



# Supplier Opportunities

June 2015

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# Contents

- Business Update
- Ocado.com Retail Strategy
- Outperform with Ocado

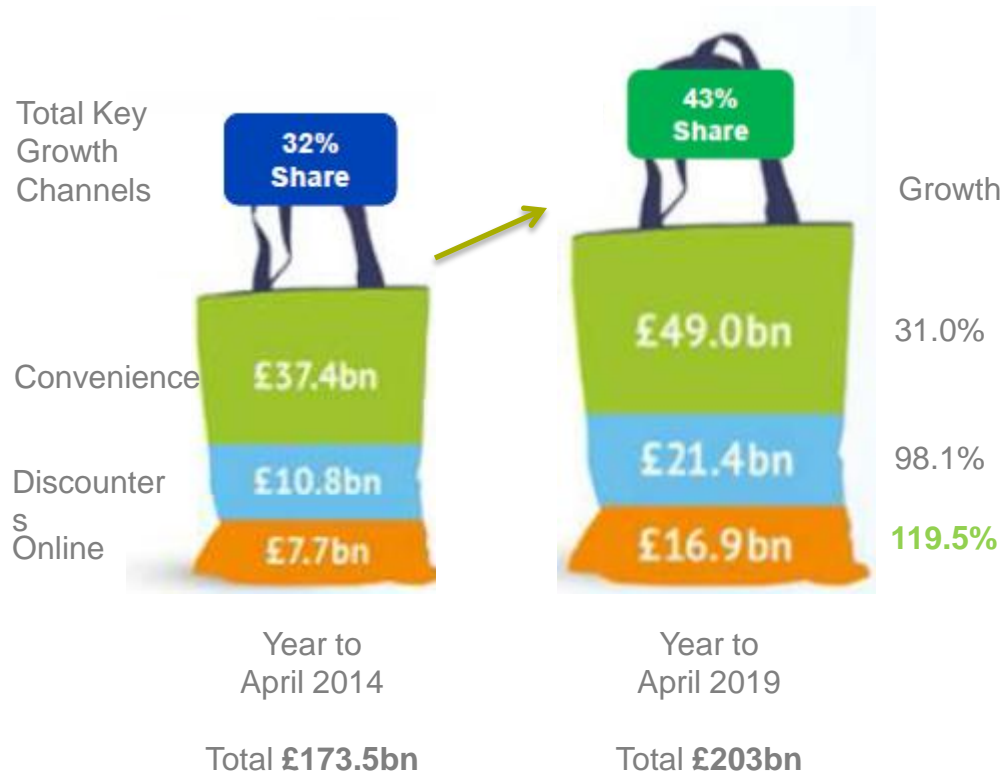
# The UK food retail industry is undergoing the biggest structural change in decades



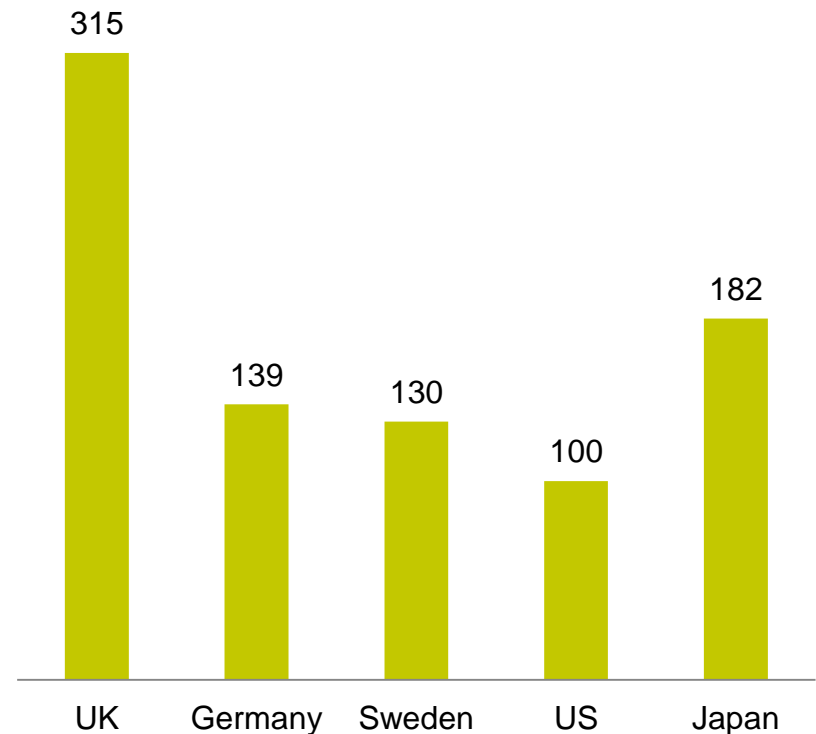
We believe that from the current change, a new structure will emerge and that the industry will look very different in 5-10 years. Not all are likely to survive.

**Ocado is well placed to take an advance of this change.**

# Growth is set to come from online; globally the UK is leading this market

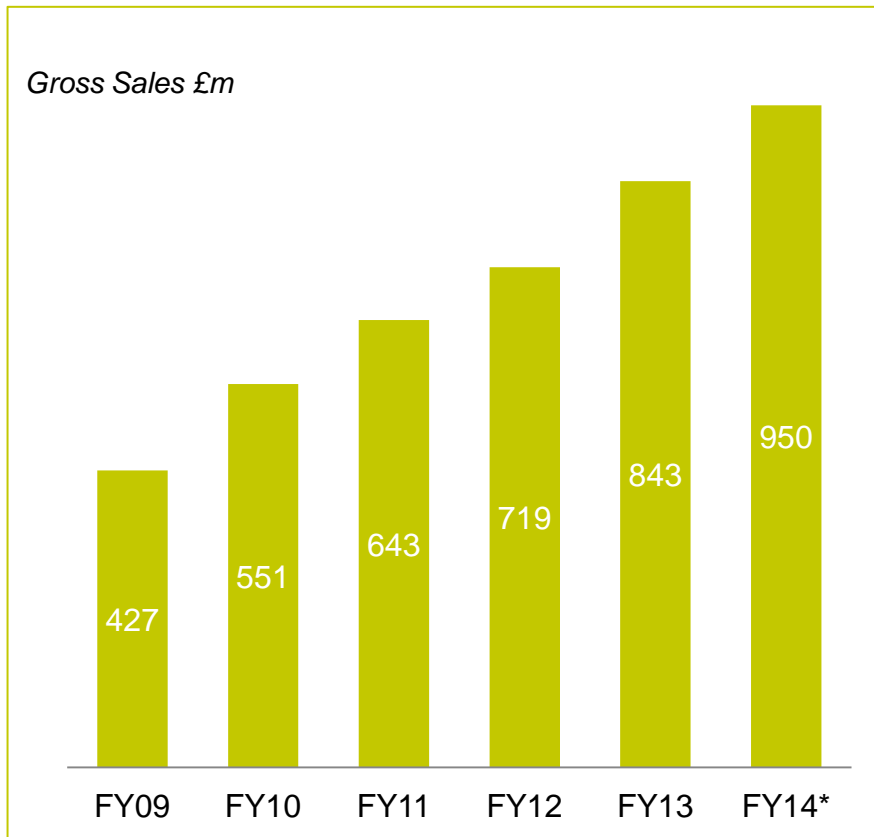


Online Grocery Spending per Capita 2014  
Index to US (100)



Source: IGD, Kantar, Datamonitor

# By investing in Ocado you are investing in strong growth



Ocado #4 in online grocery market just behind Sainsbury's who sales are c.£1bn

**TESCO**

UK growth in online grocery +11%

**J Sainsbury plc**

Our groceries online business is growing at 6% year-on-year

\*Analysts' gross sales estimates in £m

Retailers results statements, 2014

# The Ocado model is focused on removing costs vs traditional retail model



- No need for DC/RDC
- “Put away” automated processes
- No physical check-out
- Significantly lower product waste
- Significantly lower property/ occupation costs eg energy use

Scale, automation,  
technology

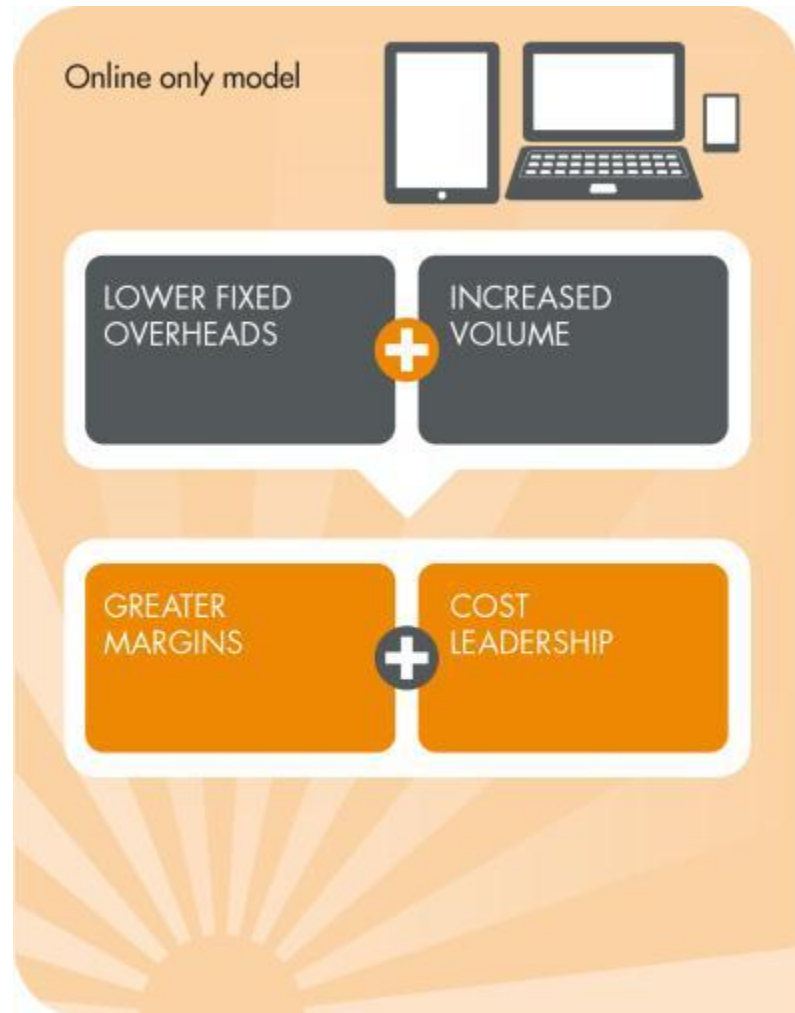


# Ocado's operating model & technology continues to drive growth and keep us ahead of the market

- World class tech inc gaming technology & robotics
- 10 million CFC routing decisions taken every day; 25km of conveyer
- Totes move so fast you'll need to set your camera exposure to a fraction of a millisecond to take a clear photo
- 1 CFC can pick 100,000 items **an hour**, with an order fulfilled every 2.5s
  - 1 dark store can pick 100,000 **a day**



# Once at greater scale...





# Business model enables a superior customer experience

- Ease of use: Multi-device platforms
- Slot availability: 1 hour delivery slots; same day availability for c.30% of geographies
- Delivery reliability: 95.7% deliveries on time or early
- Product availability: 99.2% items delivered exactly as ordered
- Fresh product: Ocado life guarantee



Loved by Parents  
Supermarket of the Year  
2013, 2012  
Best Grocery Product 2014  
Best Online Retailer 2014



Paypal Etail Awards  
Best Pure-play Etailer 2012  
Best Use of M-Commerce 2012



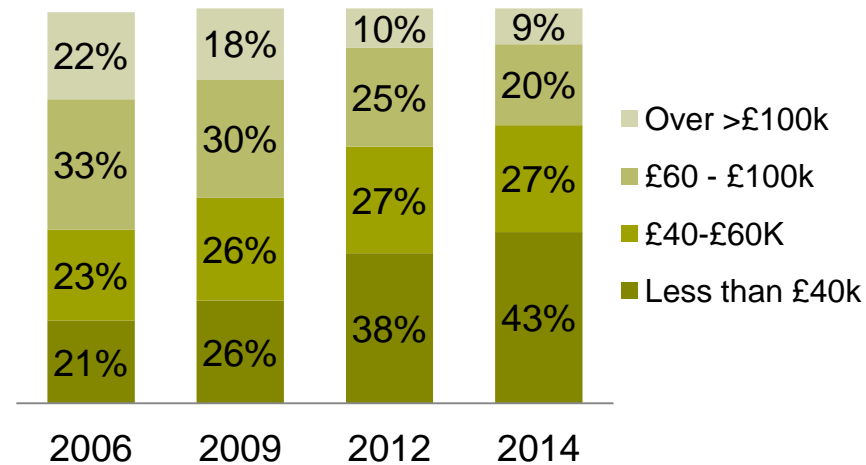
The Favourite Online  
Supermarket in Customer  
Survey 2009, 2010, 2011,  
2012, 2013, 2014  
Supermarket of the Year  
Runner Up 2014



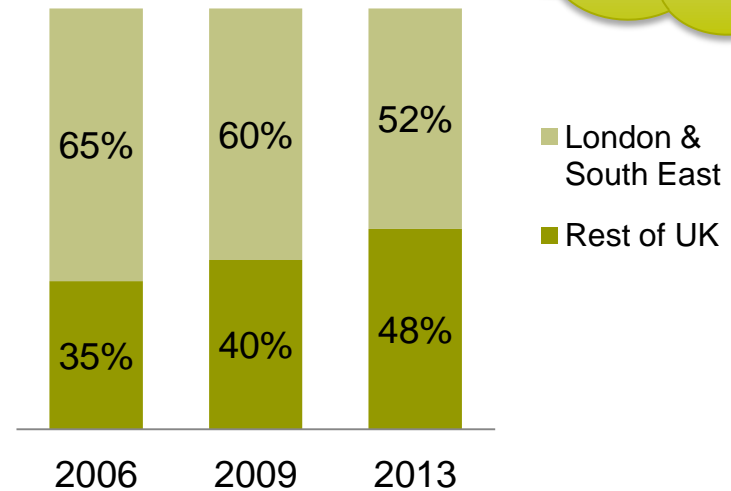
World's Best Online Retailer 2013  
The Grocer: The World's 50  
Best Grocers  
Grocer Online 33  
Grocer Mobile 33

# Ocado's appeal is broadening to the mass market

Household Income demographics – new customers



Location



Wales and the South West are currently our fastest growing areas

# Who are our customers?

Main characteristics are 30-50 years old, female and at least one child in the household

## Gender

82% of main shoppers are female – but more men are shopping, driven by iPad and non-food offering

## Household

48% of households have 3 or more members, average household size is 2.7.  
42% of households have at least one child <16. 32% of households have a child <2

## Age

57% of customers are aged between 30 and 50 – younger base than Waitrose

## Pet\*

57% of households have at least one pet

## Organic

We overtrade in organic with ~6% market share

## Mobile\*

49% of customers own an iPhone, 43% an iPad

## Basket

The average customer spends c.£109.89 per order<sup>2</sup>

# Ocado is Waitrose's largest customer

- We are committed to making **Ocado distinctive**
- 10 year sourcing partnership agreement with Waitrose running to 2020
- Our relationship with Waitrose means:
  - We can stock Waitrose own brand goods
  - We share: Cost price, Override agreements
  - We are independent on: Media plans, All other trading terms, Prices, Promotions, Range
- We deal directly with suppliers for the majority of range



# The Morrison's deal has a number of benefits for Ocado

## The deal will bring a virtuous circle of scale benefits

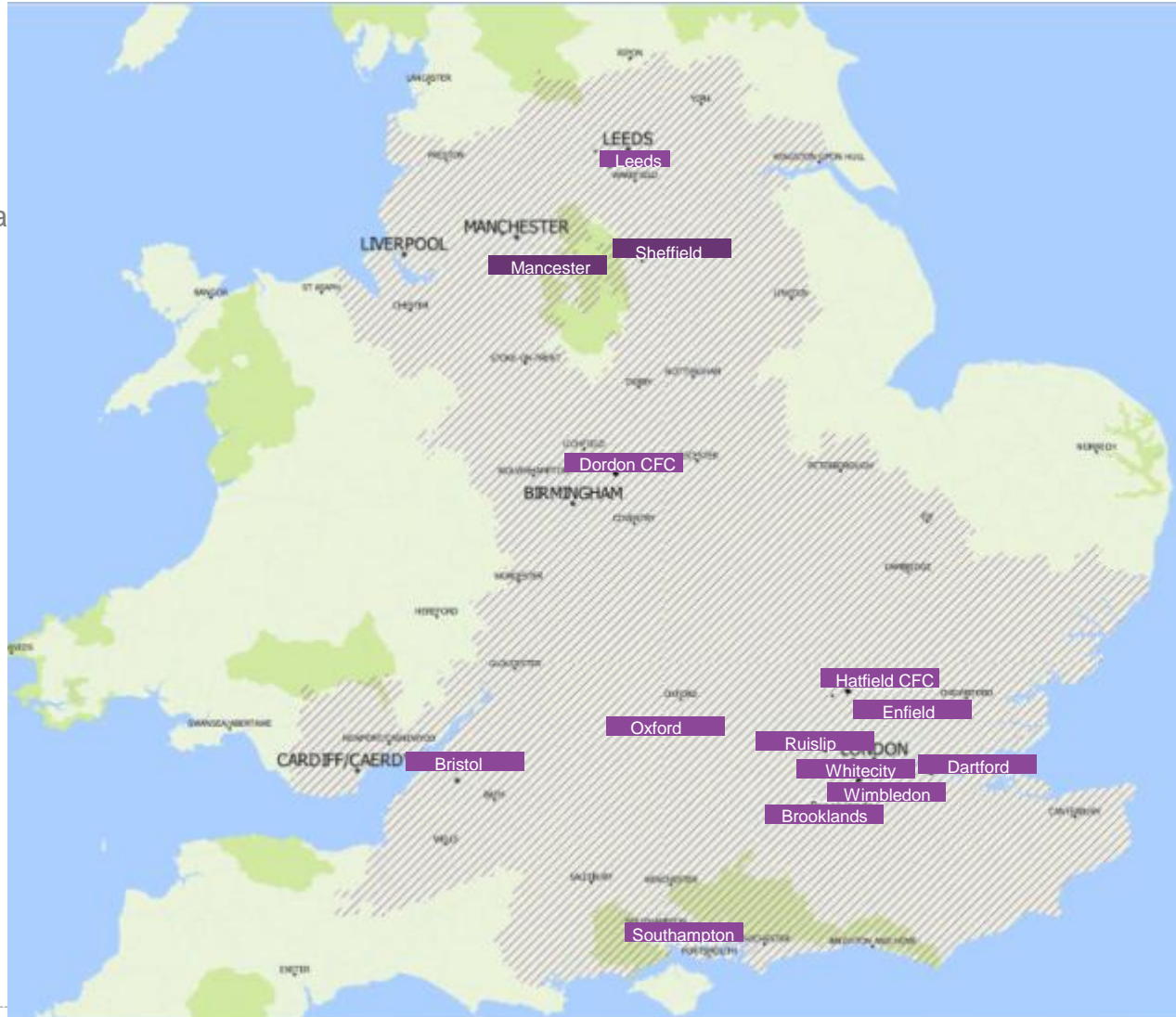
- A 25 year agreement to license certain **technology, logistics and distribution services** to enable Morrisons to launch and develop its online grocery business
- This is benefitting Ocado:
  - Enables greater investment in R&D
  - Improves Ocado's economic model with sharing of costs and faster utilisation of fulfilment capacity
  - Validates Ocado's operating model and provides template for future deals
  - Strengthens balance sheet and reduces finance costs

## Ocado.com trades completely separately

- All retail and trading operations are completely independent
- Ocado will continue to buy with Waitrose under its sourcing agreement



# The Morrisons deal has allowed us to open new geography in the North

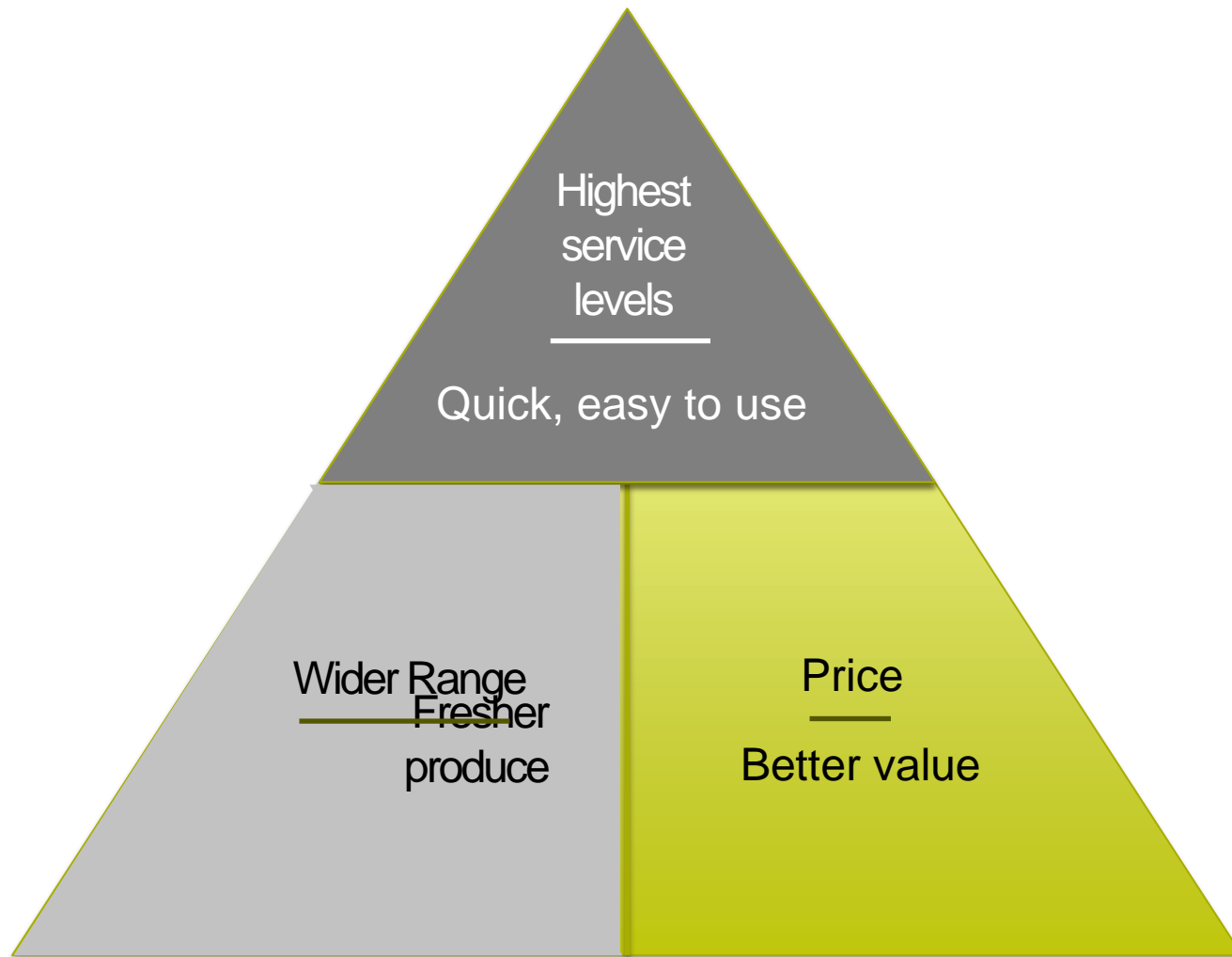


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# Proposition to customers drives growth

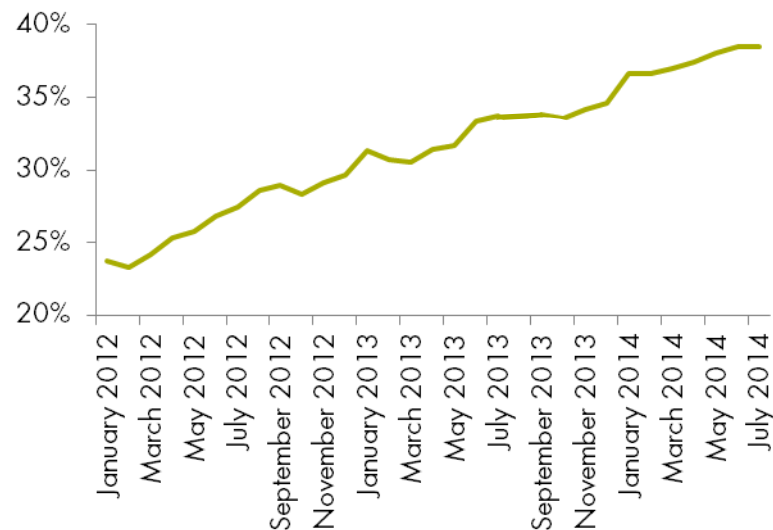




# Making it easier for our customers with new developments and excellent service

Award winning app has lead to great take up by customers

% orders touched by mobile



★★★★★ Excellent Service

“Staff can’t do enough”

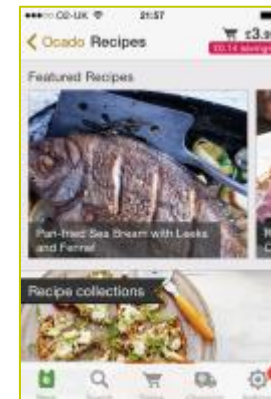
“Just had my first Ocado shop delivered and I’m very impressed!! They have thought of everything.”

“Delivery was well within the allocated time and the driver was lovely.”

“First home shop I’ve done with a company where everything arrived accurately”

Facebook reviews

Recipes now on mobile



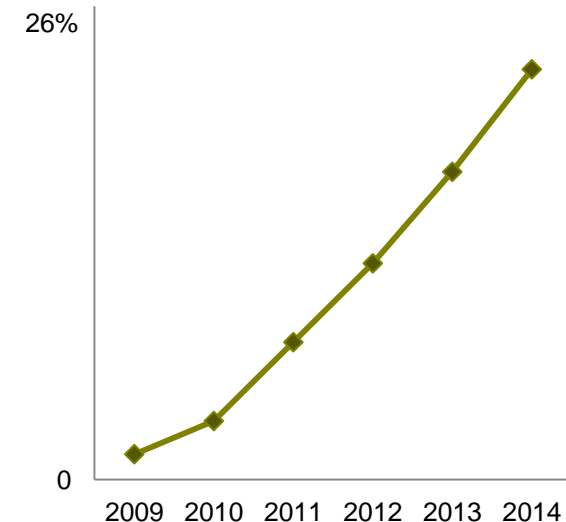
# Ocado own-label continues to grow with sales up over 50% H1 2014 vs H1 2013



- Focus is on mid-tier, exclusive and organic
- 87% of baskets include at least one Ocado branded product

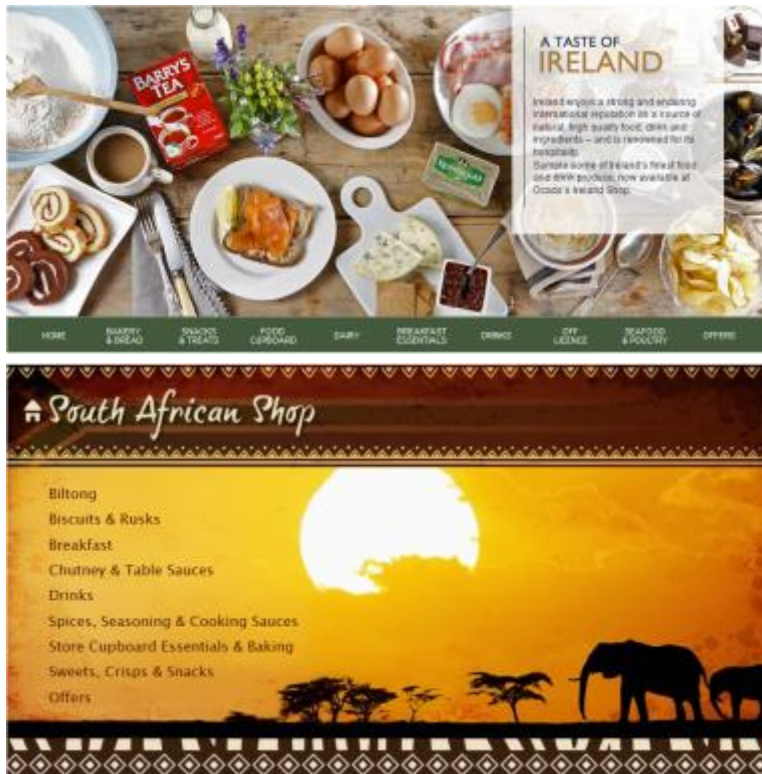


Ocado own-label sales as a proportion of total own-label



# Ocado has large ranges of International, Free From and Organic

## 12 Dedicated International Shops



## Large Free From range across a wide range of categories

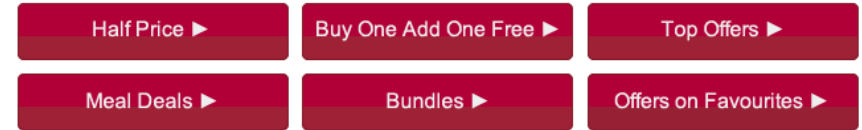


## c.6% market share in Organic



# Value for money is key

- Ocado value promise includes offering customers:
  - Great everyday value
  - Market leading deals
- These need to be supported by suppliers



**Cheaper than Tesco**  
or we'll give you a voucher





# Smart Pass is improving loyalty, frequency and spend



- Majority of orders now on Smart Pass
- Over 800 products with discount of 10% or more
- Priority samples, exclusive sales, free gifts
- New free, no-obligation trials to encourage customers with their first few shops

**Be happy. Shop SMART.**

Wave goodbye to delivery charges and save at least 10% on your favourite brands.

See all Smart Pass benefits >



You could  
**SAVE** up to  
**£246.50\***  
a year

\*See terms

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# Outperform with Ocado



Online is a key growth channel



Ocado is outperforming competitors in this channel



Working with Ocado is key to driving growth through your business

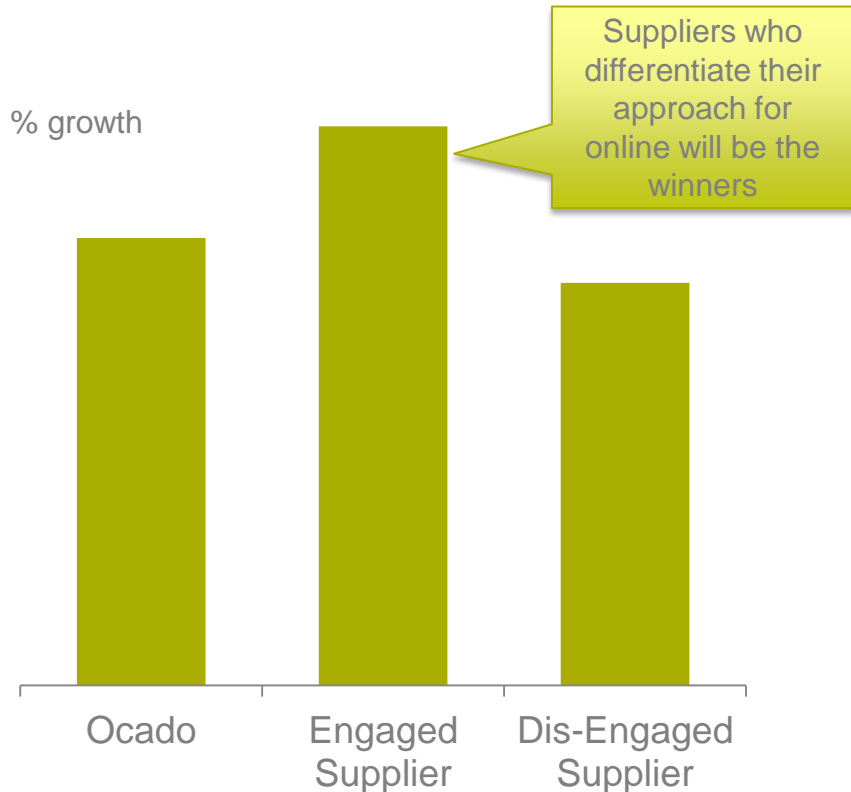
# Collaborate and innovate to grow with Ocado

## Differentiate for online

- ✓ Range – SKU selection
- ✓ Conversion – Great product information, image & location
- ✓ Mechanics – Tailored offers for online and by customer
- ✓ Visibility – Media bookings in relevant locations
- ✓ Engagement – Using targeted trialing and reviews
- ✓ Innovation – How else can your brand grow through Ocado.com?

## Bespoke approach will drive your sales

% growth





# Improving conversion: basics are important

## Simple product name

- Keep it simple
- iPad is shorter than webshop:  
~ 42 characters
- Ensure all key information is included

What is it?



Crabtree & Evelyn Tarocco  
Orange, Eucalyptus...  
250ml

## Clear image

- Help customers with the type, size, look and feel of your product



How big is it? Individual pots?



- Roundels should be clear and easy to understand



Fushi Virgin Organic Black  
Cumin Seed Oil 100ml

## Descriptive back of pack



### De Cecco Fusilli Pasta

Description:  
"Fusilli.  
Durum Wheat Semolina Pasta."

VS.



### The Great British Butcher Bloody Mary Rub

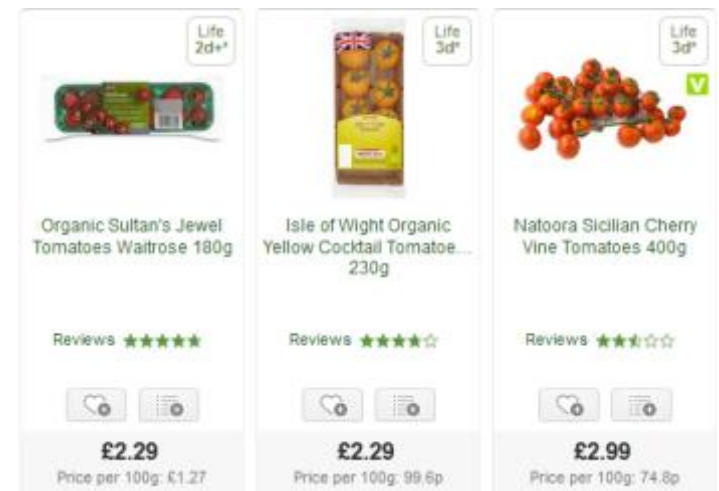
Description:  
"Just like the infamous cocktail (minus the vodka) we found the fragrant spice mix really brings out the fantastic savoury flavours of quality meat."

A heady blend of celery, worcestershire sauce & smoky tomato, this one's fantastic rubbed into a large hunk of aged beef rib eye, chargrilled to your liking with a few caramelised onions & a light dressed salad. For some added flavour mix with a glug of olive oil and baste over your beef or gammon steak as they cook"

# Regularly walk the store to check your products

**For your top selling and all new SKUs you should be checking:**

- ✓ Does the name make sense on the FOP?
- ✓ Does the name differentiate the product vs other products on the FOP?
- ✓ Is the name consistent with the rest of the range?
- ✓ Is the price per consistent with the rest of the range?
- ✓ Is the image as clear as possible?
- ✓ Is the product primary tagged in the right category\*?
- ✓ Is the back of pack correct?
- ✓ Is the product life what you would expect it to be? (Ocado offer half the life delivered in, out to customers)

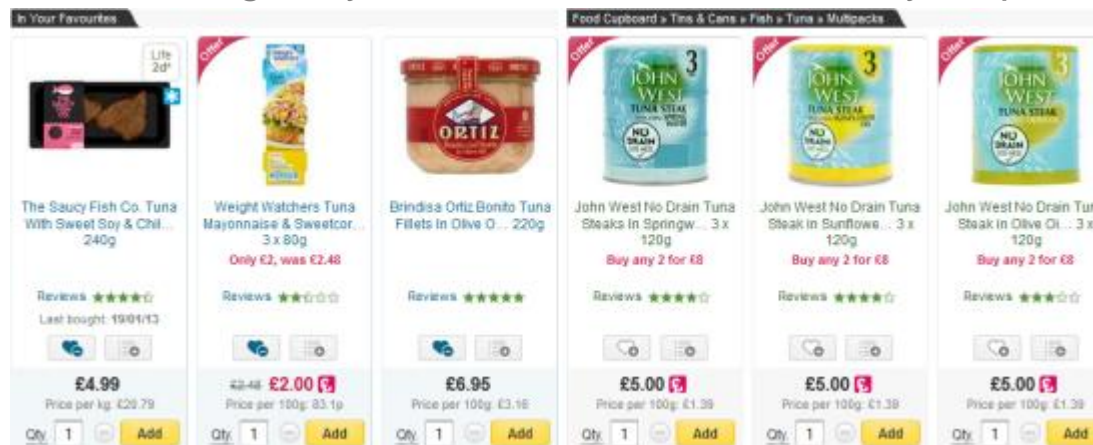


\*See appendix for details

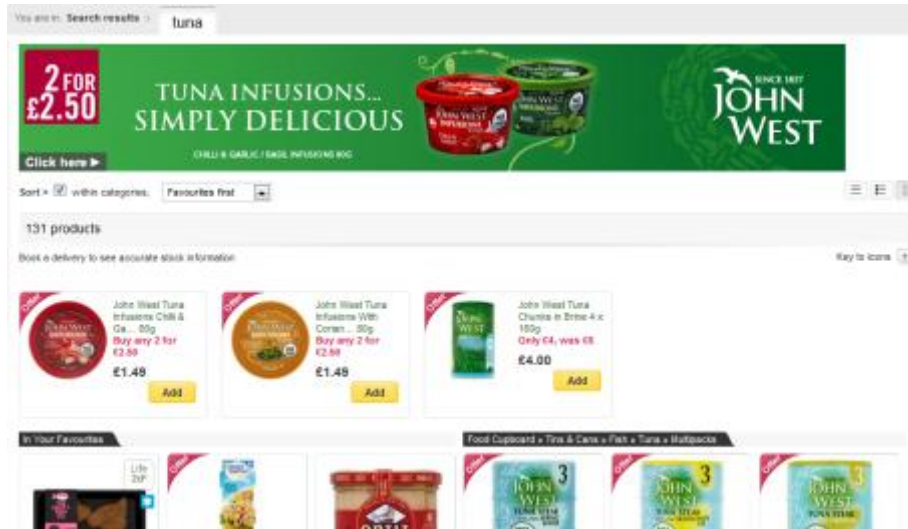
# Favourites are a key part of shopping at Ocado



- Getting into a customer's favourites is key to driving sales online
  - 23% of adds are from the favourites page
  - Favourites are also shown at the top of every category and aisle page
- Ocado has a large number of new customers; **suppliers need to continue to invest to get into new customers favourites**
  - You need to get your product into customers' favourites – as early on in their shopping journey as possible
  - Ensure that customers go beyond their favourites and see your product too

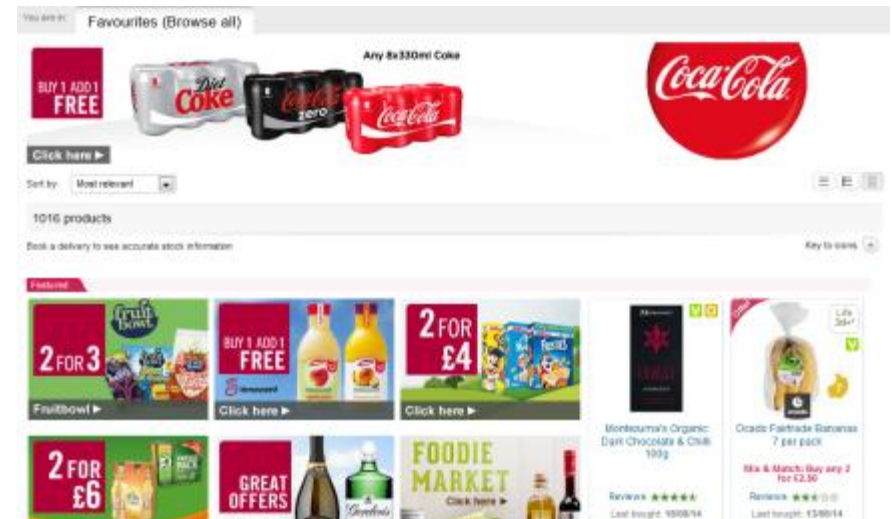


# How do customers shop?



45% of customer adds to basket are from search

23% of customer adds to basket are from the favourites page



# Marketing, trading & media initiatives to help you to outperform

What	How	Current opportunities
Identify the best <b>mechanics</b> for your brands	Utilise available offer mechanics, introduce targeted offers	<ul style="list-style-type: none"><li>• Promotions</li><li>• Bundle deals &amp; meal deals</li><li>• Smart Pass exclusivity</li><li>• Targeted coupons</li></ul>
Drive <b>visibility</b> of offers and range	Choose & use space smartly	<ul style="list-style-type: none"><li>• Website media</li><li>• Flash Sales</li><li>• Events</li><li>• Shop in Shops</li><li>• Mobile media</li><li>• Search placements</li></ul>
Improve product & brand <b>engagement</b>	Through trial with NPD, reviews, retweets and recipes	<ul style="list-style-type: none"><li>• Sampling</li><li>• Social Media &amp; PR initiatives</li><li>• Recipes</li><li>• Smart Pass Review Panel</li></ul>

# Identify the best mechanics for your brands

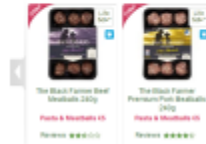
## Cross-category bundles

**Pasta & Meatballs ES**  
Buy 1 Meatballs, 1 Pasta and 1 Sauce for £5. Offer by 15/10/14, offer subject to availability. Maximum 20 promotional items per customer.

You've not selected any countries yet. [Add some now.](#)

Add products to your meal deal

Meatballs



What? Bundle deals, meal deals

Why? Improving basket penetration through cross sell and placement in high traffic areas of the site

## Personalised Coupons



What? Targeted coupons emailed to customers to redeem against their next shop

Why? Improve effectiveness of trigger funding for either trial or reactivation

## Smart Pass category exclusivity



What? Category exclusivity for at least 10% discounts to Ocado's most loyal shoppers

Why? Improve penetration and sales by improving visibility

# Drive visibility of offers and range

## Top Offers



What? The top market leading deals of the month

Why? On the homepage on site, now also including the app, and top offers filter. Premium package includes placement in monthly customers offers pamphlet

## Events sponsorship

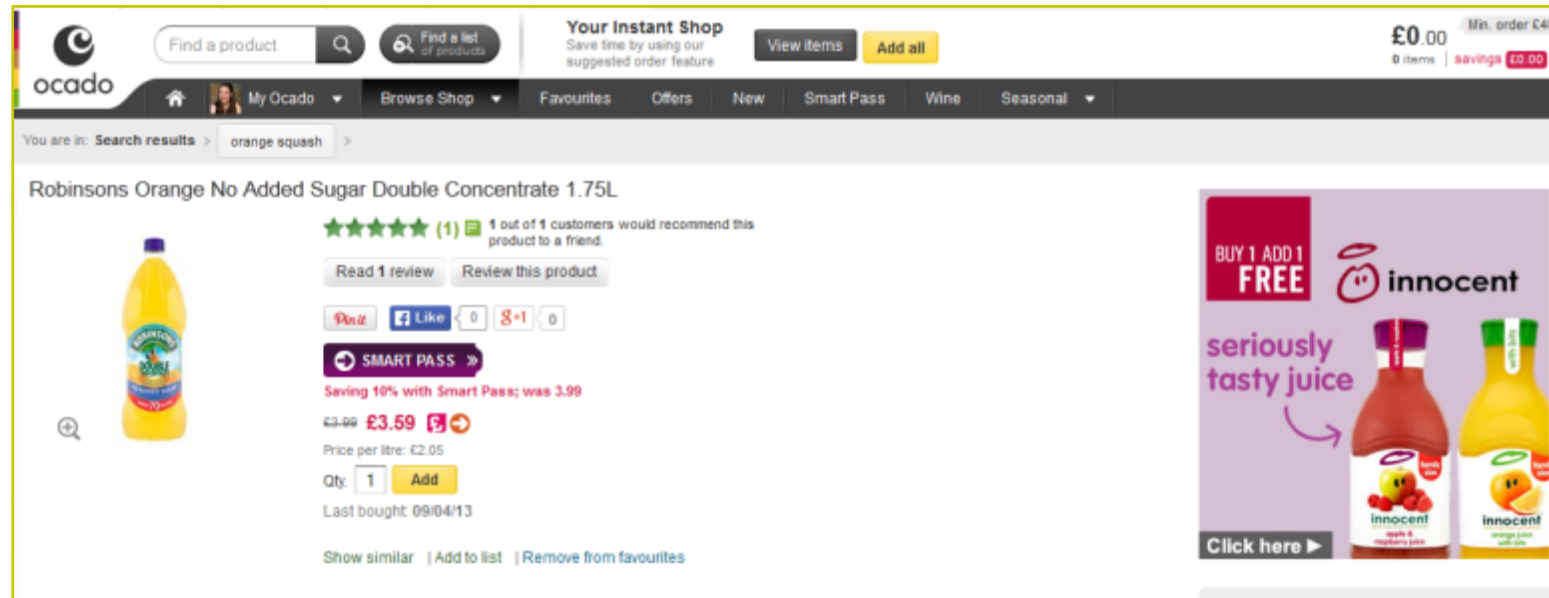


What? Sponsor offer or seasonal events throughout the year

Why? High visibility through bespoke event aisles, banners, emails and social media

# Drive visibility of offers and range

New media: BOP and Offers Banners



- Total BOP clicks are equal to homepage and Offers details equal to shop landing page
- Users are engaged with these pages
- 3 banners available for Back of Pack
- 3 banners available for Offers details pages



# Drive visibility of offers and range

## Type of webshop media

### Graphic Banner



What? Full length banner positioned on aisles or search results

Why? Improve visibility of strong offers or new in products

### Uberbanner



What? Expandable drop down banner positioned on aisles or search results.

Why? Opportunity to provide more information or engaging content to enhance interaction with brand

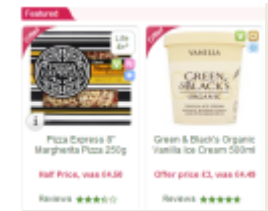
### Mini Banner



What? Smaller in aisle banners shown alongside products

Why? Improving visibility of strong offers or new in products

### Featured Products



What? Product placement at top of aisles or search results

Why? Gain greater visibility for a specific SKU before customers see their favourites

Book by location

# Drive visibility of offers and range

Type of webshop media

3 parts of the catalogue...

Shop

Offers

Favourites

...each with 3 tiers

A

Home pages

Shop, Offers and Favourites home provide very high visibility

B

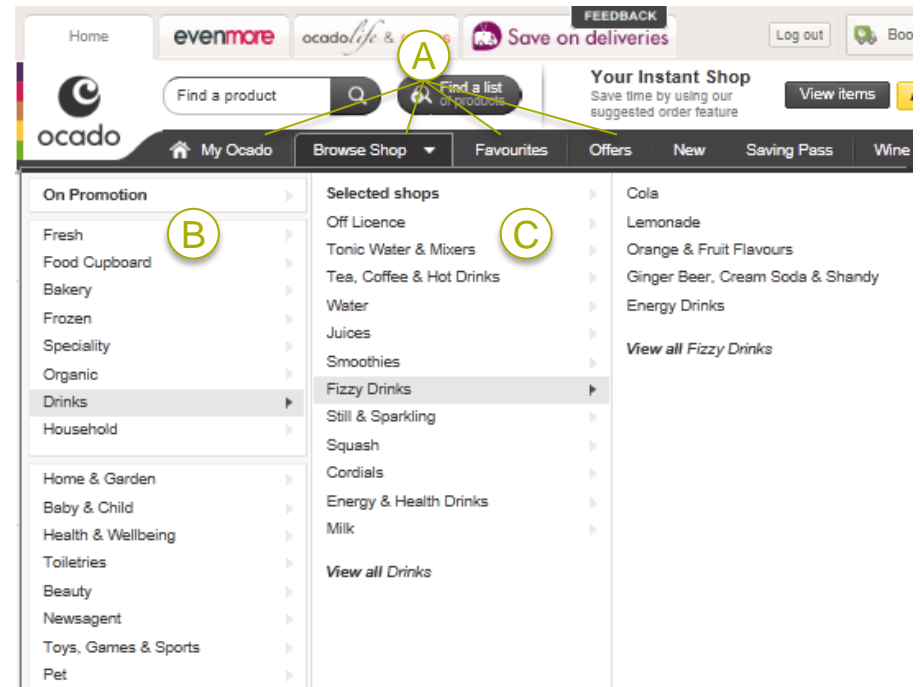
Top level

Equivalent of Fresh, Drinks, etc.

C

Category level

Equivalent of Fizzy Drinks, Water



# Drive visibility of offers and range

Make the most out of your media



- **Raspberry offer** message
  - Or green 'new' message
- **Simple** offers (£1, Half Price) and **emphasise saving** where possible (i.e. Save £6 rather than Now £20)
- Clear **call to action** (shop now, click here)
- Clean, simple **background** – but provide contrast and make it eye-catching
- **Easy to see product**, copy to explain product if required

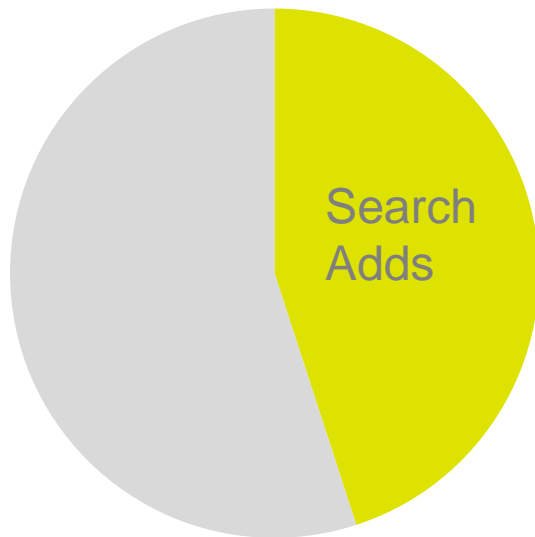


# Drive visibility of offers and range

## Search

- Search is the most prominent way for customers to add products – 45% of adds come from search

Total Webshop Adds



- To maximise effectiveness search placements include a few similar search terms
- E.g.
  - Toilet roll only accounts for 58% of toilet roll related searches
  - By including toilet paper, loo roll, loo paper in the toilet roll booking your media will now be shown to more shoppers

### Premium Search

Top ~50 search placements

### Top Search

Next ~150 search placements

### Standard Search

Remaining search terms

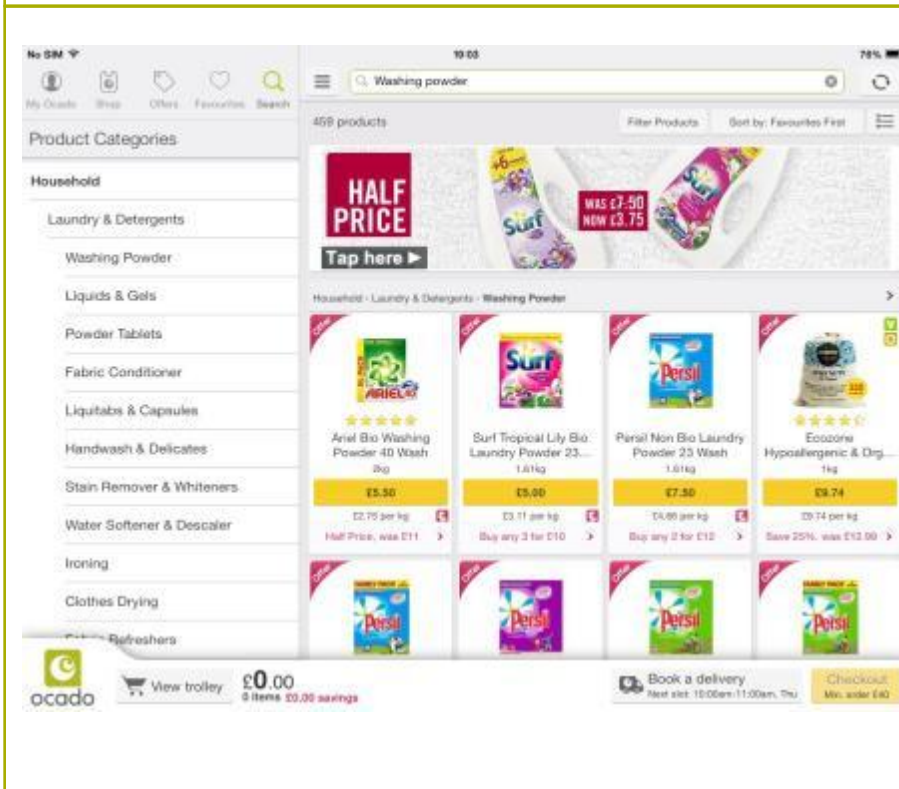
### Competitor search

Bidding on competitors search terms

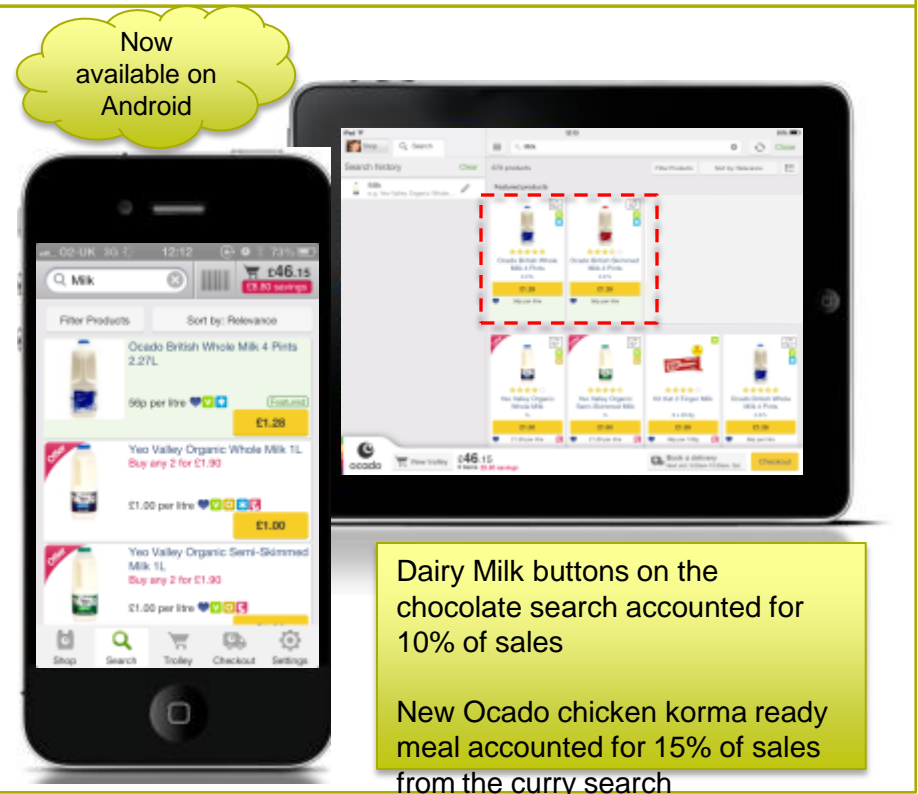
# Drive visibility of offers and range

## Mobile media

Banners now on iPad app



Featured products available: 2 products on iPad, 1 product on iPhone



# Drive product and brand engagement

Encouraging trial, reviews and initial purchase

## Sampling



What? Sample size SKUs can be delivered to a targeted customer alongside the rest of their weekly shop

Why? Encourage trial – great for NPD

## Social Media Sampling



What? Vouchered form of sampling hosted on the blog and advertised through social channels

Why? Encourage trial of existing SKUs for a smaller self-selected customer group

## Smart Pass Review Panel



*“delicious”  
“Got this as a free sample too, delicious, will be trying others in the range. Tastes much fresher than jars of sauce or pastes.”*

What? Coupons sent to panel of customers to redeem for full size SKUs in return for future reviews

Why? Drive number of reviews on site to turn your fans into advocates

## Journey bundles



What? Sponsor acquisition bundles with your products to incentivise Ocado through the journey from registration to the 5th shop

Why? Products added in the first 5 shops are 67% more likely to be bought in the future than ones added on later shops

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# Drive product and brand engagement

## New: Personalised Gifting

### What?

Targeted free gifts that customers can select at checkout. This provides a unique opportunity to target customers to try your products and become loyal customers for your brand as they do their weekly shop at Ocado.

### Key features include:

- The ability to use any SKU currently stocked at Ocado
- Active targeting of the most relevant customers for your brand and product to maximise ROI
- Prioritisation of Smart Pass and new customers, again to maximise ROI
- Automatic addition to favourites to improve repeat purchase rate
- An opt in approach - customers will be able to select one free gift on the site or the app
- This can be run as an ongoing campaigns rather than short term activity so that you can see sustained improvement for your brands throughout the year



# Drive product and brand engagement

## Shop in Shops

### What?

Your own brand shop at Ocado.com

### Why?

- Communicate your brand's breadth of range, lifestyle and sourcing in an environment that feels different to Ocado.com
- Customers who use Shop In Shops:
  - Spend more on your brands;
  - Try more of the range; and,
  - Buy your products more often

### Remember to:

- Build your shop with your customer & and their shopping mission in mind
- Make it as easy as possible to navigate – and to get to product quickly
- Have a plan for driving customers to the shop





# Drive product and brand engagement

Spread the word

## Joint PR & social media campaigns

Matt Roberts Super Oil 90 per pack



What? Joint PR activity tailored to generate media coverage, complemented by social media designed around the activity to support and enhance the messaging

Why? Joined up campaign across traditional and digital channels reinforcing your listing at Ocado

## Sponsored Blogger event



What? An event coordinated by Ocado PR with influential bloggers and journalists to promote your range at Ocado

Why? Your product gets into the hands of influencers in the social sphere with a view to sharing with their audience via Twitter and Instagram and follow up coverage online

## Promotional blog content

Guest post: Natoora's perfect peaches

Posted on August 15, 2014 by Ocado

Summer is a very exciting time of year, and it's also the time of year that makes the season more enjoyable and rewarding. A proper peach is something truly special... it's not just delicious, it's also nutritious, is refreshing and utterly delicious.

We want to give you the best of the best - Natoora's perfect peaches.



What? A 500 word blog post including links through to relevant products at ocado.com  
Content is shared across Ocado social channels

Why? An additional way to promote a range, product, brand or offer in a rich content format

# Drive product and brand engagement

## Prize draws and giveaways

### Social media prize draws using Facebook



What? Facebook Page live for 2 weeks and accompanying tweets and posts

Why? Extend your brand message over a two week period across Ocado's social channels to complement activity on webshop

### Concert/event ticket giveaways



What? A post on the Ocado Timeline on our Facebook Page offering tickets to your event. Your branded event is the only message to our fans for the day

Why? Opportunity to provide customers with free concert or event tickets with a quick turnaround time

# Drive product and brand engagement

## Recipes

### Recipes



#### Brindisa Paella

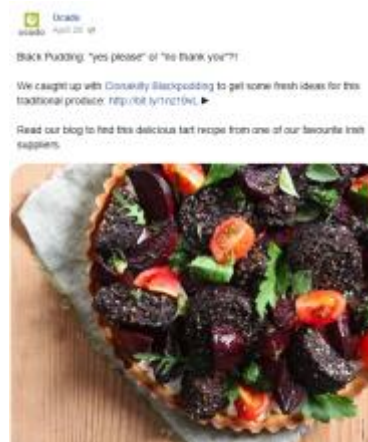
Paella is a classic Spanish recipe, with many variations. Our version below...

 30 mins

**What?** Include your recipes on the recipe section and on the product page for the SKU on Ocado.com

**Why?** Encourage customers to find new reasons and occasions to use your product

### Supplier funded recipe sharing



**What?** Your recipe shared on our Facebook, Google+ and Twitter channels

If you have video content for the recipe, this can be uploaded to YouTube and shared in our recipes playlist

**Why?** Encourage customers to find new reasons and occasions to use your product

# Innovate with Ocado



Personalised Gifting  
(at Checkout)

Targeted Media at  
Baby Customers



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# How are you planning to outperform at Ocado?

- ✓ Range – SKU selection
- ✓ Conversion – Great product information, image & location
- ✓ Mechanics – Tailored offers for online and by customer
- ✓ Visibility – Media bookings in relevant locations
- ✓ Engagement – Using targeted trialling and reviews
- ✓ Innovation – How else can your brand grow through Ocado.com?