



# Transformation plan Delhaize Belgium

Press Conference

11 June 2014

determination | integrity | courage | humility | humor

**DELHAIZE  GROUP**

# Agenda press conference



**11.00 am : Announcement Denis Knoops – CEO Delhaize Belgium**

**11.20 am : Q&A**

- Denis Knoops – CEO Delhaize Belgium
- Sylvie Van Den Eynde – SVP Human Resources Delhaize Belgium

**11.30 am : Availability for interviews**

**1.00 pm : End**

# Transformation plan Delhaize Belgium



- 1. Context**
- 2. Strategy Delhaize Belgium**
- 3. Accelerated strategy implementation**
- 4. Proposed transformation plan**

# **1. Context**



**The economic crisis has impacted the purchasing behaviour of Belgian consumers.**

**The Belgian food retail market has recently become one of the most competitive markets in Europe where international operators are able to fully leverage their scale and cost benefits.**

**Volumes and market share of Delhaize's company operated supermarkets are under severe pressure.**

**Delhaize Belgium is impacted by a significant and increasing cost handicap in wage and labour conditions.**

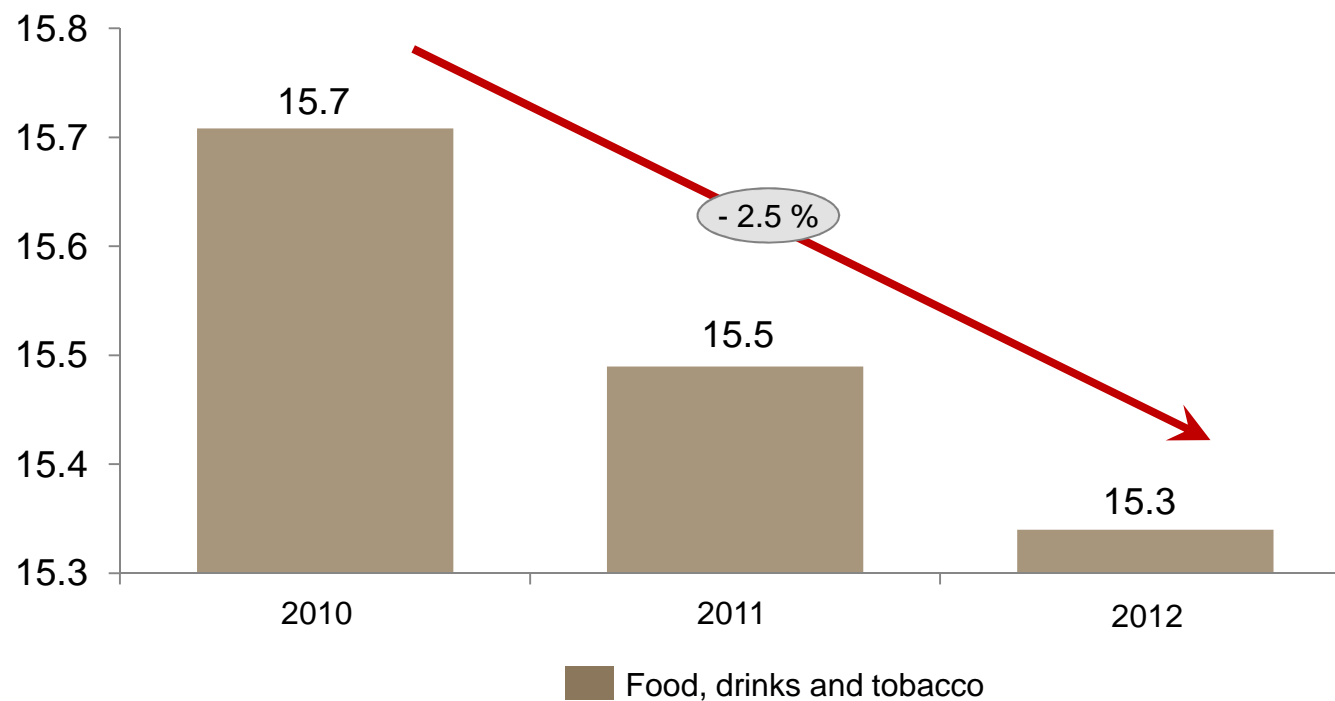
**The negative evolution in market share and profitability of the company operated supermarkets is not sustainable.**

# Decline in food spending driven by economic crisis



## Context

Share in household budget (%)



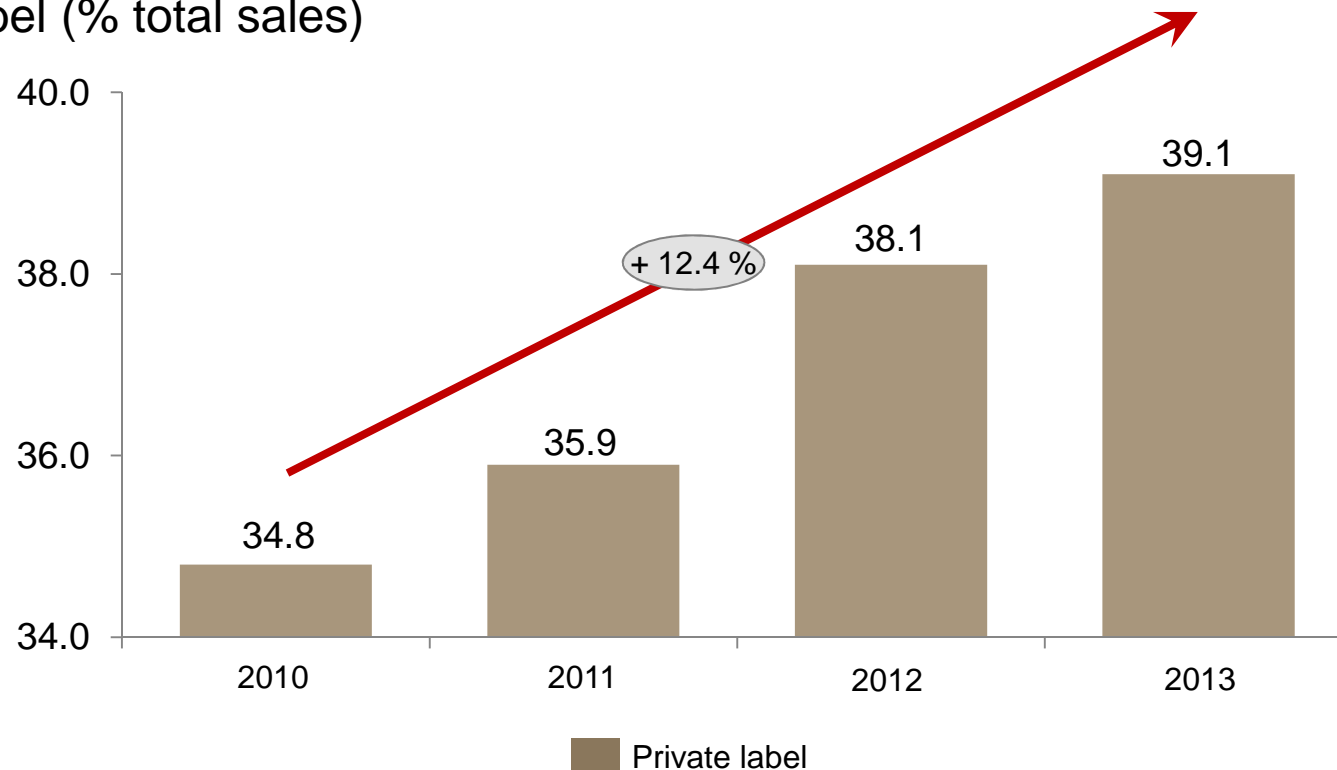
Source: FOD Economie, Research into household budget, October 2013

# Price increasingly important: increased penetration of cheaper private label products

*Context*



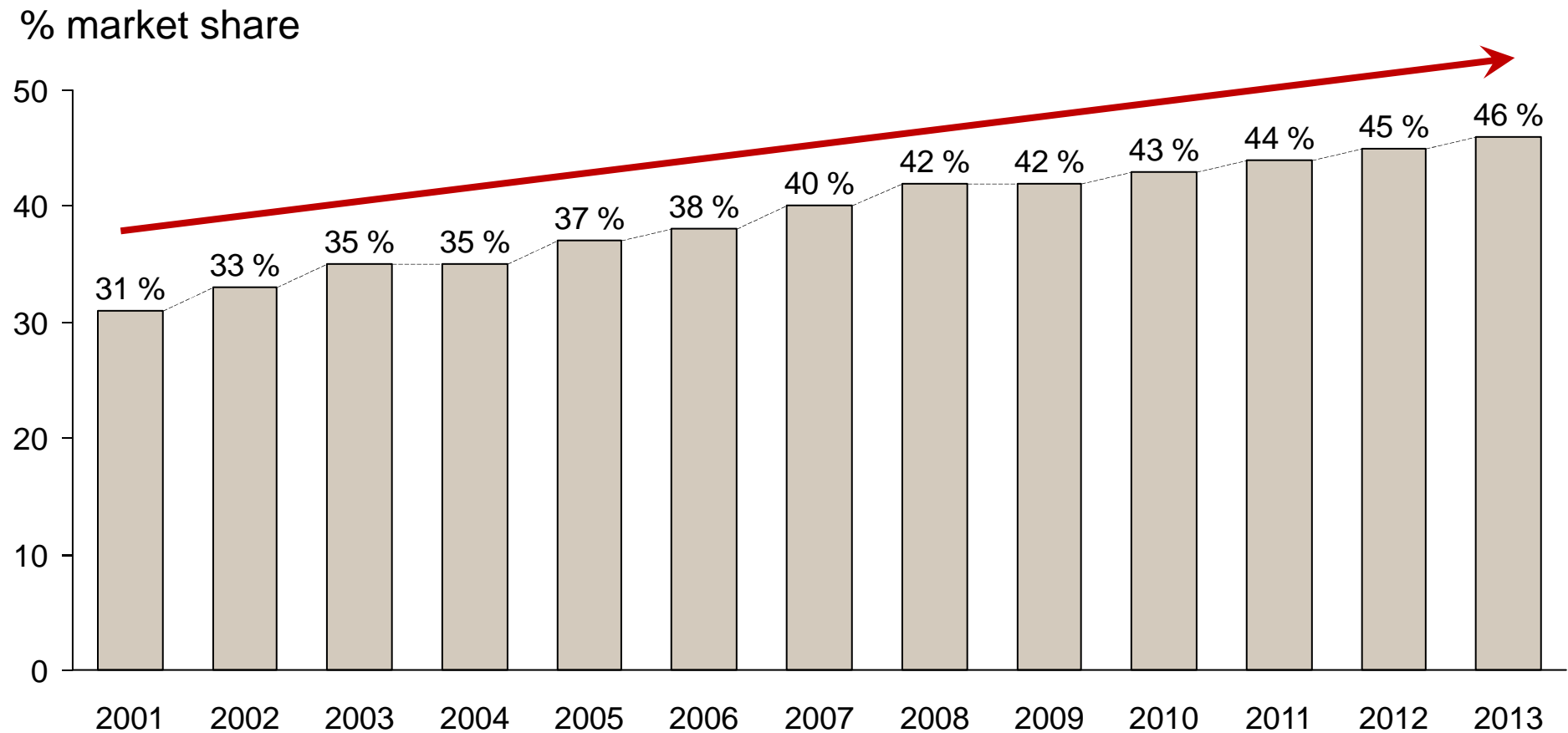
Private label (% total sales)



Source: GfK Panel Services 2013, February 2014

# Continuing growth of discount formats

## Context



Discounters (Aldi, Lidl, Colruyt, Intermarché, Red Market, Profi/Smatch)

Source: Nielsen, Transparency Report

# Increased competition on the Belgian food retail market

## Context



COUNTRY	Belgium	The Netherlands	Switzerland	Austria
# Large retailers	8	5	4	6
Local vs international operators	2 local 6 international	3 local 2 international	2 local 2 international	2 local 4 international

\* Stores at least 500m<sup>2</sup>, at least 10 stores, open for all customers



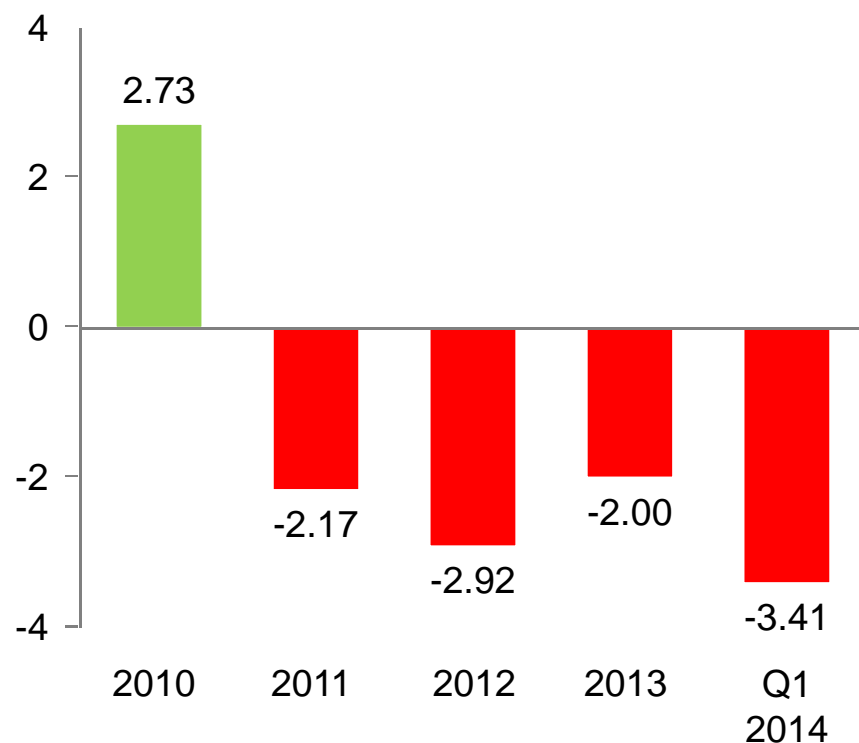
# Declining volumes in company operated supermarkets



## Context

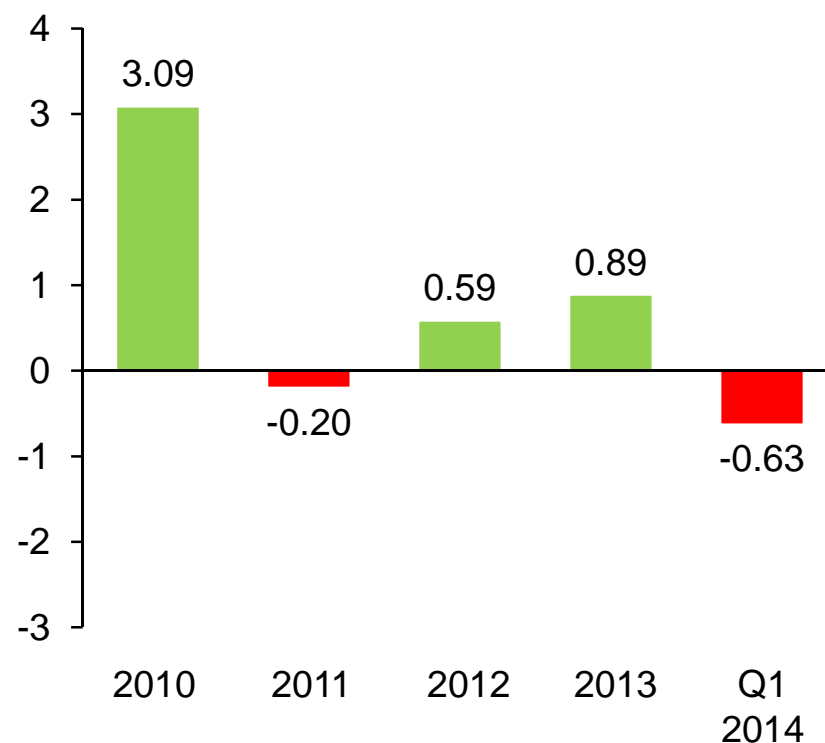
Volume evolution on a comparable basis  
in company operated stores

Change in %



Volume evolution on a comparable basis in  
affiliated stores

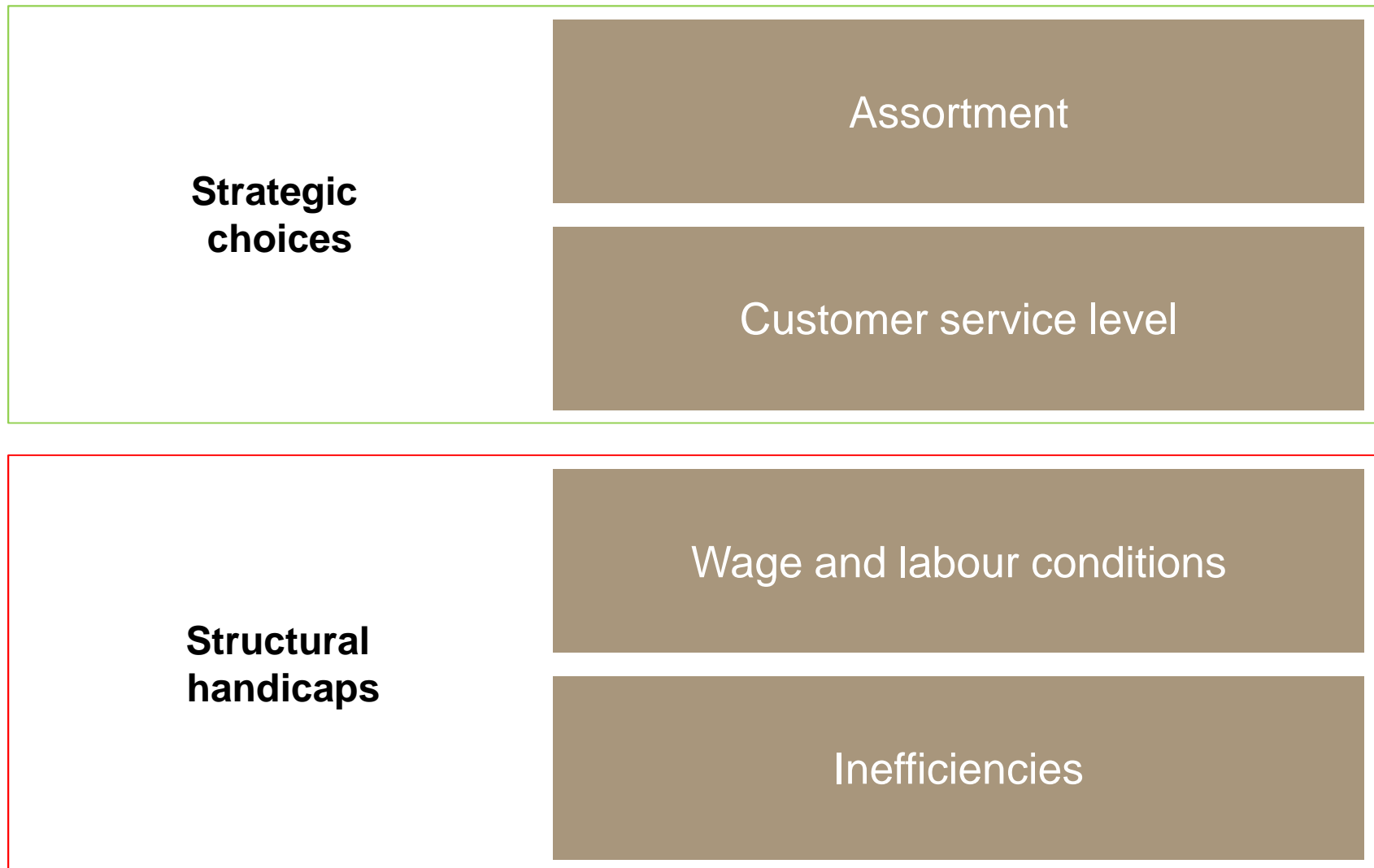
Change in %



Source: Delhaize Analysis

# Reasons for difference in labour cost compared to competition

*Context*



Source: Delhaize analysis

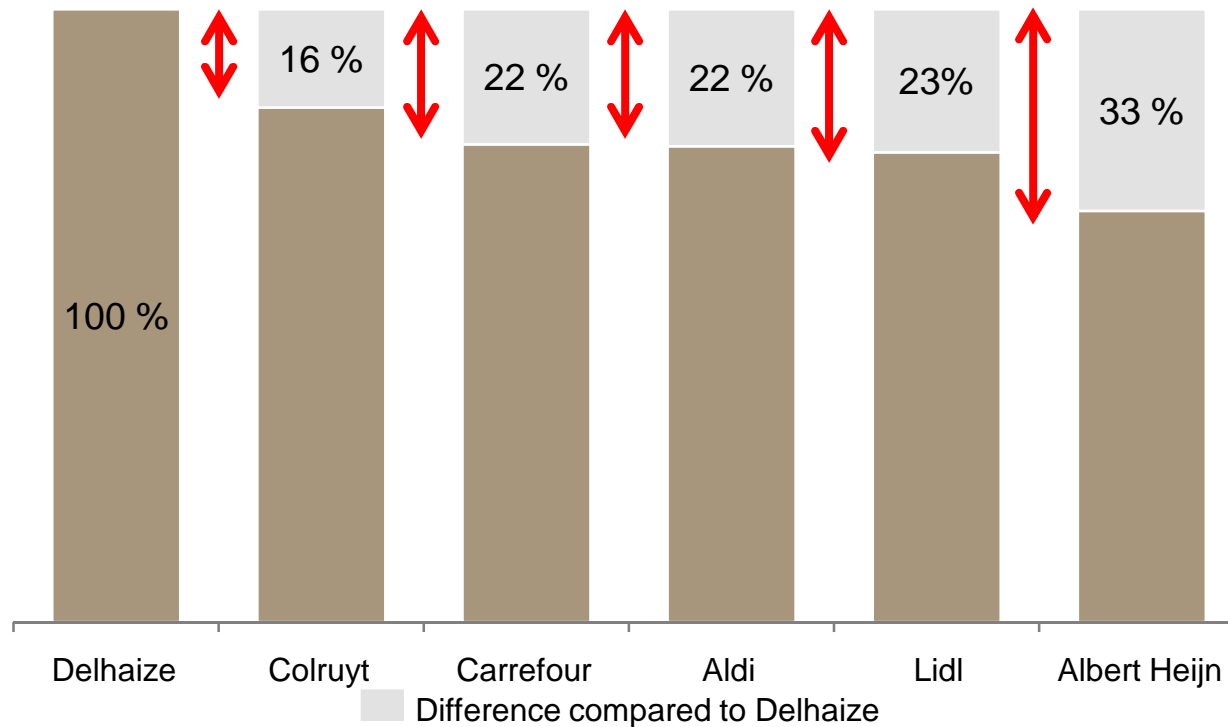
# Structural and increasing cost handicap in wage and labour conditions for company operated supermarkets



## Context

Cost per productive hour (Delhaize = 100%)

Main reasons



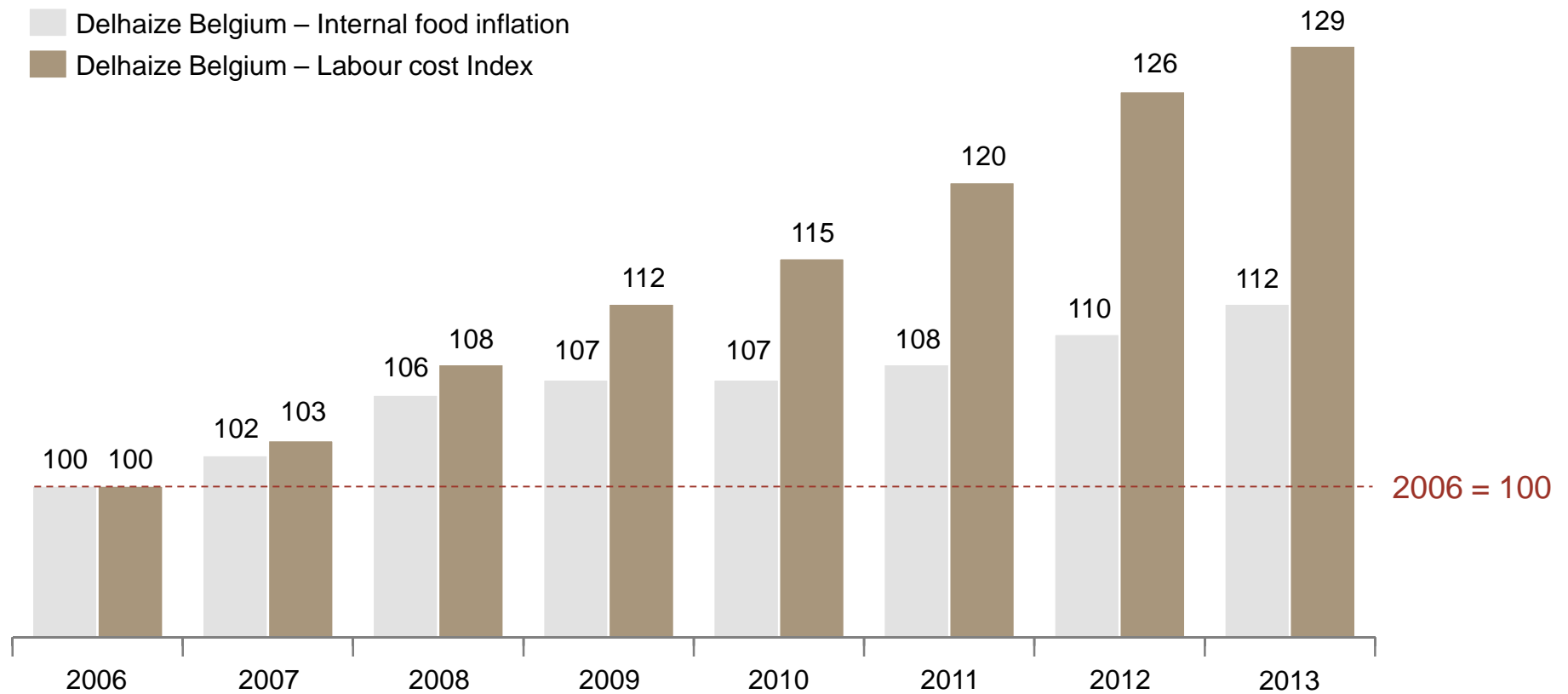
- Higher gross wages and benefits
- Wage increases till end of service
- Paid breaks

**The cost handicap in wage and labour conditions per productive hour will continue to increase in the coming years.**

# Increased wage costs not reflected in price levels



## Context



Source: Delhaize Analysis

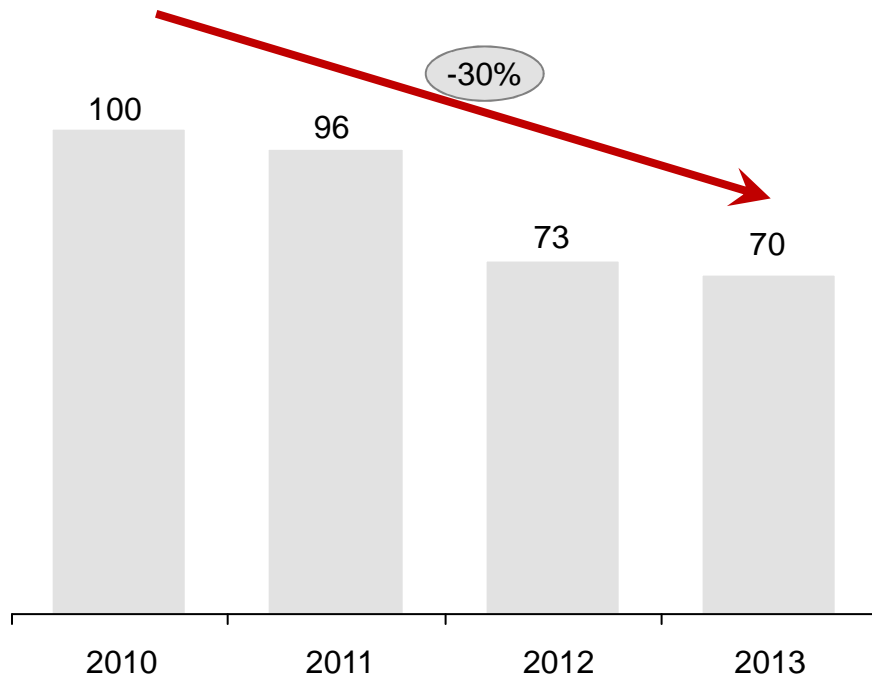
# Profitability of company operated supermarkets is under pressure

## Context



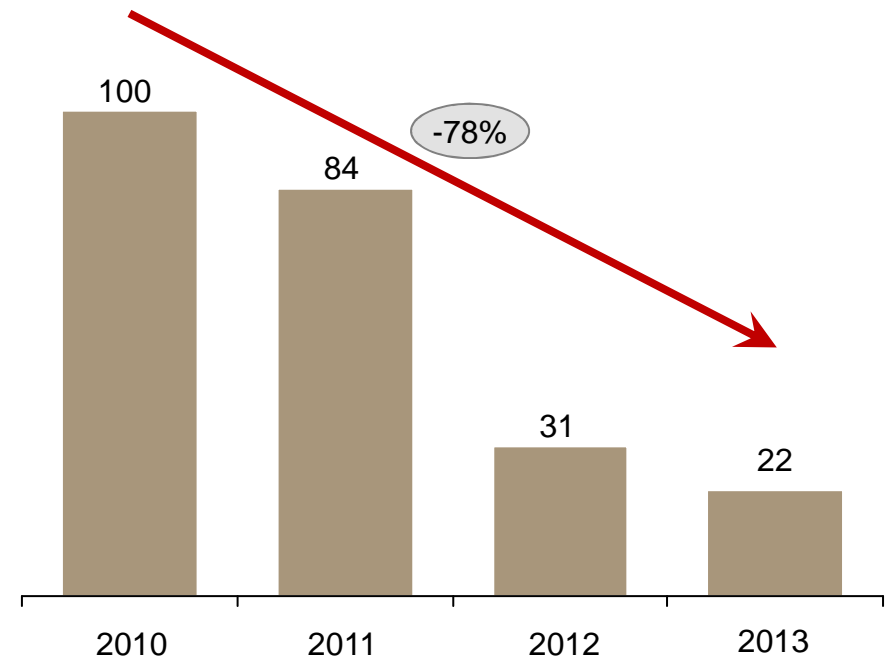
**Delhaize Belgium\***  
profitability (% of revenues)

Base 2010 = 100



**Delhaize Belgium company operated supermarkets**  
profitability (% of revenues)

Base 2010 = 100



\* excluding Tom&Co; Profitability = Underlying Operating Profit  
Source: Delhaize Analysis, Profitability per banner

## 2. Clear long-term strategy aimed at strengthening the Delhaize brand



**Delhaize the favourite retailer again!**

- 

The best in fresh



An efficient and innovative assortment



**We strengthen our identity: quality above all**



The best shopping experience



The best everyday value
- We support our Affiliates**


- We accelerate our growth**



  
 **Tom & Co**
- We save to invest**


- 

**Together, we make the difference for our customers**

### **3. Acceleration of the strategy implementation**



**We have taken the first steps in the transformation process, but we have to take further steps to ensure a sustainable future for Delhaize Belgium.**

**We have to make 450 million EUR of additional investments during the period 2015-2017 in our company operated stores, our associates, our distribution centers, our products, our prices & e-commerce.**

**We will have to adapt our organization and our cost handicap in wages and labour conditions in order to invest in the operations.**

# Several investments and efficiency projects have already been realized

## *Acceleration of the strategy implementation*

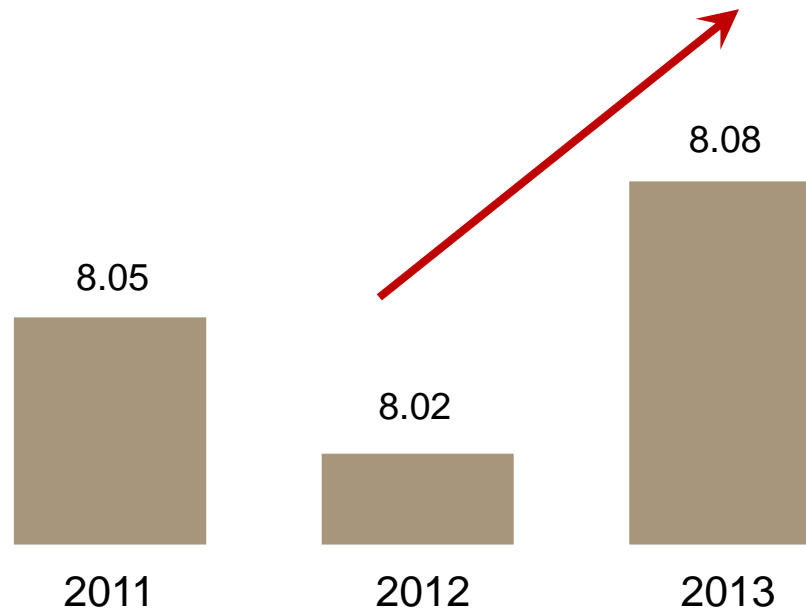


- Important and permanent renegotiation of purchasing conditions
- Various efficiency projects
- New commercial strategy
- Budget for store remodels and uplifts increased by nearly 50%
  - Period 2010-2011: € 58 million
  - Period 2012-2013: € 85 million
- Our associates – budget for training nearly doubled
  - Training budget of € 10.6 million in 2009
  - Training budget of € 20.3 million in 2013



# Our strategy results in a positive customer satisfaction trend

*Acceleration of the strategy implementation*



**Customer satisfaction significantly higher after remodeling or uplift store**

Source: Delhaize internal customer satisfaction study

## 4. Proposed transformation plan



### **Delhaize Belgium intends to:**

- Introduce a lighter and a more efficient model for company operated supermarkets
- Provide more efficient procedures and working methods, and increase focus on new technologies
- Adapt the wage and labour conditions of all associates
- Stop company operated activities in 14 supermarkets that have an unsustainable financial performance: Aarschot, Berlaar, Diest, Dinant, Eupen, Genk (Stadsplein), Herstal, Kortrijk Ring, La Louvière, Lommel, Oude Vest (Dendermonde), Tubize, Turnhout en Verhaeren (Schaarbeek)

# The possible impact of efficiency measures on employment of white collars

*Proposed transformation plan*



**Company  
operated  
supermarkets**

**&**

**Support  
services**

**Intention to collectively dismiss 2,500 white collars (out of 14,878) in the supermarkets and headquarter operations. This equals 2,100 full-time equivalents\*.**

- Over a three year period if confirmed**
- Investigate all options to avoid forced layoffs**

**There is no intention to collectively dismiss blue collars or executives.**

# Commitment to limit the impact on our associates as much as possible

## *Proposed transformation plan*



We acknowledge the impact of this announcement on our associates and their families and we will therefore :

- Investigate all possible options to reduce forced layoffs as much as possible
- Provide accompanying measures and support
- Search for best solutions for re-employment
- Reduce the period of uncertainty and be as transparent as possible
- Find the best possible solution for each impacted associate, in accordance with legal provisions

# Legal Law Renault procedure

## *Proposed transformation plan*



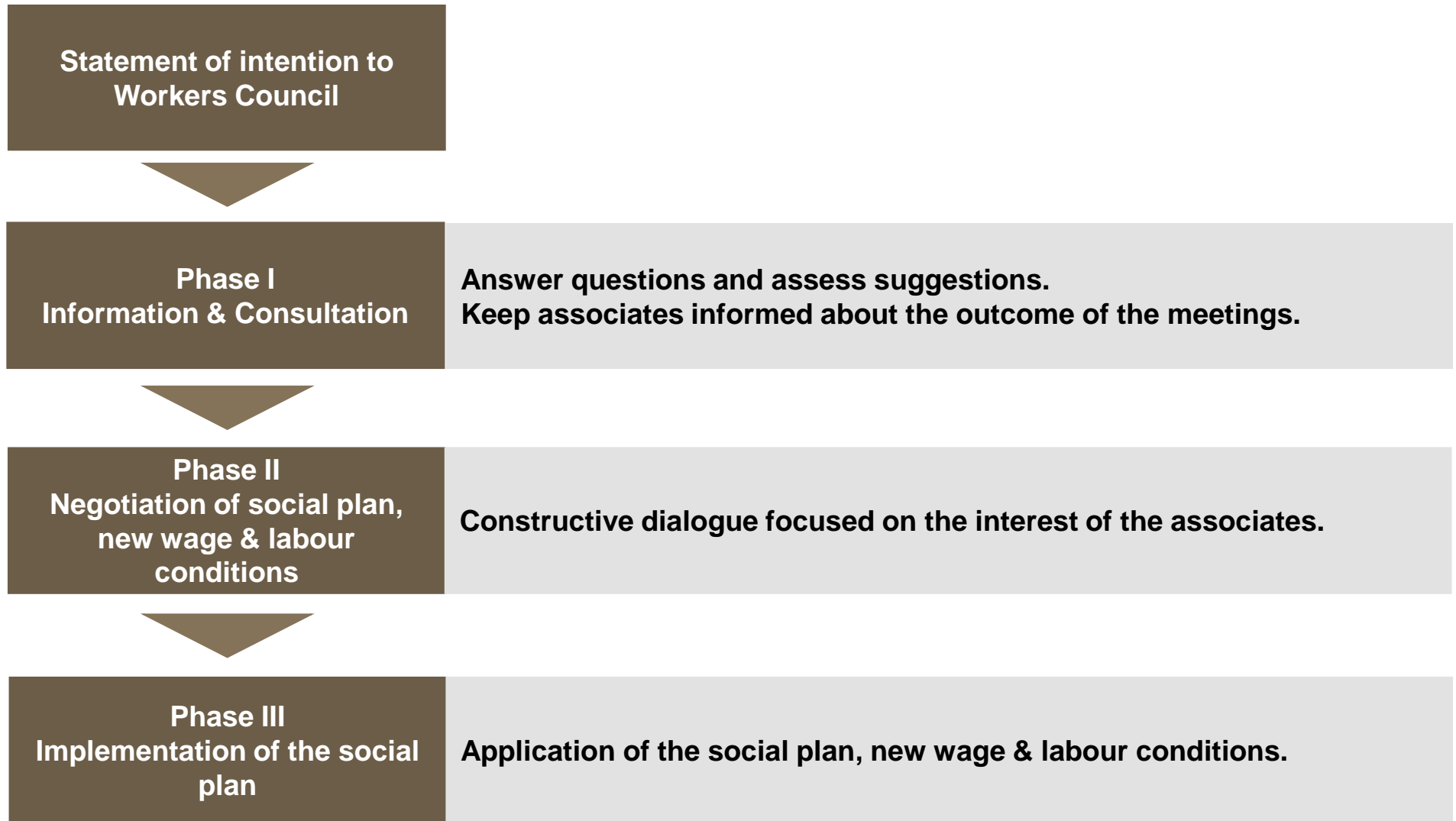
**Information sharing and  
consultation process  
with social partners**

**If intention is confirmed,  
the collective dismissal  
could be implemented as  
of Q1 2015**

# The Law Renault consists of 3 phases



## *Proposed transformation plan*



# Ensure the future of our company



- **Build a sustainable business model for our company operated supermarkets**
- **Reinforce revenues, growth, market share and profitability**
- **Become again the favorite supermarket in the Belgian market by focusing on quality, health, assortment, shopping experience and service**

# Questions?





# Interviews?

