# Save and invest to win

Save £1 billion and invest in transforming our capabilities – taking another big leap forward in efficiency, productivity and customer focus, continuing to build a platform for growth

- **£1 billion** of structural **cost reduction**

- **Well-invested technology platform** protecting, competing and **unlocking the next level**

- **Simplified, automated**, more process-led business

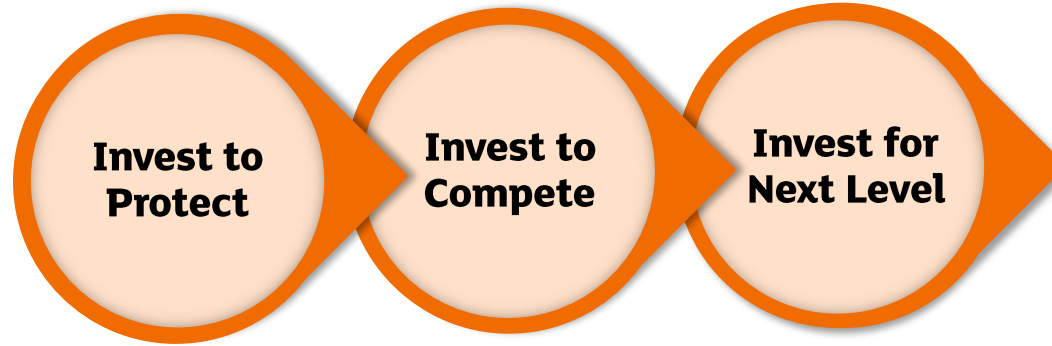- **Right-sized organisation**, set up to win

# Save and invest to win

**Transforming our capabilities**

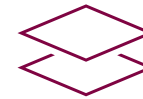# Our single enterprise roadmap accelerates what we do today

**Why:**

**Invest to Protect**

**Invest to Compete**

**Invest for Next Level**
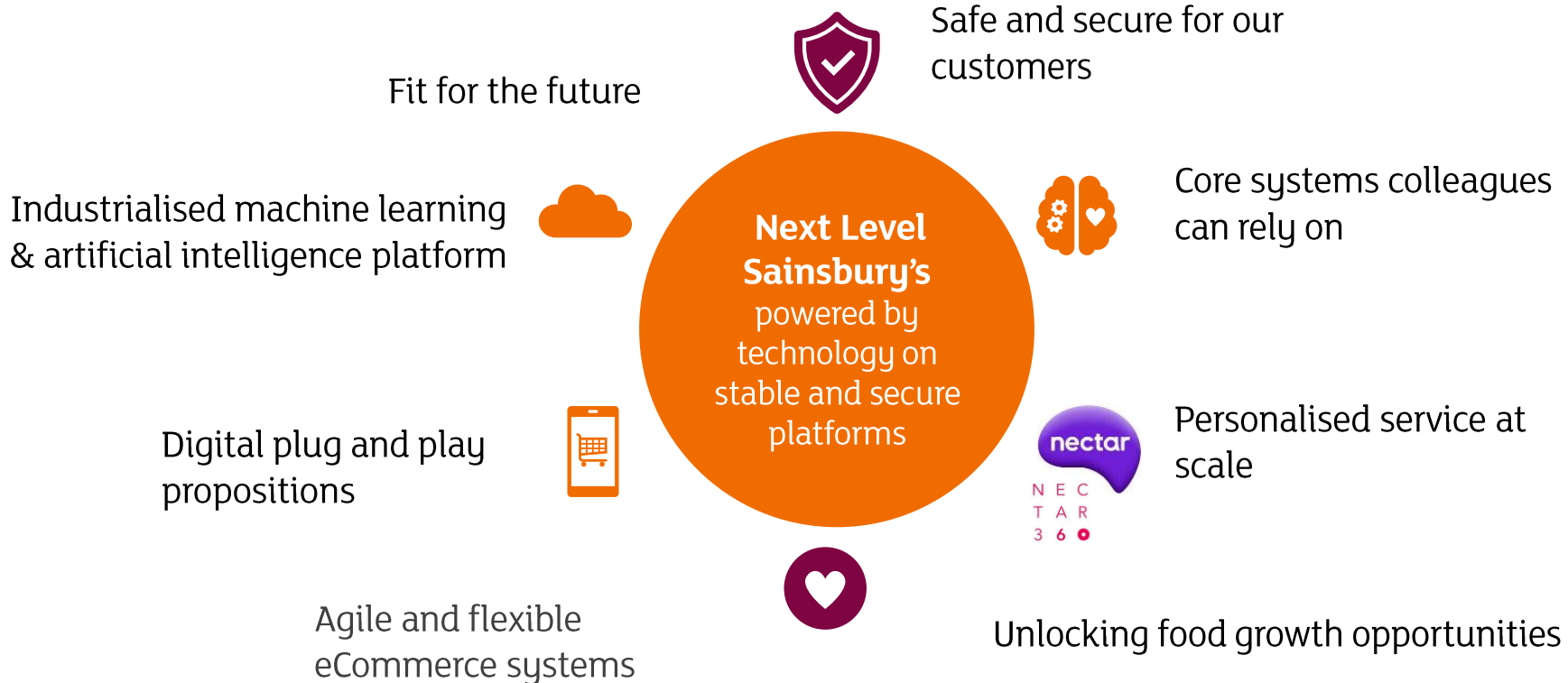
**How:**

**Streamlining and simplifying**

**Efficient & intelligent customer centricity**

**Maximising existing platforms**
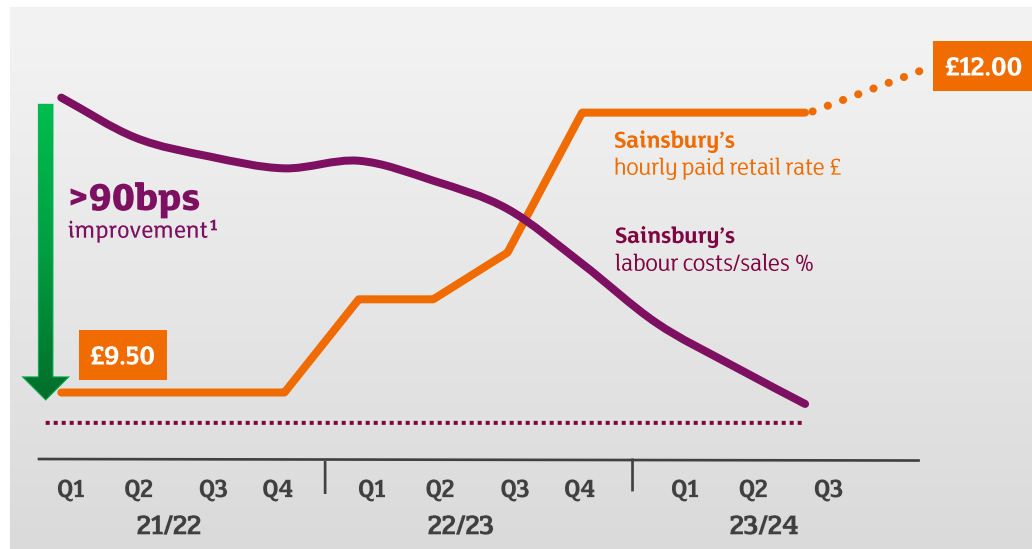
# Technology capability will enable our next phase of growth

**Sainsbury's**

**Next Level Sainsbury's** powered by technology on stable and secure platforms

Safe and secure for our customers

Fit for the future

Industrialised machine learning & artificial intelligence platform

Core systems colleagues can rely on

Digital plug and play propositions

nectar
NECTAR 360

Personalised service at scale

Agile and flexible eCommerce systems

Unlocking food growth opportunities

# Spending more on change, delivering on cost and efficiency

## Spending more on change

Improving returns

Change Capex

Change Opex

Run Opex

3 years to 23/34

3 years to 26/27
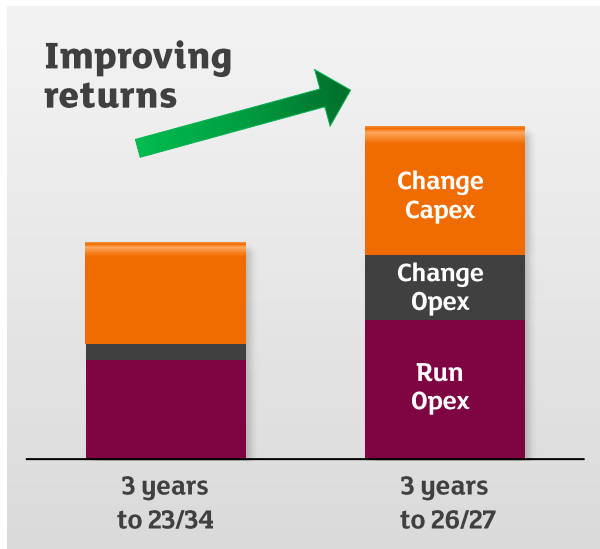
## Improved productivity

£12.00

Sainsbury's hourly paid retail rate £

Sainsbury's labour costs/sales %

>90bps improvement[1]

£9.50

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21/22 | | | | 22/23 | | | | 23/24 | | |

1. Reduction in labour cost / sales (excl. fuel) % Q3 23/24 vs Q1 21/22

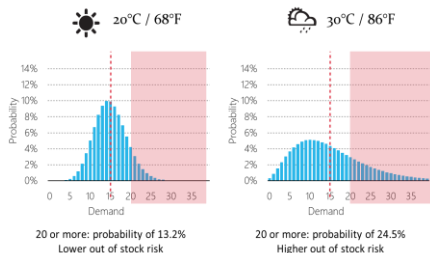# Streamlining and simplifying our technology infrastructure

## AI driven supply chain forecasting `Underway`



20°C / 68°F

30°C / 86°F

20 or more: probability of 13.2%
Lower out of stock risk

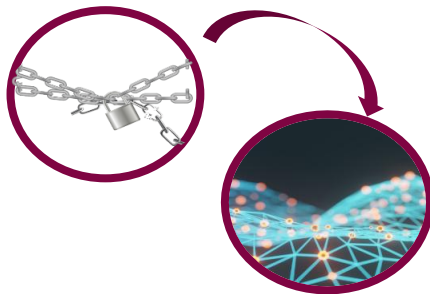20 or more: probability of 24.5%
Higher out of stock risk

**Optimise sales, waste and stock equation through accurate real-time forecasting**

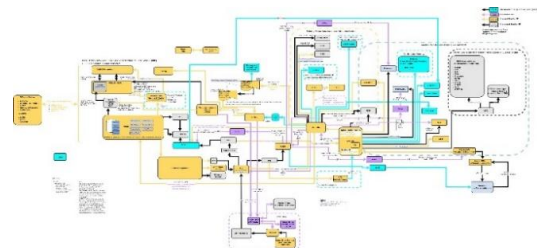## Real-time processing, where it matters `Underway`



**Migrate to real-time where optimal from a cost and efficiency lens**
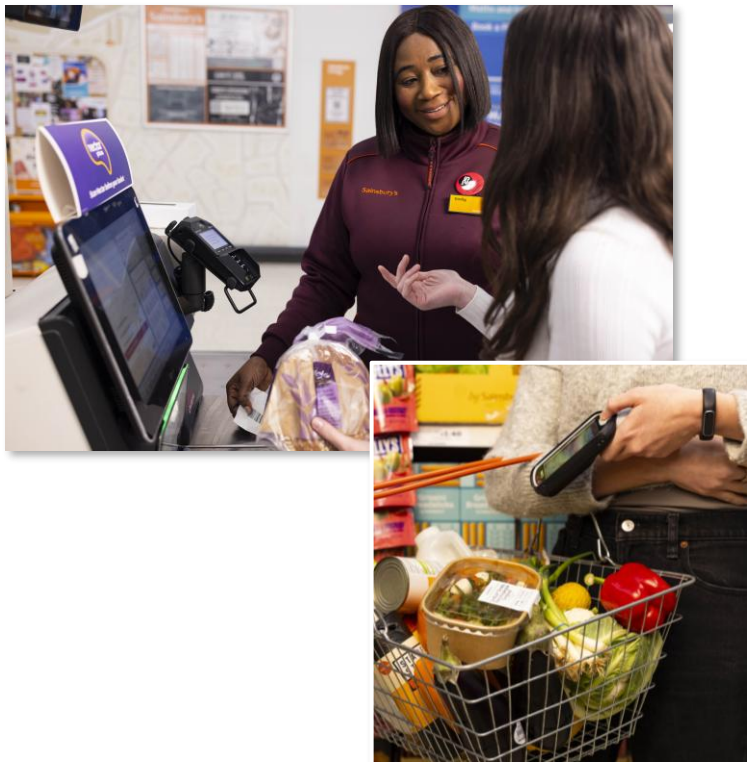
## Modernised commercial spine `Underway`



**Enable commercial agility in pricing, promotion, ranging and Nectar utilisation**

# Using intelligent technology to benefit customers and efficiency

**Efficient & intelligent customer centricity**





## Seamless, personalised and efficient checkout experience   **Underway**

- Customisable checkout screens increasing relevancy and experience

- Integrated loyalty across all checkout touchpoints

- Remote management of interventions increasing checkout speed and reducing colleague task

- Nudge and AI technology driving seamless customer exit with reduced shrink

- Emergence of checkout and digital engagement anywhere in the store

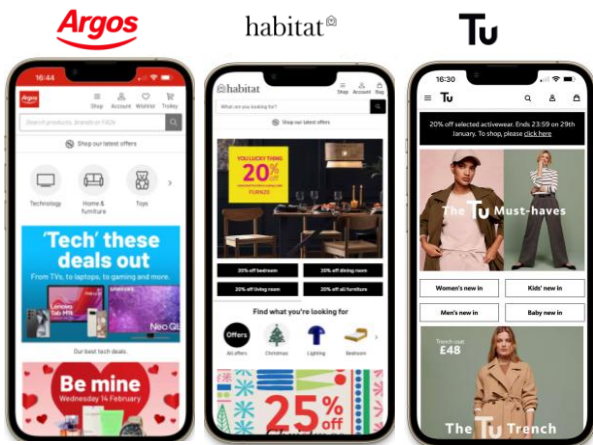# Simplifying and reusing platforms and systems unlocks more value
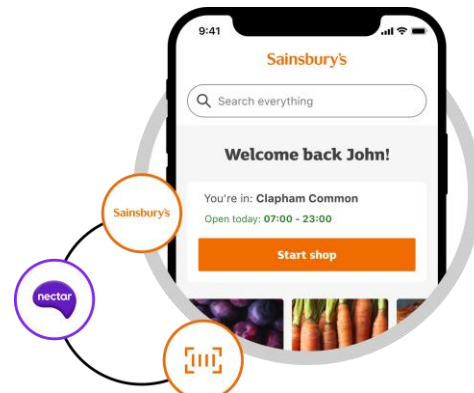
## Single GM digital platform   `Completed`



**Reduce run and development costs whilst increasing speed to market for digital features**
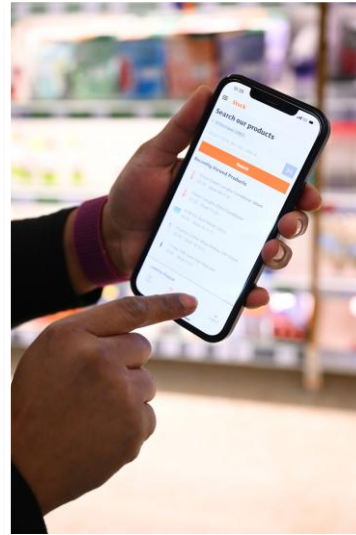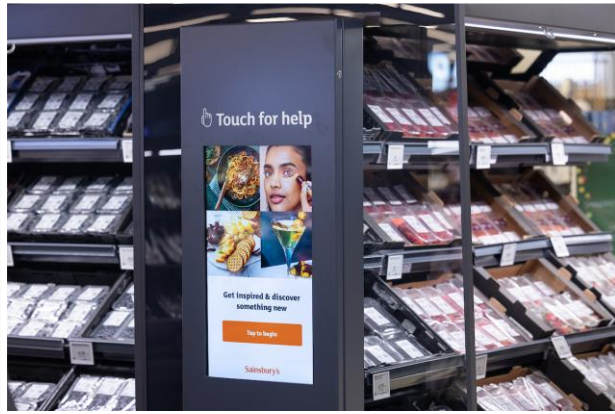
## Single Food digital platform   `Underway`



**Grow missions and basket size together with simpler operations**

# Technology in stores freeing up colleagues to deliver customer service

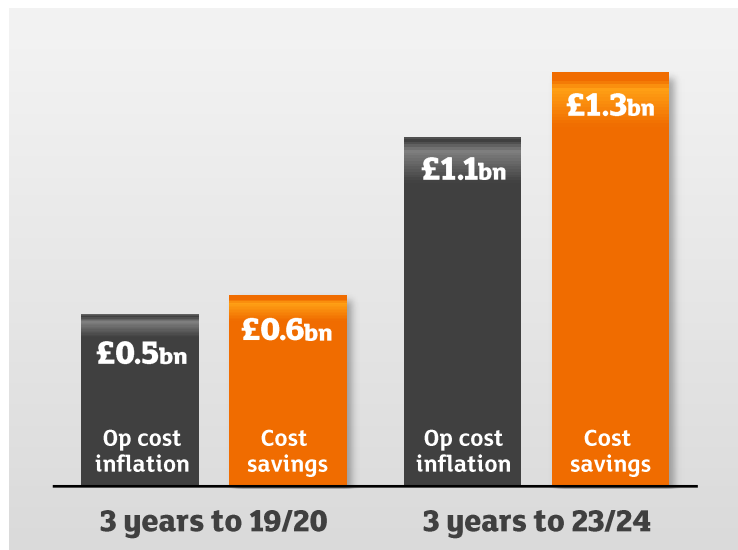# Technology capability will enable our next phase of growth



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**Save and invest to win**

**£1bn structural cost reduction**

# Strong track record of delivering savings and driving efficiencies

**Sainsbury's**
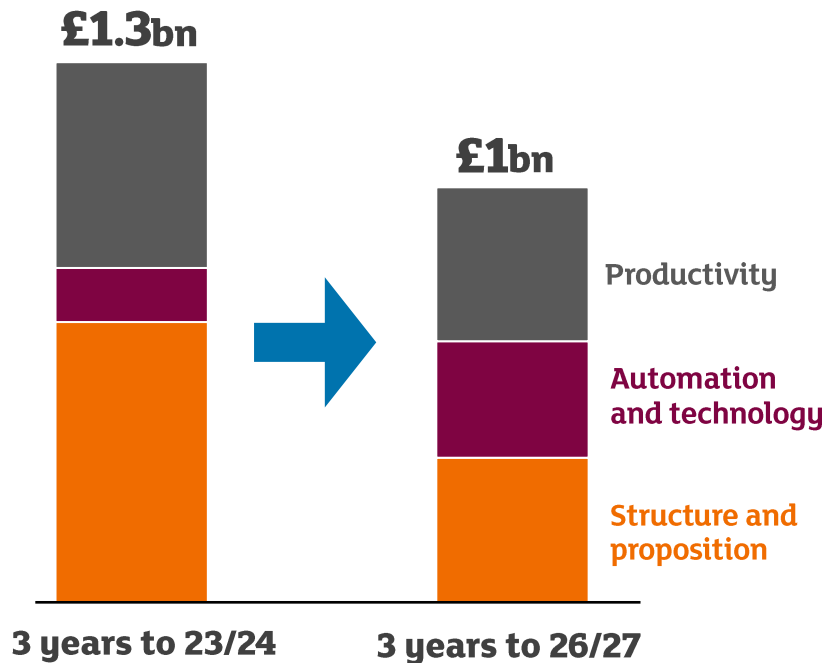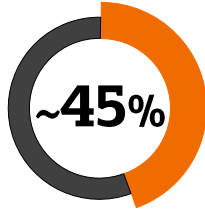
## Operating costs: savings and inflation



£0.5bn — Op cost inflation
£0.6bn — Cost savings
**3 years to 19/20**

£1.1bn — Op cost inflation
£1.3bn — Cost savings
**3 years to 23/24**

## Cost savings & SG&A / sales



SG&A / sales %
Cost savings £m

17/18  18/19  19/20  20/21  21/22  22/23  23/24  24/25  25/26  26/27
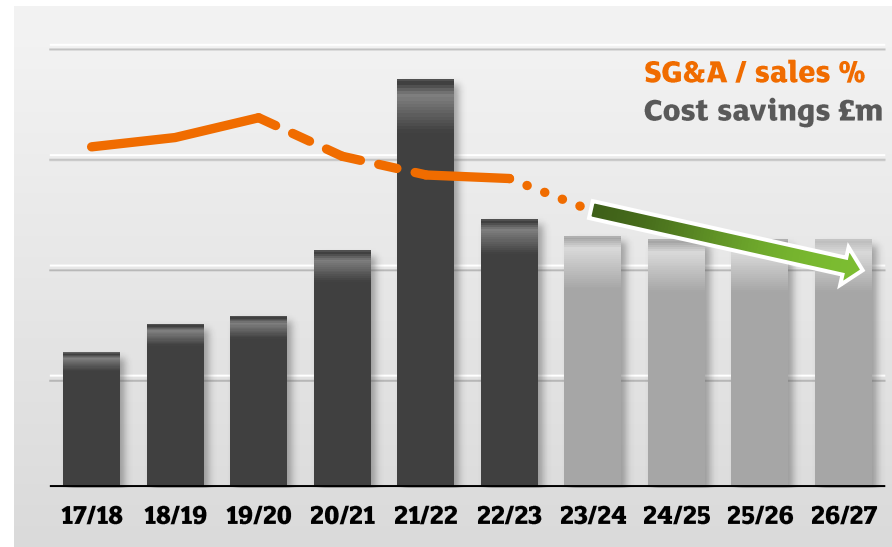
# Further structural opportunities, upside in automation and end-to-end productivity

**Sainsbury's**

£1.3bn

£1bn

Productivity

Automation and technology

Structure and proposition

3 years to 23/24
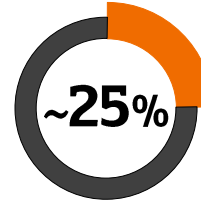
3 years to 26/27

# Key cost saving programmes

**Sainsbury's**

**~45%** **End-to-end operating model**
- E2E process optimisation
- Space and range efficiencies
- Supermarket productivity
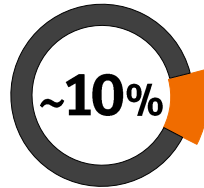- Convenience operating model
- Groceries online efficiency

**~25%** **Property & process efficiency**
- Goods not for resale
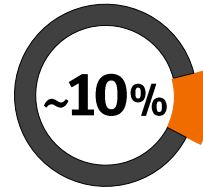- Process simplification
- Process automation

**~10%** **Profit protection**
- Shrink reduction
- Returns and waste

**~10%** **Logistics operations**
- Expert partnerships
- Logistics automation
- Depot productivity

**~10%** **Argos & General Merchandise optimisation**
- Argos operating model
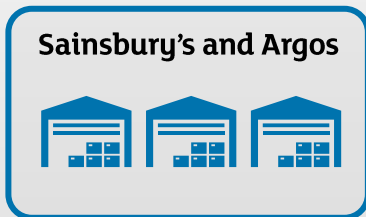- Network & store optimisation

# Structure and proposition

# Structural: consolidation & automation of GM distribution network

## General Merchandise distribution network

**Current network**

**Argos**

**Sainsbury's**

**Integrated automated network**

**Sainsbury's and Argos**

- Increased network capacity
- Fewer, bigger depots
- c.2x productivity increase
- c.50% direct labour reduction
- Lower working capital

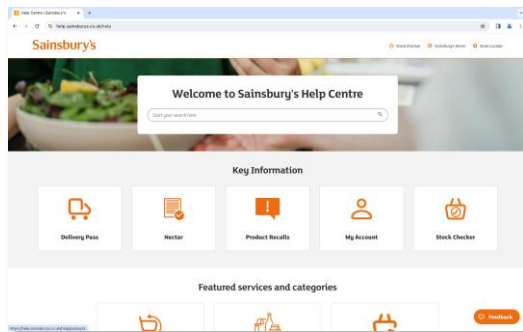**Physical automation:** uses robotic technology to perform warehouse tasks

Modular

Big Box

# Intelligent automation: saving costs, improving customer experience and simplifying processes

## Simplified customer and colleague interactions

**Task automation – Live**



Automates high volume tasks to deliver faster query resolution for customers

## Automated identification of on-shelf stock gaps

**Ambient Grocery - Trial**

**Fresh – Discovery phase**
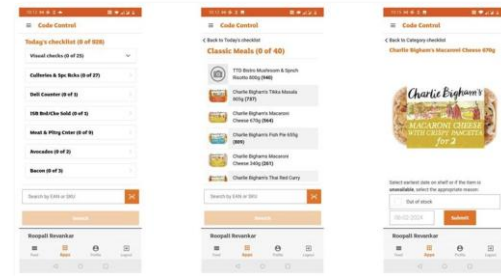
**AI cameras - Pilot**



Predicts on-shelf stock gaps in stores, prioritising colleague task allocation

## Optimised date checking and product markdown

**Date checking – Roll out in progress**

**Price algorithm – Discovery phase**



Identifies products requiring date checks – reducing waste, improving forecasting and optimising colleague time

# Productivity

# End-to-end Food: productivity savings across our value chain

**Connecting upstream decisions...**

Range

Buy

**...to end-to-end operational impact...**

Move

Sell

**Delivering productivity savings**

- Labour
- Logistics
- Shrink and waste
- Working capital

# Productivity savings across our estate

**Buy**
Supplier productivity

**Move**
Logistics productivity

**Sell**
Labour productivity

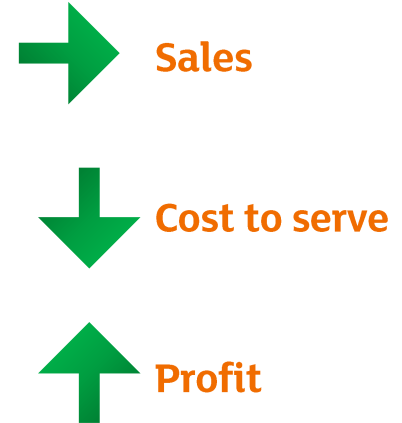# Example: Pop in and out store cluster

## Trial in Chatham store



1. **Simplified range**
2. **Increased capacities**
3. **Fewer deliveries**

## Strong results

- **Reduced waste**
- **Logistics efficiencies**
- **One touch replenishment**
- **Simpler store operating model**

## Now rolling out learnings across full 90 store cluster

→ **Sales**

↓ **Cost to serve**

↑ **Profit**

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