

RETAILER OF HONOR

Rite Aid Corporation

Networking worldwide suppliers and buyers on a single platform. BY MARK BERNSTEIN

Today's retail chain store, says Wilson Lester, is "largely dependent for its success on the agility and nimbleness of its supply chain." Lester is senior vice president, supply chain, at Rite Aid Corporation, which, with over 5,000 stores spread through thirty-one states, is the third largest drugstore chain in the country.

"We have to evaluate every single item as it comes into the company, and make that determination up front of what supplier we should go to for what commodity," Lester ticks off the considerations that apply—where is it coming from; how fast will it move through the supply

chain; what storage and special handling characteristics apply; does it pose a hazard; does it need refrigeration; is it vended with an accompanying display; and others. The key question being answered, Lester says, is, "How much margin is the company going to retain based on its sales projections? That is a very upfront decision."

The typical Rite Aid carries 24,000 items of 'turn' merchandise; that is, everyday drugstore commodities, and 4,000 'fashion' items tied to Rite Aid's five 'seasons'—Holiday, Valentine's Day, Summer, Back-to-School, and Harvest.

In 2004, after meetings with its full overseas supplier base, Rite Aid rolled out a TradeCard platform that allowed suppliers to connect with just a Web browser. The platform provided speed, automation, flexibility, and visibility. Rite Aid knew when products moved and shipments were certified, and Rite Aid could time payments according. Additionally, the platform provided Rite Aid with access to a network of 3,000 buyers, suppliers and third-party service providers around the world. These steps helped Rite Aid bring sophistication to its supply of seasonal goods, the trickiest part of its supply chain.

Lester expects Rite Aid's international sourcing to continue to increase in volume—it now uses over 7,000 import containers—and to spread geographically. The company currently sources across the Pacific Rim, including China, India, Vietnam, Cambodia and Thailand. "We watch how each of those emerging countries builds infrastructure so they can be competitive in the world marketplace from a retail perspective. Interestingly, they've all managed to gain ground on China by learning from China's experience."

More recently, Rite Aid has reconfigured its inbound transportation, reducing the number of its suppliers by two-thirds and giving more business to most of those that remained. A similar effort on the outbound side is now in progress. By putting its business in fewer hands, Lester says, Rite Aid was able to gain the pricing advantages that stem from volume. And the simplicity: "The fewer transportation suppliers we deal with," Lester noted, "the less congestion we are going to have on our docks."

Rite Aid, of course, tracks its supply chain performance by various means. But, the company also makes a point of gaining an outside view of its operations. In each of the past five years, it has surveyed 25 of its key suppliers—corporations like P&G and Colgate—to learn how its supply chain operation stacks up against those of its competitors. The survey is independently conducted, Lester noted, and those being surveyed have broad experience with companies in Rite Aid's field. Lester reported, "In each of the five years, our suppliers have rated us number one overall." That result is not only pleasing; it's also an agenda—the supplier advice and comment that flows from the survey is fed into Rite Aid's continuous improvement program.

Rite Aid is now nearing completion of a full re-engineering of its supply chain design, prompted in part by the company's 2007 acquisition of the Brooks-Eckerd drugstore chain with 338 outlets concentrated in the Northeast. That re-engineering was a broad-based effort that looked at company store locations, its real estate strategy, distribution facilities, projected product assortment over time, and other factors. The plan's completion, targeted for late summer, will provide the company with a comprehensive roadmap for its network evolution over the next decade.

To Lester, the central lesson is obvious: "A retail company has to be able to react, be fluid and be dynamic. If your supply chain can't do those things, a retail chain is not going to be successful." **WT**



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