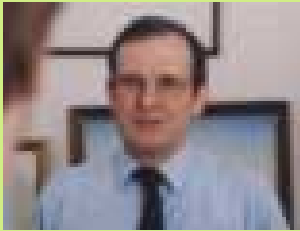




best at
availability

We're keeping our shelves full with the help of new technology while reducing our impact on the environment.





**Lawrence Christensen,
Supply Director.**

Lawrence is responsible for getting product from our suppliers to stores, via our depots. He spearheads our goal of having the best availability in the sector and is constantly working to make our supply chain as efficient as possible.



During the year, we significantly increased our focus on availability of the key promotional lines which feature on our flyers, and this has led to a dramatic improvement, whilst maintaining the levels of availability on core lines which we were achieving last year. Our goal is to continually improve levels of availability, which we will achieve with the help of two new developments, both involving greater control over availability by our store teams at local level.

In common with most other sales-based ordering systems, our stock ordering processes have traditionally been managed from the centre. Centrally-driven systems, however, can be inflexible, particularly for products which have a short shelf-life and whose sales vary considerably from store to store. We are removing this weakness by enabling store managers to decide exactly how much stock they need, both weekly and day-by-day, of those products which are most susceptible to local variations on sales and wastage.

As a result of this innovation, store managers now have better control over promotional volumes and wastage and can fine-tune their daily stock management to suit local demand.

The second development is a new technological aid to the effective management of availability at store level, our innovative shelf-edge computer, winner of the *Retail Week Award* for Retail Technology Solution of 2001. This is a palm-sized computer which is connected to Safeway's mainframe system by a state-of-the-art radio



Being best at availability means keeping our shelves full and developing new ways of meeting our customers' needs around the clock.

Our new BP joint venture convenience store format was launched at Sholing, Southampton, in March. This store offers a much bigger range of fresh food, particularly produce and bakery.

Far Left – the exterior of the new store.

Left – a view of the fresh range.



Phil Howard, bakery controller, ensures that with all-day baking our customers can always get store-baked bread when they want it.



Safeway and the internet

In April of this year we uncorked safewaywinesdirect.co.uk (Wines Direct), a new on-line service, in conjunction with madaboutwine.com. This new on-line service will offer customers the facility to shop for good value, quality wines from home or the office and have them delivered to their doorstep. A range of 60 wines is available to suit every taste and pocket, including cases for particular occasions.

Teaming up with a third party has enabled us to launch the service quickly and effectively, using madaboutwine.com's experience in the home delivery market. Our partner has outstanding expertise in this market and a passion for wine to match our own.

We have also relaunched our website, safeway.co.uk, with a fresh look and many new features. The site has easy navigation and includes a new fresh food ideas section, as well as a recipe bank and a drinks section offering suggestions for both adults and children.

In addition, customers at seven stores can now shop on-line, using our Collect service. All they need to do is register on-line, start shopping, then simply collect their groceries at a time convenient to them.

frequency network. Our people in stores use these computers to perform many stock control functions, each of which is fed into Safeway's overall stock position. This means that real-time, accurate stock information is available to our people in stores at any time of day. It also reduces stock replenishment lead times as orders for products which are running low are immediately transmitted rather than delayed until an end-of-day manual stock report is available. This in turn cuts the number of out-of-stocks and, through tighter stock management, further guarantees the freshness of our products. We see a lot of potential to develop this technology, not simply for better stock control but for improving customer service generally. All our stores will have shelf-edge computers by October of this year.

The continued rapid growth in our sales volumes has meant that we have needed to add more than 500,000 square feet of extra depot capacity to our logistics network. This includes a new, fast-moving grocery depot in Coventry, a wines and spirits bond at Bardonia in Leicestershire, a depot for frozen foods at Willand, near Exeter, and an ambient relief facility at Winwick Quay to support our regional centre at Warrington.

A cleaner, safer environment



Chris Shell, one of our produce supervisors, is part of the team ensuring full availability throughout the day. Giving our stores more authority over stock-ordering has enabled us to reduce wastage without any loss of availability.

As a business which operates in so many communities, we work hard to minimise our impact on the local environment. Much of this work goes on behind the scenes in our stores, at our depots and in our suppliers' premises, well beyond what our customers see on their weekly shopping trip. For many years now, we've actively supported various worldwide environmental initiatives and the past 12 months have been no exception.

Board Responsibility

Environmental issues are represented at Board level by our Supply Director Lawrence Christensen. Since 1996 we have set ourselves specific environmental targets, and in 2000 we became an early signatory of MACC2, which is part of the Department of Environment's Making a Corporate Commitment campaign to encourage companies to improve the quality of their environmental reporting.

Integrated Crop Management

We have been strong supporters of Integrated Crop Management, a system which minimises the use of pesticides on fresh produce. All the fresh fruit and vegetables we source in the UK are supplied by growers who are members of the Assured Produce Scheme. This involves regular, independent audits to ensure that best practices are being maintained, supported by visits from our own team of technologists. For produce sourced outside the UK, we are working with other major European retailers to develop a similar scheme. The majority of our suppliers already support this initiative.

Ethical Trading

We are a corporate member of the Ethical Trading Initiative and are currently ensuring that ETI principles are communicated to all our suppliers. We have also carried out a review of our toy suppliers in the Far East, ensuring that their employment policies are of an acceptable standard. We have now established a scoring system for all new suppliers and produced a best practice manual to help them achieve the standards we expect.

Reducing Packaging

During the year we launched a new computer system to help cut the amount of packaging we use. We saved nearly 500 tonnes of plastic. We have also replaced many plastic shelf trays with recyclable cardboard versions and scored a world first by using returnable trays for tinned products. Our focus on merchandising ranges in a more appealing way has also resulted in less packaging and smaller labels being used. Our lorries continue to backhaul used packaging from stores for recycling – over the past 12 months nearly 90,000 tonnes of cardboard and 4,500 tonnes of plastic film were recovered.

Energy

As part of our drive to reduce energy costs in our stores, we are currently upgrading much of our refrigeration equipment, installing enhanced controls which cut their energy consumption by up to 10%.



One of our CNG lorries, displaying the new award-winning Safeway logo.

Reducing Pollution

As part of our drive to cut air and noise pollution, we are using a £600,000 government grant to help convert 40 of our lorries from diesel to compressed natural gas (CNG) fuelled engines. These cleaner, quieter trucks will join 10 already in operation, mainly servicing the Greater London area. We are the UK's first major retailer committed to using CNG as a mainstream alternative fuel. Shoppers may have seen one of our CNG lorries towing the Department of the Environment's roadshow "are you doing your bit?" around the country, an initiative we have supported for the second year running. Our Bellshill distribution depot has recently received ISO14001 accreditation. This international standard mark means our depot has a first class environmental management system, something we now want to extend to other sites.

Cutting Road Miles

We have also made good progress in reducing the road mileage our lorries clock up each year. Our industry-leading rail freight project was extended to Georgemas Junction, Thurso, Scotland, helping us to beat our target of reducing the total distance travelled by our lorries by 1.8 million road kilometres. We transported 3.2 million cases of product by rail and backhauled 3,500 tonnes of recyclable packaging. Other environmental benefits included the saving of 5,500 road journeys, which would have consumed nearly 520,000 litres of diesel fuel. We now use video conferencing as a channel of communication between many of our depots and offices, reducing car journeys for staff.

As a business which operates in so many communities, we work hard to minimise our impact on the environment. We set ourselves ambitious targets, and we deliver them.