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*Retail Director*

**TESCO**

UK Operations Day

UK Stores

Focusing on the Customer

# OUR CORE SKILL

*Listening to customers in all we do*

- Customer understanding is a key competitive advantage which helps us deliver our strategy:

- Strong UK core business

- Non-food market share

- Retail services (e.g. Tesco.com; personal finance)

- International

# UK: OUR CORE BUSINESS

- Championing the customer
- Store formats
  - Extra
  - Superstore
  - Metro / Highstreet
  - Express
- Business model
- Market leader

# RESPONDING TO CUSTOMERS

- Consumers' demands and tastes are constantly changing
- We are responding to these changes by:
  - building new store formats – Express / Extra
  - with our programme for existing stores – Refresh
  - continuing to innovate and improve service in stores, ensuring our people have the right skills to manage change effectively in the business

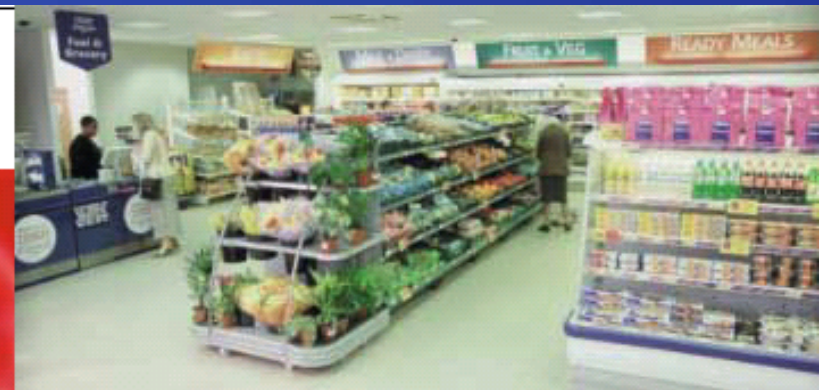
# EXPRESS

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*Express*



**now open**

QUALITY & VALUE AT YOUR CONVENIENCE

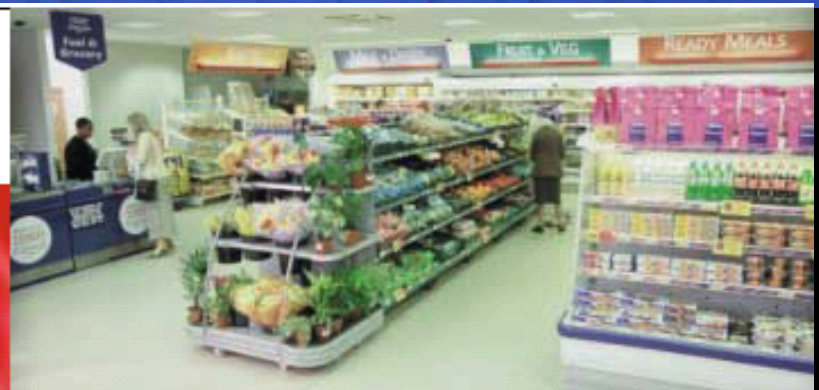


**TESCO**  
*Express*



**open 6am to  
midnight, everyday**

QUALITY & VALUE AT YOUR CONVENIENCE



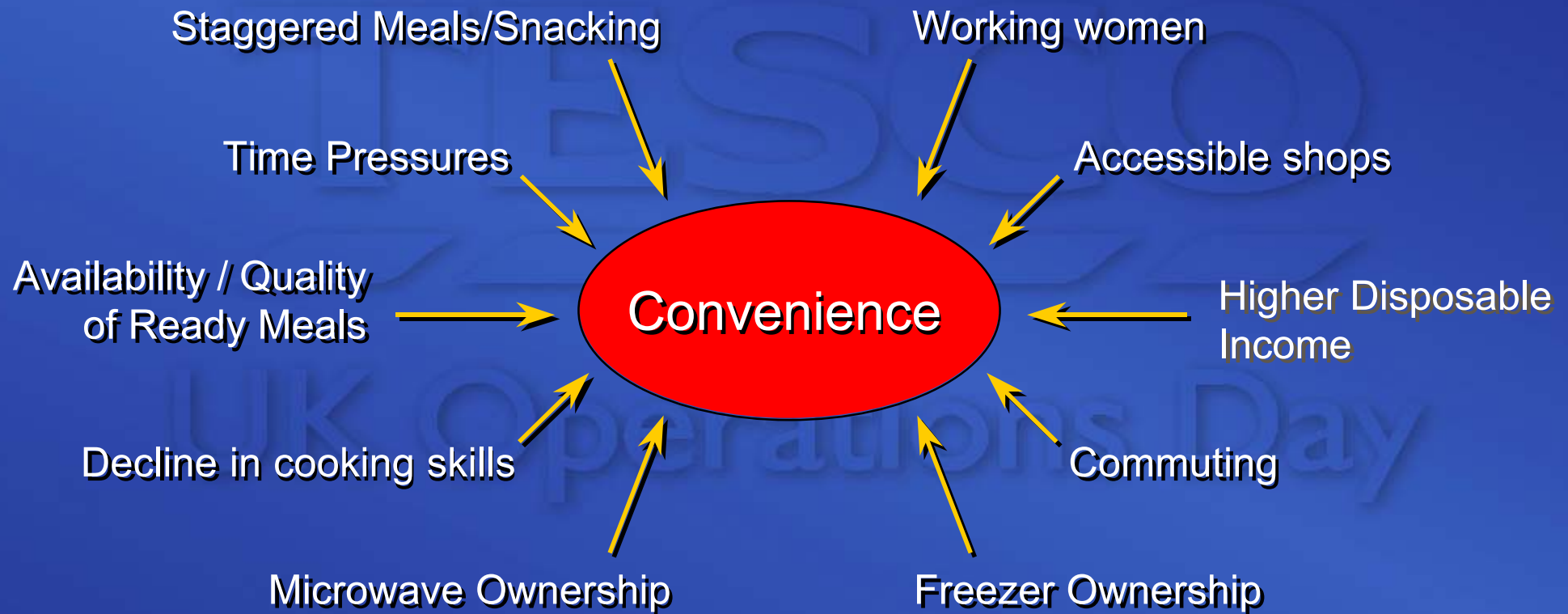
## EXPRESS – SOME FACTS

- Full rollout began in 2000
- At the year end we had **75** stores
- **2,500** average number of lines stocked
- Size **1,500 - 3,000 sq ft**
- Average customer count of **10,000** per week

# WHAT IS EXPRESS?

- Originally seen as a small convenience business built on synergy with fuel
- Now we see it as a convenience shop business – petrol just one of **2,500** lines
- **73%** of customers buy just food
- **85%** of sales are independent of a fuel offer

# CONVENIENCE: A GROWING CONSUMER DEMAND



***'Value for time' not just 'Value for money'***



# EXPRESS – HOW WE MAKE IT WORK

- We operate Express as convenience stores, not small superstores
- Price premium of **3%** on some products compared with Tesco normal price basket (average convenience stores **20 – 30%** more expensive)
- Dedicated management and support team
- Store team's remuneration based on store success
- Fast to build (**10 days**) and flexible format
- Average site land and build cost **£1.2m**
- Consolidated deliveries

# SUCCESS OF EXPRESS

- Average Express turnover **£53k** per week (average UK convenience store turnover of **£12k** per week)
- Profitable from **£35k** per week
- Some stores' turnover in excess of **£100k** per week
- Faster initial growth than superstores
- CROI: **17 – 20%** over three years

# FUTURE OF EXPRESS

- Opening an average of one Express per week
- Diverse range of locations e.g.
  - Inner City (Maida Vale, Chelsea, Camden)
  - Suburban (e.g. Harrow, Bushey, Barnet)
  - Town Neighbourhoods (e.g. Horsham, Witney)
  - Villages (e.g. Battle, Forest Row, Yateley)
- First standalone opens this Autumn
- **£20 billion** spent in convenience stores pa

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# IMPROVING EXISTING STORES: REFRESH



# WHAT IS REFRESH?

- Previous programmes focused on stores' environment
- Refreshing stores brings tangible benefits for both our people and our customers – not simply a “refit”
- The new Refresh programme is based on what customers and staff want to be improved – not a wish list written at HQ

# REFRESH: HOW WE DO IT

- Focused on old and tired stores, and stores where there is a “consumer” impact
- Customer and staff question times form the basis of changes that we make
- Staff are involved with the entire process so they:
  - explain to us what needs to be done
  - understand why we make changes
  - receive all the training to serve our customers better
  - keep disruption to a minimum for customers
- Avoid closing stores

## REFRESH: OUR AIMS

- Refresh addresses not only the physical aspects of the store
- Refresh covers:
  - Our people: eg training and skills
  - Our operations: eg warehouse flow
  - Our store environment: eg car park
  - Our equipment: eg fine wine racks



# RESPONSE FROM QUESTION TIMES

- What our customers tell us (*and what we do*)
  - Not enough trolleys (*provide for more of the right type*)
  - Dislike queuing for CDs (*use electronic article surveillance*)
  - Lack of range on deli (*add hot chicken counters etc*)
- What our staff tell us
  - Fix unreliable equipment
  - Improve staff areas
  - Add marshalling areas for deliveries

# REFRESH: PERFORMANCE TO DATE

- **30** Refreshed by end of March
- In **02/03** we will complete over **100** stores
- **106** customer question times held so far
- Average Cost **£1.5m**
- Meeting target of increase in LFL sales of **3%**
- CROI is over **20%**
- Customer and staff feedback positive

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