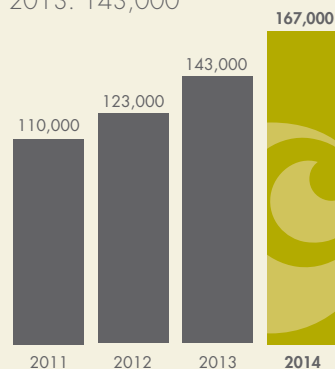


DRIVING GROWTH

AVERAGE ORDERS PER WEEK

167,000

2013: 143,000

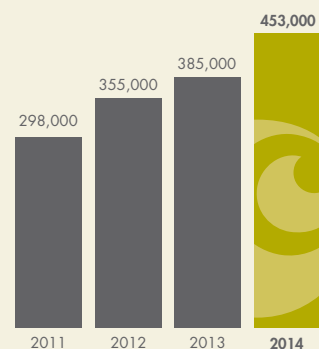


“Our product life guarantee gives confidence to customers that their groceries have a stated minimum remaining life when delivered.”

ACTIVE CUSTOMERS

453,000

2013: 385,000



OUR RETAIL BUSINESSES

We drive growth in our retail operations by improving the proposition to our customers – the quality of the service we offer, the selection of quality products we sell, and our ability to sell products at competitive prices, thereby strengthening our consumer brands.

This is enabled and supported by our development of both more capital efficient and operationally efficient infrastructure solutions, and further enhancement to our end-to-end technology platform.

Customers adopt new ways of shopping if they consider it more attractive to do so. There are two primary points of interaction with our customers – at the time of ordering on the customer interface and at the point of delivery. We seek to provide the best possible experience for our customers at both of these points

Making it easier to shop

Convenience is a major driver to shopping online. Being able to order “anytime, anywhere” using intuitive and easy-to-use interfaces is very important.

Our in-house software development allows for the rapid introduction of new functionality, be it new website developments or the latest mobile apps. Customers shopping with mobile devices have continued to grow significantly, with 48% of our sales now transacted using mobile devices. This reflects the steady advancement of technology which has continued to change the way people live, with some customers today not owning or using wired devices in their homes.

We have continued to improve our shopping interfaces making it easier for our first time customers to start shopping with us, and increasing the level of personalisation.

The highest delivery standards

Our customers expect, and deserve, the highest level of service delivery. We seek to maintain the highest level of customer service, delivered by our own Customer Service Team Members in our own fleet of vans.

Consistent order reliability is essential for customers. Our operating model, combined with our proprietary optimisation software, leads to what we believe to be unrivalled reliability with 95.3% on time and 99.3% order accuracy.

Customers expect high stock availability and minimal substitutions within a short time frame. Our deliveries are available next day, with same day available in some postcodes. We offer one-hour time slots seven days a week, and the largest number of slots available in the market, from 6 am until 11.30 pm.

Proprietary integrated systems control our product flow which, when combined with the scale of our CFCs, leads to higher product availability. This reduces the chances of products being unavailable and minimises substitutions.

Our expanding range

Customers want a wide selection of products, and will be more inclined to shop where choice, and freshness, is greater. Offering more of the groceries a customer desires in one store reduces the requirement to visit elsewhere to complete the weekly shop.

Our current range of over 43,000 SKUs gives Ocado.com the most extensive supermarket range today. We intend to continue to increase the range of products we sell. Our operating model and facilities allow us to expand range relatively easily with limited stockholding exposure, enabling us to stock many specialist and niche lines as well as everyday favourites.

We have extended our selection into many general merchandise categories – for example pets, kitchenware, babies, the home, health and beauty products and gift items – giving customers the opportunity to purchase some of these items together with their grocery shop.

With the freshest products

As well as convenience, customers want the freshest products. We guarantee the product life of our fresh food.

Our operating model removes one stage of the grocery supply chain, as our stock is typically delivered directly to us by our suppliers or wholesalers, which when combined with rapid stock turn means we often deliver product to customers the same day or next day following receipt into our CFCs. This can be quicker than other supermarkets can get most of their products into their own stores.

Our product life guarantee gives confidence to customers that their groceries have a stated minimum remaining life when delivered.

Dedicated stores

We have launched additional online shops dedicated to specific product categories, which represent the next stage of development of our general merchandise strategy of having separate destination sites for key categories.

The first of these is Fetch, our dedicated pet store that carries more than 8,000 pet products including the premium pet food ranges that are not typically sold in supermarkets including James Wellbeloved, Hill's and Frontline. The most recent shop is Sizzle, a kitchen and dining store with over 12,000 products including Villeroy & Boch, Global, Kenwood and LSA. We plan to launch additional destination sites in the future to further extend our offer to customers, and announced in 2015 our intention to launch a beauty business with Marie Claire.

Our price commitments

Shoppers want to feel that they receive good value and can even save money by shopping online. The automation and aggregation of our operating model strips out costs and increases efficiency. These cost savings allow us to offer products at competitive prices.

We introduced the UK's first grocery market price matching initiative in 2008, and continue to use price-matching commitments to give consumers confidence about the cost competitiveness of their basket of shopping when bought at Ocado. We work hard with our suppliers to provide to our customers market leading promotions. Our strategy of range extension, offering shoppers a greater choice of products in the same category at different price points, particularly driven by the growth of the Ocado own-label, continues to be popular with customers.

OUR PLATFORM BUSINESS

In building our retail businesses, we have gained significant knowledge and know-how, and have developed extensive proprietary systems, software and optimisation engines. In effect we have developed an entire end-to-end proprietary platform for operating online business in grocery and other retail segments.

We believe there are significant opportunities to create economic value using this platform. The first example of this is our agreement with Morrisons to launch and operate Morrisons.com.

We consider this significant validation of our operating model and important as we explore new opportunities to monetise our proprietary platform internationally in the future.

The underlying technology which enables our strong proposition to customers to drive growth, supports Morrisons.com and will be available to retailers in the future using Ocado Smart Platform.



Fetch.co.uk



Sizzle.co.uk