

'The Fresh Food People'

WOOLWORTHS

THE MARKET

The Australian grocery market is not for the faint hearted. It is very competitive and accompanied by low margins.

It may appear that the major players dominate the food and liquor market, but the figures show that smaller supermarket operators will actually soon have more than 50 per cent of the \$70 billion market.

Despite all this competition, and in an increasingly discerning market, Woolworths' steadfast policy of "the best product at the best price with the best service" has produced an Australian brand so robust that it can claim to be an important part of the nation's economy.

Woolworths' sales results reflect customer acceptance of the total offer of range, freshness, quality, competitive pricing, convenience and in-store service.

ACHIEVEMENTS

Woolworths has more apprentices and trainees than any other Australian company. It invests many millions of dollars every year in staff training in-store. During 2003, The "Fresh Obsession" staff training program involved 75,000 supermarket staff and is a prime example of Woolworths' commitment to developing employee skills and cultivating talent.

Most senior Woolworths managers have come through the ranks of the company and a university program has been developed with a leading tertiary institution to accelerate training, establishing Woolworths as a corporate leader in people development.

Woolworths' staff terms and conditions of employment, including wages, superannuation, employee share ownership plans and service contracts as well as training and career paths have traditionally met and surpassed industry standards.

The development of Woolworths Petrol has enabled Woolworths to provide customers with an excellent, unique supplementary offer. They can save 4c per litre on petrol when spending \$30 or



more in a Woolworths supermarket. The success of this offer has seen other supermarket retailers following suit.

To reinforce Woolworths' fresh food leadership, the Woolworths Quality Assurance Program was developed to ensure that the best quality fresh merchandise is available to Woolworths' customers. Woolworths works with and sources products from quality assured suppliers who are dedicated to producing goods that meet Woolworths' quality standards. Woolworths' livestock buying team clocks up over 1.2 million kilometres a year across Australia working closely with producers. The success of the Quality Assurance Program has led other supermarket retailers to pursue similar programs.

HISTORY

Woolworths has changed the face of retailing in Australia. The very first shop, "Woolworths Stupendous Bargain Basement" in the cramped basement of the Imperial Arcade (1924) heralded a new era in shopping. By 1933 Woolworths had

developed the "chain" store with 31 stores in Australia and 9 in New Zealand. Even through the depression and war years Woolworths continued to grow and employ Australians with 25 stores opened in the first months of World War II. In 1956, Australia's first checkout style variety store opened at Beverley Hills offering "swift, courteous" service. Nineteen fifty-seven heralded the first "Supermarket" at Dee Why in Sydney. Next, Woolworths' first Food Fair store led the diversification into food. Woolworths pioneered the supply of a wide range of low-price, quality merchandise to rural Australia, most dramatically in Alice Springs and Darwin. Woolworths soon became Australia's biggest retailer of fresh fruit and vegetables, which became the key factor in making retailing Australia's second largest industry.

TV commercials in 1983 sang of the "one stop shop that's got the lot". By 1985, acquisition of Australian Safeway Ltd had made Woolworths the market leader in grocery sales. The now legendary "Fresh Food People" strategy of '87 under the management of Paul Simons and Harry Watts rocketed Woolworths into the position of Australia's largest retailer of quality fruit and vegetables, serving over 10 million customers every week. In two years profit went from \$8 million to \$136 million.

In 1993, the \$2,450 million Woolworths share float was the biggest in Australian history. The 1,000 million shares on offer were quickly snapped up by more than 330,000 investors, many of them everyday Australians including 19,000 Woolworths employees. The company has come a long way from the Stupendous Bargain Basement in the Imperial Arcade. Continuing growth suggests that



there's a long, exciting and prosperous road ahead for this trusted Australian institution.

THE PRODUCT

Currently Woolworths has over 700 supermarkets that serve more than 13 million customers nationally every week. Woolworths purchases 25 per cent of all fruit and vegetables grown in Australia, 14 per cent of all meat and just under 10 per cent of all dairy products, making Woolworths a significant supporter of rural and regional Australia.

Woolworths Liquor, along with Dan Murphy's and BWS, has brought significant competition to the liquor market and lower prices to customers.

Woolworths Petrol has changed the landscape of Australian supermarket retailing. More than two thirds of sites are conveniently located either in the carpark or adjacent to a supermarket.

EzyBanking, a joint initiative of Woolworths and the Commonwealth Bank of Australia, provides more than 600,000 customers with convenient access to fee-free banking in Woolworths, along with longer banking hours, further enhancing the one stop shopping experience by enabling customers to bank while they shop.

Woolworths is not just about product and price, it's also about being a good member of the community, supporting many events and charities that benefit the country's children and education, plus rural and regional Australia. August 2003 marked the launch of the Woolworths Fresh Future Children's Hospital Appeal. Through the efforts of Woolworths' staff and generosity of Woolworths' customers over \$3,000,000 was raised to aid children's hospitals and wards across Australia. Woolworths is also working with the Fred Hollows Foundation. Barry Orr, one of Woolworths' most experienced store managers, and his family have been working with several indigenous communities in remote areas near Katherine, in the Northern Territory, teaching them skills required to operate retail facilities and stock fresh and nutritious foods.

RECENT DEVELOPMENTS

"Being a Fresh Food Person is more than a job. It's an obsession," is the essence of the latest Woolworths commercials. 1987 saw the first fresh food commercials, which impacted greatly on the retail environment and contributed to Woolworths and "The Fresh Food People" being synonymous.

The current "Fresh Obsession" campaign illustrates that Woolworths delivers the best and



freshes foods to its supermarkets by working closely with their suppliers and adhering to the Quality Assurance Program.

Each commercial illustrates a story that gives customers the facts behind the fresh food in store and demonstrates that Woolworths is obsessed about delivering the freshest food. Why does the orange farmer buy his apples at Woolworths? Because he knows the lengths he has to go to in order to get his oranges from the orchard to Woolworths to the customer.

To reinforce Woolworths' commitment and passion, supermarket staff underwent a comprehensive "Fresh Obsession" training program to enhance their skills and product knowledge.

Furthermore an extensive range of information leaflets has been developed to enable customers easy access to recipes, product and nutritional information on fresh foods.

"Woolworths Fresh" packaging has been refreshed to reflect the quality of the products it contains and includes the Woolworths Quality Assured tick to reinforce quality, freshness and the money back guarantee.

Woolworths launched the "Supermarket Safari" website in October 2003 as a resource for parents and teachers to help educate young children about nutrition.

Woolworths and FPC Magazines continue to work together and have added a new weekly magazine, *Woolworths Fresh*, to the already established monthly *Australian Good Taste* and the bi-monthly *Australian Parents*. *Woolworths Fresh* informs readers on the latest products available in Woolworths supermarkets plus recipes, hints and tips as well as wholesome articles on lifestyle, entertainment, health and beauty.

Woolworths and Caltex have established an alliance, adding over 130 Caltex Woolworths outlets to the already existing 300 Woolworths Petrol outlets enabling customers to redeem petrol discount offers in over 430 outlets Australia wide.

PROMOTION

Advertising and promotions plus in-store point of sale have always been an important part of

Woolworths' promotional mix. In recent times they have been fundamental in communicating the radical improvement that the company has made to its stores. The current "Fresh Obsession" commercials give customers proof that Woolworths goes to great lengths to deliver the freshest food.

"Everyday Low Prices" are a prime focus of Woolworths' core value of being the "first choice" for Australians because of the better service, friendlier people, greater range and unbeatable prices. And Everyday Low Price products are a significant part of Woolworths' product and price promotions in store, through point of sale as well as in catalogues and press.

Woolworths is ranked as one of the Top 10 media buyers in Australia, using a variety of media to reach a broad target market. More than six million catalogues are distributed to homes 52 weeks of the year. Brand and price advertising appears on all television networks. Up to 100 newspapers feature Woolworths advertisements at least once a week.

BRAND VALUES

CEO Roger Corbett sums up Woolworths' core values with the no-nonsense statement "the best product at the best price with the best service". To this end, the Fresh Food People line incorporates not just the promise of the biggest and best range of fresh food but more. Woolworths passionately believes that its people are the core of the company's success, as important to the shopping experience as the food itself. "The Woolworths Way" was coined to express the pride staff have in "getting it right on the shop floor".

Woolworths is down-to-earth, honest, approachable, Australian and committed to ensuring customers a better shopping experience – each and every time.

www.woolworths.com.au



THINGS YOU DIDN'T KNOW ABOUT WOOLWORTHS

- Woolworths is the second-largest private employer in Australia
- All staff shown in commercials are actual Woolworths employees and all growers shown are actual Woolworths suppliers.
- Woolworths has more than 320,000 shareholders, 50,000 of whom are Woolworths employees.