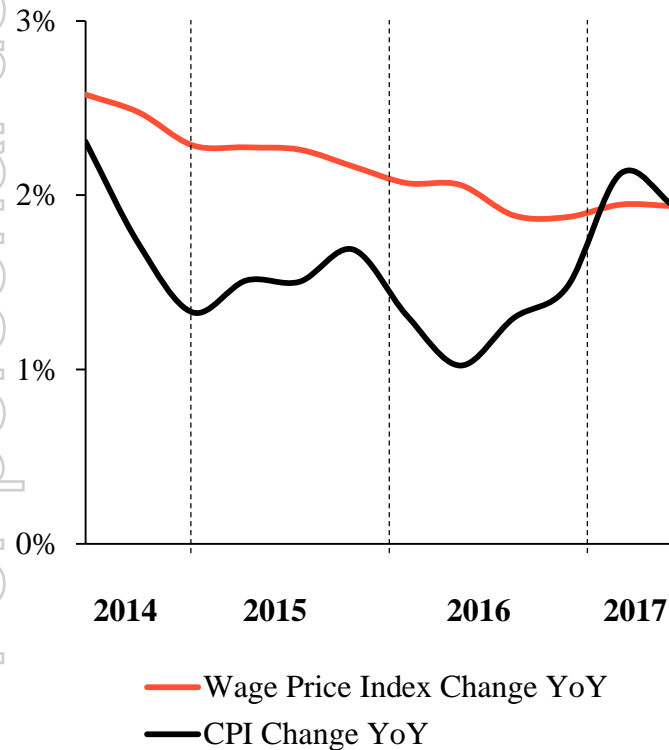
16

3

# It is a challenging time for consumers

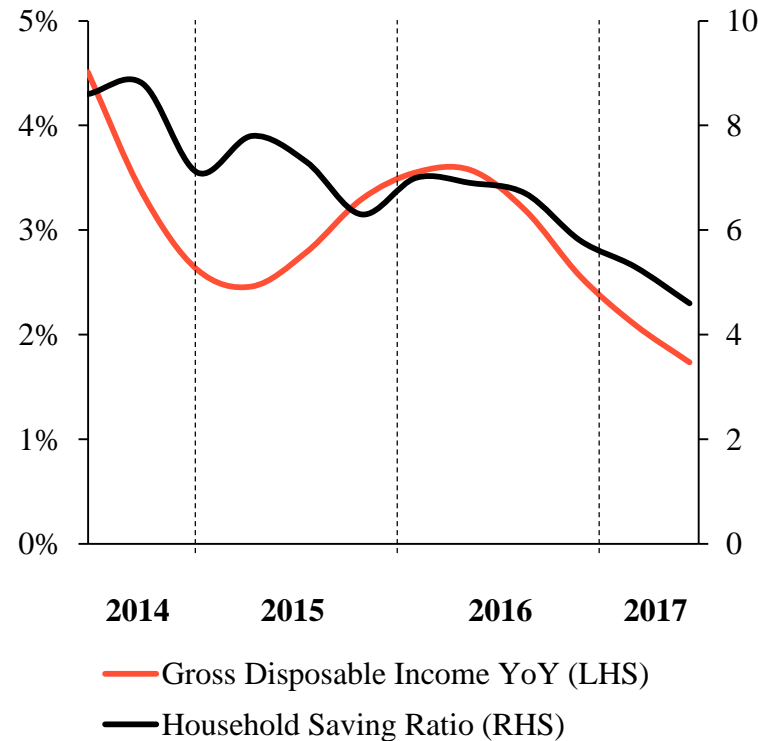
## Slowing wage growth

Wage Price Index and CPI change YoY  
(July '14 – June '17)



## Income and savings pressures

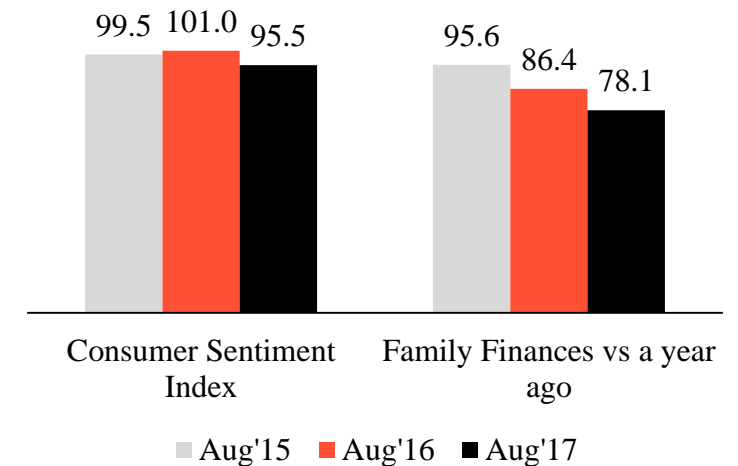
Household Disposable Income Growth (LHS) and  
Savings Ratio (RHS) (July '14 – June '17)



## Weak consumer sentiment

Consumer Sentiment (Aug '15 – Aug '17)

*“The consumer mood has deteriorated over the last year with August marking the ninth consecutive month where pessimists are outnumbering optimists. We have not seen such a succession of weak reads since 2008”*



# We have made pleasing progress

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1

## CUSTOMER LED OFFER



- Rapid upgrade of wanted brand destinations (> 1,500 installations)
- Mix shift away from Myer Exclusive Brands with resulting margin pressures
- Strengthened Merchandise team
- Elevated Merchandise Planning function with extended remit
- New Merchandise Planning System deployments on schedule

2

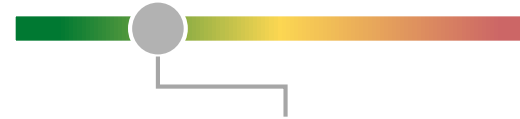
## WONDERFUL EXPERIENCES



- Improving customer service – more service hours and investment in training
- Workforce management and back-office simplification launched and performing well
- Initial store refurbishments and upgrades completed
- Limited development of a food & beverage and services offer

3

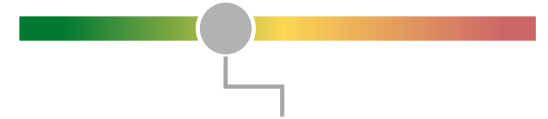
## OMNI – CHANNEL SHOPPING



- Significant online offer improvements driving rapid and profitable growth
- Increasing Click & Collect sales
- Improvements to fulfilment speed with lower fulfilment costs
- Improved User Experience (UX) and path to purchase

4

## PRODUCTIVITY STEP CHANGE

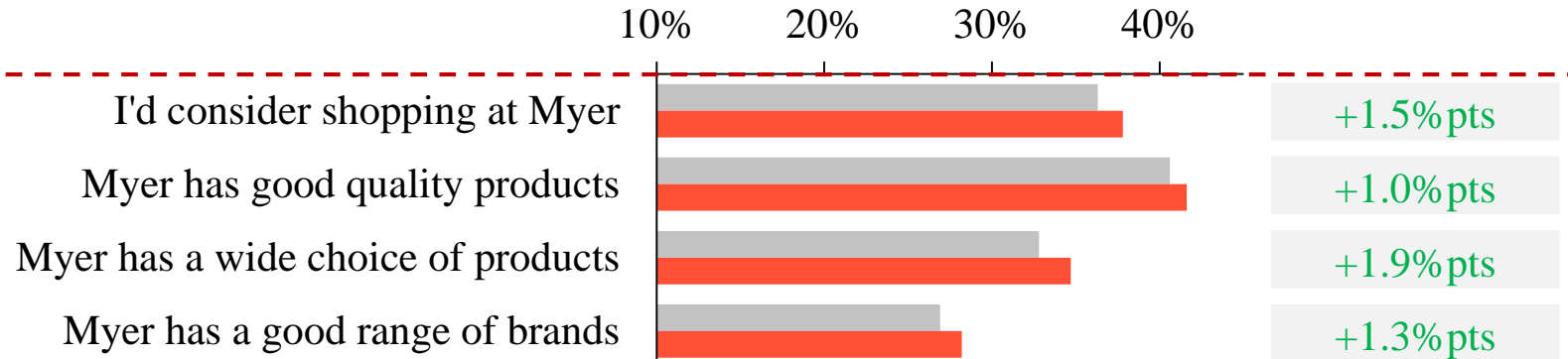


- Strategic Cost Management program implemented
- 155 bps reduction in CODB/sales %
- c.10% of retail floor space exited, or announced to exit
- Space reduction in DC and Support Office

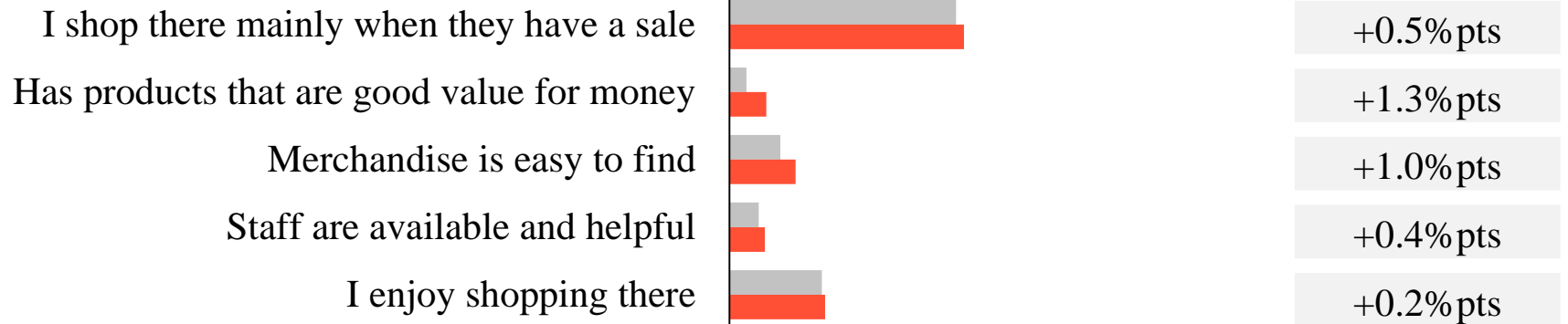
# Customers are noticing improvement, particularly on range; we have more work to do on value, service and experience

Respondents agreeing to: “Which of the following statements do you associate with Myer”

*Some  
pleasing  
progress...*



*... With more  
work to do in  
key areas*



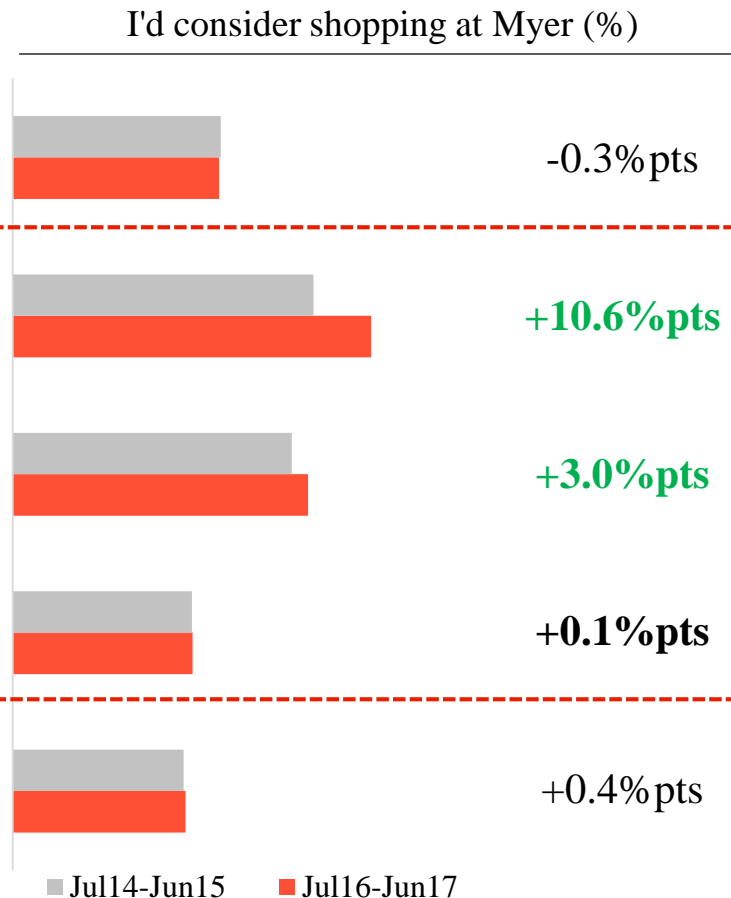
■ Jul14-Jun15 ■ Jul16-Jun17

# We have repositioned our offer to appeal to more fashionable, younger and higher value customers

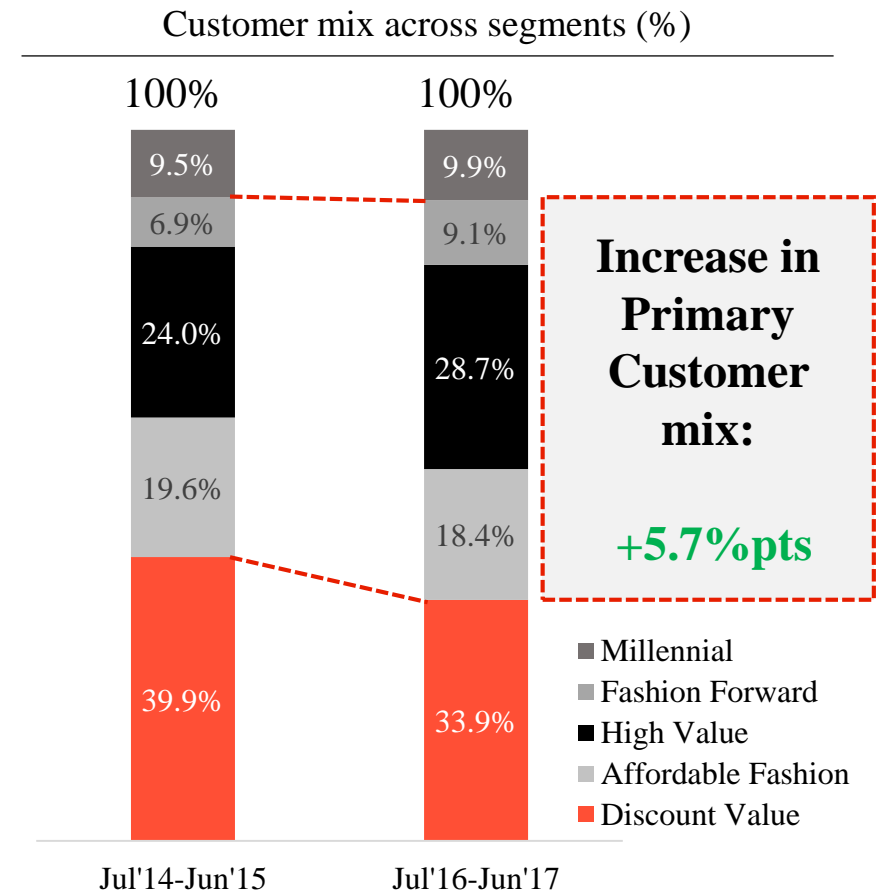
## Strategy: increase appeal to primary customers

Customer Segment	Strategy
MILLENNIAL	
FASHION FORWARD	ATTRACT
HIGH VALUE	GROW
AFFORDABLE FASHION	RETAIN
DISCOUNT VALUE	

## Consideration of Myer has improved

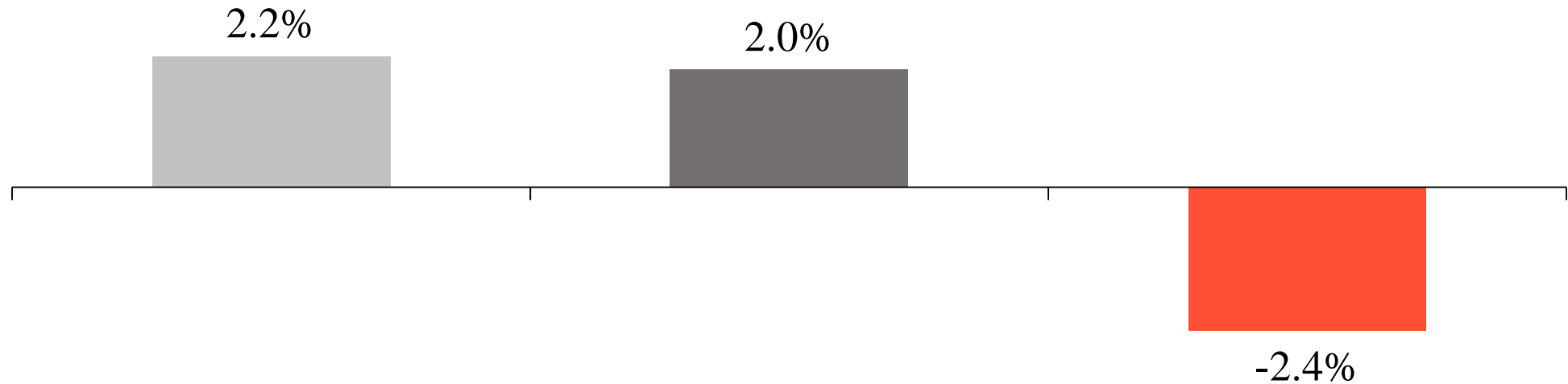


## Mix has shifted to primary customers

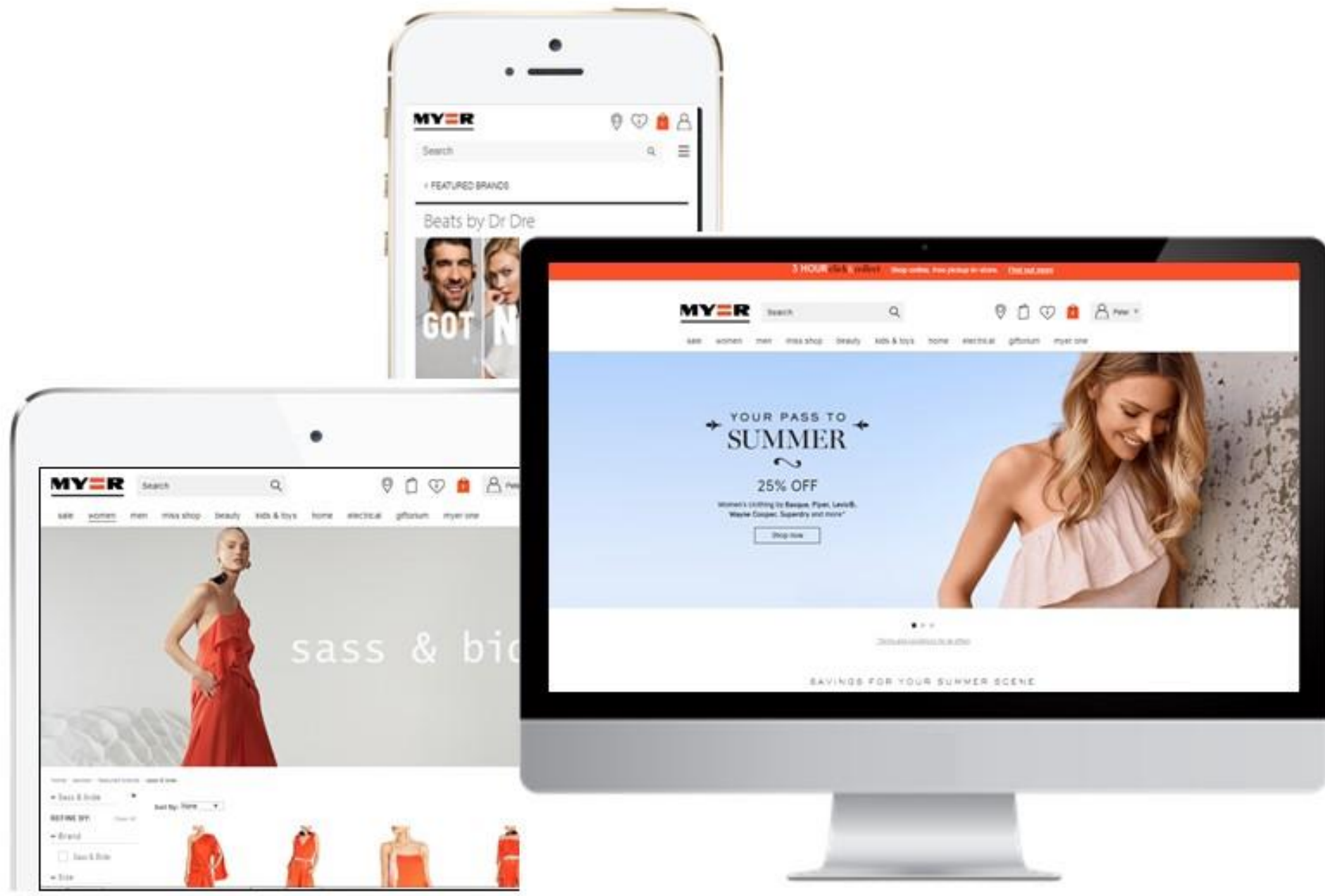


# Flagship and Premium stores in NSW and Victoria illustrate the progress being made

Average Annual Store Sales Growth (CAGR FY15-17)



	Flagship - NSW/VIC	Premium - NSW/VIC	Other locations
Sales (FY17)	\$699m (24%)	\$546m (19%)	\$1,668m (57%)











MYER

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CLEARANCE



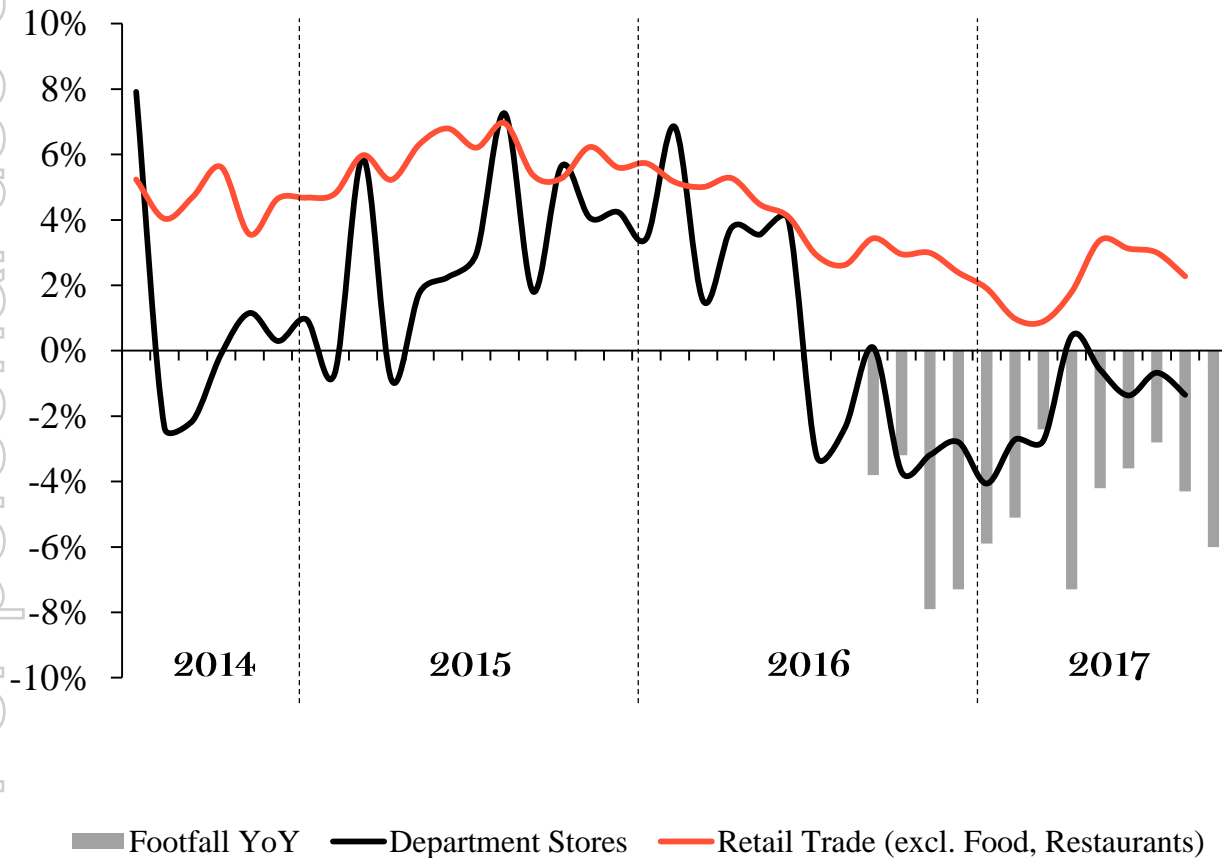
# Metrics that matter were relevant to the environment when we launched New Myer

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SALES	Target average sales growth greater than 3% between 2016-2020
SALES/SQM	Target greater than 20% improvement by 2020
EBITDA	Target EBITDA growth ahead of sales growth by 2017
ROFE	Target ROFE greater than 15% by 2020

# But retail sales growth has slowed and footfall in malls is in decline

*Australian Retail Sales and Footfall Growth YoY  
(July '14 – June '17)*



- Australian retail sales growth has dropped from ~5-6% in 2015 to ~1-3% since mid-2016
- Full service and discount department stores sales growth weakened sharply in mid-2016 to decline for 11 of the past 13 months
- Footfall in shopping centres in consistent decline over the past 12 months

# We have evolved the metrics

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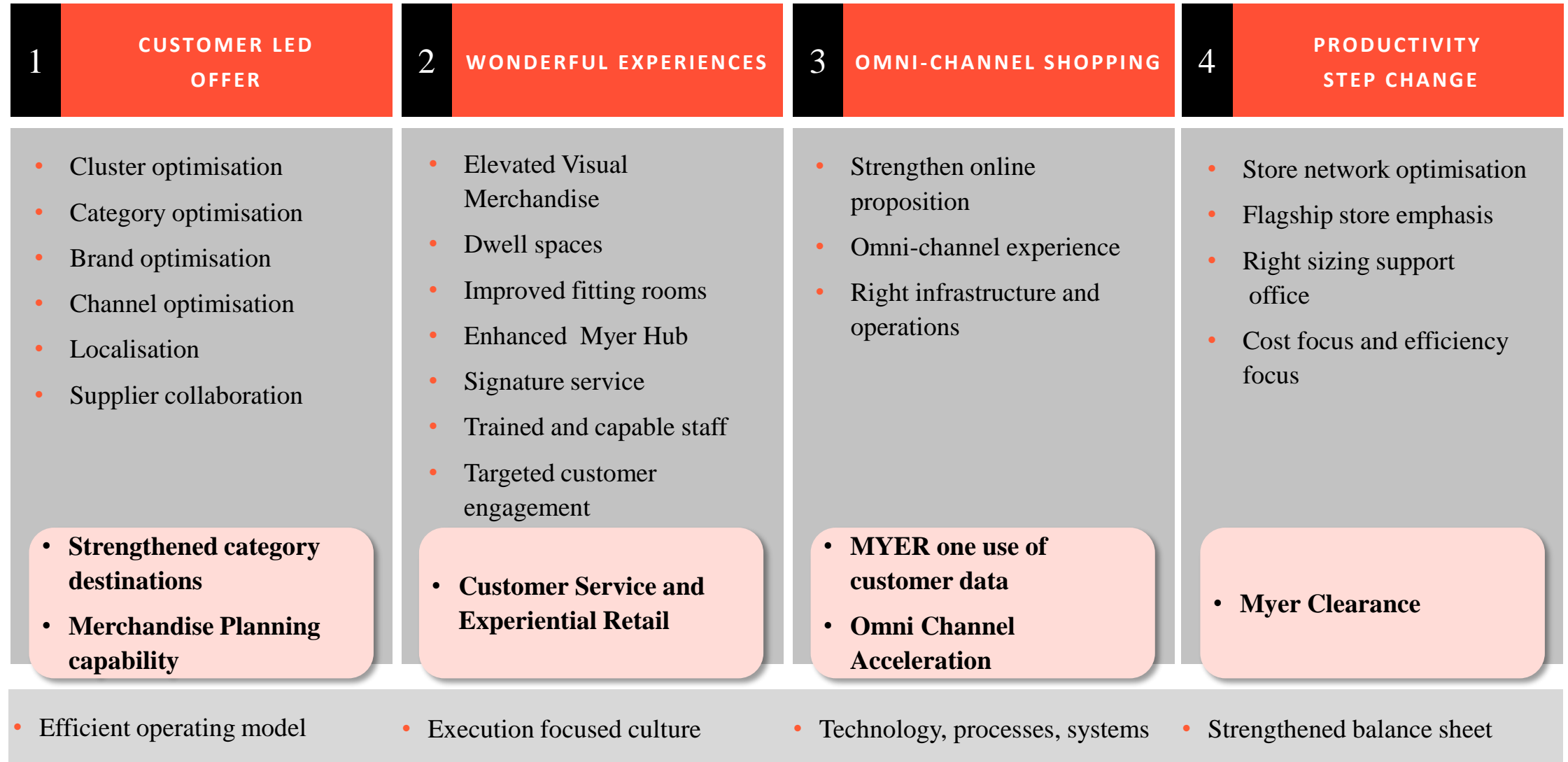
SALES PRODUCTIVITY	Greater than <b>10%</b> improvement in sales per sqm from FY17 – 20
CODB PRODUCTIVITY	Improvement in CODB to sales of at least <b>50 bps</b> by FY20
EARNINGS	Underlying EPS <sup>(1)</sup> improvement of at least <b>5% CAGR</b> over FY17 – 20
RETURN ON CAPITAL	ROFE greater than <b>10%</b> by FY20

# We will monitor other metrics

Metric	Measure
CUSTOMER EXPERIENCE	Increase in Net Promoter Score
ACTIVE MYER ONE CUSTOMERS	Increase in number of active MYER one customers
OMNI CHANNEL CUSTOMERS	Increase in Myer omni-channel customers: those that shop in store and at Myer.com.au
ONLINE SALES PENETRATION	Increase in myer.com.au contribution to total Myer sales (%)
INVENTORY EFFICIENCY	Reduction in forward weeks inventory cover

# New Myer will evolve to maintain relevance to our customer

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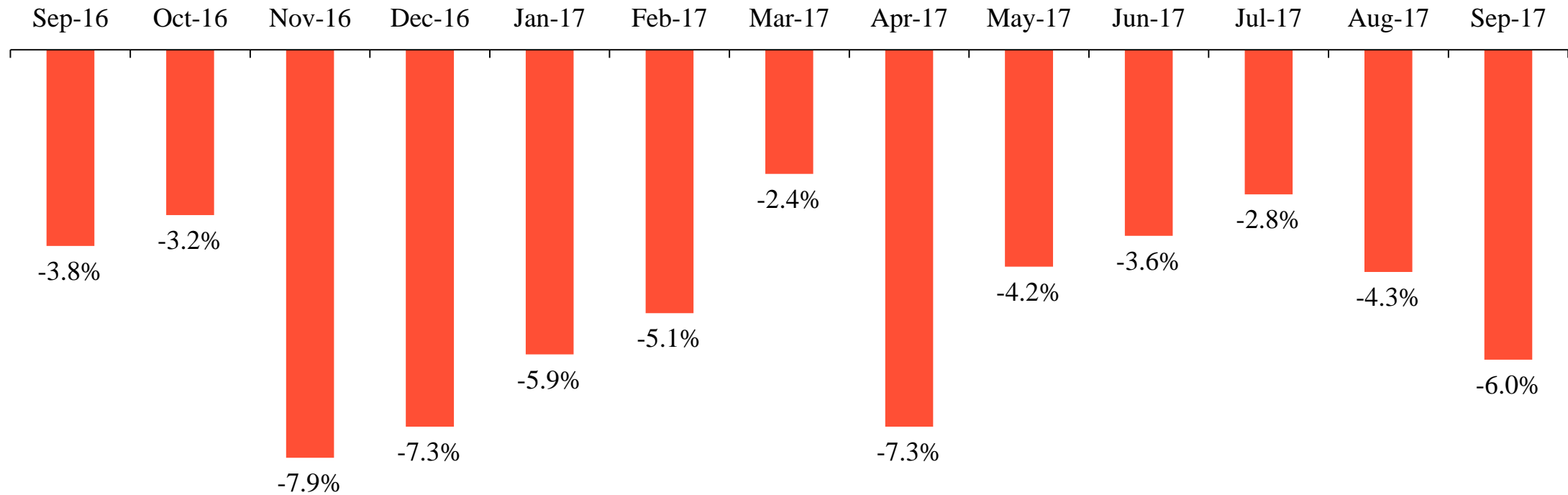
# Wonderful Experiences has focused on elevating customer service and improving store environment

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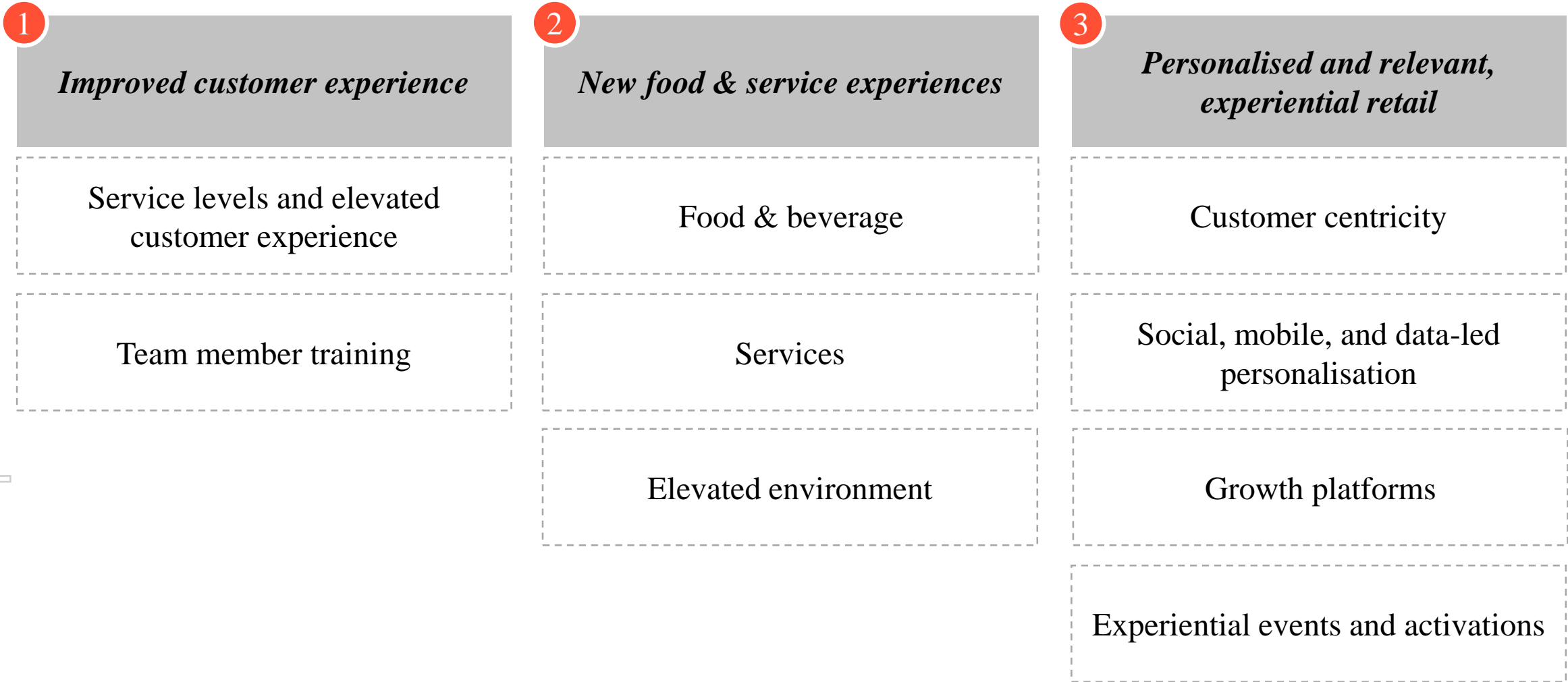
# Traffic growth is challenging across the market

**Monthly change in Australian Retail Traffic Index versus prior year, %**  
**(Sept 2016 – 2017)**



# We are responding with increased focus on customer service and experiential retail

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# Myer is actively engaging with customers for feedback

## Myer's Voice of Customer Program: Care to Share?

- Provides our customers with a channel to share their experiences with us
- Provides rich insight into the full shopping experience:
  - In-store or online
  - Range, service, navigation, environment
- Tracks key customer satisfaction and experience metrics over time
- We have listened to over 150,000 customers since re-launching the program in Feb 2017

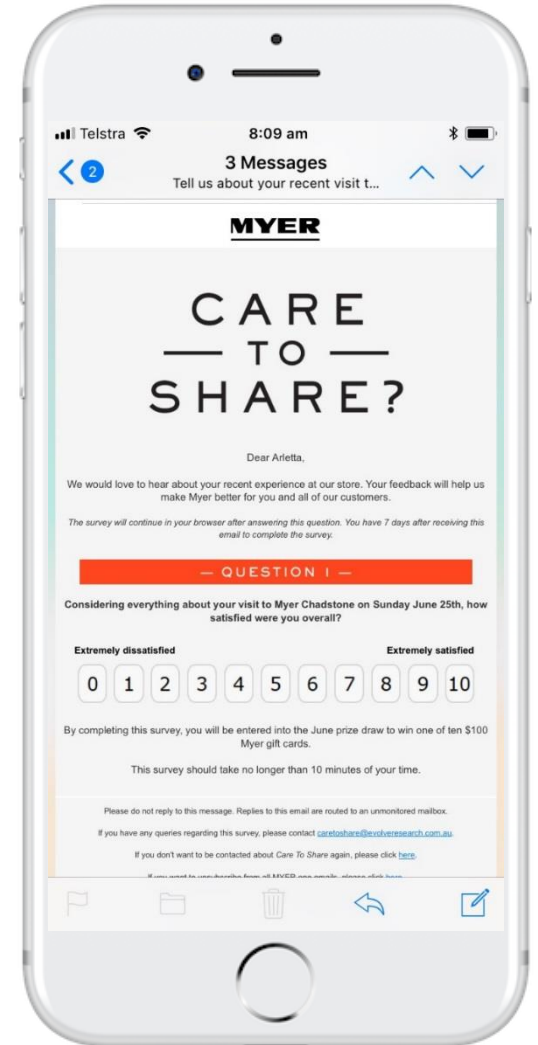
**54%**

*Rate their overall satisfaction 'very high'<sup>(1)</sup>*

*Customers who are very satisfied<sup>(1)</sup> spend \$20 more on their visit than neutral customers<sup>(2)</sup>*

*Customers served on shop floor spend considerably more*

*Customers who rate their interaction with our team members highly spend considerably more*



# And investing to improve customer experience

## **Re-balancing to deliver more customer-facing service hours, better aligned to demand**

- Shifting rostered hours to busier trading days and to demand peaks within each day
- 90% decrease in in-store back office hours with reinvestment to the selling floor
- Consolidation of customer administration into customer service hubs

## **High touch service models introduced**

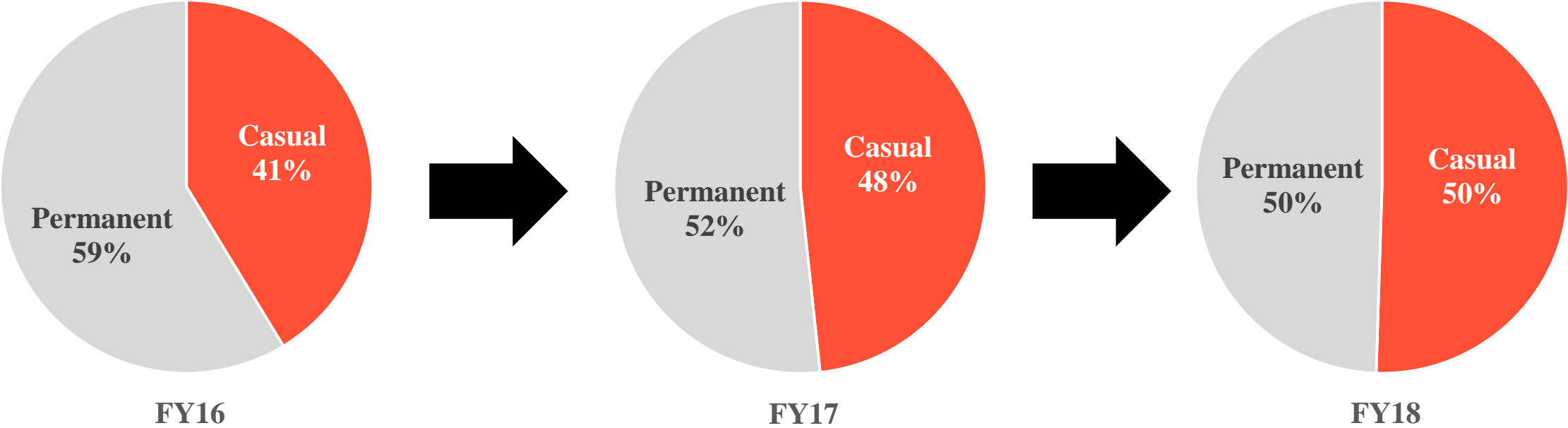
- Personal shoppers: 12
- MEB brand consultants: > 100
- Fitting room consultants: > 100

## **Training and recruitment**

- Building capability enabled by our new mobile training interface, Myer Academy
- Detailed skill and capability profiling by role to enhance recruitment

# Increased roster flexibility from permanent to casual workforce

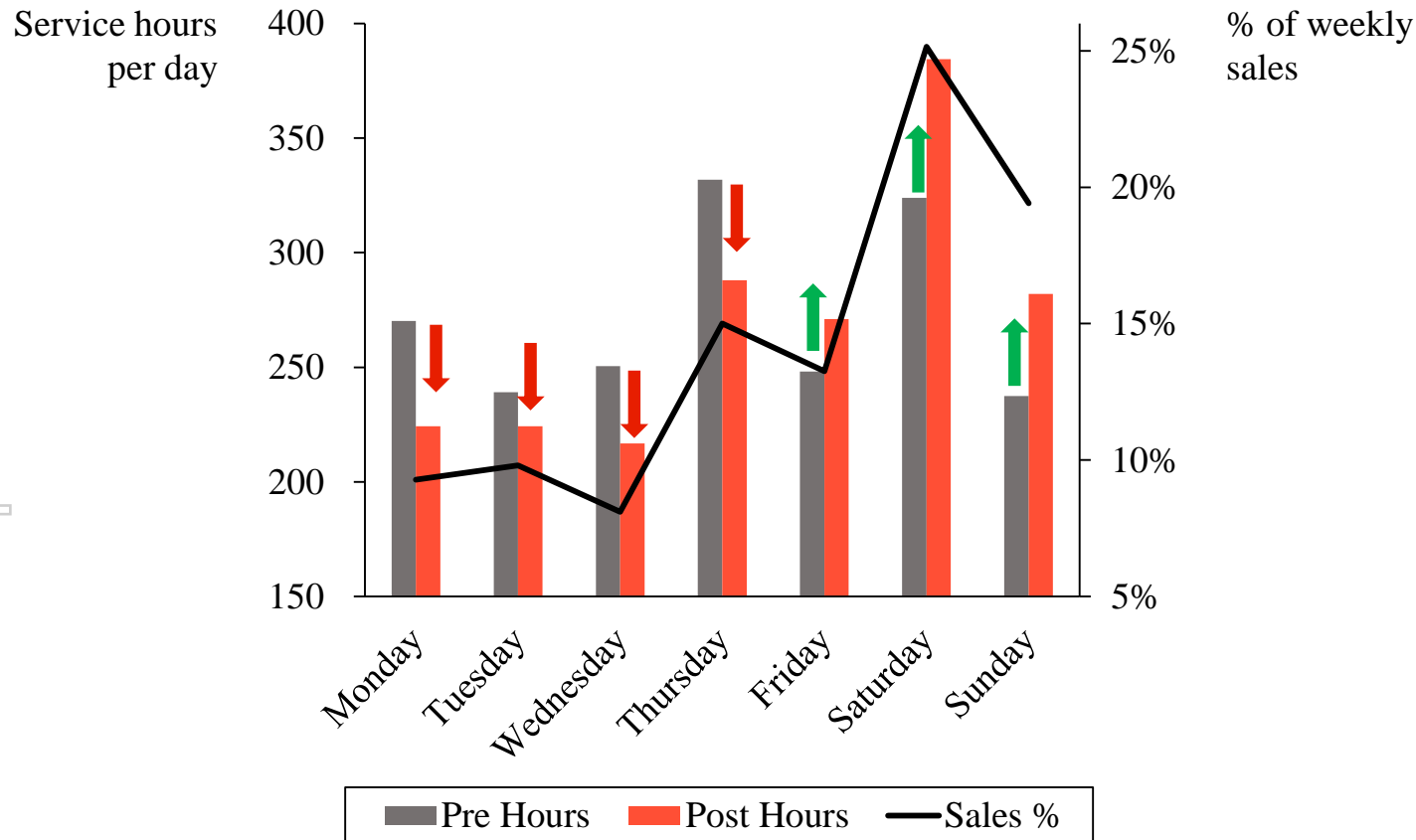
*1 million hours shifted into flexible casual hours*



# Smarter scheduling to align team members to customer demand

## Store weekly roster pre- and post- automated scheduling

*Redirected hours out of Monday, Tuesday, Wednesday & Thursday into Friday, Saturday & Sunday*



## Introduction of Kronos workforce management system

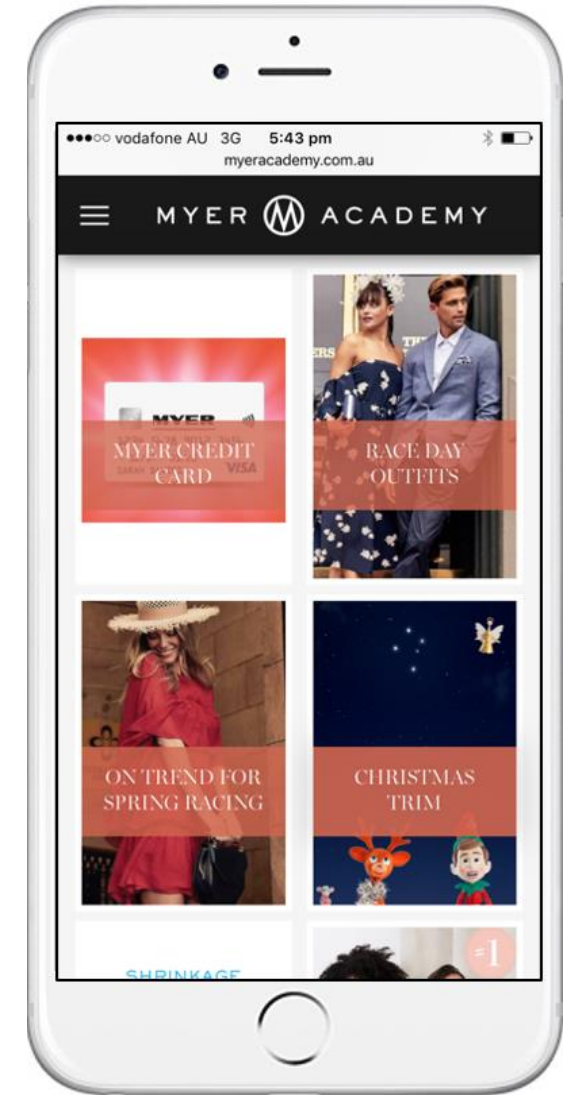
- Rostering the right people in the right place in 15 minute increments
- Mobile access to roster, time and attendance
- Functionality enables;
  - Request a shift
  - SMS quick fill shifts
  - Shift swap
- Labour forecasting and auto-scheduling
- Rollout complete by November 2017

# Building capability, supported by Myer Academy

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- Learning moments: digital micro learning modules available anywhere, anytime on any device
- More than 40 Learning Moments available, spanning:
  - Sales and Service
  - Brand and Product Knowledge
  - Myer Campaigns
- Improving team service profiles and leadership capability through talent acquisition and education



# We know that customers who dwell spend more

Food and Beverage customers have more transactions and spend more on these visits

**Incremental Merchandise transactions and sales for customers of Food & Beverage: selected stores<sup>(1)</sup>**



Accelerating roll-out of new food & beverage, and services

New Food Partners	6 eateries
Upgrading existing eateries	5 eateries
New Beauty Services	7 locations
New Men’s Grooming Services	5 locations
Play Centres	1 location

Plantation Cafes  
in 3 sites –  
Doncaster,  
Southland &  
Eastland

Degani Cafe  
opening in  
Myer  
Townsville

# NEW FOOD PARTNERS

Pop Up food  
program initiated  
with Mister Fitz &  
Doughnut Time in  
Sydney &  
Brunetti & Bibelot  
in Melb



Macquarie  
Quell Café  
refurbished

Penrith  
M-Kitchen  
refurbished

# UPGRADED EATERIES

Café Victoria in  
Sydney City,  
refurbishment  
early 2018

North Lakes,  
L'Espresso  
Café, to be  
refurbished in  
November 2017

Hair.Do by Joey Scandizzo to open in Melbourne, Southland & Bondi

# NEW EXPRESS BEAUTY SERVICES

HAIR.DO  
BY JOEY SCANDIZZO

Dry & Tea to open in Doncaster & Highpoint

Kings Domain  
Barber business  
open in Melbourne  
& to open in  
Sydney & Bondi

# NEW MEN'S GROOMING



Monkey Mania  
Play Centre  
opening  
March 2018  
in Eastland

# TESTING PLAY CENTRE CONCEPTS

**Monkey Mania**  
THE PLACE TO PLAY & PARTY !!!

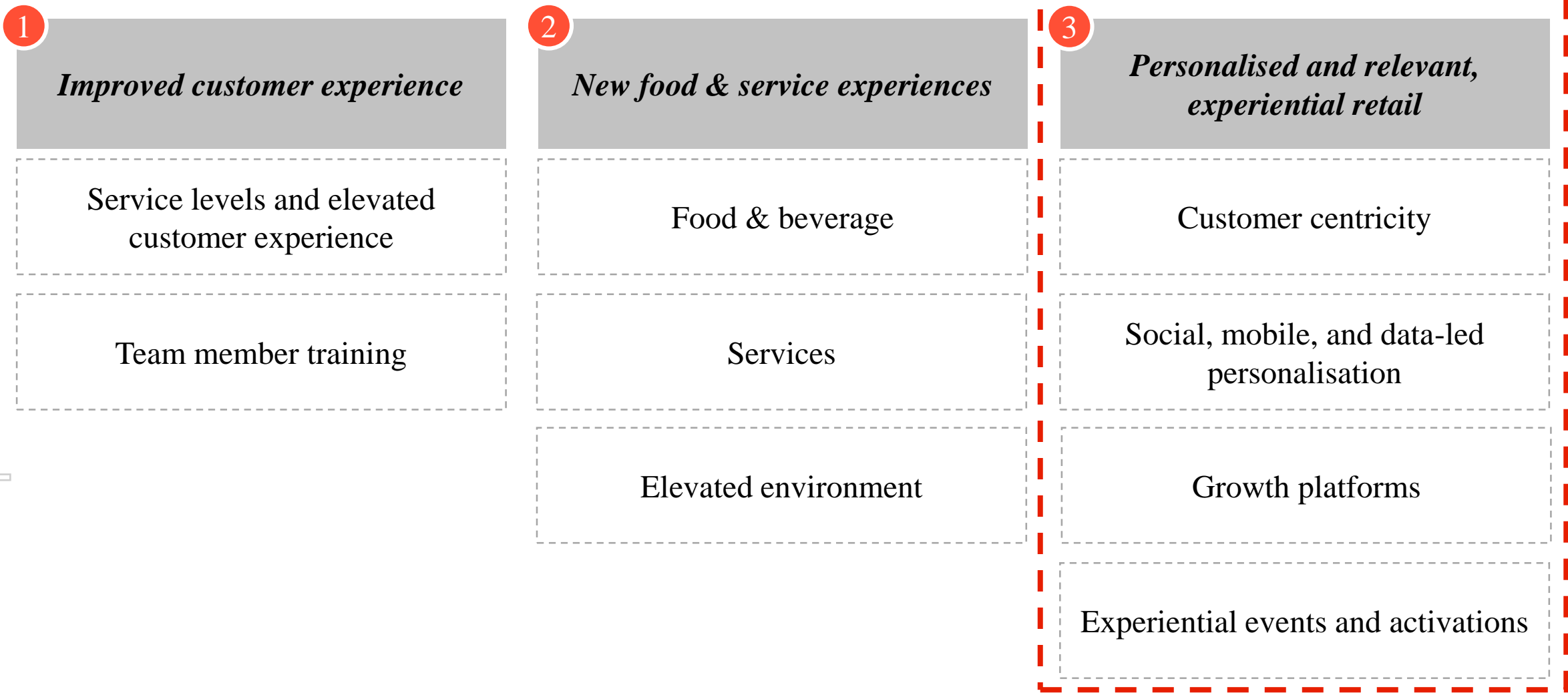
Personal  
shopping suites  
launched across  
7 locations

# ELEVATING FITTING ROOMS & PERSONAL SHOPPING SUITES

Fitting room  
upgrades in 9  
stores across  
Flagship and  
Premium

# Enhancing communications with our customers to drive traffic

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THE DEPARTMENT *of* STORIES



# Our strategic objective is to increase customers, visits and spend

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1

Customer centricity



2

Experiential events and activations



3

Social, mobile, and data-led personalisation



4

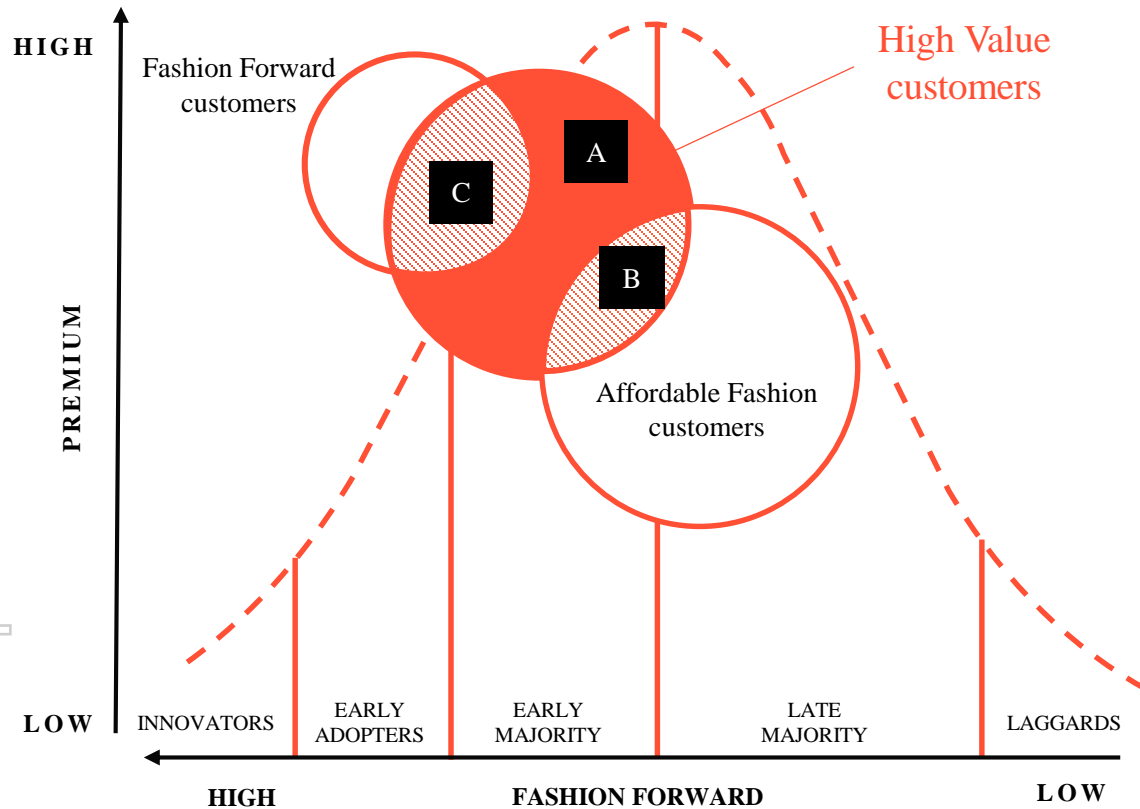
Growth platforms



1

# We continue our commitment to our primary customer strategy

## BUILD OUR PROPOSITION AROUND HIGH VALUE CUSTOMERS



## CUSTOMER STRATEGY

A

### GROW

*our proposition around High Value customers*

B

### RETAIN

*share of Affordable Fashion customer where trading up to aspirational brands*

C

### ATTRACT

*Fashion Forward whose brand choices overlap or influence High Value customer's choices*

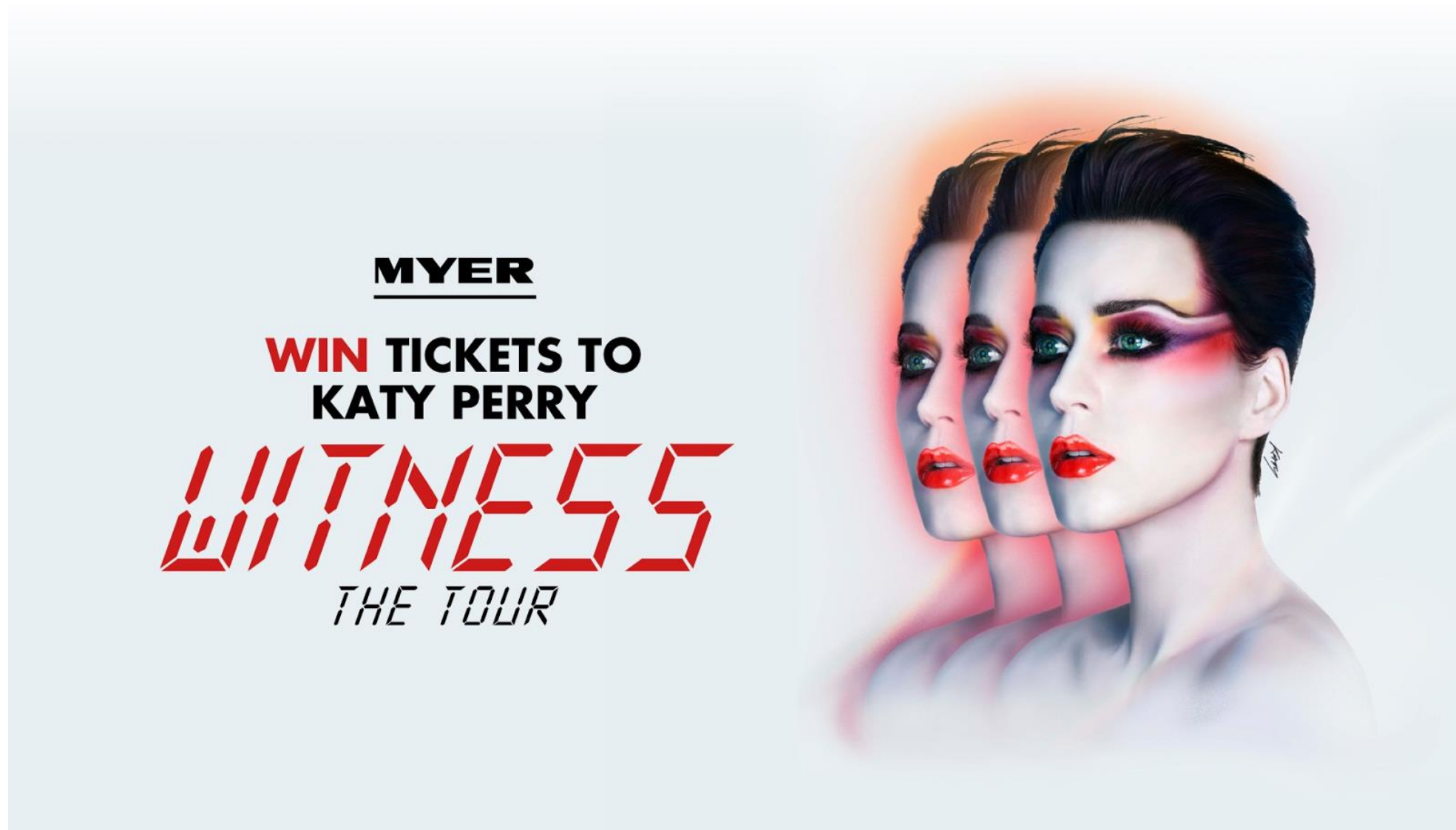
"BRANDS THAT INSPIRE HIGH VALUE CUSTOMERS ALSO ATTRACT FASHION FORWARD AND AFFORDABLE FASHION CUSTOMERS"

# 1 We have a deep understanding of our customers

## Customer Preference Drivers:

		Range	Ambience	Service	Communications
A	High Value	Compelling curation, option depth	Dynamic and vibrant through newness	Attentive, provides individual recommendations	Personalised, recognition of loyalty
B	Affordable Fashion	On-trend, versatile, good value	Ordered, intuitive, easy to navigate	Help to expedite process: locate product, answer questions, available to transact	Relevant messages, clear communication of value
C	Fashion Forward	Exclusivity and the latest	Innovative, inspiring, environment encourages discovery	Seeks to build relationships, provides ideas and guidance, expedient	Personalised, recognition and rewards, inspirational content, unique experiences

- 2 We will continue to create new and exciting experiences for customers



## 2 Using test-and-learn innovations to achieve commercial outcomes

- A mobile experience enabling live shopping from the catwalk for the first time
- Average engagement with app was 14 minutes (fashion show duration of 20 minutes)
- Over 15,000 products were pushed direct to Myer.com.au shopping cart



2

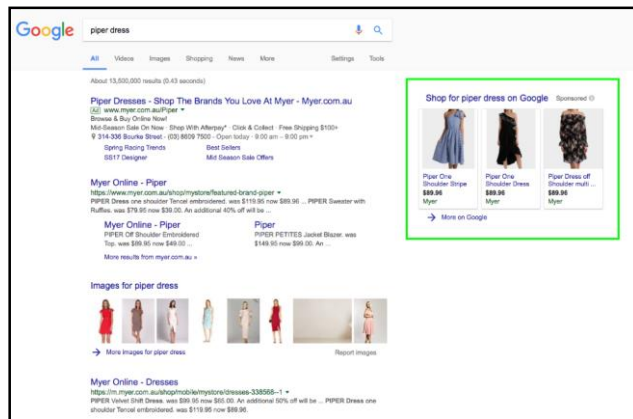
## And providing unique activities and experiences

- Sydney City Wonderland Ice-Rink activation over school holidays
- Almost 7,000 tickets sold
- 3x average school holiday foot traffic on level 6 Sydney City store
- Total store traffic up 2.2% over 6 week activation

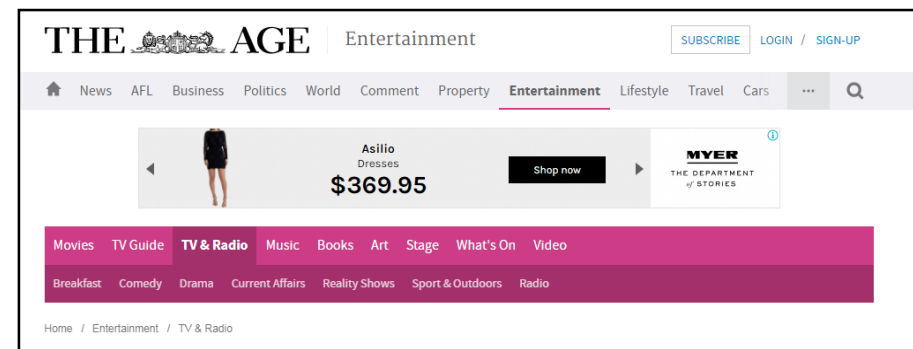


# 3 We are becoming more sophisticated in our online marketing

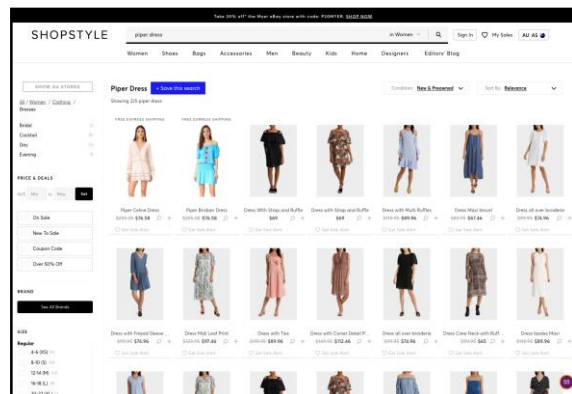
## Product Listing Ads



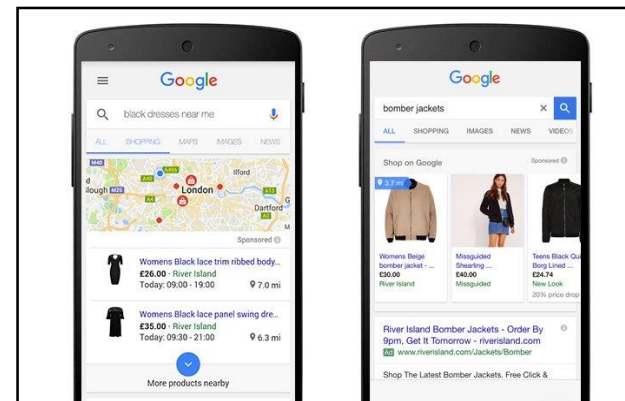
## Dynamic Product Ads



## Affiliate Marketing



## Listed Inventory Ads



3

# Increasing the relevance of communications to customers through personalised email campaigns

## Re-engage lapsed customers

*Hi David!*  
We'd love to see  
you again



Here's a little treat just for you  
Spend \$60 in your next purchase and receive

**\$10 OFF\***

## Target offers based on categories frequently shopped

*Georgia,*  
Say hello  
to accessories!



We have a special treat just for you:  
**SPEND \$60 in-store or online and  
receive \$10 OFF\***

## Drive frequency during stocktake based on prior year participation

IT PAYS TO BE A MYER one MEMBER

Multiply your  
Shopping Credits

Every day you shop our Stocktake Sale is a step closer to  
multiplying your MYER one Shopping Credits.



SHOP

**2**

DIFFERENT DAYS

Shop at Myer in-store or  
online on 2 different days  
during our Stocktake Sale.



EARN

**5x**

CREDITS ON YOUR  
FINAL SHOPPING DAY

After shopping on 2  
different days, you'll  
multiply 5x MYER one  
Shopping Credits on your  
final day's purchase.<sup>1</sup>



BE REWARDED

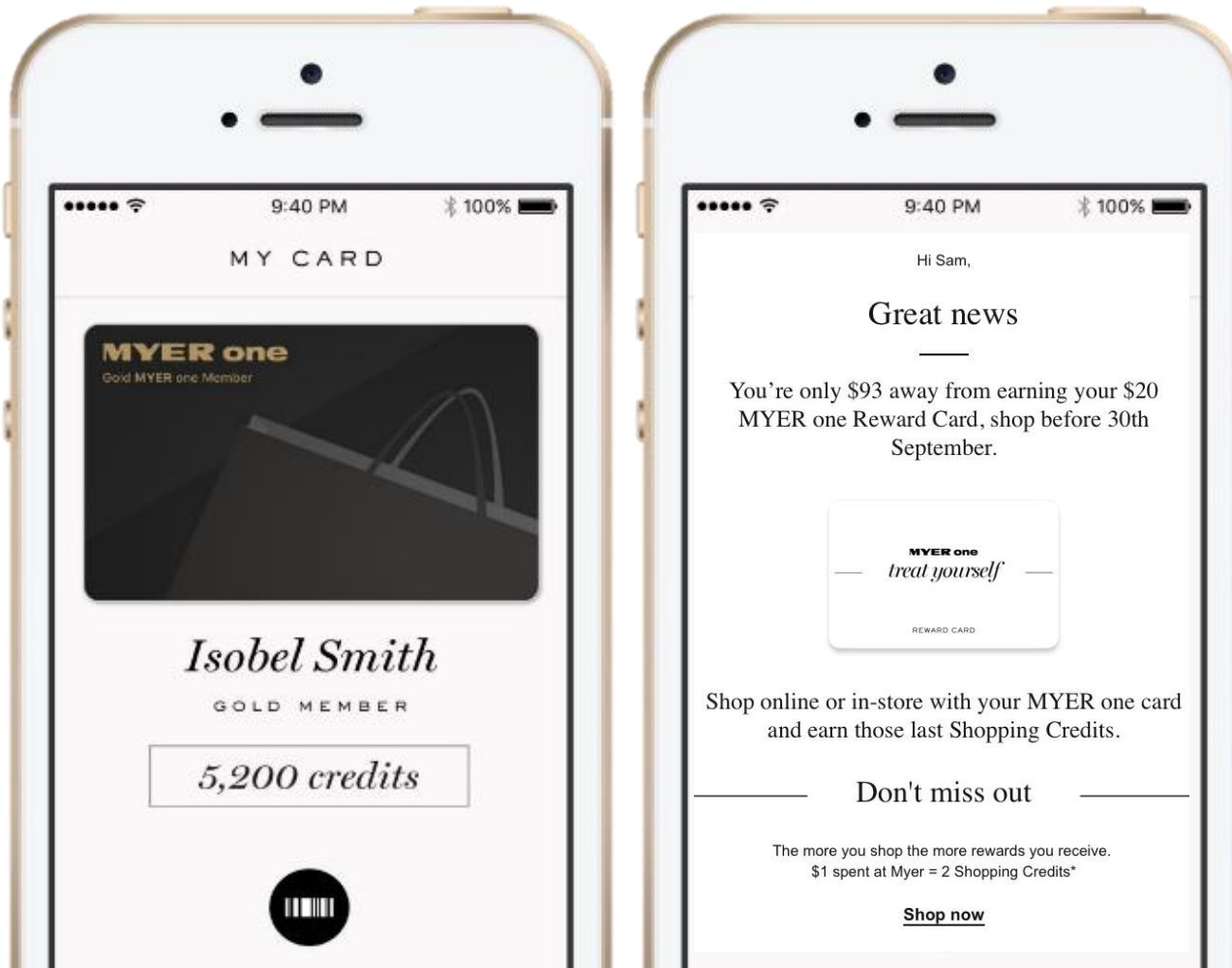


You will be one shop closer  
to earning your Reward  
Card.

3

## Accelerating mobile-centric engagement with MYER one members

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- Re-launch of MYER one App
- Provides customers with real time access to shopping credits and rewards
- Over 700,000 downloads
- Accessed over 200,000 times per month<sup>(1)</sup>
- Used by 65% of our Platinum customers

3

# Connecting with customers via social media

Examples:

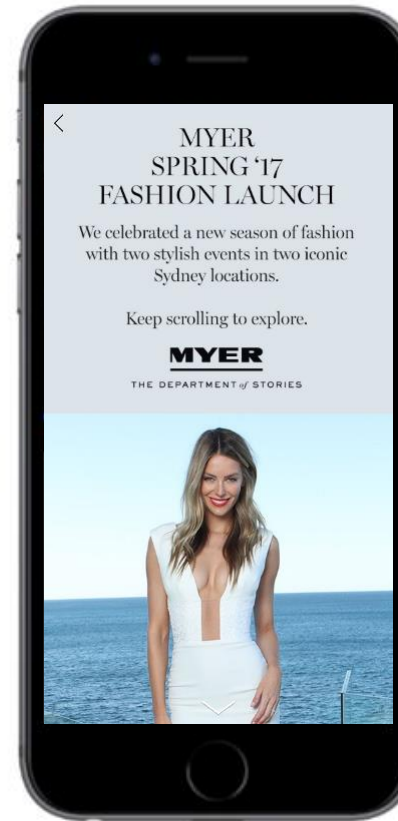
Cup Day Snapchat lens



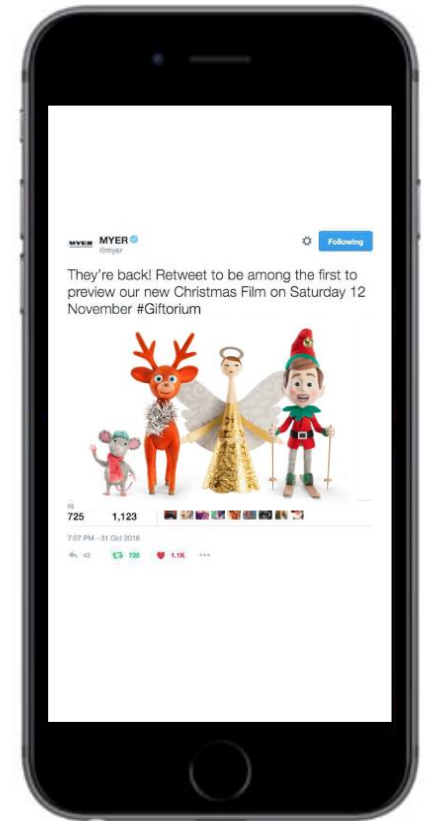
Autumn / Winter 2017  
Fashion Launch Periscope  
360



Spring / Summer 2017  
Fashion Launch Canvas in  
Instagram Stories



Christmas Twitter activity



4

# Building relevance and credibility with growth platforms

*Example:*



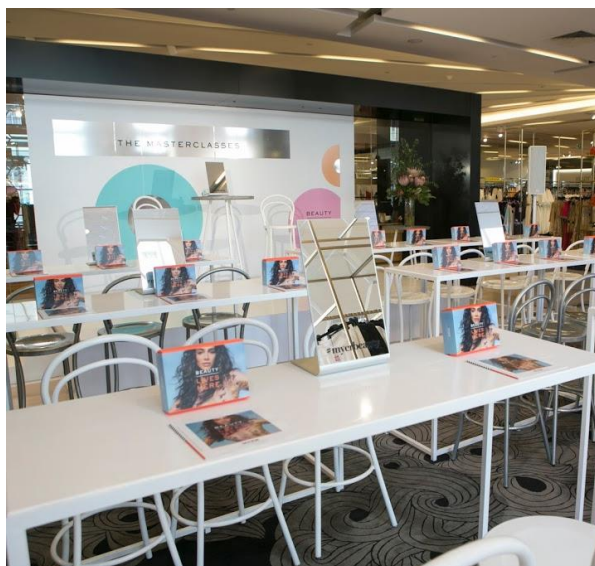
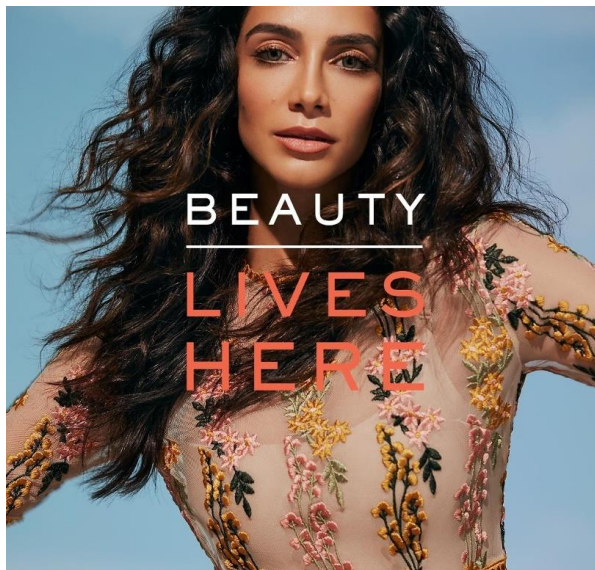
- Curated content and advice
- Localised channel selection
- Sophisticated targeting
- The “Go-To Guy” has driven growth in featured brands

## 4 Leveraging dominant categories to develop branded in-store experiences

*Example:*

### **Beauty Lives Here campaign**

- Featured in-store events and master classes across Flagship stores
- Flagship store Cosmetics sales were up on LY over the 3 day events
- Brands participating in master classes experienced strong sales uplift



THERE'S NOTHING LIKE  
  
CHRISTMAS  
  
TOGETHER

CHRISTMAS 2017

# STRATEGY DAY AGENDA

Introduction

Customer Service and Experiential Retailing

Merchandise

Productivity, Efficiency and Property

Off-Price Retail

Omni-Channel, Digital and Data

Closing Remarks

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MYER

MYER

MENSWEAR  
LIVES  
HERE



# New Myer Merchandise priorities

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1	CUSTOMER LED OFFER	2	WONDERFUL EXPERIENCES	3	OMNI-CHANNEL SHOPPING	4	PRODUCTIVITY STEP CHANGE
	<ul style="list-style-type: none"><li>• Cluster optimisation</li><li>• Category optimisation</li><li>• Brand optimisation</li><li>• Channel optimisation</li><li>• Localisation</li><li>• Supplier collaboration</li></ul>		<ul style="list-style-type: none"><li>• Elevated Visual Merchandise</li><li>• Dwell spaces</li><li>• Improved fitting rooms</li><li>• Enhanced Myer Hub</li><li>• Signature service</li><li>• Trained and capable staff</li><li>• Targeted customer engagement</li></ul>		<ul style="list-style-type: none"><li>• Strengthen online proposition</li><li>• Omni-channel experience</li><li>• Right infrastructure and operations</li></ul>		<ul style="list-style-type: none"><li>• Store network optimisation</li><li>• Flagship store emphasis</li><li>• Right sizing support office</li><li>• Cost focus and efficiency focus</li></ul>
- Efficient operating model		- Execution focused culture		- Technology, processes, systems		- Strengthened balance sheet	

# Strengthening our brand portfolio has been an initial focus

We have delivered more than 1,500 new shop-in-shops over 2 years

seed  
HERITAGE

MIMCO

Shoes & Sox  
Kids SHOES

urban home  
republic

INDUSTRIE  
GARMENT MAKERS

VERONIKA MAINE



JACK & JONES®

FOREVER NEW

B & O  
BANG & OLUFSEN

John Lewis

JO MALONE  
LONDON

MON PURSE

BASQUE

PIPER

SABA

[AQUILA]

FRENCH  
CONNECTION

MECCA

# Customers are responding positively

## Respondents agreeing to: “Which of the following statements do you associate with Myer?”

(Jul14-Jun15 v Jul16-Jun17)

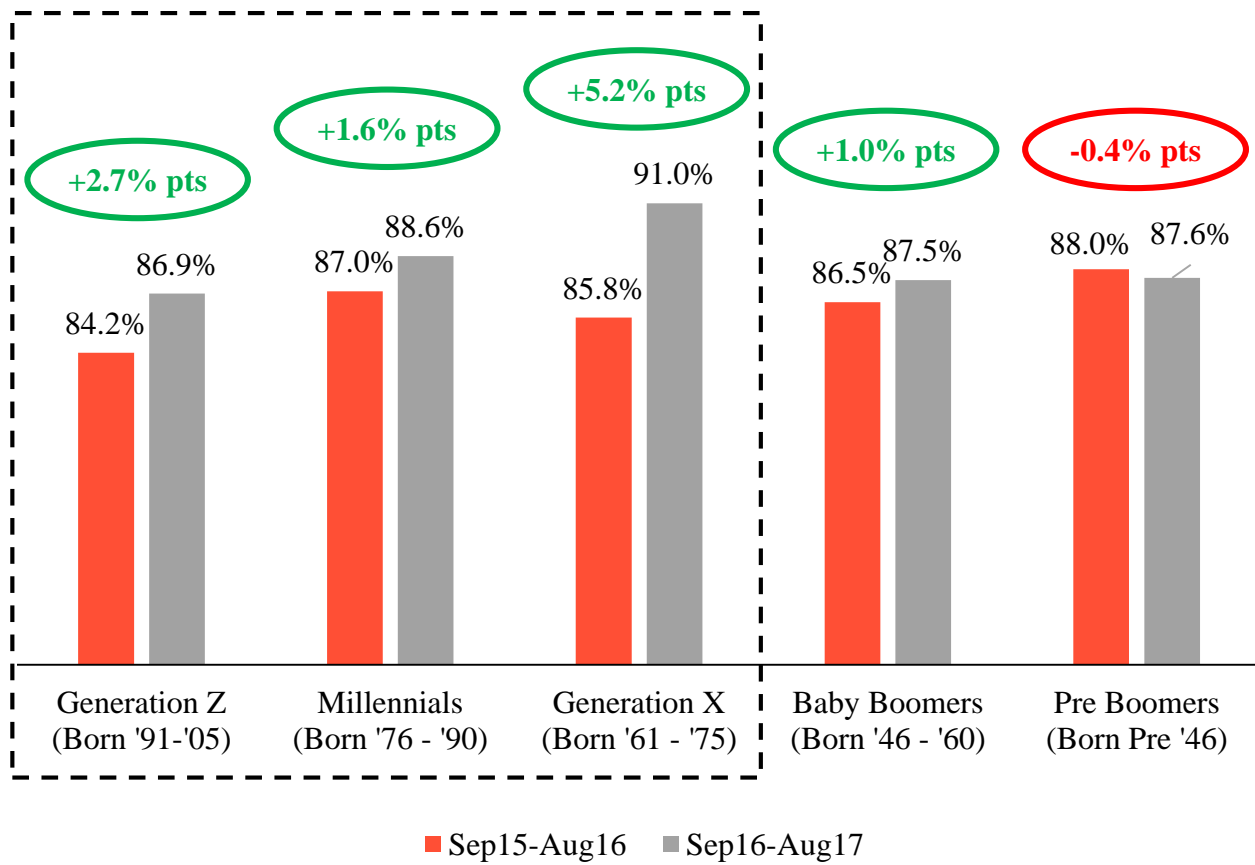
% agree



## Myer customer satisfaction by generation

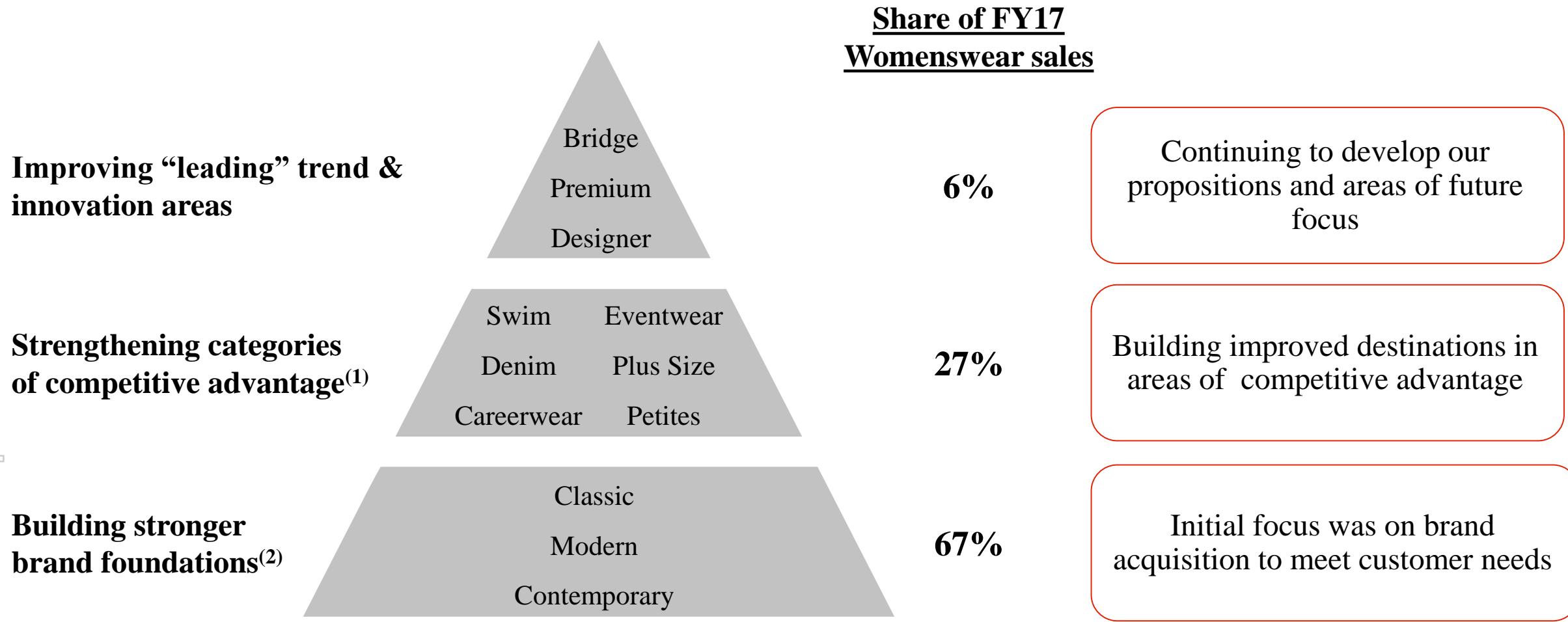
(Sep15-Aug16 v Sep16-Aug17)

% very or fairly satisfied



# We have improved Womenswear and are now applying this approach broadly across Merchandise

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# We are continuing to optimise and evolve our offer

1

*Categories of competitive advantage*



2

*MEBs as a key differentiator*



3

*Newness and innovation*



4

*Strengthened value proposition*



5

*Winning online*



# 1 Amplifying categories of competitive advantage

**Our categories of competitive advantage deliver ~60% of sales**

**Unique selling proposition**

**Significant contribution to revenue**

**Attractive market**

**Strong market share**

Categories	Share of Myer sales	Competitive advantages
Selected Women's Fashion categories	20%	<ul style="list-style-type: none"><li>• Range / brand power</li><li>• Category power</li><li>• Significant share of market</li></ul>
Cosmetics	20%	<ul style="list-style-type: none"><li>• Leading market share</li><li>• Authoritative space / service</li><li>• Brand power</li></ul>
Selected Menswear categories	12%	<ul style="list-style-type: none"><li>• Range</li><li>• Significant market share</li><li>• Convenience / Ease of shop</li></ul>
Selected Homewares categories	9%	<ul style="list-style-type: none"><li>• Range</li><li>• Growing market</li><li>• Category power</li></ul>

# 1 Women's fashion growth is being driven by our competitive advantage categories

**Eventwear**



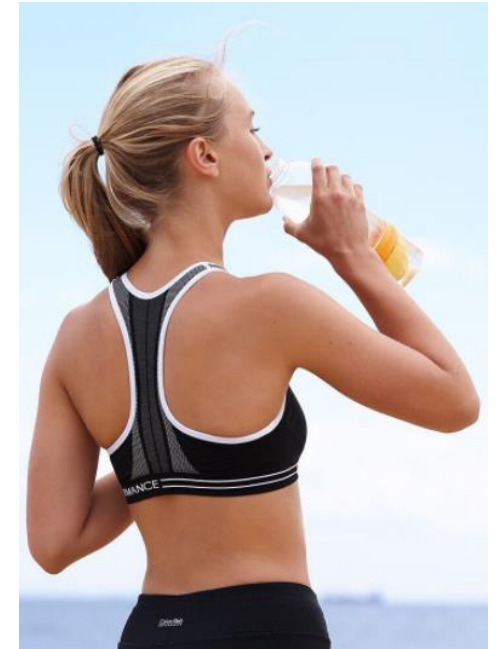
**Denim**



**Plus Size**



**Swim & Activewear**

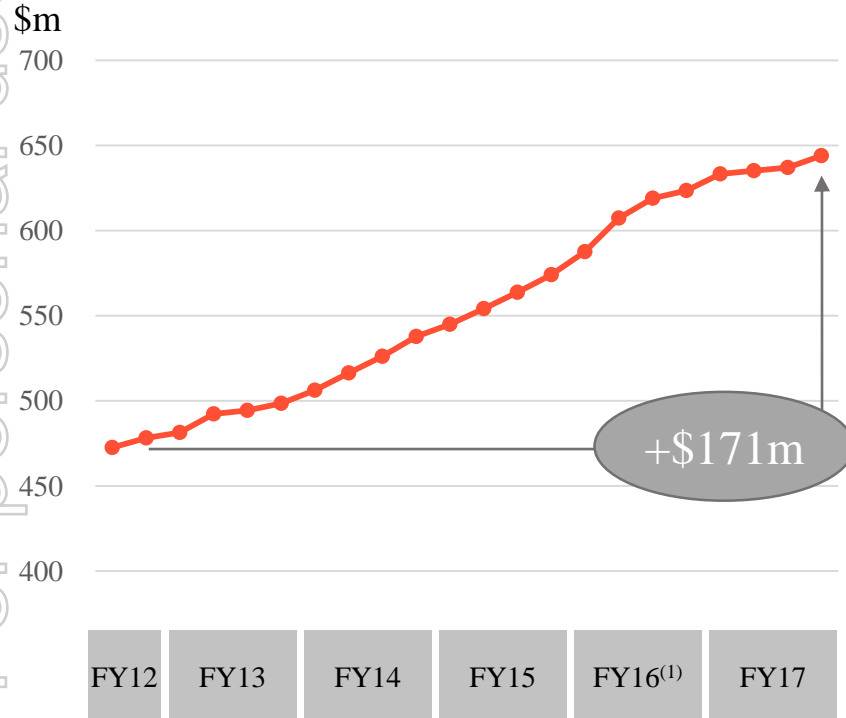


*Collectively contribute over \$130m, up +10% on last year*

# 1 Our Cosmetics business continues to grow strongly

## 21 consecutive quarters growth

Cosmetics sales (rolling four quarters)  
(Q3 FY12 – Q4 FY17)



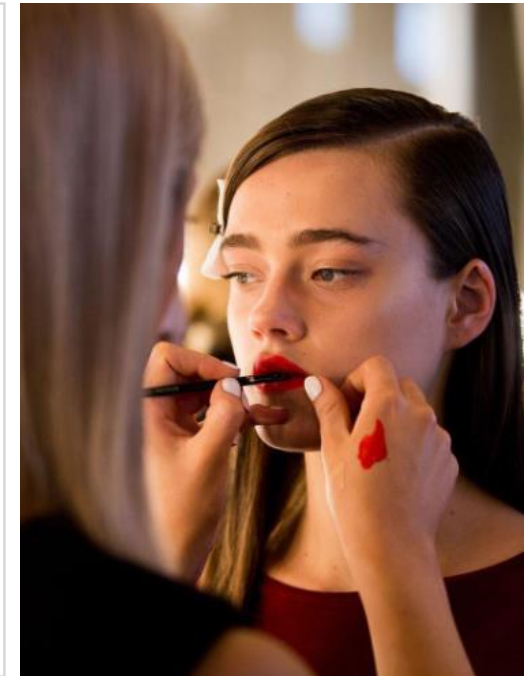
## Authoritative Space



## Compelling Brand Range



## Service Proposition



1 We are evolving from traditional ‘cosmetics’ focus to become a holistic beauty business

## Enhanced services offering

# HAIR.DO

BY JOEY SCANDIZZO

BY JOEY SCANDIZZO

# DRY & TEA

**BLOW WAVE | TEA HOUSE**



## BARBER SHOP

EST'D 2013  
SUPERIOR CUTS

**SUPERIOR CUTS**

**MYER**

## New brands launched

# TOM FORD BEAUTY

FOREO  
BEAUTY BEYOND COSMETICS

BEAUTY BEYOND COSMETICS

ALPHA+

NIOD

# Hylamide

# The Ordinary.

COMODYNES

CREMORLAB

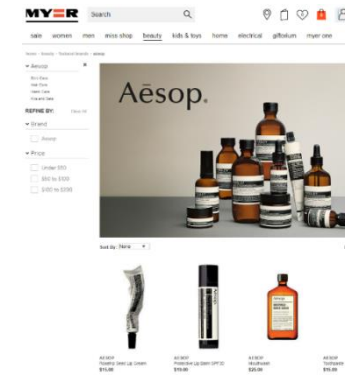
**Make you: Skin Beautiful**

## Integrated digital strategy

## Partnering with influencers, building a beauty community



### Leading brands online



## Cosmetics hall to Beauty destination



## ② Myer Exclusive Brands are large brands, loved by our customers

Selected Myer Exclusive Brands	Annual Brand Sales <sup>(2)</sup>	Total MYER one Customers <sup>(3)</sup>
BASQUE	\$42.6m	390,000
BLAQ	\$31.4m	272,000
PIPER	\$28.4m	321,000
Top 10 Myer Exclusive Brands <sup>(1)</sup>	\$319.7m	1,664,000

Ranked 3<sup>rd</sup> by value and 1<sup>st</sup> by no. of customers<sup>(3)</sup> in our Womenswear business

## 2 We are executing key MEBs like specialty brands

### Dedicated Design and Development Teams



### Dedicated Fit Out and Visual Display



### Dedicated Service Model

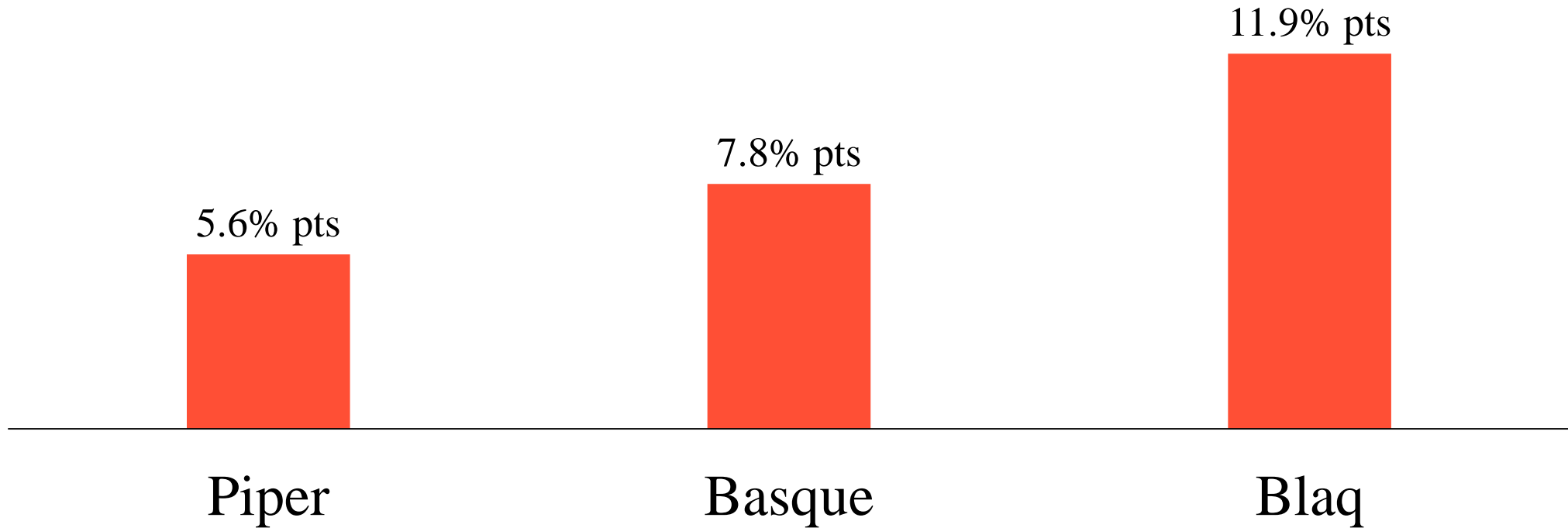


### Dedicated Marketing



## 2 Larger fashion MEBs are seeing improved outcomes from ‘specialty brand’ execution

Sales growth on LY in stores with ‘specialty brand’ execution vs stores without this execution  
H2 FY17



### 3 Leveraging newness and innovation for increased relevance

**Myer exclusives**

**Limited editions**

**5 star brand launches**

**Highlighting newness  
& trend through VM**

**Increased frequency of  
fashion drops**

*Examples:*



Personalised  
Tim Tams

More than 13,000 views  
on Myer Instagram

Dyson Supersonic  
attracted customer  
queues at launch

Strong sales response  
from improved trend  
statements

Regular new products  
for a fresher offer

## 4 We will improve our value proposition

### Focus areas to improve perceptions of value

- 1 Highlighting compelling value through initiatives such as 'Must Haves'
- 2 Targeted execution of promotional markdowns
- 3 Continued customer engagement through stocktake sale clearance events

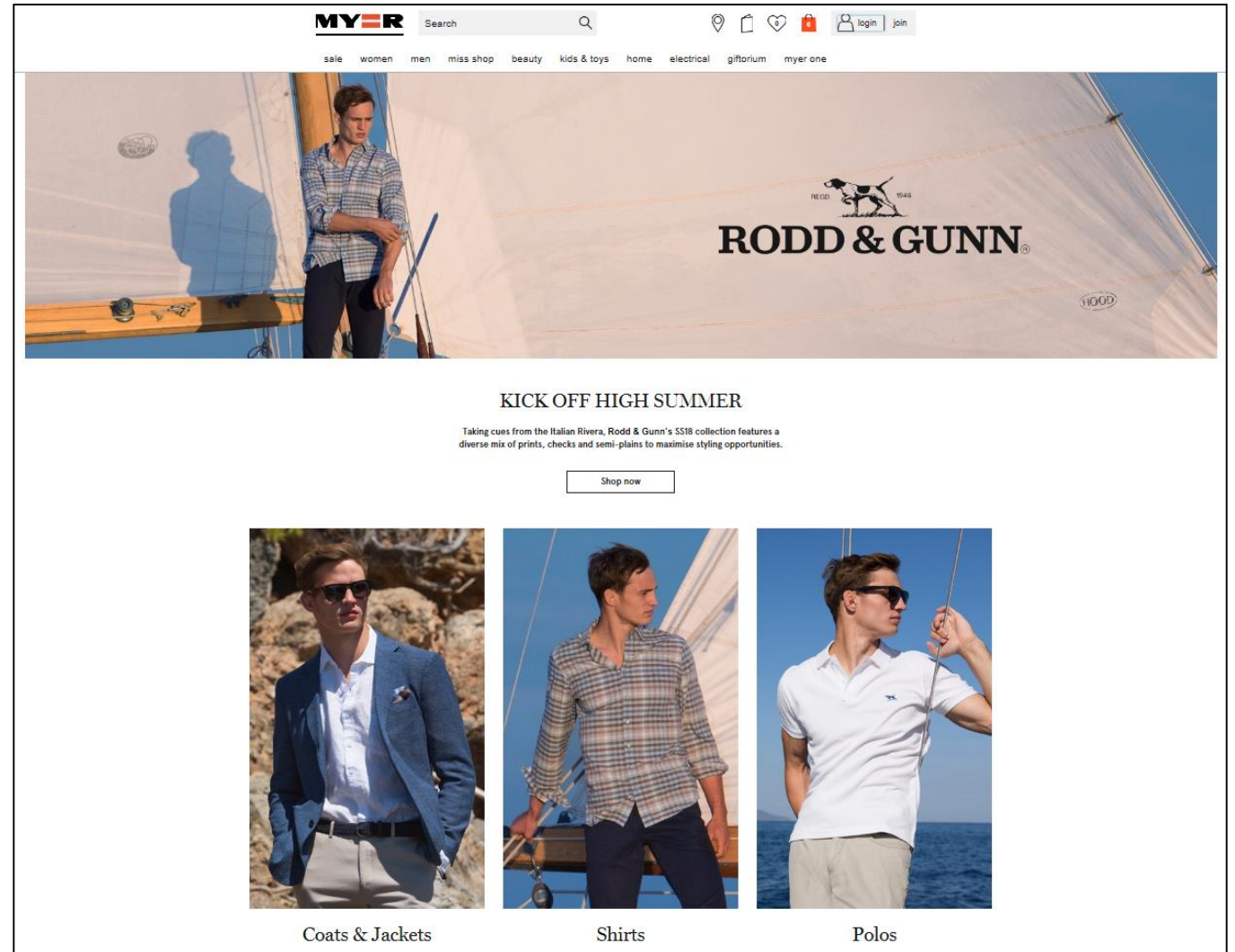
### Example: 'Must-haves' program is being expanded to support stronger value delivery



- On-trend product
- Volume buys
- Compelling and leading price
- Prominent in-store execution
- Features and benefits strongly communicated

## 5 And continue to evolve our online offer

- Growing SKUs online: 41,000 increase in last 12 months
- Broadening offer by adding more Concession Partners online
- New content upload system supporting efficiency and speed to market
- Site presentation aligned to Merchandise Focus areas:
  - Myer Exclusive Brands on landing pages
  - Category destinations
  - Focus on newness and innovation



sass & bide, Marcs and David Lawrence have been combined into Specialty Brands Australia to support their continued development

**sass & bide**

**MARCS®**

**DAVID  
LAWRENCE**

- Wanted brands valued by our customers, when they shop Myer stores or beyond
- Dedicated specialty retail governance structure
- Additional scale to support productivity development

# We are continuing to optimise and evolve our offer

1

*Categories of competitive advantage*



2

*MEBs as a key differentiator*



3

*Newness and innovation*



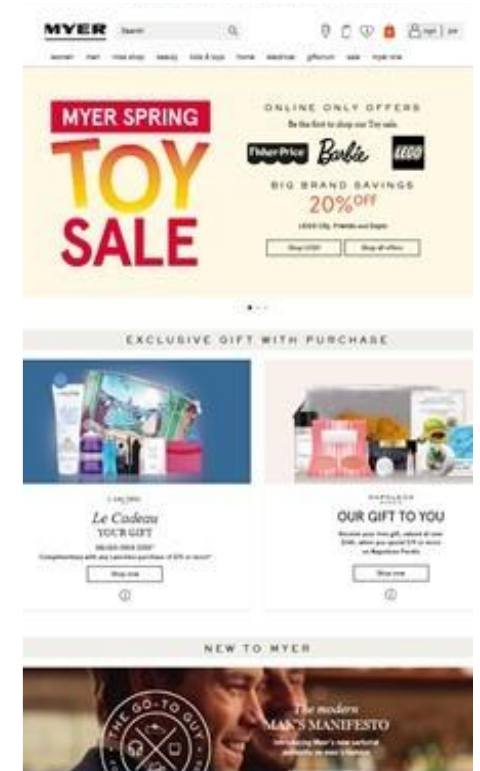
4

*Strengthened value proposition*



5

*Winning online*

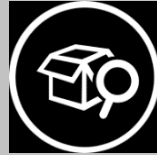


# What is Merchandise Planning at Myer?



## Sales demand forecasting

- Forward sales budgeting
- Seasonal and event planning
- Store level localisation planning



## Stock Management

- Inventory management
- Open to Buy management
- Range option reduction



## Margin

- Margin management
- Promotional markdown effectiveness
- Clearance activity
- Sourcing



## Space planning

- Space planning optimisation
- Range to space planning
- Predictive space analytics

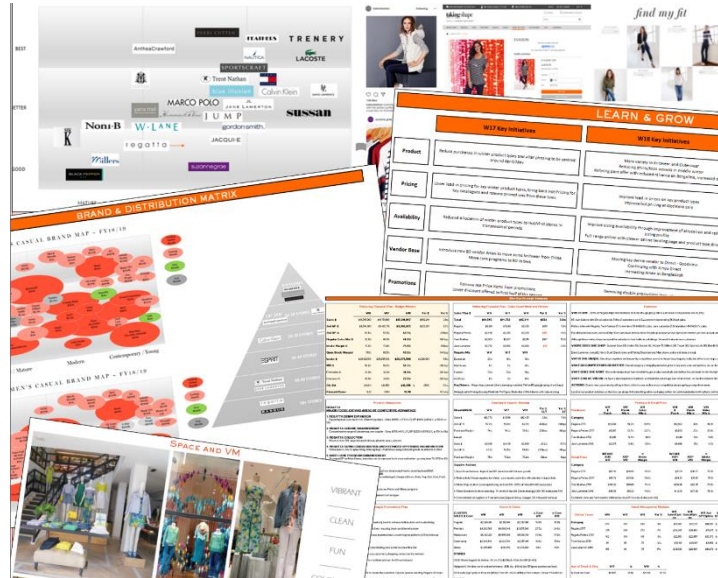
# Our Merchandise Planning capability is helping us make quicker and more informed decisions

## Systems

The Oracle logo is displayed in white text on a red background.

- Investment in full suite of Merchandise Planning systems

## Process



- Embedding enhanced buying and planning processes

## People



- Strengthened merchandise expertise
- Investment in people development

# New planning capabilities will enable sales and margin growth

1

*Localisation*



2

*Promotional markdown effectiveness*



3

*Better stock management*



4

*Sourcing*



# ① We can now allocate the right stock, in the right size to the right store

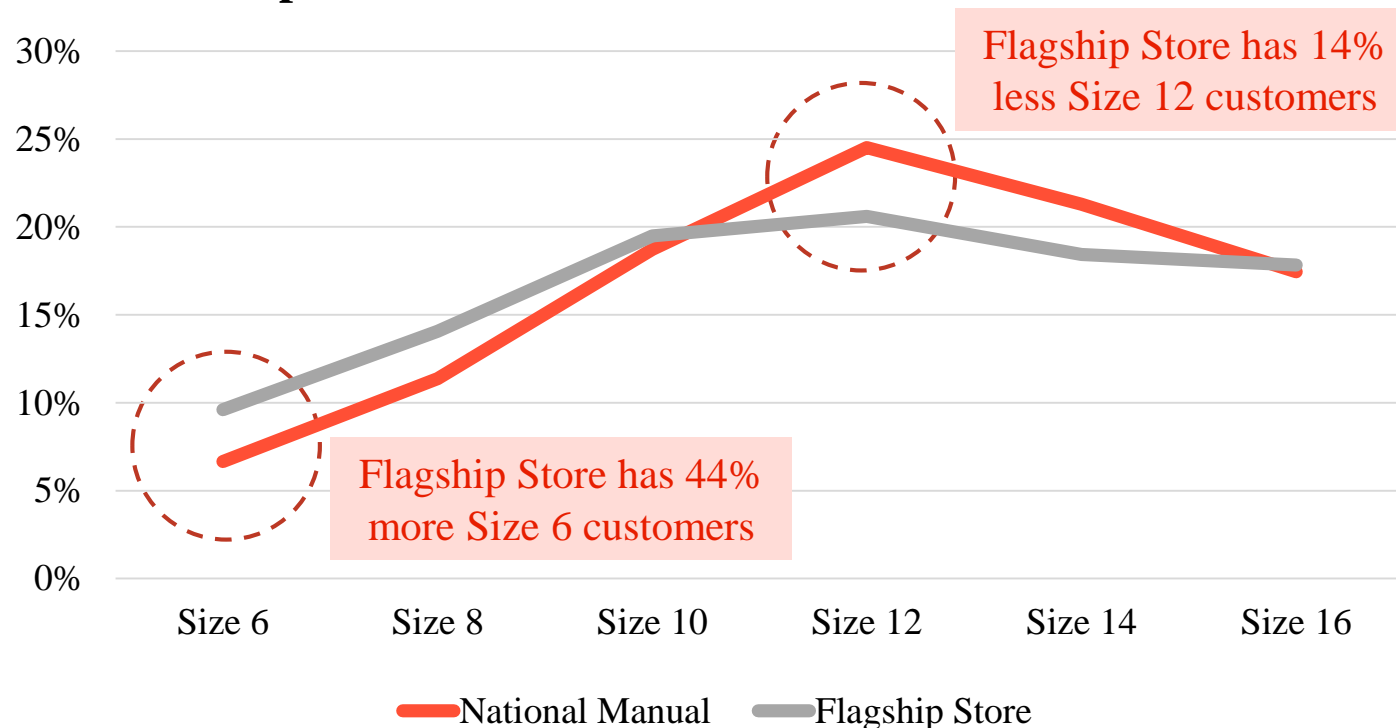
## Localisation tool

- Store - product specific size curves
- Driven by local customer requirements
- Profiles refined progressively over time

## Benefits

- Improved availability
- Improved full price sell through
- Reduced clearance activity

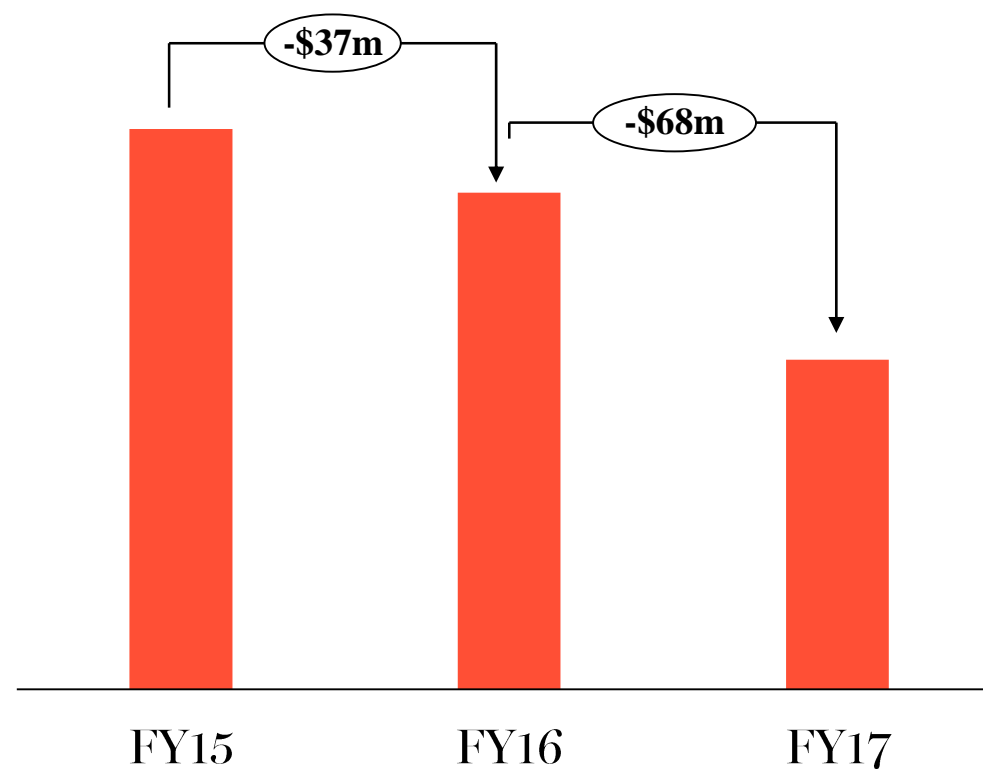
**Size profile of Womenswear SKU: National versus a Flagship store**  
% of SKU depth



## ② Using data insights to reduce promotional markdown spend and manage clearance investment

- Reducing promotional markdowns as we no longer buy systemically to markdown
  - 14% reduction in promotional markdown delivered between FY15 and FY17
- Optimising promotional markdowns that deliver ROI
- In season clearance activity

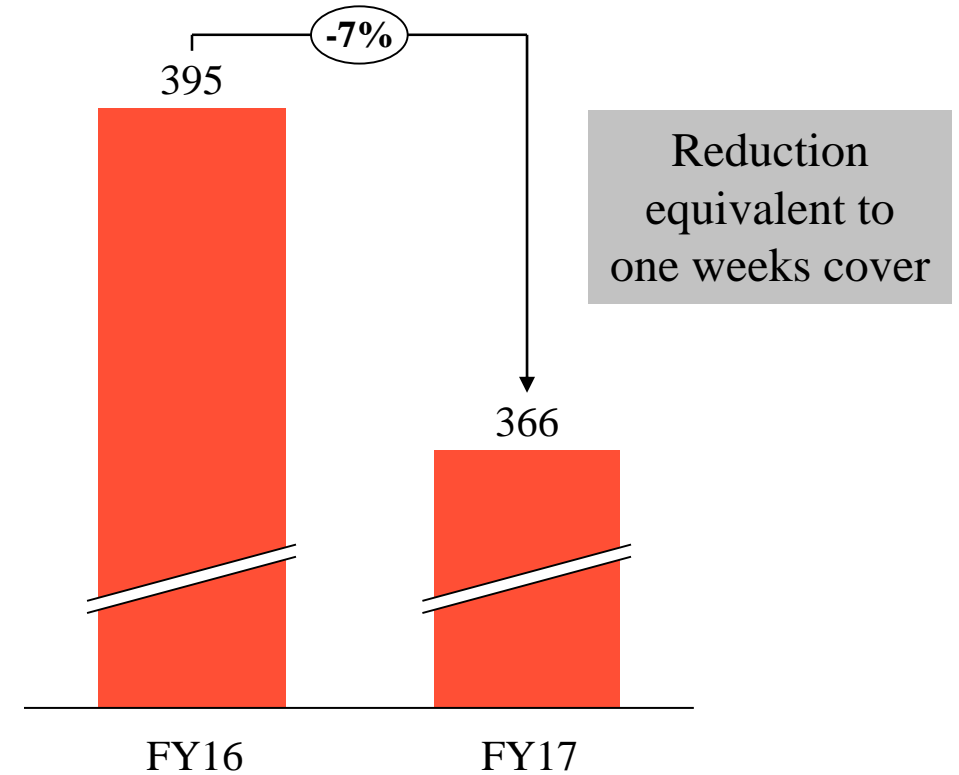
### Promotional markdown at retail \$ investment: FY15 - FY17



### 3 Better stock management will improve working capital

- Enhanced open-to-buy processes:
  - Purchases reduced by \$117m (7%) on last year
- Range options reduced by 11,500 (7%) compared to last year
- Backing winners with stock volume
- Rigorous focus on reducing forward weeks of inventory cover

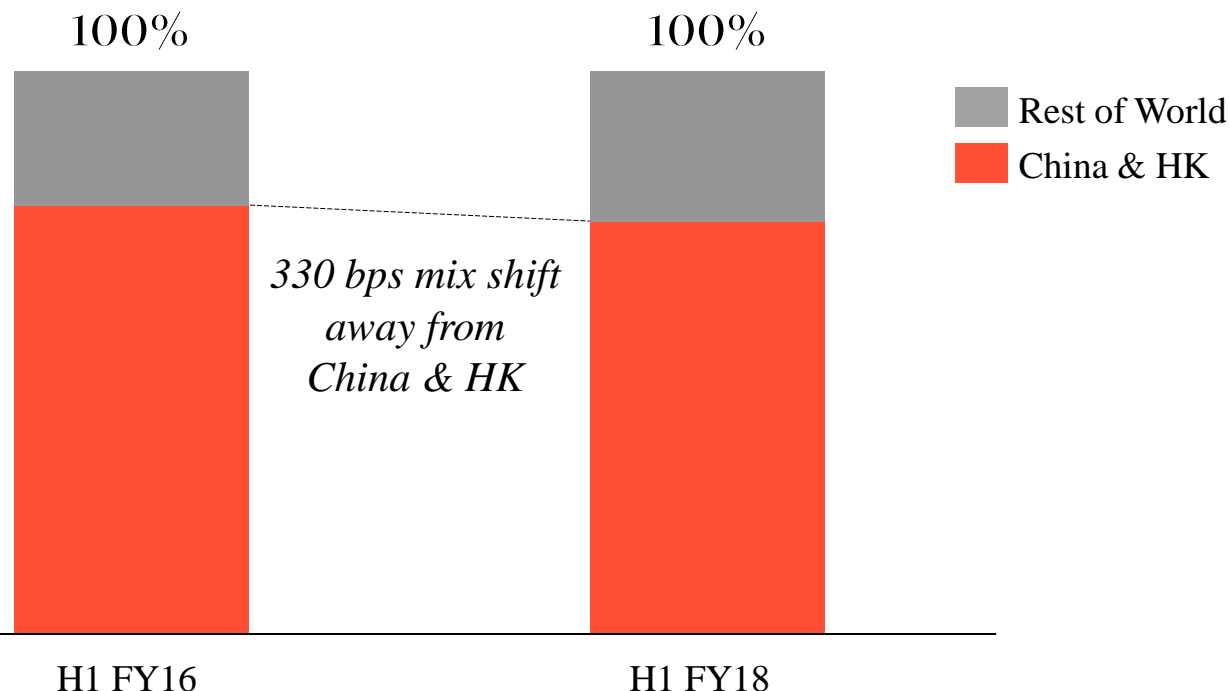
**Stock at cost FY16-17<sup>(1)</sup>**  
\$m



## 4 We are re-balancing our sourcing and supplier mix

### MEB sourcing mix by country of origin

H1 FY16 – H1 FY18 YTD



- Actively migrating to sourcing in emerging markets
- Ongoing supplier consolidation
- Optimising MSAL<sup>(1)</sup> for sourcing efficiencies

# We continue to enhance our customer offer and Planning capabilities

## Product offer

- Strengthened our Wanted Brand stable
- Reset Myer Exclusive Brands portfolio
- Building destination categories
- Developing Myer Exclusive Brands as specialty brands
- Emphasising newness, innovation and online growth
- Establishing and developing Specialty Brands Australia

## Planning and enabling capabilities

- Upgrading Merchandise Planning System and processes
- Strengthened team capability
- Improving buying for local demand
- Optimising markdowns
- Enhanced stock management
- Actively managing sourcing and supplier mix

# STRATEGY DAY AGENDA

Introduction

Customer Service and Experiential Retailing

Merchandise

Productivity, Efficiency and Property

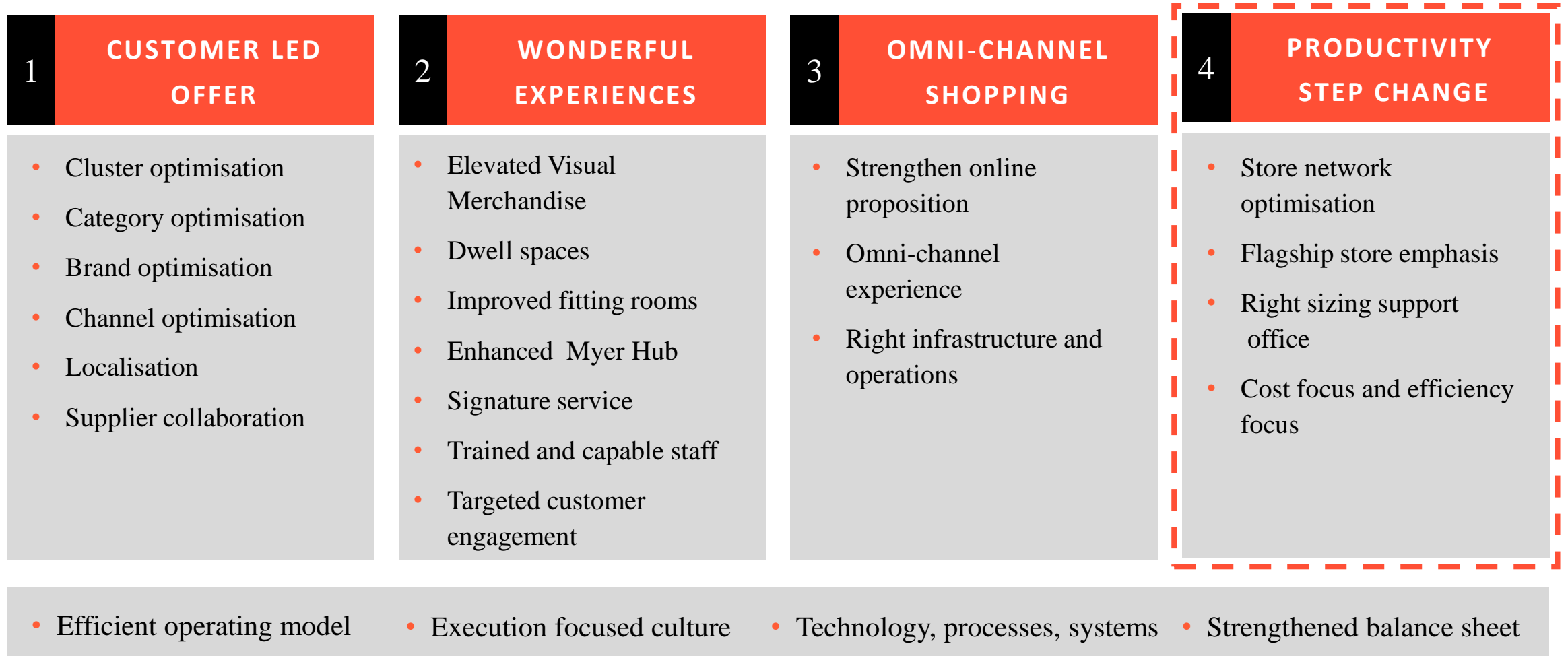
Off-Price Retail

Omni-Channel, Digital and Data

Closing Remarks

# Productivity Step Change continues as a New Myer priority

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# Myer is focused on increasing productivity and driving efficiencies

## Examples

### Cost optimisation program

- Store support and back office efficiencies
- Improved procurement of core services
- Outsourcing of non-core activity

### Process improvement

- Simplified store administration and general office activity
- Efficient online fulfilment

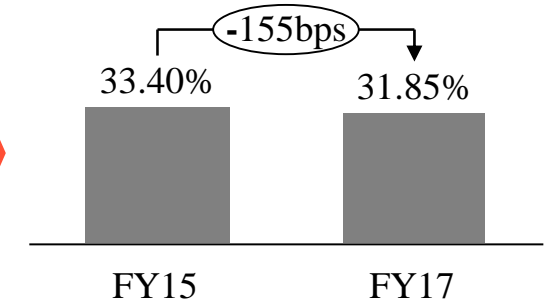
### Support office and DC optimisation

- Support office space down 30%
- Qld DC space reduced by 50%

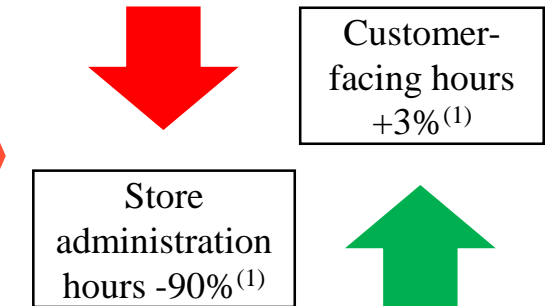
### Store network optimisation

- Store closures; targeted space and rent reductions
- Flagship and Premium store investment
- Localised offer and formats (e.g. Clearance floors)

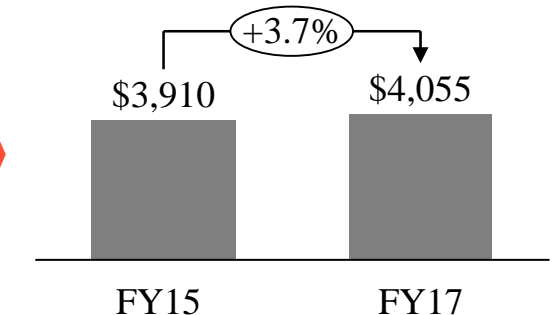
**CODB**  
reduction  
(% of sales)



**Reduction of**  
non-customer  
facing tasks



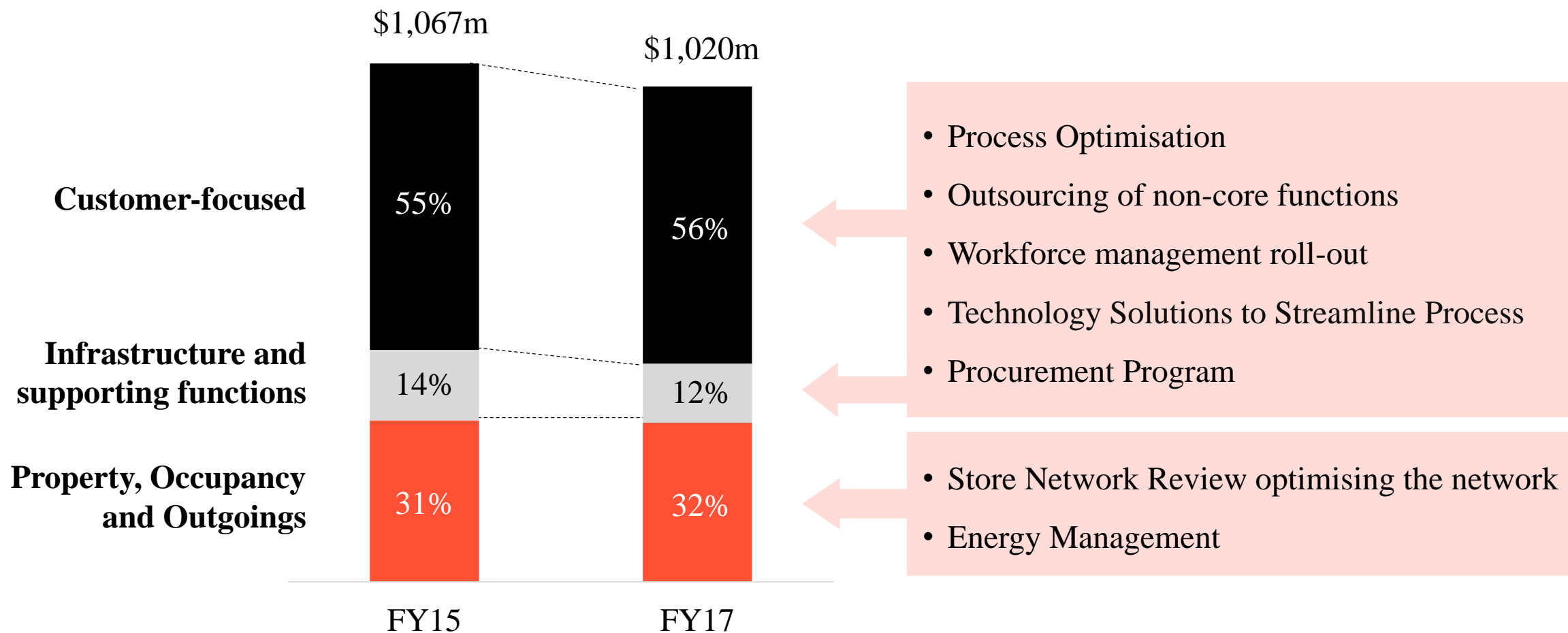
**Improved**  
space  
productivity  
(\$/sqm)



# We have a structured program targeting key areas of spend

## Myer cost base has shifted since launch of New Myer

## CODB efficiencies program



# Process optimisation will continue to focus on reducing support costs and improving supporting services

## Reduction and consolidation of processes in stores

- Closure of store-based admin offices
- Centralisation of store processes into support office
- Automated rostering solution
  - Better alignment of rosters to customer demand
  - Improved utilisation of permanent staff

Store administration hours -90%

Re-invested into customer-facing hours +3%<sup>(1)</sup>

## Procurement and outsourcing of non-core functions

- Outsourcing non-core support functions: call centre, travel, digital services agency, and loss prevention
- Re-tendering of support services contracts

e.g. Switchboard automation has led to a  
70% reduction in cost per call<sup>(2)</sup>

# We are streamlining our processes and leveraging procurement opportunities

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1

## **Cost optimisation program established**

- Program of ongoing cost reduction initiatives
- Continued leverage of procurement activity
- Focus on improved benefits realisation, reporting and tracking processes

2

## **Investing in process improvement**

- Key processes under review across the business
- Applying LEAN principles to improve productivity
- Investing in our team to embed continuous improvement capability

3

## **Embedding a cost conscious culture**

- Cost control objectives introduced into management KPIs
- Updated discretionary spend policies
- Cost-focused change management programs

# We have made good progress on reducing our total footprint

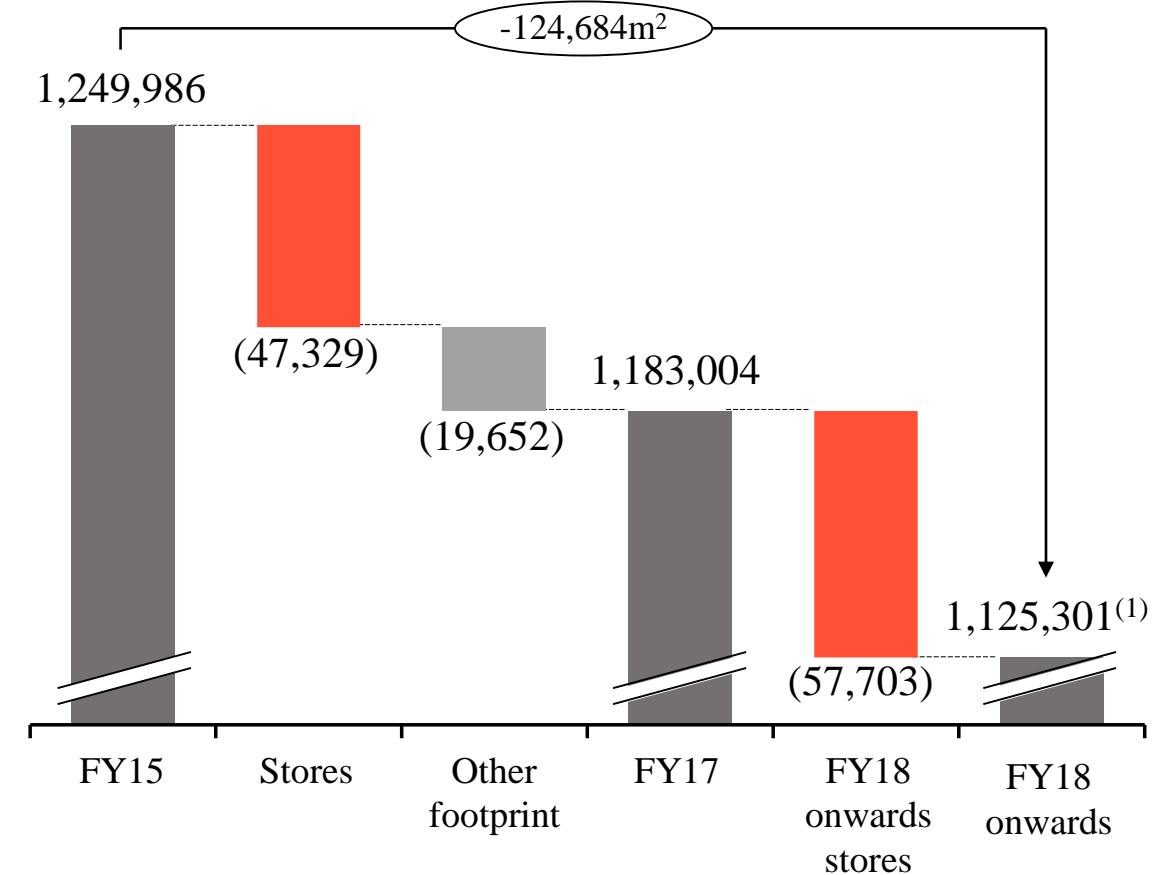
## 2016

- Decision to not proceed with 3 planned stores

## 2017

- Announced Logan to close in FY18
- Closed 3 stores at Orange, Brookside and Wollongong
- Space hand backs at 4 stores - 2 in FY17, 2 underway
- >30% space handed back at Support Office
- 50% space handed back at Richlands DC
- Announced 3 additional store closures: Belconnen, Hornsby, Colonnades

## Total Footprint m<sup>2</sup> (as at year end)



# Our network plan has been developed based on insights from local and international markets

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## International market developments

- Impact of online growth
- Retail space and department store network developments
- Traffic impacts by mall type

## Myer store location assessment

- Local area growth drivers: population and economic
- Mall quality and alignment to priority customer segments
- Mall and local market development plans
- Lease expiry timing
- Projected store performance

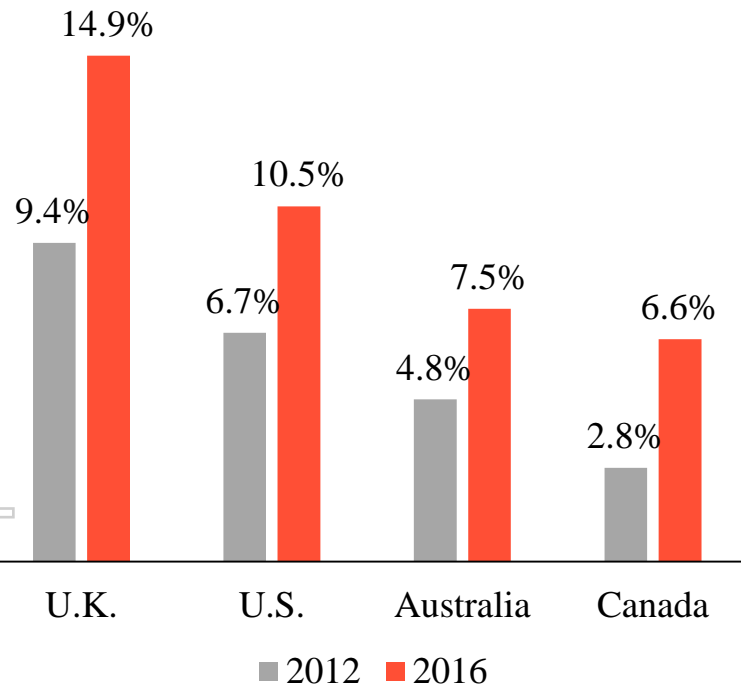
## Sales transfer modelling

- Based on actual sales transfer via MYER one
- Considers local factors:
  - Customer loyalty to the store
  - Proximity and cross-shop to nearby Myer locations
  - Relevant local competition

# International market developments have informed our planning

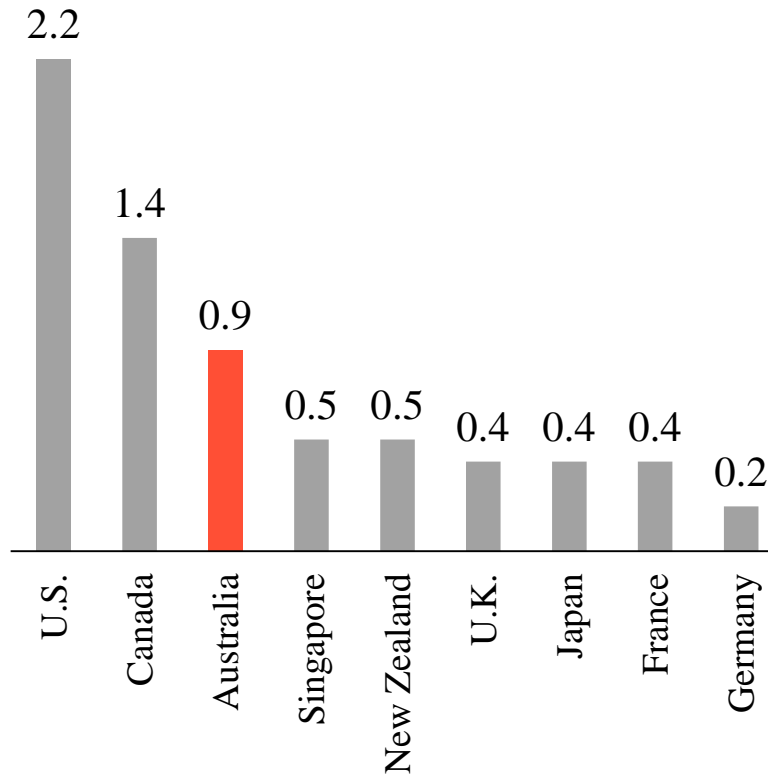
**Australian online penetration lagging U.S. market by 3-4 years**

Online penetration  
(2012-16)



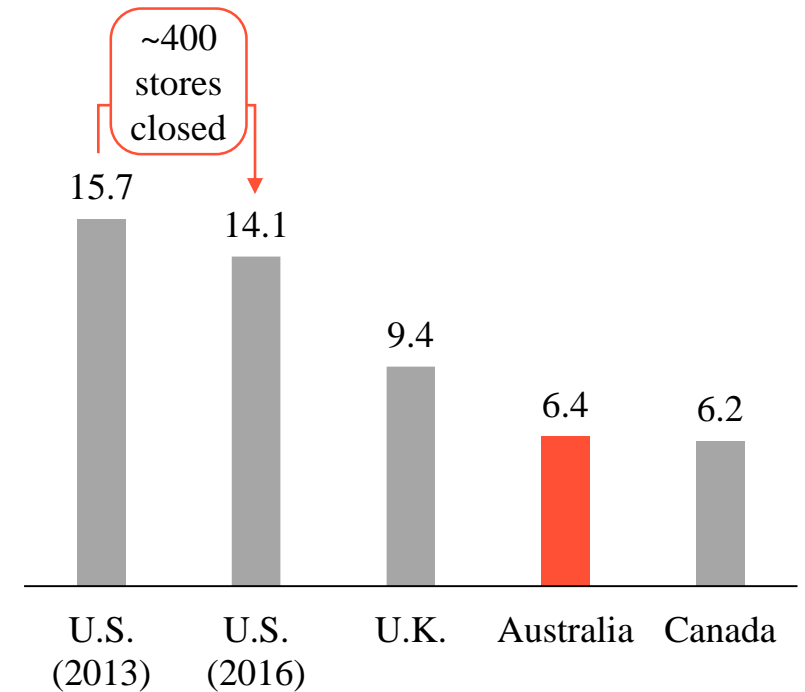
**Australia has much lower retail space density than U.S. and Canada**

Retail space per capita for select countries



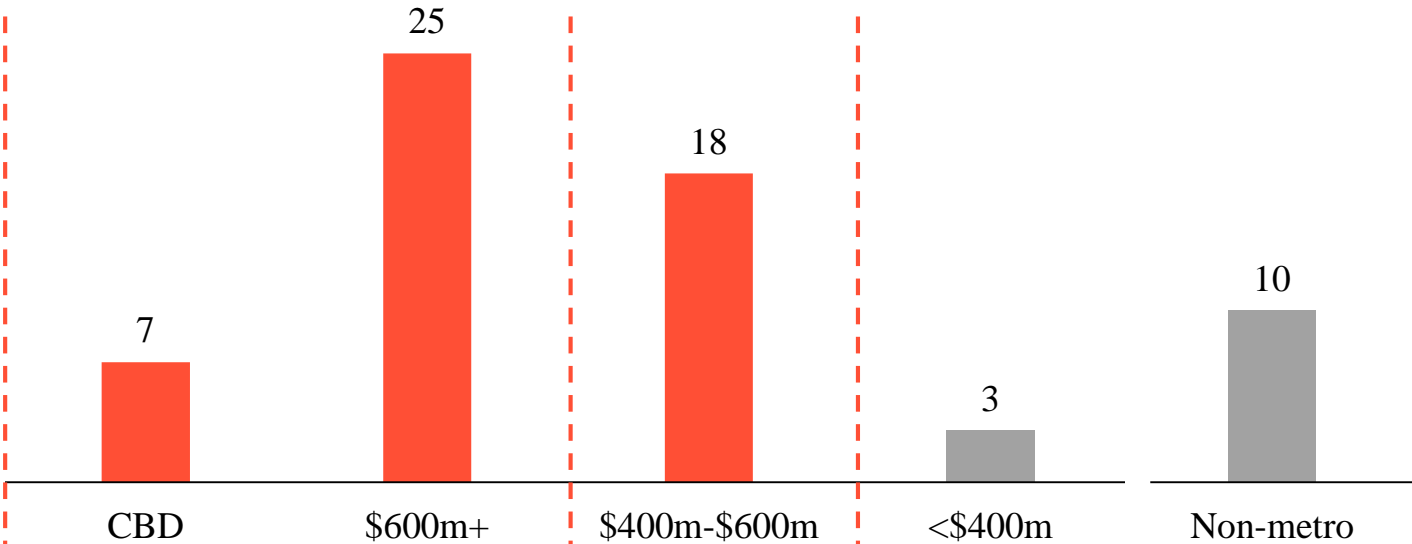
**Very high department store density in U.S. despite significant consolidation**

Full-line department stores per 1 million people  
2016



# Myer stores are located in Australia’s best shopping centres

**Myer stores tiered by Shopping Centre annual turnover<sup>(1)</sup>**  
**2016**



Indicative Mall Tier <sup>(2)</sup>	A	B	C
Mall Tier definition <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Major metro market</li> <li>Highest sales / sqm</li> <li>Top anchors</li> <li>Recent refurbishment</li> <li>Low vacancy rates</li> </ul>	<ul style="list-style-type: none"> <li>Outer metro</li> <li>Mid-tier anchors</li> <li>Aging centre</li> </ul>	<ul style="list-style-type: none"> <li>Inferior location</li> <li>Vacant anchor space</li> <li>Aging centre</li> </ul>

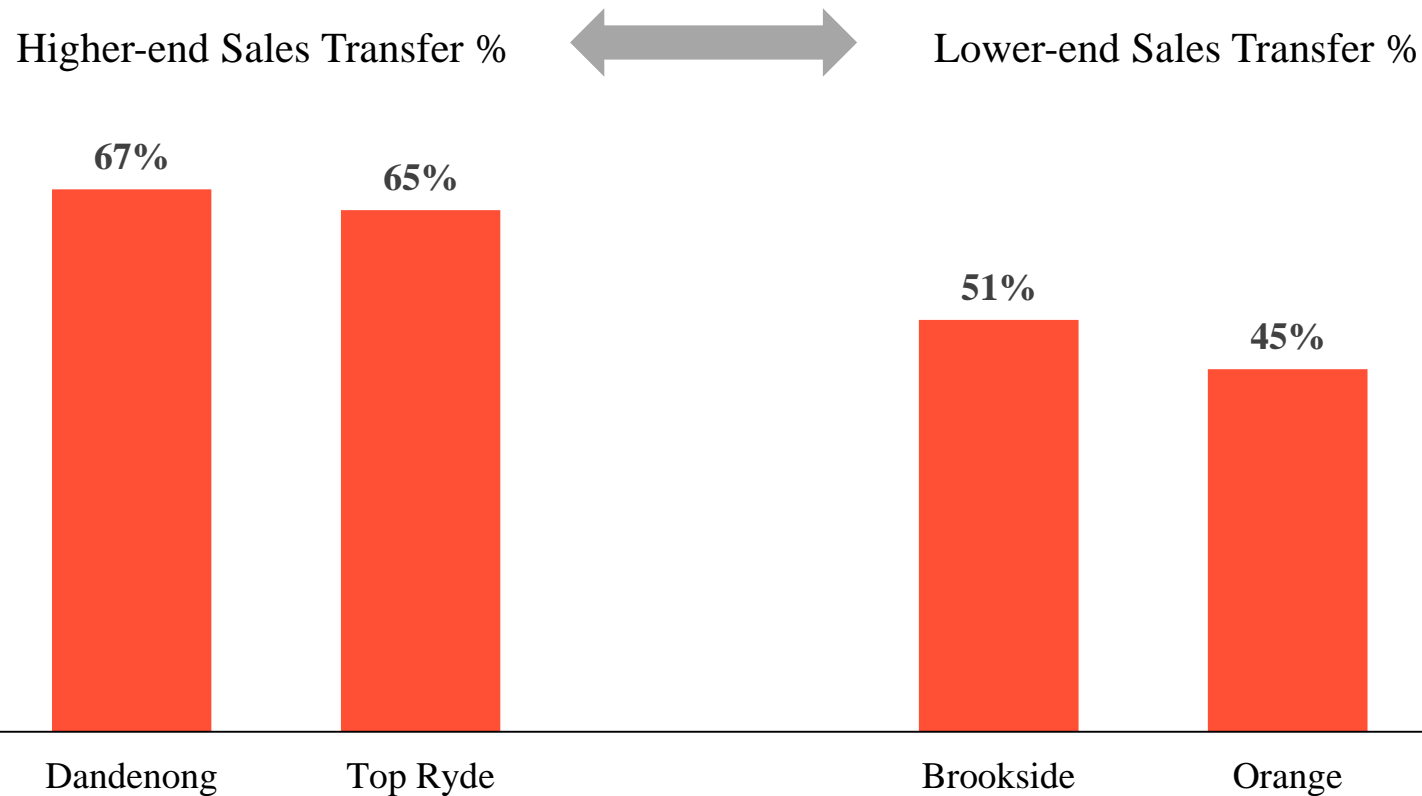
- U.S. malls identified by analysts as being at highest risk of closure are lower quality ‘Tier C & D’ malls
  - lower grade tenant mix
  - higher exposure to commodity products; more vulnerable to online disruption
  - Lower potential to adapt to a convenience, high frequency offering (i.e. food, experiences)
- ~80% of Myer stores are in CBD or malls with turnover > \$400m

# Sales transfer on store closure is assessed using MYER one

Since 2012, 10 stores have been closed spanning all states

## Projected sales transfer considerations

### MYER one sales transfer on store closures<sup>(1)</sup>



- Customer loyalty to the store
- Proximity and cross-shop to nearby Myer locations
- Relative strength of offer in surrounding stores
- Relevant competition in local market
- Potential for online sales transfer

# We have clear network optimisation guiding principles and objectives

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## Network Guiding Principles

1. Myer will not take steps which degrade shareholder value
2. Myer will close assets where a commercial return to shareholders can be demonstrated
3. Myer will work with landlords on a portfolio basis to achieve optimal returns across the asset base
4. Myer will invest to grow key stores and continue to re-allocate space to more productive uses

## Network Objectives

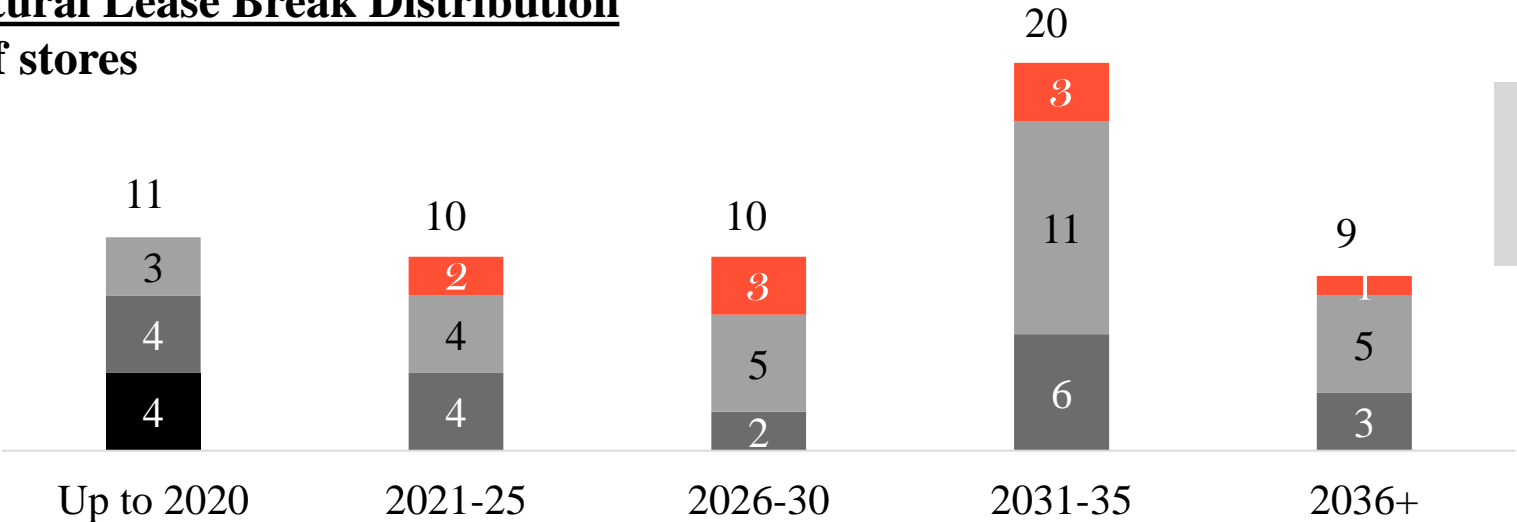
- Reduce total costs of ownership
- Reduce lease tenure
- Maximise flexibility in lease terms
- Increase space productivity
- Invest for growth in key assets

# We're actively managing our network in line with these guiding principles and objectives

Proposed Direction	Number of Stores	Description
<b>Invest to grow</b>	9	Key strategic stores with significant potential for sales and profit growth
<b>Optimise earnings</b>	31	High value stores; actions to focus on optimising earnings
<b>Seek to improve commercial position, reduce space or close</b>	19	Stores where Myer will work with landlords on a portfolio basis to achieve optimal returns
<b>Closures previously announced</b>	4	Colonnades, Hornsby, Logan and Belconnen

# Our most strategic assets are secured with long leases

**Natural Lease Break Distribution**  
# of stores



Excludes 3 stores that are predominantly company owned

Invest to grow	0%	22%	33%	33%	12%
Optimise earnings	11%	14%	18%	39%	18%
Seek to improve commercial position, reduce space or close	21%	21%	11%	32%	15%
Closures previously announced	100%				

# STRATEGY DAY AGENDA

Introduction

Customer Service and Experiential Retailing

Merchandise

Productivity, Efficiency and Property

Off-Price Retail

Omni-Channel, Digital and Data

Closing Remarks



MYER

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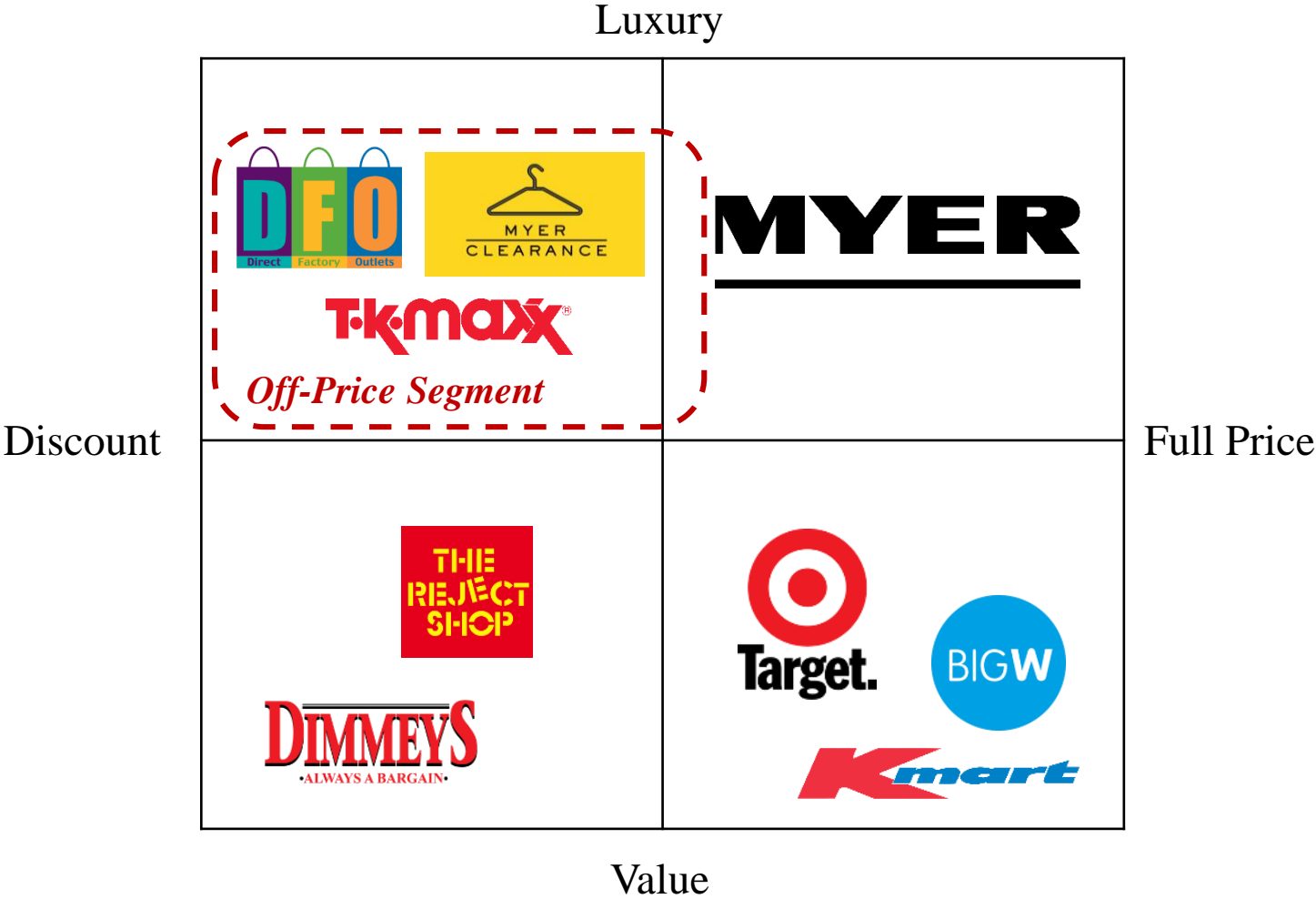
CLEARANCE

# Myer Clearance is an ‘Off-Price’ retail proposition

Proposition: brand positioning v price discount

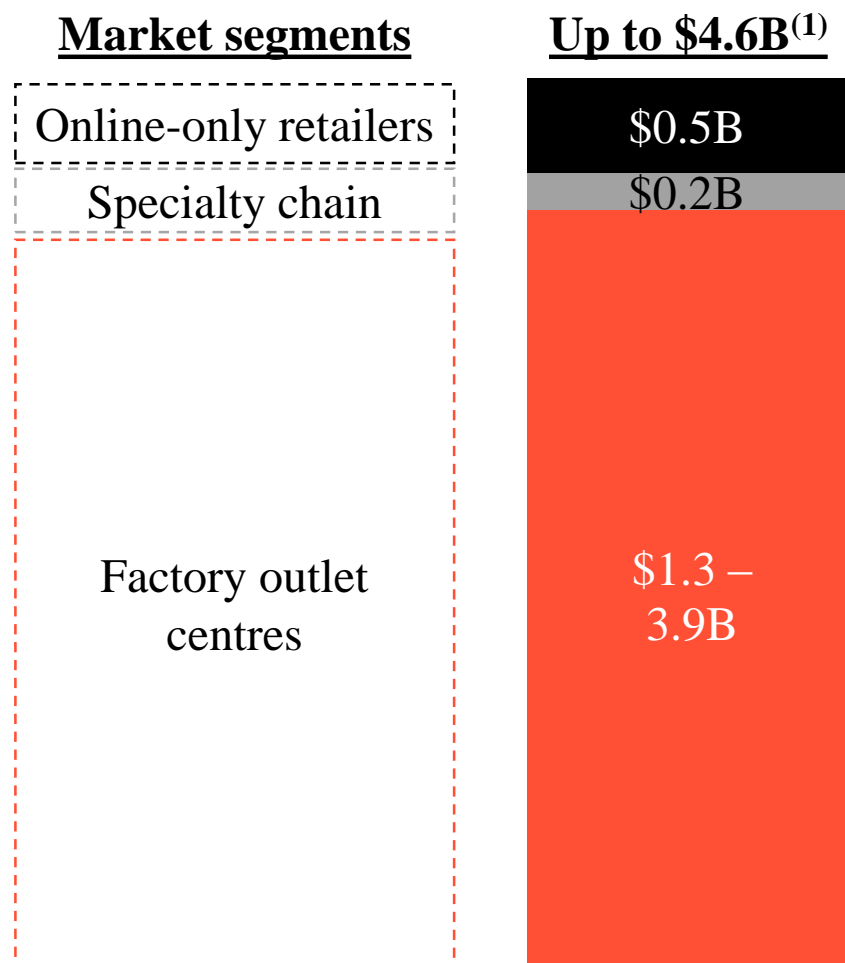
## What is ‘Off-Price’ retail?

- Focus on selling branded product at a significant discount
- Includes end-of-season lines or product over-runs as well as ‘made for outlet’ products
- Represents a new potential market for Myer adjacent to Myer’s current proposition



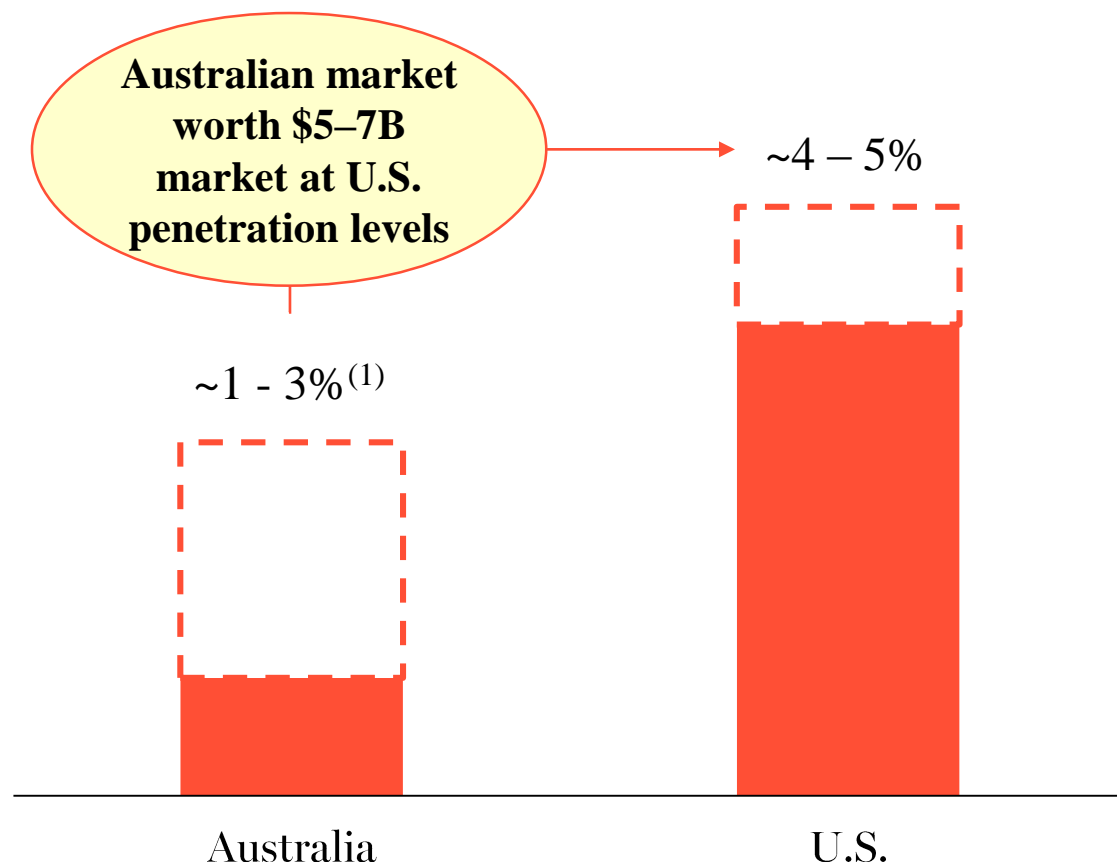
# Off-Price segment is large with significant growth potential

**Australian Off-Price market is fragmented with no clear brand leader**



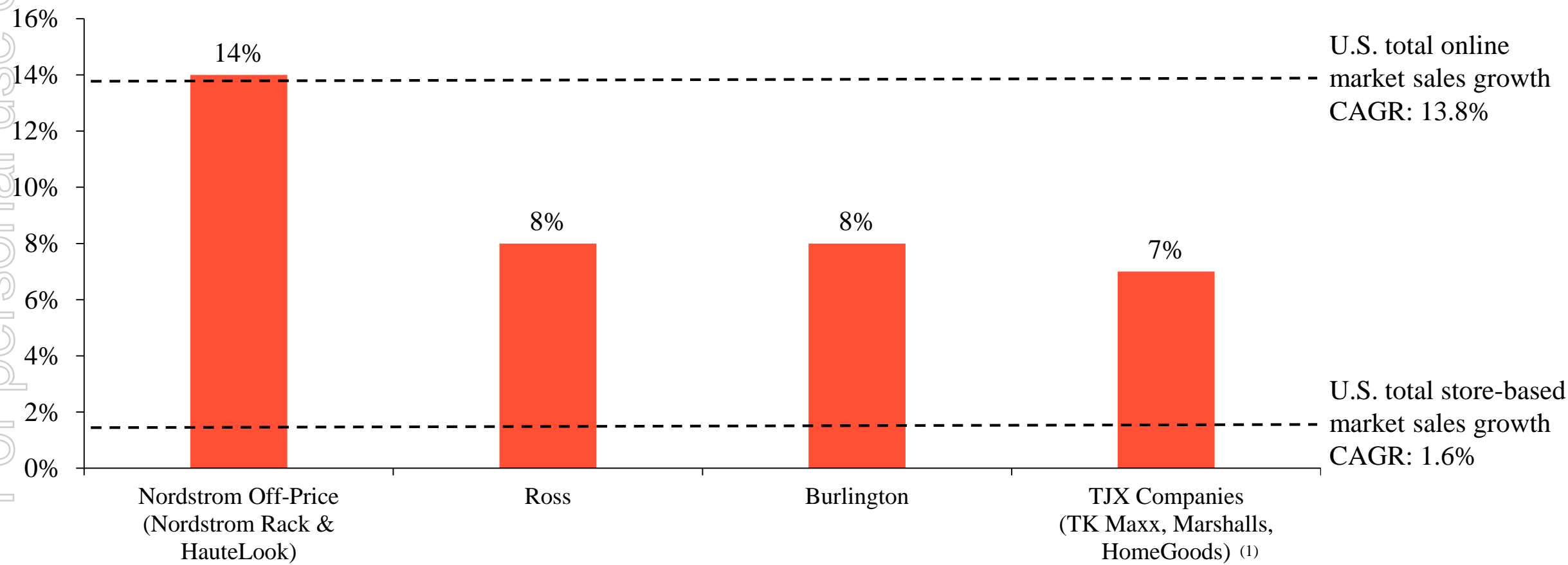
**Potential for considerable growth in Australia**

**Off-price penetration of retail market (excl. grocery)**



# Off-Price segment has proven resilient against online shopping

**Three-year sales growth CAGR (% p.a. 2013-16): Off-Price players against store-based and online market**



# We have started with Myer Clearance

- Over 700 brands including concession partners
- Redeployment of 24,800 m2 of unproductive space - 8 floors across 8 stores
- New visual merchandising concept
- Differentiated pricing strategy and in store ticketing promoting brands and clear price points
- Dedicated online clearance fulfilment from each site
- 'Daily Deals' and 'Last chance to buy' zones
- Unique marketing program

**MYER**



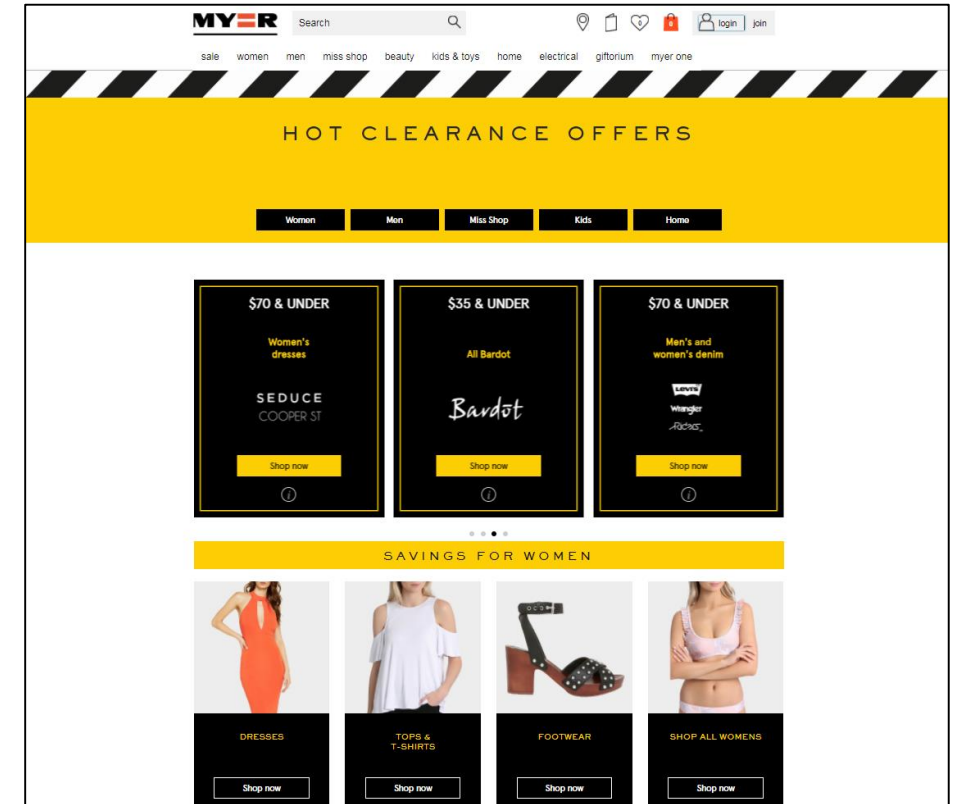
# Launching 8 clearance floors and an online channel

## Created a clearance hub in each geographical region

24,800 sqm space  
converted



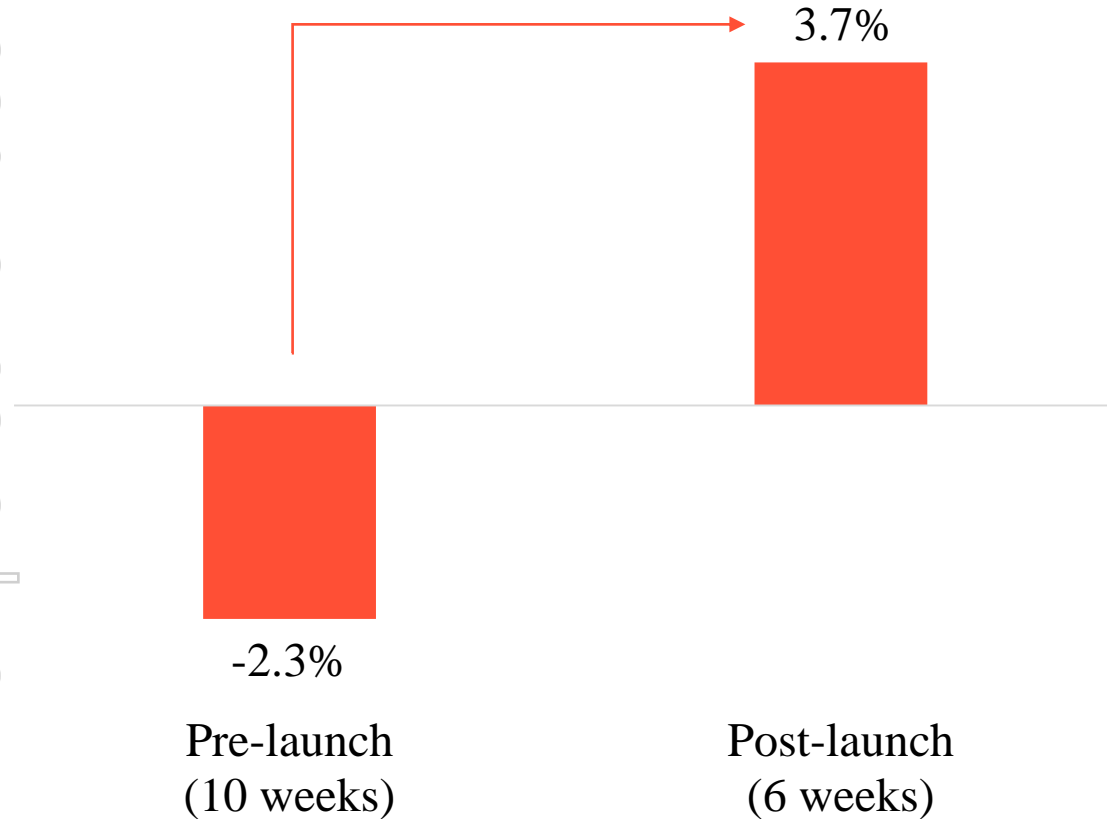
## Dedicated 'Myer Clearance' section on myer.com.au



*myer.com.au is delivering the  
clearance proposition nationwide*

# Early outcomes have been strong since launch

Total store sales growth at Myer Clearance locations on LY:  
pre- vs post- clearance floor launch

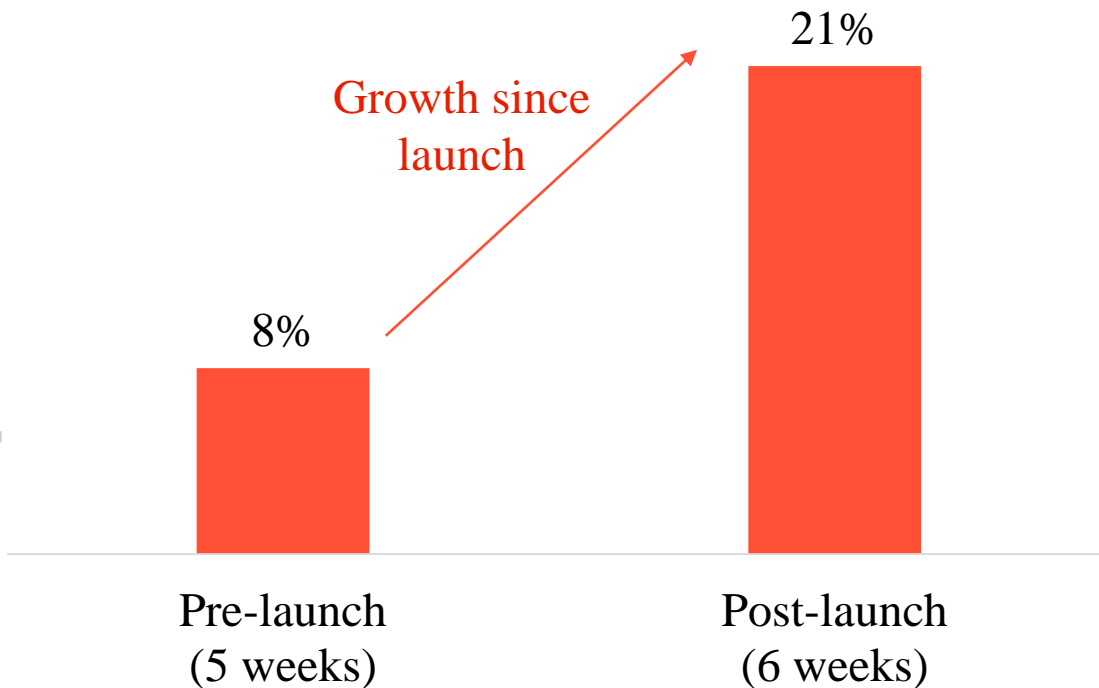


- Significant sales improvement across total Myer store (all floors)
- Sales productivity uplift of 2-3x over 24,800 sqm versus prior use of space
- Better ROI on clearance investment
- Delivering improvements in full price sell through on other floors

# Myer Clearance online is also performing strongly

**Online is a significant driver of aged stock clearance**

## Online share of aged clearance sales



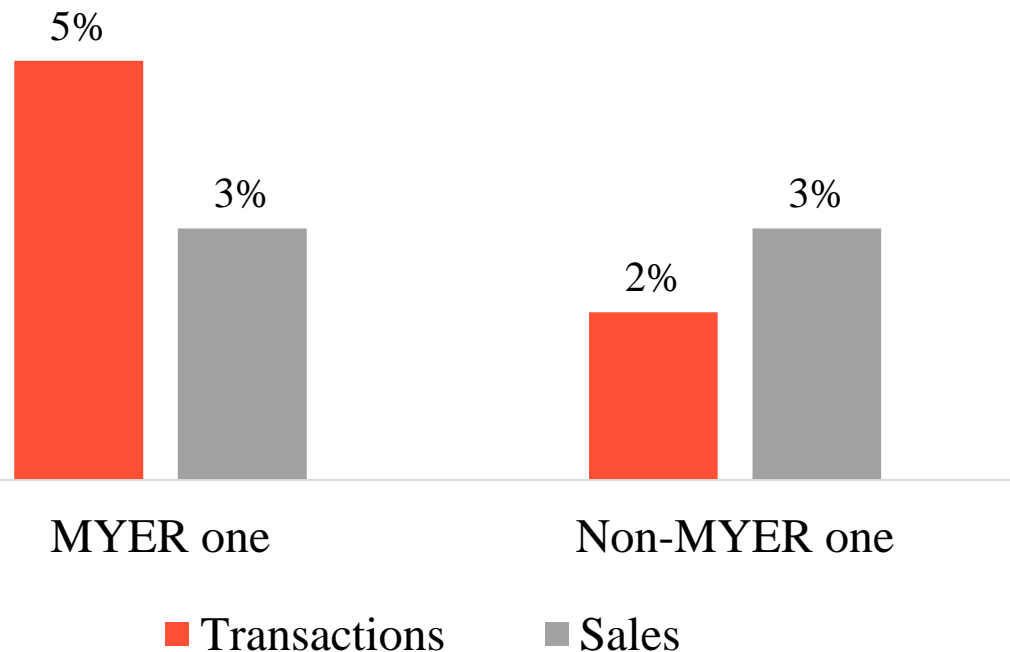
**Customers are engaged with the online offer**

- Customers view clearance page for a longer period relative to an average visit to myer.com.au
- Customers view more items on clearance tab relative to an average visit to myer.com.au
- Conversion rate has remained steady from pre- to post- period

# We are seeing growth in customers, particularly from Fashion Forward and Affordable Fashion segments

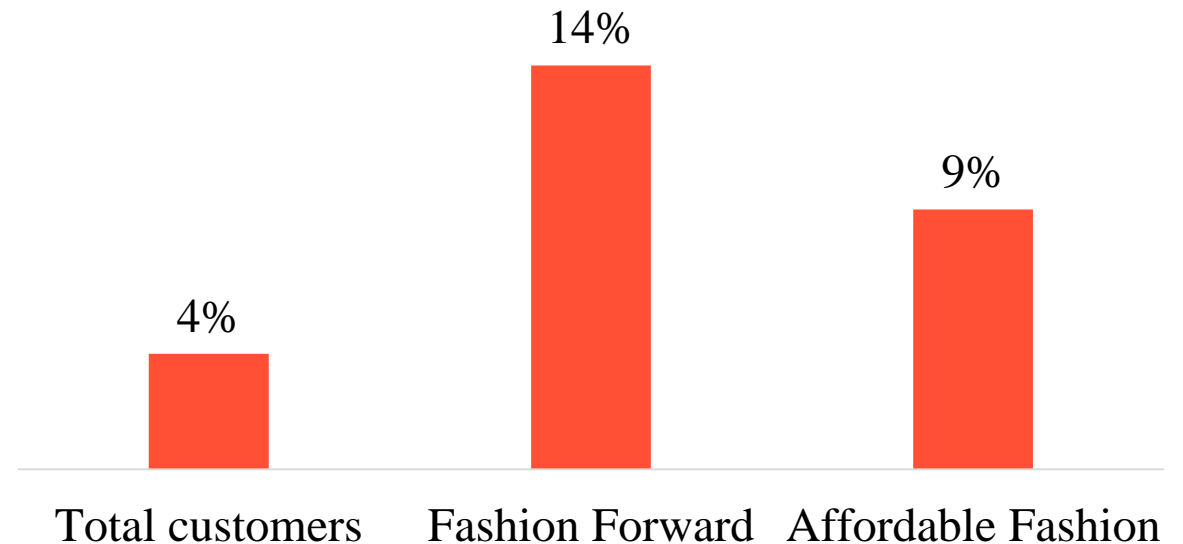
## Transaction and sales growth seen for MYER one members and non-members

Clearance location transactions and sales growth on LY  
Sept - Oct 2017



## Strongest growth coming from two key primary segments

Clearance store customer growth on LY since launch:  
selected segments  
Sept - Oct 2017



# We will continue to evolve the Off-Price proposition

- Opportunity to expand merchandise offer into additional categories
- Explore supplier partnerships, including expanding concession model and made-for-outlet product
- Test and learn from online trials for presentation and range
- Continue to evolve store operating model
- Optimise supply chain and distribution
- Consider footprint expansion to further Myer stores

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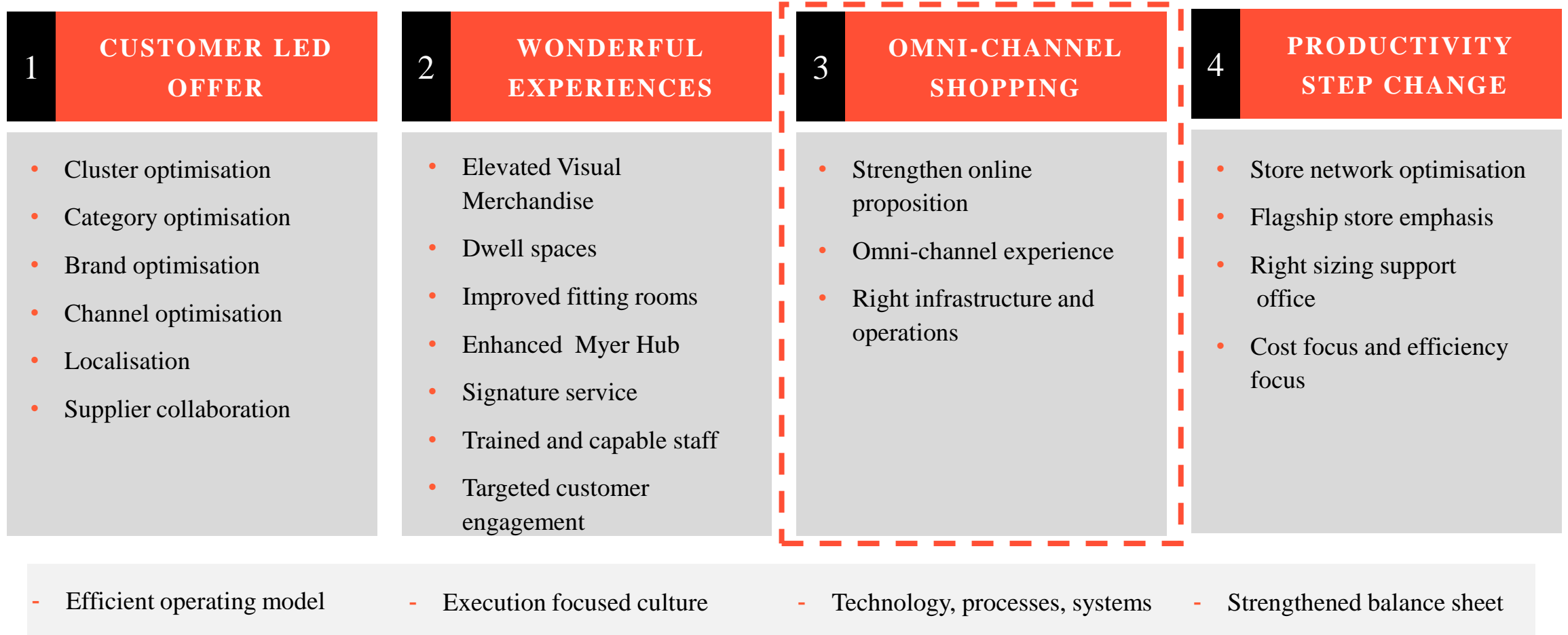
Off-Price Retail

Omni-Channel, Digital and Data

Closing Remarks

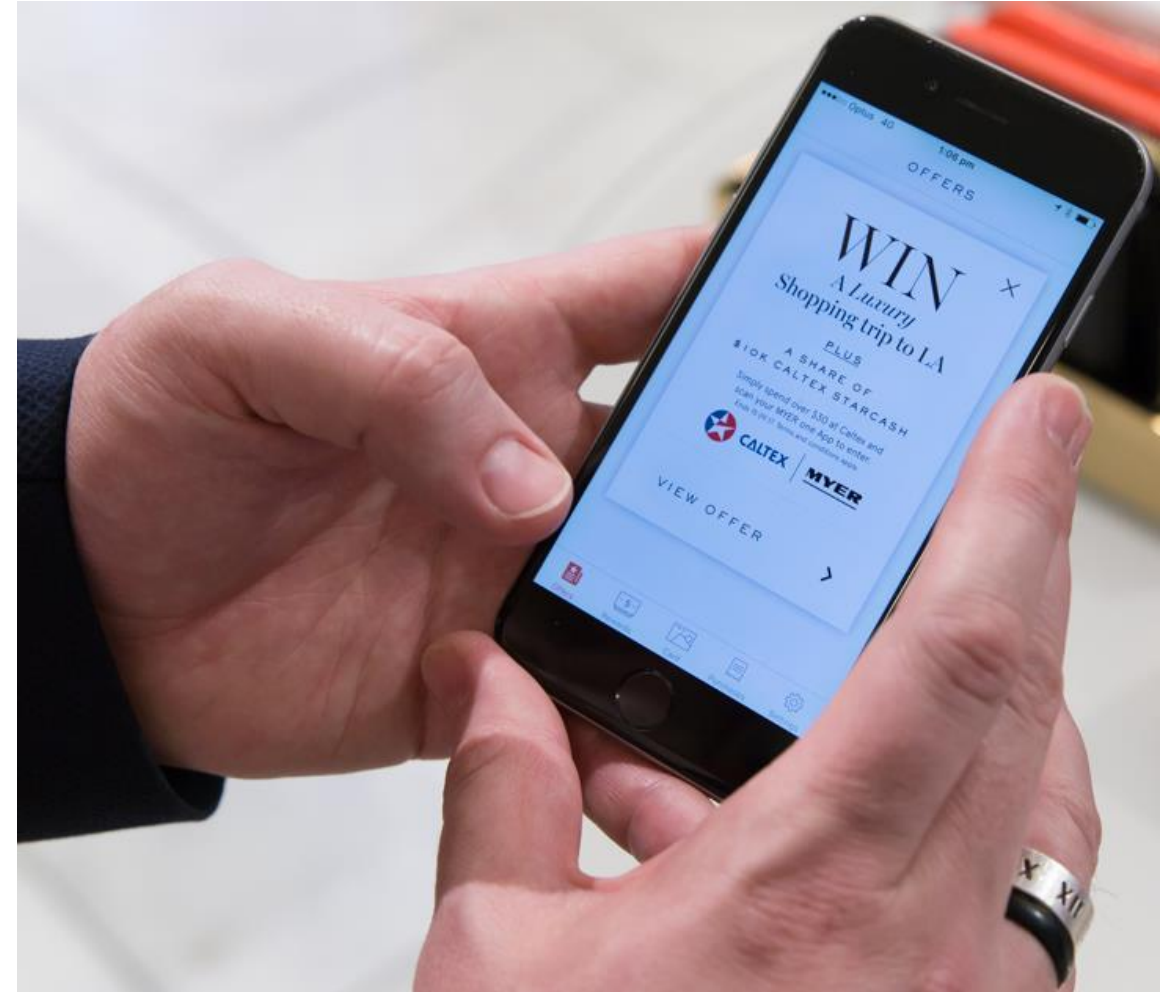
# Omni channel is a key pillar of our transformation

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# The Omni-Channel strategy has delivered strong sales and profits

- Online sales growth of 41% in FY17
- Omni-channel sales in FY2017 of \$177 million (including sales from 2,500 in-store iPads)
- EBITDA growth in line with sales growth
- Omni-customers<sup>(1)</sup> grew by 13% in FY2017 from 273,000 to 308,000



# Targeted investment has improved key operating metrics

**Investment Priorities:**

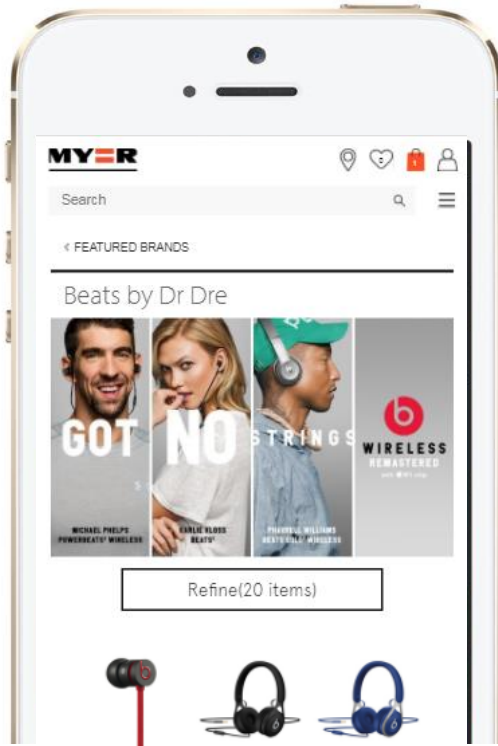
- Strengthen online proposition
- Omni-channel experience
  
- Right infrastructure and operations
- Technology, process and systems

	KPI	FY17 Result <sup>(1)</sup>
Website Improvements	Traffic	+20.8% + 12m visitors
	Conversion	+14%
	Average Order Value (AOV)	+\$6
Operational Improvements	Fulfilment cost	-\$2.53 / order
	Click & Collect % of orders	15% <sup>(2)</sup>

# We've delivered these results by focusing on 4 areas

1

**Customer facing improvements**



2

**Productivity**



3

**Using our unique MYER one data asset**



4

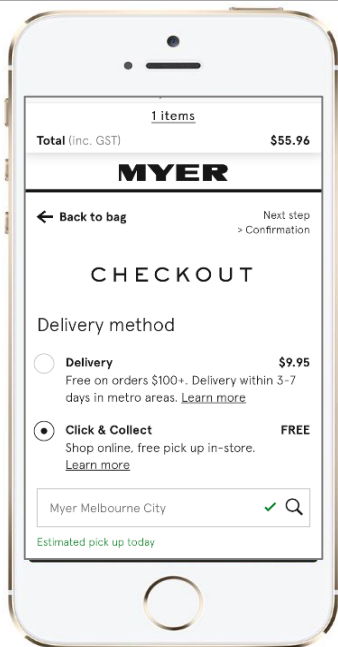
**Building a high performance team**



1

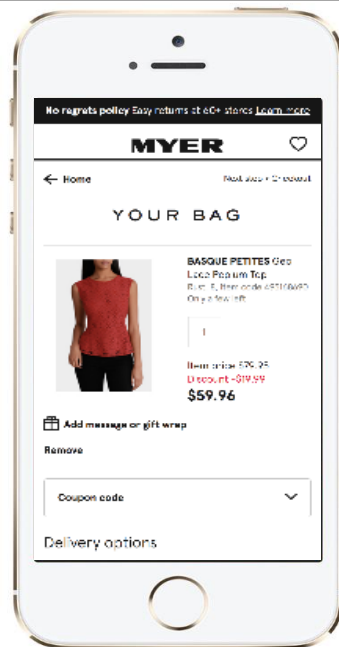
# Customer facing improvements and innovation are increasing conversion

## Investment in check-out experience



Streamlined check-out

## Focus on mobile



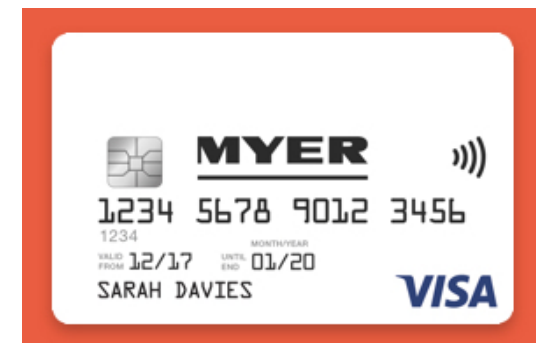
Increased mobile checkout conversion

## Buy now, pay later



Strong customer take-up

## Innovation



First Australian retailer to offer Apple Pay & Android Pay

**MYER**

Note: (1) Average Order Value

2

# Strong investment in the back end has improved productivity and the customer offer

Team member fulfilment app 'Zippy'



Substantially reduced order picking time

Pilot of same day and next day delivery



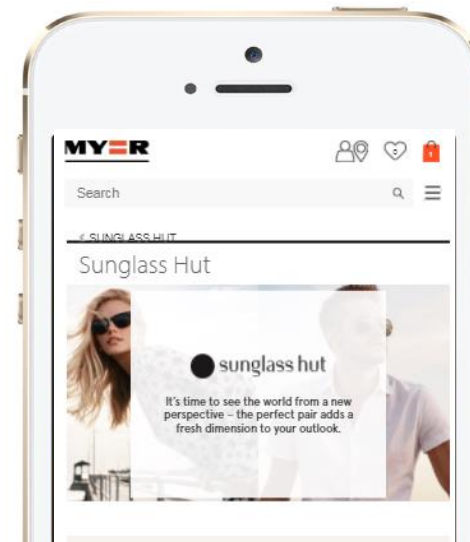
Improved order fulfilment time

Improving click and collect experience



Click & Collect volume doubled

Increased range online



41k extra products vs LY

# 3 Using our MYER one data to deliver more personalised experiences

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Capture



Store

Multi-channel  
marketing  
platform



Use

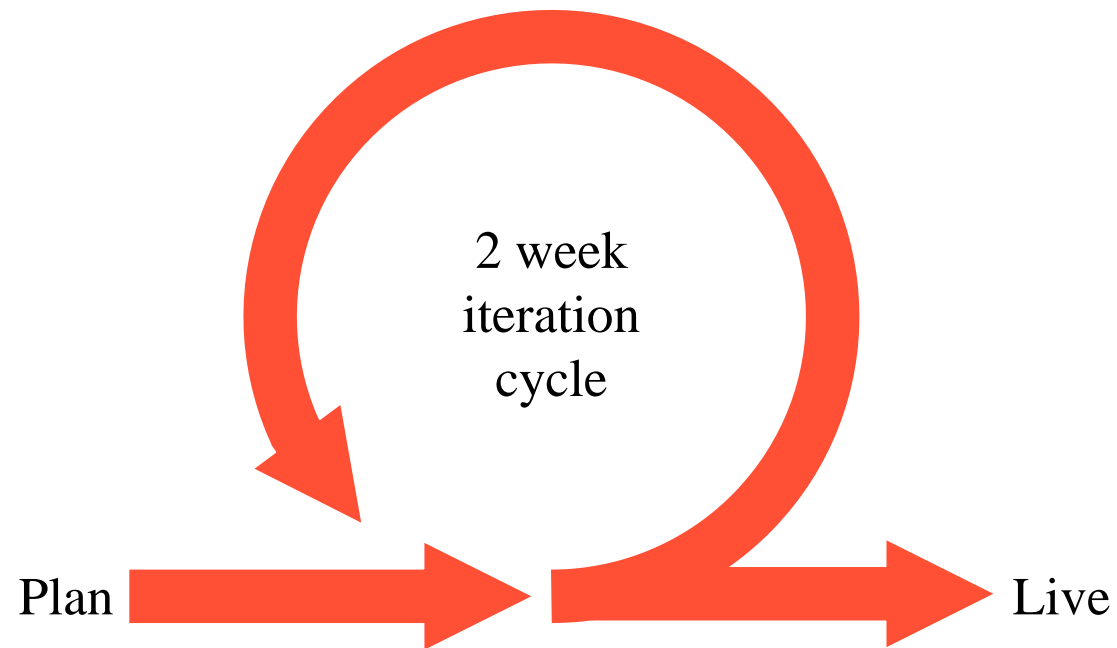


> 27 million transactions p.a.

Secure and Scalable

10x lift in click through rates versus  
non-personalised execution

# 4 Investing in our teams and agile ways of working has been key to success



Leveraging leading contemporary tools:



Jenkins

# Customers feedback on their future needs is guiding how we evolve our strategy

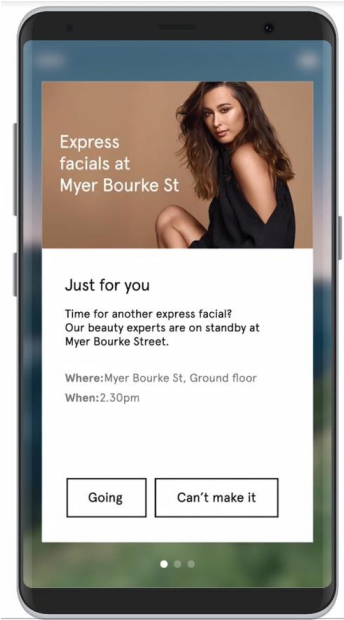
- Mobile first
- Immediate, personalised and relevant
- You know and understand me, inspire me at the right times
- Give me ultimate flexibility on how I get my products



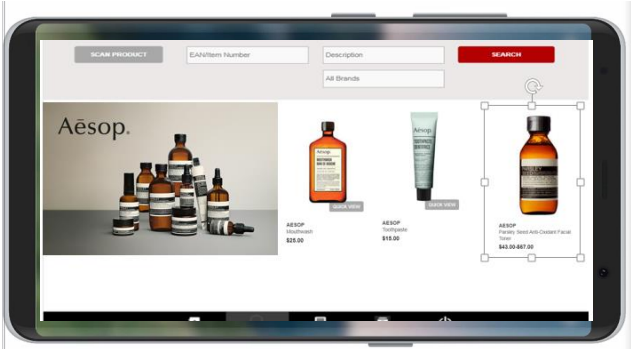
**MYER**

# Data enables the experiences that customers now expect

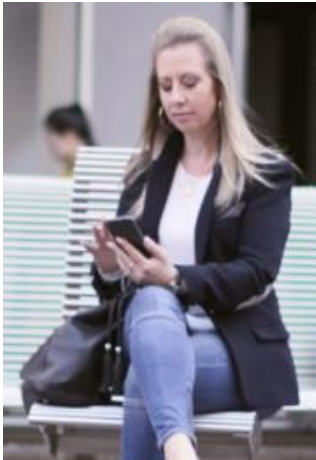
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We know she likes beauty, and is near a Myer with a beauty expert



Her beauty expert knows what she's shopped before and has products ready to match



This drives a more relevant and personal relationship with our customers and increases customer satisfaction



# With MYER one, we are in a unique position to meet this expectation

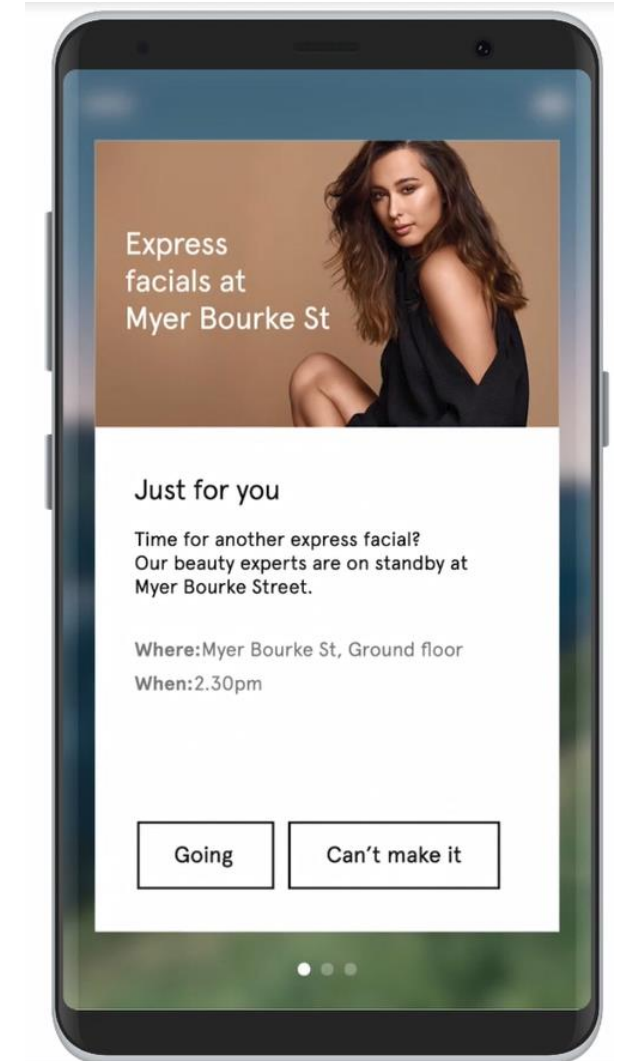
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## An engaging loyalty program...

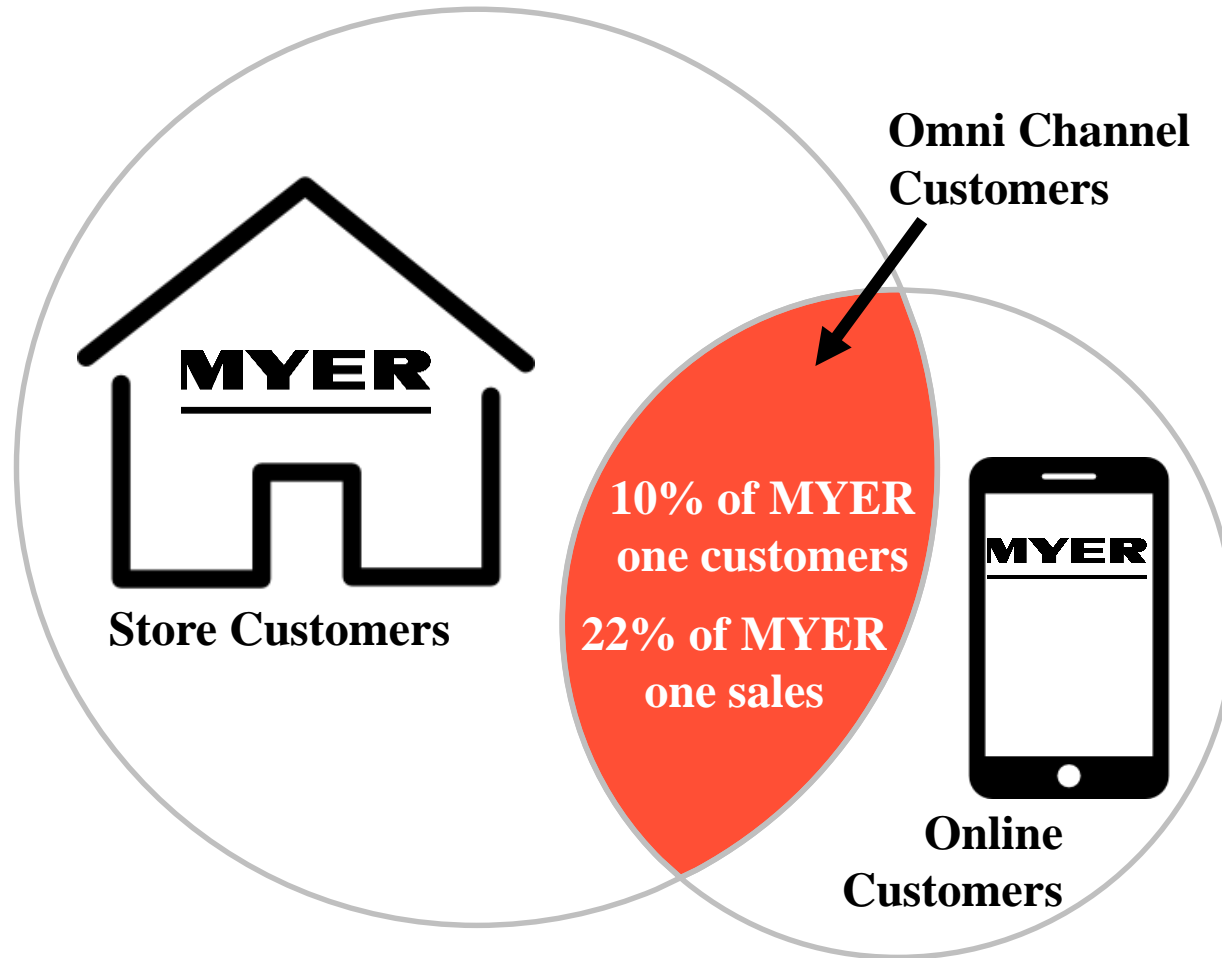
- 5 million members
- >27 million transactions p.a.
- 68% of Myer total sales
- Australia's third largest loyalty program<sup>(1)</sup>
- 16% of active members are Platinum, Gold or Silver: represent 35% of Myer total sales
- Customers spend ~4.0x value of Reward Card when redeeming

## ...providing a unique customer database

- One of Australia's most powerful customer databases
- Storing data using first class CRM technology
- Applying insights to benefit the customer
  - Personalisation through our multi-channel marketing platform
  - Enabling customer-centric decision making for Myer and suppliers
  - Connecting brands to customers



# Deepening the connection of our 'Omni' and 'Data' strategies, will build customer value



## Our Omni customers are valuable

- Customers who shop online AND in-store spend **2.2x more** than the average customer
- These customers make 7 more shopping visits per year than the average customer

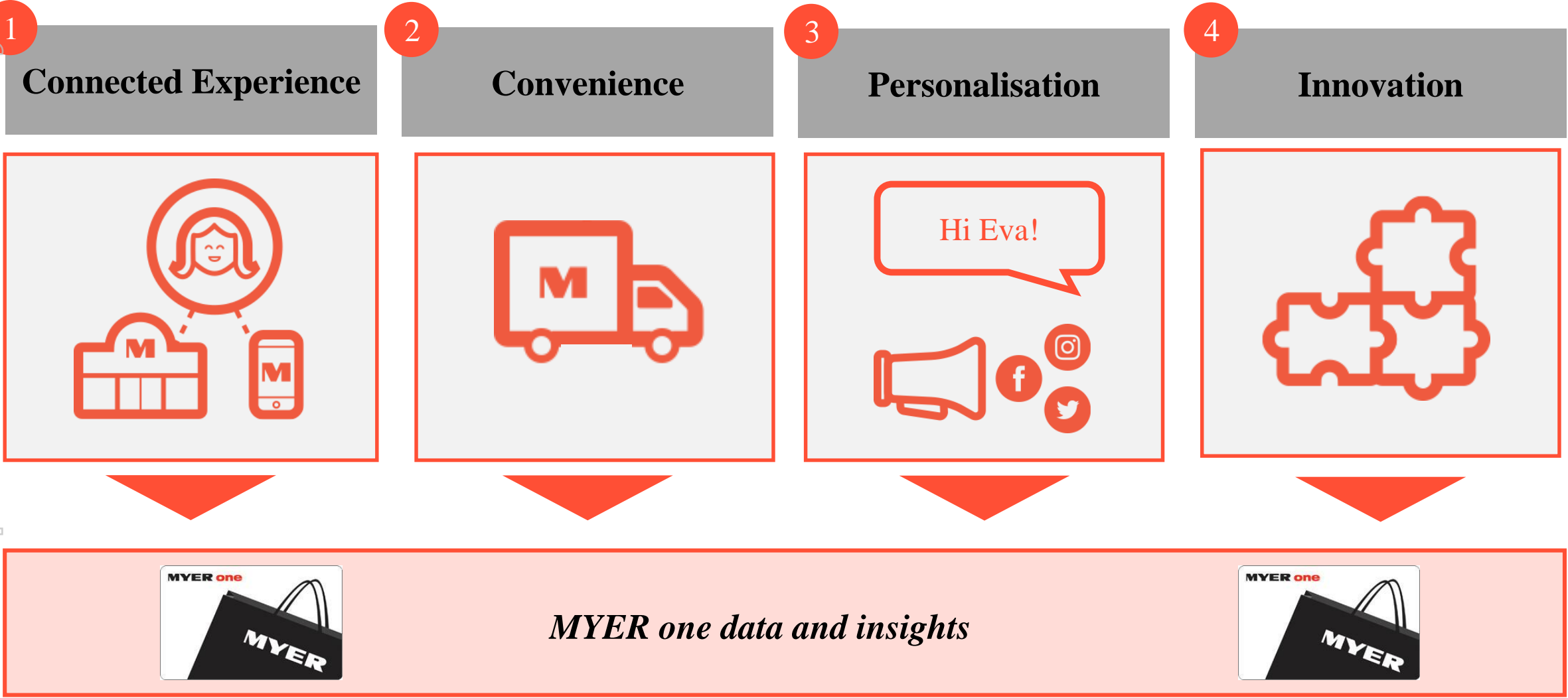


## We are growing and retaining Omni customers

- We grew our Omni customers 13% in FY17
- We retain 94% of our Omni customers year on year

Our evolved focus areas are all underpinned and connected by data

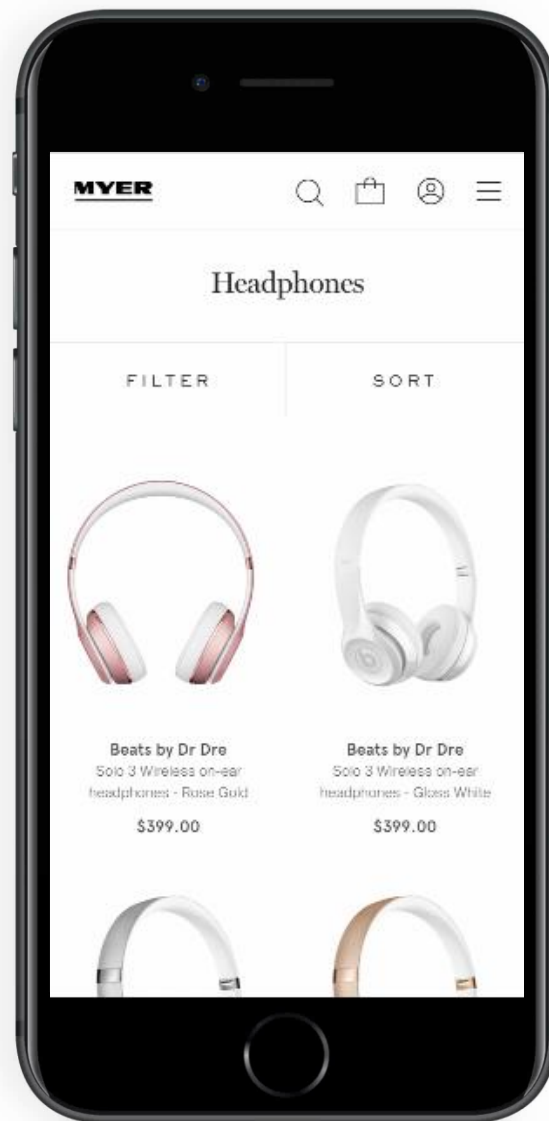
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# 1 Connected Experience: We will invest to use data to create a more intuitive, connected experience on mobile

**Personalised shopping experience based on shopping history**

**Addressing key customer pain points across search and navigation**



**Real time store stock visibility for customers and staff**

**Fully hosted in the cloud to reduce operating costs**

2

Convenience: We will enhance fulfilment capability to meet customer expectations of convenience whilst reducing cost to serve

### Partnering to increase fulfilment options



- Launch partnership with Shipster – delivery subscription service
- Enabling free collection from 3,000 locations

### Reducing wait time

**3 HOUR** click&collect

- Launch of 3 hour collection promise
- Increasing the scale of Same Day and Next Day delivery offer

### Optimising fulfilment algorithm and processes



- Re-engineering store fulfilment centres
- Completing roll-out of 'Zippy' fulfilment app

### 3 Personalisation: We will continue to connect and enrich our view of the customer



#### DEVELOPING CAPABILITY



**Targeted communications based on individuals, going beyond card number**



**Opportunity to personalise interactions across all touch-points**



**Analysis of Customer Behaviour to optimise Media Mix**



**Opportunity to scale supplier funded exclusive and targeted Myer One offers**

4

## Innovation: Launching the Myer Market; expanding into new products and services

- Some of world's fastest growing companies are marketplaces; selling products/services without owning the asset
- For Myer, this means massive range expansion, generating incremental revenue and data
- The Myer Market has a competitive advantage by leveraging:
  - MYER one programme benefits
  - Store network for returns
  - Tradition of curation



THE  
**MYER**

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MARKET

BETA

# 2017 STRATEGY DAY

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*This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of Myer. The non-IFRS financial information includes total sales, sales per square metre, OGP margin, CODB, EBITDA, total funds employed, net debt, working capital, operating cash flow and free cash flow. These are measures frequently quoted in the industry and forms the basis upon which many investors, financiers and analysts are briefed.*

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