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wind down our transition services agreement for our *Albertsons, Acme, Jewel-Osco, Shaw's and Star Market* banners with SuperValu on a store-by-store basis. We anticipate extending the expansive and high-quality own brand program developed at Safeway across all of our banners. We believe our increased scale will help us to optimize and improve our vendor relationships. We also plan to achieve marketing and advertising savings from lower print, production and broadcast rates in overlapping regions and reduced agency spend. Finally, we intend to consolidate managed care provider reimbursement programs, increase vaccine penetration and leverage our combined scale. We expect to achieve synergies from the Safeway acquisition of approximately \$200 million during fiscal 2015, or \$440 million on an annual run-rate basis, by the end of fiscal 2015. Approximately 80% of our \$800 million annual synergy target is independent of sales growth, which we believe significantly reduces the risk of achieving our target.

Selectively Grow Our Store Base Organically and Through Acquisition. We intend to continue to grow our store base organically through disciplined investment in new stores. We believe our healthy balance sheet and decentralized structure also provide us with strategic flexibility and a strong platform to make further acquisitions. We evaluate strategic acquisition opportunities on an ongoing basis as we seek to strengthen our competitive position in existing markets or expand our footprint into new markets. We believe selected acquisitions and our successful track record of integration and synergy delivery provide us with an opportunity to further enhance sales growth, leverage our cost structure and increase profitability and free cash flow.

OUR INDUSTRY

We operate in the \$584 billion U.S. food and drug retail industry, a highly fragmented sector with a large number of companies competing locally and a limited number of companies with a national footprint. From 2010 through 2014, food and drug retail industry revenues increased at an average annual rate of 1.3%, driven in part by improving macroeconomic factors, including gross domestic product, household disposable income, consumer confidence and employment. Food-at-Home inflation is forecasted to be 1.75% to 2.75% in 2015, which should also benefit industry sales. In addition to macroeconomic factors, the following trends, in particular, are expected to drive sales growth across the industry:

- *Customer Focus on Fresh, Natural and Organic Offerings.* Evolving customer tastes and preferences have caused food retailers to improve the breadth and quality of their fresh, natural, and organic offerings. This, in turn, has resulted in the increasing convergence of product selections between conventional and alternative format food retailers.
- *Converging Approach to Health and Wellness.* Customers increasingly view their food shopping experience as part of a broader approach to health and wellness. As a result, food retailers are seeking to drive sales growth and customer loyalty by incorporating pharmacy and wellness clinic offerings in their stores.
- *Increased Customer Acceptance of Own Brand Offerings.* Increased customer acceptance has driven growth in demand for own brand offerings, including the introduction of premium store brands. In general, own brand offerings have a higher gross margin than similarly positioned products of national brands.
- *Loyalty Programs and Personalization.* To remain competitive and generate customer loyalty, food retailers are increasing their focus on loyalty programs that target the delivery of personalized offers to their customers.
- *Convenience as a Differentiator.* Industry participants are addressing customers' desire for convenience through in-store amenities, including store-within-store sites such as coffee bars, banks and ATMs.