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"THE RETAIL OBSERVATORY 2015: PERFORMANCE ANALYSIS AND THE WGSN TREND"

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Firma dello studente

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A mia sorella Marta,

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TABLE OF CONTENTS

INTRODUCTION

The Retail Observatory 2015 is a project started last year from an important collaboration between the *University of Padua, Department of Economics and Business*, and *ER Spa*, an Italian consulting enterprise that has been working for more than ten years on retail. Alberto Casna role was important in establishing this collaboration during his final dissertation draft, which led to the development of a financial framework able to disclose companies' performances in the retail industry and to study the most significant trends occurred.

The first aim of this final dissertation is to investigate the business performance of the major retail companies in the world, in order to define strategies and dynamics, as a continuation of Casna's work. It is possible to define this project as a relay race that every year will be updated and enriched by new and deeper conclusions and adapted to the current environment. The final objective is to supply an interactive business tool functioning as an anchor to all people studying the business of the retail sector, from a financial point of view and from a strategic outlook.

The dissertation is divided into four sections: the first and second chapter are dedicated to the Retail Observatory 2015. The initial one presents a careful explanation of the methodological framework and of the selection process adopted to create the dataset, providing criteria and assumptions applied and maintained from Casna's final dissertation and also highlighting the variations introduced. The database is later studied in financial terms exhibiting results deduced from the Observatory analysis and compared to the outcomes emerged from the Retail Observatory 2014.

The analysis was carried on evolving from a wide view on the aggregate results of the whole database to narrow prospects on retailers' performance, by geography and by industry.

The starting point from which all considerations and results were deduced is the Observatory's database, including a list of 122 companies with the related financial data. Firms operating during the period considered were selected on a global basis, in order to maintain a comprehensive analysis. A specific method of investigation was adopted for each company when analysing and presenting the results. The starting point were always the corporate financial statements available in the *investor relations* section of the *official companies' websites*. The rationale behind the company selection will be explained in order to justify the heterogeneity of the panel considered. The following analysis includes different evaluation yardsticks, selected on their utility and to deliver reliable and informative conclusions.

As revealed earlier, a comparison with the Retail Observatory 2014 goes along the entire first and second chapter, highlighting variations, similarities, new entry companies and leavers as

an essential step to this long-term project on retail.
The third chapter is focused on WGSN, the World Global Style Network company, recognised as the leader business for the forecasting of the global fashion industry. Thanks to the significant collaboration provided by this industry-leading company, this final dissertation exhibits a combined analysis on the fashion industry both from a financial and a strategic approach. The last chapter, in fact, discusses the retail trends in 2015, investigating the strategies implemented by the top fashion retailers included in the Retail Observatory 2015.
By studying business performances, it is possible to link financial flows to strategies, answering to important questions which define the guidelines on how to approach the retail market.
WGSN provides a paid online platform where reliable data and information are gathered to suggest winning strategies to be adopted in order to satisfy consumers' needs and to be in line with the current market demand. Narrating the company's history from the origins to nowadays, the third chapter presents the most important phases experienced during the last seventeen years of business and the market-leading products launched. The detailed description of the multinational corporation, illustrating the company itself, the organisational structure and its offer, is followed by the last chapter dedicated to a specific section topic developed by WGSN on "The future of retail", concerning specifically the fashion industry. This section was edited exhibiting the main trends identified by WGSN for 2015 and taking inspirations from the "World Retail Congress" and "Big Show" 2015 themes, recent case-studies experienced by WGSN Mindset department and most successful retail strategies implemented globally. Shifting from data analysis to concepts and ideas, this dissertation presents a complete overview on the top global retailers.
The author edited this final dissertation during the internship period carried out at the WGSN Italian office. This experience led to acquire a significant knowledge on the fashion industry from different perspectives: inspirations, creativity, commercial and strategic plans, marketing and retail strategies. Furthermore, a constant touch with diverse fashion brands and popular Italian retailers, was the key-point to understand and know real situations in this sector. It is significant to specify that all the information provided by WGSN can be consulted only internally by clients and employees. For this reason, quotes referring to retail trends, consumer's insights and fashion news publicised on WGSN are cited specifying the foresight business company name, followed by the year of publication in the platform (WGSN, 2015).
This final dissertation was developed as a continuation of the Retail Observatory project started by Casna, with the aim to provide an organised tool to investigate the financial performance in

the retail industry. This was strengthened by the reliable collaboration with WGSN by combining the strategic perspective to the financial one.

Chapter 1

THE RETAIL OBSERVATORY

The Retail Observatory 2015 presented in this first chapter is the continuation of the Observatory developed and analysed by Alberto Casna in 2014 (Casna, 2014). The main aim and the method of construction of the database are explained in this section, where differences and innovations from the previous Casna's draft are specified.

1.1 MAIN AIM

The ultimate objective of this "Retail Observatory 2015" is to offer a *picture of the global retail business* in terms of strategies and related financial performance. The starting point is the financial data analysis and the investigation of the main strategic guidelines implemented for the retail industry. All evaluations are made considering a specific period of time: one fiscal year, or rather four financial quarters.

As already mentioned in the introduction, due to the global identity of the panel, companies face different rules and methods for statement drafts. For this reason, the author identified a common period of analysis composed of four quarters, which must not exceed 15th July 2015. Feedbacks and results obtained were investigated considering the same timeline. The analysis was implemented using diverse evaluation tools, which are going to be discussed later.

It is also important to define the value of this Observatory and the power of its interactivity for the people studying the retail industry.

First of all, what is the meaning of "global picture"? The main idea is to study all retail brands challenging different industries in different countries. In fact, a common strategy could work well for Abercrombie in U.S. (United States), but not for Carrefour in France. These companies would adopt diverse strategies and, even if consumers are more and more "globalized", their return on investment will be lower or higher based on their approaches.

For the same timeline, consumers spend differently influencing financial quarters that fluctuate up and down during the fiscal year. As come to light from the Strategic Resource Group (SRG) studies, shoppers' spending is impacted by several factors, such as tax refunds, bills, and seasonal expenditures. SRG is a leading U.S. retail and consumer goods consulting firm working with top global retail chains and wholesalers, supporting them to understand the changes occurring across the industry in order to identify new opportunities to increase sales and consumption. Thus, an important lesson can be learned from the qualified and coherent perspective of the SRG Managing Director: consumers are more inclined to spend on clothing and other retail goods when they receive refunds and have higher financial liquidity, usually during the second and third quarter of the calendar year (Michelle, 2015).

This could signify that there is not a winning solution and a common sales trend. In fact, the fashion market highlights that a diverse consumers' willingness to pay is strictly related to external factors such as seasonality, environment and specific events. Differently, the food market is influenced more from goods prices and quality (Fernie, Sparks, 2009).

Going beyond the global outlook of the database, the Observatory provides a whole and detailed perspective on companies' performance which evaluation is based on an accurate joint analysis: external and internal. First of all, the internal analysis studies the corporate daily activity based on historical results, financial ratios and data series. This evaluation allows defining the key-values drivers, fundamental parameters that inform on the company's health and which need to be optimized. On the other hand, the external analysis produces a comparison between the company considered and its competitors: all samples were examined within the market. The database creates a matrix: when reading the data line by line it is possible to have the internal perspective, while by reading column by column the external one is obtained.

In the end, a sound company is not necessarily a successful company, since the market's comparison is the biggest challenge for each firm. In fact, brands growth is incessant and companies need to ride the waves: they should be updated on the best retail strategies, on the digital world and they should also implement a deep consumers' insight.

Afterwards a careful analysis of global top brands in the retail industry, the last chapter of this final dissertation will present retail trends and winning strategies to remember for 2015, specifically for the fashion industry.

1.2 METHODOLOGICAL FRAMEWORK

The database construction follows the same methodology adopted last year for The "Retail Observatory 2014", in order to maintain a logical progression and carrying on coherently the analysis started by Casna, without altering financial data analysis and possible comparisons that could be implemented year by year.

The initial source for the panel of companies considered in the Observatory is the annual report published by Deloitte on "Global Powers of Retailing", at the 18th edition in 2015. It identifies the 250 largest retailers around the world based on publicly available data for 2013 (encompassing companies' fiscal years ended through June 2014) and it analyses their performance based on geographic region, product sector, e-commerce activity, and other factors (Deloitte, 2015). These companies are considered based on annual revenues due exclusively to retail trades, thus, all financial statements are analysed considering the single business and eliminating inflows deriving from different activities. The information gathered from this report is the main input for the panel construction, selecting the top 250 companies to include in the Observatory database. The financial results analysed by Deloitte are incomplete for the aims of this final dissertation, so the set of companies selected underwent a few changes.

The dataset analysed in this final dissertation presents differences from the previous one: companies' performance could be better or worst. For this reason, the panel of companies studied had to undergo some variations. In fact, 17 retailers joined the ranks of the Top 250 for the first time: 7 companies from Americas (6 from U.S. and 1 from South America), 6 from Europe and 4 from Asia/Pacific. All firms considered for the first Observatory are maintained in the database in order to give a continuation to the first data collection and to handle the project coherently. It would also be useful to update ex-top brands in case of future changes, since this Observatory has a long prospect of duration. Anyway, these companies are not considered for the ultimate analysis because they are not any more included in the panel studied, as they miss basic requirements of financial performance. On the other hand, newcomers were handled using the same methodology adopted for the initial project by Casna, including two phases of selection which are going to be explained in detail later.

The sources used to create the database are always official financial statements or public financial websites based on the company's information disclosure, as it will be explained later. The next topic is the selection process and it will be possible to understand how all data were treated in order to construct the final database and which criteria were taken into consideration.

1.2.1 First phase of selection

The final database results from two main phases of selection based on financial parameters and data availability that were selected for the Retail Observatory 2014.

The first round identifies only societies issuing shares which are negotiable on regulated markets during the period analysed. The governmental authorities for the surveillance of the regulated market list specific requirements that companies must meet in order to have access to this market. Each country and its related stock exchange market are characterized by different practices, but the underlying principles for these rules are similar to all governmental institutions. The key-features adopted by each regulated market highlight:

- the need to safeguard market operations and the regular interaction of supply and demand forces;
- the importance of transparency for the relevant market practice.

Since the output is developed to give a clear and truthful framework, information and data need to present the same characteristics. For this purpose, regulated markets are preferred to so-called “Over The Counter” markets (OTC), which are not intended to defend and improve investor relations. The first ones, in fact, display a high degree of quantity and quality of information, even if differences between countries and each regulated market regard financial reporting, timing and information disclosure (Borsa Italiana, 2015).

Considering the European and U.S. regions, which account for the largest share of retailers analysed on the Deloitte sample, it is possible to highlight differences on information disclosure approaches. The EU (European Union) presents regulations for each country, even if each governmental authority is committed to its singular region; whereas the United Stated of America are regulated by the same entity. For this last case, rules are issued by SEC (United States Securities and Exchange Commission), the governmental institution appointed to check the requirements and the quality of the financial information provided by companies. The SEC also enables investors to get a clear view of a firm's history and progress, allowing so a proper evaluation of its future. This institution promotes the same principles as, for example, CONSOB (Commissione Nazionale per le Società e la Borsa) does for Italy following European regulations. For the SEC, all companies, foreign and domestic are required to file statements and reports, electronically through EDGAR (Electronic Data Gathering, Analysis, and Retrieval system) that performs automated collection, validation and forwarding of companies’ submissions. Similarly, the U.S. primary purpose is to increase the efficiency and fairness of the regulated market for the investors, controlling the transparency and timing of financial releases. For this final dissertation, the SEC filings to be considered are the 10-Q and 10-K forms, respectively related to quarterly and annual reports. The first statement includes unaudited financial data presenting a continuos view of the company's position during the year that must be filed for each of the first three fiscal quarters; on the other hand, the form 10-Q provides a comprehensive overview of the company's business and financial condition published at the end of the fiscal year.

As the IFRS Foundation states, since 2001, almost 120 countries have required or permitted the use of the International Financial Reporting Standards (IFRS, 2015). These are requirements on the preparation and presentation of financial statements and interim financial reports issued by the International Accounting Standards Board (IASB) in order to fulfil the public interest around the world. Thus, the three main pillars of transparency, accountability and efficiency are promoted to increase trust, growth and long-term financial stability in the global economy. During the writing of this final dissertation, few companies, such as PetSmart Inc., became private and therefore they stopped fulfilling the admission criterion of this first phase of selection. The initial database created by Casna excluded all companies not issuing shares on any regulated market, during the period accounted for 2014. Similarly, through this selection process, the 2015 Retail Observatory was reduced by the same number of companies, dismissing all businesses and newcomers not listed on regulated markets within the 15th of July 2015. The company listing was verified through an online research including companies' websites and financial databases. A whole list of societies recording stocks on a specific exchange group is accounted on NYSE (New York Stock Exchange), NASDAQ (National Association of Securities Dealers Automated Quotation), LSE (London Stock Exchange), TSE (Tokyo Stock Exchange) websites, which are the equities markets considered for this dissertation.

1.2.2 Second phase of selection

Following the first phase of selection, the remaining companies were not all included in the database since a second round was realised for the Observatory 2014.

Always focusing the attention on the usability and reliability of the information provided, Casna considered and accounted only companies displaying main financial data and statements publicly. In fact, as already mentioned, the diverse openness to disclose internal information and the willingness to adopt uncommon structure for statements drafting caused difficulties to find the right evaluation parameters for the database construction.

The criteria listed for this second selection process are:

- Frequency of information disclosure;
- Contents declared on reports;
- Official language utilized.

Actually, the study of releases, reports and announcements required embracing diverse approaches of research.

Unfortunately, not all societies display the main yardsticks established to complete the database for each quarter, but instead data are provided only biannually or annually. Thus, the frequency of reporting data is considered as a necessary criterion, influencing so the development of the database. The minimum condition of reporting quarterly revenues values on statements (the most important and common record exhibited) must be met to include the company in the analysis. For many French firms (for instance, Kering and LVMH) which were considered for the database, only quarterly reports on sales, detailing the partition by industry, are displayed. On the other hand, English companies completely avoid reporting precise values, restricting their disclosure to growth rates; unfortunately, big retailers as Tesco weren't considered for this reason. Finally, another fundamental feature of selection was the official language used on websites and to draft financial statements. An English translation should always be available in order to allow an easy communication with any international investor. For Asiatic companies is less common to meet foreign shareholders' needs, since many of them miss to translate the website in English, in contrast to many European and South American businesses, requiring to research data on public financial websites, such as the Financial Times or Bloomberg.

The necessary conditions to include a retailer on the Retail Observatory 2015 is, first of all, to be one of the Top 250 global retailers ranked by Deloitte on its annual Global Powers of Retailing report and second, to be listed on a regulated market. Moreover, economics ethic principles of truthfulness, fairness and clarity are fulfilled at the latest step of the procedure evaluating the method of disclosure and the timing and quantity of information provided.
Based on this creaming-off, resumed on *Figure 1.1*, the final database is composed by *122 retailers* on total.

Figure 1.1 The selection process adopted for the Retail Observatory 2015

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

1.3 SOURCES

First of all, company's information was gathered looking on official corporate websites, specifically at the investors' section. This is the access to an archive, which collects companies' historical financials, stock information, financial information and press releases. These sections could be more or less complete based on a company's disclosure policy. Anyway, all companies listed are required to present a minimum level of information about their financial position and strategies implemented during the fiscal year.

The Standard & Poor's T&D study (Patel, Dallas, 2002), analysing the transparency and disclosure (T&D) practices of major public companies globally, demonstrates dramatic differences on how much companies disclose, both among regions and countries and within regions and countries. The U.S. and the U.K. (United Kingdom) have the highest levels of disclosure globally, in contrast with Latin American and Asian emerging markets, which exercise much more discretion. In the U.S., there is a notable difference between the T&D rankings based on annual reports alone and T&D rankings on a composite basis, which include, in addition to the annual reports, the regulatory-driven 10-K and proxy statements. It is noteworthy that some companies provide considerable disclosure in their annual reports, whereas others make relatively little informational use of the statements (Patel, Dallas, 2002).

Based on this disparity, the output created for each company is the result of several sources and sometimes is not complete.

At the financial section, U.S. companies needs to provide also "SEC filings": registration statements, periodic reports and other formal documents that are required by the U.S. Securities and Exchange Commission (SEC).

Sometimes, because of the level of disclosure, corporate websites were not enough to collect data and it was necessary to use companies' websites managing negotiation of stocks on controlled market. Anyway, when the joining of all these sources didn't conduct to the results desired for the database construction, the company was eliminated by the panel studied following the criteria set for the second phase of selection explained above.

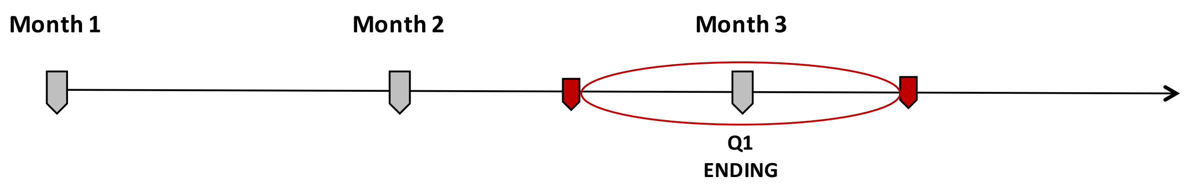
In conclusion, the sources of information used to build the database derive from:

- investor's section of company's website which provided all official financial documents and press releases;
- other types of online platforms concerning information needed for the final dissertation, such as financial newspaper or governmental portals.

1.4 TIMELINE

Shifting the attention from the sources to the timeline, coherently with past choices made for the database creation, financial data are analysed based on four quarters for each company.
Since the end of the fiscal year presents different timings for the panel analysed, its partition on quarters helps to consider the same time period. In fact, in comparing profit-and-loss performance over time, it is crucial to use the same timeline, due to seasonality (Berman, Evans, 2013).
The method used to define which quarter to include or not in the database, takes into consideration the closing date of latest quarter publicly available. The main rule establishes that the fiscal year considered includes only quarters ended in July 2015. This means that three months' period studied are renamed from the most dated to the latest one: "Q1", "Q2", "Q3" and "Q4". Because of the missing timeline alignment of different statements' draft, this chronology does not replicate the same sequence for all companies.
For this final dissertation, a modification on the quarters closing date was implemented. Differently from the initial database, which reported the precise day of documents publication, the Observatory 2015 presents the end of the quarter always at the very last day of the month. The latter is defined based on the date on which the period ends; in fact, the quarter ending month under study is approximated to the nearest 30th, 31st, or even 28th in the case of February. To be more specific, as it is showed in *Figure 1.2,* if the date reported on financial statements is included in the red circle, the quarter ending will be the very last day of the month into consideration. Thus, each quarter consists of exactly three months from the previous one and the periods considered are more homogeneous.

Figure 1.2 Quarters' timeline



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

This modification helps to clearly define the timeline and the fiscal year considered joining quarters belonging to different fiscal years. Another reason in favour of this method concerns the date accounted for the currency conversion that will be explained later.

1.5 EVALUATION YARDSTICKS

Starting from the sources and passing through the criteria used to construct the Retail Observatory 2015, this paragraph explains which yardsticks were chosen to implement the analysis. The description below lists the standards used, illustrating reasons and connections behind diverse decisions.

Companies' quarterly press releases present always a report including a part or the whole income statement, correlated by notes and comments on the trend. The profit and loss statement (P&L) is divided into two sections: the measure of the inflow and the associated costs generated from the sales of products and services, which are referred as the "Revenues" and "Expenses", whose difference results on the company's net income (Rogers, 2009).

The decision to consider only this statement, avoiding data accounted on the balance sheet, lies on the nature of information contained on the latter snapshot. In fact, assets, liabilities and stockholders' equity report values influenced also by periods preceding the one considered and that are not strictly connected to the operating performance.

The approach adopted consists in simply relating data from official statements to the database, without implementing any modifications, but researching always the same parameters for each society. In case of corporate groups, the statement considered is the consolidated one, always publicized by the holding company, which needs to be involved into the retail activity. Regarding these samples, the main difficulty was to attribute a unique industry to the parent society, in order to classify the whole group on a specific business (such as apparel, grocery, technology and others); anyway, this issue will be examined later.

The leading yardsticks selected are:

- Net sales
- Gross margin
- Operating margin
- Net income
- Change in revenues between the present quarter and the analogous of the previous year

The parameter correlated to international sales, or rather the percentages of sales abroad, was considered on the first database and eliminated for the Observatory 2015. This choice was supported by the small number of companies providing publicly data on international sales, which is lower than half of the companies belonging to the total sample. In fact, already last year, Casna limited this analysis by presenting only results worthy of mention, which were the biggest and the smallest exporter of this subset (Casna, 2014). Furthermore, not all companies supply their products abroad or provide an exact quantification of this; societies report differently portions or percentages of sales, sometimes also divided by business unit. Therefore, the principle related to companies' disclosure listed for the second phase of selection is partially violated.

This little variation does not influence the following analysis since, beyond the financial performance, the main focus will be on the companies' industry, based on their overall performance as global retailers. Accordingly, the ultimate evaluation of this yardstick is not significant for the sample analysed and for the main aim pursued by the author.

For the other financial standards, each aggregate and the logic behind their selection is maintained equal to the Observatory 2014 and will be explained below.

1.5.1 Net sales

Retailers account net sales as the resources value generated from the core activities during a given period after deducting customer returns, markdowns, and employee discounts (Berman, Evans, 2013).

Financial data considered are always the ones reported on official statements, which obviously excludes VAT. Moreover, in the specific case of corporate groups' assessments, data analysed were always the value reported by the holding, in this case, the consolidated sales.

The revenue was also the main figure considered to rank the top 250 global retailers by Deloitte, validating even further its insertion into the yardsticks selection. This measure of resources generated by retailers describes a company's performance based on the business volume contributing to offer the global picture of the retail industry results and trend. Anyway, to improve a company's profitability, revenues should be grown strategically and, while undertaking a financial analysis, it is important to consider different scenarios that justify an increase or decrease of sales value (Rogers, 2009). Thus, the information deducted from this aggregate need to be framed within a wider financial structure constituted by the following budget items and margins.

1.5.2 Gross margin

The gross margin or gross profit is the difference between net sales and the costs of goods sold (known as the COGS), or the cost of the service provided. The latter is the cost of the raw materials and it does not include any overhead, such as utilities or management costs. Thus, other incomes such as interests earned on investments are not considered, only the revenues from operations are used for this calculation.

The gross margin measure is useful for *internal and external benchmarking*, or rather internal comparisons of a company's year-to-year performance, and external comparisons of a company's results to that of competitors or to the entire industry (Rogers 2009).
Defining a valuable gross margin is relative and depends on the industry in which a company operates. Typically, the financial ratios of successful firms are never lower than the industry average, which can be easily found researching on a public financial database as *Yahoo Finance.* These differences will be properly discussed later, through a comparative analysis among companies belonging to different markets.

1.5.3 Operating margin

The operating margin is the value computed for the operating income, or EBIT (earnings before interest and taxes). In most cases, this is specifically reported on companies' income statement as the result of subtracting the sum of the COGS and the operating expenses from revenues (Rogers, 2009); otherwise, the value was computed by the author, following the rule just specified. Operating costs are expenses associated with day-to-day administration of a business therefore, looking at these costs, it is possible to identify the logic adopted by retailers for their core business.

1.5.4 Net income

As already mentioned before, the net income is the difference between revenues and all of the company's costs, including interests and taxes (Rogers, 2009). It highlights the final profit or loss, summarizing how profitable the company is over a specific period of time.

1.5.5 Year-to-year change in revenues of a specific quarter

Starting from data gathered last year for the Retail Observatory 2014, it was possible to compare the performance of the same period for the following fiscal year. Seasonality is one of the main factors that influence the panel, therefore validating the choice of including also this standard.
Moreover, by researching financial data on official statements, it was highlighted that companies always report previous year results next to the actual one as principal term of comparison.

1.6 PARTICULAR CASES

This section is focused on the study of particular companies excluded by the final database for different reasons. In fact, as explained above, the selection process dismissed companies based on fixed criteria, but other recent events determined the elimination for others.
Retailers belonging to the 2014 Retail Observatory lost their positions because of mergers, privatisation or bankruptcy.
Particular cases, different by nature, will be discussed in order to highlight the retail market dynamism and to disclose important mergers occurred also among top retailers.

1.6.1 The RadioShack Corporation bankruptcy

RadioShack Corporation was specifically analysed in this section also last year by Casna, because of the change in the initial and closing date of the fiscal year (Casna, 2014). Afterwards, in February 2015, the U.S. electronic retailer filed for Chapter 11 of the United States Bankruptcy Code; it means that the company filed under this chapter asking for bankruptcy protection and has to provide a plan of reorganisation to keep the business alive in order to pay creditors over time. Anyway, the stores operated by the Mexican and Asian subsidiary were not included in the Chapter 11. The society defined and reached a deal to sell about 2,000 stores to the hedge fund Standard General, the biggest shareholder, in turn partnering with the wireless operator Sprint.
A widespread retail trend, standing out during recent years and becoming ultimately more and more powerful, was the biggest challenge for RadioShack: the rise of e-commerce (this trend analysis will be discussed in Chapter 3). The company survived as a declining and niche electronics business for years, but the rapid advance in technology and the change in consumer habits lead the U.S. retailer to the $1.38 billion in liabilities, declaring its end.

1.6.2 The merger between The Pantry Inc. and Alimentation Couche-Tard Inc.

The definitive announcement about the merger between The Pantry Inc. and a U.S. subsidiary of Alimentation Couche-Tard Inc. was publicly disclosed in December 2014 and the stockholders' approval was finally published in March 2015. The agreement stated that Couche-Tard would acquired the partner with a total enterprise value of nearly $1.7 billion, including debt assumed.

Alimentation Couche-Tard was and remains the leader in the Canadian convenience store industry and even though it had a large number of company-operated stores in the U.S. market before the merger, the company faced strong competition in this region. Thus, the Pantry, a North Carolina company well positioned in the South-eastern and Gulf Coast regions, which are two of the fastest growing areas of the U.S., was the perfect partner to acquire in order to gain the definitive leader position in the U.S. region.
The combination of these two valuable companies created a strategic value for both of them, providing a fundamental benefit for shareholders and great new opportunities for employees. Anyway, the new company is not any more included in the Deloitte's ranking and so excluded from the Retail Observatory 2015.

1.6.3 The PetSmart privatisation

The PetSmart Inc. was removed from the database following its privatisation. The US largest specialty pet retailer agreed to be acquired by a group of private equity firms led by BC Partners and Jana Partners withdrew its candidates to the board. They approved the through a deal worth $8.7 billion closed in March 2015.
JANA Partners LLC is an investment firm specializing in event-driven investing and was one of the investors that, six months before the deal, described PetSmart as a specialty nationwide retailer with a strong balance sheet and a stable core business that would attract the interest of private equity buyers.

1.7 EXCHANGE RATES

The final feature to discuss for the Observatory method of construction is the foreign exchange rate that influences companies' financial values. In fact, the principal advantage of this analysis is the involvement of the biggest retailers headquartered all over the world, a merit that, on the other side of the coin, causes many difficulties for data evaluation.
The key-currency defined last year was Euro (Casna, 2014). Thus, all financial parameters deriving from extra-euro companies' statements need to be converted at the coherent exchange rate value. Clearly, the European System of Central Banks (ESCB) establishes the procedure for the foreign exchange reference rates, which is based on a daily cooperative procedure among the leading central banks. The conversion value, which is the average between the sale and the purchase rate, reflects the market conditions prevailing at the time considered, hence causing a continuous currency fluctuation overtime.

Therefore, the exchange rate values, accounted to convert extra-euro companies' financial data to Euro, were collected month by month from July 2014 to June 2015. The market price was checked on the last date of the closing quarter corresponding with the very last day of the month, as explained above. Sometimes, the closing date fell on a bank holiday during which exchange markets are closed and values are not reported, therefore the author had to consider the closest date earlier.

The exchange rates are, on their own, a factor influencing the companies' commercial trend and the further modifications just explained above, impact, in turn, on the precision of the final value. Consequently, since all not homogenous panels are influenced by a standard error, it is important to remember all the choices made in order to correctly complete the ultimate analysis.

Since the main aim of the Retail Observatory is to study the dynamics and the global financial situation of top retailers, these variations do not significantly affect the final results, which will be presented in the next chapter.

Chapter 2

ANALYSIS AND RESULTS

The second chapter analyses the database built for the Retail Observatory 2015. In the first part the author displayed the conceptual framework and the reasoning behind the dataset construction driving the reader to understand the numeric part presented in this chapter. The focus is completely addressed to the final sample and its units (the retailers), the financial data and analysis results, purified from any assumption.

2.1 THE PANEL

The final sample analysed for the Retail Observatory 2015 is composed by 122 companies. Following the two phases of selection detailed in the previous chapter and the variations occurred in the Deloitte's Top 250 report, the final sample considered was reduced of 10 companies from the Retail Observatory 2014, which analysed 132 retailers. The distinctive features of companies included in the new database were the geographical origin, the distribution strategy and the industry of belonging, which will be discussed in this chapter after the aggregate results presentation. These details were considered also last year by Casna, who analysed the retailers' performance by geography, distribution and assortment strategy (Casna, 2014). These were maintained and compared in this chapter; on the other hand, the latter analysis was enriched, in this final dissertation, by a more focused investigation on all diverse industries included in the Observatory 2015.

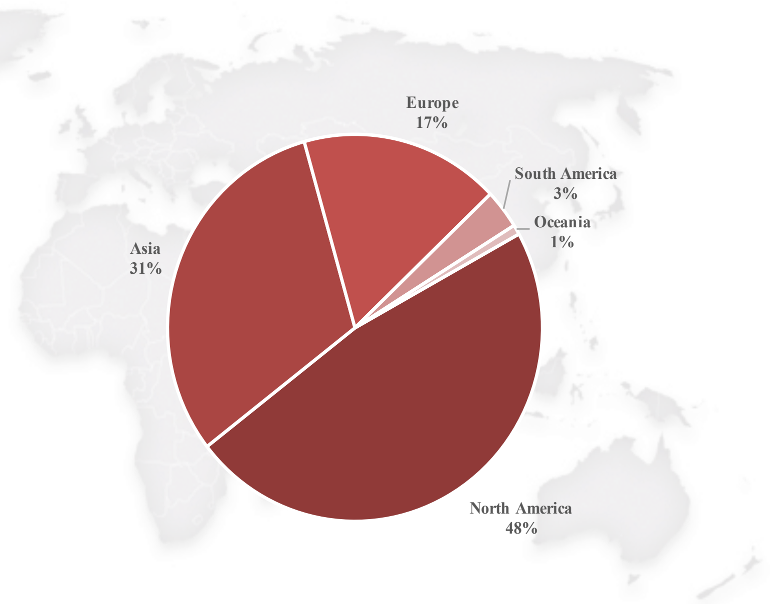
2.1.1 Geographical origin

The retailers' geographical origin is one of the main characteristics reported in the database and corresponds to the companies headquarter location. This information was already reported in the "Global Power of Retailing 2015" and equally maintained without any further investigation. As it is possible to observe in *Figure 2.1*, 24 different countries of origin hold the whole 122 companies. From a larger perspective, the pie chart details the geographical origin based on a mainland partition: North America (48%) and Asia (31%) report the biggest slices of retailers with a significant gap with Europe (17%), South America (3%) and Oceania (1%). Holding a magnifying glass up to this subdivision, it is possible to identify the retailers' country of origin.

U.S. (48 units) and Japan (28 units) account the largest share, followed by Canada, China and France (5 units); the remaining companies present 3, 2 or only one unit.

Figure 2.1 The geographical origin of the companies belonging to the Retail Observatory 2015

Country	N. of companies
U.S.	48
Japan	28
Canada	6
China	5
France	5
Germany	3
Mexico	3
S.Korea	3
Brazil	2
Chile	2
Russia	2
Spain	2
Sweden	2
Australia	1
Belgium	1
Bermuda	1
Finland	1
Netherlands	1
Portugal	1
Taiwan	1
Thailand	1
Turkey	1
U.K.	1
Italy	1
TOTAL	**122**



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Italy became part of the Retail Observatory dataset thanks to the great performance carried out by the Prada Group in 2013 and 2014 that will be discussed later in *Box 2.1*. The fashion company is listed on the Hong Kong Stock Exchange and its information disclosure approach meets the requirements filed in the first chapter, contrarily to many other Italian companies belonging to the Deloitte sample, such as the grocery giants: Coop Italia and Esselunga Spa, respectively at the 63rd and 124th position in the Deloitte's ranking. At the same time, as revealed previously, relevant English companies were removed from the final database, due to the insufficient quantity of financial information. The only one who rose above the others is Kingfisher plc, which includes important retail brands as B&Q, Castorama, Brico Dépôt and Screwfix and the Koçta brand in joint venture with the Turkish Koç Group. These explanations clarify the low percentage accounted to Europe, overtaken also by the Asiatic countries holding companies usually listed on regulated markets.

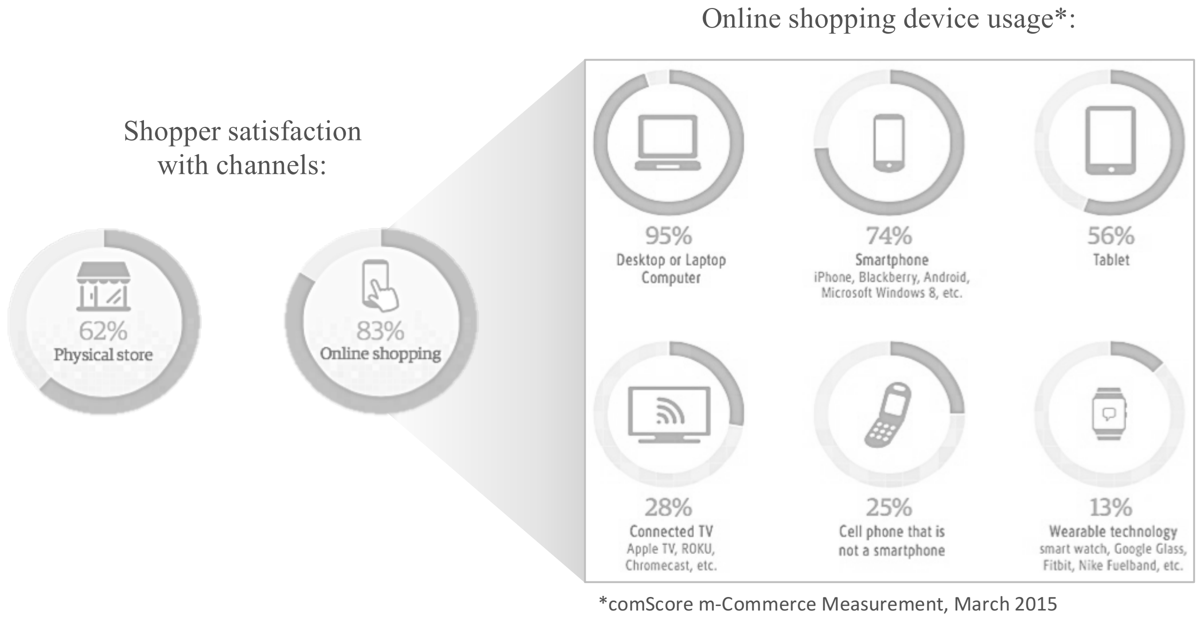
The defect of significant companies as the ones mentioned above is one of the limit belonging to this database, due to the choices made during the initial phase of this dissertation. Anyway, based on the objectives proposed, the large number of units considered generates even so reliable and useful conclusions.

2.1.2 Distribution channels

Another key-feature evaluated for the retailers belonging to the Observatory is the distribution channel. This is an important analysis to implement for retailers in order to investigate the efficiency of their strategies and their ability to adapt to the market changing dynamics and consumers' needs. In fact, the distribution channel is the company's interface with customers, raising awareness about products and services and allowing them to purchase and evaluate specific products (Osterwalder, Pigneur, 2010).

As it will be specifically studied in the last chapter, the maturing of consumer behaviour and the rise of technology, through mobile internet growth and improving logistic infrastructure, nurtured the increasing diffusion of e-commerce platforms (WGSN, 2015). The UPS studies (*Figure 2.2*) state that the overall satisfaction with the retail channels is 83% for online shopping and 62% for physical stores (Deloitte, 2015). Shoppers can count on many devices for their online purchases: computers, tablets and smartphones, which usage increases year by year, and new innovative tools as connected TV and wearable technologies.

Figure 2.2 Consumers' preferences on distribution channels



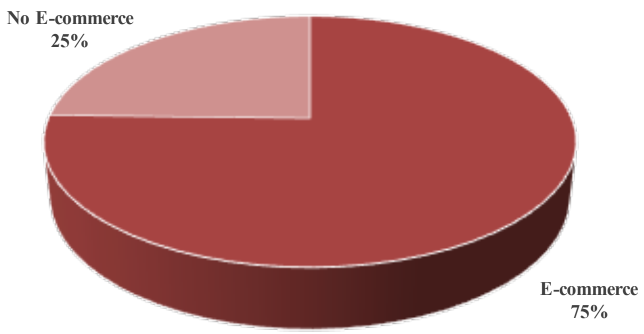
[Source: Deloitte, 2015]

Regarding the Observatory, the author researched online sales availability unit by unit observing an increase of e-stores compared to the companies analysed by Casna during his distribution analysis. In fact, many retailers as Distribuidora Internacional de Alimentacion, Loblaw Companies Limited and Roundy's Inc. started offering an e-commerce service to their customers. Moreover, the entrance of new e-retailers, such as Ascena Retail Group and Ralph Lauren Corporation, substituted less innovative companies eliminated from the Deloitte's ranking.

The final partition in *Figure 2.3* exhibits 75% of companies (92 out of 122) providing online sale, contrary to the 69% accounted in the Observatory 2014 (Casna, 2014). It is significant to observe also that many non e-retailers have already announced the launch of e-commerce platforms in 2015 and 2016. Big Lots Inc., Cencosud SA, ICA Gruppen and Chongqing Department Store Co. Ltd stated the innovative introduction in 2015; Family Dollar Stores Inc. and Metro Inc. are testing the online platforms to be introduced in 2016. These announcements led also to establish a deadline by which a company has to initiate the online sale service, which is set on 15th July 2014, the closing date in Casna's timeline.

The *Internet of Things* reality – the rapidly growing ecosystem of objects that can connect to the internet to collect, distribute and receive information – pushed retailers to move closer to sell to and serve the on-the-go consumer armed with several devices able to speak to one another (WGSN, 2015). The e-commerce analysis in the Retail Observatory 2015 confirms this trend opening up new horizons for the retail industry. In fact, even Celesio AG on the corporate releases, reporting Ji Xuwo's assertions (a healthcare analyst at UBS Securities), affirmed that e-commerce in China's pharmaceutical market is accelerating and becoming an important distribution channel that will soon have a deep impact on the entire industry chain

Figure 2.3 Partition of e-retailers and non e-retailers in the Retail Observatory 2015



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

2.1.3 The retailers

The country of origin and the distribution strategy are two of the three significant features detailed for each retailer in the database. The industry membership is the third characteristic analysed for the sample that will be specifically studied in the last paragraph of this chapter. For now, the whole list of companies (*Table 2.1)* simply present the Retail Observatory 2015, exhibiting one by one the retailers' business name combined with the geographical localisation, the market identity and the availability of any e-commerce platform.

Table 2.1 The Retail Observatory 2015 companies listed by alphabetical order

Business name	Country of origin	Industry	E-commerce
Abercrombie & Fitch Co.	U.S.	Apparel	Yes
Advance Auto Parts, Inc.	U.S.	Other	Yes
Aeon Co., Ltd.	Japan	Grocery	Yes
Amazon.com, Inc.	U.S.	Other	Yes
Apple Inc.	U.S.	Technology	Yes
Arcs Co., Ltd.	Japan	Grocery	No
Ascena Retail Group, Inc.	U.S.	Apparel	Yes
AutoZone, Inc.	U.S.	Other	Yes
Barnes & Noble, Inc.	U.S.	Other	Yes
Bed Bath and Beyond Inc.	U.S.	DIY	Yes
Best Buy Co., Inc.	U.S.	Technology	Yes
Bic Camera Inc.	Japan	Technology	Yes
Big Lots, Inc.	U.S.	Grocery	No
BIM Birlesik Magazalar A.S.	Turkey	Grocery	No
Canadian Tire Corporation, Limited	Canada	Department store	Yes
Carrefour	France	Grocery	Yes
Casino Guichard-Perrachon S.A.	France	Grocery	Yes
Celesio AG	Germany	Drug Store	No
Cencosud S.A.	Chile	Grocery	No
Chongqing Department Store Co., Ltd	China	Department store	No
Coach, Inc.	U.S.	Apparel	Yes
Costco Wholesale Corporation	U.S.	Cash & Carry	Yes
CP ALL Public Company Limited	Thailand	Grocery	No
CVS Caremark Corp.	U.S.	Drug Store	Yes
Dashang Co., Ltd.	China	Department store	No
DCM Holdings Co., Ltd.	Japan	DIY	Yes
Delhaize Group	Belgium	Grocery	Yes
Dillard's, Inc.	U.S.	Department store	Yes
Distribuidora Internacional de Alimentacion	Spain	Grocery	Yes
Dollar General Corporation	U.S.	Grocery	Yes
Dollar Tree, Inc.	U.S.	Grocery	Yes

Don Quijote Co., Ltd.	Japan	Grocery	No
E-MART Co., Ltd.	S.Korea	Grocery	Yes
East Japan Railway Company	Japan	Grocery	No
Edion Corporation	Japan	Technology	Yes
El Puerto de Liverpool, S.A.B. de C.V.	Mexico	Department store	Yes
Empire Company Limited	Canada	Grocery	No
Family Dollar Stores, Inc.	U.S.	Grocery	No
Fast Retailing Co., Ltd.	Japan	Apparel	Yes
FEMSA Comercio, S.A. de C.V.	Mexico	Grocery	No
Foot Locker, Inc.	U.S.	Apparel	Yes
GameStop Corporation	U.S.	Other	Yes
Gome Electrical Appliances Holding	China	Technology	Yes
Groupe FNAC S.A.***	France	Other	Yes
Grupo Comercial Chedraui, S.A.B. de C.V.	Mexico	Grocery	No
GS Retail Co., Ltd.	S.Korea	Grocery	No
H & M Hennes & Mauritz AB	Sweden	Apparel	Yes
H2O Retailing Corporation	Japan	Department store	No
Heiwado Co., Ltd.	Japan	Grocery	No
HORNBACH-Baumarkt - AG Group	Germany	DIY	Yes
Hudson's Bay Company	Canada	Department store	Yes
ICA Gruppen	Sweden	Grocery	No
Inditex, S.A.	Spain	Apparel	Yes
Isetan Mitsukoshi Holdings Ltd.	Japan	Department store	Yes
Izumi Co., Ltd.	Japan	Grocery	Yes
J. C. Penney Company, Inc.	U.S.	Department store	Yes
J. Front Retailing Co., Ltd.	Japan	Department store	Yes
Joshin Denki Co., Ltd.	Japan	Technology	Yes
K's Holdings Corporation	Japan	Technology	Yes
Kering S.A.	France	Apparel	Yes
Kesko Corporation	Finland	Grocery	Yes
Kingfisher plc	U.K.	DIY	Yes
Kohl's Corporation	U.S.	Department store	Yes
Koninklijke Ahold N.V.	Netherlands	Grocery	Yes
L Brands, Inc.	U.S.	Apparel	Yes
Lawson, Inc.	Japan	Grocery	Yes
Liberty Interactive Corporation	U.S.	Other	Yes
Life Corporation	Japan	Grocery	Yes
Loblaw Companies Limited	Canada	Grocery	Yes
Lojas Americanas S.A.	Brazil	Grocery	Yes
Lotte Shopping Co., Ltd.	S.Korea	Grocery	Yes
Lowe's Companies, Inc.	U.S.	DIY	Yes
LVMH Mo	France	Other	Yes
Macy's, Inc.	U.S.	Department store	Yes
Magazine Luiza SA	Brazil	Technology	Yes

MatsumotoKiyoshi Holdings Co., Ltd.	Japan	Drug Store	Yes
Metro AG	Germany	Cash & Carry	Yes
Metro Inc.	Canada	Grocery	No
Nike, Inc.	U.S.	Apparel	Yes
Nitori Holdings Co., Ltd.	Japan	Other	No
Nordstrom, Inc.	U.S.	Department store	Yes
O'Reilly Automotive, Inc.	U.S.	Other	Yes
Office Depot, Inc.	U.S.	Other	Yes
OJSC Dixy Group	Russia	Grocery	No
PRADA Group	Italy	Apparel	Yes
President Chain Store Corp.	Taiwan	Grocery	No
Ralph Lauren Corporation	U.S.	Apparel	Yes
Rite Aid Corporation	U.S.	Drug Store	Yes
RONA Inc.	Canada	DIY	Yes
Ross Stores, Inc.	U.S.	Apparel	No
Roundy's, Inc.	U.S.	Grocery	Yes
S.A.C.I. Falabella	Chile	Department store	Yes
Sears Holdings Corp.	U.S.	Department store	Yes
Seven & i Holdings Co., Ltd.	Japan	Other	Yes
Shanghai Bailian Group Incorporated Company	China	Grocery	Yes
Shimamura Co., Ltd.	Japan	Apparel	No
Signet Jewelers Limited	Bermuda	Other	Yes
Sonae, SGPS, SA	Portugal	Grocery	Yes
Staples, Inc.	U.S.	Other	Yes
Sundrug Co., Ltd.	Japan	Drug Store	Yes
SuperValu Inc.	U.S.	Grocery	Yes
Takashimaya Co., Ltd.	Japan	Department store	Yes
Target Corporation	U.S.	Department store	Yes
The Gap, Inc.	U.S.	Apparel	Yes
The Home Depot, Inc.	U.S.	DIY	Yes
The Kroger Co.	U.S.	Grocery	Yes
The Sherwin-Williams Company	U.S.	DIY	No
The TJX Companies, Inc.	U.S.	Apparel	Yes
Tiffany & Co	U.S.	Other	Yes
Tokyu Corporation	Japan	Department store	No
Tractor Supply Company	U.S.	Other	Yes
Tsuruha Holdings Inc.	Japan	Drug Store	No
Uny Group Holdings Co., Ltd.	Japan	Grocery	No
Valor Co., Ltd.	Japan	Grocery	No
Wal-Mart Stores, Inc.	U.S.	Grocery	Yes
Walgreen Co.	U.S.	Drug Store	Yes
Welcia Holdings Co., Ltd	Japan	Drug Store	No
Whole Foods Market, Inc.	U.S.	Grocery	Yes
Williams-Sonoma, Inc.	U.S.	Other	Yes

Woolworths Limited	Australia	Grocery	Yes
X5 Retail Group N.V.	Russia	Grocery	Yes
Yonghui Superstores Co., Ltd	China	Grocery	Yes

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

2.1.4 Newcomers and leavers

The final list for the Retail Observatory 2015 was subjected to many variations in terms of new entrants and companies outflow.

The starting point to evaluate the requirements needed to include retailers in the database of this final dissertation is once again the "Global Power of Retailing 2015" report. Deloitte took the decision to exclude any convenience store companies if the majority of their retail revenue derived from the sale of motor fuel (Deloitte, 2015), excluding 7 gasoline convenience stores from the Top 250 report. Thus, based on this change, following mergers and acquisitions occurred in the year and bad performances of some top brands, the Deloitte list was modified making way for new companies. To be exact, the newcomers were 17, only 7 of which included in the database of this final dissertation since they correctly met all the criteria defined in the selection process section. The new top brands listed in *Table 2.2* are detailed by the three features used for the whole list and the ranking position gained in the Observatory (see **Appendix A** for the complete version**)**.

Table 2.2 The newcomers in the Retail Observatory 2015

#	Newcomers	Country of origin	Industry	E-commerce
75	Ralph Lauren Corporation	U.S.	Apparel	Yes
81	Yonghui Superstores Co., Ltd	China	Grocery	Yes
98	Ascena Retail Group, Inc.	U.S.	Apparel	Yes
105	PRADA Group	Italy	Apparel	Yes
108	Tiffany & Co	U.S.	Apparel	Yes
120	Welcia Holdings Co., Ltd	Japan	Drug Store	No
121	Magazine Luiza SA	Brazil	Technology	Yes

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

As announced before, all new entrants, except for Welcia Holdings Co., offer the e-commerce platform in line with what has already been discussed about the distribution strategy. Moreover,

maintaining the largest share of retailers, U.S. holds 3 newcomers out of 7 total units which presents all different headquarter locations.
It is possible to observe the debut of Italy in the Observatory at the 105th position with Prada Group, the made in Italy brand synonymous with luxury (see *Box 2.1*).

Box 2.1 - *The Prada Slip*
In 2015, Prada Group entered in the Deloitte's Top global retailers ranking thanks to the great performance carried on in 2013 and 2014. In fact, as specified at the beginning of this dissertation the 250 largest retailers are identified based on publicly available data for 2013, encompassing companies' fiscal years ended through June 2014.
During last year, Prada's sales and profitability have suffered leading to a decrease of the total revenue amount accounted in 2014. The fashion giant justified its negative performance due to the failed development of sale volumes as a counterweight to the increase of commercial costs related to the retail expansion strategy and the decrease of consumers' spending (Pambianco, 2015). Anyway, the sales growth boosted by the retail expansion strategy reached in the previous years (+17.8% at constant exchange rates for the twelve months ended January 31, 2014), maintains the fashion brand at a worthy level in the global retailers ranking with a network of more than 600 DOS worldwide, as disclosed on 2015 financial statement.

The retail revenues growth of newcomers is balanced out by the worse leavers' performance. The market rules expect that companies trade places with each other due to diverse events. In *Table 2.3*, leavers are listed accompanied by the country of origin and the e-commerce availability. The reason of leaving specifies the company included in the Observatory 2015 and is left blank for each unit that was removed from the Deloitte ranking as a result of a merger with a non-top retailer or lower retail revenue value. It is possible to observe four cases of mergers with top retailers that led to sum up the two in a singular entity transitioned to the acquiring company's brand name. Moreover, as specified in the particular cases section of the first chapter, an issue of bankruptcy and one of privatisation occurred during the period in consideration.

Table 2.3 The leavers in the Retail Observatory 2015

Leavers	Country of origin	E-commerce	Reasons of leaving
Alimentation Couche-Tard Inc.	Canada	No	
Casey's General Stores, Inc.	U.S.	No	
Fuji Co. Ltd.	Japan	No	
Harris Teeter Supermarkets, Inc.	U.S.	Yes	Merger with **The Kroger Co.**
Marui Group Co. Ltd.	Japan	Yes	
OfficeMax Inc.	U.S.	Yes	Merger with **Office Depot, Inc.**
PetSmart, Inc.	U.S.	Yes	Privatisation
RadioShack Corporation	U.S.	Yes	Bankruptcy
Safeway Inc.	U.S.	Yes	
Shoppers Drug Mart Corporation	Canada	No	Merger with **Loblaw Co., Ltd**
Sugi Holdings Co., Ltd.	Japan	No	
Susser Holdings Corporation	U.S.	No	
The Daiei, Inc.	Japan	Yes	Merger with **Aeon Co., Ltd**
The Far Eastern Group	Taiwan	No	
The Maruetsu, Inc.	Japan	Yes	
The Pantry, Inc.	U.S.	No	
Wesfarmers Limited	Australia	Yes	

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

2.2 ANALYSIS RESULTS

The following analysis investigates average and aggregate results arisen from the study of the database. The logic followed to exhibit data is maintained equal to Casna's final dissertation in order to provide a real term of comparison to the previous year. This analysis offers a broad view of the panel presenting the global financial performances of top retailers. A summary of retailers' results is briefed in **Appendix A**, where for each company are reported the currency of origin, the reported revenues (in millions of Euros), the gross margin, the operating margin, the net income and the year-to-year growth rate, accounted for the timeline considered in the Retail Observatory 2015. The retailers in bold are the newcomers, missing the YTY growth rate as it will be explained in the related section below.

Going ahead on the results presentation, it is important to remember the methodological framework used to create the database, or rather the quarterly reports studied renamed Q1, Q2, Q3 and Q4, respectively from the oldest to the latest one. The timeline that includes the quarters ending date starts from the 16th July 2014 and ends on the 15th July 2015.

Furthermore, it is important to highlight that text, figures and tables report always values rounded off to the first decimal.

2.2.1 Aggregate results

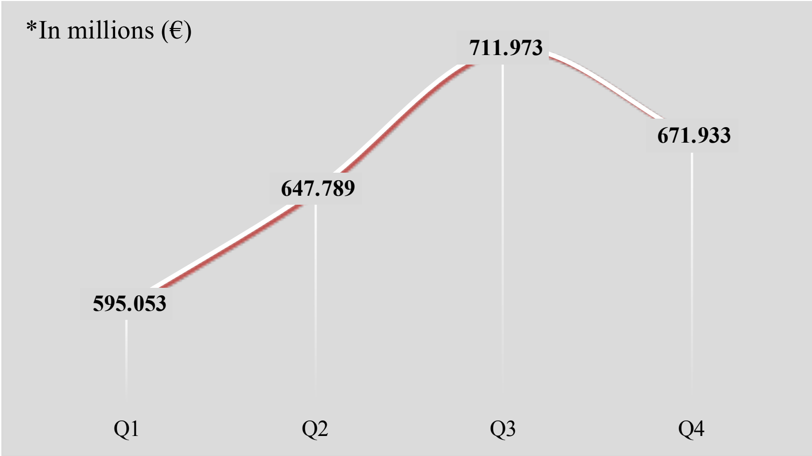
The final sample analysed is composed by 122 companies that, during the four quarters considered in the database, have achieved a sales volume of €2.600 billion, precisely €2.626.748,4 million. In order to provide a measure of comparison, it is possible to consider the Gross Domestic Product values achieved in 2014 by all economies with confirmed GDP estimates (Databank, 2015). Since these yardsticks are accounted in millions of dollars, the author converted the values in millions of euros using the average exchange rate registered during the timeline considered for this database (1.1915). The total revenue value accounted for the whole panel in the Retail Observatory 2015 is higher than the national GDP value achieved by the fifth global economy in 2014, corresponding to the U.K.

Total sales are the sum up of quarterly results accounted by the 122 retailers. As already explained, the quarters defined for the dataset construction (Q1, Q2, Q3 and Q4) presents different ending dates due to the heterogeneity of the panel. To be more specific:

- Q1 is concluded on 31st July, 31st August or 30th September
- Q2 is concluded on 31st October, 30th November or 31st December
- Q3 is concluded on 31st January, 28th February or 31st March
- Q4 is concluded on 30th April, 31st May or 30th June.

Thus, seasonality influences differently the results achieved during the quarters, even when based on specific events or festivities. *Figure 2.4* reports the revenue trend during the four periods analysed presenting a positive development from the first quarter to the peak of the third and a slight decrease in Q4. The highest value registered corresponds to about €712 million, at the third quarter, the holiday season. Historically, this period presents the highest share of revenues for retailers and the data confirmed this trend. The database reveals that half of companies (precisely 61 out of 122 on total), included also the best performers Wal-Mart Inc. and Costco Wholesale Co., close Q2 before Christmas, at the end of November. This means that for these retailers, the entire holiday season, including festivities and sales promotions, falls on Q3.

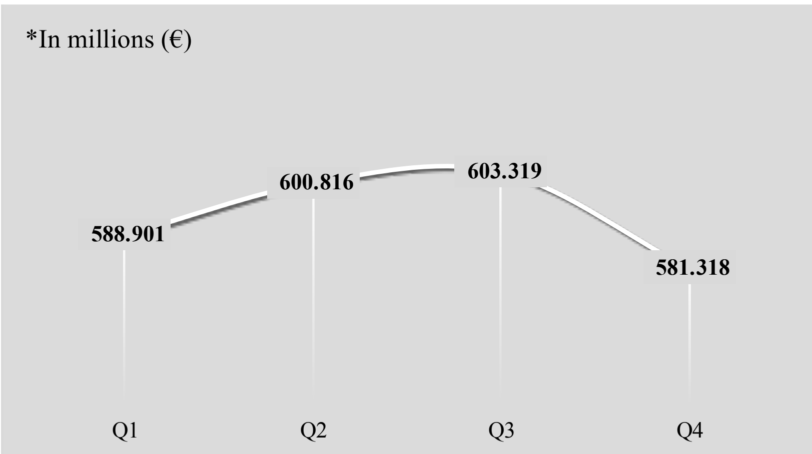
Figure 2.4 Evolution of total revenues during the quarters analysed in the Retail Observatory 2015



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

It is interesting to observe that in the Retail Observatory 2014, Casna highlighted the same consideration for the revenues trend. In fact, *Figure 2.5* shows a similar trend presenting a peak on Q3, but a less steep trend line than the one depicted in *Figure 2.4*. The first dataset, built in 2014, presents a different composition, which includes 132 retailers instead of 122 and different aggregate results. The total amount computed was precisely €2.374.354,5 million, a value lower of about €250.000 compared to the results exhibited at the beginning of this paragraph (Casna, 2014). During this section, the comparison between the Retail Observatory 2014 and 2015 will be resumed repeatedly.

Figure 2.5 Evolution of total revenues during the quarters analysed in the Retail Observatory 2014

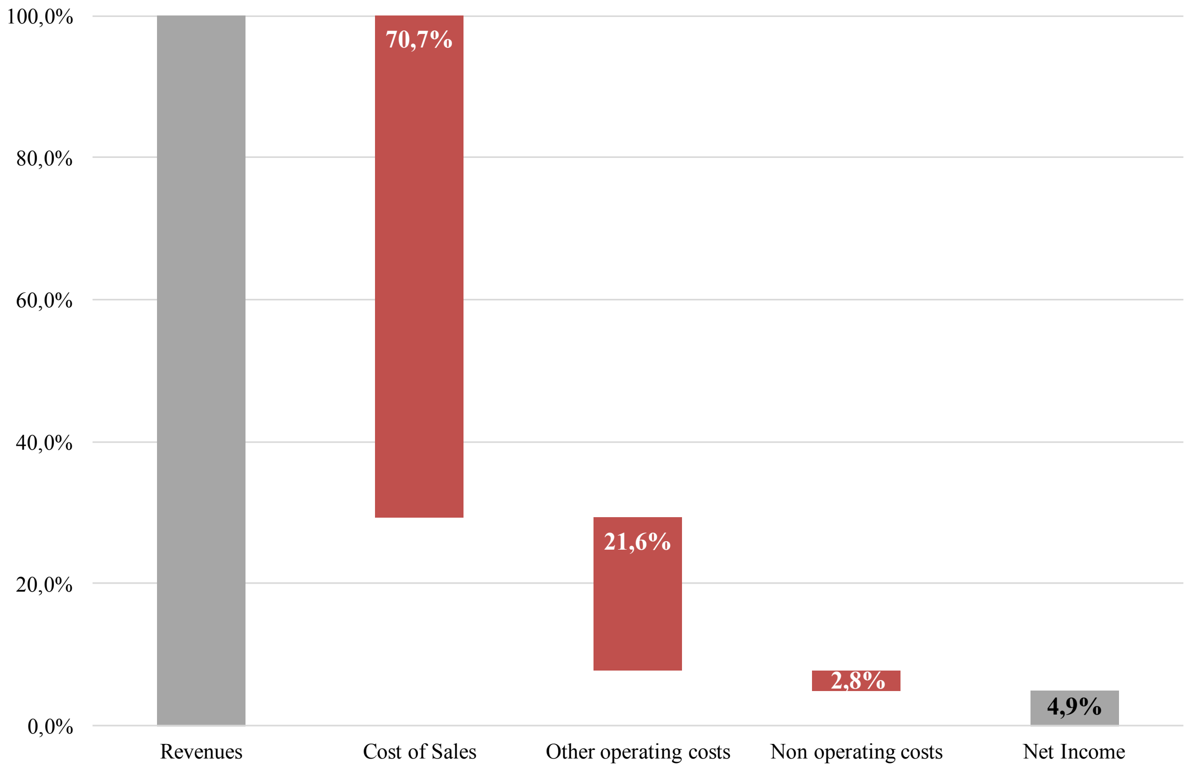


[Data processed from the quarterly reports of the Retail Observatory 2014 companies]

Having discussed the trend evolution of the total revenue value, the focus is shifted to the indicated parameter composition. For this analysis, it is relevant to point out that not all companies were considered, since only 114 out of 122 reported all the evaluation yardsticks studied in the database, as already mentioned in the first chapter. In fact, 7 units, mostly of them French companies (4 out of 7), were accounted into the database reporting only revenue values because of the missing disclosure of other quarterly parameters.

Figure 2.6 shows how revenues are composed by different percentages of costs and margins; all these parameters were calculated as the average value of the aggregate result. The cost of sale corresponds to the 70,7% of the total reported revenues leading to a gross margin of 29,3%. Other costs, divided in operating and non-operating, amount respectively to 21,6% and 2,8%; this means the operating margin reaches 7,7% and the net income corresponds to the 4,9% of revenues.

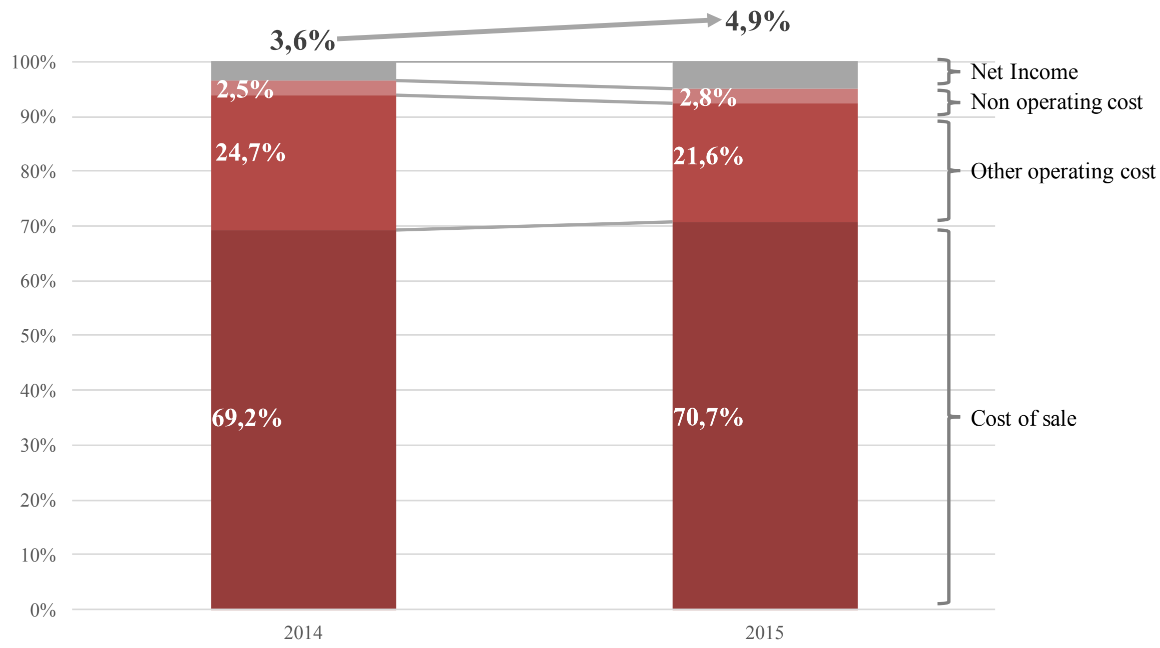
Figure 2.6 Total revenues composition divided by percentage of costs and margins in the Retail Observatory 2015



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Comparing these results with the Retail Observatory 2014 (*Figure 2.7*), it is possible to observe a slight growth in the global retail industry, due not only to revenues results. In fact, the total average net income computed for this analysis is more than one percentage unit higher compared to last year, thanks to an increase in the total operating margin. As mentioned earlier, the latter corresponds to 7,7% in the Observatory 2015 and 6,1% in Casna's database (Casna, 2014).

Figure 2.7 Total revenues composition divided by percentage of costs and margins in the Retail Observatory 2014 and 2015



[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

The three margins just mentioned above, are studied in details in the next paragraphs in order to understand companies' financial performances and the retailers' arrangement in terms of average values.

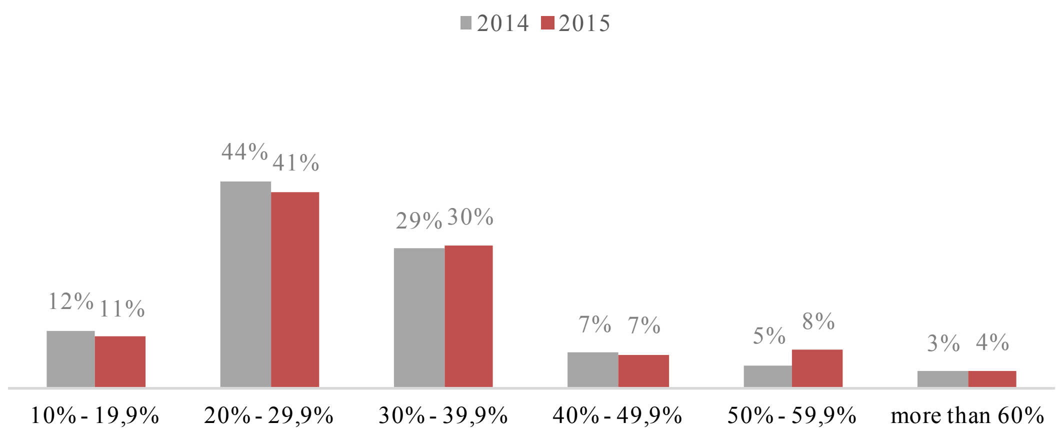
A preface to the next three topics is necessary in order to define the method of analysis used to study the retailers' performance for each evaluation yardstick. The creation of intervals helped to dispose the 114 units in different classes, giving a clear view of the whole performance. Based on the parameters investigated, the intervals considered are always six, varying from "minor than 0" to "more than 60%" rank.
Moreover, during the dataset study, a particular case worth of mention was arisen, which is important to keep in mind to correctly approach the next analyses. In fact, Roundy's Inc., a U.S. grocery retailer, registered a goodwill and an asset impairment charge during the third quarter 2014 (Q1 in the Retail Observatory 2015) that negatively impacted the total operating margin and net income, as showed in 2014 financial statement. For both these parameters the company presents the lowest value in the panel, so it will be included in the "minor than 0" rank; on the

other hand, revenues and the cost of sale are completely not influenced by these budget items which are accounted after the operating and administrative expenses.

2.2.2 Gross Margin

Figure 2.6 identified the average gross margin value as 29,3% of the total revenues, a bit lower than the margin observed by Casna in 2014 which equals to 30,8%. *Figure 2.8* shows that the largest share of retailers presents a value of this parameter included in the class 20% - 29,9%. For this evaluation yardstick, all retailers present margins higher than 10%. The highest value is attributable to the Japanese company Lawson Inc., whereof the majority of its retail revenue is coming from the franchising network rather than goods or services sale. In fact, since the Japanese company occupied the first position also in the Retail Observatory 2014, Casna had already presented this observation (Casna, 2014). Compared to the previous year analysis on the gross margin, it is possible to observe a similar trend, except for the 50% - 59,9% rank presenting an increase of units at the expense of the preceding interval.

Figure 2.8 Number of retailers included in each class of gross margin percentage values



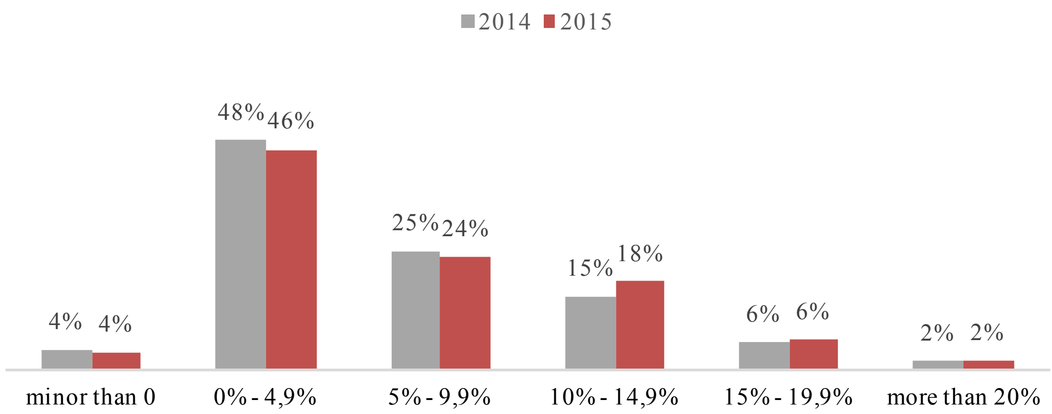
[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

2.2.3 Operating Margin

Remembering the preface of these sections, it is possible to proceed to the second evaluation yardstick: the operating margin. In the "Aggregate results" section, the author explained how this parameter is calculated subtracting the operating costs from the gross margin.

In this analysis (*Figure 2.9*), retailers registered also negative values and reached a maximum of about 30%; thus, the intervals are set from “minor than 0” to “more than 20%” ranks. As it is well known, the lowest percentage is attributable to Roundy’s (-5,5%), due to the -25,7% accounted in Q1. On the other hand, the best performer is Apple’s Inc. which increased its margin of 2 percentage points from previous year (Casna, 2014), transforming every hundred dollars of sales in 30,2 dollars of operating margin. Tiffany & Co., one of the U.S. newcomers, debuted at number two presenting a 20% margin value. Its advancement led the company to be included always at the two highest intervals of these analyses along with Prada Group. Comparing this yardstick to the Retail Observatory 2014, the average operating margin is 1,6 percentage points higher, corresponding to a final value of 7,7%. This is the main variation accounted from previous year which positively affected the final net income value leading to a better performance of the whole sample (*Figure 2.7*).

Figure 2.9 Number of retailers included in each class of operating margin percentage values



[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

2.2.4 Net Income

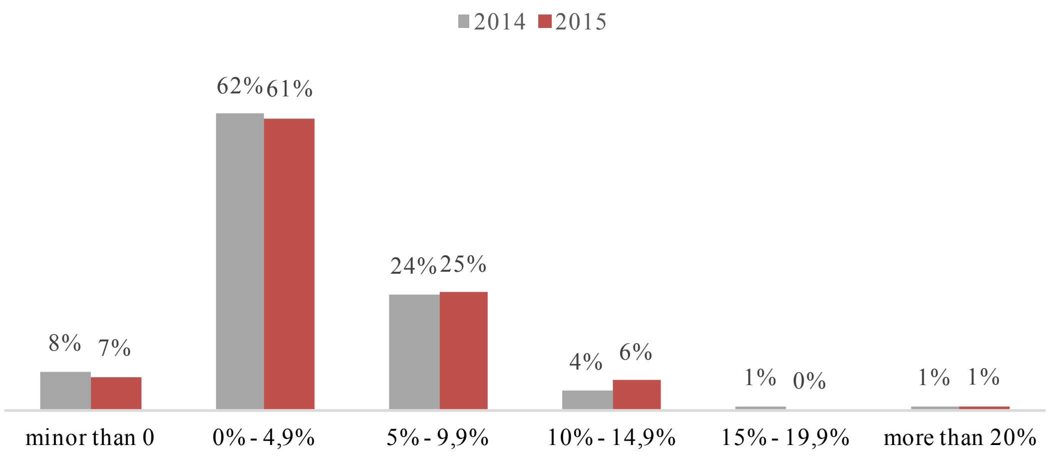
The net income measures one company’s final profit and, as assumed at the beginning, in case of corporate groups, it is always considered at the consolidated value.

From the *Figure 2.6*, it is possible to note that the total average net income amounts at the 4,9% of revenues. This value is included in the first interval of positive results in *Figure 2.10*, where the largest share of retailers is positioned (more than 60% of companies). In Casna’s analysis the same trend is presented, even if the total average result for the net income is lower and corresponds to 3,6% (Casna, 2014). In fact, in both cases, the distribution of units is more condensed around the average value, displaying a decreasing number of companies in the adjacent ranks.

The "minor than 0" interval presents 8 units including the well-known Roundy's Inc.; whereas, the first place is once again occupied by Apple Inc., the only retailer reporting a net income of more than 15%, to be exact: 22,6%.

Moreover, it is interesting to observe that the highest values of net income registered by the 7 units in the "10% - 14,9%" rank are, in the vast majority, retailers belonging to the fashion industry. In ascending order: Nike Inc., Tiffany & Co, Prada Group, Hennes & Mauritz AB and Inditex S.A. are the 5 fashion companies reporting the best performance in terms of net income values.

Figure 2.10 Number of retailers included in each class of net income percentage values



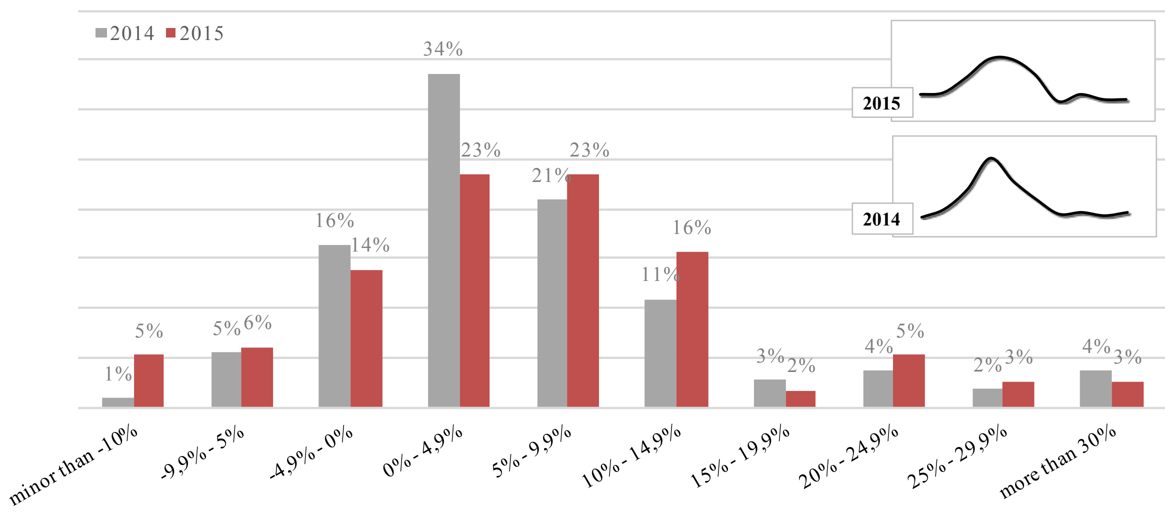
[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

2.2.5 Year-to-year growth rate

The last important analysis, implemented in the "Aggregate results" section, investigates the revenues evolution from the previous year. Since this final dissertation is the continuation of the Retail Observatory 2014, the reported revenues registered in this database are compared to Casna's dataset values. For this reason, *Figure 2.11* includes all retailers, except for 2015 newcomers, leading to a panel composed by 115 units.

The method of analysis is one more time the distribution of units in specific classes of YTY (year-to-year) growth rates. In this case, it is possible to observe ten intervals, including three negative ranks and seven positives. The largest share of retailers increased their revenues, whereas 25% of companies registered rates minor than zero. As the chart displays, units are more concentrated at the "0% - 4,9%" and "5% - 9,9%" intervals, similarly to last year trend. The greatest performances were carried out by a little group of companies; the best performer, reaching a peak of 62% of revenues growth, was H2O Retailing Corporation that acquired Izumiya Co. Ltd in 2014, as published on their press releases. Certainly, mergers are consistent explanations to huge growth rates as also Signet Jewelers Ltd and Loblaw Companies Ltd, respectively at the second and fourth place of this analysis, completed publicly merger transactions in 2014. At the third place, Hudson's Bay Company affirmed its growth for the second year running thanks to the the acquisition of Saks Inc. in 2013, from which are expected synergies counting more than 100 million dollars in three years, as disclosed in the corporate statements.

Figure 2.11 Number of retailers included in each class of net income percentage values



[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

At the conclusion, it is significant to point out that the YTY growth rate investigation was implemented at constant exchange rates neutralising the high volatility occurred for few currencies during the period of time in analysis as it is possible to observe in **Appendix B**.

2.3 THE RETAIL OBSERVATORY RANKING

The Retail Observatory is the tool used to evaluate the whole global financial performance in the retail industry and to investigate retailers' performance also by geography and primary retail

product sector. Before proceeding with the last two analyses, the author presents the database ranking, highlighting the top ten companies and changes from the Retail Observatory 2014.
The ranking is based on total revenues calculated in the four quarters considered; this means that the first place is gained by the best performer in terms of turnover reached in the timeline set for the database construction of this final dissertation.
The whole ranking is available in **Appendix A** in ascending order, whereas this section will examine in depth only the Top 10 retailers.
Table 2.4 reveals the ten biggest companies in the Retail Observatory 2015 defining the rank, the country of origin and the annual result in millions of Euros. As it is possible to observe, 8 companies out of 10, hold their headquarters in the U.S., including Wal-Mart Stores Inc. presenting the highest value: €404.365 million. The popular grocery retailer exceeds Apple Inc. (see *Box 2.2*), at the second place, of more than double and neither the sum up of revenues reached by the technology company and CVS Caremark Co. (at the third place) achieves the huge result gained by Wal-Mart.

Table 2.4 The Top 10 companies in the Retail Observatory 2015 based on reported revenues

#	Company	Country of origin	*Annual Revenues (M€)*
1	Wal-Mart Stores, Inc.	U.S.	*404.364,6*
2	Apple Inc.	U.S.	*192.828,4*
3	CVS Caremark Co.	U.S.	*125.138,7*
4	Costco Wholesale Co.	U.S.	*96.851,1*
5	The Kroger Co.	U.S.	*91.659,1*
6	Carrefour	France	*86.071,0*
7	Amazon.com, Inc.	U.S.	*82.219,7*
8	Walgreen Co.	U.S.	*80.005,1*
9	The Home Depot, Inc.	U.S.	*70.698,9*
10	Metro AG	Germany	*61.770,0*
			1.291.606,6

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

The total amount registered by the Top 10 corresponds to €1.291.607 million, or rather the 49% of the whole reported revenues accounted by the 122 retailers included in the database.

***Box 2.2** – The Apple Watch impact*

In September 2014 the Apple Inc. publicly announced the launch of the Apple Watch which began shipping in April 2015. The reveal and the real introduction of the new device in the market influenced the whole period considered in the Retail Observatory 2015 (starting from July 2014 and ending in June 2015). In fact, as it is possible to read from the corporate press releases, the innovative product, launched during the third quarter of 2015, accounted for more than 100% of the year-over-year growth in net sales of the other Apple products. A smart strategy to increase sales of more than 25% as arisen from the database study. The impact of the Apple Watch was easily observed on Apple financial performance, on the aesthetics of watches, influencing competitors' design and on the emerging wearable technology trend (WGSN, 2015).

All top 10 companies registered positive YTY growth rates on revenues, except for Metro AG which decreased of about 2,6% its 2014 results, due to the macroeconomic slowdown in the Eurozone economy (Deloitte, 2015).

To continue the discussion concerning the previous year results, *Table 2.5* displays the top 10 retailers in the Retail Observatory 2014. The list of companies is equal, but presents a few changes in the ranking positions. As revealed in advance, Metro AG lost its 7th place reaching the bottom of the table and making way to Amazon.com Inc.; at the same time, the Europe grocery retailer Carrefour slipped down of two ranks setting at the 6th place, after Costco Wholesale Co. and The Kroger Co.

Table 2.5 The Top 10 companies in the Retail Observatory 2014 based on reported revenues

#	Company	Country of origin	*Annual Revenues (M€)*
1	Wal-Mart Stores, Inc	U.S.	*351.871,6*
2	Apple, Inc.	U.S.	*130.032,2*
3	CVS Caremark Co.	U.S.	*96.519,5*
4	Carrefour SA	France	*83.611,0*
5	Costco Wholesale Co.	U.S.	*80.961,4*
6	The Kroger Co.	U.S.	*75.152,8*
7	Metro AG	Germany	*63.449,0*
8	Amazon.com, Inc.	U.S.	*59.687,2*
9	The Home Depot, Inc.	U.S.	*58.771,2*
10	Walgreen Co.	U.S.	*55.473,3*
			1.055.529,2

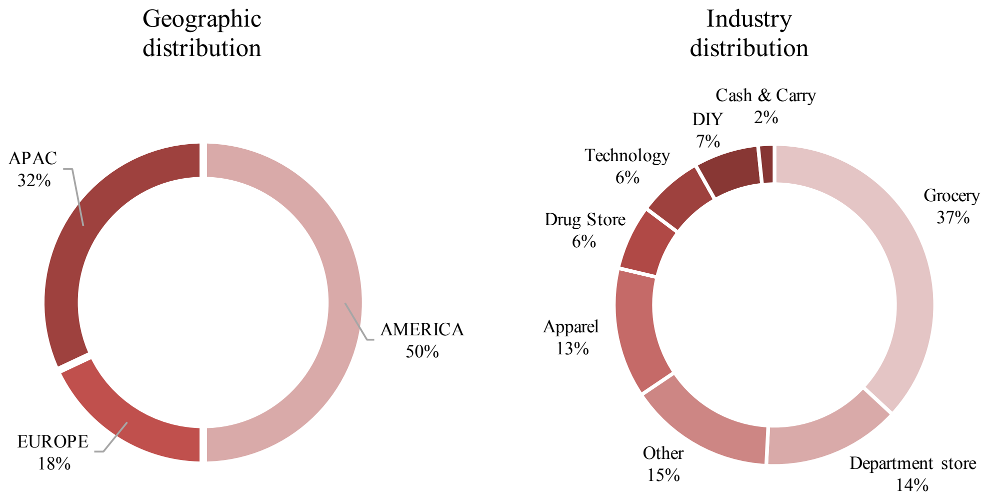
[Data processed from the quarterly reports of the Retail Observatory 2014 companies]

2.4 FOCUSED ANALYSIS

In this last section of the chapter, the companies' performance observed in the Retail Observatory 2015 are analysed by geography as well as by industry, summarising the average results. This two analyses allow to provide different perspectives in the database evaluation through focused outlooks.

Before proceeding, it is important to remember that retailers are analysed in the following sections divided by the two features mentioned at the beginning: the country of origin and the industry belonging. In each of the two, the author has individuated related sub-aggregates, that will be explained in the appropriate sections. *Figure 2.12* shows the partition of the 122 units for the two studies in order to provide an overall view of the aggregates composition and the retailers' distribution.

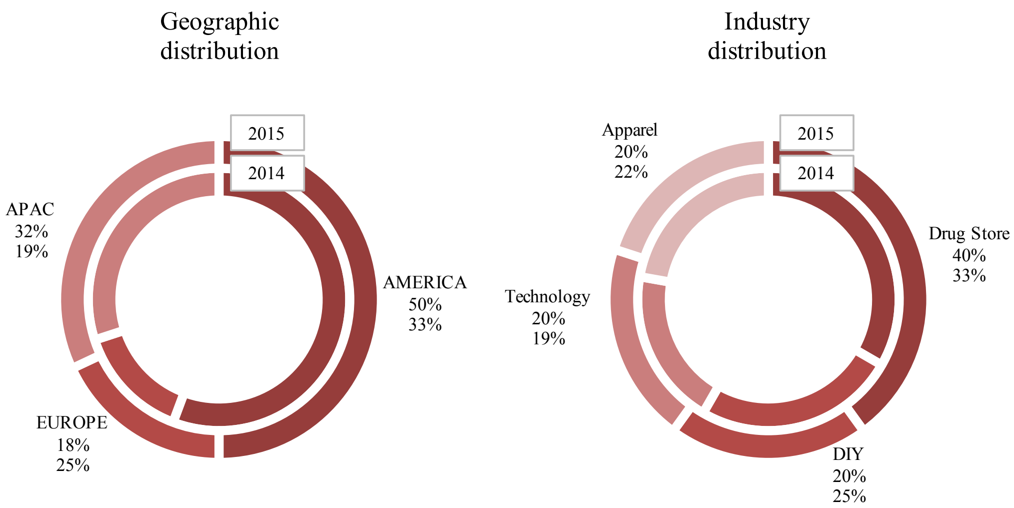
Figure 2.12 Distribution by geographic area and by industry for the Retail Observatory 2015 companies



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

In the same way, as the author disclosed the comparison between the first Observatory and its continuation for the aggregate results, the next paragraphs will provide similar observations. The geographic analysis is maintained equal to Casna's work; on the other hand, the industry analysis was developed differently. Casna applied the assortment policy proposed by Grandi (2008) providing a partition between specialised and non-specialised retailers; meanwhile this dissertation offers an industry analysis including each industry format identified by Deloitte. Anyway, it has been possible to compare the 2014 results with the 2015 considering only specialised retailers, the vast majority of units. Non-specialised retailers were divided by Casna into food and non-food, without giving a specific category to these retailers; differently, the author presents a deeper insight of segments, identifying all non specialized companies in the specific format. *Figure 2.13* offers a general view of the above mentioned analyses based on the panels' composition for the two Observatories, which will be accurately described later.

Figure 2.13 Distribution by geographic area and by industry for the Retail Observatory 2014 and 2015 companies



[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

2.4.1 Geographic analysis

In the first paragraph of this second chapter, the database was studied based on the retailers headquarter location, both at country and geographic area level. In order to present the aggregate results, this less focused analysis was simplified to three main areas: America (including North and South America), Europe and APAC (including Asia and Oceania). The first partition holds 61 units, followed by APAC presenting 39 companies and the remaining 22 are set in the Eurozone.

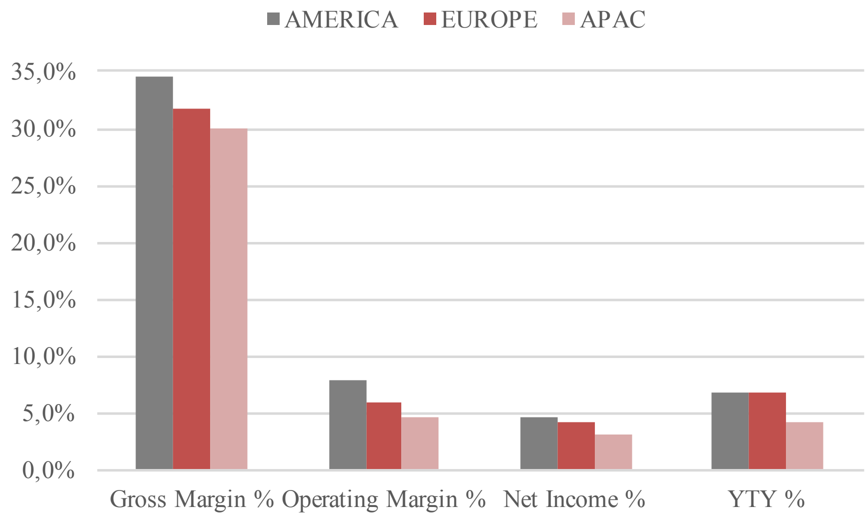
For the above-mentioned analysis, the evaluation parameters investigated are the main ones calculated for the Observatory, always considering the average value obtained in the group of units considered. Revenues were transformed in Euros, so exchange rates influenced America's and APAC's results; whereas margins and YTY growth rates are neutralised by this effect.

Moreover, it is significant to remind that the gross and operating margins and the net income are calculated on a sample of 114 units, because of the lack of these values for the above-mentioned companies at the beginning of the "Analysis result" section. The YTY growth rate presents the same variation in terms of accounted retailers since the panel considered excludes the newcomers, counting at the end 115 units.

Table 2.6 Average main values divided by geographic area

	Revenues (M€)	***Gross Margin***	***Operating Margin***	***Net Income***	***YTY***
AMERICA	*29.647,7*	*34,5%*	*7,9%*	*4,7%*	*6,9%*
EUROPE	*20.503,3*	*31,8%*	*5,9%*	*4,1%*	*6,9%*
APAC	*9.414,6*	*30,0%*	*4,6%*	*3,0%*	*4,3%*

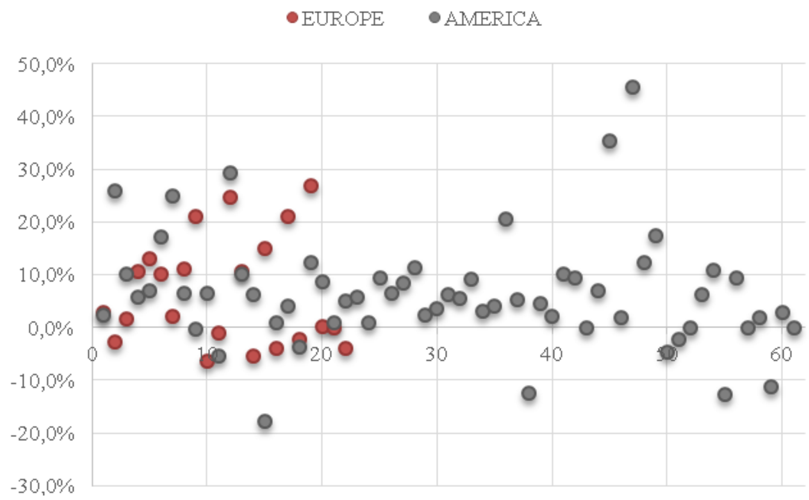
Figure 2.14 Average main values divided by geographic area in the Retail Observatory 2015



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Table 2.6 and *Figure 2.14* exhibits the American power over Europe and the Asian-Pacific area for all the yardsticks investigated, except for the YTY growth rate which is equal at the first and second place. In fact, even if America presents a larger number of units, including a few associated to very high and very low values of growth, Europe accounts a group of companies mainly concentrated, leading to the same positive value of growth rate. In *Figure 2.15,* points represent the two groups of companies distributed in terms of growth rate values: America in grey, accounts 61 units, instead, Europe accounts 22.

Figure 2.15 Detail of YTY growth rate distribution for American and European companies

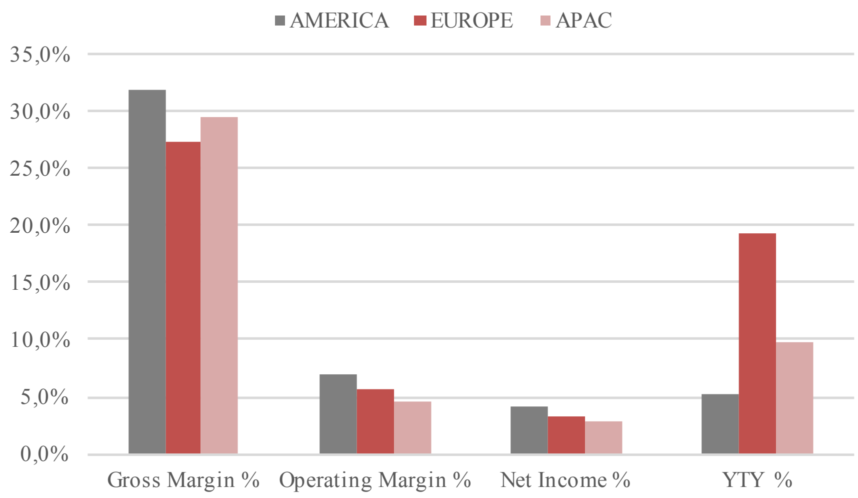


[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Focusing the attention at each area, America is the continent holding the best performer in terms of reported revenues for the entire database: Wal-Mart; on the other hand, this area presents also the second to last retailer in the dataset: the newcomer Magazine Luisa SA. In Europe, Carrefour, at the 7th place of the top 10 retailers, is the company reporting the highest value of revenues; at the opposite end, the German Hornbach Holding AG accounts the worst performance. The unique European newcomer Prada Group is positioned only one rank up compared to the last retailer, reaching a revenue value higher of about €200.000. For the APAC area, the best performer is not included in the Top 10 and corresponds to Aeon Co. which is located in Japan, the country presenting the largest share of retailers for this geographic region and also the worst local performer: Joshin Denki Company Ltd. This retailer is registering a five-year decline that negatively affects its performance, surpassed also by the two Asiatic newcomers: Welcia Holdings Company Ltd and Yonghui Superstores Company Ltd.

The geographic analysis carried on by Casna in the Retail Observatory 2014 (*Figure 2.16*) highlighted different results from the ones exhibited in *Figure 2.14*. In the previous database, the American continent affirmed its supremacy in terms of margins, but Europe presented a higher average YTY growth rate. In fact, ICA Gruppen, specialised in the grocery industry, acquired ICA AB on 27th March 2013, registering a huge increase in revenues compared to the previous year: +254,5% (Casna, 2014). Therefore, Europe leader position for the growth rate parameter was due to this extraordinary operation, without which it would have reported a value lower than the America.

Figure 2.16 Average main values divided by geographic area in the Retail Observatory 2014



[Data processed from the quarterly reports of the Retail Observatory 2014 companies]

Leaving aside the YTY growth rate explanation, the comparison between the average margins accounted by Casna and by the author reveals that the operating value and the net income presents the same ranking; conversely, the average gross margin is higher for the Asia and Pacific area in the Observatory 2014. In order to summarise year-to-year variations for revenues and margins, *Table 2.7* presents the percentage increase or decrease registered from the Retail Observatory 2014 to 2015. Generally, percentage variations are positive; by analysing revenues, it is possible to notice that America presents a high level of growth in terms of revenues, differently from Europe which experienced a reduction of two percentage points due to the persisting deceleration affecting the Eurozone (Deloitte, 2015).

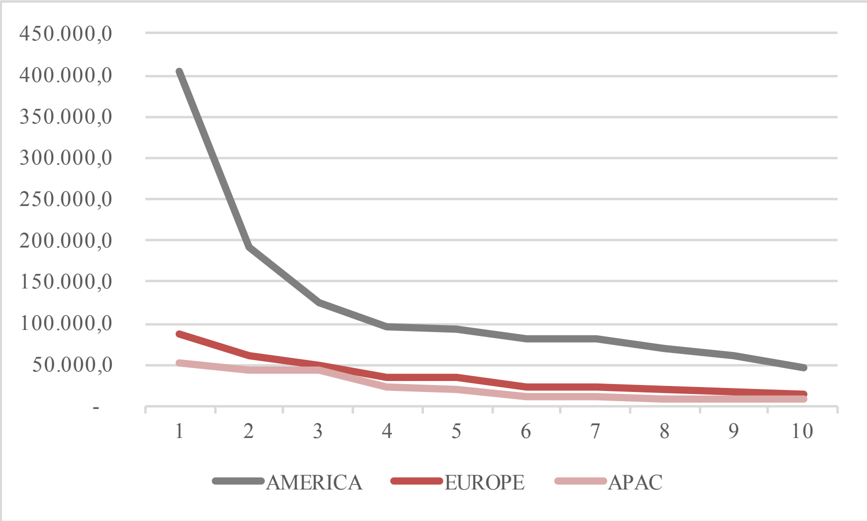
Table 2.7 Variations from the Retail Observatory 2014 to 2015 for the geographic analysis

	Δ Revenues (M€)	**Δ Gross Margin**	**Δ Operating Margin**	**Δ Net Income**
AMERICA	*29,0%*	*2,6%*	*0,8%*	*0,6%*
EUROPE	*-2,0%*	*4,5%*	*0,2%*	*0,8%*
APAC	*5,0%*	*0,4%*	*-0,1%*	*0,1%*

[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

Turning back the attention to the Retail observatory 2015 and its geographic analysis, *Figure 2.17* displays the revenues evolution for the best ten retailers divided by geographic area. The chart highlights again the gap between the top American companies and the rest of the world: Europe and the Asiatic-Pacific area, whose trends are similar.

Figure 2.17 Revenues evolution for the Top 10 companies divided by geographic area



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

2.4.2 Industry analysis

Table 2.1 already introduced the industry membership of the Retail Observatory 2015 companies; this paragraph studies the retail performance by primary retail product sector. Differently from the Retail Observatory 2014, this final dissertation does not provide a preliminary partition based on the assortment strategy, splitting retailers in specialised and non-specialised companies (Casna, 2015). In fact, eight main business areas are used for this analysis, including both non and specialized formats: *Technology, Grocery, Cash & Carry, Drug store, Department store, DIY (do-it yourself), Apparel* and *Other*. A company is assigned to one of the eight specific product sectors based on the dominant operational format defined by Deloitte in the Global Powers of Retailing 2015. In order to simplify this partition, the author appointed few unions. The *Grocery* industry includes companies assigned as "supermarket", "discount store" and "hypermarket/supercentre/superstore" assignments; on the other hand, *Other* gathers the retailers allocated to the namesake set including also "non-store" and the unique case of "convenience/forecourt store" represented by the Japanese Seven & i Holdings Co. The *Cash & Carry* category is maintained even if the Deloitte's "cash & carry/warehouse club" companies included in the final dataset are only two: Costco Wholesale Co. and Metro AG. All remaining sectors were maintained equal: *Department store*, *Drug store*, *Apparel*, *Technology* corresponding to "electronics specialty" and *DIY* corresponding to "home improvement".

Table 2.8 summarises the average evaluation parameters divided by industry, affirming the leadership of *Cash & Carry* in terms of reported revenues.

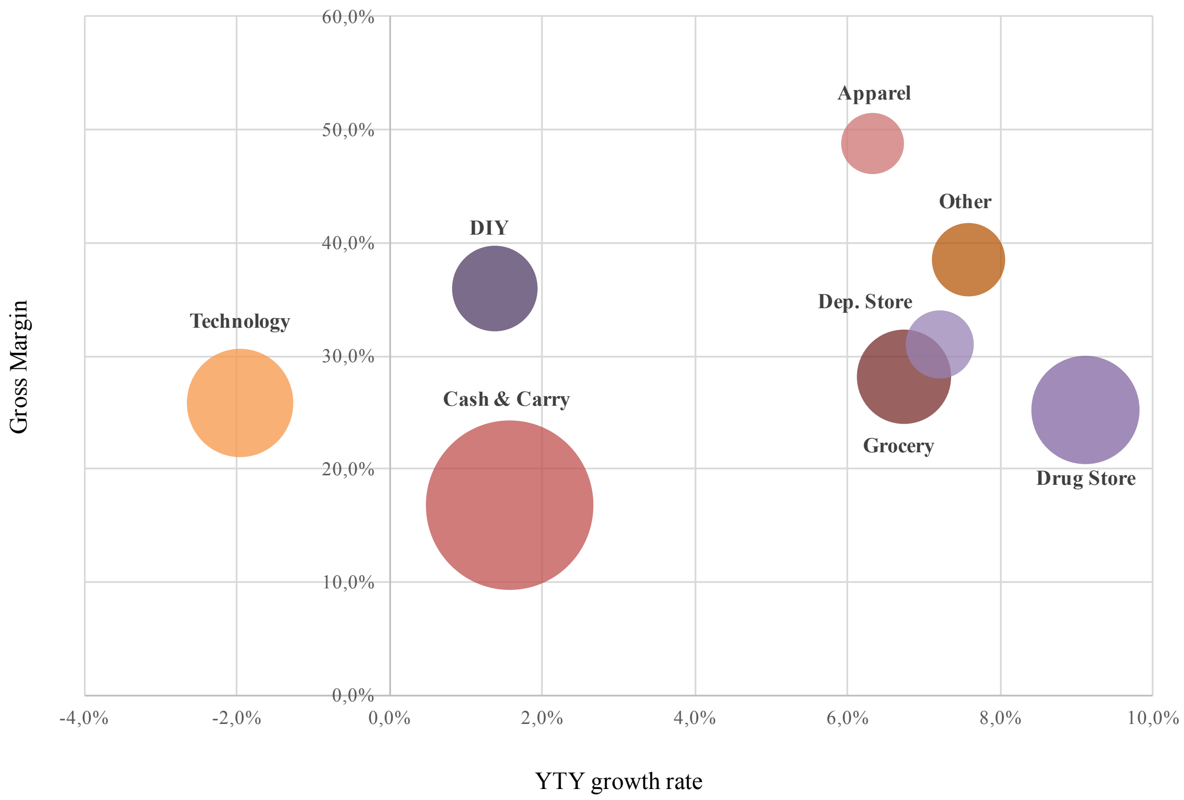
Table 2.8 Average main values divided by industry

Industry	Revenues (M€)	Gross Margin	Operating Margin	Net Income	YTY
Cash & Carry	79.310,6	16,8%	2,2%	1,1%	1,6%
Drug Store	32.857,8	25,2%	4,3%	3,5%	9,1%
Technology	31.987,0	25,8%	6,1%	4,0%	-2,0%
Grocery	24.966,6	28,2%	4,7%	2,7%	6,7%
DIY	20.144,7	36,0%	7,9%	5,1%	1,4%
Other	14.974,6	38,5%	8,8%	5,2%	7,6%
Department store	13.039,9	31,0%	5,0%	2,7%	7,2%
Apparel	10.843,4	48,8%	12,1%	8,1%	6,3%

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

By carefully studying *Table 2.8*, it is possible to observe that the highest is the revenues ranking the lowest is the gross margin value. In this regard, *Figure 2.18* compares different sectors by presenting the YTY growth rate on the x-axis, the gross margin value on the ordinates and the revenues amount through the bubble size.

Figure 2.18 Industry comparison of average YTY growth rate, gross margin and revenues

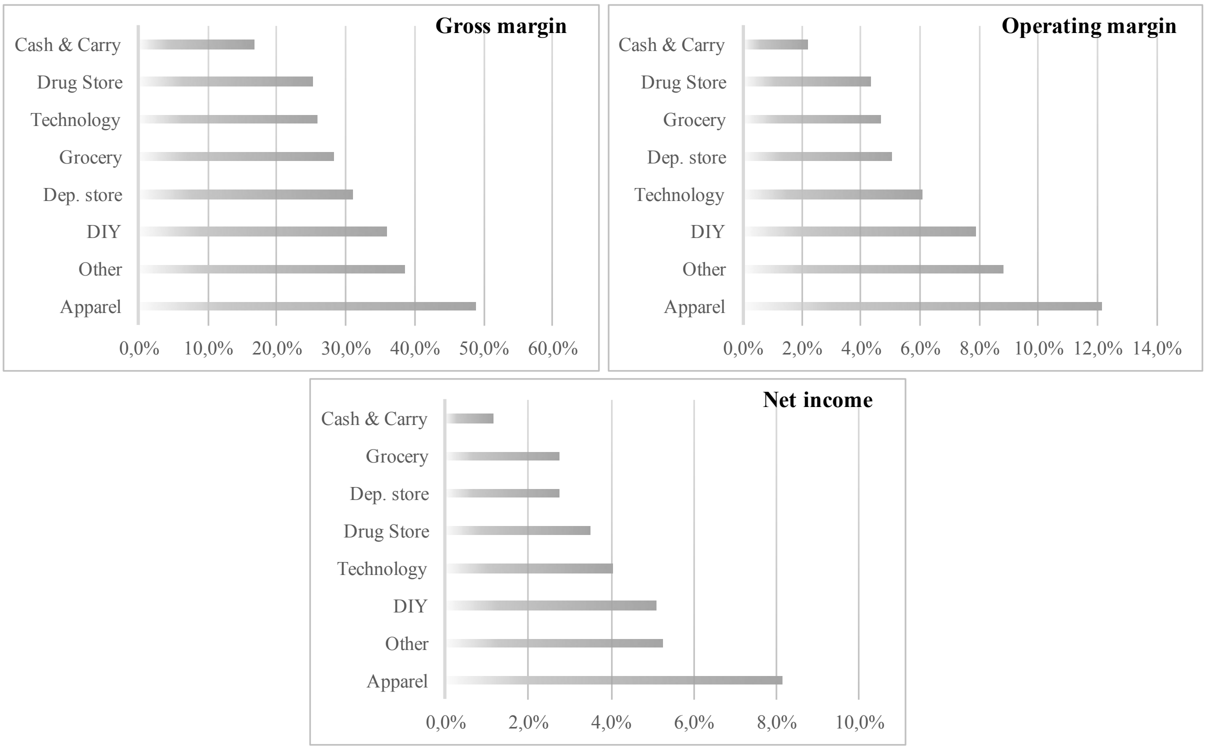


[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Technology corresponds to the only bubble positioned on the negative side of the YTY growth rate. At the lowest value of the gross margin there is the *Cash & Carry* bubble, which presents also the largest value of average revenues. On the opposite side, *Apparel*, the smallest circle, gains the best position in terms of year to year growth and gross margin value. In the middle, the *DIY* industry shows a positive margin but low rate of growth, differently from *Department store*, *Drug store* and *Grocery* which are growing faster reporting a lower margin and similar revenues values. Since the hybrid category defined *Other* includes various types of companies' format, the results could be commented differently without any clear and relevant conclusion.
An analogous situation is revealed by the charts in *Figure 2.19*, which present the three main margins considered in the database: gross margin, operating margin and net income. *Apparel* shows always higher values than other sectors and a focused analysis in the next chapters will present all the value-drivers and strengths developed during last years by fashion companies. In fact, this market is positively reacting to changing dynamics and consumers' needs, attracting also the interest of diverse partners belonging to *Grocery*, *Technology* and *DIY* industries (WGSN, 2015). These latter categories present average values positioned in the middle of the ranking; *DIY* maintains the best third position, differently followed by *Grocery* and *Technology*

at lower ranking positions. The lowest average values belong to *Cash & Carry* which, as mentioned before, is the best performer industry in terms of revenues.

Figure 2.19 Industry comparison of average Gross margin, Operating margin and Net income (ranked in ascending order)



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

In the Retail Observatory 2014, Casna studied retailers based on their assortment strategy and divided specialised companies into five industry formats. These corresponds to the same categories individuated in this final dissertation, except for *Cash & Carry, Grocery and Department store,* which were included among non-specialised retailers. The remaining ones are: *Drug store, DIY, Technology, Apparel* and *Other*. The latter will not be considered in the analysis due to the wide heterogeneity of its units. The other four industries are reported in *Table 2.9* which accounts year-to-year variations for the three main margins, highlighting the increase and decrease experienced by each industry from the 2014 to the 2015 timeline. Percentage variations are always positive for the net income; instead, the *Drug store* sector registered little negative variations in terms of gross and operating margin. In the Retail Observatory 2014 dissertation, Casna stated that the *Apparel* category was the best performer considering the main average margins and thanks to the slight positive variations exhibited in *Table 2.7*. This industry format confirms its achievement also for the Observatory 2015. In fact, the main yardsticks considered are the highest of the entire industry analysis, except for the average revenues value as revealed above, moreover the gross margin increased of 5,5 percentages point compared to the previous year (Casna, 2014).

Table 2.9 Variations from the Retail Observatory 2014 to 2015 for the industry analysis

	Δ Gross Margin	**Δ Operating Margin**	**Δ Net Income**
Drug Store	*-0,7%*	*-0,8%*	*0,5%*
DIY	*1,1%*	*0,1%*	*1,9%*
Technology	*0,2%*	*2,2%*	*2,1%*
Apparel	*5,5%*	*0,0%*	*0,1%*

[Data processed from the quarterly reports of the Retail Observatory 2014 and 2015 companies]

By studying the industry analysis, it is interesting to highlight that the top ranks are all occupied by U.S. companies when the most common record, i.e. the revenues, is considered. Wal-Mart is clearly the best *Grocery* retailer, followed by the other U.S. companies included in the Top 10, which belong to the remaining sectors. Apple Inc. wins the head in *Technology*, CVS Caremark Corporation in *Drug stores*, Costco Wholesale in *Cash & Carry*, Target Corporation in *Department stores*, The Home Depot in *do-it-yourself* market and the colossal Amazon.com falls into the category defined as *Other*. At the end, the best *Apparel* performer, which is Nike Inc., is at the 21st place of the Observatory, being one of the fastest-growing retailers over the last five years (Deloitte, 2015).

2.4.3 The fashion industry

This final section is focused on the fashion industry in order to to study this dynamic market and to introduce the following chapters.

It is important to define the meaning of "fashion industry" in the Retail Observatory 2015, since in previous analyses the partition used would suggest to consider only companies included in the *Apparel* market. However, fashion consists of a wider world, it is not just clothes and accessories but it is constantly evolving and offering something more intangible. Over recent years, companies introduced new products and services expanding their range, exploring new markets and including lifestyles, by getting closer to consumers' existence (Cappellari, 2011).

As displayed earlier in the previous paragraph, the apparel industry is growing rapidly and presents high average margin values, benefiting also from other industries influences.

Consumers wish experiences and bricks-and-mortar retailers must offer more than just products; on the other hand, in an increasingly connected world, the evolution of multi-channel retailing continues to grow as part of retailers' offer (Euromonitor International, 2015). These changes push food and drink collaborations with fashion labels in order to distil the essence of brands into more accessible and widely available products, able to involve most senses. Companies research different ways to generate new revenue streams, since manufacturers and Technology retailers join together to create innovative wearable electronics. Finally, to satisfy and gladden customers shopping experiences, furniture and home improvement retailers accommodate the fashion market by activating popular and valuable collaborations to supply the perfect spaces where selling products (WGSN, 2015).

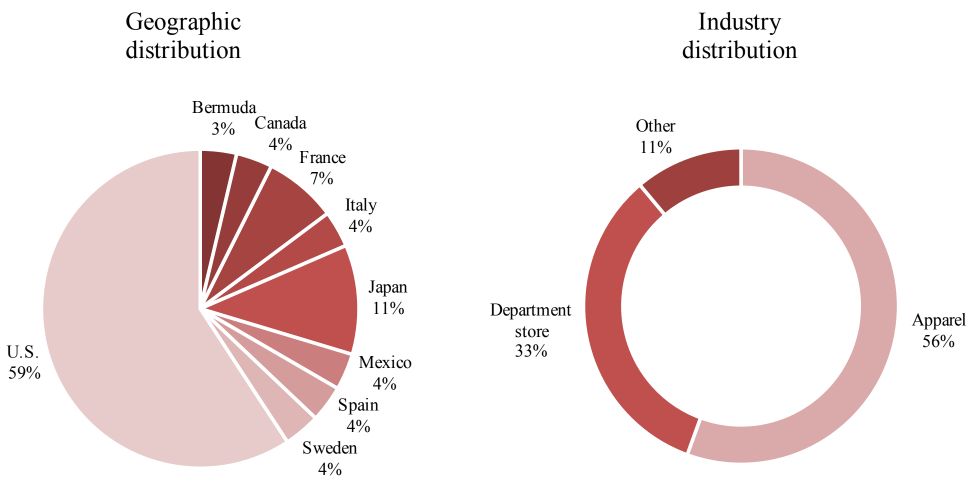
For these reasons, the panel considered for this analysis presents many variations from the apparel industry sample. The author started over an investigation on all remaining industries using the same criteria defined by Deloitte in the Global Powers of Retailing 2015: a company is considered a fashion retailer if at least half of its sales derived from this broadly defined product category. The professional services firm presents the Top 10 "apparel & accessories" retailers including many companies assigned to diverse dominant operational format. Inspired by the ranking, the above-mentioned assumption and helped by corporate financial statements information, a new panel of 27 units was created (**Appendix C**).

Each geographic area defined earlier (America, Europe and APAC) includes at least one fashion company coming from different countries. The largest share of retailers, corresponding to more than half of units, is located in the U.S., followed by Japan (3 units), France (2 units) and the remaining countries present only one example (*Figure 2.20*).

The *Apparel* category was completely included in the fashion industry analysis and many units belonging to the *Department store* sector and the hybrid group defined *Other* were considered as well. The latter, in fact, included three important retailers and corporate group selling jewellery and accessories which are not included in the *Apparel* category but certainly related with the fashion industry. It would be inaccurate excluding LVMH Group, Tiffany & Co. and Signet Jewelers Ltd from fashion, since they all are giants in this market and they are popular brands recognised from consumers all over the world.

For the *Department store* sector, the method of inclusion was more hard-won since the evaluation of sales deriving from apparel, accessories and similar products required a specific research in corporate annual reports, where companies generally report a revenues partition by products category. In fact, by joining the information retrieved from the Deloitte's report and from the retailers' disclosure on revenues, it was possible to identify eight units to include in the fashion panel (*Figure 2.20*). Companies worth of mention are Macy's, Nordstrom and J.C. Penney Company, which represent the U.S. area and Hudson's Bay Company from Canada.

Figure 2.20 Distribution by geographic area and by industry for fashion industry companies

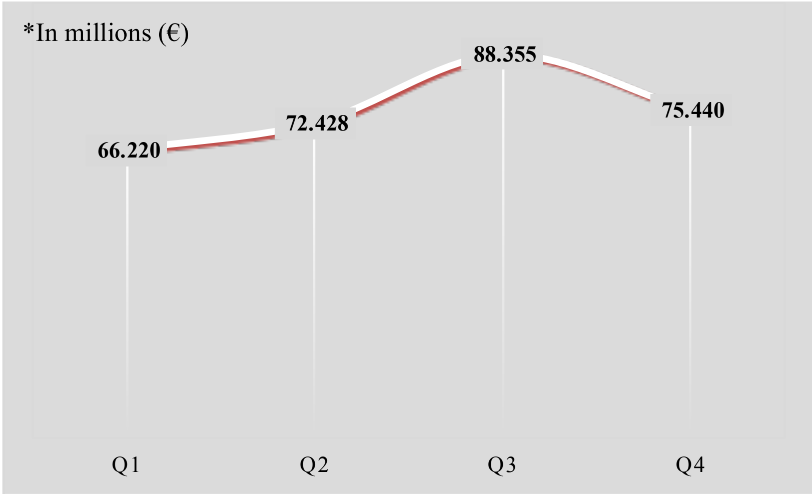


[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

The fashion industry analysis was carried on similarly to the first general investigation of the whole Retail Observatory 2015. One of the significant features considered was the e-commerce platform offered to clients, therefore the e-strategies evaluation will be thoroughly discussed in Chapter 4. As predictable for a sector at the leading edge of the distribution channels strategy, all retailers present this online service, except for the Japanese Shimamura Company Ltd. These data suggest to consider revenues value as inflow always coming both from physical retailers and online sales. On this point, *Figure 2.21* presents the revenues trend during the quarters analysed for the entire database which is flatter than the one in *Figure 2.4,* but moving similarly along the line. The considerations proposed in the total general analysis are valid also for the fashion industry that is even more influenced by the holiday season.

The total annual sales volume, achieved by the 27 fashion retailers during the period including the four quarters defined at the beginning of this chapter, corresponds to €302.400 millions. To be exact, the value is the 12% of total annual revenues reached by the whole dataset: €302.444 millions out of €2.626.748 millions.

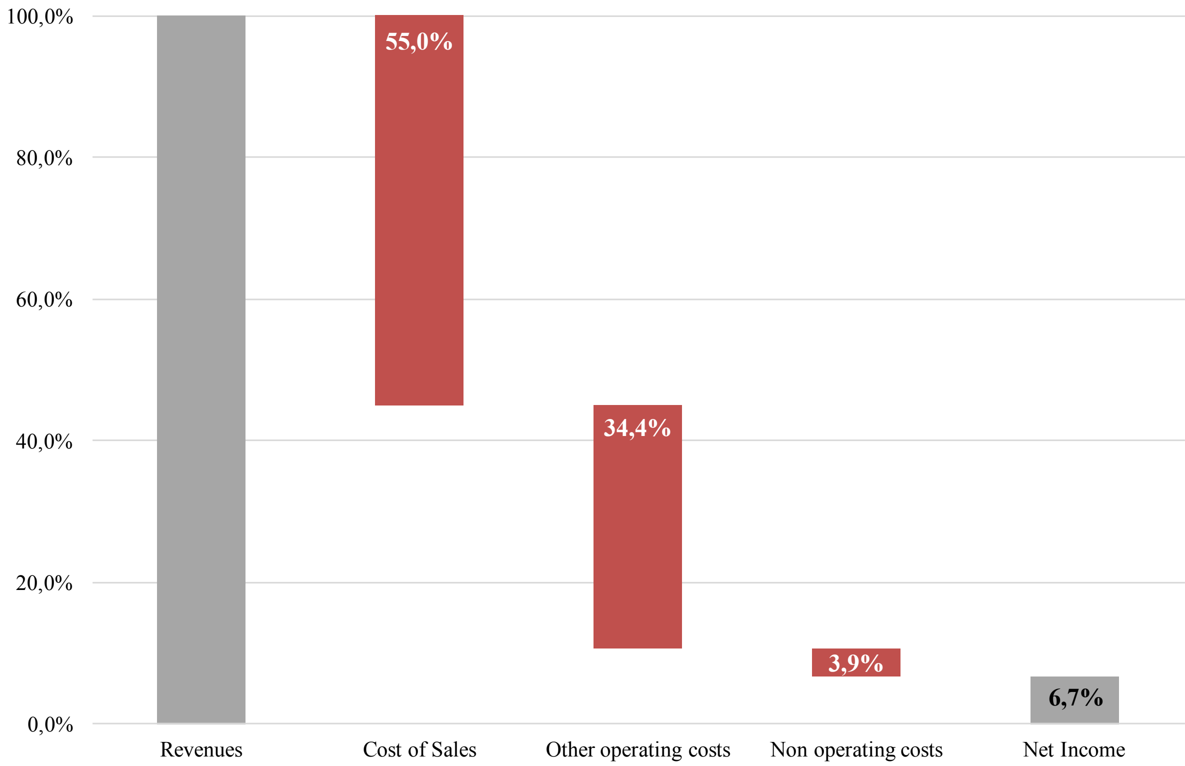
Figure 2.21 Evolution of total revenues analysed for the fashion industry companies



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

As already pointed out for the entire dataset, not all companies reported all the evaluation parameters considered, particularly French retailers. In fact, the fashion industry panel lacks these values for two relevant corporate groups: LVMH and Kering. The investigation continues without considering the two French entities, reducing so the sample from 27 to 25 units.

Figure 2.22 Total revenues composition divided by percentage of costs and margins in the fashion industry

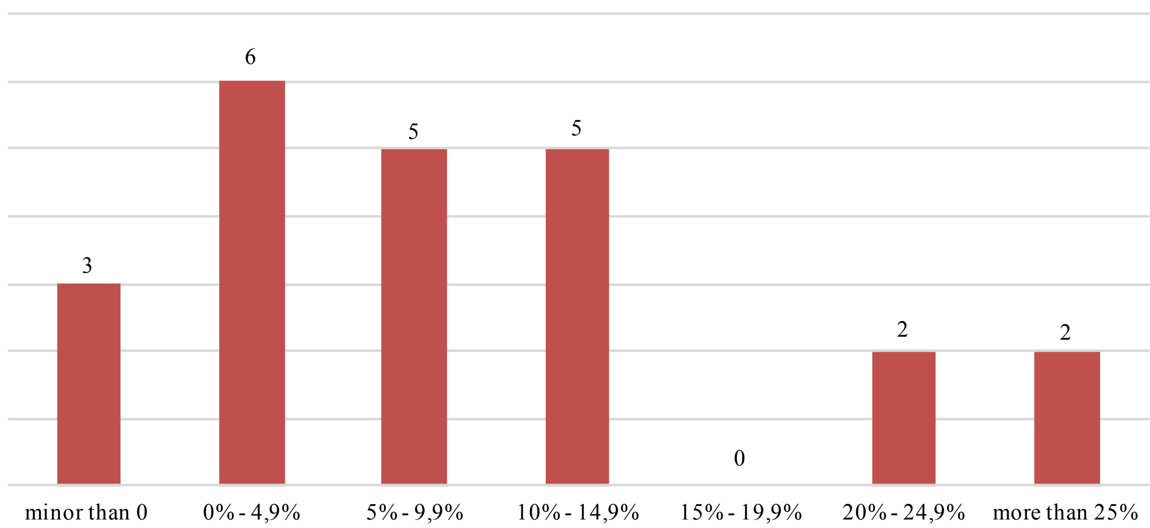


[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

The average evaluation margins are presented in *Figure 2.22* which shows how revenues are composed, on average, by different costs: cost of sale, other operating costs and non operating costs. The remaining value corresponds to the average net income reached in the fashion industry (6,0%), higher of 1,1 percentage points than the total dataset value (4,9%). Thus, the cost of sale is significantly lower than the 70,7% registered by the whole Observatory and similarly the other two cost items leads to higher margin values.

The above-mentioned yardsticks were not studied in terms of retailers' distribution within pre-set intervals because of the little number of units. This method of evaluation was used to present the YTY growth rate for fashion retailers, but excluding the fashion newcomers (*Figure 2.23*).

Figure 2.23 Number of retailers included in each class of net income percentage values



[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Three companies registered negative year to year rates: two U.S. popular brands, Coach Inc. and Abercrombie & Fitch Co., and the Japanese department store Isetan Mitsukoshi Holdings Ltd. Coherently with the general view on the Observatory which exhibited an average growth rate of 4,0%, the vast majority of retailers presents a percentage between zero and 4,9%, slightly leaning towards higher values. On the other hand, the company reporting the highest value is Signet Jewelers Limited, as already discussed in the same section of the entire database analysis. The retailer located in Bermuda is followed by the Canadian department store Hudson's Bay

Company and then by two fast fashion giants: Fast Retailing Company Ltd., the parent company of UNIQLO and H & M Hennes & Mauritz AB, holding the namesake H&M brand.

***Box 2.2** – Removing Abercrombie from Abercrombie & Fitch Co.*

The initial strategy implemented by Abercrombie & Fitch, to only focus on youth and their needs was the brand signature. The potential gained over the years was recently weakened by negative financial results. In fact, consumers change continuously and quickly, influencing so the market demand. The era during which the recognisable-from-anywhere A&F look was trendy is over, brand logos are currently not in vogue and the company's marketing tactics lost the aim to keep in touch with core customers (Udland, 2015). To get things back on track, Abercrombie would need to adjust the approach to products, merchandising, marketing and retail, by focusing on its high quality, by overreaching trends and by removing its logo from the vast majority of its offer (Neel, 2015).

At the end of this specific analysis, in *Table 2.10,* the Top 10 fashion retailers are listed on annual reported revenues. All these companies are popular retailers or corporate groups including the most valuable brands in the world. As it possible to observe, fast fashion (such as Inditex including Zara or the above-mentioned H&M) and luxury (as LVMH or Macy's presenting many exclusive brands) are mixed up giving an interesting point of discussion for the next chapters.

Table 2.10 The Top 10 companies in the fashion industry based on reported revenues

#	Company	Country of origin	*Annual Revenues (M€)*
1	LVMH Mo	France	*33.336,0*
2	Nike, Inc.	U.S.	*25.733,7*
3	The TJX Companies, Inc.	U.S.	*24.760,0*
4	Macy's, Inc.	U.S.	*23.684,6*
5	Inditex, S.A.	Spain	*18.743,0*
6	H & M Hennes & Mauritz AB	Sweden	*18.052,1*
7	Kohl's Corporation	U.S.	*16.088,9*
8	The Gap, Inc.	U.S.	*13.704,8*
9	Fast Retailing Co., Ltd.	Japan	*11.835,7*
10	Nordstrom, Inc.	U.S.	*11.598,9*
			197.537,7

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

Chapter 3

WGSN: WORLD GLOBAL STYLE NETWORK

The third chapter introduces WGSN, the company that collaborated on this final dissertation draft providing information and data on companies analysed in the database. From the origin to nowadays, its history is narrated highlighting changing dynamics in the fashion industry, evolving consumers' needs and related retail strategies. WGSN vision and values are the value-driven to grow as a leader company. Anyway, its most important contribution is the analysis of retail future trends in the fashion industry and the amount of information gathered on retailers and their strategies. Finally, a thorough study on fashion companies belonging to the Retail Observatory 2015 is implemented highlighting financial performance for WGSN clients, compared to non-clients.

3.1 THE MUST-HAVE IN THE FASHION INDUSTRY

Thanks to the previous chapter, it was possible to develop a better insight on the best global retailers through diverse industries, focusing above all on fashion companies' performance. As revealed from this latter analysis, fashion retailers reporting best results are both luxury and fast fashion brands, belonging to individual entity or corporate groups.

This heterogeneity of companies performing positively in the fashion industry leads to ask: "How is the fashion industry evolving?" and "Which is the common feature between luxury and fast fashion top brands?"

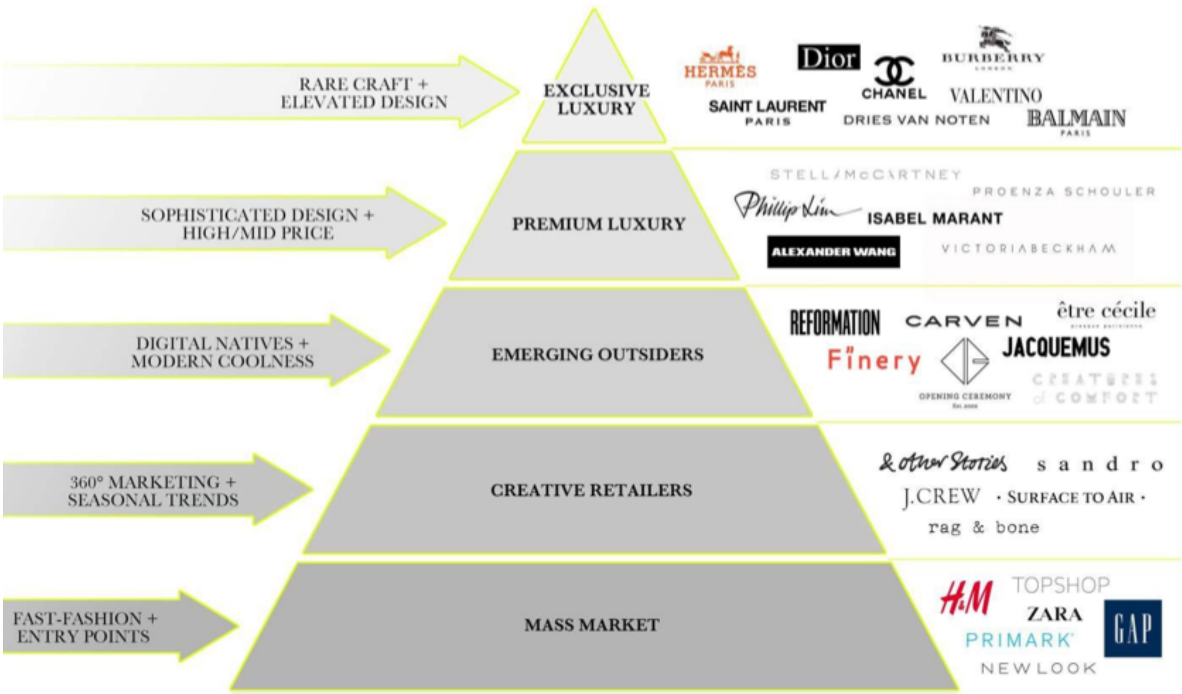
In the course of the last two decades, the fashion industry has undergone profound transformations due to various changes in the business environment (Bhardwaj, Fairhurst, 2010).

Traditionally, until the late 1980s, fashion apparel retailers used their capability of forecasting consumer demand and fashion trends in order to compete in the market (Guercini, 2001). In recent years, the changing dynamics in the fashion industry and the rapid changes in customers' lifestyle, have seen brands compete with others by ensuring speed to market with their ability to provide rapidly the fashion trends revealed by catwalks and runways. In addition to speed to market and design, marketing and capital investments have also been identified as the driving forces of competitiveness (Sinha 2001), placing at the same footing products and strategies, or rather inspirations and the market intelligence. Moreover, social media and mobile image-sharing platforms have been revolutionising the fashion industry as the interest toward new trends, designers, and products increasingly unfolds online (Park, Ciampaglia, Ferrara, 2015), requiring companies to be always updated on Internet tools and digital web strategies.

As highlighted, the fashion industry today is more and more competitive, retailers must find new ways to attract customers by meeting and adapting to the customers' demand for new trends, also paying attention to the price (Gabrielli, Baghi, Codeluppi, 2013). Many alterations, such as the increase in number of fashion seasons and modified structural characteristics in the supply chain have forced retailers to look for low cost and flexibility in design, quality, delivery and speed to market (Doyle, Moore, Morgan, 2006). Precisely in this new environment, the concept of fast fashion stands out, the collections become smaller and occur more often, the speed of the production process increases and prices are reduced.

At the same time, a new concept for luxury emerges: fashion brands do not just sell clothes, but look to offer a lifestyle. This means companies need to analyse and understand consumers' mind that are changing their behaviours to an attitude of trading down and trading up: the research of excellent products, jointly on saving money (Cappellari, 2011). Companies' strategies are adapted to new consumers' needs and to their willingness of buying emotions or better products able to stir their feelings.

Figure 3.1 The market share pyramid



[Source: WGSN, 2015]

These dynamics influence all market shares belonging to the retail fashion industry: from fast fashion brands to luxury ones. As shown on *Figure 3.1*, the pyramid splits the market among five different categories based on design, quality, crafting and price: mass market, creative retailers, emerging outsiders, premium luxury and exclusive luxury. At the bottom level are positioned brands which activate different key levers from luxury maisons reported at the top of the pyramid. Anyway, they are all part of the same reality, focusing on winning solutions for their business that could be cheaper or sophisticated, commercial or exclusive, but answering always to consumers' desires.

To conclude, nowadays the companies in the fashion industry drive sales by understanding what the consumer is craving and by being always updated on innovations and new trends within the market. This means implementing strategies that are based on data and analytics and exploiting information gathered in order to prevent failures and to validate campaigns and design decisions.

Data are the main resource that companies need to manage optimally by collecting these data and selecting the useful information which needs to be employed internally consistently to its purposes. This applies both to Inditex and to Prada, it is the common feature for luxury and mass market. Actually, during the second phase, brands manage information differently based on products, messages and experiences delivered but always focusimg on actual consumer insight and ultimate fashion trends. The difference lies in the output delivered by brands after the customised transformation of inputs. The information to be analysed are the same for the whole fashion industry, leading to the rising need of cool-hunters: people who are able to predict what will be next and take the right choice in terms of products, strategies and R&D activities.

The process described above to manage data requires time and proper human resources dedicated and it is shared by all the categories of the retail pyramid. Thus, the need of a research tool emerges, as a consistent support to look for consumer attitudes and evolving trends, disclosing information on colours, shapes, materials and suited to inspire designers and creative teams.

WGSN was born for this purpose.

3.2 WORLD GLOBAL STYLE NETWORK

WGSN (originally, Worth Global Style Network), based in UK, was launched in 1998 by British brothers, Julian and Marc Worth. They were pioneers of the leading online trend analysis service, which provided creative and business intelligence for the fashion and design industry: WGSN *Trend*.

The original idea behind the network was selling print and graphic design artwork online and was inspired by new industry’s needs identified by the founders since they joined the father's Nottingham business, Heatseal. In fact, they realised fashion was looking for two solutions: a prompt trend forecasting displaying main guidelines for style departments before starting to design collections and, second, an efficient way to use the internet to sell designs for transfers, badges and logos. It was a time when the most common tool for all fashion figures were trend books, published tomes on catwalks, cuts, colours and fabrics information which required long times of drafting and printing that led to delays on trend delivering. Therefore, the Worth brothers decided to deliver contents over the internet creating a "Bloomberg for fashion” and broadcasting reports by satellite to clients worldwide. Inflows derived from subscriptions signed to access to all information on catwalk collections, window displays, trends in colours, textiles, styling and licensing across clothing, interiors, beauty and other sectors. Thus, they combined the constant stream of new ideas and data with speed, both critical factors for the fashion industry.

Coincidentally, the era for cyberspace catwalks was approaching: fashion shows would become more frequent and the typical two-season year was moving towards six or eight deliveries per year. It was the perfect moment to ride the wave expanding the staff and investing in the business. The recruitment of two key players was the fundamental step to structure a stable entity: Roger Tredre, a former Independent fashion writer was elected editor-in-chief, and the role of creative director and style guru was appointed to Barbara Kennington.

Worths’ strategy was not totally a “blue ocean” - an uncontested market space where the competition is irrelevant (Kim, Mauborgne, 2005) - since WGSN felt the competition of Women's Wear Daily, named also the New York fashion bible that was, at that time, the most influential trade journal. Anyway, they continued their business avoiding market collisions since WGSN took no advertising, so clients had no fear of potential conflicts of interest between the content and commercial departments. Moreover, people in the clothing industry were just starting to understand that computers and the Internet would be essential to their businesses, and WGSN confirmed this theory through being responsive, able to change, develop and redesign its offer very quickly.

The innovative project carried on by the English brothers required, at the beginning, a high amount of cash to the extent the company nearly buckled. So an aggressively costs cutting was implemented, turning into cash-positive results for the first time in 2002.

Initially, it was also difficult to convince people that WGSN was a credible, honourable and rigorous publication delivering information to support and inspire designers. In fact, one of the most common critics moved to the online tool from people seeing WGSN as a "ready-to-use" database, was that everyone would have access to the same information, leading to the death of the fashion industry. The difficulty was to transfer them the idea of a broader fashion research tool that could encompass trend inspiration, market news, and images from catwalks, streets and retailers to be studied, absorbed and used only as a mean for the final result. Moreover, the Internet was regarded with considerable suspicion and prevented to touch, feel, see the fabrics, colours and designs, excluding the sensorial component that trend books offered.

Despite these obstacles, WGSN subscription service was appreciated quickly by major fashion (and non-fashion) companies all over the world, attracting customers such as Giorgio Armani, Walmart, Marks & Spencer and increasing more and more the £ 1 million initial investments.

3.2.1 The big change: Top Right Group

The business planning draft forecasted to sell the business in a few years for £ 100 to £ 150 million. WGSN knew how to truly "*create tomorrow*" and in 2005, the publisher EMAP (East Midlands Allied Press) bought Worth Global Style Network for £ 140 million. Then, the name changed into "World Global Style Network" in order to dismiss the Worth original name from the acronym meaning.

EMAP plc is a world-leading publisher of specialty and business-to-business magazines that creates high-value business information for targeted memberships of professionals. The company connects communities inspiring them to know, grow, progress and to increase the value to customers; it has built a strong presence on the World Wide Web, gathering some of the most influent industry-leading brands in retail, health, construction, architecture, and fashion. Apart from the media interests, EMAP also serves as host to more than 40 trade shows and other specialty events all over the world. For WGSN growth, the publisher took inspiration precisely from this core business since it planned to increase its exposure through trade shows and other marketing activities, on which the Worth brothers have scrimped on for a long time.

The business was acquired, in turn in 2008, by The Guardian Media Group and the private equity firm Apax, and rechristened *Top Right Group* in March 2012, referring to the top right segment on graphs.

The EMAP name continue to be used for the magazines operation as part of an international business-to-business media group with high headline growth that in 2014 reported record revenues of about £ 313 million for the entire group. Top Right Group operates through three area of expertise: market-leading events, information services and subscription content.

As mentioned, the latter segment comprises EMAP; instead, events include *i2i Events Group* and *Lions Festivals*, organising exhibitions, congresses and festivals that involve visitors to learn, network and be inspired on specific topics defined by sectors (Retail & Fashion, Finance, Environment, Education and Technology, and more). Finally, information services embrace brands that transform data into high-quality, industry-specific business intelligence providing insight, analysis and forecasting tools through digital subscription products. These are primarily for customers in the fashion and style, retail, construction and environment end-markets and are supplied by companies comprehending also *WGSN*, *Planet Retail*, the *4C businesses of Glenigan*.

WGSN acquisition and entrance into the Top Right Group was a positive initiative that still generates synergies within the group by combining many kinds of resources: human resources, intangibles (the brand name), technological, physical and financial resources. Benefits are attained by both sides whereas companies work closely together and execute tasks through an iterative knowledge-sharing process (Dyer, Kale, Singh, 2004).

Over the years, acquisitions, the business name variation, the market changing needs and the technological improvements succeeded one another characterising the economic backdrop and influencing the Group's principal brands. Annual reports tell about all these economic factors and choices made that affected the Group and WGSN.

3.2.2 WGSN growth

At that time, the increasing access to the Internet was one of the main innovations changing many working practices and leading customers to consume their media in a variety of different ways. The risk to adapt to changing needs of readers, advertisers and other customers, by providing information through a range of new media was the possibility of cannibalising the Group's print products. In order to mitigate this risk, the publishing business's strategy treated all new media as complementary to the traditional print delivery adapting contents to meet the audience's needs. On the other hand, for WGSN specifically, as reports and information are all delivered by the online platform, the increase use of Internet helped to close the gap between high potentiality and feasibility of the research tool.

Since 2010 WGSN experienced a continuous expansion, organising exclusive events, introducing new products and services and exploring different markets.

An innovative and more personalised product, often included in the most valuable contracts, was WGSN *Live.* To combine a subscription with contents presentation sessions, hold by editors at the clients' head office, was a smart move to reassure prospects. In fact, thanks to editors' expertise, this led to shape the intangible service and to disclosure information communicating efficiently in order to gain customers' loyalty.

During 2010, the forecasting service launched a new online platform: *Home Build Life,* approaching new industries and attracting new costumers. Differentiation is the key-strategy to gain the competitive advantage and it arises from both the choice of activities and how these are performed (Porter, 1996). After the differentiation strategy, which was carried on through an ongoing improvement of the forecasting service, WGSN turned its strategic position to a diversification performance through the introduction of the new platform. The innovative service was structured similarly to the main one with the unique difference of providing trend forecasting for the interiors markets and scaling across broader vertical market sectors. The introduction of a new service that, in few years, became the "green twin" of WGSN *Trend*, was a smart choice to expand the portfolio value and give consumers the opportunity to explore more markets. The base idea from which trend forecasting and analysis are developed, is maintained; in fact, the consumer insight and the development of principal macro-trends are common for both platforms. In 2014, Home Build Life was renamed WGSN *Lifestyle & Interiors,* focusing now on diverse industries related to people's everyday life as automotive, food and drink, hospitality.

***Box 3.1** – Nestlè lives WGSN*

Nestlè Italiana Spa is the Italian branch of the Suisse Nestlè SA and is a loyal WGSN *Lifestyle & Interiors* client. The corporate group in Italy gathers many popular food companies: Gruppo Buitoni, Italgel and Perugina. The chocolate brand is the best user reaching high level of page views every month. The food & drink section in the L&I platform inspires users for new innovative ingredients, packaging and communication strategies. Moreover, twice a year the company books a WGSN *Live* session hold by WGSN editors to present main market trends and to analyse consumer behaviours with the experts providing a general view to participants. These meetings are open to all departments and to all employees interested in the topic, even if they are not users, in order to involve and promote WGSN.

WGSN continues to discover and study new industries in the same way companies are doing for their business. In Italy, *Giorgio Armani* was one of the first to believe in WGSN and to sign a multi-year contract, being nowadays one of the most valuable costumer. WGSN supported "King Giorgio" providing access to all departments; employees are now excellent users and personal consultancies are delivered to them every time he plans to take a new and unknown

route enlarging his empire (from the fashion industry to interiors and hospitality).
In 2010, for the first time WGSN's Global Fashion Awards was organized and held in New York. The global initiative was staged in the Big Apple for the first two years and later moved to London from 2012 at exclusive locations, such as the V&A Museum in 2013. The event recognises and rewards brilliance in fashion and retail design, covering all disciplines from apparel to accessories. The Awards is a creative way to honour the businesses and individuals that are moving the fashion industry forward and to celebrate them, looking for "what's new and what's next" globally. Brand status is granted by opinion leaders, experts, and the press (Kapferer, 2012); thus, creating events that could be widely broadcasted and that diffuse positive rumours is considered a perceptive tool for advertising.
In 2011, WGSN identified international opportunities on emerging markets, such as China and Brazil. Focusing on accelerating sustainable growth ambitions, the company selected Shanghai and Sao Paolo as cities where establishing new regional business branches in order to support operating company efforts. 2011 was the year committed to investments on expansion and translations since WGSN daily bulletins and contents were produced in six local languages in total, including Chinese.
Furthermore, a partnership with Vogue America was the additional response to the need of continual growth. WGSN launched and sold access to The Vogue Archive, digitally available for the first time, including every page of every issue of American Vogue from 1892 to 2011. The two brands endorsed one another, arising value to the essential creative resource for fashion, style, design, and marketing professionals. The licence agreement ended in June 2015.
In 2012, the company made significant investments focusing on key value drivers identified to strengthen core capabilities and set a successful business positioning which should lead to the high growth expectations planned for the future. These operational levers are determined, first of all, by WGSN intelligence value, maintaining the quality and relevance obtained in the early years and, on the other hand, by the global expansion reached. In fact, under new leadership in New York, North America was a key focus that pointed out a relevant sales increase and high marketing effort.
Investments counted an excess of £10 million allocated to global product and service development, including specialist talent, high-skilled client services and upgraded technology. That year, WGSN partnered with Mercedes-Benz for NY Fashion Week and launched two brand new apps, approaching social media market. WGSN *365* app showcased all global events in the fashion, design and creative schedule on a detailed calendar, collecting info on catwalks, tradeshows, arts and culture events, music festivals, awards, conferences. This app is also an

integrated section of the WGSN platform, called “Calendar”, where tradeshows and events are listed and filtered by country, category and timeline. The mobile application was later transformed on the still downloadable WGSN *News* app, delivering up-to-the moment fashion updates on financials, campaigns, innovative projects, rumours and all news about the style industry; it is the WGSN Pambianco magazine.

The second app, City Edit (now, renamed Style Traveler), that nowadays is also an existing area of all WGSN subscriptions is a style-focused travel app reporting the essential lowdown on what to do and see in key global cities, covering shopping, eating, drinking, sleeping and culture.

The new products and the strategy pursued that aspired to grow the customers’ portfolio and exceed clients’ standards, satisfied the aim to expand the business positioning and affirming the company’s presence on the market. The “opaque products”, such as WGSN subscription, reveal their inner qualities once the consumer buys and employs it. Many consumers are reluctant to take this step and a reputable brand is the most efficient external signal which highlight the internal qualities of these products (Kapferer, 2012).

3.2.3 Becoming the leader

In 2012, investments were significant and focused on products and the brand, yielding in a short period of time to positive results, particularly in customer volume growth and retention levels. The market needs continued to evolve quickly and brands and retailers faced challenging market pressures that led them to look for a research tool providing valuable, accurate and actionable information. WGSN, through its valuable intelligence team, affirmed its core business on validating major commercial decisions and nurturing market-changing creativity leading decision-makers to select efficient decisions and launch successful products.

In 2013, the company continued to display positive results in terms of new clients and customer care improving the related retention value to 83%. In this respect, investments in translation services allowed to introduce Korean, Spanish and Japanese as available languages; moreover, attractive new bundled services were developed and the online assets acquisition from the English trend forecaster Mudpie helped to enrich kidswear section.

It was the year of significant change: WGSN launched INstock, acquired *Mindset* in Brazil and absorbed Stylesight, Inc., the competitor US-based trend information service. All these innovations nourished WGSN competitive advantage.

INstock, the online application developed in-house sourcing millions of data points from stock keeping units (SKUs), was created to enable fashion companies to make better buying decisions throughout the lifecycle process. Thanks to key metrics with simple, powerful data visualisations, the tool captures a detailed record of competitors' product ranges over time and tracks shifts in price architecture. The underlying idea is to support companies providing data and key-information to respond quickly to marked-down options in order to avoid terminal stock and to identify future potential bestsellers.

Besides, the marketing partner in Brazil WGSN *Mindset*, was added to the product portfolio in September 2013. The service furnishes a dedicated team of consultants that, through local market knowledge and consumer behaviour expertise, deliver custom-made solutions.

In the end, two months later, on 20th November, WGSN acquired 100% of the shares in Stylesight, Inc. (CMA, 2014), the US company founded in 2003, offering a vast library of trend information, archival photos, sketches and patterns. Clearly, the UK and US companies provided similar services in the same industries to overlying markets. This evidence is indicative of a high degree of competition between the parties which was lost as a result of the merger. Actually, in some industries, companies turn to mergers to weaken intense competition rather than eliminating rivals, a failure strategy that attracts new competitors and causes deep resentment on customers and suppliers (Porter, 2008). The process of acquiring competitors is a corporate strategy that, in literature, is defined horizontal integration. These mergers improve firms' strategic positions in a single industry (Rothaermel, 2012); thus, in this case, the purchase of Stylesight by WGSN consolidated its leader status in the fashion industry.

Because of this deal, a trend and information hub was settled in New York, greeting researchers, technologists and editors from both companies. Another important innovation defined after the merger was the launch of weekly "content knowledge" sessions broadcasted online which were addressed to all employees and hold by experts from the content team and the head figures of diverse business areas. These interactive virtual meetings, consisting on different topics every week, allowed to spread information vertically within the company and to know better new people partners. Studies prove that close vertical ties, characterized by high level of information exchange and long-term commitments, improve concretely performance, taking advantage from employees' cooperation and joint activities between the partners (Gulati, 1998). These choices were made by managing the post-merger situation, supporting the communication between the parties, since these kind of alliances frequently produce conflicts bringing together people with divergent corporate cultures that are negatively influenced by ambiguity and uncertainty of the business change (George, Jones, 2011).

The merger elevated the value and strengthened the WGSN offer, enabling the business to achieve more global reach and increasing differentiation. The new market-changing product improved the company's portfolio providing technological innovations including fast search, tailored content, advancement on sharing information and photos and a professional design toolkit. The new product was designed around Stylesight technology and provided to the customer through a unique platform since the subscription provided access to both services which couldn't be marketed separately. The horizontal integration affirmed the companies' competitive positions by increasing differentiation (Rothaermel, 2012); this strategy led to fill gaps in the product offering, allowing to combine the 'best of both' organisations.

The new WGSN.com was launched based also on studies and researches implemented on what users and consumers sought from existing products and quantitative and qualitative information gathered from customers' feedbacks. The aim was to delight, inform and inspire customers, focusing on customer satisfaction and loyalty to the brand: the key to future sales (Kapferer, 2012).

The merger consolidated WGSN status, sinking on the other side, the Stylesight entity. Anyway, benefits involved the new reality as a whole, and could be summarized in:

- strategic network creation
- defeat of competitors
- better service for customers worldwide
- bundle of new products
- rich new contents and significantly expanded feature
- innovative tools and more frequent updates
- higher customer loyalty.

In 2013, the just described acquisition of Stylesight, Inc. drove the increase in EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) - the cash being generated by the company after paying all the expenses directly related to its operations, and therefore the cash available to pay for non-operational expenses such as taxes and principal and interest payments on debt (Rogers, 2009) - supported also by a robust organic revenue growth. It was a successful business strategy which saw the integration process completed during 2014.

3.3 THE NEED TO EVOLVE

After WGSN completed its integration with Stylesight, 2014 started with a new spirit, a new drive and a new platform. The core business of a trend forecasting company requires to adapt quickly and being always ready to the newness; thus, the acquisition highlighted even more the need to evolve.

In fact, starting from the merger, the company experienced an evolutionary change that still endures. In this context, the term *evolution* is used to describe a prolonged period of growth during which the change is gradual, incremental and narrowly focused on a constant attempt to accommodate the industry dynamic changing (George, Jones, 2011).

***Box 3.2** – Teddy Spa: the evolution of a partnership*

Teddy Spa is an important Italian player in the Italian fashion industry, gathering four fast fashion brands: Terranova, Calliope, Rinascimento and Miss Miss, distributed all over the world. The company reported more than €500 million revenues in 2014 (Gruppo Teddy Spa, 2015) conducting a performance which is positively growing year by year. However, at the beginning of 2015 they registered a loss of earnings due to the lack of a collection plan inspired by the *Hippie trend*. In fact, none of the brands launched specific capsule collections on this upcoming theme, differently from all their competitors (such as Inditex brands, H&M, Piazza Italia and many others). This fault highlighted the need to approach new methods of research and development at Teddy's style departments and to develop a tailor-made project in order to receive the main guidelines for the following seasons. Stylesight subscription was expanded providing a WGSN *Trend* user to each designer or marketer that positively accepted the change. Moreover, the company signed a *Mindset* contract for the entire year including two seasonal drops composed by key-trends, commercial updates and alerting trends focused on Teddy brands' businesses.

From the beginning of the year, WGSN customers discovered many new features and changes in the online platform which improved the service providing more inspirations and design tools. The search bar was modified to deliver more results, the image and design library was refined with more than ten million images and original artworks, extended also by the catwalk gallery with all high-resolution shootings from global runways. Moreover, the "Colour Play" installation enabled to create original Pantone colour palettes online to share internally with colleagues and externally with WGSN clients through the Workspace, a new functionality for saving, organising and sharing folders of images, reports and colour code.

The Workspace is a fundamental section of the platform both for customers, enabled to customize proper WGSN usage, and for the company in order to increase the brand loyalty. Based on costumers' attitude, this is the highest level of power and value that a brand could achieve in the marketplace, also related, according to Aaker, to the degree of brand-name recognition, perceived brand quality, strong mental and emotional associations, and other assets

(such as patents, trademarks and channel relationships) (Kotler, Keller, Ancarani, Costabile, 2014). In fact, this “personal room” will be completely lost at the point of missed renewal, creating in this way a strong link between the client and the subscription.
As outlined before, over recent years, the mobile apps were transformed and connected to the platform integrating all digital tools and allowing customers to login and navigate WGSN wherever and whenever they prefer.
Thus, the platform was gradually revolutionized and improved day by day providing to customers many new ideas and opportunities of being inspired. This was also challenging for many historical WGSN and Stylesight clients used to browse previous services and troubled from the increasing quantity of contents and the innovative structure. Since the education and communication is one of the most important techniques to deal with the resistance to change (George, Jones, 2011), the client service department was strengthened and constant training reviews are still proposed to all customers and new entries as a stable support.
In 2015, another important innovation was introduced: the first annual Creative Futures Summit hosted in London in conjunction with the WGSN Global Fashion Awards, discussed above. The Summit doesn’t focus just on fashion but provides inspiration, insight and interaction across the style-led industries to ensure businesses leverage 'creativity' on the whole market. In fact, the main purpose is to detach the company from the WGSN-fashion binomial, revealing proper competencies on many different industries, especially on consumer insight.
The event runs over two days delivering WGSN’s editors plus world-class industry leaders perspectives and intelligence that explore the next major developments in fashion, technology and communications, consumer attitudes and lifestyle, retail, e-commerce and social commerce, sustainability and geo-politics.
In 2016, the Creative Future Summit will discuss about “The Vision 2030” in order to get ready for the next generation of consumers and debate the key trends that will shape the industry over the next 15 years. The main subject confirms WGSN leader positioning as a forecasting company that is expanding towards diverse industries, going beyond fashion and enhancing its motto “Together, we create tomorrow”.
In addition to “forecasting”, another key-word in this connection is the “internet”. In fact, it is possible to define WGSN as an e-brand, born in a very different context from the actual one and growing in an online environment characterized by specific and challenging conditions, which are themselves transforming traditional brand management. With Web 2.0, the internet became the first interactive and interpersonal mass media driving brands to create blogs, sites, forums where people shall be active participants on discussions (Kapferer, 2012).

This new way of interaction becomes fundamental within an organisation, internally and externally, and WGSN

evolved into both directions. First of all, since a basic function of communication is to give employees the information they need to perform their jobs effectively (George, Jones, 2011), the company created an intuitive internal platform. The HUB is the virtual place to go to find all information shared and discussed in WGSN: members shares what is happening in the company and access to “the knowledge” section in order to learn more about the business and products.

Furthermore, for the external purpose, WGSN was able to adapt quickly by being always innovative to introduce its name on the latest social media. In August 2015 the global chief content officer Carla Buzasi, supported by senior editors and guest contributors from the industry, launched *WGSN Insider*. The new free-to-view site reveals the WGSN world offering an insight into the lives of the global trend forecaster’s editors and daily news as well as articles from the fashion, interiors, design and creative worlds. This blog is the platform to involve WGSN customers and brand addicted and discuss issues and share ideas, advices and experiences.

WGSN Insider is a different method to approach new costumers and nurture people uncertain or refusing to subscribe the service creating also an emotional link with the company. In fact, consumers want to hear about brand stories that move them, to listen about present and past episodes involving them and engaging their emotions. This is an effective way to convince people learned first of all from the master storyteller in the business history: Steve Jobs, who used to narrate compelling stories every time the latest Apple product was launched in the market (Kotler, Kartajaya, Setiawan, 2010).

Stories are also the starting point for future trends in WGSN; after the merger in a persisting need to evolve and with the willingness of moving closer to consumers, editors changed their method to introduce forecasting seasons. The first look is always published twenty-four months ahead of in-store arrival and features the cultural impact that make up the four major themes identified for the period. Editors narrate main trends influencing consumers and, based on insight activities, depict next generations in order to provide the essential context for each product categories. The four macro-trends outlined season by season cover the major forces that will shape design and consumer habits, each one is the natural development of the previous one defined for the earlier season. These are then mapped against six seasonal drops in order to show how the insight translates to products: this is one of the biggest innovations for the forecast season Autumn Winter 17/18.

In fact, from the beginning of 2014 WGSN initiated an intense discussion with key-clients from diverse countries all over the world, asking them to identify positive and negative features on platforms contents based on their whole experience as customers. The principles of customer relationship management (CRM) suggest to know customers personally and to depict a complete picture of their preferences and behaviours (Kotler, Kartajaya, Setiawan, 2010). Thus, the scope is to receive feedbacks and comments on improvements and changes implemented that allow determining what clients need and how to be aligned to their necessities in order to grow their business. Feedbacks are the information that enables to compare actual performance with a given standard, directing the company to the correct future efforts in order to enhance proper actions and meet external expectations (De Janasz, Dowd, Schneider, 2009).

Based on negative and constructive judgements from the most important customers, such as Steve Madden from US and Bershka from Spain, the company felt once again the need to evolve detaching from the main forecasting activity and delivering more inspirational sparks and specific guidelines in order to address companies based on consumers' demand.

The Future Trends section is a single part of the whole service, the one requiring the longest period of time to complete each season. The biggest innovation for the AW 17/18 is the offer of new modern trends which could work for all brands in different ways thanks to their ductility; a relevant increase of seasonal messages across all reports, focusing on actionable and authoritative criteria is able to address WGSN clients to their winning products or strategies at the right time.

From Autumn Winter 17/18 season, future trends are developed following a specific process divided in four steps: it begins with the vision, evolving then to first view, followed by the specific forecast and finally, it provides the design development for each product category. In this way, editors consolidated the forecasting phase reducing time spent on seasonal contents and avoiding duplications. Moreover, in order to enhance the communication with clients, emotional videos were added to the vision and the first view reports. The short movie broadcasts inspirational pictures accompanied by a single voice narrating key-messages to promulgate during the season.

The vision is the starting point, focusing on consumers and providing the principal framework accurately created to gather all information about the season, in order to bridge the connection with the forecasts. The first view is the overview on colours, materials and textiles: the introduction for the forecasting trends step. The latter is the main phase presenting the key-directions for the upcoming season and the biggest change for the AW 17/18: hyperlinks with the vision, increasing seasonal messages and calling out markets drops.

Since WGSN clients required more connection to the vision in the forecast trend, editors decided to highlight seasonal messages in these reports, changing the format and focusing on communication. Moreover, the retail drops innovation, mentioned above, describes “what to do and when to do it”: WGSN experts disclose specific guidelines on product launches in terms of timeline and items during the season considered. In the end, the design development phase outlines the products development by category and by gender.

In this way, the season is completed seven weeks earlier than the AW 16/17, going towards clients needs and highlighting WGSN knowledge and expertise.

The ultimate important new in 2015 was the rebrand of the Top Right Group before the beginning of 2016. The news corporate brand name is “Ascential”, a made-up word that incorporates a balance between two concepts “ascend” and “essential”. The incorporated concept value crystallises the constant focus on growing customers’ success by creating essential products and services, building greater value for the industry and an aspirational future for the business. The new brand was created following the successful completion of the three years’ turnaround of the business begun in 2012 corresponding to 15% of growth.

As explained above, this is a special moment of transition for the holding company and for WGSN targeting to consolidate the leader positioning in large-scale events and the digital information services industry. In fact, 75% of Ascential’s products occupy number one position and its value proposition offers content and connections that professionals rely on for growth and value creation. The company’s value proposition describes the bundle of products and services that enhances worth for a specific customer segments through a distinct mix of elements, quantitative (e.g. price, speed of service) or qualitative (e.g. design, customer experience) (Osterwalder, Pigneur, 2010).

WGSN *Trend* and WGSN *Instock* are leading market products in the fashion industry significantly contributing to the positive financial performance of the group. On the other hand, financial leaders are coming further in understanding the relationships between performance and corporate values. Its importance will be discussed in the next paragraph since the studies demonstrate that a superior financial performance is associated with a more comprehensive approach to values (Lee, Fabish, McGaw, 2005).

3.4 THE MAIN PILLARS

Every market leader in the economy is sustained by a robust structure including the company’s mission, vision, and values: statements conceived as the corporate DNA.

While the mission is firmly rooted in the past, the vision is about inventing the future, defining

a picture of the desirable future state of the company. On the other hand, values can be considered as "the corporation's institutional standards of behaviour" (Lee, Fabish, McGaw, 2005). Companies differentiate themselves by their values and in turbulent times, this differentiation is very important to reach the market peak (Kotler, Kartajaya, Setiawan, 2010). The set of imperatives for business leaders is to embrace values in order to drive corporate performance and change, highlighting this commitment with the associated demonstration of using values to create value, internally and externally (Lee, Fabish, McGaw, 2005).
From an internal perspective, employees benefit from the institution of strong corporate values since its lead to higher level of performance and satisfaction and greater propensity to help each other.
Jose Papa, WGSN CEO, strongly believes in the promotion of a unique and powerful corporate culture able to drive values that are the framework for employees' approach on their everyday job. During the monthly "Town Hall", a corporate meeting hold in New York and broadcasted to all WGSN offices with mandatory participation, the CEO discusses about the most important actual themes, news, product launches and preserves a period of time to disclose WGSN values. Moreover, acceding to the HUB, introduced above in the chapter, company's members find a specific section dedicated to core values, "the essence of principles and believes", according to Papa. The constant presence of these statements is important since it supports the vision, shapes the culture and the decision making process, increasing employees' self-awareness focused on strengths and creating an internal universal language.
The holding Ascential promotes a progressive growth, clarity of purposes and values creation. Inspired from the parent company, WGSN developed its 5C values (*Figure 3.2*): Creation, Celebration, Communication, Challenge, Collaboration.

Figure 3.2 The WGSN values chart

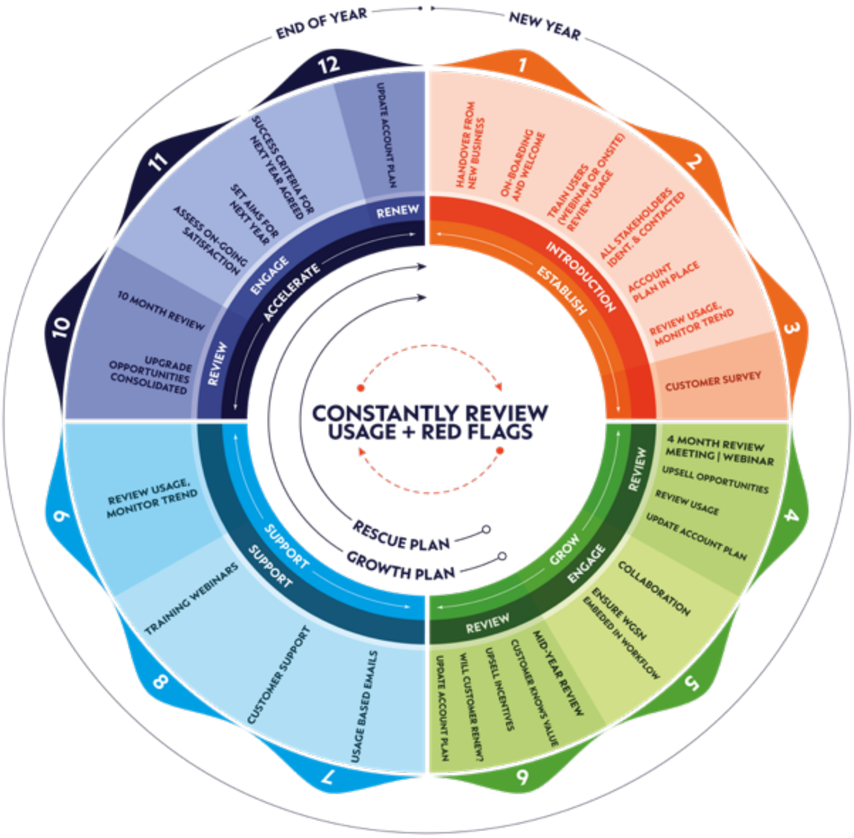
[Source: WGSN, 2015]

The first and the most important word, recalled also into the slogan, is “to create”: delivering value to customers, to the company and each other, being passionate and empowered to innovate, pushing boundaries through a proactive approach. This propensity is directly linked to the fourth C: the “challenge” which promotes the courage to take risks and going beyond the comfort zone, a forward thinking and problem-solving inclination. That could be successfully achieved also thanks to the “celebration” of diversity, adopting a positive attitude on recognizing peers’ success, building bridges and developing a team mentality. Once again, the term “communication” is stated as a principle: sharing ideas to create a learning culture, understand and consider the impact of proper actions on internal and external people. Last but not least, the fifth C belongs to “collaboration” which requires effective listening and willingness towards people and the ability of stepping outside proper job description, which is a trait of ductile personalities.

These statements shape a unique corporate culture focused on the value creation in the very near future and attentive to employees and customers, ensuring a high level of satisfaction within both groups. The interaction between the two is important to establish successful relationships, long-lasting and able to grow over time.

Thus, WGSN states values but also coherent methods and processes to follow as the “Customer Success Journey” depicted in *Figure 3.3*. The circle represents the full year relation between WGSN and the client from the subscription to the renewal; monthly actions divided into four macro-sections are detailed in order to establish, grow, support and accelerate the bond with the service.

Figure 3.3 The Customer Success Journey

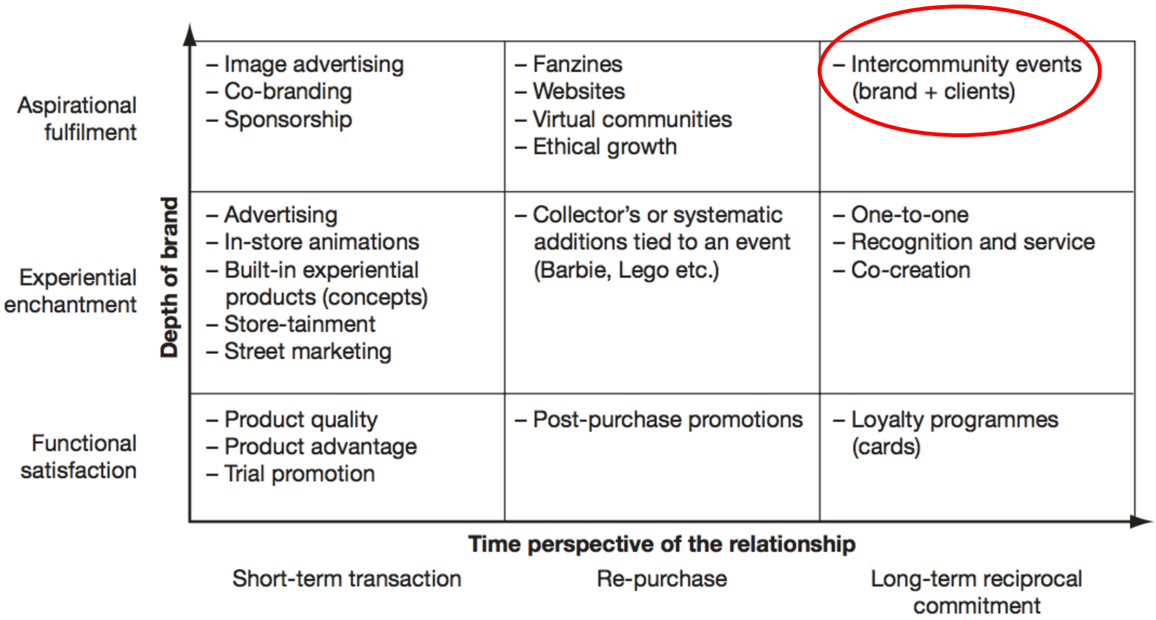


[Source: WGSN, 2015]

The main pillars, values and methods depicted earlier are necessaries to build a stable structure, which is supported, in WGSN, also by the creation of a community. It is possible to reach this result through the interaction of people. Thus, as described in the two-dimensional matrix in *Figure 3.4*, the goal of any brand is to make each customer a member of a virtual club, where their preoccupations and interests are at the community's core. The more people feel involved, the more a genuine link is created around and with the brand, driving clients to act as advisors able to attract new consumers (Kapferer, 2012).

The company implemented many tools directed to this purpose: the innovative platform *WGSN Insider,* the WGSN's Global Fashion Awards, the Creative Future Summit and an interactive presence at the leading market tradeshows, during which seminars and one-to-one conversations are hold by the company's editors.

Figure 3.4 The extension of brand management



[Source: Kapferer, 2012]

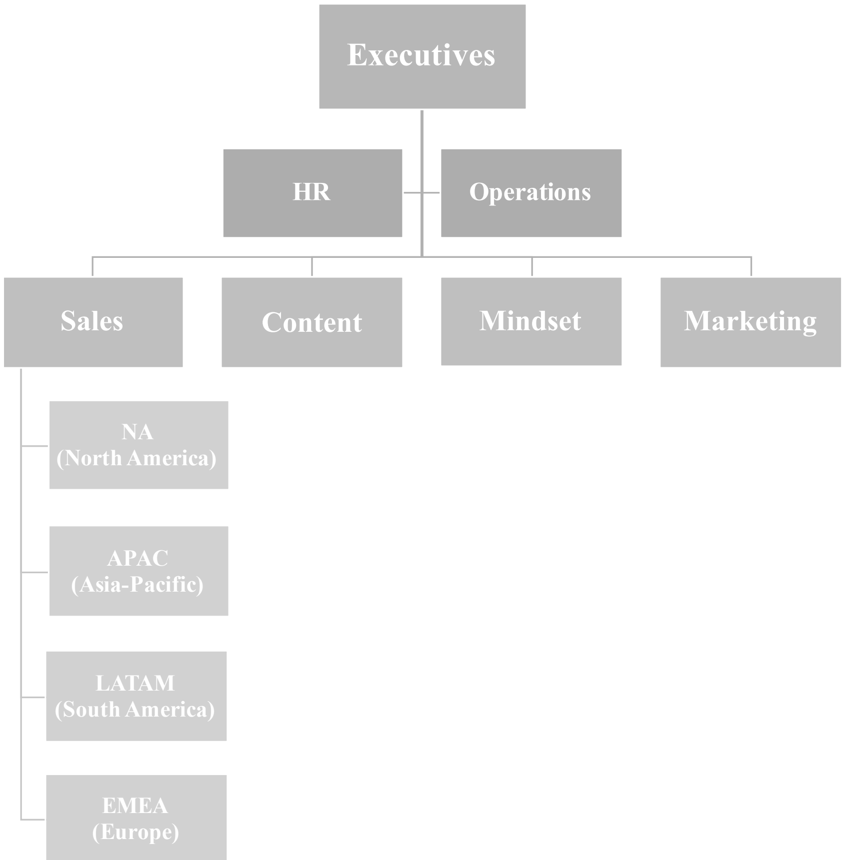
3.5 HOW WGSN WORKS

This paragraph analyses the core structure of the WGSN business: strategies, campaigns, processes or rather how WGSN works.

First of all, it is interesting to define the the company's organisational structure. WGSN organisation is built in order to satisfy opposed requirements and a significant necessity of internal coordination through a *matrix structure* (Costa, Gubitta, 2008).

WGSN is organized in a *global matrix structure* (Figure 3.5) that combines the functional structure with the multidivisional form, pursuing a transnational strategy in which the firm combines the benefits of a localisation approach (high local responsiveness) with those of a global standardisation plan (lowest cost position attainable) (Rothaermel, 2012). This type of organisation design includes an organisational structure that groups employees into distinct functional areas based on domains experts (such as sales, marketing, content and *Mindset*) and into several strategic business units independent from one another, which, in this case, are geographically defined (EMEA, NA, LATAM, APAC). The latter are in turn divided into country or group of countries units, directly referring to the Executive Vice President of the area; for instance, the EVP EMEA heads the European management including Germany, UK and all Northern States, Italy, Spain and Portugal, Turkey, France and Belgium.

Figure 3.5 The WGSN global matrix structure



[Data processed from WGSN HUB internal platform, 2015]

From this global matrix structure, it is possible to identify line and staff functions. The sales, marketing, content and *Mindset* teams mentioned before perform activities linked to the primary task of the company or to its core business process (Perrone, 1990, cited in Isotta, 2011): the platforms implementation, sale and promotion and the personal consultancy delivery. On the other hand, the staff functions are directly involved in the corporate main activities carrying out the support to the line (Megginson at al., 1993, cited in Isotta, 2011). The human resources team gives assistance to employees and selects new WGSNers; instead, the operations staff includes finance and administrative departments in charge of the correct operation appliance of subscriptions and contracts.

Following the previous explanation of the organisational structure and diverse departments within the company, it is possible to analyse the functions and activities performed by each of them. After earlier presentations on WGSN contents and on innovations and practices carried on by the content and *Mindset* teams, this section will detail only marketing and sales activities.

Starting from the marketing division, the team promotes corporate products and services and heads monthly campaigns and the organisation of tradeshows. The latter are significant showcases for WGSN during which experts hold seminars and individual sessions with exhibitors and participants presenting platforms contents related to the tradeshow topic. On the other hand, marketing campaigns are focused on specific trends related to a singular product category and they are launched during appropriate periods. In fact, starting from special events or periods of time during which designers are researching and planning their collections, the marketing team studies attractive webinar invitations and newsletters to send to clients and prospects. Marketing strategies are the primary phase of the business development, followed by activities carried on by the sale and client services partner-teams.

An organisational structure built on teams carries on these type of chain approaches efficiently thanks to the interactions within the team and among teams, leading to group efficacy. The latter is the shared belief group members have about the ability of the team to achieve goals and objectives, driving also to the group's effectiveness thanks to members' willingness to work together and to share information, abilities, knowledge, and skills (George, Jones, 2011).

Moreover, the above-mentioned organisational form leads to an informational managerial integrated system, or rather a corporate system reporting simultaneously internal and external data and information (Costa, Gubitta, 2008). On this matter, Salesforce.com supports WGSN. The industry-leading customer platform provides to the company a cloud ecosystem able to connect all employees, from each part of the globe, and able to share information using the latest innovations in mobile, social, and cloud technology.

Shifting the attention to the sales team, the core activity is to sell products and to increase the WGSN client portfolio. WGSN aims to expand existing contracts through products differentiation, but also to enrich its clients list working towards the hottest prospect companies. Target and incentive plans are the basis of sales activities; in fact, a monetary amount to reach and gain individually and/or in groups helps employees' motivation and promotes cooperative behaviours.

These are the main values in WGSN policies promoting communication, collaboration, and meritocracy at all hierarchical levels and across the whole organisation.

Box 3.1 *– McDonald's goes green*

McDonald's is not a WGSN client, but it is one of the main prospects in Europe's pipeline. The *Mindset* team worked on the fast-food chain delivering a project draft to Germany, Italy and Spain. The company became a perfect WGSN candidate after the introduction of the new green logo, disclosing their openness to smart and innovative re-branding strategies. The main intention was to be recognised differently in the market promoting a more eco-friendly image and to be lived with positive emotions by consumers. In fact, in 2009 Germany was the precursor country adopting the green logo for advertising campaigns and store signs, followed over recent years by other main European countries. WGSN would aim to support McDonald's delivering inspirations to all relevant departments focusing on a holistic approach which includes new product and drink ideas and brings inputs to innovative marketing and restaurant concepts. The main intention is to switch the company from a global to a local approach specifically customised for the market considered. A subscription has not even been signed, but the relationship with the food brand persists and its name remains on the hottest European pipeline.

3.6 WGSN CLIENTS' ANALYSIS

In conclusion, this chapter turns the attention to the last paragraph of chapter 2: the fashion industry analysis. This is the market where WGSN affirms its leadership every year offering the most useful and appreciated products.

In *Table 3.1*, the entire list of companies included in the fashion format are listed based on their active or missed collaboration with WGSN. It is possible to observe that 85% of retailers (23 units out of 27) are WGSN clients confirming the global presence of the trend forecasting service. Moreover, it is important to specify that the biggest market in 2015 for new business development and clients' growth were U.S. for America, Italy for Europe and Japan for APAC. In the sample, few countries do not hold WGSN clients, such as Bermuda and Mexico, which are less considered by the company aiming to the top fashion markets. This highlights two weaknesses: the lack of a more accurate approach to emerging markets and the lack of the colossus Fast Retailing Company in the WGSN client portfolio.

Table 3.1 WGSN clients and non-clients in the Retail Observatory 2015 fashion industry

Company	Country of origin	WGSN
Abercrombie & Fitch Co.	U.S.	CLIENT
Ascena Retail Group, Inc.	U.S.	CLIENT
Coach, Inc.	U.S.	CLIENT
Dillard's, Inc.	U.S.	CLIENT
El Puerto de Liverpool, S.A.B. de C.V.	Mexico	NOT client
Fast Retailing Co., Ltd.	Japan	NOT client

Foot Locker, Inc.	U.S.	CLIENT
H & M Hennes & Mauritz AB	Sweden	CLIENT
Hudson's Bay Company	Canada	CLIENT
Inditex, S.A.	Spain	CLIENT
Isetan Mitsukoshi Holdings Ltd.	Japan	CLIENT
J. C. Penney Company, Inc.	U.S.	CLIENT
Kering S.A.	France	CLIENT
Kohl's Corporation	U.S.	CLIENT
L Brands, Inc.	U.S.	CLIENT
LVMH Mo	France	CLIENT
Macy's, Inc.	U.S.	CLIENT
Nike, Inc.	U.S.	CLIENT
Nordstrom, Inc.	U.S.	CLIENT
PRADA Group	Italy	CLIENT
Ralph Lauren Corporation	U.S.	CLIENT
Ross Stores, Inc.	U.S.	CLIENT
Shimamura Co., Ltd.	Japan	NOT client
Signet Jewelers Limited	Bermuda	NOT client
The Gap, Inc.	U.S.	CLIENT
The TJX Companies, Inc.	U.S.	CLIENT
Tiffany & Co	U.S.	CLIENT

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

The next chapter will analyse retail trends and strategies adopted by the above-mentioned companies in relation to their financial performance, considering the information disclosed by WGSN through its WGSN *Trend* platform.

Chapter 4

THE FUTURE OF RETAIL

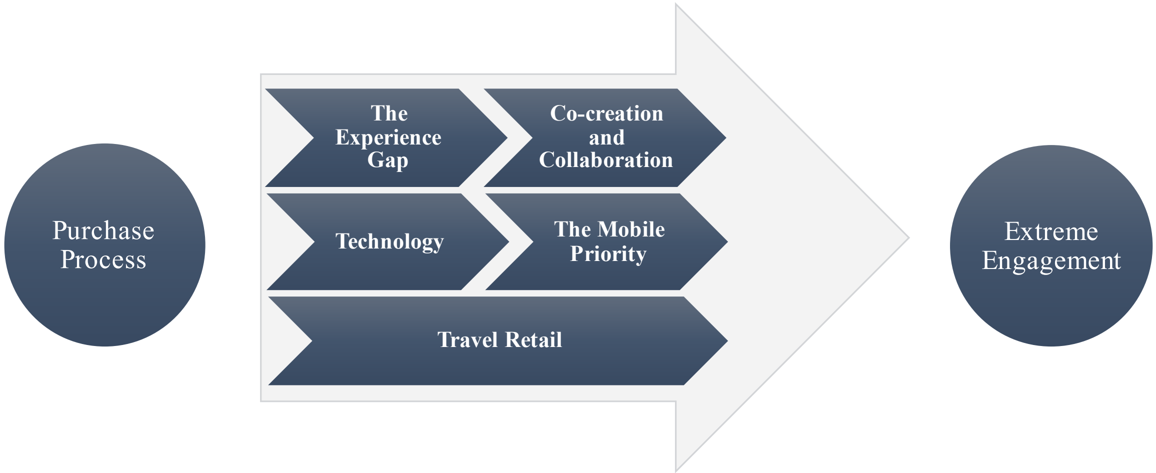
The concluding chapter of this final dissertation is an overview on retail trends, presenting and discussing both the main strategies evolved and adopted in 2015 and a reliable preview for 2016.
The previous chapter introduced WGSN, as the industry-leading company in trends forecasting, and also the WGSN clients in the fashion industry selected for the the Retail Observatory 2015. In conclusion, this is the section connecting the observatory with WGSN, financial performance to strategies, data to trends.
First of all, the main trends emerged in 2015 are presented and studied in terms of retailers' strategies. These were publicised at the beginning of 2015 in the WGSN Trend platform and confirmed during the year by top brands actions, conferences and summit meetings. By studying corporate statements and by providing coherent case-studies, it will be possible to identify a relation between financial performances and the main retail trends in fashion brands' strategies.
Before starting the chapter, it is important to clarify that all the main information is provided by WGSN and therefore it will not be cited as in previous chapters, since the quotes highlighted refers always to WGSN's information retrieved from the Trend platform.

4.1 2015 RETAIL TRENDS

2015 signals a new reality in the retail industry driven by new trends and a growing technological wave which influences consumers and strategies. The retailing concept is enriched by new features: an increasing familiarity with emergent technologies, the maturing of consumer behaviour and the specific changes learned during the holiday trading period. These key-factors are the regular development of the basic ones stated in Retail Management books; these are the coordinated effort developed to integrate corporate plans and activities in order to maximize efficiency, customer orientation and value-driven strategies. (Berman, Evans, 2013)
The retail trends for 2015 carried on a deep insight of consumers, that prioritises the customer. This led to an attentive understanding on how shoppers' expectations are changing in order to put in place strategic responses that maintain a competitive edge in an increasingly ambitious landscape.

Figure 4.1 presents a conceptual framework of the main trends disclosed by WGSN on 29th January 2015.

Figure 4.1 2015 retail trends



[Information processed from WGSN Trend platform]

The purchase process is examined by experts in order to provide a final extreme engagement which brings the need to put the customer at the heart of strategies and consistently reassess the meaning of customer experience and how it relates to the business. In fact, identifying how customers experience all aspects of the purchase journey, from discovery to payment, is a core strategic goal for global retailers. As many businesses iterate to improve the journey, the aim is creating *Extreme Engagement* – a high-service experience concept across multiple touch points. Retailers recognise the need to act as hosts to the purchase journey, so, they explore ways to reach an extreme engagement with the customer. WGSN identified three main strategies, later developed in real trends:

1. *Mass Personalisation*: retailers need to personalise the online shopping experience and analyse shopping behaviours in depth, offering customers co-creation and collaboration with the brand;
2. *Fast-Laning*: retailers need to simplify the customer experience making it faster, easy and more convenient, adapting services to new technologies;
3. *Elevated Engagement*: retailers needs to elevate both service and selling, differentiating their own brand and adapting to a new travel consumer and new format opportunities.

These themes will be evolved in retail trends influencing the fashion industry and adopted by top global brands.

Starting from the first strategy, *mass personalisation* provides many opportunities to gain customer loyalty and engagement. In fact, by delivering relevant advertisements and products at the right moment and by allowing customers to obtain things on their own terms, it is possible to develop a more personal relationship and a stronger bond with them.

This strategy is developed in specific trends: the experience gap, co-creation and collaboration. Over recent years, technology tools enabled retailers to know consumers in depth, understanding their online shopping behaviours, how products or brands are browsed and their preferences in terms of category, colour or sizing. What is arisen is that consumers desire experiences replicated in markets worldwide, they are switching their spending to "doing" rather than "buying". A global study released by the IBM (Institute for Business Value), at the beginning of 2015, found that 43% of 115,000 consumers surveyed in 19 countries are comfortable shopping online. However, just 29% of them purchase via the internet, creating a gap (*Figure 4.2*) between the digital experience and the digital commerce offer (IBM, 2015).

Figure 4.2 The gap between shopping online and enjoying shopping online"

[Source: IBM Institute for Business Value, 2015]

Retailers have to focus on plugging the experience gap marrying the offline and online journeys within a physical environment through cross-channel strategies, which are evolving always more in the fashion industry. This sector has almost doubled its total index of cross-channel, from 23% to 44%, based on the latest Kiki Lab research (Kiki Lab, 2015). Kiki Lab integrates the focus on customers with an ongoing study on trends and scenarios, delivering significant information and data, collected in global researches. The above-mentioned study on the cross-channel investigates retailers' inclination to this strategy through an index computed on the weighted sum of 29 diverse indicators, such as: Ro-Po (online research-offline purchase), Click&Pick or So-Lo-Mo (Social-Local-Mobile).

The apparel industry is one of the category investigated and the one with the highest growth rate for the cross-channel strategy implementation. Rather than simply replicating digital in-store, the main idea is to integrate both physical and digital distribution, sale, support and communication channels, moving towards the digitisation of the brick-and-mortar journey. This means allowing customers to exploit equally the tangible and intangible experience and to communicate with the retailer through all available instruments and channels. The cross-channel is a joint strategy: it consists in promoting the online website visit in order to know products, services and related selection, ordering purchases are ordered via internet but they are collected at the store. On the other hand, the complementary strategy has to push customers in store to access digital platforms looking for items not available in the physical shops, also supported by clerks at the store (Kiki Lab, 2012).

The idea that fashion consumers no longer want to be treated in the same way is not new to retailers. 2015 is the year of a more in depth soul-searching as retailers look for ways to differentiate and reposition in order to drive consideration. In fact, the Marketing 3.0 era complements functional and emotional fulfilment of consumers in products and services with the human spirit attainment. This is a new era where people are expressive and collaborative co-creators, they believe in the human spirit and listen to their deepest desires (Kotler, Kartajaya, Setiawan, 2010).

Collaborations, whether artistic or aiming to develop new products, are becoming key for brands' differentiation and co-creation is changing the emotional investment consumers have in products. In fact, shoppers are moving away from relationships with retailers defined by transactions to those that are instead defined by experiences, leading retailers to focus on the whole product experience. This is the accumulation of the individuals' living, that creates the most value for goods since, experiencing the product, consumers can personalize it according to their own unique needs and wants (Kotler, Kartajaya, Setiawan, 2010).

Turning the attention from the first engagement strategy to *fast-laning*, it is possible to investigate the influential diffusion of emergent technologies and the role of convenience and speed in giving retailers a competitive edge. Today's consumers not only expect and wish personalised and tailored offers, but also demand product and services served up at their convenience. Consumers want to move through a physical store environment and, at the same time, to check out and transact quickly online. Time is a luxury and retailers need to offer accelerated options to meet the rising consumer expectations and increase brand loyalty.

Speedy shipping and delivery are crucial for the e-commerce that is facing an important challenge: tackling returns, stopping shoppers buying multiple sizes when ordering online and improving the customer experience at the same time. The correct approach is to invest in emergent technologies such as better virtual fitting tools, providing customers clearer information on sizing and fit and guiding them to make more informed and assured online purchasing decisions.

The main idea is to keep things clear and simple for customers in-store, on the web or on mobile as they refuse overcomplicated technology. In this context, various tracking companies confirmed a healthy rise for online sales and a healthy boost in online traffic from mobile thanks also to social media and mobile advertising. The importance of mobile adoption has an unprecedented impact on shopping, becoming central in the consumer shopping journey and in order to bridge the gap between the online and bricks-and-mortar store experiences. From a revenue point of view, mobile commerce corresponds to up to 13% of the total digital commerce, this caused retailers to focus on mobile investments. Moreover, as revealed in *Figure 2.2* (*Information on consumers' preferences on distribution channels*) in the second chapter, the latest Deloitte's research published in June 2015, shows a smartphone usage reaching 74%, more than 7% year to year increase (Deloitte, 2015). The increasing diffusion of smartphones for shopping pushed the potential of the visual search as a new retail tool to encourage impulse purchases. Thus, the adoption of mobile payments globally is an essential part of the customer journey which could make or break retail success.

In 2015, another important connection between in-store and online or mobile journeys was presented by the inventory visibility, or rather the ability to present the in-store inventory on the websites and to quickly communicate with consumers, who are looking for a specific item, where they can buy it. This is the way to reach consumers where they are and to encourage impulse shopping, not only online but also at the physical shop. The RFID (radio frequency identification) technology has come into play for greater inventory visibility and its benefits unlock new potentials, both for data-driven insights to guide business decision-making and for customers' satisfaction.

The last strategy identified by WGSN is the *elevated engagement* consisting on selling products and serving customers, equally. Retail is moving from traditional channels to the actual point of sale: the dynamic shopper, being able to make a purchase from anywhere and whenever. Thus, the focus is on a new type of consumer: the global shopper, born during the global tourism boom, enjoying cultural experiences as well as country-specific products. The key is to relocate retail around this new shoppers, ensuring timely offers of the right product assortment. The latest trend for on-the-go sale and service is developed with a focus on adapting to a new travel consumer and new format opportunities. This is travel retail: the ability to deliver the right product, in the right place, at the right time, offering multilingual store associates and signage to meet international shoppers' needs. The essential is to understand, reach out and satisfy global shoppers. Retailers' offer has to include all the facilities generally delivered, such as exclusive products, personalised payment options for travellers and a timing engagement of shoppers, also prior to travel.

The WGSN retail trends just explained and developed from the engagement strategies were confirmed in 2015 by top executive managers and brands' actions and deeply discussed in the most important technical conferences.

4.2 WGSN AT THE WORLD RETAIL CONGRESS

The World Retail Congress (WRC) was launched in 2007 establishing itself as the premiere meeting place for the global retail industry. The congress welcomes every year thousands of senior retail speakers coming together to discuss the major issues and trends affecting the industry.

In 2015, the WRC took place on 8-10 September in Rome, for the first time in Italy and organised by i2i Events Group in collaboration with the above mentioned specialised company: Kiki Lab - Ebeltoft Italy.

The main theme presented in Rome was: "Transforming retail: today, tomorrow and beyond", summing-up the feelings in the retail industry and highlighting how retailers need to change to survive. The environment for retailers has never been more complex, as a PWC global consumer research demonstrates. The analysis, carried on by survey data and interviews, identifies four waves of disruption that every retailer is facing due to three main different reasons: the business model evolution, the growing technological wave and socio-economic changes. The first disruptive force is identified in the evolving role of the physical store versus the recent diffusion that the e-commerce has gained in short time; the second disruptor, natural consequence of the previous one, is related to the proliferation of social networks and the innovation carried on mobile phone technology. Finally, a global demographic shift identifies the group represented by "digital natives" (age 18–24) as consumers interacting with retailers and browsing at a rate higher than the global average. Anyway, the older generation demonstrates a much stronger spending capacity, since the vast amount of transactions comes from "digital natives", leading to an adverse generational income gap (PWC, 2015).

Key themes at the 2015 congress included the evolution of omnichannel, the creation of agile

business cultures and the importance of starting collaborations with relevant business partnerships.
Successful retailers are looking for data to test strategic and tactical decisions in order to offer the right products and services at the right locations, investing on business tools and on their omnichannel offer. This provides consumers with more channels from which obtaining information during the purchase decision process, as for example, store channels, store websites, mobile apps or social media. Omnichannel retailing is breaking down the barriers between different retail channels and so the extending the market reach. Accordingly, data are needed to face market challenges and to ensure business organisations to react quickly. Since retailers are adapting their strategies to an omnichannel environment, the changes influence players both upstream and downstream (Brynjolfsson, Hu, Rahman 2013).
The solution suggested during 2015 WRC to respond to these changes is to reshape the logic of the company on how it operates, creates and captures value from top-down models to ones that are better structured. It is a people-orientated industry requiring people, at all hierarchical level of the business, that understand new practices and systems, quickly adapting to business model reorganisation and changes in culture. Retailers need to hire and train better store staff and they also need to develop people fulfilling the role of CTO (Chief Technology Officer), executives able to understand technology and recognise profitable applications to products, services, and processes.
Finally, collaboration is another way for retailers to stay ahead of the game, seen as a way for them to get around the challenges of building in-house solutions quickly enough to meet changing consumer needs. This is the era of alliances, partnerships and the networked economy, where each partner maintains its proper specialisation and its key competences and looks elsewhere for those that are missing. Co-branding arises as a fundamental response to the need for a continual growth and the companies' research for a partner with which to co-create (Kapferer, 2012).
Conferences are always significant steps in trends developing; brands gather information and examples from competitors, being so updated on where the market is going.

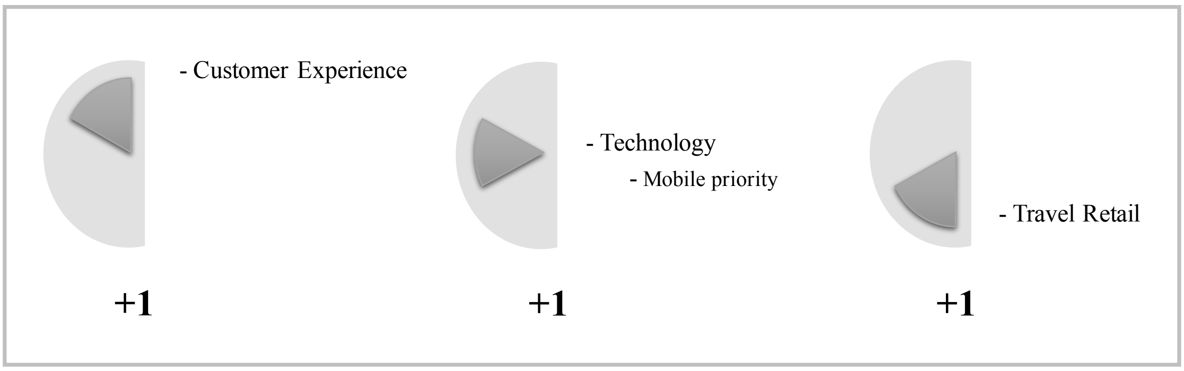
4.3 FROM DATA TO STRATEGIES

The previous paragraphs presented the main strategies required to be adopted by fashion brands in order to face new retail trends and be successful in 2015. This last section will link the data presented in chapter 2 with actual retail strategies in order to identify possible connections between financial performances and the ability to perform at the forefront in terms of retail trends. Furthermore, the latter are identified by WGSN at the beginning of the year as a forecast vision for the year, enabling customers to be quickly aware of future fashion market directions. The panel investigated in this paragraph is the one studied in the fashion industry analysis and presented in *Table 3.1* (*WGSN clients and non-clients in the Retail Observatory 2015 fashion industry*), dividing retailers into WGSN clients and non-clients. The financial data and their results were presented in the second chapter and used in this analysis to disclose companies' performances. In order to identify a link between these data and the propensity to consider retail trends, the author researched relevant information on strategies implemented and planned in 2015 from the corporate financial statements. These are the one presented in *Figure 4.1* (*2015 retail trends*) that, for simplicity, will be researched through three main key-words and their related contexts: customer experience, new technologies and travel retail, which need to be cited on the corporate reports in order to be considered.

The research models applied (*Figure 4.3*) were defined before starting the investigation, by specifying a score value to be assigned to each retailer based on the criteria below:

- 1 point assigned to retailers citing "customer experience" on their financial statements;
- 1 point assigned to retailers adopting new technologies and focusing on mobile, that cite on their statements omni-channel strategies and new customer tools (for example, RFID tracking for the inventory visibility or high-level digital experiences through connected stores and client recognition) and/or m-commerce (defined as mobile applications and the availability of mobile payments);
- 1 point assigned to retailers citing travel retail or disclosing focused strategies on travellers and tourists.

Figure 4.3 The research model applied in order to study retailers' inclination to retail trends



[Information processed from WGSN Trend platform]

Points can be summed up leading to a final score included between 0 and 3. A final score minor than 1 was not observed in this study since it is generally clear that the top fashion retailers implement, at least, the main strategies required to reach a primary customer engagement. Thus, strategies aimed to enhance the customer experience are shared by all top fashion retailers. Furthermore, it was interesting to note that retailers scoring a final value of 2 present always the customer engagement summed up to the new technology and mobile forefront; the combination of the first criteria with travel retail was never observed.

The scorecard presented was the landmark in the corporate statements investigation in order to correctly classify retailers based on their strategic plans and budgeted investments (*Table 4.1*).

Table 4.1 Operating margin and retail trend forefront final score allocated to WGSN clients and non-clients in the Retail Observatory 2015

Company	***Operating margin***	**Retail Trends Forefront**	**WGSN**
LVMH	-	3	CLIENT
Nike	*13,8%*	2	CLIENT
The TJX	*12,3%*	1	CLIENT
Macy's,	*9,9%*	3	CLIENT
Inditex	*17,8%*	3	CLIENT
H&M	*16,5%*	3	CLIENT
Kohl's	*8,8%*	2	CLIENT
The Gap	*12,3%*	2	CLIENT
Fast Retailing	*10,8%*	2	NOT client
Nordstrom	*9,4%*	2	CLIENT
Kering	-	3	CLIENT
JC Penney	*-2,4%*	2	CLIENT
L Brands	*17,4%*	2	CLIENT
Ross Stores	*13,8%*	1	CLIENT
Isetan	*2,5%*	2	CLIENT
Ralph Lauren	*11,6%*	2	CLIENT
Foot Locker	*12,0%*	2	CLIENT
Hudson's Bay	*2,2%*	2	CLIENT
Dillard's	*8,4%*	1	CLIENT
Signet Jewelers	*9,9%*	2	NOT client
Ascena Retail Group	*3,0%*	2	CLIENT
El Puerto de Liverpool	*13,9%*	2	NOT client
Shimamura	*7,1%*	1	NOT client
Prada	*17,7%*	3	CLIENT
Coach	*14,4%*	3	CLIENT
Tiffany & Co	*20,3%*	1	CLIENT
Abercrombie & Fitch	*1,3%*	2	CLIENT

[Data processed from the quarterly reports of the Retail Observatory 2015 companies]

The presentation of few examples, selected from the three different classes, will clarify the analytical method applied and the information coding.

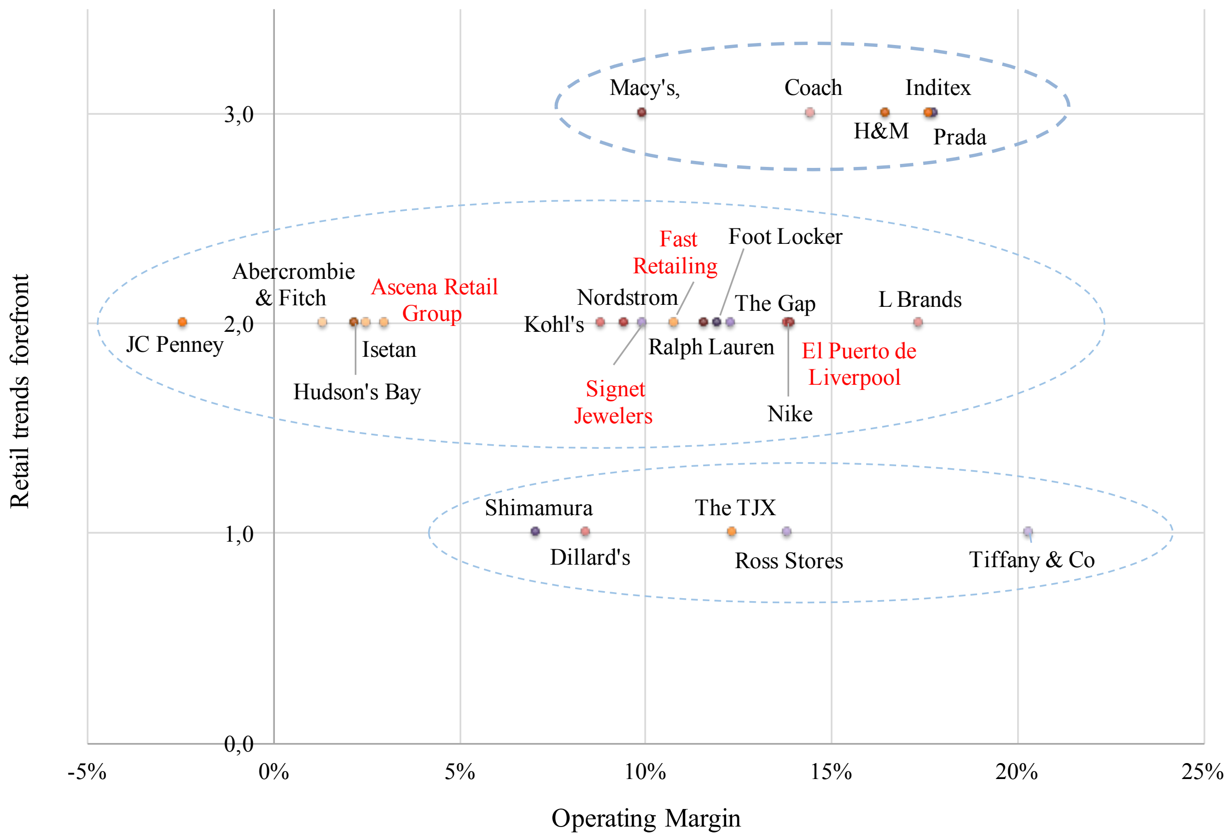
Ross Stores Inc. is one of the main popular off-price apparel and home fashion chain in the U.S., presenting the largest share of turnover (76% of total sales in 2014) in the fashion industry and operating the affordable "Ross Dress for Less" brand (Ross Stores Inc., 2015). The retailer is focused on delivering an in-store shopping experience that reflects the expectations of the off-price customer. The company does not offer any online tool, except for the official website which provides few information on products sold in store, without including the price. Based on these factors, the retailer is positioned in the first class presenting a final score of 1.

Macy's Inc., the premier national omnichannel retailer offering iconic brands through superior stores and dynamic websites, states precisely at the opposite position. In fact, the retailer makes continued progress in digital retailing, developing a relevant technology expertise, speed and a high-level customer experience via desktops, smartphones, tablets and apps. The adoption of systems and processes enabling the inventory visibility in stores via Google Local Inventory Ads., is crucial to connect consumers to their product at the right time wherever they are located. This allows also to attract visitors and tourists coming from around the globe, delivering services and tools appropriate for them. Similarly, at the highest class identified, LVMH affirms its position as one of the trendiest global retailer. The corporate group gathers many popular brands in the apparel and beauty segment delivering a unique customers' experience, as the one studied for the Sephora iconic store in Paris, and personalising the relationship with clients in order to build a reliable brand loyalty. Moreover, the retailing design is conceived for customers who are international travellers in order to ride the wave of "travel retail". Both these top retailers obtained a final score of 3, as the sum of all criteria.

The middle class, consisting of retailers with a final value of 2, is the most populated and includes both WGSN clients and non-clients. From the latter group, the Japanese Fast Retailing which owns the casual brand UNIQLO, is one of the non-clients. In fact, the retailer stated a strategy aimed at maximising the benefits of the physical store network and the e-commerce business, supported also by the launch of a mobile shopping app for Europe in 2014 as the fundamental step in the m-commerce forefront. The travel retail trend has not been yet considered, however it occurs in Nordstrom, the U.S. leading fashion specialty retailer and WGSN client. At the same score value assigned to the Japanese retailer, Nordstrom delivers a unique personalised purchase process to consumers. The mobile commerce is enriched by TextStyle, a text messaging service that allows customers to make purchases through texts based on recommendations sent over the phone by a corporate sales person or a personal shopper. This system is part of the retailer's efforts to develop strategies serving customers on their own terms and it is addressed particularly to U.S. Millennials, people born between 1982 and 2000, spending about 15 hours a week on average using their smartphones.

The chart in *Figure 4.4* presents all retailers considered for the fashion analysis, providing a clearer overview on the scorecard built to study their inclination to go along the latest retail trends.

Figure 4.4 Match between retailers' trend forefront and their financial performance



[Data and information processed from the Retail Observatory 2015 companies]

In the figure, this measure is matched with the companies' financial performance, in terms of operating margin. It is important to specify that the sample includes 114 units (instead of the total 122) because of the lack of this specific yardstick for a few companies, as observed in Chapter 2. Companies' name in red corresponds to WGSN non-clients, which are clearly outnumbered when compared to the clients, printed in black.

This graphic representation leads to significant results in the joint study of strategies and financials. The chart presents the operating margin standard, which identifies retailers' performances based on their own core business and it also highlights three groups of units differently distributed along the x-axis. The result underlines homogeneous financial performances between WGSN clients and non-clients at the middle rank (with a final score of 2). In fact, *Table 4.2* shows that the highest difference between the minimum and maximum operating margin value is accounted for companies having a final score of 2. The remaining classes present lower dispersion and also higher average margin values.

Table 4.2 Minimum, maximum and average value for the three classes considered

	1		**2**		**3**	
Min – Max:	*7,1%*	*20,3%*	*-2,4%*	*17,4%*	*9,9%*	*17,8%*
Average:	***12,4%***		***8,4%***		***15,3%***	

[Data and information processed from the Retail Observatory 2015 companies]

The group composed by retailers more inclined to the retail trends forefront, or rather that scored a final sum of 3 points, accounts the highest average operating margin, corresponding to 15,3%. As it is possible to observe from *Figure 4.4*, this the group with the best performance in terms of operating activities and with the lowest min-max distance. Retailers included in this class are fast fashion (Inditex and H&M), ready-to-wear (Coach) and luxury giants (LVMH and Macy’s), referring again to the current mix of different levels of fashion at the top in the global fashion ranking. All these brands operate aiming to create collections that attract customers around the world, being inspired by new ideas and influences in travel, art exhibitions, magazines, trade fairs and trend seminars, catwalks and street style, or better, they perfectly exploit the WGSN wealth.

The group presenting an operating margin of 12,4%, is composed by retailers discussing on their corporate statements only about strategies focused on the customer experience, without any specific recall to new technologies devices, mobile apps and commerce or travel retail. In this group, it is possible to recognise also two popular brands as The TJX and Tiffany & Co. Both retailers present only quotes on the enhancement of the customer experience and the e-commerce, even if they account high operating margins due to their significant core business.

In conclusion, there is not a clear relation between positive financial performances and retail trends forefront; anyway, it is possible to confirm that brands focused on retail strategies report on average better financial results. Moreover, the more the brand is predominant in the market, the more the positive and quick adoption of strategies inspired by retail trends becomes an imperative and so the use of a forecasting service able to predict new trends to be attained in the future.

Companies must attract consumers and they must satisfy their needs based on their requirements that are reflected on trends. *Figure 4.4* shows that the fashion market is moving towards new retail trends and that the vast majority of companies are more and more focused on their alignment with emerging needs and market changes.

CONCLUSIONS

This final dissertation provided an outlook on the retail industry from different perspectives, focusing on companies identified in the annual research implemented by Deloitte: “The Global Powers of Retailing”. The panel of retailers considered derived from a selection of the Top 250 reports publicised by Deloitte in 2015, which were gradually studied by highlighting aggregate results and by deducing the outcomes from focused analyses on geography, distribution and industry.

The Observatory, composed of 122 retailers, includes the main financial yardsticks needed to evaluate the companies’ performances for the four quarters considered, which endings must be included in the period from 16^{th} July 2014 to 15^{th} July 2015. The analysis carried on these parameters outlined a ranking of retailers and a detailed outlook on the global financial results achieved by the selected companies in the retail industry. It was possible to observe a total sales volume of €2.626.748,4 million, corresponding to more than the national GDP value achieved by the fifth global economy in 2014: the U.K. This consideration reveals the importance of retailers and their ability to generate a reliable turnover growing year to year.

The data gathered and studied in the Retail Observatory 2015 were a continuation of the same used by Casna for the database he set up. Considering the Retail Observatory 2014, the total amount of revenues achieved was lower of 10,6% compared to this latest database and reduced of 19,7%, investigating the average revenue value. In fact, Casna’s Observatory consists of 132 retailers, 10 units more than the ones presented in this final dissertation with an average revenue value equivalent to about €18.000 millions (Casna, 2014). This is opposed to the approximately €21.500 millions accounted in the Observatory 2015, a considerable increase for an average parameter. Growth is the main rule of any economic environment: retailers are always looking for improvements in financial performances in order to beat competitors and affirm their position. Therefore, how is it possible to gain shares of the global market?

In order to reach the top, it is fundamental to perfectly know the market and the people willing to buy in that market, i.e. the consumers. Power has shifted to the customer, the new point of sale The demand side of the distribution curve has changed, brands have to focus on consumers’ desires without organising their business to suit their own timelines, internal plans and objectives or even the ones of their suppliers (WGSN, 2015).

Nowadays, there is a huge amount of available data on consumers that retailers could own or buy, and that they need to manage efficiently in order to extract the information from the “noise”; this is a matter of time and organisation. Investments in data research and new

technologies can build up infrastructures able to predict where the customers will go next, early enough to ensure that their desired products and experiences will successfully satisfy them.
The balancing act between owning and buying data and its related investment is a common feature for retailers that desire to identify retail trends before they blow up. In this context, the World Global Style Network company (WGSN), provides a reliable solution to fashion retailers gathering information, data, forecasting trends, strategies and case-studies to support customers on their market approach. Owning customer data is a stepping stone to future insights, WGSN predicts future trends starting exactly from a thorough analysis on customers and the surrounding environment. Thus, the information delivered is the key to provide a reliable outlook, to develop successful strategies, to make the right choice in terms of products and services offered and also to reduce costs.
Acknowledging that current business models and sales metrics are changing to become relevant in the era of customer-centric retail, it is important to identify how to re-shape strategies in order to affirm proper competitive positioning. Businesses that learn to leverage large volumes of data and to organise them on focused strategies have an opportunity to capture and own customers' attention and time. Investing in customer retention is another key-point in this new challenging area, as the understanding of the lifetime value of a customer deepens thanks to data availability.
Strategies focused on market and consumers' insights help to provide the right offer at the right time in order to attract customers, helping so to register positive financial performances. Satisfying consumers' desires and needs is becoming more and more challenging for retailers, since these are turning into emotional and spiritual ones (Kotler, Kartajaya, Setiawan, 2010): in that sense, data and information research is the key.
The final aim of the Retail Observatory 2015 was to provide an interactive tool able to study the retail industry both from a financial and a strategic point of view, also comparing results year to year. In the previous four chapters, the ultimate objective was chased page by page starting from the retailers' financial analysis and by comparing results to the Observatory 2014, by focusing the attention on narrower analyses, by presenting main retail trends and strategies and, finally, by linking performances to strategic plans. For this purpose, this final dissertation was sourced retrieving data and information from: Deloitte's *Global Powers of Retailing 2015* report, as previously revealed, studied in order to start the investigation on the global top retailers, the *Retail Observatory 2014* published by Casna and the *WGSN Trend platform* (*Figure 5.1*).

Figure 5.1 The final dissertation sources

[Information processed from the Retail Observatory 2015]

The analysis carried on the aggregate results was implemented on a panel of 122 top retailers for the revenues parameter and on 114 units for the remaining yardsticks. In fact, 8 retailers did not report all the evaluation yardsticks considered, thus, the average value computed and the distribution of results into specific ranks were influenced by the lack of these data. Anyway, it was possible to present reliable conclusions on the total sample that highlighted a gross margin in the amount of 29,3 % of total revenues, an operating margin of 7,7% and a final net income which corresponds to 4,9%. The latter yardstick computed by Casna in the Retail Observatory 2014 was equal to 3,6%, a final value lower of 1,3 percentage points than the actual one. This was due to a significant increase in the total average operating margin accounting a value of 1,6% higher than the previous year, suggesting a measurable year-to-year growth in the retail industry.

The first observations on the average revenues and the net income increase confirm the continuous growth of this industry, which quickly adapts to the changing dynamics.

The distribution channel investigation presented the share of retailers which had already introduced an e-commerce platform for their sales: 75% of them were categorized as e-retailers. The remaining 25% did not present any online sale, even if many retailers had already planned to introduce an e-commerce platform in the near future. By studying the volume of sales in the Retail Observatory 2015 ranking, it is possible to observe that the first 36 (out of 122) positions

always present an e-commerce platform and that their total amount of revenues reached corresponds to 78,0% of the total revenues accounted for the dataset.
A similar situation was presented the previous year by Casna, who registered a value of 69,0% of e-retailers. The increase compared to the Observatory 2014, the large share of revenues achieved by retailers offering online sales and the future plans disclosed by companies without e-commerce availability, confirm that, nowadays, e-commerce is crucial in the retail market. Anyway, this retail trend is surpassed by the m-commerce by now, blowing up in the retail market as the new driving force. In fact, as highlighted in the chapter dedicated to retail trends in 2015, mobile is a priority in this growing technological wave that is shaping the global economy, particularly in the fashion industry.
The aggregate results presented a global outlook on the retail industry without specifying performances in particular geographic areas or industries, which were studied in separated focused analyses. The study by geography reaffirmed the power of America over Europe and the Asiatic and Pacific area, as previously revealed by Casna, since its average revenues and margins results were always higher compared to the rest of the world. Moreover, the American mainland holds many top global retailers, including the first three best performers: Wal-Mart, Apple and CVS Caremark, which together account 27,0% of the total revenues computed for the dataset.
The second analysis, by industry, divided the sample into eight different categories of the retail market, which were studied according to the usual parameters. Exactly as observed by Casna, the *Apparel* industry presented the highest results in terms of margins and year-to-year growth, defeating all remaining formats; however, it had the lowest average revenues value, while *Cash & Carry* had the highest. Apparel and accessories retailers were the fastest-growing and their product sector the most profitable in 2014, as it was in 2013. (Deloitte, 2015)
Based on this last consideration, the apparel category was extended to the whole fashion market, was analysed separately and combined to a strategic overview on retail trends. Thanks to information retrieved from the WGSN Trend platform, the author provided market insights in the fashion industry focusing the attention on the strategies needed to satisfy emerging retail trends and to catch consumers' attention and wallet. Data and information remain at the centre of the discussion as key-resources for retailers, that finally outline coherent strategies and investments. WGSN provides bundle of data gathered in specific sections, geographic areas and periods of time: it is an organised source of information able to present forecasting trends as it would be possible to read them on the newspaper. Its strength is the ability of managing data, always presenting a global overview on the fashion market, by collecting inspirations and

studies carried on by experts all over the world, who are working to deliver information. Thus, WGSN clients are able to identify which are the news to take into consideration, the trends that are changing the demand and the new consumers' habits, also being aware of competitors' knowledge. Everything is reachable on the platform reducing research costs and confirming corporate strategic decisions aimed also at differentiating the brand. Combining the study on financial data and strategic plans, it was possible to observe a better performance for retailers inclined to quickly adapt to the market changing dynamics.

Considering the operating margin as the parameter measuring the fashion retailers' core business performance, it was possible to observe that this yardstick was on average higher for companies more inclined to consider retail trends. This meant implementing strategies focused on the customer engagement through the enhancement of the in-store, virtual or mobile experience and the service delivered customised to each type of customer.

This conclusion suggests that the increase of e-retailers in the total sample could be linked to the operating margin growth compared to the Retail Observatory 2014, since the ability to answer to consumers' needs and to consider new trends reflects better financial performances in the retailers' core business.

To conclude, this final dissertation was written to provide a joint prospect on retail, both from a financial and a strategic point of view, focusing the attention on the growing fashion industry. In the hope of providing interesting perspectives and thoughts, the author, passionate about the retail industry and the fashion market, reported her own knowledge earned during the academic path and the valuable working experience at WGSN.

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http://uk.businessinsider.com (A business site with deep financial, media, tech, and other industry verticals.

http://www.businessoffashion.com (The daily on-line delivering fashion business intelligence on emerging designers, disruptive technologies and global brands that are making their mark on the industry)

http://www.it.exchange-rates.org (Website collecting world currency exchange rates and the currency exchange rate history)

http://www.forbes.com (The website is a trusted resource for the world's business and investment leaders, providing them the uncompromising commentary, concise analysis, relevant tools and real-time reporting they need to succeed at work)

http://www.ft.com/home (The websites is the online version of the world's leading newspaper that provides a broad range of essential services, including news, comment, data and analysis, to a growing audience of internationally minded professionals)

http://www.wsj.com (It is the online version of the business-focused international daily newspaper)

http://www.pambianconews.com (The most popular daily on-line in Italy, dedicated to entrepreneurs, managers and opinion leader in the fashion market)

APPENDIX A

Main aggregate results accounted for the Retail Observatory 2015 companies (by ascending order of Revenues):

#	Company	Currency	*Revenues (M€)*	*Gross Margin*	*Operating Margin*	*Net Income*	*YTY*
1	Wal-Mart Stores, Inc.	USD	*404.364,6*	*24,8%*	*5,5%*	*3,3%*	*2,4%*
2	Apple Inc.	USD	*192.828,4*	*39,8%*	*30,2%*	*22,6%*	*25,9%*
3	CVS Caremark Co.	USD	*125.138,7*	*17,6%*	*6,1%*	*3,3%*	*10,2%*
4	Costco Wholesale Co.	USD	*96.851,1*	*12,9%*	*3,1%*	*2,0%*	*5,8%*
5	The Kroger Co.	USD	*91.659,1*	*21,6%*	*3,1%*	*1,7%*	*7,0%*
6	Carrefour	EUR	*86.071,0*	-	-	-	*2,9%*
7	Amazon.com, Inc.	USD	*82.219,7*	*31,4%*	*0,9%*	*-0,2%*	*17,2%*
8	Walgreen Co.	USD	*80.005,1*	*26,5%*	*5,0%*	*4,4%*	*24,8%*
9	The Home Depot, Inc.	USD	*70.698,9*	*34,7%*	*12,7%*	*7,7%*	*6,4%*
10	Metro AG	EUR	*61.770,0*	*20,7%*	*1,3%*	*0,3%*	*-2,6%*
11	Target Corporation	USD	*61.105,2*	*29,7%*	*6,8%*	*-2,1%*	*-0,2%*
12	Aeon Co., Ltd.	JPY	*53.460,8*	*35,5%*	*2,0%*	*1,2%*	*11,1%*
13	Casino Guichard-Perrachon S.A.	EUR	*48.913,0*	-	-	-	*1,7%*
14	Lowe's Companies, Inc.	USD	*47.415,5*	*34,8%*	*7,7%*	*4,8%*	*6,6%*
15	Seven & i Holdings Co., Ltd.	JPY	*43.379,3*	*35,7%*	*5,3%*	*3,1%*	*4,7%*
16	Woolworths Limited	AUD	*41.919,6*	-	-	-	*-0,1%*
17	Koninklijke Ahold N.V.	EUR	*35.510,0*	*26,8%*	*3,5%*	*2,3%*	*10,7%*
18	Best Buy Co., Inc.	USD	*33.595,3*	*22,7%*	*3,4%*	*2,3%*	*-5,4%*
19	LVMH Mo	EUR	*33.336,0*	-	*0,0%*	*0,0%*	*13,1%*
20	Loblaw Companies Limited	CAD	*32.600,2*	*27,3%*	*3,7%*	*1,6%*	*29,4%*
21	Nike, Inc.	USD	*25.733,7*	*46,0%*	*13,8%*	*10,7%*	*10,1%*
22	The TJX Companies, Inc.	USD	*24.760,0*	*28,6%*	*12,3%*	*7,6%*	*6,3%*
23	Sears Holdings Corp.	USD	*24.390,9*	*23,5%*	*-5,3%*	*-2,0%*	*-17,9%*
24	Macy's, Inc.	USD	*23.684,6*	*40,0%*	*9,9%*	*5,4%*	*0,9%*
25	Lotte Shopping Co., Ltd.	KRW	*23.201,7*	*30,1%*	*3,4%*	*1,5%*	*1,2%*
26	Delhaize Group	EUR	*23.191,0*	*24,2%*	*2,4%*	*0,8%*	*10,1%*
27	Rite Aid Corporation	USD	*22.495,2*	*28,6%*	*3,1%*	*8,2%*	*3,9%*
28	Celesio AG	EUR	*22.064,3*	*19,1%*	*1,6%*	*-0,4%*	*2,1%*
29	East Japan Railway Company	JPY	*20.316,0*	*34,6%*	*14,0%*	*6,8%*	*2,9%*

30	Inditex, S.A.	EUR	*18.743,0*	*58,5%*	*17,8%*	*14,0%*	*11,0%*
31	Staples, Inc.	USD	*18.543,2*	*26,0%*	*1,0%*	*0,3%*	*-3,6%*
32	H & M Hennes & Mauritz AB	SEK	*18.052,1*	*58,4%*	*16,5%*	*12,9%*	*21,0%*
33	Empire Company Limited	CAD	*17.057,8*	*25,5%*	*3,1%*	*1,7%*	*12,2%*
34	Dollar General Corporation	USD	*16.179,5*	*30,8%*	*9,4%*	*5,7%*	*8,6%*
35	Kohl's Corporation	USD	*16.088,9*	*36,3%*	*8,8%*	*4,6%*	*1,0%*
36	SuperValu Inc.	USD	*15.317,1*	*14,7%*	*2,5%*	*1,2%*	*4,9%*
37	Cencosud S.A.	CLP	*15.192,0*	*27,9%*	*4,7%*	*1,9%*	*5,7%*
38	Kingfisher plc	GBP	*13.836,4*	-	-	-	*-6,3%*
39	The Gap, Inc.	USD	*13.704,8*	*37,9%*	*12,3%*	*7,5%*	*0,9%*
40	Whole Foods Market, Inc.	USD	*13.321,0*	*35,4%*	*6,4%*	*4,0%*	*9,3%*
41	Office Depot, Inc.	USD	*13.042,0*	*23,8%*	*0,2%*	*-0,4%*	*6,4%*
42	FEMSA Comercio, S.A. de C.V.	MXN	*12.434,1*	*40,7%*	*11,2%*	*9,4%*	*-1,1%*
43	Fast Retailing Co., Ltd.	JPY	*11.835,7*	*50,9%*	*10,8%*	*7,6%*	*22,1%*
44	X5 Retail Group N.V.	RUB	*11.707,4*	*24,4%*	*4,8%*	*2,0%*	*24,8%*
45	Nordstrom, Inc.	USD	*11.598,9*	*37,8%*	*9,4%*	*5,1%*	*8,5%*
46	S.A.C.I. Falabella	CLP	*11.089,6*	*36,7%*	*10,7%*	*6,8%*	*11,4%*
47	Kering S.A.	EUR	*10.860,3*	-	-	-	*10,6%*
48	J. C. Penney Company, Inc.	USD	*10.290,1*	*35,5%*	*-2,4%*	*-4,7%*	*2,4%*
49	ICA Gruppen	SEK	*10.252,3*	*14,3%*	*4,0%*	*4,1%*	*-5,5%*
50	Distribuidora Internacional de Alimentacion	EUR	*10.078,9*	*34,0%*	*3,0%*	*1,8%*	*14,9%*
51	Bed Bath and Beyond Inc.	USD	*10.072,7*	*38,7%*	*12,8%*	*7,8%*	*3,6%*
52	CP ALL Public Company Limited	THB	*9.831,8*	*21,6%*	*6,2%*	*3,2%*	*8,6%*
53	L Brands, Inc.	USD	*9.777,3*	*42,3%*	*17,4%*	*10,0%*	*6,3%*
54	The Sherwin-Williams Company	USD	*9.684,4*	*47,4%*	*12,4%*	*9,2%*	*5,5%*
55	Ross Stores, Inc.	USD	*9.515,9*	*28,4%*	*13,8%*	*8,5%*	*9,1%*
56	Isetan Mitsukoshi Holdings Ltd.	JPY	*9.454,3*	*27,9%*	*2,5%*	*2,6%*	*-0,4%*
57	Family Dollar Stores, Inc.	USD	*9.020,8*	*33,6%*	*3,4%*	*2,2%*	*3,1%*
58	Canadian Tire Corporation, Limited	CAD	*8.907,7*	*33,1%*	*8,4%*	*4,8%*	*3,9%*
59	Kesko Corporation	EUR	*8.880,0*	*13,5%*	*1,9%*	*1,2%*	*-3,9%*
60	Advance Auto Parts, Inc.	USD	*8.709,5*	*45,5%*	*8,8%*	*5,1%*	*20,5%*
61	E-MART Co., Ltd.	KRW	*8.681,8*	*29,6%*	*5,8%*	*5,2%*	*-15,4%*
62	Metro Inc.	CAD	*8.603,0*	*18,7%*	*5,4%*	*4,9%*	*5,3%*
63	Liberty Interactive Corporation	USD	*8.586,4*	*36,4%*	*11,8%*	*8,0%*	*-12,5%*

64	Gome Electrical Appliances Holding	CNY	*8.540,7*	*14,9%*	*2,2%*	*1,6%*	*5,2%*
65	AutoZone, Inc.	USD	*8.316,8*	*52,2%*	*19,2%*	*11,4%*	*4,5%*
66	J. Front Retailing Co., Ltd.	JPY	*8.315,6*	*21,1%*	*3,5%*	*3,1%*	*-0,6%*
67	GameStop Corporation	USD	*7.942,5*	*29,7%*	*7,0%*	*4,4%*	*2,1%*
68	Tokyu Corporation	JPY	*7.786,3*	*25,3%*	*6,3%*	*4,3%*	*-1,9%*
69	Dollar Tree, Inc.	USD	*7.395,1*	*26,7%*	*11,9%*	*6,0%*	*10,2%*
70	Uny Group Holdings Co., Ltd.	JPY	*7.363,5*	*38,0%*	*-0,2%*	*-0,7%*	*-1,6%*
71	Shanghai Bailian Group Incorporated Company	CNY	*6.965,3*	*20,9%*	*3,9%*	*3,3%*	*-5,0%*
72	H2O Retailing Corporation	JPY	*6.778,6*	*28,8%*	*0,8%*	*0,6%*	*62,1%*
73	Takashimaya Co., Ltd.	JPY	*6.564,6*	*30,2%*	*3,2%*	*2,7%*	*6,2%*
74	O'Reilly Automotive, Inc.	USD	*6.521,7*	*51,8%*	*18,3%*	*11,2%*	*9,4%*
75	**Ralph Lauren Corporation**	USD	*6.443,6*	*57,1%*	*11,6%*	*7,9%*	-
76	Foot Locker, Inc.	USD	*6.069,9*	*33,4%*	*12,0%*	*7,6%*	*6,9%*
77	Hudson's Bay Company	CAD	*5.940,3*	*40,6%*	*2,2%*	*0,1%*	*35,4%*
78	Dillard's, Inc.	USD	*5.748,1*	*36,9%*	*8,4%*	*5,0%*	*1,8%*
79	Bic Camera Inc.	JPY	*5.718,3*	*26,3%*	*1,7%*	*0,9%*	*-6,1%*
80	President Chain Store Corp.	TWD	*5.643,2*	*40,4%*	*5,0%*	*4,6%*	*0,1%*
81	**Yonghui Superstores Co., Ltd**	CNY	*5.562,2*	*19,4%*	*2,7%*	*2,3%*	-
82	BIM Birlesik Magazalar A.S.	TRY	*5.537,7*	*15,6%*	*3,7%*	*2,9%*	*21,1%*
83	Signet Jewelers Limited	BMD	*5.281,9*	*36,2%*	*9,9%*	*6,7%*	*45,5%*
84	Tractor Supply Company	USD	*5.202,7*	*34,3%*	*10,6%*	*6,6%*	*12,2%*
85	Lojas Americanas S.A.	BRL	*5.201,7*	*29,3%*	*10,3%*	*2,0%*	*17,4%*
86	Barnes & Noble, Inc.	USD	*5.105,7*	*31,0%*	*2,3%*	*0,7%*	*-4,8%*
87	Edion Corporation	JPY	*5.015,6*	*27,7%*	*1,4%*	*0,6%*	*-9,7%*
88	Don Quijote Co., Ltd.	JPY	*4.985,5*	*26,6%*	*5,7%*	*3,9%*	*11,7%*
89	Sonae, SGPS, SA	EUR	*4.813,1*	*20,2%*	*4,7%*	*4,0%*	*-2,3%*
90	K's Holdings Corporation	JPY	*4.592,9*	*25,7%*	*2,7%*	*2,2%*	*-10,0%*
91	Dashang Co., Ltd.	CNY	*4.430,2*	*20,1%*	*5,0%*	*3,6%*	*-4,3%*
92	Chongqing Department Store Co., Ltd	CNY	*4.396,5*	*15,6%*	*1,9%*	*1,6%*	*7,2%*
93	Big Lots, Inc.	USD	*4.371,0*	*39,7%*	*4,6%*	*2,9%*	*-2,3%*
94	Life Corporation	JPY	*4.324,6*	*29,6%*	*1,7%*	*1,1%*	*9,6%*
95	GS Retail Co., Ltd.	KRW	*4.308,1*	-	-	-	*13,4%*
96	Izumi Co., Ltd.	JPY	*4.271,8*	*24,9%*	*5,2%*	*3,0%*	*10,1%*
97	OJSC Dixy Group	RUB	*4.159,3*	*29,7%*	*3,6%*	*1,3%*	*26,8%*

98	**Ascena Retail Group, Inc.**	USD	*4.023,2*	*56,4%*	*3,0%*	*2,3%*	-
99	Williams-Sonoma, Inc.	USD	*4.022,2*	*36,9%*	*10,6%*	*6,5%*	*6,3%*
100	El Puerto de Liverpool, S.A.B. de C.V.	MXN	*4.015,6*	*41,3%*	*13,9%*	*9,9%*	*10,9%*
101	Groupe FNAC S.A.***	EUR	*3.884,0*	-	-	-	*0,2%*
102	Lawson, Inc.	JPY	*3.768,2*	*73,6%*	*10,5%*	*6,0%*	*7,9%*
103	Shimamura Co., Ltd.	JPY	*3.743,3*	*31,8%*	*7,1%*	*4,5%*	*1,9%*
104	MatsumotoKiyoshi Holdings Co., Ltd.	JPY	*3.682,4*	*28,9%*	*4,0%*	*2,8%*	*3,3%*
105	**PRADA Group**	EUR	*3.603,0*	*71,5%*	*17,7%*	*11,4%*	-
106	Coach, Inc.	USD	*3.585,4*	*69,4%*	*14,4%*	*9,4%*	*-12,8%*
107	Grupo Comercial Chedraui, S.A.B. de C.V.	MXN	*3.560,7*	*19,9%*	*4,8%*	*2,4%*	*9,3%*
108	**Tiffany & Co**	USD	*3.510,0*	*59,9%*	*20,3%*	*11,2%*	-
109	Valor Co., Ltd.	JPY	*3.492,0*	*27,5%*	*3,0%*	*2,0%*	*8,7%*
110	Arcs Co., Ltd.	JPY	*3.478,5*	*24,3%*	*2,9%*	*2,0%*	*5,7%*
111	Roundy's, Inc.	USD	*3.464,8*	*26,3%*	*-5,5%*	*-6,4%*	*1,8%*
112	Sundrug Co., Ltd.	JPY	*3.401,6*	*24,3%*	*6,1%*	*3,9%*	*5,9%*
113	HORNBACH-Baumarkt - AG Group	EUR	*3.375,2*	*38,0%*	*3,0%*	*2,0%*	*-3,9%*
114	Tsuruha Holdings Inc.	JPY	*3.181,4*	*28,2%*	*5,9%*	*3,9%*	*13,4%*
115	DCM Holdings Co., Ltd.	JPY	*3.072,4*	*32,0%*	*3,6%*	*2,0%*	*-3,6%*
116	Heiwado Co., Ltd.	JPY	*3.065,1*	*33,6%*	*3,0%*	*2,0%*	*3,5%*
117	Abercrombie & Fitch Co.	USD	*3.044,0*	*60,9%*	*1,3%*	*0,2%*	*-11,4%*
118	Nitori Holdings Co., Ltd.	JPY	*3.030,9*	*52,7%*	*15,5%*	*9,9%*	*3,6%*
119	RONA Inc.	CAD	*3.001,9*	*26,2%*	*3,1%*	*2,1%*	*2,8%*
120	**Welcia Holdings Co., Ltd**	JPY	*2.894,0*	*28,8%*	*2,8%*	*1,9%*	-
121	**Magazine Luiza SA**	BRL	*2.889,1*	*28,1%*	*5,1%*	*0,9%*	-
122	Joshin Denki Co., Ltd.	JPY	*2.715,6*	*21,6%*	*1,6%*	*1,0%*	*-13,7%*

APPENDIX B

List of the exchange rates used to convert companies' values in the Retail Observatory 2015:

Q ending	EUR-USD	EUR-JPY	EUR- AUD	EUR-CAD	EUR-KRW	EUR-CLP	EUR-SEK	EUR-GBP
31/07/14	1,3379	137,6600	1,4396	1,4610	1.378,5000	765,7717	9,2261	0,7928
31/08/14	1,3188	137,1100	1,4123	1,4314	1.337,9700	770,7254	9,1658	0,7953
30/09/14	1,2583	138,1100	1,4442	1,4058	1.330,3400	755,8877	9,1465	0,7773
31/10/14	1,2524	140,1800	1,4249	1,4120	1.343,4300	721,2603	9,2664	0,7843
30/11/14	1,2483	147,6900	1,4647	1,4227	1.385,5800	758,3362	9,2660	0,7953
31/12/14	1,2141	145,2300	1,4829	1,4063	1.324,8000	732,9031	9,3930	0,7789
31/01/15	1,1305	133,0800	1,4535	1,4323	1.246,5400	715,8661	9,3612	0,7511
28/02/15	1,1240	134,0500	1,4358	1,3995	1.236,1600	691,4642	9,3693	0,7278
31/03/15	1,0759	128,9500	1,4154	1,3738	1.192,5800	671,1409	9,2901	0,7273
30/04/15	1,1215	133,2600	1,4161	1,3480	1.202,4800	682,4596	9,3261	0,7267
31/05/15	1,0970	135,9500	1,4338	1,3650	1.220,3100	678,9247	9,3272	0,7190
30/06/15	1,1189	137,0100	1,4550	1,3839	1.251,2700	715,3446	9,2150	0,7114

Q ending	EUR-RUB	EUR-CNY	EUR-MXN	EUR-TWD	EUR-BRL	EUR-TRY	EUR-THB	EUR-BMD
31/07/14	47,5220	8,2621	17,6355	40,2700	3,0156	2,8551	42,9590	1,3385
31/08/14	48,7406	8,1018	17,2664	39,3925	2,9600	2,8506	42,1410	1,3188
30/09/14	49,7653	7,7262	16,9977	38,4691	3,0821	2,8779	40,8000	1,2629
31/10/14	53,8575	7,6559	16,8711	38,1776	3,0714	2,7769	40,8320	1,2535
30/11/14	61,3450	7,6673	17,2709	38,6670	3,1831	2,7594	40,9920	1,2447
31/12/14	72,3370	7,5358	17,8679	38,2501	3,2207	2,8320	39,9100	1,2101
31/01/15	79,9250	7,0639	16,8382	35,7654	3,0114	2,7579	37,0550	1,1289
28/02/15	69,2000	7,0485	16,8723	35,2324	3,2579	2,8300	36,3360	1,1197
31/03/15	62,4400	6,6710	16,5124	33,7036	3,4958	2,8131	35,0180	1,0740
30/04/15	57,6465	6,9568	17,0894	34,4927	3,3232	2,9815	36,9760	1,1215
31/05/15	57,4638	6,7994	16,8433	33,9033	3,4522	2,9188	37,0070	1,0983
30/06/15	62,3550	6,9366	17,5332	34,6179	3,4699	2,9953	37,7960	1,1144

APPENDIX C

Main aggregate results accounted for the fashion industry companies (by ascending order of Revenues):

#	Company	Country	*Revenues (M€)*	*Gross Margin*	*Operating Margin*	*Net Income*	*YTY*	Industry
1	LVMH Mo	France	*33.336,0*	-	-	-	*13,1%*	Other
2	Nike, Inc.	U.S.	*25.733,7*	*46,0%*	*13,8%*	*10,7%*	*10,1%*	Apparel
3	The TJX Companies, Inc.	U.S.	*24.760,0*	*28,6%*	*12,3%*	*7,6%*	*6,3%*	Apparel
4	Macy's, Inc.	U.S.	*23.684,6*	*40,0%*	*9,9%*	*5,4%*	*0,9%*	Department store
5	Inditex, S.A.	Spain	*18.743,0*	*58,5%*	*17,8%*	*14,0%*	*11,0%*	Apparel
6	H & M Hennes & Mauritz AB	Sweden	*18.052,1*	*58,4%*	*16,5%*	*12,9%*	*21,0%*	Apparel
7	Kohl's Corporation	U.S.	*16.088,9*	*36,3%*	*8,8%*	*4,6%*	*1,0%*	Department store
8	The Gap, Inc.	U.S.	*13.704,8*	*37,9%*	*12,3%*	*7,5%*	*0,9%*	Apparel
9	Fast Retailing Co., Ltd.	Japan	*11.835,7*	*50,9%*	*10,8%*	*7,6%*	*22,1%*	Apparel
10	Nordstrom, Inc.	U.S.	*11.598,9*	*37,8%*	*9,4%*	*5,1%*	*8,5%*	Department store
11	Kering S.A.	France	*10.860,3*	-	-	-	*10,6%*	Apparel
12	J. C. Penney Company, Inc.	U.S.	*10.290,1*	*35,5%*	*-2,4%*	*-4,7%*	*2,4%*	Department store
13	L Brands, Inc.	U.S.	*9.777,3*	*42,3%*	*17,4%*	*10,0%*	*6,3%*	Apparel
14	Ross Stores, Inc.	U.S.	*9.515,9*	*28,4%*	*13,8%*	*8,5%*	*9,1%*	Apparel
15	Isetan Mitsukoshi Holdings Ltd.	Japan	*9.454,3*	*27,9%*	*2,5%*	*2,6%*	*-0,4%*	Department store
16	Ralph Lauren Corporation	U.S.	*6.443,6*	*57,1%*	*11,6%*	*7,9%*	-	Apparel
17	Foot Locker, Inc.	U.S.	*6.069,9*	*33,4%*	*12,0%*	*7,6%*	*6,9%*	Apparel
18	Hudson's Bay Company	Canada	*5.940,3*	*40,6%*	*2,2%*	*0,1%*	*35,4%*	Department store
19	Dillard's, Inc.	U.S.	*5.748,1*	*36,9%*	*8,4%*	*5,0%*	*1,8%*	Department store
20	Signet Jewelers Limited	Bermuda	*5.281,9*	*36,2%*	*9,9%*	*6,7%*	*45,5%*	Other
21	Ascena Retail Group, Inc.	U.S.	*4.023,2*	*56,4%*	*3,0%*	*2,3%*	-	Apparel
22	El Puerto de Liverpool	Mexico	*4.015,6*	*41,3%*	*13,9%*	*9,9%*	*10,9%*	Department store
23	Shimamura Co., Ltd.	Japan	*3.743,3*	*31,8%*	*7,1%*	*4,5%*	*1,9%*	Apparel
24	PRADA Group	Italy	*3.603,0*	*71,5%*	*17,7%*	*11,4%*	-	Apparel
25	Coach, Inc.	U.S.	*3.585,4*	*69,4%*	*14,4%*	*9,4%*	*-12,8%*	Apparel
26	Tiffany & Co	U.S.	*3.510,0*	*59,9%*	*20,3%*	*11,2%*	-	Other
27	Abercrombie & Fitch Co.	U.S.	*3.044,0*	*60,9%*	*1,3%*	*0,2%*	*-11,4%*	Apparel