



Strong Growth in Online Grocery Sales

Jani Karotie, VP Retail Services, Grocery Trade

Room for significant growth – but taking the market environment into account

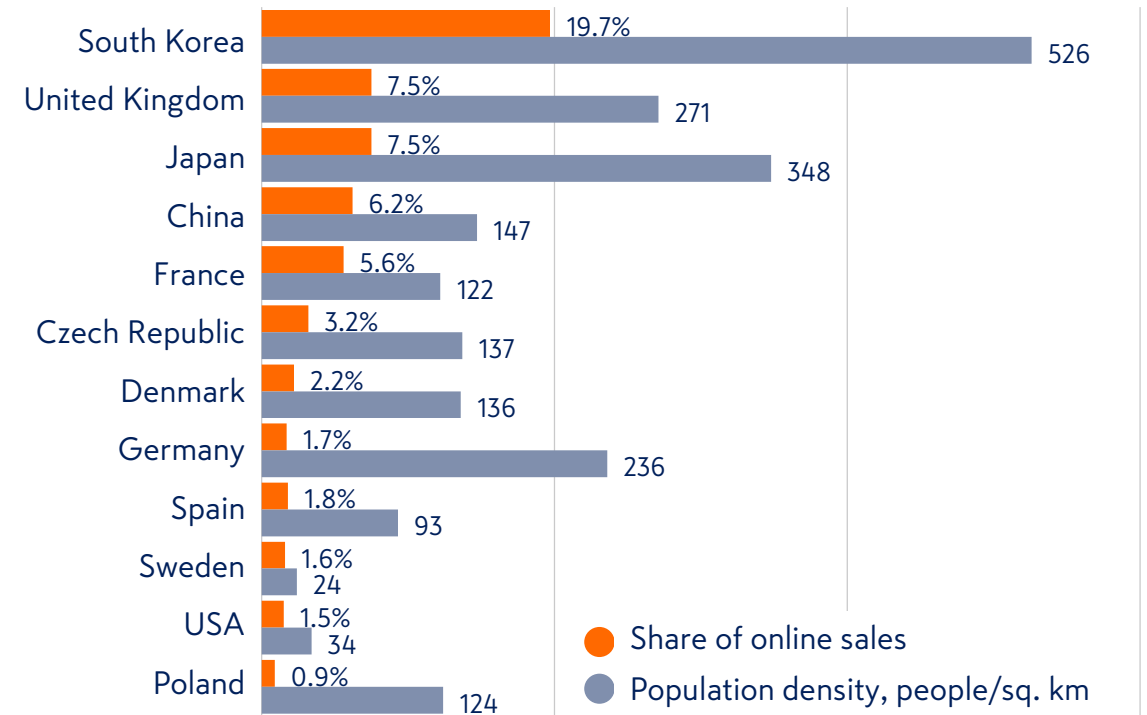
Online grocery sales in Finland are expected to amount to approx. €70 million in 2018, representing 0.4% of the total grocery market (Kesko estimate)

Total online grocery sales market up from €48 million in 2017 (Nielsen figure)

Compared to the leading markets for online grocery sales, population density in Finland is low – below 18 people per square kilometer, and there are a limited number of dense urban areas

This has an effect on which solutions are viable for providing services cost-effectively and profitably

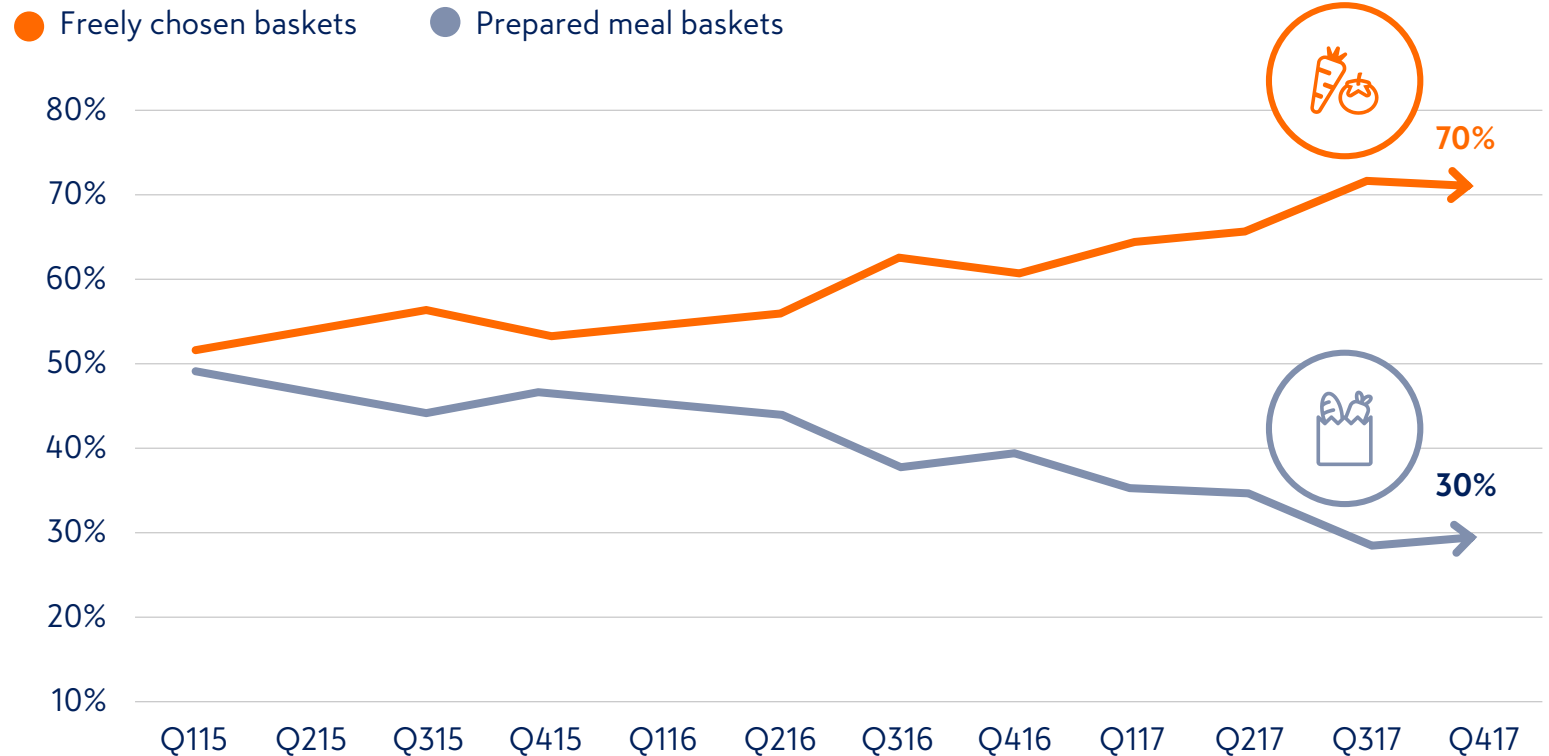
Share of online grocery sales and population density in selected developed countries



Which services are expected to prevail?

Companies offering prepared meal baskets are in difficulties - services do not fully fulfil customer needs

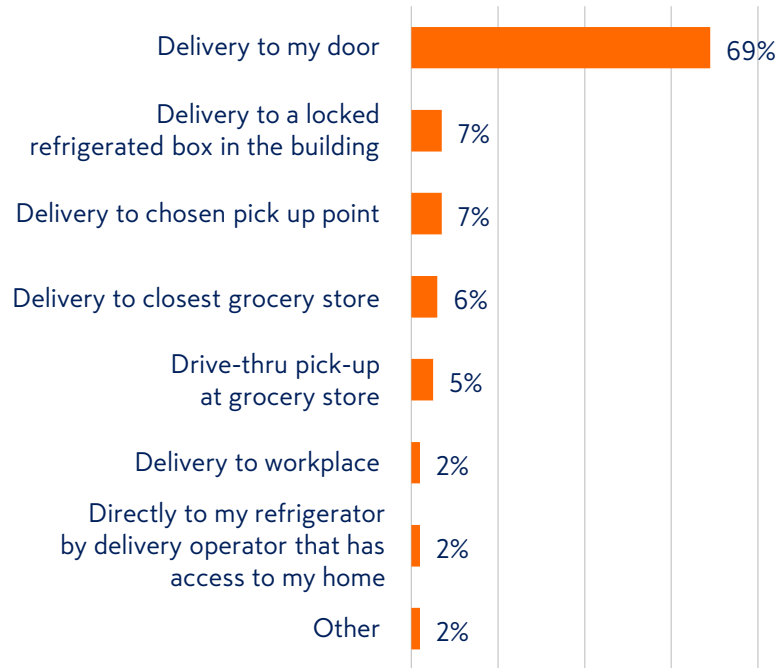
Share of freely chosen groceries and prepared meal baskets



Source for statistics: <https://dhandel.se/wp-content/uploads/2018/08/digitalmathandel-2018.pdf>

Home delivery or click and collect?

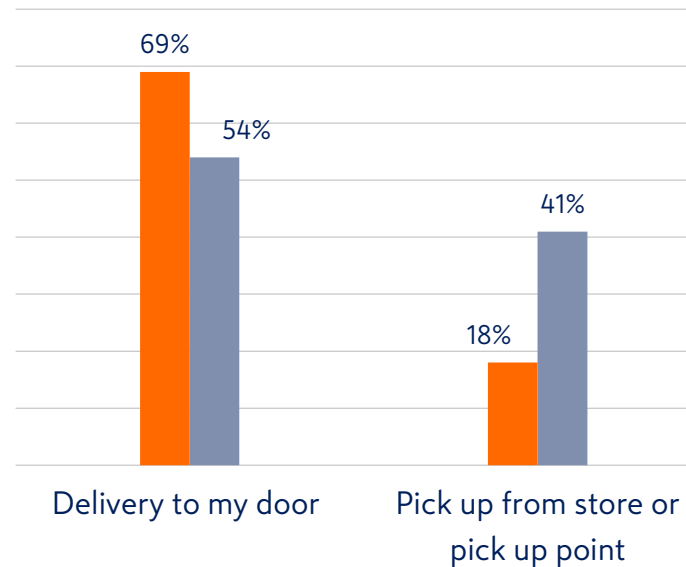
How would you like your groceries to be delivered?



Gap between reality and desired services regarding grocery online deliveries

Background: Has purchased groceries online before

● Desired service ● Reality



We offer both, but have invested substantially in building up home delivery services which make up **over 80% of our online grocery sales**

Source for statistics: <https://dhandel.se/wp-content/uploads/2018/08/digitalmathandel-2018.pdf>

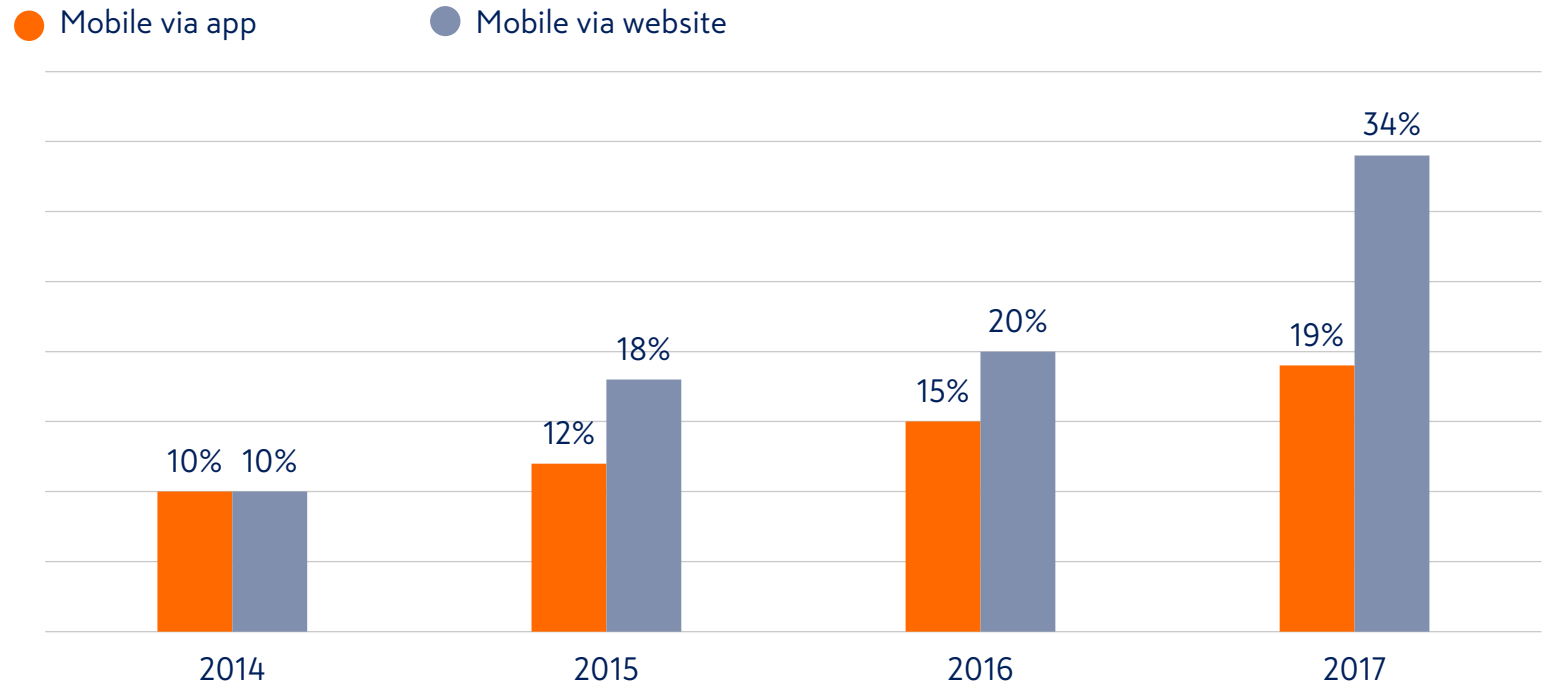
Web moves from PCs to mobile



Applications and web-based services are both important – apps have not superseded web

We continue to develop both and invest in integrating the shopping journey so that it is seamless between devices and platforms

Share of mobile users of consumers who have ordered groceries online
Background: Has purchased groceries online during the past 12 months



Source of statistics: <https://dhandel.se/wp-content/uploads/2018/08/digitalmathandel-2018.pdf>

The significance of online is growing

Physical stores and online are often seen as competitors – in reality there are no separate brick-and-mortar and online customers

The same customers utilise and mix the channels based on their current needs – our strength is that we are capable of offering both channels

Online supports customer loyalty as a whole and higher share of wallet – our online customers have also bought more from the physical stores than before

Although the level of online sales is still low, its share of sales growth is becoming more significant



Seamless omnichannel customer experience driving sales and loyalty

Connecting human encounters with advanced digital services generates a winning customer experience

Our goal is to provide:

- The easiest and most personalised customer experience online and in-store – enabled by AI and service design
- The biggest selection of grocery products and services for online ordering
- The widest network for deliveries and click & collect points
- The fastest service



A scalable model that fits the market environment

In order to fulfil online grocery orders effectively, we are utilising our existing store network

- K-retailers providing online grocery services as part of their business
- Kesko provides tools e.g. eCommerce platform, collection system, and marketing and process support

We are able to scale and adapt our online grocery business to suit market demand faster and more cost-efficiently

- Expansion to new cities and areas without major initial investments in warehouses etc.
- With the volume of in-store sales we are able to maintain a wide range of products that would be expensive or impossible with a separate warehouse model
- Fulfilment from store network supports fast and cost-efficient delivery from the nearest K-store



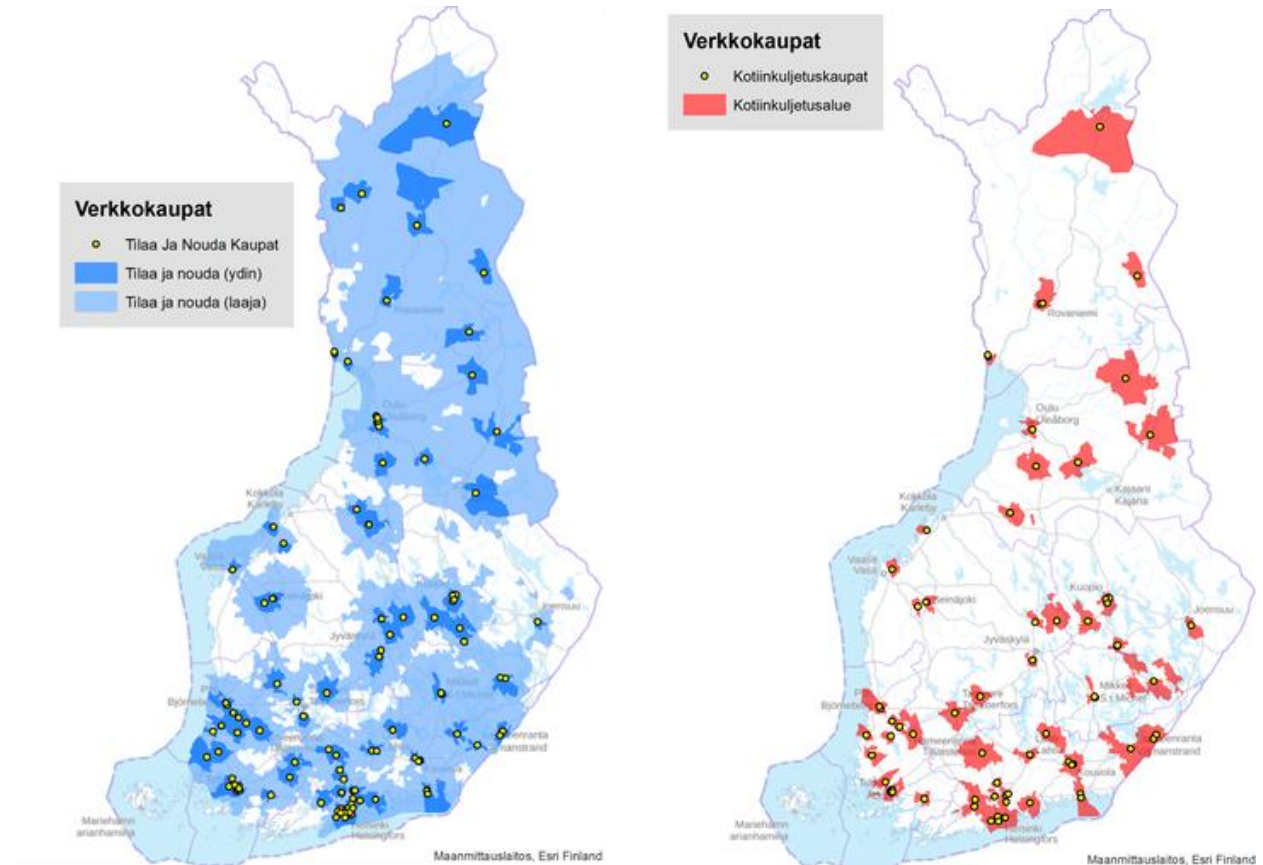
Services available to more than 3 million Finns

The largest selection of products and the widest network of stores

Click & collect services available to 80% and home delivery to 56% of Finns (situation 8/2018)

Currently, 146 K-stores provide online grocery services and the network is growing fast

- Click & collect: 131 K-stores
- Home delivery: 93 K-stores



Targeting market-leading position in Finnish online grocery sales

Our goal is to provide the most personalised and most convenient digital services

- Investments in the development of services enable the growth of the total online grocery market in Finland
- We expect online grocery market to continue to grow strong
- We aim to exceed market growth and gain an over 40% market share in online grocery sales



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