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# Alcohol Distributor Charts New Territory in Industry: Supply Chain Excellence

*A conversation with Gregg Mitchell, vice president of supply chain and logistics at Glazer's Wholesale Drug Co., Dallas.*

*Contrary to what its name implies, Glazer's Wholesale Drug Co. is the second-largest distributor of wine and spirits in the U.S., with a history dating back to 1909. Now operating in 12 states, the company is experiencing rapid growth, both from current customers and through acquisitions. Glazer's recently implemented a supply chain visibility and event management solution from Management Dynamics, East Rutherford, N.J., to achieve better visibility to inbound inventory and a better understanding of supply variability, leading to fewer stock-outs. Glazer's also is using Management Dynamics tools to collaborate with suppliers, an innovative initiative in the strictly sectored wine and spirits industry.*

**Q:** Can you give us a profile of Glazer's and its supply chain? The company's name is a bit deceiving.

**Mitchell:** It's an interesting story. Following prohibition, FDA regulations said you could not sell alcohol unless you termed yourself a drug company, so that is the reason behind the name. Glazer's goes all the way back to the early 1900s, but it wasn't until after prohibition that it got into the wine, spirits and malt business. Since then the company has grown dramatically, especially over the past six years and it is now about a \$3bn business. This growth has come organically and also through acquisitions.

An interesting thing about this industry is that it is regulated by the 21st Amendment and, generally, it is organized into three separate tiers: makers of alcohol, who cannot distribute or retail product; distributors, which is where Glazer's fits, who cannot make or retail product; and retailers, who cannot distribute or make product. So the three-tier system basically is established by regulation. The top tier is the maker, the second tier is the distributor and the final tier is the seller, and these have to remain segregated. There can be no vertical integration.

Now think about coming into this established system with a supply chain background and attempting to initiate supply chain collaboration.

It's not easy! As I went around and talked to different vendors and our retailers, I found collaboration to be pretty much non-existent. And that is because of this segregated, three-tier system. I reached out to our top vendors and we created some collaboration models, but I knew very early that we would have to first put some technology tools in place. We really had no reliability of information or visibility of product movement, which is why we needed tools like Management Dynamics.

**Q:** Are most of your products imported?

**Mitchell:** We do bring in products from all over the world—wine, spirits and beer. But another complicating factor is that we have to treat our business in each state differently. Each state has its own ordinances and legislation. So we can't just build a DC in Oklahoma and make that a regional hub, because we have to be careful about crossing state lines—that's bootlegging. As a result, we have 42 distribution centers in 12 states: Texas, Oklahoma, Kansas, Missouri, Iowa, Illinois, Indiana, Ohio, Arkansas, Louisiana, Mississippi and Arizona. These serve major retailers all the way down to mom-and-pop package stores. In some of those states we manage our business holistically. In others, we have partnerships with other distributors—just to keep it complex. We import product from all over the world, as far away as Australia. And we also purchase a lot domestically, particularly from the Napa Valley in California. Our product moves by rail and truck on land and by vessel. We do no airfreight.

**Q:** What were the primary issues you wanted to solve when you went shopping for a software solution?

**Mitchell:** Well, there was not a lot of reliability or visibility to our product movements on the inbound side. We are very good at delivering to our customers. Once product enters our distribution centers, our outbound processes to the customer are very sound. But what I saw when I came to the company, and I confirmed this with my team, was that we



lacked reliable information and reliable delivery of product inbound. We had inconsistent procedures and inconsistent tracking capabilities. While many of our vendors had tools where we could go and see where our orders were, each vendor's tool was different and required us to go out and do our own customer service. So it put us in the mode of fighting fires. If we were running low on product and our fill rates were being impacted, it was difficult to know where our product was in the pipeline.

This was causing us to lose sales. So we really needed to improve our in-stock positions and, ultimately, improve our inventory positions to support the growth of our vendors' brands, because these vendors have very strict sales targets. Also, our safety stock was incredibly heavy as a result of the lack of reliability and timeliness of information.

So we said, let's get an automated shipment visibility tool that will give us the ability to see where our purchase orders are as they move through the supply chain and then we can manage the exceptions. We also needed a way to measure key performance indicators on product movement and we really needed to reduce inventory cycle times so we could support our in-stock strategy.

We implemented a solution from Management Dynamics and we already have seen significant changes, particularly in reducing safety stock and increasing inventory turns. But we also are better managing our vendor relationships and have better information than ever before, when we had no connection between our supply chains. There was a connection from sales team to sales team, but no connection of supply chain to supply chain. Now, we have gone out to our major vendors and have connected our supply chains from a relationship standpoint. The next step is to be able to connect our supply chains systemically, wherever possible.

There is a trust-building issue here. This is the first time that we as an organization have gone out and worked to connect supply chains and it is also new to this industry, so we are building relationships first. I think we have done that very effectively and this year will be about sharing information.

**Q:** How did you decide that Management Dynamics was the right partner for you?

**Mitchell:** We started out by looking at about 20 vendors. We narrowed that list

down to a top three and had each of those companies come in and present to us and show us what their capabilities were using our information. We decided that Management Dynamics's tool had the flexibility that we needed in our business.

**Q:** To get the visibility that you want, do you need information from both vendors and carriers?

**Mitchell:** Yes. While we control the movement on about half of our inbound product, our vendors move the other half. So we went to our top five vendors and our top five carriers and sat down with each of them independently. We expected a little resistance, but we really got none. Everybody was delighted to have this kind of visibility. They were delighted to know for themselves and to get confirmation of where their product was.

Basically, with Management Dynamics we have been able to take the information in all of those tracking tools provided by our vendors and bring it into one format so we can have visibility with one look. That is a tremendous change for us. Another big advantage is that if there is a change in the status of an inbound order, the Management Dynamics tool talks to our AS400 and upgrades the purchase order in our system.

Management Dynamics also is great at onboarding our vendors. They contact the vendor's IT team and set expectations for the transmissions, letting them know what needs to occur and when. They work through all of that on our behalf. And they work with our IT department to ensure that all the data get into our AS400 system.

**Q:** Do you have any quantifiable results as yet that you can share?

**Mitchell:** We have reduced our safety stock so far by about 20 percent, and that is just coming out of the gate. To be honest, though, we had way too much, so there was low fruit to be picked. Now it is about being strategic and determining the right amount of safety stock that will let us run lean, but not too lean. Our safety stock is based on two variables—forecast variability and vendor or delivery variability. So now we are measuring those and trying to get the right balance.

It's great because we are now able for the first time to measure the supply chain end to end. We are measuring our vendors' reliability and on-time performance, our

carriers' on-time performance, our ability to fill to our customers, our inventory turns, our cost of running our network, and personnel metrics regarding retention and safety. I don't think there is another wholesaler or distributor in this industry that is doing this, so we feel like we are on the leading edge. I say that comfortably because in sitting down with our major vendors, we are getting rave reviews.

So far, we have seen our on-time reliability move from 45 percent to upwards of 88 percent. There are two reasons for that—one, we have better information; two, we are able to have the discussion with carriers and vendors. Also, our fill rates are better than ever.

For the next 12 months we will really be pushing delivery reliability, which is really more important than the actual number of days in the cycle, which could be 28 days or 90 days, depending on the origination point and the vendor. But more importantly, if it is going to be 28, don't tell me it will be 20. So in sitting down with vendors, we have been saying, "Don't expect me to write purchase orders to a 20-day lead time when historically I see you are delivering in 30 days. We want to support your brand growth but we can't do it if we don't have the product." So we are focused right now on reliability factors and getting better at cycle times—that is foremost.

We also will be focused on the back of the house, improving inventory turns and lowering the cost of running the business. We need to take a second look at our current network. We have just completed a capacity assessment and now we will start evaluating our entire network, inbound through outbound, trying to determine the right formulas for each state.

Strategically, it feels like we have put some pretty neat things in place. Again, supply chain management in this industry is still new. I have met with major vendors and have yet to see any company that really recognizes the importance of the supply chain, due to the regulatory divisions and the sales-oriented nature of this industry. You don't have to be a supply chain leader to survive, but you do if you want to be the best. At Glazer's we have recognized the supply chain as a competitive advantage. ○

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