



Supply Chain



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Colleagues



c. **10,800**
colleagues

c. **4,000**
of our retail staff hold
accredited fitting
qualifications

Colleague turnover
rates have fallen by
21%
in the last four years

Delivering development programmes for all colleagues is a valuable competence in retail, we optimise talent in all elements of the value chain to deliver our strategic aims and objectives.

To compete in retail the pace is fast, the targets tough and the need to evolve is constant. Behind the scenes of the retail stores are a core of people monitoring, analysing, communicating, testing, moving, sourcing, negotiating, motivating . . . the list goes on. What is common is a passion to deliver in a relentless competitive environment month in and month out.

This focus and commitment is guided by our clear strategies and most importantly our skills in execution. Our ability to recruit, train and manage thousands of our colleagues is a competence in itself.

Communication

Communication is vital and we have implemented many revised systems both technological and conventional to ensure the goals and objectives of the Group are understood and co-operatively delivered throughout the Company.

Training

Key to maintaining our relentless drive for delivering a genuine service differential to our customers is ensuring that all colleagues, whether on the shop floor, in the distribution centres, or in the head office, have the opportunities and tools

to continually develop their skills and capability. In the last year, we have invested in learning and development, to enable line managers to constantly improve the performance of the people in their teams. This has included:

- The Halfords Competency Framework — a clear articulation of what we need to drive forward our brand and deliver the very best performance.
- Colleague Training — A suite of interactive training materials to develop expertise across the complete customer offer and provide our store management teams with a more flexible, talented resource.
- Active Selling Training — Training all colleagues in how to deliver complete solutions to our customers. Driving additional sales and margin through accessory attachment, fitting services and care plans.
- Accredited Fitting Training — A range of technical fitting qualifications, developed with industry bodies such as RoSPA, Cytec & IMI, to provide the very best levels of service that is safe, industry leading and of high quality.

“Through training we’ve seen an increase in Customers being approached by 8%, together with Customers being offered accessories up by 10%”



Jane Saint
Director — Human Resources

Systems



1.7m
Reserve & Collect
transactions
to date

Order & Collect
launched January
2010

Over
400,000
items available to
order in store

The technology to drive an increasingly complex multi-channel offer and improve operating efficiencies across the business remains a key area of focus and investment.

Over the past five years Halfords has invested in a core suite of systems, that provide the backbone of our business. Such investments have replaced our point of sale, warehousing, multi-channel and head office systems.

Recognising our risk appetite in the area, we don't look to lead, but to mirror the best in class infrastructure already established in the marketplace.

Our key focus at this time is on a further enhancing of our in-store point of sale experience and further integrating our multi-channel proposition.

Point of sale experience

For point of sale we have two categories of purchase. First, that which you can take from the shelf and pay at the till. Second, that which needs to be cross-referenced to ensure the part is correctly selected. The latter is supported by our market leading product look-up databases supplemented by customer product references and this continues to improve the customer experience.

Multi-channel support

Multi-channel support has been a key area of development. Improving an infrastructure which can now show our product availability per store to web users has supported the increased demand for *Reserve and Collect*. It also creates a seamless experience where a customer orders non-stock items for collection at the local store. Our logistics and in-store processes are designed to be easily managed and allow colleagues in-store to add value through accessories or services.

“The importance of joined up systems has never been greater; our ability to deliver customer access to store inventory information has proved invaluable”

Sourcing



30%
of supply
managed direct
from Far East

99.8%
of products imported
have been audited to
our ethical standards

Direct trade with
9
countries

With almost a third of buying now directly from the Far East, our sourcing strategy has benefited from investment in our Hong Kong and Shanghai offices over the past five years.

Our successful retail strategy of strong own brands has increased the need to source large quantities of own brand products at a price structure and quality level to meet customer expectations and brand positioning.

The majority of products are sourced through our UK-based buying teams with mutually beneficial relationships across manufacturers and distributors.

The Far East

A growing source of value has been our ability to deal more directly with the Far East as an economic supply region. Our new offices in China have proven invaluable, in investigating new sources of supply in inland China, compared with our historic sourcing in southern China.

Ethics and quality

We have introduced our own code of conduct based upon established international standards which are regularly audited.

In addition, most of the products are manufactured to EN, BS and ISO standards like ISO 9001 and ISO 14001 which are likewise audited by the international quality audit company BVQI.

The future

We constantly monitor manufacturing migration trends and capabilities of emerging origins as well as the growing domestic demand within certain economies. This helps us map the possible new leaders in manufacturing and export competitiveness and shapes the strategy for future development of our sourcing organisation.



“We’re Halfords’ eyes and ears in the region, enforcing quality and ethical compliance whilst developing true commercial partnerships with key suppliers for mutual benefit.”



Head of Far East Sourcing

Distribution



320,000
sq.ft. of
new DC

CO₂
1.6%
reduction in
2009/10

increase of
34%
pick rate
expected

A programme of improvements and investment in distribution centre structure with modern management systems will deliver significant returns from 2010.

Servicing 462 stores in the UK & ROI carries a significant cost, both financial and environmental. Our responsibility to our shareholders and the broader community will see significant improvements as investments in technology, rationalisation of distribution centres, inventory management and logistics begin to come to fruition.

2010

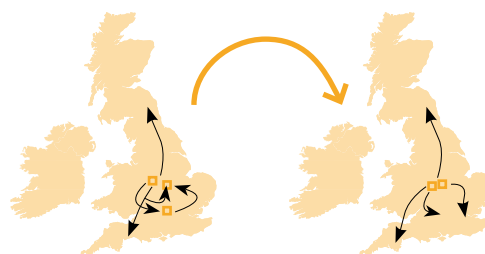
During 2010 the Group will migrate from its current three distribution centres ("DC") to two national distribution centres. One DC, Redditch, will service all bike volumes whilst the new Coventry DC will service all other demand. Through improved location and investments in mechanisation, annualised savings of c. £4m are anticipated.

Order collation

The efficiency of our colleagues in the distribution centres will be improved through intelligent management systems, one feature is the "pick by voice" feature which allows the movement of our colleagues picking orders to be optimised as they are given live instructions via headset by computer. This will enable not only increased pick rates by better planned walks but also the ability to pick for multiple stores concurrently.

Environmental impact

We have outlined our impact on the environment on page 84 and shown how the steps we have taken will make our distribution network more carbon efficient. We have sought to optimise both the operation of the delivery fleet and the warehouse operations. These include shorter, more efficient journeys and warehouse zoned lighting which reduces lighting to 10% output when not needed, but is able to be re-illuminated immediately by motion sensor controls thereby minimising cost.



"Computer driven voice instructions to colleagues in Coventry will allow us to move from picking for a single store to four stores concurrently"



Logistics Controller