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Key Strategic Enablers

Falabella loyalty program: our ecosystem's value-creation catalyst Andrea Gonzalez, Chief Loyalty Officer

Thank you. Thank you. Alejandro. Good morning, everyone. It's really nice to see so many familiar faces and some new ones. And good morning to everyone who is listening on the webcast as well. CMR Puntos was first launched as a way to reward our best cardholder customers, but in 2017, we took a really bold decision. We opened the program to the whole Falabella ecosystem. This means that you can earn points by spending with your credit card, but also buying in any of our 454 stores in Chile, Peru and Colombia, as well as in our ecommerce.

With this, the program grew, and it became a value creation catalyst for the group. So today in Chile, we have the preferred loyalty program, and it's second in Colombia and in Peru. This relies on a proposition that our customers love. We offer barrier rewards, as you can redeem your points on our ecosystem, but also on a network of partners of more than 100 commerce, which we have special events to reward our best customers, such as trips, and we also offer flexibility. In 2023, we launched a new functionality, and with that, you can use your points as dollars on our ecommerce in Chile, in Falabella, in Sodimac, and also in Sodimac in Colombia.

So, the program has grown dramatically in the last five years. We have tripled the number of participants. We have doubled the number of redeemers, and we have almost tripled the number of redemptions every year. We put focus on this, basically, because as Alejandro already mentioned, the program is a key enabler of the ecosystem, and it serves basically two strategic objectives. On the one hand, through the program, we get access to data in a way which is transparent with our core customers and that is safe. And on the other hand, it's a very relevant tool in boosting the customer life cycle. Clients who engage in our program, engage better with all of our ecosystem.

So, through the program, we get access to the data of more than 33 million customers. This is relevant because no single business unit on its own would have access to such a rich database. And also, it allows us to reach customers in a cost-effective way, sometimes even before they transact with us. How we have used this data is constantly evolving and will continue to evolve. We use it in multiple uses across the business cycle. Basically, we use it on our customer journey, for customer acquisition. I think a really good example is what we do at the bank, that Juan Manuel will share with more color shortly, for cross-selling. This year, for example, we have driven traffic to our Mallplaza malls by offering free parking to our elite customers and for retention.

Whenever we see that our customers have been inactive for a while, we offer them personalized coupons to invite the customer back to the ecosystem. But I would say that most importantly is that we are using this data to fulfill new business objectives, for risk assessment that Juan Manuel will also share shortly, and for marketing savings and monetization. So, this year, we started building audiences. This is very simple, but basically, through our own algorithms, we are able to segment our customer base in very specific segments we can then use, for example, to find, I don't know, might be a good example, I want to

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have a segment of sports enthusiasts. And that database is then used for performance marketing. With that, we lower our performance marketing costs, but also, we are able to share it with third parties.

When we compare the databases built in Falabella compared to those that might be offered by Meta or Google, our own databases have performed 30% better, so there's still value to unlock in monetizing this data. Let me share a very simple example, but I think it's very illustrative of how we use this data with our customers. This is a bank's app. And why this is relevant, it's basically because this is our most frequent use digital channel. So very recently, we started offering on the home of our app, transactional offers. We did this for our own ecosystem. We have personalized these offers, and we have very relevant results. We had a 30% incremental sales on those offers, but also, we have done that with third parties and sales doubled. So here, we have a space on our app that we can further monetize as well.

The program, as I mentioned, also fulfills a second objective, which is related to our customer life cycle. I would say that any successful loyalty program offers benefits to the clients, which have a higher perceived value than the actual cost of providing them, and we do this with our own ecosystem. You might earn points spending with our credit card outside the ecosystem. You earn points on our own ecosystem, but 80% of the points are redeemed internally. With that, we drive traffic back, so we generate a positive loop, but also, we recover almost 20% of the spend in gross margin. But I would say that the most important, or the most relevant thing of our loyalty program is how the behavior of our customers change once it becomes a redeemer.

So, for any given customer with the same characteristics, I would say that redeemers, once they see the benefit of the program, spend 40% more, transact 50% more, and have a lower turn. So, in summary, I would say that in the last five years, we managed to triple the number of participants and in other ways, we triple the number of customers we know better and that we can leverage their data on, and we doubled the number of redeemers. So, in other words, we doubled the number of customers who spend more, transact more and are more loyal to our own ecosystem. Provided with continue growing our loyalty program, we will continue giving more value to the whole Falabella proposition.

Now, I would like to invite Benoit, who will share some insights on home delivery and technology.

Optimized transversal logistics & technology capabilities to strengthen and differentiate our ecosystem

Benoit de Grave Chief Strategy and Transformation Officer

Good morning, everyone, and thank you for being with us today. So, after loyalty, I want to talk to you about two other enablers, technology and home delivery, right? So, first of all, in technology, for us, technology is key, and it's part of the transformation that we're doing. And it's key, because it's a key differentiator for our customer experience, and it will also allow us to unlock new revenue streams. We know that retail is an evolving industry, and we need to be on top of the new trends in technology.

First of all, how are we organized in terms of technology? We work across four different technological platforms. First of all, supply chain, where we leverage our group capabilities in terms of the synergies we can capture through our logistic network and our warehouses, for example, in order to improve delivery times. Second, digital commerce for which we have developed common capabilities to allow us to be more

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agile and to be more scalable, but with tailored solution, as Alejandro mentioned, for our specialized e-commerce value proposition in home improvement, supermarkets and specialty stores, as Francisco will mention in a moment. Third, stores and merchandising, because we recognize that omni channel is now the reality. Customers like to shop in physical stores, but also in ecommerce, in our ecommerce solution.

So, for example, we've been working on self-checkout in stores, omni channel solutions in order to leverage our unique stores and ecommerce solutions. And fourth, banking and insurance to keep accelerating our digital banking capabilities. But as Alejandro mentioned, we've been evolving, and that's something really important for us to mention to you today, because we really have been evolving through different phases in terms of the deployment of our technology in the last five years. Between 2018 and 2022, we built mainly in our digital banking capabilities, but also in ecommerce and marketplace. We built those capabilities, and now we've been able, since last year, to deploy these capabilities.

This has allowed us, for example, to relaunch the Tottus and Sodimac standalone stores, as Alejandro mentioned. We've been accelerating our Third-Party sales. We've been deploying our logistics managed network, and I will share with you in a moment what are the results of those deployments. We've been launching new in-store functionalities. We are accelerating in the way we are capturing and creating new value streams for retail media and value-added services, for example. And also, the way we are now deploying artificial intelligence solutions in back-office processes, but also in customer facing solutions such as, for example, chat bot with our customers and fraud management. In a few words, we have been deploying our technology, and this has bring us some very good results.

In our logistics solution, what we call home delivery. We consider logistic to be another enabler on which we are investing a lot and accelerating since together with the catalog debt and competitiveness of prices, delivery times are a critical success factor for ecommerce. Therefore, from 2018 we have evolved from first using mainly third-party logistic players to develop our own facilities and leverage our supply centers, but also creating cross hubs and regional transfer centers. Then in 2022, we accelerated in the deployment of our last mile own managed network that I will share with you in a moment, now is fully deployed. And now we are starting to sell fulfillment and also logistics services to, for example, third-party sellers. So again, this has been an evolution in the past years, and now we can say that we are developing and deploying those solutions, and those solutions are becoming to their full capabilities and capacities.

So, what we do in order to leverage our unique capabilities for first-party products, the products from our retailers, but also third-party products, the products for the more than 20,000 sellers that operate with us. We leverage our distribution centers. We leverage the cross talk hubs and the transfer centers, regional transfer centers that we've developed across the region. We have now a dedicated fleet of transport of trucks, but we also have unique agreements with third-party logistic players. And this allowed us to deliver more than 35 million packages per year across our stores, but also with a network of more than 1,000 click and collect points and obviously to the homes of our customers, leveraging cost efficiency, speed and very good customer service.

One good example is click and collect. Now, more than 53% of our customers choose to pick up their products in our stores, we have a network of more than 500 stores, but also more than 1,000 delivery points with third-party logistics. So, as you can see, this is a screenshot of the checkout of one of our commerce and the customer can pick between delivery time, same-day, 24 hours, 48 hours, and also pick

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a date. And they can also choose if they want to receive that at home or at one of our stores or one of our partner network.

So as a summary, we are accelerating in the deployment of our solution. More than 84% of all the orders are delivered by now our managed network, and we're still improving, especially with the third-party players. 71% of our customer receive their orders in less than 48 hours. 61% of our customers receive their products within 24 hours. And maybe you've seen also that we are doing, especially in those times before Christmas, we're doing same-day delivery and accelerating same-day delivery. We have a customer service level of more than 95% and we've been able to reduce our last mile cost by more than 30%.

Thank you very much. I will leave you now with Juan Pablo Harrison, our CFO.

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