

'The Fresh Food People'

WOOLWORTHS

Bringing food to life.

THE MARKET

The increasingly competitive Australian grocery market is not for the faint hearted. Until recent times the core players were Franklins, Coles Myer and Woolworths. Now the Franklins break-up has opened it up for newcomers. Western Australia's FAL has taken 36 Franklins sites while South African chain Pick'n'Pay has 70. The German Aldi group is also well on the way to developing a significant presence.

It may appear that the grocery retail market is dominated by the major players, but the figures show that smaller supermarket operators will actually soon have more than 50 per cent of the \$74 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.

ACHIEVEMENTS

Woolworths pioneered the supply of a wide range of low-price, quality merchandise to rural areas, and today purchases \$3 billion of the produce of rural Australia.

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. Woolworths is a committed and proud employer of Australians.

The company's food prices have remained competitive to the extent that by the 1990s,

training and the fact that most of the top management have worked their way up from the shop floor, gaining a thorough understanding of looking after the customers.

More recently, Woolworths Supermarkets were included in the Top 20 list of Best Retailers in the World. They are also pioneering Internet shopping with HomeShop in NSW and the ACT, where customers can order online from a range of 22,000 products.

HISTORY

The 75-year history of one of Australia's leading icons changed the face of retailing in Australia.

The very first shop, "Woolworths Stupendous Bargain Basement" in the cramped basement of the Imperial Arcade (1925) 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. Metropolitan expansions began in 1948 with the Bankstown store. In 1956, Australia's first checkout style variety store opened at Beverley Hills offering "swift, courteous" service.

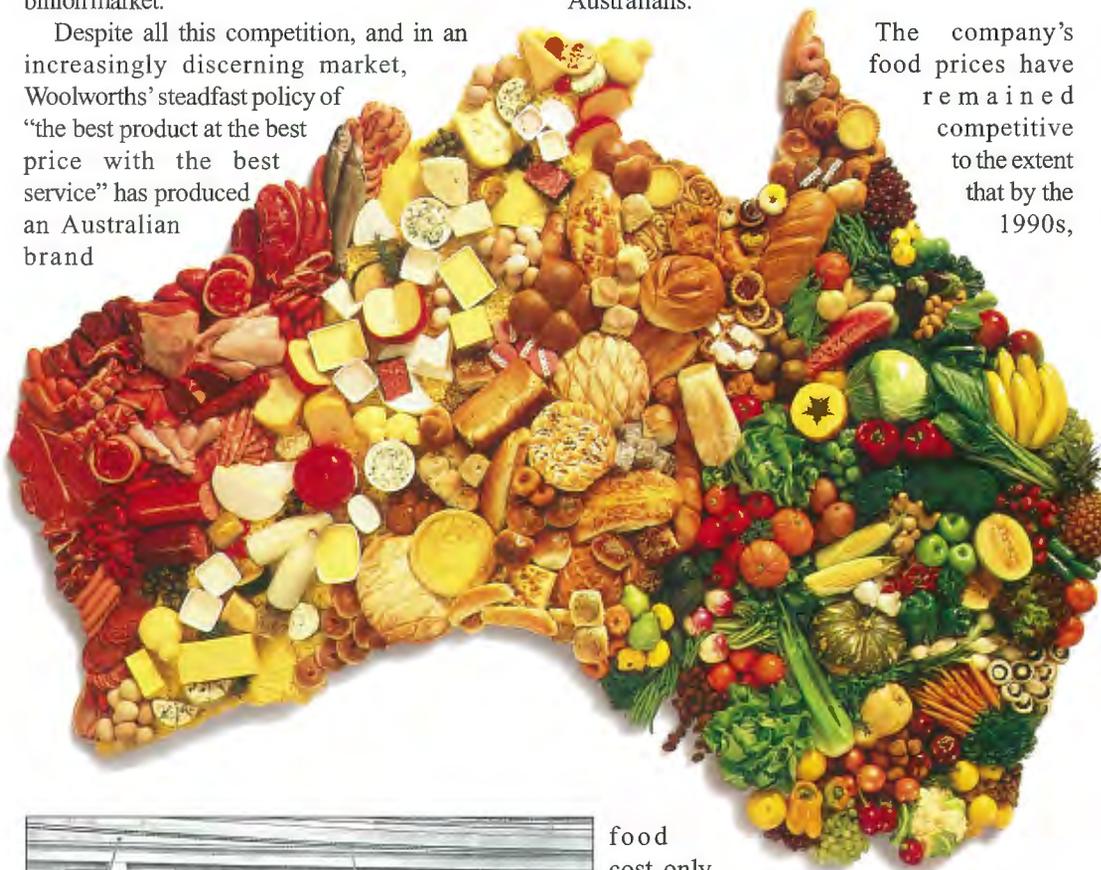
1957 heralded the first "Supermarket" at Dee Why in Sydney. Next, Woolworths' first Food Fair store led the diversification into food. With it came the retail concept Woolworths came to dominate: Own Brands. They consisted of great-value products made specifically for Woolworths, to the company's exacting standards.

Woolworths pioneered the supply of a wide range of low price, quality merchandise to rural Australia, most dramatically in Alice Springs and Darwin.

1956 saw the 200th store open, and continued acquisitions including 11 Food Fair stores, 56 Flemings Fabulous self serve stores and 57 McIlraths Ltd stores. Such economies of scale meant the lowest possible prices on the shop floor.

Woolworths soon became Australia's biggest retailer of fresh fruit and vegetables. The new emphasis on food had become the key factor in making retailing Australia's 2nd largest industry, even through the credit squeeze of 1961.

1974 ushered in the first shopping complex: the Big W in Newcastle. Sydney's Bankstown followed with five separate Woolworths companies under one roof. Now entertainment enhanced the shopping experience. Acquisitions continued with Mark Foys, Nancarrow's and Craft Stores entering



food cost only 15 per cent of average disposable income as against 35 per cent in the 1960s.

From its earliest days, Woolworths has been a catalyst for growth for Australian manufacturers and suppliers. Arguably, by raising standards, Woolworths supermarkets engendered the growth of specialist gourmet food shops.

The company's proudest achievements include investing \$20 million a year on staff



the fold. The new Big W discount store division opened in 1975 and had 13 stores across all States within two years; 1976 saw Woolworths as the first retail organisation with sales of more than a billion dollars.

TV commercials in 1983 sang of "the one stop shop that's got the lot". At the same time, the \$18.5 million Yennora Distribution Centre was being built. 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 snapped up by more than 330,000 investors, many of them everyday Australians including 19,000 Woolworths employees.

More recent landmarks include the purchase of 67 Franklins sites and Liberty Plus Petrol stations, which offer Woolworths customers "one stop shopping" convenience along with cut-price petrol. Woolworths also began selling flowers, through its Clover Hill outlets, which now sell more than any other retailer in Australia. 1999 saw the 10th year of continual growth and new state of the art Distribution Centres at Minchinbury, NSW and Broadmeadows, Vic.

Woolworths opened 20 new supermarkets, five Big Ws and 99 Crazy Prices outlets, and more Australians were now working in retail than in manufacturing.

Australia's first fully integrated supermarket banking venture arrived with EzyBanking in 1999. The easy access and no fees proved extremely popular and now EzyBanking provides extra value in 635 supermarkets and Big W stores.

The company has come a long way from the Stupendous Bargain Basement in the Imperial Arcade. And continuing growth suggests that there's a long, exciting and prosperous road ahead for this trusted Australian institution.

THE PRODUCT

Currently Woolworths has 627 supermarkets. The Big W chain is showing strong profit growth with

three new stores recently bringing the chain to 90. Recent innovations include Woolworths popular EzyBanking. With its rewards and no fees, it has already resulted in 498,000 accounts, increasingly driving traffic in-store. Woolworths Petrol Plus discounted petrol presently has 174 outlets and is growing. The online shopping division has bought 100 per cent of Greengrocer.com, and strong liquor sales have resulted in the Liquor division now trading under four brands. Woolworths' joint venture magazine Australian Good Taste, meanwhile, equals the sales of top-range established lifestyle magazines.

RECENT DEVELOPMENTS

Woolworths has become the first major retailer to bring Internet grocery shopping to Sydney and Canberra. With 48 per cent of Australian households now owning a home computer, HomeShop has huge potential for growth.

Plus Petrol provides lower-cost fuel than the major multinational oil companies plus shopper

convenience and discounts. Woolworths petrol contains MTBE, which produces less harmful vehicle emissions than other petrol sold in Australia.

PROMOTION

Advertising and promotions 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.

1987 to 1989 saw what was arguably the greatest turnaround in Australian retail history, and promotion played a full part in it. Woolworths regained its strategic direction with the Fresh Food People strategy, and 60-second television commercials accompanied the relaunch.

The launch of Project Refresh in 2000 saw the evolution of The Fresh Food People, with the Bringing Food to Life campaign strengthening the Fresh Food message and emphasising uncompromising value for money and down-to-earth, informative staff.

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 51 weeks of the year. Brand and price advertising appears on all television networks 40 weeks of the year. And up to 100 newspapers feature Woolworths advertisements

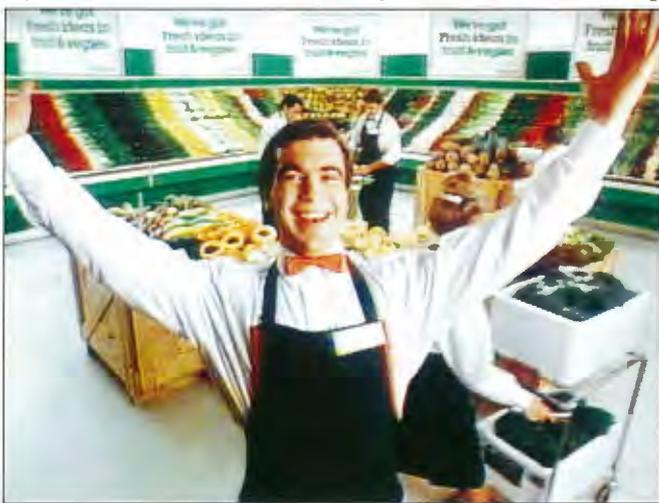
at least once a week. The constant acquisition and refurbishing program requires additional advertisements in press, radio and catalogues. Recently, the Liberty Plus Petrol brand has warranted a campaign of its own, across all media.

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 more than just the promise of the biggest and best range of fresh food.

Woolworths passionately believes that its people are at 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 working smart and "getting it right on the shop floor". In a single year, staff saved around \$70 million as part of Project Refresh. That can be passed on to customers as better value and as dividends to shareholders.

The Woolworths "Fresh Food" supermarkets' "Everyday Low Prices" remains the prime focus of the brand's core value of being the "first choice" for Australians because of better service, friendlier people, greater range and unbeatable prices.



THINGS YOU DIDN'T KNOW ABOUT WOOLWORTHS

- All staff shown in commercials are actual Woolworths employees.
- In 1939 Woolworths staff were given a half-day's shopping leave every month. In 1956 Woolworths pioneered superannuation with their Staff Assurance Scheme where 20 years of service was rewarded with twice the annual salary.
- Woolworths has more than 50,000 shareholders.
- Today, Woolworths employs over 140,000 Australians.