



Kesko Digital Hour

Jukka Erlund, Chief Financial Officer
Anni Ronkainen, Chief Digital Officer

1 December 2021



Business Operations Focused in Three Divisions

Retail sales ~ €14 billion

Building and technical trade



Grocery trade



Car trade

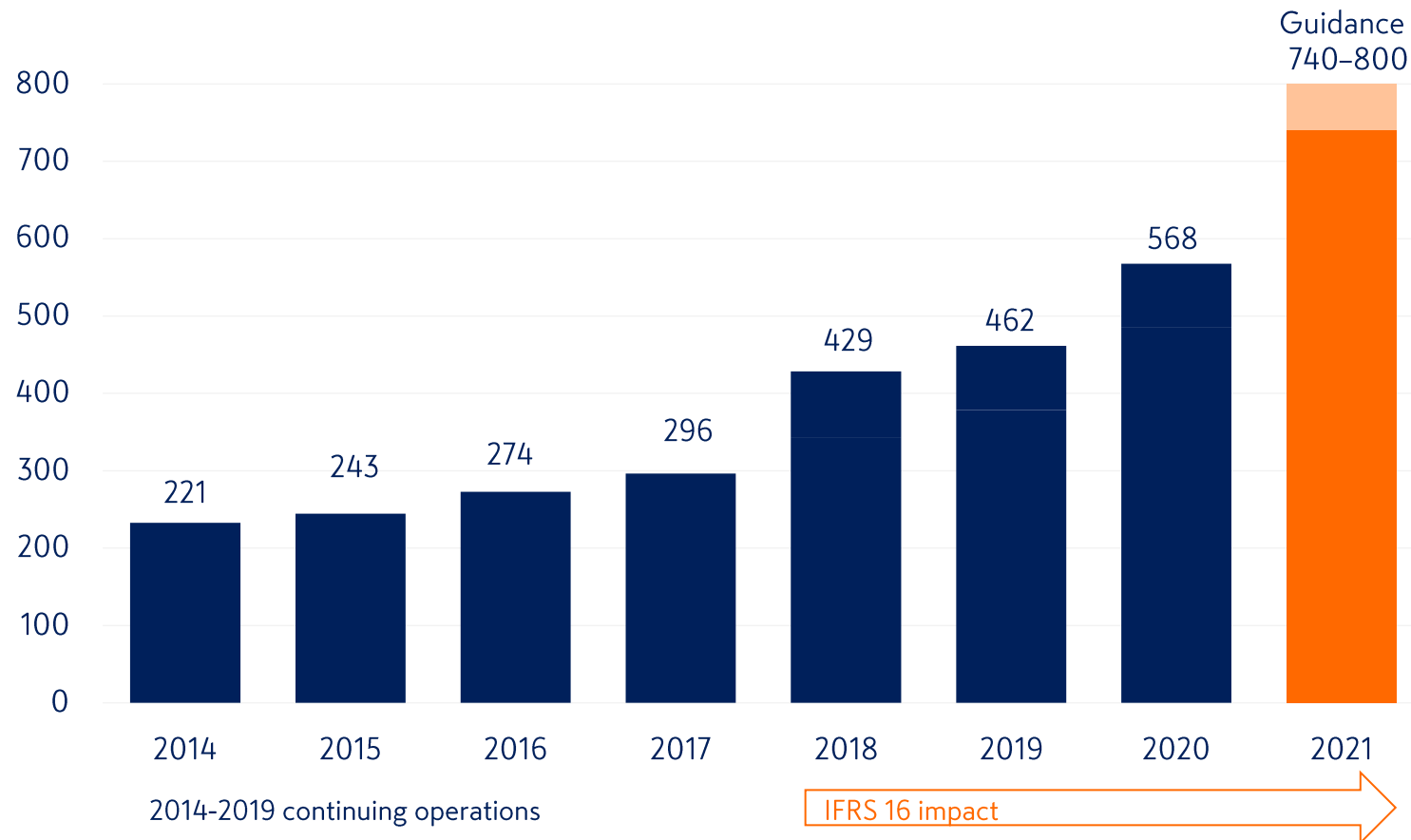


Digitalisation is One of Our Strategic Growth Drivers



Good Strategy, Digitalisation and Data Utilisation have Contributed to Our Strong Performance

Comparable operating profit
Reported figures, € million



Strong Strategy Execution Reflected in Sales Growth and Improved Efficiency

Plenty of further untapped potential

Retail sales growth
for core businesses
since 2014

€4.2bn

Steady cost ratio
improvement

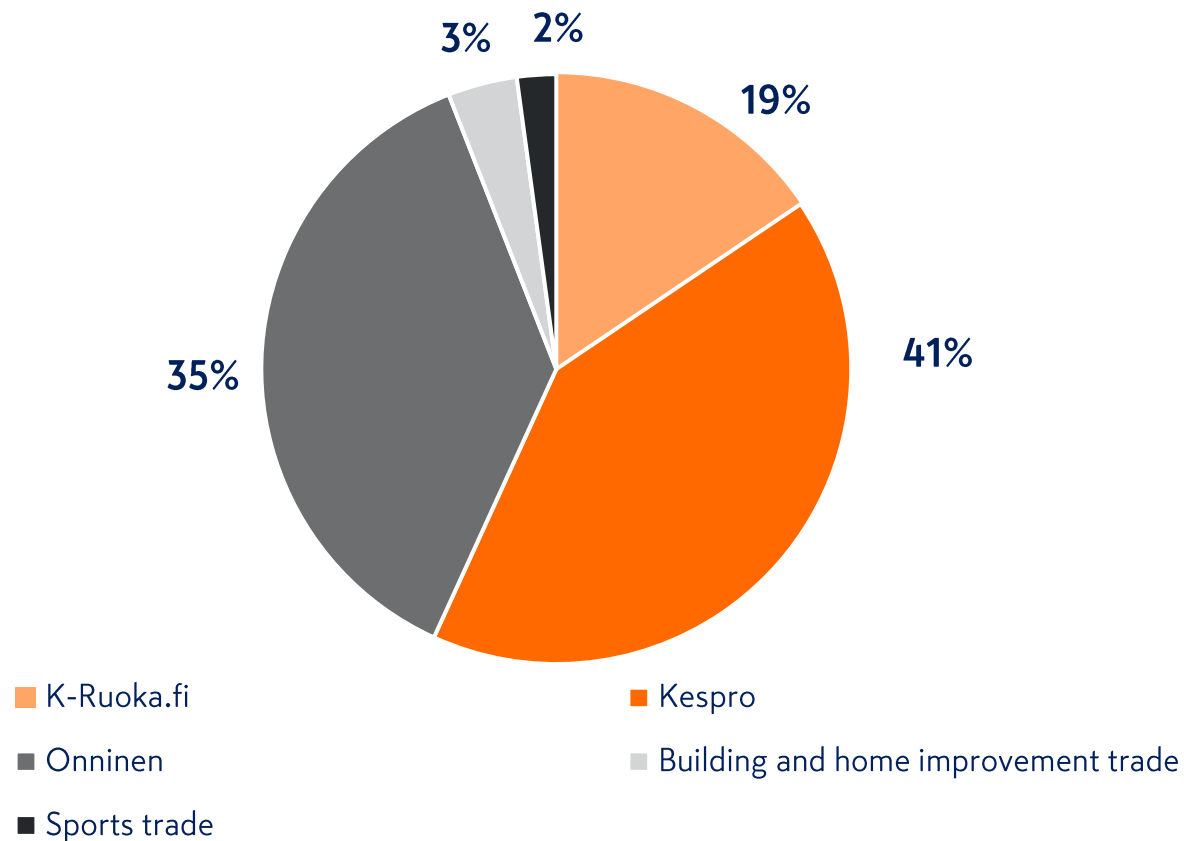
16.4%

2014: 19.2%

Digital Sales Now Worth €1.4 billion

Digital trade sales €1.4 billion

Q3/2021, rolling 12 months



- In B2B trade, particularly strong growth in Kespro's and Onninen's digital sales
- Strong online growth also in B2C:
 - K-Ruoka +55% (groceries)
 - K-Rauta +51% (building & home improvement)
 - Sports trade +51%

Figures Q3/2021, rolling 12 months

Forerunner in Trading Sector Digitalisation

We are using digitalisation to improve customer experiences and to make operations more efficient

Grocery Trade Well-Positioned to Continue Sales Growth

Online grocery sales will remain permanently above pre-pandemic levels and will continue to grow

Using customer data to create store-specific business ideas and to make everyday decisions on selections and pricing

Strong development of digital services and online sales also going forward

Strong Country-Specific Actions to Support Growth in Building and Technical Trade

Seeking profitable growth in all operating countries

Further developing digital services for the three customer segments: technical trade, builders' merchant, and DIY

Overall Industry Transformation and Our Own Renewal Supporting Growth in Car Trade

Our own renewal proceeding well, forming a basis for growth

Digitalisation and customer experience central to strategy

Driving further growth in new cars, used cars, and services



Digital and IT Driving Efficiency

Jukka Erlund, CFO

Kesko Digital Hour, 1 December 2021



Digital and IT Driving Efficiency

Realising synergies

Common architecture, core platforms and technologies

- Economies of scale
- Faster speed-to-market

IT sourcing, vendor management and IT service consolidation

- Driving lower unit costs in IT

Process efficiency & automation

Process re-engineering with common ERP platforms

Robotic Process Automation

- Over 200 processes in production

Process mining

- Finding process bottlenecks and further automation possibilities

Data and analytics

Data-driven business processes

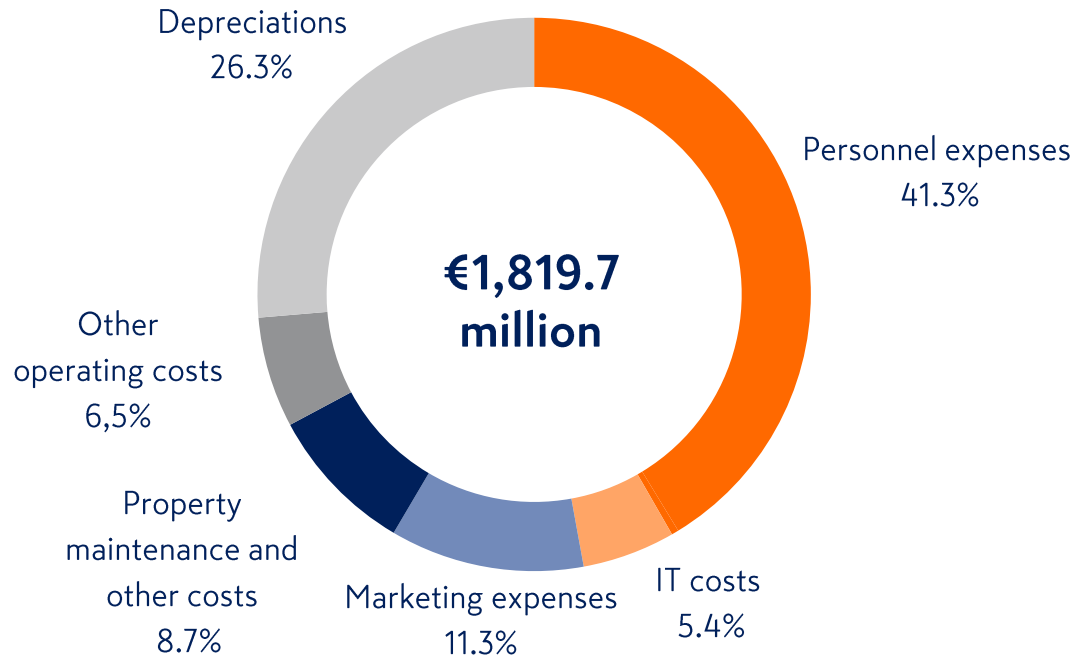
- Utilising algorithmic capabilities in core retail processes improves process efficiency and margins

Data-driven decision support

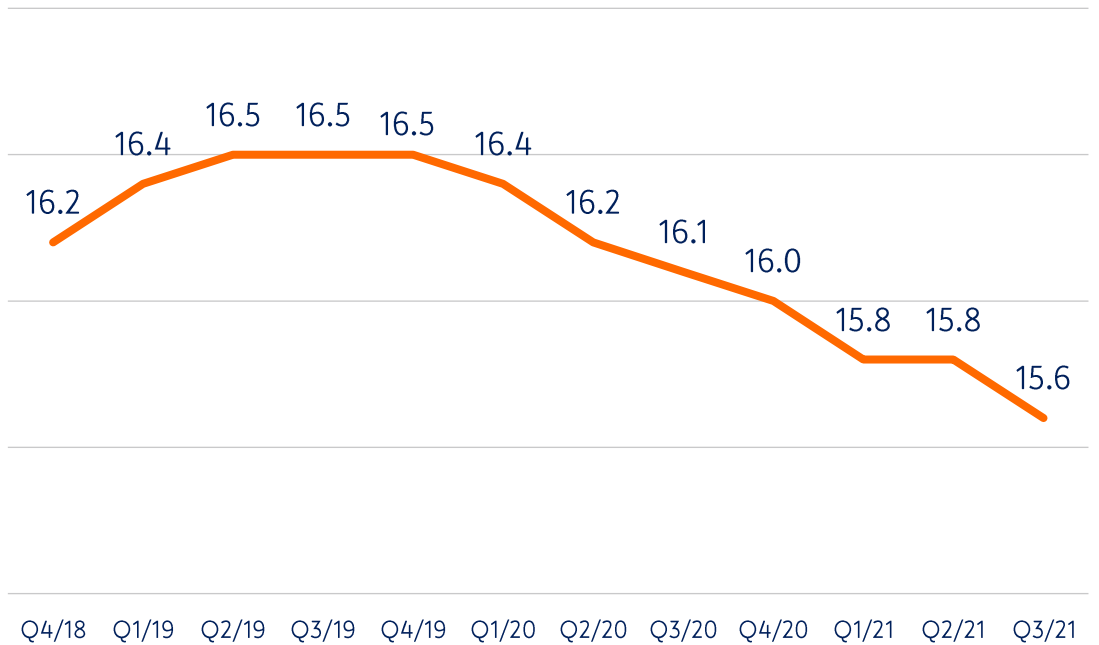
- Unlocking value of data with easy-to-use analytics

Reducing Unit Costs Further

Operating expenses



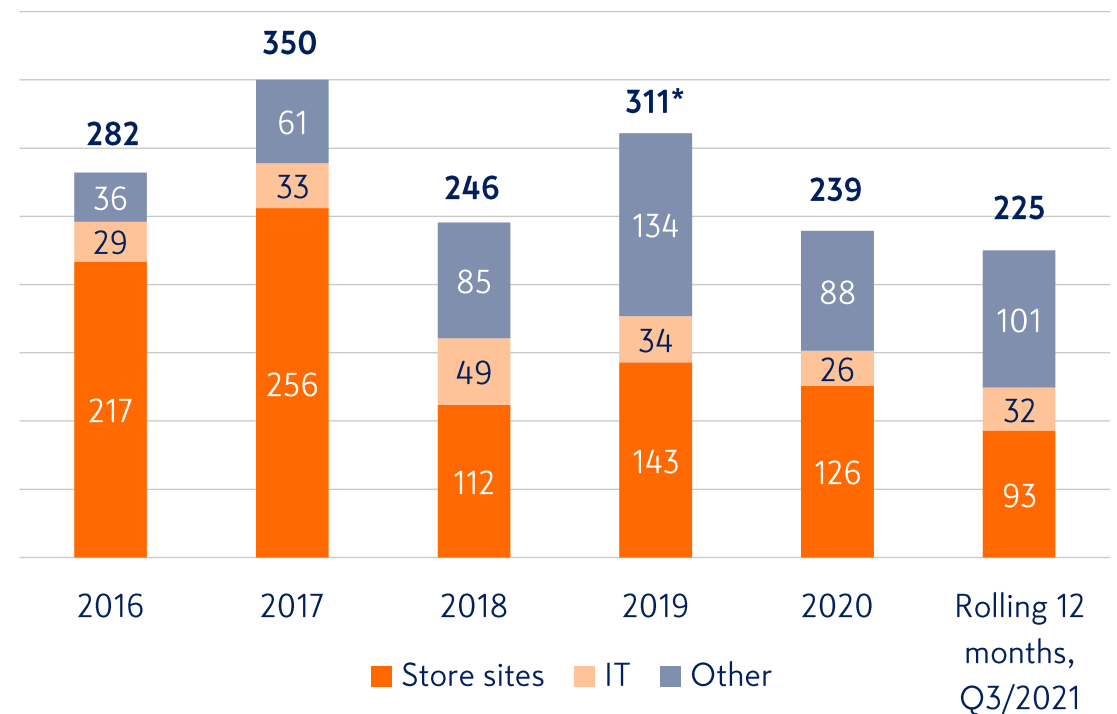
Cost ratio, rolling 12 months, % Illustrative and excl. acquisitions and divestments



Strategy-Driven Capex

- Driving growth with well-prioritised capex
 - In store site capex, focus on remodelling and new technology
 - In digital and IT, the objective is to improve customer experiences and cost efficiency
 - Focus on data, e-commerce, digital platforms and consolidating a common core
- Targeted acquisitions to boost market share growth and synergies

Capital expenditure (excl. acquisitions), € million



* Excluding Kruunuvuoren Satama store sites €85.3 million



For shopping
to be fun



Digitalisation at the Core of Our Strategy

Anni Ronkainen, Chief Digital Officer
Kesko Digital Hour, 1 December 2021



Digitalisation and Strong Customer Focus Are Crucial for Our Growth Strategy



Data is at the heart of everything

We aim to become a data-driven organisation. Data, analytics, and AI support our businesses at both strategic and operative level and give value to our customers.



Our Customer Loyalty Programme Is a Great Source of Data

2 million

customer encounters
every day in Finland
(Q3/2021)

3.3 million

active K-Plussa
loyalty customers in
Finland
(9/2020-9/2021)

23.2 million

visits at K Group's
FI-websites per month
(10/2021)

> 2 million

instances of feedback
from our grocery and
digital service
customers (1-12/2020)

38.6 million

registered purchases
per month at K Group's
grocery and K-Rauta
(FI) stores
(Q3/2021)

36 %

of K-Plussa Customers
are known and we can
reach them with
personalised marketing
(Q3/2021)

1.1 million

visits in the K-Ruoka
mobile app per week
(10/2021)



Data-Driven Grocery Trade



Our Data Adds Value to All Stakeholders, Not Just Customers



K Group

Business growth enabled by high-quality data and loyal customers



Customers

Added value and new services that help in everyday life and increase emotional connection



K-Retailers

Store-specific business ideas supported by high-quality data and new tools (e.g. K-Valikoima, K-Marketing, K-Campaigns) for strengthening the relationship with customers



K-Partners

New business opportunities enabled by data





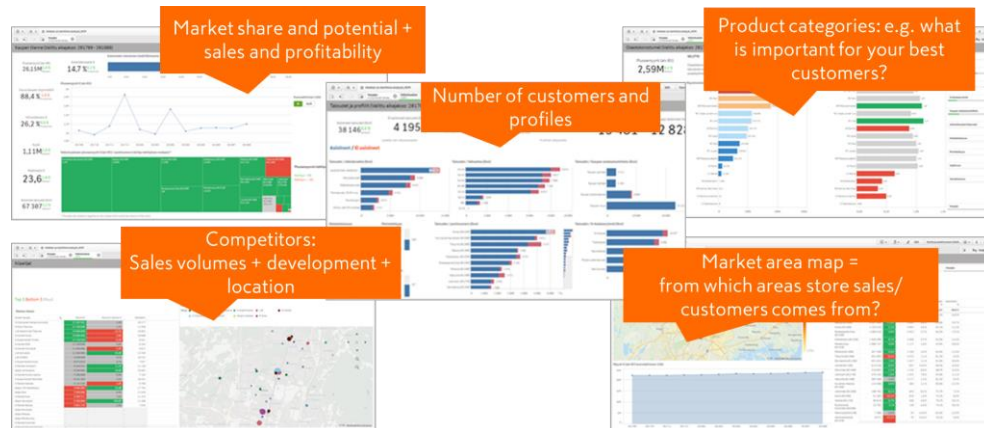
What we do with the data
CASE 1
Kesko and K-Retailers

Supporting Store-Specific Business Ideas with Data



Strong Support for Store-Specific Business Ideas and Data-Driven Decision Making (Example: grocery trade, K-retailers)

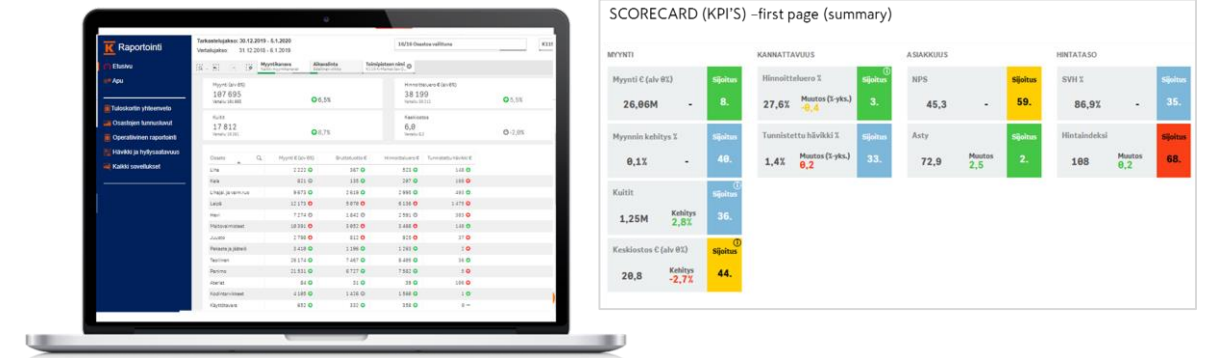
STRATEGIC DECISIONS



Strategic choices based on facts

K-retailers systematically develop and manage their store-specific business ideas = easy access to customer and market area insight/data

OPERATIVE DECISIONS



Day-to-day operative decisions based on facts

K-retailers have access to relevant data = Key KPIs, rankings, product level data

Digital Services for K-food Stores: Store-Specific Business Ideas Implemented with Easy, Modern Data Services and Tools



Mobile tools to help everyday work in the stores

Store staff actively involved in the development: best practices shared with all K-food stores

- Selections and product recommendations – K-Valikoima
- Promotions – K-Kampanja
- Targeted marketing – K-Markkinointi
- Online grocery operations – K-Deski
- Local suppliers and products – K-Tuote
- Customer feedback - Hymy
- Store reporting – K-Raportointi



What we do with the data
CASE 2
Grocery stores

The Digital Store Concept Aims for a Personalised and Inspiring Customer Experience and More Efficient Store Operations





Digital marketing screens – a new era of in-store media

- We are building the largest, most visible retail media across Finland
- In-store advertising optimally situated at points across the customer journey
- Showcasing store-specific business ideas, offering our partners new possibilities to utilise in-store media and charm customers



Electronic Shelf Labels (ESL) Make Store Operations More Efficient and Customers Happier

- Minimising errors in pricing, saving the store staff's time as shelf prices are automatically obtained from the cash register system
- Information on allergens automatically displayed for the customer e.g., lactose free, gluten free, vegan
- Freeing up time for customer service
- Saving paper; discarded data strips recycled into new plastic products

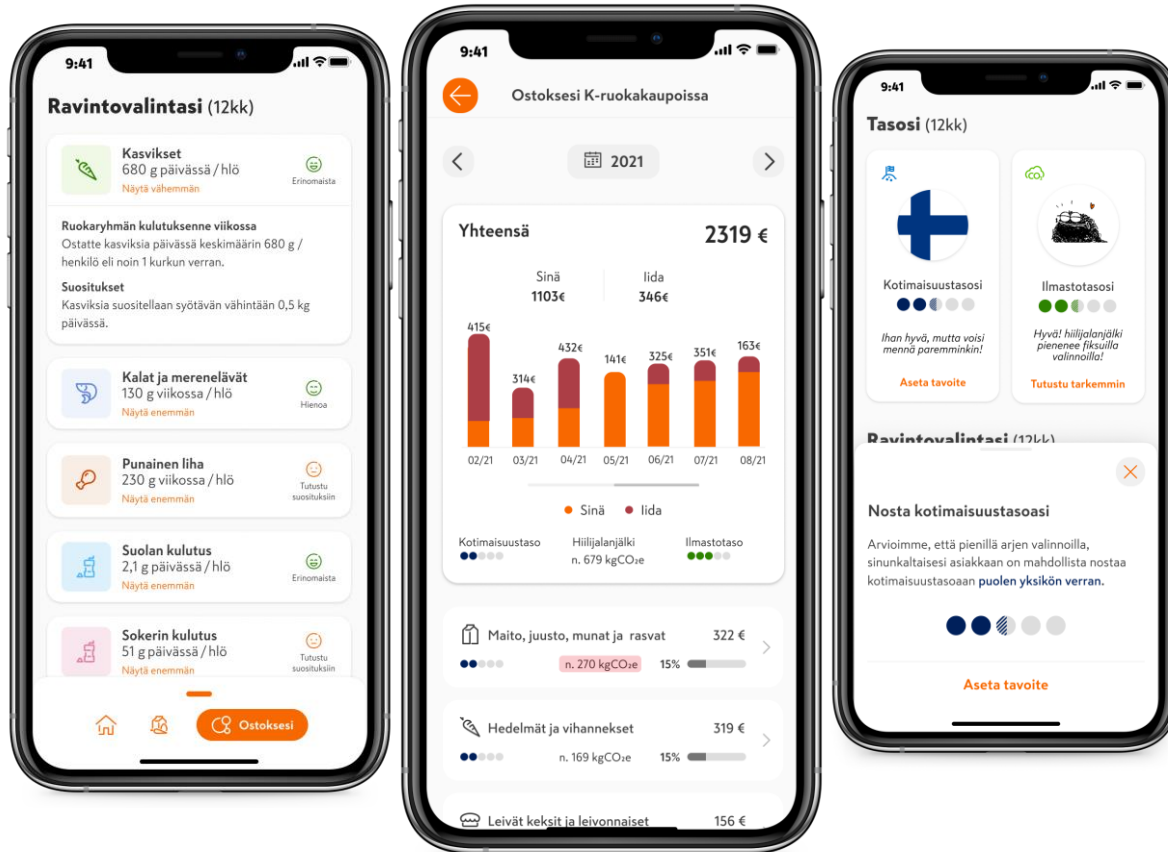


What we do with the data
CASE 3
Customers

Personalised Customer Experience in Digital Channels



Ostokset: Sharing the Data with Our Customers



Ostokset is a service in K-Ruoka mobile app enabling customers to:

1. What they have bought over the past 5 years – from a category level into a detailed product level.
2. The share of Finnish produce in their grocery purchases.
3. Set targets to increase the share of Finnish products in the shopping basket and get product suggestions on matching Finnish products (K AI).
4. How much they have bought red meat, sugar, salt, vegetables, fish and how purchases match with national health recommendations.
5. How many kilograms of CO₂ equivalent (carbon footprint) their grocery purchases have created.
6. Set targets to decrease carbon footprint and get concrete tips for achieving them.



Online grocery
CASE 4
Customers

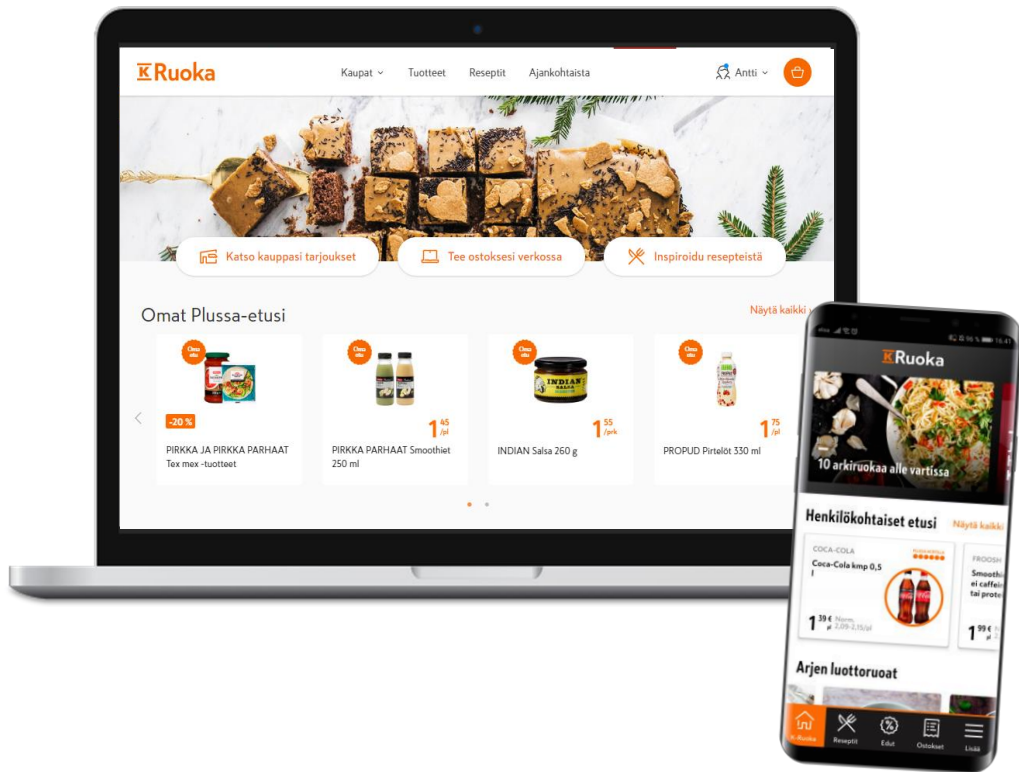
TILAA TÄNÄÄN
K-Ruoka
VERKKOKAUPASTA

Number One in Online Grocery in Finland

k-ruoka.fi/ka
K-Ruoka-so

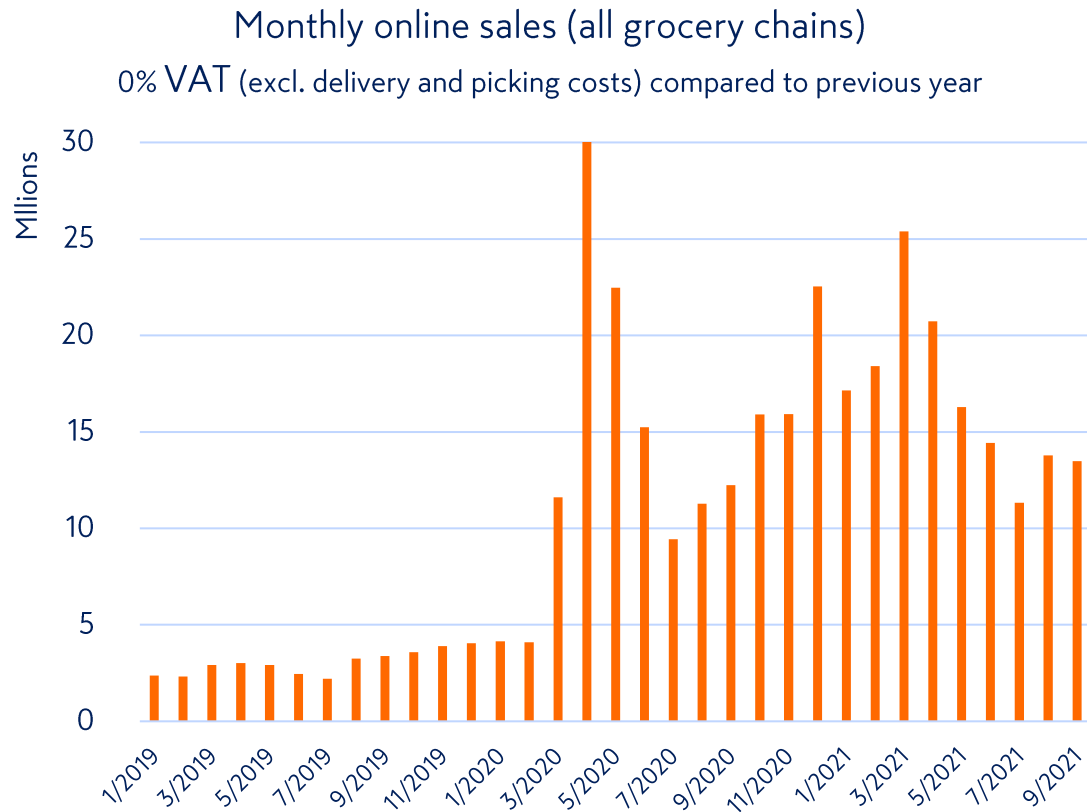


The Best Online Grocery Customer Experience on the Market



- The most user-friendly online store application on the market
- The biggest selection of up to 30,000 products with competitive prices
- Fast and reliable home delivery and click & collect services
- Nationwide store network enabling efficient home deliveries

K-Ruoka Is the Market Leader in Online Grocery in Finland



- 500 K Group grocery stores offering online grocery services (11/2021)
- Online grocery sales growth in 2020: +378% y/y, 1-9/2021: +25% y/y
- Customer satisfaction at a very high level: NPS 81
- K Group gained market leadership in online grocery in Finland. Market share 41% (2019) → 54% (2020)
- Online grocery sales are expected to remain at a high level post-pandemic and continue to grow – competition is intensifying

We Invest in the Development of Online Grocery



Digital customer experience

- Renewal of the K-Ruoka mobile application and K-Ruoka.fi website to support a seamless customer experience between channels and enhance store-specific business ideas and inspiration



Development of in-store picking

- Our target is to increase picking efficiency remarkably by implementing a customised picking system and optimising the store space with e.g. a fast-movers picking area
- Piloting of automated assisted picking Micro Fulfillment Center



Development of click & collect

- Our target is to increase click & collect volumes
- Curbside / drive-in pick-up, pick-up lockers and possible remote pick-up points



Last mile logistics

- Developing fast deliveries further
- Delivery planning and customer communication software for every store providing home delivery services
- Kesko-operated delivery service for high-volume stores

Online Grocery Fulfilment Models



Focusing on Three Online Grocery Delivery Models



Click & collect

Click & collect has been underdeveloped and overshadowed by home delivery

Share in all K-food stores 36% vs. 50% in Sweden
– only 20% in the Helsinki region

The development of click & collect services is important for further growth in online grocery



Home delivery

Preferred by customers

K-Transport in major cities for stores with high order volumes

Further development of home delivery services for a better customer experience:

1. Customer communication and delivery windows
2. Cost-effectiveness with e.g. route planning



Fast delivery

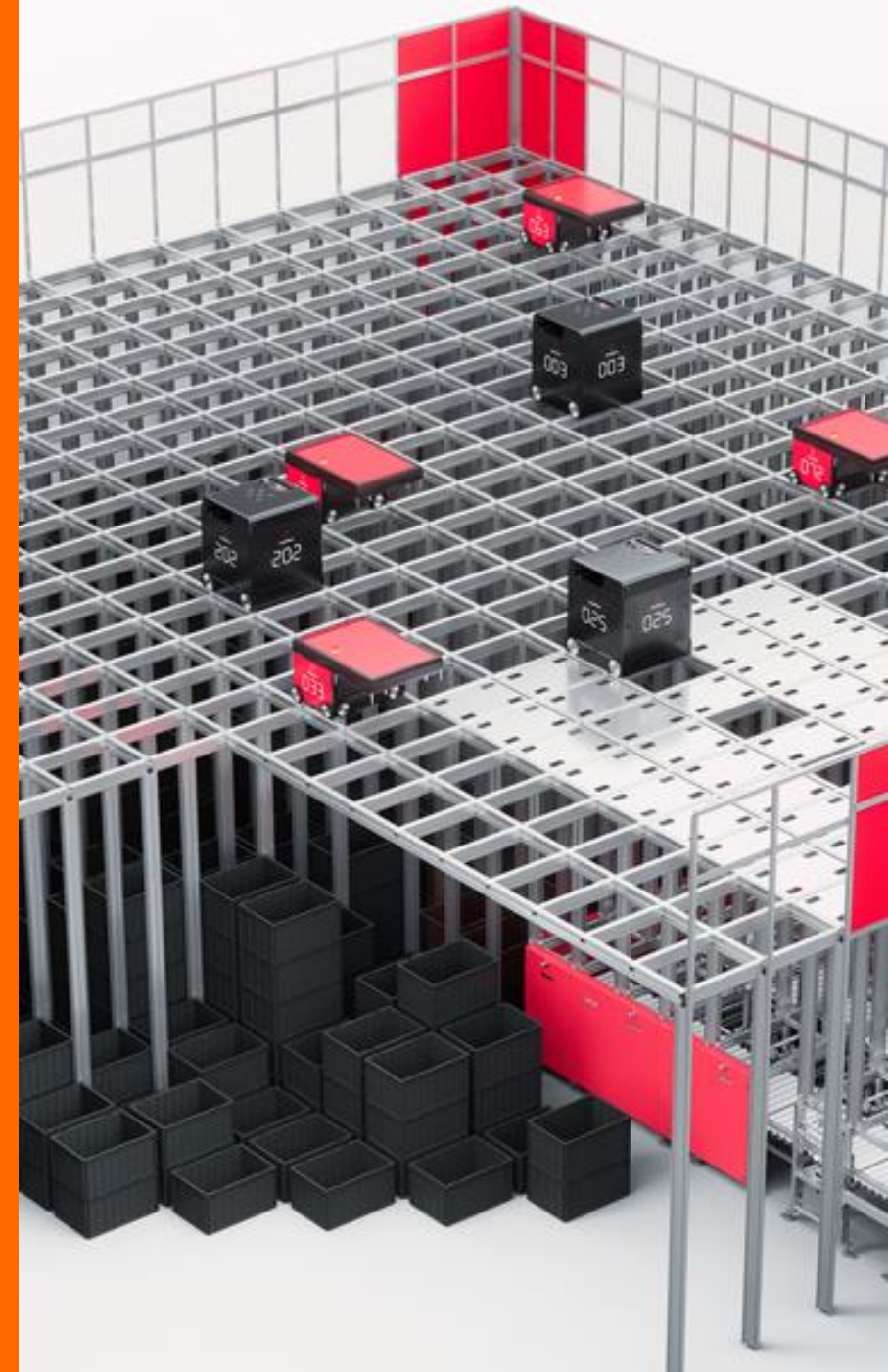
Fast deliveries a growing global trend

Developing fast deliveries further

Utilising our nation-wide network of local neighbourhood stores

Online Grocery Fulfilment Models – Micro Fulfilment Center

Localised selection delivered to a growing
customer base faster and more cost-effectively



Making Collection More Efficient with Automation

Finland's first in-store automation-assisted collection system currently being built in K-Citymarket Ruoholahti in Helsinki

- Includes 45 robots and is based on the Micro-Fulfillment Center concept used by e.g. Walmart, Tesco
- Will quadruple collection efficiency compared to manual in-store picking
- Access to the store's wide selections, including specialities
- Estimated investment ~ €10 million, completion in H1/2022, contract with Dematic



MFC Complements K Group's Competitive Advantages

Picking from three zones. Main volume from automation and fast-picking area to ensure cost efficiency*

Goods to person picking

- 50-60% of volume
- Picking efficiency 300-650 rows/hour
- Warm & chilled



Fast picking

- 25-35% of volume
- Picking efficiency 120-200 rows/hour
- All temperatures



In-store picking

- 5-10% of volume
- Picking efficiency 50-70 rows/hour
- Slowest moving & service counter articles, all temperatures



Marshalling and delivery

*) Efficiency estimates are based on average estimates provided by MFC vendors.



Digital sales
CASE 5
Kespro foodservice

Kespronet – One of the First and Biggest Large-Scale Digital Stores in Finland



Fast Growing Foodservice Wholesaler Kespro is Largely a Digital Player

One on of the largest online stores in Finland, established in 1999

Digital sales
€576 million

NPS **81**

Digital sales Q3/2021, rolling 12 months

Over 80%

of Kespro's sales through digital channels

Taylor-made view for each customer

Customer-specific:

- Selection
- Pricing
- Delivery times
- Logistical models

Conversion rate 75-80%



Digitalisation in Building and Technical Trade

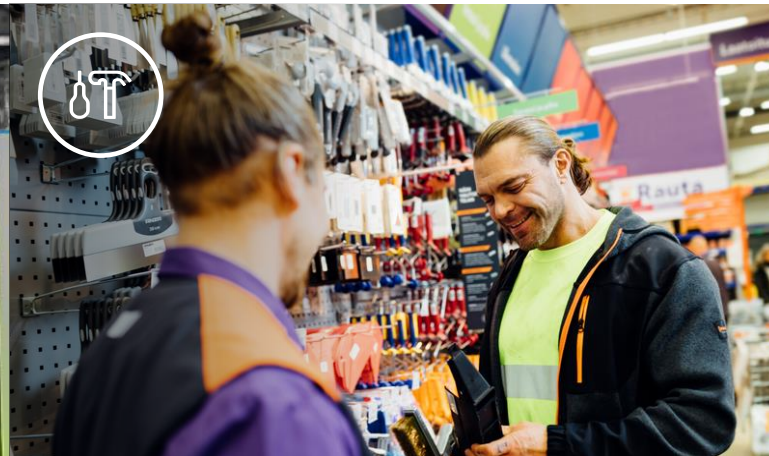


Digital Services Are Developed Based on Different Customer Needs

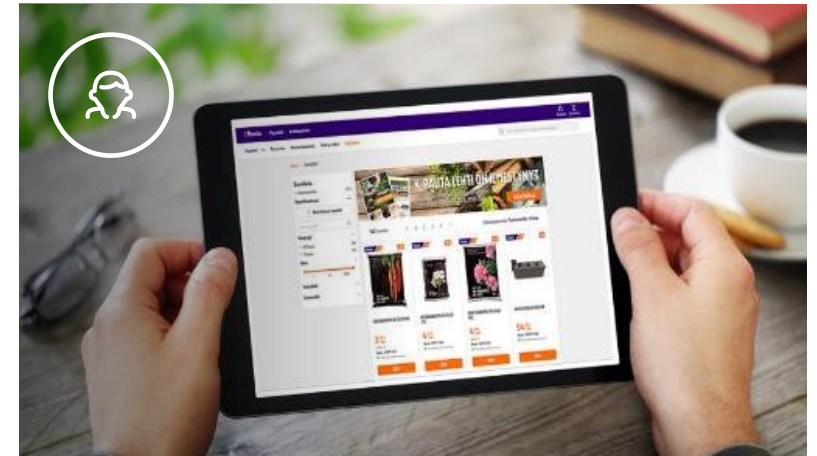
Technical professionals



Professional builders



Consumers



Customer needs:

- Wide selection
- High quality enriched product information
- Reliable deliveries at the agreed time
- Customer-specific pricing and selection
- Digital services

Customer needs:

- Comprehensive product information
- High quality products
- Smooth purchasing
- Good search function
- Wide selection
- Competitive prices and delivery fees



Digital sales
CASE 6
Onninen technical trade

Onninen – Strong International Digital Presence



Onninen Offers Extensive Digital Services

Extensive range of digital services for high demanding customers

Digital sales
€520 million

NPS **75**
in Finland

Over 38%

of Onninen's sales through digital channels

615,000

 products

Webstore:

- High quality enriched technical product information
- EDI, Punchout
- Tools for sales personnel
- OnniApp
- Integrations



Digitalisation in Car Trade



Transforming the Car Trade Business with Digitalisation at the Core

Digitalisation in car trade



New cars



Used cars



Services /
car service



Services /
spare parts



Marketing



Finance



IT

Digitalisation and Customer Experience Central to Car Trade Strategy

50%

of service bookings are made
through digital channels

Annual digital service sales

~**€25** million

NPS **64**

Digital channels

7 million visits

250,000 completed car configurations

40,000 sales and service leads

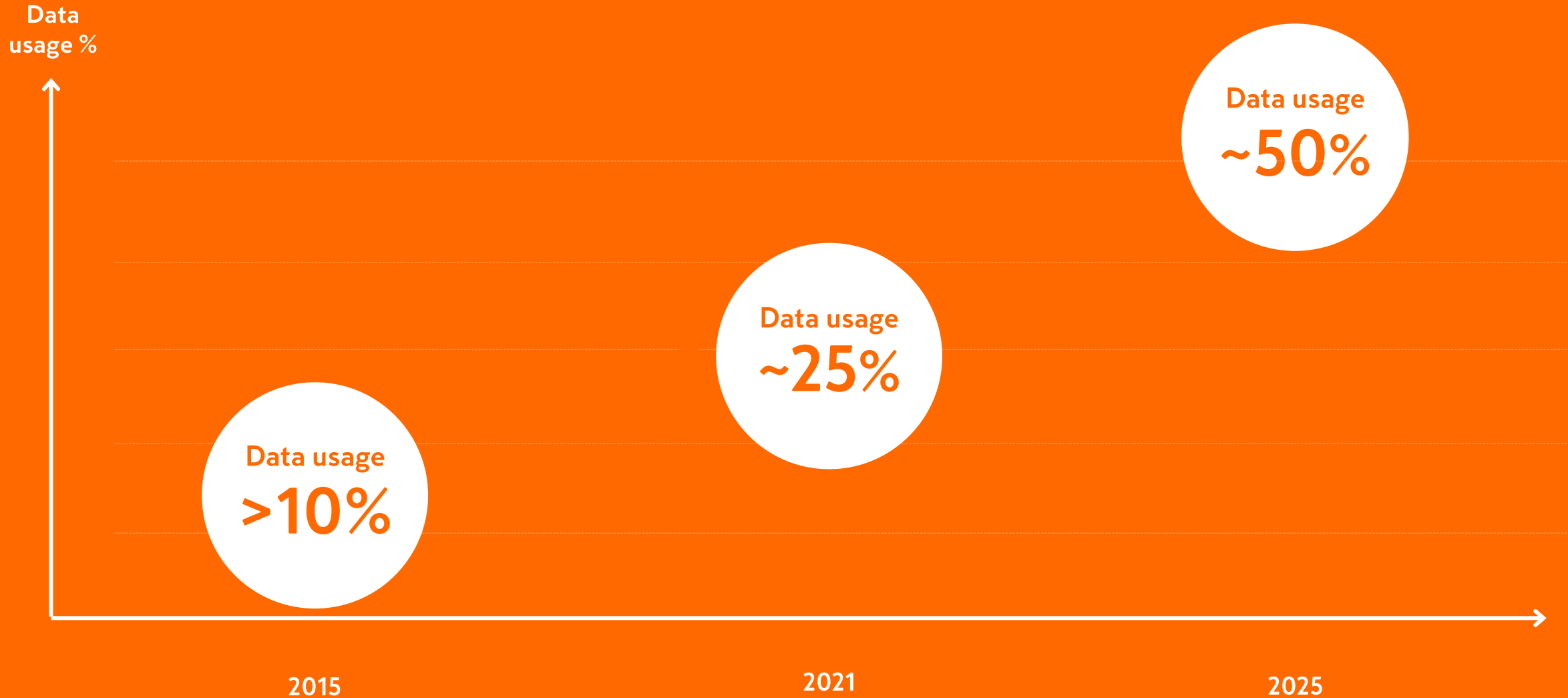
50% of media spend



Our Digital Journey Continues



Still Plenty of Potential in Increasing Data Usage Further





For shopping
to be fun