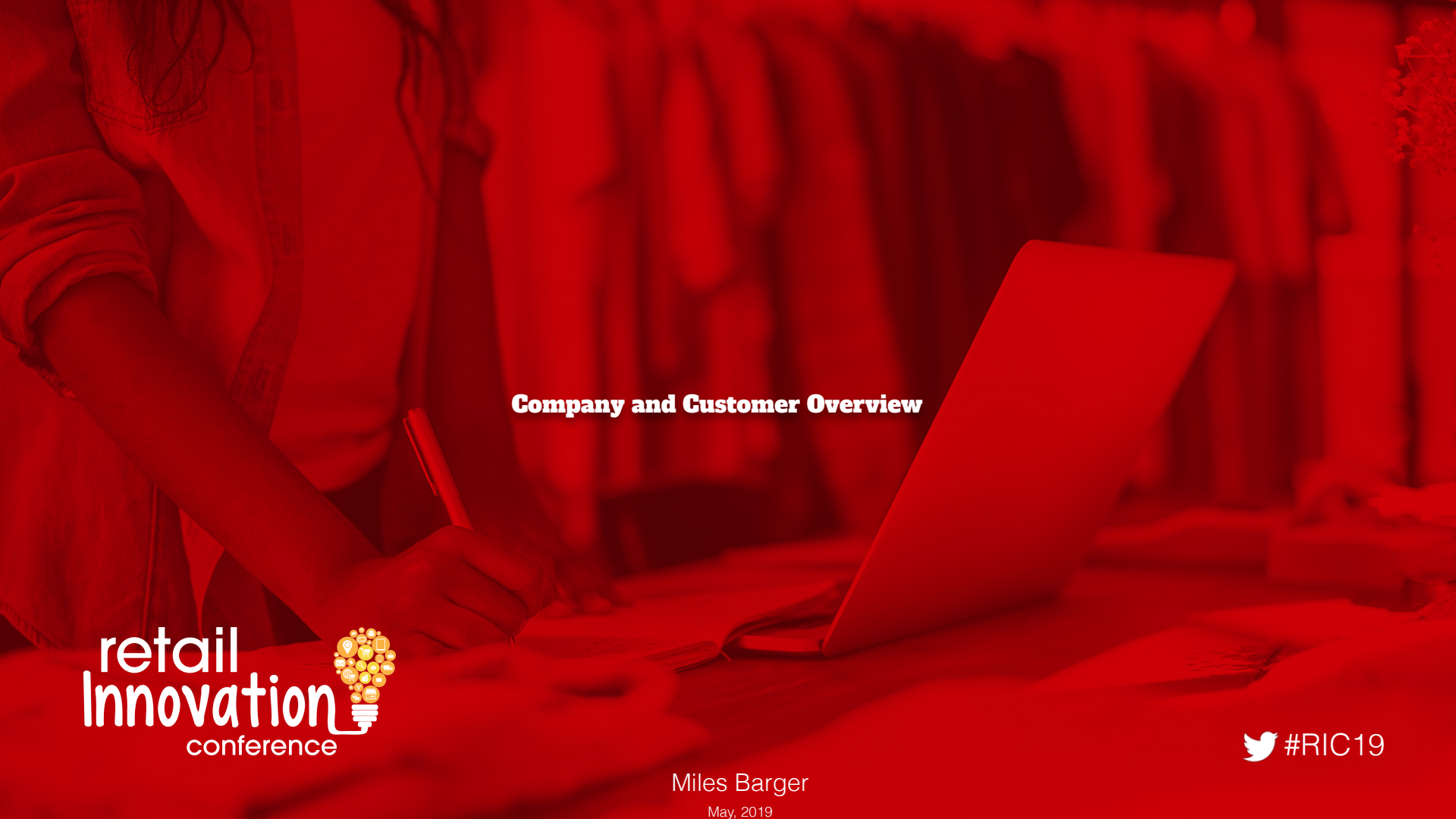

Company and Customer Overview

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Miles Barger

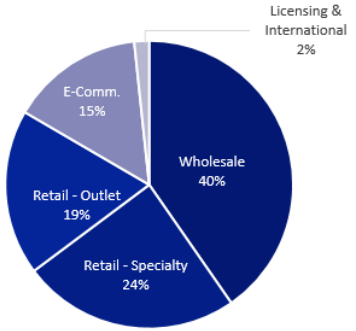
May, 2019

Lucky Brand Business Overview

- Apparel lifestyle brand founded in 1990
  - Complete apparel offering, rooted in denim (~40% of sales)
- Multi-channel distribution network

Retail – Specialty	**153 Stores**
Retail – Outlet	**91 Stores**
Wholesale – Department Stores	**1,050+ Doors**
Wholesale – Specialty Accounts	**375+ Doors**
LuckyBrand.com	**20M+ Annual Visits**
Licensing	**14 Categories**

2018 NET SALES BY CHANNEL



2018 GLOBAL NET SALES

Channel	Net Sales	Retail Sales Equivalent[1]
Retail – Specialty	$152 million	$152 million
Retail – Outlet	$116 million	$116 million
E-Commerce	$93 million	$93 million
Wholesale	$251 million	$502 million
Licensing & Int'l.	$10 million	$333 million
TOTAL	**$623 million**	**$1,198 million**

Note: The Retail – Specialty and E-Commerce results presented above are adjusted from actual reporting to reflect E-Commerce returns processed in store as a reduction of Retail - Specialty revenues.

1. *Represents management's estimates of retail selling price of goods sold through wholesale and licensing goods.*

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The Point, El Segundo, CA

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May, 2019

Long range plan

Key Strategic Objectives

1. Clearly define and communicate Lucky Brand's vision and positioning
2. Elevate product aesthetic, **improve product flow and implement assortment optimization strategy by channel**
3. Grow Direct to Consumer, Wholesale and Licensing businesses profitably
4. **Improve profitability by channel, store, customer and product category**
5. **Optimize inventory management and promotional strategy to deliver better margins, increased service levels and improved inventory turnover**
6. Streamline operations and reduce cost structure, including sourcing, distribution and overhead platform
7. Optimize the Company's capital structure and position Lucky Brand for growth

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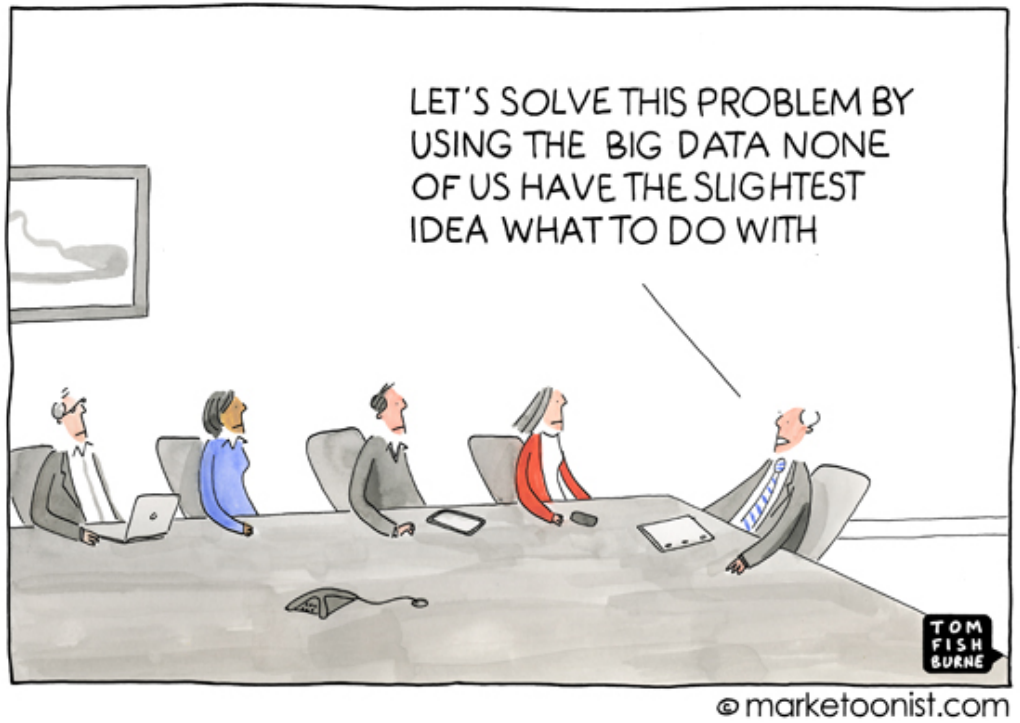
Inventory Management Challenges To Solve

Planning and Allocation

- All planning tools are excel
  - Labor intensive and room for errors
  - Automated system driven by analytics
- Facilitate end – to- end planning, utilizing one system (approach)
  - Pre-Season targets -> Style Planning -> allocation -> fulfillment
- Reduce the total amount of inventory carrying costs, especially in e-Commerce and Canada
- Dynamic denim replenishment (50% of the business) driven by demand forecasting
- Utilize attributes to influence depth and assortment allocation by store
  - Store specific optimized assortments

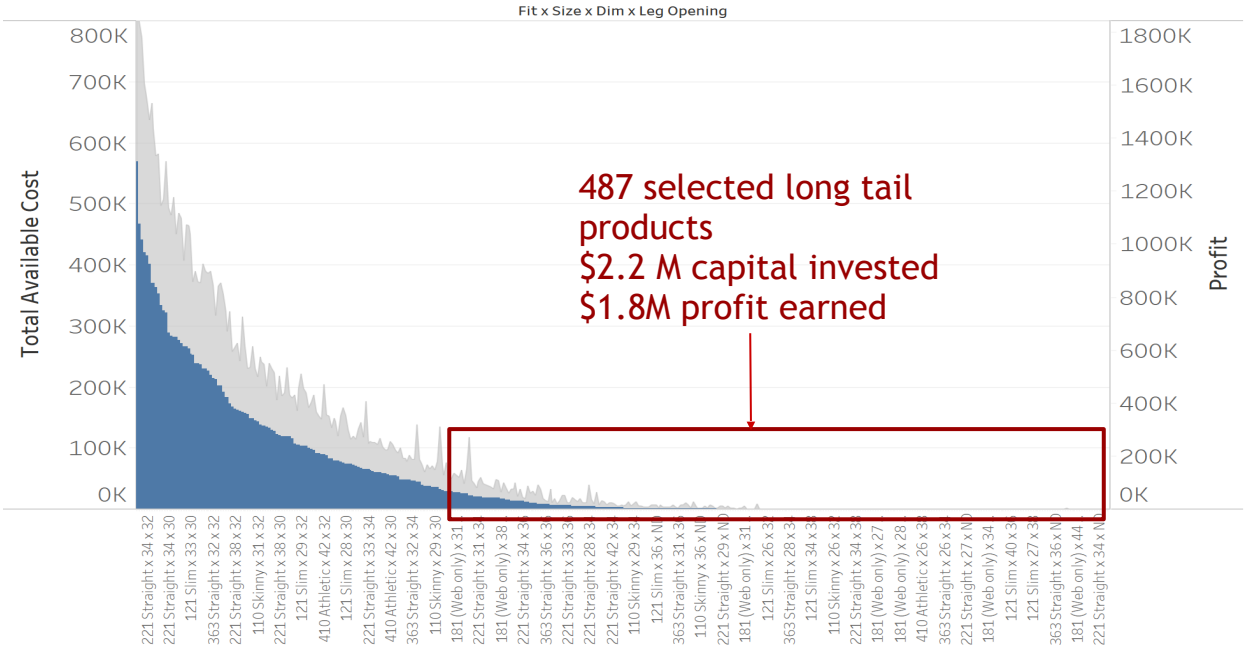
Big Data


LET'S SOLVE THIS PROBLEM BY USING THE BIG DATA NONE OF US HAVE THE SLIGHTEST IDEA WHAT TO DO WITH
TOM FISH BURNE
© marketoonist.com

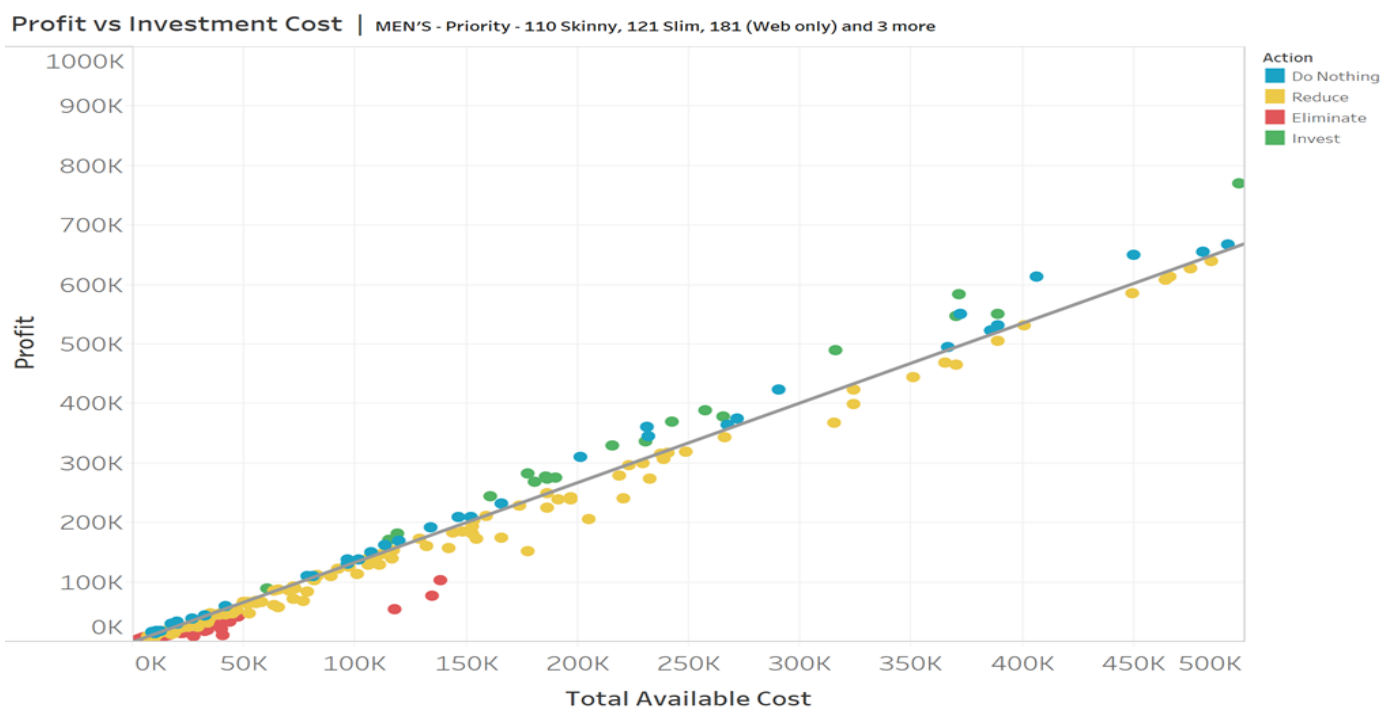
Partnership With UC Davis

- Challenge:
  - Improve profitability in denim fits and sizes.
- Strategy:
  - Partner with UC Davis MBA BI students to determine optimize size offering by channel (Stores, E-Com)
  - Provided all sales data for LTM (through October) at Fit-Style-Size-Inseam level.
    - Allowed UC Davis students to determine the methodology.
      - Turn
      - ROI
      - Inventory Reduction **
    - Bottoms up approach:
      - Isolate outliers in ROI and turn.
    - Tops down approach:
      - Force 2.5 Annual Turn to determine

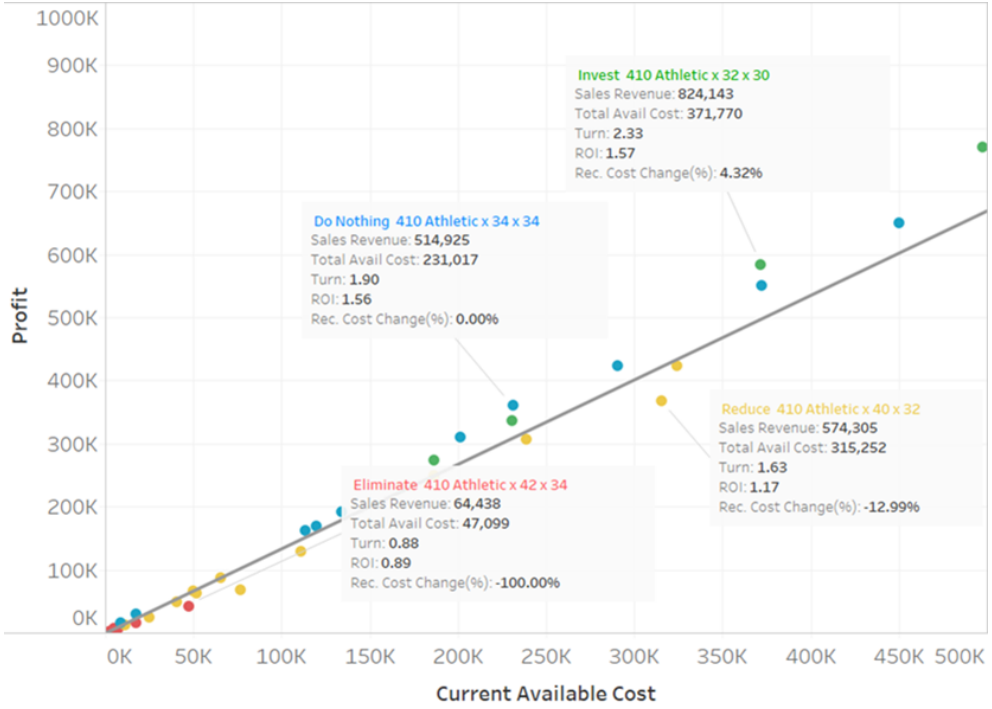
Long Tail Products Lock Capital



Methodology



Decision Summary 410 Athletic



Eliminate & Reduce

Eliminate worst performing products

- Eliminate **407** of **757** continuing products
- Reduce available cost by **$3.10M (5.68%)**

Reduce investments in other underperforming products

- Reduce **220** of **757** continuing products
- Reduce available cost by **$2.70M (4.95%)**

Combined savings of **$5.8M (10.6%)** will drive turn rate from **1.90 to 2.13**

Denim Size Offering

MEN'S LONG BOTTOMS

SLIM
110, 121, & 105 Fits

SIZE	DIM 30	32	34	36
28	X	X	E	
29	E	E	E	
30	X	X	E	
31	X	X	E	
32	X	X	E	
33	X	X	E	
34	X	X	E	
36	X	X	E	
38	E	E	E	
40				
42				

STRAIGHT
223, 410, 363 Fits

SIZE	DIM 30	32	34	36
28				
29	E	E	E	
30	X	X	E	
31	X	X	E	
32	X	X	X	E
33	X	X	X	E
34	X	X	X	E
36	X	X	X	E
38	X	X	X	E
40	X	X	E	
42	E	E	E	

- REMOVED FROM STORE OFFERING
- HOLIDAY NEWNESS
- REMOVE FROM ECOM
- SIZE OFFERED FOR CARRYOVER LEGACY STYLES
- SIZE OFFERED FOR CARRYOVER LEGACY STYLES OR SIZE EXTENSIONS TO HOLIDAY NEWNESS
- X — CARRIED IN STORE AND ECOM
- E — CARRIED E-COM ONLY

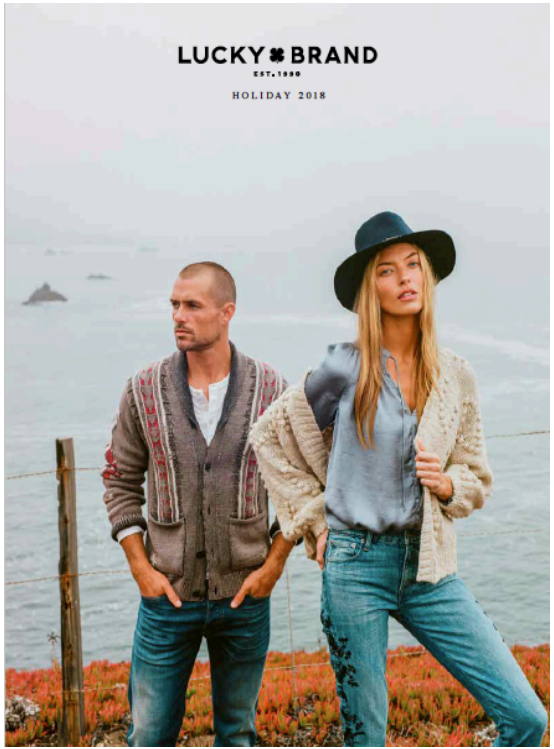
Partnership with Celect

- Celect allocation new approach
  - Shuffling the deck by looking at everything available in the DC and matching it to store need to provide optimized store specific assortments
  - Concept of over-recommending stores – Celect recommending more stores or different stores than the original intent
    - Allocation decision is being made real-time and is product-specific
    - Store tiers assigned at style level, not department
- Enhanced store ecom fulfillment
  - Water-fall based decisions – to an algorithm
    - Multiple factors, including WOS & customer proximity

Implementation Challenges

- Timeline – more thorough discovery prior to landing the timeline by module
- Fulfillment was on-time without much support needed
- Product Attributes
- Integration with a 3rd party OMS
- Integration with JDA Allocation
- Integration of master data from Netsuite and JDA into Celect
  - JDA is the system of record for most store groups
  - Netsuite for all product information
  - GBB Stores
- Lack of reporting to monitor success
- Translating Retail language and terminology into engineering speak

Implementation Benefits / ROI



- Fulfillment prioritizing slower turning stores vs prior to implementation
  - On-track to hit our initial YR1 ROI of $2.7m in sales upside
- Stores providing extremely positive feedback regarding replenishment
  - Optimized size replenishment in denim
  - “Every replenishment carton counts! Previously, we would ‘sort’ through the replenishment to find what we really needed and get that to the floor first! Now all styles matter!”
- The first season (fall3) that was allocated via Celect just hit end of life cycle
  - ROI TBD

Implementation Lessons Learned

- Implementation team structured with a business lead from P&A, and an IT lead
  - Key learning – identify one owner from the business who has IT knowledge
- The integration is 100% dependent on how easily data flows between systems
- Completely surprised by the adoption success with allocation
  - The team loves the tool! No pushback around adoption – on-board from day 1!
  - It's making them smarter and working faster!
- The plan tool utilizes cost available as the metric to toggle, and all of the output is in regular price
  - we needed to update our planning tools to utilize Celect recommendations
- The department recommendations in plan are in line to what our teams planned
  - The opportunity Celect identified was in style buy quantity and channel placement

Next Steps

- Working through enhancements
  - Replenishment by size for fashion goods
  - Use of Celect as basics management tool, and optimizing the pre-pack percent as well as the initial commit %
- Finalizing reporting ROI metrics
- Upgrading to version 2 of plan and buy
- Reduce some of the constraints in the system (e.g. store groups) and potentially test a channel with fewer constraints.

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Congrats to

Michael Relich & Miles Barger

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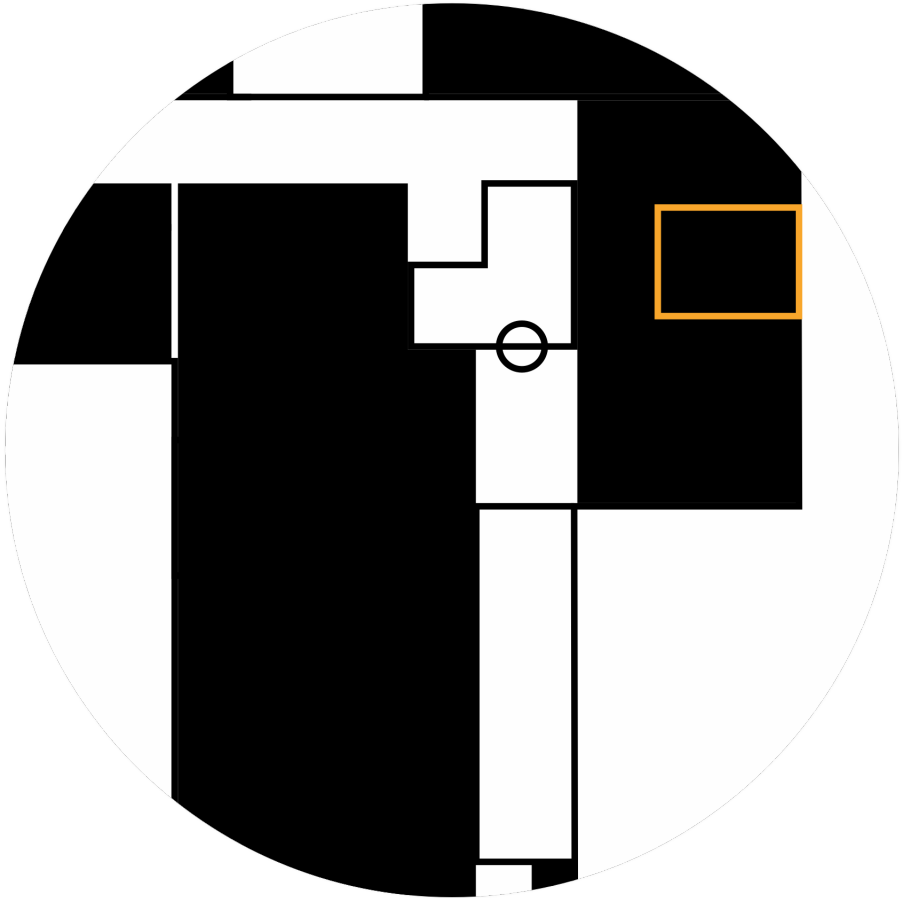
Sponsor Map for 1:1 meetings and sponsor tables



REGISTRATION DESK

CHARGING LOUNGE

INSPIRATION 1:1 MEETINGS

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