

Walgreens Supply Chain Management Plan

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Walgreens operates a supply chain that combines the responsibilities of a national pharmacy, a healthcare access point, a retailer, an e-commerce business, and a regulated dispenser of prescription medicines. That combination makes reliability more important than simple cost minimization. A stockout of seasonal merchandise may reduce sales; a stockout of an important medicine can delay treatment. Supply-chain design therefore has to distinguish between products by clinical importance, shelf life, regulatory requirements, demand variability, and substitutability.

The company's operating context also changed materially in 2025. Walgreens became a private standalone company following its acquisition by Sycamore Partners in August 2025, with management emphasizing retail discipline, customer experience, and continued transformation (Walgreens, 2025a). At the same time, Walgreens has continued to expand automated prescription fulfillment: its 2025 Impact Report states that 13 micro-fulfillment centers support more than 5,000 stores and handle approximately 40 percent of prescription volume at stores served by those centers (Walgreens, 2026a). A current supply-chain plan should therefore focus on medicine availability, automation, traceability, store productivity, omnichannel fulfillment, resilience, and patient safety rather than treating Walgreens like a conventional general-merchandise retailer.

Supply Priorities

The network should be managed around service criticality. Prescription medicines, vaccines, controlled substances, cold-chain products, over-the-counter healthcare products, beauty items, food, and general merchandise should not share one universal inventory policy. Products that directly affect patient care require higher service targets, stronger shortage monitoring, tighter traceability, and faster escalation than low-risk discretionary merchandise.

Demand forecasting should likewise be segmented. Chronic prescriptions can show recurring refill patterns, but actual demand is affected by physician prescribing, insurance formularies, adherence, drug shortages, seasonal disease, new therapies, and public-health events. Vaccines depend on recommendations, eligibility, local outbreaks, and seasonality. Front-of-store demand responds more heavily to weather, promotions, holidays, local demographics, online competition, and product trends.

Walgreens should therefore use multiple forecasting methods rather than one corporate forecast. Stable medicines can use statistical replenishment based on recurring consumption. Seasonal categories can combine historical demand with weather and promotional inputs. New drugs and

public-health events require scenarios because historical data may be weak or irrelevant. Forecast accuracy should be measured by product segment because a small error on a high-volume stable medicine is different from an apparently large percentage error on an unpredictable low-volume item.

Customer behavior also matters at the store level. The existing Academic Master discussion of [store operations](#) illustrates how local execution affects retail performance. Walgreens should allow centralized planning to be informed by store-level evidence such as prescription demand, pickup patterns, local events, shrink, delivery performance, and recurring customer needs without allowing every store to override the network independently.

Procurement Controls

Pharmaceutical procurement requires more than price comparison. Walgreens should source prescription products only through appropriately authorized trading partners and should evaluate supplier licensing, quality systems, manufacturing risk, shortage exposure, delivery performance, recall capability, financial stability, serialization, and data quality. The Drug Supply Chain Security Act requires electronic product tracing for covered prescription medicines as they move through the U.S. distribution system, and FDA guidance applies tracing, verification, and suspect-product responsibilities to dispensers such as pharmacies (U.S. Food and Drug Administration [FDA], 2026a, 2026b).

Supplier risk should be classified rather than treated uniformly. A single-source injectable medicine with limited substitutes requires more intensive contingency planning than a widely available consumer item. Strategic and critical pharmaceutical suppliers should receive regular capacity reviews, shortage discussions, quality monitoring, and recovery planning. Routine nonclinical goods can be managed through standardized procurement and competitive sourcing.

Private-label and front-of-store products introduce a different responsibility. Walgreens can gain margin and differentiation through owned or exclusive brands, but it also assumes greater responsibility for product specification, quality testing, labeling, supplier oversight, packaging, and recall readiness. Cost savings are valuable only when they do not increase compliance or reputation risk.

Supplier scorecards should therefore combine fill rate, lead-time reliability, defect rate, shortage frequency, recall responsiveness, traceability completeness, temperature-control performance where relevant, cost, and sustainability measures. Awarding business solely on unit price can create false savings if unreliable supply later causes emergency purchases, lost prescriptions, store transfers, or patient dissatisfaction.

Inventory Flow

Inventory policy should balance service with expiration and working capital. Pharmacy inventory is especially sensitive because many medicines have finite shelf lives, high acquisition costs, storage requirements, and regulatory controls. Safety stock should be based on demand variability, lead time, clinical importance, supplier reliability, and substitution options rather than applying a fixed number of days across all products.

Expiration management needs first-expiry-first-out rotation, automated alerts, inter-store transfers where lawful and practical, controlled returns, and clear destruction procedures. Slow-moving high-cost medicines deserve active review because a small quantity of expired specialty medication can represent substantial financial loss. Inventory accuracy also matters because a system showing stock that is not physically available can create failed prescriptions even when forecast quantities appear adequate.

Walgreens' micro-fulfillment centers change the role of local pharmacy inventory. The company reports that these facilities use robotics and on-site pharmacists to fill and ship prescriptions to stores, allowing retail pharmacists to spend more time on immunizations and patient care. In fiscal 2025, MFC shipped volume increased 24 percent year over year, and stores supported by the system had roughly 40 percent of total prescription volume handled through MFCs (Walgreens, 2026a). Centralization can therefore improve labor productivity and consistency, but it also creates concentration risk.

That risk should be managed through redundancy, outage procedures, alternate routing, buffer stock for clinically critical medicines, and the ability for stores to resume local filling when central facilities cannot operate. Automation should reduce routine workload without creating a network in which one technology failure interrupts care across hundreds of stores.

Cold-chain products require continuous temperature control from supplier through receipt, storage, transport, and dispensing, consistent with good storage and distribution practices for medical products (World Health Organization [WHO], 2019). Temperature excursions should trigger documented evaluation rather than assumptions based on appearance. Vaccines and other temperature-sensitive products should have monitored storage, alarms, backup power, calibrated equipment, trained staff, and escalation procedures.

Controlled substances require another layer of security. Inventory access, ordering, receiving, storage, dispensing, discrepancy review, returns, and destruction must be tightly controlled and auditable. Loss-prevention measures should distinguish regulated high-risk products from general merchandise shrink rather than treating them as one retail-security problem.

Fulfillment Network

Walgreens now operates across store pickup, home delivery, digital ordering, prescription fulfillment, and rapid retail services. Its 2026 corporate history highlights services such as one-hour delivery and 30-minute pickup, illustrating how customer expectations have shifted toward faster fulfillment (Walgreens, 2026b). Speed should not be pursued without understanding total cost and service reliability.

Store replenishment should combine distribution-center efficiency with local responsiveness. Frequent deliveries can reduce inventory but increase transportation cost and dependence on reliable scheduling. Larger deliveries can improve transportation efficiency but increase store storage requirements and working capital. Route design should therefore consider order density, traffic, delivery windows, store capacity, temperature-sensitive products, and service criticality.

E-commerce and rapid-delivery orders create additional complexity because store inventory is now expected to serve both walk-in customers and digital demand. Real-time inventory accuracy is essential; otherwise customers place orders for products that are unavailable on the shelf. High-demand digital items may require dedicated pick locations or adjusted safety stock to prevent one channel from repeatedly disappointing another.

Product recalls should be managed through a closed-loop process. The company must identify affected lot or serial information, block further sale or dispensing, locate stock across facilities and stores, communicate instructions, quarantine product, process returns or destruction, and document completion. DSCSA data can strengthen recall precision for covered prescription products because package-level tracing improves visibility across trading partners.

Reverse logistics should also cover expired medicines, damaged merchandise, customer returns, reusable containers, and recyclable materials. Walgreens reported recycling 7.9 million pounds of cardboard, plastic, and toner cartridges across its micro-fulfillment network in fiscal 2025, showing that waste flows can be integrated into operational design rather than handled as an afterthought (Walgreens, 2026a).

Risk and Performance

The network should be designed for disruption rather than assuming stable supply. Drug shortages, hurricanes, winter storms, cyber incidents, transportation failure, supplier quality problems, public-health emergencies, power outages, and workforce shortages can all interrupt operations. Critical products should have documented alternatives, escalation paths, and recovery priorities.

Cybersecurity belongs within supply-chain management because ordering, inventory, dispensing, payment, transportation, and fulfillment depend on connected systems. Supplier integrations and

third-party logistics relationships extend the attack surface. Business-continuity plans should therefore include manual procedures, data backup, restoration priorities, communication channels, and methods for reconciling transactions completed during downtime.

Performance measures should balance efficiency with patient and customer outcomes. Useful indicators include prescription fill rate, clinically significant stockouts, order-cycle time, inventory accuracy, expiration loss, supplier fill rate, recall completion time, cold-chain excursions, delivery accuracy, digital order cancellation, cost per prescription or order, MFC productivity, patient wait time, and customer satisfaction.

Implementation should proceed in stages. First, Walgreens should maintain a current map of critical suppliers, facilities, systems, and dependencies. Second, inventory and supplier segmentation should be standardized by clinical importance and risk. Third, MFC and omnichannel data should be integrated with store-level demand planning. Fourth, resilience exercises should test what happens when a supplier, distribution center, MFC, or core system becomes unavailable. Finally, performance reviews should link operational measures with patient outcomes rather than rewarding cost reduction alone.

Walgreens' supply chain should therefore be managed as a healthcare-access network with retail capabilities, not merely as a large retail distribution system. Its strongest opportunities lie in using automation and centralized fulfillment to release pharmacists for patient care, improving traceability and inventory visibility, differentiating inventory policies by clinical importance, and building resilience into a network increasingly dependent on digital and centralized processes. The appropriate objective is not the lowest supply-chain cost. It is reliable, compliant access to medicines and products at a sustainable total cost.

References

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