



SHOWCASE

Popping the Cork on Supply Management Excellence

How a Leading Global Producer of Beverage Alcohol is Driving Sourcing, Contract Management, and Supplier Management Success

Constellation Brands, Inc. is a leading international producer and marketer of beverage alcohol in the wine, spirits and imported beer categories, with significant market presence in the U.S., Canada, U.K., Australia and New Zealand. Based in Fairport, N.Y., the company has more than 250 brands in its portfolio, sales in approximately 150 countries and operates approximately 60 wineries, distilleries and distribution facilities. It is the largest wine producer in the world; the largest wine company in the U.S. based upon sales dollar value, the largest wine company in the U.K., Australia and Canada; the second largest wine company in New Zealand; the largest beer importer and marketer in the U.S. through its Crown Imports joint venture with Mexico's Grupo Modelo; and the third largest spirits company in the U.S. Constellation Brands is an S&P 500 Index and Fortune 500® company. Major brands in the company's portfolio include Corona Extra, Black Velvet Canadian Whisky, the SVEDKA vodka line, Robert Mondavi wines, Ravenswood, Blackstone, Hardys, Banrock Station, Nobilo, Kim Crawford, Inniskillin, Jackson-Triggs and Arbor Mist.

What does your favorite cocktail and supply management have in common? Some may say nothing, but Constellation Brands, Inc. would disagree. One of the world's leading producers and marketers of alcohol beverages, Constellation has moved its supply chain management function to the top shelf.

A leading international producer and marketer of beverage alcohol in the wine, spirits and imported beer categories, Constellation has significant market presence in the U.S., Canada, U.K., Australia and New Zealand. Based in Fairport, N.Y., the company has more than 250 brands in its portfolio including well-known brands, such as Corona Extra, Woodbridge by Robert Mondavi and SVEDKA Vodka; sales in approximately 150 countries; and operates approximately 60 wineries, distilleries and distribution facilities.

Constellation Brands has grown through a combination of organic growth and acquisitions. In the 1990s, the company embarked on its multi-category strategy as a means of achieving a balanced portfolio better able to respond to consumer preferences and to reduce dependency on a single category or geography. This strategy has driven stable growth in volume, cash flow, return on invested capital and value. It has also created a complex, global supply chain challenge.

Keys to managing this challenge have been a center-led supply chain group and a reliance on supply management software. "We have a corporate, center-led supply chain organization, supported by supply chain groups in our various operating companies around the world," said Dave Moynihan, senior vice president supply chain at Constellation

Brands. He says supply chain management is in the middle of Constellation's business strategy and functions. "We are typically one of the first groups to get involved as a new business comes into our portfolio," says Moynihan.

The need for supply chain and procurement process standardization, automation and efficiency became apparent as the company expanded its portfolio and global footprint.

Concocting a Recipe for Success

Because of its global presence, Constellation's biggest challenge was coordinating the activities of more than 30 commodity teams across its world-wide operating companies. With operations spanning three continents, the supply chain organization needed a way to ensure that all groups were communicating efficiently and working from a common platform and aligned strategy.

An internal assessment revealed that the best way to overcome these sourcing challenges was to utilize an On Demand supply management software platform that could provide common visibility into all procurement data and processes, and, most importantly, could be accessed from anywhere in the world through a standard Web browser. The On Demand model enabled Constellation to access required application functionality and reporting, without needing to implement or maintain costly software at different locations around the globe.

After a thorough market assessment, Constellation selected On Demand supply management solutions from Procuri as the baseline to manage its sourcing process.

"We have been using Procuri's strategic sourcing, contract management and supplier management solutions since 2005 to help formalize our supply chain processes," says Cindy Straitiff, director of strategic sourcing for Constellation Brands.

Looking for quick results, Constellation began by deploying the strategic sourcing module, Procuri TotalSource, to establish a formal sourcing project management and bidding process for its direct and indirect materials and services. The company has been sourcing a variety of direct and indirect materials and services including closures, corrugate, utilities, travel, MRO items such as industrial gas, and transportation.

"TotalSource has helped our team create a standardized sourcing process across all of our operating units, as well as increase savings and reduce cycle times," says Chris Herbst, supply chain program manager at Constellation Brands and a certified purchasing manager.

To maximize compliance and value from its supplier agreements, Constellation deployed Procuri TotalContracts. The company uses the solution to automate and streamline the entire contract lifecycle – from initial negotiation, authoring, and collaboration through compliance and performance management. Constellation is using TotalContracts to

manage hundreds of contracts and documents across a wide range of agreement types in the system. This system has enhanced visibility and control of all Constellation's supply contracts and amendments.

Sustaining Supplier Performance

With its sourcing and contract management functions under control, Constellation needed a means to continuously improve the value of its supply base – a goal that requires constant measurement, analysis and management of supplier performance. With Procuri TotalSupplier, Constellation has streamlined supplier management and improved supplier initiatives with a comprehensive and integrated solution that spans the supplier management lifecycle – from initial supplier registration and assessment to ongoing performance measurement and monitoring to corrective action and improvement.

Constellation's supply chain group established standard online scorecards within the system to measure, analyze, and manage the performance of suppliers. These online scorecards arm the company with accurate and quantitative views of a supplier's performance and risk profile. With this standard scoring process, various global stakeholders have a common view into supplier performance information whenever they need it. Supplier performance is monitored and tracked centrally by the corporate supply chain group, but executed by the regional groups and operating companies.

"We have achieved a 360 degree view of our suppliers' performances, allowing us to make improvements and adjustments as necessary. Every supplier's historical performance is now filed in a central repository that is easily and conveniently accessed by our global supply chain groups. And by using this information as a baseline, we can begin improving our relationships with suppliers," says Herbst.

A Smooth Finish

Aided by Procuri's integrated strategic sourcing, contract management and supplier management suite, Constellation Brands has successfully linked the supply management lifecycle into a cohesive process. And it has reaped the benefits to prove it – reduced costs, improved communication and supplier relations, standard processes and visibility, shorter sourcing and contracting cycles, and enhanced supplier and contract performance.

"Procuri has helped us drive our supply chain initiatives. Our team members can easily access the information that they need at a time that fits their schedules," says Herbst.

What's next for Constellation? Moynihan comments, "Maintaining and improving our current level of quality and service with our supply base, while controlling the cost profile across our various business units and brands." 