

Pernod S.A.

toasts to improved supply chain efficiencies

Many Parisians spend warm summer evenings sipping a cool glass of Pastis 51, with its trademark yellow color and smooth taste attributed to the exotic star anise fruit. Invented in 1951, Pastis 51 is just one of the popular alcohol and wine brands produced and distributed by Pernod S.A.

Pernod S.A., headquartered just outside Paris, is a subsidiary of Pernod Ricard, the second largest wine and spirits company in the world with sales in excess of €6B. With revenues of €340M, Pernod S.A. performs two strategic roles for its parent company. As a brand owner, it is responsible for manufacturing brand names such as the aforementioned Pastis 51, as well as Suze, Pernod and Café de Paris; some of these products are sold locally within the French market while others are sold globally.

In its second role, as distributor, Pernod is responsible for the French distribution of brands manufactured by other Pernod Ricard subsidiaries; such brands include Mumm champagne, Ballantine's, Aberlour, Paddy whisky, Havana Club rum, and Martell cognac. When distributing other subsidiary brands, co-packing production is often required in order to accommodate promotions such as a glass shipped with a bottle of whiskey.

Both manufacturing and distribution are critical to the success of Pernod, with manufactured brands accounting for 40% of revenue and

distributed brands accounting for the remaining 60%.

Planning environment

Pernod has four manufacturing plants to accommodate the global demand for Pernod brands. One is located in Marseilles and produces all anis based spirits, and three others are in the southwest part of France. Each plant is dedicated to a specific range of products, with no opportunity for flexible sourcing, so accurate production planning to accommodate seasonal demand peaks is critical.

The production constraints that impact planning are similar to those found in most food and beverage plants worldwide:

- Alternative routes for specific products, with route preferences by item
- Shift calendars that impact available capacity
- Dependencies between lines that impact the combination of products that may be manufactured concurrently on different lines
- Sequencing restrictions to ensure efficient use of equipment and minimization of changeovers
- Minimum economic batch quantities to ensure efficient consumption of alcohol vessels
- Labor availability

“After we had a tool in place to develop constrained plans, a big step forward was to gain acceptance from each of the plants.”

Vincent Bonnet
IT Manager
Pernod



A Closer Look at Pernod S.A.



Facts

Industry: Manufacturer and distributor of wine and spirits

Headquarters: Paris, France (Creteil)

Sales: €340M

Profile: Pernod is one of France's leading spirits companies, with annual sales of 55 million liters. The company markets a globally recognized portfolio of brands, including Pernod, Pastis 51, Aberlour and Ballantine's whiskies, Havana Club, Martell, and Zubrowka vodka. Pernod derives 20% of its revenues from overseas markets, and the company operates four manufacturing plants across France.

Problem

With limited visibility into production processes and no centralized planning function, Pernod saw an opportunity to increase customer satisfaction and reduce inventory levels.

Logility Solution

- **Logility Voyager Solutions™** help Pernod support a centralized supply planning function, improve forecast accuracy, reduce supply chain costs, increase inventory turns, create constrained production plans, and maintain high levels of customer service.

The Bottom Line

- Reduced finished goods inventories by 60%—from €17.8M to €7.5M
- Improved customer service to 99.5%
- Reduced supply chain operation costs by adopting a Just-In-Time (JIT) manufacturing philosophy with shorter production runs and associated inventory/transportation reduction
- Reduced time to create a production plan, to accommodate swifter planning cycle times and improved agility and responsiveness of the supply chain
- Centralized manufacturing planning processes, incorporating local collaboration with production facilities

About Logility

With more than 1,100 customers worldwide, Logility is the leading provider of collaborative supply chain planning solutions that help small, medium, large and Fortune 1000 companies realize substantial bottom-line results in record time. Logility Voyager Solutions feature performance monitoring capabilities in a single Internet-based framework and provide supply chain visibility; demand, inventory and replenishment planning; supply and global sourcing optimization; manufacturing planning and scheduling; transportation planning and execution; and warehouse management.



Learn how Logility Voyager Solutions can help your company achieve success

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Supply chain goals

From a demand management perspective, a key issue was that multiple departments within Pernod (finance, sales, etc.) each derived their own forecast. This unsynchronized approach and poor collaboration resulted in excess inventories. Additionally, there was no mechanism in place to simulate the impact of alternative safety stock policies across the multi-tier distribution network.

From a production perspective, the most critical issue was that Pernod had no central business solution in place to create a feasible production plan. "Production plans were created using a decentralized process, with each production facility using inconsistent approaches," explains Vincent Bonnet, IT manager at Pernod. "The result was production plans that were often biased towards achieving local production efficiencies rather than satisfying the strategic distribution needs of the company. Production visibility was also poor. This caused poor customer service and high safety stocks."

Collaborative workflow

Pernod saw an opportunity to improve customer service levels, decrease safety stock, and synchronize production and distribution, and selected Logility Voyager Solutions.

Pernod started with Logility Voyager Demand, Inventory and Replenishment Planning to develop consistent forecasts across the Pernod enterprise and to calculate optimal safety stocks. This helped reduce finished goods inventories by 60% (€10M) while improving customer service to 99.5%.

"The next logical step was to use a one-number forecast as a basis to calculate production plans," says Bonnet. Pernod implemented Voyager Manufacturing Planning to achieve an agile Just-in-Time manufacturing environment when meeting planned distribution requirements. The result has been a significant reduction in the planning time required to create feasible constrained plans.

Logility Voyager Manufacturing Planning is now used for capacity planning at a product family level to facilitate constrained S&OP, and is also used for scheduling at a SKU level to ensure optimized sequencing while accommodating distribution requirements and S&OP objectives. Voyager

Manufacturing Planning more accurately reflects the manufacturing constraints, so regional production schedulers now have greater confidence in the quality of the plans produced. The accuracy of the production plans are improved further by the close integration between Voyager Manufacturing Planning and Pernod's ERP system, which ensures up to date planning data.

Additionally, Voyager Manufacturing Planning plans are shared with production facilities to accommodate a collaborative workflow. "After we had a tool in place to develop constrained plans, a big step forward was to gain acceptance from each of the plants," says Bonnet. "Our central planner now creates the plan for each plant but collaborates with each regional planner to gain consensus. Any modifications are then incorporated back into the central production plan. This process has worked marvelously, and our planners are happy with the new process. I am sure that without Voyager Manufacturing Planning, the successful migration to a centralized collaborative process would not have been achievable."

Project achievements

"Voyager Solutions has enabled a more centralized supply chain organization at Pernod," says Bonnet. "Our centralized planner has been legitimized because of the accurate data he receives from the system, and our forecast error is now very low." Additionally, inventory has been reduced 60% as anticipated within the project objectives, and customer service has improved.

Next steps

Pernod's next steps include incorporating advertising items and raw materials management in Voyager Manufacturing Planning to achieve closer synchronization between production and procurement. "We want to reduce the amount of advertising items and raw materials we have: empty bottles, labels, caps, cartons, etc.," says Bonnet.

Additionally, Voyager Manufacturing Planning is currently integrated with Movex for ERP, and Pernod is moving to JD Edwards for ERP. "There was a unanimous decision by our Central Production Planner and Supply Chain Manager to keep Voyager Solutions instead of using JD Edwards for supply chain planning—a reflection of our planning teams' confidence in the system," concludes Bonnet.

Logility Voyager Solutions™ allow global market-driven companies like Pernod to increase financial and operational performance.

Voyager Demand Planning reconciles Pernod's demand history, orders, trends, and other information, producing a comprehensive overview of demand by SKU, customer, and distribution channel.

Voyager Inventory Planning helps companies like Pernod optimize their inventory policies in a multi-tier network.

Voyager Replenishment Planning allows Pernod to proactively plan for inventory changes, rather than react to them.

Voyager Manufacturing Planning provides Pernod a consistent constraint-based capacity planning and detailed scheduling tool across multiple production sites.

Logility Voyager Solutions enable you to:

- Achieve higher service levels without increased inventory
- Optimize inventory levels and increase inventory turns
- Integrate and synchronize planning, sourcing and production across a decentralized organization
- Decrease planning time by as much as 75%
- Maximize promotions using dynamic business models