

International Phenomenon.

Rebecca Brindley.

I would just like to say thank you to Jean for the hospitality that I have received and the invitation to attend this conference, it has been really interesting to come and listen to some very different topics.

I thought long and hard when Jean asked me to come and present about what I was going to talk about and I decided rightly or wrongly, not to talk about baking because I don't think I could teach many people much about baking in this room! So I decided to talk about retailing because having been in it for ten years I still find it incredibly exciting and I'm extremely passionate about it. For me the international side of our business is something very new and which only a few of the people who come into contact with Tesco in this country actually know about.

So, to the first slide. Let me tell you about our goals at Tesco, We have got four really clear goals.

1. Tesco is about a strong UK core business. Last year the industry saw some very marginal growth as a whole, however Tesco continued to grow beyond the market by offering better value for money and through getting cheaper.

2. To be as strong in non food as in food. The market for non-foods is worth £75 billion in the UK. You can see through the growth of our dot.com business which now has over 450k users and is the largest Grocery online retailer in the world, and through the success of Tesco Personal Finance with over 1,5 million customers that we are making some real in roads into non foods.

3. International growth. Our international strategy, which I'm going to spend today talking about, is very much about world class hypermarkets, we current have 30% of our space outside of the UK and we plan for that to be 45% by the end of next year. It's a very ambitious target, which will be approached through central Europe and through Asia.

4. To have the most loyal and committed staff.

Tesco as a company, uses clear values to underpin what we do. Our core purpose is based on "Creating value for our customers to earn their life time loyalty". Tesco has doubled the number of staff it employs over the last 10 years.

Here is Tesco's steering wheel; this really underpins our business both in the UK and overseas, and we divide into the different quadrants of Customers, Operations, People and Finance. This is the nuts & bolts of how we manage our business, through a Customer plan, an Operation plan, and a People plan in conjunction with our key financial KPI's.

The next slide shows the key determinants of choice, looking at why should people come to shop at Tesco, when there is healthy competition with other retailers. We believe that one of the reasons to come to Tesco's is centred around quality of our

products. We believe we offer the best quality on a broad range of products and we believe we offer the best value. We have invested c. £1 billion since 1996 on our campaign to reduce prices to customers and that continues to build as we go in to 2001. We offer outstanding customer service, every customer is offered help at the checkout. Location and convenience is another reason to choose Tesco we have got 200 stores now which are open 24 hours a day and we are planning another 150 new express stores, which are our stores which are linked to Esso garages and forecourts.

Another key difference for Tesco is that we do not market to the average customer. We use Customer Insight, to drive our actions, and to focus our starting point for all our different strategies, We have Club card segmentation data, which can give us a real insight into Customer profiles and their shopping habits. We use the Organics, Finest and Value brands to deliver to customer needs.

Our Customer Plan delivers the customer part of our strategy. It's an annual activity plan, and is an agenda for customers with these projects forming part of our category plans. It is designed to drive trade, and to improve the shopping experience for customers.

The Operational Plan is an annual activity plan, including for example upgrading, replenishing systems and better ways to build stores for the future. Lets now look at our store portfolio in the U K.

This can be broken down into Hypermarkets, Superstores, High street & Express stores.

Tesco hypermarkets, of which some in the UK are now up to 100,000 sq. f t. such as Peterborough, Pitsey and Watford , have been designed to a footprint which is being used world-wide across our business.

We have 277 superstores, 81 compact superstores, 27 Express stores, 41 Metro stores, and 229 other stores (mainly high street stores). We also have Tesco.com, which has no walls so we could sell houses, garden furniture and trips to the moon! Looking at the number of stores in each category you can see that we have got 659 stores in total.

Moving onto the Company Overview and Tesco figures, turnover is tremendously healthy, at nearly £20 billion, including VAT, just in the UK, representing nearly 17% in market share.

This has been an update on our UK business, and I now want to update you on our international growth and how we are developing.

If we start by looking at some of the milestones, during the 1990's when we started our international expansion, you can see that initially in central Europe it had always been through acquisition. Tesco acquired Global (41 stores) in Hungary, Savia (32 Stores) in Poland, Kmart (13 stores) in Czechoslovakia, and in Ireland we bought 110 stores in 1997. Tesco acquired Lotus in 1998 in Thailand and then 1999 went in to a joint venture with Samsung in Korea. In the meantime in 1995 we became the

UK's first retailer and last year our Group turnover reached £20 billion, We are also now looking at Japan and China to continue our world-wide expansion.

We plan to have new space of nearly 3.5 million sq. ft. in 2001 so the growth does not just stop there, Tesco's overseas strategy, focuses on adding value to the customers who are living and working in those Countries and developing the hypermarket concept world-wide.

Our world class hypermarkets blue print is about having a common layout, common systems and common operations globally and then applying to that local people, and local marketing and services.

Tesco now has 37% of its space overseas and the total number of hypermarkets will be 130 by the end of 2002. The pace of this development is very exciting. Carrefour took twenty years to develop 100 hypermarkets, Tesco will have 100 hypermarkets in four years, This is really remarkable.

Tesco now operates in four Countries in Eastern Europe and no other retailer is in all four of those Countries. It's been extremely important to work with the regional and the local staff there, as they have got so much knowledge about the local produce and products. We now employ over 27000 people in central Europe alone.

Southern Ireland now has 75 stores and was acquired in 1997. The focus here has been on rebranding since the acquisition, with 2 new stores opened in 2000. The business now trades from 1.6m sq.ft., and sales are up 20% since 1997, and sales grew in 2000 by 6.1%. Tesco market share in Ireland is now 24%

Poland, was our latest central Europe acquisition, with 32 supermarkets from Savia in 1995 and we opened six new stores in 2000.

In Asia the market access is 130 million people. With Tesco/Lotus we became market leader in Thailand in December 2000. The population that Tesco/Lotus is accessible too is 61 million people and we will have 34 hypermarkets here by 2002.

South Korea and the partnership with Samsung is now in place. In South Korea, 50% of people have, PC's, 78% have mobile phones, and we invested £142 million with Samsung in 2 stores, We have some ambitious plans for the next few years to ensure our success in this part of Asia. In Taiwan, the new Tesco superstore opened in December 2000, and there will be a further 6 new stores opening there this year.

Tesco has now got world wide sourcing in Hong Kong, India and Thailand, to assist in the development of our international business, 30% of our products are sourced internationally and we would hope that to continue to grow.

To conclude, our international business is an incredibly important part of the Tesco business and Tesco future strategy, as I have hopefully demonstrated today.

Tesco will have 130 hypermarkets by 2001, with 45% of space overseas by 2002 and our International sales forecast is £5 billion by 2002. It is a very exciting and

challenging time for Tesco and I believe our 4 clear goals will ensure we continue to be successful.

Thank you for listening, and now for any questions.