



Fielmann presents its 2021 annual report

Hamburg expansion plans: France in sight

“The future lies in omnichannel.” Marc Fielmann, chairman of the management board of Fielmann AG, is setting the course with this statement. The Hamburg-based company already embarked on this path several years ago under the heading “Vision 2025”. While online eye tests are yet to be implemented in digital distribution channels, international growth is progressing seemingly unabated.

Plans for expansion towards France now appear to be more concrete.

It was a rather throw-away comment by Marc Fielmann during the annual press conference. “We are aiming for 200 million euros of turnover in Western Europe in the medium term, not least through an expansion towards France.” Marc Fielmann’s desire to gain a foothold in the neighbouring country comes as no surprise. Even his father conducted initial meetings in 2003, at that time with GrandVison, but things went quiet for a long time with regard to the western neighbour.

But the matter now seems to have gained momentum again: with Italy (2015) and Spain (2020), two important

markets in Western Europe are already part of the Fielmann Group’s area of activity, so it was and is ultimately just a matter of time before attention turns to France, as the second largest economic power in the European Union (after Germany). Nevertheless, whether the western neighbour will join the Fielmann map this year remains uncertain. “We will likely develop a further market this year,” said the chairman of the management board, without elaborating further. However, France must be tackled by 2025 at the latest if the Hamburg-based company wants to achieve its own ambitious target – that much seems certain.

This desire is closely linked to what is known as "Vision 2025" – a claim that has been hovering over the largest German chain for some time now. A claim that is filled with life anew every year and which the company never tires of presenting at any opportunity to generate good publicity.

And so Vision 2025 once again took on a key role at this year's annual press conference.

The Hamburg-based company again opted for the online format learned in the last two years instead of personally inviting the (specialist) media. This is quite fitting, considering that Fielmann has been specifically firing up the digital sector in recent years and will continue to do so in the years to come. In contrast to Mister Spex, brillen.de and Brille24, which have grown from pure online retailers into omnichannel providers (see also DOZ 05/22), Fielmann is taking the opposite route. The foundation with a diverse brick-and-mortar network was already laid many years ago and has since been continuously expanded, modernised and perfected. A basis that is now being used to set up the omnichannel model. Although 'set up' is not quite correct, as it has actually already been set up, but is constantly being expanded and perfected.

Fielmann counted 913 branches throughout Europe on the reporting date 31 December 2021, with 27 million customers in 16 countries. And all of these countries (and those that will be added in the future) should be connected to the Fielmann omnichannel model by the end of 2023. Fielmann began the big rollout in Germany in April last year (see also DOZ 06/21). This also saw the launch of the iOS app designed by Fielmann Ventures, which combines two key technologies: 3D fitting ("Fielmann Fit") and the company's own lens centring

Online refraction "more complex than anticipated"

technology ("Fielmann Focus").

"Our app allows more and more customers to try their glasses on virtually, customise them individually and have them delivered to their home free of charge. We are continuously developing the app to improve the refraction and optometric centring data necessary to produce prescription glasses," says Marc Fielmann. There were actually also plans to integrate an online eye test into the app, but the subject of measurement technology is complex and, "to be completely honest, it is also more complex than we originally anticipated."

However, the launch of online refraction under the name "Fielmann Vision" does not seem too far off: the technology is currently undergoing extended user testing and the goal of providing all customers, even new ones, with glasses online in the same Fielmann quality as in brick-and-mortar branches is getting closer. So far, the Hamburg-based company has invested more than 15 million euros in research and development, with 25 patent applications filed directly or indirectly. And

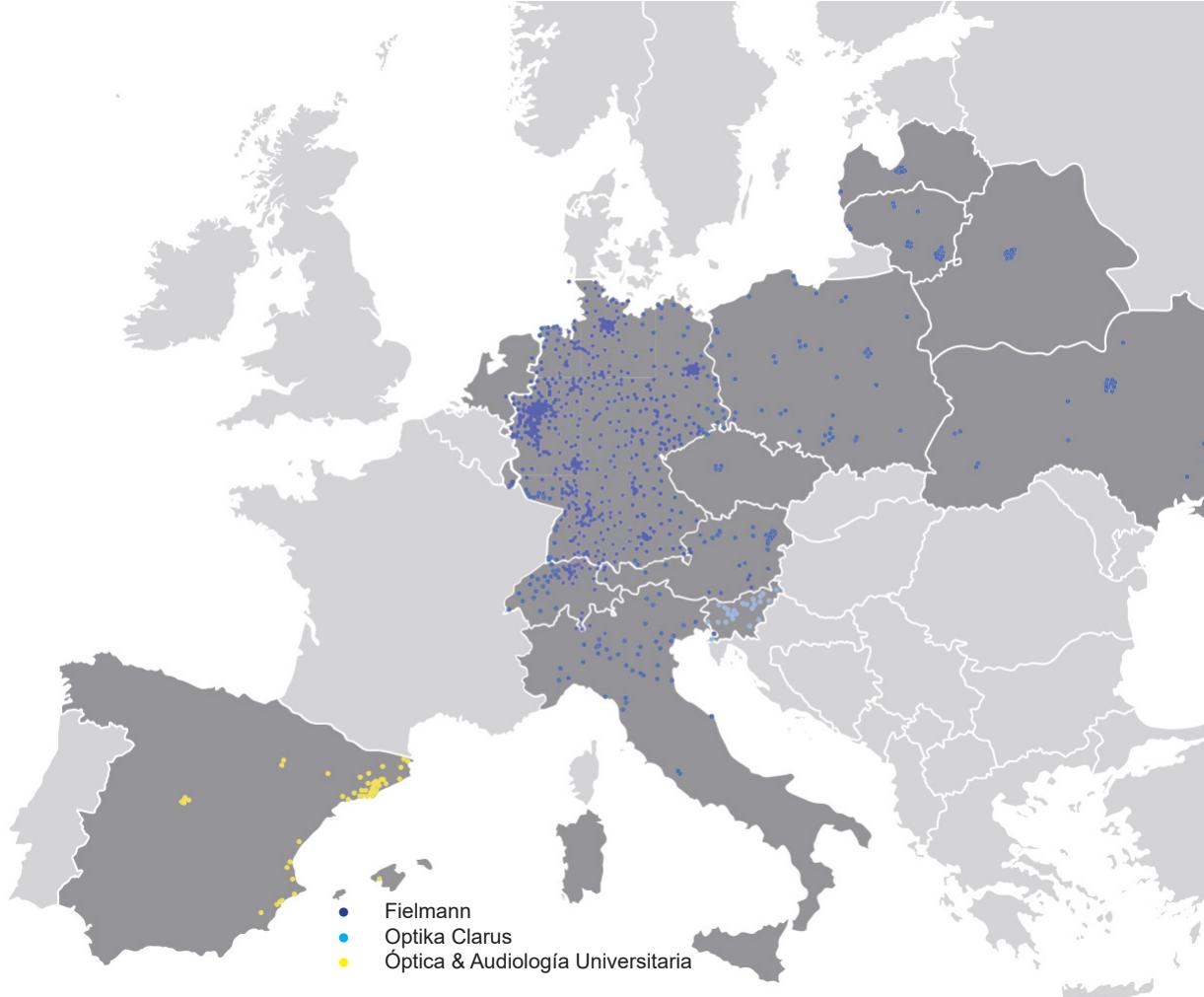


Marc Fielmann intends to develop a further market this year. It remains to be seen whether this will be France, although the western neighbour is definitely in the Hamburg-based company's sights.

Fielmann is particularly proud of its latest baby involving augmented reality specialist FittingBox S.A. – in which Fielmann has held a share of around 20 per cent since 2018: under the name "Frame Removal", customers can now try on their glasses online without having to remove their old ones.

"This is particularly interesting for people with severe visual impairments, who make up around 20 per cent of our customers, as they can otherwise only see very little when trying on glasses," explains Fielmann. This year, there are also plans to make the introduced measurement technologies available via the online shop in order to open up further digital distribution channels for buying glasses online.

But even if Fielmann should succeed in offering all of the necessary technologies online at a corresponding level of quality, the company is still intentionally hitting the brakes – at least when it comes to the expected online turnover for prescription glasses. The industry report by the Central Association of Opticians and Optometrists (ZVA) currently shows the share of prescription glasses bought online to be around one per cent, sunglasses come to twelve per cent, contact lenses have even reached a record value in the last year at 45 per cent. Therefore, even in the best-case scenario, Fielmann only expects ten per cent of prescription glasses to be bought online in the long term due to the complexity of the optometric measurements. If contact lenses and sunglasses are included in this calculation, e-commerce turnover of around 400 million euros can be expected, which would account for around 15 per cent of the total turnover of the Fielmann Group.



Fielmann in Europe

Core markets

- 610 branches in Germany
- 45 branches in Switzerland
- 38 branches in Austria

Core markets

- 43 branches in Italy
- 37 branches in Poland
- 3 branches in the Czech Republic

Expansion markets

- 87 branches in Spain
- 32 branches in Slovenia
- 3 branches in Luxembourg
- 15 branches in the rest of Europe
- 78 smaller locations in Eastern Europe

The Fielmann map: 27 million customers are currently looked after in 16 countries. In the long term, the customer base should grow to 35 million.

The digital transformation of the industry giant is thus taking on ever more precise characteristics. This is also confirmed by the growing share of parcels sent by Fielmann directly to its customers. While there were only 106,000 parcels in 2016, the number increased tenfold in the last year to over one million (primarily driven by the shipping of contact lenses and sunglasses).

In the long term, the figure is expected to increase to five million parcels, which would once again mean a five-fold increase in the current shipments.

And the number of omnichannel users will also increase further from the current 22 million. The key driver so far has been the system for arranging appointments online (11 million), although searches for products, price comparisons and order status tracking also play a significant role.

"Expanding the omnichannel service is crucial for our customer satisfaction. Due to our in-house market re-

search, we know that 70 per cent of our customers want this very service when buying their glasses," emphasises the chairman of the management board. To cater to this desire, the platform will be gradually expanded across the

More than one million parcels in 2021

entire Fielmann region. In Austria, sunglasses are also set to be available online from the second quarter this year, with the entire range available in the fourth quarter. In Italy, sunglasses and contact lenses should be available to purchase online in the third quarter – product groups that are already available in Spain (Optica & Audiología Universitaria), Poland and the Czech Republic.



Two key technologies, the "Fielmann Fit" 3D fitting service and the company's own lens centring technology "Fielmann Focus", were launched in the last year; online refraction under the name "Fielmann Vision" is undergoing extended user testing.

Meanwhile, with "Frame Removal", a further technology has been launched that enables glasses to be tried on online without removing the existing frame.

In any case, international markets should contribute to the significant growth of Fielmann – as they are already doing so. Net turnover increased from 197 million euros (2020) to 455 million euros (plus 53 per cent), and a total of 45 new branches were added. The foreign contribution to the company's turnover increased from 21 to 27 per cent and is set to continue to grow disproportionately in the coming years. In Slovenia, Fielmann has become the market leader overnight since its takeover of Optika Clarus; Fielmann is the second largest chain in Poland and the third largest in Italy. The takeover of Optica & Audiologia Universitaria also immediately pushed Fielmann from zero to third in Spain. "Nevertheless, we are driving the expansion forward with a sense of proportion. We are not only selecting economically successful companies, but above all partners who are a good fit for Fielmann in terms of their values, their customer orientation and their affordability," highlights Marc Fielmann. It will be exciting to see which potential companies in France could be of interest to Fielmann. The omnichannel platform should certainly be a great asset here, and also offer synergies, such as by bundling purchasing conditions.

One market in which Fielmann has already been active since 1999 but which is not among the major growth or expansion markets is Ukraine. The 36 branches and the online shop are recorded on the balance sheet for the last year with four million euros of turnover and a result of 0.5 million euros. The outbreak of war also saw Fielmann's business come to an abrupt standstill at the end of February. "At the beginning of the war, our focus was placed in the protection and well-being of our 269 employees. This is why we immediately closed all of our stores," explains Fielmann. The good news: at the time of the press conference, all of the employees were unharmed, and there was also no significant damage to any of the buildings. The company offered all of its employees a job abroad, including language courses and support with integration. "28 employees also accepted this offer, 24 are taking part in language courses, 13 are already working in branches or the headquarters departments outside Ukraine." Twelve fled to Germany, five of whom are already working, the rest are either taking part in language courses or do not currently feel able to go back to work.

All of the employees from the Ukrainian branches continued to receive their wages, despite the huge plummet in turnover, which at least offered financial security to almost 1,000 people, including family members.

Ukraine war also affects Fielmann directly

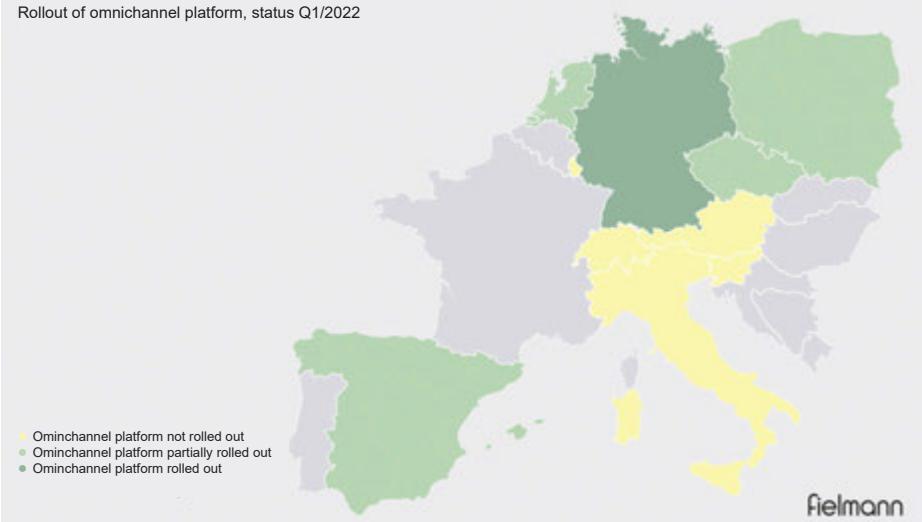
This costs Fielmann around 100,000 euros a month. An internal aid fund was also activated, allowing people to offer quick, unbureaucratic assistance to Ukrainian colleagues who have suffered damage, for instance. And how are things when it comes to looking after Ukrainian customers on-site? At least an emergency service with reduced opening hours is offered to the population wherever the war situation permits. "We are impressed by our employees' commitment in this unimaginable time," says Fielmann, adding: "But the truth is also that whole streets have been destroyed, many people have fled." Long-term thinking is needed if economic success is to be possible in Ukraine again. The company will thus be involved in the restoration, be it through donations in kind, money or planting trees.

Both the Ukraine conflict and the coronavirus pandemic would make forecasts for the current financial year difficult. In this regard, Fielmann refers to the current figures from GfK, which sees consumer confidence at the lowest level since 1991.

"However, despite the external situation, we have so far managed to avoid a cost increase; we are only observing a significant price increase when it comes to energy and transport costs, but they do not play such a big role in the total mixed cost," explains Fielmann. As a result, upward price adjustments have not been necessary so far. On the contrary, prices have even been lowered in some product groups to secure price leadership. Correspondingly, three forecasts have been made for the current financial year: Scenario 1 (optimistic): With a turnover increase of around ten per cent compared to the previous year to 1.85 billion euros and glasses sales of 9.2 million, Fielmann expects a 13 per cent increase in earnings before tax (EBT). Scenario 2 (conservative): With a turnover increase of around seven per cent to around 1.8 billion euros and glasses sales of 8.9

Omnichannel distribution channels

Rollout of omnichannel platform, status Q1/2022



Germany is still the only market in which the omnichannel platform has been completely rolled out. This should be available in all of the countries in which Fielmann is represented by the end of 2023.

million, the EBT margin will be 12 per cent. Scenario 3 (pessimistic): With a turnover increase of around four per cent to 1.75 billion euros compared to the previous year, sales of 8.6 million glasses are estimated and an EBT margin of ten per cent will be achieved.

This would be measured against the planned investments for this financial year on a regular basis, reprioritised on a case-by-case basis and, where necessary, brought forward, postponed or cancelled. In 2022, Fielmann is currently planning to invest more than 95 million euros of its own funds in expanding, modernising and maintaining its network of branches as well as in production and infrastructure. More than 40 new branches are set to be opened or acquired across all of the markets. Fielmann is planning renovations or expansions for more than 40 other existing branches. Investments

Difficult forecast for 2022: three scenarios imaginable

totalling around 64 million euros are planned in Germany, around seven million euros each in Switzerland and Italy, around six million euros in Austria and three million euros in Poland. Of the total amount, 62 million euros is set to be spent on renovating existing stores and opening new ones, eleven million euros on expanding production capacities, and a further 23 million euros on group infrastructure and distribution channels.

Far away from all of the scenarios, 2022 will definitely be historic for Fielmann in one respect: the company will be reaching its 50th anniversary on 21 September and will "celebrate this in a fitting manner".

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