



FLEXIBILITY AND AGILITY:

REMEDIES THAT GUARANTEE A HEALTHY BACK OFFICE, CAPABLE OF GROWING

Drogaria Araujo, retail giant Farma, invests in its back office to sustain expansion and a customer-centric strategy.

If the future is increasingly brittle, anxious, non-linear, and incomprehensible (BANI), as American anthropologist and futurist Jamais Cascio says, it becomes increasingly difficult to conduct effective strategic planning. The solution is to create your own future with the flexibility to adapt to any reality.

And in a “hyper” reality (hyper-convenience, hyper-personalization, etc.), what is required is “hyper” technology (hyper-available, hyper-connected, hyper-safe).

But the evolution and transformation of business goes beyond the use of technology; it requires a different look at processes, people, and organization – three pillars for building the future.

It was this view that triggered another step in the digital acceleration of Drogaria Araujo, with the aim of finding new ways to gain a competitive advantage and continue to grow in this increasingly omnichannel and phygital market.



WHEN PHARMACIES WERE THE MOST IMPORTANT RETAIL

During the COVID-19 pandemic, Araujo had a significant increase in online and app sales. In addition to intensifying its digital presence via popular marketplaces, it also sold its products on platforms such as Amazon, Magazine Luiza, B2W, Rappi, Ifood, Banco Inter, and Shopee.

This tactical move was a good one, as the study [*What Matters to Today's Consumer: Everywhere Commerce*](#) by the Capgemini Research Institute found that three out of four online consumers had purchased directly from a digital marketplace over six months during the worst of the pandemic.

The data provides a strong indication that the digital ecosystem is the new normal. The ability to integrate businesses and to connect and collaborate with partners in the value chain is required for success.

At that time, Araujo also reinforced its health services, already offered for more than 10 years, such as offering vaccines and rapid tests, assuming the role of a primary healthcare center.

In a global health crisis, pharmacies were considered the most important retail establishments in society.

ACCELERATED GROWTH REQUIRES DIGITAL TRANSFORMATION

There are challenges for a company that grows at a fast pace.

Despite the front-office processes and sales channels doing well, back-office processes were outdated and could not bear the volume and speed demanded by the operation, and that was suddenly becoming a risk.

Focusing efforts on building a new technological platform was essential, or the problems would start to affect customer experience.

Two issues had to be addressed:

1. How to ensure back-office processes were more scalable and efficient, with less noise.
2. How to implement an architecture that would enable omnichannel and be used in all channels, without the need for multiple developments.

With several legacy systems, old ERP, and manual processes, the network was looking for a simpler, automated, and scalable back office to improve performance and avoid errors and rework.

PRESCRIPTION: STRONG FOUNDATION FOR DIGITAL ACCELERATION

Araujo chose to implement SAP in essential processes and areas, including accounting, tax, finance, property rental, warehouse, procurement, and inventory management.

SAP S/4HANA was selected for Araujo's digital transformation to ensure innovations were built on a solid platform.





PARTNERSHIPS THAT BRING RESULTS

To work on the implementation of the project, Drogeria Araujo chose Capgemini as a partner, due to the consultancy's experience in the implementation of SAP S/4HANA and understanding of the environment in the contracting stage.

The project was highly complex due to the numerous integrations with the legacy system, and the work had to progress without interrupting the 24/7 business operation.

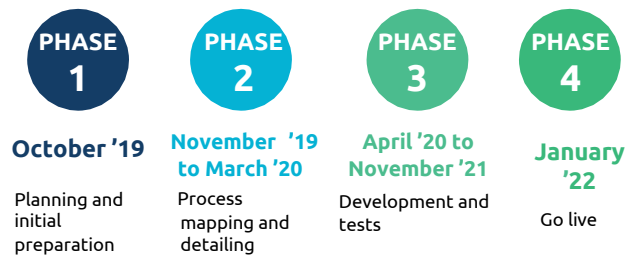


“Every company had a very hard time implementing SAP. Here at Araujo, our team is different and, alongside with Capgemini, we made this move with great quality and commitment, helping Araujo rise to a whole new level.”

Modesto Araujo Neto
President of Drogeria Araujo

The pandemic posed a challenge, add to that, the implementation process, which overnight had to be adapted to become 100% remote, in the midst of an important phase of the project. Rachel Rohlf, CTO and responsible for the digital channels and products strategy, comments on the synergy between the teams: “it was and continues to be a very transparent and intense relationship, analyzing priorities and establishing agreements, with a lot of interaction and resilience on the part of all participants. Access to executives and leaders of the three companies involved in the implementation made the difference and was essential for the quick search for a solution to the problems we faced along the way.”

Project-implementation journey



A HISTORY OF COLLABORATION, AGILITY, TRANSPARENCY, AND PARTNERSHIP

“Our main concern was to have a go-live with quality and without interruption of product sales and distribution. We did a detailed cutover plan, and the turning point occurred on New Year's Eve 2022,” says Carlos Eduardo de Andrade, Portfolio Manager of Strategic Projects at Drogeria Araujo.

BENEFITS ALREADY VISIBLE

- Greater financial, accounting, and tax control
- Security in back-office processes
- Implementation of market best practices
- Agility and operational flexibility
- Available information and mapped processes

Governance and productivity

With the migration from legacy systems to SAP, several processes were automated, generating several compliance and business benefits.

In the accounting and tax areas, for example, the integrated process now allows for safer reconciliation.

Another productivity gain was that the issuance of transfer invoices for moving materials from the warehouse to the stores became auditable, traceable, and transparent.

Process automation

With the automation of control, the payment and readjustment of property rents began to be made in bulk and according to established parameters, making the process more efficient and safer, and giving more time to the administrative team to focus on analysis and negotiations.

Paperless and handheld processes

To eliminate requisitions made by email and paper signatures, implementation of an approval workflow in SAP S4/HANA was essential.

Now, managers can approve orders and payments directly in the system, using a computer, smartphone, or tablet. Travel reimbursement automation also ended the circulation of paper receipts and cash payments.

CONTINUITY

Shortly after implementation and conclusion of the support phase of the new platform, Araujo once again retained Capgemini to provide new services focused on technical support and evolution of the system, for extracting better performance from its new back-office structure and to keep a cycle of continued improvement.

Starting in March 2022, Capgemini's Application Management Service (AMS) process was launched, which covers the provision of services in clarifying doubts, making corrections and improvements to the SAP system, and substantiating the development of new functionalities the business demands.

Real-time information

Another benefit of SAP S/4HANA is access monitoring, which allows change tracking, managing permissions, and modifying them if necessary, in addition to having all risk management directly in the system.

In a contract, for example, it is possible to know who made a certain change as well as when and the amounts involved.

This generated greater commitment and responsibility on the part of employees, helping to improve compliance.

EASE AND PRACTICALITY INTEGRATING TECHNOLOGY AND OPERATIONS



One of the main changes is that people now understand that, in some processes, it is not the system that has to adapt to the way of the company, but the company that has to adapt to the standard way the system works, ensuring compliance and traceability."

Carlos Eduardo
SAP Project Manager at
Drogaria Araujo

AMS support for the SAP S/4HANA platform provides reduction in maintenance cost and expedites operation of the system, which is ultimately reflected in the purchase experience of Araujo's customers, the main focus of the organization.

Drogaria Araujo was Capgemini's first SAP implementation in the pharmacy market on a global scale.



With this project, Araujo once again emerges as a reference in pharmaceutical retail, making a significant investment in IT infrastructure."

Rafael Detter
Account Director at Capgemini

With the revitalization of its systems and the enhancement of its operational capacity, Araujo is aligned with the concept of a renewable enterprise, always capable of adapting itself to the new needs of the business and the market.

The goal is for people to perform fewer manual and repetitive activities on the system, so they can focus on analysis and improvement of results.

Reaching a new level of management, Drogaria Araujo gained performance, agility, and reliability in the back office to continue its journey of innovation, always putting the customer first.

IMPORTANT LEARNINGS

It was a long and highly complex project, due to the volume of necessary integrations. Capgemini engaged in intense organizational change management work to guide Araujo leaders in applying the best implementation practices and helped assess who would be the "key users" who needed to understand SAP processes in depth, to ensure good usability of the system and replicate that to the teams.

Rachel Rohlf's gives one more valuable tip: "Really put time into change management in complex projects! Genuinely engaged people with access to technological resources overcome any business challenge."

MARKET TENDENCIES: PRESENT AND FUTURE

Consumer needs are changing and, therefore, retail needs to offer convenience and mix online and face-to-face channels, ensuring a good customer experience.

Araujo continues with its strategy, especially now with the technological structure and back office enhanced, to better support the 10 percent of the network's revenue that comes from digital channels – 250,000 orders per month.

"Clients often buy on digital channels and pick up at the physical store that is most convenient for them, and this should continue to grow," says Rohlf's Nunes, Director of Technology, Management and Controllship at Araujo. "In this scenario, the agility of store inventories is essential to reduce stockouts and enable a good customer experience. The online stock solution, offered by SAP, allows stocks to be updated in real time."

Expanding digital participation, Araujo also plans to implement an infinite shelf solution via marketplace, enabling the platform itself to sell products from other retailers. With that, the company starts to offer a range of complementary products and services, such as physiotherapy and nursing, becoming a large and complete health provider.

Here are three key actions that will help companies take advantage of opportunities offered by current trends, in the [2023 Consumer Trends report of the Capgemini Research Institute: What matters to today's consumer 2023](#).

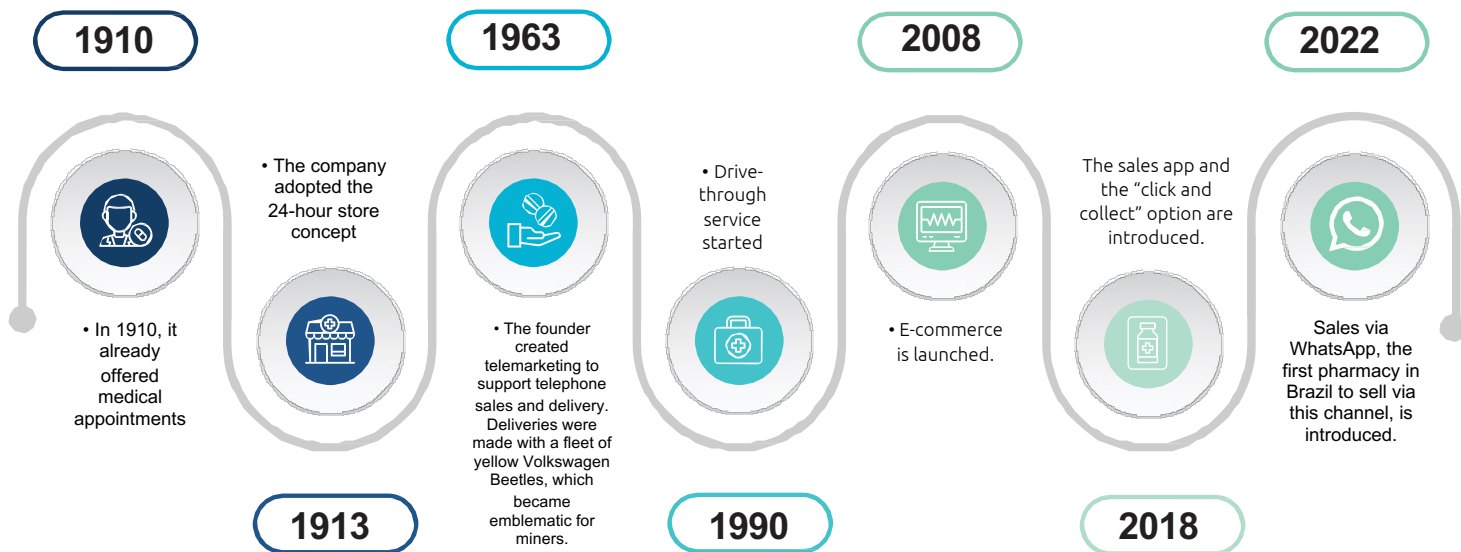
About Drogaria Araujo

INNOVATION IN OUR DNA SINCE 1906

With more than a century of history in Brazilian retail, Araujo is the largest drugstore chain in Minas Gerais state, with more than 300 stores in 50 cities.

Taking a page from Walgreens and CVS in the US, the company was a pioneer in positioning itself as a drugstore that offered a mix of health, well-being, and convenience products.

Recognized as an innovator since its founding, the company works towards growth while always respecting its essence: the focus on the customer.



Led by executives from the third and fourth generation of the founding family and market professionals, the chain is expanding rapidly with annual growth of 20 percent and opening 50 stores per year.

Drogaria Araujo in numbers

- Billing BRL 3 billion
- 50% of billing in non-drugs
- 10% digital share
- 250,000 orders per month on digital
- 320 own stores in MG
- 10,000 employees





About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their businesses by harnessing the power of technology. The Group is guided by the purpose of releasing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization with a staff of over 350,000 people across more than 50 countries. With its strong 55-year heritage and deep industry knowledge, its clients trust Capgemini to meet the full breadth of their business needs, from strategy and design to operations, driven by the innovative and rapidly evolving world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2021 global revenues of €18 billion (about \$21 billion USD at 2021 average rate).

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