Driving digitalization at ICA Gruppen

Capital Markets Day December 14, 2017

Liv Forhaug, Chief Strategy Officer ICA Gruppen
Christina Ericsson, Director E-commerce Apotek Hjärtat
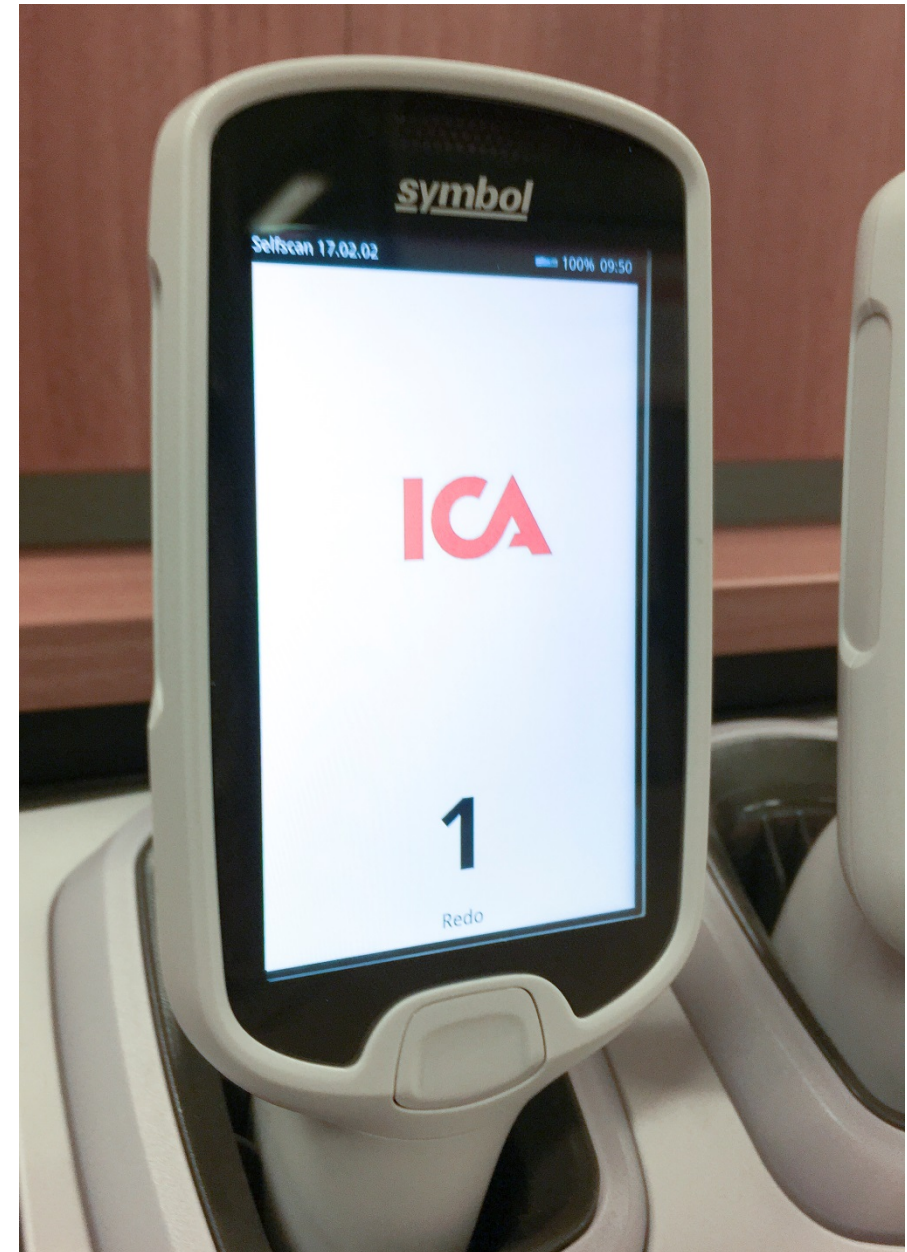Peter Muld, Chief Digital Officer ICA Gruppen

Key messages

Investing in digital broadly across the group

Beginning to see tangible results - beyond e-commerce

Aiming to be the preferred brand to customers - offline and online

Digitalization is one of the major trends within the retail industry

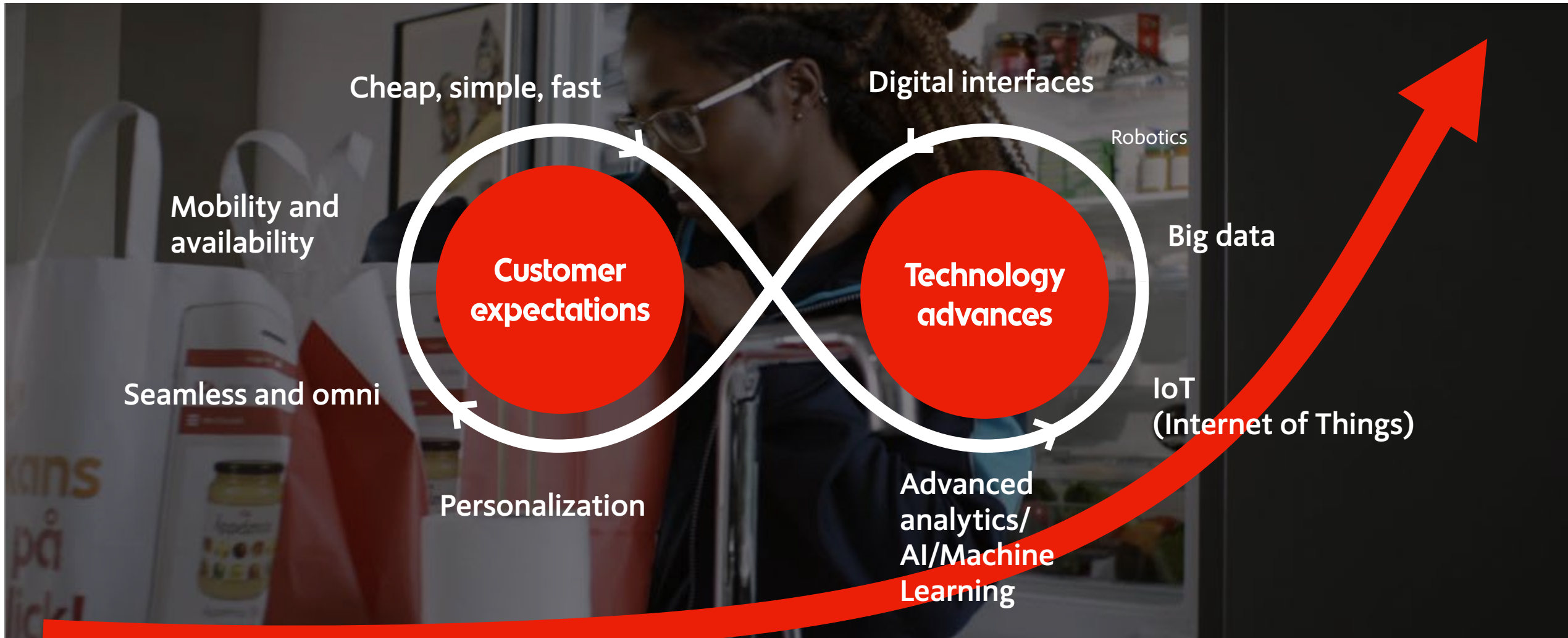## MAIN RETAIL TRENDS

DIGITAL	DISCOUNT	CONVENIENCE & MEALS	ADDITIONAL IMPORTANT TRENDS
tink, amazonfresh, mySupermarket, apotea·se, MatHem.se din matbutik på nätet, Klarna	ÖoB, apotea·se, ALDI, RUSTA, LIDL, NETTO	PicaDeli, PANN, ESPRESSO HOUSE, MAX, URBAN DELI, Paradiset	HEALTHY LIVING
			SUSTAINABILITY
			MULTICULTURAL PREFERENCES
FOCUS OF THIS PRESENTATION			URBANIZATION

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Consumer expectations on digital are high and increasing

Cheap, simple, fast

Digital interfaces

Robotics

Mobility and availability

Customer expectations

Technology advances

Big data

Seamless and omni

IoT (Internet of Things)

Personalization

Advanced analytics/ AI/Machine Learning

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Major technology advances are happening fast

Digital interfaces

- More time spent on digital interfaces (e.g. mobile)
- New digital interfaces evolving (e.g. voice and AR/VR)
- Enables more data collection

Big data and computing power

- Data captured and stored at a massive scale
- Sufficient processing power available for advanced analyses

Advanced analytics/ AI/Machine Learning

- Mathematical/ statistical analytics and algorithms
- AI ="programmed to be smart"; Machine learning = "Learns to be smart"
- Enabled by new technology/tools, data, computing power
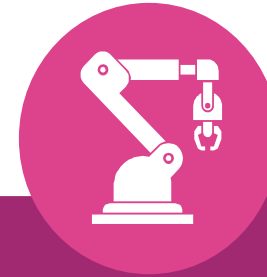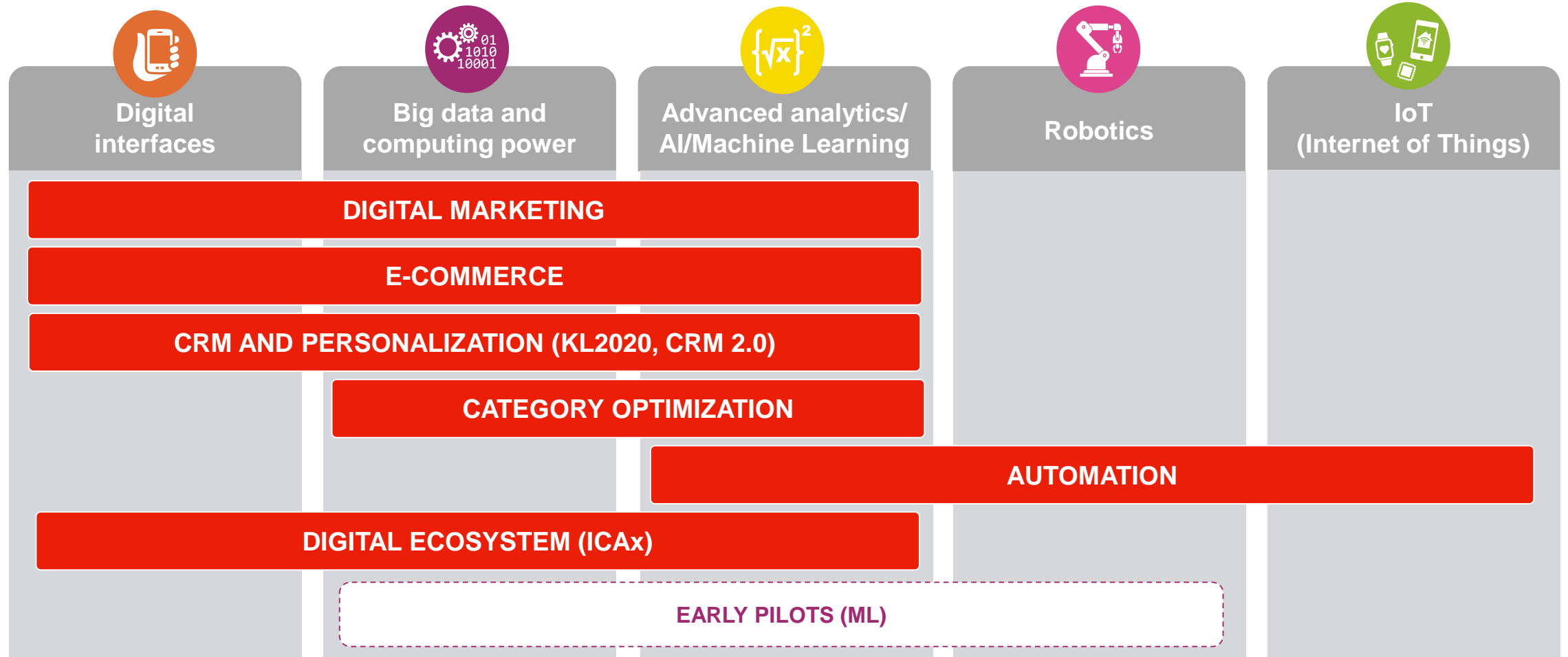
Robotics

- Physical robots move and interact with the environment
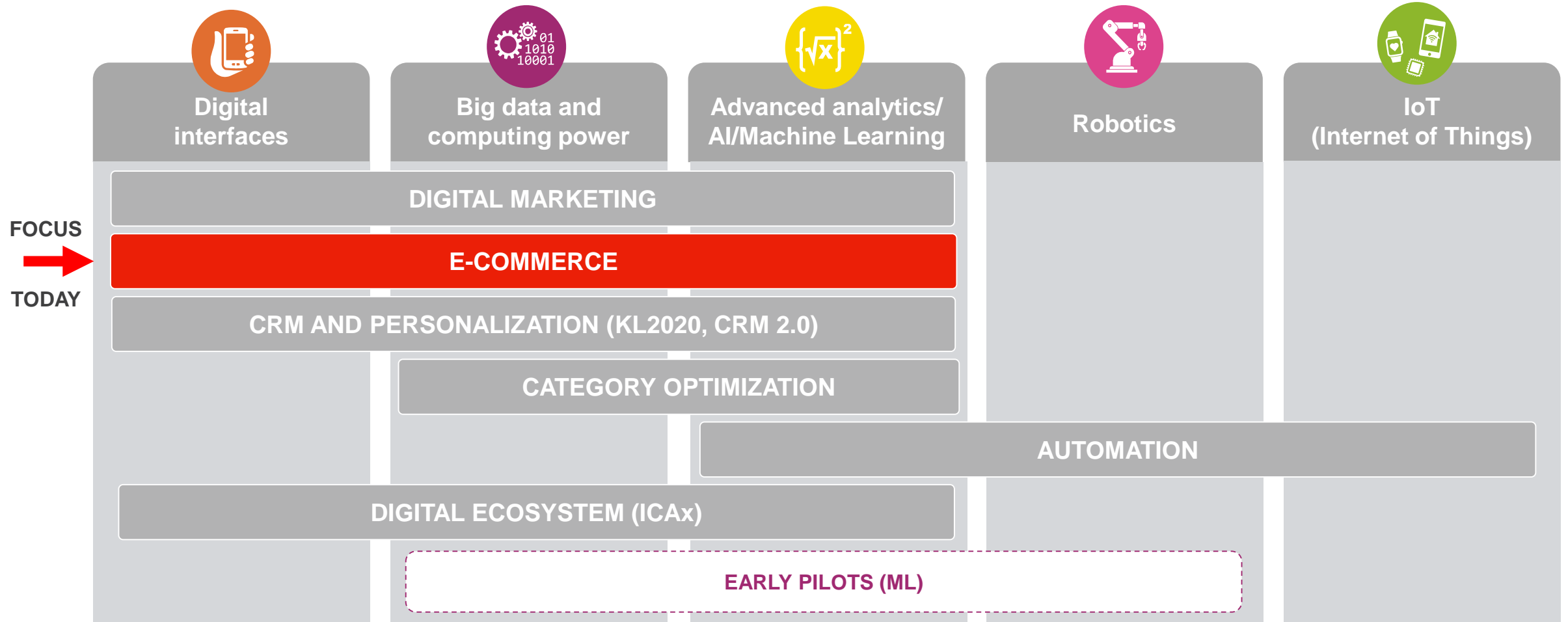- Software robots perform tasks (e.g. RPA: robotic process automation)

IoT (Internet of Things)

- Sensors which collect data
- Added to "everything"
- Creating even more data

Several major initiatives to address digital opportunities

Digital interfaces	Big data and computing power	Advanced analytics/ AI/Machine Learning	Robotics	IoT (Internet of Things)

DIGITAL MARKETING

E-COMMERCE

CRM AND PERSONALIZATION (KL2020, CRM 2.0)

CATEGORY OPTIMIZATION

AUTOMATION

DIGITAL ECOSYSTEM (ICAx)

EARLY PILOTS (ML)

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Deep dive e-commerce Apotek Hjärtat

Digital interfaces	Big data and computing power	Advanced analytics/ AI/Machine Learning	Robotics	IoT (Internet of Things)

DIGITAL MARKETING

FOCUS → **E-COMMERCE**

TODAY

CRM AND PERSONALIZATION (KL2020, CRM 2.0)

CATEGORY OPTIMIZATION

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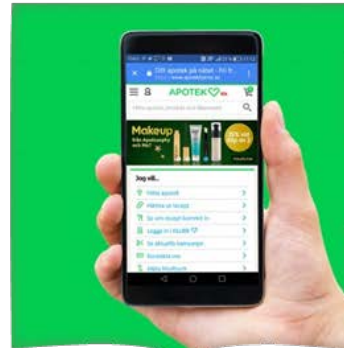
Recap capital market day 2016

In order to reach our goals, we must focus on all aspects of e-commerce; channels & customer, digital marketing, logistics & delivery, products and prices.

Ehandel, marknadsföring & kundkontakt

Logistik & leverans

Produkt & sortiment

Prisstrategi

+94 %

Digital sales growth during YTD Q3 2017

Our prediction!

By 2020
1 in 5
consumer
products
will be sold
online

APOTEK ICA

High e-commerce growth rate continues in 2018
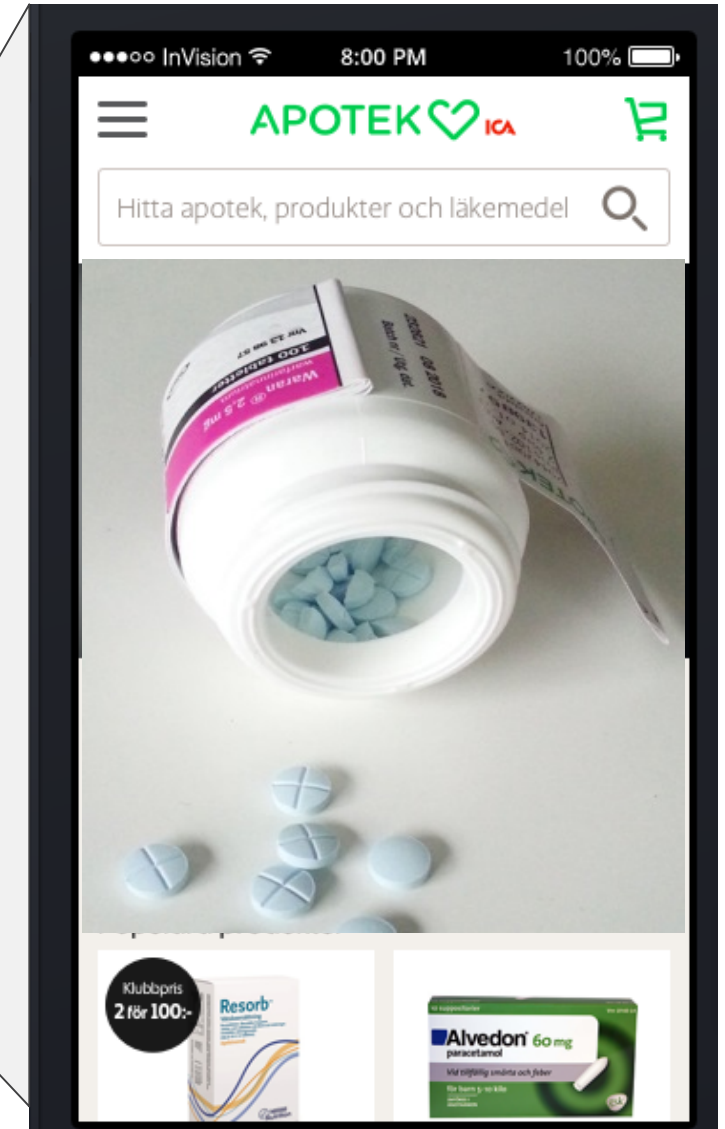
Radically expanding our assortment

Introducing new categories

Offering more products
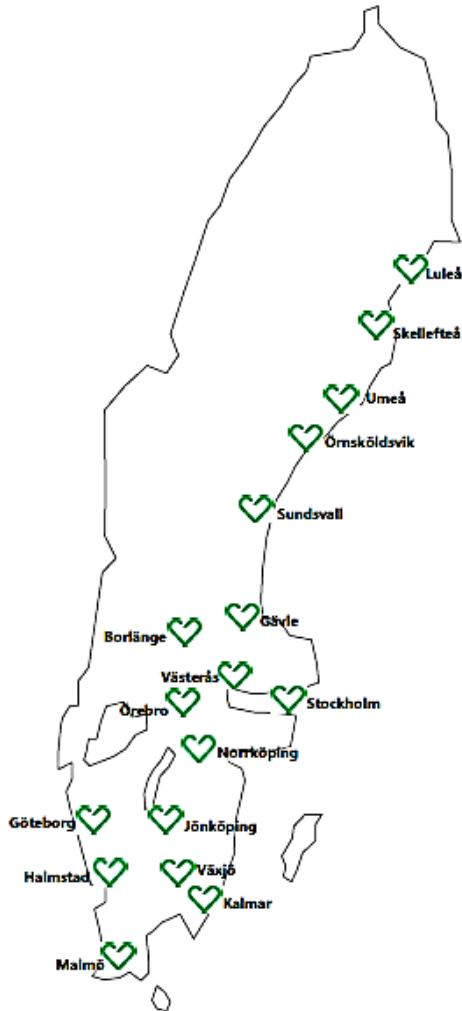
Delivering Omni-channel experience

APOTEK ICA

Offering the best service for prescriptions

Ecommerce + pharmacies = omnichannel - ensuring the fastest delivery in the industry

1 **Click and collect** → Buy online and pick up in stores within 2 hours

2 **Express delivery from pharmacy** → Buy online and get express same day delivery from your local pharmacy to your home across Sweden

3 **Postage, Best & Collection point** → Buy online get delivery home or to collection point including pharmacies.

4 **Hemgaranti (home guarantee)** → Buy in pharmacy delivered home or to collection point. Making all pharmacies full assortment pharmacies.

APOTEK ♥ ICA

Key messages

Growing faster than the market, aiming for continued fast pace growth

Increasing assortment, creating a full OMNI channel experience

During 2018 we will have the fastest deliveries in the industry

Apotekhjartat.se

Deep dive Digital ecosystems and ICAx

Digital interfaces	Big data and computing power	Advanced analytics/ AI/Machine Learning	Robotics	IoT (Internet of Things)

DIGITAL MARKETING

E-COMMERCE

CRM AND PERSONALIZATION (KL2020, CRM 2.0)

CATEGORY OPTIMIZATION

AUTOMATION

FOCUS

DIGITAL ECOSYSTEM (ICAx)

TODAY

EARLY PILOTS (ML)
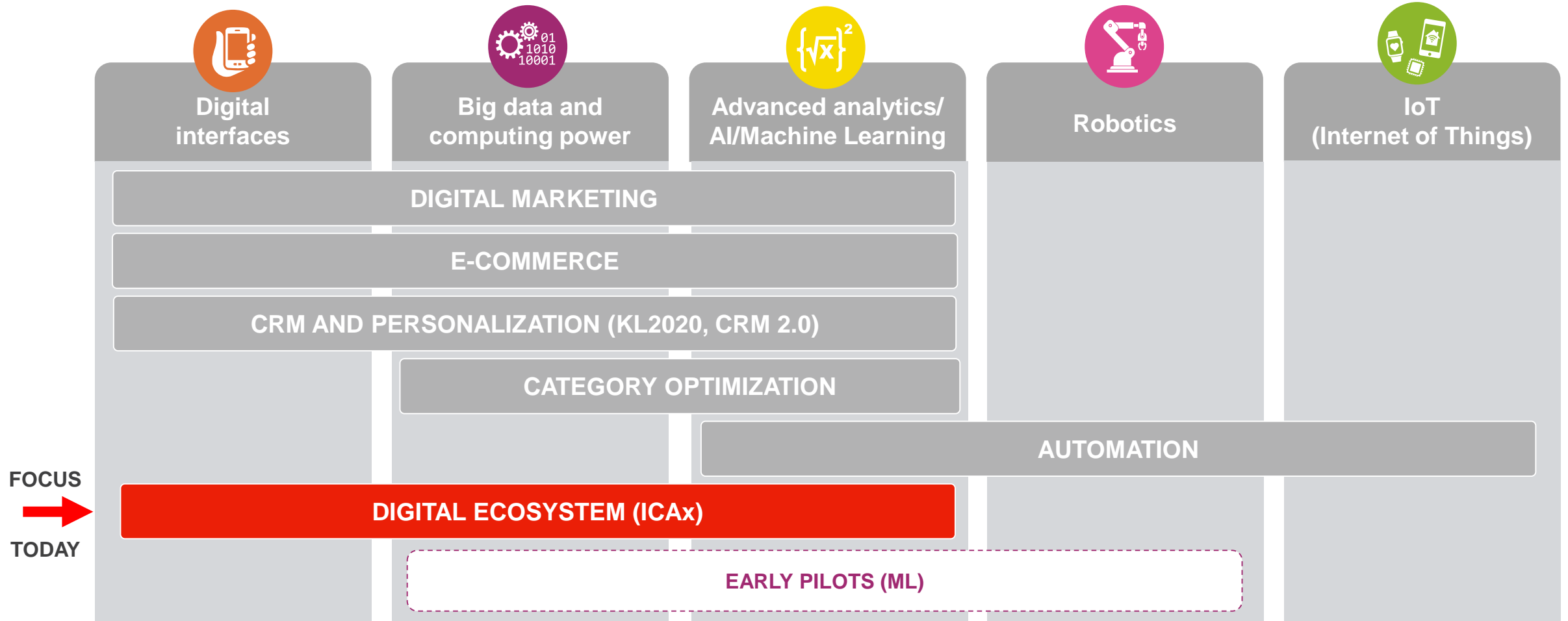
Ecosystem players will capture most of the value

Better offerings → More users → More data → Smarter algorithms → (SCALE)

Value ↑

Eco-systems — Interrelated network of platforms that collectively deliver a superior user experience

Google
amazon + WHOLE FOODS MARKET

Platforms — System enabling distribution, digital and/or physical, of a range of products/services to users

Walmart

Products/services — Content grouped into products and services

P&G

Content — Physical or digital content provider

Food producers

ICA already has many building-blocks of a digital ecosystem

Examples

ICA Banken   ICA   APOTEK ICA

FOOD & MEALS	ICA handla **ica.se Ica online**	
HEALTH	ICA hälsorabatt	**apotekhjartat.se Hälsokollen**
SUSTAINABILITY	klimaträtt *för dig som vill handla gott!*	
EVERY DAY ECONOMY	ICA Banken **PFM**	
KIDS	ICA Försäkring ICA Banken **Savings**	**icahemma.se Ica online** *Partners: Kolmården etc*	**Hjärtat Online**
PETS	ICA Försäkring	
...		

~4 million identified customers in a common loyalty program

**Strong brand**

Common >100 million digital visits/year

Our ambition is to further develop this cross-OpCo ecosystem with more services and easy navigation between them

AMBITION:

- Connect services better to each other (easy navigation)

- Exploit synergies (e.g., common last mile deliveries) and drive traffic across

- Further develop offering with new services – own or partners'

- Develop ability to personalize and target, using data from all OpCos
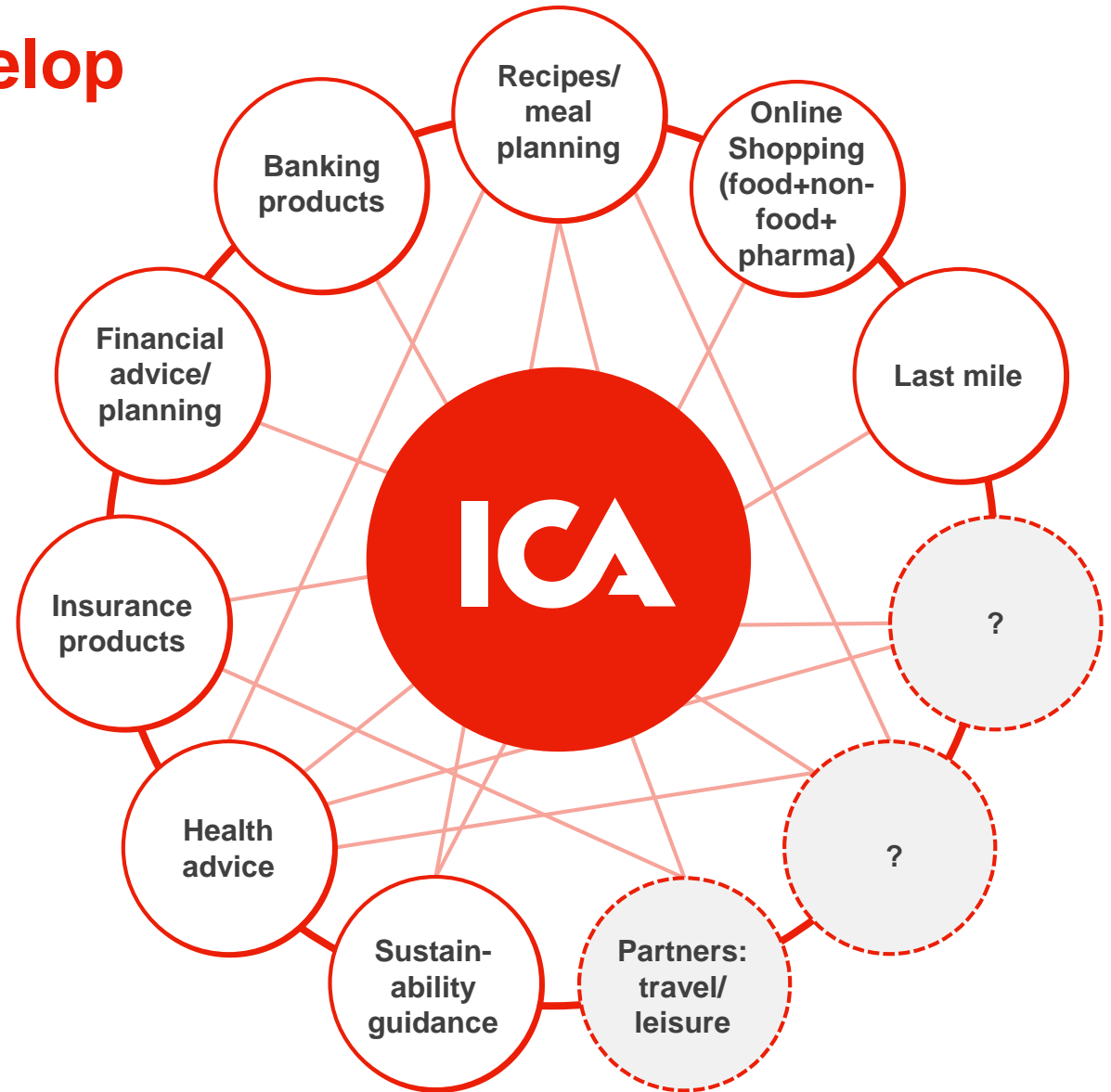
From the overall ecosystem, "mini-ecosystems" can be created and personalized/targeted to customer segments

Examples
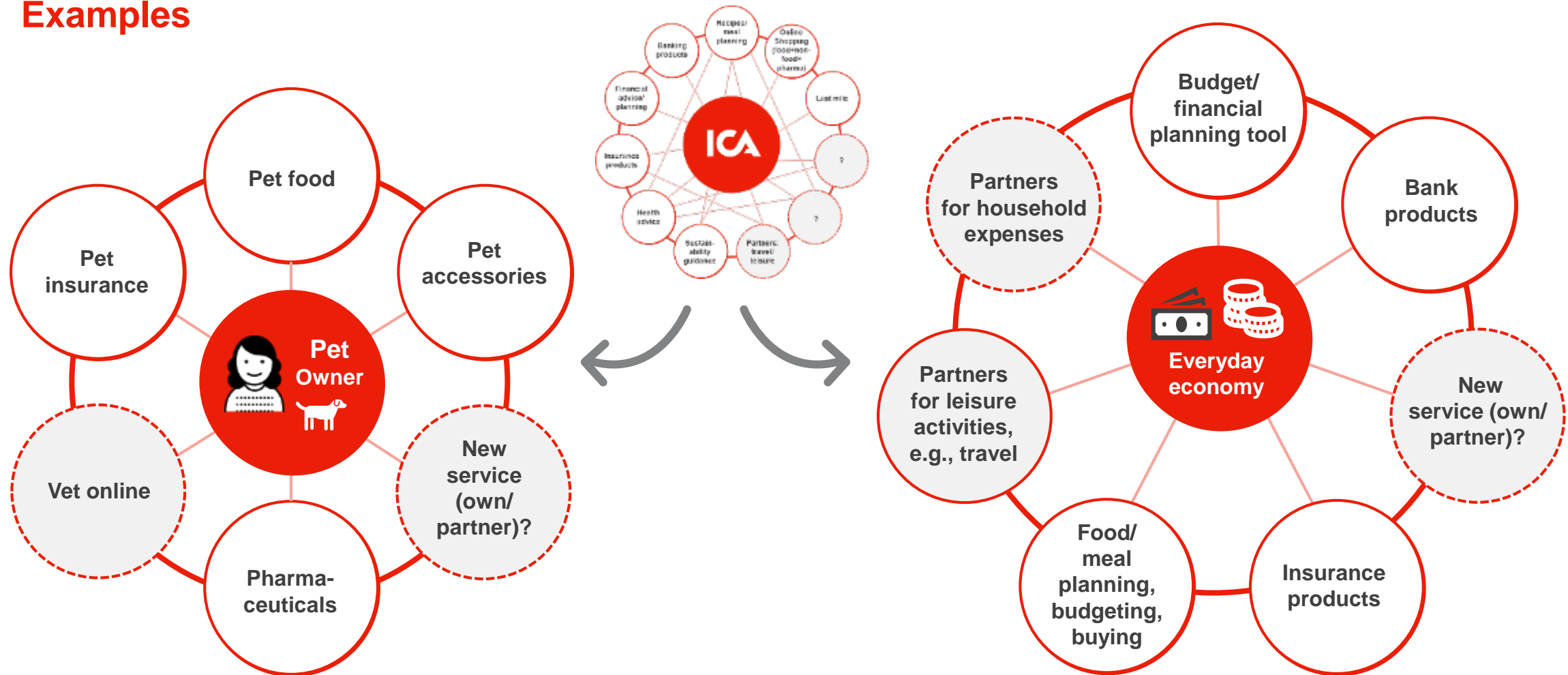
Develop our digital ecosystem and strengthen our customer relationship

Using digital innovation

Explore the unknown

Create seeds that will grow ICA for the coming 100 years
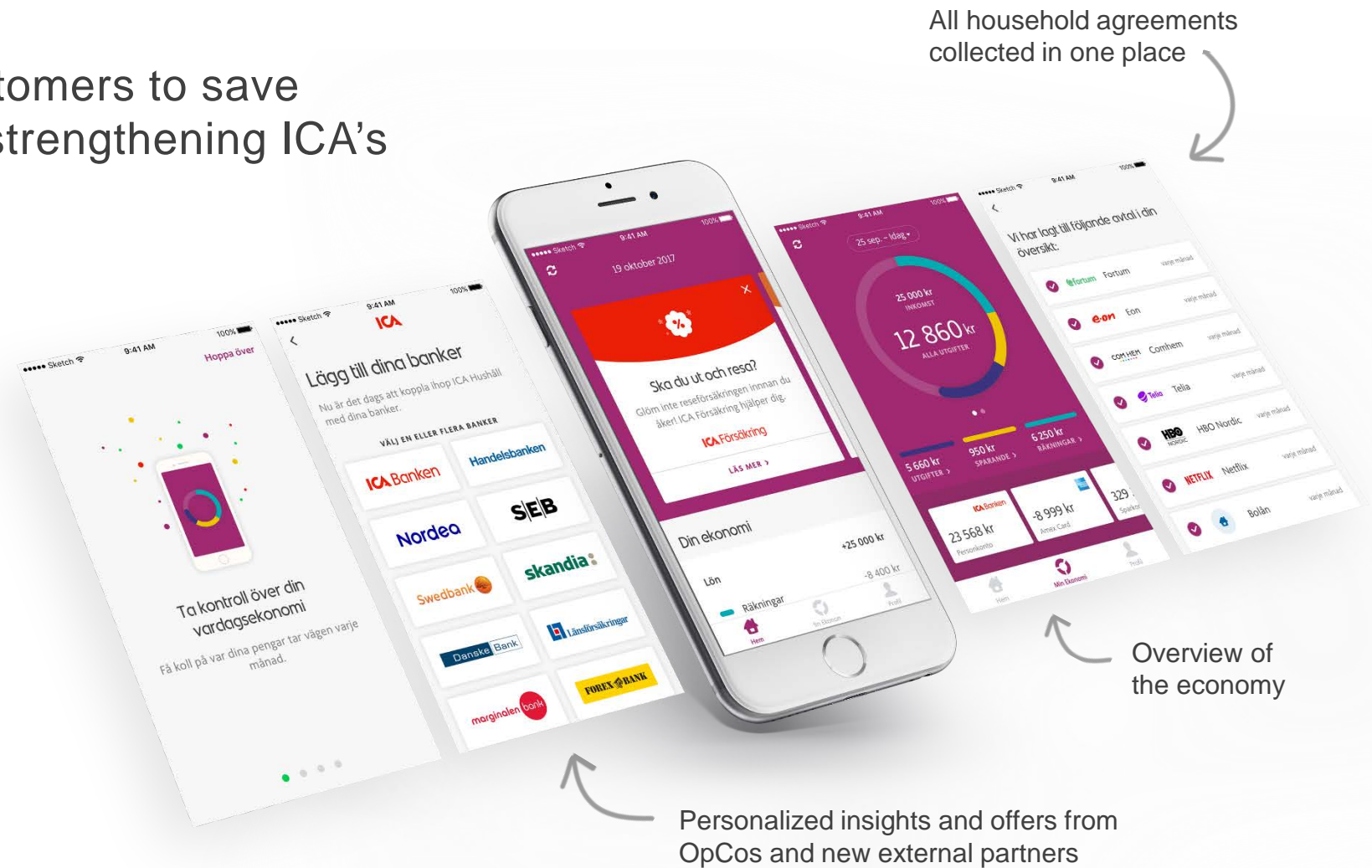
ICAx

We make everyday *much* easier

1. Develop

2. Partner/invest

3. Acquire

The first own development project for ICAx with a tentative full market launch early next year

Making it easy for our customers to save on household spend and strengthening ICA's ecosystem

All household agreements collected in one place

Overview of the economy

Personalized insights and offers from OpCos and new external partners

The application is a completely new approach to help our customers to save time and money

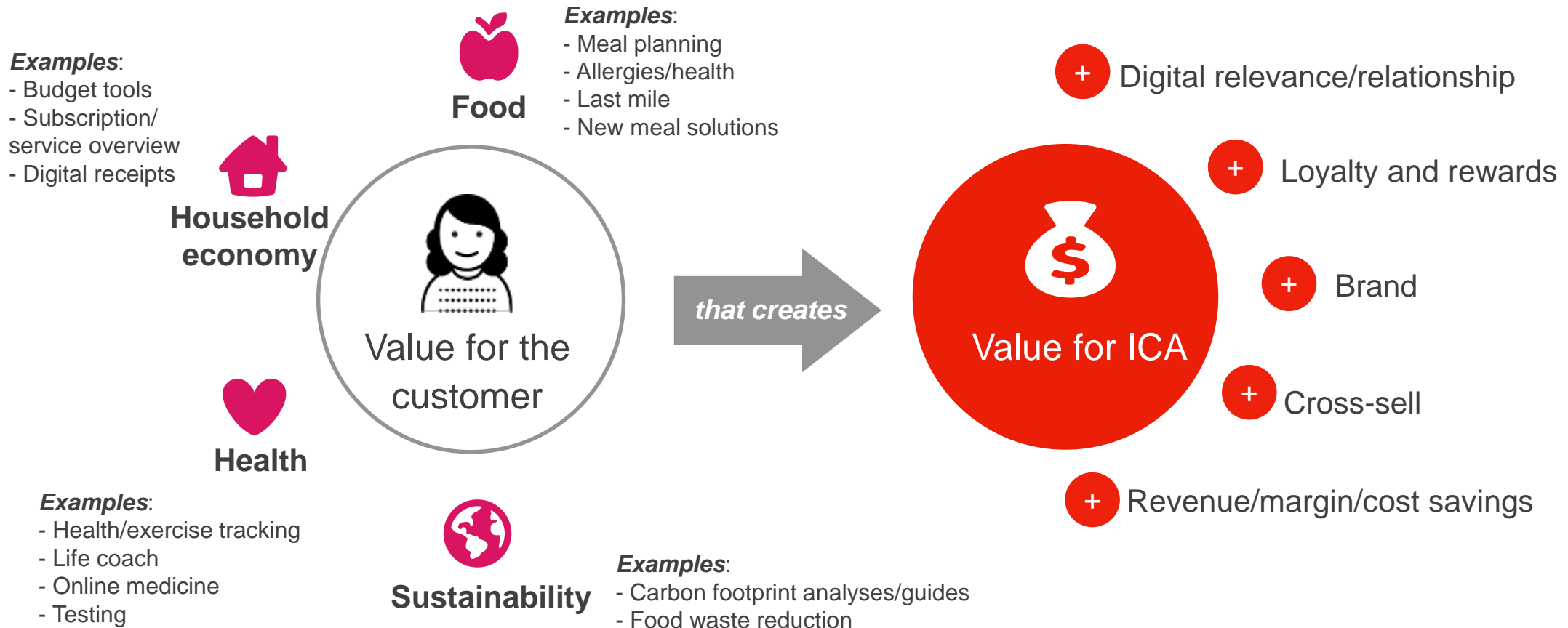**1** A SMART BUDGET TOOL TO AGGREGATE FINANCIAL DATA
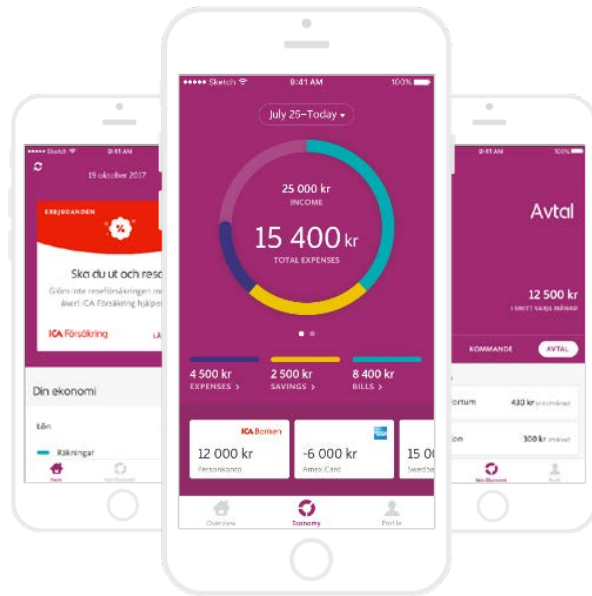
2 NEW PARTNERSHIPS TO INCREASE CUSTOMER BONUS

3 DATA TO IMPROVE PERSONALISATION (ICA & RETAILERS)

There are many examples of existing digital services that could potentially strengthen our offering

Food

Examples:
- Meal planning
- Allergies/health
- Last mile
- New meal solutions

Household economy

Examples:
- Budget tools
- Subscription/ service overview
- Digital receipts

Health

Examples:
- Health/exercise tracking
- Life coach
- Online medicine
- Testing

Sustainability

Examples:
- Carbon footprint analyses/guides
- Food waste reduction

Value for the customer

that creates

Value for ICA

+ Digital relevance/relationship

+ Loyalty and rewards

+ Brand

+ Cross-sell

+ Revenue/margin/cost savings

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In summary: we need to keep evolving our business

2020

Omni-channel and ecosystem retail

Today

Multi-channel, modern retail

Physical retail

- "Sell products in stores"
- Support from traditional IT systems

- Digital interaction with customers
- Additional channels and services
  - E-com
  - Recipes, loyalty program
  - Etc.
- Basic digital technology to improve business

- Physical retail remains core, but adding:
  - Full omni-channel experience
  - Digital ecosystems (with services and partners)
- Significant competence shift
- Advanced technologies applied at scale

Key messages

Investing in digital broadly across the group

Beginning to see tangible results - beyond e-commerce

Aiming to be the preferred brand to customers - offline and online