Arcadia Beverages
Private Label Beverage Manufacturing Company

The Opportunity: An investment company had an interest in acquiring a private label beverage manufacturing company, specializing in juices and teas, located in the Southeast part of the U.S. The investor engaged Brightwater to provide an assessment of the company's key business processes and IT operations in order to make recommendations regarding the areas of investments and costs that would be required to support the investor's three-year strategic growth strategy.

Background: The company was a $100 Million family owned business that had started out in 1931 as a dairy bottling and delivery business. It had grown, organically, over time and had done a good job of responding to changing markets and demographics eventually moving completely away from the dairy business to non-carbonated juices and teas. The leadership of the company was comprised almost exclusively of multi-generation family members. Few, if any, of those family members had formal business management or operations experience. The continued shift in the industry away from carbonated drinks to water, juice, and teas represented favorable opportunity for expansion and growth. The lack of business management and operations knowledge and experience that was required to plan for and make the necessary changes as well as the requisite funding were key underlying factors that led to the potential interest by the company in selling to a third-party entity.

The focus of the engagement, then, was on the soundness of the basic operation, assets, changes, and investments that were required to achieve the three-year strategic business plan. One of the biggest considerations was the risk involved in transitioning the relationship with customers from the family to a new ownership entity largely unknown to these customers.

Work Performed: There were two primary areas of focus – Core Business Processes and Information Technology.

<u>Core Business Processes</u>

Conducted a series of detailed interviews with functional leads and key operational staff for the key business processes (Order Management, Purchasing, Productions Scheduling, Quality Assurance, Maintenance, and Shipping/Receiving) to gain a full understanding of current state operations. Analyzed and documented the information for current state as well as best practices future state (strategic operation) that would support the investor's plans.

- Deliverable – A set of function-based process maps that described the current state operations and the future state to support the investor's business plan. Each map contained the process, sub-processes including Goals, Risks, Inputs, Resources, Systems, Outputs, and Processes directly or indirectly impacted. A deep-dive was performed for the highest risk area-Quality Assurance (e.g., FDA Compliance, Local health Codes, Organic and Kosher Certification with emphasis on batch sampling, retention, and recall procedures).
- Findings:
    - The basic assets (buildings, bottling lines, warehouse storage) were good to excellent and it was clear that the company had not cut corners in these areas.

- There was excellent capacity to handle the planned growth, however, this would require consistently running more than the existing one shift per day. This brought risk associated finding proper resources in a very tight labor market as well as significant increase in the demand placed on equipment.
    - There was no effective maintenance process in place to handle even the existing shift maintenance. Line disruptions were common.
- There was little emphasis on or even understanding of planning and purchasing which resulted in several shortages per week in core ingredients and packaging materials. This ultimately led to a significant number of short ships to customers.
- There was no formal HR process with little to no documented policies and procedures.
- There was very little documentation and established quality control and recall practices which represented perhaps the single biggest risk to maintaining certifications including Kosher.

Information Technology Assessment

The IT assessment identified the areas of improvement needed to support the business plan with recommended actions and costs. It also provided the foundation for developing a comprehensive IT Strategy to support the implementation and operation of IT to enable the investor's business plan if the acquisition was made. The work was performed using Brightwater proprietary tools that have been previously developed and successfully used with several companies operating in multiple verticals.

- Deliverable – A written set of recommendations that covered what will remain unchanged, what needed to be changed, what those changes needed to be and the recommended priority and estimated costs to implement and operate once implemented. Several areas of improvement were identified.
- Findings:
    - There was no manufacturing system installed that would provide the requisite real-time information and control. A manufacturing specific ERP would need to be implemented to support planned growth.
    - The 'data center' was a poorly designed server room lacking effective cooling, power supply, redundancy, and backup.
        - The entire 'data center' would require a major redesign and capacity increase to support the ERP and planned business growth. This would largely be driven by the specific ERP selection (e.g., on premise or cloud based, or a hybrid).
        - The recommendation was for on-premise in order to support the speed required for high volume bar coding associated with bottling lines and warehousing.
    - The LAN/WAN environment was significantly lacking in terms of speed and reliability. It would not support the operation of the ERP and, in particular, the requisite bar code scanning process for inventory management and control. The LAN/WAN environment would require major redesign and capacity increase to support planned growth.

- New business function software would be needed to better operate as a business entity which included Marketing, Sales, HR, and Legal.
- The IT support staff was insufficient for even current operations being provided by a part time, contract resource. There would need to be an actual IT department with permanent staff sufficient to handle the 'data center', LAN/WAN, Desktop support.

Outcome: The detailed recommendations provided by Brightwater were instrumental in the buy decision by the investor. Feedback was received that we had done a thorough job and had delivered a detailed blueprint for success. As a result of this, Brightwater was engaged to select the ERP, oversee the development and implementation of it and all IT changes and improvements, as well as the enabling processes directly associated with the ERP. The business has enjoyed a 50% growth over the first two years of operation by the investment group.