

PRINCE MICHEL VINEYARD & WINERY



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Vineyard & Winery

EXECUTIVE SUMMARY

COMPANY:

Prince Michel Vineyard & Winery
www.princemichel.com

OWNER:

Kristin S. Holzman

INDUSTRY:

Wine producer/manufacturer and retailer

BUSINESS CHALLENGE:

- Improve inventory accuracy
- Reduce stock outs
- Produce timely, accurate cost-to-manufacture information in-house
- Alter part and product numbers while retaining history
- Interface to QuickBooks, including “class” for business line analysis
- Identify product and customer segment margins to improve profitability

PRIMARY BUSINESS CHALLENGE:

The business was running blind from both the operational and financial perspectives.

SOLUTION:

- Fishbowl Inventory with Manufacturing, with adoption of standard costing

RESULTS:

- Inventory adjustments reduced from 12% to 2%
- Decrease stock outs from approximately semimonthly to non-existent
- Timeframe for cost to manufacture calculations changed from 6 months AFTER year-end, to immediate upon completion of manufacture, and with standard costing are 10% more accurate
- Part and product numbers are now changed as needed, due to Fishbowl’s descriptive approach with underlying system numbers without loss of history
- Able to stay with QuickBooks, with improved understanding of business line profitability
- Outside accounting firm no longer performs cost calculations—\$25,000 annual savings
- Under previous system, reliable margins by product and by customer segment were both unavailable; with Fishbowl these are standard; these features directly contributed to improving net income by 17% and cash flow by 40%

Fishbowl® helps Prince Michel flow from crisis management to informed pricing, production planning, and sales fulfillment.

Prince Michel Vineyard & Winery, one of Virginia’s oldest and largest wine producers, was established in 1982. The headquarters contains a manufacturing facility as well as a retail tasting room and gift shop. On average, roughly 300,000 bottles of wine are produced annually. The company was purchased by the present owners in mid-2005. After two years of frustration with the information being presented by QuickBooks, in late 2007 the owners brought in a new chief financial officer (CFO) to address the situation.

Business Challenge

As of late 2007, the systems supporting the business were inadequate. A portion was directly attributable to QuickBooks’ weaknesses regarding multiple warehouses and bill of materials. These shortcomings were compounded by procedural problems. For example, all manufacturing inventories were expensed upon purchase, then looped back (via manufacturing charge-out) to cost of manufacture at a later date. This practice, in combination with a number of other work-arounds and estimates, eventually produced meaningful financial statements months after the year was over. Additionally, due to the nature of some of the work-arounds, at times cost of goods was not assigned at the item level, hence margin reports contained inaccurate information. Overall, the major business challenges included:

- *Increase inventory accuracy*
- *Reduce stock outs*
- *Produce timely, accurate cost-to-manufacture information in-house*
- *Alter part and product numbers while retaining history*
- *Interface to QuickBooks, including “class” for business line analysis*



French oak barrels used by Prince Michel

- *Identify product and customer segment margins to improve profitability*

Kristin Holzman, owner, noted, ***“We were running blind from both the operational and financial perspectives. Not only was it frustrating to not know what our most profitable products were, it was embarrassing to run out of product or short-ship.”***

The Solution

In early 2008 the new CFO issued a request for proposal to approximately 10 commercial software vendors, ultimately reviewing the capabilities of QuickBooks, Microsoft, and various industry-specific software providers. After a month of reviewing and seeking clarification on the responses, as well as viewing demonstrations of the offerings, it was tentatively determined that the right solution had not emerged. Shortly thereafter, Prince Michel became aware of Fishbowl, and after further evaluation determined the right solution would be QuickBooks linked to Fishbowl Inventory with Manufacturing. After a

fairly brief testing and training period, the conversion to Fishbowl was made in late June 2008.

The bills of materials are constructed with a combination of inventoried items (such as bulk wine, bottles, and corks) and standard overheads (such as labor, additives, and depreciation), thereby determining cost to manufacture as soon as the work is complete. Additionally, the ability to have hierarchies of parts enables Prince Michel to do large lots of a given wine, and later apply special caps or labels for specific customers under different part numbers (this enables a reduction in inventory while avoiding crises). The ability to use multiple warehouses, both physical and logical, has been perfect for improving inventory accuracy. To top it all off, Fishbowl was implemented without hiring a consultant and with relatively little training. The training videos were certainly of value, but credit also goes to the intuitive nature of the Fishbowl approach to processes.

The Results

In many ways, today Prince Michel is a different company. For example, pre-Fishbowl the winemaker maintained part inventory on spreadsheets and monitored finished goods inventory by “keeping an eye out” for large movement. Stock outs and delayed shipment were common. With Fishbowl, through the application of reorder points, as well as the allocation of pending sales to inventory calculations, a reorder report is generated weekly to guide production planning. Pre-Fishbowl, there were no reliable reports on product margins, and in some instances the margins by customer were unreliable, as well. With Fishbowl, product and customer margin reports are reviewed routinely and with confidence. In brief form, Fishbowl was able to help Prince Michel:

- *Improve net income by 17% and cash flow by 40%*
- *Save \$25,000 annually by eliminating the need for outside*

accounting firm cost calculations

- *Reduce inventory adjustments from 12% to 2%*
- *Save over \$10,000 annually by decreasing stock outs from approximately twice monthly to non-existent*
- *Reduce timeframe for cost to manufacture calculations from six months AFTER year end to immediately upon manufacture, and increase accuracy by more than 10%*
- *Easily change part and product numbers as needed (due to Fishbowl's descriptive approach that incorporates underlying system numbers)*
- *Avoid replacing QuickBooks*
- *Improve understanding of business line profitability through Fishbowl's use of the QuickBooks "class" which provides a third "look" to go along with product and customer margins*

One of the best stories is this: Late each year, Prince Michel meets with its four largest customers, always asking, **"What can we do to serve you better?"** At the time of those customer meetings in 2008, when the benefits of Fishbowl were just beginning to be realized, the common response to the serve you better question was, **"Have reliable quantities on hand. We can swallow price increases a whole lot better than not having something to sell."** In the

2009 customer meetings, when asked specifically about inventory problems, the across the board comment was, **"Inventory availability is no longer an issue."** Talk about a priceless response!

Kristin Holzman, owner, stated, **"Fishbowl played a key role in moving Prince Michel from crisis management to informed pricing, production planning, and sales fulfillment. From a systems and knowledge perspective we are so much better off than we were on QuickBooks alone."**

About Fishbowl

A private company based in Orem, Utah, Fishbowl and its cornerstone product, Fishbowl inventory, make it possible for every small to mid-size company to have the level of flexible and mobile inventory control solutions large organizations enjoy. Since 2001, Fishbowl has become the #1 requested inventory solution for QuickBooks. For QuickBooks users, the flexible and cost-effective combination of QuickBooks and Fishbowl can grow along with you as your company grows. Fishbowl Inventory 2010 is available from www.fishbowlinventory.com and from a growing network of VARs and online channel partners throughout the U.S. and Canada.

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