



**Coffee  
Break**

# Digital transformation requires technological and business competence.

**Megatrend digitizations - what can be digitized will be digitized and what can be networked will be networked. The share of digitized products and services in Brazil already accounts for 20 % of total business.**

## **Writer**

*Frank P. Neubaus, Auricio Soares dos Santos  
Founder and Co-founder of iManagementBrazil Ltda.  
São Paulo - Brazil*

## **Photos & Illustrations**

*iManagementBrazil Ltda.  
iStudioBrazil, Brazil*

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## **Preface**

Even if the Brazilian economy is still struggling at the moment, there is no way around the digitization of the corporate world. However, it can only succeed if industry understanding and IT competence come together. Only then are completely new business models possible. The digitization of Brazil opens up enormous growth opportunities - across all industries, sectors, regions and company sizes. The turning away from the sequential value chain to flexible value creation networks, in which the value creation chains of customers and partners are connected,

will be the cooperation model of the future. This leads to better processes that increase overall efficiency and reduce costs. This is particularly true for urban mega-centres such as São Paulo and will enable all social classes, whether consumers in luxury shopping centers or retailers in the favelas, to be served.

The complete digitization of industry means the integration of complex physical machinery with networked sensors, software and people. This generates a lot of data. It becomes interesting when new business models arise from the collected and analyzed data. Scalable solutions, products and platforms connect sites, integrate existing data and individually extend analysis options. Data Driven Business Models (DDBM) collect and analyze data that becomes a prerequisite for individual solutions that include everything from sensors, networking, data transmission, process linking to application



operation, big data analyses and security. End-to-end integration eliminates the weaknesses of autonomous partial solutions, very common in Brazil until now. Brazilians already use online banking, online tax returns or mobility apps very actively.

With 9 million users, Brazil is the second most important market worldwide for the Uber taxi app after the domestic market of the USA. The Wall Street Journal called Brazil the "World Champion of Social Media". According to World Bank calculations, Brazil is the country with the fifth most Internet users behind the PR China, USA, India and Japan.

**E-Commerce in Brazil.** The general decline in consumption in Brazil due to the current economic crisis, high unemployment and the debt of many households also had an impact on e-commerce. In 2016, R\$44.4 billion was generated online, an increase of 7.4%, the lowest growth rate since 2001, but this development is put into perspective when considering the decline in total private consumption of -4.2%.

The share of e-commerce in total retail sales is expected to reach 5.3% in 2018. This is less than the international average, but already significantly higher than in 2014 (2.7%). Experts forecast growth potential of up to 12% of total trade. Fashion and clothing account for the majority of online sales. This is followed by electronic goods, toys, sports goods, furniture, food and cosmetics. Around 26% of purchases are made via mobile devices. This share has increased significantly in recent years, as for many people in the poorer classes C and D, the smartphone is their first connection to the Internet.

**The situation.** When a sports shoe retailer in Brazil was facing growing debts iManagementBrazil Ltda. was asked to step in to perform a turnaround and restructuring process. The retailer had seen a stagnation in sales and financial results over a period of several years. Failure to respond to fast changing fashion trends and poor logistics and supply chain processes had led to heavy financial losses and a lack of investment.

**Designing the solution.** iManagementBrazil Ltda. accessed the project through a skilled and experienced interim manager with retail knowledge, brand management and a solid understanding of how to execute



improvements in the value chain. We could have taken a knee-jerk approach and introduced cuts to increase cash flow and reduce debt.

However, we suggested rethinking the entire value chain, relaunching the brand and developing, implementing and testing management tools that would secure the company's future and growth potential. We identified a number of problems including the fact that there was only one distribution centre in one of the largest urban metropolitan clusters of the world, the City of São Paulo, the company had poor IT integration and the market included diverse social consumer groups.

**Better understanding.** Solutions included gaining a better understanding of consumer behavior in the different distribution regions, hiring commercial and shop managers who would be well integrated in their communities and improving supply chain processes to suit the location. Stock control was digitalized to provide better information to customers and retailers about availability.

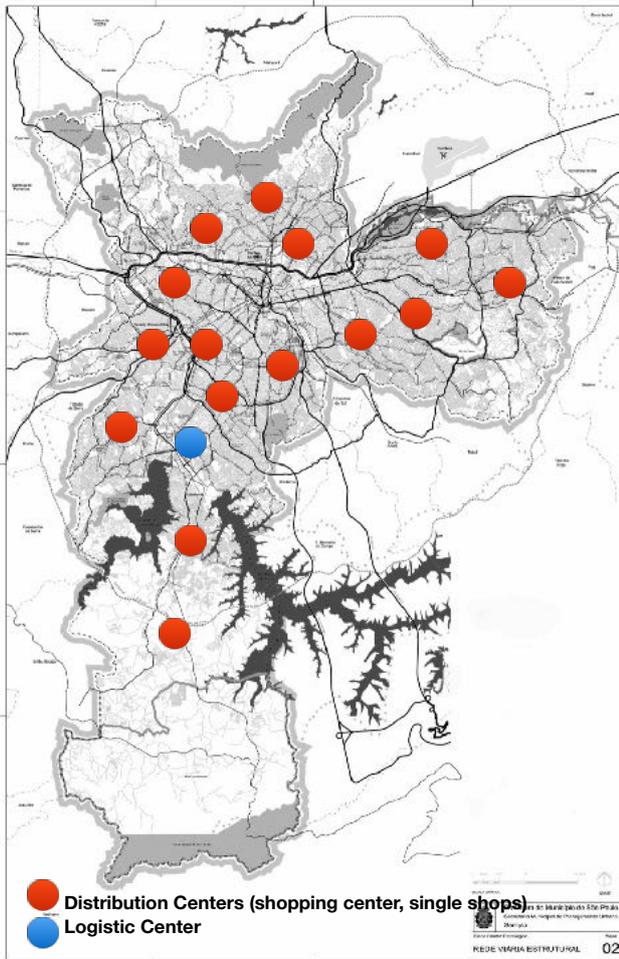
**Trusted advisor.** For digitizations to succeed, a number of conditions must be met. What was needed was a partner who can accompany a long-term strategy as a "trusted advisor" and has comprehensive industry know-how. Because: the designed digitizations affected the entire process chains of our client, which can look very different depending on the business sector and industry.

What is also needed here is a partner who provides unbiased advice and compiles solutions for all manufacturers and individual customers. iManagementBrazil Ltda. assumed this position in the company of our client.

On the technological side, digitizations is based on two pillars: On one hand, on a scalable cloud platform that

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- CLIENT AFTER SUCCESSFUL PROJECT -



allows both small-scale entry and supports the development towards mass business. And secondly, secure and stable connectivity that enables the highly networked scenarios on the Internet of Things (IoT) or in Industry 4.0 at any location and with any device, but this would be a third step to be adopted on our clients' business.

Especially important for our client: Digitizations will only be successful if company and customer data is secure when using cloud and IoT solutions.

**The result.** Turnover increased by 64% and net margin rocketed up from -1% to +11% in a 12 month period. Despite a tough retail market in Brazil with falling consumption, our client saw sales increase and became the regional market leader.

**What risks did we see for our client?** A high transparency is given and thus increased competition and price pressure - the next more favorable offerer is only one click away. We realized that very quickly. A digital business model is quick to copy. A constant risk for the retail trade of our customer was that it can be quickly circumvented (with other competitors with offline & online sales this must be taken into account).

With products that do not require explanation, such as most sports shoes sold by our customer, there is a risk that the wholesale trade will be switched off. This would cut off or massively reduce an important sales channel.

Another danger was the inconsistent and sporadic operation of the platform as a result of the few really trained employees, especially after the euphoria phase had been overcome.

It quickly became apparent that we had underestimated the cost of ongoing maintenance of the system by approx. 15%; the adjustment was made immediately in the business plan.

Of course, there is always the danger of neglecting legal aspects. However, this was checked in the early phase of the project through the involvement of an experienced law firm. An important point was also the adjustment of shipping modalities.

Nevertheless, it quickly became clear that the opportunities for the company outweigh the opportunities. We all knew that entering the online market too late would have far-reaching consequences. The identified opportunities are:

- Acquisition of new business partners
- Differentiation from competitors
- Opening up new markets
- Cost savings and rationalization effects
- Optimization of customer relationship management
- Fast response options
- Instrument for positioning the brand/the company
- Individual approach and customer care
- Acquisition of sales and procurement partners
- Easier contact between market partners
- Flexibilization and acceleration of ordering processes and procedures
- Interactive medium
- Location and time independent
- One-to-one-Marketing through direct communication possibilities
- Inexpensive advertising through your own website



**Increased productivity.** In summary, we can state that the time and resources required along our customer's entire value chain have been reduced by a good 1/3. Tasks with low added value began to be automated. Employees began to take on new tasks. (FN, ASDS)

