E-Commerce’s Impact on Supply Chain:

Designing your supply chain for the challenges of the Omni-channel

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We Are Evolving Because Our Customers Are Evolving...

Major Trends and Enablers Have Driven New Eras Within Retailing and Supply Chain

From 1800 …  … to 1900  … to 1940  1940 to 1970  1970 to 1990  1990 to 2008  2008 to …

General Stores  Introduction of Mail Order  Self service model  Department stores  General merchants  Enclosed malls  Strip centers  Mass retailers  Club stores  E-Commerce  Big Box and Discount expansion  Omni-Channel

We have evolved into a ‘Convenience Society’

✈️ We don’t know what we need until we need it, and once we figure that out; WE WANT IT NOW. . .
Consumers Today…

Driving growth of digital and mobile technologies

By 2015, more than 50% of U.S. retail sales are projected to be web-influenced

Shopping wherever and however they can to get what they want.
The Retail Industry is Changing

Omni-Channel Retailing Keeps Amazon in the Lead

By Theodore F. di Stefano

The Walgreens path to omnichannel success

By FRIDA SWERBLIO, HEAD OF RESEARCH, SHOP ORG | Published FEBRUARY 6, 2013
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If you haven’t been paying attention to Walgreens of late, you might be surprised to see that this 112-year-old (and No. 32 on the Fortune 500 list) company has in fact transformed itself to be a model 21st-century retailer and leader of multichannel convergence and “omnichannel.” At Shop.org’s First Look of the Retail’s BIG Show 2013, Walgreens Vice President of e-commerce Miguel Almeida explained why it’s strategically important to the company’s future, shared a glimpse into the company’s omnichannel strategy, and gave his take on what it takes to make omnichannel work.

- Amazon continues to push the industry through its innovation
- Continuing efforts to get the products closer to the customer for faster delivery
- Next Day
- Same Day

(Image credit: AP/Reuters Images via GettyImages)

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The mobile digital consumer is driving massive change in retail.

Direct-to-consumer sales are changing the economics of retail for everyone.

Retailers must provide customers with what they want whenever and wherever they want it.

Supply chain strategists must design a system that efficiently links bricks and clicks.
Walgreens is On a Mission to Deliver the Ultimate Omni-channel Retail Experience…

1. What “omni-channel” means to us
2. Creating “frictionless” experiences
3. Developing “Digital DNA”
4. How this affects the Supply Chain
What is Omni-Channel...?

Omni-channel is about delivering a seamless experience across all channels - web, mobile, brick-and-mortar, TV, radio, direct mail...

Omni-channel is how we stay relevant well into the future and capture the loyalty of today’s connected consumer.

We are not a collection of channels - We are one brand, Walgreens

Omni-channel Creates Value in 3 Distinct Ways

**Direct**
Buy online, ship direct to the customer’s home

- Daily Living mail
- Photo mail order
- Pharmacy mail order

**Value Measurement**
- Online Revenue & Profit

**Cross-Channel**
Purchases made through one channel and fulfilled through another

- Order online, pickup in store (Web PU, Ship-To-Store, Photo)
- Order in store, have it shipped
- Refill/Transfer through app & web
- Same Day Delivery from store inventory

**Value Measurement**
- Online Revenue & Profit

**Brand Loyalty**
Supporting stores & brand, engaging customers

- Research online, buy in store
- Account Management (Rx Records, Balance Rewards)
- Weekly Ad, Mobile coupons
- Store Locator
- Digital marketing, social media
- Health content, Rx chat

**Value Measurement**
- Retention, Adherence
  - Customer Satisfaction Score
  - Digitally-driven store traffic
  - Awareness, Engagement
  - ROI on specific campaigns

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What, Where, When has Always Been Our Strategy...

Yesterday  Today  Tomorrow

Pharmacy  What  Daily Living  Product reviews
Photo

8,000 stores  Where  Drive-Thru  Walgreens.com
Take Care Clinics
Kiosk

One hour photo  When  24 hour pharmacy
5-7 day shipping

Yesterday  Today  Tomorrow

It Continues Today...

Contact Lenses  What  Daily Living  Product reviews
Immunizations

Pharmacy Chat  60,000 new products  Prestige Beauty

VisionDirect.com  Where  Drive-Thru  Walgreens
Kiosk
Take Care Clinics
Mobile Tablet

1 hour web pickup  When  24 hour pharmacy
5-7 day shipping
2-Day Delivery

Yesterday  Today  Tomorrow

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And It Will Continue For Years to Come...

Yesterday  Today  Tomorrow

Digital coupons  Consumer Health Tools  Personalized Content
Contact Lenses  Immunizations
Pharmacy Chat  Photo
Product reviews  60,000 new products  Prestige Beauty  Boots Private Label

Social media

International

Overnight delivery to stores

Auto-ReOrder

1 hour web pickup

24 hour pharmacy

1 hour photo

One hour photo

Two hour photo

5-7 day shipping

2-Day Delivery

Same Day Home Delivery

What

Daily Living

Where

Drive-Thru

Drugstore.com

Pharmacy

Aprm.com

Photo

VisionDirect.com

8,000 stores

Take Care Clinics

Site to Store

Mobile

Tablet

When

Yesterday

Today

Tomorrow

8,200+ locations

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Walgreens Sits At a Unique Intersection

1. What “omni-channel” means to us
2. Creating “frictionless” experiences
3. Developing “Digital DNA”
4. How this affects the Supply Chain
PREPARE
It's a mobile first world

INNOVATE
Keep it simple

PARTNER
Connect to the ecosystem
On Our Websites…

2009 2010 2011 2012 2013

<1% mobile 3% mobile 13% mobile 35% mobile 51% mobile

“Mobile (and tablet) First”
It’s a mobile first world

ACCELERATE

INNOVATE

Keep it simple

PARTNER

Connect to the ecosystem

Innovate

1. Know your customers
2. Know who you are (be confident)
3. Define simple solutions
Refill by Scan

step 1 launch
step 2 scan
step 3 done!

Every second we fill
>1 Rx prescription through refill by scan

QuickPrints

-40% of our digital print orders are mobile!
In-Store Mapping

Establishing Auto-reordering for Base Items
Walgreens Developer Program

The QuickPrints API
PHOTO

Integrated with Walgreens

Lesson 1: Prepare
It's a mobile first world

Lesson 2: Innovate
Keep it simple

Lesson 3: Partner
Connect to the ecosystem

PHARMACY
Prescription Refill API

BALANCE
Rewards API

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Leveraging Social Media to Identify Trends

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With This Foundation, How Should a Supply Chain Approach the Challenge?

DIGITAL DEMAND AND THE 21ST CENTURY SHOPPER

MOBILE APPS

WHAT’S NEW
Balance™ Rewards
PrintWorthy™
Print from Facebook
In Store Maps

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1. What “omni-channel” means to us
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“Omni-channel is not a **fulfillment** strategy; it’s an **experience** strategy”

Flexible and Scalable...

This is online ordering.

The Supply Chain challenge is designing an Eco-System to satisfy a customer’s needs at the time of order
Omni Channel Retailing…

- 85% of customers use/carry smart phones in stores
- 61% use smartphones to check pricing
- 45% of consumers would shift purchases to a subscription program
- On-line sales are growing rapidly

New Supply Chain Capabilities Will Need to Respond to an Entirely Different Level of Service Demands

Social media will cause bad customer experiences to go viral

Generation Z born in the early 2000’s have never known an internet-less world without constant connectivity

More and more people will use technology ubiquitously and intuitively.

Global digital growth will greatly exceed growth in the US.
The Digital Revolution in Retailing:
Why do Consumers Want to Use On-Line and Mobile?

- Convenience: ability to shop anytime/anywhere.
- Price comparisons with other retailers.
- To assure the product is available.
- Gain more extensive product information.
- To see an expanded assortment.

The Digital Revolution in Retailing:
What Do Consumers Want?

- More and more consumers want to be able to shop in three integrated, consistent ways: Store / On-line / Mobile.
- They want to pay in various ways, including with their mobile.
- They want to pick up at store, or have home delivery during tight time windows.
- And, they want enterprise wide inventory visibility.
With This Digital Explosion, Don’t Forget About the Store!

- Drive traffic with better shopping experiences
- And in-store digital experiences
- Drive traffic with social media and the firm’s on-line presence
- Create an outstanding in-store-experience

To do this, the supply chain must provide ever better fill rates with less inventory and at lower cost

Supply Chain Challenges Will Expand Exponentially in the Digital World

The digital revolution will expand the supply chain challenge exponentially

For the digital marketplace, the supply chain needs to provide new capabilities.
Supply Chain Capabilities Needed…

Reengineered Processes and New IT Systems

Real time inventory visibility and optimization.

Knowledge of cost-to-serve of all channels.

Reengineered DCs to:
Curate a huge expansion in items.
Manage customer returns effectively and cost efficiently.

“Make no little plans…”
-Daniel Burnham