

UK Craft Beer Import Pioneer Cave Direct Conquers Brexit Taxes, Edges out the Competition with Acumatica

OVERVIEW

Cave Direct Inc. imports craft beers from all over the world and distributes them to 2,000 UK pubs using its own fleet of trucks. Tired of its legacy Sage system crashing and lacking inventory visibility, the UK-based company implemented Acumatica Cloud ERP. Acumatica's flexibility allowed Cave Direct to consolidate inventory across multiple companies and branches, and further develop its eCommerce strategy through seamless integration. Acumatica also made it easy for Cave Direct to automate and simplify complex calculations for imports under new Brexit import laws, giving it a major competitive advantage.

KEY RESULTS

- Gained a modern cloud platform with real-time, live inventory, increasing stock visibility
- Created a dynamic business process to handle keg deposits and returns, and operate in a multi-currency environment for ease of operations Acquired futureproof application allowing it to grow revenue by 20 percent annually, resuming revenues at pre-Covid levels
- Pivoted effortlessly during the Pandemic consolidating 4 warehouses selling to the trade, to one (and back, as desired) while beefing up online consumer sales
- Obtained a flexible business solution to effortlessly navigate new Brexit taxes and implement automatic tax and fee calculations plus import documents, providing a competitive advantage

CHALLENGES

Cave Direct began as a hobby in 1979 when Bryan Gilhespy decided to import craft beer from Belgium and brewers all over the world. Many of those beers were very hard to find in the UK. Soon, the hobby grew into a full-fledged business that required Gihespy's wife and two children, Colin, and Louise, to help it run. For years, Cave Direct posted annual growth rates of 20 percent or more.

Now 43 years later, Colin Gilhespy and Louise Smale run UK's largest craft beer distributor offering 600-plus craft brews from global suppliers to some 2,000 pubs. They also run a 300-seat East London bar, bottle shop, and blender that opened in 2018 to showcase new beers to various pub executives.

For several years, Cave Direct has been named to the London Stock Exchange's 1000 Businesses to Inspire Britain. The honor celebrates the most dynamic small and medium-sized companies in the UK.

To offer the best service to its customers, Cave Direct operates its own fleet of delivery trucks so it controls its own logistics. As part of its delivery services, the company offers new taps and tap tubing, and rents kegs by collecting a deposit that is later returned when the keg is changed out. Cave Direct also handles bottle deposits and returns.

Legacy Sage System

The family-owned-and-operated business ran on a legacy Sage system that later in its life crashed its servers. They tracked the inventory of 600 craft beers stored at four warehouses on spreadsheets, which proved difficult. Data was always a month old, says Colin Gilhespy, managing director. The inventory spreadsheets were not connected to the financial reporting system, so someone had to manually enter information into both applications.

"We were using Sage 50 for 20 years," says Louise Smale, director overseeing Cave Directs' finance and technology functions. "The amount of data we had on it just kept crashing it, so we knew we had to do something. Director Neil Kitching was dead keen on setting up online ordering options, so we needed to find a way to facilitate that. Sage 50 would not do that."



Company

Cave Direct Inc.
www.cavedirect.com

Industry

Distribution: Craft Beer Importer serving 2,000 pubs

Number of Employees

Approx. 80 full time employees

Location

United Kingdom

Products

Acumatica Distribution Edition with:

- Financial Management
- Inventory and Order Management
- Skynamo Mobile Sales App for Acumatica
- Magento e-Commerce Store Integration

Customer Social Sharing Details



www.facebook.com/cavedirect



www.instagram.com/cavedirectuk



www.twitter.com/cavedirect



www.linkedin.com/company/cave-direct-ltd

Partner Details



Arcus Universe
www.arcus-universe.com

The legacy financial system also wasn't flexible enough to handle Cave Direct's specials list, Gilhespy adds. "Every month I'd have to manually take out anything that we sold otherwise it would be 300 pages long."

Sage had limited reporting options so when Gilhespy needed to view data in case quantities, he had to manually update a spreadsheet, which was quite a complicated process.

Each of the four warehouses was considered a different branch and accessing the data meant Smale had to dial into each branch's VPN to retrieve needed data.

Because inventory was kept on spreadsheets, Cave Direct's sales team lacked inventory visibility, which complicated their ability to sell to customers and often lengthened the time it took to sell the craft beer.

"For us, it was just a nightmare trying to keep on top of it from a sales perspective because you never knew what's coming in," said Laurence Smale, head of sales. "We have as many as 50 new craft brews arriving each week and it was difficult for the sales team to know which warehouse held that stock or whether it was already sold out."

After landing a sale, "then you go to process the order," he says. "They put it in the system, but sometimes it's out of stock. Then you go back to the customer and must recommend something else. Then that special might be out of stock. So, it would just be a nightmare and the conversation would drag on and drag on."

Cave Direct also lacked direct access to customer account management information from the field, so the sales team didn't have a full picture of a customer—what they ordered frequently, what product didn't move, what their sales history was, or other critical information—unless they had typed it into their laptop or memorized the information just before meeting a customer.

SOLUTION

Needed Cloud Based Solution & Robust Online Order Option

The Cave Direct team initially wanted to upgrade Sage but when they learned it couldn't easily facilitate online ordering options, they continued the search for alternatives. The company wanted a digital, multi-currency platform that could handle complex Brexit and VAT requirements for importers, a real-time inventory system, e-Commerce functionality, and a system they could connect to Skynamo, a field sales CRM and ordering app for manufacturers, wholesalers, and distributors.

They looked at Oracle NetSuite and other ERPs, "but they just were not as suitable as Acumatica, and we really liked the Arcus team," Louise Smale says of its Acumatica implementation partner. "They were very friendly and conscientious and wanted us to succeed," adds Gilhespy.

Cave Direct was impressed that Acumatica was built for the cloud, and how the business platform offered open APIs that eased third-party connections, including options to support online order management. "We chose Acumatica for its flexibility and online order management capabilities," Louise Smale says.

"And the cloud was definitely the way to go," adds Gilhespy.

"The key item that placed Acumatica as the front-runner was its e-Commerce strategy that is focused on continuous improvements," said Arcus Managing Director Colin MacMillan, which deployed the Acumatica Distribution Edition at Cave Direct. "We position Acumatica as the ideal option for companies ready for a modern platform."

In addition to deploying Acumatica Distribution, part of Arcus's service is delivered through an integration toolkit built into the Acumatica Platform that allows integration to external systems such as 3PLs and e-commerce platforms like Magento.

Cave Direct's deployment timing proved brilliant and kept the company running smoothly during the uncertainties surrounding Brexit and the Covid-19 Pandemic.



“Brexit hit importers and exporters very hard. Because of Acumatica, we can do things others can't, and that gives us a competitive edge.”

— Colin Gilhespy,
Co-Owner and Managing Director,
Cave Direct

BENEFITS

Inventory Visibility a Game Changer

With Acumatica, Cave Direct gained a robust business application with data all under a single pane of glass giving full transparency into real-time inventory. With the real-time visibility and remote access, the sales team dramatically shortened its sales process because they could see what was in stock, available, and where it was located. They boosted customer satisfaction by limiting callbacks when items were out of stock because they could see exactly when specials were sold out.

“We are in an extremely fast-paced industry with 50 different beers from different breweries from all around the world arrive weekly,” says Laurence Smale. “Before, it was just a nightmare trying to keep up with it all. By upgrading to Acumatica, it was so much easier and streamlined, and we have all the information we need in hand to empower sales.”

“Acumatica makes it a hell of a lot easier to sell in a product, knowing that we’ve got full control of where it comes from and where it goes,” he adds. “It’s an amazing tool for the team and gives us a whole new level of clarity and focus when consulting with the customer, which is key as our customers time and attention is constrained as it is, managing their own busy operations. Our team’s approach is to take their passion for craft beer and expertise to make recommendations as a valued extension of our customer’s business.”

Full inventory transparency had an equally large impact on the company’s ability to forecast and provided a competitive edge over craft beer competitors, many of whom rely on third party logistics haulers to move products.

“Having that stock control is incredible,” Gilhespy says. “That’s put us at the forefront, especially in the craft beer industry. Now we can track it all; everything we do is in Acumatica. Whatever information we want, we can have it at the click of a button and that’s the key to our success. We know what’s in each warehouse and when goods are sold.”

Previously stock “turnover was quite a lot less, but we always knew there was potential in our business, and to fulfill that potential, we needed something that would manage our stock better.”

Having all data housed in Acumatica and full stock visibility proved critical when Covid-19 hit, and associated lockdowns were instituted as well as new Brexit taxes were finally signed into law.

Shifted Business During Covid Lockdowns

When the Pandemic locked down the UK, Cave Directs’ 2,000 customers, which run pubs and restaurants, closed overnight. Some restaurants remained open for delivery and takeaway, but a majority ceased operating during the pandemic. At that time, only 5 percent of the company’s craft beer sales were to consumers.

Because Acumatica is flexible, offers intercompany accounting, and has open APIs allowing third party applications to seamlessly connect, Cave Direct was able to make necessary shifts to its business to keep operations up and running through a time of uncertainty and rapid change. First, they easily consolidated inventory from four locations to one central location physically and within Acumatica. They temporarily closed several warehouse locations and then directed its Magento webstore to pull inventory from the new central stock location.

“That would have been a lot more effort if Cave Direct didn’t already have a flexible application like Acumatica already in place,” says Arcus’ MacMillan.

“We made the necessary change and set up nearly all our customers onto direct debit payment processing, which is all managed through Acumatica. That’s been a huge benefit for our cash flow and works very well for us. It’s something we struggled with before lockdown. But again, Acumatica helped us to navigate that situation,” says Gilhespy.

Acumatica’s flexibility allowed Cave Direct to sell directly to consumers via its online store, add a delivery fee to orders, and to continue filling orders from restaurants offering delivery or takeaway. Customers simply logged into Cave Direct’s Magento store and could select from and place orders for beer in stock.

“We could still distribute nationwide, and people were quite happy and so were pubs that could still do a takeout,” Louise Smale says. “They were more than happy to be able to pay for the beer and pay for the carriage charge to get it to them. That worked well for us during COVID.”



“Acumatica has transformed our business, given us access to real-time stock information, and given us the confidence that we can just keep on growing.”

– Colin Gilhespy,
Co-Owner and Managing Director,
Cave Direct

With many at home and discovering new interests, Craft Brewers saw a resurgence and shift in consumer demand and preference. As a result, Cave Directs' direct-to-consumer sales jumped 35 percent, Gilhespy says. When the lockdown was lifted, Cave Direct easily redirected Acumatica's inventory management and controls back to its four warehouses and resumed its previous operating structure of carrying a full inventory of beer at each location.



Complicated Brexit Tax Made Simple

Cave Direct was similarly able to effortlessly pivot when the UK voted to leave the European Union and new tax rules were hammered out, which resulted in complex calculations that many small to medium sized businesses have struggled with, according to several UK news reports.

“Our stock is made up of the cost from a brewery, the excise duty and carriage,” says Louise Smale. “The excise duty is calculated by annual hectareage of liters that a brewer produces on a sliding scale, the alcohol by volume, and the literage. So, you can imagine how hard it is to calculate because we carry products ranging from .5 to 19 percent alcohol, and each has a separate excise calculation.”

“Under Brexit, if we collect beer in Belgium, we have to clear goods out of the EU and create new customs declarations paperwork to bring it into the UK,” Gilhespy says. “With maybe 150 beers from different breweries in a truck, all with different excise duties, imagine trying to get a customs agent to keep up with that paperwork in real time.”

Arcus used the open architecture of Acumatica to develop custom reports that calculate the new excise duties for Cave Direct automatically by adding needed attribute fields like alcohol percent to the product details screen.

“Acumatica actually calculates the excise for us,” Louise Smale says. “Pre-Brexit, we were registered excise dealers. Post-Brexit, we’ve become customs agents. We can get all the information we need out of our software solution and can calculate everything ourselves easily. And that has given us such an edge. We couldn’t have switched the ease with which we did without Acumatica. It’s been quite a brilliant thing, really.”

Unique Business Requirements a Breeze with Flexible Acumatica

Acumatica automated many of Cave Direct's processes, which streamlined operations. For example, when an item is added to a sales order in Acumatica, if the item requires a deposit, it is automatically calculated on the order. Likewise, if Cave Direct sells a keg, the needed tap, tubing, and a keg deposit are automatically added to the order. That information is also sent to the warehouse so they can pick and ship the needed equipment, and delivery drivers are alerted when they need to deliver equipment or pick up returns.

“Cave Direct has heavily complex business processes, and Acumatica has workloads that fit perfectly and were able to meet their requirements,” says MacMillan. The keg and bottle return processes “are a fantastic highlight of Acumatica’s flexibility for what could be a tricky requirement. Acumatica enabled workflows for products and values like kegs and bottles, separate from beer, which are activated through the logistics process.

Solid Platform for Growth

Cave Direct now has a modern, cloud-based ERP platform that provides full transparency into inventory, full transparency through several warehouses and full transparency into needed information from the field.

“With Acumatica, it’s given Sales the freedom to really push sales and focus a lot more on what they do rather than worrying about all of the back end,” says Laurence Smale. “And if you’ve got a happy back of house, then you’re going to have a happy front of house. Acumatica is a dream.”

Cave Direct also has a modern e-Commerce solution that seamlessly connects with Acumatica, which has allowed the company to generate growth into a new customer revenue segment.

“I love to recommend Acumatica, but not to any of our competitors,” says Gilhespy. “Acumatica has transformed our business, given us access to real-time stock information, and given us the confidence that we can just keep on growing.”