THE WESTERN PARANÁ STATE UNIVERSITY
POSTGRADUATE PROGRAM IN ADMINISTRATION
PROFESSIONAL MASTER'S DEGREE

SCENARIOS SIMULATION AND STRATEGIC REFORMULATION:
The case of a multichannel retailer

[TRADUÇÃO INGLESA]

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CASCAVEL
2021

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SIMULAÇÃO DE CENÁRIOS E FORMULAÇÃO ESTRATÉGICA:
O caso de um varejista multicanal

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The case of a multichannel retailer

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Dissertation presented in partial fulfilment of the requirements for the degree of **Master of Science in Administration** in the Department of Administration, Western Paraná State University.
Dissertation Supervisor: Dr. Claudio Antonio Rojo

Dissertação apresentada ao Programa de Pós-Graduação em Administração (PPGAdm) – Mestrado Profissional, da Universidade Estadual do Oeste do Paraná, como requisito parcial para obtenção do grau de **Mestre em Administração**.
Orientador(a): Dr. Claudio Antonio Rojo

Cascavel
2021

International Cataloging-in-Publication Data
UNIOESTE Library System

Zadinello, Viridian Afonso.
Scenario simulation and strategic reformulation: The case of a multichannel retailer. / Viridian Afonso Zadinello; Advisor: Claudio Antonio Rojo; [Translation of Francieli Motter Ludovico], 2021.
65 f.

Dissertation (Degree in of Master of Science in Administration) – Department of Administration, Western Paraná State University, 2021

[English version of: Simulação de cenários e formulação estratégica: O caso de um varejista multicanal.]

1. Strategic planning. 2. Scenarios. 3. Retail. E. e-commerce. I. Rojo, Claudio Antonio. II. Ludovico, Francieli Motter. III.Title.

Universidade Estadual do Oeste do Paraná

VIRIDIAN AFONSO ZADINELLO

SIMULAÇÃO DE CENÁRIOS E REFORMULAÇÃO ESTRATÉGICA: O caso de um varejista multicanal

Dissertação apresentada ao Programa de Pós-Graduação em Administração em cumprimento parcial aos requisitos para obtenção do título de Mestre em Administração, área de concentração Competitividade e Sustentabilidade, linha de pesquisa Estratégia e Competitividade, APROVADO(A) pela seguinte banca examinadora:

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Cascavel, 15 de dezembro de 2021

ZADINELLO, Viridian Afonso. Simulação de cenários e formulação estratégica: O caso de um varejista multicanal. 78f. Dissertação (Mestrado Profissional em Administração) – Programa de Pós-Graduação em Administração (PPGADM) – Universidade Estadual do Oeste do Paraná, Cascavel – PR, 2021.

RESUMO

O objetivo deste trabalho foi elaborar um planejamento estratégico, por simulação de cenários e planos de ação com estratégias para cada cenário simulado, em um varejista multicanal que atua com loja física e virtual. O modelo utilizado para simular os cenários e formular as estratégias contidas no plano de ação foi o Modelo Rojo (2006), que possui 5 níveis. O primeiro passo foi realizar a aplicação do nível 1 do Modelo Rojo, a técnica Delphi, seguido da aplicação de ferramentas estratégicas, simulação de cenários, elaboração de estratégias e formalização do plano de ação. Os resultados alcançados auxiliaram a organização na reformulação da sua missão, visão e valores, bem como na criação de estratégias para diversos cenários possíveis. Essas estratégias servirão como uma forma de prevenção, caso algum dos cenários simulados venha a se concretizar.

Palavras-chave: planejamento estratégico, cenários, varejo, *e-commerce*.

ZADINELLO, Viridian Afonso. Scenario simulation and strategic reformulation: The case of a multichannel retailer. 78f. Thesis (Professional Master's Degree in Administration) – Postgraduate Program in Administration (PPGADM in Portuguese) – The Western Paraná State University, Cascavel – PR, 2021.

ABSTRACT

The objective of this work was to elaborate a strategic planning by simulation of scenarios and action plans with strategies for each simulated scenario in a multichannel retailer that operates with the physical and virtual store. The model used to simulate the scenarios and formulate the strategies contained in the action plan was the Rojo Model (2006), which has five levels. The first step was to perform the application of level 1 of the Rojo Model, which is the Delphi technique, followed by applying strategic tools, simulation of scenarios, elaboration of strategies, and formalization of the action plan. The results achieved helped the organization reformulate its mission, vision, and values, as well as in the creation of strategies for several possible scenarios. These strategies will serve as a form of prevention if any simulated scenarios come to fruition.

Keywords: strategic planning, scenarios, retail, e-commerce.

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SUMMARY

1 INTRODUCTION

The retail company is responsible for offering the industry’s products and offering them to the final consumer. Therefore, it acts as an intermediary in the production chain. In recent years, this segment has experienced a high degree of competition at the national and international levels. Much of this increase is due to the globalization of opportunities, financial flows, and suppliers. In order to remain competitive, retail companies have sought to meet the demands of a new consumer, the virtual consumer, the one who makes his purchases at a distance without traveling to the physical store (França & Siqueira, 2003). This fierce competition can also be explained by the ease of opening a digital company. According to the Brazilian Association of Electronic Commerce (2020), 107,000 new virtual stores were created in the period from March twenty-third to May thirty-first, 2020.

In this disputed environment, many companies have sought to operate multichannel, offering their products in more than one sales channel, such as the company of this study itself, which works with physical and virtual stores. In this reality, the organization is in a more complex situation because, in addition to the existing concerns in traditional retail, it also needs to deal with new demands, threats, and competitors that virtual retail brings.

In this way, companies must plan strategically, explore the environment in which they are inserted, take advantage of the market’s opportunities, and neutralize possible threats. Rojo (2006) developed a model for scenario analysis that assists organizations in their strategic formulation and prepares them for possible future turbulences. Thefore, the company is not surprised and can absorb the impacts more easily because it planned previously for that situation.

Understanding the particularities of retail, multichannel management, and the need to plan strategically, this study addresses the simulation of scenarios and strategic formulation in a retail company located in the West of Paraná, which operates in the cosmetics and makeup segment. The methodology used was the Rojo Model (2006) for simulation of scenarios, in addition to the application of strategic tools, such as SWOT analysis, BCG matrix, and Porter's Five Forces, to obtain the competitive information of the company and the environment in which it operates. A reformulation of the company's vision, mission, and values will also be made. After applying the tools, the company's scenarios will be simulated, dividing them into two operations, physical and virtual retail. With the simulated scenarios, strategies will be created so that the organization can achieve the best result within each scenario. Finally, an action plan will be drawn up, adjusting all strategies with the company's capabilities.

1.1 RESEARCH PROBLEM

Retail has undergone significant changes in recent years. Until the end of the 20th century, much of the transactions were carried out by physical stores. With the popularization of the Internet, virtual retail appears, enabling people to make purchases over the Internet. With the entry of traditional retailers into the digital environment and changes in people's consumption habits, multichannel retail emerges to offer its products in various sales channels and improve the user's shopping experience. In this dynamic environment, changes happen quickly, and companies need to invest in technology, especially in the matter of meeting consumer desires, with creative and differentiated offerings (Lepsch & Toledo, 1998).

This study arose from a concrete need for a retail company in the cosmetics and perfumery segment located in Paraná. During a pandemic caused by Covid-19, it had to close its physical store and concentrate its efforts on an online sales channel. This fact occurred in March 2020. The company's revenue was very concentrated in physical retail, although its digital channel existed, but with low representation. The company, founded in 2014, has two partners and two employees and, like several other micro-companies, had to look for ways to prevent revenues from falling and meet the financial obligations of the following months.

This change in focus made the company see that its strategic planning was outdated because it did not contemplate the scenarios the company was going through, nor did it propose actions to react. In addition, there was a need to develop strategies separated by sales channel because, although the company is a unit, the performance in each scenario is different, the competitors are others, the profitability, the costs, the product mix, all these factors work differently according to the sales channel.

Thus, this study aimed to use a methodology for the simulation of scenarios and the application of strategic tools to diagnose the environment and formulate new strategies for the organization, separating them by sales channel. Therefore, the organization will not be taken by surprise and will have an action plan that can be put into practice in case a scenario materializes. In addition, the company will get an overview of the market in which it is inserted to identify possible opportunities and neutralize threats that may harm it.

1.1.1 Research Question

How can scenario simulation help in the strategic formulation of a company that operates simultaneously in different sales channels?

1.2 OBJECTIVES

1.2.1 General

Develop strategic planning through simulation of scenarios and action plans, with strategies for each simulated scenario.

1.2.2 Specific

a) Identify the critical business variables;
b) Perform strategic diagnosis using matrix SWOT, BCG, and Porter's Five Forces;
c) Realign the mission, vision, and values of the organization;
d) Simulate the scenarios for the organization based on the Rojo model.

1.3 JUSTIFICATION AND CONTRIBUTION OF TECHNICAL PRODUCTION

From a theoretical point of view, this work identified the opportunity to work the Rojo Model (2006) for the simulation of scenarios in a multichannel retailer, demonstrating the depth of its application. Another point considered for the execution of this work is the low number of studies on companies that have an e-commerce operation, that is, that sell over the Internet, mainly in the field of strategy and simulation of scenarios. In addition, another motivation was the low number of works that approach multichannel companies, showing their peculiarities and differences concerning pure retailers.

Within the scope of the organization under study, the justification is given that the simulation of scenarios, combined with the strategies formulation, will help the company in its decision making, as it will provide a diagnosis of its environment, expanding its view of itself and its competitors. It will allow more profound knowledge of its strengths, weaknesses, opportunities, and threats, preparing it for the future and providing inputs to remain competitive in the market.

Multichannel management by retail companies is a trend that is here to stay. In Brazil, the experience of companies with this type of activity is still recent, and challenges remain open, especially regarding the management of a dual strategy (Porto, 2006).

1.4 STRUCTURE OF THE REPORT OR THESIS

This work is divided into five chapters. Chapter 1 has the introduction, which aims to contextualize the reader about the research, followed by the research problem, general objective, specific objectives, and the justification for the production of this work. Chapter 2 presents the theoretical references to the theme studied. It is divided as follows: Retail; Virtual Retail; Multichannel Retail; Strategic Planning; Strategic Tools; Mission, Vision, and Values; SWOT Analysis; BCG matrix; Porter's Five Forces; Scenarios; and Rojo model for Scenario Simulation. Chapter 3 discusses the methodological procedures that were used in this study. Chapter 4 shows the analysis and interpretation of the results. And finally, chapter 5, with the final considerations of the study.

2 THEORETICAL AND PRACTICAL REFERENCES

2.1 RETAIL

The retail company is the link between the products manufactured by the industry and the final consumer, acting as an intermediary in the production chain (Lepsch & Toledo, 1998). Retail includes all activities necessary to offer goods and services directly to the final consumer for personal use (Kotler & Keller, 2006; Parente, 2000). A well-accepted definition of retail is from the American Marketing Association, which says that retail is a business unit that buys goods directly from industry or wholesale and sells them to the final consumer. The way the sale is made does not matter; it can be in person, via the post office, telephone, or in a store (Las Casas & Barboza, 2007).

Retail has a set of activities that add value to the products sold and refers to the last stage of product distribution, characterized by a closer relationship with the customer (Mattar, 2011). Understanding the purpose of retail, it is clear that its "product" is not only the physical good that is being marketed but rather a series of attributes and services of a store, which can be price, product quality, building architecture, service, parking, location, payment methods, among others (Lepsch & Toledo, 1998).

According to Parente (2000), the retailer has four essential functions that it must meet. The first consists of offering a wide variety of products with varied attributes, such as size, colors, and prices. The second function consists of receiving larger batches from industry or wholesale and selling small batches to the final consumer. The other two functions are to keep stock of the products it markets and to offer services to its consumers.

Like any other business, retail has its primary functions that need to be carried out to ensure minimal results. Frame 1 below demonstrates and explains these functions:

Function	**Description**
Sales	Promotion of the mix for customers
Shopping	Buy an assortment of products from multiple suppliers
Selection	Curate products thinking about your target audience
Financing	Offer payment terms that facilitate trading
Storage	Protect the product and maintain stocks to offer to customers, avoiding stockouts
Distribution	Buy in large quantities and fractionate them to sell to customers
Quality control	Evaluate the quality of products and assist in improving them

Transport	The physical movement of the product until it reaches the customer
Marketing information	Provide market-related information to suppliers
Risks	Absorb risks, especially those related to inventory and obsolescence

Frame 1. Primary functions of the retailer
Source: Adapted from Las Casas and Barboza (2007).

Retail has some classifications related to the way it operates. According to Mattar (2011), the distinction can be made following criteria such as marketed merchandise, affiliation, company size, location, legal form of setting up a company, characteristics peculiar to the organization, and sales channel adopted. This study addressed the retail formats, according to the company's sales channels, which are two, retail with a physical store and without a physical store, in this case, the virtual one.

Las Casas & Barboza (2007) present thirteen possible classifications in the retail format with the store: specialty stores, department stores, chain stores, independent stores, cooperatives, supermarkets, hypermarkets, discount stores, warehouses, variety stores, outlets or factory stores, convenience stores, and single price stores. Each of these types has its particularities and characteristics, usually related to service, store size, product assortment, location, and quantity of items (Levy & Weitz, 2011). Frame 2 demonstrates the types of retail that exist in the store format.

Type	**Characteristics**
Specialty stores	It is formed by independent retailers that offer consumers a single line. They operate with a limited number of product categories.
Department stores	Department stores are large and present a wide variety of products, such as tools, appliances, clothing, bed, table, men's and women's clothing. It can be said that these are several specialized stores, departmentalized.
Chain stores	It is defined as a group of four or more stores that operate in the same type of business. The economy at scale for purchases is the advantage of this category. Supermarkets and department stores can be cited as examples.
Independent stores	They are characterized by administrative simplicity and often by personalized customer service due to the more direct contact between owners or managers with customers.
Cooperatives	Groupings of independent retailers. Each operates their store, but they make certain decisions together, such as shopping and promotions.
Supermarkets	Establishments that are structured in departments, with stock.

Hypermarket	The junction in a single physical space of discount stores and supermarkets, where food and non-food products are offered, usually with lower prices than those shown in retail due to the great negotiation condition of purchases by these stores.
Stores of discount	Varied line of products, for example, food, clothing, toys. The characteristics of these stores are low prices and always offering traditional national brands.
Warehouses/Grocery stores	Stores that offer a basic line of groceries, cold cuts, and dairy products are almost always installed on the periphery.
Stores of Varieties	Retail stores that work with a huge diversity of popular, low-value merchandise. The products offered: stationery, women's accessories, toys, housewares, and others.
Outlet/factory stores	Retailers that offer a low price for out-of-season products or with minor defects; are usually operated by the manufacturers themselves.
Stores of convenience	Stores that offer some food products and other daily need products. Higher prices than those charged by supermarkets. This type of retailer gives consumers the convenience of location and time. They are usually installed in gas stations.
Single price stores	Retailers that offer household merchandise, gifts, and toys, at low prices, common to everyone.

Frame 2. Types of retail with a physical store
Source: Adapted from Las Casas & Barboza (2007).

There are also retail formats without a physical store. Las Casas & Barboza (2007) mention five: direct mail, telemarketing, virtual retail or e-commerce, door-to-door sales, and sales by machine. Frame 3 explains each of these sales models without a store.

Type	**Characteristics**
Direct mail	Brochures, catalogs, letters of postal reimbursement, where products and services are also offered and presented.
Telemarketing	Telephone contacts, in which certain products or services are presented and offered.
Virtual/online retail	Electronic retail, retail offered through the Internet, places that enable and offer convenience to the final consumer, and where he or she carries out every purchase transaction. Much of the retail with stores offers its products and services online.
Door-to-door sales	A direct form of a sale to the consumer, personal contact, demonstration, and explanation of the products.
Sales by machine	Products are offered through machines in which the consumer deposits money. These machines are usually installed in places with a great circulation of people.

Frame 3. Retail formats without store
Source: Adapted from Las Casas & Barboza (2007).

According to Mattar (2011), retail has been one of the sectors most sensitive to consumer change, where social, cultural, and economic changes in purchasing and consumption behaviors are perceived more quickly. For the retail company to succeed in this highly changing environment, it is necessary to have competitive advantages. It must be ahead of its competitors, making its strengths meet the needs of consumers (Ghemawat, 2000).

The changes that affect retail directly impact the profitability of companies because, with the ease of access to information and high supply of products, the consumer has been able to expand its strength in front of retailers. With more power in their hands, seeking better products at lower prices, companies have faced a scenario of extreme competitiveness. When promotions, campaigns, and lower price policies are on one side, investment in stores, brands, and communication are on the other side (Souza & Sorrentino, 2002).

2.2 VIRTUAL RETAIL

As Information Technology (IT) has advanced and enabled easy and fast access to information, market dynamics have undergone numerous alterations, spaces have been shortened, and competitiveness has not been restricted to the regional limit, but distant markets have become accessible. One of the pillars of this change was Internet use, which enabled the connection of several economic actors with low cost and rapid exchange of information. Activities involving IT have evolved from simple processes of connection between buyers and sellers to sophisticated electronic markets, covering producers, suppliers, sales channels, and consumers, all connected by a network of electronic interactions (Albertin, 1998).

This more complex dynamic, which connects several economic agents, allowed more robust systems to create virtual retail, which is nothing more than the offer of products using the Internet, facilitating the entire purchasing process (Las Casas & Barboza, 2007). Laudon and Laudon (1999) define e-commerce as a sales channel that uses Information Technology to automate the purchase and sale of products, bringing several benefits such as time, shortening distances, relationship with the customer, and ease of purchase.

E-Commerce (EC) can be defined as buying and selling information, products, and services through computer networks. However, it can have different definitions: from a communications perspective, the EC is the delivery of information, products/services, or payment via telephone lines, computer networks, or any other electronic means; from a business process perspective, the EC is the application of technology for the automation of business transactions and data flows; from a service perspective, the EC is a tool that addresses the desire of businesses, consumers, and management to cut service costs, while improving the quality of goods and increasing the speed of service delivery; from an online perspective, the EC provides the ability to buy and sell products and information through the Internet or other online services (Kalakota & Whinston, 1997 apud Albertin, 2001, p. 10-11).

In partnership with Paypal Brasil, a survey by BigData Corp, conducted in 2019, showed that the number of virtual stores in Brazil grew 37.59% compared to 2018, totaling more than 930,000 e-commerce sites. E-commerce revenues are also at an increasing pace. Another survey conducted by Webshoppers (2018) showed that digital retail earned R$ 53.2 billion, this only with sales of new items. This sale represented 40% of the total amount, which was R$ 132.7 billion, and meant a growth of 12% compared to 2017.

This increase in sales is related to the convenience that online shopping offers to the consumer, because it allows the user to browse several stores in different locations at any time (Parente, 2000). The easy accessibility to the most diverse retailers also brings financial gains to the consumer. Most of the time the customer does not visit several physical stores before buying the product and maybe pays more (Newman & Staelin, 1992 apud Childers, Carr, Peck & Carson, 2001). In addition, virtual shopping reduces psychological costs, as there are no queues, traffic, and search for a parking space (Childers *et al*. 2001).

Las Casas & Barboza (2007) highlight that virtual commerce is a great trend in retail because the costs are much lower than those of a physical store. There are no expenses with rents, maintenance of commercial points, and employees. However, online stores have high costs for designing, maintaining, and updating their website, and a high cost to attract customers, maintain distribution systems, be dedicated to meeting individual orders, and deal with a high level of return on goods. This overhead can make an e-commerce operation even more expensive than a physical retail (Levy & Weitz, 2011).

Levy and Weitz (2011) highlight three advantages electronic retail has over other sales channels. They are the possibility of offering a larger number of products, more complete information of the items to facilitate the purchase decision, personalization of offers, and information for each customer profile. However, e-commerce still needs to break down some barriers to have greater market insertion. Mattar (2011) highlights some of these points, such as the prevailing culture of face-to-face purchases, uncertainty about the security of users' information, and delivery logistics. Below, Frame 4 demonstrates the advantages and disadvantages that e-commerce has.

	Advantages	**Disadvantages**
Consumer	24 hours a day purchase availability. Detailed information about the product and the company. Prices are generally lower than in physical stores. Convenience and ease when buying and receiving the order. Possibility to compare several offers of the same product.	Inability to contact the product before purchase. The customer has a waiting time to receive his order.
Company	No need to worry about store size. Lower operating costs. The broad reach of the target audience. The store is always open. Easier relationship with customers.	Low management know-how. More complex logistics. Low impulse buying index. Incipient legislation. Market pressure for lower prices.

Frame 4. Advantages and disadvantages of e-commerce
Source: Adapted from Bergamo e Giuliani (2007).

Despite the growth of e-commerce and its advantages to companies and buyers, some retailers have found it challenging to enter this selling channel. The main points highlighted are the disarticulating technology, fear of cannibalization, conflicts between sales channels, and the fact that business management is totally different (Mattar, 2011).

2.3 MULTICHANNEL RETAIL

Modern companies are no longer thinking about whether they should operate in physical or online retail, but rather to operate in a multichannel way, that is, operate within all channels that the consumer desires. Organizations must act on both the physical and online channels (Mattar, 2011). Multichannel retailing can be defined as the opportunity given to the customer to purchase a product at a particular retailer but using different buying channels (Nicholson; Clarke; Blakemore, 2002 apud Porto, 2006).

For Souza and Sorrentino (2002), companies that seek emphasis on the multichannel want to strengthen the relationship with customers, serving them when, wherever, and how they want. Purchase expectations and motivations can be different in each sales channel. In this way, they must complement each other and not compete with each other. The same customer can relate to the company in several channels. At one point, he might be impacted by a product launch and purchase it in the physical store. At another, he might buy a basic replacement item that he already knows, using the convenience of the Internet.

According to Levy and Weitz (2011), traditional retailers with physical store operations are seeking more than one channel, with an emphasis on online sales, for five reasons: the first is the possibility of reaching a greater number of customers; the second point is the increase in customer loyalty by operating in several channels; the third reason is about the information that the organization is able to obtain in relation to consumer behavior; the fourth and fifth points refer respectively to the possibility of entering other markets and the creation of competitive advantage. In addition, Souza and Sorrentino (2002) state that the future of retail does not pass through stores, e-commerce, or catalog sales but rather multichannel retail.

Regarding advantages that a traditional retailer has when starting a multichannel operation over an online store, which does not have physical commerce, Souza and Sorrentino (2002) highlight: brand, customer relationship, lower cost of customer acquisition, permanent media, fulfillment, options, after-sales, inventories, greater negotiation power with suppliers, and sustaining of deficit operations. Furthermore, customers of multichannel companies spend more than those of companies operating in a single channel and are also more loyal to them. This information is useful for marketers to create strategies that connect products and channels, providing an even more complete and personalized customer experience. If the integration between the channels is done correctly, a competitive advantage is created, and customer satisfaction increases (Valos, 2008).

In 2017, e-commerce sales accounted for 5% of the total volume transacted in retail. This number does not represent the real importance of this channel in consumer purchasing decisions (*Sociedade Brasileira de Varejo e Consumo*, SBVC in Portuguese, Brazilian Retail and Consumption Society, 2018). Brazilians research products and compare prices on their cell phones more than the world average, even if they do not buy over the Internet. Owning a digital channel has become a powerful factor in the buying process, which further highlights the multichannel behavior consumers are experiencing (Terra, 2018).

The 2018 edition of the 50 Largest e-commerce Ranking, developed by the SBVC, brings important information about the performance of multichannel companies. According to the survey, online sales of the companies in the ranking, which have a multichannel operation, represented 11.7% of the total billed by each company, well above the retail average, which is 5%. The same study points out that of the 50 largest virtual stores, 36 have a multichannel operation. It is clear that retailers that can integrate their sales channels and offer a shopping experience, harmonizing products, prices, and services between channels, are able to achieve greater market share (Porto, 2006).

However, deploying multichannel management is not as simple as it seems. The company needs to face many challenges to achieve a satisfactory result. Souza and Sorrentino (2002) highlight some points that should be taken into account when migrating to a multichannel model. They are: infrastructure, which must contain an integration between systems; data consolidation and inventory control; pricing policy; communication; relationship with the client; logistics; exchange and returns policy; and cross-selling.

2.4 STRATEGIC PLANNING

The act of planning within companies does not happen only due to the competitive environment, globalization, and market uncertainties but also because there are tasks that must be performed, activities that need to be fulfilled, and products or services that must be manufactured and offered (Catelli, 2001). Planning consists of a simulation of the company’s future and the stipulation of the actions and resources that will be used to achieve the objectives. Stoner and Freeman (1999) highlight two aspects of planning: the intended objective and the means to achieve it.

Oliveira (2007) divides planning into three hierarchical levels: strategic, tactical, and operational planning. Generally, the top management does the planning, coordination, and execution of the strategic level so that the objectives can be achieved. The tactical level aims at optimizations in specific parts of the company, so it will work with the apportionment of objectives and strategies that are defined in strategic planning. Finally, operational planning is carried out at the lowest level of the hierarchy, and day-to-day tasks are its focus (Oliveira, 2009). Figure 1 represents the hierarchical level of planning and the types of decisions that are made at each level.

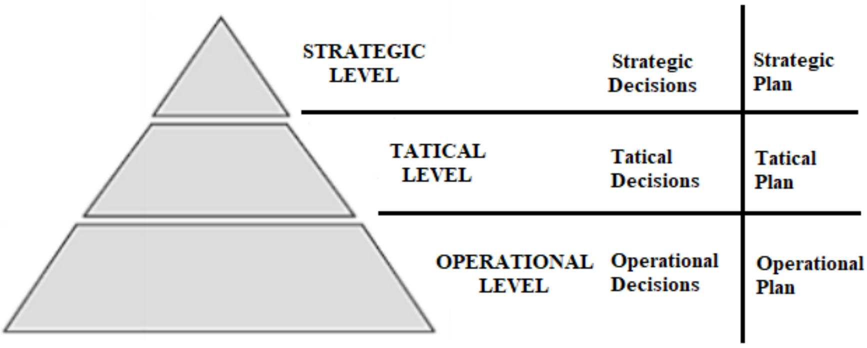

Figure 1. Levels of decisions and types of planning
Source: Oliveira (2007).

Regarding the definition of the concept of strategy, Luecke (2010) defined it in its original sense as a military term that describes the art of the general. It is the stipulated plan for moving the troops in order to defeat the enemy. Bringing to the field of business, Oliveira (2007) defines strategy as the way to best achieve the goals and objectives proposed by the company. Wright, Kroll, and Parnell (2000) link strategic alignment with the company's mission, saying that top management plans are the strategy to achieve consistent results that are in synergy with the organization's objectives and mission.

To formulate its strategies, the company must take into account some factors. Oliveira (2007) cites three: the first is the company itself because it must take into account its strengths, weaknesses, its mission, and its objectives; the second point is the environment where the organization is inserted because it must take into account possible market changes, in addition to threats and opportunities; the last point is the integration between company and environment since it is aimed at the best possible adequacy at taking into account the organization’s vision and values.

The advantage of strategic planning, unlike other types of planning, is that it is more flexible because, as the organization is inserted into a changing environment, suffering influences from external variables, which cannot be controlled, it may be necessary for the company to review its strategic planning (Rojo, 2006; Thompson Jr, Strickland III & Gamble, 2008).

In the context of retail, Mattar (2011) brings up some points that should be included in the diagnostic phase of the environment. They are the location of the company; size, and growth of demand; competition; desires and needs of the target audience; strengths and weaknesses of competitors; advantages and disadvantages of the organization compared to competitors; and finally, the opportunities and threats to the company.

2.5 STRATEGIC TOOLS

To properly execute strategic planning, the manager needs to be equipped with some tools to assist him in the organizational diagnosis phase. This work used four instruments: the definition of mission, vision, and values; SWOT analysis; BCG matrix; and Porter's Five Forces.

2.5.1 MISSION, VISION, AND VALUES

It is extremely important that strategic planning is aligned with the organization's mission and reflects the values of senior management. The mission is nothing more than the purpose of the company, the reason for its existence. Know what to do, for whom to do it, in what way, and its differentials (Sertek, Guindani & Martins, 2008). The mission should not be complex and does not need to be sophisticated, on the contrary, it must be easy to understand (Kotler, Kartajaya & Setiawan, 2010).

On the other hand, the vision reflects the path to be traveled in the long term, "it is what the company expects to be in a given time and space. The vision describes what the organization objectively wants to accomplish in the coming years of its existence. It usually covers the long term (five years or more)" (Mattar, 2011, p. 172).

Finally, values represent the principles and beliefs of the organization, they are one of the pillars of decision making (Oliveira, 2009). These values generally symbolize the actions of its founders, managers, and collaborators and can be documented in a code of ethics (Mattar, 2011).

2.5.2 SWOT ANALYSIS

SWOT analysis means Strengths, Weaknesses, Opportunities, and Threats. It is a strategic tool developed by Kenneth Andrews and Roland Christensen. Its function is to create a competitive and organizational strategy through the analysis of the internal and external environment (Gürel & Tat, 2017). As it is also called, the SWOT matrix, has been widely used in strategic management, and its main purpose is to cross information about the internal and external environment (Chiavenato & Sapiro, 2003). Figure 2 shows the graphical representation of the SWOT matrix.

SWOT MATRIX		
Internal Environment	**Forces**	**Weaknesses**
External Environment	**Opportunities**	**Threats**

Figure 2. SWOT Matrix
Source: Adapted from Humphrey (1995).

The strength of a company is related to the characteristics in which the organization is more effective and efficient compared to its competitors. The organizational weaknesses refer to situations in which a company's current capabilities are inferior to those of its competitors. Regarding opportunities, these refer to positive situations that the market offers and that would yield satisfactory results. And finally, threats are the situations that could occur, threatening the existence of the company's organizational superiority (Gürel & Tat, 2017).

2.5.3 BCG MATRIX

The BCG matrix is a tool developed by the Boston Consulting Group. Rojo (2006) explains that the matrix aims to demonstrate, in a visual way, the framing of the Strategic Business Units (SBU) of a company. These strategic units correspond to an organization’s key business and can represent a division, product line, or specific products (Dias, 2003). A SBU has three characteristics: it must be an isolated business or something that can be planned separately; it must have its competitors and a strategic person responsible for the unit (Kotler, 1994).

The matrix is composed of four quadrants, each representing a different SBU. The parameters used are the market percentage of the company and the growth rate of this market (Boone & Kurtz, 1998). The BCG matrix can be viewed in Figure 3.

Figure 3. BCG Matrix
Source: Adapted from Henderson (1970).

The question mark, for example, is characterized by businesses with a high growth rate, but the company has little market share. It usually requires high investments, and, in this case, the company must evaluate the continuity of this SBU (Kotler, 2000). The star quadrant refers to businesses with a high growth rate and high market share. The goal is for businesses like this to become constant cash generators (Rojo, 2006).

The Dairy Cow quadrant represents stabilized businesses that are cash generators. This type of business is characterized by having a low growth rate but a high market share. Finally, the last quadrant is represented by a pineapple. They are markets with low growth rates and small market share. Businesses with these characteristics are often unfeasible and end up being closed (Rojo, 2006).

2.5.4 PORTER'S FIVE FORCES

Michael Porter developed a model to assess the attractiveness of a market and its competition. It is based on five points: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and the market rivalry itself.

On the threat of new entrants, markets with high entry barriers tend to be more attractive (Kotler & Keller, 2006). In this case, high barriers mean more difficulties for potential new competitors. The bargaining power of suppliers generally exists when few companies dominate the market, there are no substitute products which meet that demand, the company is not an expressive customer for the supplier, and the supplier's products are fundamental to the success of the organization (Hitt, Ireland & Hoskisson, 2011).

Markets with the high bargaining power of buyers are usually not very attractive since the buyer of the industry or company has a great influence. Buyers have power when they buy an expressive volume, when the purchase has high representation in the seller's sales volume, and when they have substitute products of lower cost (Hitt, Ireland & Hoskisson, 2011).

Products that may be replaced make a given market less attractive, as these items tend to decrease prices and profitability (Kotler & Keller, 2006). Substitute goods become a major threat when customers have a very low change cost, lower prices, and superior quality. The last force refers to the market rivalry itself. Companies in a sector are rarely homogeneous, they have different capabilities and resources from each other, they are constantly seeking to differentiate themselves from competitors so that consumers value them (Hitt, Ireland & Hoskisson, 2011).

2.6 SCENARIOS

In the business environment, scenarios are possibilities for future events, and if parameterized, they can be simulated. It is an intellectual tool whose objective is to describe how certain situations may change in the future (Rojo, 2006). Porter (1999) says that scenarios are based on assumptions about crucial factors which can somehow influence the organization’s structure.

By simulating scenarios, managers can adapt more easily to the changes generated and better anticipate what may happen. The practice of scenario simulation has been increasingly applied and legitimized within organizations, this is because they intend to grow and expand their business with as few negative surprises as possible (Rojo, 2006).

Regarding the way scenario simulations are created, it is important to highlight that it is not made by deductions or guesswork but rather based on historical trends and deductions from specific events (Oliveira, 2009). In addition, it is necessary to keep in mind that the actual scenarios, which are created, will not be the same as those simulated since the simulation is an attempt to predict futures and not to create them (Rojo, 2006).

According to Oliveira (2007), the practice of scenario development should encompass the high-level employees of the company because, in addition to contributing with ideas, visions, and experiences, it must be supported by the scenarios created for the elaboration of strategic planning. Generally, this dynamic will result in three simulations: one more realistic and more likely; another, optimist; the last, pessimist.

In creating the scenarios, Turner (2008) tells how this dynamic should happen. First, the key issue must be insulated. It can be a big and long-term bet, like acquiring a factory, for example, or something more exploratory, such as evaluating new markets or possible innovations. After this step, the team involved in the exercise will discuss the macroeconomic issues in the environment. Some information will be predictable, and some will be completely out of the organization's control. These factors will be prioritized according to uncertainty and their impact on the decision in question.

Scenario planning has proven to be a flexible tool that managers can use in conjunction with other strategic tools, in addition to helping the organization overcome illusions, denials, or inertia. It has helped in the generation of new ideas and forms of innovation. Regardless of the outcome it generates, scenario simulation is a potent practice because the future is unpredictable, and, although it does not portray the future, it provides clarity to executives and increases confidence in the decisions made in the present (Turner, 2008).

2.7 ROJO MODEL FOR SCENARIOS SIMULATION

The Rojo Model for scenario simulation is a tool that demonstrates the necessary levels for the simulation of scenarios within the organization, from obtaining critical variables, according to the view of managers and their competitors, to the application of the strategies formulated and the monitoring of the results (Grapeggia, Hoss & Rojo, 2010).

Basically, the model consists of five application levels: Delphi, competitive intelligence, scenario simulation, strategy formulation, and action plan. In the first one, the Delphi technique is applied, which, together with the experts, will gather the necessary information for the second level, the competitive intelligence of the organization, which will give the necessary inputs for the executives at the third level, the simulation of scenarios, which will increase the panorama of predictions for strategies formulation at the fourth level, so that at the last level the action plan is drawn up, according to the developed strategies (Rojo, 2006).

At level 1, the Delphi technique is applied to obtain the critical variables that will help in the formation of scenarios. This step is crucial to properly direct the work and provide the variables for the strategic diagnosis, which will be carried out at level 2 (Rojo, 2006). The Delphi method works as follows:

> It begins by defining the problem to be solved, going through the determination of the parameters for the selection of participants, selecting them and, in possession of the prepared questionnaire, distributing it, collecting the answers, analyzing them, and verifying if there was a consensus. If not, the questionnaire is restructured for a new round. If so, the answers are compiled in order to start the modeling process (Rojo, 2006, p. 112).

Level 1 of the Rojo Model can be seen in Figure 4.

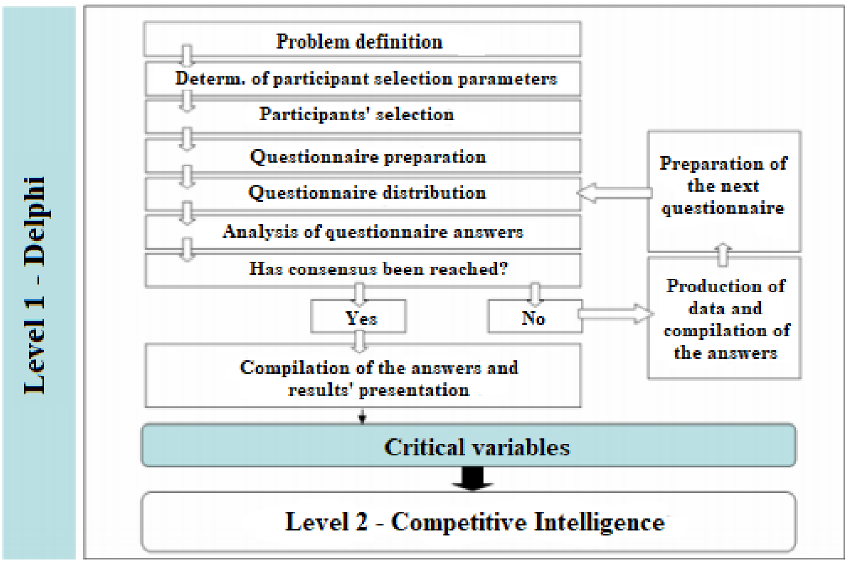

Figure 4. Level 1 of the Rojo Model
Source: Rojo (2006).

Level 2 is called competitive intelligence because the organization will choose the tools to use in the strategic diagnosis, compiling the critical variables obtained at level 1, to formulate the scenarios later (Rojo, 2006). Figure 5 shows the operation of level 2 of the Rojo Model.

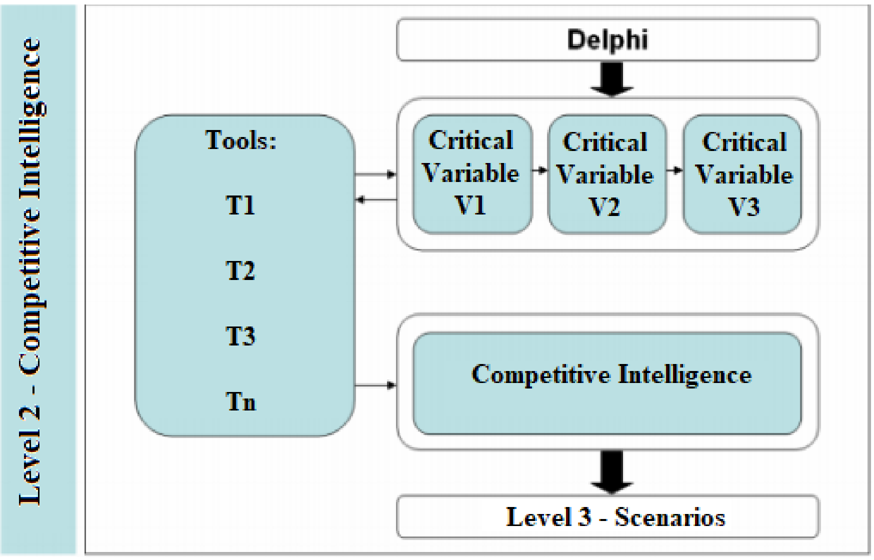

Figure 5. Rojo Model Level 2
Source: Rojo (2006).

At the third level, after the application of strategic tools, the leaders of the organization can project their vision of the future and simulate the scenarios. Each of the scenarios created will represent an anticipation of possible situations of impact on the company or movement of competitors (Rojo, 2006). This dynamic is represented in Figure 6.

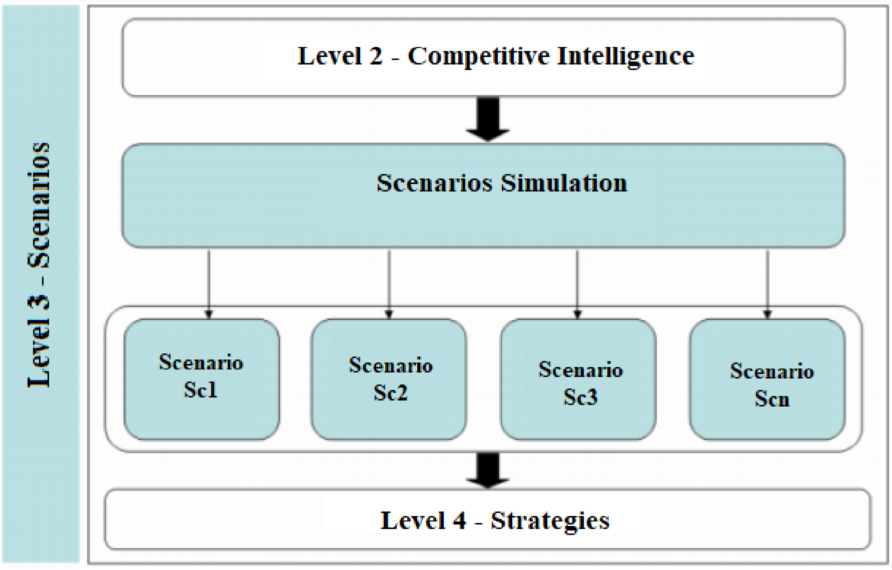

Figure 6. Rojo Model Level 3
Source: Rojo (2006).

At the fourth level, strategies are elaborated for the simulated scenarios. The goal is to reduce the risk factor in case any scenario materializes. The strategic formulation depends on a few elements: one of them is in relation to the objectives, which can be fragmented into goals to facilitate the measurement of results; another factor is that, in the simulated scenarios, possible problems are pointed out, and the strategies are the formulation of solutions for these problems (Rojo, 2006). This process is shown below in Figure 7.

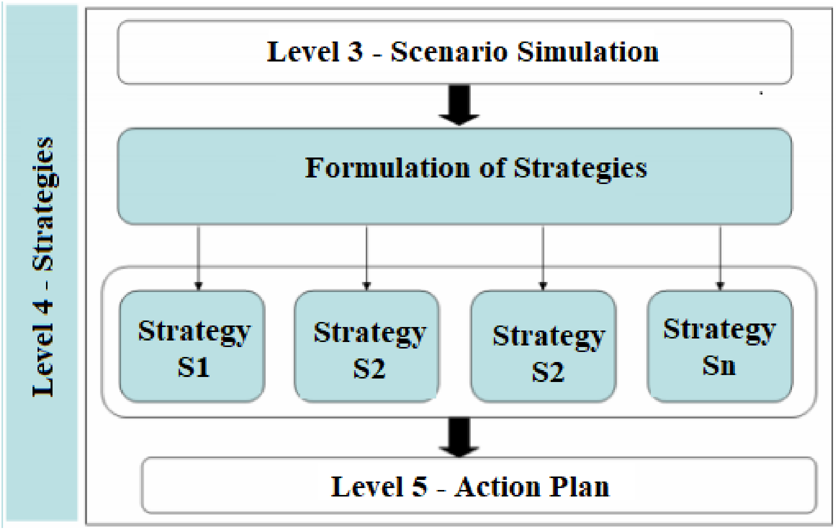

Figure 7. Rojo Model Level 4
Source: Rojo (2006).

At the last level, after the formulation of the strategies, the organization must adjust each strategy to its capabilities and form of implementation. The objective here is to ensure that the goals are achieved by bringing them closer to their objectives. This dynamic was called an action plan (Rojo, 2006). Figure 8 shows how level 5 is drawn.

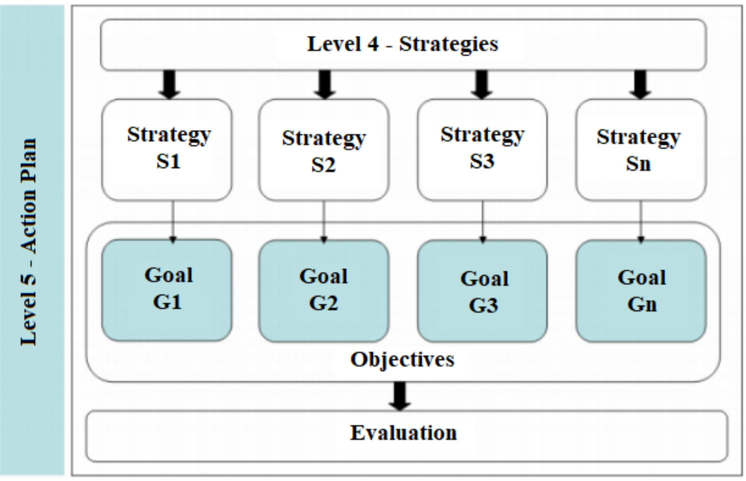

Figure 8. Rojo Model Level 5
Source: Rojo (2006).

According to Rojo (2006), if a future situation happens, which was planned in the simulation of scenarios, the company will assimilate the impact more easily because the managers have already discussed it before it even occurs. As the strategies are being implemented, the organization should monitor and evaluate the results to have feedback the competitive intelligence, according to the strategic tools chosen at level 2, update the scenarios at level 3, realign the strategies at level 4 and restructure the action plan at level 5.

3 METHOD AND TECHNIQUES OF RESEARCH OF THE TECHNICAL PRODUCTION

This chapter presents the methodological procedures that will be used in this work, presenting the research design, the procedures for data collection, and how the data will be analyzed.

3.1 RESEARCH DESIGN

As for its objectives, this research is characterized as exploratory. According to Gil (2008), this research is generally used when it is aimed to develop, clarify or modify ideas, making the objectives clearer or building hypotheses about them. Usually, it may involve bibliographic research, case studies, and non-standardized interviews (Gil, 2008).

Regarding the procedures, this work is a single case study because it is intended to study a few elements in a more exhaustive and in-depth way, allowing the researcher to obtain a more detailed knowledge (Gil, 2008).

For the elaboration of scenarios and strategic formulation, it was decided to use the Rojo Model (2006), which has five levels, as shown in Figure 9.

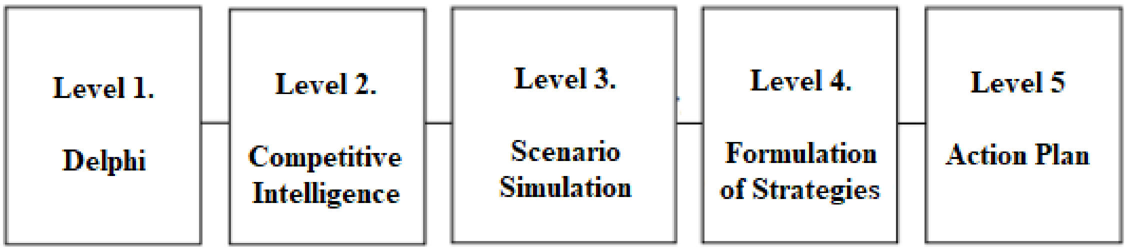

Figure 9. Rojo Model Steps
Source: Rojo (2006).

At level 1, the Delphi Technique was applied to the two managers of the company. This activity aims to know the critical variables of the business. Experts from the sector were not selected, due to the difficulty in finding companies that had multichannel management, in addition to the refusal to participate in the research of some companies.

At level 2, called competitive intelligence, the chosen strategic tools were applied: SWOT matrix, BCG analysis, Porter's Five Forces, in addition to the reanalysis of the company's mission, vision, and values.

At level 3, the scenarios were simulated from the information obtained at the previous level. Level 4 consisted of the formulation of strategies based on the scenarios simulated at level 3. At the last level, an action plan was prepared, adjusting all the strategies formulated according to the company's capacity and creating goals for each strategy, separating them by the sales channels used by the company.

3.2 DATA COLLECTION PROCEDURES

Rojo Model (2006) was used to simulate the scenarios, using the Delphi technique to obtain critical variables from the selected experts. According to Dalkey and Helmer (1963), the Delphi method aims to obtain opinion consensus from a group of experts. This is done through a series of intensive questionnaires interspersed with controlled feedback of opinions. The application of the Delphi method with the owners of the company was carried out through a questionnaire, which was applied in person. The process was repeated until there was consensus among the experts. In this case, only two rounds were needed.

In the phase of application of strategic tools, where a diagnosis is made of both the environment and the organization, and there is a need to obtain richer and more in-depth information, semi-structured interviews were conducted with the company's managers, in addition to the use of organization's own records and reports. These interviews took place in July 2021, and data were collected in three meetings.

3.3 DATA ANALYSIS PROCEDURES

The data were analyzed qualitatively and inductively. In the application of the Delphi technique, after there was a consensus among the group of experts regarding critical variables, these variables served as the basis for level 2: competitive intelligence. At this level, some strategic tools were applied, such as SWOT analysis, BCG matrix, Porter's Five Forces, and the readjustment of the mission, vision, and values. With the information generated at this level, the organization's scenarios were created with the owners.

After this, with the scenarios in hand, some strategies were stipulated, which may neutralize possible threats and others with the objective of taking advantage of market opportunities. At the last level, an action plan was prepared to contain goals and objectives for each strategy that was elaborated.

3.4 LIMITATIONS OF RESEARCH METHODS AND TECHNIQUES

As a limitation of the research method, the low generalization of the results to other organizations can be pointed out because each company has its particularities, skills, and weaknesses. In addition, some data may be biased, as they are taken from interviews with the company managers, and these may overestimate some reported information.

Another limitation was the non-use of sector experts in the application of the Delphi methodology. Thus, the only ones to highlight the critical variables were the owners themselves.

4 ANALYSIS AND INTERPRETATION OF RESULTS

This chapter presents the results obtained with the application of the Rojo Model for the simulation of scenarios, initially addressing the application of the Delphi technique to know the critical variables. The application of strategic tools to obtain competitive intelligence is presented on this chapter, named as level 2 on this model. After this, the scenarios were simulated, the strategies were elaborated, and, finally, an action plan was created to contemplate the objectives, goals, and responsibilities.

4.1 LEVEL 1: APPLICATION OF THE DELPHI TECHNIQUE

The application of the Delphi technique was adapted. The panel of experts in the sector was not used in this study, but the application was made only with the organization's managers. In addition, two questionnaires were applied with the objective of detecting, in the entrepreneurs' view, what the main critical variables were necessary for the organization to simulate scenarios in physical and online retail.

In the first round of the Delphi application, managers identified 10 critical variables to simulate scenarios in physical retail and 11 critical variables in online retail, which are illustrated in Frames 5 and 6, respectively.

Delphi first round results
Critical variables needed to simulate scenarios in physical retail, according to the organization's managers
Fair price
Specialized Service/Sellers
Attractive product mix
Competition
Negotiation with suppliers
Physical space
Profitability of the products
Marketing

Products exhibition
Inventory management

Frame 5. Delphi first round for physical retail
Source: Elaborate by the author (2021).

Delphi first round results
Critical variables needed to simulate online retail scenarios, according to the organization's managers
Competitive price
Attractive freight
Ease of payment
Profitability of the products
Trained employees
Customer service
Depth of stock
Integration between systems and marketplaces
Marketing and Outreach
Competition
Partnership with industries

Frame 6. Delphi first round for online retail
Source: Elaborate by the author (2021).

With the answers obtained, one can assemble the second and last round of Delphi can be set up, because the research was carried out only with the company's owners. It was not necessary to compile all the answers and forward them to the experts. In the entrepreneurs' view, a second round was enough to obtain, the main critical variables to simulate physical and online retail scenarios. It was requested that six critical variables be chosen for each channel. The result can be viewed in Frames 7 and 8.

Delphi second round results
Critical variables needed to simulate scenarios in physical retail, according to the organization's managers
Fair Price – V1
Specialized Service /Sellers – V2
Attractive product mix – V3
Competition – V4
Physical space – V5
Marketing and Outreach – V6

Frame 7. Delphi second round for physical retail
Source: Elaborate by the author (2021).

The fair price refers to the price the consumer is willing to pay. He or she even agrees to pay a little more than he would pay for the purchase online or in other channels since he can see the product, test it, ask questions, and can take the product immediately. However, the price cannot exceed a certain limit, otherwise, the possibility of the customer buying elsewhere is high.

As mentioned, the customer agrees to pay a little more in a physical store because some services are linked to the product, such as specialized service. A qualified sales team can authoritatively explain details about the products it sells, can clarify more specific doubts from each customer, and, by having this knowledge, is able to sell more items to the same consumer, increasing the average ticket of the company. The opposite is also true: a team that is not trained to serve customers efficiently will gradually lose the portfolio of customers to better prepared companies.

The product mix means having in stock what the consumer comes to look for in the physical store, in addition to complementary products, which will facilitate the sale and increase the amount spent by the customer. It is also important to have a range of products that meets different consumer profiles in different price ranges. The customer should have the feeling that the store is complete and that, when there is a need to buy a particular product, that is where he will look.

The variable competition was also highlighted as one of the most important scenarios to simulate because, in the view of entrepreneurs, if large players enter the market in the same city, the strategies would need to be redefined, and the environment would become much more competitive. In addition, the online stores themselves are already major competitors, and the trend is that they are increasing their market share more and more.

The space of physical stores is limited, and it is based on this space the company can expose more products and increase its revenue. In this way, the store space becomes a crucial factor for the company to grow. As much as it manages to increase its revenue per m^2, it will run into a limit, and new investments will have to be made if it wants to expand its product assortment.

And finally, inventory management is essential so that the company can have a good planning of purchases and inventory, avoid ruptures, which cause loss of sales, and avoid the excess of fixed stock, which can cause problems in the cash flow and an increase in storage costs.

Delphi second round results
Critical variables needed to simulate online retail scenarios, according to organization's managers
Competitive price – V7
Competitive freight – V8
Product mix – V9
Inventory depth – V10
Product profitability – V11
Marketing and Outreach – V12

Frame 8. Delphi second round for online retail
Source: Elaborate by the author (2021).

Competitive pricing is one of the main critical variables in online retail. As the consumer can compare prices from several stores in a short period of time, the price factor now has a considerable weight at the sale’s close. In addition, consumers associate online shopping with lower prices than those found in physical stores.

The freight variable also has a large weight in the customer's purchasing decision. This is even more true in cases of lower average tickets because the closer the freight value is to the value of the product, the lower the customer's perception of value. The savings that the customer would make, not buying in a physical store, he is losing in freight. Thus, having strategies that provide more competitive freight is crucial for companies that want to remain in online retail.

The product mix, in this case, is equivalent to the situation that happens in physical retail. It is necessary to have a complete portfolio that meets the client's needs. An attractive mix increases the average purchase value and increases the conversion rate. If the company does not have a complete mix, it is common for the customer to prefer to buy in another store, where he finds everything he is looking for.

Inventory depth refers to how deep is the inventory of the products that the company sells. This variable is important because the company sells to all of Brazil. If the depth is low, the organization will often have to deal with disruptions, causing a drop in sales, profitability, and customer satisfaction. In addition, the registration of a product on a sales site has an intangible cost, which is the time for an employee to register, fill out the entire datasheet of the product, create a description, attach images, among other information, and, if the product runs out quickly and takes a long time to return to stock, the cost becomes expressive because it is not very diluted in the units sold.

Another variable pointed out was the profitability of the products. In online retail, several variable costs and expenses are involved, and consumer demand has increased more and more, forcing companies to offer an increasingly better and more complete service. It directly impacts the company's profit margin, which needs to offer faster and cheaper freight, an easier form of payment, and increasingly lower prices, making it increasingly difficult for e-commerce to generate profit. Therefore, it is necessary that the organization achieves good business and has a good margin to work in its portfolio, being able to offer these differentials to the client and generating profit.

And the last variable cited was marketing. Not that it is not important for physical retail, but on online retail it has even greater weight because, if there are no marketing strategies, the organization will not be able to bring customers to its store. It is different from what happens in the streets retail or in a shopping mall, where the consumer is constantly walking near stores.

After obtaining all critical variables, level 1 of the Rojo model was ended. At the next level, called Competitive Intelligence, it will be made the reanalysis of the mission, vision, and values of the company, in addition to the application of the SWOT matrix, BCG analysis, and Porter's Five Forces methodology.

4.2 LEVEL 2: COMPETITIVE INTELLIGENCE

This section will address the creation of the new mission, vision, and values of the organization, in addition to the application of strategic tools, which will analyze the environment in which the company is inserted and also the strengths and weaknesses of the organization. To obtain this information, the tools applied will be the SWOT matrix, BCG analysis, and Porter's Five Forces.

4.2.1 MISSION, VISION, AND VALUES

The organization's first strategic planning was elaborated in 2017. After this date, it was no longer reviewed by the partners. Since then, many movements of the organization have happened differently than was foreseen in the planning. It can be said that it was not followed, either because of the need for survival in the market or because some content does not make sense anymore. Thus, it was necessary to readjust the mission, vision, and values of the organization so that they guide the future of the organization and serve as guides for decision-making.

In 2017, when the company still did not have a physical store and operated exclusively with online sales, the mission created was to "sell makeup products with a fair price and differentiated service, serving all of Brazil through its digital channels".

It can be seen that the proposed mission no longer lives up to the reality of the company. First because the organization already works strongly with products other than makeup, and, second, because it acts with its physical store, a channel that has been growing a lot, and that the company aims to expand in the future. In this way, the mission was changed to **"Sell beauty products throughout Brazil, through physical and digital channels, and offer an unforgettable shopping experience for its customers"**.

The current mission, different from the previous one, inserts the organization in the beauty segment and is no longer in a niche of this market, in line with the steps that the company has taken in recent years. In addition, the mission emphasizes physical and digital retail, highlighting the option for more than one channel in the company, serving the customer through different channels, wherever he is.

The next step was to reassess the company's vision for its future. It should be a guide to where the organization wants to go in the long term. The vision created in 2017 was to "become the largest online makeup store in southern Brazil by 2022". It was changed to **"be recognized as the best beauty store in southern Brazil by 2030"**. The previous view was mistaken, firstly because the goal is far from being achieved within the stipulated time frame, and secondly because at the time it was created, emotion was used more than reason. Within what the partners know about the market, they believe that the new vision is fully possible to conquer, although it is not an easy task.

And finally, the definition of organizational values. The values highlighted by the partners in 2017 were **"honesty, customer focus, the incentive to creativity and new ideas, teamwork, and passion for what is done".** Managers chose not to change the values because they still reflect what they believe to be the most important values of the company. Frame 9 shows how the organization's mission, vision, and values have been defined.

Mission, vision, and values of the organization

Mission
How it was: to sell makeup products with a fair price and differentiated service, serving all of Brazil through its digital channels
How it turned out: to sell beauty products throughout Brazil, through physical and digital channels, offering an unforgettable shopping experience for its customers.
Vision
How it was: Become the largest online makeup store in southern Brazil by 2022.
How it turned out: To be recognized as the best beauty store in southern Brazil until 2030.
Values
How it was: honesty, customer focus, the incentive to creativity and new ideas, teamwork, and passion for what is done.
How it turned out: honesty, customer focus, incentive to creativity and new ideas, teamwork and passion for what is done.

Frame 9. Mission, vision, and values
Source: Elaborate by the author (2021).

After the definition of the new mission and vision, the next step was the application of strategic tools. The first one was the SWOT matrix, which analyzed the internal and external environment, punctuating the strengths, weaknesses, threats, and opportunities of the organization.

4.2.2 SWOT MATRIX

The application of the SWOT matrix was carried out in the presence of the two managers. Its focus was to determine the strengths, weaknesses, threats, and opportunities linked to the critical variables or to other variables of a strategic nature. Two matrices were made, one focusing on the physical retail environment and the other on online retail. The matrices can be viewed in Frames 10 and 11.

MATRIX SWOT - Physical Store
Forces
- Trained and highly qualified team in customer service (V2, V6);
- Attractive price compared to the competition (V1, V4);
- Extensive mix of products (V3);
- Privileged location and easy access (V5);
- Cozy and differentiated store layout (V5);
- Company well known regionally (V6);
- Strong partnership with suppliers (V1);
- Efficient tax management (V1);
- Customer loyalty/high repurchase rate (V1);
- Balanced financial structure (V1);
- Extensive knowledge of the segment (V1);

- Active marketing and social networks with a large number of followers (V6).
Weaknesses
- Limited physical space for product exposure (V5);
- Difficulty in answering delivery (V2);
- Lean team (V2);
- Lack of parking for customers (V2);
- Not working with all lines of the beauty segment yet (V2, V3, V4).
Opportunities
- Creation of a loyalty program for the customers (V2, V6);
- Sales by *WhatsApp* in nearby cities (V2, V6);
- Application of courses in the area of beauty (V2, V6);
- Openings of new physical stores (V1, V4, V5);
- Creation of a franchise model (V5);
- Creation of products with own brand (V3);
- Expansion of the product mix (V3).
Threats
- Opening of new competing stores (V4, V5);
- Changes in tax legislation (V1);
- High in the dollar exchange rate (V1);
- Competition with online stores (V4);

Frame 10. Physical store SWOT matrix
Source: Elaborate by the author (2021).

The forces pointed out by the organization demonstrate that it has a very efficient team in customer service, directly impacting the variables V2 and V6 because, in addition to serving the customer well, this ends up helping in the dissemination of the store through indications of the customers themselves. Its price in relation to competition is also a strength, and the variables V1 and V4 are linked because the fair price increases the conversion of the customer inside the store, preventing the customer from going to the competition to research better prices and helps to inhibit possible incoming companies that would not be able to practice a similar one.

The company's product mix is extensive, favoring the V3 variable. In addition, the physical space is cozy and easy to access, having a layout totally different from the other stores, impacting the V5 variable. The organization is also well known regionally since the company works well with the V6 variable. Directly impacting the V1 variable, the company highlighted some strengths, such as its partnerships with suppliers, efficient tax management, balanced financial structure, and extensive segment knowledge. These points allow the company to achieve differentiated conditions to work with a more aggressive price.

In addition, the company has a high repurchase rate by its customers and a very aggressive marketing, with more than 200,000 followers on social networks. The first helps V1 by reducing the cost of acquisition with new customers, enabling a more attractive selling price. The second acts strongly on the V6 variable, as it strengthens the company's image and marketing.

The weaknesses highlighted by the SWOT matrix had a greater impact on V2. They are the difficulty for service via delivery; having a leaner team, which at peak times ends up being a negative point; lack of parking for customers; not yet working with all product lines in the segment, making it impossible for the customer to find what he was looking for. The latter also affects the variable V3 and V4, opening space for possible new competitors. And finally, the limited physical space for the exposure of new products directly impacts the V5 variable.

Regarding the opportunities, seven were highlighted that could directly assist in the critical variables. Three of them impact the variables V2 and V6. They are the creation of a loyalty program for customers, sales by *WhatsApp* in nearby cities, and application of courses in the area of beauty. The opening of new physical stores affects V1, V4, and V5. The creation of a franchise model impacts the V5 variable, the creation of products with its own brand, and the expansion of the product mix, affecting the V3 variable.

Finally, the threats highlighted were: the opening of new competing stores, affecting V4 and V5; changes in tax legislation; high in the dollar exchange rate, affecting V1; competition with online stores, which affects V4.

In the "Forces" quadrant, the variable that appeared the most was V1, fair price, demonstrating that the company is well articulated in actions that aim to strengthen this variable. In the "Weaknesses" quadrant, the variable that had the most negative points was V2, specialized service/sellers, noting that there are still points that should be improved in order to make them strengths. On the other hand, in the "Opportunities" quadrant, the variables that were most prominent were V2, specialized service/sellers, and V6, marketing and dissemination. In the last quadrant, "Threats", the variable that shows the most negative impact was V4, competition.

SWOT MATRIX - Online store

Forces
- Possibility of offering products with aggressive prices (V7);
- Inventory depth (V10, V11);
- Low operating cost (V7, V11);
- Freight with attractive prices for the consumer (V8)
- Layout of the site conveys credibility and security (V12);
- Easy payment to the client (V7, V12);
- Complete portfolio with several brands and options (V9).
Weaknesses
- Too lean team (V12);
- Expensive freight to more distant regions of the country (V8);
- Difficulty in communicating with the online and physical client through the same service channels (V12);
- Equal pricing policies for the physical and virtual store (V7);
- Not having a marketing team dedicated to the company (V12).
Opportunities
- Creation of e-commerce for wholesale sales (V7);
- Expansion of sales in marketplaces (V10, V11);
- Structuring of a marketing team (V12);
- Expansion of the product mix (V9, V11).
Threats
- High number of competitors (V11);
- Competition with the suppliers themselves (V11);
- Changes in legislation and taxation (V7, V11);
- High in the dollar exchange rate (V7, V11).

Frame 11. Online store SWOT matrix
Source: Elaborate by the author (2021).

In the online store SWOT matrix, Forces highlighted the possibility of offering products with aggressive prices, affecting the variable V7. Having a deep inventory was also an outstanding force, linked to the variables V10 and V11 because a larger inventory allows the company to obtain better prices with its suppliers, increasing the profitability of the products. In addition, the company has its low operational cost as its strengths, influencing the variables V7 and V11.

The organization is also able to offer attractive freight to its customers, as it has a partnership with several carriers, directly affecting the V8 variable. The site’s layout also conveys confidence and safety to the consumer, acting on the V12 variable. Another factor pointed out as an important force is that the company offers good payment options in its store, making the purchase decision as easy as possible, directly affecting V7 and V12. Finally, the fact of having a complete portfolio with several brands and options was also pointed out as a force and acts on the V7 and V12 variables.

About the Weaknesses, three of them directly affect the V12 variable. They are: a too lean team; the difficulty in communicating with the physical and online store’s costumers through the same service channels; not having a dedicated marketing team. In addition to these, the company has some expensive freight to more distant regions of Brazil, affecting the V8 variable. Finally, it has an equal pricing policy for physical and online stores, affecting the V7 variable.

The Opportunities pointed out in the SWOT matrix demonstrate that the company has good opportunities to explore several variables, creating a sales channel focused on wholesale. It is able to reach the V7 variable. Further expanding operations in marketplaces is another action that can positively influence the variables V10 and V11. Structuring an internal marketing team was another opportunity raised, and it acts directly on the V12 variable. Finally, the expansion of the product mix is seen as a measure that can positively affect the V9 and V11 variables.

About the Threats highlighted in the SWOT matrix, all of them affect the V11 variable. They are: many competitors, competition with the suppliers themselves, changes in legislation and taxation, and a high dollar exchange rate. The latter two also affect the V7 variable.

The company's Forces had a greater connection with the variable V7, competitive price. The most cited variable was V12, marketing, and dissemination about Weaknesses. About Opportunities which the company can explore, the variable that had the greatest impact was V11, the profitability of the products. Finally, in the Threat quadrant, the most cited variable was V11 again.

And so ended the application of the SWOT matrix. The next step was to analyze the BCG matrix to obtain an overview of the company's portfolio.

4.2.3 BCG MATRIX

To analyze the company's portfolio, the products were divided into categories or Strategic Business Units - SBU. This was necessary because the mix of the organization is very extensive, with more than 4,000 items. The SBU analyzed were: makeup; skincare products; nail polishes; nail stretching products; makeup accessories; hair products; manicure accessories; and disposable products. The result of the matrix has no differentiation between the physical and online channels, both have very similar behavior. In this way, it was not necessary to create two matrices. The only difference worth mentioning is that if a matrix was created taking into account the online environment, the company would not have any SBU in the quadrant of the Dairy Cow because the market at the national level is much larger, and no product would have enough market share to be in this quadrant. In this case, these products would be classified as Star. The company's BCG matrix can be viewed in Figure 10.

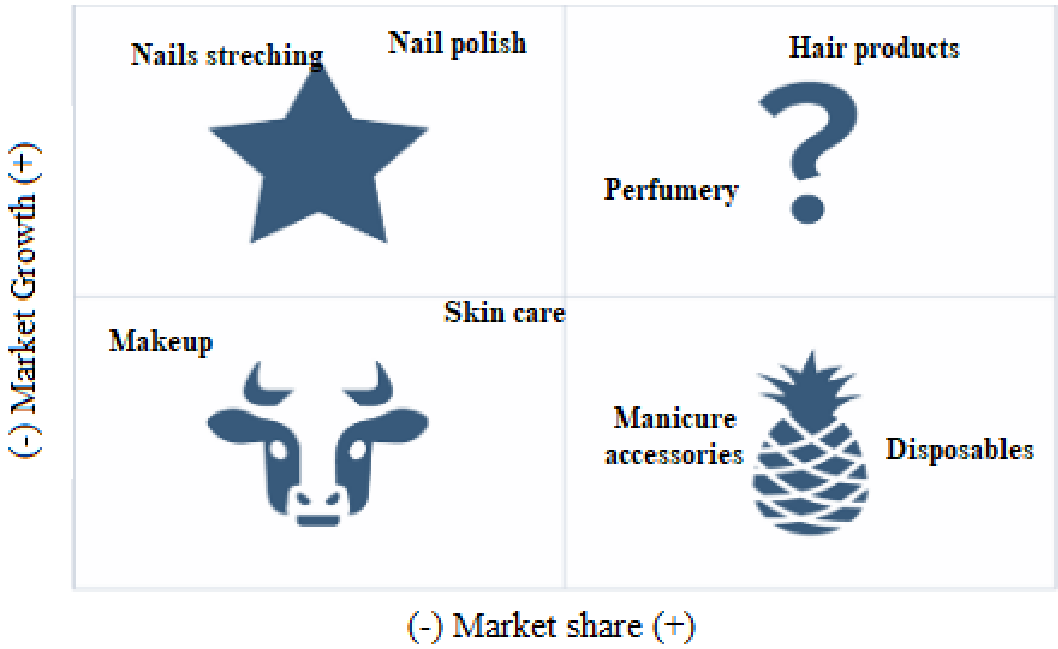

Figure 10. BCG Matrix
Source: Elaborate by the author (2021).

The matrix is formed by two axes: the horizontal axis, which represents the market share of the company with certain products, and the vertical axis, which demonstrates the market growth of the same item.

Starting the analysis by the Dairy Cow, two SBU are found in this quadrant. They are makeup and skincare products. This can be explained by the following fact: these two categories were the first to be marketed by the company, both online and in the physical store. In fact, the first open store specialized only in these two categories of products was the first in the region to work specifically with this, offering a much more extensive mix than the other competitors. Because of this, the company does not need to have large investments to boost these products since customers already relate them to the company.

It is worth mentioning that the products listed as Dairy Cow have excellent profitability for the company and are strong cash generators. They are directly related to the variables V1, V3, V4, V7, V9, V10, and V11. They have a competitive price (V1 and V7), are highly attractive products (V3 and V9), and, due to their wide variety, hinder the entry of new competitors (V4). In addition, the company has a high inventory of these items (V10), achieving good negotiations with suppliers and ensuring excellent profitability (V11).

The Star quadrant presents products with a high growth rate and high market share but requires investments, and the future goal is to become Dairy Cow. In this case, two SBU were highlighted: nail stretching and nail polish. The company began selling these products in March 2021, when the new physical store was inaugurated. Costumers constantly requested these items, but the company did not have enough physical space to introduce these lines. Month by month, the participation of these items in revenue has grown, largely due to the low-price strategy adopted by the company. The idea was to offer the same products that competing stores offered, but with much lower prices, causing the customer to come to the store, buy other products, and know that, from that moment on, the company would not only offer makeup and skincare products but also nail care products. Initially, the profitability of the products was not good, but over time the company was able to adjust its margins, and, currently, the products are within the margin target stipulated by the organization.

The Question Mark quadrant refers to products with a high growth rate and low market share by the company. Thus, they require investments for the company to get in the market. The SBU, listed as Question Mark, was: hair products, which is a very recent category within the company and is still in the phase of introduction and evaluation; and perfumery products, which is also a new category within the company. Costumes often requested hair products, but the company was reluctant to put them up for sale for two reasons: little physical space and many options and brands. Gradually the company is introducing the main brands of the market to the target audience that it intends to reach, but the result is still timid. The profitability of the products is good, but the turnover needs to improve.

Regarding the perfumery line, the company is working with smaller brands that have lower sales prices than traditional ones in the market. The turnover is still inexpressive, due to the greater competition in the city and on the Internet, and also because the brands are not so well known in the market, that is, these products are not the ones the customer has been looking for. Therefore, the sales team needs to do convincing work. The company is studying the introduction of imported brands, but the high investment and the possibility for the customer to buy the same products in Paraguay has made the company study this initiative better. The SBU of the Question Mark quadrant are directly connected to variables V3 and V9.

The last quadrant is Pineapple or Pet. They are products that have low market share and low growth. In the company's case, Pineapple products are disposables and manicure accessories. These items have a low average price and a low-profit margin because they serve to attract professionals to the store by making them take other products and have a long repurchase. The organization maintains them precisely to serve as bait and to complement the portfolio. These products directly impact the V11 variable.

The next step was to evaluate the company's competitive environment. For this, the methodology known as Porter's Five Forces was used, which evaluates the rivalry between competitors, consumers' bargaining power, suppliers' bargaining power, the possibility of new competitors, and the threat of substitute products.

4.2.4 PORTER'S FIVE FORCES

To obtain a complete view of the entry barriers of the segment, two analyses were performed: one for the physical environment and another for the digital environment. The Frame 12 shows the result.

PORTER'S FIVE FORCES			
FORCE	**DEGREE - physical channel**	**DEGREE - digital channel**	**CONSIDERATIONS**
Rivalry between competitors	Moderate	Strong	- The rivalry on the physical channel is moderate, there are only three competing stores in the city, but none has such a complete mix in terms of makeup and skincare; - The online channel has a very high degree of competition due to the low entry barrier. The competition extends to individuals and often to the suppliers themselves.

Bargaining power of consumers	Moderate	Strong	- In the physical environment, because the company already works with an attractive price and a complete mix, the consumer has moderate bargaining power. He could buy, paying more, in other stores in the region or buy online, where he would have to pay for the freight and would have to wait a few days for the product to arrive; - In the digital channel, the bargain of the consumer is strong because it has several options: buy in a store that gives the highest percentage of discount possible, charge as little as possible of freight, or even exempt this amount and facilitate the maximum payment terms.
Bargaining power of suppliers	Moderate	Moderate	- The bargain with suppliers is currently moderate. There is a two-way street in this relationship: the industry needs stores because they produce a high volume, and offers are not scarce. In this way, the company is always able to negotiate additional discounts. On the other hand, the segment where the organization operates is dominated by a small number of brands that costumers desire. Therefore, the company cannot easily change a brand, and if it does, it runs the risk of losing revenue and displeasing its customer. According to the company's purchase volume, what exists a lot in this relationship is a differentiated treatment.
Possibility of new competitors	Moderate	Strong	- In the physical environment, the possibility of new competitors is moderate because, no matter how simple it is to buy and sell, high investment is necessary for the store environment and the stock. In addition, the fact that this segment has a huge mix of products requires a learning curve, which drives away interested people; - In the digital channel, the possibility of new competitors is very high. The digital channel allows individuals to resell products without having a large volume of stock and without setting up a company. In addition, these companies or individuals can sell their products directly through a marketplace without necessarily needing their own website.
The threat of substitute products	Weak	Weak	- In both channels, the threat of replacement by new products is low. What happens are new brands entering the market but with similar proposals. In this case, the commercialization of the items does not have any kind of barrier, making almost null the idea of substitute products.

Frame 12. Porter's Five Forces
Source: Elaborate by the author (2021).

By analyzing the environment, the difference between the physical and the digital channel is visible. At the first, the environment is more stable, competition is lighter, and the consumer bargaining is lower. This makes the company's profitability better. In the digital channel, the competition is very high because the barriers to input are very small. In this case, profit margins are thrown down, and the bargaining power of the consumer is very high, as he has a very high number of options to buy.

Finishing the environment analysis with Porter's Five Forces, the application of level 2 was ended. The next step was level 3, which consisted of simulating the scenarios.

4.3 SCENARIO SIMULATION

To perform the simulation of the scenarios, the managers needed to choose a critical variable for each channel, physical and digital. In this case, the variable "**V4: competition**" was chosen to simulate the scenarios of the physical store, and the "**V11: profitability of the products**", for the online operation. The justification for choosing these variables is as follows: they were the variables that most appeared in the SWOT matrix, in the threats quadrant, and the V11 variable proved to be critical for the organization in the analysis of Porter's Five Forces.

Three scenarios were generated for each channel: optimistic, moderate, and pessimistic. Each of them was simulated with the managers of the organization. Initially, the scenarios were elaborated for the physical store and can be viewed in Frame 13.

SIMULATION OF SCENARIOS OF THE PHYSICAL STORE FOR THE V4 VARIABLE	
SCENARIO	**SIMULATION**
Sc1 - optimistic	- The competitive environment between stores will decrease, either with the closure of some current stores or by losing their strength.
Sc2 - moderate	- The competition environment will not undergo major changes, remaining the same, with few stores, and none with a complete mix.
Sc3 - pessimistic	- Opening of a large competing physical store in the same city, with an extremely complete mix, aggressive prices, and comfortable space for customers.

Frame 13. Simulation of physical store scenarios
Source: Elaborate by the author (2021).

The optimistic scenario considers the decrease in competition in the city because, as much as it is at a moderate level, the organization still loses a share of the market for these stores. Scenario Sc2 predicts that the environment will not undergo significant changes, remaining as it is today, with few stores competing with each other. Finally, the pessimistic scenario foresees the entry of a large player in the city, a complete store with an extensive mix, meeting the most diverse demands of the segment with aggressive prices and a comfortable environment for customers.

The next step was to elaborate the scenarios of the online store, using as a basis the variable V11: the profitability of the products. In Frame 14 you can see the three simulated scenarios.

SIMULATION OF SCENARIOS OF THE ONLINE STORE FOR VARIABLE V11	
SCENARIO	**SIMULATION**
Sc1 - optimistic	- The company was able to increase the profitability of the products sold, either by better purchases with suppliers, a decrease in the dollar exchange rate or by differentiated tax conditions, growing its profit more quickly.

Sc2 - moderate	- The profitability of the products is stable, and the company is profiting and maintaining healthy growth.
Sc3 - pessimistic	- The profitability of the products is falling, with the company losing market and not being able to maintain the same level of service within the generated result.

Frame 14. Simulation of online store scenarios
Source: Elaborate by the author (2021).

In the simulated scenarios for the company's online operation, the optimistic scenario foresees an increase in product profitability, increasing the company's growth more rapidly. This increase in profitability may come from the decrease in the cost of the product, either by the differentiated negotiation with suppliers or by the decrease in the dollar exchange rate. It can also come from the reduction of taxes, either in the purchase or in the sale.

The moderate scenario foresees a stable situation, with the organization maintaining the current profitability, and not undergoing major changes. In this scenario, the company has a smaller but healthy growth. The last scenario, the pessimist one, foresees a sharp fall in the profitability of products. This fall may be associated with a high number of competitors selling the same products or even with the practice of *D2C* (direct to consumer), where the industry itself resells directly to the consumer. Another factor may be the lack of regulation and control in sales channels, allowing individuals and companies to resell informally or incorrectly following the country's legislation, thus selling a cheaper product and prioritizing smaller margins.

After the simulation of the scenarios, level 4 began with the elaboration of the strategies for each simulated scenario.

4.4 STRATEGY FORMULATION

Level 4 of the Rojo model consists of formulating strategies for the simulated scenarios, preparing the organization for these possible events, reducing the damage, or taking advantage of the opportunities if the simulations come true. In Frames 15 and 16, strategies can be visualized.

Formulation of strategies for the physical store (V4)	
Scenario Sc1: Optimistic	**Strategies**

The competitive environment between stores will decrease, either with the closure of some current stores or by the loss of strength of the same.	a) Expansion of the product mix, taking into account the gap left in the market; b) Strengthening of the company's marketing; c) Expansion of the physical store, either remodeling the current one or seeking a larger space; d) Training of the sales team; e) Preparation of a customer acquisition plan; f) Drawing up a customer base retention plan.
Scenario Sc2: Moderate	**Strategies**
The competitive environment will not undergo major changes, remaining the same, with few stores and none with a complete mix.	a) Drawing up a customer base retention plan; b) Opening of a new physical store; c) Reduction of costs and expenses, fixed or variable; d) Application of courses in the area of beauty.
Scenario Sc3: Pessimistic	**Strategies**
Opening of a large competing physical store in the same city, with an extremely complete mix, aggressive prices, and comfortable space for customers.	a) Drawing up a customer base retention plan; b) Reformulation of the physical space of the store to include the product mix; c) Application of courses in the area of beauty; d) Expansion of payment methods for the customer; e) Strategic alliances with other companies; f) Strengthening of external sales/delivery; g) Development of a marketing plan focused on store differentials; h) Mapping the negative points of competition; i) Creation of exclusive promotions; j) Closer ties with suppliers; k) Reduction of costs and expenses, fixed or variable.

Frame 15. Formulation of strategies for the physical store
Source: Elaborate by the author (2021).

As can be seen in Frame 15, some strategies appeared in more than one scenario, such as the elaboration of a customer base retention plan, because some actions, regardless of the simulated situation, need to be implemented for some kind of gain or maintenance of competitiveness.

The optimistic scenario focused on actions to strengthen the sale, with strategies linked to the product mix, marketing, expansion of the physical space, training of the sales team, customer acquisition, and after-sales. In this scenario, the company has low competition and should occupy as much market share as possible, preventing some other stores from gaining this share, thus making it difficult for new competitors to enter.

The second simulated scenario predicted a more stable environment without any changes in the competition. For this case, strategies were designed that sought to maintain the situation of the company and others that increased the organization's revenue. In this scenario, the company highlighted two strategies for increasing revenue: the first consists of opening a new physical store, and the second, in offering courses in the area of beauty, something that the company does not yet explored.

The last simulated scenario predicted more pessimistic situations, such as increased competition through the opening of a large store, offering low prices, with a complete mix of products, and providing a pleasant environment for its customers. In this case, strategies were developed aimed at customer loyalty, better use of the store physical space, expansion of products and services, formation of strategic alliances, strengthening marketing and sales, and reducing costs and expenses.

The next step was to elaborate strategies for the scenarios of the online operation, considering the variable V11: the profitability of the products. The strategies can be viewed in Frame 16.

Formulation of strategies for the online store (V11)	
Scenario Sc1: Optimistic	**Strategies**
The company was able to increase the profitability of the products sold, either by better purchases with suppliers, by a decrease in the dollar exchange rate, or by differentiated tax conditions, growing its profit more rapidly.	a) Invest in an online store intended for wholesale purchases; b) Invest even more in marketing and in the generation of paid traffic; c) Form a team dedicated to e-commerce; d) Expand sales in marketplaces; e) Invest in marketing tools, usability, and user experience, aiming to increase the conversion rate of the site; f) Evaluate possible tax changes to gain competitiveness.
Scenario Sc2: Moderate	**Strategies**
The profitability of the products is stable, and the company is profiting and maintaining healthy growth.	a) Expand sales in marketplaces; b) Invest in marketing tools, usability, and user experience, aiming to increase the conversion rate of the site; c) Create a marketing plan focused on attracting customers; d) Strengthen partnerships with suppliers, seeking better price conditions.
Scenario Sc3: Pessimistic	**Strategies**
The profitability of the products is falling, with the company losing market and not being able to maintain the same level of service within the generated result.	a) Reduction of costs and expenses, fixed or variable; b) Strengthen partnerships with suppliers, seeking better price conditions; c) Renegotiation with logistics operators in order to obtain better freight prices; d) Introduce other products that offer better

	profit margins; e) Expand sales in marketplaces.

Frame 16. Formulation of strategies for the online store
Source: Elaborate by the author (2021).

As happened with the physical channel strategies, some actions repeated in the online channel in more than one scenario. It occurred because the strategies do not have great difficulties to be implemented and can bring a good return to the company, as it is the case of the expansion sales in marketplaces.

The optimistic scenario, focused on investment actions in the company's strategic areas so that the business lasts and sales, can remain growing and with good profitability. The moderate scenario foresees strategies for sales expansion and strengthening partnerships with suppliers, aiming to maintain revenues and seek better price conditions, which directly impact the profitability of products. For the pessimistic scenario, seven strategies were listed to assist in resuming results and improving profit margins, actions with impact on the areas of marketing and sales, financial, logistics, and product mix.

4.5 ACTION PLAN

The last step of the Rojo Model consisted of elaborating an action plan containing the strategies and goals for each elaborated scenario. These goals are the actions that must be carried out so that the strategies are put into practice. In all scenarios, it was stipulated that the goals must be met by September 2022, with all demands being carried out exclusively by managers, whether in the physical or online store. Action plans can be viewed in Frames 17 and 18.

Action plan for the physical store (V4)		
Scenario Sc1: Optimistic	**Strategies**	**Goals**
The competitive environment between stores will decrease, either with the closure of some current stores or with the loss of strength of them.	a) Expansion of the product mix, taking into account the gap left in the market; b) Strengthening of the company's marketing; c) Expansion of the physical store, either remodeling the current one or seeking a larger space; d) Training of the sales team; e) Preparation of a customer acquisition plan; f) Drawing up a customer base retention plan.	A1 – Map the brands and products that the company does not offer so far; A2 – Make contact with the suppliers of each new brand; A3 – Create specific marketing campaigns for these products, with the objective of bringing the information to the consumer. B1 – Close partnership with bloggers and influencers; B2 – Dissemination on traditional channels, such as radio and pamphlets, and digital channels like social media and Google. C1 – Carry out a study of the space needed in the store to accommodate the products that the company does not yet sell but intends to sell; C2 – Conduct a financial study to verify the feasibility of moving to a larger store, considering location and revenue x expense. D1 – Conduct monthly at least one training session for the team of a specific line of products; D2 – Collect customer feedback on the service received; D3 – Carry out a test every six months with the team to verify the level of knowledge about the products. E1 – Promotions for the first purchase; E2 – Gifts for the first purchase; E3 – Creation of lightning promotions in the store to attract customers; E4 – Service via delivery for customers of nearby cities without freight charge; E5 – Referral program, offering benefits to customers who bring new consumers, encouraging marketing by the customer himself. F1 – Creation of a loyalty program, offering promotions and rewards; F2 – Contacts with customers for more than 90 days without purchases to offer products and show the launches; F3 – Special discounts for customers for more than 180 days without investments.
Scenario Sc2: Moderate	**Strategies**	**Goals**
The competitive environment will not undergo major changes, remaining the same, with few stores and none with a complete mix.	a) Drawing up a customer base retention plan; b) Opening of a new physical store;	A1 – Creation of a loyalty program, offering promotions and rewards; A2 – Contacts with customers for more than 90 days without purchases to offer products and show the launches; A3 – Special discounts for customers for more than 180 days without purchases. B1 – Map cities within a radius of 200km which are able to receive a physical store; B2 – Carry out a feasibility study for opening a store in three of the best-mapped cities.

	c) Reduction of costs and expenses, fixed or variable;	C1 – Analyze all fixed expenses and the budget of the year, seeking reduction points; C2 – Renegotiation of credit card fees; C3 – Conduct a tax study to verify possible tax reductions.
	d) Application of courses in the area of beauty.	D1 – Create an "MVP" to assess the feasibility of applying for courses.
Scenario Sc3: Pessimistic	**Strategies**	**Goals**
To open a large competing physical store in the same city, with an extremely complete mix, aggressive prices, and comfortable space for customers.	a) Drawing up a customer base retention plan;	A1 – Creation of a loyalty program, offering promotions and rewards; A2 – Contacts with customers for more than 90 days without purchases to offer products and show the launches; A3 – Special discounts for customers for more than 180 days without purchases.
	b) Reformulation of the physical space of the store to include the product mix;	B1 – Carry out a study of the space needed in the store to accommodate the products that the company does not yet sell but intends to sell.
	c) Application of courses in the area of beauty;	C1 – Create an "MVP" to assess the feasibility of applying for courses.
	d) Expansion of payment methods for the customer;	D1 – Improve the form of interest-free installment in order to make the purchase more attractive for the customer; D2 - Renegotiation of fees with credit card operators.
	e) Strategic alliances with other companies;	E1 – Create a benefits club for local commerce and local industry employees.
	f) Strengthening of external sales/delivery;	F1 – Service via delivery for customers of nearby cities without freight charge.
	g) Development of a marketing plan focused on store differentials;	G1 - Dissemination on traditional channels, such as radio and pamphlets, and digital channels, such as social media and Google, highlighting the company's differentials.
	h) Mapping the negative points of competition;	H1 – Analyze quarterly the performance of the competition, identifying weaknesses that can be attacked; H2 – Create actions on top of the competition's weaknesses.
	i) Creation of exclusive promotions;	I1 – Creation of promotions on high-turnover items in order to attract consumers to the store; I2 – Evaluate possible opportunities with suppliers to obtain differentiated conditions in certain products.
	j) Reduction of costs and expenses, fixed or variable.	J1 – Analyze all fixed expenses and the budget of the year, seeking reduction points; J2 – Renegotiation of credit card fees; J3 – Conduct a tax study to verify possible tax reductions.

Frame 17. Action plan for the physical store
Source: Elaborate by the author (2021).

The strategies developed for the optimistic scenario, where competition between physical stores will decrease, were focused on its further strengthening position in the region, increasing its market share, and hindering the entry of new competitors. Among them is the increase in the product mix, taking advantage of the fact that there are few competitors, thus being able to offer more products to the same customer, increasing sales revenue. Other strategies, such as the expansion of the physical store space and training of the sales team, are aimed at offering a better experience for the customer, seeking their loyalty. The others, the strengthening of marketing and the strategies of capture and retention, have a focus on increasing sales. They are active strategies to increase the customer base and sell to them more often.

For the moderate scenario, strategies were developed to maintain the current situation, with reductions in costs and expenses and actions to increase revenue, such as creating new products and services and opening a new physical store. In this scenario, the competitive situation remains the same. The company needs to be cautious, but it also needs active measures to gain a larger share of the market. To be able to perform well in this scenario, the strategies created were: to develop a customer base retention plan, increasing the loyalty of that existing customer; a new physical store opening within a radius of 200km; reduction of fixed or variable costs and expenses; application of courses in the area of beauty.

The last scenario foresees a significant increase in competition, with the emergence of a large player in the market, offering aggressive prices and a wide and comfortable physical space for customers. In this scenario, the strategies formulated aim to meet a mix of improvements since it is the most worrying scenario for the company. These improvements focus on reducing costs, improving customer service, customer base loyalty, aggressive pricing strategies, creating new products and services, and forming strategic alliances and actions to increase sales.

After the action plan of the physical store was elaborated, the same plan was developed for the online store. Frame 18 shows this plan.

Action plan for the online store (V11)		
Scenario Sc1: Optimistic	**Strategies**	**Goals**

The company was able to increase the profitability of the products sold, either by better purchases with suppliers, decreased dollar exchange rate, market regulation, or differentiated tax conditions, growing its profit faster.	a) Invest in an online store intended for wholesale purchases;	A1 – Initially negotiate with some of the brands with which the company works, a differentiated condition for high volume purchases, to offer wholesale at lower prices; A2 – Develop a financial and strategic plan for wholesale operations.
	b) Invest even more in marketing and generation of paid traffic;	B1 – Further strengthen the company's marketing, hiring qualified and experienced professionals in the market in the areas of paid traffic, content creation, photography, and editing of images and videos.
	c) Formation of a team dedicated to e-commerce;	C1 – Promote or hire a manager for e-commerce who can supervise and respond to all areas; C2 – Hire a team that only takes care of e-commerce and no longer has a link with the operation of the physical store.
	d) Expand sales in marketplaces;	D1 – Increase the product registration team so that the company can offer more products in less time in the marketplaces; D2 – Start selling in marketplaces where the company does not currently work, such as *Amazon* and *Via Varejo*.
	e) Invest in marketing tools, usability, and user experience, aiming to increase the conversion rate of the site;	E1 – Invest in tools focused on increasing the conversion rate and user experience, evaluating their results monthly.
	f) Evaluate possible tax changes to gain competitiveness;	F1 – Conduct a tax study to verify possible tax reductions; F2 – Conduct a tax study to verify the feasibility of changing e-commerce to states with tax benefits.
Scenario Sc2: Moderate	**Strategies**	**Goals**
The profitability of the products is stable, and the company is profiting and maintaining healthy growth.	a) Expand sales in marketplaces;	A1 – Increase the product registration team so that the company can offer more products in less time in the marketplaces; A2 – Start selling in marketplaces where the company does not currently work, such as *Amazon* and *Via Varejo*.
	b) Invest in marketing tools, usability, and user experience, aiming to increase the conversion rate of the site;	B1 – Invest in tools focused on increasing the conversion rate and user experience, evaluating their results monthly.
	c) Create a marketing plan focused on attracting customers;	C1 – Promotions for the first purchase; C2 – Gifts for the first purchase; C3 – Creation of lightning promotions in the store to attract customers; C4 – Free shipping promotions, in order to break customer objections and facilitate the purchase; C5 – Referral program, offering benefits to customers who bring new consumers, encouraging marketing by the customer himself.
	d) Strengthen partnerships with suppliers, seeking better price conditions;	D1 – Hold a meeting with the main suppliers, seeking better conditions and opportunities; D2 – Whenever possible, make cash purchases to get an additional discount; D3 – Develop sales actions in partnership with suppliers, improving the relationship between store and industry.

Scenario Sc3: Pessimistic	Strategies	Goals
The profitability of the products is falling, with the company losing market and not being able to maintain the same level of service within the generated result.	a) Reduction of costs and expenses, fixed or variable.	A1 – Analyze all fixed expenses and the budget of the year, seeking reduction points; A2 – Renegotiation of credit card fees; A3 – Conduct a tax study to verify possible tax reductions;
	b) Strengthen partnerships with suppliers, seeking better price conditions;	B1 – Hold a meeting with the main suppliers, seeking better conditions and opportunities; B2 – Whenever possible, make cash purchases to get an additional discount; B3 – Develop sales actions in partnership with suppliers, improving the relationship between store and industry.
	c) Renegotiation with logistics operators in order to obtain better freight prices;	C1 – Evaluate the option of new logistics operators; C2 – Renegotiate the freight table with current logistics operators; C3 – Check the feasibility of outsourcing logistics.
	d) Introduce other products offering better profit margins;	D1 – Analyze whether, within the segment in which the company operates, there are products that have better profitability and are not being exploited;
	e) Expand sales in marketplaces;	E1 - Start selling in marketplaces where the company does not currently work, such as *Amazon* and *Via Varejo*; E2 - Increase the sale in marketplaces, even with a lower profit margin, just to maintain a source of revenue that helps pay fixed costs, since these channels charge a variable percentage that is already predictable, different from sales on their own website, which requires unforeseeable investments.

Frame 18. Action plan for the online store
Source: Elaborate by the author (2021).

The first scenario foresees an increase in the profitability of the products sold, increasing the profitability and growth of the company. In this case, strategies were developed to help the organization maintain this position and focus on market growth. After all, the environment is very dynamic, and it is important that the company makes investments to improve its operation while it is in a good phase. The strategies focused on increasing sales were: the creation of an online store for wholesale sales, increased investment in marketing and paid traffic, expansion of sales in marketplaces, investment in tools that improve the usability of the site and increase the conversion rate. The other strategies, such as creating a team focused on e-commerce and the evaluation of tax changes, focus on improving the company's level of service and efficiency and achieving cost reductions, respectively.

For the moderate scenario, more conservative strategies were developed to increase revenues and improve profit margins. These are actions that the company must put into practice to get out of the moderate scenario and go to the optimistic scenario, where the profitability and growth of the company are greater. The strategies elaborated were: expansion of sales in marketplaces; investment in marketing tools, which focus on usability and increased conversion; actions to attract new customers; strengthening partnerships with suppliers.

The pessimistic scenario simulated the fall in profitability and market loss, making it difficult for the company to maintain the same service level. This scenario is the most worrying for the organization because the fall in product profitability directly affects the company's result. A lower-than-expected result affects the service the company delivers to the consumer, and a lower-than-expected service can cause the customer not to buy again. In this case, strategies were developed to help reduce costs and expenses, strengthen partnerships with some suppliers, renegotiate freight with logistics operators, introduce new products that offer better profit margins and expand sales in marketplaces.

5 FINAL CONSIDERATIONS

As a result of this work, it can be concluded that the objectives were achieved, making it possible to carry out strategic planning from the simulation of scenarios and elaborate an action plan with strategies for each scenario created. Thus, the specific objectives were also achieved, and the critical variables of both channels of the company were detected, providing the necessary subsidy to achieve the other objectives of this study.

A reassessment of the organization's mission, vision, and values were carried out because those that existed were in disagreement with the current moment. This step was important to guide the company’s future and assist in the elaboration of strategies. Continuing the application of level 2 of the Rojo model, some strategic tools were applied, responsible for analyzing the internal and external environment of the organization, the competition, and the product mix.

In this stage, it was evidenced how each sales channel works differently and how they often have controversial characteristics in relation to each other. For example, a physical store needs a wider variety of products, while e-commerce needs depth of inventory to function best. Precisely because of these differences, each strategic tool was applied twice, once for the virtual environment and another for the physical environment, intending to obtain a more accurate analysis of the company’s real situation and how it should position itself.

The SWOT matrix demonstrated that the physical operation of the company is very mature, with many strengths, few weaknesses, and good points of opportunity, which indicates that there are actions that can improve the company's results. The digital operation is also well developed, but it has two weaknesses that must be corrected so the result can improve. The first is the fact that the company offers the same prices in both sales channels, and each operation has different costs and scales. The second point is the difficulty of communication with all customers through the same channels, especially if the company changes policies for each operation. Different rules can cause complaints and discontent, and the company will have to find ways to deal with this in the best way.

The application of the BCG matrix made it possible to demonstrate to managers graphically how the company's product portfolio is, offering an intuitive view and making them think about how they can improve the outcome of each of the SBU. Finally, an analysis of the competitive environment of the company and the sector was performed, again showing how each channel has different competitiveness. Competition in the online environment is much fiercer, with a very strong bargaining power on the part of customers, a much stronger level of competition, and a low barrier of entry for new incomings.

With the information obtained at level 2, it was possible to perform scenario simulations, using the main critical variable in each channel as a basis, according to the managers. The elaboration of the scenarios was based on three situations: the optimistic, the moderate, and the pessimistic - generating a total of six scenarios. After creating the scenarios, level 4 was set, where managers should develop strategies to face the situations created in each of the scenarios.

This step allowed administrators to get involved with the situations created, discussing and creating solutions to the problems presented practically. More than 36 strategies were created, with an impact in several areas of the company. At the last level of the application of the Rojo model, an action plan was drawn up. In this plan, the strategies are connected to actions, and each of these actions represents a goal. They have deadlines to be executed. This plan assists managers in implementing and monitoring strategies, besides being a document about everything that was prepared for the organization through the Rojo model.

This study demonstrated the applicability of the model in retail companies that have multichannel operations, simulating different scenarios and elaborating different strategies for each of the channels, providing a broader view of the organization and its performance in the market.

As a suggestion for further studies, there is a need to develop a marketing plan for the organization, focusing on the virtual channel, dealing more privately with this operation, and creating even more specific actions. In addition, there is a need to elaborate other simulations of scenarios for different critical variables, creating new strategies and goals for the company. It was suggested that the organization review this planning annually, making modifications if necessary.

Regarding the limitations of this study, the main one was that the research did not count on the opinions of experts in the segment, using only opinions of the organization's managers. These opinions may not match the reality of the market, causing distortions in the final result of the research.

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