

Baringa - Digital Podcast Episode 1_mixdown_v4.mp3

Koen Van Bockstaele, Baringa [00:00:08] Welcome, everybody. This is the first of our podcast series where, together with our clients, we're exploring the topic of digital in the consumer products and retail industry. Through this series, we're aiming to provide insights into the current and future trends that are shaping our industry and learning about how businesses can embrace these insights to create and maintain their competitive advantage. Over the course of this conversation, we will look at, firstly, the digital context - what challenges are our clients facing? Secondly, the digital consumer. How are consumers changing the way they interact with brands? And what does this mean for businesses? And then thirdly, the digital enterprise. How do these trends change the shape of the organisations now and how will they continue to shape them in the future? I would like to welcome our guests, Felipe and Pedro from Worten. We met Felipe and Pedro two years ago when Worten invited us to support them on their journey to digitalism. Digitising their business.

Koen Van Bockstaele, Baringa [00:01:19] So I would like to welcome our guests, Felipe and Pedro from Worten. We met Felipe and Pedro a year ago when Worten invited us to support them on their journey to digitise their business, it was called digitalism. So I would like to hand over now to Felipe for an introduction and some background to Worten.

Felipe Ferreira, Worten [00:01:42] Hi, Koen, nice to meet you again. In fact, it was not one year ago, it's two years ago as time passed by very quickly. So my name is Felipe. I work in Sonae almost 20 years, and the last four at Worten. My career was mainly at the logistic and supply chain side of the organisation on the different businesses and on electronics and systems engineering as my background. Worten, well, Worten is Sonae's electronic retail company. Sonae is the biggest private company in Portugal and we are a conglomerate with, let's say, with different business areas and we are market leaders in our business area. We are focused on our mission to be the customer's best advisor, bringing the best of technology to everyone, with no exception. We have three websites, one in Portugal and another in Spain and another in The Canarias, and we offer more than a million products at the best prices from home appliances to sound and image, from computers and communication to entertainment and culture, including beauty, baby books, wellness and wealth. We deliver a large products and services portfolio at Worten. We have everything, including a service portfolio to respond to all customer expectations. But we are close as ever to people. We have more than two hundred stores, and a huge desire to help and give advice in every purchase. Our vision with what we are doing right now, is to become a digital company with physical stores and a human touch. And that's what our digital transformation programme will help us to do.

Koen Van Bockstaele, Baringa [00:03:50] Thank you Felipe. And Pedro, would you like to give a short introduction of yourself as well?

Pedro Devesa, Worten [00:03:56] My name is Pedro. I've been at Worten for the last five years, and previously I've been working abroad in Brazil and living in other countries. I came to Worten five years ago to start boosting our digital business. And now I'm heading our online operation in Portugal and Spain and our marketplace in Portugal and Spain, as well as a digital lab, which is a small team that launches new businesses, potential global digital businesses. And yes, I was listening to Felipe and Felipe gave you a good description of what Worten currently is. I would just add what we want to become in the future and what we are already doing to do that, because we're leaping from being an electronics retailer to being a much more generalist player that sells almost everything. Not

only do we want to sell fridges and cell phones, but we want to sell pet care and we want to sell baby and toys and a number of different categories. This is part of our ambition with our marketplace effort, and I believe that this is going to be a huge step in our strategy to achieve our vision.

Koen Van Bockstaele, Baringa [00:05:42] Thank you, Pedro. So you mentioned before becoming a digital business with physical stores and a human touch. What are some of the biggest challenges that you and your industry, the current industry, as well as the industry that you want to move into that digital is solving for you?

Pedro Devesa, Worten [00:06:04] Well, digital, we have a large number of huge challenges in our industry, and not only our competitive landscape is changing a lot and with everything that it's related to, E-commerce being sold from other countries, but I would outline that maybe, customer interaction is a strong challenge where digital is helping us a lot because digital, the digital context, brings a lot of customer data and we know much more about our customers in the digital context. And if we are able to use this information wisely, I believe that we can understand our customers better and their needs and become much more relevant in the way that we interact. We will be able to understand when to interact with our customers, how to interact with them, what to offer, while helping our business to grow in a sustainable way. I can give you an example, we used to send newsletters randomly to everyone in our customer database, well we're changing that to do a much more personalised interaction with customers. So I think that digital, all the digital levers here can help us develop much better customer interactions and be more relevant to our customers. On the other hand, I would say that digital is also helping us to bridge the offline world with the online world. With omnichannel being our number one strategy for our customers. Of course, this is easier said than done. It's very hard to be a very good omnichannel player. But, digital has been helping us in achieving this vision. For instance, our strategies in what we do in digital marketing have been focused not only to bring customers to our website, but also to lead customers to the physical stores. And digital has also helped us to understand much better the full customer journey of our customers, because we know that customers, nowadays, they start to research a lot online and some of them end up buying online, but a huge portion of customers end up buying offline. So being able to track the cell phone and to understand who has been in our stores and do this match between this customer has been in our website, he was targeted by this promotion or by this ad, then he came to the website and then he went to a store, which store? And what did he end up buying in the store? This has a huge value for us regarding the way that we understand customers and in the way that we invest and we deliver our strategies to better serve our customers. So I am thinking about your question on challenges, that digital is also helping us. I would also add all the digital tools that, internally, we've been developing and Felipe has been playing a critical role on this, in understanding that there are new ways of working with new digital tools that have been empowering employees to be more agile and to work remotely. Of course, this has had tremendous value in the last year where we faced a pandemic situation. But fortunately, we were totally able to keep working smoothly in the next day that everyone was at their homes. Things didn't stop at all. And we could keep delivering our business. And I would say that the digital world has played a huge role in this as well.

Koen Van Bockstaele, Baringa [00:11:34] And so you talk here about how the business was digitally ready to deal with the Covid pandemic. Has Covid also changed the forces in the industry and how Worten needed to respond to that?

Pedro Devesa, Worten [00:11:53] Yes, Covid has brought a large number of new customers to the e-commerce, and we knew right away that it would be a critical moment. To deliver a good experience, a strong experience for all these new customers that probably in the past, they were a bit skeptical about buying online. And suddenly we had all these new customers and we knew that we did our best efforts to meet their expectations. Since we had been doing in the last three to four years, a strong investment in our e-commerce and our website, in our marketplace, in our digital channels, we were able to capture all the value and the effort that we had done in the past years. So suddenly there was prize money that we collected, but I believe that was mostly because of what we had been doing in the last three years, and that was very satisfying because we saw our efforts recognised and we saw that our choices that we have made in the past of investing digitally, were now paying off and we, we in Portugal, for instance, our gap from our competitors has increased a lot and we can see that in all the traffic that we have, if we were market leaders in traffic now, we more than doubled that gap. So I think that that was the way that Covid impacted us.

Koen Van Bockstaele, Baringa [00:14:07] Well, congratulations on that success. In terms of how digital has been helping you meet the needs of the customers, could you tell us a bit more about the work that you asked us to help you with? Like, what was the reason behind the digital vision?

Felipe Ferreira, Worten [00:14:30] Well, Koen, it's interesting that question coming from you, because you were with us since the very beginning and digital for us is *the* way to meet the customer needs. And one of the things we will learn from you is that any kind of digital transformation would start on the customer side. So we need to design the company from front to back. The customer is important. We think about their experience with us. Where are the pain points where we can surprise them? And one of the things you introduced to us, that was very important in our process, was the key moment approach. So trying to describe it very briefly, what we've done together with you and guided by you was, let's look at the different journeys, customer journeys, that we have in Worten. And let's see, where are the pains? Where are the customers saying to us, you are not doing very well, this part of the journey. Or, where are the parts of the journey, where we can astonish them? We can surprise them. So like creating love moments. So we worked with you, you helped us to listen to the calls at our contact centre, look at the complaints, the interactions, and we came up with almost 20 key moments that we divided between pain points and love moments and then also ranked them. So, because all of them are different in importance, we rank them based on their importance to customer impact, importance for the finances of the company, and also the difficulty to implement them. And then we selected to start with two of them. In our case, we selected the orders and the repairs, two critical moments we have in our journey with our customers. And we used these two key moments to start to redesign, as you told us, from front to back, how the company should think about the customer mind, what should be the experience? So we started to really dig to redesign them. And it was a fantastic experience. And since the very beginning, we also tried to think in a digital way, not to address the customer problem, let's say, in the traditional way, changing some process or changing the way we write down things on paper. No. How, for instance, if the customer calls us to know where his order is, why not, let's say, expand the track and trace tool we have? At that moment we only had that on the online part of the company. Why not bring this self-service to all customers? And we did that. So this is an example of how digital is so good to meet the real customer needs.

Koen Van Bockstaele, Baringa [00:18:20] And what has the response, so of those first key moments and I guess the other ones that you have since implemented, what has the response been from the customers?

Felipe Ferreira, Worten [00:18:36] Response was amazing. So on the two first key moments, we almost dropped by three quarters, the complaints we had about those moments. We dropped less than 40 percent of the calls at our contact centre. We saw our NPS increase throughout the period. But the main gain we had as a company was the shift on the mindset, because we started to think by the customer's mindset, what really pains them. It used to have in the company before that somebody has always an opinion about how the customer feels or how the customers react. And they changed this mindset to really listen to them, to go to the store, to listen to the calls, trying to understand what causes the pain. And when you do that and you do the experiment and then you listen again, you'll see that the customer starts to stop to complain about those things. Of course, other issues come out, but you are in a lower level of noise and this is fantastic and the company loves that way of approaching it. It's like I really realised, and Pedro is here on the podcast, he can also confirm that we felt the power of the customer to addressing his needs as internally in the company. For us, this is the real impact.

Koen Van Bockstaele, Baringa [00:20:31] Brilliant, so just going a bit deeper in that. So the digitalism, the consumer led key moments approach, driving then also the internal transformation to be able to deliver those digital delight moments. So how has that transformation taken shape in Worten?

Felipe Ferreira, Worten [00:20:59] Well, as we said in the beginning, this started two years ago and we had Covid in the middle. So, it's been an amazing process because we started with the key moments and with Covid, we, let's say, created the second generation wave after the first two key moments, because we use this way of working in other things we are doing. And one example I can give you, is when Covid appeared. When Covid appeared, suddenly, you changed the let's say, the status quo. Your proposition, your customer proposition has had to change because suddenly the country went in to lockdown. Fortunately, we have our stores allowed to be open, but nobody in the streets, let's say the traffic dropped a lot. And we used the key moment, let's say, mindset, to rapidly gather, let's say, people in the company from four areas, from online, from customer marketing services, stock, supply chain. We put everybody on board to thinking how the customer is behaving today. How can we as a company be socially responsible to, let's say, bring the products or services the customer needs in this new situation? And we used everything we learnt from the key moments one year ago. OK, he cannot come to the store to pay, or to visit us, or to ask us. So let's open the telephones of the store so the customer can contact directly to the store and he can now know which store has the product. So we work together with the online. So let's put the stock's availability that we, the customer, would access through the digital. Fortunately, as Pedro said, we are investing in that. So the online was almost ready to have this stock availability on our site. We just only need to speed up, let's say, to have these in that moment so the customer could see on our site the product he wants, which store has the stock. Then he calls the store by phone, which was not done previously, then the salesperson could help that customer to find the product. Then we introduced remote payment that we didn't have by that time, so the customer could pay on their mobile for the product remotely and then how to deliver the product to the customer. And we created two systems. One was we made an arrangement with taxicabs from the region, to take the product to the customer's home or we implemented driving areas and we opened like a WhatsApp number so that the customer could call when we arrived at the store area and we drop on that car on the

driving area at that moment. So, we used all we learnt on the key moments methodology, thinking in the customer side, putting together a lot of people from different departments, thinking how to address that. No validation from top management. The group work together. We were very quick to implement. And then we got the price from the customer because nobody from our competition did that. We did that on two weeks and a half to implement it since the very beginning. And it was a huge success. So I don't have any better example of how this new way of working was so profound implemented in the company.

Koen Van Bockstaele, Baringa [00:25:44] And how do you see your organisation embracing this more agile and powered way of working, how has the organisation changed to sustain this and to create a legacy of this digitalism?

Felipe Ferreira, Worten [00:26:05] Well, to be honest, I'm very lucky to be in Worten, because everybody in Worten wants this way of working. So I don't need to push too much, the responsibility of my department is just to enable this to flourish in all departments. And what we are seeing is that this is becoming to be part of the culture of the company because everybody sees this is so impactful that everybody wants to be part of the transformation. Everybody wants to be part of the journey because it pays off because the customer is telling us that we are increasing our sales. We had the best years we ever had. We have increased our NPS and we have a real motivation inside the company to do that. And together with that, we had the culture shift in mindset. We are also doing a lot of effort in our system architecture that we are also upgrading at the same time. And we are doing that with this mindset. We are not changing only the I.T. tool, we are redesigning the process that the legacy of the I.T. tools were designed before. So it's a huge challenge, but it's also a huge opportunity, and the company is loving to do that. So I truly believe that we will have a different company than what we are already having, but when we finish, let's say, these first two or three years of our transformation programme, the company will be very different.

Koen Van Bockstaele, Baringa [00:28:08] That's great. And what do you see as the future, then, of digitalism for Worten? Just to build a bit further on that.

Felipe Ferreira, Worten [00:28:19] I think digitalism will be a significant part of the culture of the company. We truly believe that, and my objective as the leader of this area is that I won't be needed anymore. So this is intrinsic in everybody's minds. That's the way I prepare my people. Of course, we will always have challenges. But, let's say, the main aspects of the, let's say, new ways of working, new ways of thinking, will be part of our new legacy of the company, the culture, the way we behave, and we are in a very good shape to achieve that.

Koen Van Bockstaele, Baringa [00:29:16] Thank you. And in terms of further changes in the industry and the new sectors that you're going into, what changes do you see there, and how do you think that will impact Worten over the next three to five years?

Pedro Devesa, Worten [00:29:33] This is a very hard question that I get all the time. What kind of changes and trends will we see? And what I see is that things change very rapidly in this industry and in the digital world and altogether as a company with digitalism and with all the focus that we must have on our customer behaviour, I would say that probably, well, there are two things that will keep increasing its relevance. The first one is all the personalisation that, we as a company will have to deliver to our customers to be relevant for them in the digital context. The customers have a lot of interactions, they receive a lot

of e-mails, they receive a lot of messages, WhatsApp. They have a large number of videos and photos to see. So being relevant is very, very important for the future. And the way to do that is through personalisation. Another thing is, is how I believe mobile will keep increasing its weight in not only the ecommerce and the transactional moment itself, but in how in this role within the customer journey, the role to discover things, the role to understand what kind of services and products are available, where are they and so on and so forth. Thinking more on the e-commerce landscape, I would say that last mile deliveries are already becoming very, very important. And who wants to be online and sell online, interact online, will have to ensure that they have faster deliveries for their customers. And, maybe new ways for customers to search for products and services, not only by text, but by voice and image. I think that there's going to be new ways for customers to discover things in the digital context. Of course, there is already devices for voice and some image recognition technology, but I believe that strong use cases for businesses to capture that value are still to be made in the future and, being here in Portugal and working in the Spanish market as well, I believe that the digital single market in Europe will also play a critical role for players that are in this digital arena in a way that a small company in a very small country like Portugal will not only have a market of 10 million people, but a much larger market available to sell its product or service. I think I'm a strong believer that companies and the people that are running companies will start to see a dramatic change in the addressable market that they have at their disposal. I would envision these kind of trends. Yes.

Felipe Ferreira, Worten [00:34:11] Koen, if you don't mind, I would like to add one aspect to what Pedro said about your question. Of course, the company has a strategy, as Pedro said, we believe these will be the trends, but, as you saw from last year, the volatility of what will happen is huge and is increasing and accelerating. So, the best thing we can do for the company is to prepare it to really be agile in the best sense of the word. And not only on the I.T side, but all of the company. And we are strongly working on that to increase the agility of the company. So if we seize the new opportunities, we saw last year on our previous strategic exercise, we can go and gather that and capture that. Or, if we have some kind of threat, we can defend against that. So, everything we are doing internally is to prepare the company to be agile. And we are working on the two main enablers, the I.T side, so this won't be a blocker, it's very scalable and modular. And also from the people side, the cultural side, as I described to you, what we are doing in digitalism with the mindset and the decision process and putting the customer always first. So these two enablers are critical so all the company will be very agile. And then, no matter what will be the trend, we are ready for it. This is the main message I also want to leave here today.

Koen Van Bockstaele, Baringa [00:36:10] Thank you very much, Felipe and Pedro. It's been absolutely great to have you here with us sharing the digitalism story and the amazing success that you as a business have had, even through these difficult times, and I really wish you all the best in the next phases of your exciting journey.

Pedro Devesa, Worten [00:36:36] Well, thank you, Koen, it was a pleasure.

Felipe Ferreira, Worten [00:36:38] Thanks a lot Koen, and you know that you are more than a partner, you are really a friend that wants to understand our needs and help us. So if you come to Portugal, please give a call.

Koen Van Bockstaele, Baringa [00:36:52] I will definitely, will definitely do that. Will definitely do that. Yes.

Koen Van Bockstaele, Baringa [00:36:57] Thank you for listening to today's podcast, please hit the subscribe button to keep up to date with our latest podcast releases and hear more from Baringa and our client's digital stories. If you have a question or comment about the podcast or would like to learn more about being digital. Please visit our campaign hub, linked in the podcast bio.