

The Brazilian retail sector moving from omnichannel to ecosystem driver: opportunities and challenges of Digital Transformation

Authors

Abstract (150 palavras)

To evaluate the digital transformation of the retail sector in Brazil, this paper will deploy the DBM (Digital Business Model) framework proposed by MIT CISR to analyze the evolution of digital business models for the three largest Brazilian online retail companies in terms of strategies, logistics, digital technologies deployment, the product and services diversity and continuous market expansion internally and internationally via overseas mergers and acquisitions. As a counterpoint, the cases of Amazon and Alibaba, the two most important retail companies worldwide, will be discussed and a comparison with the Brazilian players will be outlined. As a result, the evolution scenario of the retail sector in Brazil will be analyzed in terms of opportunities, challenges, threats, and trends towards an ecosystem driver positioning. It will be identified how the pandemic COVID-19 has impacted this process.

Keywords:

e-marketing, retail sector, digital business model, digital transformation, digital technologies,

1. Introduction (2 páginas)

Technology has always been linked to innovation and is considered a key factor for companies to revolutionize and remain competitive. The current scenario is no different. Technologies such as cloud computing, Internet of things, 3D printing, Big Data, and Artificial Intelligence are being adopted in companies as strategies for offering value, innovating their products and services, and promoting their digital transformation. However, although technology is considered a key point, its use does not guarantee the success of the digital transformation.

As reported in (VIAL, 2019), digital transformation can be defined as "a process that aims to improve an entity, causing significant changes in its properties, through combinations of information, computing, communication, and connectivity technologies". From this definition, it is possible to identify the intersection between technology, and the human aspect involved in digital transformation. That is, in addition to investments in infrastructure and technological resources, companies also need to invest and improve in aspects such as the **leadership, culture, and behavior of their employees**.

1.1. Motivation

In the last decade, the retail market has suffered different kinds of transformation due to e-commerce advent, globalization, and more recently the digitalization of the services. The retail e-commerce sales worldwide are supposed to triplicate from 2014 (\$1.3T) to 2020 (\$3.9T) (FABRI, 2020), while in Brazil, the e-commerce sales increased from 2014 (R\$35.8B) to 2019 (R\$61,9B). In Brazil, the e-business initiatives were fostered even more by the support of banking services, considered one of the most advanced worldwide. At the same time, the e-business evolved very fast in Brazil, a similar process took place in developed countries as the US and China and some giant companies in the retail sector have emerged such as Amazon and Alibaba, which due to the globalization brought new challenges and threats to the retail sector in Brazil. At this point, these giant players have expanded their business worldwide and built up solid technological infrastructure (e.g., Amazon Web Services) and placing themselves as ecosystem drivers (WEILL, 2018).

In Brazil, the e-retail has been led by Magazine Luisa, B2W, and Via Varejo. Magazine Luiza is the 13th largest retailer and the largest online retailer in Brazil, got R\$ 9,336 billion in online

sales, the equivalent to 38.3% of the company's total revenue. The second position belongs to B2W, which continues to be the largest 100% online retailer, with gross sales of R \$ 8.357 billion. Via Varejo is the third-largest online retailer in the country, with R \$ 6.088 billion in sales, or 20.4% of your total revenue. The three together have around 32% of total online sales in Brazil (SBVC, 2020).

A very important movement that gained strength in 2019 is the development of marketplaces by companies that were not born with this concept. The most relevant case is Magazine Luiza, which has invested a lot in its multi-category digital strategy, with acquisitions such as Netshoes or with marketplaces to sell third-party products on its platform (SBVC, 2020).

After the digital retail revolution in 2020, in the wave of the pandemic, hybrid models, like selling online for pickup in-store, lockers or via a drive-through system, or ship from a store (in that the online order is fulfilled physical store closest to the customer), have been pushed in the Brazilian market (SBVC, 2020).

For facing this competition, the Brazilian retail sector has to move towards a Digital Transformation, at the same time reinforcing its main competitive advantages and mitigating its weak points as the logistics.

1.2. Goals

The main objective of this work is to analyze the digital transformation process in the Brazilian retail sector, taking as a basis the study cases of the three largest online retail companies: Magazine Luiza, B2W, and Via Varejo, and as analysis criteria, the DBM framework proposed by (WEILL, 2018). It is important to mention that in the pandemic period (March to August 2020), these companies presented the largest growth of the e-commerce sales corresponding respectively to 72,6%; 35% e 52% (PADUA,2020). The main impact of this growth is the increasing demand for Internet access and customer change behavior.

1.3. Methodology (1/2 página)

The research methodology adopted was the reading and analysis of academic articles, reports on news sites, as well as interviews made publicly available on social media, conducted by directors and other company employees. To carry out this analysis, the case study is presented according to the questions raised in the book "What is Your Digital Business Model?" (WEILL, 2018), which aims to assist in the strategic planning of a digital business model. As defined by the authors, the following questions must be raised in the process of digital transformation:

1. What is the digital threat - and opportunity -?
2. Which digital business model is best for your future?
3. What is your digital competitive advantage?
4. How to connect using mobile devices and the Internet of Things?
5. Do you have the fundamental capabilities to reinvent the company?
6. Do you have the leadership to make this transformation happen?

1.4. Results

1.5. Organization

This paper is organized in six main sections. The current section presents the motivation, goals and adopted methodology to develop this research. The Section 2 brings an overview of the e-retail market in Brazil. The Section 3 describes the DBM (Digital Business Model) framework developed by Weill and Woerner (WEILL, 2018) as a tool for building a next-generation company

in a digital economy. The Section 4 presents the Brazilian case studies of the three largest online retailers in the Brazilian market: Magazine Luiza, B2W, and Via Varejo. This presentation takes as basis the aforementioned DBM. Section 5 discusses the positioning and performance of these three companies according to this DBM and compares with Amazon, considered one of the most important e-retail worldwide. Finally, Section 6 analyses the Brazilian e-retailers and discusses their future perspectives, suggesting some future works.

2. The emergence of e-retail in Brazil

According to (EBIT, 2019) (EBIT, 2020), in the first six months of 2018, 27.4 million people made at least one purchase in e-commerce, an increase of 7.6% compared to the first half of 2017. Classes C, D, and E, together, represented 82% of consumers in the first half of 2018. In 2019, there were 10.7 million new online consumers, representing 17% of all consumers this year. Mobile commerce is becoming increasingly important in electronic commerce. In the first half of 2018, 17.4 million orders were placed via smartphones or tablets, with a turnover of around R \$ 6.7 billion, an increase of 30% compared to the same period of the previous year. In November 2019, mobile sales exceeded desktop sales. Such data demonstrates the need for a digital business to provide services in mobile solutions.

In addition to the tendency to use mobile devices when making purchases, Ebit also identified the trend for marketplace adoption. Together, the B2C marketplaces (only for new products) and those that are B2C and C2C (with new or used products and crafts) represented a 65.4% share of Digital Commerce in 2019 (EBIT, 2019) and increased over 78% (EBIT, 2020b) in 2020 during the pandemic. Besides, each year, the list of e-businesses that migrate to the marketplace model increases.

It can also highlight the delivery services, which are still precarious in Brazil. Such an approach, of having its own logistics service, allowed the company to remain in operation even in times of strike. In addition to these barriers, other factors such as tax costs, territorial size, and knowledge about the Brazilian consumer are considered barriers to major retail players, such as Amazon and Alibaba.

3. Digital Business Model Framework

Weill and Woerner (WEILL, 2018) created a DBM (Digital Business Model) as a tool for building a next-generation company and identifying the journey for moving towards different strategies for improving the business performance in a digital economy.

Figure 1 presents this DBM, based on two axes: business design and knowledge of your end customer, which reflect the movement the companies have done to improve their performance. The business design ax represents the movement from a controlled value chain to a more complex, networked systems. It identifies who controls the key business decisions such as brand, contracts, price, participants, data ownership, and quality. The knowledge of your end customer expresses how deep the company knows its customers like identification, purchase history, purchase preference, and goals.

The proposed DBM considers four different business models:

- **Supplier:** sells through other enterprises and does not necessarily have a relationship with the end customer.

- **Omnichannel:** provides multi-products and multichannel to the customer based on an integrated value chain, prioritizing the customer experience associated with their life events.
- **Modular producer:** offers plug-and-play products and/or services.
- **Ecosystem driver:** coordinates and organizes an ecosystem, creating value to all participants: customers, partners, and different enterprises based on offering to a specific domain (e.g., shopping, banking).

The next sections bring an overview about the scope of the six-questions considered in our research according to the methodology presented in section 1.3.

Knowledge of your extended Customers	C o m p l e x e	Omnichannel <ul style="list-style-type: none"> • Own "the customer relationship" • Creates multi-product consumer experience to address life events • Customer chooses channels • Integrated value chain <p>Banks, retail, energy companies</p>	Ecosystem Driver <ul style="list-style-type: none"> • Become the destination in your space • Add complementary and perhaps competitor products • Ensures great customer experience • Obtain customer data from all interactions • Match customer needs with providers • Extract "rents" <p><i>Amazon, Fidelity, WeChat</i></p>
	P a r t i a l	Supplier <ul style="list-style-type: none"> • Sells through other enterprises • Potential for loss of power. • Core skills: low-cost producer, incremental innovation <p>Insurance via agent, TV via a retailer, investment fund via a broker</p>	Modular Producer <ul style="list-style-type: none"> • Plug-and-play product/service • Able to adapt to any ecosystem • Constant innovation of product/service <p><i>PayPal, Kabbage</i></p>
		Value Chain	Ecosystem
Business Design			

Figure 1 – Digital Business Model Framework (Source: (WEILL, 2018))

3.1.1.1. Digital Threat and Opportunity

At first, it is important to evaluate which is the digitalization impact on the company and map the threats and opportunities. It allows us to figure out how urgent are the actions to be taken. In Brazilian retail sector, e-commerce received a boost due to increased demand during the pandemic period and demand for mobile applications and improved logistics were some of the most important challenges (EBIT, 2020b).

3.1.1.2. Future Digital Model

Digitalization is moving at an increasingly fast pace. In this scenario, the companies have to determine precisely their current Digital Business Model and where they want to be in the future. This vision allows them to define a strategy to move forward through their digital transformation. However, not always there is a movement. Sometimes the company has to enforce its position

through a continuous investment in digital resources, products and services provided to the customers. This is the case of companies such as Amazon, which as an ecosystem driver, continues investing in attracting digital customers enlarging and reinventing multi-products and services offers.

3.1.1.3. Digital Competitive Advantage

According to the industry and to Digital Business Model, three competitive levers were identified: content, customer experience, and platform (Figure 2). The companies have to provide quality content, which addresses the customer needs and is updated often. It is especially important in social media, where the companies can build their brands, presents their products and services and shows up their competitive advantage in relation to the concurrency. The content is directly connected with the customer experience. If the company provides worthy content to the customer, it is more likely that the customer comes back repeatedly and establishes a stronger connection with the company through collaborative work, products and services acquisitions. However, to make feasible this strong relationship with the customer, the companies need to develop and reuse digitized platforms. These platforms allow us to build-up new services and applications for addressing the customer needs more properly and agilely. It will offer a unified and multiproduct experience.

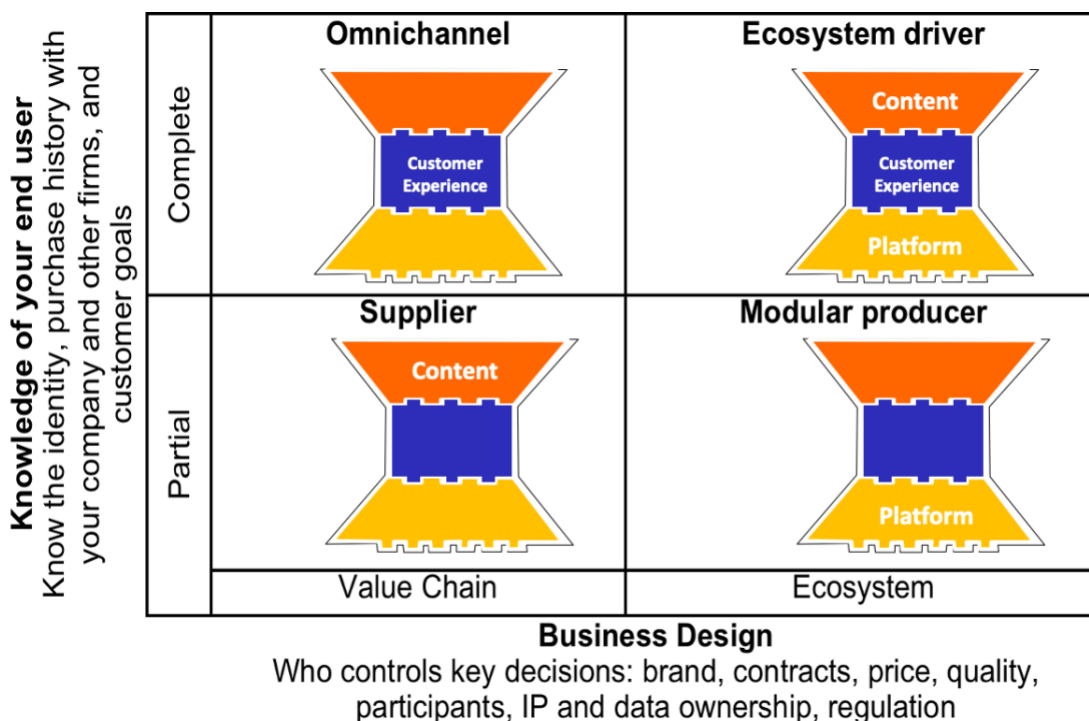


Figure 2 – Sources of Competitive Advantage (Source: (WEILL, 2018))

3.1.1.4. Role of Mobile and IoT

The importance of mobile for every business has been continuously increasing. The mobile devices¹ are capable of connecting to the Internet of Things, including sensors, actuators and so on. The smartphones are personal and are always with the customers, being very engaging and

¹ Mobile devices include cell phones, smartphones, tablets and notebooks.

enabling them to do most of their daily activities. It is especially true in Brazil, where the cell phone² is the main access device to the Internet, being used by 98% of users aged 16 and over (CETIC, 2020). Then, the mobile strategy is highly important, and the companies have to make their customers engaged through mobile applications and mobile-friendly websites, enhance multi-channel capabilities and go further through IoT. IoT enabled devices, which are connected to the company network, create new business opportunities and make available customized data.

3.1.1.5. Capabilities for Reinventing

Weill and Woerner (WEILL, 2018) identified 8 Capabilities for Reinvention:

- Collect and use relevant information about the events in the customers' lives.
- Amplify the customer's voice within the company.
- Create an evidence-based decision-making culture.
- Offer the customer an integrated, multi-product, and multichannel experience.
- Distinguish yourself and be the first place that your best customers look for when a need arises.
- Identify and develop large partnerships and acquisitions.
- Enable services that make your company successful, with exposed APIs.
- Develop efficiency, safety, and regulatory compliance as a competence.

3.1.1.6. Leadership for Digital Transformation

In addition to the adoption of technology, the leaders of a company must have the ability to reinvent themselves and be flexible to changes, adapting quickly to new realities. Companies need professionals and leaders called 4.0, who master the technologies, investing in the automation of bureaucratic and operational tasks, and who act effectively in leadership positions. In short, the leader must be flexible, master new technologies, have emotional skills, be able to work in collaborative environments, be creative, and keep himself up with market novelties.

4. Brazilian Case studies on Retail Sector (18 páginas)

For this paper discussion, the three largest online retailers in the Brazilian market were selected: Magazine Luiza, B2W, and Via Varejo.

4.1. Magazine Luiza

Magazine Luiza was founded in November 1957, in Franca, a city located in the Northeast region of São Paulo state. Mr. Pelegrino José Donato and Ms. Luiza Trajano Donato were responsible for its foundation, which arose from the acquisition of a store in the city center, called "Cristaleira", and then became Magazine Luiza. Although she was not the founder, much of the company's history is attributed to Luiza Helena Trajano Inácio Rodrigues, the founder's niece. In 1991, at the age of 18, Luiza formalized her entry into the company, as superintendent, going through various sectors and functions, until she assumed the leadership of the group as Chief Executive Officer (CEO). Since 2016, this position has belonged to her son, Frederico Trajano.

4.1.1. Company Description

Magazine Luiza's mission is to be a competitive, innovative, and bold company, aiming always for the common well-being. Its vision is to: "be the most innovative group in the national retail

² Cell phone can be a simpler wireless phone (2G) or a smartphone (3G,4G).

sector, offering several lines of products and services for the Brazilian family; be present where, when and how the customer wants, whether in physical, virtual or online stores; and always delight the customer with the best retail team, differentiated service and competitive prices” (MAGAZINE LUIZA, 2020).

At the end of 2019, the company had more than 1100 stores, 17 distribution centers, and 3 offices, distributed in 18 Brazilian states. Among its main commercialized products, Magazine Luiza stands out for supplying telephony, computers, home appliances, furniture, electronics, gifts, toys, hobby, and leisure products (MAGAZINE LUIZA, 2017).

Since 2015, the company was able to position itself in the market and achieve high stock value. This year, the company began a digitalization process improving logistics, its digital platform deployments, the order tracking system, information available to the customer, and the overall shopping experience regarding the pre- and post-sale. In 2016, the company began to act as a virtual marketplace, adding new products, and sellers to its e-commerce. These changes were part of a new business model for the company, providing increased company shares and earnings, attracting more customers, and getting greater recognition at the national level. Based on this digital strategy, in 2017 Magazine Luiza recorded its highest net profit in the company's history of R \$ 72.4 million, an increase of 594.2% compared to the second quarter of the previous year.

4.1.2. Market position

Magazine Luiza's business model is based on physical, and digital stores, and its investments have been distributed in opening new stores, renovating old stores, developing new technologies, improving logistics, and others. In 2017, investments totaled R \$ 170.8 million, an increase of 37.4% over the previous period. In 2018, the amount was R \$ 364.4 million, with investments distributed as follows: 24.4% for logistics, 23.8% for opening stores, and 23.3% for technology.

Magazine Luiza launched its marketplace in 2016, as an innovation initiative by CEO Frederico Trajano (MARMO, 2018). Since then, the company registered at the end of 2019 a base of approximately 25 million active customers, more than 20 million of them with the company's application installed, and 15,000 sellers who, together, offer 13 million products on the company's platform (TRAJANO, 2019). In 2020, the company intends to keep the focus on five strategic pillars: marketplace, new product categories, Super App, fast delivery, and services (MaaS - Magazine-as-a Service).

4.1.3. Digital Business Model

To understand better, the Digital Strategy of Magazine Luiza and its positioning in the DBM (Digital Business Model) framework, it is important to check how it has answered the challenges of Digital Transformation.

4.1.3.1. Digital Threat and Opportunity

Although Magazine Luiza is a company with its origins in physical stores, it had to adapt itself to enter into the digital market, since Brazilians have demonstrated over the years a greater adhesion to this market, following the global trend. It is important to reinforce that Classes C, D, and E, the main target classes of Magazine Luiza, represented 82% of consumers in the first half of 2018 (EBIT, 2019).

As the mobile has become increasingly important in electronic commerce, the need for a digital business to provide services in mobile solutions turned urgent. Given that, it has invested in developing a Supper App for customers, who will be able not only to purchase products and services provided by Magazine Luiza but also to access other services such as pay bills, call a taxi, among others. Applications for supporting the employees in daily operational activities were also developed.

Ebit also identified the trend for marketplaces adoption. Each year, the list of e-businesses that migrate to the marketplace model increases. Magazine Luiza adopted this approach in 2016.

We can also highlight the delivery services, which are still precarious in Brazil. The high-quality delivery service can become a barrier for new entrants, and an opportunity for Magazine Luiza, since it developed Malha Luiza, managing to deliver in 2019 66% of its products within 48 hours (TRAJANO, 2019). Such an approach, of having its own logistics service, allowed the company to remain in operation even in times of strike. In addition to these barriers, other factors such as tax costs, territorial size, and knowledge about the Brazilian consumer are considered barriers to major retail players, such as Amazon and Alibaba.

Given this scenario, it can be identified that investing only in physical stores could lead Magazine Luiza to lose a slice of the growing market, in e-commerce. Because of this, it reformulated its strategies aiming to invest not only in the digitalization of physical stores, improving operations, as well as investing in digital strategies, offering new experiences to its customers, with a new value proposition.

4.1.3.2. Future Digital Model

The company currently has an omnichannel business model, containing several initiatives focused on improving the customer experience. The company is also committed to investing in digital tools, expanding the range of services, and providing new value propositions. To remain competitive, platforms and applications are created to follow the digital behavior of consumers. To continue growing in the market, the company identified the need to maintain an increasing pace of innovation, research to create environments and platforms that promote the exchange between the customer and the company, thus being able to continue to update in time.

To improve its digital model, Magazine Luiza is moving towards becoming an ecosystem driver, that is, an ecosystem organizer that generates value for all its members. This ecosystem is considered the “preferred destination” for users when they seek to solve a specific need. In these ecosystems, the challenge is to generate great content (or show third-party content) and incorporate modules from other suppliers under extraordinary user experience. Amazon, as a shopping destination, is a classic example. This model guarantees a better user experience, time to market, growth, and net margin.

Thus, Magazine Luiza's goal is to expand from a company that sells only its product, to become a digital ecosystem, such as major global players, such as Alibaba and Amazon. With this objective in mind, for the company to migrate from omnichannel to an ecosystem driver, the following capacities are needed: to differentiate and be the first place where your best customers look for you; develop the right partnerships and acquisitions; present your greatest strengths as a service, and develop efficiency and security.

With this objective in mind, the company recently launched, in April 2020, the project called Partner Magalu, which consists of a platform from Magazine Luiza that allows small and medium-sized physical retailers to sell various product categories.

From this platform, Magazine Luiza's partner retailers benefit as follows:

- Offering their products to a base of 24 million customers of Magazine Luiza;
- Access to sales indicators in real-time, provided by the company;
- Efficient delivery of products, through the logistics solution provided by the Magalu Deliveries service;
- Facilitated billing service, provided by the company.

In return, Magazine Luiza obtains the following benefits:

- The portfolio of products offered are expanded;
- Possibility of partnerships with more than 5 million Brazilian retail companies;
- Possibility to become a reference for its customers when offering several products on a single platform.

Reinventing a digital business model is a big challenge. For example, the ability to migrate from an omnichannel business to an ecosystem driver requires a variety of skills to make effective decisions.

4.1.3.3. Digital Competitive Advantage

The competitive advantage of Magazine Luiza has been achieved through several digital strategies. Such strategies are developed based on Luiza Labs, an internal area created in 2014 to design and implement the company's innovations. Thus, the technology needed for digital transformation has been created at home and it is one of the company's great differentials.

The following are the measures adopted by the company to remain competitive in the digital world, aiming at strategies in 3 main pillars: content, customer experience, and platform.

COMPETING ON CONTENT

One of Magazine Luiza's strategies in its journey of digital transformation has been offering quality content to its customers, thus seeking to maximize its competitive advantage and its value proposition. In this sense, the following company initiatives can be highlighted:

Magazine Você.

Service that allows individuals to create and personalize their virtual store, selling Magazine Luiza products through advertising on social networks, receiving, in the end, a commission for each product sold. This service, created in 2011, was the first social commerce solution in Brazil, and in the first year, it had more than 60 thousand participants. From this solution, Magazine Luiza's customers can make their purchases with information generated by people they know, interacting with them on social networks to answer questions about the products. Currently, the name of the project has been changed to "Partner Magalu Divulgador", as part of the business model strategy that propels the company's ecosystem.

Lu's Club (Clube da Lu).

It consists of a service provided by the Magalu mobile app, which aims to encourage online customers to buy items at a discount, offering exclusive benefits to club members. To access the club, the customer must have made at least three purchases on different days in the last 24

months. This initiative offers the customer the possibility to buy products with discounts, increasing their satisfaction with the company.

As wedding gift (Quero de casamento)

It is a service focused on online wedding records, integrated with social networks. From this service, a couple can create a personalized website with photos and information about a wedding, and additionally to tag the products they wish to receive as gifts. Although other companies also offer the wedding list service, Magazine Luiza went further and offered other benefits, such as presence confirmation, the printing of personalized mini invitations, and the conversion of gifts into credits, from a personalized credit card sent to the couple, which can be used in physical stores and the company's e-commerce. Recently Magazine Luiza also allows credits to be converted to purchase airline tickets, through a partnership with the company Viajanet. Given the features offered, in addition to offering a better customer experience, the "As wedding gift" service, which can be accessed via a web page or application, allows the company to identify which of its customers will be married, thus being able to offer personalized services for their needs.

Lu's channel (Canal da Lu).

The company's YouTube channel, which aims to present demonstration, comparison, and doubts solving videos about certain company products. Currently, the channel has 2 million followers. In it is the retail brand channel with the largest number of followers and the first to reach 1 million followers.

COMPETING ON CUSTOMER EXPERIENCE

Regarding the customer experience, the following actions were taken at Magazine Luiza:

Persona Lu.

In 2003 Magazine Luiza launched the electronic sales assistant Lu, being considered a virtual persona (3D) of the company. The creation of the assistant aimed to offer an experience capable of humanizing the interaction with the customer with e-commerce, approaching the experience that the customer has in a physical store with a seller. Due to the positive feedback from persona Lu, the company started to adopt it in all its campaigns, presenting products, and publicizing services in media such as social media, e-commerce, blogs, and applications. As a result of the success, persona Lu has a total of more than 11.5 million followers on social networks, such as Instagram, Twitter, and YouTube. A range compared to that of digital influencers.

Multichannel service.

It allows the customer to interact with the company through several channels, namely: physical stores, e-commerce, mobile applications, telesales, and Magazine Você, taking advantage of different types of connections. As Eduardo Galanternick, executive director of e-commerce for the company, said in an interview: "We understand that the customer is not offline or online, he/she is in contact with all types of media. And we try to understand the role of each vehicle, of each type of media available during this relationship". For example, one of the strategies adopted by the company was the operation that allows the customer to buy a product on e-commerce, and pick up the product in a store near its location, thus reducing delivery time and rate.

BOB.

It is a Big Data platform from Magazine Luiza that aims to recommend products on the site and generate purchase suggestions sent through channels such as email and the application. This platform collects information based on the purchase history and website navigation and turns it into personalized content. Using customized solutions, the company seeks to improve the consumer experience, also resulting in increased sales (FELIX,2018).

Virtual sales assistant Lu.

Magazine Luiza's virtual assistant, allowing customers to be conversationally served, using deep learning and natural language processing solutions. Currently, several operations can be carried out from Assistant Lu, such as tracking delivery, issuing duplicate bank invoices, and invoices, getting order status, and obtaining information about the store address where the order can be picked up. This solution was awarded by the public as the best chatbot in the 'Services' category by the Bots Brasil Awards 2017. According to the website Nama, the company that developed the virtual assistant, in 7 months, more than 1.2 million users were served by this virtual assistant. Besides, in the same period, more than 6 million messages were sent during the conversations between the customers and the virtual assistant.

COMPETING ON PLATFORM

Regarding platforms, Magazine Luiza obtains a competitive advantage based on the following initiatives:

Single platform.

The entire customer service strategy, whether physical or digital, is based on a single operating platform, a single supply chain, and all support areas serving multiple sales channels. Aiming to become a digital ecosystem in Brazil, the company also has the strategy of developing new personalized features in its application, allowing the client to access products and services, and facilitating daily activities.

Financial services.

One of the efforts of Magazine Luiza's board is to offer new initiatives to improve the company's monetization and value proposition. In this sense, the Magalupay service was launched. Magalupay refers to Magazine Luiza's digital account in partnership with Banco do Brasil, offering features such as withdrawals, bill payments, deposit, and transfers at the company's stores. In this context, the company is moving towards strategies such as WeChat, an instant messaging service that offers similar functionality in its application.

4.1.3.4. Role of Mobile and IoT

As previously presented, Magazine Luiza seeks constant innovation, being alert to trends in customer behavior. From this view, the company identified the need to stay connected with customers via mobile devices and fostered the following initiatives:

Super App Magalu.

The Magalu Application, for the company's customers, currently provides functionalities for products purchase by the customer, such as product search and purchase, information about sales promotions, consultation and analysis of consumers related to certain products, and order tracking. Since the conception of the application, we sought to develop functionalities that are easy to use, with strategies such as reducing the number of fields in the register and the possibility of reading credit card data from the camera. In 2018, the app obtained 26 million

downloads, earning first place in the ranking of downloaded retail apps followed by Americanas and Casas Bahia.

As previously mentioned, for the evolution of the application, the company aims to add new services that go beyond the customer's interaction with the store's products. This strategy, widely used in Asian retailers, has been called superapps, with a focus on offering a wide range of products, in addition to digital services. For the coming years, features are planned to allow the customer to make purchases, pay bills, recharge cell phones, hire transport services, order food, and socialize on social networks. These functionalities are designed to occur through partnerships with other digital companies, and, for this, the company aims to create APIs (Application Programming Interface), facilitating the exchange of data with its partners.

Applications for employees.

In addition to offering the smartphone application to its customers, the company also invested in the development of applications for supporting its employees. For example, it can be mentioned applications, such as Mobile Results, Mobile Inventory, Mobile Deliveries, Mobile Assembler, and Mobile Sales, allowing salespeople to sell products through the app, check product information, confirm stock availability, review sales history, and track product delivery (TEIXEIRA, 2018). Such applications were created as part of the company's mission to digitize physical stores, for example, by reducing the average sales time. In 2019, the company's annual report highlighted that the average time was reduced from 40 minutes to 2 minutes.

Lu Connects.

Subscription program that offers digital assistance 24/7. Among the functionalities offered, the following can be highlighted: support for smartphone configuration, and application installation, free antivirus service, cloud storage, and free Wi-Fi access to 6,000 free points in the country, in partnership with the operator Oi. The company more recently partnered with the music streaming service Spotify, offering 4 months of free access to the platform. Given these features, the company seeks to assist in digital inclusion, allowing consumers to browse websites and applications in an accessible way.

4.1.3.5. Capabilities for Reinventing

Several strategies related to the 8 Capabilities for Reinvention specified by Weill and Woerner (WEILL, 2018) were implemented by Magazine Luiza as described below:

- **Capacity 1:** collect and use relevant information about the events in the lives of customers. To achieve this, the company uses Big Data and data science resources to capture and analyze information and feelings from its customers on its digital channels. This information is stored in an integrated data lake environment.
- **Capacity 2:** amplify the customer's voice within the company. The company is actively present in the following social networks: Facebook, Instagram, Youtube, and more recently on Twitter. In this regard, it is worth highlighting the following strategies:
 - Interaction with digital influencers, achieving more visualization and taking advantage of the reach of social networks to grow and better understand the needs of the client.
 - Encouraging store managers to create a Facebook fan page. One of the relevant metrics in this capacity is the Net Promoter Score (NPS), which aims to measure customer satisfaction and loyalty with companies. Magazine Luiza obtained the highest retail NPS in 2019, with 78 points (TRAJANO, 2019).
- **Capacity 3:** Create an evidence-based decision-making culture. An important step in the digital transformation of Magazine Luiza was the creation in 2014 of Luiza Labs, a Technology and Innovation laboratory, within the Research and Development nucleus,

intending to develop innovative digital products and services, through disruptive technologies, like Big Data, cloud computing, IoT and mobile platforms.

The creation of Luiza Labs was considered essential for the incorporation of the company's digital culture, allowing it to implement agile development strategies, design thinking, MVP (Minimum Value Product) concept. Thus, even in the face of its large size, the company maintains a mindset and manages to obtain a dynamism similar to that of a startup.

With a team of 1196 people in 2019, Luiza Labs was responsible for making decisions that resulted in several digital initiatives of the company, such as the evolution of the application over the years, the development of the Super App, as well as personalized experiences consumers. Besides, there is currently an effort focused on MaaS - Magalu-as-a-Service, a platform to digitize and interconnect the Brazilian retail ecosystem, making available to third parties the same services that already exist in the company's e-commerce (TRAJANO, 2019).

- **Capacity 4:** offer the customer an integrated, multi-product, and multichannel experience. As previously mentioned, the company adopts a multichannel strategy to customers, offering interaction with the customer in physical and digital store resources. One factor that demonstrated an integrated experience of the company was the introduction of the virtual seller Lu, who until today represents the Magalu brand in different media, such as social networks, TV, and printed tabloids.

The integrated experience can also be identified as the “withdraw in store” service, in which the consumer can buy the product on e-commerce and withdraw in one of Magazine Luiza's physical stores. In 2019, it was identified that 57% of the products purchased were delivered using this resource (TRAJANO, 2019).

- **Capacity 5:** distinguish yourself and be the first place that your best customers look for when a need arises. The retail sector is very broad, with numerous competitors, especially when seen in a global scenario. Betting on strategies such as improving the customer experience on digital platforms, optimized delivery services, facilitated payment methods, and the wide variation in the number of products available, Magazine Luiza has been moving towards becoming the first choice of customers when a need arises. However, the company's e-commerce does not yet have the largest number of views in Brazil. In 2019, the largest number of views on e-commerce sites was attributed to Mercado Livre, followed by the B2W network, which integrates American companies and Submarino, leaving the third place for Magazine Luiza.
- **Capacity 6:** Identify and develop large partnerships and acquisitions. The acquisition of new companies was one of Magazine Luiza's strategies, aiming to expand its customer base, but, mainly, to expand its product mix. So far the company has made two major acquisitions in this regard. The first was the purchase of Época Cosméticos in 2013, for R \$ 25.6 million, inserting Magazine Luiza in the beauty products trade. To expand its competitive advantage, the company also acquired other companies, increasing its product mix, as well as its customer portfolio. One of the biggest acquisitions came in June 2019, when the company acquired online retailers Netshoes and Zattini for \$ 115 million. This strategy allowed entry into the clothing, footwear, and accessories sales market, as well as the accession of 6 million new customers. Recently, in February 2020, the company also acquired for R \$ 31 million, the company dedicated to the sale of used books, Estante Virtual, containing a base of 6 thousand sellers and about 18 million titles. With this strategy, it is believed that Magazine Luiza should follow in the footsteps of the retailer Amazon, offering new and used books, based on the concept of the marketplace.
- **Capacity 7:** enable services that make your company successful, with exposed APIs. Since the creation of Luiza Labs, the company has aimed to create solutions that could easily interact with other products and services. One of the strategies was the development of APIs and their exposure to Marketplace sellers. The adhesion to Magazine Luiza's platforms is

made through APIs in the company's marketplace. Currently, this interaction is carried out through the IntegraCommerce API, created to automate and simplify the flow of information between partners and the platform.

- **Capacity 8:** develop efficiency, safety, and regulatory compliance as a competency. Currently, 50% of Magazine Luiza's sales occur on the e-commerce platform, and this reach is considered to be the first Brazilian retail company to successfully integrate the physical operation with e-commerce. This success is attributed, among other aspects, to efficiency in service, payment conditions, and delivery of products to the consumer. As already mentioned, in 2019 the company registered the ability to deliver 66% of its own-stock products within 48 hours (TRAJANO, 2019). Besides, the company has also invested in improving payment methods and offering financial services. Based on this efficiency, the company is preparing to operate various services in the retail sector, such as, for example, through "Magalu Entregas", which allows marketplace sellers to use the same logistics chain. The payment platform launched in 2019, called "Magalu Payments" was developed to offer payment flow control, chair monitoring, and fee reduction to its marketplace. All of these factors are being developed to accelerate not only Magazine Luiza's ecosystem, but of the entire Brazilian retail sector.

4.1.3.6. Leadership for Digital Transformation

Focusing on leadership for Digital Transformation, Magazine Luiza bets on several approaches, one of which is communication. Communication in the company is considered open and without barriers so that all employees have full access to any director or manager. In this context, several functionalities were developed, such as:

- **Dial-Presidency:** a communication channel that allows company employees to report practices that do not comply with Magazine Luiza's values. The President and the Personnel Management Director analyze the complaints, to seek to maintain justice, ethics, and value the team.
- **Luiza News:** a bi-monthly internal newsletter created to promote transparent communication, keeping employees informed about the company's events. Such an approach demonstrates the appreciation of people for the company.

In addition to communication, the company values the self-development of its employees, being one of the pillars of the company. For this, the company seeks, from the company's leaders, to disseminate the practice of encouraging the team to take on challenges that allow them to develop their potential, such as, for example, guiding employees to enroll in the company's Talent Bank.

Occupying the position of Chairman of the Board of Magazine Luiza, Luiza Trajano is considered one of the most inspiring leaders in Brazil. Among other factors, her actions stand out for the spirit of innovation and her active participation in the sector, giving more than 100 annual lectures to executives, employees of other companies, students, and groups of women [4]. Another evidence about Magazine Luiza's effective leadership capacity is the fact that it has been considered for 14 consecutive years one of the best companies to work for in Brazil, according to the methodology of the Great Place To Work Institute.

4.2. B2W

4.2.1. Company Description

B2W is a digital platform created in 2006, through a merger among 3 leading e-commerce companies in Brazil at the time (Submarino, Americanas, and Shoptime). Currently, it is also composed of the company SouBarato, an online outlet for products from Lojas Americanas stores (B2W, 2019b).

4.2.2. Market positioning

B2W has a hybrid model of a digital platform, composed of sales models 1P (direct sale), 3P (marketplace), and digital solutions. The 1P model is characterized by the sale of own brands, categories, and strategic suppliers, while the 3P model allows the company to expand its product range, with the introduction of new sellers (B2W, 2020).

4.2.3. Digital Business Model

The following sections present details of the digital business model of B2W.

4.2.3.1. Digital Threat and Opportunity

As well to Magazine Luiza, one of the threats perceived by B2W is the increased penetration of Amazon in Brazil. However, B2W contains a solid position in both the physical and online segments. Currently, there are more than 1.700 physical stores in all states of Brazil. Besides, each e-commerce acts currently as a marketplace, connecting more than 42,1 thousand of sellers a result, B2W connects more than 40 million customers (B2W, 2020).

4.2.3.2. Future Digital Model

One of the main changes that took place at B2W was its transition from traditional e-commerce to a digital platform, acting in addition to direct sales, also through the marketplace and digital services. Following this approach, in 2019, the company has presented the integration of the physical and online businesses of Lojas Americanas and B2W in a multichannel platform (B2W, 2019b).

To provide continuous improvement in its digital business model, in 2018 the company presented the creation of a new internal sector called IF – Innovation and Future, designed to keep the company in line with the transformations in the retail sector. As stated by its report, the IF initiative will be responsible for synergies between the companies' businesses, digital laboratories, and for leading the digital transformation (B2W, 2019b).

4.2.3.3. Digital Competitive Advantage

B2W's investments are concentrated on 3 pillars: technology, logistics, and people. Strategic planning in the period from 2017 to 2019 aimed to act on these pillars, with a primary focus on the growth of the marketplace. During this period, the company's Marketplace had a significant increase in its GMV (Gross Merchandise Volume), from R\$ 2 billion in 2016 to R\$ 12 billion in 2019. The year 2020 was marked in the company by the introduction of a new strategic plan, which will run from 2020 to 2022, with the goal of a growing GMV (B2W, 2020).

Another important fact about the digital competitive advantage of B2W is its service named Prime. It consists of the only program in Brazil in which the customer can buy more than 2 million products with free shipping, without worrying about the minimum purchase price. Besides, the subscribed customer takes advantage of exclusive offers in this service.

4.2.3.4. Role of Mobile and IoT

Similar to Magazine Luiza, B2W has also been investing in mobile, IoT, and other digital initiatives. One of its main approach in this regard is the creation of the Ame app. It consists of a B2W application developed in the one-stop-app concept, with a diverse set of features for the company's customers. Currently, the app already has a set of 35 different features, in addition to offering exclusive promotions. Examples of functionalities include mini-games, donations to NGOs, and drinks delivery. Besides, one of the strategic features of the platform is a cashback

system, that returns a percentage of the value of each purchase to a customer's digital wallet, resulting in increased recurrent sales. A recent imitative also allows the customer to use the cashback to buy cell phone credits and use in transportation applications (B2W, 2019a).

Another app, now directed to sellers and employers, is Ame pro. It consists of an application aimed at shopkeepers. Its goal is to provide a mobile solution for managing physical stores. This service can also be used by marketplace sellers, helping their operations. The main features of the solution are the native integration with B2W Marketplace and B2W Delivery, as well as several management tools such as tax coupons, product registration, inventory control, and payment management. Besides, focused on expanding its acceptance in the physical sector, B2W signed a partnership with a fintech named Stone, allowing Ame customers to pay their purchases at establishments accredited by Stone using QR Code (B2W, 2019b).

B2W has also been investing in mobile solutions for delivery. In this regard, there is the Ame flash, a mobile platform able to deliver from Lojas Americanas physical store and B2W Marketplace tenants to the customer's address within only 2 hours. The platform can connect independent couriers (e.g., motorbikes, bicycles) in the companies' logistics cloud (crowd shipping) (B2W, 2019b). Also, in Lojas Americanas physical stores, there is an IoT prototype solution called Ame go. It consists of a prototype inspired by the Amazon Go service. From the use of artificial intelligence, machine learning, and IoT sensors connected in the products, the project can detect when each item was removed or returned to the shelves. On the client-side, customers must authenticate in the Ame app to choose their products. When leaving, their purchases are automatically debited from their digital wallet, without checkout or queues (B2W, 2019a).

4.2.3.5. Capabilities for Reinventing

- **Capacity 1:** collect and use relevant information about the events in the lives of customers. Through the B2W Analytics platform, the company conducts analyzes that allow to identify and recommend products according to the characteristics of the customer. For example, in the Ame go initiative, digital cameras are used to track and monitor customers' movements, collecting data that can provide insights about their behavior, sentiment, and decision (B2W, 2019b).
- **Capacity 2:** amplify the customer's voice within the company. Especially during the pandemic period, B2W has been committed to listening to the needs of its customers, offering appropriate products and services. For example, the company introduced services such as WhatsApp sales and “Americanas Drive Thru”, to offering agile, practical, and safe forms of service (B2W, 2020).
- **Capacity 3:** Create an evidence-based decision-making culture. From initiatives as the IF - Innovation, and Future, as well as the increased use of digital technologies to understand customer needs, B2W has been accelerating its performance through the use of big data and analytics (B2W, 2019b).
- **Capacity 4:** offer the customer an integrated, multi-product, and multichannel experience. As stated before, B2W currently provides a multichannel platform, integrating both physical and online stores. From this approach, one of the main initiatives was the O2O (online to off-line) project, which integrates digital and physical purchases. This project combines different strategies for customers. The first one is the *Ship from store*, where customers buy a product in the e-commerce and pick up in a physical store, the second one is the *Ship from the store today*, in which products can be picked up in stores within an hour after purchase. The third option is the LASA Delivery, which uses the stock of each physical store, allowing it to act as an independent distribution center.

Besides these approaches, B2W also has initiatives for improving communication with their customers. For example, in 2018 the company created a tool called Q&A, capable of exchanging messages between the customer and the marketplace seller, clarifying existing doubts about products, and providing a better user experience (B2W, 2019a).

- **Capacity 5:** distinguish yourself and be the first place that your best customers look for when a need arises. Currently, Ame, B2W's mobile application, already has more than 7.4 million downloads, in addition to 1,700 physical stores and 4 e-commerces: Americanas.com, Submarino, Shoptime, Sou Barato (B2W, 2020).
- **Capacity 6:** identify and develop large partnerships and acquisitions. One of the strategies to become B2W's omnichannel is through partnerships and acquisitions. Aiming to increase the assortment of products, the company acquired the e-commerce platform Supermercado Now, to operate in the online supermarket category. This platform was presented within Americanas e-commerce as a mini-app. Another prominent acquisition was the startups Pedala and Courri, focused on delivering products using bikes and electric scooters. Such acquisitions were aimed at accelerating delivery operations in large urban centers.
- **Capacity 7:** enable services that make your company successful, with exposed APIs. B2W's digital platform is developed based on cloud and microservices. To enable access and integration with marketplace sellers, the company operates with open APIs. Through the exposed APIs, Sellers can manage various operations, such as pricing, inventory, chat, and shipping, and can also do multichannel management (sales on the Marketplace and in their stores).
- **Capacity 8:** develop efficiency, security and regulatory compliance as a competency. As stated before, from the technological, logistics, and the people aspects. The technological and logistics aspects were demonstrated by their initiatives such as Ame App, Ame Flash and O2O project. Regarding the people aspect, B2W has also been investing in solutions to improve the work of its employers and sellers, such as Ame pro. Besides, the company has been also establishing partnerships with startups and other financial institutes to provide better and different payment options. For example, the startup Ame signed a partnership with Banco do Brasil to offer a credit card with many benefits, such as free annual fees on monthly purchases over R\$ 100.00, different installments, and discounts at shows, and cinemas.

4.2.3.6. Leadership for Digital Transformation

Márcio Cruz is the current CEO of B2W, replacing Anna Saicali, who created B2W in 2006. She is now the CEO of IF – Innovation and Future, due to her deep knowledge related to the Companies' businesses, her leadership skills, strategic vision, and ability to create and execute strategic plans.

Since its foundation, B2W is comprised of more than 1,500 developers and a high retention rate for its employees. The company provides a culture focused on innovation, and it was certified in 2019 with the Great Place to Work (GPTW).

4.3. Via Varejo

4.3.1. Company Description

Via Varejo is a Brazilian retail company founded in 2010, responsible for the Casas Bahia and Pontofrio store chains and their respective virtual stores, of furniture manufacturer Bartira, in addition to being the administrator of the e-commerce website Extra.com.br.

With over 60 years of history and tradition in the electronics and furniture market, Via Varejo operates iconic brands for the Brazilian consumer, Casas Bahia, Pontofrio, and Bartira furniture. Via Varejo aims to become the main shopping and sales route in the country in the way that customers want, like, and need.

4.3.1.1. History

In December 2009, Grupo Pão de Açúcar acquired Casas Bahia and transferred its retail unit to Globex Utilidades S.A.. Globex owns Pontofrio, which was purchased in June of the same year. Globex operated online retail through its subsidiary Nova Pontocom. This e-commerce company was created in 2010 after the merger of the online operations of Casas Bahia, Pontofrio, and Extra, a hypermarket chain owned by Grupo Pão de Açúcar.

At the time, Nova Pontocom had an 18% share of the Brazilian online retail market. In early 2012, Globex Utilidades officially changed its corporate name to Via Varejo and assumed the new corporate identity that brings the colors of Brazil.

Via Varejo assumed, since 2016, control of Cnova Brasil's operations, and since then, the company has been the owner and operator of the following stores: Extra.com.br, Casasbahia.com.br, and Pontofrio.com.br.

4.3.2. Market positioning

The company has more than one thousand physical and virtual stores, 26 distribution centers, and a database of more than 60 million Brazilians and has more than 50 thousand employees.

Via retail also has a foundation since 1961 that aims to contribute to social-cultural development and the reduction of social inequalities in Brazil, benefiting thousands of people a year (<https://gife.org.br/associados/fundacao-via-varejo/>).

There are several projects:

Agente + which is the Volunteer Program for mobilizing, engaging, and carrying out social actions of Via Varejo employees. In a virtual platform exclusively for company employees, all volunteers can publicize actions and enroll in activities carried out by employees and by the Via Varejo Foundation itself.

Casas Bahia na Comunidade is a program with a social investment strategy from the Via Varejo Foundation to promote development in communities in vulnerable situations in which we operate, intending to contribute to the reduction of inequalities, the role of local social entrepreneurs, and the strengthening community support networks.

Compra do Bem is an initiative of the Via Varejo Foundation to foster the solidarity and engagement of the company's volunteer employees, in favor of the AACD - Association for Assistance to Disabled Children.

Entrepreneurship is a project that shares with the communities the capacity of the company to make local businesses prosper and strengthen their territories.

4.3.3. Digital Business Model

To understand better the Digital Strategy of Via Varejo and its positioning in the DBM (Digital Business Model) framework, it is essential to check how it has answered the challenges of Digital Transformation.

4.3.3.1. Digital Threat and Opportunity

In 2019, one of the company's goals was to start a digital revolution. The plans were to optimize the performance of its physical stores, increase its online capacity, improve the product mix, growth in credit granting, greater efficiency, and online and offline expansion (O2O), among other things.

Currently, according to the report for the second quarter of 2020, the company reached 7.3 billion total GMV and 5.1 billion online GMV. GMV or Gross Merchandise Value is one of the most important metrics for a Marketplace or e-commerce platform.

Another relevant data from the report shows that online growth offset 100% of the loss of sales due to stores closed by the lockdown and, in general, had an online growth of 280% in 2Q20.

The company has a strong sales instrument called "Call me at ZAP", which contributed 20% of the sale online, and is well accepted by the company's customers.

The use of the application has grown exponentially in the last year, and in 2019 it had approximately 1.5 million monthly active users, and in June 2020, it had 15.0 million. The company will use this data to promote the marketplace platform and increase the number of company partners. Finally, the company declared an omnichannel integration of the company in the market.

The main threats raised are its competitors Magazine Luiza, B2W, and Amazon.

4.3.3.2. Future Digital Model

Via Varejo is a company that has a vast marketplace that sells household appliances, electronics, furniture, and a variety of services. In addition to gaining from the sale of products, Via Varejo also earns with financing interest since many people opt for installments by credit card or booklet from the stores themselves. Moreover, the fact of having excellent infrastructure makes it even easier to sell and penetrate different territories and segments of Brazilian society. In addition to physical stores, the conglomerate is also attacking e-commerce. The company still has a long way to go when it comes to online capacity, especially when compared to other competitors like Magazine Luiza, for example.

The company is in the process of evolving to perfect an omnichannel business model to offer customers an excellent service in all physical and digital channels. The way forward will be to achieve an ecosystem driver model.

4.3.3.3. Digital Competitive Advantage

The company has a Marketplace with about 4 thousand partners and sells on its websites more than 3 million items between the marketplace and products from its stock.

The company has also launched a banQi digital bank that proposes to offer financial solutions aimed at classes C, D, and E, with an intuitive platform and without fees. With the project, the group intends to associate the technology and practicality of digital banks with a potential customer base that has difficulty accessing traditional institutions. BanQi will offer options for free deposits and withdrawals, payment of slips and QR code, transfers, cell phone recharges, single tickets, and access to Casas Bahia's digital booklet. They also intend to add features such as the electronic signature of the credit card and debit card. Also, to add other tools such as portability of salary accounts, insurance, incentive programs in the cashback model, prepaid card, and personal loan. The company also intends to use Via Varejo's customer database and machine learning technology to offer customized solutions to the user.

The company also started a project called "Via Unica". The system consists of an extensive database, which concentrates customer information, collected with internal transactions, and external information. The big data will be 'plugged' into a kind of personalization engine, which will trigger customized campaigns.

Via Varejo also has an integration API. It allows integrators and retailers to market their products on the Via Varejo Marketplace, through a lighter and easier-to-use interface. Through the API it is possible to register products, manage stocks and prices and be notified when orders are placed and confirmed.

4.3.3.4. Role of Mobile and IoT

At the end of January 2020, the chain opened the first unit of a digital point of sale model, where the entire operation is based on the use of technological solutions and the personalization of the shopping experience through data analysis. In the newly opened store, facial expression sensors measure customer satisfaction when leaving. At the same time, a heat map analyzes the entire trajectory made during the time that the consumer remained at the point of sale.

Another of the actions was to implement an artificial intelligence technology, called Eva, to optimize the results of salespeople in stores. Eva provides feedback on the work of the employee, makes a comparison with other employees, and delivers relevant content to help

these professionals increase their performance according to the product or service they are having more difficulty selling.

The company also started testing the application of virtual and augmented reality, with the goal that the customer can try products that are not in the store display or even to take the product to the consumer's home through the application.

The company is in the process of digitizing physical stores, and the results are:

- Via + with recommendation system and marketplace
- New online sales outlets
- Use of wi-fi in stores
- Customized credit offer.

4.3.3.5. Capabilities for Reinventing

Casas Bahia has the largest logistical capacity in the country. The company makes two deliveries per second, 60% of deliveries within 48 hours. Until recently, it was 72 hours. Logistics is a significant barrier for anyone who comes to operate in Brazil.

The company also reformulated its wholesale operations and introduced VVAtacado, the company's new brand for small and medium-sized companies. Through it, Via Varejo offers a platform with customized products and services, created to serve retailers through e-commerce and physical stores throughout the country. The company doubled its service capacity through telesales and launched a new website, to improve the customer's shopping experience.

With the changes, Via Varejo intends to double its service capacity, reaching around 10,000 companies per month, in addition to quadrupling the company's wholesale revenue in the coming years. "VVAtacado will bring differentiated credit options and offer competitive prices across the market, as the company has a long and broad relationship with the main brands in the industry."

The company has some of the capabilities required to be able to reinvent the company because it has extensive experience in the retail sector. The company is also committed to investing in employees, respecting their ideas, and creating loyalty. The company believes that it is necessary to create an environment for all employees to embrace the digital transformation process. Create an environment of change, communicating all expectations, and developing strategies that encourage change.

The company also has an innovation team with an open space for collaboration where, according to the company's statements, they are heard and are free to create, knowing the problems that must be faced.

While the company's culture and leadership, they continue to believe in a structure that is as flat as possible. The less hierarchical, the more fluid the process is. According to Maicon Peixinho, the IT manager of the company: "Everyone needs to be involved and influence what is being done."

4.3.3.6. Leadership for Digital Transformation

The company is about to attract, train, and retain the right people and provide an enabling environment for these individuals to develop their work, using technology and training these professionals. Furthermore, to have these people in the company, from the leadership level to the workers, the company defined some skills and capabilities. Flavio Dias, the former CEO of the company, stated,

"The person needs to have a differentiated ability to solve problems, be adaptable to constant changes, and work collaboratively. You have to have a taste for making a difference, thinking big, being obstinate with the customer and taking the consumer's perspective into account in all decisions."

5. Cases Comparison

Weil and Worner (WEILL, 2018) proposed a Digital Business Model (DBM) framework, consisting of 4 different business models: modular producer, supplier, omnichannel, and ecosystem driver. Figure 3 shows the models adopted by Magazine Luiza, B2W, Via Varejo, and Amazon over the years.

5.1. Brazilian Retailer Companies and DBM

In Brazil, currently, Magazine Luiza, B2W, and Via Varejo are the three largest companies in the online retail sector (SBVC, 2020). Here, it is depicted their business models according to the aforementioned DBM.

Figure 3 shows the models adopted by B2W, Magazine Luiza, Via Varejo, and Amazon over the years. Magazine Luiza, B2W and Amazon followed first the strategy of moving from supplier to omnichannel, and, later, towards ecosystem driver. The main strategies for these transitions to occur can be identified as:

Magazine Luiza

Upwards – from supplier to Omnichannel (Multichannel service):

- Development of the Magalu application, allowing the customer to select, buy, and track the status of the purchase.
- Creation of the marketplace, involving thousands of suppliers.
- Analysis of data about customers; purchasing behavior and needs.
- Improvement of its logistics process, delivering products with agility to the customer.

From right to left – from Omnichannel to Ecosystem driver:

- Acquisitions of the companies Época Cosméticos, Netshoes, Zattini, and Estante Virtual, increasing the product portfolio and its customer base.
- “Retail as a service”: provide APIs for their services (logistics, payments) to other retailers.
- Partnerships with service providers to be made available on the SuperApp (ongoing project)

B2W

Upwards – from supplier to Omnichannel (Multichannel service):

- Creation of the marketplace, expanding its product range to over 13 million.
- Development of Ame application, optimizing the offer of discounts to customers through a cashback service.
- Creation of IF – Innovation and Future sector, being responsible for the conception, creation, incubation, and acceleration of disruptive businesses.

From right to left – from Omnichannel to Ecosystem driver:

- Acquisition of the e-commerce platform Supermercado Now, expanding its presence in the supermarket category.
- Partnership with startups and financial companies, such as Linx, Cielo, Stone, Mastercard, and Banco do Brasil offering a better user experience and facilities to the customer.
- Improvement of the Ame app, providing more than 35 diverse features, resulting in a one-stop-app.

Via Varejo

Upwards – from supplier to Omnichannel (Multichannel service):

-

From right to left – from Omnichannel to Ecosystem driver:

-

Amazon

Amazon is already an ecosystem driver. It is a born-digital company and has the potential first-mover advantage of an ecosystem driver. It has achieved a dominant position, which is hard to beat (WEILL, 2018).

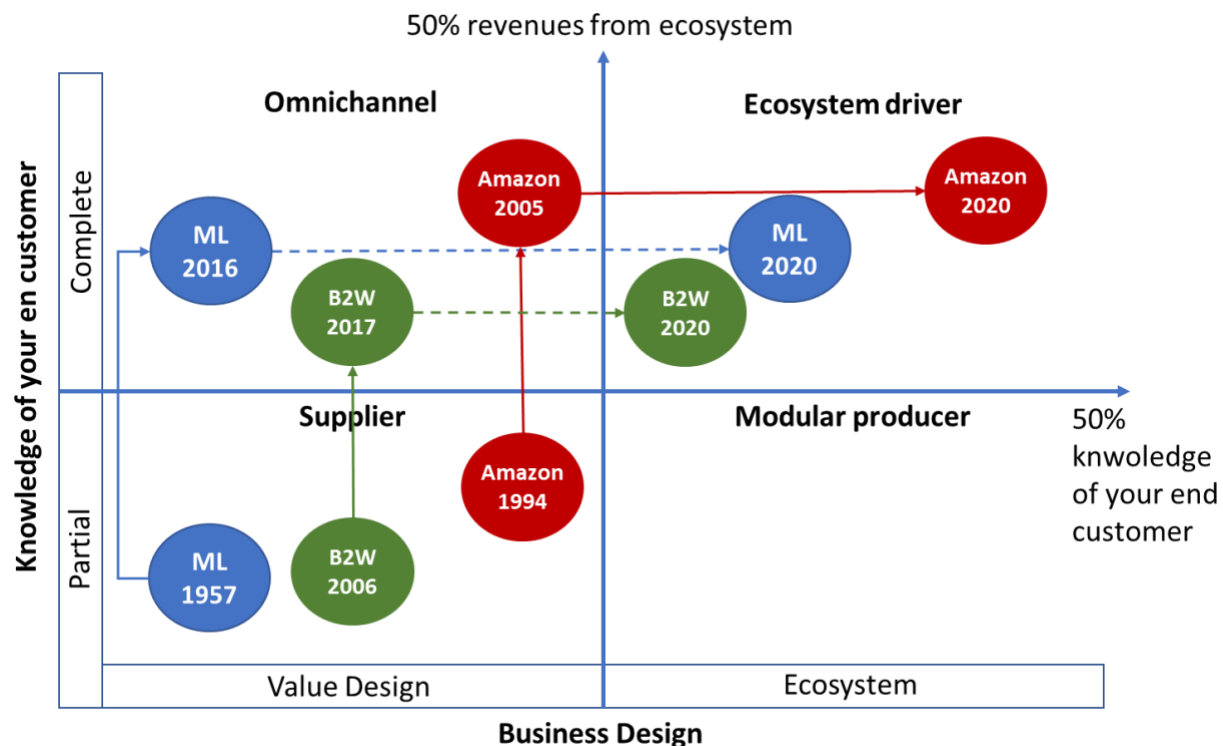


Figure 3. Brazilian Retailer Companies position and Amazon position in the Digital Business model framework.

5.2. Brazilian Retailer Companies and Amazon

Beyond all the initiatives towards the ecosystem driver business model, it has to be mentioned Amazon. Amazon was created in 1994 as a virtual store and since its beginning, it has invested a lot in technology, logistics, and market expansion.

Table 1 presents a comparison among the business models of all of these four companies. As it can be seen, all the companies adopted the **marketplace** strategy, where different vendors are selling similar products with different prices and service levels. This strategy brings opportunities for vendors to improve products and services and at the same time benefits the customer with greater choice and transparency.

M-commerce is especially important in Brazil, for the number of subscribers and reaching all social classes. Brazilians are increasingly using their cell phones to carry out all their daily activities. This has moved the retailers towards the creation of **SuperApps**, which enables them to acquire products and services from the companies and their partners. This is the case of Magazine Luiza, which created Super App Magalu.

Most of them have invested in **mergers and acquisitions** for expanding product offerings and customer base. As examples, it can be mentioned the cases of Magazine Luiza, which has acquired NetShoes for fashion offering – a very important player on the online retailer in Brazil, and of Amazon acquired Whole Foods Market for the fresh offering

Table 1 – Comparison among Brazilian retailers and Amazon

	Magazine Luiza	B2W	Via Varejo
Business Presence	1P, 3P	1P, 3P	1P, 3P
Creation Year	1957	2006	2010
Type of Operation	Brick-and-Mortar Online sales	Online Sales	Brick-and-Mortar Online sales
Digital Business Model	Omnichannel	Omnichannel	Omnichannel
Marketplace	Migration in 2016. Marketplace consolidator.	Marketplace consolidator	Marketplace consolidator
Price Strategy		Dynamic price for 2p and 3P model, through B2W Analytics platform	The dynamic price due to many variables (currency exchange, sales channel, supply-demand, etc.). It also has a minimum and maximum price strategy.
Delivery Service	Own logistics service (Malha Luiza)	Own logistics service Acquisition of Pedala and Courri startups	Own logistics service (VVLLog) Purchase of the logistics technology company, ASAPLog in 2020.
Digital Threats	<ul style="list-style-type: none"> Logistics Coherence between physical and virtual offerings. 		
Digital Capabilities	Born as Brick-and-Mortar and showroom strategy.	Born-digital with superior digital capabilities	Born as Brick-and-Mortar and showroom strategy.
Competing on Content	<ul style="list-style-type: none"> Personalization of virtual store Customer Club Wedding services YouTube Channel 	<ul style="list-style-type: none"> Personalized offers Digital services 	<ul style="list-style-type: none"> Recommendation system
Competing on Customer Experience	<ul style="list-style-type: none"> Electronic sales assistant Multichannel service Big Data platform Sales Chatbot 	<ul style="list-style-type: none"> Analytics Platform Multichannel service Prime service Ame go, to buy and pay without the need of queues 	<ul style="list-style-type: none"> Credit card service VVAtacado Chatbot Eva Virtual and Augmented Reality to test products Via+

Competing on Platform	<ul style="list-style-type: none"> • Single platform for multiple sales channels • Financial services 	<ul style="list-style-type: none"> • Single platform • Financial services 	<ul style="list-style-type: none"> • Single Platform • Financial services
Mobile and IoT	<ul style="list-style-type: none"> • Super App Magalu for Customers for store's products and other services. • Application for employees' daily activities • Digital Assistance 24/7 	<ul style="list-style-type: none"> • Ame app one-stop-app for customers • Ame pro: mobile apps for employers and sellers 	<ul style="list-style-type: none"> • Integration API • banQi digital app • Via Unica
Reinvention Capabilities	<ul style="list-style-type: none"> • Partnerships and companies' acquisitions. • Exposed API • Improvement of logistics and financial services. 	<ul style="list-style-type: none"> • Partnerships and startups acquisitions. • Exposed API • Improvement of logistics and financial services. 	<ul style="list-style-type: none"> • Partnerships and startups acquisitions. • Exposed API • Improvement of logistics and financial services.
Leadership	<ul style="list-style-type: none"> • Improvement of Communication • Employee Self-Development 	<ul style="list-style-type: none"> • Innovation culture 	

6. Final Considerations (2 páginas)

Given the case studies presented, some aspects can be observed regarding the digital transformation:

- The Innovation of Digital Business.
 - There is no single path to follow. The plurality of services and products developed, and offered by Magazine Luiza over the years exposes the need for innovating in its digital business model. The value proposition can be offered through numerous approaches, which, together, result in increased sales, greater customer satisfaction, greater visibility, and the ability to reinvent themselves in the face of new situations. The creation of IF – Innovation and Future department in B2W has been also created to provide this plurality of services, which already resulted in innovation and values proposition through the use of mobile applications and IoT sensors.
- Digital transformation is not just about the use of digital technologies.
 - Magazine Luiza, especially after the creation of Luiza Labs, developed features that were essential for success in the digital world, through technologies such as big data, machine learning, cloud computing, and mobile. Adherence to such technologies and the internal development of solutions led the retailer to be considered as a tech company. However, people are still considered the main resource for digital transformation. As company directors report, Magazine Luiza has become for them: “a digital platform, with physical points and human warmth”.
- The customer must be the focus of the company.
 - As Luiza Trajano points out in her lectures, after the product, the customer is the company's main asset. For this reason, all decisions must be made to improve the customers' experience, regardless of the channel used for interacting with them.
- The partnership is essential to become an ecosystem driver.
 - Magazine Luiza's goal to become an ecosystem driver makes evident the need for a strategy for promoting the collaboration between different partners. Only by scaling the number of customers, products, and services available, can a company be able to reach this digital business model. However, to achieve this, it is necessary to develop solutions that offer two-way benefits involving not only the ecosystem driver but also all those who participate in this ecosystem. It is not an easy task, but it is only possible with this collaboration mindset. Besides, the company's goal is to digitize retail trade in Brazil and “give access to many, which is the privilege of a few”. Such statements demonstrate the company's commitment and focus in always being willing to innovate, being a pioneer in new services and products, giving a voice to small entrepreneurs, aiming not only for the growth of Magazine Luiza but also for its competitors, making them participants of a digital ecosystem. In this regard, B2W has also been created competitive advantage from diverse partnerships, such as with startups, fintech, and traditional banks. Also envisioning the entrance in other sectors, it has also been acquiring new enterprises, such as the digital platform “Supermercado Now”, as a way to be introduced in the online supermarket sector.

6.1. Recommendations

The year 2020 represents a new cycle for the Brazilian retail sector. Due to the pandemic, e-commerce increased 47% in revenue, 39% in purchase orders, and 6% in the average value of the ticket. Besides, around 72% of shoppers are using mobile applications. At the same time, the orders delivered late, and delivery time for orders have increased (EBIT, 2020b).

However, the digital maturity is not the same for the whole retail sector. There are some companies, as B2W, born-digital, which have superior digital capabilities. But it is certain that in 2020 digital becomes even more important for sales, profits, and relationships with customers.

The digital channels are not only mobile applications, but also social media and WhatsApp. The role of the salespeople has changed. They no longer need to wait for customers in the retail stores but must go after them through digital channels. So, the sales can occur 7 x 24 hours and demand another type of attitude from the seller

This scenario shows some critical points for the e-retail sector:

- Improve Digital Channels
- Improve logistics.
- Marketplace
- Customer base and Product diversity
- Continuous development of Technological solutions
- Importance of Mobile Applications

6.2. Future Works

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