

# Our four stakeholder ambitions

## Our customers

An improving shopping trip informed by listening

More customers, buying more from us, more often

Customers can get what they want, when they want it



### Grocery market and consumer confidence

Grocery market forecasts from the Institute of Grocery Distribution (IGD) reflect cautious official projections for the economy and a high degree of uncertainty about how Brexit will unfold. The IGD expects only moderate market growth over the next five years, making it important for retailers to understand their opportunities by channel.

Supermarkets are expected to remain the largest grocery channel. The IGD anticipates an improving outlook as supermarkets develop unique reasons for customers to visit, by investing in price, range and the customer experience. Online is expected to be the fastest growing channel over the next five years, driven by more rapid and flexible fulfilment options and omnichannel development.

### Time of uncertainty

A combination of increased average wage growth and stable inflation throughout much of 2018, means that 'real incomes' have returned to growth, although the benefit to customers has been limited.

Consumer confidence has remained broadly stable throughout 2018, with no significant increase in the summer months, despite the prolonged period of relatively warm weather. The uncertainty surrounding the UK's exit from the EU has raised consumers' concerns, particularly towards the end of 2018.

However customers have told us it is difficult to identify tangible impacts on their daily lives. Media coverage of potential delays to imports and Government contingency plans for food and medical shortages led to some anxiety, and added to existing fears for rising grocery inflation.

Our vertically integrated supply chain means we are less reliant on imported products than other retailers, so we are well placed to mitigate the potential impact of Brexit within the grocery market and we have plans in place to make sure we are well equipped for all outcomes.

In these times of uncertainty, value is even more important to customers, and it is important that we continue to find ways to be more competitive.

### Listening and responding to our customers

Listening to our customers and responding quickly underpins what we do. With around 12 million transactions a week on average, and in a competitive market, it is essential we respond to our customers in order to grow our business.

More colleagues across the business have been spending more time with customers, understanding their views and behaviours and exploring ways in which we can improve the shopping trip.

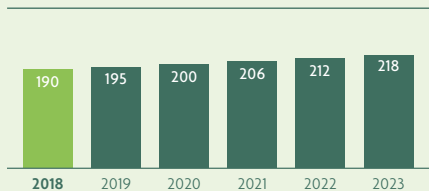
We listen to customers in different ways including listening groups, accompanied shopping trips with customers both in store and online, and spending time with customers in their homes to understand the challenges of their day-to-day lives. We have also introduced customer video diaries, and these are helping communicate messages to the business with more impact, direct from customers.

Through this programme of listening, we know that customers are seeking solutions which are healthy, good value and convenient. Our younger customers have told us that variety and new ideas are also important. This feedback has helped us to make improvements for all customers.

Our customer service contact centre team puts the customer at the heart of everything they do, and during 2018 have connected with 1.5 million customers by telephone, email, letter or social media.

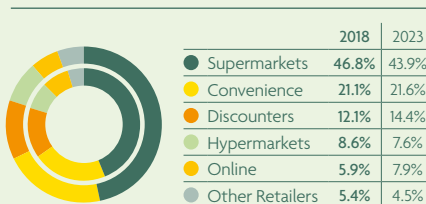
Having listened to customers, we launched 'Quieter Hour' in July 2018 as part of our commitment to making Morrisons a great place to shop, especially for people with enhanced needs such as autism. Every Saturday between 9am and 10am we carry out a number of in-store adaptations to make the store quieter and calmer; for example, by turning off our in-store radio, dimming the lights and limiting tannoy announcements.

UK grocery market size (£bn) forecasts



Source: Institute of Grocery Distribution (IGD).

Composition of UK grocery market size 2018 vs 2023 (% share)



Source: Institute of Grocery Distribution (IGD).



Around 12 million customer transactions per week on average

## Our four stakeholder ambitions continued

### Our customers

#### Serving customers better

We continue to make progress in the overall customer experience, improving in a number of areas which are most important to customers. These improvements helped customer satisfaction scores increase by 8% pts in 2018/19. Customers have told us that they continue to see improvements in staff friendliness, store cleanliness and queue times.

Customers rate us highly for our food maker credentials, recognising the skill and expertise of our in-store experts through our unique Market Street offer. The 'Morrisons Makes It' campaign showcases the unique fresh products made by our experts in-store and at our manufacturing sites, and is well received by customers. The introduction of a range of meal kits on Market Street also has strong appeal for customers, particularly those who are younger and time poor.

Customers also strongly associate us with buying from British suppliers and working closely with farmers and growers. Our 'Local Foodmakers' programme is working hard to build on this reputation at both regional and local level. Customers tell us how important 'local' is to them, particularly within Fruit & Veg, Meat and Dairy.

This year, we have identified a number of 'local flagship' stores, where there are particular opportunities for us to introduce larger local ranges due to their location and customer base. We have also introduced local loose eggs in all stores this year, helping customers support local farmers and reduce food waste.

#### Popular brands

Our own-brand plays an important role within our business and for our customers. Understanding our customers, and focusing on things that matter most, such as price, quality and range remains our focus, so that our brand continues to be relevant and attractive.

Customers told us they want more vegan choices at Morrisons and they want to be able to spot these easily in store. We launched our 'V Taste' range of vegan products this year and are improving the clarity of our labelling on more than 300 products throughout the store that are suitable for vegans.

To appeal to our most price-sensitive customers, we refined the 'Savers' range, strengthening our value offer.

"I love the Wonky fruit and veg, and the paper bags in the fruit and veg aisles."

Customer, Plymouth store

Customers with young families have told us they are looking for healthy convenient solutions to feed their families. In November 2018, we launched our new 'Little Kitchen' range, which includes tasty products that have been nutritionally developed specifically for, and approved by, children. Every time a customer purchases a product from the 'Little Kitchen' range, we make a financial contribution to our charity partner, CLIC Sargent. We hope to raise £300,000 through this initiative.

This year, we launched our biggest and best Food to Order brochure, which includes a number of new and exclusive lines. Customers tell us that they love the good quality food and great value that this range offers. We also launched 23 new Party Shops this year and expanded our range of balloons and seasonal products across our stores. Customers complimented the excellent range and value for money, and love the convenience of picking up party items along with their regular grocery shopping.

#### Helping customers reduce waste

Customers tell us that they are more concerned than ever about waste of all kinds, and that they love our 'Naturally Wonky' brand, as it reduces food waste and offers excellent value. The 'Naturally Wonky' range has expanded further this year to now include wonky varieties of around 30 Market Street products, including flowers, avocados and chillies.

Reducing plastic waste and plastic packaging has emerged as a key area of concern for customers this year, with almost all telling us that they are making an effort to reduce their usage. Customers expect retailers to help them in their efforts and are looking for convenient solutions which do not impact quality or price.

We have introduced numerous initiatives this year to reduce plastic waste. Customers have reacted positively to these changes, explaining that they demonstrate we are moving in the right direction. For more details, see the 'Reducing plastic' case study in the 'six priorities in action' section on page 10.

#### 'More' Card

The Morrisons 'More' Card continues to grow in popularity with our customers. Customers tell us that they enjoy earning points every time they shop with us, and really appreciate earning money off of their next shopping trip.

We have been listening to customers about how we can use the 'More' Card to serve them better in an increasingly digital world. This year we launched our new 'More' Card app, featuring a digital 'More' Card which can be scanned at the checkout, an option to 'go paperless' and receive vouchers digitally, and personalised offers which can be activated via the app. This has proved popular with customers, with uptake growing rapidly over the year.

#### More accessible

We opened three new stores this year, located in St Ives (Cambridgeshire), Abergavenny and Acocks Green. Our new stores have been warmly received by customers, meeting their expectations and improving existing perceptions of the Morrisons brand. In particular, customers in our new stores have praised the look and feel of Market Street. They have also been impressed by our local ranges, which demonstrates our support for local producers. This strong customer response has been reflected in our trading, with the new stores performing well.

We are also serving more customers online through the expansion of our online store pick delivery service and the opening of a second customer fulfilment centre with Ocado.

Our wholesale business is helping to increase the size of the market in which we operate. Our existing partnerships with Amazon, Rontec and McColl's are making Morrisons more accessible to more customers, and this will further increase through new wholesale partnerships with MPK, Big C and Sandpiper CI. We see the growth of our wholesale business as a capital light and sustainable way of accessing the growing convenience sector.



Year-on-year  
increase in customer  
satisfaction

