

// CASE STUDY 2015-2017 //

FOCUS: DYNAMIC, END-TO-END PROJECT MANAGEMENT



Zalando SE (at the time of contract awarding, Zalando AG) decided it would like to introduce two employee share ownership programs and a new, capital market-based compensation scheme for management. With the introduction of the share programs and the opening of the online “**Zalando ShareShop**” developed by Unequity, an eye-catching communications campaign was created using all available channels, from mailings and a road show to the Zalando intranet.

// THE ZALANDO SHARESHP //

Making co-ownership part of the company culture

On 1 October 2014, just six years after the start-up was founded in a Berlin apartment, the online trading platform Zalando went public on the Frankfurt stock exchange. The company doesn't just sell shoes and clothing from over 2,000 brands. It has also successfully launched its own zLabels and has a remarkable track record as an innovator.

Founders Robert Gentz and David Schneider, who now form the Zalando SE Management Board with Rubin Ritter, are convinced that their success story is based on two factors: A special atmosphere reigns in their company, new paths are always being forged and ideas are quickly implemented. On top of that, they place a lot of focus on the motivation of their employees. Worldwide, Zalando has 15,000 employees in both its fashion operation and in its logistics and technology centers.

After going public, all employees were to have the opportunity of sharing in the company's further development. To do that, Zalando launched a sort of “test balloon” and offered employees free shares as well as discounted shares. It was a success: Over 50% of the employees decided to become Zalando shareholders, demonstrating that they fully identify with the company and with the Zalando story.

Based on these positive experiences, Zalando developed an equity program comprising three components that can be continuously expanded in the future. In spring 2016, two share programs were introduced that offered employees free shares on the one hand and discounted shares on the other as part of a larger share matching scheme. As an additional measure, the management level was offered an adjusted compensation package that contained clear capital market-based components that can lead to salaries that are above market average in the event of positive stock price developments.

START-UP SPIRIT VS. THE TRADITIONAL WORLD OF SHARES?

Zalando also wants to move forward with new ideas in terms of its compensation & benefits offerings, break down fears of capital market-related topics, and blaze new trails for young companies to emulate. In the coming years, the subjects of shares, co-ownership and capital market as well as advanced training for employees (Financial Education) should all gain a firm foothold in the company's culture. Employee share ownership programs play an important role here.

By providing easy access to shares, Zalando wants to enable employees to become co-owners in "their" company, thereby identify stronger with their company. The idea is to awaken a basic interest in shares and the capital market and hereby promoting an overall more enterprise-oriented way of thinking and acting among employees. The programs also show the personal opportunities for building assets and a financial foundation, especially for younger employees (millennials), who have limited experience in this area.

Zalando is establishing a modern, market-oriented compensation system and at the same time embodying the concept of employer care as a fair and inspiring place to work. Last but not least, all of this also increases Zalando's appeal as an employer for the so-called "agile workforce".

// UNEQUITY'S JOB //

A new element of the company culture

In fall 2015, Unequity was given the contract to develop customized communications campaigns for the introduction of two employee share ownership programs as well as for a new capital market-based compensation scheme for roughly 350 managers. The primary method of dissemination would be internal communication channels.

As a long-term goal, the idea of co-ownership was to be established as part of the company culture. A central component of the task therefore consisted of creating a flexible and modern foundation for current and future communications related

to the programs. Among other things, Financial Education was to be a focus (it would be expanded upon in the future) along with the explanation of the intentions and the values of the programs themselves. Catchy names for the programs also had to be found.

In 2016, the successful communications effort would be extended, updated and further developed.



The Unequity team at work.

// CHALLENGES //

Using shares to attract young employees

The fact that Zalando is a young company can be clearly seen in its employees: The average age among Zalando workers at the time of the contract was 31. For one-third of the employees, Zalando is their first job, which means they have no experience with other employers with regard to employee co-ownership or equity programs. These young employees are often not interested (yet) in a long-term financial investment plan or a pension plan, and have even less knowledge of capital markets and stocks.

The multifaceted and various work areas lead to a heterogeneous workforce, for example with regard to jobs, education and nationality.

Communications for introducing the programs therefore had to have a very appealing look and feel that would speak directly and visually to a young target group. Complex subject matter needed to be simplified to the greatest extent possible with only the very essential elements included in the message. On top of that, any prejudices like “Stocks are just for rich people” or “The capital market isn’t for me” needed to be addressed. All employees needed to be able to make a decision regarding buying shares based on in-depth knowledge and a certain level of conviction.

A new compensation structure for managers

The “EquityIncentive Program” as a variable compensation component is oriented on the future price development of Zalando shares. If it develops positively, compensation will be above market average. This is meant to more clearly align the interests of managers with a long-term stock price increase.

The EquityIncentive Program represented a complete shift in the compensation structure that required the written consent of all participants. In addition, all managers were expected to select one of three risk levels for the program based on their own private financial situation and goals. All participants needed to inform themselves thoroughly about the new elements of the package before making any decisions.

// COMMUNICATIONS MEASURES //

ShareBonus and ShareInvest

- Training multipliers and future equity program messengers at the company
- Announcement by the Management Board to all employees – live and in a video talk
- Multilevel email campaign to all employees
- Explanatory video in motion graphic style
- Multilingual brochures
- Comprehensive FAQ documentation
- Road show at Berlin headquarters and in the logistics centers
- Additional information events
- Posters, banners and giveaways
- Placement of all information in the online “ShareShop” on the Zalando intranet
- Publication of regular online news during the campaign period
- Articles and information in employee magazines

EquityIncentive Program

- Presentation to support personal meetings
- Announcement by the Management Board
- Top 10 FAQ document
- Info sheet with infographics

// IMPLEMENTATION //

Unequity as sparring partner for Zalando

During the introduction and continuation of the new equity program, Unequity provided flexible support to the Zalando project management team throughout. Initially, Unequity created training presentations for multipliers in the special departments in question. The campaign for employees included brochures in several languages and a multilevel email communication effort along with posters, banners, roll-ups and an explanatory video. Creative implementation including the development of icons and illustrations was also in Unequity's hands. A road show was conceived in order to personally reach out to employees at the various company locations.

Welcome to the ShareShop!

As a virtual location for the communication effort, Unequity created the Zalando **ShareShop**, which very much reflects the character of the company. It was integrated into the new Zalando intranet zLive, an open and participative platform with a social media-style format for employees, managers and board members.

The ShareShop offers simple access to the "ShareBonus" and "ShareInvest" programs and thus to the entire world of shares – disconnected from the rather abstract processes of the stock market. In future, it will be the central point of contact for all information and offers related to the shares programs and the Financial Education seminars. For the opening of the ShareShop in 2016, Unequity developed a communications campaign with a clean, appealing look and feel. The campaign was then updated and continued for 2017 and 2018.

Personalized communications for the new compensation components

Changes to the compensation system were exclusively communicated in personal meetings. To support these meetings, Unequity created a presentation, talking points, an FAQ document as well as high-end flyers in infographic style that can also be used in recruiting/hiring meetings.



Brochures in several languages.



Informational video in motion graphic style in German and English.



// SUMMARY //

Free shares worth EUR 1 million for Zalando employees

The introduction of ShareBonus and ShareInvest was an overwhelming success, even compared with comparable roll-outs at other companies. Despite the complex subject matter and the tight turnaround for communications and implementation of the program, participation levels were high.

In the follow-up years, 2017 and 2018, the already very good participation increased yet further. Many participants even got involved a second time, and the number of participants from the commercial side of the business went up. Overall, free shares worth EUR 1 million were issued annually.

Project manager Axel Neumann was also very enthusiastic about the communication effort for the new compensation system: "The selection of an individual risk profile in the EquityIncentive Program really showed us that management is confident about very positive developments at the company. This is a great message to send and shows that we're on the right path with our focus on the equity program at Zalando!"

The implementation of the two share programs and the new management compensation system represents the first important and successful milestone in creating a company culture defined by co-ownership. In 2019, the participants in ShareInvest will already be able to benefit from the allocation of shares from the matching plan. In the coming year, existing programs will be continued, a fourth program will be introduced and further projects in Financial Education are planned.





Roll-ups at the road show booths illustrate the purchase process in the ShareShop.

The various giveaways like hoodies and bags were handed out to interested employees.

FACTS & FIGURES

Customer:
Zalando SE, Berlin



Project management, customer:
Axel Neumann
Head of People Insights & Rewards

Project duration:
August 2015 – ongoing

Agency lead:
Simone Schmitt-Schillig

// SO WHAT CAN WE DO FOR YOU? //

Unequity takes a great idea and uses optimized communications to make it a success. Whether it's employee shares or management programs, bonus plans, company car arrangements or offers for pension plans, we make your compensation & benefits program a big win – for your employees and for your company.

Unequity. Good communications for good ideas.

UNEQUITY
communication

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