Digital development in Kesko

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3.6.2019

Kesko's growth strategy

VISION	We are the customers' preferred choice and the quality leader in the European trading sector

| STRATEGIC FOCUS AREAS | Profitable growth | Business focus | Quality and customer orientation | Best digital services | Sustainability and combating climate change | One unified K |

Grocery trade

Building and technical trade

Car trade

DIVISION PRIORITIES

- Most customer-oriented and inspiring food stores with store-specific business ideas
- Profitable development of store network
- Seamless multi-channel customer experience
- Development of the retailer business model as a competitive advantage
- Significant growth in the foodservice business

- Country focus with specified strategic actions
- Three customer segments served according their specific customer needs
- Synergies – within individual countries and between the operating countries
- Organic growth and profitability improvement
- Selected acquisitions to win a chosen country and segment

- Increasing business in cooperation with the Volkswagen Group
- Increasing own service and mobility business
- Best customer experience – in all channels

VALUE	The customer and quality – in everything we do

Digital development in Kesko

The power of consumers, data and mobile are changing the business
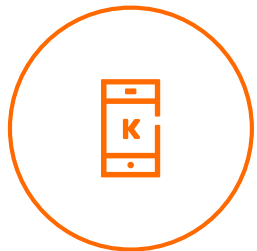
Increased **consumer knowledge and power**

Data and AI will change businesses significantly

Positive **customer experience** is crucial in every touch point

Mobility Customers are always online

Globalization and platforms are changing customer expectation and competitive landscape

Marketing technologies Are changing more rapidly than organizations

AI, data and analytics are our best friends

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Our customer loyalty program is a great source of data

1.5 million

customer encounters every day at our stores

3.6 million

K-Plussa customers

8.3 million

visits at K Group's websites per month

1,800

stores at eight countries

1.2 million

feedback from our customers at K Grocery stores and digital services

21.2 million

registered purchases per month

40 %

Of K Plussa Customers are known and we can reach them with personalized marketing

625,000

users of K Food application who have logged in.

The memory of the K Retailer

K-AI helps and inspires customers. It supports all our businesses in decision making and improves key processes.

K-AI use case examples/key processes
- Assortment planning
- Pricing optimization
- HR processes
- Logistics
- Marketing
- Risk management

Better decisions and efficient processes by K-AI
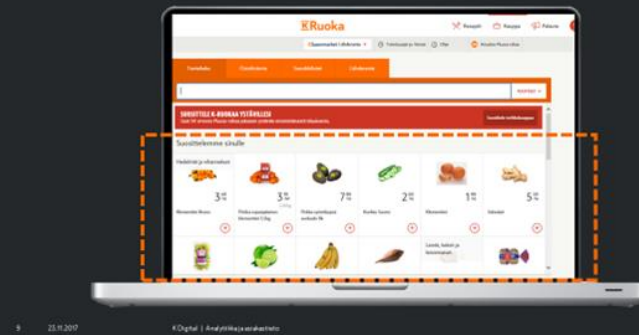- suggestions
- estimations
- automatisation

Improved customer experience in every touch point within customer's shopping journey

What do we do with the data?
We create a more personalized customer experience.

PERSONALISED BENEFITS

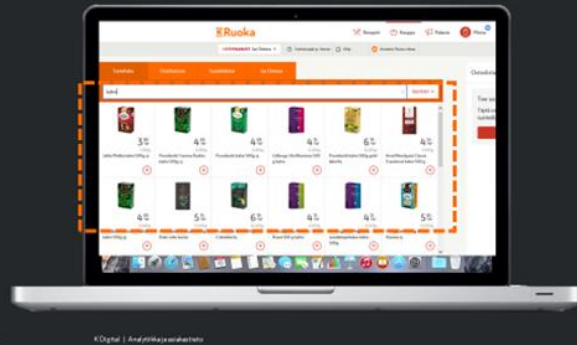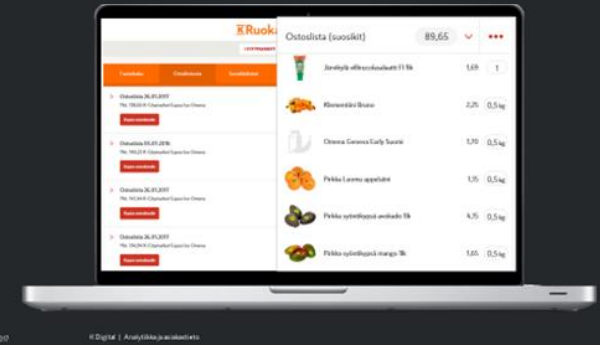PERSONALISED SUGGESTIONS

OWN RECIPES (RECOMMENDATIONS)

PERSONALISED SEARCH

RELEVANT CONTENT

OWN FAVORITES AND SMART SHOPPING LIST

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K-Ostokset – sharing the data with our customers

- K-Ostokset is a new service that allows our customers to track their purchases at K-stores, and helps them understand how those purchases affect their own wellbeing and the world around them
- The first service feature tells customers how much Finnish products they are buying and how that compares to the purchases of other people – thus encouraging them to buy more Finnish food
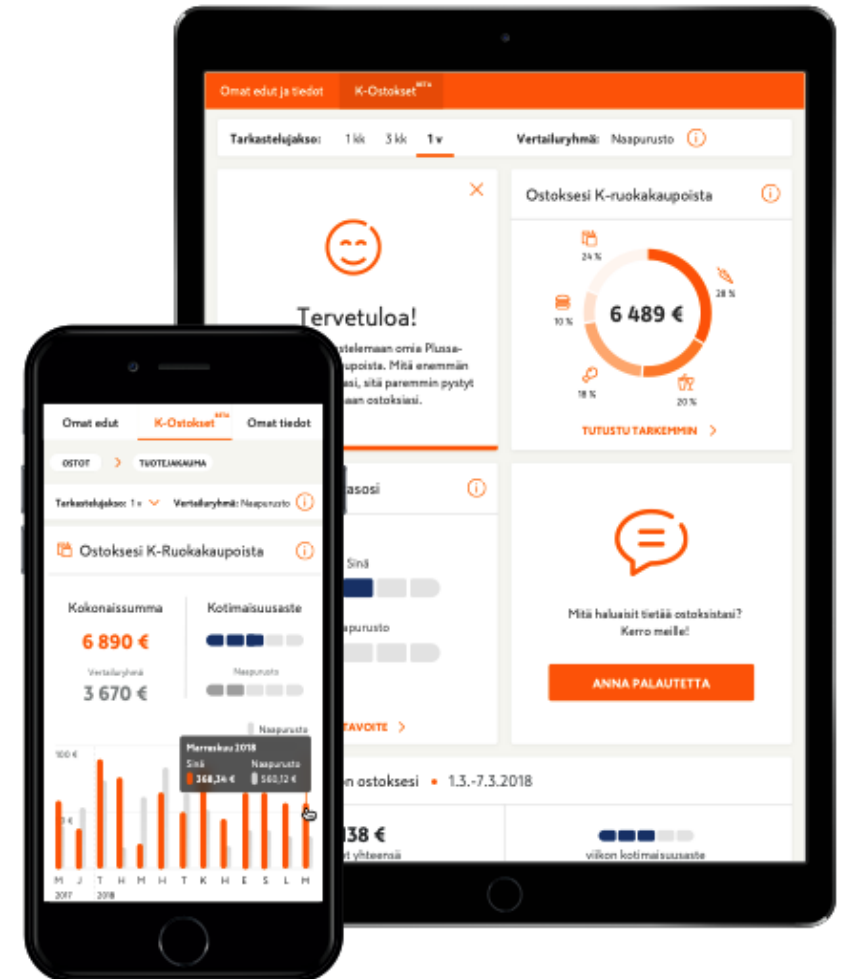
The product information we have offers even more possibilities for future service development.

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Product information offers countless possibilities to benefit our customers and strengthen the customer relationship

Pirkka Parhaat Mozzarella di Bufala Campana 220g/125G

2,45 /kpl

19,60/kg

Pirkka Parhaat Mozzarella di Bufala Campana on puhvelinmaidosta valmistettu laadukas italialainen mozzarella. Rakenteensa ansiosta sitä voi viipaloida tai repiä. Nauti mozzarella klassiseen tapaan tomaattisalaatissa basilikalla ja oliiviöljyllä maustettuna tai käytä sitä ruuanlaitossa esimerkiksi pizzaan.

Tuotetiedot

Ainesosat

Vesipuhvelinmaidosta valmistettu mozzarellaAinekset: pastöroitu vesipuhvelinMAITO, hera (MAITOvalmiste), suola,juoksute. Rasvapitoisuus 23%.

Säilytys- ja käyttöohjeet

Säilytys/Förvarding: alle/under +8 C

Alkuperämaa/valmistusmaa

Italia

Valmistuttaja

Kesko Oyj
PL 1
00016 KESKO

EAN

6410405081261

Ravintosisältö

Ravintosisältö per 100g/100ml

Energia	1120 kJ / 270 kcal
Rasva	23 g
josta tyydyttynyttä	16 g
Hiilihydraatit	0,7 g
josta sokereita	0,7 g
Proteiini	15 g
Suola	0,8 g
Laktoosi	0,7 g

Koostumustiedot

Rasvapitoisuus	23%

Ravitsemukselliset ominaisuudet

Vähälaktoosinen

The role of e-commerce in K Group

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Different business areas, different approaches to e-commerce

Grocery trade

Building and technical trade

Car trade

Purchase offline & online

Research online, purchase offline & online

We measure the value of the customer – not only the value of the channel

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E-Commerce in Grocery Trade

K's online grocery store model

- Online grocery services as part of K retailers' business

- Emphasis on personalized customer experience – both digital and personal

- The biggest selection of grocery products and services for online ordering

- The widest network for deliveries and click & collect points + fastest service

# A scalable and adaptive model

- Expansion to new cities and areas without major initial investments in warehouses etc.

- The volume of in-store sales enables a wide range of products without separate warehouses

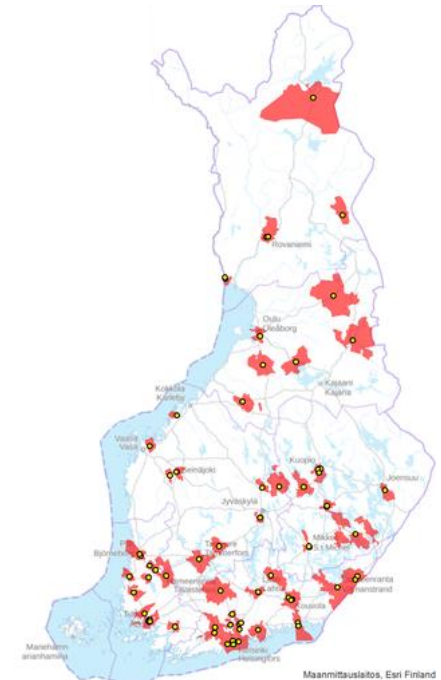- Fulfilment from store network supports fast and cost-efficient delivery from the nearest K-store

Services available to more than 3 million Finns

- Online grocery services in **185** K-stores - network growing fast

  - Click & collect: 166 K-stores /

  - Home delivery: 113 K-stores

- Click & collect services available to **80%** of Finns

- Home delivery available to **56%** of Finns

Click & collect stores and their main sales areas
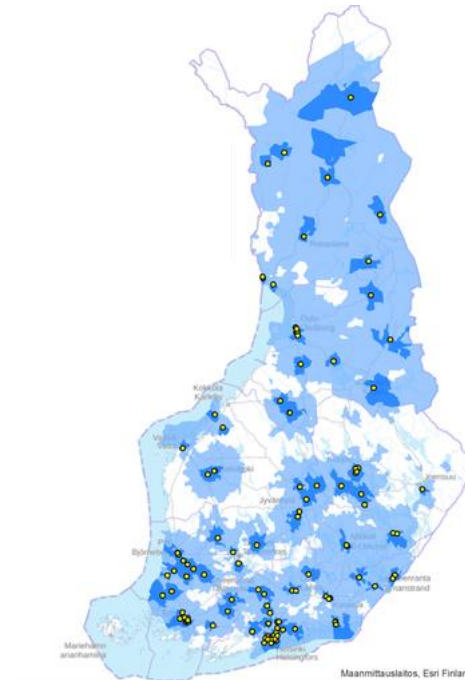
Home delivery stores and their delivery areas

**An omnichannel customer spends more in K grocery stores**

Timely deliveries and proactive communication as a key focus area

- Real-time monitoring of the delivery during the last hour

- Proactive customer information in relevant stages of the process

- Feedback requested after each delivery

  - Average 4,5/5 stars

- Currently piloting a fast delivery model
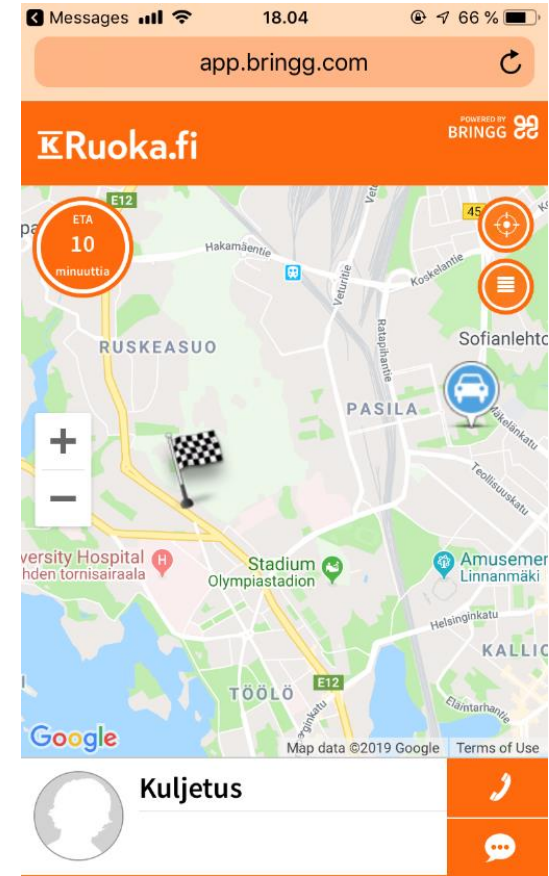
Our online grocery store growing strong

Online grocery sales
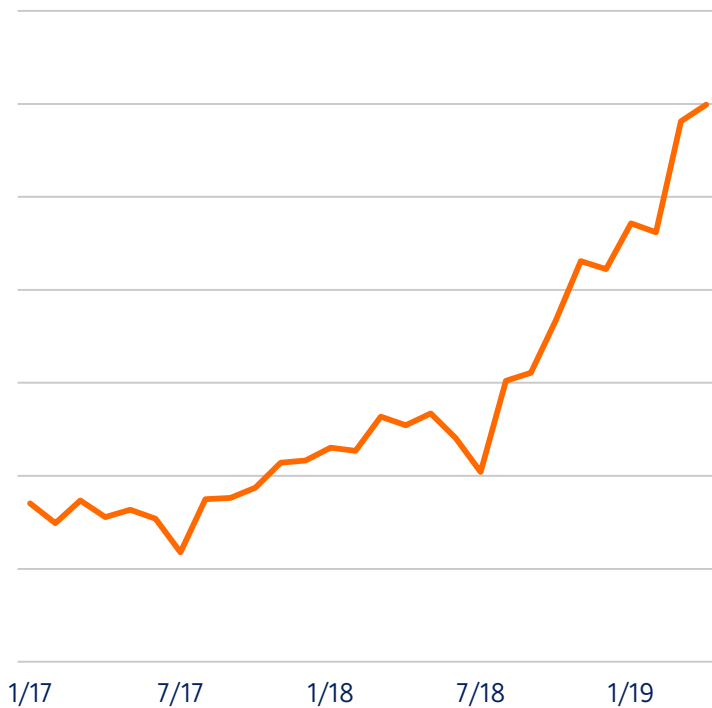
Sales growth 1-4/2019
117%

Sales growth 2018
72%

NPS 1-4/2019
74

Monthly sessions in the K-Ruoka online store site

E-Commerce in Building and Technical Trade

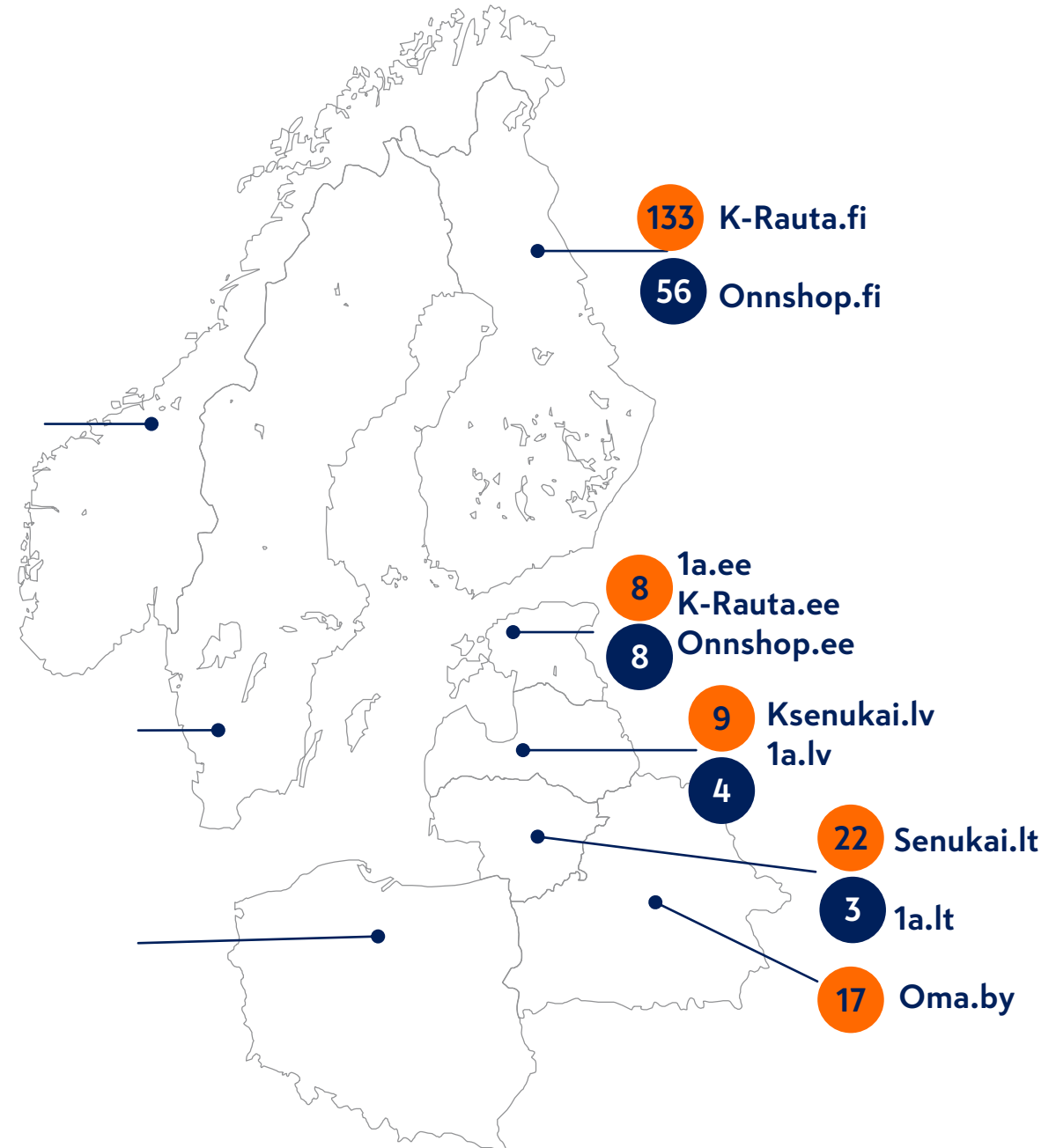# BTT store network and e-commerce services

11 consumer online stores

1 online store for professional builders

5 online stores for technical trade

Number of stores per chain /country

- Technical professionals (navy)
- Professional builders (grey)
- Consumers (orange)

65 Byggmakker.no
Proff BM Portalen

25 Onnshop.no

17 K-Rauta.se

14 Onnshop.se

35 Onnshop.pl
Onninen.pl

133 K-Rauta.fi

56 Onnshop.fi

8 1a.ee
K-Rauta.ee

8 Onnshop.ee

9 Ksenukai.lv
1a.lv

4

22 Senukai.lt

3 1a.lt

17 Oma.by

Note: Sweden prior to announced divestment of Onninen's HEPAC business and acquisition of Fresks.

The role of digital solutions will grow in all target groups – needs and solutions differ

Technical professionals

Seeking for technical information and trusted expertise – expect omnichannel experience

- E-commerce, EDI, Punch-Out, Consignment-stock solutions. Customer-specific pricing
- Reliable next day delivery

NPS 1-4/19
OnnShop.fi 64
OnniApp 71

Consumers

Looking for inspiration and instructions. Research online, purchase offline or online. Expect seamless omnichannel experience.

- Product information. Availablity checking. Fast click & collect. Easy home delivery for big items.

K-Rauta.fi (4/19)sales
+91%

Data-driven marketing creates personal experiences

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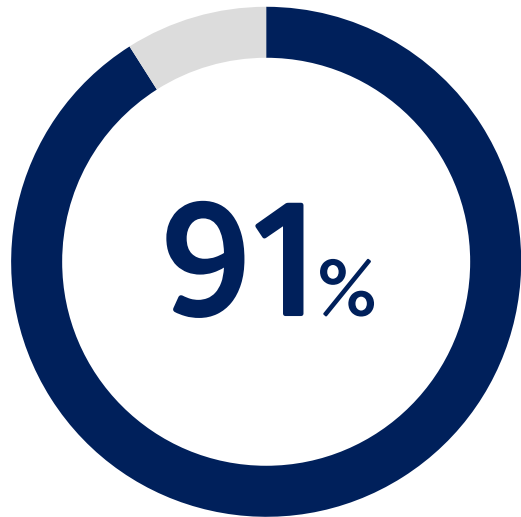
Our customers' media consumption has changed

45% of daily media consumption is digital

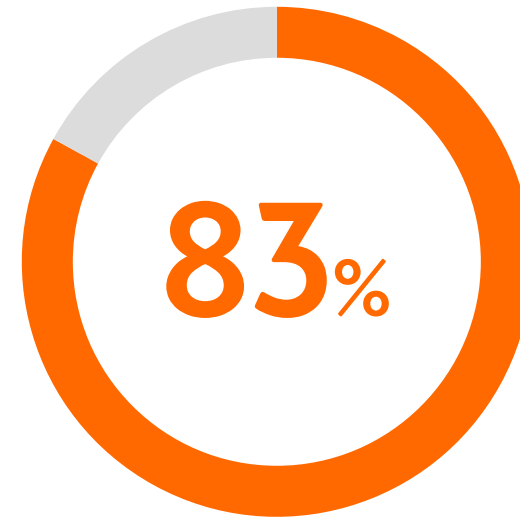**65%** consume evening papers online (25-44 y/o)

Facebook **64%** Reach in K-Plussa customers (TV 66%)

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A customer experience based on true insight is valuable both to the customer and the company

91%

of customers would rather engage with a brand that understands him/her and is able to offer relevant offers and recommendations*
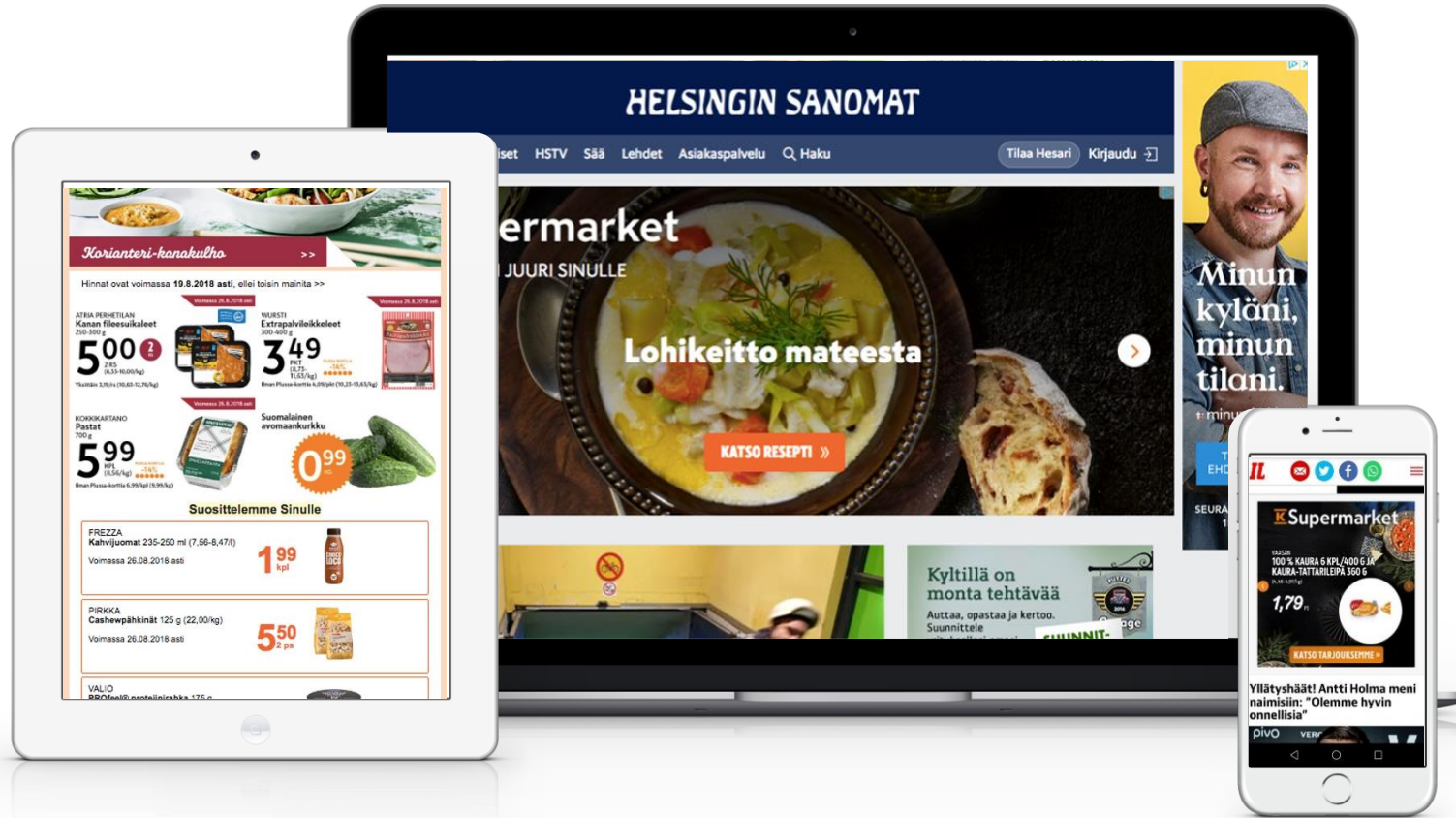
83%

of customers are willing to share their information with the company to gain a personal customer experience *

*) Accenture 2018: Pulse Check

We have consistently lowered investment in leaflets and grown investment in digital marketing – with good results

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We do data-driven marketing even in mass media

The winners of tomorrow are those who master the combination of highly developed digital services and positive human encounters.

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Additional Information

Q2/2019 half year report
24 July 2019

Q3/2019 interim report
24 October 2019

In addition, the Group's sales figures are published monthly and K Group's retail sales quarterly

Kesko observes a 30-day silent period

Materials and events: **www.kesko.fi/en/investor**

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