



Investment Market Visit Barossa Valley

Overview of Global Supply Chain

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Beringer Blass Wine Estates
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Agenda



- Supply Chain – what it entails
- Global Supply Chain Alignment
- Strategic Imperatives
- Key Process Improvements
- Implementation



Supply Chain – What it entails



Supply chain operations in each region

← Finance →

← Procurement →

← Sales & Operations Planning →

Supply/Demand Planning,
Stock Control



Selling organizations in each region



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Global Supply Chain Alignment



The Former BBWE Supply Chain Model



- Five essentially autonomous wine production operations worldwide
- Managed by regional MDs with Sales, Marketing and Production responsibility.

Key Issues

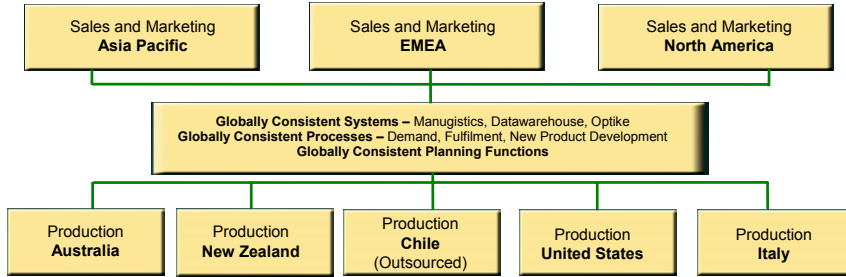
- Regional MDs unable to concentrate focus on customers and brands
- Synergies not fully exploited (inputs, expertise, systems, asset utilization, FGL)
- Inconsistent visibility and control of inventories, costs and risks.
- Difficulties coordinating supply of a global portfolio to each selling operation

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Global Supply Chain Alignment



New Global Approach



Global supply chain leadership team

- Central leadership and control of key supply chain metrics
- Supply Chain Planning leadership, systems, processes and structures
- Procurement, international logistics and distribution
- Manufacturing operations and global asset utilization
- Global Supply Chain Finance function

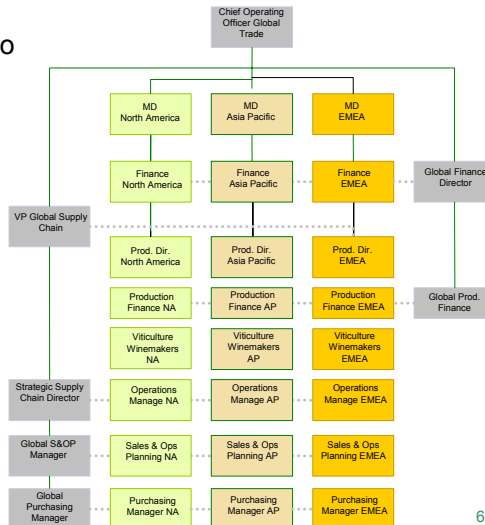
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Global Supply Chain Alignment



New appointments reporting to Vice-President, Global Supply Chain

- Rob Hollis, Strategic Supply Chain Director
 - Ex Allied Domecq
 - Based in London
- Chris Anderson, Global Procurement Director
 - Ex CUB, Mars
 - Based in Melbourne



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Strategic Imperatives



- Leverage BBWE's sales and marketing infrastructure by providing a simpler, more effective supply service.
 - More accurate and consistent forecasting
 - Tighter inventory planning and control
 - Improved customer service and logistics
 - More responsive processes for new product development
- Support many flexible and specialised selling structures.
 - Global leadership quickly able to implement standard systems/processes
 - Flexibility to link many selling units to the supply chain
- Achieve synergies in purchasing, asset utilisation and service provision
 - Global relationships with suppliers, managed centrally
 - Central manufacturing direction enabling a global 'value chain' eg: bottling Australian wine in the Europe for the UK market
 - Global 3PL/4PL integration to provide better customer service

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Strategic Imperatives



- Leverage global scale, expertise and systems investment
 - Determine and apply best practice in each production centre
 - Sophisticated planning, workflow, manufacturing, warehousing systems leveraged globally where the cost/support would be prohibitive for a single production centre.
 - Share expert resources globally – eg: industry analysis, manufacturing/winemaking/viticulture research, planning expertise.
 - Share resources between production centres, feeding innovation and fostering best practice.
- Improve financial rigour and risk management
 - Consistent reporting, metrics, transparency and control

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Supply Philosophy



Under Committing to Secure Supply

Risks

- P&L impact of
 - Lost sales opportunities due to non-supply
 - Lower margins due to higher COGS of sourcing fruit on tight open market

Opportunities

- Flexibility to purchase fruit in oversupply on open market at distressed pricing
- Select the best quality available
- Reduced inventory exposure – buy in on “just in time” basis

Over Committing to Secure Supply

Risks

- Increased CCE
 - Storage
 - Inventory misalignment
- Potential write-downs
- Brand equity may be damaged by blend/age-of-release changes

Opportunities

- Nil

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Key Process Improvements



S&OP: Ensure Supply-Demand Alignment



- Utilise industry & in-house projections by category for
 - Fruit supply
 - Wine demand

- Optimise use of existing facilities and extend outsource model as far as possible to minimise capital investment in commercial wine
 - Supply commitments
 - Processing capacity

- Set & control required % of secure supply by region going forward from
 - Owned vineyards
 - Contract commitments (including turnover)

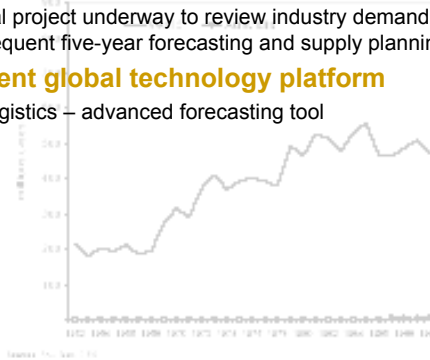
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Key Process Improvements



S&OP: Demand Planning

- Undertake **rigorous long term forecasts** by SKU for each market, & review against category, competitor, and market growth analyses.
 - Global project underway to review industry demand assumptions and consequent five-year forecasting and supply planning
- **Implement global technology platform**
 - Manugistics – advanced forecasting tool



Key Process Improvements



S&OP: Supply Planning

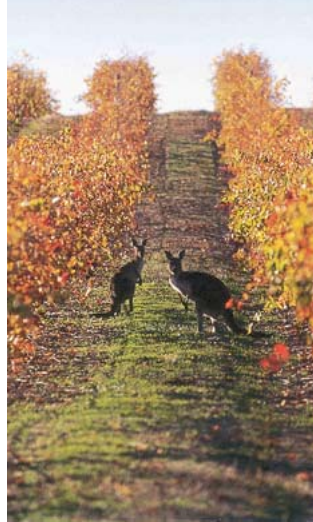
- **Set & control required secure supply as a % of long-term demand**
 - Greater security/ownership in high-cache/supply-constrained regions
 - Vineyard ownership supported
 - if essential to brand value
 - to afford security of supply / style
 - where returns are high
 - % commitment to secure supply for each product reduces the longer out the planning year
- **Review & adjust supply during vintage**
 - Yield management from own vineyards
 - Expiring contracts
 - Selling or buying fruit/bulk wine in open market as required
- **Implement global technology platform**
 - Manugistics – strategic optimisation



Australian V04 Example



- **Yield management**
 - Used selective water application & pruning to contain yields and ensure quality
- **Contract management**
 - Allowed a number of contracts to expire
 - All new contracts written on end-use basis
- **Selling excess**
 - On-sold fruit and bulk excess to requirements – mostly red varieties from cool climate regions
- **Total intake balances future need & prior excess bulk**
 - Therefore, year-on-year intake not a good indicator of forward sales growth.



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Key Process Improvements



S&OP: Stock management

- **Implement global technology platform**
 - Manugistics Demand and Fulfilment Planning – advanced tool to manage stock levels, replenishment and bottling scheduling
- Greater **visibility and control** across all regions of
 - Inventories at all levels and stages of the supply chain
 - Shipment and depletion performance
- Benefits for **customer service** across all regions



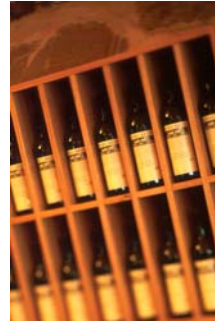
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Key Process Improvements



Procurement

- **Pursue global procurement approach**
 - Leveraging BBWE/FGL Global scale
 - Company-wide approach targeting all inputs
- **Two major initiatives**
 - Project Squeeze – aligning cost structures to brand profitability / profiles
 - Buy Better – applying rigorous procurement practices to reduce costs



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Key Process Improvements



Procurement

- **Global Leverage of key areas**
 - corks, labels, screw-tops, wood adjuncts, glass, capsules, muselets,
- **Foster's / CUB leverage**
 - freight, marketing materials, energy, travel, additives, labels, secondary packaging, print management, artwork design
- **Local initiatives**
 - synthetic corks, aesthetic cork grades, self adhesive labels /removal of dividers, vineyard management, bulk wine sourcing, replacing imported glass with local supply, screw-tops

Comparative Packaging Costs



Note: landed unit cost including tax is \$15.05 , \$15.05 and \$11.61 respectively

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Key Process Improvements



Wine Processing

- **Set & control blend structures**
 - Ensuring flexibility to amend according to changing consumer and financial dynamics
- **Ensure global best practice in vinification**
 - x-flow, centrifuge, de-alc, accelerated fermentations
- **Improve barrel/oak usage practices**
 - Australia & US
- **Implement global technology platform**
 - JDE, Wine Industry Module



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Key Process Improvements



Packaging

- **New facility in Barossa Valley will**
 - lower production costs through reduced freight distances, stock carrying and the use of advanced technology
 - significantly improve flexibility in production scheduling and capability to implement packaging innovations
 - provide for BBWE's continuing strong growth in sales of Australian wine
- **Consolidation of NA packaging will**
 - Reduce costs and working capital
 - Reduce wine movements
 - Increase operational simplicity and packaging flexibility
- **Further work will**
 - Examine opportunities for bulk shipments and bottling at selling location

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Key Process Improvements



Distribution

- Implement **global workflow management** systems
 - Optika
- Partner with a **global freight management** provider
 - Lower costs
 - Improved customer service



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Implementation



Key Steps in Delivering the Global Supply Chain

- Phase in new Global Leadership Team.
- Implement Manugistics planning systems globally, and align planning processes and team structures.
- Implement financial and risk management rigour into US supply planning
- Roll out key best practices across viticulture, wine manufacturing, bottling and distribution, including consolidation of facilities.
- Immediately leverage global purchasing economies across key inputs and global transport.

Considerations

- Work closely with the North American supply chain operation to fully engage the production team leadership.
- Carefully evolve business culture and processes under a thorough change management program
- Must achieve key change deliverables quickly and effectively.

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Summary – competitive advantages



- **Asset ownership concentrated on supplying >\$10 wine**
 - Outsource <\$10
- **Multi-sourcing provides opportunity**
 - exploit supply fluctuations in different countries
- **Advancing global alignment**
 - Rigour
 - Flexibility
 - Scalability

