



HIGHLIGHTS

Goal: For Coty to integrate the IT infrastructure of newly purchased Unilever Cosmetics International with its existing, complex IT environment.

Solution: Information Builder's iWay SOA Middleware

Results: A net benefit of \$8,056,403, driven by the fast integration of the Unilever Cosmetics International IT infrastructure with its own. This will lead to cost avoidance and more revenue than Coty would otherwise have been able to gain. The project has an ROI of 415% and a payback period of two months. Coty now has a unified infrastructure that can easily integrate any new acquisitions, and is closer to being a real-time organization.

CUSTOMER PROFILE

Coty, Inc.

www.coty.com

Coty Inc. is one of the world's largest and most successful beauty companies, and delivers products to consumers in 91 markets worldwide.

Headquarters: New York

Industry: Beauty

Revenue: \$2.9 billion (2006)

Employees: More than 8,000

Coty Integrates Unilever into its IT Infrastructure, Gains \$8 Million in Benefits with Information Builders iWay Software

Coty, Inc., one of the world's largest and most successful beauty companies, acquired Unilever Cosmetics International, which includes many well-known fragrance brands. The acquisition was a key strategic move for the company, because it turned Coty into the world's largest fragrance company. The acquisition, though, brought with it a set of challenges. Coty needed to stay agile and respond quickly to changing consumer needs and fashions during the critical transition period when it folded Unilever Cosmetics International into its own brands. To do that, it needed to quickly integrate the Unilever Cosmetics International IT infrastructure with its own. Making the integration even more challenging was that at the same time, Coty was had signed a major, long-term outsourcing contract with IBM for procurement services.

To meet the challenges, Coty chose Information Builders' iWay SOA Middleware to integrate the IT infrastructures. As a result, it gained a net benefit of \$8,056,403, driven by the fast integration of the Unilever Cosmetics International IT infrastructure with its own. This will lead to cost avoidance and more revenue than Coty would otherwise have been able to gain. The project has an ROI of 415% and a payback period of two months. Coty now has a unified infrastructure that can easily integrate any new acquisitions, and is closer to being a real-time organization.

Benefits

OBJECTIVE	BENEFITS ACHIEVED
Quickly integrate the Unilever IT infrastructure with its own	Using iWay, Coty was able to integrate Unilever's IT infrastructure in five months, leading to a net benefit of \$8,056,403.
Integrate Coty's systems with IBM's for procurement outsourcing	Using iWay, Coty was able to integrate with IBM's procurement outsourcing at the same time it integrated with Unilever's IT systems.
Build a foundation for real-time operations	Using iWay, Coty has built a Service Oriented Architecture (SOA), which will allow it to create a flexible architecture capable of providing views into real-time data and operations.

The Challenge: Quickly Integrate Unilever's IT Infrastructure into Coty's Complex Environment

Coty, Inc. is the world's largest fragrance company, and one of the world leaders in the beauty industry, with annual sales of \$2.9 billion in 2006. Among its well-known brands are adidas, Davidoff, Celine Dion, Jennifer Lopez, and Lancaster.

In July, 2005, Coty acquired Unilever Cosmetics International, which includes many well-known fragrance brands, including Calvin Klein, Vera Wang, Chloe and Lagerfeld. Coty planned to fold Unilever into its own operating structure. The acquisition was a key strategic move for Coty, because it turned Coty into the world's largest fragrance company.

The acquisition carried with it a set of challenges. Coty is in the luxury consumer goods market, which is notoriously unpredictable. Coty needed to stay agile and respond quickly to changing consumer needs and fashions during the critical transition period when it folded Unilever Cosmetics International into its own brands.

Coty faced a daunting challenge: To quickly integrate the Unilever Cosmetics International IT infrastructure with its own, and build an IT environment that would allow the combined company to quickly respond to a changing business environment. Making the integration even more challenging was that at the same time, Coty had signed a major, long-term outsourcing contract with IBM for procurement services, and Coty needed to integrate its IT systems with IBM's.

Coty was looking for a comprehensive solution that would accomplish the following:

- **Integrate a complex computing infrastructure.** Multiple, disparate systems were involved, including multiple Enterprise Resource Planning (ERP) platforms, including SAP, JD Edwards, and a legacy system; several databases, including Oracle and DB2; and several hardware and operating system platforms, including AS/400 and UNIX. The solution had to easily integrate these platforms on a global basis, because Coty has production plants and offices throughout the world.
- **Handle SAP integration.** SAP was being implemented throughout the entire Coty enterprise, so the solution that the company chose had to be well-suited for large-scale SAP deployments.
- **Handle complex messaging requirements.** Hundreds of thousands of messages were being exchanged every day among Coty's systems. A more efficient way needed to be found to exchange the messages and data transfers.
- **Avoid the high costs of writing code.** The traditional way of integrating applications involves manually writing code to connect disparate systems. Doing this is expensive, and time consuming, and Coty wanted to avoid these costs. Coty also wanted to avoid the costs of maintaining the code.
- **Quickly integrate Unilever.** The efficiencies and economies of scale made available by the purchase of the Unilever brands would make it possible for Coty to realize millions of dollars in benefits—but only if Coty were able to integrate Unilever's IT architecture quickly. Substantial amounts of money were at stake and could be lost unless the integration moved quickly.

■ Coty chose iWay SOA Middleware because it was impressed with Information Builders/iWay Software's reputation for handling large, complex integration projects. In addition, Coty was already using iWay adapters for implementing SAP throughout the enterprise, and the software was delivering robust SAP integration.

“We would not have been able to integrate Unilever's infrastructure with our own so quickly without iWay. If we had to code manually, it would have taken a year or longer. Missing our target date would have cost us several million dollars, so iWay gave us a great return on our investment.”

David Berry
Senior Vice President and Global CIO
Coty

- **Move Coty toward becoming a real-time organization.** For a consumer business, there are significant benefits of being able to see real-time sales data, and get real-time visibility throughout the supply chain. Coty wanted to build a solution that would allow it to become a real-time organization.
- **Build the groundwork of a Service Oriented Architecture (SOA).** Coty wanted the solution to be capable of integrating future acquisitions quickly, allow the company to build reusable components that could be used for many purposes, and to eventually connect to suppliers and customers using Web services. Coty was looking for a solution that would allow it to build an SOA, which could accomplish all that.

Coty Chooses iWay SOA Middleware

IT directors throughout the Coty organization worldwide were polled about their choices for an integration solution, and solutions from several vendors were considered. Coty ultimately chose iWay SOA Middleware. Coty was impressed with Information Builders/iWay Software's reputation for handling large, complex integration projects.

Coty was also looking for a third-party solution, rather than one that would lock it into a specific vendor. The company also considered price-performance benefits, and found that the iWay software delivered the best value of any of the competitors. Finally, during the decision-making process, Coty consulted with Gartner, and Gartner supported the choice of iWay SOA Middleware.

Implementation went smoothly and quickly. The project was launched in January 2006, and was completed in five months, beating the internal deadline that Coty had set. If integration had been done using traditional, manual coding, it would have taken a year or more, according to David Berry, Coty Senior Vice President and Global CIO.

The fast integration was made possible because iWay software used a simple-to-use, point-and-click interface that can create services from any application without coding. The software offers a fast method for creating powerful, reusable business services from existing applications. Coty is using iWay SOA Middleware to connect messaging and data transfer via XML services and iDoc's. The IBM procurement application is connected via XML as well.

The Bottom Line for Coty

A detailed analysis of the implementation shows that Coty will realize a net benefit of \$8,056,403, driven by the fast integration of the Unilever Cosmetics International IT infrastructure with its own. This will lead to cost avoidance and more revenue than Coty would otherwise have been able to gain. The project has an ROI of 415% and a payback period of two months. Coty now has a unified infrastructure that can easily integrate any new acquisitions, and is closer to being a real-time organization.

The benefits are due to the timely integration of the Unilever IT infrastructure into Coty's existing infrastructure. In mergers and acquisitions, the speed of integration is key to cost avoidance and revenue generation. Because the inte-

“Information Builders has been extremely flexible in getting us the help we need. They’ve gotten us the right people at the time that we needed them. They absolutely delivered on what they promised to us.”

Gary Gallant
Vice President of IT
Coty

■ Coty’s bottom line for the project: A net benefit of \$8,056,403, driven by the fast integration of the Unilever Cosmetics International IT infrastructure with its own. This will lead to cost avoidance and more revenue than Coty would otherwise have been able to gain. The project has an ROI of 415% and a payback period of two months. Coty now has a unified infrastructure that can easily integrate any new acquisitions, and is closer to being a real-time organization.

gration was accomplished so quickly, Coty has been able to realize staff savings, and to use the synergies between the companies to gain increased revenue. Overall costs have been reduced, and Coty will continue to reap savings in the future due to a reduction in annual operating costs.

There have been other benefits, apart from the immediate financial ones. Coty’s infrastructure has been integrated with IBM’s, and the procurement outsourcing can proceed.

Future acquisitions will be able to be integrated even more quickly, because Coty has built reusable components that can be used to connect business services and IT infrastructure. The groundwork for an SOA has been built, and the company has moved closer to becoming a real-time organization. In addition, the company has all the pieces in place for using Web services to connect it to suppliers, business partners and customers.

The following chart provides a detailed analysis.

3 YEAR ANALYSIS			
Project Summary			
ROI	415%		
Payback Period (in months)	2		
Cumulative Net Value	\$8,056,403		
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Project Costs	Start Up	2006	TOTAL
Total Capital Costs	\$1,584,597		\$1,584,597
Coty Resources	\$234,000		\$234,000
Total Support and Training Costs		\$125,000	\$125,000
TOTAL PROJECT COSTS	\$1,818,597	\$125,000	\$1,943,597
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Benefits			
*Acquisition Management			
Cost Avoidance		\$10,000,000	\$10,000,000
TOTAL BENEFITS		\$10,000,000	\$10,000,000
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Financial Analysis		2006	
Net Value	(\$1,818,597)	\$9,875,000	
Cumulative Net Value	(\$1,818,597)	\$8,056,403	
Net Present Value	\$7,282,786		
Payback Period (in months)	2		
ROI	415%		

NOTE: This business analysis uses conservative projections of \$33 million in cost savings and a 30% cash flow impact if the integration was delayed or if the business information between the two companies could not be captured, combined, and then used to make more effective business decisions.

* The \$10 million in cost avoidance is due to the speed of integration of the Unilever Cosmetics International IT infrastructure with Coty’s.

Return on Investment (ROI) is the percentage return expected over a specified period of time. ROI is the total benefit divided by the total costs. This ROI metric is good for assessing the multiplier provided by the benefits relative to the total investment and costs.

Net Present Value (NPV) represents the cumulative present value of the expected return of a project over a specified period of time minus the initial costs of the project. This dollar figure provides visibility on the actual value of a project, taking into consideration the time value of money - the ongoing benefit of a project in today’s dollars. NPV tells you the magnitude of the project and if the project generates a profit.

Payback Period (or breakeven) is the timeframe it takes for the project to yield a positive cumulative cash flow. Payback period is a key measurement of risk but does not take into account cash flows after the payback period.

ROI, NPV and **Payback** should be used in conjunction to understand the rate, size and timing of the return.

Net Value (or Net Benefit) is the benefit delivered to the organization for the investment made in the project. Net Value is calculated by taking the total benefit minus the project costs.

About Coty

Coty Inc. was created in Paris in 1904 by François Coty, who is credited with founding the modern fragrance industry. Coty Inc. delivers innovative products to consumers in 91 markets worldwide. Today, Coty Inc. is the world's largest fragrance company and a recognized leader in global beauty with annual net sales of \$2.9 billion. Driven by an entrepreneurial spirit, passion, innovation and creativity, Coty Inc. has developed an unrivaled portfolio of 40 designer, celebrity and lifestyle brands.

About Information Builders

Information Builders, a \$300 million company, is the leader in enterprise business intelligence and real-time Web reporting. The company's WebFOCUS product—the industry's most secure and flexible—is able to meet all the reporting needs of the extended enterprise, ranging from analysts to power users to the widest deployments for hundreds of thousands of users. Additionally, WebFOCUS' empowerment of organizations seeking to leverage all their data by accessing it all – from legacy to data warehouse – is unmatched. For more information, please call (800) 969-INFO or visit www.IBI.com.

About iWay Software

iWay Software, an Information Builders company and the world's leading adaptive software vendor, accelerates business integration by providing tools that make service-oriented architectures easy to implement. Clients achieve short-term ROI by using iWay to reduce custom programming and to solve problems quickly, while incrementally creating an architecture that supports long-term projects. The biggest names in software, including BEA and Microsoft, use iWay adapters to simplify access to ERP and CRM systems, messaging, legacy systems, e-business protocols like AS2 and ebXML, and more. Additional message transformation and data integration make iWay a natural integration choice – standalone or with other middleware.

About Case Study Forum

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