

# CHIEF EXECUTIVE'S INTERVIEW

**Tim Steiner**  
Chief Executive Officer



"In building our retail business using proprietary knowledge and technology solutions, we have developed an entire end-to-end platform for operating grocery retail online"

## SUPERIOR ECONOMIC MODEL

**Q** Why do you believe that you have a superior economic model for online grocery retailing than your competitors?

**A** Grocers have always strived to operate at the lowest level of cost, given the low margin nature of the industry. For online our centralised model allows us to reduce the cost of our supply chain, to aggregate scale, and to justify investment in automation and technology solutions, which drive down the unit cost of fulfilling orders. Our peers' use of existing assets (shops) or smaller warehouse facilities (so called dark stores) does not afford them the same benefits.

At the same time, our model allows us to provide to our customers the best quality service in the industry, together with wider ranges and with scale, at ever more competitive prices.

## PRICE ACTIVITY

**Q** There has been a lot of recent commentary about price wars in the UK food retail sector. What is your view and how does it affect Ocado?

**A** Price is one of the key elements which persuade customers to shop with a retailer, and a recent focus has been how some of the mainstream supermarkets demonstrate their price competitiveness against the discount players.

As a price follower (our price comparison currently matches against the largest player, Tesco) there may be some impact of this activity on Ocado. However, given our wider range than other competitors, the overlap of products impacted by price activity is likely to be more limited. We continue to grow sales volumes and improve operational cost efficiencies so that helps protect us from significant margin impact.

It is important to note that consumers who wish to shop online also pay great attention to product quality, freshness, availability, range and the reliability of the service provided – all of which we continue to focus on delivering to the highest standard.

 View more information about Ocado Smart Platform on pages 28 & 29

 View more information online at [www.ocadogroup.com](http://www.ocadogroup.com)

 To hear more from Tim Steiner visit [www.ocadogroup.com](http://www.ocadogroup.com)

 Scan the QR code with your smart device to watch Tim Steiner online



#### CFC3 AND CFC4

**Q** You announced plans for your next two CFCs. What are the details and why are they needed?

**A** Our third CFC will be located in an existing building in Andover, in the south of England and is due to open at the end of 2015. Our fourth CFC will be located in a new development in Erith in the London Borough of Bexley. This will be in a brand new building – work will commence on site in 2015 and it is due to open in 2017. With growing customer demand, it is important we plan for future capacity carefully to avoid having to constrain the growth of our business.

The new CFCs will house the first installations of our next generation infrastructure solution. We own the design and IP rights for this solution and control the manufacturing, and we expect to have lowered the capital cost for fulfilment when viewed against CFC2 in Dordon. It should also be more efficient to operate.

The Andover CFC will be smaller than previous CFCs, capable of generating around 65,000 orders per week, or approximately £350 million in annual sales whilst the Erith CFC will be larger, capable of generating in excess of 200,000 orders per week or approximately £1.2 billion in annual sales. This demonstrates the modularity of this infrastructure. It is also scalable (it can be built in stages) and is fast to deploy (in both sites, less than 18 months from securing the building). All of these attributes add significant flexibility to capacity planning for our retail business and for our future partners.

#### INTERNATIONAL OPPORTUNITIES

**Q** Can you tell us more about your plans outside the UK?

**A** In building our retail business using proprietary knowledge and technology solutions, we have developed an entire end-to-end platform for operating grocery retail online. We entered into our first agreement with Morrisons to utilise this platform for their business, and believe there are significant opportunities to use our platform to power multiple online retail businesses internationally.

We intend to partner with retailers, who will own and use their existing customer and supplier relationships, and we will provide the operating and infrastructure platform (we call this Ocado Smart Platform) for them to rapidly launch and build scalable, profitable online businesses, with the capability to provide attractive propositions to their customers.

