





At Sobeys, we know sustainable growth depends on building our business one relationship at a time. We do this through a superior understanding of our customers and by consistently meeting their needs.

Understanding customers was easier before the dawn of modern grocery retail chains. Small shopkeepers knew their customers intimately – what they bought, how much they spent and what mattered most when it came to retaining their business. Such information allowed merchants to confidently source the right products, quickly recognize the impact of merchandizing decisions and earn the continuing loyalty of their best customers.

In our stores – where excellence in fresh service is at the heart of our distinctive banner and brand offerings – the personal touch still makes a big difference. But as our business continues to grow, an intimate understanding of the preferences and expectations of our customers also depends on the disciplined application of new technology. Our superior capability in customer insight is one of the best examples of our progress to date.

Four years ago, we established the technological foundation for customer insight with the migration of most business processes onto a single information system platform. The next order of business was a common point-of-sale transaction system and the subsequent development and roll-out of data collection mechanisms in the form of rewards programs. Since then, Club Sobeys and Club Thrifty Foods rewards programs in Ontario and Western Canada have proved to be enormously popular additions to our AIR MILES® rewards program available in Québec and Atlantic Canada. Today, the majority of our customers earn valued points and rewards every time they shop with us.

While the rewards programs help attract and retain customers, their real benefit lies in the rich transactional information that informs our customer insight activities. Over the past two years, we have worked closely with industry partners to create a proprietary customer insight capability that is the most advanced of its kind in Canadian food retailing. Partnering with us is Clear Cell, a customer intelligence consulting firm that is providing valued expertise and training in the organization and practical application of customer data into strategic action.

Today, every purchase made through our rewards programs is anonymously captured in a virtual information warehouse where sophisticated algorithms sift through raw data to detect generic patterns and segment customer shopping habits into actionable models. While the insights yielded by this process do not dictate actions, they are changing the way we are making decisions, with a powerful new customer lens that allows us to better understand customer needs and behaviour and predict the outcome of our initiatives with a higher degree of confidence. Customer insight has application across a wide range of business functions from product development to merchandizing and almost everything in between.

Knowing our customers





We are harnessing the power of new technology to create stronger, more valuable relationships with our customers.

The majority of our shoppers belong to the Club Sobeys, Club Thrifty Foods or AIR MILES® programs because they are a great way to earn points that can be spent in-store or redeemed online for valuable rewards. For Sobeys, the millions of transactions that take place through these programs yield unprecedented insight into the needs and motivations of our customers. Such insight is helping to drive our evolution from mass to individual marketing. Our rewards program members receive tailored e-mail offers with store and vendor coupons that have been automatically selected to match their interests.

Customer insight in action can be most readily seen in our promotional activities where it is facilitating our move from “one-to-many” to “one-to-one” relationships with our customers. While the weekly flyer is still a promotional centerpiece in the Canadian grocery business, we now distribute unique e-mail offers to our rewards program members with store and vendor coupons that are systematically assigned to appeal to their particular interests and requirements. For Sobeys, such customer-specific promotions are a much more effective way to increase basket size, stimulate purchases in relevant categories and respond to competitive developments with greater precision and effectiveness.

Customer insight also plays an increasingly important role in other areas of our business. As a merchandising tool, it is helping category managers better anticipate the impact of pricing and assortment decisions on customer behaviour before we make them. Based on sales volumes alone, for example, we might have once been inclined to de-list

a low-selling product that actually had a high level of engagement with our customers. Customer insight is allowing us to focus more clearly on price and assortment through the eyes of our customers, to better satisfy their needs while optimizing overall sales and profitability.

While customer insight is already a strong core competency and competitive advantage for Sobeys, we have realized only a fraction of its full potential. We will continue to refine our capabilities and extend what we are learning into every facet of our business. We will also continue to share this knowledge with qualified vendors and partners through our Strategic Information Exchange. They are excited by the discoveries we are making and are committing their best resources to help make the most of our opportunities.





“We should...”

“I want...”

“We need...”

“I like...”

Getting to know our customers helps drive growth.

At Sobeys, there is no such thing as the average customer.

Understanding the unique needs of individual shoppers and households is critical because it allows us to increase basket size, stimulate purchasing in relevant categories and, most importantly, build customer loyalty. Our superior capabilities in customer insight are helping us realize these objectives.



Sara Reynolds (right), Employee Experience Coordinator/Customer Service Representative, Rymal Road Sobeys, Hamilton, Ontario is a 2010 Sobeys & Empire Future Leader Award recipient.

People

powering performance



We continue to invest in the foundation, tools, programs and systems required to help our people managers make the most of Sobeys' greatest competitive advantage.

Sobeys has earned a proud and enviable reputation as an employer that, for more than 100 years, has recognized that the foundation for our success is in the strength of our people.

But Sobeys is not immune to the shifting workforce and economic dynamics impacting all employers today. We know that providing our people managers with the foundation, tools, programs and systems to manage their teams more effectively than any other retailer is a competitive advantage we cannot ignore.

Managing talent strategically

Sobeys has made significant investments in tools and programs to better understand and develop our key talent. The introduction of 360-degree employee feedback surveys has helped us develop the competence and leadership capabilities of our department and store managers while driving employee and customer engagement store by store. These surveys have also allowed us to address succession planning more strategically while ensuring a greater focus on people initiatives that will have the greatest impact.

We also continue to invest in several programs to support our talent management strategy, as summarized below.

The Sobeys scholarship program has been redesigned and reintroduced across the organization as the *Sobeys & Empire Work Experience & Scholarship Program*. A key element of the program, which is open to all student employees who attend an accredited university or college, is the Future Leader Award which provides up to \$10,000 over four years to recipients who are selected based on their long-term career fit within the Company as well as their commitment to our organization's core values.

We are also introducing new ways to accelerate the development of our employees who have demonstrated leadership potential. Regional and functional leadership potential programs were rolled out across the company in fiscal 2010. The program was launched in our Atlantic Region where all of the key employees identified have been promoted to new roles or assigned to key projects to accelerate their careers.

Each year Sobeys sends four key individuals to the Consumer Goods Forum's Future Leaders Congress. This global congress is designed to help future leaders develop their potential to become part of senior management, and to enhance their personal contribution to the business.



Leveraging technology, managing our talent

Sobeys also recognizes the role technology plays in helping our managers make better people decisions and plan for future talent needs.

- Our Applicant Tracking System database, which contains over 100,000 names, allows us to track, access and assess potential new hires based on the core competencies of the role being filled.
- Our Learning Management System (“LMS”) is being rolled out to offer on-going training in a timely and consistent manner. The LMS is a cost effective way to audit, report and deliver training needs to both new and existing employees.
- Our Talent Management System (“TMS”) will provide easy access to talent-related data, helping our managers make better decisions and develop more robust people development and succession plans. The TMS will allow direct and easy access to career and development planning for all employees and managers.

A holistic approach to talent management

Sobeys leaders review their talent bench strength, succession plans and talent strategy on a regular basis as part of talent forums that are integrated into our annual business planning cycle. This is completed with all key stakeholders in the same room – region by region, function by function and across the country – to leverage Sobeys' entire talent pool.



Redefining

discount shopping



FreshCo represents a distinctly different approach to ordinary discount retailing that's all about freshness and value, not what customers have to give up in exchange for low prices.

We recently launched the FreshCo brand and banner in Ontario. It is the newest concept in discount retailing in North America, where customers can expect everyday low prices without the traditional compromises associated with ordinary discount stores. We are committed to gaining a larger share of this business by delivering a superior and unconventionally fresher and cheaper experience to our customers.

Welcome to Discount Done Right



In May 2010, we launched the FreshCo brand and banner in Ontario. It is the newest concept in discount retailing in North America, where customers can expect everyday low prices without the traditional compromises associated with ordinary discount stores.

The first eight stores, located in Brampton and Mississauga, Ontario, are the initial wave in the roll-out of dozens of additional stores over the next 12–18 months.

The culmination of many months of extensive consumer research and careful planning, FreshCo represents a distinctly different approach to ordinary discount retailing. It's all about freshness and value, not what customers have to give up in exchange for low prices.

Our customers are noticing the difference from the moment they walk into stores that are as crisp and fresh as the food on display. The layout is bright and inviting with a compelling produce department that immediately promises a better shopping experience. At FreshCo, the emphasis is on having a limited, fast-turning assortment of the freshest and highest quality produce in the market. It's an approach to everyday low pricing that depends on greater operating efficiencies rather than sourcing lower-cost, lower-quality product. That's why FreshCo customers can always expect the foods they are looking for will be both fresher and cheaper.

Our self-serve meat, deli and bakery departments are similarly designed to eliminate traditional discount trade-offs. These departments keep prices low by minimizing in-store labour costs while offering superior quality and choice. FreshCo features what we believe is an unsurpassed assortment of fresh meat and poultry – sourced from local Ontario farms whenever possible – that includes a two-tiered beef program, air-chilled chicken and premium pork. We also offer more than 100 varieties of cheese, and fresh baked breads and pastries that are delivered to our stores twice a day.

Our fresh approach to discount extends to the grocery aisles where customers can find a streamlined assortment that includes many major national brands, our popular private label products and an impressive range of dietary and health conscious choices as well as targeted multi-cultural offerings that meet the specific needs of individual communities. There are also warehouse “big value” aisles where customers can expect to find even greater savings.

It all adds up to a shopping experience that is unconventionally fresher and cheaper. And it's why we believe FreshCo will deliver a lot more than Ontario consumers have come to expect from ordinary discount shopping over the past two decades.

