

Case Study: Safeway

Safeway, the third-largest food and drug retail organization in North America, prides itself on maintaining a higher operating margin than its two larger competitors. Part of its industry-leading profit margin (7.5% compared to 5% operating margins by its two larger competitors) can be attributed to Safeway's superior store-level execution. How does Safeway create superior store-level execution?

There are over 1,650 Safeway stores located across the U.S. and Canada, employing more than 193,000 people. A Fortune 50 company, Safeway's operating strategy is to provide value to its customers by maintaining high store standards and a wide selection of quality products at competitive prices.

Retail Challenge Met with Communication Initiative

It is no secret that the retail industry is challenged with maintaining consistent store-level execution; some stores just do it better. Safeway wasn't satisfied with its store-level execution, so in 1997 the company created a new strategy. It was agreed that the best way to increase performance at the store level would be to increase communication lines between more successful stores with those lower performing locations. By providing an effective means for all nationwide stores to communicate and share best practices, Safeway's goal was to increase top-line revenue growth through process cost savings that would be revealed and shared using their new communication strategy. They also wanted to establish accountability among store associates, getting "full commitment" from them in order to deliver on the execution of initiatives. And, ultimately, Safeway management aimed to increase bottom-line revenue by growing sales as a result of the improvement in overall store performance.

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Dan Pryor
Vice President of Corporate
Communications and Media
Production Safeway



Multiple Needs, One Solution

In 1998, after extensive research for available solutions to power their best practice sharing initiative, Safeway's retail operation group selected the OneTouch interactive communications and learning solution. Previously, the solution was being used for training by Vons, a supermarket chain that had recently been acquired by Safeway. By expanding the OneTouch network and deploying it across all stores nationwide, Safeway was able to virtually connect and interact with over 1,800 retail stores and distribution centers communicating to over 200,000 associates in real time.

“We selected the OneTouch solution for several reasons,” said Dan Pryor, Safeway's vice president of corporate communications and media production. “The primary reasons included their proven installed customer-base and the product's reputation for reliability. The reason we have stayed with OneTouch for these past five years is a reflection of their support and commitment to partnering with us on the development of new solutions.”

Safeway's return on investment for their OneTouch network was realized in just five months.

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“The program has been so effective with employees that it is now part of the Safeway culture; we refer to distance learning as OneTouch training.

“Today, Safeway connects 2,000 stores and facilities using the OneTouch 5 solution. Store associates primarily learn and communicate over the network using the OneTouch interactive touchpad, while more sensitive meetings among store management are delivered to desktop PCs using the OneTouch desktop client. Future plans for the network include the use of OneTouch On Demand, a suite of easy-to-use software applications that capture and produce live OneTouch 5 sessions for self-paced replay. Although the live broadcasts will still make up the majority of Safeway’s programs, On Demand will extend the company’s reach and further leverage the network.

While originally the driving force for the OneTouch solution was a more effective means to share best practices, Safeway was easily able to justify the cost of the network by planning on using the OneTouch solution as part of their distance learning initiatives. Prior to 1998, Safeway used the train-the-trainer method to educate store employees and management on new products, procedures, and corporate goals. The train-the-trainer model proved to be both costly and timely. Switching to a distance learning model, Safeway was able to eliminate steps in knowledge transfer, delivering a consistent message that avoided the “filtering factor” inherent in the train-the-trainer model; speed information simultaneously to those who affect the bottom line, where they work;

deliver critical interactivity unavailable with video-tapes or one-way live broadcasts, and unaffordable with the train-the-trainer method, and significantly reduce training, travel and lodging costs as well as lost productivity due to taking employees away from their jobs to train.

Safeway continues to maximize the use of the network by successfully managing day-to-day store operations, holding town hall meetings with the CEO, sharing best practices across the company, disseminating corporate culture to new acquisitions and improving operating efficiency utilizing the OneTouch solution.

Measure of Success

As Safeway continues to expand its OneTouch-powered distance learning network, they report savings in the realm of hundreds of millions of dollars. Bottom line, the retailer continues to realize value well beyond the initial return on investment, which included mostly cost savings.”

What has been even more valuable than travel cost savings, is the increase in time to market that the OneTouch solution has allowed Safeway to capitalize on,” concluded Mr. Pryor. “We always have measurements in place before we launch a new promotion or initiative, so we can see the difference and the impact that is made.”



40 Airport Parkway
San Jose, CA 95110
408-436-4600

www.onetouch.com