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DIGITAL STRATEGY ANALYSIS OF GEOX S.P.A ON GERMAN MARKET AND RECOMMENDATIONS REGARDING ITS IMPROVEMENT

ANALÝZA DIGITÁLNÍ STRATEGIE SPOLEČNOSTI GEOX S.P.A NA NĚMECKÉM TRHU A
NÁVRHY NA JEJÍ ZDOKONALENÍ

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Theoretical framework
Analysis of current situation
Proposals
Conclusions
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List of literature:

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Abstrakt

Pochopení digitální transformace společností v segmentu Business-to-Customer, to je hlavní smysl teoretické části této práce. Konkrétně, jak je touto transformací ovlivněno vytváření business modelu a digitální strategie společností v retailovém odvětví. Avšak hlavním účelem práce je ukázat tuto transformaci na příkladu obuvní a oděvní společnosti Geox S.p.A, konkrétně její dceřiné společnosti Geox Deutschland Gbmh (dále jen Geox). Největší důraz je kladen na dvě oblasti digitální transformace. Prvně, jak mohou být využity on-line kanály a technologie obecně spojené s digitalizací ke zvýšení příjmů. Druhou oblastí je zkoumání příležitosti v oblasti sběru dat pomocí digitálních technologií a využití těchto dat s cílem zvýšit úroveň nákupních zkušeností zákazníků této společnosti.

Vyhodnocení úrovně digitalizace německého trhu je založeno na analýze kvalitativních dat, schromážděných ze sekundárních zdrojů. Tato metoda se ukázala být jako velmi efektivní v poskytnutí detailního pohledu do této oblasti. V rámci investigace vlastní digitální strategie společnosti Geox byly opět většinou použity sekundární data; jen v několika oblastech kde to bylo realistické byly vyhodnoceny primární data.

Výsledky analýz odhalily že společnost Geox dala do své digitální transformace poměrně mnoho úsilí, primárně v oblastech sjednocování online a offline kanálů, marketingu na sociálních sítích, vývoji content managementu a růstu povědomí o značce Geox díky několika interaktivním kampaním. Nicméně, analýza odhalila i nadměrnou slabost v digitální strategii společnosti Geox. Konkrétně nedostačující mobilní strategie, chybějící digitální technologie v kamenných obchodech, nevyhovující spolupráce mezi vedením Geox a lokálními prodejci v tvorbě marketingových kampaní, chabě personalizované webové stránky a nefungující zaslání nabídek na míru konkrétním zákazníkům. Obecně tedy může být konstatováno, že navzdory věnovanému úsilí do digitální transformace se společnost Geox v některých oblastech nedaří přizpůsobit moderním trendům. Pročež je v závěrečné části práce identifikováno několik doporučení pro společnost Geox, za účelem eliminace slabostí zmíněných výše a udržení konkurenceschopnosti do budoucna.

Klíčová slova

Digitální strategie, E-commerce, Marketingová strategie, Geox, Digitalizace německého trhu

Abstract

First of all, the theoretical part of thesis should assist reader to understand the digital transformation of companies, how it affects Business-to-Customer segment, especially building the business models and digital strategies of companies in retail industry. Main purpose of this report, however, is to show this digital transformation on live example of footwear and apparel retailer Geox S.p.A, specifically its German subsidiary **Geox Deutschland GmbH** (hereinafter **Geox**). Two main areas of digital transformation are being investigated. Firstly, possibilities of leveraging a digital channels and assets in order to revenue increase. Secondly, opportunities of technology utilization in order to leverage the data from all channels and enhance the customer experience.

The evaluation of German market digitalization level is based on secondary analysis of qualitative data, which has proved to be effective way in providing useful insight for chosen topic. The evaluation of Geox's digital strategy itself is based on analysis of both, primary and secondary data.

The results of analyses revealed that Geox put significant effort into its digital transformation; especially in the area of integration online and offline channels, social media marketing, rich content management or growing of brand awareness due to interactive marketing campaigns. However, this report recognizes plenty weaknesses of Geox digital strategy as well. Specifically, missing solid mobile strategy, wanting digital technology in store, substandard cooperation between headquarter and franchisees in marketing campaigns, poorly personalized websites and inadequate tailored offers to customers. Basically, in spite of effort which has been put into its digital transformation, Geox is not truly following contemporary trends. Wherefore, several steps identified in recommendations should be followed by Geox in order to remain competitive in the future.

Key words

Digital strategy, E-commerce, Marketing strategy, Geox, German market digitalization

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Declaration of originality

I declare that this master's thesis is original and has been written independently. I also declare that the list of references is complete and that I did not breach of copyright in the sense of Act No.121/200 Coll. on Copyright Law and Rights Related to Copyright and on the Amendment of Certain Legislative Acts.

Brno, 30th August 2015

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Bc. Lubomír Pejchal

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Introduction

The new economy or as some name it digital economy was initiated in the early 1970s when the convergence of computers, advanced telecommunications and later on the digital media and the rise of the Internet inducted tremendous changes in the geographies of enterprises (Malecki and Moriset, 2008). Despite its youth, the Internet has grown significantly as a commercial tool; several new business models have been designed by companies in order to take advantage of opportunities provided by it. (Coupey, 2005). However, enthusiasm of the new economy and Internet decreased after dot.com bubble did burst in 2000, when thousands of Internet exploiting companies disappeared from the market (Malecki and Moriset, 2008). Moreover, certain authors even claimed that “the new economy and Internet constitute nothing more than a passing fad” (Kotkin, 2000:11). From today’s point of view it is obvious that the Kotkin’s opinion was not correct. It is easily refutable as the internet has remained powerful tool for businesses. In reference to Coupey (2005), conclusion can be made that in order to survive in dynamic online environment, businesses have to understand what types of digital models and strategies are suitable for their strategic goals. Therefore, it gives a reason to write such thesis, which would bring an insight into current digital environment in order to assist **Geox Deutschland GmbH** (hereinafter **Geox**) with analysis of its digital model and evaluate if it is suitable for current German market.

The thesis begins with an overview of the literature informed by definition of digital strategy, description of marketing environment analyses, what are the effects of the internet and e-commerce on retail industry, and framework for definition of digital strategy in Business-to-Customer segment. After that, analysed company, the Geox will be briefly introduced. Analysis of micro/macro environment, as well as of company itself will follow. Subsequently, Geox’s digital strategy will be revised and evaluated in the lights of key success factors and previously conducted analyses. Next, possible further development of Geox strategy will be outlined. Finally, specific proposals for improvement of digital marketing strategy will be provided

1. Diploma thesis objectives

Main goal of diploma thesis is analysis of digital transformation of footwear and apparel retailer Geox S.p.A, specifically its German subsidiary Geox Deutschland GmbH and proposal of recommendations related to its digital strategy. This thesis consist of three component goals. Firstly, in-depth analysis of German digital environment with focus on retail industry. Secondly, Geox's digital strategy will be analysed and compared with main competitors on German market. Lastly, several recommendation will be provided in order to increase Geox's customers' shopping experience.

In order to be able fulfil defined goals, it is important to explain how is the term digital strategy understood in this thesis. Generally, understanding of mentioned term is not an elementary task, as was noted by numerous authors (Coupey, 2005; Chaffey et al, 2006; Malecki and Moriset, 2008; Perrey and Spillecke, 2012) and was proved by plenty of researchers (Wingley and Currah, 2006; Neslin et al., 2006; Constantindes, 2006; Rosenbloom, 2007). Therefore, it will be explained in detail in the beginning of theoretical part.

Moreover, it is such exceedingly broad topic that it presents quite a limitation for this thesis. Simply, covering all aspects of digital strategy is beyond scope of this paper. Thus, for purpose of this paper, analysis of Geox's digital strategy is focused on two major areas only. Firstly, possibilities of leveraging digital channels and assets in order to increase revenue of the company. Secondly, opportunities of technology utilization in order to leverage the data from all channels and enhance the customer experience. There is one additional limitation, the fact that thesis is based mainly on secondary data. Therefore, final conclusion could be negatively influenced, as certain important information, related to particular digital technologies Geox uses, have not been published.

2. Theoretical background

Initial part of thesis is about introducing of basic theoretical terms and methods which are necessary for understanding of chosen topic. Moreover, such theoretical background is crucial for main parts of thesis which will follow – analysis and related proposals.

Firstly, term of digital strategy will be identified. Afterwards, tools for marketing environment analysis will be introduced. Lastly, specifics in digital marketing will be investigated.

2.1 Digital strategy definition

Digital strategy is significantly broad topic, with no simple definition of such term. Several authors describe digital strategy generally as an effect of innovative technologies on strategic goals of organizations (*Spiegel, 2000; Malecki and Moriset, 2008*). Some are focused principally on the Internet, its influence on strategic planning and opportunities for the business which have risen due to Internet (*Rockwell, 1998; Coupey, 2005; Chaffey et al., 2006*). Next group's aim is given to the e-commerce, m-commerce and shaping of virtual organizations (*Barnes, 2007; Skeldon, 2011*). The others, very relevant for purpose of this thesis put the above mentioned into context of retail industry (*Perrey and Spillecke, 2012; Levy et al., 2014*). Every author covers digital strategy from different point of view and it is difficult to choose the one most suitable for this thesis. In order to assist reader to understand the purpose of this paper, definitions of above mentioned authors were synthesized and adjusted to the chosen topic. As a result, following definition is provided. Digital strategy is a process of specification an organization's opportunities and challenges in order to maximize benefits of digital technologies. It is closely related to two areas, organization's business strategy and marketing strategy. From the business strategy it covers strategic analysis of external environment, internal environment and strategic definition of platform and business model. From the marketing point of view it covers selection of digital technologies which enable promotion of the business and building the brand. It includes online tools such as e-commerce (on-line stores, websites), social media, and mobile technology. Various innovative technologies used directly in-store should not be forgotten.

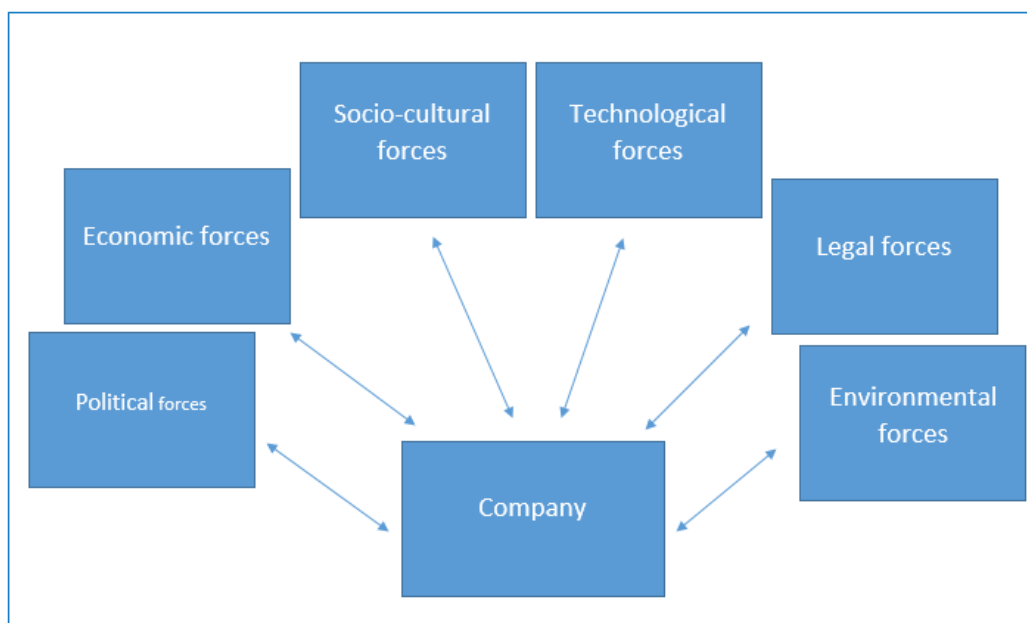
2.2 Marketing environment analysis

Business environment nowadays is being significantly dynamic and thus it's crucial for every company to fully understand factors which are responsible for such dynamism. As the business environment is very complex, it has been divided by many scholars into four main segments. Firstly, factors influencing company from the outside - macro environment. Secondly, it's necessary to investigate factors affecting the company in the micro environment. Thirdly, conditions within industry, in which company operates, shall be investigated. Lastly, in order to investigate closely the factors influencing company's decision, summarization of strengths and weaknesses as well as the opportunities and threats can be done.

2.2.1 Macro-environment analysis

Knowing of factors influencing company within macro environment is necessity for every marketer. The PESTLE analysis framework is tool which can assist in understating of forces influencing company from Political, Economic, Social, Technological, Legal and Environmental point of view. Set of these forces cover most of fields which create macro environment of the company (Henry, 2008)

Figure 1: Forces in the company's macro environment (Henry, 2008)



Political forces

Political factors refer mainly to the stability of political environment, meaning attitudes of political movements and parties. Tax policies or government involvement in trading agreements are often actions belonging to political environment.

Economic forces

Cost of raw materials, interest rates and monetary policy, exchange rate or economic growth rates are typical factors representing the wider economy conditions

Social forces

Culture and society are considerable influencers of every company. Specifically, distribution of wealth and social classes, demographics, living conditions, age distribution, lifestyle or level of education are examples of this area.

Technological factors

Government spending on research, new inventions and development, changes in information and mobile technologies, changes in internet, e-commerce and mobile commerce – all these are typical examples of technological factors nowadays. However, new methods of manufacture, distribution and logistics should not be forgotten in this area.

Legal forces

Obviously, political forces are closely linked with the legal ones. Legal forces are those which have become law or regulation whereas attitudes or approaches of political parties are considered as political factors. Thus, international trade restrictions and regulations, national employment laws or merger's and monopolies rules are examples of legal forces.

Impacts on environment

Waste disposal, recycling procedures or limited natural resources have been growing on importance in recent years.

2.2.2 Micro-environment analysis

Kotler (1999) defines main subjects influencing company from its own micro environment as is displayed in Figure.2.

Figure 2: Actors in company's microenvironment (Kotler, 1999)

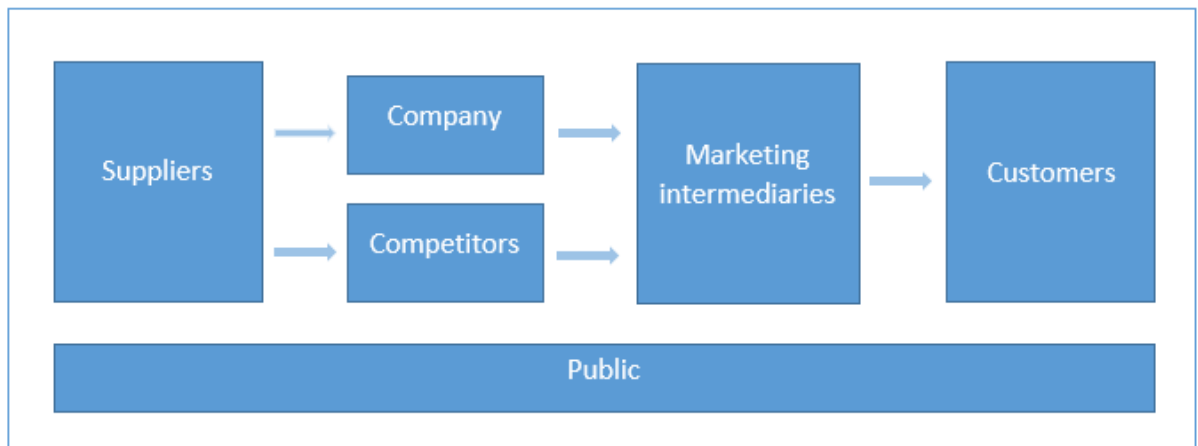
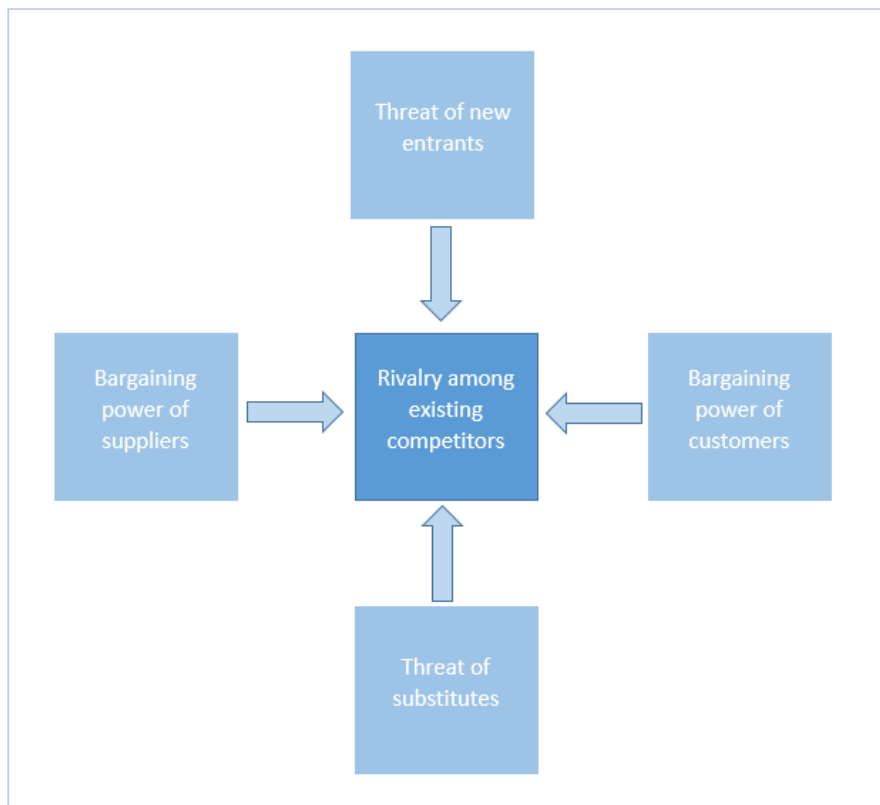


Figure above identifies the process how influence on company and competitors from its suppliers is transferred to marketing intermediaries. In the end, obviously, customer is affected as well while various public's actors indirectly affect all the subjects across the process.

2.2.3 Industry analysis

The well-known framework, Porter's analysis is often used for further research of segment in which company operates. It was created as five force model (see Figure 3) by Porter (1979). When new marketing strategy is being created, all five forces should be taken into consideration.

Figure 3: Porter's five force model (Porter, 1979)



Threat of new entrants

On one hand, new competitors can boost the demand after product; on the other hand it can weaken other competitors' position by taking part of the market share Six main market entry barriers are defined by Porter (1979)

- Economies of scale
- Product differentiation – low brand recognition
- Capital requirements – necessity of high initial investment
- Cost disadvantages independent of size – know-how is being hold by existing companies
- Access to distribution channels – new entrants often need to build up completely new distribution network
- Government policy – licenses, regulations, standards and limits may be problematic for new entrants

Threat of substitutes

Identifying substitutes involves searching for other products or services that can perform the same function as the industry's product or service. Substitute is usually from the same field, however, it can happen that there is a competition between products from very different industries as well (Porter, 1998).

Bargaining power of suppliers

According to Porter (1979) following factors increase the bargaining power of suppliers:

- Product is unique
- There are only few big suppliers in the industry
- Level of integration in business is high
- Suppliers are not dependent on industry only
- There is no competition with product of another group of suppliers

Bargaining power of customers

Factors increasing the bargaining power of customers are defined as well:

- Standardized product
- High concentration of customers
- Purchase of product/service in large volume
- Product does not save customer's money

Rivalry among existing competitors

Obviously, Porter (1979) also defines factors influencing level of competition:

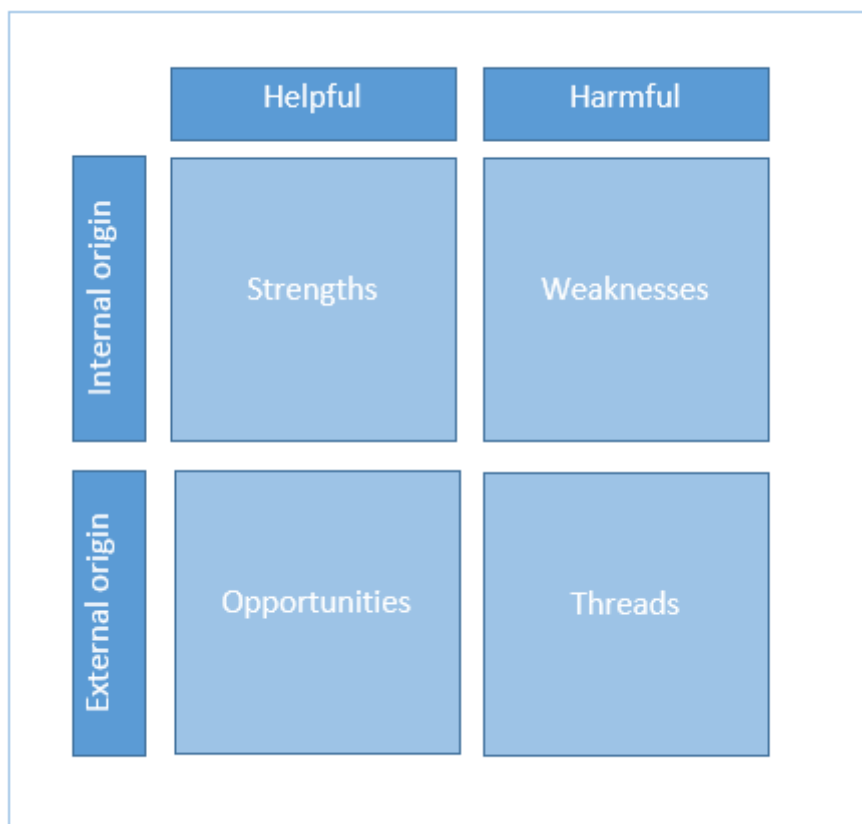
- Slow growth of industry
- Large amount of competitor with same size and power
- High fixed costs
- Lack of differentiation
- High barriers for industry leave
- Different strategies of given rivals

2.2.4 SWOT analysis

SWOT analysis is closely linked with all previously mentioned analyzes. SWOT presents summary and clear overview of strengths and weaknesses which proceed in opportunities or threads. Usually findings from previous analyzes are the main contribution for SWOT. (Grundy and Brown, 2012).

SWOT analysis is suitable for specification of business objective and identification of internal and external factors that are favorable and unfavorable to achieve that objective as you can see on diagram below.

Figure 4: Understanding of SWOT analysis (Grundy and Brown, 2012)



2.3 Marketing strategy in digital business

Internet (e-commerce) is one of the fundamental element (other one being liberalization of global trade) why cross-border commerce is simple, low-cost and accessible to virtually any business (Rockwell, 1998). In Rockwell's opinion, all steps in the operations of business (from market research to final sale) can be improved by web-based tools. In addition, he claims that borders and languages will no longer limit the ability of business to expand internationally.

2.3.1 E-Commerce

Electronic commerce (e-commerce) is often considered as buying and selling of goods and services using internet. However, this is very simplified or even incorrect idea as much broader topic is covered by term e-commerce (Chaffey, 2011). In order to better understand the e-commerce topic, four main areas can be defined: Business-to-Business (BtoB), Business-to-Customer (BtoC), Customer-to-Customer (CtoC), and Customer-to-Business (CtoB) (Coupey, 2005, Malecki and Moriset, 2008). Even further classification is provided by adding 3 more areas: Government-to-Business (GtoB), Government-to-Customer (GtoC) and Government-to-Government (GtoG) (Barnes 2007; Chaffey 2011). After this classification into main areas, it is obvious that e-commerce is not only about buying and selling of goods using internet. Simple and general definition is provided by Chaffey (2011, p.11) who states that e-commerce is: “all electronically mediated transactions between an organization and any third party it deals with”. For purpose of the thesis, Business-to-Customer is the only relevant as it covers retail trade of services and goods. Visualization and examples are displayed in Figure 5.

Figure 5: 3x3 matrix of e-commerce (Chaffey, 2011)



2.3.2 E-commerce limitation in retail

It might be true, that the e-commerce generally offers a low-cost form of market entry. However, such opinion has several limitations from retailers' point of view. Firstly, retailers with online presence only (so called pure-players or e-tailers) have been perceived as less trustworthy (Coupey, 2005). Therefore, customers are willing to make purchase rather from vendors with familiar offline presence (brick-and mortar). Such companies which use online shopping as a tool to complement their traditional activities are powerful in current market environment (Malecki and Moriset, 2008; Young, 2014). Secondly, in response to the fact that BtoB and BtoC are tremendously different, BtoC e-commerce lags significantly behind BtoB for two major reasons. One is that ordering and shipping of low value items is more expensive for customer. The other is technical and financial reason; households are obviously much less efficient e-traders than enterprises (Malecki and Moriset, 2008). Thirdly, the development of retailer's business-to-customer e-commerce is usually complex and expensive process, which demands significant investment (Gibbs et al. 2003). Lastly, when advantages of information technology are

discussed, it is necessary to point out significantly important fact, that competitive advantage is never produced by the information technology itself; it is about the individuals, who know how to use it effectively (Varian, 2003). Therefore, in practice, retail transnational companies (TNC) mostly utilize e-commerce as extension and support of their existing markets and franchises (Wrigley and Currah, 2006). Simply, it is true that Internet has enabled low-cost market entry to certain types of businesses; however, this is not true in case of retail TNCs.

2.3.3 Vendor-Customer relationship

Despite the limitations mentioned above, retail industry is one of the most affected industries by the Internet and e-commerce (others are being computing, telecommunications, financial services, travel and energy) (Wrigley and Currah, 2006). One of the major reasons is the fact, that the Internet tremendously affected the relationship between customer and vendor (Coupey, 2005). It is obvious that relationship between customer and vendor has always been important for business performance (Levy et al., 2014). However, before the era of Internet, retailers were guarding the information and it was difficult and very time-consuming for customers to gain information about best prices and services. Thus, customer ignorance was a profit center for many companies (Hof, 1999). In reference to Rockwell (1998) e-commerce “puts the customers in charge as never before” as they can search for various information about goods and services very easily. Therefore, in the era of Internet, relationship between buyer and seller has even more significant effect on business performance than ever before. Obviously, many theories have been defined about maintenance of relationship between retailer and customer in digital environment. However, not all of them are true and many businesses have gone thru failures due to incorrect digital decisions in current dynamic world.

2.3.4 Concept of reach and richness

The concept of reach and richness provides view of IT-driven organizational changes in business which helps to explain the growth of digital economy (Evans and Wurster, 1999). Reach is the capability of company to do business on large scale; richness is the key characteristic of high-value added transactions requiring mutual trust and real-time interacting between vendor and buyer, incorporating a complex body of information and

knowledge. Evans and Wurster (2000) note that the concept of reach and richness can be observed in retail industry, for example footwear and apparel; in pre-Internet era customers had to visit stores and queue in order to buy brand new shoes advertised in catalogues. Today, customers can make pre-orders on websites and shoes are delivered directly to their house immediately after new shoes are introduced in store, sometimes even earlier than introduction in store. In mentioned case, Internet obviously has extended the reach of businesses that have product to sell. Basically, the goods are available to anyone who has an Internet connection and credit card. The depth of information, businesses collect about its customers – Richness is greatly enhanced due to Internet as well (Evans and Wurster, 1999; 2000).

2.3.5 Framework for digital business

It is necessary to identify suitable framework in order to investigate properly two main areas which were defined in the methodology (leveraging of all channels and leveraging of data). Such framework should divide these areas into smaller specifically identified pieces which should ensure that every piece can be investigated and rigorously analysed. General framework is introduced by Coupey (2005), containing four main elements defining strategy of digital business: business intelligence, digital content management, digital communication and digital channels. These elements are being inserted into context of retail industry by Perrey and Spillecke (2012) and five main trends are summarized in their work: end-to-end digitalization, channel convergence, digital localization, social media impact and content management.

2.3.5.1 End-to-end digitalization

On-line stores are not the only sign of digital technology. Very important parts of retailers digitalization is usage of digital tools in-store such as near-field-communication (NFC), radio-frequency identification (RFID), 3D technologies, Path Intelligence, Interactive displays or Beacons (Perrey and Spillecke, 2012; Verifone, 2013; Yates, 2013). Moreover, due to some of these technologies, retailers can collect valuable data about customers' behaviour (Liyakasa, 2012). However, as with other technologies, all of them must be used wisely. Every technology is suitable for different size of store, different type of industries, etc.

2.3.5.2 Channel convergence

Convergence of on-line and off-line sales channels is a contemporary trend (Coupey, 2005). Multi-channel (Online and offline) retailing is considered by almost all of authors and researchers as necessary approach of retailers in order to be competitive in current retail industry as it is an effective way how to capture and retain customer (Kumar and Venkatesan, 2005; Neslin et al., 2006; Rosenbloom, 2007; Doherty and Chadwick, 2010; Perrey and Spillecke, 2012; Levy et al., 2014). In order to be relevant and keep defendable position in this multi-channel trend, every company should define proper strategy to follow. The main question is about level of integration between those channels, which brings two implications. Firstly, effect of channel congruence on channel performance. In this case consensus was made that high level of congruence has positive impact on channel performance. (Bezes, Ch. 2013). Secondly, influence of channel integration to sustain strong retailer image. Most of authors agreed high degree of synergy of all channels tends to enhance retailer image (Gulati and Garino, 2000; Weinberg et al., 2007). Despite the opinion of majority, Puccinelli et al. (2009) claims that degree of interaction between individual channels and its impact on retailer image is an open question as there was not conducted any research on this topic. Therefore Bezes (2013) decided to conduct research on this topic and as a result of this research he states that high level of congruence between channels significantly positively affects Internet users. Therefore, it can be concluded, that high level of channel synergy is suitable for retailers, who are using e-commerce as an element of their multichannel strategy.

Typical example of scenario how digital channels affect shoppers' decision journey: Customer views sponsored video promotion (e.g. on mobile device) -> customer receives mailing, recognize product and cut out coupon -> visit store and finds desired product -> while checking-out in store, customer is asked for e-mail address to receive discounts -> receives post-purchase email with tips on how to use new product -> customer creates web profile to access exclusive content -> perceives online sales alert and buys additional goods or equipment for already purchases product.

2.3.5.3 Digital localization

Digital content must be closely tailored to local cultures and geographies of consumption and the website must reflect the characteristics of different consumer groups (Gibbs et al.

2003). In other words, data about customers should be collected, analysed and disseminated in order to obtain information about customers. This means that personalized and tailored product can be offered to individuals. In addition, web-pages and on-line stores can be personalized specifically for customers, enabling them to watching only information which is truly relevant for them (Tassabehji, 2003). Moreover, collected data can be used for further analysis, based on which prediction of customers' behaviour is possible (Simon and Shaffer, 2001) and better business decisions can be made (Bean 2003).

2.3.5.4 Social media impact

Opinions are increasingly influenced online. Friends and followers are being advocates of brand creation Perrey and Spillecke (2012). In reference to articles in Retail week (2013) and Marketing week by Nutley (2011), several facts about social media can be noted. Firstly, creation of Facebook page or any other social media does not directly improve the sales of retailers. Secondly, all social media should be used wisely and just the best of each should be exploited. Thirdly, rather than use them as channel of sale, it should be used to highlight campaigns or offers and lead customers to on-line or off-line stores. Lastly, individuals usually do not go to social media to observe what happened 2 weeks ago; therefore, it should be used interactively but wisely, and on daily basis.

2.3.5.5 Content management

Rich and fresh digital content is demanded by customers. Moreover, it is the power for social media, Google's page ranking and most importantly for consumers' hearts, minds and wallets (Perrey and Spillecke. 2012). In reference to Coupey (2005), Chaffey (2006) and Altstiel et. Al (2010) online marketing campaign, which engage users due to interactive web-apps and interactive video, have proved to be a powerful tool to build brand image as well as purchase intent.

3. Analysis of current state

This chapter will be devoted to bring an insight of Geox's current status as well as information about current conditions on German market. Initially, Company is briefly introduced. Afterwards, analysis of business environment will be conducted. Lastly, Geox's digital marketing instruments are investigated in mirror of its competitors. Moreover, suitability of these instruments for German market is considered.

3.1 Company overview

The Geox S.p.A creates, produces, promotes and distributes Geox-brand footwear (89 %) and apparel (11 %). It presents innovative technological solutions which guarantee the ability to breathe and remain waterproof at the same time. The technology has been protected by over 60 different patents in Italy and spread internationally. Geox is market leader in Italy and one of the leading brands worldwide in the "International Lifestyle Casual Footwear Market" (Geox, 2013). Documents showing economic performance can be found in Appendix A.

3.1.1 Strategy

There are three main strategic issues for Geox: Consolidation of the leadership position achieved in Italy, international expansion and product innovation. Regarding to internationalization, over 60 % of Group sales were from abroad. Besides 430 stores in Italy, there are 350 shops in other European countries (e.g. Germany, Austria, France, UK, Scandinavia, Czech Republic, Poland and Bulgaria), 40 shops in North America, 400 shops in others countries all over the world and also more than 10 000 multi-brand selling points (Geox, 2013).

One of the reasons for Internationalization is expanding number of customer served, increasing market share and loyalty among existing customers - **this is exactly the point where digital strategy and multi-channel approach takes its place.**

3.1.2 Key Success Factors

Key Success Factors, defined by company itself = how they distinguish themselves from the rest of footwear sector (Geox, 2013):

- **Technology** – distinctive application of innovative technological solutions developed by Geox and protected by patents.
- **Focus on the customer** – cross market positioning with comprehensive range of products for women, men and children in medium to medium/high price range (Middle class family brand)
- **Brand recognition** – strong recognition of Geox brand principally thanks to “breathing” concept
- **Internationalization** – easily replicable business model developed in Italy has assured growing presence on international markets.
- **Distribution** – network of 10,000 multi-brand selling points together with over 1,200 mono-brand Geox shops created according to each country’s distribution structure in order to optimize market share and promote the Geox brand to end-consumers on a consistent basis.
- **Supply chain** – flexible delocalized business model based on outsourcing, capable of effective production and ensuring product quality and timely deliveries at the same time

3.1.3 Organizational structure

The structure of the Group controlled by Geox S.p.A., which acts as an operating holding company, is split into 3 macro-groups:

- **Non-EU trading companies**

Their role is to monitor and develop the business in the various markets. They operate on the basis of licensing or distribution agreements stipulated with the parent company.

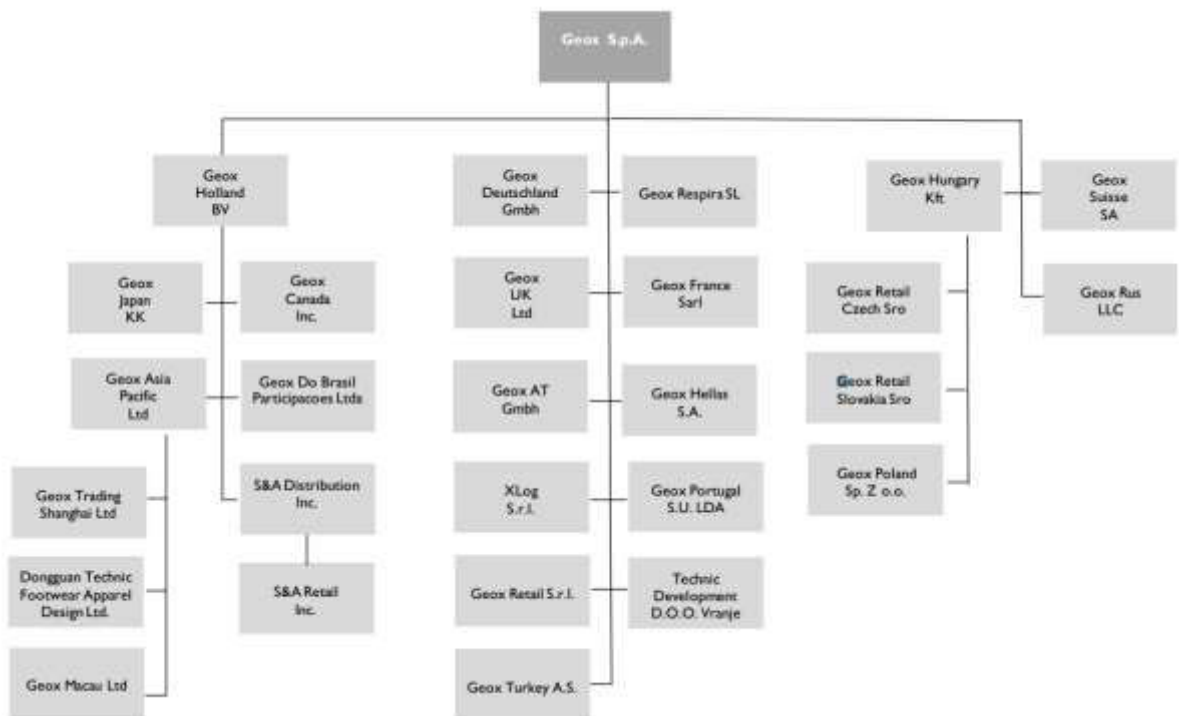
- **EU companies**

At the beginning their role was to provide commercial customer services and coordinate the sales network in favor of the parent company which distributes the products directly on a wholesale basis. Then, they started to manage the Group's own shops in the various countries belonging to the European Union

- **European trading companies**

They are responsible for developing and overseeing their area in order to provide a better customer service, increasing the presence of the Group through localized direct sales force and investments in showrooms closer to the market. The trading companies in Switzerland and Russia also have the need of purchasing a product immediately marketable in the territory, having already complied with the customs.

Figure 6: Geox S.p.A, organizational structure (Geox, 2013)



3.2 Analysis of business environment

Aim of this part is to critically analyse external and internal environment with main focus on digital strategy in footwear and apparel industry. Pestle and Porter analysis are used for this purpose

3.2.1 PESTLE analysis

Purpose of the PESTLE analysis is pointing out the most important macro-environment elements which affect digital strategy of Geox.

Political factors

EU and German Government support

Both EU and German national politicians actively support Information society and usage of Internet (Chaffey, 2011; Germany Trade and Invest, 2014)

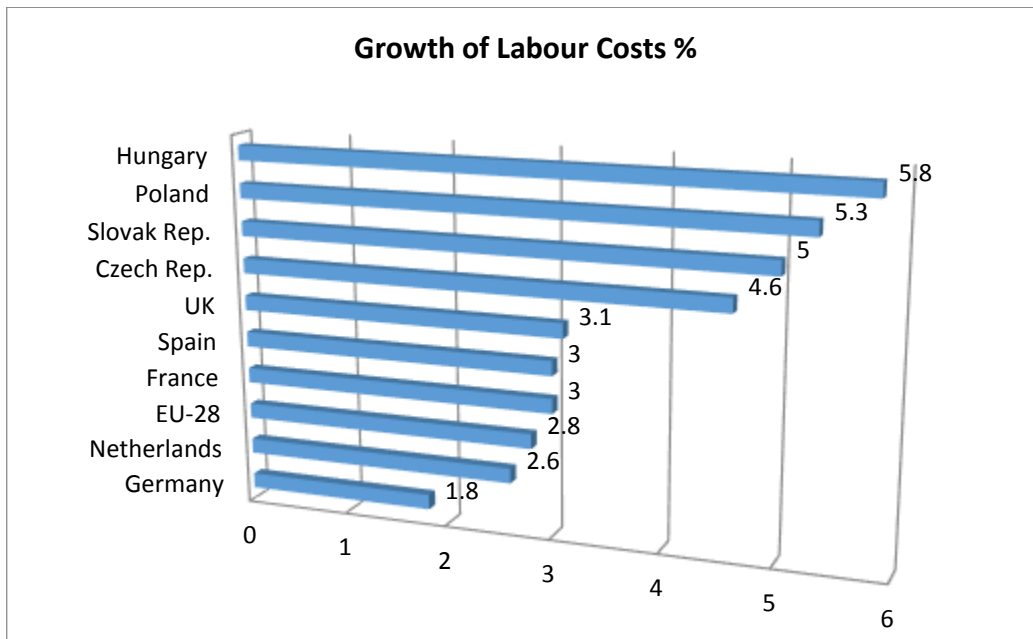
Open and transparent market

There is no distinction between German and foreign nationals regarding investments (No restriction or barriers to capital transaction, currency transaction or repatriation of profits (Germany Trade and Invest, 2014).

Stable labour costs

On one hand, Germany is the country with one of highest labour costs in Europe. On the other, hand labour cost increase has been the lowest in Europe in recent years (Figure 7). Therefore if company invest in German market, there is relative certainty that labour costs will not significantly increase in near future. (Germany Trade and Invest, 2014).

Figure 7: Growth of Labour costs in Europe in 2013 (Germany trade and invest, 2013)



Competitive Tax Conditions

Firstly, among large industrialized countries Germany offers very competitive overall tax burden from 22-30 % according to municipality. Secondly, double taxation is ruled out as Germany provides an extensive network of double taxation agreements (DTA) (Germany Trade and Invest, 2014).

Economic factors

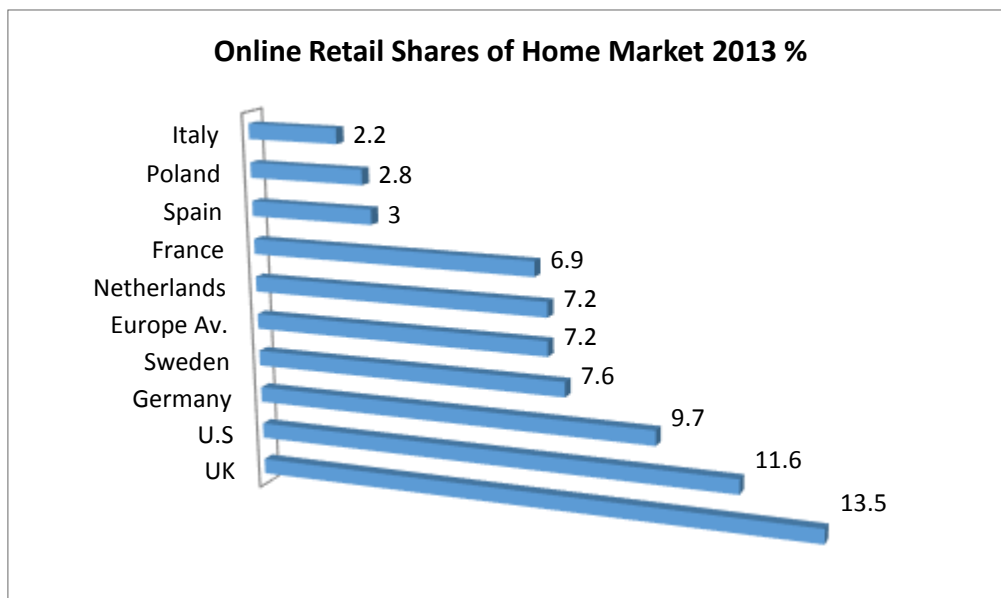
In 2013 online retailing grew by average of 22% to 111bn pounds and then a bit less by 18% (estimation) in 2014 (Table 1). The European online market is dominated by the UK, Germany and France. Germany has had the fastest growing online retail sales in Europe last 2 years (Retailresearch.org, 2014).

Table 1: Online sales in Europe in 2013 and 2014 estimation (Retailresearch.org, 2014)

| Online Retail Sales | Online Sales (£ bn) 2013 | Growth 2013 | Online Sales (£ bn) 2014 | Growth 2014 |
|---------------------|--------------------------|--------------|--------------------------|--------------|
| UK | £38.83 | 16.8% | £44.97 | 15.8% |
| Germany | £28.98 | 39.2% | £35.36 | 22.0% |
| France | £22.65 | 12.0% | £26.38 | 16.5% |
| Spain | £5.75 | 22.5% | £6.87 | 19.6% |
| Italy | £4.48 | 18.6% | £5.33 | 19.0% |
| Netherlands | £4.48 | 11.6% | £5.09 | 13.5% |
| Sweden | £3.13 | 15.9% | £3.61 | 15.5% |
| Poland | £2.92 | 24.0% | £3.57 | 22.6% |
| Europe | £111.21 | 21.1% | £131.18 | 18.1% |

Despite high growth of online retailing, Figure 8 shows that the market share remains low with average 7.2% in Europe (compared to retail in total). Germany is together with UK and Sweden one of countries with highest market share. However, according to prediction smaller online states will grow more quickly than major player, thus reducing the discrepancies among different countries (Retailresearch.org, 2014).

Figure 8: Online retail share in Europe in 2013 (Retailresearch.org, 2014)



As was said above, Germany remains primarily brick and mortar bound with 7% of all retail transactions in 2012 and 9% in 2013. However, it represents 16% and 20% of total sales retrospectively (Drier, 2013). In addition, Germany has the greatest e-commerce customer potential within Europe and it has grown by 25% on average every year since 2010 (Figure 9). It is predicted that 53 % of German GDP will be related with e-commerce compared to 37% in 2012 (Retailresearch.org, 2014).

Figure 9: B2C E-commerce in Germany, Turnover 2010-2014 (Retailresearch.org, 2014)

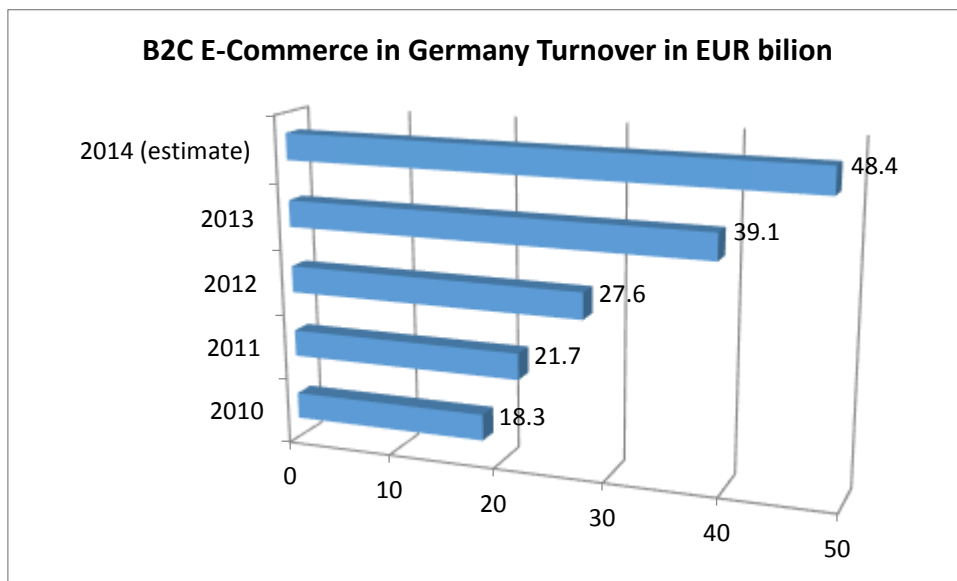
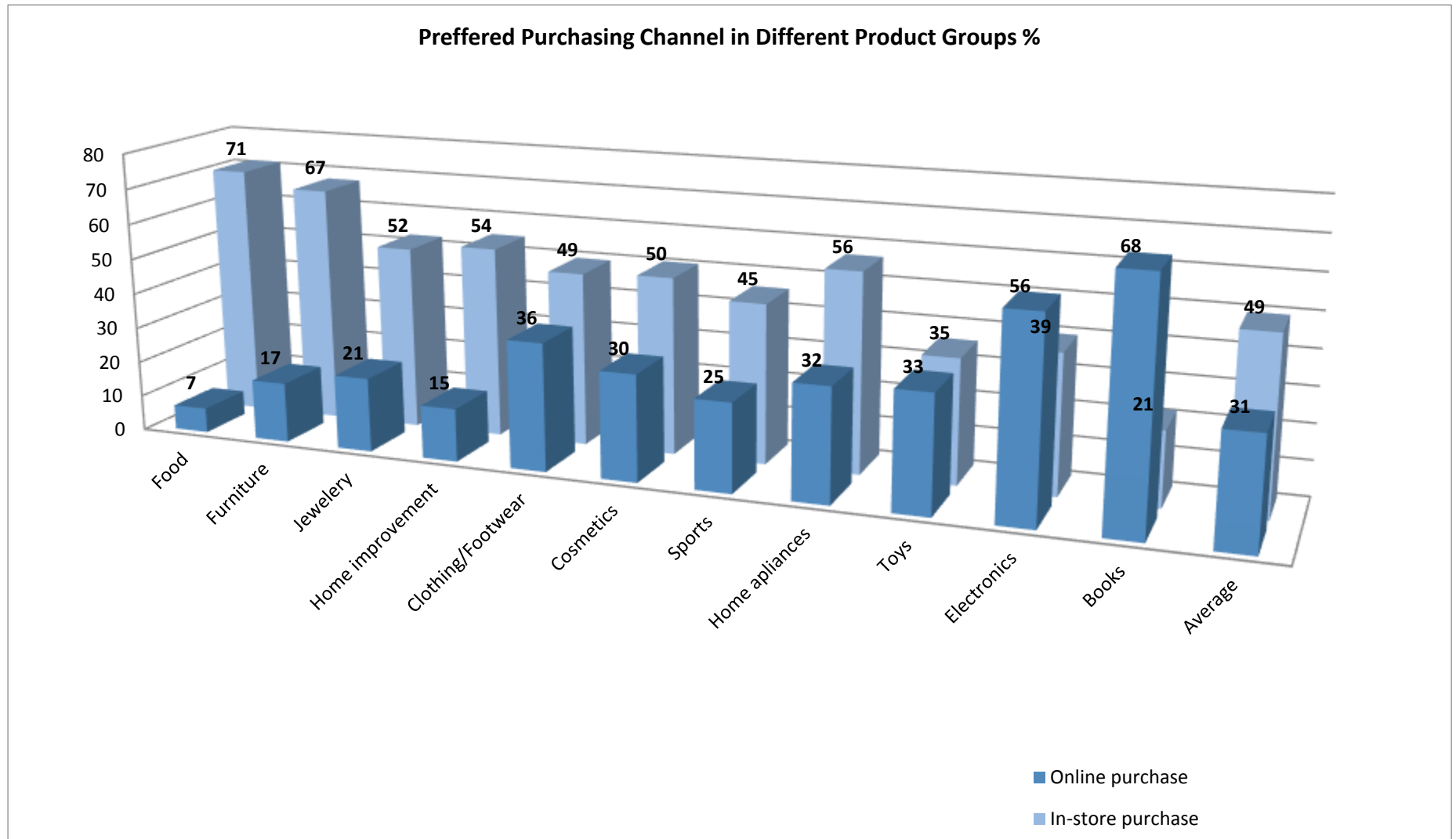


Figure 10 shows that product sector “clothes and shoes” recorded highest growth rate from 2011 to 2012 where 36% was spent by online buyers. Moreover 41% of questioned online buyers intended to increase their online spending while online 5% intend to do so in-store (Germany Trade and Invest, 2014).

Figure 10: Online and offline sale comparison by product group (Germany Trade and Invest, 2014)



Social factors

Internet motivators

Four main motivators for using web are introduced by Chaffey (2011): Information acquisition, socialization, entertainment and shopping

Return champions

Germans are recognized as return champions as the rate of returned goods back to shops is highest in the Germany than elsewhere. Nearly 40 percent of customers take returns into account when buying online. Moreover, shoes and clothes is the sector with highest return rate (26%) of all retail sectors (Germany Trade and Invest, 2014).

Media effect on purchase

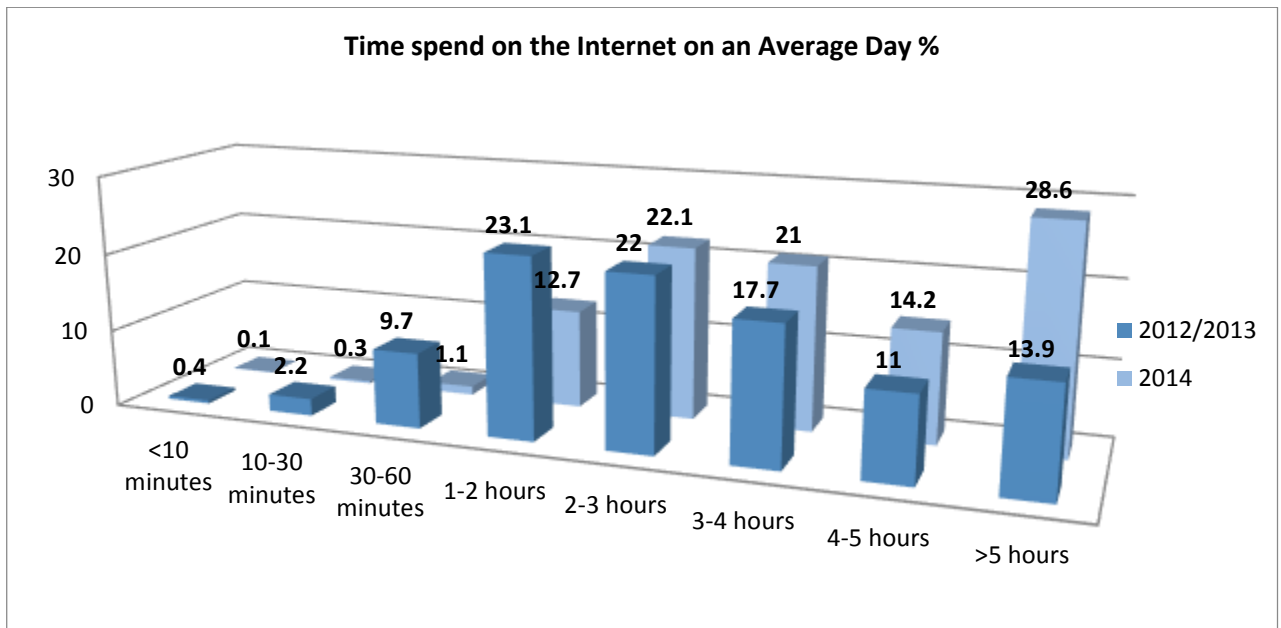
In Germany is the online information considered important or very important for 28 % of purchases. This is significantly more than effect of print information with 9 % or information coming from TV with 6 %. In addition for online retailing industry is this number much higher (39%), of which internet covers 27% and social media 12% (Roland Berger Strategy Consultants, 2014). However, what is most important when multi-channel approach used, is the seamless, so called omni-channel approach that provides single, unified experience for the customers across channels (Accenture, 2013). However, as research made by Capgemini reveals, it is not only about setting up internet-commerce sites, mobile apps, Facebook campaigns and in-store technology. Most important is understanding of different shoppers segments and behaviour and maps it with current business positioning and digital strategy (Capgemini, 2012)

Technological factors

Internet

With 72,000,000 Internet users, Germany is on second place in Europe after Russia. With 81,000,000 populations it means that almost 90% population of Germany are internet users (Internetworldstats.com, 2015). In addition, as Figure 11 displays, time spend on the internet has grown significantly during the last 2 years. (Roland Berger Strategy Consultants, 2014).

Figure 11: Average time spend of Germans on the Internet (Roland Berger Strategy Consultants, 2014)



M-commerce

Smart phones are the fastest spreading technology in human history (Only television in US between 195-1953 was spreading similarly fast (MIT Technology Review, 2012) In 2013, 22% of world population owned Smartphone, which is more than PC (20%). It has exploded from 5% in 2009, so the growth seems to be truly amazing. Currently m-commerce represents 25% of total e-commerce sales. It is predicted by Goldman Sachs that mobile retail commerce will represent nearly 50% of total e-commerce in 2018 (Swicki, 2014).

M-commerce in Germany has been growing steadily and QR shopping is very favored as well. According to estimations, 16.8% of German online sales were affected by mobile (Retailresearch.org, 2014). In addition 6% of German smartphone users are handling entire purchase process via smartphone (Harrison, 2013; Germany Trade and Invest, 2014). Despite that, the research revealed that nearly two-thirds of apparel and footwear retailer either do not have a m-commerce strategy in place or are just getting started on one (Karr, 2010)

Social networks

Social networks are very popular in Germany. Top 3 are Facebook with 71% of Internet users, Youtube with 39% and Google+ with 25%. Other popular social networks in

Germany with detailed information are listed in Table 2 (Roland Berger Strategy Consultants, 2014).

Table 2: Most popular Social networks in Germany (Roland Berger Strategy Consultants, 2014)

| Social Media Platform | Percentage of German Internet Users | | | Of These Percentage of Users Who Log At Least Once a Day | |
|-----------------------|-------------------------------------|---------------------|--------------------------|--|----------------------|
| | 2014 | Change vs 2012/2013 | Rank Change vs 2012/2013 | 2014 | Change vs. 2012/2013 |
| Facebook | 71 | -1.4 | 0 | 78.3 | 1.6 |
| YouTube | 39.2 | 1.6 | 0 | 43.1 | 3.7 |
| Google+ | 24 | 25.2 | 2 | 42.3 | -15.1 |
| StayFriends | 15.7 | 23.1 | -1 | 11 | -17 |
| Wikipedia | 15 | n/a | n/a | 40 | n.a |
| Wer-kennt-wen | 12.6 | -34.8 | -2 | 15.8 | -52.7 |
| Twitter | 11.5 | 9.1 | 1 | 38.9 | -13.8 |
| Xing | 9.2 | -19.5 | 1 | 18.2 | -22.4 |
| MyVideo | 8.4 | -11.5 | 0 | 25.9 | -31 |
| Instagram | 6.7 | n/a | n/a | 4.9 | n/a |
| Spotify | 6.5 | 171.4 | 11 | 33.1 | -33.3 |

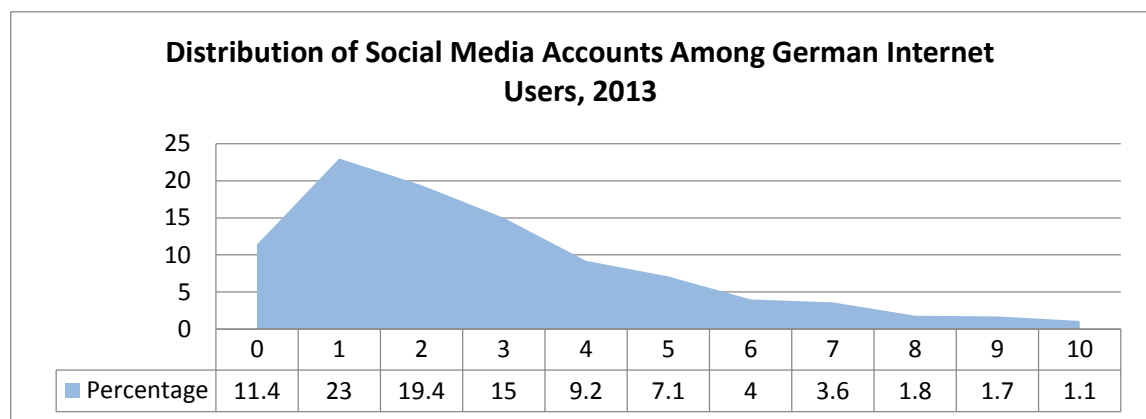
In reference to articles in Retail week (2013) and Marketing week by Nutley (2011), several facts about social media can be noted. Firstly, creation of Facebook page or any other social media does not directly improve the sales of retailers. Secondly, all social media should be used wisely and just the best of each should be exploited. Thirdly, rather than use them as channel of sale, it should be used to highlight campaigns or offers and lead customers to on-line or off-line stores. Lastly, individuals usually do not go to social media to observe what happened 2 weeks ago; therefore, it should be used interactively, and on daily basis.

One significantly important fact is pointed out by Allen (2013), that local fans of business deliver exponentially more marketing value than corporate fans. Therefore, headquarter

brand social media manager should cooperate with local franchisee managers in order to manage overall brand community connected with local communities of fans, which can lead to true brand advocacy from customers.

Figure 12 displays that German users have mostly (23%) just one social media account, 19.4% of Internet users have two accounts and 15% have three accounts. Social networks are not used by 11.4% of German Internet users (Roland Berger Strategy Consultants, 2014).

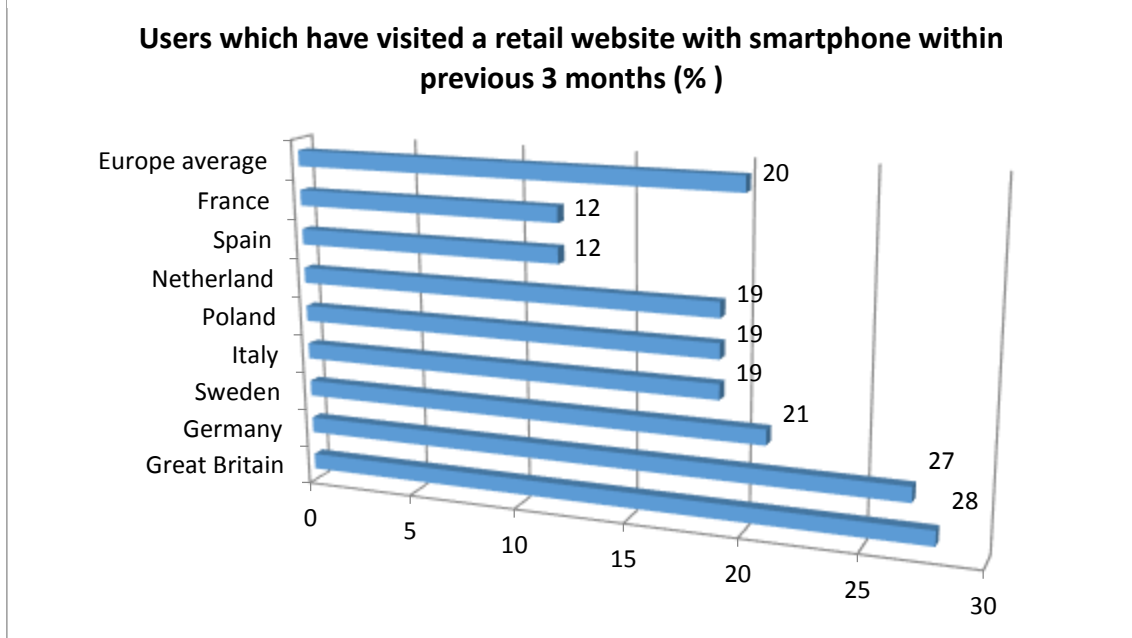
Figure 12: Number of Social networks account per Internet user (Roland Berger Strategy Consultants, 2014)



Additional statistical facts about E-commerce and M-commerce in Europe

According to Retailresearch.org (2014), 27% of smartphone users visited a retail website in last 3 months. This puts them on second place after UK with 28% (Figure 13).

Figure 13: Users which have visited a retail website with smartphone within previous 3 months (Retailresearch.org, 2014)



United Kingdom is on first position with 25% web activity performed by smartphones (Table 3). Followers with significant gap are Netherlands and Italy with 11% of smartphone share. Germany is equal to European average with 10% (Retailresearch.org, 2014).

Table 3: Share of web activity per device (Retailresearch.org, 2014)

| Share of web activity by device 2013 (%) | | | |
|--|----|------------|--------|
| Country | PC | Smartphone | Tablet |
| Great Britain | 65 | 25 | 10 |
| Germany | 86 | 10 | 4 |
| France | 90 | 6 | 4 |
| Spain | 88 | 8 | 4 |
| Italy | 86 | 11 | 3 |
| Netherlands | 83 | 11 | 6 |
| Sweden | 86 | 9 | 5 |
| Poland | 92 | 5 | 3 |
| Europe average | 85 | 10 | 5 |

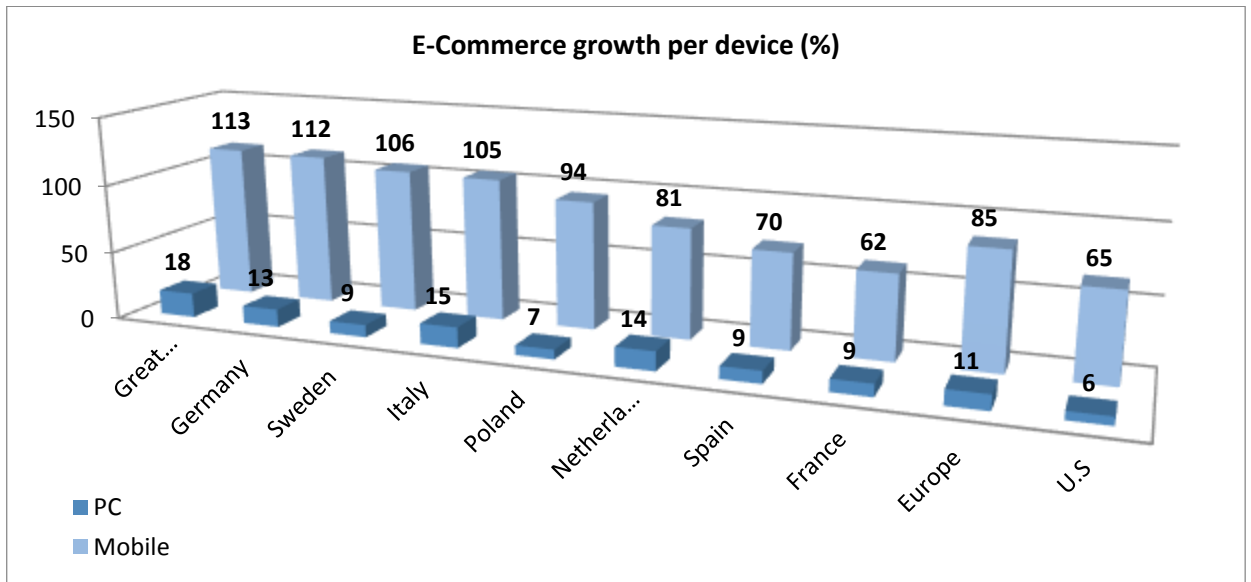
As Table 4 reveals, United Kingdom and Germany are leaders in spending online by both, PC and Smartphones. France follows them on 3rd place (Retailresearch.org, 2014).

Table 4: E-commerce Sales in Europe by type of device (Retailresearch.org, 2014)

| Spend on PCs and mobile devices (in billions) | | | | |
|---|------|------|--------|------|
| Country | PC | | Mobile | |
| | 2013 | 2014 | 2013 | 2014 |
| Great Britain | 34 | 37 | 5 | 8 |
| Germany | 26 | 30 | 3 | 6 |
| France | 21 | 23 | 2 | 4 |
| Spain | 5 | 6 | 0.3 | 1 |
| Italy | 4 | 5 | 0.3 | 1 |
| Netherlands | 4 | 4 | 0.4 | 1 |
| Sweden | 3 | 3 | 0.3 | 1 |
| Poland | 3 | 3 | 0.3 | 0.3 |
| Europe | 101 | 111 | 11 | 20 |
| U.S | 142 | 152 | 23 | 38 |

Figure 14 shows that Germany has second fastest growth of M-commerce in Europe (After UK) with 112% from 2013 to 2014. E-commerce grew by 13% in the same period (Retailresearch.org, 2014).

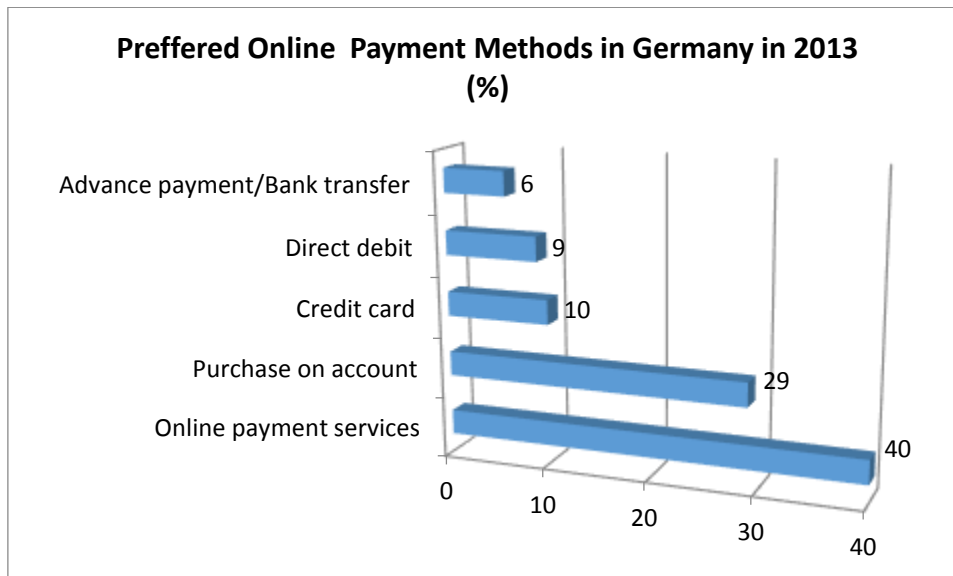
Figure 14: E-commerce growth from 2013 to 2014 per device (Retailresearch.org, 2014)



Preferred payment

Figure 15 displays that online payment service (e.g. Paypal, Clickandbuy) is most popular way of online payment in Germany; purchase on account is popular as well. The least popular payment method is advanced payment/bank transfer (Germany Trade and Invest, 2014).

Figure 15: Preferred online payment methods in Germany (Germany Trade and Invest, 2014)



Data collection- Business Intelligence (BI) – Analytical tools

In reference to Bhandari et al. (2014), consultants of McKinsey & Company, it is indubitable that the development of better analytical tools in recent years has given business significant new decision-making power. This was also proved by research of Elite 100 companies with best digital strategies. It revealed that 75% of these companies invested in innovative technologies enabling better business decision due to data analytics (Murphy, 2014). However, implementation of these technologies and their effective usage represent quite a challenge for companies and real expert should be in lead of BI projects (Bowden, 2014). Nevertheless, if companies implement successful digital marketing strategy using data analytics, it definitely enhances and empowers their digital marketing insights. It enables classification of customers into segments, prediction of their behaviour and sending of customized message based on their preferences which leads to enhancement of customers shopping experience.

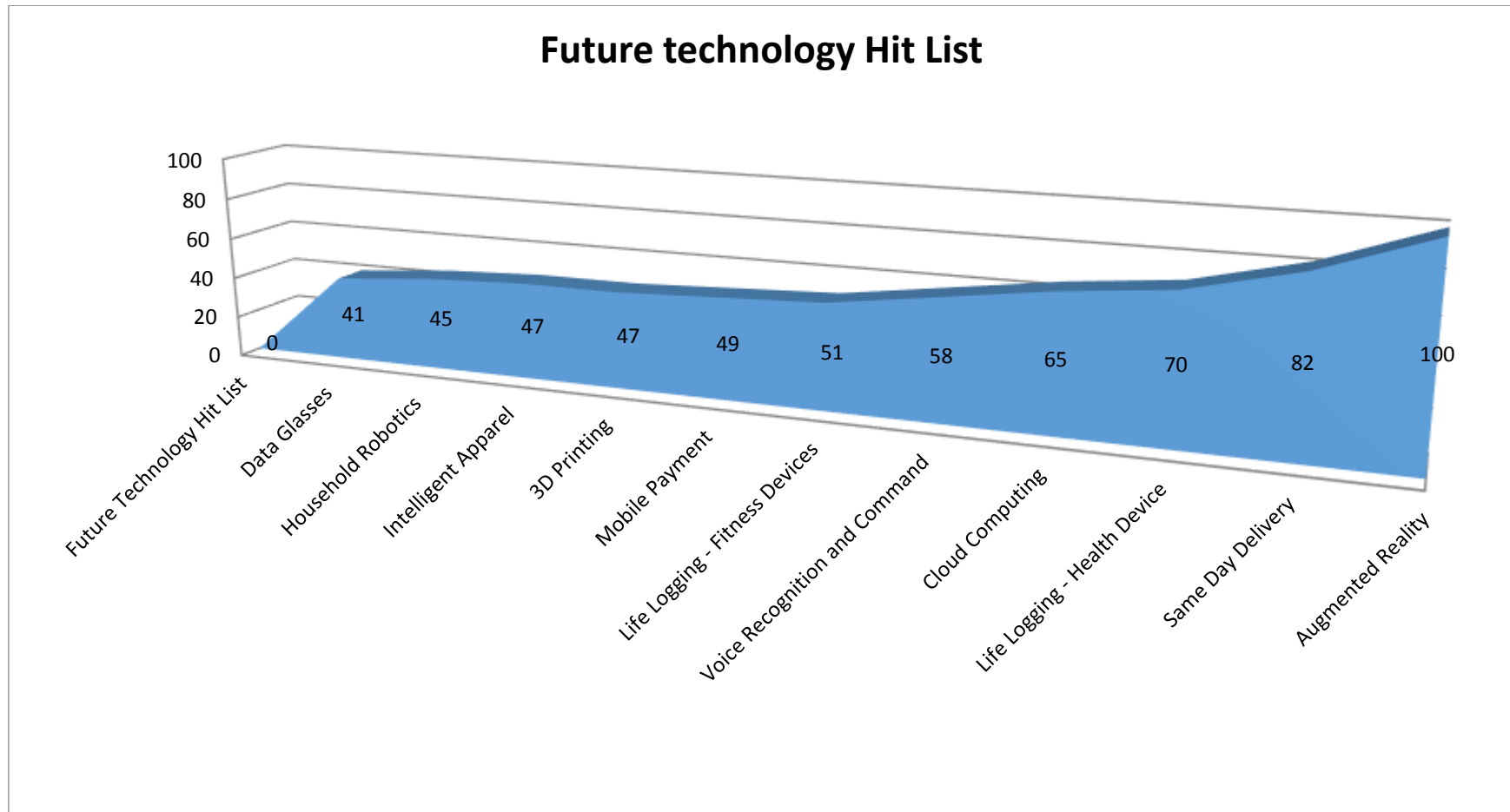
Future expectation

Figure 16 shows what contemporary technologies are perceived as relevant in Germany. Regarding to E-commerce, it can be noted that mobile payments and same-day delivery are considered to be relevant. Also Augmented Reality could be used in order to decrease return claims in Germany (Roland Berger Strategy Consultants, 2014). Note: Evaluations of technologies relevancy is based on consumers who have heard of those technologies.

Logistic infrastructure

Germany has been Europe's leading logistics market with 3,500 courier companies and 60,000 logistics service providers. Therefore it is easy for companies to offer e-commerce services. Moreover, an increasing number of online shops in Germany are offering same-day delivery option. This gives them certain competitive advantage as a number of recent studies find that online and mobile purchase would increase where a same-day delivery option exists. (Germany Trade and Invest, 2014).

Figure 16: Relevance of contemporary technologies in Germany (Roland Berger Strategy Consultants, 2014)



Legal factors

Privacy

Companies have to ensure security about personal data of their customers. This means that appropriate technical and organizational steps shall be taken against unauthorized or unlawful processing of personal data (Chaffey, 2011; Privacyinternational.org, 2014).

Anti-spam legislation

Laws have been enacted with the intention of reducing spam and unsolicited commercial e-mail. In practice, companies cannot send marketing information until customers agree with sending of these messages (Chaffey, 2011; Spamlaws.com, 2014).

Other e-commerce areas affected by EU legislation

Electronic payments regulations, domain name registration, using competitor names and trademarks in order to exploit search engine optimization, using competitor names and trademarks in pay-per-click advertising, all mention are covered by EU legislation (Chaffey, 2011).

New EU consumer rights directive (2013) – effect on Germany

Several e-commerce areas in Germany are affected by this new directive. The major ones are following: 14 days withdrawal period; costs for return shipment can be charged to the customer without any limit (before there was limit EUR 40); withdrawal period can be extended to 12 month an 14 days in response to incorrect information provided by vendor (Internetretailer.com, 2014).

Environmental factors

Many e-commerce companies promote their goods and services as environmentally friendly. In 2007 the Interactive Media in Retail Group (IMRG) launched a Go Green, Go online campaign; six reasons were identified why it believes e-commerce is green: less vehicle-mile, lower inventory requirements, fewer printed materials, less packaging, less waste, dematerialization (Chaffey, 2011).

3.2.2 Porter's analysis

In following part of thesis, Porter analysis is used to show better insight of industry segment in which Geox operates = primarily high level quality footwear on German market. Five forces defined by Porter are used for that purpose – rivalry among existing players, threat of new entrants, threat of substitutes, bargaining power of suppliers and bargaining power of buyers.

Rivalry among existing players – strong

On one hand rivalry tend to increase due to low level of concentration, high excess capacity and high exit barriers. On the other hand, diversity of offered products causes decrease of rivalry and forces companies to focus rather on quality than a price competition.

As German market is mature and industry is very fragmented, it cannot be concluded that rivalry is extremely intense. Nevertheless, it is still considerably strong where companies tend to compete on product positioning and cost efficiency.

Threat of new entrants – relatively small

Due to capital requirements, technological patents and brand reputation the threat of new entrants is small. However, two possible scenarios should be considered. Firstly, competitors could vertically integrate and become direct competitors of Geox. Secondly, luxurious brand focused on very high price segment could amend their strategies and differentiate towards medium/high price segment. Nevertheless, both these consideration have very small probability to happen, thus threat of new entrants is relatively small.

Threat of substitutes – low to medium

Geox's products belong to the quite luxurious segment offering products characterized by unique "breathing" technology, fulfilling the high level of comfort and following the contemporary trends in fashion. Therefore, in spite of the fact there is plenty footwear merchants on German market, they are often incomparable to Geox's brand image and quality. Simply, they do not fulfil the requirements of demanding German customers. As a result, threat of substitutes is defined as low to medium.

Bargaining power of buyers – very low to low

It is necessary to make a distinction here into two streams as Geox is selling to end-users as well as to multi-brand retailers. Regarding to end-users, it can be said that the number of buyers is very high, their “size” is small and they cannot vertically integrate. Moreover Geox’s customers are usually willing to pay a premium so their price sensitivity is relatively low. All of these factors lead to conclusion that bargaining power of end-users is very low. Multi-brand retailers are obviously larger in size and their number is smaller. However, they are still negligible comparing to size and recognition of Geox. They are significantly fragmented so all of them cover just an insignificant part of Geox’s sales.

Bargaining power of suppliers - moderate

Significant size of Geox ensures its strong position against suppliers. In addition, Geox diversified its suppliers of raw materials, semi-processed and processed goods in response to decrease dependency on them. However, the waterproof textile (main component of sole) and transpiring is being purchased only from two suppliers, which gives them relatively high bargaining power. Considering all facts, bargaining power of suppliers is moderate.

3.2.3 Analysis of major competitors' digital strategies

As primary aim of Geox business is the footwear-leather goods, the major competitors from this point of view on Germany market are: Deichmann, Jack Wolfskin and Renno (Codata.eu, 2014). Other considerable competitors are Salamander, Goertz, and Kienast (CBI, 2010).

Deichmann

Strengths:

- Modern localized websites with user-friendly on-line shop
- Very active and integrated campaigns on social media: Facebook, YouTube, Google+, Pinterest, Instagram. (More than 1,300,000 likes on Facebook page)
- Call centre available at weekend, various types of payments, various types of delivery, certificates about payment security – potential customer can see all of it on first page

Weaknesses:

- On-line chat is missing
- Only one brand Facebook page, localized Facebook pages are missing

Jack Wolfskin

Strengths

- On-line shop is modern and localized
- Social media used for publishing interesting online information and videos related to target customer of Jack Wolfskin (Facebook, Twitter, Flick, Youtube, Google+)
- Call centre available at weekend, various types of payments, various types of delivery, live chat available – potential customer can see all of it on first page

Weaknesses

- Poorly looking non-localized web-sites
- No integrated campaigns via Social media (80 000 likes on Facebook page)

Reno

Weaknesses

- Less modern and less user friendly web-sites/on-line shop
- Not very good integration with social media: Facebook (60,000 likes), Instagram, Pinterest, Youtube; Google+ as third most popular social media (in Germany) is missing
- Not easily visible information about Call centre, type of payments, type of deliveries, payment security

3.2.4 SWOT analysis

Swot analysis highlights current position of Geox. Few general facts are noted; however, main focus is given to digital strategy in Germany.

3.2.4.1 Strengths

General

- Research and development, patented innovative technology
- Cross-market positioning
- Brand recognition
- Relatively good integrated multi-channel approach on brand level (in English)

Digital strategy in Germany

- Very modern graphic of websites and user-friendly on-line store
- Possibility of express delivery (second day)
- Very rich content management and distinction of content in different regions/countries, specific content for Germany is defined
- Very relevant and interactive video campaigns promoting Geox's technology (Ibbonline.com, 2012; Faulkner, 2012)

3.2.4.2 Weaknesses

General

- High costs of R&D and patents protection

Digital strategy in Germany

- No integrated multi-channel campaigns for German market
- Social networks are not localized to German market
- Considerably poor mobile strategy
 - 3 mobile applications for android were released by Geox – bad ranking from customers
 - 1 mobile application for Iphone – bad ranking from customers as well
- Most probably not any marketing cooperation between brand HQ and franchisees
- Websites and on-line store are not flexible = content is not personalized
- None digital technology in-store

- Probably none or very poor business intelligence -> no personalized offers
- It is easier to find unofficial Geox on-line store than official one - substandard Search engine optimization (SEO)/Search engine marketing (SEM)
- Non-satisfactory on-line interaction with customers
- Missing proper loyalty program
- Click-and-collect is not available
- Same-day delivery is not available

3.2.4.3 Opportunities

General

- Entering of emerging markets (Joint ventures or strategic alliances)
- Growth of middle class
- Growing demand for differentiated innovative product

Digital strategy in Germany

- Maturity of digitalization in Germany
- Rapid growth of E-commerce and M-commerce in Europe, especially in Germany
- Growth of innovative technology in-store and its positive effect on customers' shopping experience
- Popularity of eco-friendly enterprises

3.2.4.4 Threats

General

- Highly competitive industry
- Comparable technology of some competitors
- Inability to extend patents (duration of patents)
- Piracy and imitation from rivals

Digital strategy in Germany

- Certain competitors possess comparably developed certain elements of e-commerce
- Prediction of slower growth of e-commerce in Germany
- Hesitation towards online retailing

3.3 Company's position on key success factors

Based on literature review and business environment analysis, several key factors for footwear retail industry can be defined.

- Extensive research and development
- Product availability while ensuring stock efficiency – tailored allocation to local tastes and needs
- Supply chain efficiency – necessity of effective production while ensuring product quality
- Extensive distribution facilities
- Cross-market positioning – wide range of relative products
- **Activities in Digital environment**
 - Multi-channel and international retailing capability
 - Content management
 - Personalized cross-channel experience
 - Exploiting of the m-commerce and social media
 - End-to-end digitalization
 - Usage of business Intelligence

Footwear retail industry is highly dynamic. Therefore companies have to be able to follow key success factors in order to be competitive in such environment. Based on company analysis, it can be concluded that Geox is doing very well in most of mentioned KSF. However, in the one, which is topic of this paper, it appears that in few areas Geox lags behind certain competitors.

In reference to the Coupey's (2005) framework for digital business and elements defined by Perrey and Spilleck (2012), it can be stated that Geox is only partially exploiting the possibilities of current digital environment. In order to obtain insight of Geox's current situation, the analysis and evaluation of particular elements is provided in next part of thesis.

4. Evaluation of Geox's digital strategy and proposals for its improvement

In response to the previous analysis, it is obvious that Geox is not fully leveraging possibilities of online retailing. Therefore, framework of Perrey and Spillecke (2012), introduced in theoretical part of the paper, will be used in order to evaluate particular elements. Afterwards recommendations for every element will be provided

4.1 Converging sales channels

Comparing to competitors, Geox has been able to adapt satisfactorily to trend of channel convergence. The marketing campaigns are being integrated thru all channels = Omni-channel approach. However, several weaknesses were revealed in this area. Firstly, in spite of vast growth of m-commerce, Geox has established quite limited activity via mobile channel. This can be considered as one of the most significant weaknesses of the Geox's digital strategy. Secondly, SEO and SEM appear to be managed inadequately. For example, when "Geox Deutschland" is being typed into Google search engine, certain unofficial store is found above the official Geox store; therefore, it is highly possible that potential customer visits the unofficial on-line store. Lastly, interactive on-line communication with individuals is missing as well.

4.2 Content management

Geox's content appears to be significantly well managed. Its websites are professionally designed, showing the newest fashion collections together with information about newest shoes-related innovative technologies used by Geox. In addition, it is directly connected with "user-friendly" on-line store where customer can easily order any model (you can see an example of website in Appendix B). Moreover, Geox launched their interactive marketing campaigns highlighting their technology; these creative apps and videos have been proved to be a very effective way of building a brand as well as of customers' digital engagement (for details see Appendix C). In sum, Geox is offering truly interesting and relevant content to its customers.

4.3 Social media impact

German population is significantly affected by social-media; Facebook, Twitter and Google are the most popular. Beside these three mentioned above, Geox has integrated Youtube, Pinterest, Instagram and LinkedIn in truly effective way. In addition, Geox follows the current trends: it is not used as channel of sale, current campaigns and offers are highlighted within all media and it is used on daily basis (see examples in Appendix D). However, one significant rule is not followed; Geox does not cooperate with local franchisees, moreover, it does not even include any German localization. This is probably one of the most considerable weaknesses of Geox's digital strategy on German market.

4.4 End-to-end digitalization

Regarding to digital technology in-store, Geox is far behind of current trends as none of such tools is currently used. On one hand, such technologies as RFID, used for self-checkout or tools monitoring movement in-store are futile for Geox, as relatively small stores which are typical for Geox are well-managed by experienced employees. On the other hand, technologies such as NFC, 3D, Interactive displays or augmented reality might be useful as it could increase the shopping experience of Geox's demanding customers.

4.5 Digital localization

In order to evaluate digital localization of Geox it is necessary to divide it into three areas. First, localization based on geographies and local cultures. This is very strong area as Geox makes a distinction between several regions/countries in response to offer closely tailored digital content to local customers. Geox has its specific content for German market as well. Second, localization meaning personalized offers of product. In this area, Geox is not performing very well. Based on own simple research (registration on websites, browsing on-line store, filling shopping-cart), can be stated that Geox is not sending really tailored offers; content of websites is not personalized as well. Third, collecting data and its effective usage in order to predict customers' behaviour and make superior decisions. This area is unfortunately significantly difficult to analyse as limited information about Geox's internal technology is available. However, based on second

point and the fact that Geox is not managing customers' data effectively, it can be assumed that Geox is not very accurate in predictions as well.

4.6 Recommendations

It can be stated with certainty that digital transformation is the necessity for every retailer and Geox is not an exception. German market offers a great potential for Geox as it is one of the vastest e-commerce market in the world, with highly developed logistics, open and transparent market and many other merits mentioned in PESTLE analysis. However, contemporary trends in digital transformation are not being truly followed by Geox. Moreover, German shopping habits are distinctly different from those in the other countries and Geox has not fully adjusted its strategy to these habits. However, it is necessary to highlight that major competitors are not doing better than Geox; except Deichmann retailer, who is currently in very comparable position with its digital transformation.

Anyway, in order to remain competitive in the future, Geox should put increased effort into its digital transformation. Firstly, strategies for responding enhanced consumer power need to be developed. Secondly, highly effective integration of online (especially m-commerce) and off-line channels to provide customers with the very highest levels of service, need to be considered. Thirdly, strategy of collection as much relevant data as possible and its effective analysis and use, need to be established. Lastly, utilization of technology in-store in order to increase customers' experience should not be forgotten. Particular recommendations are provided below.

4.6.1 Converging sales channels

In view of the fact that Geox is not making any sales via smartphones, it is strongly recommended that Geox should introduce a solid mobile strategy. Due to it, Geox could exploit continuous steady growth of m-commerce, which would lead to increase of sale as well as of customer experience enhancement.

In the light of customers' complains that communication with Geox is not prompt enough, it is recommended to implement on-line chat into Geox's website, providing every day customer care, weekends included. This should increase customer satisfaction and shopping experience.

Given that Geox has weak result in certain Google search attempts, it is advisable to ameliorate its SEO/SEM technology. This should improve search result which would ensure that potential customers will more often visit official Geox on-line shop instead of unofficial ones.

4.6.2 Content management

Given that Geox has exceedingly competitive content management, it is suggested that Geox should continue in current approach, offering rich and relevant content which keeps customers engaged. Specifically, Geox should continue with its interactive marketing campaigns, where customer can explore by himself the technology of Geox thru web application and videos. This has proved to be an effective way how to build brand image as well as how to create purchase intent

4.6.3 Social media impact

In view of the fact that Geox localization of social media is immensely poor and cooperation between HQ and franchisees is probably completely missing, it is strongly recommended to create cooperation between both sides and put a combined effort into building integrated digital marketing strategy in order to stay in front of potential customers. Four key pillars should be considered: local listing management, local paid search program, local SEO and local social media.

4.6.4 End-to-end digitalization

It has been proven that brick-and-mortar is still the most important channel for most retailers in Germany. In order to increase customers' shopping experience in-store, it is suggested that Geox should utilize nowadays innovative technology such as NFC, Interactive displays, 3D or Augmented reality. Due to these technologies customers' shopping experience should significantly increase. Moreover, Geox could collect valuable data about its customers in store.

4.6.5 Digital localization

It is difficult to provide recommendation in this segment as evaluation was done on authors feelings rather than proper research. Therefore, main recommendation would be

to conduct further analysis of personalization functionality in both areas – websites and tailored messages in order to discover why these functionalities work unsatisfactorily. Afterwards, tool which would allow analysis of collected data in order to do better business decision should be introduced.

4.6.6 Customer retention

Due to the fact, that Geox is not running any loyalty program, it is suggested that Geox should create customer loyalty card. In addition, for more techies' individuals, NFC technology could be used instead of loyalty cards. Such customer could tap their smartphones at various point in-store in order to download information about products or download transactional mobile app (if there was any developed). Such solution could improve customer retention level which is very useful as bringing new customer is usually more costly; in addition it would allow Geox to focus on best customer and even improve their satisfaction level. Moreover, such customer card would increase efficiency of gathering and integrating data about customer from both, offline and online channels.

4.6.7 New Delivery models

In response to two facts that Germans are champions in return claims and that eco-friendliness is very popular in Germany, it is suggested another feature of offline and online shopping combination (Click-and-collect) could be introduced by Geox. This should decrease customer's worries about returning of goods as well as decrease of the vehicle-miles and waste produced

Given that Germany has highly developed logistics and fact that same-day delivery option increases the number of online and mobile sales, it is recommended to Geox that it should offer a same-day delivery option, which would offer a significant competitive advantage.

4.6.8 Recommendations plan

In order to see implementation possibilities of given recommendation, this chapter will investigate every area from three point of views: time perspective, area perspective and financial perspective. The results are shown in tables' bellow where time perspective describes particular task in every area and its expected finalization from time point of view. Area perspective describes how broad the solution should be and the financial perspectives describes the cost expectations.

Table 5: Recommendations plan – Converging sales channels and Content management

| Area of improvement | Time perspective | Area perspective | Financial perspective |
|---|---|---|---|
| Converging sales channels | | | |
| Introducing of mobile strategy | Deeper analysis of mobile strategy expectations must be conducted where 2 main elements will be investigated: - Revenue increase - Customer shopping experience enhancement Expected finish: December 2015 | Mobile strategy must be defined for whole German market | Will be defined only when analysis of expectations is done |
| Interactive online communication | Simple add-on to currently working websites. Temporary mode for 3 months - then evaluation and decision of next steps | not relevant | Software costs: 50€/month Expenses on Operators: 5000€/month |
| Analysis of SEO/SEM and its amelioration | Analysis of current situation - Expected finish: October 2015 Conclusive improvement - Expected finish: December 2015 | not relevant | Monthly retainer model Expenses: 2500€/month |
| Content management | | | |
| Keep the current strategy: - Rich content on websites - Interactive marketing campaigns | | | |

Table 6: Recommendations plan – Social media impact End end-to-end digitalization

| Social media impact | | | |
|--|---|--|---|
| Localization of social media (Cooperation with franchisees) | Preparation of test model: September 2015 First run of test model October-December 2015 First evaluation of results: January 2015 | <p>Firstly, only several franchisees in one region will start this kind of cooperation with HQ.</p> <p>After first evaluation of results in January, decision about next steps will be done.</p> <p>Possible next steps:</p> <p>The approach will work well => small improvements and spread the solution to other regions</p> <p>The approach will work with reservations => bigger improvements and continue in test mode</p> <p>The approach will not work well - significant changes and continue in test mode</p> | Salary expenses: 6000€/month |
| End-to-end digitalization | | | |
| Equipment to stores -NFC -Interactive displays -3D technology | <p>Deep analysis of proper equipment must be conducted. It is very crucial to choose only the technology which is suitable for Geox stores</p> <p>Expected finish of analysis: October 2015</p> <p>Full reconstruction of the first store should be done until March 2016</p> <p>Analysis of first results and decision about improvements until July 2016</p> <p>Final analysis and decision about spreading of the approach should be done in December 2016</p> | <p>The plan is to use this technology only in two stores within Germany in 2016.</p> <p>During that time analysis of customers shopping experience will be done. In the end of 2016 final evaluation of pros and cons will be done as well as decision about next steps</p> | Budget will be defined after first analysis of suitable technologies but it is expected that considerable high amount of money will be needed for this plan |
| Software supporting augmented reality | The plan for usage of augmented reality will be defined based on results of first store-digitalization analysis - July 2016 | | |

Table 7: Recommendations plan – Digital localization, Customer retention and New delivery models

| | | | |
|--|---|---|--|
| Digital localization | | | |
| Analysis of personalization functionality - websites personalization - tailored messages with offers | Results of analysis in diploma thesis are not suitable for preparation of plan in this area. Close cooperation with Geox headquarter is needed in order to analyse this area properly. | | |
| Tool assisting in making better business decisions | Results of analysis in diploma thesis are not suitable for preparation of plan in this area. Close cooperation with Geox headquarter is needed in order to analyse this area properly. | | |
| Others: | | | |
| Customer retention program | Preparation of loyalty program should finish until end of December 2015. Regular customer research and sales analysis will be done during 2016 in order to identify results of program | Loyalty program should run across the whole network of sellers | Analysis of sales will be done on regular basis in order to identify benefits or costs of loyalty program |
| New delivery models -Same day delivery -Click and collect | Improvement of logistic processes must be done until December 2015. | Initially, only few areas (stores) will be affected by these services. Based on success of these services it may be continuously spreaded to all region(stores) in Germany | Same day delivery will be paid extra by customer which should cover related costs. Expenses for Click and Collect model are not expected to be high |

Conclusion

This thesis into digital strategy was aimed to ascertain digital transformation possibilities of companies from retail industry; subsequently, conduct analysis of German digital environment; and finally, synchronize finding from both and put into context of digital situation of the footwear and apparel retailer, Geox S.p.A.

In the beginning of the research was decided that two major areas should be analysed: leveraging of digital channels and leveraging of data from all channels. As an appropriate method was chosen the framework, distributing digitalization of retailers into five segments: sales channel convergence, content management, social media impact, digital localization and end-to-end digitalization.

During review of the literature it was pointed out that digital technologies have had significant effect on shaping business models of organizations in last decades. Moreover, the steady growth of internet and e-commerce in last decade has entirely changed the relationship between vendors and shoppers and retailers had to adapt to this situation in order to survive in digital dynamic environment.

Geox has proved that plenty of effort has been given into this digital transformation, especially in the area of leveraging digital channels. Specifically, effective on-line and off-line channels integration, marketing via social networking sites, growing its brand or rich website content; all of these provide customers enjoyable shopping experience. However, certain insufficiencies have been revealed as well. Explicitly: inadequate digital technology in store, absence of m-commerce strategy or wanting cooperation between headquarters and franchisees. The second investigated area, leveraging of collected data from all channels is perceived as significant weakness of Geox's digital transformation. Specifically, the tailored and relevant offers for individuals are insufficient; personalized website content is substandard as well.

In terms of limitations of this paper, few questions in need of further research have been thrown up. Firstly, for the reason that digital strategy is such broad topic, this paper was focused rather on marketing strategy than business strategy; therefore it would be convenient to further investigate business strategy and link it with digital marketing strategy. Secondly, limitation of secondary research generated certain opened questions regarding leveraging collected data and business intelligence; therefore, it would be more

than interesting to conduct further research to discover why the area of collecting data, its analysis and dissemination appears to be so substandard in case of Geox.

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Appendix A Geox's economic performance

Figure 17: Geox S.p.A, Balance Sheet (Geox, 2013)

| (Thousands of Euro) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|---|-----------------|-----------------|-----------------|
| Intangible assets | 66,575 | 67,827 | 70,088 |
| Property, plant and equipment | 65,208 | 68,090 | 63,953 |
| Other non-current assets - net | 55,241 | 50,899 | 41,178 |
| Total non-current assets | 187,024 | 186,816 | 175,219 |
| Net operating working capital | 212,834 | 192,093 | 206,206 |
| Other current assets (liabilities), net | (15,473) | (17,965) | (22,523) |
| Net invested capital | 384,385 | 360,944 | 358,902 |
| Equity | 385,835 | 402,836 | 428,411 |
| Provisions for severance indemnities, liabilities and charges | 11,519 | 12,254 | 10,619 |
| Net financial position | (12,969) | (54,146) | (80,128) |
| Net invested capital | 384,385 | 360,944 | 358,902 |

The Group balance sheet shows a net cash position of Euro 13.0 million.

The following table shows the mix and changes in net operating working capital and other current assets (liabilities):

| (Thousands of Euro) | June 30, 2013 | Dec. 31, 2012 | June 30, 2012 |
|--|-----------------|-----------------|-----------------|
| Inventories | 205,160 | 209,249 | 176,821 |
| Accounts receivable | 140,862 | 145,450 | 160,030 |
| Accounts payable | (133,188) | (162,606) | (130,645) |
| Net operating working capital | 212,834 | 192,093 | 206,206 |
| % of sales for the last 12 months | 27.8% | 23.8% | 23.8% |
| Taxes payable | (10,864) | (11,039) | (17,481) |
| Other non-financial current assets | 36,983 | 35,303 | 27,238 |
| Other non-financial current liabilities | (41,592) | (42,229) | (32,280) |
| Other current assets (liabilities), net | (15,473) | (17,965) | (22,523) |

Figure 18: Geox S.p.A, Consolidated Income Statement (Geox, 2013)

| (Thousands of Euro) | I half 2013 | % | I half 2012 | % | 2012 | % |
|-------------------------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| Net sales | 386,795 | 100.0% | 429,093 | 100.0% | 807,615 | 100.0% |
| Cost of sales | (200,680) | (51.9%) | (220,314) | (51.3%) | (419,522) | (51.9%) |
| Gross profit | 186,115 | 48.1% | 208,779 | 48.7% | 388,093 | 48.1% |
| Selling and distribution costs | (23,896) | (6.2%) | (23,206) | (5.4%) | (43,379) | (5.4%) |
| General and administrative expenses | (136,671) | (35.3%) | (125,056) | (29.1%) | (251,907) | (31.2%) |
| Advertising and promotion | (18,703) | (4.8%) | (23,542) | (5.5%) | (45,777) | (5.7%) |
| Operating result | 6,845 | 1.8% | 36,975 | 8.6% | 47,030 | 5.8% |
| Special items | (4,834) | (1.2%) | (2,057) | (0.5%) | (24,425) | (3.0%) |
| Net asset impairment | (1,840) | (0.5%) | - | 0.0% | (2,640) | (0.3%) |
| EBIT | 171 | 0.0% | 34,918 | 8.1% | 19,965 | 2.5% |
| Net interest | (2,088) | (0.5%) | (1,831) | (0.4%) | (2,251) | (0.3%) |
| PBT | (1,917) | (0.5%) | 33,087 | 7.7% | 17,714 | 2.2% |
| Income tax | (1,723) | (0.4%) | (11,779) | (2.7%) | (7,675) | (1.0%) |
| Tax rate | -90% | | 36% | | 43% | |
| Net result | (3,640) | (0.9%) | 21,308 | 5.0% | 10,039 | 1.2% |
| EPS (Earnings per shares) | (0.01) | | 0.08 | | 0.04 | |
| EBITDA | 21,949 | 5.7% | 54,597 | 12.7% | 61,557 | 7.6% |
| Special items | (4,834) | | (2,057) | | (24,425) | |
| EBITDA adjusted | 26,783 | 6.9% | 56,654 | 13.2% | 85,982 | 10.6% |

EBITDA: is the operating profit plus depreciation, amortization and can be directly calculated from the financial statements as integrated by the notes.

Figure 19: Geox S.p.A, Consolidated Cash Flow (Geox, 2013)

| (Thousands of Euro) | I half 2013 | I half 2012 | 2012 |
|---|-----------------|-----------------|-----------------|
| Net result | (3,640) | 21,308 | 10,039 |
| Depreciation, amortization and impairment | 21,778 | 19,679 | 41,592 |
| Other non-cash items | 297 | 1,850 | 10,907 |
| | 18,435 | 42,837 | 62,538 |
| Change in net working capital | (27,750) | 11,377 | 19,661 |
| Change in other current assets/liabilities | (4,131) | 603 | (15,208) |
| Cash flow from operations | (13,446) | 54,817 | 66,991 |
| Capital expenditure | (18,465) | (23,302) | (48,146) |
| Disposals | 493 | 824 | 1,408 |
| Net capital expenditure | (17,972) | (22,478) | (46,738) |
| Free cash flow | (31,418) | 32,339 | 20,253 |
| Dividends | (15,552) | (41,473) | (41,473) |
| Change in net financial position | (46,970) | (9,134) | (21,220) |
| Initial net financial position - prior to fair value adjustment of derivatives | 57,792 | 78,214 | 78,214 |
| Change in net financial position | (46,970) | (9,134) | (21,220) |
| Translation differences | 867 | 365 | 798 |
| Final net financial position - prior to fair value adjustment of derivatives | 11,689 | 69,445 | 57,792 |
| Fair value adjustment of derivatives | 1,280 | 10,683 | (3,646) |
| Final net financial position | 12,969 | 80,128 | 54,146 |

Sales

Figure 20: Geox S.p.A, Sales by product group (Geox, 2013)

| (Thousands of Euro) | I half 2013 | % | I half 2012 | % | Var. % |
|---------------------|----------------|---------------|----------------|---------------|---------------|
| Footwear | 342,949 | 88.7% | 375,469 | 87.5% | (8.7%) |
| Apparel | 43,846 | 11.3% | 53,624 | 12.5% | (18.2%) |
| Net sales | 386,795 | 100.0% | 429,093 | 100.0% | (9.9%) |

Figure 21: Geox S.p.A, Sales by area (Geox, 2013)

| (Thousands of Euro) | I half 2013 | % | I half 2012 | % | Var. % |
|---------------------|----------------|---------------|----------------|---------------|---------------|
| Italy | 122,485 | 31.7% | 156,640 | 36.5% | (21.8%) |
| Europe (*) | 172,667 | 44.6% | 183,052 | 42.7% | (5.7%) |
| North America | 26,165 | 6.8% | 25,423 | 5.9% | 2.9% |
| Other countries | 65,478 | 16.9% | 63,978 | 14.9% | 2.3% |
| Net sales | 386,795 | 100.0% | 429,093 | 100.0% | (9.9%) |

(*) Europe includes: Austria, Benelux, France, Germany, UK, Iberia, Scandinavia, Switzerland

Figure 22: Geox S.p.A, Sales by type of Store (Geox, 2013)

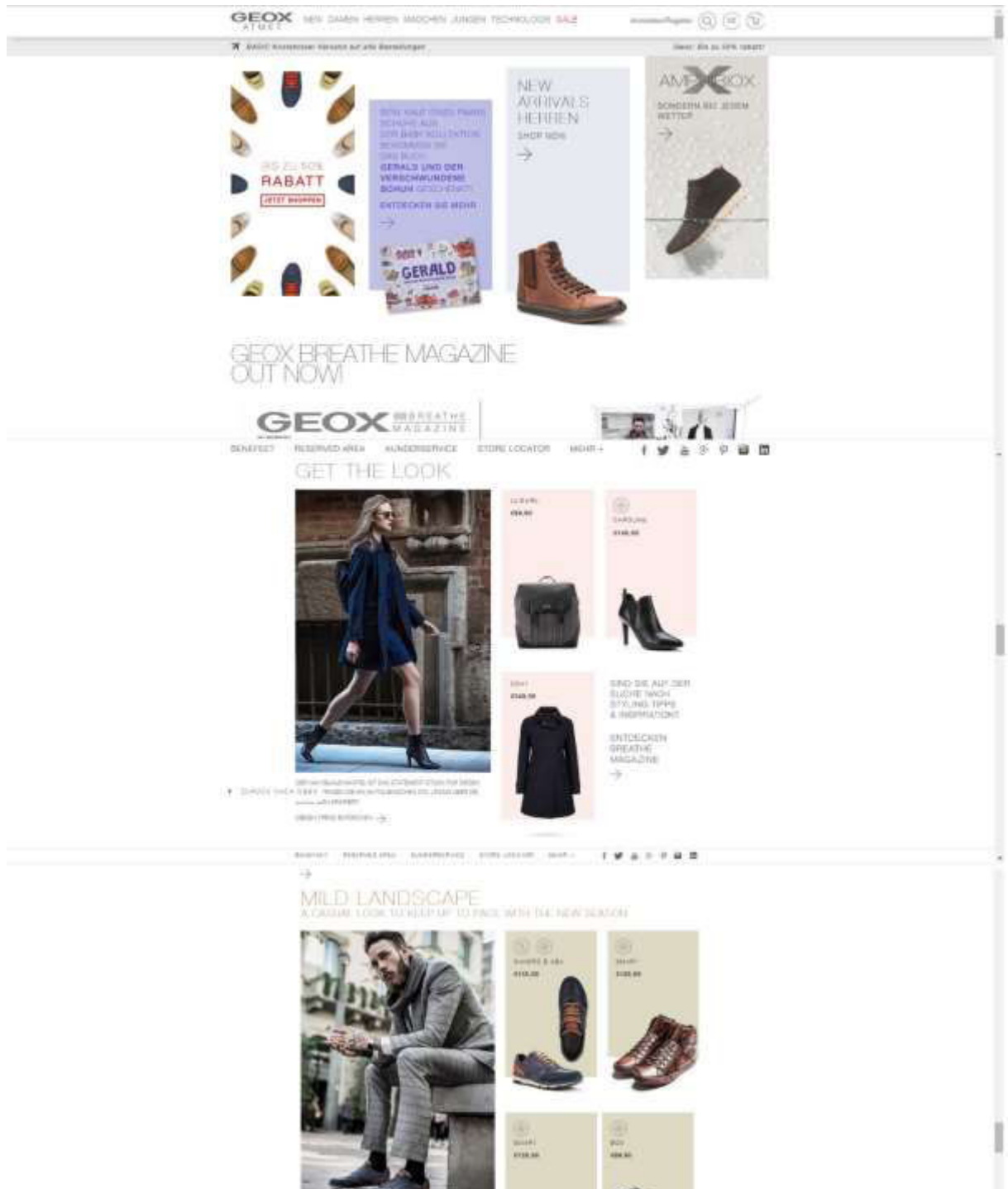
| (Thousands of Euro) | I half 2013 | % | I half 2012 | % | Var. % |
|---------------------|----------------|---------------|----------------|---------------|----------------|
| Multibrand | 178,332 | 46.1% | 220,825 | 51.5% | (19.2%) |
| Franchising | 77,331 | 20.0% | 95,250 | 22.2% | (18.8%) |
| DOS* | 131,132 | 33.9% | 113,018 | 26.3% | 16.0% |
| Geox Shops | 208,463 | 53.9% | 208,268 | 48.5% | 0.1% |
| Net sales | 386,795 | 100.0% | 429,093 | 100.0% | (9.9%) |

* Directly Operated Store

Appendix B Websites and on-line store

On the screen below is displayed examples from front-page of websites mentioned in chapter 4.6.2 Content management. The front-page is divided into several modern designed segments, where every segment offers products for different target group of customers.

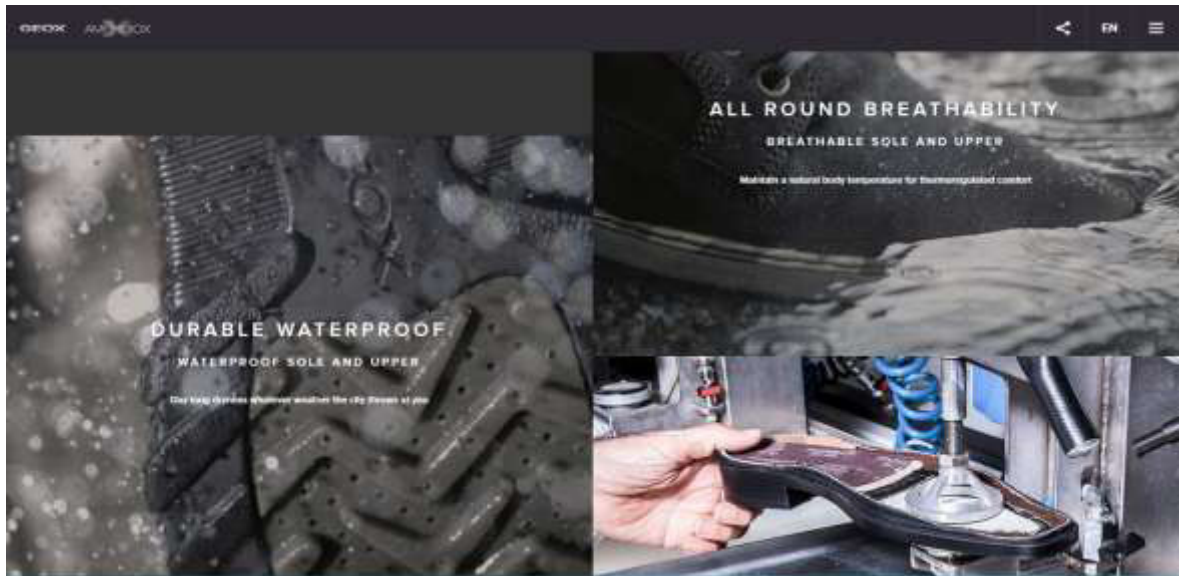
Figure 23: Example from Geox websites customized for German market (Geox.com, 2015)



Appendix C AMPHIBIOX campaign

One of the Geox's flagship is technology called AMPHIBIOX. Geox presents that number of innovative technologies including proprietary owned patents is used in order to increase the waterproof performance even more than before. Specifically, it is claimed that products using this technology will protect customer from rain, mud or snow.

Figure 24: Example from websites promoting AMPHIBIOX technology (Geox Amphibiox, 2014)



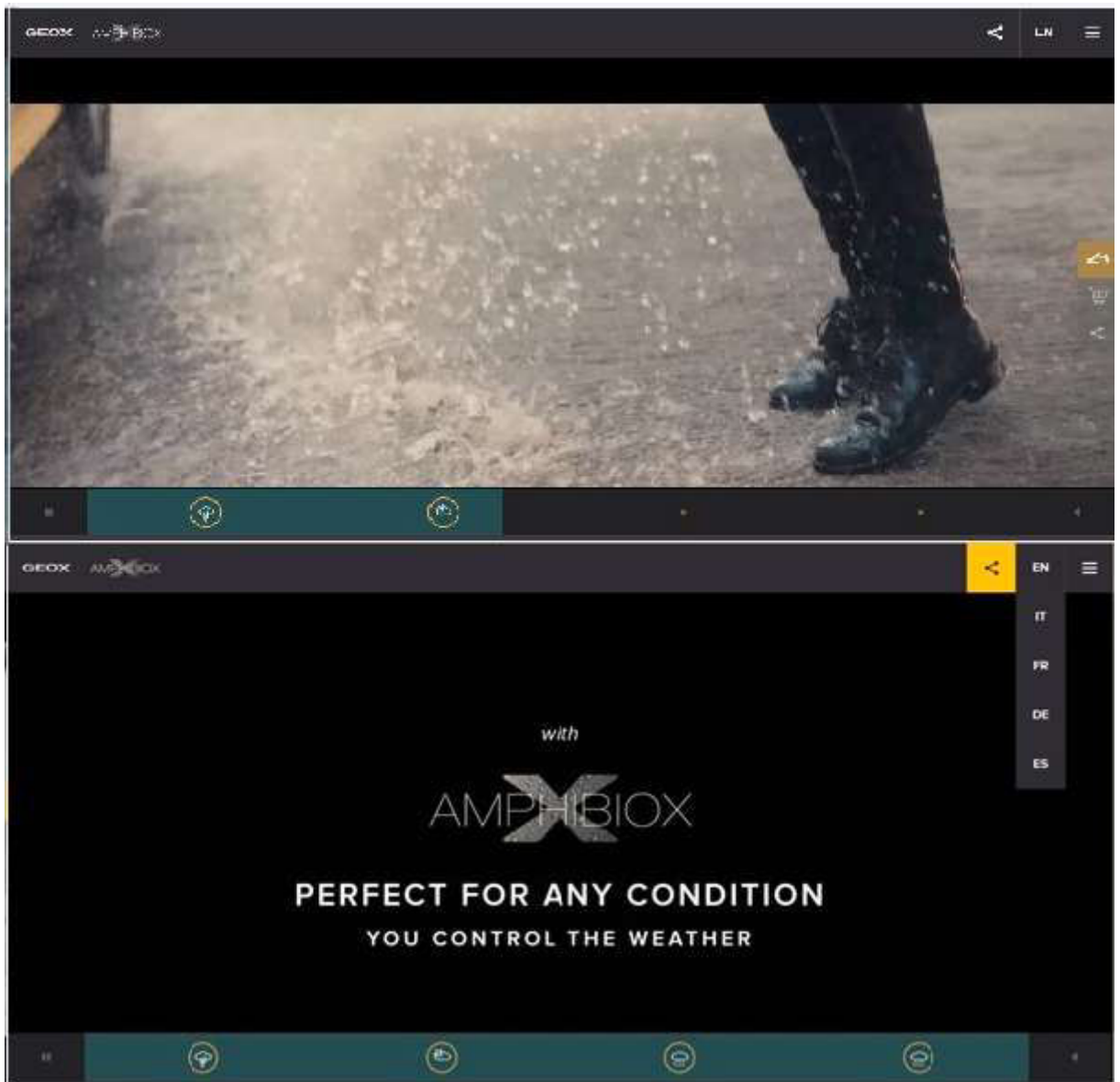
Unique marketing campaign was introduced by Geox in order to highlight the main aspects of this technology. The three main campaign pillars are websites (see example in screen above), social media and interactive video. On websites there are described the facts about technology and on social media customer discuss its experience. However, the unique tool is the interactive video.

Figure 25: Example no.1 of interactive video (Geox Amphibiox, 2014)



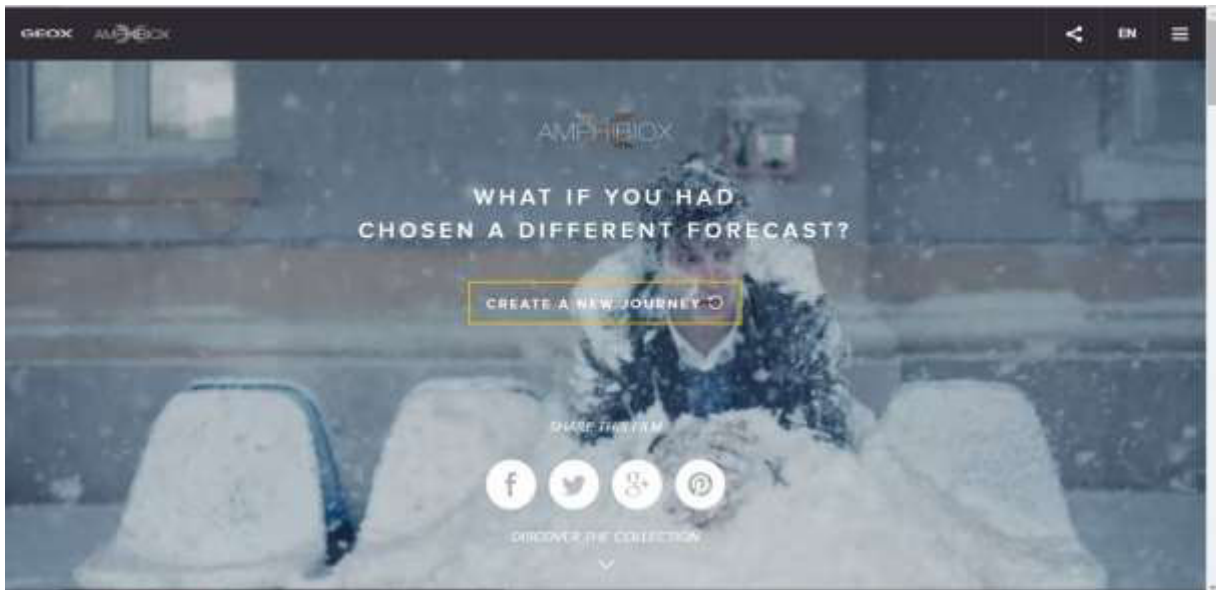
The video is consisting of 5 smaller parts, where watcher can decide about change of scenario in four specific points as you can see on screen above. The change is based on choice of weather – snow/rain/sun, where video shows how the Geox products are useful in different conditions. Moreover besides facts about the products, there is also romance between man and woman and based on watcher choice their destiny is changing as well.

Figure 26: Example no.2 of interactive video (Geox, Amphibiox, 2014)



In the end of video, watcher is offered to see the movie again with different scenario or to share its experience with friends on social networks (see the last example below).

Figure 27: Example no.3 of interactive video (Geox Amphibiox, 2014)




Appendix D Campaigns via Social Media

On Figure below you can see how Geox effectively promotes its products from new collections. Also globally recognized events such as Perseids shower are used in order to promote its products as you can see on first example. Or oncoming new school year as you can see on last example

Figure 28: Four examples of Geox marketing campaign on Facebook (Facebook.com/Geox, 2015)

GEOX
August 10 at 2:30pm · 🌐

Look up at the sky tonight & make a wish! Let your daughter celebrate the Night of the shooting stars with a pair of sparkling starry sneakers <http://bit.ly/GeoxKidsGirlsSneaker>




Like Comment Share

1,394 people like this. Most Relevant -

75 shares

GEOX added 3 new photos to the album: Women collection - Spring Summer 2015.
July 25 at 2:53pm · 🌐

Discover the new Geox Spring Summer collection: comfort and glam during the season we all have been waiting for. Browse the new styles and discover more about the new breathing innovation.




Like Comment Share

11,700 people like this. Most Relevant -

401 shares

GEOX
August 17 at 2:00pm · 🌐

It's a jungle out there, so make sure you're dressed appropriately! Add a glam touch to your Fall Winter wardrobe & ride the safari trend! Coming soon at the nearest Geox shop! bit.ly/_NewArrivalsWomen




Like Comment Share

1,444 people like this. Most Relevant -

76 shares

GEOX
Yesterday at 8:30am · 🌐

Back to school with energy! Style up his look at <http://bit.ly/GeoxKidsJunior>



Like Comment Share

665 people like this. Most Relevant -

43 shares