

# THE JOURNEY TO GLOBAL CONTINUES

Walgreens, Alliance Boots and our joint venture have accomplished a lot in one year – another step in establishing the world's first global health and well-being enterprise.

By James Warda



Last year at this time, the *Walgreen World* cover story and our company's biggest news was that we had entered into a groundbreaking agreement with the European-based company Alliance Boots. One year later, we sat down with three of the leaders closely involved in making this a successful partnership: from Walgreens, Alliance Boots and the joint venture Walgreens Boots Alliance Development GmbH\*.

**Walgreen World:** What convinced you about the partnership with Walgreens?

**John Donovan, co-president of Walgreens Boots Alliance Development GmbH (previously with Alliance Boots):**

Alliance Boots already set a successful precedent at a European level a few years ago. Now we have the opportunity to add greater dimension, geographical reach and extra scale to this model. What we can ultimately offer our customers, pharmacists, patients and manufacturers can only be dramatically increased by our strategic partnership with Walgreens.

**WW:** What have Walgreens and Alliance Boots been doing together this past year?

**Bob Zimmerman, Walgreens senior vice president and global chief administration officer:** To help us organize the efforts involved in delivering synergies, or making the most of cost savings, new ideas and improved processes, we've developed six teams in the last year. Each one focuses on a different aspect of our combined capabilities and expertise, with five focused on procurement:

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- Generic drug procurement
- Branded pharmaceuticals procurement and patient support programs
- Branded consumer packaged goods (front-of-store products) procurement
- Global sourcing and procurement for private brand products
- Goods not for resale (supplies, hardware, etc.) procurement
- Front-of-store products and beauty brand development

The best evidence that we're acting as one is our creation of a joint venture in Bern, Switzerland. Since, at this point, Walgreens is solely a 45 percent minority investor in Alliance Boots, the joint venture is a visible sign to the outside world, such as investors and suppliers, that we're 100 percent committed to the future partnership. The joint venture is a real company, and we're getting great support from Walgreens and Alliance Boots – the "parents."

We've also been working in Hong Kong to improve sourcing from Asia, leverage our combined scale and the enhanced global sourcing capabilities Alliance Boots has developed, as well as share best practices from Hong Kong based organizations. To further enhance our beauty offerings, we've brought Boots brands, such as No7, into Walgreens stores and online. Additionally, representatives from each company have visited their counterparts and facilities at the other company to learn how they do business, and share best practices.

**WW:** What excites you about the partnership?

**Jeff Berkowitz, co-president of Walgreens Boots Alliance Development GmbH (previously with Walgreens):**

When you start integrating companies, you start with what you know. That's what we did as we first

identified cost savings and ways to learn from each other. But now, we're seeing so much opportunity that we didn't even know existed. Every time we get together, we're finding more and more similarities and ways to make both companies better, from our cultures to our computer systems. We've accomplished so much in such a short period of time ... it's remarkable. And I believe we haven't even scratched the surface.

**BZ:** Jeff is right. We've barely scratched the surface of this partnership's potential. After all, with this deal, you have two companies that never overlapped geographically, or in a business sense. Now, we have the opportunity to put together the first integrated, global supply chain in the world, and expand into developing and developed markets. And we'll have an infrastructure that can go beyond delivering products and services.

**WW:** How are we doing with integrating the two companies' cultures?

**JD:** We're lucky that our two cultures are highly complementary in terms of skills, expertise and experience. In addition, our two companies have a similar heritage and history dating back to the 19th century. I really think that we have to keep an open mind and embrace change in order for our two cultures to forge a shared new culture that will blend the best elements of both. The important thing is, of course, to behave in the interest of the new entity. What I've seen so far is hugely promising, and I believe puts us in a great position for the future.

**BZ:** I agree that our cultures are already very similar, which is one of the main reasons the partnership with Alliance Boots was initially formed. After all, both companies are, at their core, in the business of delivering medicine and healthcare services to patients – whether that's delivering

to other pharmacies or directly to patients. Plus, two of the top executives in each company are pharmacists by trade. And, although these executives may speak with different accents, they're still pharmacists at heart. They bring that same passion, and those same values.

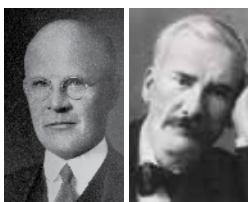
**WW:** What has the joint venture achieved outside the walls of our two companies?

**JB:** We've been busy talking to brand and generic pharmaceutical companies, consumer goods companies and other vendors about the benefits of bringing our two companies together. And they're definitely beginning to see the potential value of our global powerhouse. For example, we recently hosted two of the major generic drug companies here in Bern. It's exciting to be in front of our customers talking about our new partnership. You can really see the sparkle in their eyes as they hear more about it. They're excited about the scale and volume of what we're doing, especially because it will also make it easier for them to grow their own businesses.

**WW:** How has partnering with AmerisourceBergen added to the excitement of our external partners?

**JD:** I really believe that we're gradually becoming a critical partner that can be extremely beneficial to our external partners. Our joint partnership with AmerisourceBergen, announced last March, will certainly reinforce this. We're in a position to supply pharmacists, manufacturers, patients and consumers with a "full encirclement" service through which we can provide solutions for their every need. This is really exceptional in our industry, and places us in a very strong position indeed. **WW**

\*In certain European countries, the acronym "GmbH" designates that a company is private and limits the liability of its owners.



Charles R. Walgreen Sr. (left) and Jesse Boot both shared a commitment to their customers and patients.

## If our founders could see us now, **WHAT WOULD THEY SAY?**

**BZ:** I believe Charles R. Walgreen Sr. would be thrilled to see how the traditional drugstore he opened is evolving into a global integrated supply chain that's going way beyond dispensing prescriptions. And, most important, he'd see that our current offerings are expanding upon his original vision of providing services for the betterment of our patients. That's where the two companies share true common ground.

**JD:** I'm pleased to say that we've remained loyal to Jesse Boot's basic values and commitment to making health and beauty more accessible to everyone, from all walks of life.

**JB:** From my perspective, I think that both founders would see that, at the heart of these two massive companies, is still that incredibly strong principled belief in community pharmacy. We absolutely believe in the value of pharmacy, and that it is a key part of the healthcare delivery system. Therefore, I believe they would both be extremely proud of how the legacies of their companies are still central to what we're doing today.