

OUR POST-COVID VIEW ON **DIGITAL RETAIL & FASHION**

An Appendix to *Engineering The New Normal*.

WHAT ARE WE DISCUSSING?

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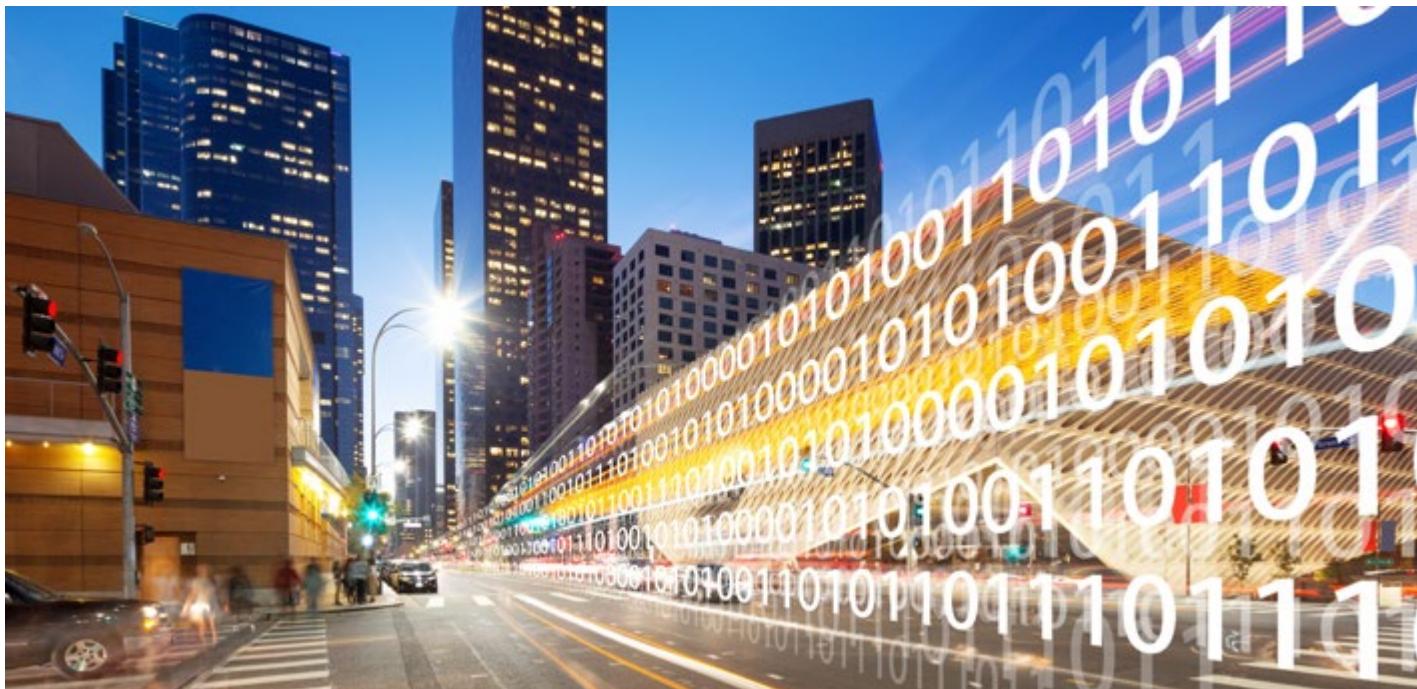
WHAT HAPPENED



During Phase 1 of the Covid-19 emergency, the retail sector experienced a multiple-sided crisis, demonstrating precisely how the whole industry must face an acceleration of its now-inevitable Digital Transformation. There is no doubt, in fact, that the sudden halt to our social lives and our social norms, imposed by the pandemic, have had a strong impact on the **Luxury and Fashion sector**. It has caused the closure of physical stores around the world with strong repercussions, both for the management of personnel and for the buying behaviour of customers. One of the biggest examples: in the United States, where we are now talking about a true "Retail Apocalypse", Macy's, one of the biggest retail chains in the country, sent home all its staff, consisting of approximately 130,000 employees.

At the same time, e-commerce, particularly in the **Food & Grocery sector**, saw an acceleration that does not seem likely to slow down, so much so that in huge markets such as India or the US, online commerce could increase by more than 20% over the next three years. These figures, however, do not provide a true picture of the challenges faced thanks to this boom, particularly for companies that had not yet adopted a digitisation plan. Because while demand has skyrocketed (Italy saw over 2 million new online shoppers in the first few months of 2020), it is equally true that often, mass retail players failed to secure the necessary supply due to inadequate logistics management.

So even with different impacts, the first phase of the crisis therefore forced all players in the retail sector to review their business quickly and dramatically. Players in the Luxury and Fashion sector found themselves needing to implement digital strategies aimed at keeping the focus on the brand and not losing contact with the customer, while the mass retail sector (and particularly the food sector) was forced to manage the spikes in online requests, both at an IT infrastructure level (under stress from the increase of online consumers) and at the Supply Chain level, already put to the test in the production and transport phases. In both cases, digitisation was the only road towards ensuring business continuity in a world irreversibly changed by the pandemic.



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OUR VISION OF THE MARKET



The crisis generated by the Covid-19 pandemic has made it clear to all players in the retail sector that, by now, the old rules are no longer valid for continuing their business. And it has made it all the more clear that the digitalisation experienced by the sector, up until now approached rather passively, must now become a priority, not to try to mitigate the damage, but to **create a new customer journey that is simple, safe, effective and oriented towards innovation**. After the sudden interruption of Phase 1, all brands, both large and small, will have to come back and somehow make their presence felt, knowing that the role of physical stores, at least for as long as we are forced to live with the virus, will be significantly scaled down compared to the past. Controlled store entrances, clothing sanitisation procedures, the reduction of travel retail may be a further obstacle to restarting.

Innovating, therefore, will mean re-organising stores to support the new social distancing norms, but also to create a new mix between real and virtual. If even before the Covid emergency there was talk of the need for omnichannel purchasing modes, the role of the web, of apps and of e-commerce platforms will have to become a real priority in the coming months. It will be necessary to create new experiences through the adoption of enabling technologies such as Augmented Reality, with which to build virtual showrooms. There's also a need to create new empathy with the customer, involving the latter with agile marketing strategies capable of adapting to contingencies (for example, future restrictions caused by a new increase in virus cases), scenarios in which the web and social media will be one of the safest tools to maintain an ongoing relationship with one's customers. If social distancing has highlighted **the importance of digital channels** as a means of contact between people, the **environments** that we will inhabit will be even more **hybrid** and intended for a society that is increasingly more circular, more attentive, more informed and more determined to define quality relationships.



These challenges can be addressed by relying on the power of data: only by having "real" data at our disposal, that can clearly and rationally capture the needs of the consumer, will we, in fact be able to optimise the logistics and the entire supply chain.

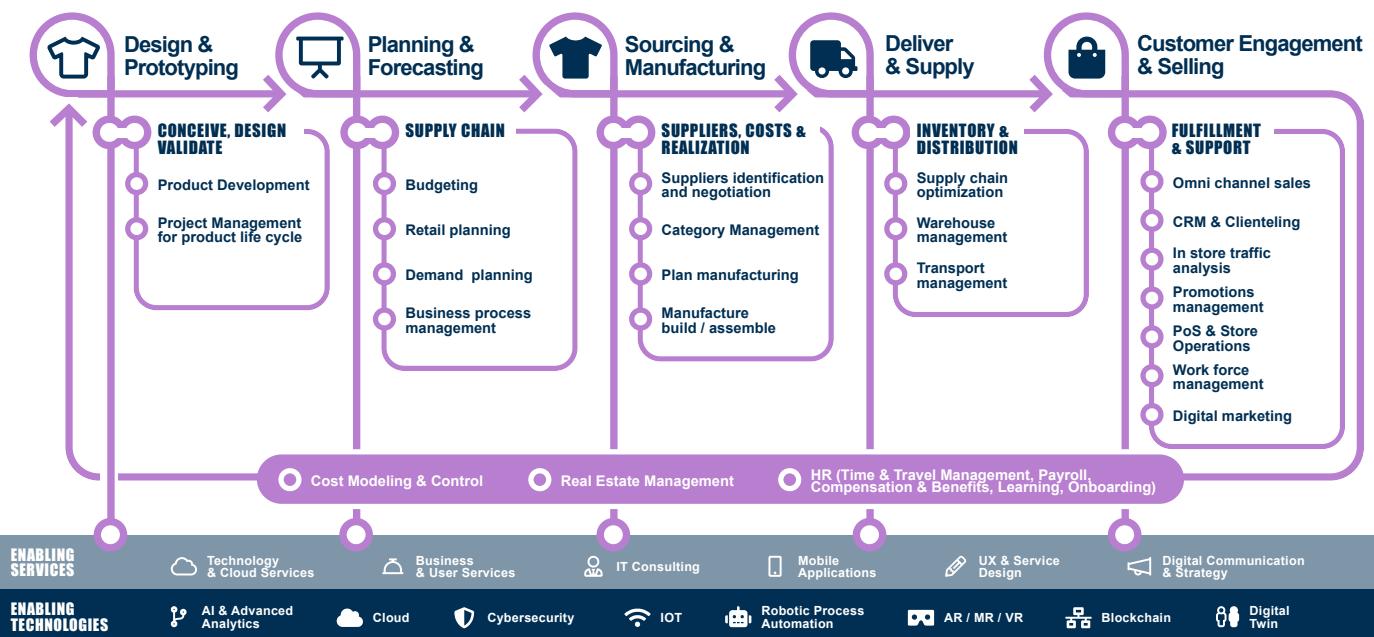
Applications based on AI and Machine Learning therefore make it possible to predict consumer behaviour, their choices and, consequently, to organise stocks and warehouses.

The digitalisation of the Supply Chain is also an absolute must for the large-scale retail sector, because as Phase 1 has clearly demonstrated, having a web platform or an app is not enough to deal with a crisis that has generated a growing demand for products: it is necessary to review and to digitalise the core processes of the entire chain, from the organisation of the warehouses (orders, inventory, etc.), to that of deliveries, which will have to be increasingly faster and more secure. Digitalising also means knowing how to respond promptly to a consumer who, during the course of this crisis, has followed a "Service Elasticity" model, in other words an elasticity of demand that follows not so much the best price offered, but the best guaranteed service, particularly in terms of time. In this context, consumers often showed a preference for "proximity shops", those neighbourhood shops where it was easier to make everyday purchases, thus avoiding the long queues at larger supermarkets.

To reach its New Normal in a post-Covid world, the retail sector will have to rely on innovation and Digital Transformation, elements that will make it possible to understand and often anticipate a market that has the opportunity to change and grow.

PORTFOLIO MAP

Digital Retail & Fashion





OUR POSITIONING AND SOLUTIONS



To support companies in the Retail sector, both during the first steps necessary to exit the crisis generated by the Covid-19 pandemic, and in defining a strategy which, taking into account the critical issues addressed in Phase 1, allows all players to create their New Normal, at Engineering we make available our knowledge of customers' core processes, our experience in using data, our ability to make the most of the potential of enabling technologies in any type of market context, as well as our Cybersecurity solutions designed to ensure the security of the business, including as part of a Digital Transformation journey.

To guide market players in the creation of their New Normal, we have identified the courses of action that must be followed to proceed towards a post-Covid world, together with our support solutions.

First Steps in a Post Covid World

PRIORITIES	ACTIONS	TECHNOLOGY & SOLUTIONS
	Protect Productivity Allow Work from Anywhere Creating virtual spaces for new zero-contact shopping experiences	AR / MR / VR Change Management Chat Boutique Virtual Showroom Safe Eye
	Increase Resource Availability Automation of Tasks Innovating and digitising logistics and the entire Supply Chain	Digital Maturity Assessment RPA AI & Advanced Analytics Digital Twin
	Manage Complexity Simulation & Decision Making Ensuring the sustainability and transparency of the production chain	Blockchain Digital Twin
	Protect Business Manage Cyber Threats Ensuring system cybersecurity and securing data	Cybersecurity
	Grow Business Increase Digital & Online Capabilities Developing and implementing e-commerce systems	Marketsuite AI & Advanced Analytics Social Listening
	Digitally Present Virtualize physical spaces & activities Simplifying payment systems and customer experience	PassPay Conad
	Explore and Evolve Change & adapt the way we work Implementing omnichannel shopping experiences	myClienteling Social Digital Services



Protect Productivity

Creating virtual spaces for new zero-contact shopping experiences

The challenge

Social distancing and the possibility of new spikes in the number of cases of the virus, are leading companies towards redesigning the spaces where they can market and sell their products. It will be necessary to increasingly bring together and integrate the physical and the virtual worlds, providing customers with a new, safe and versatile consumer experience.

Our offer

We assist retailers in creating fully virtual showrooms and sales experiences, that make it possible to renew and re-establish the relationship with consumers, using the digital channel to create new product exhibition spaces and new purchasing opportunities for customers.

Our expertise in the Virtual Reality and Augmented Reality realms, give rise to **two solutions** designed to bridge the gap in the shopping experience, enabling companies to act quickly and to preserve their core business.

Chat Boutique, a B2C sales management solution that was created with the aim of bridging the gap in the shopping experience



1-to-1 video chat between Shopping Assistant (SA) and customer



Video chat booking, SA scheduling management



Share multimedia content



Manage shopping cart on web app



Manage payments on web app



Multiple control of cameras inside the shop



Shoot and send high-res pictures to the customers in chat



Macro & 360° view of in-shop products

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Virtual Showroom, a B2B solution that pushes the collaboration between Artificial Intelligence, Knowledge Base and Augmented Reality to the very maximum, to create immersive, remote sharing environments



Virtual navigation
of the environments



Presentation of the collection
in augmented reality mode



Remote showroom
setup



Personnel onboarding
and training

The maintenance of social distancing in physical stores can be guaranteed with **Safe Eye**, our solution based on Artificial Intelligence, which makes it possible to monitor and manage the required safe distances between people in public places or within delimited spaces, by analysing videos and images.



Increase Resource
Availability

Innovating and digitising logistics and the entire supply chain

The challenge

All companies will be called upon to optimise the planning, execution and monitoring of both the entire production chain and its individual links, thus generating profit and a competitive advantage: a challenge that can be overcome by creating new ecosystems based on Digital Twin, Artificial Intelligence and Big Data.

Our offer

We can partner with and support players in the Retail world, in a complete redesign of their logistics processes with our **Supply Chain Centre of Excellence**. We have developed a consulting approach methodology called **Digital Maturity Assessment**, based on which we analyse the maturity of processes, technologies and organisation of a company, identifying areas for improvement and, in turn, favouring a Digital Transformation path.





Manage Complexity

Ensuring the sustainability and transparency of the production chain

The challenge

Even before the pandemic, there was an increased need by consumers to know the origin of a product, in order to assess its value and sustainability with certainty. With an increasingly digitalised consumer experience, the transparency of the supply chain can become part of the value proposition of all players in the retail market.

Our offer

Blockchain is one of the most interesting technologies of our generation for showing consumers where a product comes from, who made it, with what materials and to confirm its authenticity.

Our expertise in the Blockchain technology allows us to assist companies in **guaranteeing the entire production chain**, from the collection of raw materials at the time of sale, and even their movements in second-hand markets. This means that Blockchain is capable of providing undeniable proof of authenticity for luxury goods and much more.

The solutions created by Engineering arise directly from the brand. To achieve this goal and to understand clearly what we can and want to tell the end customer, we propose a holistic and co-design-based approach.



Protect Business

Ensuring system cybersecurity and securing data

The challenge

To enable its digitalisation, the retail world also needs to ensure the security of its systems and platforms, in order to protect its business and customer data.

Our offer

We enable Retail Cybersecurity, both through personnel training, by raising awareness of the potential cyber vulnerabilities to which the Company is exposed, and from an IT perspective. Thanks to Cybertech, an Engineering Group company, **we ensure a comprehensive security of business processes**, offering a profound understanding of the methodologies and security management policies needed to deal with cyber threats and manage vulnerabilities.



Grow Business

Developing and implementing e-commerce systems

The challenge

The world of mass retail will need to implement a digitalisation strategy, with which it will not only be able to confirm the results obtained in Phase 1 of the Covid-19 crisis, but also and above all, to innovate the best solutions both for the online purchase experience, and for delivery. The Luxury and Fashion world will have to implement an increasingly online-oriented business model

Our offer

Digitelematica, an innovative e-commerce PMI recently acquired by the Group, offers **Marketsuite**, a proprietary platform capable of managing the most advanced **e-Commerce processes**. The company has operated at the forefront of the situation, supporting big food distributors as soon as the pandemic broke out, by ensuring the stability of their IT infrastructure (under stress from the huge growth of online customers) and implementing solutions that would allow the collection of goods quickly and safely (click&drive).

Our knowledge of AI and Advanced Analytics supports the Luxury and Fashion industry in the **use of Big Data and Machine Learning algorithms** to gain in-depth knowledge of the consumer and thus efficiently direct the shopping experience through the Web.



Digitally Present

Simplifying payment systems

The challenge

As long as we are forced to live with the virus, complying with physical distancing rules in supermarkets will continue to be a priority. However, this critical aspect will have to be transformed into a new possibility to redesign and consequently simplify the consumer experience.

Our offer

Still in relation to the mass retail sector, we offer specific solutions such as **PassPay Conad**, which simplifies the consumer experience in the supermarket thanks to AI and IoT sensors, thus allowing them to shop without taking out their wallets and avoiding the checkout queues. Thanks to this approach, PassPay Conad helps to ensure social distancing and allows store staff who are no longer required to manage payments to be reassigned to other value-added activities, such as after-sales activities.



Explore and Evolve

Implementing omnichannel shopping experiences

The challenge

Transforming the omnichannel experience into a strategy to create new points of contact between brand and customer, rather than an option. The full potential of the digital realm must be used to achieve this (web, apps, e-commerce platforms), integrating them with the potential of data.

Our offer

With **Cegid Y2 myClienteling**, enhanced by the capabilities of **Chat Boutique**, we provide complete and flexible tools to support in-store and remote sales, fully integrated with existing business systems. These advanced Omnichannel process management tools allow sales staff to have a 360 degree view of the customer, to engage the customer and discover the latter's online and offline buying behaviours, while also enabling Headquarters to turn this information into concrete actions, increasing sales, as well as in-store efficiency.



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BUILDING THE NEW NORMAL



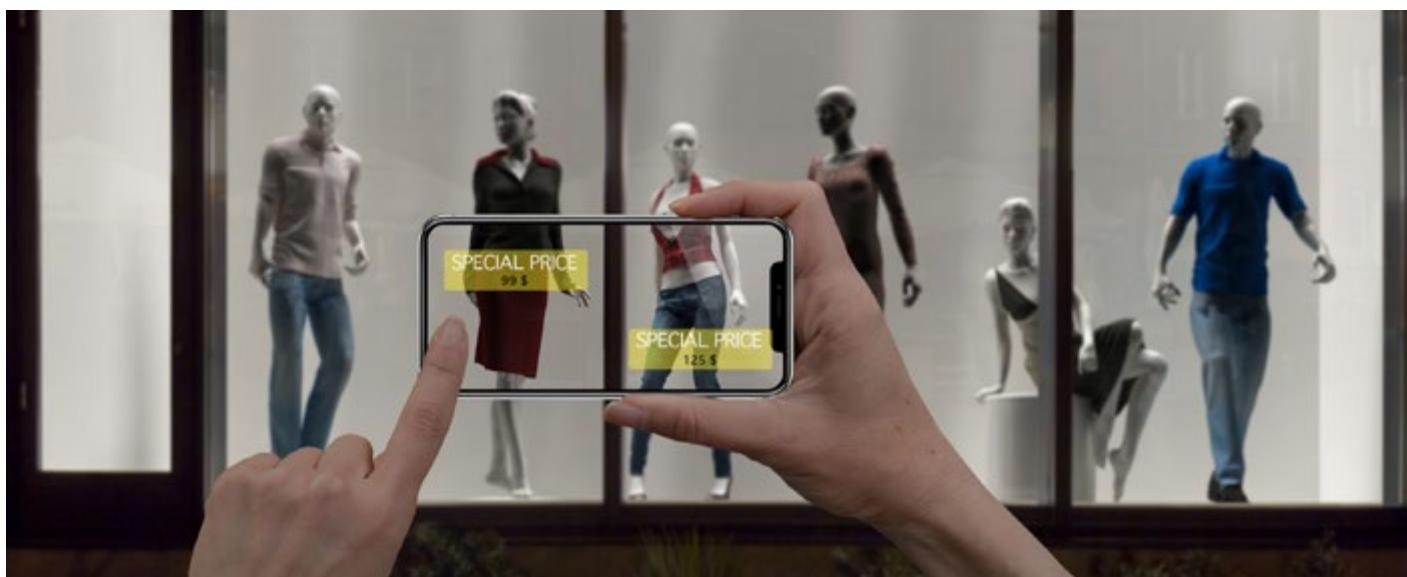
There's no doubt the world has changed. New values, new rhythms, new models. Everyone is wondering how to rebuild and what direction to take. It is a time when the answer has to be found by asking the right questions. Questioning the status quo. The rules of the game have changed and perhaps the game itself will change. How to combine the definition of core values to generate ideas, how to learn from other markets, or how to capitalise quickly on technological developments.

New Normal will speed up the use of data to create value: these recent months have shown the power of data transversality and how, around them, we can create quickly services and virtuous ecosystems.

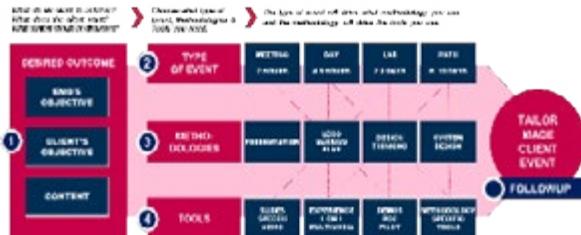
The walls between one vertical and the other will increasingly be mental barriers, we must then give life to new partnerships, designing and creating digital ecosystems based on technologies transversal and enabled by vertical services. These are the most important challenges to face. And we at Engineering have the strategic vision and operational capacity to accompany our customers in this challenging journey. Every day, we experiment and measure the potential for change of the new enabling technologies coming out on the innovation scene. But we also know how to do this gradually and strategically, in order to ensure the harmonious and sustainable evolution of the complex system of skills, processes, infrastructures and services of the organisational context in which we operate.

It is with this strategic "ecosystem"-based approach that today, we can partner with our stakeholders to build a New Normal that follows the paradigms of Digital Transformation: a path that starts with the restoration of specific business values and continues up to the recognition and involvement of the various networks of relationships and transactions that define the internal organisational system and that relate to it externally. Directly (customers, suppliers, partners, etc.) and indirectly (physical, social, economic, environmental, technological, cultural/educational system, etc.).

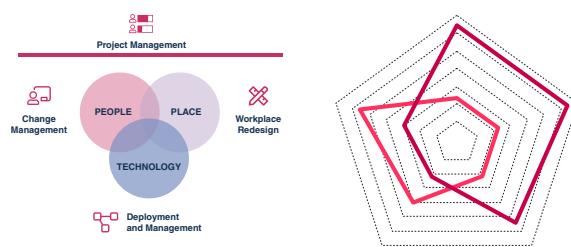
An intervention – the one we have adopted – that invests in innovation and not in technology: because first and foremost it focusses on the ability of the organisational body to react to the crisis, to face and resolve all the pre-existing rigidities on the supply and demand side, to then proceed to build, based on unexpressed potential and on the new value proposition, its very own specific and solid construction of the new New Normal business model.



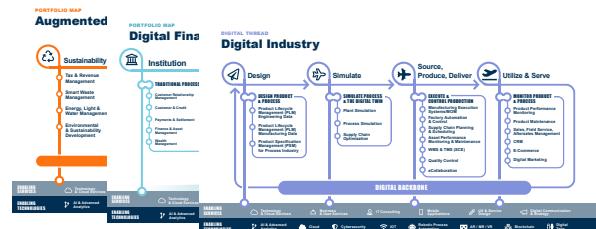
CO-DESIGN FRAMEWORK



CHANGE MANAGEMENT & MATURITY ASSESSMENT



MULTI INDUSTRY EXPERIENCE



ECOSYSTEM VIEW



Our toolbox consists of:

- **A Co-design Framework**, for the generation of ideas focussed on the innovation and transformation of the business model and for the joint design of prototypes of "ecosystem"-based solutions and platforms;
 - **Change Management and Maturity Assessment processes**, to assess the strengths and areas for improvement of the organisational system and its positioning with respect to the business context in which it operates;
 - **A Multi-Industrial Experience**, for sharing the experience, skills, processes and solutions that our Group has matured in the specific business chains and which become transversal when they intersect and can enhance or condition the customer's new innovation model;
 - **An Ecosystem View**, designed to offer integrated and coherent services models that enable "user-centred" views (e.g. Digital Citizenship, Mobility).

There is no perfect solution for overcoming this crisis and building the so-called "New Normal". But there is that sought-after ability to imagine, to create and to develop the open "peer production" solution based on a collaborative, synergistic and iterative approach: always able to give the best answers to the new innovation questions.

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Engineering is one of the main players in the field of Digital Transformation of public and private companies and organizations, offering an innovative offer targeted at the main market segments. Together with its subsidiaries, the Engineering Group is committed to pushing the envelope as regards the application of emerging technologies. It also works in the area of system implementation and integration and on redefining processes in order to promote innovation for the benefit of businesses and Public Administrations.

With around 12,000 professionals in 65 locations spread across Italy, Belgium, Germany, Norway, Republic of Serbia, Spain, Sweden, Switzerland, Argentina, Brazil and the USA, Engineering manages projects in over 20 countries, supporting customers in the business areas where digitalization is having the biggest impact. Its products and services cover all strategic sectors, including Digital Finance, Smart Government & E-Health, Augmented Cities, Digital Industry, Smart Energy & Utilities, Digital Media & Communication. The group aims to help change the way in which the world lives and works, by combining technological infrastructures organized in a single hybrid multicloud, the capability to interpret new business models and specialist competences in all next-generation technologies: AI & Advanced Analytics, Cybersecurity, RPA, Digital Twin, IoT, Blockchain. With significant investments in R&D, Engineering plays a leading role in research, by coordinating national and international projects thanks to its team of 450 researchers and data scientists and a network of academic partners and universities throughout Europe. One of the group's key strategic assets is its carefully considered staff training policy. Engineering, since 1999, has had its own dedicated multidisciplinary training academy, the "Enrico Della Valle" School of IT & Management. With 300 certified trainers and hundreds of courses, the School has delivered more than 19,000 days of technical, methodological and process training during the last year.

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