

WOOLWORTHS LIMITED

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Woolworths Food Group's plan to get customers to put us first

Woolworths Food Group today outlined its three-year strategy to win the trust of its customers, and increase its share of their food spend through lower prices and improving all aspects of their shopping experience.

Woolworths Food Group Managing Director, Brad Banducci, said; "We are placing the customer at the start of everything we do. This strategy will result in lower prices, more compelling offers, and greater innovation.

"What is clear is that while lower prices are essential, the true battleground is the overall customer experience. So we will not be beaten on price, and we will provide better convenience, superior freshness and a more appealing range, and a focus on innovation," he said.

The Woolworths Food strategy is focused on three key principles:

1. Offer: Improving the core offer to ensure that customers put Woolworths first;
2. Growth: Innovating to meet more of these customers' needs; and
3. Efficiency: Creating further customer value by organising for success and executing our Lean Retail model.

We are already well underway in implementing the first wave of this strategy with a major investment program that includes:

- \$125 million of price reductions for customers since January , taking Woolworths' value position to its most competitive level since January 2014, with more to come;
- Matching Woolworths online pricing with store pricing;
- An additional 58,000 work hours added each week into stores to lift customer service levels, to be followed by a further 63,000 hours next financial year;
- An extra half-day of stock levels added in the short term to shelves across the store network to boost availability; and
- A major focus on improving the range and freshness of fruit and vegetables.

Pricing and Range

A new pricing and value strategy will be implemented to neutralise Coles and contain Aldi's impact on our sales, with measures including lower pricing, better ranging, targeted customer offers using a revised and improved loyalty system, and a detailed strategy for improving Own Brands.

Own Brands will play a key role in competing with limited range discounters. Woolworths will create higher quality and better priced Own Brands to close range gaps where no branded alternative exists.

New stores and refurbishments

The strategy involves rebalancing capital expenditure between new stores and existing store refurbishments.

We will refurbish 80+ stores per annum for the foreseeable future, compared with 23 stores in FY14 and 61 in FY15. Refurbishments will be designed around local customer preferences and will be prioritised in areas where Woolworths sees the greatest potential for customer growth. We will continue to develop 20-30 new stores per annum in line with population growth and to address gaps in our network.

Delivering new products and better experiences for customers

Woolworths Food Group has established a new division called Woolworths FoodCo. It will have responsibility for developing new product categories, improving our fresh meat supply and processing facilities, and developing strategic sourcing relationships with Woolworths' primary industry partners.

As part of our commitment to grow into the Food for Now/Food for Later categories, Woolworths will partner with Western Sydney based, high-quality food manufacturer Beak & Johnston to deliver Australia's first dedicated facility for ultra-fresh ready-to-cook and ready-to-heat meals. Under a 12-year contract, this facility will make a growing range of meals for Woolworths.

Online

The Woolworths Food strategy will harness Woolworths' existing strength as Australia's and New Zealand's largest domestic online retailer by increasing investment in multi-channel customer experiences. Online pricing has been aligned to in store pricing and a range of new Click & Collect locations will be opened including drive-thru collection points to increase customer convenience.

People and Performance

The strategy will be supported by the right people and performance measures.

Mr Banducci outlined a simplified, customer-first system for measuring the performance of the in-store teams, with a new 8-metric scorecard to replace the former 20-metric system, and with customer metrics placed at the top of the rankings.

Australian and New Zealand supermarkets have been streamlined into one division which will be called Woolworths Food Group with Brad Banducci as Managing Director. Dave Chambers is Director, Woolworths Supermarkets and Steve Donohue is Director, Countdown Supermarkets.

Steve Greentree will be Director, Woolworths FoodCo. Michael James will lead Petrol, small stores, convenience and Thomas Dux as Director, Woolworths Small Stores.

Conclusion

"Woolworths is Australia's leading supermarket retailer and has great people, assets and capabilities.

"We have 14.6 million regular customers and 500,000 online customers, and they are visiting us more frequently than ever before, but they are also getting fewer of their needs exclusively from us.

"Put simply, we need to gain customer trust and a greater share of their shopping basket, and we have a clear plan and the investment capacity to do so.

"By getting Customers to put us first, we can regain the sustainable sales momentum we need to extend our leadership," Mr Banducci said.

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