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TESCO



UK Operations Day

Distribution In Tesco

TESCO TODAY

- To create value for customers to earn their lifetime loyalty

THE TOTAL RETAIL SUPPLY CHAIN

Internal Supply Chain Participation:

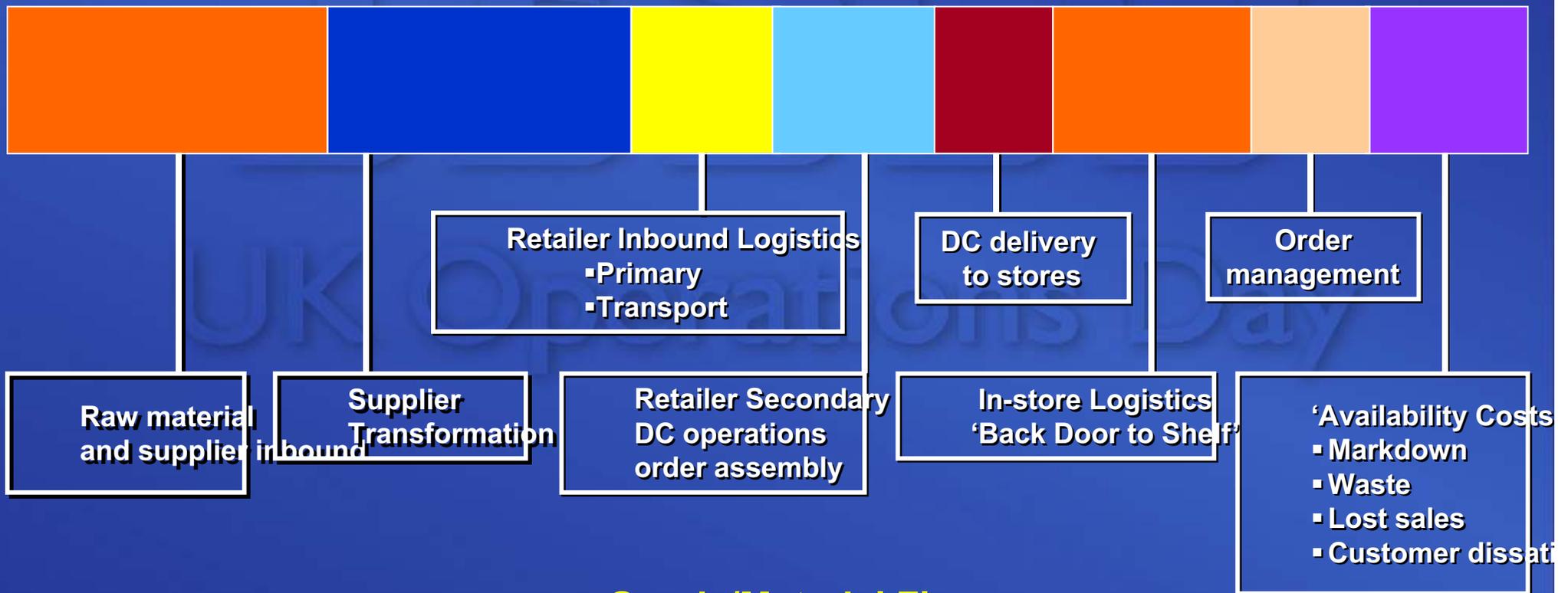
18%

19%

9%

46%

8%



Goods/Material Flow



Information and Cash Flow



THE BIG 5 SUPPLY CHAIN PROJECTS

- Continuous replenishment (CR)
- In store range management
- Flowthrough
- Network Management
- Primary Distribution

AND IT ALL STARTS WITH THE CUSTOMER

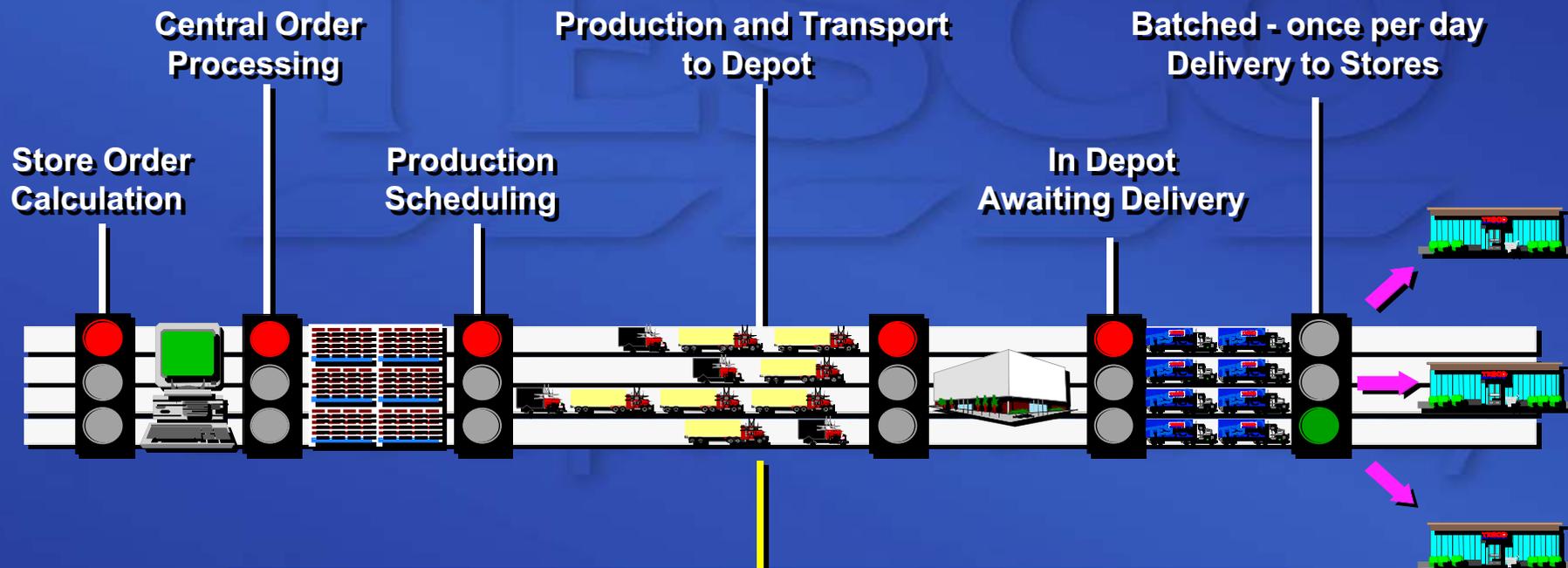


....no longer a stranger

WHAT DOES THE CUSTOMER WANT?

- Excellent availability
 - Continuous Replenishment/TDD
- Customer oriented range
 - SSPOGS, Store Specific Ranging
- Low prices
 - Lean Logistics
- **Makes for great stores**

REPLENISHMENT ... “as was”



Current replenishment requires the arrival at depot of the final supplier's vehicle before delivery to store can take place

WITH CONTINUOUS REPLENISHMENT

ALL SUPPLIERS

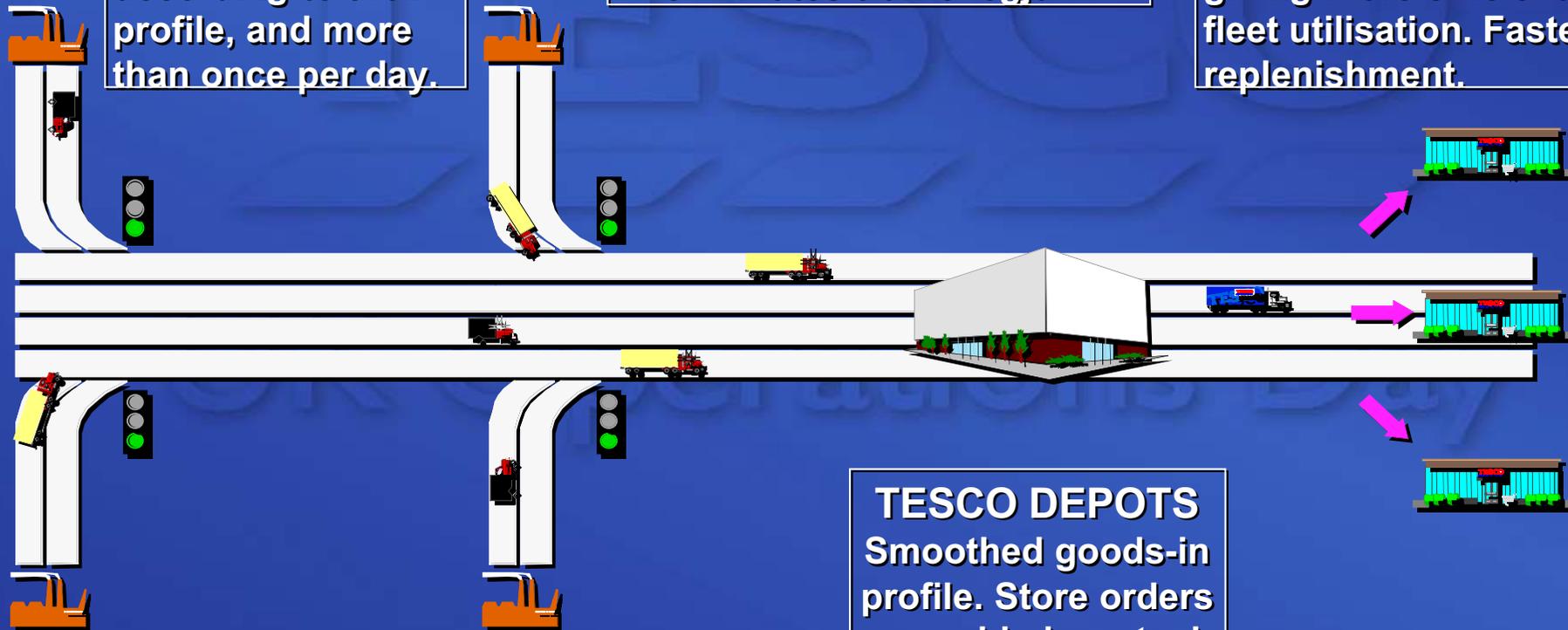
Receive orders according to *their* profile, and more than once per day.

PRIMARY DISTRIBUTION

Smoothed goods-in profile eliminates traffic logjam.

DELIVERY

Multiple deliveries giving more efficient fleet utilisation. Faster replenishment.



TESCO DEPOTS

Smoothed goods-in profile. Store orders assembled as stock arrived and *not* held pending batched orders.

FEATURES OF CR

- Batch to flow
- Multiple daily deliveries
- One system all products
- Centrally controlled, locally operated

PROGRESS OF CR DEVELOPMENT

1999

2000

2001

2002

2003

Retek Trade
Management &
Merchandise
Planning

Ambient
Grocery

Fresh Foods

Direct Store
Deliveries

Clothing

Bread and
Morning Goods

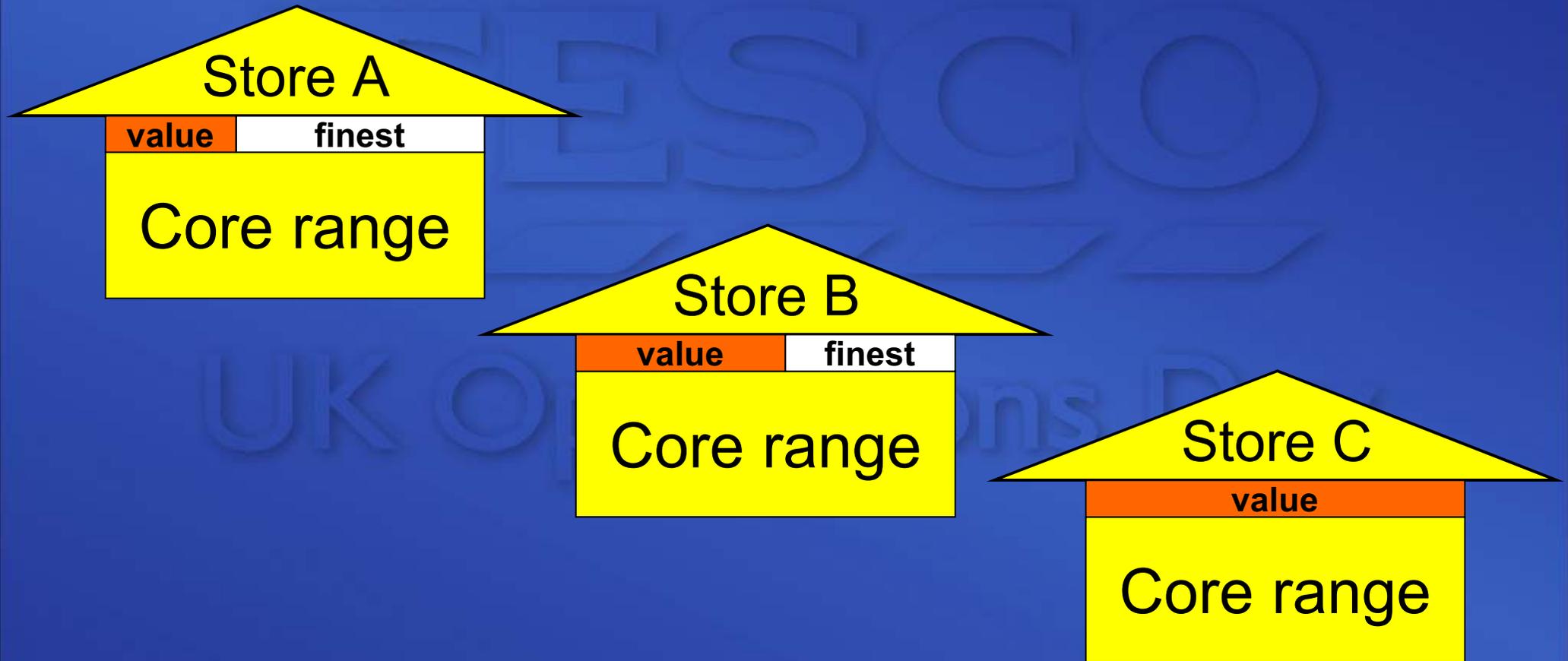
Production
Planning

Transformation

EXPLOITING CUSTOMER DATA

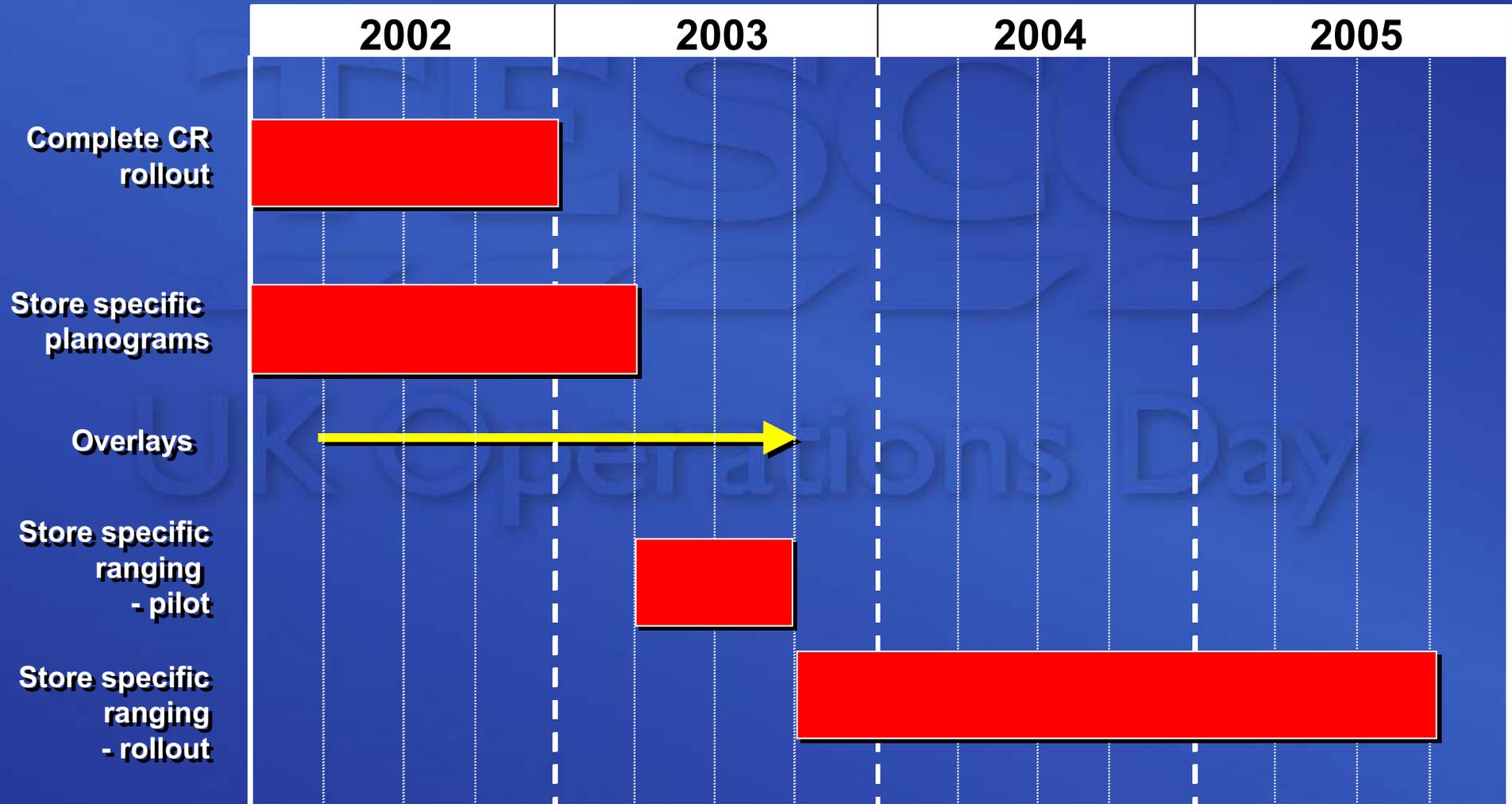


EXAMPLE - CUSTOMER SEGMENTATION



In 2 years ranges will be store (customer profile) specific

RANGING DEVELOPMENT SCHEDULE



AMBIENT GROCERY NETWORK

- 9 locations
 - 4 Mega sites
- Latest Mega site at Thurrock
 - opened Q3 2002
 - cost £43m
 - capacity of 2.3 million cases p.w.

AMBIENT GROCERY NETWORK

- **9** locations
 - 4** Mega sites
 - 3** Fast moving regional sites

UK Operations Day

AMBIENT GROCERY NETWORK

- 9 locations
 - 4 Mega sites
 - 3 Fast moving regional sites
 - 2 medium moving sites
- Average 9m cases p.w.
- Daily deliveries to all stores (twice to 400)
- Sufficient capacity until 2006

TEMPERATURE CONTROLLED

- 11 locations
7 fresh foods
- Average 9m cases p.w.
- Daily deliveries to all stores
- Capacity until 2001

TEMPERATURE CONTROLLED

- **11** locations
 - 7 fresh foods
 - 3 fresh and frozen
 - & 1 new frozen
- Average **9m** cases p.w.
- Daily deliveries to all stores
- Capacity until **2001**

FROZEN FOODS

Daventry

- Fully automated frozen foods distribution centre

Daventry is supported by a network of **consolidation centres** that facilitate flowthrough operations for supplier deliveries

FROZEN FOODS

Daventry

- Fully automated frozen foods distribution centre

Frozen chambers have been **removed** at other composite sites and are now serviced from Daventry

FROZEN FOODS

These composite sites are now used as **trunking centres** to service stores with frozen food along with all other fresh foods

This has helped us to extend the life of the composite network by **4 years to 2005**

NATIONAL - SLOW, NON-FOOD, BONDED

Slow moving lines are centrally located and, like frozen food, are trunked to stores using the grocery network

Average **3m** plus cases per week

ALL CHANNELS

By integrating this network we have:

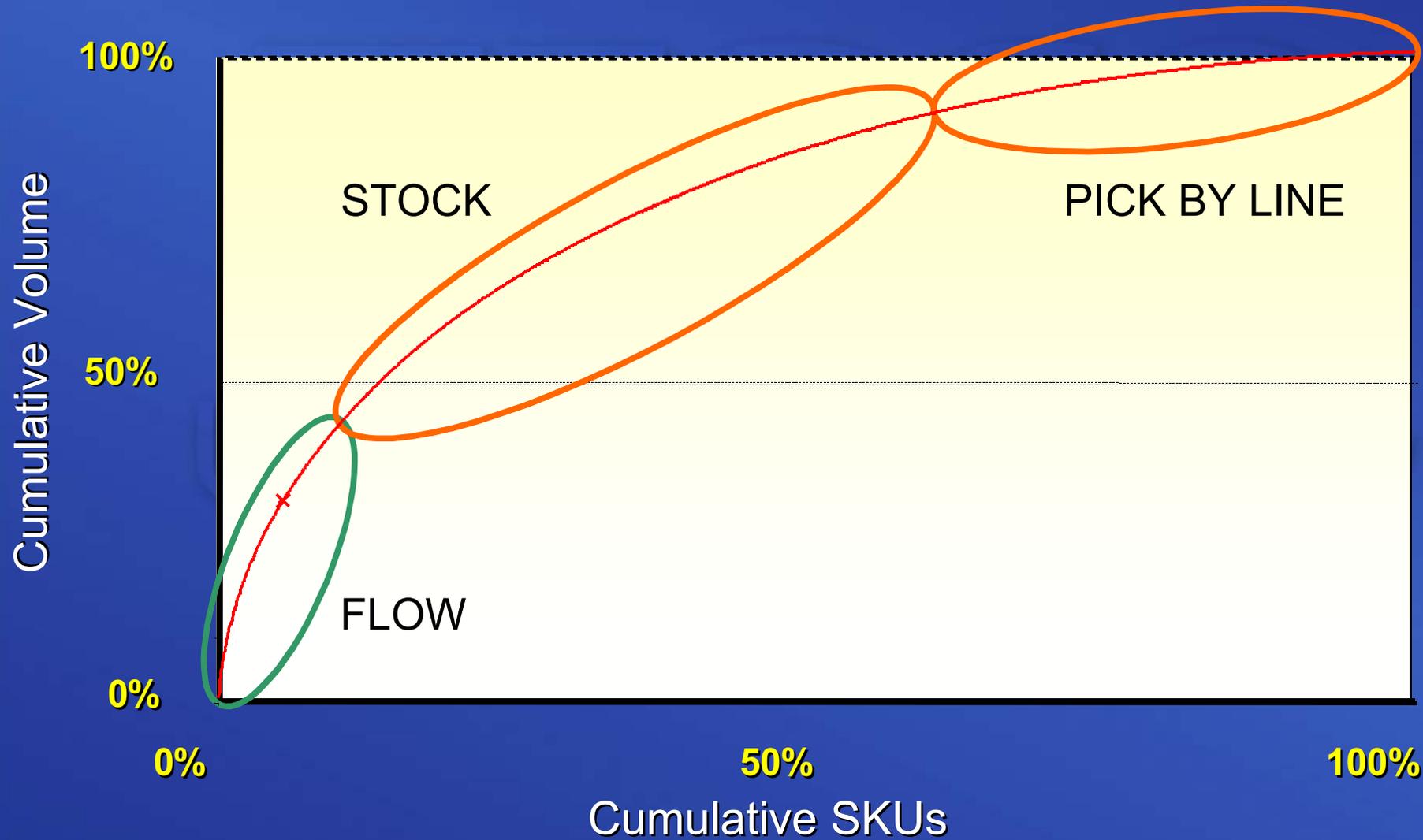
- Made better use of all assets
- Selected the right 'value stream' for appropriate products
- Extended the life of each DC by continual improvement

ALL CHANNELS - FUTURE DEVELOPMENTS

To cater for growth, our 5 year plan will see new depots for:

- **Non Food** - towards the north
- **Fresh foods** - in the northern home counties

SKU POPULATIONS: FLOW, STOCK & PBL



Tesco Leads Massive Industry Change

Jobs Threatened by New Move by Supermarkets

Food Shortage Threat as Retailers Change Supply Plans

Confusion by Manufacturers As Retailers Demand Change

Tesco Threatens Suppliers with Policy Change

WE'VE BEEN GOING 1 YEAR

- Team of 30 executives and state-of-the-art IT
- Prioritised Frozen Food, 80% now live
- 240 suppliers on board representing 4.5 million cases per week
- 60% of all volume is ambient merchandise
- Reviewing ambient & fresh consolidation network
- Current KPI's for delivery on time & pick up on time are
 - tracking above plan
- All KPIs tracking to plan

PRIMARY DISTRIBUTION

- Significant Cost Savings
- Simpler job for Manufacturers
- New Opportunities for Efficient Distributors
- Lower Prices for Customers

THE SOLUTION - OUR PRIMARY VISION

- In-bound Supply Chain which is:

— Visible

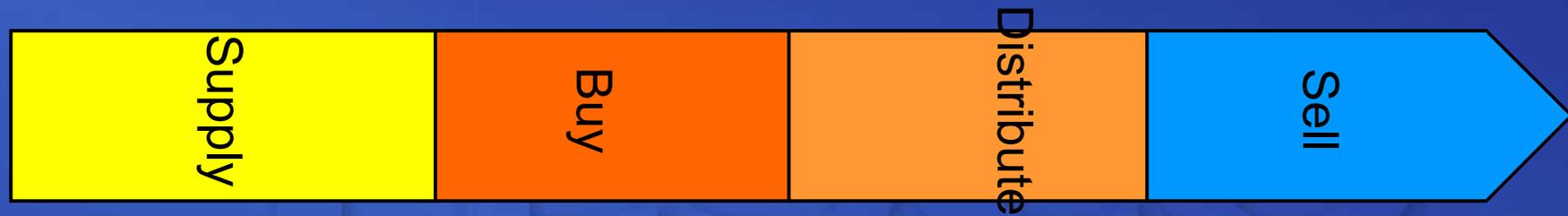
— Low Cost

— Efficient

— Effective



SUPPLY CHAIN IMPROVEMENT



- Delivered **18%** of the benefits in step change
- Targeting a further significant amount 2003 - 2006
- Simultaneously delivering TDD, Flowthrough and
- Non-Food Growth

Never a Quiet Moment!