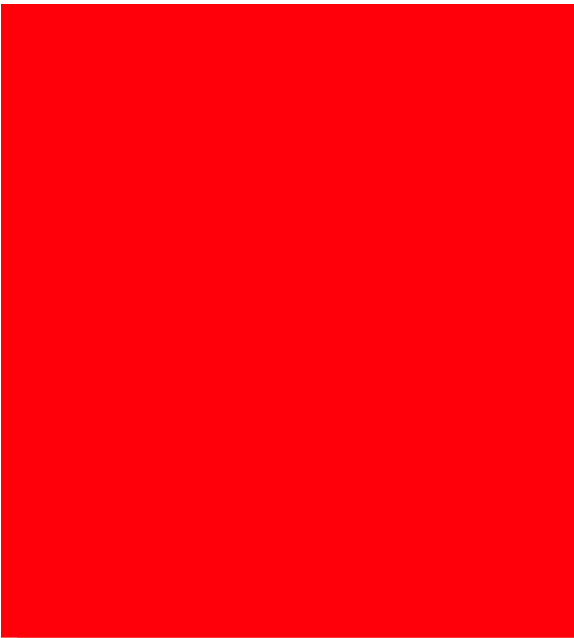


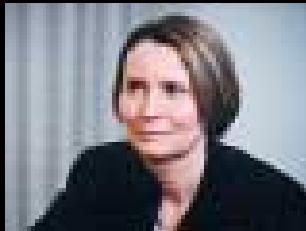
product and price





Our deep-cut deals continue to attract new customers and contribute significantly to our sales growth. Over the past year we have introduced bigger and better weekly promotions covering our full product range. By discontinuing our points-based incentive scheme linked to the ABC loyalty card, we were able to reinvest all of the £60 million annual savings in these improved deals.

Since we took this decision, the overwhelming majority of our clients have told us they much prefer making big, immediate savings on their weekly shop to the conventional, card-based system of accumulating points over many months. The continuing increase in our customer base to around 10 million clients endorses our decision.



**Karen Bray,
Marketing Director.**

Karen oversees the communication of our great special offers to our customers – one in three households in the UK receive our flyers. Her responsibilities also include the look and feel of our stores, our product packaging, customer research, our Safeway magazine and Safeway.co.uk.



Our petrol promotion gives those customers who spend over £40 in our stores the lowest fuel price in the UK.



We have also refined this strategy. Last Autumn, as we reached the first anniversary of our promotional programme, we launched “Gonzales” – a project which drives customer spending by managing the various product ranges on offer in our weekly flyers. The increases in our sales volumes and the savings to our customers speak for themselves. For example:

- Macleans and Aquafresh (100 ml) – we sold 5.4 million tubes on promotion, saving our customers £4.9 million
- Harvey’s Bristol Cream (75 CL) – we sold the equivalent of two years’ stock in one week, saving our customers £1.4 million
- Taylor’s LBV port (75 CL) – we sold the equivalent of seven years’ stock in one week, saving customers £0.8 million
- Safeway Prawns – we sold 1.8 million packs, saving our customers £4.2 million
- Granulated sugar – we sold 12,760 tonnes of 1 kg white sugar, saving our customers £2.3 million.

So, on these deals alone, we saved our customers over £10 million.

Starting in August, we also launched several “When It’s Gone It’s Gone”, or “WIGIG” deals, particularly in non-food products.

Our promotional strategy has improved the competitiveness of the Safeway shopping basket. By the end of the year this basket, as measured by Taylor Nelson Sofres, was slightly cheaper than Tesco’s and 9% cheaper than Sainsbury’s. We are aiming to widen this gap during the current year.

The success of our strategy has also been recognised formally by the retail industry. In March we gained the Retail Week Award for the “Retail Marketing Campaign of the Year”.

Local Sourcing

Our suppliers in Northern Ireland and Scotland are continuing to benefit from our sales growth.

We sourced £235 million worth of products from Northern Ireland, an increase of 30% on 1999/2000. Our 12 stores in the Province achieved a like-for-like increase in sales of 16% and sold £35 million of local products, 34% up on the previous year. Over 100 Northern Irish companies now supply Safeway, either directly within the Province or throughout the UK.

We increased our business with our Scottish suppliers to over £600 million, representing an important contribution to Scottish farming and food processing. We also launched a new logo for our stores and our products, featuring the St Andrew's cross.

We continue to seek opportunities to expand our business with Scottish suppliers. In March we held our first-ever trade briefing for all suppliers in Scotland, under the auspices of the Institute of Grocery Distribution (IGD). Around 120 suppliers attended.

Since the outbreak of Foot and Mouth disease we have worked with the IGD, the Scottish Executive and the NFU to promote Scottish meat and develop a longer-term strategy for the recovery of livestock farming in Scotland.

