Continuous improvement is the price of admission in the Canadian food retailing business. After more than a decade of focused investment, Sobeys has established itself as a leading and dynamic national food retailer. This year’s report examines the key ingredients of our strategy which continues to support Sobeys’ goal to be widely recognized as the best food retailer and workplace environment in Canada.
Engaging our customers

Many things have changed in Empire’s food retailing business over the past 106 years, but our success still depends on building strong and enduring relationships, one customer at a time. Doing that well requires a keen awareness of what customers are looking for and a culture that is aimed at sharing our knowledge, enthusiasm and passion for food every day.

Sobeys goes to market with differentiated stores and retail banners that consistently deliver superior shopping experiences in their respective markets. Each format has resonated with the customers it serves. In our full service format, which includes the Sobeys, IGA extra and Thrifty Foods banners, and represents our primary engine for growth, we continue to roll out marketing and merchandising initiatives that are aimed at creating a more intimate and enduring relationship with our customers.

As always, the disciplined application of new technology is playing a key role in strengthening these relationships. While the traditional weekly flyer is still the industry’s primary means of driving customer traffic, Sobeys continues to harness customer insight capabilities to create a new generation of more personalized marketing initiatives. Over the past two years, we’ve worked closely with Aimia, a global leader in loyalty program management, to embed Self Serve, a proprietary, best-in-class customer analytics tool, within our operations. This initiative provides an unprecedented ability to analyze the data generated by Club Sobeys, Club Thrifty Foods and AIR MILES® reward programs to enable better strategic business decisions around many aspects of our operations, from assortment to promotions.

This commitment to individual customer engagement can be seen in the launch of My Offers, the first digital offers program in Canada. It allows customers to load points promotions directly onto their club cards and redeem them in-store without paper printouts. My Offers provides members with exclusive offers customized to their shopping history, with promotions for regular purchases and the opportunity to earn bonus points on premium or complementary products.
The promise of individual customer engagement can also be seen on the mobile communications front in the latest of Sobeys’ innovative meal solution initiatives. Moodie Foodie is a unique recipe inspiration app that helps busy customers to quickly choose, prepare and share delicious meals based on their individual mood and circumstances.

We are also working harder to engage our customers by improving the impact of our commercial programs within the four walls of our stores. Over the next year, we will build upon the success of our best commercial programs from each banner to feature compelling new products – and the related expertise needed to create total, value-added meal solutions – across our national store network.

Moodie Foodie, a unique recipe inspiration app, exemplifies the kind of one-to-one marketing initiatives that are helping to build stronger relationships with our customers.

Sobeys’ Cheese Specialist Andy Shay, a member of the Guilde Internationale des Fromagers, uses his expertise to bring an enhanced cheese selection to our stores and train in-store cheese experts to help customers discover, appreciate and enjoy cheese.
Sobeys’ food-focused strategy is aimed at delighting our customers with the best food shopping experience in Canada through continuous improvement to our product, service and merchandising offerings. Our ability to deliver on that promise requires the kind of fresh thinking that comes from continuously viewing our business through the eyes of our customers.

Sobeys’ food-focused, fresh-driven offering has a natural appeal for Canada’s increasingly health-conscious consumers. Inspired by our successful Rachelle-Béry health boutiques located in select IGA extra stores in Québec, we continued to build on our natural health and well-being position by introducing Natural Source departments to our Sobeys stores in Atlantic Canada. Designed as a dedicated boutique within the store, Natural Source serves as a one-stop convenient location for more than 2,000 grocery, dairy and frozen food items including more than 600 gluten-free products. All products offered in the Natural Source department must either be organic, have minimally processed natural ingredients or have a simple ingredient list. The region’s largest Sobeys stores are also home to our innovative Wellbeing departments, which offer customers approximately 3,000 natural health, natural beauty, sports nutrition and environmentally friendly cleaning products. Each department is staffed by highly trained Wellbeing Counsellors who conduct regular information sessions on healthy living and provide advice on all products available in our Wellbeing and Natural Source departments. Nine Sobeys stores in Atlantic Canada currently feature Wellbeing departments and we have plans to expand the program during the year ahead.

Sobeys also continues to play a leadership role in our industry’s efforts to support Health Canada’s recommendation to reduce sodium levels in processed foods. Today, more than 80 percent of our private label products are compliant with 2016 sodium targets as outlined by Health Canada, with efforts well advanced on the balance of our portfolio.

A similar spirit of innovation can be seen at work in the continuous development of our private label program. For more than five years, we have benefited from our unique Sensory Taste Panel, which utilizes everyday Canadian consumers to ensure that our Compliments private label products reflect the evolving tastes and increasingly discriminating palates of our customers across the country. During the past year, we added profiling and preference mapping to the product testing process.
Using the expertise of our consumer panelists to describe and rate attributes of specific products, we are able to create a profile that helps us formulate products that are consistently best in class.

We are also finding new ways to grow Sobeys' business outside the four walls of our traditional food stores. The past year witnessed the introduction of a Food for Fuel promotion across our network of 191 Shell stations in Québec. Designed to drive additional traffic to our retail food stores and enhance customer loyalty, the program offers valuable discounts and other incentives with every purchase of fuel. Food for Fuel builds on the success of a similar and highly popular promotion in Atlantic Canada that rewards Sobeys shoppers with fuel discount coupons that can be redeemed for purchases at nearby Fast Fuel, Irving and Shell locations.

Our increasingly popular Sensations by Compliments and other private label products are developed with input from our consumer panelists.

Natural Source is a new in-store boutique in Sobeys' Atlantic Canada stores that features more than 2,000 natural health grocery, dairy and frozen food items in one convenient location.
Improving our productivity

Over the past five years, Sobeys has invested more than $2.3 billion in the expansion and modernization of store and distribution networks, the implementation of advanced, enterprise-wide business systems and processes, and the development and engagement of our people. Today, we are ready to reach progressively higher levels of productivity.

At Sobeys, we are committed to maintaining our competitive price position in each market we serve. Our ability to do this profitably has been made possible by consistently enhancing our customer offering and shopping experience while maintaining a balanced focus on cost and productivity initiatives. During fiscal 2013, we completed the rollout of our integrated SAP platform at Thrifty Foods and in our Québec operations. We are now able to exploit the standardization of our business processes and our advanced SAP-enabled productivity tools from coast to coast. These include: Workforce Management, which optimizes labour deployment based on historical shopping patterns; Fresh Item Management, which enables the outstanding quality and consistency of our fresh offerings; and Computer Assisted Ordering, which helps to optimize inventory levels in our stores.

The implementation of our SAP platform further enables us to improve the performance of our national distribution network. In November 2012, we opened our second automated distribution facility in Terrebonne, Québec. It features the latest generation of WITRON Integrated Logistics warehousing and picking technology that has improved service levels to stores and reduced distribution costs in our Ontario operations. The Terrebonne facility incorporates a number of technological advancements including the ability to pick single boxes of product, a distinct inventory management advantage in serving the convenience stores in our Québec operations.

The standardization of our business processes across the country also provides the foundation for important organizational changes that will drive our growth, productivity and people strategies going forward. Sobeys’ former regional management structure was replaced with two business units, each of which...
goes to market with a more focused, format-based approach. Both units are supported by newly standardized processes focused on reducing complexity, eliminating duplication and fully capitalizing on our scale as a national organization.

While these improvements have enhanced our ability to remain price competitive in each of the markets we serve, they also provide an important foundation for many of the sales productivity initiatives designed to enhance customer loyalty and drive Sobeys’ positive same-store sales growth. The completion of an integrated, system-wide business platform offers abundant opportunities to create value by enabling stronger supplier relationships and the execution of more effective marketing and merchandising programs from coast to coast.

SAP productivity tools are enabling us to optimize labour deployment, better control inventory and improve the quality and consistency of our fresh offerings.

WITRON Integrated Logistics warehousing and picking technology has improved service levels to stores while reducing distribution costs.
Empire's most important competitive advantage is the quality of the people in our food retailing and related real estate businesses. The talented individuals in our stores, distribution centres and offices help create a high-performance culture that is the foundation of Sobeys’ goal to become widely recognized as the best food retailer and workplace environment in Canada.

Being the best together takes more than a commitment to teamwork. It requires an open and cooperative environment that encourages all employees to take ownership of their career planning, to become fully engaged with our vision and make a positive impact on the success of the organization by satisfying more and more customers everyday. That’s why we work hard to attract and retain exceptional people who share our goals and expectations and why we provide the skills and on-the-job training they need to learn and grow and succeed. We also ensure employees are supported with the opportunities and resources to advance their ambitions. The Sobeys & Empire Work Experience & Scholarship Program awards numerous scholarships each year to our student employees across Canada, including the Future Leader Awards, providing financial support and summer internship employment opportunities. In total, these scholarships currently support more than 80 employees with financial awards of more than $130,000.

Recognizing the contributions of employees and celebrating their achievements is equally important, and in that spirit, we are proud to profile several individuals who played an important role in Empire's success over the past year.

Now in its fifth year, Sobeys Inc.’s Chartered Accountant Training Office (CATO) program provides new graduates a chance to earn their CA designations while gaining experience throughout Empire’s operations. Five students have successfully completed the program to date and three of them – Michelle Lamont, Alex Grant and Erika Bateman – now hold their CA designations and are working within the organization.

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Marcia Peters, Future Leader Award recipient (above left)

Krista Payne, Director of Operations, GTA, Sobeys Full Service Format, recently named one of Canadian Grocer’s Star Women in Grocery (left)
Matthew Malek, Manager, Talent Management and Organizational Development was recognized by Canadian Grocer with its 2012 Generation Next Award in the retail category. Generation “Next”, which stands for New Exciting Thinkers, recognizes up-and-coming leaders in the grocery and consumer packaged goods industries. These leaders, who must be under the age of 40, are celebrated for their innovation, leadership and commitment to the grocery industry. Matthew Zook, Director of Marketing, Ontario, was another of the eight 2012 Generation Next finalists.

Andy Shay, Sobeys’ Cheese Specialist, was inducted into Guilde Internationale des Fromagers, an invitation only society of professional cheese makers, dairy farmers, processors, refiners, traders and retailers who share a common passion and respect for the traditions of fine cheese. The society has 33 chapters worldwide with more than 5,000 members.

Krista Payne, Director of Operations, GTA, Sobeys Full Service Format in Ontario, was recently named one of Canadian Grocer’s Star Women in Grocery. Canadian Grocer launched the awards this year to recognize the important role women play in the grocery and consumer packaged goods industries in Canada. Krista was one of 16 women selected from across Canada to receive this award; all are proven leaders, innovative thinkers and have made significant contributions to the grocery retail and vendor communities.