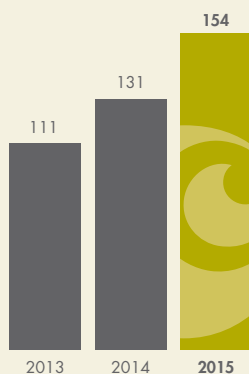


OUR WIDER MARKET OPPORTUNITIES

ONLINE RETAIL SALES EUROPE (£bn)

2014–2015: +18%

2013–2014: +18%

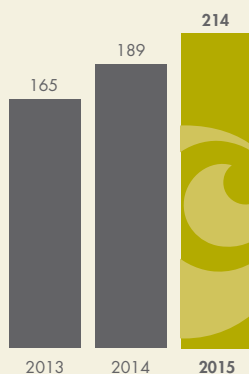


Source: Centre for Retail Research

ONLINE RETAIL SALES US (£bn)

2014–2015: +13%

2013–2014: +15%



Source: Centre for Retail Research

INTERNATIONAL CHARACTERISTICS

Grocery is not only a significant business in the UK. Grocery shopping represents around half of all retail spend in most developed countries and significantly more in developing markets. This makes for a huge underlying market opportunity on a global basis.

WORLD'S BIGGEST GROCERY MARKETS

However, there are great differences in what and how food is purchased across the world. Grocery retailing is in so many ways a "local" business. While product brands can be global in nature, customer preferences, retail brand recognition and loyalty are driven locally. Equally as important is product-sourcing capability, which tends to be managed through local account managers, and the value of sourcing produce and protein ranges locally speaks for itself.

LESSONS LEARNED FROM INTERNATIONAL EXPANSION

The world's largest grocery retailer operates in a fraction of the world's countries, with most food retailers having mixed success expanding internationally.

When expanding outside their home markets, grocery retailers' main assets lie in real estate which is not portable. While each may have retail skills, generally retailers do not possess any of the key local attributes – brand recognition, local customer preference or loyalty, or sourcing capabilities – critical for building a successful local grocery business. Gaining traction as a new entrant to a market can take time and may prove to be very expensive in terms of costs and resources.

INTERNATIONAL GROWTH ONLINE

Online grocery shopping has been slower to develop outside the UK. We believe the attractions of shopping online should appeal as much to consumers internationally as those in the UK. However, online requires similar pricing and high levels of service to be attractive. If customers are not offered a fast, reliable and accurate service, then few are likely to adopt the online channel.

In the UK, where the proposition online has become increasingly attractive versus the existing store channels, adoption has gathered pace. We believe the quality of our proposition, including the quality of our interfaces and our one hour delivery slots, has meant that others who have entered the online market in the UK have also had to offer improved services, usability, and interfaces, which in turn drives market growth.

"The attractions of shopping online should appeal as much to consumers internationally as those in the UK."



Automation inside our CFCs

UNIQUELY POSITIONED TO TAKE ADVANTAGE

Ocado has developed an entire end-to-end solution for operating online in the grocery market, vertically integrated across software and hardware solutions. This enables us to replicate these capabilities for partners in other markets for a significantly lower cost than the alternative options available for them. We intend to use our Ocado Smart Platform with partners internationally, harnessing the capabilities of our platform with partners' local retailing skills and attributes, enabling them to build sustainable, scalable and profitable online grocery businesses in their own markets.

Ocado Smart Platform offers to partners a faster, flexible and more cost-efficient way of entering or relaunching the online grocery market. By offering the only fully integrated end-to-end platform available, we are uniquely positioned to take advantage of the growing global trend of online food shopping.



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



View more information online at www.ocadogroup.com