

KEY TAKEAWAYS FROM VTEX DAY 2023

VTEX Day stands as the largest event in Latin America dedicated to digital transformation in retail. Within this compilation, you will find the most recurring and significant topics discussed during the event held in São Paulo in June 2023.



INTRODUCTION

On June 5 and 6, 2023, VTEX DAY, the largest event in Latin America focused on digital transformation, took place in São Paulo. With over 200 speakers across 8 stages, VTEX Day shed light on numerous significant topics in retail digital transformation.

The EICOM Institute proudly served as a content partner for this edition. In this article, you will discover the most noteworthy subjects discussed on the stages during the event. Although this summary does not encompass the entirety of the event, it highlights the most relevant topics that can have a significant impact on your business.

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TECHNOLOGY

ARTIFICIAL INTELLIGENCE

AI solutions are not new, and there has been significant discussion surrounding them in recent years. However, they have become more widely accessible in recent times.

During the event, companies like St.Marché, Magazine Luiza, and Whirlpool showcased how they are already utilising AI in various applications, including customer service, assortment optimisation, pricing, fraud prevention, cost reduction, content production, and Ad performance optimisation.

Although there is a lot of theoretical knowledge about AI, practical implementation and analysis are still limited. In the retail sector specifically, a substantial amount of data is generated, but the access and effective utilisation of it remains challenging.

Another topic of discussion was Generative AIs, such as Chat GPT. It was highlighted that the challenges associated with these technologies primarily revolve around personnel competence rather than technological limitations. Many employees are not yet prepared to effectively leverage the available AI capabilities.

The key reflection from these discussions is that while AI technology is advancing, it is crucial to ensure that your tech team is keeping pace with these advancements. **Instead of being fearful of AI, it is essential to be concerned about how your competition may outperform your company through better utilisation of AI.**

PRAGMATIC COMPOSABILITY

Some noteworthy examples, including Electrolux, Carrefour, and Motorola, demonstrated how a composable architecture effectively addresses the synergy between technology and business. The concept of a core structure with modular additions, like building blocks, brings numerous benefits. These include the ability to adapt the architecture to the maturity levels of different areas or the specific needs of various regions, ensuring cross-channel consistency, facilitating scalability, and accelerating time to market.

Composability's value proposition particularly shines when it comes to scalability. For instance, Carrefour experienced a significant surge in traffic during a marketing activation related to the Big Brother Brasil, and their composable

architecture played a crucial role in effectively leveraging that opportunity.

In a composable architecture, control functions differently, but performance is heightened. This shift has implications for CTOs and/or CIOs as it enables smaller teams to achieve higher performance levels. However, it necessitates team members with enhanced qualifications. Moreover, roles within this type of architecture demand a multidisciplinary approach.

Individuals must possess a comprehensive understanding of both technology and business, as these domains are intertwined rather than separate silos. Therefore, collaboration between IT and business becomes crucial for success.

RETAILTECHS BUSINESS ARCHITECTURE

The role of technology has undergone a significant transformation, shifting from a mere supportive role to becoming a **co-protagonist** that permeates every department within organisations. Managers have transitioned from focusing on project delivery goals to goals related to sales and margin, as they recognise the impact that technology can have on overall business performance.

Whereas embedded technology was once synonymous with a competitive advantage, the discussion around efficiency, cost, and profitability over the past 12 months has brought the quality of technology into question.

It has become evident that delivering value to shareholders extends beyond technology alone. Organisations now recognise the need to prioritise efficiency and profitability alongside technological advancements to truly bring value to stakeholders.

“Before 2014, the biggest retail companies were exclusively builders, that is, they built their technology indoors, but the last few years show a new perspective, where brands with new proposals and perspectives in relation to technology have risen to the top.”

Rodrigo Dellacqua, CEO and Founder of EICOM Institute.

Even companies like Amazon, who pride themselves on being builders, sometimes opt to purchase technology from partners, especially when dealing with local matters. A notable example is Amazon's approach to the retailer's tax system in Brazil. Similarly, Grupo SOMA has a mindset of acquiring technology whenever it becomes available and quickly testing its efficacy.

These examples highlight the strategic decision-making process employed by companies in assessing **whether to build or buy technology**. Factors such as localisation, specific requirements, and time constraints may influence the decision to leverage existing

technology solutions from partners rather than investing resources in developing proprietary solutions. The ability to adapt and incorporate external technology quickly can give companies a competitive advantage and facilitate their operational efficiency, depending on the context.

RESILIENT COMMERCE

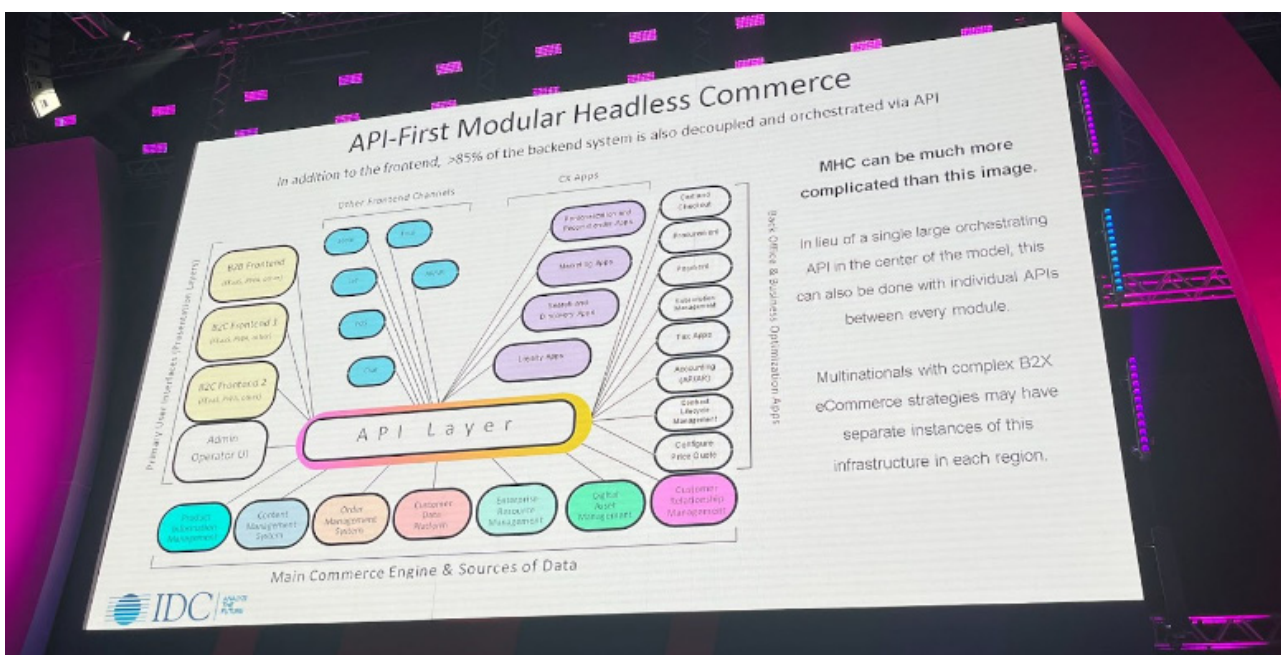
Heather Hershey from IDC highlighted the lack of maturity in many commerce experiences, with a heavy reliance on a single channel and limited data visibility across systems. To build a resilient commerce ecosystem, several recommendations were made:

1. **Incremental decoupling:** Adopt a modular approach to commerce by implementing microservices incrementally instead of a complete overhaul. This allows for channel ubiquity and flexibility while minimising disruption.
2. **Unified data integration:** Harmonise data across the organisation to create a

unified view of customers and operations. Establishing proper data collection practices is essential before investing in advanced technologies like artificial intelligence.

Retail has been sceptical about the future, but it is important to remember that times of crisis are times when experimenting and innovation are encouraged.

As Ravi Magal from AWS mentioned, technology and business go hand in hand; this is fundamental to accelerate innovation in retail. Teams need to be more generalist and multidisciplinary to thrive in challenging times.



Source: Lecture "What's next in the World of Digital Commerce - How to Prepare for the Future of Digital Commerce " Heather Hershey VTEX Day, 2023. São Paulo - Brazil

BUSINESS STRATEGY

THE RETURN OF D2C

D2C (Direct-to-Consumer) strategies have emerged as powerful tools for retailers to develop new recurring revenue streams, enhance customer loyalty, and improve overall customer experiences. Unlike traditional channels, D2C enables retailers to establish direct customer relationships and employ customised tactics to drive loyalty.

According to Rogério Malheiros from Electrolux, D2C has enabled the company to establish closer

connections with consumers and enhance their overall experience.

In an increasingly omnichannel environment, understanding the role of D2C in the consumer decision-making process and purchase journey is crucial. By integrating multiple channels into a cohesive ecosystem, D2C can extend beyond the initial purchase and encompasses post-sales interactions, customer support, and ongoing engagement efforts.

OMNICHANNEL AND CUSTOMER JOURNEY

A key strategy to address the challenges of traditional retail and enhance the digital experience is to **deeply understand the customer and their journey**. As emphasised by Ravi Magal from AWS, retailers must establish a presence across all channels where their customers are.

Consumers do not think in terms of channels; they simply focus on what they need on that day. Therefore, it is essential for retailers to be available and accessible through various channels to meet customer expectations. AWS aims to offer retailers the opportunity to achieve this omnichannel presence.

Also, Lou Canjar highlighted that the customer journey is a primary focus for Motorola. Ensuring that products and pricing align with customer preferences and that every step in the customer journey provides a positive experience is crucial.

Besides traditional retail companies, brands that are digitally native also have invested in omnichannel. At the event, they showed how they have explored opportunities in the physical

world, promoting a closer and more differentiated experience for customers.

By investing in omnichannel strategies and understanding the customer journey, both traditional retailers and digitally born brands aim to bridge the gap between physical and digital realms, delivering convenience, personalised experiences, and ultimately fostering customer loyalty.

THE KEY ROLE OF MARKETPLACES

Establishing trust and embracing coexistence are crucial for companies when adopting a marketplace strategy. Many retailers recognized the importance of marketplaces, not only for their customers but also for expanding their product portfolios and increasing touchpoints with customers. They are essential for creating an effective purchasing experience.

Companies like Motorola, Adidas, Electrolux, mentioned how being in marketplaces is important not only to enhance convenience for their customers, but also to increase the portfolio of products and be present in all touchpoints with

customers. Creating an ecosystem has become easier than ever before and meeting customer demands, regardless of the platform or channel, is key.

Successful marketplaces in Brazil like Aliansce Sonae + brMalls, Inter Marketplace, and Madeira Madeira, highlighted the **decentralisation** of marketplaces that is taking place in Brazil. This format is seen as an opportunity to be relevant to the consumer with pertinent content and assortment, and shows how the evolution of physical stores is transforming stores into last mile delivery hubs.

PHYSICAL STORES OF THE FUTURE

In the post-pandemic period, with a rationalisation of financial investment and changes in shopping habits, many companies recognise the strategic value of physical stores in the customer journey. Retailers have observed a **shift in consumer behaviour**, with more planned purchases. As a result, differentiation and providing an enchanting customer experience has become crucial factors when competing in the market.

Offering the best price, shipping conditions and promotions is no longer enough to stand out. They

need to go beyond these factors and consider the entire customer journey to identify opportunities for differentiation. Topics such as personalisation, integration with digital channels, and employee training have emerged as fundamental aspects of this strategy.

Havaianas provided an example of how they are integrating customisation into their physical stores to deliver an exclusive customer experience. By bringing customisation to the heart of the store, they created a unique touchpoint to enhance customer engagement.

C&A also shared their experience of leveraging physical store employees to connect with customers through WhatsApp during the

pandemic. This shift in communication channels demonstrates the **adaptability and effectiveness** of using physical store resources in new ways.

TOP TRENDS IN DIGITAL COMMERCE

Zia Daniell Wigder, from Insider Intelligence, brought relevant data on which trends will possibly impact the market in a way that would be different pre-pandemic:

1. **E-commerce and overall retail growth rates** are converging. The physical stores continue to have a very relevant power of reach.
2. **Retail media** is surging as the third wave of advertising, after the growth of Social and Search.
3. **Social shopping** is taking off, but not evenly. Although no other market is like China, live-streaming has caught on in other parts of the world. The categories that use social shopping are: fashion, house and decoration, supermarket, and electronics.

4. **Generative AI**, and LLMs are set to disrupt every industry. Retailers are already experimenting with things like: product descriptions, marketing copy, localisation, personalised recommendations and chatbots.

5. **Disruption timeframes** are shrinking: disruption timeframes are shorter, converged, and are hitting every sector. We are now discussing disruption in a matter of days, instead of years.

Heather Hershey, from IDC, also brought some trends shaping resilient commerce, which include channel ubiquity, data-driven personalisation, future-proof digital commerce and radical experimentation.



Source: Lecture "Top 5 Digital Commerce Trends Changing the World of Retail and Manufacturer Brands" Zia Daniell Wigder at VTEX Day, 2023. São Paulo - Brazil

LEVERAGING EXPONENTIAL GROWTH

In a large industry, growth is generally based on 3 pillars: the first is product development, which is where companies invest the most money; the second is market expansion; and the third is through M&A.

For retailers, it's crucial to recognise that exponential growth should always be accompanied by a **strong organisational culture**. It serves as a guiding force and helps ensure that the company's core values and principles are upheld throughout the expansion process.

It's also essential to assess internal processes and the quality of the deliveries as a company

grows rapidly. Fast growth can sometimes lead to inefficiencies if processes are improperly adapted or streamlined. As companies expand, there is a risk of compromising quality in order to meet increased demand.

Lastly, allocating capital strategically and timely is essential to address bottlenecks and fuel growth. By deploying financial resources in the right areas at the right time, retailers can overcome obstacles and seize opportunities to drive their expansion plans forward.

CULTURE & PEOPLE

GREAT WOMEN, GREAT SUCCESS

Inspiring stories like those of Gisele Bündchen, Karoline Meyer, and Jessica Watson were discussed, showcasing how ordinary individuals achieved extraordinary results through resilience, discipline, and a strong sense of purpose.

The discussions also touched upon the topic of **leadership**, highlighting the prevalent male dominance in the retail industry across most segments. Recognising the importance of fostering diversity and inclusion, it was emphasised that providing women and other minority groups with opportunities in senior management roles is crucial for driving **innovation** and fueling **growth** within companies.

The ecommerce ecosystem presents a fertile ground for promoting inclusion, as it embraces innovation and maintains a customer-centric approach. It was noted that some areas of the industry predominantly cater to female consumers, yet are led by male-dominated brands.

This disconnection creates a gap and hinders effective engagement with female consumers. Therefore, it was emphasised that companies should empathise with their customers' pain points and actively seek opportunities to bridge these gaps in the market, ultimately fostering a more inclusive and customer-focused approach.

USING CULTURE TO GENERATE INNOVATION

During the event, Rory Richardson from Amazon shared insightful strategies on how to cultivate a culture that drives innovation within a company. Here are some key topics discussed:

1. **Start with principles:** It is important to establish a set of guiding principles and clearly articulate them to everyone within the organisation.
2. **Embrace experimentation and failure:** Innovation is driven by a willingness to experiment and accept that failures are a natural part of the process.
3. **Focus on the early stages of a project:** Putting emphasis on the initial stages of a project is crucial for planning and nurturing innovative ideas. This ensures a solid foundation for future development.
4. **Foster autonomy and ownership:** Hiring talented individuals who possess a builder mindset and empowering them to take ownership of their work can fuel creativity and result in groundbreaking ideas.
5. **Utilise distributed systems:** Implementing a decoupled architecture composed of single-purpose services promotes speed, agility, and innovation.

ESG

ESG (Environmental, Social, and Governance) has indeed become a prominent topic in the retail industry, and its impact was highlighted during VTEX Day 2023. **Rachel Maia** stressed:

“It is through simple things that we gain awareness! It is this awareness that will make our journey more sustainable.”

In addition to environmental considerations, social solutions were also discussed, focusing

on how social actions can have a positive impact on vulnerable communities. By implementing social initiatives, companies can contribute to social development, strengthen their institutional reputation and public image, and even receive potential tax benefits.

By incorporating these elements into their business strategies, retailers can align their operations with broader societal goals, **promote positive change**, and enhance their overall reputation among stakeholders.



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