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Bacardi Limited Enables Customer Service in a Highly Complex Distribution Environment

Lotus Domino Is Leveraged to Transform
the Business and Provide Access to the
Distribution Process

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By David S. Marshak

Executive Summary

Bacardi Limited is the leader in the spirits market, with brands such as Martini, Dewar's, and Bombay in addition to its flagship Bacardi rum products. The competitiveness and consolidation of the spirits industry in the 1990s has forced Bacardi to take some bold steps. The most important of these is creating a single global company out of the 19th century legacy of five independent companies as well as the 20th century acquisition of the brands listed above. In order to make the one global company plan work, Bacardi embarked on a strategy to use technology, specifically Lotus Domino/Notes, to connect the company and enable it to behave as a single entity.

Bacardi is now using this infrastructure to address one of its greatest challenges: the complexity of the worldwide spirits distribution system that spans countries and continents. Bacardi has many systems that handle the order/production/delivery transactions. Traditionally, Bacardi representatives have been unable to track orders within these geographically and technically separate systems and have been obliged to deal with customer inquiries and requests by negotiating this maze via phone calls and faxes.

Using its Domino infrastructure as a set of metadata independent of its transaction systems, Bacardi has created an extranet that enables anyone in the process to see the status of any order. This allows salespeople to deal with customer inquiries in real time and make changes to orders without additional delays. The result has been increased customer satisfaction, decreased turnaround for changed orders, and enabling of the distribution chain to better react to customer demands.

Customers.com Critical Success Factors in the Bacardi Story

| | |
|--|-----------------------------------|
| Target the right customers | Let customers help themselves |
| Own the customer's total experience | ☆ Help customers do their jobs |
| ☆ Streamline business processes that impact the customer | Deliver personalized service |
| Provide a 360° view of the customer relationship | Foster community |
| ☆ = Featured in this discussion | ✓ = Touched on in this discussion |

☆ Streamline Business Processes That Impact the Customer

Bacardi has opened up its order/distribution system so that customer inquiries can be quickly answered without requiring phone calls around the world. In addition, changes to orders can be made more easily, frequently reducing the overall shipment time.

☆ Help Customers Do Their Jobs

By providing better and faster information to its distribution chain, Bacardi enables distributors to better meet their customers' needs. Distributors and wholesalers can now react more quickly to changes in their local market conditions.

BACARDI ENABLES CUSTOMER SERVICE IN A HIGHLY COMPLEX DISTRIBUTION ENVIRONMENT

Bacardi has embarked on a strategy to take a 19th century company into the 21st century. The company has aggressively used Lotus Domino/Notes to foster the culture of a single, forward-looking company, and it is now leveraging its investment in Domino to build an extranet that enables faster, more accurate responses to customer inquiries.

Setting the Stage

Background on Bacardi

Bacardi is the world's leading spirits brand, dominating the rum category. The name Bacardi is synonymous with some of the most popular mixed drinks: the famous Cuba Libre (Bacardi and Coke) and the namesake Bacardi Cocktail.

Bacardi started in Santiago de Cuba in 1862. One hundred thirty years later—after the impact of historical events such as prohibition, world depression, regional wars (“remember the Maine”), world wars, and the revolution in Cuba—Bacardi existed as five separate companies operating under a common name and with a common set of family shareholders. These companies made up the empire that delivered the Bacardi brand to virtually every package store and bar in North America and Latin America, most of Europe, Australia, Japan, and some countries in Asia.

In 1992, the five operating companies were:

- Bacardi International Limited in Bermuda (moved there in 1965 after the 1959 revolution in Cuba)
- Bacardi Imports in Miami
- Bacardi Corporation in Puerto Rico
- Bacardi & Company Limited in the Bahamas
- Bacardi Mexico

These companies operated as a confederation of independent companies with no defined central control or coordination. This organization had the specific benefit of allowing the product to be marketed locally in accordance with each market's individual conditions. However, it was not built to deal with the liquor industry of the 1990s, which was marked by decreased consumer consumption, increased global competition, and increased consolidation in the form of mergers and acquisitions among the major players.

One Global Company

In 1992, the operating companies were reorganized into a single global entity, Bacardi Limited, with headquarters in Hamilton, Bermuda. Bacardi Limited now owns all of the former Bacardi operating companies and subsidiaries.

In 1993, Bacardi acquired Martini & Rossi, best known for its vermouth and sparkling wines. Bacardi retained the Martini & Rossi brands while absorbing the personnel and facilities into the Bacardi structure. In 1998, Bacardi announced the purchase of Dewar's Scotch whisky and Bombay gin brands.

New Management

In 1996 George B. (Chip) Reid, Jr. was appointed president and CEO of Bacardi Limited. He is the first nonfamily member to be put in charge since the company's founding 136 years ago.

Reid's mandate is to work with the new structure and propel Bacardi into the 21st century. He noted in an in-

interview with *ImpactInternational* (March 1997) that the new structure has proved to be critically important: “Our unified structure is critical to competing in an increasingly global marketplace. It facilitates efficient sourcing and international trading operations, and it permits resource-allocation decisions to be made on the basis of what’s best for the total business. It also facilitates the evaluation and implementation of new product and other marketing initiatives on a global basis, which should reap benefits in the years to come.”

In order to make the unified structure work, Reid has been actively promoting the one-global-company message, which has almost become a mantra for Bacardi employees.

In 1998 Bacardi added to its reach with the purchase of two major liquor brands: Dewar’s Scotch and Bombay Gin.

Technology as a Key Business Initiative

On assuming the leadership of Bacardi, Chip Reid saw a critical role for technology and communications in promoting the one-global-company vision. Ronald Stan, now vice president and CIO, assumed the leadership of a the first Global MIS Group that had been established with the formation of Bacardi Limited. The Global MIS Group was to be not only symbolic of the unification but also a key tool in promoting the concept and enabling the reality of one global company.

Stan was thus given the job of creating a strategy and implementation plan that would build technology and communications infrastructure and functionality on a global basis, technology that would directly impact Bacardi’s ability to act as a single company.

Bacardi’s Technology Strategy

Armed with the mandate to enable the use of technology as a strategic weapon, Ronald Stan created a two-phased MIS strategy:

- Create a global infrastructure
- Leverage this investment for strategic advantage

GLOBAL INFRASTRUCTURE. The global infrastructure would consist of three primary elements:

- **Global E-Mail.** The move to global e-mail was already underway. Chip Reid had ordered this as one of his first actions, and it was a key element in establishing the concept of one global company as well as becoming the platform for the collaboration required to make this a reality.

- **Global Network.** A global network would be required to assure the timely communication, data access, collaboration, and worldwide processes that are essential to the operation of the global company.

- **Critical Systems.** Other critical systems, most notably those surrounding the production, trading, and delivery of products, would have to be rationalized, deployed, and managed on a worldwide basis. Most notable would be the order tracking system that is the subject of this e-business case study.

CREATING STRATEGIC ADVANTAGE. The next steps toward leveraging the infrastructure investment for strategic advantage

will be taken with the goal of directly impacting the bottom-line financial performance of the company. Ronald Stan notes that, as these plans are beginning to surface, “Financial people are becoming aware that technology can be used as a strategic tool to achieve financially oriented goals.”

The current set of opportunities being considered revolves around providing senior management with key performance-indicator information at the appropriate time. Questions being asked include:

- Who needs what information?
- Where is the information?
- How do people get the information?

Business Benefits

- Bacardi is able to answer customer service questions in real time, improving a process that would typically take at least one business day. This provides a better than 100 percent improvement in responsiveness.
- Customers' changes in orders now cause significantly less delay in the fulfillment process. Depending on where the order is in the process, savings can be measured in weeks.
- Bacardi distributors can better manage their inventory and respond to their customers needs.

- How can people best use the information?

The same questions, as we shall see, are being asked about Bacardi's distribution channel and the Bacardi employees who deal directly with its members.

Bacardi's Customers and Distribution Channel

Bacardi's ultimate customers are the individuals who buy its brands at the liquor store or consume drinks at a bar or restaurant. Bacardi has little direct contact with the consumer, nor does Bacardi deal directly with the liquor stores or bars. Due to the regulation and restrictions of the liquor industry in virtually all countries, Bacardi is required to sell through a multi-tier distribution system.

In most countries, Bacardi sells its products to distributors, who, in turn, sell to liquor stores, bars, smaller distributors, and wholesalers. In some countries, such as the United States, Bacardi owns its own distribution company. In others, Bacardi sells directly to third-party distribution companies.

Thus, for Bacardi, the term *customer* refers both to the ultimate consumer and the channel through which the products are delivered. Although the ultimate goal is to get closer to the end customer, the regulatory environment and the practices that have grown around it have forced Bacardi to aim most of its current customer-focused efforts at enabling its intermediate customers to be better informed and do their own jobs better.

Business Problem: Open up Global Order/Fulfillment Process to Customers

Bacardi Limited is now "one global company." However, its current operations span multiple business units in multiple countries. For example, a liquor wholesaler in the United States places an order with the Bacardi U.S. distribution company. This order is sent to Bacardi headquarters in Bermuda, where the order is booked. For European-sourced products, the order is then sent to a Bacardi production plant in Italy or France, where the order is fulfilled. The actual liquor is then sent to a European shipper, who sends the cases to the distributor in the United States.

In other cases—where the geography, regulation of liquor distribution, or Bacardi's relationship with its customers differs—this process may be even more complex.

This complexity has increased with the acquisition and integration of the Martini & Rossi and, more recently, the Dewar's and Bombay brands.

These procedures are required because of the nature of Bacardi's business (including liquor import/export regulations and tax consequences) as well as the legacy of the company's international growth. Overall, it has proved efficient. In fact, Bacardi is able to make positive use of the time differences in Europe, Bermuda, and the United States. For example, an order processed in the United States gets to Europe the next morning. Any action taken on this order can be made known to the people in Bermuda as soon as they get into the office and passed on to the United States (again, before the staff gets into work).

However, this process has also led to a set of technical and business issues that has led Bacardi to embark on its current e-business project to manage the information around its distribution chain.

EVOLVING THE TECHNICAL INFRASTRUCTURE: ENABLING TECHNOLOGIES

Bacardi has rolled out Lotus Domino/Notes to all of its offices worldwide. Domino runs on a variety of servers, although Bacardi is actively formulating a strategy to consolidate them onto highly scalable AS/400s in regional data centers. Transaction systems include J. D. Edwards ERP for order entry and SSA BPCS for production control. These are integrated with the Domino-based Order Tracking system via Notrix Composer from Percussion Software. Remote Web-based order-entry modules are being developed to further extend the reach of the system.

Bacardi is migrating from internally developed systems to commercial packages. According to Stan, "In the Bermuda office, we are putting in new commercial systems to replace our homegrown 4GL applications with off-the-shelf commercial packages on the AS/400."

Technology Problem Creates a Business Problem

The key problem with this system is the fact that, at each point of the process, a different transaction system is used. For example, the order is entered in the Bacardi U.S. operation into a J. D. Edwards ERP system. The orders are managed in Bermuda in an internally developed application. At various other places, the order is entered into an Oracle application, a spreadsheet, and custom shipping applications. The order is moved from system to system via technologies such as ASCII import, EDI, e-mail, fax, and hand entry.

Because of this, there is no single system that can be used to track orders across the whole process. This has meant that, when a customer (generally a distributor or wholesaler) approached Bacardi about the status of an order, people had to use a series of phone calls and faxes to find out the status of an order or to change any aspect (e.g., quantity or shipping information) of that order. This was frustrating to Bacardi employees, who could not be as responsive as they wanted to their customers' requests.

Opening up the System

Bacardi thus embarked on a plan to open up the whole system. This was done to meet two specific goals:

- Provide visibility for the trading companies to their orders that were being shipped from Europe
- Allow flexibility for customers (distributors in the United States) by enabling easy change of the order once it was in production or shipping.

The e-business Initiative

Two Key Decisions

Bacardi made two key decisions on how it would approach this project:

- The company decided that it would not replace the existing transaction applications at the various points in the process. Any major change in these applications would be made to meet local needs, not specifically to connect to the other systems.

- Bacardi decided to leverage the Domino infrastructure that it was rolling out company-wide as the platform for its distribution-chain management initiative.

EVOLVING THE TECHNICAL INFRASTRUCTURE: INFORMATION ASSETS

Bacardi has information scattered worldwide in a variety of systems. The local trading companies holds customer information. Order information is held in transaction systems at each point of the process. Information about orders now makes its way into one system operated by two trading entities and is then pumped into a set of Lotus Domino databases for access by anyone in the process. Bacardi is actively developing standard sets of product and customer codes to ease overall data integration. It is also linking trading and production functions through common systems to streamline data flows. Much of this recent development is being leveraged off the new global network that has been implemented.

Technology Infrastructure: Building on Domino/Notes

As the discussions about providing complete visibility into the distribution process were taking place, Bacardi was making a strategic decision to use Lotus Domino/Notes to support Chip Reid's vision of one global company.

This global e-mail choice has evolved into a full groupware choice, with the implementation plans following the three Cs of groupware: Communication, Collaboration, and Coordination. Each of these is deemed to be strategic to Bacardi.

COMMUNICATION. Communication, in the form of e-mail, was implemented first. The ability of anyone to communicate with anyone else without consideration of time, country, or organizational unit is seen by Chip Reid as critical to the ability of Bacardi to think and behave as a single company.

COLLABORATION. The next strategic step was to build on the communication facility, both literally and figuratively, to engage in the collaboration required to run the company. This is also being pushed from the top down. Part of Bacardi's vision of one global company has been to have the executives of the former independent companies work together as the management team for the new

Bacardi. According to Ronald Stan, “[when the project began] the company in general was not yet ready to share information globally. It is now reaching that stage.”

COORDINATION. Bacardi is building a set of Domino-based applications that coordinate the activities of its global business units and provide information about the state of the process to anyone who needs it. The e-business Order Tracking application discussed below is a good example.

Using The Infrastructure for Electronic Commerce

CREATING A META-LAYER OF INFORMATION. How then could this Domino infrastructure be used to meet the twin goals of providing visibility into the process and making the process more flexible? The critical decision, based on the principle of not changing the transaction systems themselves, was to create a meta-layer of information about each order. This layer would integrate with each of the transaction systems; it would not create transactions itself. It would be universally accessible to anyone at any point within the process. And it would be

used to integrate order changes during the process back into the transaction systems.

The result is Bacardi’s Order Tracking distribution-chain management application. The application is built on a set of Domino databases that sit over the various transaction-oriented applications actually handling the placement, fulfillment, and shipping of orders. The application is used to track and coordinate the status of orders among all of the participants throughout Bacardi worldwide. (See Illustrations 1 to 5 for the flow of this application.)

With the Order Tracking application, any of the participants can instantly see the status of any order. Participants can also make appropriate changes to the order and be notified of other changes when they occur. The Order Tracking application integrates with the existing transaction systems via Notrix Composer, a third-party data-integration product from Lotus business partner Percussion Software (Stoneham, Massachusetts).

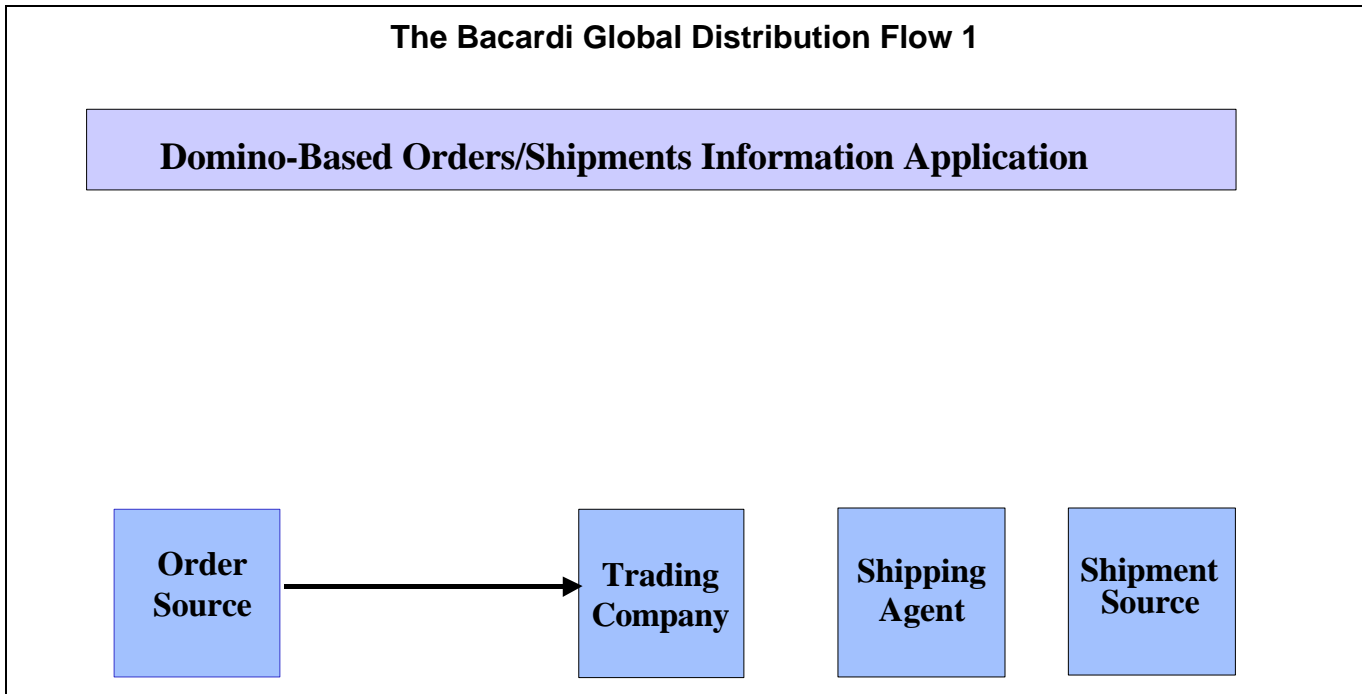


Illustration 1. Order data are transmitted to Trading Company via EDI.

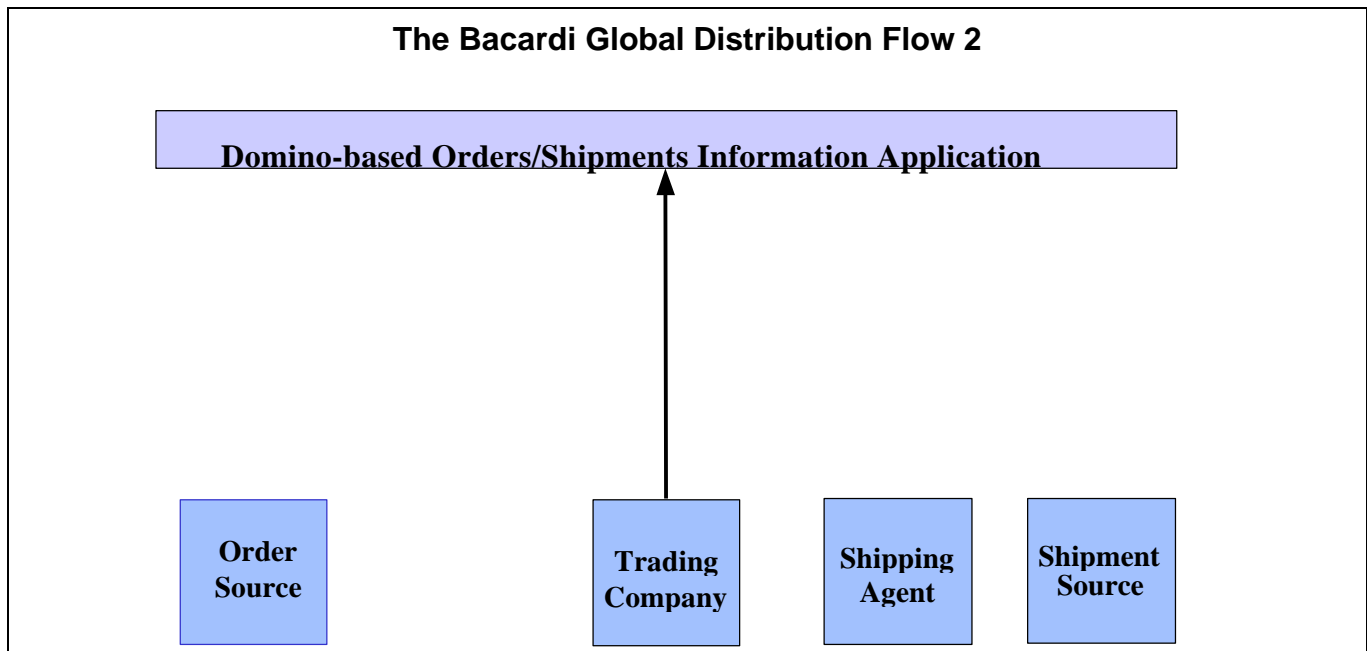


Illustration 2. Order data are imported into a Domino database from local system.

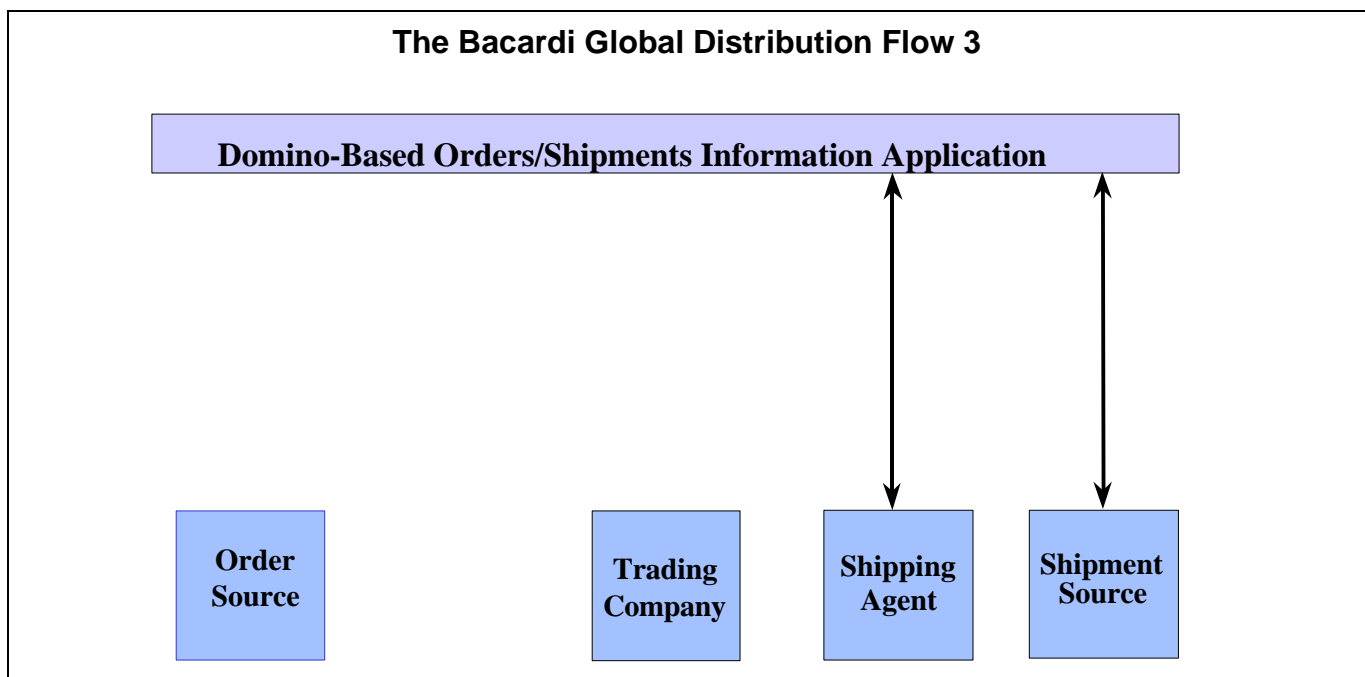


Illustration 3. Production and shipping entities extract order information and input shipment-related details.

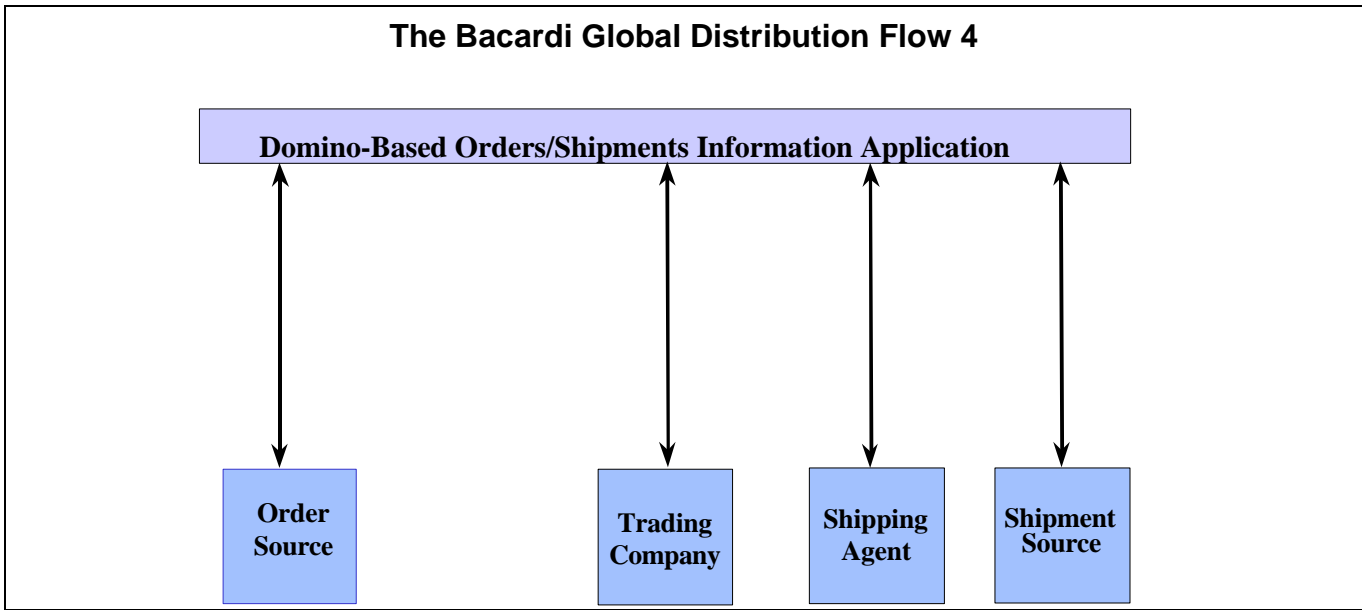


Illustration 4. All entities are able to query the status of specific orders/shipments and can enter comments as appropriate.

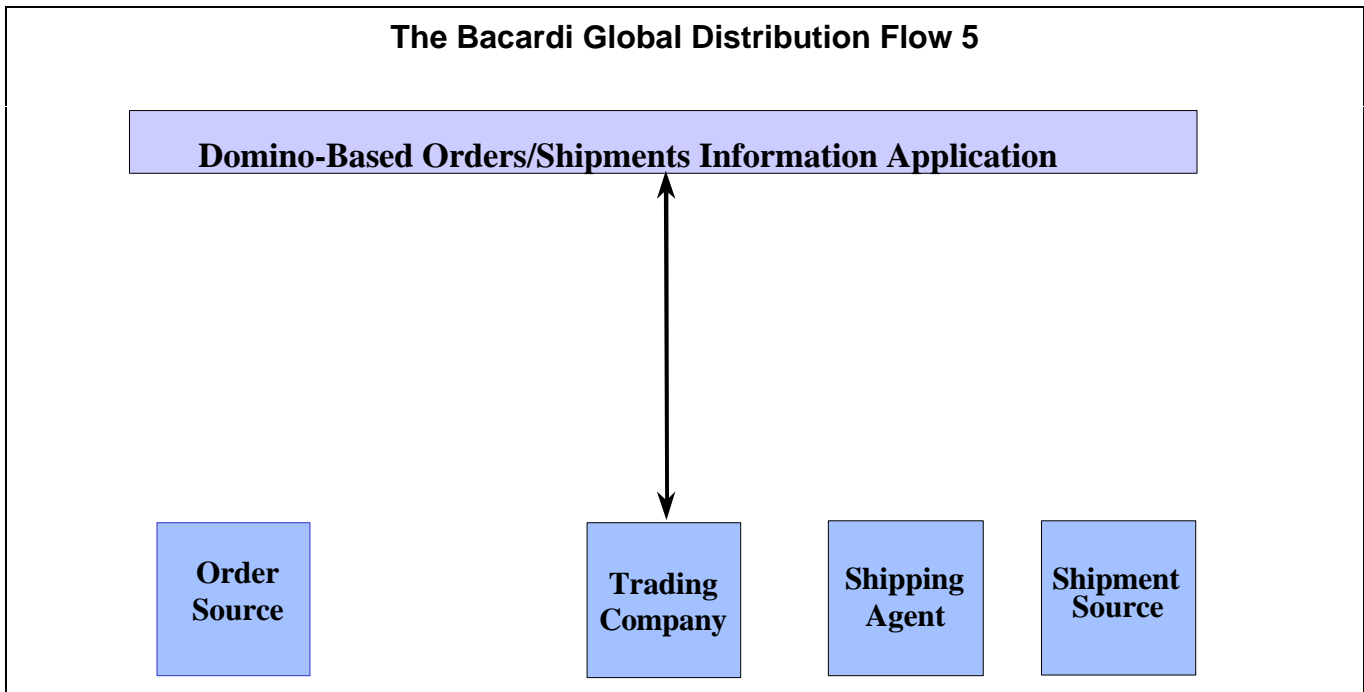


Illustration 5. Information relating to Order shipments is extracted by the Trading companies and used to generate Invoices.

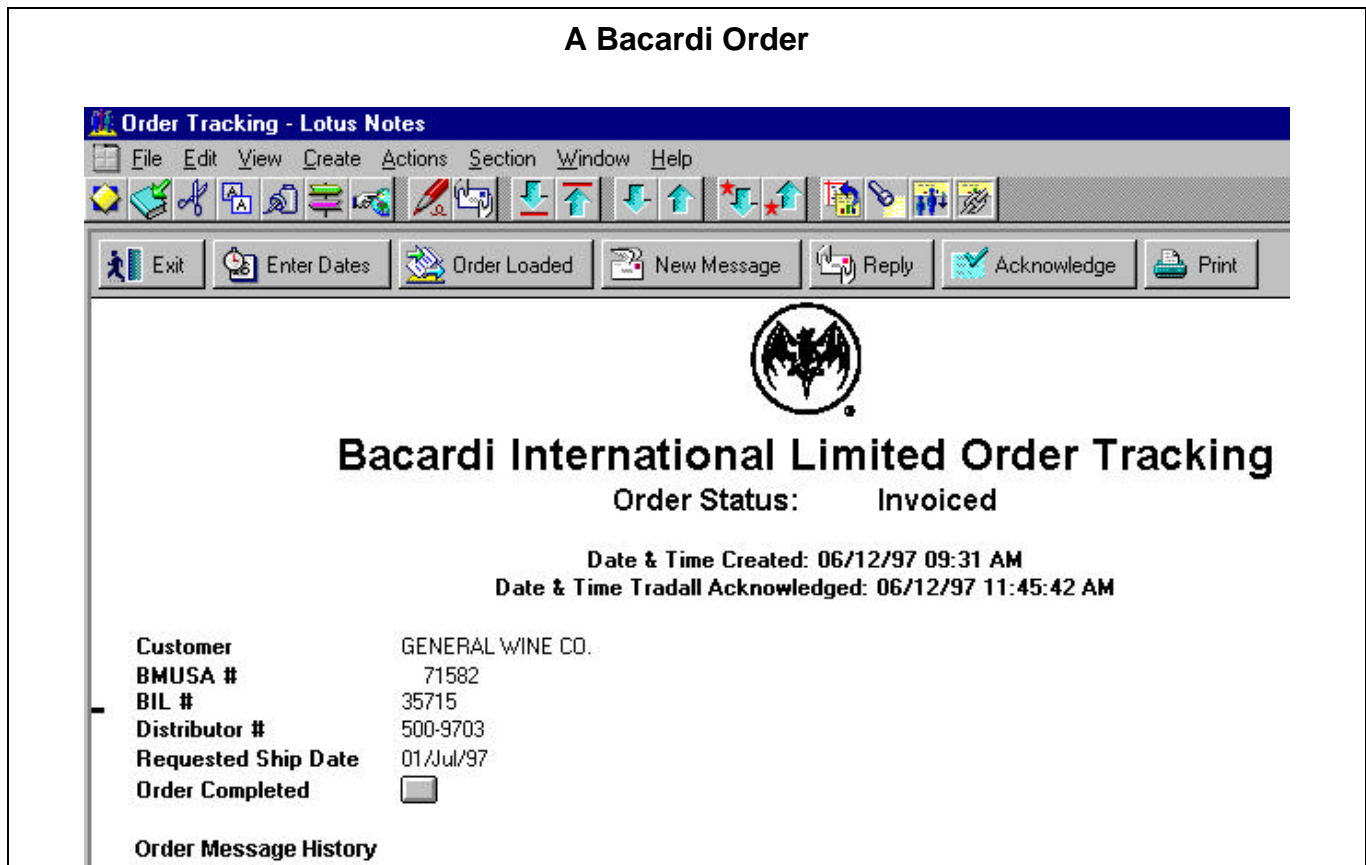


Illustration 6. An order document in the Bacardi Order Tracking system.

Using Order Tracking

When an order is entered into the J.D. Edwards ERP system, an order form is automatically transferred to the trading company in Bermuda via EDI. Once the order has been formally accepted, it is placed in the Order Tracking application. (See Illustration 6.) With each activity (order, determination of availability, loading, shipping, arrival), the document is maintained and updated in the Order Tracking system and is available for viewing by anyone in the process. (See Illustration 7.)

The system can also be used to enter changes in the order or to ask for more information about it. (See Illustration 8.)

Results

Better Customer Service

The major result of this initiative has been to enable Bacardi to keep its distributors better informed of when they will be receiving their shipments. According to Ron Stan, “It is essentially working as planned. It simplifies the dissemination of information across the process. It helps to manage the whole business. Our structure has a third party between distribution and production. Now everyone can see the whole process.”

This has produced direct results in customer service. Stan points out that, on a general level, the company is able to “make up for the inefficiencies of our trading practices in customer service.” And specifically, “The acquisitions strained customer service. The Order Tracking application helped keep customers up-to-date and satisfied.”

A Bacardi Order History

| BMUSA Date of Order | All Orders | N/A | 11/7JUN/97 |
|------------------------------|------------------------|---------------------------------------|---------------------------------------|
| Asti Available | All Orders | <input type="checkbox"/> | <input type="checkbox"/> |
| Asti Container Loading Date | FCL - 182 | <input type="checkbox"/> | <input type="checkbox"/> |
| Vermouth Available | All Orders | <input type="checkbox"/> | <input type="checkbox"/> |
| Vermouth Container Load Date | FCL - 176 and M/O -177 | <input type="checkbox"/> 02/JUL/97 | <input type="checkbox"/> |
| Ship Date European Port | All Orders | <input type="checkbox"/> 06/JUL/97 | <input type="checkbox"/> 07/JUL/97 |
| ETA Date US Port | All Orders | <input type="checkbox"/> 16/JUL/97 | <input type="checkbox"/> 17/JUL/97 |
| Container Number | All Orders | N/A | YTDI868078 4 |

Illustration 7. Each activity surrounding the order is updated in this document.

Changing Orders

| BIL # | BMUSA # | Dist # | Customer Name | Req. Ship |
|---|---------|--------|--------------------|-----------|
| 38141 | 81433 | 1171 | HEIDELBERG DIST. | 11/Nov/97 |
| 38142 | 81247 | | BACARDI MARTINI U: | 06/Nov/97 |
| ALL->Cancel this order as per message on 38109 : Rikki Payne - 11/03/97 11:47:4 | | | | |
| ALL->OK NOW I UNDERSTAND; WE CANCEL ALSO BIL 38142, BUT PLEASE S | | | | |
| 38174 | 81590 | | BMUSA-CASTLETON | 07/Nov/97 |
| 38176 | 81581 | 22316 | UNITED BEV-PHOENI: | 24/Nov/97 |
| 38177 | 81582 | 23317 | UNITED BEV-PHOENI: | 15/Dec/97 |
| 38178 | 81579 | 97396 | INTERCONTINENTAL | 14/Nov/97 |
| MAGGIE, RIKKI->LOADING DATE OF THIS ORDER 18/11. EXACT QUANTITY T | | | | |
| 38188 | 81632 | 23794 | MAJOR BRANDS-KC | 28/Nov/97 |
| 38189 | 81632 | 23794 | MAJOR BRANDS-KC | 28/Nov/97 |
| 38190 | 81633 | 12477 | MAJOR BRANDS-ST I | 28/Nov/97 |
| 38191 | 81633 | 12477 | MAJOR BRANDS-ST I | 28/Nov/97 |
| 38224 | 81665 | 433 | SERVICE DIST.-LORT | 15/Dec/97 |
| 38226 | 81665 | 433 | SERVICE DIST.-LORT | 15/Dec/97 |
| 38228 | 81701 | 014442 | WORLD TERMINAL D | 19/Nov/97 |

Illustration 8. Orders can be changed by authorized users.

Improved Processes

The system has also served to actually speed up orders, particularly those that have been changed in midstream. In addition, there has been an overall increase in order accuracy, since orders are entered only once rather than faxed around the world and re-entered several times in several locations, as was the case under the old system.

This certainly adds credibility to Bacardi as being a responsive company, and it helps increase customer loyalty. At the same time, it also allows Bacardi's customers to better run their own businesses, making better decisions on how to allocate their incoming shipments.

Using Technology Strategically

In the past six years (and particularly over the past two-and-a-half), Bacardi has moved from a set of independent companies that used technology in very traditional ways to a 21st century global organization that intends to use technology for strategic advantage.

Cameron Veale, Bacardi's Global Groupware Manager, points out that in less than two years there has been a "cultural change from technology as primarily a financial system. The emphasis has changed 180 degrees to viewing MIS as the catalyst for change within the organization." Veale also points out, "We've gone from being a technology follower to actively looking for new technologies to leverage and change the business."

As Ronald Stan summarizes: "Technology has moved from an expense to a strategic asset. And, in terms of being strategic, it all comes down to customer service." Opening up the information in Bacardi's distribution chain certainly demonstrates this.

Measuring Success

The nature of Bacardi's e-business initiative makes quantitative assessment difficult if not impossible. Ron Stan relies on two elements to assess the success of the application. The first is the feedback from the Bacardi people who are using the system. This has been highly positive and includes anecdotes of how specific customers were helped much more quickly than would have otherwise been possible. The second is the large demand that Stan is getting for the application from those countries to which it has not yet been rolled out. "We're seeing demand for the Order Tracking application because it gives everyone visibility to the order without introducing the complexities of intercorporate application integration. We are seeing reduced internal calls and calls between trading companies. Because of high demand for this application, we are increasing our Domino-oriented resources."

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IBM's Value

IBM's definition of e-business is IT + Internet, that is, leveraging the power of existing systems and the opportunity of the Internet to transform a company's business.

IBM identifies four specific areas of value that it provides its e-business customers:

| | |
|---|---|
| ☆ | It's about business, not just technology. |
| ☆ | Start simple. Grow fast. |
| ☆ | Build on what you have. |
| | Expertise you can trust. |

In the Bacardi case, IBM's major contribution was the Domino platform that enabled the company to create a unified corporate business strategy and, at the same time, leverage the platform to provide levels of customer service that it could not provide before.

Future Directions

In addition to adding new product types and completing the roll-out of the application, Bacardi has two strategic directions for

this application:

- Direct access for customers
- Improved process for all

Direct Access for Customers

According to Ronald Stan, Bacardi would like to extend the Order Tracking system directly to its customers. The company is thus hoping to add direct access to this system for its distributors via the Web, using Domino's ability to provide information directly to browsers. The plan is for each distributor to be able to see only the information concerning its own orders; security is obviously a paramount issue.

Says Stan, “We intend to Web-enable the application. This will enable the ultimate distributor, the consignee, to view the order. It will be able to check on the production and transportation details.”

Improved Process for All

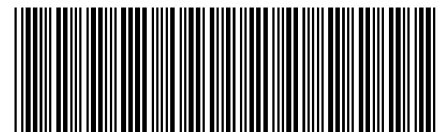
Bacardi also has plans to use the system to help keep inventories at low levels throughout the process, from the distributor to the production facilities. Inventory management and reduction is an ongoing issue in the liquor industry, and addressing this would provide strategic advantage to Bacardi and its distribution chain.

| LESSONS LEARNED FROM THE BACARDI STORY | TAKEAWAYS FROM THE BACARDI STORY |
|--|---|
| <ol style="list-style-type: none">1. Use technology as a strategic weapon to change corporate culture.2. Use the e-mail/groupware system to create customer-oriented applications.3. Consolidate multiple servers onto scalable, high-performance servers. | <ol style="list-style-type: none">1. Encapsulate legacy systems and create metaviews of the information.2. Open up the distribution process to all participants, particularly those closest to the customer.3. Choose a strategic platform and leverage it for applications that impact the customer. |

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