

## **SAFEWAY**

### **1: Ownership of the business**

Safeway is a public limited company (Plc), meaning their business has shares for the public to buy on the Stock market. Shares of the company can be floated and then traded on the stock market. Therefore any member of the public can become the owner of their part of the company. This also means shareholders who own part of the company's share are taking a risk, such that if the company are suffering from any financial losses and goes in to liquidation, that shareholder will be in loss. However, the owners have legal liability to only the value of their initial investment, therefore the owners cannot be forced to surrender personal wealth. They could offer their share to the public through Stock Exchange.

There are advantages and constraints of Safeway being a public limited company (Plc). The advantages are,

The greatest advantage of Safeway being a public limited company is that, owners have limited liability which means that owners are not liable to the company's debts, only their initial investments into the company.

Safeway being one of the major retail stores in the UK, take the form of multiples (company with many branches and stores), which have steadily grown over the years by acquiring other new stores. This is though issue of shares for sale in order to acquire capital for expansion to fund new projects, instead of only relying on the sales of groceries.

Safeway being a public limited company acts as an advantage in terms of suppliers, because suppliers are likely to offer listed companies with more attractive credit facilities, this is because they will be thought less likely to default on payments than private limited companies.

Safeway being a public limited company will be regarded by lenders as representing a lower risk investment than a private limited company. They are therefore likely to benefit from smaller interest charges on any loans obtained.

Also being a listed company, Safeway has found it easier to raise their finances than if they were a private limited company.

The standing of Safeway's own market, both with customers and suppliers may be enhanced by a Stock Exchange listing.

Finally, Safeway has Divorce of ownership and control, meaning shareholders are the owners of the company, but they do not make decisions on a day-to-day basis. Many will have little detailed knowledge of the firm's operation. This acts as an advantages because shareholder will not be involved, therefore there will not have any disagreement with the decisions that are made by the owners and will not result into damage on the business.

While constraints of Safeway being a public limited company (Plc) could be,

Safeway must keep a wide range of people informed about their financial performance. As a result it will face greater administrative costs and also sensitive data will be available to the public and competitors. And Safeway being one of the quoted companies, which is tracked each day, is referenced in the London Stock Exchange listings published in the financial pages of most newspapers.

The cost of floating the company on the Stock Exchange is high. Some of the out lay is fixed and therefore heavily on small issues. This makes Safeway gaining listings more cost effective as the size of their company increases.

It is expensive to set up because of reasons such as legal requirements. A public limited company needs to be registered with the Registrars of Companies, which have regulations that the company needs to abide by, that is the rules of the Stock Exchange. there has to be an annual general meeting (AGM), where directors need to report to shareholders, where decision are made and shareholders can disagree with their decisions if not satisfied and also put forward on their own suggestions or decisions. The extent to which any one individual or group can maintain control of Safeway is severely limited by sales of its shares on the Stock. For example, a family may find their influence on a business diminished when a listing is obtained. In turn, this means that publicly quoted companies are always vulnerable to a takeover bid. This might affect the decisions taken by directors. For example, they may be more inclined to cut back on staffing during a recession, whereas a private company would want to hold on to experienced staff for when the economy starts to recover.

## **WHAT ARE THE AIMS AND OBJECTIVES OF SAFEWAY**

### **AIMS**

Safeway implies “we believe that building an advantage over our competitors can only be done through Safeway people”. This means, the only way Safeway can be the best selling supermarket in the UK is through the people who are employed, which also means that, if the people are happy and enjoy what they do and where they work, so therefore they will work harder, more sufficient and have the skills, knowledge and they will put in their best to achieve the best, therefore the customers and the employees will be happy and comfortable, which will also therefore make the store one of the leading supermarket.

They also imply “our vision is to de a company where everyone feels they can do something personally to bring in more clients and create more sales,” which means, they want their workers to be enthusiastic with the way they work, basically they should love what they do, so that other people will be intersected in working for them, which will enable more services.

Safeway also quote “we have put our stores firmly at the centre of our business.” This means that their main focus or main priority of their business is the supermarket and taking care of it to make it suitable for people to shop with them.

They also quote, “our goal is for Safeway to be the first choice retailer for those

customers who have the opportunity to shop locally in one of our stores,” this clearly means that Safeway wants their customers to first choose them to buy their daily groceries and product that they need, so that Safeway could be one of the best retail business for people to shop in. That is why they need these strategies and commitments to make their business work and for the customers to enjoy and get what they want from Safeway.

And finally, Safeway says, “this new strategy is transforming Safeway, attracting over a million new customers in its first year, driving sustained increasing in sales and delivering 37% growth in profits in the three years to March 2003,” which basically means, Safeway is changing everything about it to a new, exciting way to attract new or more and more customers to the supermarket. And the way they have changed it is by changing the sales, by increasing it and bring or devising growth in profit by 37% for the past 3 years till March 2003, like they have rebuilt the store and put more stock, more choices and made it much more exciting and fun for people to shop with them and of course get exactly what they want and need.

## **OBJECTIVES**

### **1. Focus on product and price**

Safeway quotes “we will be recognised for offering great value and above all, great offers.” I believe this means basically that Safeway is saying that, they will be seen as the supermarket with good low prices of product that everyone can afford with excellent groceries and good production, they also quote, “our highly successful deep-cut deals programme communicates great value direct to our customers.” Which also means that, they have successfully succeeded in cutting down their prices to a lower rate, so that their customers can buy more groceries and be satisfied with the prices and also save more money, which will definitely make the customers happy and also makes them to buy more and finally makes Safeway happy because their earning more profit.

### **2. Best at freshness**

Safeway says, “We offer outstanding fresh foods for consistently high quality, sold in stimulating and different ways,” it means that, they offer remarkable fresh foods, of high groceries and products, sold in a developed and changed way. They also say, “we’re also building an exciting merchant culture so our staff understand their products and engage our customers with a real passion for what they sell,” which I clearly think it means that, Safeway are training their staff to understand and know more about the products they sell in a more enthusiastic way. So that, they may be able to effectively communicate personally with their customers about their purchases and any enquires of anything thing in their store.

### **3. Best at availability**

Our goal is that our customer will always find the product they want to buy on our

shelves whenever they want it.

#### **4. Best at customer service**

Safeway says, “We will offer the best all-round customer care in the sector,” which means, they are willing to help and care for their customers in any of their enquires of purchases. They also say, “our people at all levels are being given skills, resources and authority to deliver truly exceptional services that goes well beyond what is expected by our clients,” basically it means, their staff are being taught more to deliver excellent service that goes further than their customer expectations.

#### **5. Financial services**

Safeway implies, “we have developed a range of financial products to meet the needs of our shoppers,” which means that they have created financial products to meet the need of their shoppers such as their partnership with Abbey national, direct saving account, which offers high interest rates for the shoppers and finally personal savings account, which will give the customers the opportunity to free saving and more shopping.

### **Task 2: Objectives of Safeway**

Safeway’s business as we have discussed about in the previous text, which states that Safeway is one of the leading grocery retailers in the UK, meaning that Safeway have goals and targets that they focus on to profit and boost their business and to have a sense of direction. And Safeway being a public limited company Plc will aim to increase, because of demand from, which shareholders would want the highest possible return on their investments. They would achieve this through their business objectives.

Their business objectives will be reflecting on their mission statements, also their aims and goals under the aspects, which will come under the secondary objectives, where these objectives will affect the success and efficiency of the business. This includes;

#### **2.1 Making a profit**

Safeway’s strategy for increasing their profits is through some of their key objectives, such as, “*focus on product and price*”, where they recognize for offering great value and above all, great offers, will be the first step to increase of profit. Safeway’s quote “*we want to offer outstanding fresh foods of consistently high quality, sold in a stimulating and different way*”, meaning they are making developments, along with radical improvements to how they offer their products, to attract their customers back and even bring more help to increase their revenues.

In also boosting their revenue, the Morrison’s have recently taken over Safeway and are proudly boasting about the number of prices they’ve cut, plus major television advertising. Morrison’s have traditionally been an Every Day Low Price retailer and

Safeway has attracted consumers into store through their promotions, and as a result customers have increased, so has their revenue.

For their improvements, Safeway states *“The new strategy is transforming Safeway – attracting over a million new customers in its first year, driving sustained increases in sales and delivering 37% growth in profits in three years”*. They implemented this new commercial strategy for their business to deliver a goal, for Safeway to be the first choice retailer for those customers who have the opportunity to shop locally in one of their stores.

Safeway states that, for the first half year their performance was solid with pre-exceptional profit growth of 4%, achieved in a very competitive market place. That is by using their strategy and objectives, it was encouraging and given then progress with new formats and ranges, helping them to look forward in delivering continued growth and good results for the year as a whole. On the second half results were affected by the announcement on 9 January of the proposed merger with Morrisons, where their prices needed to be slashed down.

We have previously mentioned, that Safeway derived solid profit growth in the first half year, despite that the first half of the previous year, additional £8 million of transitional revenue casts for reformatting stores. Including these costs, operational profit rose by 4% to £222 million. For the year as a whole, operating profit decreased by 4% to 3398 million. These occurred because of the funding level of some suppliers who were understandably concerned about the future ownership of the business. However they tried to use their strategy to regain themselves.

Well Safeway, despite all these exceptional items and problem (not included), looking at their Annual Report (year ended 29 March 2003), at their profit and loss account from 2002-2003, where their retained profit for 2002 is £1,149.7 million, and for 2003 is 1,218.9 million. And their total gain since the last Annual report is £32.1 million in 2002 and £168.1 million in 2003, that is after all prior year adjustments such as dividends paid, shareholders' funds e.t.c. Which shows a substantial amount of increase between both years. But then, their earnings per share being in 2002 24.0p and in 2003 16.4p, also showed a decrease. As we have Safeway has gain in their profit and from my external research I believe that Safeway are striving to gain profit and using their visions as objectives to gain these profits, as we have seen they are gaining profit but also declining because of their sudden changes occurring, such as the merge with Morrisons and from last years incurring an additional £8 million of transitional revenue costs in reformatting their stores.

## **2.2 Increasing sales or market share**

Safeway have achieved the sales growth, thought focusing on their vision of their business, where they quote, *“our vision is to be the first choice food retailer. We are passionate about the way we deliver great value, best fresh food, customer care and availability.”* They go through this by also focusing directly on their business objectives, such *“Best at freshness, best at availability”*, where by offering remarkable fresh foods, with high quality products, sold in a much more exciting way to their customer, to bring them back. Therefore will increase sales. They would derive at this by introducing their ‘Best Deals Ever’- deep cuts in the point of selected, high volume lines, backed by strong

point of sale and a big investment in extra stock so that their supply chain could support extra sales.

Safeway believe that in building sustainable advantage over their competitor and gain sales can only be done through 'Safeway people'. They quote, "*our vision is to be a company where everyone feels they can do something personally to bring in more clients and create more sales*". This is because; they are creating a business culture in which their people are passionate about their product, their stores and everything they do, leading them to have an unbreakable will to compete. Safeway's other objective to help increase sales "*...is to achieve a mutually profitable relationship with our suppliers*", Meaning they collaborate with them on the development of new ideas in product development and supply chain operations.

Therefore by Safeway using these objectives, they are gaining sales, as research shows in their Annual Report 2003, sales grew by 1.3% in the year to £9,517 million. Sales in the first half grew by 2.0% to £5,117 million. On a like-for-like basis, sales grew by 1.9%. Net new space contributed 0.3% of sales growth, which was off set by 0.2% from the absence of ester trading period during the first half.

But then Safeway are experiencing decline in their shares, recent research shows there was a steady decline in Safeway's market share over the last year. The company's business has suffered as a result of the delays to the approval procedure for the bid, and its market share dropped from 9.6% in the equivalent three months of 2003 as sales fell 3%. Therefore Morrison and Safeway's combined market share and has reached 15.3% in the 12 weeks to 29 February. Morrisons expects to life Safeway's sales per store to the same level as its own store within 18 months. Therefore Safeway has attracted consumers into their store through powerful promotions. Given that Safeway shoppers are now benefiting from lower prices, but their sales are struggling. This is because, the major draw of Safeway was its offers, but as many promotions were cancelled in advance of the implementation of price cuts it seems that this may have a major impact on their sales.

### **2.3 Producing high quality products and offering high quality services**

As we know, Safeway is all about sells and providing goods and services because they are a retailer company, and as we have previously stated that "*we intend to ensure that we consistently provide excellent value, stock the freshest food, provide you with the best customer care and have the best availability in tear of range and products*".

As their objective in providing customers with quality product, fit to their description and found available at the time needed by customers. Safeway sells a variety of products from fresh and frozen goods and ready-made meals to cleaning products, skin care products and pet food. It also has cafes/tea rooms, laundries and pharmacies, and also oil sector and services stations. These all come with great quality customer care and as of recent they have set up a telephone /fax order service to satisfy its 8 million customers a week.

### **2.4 Developing a skilled workforce**

As we have previously stated as one of many Safeway's objectives, *we believe that building sustainable advantage over our competitor can only have done through Safeway's people. We are creating a business culture in which our people are passionate*

*about our products, our stores and every ting we do, have an unbreakable will to compete.*” Therefore this leading them to gain skills, knowledge and resources to do their best, everyday. Safeway also provides a school to drive for passion in their business; their staff can come and learn how to prepare fresh food from experts.

Safeway encourages staff to have more freedom to use their initiative and better trained, by appointing an operation board director whose sole responsibility is the creation of a more open, involving and communicative company.

They have also introduced a new employee bonus scheme, which will also mean that they will be better rewarded. Encouraging employees to work efficient and skillful.

As my research has gone so far, looking at all information gather on safe ways objectives, I believe that Safeway has successfully met all their objective, because as seen from their Annual Report and their profit and loss account, they have gain and loss over some period of time. Such as losing share and despite that, also gaining sales, so as with profit, and also as a result of the exceptional changes that have occurred. Looking at the Consensus Estimates for 2004 earnings per share would be 21.29 and 2005 would be 22.20. I believe that, if they continue to follow this strategy, their business will be in continues progress.

## **2.5 Comparisons between Safeway plc and other retailers.**

Comparing Safeway with other grocery retailer in the UK i.e. measured by reported turnover, Safeway is the fourth largest grocery retailer in the UK, comparing with Tosco which is the largest of all grocery retailer in the UK with over 779 stores (including a number of small stores recently acquired from T&S stores) with an averages sales area 2,800 sq meters. Tesco has operations in ten countries across Europe (including the UK) and Asia, producing worldwide group turnover of over £26 billion in its mostly recently reported year. The UK remains Tosco’s core market, however, accounting for 82 per cent of its total turnover and 86 per cent of its underlying operation profits. Total UK turnover in the year to end-February 2003 was £21.6 billion and UK operating profit nearly £1.3 billion. Over the past five years, Tesco’s UK turnover has increased by 44 percent and UK operating profit by 48 per cent.

Therefore comparing Safeway’s profits (refer 1: Ownership of Business), Safeway has not really done that well over the last year, meaning they are not meeting their objectives successfully.

Similarly, comparing Safeway with Sainsbury that is, Sainsbury being the UK’s second largest retailer, measured on the basis of reported turnover. It has 498 stores in the UK, with an average sales area of about 2,800 sq metres. However, while Asda and Morrisons have mostly stores over 1,400 sq meters in size, Sainsbury’s has a more varied store portfolio with many smaller stores as well. Its UK businesses include property development and banking services. Sainsbury’s also operates overseas. Sainsbury’s UK turnover in the five years to March 2003 increased by 23 per cent, from £11.6 billion to £14.3 billion.

However, comparing Safeway with Morrisons i.e. Morrisons being the sixth largest retailer in the UK (after Asda, Sainsbury's, Tesco, Safeway and Somerfield plc (Somerfield)), measured by reported turnover. Its stores are concentrated very largely in the North of England and across Yorkshire and the Midlands. It had 119 stores in January 2003, with an average store size of about 3,300 sq metres. Morrisons is unusual among the larger UK grocery retailers in that some of its operations, involving the buying and packing of fruit and vegetables, the manufacture and supply of some fresh food products and the processing and supply of some fresh meat products, are vertically integrated. Morrisons' turnover in the five years to January 2003 increased by 87 per cent, from £2.3 billion to £4.3 billion, and operating profit by 76 per cent, from £149 million to £263 million, over the period.

Therefore comparing these to grocery retailers, Safeway is doing much better than Morrisons, meaning that they are meeting their objectives and also as of recent (as mentioned in previous page), there has been a merger between Safeway and Morrisons, therefore, helping to increase their profits and sales.

### 3: Functional Areas within the Business

Every organisation has various functional areas of their business and these organisations require various resources to carry out their functions. These resources used by the business and the functions comprise the business activity. These resources are also referred to as the factors of production used by the business, such as;

**Capital – this is the tool to make manufactured product, such as machinery, vehicles and office equipment used by the business to produce other products.**

**Labour – the amount of effort put in by the employees of the business and how they carry out their various job tasks, using different forms such as communication, information, decision making e.t.c, and how it helps them meet the benefits of the business, considering if they are satisfied with their various positions.**

**Land – this refers to the areas at which the business is located and is the location consists of the materials and resources need for the production of the business.**

**Businesses comprising of these factors of production need functions to carry them out, to contribute to the efficient running of the business. Therefore the functions are then divided on to functional areas, including;**

**Finance department**

**Human Resources department**

**Production department**

**Marketing department**

**Administration department**



Safeway being a plc has different functional areas of their business and using the factors of production to guide the functions of the business such as, converting inputs; money, office equipment, people into output. For example, the people who work in Safeway's stores are central to the delivery of their business goals. It is the skills, flair and enthusiasm of their people that ensure success to the business. This is the investment they are making in the training and development, because making staff more knowledgeable about the product offering ensures a high degree of customer satisfaction. This will refer to the labour aspect odd the factors of production. Safeway relies on the efficiency of their functional areas to be carried out successfully by meeting their business strategy, aims and objectives

**For them to achieve their best**

**Alternatively, Safeway is a large and complex business and a key theme of the organisation is communication both up and down the organisation as well as between functions. Safeway's main business is to operate 460 stores and supermarkets in the Retail Food sector and considering that they are increasing the number of people working for then, more socialized people are required for the different functional areas of the business.**

**The major functional areas of Safeway are;**

**Finance department**

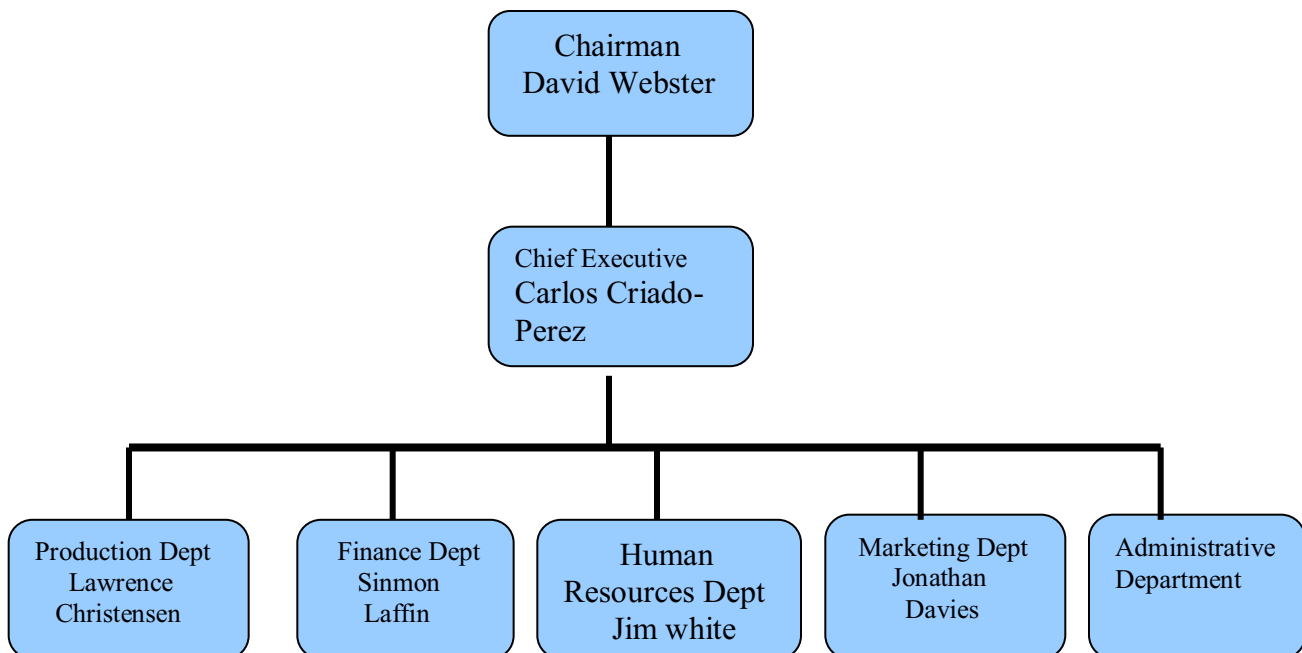
Human Resources department

Production Department.

Marketing Department.

Administration department

3.1 Diagram showing how the functional areas of Safeway fit together



**Note:** The research and development department is not included because Safeway does not have a separate department for that because it comes together with the marketing department.