NZ Retail Forum 2002

Peter Wilkinson

CEO David Jones Limited

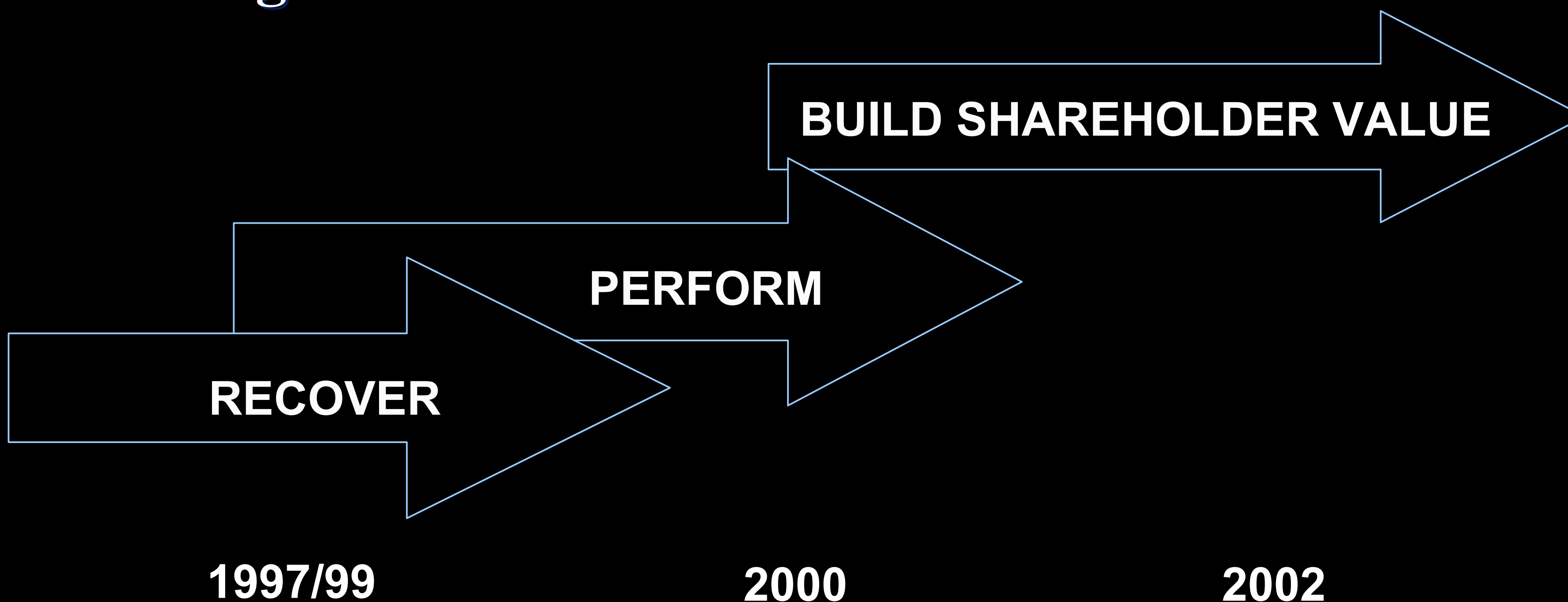
September 2002

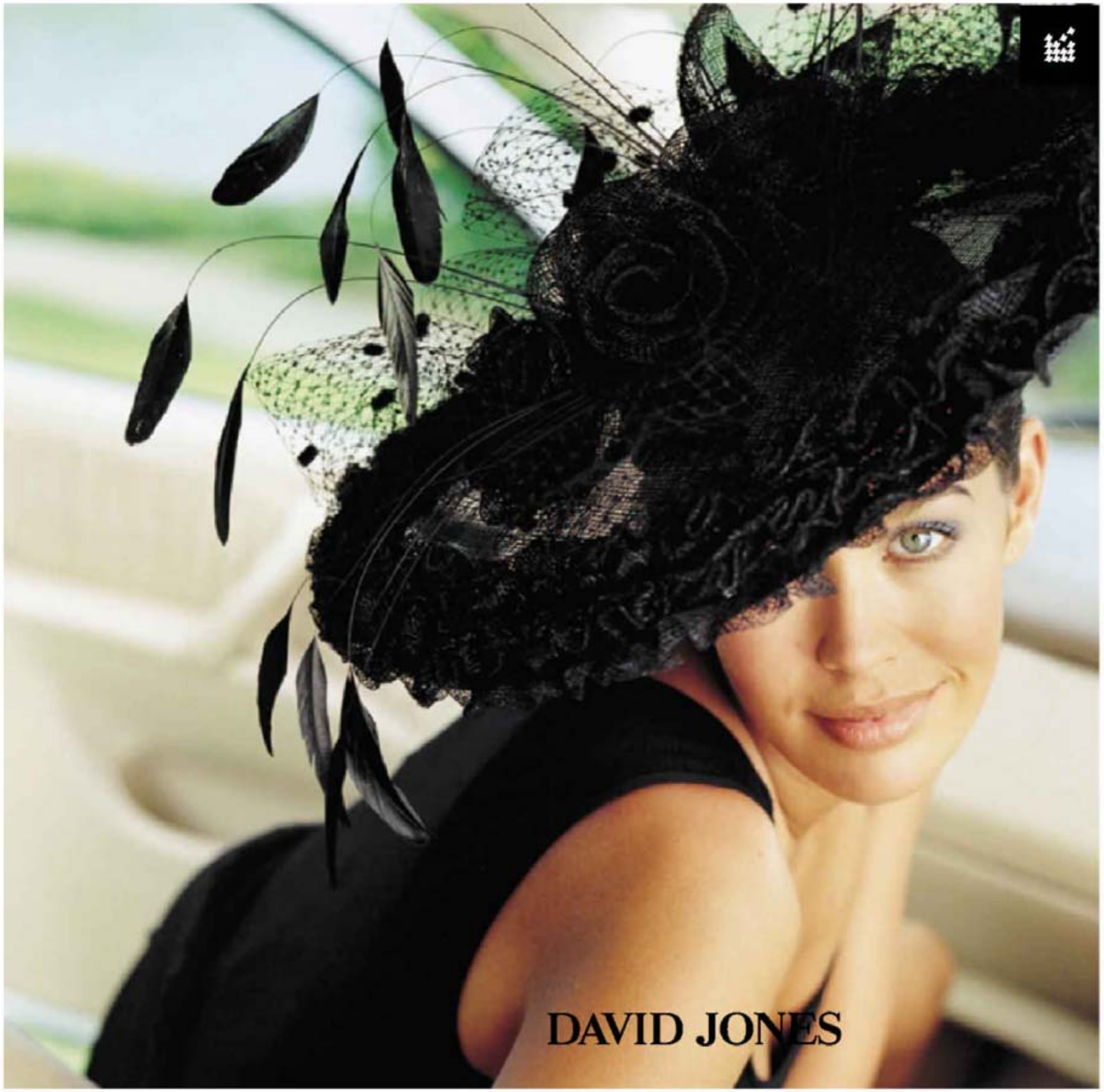
DAVID JONES LIMITED

- One of Australia's leading brands
- 36 stores Australia-wide
- $480 million market capital
- 13.3% market share
- 10,000+ employees

OVERVIEW OF STRATEGY

Moving from rebuilding the brand to building value for shareholders





RECOVER

BACKGROUND & OBJECTIVES

Background

- In 1997 we set about re-establishing the David Jones Brand
- We developed a value proposition which would reconstitute the brand and aim it squarely at a viable long term market segment

BACKGROUND & OBJECTIVES

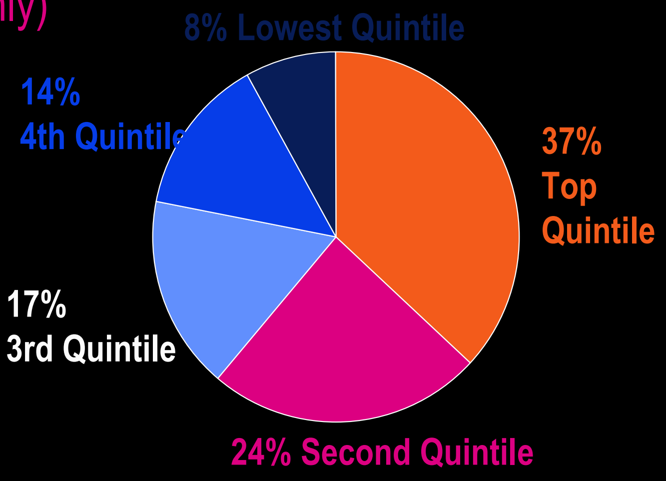
Background

- Looked at "where we wanted to play"
- Was it a segment which was viable enough to build the future of our business on
- Top quintile (20% of income earners) represent approx 38% of all non-food retail spending in Australia

Most affluent customer group is the fastest growing market segment

2 YEARS AGO, WE IDENTIFIED THAT THE MOST AFFLUENT CUSTOMERS HAD THE MOST VALUE FOR US

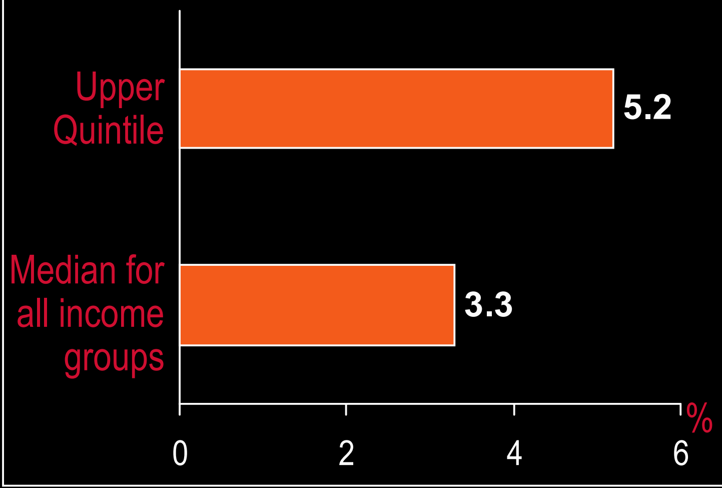
Expenditure* by income quintile % (Syd only)



* DJ Type products

THE TOP-INCOME QUINTILE'S INCOME IS GROWING SIGNIFICANTLY FASTER THAN THE NATIONAL MEDIAN

Annual % growth in income, '94/5 - '97/8



Source: ABS income distribution 1997-98

So Who is our Target Customer?

- ➢Female
- ➢AB Socio
- ➢Aged 30 - 54 years
- ➢Married with children
- ➢Tertiary educated
- ➢Owns/paying off a home
- ➢Employed full or part time
- ➢Manager/professional type roles
- ➢Has an above average income

Customer Profile

- 75% Aged between 30-54
- 70% Female
- 72% University Educated
- 72% Earn above $70,000 PA
- 70% Working Full Time
- 45% Own a David Jones Card
- 70% Quote David Jones as their favourite store
- In our store over 45 times per annum

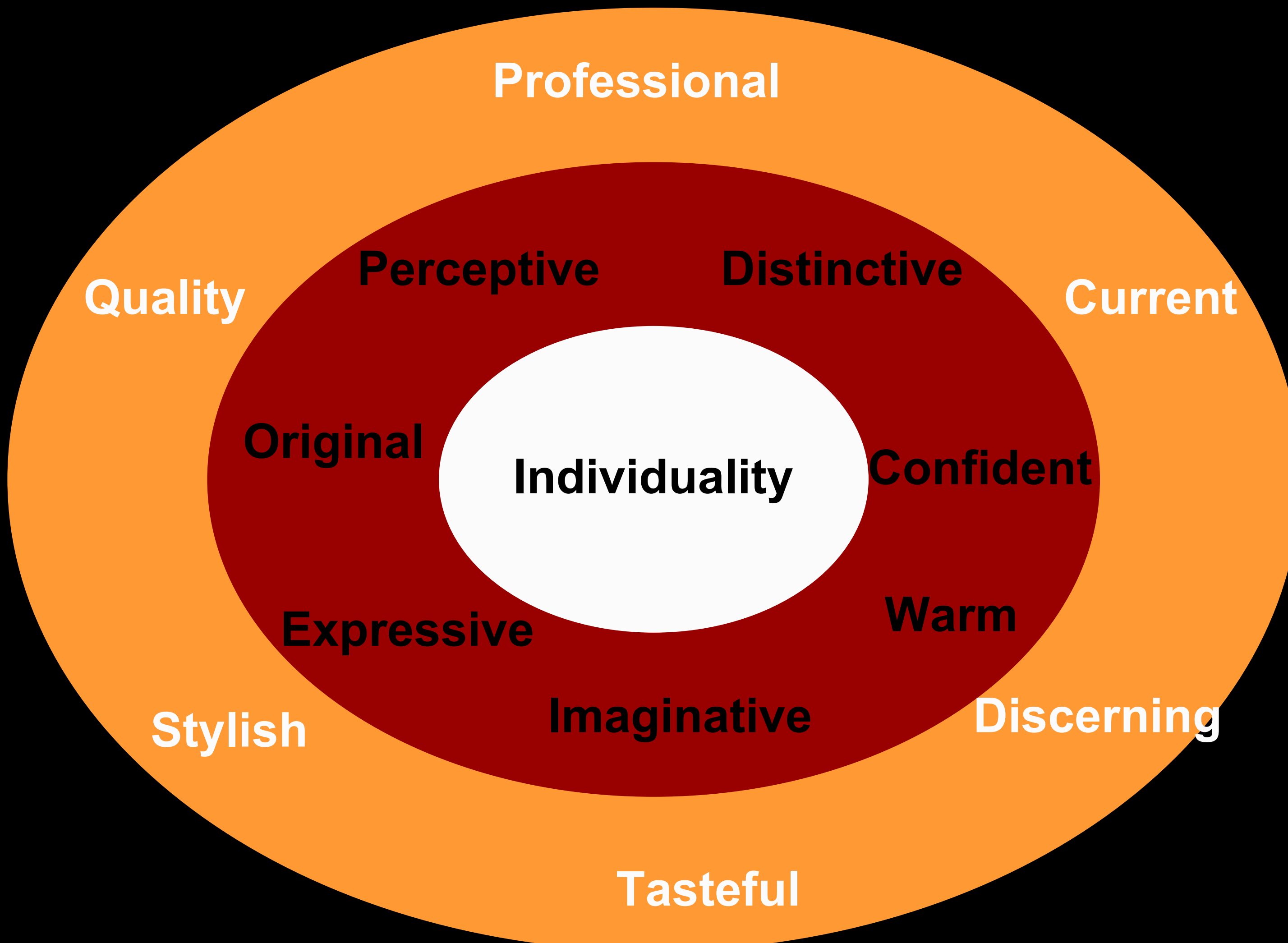
DECISION MAKING PROCESS

- So while a great many others shop in our stores every one of our key decisions would tie back to establishing a relationship with this core customer

KEY VALUE PROPOSITION ELEMENTS

- Staff/Service
- Product Range
- Store Environment
- Communication

DAVID JONES BRAND ESSENCE



GROW

OVERVIEW

- Core Merchandise and Marketing Strategy - differentiation
- Stores Program - improve selling space by 38% 1998-2004, concentrate on most productive stores
- Service Program - 5 star service
- Human Resources - succession planning, training and development
- Financial - improve balance sheet flexibility, rigorous financial discipline building

SIGNIFICANT DIFFERENTIATION

- Strategy has assisted us to develop a significant point of difference to our key competitor
- e.g. 65% of womenswear and 68% of menswear exclusive to DJS as a dept store.
- Provides competitive advantages which protect profit
- We are continuing to develop new segments in fact young fashion is one of our fastest growing areas - e.g. Baby Doll
- Refining other areas such as Home - a more fashionable element

BACKGROUND & OBJECTIVES

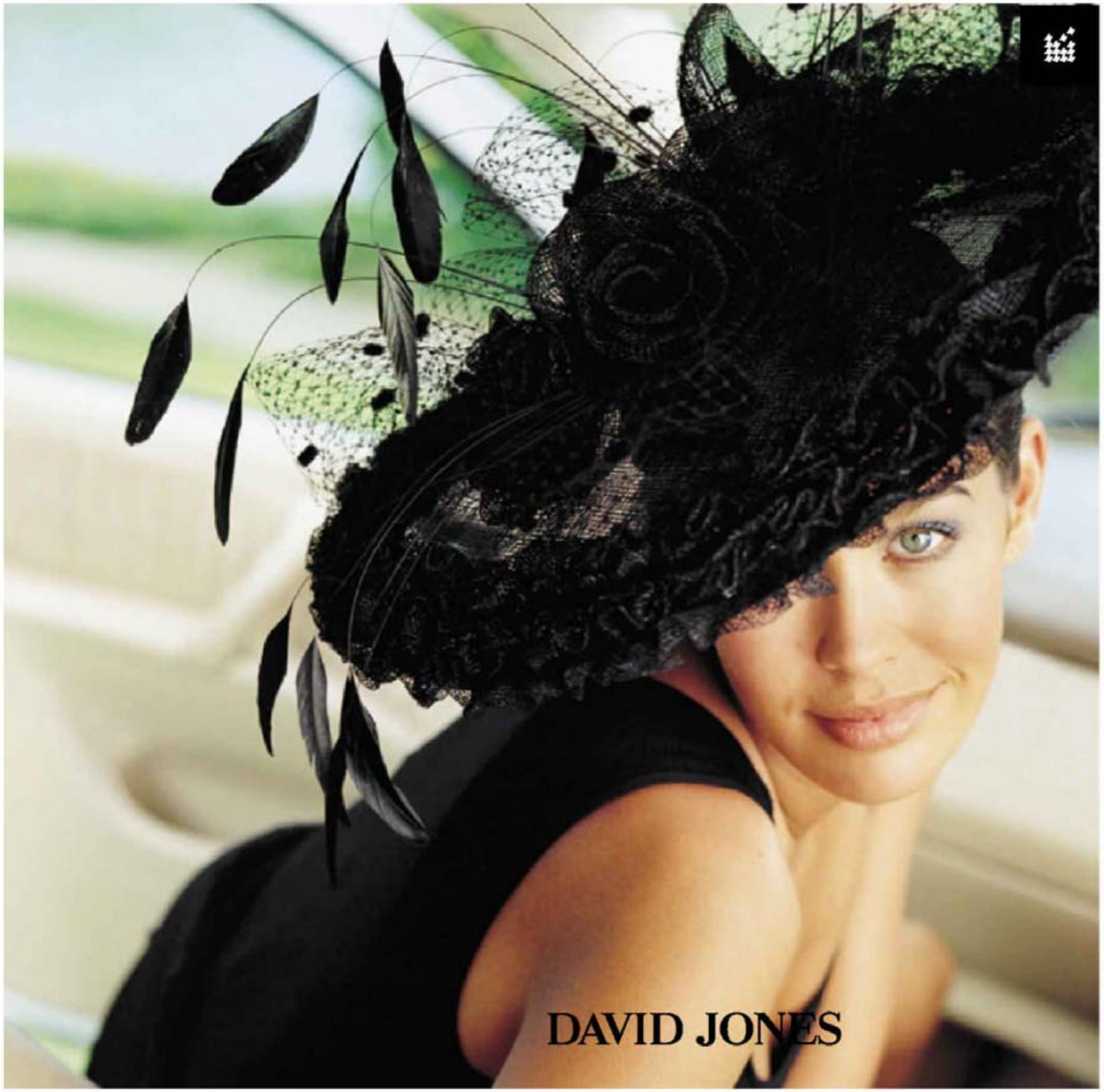
Background

- Once the Value proposition was identified and implemented across business a measurement system in place
- Needed to establish benchmark and develop ongoing understanding of customers' perceptions of the David Jones business

GROW AND STRENGTHEN CUSTOMER RELATIONSHIP

RESEARCH DETAILS

- Customer Satisfaction research conducted since May 1999
- To date, conducted N=7237 interviews with David Jones customers
- Interviews conducted in store, as exit interviews
- Interviews conducted in all David Jones stores, across all states and grids
- Research conducted and analysed by The Leading Edge



BUILD SHAREHOLDER VALUE

STRATEGIC REVIEW

- Strategy is formally reviewed annually
- Major review 2002 communicated to the market in May
- Core objective to achieve ROI of 15% in FY2004
- No change to core department stores
- Capital Management
- Capital Expenditure
- Foodchain

CAPITAL EXPENDITURE

- Capital expenditure previously earmarked has been reduced
- Driven by ROI Benchmark
- Positive experience from refurbishment program to date
- Management can reduce and reschedule without compromising the David Jones brand

REFURBISHMENTS

Project	Capital	Timing
Sydney CBD	$65 million	May 2002 – July 2007
Bondi	$33.9 million	October 2002 – February 2004
Hay Street	$31.5 million	Complete October 2002
Melbourne CBD	$20 million	Foodhall 2003 – 2004 2008 – 2009
Queen Street	$40 million	Stage 1 – late 2004 Stage 2 - 2006
Claremont	$5.8 million	late 2004
Chatswood	$18.0 million	2006 - 2007

HAY ST

HAY ST

HAY ST

HAY ST

RESULTS 2002

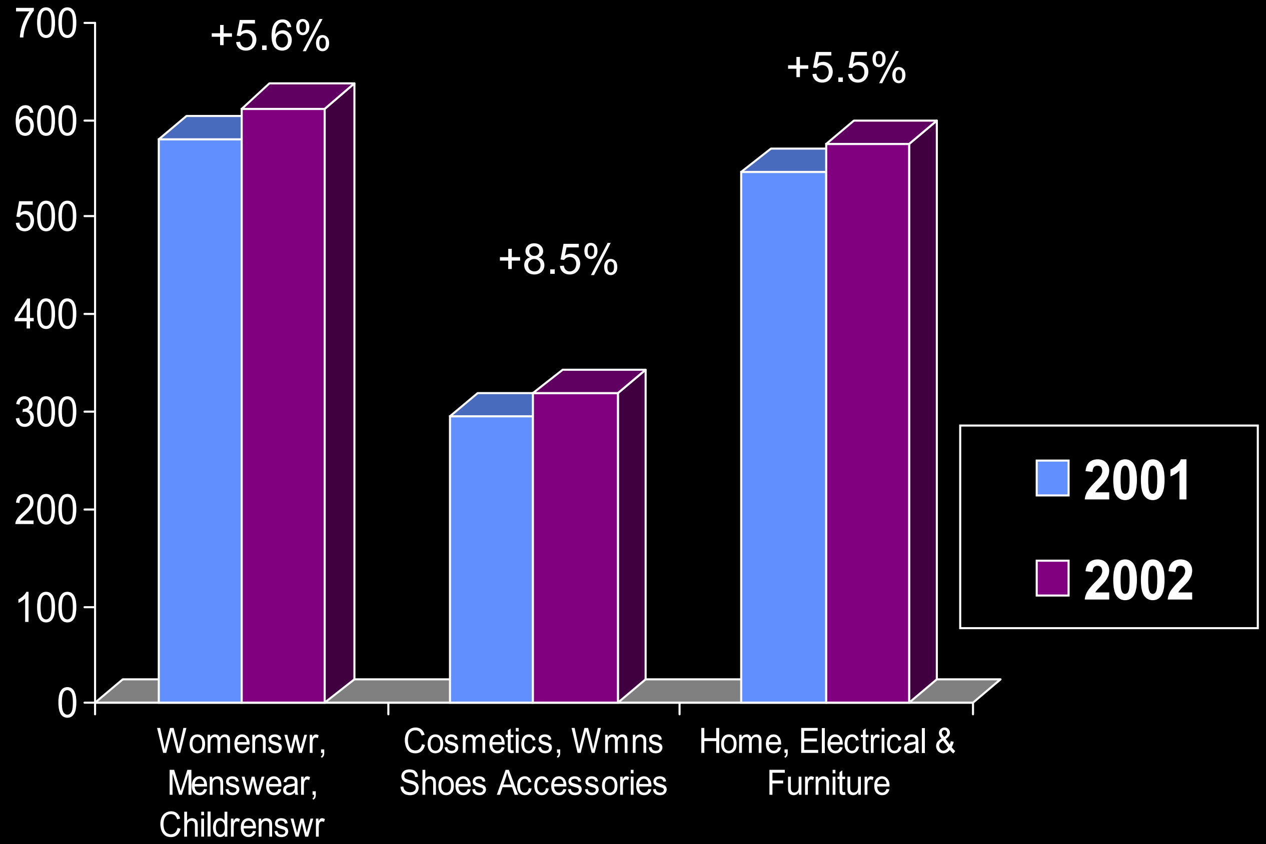
RESULTS 2002

- Strong sales performance (+7.8%)
- Strong core business result EBIT +24.6%, including excellent credit card contribution (+40%)
- 3 year run of market share gains
- Gross margin and inventory well controlled
- Worlds best practice shrinkage result
- Good cost management
- Improvement in ROI
- Reduced capex

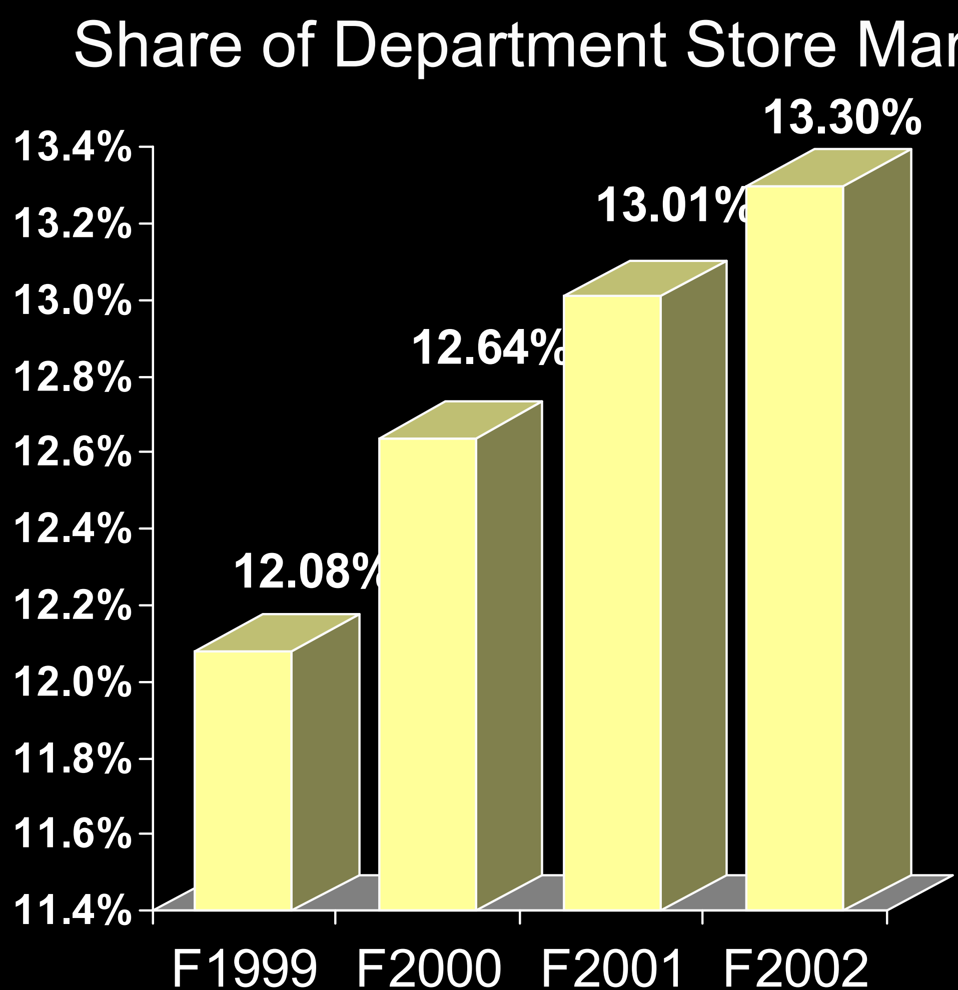
CORE RETAIL CATEGORY PERFORMANCE

SALES

FY2001 vs FY2002



CORE RETAIL-MARKET SHARE



Note: Adjusted for WA in all years

STATUS

- Well established core business strategy supported by well articulated brand proposition
- A culture of continuous improvement
- A clear competitive advantage - differentiation
- A focussed plan to deliver shareholder value
- Sales outlook positive
- Clearly articulated plan to move Foodchain from a marketing entity to a financial entity. Early signs good.

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