

# CONSUMER LEASING



## STRATEGIC INTENT

**THORN'S STRATEGIC INTENT IS TO RAISE THE BAR BY IMPROVING RADIO RENTALS' CUSTOMER OFFER THROUGH LOWER PRICES, A WIDER, MORE MODERN PRODUCT RANGE IN NEW IMPROVED STORES, THE IMPLEMENTATION OF A NEW ONLINE CUSTOMER APPLICATION AND CREDIT ASSESSMENT SYSTEM WHILE DRIVING OPERATIONAL EFFICIENCIES.**

Over the past few years, there has been increased scrutiny of the consumer leasing industry, with the Radio Rentals' name regularly mentioned as an example for the wider industry because of its recognition and market leading position. Over the past year, Thorn has undertaken a review of the brand's value proposition, to ensure it continues to provide a competitive offer and superior customer service.

Radio Rentals has developed an online customer application and credit assessment system which is now being rolled out nationally. This streamlined system is the first of its kind in the consumer leasing industry, and will improve customer experience as well as provide a scalable and more efficient approval process.

**THORN'S CONSUMER LEASING BUSINESS, RADIO RENTALS, IS A MARKET LEADER AND HAS BEEN OPERATING IN AUSTRALIA FOR 80 YEARS, WITH A BASE OF 100,000 LOYAL CUSTOMERS AND A NATIONAL FOOTPRINT OF OVER 80 OUTLETS.**

Radio Rentals provides an extensive range of essential household goods and home office needs through consumer leasing products, principally under the Rent-Try-\$1 Buy® banner. Rent-Try-\$1 Buy® enables customers to enjoy the benefits and flexibility of rental along with the potential to obtain ownership. In line with the group's responsible lending policy, Radio Rentals ensures all customers are provided with products that suit their needs and budget and are not over committed, enabling more Australians to gain access to every day essentials.

**97.3%**  
**OF CUSTOMERS SAY THE RADIO RENTALS TEAM TREAT THEM WITH DIGNITY AND RESPECT**

## OUR BUSINESSES

### OPERATIONS

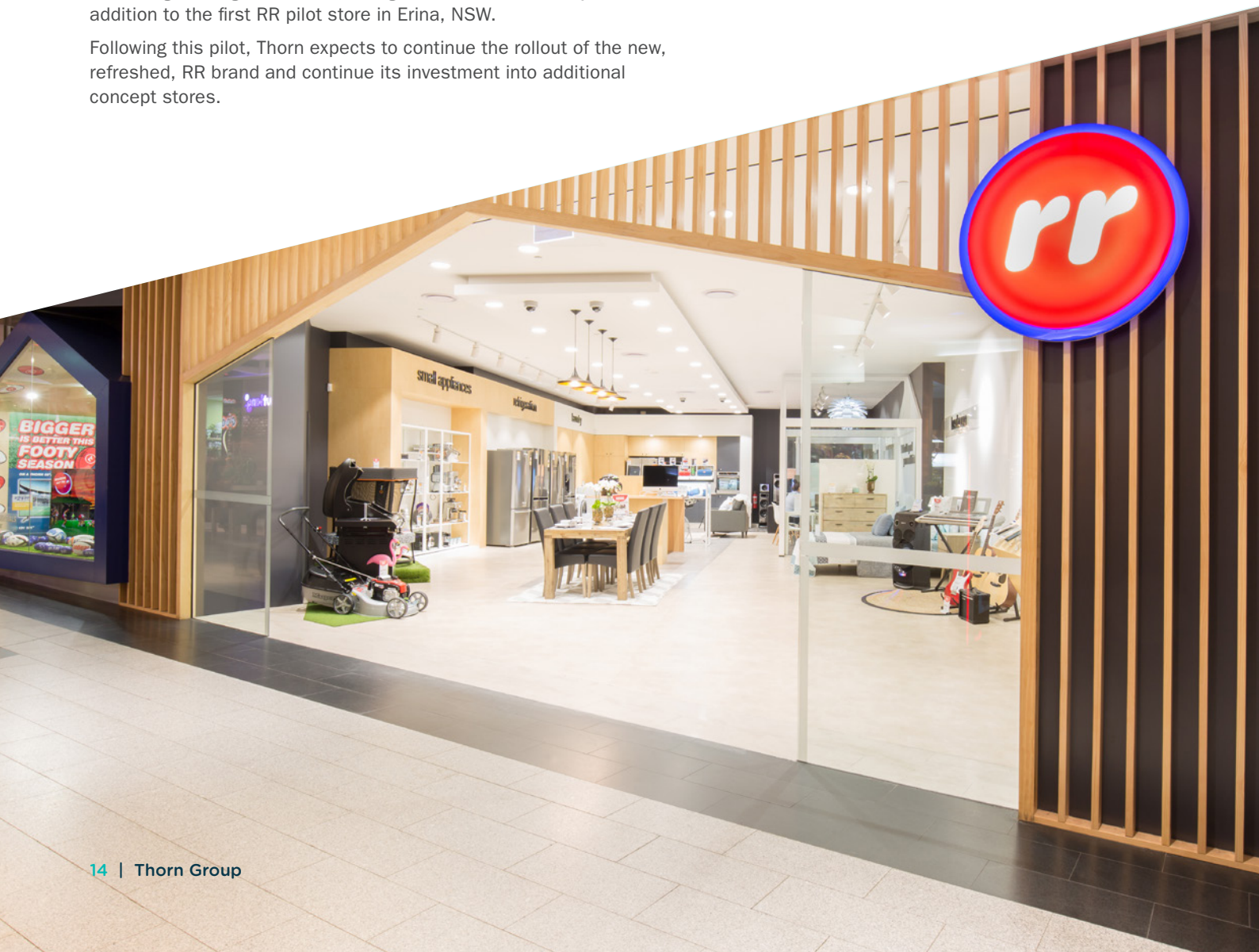
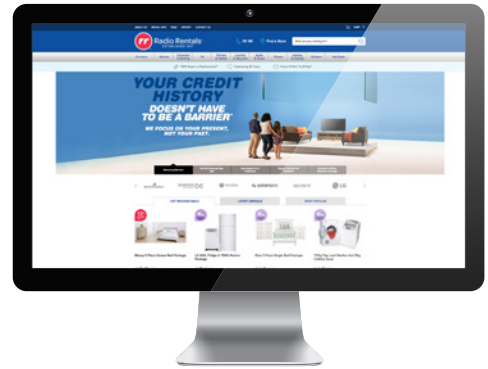
Radio Rentals' strategy of reinventing itself to customers by creating new products, locations and ways of helping people access the goods they want and need has resulted in exposure to larger customer bases and higher demographics, with revenue increasing 2 per cent in FY17, to \$251.2 million. However, the measures put in place to deliver an improved customer experience and investment in a more stable business have resulted in higher costs. These costs plus the provisioning for regulatory matters have resulted in EBIT being down 17 per cent to \$36.3 million.

Longer term contracts continue to be very successful, with customers moving away from shorter term leases to four year leases, which allow for more affordable weekly payments. With this having begun three years ago, there will be a flow through impact of temporary deferral of returning customers due to launch of the four year contract. This disparity will decrease over the next couple of years as there will be a larger proportion of four year contract renewals.

### A REINVENTED BRAND

Last year, Thorn announced its plan to transition six existing full service branches to the new and modernised "Hub and Spoke" model under the new brand, RR, strategically located in high traffic shopping centres. This strategy has proven successful with a number of stores relocating into high footfall shopping centre locations this year in addition to the first RR pilot store in Erina, NSW.

Following this pilot, Thorn expects to continue the rollout of the new, refreshed, RR brand and continue its investment into additional concept stores.





**DEVELOP**

Thorn branded product range further and new propositions to reach a wider demographic

**MAINTAIN**

high levels of customer satisfaction across the store network

**ENHANCE**

regulatory focus and streamline “enquiry to contract” process for improved customer experience

As it looks to better service customers, Thorn is also progressively establishing a number of warehousing and distribution hubs in metro locations, including in Sydney and Brisbane, to help capture new customer segments.

Thorn branded products remain popular, with volume and range expanding over the past few years and now including televisions, a variety of fridge types, smart phones and tablets. This year has also seen the launch of new product categories, including small appliances and music instruments, as well as a summer catalogue which included a range of barbeques, lawn mowers and outdoor items such as trampolines. These are expected to be a recurring offering.

**BRAND STRENGTH AND SUPPORT**

Radio Rentals is a resilient business with a network of 80 stores nationally and 100,000 loyal customers. Customer satisfaction and loyalty remain a key focus of the Radio Rentals business. An independent survey conducted last year by Roy Morgan revealed strong support for the brand. The research shows 97 per cent of customers say Radio Rentals treats them with dignity and respect, 92 per cent consider Radio Rentals affordable and 70 per cent say Radio Rentals was the only way for them to access affordable everyday essential goods. More than half of the respondents said that if they had not gone to Radio Rentals, they would have had to go without the goods and 95 per cent said “Rent-Try-\$1 Buy” was important to them.

**92%** OF CUSTOMERS RATED **RADIO RENTALS AFFORDABLE**