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Integrating UK & International Acquisitions

Key Issues in Integrating Small to Medium Sized Companies

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19th/20th Jan 2000

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 bespoke 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
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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