

### **Queen's Award for Enterprise – Sustainable Development**

Our Supply Division won this very competitive award in recognition of our use of rail rather than road for conveying freight.

### **Retail Week Awards**

- Retail Technology Solution of the Year, for our Shelf-Edge Computing technology.
- Retail Marketing Campaign of the Year, for our "Lift Off" promotional programme.
- Retail Personality of the Year, Carlos Criado-Perez.

### **Daily Express Award**

for the most farmer-friendly supermarket of the year.

### **International Wine Challenge 2000**

in which we won 7 gold medals, 40 silver medals and a total of 250 awards.

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# delivering

David Webster talks to Andrew Chard, the store manager, and Debbie Evans, customer services assistant, at High Wycombe.

#### **Our results**

A year ago I said that, following the appointment of Carlos Criado-Perez as Chief Executive in November 1999, we had radically reshaped our business strategy and completely reinvigorated our business culture, and that we had become a very different and much stronger business. I also said that by now, a year later, we would be even better. This is most certainly true. We have achieved volume growth of 9.7% on top of a similar increase the previous year. Our like-for-like sales have grown by a robust 5.2%. We have attracted and kept over one million new customers and, as we said last year, these new and loyal customers have become the basis for renewed profit and dividend growth. Profit before property and tax is up by 31% to £320 million and our dividend for the full year has increased by 5% to 9.07p per share.

These results mark the completion of Safeway's turnaround, a process which began 18 months ago. We are now well into the next phase of our growth strategy.

#### **Our strategy**

Over the past 18 months, we have widened the appeal of the Safeway brand and made


our offer much more competitive. We have begun the transformation of our fresh food range and of our store portfolio. The experience of shopping in our remodelled store at St Katharine Docks, the speed with which many of the ideas demonstrated there are being rolled out and their impact on our sales clearly show that our goal of being best at fresh is within reach. Availability is better than ever while we have more and better-trained staff on the sales floor to give our customers excellent service.

#### **Challenging conventional wisdom**

The strategy which is delivering these results is challenging the conventional wisdom in our industry in several ways.

First, our decision to discontinue ABC loyalty card points and reinvest the savings in strong promotions surprised our competitors but has paid off handsomely in helping sustain our sales growth.

Second, our focus on deep-cut promotions has directly challenged the orthodox transatlantic view that British consumers want "everyday low prices" and no promotions. In recent months our major competitors have all significantly stepped up



# our promises

their promotional activity, in some cases producing pale imitations of our flyers.

Third, we are also demonstrating that, contrary to the opinion of some commentators, a diverse portfolio of stores can be a source of competitive strength. We now operate four distinct formats – convenience stores, supermarkets, superstores and, as this year progresses, hypermarkets. This strategy, allied to the rapid refitting of all our stores over the next two years, enables us to respond more effectively to the local markets in which we trade. By the end of the current year, just over one third of our retail space will have been refitted in these new concepts.

#### Our people

Our people have responded well to Carlos's leadership. Morale and motivation are higher now than for many years. Store managers have much more authority to run their stores as individual businesses. Enhanced rewards for good performance are now in place. It is particularly encouraging that during the year talented people from other leading retailers have joined us in senior positions.

#### Our suppliers

We are very grateful for the continuing support of our suppliers. Achieving our goal of being best at availability, coupled with the supply chain challenges of our aggressive promotional strategy, have tested and strengthened our relationships with our suppliers. They are sharing the benefits of our success in the market place and we look forward to further progress this year.

#### Our industry

Last October the Competition Commission concluded that the big five supermarkets operate competitively and neither make excessive profits nor overcharge customers. They also identified a number of trading practices which they felt bore rather heavily on some small suppliers. We have therefore negotiated a legally-binding Code of Practice with the OFT which is intended to put the relationship between the top five retailers and their suppliers on a more transparent and predictable footing. The Code will not, however, be binding on other, smaller food retailers and will not apply to the processors and packers who, unlike us, have direct commercial relations with farmers and small growers. We believe these are serious flaws which are likely to reduce its effectiveness.

The outbreak of Foot and Mouth disease which began in late February has placed the relationship between farmers and retailers under further strain. We are working hard to try to resolve any misunderstandings and to bring everyone who works in the food supply chain together. The bulk of the food we sell in our stores is sourced here in the UK. We are and will remain the strongest supporters of the British farmer – a level of commitment recognised by one national newspaper which named Safeway the most farmer-friendly supermarket of the year.

In the aftermath of the Foot and Mouth crisis there will no doubt be a protracted debate on the future relationship between farmers, processors, retailers, regulators and consumers. This may well lead to further changes in the organisation and management of the food supply chain. We intend to play a full and active part in the debate and in shaping whatever changes emerge.



David Webster