

Towards integrated reporting

Measuring what matters

This year we have prepared our report using the integrated reporting framework, as a signal of the direction that we are headed as we transform the business for the future.

Value for The Warehouse Group is more than numbers on a spreadsheet. That's why we like the idea of integrated reporting, as it shows that there are more dimensions to value that are important to us and our stakeholders. We have not moved formally into the integrated reporting world; first we are embedding the principles of integrated thinking through the business so that the reporting step comes as a natural extension of what we do.

How we create value

The principal business of The Warehouse Group is retailing. While most of our business is product related, there is a rapidly-growing services component of our offer, primarily around the technology offerings through our Warehouse Stationery and our Noel Leeming businesses.

From a market segment perspective, our business is principally aimed at consumers; however, Warehouse Stationery has a strong presence in the small-to-medium-sized business segment, and our Noel Leeming business has a sizeable commercial customer portfolio.

In core retail, we add value through providing customers with access,

choice, quality, value for money and services to ensure that our brands and channels are preferred by customers. The process of adding value starts with understanding our market. We pride ourselves on the insights and knowledge that the brands have built in understanding our customers within the local market. We believe this understanding helps us to create value in targeting the product and market fit, and reduces inventory risk inherent in the business.

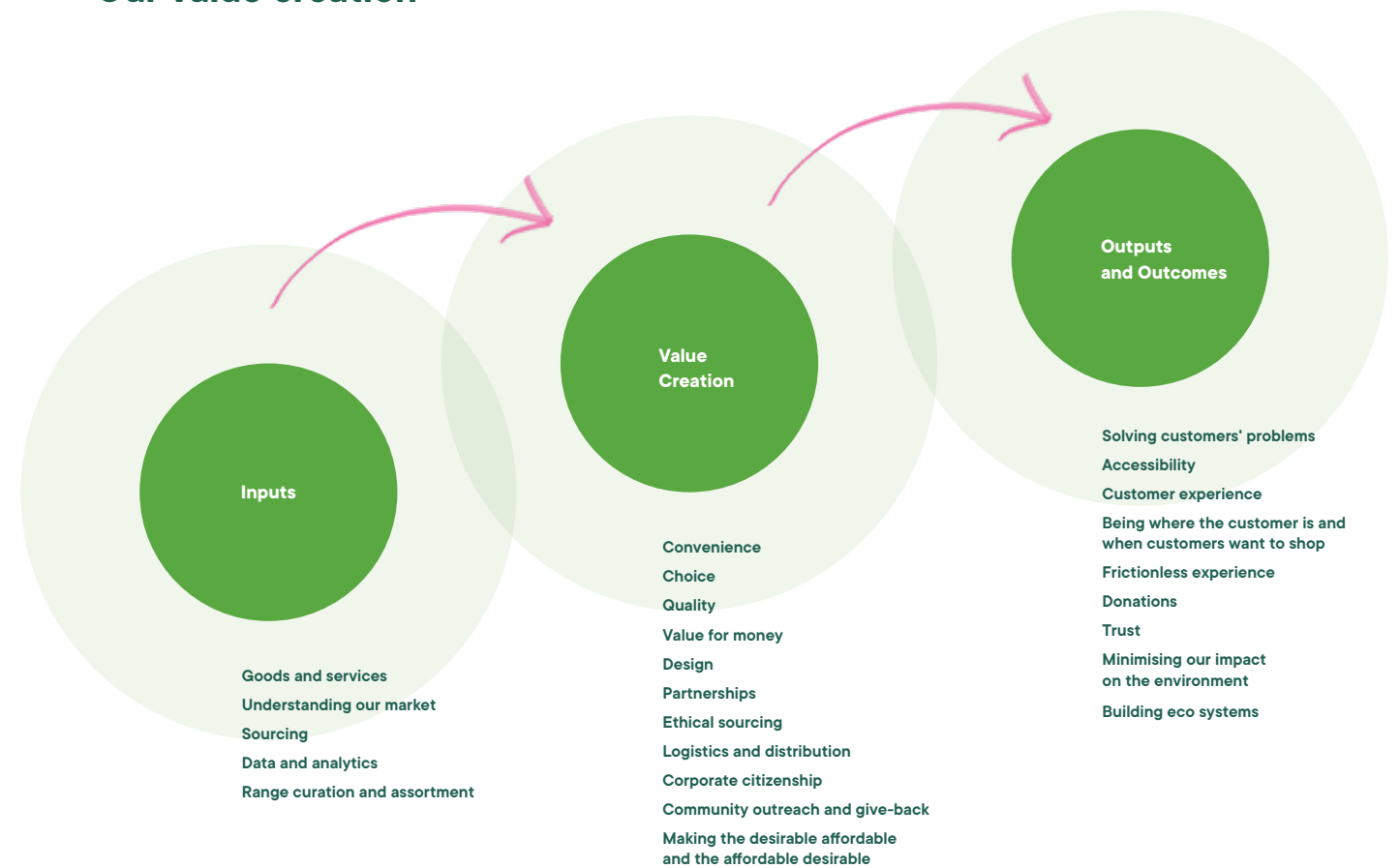
The first step where this is realised is product design, where we influence the product and market fit by design considerations which include materials, aesthetic appeal, durability, cost, colour, size, form and function. Our deep understanding of Kiwis and this market, reinforced through data analytics and insights, is helping us to make our products more relevant and on-trend within our goal of making the desirable affordable and, importantly, the affordable desirable.

Next we focus on sourcing the product. Increasingly we are moving to a direct sourcing model where possible. For some of our businesses such as Noel Leeming that source famous brands, this step is about building trust, confidence and strength with our key suppliers, and ensuring that we are the preferred channel to represent their global brands.

For other businesses, we move to a direct sourcing model whereby we contract directly with manufacturers in the country of origin, which involves ethical sourcing standards, quality assurance and consolidation of volumes to drive better pricing. These relationships are not transactional: they are partnerships designed to ensure that customers can be confident in the goods they are buying from us.

We next add value in how we bring the product to market, through our logistics and distribution activities, to ensure that the product gets to the right channels in depth and range, on time and in good condition at lowest

Our value creation



cost. Managing our environmental footprint is an important part of our consideration as we transport product, handle waste recycling and manage product return journeys. We are responsive to changing market demand by being able to control and flex how we distribute product from central storage to customer-facing channels.

The Warehouse Group has a long history of supporting New Zealand communities. We are here for good and giving back to our communities is a critical element of how we create value.

The quality, location, convenience and experience of all our channels form a critical element in adding value also. We are present in the locations where our customers are, in key catchment areas with physical stores that present an enjoyable and friendly customer experience. We show our product expertise and care for our customers over the long term, not just in that moment of a single store visit.

Our physical presence, product expertise and care for our customers

are all critical components of what we think makes The Warehouse Group special for our customers. This can be seen every day, and especially where customers are making large-value purchase decisions, we want to meet them with sound advice and great service in the decision-making process and in the after-sales experience as well.

We add value through providing convenience, and making customers' experience enjoyable, hassle-free and rewarding. This might be through a digital channel providing the ultimate in convenience, or through our extended trading hours so we can be there when our customers want to shop.

Our key to integrated reporting

