

Philip Clarke – Preliminary Results 2013/2014 Transcript

Question 1 - UK profits fell in the last year and are expected to fall again this year. Is the plan working and when can we expect to see the results?

“Our results today have to be seen in the context of what’s happening in the overall retail market. Two things are happening: customers are still feeling the effects of the consumer recession, although the overall economy is improving, they’re still looking for ways to save because their incomes continue to be squeezed. And then there’s the impact of the internet effecting bricks and mortar retailing, online retailing is huge in the U.K.

“So we’ve been busy in Tesco putting together the ingredients for a transformation. And I think once that transformation is complete customers and then the sales and profit line will improve.”

Question 2 - Do you think you have done enough to see off the threat of the discounters?

“Well in February, March and in April we’ve been reducing prices and customers are responding very favourably. We’ve been reducing the prices of those lines that matter most to customers, the ones that appear on their plate, on their table every day. Volumes are improving, there is more to come of the next few months but it isn’t just about price, it’s not only about the price you charge for things. It’s about the quality, the range, the service and the overall environment. Which is why we are accelerating our programme to bring a new Tesco to so many neighbourhoods this year. We are going to refresh over six hundred of our stores.

“Refresh is very exciting for us; it’s a three-year programme. We are going to change every store in the UK. We are going to make its range applicable to the local demographic using the insight we get from Clubcard.

“We know what it does for customers, it delights them. They see a store reborn; take a store like one in Stevenage, where the customer offer has improved dramatically and the sales have begun to improve already after only a few weeks.”

Question 3 - When can we expect to see the UK business growing again?

“Well it’s going to take some time. We are not opening a lot of new space these days and you can see these long run impacts of this tightening recession. And the growth of online. Online retailing growing for everybody in the U.K.”

Question 4 - *Like for like sales were down in most of your overseas markets. Is it time to re-evaluate the markets you are in?*

“We spent a few years doing just that, you know, re-evaluating. We look at our international businesses in three separate distinct categories. There’s those where modern retail is not that mature and where’s there’s long run prospects for growth and we already have market leadership or close to it. That’s South Korea, Thailand and Malaysia. Those businesses are going to give us growth for years to come.

“Then there’s the second grouping, largely in the eurozone where we’ve got strong market positions but those consumers are in the seventh or even in some cases entering the eighth year with tightening disposable incomes. We are not giving them much capital, we’re focusing them on making the business better for customers. But in the long run one would anticipate to get growth there as well.

“And then a third grouping, China, India and Turkey where if you look at it on a ten year view these are economies that are going to grow massively and yet we don’t have, currently, a profitable model.

“So we’re finding new ways of growing. You therefore end up with eleven countries, all of which, in their own way have prospects for growth but are being managed in a very disciplined way. Which I think is the responsible thing for us to do.”

Question 5 - *What should we expect in the year ahead and what should we be looking for?*

“Well I am excited about the year ahead because we’re going to go faster with our plans to make Tesco in the UK a better business. I think the global economy is showing signs of recovery, so that will be helpful for all of our businesses. But if I think what am I looking forward to most, I think the launch of our current account from Tesco Bank for the UK in just a few months time will be very exciting, very exciting.

“The E-Wallet follows later this year. Which will be transformational, leaning straight into the connected consumer who is now shopping instore, on mobile or online.

“And I am really looking forward to the six hundred stores that are getting a refresh. Every time I go to see one, I see smiling colleagues, I see smiling customers, I see the sales line improving, I see the range reflecting more what customers want, I see a transformation.

“And day-by-day, we are seeing the benefits of these improvements in our refresh, we are seeing customers respond. So the more that we do, the more progress we’ll make and the better the sales line will be.”