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How a grocery giant puts technology at the center of innovation

In an interview, Coop Centrale CEO Massimo Bongiovanni explains IT's role in the future of retailing.

Brad Brown, Lorenzo Forina, and Johnson Sikes

Cooperative Consumers Coop, better known as Coop, was Italy's first retailer to embrace hypermarkets, in the 1980s, and then began opening even bigger superstore venues while expanding its offerings to include insurance and banking services, electricity, and prescription drugs. Throughout this expansion, Coop sought innovative ways to support its strategy with technology. Massimo Bongiovanni has strongly helped the company realize that goal as president of Coop Centrale, which manages purchasing and distribution for the retailer's cooperative network of stores, as well as the IT and services that support marketing, pricing, and other elements of Coop's commercial policies.

Earlier this year, McKinsey's Brad Brown, Lorenzo Forina, and Johnson Sikes spoke with Massimo Bongiovanni about technology's role in fostering growth and innovation.

The *Quarterly*: *How do you manage technology within Coop's networked corporate structure?*

Massimo Bongiovanni: First of all, Centrale is a service company. We manage the purchasing and distribution for the network of cooperatives, as well as the information technology and services that support marketing, pricing, and other elements of Coop's commercial policies. The P&L and strategic decisions are the responsibility of the cooperatives. Since different cooperatives have different commercial policies, you can imagine the challenges involved in harmonizing the technology requirements for pricing, promotion, and other merchandising levers—all at the same time. For example, Centrale manages more than 100 price lines for a single product, as well as all promotional activities for it. That level of complexity has put a premium on developing sophisticated technology and IT tools.

The *Quarterly*: *What business imperatives drive the adoption of technology at Coop?*

Massimo Bongiovanni: Traditional customer categories are now blurring across hypermarkets, discount stores, and superstores. We see the same customers shopping across all our store formats—something that did not happen in the past. So our business processes, formats, and technology need to become more customer-centric.

This has meant developing a single view of the customer across all our store formats and brands. We also need a business model that allows us to show customers new prices and products very frequently, on a weekly or even a daily basis. So as the cost of technology decreases, we are evaluating, for example, electronic labeling, which will support the rapid change of prices at the store level. It will also enable us to customize the information we provide to customers—improving the display and accessibility of products.

The *Quarterly*: *Where do you take this next?*

Massimo Bongiovanni: Another stream of innovation I foresee is the adoption of multimedia technology at the point of sale, to make the shopping experience more interactive and more dynamic for customers. We imagine the new point of sale as a theater. While some areas will be more stable, others will frequently change. For example, we envision the ability to display multiple offers and events at each point of sale during the course of a single day. We also want to massively enhance our ability to do customer profiling. We could combine profiling with new technologies, such as iPhones, apps, and other mobile devices. All of this would allow us to engage in new interactions with customers at the point of sale, creating a dialogue about new products, pricing, offers, et cetera. Customers will have new reasons for coming to our stores. Of course, we need to do all this while respecting the privacy of the customer.

The *Quarterly*: *How will this change affect your IT and processes?*

Massimo Bongiovanni: The underlying challenge is to execute quickly and flexibly on both the business and technology fronts. Our current commercial and management processes must be able to change things on a weekly or daily basis rather than a quarterly basis.

The *Quarterly*: *Tell us how you keep the momentum going behind this agenda.*

Massimo Bongiovanni: As chief executive, I need to have a vision to inform, guide, and excite the organization. Since there is always resistance to change, we are constantly looking for ways to bring the vision to life in tangible ways. We therefore do a great deal of piloting and prototyping, which helps in several ways. We are able to quickly test new tools and ensure that they are easy for our staff and employees to use—and not just for the software engineers who designed them. We can also prove the new tools' bottom-line value by comparing the results with those at other stores or functions before we roll out the changes more broadly, reducing the risk to our customers and stakeholders. The challenge isn't really the technology itself but its application to business. Can people across the organization—and particularly our customers—use the technology? So the key is transforming technology into a business enabler.

The *Quarterly*: *Can you give us an example of how this approach works?*

Massimo Bongiovanni: Eight or nine years ago, we launched the first pilot of a self-scanning checkout at selected points of sale. The real challenge wasn't the cost of the technology, but the interaction between it and the business. How user friendly was this technology in the eyes of the consumer? Was it well received? We continually asked these questions and adjusted the technology and training for our employees, as well as the

messaging to our customers. Eight years ago, only 1 customer out of 100 was scanning her own purchases. Nowadays, around 50 percent of our customers use self-scanning. It was a really gradual process to get there.

The *Quarterly*: *At Coop, where does technological innovation start— at the top or at a lower level of the organization?*

Massimo Bongiovanni: There is an initial phase where the approach is top down. But this really depends on the profile of the top executives. If they are innovators, innovation happens; but if they are conservative and more focused on the way things have always been done, it doesn't. The style and attitudes of top management strongly influence attitudes at all levels of the organization toward innovation.

After this initial top-down phase creates the groundwork for innovation, executives need to focus on creating a process and a path forward for the organization. Then the strategic vision has to be digested, developed, and modified by middle managers. The involvement and commitment of middle management is absolutely key in translating the strategic vision into an operational vision or a process.

The *Quarterly*: *As a CEO, how do you stay on top of technology options?*

Massimo Bongiovanni: That starts with putting yourself in the shoes of the customer. You also need to be curious and open minded, always on the lookout for new ideas. There's an element of dreaming in this, too. While many dreams or wild ideas go nowhere, one that becomes reality could dramatically change the way we do business.

The *Quarterly*: *How do you build on this approach across the organization?*

Massimo Bongiovanni: I encourage managers to travel and observe what others are doing, looking at our own industry and especially at other industries, both in Italy and in other countries. And this happens at both the management level and at the board level. We study restaurants, bookstores, and electronics stores—all places where consumers look not just for products but also for entertainment and emotional engagement. Of course, not everything that we observe in the United States or in the UK is easily adaptable or replicable in Italy. But trips there typically give us ideas we can test to see what may be applicable to Coop.

The *Quarterly*: *Looking forward, what role will technology play in transforming the retailing industry?*

Massimo Bongiovanni: In the retail landscape, I think we are very close to a set of discontinuities where technology can play a critical role. The first area is food safety—

the growing need and demand for safe and traceable food, from the farmer through production to store shelves. The solution here might be electronic labels or optical bars that can provide customers with a more complete accounting of the history of specific items.

We also need technology to deal with the saturation of our market. Most European markets already are saturated or will be soon. There's no room for growth, so companies will need to reduce costs and improve efficiency to remain competitive on prices. This involves all aspects of cost, from labor to indirect costs, and IT will be a great tool here.

Finally, there's the evolving and changing consumer behavior. Consumers are much less loyal to retailers and more selective about what they want. So technology will play a role in how we attract customers and maintain their loyalty.

This future will be very different from how we have operated in the past. We cannot—and we should not—transform stores into something out of *Star Trek: Enterprise.* But we need to work on an approach that is friendly to employees, actively engages our existing customers, and allows us to provide compelling experiences and offers that will draw in more customers over time. ○

Brad Brown is a director in McKinsey's New York office, where **Johnson Sikes** is a consultant; **Lorenzo Forina** is a principal in the Milan office. Copyright © 2011 McKinsey & Company. All rights reserved.