

Digital Transformation: Is It Part of a Strategic Process or a New Strategic Practice?

Irene Ciccarino

 <https://orcid.org/0000-0002-6517-4154>

Polytechnic Institute of Leiria, Portugal

Carla Diniz dos Santos da Silva

IBMEC-RJ, Brazil

EXECUTIVE SUMMARY

The COVID-19 pandemic has intensified the digitization of traditional businesses. In the retail sector, e-commerce played a fundamental role and promoted major changes in the consumer pattern. This evolution and its impact can be studied through the digital transformation lens, which is a multidisciplinary and holistic concept that encompasses a new strategy and new ways of strategizing. The present study aims to describe the digital transformation strategy implementation path at a Brazilian pre-digital retail company and discusses the role the COVID-19 pandemic had played. Moreover, the case highlights important strategic issues and provides the opportunity to analyze whether it is a strategic process or a strategic practice. Thus, it can enlighten which theory best supports DTS studies. This study also increases the understanding of the strategic configuration of digital transformation embracing context, process, and outcomes. And it also sheds light on the dilemma between brick-and-mortar stores and digital ones.

ORGANIZATION BACKGROUND

The retail sector is central in all economies, and it occupies a privileged position near customers. The trade occurs when a business sells a product or service to an individual consumer for his or her use. Therefore, it can catch firsthand changes in consumer preferences. It is the heart of a complex value chain that includes storage, logistic, legal transactions, advertising, and so on. The retail sector is also very diversified, with many business models, but lately, the central discussion point has been the pros and counts of a brick-and-mortar store and virtual business channels (Reinartz, Wiegand & Imschloss 2019).

E-commerce has been a phenomenon that promotes major changes in consumption patterns, that have created real economic giants like Amazon (Baker, 2021; Verhoef, Broekhuizen, Bart, Bhattacharya, Dong, Fabian & Haenlein, 2021). In the strategic arena traditional companies needed to face innovative fast-growing digital-born entrants (Verhoef et al., 2021) for a while. However, this arena has changed again (Baker, 2021). The omnichannel tendency combines the shopping experience in brick-and-mortar stores with a variety of digital channels to increase retailer's differentiation and leverage competitive edge (Sopadjieva, Dholakia & Benjamin, 2017). It hinges on the premise that "Consumers are more likely to trust a brand they have seen in the real world". Because of it, born-digital businesses have started to create brick-and-mortar stores (Baker, 2021, p. 3).

Meanwhile, the COVID-19 pandemic has intensified the digitization of traditional businesses. Thus, the e-commerce giant Amazon continues to grow but lost market shares in 2020. The pandemic has influencing market dynamics, but it didn't change digital evolution paths: "Many of the perceived Covid winners such as e-commerce, videogame and streaming media companies have simply been pulled a few years forward into an inevitable future. Their destiny did not change." (Baker, 2021, p.2).

This evolution can be studied through the digital transformation lens, which is a multidisciplinary and holistic concept that encompasses a new strategy (Verhoef et al., 2021) and new ways of strategizing (Chanias, Myers & Hess, 2019; Correani, De Massis, Frattini, Petruzzelli & Natalicchio, 2020). Although SAP, a renowned technology company, has estimated that 84% of global companies regard digital transformations as a critical issue (Chanias et al., 2019), it is still a new trend with no consensus about what it is in business (Schallmo & Williams, 2018). Moreover, European Union (EU) has assumed the digitalization of the economy as a 2030 agenda goal based on the assumption that it will be the next major growth driver for the region, helping to fulfill integration gaps (Novak et al., 2018).

In this sense, the present study aims to describe a digital transformation strategy, hereinafter called DTS. It tells the story of a Brazilian pre-digital retail company's path to accomplish a digital transformation from the start and discusses the role the COVID-19 pandemic had played. Moreover, the case highlights important strategic issues (Schallmo & Williams, 2018) and provides the opportunity to analyze if it is a strategic process (Correani et al., 2020) or if it is a strategic practice (Chanias et al., 2019). Thus, it can enlighten which theory best supports DTS studies (Jones & Karsten, 2008; Whittington, 1996).

The Uni.Co is the evolution of the Brazilian family-owned decoration and gift company Imaginarium, founded in 1991. The group emerged after its sale to an investment fund in 2012. The investment thesis was based on strong-brand acquisitions and building impeccable and profitable franchise management with a competitive supply chain. In 2018 Uni.Co was composed by the brands Imaginarium, MinD, and Pucket. It has 412 stores in all Brazilian states. The strategy of the Uni.Co group was clearly to increase the value of the business over time based on the safety of a lasting investment thesis. In the first years, the number of franchisees' growth associated with an efficient operation proved a successful business model and management.

The company was growing in value. Investors, however, yearned for more. After 6 years of growth in the number of franchises and observing the movements of the retail market, the investors chose to activate e-commerce and generate growth in sales volume from it. Although Uni.Co had strong experience in innovation and a creative team, it had no experience with digital innovation, and all its business was entirely focused on brick-and-mortar stores and franchises. The former e-commerce recorded less than 1% of net revenue and had a low conversion rate (access to sale). The challenge was to increase growth, despite the lack of know-how and fear due to a strong belief that e-commerce would cannibalize brick-and-mortar sales and undermine the relationship with franchisees (Reinartz et al., 2019). All

12 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/digital-transformation/291723

Related Content

Data Mining for Model Identification

Diego Liberati (2009). *Encyclopedia of Data Warehousing and Mining, Second Edition* (pp. 438-444).
www.irma-international.org/chapter/data-mining-model-identification/10857

Audio Indexing

Gaël Richard (2009). *Encyclopedia of Data Warehousing and Mining, Second Edition* (pp. 104-109).
www.irma-international.org/chapter/audio-indexing/10806

Conceptual Modeling for Data Warehouse and OLAP Applications

Elzbieta Malinowski and Esteban Zimányi (2009). *Encyclopedia of Data Warehousing and Mining, Second Edition* (pp. 293-300).
www.irma-international.org/chapter/conceptual-modeling-data-warehouse-olap/10835

Utilizing Fuzzy Decision Trees in Decision Making

Malcolm J. Beynon (2009). *Encyclopedia of Data Warehousing and Mining, Second Edition* (pp. 2024-2030).
www.irma-international.org/chapter/utilizing-fuzzy-decision-trees-decision/11097

Segmenting the Mature Travel Market with Data Mining Tools

Yawei Wang (2009). *Encyclopedia of Data Warehousing and Mining, Second Edition* (pp. 1759-1764).
www.irma-international.org/chapter/segmenting-mature-travel-market-data/11056