Grupo Pão de Açúcar's Unified Communications and Collaboration Strategy Enables New Ways of Working for Continued Success

Executive Summary

CUSTOMER
Grupo Pão de Açúcar (GPA)

INDUSTRY
Retail

CHALLENGES
Enhance business processes to:

- Support rapid growth of Brazil's economy and the increase in mobile technology adoption among consumers
- Create awareness of GPA's extended multichannel offer
- Respond to future opportunities in the age of the digital consumer

SOLUTIONS
Cisco Unified Communications:

- 31,000 IP and video phones
- 50 Cisco® WebEx® accounts
- High-definition video conferencing
- 31,000 Jabber IM accounts
- Call Center Express / "Store in a Box" network / computing platform

RESULTS
IP and video telephony has:

- Reduced intercampus transit times to attend in-person meetings by up to 4 percent
- Decreased number of face-to-face meetings companywide by up to 10 percent
- Cut travel to regional GPA locations by up to 10 percent

Background

Grupo Pão de Açúcar (GPA) is the fastest-growing retailer among the global top 50, and the largest retailer in Brazil.[1] With gross revenue of approximately US$28.5 billion (BRL$64.8 billion) in 2012, the company employs 160,000 people and operates 1,882 stores and 55 distribution centers in 19 states in the Federative Republic of Brazil. The company's business is based on a multiformat structure that enables it to meet a wide range of consumers' needs and expectations in different regions and among diverse social and economic classes. The business is a combination of supermarkets (Pão de Açúcar, Extra Supermercado), hypermarkets (Extra Hiper), electronic and household appliance stores (Pontofrio and Casas Bahia), proximity stores (Minimercado Extra), cash-and-carry stores (Assaí), gas stations, drugstores, and e-commerce operations (Extra.com.br, Pontofrio.com.br, and CasasBahia.com.br).

Challenges and Opportunities

The economy of Brazil is the world's sixth-largest by nominal gross domestic product (GDP), the largest in Latin America, and the second-largest in the Western Hemisphere.[2] Brazil is one of the fastest-growing major economies in the world, with an average annual GDP growth rate of more than 5 percent.[3] It is also the fifth-most-populous country in the world.[4] Since 2005, the income levels of 35 million-plus citizens have gone from lower to middle, more than 15 million people are now in the higher-income bracket, and buying power has spiked.[5] Based on Brazil's young population, favorable economic policies, and sizable foreign direct investments, long-term opportunities for growth among retailers are abundant. At the same time, Brazil is rapidly becoming the country with the highest mobile penetration in Latin America, further accelerating the age of the "digital consumer."[6]

This situation, coupled with shifting consumer behavior and expectations, will demand new strategies, flexibility, and speed of execution from key retailers in Brazil.[7] Although GPA has successfully taken advantage of this growth,[8] the company also realized that several of its business practices—from store, operations, and merchandising to logistics—

Cisco Consulting Services

were close to maximum capacity and some existing business processes such as warehousing, infrastructure expansion, employee hiring, and training were no longer sufficient to support such growth.

Like many of its industry peers, GPA was challenged with increasing productivity, particularly considering rising labor costs due to the positive economic conditions in Brazil during the early 2000s (see Figure 1).

Figure 1.   Global 100 Retailer Revenues Versus Productivity, 2000–2008.
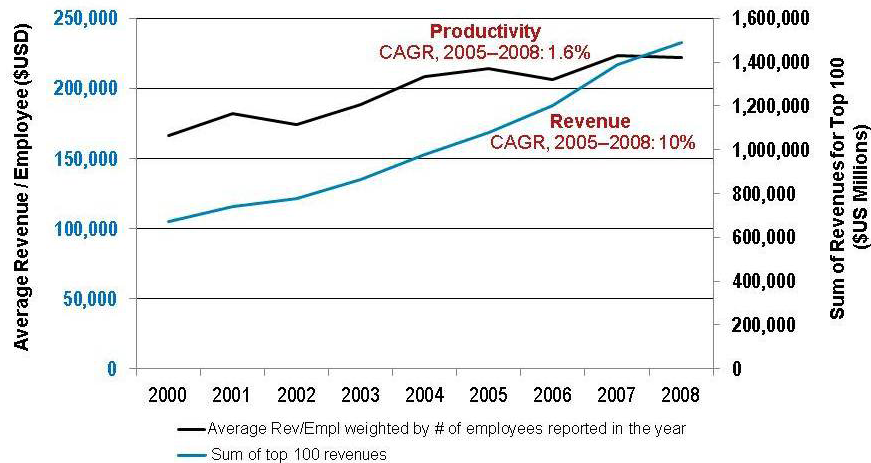
Source: Cisco Consulting Services, 2010

The company realized that it had an opportunity to develop a comprehensive strategy not only to ensure immediate implementation of organizational and information and communications technology (ICT) structures to absorb current growth, but also to prepare the organization to respond to future opportunities in an age of the digital consumer and economic prosperity.

Strategy

Over the years, Cisco had established a sound and open relationship with GPA. To address the company's current challenges, Cisco Consulting Services advised GPA´s executive team to develop a structured unified communications and collaboration strategy for driving business value and improving productivity.

To start, Cisco Consulting Services, together with GPA's director of strategy and the CIO, conducted a series of in-depth interviews with various business functions, including store operations, merchandising, human resources, and finance. The aim was to assess:

1. **Communications process**—Meetings among middle and upper management are typically done in-person, as regular face-to-face contact is a common practice among Brazilian companies. In the case of GPA, the company has regional offices and stores throughout Brazil. Meetings—which consist

of trainings, workshops, and other commercial, operations, and marketing activities—are conducted at either the headquarters in Sao Paulo or regional offices, so divisional managers travel one to two days a week for meetings that last only one to two hours. Conducting meetings via traditional phones is one alternative, yet expensive and less engaging.

2. **Travel characterstics**—GPA employees make 12,000 trips each year, costing on average more than $200 each. In addition, travel time, on occasion, is disproportionate to the length of the actual meetings, which impacts productivity.

3. **Consumer interaction and collaboration within the physical stores—** Questions that came up during the interviews included: "What type of interactions do store staff need to have with customers to increase in-store conversion rates?" "Which processes and/or technologies (collaboration tools such as digital signage and kiosks) need to be in place to enable such interactions?"

4. **Decision-making process**—Given the nature of retail where product lifecycles are short and consumer buying behaviors are continuously evolving, decisions must be made quickly when it comes to visual merchandising, signage, assortment selection, and promotional campaigns. This process can add hours to the time it takes to solve any issues using existing standard communications tools such as PCs, networks, and traditional telephones.

This information was then used to identify possible areas for improvement and related benefits, as well as to create a communications and collaboration technology roadmap.

Solutions

After receiving feedback from the interviews, Cisco Consulting Services and GPA created a comprehensive model to identify opportunities for improvement in the areas of travel, meetings, events, communications, and collaboration across the company, and then map those opportunities to technology infrastructure requirements. The model would enable GPA to identify benefits and required investments not just in the short term, but also in the long term, while at the same time maintaining a holistic collaboration-infrastructure architecture to ensure investment protection and future enhancements.

Based on this model, both the GPA information technology and Cisco account teams chose Cisco-based collaboration solutions. The first phase of the project called for a companywide network upgrade, in which Cisco Unified Communications solutions were rolled out across the company. Implementation began in the fourth quarter of 2012 and is still ongoing.

Solutions include 31,000 IP phones, which were deployed at headquarters, distribution centers, and stores; 50 Cisco WebEx accounts; high-definition video conferencing systems; 31,000 Cisco Jabber™ instant messaging accounts; video

> Each day we are growing and have more work to do, and we need to incorporate new technology tools to continue to absorb that growth.
>
> Edson Kawabata
> Strategy Director
> GPA

integration among all video phones and video-conferencing units, including legacy systems; integration between Jabber and Google email platforms; Cisco Call Center Express for customer support, IT help desk, stores' support center, and GPA delivery; and Cisco Store in a Box, a platform designed to consolidate and run all critical store systems on a single server.

"These technologies [also] enable us to be more focused," said Edson Kawabata, GPA strategy director, adding that in-person meetings can sometimes be distracting. "Each day we are growing and have more work to do, and we need to incorporate new technology tools to continue to absorb that growth. Cisco has been a valuable strategic partner in helping us change our technology platform."

Results

Over the next three years, GPA expects that this strategy will increase productivity by more than 2 percent and reduce the number of face-to-face meetings by up to 10 percent, with corresponding cost savings. To date, IP and video telephony together with WebEx are already proving positive when it comes to driving the main benefits around travel and communications; and Jabber and WebEx are revealing major benefits around decision making and consumer collaboration. For example, IP and video telephony was deployed at GPA's head office in Sao Paulo, a large campus that employs more than 3,000 people. Getting around campus can sometimes add minutes to one's day. Using IP and video technology to conduct virtual meetings has helped reduce intercampus travel—for people who used to have several face-to-face meetings during the day, the new communications infrastructure has helped cut campus travel times by up to 4 percent daily.

Next Steps

Now that the new unified communications and collaboration structure is in place, the next phase of this strategy will include the rollout of video-conferencing capabilities and wireless connectivity services in the stores to further drive productivity.

In addition, consumer collaboration is a major part of the strategy. This phase of the project will focus on building out omnichannel capabilities to further drive the success of GPA in the age of the digital consumer.

Cisco has been a valuable strategic partner in helping us change our technology platforms.

Edson Kawabata
Strategy Director
GPA

Endnotes

1. "Brazil's Largest Retailer To Add 100 Mini Stores in 2013," *Chain Store Age,* December 1, 2012, http://chainstoreage.com/article/brazil%E2%80%99s-largest-retailer-add-100-mini-stores-2013

2. United Nations, World Bank, and International Monetary Fund reports.

3. Ibid.

4. Ibid.

5. Ibid.

6. Born sometime between the launch of the VCR and the commercialization of the Internet, Americans 18-34 are redefining media consumption with their unique embrace of all things digital. According to Nielsen and NM Incitet, this group (dubbed "Generation C" by Nielsen) is taking their personal connection—with each other and with content—to new levels, new devices, and new experiences like no other age group. "State of the Media: U.S. Digital Consumer Report," July 2012, http://www.nielsen.com/us/en/reports/2012/us-digital-consumer-report.html

7. "'Catch and Keep' Digital Shoppers: How To Deliver Retail Their Way (Brazil Survey Findings)," Cisco Internet Business Solutions Group, May 2013, http://www.cisco.com/web/about/ac79/docs/retail/Catch-and-Keep_Research-Findings_Brazil.pdf

8. From 2007–2012, GPA's revenue grew from $8.5 billion (BRL$19.3 billion) to $28.5 billion (BRL$64.8 billion), and EBIDTA increased from approximately $498 million (BRL$1.1 billion) to roughly $1.5 billion (BRL$3.4 billion).

CISCO