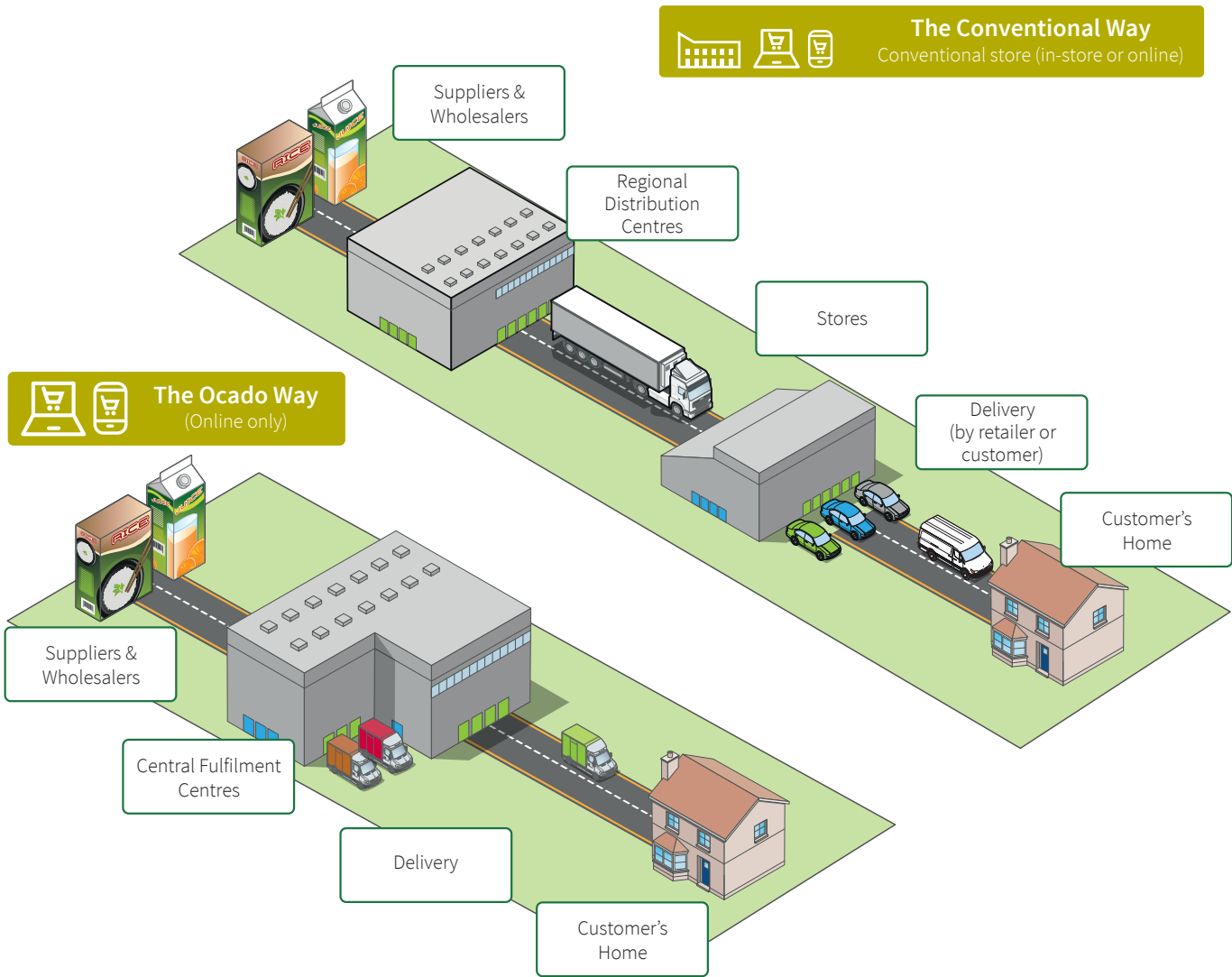


# 3. Our Retail Operating Model



## Our Process Features



### Ordering

- Pure-play focus on easy to navigate web interfaces and mobile apps
- Ease of use, convenience and speed
- Complex algorithms to personalise and enhance the shopping experience



### Fulfilment Processing

- Simplified inbound logistics
- Large centralised fulfilment centres
- Entire process optimised through use of our proprietary equipment and software solutions



### Delivery

- Unique hub and spoke delivery solution
- Market leading route optimisation and driver software

## Our Approach

We sell groceries and other everyday and specialist products to consumers placing orders through our easy to use and convenient interfaces. We have developed and operate an entirely unique end-to-end solution for bringing groceries from our suppliers directly to our customers' kitchens.

We run large warehouse operations, our customer fulfilment centres (CFCs), where all stock is received and held, and all customer orders are picked. Our operating model is built on technology and logistics skills rather than store-based real estate. We have automated many of the tasks that are performed manually in store-based retailing to significantly reduce operating costs in our business.

Through the application of proprietary technology, software and algorithms, we optimise our end-to-end operations. This starts with the front-end user interfaces, through the entire warehouse operations, to our sophisticated routing software applied to optimise our delivery routes.

By combining these elements of scale, automation and technology, we are able to eliminate or significantly lower many of the costs incurred in traditional grocery retail operations.

## The Benefits of Our Model



### For Our Customers

- Convenience and ease of ordering online, saving time and effort with “best in class”, personalised interfaces
- Leading customer service with high on-time delivery in self-selected one-hour time slots
- High order accuracy with minimal product substitutions
- Wider choice of products with greater availability
- Fresher products as the supply chain from suppliers is generally shorter — we guarantee the life of our fresh products
- Cost savings we generate as a result of our model are invested in competitive prices



### For Our Business

- Removes costs of separate distribution centres as we receive stock from suppliers and wholesalers directly at our CFCs
- Automated “put away” process significantly reduces operating costs
- Cost intensive check-out process removed as we have no physical stores
- Significantly lower property and occupation costs
- Significantly lower product waste due to faster stock turn, fewer touch points and optimised stock rotation leading to cost savings



Read about Our Business Model and Partners on pages 12 and 13



View our Ocado Explained video online at [www.ocadogroup.com](http://www.ocadogroup.com)

## Where We Operate – Our Locations and Coverage

Our current delivery area covers over 70% of the UK population. We fulfil orders from our centralised CFCs in Hatfield, Hertfordshire and Dordon, Warwickshire and will soon open our third CFC in Andover, Hampshire. From these CFCs we deliver directly around a third of orders to local catchment customers, while the remaining two thirds of orders are “trunked” to spoke sites from which local delivery takes place.



Read about our Proprietary Equipment Solution and Andover CFC on page 21

### CFC Sites

1. CFC 1 – Hatfield
2. CFC 2 – Dordon
3. CFC 3 – Andover (opening 2016)
4. CFC 4 – Erith (opening 2017)
5. NFDC\* – Welwyn Garden City

### Spoke Sites

1. Leeds
2. Knowsley
3. Manchester
4. Sheffield
5. Oxford
6. Bristol
7. Southampton
8. Weybridge
9. Wimbledon
10. Park Royal
11. Ruislip
12. Enfield
13. Dartford
14. Dagenham
15. Milton Keynes
16. West Drayton

\*Non-food distribution centre

