Majestic Retail Site Visit
3 October 2016

MajesticWineplc



Agenda:

13.05 Train Departs London Kings Cross

13.31 Train arrives in Welwyn Garden City with short walk to Store

14.00 Introduction: Rowan Gormley, Group CEO

14.15 The Plan: John Colley, Majestic Retail Managing Director

14.35 Customer Engagement: Josh Lincoln, Customer Director

15.00 Investment in People: Louise Ellis, People Director

15.20 Product Range: Richard Weaver, Buying & Merchandising Director

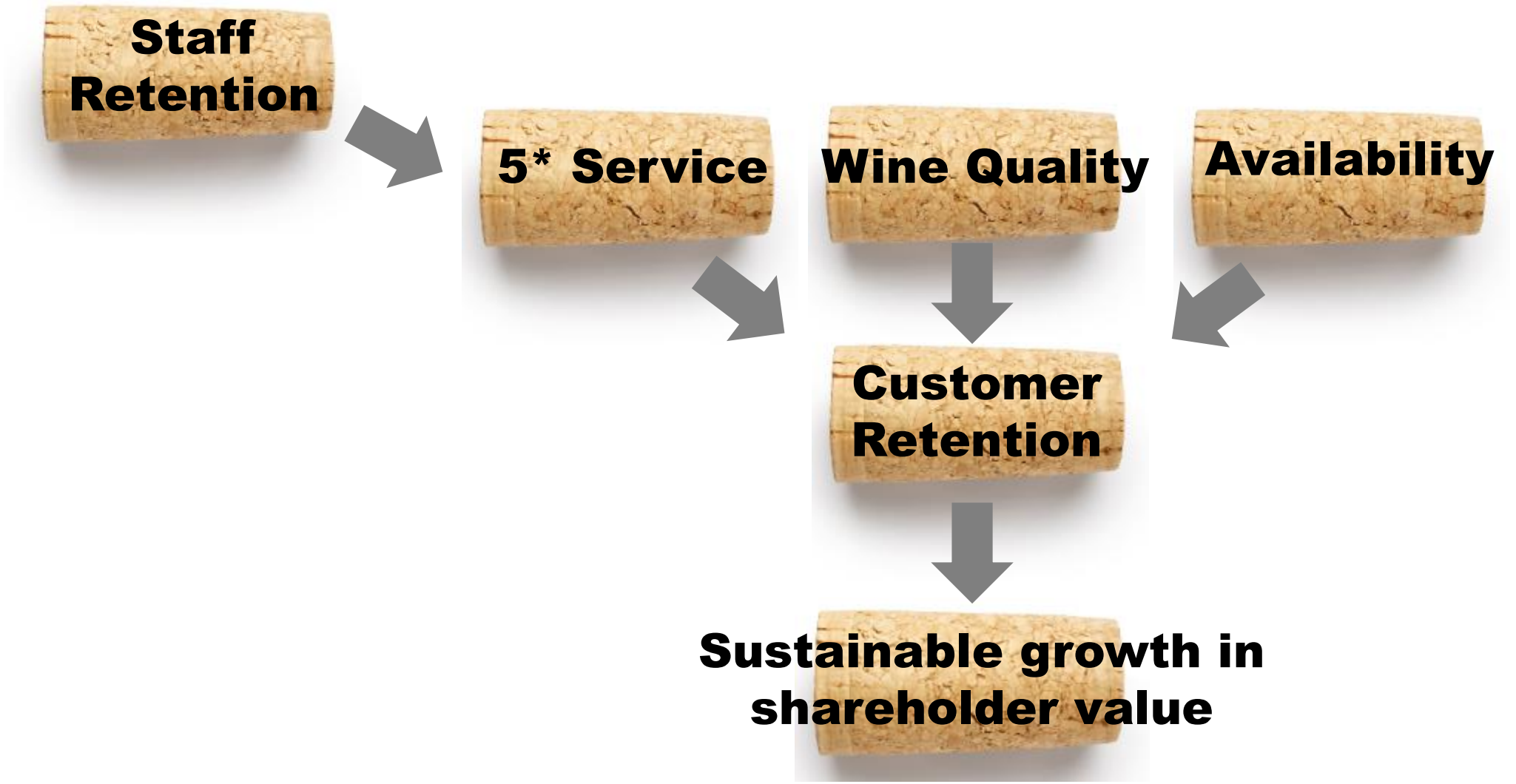
15.45 Q&A

16.45 Store walk round and Definition Wine Tasting

Return Trains to London Kings Cross:
Departs: 17.24, Arrives: 17.49
Departs: 17.48, Arrives: 18.17



Reminder – Our goal is sustainable growth in shareholder value





John Colley

Managing Director

"We have a simple plan and we're on track"

WHAT WE'RE HERE TO TELL YOU TODAY:

1

We have a good team

2

A simple plan, on track

3

A disciplined environment

1. WE HAVE A GOOD TEAM



B&Q, SCREWFIX, maxeda DIY Group, Home Retail Group

John Colley
Managing Director

hobbycraft, SCREWFIX, Majesticwine, M&S, ASDA, Waterstones, SELFRIDGES&CO, UBS, naked wines, easyJet, COSTA COFFEE



Rob Farnworth
Operations Director



Richard Weaver
Buying & Merchandising Director



Neil Firth
Supply Chain Director



Louise Ellis
People Director



James Gomes
Transformation Director



Josh Lincoln
Customer Director



Mark Lovatt
Head of Finance

REMINDER: THIS IS WHERE WE WERE…

WE WERE GROWING BY OPENING STORES BUT THIS WASN'T WORKING



OUR SUPPLY CHAIN LACKS FLEXIBILITY



…BUT OUR SHOPPING EXPERIENCE CAN BE INCONSISTENT

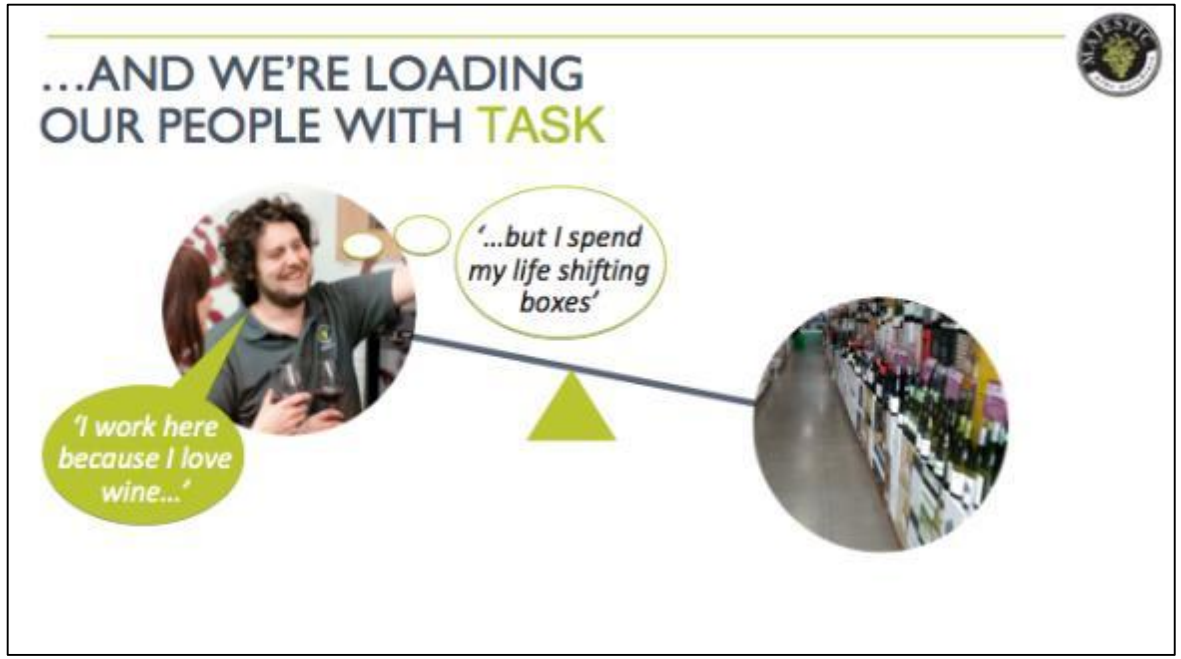


OUR SYSTEMS ARE HOLDING US BACK



WE DID NOT RECOGNISE **WHAT MADE US SPECIAL**

A GOOD RETAIL BUSINESS IS BUILT ON GREAT PEOPLE





SO WE ASKED THEM TO HELP US **SHAPE OUR PLAN**

1. We asked for their views ..



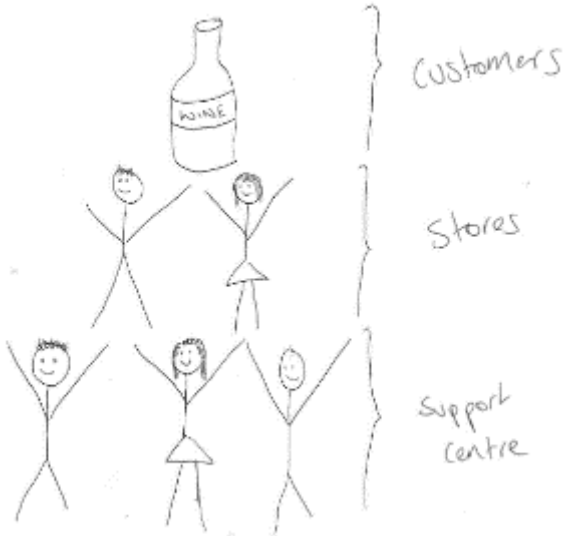
2. …this told us what Majestic means to them..

'Majestic at its best is a loyal customer coming back to say "I loved what you recommended last time - you got it spot on" '

Store staff, Birmingham



3. What we needed to do to help them deliver that



'It's hard to convey passion when you're speaking in generic terms. When you have a story, it definitely helps'

Store staff, Manchester

4. .. And how to get them on board with the plan



'Staffing is a big issue. Any problem can be fixed with more staff'

Store staff, Manchester

2. WE HAVE A SIMPLE PLAN – WHICH IS ON TRACK

Experience	'Nations favourite Wine specialist 1	Any time Any place Anywhere 	Own the customer relationship 
Offer	Right Range in the Right Store 	Unique Wines with stories 	Brands Quality & Value 
Make it Easier	Simplify the Task 	Right stock Right time Right amount 	Joined-up Systems 

SUPPORTED BY

'Keeping Great People'

WHAT **WE WILL DELIVER** – AND WHEN

WE ARE BUILDING AN INFRASTRUCTURE TO GROW OUR BUSINESS

We will deliver…

KPI	March 2016	2017 H1	2017 H2	2018 H1	2018 H2
5* service rating	86%				
Customer Retention	68%				
Manager retention	75%				
Wine quality	New KPI				
Availability	66%				

…which will translate into…

Sales: £500m+ by 2019
Dividend: Restored in H1 2017

3. WE ARE WORKING IN A DISCIPLINED ENVIRONMENT

1. Everything gets measured…

- Based on ROI – Does it create value?
- Use the Test and Learn Principle before roll out of projects

2. Misusing capital hits me in the pocket

- If I make a case for more money I can get it but my sales target goes up

3. Discipline

- I have to prove that I am earning a healthy ROI - or give it back



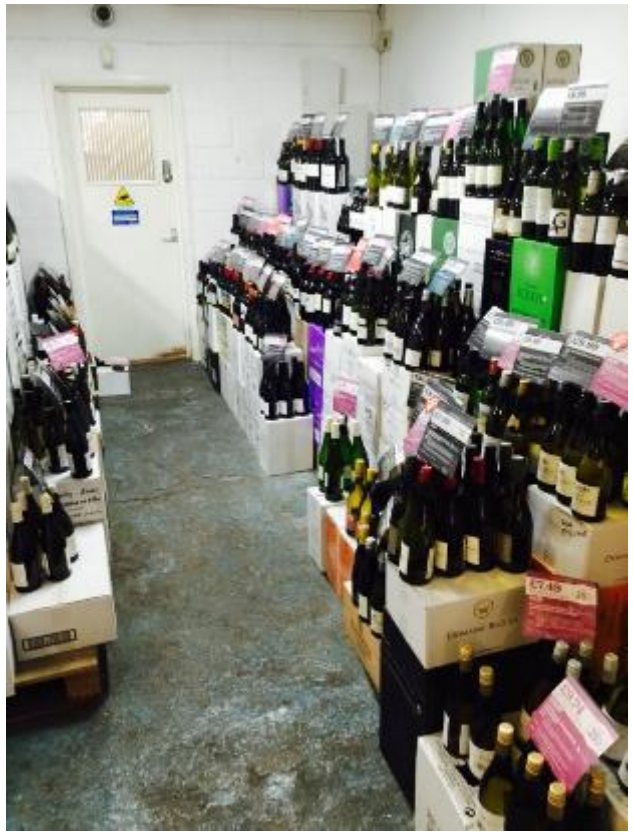
For Example…

For EXAMPLE….

Initiative	Description	KPIs	How does this link to the plan?	What we're learning
Store Refits	Refurb of stores	• 5* service • 2nd shop rate • LfL sales	• Simplify the task • Right Range, Right Store	Positive early signs – need to trade through peak for reliable data
People	• Additional 0.5 heads per store • Incentives and remuneration increases	• 5* service • Team Retention • LfL sales	• Keeping great people • Own the customer relationship	Positive early signs – need to trade through peak for reliable data
National Fulfilment Centre	Fulfilment centre for 40% of all online orders and urgent store replenishment to support peak trading	• 5* service • LfL sales • Availability	• Right stock, right time, right amount • Next Day Delivery	Launching as we speak – needs to trade through peak to see full impact

EXAMPLE 1: **STORE REVAMPS**

OLD FORMAT:



REVAMPED:



TOUCH UP:



EXAMPLE 1: **STORE REVAMPS** – INITIAL RESULTS

20 Revamped Stores Completed Since April 2016:

- Average Like-for-Like performance up 10% pps

4 “Touch-up” Stores Completed Since July 2016:

- Average Like-for-Like performance up by 5.1% pps





MAJESTIC wine warehouse

Josh Lincoln

Customer Director

"Test and Learn"

MY JOB: GROW SALES BY GROWING CUSTOMERS RATHER THAN BRANCHES



1. THE WELCOME PROCESS

- We have **400,000** new customers per year
- Of those **45%** become repeat customers
- Every % we can move that by is worth **£300,000** additional contribution. A year!
- So this is our approach:

	Old Approach	New Approach
In store	"What are you looking for?"	"Is this your first time here?"
At checkout	"Do you want to join our mailing list?"	"Would you like me to email you a voucher today?"
Online	Buy, buy, buy	Tell us about you – so we can serve you better
Follow up	Buy, buy, buy	We can see you like x, so you should try Y

2. TEST AND LEARN

Test 1 – CUSTOMER INTERACTION

Content vs Promotional emails

Total revenue per customer over period was:

- *7.6% win for Content*

Lesson Learned: Sell the wine, not the discount

Promo



Content



2. TEST AND LEARN



Test 2 – RECOGNISING LOYALTY

For the first time ever we launched Black Book Wines to our best customers. We pushed it multi-channel…

- Mail
- Email
- Website



What we learned:

- 89% uplift by segmenting best customers and treating them as such
- Experiential incentives work better than discounts

2. TEST AND LEARN

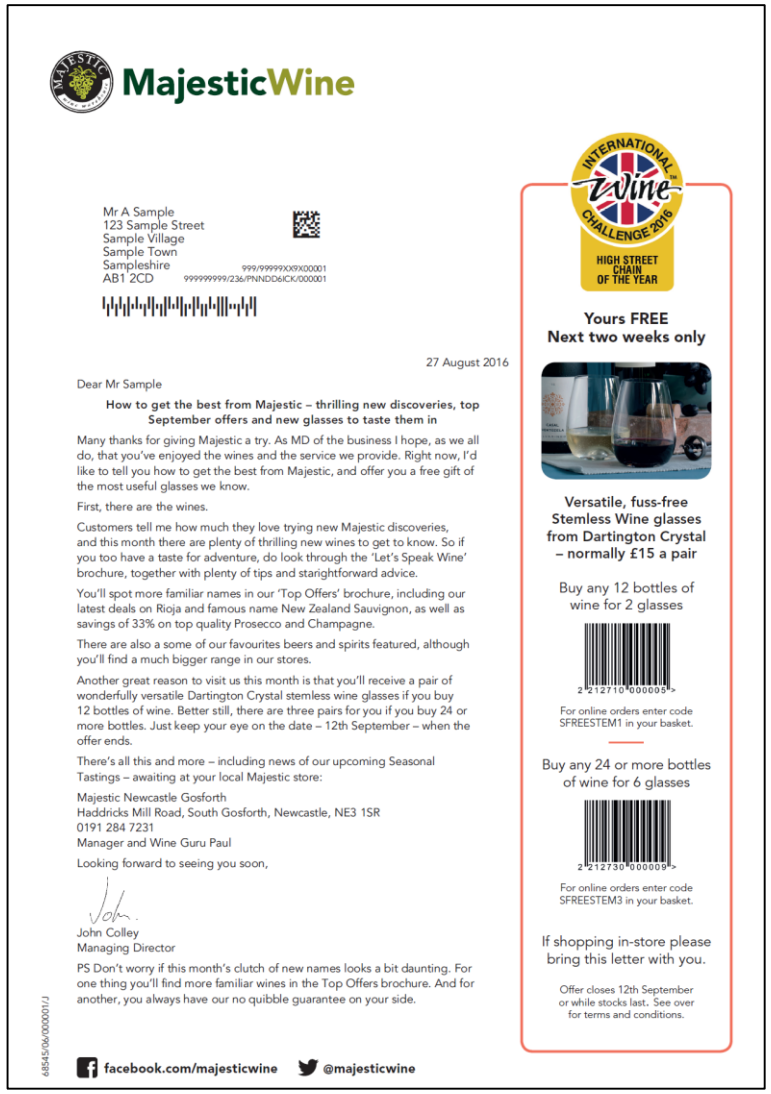
Test 3 – CREATING LOYALTY

We tested including Nurture customers (those who aren't loyal Majestic-ers yet) with a personalised mailer

Test 1a – First letter with free glasses = 40% Lifetime ROI uplift
Test 1b – First letter with £10 voucher = 91% Lifetime ROI uplift
Test 2 – Second letter = 201% ROI uplift
Test 3 – Third letter = 27% ROI uplift

Lessons learned

- ***Cash is king for new customers***
- ***2 mailings are worth it…3, not so much***



MajesticWine

Mr A Sample
123 Sample Street
Sample Village
Sample Town
Sampleshire
AB1 2CD

27 August 2016

Dear Mr Sample

How to get the best from Majestic – thrilling new discoveries, top September offers and new glasses to taste them in

Many thanks for giving Majestic a try. As MD of the business I hope, as we all do, that you've enjoyed the wines and the service we provide. Right now, I'd like to tell you how to get the best from Majestic, and offer you a free gift of the most useful glasses we know.

First, there are the wines.

Customers tell me how much they love trying new Majestic discoveries, and this month there are plenty of thrilling new wines to get to know. So if you too have a taste for adventure, do look through the 'Let's Speak Wine' brochure, together with plenty of tips and starightforward advice.

You'll spot more familiar names in our 'Top Offers' brochure, including our latest deals on Rioja and famous name New Zealand Sauvignon, as well as savings of 33% on top quality Prosecco and Champagne.

There are also a some of our favourites beers and spirits featured, although you'll find a much bigger range in our stores.

Another great reason to visit us this month is that you'll receive a pair of wonderfully versatile Dartington Crystal stemless wine glasses if you buy 12 bottles of wine. Better still, there are three pairs for you if you buy 24 or more bottles. Just keep your eye on the date – 12th September – when the offer ends.

There's all this and more – including news of our upcoming Seasonal Tastings – awaiting at your local Majestic store:

Majestic Newcastle Gosforth
Haddricks Mill Road, South Gosforth, Newcastle, NE3 1SR
0191 284 7231
Manager and Wine Guru Paul

Looking forward to seeing you soon,

John Colley
Managing Director

PS Don't worry if this month's clutch of new names looks a bit daunting. For one thing you'll find more familiar wines in the Top Offers brochure. And for another, you always have our no quibble guarantee on your side.

facebook.com/majesticwine @majesticwine

International Wine Challenge 2016 – High Street Chain of the Year

Yours FREE Next two weeks only

Versatile, fuss-free Stemless Wine glasses from Dartington Crystal – normally £15 a pair

Buy any 12 bottles of wine for 2 glasses

For online orders enter code SFREESTEM1 in your basket.

Buy any 24 or more bottles of wine for 6 glasses

For online orders enter code SFREESTEM3 in your basket.

If shopping in-store please bring this letter with you.

Offer closes 12th September or while stocks last. See over for terms and conditions.

CREATING A CULTURE WHICH SUPPORTS **TEST & LEARN**

SMALL SCALE TESTS FIRST

- No more ’I think’, we’re letting the numbers do the talking
- We have a long list of things we’re testing… Some will work, some won’t
- The ones that work, we’ll take the learnings and make it a rule
- The ones that don’t, we’ll dust ourselves off and try the next one
- …if we’re not getting some wrong, we’re not trying hard enough





Louise Ellis

People Director

Really

"Our people are our greatest asset"

THE MAJESTIC RETAIL **PEOPLE VISION**

"To recruit and retain talented people by being recognised as one of the best employers"

Passion and Teamwork

- Build upon current engagement levels
- Enable our teams to work better together
- Build on our passion for wine for the benefit of our customers

Recognition and Reward

- Recognise and reward great performance
- Offer remuneration packages to engage, motivate and drive excellence

Training & Development

- Drive an improvement in capability across the business
- Provide innovative, relevant and targeted development opportunities
- Train to sell in Retail

WHY IS **ENGAGING OUR TEAMS** SO IMPORTANT?

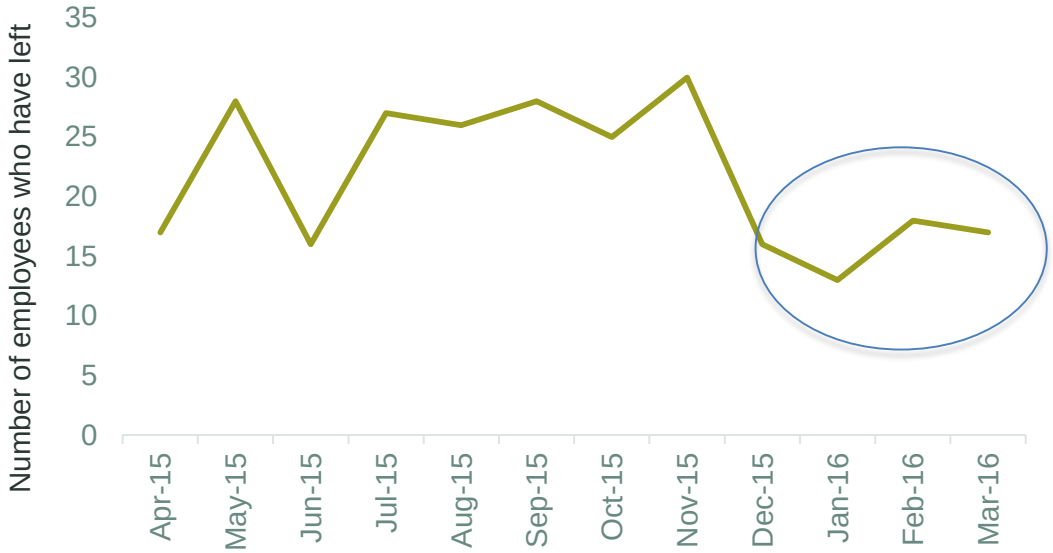
STORE MANAGER TURNOVER IS UNACCEPTABLE

Our people are the key to CUSTOMER LOYALTY



…and customers value them highly…

STORE MANAGER TURNOVER



.. We are making progress reducing turnover

HOW WE'RE MAKING IT **HAPPEN**



REWARDS

Living Wage Employer
Removed Bonus Caps
LTIPs and Free Shares
New Bonus Scheme



SMART TOOLS

The Right Recruitment
Engagement & Retention
Performance Management
Benchmarking



STRUCTURE

Flexible workforce
Grading structure
Exit Interview analysis
Rising Stars

HOW WE **MEASURE** WHAT WE ARE DOING?

ENGAGEMENT DRIVES PERFORMANCE AND WE ARE MAKING PROGRESS

Asking our employees views and listening to their feedback:

- "Have your say" questionnaire and Employee Engagement Surveys
- Departmental action plans in place
- Pulse surveys

Plus:

- Measuring management turnover
- Monitoring labour cost control vs budget

Question	Mean* - Feb 2016	Mean* – Feb 2015	% Diff Year on Year
It's easy to explain our offers and pricing to customers	2.96	1.96	51%
How happy are you with environment you work in everyday?	2.96	2.61	13%
I'm 100% clear on how you measure how well I'm doing at my job	2.59	2.38	9%
I have enough time at work to get everything done that I need to	2.4	2.22	8%
I love getting customers excited about wine	3.73	3.49	7%
I always share new ideas about how we could be doing things better	3.08	2.91	6%
You pay me the right amount for what I do	2.22	2.1	6%
I get to work with people with a real mix of backgrounds and experience, where everyone is included	3.11	2.96	5%

* Scoring out of 5

SO **WHAT'S NEXT:**

- **Creating good jobs for great people**
  - Improve our engagement index
  - Improve our labour turnover
- **Building an engaged productive team**
- **Embed systematic learning & development solutions**
- **Create a learning culture**
- **Be innovative and future proof our approach to People**
- **Maximise our opportunity at Peak**







MAJESTIC wine warehouse

Richard Weaver

Buying & Merchandising Director

"Taking Majestic back to its roots"

THE PLAN



RIGHT RANGE IN THE RIGHT STORE

1



UNIQUE WINES WITH STORIES

2



BRANDS QUALITY & VALUE

3

RIGHT RANGE, RIGHT STORE

BUILDING A MERCHANDISING FUNCTION

ENTRY PRICED NEW WORLD:

17% of sales



9% of sales





WINES OVER £15:

5% of sales



10% of sales

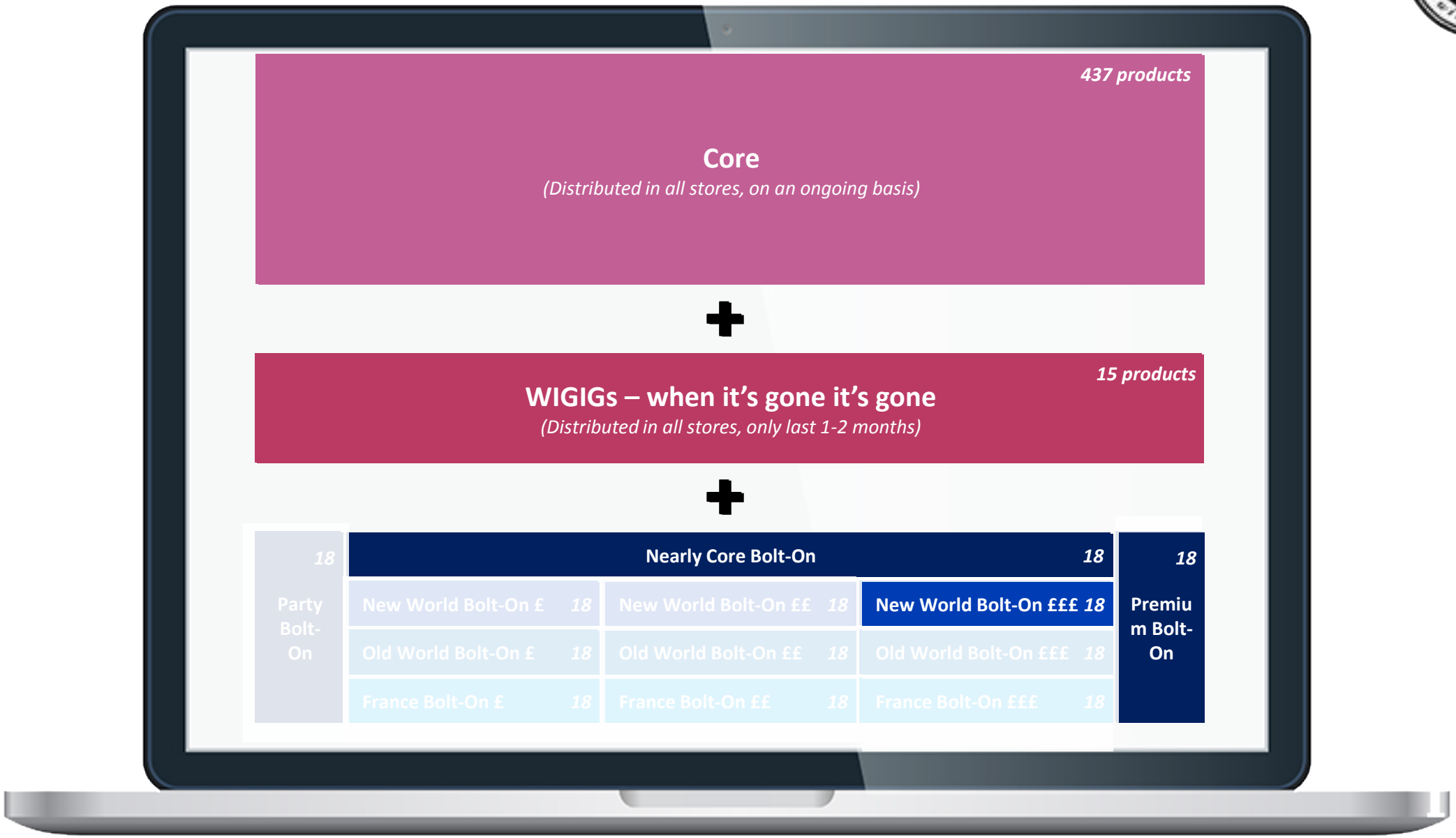
HOW WILL THIS **WORK?**



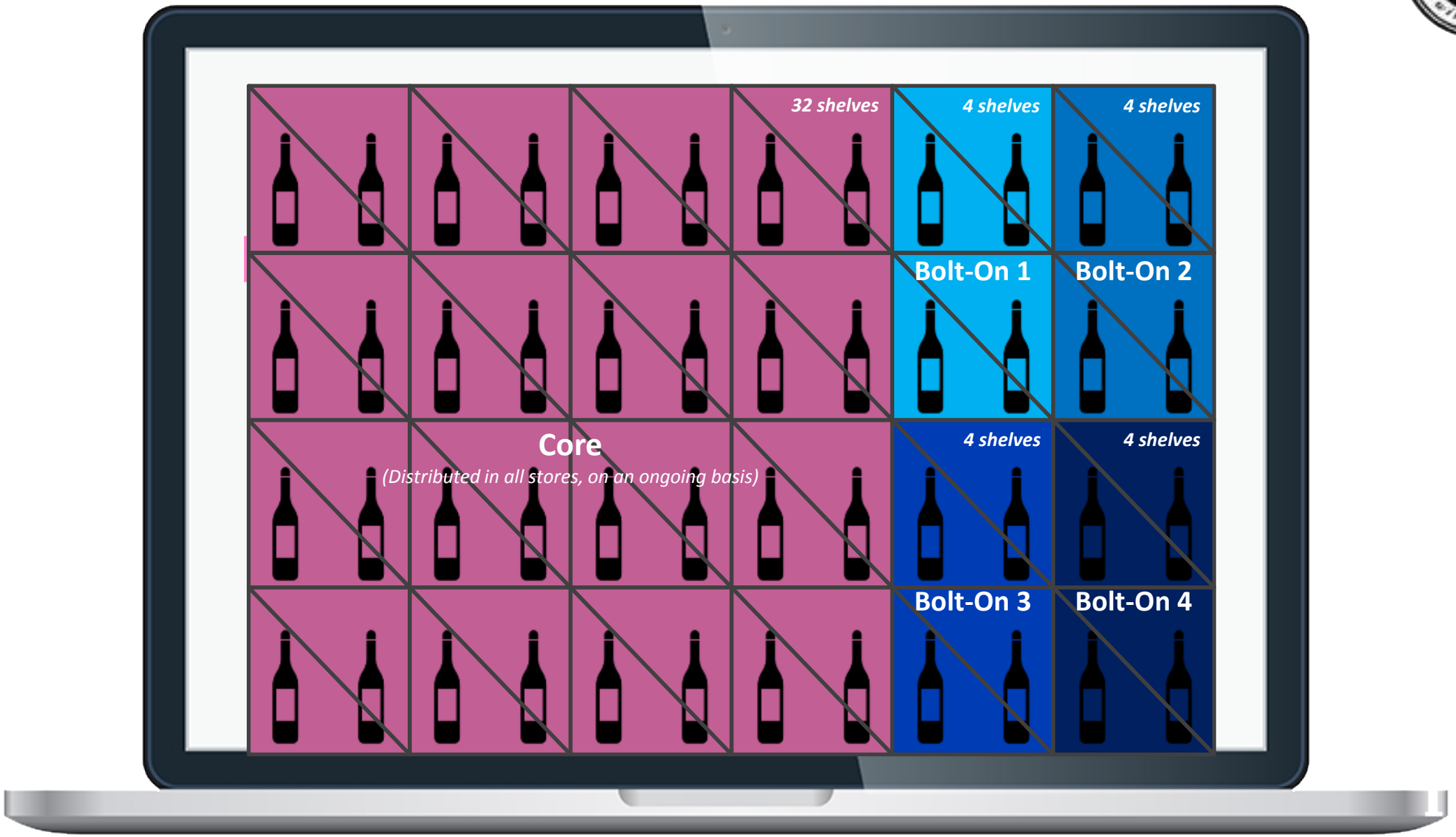
HOW WILL THIS WORK? **STOURBRIDGE…**



HOW WILL THIS WORK? **WIMBLEDON…**



HOW WILL THIS WORK? **WITH FINE WINE**



BUILD ON A **SIMPLE CORE** TO ADD **EXCITEMENT**

Until September we had 5 unique ranges, guess how many we have now?

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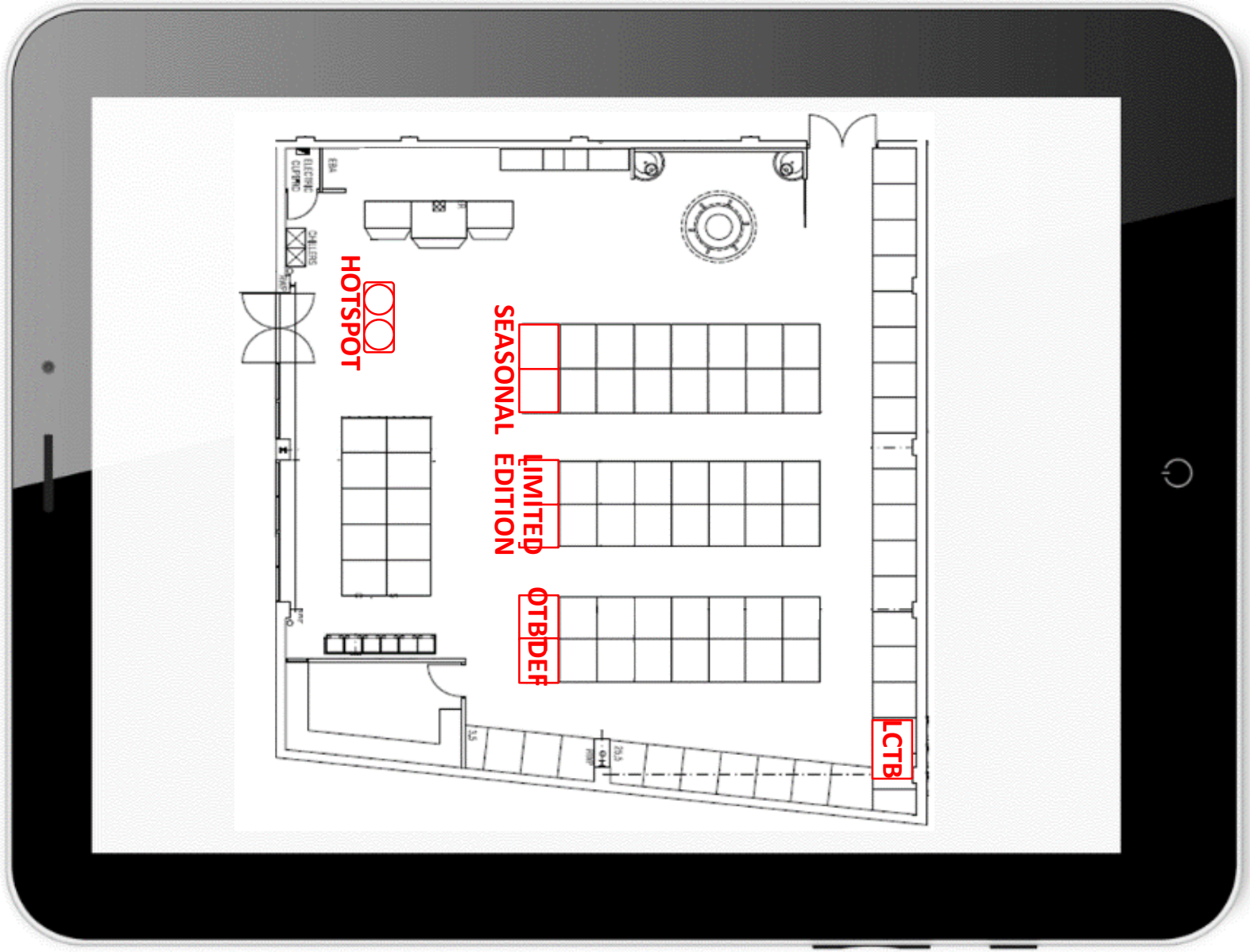
CREATING A **CUSTOMER JOURNEY**



New Merchandised areas to focus on points of difference:

Hotspot
WIGIG
Off the Beaten Track
Definition
Last Chance to Buy

Range discipline to match the store space

HIGHLIGHT WHAT MAKES US **DIFFERENT**



"Unique Wines with Stories"

Off the beaten track: wines from less established regions

Definition: our award winning own brand for discovery

WIGIG: "when it's gone, it's gone"

BUILD STONG **BRANDS OF OUR OWN**



PARCEL SERIES

7 SKUs from undisclosed sources
Well below their normal price
Launched in September – first wine sold out in less than a fortnight



KING OF HOPS

Our own craft beer range
Doubling in size to 4 SKUs for peak
Craft lager from Meantime
Golden Ale from Hogsback



LAY & WHEELER

Introductory fine wine range
Developed jointly by MW & L&W teams
Top producers from Bordeaux, Burgundy, Italy and Spain
6 SKUS at launch



VALLEE ANTIGUA

£5.99 Chilean tertiary label
Result of extensive tender process
Striking packaging
First test of new sourcing style

AND OUR MULTI-AWARD WINNING DEFINITION RANGE

INTERNATIONAL WINE CHALLENGE GOLD SILVER AND BRONZE AWARDS



OWN LABEL BRANDS NOW ACCOUNT FOR 2.6% OF TOTAL SALES

OUR VALUE PROPOSITION

COMPETITIVE ON PRODUCT

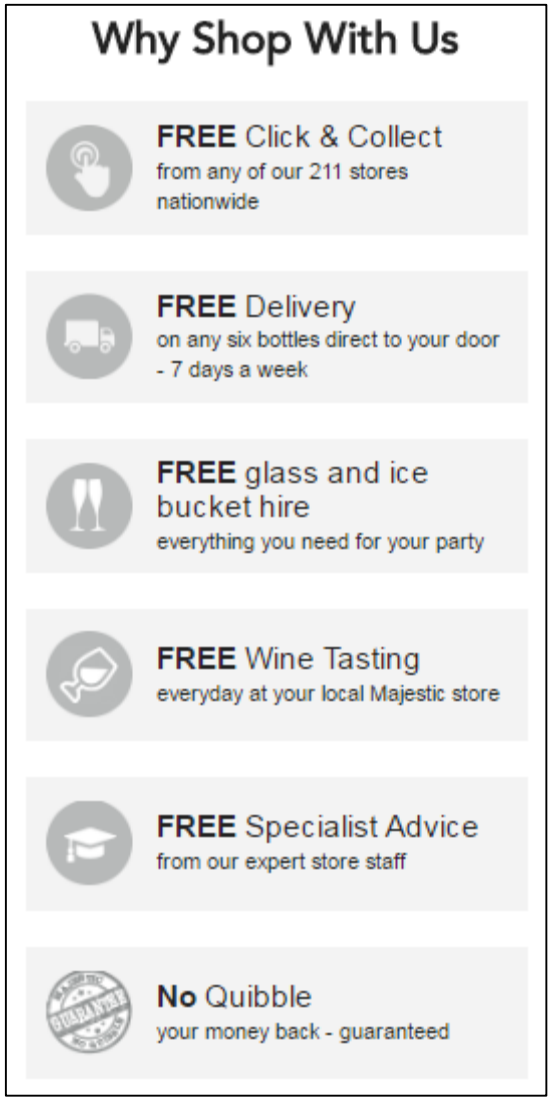
1. We target the £8 sweet spot

- Healthy volumes
- Healthy margin
- Customers value specialist advice
- Our model gives us a buying advantage

2. Aim to

- Match supermarkets on key brands/price points – we offer a price match guarantee
- Offer the best value basket year round

3. Use exciting products to beat the market





Summary

John Colley
Managing Director

WE'RE READY FOR **CHRISTMAS**

- **We have:**
  - The Plan
  - The Resource
  - The Stock
  - The Promotions
  - Improved home delivery
  - The people







IN SUMMARY ..

WHY IS ENGAGING OUR TEAMS SO IMPORTANT?

STORE MANAGER TURNOVER IS UNACCEPTABLE



STORE MANAGER TURNOVER



.. We are making progress reducing turnover

27

1

MY JOB: GROW SALES BY GROWING CUSTOMERS RATHER THAN BRANCHES



2

HIGHLIGHT WHAT MAKES US DIFFERENT



3

IN SUMMARY ..

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We have a good team

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A simple plan, on track

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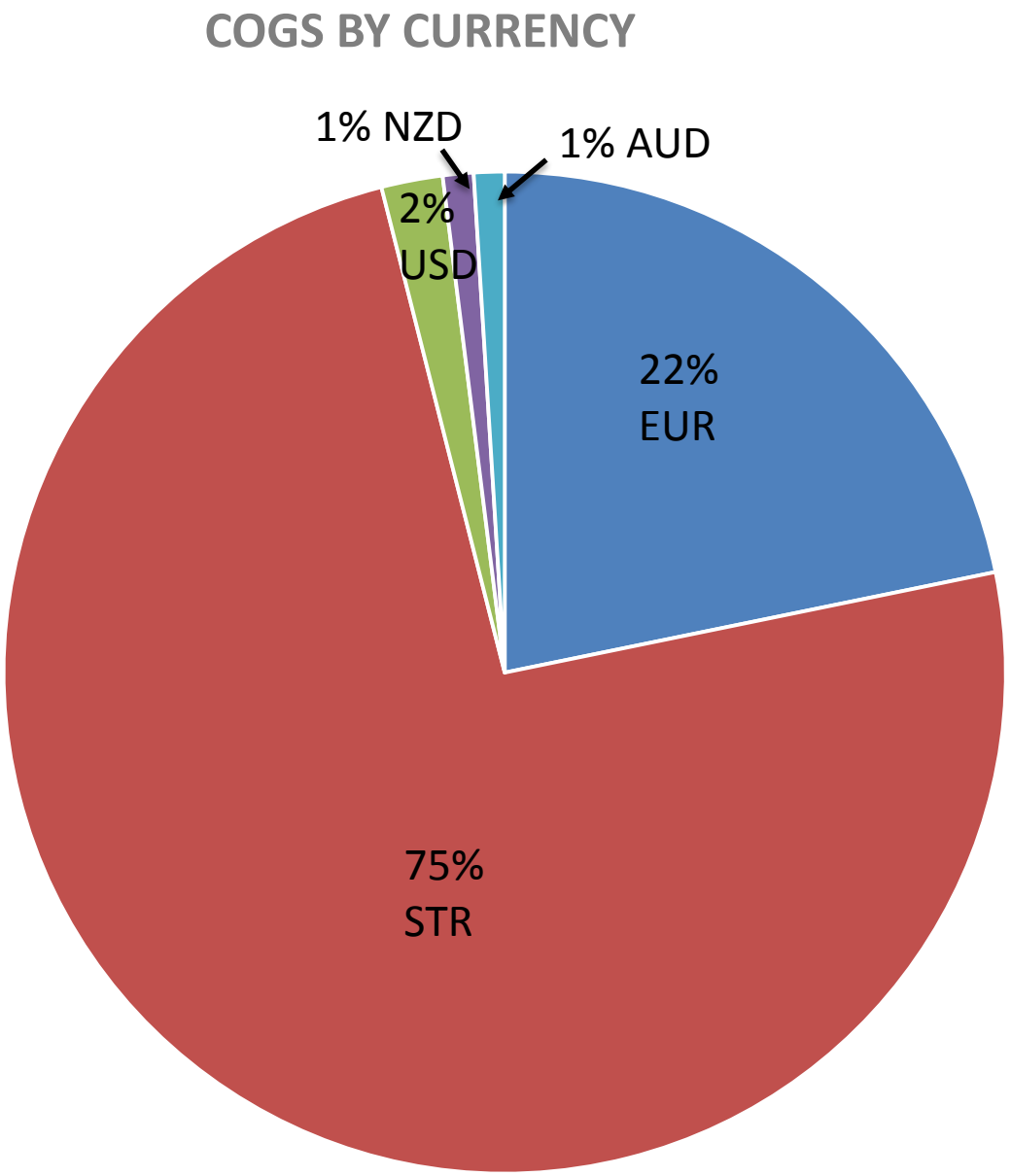
A disciplined environment



MAJESTIC wine warehouse

Appendix

WINE PRICES AND IMPACT OF STERLING



- Majority of COGS in sterling (NB: Duty)
- 85% hedged for FY2017 with currency purchased pre-Brexit
- Duty and other local costs unaffected
- Creative sourcing to maintain margins at key price points

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