



FROST & SULLIVAN
INSTITUTE

2022 Frost & Sullivan Institute Enlightened Growth Leadership Award

FROST & SULLIVAN
BEST PRACTICES
AWARDS

AO World



Congratulations!

Frost & Sullivan Institute, in partnership with Frost & Sullivan, is proud to present AO World with the Enlightened Growth Leadership Award.

Frost & Sullivan's global team of growth pipeline experts continuously identifies and evaluates growth opportunities across multiple industries, technologies, and regions of the world. As the world emerges into the new norm disrupted and accelerated by the COVID-19 pandemic, it is becoming increasingly important for companies to leverage opportunities to shed old ways of thinking, build value chains that leave no stakeholders behind, and create foundations for stable growth to thrive in these new environments. We identify companies that demonstrate the commitment to embrace emerging technologies and protocols and generate opportunities for all while sustaining continued growth and highlighting best practices for sustainable development. This approach involves deep strategic deliberation around best practices and the development of core analytics across the entire value chain of specific products and services. Against the backdrop of these analytics, Frost & Sullivan Institute, in partnership with Frost & Sullivan, recognizes AO World for its valuable achievement.

Frost & Sullivan strictly reserves this recognition to companies at the innovation to zero and growth forefront in their respective industries. These companies demonstrate proactivity in utilizing business practices to 'innovate to zero' and address global priorities while securing sustainable growth. These companies also uniquely leverage technology and boost their industry partner ecosystem to serve ever-evolving customer needs in a way that facilitates environmental initiatives and supports the planet's well-being. Moreover, by combining business sense with a moral imperative, these companies demonstrate aspirational ideals beyond the simple goal of generating profits.

Moreover, this recognition is the result of many individuals (employees, customers, partners, and investors), making critical decisions every single day to support the organization and meaningfully contribute to its own future in a sustainable and socially responsible way. Frost & Sullivan in partnership with Frost & Sullivan Institute enthusiastically acknowledges and celebrates their contributions.

Once again, congratulations on your accomplishments, and we wish you great success in the future.

Sincerely,

David Frigstad

Chairman, Frost & Sullivan and Executive Director, Frost & Sullivan Institute



Best Practices Criteria for World-Class Performance

Frost & Sullivan Institute leverages Frost & Sullivan's rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria for each nominated company. AO World excels in multiple criteria.



Introduction

According to the United Nations Global E-waste Monitor 2020, 53.6 million tonnes (mt) of electric garbage (e-waste) was created worldwide in 2019, representing a 21% increase over the previous five years. By 2030, e-waste is predicted to be 74 million tonnes (mt). According to the report, e-waste is the fastest-growing domestic waste, with limited recycling alternatives being a key contributor. Furthermore, it reveals that 17.4% of this e-waste was recycled in 2019, while most high-value recoverable materials worth \$57 billion, which is more than the GDP of most nations, were just discarded or destroyed.

AO World is a British online retailer that specializes in selling electrical appliances like refrigerators, washing machines, and televisions. The company focuses on repairing and recycling discarded electrical components in order to increase the life of these parts and thus reduce e-waste. Additionally, the company is involved in energy conservation, climate change, and other global sustainability initiatives to help the world transition to a low-carbon economy.

'Innovating to Zero' on Global Priorities

AO World is a signatory to the British Retail Consortium's Climate Action Roadmap goal of Net Zero 2040 with an ambition to develop its emission reduction approach by leveraging existing innovative technologies to accomplish the global objective i.e., 'Net Zero'. In its endeavor to attain sustainability, it has contributed to ten of the sustainable development goals: No poverty, Food security, quality education, gender equality, affordable clean energy, economic growth, reduction of inequality, sustainable consumptions and productions, climate change, and global partnership.



At AO World environmental commitment begins with its practices. It employs a circular concept in which discarded but viable electrical components are repaired and recycled in accordance with the European Committee for Electrotechnical Standardization (CENELEC), allowing them to work for prolonged periods of time while minimizing waste. To date, two million refrigerators have been recycled in the AO recycling plant. The firm also cleans and refines plastics from items at its Waste Electrical and Electronic Equipment (WEEE) facilities before transforming them into high-quality reusable products. Likewise, the company is looking at other ways to recycle rejected materials to reduce the consumption of virgin resources and the carbon footprint associated with its operations.

In its effort to become energy efficient and reduce its electricity consumption, the company is taking various measures, such as using LED lights in its buildings. In 2022, 360,000 sq ft Alpha and 380,000 sq ft Omega warehouses in Crewe, responsible for 30% of electricity usage in the area, were retrofitted with LED lights. Furthermore, it has set a target of operating with 100% LED coverage in new sites by 2025. By 2030, the corporation intends to run entirely on renewable energy. Currently, 90% of the energy utilized by its UK operations is renewable, and they are constantly searching for opportunities to engage with property owners on the implementation of on-site renewables via Power Purchase Agreements.

Over the years, the corporation has made significant efforts to shift to a low-carbon fleet. To enhance fuel

“AO World has left no stone unturned in addressing one of the world's major crises – Climate change. The company's efforts to combat climate change by leveraging the circular economy to address one of the fastest-growing waste streams i.e., e-waste is truly admirable.”

**- Priyanka Sharma, Research Analyst,
Frost & Sullivan Institute**

economy, the firm employs vehicle telematics and double-decker trucking, which has allowed it to deliver more items on each trip. In addition, four electric car charge points were installed between Potters Bar and Heywood and were used to test two different types of electric automobiles. It has consistently attempted to deploy electric cars for last-mile deliveries to reduce its usage of diesel vehicles and their negative environmental impacts.

Finally in 2022, to reduce its greenhouse gas emissions the company has begun to measure scope 1, and 2 emissions and, for the first time, scope 3 emissions, with 31st March 2021 being the baseline year. Frost & Sullivan admires AO Worlds' efforts to go the extra mile to attain sustainable development by reducing its emissions along with its attempts to reduce one of the fastest-growing wastes in the economy by leveraging the circular economy.

Growth Excellence & Industry Partner Ecosystem

AO World's sales have increased by more than 52% in the last two years, while the gross product sales for the firm totaled £1.1 billion in 2022. The firm has experienced 55% repeat purchases in the previous two years and has gained 4 million new clients since. Likewise, the structural online penetration increased to 54% in Q1 2022, up from 45% in 2021. In 2022, the company retained a strong and robust market position



“AO World's unwavering commitment to innovate and excel as a market leader is admirable. Its dedication to driving the world toward sustainability through collaboration is notable.”

**- Priyanka Sharma, Research Analyst,
Frost & Sullivan Institute**

in major domestic appliances (MDA) in the UK, with an 18% market share and a 32% overall online share along with that the company's mobile business profitability also increased by 7.6% compared to 2021.

In 2018, AO World acquired Mobile Phone Direct with the intention of expanding its mobile business, which was previously confined to the selling of phones exclusively (without airtime or associated services). The acquisition

enabled the firm to establish itself as a new rival in the 5G smartphone market for consumers and helped to gather a strong user base.

In the near future, the firm intends to become a global destination for electricals through investment, development, support, and a scalable operational plan. The company's focus is to explore its consumers' requirements and desires, in which it plans to invest soon. It aims to build a global market presence by diversifying its services and portfolio. The company intends to establish a scalable and effective business model by leveraging the centralized and vertically integrated 'One AO' platform.

Following a structural shift in purchasing habits, with more customers purchasing their appliances online, in 2022, the company invested in both logistics warehousing and job growth in South Lanarkshire. AO world declared a move to a 20,000-square-foot building on Strutherhill Industrial Estate, which is significantly larger than its previous location at Canderside Toll Distribution Centre. Since then, the company has increased warehouse capacity by more than 80%, is rapidly growing its distribution network, and has created over 1,000 logistics positions across the organization.

Frost & Sullivan Institute applauds AO World's efforts to become a global retailer of electricals, as well as its total market growth gained by taking advantage of any opportunity that comes its way.

Technology Leverage/Innovation & Customer Value Chain

Technology has always been at the heart of AO World's mission to provide excellent customer experiences. It has continuously focused on leveraging technology to improve its operations, brand presence and customer experience. Currently the core technology at AO World is a mix of off-the-shelf and custom-built components that helps to integrate with the key suppliers, allowing it to become incredibly agile and a highly flexible technology infrastructure

In 2021, the corporation created an award-winning algorithm that assisted in personalising the user experience while browsing its websites. This not only enhanced online purchasing experience of clients but also resulted in higher sales as well as significant SEO traffic and social media effectiveness.

Likewise, for operational efficiency and better customer experience, the company deployed Cloud services in various forms. This helped in faster delivery of the products, lower cost profile, increased security, and the outsourcing of specialized infrastructure maintenance and support. It has helped the company to become more robust as with the deployment the company can swiftly and securely update frontend platforms to be best-in-class using the product team methodology.



To assist clients in buying proper goods the first time, the firm uses voice recognition, chatbots, and recently created augmented reality features on the internet, in the warehouse. The company intends to reduce the number of returns of items by providing customers with essential information and allowing consumers to examine products in their homes via augmented reality, allowing them to make intelligent choices.

Furthermore, in order to achieve zero carbon emissions, the company has introduced a fleet of lightweight fuel-efficient delivery trucks to AO Logistics, which has reduced vehicle weight and thus fuel consumption. These vans are custom constructed with the purpose of converting them into electric vehicles when needed. And, as part of its efforts to integrate emission-bridging technology, the business has also purchased ten compressed natural gas (CNG) automobiles. Frost & Sullivan Institute appreciates AO World's efforts of using technology to support its commitment to global goals, strengthen its market presence, improve its customer experience, and integrate with its partners throughout its value chain.



Conclusion

Climate change and environmental degradation are among the greatest challenges faced by governments and companies. AO Worlds' ongoing efforts to achieve sustainable growth and environmental stewardship via the use of new technologies and a circular economy strategy is unparalleled. Additionally, their revolutionary innovative solutions to its customers that are well-aligned with their sustainability goals has also earned the company an outstanding reputation.

For its strong overall performance driven by a social imperative, AO World earns the 2022 Frost & Sullivan Institute Enlightened Growth Leadership Award.



What You Need to Know about the Enlightened Growth Leadership Recognition

Frost & Sullivan Institute's Enlightened Growth Leadership Award recognizes the company that addresses the global priorities as identified by the Institute and demonstrates sustainable growth in the industry.

Best Practices Award Analysis

For the Enlightened Growth Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

'Innovating to Zero' on Global Priorities: The company demonstrates proactivity in 'Innovating to Zero' in terms of one or more of the following global priorities that form the seven pillars of the Frost & Sullivan Institute:

- i) **Environment:** Environmental initiatives can include climate change, vulnerable groups, behavioral change, international governance, waste management, or others.
- ii) **Education:** Education can encompass equal access, gender parity, EdTech, quality education, education resources, vocational training, or others.
- iii) **Infrastructure:** Infrastructure can incorporate infrastructure as a basic right, technology and infrastructure, environment and infrastructure, urban infrastructure, and financing models, among others.
- iv) **Healthcare:** Healthcare can comprise healthcare crisis, mental health, finance, healthcare systems, advanced healthcare, and technology and healthcare, among others.
- v) **Security:** Human security can refer to transnational governance, human security, food security, or others.
- vi) **Human Rights:** Human rights can involve governance, special group rights, justice, or other such elements.
- vii) **Economics:** Economics can pertain to inequality, new economic regime, FinTech, behavioral change, or others.

Growth Excellence: The company demonstrates healthy growth over a span of 10 years. It focuses on short-term and long-term growth strategies to maintain a superior industry position. The executive team's vision aligns with the company's growth strategy, effectively translating this vision into growth. The socially responsible organization enforces strategies to increase its share of the customer wallet, successfully differentiating itself from competitors and positively impacting its market share. It also adopts strategies to build upon achieved growth and sustain continued growth while highlighting best practices for sustainable development.



Customer Value Chain: The company pays heed to the planet's well-being and addresses environmental initiatives such as climate change, carbon footprint reduction and elimination, waste management, or clean energy production. Its key value proposition is refined by building on client feedback and continuously improving products and services. The organization prioritizes its customers' needs and provides significantly greater value for the price. It offers exceptional customer value by providing the best purchase experience to customers, placing importance on providing a high degree of satisfaction amongst existing and potential clients, or ensuring the best and differentiated service experience.

Integrated Competition - Industry Partner Ecosystem: The company makes use of unique business models such as corporate partnerships and public-private collaborations to boost the industry partner ecosystem. By combining business sense with a moral imperative, the company demonstrates aspirational ideals beyond the simple goal of generating profits. The organization's efforts to cooperate with competitors reveal its cognizance of a broader vision and endeavors towards positively impacting the overall industry.

Technology Leverage/Innovation: The company incorporates or uniquely leverages technology, standing out among the competition. The technology addresses key future needs and applications and is disruptive to or supersedes existing technologies. The company's technology or technology leverage can be diversely applicable or has created new markets or applications where none existed before. It has introduced creative features and functionality by jumping through hoops to convert its vision into a reality. The organization has a structured process or best practices to incubate new technologies developed internally or through strategic partnerships. The company's innovations or technology incorporation has the potential to become an industry standard.



About Frost & Sullivan Institute

Frost & Sullivan Institute (FSI) is a non-profit organization dedicated to utilizing business practices to address global priorities. The genesis of the institute goes back to our vision of either creating or becoming part of a solution that addresses threats to humanity. Frost & Sullivan Institute has identified strategic imperatives for transformation and believes that by using a Socratic approach, we can truly accelerate innovation to zero. The Institute works in collaboration with leading analyst teams, its internal research team, industry experts, and other partners. It works closely with Frost & Sullivan Inc. to leverage in-house thought leadership in order to identify opportunities for transformation that will arise from innovation, disruptive technologies, and overarching megatrends that will alter the world as we know it today. To learn more about FSI, visit <https://www.frostandullivaninstitute.org/>.

About Frost & Sullivan

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The Growth Pipeline Engine™



Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.



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