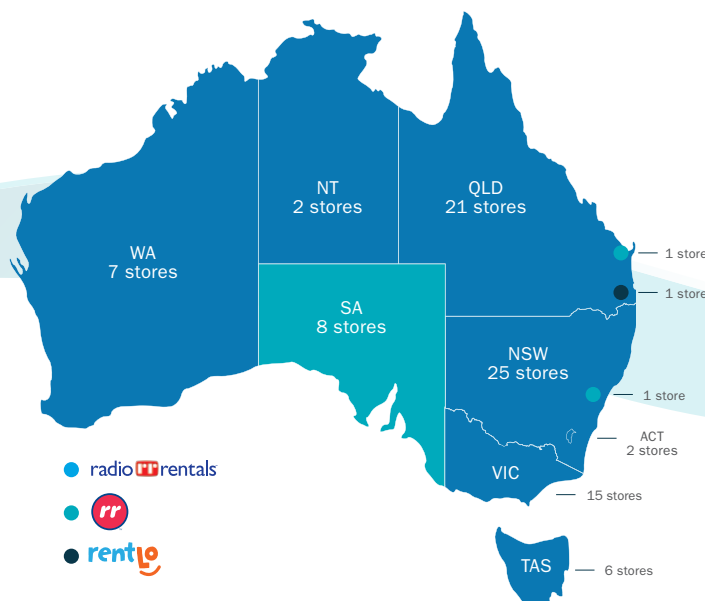




# CONSUMER LEASING

# 97.3%

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



**RADIO RENTALS IS AUSTRALIA'S LEADER IN HOUSEHOLD GOODS CONSUMER LEASING, WITH A SIGNIFICANT INDUSTRY MARKET SHARE. IT WAS ESTABLISHED IN 1937 AND NOW HAS 90 OUTLETS NATIONALLY.**

Radio Rentals provides an extensive range of essential household goods and home office needs through consumer leasing products, principally under the Rent, Try, \$1Buy® banner. Radio Rentals operates over 90 outlets nationally and has been a market leader since 1937.

Rent, Try, \$1Buy has become an industry icon enabling 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. This aligns with the group's fair go ethic through credit decisions that are based on customers' capacity to pay, rather than their credit history. The outcome of this enables more Australians to gain access to everyday living essentials.

## STRATEGIC INTENT

**THORN'S STRATEGIC INTENT IS TO CONTINUE TO ENHANCE ITS MARKET LEADING POSITION AS A PROVIDER OF ESSENTIAL HOUSEHOLD GOODS.**

It is doing this by evolving and reinventing itself to customers, by creating new products, locations and ways of helping people access the goods they want and need. This strategy has proven successful and will extend Radio Rentals' demographic reach. In FY16, Radio Rentals continued to experience strong demand and high levels of customer satisfaction. Revenue was at a similar level to last year at \$246 million, principally due to

tightened credit assessment practices relating to evolving regulatory oversights and responsible lending concepts. This, and a provision for historic customer credit refunds, affected earnings, with underlying EBIT 4 per cent lower at \$49.7 million. A significant technology project has now commenced to improve customer experience and transactional efficiency, while taking into account evolving regulatory requirements.

## OUR BUSINESSES

### OPERATIONS

Installation volume in FY16 remained high, with furniture and household essentials continuing to be the most popular categories. 48-month agreements continue to be in high demand, with more customers now opting for longer contracts that offer affordable weekly payments for larger products and whole room packages.

Thorn branded products are still very successful among Radio Rentals customers with volume and range expanding over the past few years and now includes televisions, a variety of fridge types, smart phones and tablets. Partnering directly with manufacturers to deliver these products has a positive effect on margins.

The launch of new smartphone ranges among major brands has resulted in the category growing significantly. Thorn has also started piloting a new small appliance range, which further complements a broad electrical retail category.

In FY17, Radio Rentals will be opening two new outlets, one in Victoria and another one in Western Australia. In addition, Radio Rentals plans to transition six existing "Full Service Branch" locations to a "Hub and Spoke" business model which will benefit from access to high footfall shopping centres. This strategy has proven successful in supporting installation growth and will extend Radio Rentals' demographic reach.

### BRAND STRENGTH AND SUPPORT

Customer satisfaction and loyalty are a key focus of the Radio Rentals business. This year, independent research firm Roy Morgan conducted an independent survey of Radio Rentals customers, which revealed strong support for the brand. The research shows 97 per cent of customers say Radio Rentals treat 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.

#### 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



**NEARLY 70.5%** OF CUSTOMERS SAID  
**RADIO RENTALS WAS THE ONLY WAY FOR THEM TO  
ACCESS EVERYDAY ESSENTIAL GOODS**

Source: Independent survey conducted by Roy Morgan Research between February 22-26 2016, 6995 customers responded.

# 95.1%

OF CUSTOMERS SAID

**“RENT TRY \$1 BUY”**

**WAS IMPORTANT  
TO THEM**



## MARKET LEADING

As a market leader, Radio Rentals constantly looks to improve its offering, from new products to brand and store evolutions and improved systems.

In the past year, key initiatives included a pilot rebrand of Radio Rentals, to RR, to reach a wider demographic, the development of new propositions and a second rental brand to increase market penetration and improve asset utilisation.

In FY16, the first RR pilot store in Erina, NSW, was the highest revenue and customer growth store in the network. Thorn considers this as a good indication for the future of the brand's concept store plans, including the new brand, RR, modernised store design, strategic location in high traffic shopping centres and the introduction of new propositions such as “interest free quick buy.”

Thorn continued the trial of its second rental brand, Rentlo, which achieved positive results in its first year of trading with the “No Lock In” contract proving very popular, increasing market share and improving asset utilisation. While the trial was positive overall, some issues remain around high customer acquisition costs and conversion numbers, with changes around the proposition and pricing currently being considered before a decision to maintain the brand is made.

## REGULATION

The consumer leasing industry has seen increased regulatory scrutiny over the past year, with the Government appointing an independent panel to review small amount credit contracts and consumer leases. During that time, Thorn has actively participated in consultation with government, in its own right and as part of an industry leadership group. The Review Panel's Final Report has recommended a level of pricing caps which supports Thorn's business model as a low cost consumer lease provider. Thorn will now look to take a market leadership position in adopting these rates, irrespective of how long it may take to enact these recommendations through legislation. This effectively removes any uncertainty surrounding Thorn's business model and ensures the sustainability of the consumer leasing business.

Radio Rentals has been providing consumer leasing to Australians for nearly 80 years and Thorn is committed to enhancing its own responsible lending practices. Thorn has developed initiatives to improve technology and information sources and has proactively kept industry regulators advised.

# 92%

**OF CUSTOMERS RATED  
RADIO RENTALS  
AFFORDABLE**