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Philip Clarke Roadmap to Returns



Four part strategy

- Core UK
- Non-food
- Retailing services
- International

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“Through period of greatest risk”

- Doing well
- In 12 countries
- Market leading in 5
- Good stores & locations

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Roadmap to returns

FIND THE RIGHT BUSINESS



GROW THE BUSINESS



BUILD CAPABILITY FOR
FUTURE GROWTH

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Finding the right business

- **Key criteria for entry:**
 - Under-developed retail sector
 - Customers with spending power
 - Opportunity for market growth
 - Potential for market leadership
- **Understand what we can bring**

Local businesses

- **Local Businesses**
 - local customers
 - local managers
- **One size does not fit all**

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Core Purpose and Values

- **Core Purpose**
 - Create value for customers to earn their lifetime loyalty
- **Values**
 - No-one tries harder for customers
 - Treat people how we like to be treated

Growth and capability

GROWTH

- New Stores
- New Formats
- Like for Like

&

CAPABILITY

- People
- Processes
- Systems

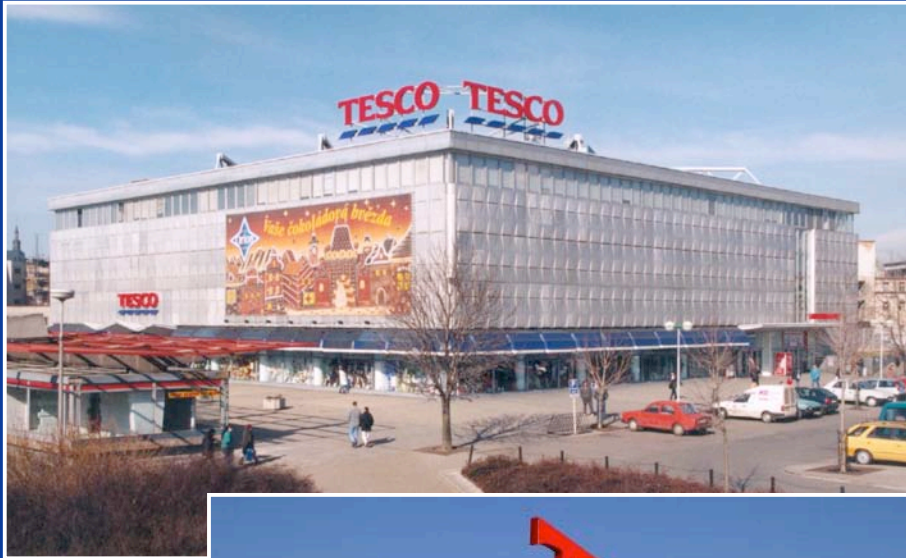
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Growth profile

- **Entry**
- **Rapid growth**
- **Established markets**

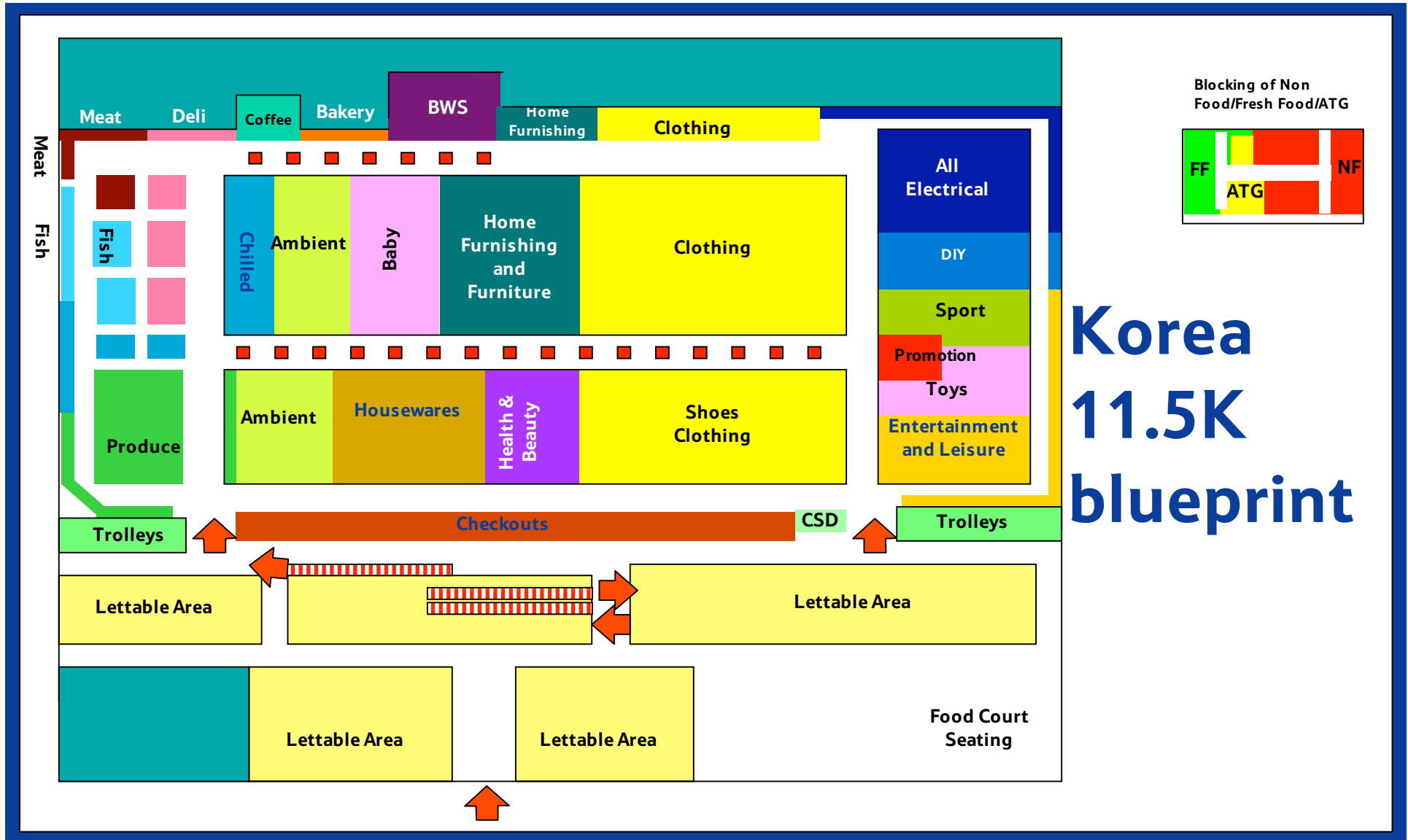
Growth - Market Entry, Hypermarkets



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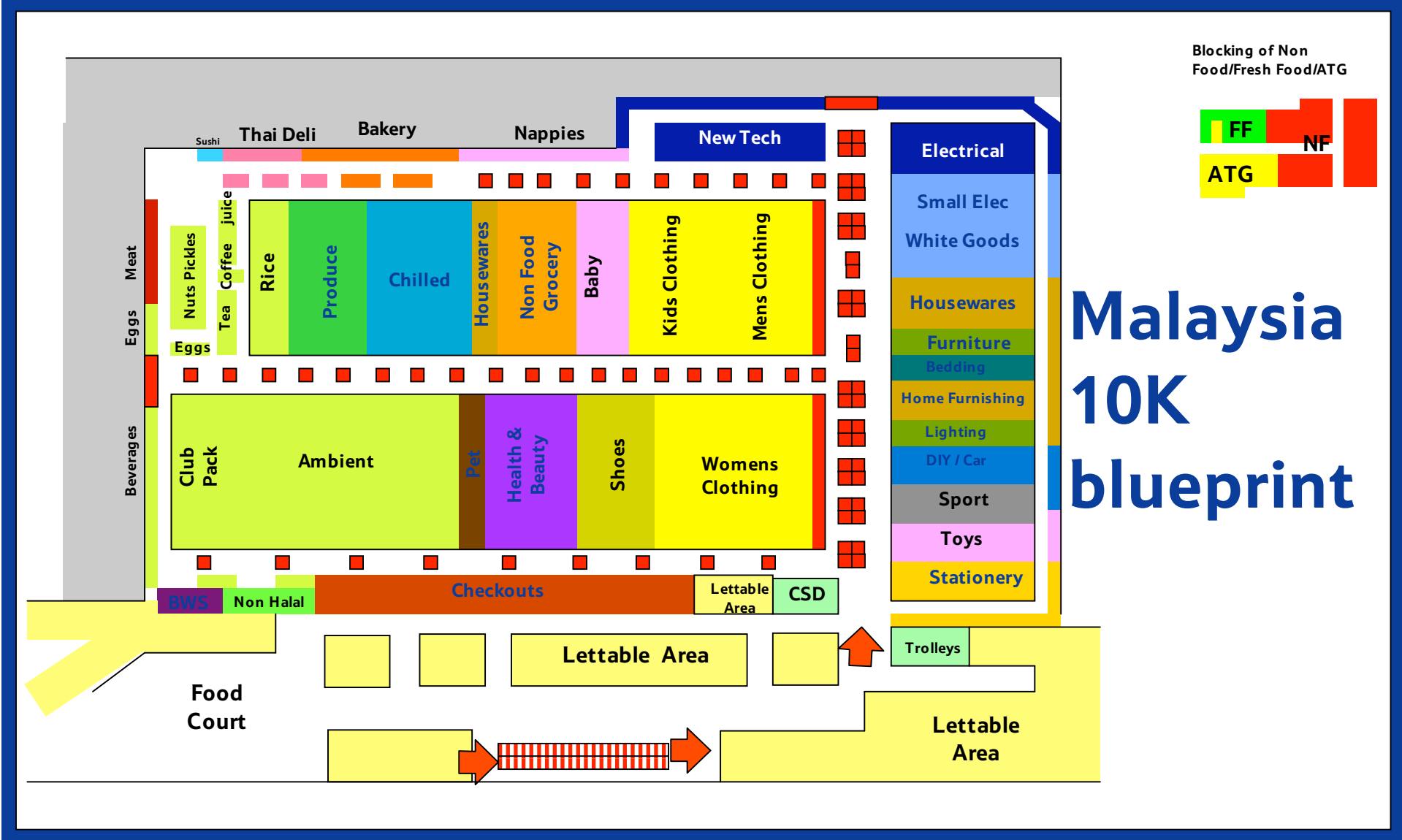
Growth - Hypermarket Footprint



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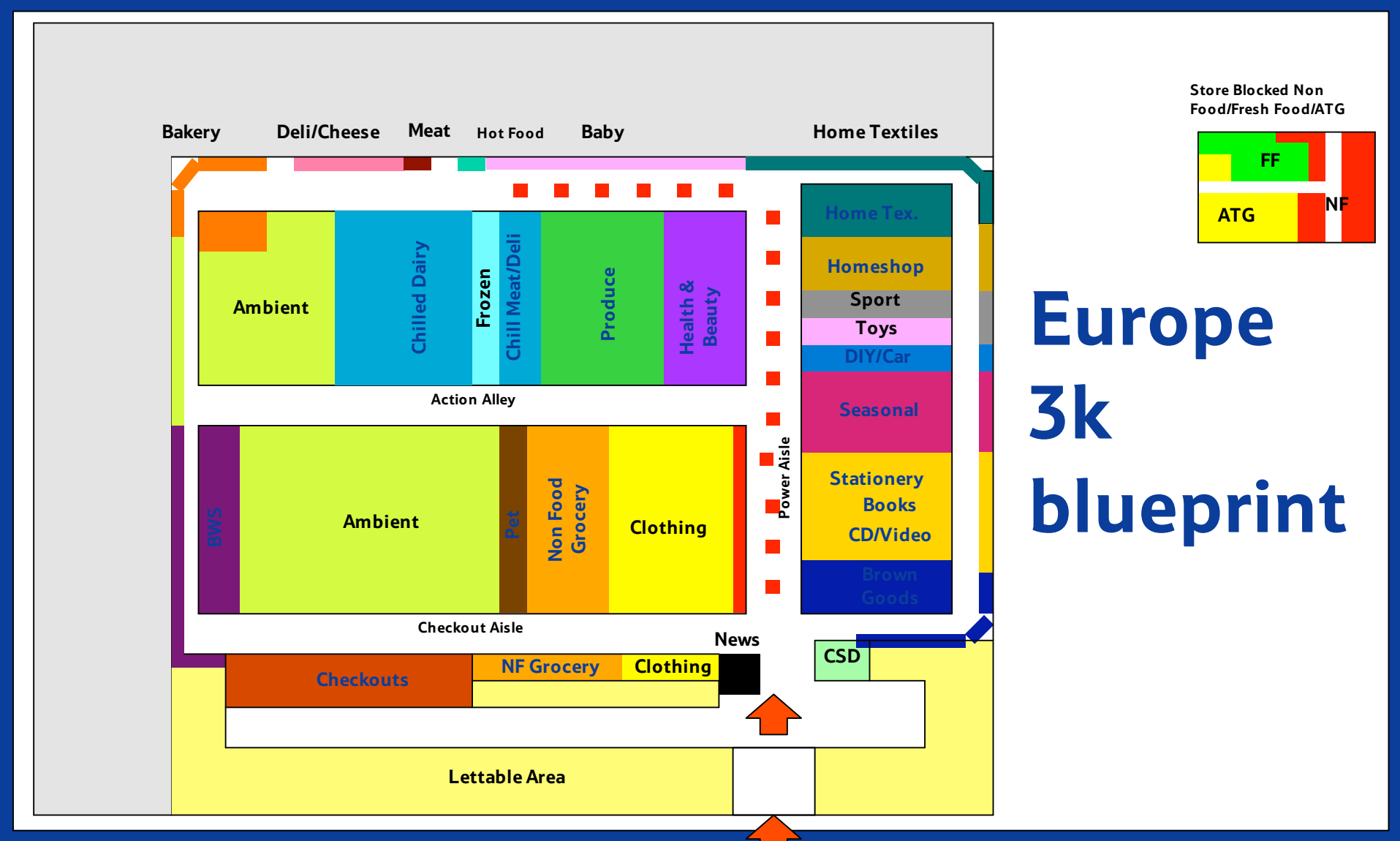
Growth - Hypermarket Footprint



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Growth - Hypermarket Footprint



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Growth - Critical Mass

- **10-15 Hypermarkets**
- **Centralised supply chain**
 - **Improve product quality**
 - **Increase productivity**
 - **Introduce own label**
 - **Improve margin**

Growth - new formats

- Site research / site acquisition
- Hypermarket flexibility



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Growth - new formats

- Compact Hypermarkets



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Growth - new formats

- Convenience Stores



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Growth - new formats

- Discount Supermarkets



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Growth - build cost

- Lower cost stores
- Leasehold / Freehold flexibility
- Build for less

Growth profile

- **Entry**
- **Rapid growth**
- **Established markets**

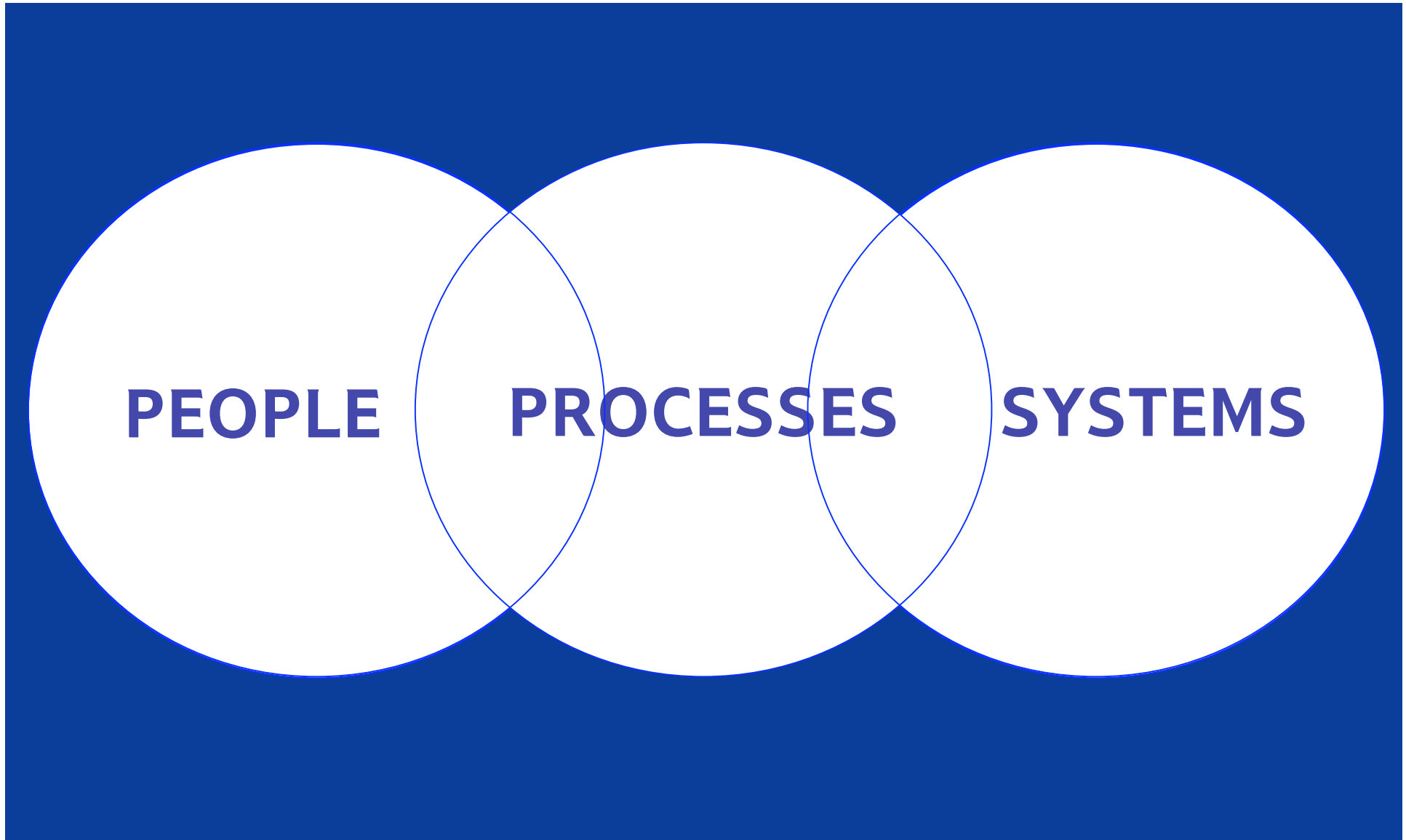
Growth - Tesco shopping trip

- The prices are right
- I can get what I want
- I don't queue
- The staff are great
- Shopping is easy and enjoyable

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Capability



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Capability - People

- **Local management**
- **Focus on store operations & commercial**
- **Keep the pipeline full**

Capability - Processes & Systems

- **International Support Office**
- **Develop once, use many**
 - **Availability**
 - **Buying**
 - **Price**
 - **Formats**

Capability - Processes & Systems

- **Tesco in a box**
- **Retek in Korea**
- **Whole package in Turkey**

Capability - Simplicity & Excellence

- **Share learning**
- **Develop capability**
- **Business process excellence**
- **Shared systems & platforms**

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Where are the countries?

- **Established markets**
 - Thailand, Korea, Hungary, Ireland, Slovakia
- **Rapid growth**
 - Malaysia, Taiwan, Czech Republic, Poland
- **Entry**
 - Japan, Turkey, China

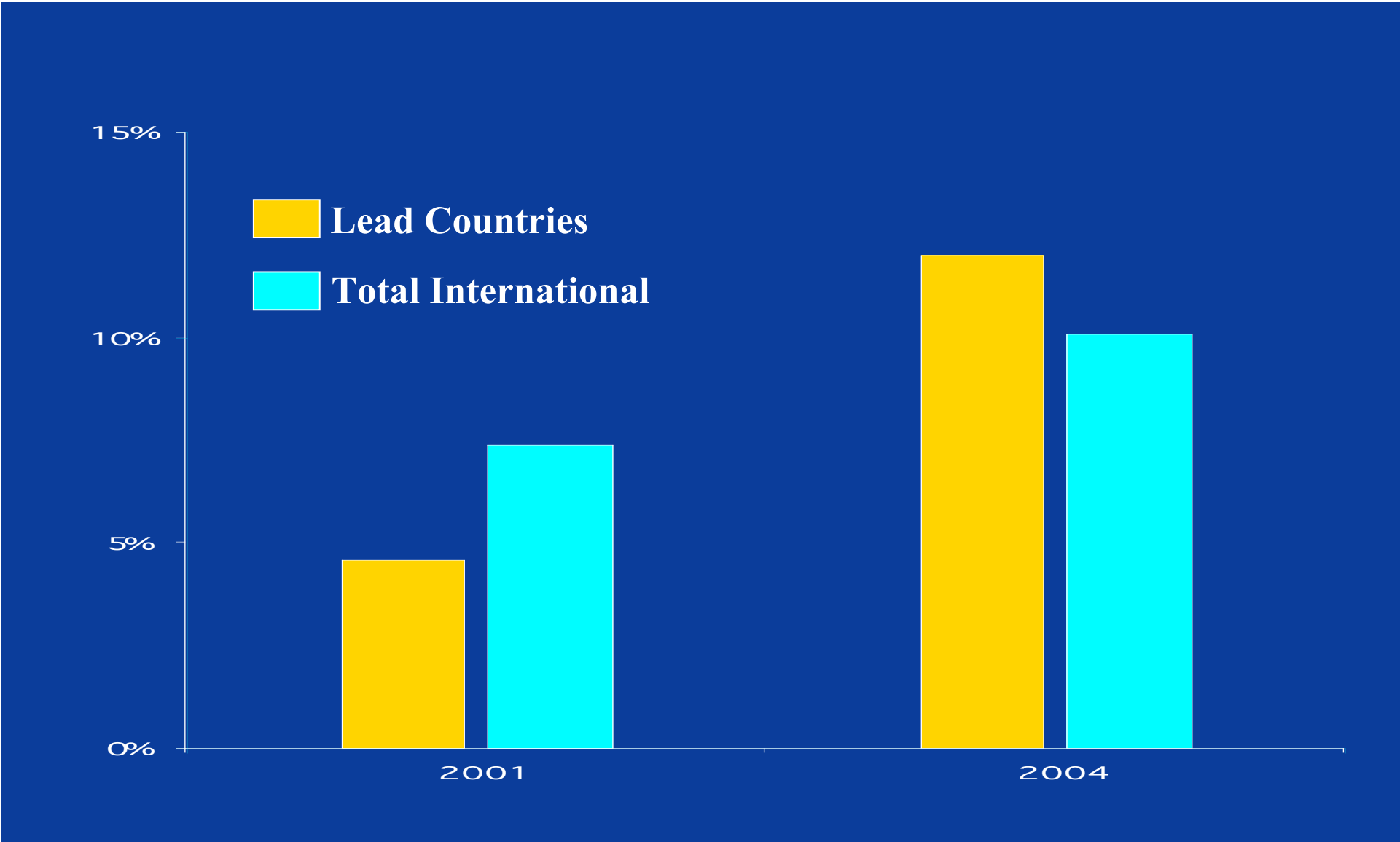
Returns - CROI Development



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CROI Development



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