

## Chief Executive's statement



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**David Potts**  
Chief Executive



**Group like-for-like sales (exc. fuel)\***

### Growing a more popular Morrisons for customers

#### Listening and responding

During a very busy 2018/19, Morrisons continued to become broader and stronger, and more relevant to more and more customers. The concurrent Fix, Rebuild and Grow phases of our strategy are in full flow, with several channels of growth now driving the turnaround, including supermarkets, wholesale, online and services.

The year started well, and the summer was especially strong, helped by some favourable weather and events such as the football World Cup. The Autumn was more testing, as uncertainty around Brexit became more personal and customers became more cautious, but our colleagues listened hard to customers, responded quickly. We continued to invest in the shopping trip, providing consistently great value and good quality just when it mattered most at the busiest time of year. Sales responded and improved towards the end of 2018.

Listening and responding is important in many other ways. We learn and act on all kinds of feedback: on the environment, from the local communities we serve, and from our suppliers and shareholders, and there are large sections of this Annual Report and Financial Statements rightly dedicated to our progress on important environmental initiatives such as reducing our use of plastic, and raising money for our charity partners, such as CLIC Sargent.

#### Supermarkets growth on growth

We are now into our third year of positive like-for-like sales growth. Over half our supermarkets have now been through the Fresh Look programme, improving and modernising their look and feel. We opened three new stores during the year, each getting off to a strong start, and we expect a handful more each year going forward. Applying all the latest ideas and learnings from this work is inspiring us to innovate, improve and grow the whole estate.

It was also a busy year for own-brand innovation. Always listening and following customers closely, we have developed several successful new ranges, including: 'Naturally Wonky', our brand of low-priced, good quality fruit and vegetables; 'Savers', our lowest-priced range; 'Nutmeg' has been extended into womenswear; 'V Taste', our new vegan range, and; 'Little Kitchen', a new healthy range for children. In addition, we have increased the number of items we make ourselves or direct source, so cutting out the need for middle men and enabling both closer relationships with suppliers and lower prices for customers. Examples this year included: producing pitta bread and crumpets at our Rathbones bakery; and buying more bananas, nuts and fish direct from suppliers.

\* Alternative Performance Measure as defined in the Glossary on pages 132 – 133.

As we integrate manufacturing and retail, we are developing 'Morrisons Makes It' as a standalone brand: great value, authentically British fresh food, made by our skilled team of food makers on Market Street. Customers are becoming more familiar with how these, and their other favourites, are part of an evolving Morrisons price list – a basket of the most popular items that customers regularly buy, where we are working hard to consistently ensure the best possible value.

### Wholesale, online and services growth

2018/19 was an important year for wholesale, growing substantially to exceed our target of £700m of annualised sales by year end and contributing over 3% to like-for-like sales. Wholesale growth channels now include Amazon, forecourt convenience and overseas.

We supply Amazon's customers across all its UK channels. For the same-day store-pick 'Morrisons at Amazon' offer, there are over 10,000 items available to be ordered and delivered within one hour, with the service now available in parts of London, Leeds, Birmingham and Manchester.

We accelerated the roll-out of wholesale supply to our new partner, McColl's, more quickly than initially planned, and now supply around 1,300 of its stores with our Safeway range plus other branded items.

As we develop our convenience offer, both on our own forecourts and with our partners, Rontec and Sandpiper in the Channel Islands, our 'Morrisons Daily' fascia is growing quickly, now in 115 locations. We also announced a new partnership with MPK Garages, and are in the process of converting many of its forecourt convenience stores to 'Morrisons Daily'. In addition, we have begun exporting a range of Morrisons own-brand items to Big C in Thailand.

Our online channel added substantial new growth capacity during the year, extending its coverage to over 75% of British households. Through the new customer fulfilment centre in Erith and new store-pick capability, we have significantly expanded our online catchment area to include South London, Surrey, Kent, the south coast, Devon and, for the first time into Scotland, serving customers in Edinburgh and Glasgow. We have also recently started a trial to supply Center Parcs' guests Morrisons.com online delivery direct to their holiday lodges.

Services are growing too, with partners such as Amazon, Timpson and Duddle helping make Morrisons supermarkets more popular destinations for customers. Since the programme started, we have introduced over 1,000 of these new services at our sites.

All this growth is driven by capital light, but significant investment; particularly in digital capability, distribution infrastructure, online, wholesale, and, of course, Morrisons supermarkets. We expect investment in technology to be central to our future growth and, see specific opportunity next year to continue to reduce costs and benefit from our increased investment in wholesale and online distribution infrastructure.

### Our colleagues

At the heart of our growth, and key to our continued success, will always be our colleagues. Once again this year, Morrisons team of expert food makers and shopkeepers showed how improving the shopping trip every day is the best possible way to make our customers more satisfied and grow our business. Thank you to the whole Morrisons team.

**David Potts**  
Chief Executive

£700m

**Annualised sales target exceeded for wholesale**

## OPERATING IN A WAY THAT IS RIGHT FOR ALL OF OUR STAKEHOLDERS

### Reducing our use of plastic

We have introduced a number of initiatives to help our customers reduce and recycle the plastic they use. Examples include: trialling paper carrier bags; the roll-out of loose produce paper bags across all stores; increasing the number of loose fruit and vegetables we sell on Market Street; encouraging customers to take their own containers to the Butcher and Fish counters in store, and trialling reverse vending machines to incentivise customers to recycle plastic bottles.

### Reducing food waste

We sell around 900 tonnes of 'Naturally Wonky' fruit and veg per week in our stores and online, helping farmers to reduce farm waste. We launched our 'Too Good to Waste' box in stores, selling fresh fruit and vegetables just past their 'Display Until' date, but still perfectly good to eat.

In addition, since 2016, we have donated 5.4 million edible unsold food products to over 420 local community groups. Our manufacturing sites have also been working with the national charity FareShare to donate food that cannot be sold in our stores. Since 2017, we have donated over two million meals to its network of charities.

### Supporting British farming

We were recognised at the 2018 Food and Farming Industry Awards as Retailer of the Year as a result of our continued commitment to keep British agriculture profitable, affordable and sustainable.

Our 'For Farmers' range, where part of the retail price of the products goes directly back to farmers, has generated an additional £12m for farmers since it launched in 2015. In addition, we received a 'Good Egg' award from Compassion in World Farming, following our acquisition of the Chippindale egg business and our commitment to sell only cage-free shell eggs by 2022 and ingredient eggs by 2025.

