Evolving an Effective Electronic Commerce Strategy - A Supplier's Perspective

Creating Demand Pull
Continuous Replenishment in FMCG

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London

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H P Bulmer
Hereford
UK

1. Company Background

- Location: Hereford, UK
- Turnover 1995/6: £255m
- Profit 1995/6: £27.5m
- Employees: 850
H P Bulmer Pre Tax Profits 1988-1992

<table>
<thead>
<tr>
<th>Year</th>
<th>£M</th>
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<tbody>
<tr>
<td>1988/89</td>
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<tr>
<td>1989/90</td>
<td>12.1</td>
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<tr>
<td>1990/91</td>
<td>14.4</td>
</tr>
<tr>
<td>1991/92</td>
<td>17.1</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>£M</th>
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<tr>
<td>1992/93</td>
<td>19.6</td>
</tr>
<tr>
<td>1993/94</td>
<td>21.4</td>
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<td>1994/95</td>
<td>25.0</td>
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<td>1995/96</td>
<td>27.5</td>
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</table>

H P Bulmer: Key Business Drivers

- Continue to grow and dominate the UK cider market (Now 54% market share).
- Lead the global growth of cider.
- Lowest cost production.

Systems Status 1990

Under investment in IT 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.
New IT & IS Strategies

- 1990
  - Oracle chosen as strategic relational database for bespoke developments.
- 1991
  - Open Systems (UNIX) adopted as platform for all future systems projects.
- 1992
  - Business co-ownership of all systems projects established.
  - Oracle/UNIX established as guidelines for all major application packages.

2. Electronic Commerce: The Supplier's Perspective

Trading Necessity or Partnership Opportunity?

Change In Supply Chain Operation

Who Benefits?
- Unilateral (by retailer)
  - Retailer ✓ Supplier?
- Unilateral (by supplier)
  - Retailer? Supplier ✓
- Joint:
  - Retailer ✓ Supplier ✓

Unilateral Changes by Retailers

- Increased Ordering Frequency
- Reduced Order/Delivery Lead Times
- Smaller Pack Sizes
- Account Specific Labels
- One Item Per Pallet
- Account Specific Pallet Heights
- Account Specific Pallet Labels
- Reserved Stock
- Stock-Out Penalties
EDI

Replenishment Process Improvement
- Co-Managed Inventory
- Intermediate Warehousing
- Electronic Commerce

How Should We View These Initiatives?
Started As:
- A Trading Necessity (Unilateral by some Retailers)
  Has Now Become:
- A Partnership Opportunity (Joint Action/Joint Benefit)

3. EDI at Bulmers
(Case Example)

Evolving An Effective Strategy
- Customer Service Focused Company
- Within Our Capabilities

1991
- Requests by Major Customers
- Business Understanding
- Steering Group

1991-92
- Developed Basic Capability and Credibility
- Orders and Invoices
- Focus on Customer rather than Supplier

1993-94
- Reactive to Customer Requirements
- Forecasts
- Benefit from Ability to be Involved in Pilot EDI Projects with Customers

1995
- Price File Exchange

HP Bulmer EDI Trading
Status of Trading Relationships as at May 1997

1991-92

1993-94

Supplier 1

1991
- Requests by Major Customers
- Business Understanding
- Trading Group

1991-92
- Developed Basic Capability and Credit
- Orders and Invoices
- Focus on Customer Rather than Supplier

1993-94
- Reactive to Customer Requirements
- Incremental
- Benefit from Ability to be Involved in Pilot EDI Projects with Customers

1995
- Price File Exchange

1996-97: Expanding the Capability - EDI as a Value Added Service to our Customer Base

1996
- Electronic Commerce Manager Appointed
- Expansion of Message Types, Despatch Notes, Delivery Confirmation, Remittance Advice

1997
- Further Message Types
- Stock Snapshot, Product File, Customer File
- Pro-actively Expanding with Customers - Value Added Service
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EDI: Developing the Infrastructure and Capability

HP Bulmer EDI Trading
Status of Trading Relationships as at May 1997

EDIFACT Standards
- Order
- Product Planning Report
- Delivery Confirmation
- Remittance Advice
- Stock Snapshot

TESCO

VAX Cluster
- Telesales
- Distribution
- Warehouse Management

Intercept Plus
- Oracle R/3
- Invoicing
- Price
- Product
- Customer Maintenance

Oracle Packages
- Oracle Ledgers
- Oracle Manufacturing

OLAP
- DG UNIX
- Minis

Customer
- Invoice
- Credit Note
- Price File
- Delivery Note
- Product Information

HP Bulmer
EDI Capability/Expected Capability of Booker's Top 50 Suppliers

<table>
<thead>
<tr>
<th>Current Capability (55) of top 50 customers</th>
<th>HPB</th>
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</thead>
<tbody>
<tr>
<td>80%</td>
<td>E-Mail</td>
</tr>
<tr>
<td>55%</td>
<td>Supplier</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expected Capability/Current Plan in Development</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>FAX</td>
</tr>
<tr>
<td>55%</td>
<td>Monthly Rolling Forecasts</td>
</tr>
<tr>
<td>42%</td>
<td>Weekly Call Offs</td>
</tr>
</tbody>
</table>

EPOS Data

4. Customer Supply Chain Projects

- Whitbread CMI
- Intermediate Warehousing

Internet

PC Infact

E-Mail

Promotion Evaluation and Targeting
Customer Supply Chain Projects

- Customer Service Focused
- Experience and Appreciation of Benefits
- Confident in Electronic Commerce Capabilities
- Believe Further Benefits for H P Bulmer

CMI - Classic Case Study

Customer - Information Exchange - Supplier
Customer - Sharing Information - Supplier
Customer - Sharing and Improving Process - Supplier
Remove Non-Value Added Activity

Pre - CMI: Process Map

Post - CMI: Process Map

HPB
Stock Management
Order Process
Despatch

Whitbread
Stock Management
Order Placement
Receipt

HPB
Stock Management
Despatch

Shared
Stock Rules Agreement
Information via EDI

Whitbread
Despatch (physical)
Receipt
CMI - HPB Benefits

- Visibility of HPB Products in Whitbread Depots
- Efficient Stock Management within Whitbread and HPB
- Improved Availability of HPB Products to Whitbread Consumers
- Improved Customer Service
- Cementing the Trading Partnership
- Value Added Service to other Customers

5. Future Trends

Internet and the Web

- Encourage Consumer Purchasing
  - HPB Website
- Engender Customer Selling
  - Customer Specific Web Access
  - Opportunity with Non-EDI Enabled Customers
- Opportunity to Implement with HPB Suppliers
- Cementing Trading Relationships
Electronic Commerce has Two Components:

- Electronic Commerce is the Electronic Interchange of Information, Goods, Services and Payments
- Electronic Commerce is the Creation and Maintenance of Web Based Relationships