

CEO Event: Ex Libris' Digital Transformation



Digitalization changed just about everything for Swiss retailer Ex Libris. It affected the business model, channels, volume of business, the skills required by employees, and the supply chain. What did it take to stay relevant with today's consumer when price and selection becomes a commodity? How do you integrate different, and sometimes conflicting, business models while achieving revenue targets?

These are some of the things that alumni learned at the Ex Libris' Digital Transformation evening conference in Zurich in November 2016. Organized by **Jann Hatz**, MBA'96D, the well-attended event featured **Daniel R othlin**, CEO of Ex Libris, a retailer of books, music, movies, games, and electronics, operating both a digital platform that also owns 68 shops across German speaking Switzerland.



Daniel R othlin (*on the left in conversation with Jann Hatz*) has built his career on a broad set of experiences in the retail arena. He gathered in-depth knowledge at leading companies like Jelmoli, Globus, Charles V ogele and DiAx Communications before he joined Ex Libris' executive board in 2007 as Head of Retail. In 2010 Daniel was appointed CEO. Ex Libris is the largest Swiss online-shop for books, music, movies, games, and electronics.

Multi-year multi-front battle for market share

Describing his experience managing a digital transformation these past six years as CEO of Ex Libris, Daniel R othlin was detailed, passionate, and candid. In INSEAD tradition, there was no marketing fluff, just the hard facts. And the facts were indeed hard. In 1998 Ex Libris was a robust retail chain, partly owned by Migros, offering bestselling media titles at lower prices than the competition. Along came Amazon, iTunes, GooglePlay, Spotify, not to mention local startups selling CDs and games online, and suddenly the company was facing a multi-year multi-front battle for market share and turnover in every media segment it operated in.

Dial forward to 2016, Ex Libris has come out on top. Today Ex Libris owns 60% of the music market, 50% of the films market and 20% of books with an attractive margin, according to R othlin, "Worldwide, Ex Libris is one of the few domestic competitors to keep ahead of Amazon in the books segment, and our online sales are growing each year," said R othlin.

Having achieved pole position does not mean that R othlin can rest now. Times have changed. For example, blockbuster films used to generate 10,000 unit sales, now a blockbuster title sells only 2,000. Earning as much from physical products as possible and growing market share is essential. "It buys us time to find the new product and retail concepts that will keep us growing," said R othlin.

The participants enjoyed putting their minds to solving that particular problem during the Q&A and ap ero afterwards. "Creating value for consumers and staying relevant in an age where retailers can no longer compete based on having the best prices and access to bestselling products is where the real creativity and ingenuity in business lies," commented Jann Hatz.



Speed With Cost Efficiency

Once the decision was made to compete head-to-head with digital natives as they emerged, starting with Amazon, R othlin executed a significant number of transformation projects in the Swiss German market, three a year since 2010, including the roll out of several award-winning mobile apps, a pioneering new video-on-demand service (with Samsung paying some of the development cost), an algorithm-driven procurement system, and a point of sales system (POS) that enables in-depth real-time data for decision-making, as well as fast checkout and easy returns for customers.

This was all done cost-efficiently. Investments over the digital transformation period cost about 1.4% of turnover. The low cost was achieved by buying-in technology whenever possible, outsourcing development, and using cloud services. R othlin only employs 11 people in IT. "Technology changes far too quickly to try to do development in-house," said R othlin.

Ex Libris now offers its cross-media platform to other retailers, along with partnering for consumer pickups in physical shops, as part of R othlin's concept of "touching every last book, every last CD and every last game" sold in German-speaking Switzerland. Partners include M-Electronics, Galaxus, Digitec and several others that do not belong to the Migros cooperative, that is, retailers that it used to compete with are now using its platform.

Alumni, many of whom are tasked with the same type of transformation in their own companies, were struck by the speed of action and cost efficiency. They also probed the change management approach during the Q&A. R othlin described how he kept the entire organization informed and involved, benefitting from the know-how within the company to come up with new and better ways to support the business.

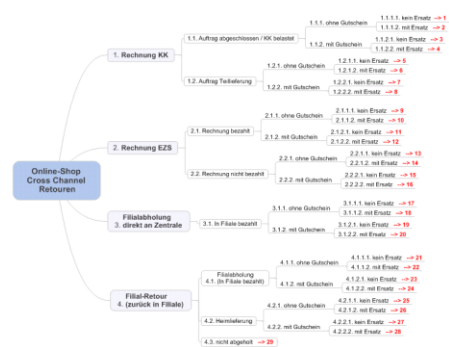
R othlin explained that without the input from long-term employees, cashiers and sales staff, the POS system would not have been able to capture the complexity of the returned-items process (see Fig.1 Returned). In a cross-channel environment, every item can be delivered, paid for, and returned in multiple ways, not to mention discounts, loyalty cards, partial order fulfillment, refunds and replacement items.

The handling of the complexity of returned items cases is so well-crafted that R othlin is now in a position to negotiate partnerships with pure-play online retailers.

Re-Branding, Redesign, Demand Creation

R othlin's insights into emotion marketing were particularly sought after by the audience who were curious to learn how that translates into day to day business. Emotion marketing is expected to create demand and consumer loyalty. R othlin hopes that the new store concept will make that clear soon. The shops are also integral to the online sales cycle increasing store

Figure 1. Returned Items: Online Shop and Cross-Channel



traffic and turnover. Attractive to the eye, a place for families and gift buyers, he expects store revenues to benefit from spontaneous emotional purchases at POS.



Figure 2. Before and After. From Discounter-Look to Cozy Family Bookshop Ex Libris Store in Burgdorf. Source: Ex Libris

Emotion in retail is a double-edged sword because it is so short-lived. The audience was astonished at the short lifespan of digital games. “People will line up on the day of release, sales will pop, but after three days, if the game has not sold, it will never be sold,” said Rothlin, adding that having favorable returns policies with suppliers is a pre-requisite for purchase orders.

More emotional marketing is behind the redesign of the shops (see Fig.2. Before and After Photos). The makeover locations are carefully selected and the rollout is being done in stages. Besides re-designing the stores, storytelling at point of sale is part of the marketing strategy. At the moment, Ex Libris is experimenting. With recipe books and developing a narrative around them, offering weigh-scales, measuring cups and accessories to match the theme.

Conclusion

Within a decade, Ex Libris, a Swiss discount book and film retailer, transformed itself into a leading consumer cross-channel platform for books, movies, games, ebooks and music. With a warmer, cozier, attractive shop concept, new partnerships to forge, a market-leading position to protect, and the juggernaut of the next big thing in digital, the ongoing Ex Libris story is not going to be short on emotion, creativity and ingenuity.