



BEAM GLOBAL SPIRITS & WINE

Challenges

- Highly regulated industry with open and control states
- Every state has unique requirements
- Little control over downstream pricing
- Numerous pricing variables (e.g. tax, promotions) that must be factored

Solution

- Centralized repository for pricing data
- Linked pricing strategy to execution
- Standardized price calculation methodology across regions
- Implemented “penny-pinching” techniques
- Automated price uploads into SAP
- Implemented workflows for approval of price structures and deals

Results

- Increased compliance with pricing best practices
- Measurable reduction in margin leakage
- .33% increased profit in first year
- Significant reduction in invoicing errors

“The Vistaar team dedicated talented resources to the project. The time from initiation to phase one go-live was swift and impressive.”

– V.P. U.S. Commercial Strategy & Operations, Beam Global Spirits & Wine, Inc.

Executive Summary

Beam Global Spirits & Wine, Inc. is the fourth largest premium spirits company in the world. In early 2008, the company recognized there were significant opportunities to improve the way it managed pricing and distributor margins at the market level. Unfortunately, the Excel-based pricing system in place at the time severely limited its ability to operationalize the changes needed to improve the company’s overall pricing performance. As a result, a cross functional team was assembled to commence a large-scale price improvement initiative which included specs for a new enterprise-wide price planning and management tool. The company is now in the second year of deployment with Vistaar’s Price Performance Management solution. Today, the system is used to support price planning, price setting and deal negotiations across 39 states and 58 distributors.

Challenges

The spirits and wine industry is highly regulated in the U.S.; all business must be conducted through a distributor or state government agency. Each state dictates whether it is “open” (to distributors) or a “control” state (state government is only purchaser of wine and spirits). Regulations also limit the extent to which suppliers can impact pricing downstream at the distributor and retail levels.

Pricing for spirits and wine starts by establishing a desired or suggested shelf price for each SKU (Stock Keeping Unit), and then builds back to the distributor FOB (freight on board) price. The three-tier distribution model of the beverage alcohol industry also creates numerous variables that must be considered such as retailer/distributor margins, state/local tax, pack size, split-case charges, promotion support, freight, retail deal levels, and plant location. Additionally, cost variables must be factored in, beginning with production and supply chain costs, promotions, and deals. Even slight adjustments to one or more of these variables can make a significant difference in brand profitability.

The overarching objective for Beam Global’s pricing initiative was to improve its ability to manage this complex array of variables across an extensive product portfolio and complex market in order to optimize price performance throughout its channels.

Success Factors

Critical success factors the company identified included:

- Establish a centralized and consistent approach to the ongoing setting and managing of distributor pricing-resulting in improved margins
- Implement a process to capture fractions of pennies on the shelf price for each unit sold, thereby realizing collective margin improvement across the portfolio
- Gain the ability to better identify and manage price exceptions
- Deploy an effective and easy to use automated price structure tool that supports state, regional, and national level profit analysis and adjustments
- Improve ability to execute new pricing strategies to improve value capture across the value chain

Success Factors

The primary selection criteria Beam Global used to choose the Vistaar solution included:

- Understanding the business and pricing environment
- Ability to model the company's highly complex pricing
- Strong technology platform and framework
- High configurability of the software solution
- Quality of the project team and pricing specialists
- User-friendly interface with Excel compatibility
- Offshore capabilities reduced turnaround time and costs

The system provides automated workflow to ensure adherence to new price strategy objectives, revenue management policy, and approval processes. Best practice reminders are triggered throughout the process and alerts are presented when 'show stoppers' are identified. This gives business managers the tools they need to proactively manage pricing-in-process (e.g. pending approval, approved, and published status), ensuring that new products and pricing changes are deployed without delay.

The Vistaar solution is providing the Beam Global pricing team with the ability to make informed pricing recommendations, the sales team with the ability to better negotiate with distributors, and the finance team the ability to monitor and approve all pricing changes. Functionality being used includes:

- Linking pricing strategy to execution by analyzing price strategy relative to actual price structures
- Calculating and maximizing FOB and computing shelf price based on user-defined variables (e.g. volume, tax, margin)
- Incorporating front-end analytics including break even analysis for distributors, impact of price/deal strategies, margin comparisons for retailers, summary of annual depletion data
- Maintaining master pricing data resulting in a centralized repository of pricing data
- Price setting linkage to price execution automates the download of new FOB prices into SAP
- Backend analytics (e.g. Line Wash reports)

The Vistaar solution is enabling Beam Global to improve its profitability while enhancing distributor relationship across the country. Benefits reported to date include:

- Significantly reduced profit 'leakage' due to adherence of best pricing practices by employees > 85% of the time
- New brand pricing strategies are more readily deployed, leading to an overall 0.33% profitability improvement by linking strategy and execution
- Measurably improved profits per case via sweeping pennies
- Transparency across the business, including a single data model, an audit trail for pricing transactions, and analytic tools
- Reduction in unintended/unapproved margin expansion elsewhere in the value chain
- Better cash flow due to more accurate invoicing and fewer mistakes
- Increased accuracy of the FOB price (due to approval workflows)
- The Vistaar solution has been widely adopted and accepted as a coaching tool, due to its user- friendly Excel-like interface

Conclusion

Companies in the beverage alcohol industry are well suited for the Vistaar Performance Management solution due to their 3-tier distribution model, adherence to federal and state law liquor laws, and the nature of suggested, not dictated, pricing to distributor partners and retailers. The Vistaar solution helps the supplier maximize FOB to distributors and better negotiate price with its front-end and back-end analytics. Due to the heavy restrictions on pricing by state and federal governments, essential pricing elements such as state and federal excise taxes are automatically linked into the solution. Vistaar enables executives and managers to focus on developing and implementing competitive pricing strategies, rather than supporting back-office systems and accessing disconnected spreadsheets.

About Vistaar

Vistaar is a provider of price performance management solutions. Vistaar's pricing software enables companies to achieve pricing best practices through price analytics, price optimization, price list management, and deal management. Vistaar is working with companies such as AMD, Beam Global, Cisco, Ford and GE to transform pricing operations into a strategic advantage. For these companies, Vistaar pricing software drives measurable price and margin improvements that deliver profitable growth and maximum shareholder value. Vistaar's operations include six offices across North America, Europe and South Asia.