

# HOW WE GENERATE AND PRESERVE VALUE

## OCADO IS A PURE-PLAY ONLINE OPERATOR

Ocado is entirely focused on online activities. We are not burdened by a legacy estate of existing supermarket outlets, which are facing declining sales volumes, margin pressure and less flexibility to invest in the proposition to the customer.

Since formation we have developed a unique end-to-end platform solution for online retailing. Our know-how and expertise allows us to provide a best in class proposition to the customer, delivering continuing growth in the UK market and monetisation opportunities overseas.

## MANAGING OUR RELATIONSHIPS

We have three principal types of relationships we are constantly managing – our customers, our product suppliers and our commercial partners to whom we are a supplier of IP and services.

Our objective is continually to improve each element of the proposition to our customers, and to ensure we communicate how our service is evolving for their benefit. We constantly seek to improve how we engage with customers, removing the inertia for them to shop with us, and to encourage them to shop repeatedly with us through providing a better offer to them.

We have good relationships with our suppliers, including the global consumer product companies supplying branded ranges, food producers supplying private label selections, and smaller niche, international and speciality suppliers. Part of our supply arrangements involve Waitrose, with whom we have a sourcing arrangement combining our respective volumes to receive better supply terms, and also allowing us to sell Waitrose branded products.

In July 2013, we entered a 25 year agreement to provide the technology infrastructure and operating services to launch and run *Morrisons.com*, the online business of Wm Morrison Supermarkets PLC. *Morrisons.com* successfully launched on 10 January 2014. This is the first of our so-called “platform” relationships, and we anticipate opportunities to develop arrangements with international commercial partners in the future.

## WHAT DIFFERENTIATES US?

Throughout our history, our focus has been on developing the best platform for online grocery retailing. This single-minded focus has enabled us to develop market leading logistics and physical infrastructure solutions, driven by proprietary technology and innovation. We have often been the benchmark for the online grocery industry constantly looking to improve industry standards, from providing one hour delivery slots to being the first to launch a fully transactional app for the iPhone in 2009. Underpinning all of this are our people, their commitment, knowledge, expertise and unity in working with a common goal.

## DELIVERING SUSTAINABILITY TO OUR CUSTOMERS

The advantages our operating model brings ensure that we can offer a consistent, sustainable and reliable service to customers. Better stock predictability enables better fulfilment and freshness of product. The economic benefits of our model will enable future investment into the proposition driving a virtuous and sustainable cycle of growth.

Our model generates less waste than physical retailers for the same sales of fresh product, uses less land, requires less buildings, and wastes less energy (with as an example, no open chiller cabinets in centrally heated store environments), and for every delivery route we save up to 20 customers having to drive to the store.



View more information about corporate responsibility on pages 50 & 55

**MANAGING OUR RELATIONSHIPS**

  
MORRISONS

  
WAITROSE

  
WHOLESALE

  
SUPPLIERS



**PROPRIETARY KNOWLEDGE AND IP**

 View more information on our IP on pages 22 to 29

**WHAT DIFFERENTIATES US?**

  
TECHNOLOGY

  
INNOVATION

  
LOGISTICS

  
PEOPLE



**DELIVERING SUSTAINABILITY TO OUR CUSTOMERS**

  
LESS WASTE

  
PLASTIC RECYCLING

  
LESS PROPERTY

  
LESS ENERGY

  
EATING WELL

  
LOWER CO<sub>2</sub>



**OUR MODEL**

Our objective is to operate a high quality service at the lowest possible cost and to create a virtuous cycle between growth, efficiency and investment. We achieve this through combining three key elements – the aggregation of scale into single facilities, the automation of many processes and the application of proprietary knowledge – to remove significant costs commonly incurred by physical retailers.

Our centralised approach allows us to aggregate greater scale into single locations, and to invest in automation to replace many of the manual tasks in the retail supply chain. We utilise our proprietary end-to-end technology platform to optimise our entire operations from the user interfaces, the stock and order processing systems and through to the final delivery to the customers’ homes.

Our model enables us to invest in the proposition to customers in the form of wider ranges at competitive prices and a market leading service. Our improving proposition enables us to grow faster, and with increasing scale we benefit from improved efficiencies and expanding margins, which can be used to further invest into the proposition to encourage more growth. As we get bigger our relative purchasing position also improves. The efficiencies inherent in our model will increasingly outweigh any purchasing disadvantage due to our relative small scale today.

