



# Digital and e-commerce at ICA Gruppen

Danske Bank Consumer Seminar, March 15, 2018

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## Key messages

Broad digital agenda

Rapidly growing e-commerce

Leadership ambitions – on- and offline

# Digitalization is one of the major trends within the retail industry

**DIGITAL**



tink amazonfresh  
mySupermarket apotea-se  
MatJtem.se Klarna  
din matbutik på nätet

**FOCUS TODAY**

**DISCOUNT**



ÖoB apotea-se ALDI  
RUSTA LIDL NETTO

**CONVENIENCE & MEALS**



PicaDeli I P A N I ESPRESSO HOUSE  
MAX UD URBAN DELI Panna Siset

## ADDITIONAL IMPORTANT TRENDS

HEALTHY LIVING

SUSTAINABILITY

MULTICULTURAL PREFERENCES

URBANIZATION

# Consumer expectations on digital are high and increasing



# Major technology advances are happening fast



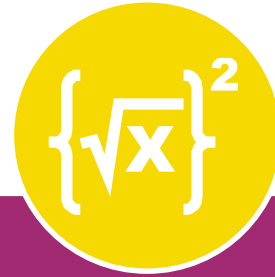
## Digital interfaces

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



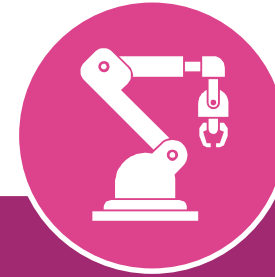
## Big data and computing power

- 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

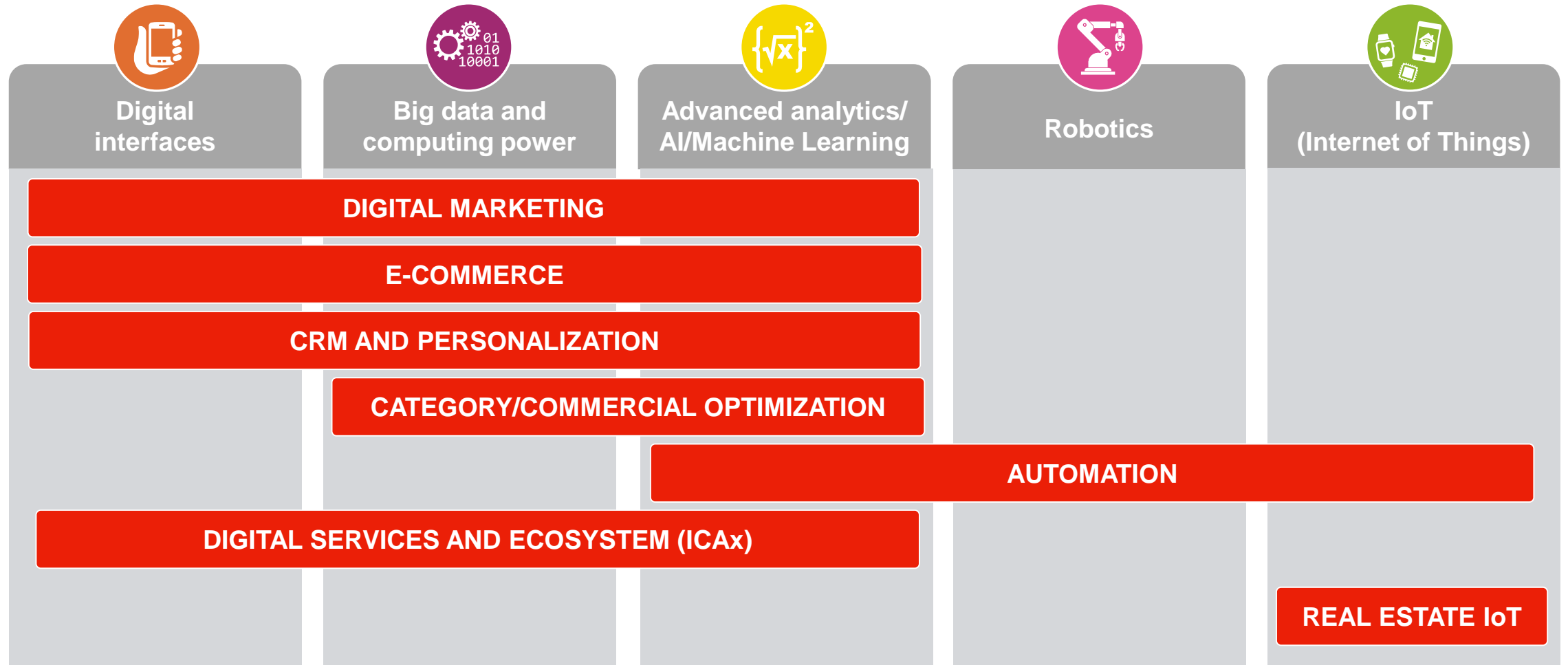
- Physical robots move and interact with the environment
- Software robots perform tasks (e.g. RPA: robotic process automation)

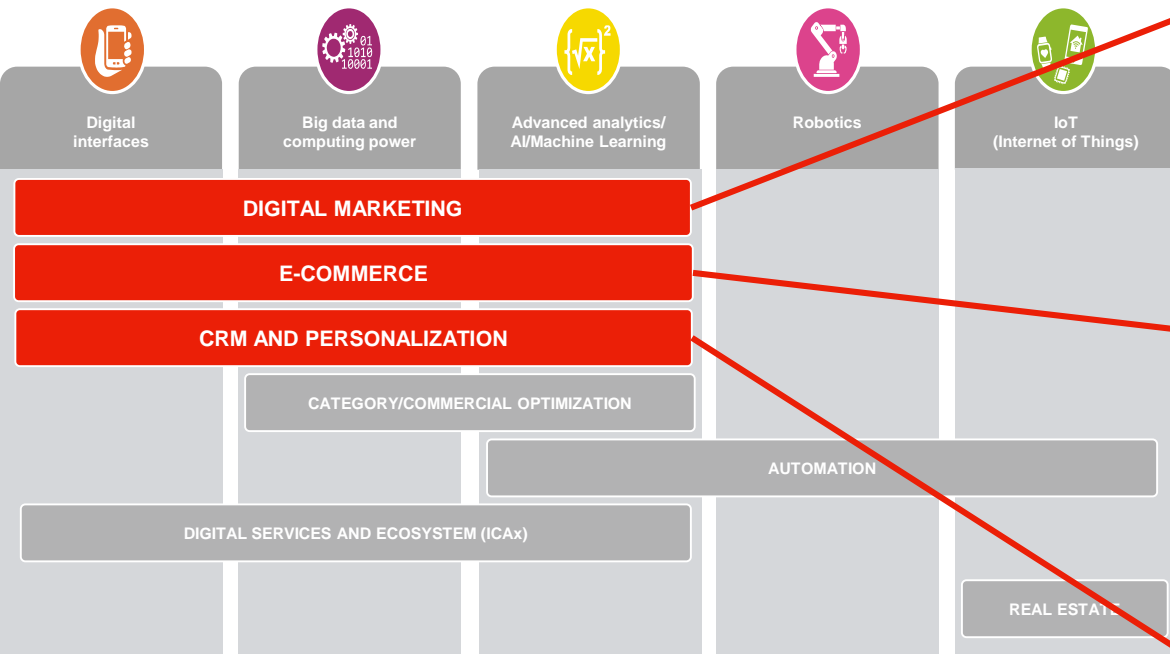


## IoT (Internet of Things)

- Sensors which collect data
- Added to “everything”
- Creating even more data

# ICA Gruppen has a broad range of major initiatives to address digital opportunities

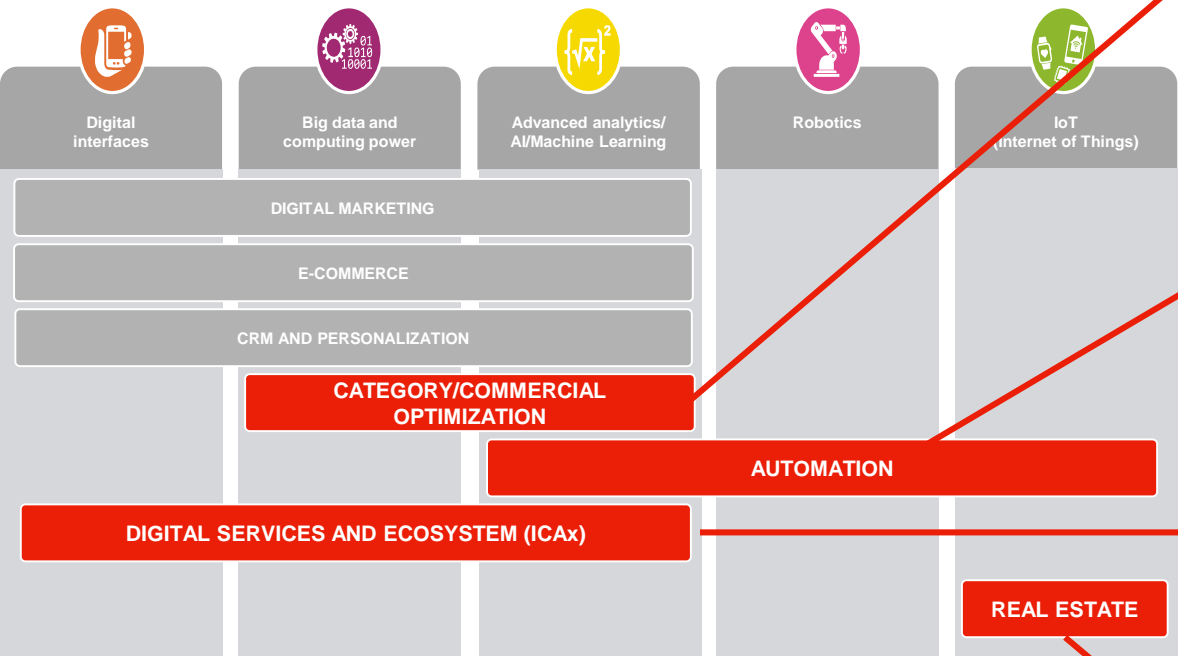




- Shift of budget and more activities in social media and digital channels - programmatic and personalized
- Modernized platforms, also supporting retailers (“marketing brain”/”retailer marketing platform”)

- Fast growing e-commerce in Apotek Hjärtat, ICA Sweden, ICA Special and Hemtex
- Investing in “next generation” and last mile

- More advanced personalization capabilities based on big data and AA/predictive modeling
- More flexible and personalized communication channels



- More advanced pricing tools (machine learning and elasticity; real time automated pricing recommendations)
- Sophisticated promotion/campaign optimization analyses
- More use cases (mark down, space, assortment optimization etc.) in pipeline for piloting

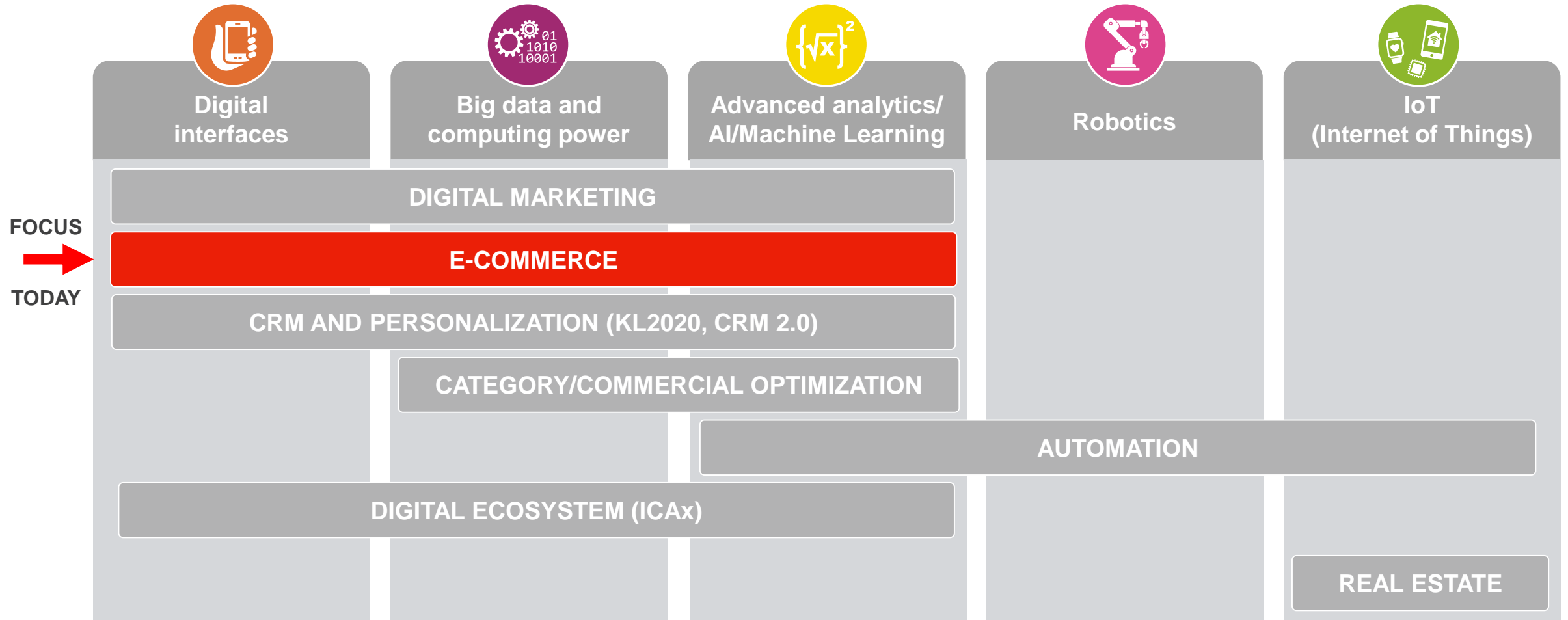
- Warehouse automation
- Robotic process automation (RPA) tested and now being scaled for administrative processes

- Launch of ICAx in mid 2017
- Household budget tool and new partnership model in beta testing
- Cross-company collaborations on offers for specific customer segments

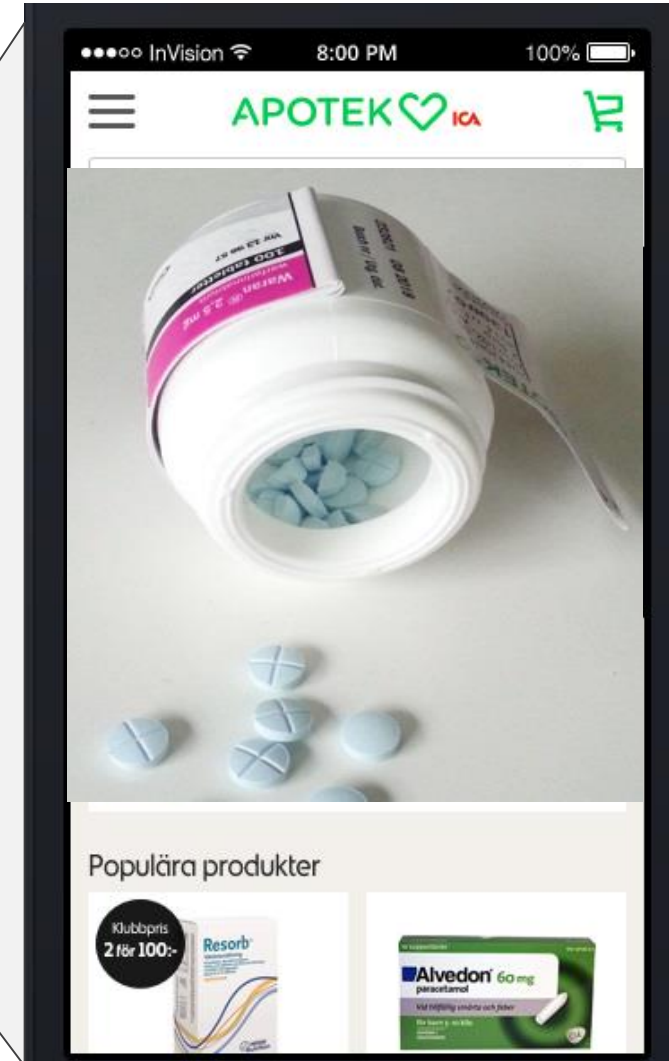
- Connecting properties for remote monitoring and optimized maintenance



# The focus today is on ICA Gruppen's e-commerce



# Apotek Hjärtat's goal: Offering the best service and fastest deliveries for prescription medication



# Key success factors for online pharmacies shaping our plans

## Key success factors:

### Rx (75% of sector sales):

- Credibility/brand and customer service
- Multichannel
- Website: navigation, convenience, payments etc.
- Quick deliveries and convenience
- (Price/assortment: same)

### Own care (25% of sector sales):

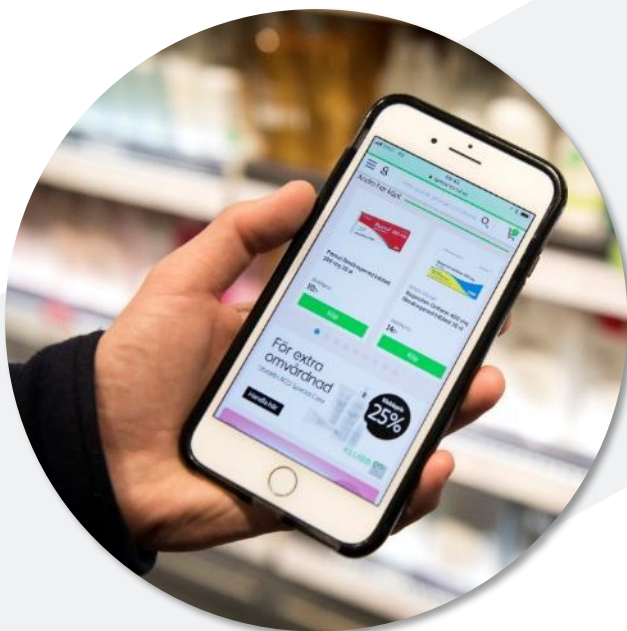
- Assortment
- Price
- Website: navigation, convenience, payments etc.
- Quick deliveries and convenience

## Our priorities 2018:

- **Fastest deliveries in the industry; multiple delivery methods also leveraging physical pharmacy network (targeting rapid same day home delivery across Sweden; <2 hours in metropolitan areas)**
- **Radical assortment expansion (+~10'SKUs) and competitive online pricing in traded goods**
- **Coordinating with ICA's customer flows and logistics for increased convenience**



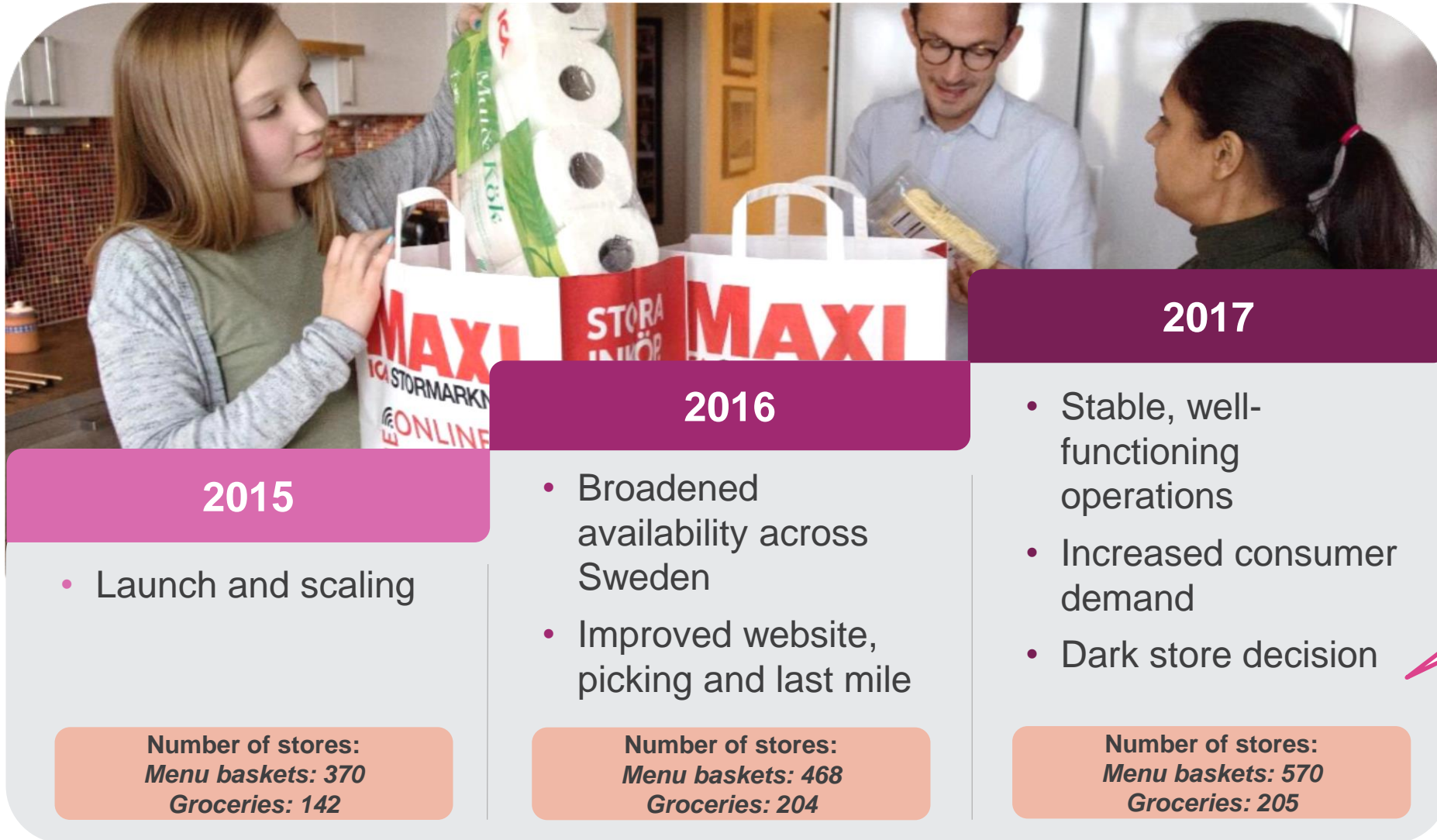
## Strong growth trajectory



**2017**  
online  
growth

**+85 %**

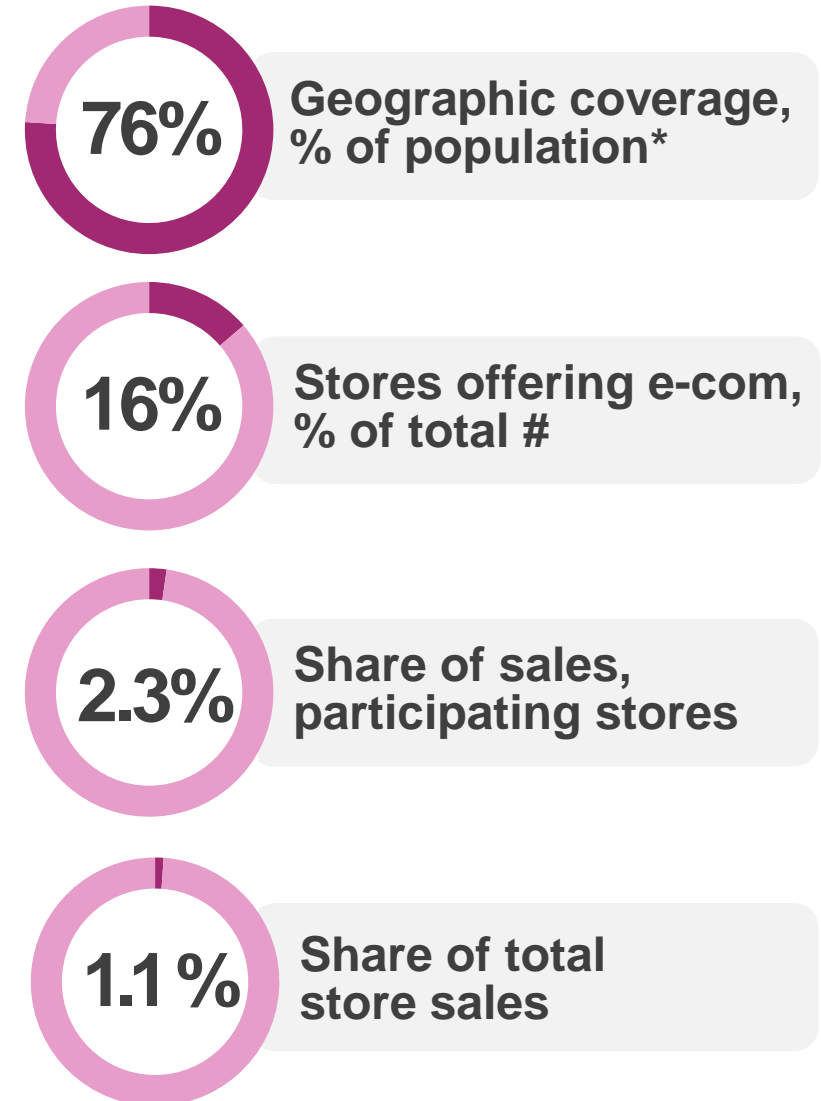
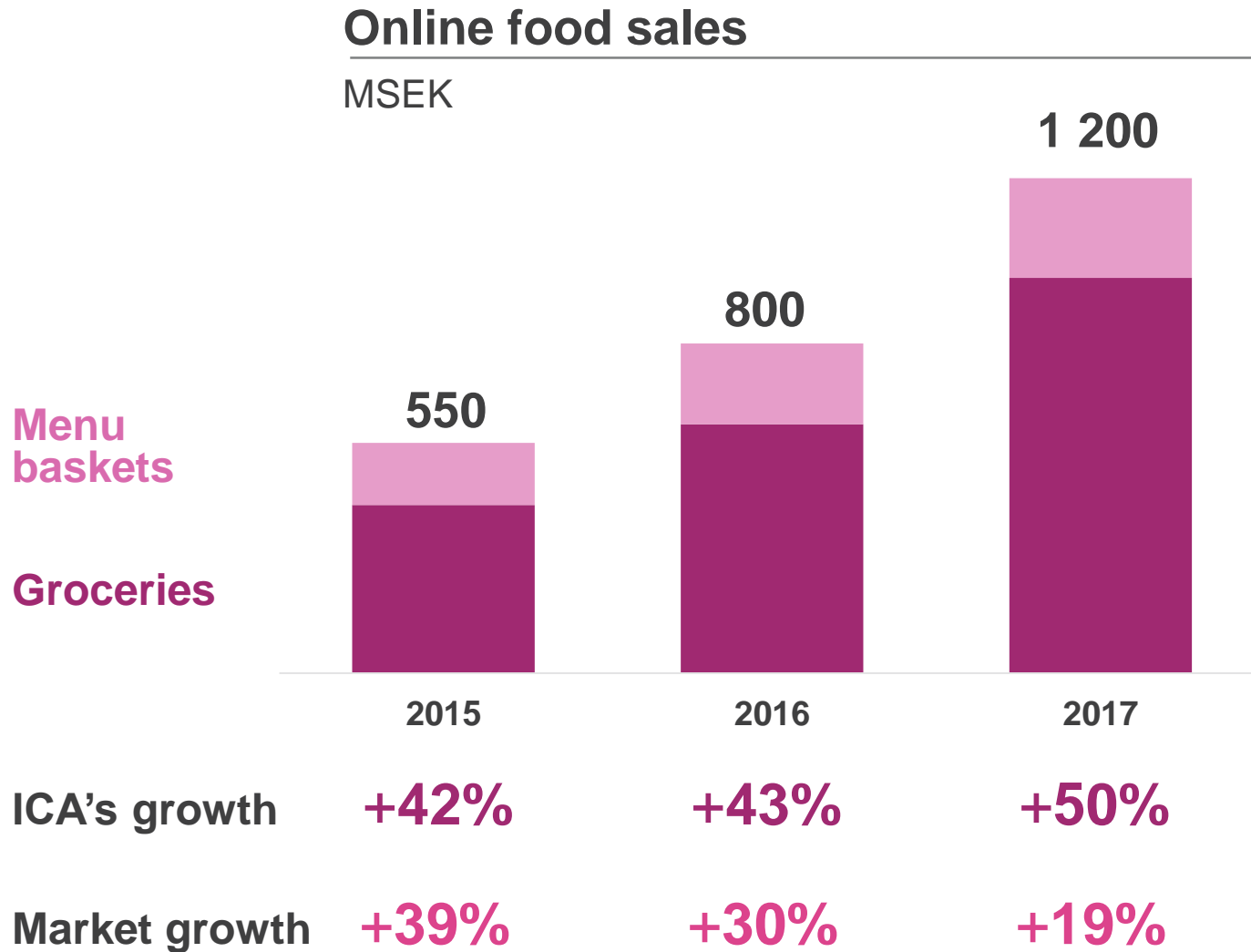
# ICA's grocery e-commerce was launched in 2015



• "Sweet spot": large stores with a drive thru, in medium sized cities

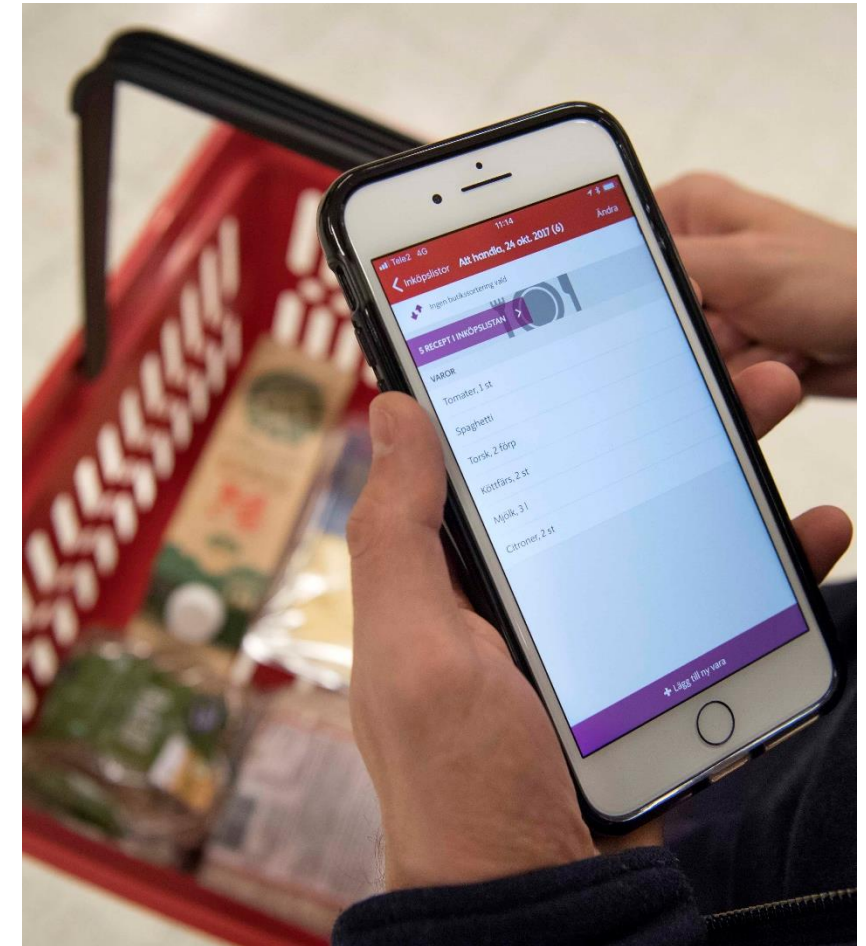
• Weaker performance in major cities, dominated by home delivery

# Rapid growth in 2017, reaching market leadership



# Strong increase in total spend when an offline customer becomes a multichannel customer

+10-15%



*Based on development of ICA Card customers who start to shop online*

# Online follows our normal business model principles

## ICA SWEDEN / ICA GRUPPEN

*“Provides the solution; sells wholesale”*

- IT platform/website
- Integration with other systems and rest of ICA’s eco-system
- Concepts and services for retailers, e.g.
  - Marketing, incl. CRM, SEO, SEM
  - Store picking support
  - Central picking and home deliveries (where applicable)
  - Commercial support; advice; training



## RETAILERS

*“Tailors offering; sells to consumers”*

- Decide whether to join ICA Online
- Set local customer offering (prices, assortment, last mile offer)
- Make store investments (e.g. cooling room; drive through)
- 1<sup>st</sup> line customer service, returns
- Local marketing and promotions

*Sells wholesale (same margin as offline) and a service to retailers*



*Sells retail; funds investments; buys a service; covers picking/delivery costs*



# Key success factors for online grocery shaping our plans

## Key success factors:

### Success with customers – sales and growth:

- "Ease of shopping" (incl. familiar assortment)
- Last mile (pick-up / home delivery)
- Assortment size and price
- Strong brand and trust (fresh food; not a simple product search/comparison)
- Large existing customer base & website traffic

### Creating a sustainable/profitable business:

- Commercial optimization (mix / price)
- Cost efficiency, mainly:
  - Fixed cost coverage of IT, central organization and distribution costs (scale)
  - Picking efficiency at rising volume levels (store pick -> dark store -> automation)
  - Purchasing prices

## Our priorities 2018:

- **Launch of first Dark Store in Stockholm – better coverage, assortment and last mile**
- **Expanding to more stores**
- **Continuous website improvements**
- **More integrated ecosystem (other assortments; other digital services e.g. recipes, apps)**



# Our goals

- ✓ Market leadership goal estimated to have been reached early 2018
  - Full coverage of Sweden
  - Significantly improved last mile offer in major cities
  - Best e-com customer experience, commercially optimized for each local competitive environment (city size, demographics, location, store size etc.)
  - Most cost-efficient back-end





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