

DRUG STORE NEWS dsn

The Business of Retail Pharmacy

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Beyond the corner of happy and healthy *How Walgreens Boots Alliance is evolving into a global powerhouse*



Walgreens is no longer at the corner of happy and healthy. It's expanded well beyond the U.S. neighborhood and, while it's not everywhere yet, it's bigger than anyone else. A lot bigger. This size creates challenges for the U.S. OTC market.

The growth of Walgreens Boots Alliance, Walgreens' parent company, has major implications for U.S. brand owners. Walgreens Boots Alliance is growing through acquisition. In their own words, Walgreens is part of "the first global, pharmacy-led health and wellbeing enterprise." And it's still getting bigger. When — probably not "if" — the Rite Aid deal is closed, the leading position in the United States will be clearly cemented.

There are a lot more corners and parts to the new organization. Walgreen's has more than 8,000 stores in the United States and now is a division of a global drug chain of more than 13,200 stores in 11 countries. WBA also is one of the largest global pharmaceutical wholesalers with more than 390 distribution centers delivering to more than 230,000 pharmacies in more than 20 countries, ranging from Boots in the United Kingdom,

Thailand, Norway, the Republic of Ireland and the Netherlands, Benavides in Mexico and Ahumada in Chile. Walgreens also is part of a store brand powerhouse with No7, Boots Pharmaceuticals, Botanics, Liz Earle and Soap & Glory, among others.

The implications of WBA's global growth are important. When you combine merger-and-acquisition-inspired borrowed money pressuring cash flow, a far better global view of wholesale prices, strong focused store brands, rationalized retail portfolios, tougher margin requirements and institutionalized increased trade promotion expectations, Walgreens is on a very different corner.

The merger-and-acquisition activity — from Rite Aid to Amerisource Bergen in the United States and an imminent launch in South Korea with the Shinsegae Group to shopping for other opportunities — all points to an aggressive growth agenda. More than once, official WBA financial documents have stated "paid for out of cash flow." Connections in the United Kingdom confirm that the focus on cash is real and a part of recent trade promotion negotiations.

At the store level, the 2016 cycles of category

reviews have introduced a whole new world. The continuous three-for-two price promotions, tougher margin requirements and a revamped circular are well established. The Boots U.K. playbook also includes significant front-line staff training, and it's training with real incentives for in-store employees. If you don't know training content, your job is in jeopardy. It's just a matter of time before that arrives in Chicago.

Nowhere is the new global Walgreens better reflected than in its North American leader, Alex Gourlay, a Glasgow native and the newly named chairman of the National Association of Chain Drug Stores. Just five years ago, it would have been hard to imagine a Scottish pharmacist who started at age 16 in a U.K. Boots would come to head Walgreens and the most important U.S. drug store trade association. Today, that's reality. Gourlay's humble beginnings in the business are refreshing. "I used to [work in] the stockroom, mop floors [and] clean up after the drunks," he said.

Walgreens used to be at the corner of happy and healthy. Walgreens Boots Alliance is on the corner of global and growing. The old neighborhood has really changed.