

BOOTS

A CHANGE OF STRIDE

Founded in 1849, Boots is a traditional staple of the British high street, yet the past decade has brought considerable changes for the health and beauty retailer. Annemarie Kruse reports

Boots is the UK's leading specialist health and beauty retailer. Operating 2,511 stores in the UK and Ireland with a total of 60,000 employees, Boots also has a large number of outlets in the Middle East, including UAE, Qatar, Kuwait, Bahrain and Saudi Arabia, in Asia, including Thailand, Singapore and Hong Kong and in Canada.

Boots operates a multi-format strategy for its stores in the UK, with four main outlet types: local pharmacy healthcare-focused community stores; edge of town and high street health and beauty stores; flagship stores; and Boots airport stores, which are tailored to travellers. Smaller Boots stores carry a basic range of beauty brands and focus more on the convenience aspect, while the larger outlets and flagship stores also offer premium and niche brands and beauty halls with trained consultants.

In addition to the European and international mass market and prestige brands, Boots retails a range of own label brands in different price categories. In the mass market the line-up includes the entry-level Essentials brand; natural-inspired toiletry range Boots Ingredients; Fairtrade line Boots Extracts; Boots Expert, a range of targeted beauty and dental treatments; skin, body and colour cosmetics range 17; sun care range Soltan; young skin and body care brand Soap & Glory; natural skin and body care range Botanics; and its star brand, high end cosmetics and skin care label No7. No7 is one of Boots' bestselling ranges internationally and in the UK it is the country's number one colour cosmetics and skin care brand.

Each Boots store, no matter what the size, has a dedicated pharmacy section and the chain's pharmacies offer a range of health services including medicine check-ups, stop-smoking



services and drug user services. Some stores also offer travel clinics, winter flu vaccinations, and in selected outlets welfare customers receive free basic health check-ups. The chain also runs 600 Boots Opticians stores in the UK, around 30% of which are located in Boots stores, while its hearing aid subsidiary, Boots Hearingcare, currently has 430 locations across the UK, many of which are situated within Boots Opticians outlets. This comprehensive range of medical and primary care services mean that in smaller towns and rural areas, a Boots store is very much a part of the local community.

First steps

That is also one of the reasons why Boots is one of the best-known store brands in the UK, with roots going back to 1849 when John Boot opened his first pharmacy in Nottingham. Initially named Boots The Chemist, the chain remained in family ownership until 1920 when it was sold to a US company. In 1933, however, the grandson of the founder, also named John Boot, brought the Boots chain back to the UK.

Over the next decades Boots expanded, diversifying into drug manufacturing – the company discovered and developed ibuprofen – and acquiring smaller pharmacy chains and companies. In the early 2000s, Boots stores also experimented with 'Wellbeing' services, including



Deciem brand Grow Gorgeous launched in Boots in 2013 as one of its Latest Finds beauty brands. The original Hair Growth Serum sold out on boots.com on the first day of launch and the brand has just launched a new Intense version (right)



Fact file: Boots

Founded Boots retail chain: 1849. Alliance Boots: 2006. Walgreens Boots Alliance: 2014

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Botox treatments and laser eye surgery until 2003 when the services were abandoned.

In 2006 Boots UK merged with healthcare group Alliance to become Alliance Boots. Six years later, US drugstore retailer Walgreens acquired a 45% equity interest in Alliance Boots and in December 2014, the Walgreens group purchased the remaining shares. In a merger that created international headlines, Walgreens Boots Alliance was officially launched on 31 December 2014.

A size bigger

Walgreens Boots Alliance is now the largest retail pharmacy, health and beauty retailer in the US and Europe with net sales of \$74.9bn for the first nine months of fiscal 2015. The new retail group has three main sectors: Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale. Boots UK is part of the Retail Pharmacy International division, which also includes Benavides in Mexico and Ahumada in Chile.

Walgreens Boots Alliance's other retail subsidiaries include the Walgreens drugstore chain with 8,207 drugstores across the US, Puerto Rico and the US Virgin Islands. Walgreens is the largest drugstore chain in the US with net turnover of \$76.4 billion in the 12 months to August 31, 2014. The group's US retail portfolio also includes the 250-strong New York City-based Duane Reade drugstore chain.

In total, Walgreens Boots Alliance operates 12,800 health and beauty stores spanning over 25 countries and employing more than 370,000 people. And since Alliance Boots (which, before the merger, in the year to 31 March 2014 reported a revenue of £23.4bn) and Walgreens each brought a large and successful pharmaceutical and wholesaler business to the merger, Walgreens Boots Alliance now has the largest pharmaceutical wholesaling and distribution network in the world.

In the company's 2015 annual report, Executive Chairman James A Skinner and CEO Stefano Pessina stated that they believe the creation of the new global enterprise "is... unique in that [it] combines complementary geographies, wholesale and retail business, global scale with local roots, and an outstanding blend of business-to-consumer and business-to-business brands."

A change of pace

The creation of such a major new retail entity has also shaken up the industry. It is not certain yet what direction Walgreens Boots Alliance will take in the future. For the time being, however, the retail giant is consolidating its newly formed business divisions. This also includes the health and beauty chains: Boots UK has already announced that 700 non-store jobs will be cut in Britain, with around half falling at the company's head office in Beeston, Nottingham, which has approximately 4000 staff in total.

Commenting on this announcement, Simon Roberts, President of Boots, said: "Boots has an incredible heritage of delivering care and support to communities across the UK for over 165 years. While we have continued to deliver a solid performance in recent years, despite challenging



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Simon Roberts, President of Boots

market conditions, we cannot be complacent and must be stronger and more agile going forward, to meet the fast changing expectations of our customers. Together with my leadership team, I believe this plan will make Boots even better for our customers and drive sustainable future growth. We also remain fully committed to our presence in Nottingham, which has been the home of Boots since the very beginning.”

Since Boots, Walgreens and Duane-Reade are well established store brands in their respective markets, it is unlikely that Walgreens Boots Alliance will make any major changes here, aside from further internationalising Boots' key beauty brands such as No7 and Botanics. Instead, the retail group has announced that in the long term it will focus on emerging markets as well as the lucrative Chinese market.

Another priority, especially for the retail chains, is to drive forward a multi-channel approach in the beauty and pharmacy sectors and focus more strongly on local communities. Annie Murphy, Boots UK's Commercial Director, recently announced that in future Boots would concentrate more on customer service and expert advice and increase the services offered in small-town and rural stores. The beauty line-up in the larger Boots stores will also be spiced up with more exciting brands, such as luxury skin care brand Eisenberg Paris which will be rolled out to selected Boots stores this year. And following the £140m acquisition of Liz Earle by Walgreens Boots Alliance last month, Boots will also be working more closely with the premium botanical skin care brand both in the UK and internationally.

Boots may have seen considerable changes over the past decade, but its transformation is far from complete as it continues to make bold strides towards future growth.