At Home with Dunelm

9 November 2023

Dunelm

The **Home** of Homes

At Home with Dunelm

Dunelm Group plc ("Dunelm" or "the Group") hosted 'At Home with Dunelm', an event for institutional investors and sell-side analysts on 9th November 2023.

Chief Executive Officer, Nick Wilkinson, and Chief Financial Officer, Karen Witts, were joined by leaders from the Group for a live showcase on product mastery and to present various case studies to lift the lid on how we think about digital capability building.

No material new financial information or targets were disclosed.

Welcome to
At Home with Dunelm

Nick Wilkinson – CEO

Today's focus

- A live showcase of **product mastery** development:
  - Harnessing design and coordination expertise
  - Offering choice and value
  - Increasing sustainable choices

- Case studies to lift the lid on how we think about **digital capability building**:
  - Enhancing the customer experience
  - Enabling efficiency through tech integration
  - Harnessing data and analytics
  - Building personalisation

Today's running order

Welcome and introduction	8.50
Developing product mastery	9.00
SS24 showcase at Oxo Tower	9.15

Digital capabilities
Room A: Building and optimising 10.30
Room B: Evolving our marketing ecosystem 11.20

Closing and Q&A 12.10

Today's presenters and participants

Faye Atkins – Commercial and supply chain
and leaders from our Commercial teams

John Gahagan – Technology
and leaders from our Technology teams

Terri Westlake – Customer, digital and marketing
and leaders from our Marketing and Insight & Analytics teams

Developing product mastery

Faye Atkins – Commercial and supply chain

Our purpose

To help create the joy of truly feeling at home, now and for generations to come
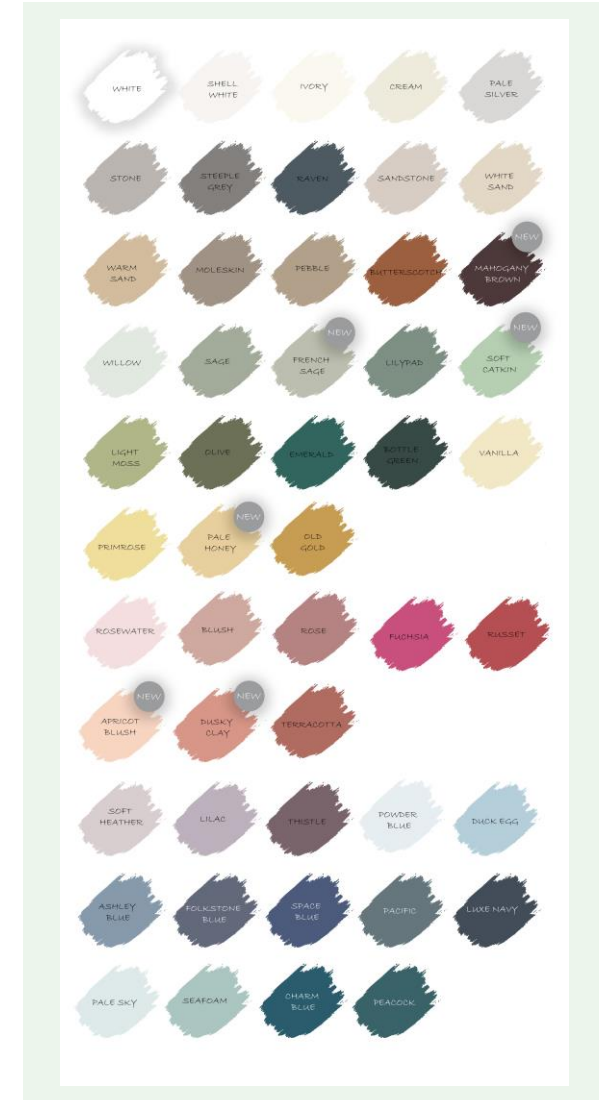
Harnessing exclusive design

A unique design process

Specialist knowledge, informed by social trends, fashion and customer behaviour

Supplier expertise and innovation

Partnerships facilitate enhanced category development

Central colour palette

True coordination across the breadth of our offer, at all price points

Offering choice and value

Good
c.25% of range

Better quality
Equivalent choice

Taylor dining chair

Better
c.55% of range

Equivalent quality
Better choice

Coming soon

Bude dining chair

Best
c.20% of range

Equivalent quality
Equivalent choice

Coming soon

Lucilla dining chair

Increasing sustainable choices

Conscious Choice

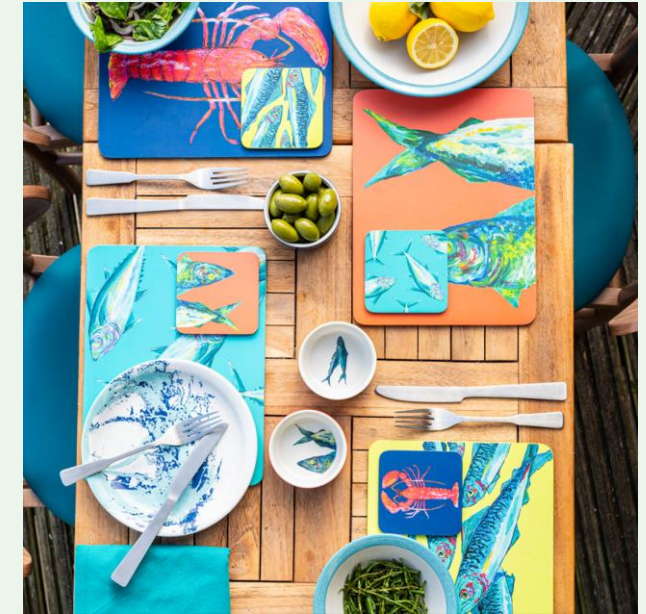Own-brand product, made from **more sustainable materials**, currently c.15% of own-brand range

Natural History Museum

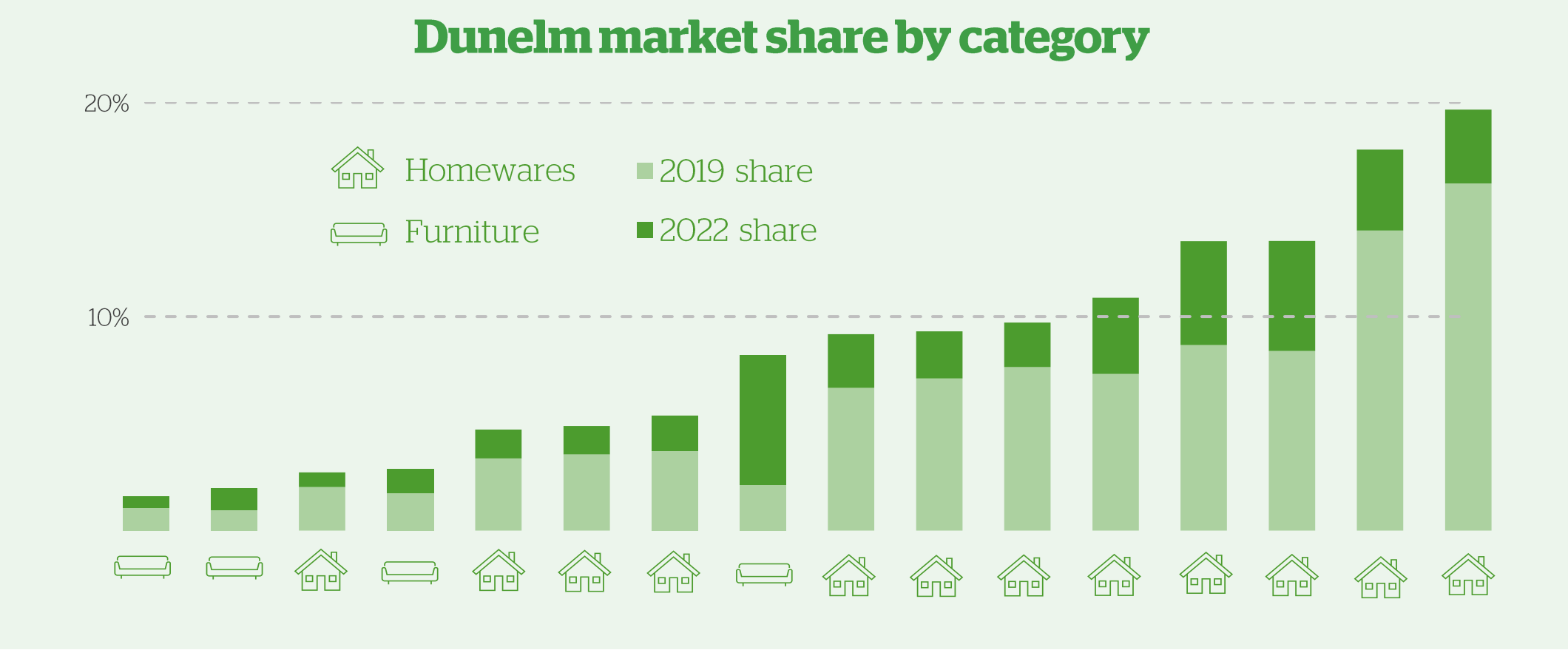Three years of partnership, using **innovation** to communicate a deeper purpose

Rockfish

Latest collaboration, raising awareness of sustainable fishing and food practices

Extending our product mastery

Dunelm market share by category

Legend:
- 🏠 Homewares
- 🛋 Furniture
- ■ 2019 share
- ■ 2022 share

Combined homewares and furniture market: c.£24bn
Dunelm market share: c.7%

Each bar represents a Dunelm homewares or furniture category which in total represent c.80% of total sales, mapped to GlobalData market sizes for calendar years 2019 and 2022. Excludes certain categories which are not part of the GlobalData homewares and furniture markets e.g. rugs and Pausa sales . The furniture market excludes kitchen and bathroom furniture. Excludes a category where we have withdrawn space.

Who you will meet

Debbie Drake
Design

Emma Anthony
Design

John Tranter
Kitchen

Jen Foster
Furniture

Alisha Masterson
Textiles

Kate Clissold
Soft furniture and kids
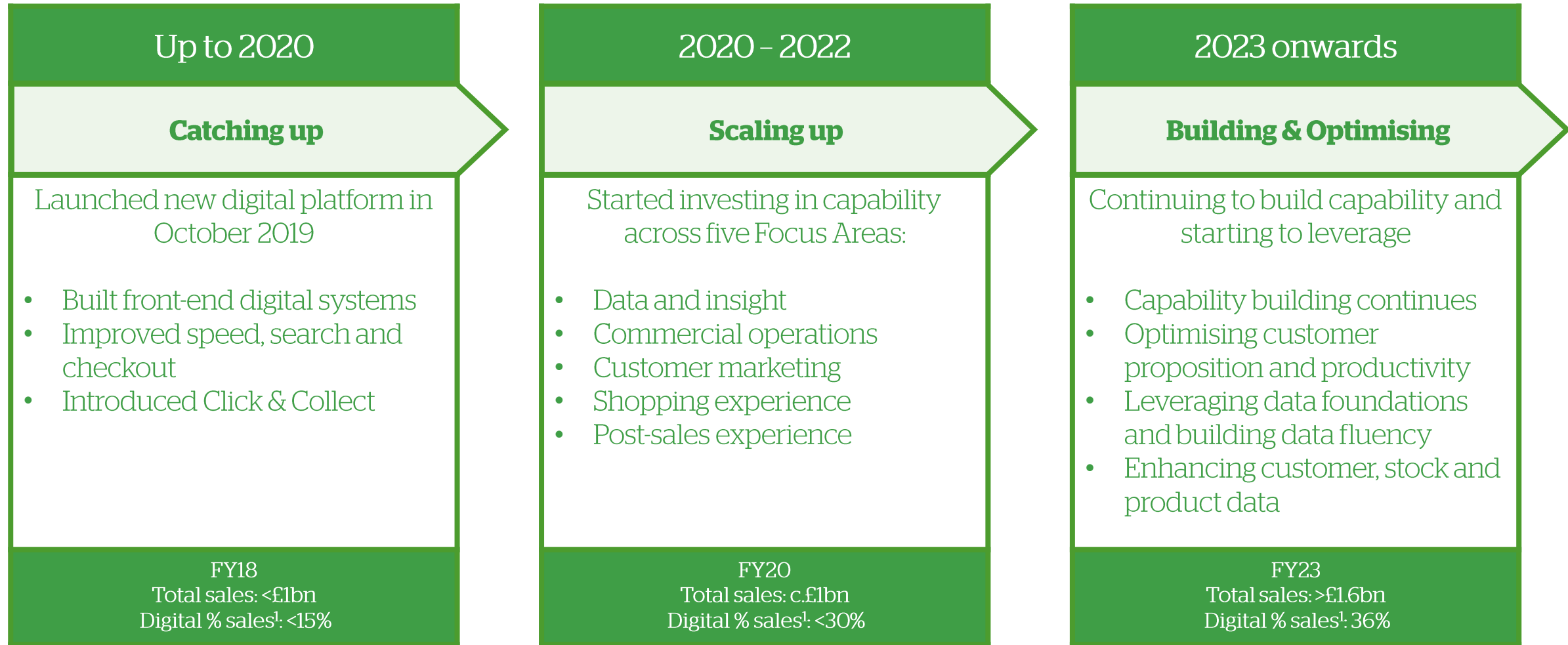
SS24 product showcase

Oxo Tower

Building and optimising

John Gahagan – Technology

Digital capabilities

Digital capability building

Up to 2020	2020 – 2022	2023 onwards
Catching up	**Scaling up**	**Building & Optimising**
Launched new digital platform in October 2019 • Built front-end digital systems • Improved speed, search and checkout • Introduced Click & Collect	Started investing in capability across five Focus Areas: • Data and insight • Commercial operations • Customer marketing • Shopping experience • Post-sales experience	Continuing to build capability and starting to leverage • Capability building continues • Optimising customer proposition and productivity • Leveraging data foundations and building data fluency • Enhancing customer, stock and product data
FY18 Total sales: <£1bn Digital % sales[1]: <15%	FY20 Total sales: c.£1bn Digital % sales[1]: <30%	FY23 Total sales: >£1.6bn Digital % sales[1]: 36%

[1] In FY18, digital sales included home delivery and Reserve and Collect. In FY20 and FY23, digital sales included home delivery, Click & Collect and tablet-based sales in store

Digitalising our total retail system

ACHIEVED IN LAST 6 MONTHS	IN FOCUS FOR NEXT 12 MONTHS

BUILDING AND OPTIMISING

Capability building continues

Optimising customer proposition & productivity

Leveraging data foundations & building data fluency

Enhancing customer, stock & product data

ACHIEVED IN LAST 6 MONTHS

HIGHER CUSTOMER 'PERFECT ORDER' RATES
shorter lead times, fewer split deliveries & better comms

MORE CONVENIENT STORE LOCATIONS
flexing space requirements & optimum range

CONVENIENT PAYMENT OPTIONS
with Klarna

BETTER PRODUCT INFORMATION & OPERATIONS
begun rollout of new master data management tools

AUTOMATED CUSTOMER CONTACT HANDLING
with ChatBot & self serve contact resolution

PERSONALISED CONTENT
in customer emails

IN FOCUS FOR NEXT 12 MONTHS

IMPROVE SITE EXPERIENCE
new search tools, 'my account' development, faster site architecture, furniture delivery options

EXPAND PRODUCT OFFER
with increased range on dunelm.com, new Made to Measure categories

CONVENIENT PAYMENT OPTIONS
with long term credit, multichannel gift cards, enhanced voucher & promotional capability

IMPROVE AVAILABILITY, REDUCE WORKLOAD
with new automated forecasting and replenishment tools

MORE EFFECTIVE STOCK MANAGEMENT
increased warehouse efficiency, improved availability

MORE PERSONALISED CUSTOMER MARKETING
with relevant products, content & site experience

Who you will meet

Will Parkinson
User experience (UX)

Tom Booth
Platform

Paul Kerrison
Engineering and architecture

Kate Williams
Commercial development

Julia Middleton
Delivery

Gill Rutherford
Cyber security

Enhancing the customer experience

Will Parkinson – User experience (UX)

Digital capabilities

Vision for the digital customer experience

Build a seamless, unified & unique digital experience that allows us to showcase our product range and relevance across our total retail system

Enabling improvements - 3 capabilities

Micro frontends

Breaking up our website into smaller, more manageable independent pieces

- **Now**: Developing new product detail pages

- **Next**: Expand to include product listing, basket, checkout and content

Design system

Creating consistent components and a common visual design language

- **Now**: Building shared, consistently styled components

- **Next**: Develop a modern and accessible site-wide theme

Experimentation

Improving experience by learning from the customer journey

- **Now**: Running product search experiments

- **Next**: Conduct deeper experiments on availability, page layout, pricing and fulfilment options

Building a differentiated experience

Composable journeys

Creating new journeys from existing building blocks

Personalisation

Tailored customer experiences that are relevant to them

Access to all

Ensuring all customers can shop with us easily

Differentiated customer experience

From a standard transactional journey to a truly differentiated Dunelm experience

More reliable, relevant and with innovation where it counts

Speed to market

Get new features in front of the customer quicker, on a faster website

Innovation

Test and learn from new features in a faster and safer way

Scaling to meet demand

Ensuring a reliable customer experience and cost optimisation

Enabling efficiency through tech integration

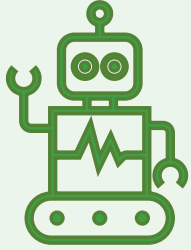Tom Booth - Platform

Digital capabilities

Vision for a digitalised total retail system

Develop our total retail system and operational efficiency through the seamless integration of specialist third party solutions within our digital ecosystem

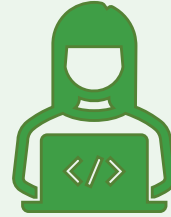# Tech integration – our approach

Specialist third party solutions

Implementing best of breed third party cloud solutions for specialist capabilities

Bespoke solutions

Creating bespoke solutions to complement third party offerings

Real time integrations

Developing real time, event driven, integrations that seamlessly connect our digital ecosystem

Underpinned by our cloud and data platforms

Scaling our commercial operations

Product master data management

Enabling increased range size with accurate, efficient data capture

Supplier portal

Simplifying and improving supplier collaboration

Demand forecasting

Advancing demand forecasting across channels with machine learning

Powering product mastery

From a traditional product lifecycle journey to an automated, efficient operation that powers product mastery

Selling the right product, in the right place, at the right time, with improved collaboration

Automated replenishment

Optimising replenishment processes to maximise product availability

End-to-end planning

Enabling tailored ranging and improved range curation and department planning

Robust foundations

Leveraging our data platform for insight and cloud capabilities for scalability

Building and optimising

John Gahagan – Technology

Digital capabilities

Evolving our marketing ecosystem

Terri Westlake – Customer, digital and marketing

Digital capabilities

Our marketing ecosystem journey

- We have been building our data and analytics capability since 2020

- Over that time we have shared third party data on customer growth and frequency, and we will continue to do this

- You will see examples today of how we are starting to leverage our first party data to improve marketing effectiveness

- This work brings many opportunities:

    - To better tailor our offer

    - To optimise our marketing as efficiently as possible

    - To target and acquire more valuable new customers

    - To grow the frequency of existing customers

Who you will meet

Jeff Howarth
Data engineering

Helen Mecham
Performance marketing

Sarah Jewkes
Insight and analytics

Ross Feakes
Personalisation

James Gardener
Digital trading

Harnessing data and analytics

Sarah Jewkes – Insight and analytics

Digital capabilities

Growing data and analytics capabilities

Capability building: Data

- Data engineering now comprises 50 specialists

- Data availability improved following consolidation

- Tech stack and partnerships in place

Highly scalable · Highly performant · Safe & secure · Enables agility · Cost effective · AI & ML ready

snowflake · dbt · aws

Capability building: Insight & Analytics

- Expanded from c.15 to c.45 people in the last 2 years

- Blending customer research and data insight

- Data mindset now instilled across the business

I&A business partnering — Product · Customer · Marketing · Stores · Supply chain · Commercial

Building an enhanced customer data platform

~5+ Years' Combined Sales

providing a detailed view of our customers' purchases and returns, with Adyen PSP further improving matching across channels

Digital Customer Journey

allowing us to view our customers' digital journeys from initial search to product selection and purchase

Marketing Engagement

allowing us to see when a customer clicks on a marketing email and when that click results in a sale

Customer

profiles matched and identified across 5 years of combined store and online transactions enabling us to identify customer behaviour across all our channels

Customer Demographics

providing deep insight into our customer population including income, education, employment and gender

Customer Feedback

identifying our customers' opinion of our brand and their experience as a Dunelm customer

Customer Delivery and Click & Collect

providing details of delivery success/failure, delivery timeline and resultant customer satisfaction

Customer Service Interaction

data including customer complaints, support and warranty requests and general queries

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Using data to test marketing effectiveness

- **We are taking a much more sophisticated approach to better inform our marketing spend**

  - Understanding incremental returns across brand and performance marketing
  - Pausing spend in geographical regions to measure impact
  - Measuring multi-channel benefit to sales of marketing strategies

- **Recent application:**

  - FY23 TV advertising testing and ROI has given confidence for increased spend for FY24 campaign
  - Now optimising the mix of marketing activity within brand, including door drops and out of home activity

Optimising performance marketing

Profit-driven approach to performance marketing

- Testing has proven impact of online marketing spend on store sales

- Continuing to develop profit-based approach to bidding

- Improved understanding of true marketing channel return on investment

Category and customer understanding

- Adjusting approach based on learnings from different categories and customer groups

- Facilitates further in-channel optimisation

- Driving efficient customer acquisition

Driving engaged sessions

- Unique approach to engaged sessions when customers:
  - View / add to basket
  - Perform on-site search
  - View four or more pages
  - Stay on the site for > 60 seconds

- Enables deep understanding of traffic quality and site performance

Future opportunities

Improving ROI and customer experience by:

- Allocating mix of spend between marketing channels

- Optimising activity within marketing channels

- Ensuring our communications are relevant and appealing to core customer groups
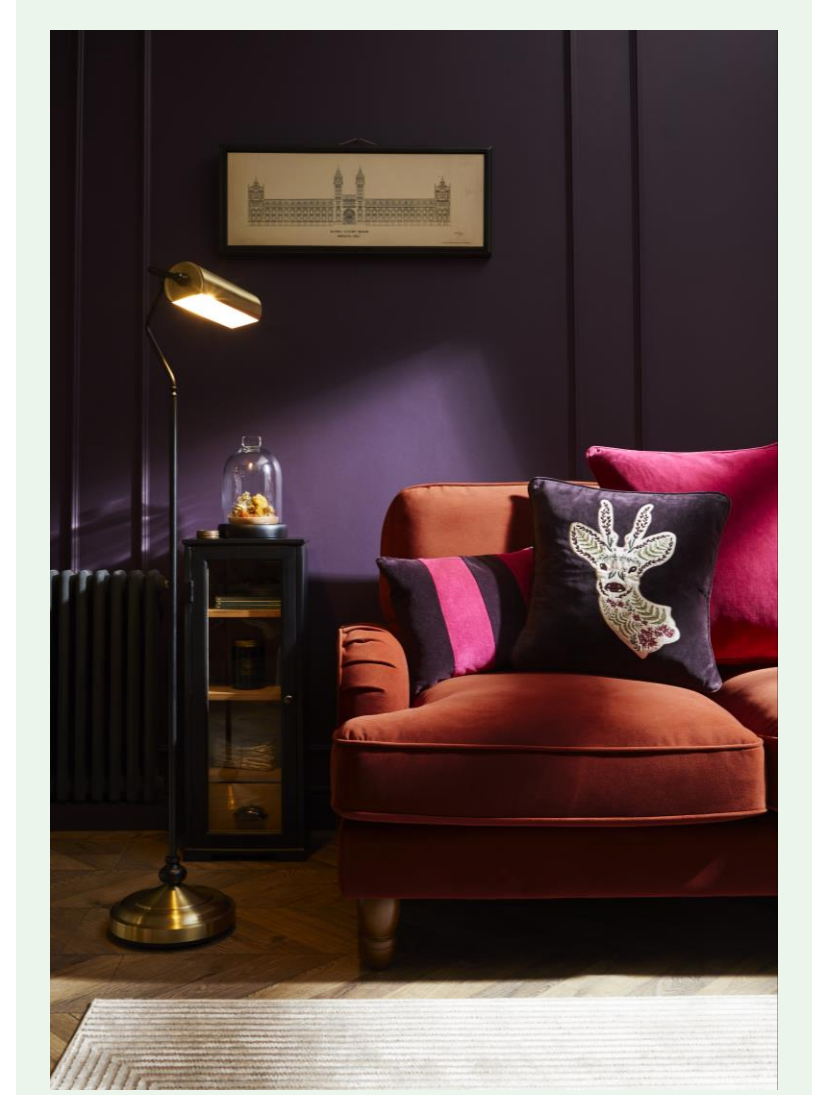
Building personalisation

Helen Mecham – Performance marketing

Digital capabilities

What do we mean by personalisation?

Delivering content and experiences that feel specific and relevant to customers, based on their interactions with our brand

What we have done

On-site personalised recommendations

- Visible on product pages
- Significant improvement in session conversion rate (>1%)
- Increase in average order value (+c.2%)

Abandon basket / browse emails

- Revenue increase of >£4m p.a.
- Now improving layout and imagery to increase click-through rate

Products in your local store

- Reaches >2m customers when deployed with broadcast campaigns
- Increase in C&C orders

What we are doing

Building propensity model

- Targeting low-propensity customers with offers to incentivise purchase
- Initial results suggest meaningful revenue uplift

£5 OFF
When you spend £50

USE CODE: **BEDXSHVALTXUBHYU**

USE BY: 02-06-23

Send time optimisation

- Applied to our newsletter campaigns
- Improved open and click-through rates, with +c.7% revenue per send

Receives email at 9:00am

Receives email at 3:00pm

Receives email at 6:00pm

Send Time Optimization

Early access for best customers

- Initial tests showed strong engagement
- Continuing to test best messaging and incentives

EARLY ACCESS · EXCLUSIVE EARLY ACCESS · EXCLUSIVE EARLY

Brand-NEW Real plants

What we are going to do

Intelligent use of data and machine learning models

Predictive behaviour modelling and customer segmentation will drive smarter recommendations and better customer engagement

Scaling personalised emails

- More personalised elements within newsletter and lifecycle emails
- Scaling up production of targeted newsletters
- Expected to improve open rates, click-through rate and frequency
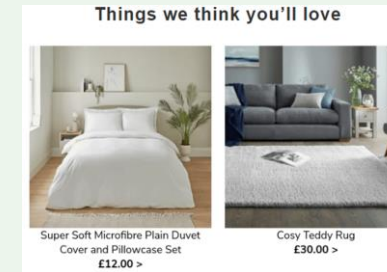
Increasing depth of personalisation

- Personalised till or e-receipt vouchers for store customers
- Expected to increase repeat purchases and average order value

Evolving our marketing ecosystem

Terri Westlake – Customer, digital and marketing

Digital capabilities

Close and Q&A

Karen Witts – CFO

Closing comments

- We drive sustainable growth through rigorous, long term focussed investment

- **In product** – we focus on the design process, choice and value

- **In technology** – we build capabilities on solid foundations that are fast, efficient, scalable and differentiated

- **In marketing** – we harness data and analytics to inform targeted spend that is increasingly personalising customers' interaction with our brand

- Operational grip remains central to the way we work

- The runway for growth is long and attractive