

Avon Brazil: Leading IT in the business unit

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Avon is a leading global beauty product company, with \$10 billion in annual revenue. As the world's largest direct seller, Avon markets to women in 100 countries through 5.5 million independent Avon sales representatives. Avon Brazil is the company's second-largest market after the United States, and among its fastest growing.

CASE STUDY

Country CIO and *director of technology and information* Andrea Pereira notes, "As a country CIO, my responsibility is to support the local business and its growth. This means investing in capacity and using operational excellence to deliver the right combination of high-quality services at a managed cost."

Avon Brazil is a significant enterprise in its own right, with Pereira and her team supporting 1.2 million representatives (the contract sales force for Avon products) and 800 zone managers. The sales force places 80,000 orders per day. Three distribution centers ship orders to the representatives, who supply customers directly. A third of the orders come in online, and that number is increasing as representatives use PCs and mobile devices in the field.

In 2008, Avon Brazil IT completed 60 projects ranging from infrastructure development to new sales initiatives, including the launch of a new distribution center to respond to growing order volumes. Infrastructure projects concentrated on creating additional capacity to provide the quality of service needed in an environment of increased business growth and expanding reach within the country. The following were among the projects that helped establish a foundation for the future:

- Automating distribution center operations and using business intelligence in assembling shipments to representatives so they could work more productively in the field
- Enhancing business intelligence with a focus on improving sales management, marketing and human resource management
- Implementing updates to financial management systems to comply with new country regulations
- Continuing to develop and consolidate IT and improve relationships with outsourcing providers

The 2009 agenda

In 2009, Avon Brazil faces the need to deliver growth in an increasingly competitive market. "We are working in a context of doing more with less," says Pereira, "and that requires us to adopt new approaches to engage, influence and leverage the resources available at the country, regional and enterprise levels." Pereira and her team have a full agenda for the year that includes:

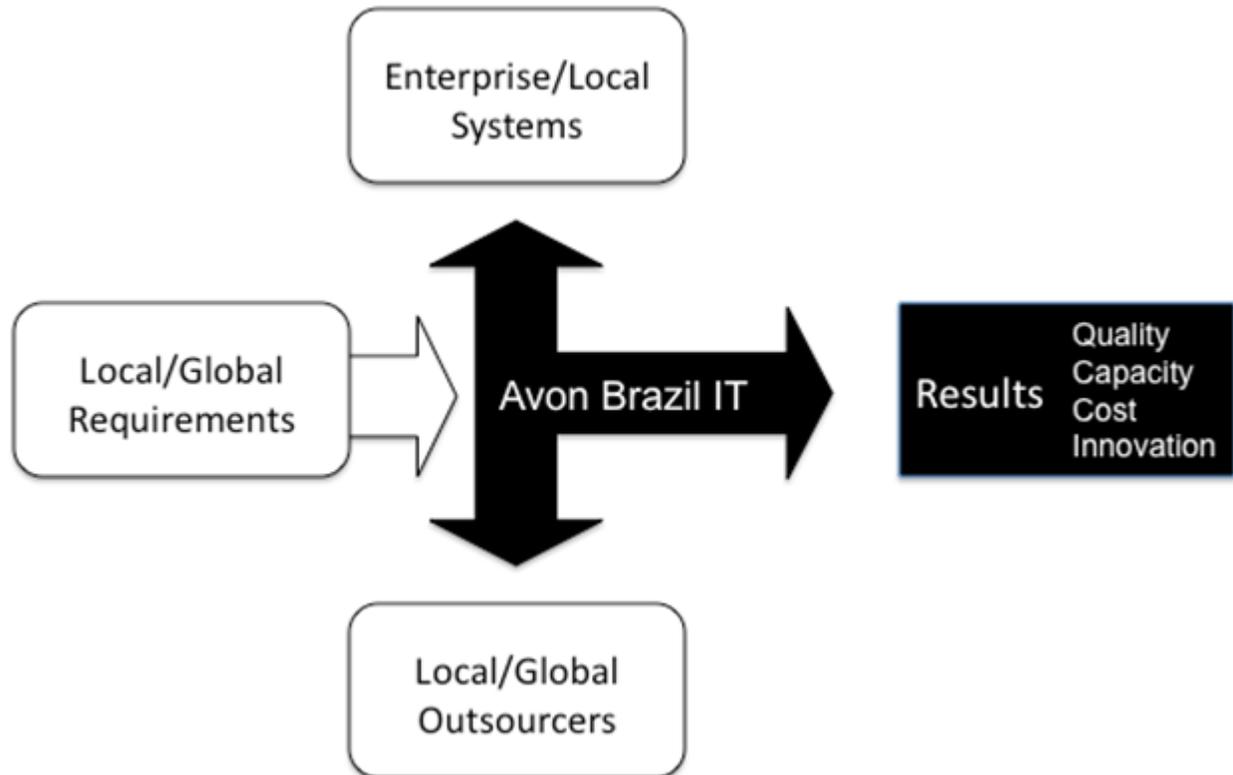
- Changes in the Latin American supply chain, such as a new distribution center
- Implementing the enterprise ERP solution
- Increasing representative effectiveness through enhanced Internet capabilities
- Introducing new mobile technologies and capabilities for representatives who are increasingly using mobile phones and PCs to do their work in the field

"Our first priority in 2009 is to deliver results in areas that are beyond our direct control, and to realize those results faster," says Pereira. Achieving this requires Pereira and her team to take a collaborative approach to leading IT at the business unit level.

Leading at the business unit level

Pereira's team consists of 62 full-time staff, as well as outsourced partners, responsible for applications, business solutions and operations in Brazil. She plans to deliver her 2009 agenda by leveraging corporate solutions, outsourcing service providers and balancing local, regional and global concerns (see figure below). Pereira works in a matrixed organization. She explains, "In this environment, there is no way to force things. You need to engage with people, communicate and be aware of the impact of decisions at the corporate and local levels."

Figure 1. Avon Brazil IT contributes to the business by combining local, enterprise and outsourced capabilities that create results



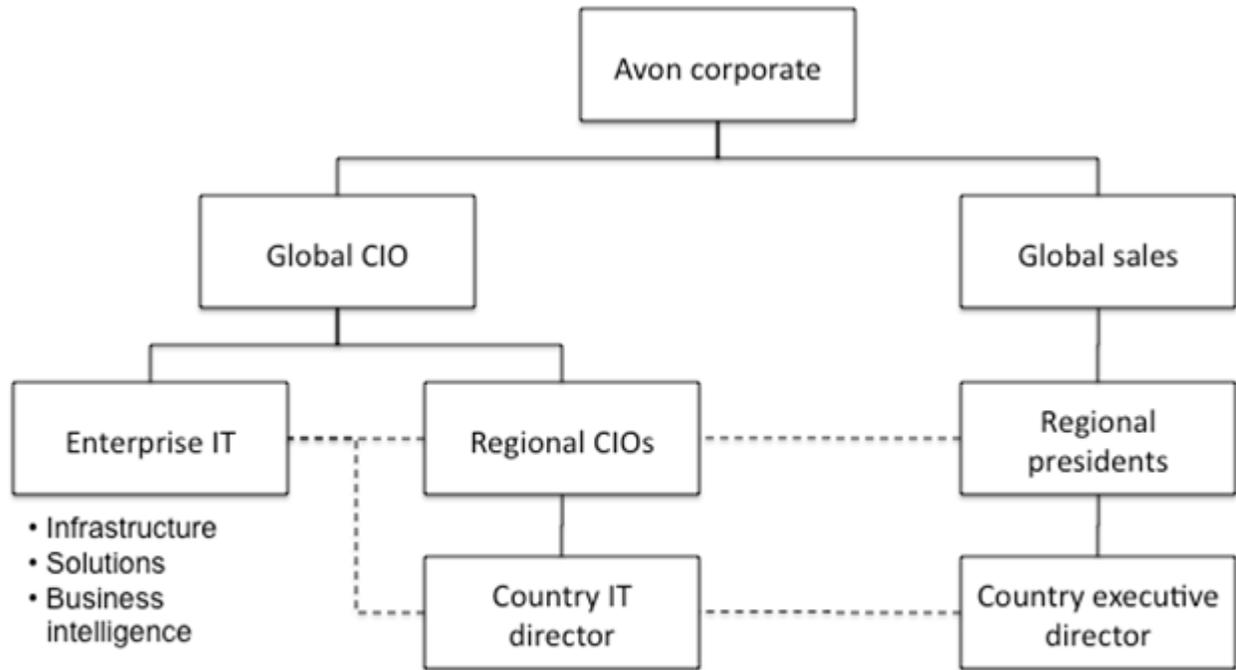
Source: Gartner Executive Programs

Pereira's success and the value of Avon Brazil IT rest on combining resources in a way that delivers local solutions supporting growth while taking advantage of enterprisewide resources and expertise. "We operate in a complex environment, which requires new skills in IT leadership," says Pereira. "Communication and negotiation are critical."

Leveraging enterprise systems and resources

As a business unit CIO, Pereira must not merely balance enterprise systems with local requirements. Her position requires her to work with multiple players, as shown in the figure below. Pereira formally works as part of the global IT organization, reporting to the global CIO. To understand how to meet local needs, she works with the global sales organization and her regional president.

Figure 2. Business unit IT sits at the junction of enterprise IT and regional sales and service



Source: Gartner Executive Programs based on an interview with Andrea Pereira.

Avon’s recent enterprisewide ERP implementation offers an example of the challenges facing Pereira. IT is leading the way in this area by transforming Avon from a set of individual country operations, emphasizing the enterprise as a whole while supporting diverse countries and markets. The global ERP initiative started in Europe, then moved to the U.S. and is now spreading to Latin America and the Asia/Pacific region.

This enterprise solution does allow flexibility in handling Avon’s complex environment. For Pereira, it means Brazil can continue to operate a number of local and regional solutions that are better able to support local changes in laws. “While the enterprise ERP provides the platform for the entire company,” she says, “we have had to form local teams to address issues such as taxes, distribution and marketing—always leveraging the enterprise solution.”

Effective partnering with outsourcing providers

The approach of leveraging available resources while meeting local needs extends to Avon Brazil’s use of local outsourcing providers. In transforming IT operations over the past two years, Pereira has used outsourcers to consolidate operations and provide managed services at predictable costs. She observes, “When we were all ‘in house,’ we had individual managers who worked with a lot of autonomy. This made it difficult to mobilize IT to address country, regional or enterprise projects.”

Pereira works with service providers through a vendor management office to create a centralized, transparent and action-plan-based relationship. As she explains, "We focus the service providers on specific systems and data, with well-defined quality, capacity and cost goals."

Collaborating with outsourcers did require Pereira to restructure IT. She consolidated IT operations so that the vendor management office would present a single face to outsourcing providers. The agenda of the vendor management office concentrates on the following:

- Increased centralization of enterprise IT
- Greater quantification of outsourced services using the same SLAs across the Brazilian business unit
- Increased transparency of IT performance across the enterprise

In addition, the vendor management office is responsible for a series of action plans that aim to improve service, increase transparency and facilitate working relationships with IT's business partners. The plans provide focus for managing outsourcing arrangements, initiatives and improvements. In 2009, the office is concentrating on:

- Improving specific application systems
- Raising the value of specific data across the enterprise
- Changing the company's cost structure and cost reduction efforts in a strategic way by raising the visibility of these efforts, and making conscious decisions on what costs to cut and assessing the operational impact

The future of the business unit CIO and IT

To summarize, Pereira and her team have transformed business unit IT to focus its resources on the results that matter. They have leveraged both enterprise and local outsourcing solutions and capabilities to deliver computing capacity and control at a more effective cost.

Avon Brazil shows how a business unit IT organization that centers on collaboration and influence can match local objectives with global direction. "The center often assumes that everyone works in the same way—and we do all work for the same company," says Pereira. "However, we still need to reflect local operating needs and regulations. We do that better through an influence model than by saying, 'No, we cannot do that.' We explain the problem, how we would like to use enterprise and other resources, and the result we will produce. Our ability to understand the strategy and negotiate a solution is critical to our success."

Based on an interview with, and material from, Andrea Pereira, director of technology and information, Avon Brazil, December 2008.

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