

Boots for value

There's no point denying that in the recent past, Boots was a comparatively expensive place to shop. Over the last three or four years, though, we've made it a very high priority to put that right; to make our prices genuinely competitive and, above all, to ensure that our customers can trust us to provide them with real value for money. And in 2005/06, we made great progress in this key area...

Achieved in 2005/06:

Cutting prices, maintaining margins

Building on the success of our 'Lower Prices You'll Love' campaign, we cut over 700 prices by an average of 19%.

The majority of these reductions were in price-sensitive categories, where customers most appreciate value. At the end of the year our prices were the best they have been in recent years against our key competitors.

Crucially, we've achieved this whilst maintaining margins through better buying, by being more efficient in our manufacturing operation and by a favourable mix of products sold, with an increased contribution from Boots own-brand.

Our Advantage

Of course, price and value are not the same thing. And while our prices have improved significantly, the value we offer our customers is better still – especially in the case of almost 15 million active Advantage Card holders. (A total which includes around half the women in the UK).

Using one of the most rewarding loyalty cards, and also taking advantage of our many price promotions, Boots prices are lower than many non-Boots shoppers think and are now very competitive with our rivals.

Sustainable ways to save our customers money

Developing environmentally sustainable new products isn't just good for the planet; in many cases, it also makes excellent financial sense.

Over the last two years, for example, we've been working with the government's Waste & Resources Action Programme (WRAP) to carry out large scale production trials of packaging containing recycled plastic. Results have been excellent; and in 2005/06, we put the theory into practice, launching our new Ingredients range in clear packaging made from 30% recycled material – with the added benefit of reduced costs.

We're aiming to increase the recycled content in our packaging, as well as the range of products using recycled materials. The resulting cost savings will help keep prices down.



Prices to suit every pocket

When it comes to prices, we're aiming to ensure our customers always have a choice, by offering products they can easily differentiate as being 'good', 'better' or 'best'.

And we often see customers putting top of the range products in their baskets alongside items from our Basics range, which continued to attract new toiletries customers to Boots.

Measuring our performance

We use a number of criteria to measure our performance here. But we believe that customer perception of value for money at Boots and competitor price comparisons are commercially sensitive, so we don't publish this information, although the measures improved in the year.

	2005/06	2004/05
Number of active Advantage Card holders	14.7m	14.0m

Chumpa and Julietta work together in our Sedley Place store in London. Here they are putting up signage to announce our latest 1,000 price cuts.



Delivering major cost and CO₂ savings

Another environmental saving that's helping us to keep prices in check concerns how we deliver goods to our stores. With our logistics partner, we're constantly working to make this complex operation more efficient. We introduced 16 double-deck trailers this year onto five of our trunking routes, reducing three journeys to two. And along with our continued use of dual-fuel vehicles, we achieved savings of 1.4m kilometres and around 2,900 tonnes of carbon dioxide emissions. In April 2006, we expanded our double deck trailer fleet by an additional 23 units and expect to make additional financial and environmental savings.

Helping to cut the cost of parenthood

Launched in June 2005, our new Parenting Club has proved a very welcome new arrival, offering new and expectant parents access to a wealth of baby and childcare expertise, with regular magazines full of practical ideas and helpful suggestions.

But no doubt what members most appreciate are the financial benefits, with a range of offers that can help them save up to £200 on key purchases, at a very expensive time in their lives. No wonder, with our Parenting Club still in its infancy, membership has already grown to around 600,000.

To do:

We know our prices are increasingly competitive and our value for money offer is excellent. But the big issue that we still need to tackle is customer perception: after years of high prices, many people still think of Boots as expensive. Since the beginning of April, we have already implemented:

- > 1,000 more price cuts in our 'Look and feel better for less' campaign;
- > Our first ever price-led advertising;
- > Big discounts on health products for over-60s joining our new Health Club.