

Martignetti Companies



BLUE RIDGE
FOR A MORE FORESEEABLE FUTURE

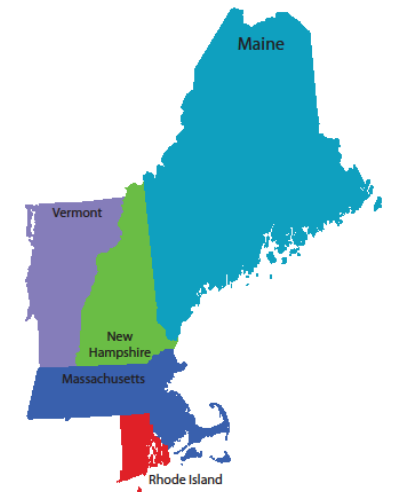


Corporate Overview




Corporate Offices & Operations – Taunton, Massachusetts

- New England's Leading Distributor of Wine & Spirits - Nations 7th largest
- Privately owned by Carmine & Carl Martignetti
- Established in 1908 - 3rd generation ownership by the Martignetti Family
- Operations in Massachusetts, Rhode Island, New Hampshire, Vermont & Maine
- Sales of 10.5 million cases annually
- 1150+ Total Employees -525+ Sales Positions
- Distribution Centers -1.2 million square feet
- Servicing 11,000+ restaurants, hotel and retailers



Company History

1908	1933	1986	1991	1992
Established Grocery Business in North End of Boston	Repeal of Prohibition and formation of the Martignetti (Carolina) distribution/wholesale company	Carmine & Carl Martignetti purchase company	Acquired distributor Chas. Gilman & Sons	Acquired Pastene Wine Company
1993	1994	1998	1999	2000
Acquired Jet Wine & Spirits, establishing Martignetti Companies of New Hampshire, Maine and Vermont	Acquired Silenus Wine Company	Formed Martignetti Companies of RI, which created a 5-state, regional New England Sales Organization	Constructed new company headquarters in Norwood, consolidating all existing MA warehouse operations	Acquired Classic Wine Imports
2004	2005	2006	2007	2008
Appointed exclusive spirits distributor in Maine -10 year contract	Expanded Norwood warehouse and consolidated Classic Wine Imports	Acquired United Liquors, greatly expanding the company's overall spirits and wine sales and portfolio offerings	Consummated supplier trade that resulted in Martignetti exclusivity with Diageo and Pernod Ricard and Horizon exclusivity with Bacardi	Formed partnership with the Mancini family - Rhode Island Distributing
2009	2013	2014	2016 	
Acquired Commonwealth Wine & Spirits, bringing the E&J Gallo portfolio and other select fine wines and spirits to the company	Secured Proximo appointment. Completed strategic supplier trade bringing Absolut and entire Treasury Wine Estates portfolio to the company	Maine Spirits contract expires, re-established three state brokerage business in Northern New England	New Corporate Headquarters and Distribution Facility –Taunton MA Summer 2016	

Key Suppliers

Moët Hennessy

DIAGEO



PROXIMO



RÉMY COINTREAU

Tito's



Handmade
VODKA



Pernod Ricard



MONDAVI

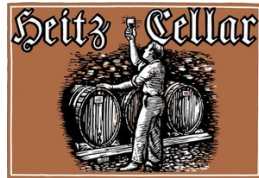


SAZERAC

NEW ORLEANS



DEUTSCH FAMILY
WINE & SPIRITS



SILVER OAK



KERMIT LYNCH
WINE MERCHANT



THE HESS COLLECTION

FRANCIS FORD
COPPOLA
WINERY

VINTUS



TREASURY
WINE ESTATES

TRINCHERO
Family Estates

Oyster Bay
NEW ZEALAND



VINEYARD BRANDS

WILSON
DANIELS

SINCE 1978



BOGLE
VINEYARDS



E&J Gallo Winery



DUCKHORN
WINE COMPANY

RIDGE
VINEYARDS

WAGNER
VINEYARDS



KENDALL-JACKSON

Martignetti
Companies

New Corporate Headquarters & Distribution Center



New Corporate Headquarters & Distribution Center



- Consolidated Two Distribution Centers
- 130 Acres – 700,000+ sf
- Solar Powered
- LEED Certified
- Hydrogen Powered Vehicles

\$150MM Project – Completed Summer 2016

Key Features of New Corporate Facility



Central Location –State’s Largest Business Park

Open Floor Plan –to Facilitate Collaboration

Video - Conferencing Capabilities

Web Enabled “Smart Boards”

Multiple Product Education & Training Rooms

Customer/Supplier Hospitality Center

Sales & Technology Training Centers

Dedicated Sales Meeting Room for each Division



Advanced Robotics & Materials Handling System



SUPPLY CHAIN PROFILE

Shipping just under 9M cases per year to 8,500 customers in MA

- Delivering 7.5M cases on 12,500 trucks per year (3rd party delivers in Western MA)

In Bound Logistics:

- Ocean Freight / Rail / Over the Road
 - Point of Origin freight: 3.4M cases
 - Gallo cases: 1.8M cases
 - Pier / drayage cases: 1.8M cases

Pricing department

PURCHASING PROFILE

- 500 vendors
 - Top 100 vendors = 85% of inventory
- 12,000 skus
- \$120M average inventory in MA
- 6 turns per year
 - Gallo: 16 days on hand
 - Fine Wine: some only turn 1-2 times per year

*****We also buy for NH (control state) and Vision Wine & Spirits, a nationwide import company***

Martignetti Companies

Inventory Planning & Replenishment Team



Martignetti Companies

Inventory Planning / Staff Profile:

- Senior Vice President reports to Ownership
- 2 Directors
- 10 Inventory Managers / 25 Portfolio Managers >> 6 Sales VP's
- Inventory Managers Range in Experience from 3-38 Years
- Range in age from 32-63

How we decided

- JDA – E3 was the incumbent; 13 Years Experience
- Blue Ridge
- Local vendor / E3 creator

The BLUE RIDGE Advantage

Business Process / Integration

- Gained in-depth knowledge of our business and processes
- Led to strong integration and detailed project planning
- Good collaboration with both teams

Training and Support

- In depth training on site for two weeks
- Weekly Lifeline calls
- Responsive support

Functionality

- Events and Forward Buying are easy to input and understand
- Slow mover algorithm helps to keep product in stock

Reports

- Supply Chain Analytics (SCA)
- Reports can be set up on automatic email schedule

Interface

- Easy to understand / simple layout
- Ability to see history & forecast data in both graphical and numerical format

Blue Ridge-Martignetti Companies

Project Scope:

- Business Process Analysis (4 days on front end)
- Forecasting and Replenishment Solution (Supply Chain Planning-SCP)
- Platinum Lifeline Service
- Education (3-4 day sessions): Breakthrough / Guidepost / Advanced
- Supply Chain Analytics (SCA)

Blue Ridge – Early days

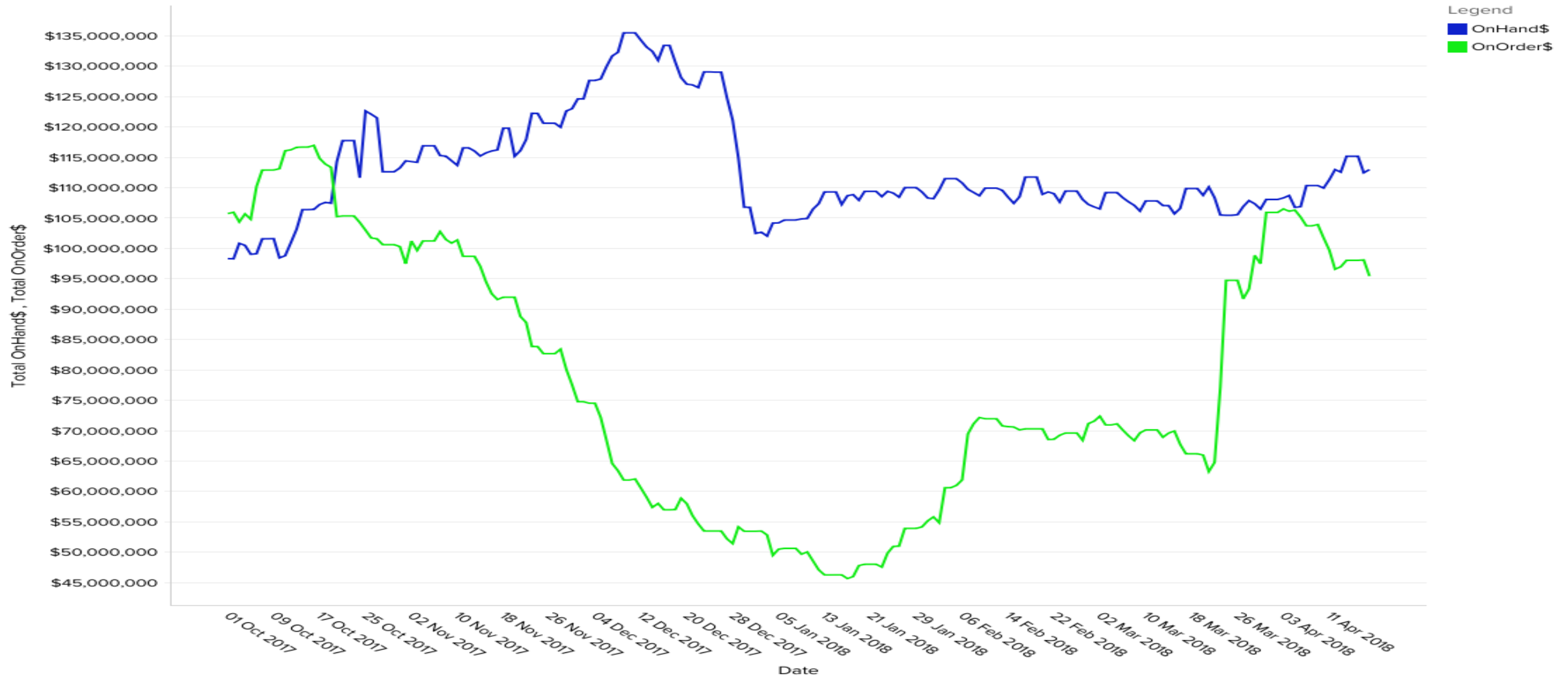
- October 1 go live date
- 23 Year Veteran Inventory Manager retired in August / position filled day after Labor Day
- Some inconsistent sales history / company move one year earlier
- Aggressive timetable for item setups, linking; led to mistakes
- No expected out of stock report
- Gallo moved to a new, local DC
- California wildfires
- Sales: Lack of communication on programs
- Service Levels (i.e., safety stock) too aggressive
- Lead time adjustments
- Culture / Trusting the Process
- Holiday season
- Political & Opportunity Buys are heavy in the 4th Quarter / \$8M this year / early 2018

Seven Essential Elements

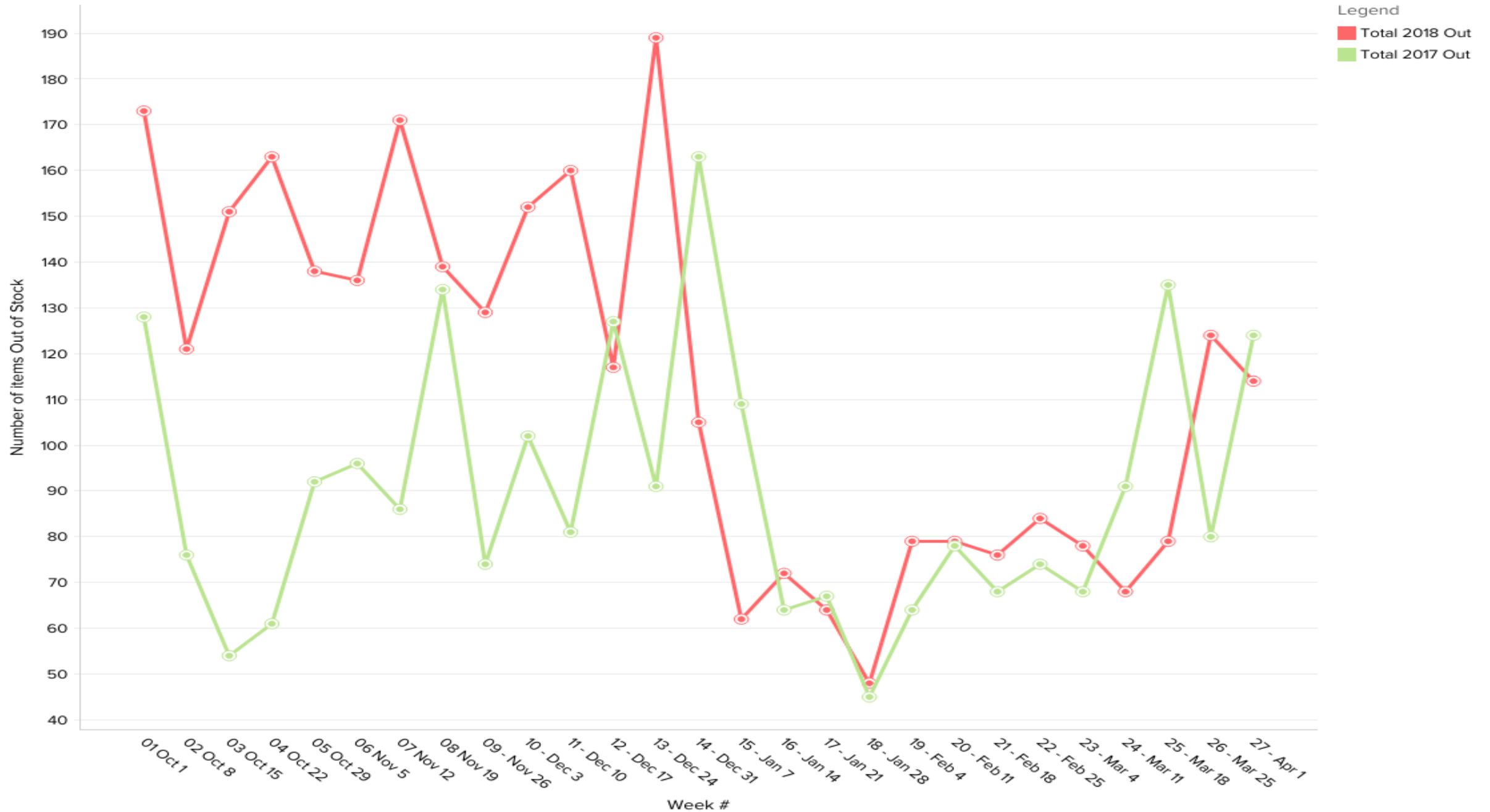
- Demand Forecast
- Lead Time Forecast
- Order Cycle Optimization
- Safety Stock & Service Level Management

- Demand Planning & Replenishment
- Special Orders
- Order Constraints Validation

Historic On Hand\$ On Order\$ MA



Out of stock comparison



Blue Ridge – Early days

- Learning curve
- Trusting the system / Interruptions
- Training
- Lifeline

- Supply Chain Analytics

- Blue Ridge Tip of the Week

Supply Chain Analytics

Martignetti Main On Hand \$ Views Days On Hand Views Top Forecasted \$ Views Approved Orders Historic Views BuyerViews

Key Dashboard Benchmarks

- BenchmarkNumbers_MA Dashboard**
Historic On Hand, On Order, Service, Forecast, Overstock
- Overstock \$ Positions Dashboard**
Overstock Analysis
- LostSales\$Dashboard**
Lost Sales \$ Analysis
- ServiceAttainedDashboard**
Service Level Attained Analysis
- DashboardForecastingSnapshot**
Forecasting Analysis
- *NEW - Landed Cost Inventory \$ and Actual Sales \$ Dashboard**
Views for Landed Inventory Costs and Actual Sales \$

Days On Hand Views

- DaysOnHandDashboard**
Days On Hand Analysis
- DaysServiceOverstockSnapshot**
Days On Hand, Service, Overstock, Lost Sales
- DaysOnHandHistoricDashboard**
Historic Days On Hand Views

Big Picture Snapshot Metrics

More Filters

Items	Locations	Suppliers	Buyers
12,193	11	547	10

Avg Wkly Fcst	Avg Lead Time	Avg Order Cycle
11.35	37.09	18

Days, Service, Overstock Snapshot

Location: Buyer: VendorName:

[More Filters](#)

DaysOnHandCompany

Stock...
Ot...
\$...

Service_Company

LOST...
Ot...
\$2...

Daily Tactical Action Reports

- 0 On Hand_99% and Above**
High Service Items with zero on hand
- Low Forecast Items with SL Goal 99 and Above**
Low Forecast Items with SL Goal 99 and Above
- Forecast To Demand Report**
Look for items where forecast is outpacing demand
- Lead Times Set to 0 or 1**
Lead Times = 0 or 1
- Service Level Goals below 90%**
Service Level Goals below 90%
- Supplier Order Cycles Set to 1**
Supplier Order Cycles Set to 1
- Buying Mult VS Forecast**
Bubble Graph comparison between Buying Multiple and Forecast to identify items

TIP OF THE WEEK

You should periodically run an OCO on your vendors to keep up with any changes to the vendors volume.

- Since we've been on the system for about 6 months, now is a good time to review your vendors and run the OCO's.

Other reasons to run an OCO:

- New Brands or items have been added to the vendor
- Brands or Items have been lost or removed from the vendor
- New activity or changes in forecasts on several items

When entering a Forward Buy that is specifically for a Price Increase, make sure to choose Price Increase as the Deal Type. If you leave it at the default of Off Invoice, the cost of the item will be changed when it comes over to AX – to whatever you entered as the discount.

Deal Description: Borrowing Rate (%): Purchase Manual Items:

Start Date: End Date: Overlapping Deals:

No Filters Selected

Item(s):

Deal Type: Adjustment Type:

Extra Days to Pay: Adjustment:

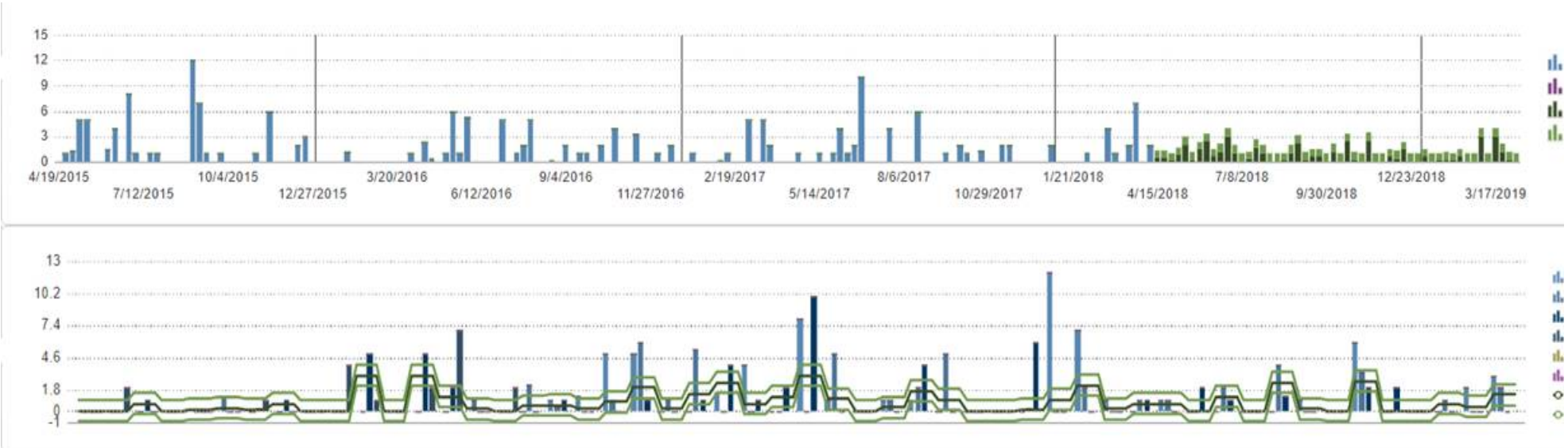
Cost To Use: Base Unit Cost:

Buy Maximum:

Item	Description	Location	Activity Code	Avg. Weekly Demand	Cost Per Unit	Deal Type	Adjustment	Adjustment Type	Days to Pay	Buy Maximum	Days Bought	Units Bought	Increase
Total:													

In most cases, when forecasting a slow mover (less than 5 or 10 cases per week), it's best to not use a seasonal profile. Something that is truly not seasonal should be on a flat line profile. This will allow a greater deviation and keep enough safety stock to cover those occasional spikes.

The example below shows an item that does not have true seasonal activity, and has an average of less than 1 case per week. You will get better results from a flat line forecast:



Forecast (Last Reforecast - 2/12/2018) (Last Manual Update 4/2/2018)

Year	Mar 31	Apr 07	Apr 14	Apr 21	Apr 28	May 05	May 12	May 19	May 26	Jun 02	Jun 09	Jun 16	Jun 23	Jun 30	Jul 07	Jul 14	Jul 21	Jul 28	Aug 04	Aug 11	
2019	0	0																			
2018	0		0	0	0	1	2	0	1	2	1	1	3	1	0	0	2	1	0	0	
2017																					
History	Apr 01	Apr 08	Apr 15	Apr 22	Apr 29	May 06	May 13	May 20	May 27	Jun 03	Jun 10	Jun 17	Jun 24	Jul 01	Jul 08	Jul 15	Jul 22	Jul 29	Aug 05	Aug 12	
2018	n	?																			

Weekly: 0.76
 Weekly: 3.04
 Quarterly:

What gets measured gets done....

A PROCESS TO CREATE MORE MEANINGFUL METRICS

- Overstocks
- Forecast Accuracy
- Weighted Average In Stock / Service Level
- Days of Supply By Buyer
- SKU Count
- Aged Inventory
- Freight CPC

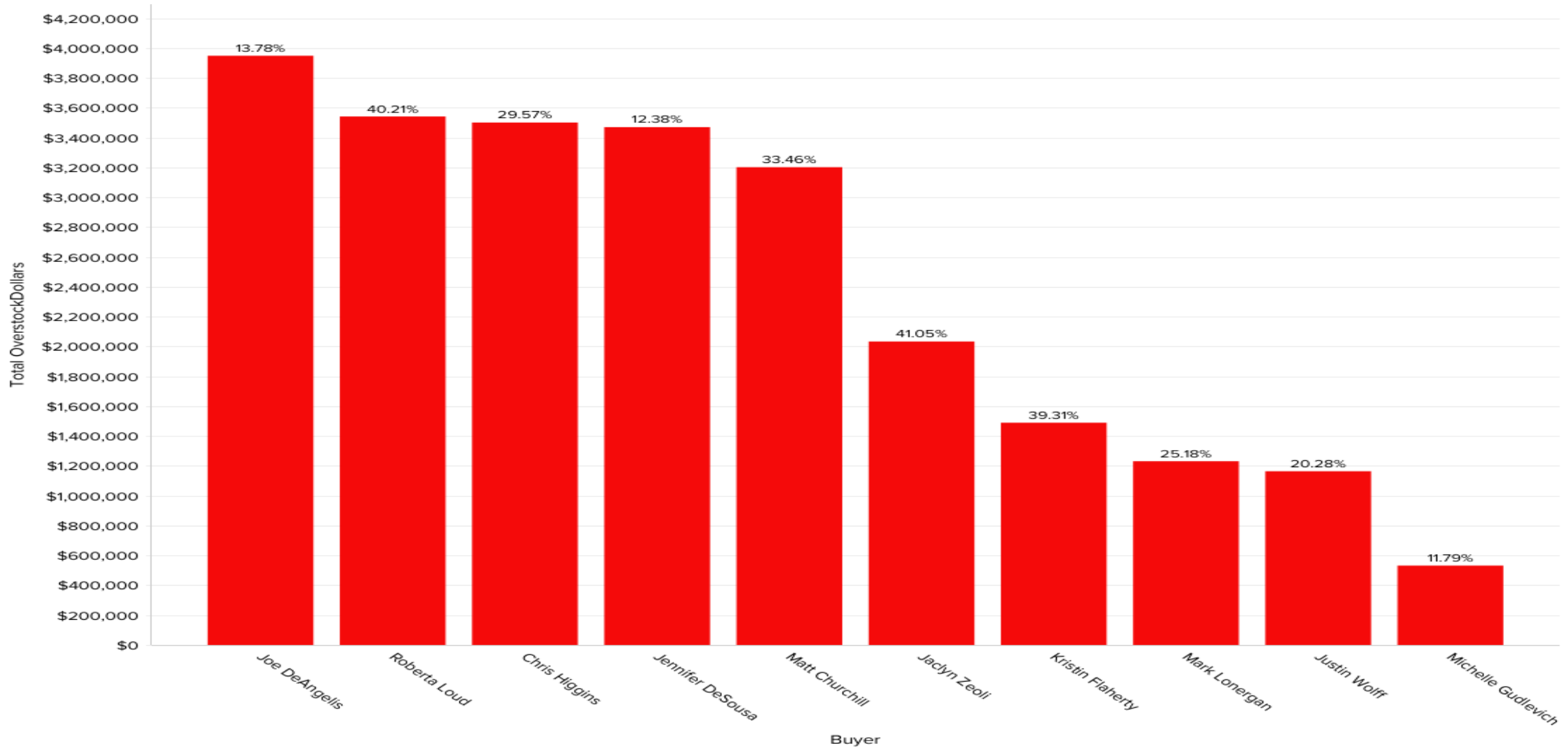
Overstocks

- Current Average Inventory Level is \$115M / 1,100,000 cases
 - Inventory over one year old, \$4M / 27,000 cases
 - Political / Forward Buys, \$8M / 50,000 cases
 - 'Other' overstocks, \$18M / 135,000 cases
 - Current, overstock dollars, \$30M / 212,000 cases 26% dollars /19% cases
 - Overstock Goal / Tolerance Level: \$23M total / 162,000 cases = 20% / 15% respectively
 - Reduce 'other' overstocks by \$7M

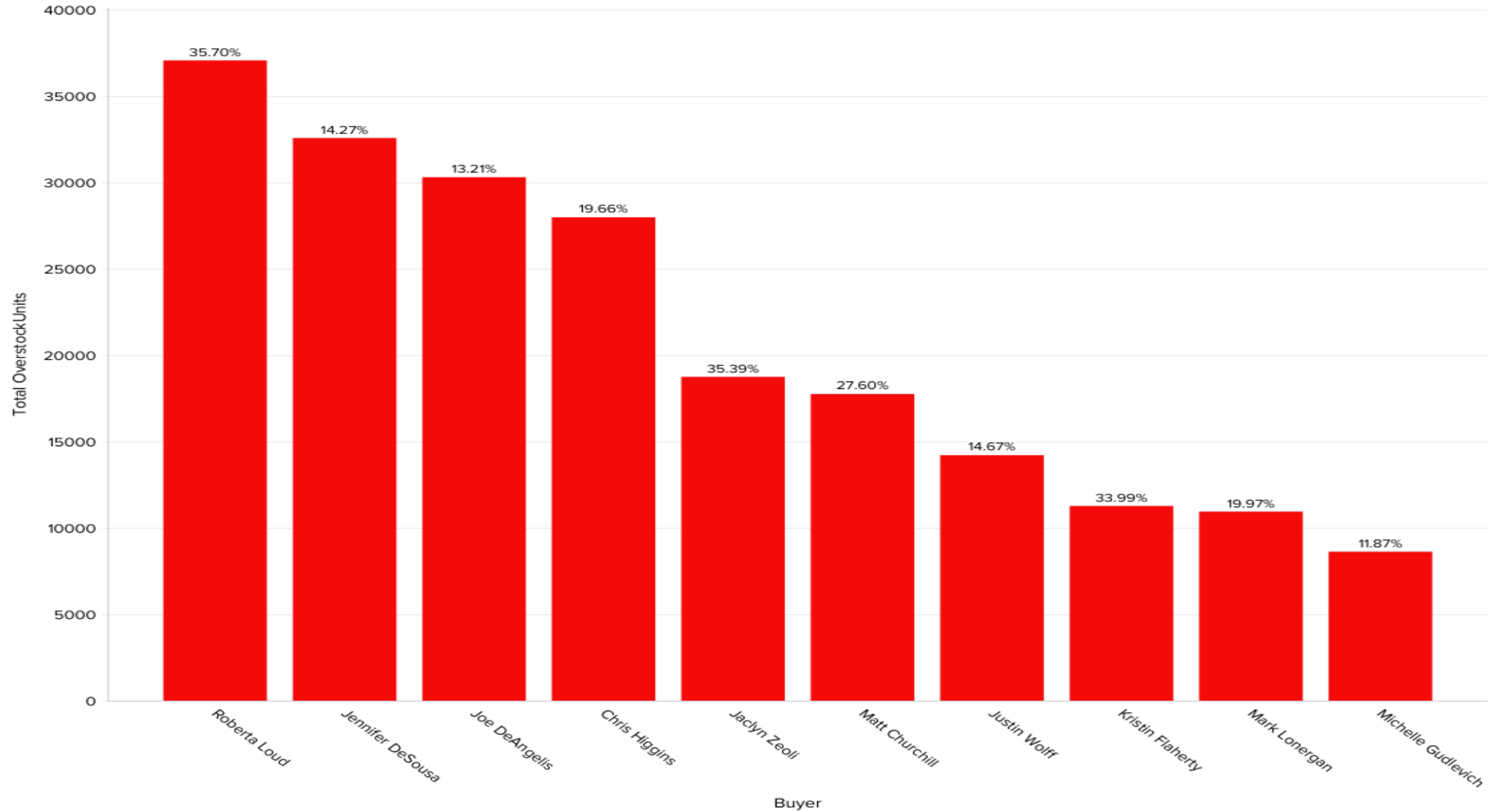
Overstocks

- Sales behind plan by \$11M FYTD / COGS, \$8.5M
 - Demand Forecast
- Components of safety stock:
 - Lead time, Quoted, Total, Deviation
 - Service Level
 - Order Cycle Optimization: Acquisition Cost / Carrying Cost
- Buyers trusting the SOQ
- Buyers ordering earlier than needed / ordering to meet shipping constraints
 - **Managing Pain Points: Out of Stock vs. Over-Stock**

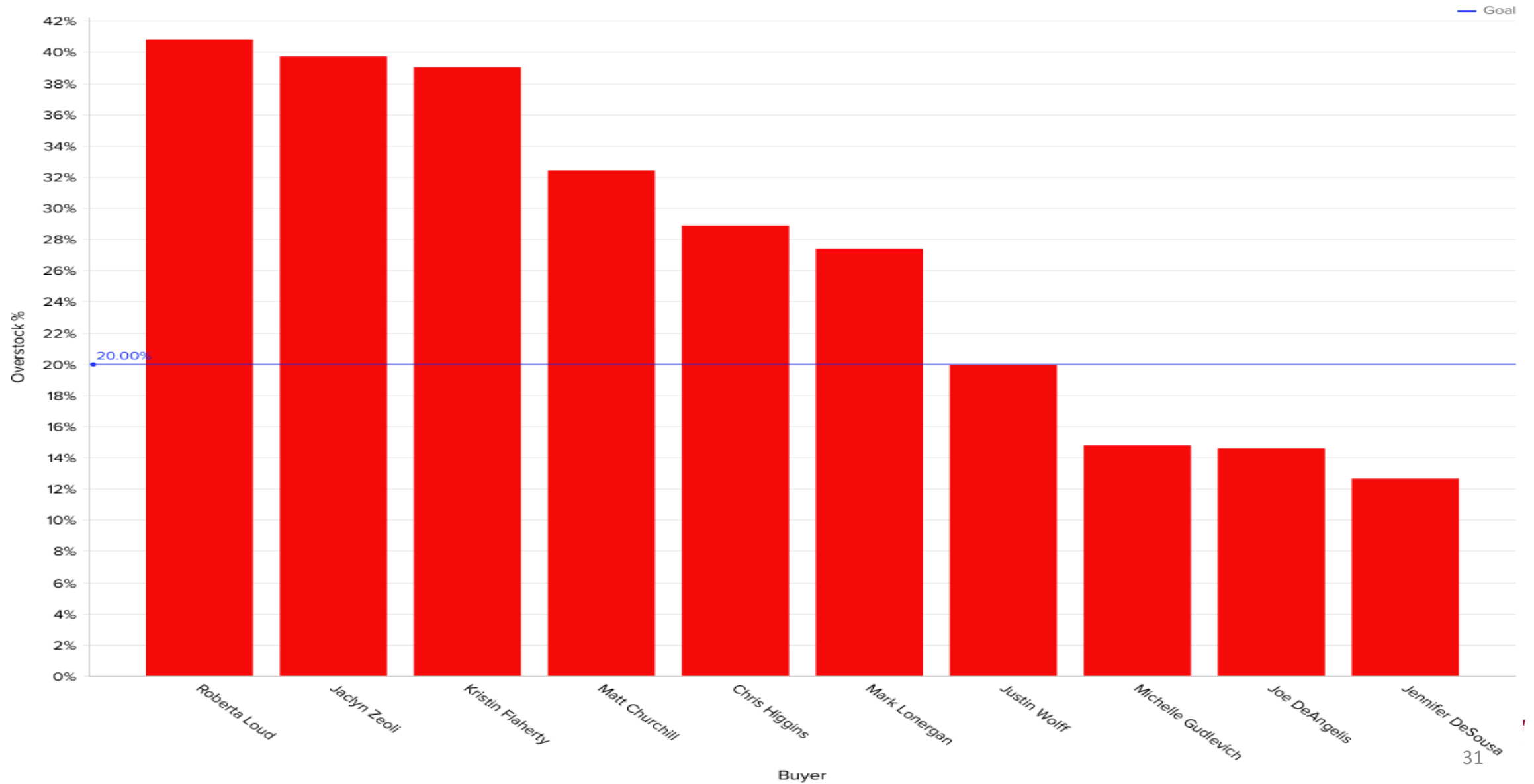
Overstock \$ by Buyer



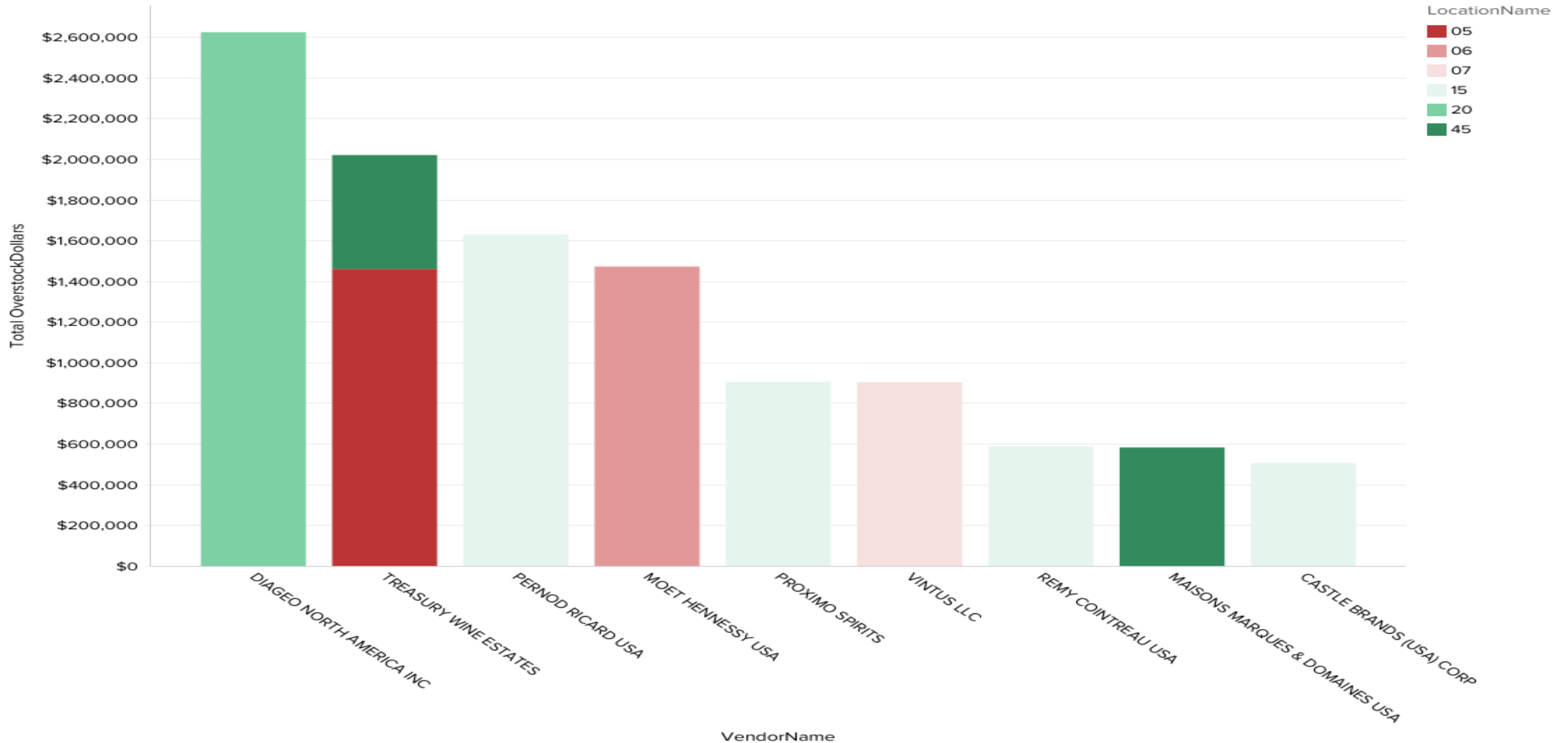
Overstock Units by Buyer



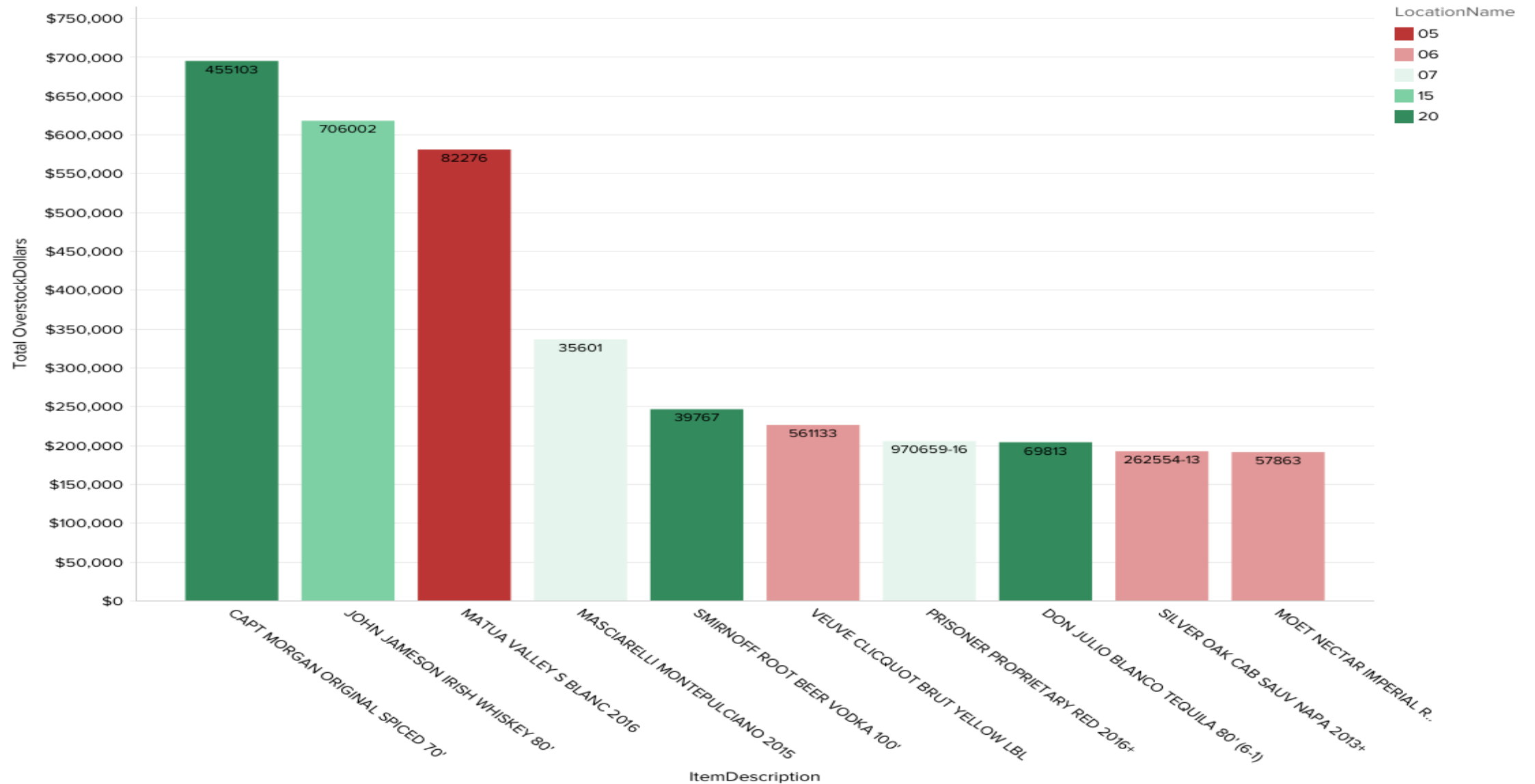
Overstock % by Buyer



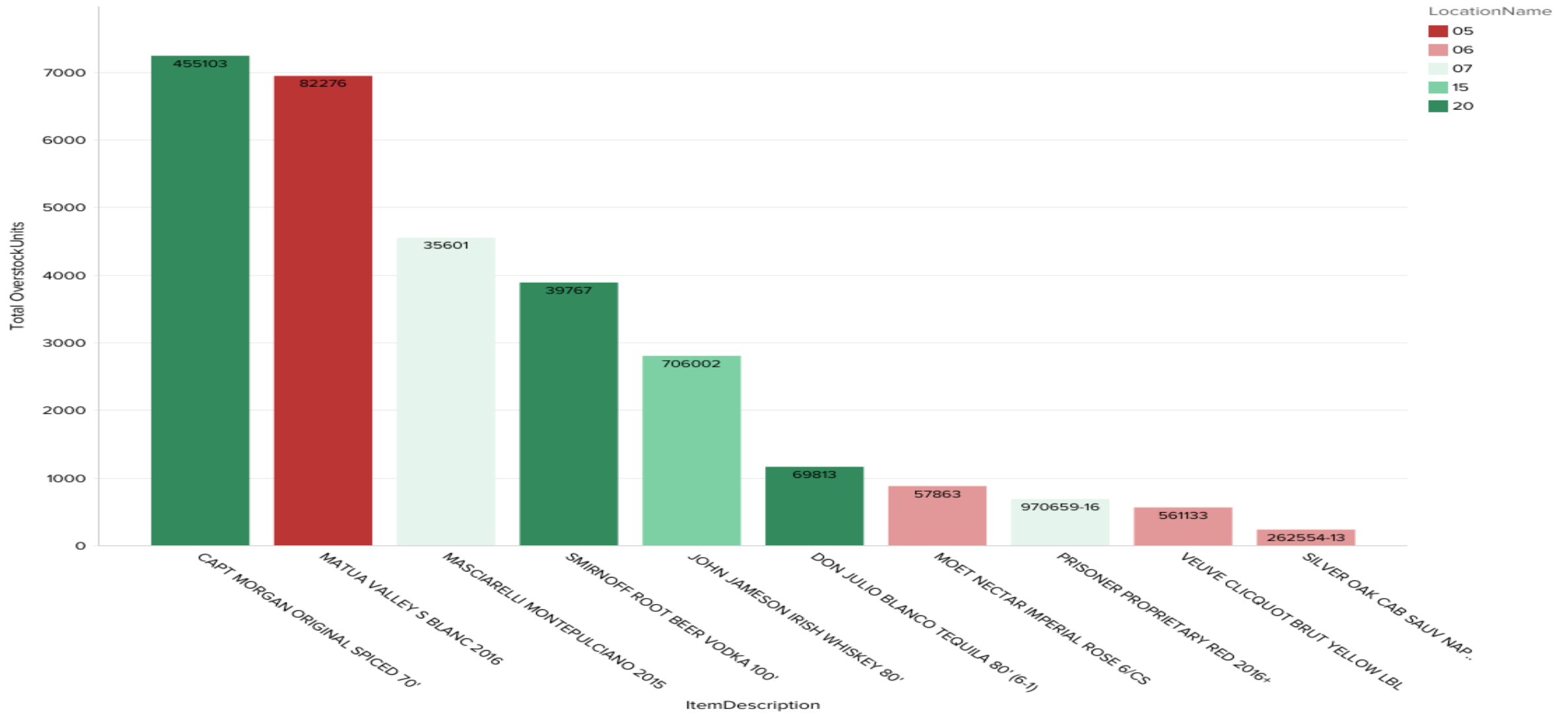
Overstock \$ by Top 10 Vendors



Overstock \$ by Top 10 Items



Overstock Units by Top 10 Items

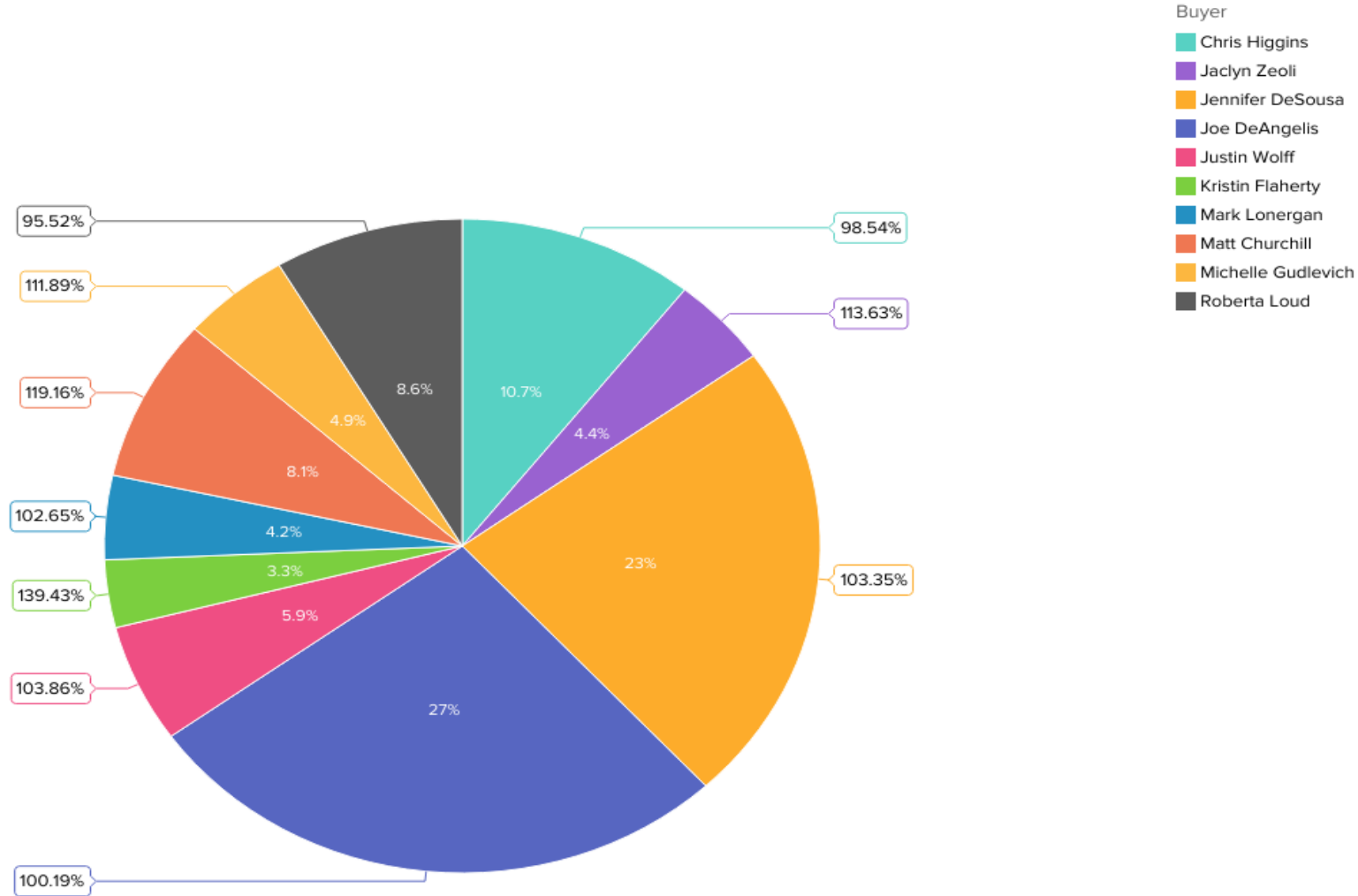


Forecast Accuracy:

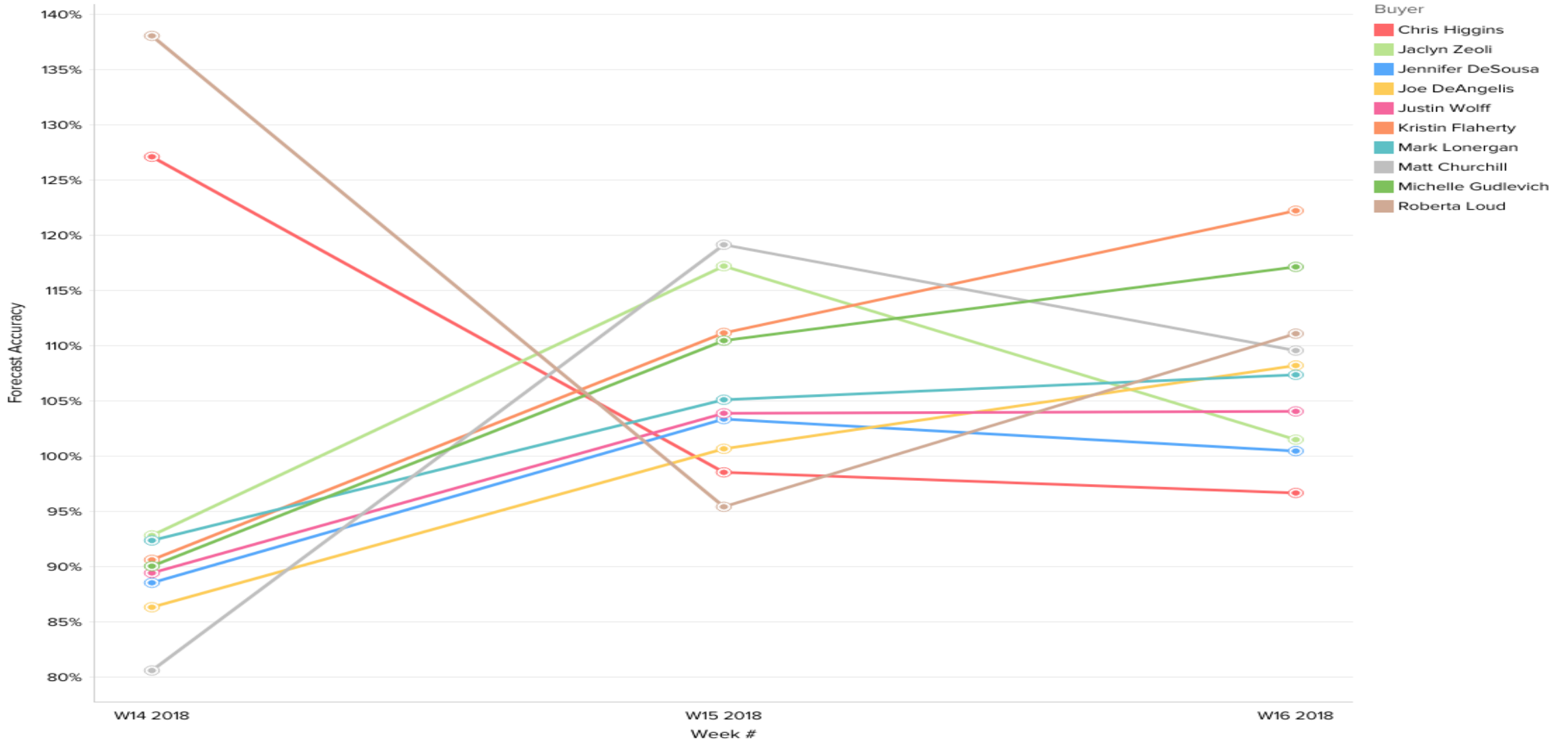
Compares the forecast for last period (one week) to the actual demand.

We want to smooth out the analysis by looking at 4 and 8 week performance as a true measure of our forecasting accuracy. We are still working on a report to use at least 4 weeks of history and average that for Forecast Accuracy. Work in process—3 weeks of data so far.

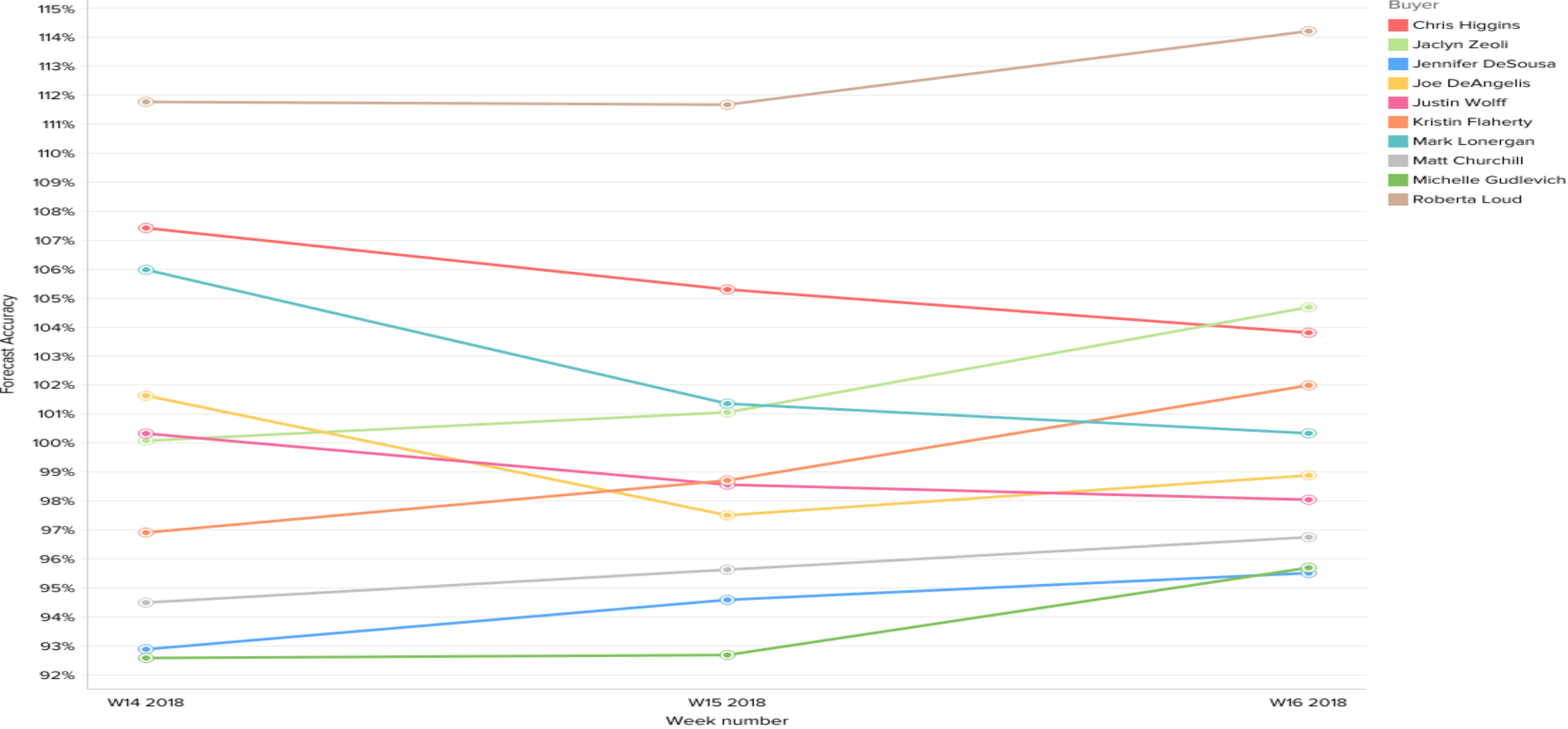
Forecasting Accuracy by Buyer- FA



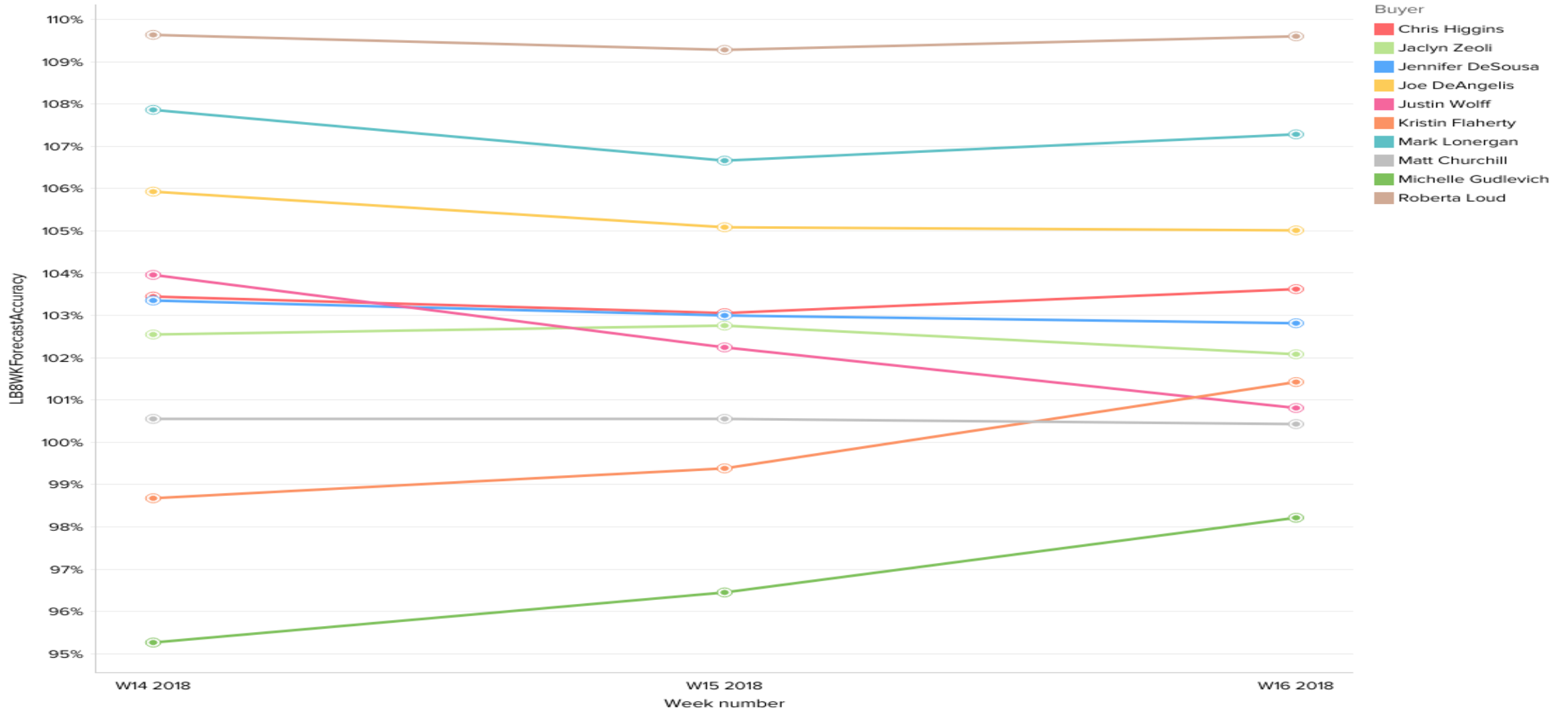
Historic 1 Week Forecast Accuracy



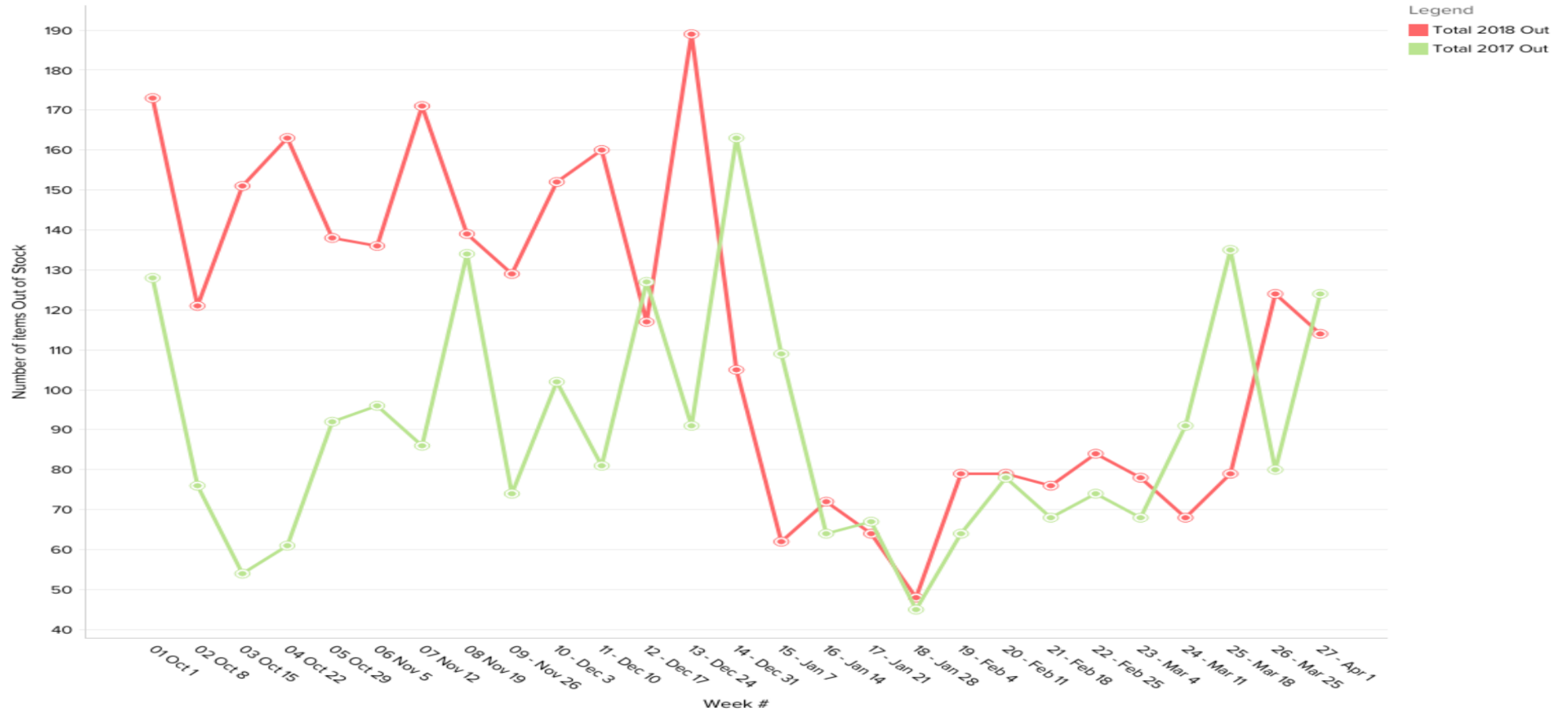
Historic 4 Week Avg Forecast Accuracy



Historic 8 Week Avg Forecast Accuracy

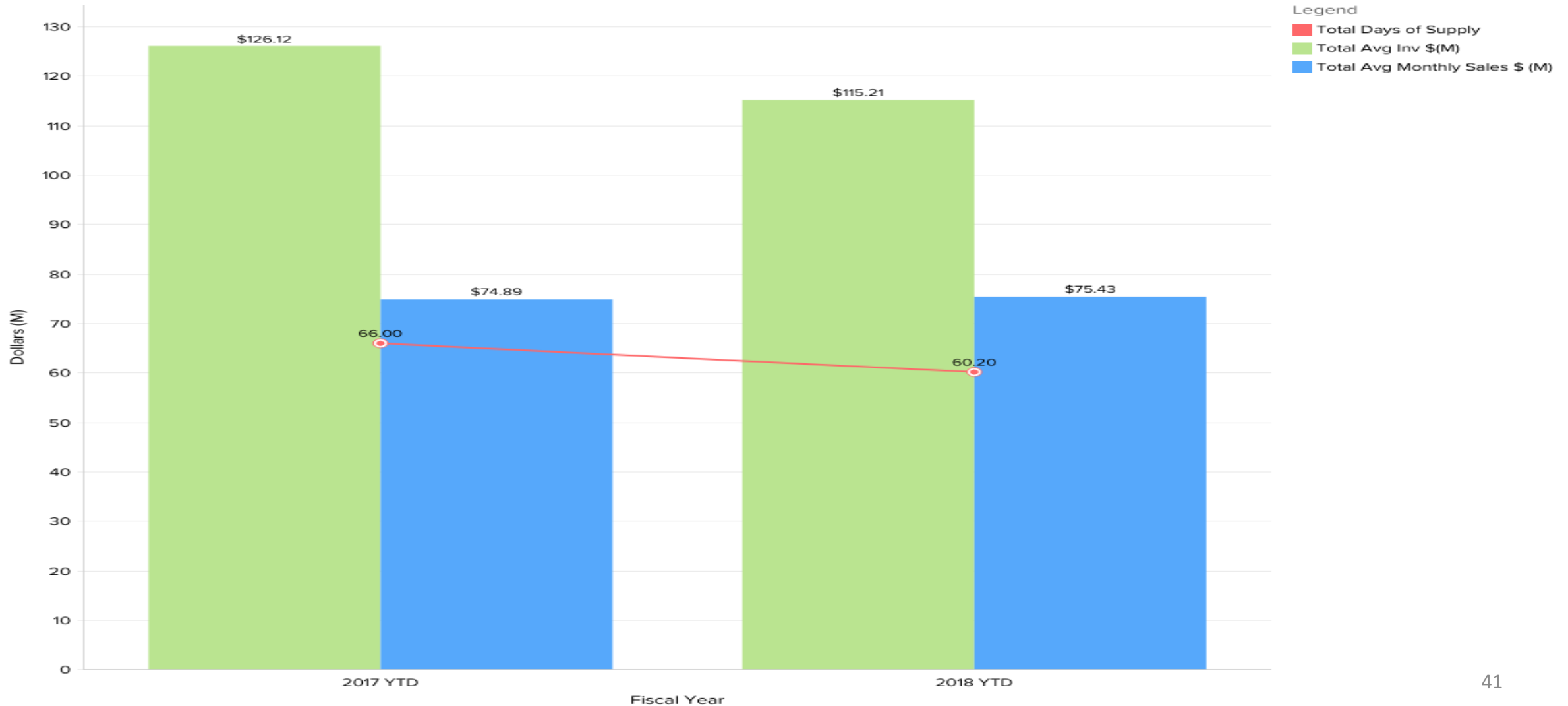


OUT OF STOCK COMPARISON

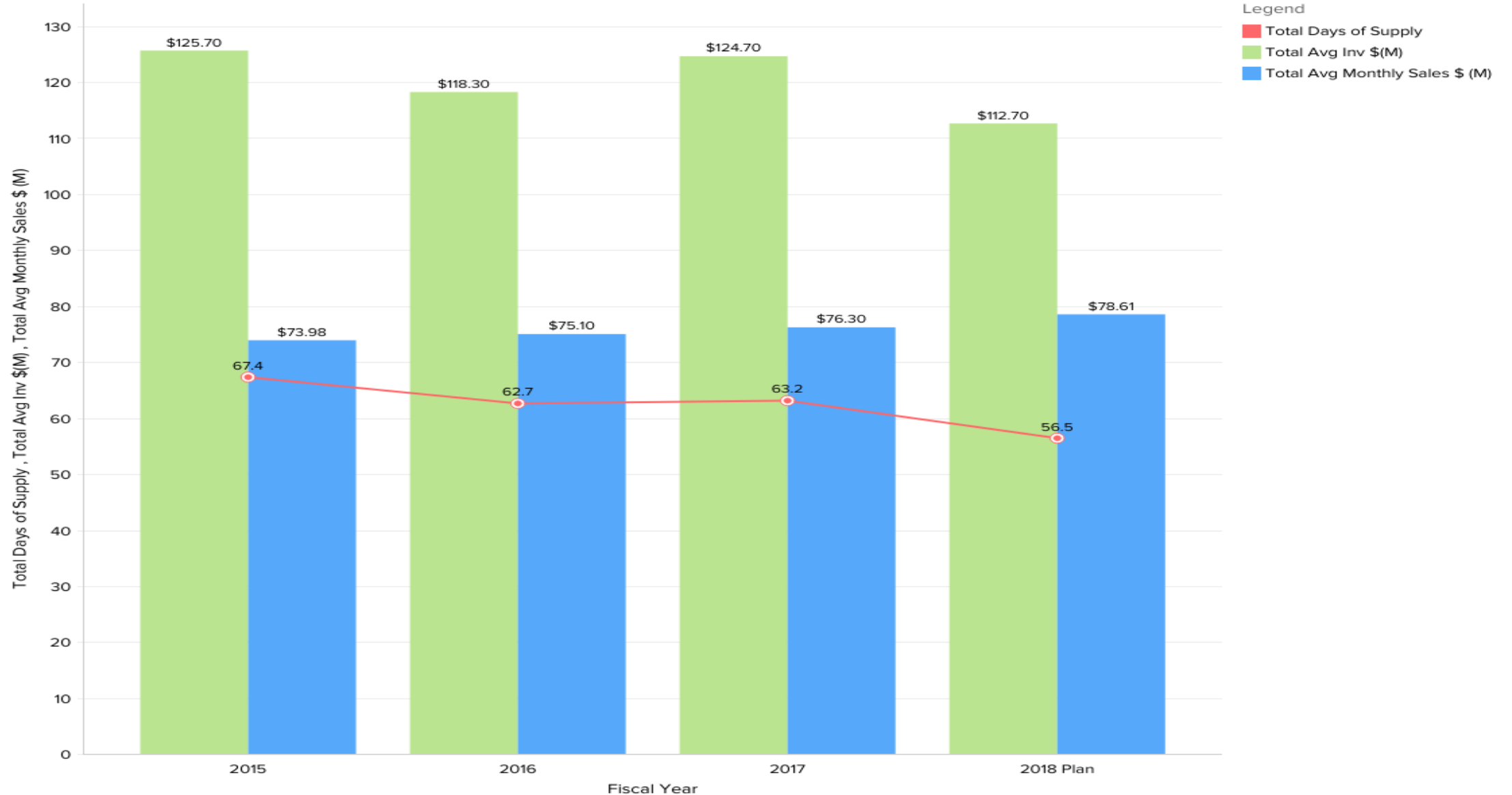


- Weighted Average Service Level—Coming Soon!

DOS comparison YTD through March 2018



DOS comparison with inventory and sales





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