IBM And Boots Sign $1.1 Billion (£710 Million) Contract To Enable Boots To Implement Strategic Business Change

A Radical Technology Services Pact for the U.K.'s Retail Industry Will Draw on IBM's Resources in Technology and Consulting

LONDON -- October 1, 2002 -- The Boots Company and IBM today announced a 10-year, $1.1 billion (£710 million) innovative outsourcing agreement that will enhance the customer experience and generate cost efficiencies for Boots' information technology (IT) operations. IBM will bring to bear its broad portfolio of consulting, services, hardware and software.

As a result of the agreement, Boots expects to save £130 million (more than $200 million) over the term of the contract. These savings will be reinvested in change-enabling and first-of-a-kind technologies that will enable Boots to increase customer loyalty and gain competitive advantage.

IBM Global Services is forming broad-based client relationships that go beyond the provision of computer services. These relationships bring together all of IBM's resources to solve business problems and create new revenue opportunities for both clients and IBM. Boots is IBM's first client in the U.K. retail industry to embrace this concept. The two companies will establish an innovation center in Nottingham that will develop new uses for advanced technologies at Boots.

At the innovation center, IBM's technical experts and retail industry consultants will work to help Boots use technology to further enhance the customer experience and create operational efficiencies. Focus areas are expected to include wireless and mobile solutions that will enable Boots' employees to better serve their customers.

Boots is well known for its customer service as well as its focus on personal wellbeing. With over 14 million members, Boots' Advantage Card is the world's largest smart card loyalty program. IBM will provide database management and applications maintenance to support the Advantage Card program.

"Boots' success hinges on our ability to continue bringing innovation to our customers, stores, products and services," said David Lister, chief information officer, Boots. "As a technology and consulting leader in the retail industry, IBM will help us use technology to create world class customer experience and enhance the service and offering we provide to our customers."

As part of the agreement, IBM will manage all of Boots' computing infrastructure, including its data center, in store systems, data networks and telecommunications. IBM will deploy and manage new point of sale systems in Boots' 1,600 stores, together with in-store kiosks for their Advantage Card holders. As a result of the agreement, more than 400 Boots employees will join IBM.

"IBM will provide the challenging thinking and technologies Boots needs to support business growth," said Richard Atkins, general manager, IBM Global Services. "We are going to help Boots increase the pace of innovation and accelerate their business transformation."

About The Boots Company Plc
Best known as the UK's largest pharmacy chain, the company also owns, develops and markets consumer healthcare products in 130 countries around the world through Boots Healthcare International. Among its best known brands are Nurofen, Strepsils and Clearasil.

Boots retail operations continue to break new ground in health and beauty with the recent introduction of wellbeing services from aromatherapy to laser eye surgery. The company's unparalleled product offer includes Boots brands and exclusives such as Britain's top selling cosmetics range, No7, and the designer haircare brand Toni & Guy. In addition to its stores in the UK and Ireland, Boots also operates in Thailand, Taiwan, The Netherlands and Italy.

About IBM Global Services
IBM Global Services is the world's largest information technology services provider, with approximately 150,000 professionals serving customers in 160 countries and annual revenue of about $35 billion (2001). IBM Global Services integrates IBM's broad range of capabilities -- services, hardware, software and research -- to help companies of all sizes realize the full value of information technology. For more information, visit: www.ibm.com/services.

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