

Galeria Kaufhof



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Kaufhof Warenhaus AG is the management company of the department stores operated by the METRO Group. These department stores are mostly located in city centers – mostly at prime inner-city locations.

With its life-style and event oriented Galeria concept, Kaufhof presents itself as an innovation leader among the German department stores that successfully combines tradition and innovation. Galeria Kaufhof is synonym for a comprehensive range of premium products, international brands, a matching merchandize presentation, and employees who are zealous to serve the customers. These are the key success factors of this company whose history began 1879 in Stralsund.

In figures

Galeria Kaufhof	
Locations ²	141
Number of countries ²	2
Sales ¹	3.6 bn €
Total selling space ¹	1.5 mio sqm
Headcount (annual average of full-time equivalents) ¹	18,820

¹ Status 31 December 2007

² Status 30 June 2008

The company



In 1879, the young merchant Leonhard Tietz opened a small textile shop in Stralsund, thereby laying the foundations for Kaufhof. On a selling space of 25 square meters, he sold yarns, buttons, cloth and woollens. His business philosophy was based on a simple idea: quality at fixed prices and only against cash. In 1897, he relocated the head office of his company to Cologne. Starting from there, a store chain was built up. In 1905, Tietz was the first German department store owner to convert his firm into a stock corporation. After his death in 1914, his eldest son, Alfred Leonhard Tietz, took over.

From a regional department store to a Germany-wide department store operator

In the national socialist era the Jewish owner family was expropriated and Leonhard Tietz AG converted to "Westdeutsche Kaufhof Aktiengesellschaft". The Tietz family emigrated and was indemnified later. In World War II, 35 of the then existing 40 department stores were bombed out. After the German currency reform and reconstruction phase, the company expanded. With the extension of the store network, the company was transformed from a regional department store chain to a Germany-wide department store operator. In 1953, "Westdeutsche Kaufhof AG" became "Kaufhof Aktiengesellschaft". In 1989, "Kaufhof Holding AG" was founded as the controlling company; the operating department store business was spun off into "Kaufhof Warenhaus AG". In 1996, Kaufhof Holding AG was merged to METRO AG and Kaufhof Warenhaus AG became a sales brand within the Group.



Continuous concept optimization



In 1994, Kaufhof acquired a major shareholding in Horten AG. Horten's Galeria concept was revamped and modified and, from 1995, implemented in the department stores as the Galeria Kaufhof concept. In that same year, the operating business of Horten was merged with Kaufhof Warenhaus AG. The Galeria stores very soon became the pillars of the company's business. Since the late 1990s, Kaufhof Warenhaus AG has also been running the target-group specific sales format "Sportarena", which offers customers a new, sportive shopping experience.

The shopping experience in Belgium

In April 2001, Kaufhof took over Inno S.A. – the sole department store operator in Belgium. It was founded more than 100 years ago and offers fashion and lifestyle at 15 locations in twelve cities. By 2004, all Inno stores had been successfully converted to "Galeria Inno". Galeria Inno focuses on the assortments categories ladies wear and menswear, children's wear, linen goods, accessories and jewelry as well as household goods.



For the past four years the company has been working on its market share, sales and earnings performance. Its successful market position is based on a continuous assortment optimization. Galeria Inno has positioned itself as a "House of Brands" with fashionable, ultra-modern national and international labels.

The business concept



Galeria Kaufhof is presenting itself as a modern lifestyle provider under the slogan "Ich freu' mich drauf" [I can't wait]. The top-quality, internationally oriented assortments are presented in lavishly furnished, clearly structured merchandize worlds with numerous brand shops. Trendy fashion and lifestyle offers combining different kinds of complementary assortments are in the focus of attention. The experience-oriented and inspiring presentation of the products is staged effectively and highlighted by events. The overall

appearance of Galeria Kaufhof imparts an impression of quality and exceptional, out of the ordinary ideas.

"Living" Galeria concept

Brands, quality, attractiveness and innovation as well as a unique ambience and excellent service are the elements that materially contribute to the successful positioning of Galeria Kaufhof. The Galeria concept – realizable in stores of at least 7,000 square meters selling space – is a "living" concept. Geared towards the customer's needs and desires, it is continuously developed further. Galeria Kaufhof is a multiple specialist and has established itself as a strong retail brand. The strategic repositioning also reflects in the new Galeria generation that was for the first time introduced in Aachen in 2005 and has since been successively implemented in the company's department stores. Following an extensive conversion, we opened a new flagship store on Berlin's Alexanderplatz and the Galeria outlet in Hamburg's Alstertal shopping mall. In 2007, the department store in Bonn and that on Ernst-August-Platz in Hanover presented themselves with the new concept. A new Galeria Kaufhof department store was opened at the Ring Center in Berlin. Modern market research and controlling tools contribute to the ongoing optimization of the Galeria concept. Kaufhof is thus in the vantage position to recognize early on any changes in customer expectations and consumer behavior.



Technical innovations boost performance



Kaufhof Warenhaus AG has repeatedly received awards for its pioneering role in multimedia applications. Its outlets offer a broad range of multimedia information and customer advice systems. These so-called service desks offer entertainment, information and service and complement the personal advisory service. They are easily operated by touch screens, offer support in the search of merchandise, and assist customers in their purchase decisions by supplying qualified information and advice.

On the one hand, Galeria Kaufhof, by applying modern technologies, creates essential prerequisites for improved customer service; on the other hand, this makes it possible to optimize the workflows along the supply chain, in particular regarding logistics. To this effect, Kaufhof always relies on the latest technologies and promotes, among other things, the use of electronic delivery notes. As early as November 2004, Kaufhof started implementing the radio frequency identification technology - or RFID for short - in its logistics and warehouse management. Since September 2007, the company has also been testing the use of RFID at the item level in the framework of a pilot project at the menswear department of the Galeria Kaufhof department store in Essen.



PAYBACK – an effective tool for fostering customer loyalty

The extension of the successful PAYBACK program from a bonus system to a comprehensive, integrated customer retention program is systematically followed up on at Kaufhof. The outstanding success of the PAYBACK system is illustrated by the fact that around 9 million customers are holders of the Galeria Kaufhof PAYBACK card, which was introduced in 2000. Besides interesting coupon campaigns and attractive bonuses, cardholders benefit from exclusive advantages, such as topical information about worthwhile sales offers, innovative products and trends from the various merchandise worlds as well as invitations to events at the outlets. Top customers receive an exclusive customer magazine. In 2006 and 2007, the German Direct Marketing Association DDV presented Kaufhof with the German Dialog Marketing Award in silver for the special creativity of its mailing campaigns. Also in the year 2007, Galeria Kaufhof was the first German retail company to receive the coveted, industry-wide EDDI award for its outstanding dialog marketing strategy.

