

Morrisons Food Online Presentation – Script
21 November 2013



Great for customers

Welcome to our event today.

Our customers have always been at the heart of our business and never more so than now, as we create a multi-channel service that will perfectly meet their needs with a model that will also provide returns for our shareholders.

Over the last two years, we have listened intently to our current and prospective customers up and down the country.

We have talked to them about their busy lives and their daily habits and how it is we can serve them in a way that makes life a little easier.

Our customers lead busy lives, and can find grocery shopping a time consuming chore.

Because of this, for those that are short of time, they love the speed and convenience of on-line food shopping, the ability to do it whenever and wherever they like, but they are not completely satisfied. There are three areas they are particularly frustrated with.

- Substitutions and missing items
There is nothing more annoying than ordering items that do not arrive.
- Low trust in fresh
If you are not picking the item for yourself then how do you know the quality will be great.
- Complicated Websites
They can be too complicated and a very cold mundane experience

How our service works

So, having listened intently, we believe we have built an on-line food business that focuses on the unfulfilled needs of the consumer.

Today, instead of talking, we are going to show you what our customers, both old and new, will soon be experiencing on their doorstep.

Please note, today we are using a test system, so a few of the things you see may not be perfectly seamless.

Let me introduce one of my team, who has designed and developed many of the elements we are about to demonstrate. Welcome to Mark's house....

I want you to now imagine that we are at home in our sitting room about to place a first order on Morrisons.com.

Now Mark has selected his meat, we can hand over live to one of our manufacturing facilities in Yorkshire to see how we will prepare these products for our customers.

Steve, are you there?

SC: Hi there, everyone, I'm Steve Clayborough and I am the Operations Director for the on-line food business and this is Paul, one of our trained butchers.

As you know we're very proud of the fresh food we make, and as you will see today, we will be producing all of our on-line meat and fish products in our own fresh food facilities.

The beauty of that is, it's cut by our academy-trained butchers to meet the demand from the website.

ST: So Steve, Mark has asked for a medium cut sirloin steak.

SC: And just like Paul's doing now, our butchers will cut the steak the way that the customer wants.

And now it's been cut, we need to pack it in a way that it arrives at the customer's door in the very best condition and we've come up with a very good solution. We use vacuum sealed skin pack. It keeps the meat fresher for longer.

ST: So what happens next, Steve?

SC: Once the steaks are packed, we'll deliver them on the same day to our on-line fulfilment centre in Warwickshire.

Back to you Simon.

So we've placed our order. Now let's fast forward 24 hours, time for a delivery.

And here comes our van.

Morrisons academy driver training

As you can see, the driver will go through a series of checks including their personal appearance. They will then get into the back of the van to make sure nothing is broken. They will read their notes to make sure we do as the customer has requested, such as don't ring the doorbell after 8pm.

We have learnt that the doorstep experience is absolutely critical, it is often the only human interaction our customers will have with our service. We have obsessed about making sure this is a uniquely Morrisons experience. Please note, in our World, drivers are called customer service team members or CSTM for short, because they do so much more than drive.

And as if by magic...[doorbell rings]

Refund and replace

Since I was unhappy with one of the products, and it was included in our refund and replace guarantee, the next day I will receive a voucher to the same value as the product rejected as compensation for my inconvenience.

Thank you Mark and all of the other participants in this morning's demonstration.

The Morrisons difference

So let me summarise what you have just seen, and re-confirm the Morrisons difference

Service, Value, Fresh

Value - firstly, in everything we do, we have a simple policy of making it affordable for everyone, whether in store or on-line.

Market Street - as you have seen our virtual butcher & expert reviews are uniquely Morrisons. As Mark demonstrated, our 'virtual butcher' will cut your meat on-line just as you would enjoy in store.

The customers loved this feature since they could order exactly what they wanted, but they also loved the on-line theatre, it made the mundane, fun!

Secondly, expert reviews, where every day we will provide the customers with an honest assessment of our produce quality.

This is one of many key learnings from our time with Fresh Direct in New York and they have proved over many years that this is both good for the customer and good for sales.

Low substitutions - we plan to have low substitutions.

Most of our rivals have chosen to pick from their stores, where sometimes there are gaps on shelves, we are doing it from a dedicated fulfilment centre in the Midlands. There's no conflict between satisfying customers in store and those online.

Speed and convenience - as Mark demonstrated, our customers will be able to shop seamlessly across multiple devices because on-line shopping is no longer a one time static event but happens in real time no matter where the customer is and no one wants to wait in for a delivery, so from launch we will be offering one hour delivery slots via a system that is proven to be the most prompt in the industry.

Vertical integration - again, as we demonstrated, we will be strongly leveraging our vertically integrated manufacturing business so that we can ensure perfect quality of product, cut the way you like it by skilled Morrisons academy trained craftsmen

Fresh standards - we have invested many hours developing packaging specifically for on-line to make sure that our products arrive at the customer's doorstep in the most perfect condition.

After all, they will be taking a different journey home than if you put them in your car and drove yourself

At the doorstep - and finally a uniquely Morrisons doorstep check with a refund and replace guarantee.

A strong show of belief that when our fresh products arrive at the customer's door, they will be exactly as we promised they would be and as we have said, getting fresh correct on the doorstep is critical to on-line customers and a true differentiator.

So that is all from me today and now I'll hand over to Rebecca Singleton, our Group Marketing Director and one of our senior managers

Delivering great value

Good afternoon everyone. I'm Rebecca Singleton and I'm the marketing director for the core Morrisons business.

I've also been working on our online business to ensure that the proposition and customer experience we deliver is uniquely and distinctly Morrisons, one brand, consistently delivered across all formats and all channels.

So far, you've heard about the great fresh and service elements of the proposition. I'm now going to focus on the value element of it. Value online has two dimensions; value for time and value for money.

Let me talk you through how we will deliver this.

Product pricing

Our pricing strategy is very simple. The great value that our customers will enjoy in store is exactly the same great value that they will enjoy on-line.

Promotional strategy

Our promotional strategy is equally simple. Product promotions will be exactly the same where a product is stocked both in-store and on-line.

We know, however, that customers buy differently online, for example, they buy more bulky items and bigger pack sizes like large boxes of dishwasher tablets. Therefore we will do some on-line specific promotions to meet their needs.

Delivery pricing

Delivery pricing is an enormously emotive issue with customers. Of course, customers would like delivery for free, but clearly, this would not be economically viable, but what customers have told us, is that delivery pricing in the market is confusing and like playing Russian roulette.

What they want is transparency and consistency in pricing, so we will deliver exactly that.

Delivery pricing

We will be introducing a very simple pricing system, which is unique in the market.

We will have:

- Off peak,
- Standard, and
- peak pricing.

Our "off peak" pricing will be £1, standard £3 and peak £5

Very simple, very transparent, very fair.

Allowing customers' confidence in budgeting their shop.

Weekday price

Here's how it works:

The price will vary during times of the day, here is an example based on weekdays.

You can see that the £1 off peak charge is for very early mornings and lunchtimes with the peak charge of £5 applying in the evening.

Customer acquisition

Let me now move on to talk about customer acquisition and marketing.

We have a great on-line food offer which is focused around fresh and service with value pricing at its core. We have pricing and promotions aligned with our stores and a new, simplified approach to delivery pricing. We now need to let our existing and new customers know about our service.

The value of a multi-channel customer

One of the questions I am frequently asked is will your customers simply move from store to on-line. Of course, there are a number that will. However, we know that 32% of our existing customers shop grocery online with our competitors as we don't currently offer this service.

We also know that the value of a multi-channel shopper can be double that of an instore-only customer.

Based on these facts, we believe that our on-line food business when viewed in the round, will bring incremental sales by growing our customers' average four weekly shop.

A local acquisition strategy

In terms of marketing, we will take a localised approach to introduce our service, using local press & radio, social networking and of course the power of customer to customer recommendations.

So when we are coming to your street, you will absolutely know.

We also have a number of innovative ideas that we would like to keep confidential for now.

Mobile media

And finally, we have our vans. A highly visible mobile media.

They are bright yellow, very Morrisons and I doubt you will miss them - they don't look like a boring on-line food delivery van.

Their message is also clear, we are bringing our unique fresh product offer to your street.

Before I hand over to Neal, who will let you know when we will be in your street, I'd like to summarise what's truly unique and different about this proposition.

What's unique to the proposition?

- The doorstep check
- Simpler delivery pricing
- Market Street expertise online
 - Expert ratings on our fresh food
 - Refund and replace
 - Improved packaging

What's unique to this model?

- Low substitutions
- Multi-device technology
- Import favourites
- 1hr delivery slots
- Driver texts
- Facebook log-in

Over to you Neal.....

Thank you Rebecca,

Go live

You have heard Simon, Mark and Rebecca talk about our tremendous on-line food offer that is focused on service, fresh and of course Morrisons' value.

Website open

We are delighted to confirm that we plan to open our website to customers in Warwickshire before the end of the year.

Apps live

In January, the Morrisons on-line app will be available for download for Apple iPhone, iPad and Android devices.

First deliveries

And our first deliveries to customers in Warwickshire will arrive at the doorstep from 10th January.

Our coverage

But this is just the start.

As we have recently stated, we will grow our coverage during 2014.

So we will be delivering to homes in Warwickshire, followed by homes in West Yorkshire in February.

In the middle of the year, we will be adding London and South Yorkshire and at the end of the year we will have reached 50% coverage of UK homes when we enter the North West.

How do we make it work?

The systems and processes we are using have been honed for over ten years so we are confident that our unique service, from the start, will be to the highest standard that you would all expect and at a price that everyone can afford.

Uniquely Morrisons

The customer experience, from our product, pricing and service proposition is uniquely Morrisons.

It is a service that has been built specifically for our customers, old and new, and is differentiated from the competition.

The road ahead

But today is just one important step in our journey.

We have learnt a lot in the last two years and today we can announce the best on-line food shopping service in the market and at a price everyone can afford.