



DRIVING TRANSFORMATION FROM THE TOP: DISTELL'S JOURNEY TO A WORLD-CLASS SUPPLY CHAIN



Executive summary

When Richard Rushton, Distell's current Group CEO, took over the reins in 2013, he soon realised the group's supply chain performance and improvement levels weren't strong enough to meet its 2020 strategic ambitions. The solution, Rushton believed, was a fundamental end-to-end transformation to enable the most efficient and effective global supply chain. This case study provides a snapshot of how the executive team, in partnership with Competitive Capabilities International (CCI), set about improving manufacturing asset utilisation, while simultaneously reducing fixed overhead costs, working capital, and energy and water usage.

RESULTS

- Over R2.5 billion (US\$174 million) in savings across the supply chain over five years
- 10% increase in on time in full (OTIF)
- 25% improvement in reliability
- 10% increase in OEE
- 30% increase in productivity
- Between 20% and 40% reduced Cost of Goods Sold (CoGS) over five years
- 20% reduction in stock days



“We are confident that we are on the right track to achieve supply chain excellence.”

– Cecil Everson
*Group General Manager,
Supply Chain Excellence*



Challenges

As a result of strong market competition, declining cider growth, and a historically fragmented and cumbersome manufacturing and supply network, Distell lacked the agility to meet its 2020 ambitions.

While the group enjoyed ‘protected’ growth in the alcohol beverage industry, current performance and practices revealed the following:

- Reduced product quality
- Erratic stock levels and availability
- Poor planning systems and capabilities
- Lagging supply chain performance despite significant investment in marketing, technology, research and innovation
- High transport costs and quality risks resulting from fragmented procurement spend management and double handling
- A step change improvement was required to achieve the company's 2020 ambitions

To address these challenges and increase shareholder return, Distell needed a holistic and integrated, approach that would enable a fundamental end-to-end supply chain transformation.



Solution

Four critical levers were formulated to drive the defined supply chain change intents.

These included:

- Supply Chain Network Optimisation
- Demand, Supply and S&OP Planning best practices across the group
- Procurement Excellence
- Empowering Excellence

Distell set out to source a partner that could supply a holistic and integrated supply chain solution. Key selection criteria included a proven track record and an implementation platform.

After an extensive search, Competitive Capabilities International (CCI) was selected to partner with Distell in their supply chain optimisation strategy and E² (Empowering Excellence) initiative. Distell concluded that CCI's TRACC Integrative Improvement methodology best aligned with their objectives, and decided to invest in the full Supply Chain TRACC offering.

TRACC's underlying philosophy is that organisations should focus on improving their practices to drive sustainable long-term performance and achieve world-class status. This aligns closely with the philosophy underpinning the E² initiative.

“The E² Empowering Excellence practices framework ensured that leading practice standards and practices were developed, improved and uniformly applied. The framework incorporated leading and relevant elements of each of these bodies of knowledge in an integrated manner with extension in the wider supply chain. We are confident that we are on the right track to achieve supply chain excellence.” – *Cecil Everson, Group General Manager, Supply Chain Excellence*

The E² platform enabled Distell to build on established best practice and operationalise standardised leading practices to ensure:

- A deliberate move towards supply chain excellence
- An integrated set of best practices for both production and the supply chain
- A standardised, maturity-based journey to world class
- A culture of empowerment and excellence
- A global evaluation system against which the application of leading practices and Distell standards may be measured and evaluated
- A direct correlation between leading practice execution and improved sustained performance

Establishing baseline maturity

Distell undertook their baseline maturity assessment in 2015 with a baseline score of 1.47. Through an integrated supply chain maturity approach, they soon achieved a maturity of 3.00 in the TRACC foundation practices (including Visual Management, Focused Improvement and Quality) in model areas. The aim was to achieve Stage 1.5 foundation practices in all areas by June 2019 and Stage 3 maturity across full sites by 2022.

Building Centres of Excellence and communities of practice

In tandem with the roll-out of leading practices, an organisational design (OD) initiative was launched to create an aligned infrastructure that would lead and support the supply chain optimisation process.

The main focus was to:

- Create Centres of Excellence (CoE) for all technical functions within Distell (engineering, packaging and capital projects)
- Establish a single group technical service that delivers value to Distell manufacturing as its key customer
- Standardise supply chain structures focused on the development of policies, principles, processes, practices, tools and metrics, which are uniformly applied, continuously improved and regularly reviewed against leading practice
- Functionalise the CoE to provide strategic and functional leadership, direction, governance, standards, and support to production sites



The supply chain's mission was 'to enable Distell to successfully plan, procure, make and deliver products and brands to customers through talented people, appropriate technology and leading operational disciplines, processes and practices'.



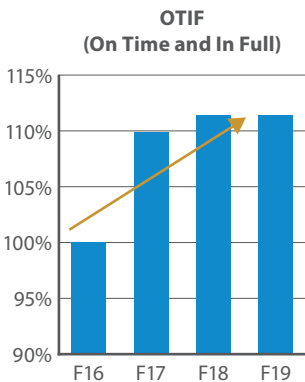
Results

The Supply Chain Excellence programme and E² initiative, under the leadership of Cecil Everson, Group General Manager, Supply Chain Excellence, aimed to ensure a reliable and efficient end-to-end supply chain that exceeded customer and stakeholder expectations.

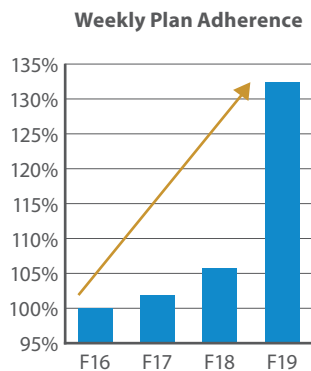
A key enabler of this process was a drive to 'standardise towards best practice' — the same model through which Distell achieved bold success in its manufacturing continuous improvement journey over the period 2004 to 2014.

The performance results soon followed with improvements in customer service and reliability:

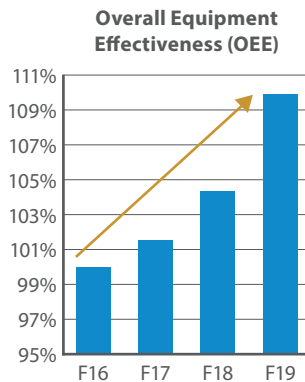
- 10% increase in on time in full (OTIF)
- 32% improvement in weekly plan adherence
- 25% improvement in reliability
- 10% increase in OEE
- 30% increase in productivity



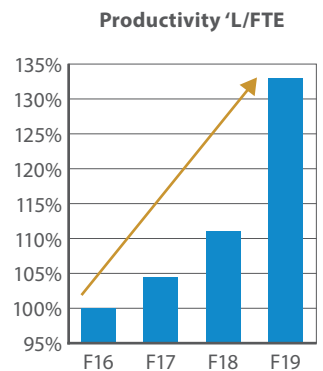
S&OP gave us a step change improvement in OTIF
(includes more stringent measure from F18)



Significant improvement in plant reliability
Decoupling of plants a key enabler



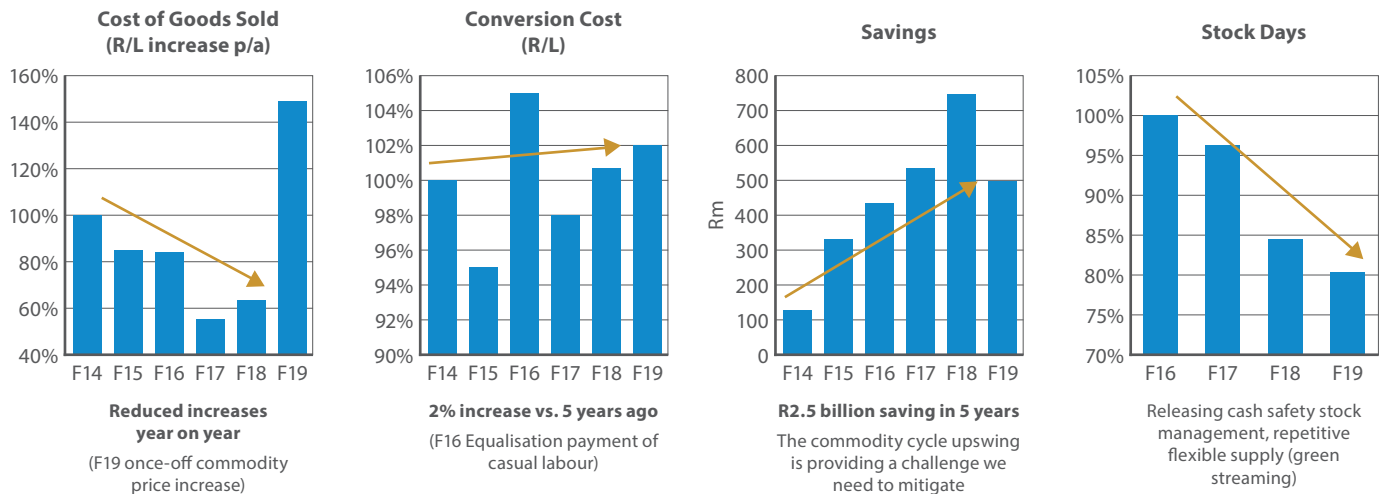
Significant improvements in OEE
Make practices ensured sustainable performance



Benefits increasing Network Optimisation, Focused Improvement (FI) & Make practices

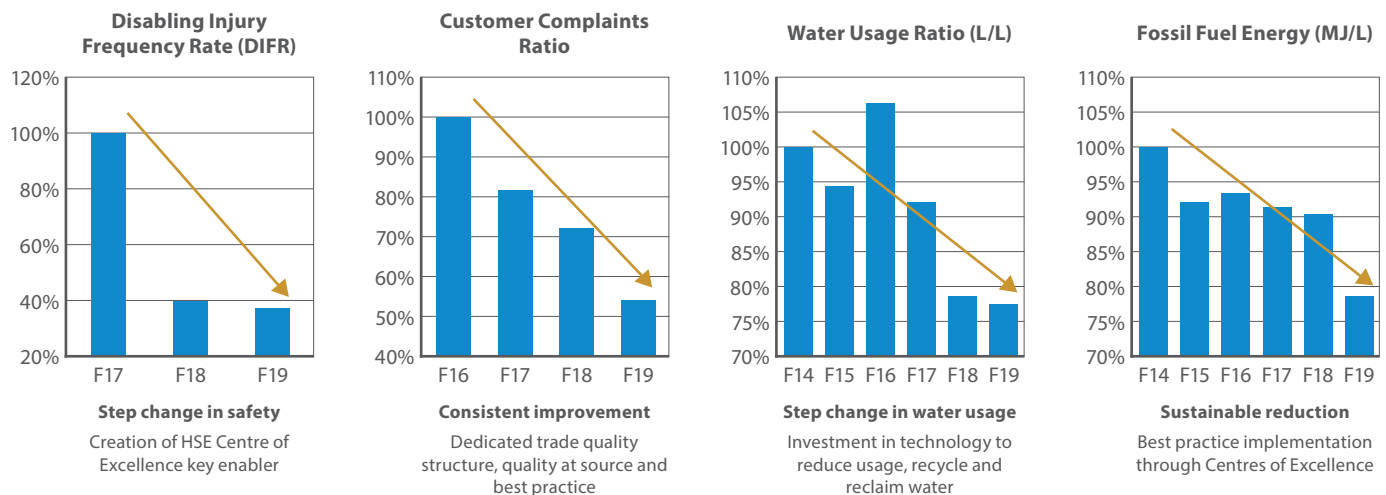
Improvements in cost and asset efficiency included:

- Between 20% and 40% reduced Cost of Goods Sold (CoGS) over five years
- Reduced conversion costs (2% increase in 2019 versus 2014)
- Cost savings of over R2.5bn (US\$174 million) across the supply chain over five years
- 20% reduction in stock days



Improvements in safety, quality and environment included:

- 60% step change in disabling injury frequency rate
- 45% reduction in customer complaints
- 15%-20% reduction in water usage
- 20% reduction in fossil fuel usage



Distell's current Group CEO Richard Rushton says "A major transformation like this is not easy. It needs financial resources as well as organisational commitment. The good news is that we can all lift productivity with initiatives such as E². I am convinced that the principles of E² can be applied successfully to any organisation. The results at Distell speak for themselves."

RESULTS

The Distell Group is Africa's leading producer and marketer of wines, spirits, ciders, fine wines and other ready-to-drink (RTD) beverages sold across the world. With a diverse portfolio of brands with rich provenance and authenticity, Distell's products are priced across the pricing continuum to cater to a broad spectrum of consumers. With offices in London, New York, São Paulo and Singapore, Distell's products can be enjoyed around the world via a network of agents in more than 80 countries. Distell employs about 5 500 people and has an annual turnover of R24.2 billion (about US\$1.7 billion).

Acknowledgements:

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