



The restless drive to deliver value

Our ability to grow depends increasingly on our ability to innovate. We have new ideas about business opportunities, ways of working, products and services. We will become faster at implementing those that will maximise value.

Creating growth

Raising our vision From being an excellent UK company we have the ambition to deliver world-class financial performance and be acknowledged as a value exemplar. This will require us to be even more creative and to drive forward the development of our global retailing and healthcare businesses. Innovation is becoming more crucial as competition intensifies. The best companies have attended to the business fundamentals – improving efficiency, cutting out waste, raising the quality of their people. To compete in this league, innovation has become the primary lever. Radical thinking must become a way of life as we constantly find new ways to add value and make Boots uniquely attractive to consumers.

Innovation In March we appointed a senior executive as director of innovation, with focus on three areas: the customer offer, management processes and corporate culture. We are actively working to create a more innovative environment and a culture of openness to change. And we are building our skills in taking and managing risks, using our established methods of managing for shareholder value to try new ideas, learn from them, and sift out the most value-creating initiatives more rapidly. We are challenging all our businesses to accelerate the pace of change.

Learning by doing

Technology will help Our industry-leading use of smartcard technology in the Advantage Card is enabling us to know our customers and communicate with them better – we are still only beginning to tap its huge potential. BOL now has access to the ten million card holders complementing its existing database.

BRI has demonstrated our willingness to ‘learn by doing’. Now BTC has designated five outlets – two large stores and three high street pop-in units – as stores where we can test new ideas, from display layouts to the use of in-store advisers for haircare and skincare as well as dental hygienists. We have also been testing home shopping through the Mother & Baby at Home catalogue, and have gained valuable information about this way of reaching customers.

New thinking, new products Supported by the product development resources of BCM, BTC continues to launch many hundreds of new products each year. BHI launched nearly 70 new products in 1998/99 and has cut time to market from three years to 18 months. But we are still discovering the benefits of thinking more laterally: our ‘travel insurance in a box’ offering has made us the UK’s second largest direct



Doing more for customers The BTC store at Bluewater in Kent is testing a variety of new customer service ideas. Among them are the touch-screen system (top) that lets Advantage Card holders drop off films for processing without queuing for service and dental hygienists (above left) offering free



examinations and advice. It's easy for customers to 'read' the store layout: display units announce their contents with posters designed like magazine pages (above right), angled so that walking through the store feels like flicking through a magazine.



Smarter than the average card The chip (above left) embedded in the Advantage Card makes it far more than the average loyalty card. As well as rewarding customers for shopping at Boots we are learning about their shopping behaviour so that we can group displays better and tailor promotions to match customers' personal profiles.



Advantage Card data helped us compile the mailing list for the Mother & Baby at Home mail order catalogue (above right), which has given us valuable experience in reaching customers in their homes.





Self medication We are an increasingly international business, investing substantially in new products and opportunities overseas. During 1998/99 in Germany, for example, BHI launched the Balneum Intensive skincare range (left) and acquired the rights to Dobendan throatcare products (far left).



Enquire within Expert advice has always been a core part of the Boots offering, helping to differentiate us from competitors. In the Bluewater store a central information point (left) provides a gateway to specialist staff and helpful leaflets. And over 90 BTC stores now have Specialist Skincare areas (above) where customers can seek advice from an expert and buy suitable products on the spot.



provider of travel insurance, from a standing start in April 1998 and in May 1999 Halfords launched its own brand tyre range.

Ambitious new services In the past year we have begun to experiment more ambitiously with the range of services that we offer under the umbrella of the Boots brand – including dental and GP surgeries and in-store chiropody. And by introducing specialist skincare units into BTC stores, staffed by trained advisers, we have created a new platform for BHI's growing portfolio of skincare products, many of which are currently better known in mainland Europe than in the UK.

But all this is just the start. In the coming years we intend to surprise ourselves, as well as our customers and shareholders, with what we can accomplish.

Inspiring our people

Innovation comes from people From the way they think, and the way they work together. In the past year our efforts to develop a more innovative culture have begun to bear fruit in heightened creativity and energy.

Inspiring leaders To foster creative thinking and new ideas we needed a new style of leadership. We redefined what we wanted from our leaders. We have started to measure our top 250 managers against the characteristics we have identified. Use of 360° feedback – from those who work with them and for them – coupled with performance related information will give them a rounded picture of how they should develop to deliver the leadership Boots needs. This will provide the basis for coaching and self development with specific emphasis on 'leading the thinking, leading the pace and leading the team'.

Investing in people Throughout the organisation, creative thinking needs to be aligned with the overall business strategy. So we are translating overall business objectives into meaningful personal goals for individuals.

We invest heavily in training and development and three of our businesses are accredited Investors in People (IIP). In 1998/99 BTC became the largest UK company to receive accreditation for the third time and the IIP assessors specially commended Boots Properties' approach to personal learning – which includes giving each employee a personal budget for study in an area of their choice. We encourage teams to take part in community projects together – learning valuable lessons about one another while benefiting local causes. In our stores we have made major investments in improving skills so that customers experience noticeably superior advice and expertise.



INVESTOR IN PEOPLE



We are sharing expertise between the businesses and have considerably increased inter-business career moves by the use of groupwide networks.

A machine for thinking in Investment of £50 million in the new BTC head office building will bring together the entire head office team who were previously separated in offices around Nottingham. More importantly, it has enabled BTC to rethink its working methods radically. If, as Le Corbusier claimed, a house is a machine for living in, an office can be a machine for thinking in. The new office is already improving the quality of our thinking and learning. It is designed to change work patterns and foster teamwork, communication and networking. Arranged in 'neighbourhoods', it has no private offices – not even for the managing director.

New people, new structures New initiatives demand different people with new skills and new ways of working. After the sale of Boots Pharmaceuticals in 1995 we had few overseas staff; we now have significant numbers in BHI, BRI and BCM. By the year end BRI employed over 750 foreign nationals in the Netherlands, Thailand and Japan – with just 30 British expatriates. BTC is employing more trained specialists – chiropodists, dental hygienists, skincare experts, beauticians – and re-engineering the pharmacy to give customers better access to its pharmacists.

New structures are helping us work more effectively. BTC and BCM have reorganised on 'category management' lines: multidisciplinary teams focused on categories such as skincare or dental products are better able to meet customer needs and bring product ideas onto the shelves even faster. BHI recently became the first Boots business to structure its management around processes: it now manages six of them – such as 'global category management' and 'maximising value from customer relationships'. These are crucial to value creation and customer service. Importantly, the structure was developed by the people involved, not imposed from outside.

New attractions As we become an increasingly international, faster-paced, more innovative organisation, we are seeing another significant change: we are becoming more attractive to the very best graduates and other job applicants. In our target universities for graduate recruitment, applications to Boots rose by 32 per cent. Like us, our graduate entrants see an exciting future ahead.



Scenery of change At BTC, the latest agent for change is a building. The new head office is designed to stimulate better communication and teamwork. People work in 'neighbourhoods' (left) and meeting areas (above) are relaxed and open.

Faster to market BCM has reorganised new product development with multidisciplinary teams (left) focusing on specific categories such as cosmetics and skincare. The result: a faster development process, which is more responsive to market needs and opportunities.

Graduating to Boots Graduates like Ayshen Djemil and Toby Randall (below) are voting with their feet – applications from our target universities are up by a third. Ayshen now works in Boots Properties and Toby is in BHI's UK healthcare business.

