

NUCLEUS  
RESEARCH

ROI: 127%  
Payback: 0.7 Years

# UFLEXREWARD

## UNILEVER

### ANALYST

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### THE BOTTOM LINE

Global consumer goods organization, Unilever, built and deployed an internal reward system to provide more transparency into its global reward operations. Upon the implementation of the system, uFlexReward, Unilever achieved a 127 percent ROI, recovering its initial investment less than nine months after launch. The primary benefits of the project include optimized planning, budgeting, and management of reward spend. The organization was also able to be more transparent about its reward processes, leading to greater overall employee satisfaction. Nucleus found time savings from automation functionality within the uFlexReward platform enabled Unilever to save almost €1 million annually across its global reward staff.

## THE COMPANY

Unilever is a British multinational consumer goods company with more than 400 brands in its portfolio, in areas including food, home care, beauty, and personal care. The organization has a presence in approximately 190 countries and has approximately 127,000 employees worldwide.

## THE CHALLENGE

Reward, which includes benefits, pension, salary, and more, was Unilevers second-largest cost area. Back in 2011, the organization faced complex and cumbersome total reward statement processes which utilized a multitude of solutions that were predominantly spreadsheet-based. Reward was very locally driven, and it was hard to capture the full spectrum of reward operations and spend. Unilevers business leaders recognized the opportunity to bring in a modern solution to digitize reward, including the reward statement process, and give leaders, employees, and administrators greater visibility into reward data across the organization.

**Cost : Benefit  
Ratio** | **1 : 1.4**

## THE STRATEGY

In 2018, Unilever wrote the strategy for the next generation of reward platform due to the increasing demands for fast data, analytics, and efficiencies. This resulted in an RFP process. However, nothing was suited to its specific needs as a large global organization. The business leaders decided to build a solution in-house to meet both its complex requirements and to ensure flexibility given the speed at which reward is changing and to enable future innovations. Post-deployment, the solution was sold to uFlexReward, which remains a subsidiary of Unilever.

The initial build and the implementation of uFlexReward took just under eight months and included a project team of approximately 10 FTEs, with about 80 percent dedicated to the project full-time. There were also approximately 35 internal Unilever staff spending about one day per month dedicated to the project over the course of implementation. Additional costs of the project beyond personnel include the integration of the platform with the organization's human capital management (HCM) system. Prior to the completed

implementation, the organization went live with a smaller group of employees before scaling the solution across the organization.

## TYPES OF BENEFITS



## KEY BENEFIT AREAS

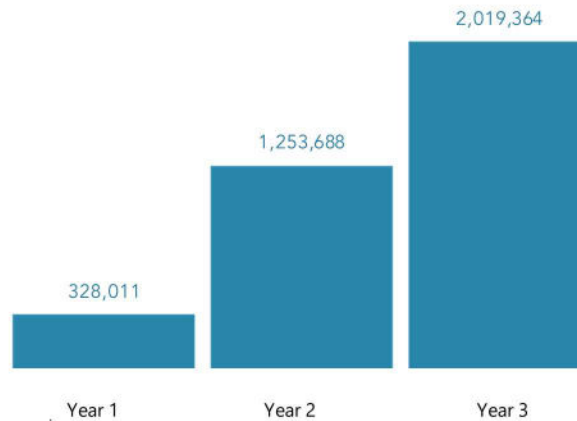
Key benefit areas seen as a result of the uFlexReward deployment include avoided consulting fees, increased operational visibility, optimized reward management, and time savings from automation.

- **Avoided consulting fees.** Upon the deployment of uFlexReward, Unilever was able to avoid external consulting costs associated with creating reward statements and pay equity data gathering and reporting, resulting in an annual savings of approximately €540,000. The use of the system also ensured greater accuracy of pay equity reporting and enabled direct individual communication to thousands of employees, which saved additional consultant and communication costs associated with pension changes and long-term incentive plan (LTIP) restructuring.
- **Time savings.** By eliminating many of its manual reward processes, the organization realized substantial time savings in areas including benchmarking and surveying, case management, and data production, resulting in just under €1 million in annual cost savings. Nucleus found that the introduction of employee self-service functionality saved around 60,000 end-user hours which were previously spent making inquiries and completing transactions, translating to an annual benefit of just under €900,000. It is important to note that savings from employee self-service functionality were achieved by office-based employees that had access to their data in the system.
- **Increased visibility.** The implementation of uFlexReward gave Unilever a centralized repository for rewards, giving locations in different subsidiaries the visibility to remain aware of changes in the reward landscape and to be more transparent about reward processes, thus improving employee satisfaction rates across the organization and subsequently, recruitment and retention performance. This also improved decision-making in all questions concerning reward.
- **Optimized reward management.** Unilever's deployment of uFlexReward enabled it to optimize the planning, budgeting, and management of its reward spend, enabling it



to comprehensively assess its spend on flexible benefits suppliers. Additionally, the organization was empowered to remove unvalued forms of reward due to greater visibility into what rewards were most valued thanks to the employee engagement features of the platform.

## CUMULATIVE NET BENEFIT



## KEY COST AREAS

Key cost areas of the uFlexReward deployment include product license charges, as well as the initial personnel cost of deploying the solution internally with the project team and internal employees. Additional cost areas include a one-time integration fee and ongoing maintenance of the system by uFlexReward.

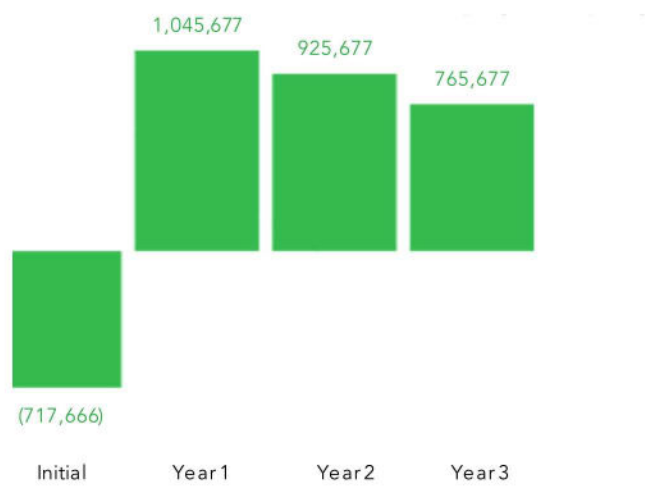
Nucleus typically allocates the first-year license charges and subscription costs of SaaS-based deployments to the pre-start period, due to billing taking place prior to deployment. However, this is a unique case as Unilever built and deployed the system before selling it to the subsidiary, uFlexReward, and incurring any associated product license charges. For this calculation, these costs were allocated to year one, year two, and year three of the analysis.

## LESSONS LEARNED

Although the build and implementation of uFlexReward required more time and effort than deploying an external system, Unilever credited its agile methodologies to the success of the project. Breaking down larger tasks and running a pilot program with a smaller group of

employees were key to not being overwhelmed by the scale of the deployment. A belief in the process and demonstration of value to employees was also critical to the project's success, as it could have easily been seen as simply more work. Above all, a business leader at Unilever cited the value of communication to the implementation, especially when deploying on a global scale, as well as having the full support of data, legal, and IT personnel.

## NET CASH FLOWS



## CALCULATING THE ROI

Nucleus Research analyzed the costs of software, hardware, personnel, professional services, and user training over a three-year period to quantify Unilever's total investment in uFlexReward technology. All calculations are assumptions based on Nucleus Research's independent analysis of the estimated costs and benefits associated with the project.

Direct benefits quantified include avoided external consulting costs. Indirect benefits quantified include the time savings for employees in mobility, data production, benchmarking, and those white-collar employees leveraging employee self-service functionality through the platform. The indirect benefit is multiplied by a correction factor to account for the inefficient transfer of time between time saved and additional time spent working.

Benefits not quantified include increased operational visibility, increased employee satisfaction, elimination of unvalued and undervalued rewards, avoided noncompliance fines, and additional unquantified retired consultant and communication costs.

# FINANCIAL ANALYSIS

## uFlexReward

**Annual ROI: 127%**

**Payback period: 0.7 years**

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	540,000	540,000	540,000
Indirect	0	1,881,477	1,881,477	1,881,477
<b>Total per period</b>	<b>0</b>	<b>2,421,477</b>	<b>2,421,477</b>	<b>2,421,477</b>

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

COSTS - DEPRECIATION	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
<b>Total per period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	0	1,300,000	1,420,000	1,580,000
Hardware	0	0	0	0
Consulting	50,000	0	0	0
Personnel	667,666	75,801	75,801	75,801
Training	0	0	0	0
Other	0	0	0	0
<b>Total per period</b>	<b>717,666</b>	<b>1,375,801</b>	<b>1,495,801</b>	<b>1,655,801</b>

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(717,666)	1,045,677	925,677	765,677
Net cash flow after taxes	(394,716)	575,122	509,122	421,122
<b>Annual ROI - direct and indirect benefits</b>				<b>127%</b>
Annual ROI - direct benefits only				-135%
Net Present Value (NPV)				931,229
<b>Payback period</b>				<b>0.7 years</b>
Average Annual Cost of Ownership				1,748,356
3-Year IRR				124%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.