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Integrating UK & International Acquisitions

Key Issues in Integrating Small to Medium Sized Companies

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Today’s Presentation

• Company Background
• Integrating UK Acquisitions
• Integrating International Subsidiaries
• Lessons Learnt
• Future Strategy
Company Background

- Bulmers is World Leading Cider Maker
- 66% of UK Cider Market
- Strong International Growth
  - Companies in USA, Australia, Belgium, South Africa and China
- Key Brands
  - Strongbow, Woodpecker, Scrumpy Jack
Key Brands
Company Background

- Turnover: £315m
- Profit (before tax): £24.6m
- Staff: 1300

- 50% Family Share Holding
- Founded in 1887
- New Chief Executive - March 98

- £1 billion vision
- 50% Operating Profit from International
Technology Background

- Oracle tools & packages running under UNIX established 1991 for UK
- International subsidiaries have a mix of legacy systems
- Current UK strategy is to move to vanilla re-implementation of Oracle packages
Business Rationale/IT Integration

Business Rationale will drive IT integration strategy

UK

• Market share growth and brand acquisition.
  – Full IT integration offers clear benefits.

International

• Global expansion in different markets and cultures.
  – Benefits and practicalities of full integration and standardisation less obvious, but increasing as technology advances.
Integrating a UK Acquisition

• Background
• Symond’s Cider  1988
• Frampton Cider   1991
• Inch’s Cider     1996
Symond’s Cider 1988

• Business Rationale
  – Premium Brand - Scrumpy Jack
  – Traditional cider company
  – Retain individuality and distinction from Bulmers (as regards customer perception), but benefit from operational synergies wherever possible
Symond’s Cider  1988

• Integration Strategy
  – SOP and Invoicing moved to Bulmer Systems but retained Symond’s identity
  – Integration of Sales, Purchase and General Ledger
  – Logistics and Manufacturing integrated only when Oracle implemented in 1994
  – PC’s and Network installed in 1993 giving full access to Bulmer Systems
Frampton Cider 1991

• Business Rationale
  – Market share growth
  – Small brands, local customers

• Integration Strategy
  – Upload product and customer information to Bulmers systems
  – Achieved within 3 months and site closed
  – Products phased out & identity lost
Inch’s Cider 1996

• Business Rationale
  – Acquire critical mass in white cider category
  – Brands - White Lightning & Stonehouse
  – Grow market presence in South-West
  – Strengthen position in Independent sector
Inch’s Cider 1996

• Integration Strategy
  – Existing system was ICL Brewmaster and Microsoft SQL*Server / Excel
  – IT involved before contract signed
  – Networks integrated to allow remote access to Bulmers SOP system
  – Order capture and invoicing moved to Bulmer systems within 3 months
Inch’s Cider 1996

• Integration Strategy (contd)
  – Logistics Integration (2 months)
  – Ledgers planning, manufacturing control and purchasing moved to Oracle systems accessed from Hereford and Inch’s, Devon (2 months)
  – SQL*Server dropped and NT server replaced with Netware in line with group
  – IT department of 2. 1 took redundancy, 1 remained for local support
International Acquisitions

- First International subsidiary built from ground up in 1970’s
- 4 further overseas acquisitions made to date
- 2 Joint Ventures in last 12 months
- Further acquisitions and Joint Ventures to follow
US Acquisition 1998
Green Mountain Cidery

- Business Rationale
  - US Cider market: 55% CAGR from 1990-1998
  - Woodchuck – market leading brand
  - Important distribution platform
  - Local manufacturing
US Acquisition 1998
Green Mountain Cidery

• Integration Strategy - Background
  – IT involved in due diligence process
  – PC based accounting system
  – Heavily bespoked systems in Paradox
  – Old non Y2K compliant PC’s
  – Mixture of Windows 3.1/95/NT
  – No Internet/Email
US Acquisition 1998
Green Mountain Cidery

- Integration Strategy
  - Existing Paradox and bespoke system kept
  - Immediate programme of testing and documentation of bespoke system
  - Network security audit and changes
  - PC replacement and standardisation
  - Netware Server upgraded in line with UK.
US Acquisition 1998
Green Mountain Cidery

• Integration Strategy
  – Internet Virtual Private Network installed
  – Email integrated with group system
  – Excel Spreadsheet introduced to standardise financial reporting
  – Bespoke plant/process reporting system evaluated for use in other subsidiaries
Joint Venture  1999
South Africa

• Business Rationale
  – Second largest and most profitable cider market in the world
  – Growing at 25% p.a.
  – Route to Market opportunity
  – Local manufacture
  – 90% of profit to Bulmers
Joint Venture 1999
South Africa

- Integration Strategy
  - JV partner provides telesales, packaging, warehousing, distribution and sales force.
  - Bulmers manages salesforce
  - All IT systems belong to partner, with open access to Bulmers
  - Peachtree integrated package used by Bavaria Brau
  - Excel Spreadsheet for financial reporting
Joint Venture 1999
South Africa

- Integration Strategy
  - Security and Y2K audits carried out
  - Support given to Bavaria Brau to upgrade IT systems in support of JV
  - Co-operation on partner’s IT strategy to align with Bulmers where possible
Lessons Learnt - UK

• UK acquisitions aimed at full business integration
• Prior planning and knowledge beneficial
• Three main priorities for integration are;
  – Sales Order Processing
  – Back end ledgers
  – Logistics and Manufacturing
• Data, configuration and procedures as important as technology
Lessons Learnt - International

- International acquisitions are local subsidiaries; full business integration not a key driver
- Recognise that we don’t know the local marketplace as well as the local company
- Develop relationships, enrol rather than impose
- Priority is effective communications
- Back office ledgers interfacing to provide one corporate P&L is main achievement to date
Lessons Learnt - General

• The business you’ve acquired may have very different needs
• Standardise networks and desktops as soon as possible
• Don’t connect networks until security has been assessed
• Look for quick wins such as email
• Local IT staff and users are key to successful integration
Future Strategy - Possibilities

- Standard packaged software
- Multiple organisation ledgers
- No hardware at remote sites (except desktops/browsers)
- Web based access to systems
- Global database of customers and marketplace.
- Ability to rapidly integrate acquisition.
- Common Intranet / Email / Knowledge Management tools
Future Strategy

- Enrolment of subsidiaries in technology vision
- Global purchasing
- Flexibility for local needs