SUPPLY CHAIN CONFERENCE

Connect. Transform. Deliver.

February 22-24, 2016
New Orleans Marriott
New Orleans, LA
The Evolution of Collaboration
From Experimentation to Business-as-Usual
Speaker introductions

Lisa VanDreumel
Demand and Supply Planning Manager

Bill Homan
Manager, Continuous Improvement

Peter Anthony
Manager, Continuous Improvement

Cédric Guyot
Chief Strategy Officer
Ahold – Operating Supermarkets Internationally for 125+ Years

Ahold USA

- 2014 Sales of $26 Billion
- 781 Stores
- 115,000 Employees
- Century of Local Heritage
AUSA – #1 in the Northeast
Serve a Trading Area of 38 Million Customers
AUSA – Vendor Collaboration Program

• Partner with our suppliers to drive shared value across our organizations, ultimately benefiting our mutual consumers
  • Implement a common infrastructure
  • Employ previously underutilized data
  • Develop actionable insights while continuously improving
• Focus areas enable our teams to measure and optimize execution, improve product availability and improve our Customer’s experience

*Our mission is to align Ahold USA and our strategic vendor partners to drive actionable insights and efficiencies from under-utilized data using a structured continual improvement methodology, providing superior value to our mutual consumers.*
Ahold USA’s Collaboration Journey

2012
- Assessed & confirmed demand signal repository benefits
- Partnered with Retail Solutions, Inc.
- Developed data feeds & custom use cases

2013
- Assigned dedicated team of CI Managers
- Began 1st manufacturer partnership in May
- Implemented daily store-level out-of-stock alerting

Today
- Program has expanded to 70+ manufacturers
- Vendor incremental sales improvements in excess of $150+M
- Expansion from Warehouse to DSD
70+ Participating Vendor Partners
The HQ Perspective: Four Areas of Focus

- **On-Shelf Availability**
  - Chronic out of stock at Store/DC
  - Tracking new item launches at Store/DC
  - Seasonal planning & execution

- **Promotional Efficiency**
  - Promo post event analysis, sell through and non execution
  - Allocation optimization
  - Promo planning

- **Unsaleables Reductions**
  - Chronic unsaleable items
  - Run down - minimal residual inventory of disc/conversion item

- **Inventory Management**
  - Micro-assortment analysis
  - Run down management of promo items at Store/DC
### DSD Use Cases – Vendor Collaboration

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integrate POS Data into Supplier’s Ordering System</strong></td>
<td>• Improved product availability and reduced returns/unsaleables</td>
</tr>
<tr>
<td><strong>Seasonal/New Item Distribution Tracker</strong></td>
<td>• Utilize POS and POG to monitor distribution and sales; leverage insights with retail teams</td>
</tr>
<tr>
<td><strong>DSD Alerts</strong></td>
<td>• Intelligent Zero Scan alerts – identify items on POG but not selling and alert reps</td>
</tr>
<tr>
<td><strong>Promo Planning and Tracking</strong></td>
<td>• Provide retail teams with promo history and trends to drive better orders before and during promotions, including display customization</td>
</tr>
<tr>
<td><strong>Bi-Directional Data Sharing</strong></td>
<td>• Use POS and Vendor Shipments to generate Perpetual Inventory to support ordering and monitor DOH</td>
</tr>
</tbody>
</table>
Walgreens Boots Alliance: Our Global Presence

- A presence in more than 25* countries
- Employs over 370,000* people and is the largest retail pharmacy, health and daily living destination in the USA and Europe, and (including equity method investments) is:
  - Over 12,800* stores in 11* countries
  - Over 340* distribution centers delivering to more than 180,000† pharmacies, doctors, health centers and hospitals each year in 19* countries
  - The world’s largest purchaser of prescription drugs and many other health and wellbeing products

* As at 30 November 2014 including equity method investments on a pro-forma basis excluding Alliance Healthcare Italia which ceased to be an equity method investment of Alliance Boots in December 2014

† For year ended 30 November 2014 including equity method investments on a pro-forma basis excluding Alliance Healthcare Italia which ceased to be an equity method investment of Alliance Boots in December 2014
Walgreens at a glance

- Walgreens is part of the new Retail Pharmacy USA Division of Walgreens Boots Alliance (WBA)
- Walgreens operates 8,232 drugstores in 50 states, the District of Columbia, Puerto Rico and the US Virgin Islands
- Each Walgreens store provides about 18,000 different items.
- Service 6.2 million customers daily
- 76% of the population in the USA lives within five miles of a Walgreens
- Typical Walgreens is about 14,500 square feet and the sales floor averages about 11,000 square feet
Walgreens Supply Chain Transformation

**Vision:** To be the number one patient and customer driven Supply Chain in the world through segmentation and agility

To deliver our objectives...

*Deliver extraordinary customer care with the right products and solutions in every community*

*Whatever*

*Wherever*

*However*

... requires relentless focus on...

- Safety
- Product Availability
- Inventory Productivity
- Cost Productivity

... delivered by our Supply Chain Transformation.

DC Transformation

Supply Chain Integration

Retail & Pharmacy Renewal
Customer-driven supply chain transformation through integration

- Omni-channel: Whatever, Whenever, However
- Integrated Planning: Internal & External Collaboration
- Customer-friendly: Segmentation, Assortment Optimization, Localization
- Store-friendly: Flowing Product to Shelves

- Visible to Customers
- Invisible to Customers

Visible to Customers:
- Integrated Planning
- Omni-channel
- Customer-friendly

Invisible to Customers:
- Store-friendly
- Internal & External Collaboration
- Invisible to Customers
Integrated Business Planning: FY16 JBP Goals

**New Item Launch & Operational Perfection**
- Challenge current processes to develop best in class new item forecasting, launch execution, and on-going support
- Optimize event, promo and seasonal execution
- Operate with distribution accuracy and exit strategy best practices

**Segmentation**
- Provide superior in-stock for top doors and top items
- Support planogram optimization and store clustering focused maximizing inventory productivity in bottom doors
- Right-size displays and off-shelf configurations

**Internal / External Collaboration**
- Use data-driven insights to drive recommendations
- Continue to bring forward insights on broad industry trends
- Support cost reductions with supply chain efficiencies in product flow, stocking strategy and deployment
Walgreens’ Supplier Collaboration Objective

Improve supplier collaboration and performance

Become our suppliers’ strategic partner of choice

Drive better supply chain outcomes
Our Data Sharing Program is a Pivotal Enabler

Collaborate

300 + suppliers

Strategic Focus Areas

Collaborative Business Processes

Use Cases

Walgreens Designated Data Provider

Walgreens

How-to Guides

Template

Walgreens
AT THE CORNER OF
HAPPY & HEALTHY®

Walgreens
Designated Data Provider

Collaborate

Strategic Focus Areas

Collaborative Business Processes

Use Cases

Walgreens
AT THE CORNER OF
HAPPY & HEALTHY®
1. Drive **in-stock** and **inventory productivity** improvements

2. Dedicate supply chain **resource(s)** to Walgreens

3. Root cause analysis to deliver **data-driven actionable recommendations**

4. Leverage **Walgreens data** via RSi subscription or other means (EDI)

5. End to end collaboration on **new product introductions/transition**

6. Offer **tiered / tailored displays** for expanded store count on promotions

7. Regular cadence of **inventory / forecast collaboration** and adjustment recommendations (work in PDX)

8. Analysis and recommendation for **segmented replenishment parameters**
Introduction to RSi

- Reporting
  - Dashboarding
  - Automated
- Business intelligence
  - Forecasting
  - VMI
  - Promotion
- Alerting
  - Store
  - HQ functions
- Data processing
  - In a private cloud
- Science and algorithms
- Operational retailer data
Inside-out or outside-in?

**Inside-out**
- Based on past order patterns, most often weekly, by DC, 7-10 day lag
- Standard to-do list, or based on observation of the in-store team
- Total sales based on model
- Joint Business Plan on Excel
- By persona, measuring impressions and clicks

**Outside-in**
- Based on current store sales, inventory
- Localized, prioritized to-do list based on in-store conditions, with a ROI feedback loop
- Bottoms up - Store-level based on actual past performance and adjusting for oos’s
- Fact-based, drillable performance scorecard
- Based on inventory and sales vs. goals
- Hyperlocal, targeting specific stores, by persona, and measuring increased sales

**Supply Chain Order forecast**
**Field Service Retail Execution**
**Marketing promo forecast**
**Retailer Team Collaboration**
**Sales sales forecast**
**Marketing Digital**
The reach of collaboration today
Where we’ve seen success

- Supply chain optimization
  - Inventory optimization
  - Reduction in carrying costs
  - Improvement of turns
  - DC and store

- On shelf availability and management
  - Long term D-voids
  - Demand outs
  - Operational improvement

- Forecasting
  - Baseline and promo
  - Vendor managed inventory
  - Various risk assessments

- Business health
  - Top to top
  - By department
  - Operationally
  - By category
  - By supplier

- Special analyses
  - Omni channel
  - Root causes

- Unsaleables reduction
  - Reduction of waste
  - Code life vs. DOS
  - By store, DC, category

- New product introductions
  - Forecast/clone
  - DC inventory
  - Time to shelf – ACV
  - Store inventory
  - Performance adjustment
  - Category impact

- Promotion forecasting & execution
  - DC allocation
  - Store allocation
  - Mid promo execution
  - Forceouts/corrections
  - Post analysis

- Pricing optimization
  - Best margin/sales
  - Tactic evaluation
  - Baseline vs. promo

- Assortment optimization
  - Improvement of mix
  - By subcategory
  - By supplier
  - By price
To make things more complicated... moving from responsive to predictive

01 Measuring at a granular level
02 Alerting right people, ASAP
03 Understanding root cause and addressing them systemically
04 Predicting issues and correcting them before it happens
05 Preventing problems by sensing them in real-time
Where we always start
Where we often end
What drives success?

- Sitting at the same table
- Aligning goals, sharing data and scorecarding fairly
- Becoming transactional
- Agreeing on value tracking mechanisms
- Managing the cultural change
So... how do we get there?
The Walgreens story
Objective

Improve supplier collaboration and performance to become our suppliers’ strategic partner of choice and drive better supply chain outcomes
# Best in Class Supplier Collaboration

<table>
<thead>
<tr>
<th>Supply Chain Outcome</th>
<th>Best In Class</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Availability</strong></td>
<td></td>
</tr>
<tr>
<td>SSIS, SL &amp; Fill Rate</td>
<td>Monitor all metrics daily/weekly and provides regular updates, insights, recommendations, and action plans to WAG Supply Chain.</td>
</tr>
<tr>
<td>New Item Launches</td>
<td>End to End Collaboration on New Product Launches and Transitions. Work with Walgreens 12+ months out on A Launches. Track distribution of all new items through to WAG Stores and performance and settings for items for 13 weeks post launch.</td>
</tr>
<tr>
<td>Seasonal Planning</td>
<td>Robust Seasonal Planning and preparation process, including planning, inventory build, execution throughout the season and exit strategy development and execution.</td>
</tr>
<tr>
<td>DC Order Parameters</td>
<td>Regular Review of Ordering parameters: Order Minimum, frequency, multiple analysis across Multi-echelon supply chain.</td>
</tr>
<tr>
<td>Store Order Parameters</td>
<td>Regular Review and recommendation of Store Replenishment Setting changes to deliver optimal DOS and SSIS.</td>
</tr>
<tr>
<td>Displays</td>
<td>Tiered custom Displays recommended to Walgreens to expand distribution, execution, and sell through.</td>
</tr>
<tr>
<td><strong>Inventory Productivity</strong></td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td>Active Inner pack removal and case pack optimization initiative.</td>
</tr>
<tr>
<td>Waste</td>
<td>Robust collaboration and active action plans to reduce waste.</td>
</tr>
<tr>
<td>On Time</td>
<td>On Time Delivery &gt;99%</td>
</tr>
<tr>
<td><strong>Cost Productivity</strong></td>
<td></td>
</tr>
<tr>
<td>Resources</td>
<td>Dedicated Supply Chain Analytics Resources with regular onsite presence.</td>
</tr>
<tr>
<td>Tool Utilization</td>
<td>Dedicated resources working in PDX and actively in RSI and Supplier Net to bring insights to execution to deliver on joint goals.</td>
</tr>
<tr>
<td>Collaboration</td>
<td>Utilize WAG collaboration agenda. Bring data, insights and track action items to drive business forward.</td>
</tr>
</tbody>
</table>
Solving promo OOS
Our Approach: 4-Step Value Cycle

- Identify priority items
- Organize & Sort promo calendar by priority items/hot ads, both in the past and in the future
- Dissect Past Like Events at store/item level is the key!!!
- New learnings will be continuously applied to future use case implementation
In-stock Improvements – example
Successfully maintaining In-stock at optimal level!

- Before implementation, in-stock was on a roller coaster, and dipped below 75% at a point
- After implementation, in-stock has been successfully maintained above 95%

February 21, 2016
The Results are Real
~40% incremental sales!
SSIS has improved significantly!

- SSIS Trend Analysis is a report we leverage every week to monitor/identify priority items low in-stock opportunities.
- Items are ranked per last 8 weeks POS $. In-stock below 95% are highlighted in red.

Top Items SSIS Trend week ending 12/06/2014:
Leverage SSIS Analysis to help identify opportunity items

- This is where we stand right now after ~5 months into RSi Walgreens Use Case Implementation.
- Significant improvements!

Top Snack Items SSIS Trend week ending 5/2/2015:

After
It is an understatement to say it is not an easy task to implement such a complex business use case in a complex business environment.

The trust is the key to address various questions along the process…

- How to make sure the right store will get the right amount of products just in time?

- How to balance the potential out of stock lost sales opportunity vs. potential excess inventory in the store?

- How to ensure this process doesn’t interfere the every day store replenishment process?
The Power of Trust based and Results Oriented Collaboration!

“It takes a team to make things happen!”

**Seamless Collaboration**
Seamless collaboration among Mondelēz International, Walgreens, and related service providers

**Suppliers**
Suppliers invested in special project team and dedicated on-site resources. Superb project management skills striving to continuous improvements

**Commitment & Dedication**
Commitments and dedication from all parties involved

**Walgreens**
Walgreens supply chain manager/demand planners to listen, provide guidance and take actions

**Store/item data driven analytics**
Store/item data driven analytics made collaboration more productive and effective. On going customized analysis to address new business needs

Rome wasn’t built in one day – being proactive, persistent, resilient, creative, adaptive, and patient are among the key ingredients to success!
Facing the Out of Stock Challenge

• How do we leverage data to identify and predict sales risks?

• How do we resolve the risk?

• How do we measure our success and refine our identification?
Consuming Data, Reacting to Anomalies

RSi accepts and cleanses data nightly for rapid alerting

- **Data collection**
  - Data resides in many different retailer systems, in many locations
  - We leverage more than 70 data sources
  - Historical repository of 2 + years at item/store level

- **Accurately identify issues**
  - Applying structured analytics, probability formulas and the “RSi Special Sauce”

- **Selectively publish alerts with a high degree of accuracy**
Timing is Everything - Resolving the Risk

- Rapid identification and mitigation reduces and/or prevents out of stocks
- Last night’s data drives today’s alerts.
- The Alerts are posted at 7 AM, 6 days a week (M-Sat)

Alerts delivered to online portal for Ahold users
Confirming and Correcting

1. Print alert report

2. Investigate: Validate ordering attributes, physically locate the item, confirm UPC, validate shelf tag, validate inventory count and proper product presentation

<table>
<thead>
<tr>
<th>Store</th>
<th>Department</th>
<th>POG Loc</th>
<th>POG Desc</th>
<th>ITEM</th>
<th>UPC</th>
<th>ITEM DESC</th>
<th>Promo</th>
<th>Alert Type</th>
<th>Proj Wkly Sales $</th>
<th>Days Since POS</th>
<th>Physical Count</th>
<th>CAO Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>00055</td>
<td>FROZEN</td>
<td>15, A, 11, 1, 27</td>
<td>9D BREAKFAST W/BAGELS-HUSS-NEW</td>
<td>000141527</td>
<td>07790033525</td>
<td>JIM DEAN PNCK SAUS12.5Z</td>
<td>No</td>
<td>Inventory</td>
<td></td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>00055</td>
<td>GENERAL MERCH</td>
<td>0218122</td>
<td>40 POST-IT</td>
<td>000257057</td>
<td>09014600492</td>
<td>PRINTWKS COPY PAPER 400C</td>
<td>No</td>
<td>Count</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>00055</td>
<td>GROCERY</td>
<td>05, B, 1, 3, 12</td>
<td>15’O COFFEE-SINGLE SERVE-19-GRINDER RIGHT</td>
<td>000157686</td>
<td>09955508516</td>
<td>DONUT SHOP COFFEE REGUL</td>
<td>No</td>
<td>D-Void</td>
<td></td>
<td>33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>00055</td>
<td>GROCERY</td>
<td>09, A, 7, 5, 1</td>
<td>8’D DRY SEASONING COATING MIX-19</td>
<td>000022600</td>
<td>05210002578</td>
<td>MC GM MRND MSQUTE 1.06Z</td>
<td>Yes</td>
<td>D-Void</td>
<td></td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>00055</td>
<td>GROCERY</td>
<td>11, B, 1, 3, 6</td>
<td>16’O SOUP-(8-8) BROTH &amp; DRY-19/22</td>
<td>000025245</td>
<td>68826701757</td>
<td>SB CHICKN BROTH BX 32Z</td>
<td>Yes</td>
<td>Shelf OOS</td>
<td></td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>00055</td>
<td>GROCERY</td>
<td>13, A, 3, 1, 32</td>
<td>16’O CAT-CANNED &amp; TREATS-19-4’ RIGHT</td>
<td>000015334</td>
<td>0231008541</td>
<td>WHSK HAIRBL CNTRL 2.1Z</td>
<td>No</td>
<td>D-Void</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Providing Feedback

1. Feedback enables system tuning and root cause analysis

2. Provides method of monitoring execution and identifying training opportunities
Measure Results

Scorecard results and refine data

“*The Vendor Collaboration Program and CAO Alerts process has helped Giant maintain POG integrity and improve in stock position.....quickly. It provides real time, actionable information for our managers, and ultimately, makes us a better place to shop!*  We're looking forward to expanding the process to more and more vendors soon.” – *Ira Kress, SVP Operations*
Becoming Business-as-Usual

Automation and Measurement
Example: phantom inventory helps *predict* out-of-stocks
The effects of phantom inventory

1. Out of stocks
2. Lost Sales
3. Poor forecasts
4. Lost Distribution
5. Complexity
6. Poor shopper Experience
ASDA/Walmart UK: a predictive and transactional fix to the issue

ASDA provides raw data on inventory and ePOS

RSi detects phantom inventory at item store level and create scripts automatically

Supplier reviews DC Push script and store/item recommended order, and ASDA or supplier implant uploads script

ASDA pushes case to store
SUPPLY CHAIN CONFERENCE

The all-around measurement challenge

- Meaningful marketing
- Localization and personalization
- Effective pricing and promotion
- On-shelf availability
- In-store execution
- Choice of order and delivery
- Digital marketing ROI
- Sales impact of a new local assortment
- Promotional ROI, corrected from execution issues, cannibalization
- Recaptured sales for OSA alerts
- Automated return of in-store actions
- Impact of online on specific store sales
Some value examples at Walgreens

- **Promotions**
  - +11% total promo sales (major CPG)
  - $212k increased promo sales (major CPG)
  - +7% in new product sales (large health company)
  - +10% in new product service level (large health company)

- **Margin**
  - 95% reclaim avoided (major CPG)
  - $150k savings in packaging (large CPG)
  - $105k shrink eliminated (large consumables)

- **NPI**
  - 99% stores stocked in reset (major candy company)

- **OOS and store execution**
  - +16% sales by managing store inventory levels (large CPG)
  - $1m OOS avoided (major beverage company)
Thank you. Questions?