

IBM Global Financing lightens the financial load for Safeway

Safeway plc is one of the UK's top four supermarket chains with a turnover of £8bn per year, over 76,000 employees and more than 470 stores nationwide. To remain successful, the organisation has to continue to innovate in a marketplace where intense competition and low margins are the norm.

Ahead of the game
To stay ahead of its competitors, the leading retail group must remain at the forefront of technological and consumer-friendly developments. Its current innovations include 'Shop and Go', a do-it-yourself bar-coding system that avoids check-out queues and 'Collect and Go', Safeway's home-ordering service. This is on top of its highly successful customer card reward scheme 'ABC', which helps the company to cross-sell products, based on market intelligence gained through the reward scheme.

Even more exciting is the trial of 'Easi-Order', a palm computer driven home-ordering system which has been developed in partnership with IBM.

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Brian Weeks, Production Service Manager, Safeway plc



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Bulk-buying computer power
Safeway recognised that it needed more processing power, in the form of a new mainframe processor, to drive these and many other initiatives planned for the near future. The retailer already had considerable stocks of IBM equipment, so the decision was made to purchase an IBM ZZ7 mainframe – the most powerful production mainframe system IBM produces.

This new machine would complement the company's existing and immense mainframe system which is at the heart of every mission-critical business process the company operates. From distribution to stock control, administration, finance and marketing, the company is reliant on the computing power that this new system will add to Safeway's existing network.

The winning deal
The company arranged a three-year lease of the mainframe equipment from IBM Global Financing, who offered the best and most flexible finance terms, according to Safeway.

Brian Weeks, Production Service Manager at Safeway, is responsible for computer operations and all contracts for both leasing and maintenance. He says that the main reason that Safeway has a leasing policy for its Information Technology (IT) equipment is that technologies are quickly superseded, and the supermarket group needs the option of upgrading equipment in accordance with its changing IT requirements.

“Leasing through IBM Global Financing provides this flexibility,” confirmed Brian Weeks.

Leasing – the best option
Safeway wanted to lease the equipment instead of purchasing the new ZZ7 mainframe outright, freeing up cash reserves for business building IT projects. Brian Weeks explained: “Companies that purchase these systems outright tend to hold onto them for many years. We don’t want that... we want to be in the position of being able to use the latest technology as soon as it is released, if we wish – and that’s what IBM offered us.”

“With IBM’s leasing terms, we are safe in the knowledge that we don’t have to decide what to do when the lease ends, until it has expired. With other companies, we are often tied into making decisions about our IT requirement in three years time, today,” he continued.

Safeway has been working with IBM for more than 25 years. In fact, the first mainframe the supermarket chain bought in the 1970s was an IBM box.

However, despite the close relationship, Safeway carefully researched current market rates: “We talked to a number of leasing companies about funding the ZZ7 mainframe, but to-date IBM has consistently offered the best deal,” commented Brian Weeks.

Safeway said that the leasing process was carried out very smoothly, with no surprises. “Global Financing’s standard contract was fine for us, we had one or two amendments to the contract, but IBM coped with that very well indeed,” he said.

No complaints

Brian Weeks is happy with the service and deal offered by IBM Global Financing. “If IBM continues to be the most flexible leasing partner, offering favourable terms, the best interest rates and the highest levels of service, then we would have no hesitation in using IBM Global Financing in the future” he concluded.

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- Working capital financing for business partners to fuel their commercial growth
- A wide portfolio IBM-quality remanufactured equipment.



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