



CASE STUDY

Alliance Boots

Alliance Boots is a leading international pharmacy-led health & beauty group, helping people to look and feel their best. Serving over 170,000 pharmacies, doctors, health centres and hospitals from over 370* depots in 21* countries. Its strategic goals include being number one for customer care, healthcare partner of choice and an efficient, uncomplicated organisation.*



Unlocking opportunities for greater supplier collaboration

The formation of Alliance Boots through the 2006 merger of Alliance UniChem Plc and Boots Group Plc, created the opportunity to take a global approach to collaboration with suppliers of goods not for resale (GNFR). The aim: to drive even greater levels of service delivery and cost efficiency, and help Alliance Boots become customer of choice.

Group procurement was established in 2008 to ensure external products and services deliver maximum value for money. In 2011, supplier relationship management (SRM) became a fundamental part of the operation; to explore ways to enhance collaboration between business stakeholders and supply partners.

To date 40 strategic suppliers have joined Alliance Boots’ SRM programme – the “supplier excellence” programme.

Supplier Excellence Programme – Improving business relationships

Alliance Boots’ supplier excellence programme was designed to achieve three key objectives:

- 1 Increase collaboration for enhanced service levels and greater efficiencies
- 2 Share best practice and manage risks across the GNFR supply chain
- 3 Position Alliance Boots as a clear customer of choice for its key supply partners

The programme provides a consistent framework for improvement of business relationships, complementing existing operational performance management systems used by internal customers.

Service improvement through stakeholder engagement

The initial focus of the supplier excellence programme has been to establish a sound foundation of service management and effective dialogue between supply partners, business owners and sourcing teams. To address the gaps in ‘best practice’ contract governance, the SRM team has facilitated a number of improvements, including:

- » Engaging appropriate functional stakeholders
- » Reviewing KPIs to maintain alignment with service expectations
- » Introducing and/or restructuring monthly operational meetings
- » Embedding SRM principles through the supplier excellence programme

The consistent framework supporting operational dialogue and SRM is ‘QCPDM’; this is further defined in Figure 1 below. This structure provides Alliance Boots with clear measures of service delivery, client confidence and relationship effort – a truly holistic view of supplier performance.

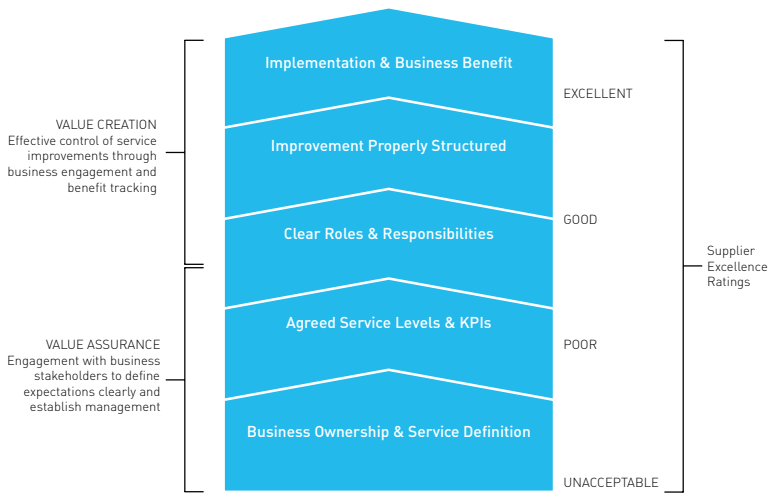
Figure 1: ALLIANCE BOOTS’ PERFORMANCE MANAGEMENT FRAMEWORK

QUALITY	How well specific business objectives are achieved
COST	Competitiveness of the commercial proposition
PLANNING	Internal processes and resource organisation to deliver the service
DEVELOPMENT	Demonstrable industry expertise
MANAGEMENT	Ease of doing business

Each quarter, business stakeholders assess the performance of their suppliers against the QCPDM framework and points are awarded through a balanced scorecard generating a supplier excellence rating. In parallel, Alliance Boots invites feedback from supply partners, again structured around QCPDM, to understand the improvements required to become a clear customer of choice.

Figure 2 below shows the relationship between the supplier excellence rating and the type of service improvement being generated. Suppliers rated 'unacceptable' or 'poor' will be working to get the basics right; those rated 'excellent' and 'good' will be creating additional value to the service through innovation and cost reduction initiatives.

Figure 2: IMPROVEMENT FOCUS BASED ON CURRENT PERFORMANCE



Reaching ambitions through greater collaboration

The main benefit of the supplier excellence programme has been the enhancement of collaboration between supply partners and business owners. Better engagement between all stakeholders at review meetings has provided valuable insights into respective business challenges. It has also created a forum for communicating the direction of improvement work.

“I am confident that through the supplier excellence programme, we have a solid basis from which to develop strategic improvements, without compromising on cost and service delivery. I am excited about the next phase of the programme where we will increase the number of supply partners to over 50, with a total annual spend equating to a third of GNFR external spend.”



PETER RAVENSCROFT, SENIOR MANAGER – SUPPLIER PERFORMANCE