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CASE STUDY: E-BUSINESS INTEGRATION AT EBRO PULEVA

Abstract

This case study is about process optimisation focused on improving efficiency and market position in the food sector. The firm analysed, Ebro Puleva, is a Spanish food company. This case illustrates how a diversified food company takes advantage of e-business practices in order to create value, both by improving efficiency and looking for synergies, and generating competitive advantages. Ebro Puleva has chosen a strategic approach based on the development of a robust technological platform and a very clear model for incorporating e-business. E-business has enhanced the efficiency of internal processes such as human resources management, analysis of data from sales points, customer service and logistic flows.

Case Characteristics	
Full name of the company	Ebro Puleva S.A.
Location of the company	Headquarter in Granada and Madrid
Sector	Food (some degree of diversification)
Year of foundation	2001 (merger between Ebro and Puleva)
Company size (no. of employees)	5,938 (year 2003)
Turnover in last financial year	2 Bn euros
Primary customers	Consumers
Most significant market	Production in Spain and Chile and selling in Spain, other European countries (Italy, UK, Belgium, Germany, Denmark, Finland, Greece and Portugal), America (USA, Chile, Peru, Panama, Guatemala and Costa Rica) and Morocco
E-Business Focus	
Optimisation of internal processes	***
CRM	**
Mobile work	**
URL of the company	www.ebropuleva.com
* = in implementation stage; ** = used in day-to-day business; *** = critical business function	

Background and objectives

Ebro Puleva S.A. is the result of the merger between Azucarera Ebro Agrícolas S.A. and Puleva S.A. in 2001. Ebro Puleva acts as corporate centre and promotes use and harmonisation of e-business tools among all the units. These units are organised as follows: (i) Azucarera Ebro S.L for sugar business line, (ii) Puleva Food S.L. for dairy products, (iii) Herba Ricemills for rice business line and (iv) Puleva Biotech S.A. that focus its activity in R&D on biotechnology.

Ebro Puleva is the leading company in the overall Spanish food market. Its shares are quoted in the Spanish stock market and its economic results are summarised in the following exhibit.

Exhibit: Ebro Puleva results by economic activity, 2003 ('000 euros)

Year 2003	Consolidated figures *	Dairy products	Sugar	Rice	Greenfields (production activities located in Chile)
Revenues	2,002,986	488,025	736,636	429,266	318,804
EBITDA	260,565	49,680	158,584	36,196	21,623
EBIT	177,969	33,711	124,161	24,475	4,735
Capex	79,602	19,628	36,134	15,863	3,843

*Data from Puleva Biotech are not provided. Therefore consolidated figures are not the sum of the four business lines shown in the table. Greenfields includes the production business in Chile.

Source: Company Annual Report 2003

Activities

General view about integration of information technology after the merger

After the merger, the company decided to integrate the information technology of every business line mentioned above. The firm looked for a homogeneous technology solution that allows the implementation of the special features required by the different smaller units. The selected solution was mySap™, because two of the business lines (sugar and rice) were already using the SAP platform. Therefore, a two-phase migration to SAP was outlined for the dairy products' business. The first phase focused on financial, purchasing and selling activities. The second one paid attention to logistics, production, maintenance and human resources.

Ebro Puleva modified its network management system. After the merger, the company chose the outsourcing solution with Telefónica, the main Spanish telecom operator. The new system allows solving network problems with the best rate of availability. Routers were proprietary and now are provided within the service outsourced.

Human resources

The SAP platform supplies back-office facilities to Human Resources management for the three business lines, while a more advanced system has been developed for the sugar business. The main features of these facilities and systems are the following:

- A "web site for the employee": Every person working in this division can manage different issues on line, such as reimbursement of travel expenses, holiday periods and so on.
- An advanced management system is available with information concerning the employees in the organisation structure. This information is available to the responsible managers.
- A tool that helps the managers in the budgeting process for Human Resources.

Some e-learning activities addressing company's employees can also be mentioned. They regard procedures and office issues. The company is assessing the possibility to carry out initiatives with farmer and stockbreeders as well.

Online marketing and sales activities

Ebro Puleva does not use Internet trading platforms or electronic auctions systems. Ebro Puleva decided to implement CRM only in two areas. The first one is the incorporation to the company's CRM of data collected at the selling point for the dairy products. Data are obtained using (Personal Digital Assistants¹) PDAs that incorporate a bar code reader for products of Ebro Puleva and competitors. Sometimes, data transmission is made through GPRS². The company is using 40 PDAs at the moment. The second CRM main initiative is the implementation of a system to manage the customer assistance service addressing the customers of the sugar business line. It includes assistance by phone, fax and e-mail.

Pulevasalud.com

Pulevasalud.com is a web site that contains information about health, nutrition and welfare, but it is not a selling channel for the products of Ebro Puleva. Some Spanish medical societies are contributing to the content of the web site and guarantee the quality and truthfulness of the information provided. The site has also implemented multimedia and interactive facilities addressing users' requests.

Electronic procurement strategies

Ebro Puleva has developed an Internet channel for farmers and stockbreeders. The system allows them to have access to information about the state of their raw material deliveries, as well as to information on weather forecasts. The system provides also invoicing assistance to this group of suppliers. Invoices to be submitted to Ebro Puleva can be prepared through this web service. No electronic auctions are available in the procurement system.

Logistics

Ebro Puleva has developed a PDA application to provide assistance to very small independent enterprises that buy dairy products and sell them to different shops, acting as distributors of the products. If they do not sell all the goods, Ebro Puleva proceeds to repurchase them. Information provided through the PDA is related to shops that are willing to buy Ebro Puleva's products, and to the best routes to choose for the trucks which are directly owned by the company.

Outlook on developments to be expected

The company is involved in several new applications that are currently under trial, including the following:

- use of GPS technology to optimise the route of the trucks when they distribute the products of the company, and
- a system to capture dairy products data from the stockbreeder, which would allow to calculate the milk share, according to the common policy of the European Union, and to track product information from manufacturing to final consumers

If trials are successful, the company will assess whether it will incorporate these systems more widely.

¹ Personal Digital Assistant: a handheld computer that serves as an organizer for personal information. It generally includes at least a name and address database, to-do list and note taker. PDAs may be combined with cell phones and other wireless technologies, providing a mobile office for people on the go.

² Short for General Packet Radio Service, a standard for wireless communications which runs at speeds up to 115 kilobits per second, compared with current GSM (Global System for Mobile Communications) systems' 9.6 kilobits per second.

Lessons learned

Some conclusions emerge from this case:

- Ebro Puleva has adopted a very clear model of incorporating e-business initiatives. This is a key issue in a highly competitive sector with narrow margins such as the food industry. In this context, the approach must be to focus on a few key applications that generate the highest value to the firm. Moreover, Ebro Puleva carries out pilot trials of new applications before implementing them in order to better assess their potential.
- Ebro Puleva takes carefully into account the situation of suppliers, including farmers and stockbreeders. Several e-business applications facilitate not only communication with them, but directly affect the work of these suppliers. Improved access to relevant information is a key aspect in this context and electronic communication has substantially contributed to a smoother and more stable relationship between the company and its suppliers.
- No radical changes: the implementation of e-business tools in Ebro Puleva has not led to radical changes in the work flow, because of the careful and selective approach. Nevertheless, e-business has enhanced the efficiency of internal processes such as human resources management, analysis of data from sales points, customer service, optimisation of logistic flows related to product repurchasing as described above.

Sources and references

This case study was conducted by Databank on behalf of the *e-Business W@tch*.

References:

- Interview with Mr. Pablo Esteban, Information Technologies Director, Ebro Puleva (Phone interview: 27 January 2005; Face to face interview: 9 February 2005)
- Ebro Puleva Annual Report 2003
- Other sources: Web sites: www.ebropuleva.com, www.puleva.es, www.pulevasalud.com

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