



Digital development in Kesko

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CDO, Kesko 13.12.2019

Kesko Group 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

DIVISION PRIORITIES



Grocery trade

- 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



Building and technical trade

- 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



Car trade

- 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

The power of consumers, data and mobile are changing the business



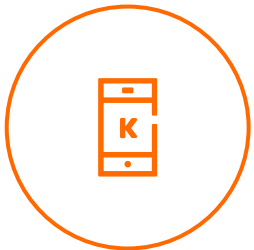
Increased **consumer knowledge and power**



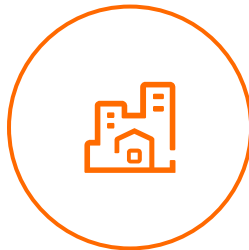
Data and AI will change businesses significantly



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

TUORETORI



AI, data and analytics
are our best friends

Our customer loyalty program is a great source of data

1.7 million

customer encounters
every day at our stores
(9/2019)

3.5 million

K-Plussa customers

17.6 million

visits in K Group's
websites per month
(9/2019)

1800

stores in eight
countries

1.2 million

feedback from our
customers at K Grocery
stores and digital
services

32.6 million

registered purchases
per month
(9/2019)

40 %

of K Plussa customers
are known and we are
able to reach them
with personalized
marketing
(9/2019)

710 000

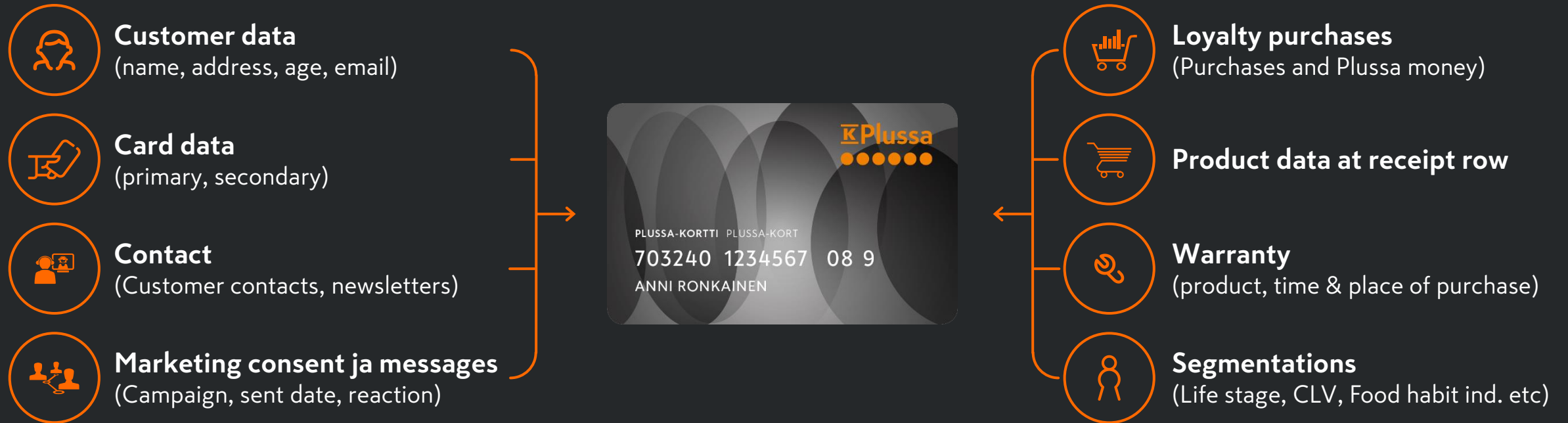
K Food application
users who have
logged in
(9/2019)



**The memory
of the K
Retailer**

With Plussa, K-group accumulates both customer and purchase data.

For everyday to be smooth and rich in experience



In addition to Loyalty data, the K Group has a significant amount of product-, research-, web browsing-, competitor- and external data



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
- automatisisation

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

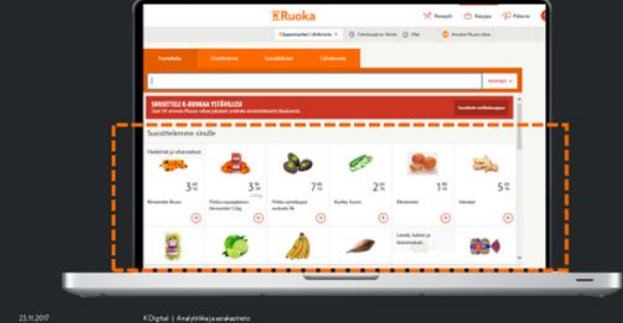
What do we do with the data?

We create a more personalized customer experience

KAI ► PERSONALISED BENEFITS



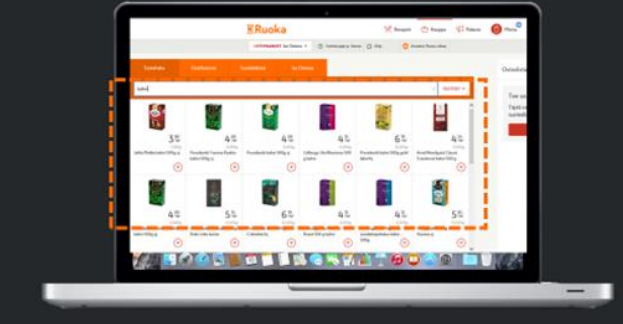
KAI ► PERSONALISED SUGGESTIONS



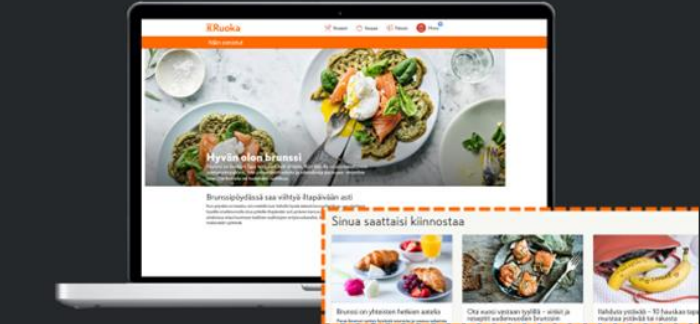
KAI ► OWN RECIPES (RECOMMENDATIONS)



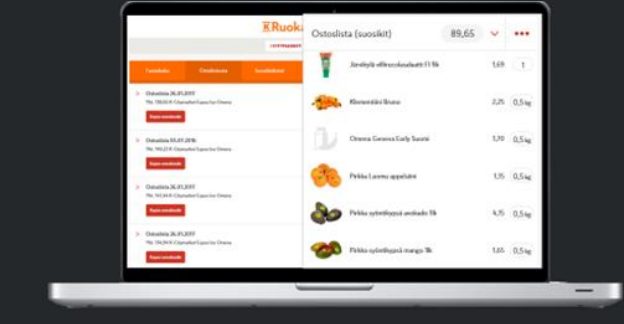
KAI ► PERSONALISED SEARCH



KAI ► RELEVANT CONTENT

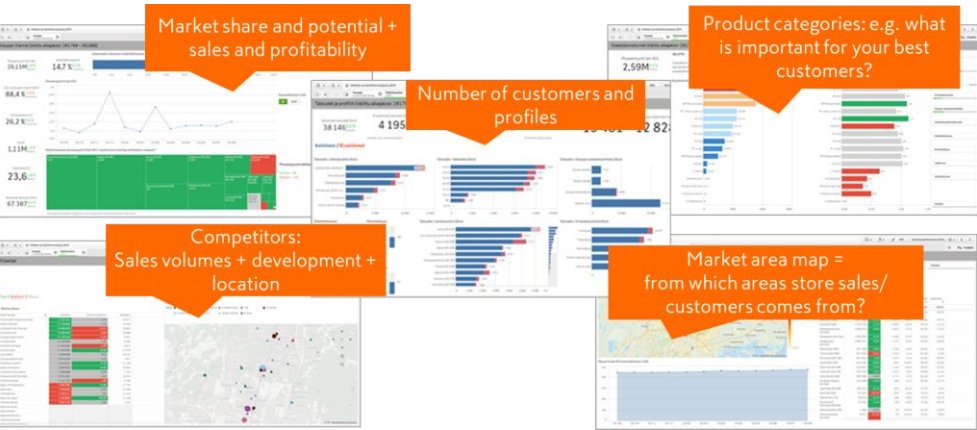


KAI ► OWN FAVORITES AND SMART SHOPPING LIST



Strong support for store specific business idea and data driven decision making (Example: Grocery trade, K retailers)

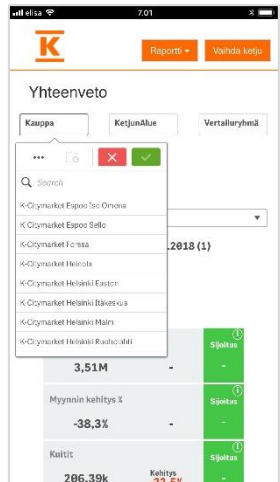
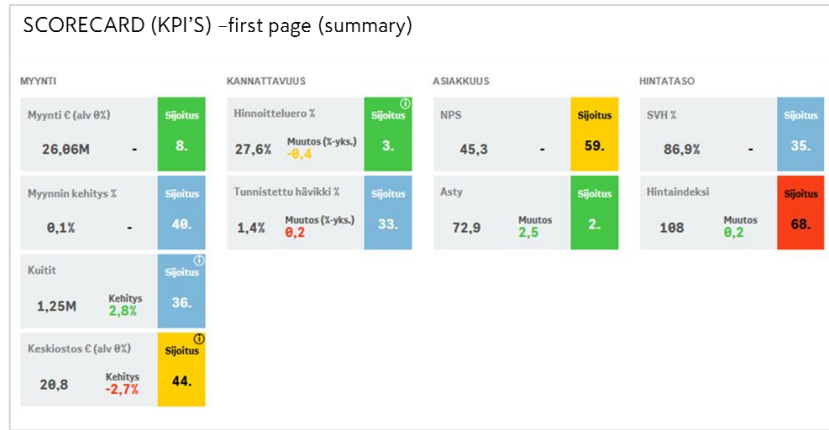
STRATEGIC DECISIONS



Strategic choices based on facts

K-retailer develop and manage systematically store specific business idea = selections and services based on customer needs and competition.

OPERATIVE DECISIONS



Day-to-Day operative decisions based on facts

K-retailer has access to relevant data = Key KPI's, Rankings, Product level data

New tools and K-AI are helping us to improve key processes – operational efficiency

(Example: Assortment planning, Grocery trade, K-retailers)

New Tool for K-Retailers 2019

TUOTE	HINTATIEDOT	MYNTITIEDOT
VALIKOIMA VOIMASSA 2.5.2019 ALKAEN		
KORVATTAVA KOODI ON 64104052071189 Pirkka naudan jauheliha 10% 400g suom 6410405207118	OH 3,34 € EVH - TUOTTO% -	MYNTIERÄ 2.0000 MYNTIMÄÄRÄ/KK 514 KPL, 1968,34 € HÄVIÖK/KK -
KORVATTAVA KOODI ON 64104052094445 Pirkka naudan jauheliha 17% 400g suom 6410405209444	OH 2,86 € UUSI EVH 4,39 € TUOTTO% 31,74 %	MYNTIERÄ 4.0000 MYNTIMÄÄRÄ/KK 136 KPL, 482,94 € HÄVIÖK/KK -
UUTUUS KESKO VALIKOIMASSA Snellman Kunnan sika-nauta jauheliha 400g 6409620011665	OH 1,89 € UUSI EVH 2,89 € TUOTTO% 34,60 %	MYNTIERÄ 1.0000 MYNTIMÄÄRÄ/KK 83 KPL, 224,67 € HÄVIÖK/KK -
Saariainen grillitassu 4kpl/300g 641200008341	OH 2,22 € SVH → EVH 2,95 € TUOTTO% 24,75 %	MYNTIERÄ 4.0000 MYNTIMÄÄRÄ/KK 43 KPL, 105,57 € HÄVIÖK/KK -1 KPL, -1,96 €

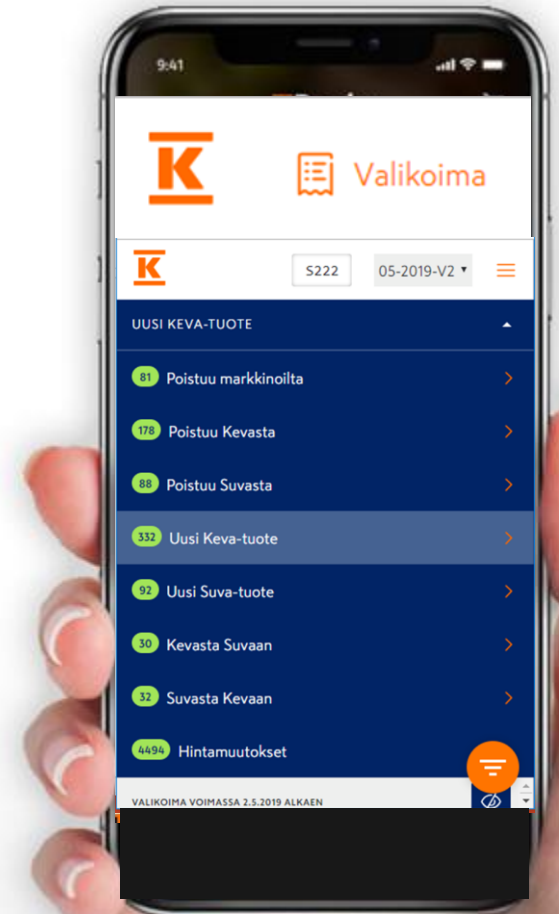


DATA & RECOMMENDATIONS

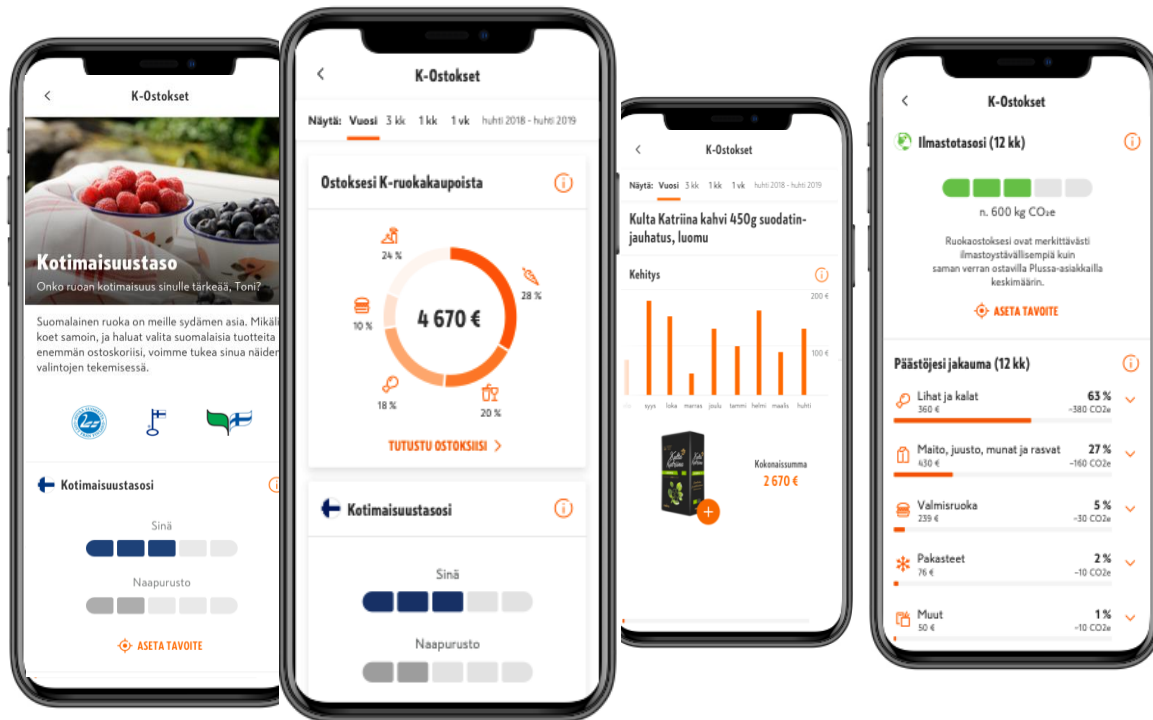
QUICKER DECISIONS

PROCESS STREAMLINING

FROM INSIGHT TO BEST ACTIONS



K-Ostokset - Sharing the data with our customers



- K-Ostokset is a digital service, where a loyalty member can find out what she spends her money on at the supermarket.
- Customers are able to look up:
 1. What they have bought over the last 12 months – 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 produce in the shopping basket and get product suggestions on matching Finnish products (K AI).
 4. How many kilograms of CO₂ equivalent (carbon footprint) their grocery purchases have created.
 5. Set targets to decrease carbon footprint and get concrete tips for achieving them.



The role of e-commerce in K Group

Different business areas, different approaches to e-commerce



Grocery trade

Purchase offline & online



Building and technical trade

Research online, purchase offline



Car trade

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



E-Commerce in Grocery Trade



K's online grocery store model

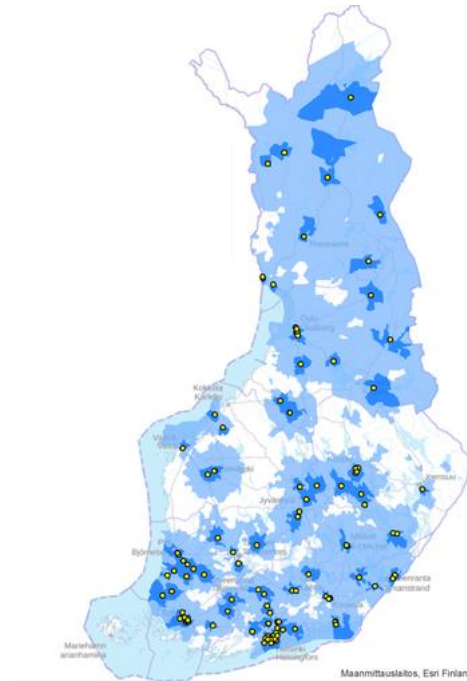
- Online grocery services as part of K retailers' business
- Emphasis on personalized customer experience – both digital and personal
- The biggest selection of grocery products and services for online ordering
- The widest network for deliveries and click & collect points + fastest service



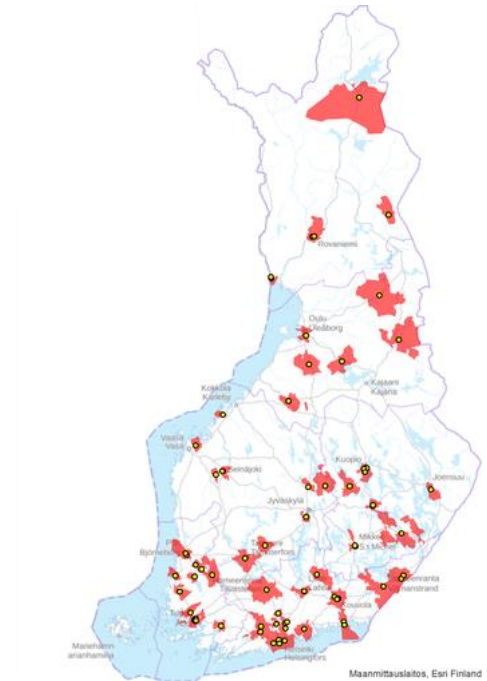
Services available to more than 3 million Finns

- Online grocery services in **230** K-stores - network growing fast
 - Click & collect: 212 K-stores /
 - Home delivery: 144 K-stores
- Click & collect services available to more than **80%** of Finns
- Home delivery available to **56%** of Finns

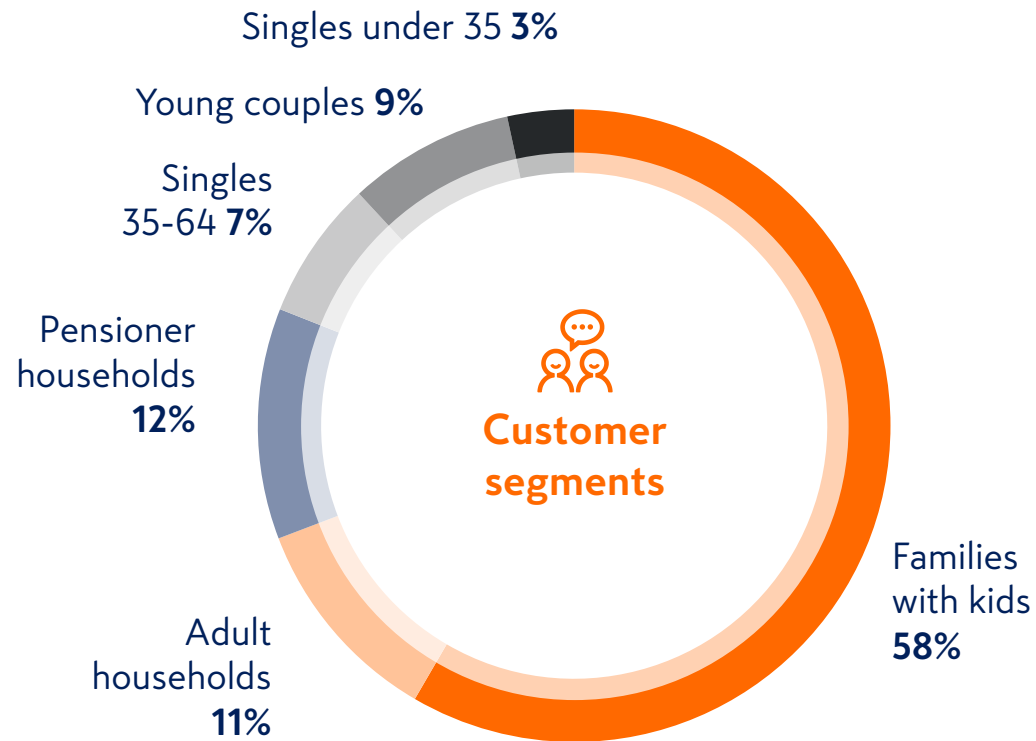
Click & collect stores and their main sales areas



Home delivery stores and their delivery areas











Typical online customers and their purchases



The most sold products the same as in physical stores

Most sold separate items include:

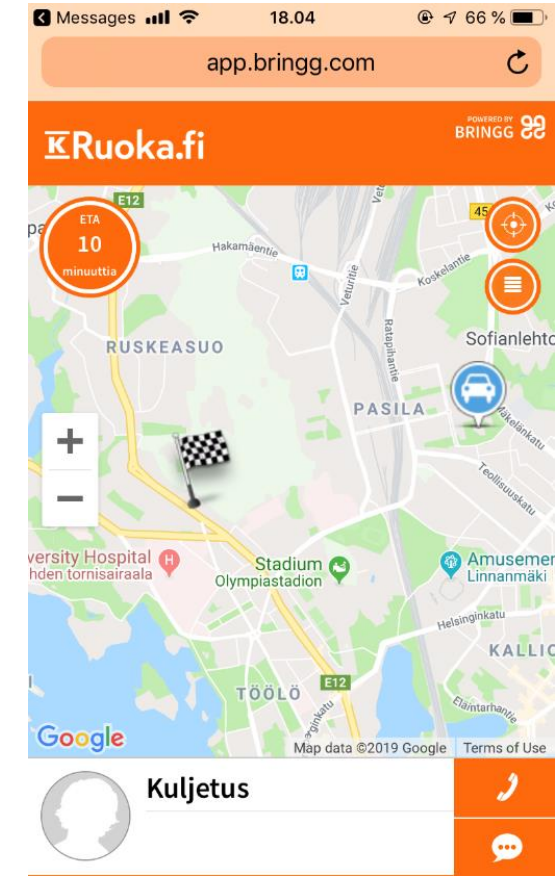
 Juhla Mokka coffee	 Cucumbers (local from Finland)	 Pirkka bananas	 Pirkka lactose free skimmed milk
 Tomatoes (local from Finland)	 Pirkka skimmed milk	 Deboned rainbow trout fillet	5X Average purchase 5x higher than in physical stores

A close-up photograph of a person wearing a blue button-down shirt, holding a black smartphone with both hands. The person is looking down at the screen. The background is blurred, showing what appears to be a dark surface and some light-colored fabric.

**An omnichannel
customer spends
nearly 20% more
in K grocery
stores**

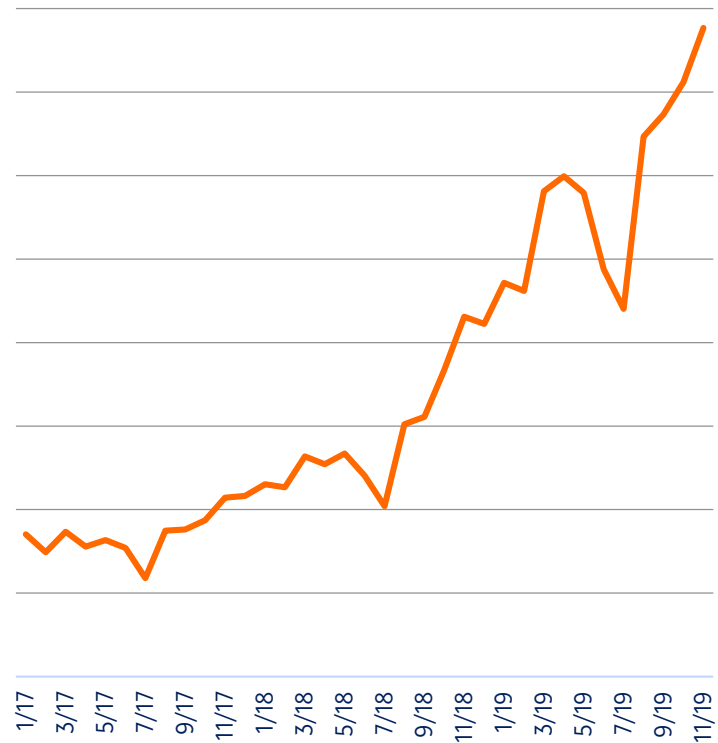
Timely deliveries and proactive communication as a key focus area

- A one-hour slot provided for the delivery
- 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



Online grocery store growing strong

Online grocery sales



Sales growth 1-11/2019

108%

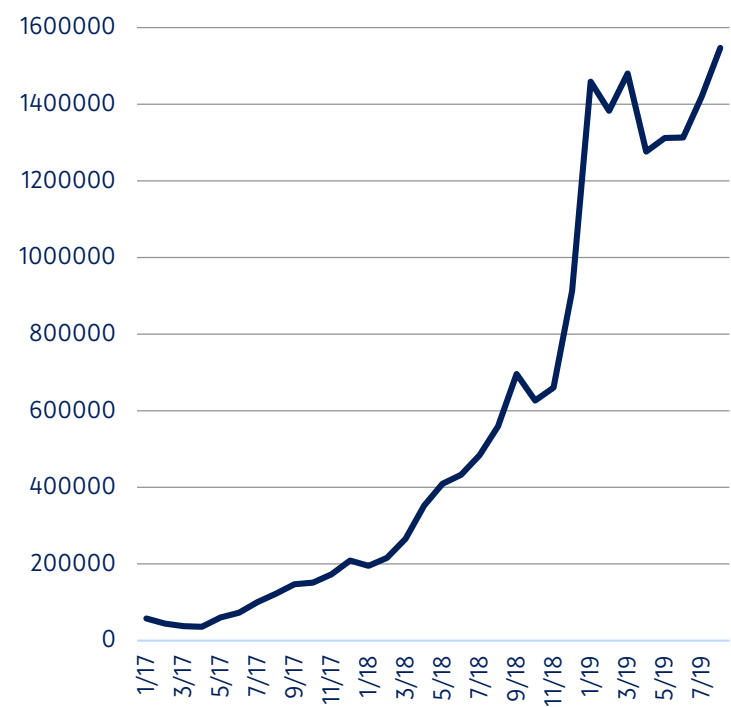
Sales growth 2018

72%

NPS 1-11/2019

78

Monthly sessions in the K-Ruoka online store site





E-Commerce in Building and Technical Trade



BTT store network and eCommerce services

11 consumer online stores

1 online store for professional builders

5 online stores for technical trade

Number of stores per chain /country



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 omni-channel experience

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



NPS 1-10/19
OnnShop.fi 68
OnniApp 78



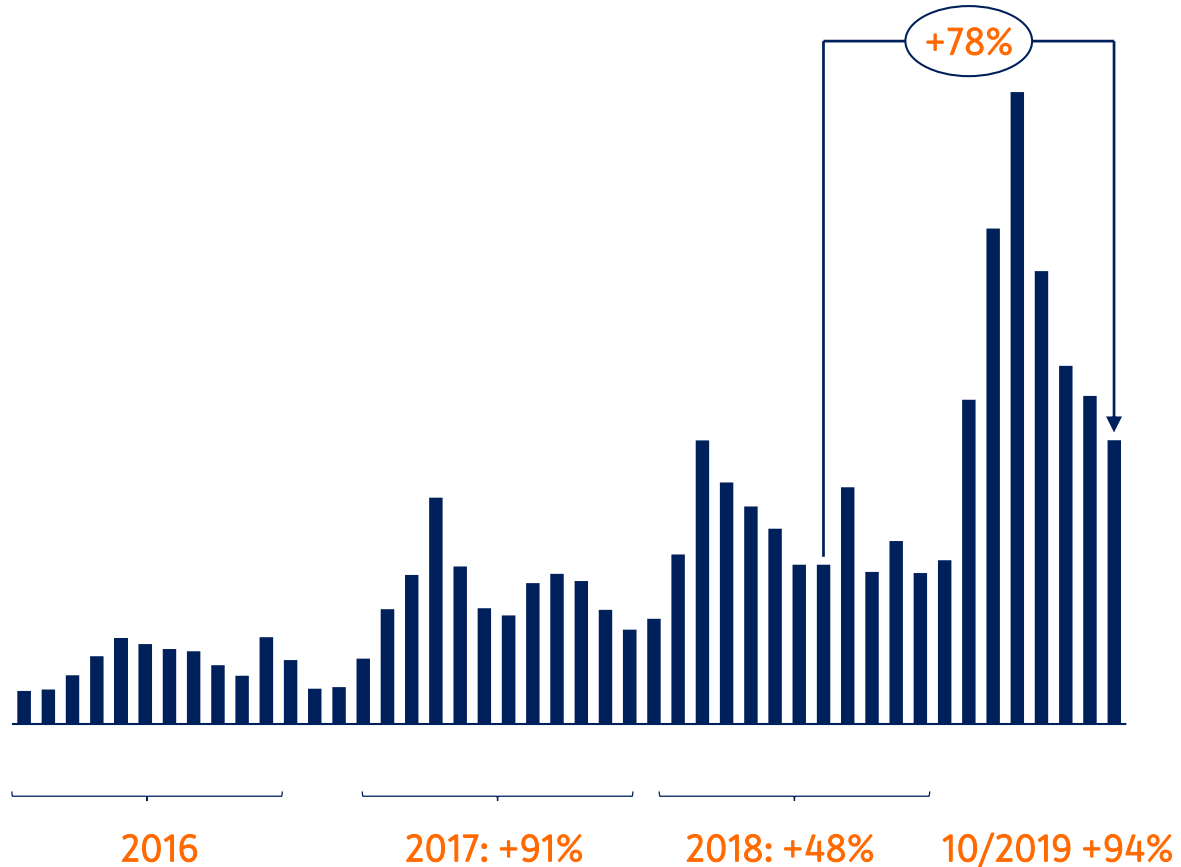
Consumers

Looking for inspiration and instructions.
Research online, purchase offline or online.
Expect seamless omni-channel experience.

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



94 % increase in sales through a logistical improvement



Key improvements in 2019:

- More delivery options for customers
- Freight delivery for heavy & big packages
- Postal package fulfilment centralized to 7 stores
- More products available for home delivery
- Product-to-customer offering improvement



Data-driven marketing creates personal experiences



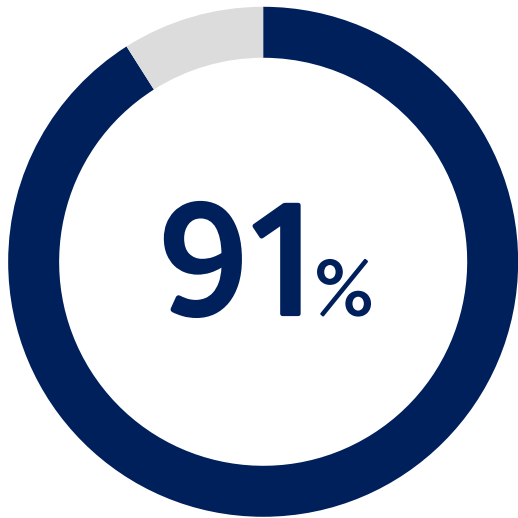
Our customers' media consumption has changed

45 % of daily media consumption is digital

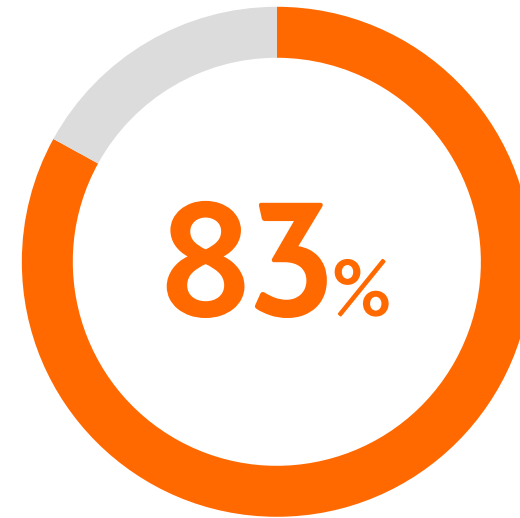
65 % consume evening papers online (25-44 y/o)

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

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



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



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

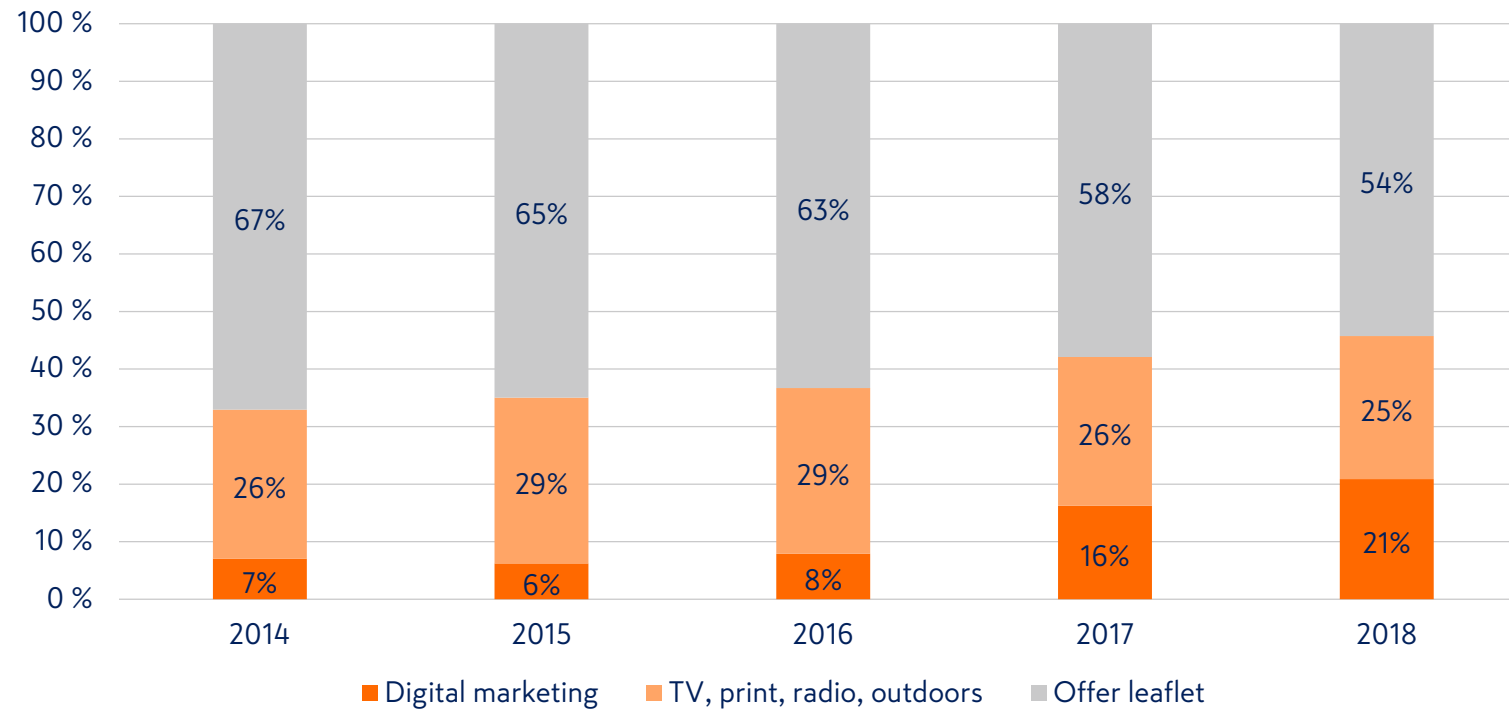
*) Accenture 2018: Pulse Check



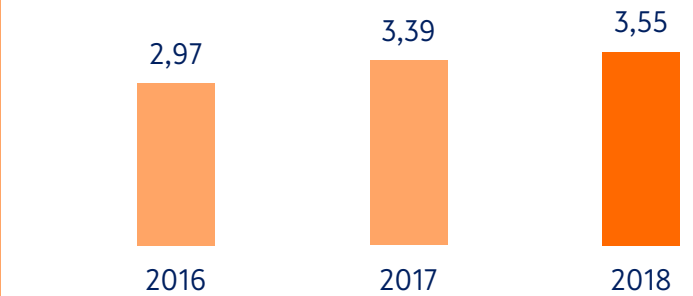
In 2018, Kesko's marketing costs totaled to 210 million euros – they represent 12% of our fixed cost base

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

Media Mix for K Grocery Store Chains (%)



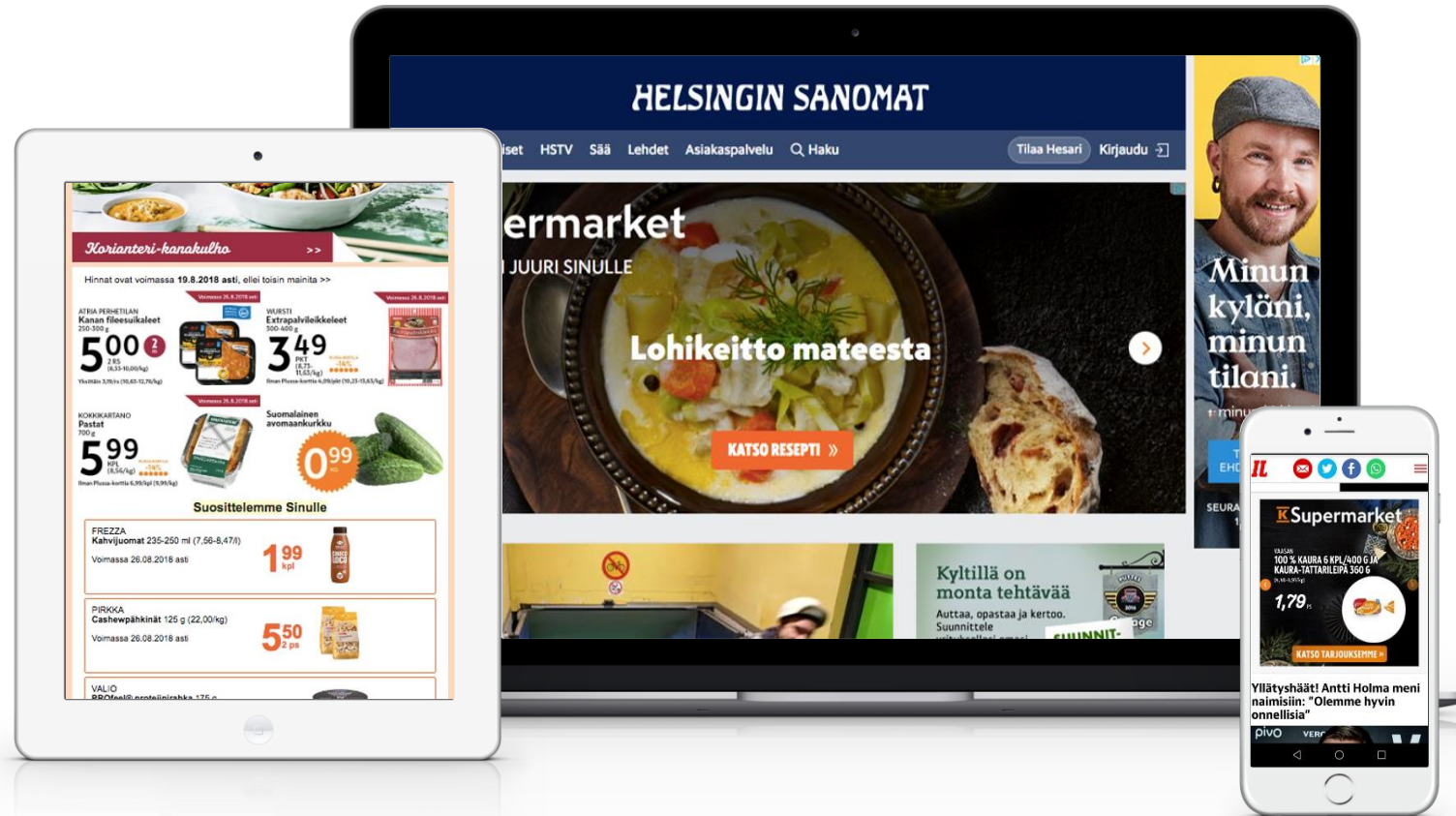
Return on Marketing Investment (ROMI, € gross profit per € media investment)



Average ROMI for all marketing vs. data driven digital marketing



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.

