



Auxis Implements Shared Services Center for PepsiCo LATAM Beverages

Client Profile

Pepsi Latin America Beverages operates across Mexico, the Caribbean, Central America and South America. Major Brands include Pepsi, Diet Pepsi, Gatorade and Tropicana.

Business Challenge

Significant business growth had strained operational efficiency and effectiveness. The division needed better standardized processes, systems and organizational structure to manage a more complex operating environment.

Results

- Increased Operational Scalability & Flexibility
- Improved Data Analysis & Reporting
- Reduced Costs
- Reduced Compliance Complexity and Cost

BUSINESS CHALLENGE

PepsiCo's Latin America Beverages business unit had grown dramatically in operational complexity, due to the aggressive expansion of new products and the integration of multiple large acquisitions. As the first decade of the 2000's was nearing a close, Pepsi LAB was handling over 2.5 million SKUs, and operating across 46 countries through a network of 6 concentrate plants, 7 franchise offices, 22 bottlers, 76 distributors and 9 co-packers.

The tremendous growth in brands and SKUs, combined with the increasingly more complicated legal and supply chain structure, was stretching the operating effectiveness and efficiency of the entire organization. Pepsi's people, processes and information technology platforms were becoming extremely strained. The former highly decentralized, back office operating platform was outdated and no longer meeting the needs of the organization. These constraints led to:

- Limited operating scalability - unable to respond to organizational/strategic change without requiring additional staff
- High cost transaction processing model
- Lack of process standardization across the regional offices
- Duplication of key activities across various levels of the organization
- Insufficient, inaccurate, and/or unreliable reporting data to provide adequate and timely visibility into the business
- Lack of enterprise tools
- Internal control challenges due to decentralized operating environment



SSC Services

More than just transaction processing.

- Advertising & Marketing Control
- Demand Planning
- Sales Order Management
- Credit & Collections Administration
- Sales Reporting
- Pricing Administration
- Product Export Operations
- General Ledger
- Financial Closing and Reporting
- T&E Administration
- Fixed Assets
- Master File Maintenance
- Accounts Payable

Pepsi’s finance department needed to adapt its organizational structure, business processes and systems architecture to meet these challenges. The LAB division would need to improve standardization of their processes, systems, and organizational structure to better manage the dynamic and increasingly complex operating environment.

CRAFTING AN INNOVATIVE MODEL

The Pepsi LAB management team partnered with Auxis to design and implement a new back office operating model for the Region. The key goal was to establish a more cost effective and scalable operating model. This would position the finance function for delivering greater value by streamlining, automating and simplifying essential transactional activities.

The new model was centered on the establishment of a Pan Regional Shared Services Center. The center would perform routine transaction processing, data capture, reporting, and decision support activities in a highly efficient, low cost environment, and across the entire region. This would enable the F&A teams that remained in country to focus on higher value creating business expansion activities. The SSC would go beyond traditional transaction processing activities and provide advanced accounting and supply chain functions.

DETERMINING A LOCATION

Auxis performed a comprehensive country site analysis to identify the optimal location for the Greenfield SSC operation. The detailed analysis resulted in three country finalists: Mexico, Guatemala and Costa Rica. The overall scoring was very close, but PepsiCo’s existing overall in-country presence was the final determining factor for selecting Mexico City, Mexico.

EVALUATION CRITERIA	
LABOR COST	LABOR LAWS
OPERATIONAL COST	POLITICAL STABILITY
AVAILABILITY OF QUALIFIED LABOR	STRATEGIC LOCATION
EASE OF DOING BUSINESS	QUALITY OF LIFE
LEGAL FRAMEWORK	



“Auxis’ commitment, accountability and personal hands-on approach was refreshing. It was very clear that their team was concerned about OUR success. Auxis completely earned our trust and respect”

Barbara Gomez, CFO, Latin America Beverages North and Mexico, PepsiCo

About Auxis

Auxis is a very different consulting and outsourcing firm comprised of former industry professionals who don't act like traditional consultants. Offering a customized, “real world,” results-oriented approach, we become ingrained in our clients’ culture and vision and truly dedicated to their success. Our depth of experience allows us to operate under a very different leverage model and maintain a focus on customization, flexibility and bottom-line results at a very competitive cost structure. Whether in Finance & Accounting, IT, Supply Chain or any back office operation, Auxis creates and implements strategies to streamline any area and improve efficiency, reduce costs and increase profitability.

IMPLEMENTING THE SOLUTION

Auxis utilized a Lift and Shift approach for the stand up of the new SSC to ensure a rapid implementation while minimizing risk. The initial implementation focused on the locations which would provide the most significant cost savings opportunities: Brazil and Florida. This approach front-loaded the primary financial savings, and ensured a rapid investment payback period.

The first wave of operations migrated to the SSC was completed in just six months and included the Brazil franchise operations, Global Export Logistics & Accounting operations (Florida), Regional Headquarters Administration (Florida), Caribbean franchise operations (Florida) and Mexico franchise operations. A structured migration approach was deployed across all locations to ensure the quality, completeness and timeliness of individual country transitions. Key migration activities included as-is process documentation, to-be process redesign, detail procedure documentation, job redesign, classroom training, job shadowing and hyper care support. The implementation activities also included the build out and staffing of a brand new facility, and the selection and implementation of several enabling technologies (e.g. imaging & workflow).

After the initial Go Live, there was a three month period of operational stabilization to ensure stability of operations and service delivery excellence, before commencing with the Phase II Country roll-ins. Phase II Country roll-in include operations in Colombia, Guatemala, Venezuela and Peru.

RESULTS



- Over 40% IRR on project investment



- More scalable operating platform- ability to better handle growth through increased process standardization, functional specialization and automation



- Reduced operational complexity
 - SSC operating platform is enabling the reduction of information technology complexity and ERP standardization
 - 50% reduction in internal control complexity by moving to a more centralized operating environment



- Multi-year, complex, transformational project delivered on time and within budget

