

greens outlet in the country into a customer's local pharmacy. You live in Florida, but you're visiting Phoenix and need a prescription refill. No problem, the Phoenix store is linked to the central system, and it's just like going down to your hometown Walgreens store.

This might seem mundane by today's standards. But when Walgreens made the investment in Intercom in the late 1970s, no one else in the industry had anything like it. Eventually, Walgreens invested over \$400 million in Intercom, including \$100 million for its own satellite system.<sup>7</sup> Touring the Intercom headquarters—dubbed “Earth Station Walgreen”—“is like taking a trip through a NASA space center with its stunning array of sophisticated electronic gadgetry,” wrote a trade journal.<sup>8</sup> Walgreens' technical staff became skilled at maintaining every piece of technology, rather than relying on outside specialists.<sup>9</sup> It didn't stop there. Walgreens pioneered the application of scanners, robotics, computerized inventory control, and advanced warehouse tracking systems. The Internet is just one more step in a continuous pattern.

Walgreens didn't adopt all of this advanced technology just for the sake of advanced technology or in fearful reaction to falling behind. No, it used technology as a tool to accelerate momentum after hitting breakthrough, and tied technology directly to its Hedgehog Concept of convenient drugstores increasing profit per customer visit. As an interesting aside, as technology became increasingly sophisticated in the late 1990s, Walgreens' CIO (chief information officer) was a registered pharmacist by training, not a technology guru.<sup>10</sup> Walgreens remained resolutely clear: Its Hedgehog Concept would drive its use of technology, not the other way around.

The Walgreens case reflects a general pattern. In every good-to-great case, we found technological sophistication. However, it was never technology per se, but the pioneering *application* of *carefully selected* technologies. Every good-to-great company became a pioneer in the application of technology, but the technologies themselves varied greatly. (See the table on page 150.)

Kroger, for example, was an early pioneer in the application of bar code scanners, which helped it accelerate past A&P by linking frontline purchases to backroom inventory management. This might not sound very exciting (inventory management is not something that tends to rivet readers), but think of it this way: Imagine walking back into the warehouse and instead of seeing boxes of cereal and crates of apples, you see stacks and

stacks of dollar bills—hundreds of thousands and millions of freshly minted, crisp and crinkly dollar bills just sitting there on pallets, piled high to the ceiling. That's exactly how you should think of inventory. Every single case of canned carrots is not just a case of canned carrots, it's *cash*. And it's cash just sitting there useless, until you sell that case of canned carrots.

Now recall how Kroger systematically shed its dreary old and small grocery stores, replacing them with nice, big, shiny superstores. To accomplish this task ultimately required more than \$9 billion of investment—cash that would somehow have to be pulled out of the low-margin grocery business. To put this in perspective, Kroger put more than *twice* its total annual profits into capital expenditures on average every year for *thirty* years.<sup>11</sup> Even more impressive, despite taking on \$5.5 billion of junk bond debt to pay a onetime \$40-per-share cash dividend plus an \$8 junior debenture to fight off corporate raiders in 1988, Kroger continued its cash-intensive revamping throughout the 1980s and 1990s.<sup>12</sup> Kroger modernized and turned over all its stores, improved the customer's shopping experience, radically expanded the variety of products offered, and paid off billions of dollars of debt. Kroger's use of scanning technology to take hundreds of millions of crisp and crinkly dollar bills out of the warehouse and put them to better use became a key element in its ability to pull off its magic trick—pulling not one, not two, but *three* rabbits out of a hat.

Gillette also became a pioneer in the application of technology. But Gillette's technology accelerators lay largely in *manufacturing* technology. Think about the technology required to make billions—literally billions—of low-cost, high-tolerance razor blades. When you and I pick up a Gillette razor, we expect the blade to be perfect *and* we expect it to be inexpensive per shave. For example, to create the Sensor, Gillette invested over \$200 million in design and development, most of it focused on manufacturing breakthroughs, and earned twenty-nine patents.<sup>13</sup> It pioneered the application of laser welding on a mass scale to shaving systems—a technology normally used for expensive and sophisticated products like heart pacemakers.<sup>14</sup> The whole key to Gillette's shaving systems lay in manufacturing technology so unique and proprietary that Gillette protected it the way Coca-Cola protects its secret formula, complete with armed guards and security clearances.<sup>15</sup>