

# TESCO

## UK Operations Day

*Personal Finance*

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*Chief Executive*

&

Andy Dewhurst

*Commercial & Marketing Director*

# TESCO

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# STRONG CUSTOMER PROPOSITION

- Brand
- Convenience
- Simplicity
- Value
- Customer service
- Range of financial products

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# BUSINESS STRUCTURE

- Joint Venture - 50:50 between Tesco and Royal Bank of Scotland Group (RBSG)
- Board - Senior representatives from both shareholders
- Regulated Bank

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# BUSINESS MODEL

## Tesco contribution

- Use of brand
- Access to customers
- Space in stores
- Clubcard
- Tesco.com

## RBSG contribution

- Tailored products
- Call centres
- Service centres
- Financial expertise

## TPF contribution

- Marketing and customer insight
- Product design and development
- Setting delivery standards
- 100 head office staff

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## ADVANTAGES FOR TESCO PERSONAL FINANCE

- Low customer acquisition costs:  
Leverage Tesco brand, stores
- Low operating costs:  
Leverage RBSG products, manufacturing
- Flexibility for volume growth, fluctuations:  
Low fixed costs, variable costs shared with partners

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# BROADER ADVANTAGES FOR PARTNERS

## Tesco

- Extend customer experience
- Long term nature of financial relationships
- Enhance customer loyalty

## RBSG

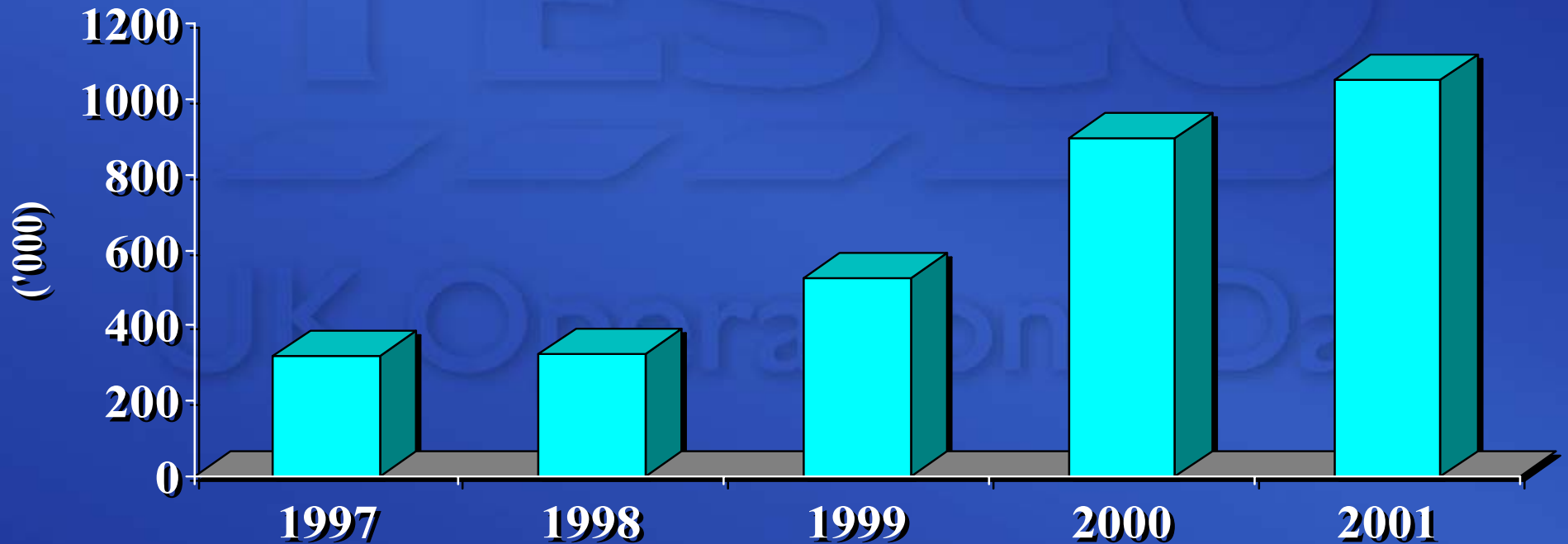
- Extend multi-brand, multiple channel distribution
- Improve efficiency through additional volumes

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# CUSTOMER GROWTH

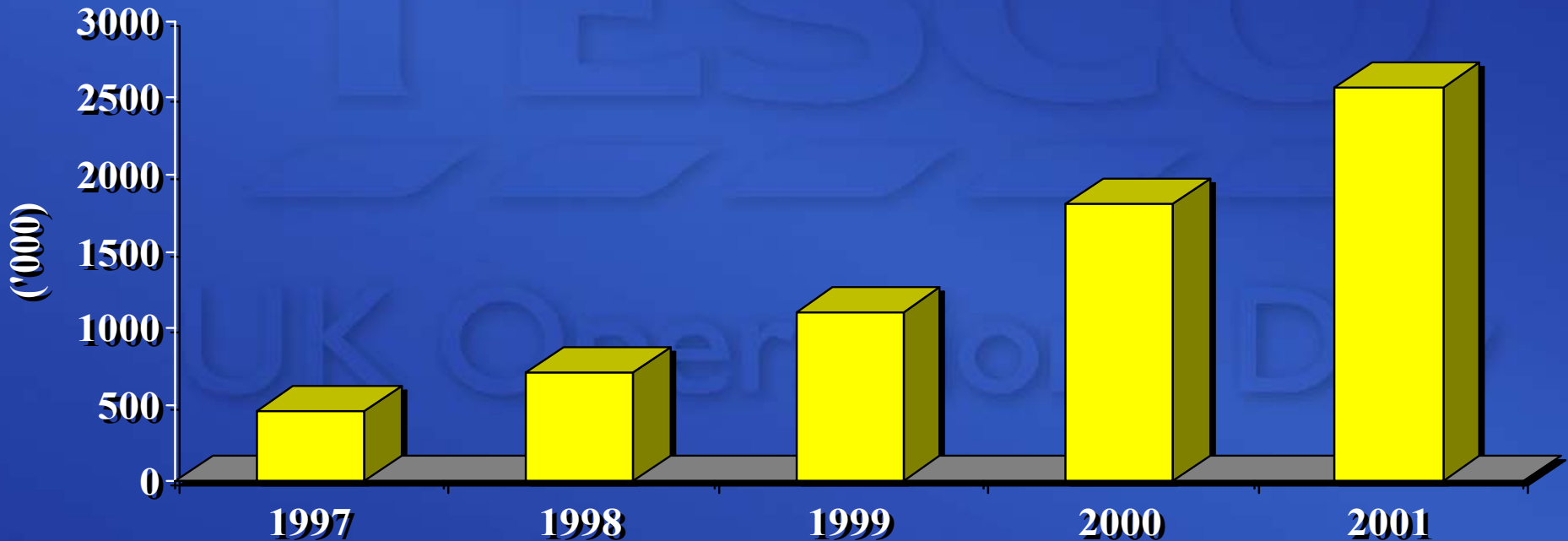
## New Accounts/Policies



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# CUSTOMER GROWTH

## Total Accounts/Policies



Penetration of Tesco Clubcard customers is still low

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# PRODUCT VOLUMES

Accounts/Policies  
at 31.12.01

Savings Accounts	420,000
Personal Loans	150,000
Credit Cards	1,150,000
General Insurance	700,000
Life & Investment	50,000
Other	100,000
Total	2,570,000

Market shares very low – around 2%

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# INNOVATION



- **2000** Instant travel insurance policies sold each week



- Value of cheques deposited each week at the till - **£6 million**

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# LOW COST ACQUISITION

## STORES

Awareness  
created by:

CLUBCARD

TESCO.COM

PUBLISHING

Customers  
apply by:

- Phone 75%
- Internet 20%
- Post 5%

Acquisition costs much lower than industry norm

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# PROFIT & LOSS BEFORE TAX

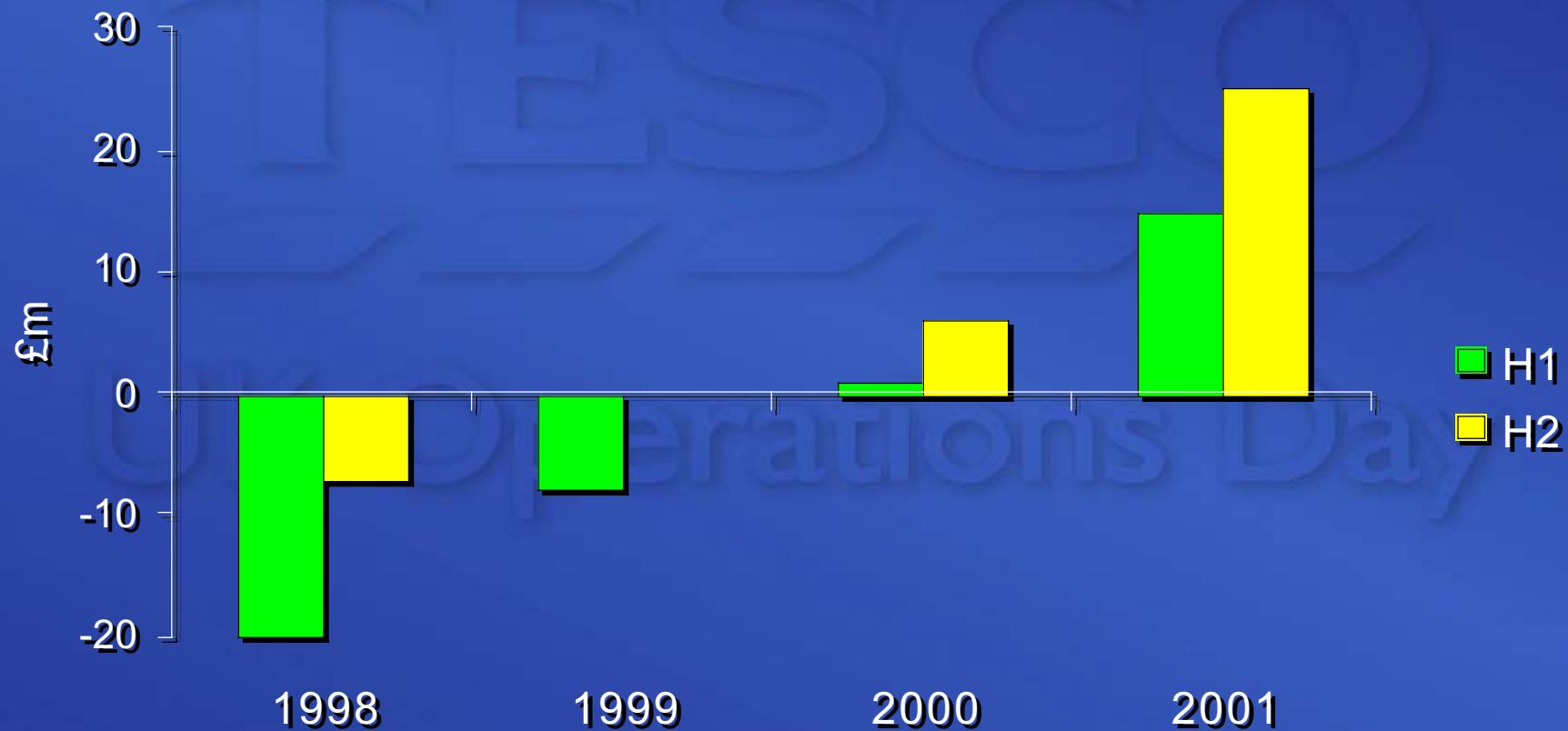
	1998 £m	1999 £m	2000 £m	2001 £m
Total Income	32	71	110	187
Expenses	56	63	77	107
Profits before bad debts	(24)	8	33	80
Bad Debt Charge	4	15	27	40
Profit/(Loss) before tax	(28)	(7)	6	40
Cost income ratio	175%	89%	70%	57%

Source: Tesco Personal Finance Reports & Accounts  
All for 12 months to 31 December

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# PROFIT & LOSS BEFORE TAX

## Half Year Trend



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# FUTURE OUTLOOK

- Clubcard penetration still low
- Market shares low
- Continued fast growth:
  - Broadening/deepening customer relationships
  - Leveraging strengths of business model

*Personnel Finance*



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