

# M&S | WE FOOD

Dear Supplier Partner,

M&S Food is changing – fast. With our recent announcement about our Ocado Joint Venture, we have reached a turning point in our business and are ten months into our transformation.

I believe that going online is the most exciting move we have ever made. Underpinned by our far-reaching plans to protect the magic of M&S Food and modernise the rest of our business, this is the moment we have all been waiting for to drive significant growth in our businesses.

This letter is your invitation to be part of our plans and share in the future success of M&S Food.

For me, online has always been crucial to the ultimate success of M&S Food and I could not be more delighted that we are realising this with Ocado as our partner. Ocado is a £1.5bn and growing business, so this is a transformational moment for M&S. We are launching a new Joint Venture with a genuine partnership that is very different to the supplier arrangement Ocado currently has with Waitrose.

It's our biggest, boldest move to date. It combines the strength of the M&S brand and our industry-leading, innovative food offer with Ocado's unique and proprietary technology and product range to create an unrivalled online offer for UK customers. The platform will trade as Ocado and continue to offer the widest range in UK grocery retail but will benefit from access to M&S's brand, products and customer database when it goes live in 2020.

It's a brilliant deal for customers, our Supplier Partners and M&S. To our mutual benefit, we need to improve efficiencies, drive volume and deliver growth. We cannot do this without the full support and backing of our Supplier Partners. Like our Joint Venture with Ocado, we need true partnerships with both sides contributing and both sides benefitting.

Now is the time for you to play your part in the transformation of M&S Food.

We have until September 2020 to prepare to take our business online. We are under no illusion that the next 18 months are going to be hard work and it is important that you are ready for this too. We have much to do but we are cracking on.

Starting with busting some myths!

It's assumed that M&S Food isn't a full range business. This is not true. Our full range is unrivalled in taste and quality. We have over 6,500 lines of delicious, market-leading products; we just don't get them in front of enough customers. Our full range is only available in a dozen or so stores. This must change, and it will. The full range will go online with Ocado and we are starting a store renewal programme that will get more products in front of more customers with bigger, better M&S Food Halls in new and existing sites.

Another misunderstanding is that M&S Food is more expensive than it really is. In fact, we have been heavily investing in price since I joined the business. Price deflation in an inflationary market gives us an edge on price that we haven't had before. We constantly measure ourselves and know that, including promotions, we are 2-3% cheaper than Waitrose. But we can be even more competitive by providing outstanding quality, innovation and truly better value.

It is also wrong to assume that all our customers buy from us is prepared food. M&S Food is far more than a ready meal retailer. We punch well above our weight on many fresh lines, 30% of our customer baskets include protein and 34% produce. Customers already come to us for the best quality ingredients and we want to grow this. We are also focused on growing the core business so that we are not just seen as a retailer for special occasions like Christmas, when we double our market share. Our renewed focus on being a fresh market retailer will continue to differentiate M&S Food in stores and when we go online.

And finally, we are not just a retailer for singles and couples. From Plant Kitchen through to more choice on larger pack sizes, we have launched and improved many products to strengthen our appeal to more people. As a result, we are getting closer and more relevant to families, our key target customer. We have just launched our first-ever TV sponsorship, bringing together two iconic brands, M&S Food and Britain's Got Talent. This is a partnership that will allow us to reach more families and own Saturday night in. We have other exciting marketing initiatives to come this year.

So, the Ocado Joint Venture is a big, strategic move but it is just one aspect of our transformation plan. I have made it very clear to my team that this should not be a distraction to what we must deliver for the whole of M&S Food. That's why, for now, we have a small team focused on the Joint Venture.

Collectively we must stay focused and work as a team to deliver all aspects of the Food transformation. We must continue to lower prices and drive volume and most importantly, we must maintain our heritage of delivering amazing, high quality food. Quality remains a cornerstone of our business and this will not change. I want us to go harder and faster on innovation, but it must always be underpinned by M&S Food quality. If we stay true to this, we will all be better placed to benefit when our products are available online. We must also continue our work on being lower cost to serve for you, our Supplier Partners, so that we can both operate more efficiently.

You are already playing your part, and I thank you for your ongoing support and hard work.

My new leadership team is now largely in place and you will have a chance to meet with us and hear from us all at our next supplier get together, the details of which will be shared in due course. In the meantime, let's keep the lines of communication open.

I want to leave you where I started. M&S Food is changing – fast. Our vision is to build a bigger, bolder and faster business and we look forward achieving this with you, our existing Supplier Partners, and welcoming new partners.



Stuart Machin  
Managing Director  
M&S Food