SPECIAL STUDY

Outsourcing of Unilever Brazil's corporate (B2B) e-commerce environment to GXS: A new platform for supporting new levels of service and growth quality

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IDC OPINION

One of the biggest competitive risks for a company operating in the consumer market is unavailability of its products at the point of sale. Not only is revenue lost, but these situations also provide an opportunity for consumers who are looking for a certain product to try a competitor or a substitute.

At the same time, in a situation where exchange of information between companies happens increasingly via electronic means, ensuring availability and quality in communications with clients and partners has become a critical aspect to Unilever's success. This is because the evolution and enhancement of new strategies in its Customer Service area (responsible for customer relations and satisfaction) has caused the company's levels of quality and service to rise substantially.

Although it has been using e-commerce systems since the '90s, it was only in 2010 that Unilever Brazil's IT department found that its current platform could no longer support the evolution of these new demands. With the absence of rules and alerts from the old system, flaws were only found when there was a problem with client transactions (such as incorrect registrations or purchase orders with errors), creating a rupture in the supply chain and unnecessary stress for the IT and business areas. In the worst cases, problems were only found when Unilever's own client's pointed them out; with the new strategy of higher service quality, occurrences like these became unacceptable internally.

IDC believes that Unilever's investment in a new platform capable of supporting the company's growth, more easily adding new partners, and reducing the risk of new gaps in communication was assertive. Outsourcing of the environment using GXS and passing on a good part of the responsibility for operating the system to a partner will allow the IT and Customer Services teams at Unilever to focus more on activities that effectively allow it to increase its competitiveness on the market.

About Unilever

Unilever is one of the largest companies in the world in the consumer goods, personal hygiene and cleaning products, foodstuffs, and ice cream segments. It began as a British-Dutch venture and is the result of the 1929 merger between Great Britain's Lever Brothers and the Netherland's Margarine Unie, which worked mainly from oils and vegetable fats raw material. It currently has operations in over 100 countries and is present in more than 150. Unilever has more than 400 different brands. Among its top brands are well-known names such as Knorr, Dove, Omo, Lux, Becel, Axe, Seda, and others. The company estimates that over 2 billion people use its products worldwide on a daily basis.

Unilever Brazil is the company's second largest operation internationally. It operates locally with 12 factories in the states of São Paulo, Goiás, Minas Gerais, and Pernambuco and employs around 12 thousand workers. In 2009, Unilever completed 80 years of operations in Brazil. The company's own studies show that its products reach around 86% of Brazilian homes on a monthly basis, which is equal to 37 million households. In addition to its internationally known brands, it also sells important local brands such as Arisco, Maizena, Brilhante and others. It is one of the largest companies operating in the country and provides products for almost all of Brazil's major retailers.

About GXS

GXS is a global company headquartered in Gaithersburg, Maryland, in the United States. It operates in the integration services and corporate "Business-to-Business" (or simply B2B) e-commerce solutions market, facilitating and simplifying communication between companies and collaboration between commercial partners. In 2002, GXS, which was created within General Electric (GE), was acquired by Francisco Partners (one of the largest privately held funds in the world). In 2010, the company finalized a merger with Inovis, thus creating the largest international integration network in the business community, with 40,000 clients and operations in 20 countries. GXS has had a dedicated office in Brazil since 2004. In December 2008, the company acquired Interchange Serviços S.A., a national company operating in the Electronic Data Interchange (EDI) services segment and in on-line management of financial transactions, adding around 50 of the country's largest banks to its client portfolio. According to GXS, the company today has around 150 employees and over 1,200 clients in Brazil, including Bradesco, Itaú, Santander, TAM, Nestlé and Kraft.

GXS provides services and solutions to over 70% of the companies on the "Fortune 500" list. Among its main products are the GXS Trading Grid® (a global corporate e-commerce platform based on the cloud computing concept) and GXS Managed Services, outsourcing services that manage day to day operations in electronic corporate environments for its clients, including mapping, integration, support and management.

Business Challenges

One of the biggest competitive risks for a company operating in the consumer market is unavailability of its products at the point of sale. Not only is revenue lost, but these situations also provide an opportunity for consumers who are looking for a certain product to try a competitor or a substitute. Furthermore, heavy competition in the retail market has driven supplier companies to increasingly enhance their processes and services, raising client expectations to a new level.

With information increasingly being exchanged between companies via electronic means, ensuring availability and quality in communications and collaboration with its suppliers, channels, and clients has become a critical aspect to Unilever's success. This is because the evolution and enhancement of new strategies in its Customer Service area (responsible for customer relations and satisfaction) has caused the company's levels of quality and services (Service Level Agreements or "SLAs") to rise substantially.

Since the mid-'90s, Unilever has been working with an e-commerce (EDI) platform that is connected to its ERP (SAP) system and which has grown over time and now links over 60 different companies among clients and transporters. Although this system worked until recently, the lack of updating and outdated policies for managing the environment (including multiple service providers and limited access to the system by the GXS team) made the task of maintaining and correcting the environment quite complex. The impossibility to work more in-depth with the software and databases and partial visibility also hindered proactive monitoring by GXS and application of fast corrections to the system, leaving the internal Unilever team with the task of intermediating this process and interacting with company clients and partners to correct problems.

It is worth mentioning that with the absence of proactive alerts and rules, flaws were only found when there was a problem with client transactions (such as incorrect registrations or purchase orders with errors), creating a rupture in the supply chain and resulting in re-work by the IT team, in addition to the stress experienced by partners and business areas. In the worst cases, problems were only found when Unilever's own client's pointed them out; with the new strategy of raising service quality, occurrences like these became unacceptable internally.

Solution Implemented

Bernardo Tavares, who has been with the company for 15 years and has worked abroad for Unilever on more than one occasion, took over as Chief IT officer for the company in Brazil one year ago. With corporate goals ahead of him to meet the new Customer Service strategy, increase the degree of systems automation, and spare IT and business teams from operational re-work, he came up against the challenge of quickly improving the e-commerce system (EDI) in an effort to mitigate risks of new gaps in communication by using proactive monitoring, increasing speed and quality of processes, and structuring a scalable and reliable platform capable of absorbing new clients.

After a study of options, GXS was the company chosen, considering the long-time partnership that had been established between the two companies along with GXS's high level of expertise and specialization in corporate data interchange (e-commerce B2B) solutions. Moreover, because needs were aligned between the two companies (Unilever, on the one hand, needed to improve and increase service quality and, on the other, GXS needed to increase the aggregate value of delivering its solution), the choice of contracting GXS Managed Services was a very attractive solution.

Once the contract was closed, Unilever's IT team along with the GXS team began work in February 2010 on a survey of EDI maps, specification of business rules, and review of processes. The goal was to move Unilever's entire internal corporate legacy platform to the GXS managed environment while also transferring responsibility for operation and management of the environment to a specialized partner that could host the platform and increase scope of operations. In this new environment, all corrective actions needed are now done by the GXS team, freeing the Unilever team from operational concerns and allowing it to focus more on business.

Altogether, the process took approximately 7 months, over which everything from initial negotiations, definition of size, and definition of the most appropriate solution to implementation and final delivery were done. From the start of the project in February 2010 until it went on-line in September, it is important to note that the project also involved meetings with the Executive Board and follow-up meetings, with around 40 hours focused on management of the change, massive testing, and periods of parallel operation with the old system functioning normally with ERP (SAP) on-line and the new system running along with a test instance of the same environment. After some fine tuning (including interaction and collaboration with Unilever partners for testing and simulations) and a final check that the new system was completely stable, the change-over took place on a weekend without any problems.

Results Obtained

The results of this project successfully met Unilever's high expectations. Among the benefits already achieved, especially noteworthy is the higher quality of services provided by the company because now it is able to identify and correct errors before they affect processes in the final stages or even before they reach clients. In addition, updating the platform and transferring operational responsibility to a specialized partner allowed for orders to be issued more quickly, reduced the probability of typos, provided greater ease in integrating with client systems, and freed up Unilever's internal IT team to increase its focus on other tasks.

Currently, Unilever's B2B e-commerce platform is hosted and managed entirely by GXS Managed Services. The current environment also relies on parts of the legacy system (TGMS) operating in conjunction with the new system, due to integration issues with some clients. Future plans for the two companies include total migration of the environment to the GXS Managed Services platform, which will further increase the scalability and ease of integration with new clients who are interested in enhancing their communication with Unilever and other partners.

In terms of benefits for the business, with the new solution implemented Unilever expects to reduce disruption in the supplier logistics chain, eliminate unavailability of products at the points of sale caused by human (and system) errors, and make new options for integration that are more efficient, agile, and in line with current and future market demands in the e-commerce and data interchange markets available to its partners and clients.

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