



DAVID JONES

THE MARKET

Under new chief executive, Peter Wilkinson, David Jones is tackling Australia's challenging retail environment on all fronts.

As Australia's premier department store, David Jones' advantage is that it not only houses a superior range of labels and brands, but its own name is synonymous with fashion and the Australian social scene. 'DJs' is an Australian icon.

Peter Wilkinson describes the relationship between David Jones and its customers as a "lasting and enduring, passionate and all-enveloping love affair". The stores aim to provide mystique, excitement and surprises in the shopping experience. The flagship Elizabeth Street store in Sydney remains a unique and sparkling venue, while other stores have been upgraded or are in the process of upgrading.

At the same time as David Jones is building and maintaining its historical position in Australian retailing, the team is closely monitoring retailing trends in Europe and North America. The corporate vision is to become a cutting edge retailer and world best practice is constantly being adapted and applied to improve existing operations.

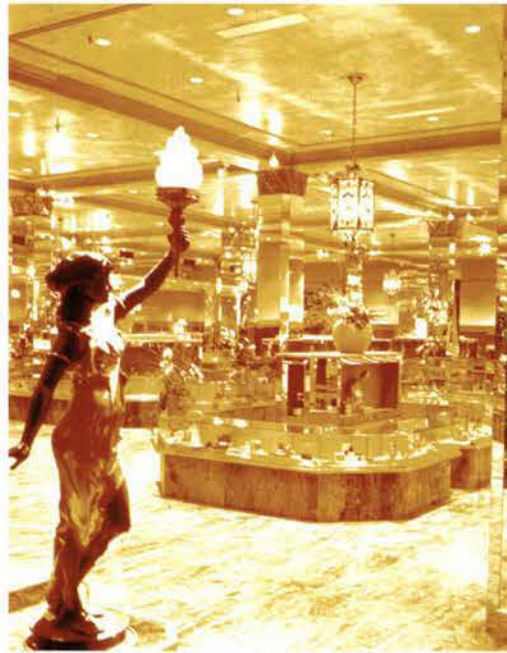
In the six months to December 1996, total sales were \$782.1 million and earnings before interest and tax were \$45.7 million. This makes David Jones the second largest traditional department store in Australia and the fifth largest retailer overall.

ACHIEVEMENTS

As Australia's oldest department store, David Jones' achievements are significant indeed. Since the 1830s David Jones has brought the highest quality and most fashionable products from around the world within reach of the Australian consumer.

In September 1946, David Jones began a series of exclusive fashion shows in Sydney. 'Paris Fashions for All', 'Christian Dior and other leading French Couturiers', 'Italy at David Jones', 'Sweden at David Jones', 'San Francisco Inspiration' and the 'Parisian Accessories Collection' were just a few of the stunning and revolutionary showings brought to Australia by David Jones.

In 1968, David Jones was awarded the Coat of Arms - an honour awarded to commercial organisa-



tions only where they are pre-eminent in a field of national value and importance.

Recent achievements at David Jones include its refloatation on the Australian Stock Exchange. Since listing, more than 42,600 shareholders have joined the group's share register.

HISTORY

David Jones is Australia's oldest department store, having commenced trading on 24 May 1838, just 50 years after the founding of New South Wales. The founder, David Jones himself, was a Welshman, London-trained in the drapery trade. His business, which consisted of a retail shop and a warehouse flourished immediately, supported not only by Sydney gentry but also large numbers of country settlers.

By 1853 David Jones was financially secure and had retired, leaving the management of the business in the hands of his partners. Even though this period was one of great expansion in New South Wales, David Jones & Co became insolvent and was assigned to trustees for the benefit of creditors.

Jones also lost everything. But at sixty years of age, he borrowed heavily and purchased David Jones & Co from the trustees, reopening on 13 August 1860. Edward, his youngest son, joined the business at this time. Once again, the business flourished, and having repaid all creditors, David Jones retired in 1868. David Jones & Co continued under the control of

James Woodward and Edward John Jones.

Limited liability was adopted in 1906, with the company registered with a capital of £250,000. The grandsons of the founder, Edward Lloyd Jones and Charles Lloyd Jones, were appointed to the board and shortly afterwards Edward Lloyd Jones became a director. Edward was chairman until 1920 and was succeeded by Charles who guided the company until 1958.

The company was not greatly affected by World War I. Having opened a manufacturing plant in 1914 the company was able to supply quantity and quality of goods despite the war. Growth continued and its expansion plans culminated in the opening of today's flagship store - Elizabeth Street - in 1927.

In 1935 the men's store was opened and shortly afterwards in 1938 the Market Street store was built and opened to coincide with the centenary of the company. By then the company's staff numbered over 5000 employees.

During World War 2 David Jones continued to trade profitably despite the rationing of goods, the loss of staff to the Armed Forces and the occupation of the newly opened Market Street store by the Ministry of Munitions. A period of consolidation followed the war until the company's acquisition of a store in Wagga, New South Wales in 1953 became the forerunner of a major expansion around the country. By 1958, David Jones had stores in Adelaide, Perth, Brisbane and Newcastle. This expansion continued rapidly over the next 20 years creating a national retail chain which now numbers almost 30 stores.

Difficult trading conditions in the late 1970s resulted in a decline in the company's profitability and in 1980 the Adelaide Steamship Company Ltd was able to acquire a major shareholding. Policy changes were implemented to enable the company to continue to grow and an extensive modernisation program ensured that all the company's stores would remain fully abreast of retail developments.

Restructuring of the company in 1995 has disentangled David Jones from the Adsteam Group and ensured the independent identity of the retail business.



THE PRODUCT

David Jones has an overarching aspiration to become a world class retailer. Every individual in the business is aware of this vision and is working toward it. The stores' positioning is very clear - an upmarket, exclusive department store with a wide assortment of branded merchandise and superior customer service.

RECENT DEVELOPMENTS

David Jones is facing the future with revitalised management and a thoroughly researched and conceived corporate plan. The immediate strategy is to 'get back to basics'. This strategy was announced by Peter Wilkinson in June 1997, two months after he was appointed.

The 'back to basics' strategy is being implemented over a two year time frame. During that time, growth plans are on hold - particularly in relation to international expansion. As the 'back to basics' phase enters its second year, increasing emphasis will be placed on driving earnings higher and ensuring the world class capabilities are being translated to the bottom line. By 1998, David Jones will be ready to pursue carefully selected growth options and build new businesses.

As part of this strategy, David Jones is focusing resources on where the greatest value lies. An important element of this is focusing on affluent positioning. Extensive research by the executive team and a management consultancy firm has shown that David Jones is an upmarket brand and returns to shareholders are increased by capitalising on this positioning at the top end of the market.



The second arm of the 'back to basics' strategy is to focus on high-value customers. David Jones values its regular, high-value customers and initiatives are in place to ensure they continue to appreciate their David Jones shopping experience. Research is carried out continuously to determine who David Jones' core customers are and how the relationship between these customers and the store can be improved. Buying habits are followed in detail and customers are given a personal reminder when their favourite merchandise arrives.

By focusing on high potential stores David Jones is also increasing shareholder value. Work is underway to radically improve the stores with greatest potential, to exit underperforming stores and to transfer best practice to others. Space allocation for each product is under review and staff levels are constantly monitored to ensure the most efficient mix. Even minor changes in these areas assist in bringing David Jones closer to world best practice.

Product mix is critical to any retailing operation. By focusing on core products David Jones develops superior offerings in its most important product categories. Management time is concentrated on the product areas which are considered as essential by core customers, and the product areas which have the greatest potential for growth. Fine tuning the balance between the most significant imported and domestic brands, and David Jones' private labels like David Jones itself, Milana, St James JW Paul, The Right Start and Trent Denim, is also being addressed.

Focus on the supply chain is a given. A significant amount of time is spent in improving supply chain performance. The aim is to ensure that all key products are in stock all the time.

Strategies are also being developed to address the development of David Jones' other existing businesses: credit card and property. The property portfolio currently stands at around \$250 million and the David Jones credit card contributes around 20% of earnings before interest and tax. Emphasis is being placed on maximising the value of these operations.

PROMOTION

Promotion, both through events and written material, is a key driver of David Jones'

business. The retailer hosts a number of high profile events and exhibitions which reflect the quality and style that customers have come to associate with David Jones. The widely acclaimed flower show, held each September, is one of the largest flower shows in the world, and involves the display of hundreds of thousands of blossoms at each of David Jones' city stores.

Each year six key fashion parades - Couture, Imports and the Australian Designer Show - are also held. As part of its commitment to excellence in Australian fashion design, David Jones prepares the country's largest touring parade with 30 models showing Australian design at David Jones four key CBD stores over a hectic one month period.

This standard in promotions can be seen in all David Jones advertising. The unforgettable line 'There's no other store like David Jones' has reinforced the store's reputation very effectively as has the memorable and effective visual symbol of the hounds tooth pattern. Research has shown the design is instantly recognisable, cutting through advertising clutter and reinforcing the company's desired market positioning. Most importantly, it is well received by the customers.

The company also places considerable emphasis on direct communication with the account customer base, through catalogue and special interest mailings as well as the DJ Magazine.



BRAND VALUES

David Jones' excellence in customer service really sets it apart from its competitors - the willingness to make a special effort to ensure the customers requirements and expectations are met.

In addition to this David Jones is renowned for its extensive range of products carefully chosen by buyers who scour the world for the best. To any Australian, David Jones personifies style, quality, aspiration and elegance.

Things you didn't know about David Jones

- David Jones was the first department store to own an aircraft and fly merchandise to its country customers.
- In February 1954, David Jones hosted a dinner in the Grand Ballroom for Queen Elizabeth II on her first State visit.
- David Jones was the first department store outside of France to show the Dior collection.
- The David Jones staff choir has been running continuously for 46 years.
- David Jones was the first department store in Australia to stock the Chanel brand.

