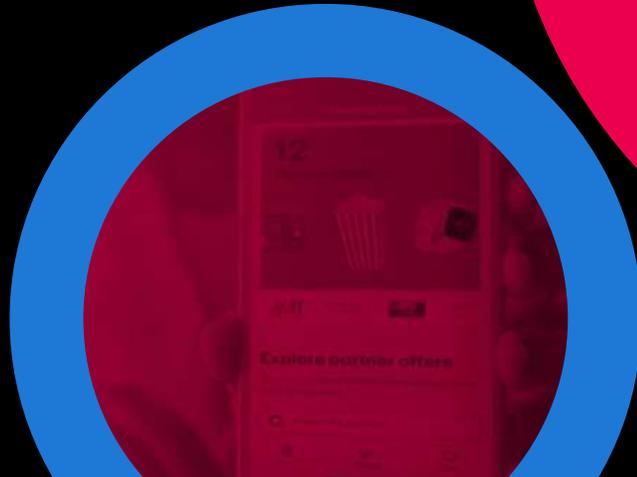


Nectar Deep Dive

14 October 2021



The Team



Mark Given

Chief Marketing Officer

Operating Board Member with accountability for Marketing, Loyalty (B2C & B2B) and ESG.



Alex Jardine

Head of Analytics

Leads our Analytics teams across Marketing and Nectar360, with accountability for a broad range of capabilities from Data Science to Commercial Analytics.



Amir Rasekh

Director of Nectar360

Leads our Nectar360 business, with accountability for our client relationships, services provided, and commercial plan.



Alice Hawcroft

Digital Director Nectar360

Leads our digital media propositions across onsite and offsite, with accountability for our social media, digital display and ecommerce media offering on Sainsburys.co.uk & Argos.co.uk



Alex Naisby

Head of Loyalty and CRM

Leads our Loyalty and CRM division for Sainsbury's, with accountability for the strategic direction and delivery of Nectar programme and data driven campaigns.

Welcome

Welcome

Mark Given

13.00

UK and Global Market Context

Mark Given

13.05

Nectar B2C

Alex Jardine and
Alex Naisby

13.20

Break

13.45

Nectar360 B2B

Amir Rasekh and
Alice Hawcroft

13.55

Break

14.25

Q&A - Ask the panel

Mark Given, Amir
Rasekh, Alex
Jardine, Alex Naisby

14.35

Closing comments

Mark Given

15.20

What we'll cover today



Global & UK market context

The trends shaping loyalty and retail media



Nectar B2C

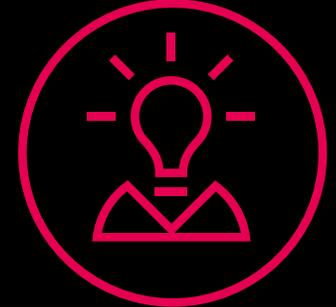
Driving the Retail strategy, and a winning coalition



Nectar360 B2B

Who we are and what we do

Winning in Data and Digital



Q&A

Ask the panel

Nectar is a core part of our strategy



- Better value and innovation
- Underpinned by buying benefits and lower cost to serve



- Customer and profit focus
- Supporting the core food business



- Structurally lower operating costs to fuel investment in the core
- Cutting complexity and increasing pace of execution



Connected to Customers

Know and serve our customers better, use the power of Nectar



Environmental and social sustainability at our core



Global & UK market context

The trends shaping
loyalty and retail
media



Nectar B2C

Driving the Retail
strategy, and a
winning coalition



Nectar360 B2B

Who we are and
what we do

Winning in Data
and Digital



Q&A

Ask the panel

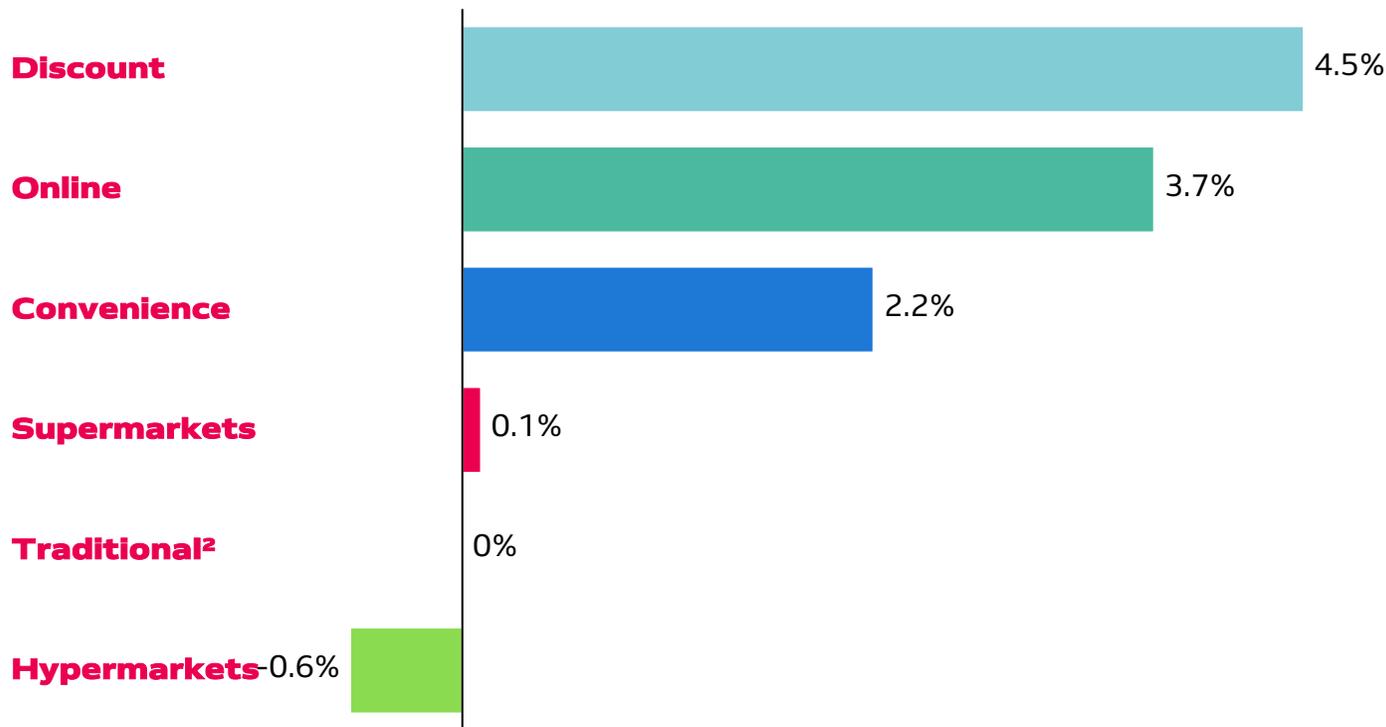
Channel shifts are disrupting how both retailers and manufacturers go to market



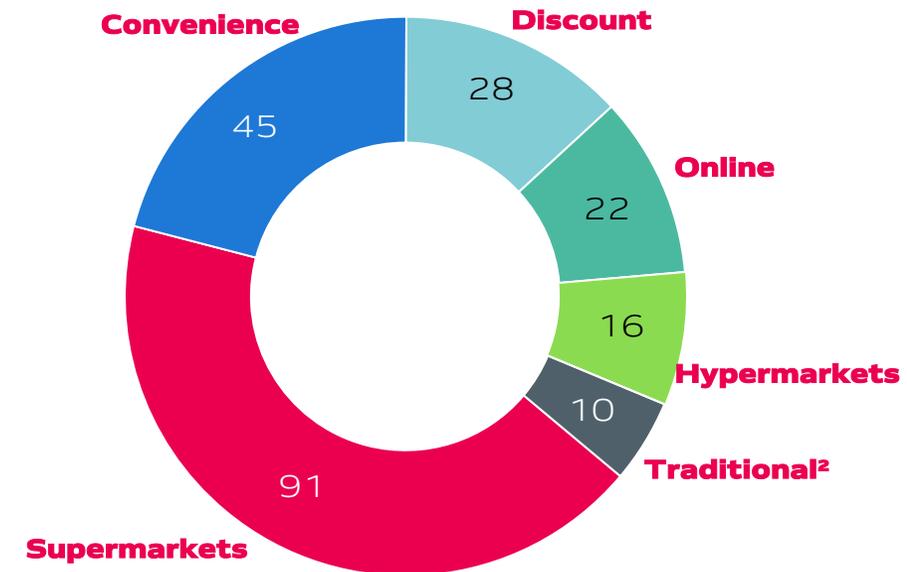
Market Context

UK grocery forecast growth by format 2021-25¹

% CAGR



UK grocery 2021 forecast revenues¹ by format £bn

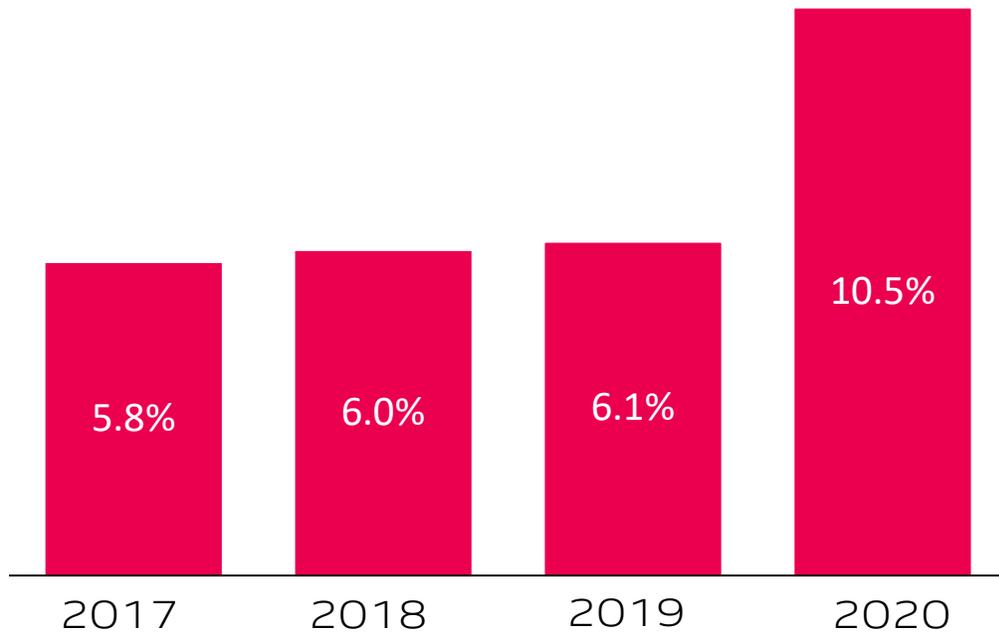


Online is disproportionately important for growth - both pre and post pandemic

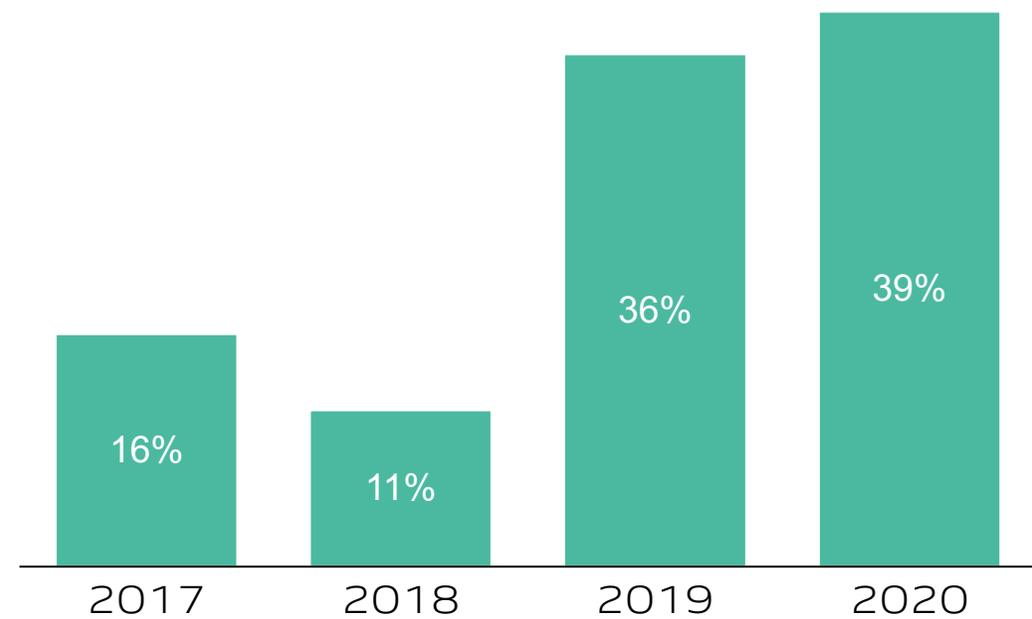


Market
Context

UK online channel share of grocery sales



Online growth contribution as % of overall growth



And with this, customers expect greater personalisation



Market
Context

The Challenge

In a congested digital landscape, brands need to stand out

Customer research tells us that:



91%

are more likely to spend with brands who provide relevant offers & recommendations¹



86%

of UK consumers say it is important for a brand to understand their interests and passions²



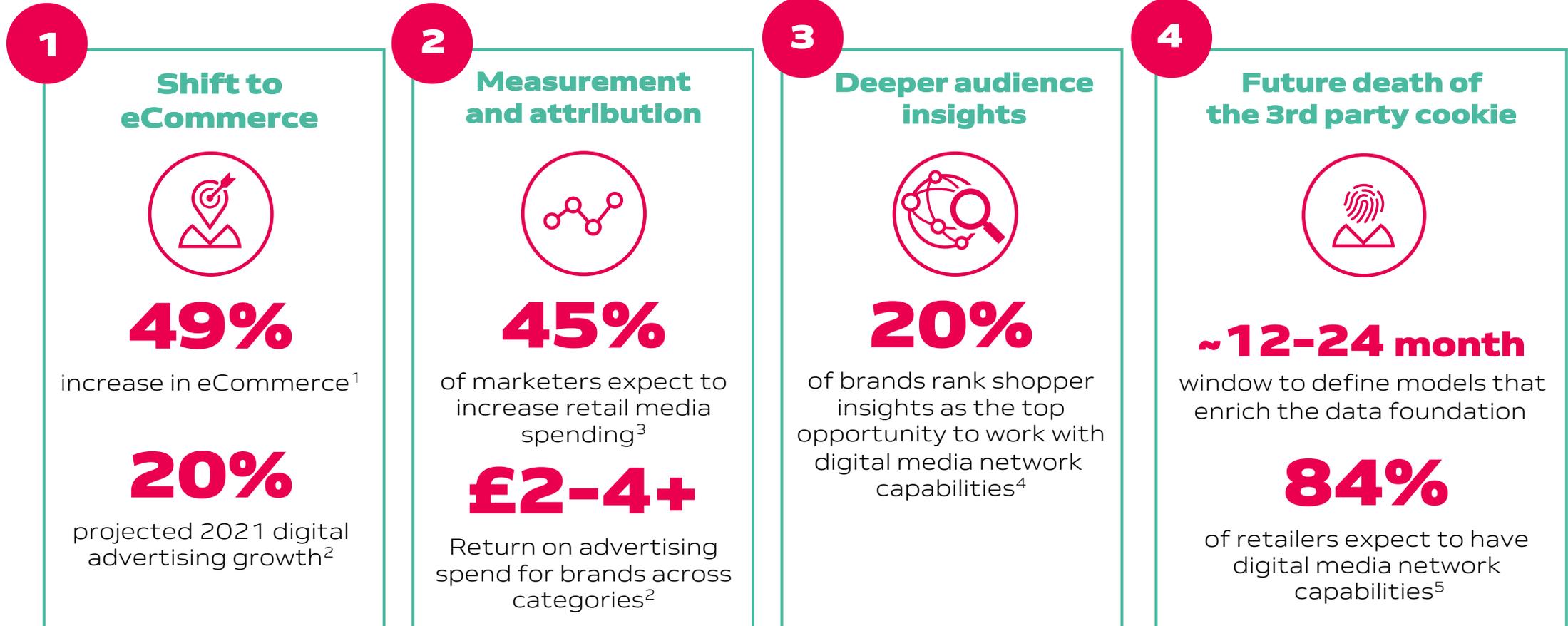
63%

of consumers expect personalisation as a standard of service offered by brands³

Retailers with an online presence and first party data can become significant digital media players



Market
Context

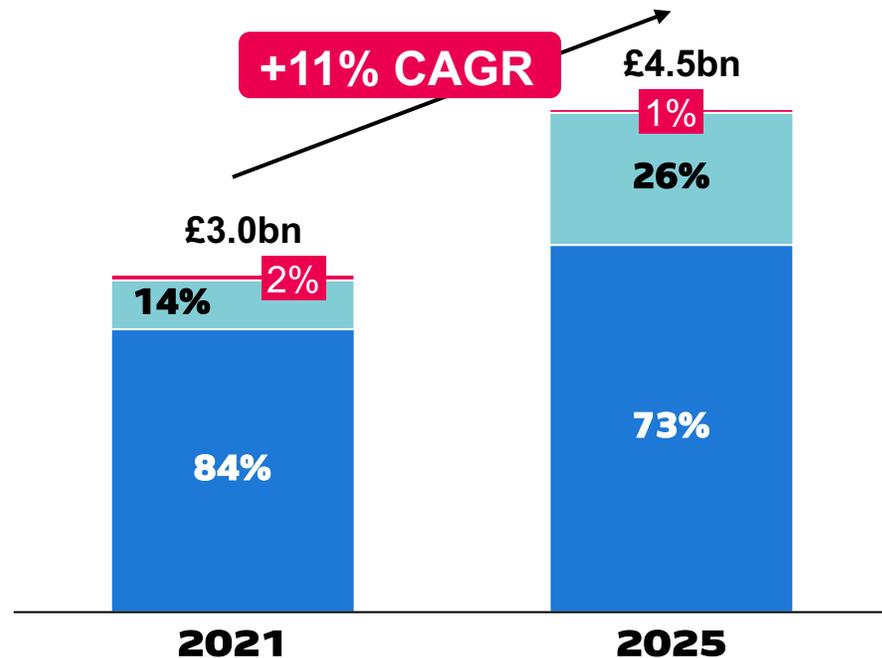


The UK digital media network market is large and projected to grow to £4.5bn by 2025



Market Context

Addressable UK Digital Media Network Market size 2021-25^{1*}



2021-25 CAGR



■ Offsite - digital media budget ■ Onsite ■ Offsite - offline budget

The most advanced retailers are successfully scaling their digital media network capabilities, especially in the US

Retailers are investing significantly in digital media networks



What we've heard - retailers



5 years from now we expect to be...in top 10 advertising platforms in the US, ahead of...Hearst, Fox and Twitter¹



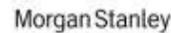
Kroger Precision Marketing...is projected to grow nearly 30% this year, well beyond the 16% for the rest of the media industry... We see the potential for a multi-billion dollar Digital Media business over the next few years.²



What we've heard - analysts³



Advertising is a hidden potential profit stream that could generate \$4b in revenue/\$2b in EBIT for Walmart by 2025.



With the ability to target marketing dollars towards specific customers, we believe Walmart's Ad business could prove to be a powerful incremental profit generator.



According to Kroger, 85% of CPGs surveyed noted that they plan to shift more ad dollars to retail networks. 95% say the spend is incremental to existing shopper or trade programs.

We are well placed to capitalise on this opportunity and deliver strong growth for Sainsbury's in 2021 and beyond



Market
Context



N E C
T A R
3 6 0



Global & UK market context

The trends shaping loyalty and retail media



Nectar B2C

Driving the Retail strategy, and a winning coalition



Nectar360 B2B

Who we are and what we do

Winning in Data and Digital



Q&A

Ask the panel

The UK's largest coalition loyalty programme



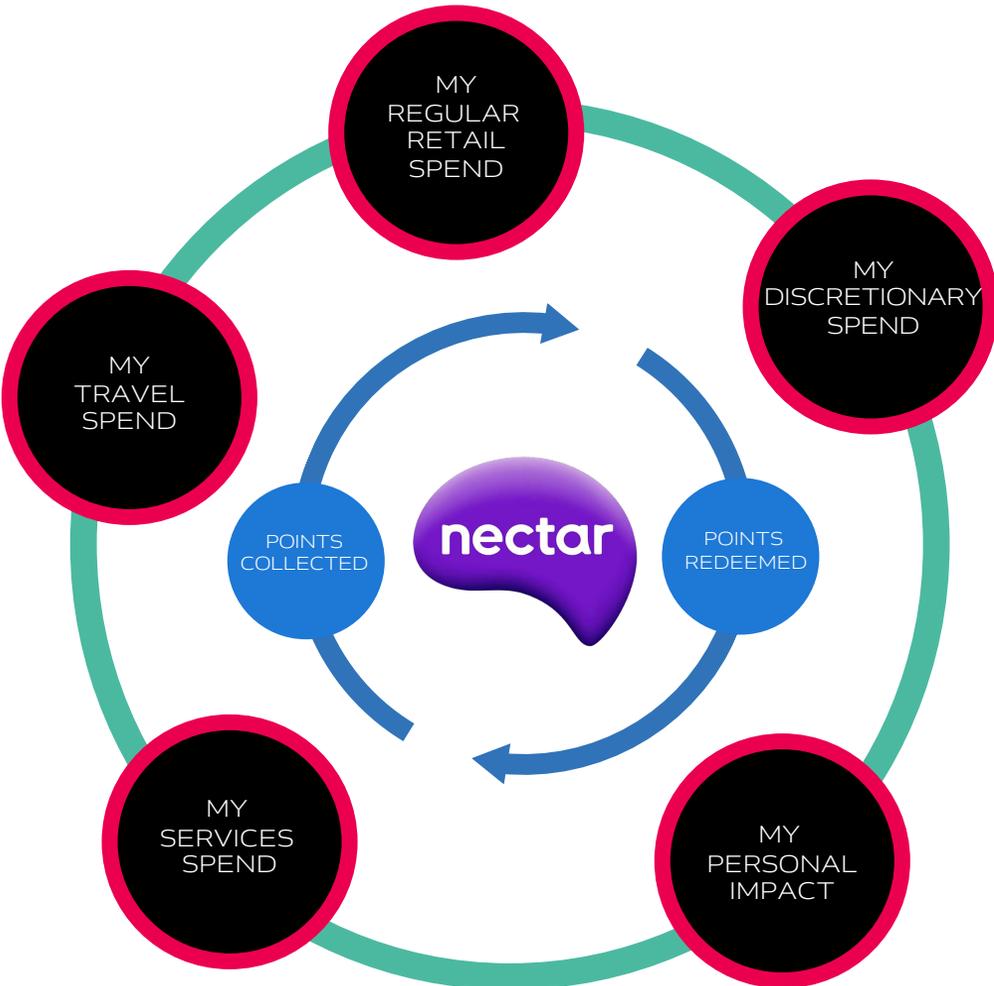
Nectar
B2C



A winning ecosystem for our partners and our customers



Nectar
B2C



Our **customers** benefit from **collecting** and **redeeming** their points across an ecosystem of the UK's leading brands and 100's more through our marketing affiliates programme.

The Economics of Nectar



Nectar
B2C



Partner pays Nectar for each point issued



Nectar pays Partner for each point redeemed



Access to Nectar currency and brand

Marketing channels and CRM

Insights and Analytics

Strategy and Account Management

Partners pay Nectar for programme support

MARGIN

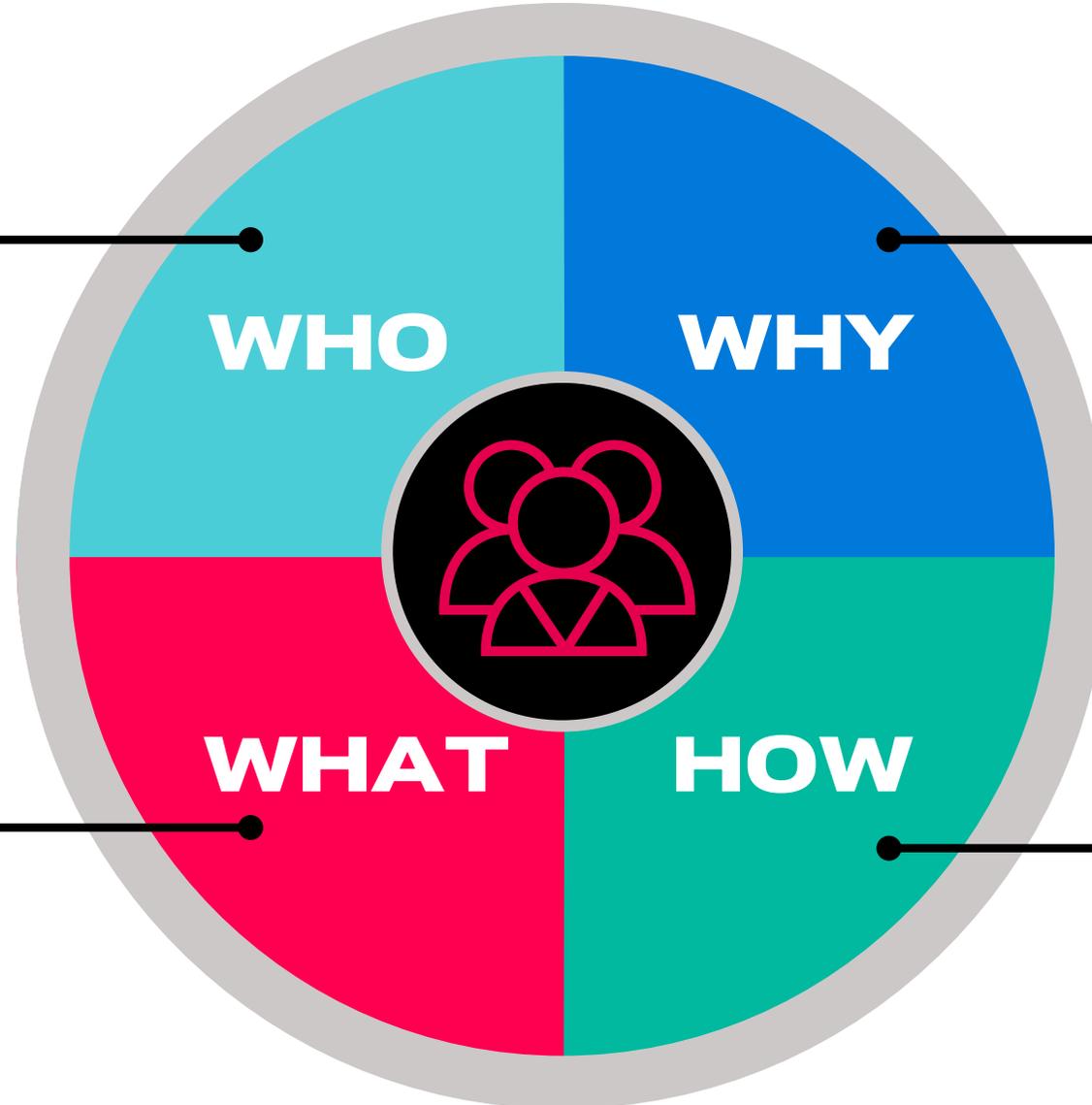
Nectar is key to connecting to our customers, knowing and serving them better



Nectar
B2C

Age
Location
Gender
Lifestage
Loyalty
Affluence

Market research
Customer attitude
Personas



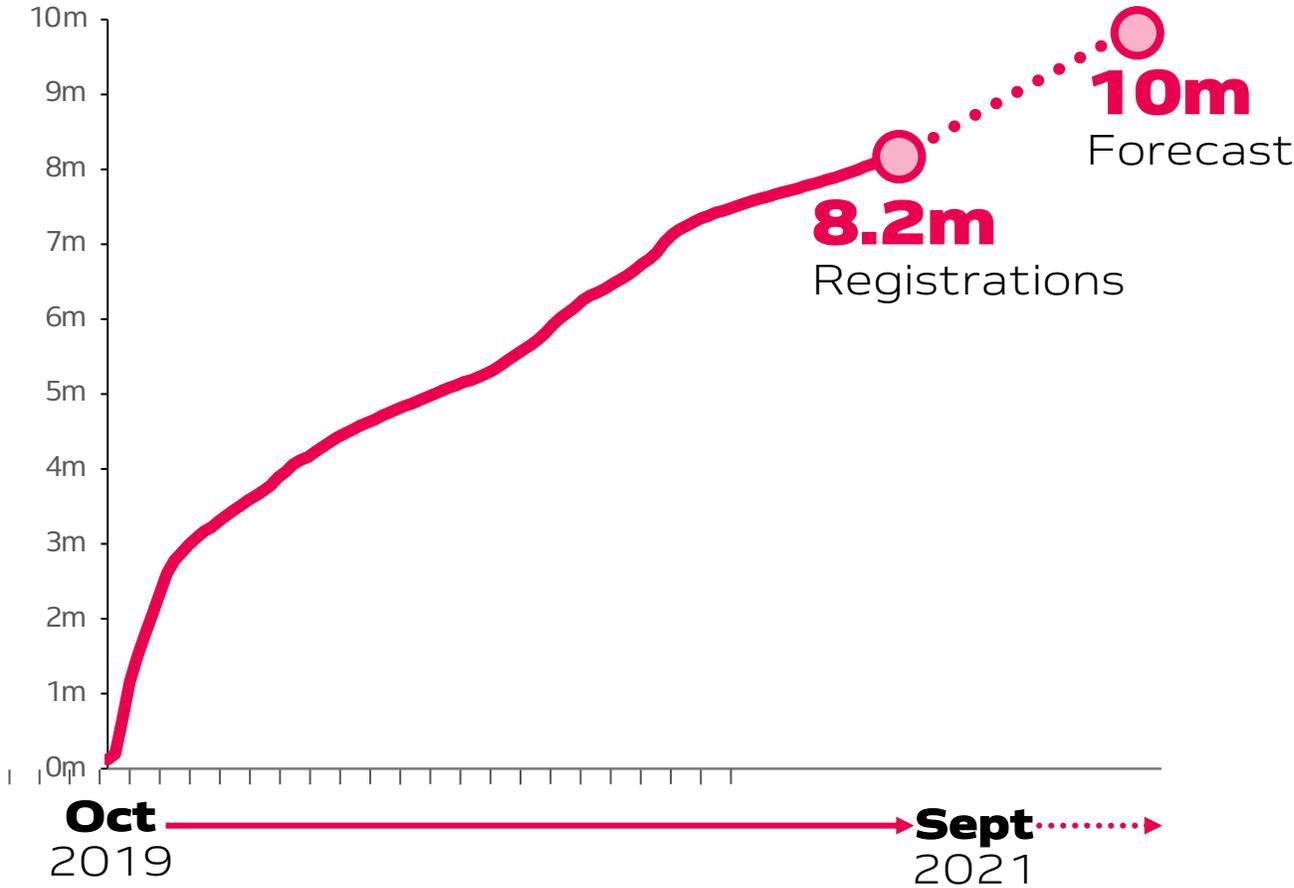
Basket data
Promotions
Rewards
Segmentation

Missions
Channels
Contactability



Nectar B2C

This deep understanding is powering our digitisation, and our journey to 10m registered app users



Registrations boosted by our biggest Nectar campaign since launch in February 2021

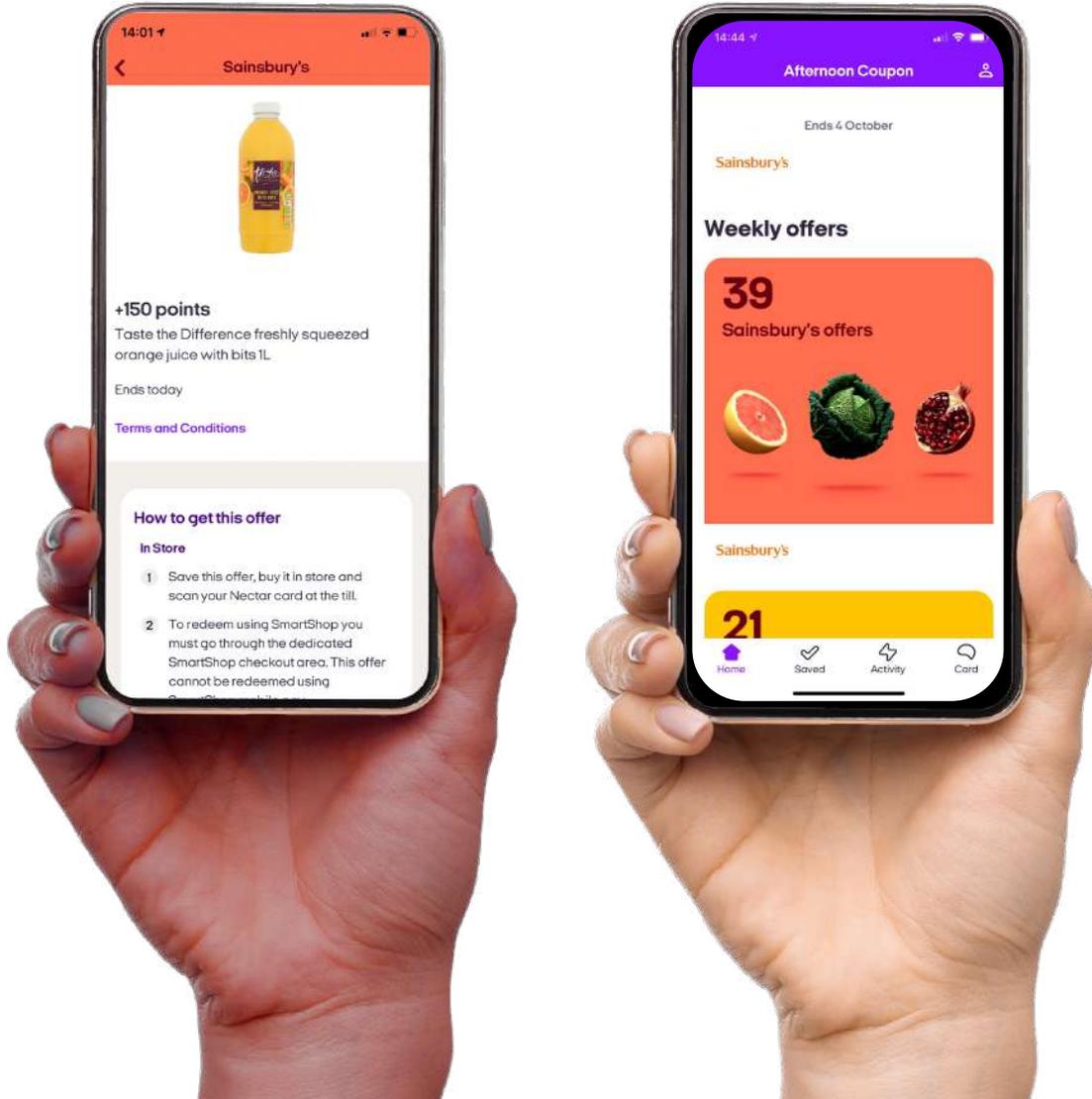
Download the Nectar app today

Average Nectar app users collect 3.5 times more points vs non app users. Selected products.

Driving digital engagement with points offers is key to driving sales at a strong ROI



Nectar
B2C



**Incremental
Grocery
sales**

**3x
More points
collected**

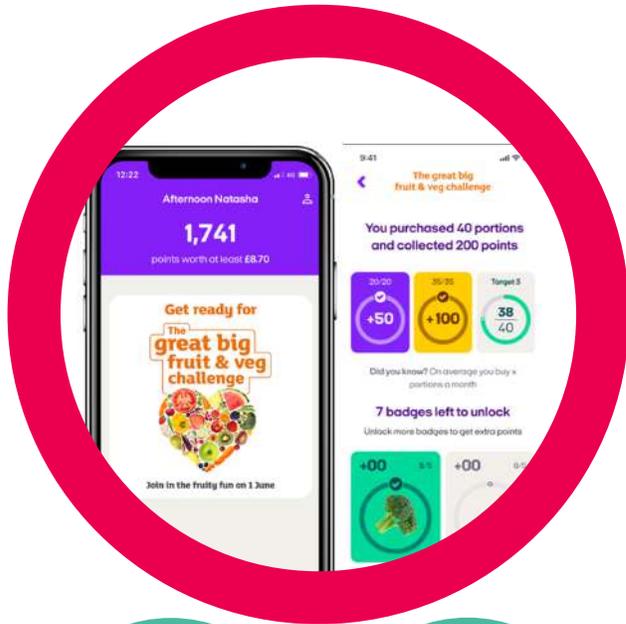
**ROI
x3-5**

Personalisation and gamification drives engagement



Nectar
B2C

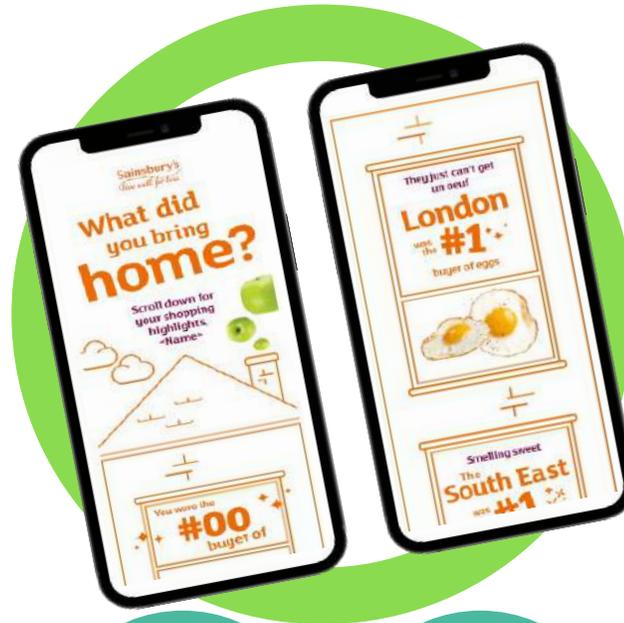
Fruit & Veg Challenge



500k
customers
engaging

+7%
YoY
increase in
sign-ups

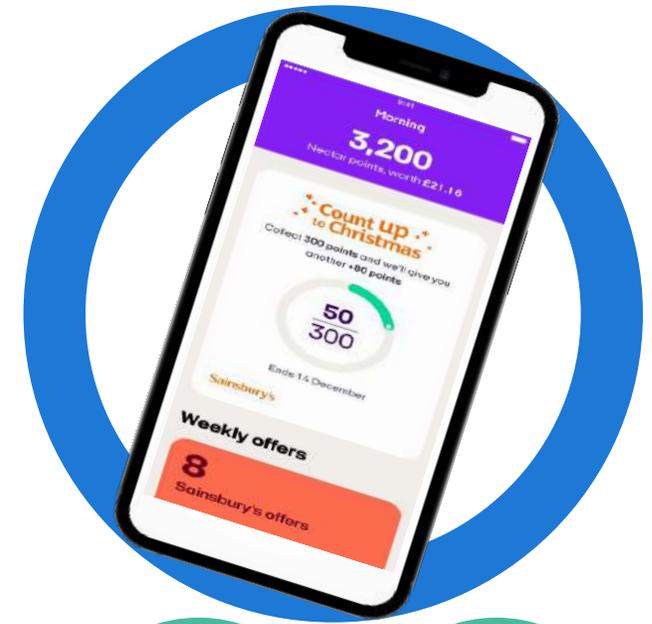
Year in Review



500k
customers
engaging

High
volume of
social
media
shares

Collect for Christmas



1.25m
customers
engaging

£8.7m
points
added

Nectar Prices initially launched on SmartShop



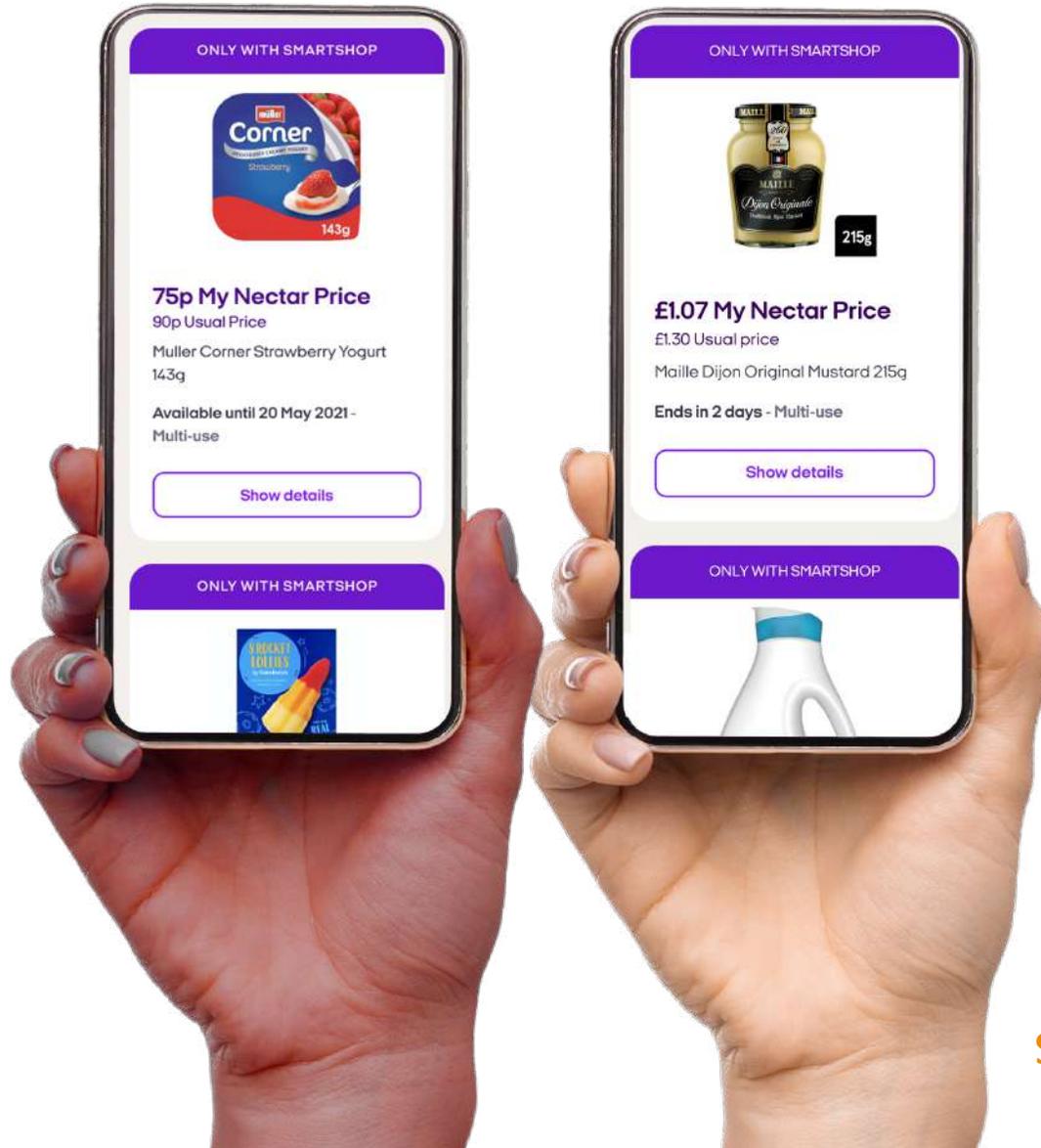
Nectar
B2C

1 Customer potential sales value score

2 Price sensitivity score

3 Product offer types

4 Personalised pricing



MEASURES OF SUCCESS

INCREASED LOYALTY

INCREASED SHARE OF WALLET

DIGITAL ENGAGEMENT

VALUE PERCEPTION DRIVER

Our personalisation engine allows us to deliver truly unique offers



Nectar
B2C

High Price Sensitivity
Med Potential Value Score



Offers: 7
Avg Discount: 30%



Low Price Sensitivity
High Potential Value Score



Offers: 10
Avg Discount: 20%

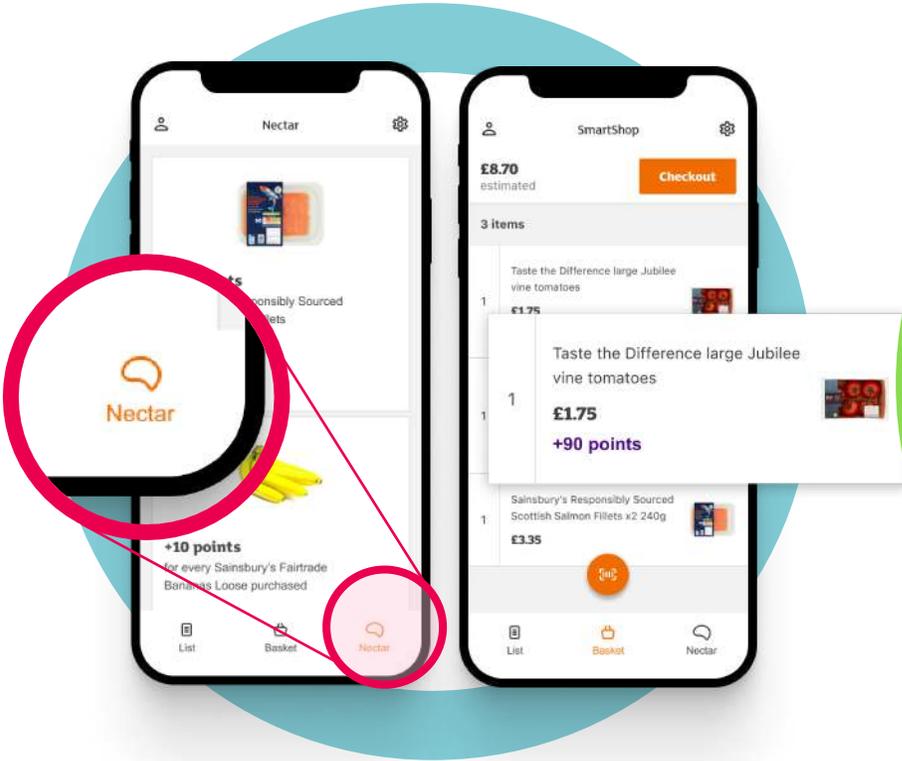


Increasing visibility of Nectar across all our grocery channels remains a priority

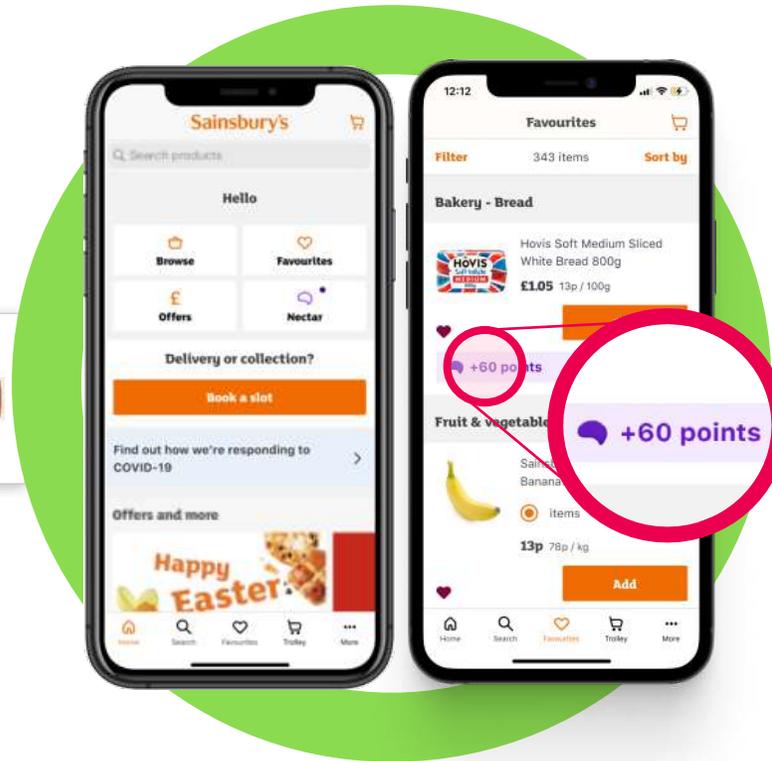


Nectar
B2C

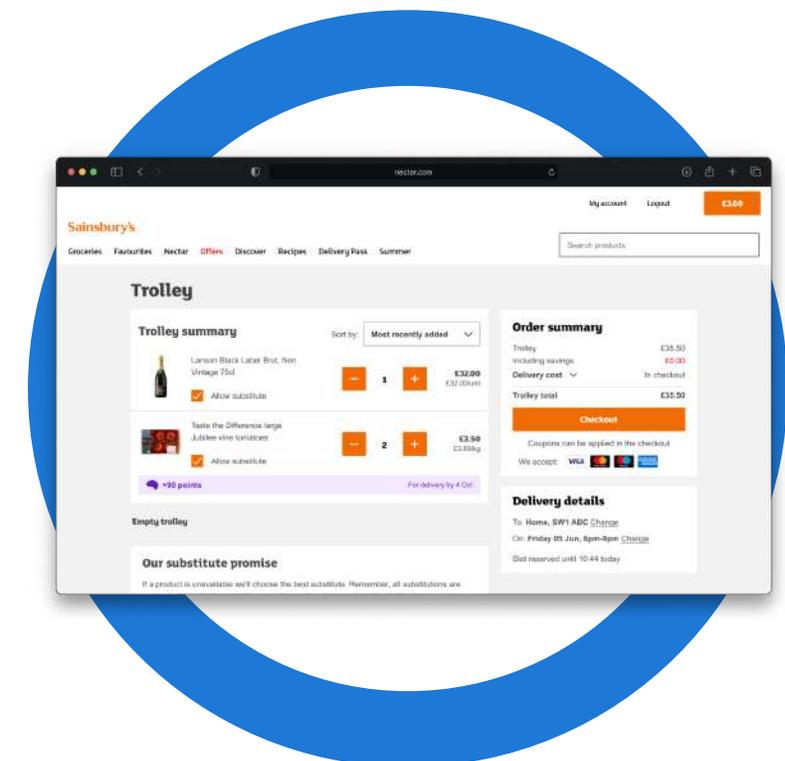
Smartshop



Groceries online app



Groceries online web



Rollout of Nectar into Argos is showing positive early results

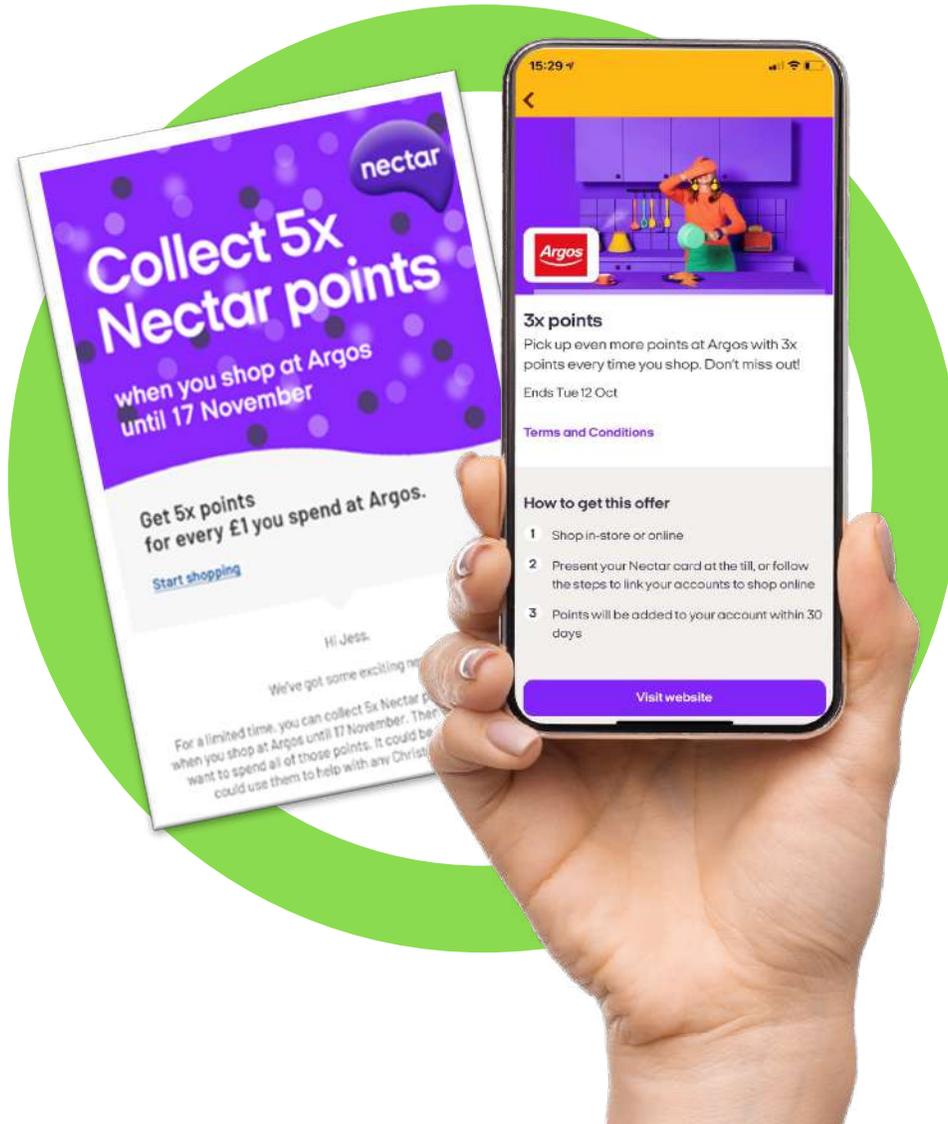


Nectar B2C

Enhanced customer data

Connected Customer across Group Retail brands

Increased purchase frequency with less loyal customers



3.5m
Linked Accounts

Sales and ROI ahead of forecast

We're seeing strong engagement across our largest Nectar partners

6-15%

incremental sales for partners

250m*

Nectar transactions with non-Sainsbury's Gateway brands



+7m*

customers engage with non-Sainsbury's Gateway brands

77%

of customers who scan with both Esso and eBay engage with **3 or more** partners in the programme

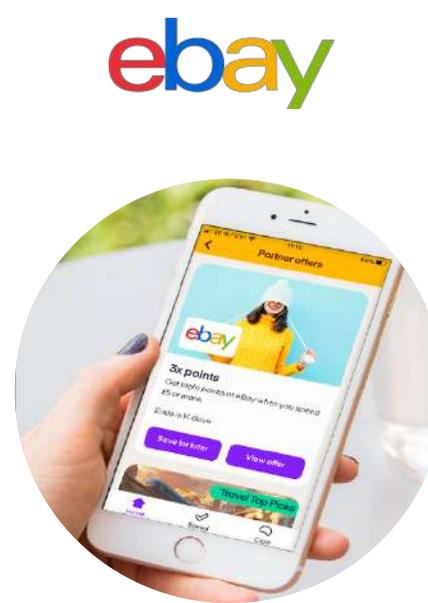
We're continually strengthening the Coalition



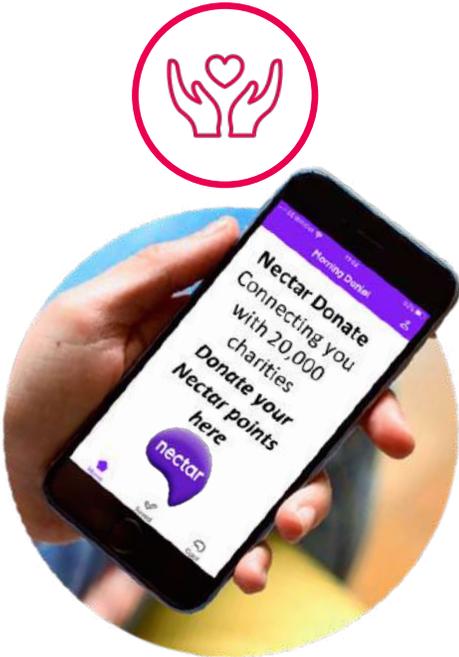
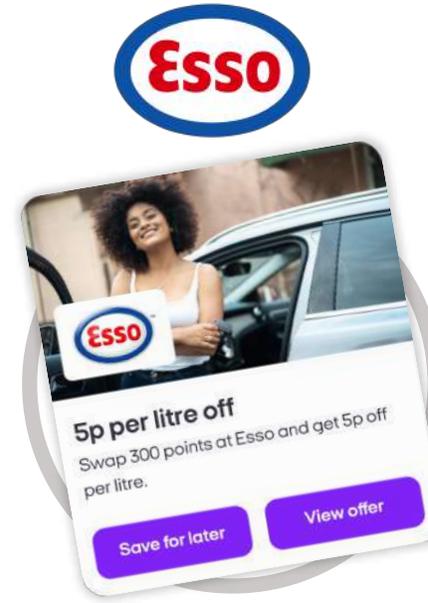
Nectar
B2C



New Partners



Renewals & extensions



Coming soon

Break

Please
return in
10 minutes

Thank you





Global & UK market context

The trends shaping loyalty and retail media



Nectar B2C

Driving the Retail strategy, and a winning coalition



Nectar360 B2B

Who we are and what we do

Winning in Data and Digital



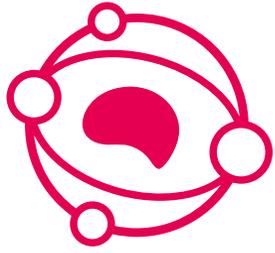
Q&A

Ask the panel

Nectar360 is a loyalty, insights, and marketing business. Our clients invest in four core services:



Nectar B2B



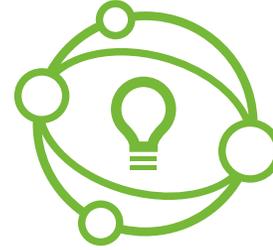
Loyalty:

retained long-term Nectar partnerships



Shopper Marketing:

advertising in and around store



Data and Insights:

bespoke analytics and insight products



Digital Media:

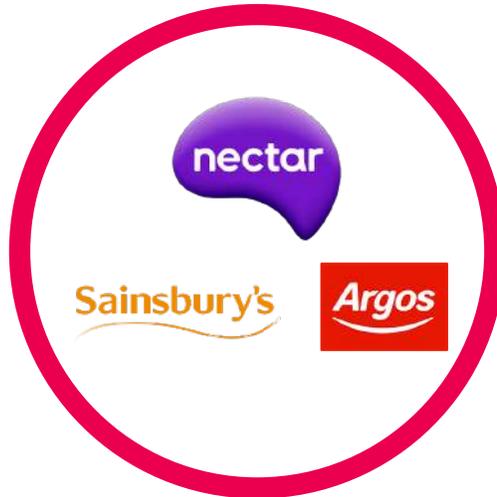
advertising onsite (sainsburys.co.uk & argos.co.uk) and offsite (the wider web/social platforms)



We provide data, insight and marketing services to over 700 FMCG and GM brands



Nectar
B2B



HUAWEI

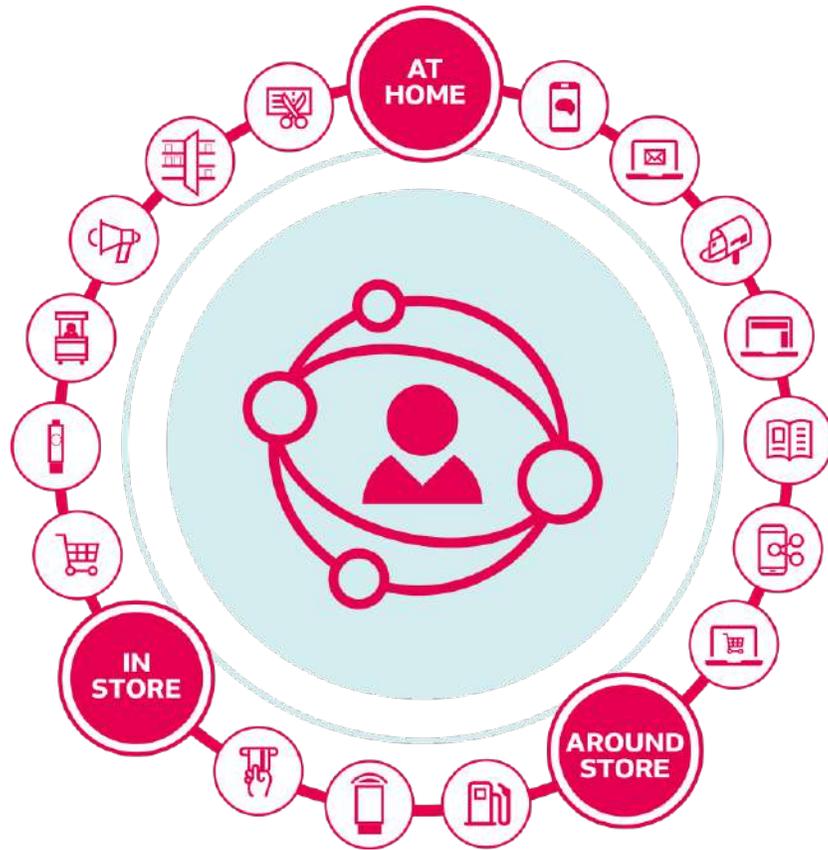


NEC
TAR
360

Our Shopper Marketing channels allow brands to engage customers throughout their in-store journey



Shopper marketing



Winning in data and insights

We help brands understand customers as well as we do



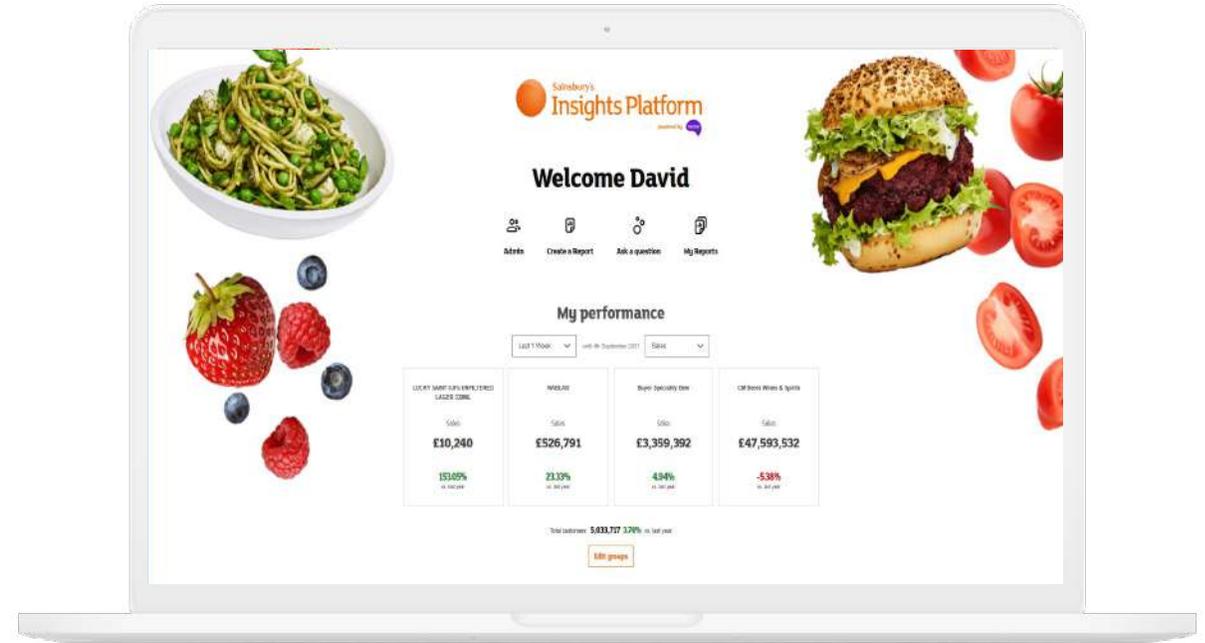
Data & Insights

Recently launched
Sainsbury's Insight Platform

In the process of building a version
for Argos

An intuitive self-serve platform, allowing
suppliers to understand customer
behaviour

Supplier satisfaction level 84%.



"This has given us a level of insight we never had of our business with Sainsbury's that is proving invaluable."

"Sainsbury's Insight Platform is without doubt the best insight platform out there"



Data &
Insights

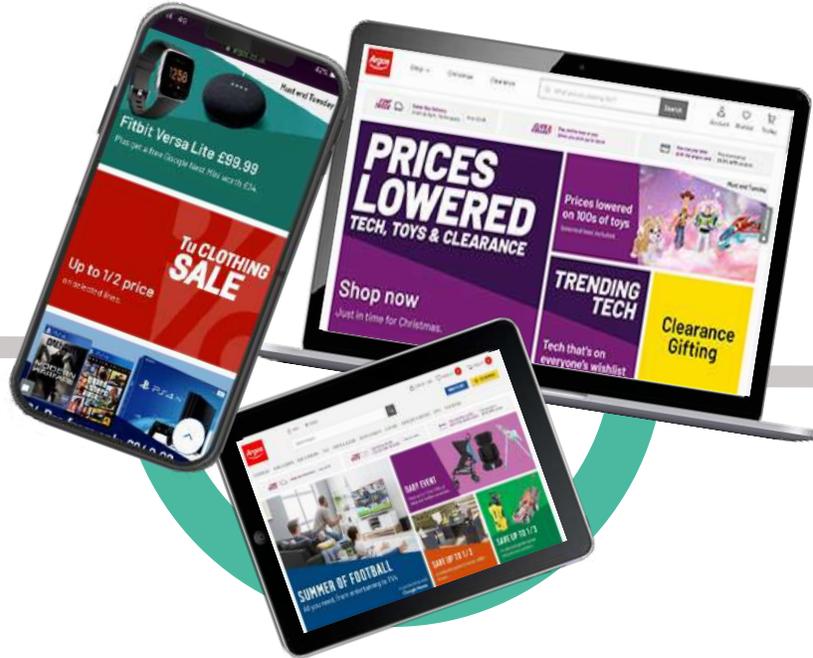


Winning in digital media

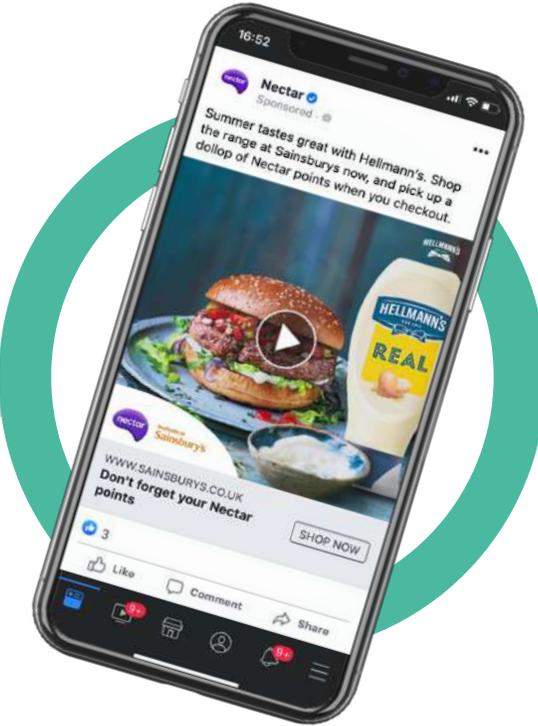
We have invested in data and technology to create our Digital Media Network



SAINSBURYS.CO.UK
(onsite advertising)



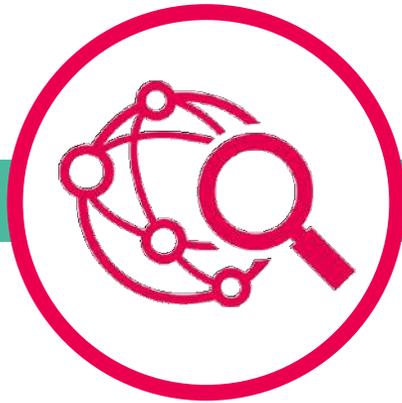
ARGOS.CO.UK
(onsite advertising)



DIGITAL TRADING
PLATFORM
(offsite advertising)

We are well placed to accelerate our growth into the growing Digital Media Network market

1st PARTY
DATA AT THE
HEART



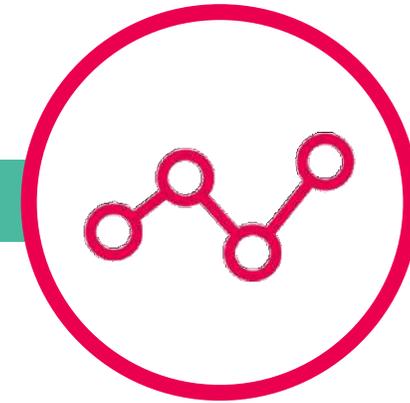
POWERED BY
CUSTOMER
CONTROL & TRUST

ENHANCE THE
CUSTOMER
EXPERIENCE



CONNECTING BRANDS
& CUSTOMERS ACROSS
ALL DIGITAL CHANNELS

OPTIMISATION &
MEASUREMENT



DELIVERING
TRANSPARENCY
FOR BRANDS

Our onsite media platform is now live across Sainsburys.co.uk and argos.co.uk

What does this mean?



- The platform allows suppliers to target and measure their onsite media (advertising) in real-time.
- 1:1 media is surfaced, based on relevancy.



- Cost Per Contact model; suppliers pay when a customer views or clicks on media.



- A self-service platform, giving brands complete visibility and control.



- Real-time campaign analysis, providing full transparency on investment.





N E C
T A R
3 6 0





**Let's show you the
platform working in
real time.....**

We have also built an offsite Digital Trading Platform

Our Digital Trading Platform is a proprietary offsite advertising offering, which allows brands to engage customers across the wider web and on social platforms, based on Nectar audiences.

How does it work?



Nectar customer



Customer Data Platform



Campaign Execution



Measurement



What does this mean in practice?

Nectar audience selection

Audience 1:

Existing Persil customers

Audience 2:

Nectar customers who have purchased 2+ competitor products in the Laundry aisle in the last 6 months

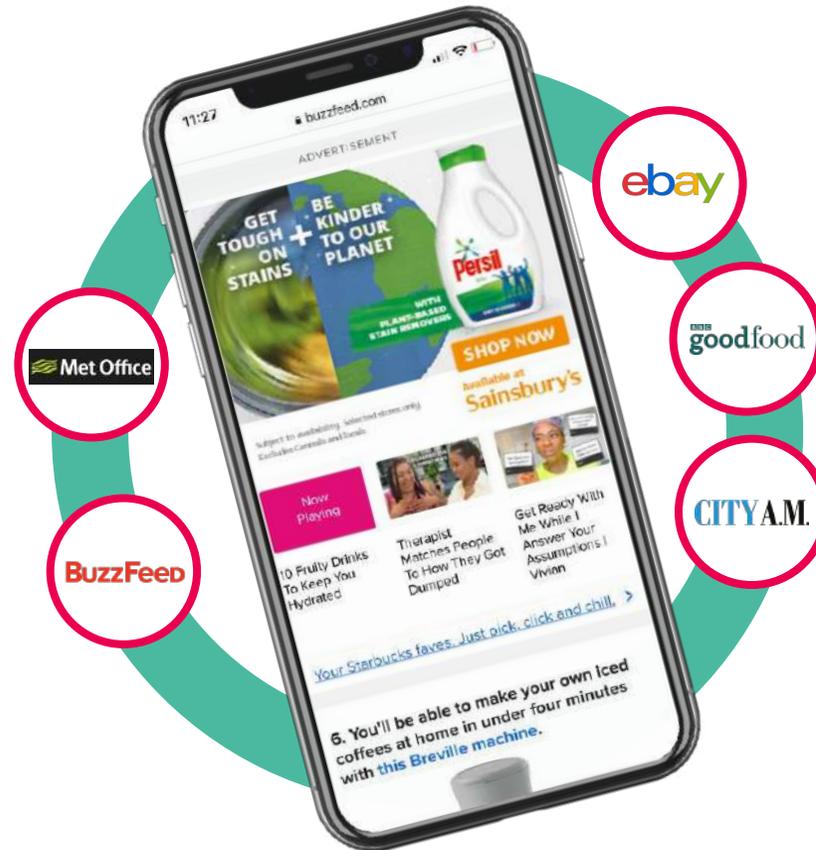
Audience 3:

Nectar customers who display similar attributes to current Persil buyers

Audience 4:

Have not purchased Persil products in the last 3 months

Campaign execution



Optimisation

Audience 1:

7% Conversion rate

Audience 2:

6.9% Conversion rate

Audience 3:

4.6% Conversion rate

Audience 4:

5% Conversion rate

Our measurement shows strong performance; customers are engaging with greater advertising relevance online



6 million

Impressions served to

119 thousand

Households with

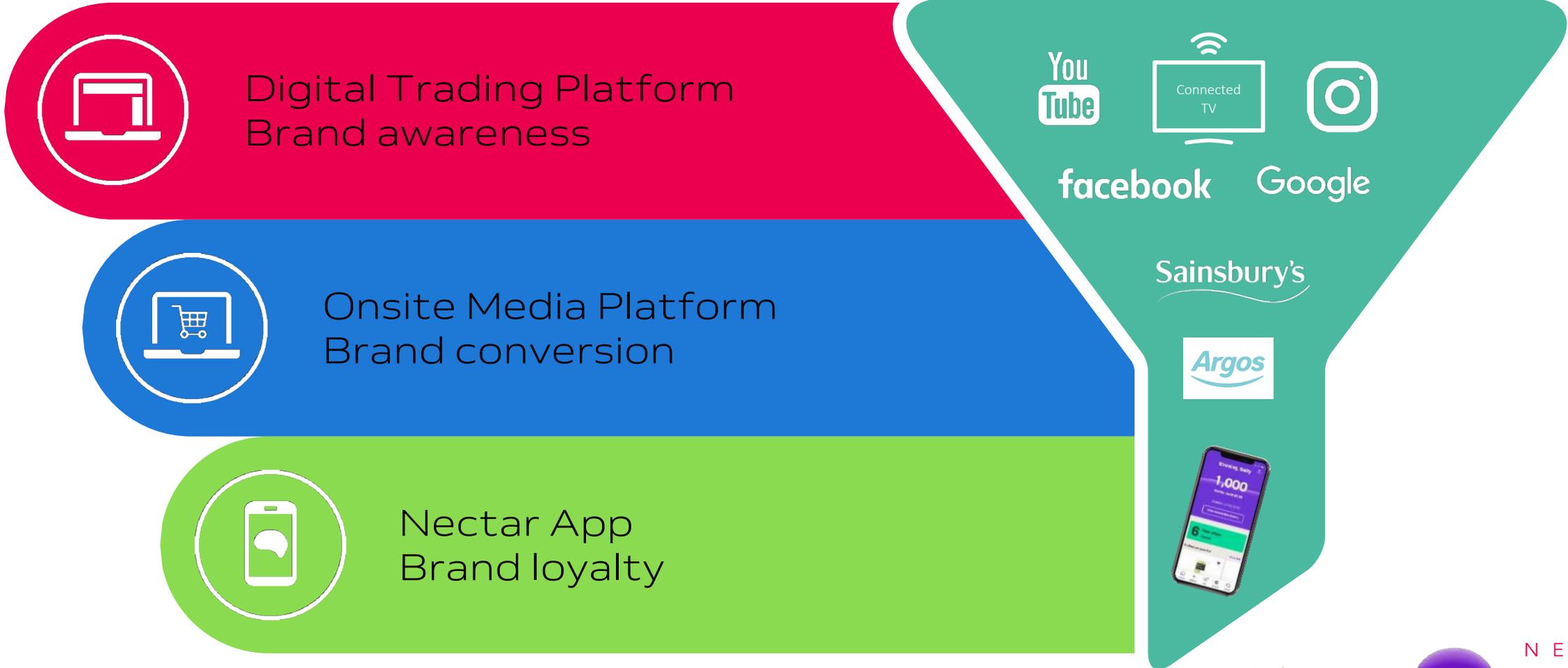
7.78%

Conversion to brand

£1.25

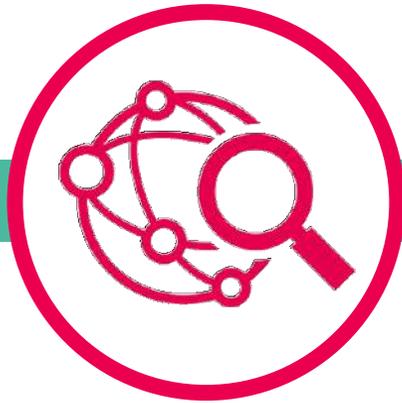
Return on advertising spend

In future, we plan to fully integrate our Digital Media Network



We are well placed to accelerate our growth into the growing Digital Media Network market

1st PARTY
DATA AT THE
HEART



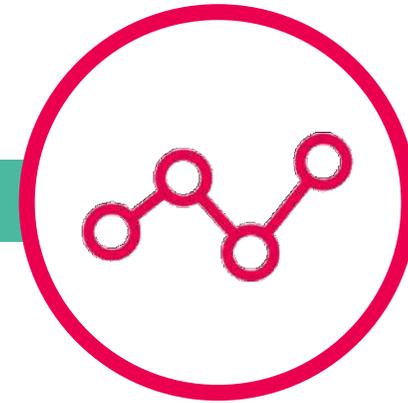
POWERED BY
CUSTOMER
CONTROL & TRUST

ENHANCE THE
CUSTOMER
EXPERIENCE



CONNECTING BRANDS
& CUSTOMERS ACROSS
ALL DIGITAL CHANNELS

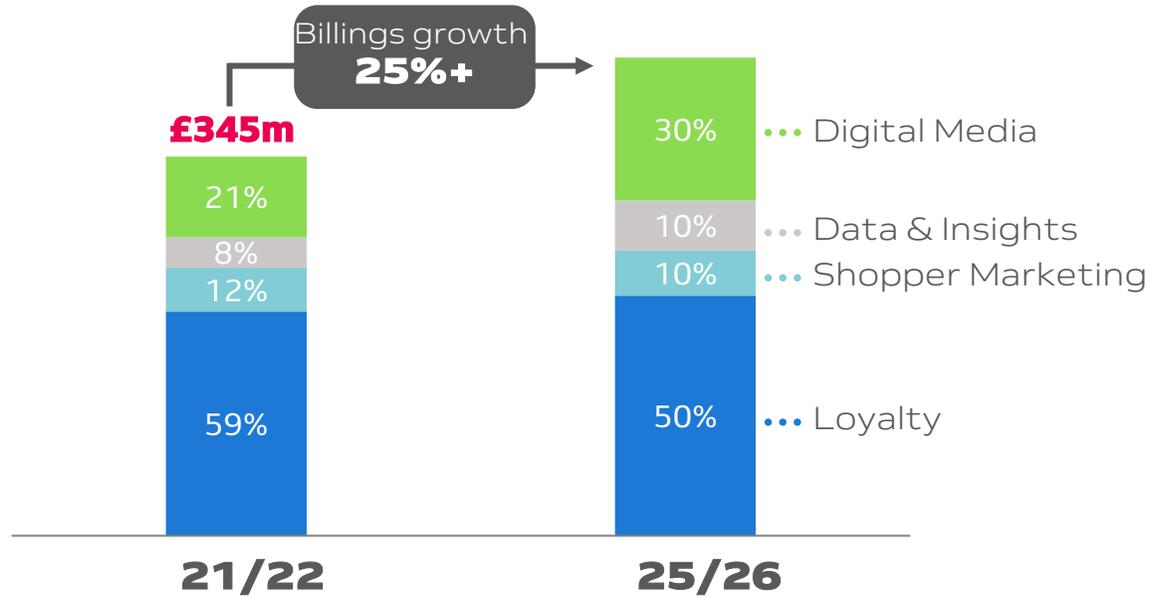
OPTIMISATION &
MEASUREMENT



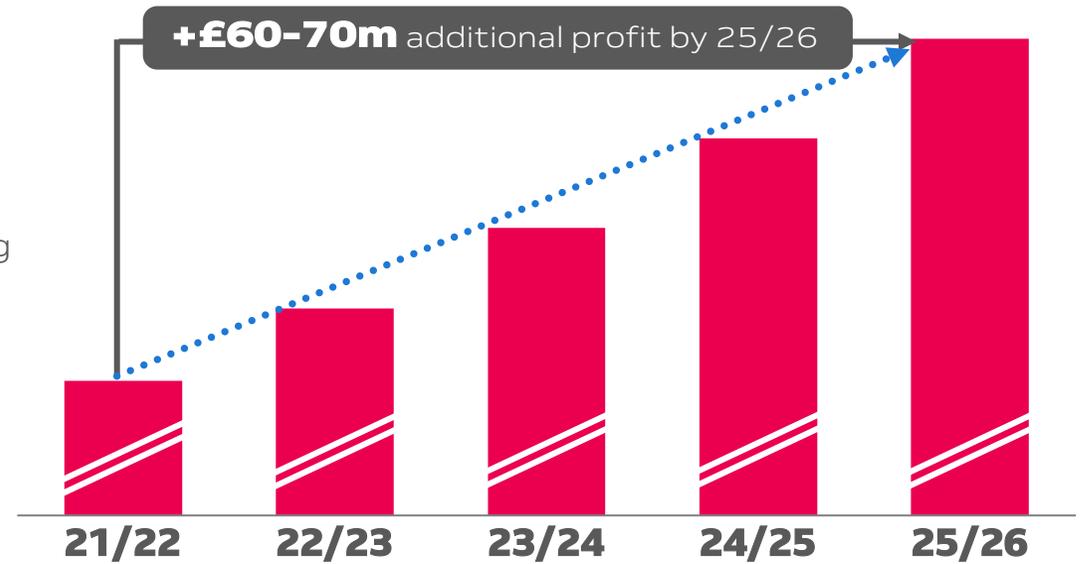
DELIVERING
TRANSPARENCY
FOR BRANDS

Our Digital Media Network is a key driver of our growth

Nectar360 billings – 5 year plan



Forecast incremental Nectar360 group profit contribution



This chart is not to scale

Break

Please
return in
10 minutes

Thank you





Global & UK market context

The trends shaping loyalty and retail media



Nectar B2C

Driving the Retail strategy, and a winning coalition



Nectar360 B2B

Who we are and what we do

Winning in Data and Digital



Q&A

Ask the panel

Q&A

Closing thoughts

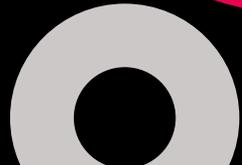
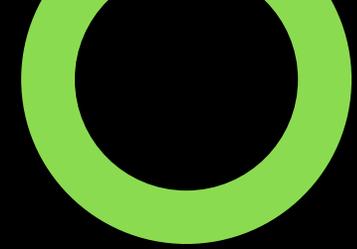
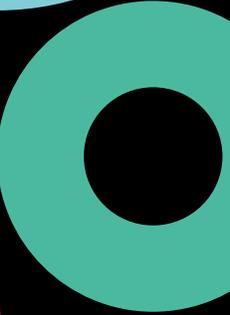
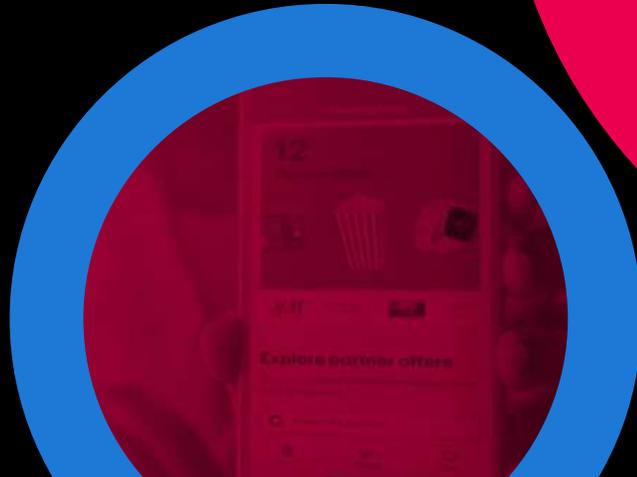
Mark Given

Chief Marketing
Officer

Thank you
nectar360.co.uk



Nectar 360 – Glossary of Terms



Glossary of Terms

Term	Definition
Nectar first party data	The firsthand customer data collected when a Nectar customer scans their Nectar card with one of our partner brands, either online or in-store. The data is permissioned, meaning the customer consents to sharing this information with Nectar. The data provides information on customer behaviours which can be used to personalise offers, marketing and advertising delivered to that customer.
Measurement & Attribution	The end-to-end measurement of an online campaign to show performance in terms of sales generated as a result of running that activity.
Return on advertising spend	Calculation used to measure the profitability and effectiveness of a campaign. It takes account of sales generated, less the marketing investment in the campaign, to determine overall campaign success.
Shopper insights	Customer insight derived from data generated through customers' interactions and spend with brands.
Third party cookie	Third party cookies are small pieces of code that let companies track particular customers across the internet and deliver personalised advertising. Due to the nature of cookies, it is likely that their usage will reduce and disappear in the fullness of time. Without them, it's even more important to have strong first party data that enables you to uniquely identify your customers.
Digital media network capabilities	<p>The coming together of digital media assets across technology, channels and data to maximise growth in the digital space.</p> <p>For Nectar360, this means leveraging our unique Nectar data asset, our owned channels (on-site), our technological expertise, platforms and integrations with non-owned (off-site) channels, and our extensive brand partnerships, to realise new growth and innovation in the digital arena.</p>
On-site	Sainsbury's owned online sites (sainsburys.co.uk, argos.co.uk).
Off-site	Websites that are outside of the Sainsbury's Group, for example YouTube or Facebook.

Glossary of Terms cont'd

Term	Definition
Incremental spend for coalition partners	The additional spend generated by customers of coalition brands who are Nectar collectors, and who have been encouraged to spend more with that partner as a result of their ability to collect Nectar points. For example, customers of Brand A, who are also Nectar card customers and who scan their Nectar card when they transact with that brand, typically spend x% more than customers who are not Nectar customers.
Nectar scan	When a customer digitally scans or physically swipes their Nectar card at point of transaction with a Nectar partner, either online or instore.
Digital Nectar registered	A customer who has download the Nectar app and linked it to their Nectar card.
Average customer redemption value	Average amount that a customer spends in points when they make a redemption with a Nectar partner. Note, a customer may redeem their points for the total value or only part of the value of the transaction.
Nectar's marketing affiliates programme (eShops)	eShops allows customers to collect points on qualifying transactions completed online on the retailer's site, only when accessed exclusively from Nectar.com. Purchases are tracked and points awarded within 90 days.
SmartShop	SmartShop allows customers to scan and pack products as they shop and is accessible through handheld devices available in supermarkets or an app on customers' mobile devices.
Linked accounts	When a customer links their Nectar account with their account on a Nectar partner site, facilitating the sharing of information between Nectar and that partner so that the customer can collect points when they spend with that partner.

Glossary of Terms cont'd

Term	Definition
[Nectar360] Shopper Marketing	The planning, design, execution and measurement of integrated brand campaigns across Sainsbury's media channels in and around store.
[Nectar360] Data & Insights	Deep, 360-degree understanding of the customer to enable improved decision making and the identification of new opportunities for brands using advanced analytics, consultancy, research and market-leading insight tools.
[Nectar360] Digital Media	Leveraging Nectar data to provide targeted campaigns across sainsburys.co.uk and argos.co.uk, social media and digital display. Includes campaign design, execution and optimisation via both self-serve and managed platforms.
Sainsbury's Insight Platform (SIP)	Insight platform, enabling suppliers to gain a greater understanding of their consumer, category, brands and SKUs within Sainsbury's and in future, within Argos.
Digital Trading Platform (DTP)	Unique digital trading platform allowing brands to target, measure and optimise data-led, relevant campaigns to specific audiences on the wider web and social platforms (off-site), at the right time.
On-site media platform (eCommerce)	Digital self-serve platform across sainsburys.co.uk and argos.co.uk, allowing suppliers to target (based on relevancy using Nectar data) and measure their advertising in real-time.
Digital impression	Opportunity for an online user to potentially see an advertisement on their screen, therefore increasing brand awareness and engagement.
Digital conversion	Occurs when a campaign goal is met, usually resulting in a sale.
Nectar audiences	Group of Nectar customers identified and grouped together based on key personal and/or behaviour characteristics for marketing or insights purposes, to ensure targeting is relevant.