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FROM E-COMMERCE TO E-BUSINESS AT HP BULMER

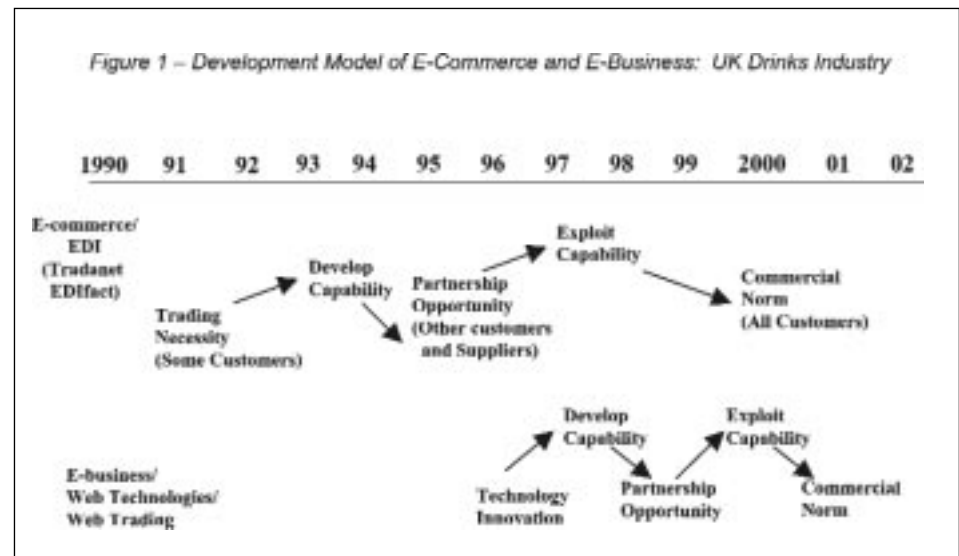
Pioneering technologies in the drinks industry

The advent of a corporate intranet in leading beer and cider-makers HP Bulmer changed the way the company as a whole looked at business transactions. HP Bulmer, already an early adopter in the e-business technology arena, realised the huge potential of web technology in business-to-business trading. **Martin Wynn**, HP Bulmers' Head of IT and Director of Juxta Consultancy services explains.

In the past decade, HP Bulmer has established itself first as a leader in the use of standard EDI technologies and associated business practices, and more recently as a pioneer in the use of web technologies for e-business in the drinks industry. In both cases, developments have followed a similar business cycle, starting with technology innovation, followed by in-house capability development, leading to innovative partnership arrangements.

With the more standard e-commerce activities these partnerships centred on co-managed inventory and intermediate warehousing arrangements with major customers based on EDI transactions; in the e-business world these have been complemented by on-line web-ordering and tracking arrangements and the broader based opportunities for portal development with both vertical and horizontal industry partners - ie partnering with other drinks companies in purchasing exchange arrangements, and with companies from different sectors in the servicing of customers in the leisure sector, in which alcoholic drink is but one of many supply elements.

In both the e-commerce and e-business models, these partnership arrangements are followed by a period of potential growth and first mover business advantage until the new modus operandi becomes a commercial norm, at which point the business advantage may or may not be diminished. This cycle, which took about 10 years in the e-commerce world in the UK drinks sector, is moving much more rapidly with current e-business initiatives, and we are already in the



phase when partnerships are being formed and the opportunities for business exploitation are to the fore (see figure 1).

HP Bulmer established itself as a leader in the practice of EDI in the drinks industry in the early to mid 1990's. This resulted from early pressure from some of Bulmer's major customers to transact orders and invoices via EDI. Using newly installed sales order processing systems, Bulmer was able to rapidly develop its capability to exchange a range of transactions and data types with its customers (Figure 2), so that by the mid-nineties this capability could be proactively used to weld and advance relationships with key customers. Examples of this include the co-managed inventory project with Whitbread, where EDI transactions were used to radically remodel the order placing and fulfillment process between the two companies and the intermediate warehousing project with J S Sainsbury, which allowed the aggregation of products from many different suppliers to Sainsbury in intermediate warehouses, prior to

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onward distribution via the regional distribution centres. This project was again based on EDI transactions and helped foster the relationship with a key customer.

By 1997, Bulmer was undertaking at least two transactions via EDI with the majority of its top 20 customers, and this capability was used as a point of difference between Bulmer and its competitors in cementing and expanding business relationships. In parallel, the growth of the internet ushered in new technology opportunities for e-business that complemented or superseded the older EDI based e-commerce practices. As such, the late 90's will probably be viewed as the peak of EDI activity between Bulmer and its partners, to be replaced by web-based partnering across the supply chain in the new millennium.

In 1998, Bulmers internal intranet was launched, and rapidly became a key source of information for many Bulmer computer users. The Bulmer intranet was developed by a small team of in-house program-

Figure 2 – The Growth of EDI Customer Trading at Bulmers 1991 - 1997



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mers and a steering group, initially dominated by IT managers. Work progressed on a very limited budget (circa £30K in year 1 - including in-house resources), but gained success by rapid development and regular releases of new material and interest areas. Initially these started with a revolving 'News from around the World' section and climate postings from areas overseas where Bulmer has international subsidiaries.

A link to Market Eye (an on-line share service) was established so the Bulmer share price could be tracked through the day; a 'new ideas' scheme was launched on the intranet, giving monthly prizes, and an internal on-line news service - a key corporate communication mechanism - was launched. An easy-to-use internal phone directory appeared (showing, for the first time, mobiles as well as extensions), an internal vacancies section was set up and a 'small ads' service - which has proved extremely popular - was introduced. A 'cars for sale' area was added, and the emerging user champions were given the opportunity to develop and maintain their own departmental news areas.

An education programme was established - two hour hands-on sessions covering both the intranet and internet were held every Friday for several months, giving all users the opportunity to be stepped

through the basics of how to use the intranet and internet - a key breakthrough in getting senior management 'on board'.

Links were established from the Bulmers intranet to other web-sites of corporate interest and access to our key corporate Oracle applications was set up via the intranet as the company upgraded to the web-based version. As interest grew, momentum became self-perpetuating, as key reports were made available via the intranet - the weekly sales report, capital monitoring report and operating statements.

As familiarity with the emerging net-culture grew, Bulmer sales staff started to access the extranets of its major customers, including Tesco (TIE), Sainsbury (SID) and Safeway (SIS). These provided web-based sales information on Bulmer products in these major grocers and helped grow the awareness amongst commercial management of the potential of web-based information exchange, in particular the much improved visibility of the progress of sales promotions.

This new awareness, supported and driven by the new technology skills required initially for the intranet development, gave rise to the prototyping and subsequent live implementation of three new web-based e-business tools - InCider Trading, InCider Shopping and Pubserve.com.

InCider Trading was launched in 1999 as a value added service to Bulmers' customer base. It is a web-based trading tool, fully integrated with Bulmer's in-house systems and fully configurable to specific customers. Customers can place and track orders, and are supplied with product, price and promotional information on-line. It also provides detail on key account contacts within Bulmer. Version 2 will be released in Autumn 2000 to include detailed, customer specific, financial information. It is currently being used by circa 20 different ordering accounts.

InCider Shopping is a business to consumer pilot through which members of the public can order point-of-sale material such as t-shirts. Additionally, it is also possible to order some of the less commonly available Bulmer brands.

Building on the experience of the above initiatives, Pubserve.com was launched in the Spring of 2000. This is aimed at the independent pub trade and is positioned as the one-stop portal for all key supplies required by the publican. It is supported by the distribution, warehousing and sales capabilities of Bulmer's wholesaling operation - The Beerseller - acquired in early 2000. The Beerseller already provides a wide range of alcoholic drinks to the pub trade and is a key component of the Pubserve operation - providing the logistical capabilities to transform an innovative concept into a business reality. Partnerships are being consolidated with other key suppliers to the independent pub trade.

There are several lessons that emerge from the move to e-business at Bulmer. All three initiatives emanated from the IT department, in both concept and nomenclature. The technology solutions were developed using a mix of quality in-house and contract staff, who have now formed a third party organisation (QEB solutions) specialising in web-developments, working under contract to Bulmer. However, the real push to business advancement

has come with the handover of responsibility for these systems to senior business managers, from January 2000, and the integration of the technicians into a mixed sales-finance-marketing-technology group responsible for developing and implementing these projects. This is essential to success - these are, after all, business entities, with a technology component, and need to be fully embedded in the business.

Nevertheless, it is not worth waiting for the business leadership if it is not there - the history of events at Bulmer suggest a bottom-up initiative from IT followed by a transfer of ownership out into the business, may be the most effective way of making quick progress.

As regards technical aspects, there are a range of technologies available, although skilled resources remain relatively expensive. Web-front ends are now being developed and incorporated into the major ERP packages - but at Bulmer - essentially an Oracle house - these were not available until recently. A mix of Microsoft products was used to bespoke the web-based front ends and an Oracle data repository was built to act as a staging post for transactions between the web and the existing sales order processing systems.

At the Beerseller, a slightly different approach has been pursued, building on the web module available as part of the Trinity Drinksmaster product, which is used by Beerseller. Longer term, the potential of Oracle's Istore front-end will be explored as Bulmer migrates its systems to version 11i of Oracle's ERP.

Finally, web initiatives such as InCider Trading and Pubserve are likely to drive significant business process change. A recent CSC report on mergers and acquisitions identifies a number of models of business change associated with acquisitions. In the past, Bulmer has either consolidated its UK acquisitions into its current process-

es, or preserved the systems and processes of its international acquisitions (although this is now under review).

With the acquisition of the Beerseller and the development of Pubserve, there is now a clear opportunity to transform the business model into something entirely new. As has often been said 'the Internet changes everything'. Although it is relatively early days, it could well be Pubserve that leads Bulmer to a different market place and fundamentally changes the business practices underpinning a significant part of their business. **vb**

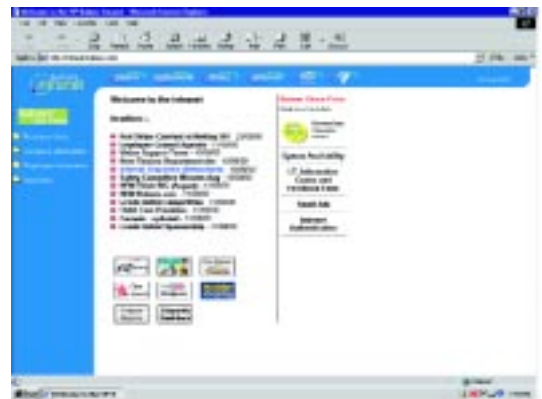
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