

5. Our Retail Operating Model



	Order Interface	Order Processing	Fulfilment	Last Mile Solution
Overview	Easy to navigate web interfaces and mobile/tablet applications enhance the customer shopping experience	Powered by fresh thinking, we provide simple and convenient order processing to encourage repeat purchases	Our entire fulfilment process is optimised through the use of our proprietary equipment and software solutions and is operated through our large customer fulfilment centres	Our hub and spoke delivery network drives efficiency in our last mile solution and customer choice of delivery slots
KPIs	<ul style="list-style-type: none"> Average order size: £108.10 Active customer base: 580,000 	<ul style="list-style-type: none"> Average orders per week: 230,000 Order Accuracy: 99.0% ⬆ 	<ul style="list-style-type: none"> CFC efficiency: 160 UPH ⬆ Product waste: 0.7% ⬆ Ocado.com SKU count: >50,000 ⬆ 	<ul style="list-style-type: none"> Average deliveries per van per week: 176 ⬆ Delivery Punctuality: 94.9% ⬆
Value Proposition to Customer	<ul style="list-style-type: none"> Proprietary algorithms and data analytics personalise the customer experience Innovative webshop features from our extensive range of shop-in-shops (over 60) to help customers access products from niche suppliers to calorie saver options, which allows customers to switch out orders for healthier options at check out Our dedicated destination sites (Fetch, Sizzle and Fabled) allow for range extension beyond traditional grocery segments 	<ul style="list-style-type: none"> Precise one-hour delivery slots for customers to choose from (and now trialling even earlier options from 5:30am) Customised features such as PayPal logins and favourites imports to speed up order processing 	<ul style="list-style-type: none"> Automation and software throughout CFCs drives accuracy of pick Operational efficiency means cost savings can be reinvested in customer proposition Proprietary communications systems enables very fast automation communications for rapid order fulfilment Management control systems coordinate supply and inventory ordering systems, minimising waste 	<ul style="list-style-type: none"> Extensive delivery fleet ensures precise delivery slots can be selected and accommodated Market leading route optimisation and driver software Delivery vehicles are optimised to ensure maximum delivery capacity and fuel efficiency Proprietary software is utilised to ensure coordination of customer orders with contact centres
Growth Drivers	<ul style="list-style-type: none"> Constantly improving the customer proposition through technology innovations – utilising big data analysis and AI to personalise the customer experience Keeping abreast of alternative mediums to complete shop (e.g. Apple watch applications) 	<ul style="list-style-type: none"> Innovation and technology-led service and usability improvements 	<ul style="list-style-type: none"> Continuously innovating to drive efficiencies throughout the fulfilment process 	<ul style="list-style-type: none"> Last mile delivery optimised by expansion of CFC and spoke network Competitive prices on delivery proposition Ocado Smart Pass provides a bundled customer benefit membership scheme to encourage frequency of shop



Last Mile Solution



Operating Model Delivers Leading Performance

Our focus is placed on offering a compelling proposition to customers while driving the efficiency of our operations. Our model facilitates these two objectives and enables, what we believe to be, industry leading service metrics.

Suppliers and Operational Partners

We take pride in giving customers a huge selection of products from a vast range of brands. We aim to have an increasing number of products in each of our baskets that you cannot buy in any other supermarket. We are able to provide this best in class range because of the strength of our relationships with our suppliers, which vary from large multi-nationals to our private label selections, and smaller niche, international and speciality players. We currently work with around 2,000 different suppliers to service our Ocado, Fetch and Sizzle banners.

In August 2016 we launched our premium beauty site, Fabled, in partnership with Marie Claire. The strength of the Marie Claire brand helps us to work with suppliers spanning the beauty world, covering a large proportion of the luxury names within the premium beauty market.

We enjoy a long-term sourcing agreement with Waitrose (part of the John Lewis Partnership) that runs to 2020. This combines our respective product volumes to improve supply terms, and enables us to sell Waitrose branded products on Ocado.com. We pay Waitrose a sourcing fee under the agreement and deal directly with suppliers for the majority of the range.

Where We Operate – Our Locations and Coverage

Our current delivery area covers over 70% of UK households. We deliver as far north as York and as far west as Cardiff. We fulfil orders from our three centralised CFCs in Hatfield, Hertfordshire; Dordon, Warwickshire and our newly opened facility in Andover, Hampshire, which commenced operations in November 2016. We plan to open our fourth CFC in Erith, South London in FY2018. From these CFCs we deliver directly around a third of orders to local catchment customers, while the remaining orders are “trunked” to cross dock spoke sites from which local delivery takes place. We have 17 spoke sites; two were opened in FY16 which primarily service existing geographies. Around a third of our geography have same-day delivery slot availability.

- CFC Sites**
 1. CFC 1 – Hatfield
 2. CFC 2 – Dordon
 3. CFC 3 – Andover
 4. CFC 4 – Erith (opening 2018)
- General Merchandise Distribution Centres**
 - A. GMDC – Welwyn Garden City
- Spoke Sites**
 1. Leeds
 2. Knowsley
 3. Manchester
 4. Sheffield
 5. Oxford
 6. Bristol
 7. Peterborough
 8. Weybridge
 9. Wimbledon
 10. Park Royal
 11. Ruislip
 12. Enfield
 13. Dartford
 14. Dagenham
 15. Milton Keynes
 16. West Drayton
 17. Crawley



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