



## Treasury Wine Estates



### Benefits at a glance

- ▶ *Greater integration and improved communication*
- ▶ *Rapid implementation and ROI*
- ▶ *Shortfall worth over \$500,000 identified and rectified*
- ▶ *Management team horizon expanded to next financial year*
- ▶ *Better strategic insight and improved brand and variety analysis*
- ▶ *Greater alignment between the NPD pipeline and strategic plan*
- ▶ *Enablement of consistent processes and behaviours throughout the global organisation*

## Customer profile

### Outstanding vintage

Global wine business Treasury Wine Estates is building world-class business processes that will match its unrivalled repertoire of international wine brands. Its implementation of Integrated Business Planning, from business improvement specialists Oliver Wight, is already bearing fruit for the Australian operation and is about to be rolled out to the rest of the world.

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Previously part of the Foster's group, Treasury Wine Estates recently separated from the group to become one of the world's largest publically owned wine companies.

The business stats are impressive: Treasury Wine Estates (TWE) boasts more than 12,000 hectares of vineyards and has 4,000 staff across 12 countries, sales of 35 million cases of wine each year and revenues of AU\$2 billion.

TWE's portfolio focuses mainly on Australian and Californian wines, but also includes wine from Italy, South Africa, France and Chile. Its range features leading brands such as Beringer, Lindemans, Wolf Blass, Penfolds, Wynns Coonawarra Estate, Rosemount, Castello di Gabbiano and many others.

Planning and forecasting for a product, which in some cases can take several years to reach the consumer, has always

proved a challenge. Eighteen months ago, the organisation was reaching a tipping point. Stephen Anders, Director Global Integrated Business Planning, based at TWE's Melbourne headquarters, describes the situation: "As a wine company, we have to take a long-term view of demand given the age and release dates for wine. Penfolds Grange, for example, has a maturation period of five years, so wine made from the 2011 vintage will meet the demand for that product in 2016. Other products have release dates of one to three years, but all require accurate advance sourcing to meet consumer demand.

"We had multiple parallel processes running in the business, both within regions and globally," says Anders. "Long-term



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***Stephen Anders  
Director Global Integrated Business Planning***

demand projections were used to drive supply and we had a strategic planning process for a horizon of five years. Our brand plans, which we used to steer brand and marketing strategies, were for a three year horizon, and we had annual budgets. Different parts of the business worked to their own plans and few were aligned. There was little integration.”

### **Managing demand fluctuation**

This often resulted in communication delays. “Without links between planning processes, demand fluctuations weren’t always communicated to the supply organisation as quickly as they should have been,” says Anders. “Sometimes there could be a lag of six months.”

The financial impact of this could be significant in a wine business, Anders explains. “We work to long lead times and often start to source against the demand profile many years in advance. It can be hard to manage demand changes

even if we know about them early, but if there’s any lag in communication to our supply side, we can easily find we’re sourcing for an out-of-date demand profile.” In theory, this can be managed but it’s a tricky balance that hasn’t always been struck. In the past, this has led TWE to incur write downs on surplus wine of hundreds of millions of dollars.

As part of the early work to separate the operations of TWE and CUB within Foster’s business, a transformation team was formed to manage the split. The existence of multiple sets of numbers across the organisation soon proved a real headache, and the company decided it needed help to rethink the way it operated. The work was put out to tender and TWE chose business improvement specialists Oliver Wight.

Oliver Wight Asia Pacific’s managing partner James Small began working with TWE’s Australian division in December



2009 to implement Integrated Business Planning (IBP), Oliver Wight's advanced sales and operations planning model. Together with Stephen Anders, he designed a programme of education and activity from February 2010 which would enable TWE to rapidly implement IBP and secure the benefits as quickly as possible.

"From the outset, we had full engagement in the process from our leadership," recalls Anders. "David Dearie, CEO of Treasury Wine Estates, put this on the agenda as a top business priority. His endorsement was critical for our early success."

A project plan was formalised to establish IBP's monthly review cycle – for demand, supply, product management, integrated reconciliation and management business review – and the first pilot cycle took place just five months later, in June. "The pilot wasn't perfect, we had many gaps in the

plan, but it was sufficient to begin with," says Anders. The process went live in July.

#### **Immediate benefits**

Nine months on, and the gaps have all been filled for the current financial year, he says, and management's attention is already turned to next year. Real progress has been made in terms of transforming the business: "The IBP processes are being established and people have grasped the principles." The benefits became apparent very early on: "Initially the change management was hard work but after three months, people could see where we were trying to get to and after six months everyone could see the progress we'd made. We are spending less time reporting and more time planning."

Crucially, the financial benefits soon rolled in, as IBP gave TWE newfound insight across its activities. "We were able



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***Director Global Integrated Business Planning***

to spot a supply shortfall in a niche product which, if not acted upon, could have been costly,” says Anders. “Before IBP, this may not have been identified at all, and certainly not as quickly.” The Australian wine-making period is from February to June, after which time the product is matured, depending on colour and grade. “If you are too far into that production cycle when identifying a shortfall, there can be no time to resolve it.

“In this case, we spotted the supply shortfall four months ahead (in November), and we had time to work across all IBP reviews and source a replacement blend. As a result, we were able to plug the shortfall with 20,000 cases, with a combined gross margin of over \$500,000. That move alone paid for the project implementation,” says Anders.

TWE has also been able to capitalise on its market-leading position, with far better brand and variety analysis than was

possible before. “Like most businesses, we had brand plans and new product development stage gate processes. But there was no regular conversation about the overall shape of the product portfolio. Now, this takes place every month, as part of the review process.”

#### **Aligning NPD to strategy**

That’s meant less portfolio complexity and the ability to align the new product development (NPD) pipeline to the strategic plan. “We have a range of lenses through which to view our new product pipeline – by innovation type, price point, brand and channel,” says Anders. “We can see if it aligns with our strategy or if there are any gaps. We had no holistic view of the NPD pipeline before, so that’s been a great win for us and is a direct result of the IBP process.”

This holistic view is helping TWE clarify its strategy, says Anders. SKU proliferation is a common problem for any



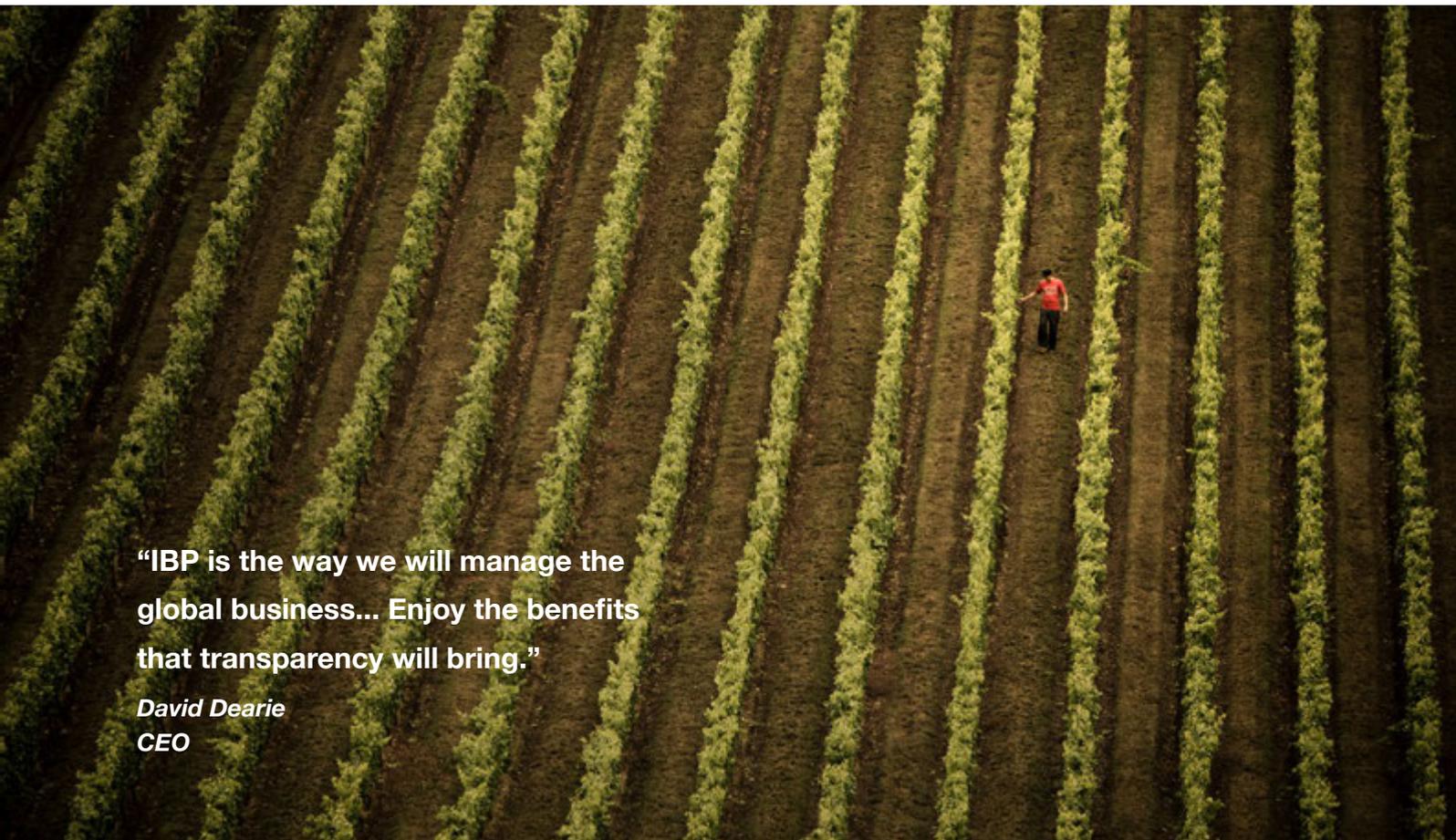
FMCG company so, as well as brand analysis, the company is now analysing grape varieties. One such exercise has taken place recently for chardonnay: “We looked at our products to see if we needed to change anything for that particular market segment.” The conclusion? “We have enough chardonnay products, but need to ensure our leading products within each price point are achieving maximum market share. We didn’t need more brands, we needed sharper sales and marketing activity. That type of strategic insight is incredibly valuable.”

Realisations like this are “light bulb moments”, he says. “But there’s no better light bulb moment than getting the business back on plan and energising the management team. They have now extended their horizon to the next financial year – that’s a critical concept and is a sign of IBP’s success.”

CEO David Dearie, is now backing IBP as the new method of working across TWE. “He has seen the benefits in Australia, in terms of a clear view of the business, the ability to close gaps and the change to a cross-functional culture,” says Anders, who is now tasked with rolling out IBP to all the remaining TWE regions. Indeed, Dearie is telling the global management teams: “IBP is the way we will manage the global business... Enjoy the benefits that transparency will bring.”

Senior representatives from each region have visited Australia to see IBP in action. Now, Anders and Oliver Wight will go to each region to help with education and implementation.

There are, of course, challenges to rolling out a programme of this kind, as Anders points out: “Firstly, you have to



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**CEO**

explain the concept. The IBP framework doesn't respect the traditional functional model – and executive teams head up functions. So it will be important to ensure everyone understands that IBP redefines how we work across functions.” Anders describes this as “climbing out of the swamp” – ensuring the executive team can focus on a new long-term horizon.

He has just started the process with the European management team and is convinced that the experience gained by the Australians can be put to great effect and can help other regions implement IBP even faster.

#### **Leadership and teamwork**

“There are smart things we can do during project implementation to deal with process design issues, to secure leadership endorsement and make progress as

quickly as possible,” he says. These include close interaction between project and leadership teams which, he says, has been “tremendous”, with each executive quickly taking ownership of a stream, allowing the project team to build sustainable processes in a matter of weeks.

Each region's rollout will have its own cultural challenges, too, though Anders says there is one key element to focus on, irrespective of geography: “Behaviour and the way everyone works, pre- and post-IBP, is the biggest differentiator. IBP is a new way of working.”

For TWE, the adoption of IBP will enable consistent processes and behaviours throughout the global organisation. This, in turn, will enable the company to exploit its unique heritage position with future-proof business processes.



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