

**FROM “RULES OF THE THUMB” TO DIGITAL ERA MANAGEMENT APPROACH.
THE INNOVATION AND DEVELOPMENT PATH TAKEN BY A CONSUMER GOODS
RETAIL DISTRIBUTION SOUTHERN ITALIAN COMPANY:
CASE HISTORY AND PERSPECTIVES**

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Abstract

Starting by the initial step of applying a simplified BSC model and a three to five successive key lead indicators, to make simple successive diagnosis and strategic decisions, the work describes the phase period, decisional process, followed to lead a Company Group to a new way of approaching and managing its future. The role of a sister Company purposely designed to assist and mediate synergically, the dialogue with the University world and culture is described. The progressive cultural path action work of analysis, takes in consideration the main focus points of four successive time periods, examining then recent, current developments and planned perspectives. The used multidisciplinary approach requires to introduce Finance-Economy-Psychology-Marketing and Management Concepts, however a specific mention is made particularly to Information Technology role to lead Digital Era via Computer Vision, IoT, Declarative workflows and synergies Human-AI, in a highly interactive world, more and more subject to Social Media and DOOH driven behaviors.

Key words: BSC, consumer goods retail distribution, process development, social media, information technology role

1. INTRODUCTION

The paper outlines the strategic features and development prospects concerning the actual case of a Privately Owned Consumer goods distribution Company (Orizzonti Holding Group), located in Southern Italy. The specific characteristics of the performed activity, from the strategic analysis point of view, may appear the typical ones of a “territorially focused” retail business, where the competitiveness factors of the Company are linked to the capacity to respond better than others to meet local needs. Considering that the economy of scale is an important factor in the distribution and sale activity, and that the related potential is strictly linked to the dimension of the target market of operation, it is evident that Companies operating at National or International level are often capable of winning the competitive game by having more time and resources to spend in the learning game and therefore have more chances to win the battle and replace, associate, aggregate or acquire the local competitor. In few words, and looking to similar international experiences, in advanced economies, by considering the medium term and long run competitive prospects: the big one wins and the small one loses the game. However, and particularly in the Southern Italian one, the local difficult economic environment situation has prevented so far, multinational or large Italian companies, to prevail significantly in the specific retail food distribution competitive arena, and to acquire predominance comparing to the local ones. By performing the classic SWOT analysis [1] you can clearly understand, anyhow, that the Strength & Weakness balancing factors cannot play permanently a favorable long term role, particularly in the economic recession accompanying the Euro and global economy problematics [2]. The peculiar picture of Opportunities & Threats was considered then, during the Orizzonti Holding SpA economic and strategic analysis, not only in Territorial terms but trying to wear also global economy glasses: considering the local operation within the influences of a globally oriented fast moving environment. The consideration of the new technologies and digital era has led to the introduction of a deep feeling within the Company that the main opportunities to successfully coping with today challenges were and are to be found by striving for continuous improvement, by methodological approach, and by favoring within the key people the innovation culture and a lateral thinking approach [3]. Establishing then a policy envisaging that the impossible is often made possible

by trying it with proper knowledge approach, it is necessary to allow precise control of resource and risk planning within the Company. A deep preparatory work on financial and economic management was therefore preliminary element before moving the Company path towards non-conventional R&D and Process Development management routes and investments. Currently the approach involves contacts with Universities, Companies and Financial Institutions at International level and a GroupWise significant allocation of resources in this direction. Looking to the Economic Theories, this Entrepreneurial Management direction could be considered particularly adherent to the concepts expressed by J. Schumpeter [4] and P. Aghion [5], P.W. Howitt [6], referring to the encouragement of an innovation role, as a response to prevent or cure economic crisis periods, favoring those ones showing new Growth and Development. Actually, the present economic context and economic cycle in Italy requires a specific effort of innovation and of general policy improvement [7]. The consciousness of having a role on this task, in the core Territory of the Company, operating strictly apart from any political or external support, contributes significantly to the generation of cohesive energy between the personnel involved in the key leading roles. This sentiment is presently felt as an important additional intangible asset contributing further to strengthening the current action and generating external hints, useful for aggregating and motivating other Entrepreneurs in the same business area.

1.1. Orizzonti Holding Group

Orizzonti Holding Group, controlled by OH SpA, is a medium-size company working in the large-scale organized retail and wholesale distribution. It is a significant presence in a part of South Italy, where it operates through a network of retail outlets with different brands and diversified formats (business to consumer, business to business, business to business to consumer). The long period of crisis at a macro-economic and financial level affecting Europe since 2008 initial signs, has severely hit the consumer industry, including large and small food retail activities, in which the Company distribution core business, mainly operates. Then it has taken place the worst probable scenario among those envisaged, in 2012, within the group's strategic planning analysis [2], and specifically:

- persistence, in Italy, of recessionary conditions;
- credit to companies substantially blocked, with only occasional credit windows, opened up practically only in 2015, for companies with good financial ratings and dialogue technically set with the Banking system;
- consumption remain stagnant, also in the food industry, due to a declining purchasing power trend.

While analyzing the specific case study, proper consideration should be taken about the largely perceived, more severe crisis effect in the Southern area, comparing to the one in the rest of Italy. Furthermore, the Group does not have a significant export sales market, and its core territory of distribution activity is a substantially limited one, characterized by a sparsely populated area, difficult orography and including mostly small urban and town centers of average modest size, where per-capita income is in the lower bracket [8]. The end of year 2015 has not yet led to significant signs of economic turnaround and so far many of Italy and Europe's problems remain substantially unresolved. Eminent economists argued that Italy's system has forced the country to abandon a dynamic view of comparative advantage, crucial for the sustained economic growth [9]. The Top Management of the Orizzonti Holding Group agrees conceptually about these principles, but strongly believes also on the need of having a more spread consciousness about responsibility of everyone, particularly at the entrepreneurial level, to be properly active in the determination of supporting elements, useful to achieve economic growth. For this reason, the Group has directed its action to introduce technology support and innovation strength to the process development action planned on the traditional core business and promoted mental openness to new ideas that could timely innovate its culture and business model evolution. The company's industry sector, in fact, while it was apparently a mature one it is becoming in today reality very innovative and subject to great evolution prospects. The e-commerce trend, also in Italy is a growing one, with interesting developments also in the food sector

[10]. The changes in consumer shopping habits require therefore, today, an evolution in the business model of the traditional large scale distribution companies formerly exclusively based on “brick e mortar” multichannel operational structures. Through a flexible strategic approach, based on a simplified BSC model [11], the Orizzonti Holding Group is trying to actively adapt its action, in a competitive way, with the main objective, according to the Group Mission, of: "Creare valore di impresa traendo elementi di forza distintiva dalle radici territoriali del gruppo e nel rispetto della nostra identità e dei nostri valori" translatable as "Add value to the company by drawing distinctive strength from the territorial roots of the group, with respect for our identities and our values".

The principal phases of the development path are reported in the figure below.

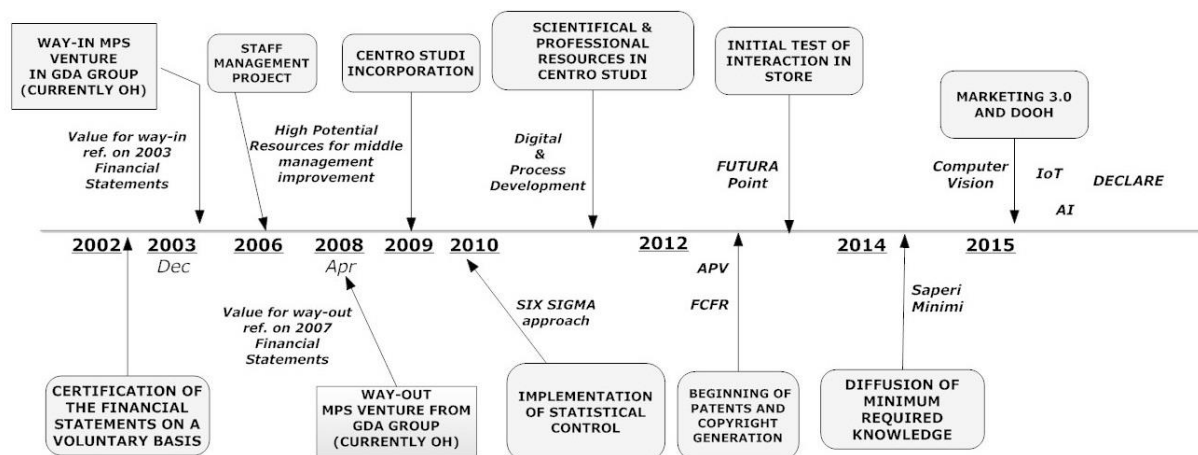


Figure 1. Timeline of the OH Group development

The paper is organized as follows: in Section 2, we describe the internal declinations of BSC used in the Orizzonti Holding Group as a conceptual strategical tool to guide the management action. Section 3 presents the role of a sister company (Centro Studi) devoted to assist sinergically the development and growth objectives. Section 4 presents the process development steps adopted within the company. Section 5 shows a detailed analysis about Marketing 3.0 and its implementation through new technologies (Computer Vision, IoT, AI). Finally, in Section 6 we discuss results and open challenges.

2. BSC DECLINATIONS FOR THE GROUP MANAGEMENT SYSTEM

To define, evaluate and measure, over successive periods of time, the effectiveness of its strategy, the Orizzonti Holding Group adopted, since 2006, a simplified version of the Balanced Score Card (BSC) of Kaplan & Norton [12]. This management tool, used principally in a conceptual way and not specifically as an analytical and quantitative model, allows to examine the company's situation by evaluating the status of four interactive managerial perspectives: Financial (to analyze economic-financial balance of the Group), Customer (to control the factors of competitive advantage), Learning & Growth (with particular reference to human resources and organizational processes), Internal Processes (to improve effectiveness/efficiency of related operations).

In this way it is possible to set a balanced and integrated management system, through:

- a clear view of the critical success factors (CSF), that are related to the forces acting on the competitive system [13];
- a coherent system of measures based on key performance indicators (KPIs);
- the identification of key performance areas (KPA) with respect to which the company cannot go wrong.

Conceptual BSC Orizzonti Holding Group

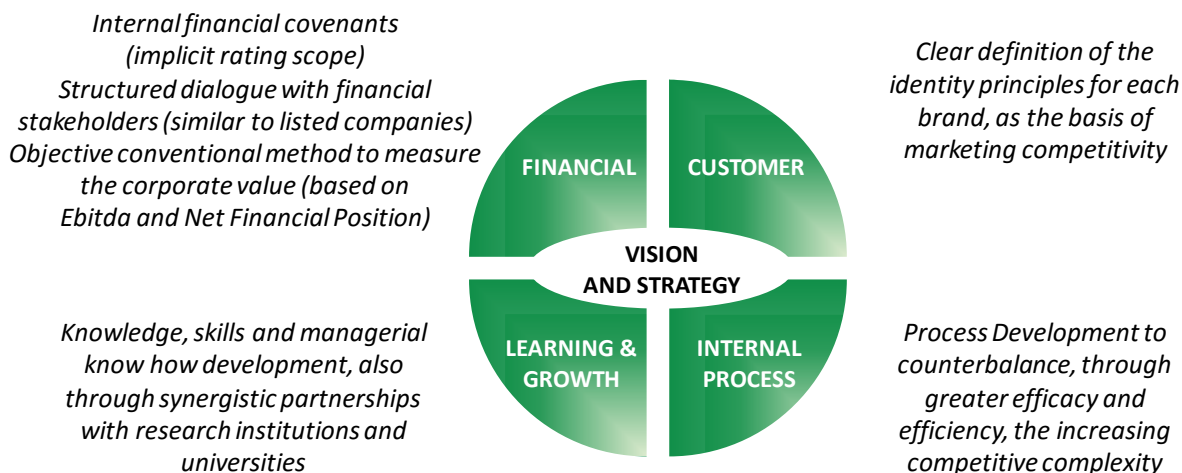


Figure 2. BSC Declinations for OH Group

The Financial balance structure and the development of an appropriate financial control system were originally the main factors considered in the context of the BSC evaluation that took a significant importance for guiding the action during the acute crisis period. The Group Top Management's fundamental belief finds its root on the concept that: "The companies live of Income, but they mainly die specifically on financial problems". To complete the management picture, referring to the strategic approach we would like to introduce the concept of "the two hands system management" [14], distinguishing Financial and Economic key factors, requiring to be directed properly towards precise Goals of Value creation. The analogy is similar to the one guiding the coordinated thinking and postural approach of the golfer while approaching a hole. He needs "to grip" properly the two hands on the club handle, superimposing and interconnect correctly the fingers to be able to hit properly, aiming to the hole direction [15].

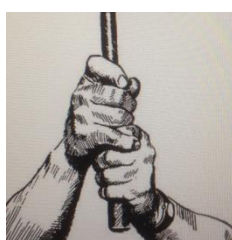


Figure 3. Golf Grip

The fingers, in the analogy made, may represent the Kpi. Each of them has its meaning and its role in the complex of the game.

Main KPIs	Financial	Economic
<i>thumb</i>	Net Financial Debt / Net Cash Flow	Gross Margin / Operating Costs
<i>index finger</i>	Net Financial Debt / EBITDA	EBITDA %
<i>middle finger</i>	Net Cash Flow	CAPEX
<i>ring finger</i>	Debt Maturity	EBIT / Financial Costs
<i>little finger</i>	Flexibility Factors	Extraordinary Items Risk

Table 1. Main KPIs in the two hands system management approach

The importance of financial control has prompted the company to develop a software for the weekly check of Free Cash Flow Rolling [16]. This allows to consider 52 weekly reconciliations of the three cycles: Financial (sources and appropriation of funds), Treasury (receipts and payments), Economic (turnover and costs). In the evaluation of the KPIs, it is necessary to consider that in the Orizzonti Holding Group, the Net Working Capital is structurally a source of funding, that tends usually to grow in development stages.

The same approach is used in the value corporate management: Financial and Economic aspects are to be “gripped” together and the Value Creation goals are consequently determined. The formula that determines the value of the company is related to this management approach.

$$SV = EV - NFD$$

$$EV = Ebitda \times Multiple$$

where

SV = Shareholders Value

EV = Enterprise Value

NFD = Net Financial Debt = Financial Debt – Cash and Cash like, Liquid Assets

Multiple is determined in comparison with listed companies in the same industry

The theory of enterprise value [17,18] leads quite often to different estimation of the intrinsic “value” and “price” of the shares. On the other hand, the market value of a listed Company, gives an actual reference, marketwise, of the shares price and therefore a “market valuation” of the Shareholder Value creation. Regardless, we have to consider subsequently also the theoretic analysis regarding the extent of over or under valuation given by the market transactions. The problem of determining an internal Management reference for the “value estimation”, was then considered a necessary one, but only by taking in consideration a solution capable of responding to it in simple acceptable terms. In the specific case, concerning the one of an unlisted Company, the reference was taken by making specific reference to the simple “Multiples evaluation Method” [19], allowing then possible evaluations peer to peer with listed Companies.

Since 2003, the previous simple FORMULA was utilized as internal reference for determining a conventional Enterprise Value, based on a market multiple of the EBITDA (Earnings Before Interest Taxes Depreciation Amortization).

At the initial stage the Formula was also the reference for a four years Venture Capital operation [20], to establish the “way in” and “way out” values of the shareholding, minority participation:

$$SV = EBITDA \times 8 - NFD$$

where SV indicates the conventional Shareholders Value, established by negotiating between the Financial Investor and the Company Management as a key factor: the multiplier valid to properly establishing the value on both contractual events “way in” and “way out”! Therefore it is clear that the

initial negotiation was particularly taking in consideration the Company Development Plan and the growth expected by the Venture Capital investor, within the contractual period.

Nowadays, within the Group Management, the same formula continues to be considered a valid “first glance tool” for evaluating the Enterprise Value growth in presence of a Debt factor and therefore also the peer to peer Shareholders Value creation and performance. Anyhow to wisely apply the Formula it is necessary to consider a proper Multiplier to be purposely selected and valid during the time frame of a specific valuation.

It is important to notice that, in the distribution activity, the working capital is a positive source of funds. On the other hand, the commercial debt increase is often associated to turnover growth and therefore does not represent a pathology unless precise symptoms like inventory obsolescence or credit collection quality deterioration occur.

The “Multiple” reference actually considered for internal analysis is therefore directly related to only Listed “comparable” Peers (their average multiplier utilized by the Market) however other aspects might be taken in consideration and particularly specific economic growth forecast and situations. E.g., in our 2015 internal comparative references use estimations the multiplier 6 was considered fair, while in 2014 [2] the internal reference was 5. The multiplier for the years 2016-2018 are nowadays envisaged, in the Board Management-Stakeholders Reports, in the range 7-8, based on the internal belief that the technology development should work definitely as a positive factor, locally and worldwide.

Considering, in particular, the present macroeconomic environment, this factor is reputed as an important strategic driver to determine favorable development opportunities for those Companies, being ready and willing to ride the new trends and capable of adapting the Company Entrepreneurial Vision and Managerial skills to new cultural requirements of the Digital Era.

The adaptation may occur by revolution and or evolution. Centro Studi’s goal is to assist the evolution in strategic terms and it is a precise objective doing it by utilizing gradually method and ingenuity, confronting timely with the “actual” value creation results.

The valuation of the risk associated to the development task and objectives is a permanent Centro Studi factor of attention, too. In fact, based on the Group Policy, the Financial Debt is considered not only, as a useful factor to optimize the return on Equity and allocation of Shareholders means, but also as an unbiased tool of evaluation of the “implicit rating of the company debt risk”. The cost of Money for the company is carefully monitored and compared to the one of listed Bonds with comparable seniority type and duration, taking in account their risk rating.

3. THE ROLE OF A SISTER COMPANY TO SUCCESSFULLY ACHIEVE GROWTH AND DEVELOPMENT GOALS

The analysis of market and process BSC perspective development requires a prior definition of the role of Centro Studi, as a sister company of Orizzonti Holding Group.

In fact, Centro Studi’s incorporation decision, in 2009, finds its root on the original idea of establishing a purposely designed reality, useful for coagulating also other different high quality level formation interests and contributes, to implement objectives of specific high level growth within the Group and related core Territory, referring to Middle and Top Management professional culture matters.

The basic objective, seen as entrepreneurially related, was then mainly focused on the Learning & Growth Human Resources, Group’s internal perspective.

The coincident availability of two partially different but compatible, multinational long term experiences, R&D oriented [2], made it possible to expand the interests to specific process development experimentation by capitalizing the errors and try events results, to develop knowledge utilizing advanced methodologies.

In the meanwhile, the occasional observation, for external reasons, of an existing lack of scientific works on the Marketing-Promotion Mechanisms area, with the exception R. Show conceptual contributions [21, 22], induced Centro Studi to develop the APV system [23].

This system, that took almost three years of internal process development work and people training, was a main asset to contribute to the improvement of the logistic performances and the point of sales offer, during 2015. However, this innovative and proprietary system is not on stream on the whole Group distribution system yet and therefore further developments and contributions are expected to come, particularly in 2016-2017 together with other connected or derived process and marketing developments.

In the meanwhile, the dialogue initiated with the Universities [24, 25] opens up a further new bunch of opportunities and development ideas, also considering the diversity of the respective roles.

The research and study on common fields of mutual interest might lead to develop a Scientific Synergy, that within the enterprise (Centro Studi) would be expressed as Applied Research Results while in the University would lead to original and current interest Scientific Publications.

From the Strategic Management point of view the role of Centro Studi becomes then the one of “opportunistic cultural antenna” for the Group activities development, capturing new hints, trends and ideas that may fit in the competitive development as an element to be considered as additional strengthening factor and not a strictly operational one.

Since its establishment, the Centro Studi’s financing criteria was, by policy, on the internal resource basis of disposable Group equity for what concerns R&D activity and on service and performance fee for the consultancy and assistance activity made to support the Group departments or projects. The fee estimation is made with careful attention taking in account precise result based valuations, while the service cost is strictly evaluated on professional and comparative, external criteria basis. Whenever possible, in consideration of the confidentiality of the project or matter, the involvement of Centro Studi personnel in Consultancy and Service activities into the operations is kept at the minimum possible and whenever it occurs it is preferred the outsourcing of external professional resources. On the contrary the involvement of Centro Studi on the assistance to the Top Management and the Board for unconventional analysis or to the Operational Departments for specific applied R&D or developments works is favored, where the main Centro Studi personnel effort is concentrated.

4. PROCESS DEVELOPMENT STEPS

As cultural heritage, the distribution development is strictly linked to the basic original one of Selling Products, Studied and Produced by a Supplier that is also contributing on determining most of the specific Point of Sale Communication material, necessary for presenting and advertising the product offer on the Store Shelves. By the Centro Studi action, the evolution of the Marketing role was more clearly defined and seen as a global interaction between the Company and its Customers and was better defined taking in consideration also the new cultural trend and strategic competitive developments, by P. Kotler [26] outlining three different approaches:

Marketing 1.0 Marketing 2.0 Marketing 3.0

Product – Centric Customer- Oriented Value- Driven

By acquiring this conceptual evolution, the Company started then to develop more precise knowledge on the Customer possible role and influence in modifying the Sale activity to an “evolutionary” Marketing one, with more competitive openness to future developments and better understanding of the factors already influencing the market evolution changes and the new distribution challenges determined by the action of the most advanced companies, already opening the market arena to new competitive approaches and therefore perspective development paths and Market results. First of all, as a concrete and widely spread knowledge acquisition, the concept of “process” defining it as “a set

of sequential operations, generally functional, organized on the basis of a particular outcome” [27] was introduced within the Company.

This simple element of basic corporate culture was widely promoted in the corporate operation life by the introduction of new, but simple, specific functional task control means, in many different areas and gradually extended to all the functional levels entering therefore, solidly in everyday operations making the process concept to become a common part of the internal language, during the information exchange.

The contemporary dynamism of the market has led the company further to move towards a more structured monitoring and constant improvement of the level of customer service offered and to do this, it was important to consider that in the Marketing 1 concept, the Supplier Product indications are an Input and the resulting Sales to the Customer, the Output. By considering this “Traditional heritage, Distribution Approach”, the Customer Decisional Process is taken in consideration and evaluated in a measurable and understandable way only in the last part of the operation. By approaching the Process Cycle in the way suggested by the Marketing 2 concept, the input becomes info on the Customer needs and wills in terms of product, service and communication. The Process Cycle is reverted and in this direction, internally called “New Approach”, it is the proper determination of the Customer needs, that takes primary lead on guiding the Company on the business process development, inverting the management of the internal processes, determining also distribution guidance references derived directly from the customer behavior on the point of sale, modifying then substantially the traditional relationship and Marketing decisions roles, established previously with the Supplier industry, as the logistic side of the business.

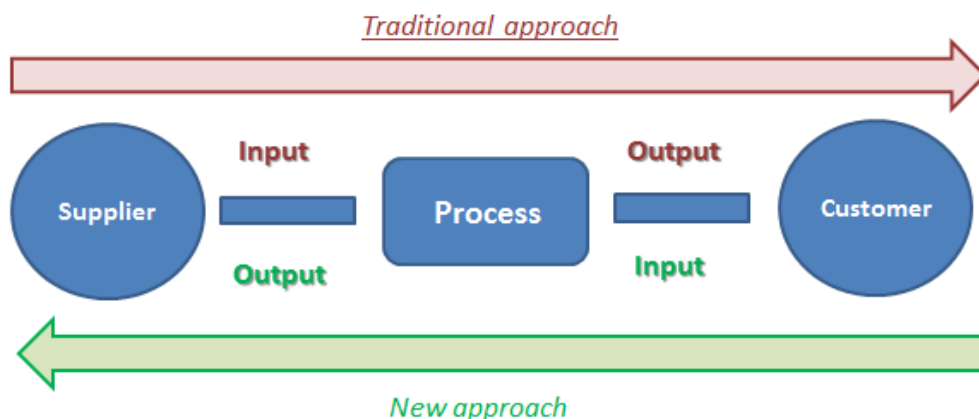


Figure 4. Traditional vs New Process Cycle

To support the cultural evolution and decision making effectiveness while approaching the new process development ideas, the Six Sigma Methodology [27] and related Statistic support Tools and knowledges [28], were widely utilized in several applications involving advanced expertise, supported in the initial moment, by the possibility benefiting, for a few years, of the direct presence of E. Cascini [29], to lead these specific developments and the people scientific education, within Centro Studi.

The company's ability to create an organization able to identify and meeting properly the customer needs, avoiding the trap of personal beliefs and valuations, motivated by traditional habits, required several steps of people training and subsequent “new approach”, involvement path, to measure the parameters of the non-compliance, within the processes and impact the customer satisfaction response. Subsequently, a significant number of responsible people, were gradually involved in the conceptual analysis phase to act responsibly on the causes of non-compliance. Therefore, by promoting this “responsible action driven” improvement approach and by systematically monitoring the results achieved the internal process was gradually improved in a reliable way in most of the processes

involved business activity and not only in the distribution one. The concept of process variability, within a Six Sigma control system, is now part of the Company operation and not restricted to Centro Studi activities. Similarly, Methods, largely defined by acronyms such as PDCA (Plan, Do, Check, Act) [27] and DMAIC (Define, Measure, Analyse, Improve, Control) [27, 29] belong now to the process development corporate culture that is gradually strengthening and consolidating within the Company by practical application updatings and actions, that are including, if necessary, specifically designed and usually informal, human resources meeting, training sessions.

In fact, the corporate culture and the operational homogeneity are at the determining basis of the concept of behavioral variability in a Company. Therefore, the extent of possible effective determination and control of the processes variability within an uneven corporate behavior system are usually poor and this affects the company response performance throughout its process cycle. To this purpose it is important to notice that each cycle global response is determined by the weaker element of the cycle and not by the stronger one!

During the everyday operation it is important to monitor and improve the weak elements gradually and permanently, by applying an iterative, continuous process development work. Through the control charts systems, in a process oriented organization, all the major Key Performance Indicators (KPI) should be identified properly and monitored in order to pinpoint timely on the critical processes, any drifts, variations of average and variance trend.

Of particular note, regarding the influence of the process education, was the training program “Saperi Minimi” (basic knowledge) operated by Centro Studi in 2014, which involved 86 people, having responsibilities at the operational level, and with the specific aim of transferring to them simple but precise “process culture concepts”. Through their action and behavior, affecting the operating business results in terms of costs and margins we had significant evidence of the relevance of this type of intervention and further motivation to proceed further at the various levels, starting conceptually with the Top, Middle Management ones but including necessarily also the various Operation Responsibilities, to achieve progressive and structural improvements in the global business process management.

The cultural evolution introduced by thinking to the Distribution Process in two different directions (Fig.4) has induced during the initial phase of process development, to describe and conduct the internal process analysis by dividing it into two parallel conceptual roads. The Logistic-Distribution process, Product Oriented (Marketing 1.0) and the Marketing-Communication process, Customer Oriented (Marketing 2.0). The two processes are converging in the Point of Sale, Management and Process Responsibility.

The Point of Sale is representing actually the actual “Brand and Format” that the Distribution Company presents to the Customer and is the “interaction” site where we have concentrated our successive Marketing 3.0 successive efforts, described later on in this Paper.

The representation of the “Company process cycles” converging on the Point of Sale in represented by (Fig.5) utilizing also the classic 4P action levers [30] that for long time have characterized the originally, mainly Product oriented, Marketing culture within the Distribution sector. This internal decision was taken specifically in this Paper represented actual case, by considering that even if the modern Marketing approach is evolving and considering more and more the Marketing 3.0, value driven approach, it was necessary to be careful in proceeding conceptually avoiding to generate discontinuities in the Company multichannel distribution. The Company Customers and business activities are in fact B2C, B2B, B2B2C and eventually the Company is willing to consider in some occasions, the second B, as an already Marketing oriented Marketing 3.0 customer that requires to be serviced by a more specifically, Product oriented, logistic-delivery, service organization. In fact, and in strict terms, the distribution business of someone else products, is simply definable as a logistic service, involving fairly substantial technological and structural investment barrier level. In few words, and considering the e-commerce phenomenal expansion as a possible tangible expression of today Marketing 3.0 concepts increasing potential, in the case examined and in definition and optimization of the process cycle, also the Distribution specialized service motivations were

strategically evaluated, considering eventual cases of servicing and selling distribution services to B Customers, from the traditional Brick and Mortar up to e-commerce ones. This type of apparently “conservative” considerations is important, in fact, when defining conceptually and practically a Business cycle as it affects the whole organization structure, culture and strategy.

Anyhow, the amount of direct B2C and B2B2C driven turnover of, does not certainly allow Orizzonti Holding Group, and therefore Centro Studi, to forget about Marketing 3.0 approach, and furthermore, to become more and more acquainted and possibly innovative on it.

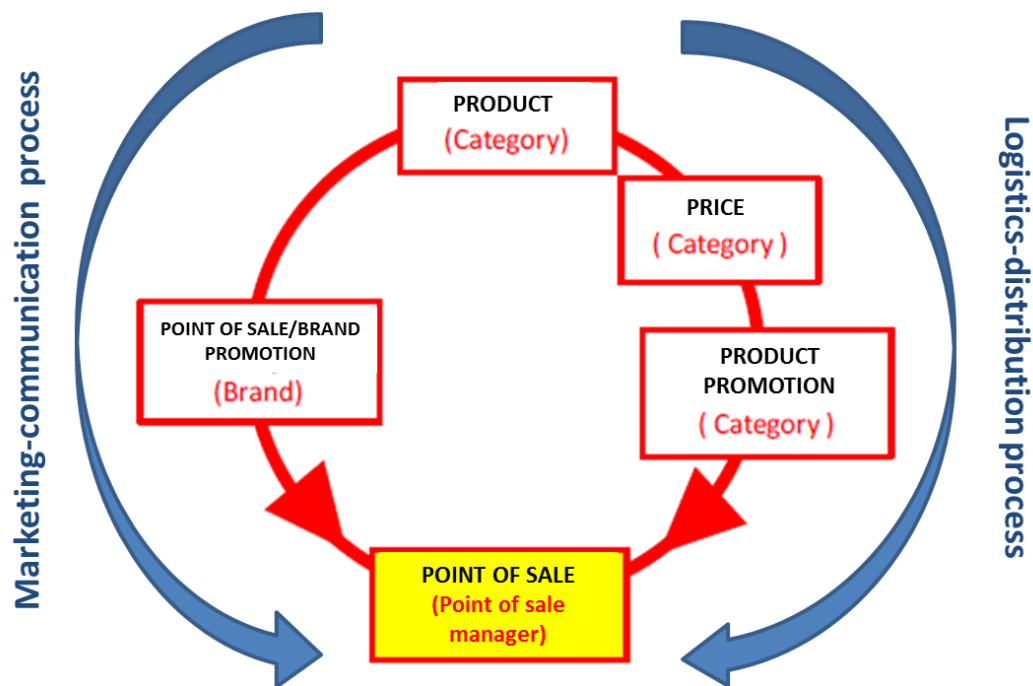


Figure 5. The two Marketing – Logistic, Point of Sale converging, Process Cycle

The two introduced processes, in terms of analogy could be assimilated to the two hemispheres of the human brain: the left hemisphere is more qualified and deputed to the analytical perception of the external reality and, therefore, it is more specialized in elaborating sequential processes and -time event perception, (engineer brain) while the right hemisphere is more specialized in the perception, interpretation and elaboration of the emotional ones (creative brain) [31].



Figure 6. The “creative” and “engineer” brain, global analogy

By analogy, it is possible to associate the “engineer” brain to the logistic-distribution process branch of the global process, while the “creative” brain would be deputed the marketing-communication process one.

The “creative” brain and the “engineer” brain, as it happens in the human being reality, are to be considered always closely related to each other and characterized by a continuous exchange of information, in order to allow a “global brain” integration of the corresponding specializations, to respond to the various situations, properly equilibrating the analytical skills and the emotional perception factors.

Referring to the applied process development to logistics and distribution processes, an important contribution to the Centro Studi process development contribution was the realization of a software own, application system, called APV (Analisi Promozioni Previsioni Vendite) [23]. The system is based on specifically developed statistical-mathematical algorithms, including a certain amount of self-learning capacity, allowing a reliable predictive assessment of the efficacy and significance to be expected by the planned product promotions, by forecasting the relevant ones for each specific Point of Sale. This leads to optimize the product stock orders and the space allocation, limiting significantly the possible generation of shelf product voids, particularly during the promotional periods. This innovative software system, contributed further in reassessing the overall product reordering process, by integrating its peculiar features, in the existing system one. It is important to specify that the APV system, unlike the forecasting algorithms currently in literature, is able to guarantee an excellent prediction level, often matching very closely practical reality [32].

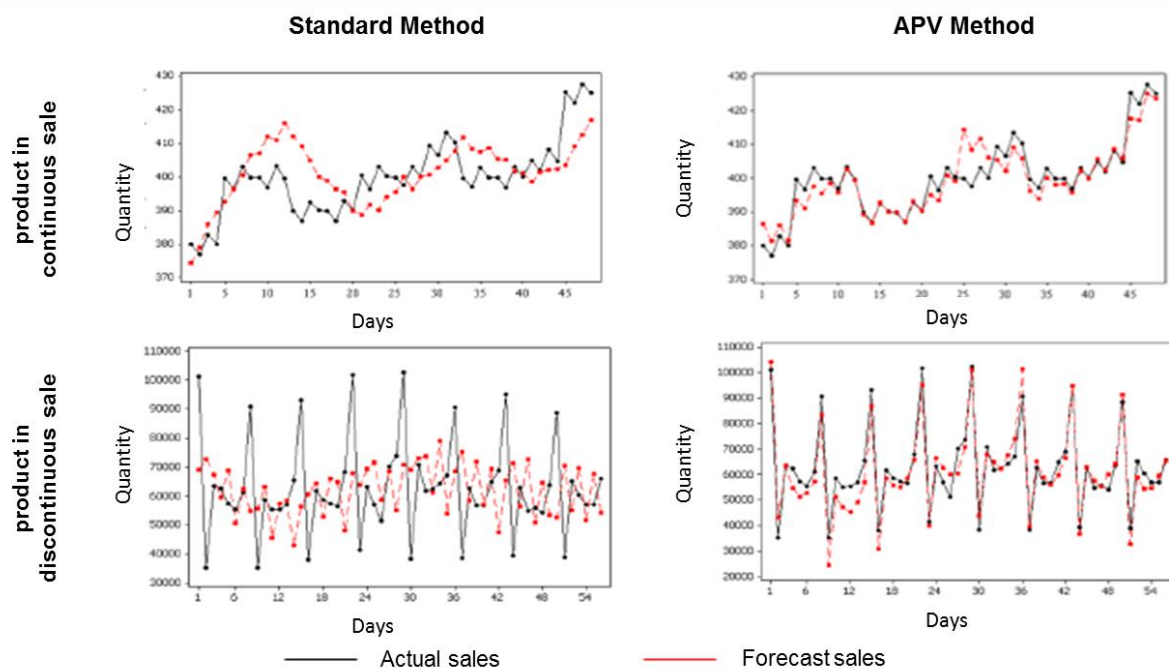


Figure 7. APV Forecasting vs Standard Method

The Process Development effort and attention of Centro Studi within the Marketing area were progressively devoted not only to the Internal Processes but also to the Communication Process ones, including external interactions. The main focus was posed on the principle that the communication is a key factor and on Marketing 3.0 principles the digital technological evolution might generate further potential to be exploited.

However, as pillars of the marketing process development, and while considering the Marketing 2.0 customer centered process were taken in account so far, specifically the Sale Cycle (BBDO Direct Positioning Grid) [33] and the Behavioral States [34], that are typical the highly methodological, Professional Sales knowledge, but are already capable of generating a specific set of organized internal procedures rationalizing significantly everyday Marketing and Communication Process.

Anyhow, the complex decision making path that brings a distribution Brand to acquire space and appreciation in the customer's mind is a very complex one and includes situational and dynamic behavioral factors that influence the decisional process and affects also the customer's needs and therefore the product selection.

Marketing and Communication, are a unique concept, very difficult to be split apart, and the entire process requires to approach the problematics with flexibility and creativity, in a global action, constrained to respect the Brand Image, Identity and Integrity, the 3i factor, essential part of Marketing 3.0 according to P. Kotler [26].

To correctly approach the marketing process evolution Centro Studi is presently testing a declarative approach on process flow determination. Instead of applying rigid, prescriptive, decision making models we are approaching development process trying to identify "specifically" only the forbidden behaviors. Therefore, in this way, the communication process is representable by a set of rules, in a fairly open process structure, that should be capable to accept creative and logically expressed, innovative path ideas, within a declarative workflow [35]. By the contribution of the Information Technology (IT) and approaching in a global way the Marketing 3.0 and Process Development problematics we are trying to consider and work on a fairly integrated and coordinated, Business Process Modeling System, internally called 3i3, that should help further to coordinate and optimize the interconnected Multichannel Global Process-of the Distribution Company.

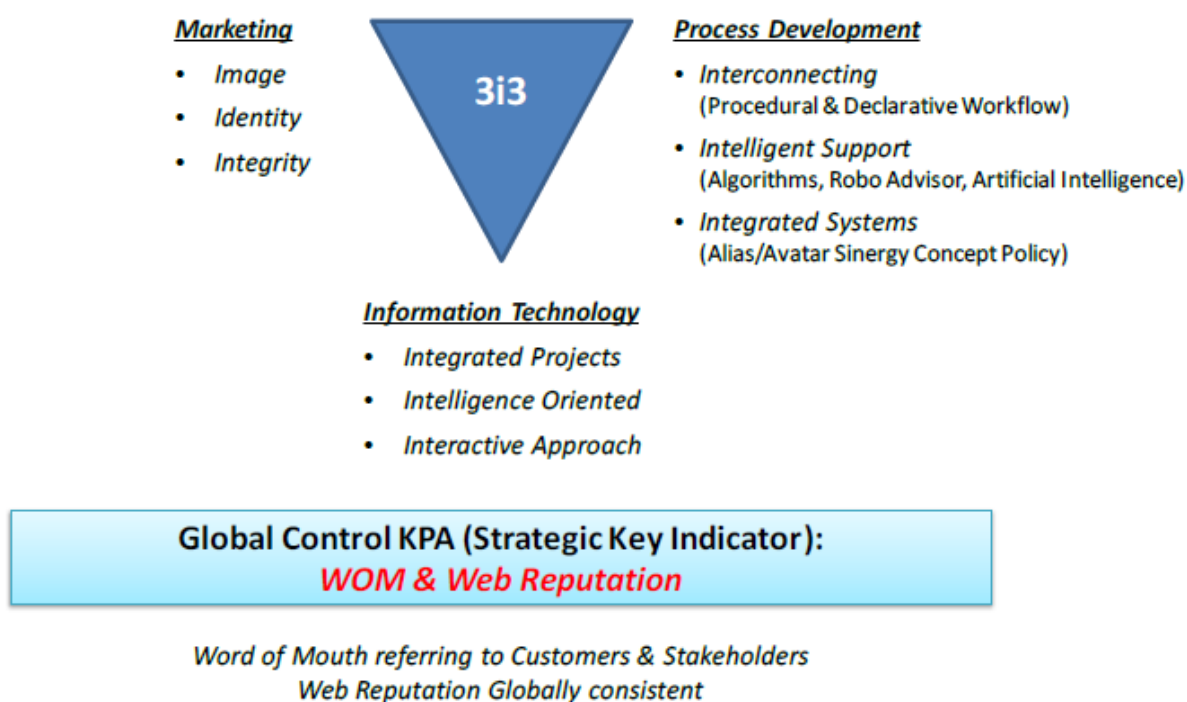


Figure 8. The 3i3, Global Business, Process Modeling System

By working this Process Development effort, we have identified two interconnected KPAs, to be properly monitored, one Local, the Word of Mouth, referring to Customers and Stakeholders, and a Global one, concerning the Web Reputation. Therefore, as a Company of Territorial nature, we are becoming more and more acquainted that in the IT and Digital Era, we may think to concentrate and strategically focus the operations locally but our Marketing and Process Development Process forces us to start to reason consistently, also in Global Terms.

5. MARKETING 3.0 AND INFORMATION TECHNOLOGY ROLE

The last 20 years are characterized by a rapid evolution in the communication media and consequently a revolution in the Marketing and Communication strategy. The evolution of these recent years is not very far from the Industrial Revolution or the massive spread of televisions in households. Just 20 years ago, Google was not existing, just 10 years ago Facebook & Instagram were not there. The way we consume is rapidly changing: The Observatory of Mobile B2C Strategy from Polytechnic of Milano is highlighting how the Mobile advertising is increasing this year 53% vs 2014 in Italy [36]. Speed is the key word for Companies who want to efficiently communicate with consumers: they need to be able to change, learn and update knowledge in a fast-paced environment. Content & Innovation are the 2 new key pillars of the marketing mix for a successful communication. The real challenge for Companies and Brands in the digital world is to be able to create and maintain a connection with the target audience. They need to deliver a meaningful content that resonate in a turbulent and noisy framework. They need to be able to attract the attention in a world where the competition is not anymore limited to the competitors' products voice, but is enlarged to a set of completely different industries such as television shows, films, videos and even sports events. Digital communication has, in fact, an ambivalent profile, being able to increase visibility for small and local brands or companies in the same way of a big multinational, but also creating a tremendous amount of noise. The pure emotional involvement is not enough anymore if not anchored to the relevant set of values of the addressed target. From the classic consumer centric marketing approach of Marketing 2.0 based mainly on gender/ age/occupation segmentation, marketing is rapidly evolving to a "values key set" segmentation approach in Marketing 3.0. [26].

5.1. Marketing 3.0: the new approach to consumers & values

This approach is more adaptable to the shift from the "one-to-one" communication to the "many-to-many" world of Social Networks, where everybody is able to influence, build, comment, share and shape a product or a service, through his direct action and contribution via the digital media. GFK has developed the ValueScope® model [37] measuring 54 Personal Values demonstrating that:

- Personal Values are at the core of human kind attitudes, motivations and behaviors
- They encompass all dimensions of life and are directly linked to the choices we make
- They provide a common ground for understanding differences between and within cultures and demographics
- They are relatively stable over time and enable to spot gradual societal changes

Reassembling the values in key "value types" they can be used in innovation processes to develop products that get to the heart of consumers' needs by considering their aspirations and helping people to meet them. They can be used in communications to establish messages that will deeply resonate with consumers and provide stronger cut through. They can also provide a more insightful way to encourage consumers' loyalty, as value set is normally more stable in terms of time.

5.2. Millenials

This context is related to the new digital born generation, the so called Generation Y or Millenials, that are the key target for almost all the marketers around the world and the most skeptical to standard advertising and communication. They are considered as the trendsetters' productive stream of the population. The ones able to rapidly spread words of mouth and declare the ultimate judgment on a product or service success or failure. This generation is constituted by people who were born from early 80's until early '00. They are characterized by a natural and extensive use of digital technology and a great familiarity with communication. Being exposed their entire life to TV commercials, magazines and slogans, Millennials are extremely diffident to standard advertising and just do not trust this way of being approached anymore. They tend to refuse the "one-direction" product

communication and their attention is quite low, unless entertained, stimulated and involved in a co-created content. The attention to content becomes therefore key to establish a relationship with this target, with a process that primarily focus on the key value type identification and adapt the message and the style even dramatically to the media supporting it. Brands & Companies are not only deputed to satisfy a need but are asked to actively take part in playing a role to define a value frame for a “better world”. Brand entertainment, communities, story-telling and edutainment are some of the most efficient way to do it. Some of the most famous examples of these trends are Companies as P&G who started branding the commercials with the P&G logo not anymore only as a quality statement, but as a true values proposition and a community umbrella. Brands as Dove with their “natural Beauty” campaign or Coca-Cola with the new released “Taste the feeling” campaign were able to perform a shift from a gender/need/taste pillars segmentation to a logo used as the carrier of the key brand value and promise. Looking forward it will be key also for the retail industry to start segmenting the audience in a more deep and complex way, delivering more complex content than just “You can find the product X, better displayed and at a better price”. Opportunities of buying products are already not limited to proximity anymore, trust & engagement is just a “never-ending-feed” process for new generations and competition is not anymore limited to other retailers. Embracing analytical cultures and invisible analytics, to address this fast changing world can help also the retail industry to become expert at converting that data into business success. The result is improved customer engagement, insight that informs creativity and better ways to customize offers [38]. Invisible analytics (identified by GFK as one of the most prominent technical trends of 2016) could, for example, be the key ingredient in the effective use of augmented and virtual reality in retail environments.

5.3. DOOH

A possible example of implementation of the presented scenario is DOOH. Digital out of home (DOOH) symbolizes the dynamic media distributed across placed-based networks through digital signage devices [39] as addressable screens, kiosks, jukeboxes and jumbotrons, with the aim to engage customers and extend the effectiveness of marketing experience. An example of DOOH is provided by Futura Point kiosk, appeared in 2012, whose functionalities are patented [40].



Figure 9. Example of DOOH devices (Futura Point interactive kiosk)

DOOH applications are one of the most important topic for retail environment [41], due to the change of traditional marketing into 1to1 approach, providing a custom shopping experience for the user. DOOH has received considerable interest from retailers and governmental institutions because of the benefits obtained in better managing and respond to the preferences of the users [42]. The implementation of DOOH scenario requires more and more technology, then there is an integration of Computer Vision techniques [43], Artificial Intelligence modules and Internet of Things. In fact, Computer vision provides algorithms to automatically collect soft biometrics of people in front of a smart screen or in a delimited controlled area. It is of great interest for industry. These approaches are mainly based on face detection module and involve gender recognition [44], age estimation [45], emotion recognition, gesture and pose detection algorithms [46]. In fact, the input about gender is very important to customize the shopping experience because it is possible to define two defined clusters, one for male and one for female. Thanks to the Age Estimation, it is possible to define some clusters for different age targets. Combining gender, age and ethnicity input, emotion detection and skeletal tracking analysis, it is possible to improve the dynamicity interactive of DOOH applications. Artificial Intelligence provides semantic networks for a support ontology based on knowledge-base. In an interconnected world of devices, also DOOH is an Internet of Things scenario, in fact, all the interactive interfaces are interconnected sharing information for the dynamic interaction with the user. All these technologies are targeted to the analysis of the behavioral state of the buyer. In our patented approach about behavioral analysis [47], we consider at first the 4 possible “response modes” defined by Miller Heiman in “The New Strategic Selling” [34] that are: Growth, Trouble, Even Keel, Overconfident. These Concepts, specifically developed for B2B Buyer-Vendor transaction cases suggest that: Buyers in Growth mode perceive that by buying a product or service, they will produce growth for their company (opened to vendor offerings). In Trouble mode, buyers perceive that they have to fill rapidly a business gap (e.g. it is losing customers, losing money, decreasing productivity) and understand that something must change (opened to vendor offerings). Buyers in Even Keel mode do not perceive a large enough gap between their position and their goal, then there is no urgency to change anything (closed to vendor offerings). Buyers in Overconfident mode believe that they are doing so well that the suggestion that your offering might improve their situation is practically an insult (closed to vendor offerings). In fact, they have a weak grasp of the reality and their mind is then closed to suggestions before to the natural fall to the trouble mode.

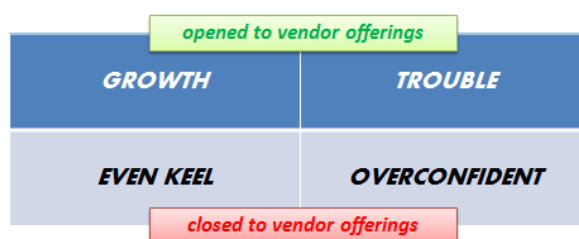


Figure 10. Response Modes

These concepts have been developed, applied and conceptually adapted, also to the B2C case and specifically utilized to tailor properly the Communication to each specific Customer Response Mode detected or targeted, considering the related variability as a function of the situation and information perceived by the individuals. This approach requires to consider also psychological aspects, as the Color Psychology Analysis [48] and Neuro-linguistic programming (NLP) analysis [49]. Neuro-linguistic programming (NLP) is an approach developed by Richard Bandler and John Grinder (in the 1970s) to communication, personal development, and psychotherapy. NLP teaches the ability to calibrate or “read” people (sensory awareness). It means the ability to interpret changes in muscle tone, skin color and shininess, lower lip size and breathing rate and location. From these and other indications it is possible to determine what effect these changes can have on other people. This information serves as feedback as to whether the other person is or not in a specific, desired state of

study or interaction. An important and often overlooked point is to know the singling out moment when the other person is in the state that you desire to detect. The development of this system is a multidisciplinary topic (computer vision, artificial intelligence, psychology and marketing) and it can improve current applications, providing new DOOH systems thanks to the use of an approach of complete 'reading' of people mind. The whole analysis could be validated further via a correlation between a set of actual behaviors and responses, determined in experimental and properly authorized sites, to achieve scientific levels of results acceptance, eventually differentiating the readings by considering specific applications.

6. RESULTS AND CONCLUSION

Considering the present Centro Studi initiative results the Group Board is clearly intending to proceed further in the Innovation and R&D project. The possibility of giving additional continuity to the action of supporting University driven initiatives by financing other Doctorates or specific studentships is also considered, provided the necessary synergic role continues to be correctly understood and accepted both sides as it appears to be now. It is specific role of Centro Studi, in fact, to exploit in terms of applied R&D applications the eventual findings, but a vital and continuous exchange of scientific information is considered essential to achieve this purpose. On the other hand, the independence and freedom on addressing the studies is also considered both sides as a necessary element for maintaining a correct path in the University studies and scientific formation. Regardless, the matters of interest for the integrated development of proper cultural knowledge is presently a large one, varying from Economic matters to Process Engineering, Statistics, Information Technology and so on, while the amount of resources from Company disposable income is scarce by definition comparing to the possible wills. Eventually, during the next period to come, Centro Studi shall identify more precisely the focus matters where to channel most of the available resources but, in the meanwhile, it is a precise present intention not to abandon, possibly, the pending contacts if there will be a continuous feeling of having established a jointly synergic relation.

As a conclusive reference concerning the Orizzonti Holding Group Strategic orientation, it is a precise Board and Entrepreneurial decision not to look for a short term listing alternative due to the present outstanding possibility of available banking and cash flow resources to finance further developments plans. The Group focus now is mainly directed to gather differentiated interests around common objectives following a properly shared and well designed common policy. The purpose of this strategy is the one of sharing Strength elements and by proper agreements to put aside eventual elements leading to individual weaknesses. It is not an easy path but a wisdom rule suggests that two crippled legs do not allow to walk without being shaky. On the other hand, it is not easy to coordinate differently managed healthy legs.

It is something to be learnt and proved by the actual results. Eventually, in case of success, it would be a joint Development for mutual benefit!

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