On the heels of outsourcing its entire global IT infrastructure, Avon sold its North American business unit, necessitating a radical rethink of the data center strategy KPMG had helped the company develop before the sale. Avon now needed to exit its U.S.-based enterprise data center and separate IT assets so that the North American entity could run its own IT systems. The company also needed help restructuring its existing, long-standing contracts for application managed services. In light of these new challenges, Avon wanted to address its mounting technical debt and move to a next-generation infrastructure technology platform that could support the company’s business transformation while continuing to uphold its longtime objective: to champion women’s economic empowerment and improve their lives around the world.

In helping shape and execute Avon’s IT strategy and technology roadmap, KPMG helped transform the company’s IT service delivery model and future infrastructure platform, delivering both quantitative and qualitative benefits:

— Business case savings:
  - Application development and maintenance outsourcing: An additional 23 percent savings over the next five years in an already heavily outsourced portfolio. Half of these savings are driven by automation that are contractually committed.
  - Data center transformation: 30 percent savings over 10 years, including a reduction in technology underinvestment and rightsizing of the infrastructure footprint.

— Qualitative benefits of the data center colocation initiative:
  - Rationalize more than 800 applications across the globe.
  - Refine, redesign, and rightsize the infrastructure landscape in a flexible commercial space.
  - Provide Avon with flexibility and portability of data center space and capabilities across the globe within the confines of a single global master agreement.
  - Supply direct, on-demand access to all digital and cloud providers at a fraction of the price.
  - Provide more effective and cost-efficient disaster recovery capabilities via a global footprint and cloud capabilities.
  - Shift away from investing and managing high-tech real estate.
KPMG response

Avon intended to keep its data center in Rye, New York, but after the North American business was sold and the headquarters were relocated to the United Kingdom, the company decided to monetize the Rye facility. To complicate matters further, Avon was having a difficult time separating IT assets between the company that would remain in North America and the company that would relocate to the U.K.

KPMG’s CIO Advisory practice and Shared Services and Outsourcing practice brought their collective experience and insights together to help Avon create an updated global data center strategy that pointed the company to a transformational decision: move the data center functions to a third-party colocation vendor that offered access to best-of-breed technology and, as part of the migration, move the legacy environment to a next-generation infrastructure platform providing much better support at much less cost.

To address the challenges in the IT separation with the North America business, KPMG was brought in to run the project management office, teasing apart multiple vendors so that the North American entity could be self-supporting in running its own IT systems.

At the same time, by 2017, the original application development and maintenance (ADM) outsourcing deal we had helped Avon negotiate in 2012 had run its course. The company wanted to move from a single-vendor to a multivendor strategy and add application support for the Brazilian market, the company’s largest. Our team provided full support for two new ADM managed services deals.

Our team also helped Avon go to market for the data center colocation vendor. This support included documenting initial requirements through vendor evaluation, selection, and contract negotiation. Meanwhile, we helped the company decide what its new, futuristic IT platform should be: a hyperconverged infrastructure, or HCI. This software-defined IT infrastructure virtualizes all functions of a conventional hardware-defined system, including computing, storage, and networking, so that these elements can be run on commercial, off-the-shelf servers. The solution is cost-effective and can keep Avon’s IT infrastructure up to date globally.

This new HCI leverages the third-party colocation vendor’s network and cloud partnerships. Because IT services will no longer be provided internally, KPMG has designed new governance frameworks and processes and trained staff in the U.S., U.K. and Brazil on new ways of working with outside providers. We also partnered with our KPMG People and Change team to provide change management and communications support.

KPMG insights

Never underestimate the amount of change management and communications that your organization will require

Outsourcing an entire global infrastructure, selling a business, and moving a data center to a third-party location—these can be significant shocks to a corporate culture. They require ongoing communication about what will and won’t change.

Move from tactics to transformation for the greatest benefit

Finding new data center space in the aftermath of the sale of its North American business could have been a tactical decision for Avon, but the company chose to make it a transformational move. Avon used the opportunity as a catalyst to upgrade its infrastructure platform to the latest technology to better support its business and eliminate ongoing technology underinvestment.

Governance is critical to manage providers

Once a company moves to an outsourcing delivery model, the ongoing management of services needs to take place within a set of governance processes outlining the rules of engagement, regular meetings, decision rights across the organization, and touchpoints between the provider and the company. You also need to train your organization on the processes and roll them out enterprise-wide to avoid giving service providers mixed messages.

If you are interested in learning more about this case study or if you are experiencing similar issues, please contact us.

Bob Wootton
512-695-5901
rwootton@kpmg.com

For more information on how KPMG’s collaborative approach helps organizations improve agility, build business value, and reduce cost, go to:

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates.
kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. 7181