FAR REACHING CHANGE AT M&S

TRANSFORMATION UPDATE
1 October 2019
CHAIRMAN’S WELCOME

ARCHIE NORMAN
CHAIRMAN
FAR REACHING CHANGE AT M&S

OBJECTIVES
Update on transformation
Change programmes
Meet the team

Welcome to Waterside Support Centre
- Prepared for a deal or no-deal Brexit on 31 October

<table>
<thead>
<tr>
<th>MANAGEMENT OF OUR OPERATIONS</th>
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<tr>
<td><strong>TARIFFS</strong></td>
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<tr>
<td>Imports under temporary regime</td>
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<td>Export to EU as third country</td>
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<td><strong>COMPLIANCE</strong></td>
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<td>Packaging, documentation and certification</td>
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<td>Approved economic operator status</td>
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<td><strong>CONTINUITY</strong></td>
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<td>Border delays</td>
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<td>Stock build</td>
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- In no-deal scenario there will be a potential impact on Food and International businesses
M&S IS CHANGING FASTER THAN IT HAS EVER DONE

Leadership and Culture Transformation

Accountable Businesses

Digital First

Restoring Style, Fit and Value in Clothing

Magic Again in Food

Rebuilding Profitable Growth in International

Store Estate Fit for the Future

Modernised Supply Chain

Cost Savings of at Least £350m
Leadership and Culture Transformation

Restoring Style, Fit and Value in Clothing

Store Estate Fit for the Future

Accountable Businesses

Magic Again in Food

Modernised Supply Chain

Digital First

Rebuilding Profitable Growth in International

Cost Savings of at Least £350m
M&S TRANSFORMATION UPDATE

M&S IS CHANGING FASTER THAN IT HAS EVER DONE

1. Leadership and Culture Transformation
2. Accountable Businesses
3. Digital First
4. Restoring Style, Fit and Value in Clothing
5. Magic Again in Food
6. Rebuilding Profitable Growth in International
7. Store Estate Fit for the Future
8. Modernised Supply Chain
9. Cost Savings of at Least £350m
<table>
<thead>
<tr>
<th>Time</th>
<th>Session Title</th>
<th>Speaker(s)</th>
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<tbody>
<tr>
<td>09:00</td>
<td>Organisation and culture change</td>
<td>Victoria McKenzie-Gould</td>
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<td>C&amp;H – Restoring the basics</td>
<td>Steve Rowe</td>
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<td>C&amp;H – Restoring style, fit and value in Menswear</td>
<td>Wes Taylor</td>
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<td></td>
<td>C&amp;H – Buying with confidence in Womenswear</td>
<td>Jill Stanton</td>
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<td>Digital and data opportunity</td>
<td>Jeremy Pee</td>
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<td>10:20</td>
<td>Coffee Break</td>
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<td>Food – Protecting the Magic and modernising the rest</td>
<td>Stuart Machin</td>
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<td>Food – Modernising our supply chain</td>
<td>Lawrence Christensen &amp; Ryan Lemon</td>
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<tr>
<td></td>
<td>Food – Lower our costs to deliver trusted value</td>
<td>Paul Willgoss &amp; George Wright</td>
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<tr>
<td></td>
<td>Food – Improving our customer experience</td>
<td>Sharry Cramond</td>
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<td></td>
<td>Store technology and efficiency</td>
<td>Sacha Berendji</td>
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<td></td>
<td>Conclusion</td>
<td>Steve Rowe</td>
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<td>12:45</td>
<td>Lunch</td>
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ORGANISATION AND CULTURE CHANGE

VICTORIA McKENZIE-GOULD
DIRECTOR OF COMMUNICATIONS
A business is only as good as its people

- Marcus Sieff
When we were at our best – the opportunity

Organisation and culture change

A unique customer promise that every colleague shared:
To sell quality, innovative products offering great value for money
underpinned by high levels of trust and service

Leaders close to the front line
Every colleague valued
Culture of plain speaking
Focus on data and trading
Trust and integrity

“Good goods will sell arse upwards”
HOW OUR CULTURE WAS LOST

ORGANISATION AND CULTURE CHANGE

FROM

Plain Speaking

Leadership close to the front line and customer

Fast-pace, responsive, commercial business

Collaboration to drive decision-making

TO

Professional Management

Speak

Leadership detached and defensive

Bureaucratic organisation

Collaboration a cloak for indecision
ORGANISATION AND CULTURE CHANGE
WHAT WE’RE DOING TO GET IT BACK

- Transforming our organisational design
- Empowered, responsive and commercial leaders
- Involving, engaging culture
- Store voice back at the centre
- Data-driven decision making
- Plain-speaking
CREATING A FAMILY OF ACCOUNTABLE BUSINESSES

ORGANISATION AND CULTURE CHANGE

1. P&L accountability and business boards
2. Halved central offices
3. Headcount in London reduced
4. Corporate functions slimmed down
ORGANISATION AND CULTURE CHANGE

AN EMPOWERED, RESPONSIVE & COMMERCIAL LEADERSHIP TEAM

LEADERSHIP TEAM
51 Colleagues

60% Existing
40% New

Since 2016

TOTAL MANAGEMENT
4,500 Colleagues

27% New
47% Existing
26% Promotion

Since 2016
ORGANISATION AND CULTURE CHANGE

AN INVOLVING, ENGAGING CULTURE WHERE EVERYONE CAN GET ON

13,500+ suggestions in so far!

Changing Lives for 15 Years

15 years ago, we launched Marks & Start to give employment chances to disadvantaged and disabled people; Jane is just one beneficiary.

BIG BUSINESS INVOLVEMENT GROUP

11,000 hours a week
ORGANISATION AND CULTURE CHANGE

STORE VOICE BACK AT THE CENTRE OF THE BUSINESS

Weekly buyers and sellers calls

Business wide programmes started in store

‘Operator knows best’
ORGANISATION AND CULTURE CHANGE
CLEAR, RELATABLE BEHAVIOURS

TALK STRAIGHT
OWN IT AND GET IT DONE
ALL IN FOR THE CUSTOMER
MAKE EVERY PENNY COUNT
Improving end-to-end colleague experience;
Re-set colleague engagement survey;
BIG reinvigorated

Increasing colleague and leadership store working; rolling out TEAMS

Embedding in every aspect of our HR/people systems; ‘talking straight’ about progress

WHAT’S NEXT

ORGANISATION AND CULTURE CHANGE

Transforming our organisational design

More efficiencies in the centre

Empowered, responsive and commercial leaders

Clarity on what we expect from leaders; transparent colleague feedback; robust performance management

Involving, engaging, culture

Improving end-to-end colleague experience; Re-set colleague engagement survey; BIG reinvigorated

Store voice

Increasing colleague and leadership store working; rolling out TEAMS

Clear, relatable behaviours

Embedding in every aspect of our HR/people systems; ‘talking straight’ about progress
CLOTHING & HOME

RESTORING THE BASICS

STEVE ROWE
CHIEF EXECUTIVE
RESTORING STYLE AND FIT

OUR MARKET POSITION

#1 in the £35bn UK clothing market

Over 23m customers YTD – up 425k on last year

Major key categories – 37% market share in bras

20% of women in UK bought knitwear from M&S last year

25% of kids wear an M&S uniform
WE KNOW WHAT MATTERS TO OUR CUSTOMER

RESTORING STYLE AND FIT

- Contemporary wearable style
- Best for wardrobe essentials
- Trusted value for great quality
- Easy shopping experience in our stores and online
RESTORING THE BASICS
WE ARE CLEAR ON WHERE WE ARE AND WHAT TO DO

- More to do on website SEO; not seamless across channels
- Store hard to shop
- Not trading actively enough in season
- Complex and time-consuming processes for stores
- Slow replenishment flow to stores
- Poor planning processes upfront
- Product insufficiently focused on family customers
- Buying too many options in too little depth
- Inconsistent critical path management
- Lack of visibility over stock, location and commitment
- Complex and high cost logistics network

Too many slow moving UPCs
Not quick enough to market
Poor availability
Too much stock and markdown
RESTORING THE BASICS
OUR BIGGEST PAIN POINTS IN PLANNING AND STOCK VISIBILITY

3 track approach to trading and planning

New critical path – AW launch over 90% availability

Reset PO process

Poor planning processes upfront

Inconsistent critical path management

Lack of visibility over stock, location and commitment
IMPROVED FIT AND SIZE RATIOS

PROGRESS REMOVING OUTDATED STYLES

10% REDUCTION IN OPTIONS; STARTING TO BACK OUR WINNERS

PRODUCT INCUFFICIENTLY FOCUSED ON FAMILY CUSTOMERS

BUYING TOO MANY OPTIONS IN TOO LITTLE DEPTH
RESTORING THE BASICS
STARTING TO MAKE PROGRESS ON LOGISTICS

Closed 4 DCs and Welham Green open

Warehouse Management System replacement

Roll out best of Vangarde Fuse in C&H

Complex and high cost logistics network

Slow replenishment flow to stores
Rolled out tools to help stores trade more effectively

Implemented dynamic RFID count rotas and improved delivery accuracy

Complex and time-consuming processes for stores
RESTORING THE BASICS

IMPROVING CUSTOMER EXPERIENCE ACROSS CHANNELS

- Homepage speed in top quartile
- Delivery options improved
- Store change, work in progress

More to do on website

SEO; not seamless across channels

Store hard to shop
RESTORING THE BASICS

TACTICAL ACTIONS TO DRIVE TRADE

- Trade into success
- Adjust prices in season, shorten clearance periods
- Quicker replenishment for stores to drive availability
- Easy deliveries for stores
- Technical fixes to SEO
- Introduce instalment credit online
RESTORING THE BASICS
WHERE WE WILL GET TO – A VIRTUOUS CYCLE

**PLAN**
- Category led strategy
- Clearly defined critical path
- Full end-to-end view

**SELL**
- Seamless customer experience across all channels
- Leverage multichannel estate
- Trade hard

**MAKE**
- Rationalised supply base
- Leverage expertise in sourcing offices
- Strategic relationships

**BUY**
- Reshaping buy – bigger volume
- Less SKUs, less phases, less reduced
- Faster response routes

**MOVE**
- Simple and efficient for our stores – one touch
- Flexibility to replenish fast flow
- Visibility at all stages

**DESIGN**
- A range focused on family aged customers
- Quality contemporary style
- Focus on authority and value for money
CLOTHING & HOME
RESTORING STYLE, FIT & VALUE IN MENSWEAR

WES TAYLOR
DIRECTOR OF MENSWEAR
OVERCOMING CUSTOMER PERCEPTION BARRIERS IN MENSWEAR

1. Facing into declining market share
2. Currently perceived as too old
3. Need to be more relevant for the mainstream
4. Reducing our dependence on formal
5. Need to increase inspiration and style
6. Fit has been poorly perceived
7. Buying in the right size ratios
8. Improving customer experience
9. Delivering clarity on Good, Better, Best
FACING INTO DECLINING MARKET SHARE

Menswear market relatively flat at c.£10bn with growth of 0.7% CAGR over 5 years

Still market leaders but decline of 1.5% of market share over 5 years

Share losses linked to perception that M&S is not a retailer for stylish clothes

Source: Buyers of store choice survey 2017
Source: Kantar
CURRENTLY PERCEIVED AS TOO OLD

RESTORING STYLE, FIT & VALUE IN MENSWEAR

OLD FASHIONED
BORING

NOT FOR EVERYONE

cumbersome

RELIABLE

shapeless

Dependable

HESITANT

big

slow

Occasional surprise

STEADY

presence

unclear of path
RESTORING STYLE, FIT & VALUE IN MENSWEAR

NEED TO BE MORE RELEVANT FOR THE MAINSTREAM

VOLUME

TIME

EARLY ADOPTERS

TREND AWARE

COMTEMPORARY AND UP TO DATE

PRACTICAL AND COMFORTABLE

2.5%
13.5%
34%
34%
16%

MAINSTREAM
**RESTORING STYLE, FIT & VALUE IN MENSWEAR**

**REDUCING OUR DEPENDENCE ON FORMAL**

Shift to casual, ‘smart’ and activewear

Demand for value

Shift to online

<table>
<thead>
<tr>
<th>Market Growth</th>
<th>Market Share</th>
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<tbody>
<tr>
<td>-7%</td>
<td>14%</td>
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<tr>
<td>+1%</td>
<td>12%</td>
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<tr>
<td>+6%</td>
<td>5%</td>
</tr>
<tr>
<td>+6%</td>
<td>2%</td>
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Source: Kantar 52 w/e 25 August 19
Reduce options in formal departments

Modernise formal options to address gap in ‘Smart’

Review mix to reflect market areas of growth

Add options only where see growth
RESTORING STYLE, FIT & VALUE IN MENSWEAR

NEED TO INCREASE INSPIRATION AND STYLE
RESTORING STYLE, FIT & VALUE IN MENSWEAR
FIT HAS BEEN POORLY PERCEIVED

**CASUAL TOPS**

Mens Casual ranges by Fit type
% of Buy (value)

- Regular / Relaxed: 91%
- New Reg: 23%
- Slim: 9%
- 0% New Reg
- 5% Slim

**CASUAL TROUSERS**

Mens Casual ranges by Fit type
% of Buy (value)

- Regular: 80%
- Slim: 57%
- Skinny: 18%
- New Reg / New Slim: 0%
- 2% New Skinny
RESTORING STYLE, FIT & VALUE IN MENSWEAR
BUYING IN THE RIGHT SIZE RATIOS

MENSWEAR TOPS BUY BY SIZE

% 2019 ratio

Market ratio

2018 ratio

0% 10% 20% 30% 40%
XS S M L XL XXL XXXL
RESTORING STYLE, FIT & VALUE IN MENSWEAR
IMPROVING CUSTOMER EXPERIENCE
Excellent opening price points in categories where it matters

Simplifying the range to create a clearer price hierarchy

Communicating points of difference in good, better, best
Design more relevant, stylish clothing

Increase mix of casual and smart

Bring sizes in line with customers’ expectations

Deliver trusted value
RESTORING STYLE, FIT & VALUE IN MENSWEAR

HOW WE AIM TO BE PERCEIVED
CLOTHING & HOME
BUYING WITH CONFIDENCE IN WOMENSWEAR

JILL STANTON
DIRECTOR OF WOMENSWEAR
BUYING WITH CONFIDENCE IN WOMENSWEAR

ISSUES WE HAVE BEEN FACING INTO

- Too many changes resulting in late deliveries
- Frequently changing strategy
- Last minute changes to layout/campaigns impacting buys and sales
- Sell out of key sizes
- Range too wide
- Designing for different customers
WE HAVE REDESIGNED OUR RANGE, FOCUSING ON THE ‘SWEETSPOT’ AND SIMPLIFIED OUR SUB BRANDS
BUYING WITH CONFIDENCE IN WOMENSWEAR
WE ARE REFOCUSING OUR RANGE AND REDUCING OPTIONS WHERE...

Low and / or declining rates of sale

Unnecessary complexity for customers

Option targets by department

New buying tools

REDUCTION IN UPCS VERSUS LAST YEAR (W19)

-12%  Womens Clothing
-3%   Womens Footwear & Accessories
-9%   Kidswear
-17%  Lingerie

REDUCTION IN OPTIONS VERSUS LAST YEAR (W19)

-16%  Womens Clothing
-6%   Womens Footwear & Accessories
-9%   Kidswear
-16%  Lingerie
BUYING WITH CONFIDENCE IN WOMENSWEAR
MAKING THE BIG, BIGGER

Improved productivity putting volume behind top lines – top 100 +10%

Key lines deliver great value year-round

No. of £1m lines +85%

TOP 20 LINES (Value A19)

- Womens Clothing: +24%
- Womens Footwear & Accessories: +21%
- Kidswear: +11%
- Lingerie: +1%
BUYING WITH CONFIDENCE IN WOMENSWEAR

WINNING IN OUR HERO DEPARTMENTS

Number 1 market position
Grown market share +0.3%
Grown volume and value

Number 2 to joint number 1 market position
Market share at 8.4%

Source: Kantar 52 w/e 25 August 19
BUYING WITH CONFIDENCE IN WOMENSWEAR

IMPROVING OUR FIT AND BUYING RATIOS

- Better availability in key sizes
- Consistent sizing terminology
- More testing
- New products based on 5* reviews

WOMENSWEAR SIZE RATIOS

- Volume per Size
- May 18 ratio 10-14 = 50%
- AW19 ratio 10-14 = 54%
- Market ratio 10-14 = 58%
BUYING WITH CONFIDENCE IN WOMENSWEAR
BEGINNING TO IMPROVE CUSTOMER PERCEPTIONS

Source: Tell M&S customer ratings in September 2019
Attract more ‘sweetspot’ customers

Make the big, bigger

Win in hero departments

Make it easier to shop
DIGITAL AND DATA OPPORTUNITY

JEREMY PEE
CHIEF DIGITAL & DATA OFFICER
M&S HAS A HUGE OPPORTUNITY IN DIGITAL AND DATA

Customer digital interactions

- **Digital properties and communication**: 1bn+
- **Stores and contact centre**: 1bn+
- **Digital advertising**: 3bn+
WE HAVE FOUR IMPORTANT CUSTOMER DATA SOURCES

DIGITAL AND DATA OPPORTUNITY

Sparks
7m

M&S.com
11m

Bank
3m

Ocado
1m

To nearest 1m
OUR FUTURE COMPETITIVE ADVANTAGE IS 1:1 PERSONALISATION

- Rich data sets
- Shift to predictive analytics
- Apply intelligence
- Automate execution
WE SEE THREE MAJOR PROBLEMS TO FOCUS ON

Sparks is not effective

Data delivers insufficient value

Organisation is not digitally joined up
SPARKS HAS HUGE POTENTIAL AS A CHANNEL...

DIGITAL AND DATA OPPORTUNITY

Spend 4x more annually

Click through rate 50% higher

Foundational customer data

SPARKS RELATIVE PERFORMANCE

Spend

Engagement

4x

1.5x

Sparks

Non-Sparks
DIGITAL AND DATA OPPORTUNITY
BUT HAS MANY ISSUES THAT NEED FIXING

- Confusing and hard to use
- No clear value exchange
- Outstanding points accumulation

You?
Introduce the packaging to recycle
Commitment to 3,000 tonnes of Spring 2019, 83 to 83
OUR DATA DELIVERS INSUFFICIENT VALUE

1. Difficult to find
2. Quality is inconsistent
3. Lack of agility
OUR ORGANISATION IS NOT DIGITALLY JOINED UP

DIGITAL AND DATA OPPORTUNITY

- Overlapping audiences and targeting
- High dependence on manual processes
- Focus on channels over journeys
WE HAVE STARTED TO BUILD FOR OUR DIGITAL FUTURE

1. Rebuild our data estate
2. Relaunch Sparks
3. Implement personalisation across digital touchpoints
4. Build teams and capabilities
WHAT
1. Rebuild our data estate

HOW
Make data available in the cloud
   Improve data quality
   Develop future state data products
   Engaging our people

Connect data and make it available
WHAT
2. Relaunch sparks

HOW
Simplify and reduce frustrations
Offer fair value exchange
Improve personalisation
Address points balance

Create foundation for personalisation and engagement
WHAT
3. Implement personalisation across digital touchpoints

HOW
Establish Data Science capabilities
Build models and segments across ecosystem
Embed across digital touchpoints
BUILD TEAMS AND CAPABILITIES

**Digital and Data Opportunity**

- Customer Growth & Experience
- Loyalty & Sparks
- Digital Product Management
- Business Development & Innovation
- Data
- Data Science
Pleased with progress

At the beginning of a journey

Look forward to sharing further updates
PROTECTING THE MAGIC AND MODERNISING THE REST

STUART MACHIN
MANAGING DIRECTOR OF FOOD
M&S FOOD WAS IN A CIRCLE OF DECLINE FOR MANY YEARS WHICH RESULTED IN DECLINING LFL SALES AND PROFITS

PROTECTING THE MAGIC AND MODERNISING THE REST

PEOPLE
- Lack of accountability and empowerment
- Short of skills & capabilities
- Morale low, change fatigue set in
- Systems slowing productivity

OPERATIONS
- Cost inflation
- Costly supply chain built for simpler estate
- Increasing costs and waste levels
- New store space growing faster than sales
- Poor availability

CUSTOMER EXPERIENCE
- Confusing customer experience in stores
- Room to improve store standards
- Large variation of formats
- Only a dozen shops stock full range
- No real presence online
- Not as relevant for families and big shops

PRODUCT
- Competitors attempting to copy our quality
- Innovation around the fringes
- Operating in narrow missions & price bands
- Proliferation in range
- Not enough exclusive supplier relationships

VALUE
- Price perception much higher than reality
- Focus been on brand not product & value
- Too many complex promotions
- Poor good, better, best tiering

LFL Sales Down
Margin Down
Costs Up
Profit Down

Customer Experience
People
Product
Operations
Value
M&S FOOD IS A BRITISH INSTITUTION WHICH WAS NEED OF REINVENTION, RE-EXPRESSION AND MODERNISATION

PROTECTING THE MAGIC AND MODERNISING THE REST

PROTECT THE MAGIC

Brand

Product innovation

Heritage

Colleagues

MODERNISE THE REST

Disappointing our Customers

Ineffective Promotions

Marketing not product led

Inefficient Supply Chain
PROTECTING THE MAGIC AND MODERNISING THE REST

EARLY STAGES OF TRANSFORMATION – STABILISING THE BUSINESS & STARTING TO DEAL WITH THE MOST CRITICAL ISSUES

STEP ONE
RESTORING THE BASICS

STEP TWO
SHAPING THE FUTURE

STEP THREE
MAKING M&S SPECIAL

Today
WE HAVE A CLEAR PLAN IN PLACE

OUR PLAN TO PROTECT THE MAGIC & MODERNISE THE REST

Internal for colleagues – Creating delicious quality food that doesn’t cost the earth
External to customers – This is not just Food, this is M&S Food

We need to become BIGGER, BETTER & FRESHER to transform our Food Business and make it more profitable, selling quality products at everyday trusted value, online and in bigger stores that have the mind of a supermarket and the soul of a fresh market

Our target customer wants great tasting quality food to eat now, tonight and for special occasions and is willing to pay a little bit more. We will retain our mostly affluent older generation customers and extend our appeal to be more relevant, more often to families & younger singles

OUR TARGET
CUSTOMER
Where the growth will come from

CUSTOMER VALUE PROPOSITION
What we want customers to say about us

Delicious Tasting Quality Food
Trusted Value with Values
Enjoyable Shopping

STRATEGIC TRANSFORMATION PROGRAMMES
How we will make it happen

Create Loved Products
Lower Our Costs
Deliver Trusted Value

Transform Categories
Modernise End To End Supply Chain
Build Winning Teams

Develop Great & Efficient Shops
Grow M&S Online & Digitally
Rebuild Brand & Customer Engagement

HOW WE WORK
The M&S Way

One Food Team
Win Supplier Partnerships
Plan A
Food Values
M&S Behaviours
M&S Food Operating Model
**WE HAVE A CLEAR PLAN IN PLACE**

**OUR CORE PURPOSE**
What we want to be famous for

**OUR VISION**
What success in 2022 looks like

**OUR TARGET CUSTOMER**
Where the growth will come from

---

**INTERNAL FOR COLLEAGUES**
Creating delicious quality food that doesn’t cost the earth

**EXTERNAL TO CUSTOMERS**
This is not just Food, this is M&S Food

We need to become BIGGER, BETTER & FRESHER to transform our Food Business and make it more profitable, selling quality products at everyday trusted value, online and in bigger stores that have the mind of a supermarket and the soul of a fresh market.

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**CUSTOMER VALUE PROPOSITION**
What we want customers to say about us

**STRATEGIC TRANSFORMATION PROGRAMMES**
How we will make it happen

- **Create Loved Products**
- **Transform Categories**
- **Develop Great & Efficient Shops**
- **Lower Our Costs**
- **Modernise End To End Supply Chain**
- **Grow M&S Online & Digitally**
- **Deliver Trusted Value**
- **Build Winning Teams**
- **Rebuild Brand & Customer Engagement**

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**HOW WE WORK**
The M&S Way

- One Food Team
- Win-Win Supplier Partnerships
- Plan A
- Food Values
- M&S Behaviours
- M&S Food Operating Model
PROTECTING THE MAGIC AND MODERNISING THE REST

1. Create Loved Products
2. Lower Our Costs
3. Deliver Trusted Value
4. Transform Categories
5. Modernise End to End Supply Chain
6. Build Winning Teams
7. Develop Great & Efficient Shops
8. Grow M&S Online & Digitally
9. Rebuild Brand & Customer Engagement
Create Loved Products

CHALLENGE WE FACE
Competitors attempting to copy our quality and innovation

OPPORTUNITY IF WE EXECUTE THE STRATEGY
Stronger differentiation
Lead the market on provenance and delicious tasting quality food

WHERE WE ARE ON THE JOURNEY
Obsessed with quality
More profitable, focussed and relevant innovation – e.g. ‘Our Best Ever’, ‘Cook with M&S’ and ‘Plant Kitchen’
PROTECTING THE MAGIC AND MODERNISING THE REST

PROTECTING THE MAGIC AND BECOMING INNOVATORS AGAIN – NEW PRODUCT LAUNCHES

- **New Product Launches**
  - Our Best Ever Steak Pie
  - Love Sausage
  - Street Market
  - Plant Kitchen
  - UK Retailer of the Year 2019
  - Bakery Business of the Year 2019
  - Upgraded Halloween Offer
  - Halal Offer
  - Upgraded Christmas Offer
  - Cook With M&S
  - Vegetarian Friendly
  - Percy Pig
  - UK Retailer of the Year
  - The International Beer Challenge 2019
  - Over 100 New Products to Make Cooking Dinner Easy
PROTECTING THE MAGIC AND MODERNISING THE REST

WHERE WE ARE ON THE JOURNEY

Cost saving programme underway
We see further opportunities in strategic sourcing

CHALLENGE WE FACE
Cost price inflation
Need to invest in value
High cost to serve

OPPORTUNITY IF WE EXECUTE THE STRATEGY
Able to offer trusted value with values and drive profitable growth

Lower Our Costs
PROTECTING THE MAGIC AND MODERNISING THE REST

Deliver Trusted Value

**CHALLENGE WE FACE**

Price perception is significantly higher than reality
Value becoming increasingly important for families

**OPPORTUNITY IF WE EXECUTE THE STRATEGY**

M&S quality with improved value perception is a compelling and differentiated proposition

**WHERE WE ARE ON THE JOURNEY**

Halved amount of promotions
Over 400 new lower prices
Now need to strategically reset price architecture in every category
## CHALLENGE WE FACE
Operate in very narrow customer missions, price bands, categories and basket size

## OPPORTUNITY IF WE EXECUTE THE STRATEGY
Grow market share by becoming a stronger competitor and alternative in the market

## WHERE WE ARE ON THE JOURNEY
- Reset of price and promotions already underway
- Now starting to focus on category tiering, range and space reset

Transform Categories
Modernise End to End Supply Chain

CHALLENGE WE FACE
High cost to serve supply chain built for much simpler store estate

OPPORTUNITY IF WE EXECUTE THE STRATEGY
More efficient supply chain
Better availability for customers
Lower waste

WHERE WE ARE ON THE JOURNEY
Working in partnership with Gist to drive efficiencies
Vangarde programme underway
Build Winning Teams

**CHALLENGE WE FACE**

Lack of clear accountability, empowerment and relevant skills and capabilities
Stores disconnected with the Support Office

**OPPORTUNITY IF WE EXECUTE THE STRATEGY**

Create a successful ‘One Team’ Food business

**WHERE WE ARE ON THE JOURNEY**

Fully accountable Food business led by new Leadership Team
Starting to change the culture and ways of working
One Team from Supplier to Customer
PROTECTING THE MAGIC AND MODERNISING THE REST

Where We Are On The Journey

Reset property strategy
Closed stores
Opened first two renewal ‘test and learn’ stores

Opportunity if We Execute The Strategy
Market share growth through Bigger, Better, Fresher, more profitable stores in a mix of formats

Challenge We Face
Large variation of formats including lots of small stores
Only a dozen stock the full range
Consistency of execution as well as high cost to operate

Develop Great & Efficient Shops
PROTECTING THE MAGIC AND MODERNISING THE REST
HEMPSTEAD VALLEY

Frozen
75% more freezer space in new freezer cases. Largest Frozen in the business

BWS
Shop within a shop – all drinks together

Ambient
Space doubles, greater proportion of ambient to support a fuller trolley shop

- Hot spots showcasing value
- Store has full range
- Scan & Shop
- Test & Learn Department

Chilled
New black fridges that use less energy (10% energy savings), (17% cost reduction). Maintain strength in chilled

In-store Bakery
New equipment and baking four times a day

Produce
Abundant looking fresh products, 50% more Ambient displays

Fresh Meat / Poultry
Full range and next in flow from produce

Entrance
Open entrance with clear sight lines into Produce and in-store Bakery
PROTECTING THE MAGIC AND MODERNISING THE REST

Grow M&S Online & Digitally

**CHALLENGE WE FACE**
Not present in the UK’s fastest growing channel, online, except for a small Food to Order business

**OPPORTUNITY IF WE EXECUTE THE STRATEGY**
Successful online business through Ocado Joint Venture
Significant synergies delivered
Greater brand reach

**WHERE WE ARE ON THE JOURNEY**
Launched JV with Ocado – August 2019
Prepare M&S range for launch on Ocado site by September 2020
PROTECTING THE MAGIC AND MODERNISING THE REST

Rebuild Brand & Customer Engagement

CHALLENGE WE FACE

Seen as premium and only for special occasions, not relevant for families and bigger shops
Focussed on brand rather than product and price

OPPORTUNITY IF WE EXECUTE THE STRATEGY

Customers see us as having delicious quality food at much better value
More relevant, more often, to more customers

WHERE WE ARE ON THE JOURNEY

Now more focussed on product and trusted value
Helping customers to reappraise our offer
More down to earth

This is not just food
This is M&S Food
PROTECTING THE MAGIC AND MODERNISING THE REST
OPPORTUNITY TO GROW MARKET SHARE PARTICULARLY IN AMBIENT

<table>
<thead>
<tr>
<th>Category</th>
<th>Fresh Market Size (£m)</th>
<th>Ambient Market Size (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals</td>
<td>4,933</td>
<td>5,747</td>
</tr>
<tr>
<td>Desserts</td>
<td>1,155</td>
<td>7,034</td>
</tr>
<tr>
<td>Fish</td>
<td>1,000</td>
<td>2,738</td>
</tr>
<tr>
<td>Deli</td>
<td>4,714</td>
<td></td>
</tr>
<tr>
<td>Poultry</td>
<td>3,708</td>
<td>13,557</td>
</tr>
<tr>
<td>Fruit</td>
<td>5,915</td>
<td></td>
</tr>
<tr>
<td>Veg &amp; Salad</td>
<td>6,890</td>
<td>4,877</td>
</tr>
<tr>
<td>Meat</td>
<td>5,869</td>
<td></td>
</tr>
<tr>
<td>Dairy</td>
<td>10,510</td>
<td>17,725</td>
</tr>
</tbody>
</table>

6% Fresh average

2% Ambient average

Source: Kantar 52 w/e 8th Sept 2019

M&S Value Share
- Over-index
- Under-index

Market Size, £m
- £0-2bn
- £2bn-4bn
- £4bn-£6bn
- £6bn+
PROTECTING THE MAGIC AND MODERNISING THE REST
POSITIONED TO CAPTURE GROWTH – STORES AND ONLINE

JV with OCADO Retail

Strength in convenience

New space
Renewal stores
Larger formats (15-25 sqft)
<table>
<thead>
<tr>
<th>Topic</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernising Our Supply Chain</td>
<td>Lawrence Christensen and Ryan Lemon</td>
</tr>
<tr>
<td>Lower Our Costs to Deliver Trusted Value</td>
<td>Paul Willgoss and George Wright</td>
</tr>
<tr>
<td>Improving Our Customer Experience</td>
<td>Sharry Cramond</td>
</tr>
<tr>
<td>Create Loved Products Lunch</td>
<td>April Preston</td>
</tr>
</tbody>
</table>
MODERNISING OUR SUPPLY CHAIN

LAWRENCE CHRISTENSEN CBE
SUPPLY CHAIN CHAIR

RYAN LEMON
VANGARDE PROJECT LEAD
SUPPLY CHAIN CHALLENGES FACED BY VANGARDE TEAM

- Inconsistent gap scans create stockfile inaccuracy
- Weak availability resulting in lost sales
- Excessive stock backstage leading to high waste
- Deliveries not timed to enable out-of-hours fill
- Too much colleague time backstage leading to poor presentation standards in-store
- Dayfill interferes with customers doing shops
- Stores still being replenished after opening
- Not enough colleague time to help serve customers

MODERNISING OUR SUPPLY CHAIN
MODERNISING OUR SUPPLY CHAIN

VANGARDE PROGRAMME

Silos

Understand Customers

Plan

Sell

Waste

Forecast

Transport to DCs

House & Pick

Deliver to stores

Connected

Understand Customers

Plan

Sell

Waste

Forecast

House & Pick

Deliver to stores

Transport to DCs
MODERNISING OUR SUPPLY CHAIN

TRANSFORMING THE END-TO-END FOOD SUPPLY CHAIN – OUR VIRTUOUS CIRCLE

- Reduced waste
- Increased sales
- Great availability
- Reduced inventory
- Reduced waste
Transforming our end to end Supply Chain, defining and implementing a new operating model that delivers a highly productive store environment with great customer service, low waste and great availability, driven by an aligned multi-functional food team with common goals which can be used to transform the M&S Food business.
WHAT WE CHANGED AT VANGARDE

MODERNISING OUR SUPPLY CHAIN

CUSTOMER EXPERIENCE & BENEFITS

FORECASTING & ALLOCATION
- Improved low rate of sale availability
- Reduced excess stock on Med/High rate of sale product
- Reduced backstage stock

INBOUND FLOW
- Now 4 waves of inbound from supplier and improved adherence
- Moved to 90% inbound pre 7pm

DEPOT PROCESS
- Segregation pre despatch through flow of product
- Built Academy Depot Processes & Principles in Barnsley

TRANSPORT OPTIMISATION
- Increased delivery window out of hours
- Optimised delivery schedule out of Barnsley Depot
- 7-day ambient delivery schedule

NEW STORE OPERATING MODEL
- Out of hours fill process
- New ambient backstage process
- Fill productivity targets
- Daily gap scan with real time MI

CUSTOMER EXPERIENCE & BENEFITS
- Store fill pre opening
- In trade task reduced
- Service investment focused on customer
- Time for Colleague Learning & Development
MODERNISING OUR SUPPLY CHAIN

3 STORE OPERATIONAL MODELS

<table>
<thead>
<tr>
<th>Fill Type</th>
<th>18:00</th>
<th>19:00</th>
<th>20:00</th>
<th>21:00</th>
<th>22:00</th>
<th>23:00</th>
<th>24:00</th>
<th>01:00</th>
<th>02:00</th>
<th>03:00</th>
<th>04:00</th>
<th>05:00</th>
<th>06:00</th>
<th>07:00</th>
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</thead>
<tbody>
<tr>
<td>Night Crew</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Store Closed / Locked</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fringe Hrs</td>
<td>Store Closed / Locked</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Store Closed / Locked</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Early Take</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Store Closed / Locked</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Night Crew:
- Store Closes
- Coldchain Carryover
- Ambient Carryover
- Coldchain Fill
- 5am Delivery
- Ambient Fill
- Frozen Fill
- 2am Delivery
- Waste Inc Amb

Fringe Hrs:
- Store Closes
- Coldchain Carryover
- Ambient Carryover
- Coldchain Fill
- Def Waste
- 5am Delivery
- Ambient Fill
- Frozen Fill
- Store Unlocked

Early Take:
- Store Closes
- Coldchain Carryover
- Ambient Carryover
- Coldchain Fill
- Waste Inc Amb
- Ambient Fill
- Frozen Fill
- Post 2am Delivery
- Store Locked
- Store Unlocked
MODERNISING OUR SUPPLY CHAIN
STORE ROLL OUT
### MODERNISING OUR SUPPLY CHAIN

**STORE RESULTS SO FAR**

<table>
<thead>
<tr>
<th><strong>6 STORES</strong></th>
<th><strong>VANGARDE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOOD SALES</strong></td>
<td>3% LY</td>
</tr>
<tr>
<td>3ppt ahead vs like stores</td>
<td>+5% full price</td>
</tr>
<tr>
<td><strong>AVAILABILITY</strong></td>
<td>+1.3% Cold Chain</td>
</tr>
<tr>
<td>-0.4% Ambient</td>
<td></td>
</tr>
<tr>
<td><strong>WASTE</strong></td>
<td>30% Reduction Gross waste</td>
</tr>
<tr>
<td>28% Reduction Net waste</td>
<td></td>
</tr>
</tbody>
</table>

| **FOOD SALES** | +3% improvement |
| 6/6 stores level or improved vs control |
| 4/5 stores gross profit improved vs LY (The Springs not open LY) |
MODERNISING OUR SUPPLY CHAIN

ADDITIONAL BENEFITS

CUSTOMER EXPERIENCE
- Sustained positive improvement in customer metrics
- Store replenished before opening – 2hrs earlier than pre-Vangarde
- Released more hours into service

COLLEAGUE IMPACT
- Section Manager empowerment
- 98% Night Crew Engagement
- +6% Foods Engagement Score

OPERATIONAL IMPACT
- 50% reduction in cold chain backstage volumes
- 35% LY reduction Ambient Stock holding
- Improvement in stockfile accuracy
- Validate results across the further 85 trial stores
- Test & learn over Peak to shape Peak 2020
- Post Peak our aim is to drive roll out by depot during 2020

<table>
<thead>
<tr>
<th></th>
<th>19/20 Q1</th>
<th>19/20 Q2</th>
<th>19/20 Q3</th>
<th>19/20 Q4</th>
<th>20/21 Q1</th>
<th>20/21 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vangarde Pilot</td>
<td>Define, trial &amp; scale store out of hours models</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Stores in Barnsley Depot</td>
<td>Planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Stores</td>
<td>Build Barnsley Academy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

- All Depot planning and set-up
- All depot rollout
LOWER OUR COSTS TO DELIVER TRUSTED VALUE

PAUL WILLGOSS
FOOD TECHNOLOGY DIRECTOR

GEORGE WRIGHT
FOOD COMMERCIAL DIRECTOR
LOWER OUR COSTS

PAUL WILLGOSS
FOOD TECHNOLOGY DIRECTOR
LOWER OUR COSTS TO DELIVER TRUSTED VALUE

WE ARE TAKING A SYSTEMIC APPROACH TO LOWER OUR COSTS

- Simplified range, without proliferation
- Reduced number of new lines and range churn
- Increased volume per line
- Better factory fill and improved supplier efficiency
- Streamlined product specifications
- Consolidated raw material buying
- Optimised carcass balance
- Centralised packaging buying
- Removed “hidden costs” for suppliers
LOWER OUR COSTS TO DELIVER TRUSTED VALUE

COST BENEFITS TO DATE

PROGRESSIVE (18/19 & 19/20 TO DATE) LOWERING COST
Benefit Share by Project Type

- Product Specification
- Procurement Efficiency
- Packaging Specification
- Supply Chain Improvement
- Manufacturing Efficiency
- Other
LOWER OUR COSTS TO DELIVER TRUSTED VALUE
A FEW COST SAVING EXAMPLES

- **Salmon**: Changed salmon feed resulting in better quality and lower costs.
- **Citrus**: Reduced supply base, agreed transparent costing and put volume with other fruit.
- **Ready Meals**: Rationalised the number of footprints we use in trays or pots from c120.
- **Pies**: Moved pies from green trays to cardboard.
- **Flowers**: Now packing flower bouquets at source in Kenya.

OVER 800 PROJECTS LIVE AT ANY POINT IN TIME
LOWER OUR COSTS TO DELIVER TRUSTED VALUE
RAW MATERIAL SOURCING IS THE NEXT BIG OPPORTUNITY

M&S own the relationship

Supplier owns the relationship in a B2B model

TRANSFORMING OUR RAW MATERIALS BUYING MODEL
Buyers will now buy key raw materials on behalf of the business (Retail Pack & Finished Goods)
<table>
<thead>
<tr>
<th>Pork</th>
<th>Butter</th>
<th>Cheese</th>
<th>Egg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>Tuna</td>
<td>Potato</td>
<td>Cream</td>
</tr>
<tr>
<td>Prawn</td>
<td>Chocolate (cocoa price)</td>
<td>White fish</td>
<td>Turkey</td>
</tr>
<tr>
<td>Chicken</td>
<td>Salmon</td>
<td>Lamb</td>
<td>Milk</td>
</tr>
</tbody>
</table>
NEW LOWER PRICE

DELIVER TRUSTED VALUE

GEORGE WRIGHT
FOOD COMMERCIAL DIRECTOR
**LOWER OUR COSTS TO DELIVER TRUSTED VALUE**

**SIGNIFICANT OPPORTUNITY, PARTICULARLY IN MEDIUM AND LARGE FRESH BASKETS**

### M&S share of spend (%) and Market value (£m) by basket size by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Small baskets</th>
<th>Medium baskets</th>
<th>Large baskets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desserts</td>
<td>18% average</td>
<td>4% average</td>
<td>1% average</td>
</tr>
<tr>
<td>Meals</td>
<td>333</td>
<td>412</td>
<td>410</td>
</tr>
<tr>
<td>Fish</td>
<td>276</td>
<td>337</td>
<td>386</td>
</tr>
<tr>
<td>Deli</td>
<td>1,234</td>
<td>1,549</td>
<td>1,931</td>
</tr>
<tr>
<td>Fruit</td>
<td>766</td>
<td>2,664</td>
<td>2,485</td>
</tr>
<tr>
<td>Poultry</td>
<td>1,114</td>
<td>983</td>
<td>1,611</td>
</tr>
<tr>
<td>Veg &amp; Salad</td>
<td>1,200</td>
<td>2,712</td>
<td>2,977</td>
</tr>
<tr>
<td>Meat</td>
<td>1,853</td>
<td>1,418</td>
<td>2,598</td>
</tr>
<tr>
<td>Dairy</td>
<td>1,621</td>
<td>4,647</td>
<td>4,243</td>
</tr>
</tbody>
</table>

**Note:** Average number of items and purchase frequency by basket type as follows – small baskets: 5.4 items every 7 days, medium baskets: 7.5 items every 2 weeks, large baskets: 38.3 items every 2 weeks

**Source:** Kantar Worldpanel, 52 w/e 8th Sept 2019
EVEN BIGGER OPPORTUNITY IN MEDIUM AND LARGE AMBIENT BASKETS

LOWER OUR COSTS TO DELIVER TRUSTED VALUE

M&S share of spend (%) and Market value (£m) by basket size by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Small baskets</th>
<th>Medium baskets</th>
<th>Large baskets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakery</td>
<td>1,478</td>
<td>2,350</td>
<td>1,919</td>
</tr>
<tr>
<td>Biscuits &amp; Snacks</td>
<td>1,581</td>
<td>2,989</td>
<td>2,465</td>
</tr>
<tr>
<td>Confectionery</td>
<td>739</td>
<td>1,212</td>
<td>788</td>
</tr>
<tr>
<td>BWS</td>
<td>6,072</td>
<td>3,756</td>
<td>3,728</td>
</tr>
<tr>
<td>Groceries</td>
<td>1,641</td>
<td>5,477</td>
<td>5,250</td>
</tr>
<tr>
<td>Soft Drinks &amp; Juices</td>
<td>963</td>
<td>2,039</td>
<td>1,876</td>
</tr>
<tr>
<td>Homecare</td>
<td>4,719</td>
<td>7,683</td>
<td>5,324</td>
</tr>
</tbody>
</table>

Note: Average number of items and purchase frequency by basket type as follows – small baskets: 5.4 items every 7 days, medium baskets: 7.5 items every 2 days, large baskets: 38.3 items every 2 weeks
Source: Kantar Worldpanel, 52 w/e 8th Sept 2019
LOWER OUR COSTS TO DELIVER TRUSTED VALUE

TO TAKE ADVANTAGE OF THIS OPPORTUNITY WE NEED TO ADDRESS THREE AREAS

Price

Promotions

Range
LOWER OUR COSTS TO DELIVER TRUSTED VALUE

VALUE PERCEPTION IS KEY TO INCREASING SHARE: THE ACTUAL IS MUCH BETTER THAN THE REALITY

GOOD VALUE FOR MONEY
M&S Customers (Tell M&S)

<table>
<thead>
<tr>
<th>M&amp;S</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>92%</td>
</tr>
<tr>
<td>Quality</td>
<td>87%</td>
</tr>
<tr>
<td>Checkout</td>
<td>86%</td>
</tr>
<tr>
<td>Environment</td>
<td>81%</td>
</tr>
<tr>
<td>Ease of Shop</td>
<td>76%</td>
</tr>
<tr>
<td>Range</td>
<td>71%</td>
</tr>
<tr>
<td>Availability</td>
<td>68%</td>
</tr>
<tr>
<td>Value</td>
<td>63%</td>
</tr>
</tbody>
</table>

Launched new lower prices

Removed complex promotions

PRICE PREMIUM VS ACTUAL PRICE DIFFERENTIAL
UK Market (Kantar)

Sources: Tell M&S retail survey July 2019 (M&S Customer view), KMB brand tracker (UK Consumer view), latest period.
LOWER OUR COSTS TO DELIVER TRUSTED VALUE
MORE COMPETITIVE ON PRICE THAN WE HAVE EVER BEEN

Sources: Internal reporting
NOW INVESTING IN KEY CATEGORIES

LOWER OUR COSTS TO DELIVER TRUSTED VALUE

14 August
Bread
- This is Not Just Value. This is M&S Value.

4 September
Milk
- 85p RSPCA approved.

18 September
Produce
- Same Great Quality, New Lower Price.
- M&S lower prices are real and every one is not just value.

2 October
Mince
- New lower price.
- £4.00 for British Beef Mince 5% Fat 300g.

Target future investment in areas that improve value perception, e.g. areas more frequently bought where our differentiation and market share is lower.

Source: M&S
To take advantage of this opportunity we need to address three areas:

1. **Price**
2. **Promotions**
3. **Range**

New lower price

Organic broccoli 350g

£1.50

£10

Loaded Pizza Meal Deal

Range
LOWE OUR COSTS TO DELIVER TRUSTED VALUE
SIMPLIFYING PROMOTIONS AND TAILORING TO CUSTOMER NEEDS

Best

AWARD WINNING HANDCRAFTED PIES
Handcrafted with slow-cooked tender British beef, traditional gravy and all butter pastry.
£6

Better
dine in.

GASTROPUB
Tuck in to delicious pub favourites at home
From Fish Pie to Common Shanks, enjoy hearty pub grub made with the best ingredients in the comfort of your own home - all for only £12.

All for
£12
SERVES 2

Good

FRESH MARKET SPECIALS
65p
Avocado Twin Pack.

We have Hass avocados all year round!
CUT BACK ON PROMOTIONS AND BASE SALES NOW GROWING

LOWER OUR COSTS TO DELIVER TRUSTED VALUE

WE CUT BACK OUR PROMOTIONS
Number of lines on promotion (internal measure)

AND DROVE GROWTH OF BASE SALES
Sales split by base and promo 12 w/c (Kantar)

Source: Participation Report 03-08-2019, On Promo Tracker 01-08-2019
Kantar: 12 w/e 8th Sept 2019
TO TAKE ADVANTAGE OF THIS OPPORTUNITY WE NEED TO ADDRESS THREE AREAS

LOWER OUR COSTS TO DELIVER TRUSTED VALUE

Price

Promotions

Range
OPPORTUNITY TO ENSURE OUR RANGE ARCHITECTURE BETTER REFLECTS THE MARKET BY TIER - DRIED PASTA EXAMPLE

Number of lines by retailer – 500g dried pasta

<table>
<thead>
<tr>
<th>Entry</th>
<th>Low</th>
<th>Mid</th>
<th>Premium</th>
<th>Special Occasion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>M&amp;S</td>
</tr>
<tr>
<td>20</td>
<td>6</td>
<td>15</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>30</td>
<td>6</td>
<td>17</td>
<td>110</td>
<td>6</td>
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<tr>
<td>40</td>
<td>15</td>
<td>28</td>
<td>45</td>
<td>9</td>
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<td>50</td>
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<td>70</td>
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<td>80</td>
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<td>140</td>
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<td>90</td>
<td>28</td>
<td>150</td>
<td>46</td>
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<tr>
<td>100</td>
<td>28</td>
<td>160</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>110</td>
<td>28</td>
<td>170</td>
<td>26</td>
<td>3</td>
</tr>
<tr>
<td>120</td>
<td>28</td>
<td>180</td>
<td>13</td>
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</tr>
<tr>
<td>130</td>
<td>28</td>
<td>200</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>140</td>
<td>28</td>
<td>210</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>150</td>
<td>28</td>
<td>220+</td>
<td>16</td>
<td>16</td>
</tr>
</tbody>
</table>

Note: Includes branded and own label dried pasta
Source: Brandview, as of 08/07/19
NOW PLANNING TO RESET OUR RANGE & PRICE TIERING – EXAMPLE COUNT ON US

<table>
<thead>
<tr>
<th>Past</th>
<th>Best</th>
<th>Better</th>
<th>Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 for £10 Multibuy</td>
<td>£3.50</td>
<td>£3.00</td>
<td>£2.50</td>
</tr>
<tr>
<td>Price £3.50</td>
<td>• Highly differentiated</td>
<td>• Protein based</td>
<td>• Carb based</td>
</tr>
<tr>
<td></td>
<td>• More premium protein/cuts</td>
<td>• Everyday range</td>
<td>• Least differentiated</td>
</tr>
<tr>
<td></td>
<td>• Trade customers up</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
IMPROVING OUR CUSTOMER EXPERIENCE

SHARRY CRAMOND
FOOD MARKETING DIRECTOR
OUR MARKETING COMMUNICATIONS NEED TO ADDRESS THE CHALLENGES WE FACE AS A BUSINESS

IMPROVING OUR CUSTOMER EXPERIENCE

Broaden our appeal to be more relevant for families

Be top of mind for Fresh

Protect quality but step change our value perception
Our celebrity panel launched in Autumn 2018 and has reached over 14 million people.
Improving our customer experience

Broaden our appeal to be more relevant for families

Britain’s Got Talent: April-June 2019

BGT The Champions: September 2019

80% of viewers agreed that ‘M&S Food has options that encourage family meals’ after seeing the idents – Independent Research
BROADEN OUR APPEAL TO BE MORE RELEVANT FOR FAMILIES

Little Shop: July-Sept 2019
IMPROVING OUR CUSTOMER EXPERIENCE

BROADEN OUR APPEAL TO BE MORE RELEVANT FOR FAMILIES

Develop and launched this market leading range of vegan meals, desserts and snacks in 4 months
IMPROVING OUR CUSTOMER EXPERIENCE
BROADEN OUR APPEAL TO BE MORE RELEVANT FOR FAMILIES

Launched over 170 new lines – more to come
IMPROVING OUR CUSTOMER EXPERIENCE
BE TOP OF MIND FOR FRESH
IMPROVING OUR CUSTOMER EXPERIENCE

BE TOP OF MIND FOR FRESH
IMPROVING OUR CUSTOMER EXPERIENCE

PROTECT QUALITY BUT STEP CHANGE OUR VALUE PERCEPTION

Print Ads

Fresh Market Specials

Bread Hotspot

Point of Sale
PROTECTING THE MAGIC AND MODERNISING THE REST

STUART MACHIN - CLOSE

- Need to protect the magic and modernise the rest
- Facing into significant challenges - lots going on
- Strong Leadership Team in place
- Optimistic, but realistic, about what can be achieved by when
- Seeing some green shoots
- Ambition is to be a Bigger, Better and Fresher M&S Food business (over time)
STORE TECHNOLOGY AND EFFICIENCY

SACHA BERENDJJI
RETAIL AND PROPERTY DIRECTOR
M&S LAUNCHES INDUSTRY-LEADING STORE TECHNOLOGY TO INCREASE EFFICIENCY AND EMPOWER COLLEAGUES

1. One Seamless Platform
2. M&S App Store
3. Insight-driven stores
4. Digital Shop Floor
5. Digital Store Voice
6. Empowered Colleagues In Control
As a store manager I have no way of understanding my store’s full P&L or easily compare my performance vs my peers

I have to print 160 page reports to take to the shop floor due to no accessibility on portable devices

I have to look at several sources of data on systems with different sign ons to get my information

There are multiple options to get the same or similar data - no “one version of the truth”

Often the information I see is out of date and incomplete

I often have to go off the shop floor to view reports on a desktop
WHERE WE HAVE COME FROM - FRUSTRATIONS FOR OUR COLLEAGUES

I can never get hold of a hand held terminal

There’s no simple process to feedback to the office or connect with peers in other stores

I cannot easily see my pay slip, holiday dates or when I am working

It’s difficult to know who is doing which task and when they have been done – this creates inefficiency

The Wifi never works

We have over 15 communication touchpoints with numerous log ons
STORE TECHNOLOGY AND EFFICIENCY

ONE SEAMLESS PLATFORM ACROSS THE WHOLE OF M&S
STORE TECHNOLOGY AND EFFICIENCY

BUILT AROUND OUR OWN M&S APPS
New suite of tools enabling our managers to operate insight-driven stores

**Tool One**
Drivers of Monthly store performance
- All managers can now see their store P&L
- Drill down into drivers of store performance
- Compare store performance against last year and other stores

**Tool Two**
Weekly Store Performance Management
- Sales by department
- Costs including waste, stock loss and markdown
- All metrics against budget and other stores

**Tool Three**
Operational Excellence Every Day
- Performance on key store processes
- Availability by department and SKU
- Waste, stock loss and markdown
STORE TECHNOLOGY AND EFFICIENCY

TOOL ONE - DRIVERS OF MONTHLY STORE PERFORMANCE

MONTHLY STORE SALES

Store Name
STORE TECHNOLOGY AND EFFICIENCY

TOOL ONE - DRIVERS OF MONTHLY STORE PERFORMANCE

FORMAT VS STORE WOMENSWEAR SALES

Owned Store Sales Report
- Summary
- Store Tail vs LY
- Store Tail vs Forecast
- Region Tail
- Dept Tail
- Trend
- Trend vs LY

Department

Store Sales

Format at Sales

M&S
EST. 1884

145
TOOL TWO: WEEKLY STORE PERFORMANCE MANAGEMENT

Paid sickness %

Sickness % paid by financial week and month

- Store
- Region
STORE TECHNOLOGY AND EFFICIENCY

TOOL THREE - OPERATIONAL EXCELLENCE EVERY DAY

Food M&S OES

Sales £244,574 ▲ 4.0%

Availability 90.3% ▼ -0.5%
Stockout
Contribution
Opportunity £516

Waste 4.4% ▼ -4.8%
Stockout
Contribution
Opportunity £1471

Recovery 40.3% ▼ -0.6%
DEF Waste £183
Unsold (no Quality) £3029

Stock Loss -£1,791 % on sales -0.7%

How well is my store adhering to process?

Trading Information
- Ambient Top Up
- Cold Chain Top Up
- Carryover
- Targeted Counting
- Gap Scans
- Ticketing
- Reductions
- In Store Bakery

In this period, the most important processes to focus on are:
- 1. ...
- 2. ...
- 3. ...

By working on these in order you can have the most positive effect on your OES score.

Welcome to OES

We’re in the process of adding new features to OES. Please use the “Have a Question?” link at the top of the page to report any errors with data.

The numbers above tell you how your store has performed in the time period selected. The Sales trend is compared to the same week last year. Availability, Waste & Recovery are compared against your peer group for the time period selected.

Your OES Target is 85%+ and contributes to your in-touch scorecard.

Here are some helpful links for you to find out more:
- Clothing and Home OES
- Clothing and Home Mobile View
- Clothing and Home Regional View
- Food Mobile OES
- Food Regional View

There are bubbles on each page which explain the target and how to use the information shown. The user guide will explain these in more detail. For further support, please contact your Trader or RCOM.
## TOOL THREE - OPERATIONAL EXCELLENCE EVERY DAY

### STORE TECHNOLOGY AND EFFICIENCY

#### Food M&S OES

<table>
<thead>
<tr>
<th>Category</th>
<th>9-11am Needed</th>
<th>11-1pm Needed</th>
<th>1-3pm Needed</th>
<th>3-5pm Needed</th>
<th>5-7pm Needed</th>
<th>Total Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>F01C Poultry</td>
<td>57</td>
<td>51</td>
<td>57</td>
<td>49</td>
<td>39</td>
<td>100</td>
</tr>
<tr>
<td>F03C Global Meal Sol.</td>
<td>58</td>
<td>24</td>
<td>48</td>
<td>38</td>
<td>19</td>
<td>68</td>
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<tr>
<td>F04C Delicatessen</td>
<td>197</td>
<td>20</td>
<td>163</td>
<td>25</td>
<td>123</td>
<td>311</td>
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<tr>
<td>F06C Dairy</td>
<td>97</td>
<td>18</td>
<td>87</td>
<td>23</td>
<td>15</td>
<td>47</td>
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<tr>
<td>F07C Food on the Move</td>
<td>37</td>
<td>32</td>
<td>10</td>
<td>70</td>
<td>43</td>
<td>31</td>
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<tr>
<td>F08C Desserts</td>
<td>59</td>
<td>32</td>
<td>37</td>
<td>52</td>
<td>20</td>
<td>74</td>
</tr>
<tr>
<td>F11C Vegetables</td>
<td>41</td>
<td>29</td>
<td>45</td>
<td>73</td>
<td>21</td>
<td>152</td>
</tr>
<tr>
<td>F16C Salads</td>
<td>32</td>
<td>25</td>
<td>26</td>
<td>42</td>
<td>15</td>
<td>76</td>
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<tr>
<td>F30C Juice</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>57</td>
<td>8</td>
<td>63</td>
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<tr>
<td>F34C Meat</td>
<td>77</td>
<td>13</td>
<td>60</td>
<td>31</td>
<td>11</td>
<td>170</td>
</tr>
<tr>
<td>F61C Fruit</td>
<td>77</td>
<td>29</td>
<td>54</td>
<td>56</td>
<td>0</td>
<td>155</td>
</tr>
<tr>
<td>F62C Fish</td>
<td>13</td>
<td>31</td>
<td>18</td>
<td>44</td>
<td>3</td>
<td>63</td>
</tr>
<tr>
<td>F93C Traditional M...</td>
<td>61</td>
<td>54</td>
<td>54</td>
<td>61</td>
<td>1</td>
<td>73</td>
</tr>
<tr>
<td>F94C Healthy Meal S...</td>
<td>17</td>
<td>39</td>
<td>13</td>
<td>38</td>
<td>6</td>
<td>63</td>
</tr>
<tr>
<td>F97C Prepared Veg</td>
<td>17</td>
<td>47</td>
<td>11</td>
<td>64</td>
<td>14</td>
<td>73</td>
</tr>
</tbody>
</table>

**Grand total:** 4 20% 842 28% 899 40% 429 31% 80 36%

**OES Score:** 92%

The number of trays scanned and how many were green or amber. If needed is over 70%, this is classed as late. A day will go red if needed is over 80%.
DIGITAL SHOP FLOOR TO DRIVE EFFICIENCY - COLLEAGUE DATA WHERE IT MATTERS MOST WITH 16,000 HONEYWELLS
Colleagues in control of the hours they are working, swap a shift and take up additional hours.

Stores connected in real time, creating flexible conversations and streamlining key communications.

Colleagues know what they need to do and when, and have a clear channel to the support centre.
BEFORE TEAMS – 57% SCHEDULE ACCURACY

AFTER TEAMS – 83% SCHEDULE ACCURACY
M&S LAUNCHES INDUSTRY-LEADING STORE TECHNOLOGY TO INCREASE EFFICIENCY AND EMPOWER COLLEAGUES

1. One Seamless Platform
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5. Digital Store Voice
6. Empowered Colleagues In Control
CONCLUSION

STEVE ROWE
CHIEF EXECUTIVE
FAR REACHING CHANGE AT M&S

OBJECTIVES
Update on transformation
Change programmes
Meet the team
CONCLUSION

M&S IS CHANGING FASTER THAN IT HAS EVER DONE

1. Leadership and Culture Transformation
2. Accountable Businesses
3. Digital First
4. Restoring Style, Fit and Value in Clothing
5. Magic Again in Food
6. Rebuilding Profitable Growth in International
7. Store Estate Fit for the Future
8. Modernised Supply Chain
9. Cost Savings of at Least £350m
FAR REACHING CHANGE AT M&S

TRANSFORMATION UPDATE
1 October 2019