



BROWN-FORMAN

SAP BUSINESS TRANSFORMATION STUDY

AT A GLANCE

Industry	Consumer products – beverage
Revenue	US\$2.4 billion (2006 gross)
Employees	3,750
Location	Louisville, Kentucky
Web Site	www.brown-forman.com
SAP® Solution & Services	SAP Supply Chain Management application
Implementation Partner	Accenture

Founded in 1870 in Louisville, Kentucky, Brown-Forman Corporation gave America its first bottled bourbon – Old Forester Kentucky Straight Bourbon Whisky. Today Brown-Forman, one of the largest American-owned spirits and wine companies, is also among the world’s top 10 spirits companies. Brown-Forman imports wines from all over the world and offers a portfolio of over 35 brands – including Jack Daniel’s, Southern Comfort, Finlandia Vodka, and Fetzer and Bolla wines.

Key Challenges

- Establish global positions for premium brands
- Assimilate partners and acquisitions faster
- Introduce more premium brand beverages
- Tap emerging global markets
- Reduce inventory levels
- Expand business without significant additional headcount
- Improve customer service

Why SAP Was Selected

- Superior integration of supply chain planning with inventory and order management
- Strong investment in research and development for emerging products
- Viability of SAP as a company

Implementation Best Practices

- Strong management sponsorship
- Processes designed and documented prior to implementation
- Dedicated team assigned full-time to effort
- Leverage of best practices from Supply Chain Council
- Requisite skills developed in-house

Low Total Cost of Ownership

- Minimal customization
- Tightly managed project scope
- Accelerated implementation within budget
- Minimal disruption to business based on implementation partner’s best practices and project management experience

Financial and Strategic Benefits

- Accelerated on-boarding for global distribution partners
- Adopted global sales and operations planning process
- Increased number of products while maintaining service levels without adding inventory
- Shifted demand planning team’s focus of competence from data management to business analysis

Operational Benefits

Key Performance Indicator	Impact
Finished goods inventory	-40%
Material inventory	-20%
Total inventory excluding barreled whiskey	-40%
Forecast error	-33%





“What SAP Supply Chain Management has enabled us to do is expand our products and distribution network while meeting the Sarbanes-Oxley requirements without taking on additional staff.”

Jim Hutchinson, Senior Vice President of Supply Chain Management
Brown-Forman Corporation

“Because of the planning books and views we have built in SAP Advanced Planning & Optimization, we have more accurate forecasts with less manual effort.”

Steve Whitmer, Demand Planning Manager, Brown-Forman Corporation

A History of Continuous Growth

Whether by local law or long-held tradition, the alcoholic beverage industry leans toward exclusive distribution, which can lock unlucky companies out of key markets. In 1923, Brown-Forman Corporation secured one of only 10 U.S. licenses to bottle medicinal whisky during prohibition and therefore was able to acquire whisky maker Early Times, which had not. Brown-Forman continued its domestic acquisitions, such as Jack Daniel’s Tennessee Whisky, and secured U.S. distribution rights for international products such as Korbel Champagne. Although it was becoming one of the largest American-owned spirits and wine companies, its domestic growth did little to ensure access to international markets.

Global Expansion and Synchronization with Regional Operations

To gain an international foothold, Brown-Forman formed a joint venture with Altia Corporation in 2000 for global distribution of Finlandia Vodka, and by 2004 they acquired full ownership of the brand. Brown-Forman put a global sales and operations planning process in place by leveraging the SAP® Advanced Planning & Optimization (SAP APO) component of the SAP Supply Chain Management (SAP SCM) application and cut forecast error by over a third by 2005. Brown-Forman also purchased French firm Chambord Liqueur in 2006 and Mexican tequila producer Casa Herradura in 2007. Because Casa Herradura was running SAP software, Brown-Forman could exchange master data with it quite literally overnight.

Brown-Forman also looked to distribution partnerships where growth can be faster, but where visibility into inventory levels and demand is critical. With SAP SCM, Brown-Forman increased the number of combined item/locations offered in some regions while maintaining 12 inventory turns per year and 99%+ service

levels. And again, for a distributor already running SAP software, the on-boarding process was a “nonevent” because the two companies “spoke the same language.” Brown-Forman met their long-term inventory targets within a few months of start-up.

On the domestic front, SAP SCM helped Brown-Forman align production, material, and storage constraints with projected demand. This alignment resulted in a reduction of over 40% of finished goods inventory over a two-year period. Out-of-stocks were cut as were materials obsolescence costs.

Global distribution – for items such as Finlandia Vodka – required a planning process that synchronized global sales with regional production. Information sharing based on SAP SCM supported this process, and now, instead of expensive, carefully coordinated business trips to Finland, Kentucky-based supply chain executives can hold meetings with resources in Finland readily via teleconferences.

A Return on People

A four-person team at Brown-Forman used to collect, aggregate, and distribute demand data among the sales and marketing staff and supply planning stakeholders. With SAP APO, reports are produced automatically with the SAP NetWeaver® Business Intelligence component and published throughout the organization with the SAP NetWeaver Portal component. Thus freed up, the team now focuses on value-added services, such as increasing forecast accuracy through process improvements.

Brown-Forman continues to expand its product line and global market distribution, while reducing inventories and maintaining excellent customer service. Like its Jack Daniel’s whisky, Brown-Forman’s investment in SAP SCM improves with age.