

## OUR CUSTOMERS

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### CONTEXT

#### Our Approach

Our aim is to meet or exceed our customers' expectations of Next products and of Next as a company by providing :

***Exciting, beautifully designed, excellent quality clothing and homeware that reflects the aspirations and means of our customers***

As well as delivering to our Brand values we are committed to ensuring that no-one should be harmed when our products are being made or whilst they are being used.

Our areas of focus are:

- the quality of our products
- our products are safe and are fit for their intended purpose
- our products fully comply with all legislation and our own standards where these go beyond legislation requirements
- our products and their raw materials are sourced in a responsible manner
- encouraging our customers to consider reducing their impact on the environment by offering information about lowering the temperature they use for washing clothes and how to dispose of products correctly

We are committed to operating a responsible and successful business.

We aim to provide an inclusive high level of service to all our customers to welcome them to Next, whether they are shopping in our high street, shopping centre or retail park stores, the Next Directory, or online through our website. However our customers choose to shop with us, it must be safe, welcoming and easily accessible for all. We aim to respond to customers particular needs through the package of measures we have in place, which we believe supports all our customers including those with additional needs.

#### Product Safety and Legislation Compliance

Next is committed to ensuring the product we sell has been made in a safe environment, is safe to use and is fit for purpose. Our team of specialist technologists works closely with our buyers, designers and suppliers and is responsible for ensuring all products sold by Next comply with the relevant consumer legislation as well as the required safety and performance standards detailed in our product specific manuals given to our suppliers. To support this, our technologists also liaise with and use the expertise of independent safety specialists for clothing, footwear, accessories, beauty and homeware products, to ensure the products we sell achieve the required safety and performance standards.

To have visibility of and monitor the development and introduction of both new legislation and changes to existing legislation we work closely with trade associations, British Standards and government departments to both contribute to and support legislation development, by giving our views and ideas.

We are members of different industry committees and groups, and through these we are able to participate with other stakeholders in policy debates to contribute to their development and ensure we comply with the relevant legislation in line with their enforcement dates.



## OUR CUSTOMERS....continued

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### Customer Service

Next understands the need for creating and maintaining good relationships with its customers. This means continually developing how customers are able to shop with us whether in our stores, using the Next Directory or online. In addition we must continue to ensure we offer the product choice, value and service our customers expect.

We regularly measure what our customers think of Next by undertaking an active programme of market research and direct customer contact in order to better understand and respond to our customers' needs and opinions. We interview and gather feedback through customer completed satisfaction surveys, organise mystery shopping visits to stores and carry out accompanied store visits and discussion groups. The resulting information gathered through these different programmes is used internally to review, develop and improve our overall service and to ensure we continue to work to achieve our aim of meeting or exceeding our customers expectations of Next.

Through our Customer Services Department we ensure we have effective procedures in place, for both our Retail and Directory customers, for customers to contact us through telephone calls, letters and email correspondence to resolve customer enquiries and issues in relation to our products, our operation, our policies and the service we provide. In addition we ensure we have a robust procedure in place to monitor, evaluate and respond to customer feedback where necessary. The Customer Services Team works closely with many internal departments within Next in relation to the correspondence received from our customers about a product, operation, policy or service we offer by providing regular reporting of issues raised. The relevant department will use the findings alongside other data, such as returns information, to review how a product or service can be improved going forward, or to identify possible problems that need further investigation.

### DATA

In 2008 we had :

- an average of 294,000 transactions per day in our Retail stores (2007 : 307,000)
- 2.28 million active Directory customers (2007 : 2.21 million)
- 3,960 printed pages in our Directories ( 2007 : 3,652)
- 60% of Directory orders placed through the internet

## OUR CUSTOMERS....continued

	CUSTOMER SERVICE CONTACTS - ESCALATED		CUSTOMER COMPLAINTS/BRAND SALES PER 100K UNITS		
	2008	% +/- v 2007	Complaints per 100k units	% Complaints Rate	% +/- v 2007
Total Customer Service contacts	87,631	-14.7			
General Enquiries	8,017	-47.4			
<b>Complaints</b>	<b>75,025</b>	<b>-9.0</b>	<b>27.05</b>	<b>0.027</b>	<b>-3.0</b>
- Disability	26	+15.4	0.009	0.000	+25.0
- Operations	7,516	-14.1	2.71	0.003	-9.0
- Product	29,590	-12.8	10.66	0.011	+5.0
- Service	37,893	-13.3	13.66	0.014	-8.0
<b>Other</b>	<b>4,589</b>	<b>-9.8</b>			
- Incident	1,211	-5.9			
- Positive feedback	3,225	-11.6			
- Suggestion	153	-0.7			

Note: the data in the table above does not include initial contacts made with Next Directory which are immediately resolved, as these contacts are not recorded. Only escalated contacts for Next Directory are included. The data does include an estimation for the figures recorded in August as we introduced a new reporting system and during August both systems were running together. The 2008 data no longer includes orders which were cancelled before delivery, so to ensure consistency of comparison data, we have removed cancelled orders from 2007 data.

Our Customer Services Department is responsible for satisfactorily resolving customer contacts that have been identified as 'escalated' across both Retail and Directory. The team will investigate the reason for the contact, liaise with other internal departments as well as the customer, to bring the contact to a satisfactory resolution. We record the total number of reasons the customer contacts Next, as one customer may contact us about several enquiries or issues in a single communication. It is important to us that each enquiry or issue is resolved for the customer. Satisfactory resolution of customer contacts is a business priority for Next and the Customer Services Team works closely with different internal teams, such as the Product teams, to achieve this.

Customer Services work closely with individual departments across the business to provide specific data and reports to support the monitoring, evaluation and decision making required to resolve issues raised by customers.

We have recorded a 14.7% reduction in the total number of escalated contacts received from our customers. The number of general enquiries recorded has reduced by 47%, this is predominantly due to the introduction of additional resources within the Directory Resolutions team to immediately resolve initial contacts from Directory customers, which is beneficial for these customers. We have also recorded a 9% reduction in the overall number of complaints received during the year with a 12.8% reduction relating to the products we sell.

## OUR CUSTOMERS....continued

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### SUCCESSSES

#### Legislation

#### REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)

REACH is European legislation which came into force on 1st June 2007. REACH seeks to reduce exposure to harmful chemicals and substances produced in or imported into the European Union and requires that they are registered.

The aim of the legislation is to :

- monitor the use of new and existing chemicals in the European Union
- assess the harm these chemicals may cause to humans and the environment
- minimise the risks harmful chemicals may pose to humans and the environment by either banning or restricting their use

Working with our global suppliers we were able to determine the quantities of chemicals in our products and intended to be released. As required by the legislation, we made all the necessary registrations to the European Chemical Agency(ECHA) based in Helsinki, Finland by December 2008.

In October 2008, ECHA released the Substances of Very High Concern (SVHC) list. In general terms, SVHC are substances that have hazards with serious consequences, e.g., they cause cancer, or they have other hazardous properties and/or remain in the environment for a long time with their amounts in animals gradually building up. Our Restricted Substances Standard (see Restricting Hazardous Chemicals below for more information) includes the substances identified as SVHC's. We continue to work closely with our suppliers to support them to understand this piece of legislation and also that compliance with our Restricted Substances Standard achieves compliance with REACH.

#### Restricting Hazardous Chemicals

Next restricts the use of chemical substances in our products that are environmentally hazardous or harmful. Our Restricted Substances Standard details the chemicals /substances that are of concern as they are either:

- restricted by law
- harmful to humans
- harmful to the environment

Our Restricted Substances Standard forms part of our technical requirements for the products manufactured by our suppliers. We have based our requirements on the highest legal European standard and often go further than the law demands. We work with our suppliers to ensure the chemicals/substances used meet our required criteria and offer advice and support where required.

During 2008, as part of our due diligence programme and commitment to ensure the products we sell meet our standards, we have developed an ongoing programme where we conduct regular monthly audits based on a clear risk assessment process. Working with an independent specialist laboratory, we select products, based on a risk criteria, and test them in accordance with the requirements of our Restricted Substances Standard. Suppliers are advised of the outcomes of the testing, and if products are found to fail our requirements they are withdrawn from sale.

## OUR CUSTOMERS....continued

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### Product Safety

Next is committed to ensuring the product we sell has been made in a safe environment, is safe to use and is fit for purpose. We are committed to ensuring that children are safe when wearing or using our products.

Our Childrenswear division focuses on safety throughout all stages of development and production, starting initially at the design stage by ensuring all products achieve the standards we have developed and issued to our suppliers. We have based the requirements for our safety standards on the highest legal European standard and often go further than the law demands.

During 2008, the Childrenswear Safety Manual was revised and re-launched to our suppliers on our secure web based supplier Extranet, which provides suppliers instant access to this manual and other important information they need to work with Next. We also ensured all members of the Childrenswear team, including our buyers and designers, were given training on the contents of the revised Safety Manual to enable them to understand about our safety requirements so they are able to identify a potential risk with a product.

The selected products undergo a risk assessment to check if the product might be a potential hazard when being used by a child. Products are checked at every stage of development and the production process to ensure:

- our safety requirements are being adhered to
- embellishments such as buttons, press studs and embroideries are securely attached
- all finished products are passed through a metal detector to detect if any extraneous metal objects are in the product e.g. pieces from a broken needle.

The safety of children is an issue that is of highest importance for many retailers and suppliers.

Through European working groups we work closely with other retailers to develop and influence EU regulations to ensure the safety of children is paramount. We believe this process of communicating with regulators and other industry representatives through these committees does result in the development of better regulations to protect children.

Next has an established procedure in place to recall a product if it is found to fall below our high standards of safety and performance as the safety of our customers is our priority. If a recall is required we :

- place an immediate 'freeze' on all warehouse stock and action the till procedure that prevents any further product being sold
- instruct our stores to remove the item from the sales floor
- inform our customers of the recall and their entitlement to a full refund by placing notices in our store windows and at till points and by writing directly to our Directory customers
- collate the returned products at our warehouse and arrange for its safe disposal

## OUR CUSTOMERS...continued

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### Timber

Next's Timber Sourcing Policy is to source wood and wood composite products from legally and well managed forests through working with recognised international standards. The forest certification scheme that provides this level of assurance is the Forest Stewardship Council (FSC).

We launched the Timber Sourcing Policy with our Home division where we sell the most wood and wood composite products. During 2008 our technologists have been working with our suppliers to start to understand and record details about the species of wood and the country of origin of the forest source. We appreciate this will be a long-term ongoing commitment, and we will support our suppliers to work towards sourcing through credible forest certification schemes where they are not currently doing so.

100% of our garden furniture has been certified by FSC since 2003, which provides assurance that these products have been made from wood sourced from legally harvested and well managed forests. As garden furniture can be made from tropical hardwood species, it is especially important to gain FSC assurance about where the wood was sourced from. We will continue with this commitment.

During 2008 we have started to introduce the policy and work with other areas of the business where wood and wood composite products are used. This has included our Shopfitting department, where we are undertaking a review to understand and record details about where wood and wood composites are used, the species of wood and where the wood is sourced from.

### Animal Welfare

During 2008 we started a comprehensive review of our current animal welfare policies with a view to developing a policy covering all issues in relation to the products we sell. The products we have focused on include our beauty products, use of real fur and animal skins, feathers and shells.

Our current policy for our own brand beauty products is not to undertake or commission animal testing of any kind. We only accept products made from ingredients where the raw materials have not been tested on animals after a cut-off date of 1998.

We have a policy that we will not use real fur and that artificial fur must be sourced for Next products. As artificial furs can look very real, and for a customer it is sometimes difficult to differentiate, we have added a clear indication to the care label to advise the customer the product is made using artificial fur. This will start to be implemented for products sold in 2009.

Next, together with other brands and retailers have been working with the British Retail Consortium to encourage the Australian Wool Industry to develop alternative husbandry techniques to mulesing, which is a surgical procedure performed on merino sheep in order to prevent blow fly infestation. Mulesing was introduced as an animal welfare measure, however we do not believe it is now an acceptable practice and our priority for 2009/10 is to be able to source merino wool products, from non-mulesed sheep or where the practice of mulesing has ceased.

### Raw Materials - Cotton

Cotton is the single largest raw material used in our products, with over 50% of our products being made from cotton. Towards the end of 2007 we were made aware of an ethical issue in relation to cotton being grown in Uzbekistan, with overwhelming evidence of Government sponsored use of child labour during the cotton picking season. Following a period of investigation with our key suppliers, in consultation with an NGO and in line with other retailers, we made the decision to not accept products made from cotton grown in Uzbekistan and advised our suppliers of our decision in February 2008. During the year we started to work with some of our key suppliers to assist them in determining the origin of the cotton fibre being used in their products, and to develop methods of traceability that will be able to be used by more suppliers in the future.

## OPPORTUNITIES AND PRIORITY

- develop a new Animal Welfare policy to improve, promote and protect animal welfare in relation to the products we sell including the development of plans to eliminate the use of wool from sheep that have undergone the 'mulesing' process
- develop reporting tool to be able to track the forest sources of Home division timber based products
- investigate the opportunity to develop traceable sustainable cotton products