

E-business strategy saves millions for Sara Lee/DE by increasing efficiency and lowering supply chain costs

Executive Summary

CUSTOMER NAME

- Sara Lee/DE International

INDUSTRY

- CPG

CHALLENGE

- In 2000 Sara Lee/DE's productivity, in terms of sales per employee, was lagging behind the industry benchmark. Moreover, the company's sales and profit growth were beginning to stagnate. In response, the company decided to develop an aggressive e-business strategy

SOLUTION

- With Cisco as its e-business advisor, Sara Lee/DE created an e-business vision that saw the Internet being used internally to cut costs and increase employee productivity, and externally to improve relationships with suppliers, retailers and consumers. Board members sponsored the plan. Implementation was based on quick wins

BUSINESS VALUE

- Millions of euros a year are already being saved in several business areas. The use of reverse auctions is cutting the cost of buying indirect materials by nine per cent a year (equivalent to several millions of euros) while the use of an online ticketing system is saving eight per cent a year on air travel

Sara Lee/DE is pursuing a comprehensive e-transformation plan that is impacting the way it works with employees, suppliers, retailers and consumers. Its success owes much to the board members that have actively sponsored the plan, and the surprisingly small e-business team that has put the plan into action. World-class Internet partners acted as advisors, and the strict implementation process demanded – and achieved – demonstrable results every quarter.

CHALLENGE

Sara Lee/DE International is a global manufacturer and marketer of branded consumer goods, with headquarters in Utrecht, the Netherlands. It is part of Sara Lee Corporation of the US and has worldwide responsibility for coffee and tea, and household and body care operations, which together accounted for more than 28 per cent of Sara Lee's total sales of \$19.6 billion in the year ended 3rd July 2004. It employs 26,000 people.

Among the best known Sara Lee/DE products are Douwe Egberts coffee, Sanex body care and Kiwi shoe polish, some of which are decades old yet maintain their market appeal, recording year-on-year sales growth. However, in 2000 its sales per employee seriously lagged behind consumer goods industry leader, Procter & Gamble. Moreover, the company's sales and profit were beginning to stagnate.

Sara Lee/DE recognised that it needed to address its internal efficiencies with some urgency. What was immediately apparent on examining its worldwide operations was the lack of a comprehensive strategy for exploiting information and communications technology (ICT).



Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

“We started to develop an e-business strategy in 2001 with the aim of reducing our costs and improving our efficiency. But it was a difficult time. Hype about the Internet was at its lowest then and some managers were not convinced that we were heading in the right direction,” recalls Fred Vijvers, President of Douwe Egberts Coffee Systems (who from 2001 to 2003 was also Sara Lee/DE’s Vice President, Corporate e-Business, and as such played a pivotal role in developing and implementing the company’s e-business plans). “Now, after all the innovations we’ve introduced and the millions we’ve saved, no one has any more doubts about e-business.”

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Fred Vijvers, President, Douwe Egberts Coffee Systems

SOLUTION

Sara Lee/DE’s e-business vision saw the Internet being used not only internally to increase employee productivity but also externally to improve relationships with suppliers, retailers and consumers. By leveraging technology to the fullest, the company aspired to be among the best-in-class in Internet use.

At this stage, Sara Lee/DE had a small e-business team, headed by Fred Vijvers, comprising a handful of enthusiastic business managers who had the backing of the company’s chief executive officer and a small budget. What the team decided it needed – to further develop its e-business ideas and help implement them – were Internet best practice partners.

Recognising Cisco Systems as a company that had established a global leadership position in terms of running its business on the Internet, Fred Vijvers contacted the company and asked Cisco’s Internet Business Solutions Group (IBSG) to engage with his team. Initially the IBSG consultant acted as an e-business evangelist explaining the possibilities, how they could be achieved, and the expected returns in terms of reducing costs and increasing business agility and efficiency.

The IBSG consultant also helped to organise a benchmarking exercise to measure Sara Lee/DE’s main business processes – including procurement, new product development and supply chain logistics – against the best in the world, regardless of sector. The results (which actually rated Sara Lee/DE as average) had a two-fold purpose: to spur the company into action and to set a baseline against which e-business progress could be charted.

Later, in 2002, as Sara Lee/DE attempted to accelerate its e-business projects to meet customers’ demands and keep up with the competition, Cisco became the company’s primary e-business advisor, being instrumental in developing the processes that would enable plans to be implemented and results achieved in a timely manner.

One of Cisco's first tasks as the company's advisor was to organise an executive briefing at its offices in the Netherlands for Sara Lee/DE's board members. At this day-long meeting, discussions centred on the latest Internet technologies and the business opportunities they presented, as well as on how Sara Lee/DE's existing e-business strategy could be adjusted to take advantage of these new developments.

By the end of the briefing, the board was committed and members agreed to act as sponsors for each of the four main areas identified in the e-business strategy: employee productivity, retailer collaboration, e-marketing, and supplier integration.

The sponsors accepted responsibility for ensuring the e-business plan was resourced and supported throughout the organisation. They also agreed to follow the IBSG recommended implementation route and work initially on three-month projects. In this way quick wins could be achieved, helping to maintain momentum for future projects.

"Cisco was a real partner who was always there to support us and remind us of the wider view," says Fred Vijvers. "In particular, we valued their pragmatic approach to implementation – the idea of taking small steps to show everyone we were making progress. It was one of our e-business success factors."

"APART FROM THE COST SAVINGS, WE'VE SUCCEEDED IN EMBEDDING E-BUSINESS INTO EVERY BUSINESS PLAN WE PRODUCE."

Boy van Droffelaar, President of Global Sales, Sara Lee International

BUSINESS VALUE

Launching an e-business strategy in difficult times is guaranteed to attract internal resistance. Sara Lee/DE's plan was no exception but, by strictly adhering to design and execution rules, the company has delivered results, including cost savings and efficiency improvements that amount to millions of euros a year. Much more will be achieved in the future.

Foremost among the rules set by Sara Lee/DE were the adoption of best industry practices to develop an e-business vision, the use of an e-business team of only six people and the use of a dynamic implementation process that demanded – and achieved – demonstrable progress every quarter.

Boy van Droffelaar, Sara Lee International's President of Global Sales, took over Fred Vijvers' role as Vice President of Corporate e-Business in 2003 and was responsible for ensuring that, after e-business team members had returned to their functional roles, e-business was – and still is – part of everyday planning.

The results, as can be seen below, are impacting every area of Sara Lee/DE's business. Boy van Droffelaar, explaining that those results are both quantitative and qualitative, says: "Apart from the cost savings, we've succeeded in embedding e-business into every business plan we produce. But even today, more than a year after the e-business team was disbanded, we continue to meet every quarter to discuss results. It's essential to know the progress you're making and to communicate that to the rest of the company."

Employee productivity

To boost employee productivity, Sara Lee/DE is capitalising on an existing global intranet set up by its parent and developing an employee portal with a single sign-on and personalised information. Eventually it will give people access to all of Sara Lee/DE's business critical applications and information, as well as being fully integrated with internal and external business processes.

The portal will allow employees to communicate with the company (for example, e-learning and HR self-service), with each other (for example, instant messaging and e-meetings), with their function (for example, customer data and brand manuals) and with the outside world (for example, e-procurement and travel booking). Substantial savings are expected in 2007 for an investment of a couple of million euros. To date the company has implemented an online travel booking system in co-operation with Amex that has already cut the costs of flight tickets by eight per cent.

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Boy van Droffelaar, President of Global Sales, Sara Lee International

Retailer collaboration

The most important driver of Sara Lee/DE's e-business plan, along with employee productivity, is meeting retailers' demands for more efficient, less costly supply chains. Even before the e-business strategy was launched, all of the company's operating companies were working towards Global Data Synchronisation (GDS), a consumer goods industry initiative that addresses the problems of sharing product information electronically along the supply chain.

This project was given added impetus when Wal-Mart, one of Sara Lee/DE's biggest customers, said that it required its top suppliers to put radio frequency ID (RFID) tags on shipping crates and pallets by the beginning of 2005, in order to more easily track products entering its distribution centres. Although its timing has since slipped, Wal-Mart's intention is clear.

Sara Lee/DE and many other global suppliers have to review how they collaborate with their major customers to realise what is, in effect, an industry vision of the future. Although the work is ongoing, the potential reductions in Sara Lee/DE's supply chain costs as a result of implementing GDS and RFID are estimated at tens of millions of euros a year.

Supplier integration

One of Sara Lee/DE's most successful e-business initiatives is e-procurement. It had the immediate support of the company's buying teams, helping to ensure a smooth transition, and has already generated savings of nine per cent (representing several millions of euros) on the annual costs of buying indirect materials like paper and packaging. Sara Lee/DE expects this to rise to 14 per cent a year.

These savings have been achieved by reverse auction techniques that will eventually be used to buy 60 per cent of Sara Lee/DE's routine supplies, representing estimated savings of more than €10 million a year by 2007. For strategic supplies, initiatives such as vendor managed inventory and collaborative planning, forecasting and replenishment are planned that are expected to save some €7 million a year by 2007. Further savings are forecast from improved communications with suppliers, 60 per cent of which are expected to be carried out electronically by 2007.

E-marketing

New Internet-based marketing strategies are also being developed to reach both consumers and commercial customers. These include the establishment of a single global Web platform for Douwe Egberts coffee to replace other sites that had been developed and were being maintained by individual operating companies. Now operating companies have access to a central resource of templates, Web pages and images that they can use to build their sites. The only cost they incur is for translating the pages into their local language.

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Fred Vijvers, President, Douwe Egberts Coffee Systems

While the financial returns of e-business initiatives like Internet marketing and, to some extent, retailer collaboration are difficult to measure, Sara Lee/DE believes these projects are essential if it is to realise its vision of how its business will be conducted in future and meet the expectations of its customers. On the consumer side, Sara Lee/DE is creating communities of interest around its brands to get closer to its customers and to increase brand awareness. A tennis community, for example, has been built around Sanex body care products. Similar communities are now being considered for other products.

TECHNOLOGY BLUEPRINT

Sara Lee/DE's vision is to use the Internet as its primary real-time network to boost employee productivity and strengthen ties to consumers, retailers and suppliers. To achieve this, it is building on an existing network infrastructure set up by parent Sara Lee shortly before Sara Lee/DE began work on its e-business strategy.

The infrastructure consists of a global corporate intranet, managed by a third party (HP), that connects all Sara Lee's operations. Using this network as a foundation, Sara Lee/DE is adding e-business applications in four key areas (related to employees, suppliers, customers and consumers), aided in each case by a partner that the company considers the best in the world.

For employee productivity, Sara Lee/DE worked closely with Cisco Systems, its over-arching e-business advisor. For e-procurement it chose FreeMarkets, which provides Internet-based business-to-business e-commerce solutions, including online auctions (FreeMarkets was acquired by Ariba in 2004). For retailer collaboration, specifically GDS, Sara Lee/DE, like its parent, continues to work with Transora, a community of manufacturers and retailers that are developing data synchronisation solutions. Sara Lee is one of about 50 consumer goods companies that own Transora. Finally, for e-marketing and the development of global Web sites for its major brands, like Douwe Egberts coffee, Sara Lee/DE selected SBI Framfab, a company that designs and implements Web-based systems and digital marketing solutions.

MORE INFORMATION

For further information on Internet business solutions, visit <http://www.cisco.com/go/ibsg>



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