



This is a presentation of the following unpublished document:

Wynn, Martin G ORCID: 0000-0001-7619-6079 (1995) Open Systems Benefits at HP Bulmer. In: British Computer Society Meeting, February 22nd, 1995, Data General Offices, Hockley Heath, Birmingham. (Unpublished)

EPrint URI: <http://eprints.glos.ac.uk/id/eprint/8666>

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Open Systems Benefits At H P Bulmer

Martin Wynn

British Computer
Society

February 22nd, 1995
DG Offices, Hockley Heath

Presentation Structure

1. Business Background
2. I.T. Background
3. The Move To Open Systems
4. Benefits & Summary

1. Business Background

A stylized map of the United Kingdom is located in the top-left corner. The map is color-coded: Scotland is red, Northern Ireland is yellow, and the rest of the UK is blue. A yellow arrow points from the bottom-left towards a small yellow dot on the map, which represents the location of Hereford in the West Midlands.

H P Bulmer Plc

Company Profile

- Location: Hereford, UK.
- Turnover 1993/94: £255M.
- Profit 1993/94: £21.5M.
- Employees 1994: 1000.

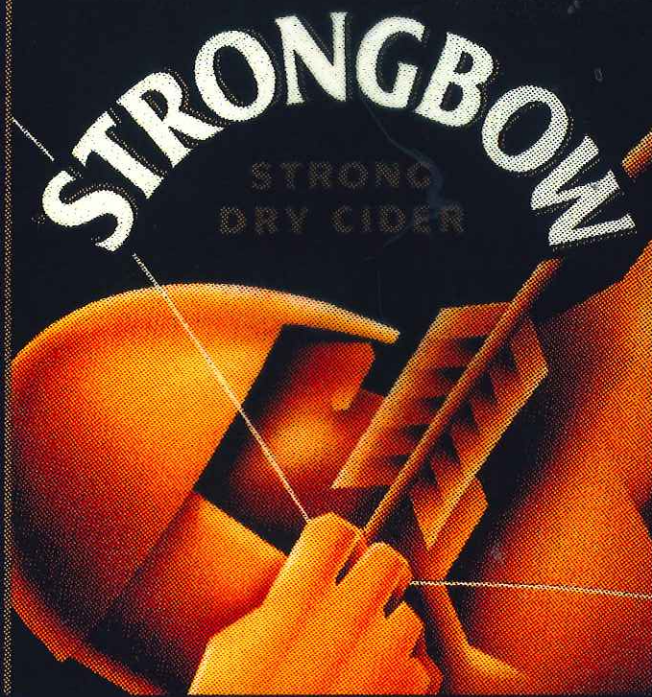
H P Bulmer Manufacturing

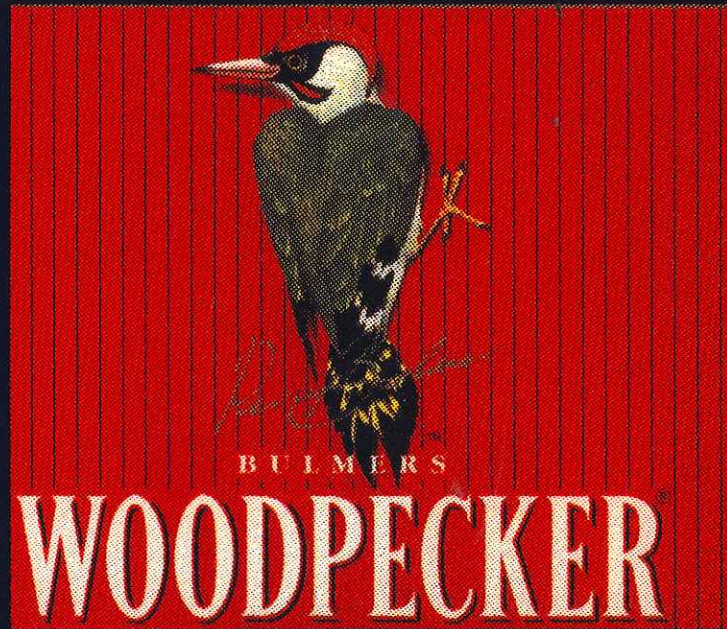
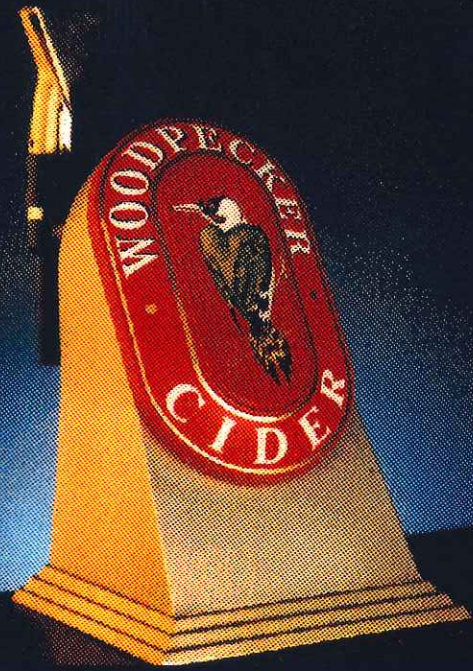
Key Facts

- 400 product lines.
- 5000+ accounts.
- 15000+ 'drop' points.
- Make to stock; stock to forecast.
- 4-6 weeks cover against forecast.
- 48 hour delivery cycle from order take.

Key Facts (cont/d ...)

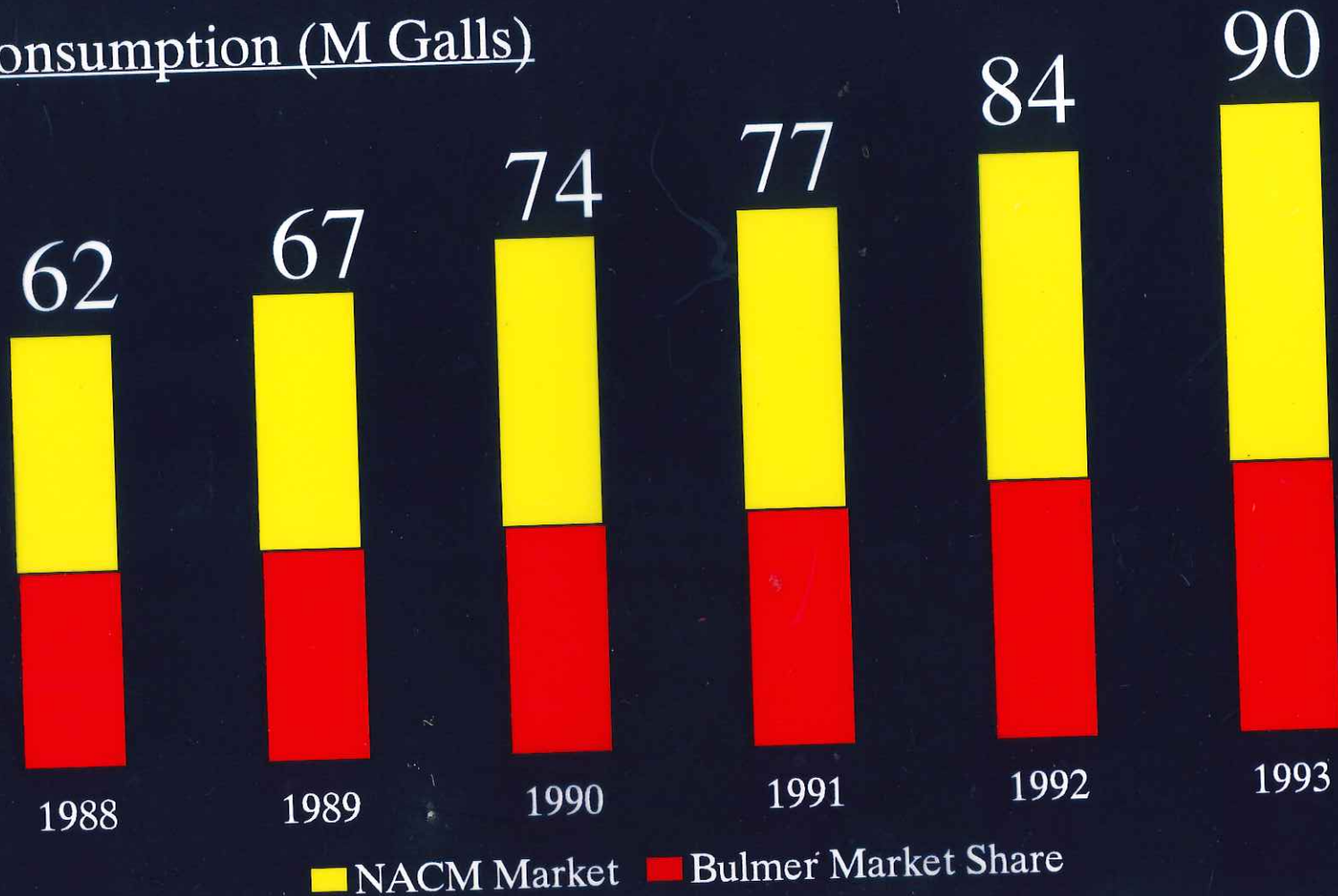
- Primary production (fermentation/ maturation/ blending) currently 6-9 months.
- New process development will reduce this to 28 days.
- Secondary production (packaging) lead times for major stock items circa 1 week.





Cider ... A Volume Led Industry ...

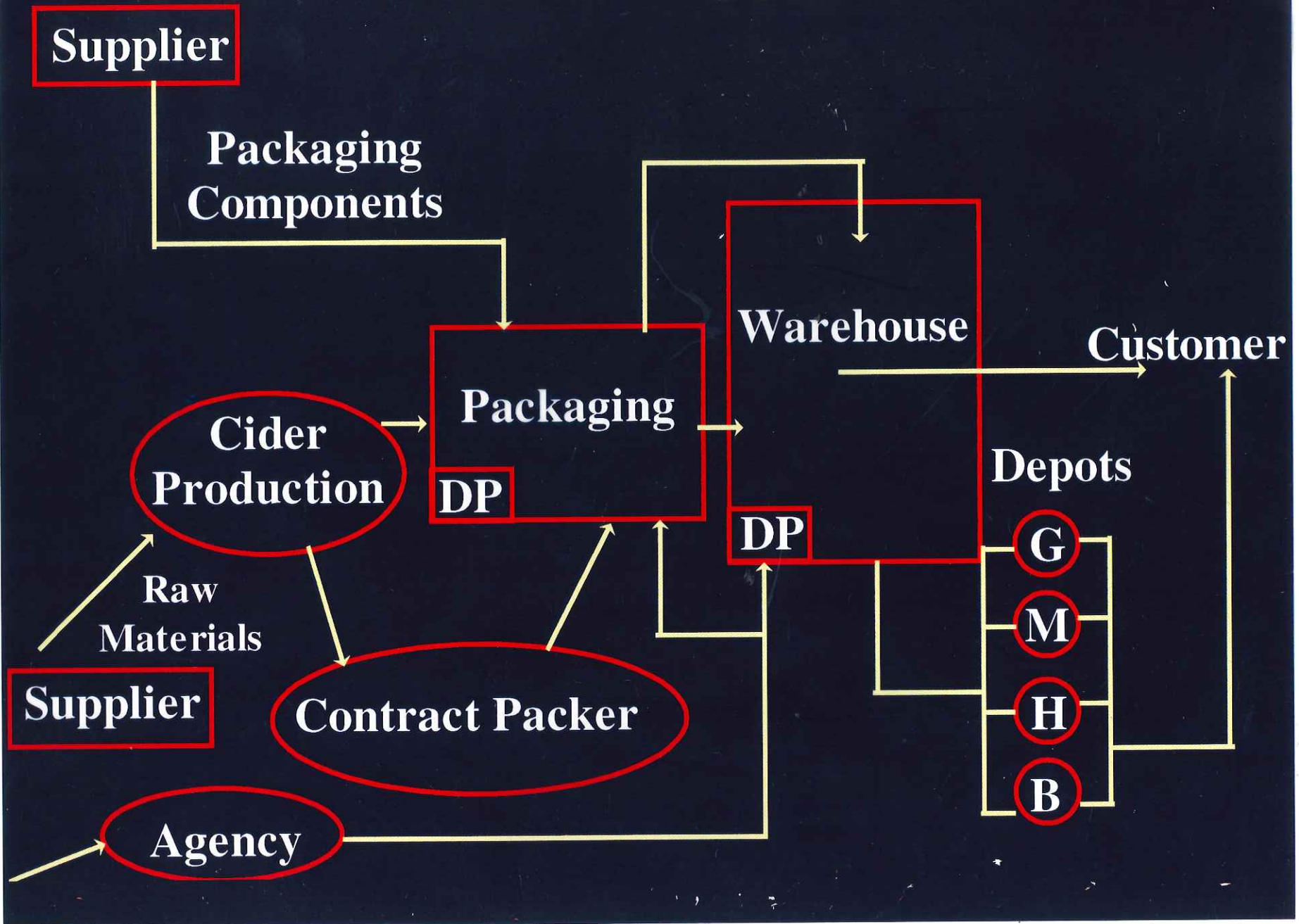
Consumption (M Galls)



■ NACM Market ■ Bulmer Market Share

Source: NACM MAT To Dec '93

H P Bulmer Supply Chain



In The On Trade

- Dynamic market place following the 1989 'Beer Orders'.
- Dominance of large brewers in pub ownership diminished but emergence of new smaller buying groups on the scale of regional brewers.
- Overall decline in viable outlets.

The On Trade Universe

Total Ons



Source: Stats MR

In The Off Trade ('Take Home')

- Increased Retailer Influence
 - Fewer, larger retailers.
 - Widespread use of point of sale technology.
 - Greater understanding of shelf value, shelf spacing, product juxtapositioning.
 - Supply chain driven by retailers.

Market Segmentation (Off Trade)

Price
Point



Super Premium

Premium

Mainstream

Own Label

Economy/Tertiary/Budget.

Unilateral Changes By Retailers

- Increased ordering frequency.
- Reduced order/delivery lead times.
- Different pack sizes.
- Account specific labels.
- Account specific pallet heights.
- Account specific pallet labels.

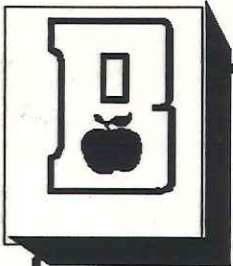
Resultant Challenges

- Margin pressure & market segmentation.
- Competitive pricing/margin erosion.

2. I.T. Background

Systems Status 1990

- Under investment in I.T. in the '80's ...
 - Legacy of in-house developed systems.
 - Poorly documented and supported.
 - Proprietary Data General environment.
- Various product and customer files ...
 - Separately maintained.
 - Varying hierarchies and data definitions.



COOPERS AND LYBRAND 1988

TECHNICAL

- **PHASED MIGRATION TO VAX
FROM PROPRIETARY DG**
- **BUY PACKAGES**

SYSTEMS

- **2 AND 5 YEAR REPLACEMENT
PROGRAMMES FOR
SYSTEMS IN ALL BUSINESS AREAS**

Customer Files 1990

Invoice
Queries

Ledgers

Invoicing
System

Sales
Analysis
Anomolies

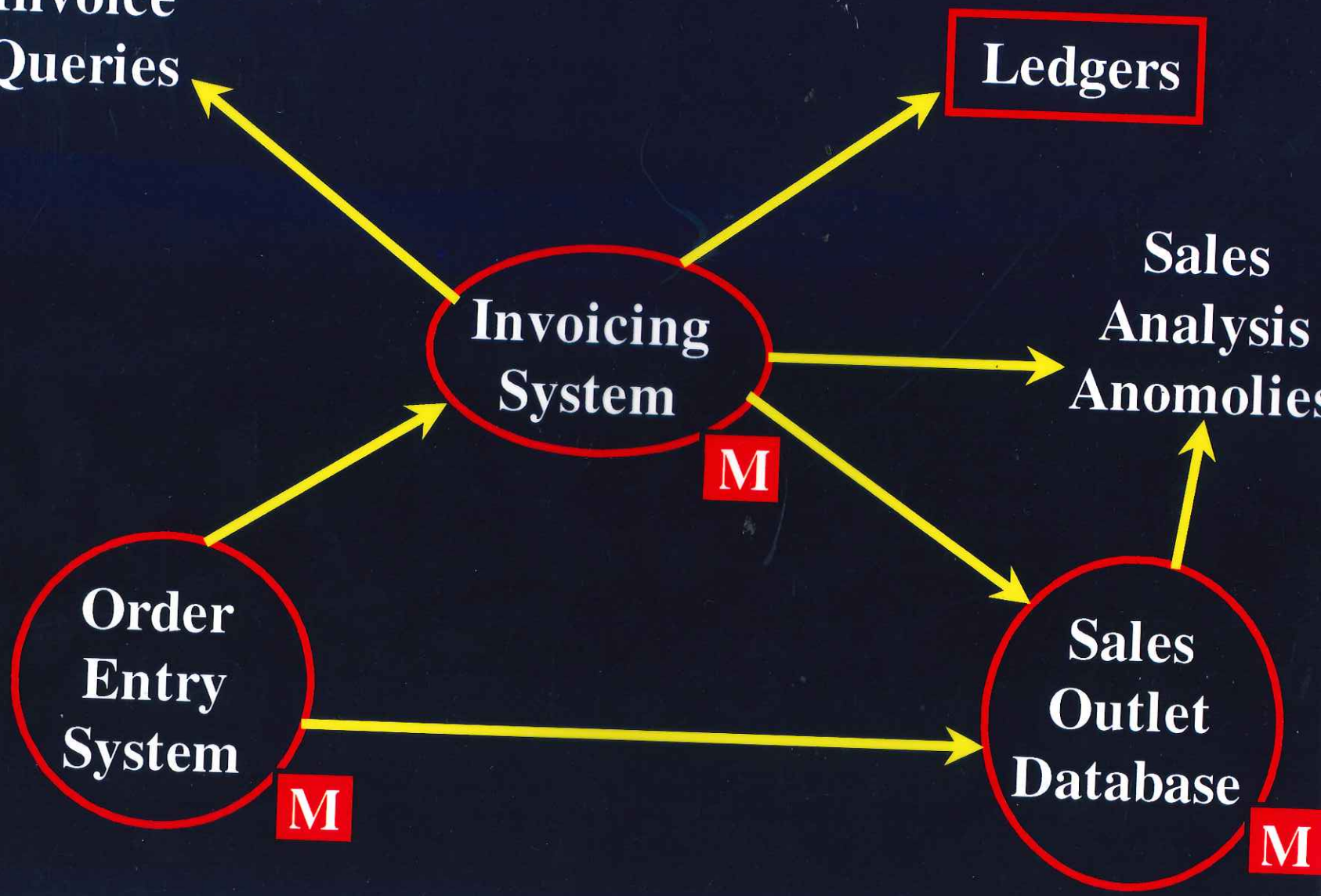
Order
Entry
System

Sales
Outlet
Database

M

M

M



Product Files 1990

Invoice
Queries

Ledgers

Financial
Analysis
Anomolies

Invoicing
System

Order
Entry
System

Production
Control &
Accounting

M

M

M

Management Of Supply Chain At Risk

- Absence of appropriate and supporting systems.
- Lack of formal planning & control mechanisms.
- Over-reliant on key individuals and their practical skills.

3. The Move To Open Systems

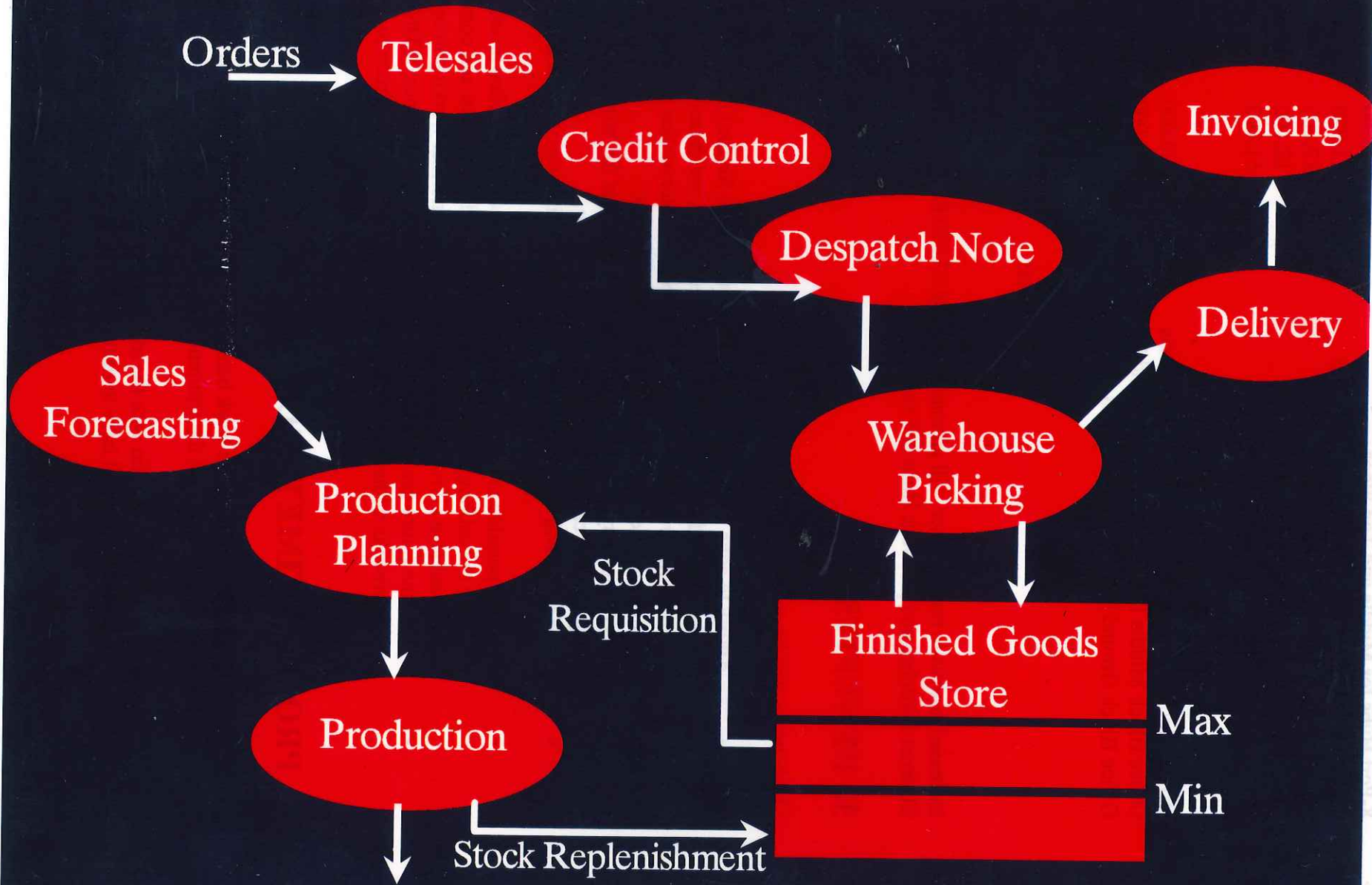
I.T. Strategy: Milestones 1991-95

- 1991:
 - Open Systems strategy adopted. Migration of all Oracle Systems started.
- 1992:
 - 3 Platform Unix configuration agreed: a) Production b) Development/Test c) Warehouse.
- 1993:
 - VAX hardware consolidated in cluster supporting sales order processing cycle; data warehouse commissioned; client-server tools introduced.
- 1995:
 - Proprietary Data General decommissioned.

Manufacturing Systems 1993

- Production planning done on spreadsheet application receiving files from 'Acumen' forecasting system & 'DMS' Warehouse Management System.
- B.O.M./ product costings system developed by I.T. as part of an 'M.I.S.' system in late 1980's. Proprietary, poor documentation.
- 'End user' stores systems developed by engineers in PC database in late 1980's.

H P Bulmer: Production Planning & S.O.P.



H P Bulmer

Supply Chain Project 1993-95

1993

**Strategy Analysis
'Understanding
The Supply Chain'**

(PA/HPB)

1994

**1st Implementation
SCADA Feed**

**Operational
Mapping**

**Understanding
Req'mts**

**Business
Case
Testing**

**Staged
Implementation**

1995

1994/5

- New invoicing system implementation.
- Ledgers package implementation.
- Manufacturing package implementation.
- Profit management and field communications roll-outs.
- Decommission proprietary Data General.
- E.I.S.
- End-user access roll-out.

Profit Management Requirements

- Standard and ad-hoc sales analysis.
- Brand and account management by profit.
- Tracking account performance against forecast.
- Presentations to key accounts.
- Field to HQ communications, word processing, etc.

Field Force Functions

National Account Manager

Multiple Grocers

General Salesforce

Cash & Carries

Off Licence Chains

100,000

On Trade Outlets

Major Brewers

Regional Brewers

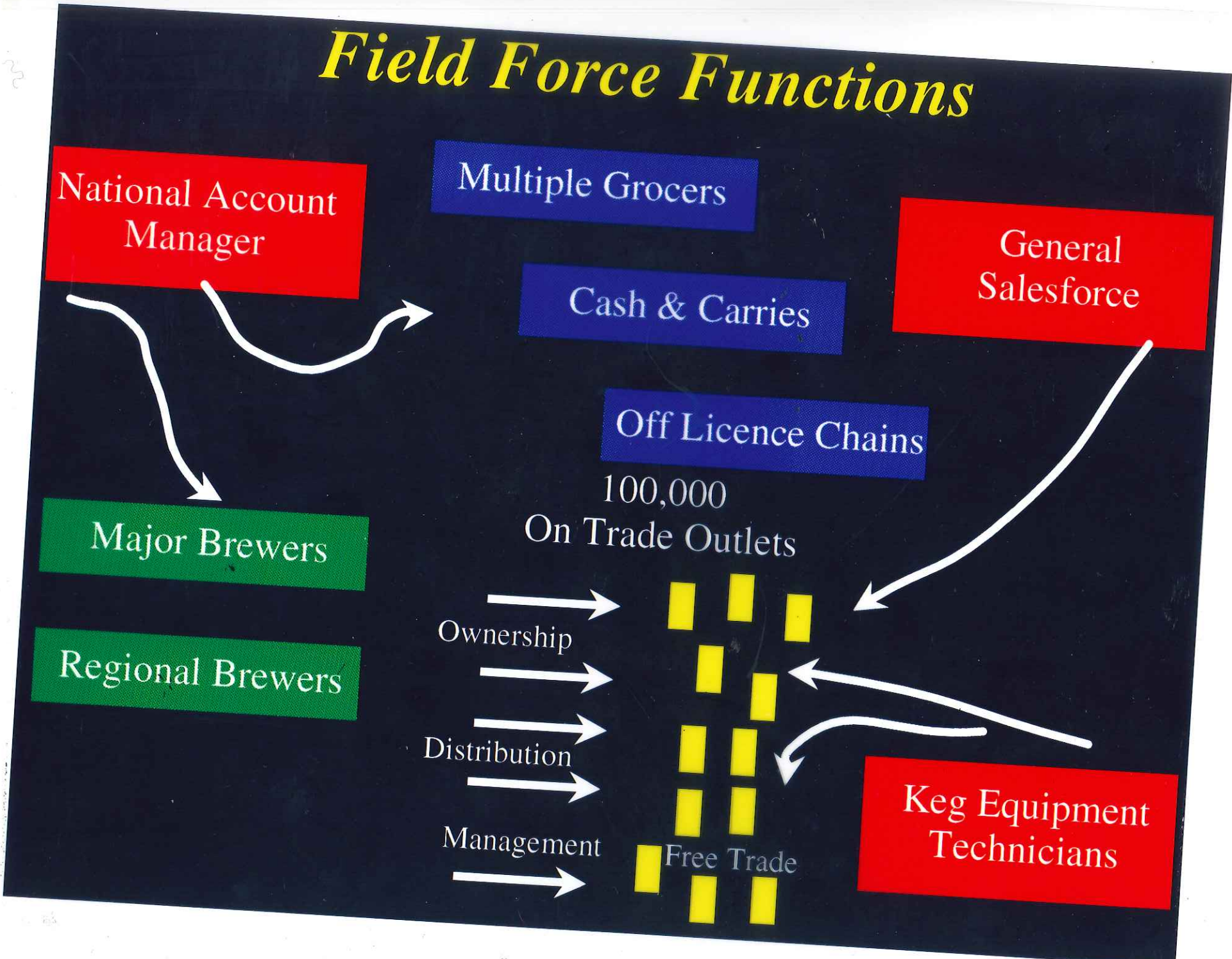
Ownership

Distribution

Management

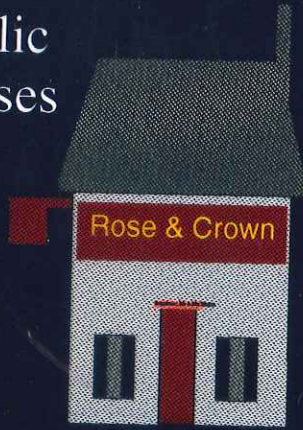
Free Trade

Keg Equipment Technicians

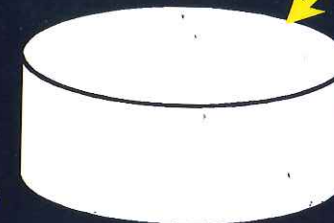


H P Bulmer Salesforce Communications

Public Houses



Call Details
Outlet Profiles



Salesman



PC with local Paradox Database

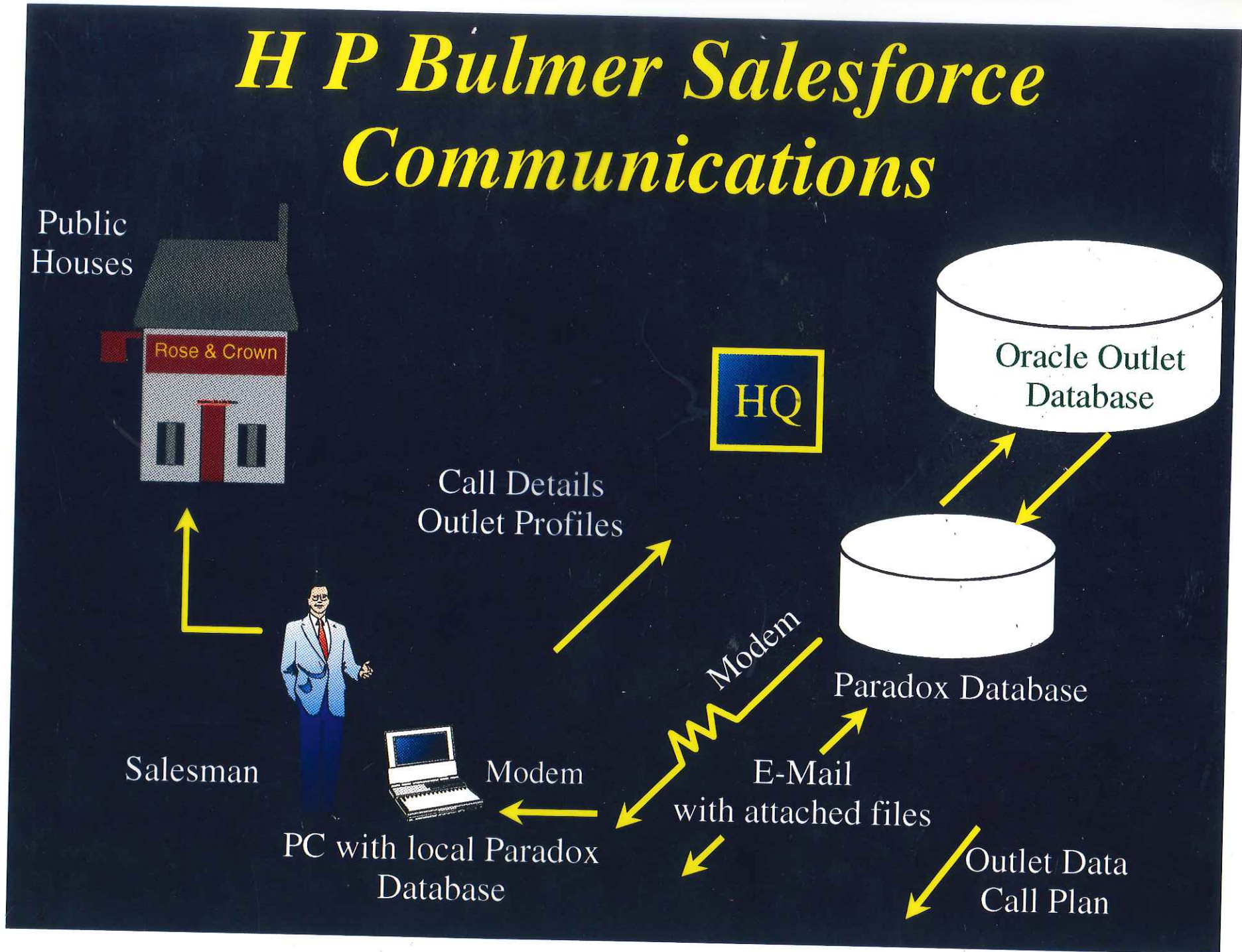
Modem

Modem

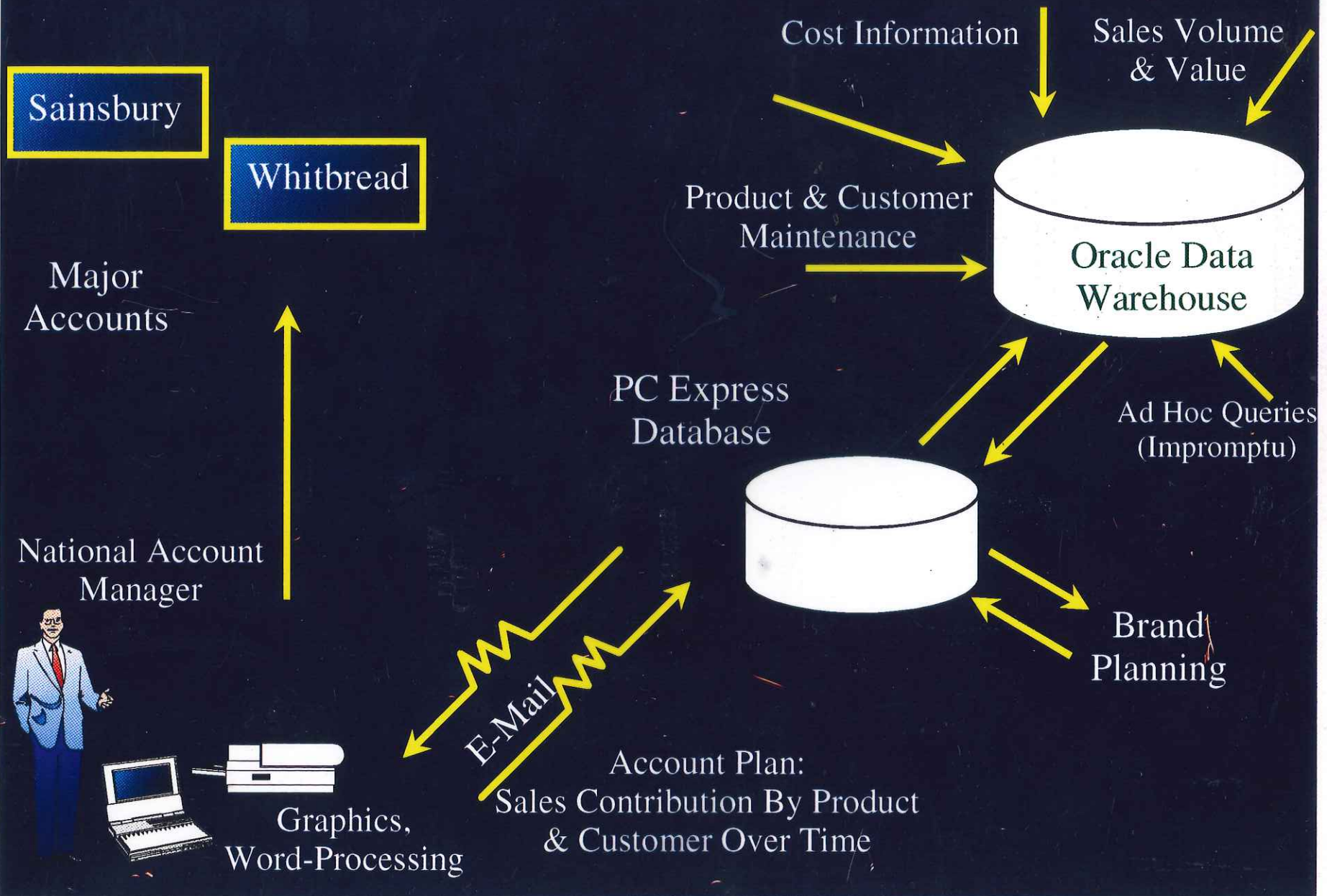
Paradox Database

E-Mail
with attached files

Outlet Data
Call Plan



National Account Communications System



4. Benefits & Summary

'Supply Chain' Project Benefits

Inventory Reduction

- One-off cash flow saving from inventory reduction of £1.4M.
- £250k annual saving (holding costs).

Benefits

- Younger stock/ longer shelf-life.
- Customer service level improvements.
 - Faster to market with new products & promotions.
- 'True' cost data to support trade-off decisions.
 - Product & Customer profitability.

K.I.M.S. Benefits

- Central scheduling staff reduced from 7 to 4.
- Manchester office closed.
- Reduced communications costs.
- Significant technician productivity gains.

Benefits

- Keg Audit Planning
 - Plough, Abergavenny (repair or installation).
 - 12 outlets in same postcode where we have keg.
 - Part details in each outlet.
- Knowing our customer is vital in post-MMC era.

Benefits

- Control and accountability of £Multi-Million promotional spend budget by sales and national account staff.

Benefits

- Improved management information on customer sales and deliveries enabled HPB this year to transfer a £300,000 'debt' into a £50,000 credit with a major 3rd party supplier.

Benefits

- Price change (400 products, thousands of customers) can now be effected in 8 man days whereas it previously took 15 man weeks (Credit Control Manager).

Open Systems Migration Summary Checklist

- Stick to mainstream Unix. Systems software and utilities, as well as application software, available on mainstream varieties first.
- Migrating to Unix whilst undertaking major systems developments adds risk and requires tight project control.
- Unix is not a user-friendly, feature rich operating system if you're used to VMS. Don't under-estimate retraining requirements for systems, operations and technical staff.

Open Systems Migration Summary Checklist

- Porting a mainstream relational database (Oracle), plus associated pro-cobol, proved relatively straight-forward (from technical point-of-view).
- Open Systems have enabled significant hardware cost reductions, but the move to Open Systems has been but one element of a strategy that has enabled significant competitive advantage in several business areas.