



IDC PERSPECTIVE

Digital Transformation in Leroy Merlin Spain

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Leroy Merlin's Digital Transformation Journey

Most organizations involved in a digital transformation (DX) journey are defining a road map of initiatives, starting with the implementation phases, and prioritizing the ones that will bring more benefits to customers. But where exactly are they in this transformation journey? What are these companies doing? How are they structuring and organizing this transformation? What are their challenges and lessons learned?

Key Takeaways

- Leroy Merlin has placed the customer at the center of its transformation strategy, understanding that its local business depends heavily on the creation of strong relationships with its customers.
- The company's internal social media network has reached 98% participation across all employees.
- A strong collaboration culture exists throughout the company, with employees encouraged to participate not only in the different digital initiatives, but also in being part of the company's vision for the future. This ensures employee participation and engagement.

Recommended Actions

- Leroy Merlin's main challenge will be how to maintain this level of engagement and participation in the future. The company's future vision needs to be revisited in due course, and ensuring the same level of employee commitment should be at the core of its new strategy.
- Ensuring the continuation and cascading effect of the transformation process continues across all stores and locations in Spain with the involvement of middle management and employees in remote stores, especially those with little previous exposure to technology and digital tools.

Source: IDC, 2017

SITUATION OVERVIEW

Across industries, we are seeing IT dramatically change how organizations run their businesses. In an era driven by accelerated innovation – built on the four technology forces of IDC's 3rd Platform (i.e., cloud, mobility, Big Data analytics, and social business) – we have seen the adoption of technology move from bespoke solutions for mainly large corporations to virtually unlimited computing power using this technology from the comfort of our homes, schools, and social environments with the arrival of the smartphones. The democratization of technology and demanding, tech-savvy customers are forcing companies to embark on a digital transformation journey.

There is a need to transform the traditional business to maintain relevance in the market and to serve customers with higher expectations; they want to interact with companies in a more dynamic or intuitive way – at any time or place, and with personalized offerings and services that satisfy their specific needs.

Most organizations involved in a DX journey are defining a road map of initiatives, starting with the implementation phases, and prioritizing the ones that will bring more benefits to customers. But where exactly are they in this transformation journey? What are these companies doing? How are they structuring and organizing this transformation? What are their challenges and lessons learned?

Many companies are establishing their own drivers for digital transformation, with multiple variations from one company to another: increase revenue, reduce cost, improve customer experience, or a mix of all of them. But regardless of the driver, they face similar issues in defining the organizational structures, collaboration approaches, employee engagement, and metrics/key performance indicators (KPIs) used to measure digital success.

For the do-it-yourself (DIY) sector, the web-to-store concept has taken an important place in current consumption habits – using the Internet to search for products, getting detailed information and comparisons between different brands and different DIY stores, and finalizing the purchase either at a physical store or a digital one. eCommerce and customers' specialized communities have become great allies for companies to attract customers' attention and close the sales cycle.

This IDC Perspective focuses on the approach of Leroy Merlin Spain to DX and its business operations from four different points of view: organizational structures, collaboration approaches, employee engagement, and metrics/KPIs used to measure DX success.

ADVICE FOR THE TECHNOLOGY BUYER

To move up the maturity ladder, organizations must prepare and educate their businesses and IT stakeholders on the importance, impact, and benefits of DX across their organizations. DX is not just another technology trend – it is a critical business priority for many CEOs and their leadership teams. The fact that the majority of organizations are still in the early to medium stages of maturity shows that DX is not as simple as buying a technology solution. DX requires organizations to radically rethink "how to do business."

Organizations will need to focus on developing the vision and strategy for DX of products, services, and experiences to deliver value to partners, customers, and employees. Additionally, organizations need to leverage digital technologies to transform processes and operations to deliver world-class experience across products and services to customers and the entire ecosystem. Harnessing the real value of data in a secured environment and personalizing the customer experience are some of the steps organizations need to start focusing on if they wish to move in the right direction.

Insights

Company Background

Leroy Merlin is a French multinational founded in 1923 specializing in the DIY, home, and garden equipment markets, operating in 13 countries. The company opened in Spain in 1989, and now it has more than 10,000 employees and over 65 stores across the country. Its business model is based on its proximity to customers and the local market, heavily relying on the initiative and capacity of employees at local stores to develop relationships with autonomy.

Leroy Merlin started its DX journey in 2010, taking a number of steps with some basic services, first with the focus on employees such as communication infrastructure and corporate intranet, and then on ecommerce tools and capabilities. The company has a clear road map to complete in the next 18 months across all current DX initiatives.

Leroy Merlin believes DX means putting the client at the center of the organization and defining a customer experience strategy that is coherent to all corporate channels and with a homogeneous brand experience, growing from a company with only physical stores to the incorporation of digital channels to support the entire life cycle of the customer relationship with the company. This view implies a transformation of the operating model to ensure a real omni-channel customer experience.

The driver for this transformation is to adapt to customer needs and maintain its leading position of "expert brand" to help customers in the DIY market.

Leroy Merlin is very active on Facebook (with 1 million followers in three years of activity), Pinterest, and Instagram, having created a highly advanced community for customers based on collaboration between company employees and final customers. The community already accounts for 12% of its web traffic, with almost 12 million visits a year and around 3 million registered users, providing the following services:

- **Solving doubts in the forum.** All the forums are structured by interest topic, making it relatively easy to participate by asking questions and sharing concerns that are answered by active employees or other customers.
- **Store workshops.** Through the community, customers can find workshops on DIY activities that are delivered at Leroy Merlin national stores. This connects people from the digital environment to stores, with the goal of increasing customer loyalty. These workshops also help bring customer and employee relationships closer, allowing people in stores to meet those in the communities and become more engaged.
- **Customer projects.** Customers can share their projects through videos and tutorials, enabling other people to become interested and engaging other people with the DIY philosophy.

Leroy Merlin is currently evaluating the use of chatbot technologies to increase customer value at the contact center. It is also considering robotics for a major transformation of its operations center in Guadalajara, Spain (where its ecommerce operations are based), in order to increase its operational level by adding automation to the process, preparing to serve more demanding consumers, and increasing the center's capacity.

Customer expectations are changing – they demand more product and service content to be available for analysis before purchasing, enabling them to compare product characteristics and prices. Yet, a majority of customers still like to come into the store to obtain personal advice from sales. At the same time, younger generations are demanding more digital channels to interact with the company. Leroy Merlin has identified ecommerce as a potential solution for this challenge, allowing customers to obtain all relevant information, decide to purchase products online, collect on the store, or go to the store to finalize the purchase, having unified pricing policies across all channels.

In 2017, Leroy Merlin Spain won several awards related to its customer focus and ecommerce initiatives:

- **Customer Focus Award from the European Business Awards.** It recognizes European companies with high innovation levels, business excellence, and sustainability in its different areas of business and management. In this edition, 33,000 companies from 34 countries presented their candidatures. Only 11 companies were awarded, three of which were to Spanish companies including Leroy Merlin.
- **Third place at the eCommerce Awards 2017 for best omni-channel strategy.** This is one of the prizes of reference in Spanish ecommerce that already reached its eighth edition. On this occasion, a jury of experts chose the best players of the year from 8 ecommerce categories and more than 120 company nominations.
- In addition, in 2016, Leroy Merlin won the **LoRa Alliance Global IoT Challenge**. The company will create a relational platform with its clients based on a network of gateways that will provide security, energy, or home automation services.

Specifically, IDC believes Leroy Merlin has a tremendous opportunity to expand and find additional growth in IoT-related areas, specializing on its home products with a wide set of automations and applications to make customers' lives easier.

DX Leadership and Organizational Structure

Leroy Merlin's vision is to become the first organization in the DIY market with a complete and coherent omni-channel customer strategy by 2019. This vision was born almost eight years ago, during the early years of the economic crisis. Employees across the company took advantage of dangerous market conditions and the slow market to get together in several sessions to define the future organization and Leroy Merlin's main characteristics for the future. The main outcomes of those sessions can be summarized in the following points:

- Get closer to customers, not only by selling products but improving their experiences
- Define new ways of interacting with customers, not just in stores
- Create a wider range of products and services to further engage customers

This exercise will be repeated in the coming years to define the company's direction for the next 10 years.

Within this structure, different business units (BUs)/countries have the autonomy to execute under this common vision. However, the different countries also work together to define common initiatives, identify ways to reduce costs and time to market, and achieve other business goals.

Technical infrastructure is common and homogeneous for around 70% of the business, mostly at the back office, while BUs have certain flexibility to incorporate local requirements at the front office on a quicker way.

IDC found that there are typically different approaches to structure digital transformation in an organization: individual contributors, corporate DX offices providing support to all the organization with or without profit-and-loss (P&L) responsibility, and having digital leaders assigned in existing lines of business.

Leroy Merlin's organizational structure is very flat and based on employees' empowerment. There is no DX office nor a chief digital officer appointed – understanding this transformation is a process that needs to involve the entire organization. DX strategies and initiatives are defined and prioritized by an executive committee, appointing leaders and working teams to bring them forward, involving the different business areas impacted by each initiative, and including stores employees in most of them to ensure customer vision is taken into account.

There is an organization department in charge of the transversal project coordination and project management activities, and the human resources department is tasked with accompanying digital initiatives with specific career development plans for employees. Once the leader for a specific initiative is appointed, they can have one only assignment (or a shared assignment in combination with their business-as-usual responsibilities), depending on the magnitude of the project and scope (national or international). Leroy Merlin is currently implementing over 25 initiatives on DX globally.

In order to encourage innovation, Leroy Merlin follows a similar approach. There is not a centralized innovation office, but there is a strong process where people from different levels of the organization are encouraged to share their ideas, and managers are in charge of bringing these ideas to the executive committee for evaluation.

Historically, Leroy Merlin has encouraged synergies between employees. People within the same work division (yards, lighting and electricity, décor, plumbing and painting, etc.) used to share knowledge and advice daily when working at the same store, or through regional meetings to engage people from different stores, etc. In recent months, this synergy has greatly improved thanks to the implementation of digital process, services, and products, thus people currently share their ideas without physical limitations.

Leroy Merlin has defined a policy of continuous DX investments to avoid peaks of work in the organization and lack of capacity to carry out the initiatives. The company prefers a consistent workload than managing peaks of investments that would make planning and change management more difficult.

Collaboration Approaches and Employee Engagement

Talent is mainly sourced internally within the company, and there are multiple human resources programs available to develop disruptive innovation through the managing leading skills, innovation accelerator programs, and innovation pilots.

The IT department in the company has two main roles:

- Drive innovation from the technology perspective, anticipating changes that can be reached through the implementation of new digital technologies, investigating and understanding them, and having them available to users that have the responsibility of functional innovation.
- Technical implementation of these initiatives – applications urbanization and infrastructure support – incorporating third parties or vendor solutions when necessary.

This is achieved due to daily contact with business users and commitment to digital processes innovation. Leroy Merlin's synergy policy also applies to the IT area. Every two months, there are specific events to share initiatives implemented by other countries, enabling them to learn and benefit from each other.

IDC believes that when organizations want to achieve any kind of change, especially under the DX scope, it is ultimately required that employees also change the way they do their jobs. But this goal will not be achieved if employees are not involved nor engaged, and if they are not successful on their personal transition.

In essence, Leroy Merlin's culture is based on proximity between customers and employees, sharing experiences in favor of a collaborative environment. For example, digital technologies reinforce this culture by incorporating social media.

Leroy Merlin focused on change management methodologies to maximize the success of digital transformation throughout the company, helping people lose their fear of technology. This was easily achieved (or at least easier than in other organizations) due to the strong culture of collaboration in the company.

In 2009, Leroy Merlin incorporated digital collaboration tools using an internal social network. Participation on this network across employees has proven tremendously successful with 96% participation. Furthermore, the company recently deployed the internal university campus where tutorials and videos are available for employees on demand, moving from a "training" to a "learning" concept. The advantage of the campus is that employees can choose the content they wish to include in their career development besides the basic topics set by their managers. This freedom allows employees to develop knowledge areas of greatest interest to them, as well as those necessary for the company, maximizing engagement.

The company also launched its "Digital Days" initiative, designed at regional level, with the objective of cascading the impact of digital tools to local stores to reach all employees.

An example of employee engagement is the voluntary participation of almost 300 employees in the Leroy Merlin community. These volunteers showed natural digital skills and received specific training to participate in the community. They are encouraged to work part of their time on the community, sharing new content and solving customers' doubts. These individuals own a digital profile and can be followed by customers receiving public acknowledgement for their work, in addition to their manager's support, recognizing this in their annual performance reviews.

To ensure the correct profiles for the company culture, the recruiting process is very strict, requiring new employees to share the core values of the organization and have a high level of initiative and collaboration.

Great Place to Work (GPTW) has named Leroy Merlin one of the best companies to work for in Spain in 2017, ranking ninth in the category of companies with more than 1,000 employees. Every year, this ranking tallies the best places to work based on the perception of employees as well as the practices and policies of human resources.

Metrics and KPIs

IDC found that proper follow-up on DX initiatives requires the identification of transformation goals and quantitative indicators to measure progress based on "SMART" criteria (specific, measurable, achievable, relevant, and time-bound). The objective is not to define too many KPIs, but rather to perform a proper follow-up of the KPIs set to ensure that the changes being made deliver the expected results, and/or to react in time in case additional adjustments are required.

- Customer experience is at the core of Leroy Merlin's strategy; it measures customer satisfaction through customer surveys at different touch points such as ecommerce, focus groups, workshops, stores, and so on, while constantly evaluating its claims ratio and evolution. Other external surveys are also conducted to compare the company with its competitors in the same sector, including Net Promoter Score (NPS) and the company's position on the market.
- Leroy Merlin measures the use of its internal social network with the activity rate, reaching 96% employee engagement in Spain through content generation and participation, as well as measuring KPIs by store and segment (yards, lighting and electricity, décor, plumbing and painting, etc.). To improve participation in the communities, employee contribution rankings are published to encourage the collaboration network to participate.
- There are many KPIs related to the ecommerce strategy – measuring customer activity on the web, number of visits, number of sales, and others, and comparing them with the numbers achieved in stores.

Leroy Merlin has developed specific surveys for employees to identify where they are positioned on DX capabilities, allowing the development of required reinforcement to participate on the community, improve their participation level, and generate a better customer experience.

Essential Guidance

Leroy Merlin based its strategy on its strong collaboration and initiative culture, which permitted the successful implementation of the customer community. This is an interesting way to take advantage of social media – attracting new potential customers and engaging the existing ones – through videos, tutorials, and expert support by employees. This existing collaborative culture, in addition to the human resources policies, encourages employees to actively participate in these initiatives, differentiating Leroy Merlin from other companies in the sector.

The main challenge for Leroy Merlin is to complete a smooth DX implementation for ongoing initiatives in the next 18 months. The organization is currently in the middle of the "perfect storm," with more than 20 DX projects that are at completion phases and have to be launched to stores and final customers, performing the changes while managing the business at the same time. A big challenge will be to have these changes embraced by its 10,000 employees while they work on their daily activities, followed by a new wave of reinvention.

The lessons learned by Leroy Merlin provide essential guidance to organizations in all industries looking to implement a digital transformation strategy, with the following recommendations:

- **Build a strategy involving the entire organization and develop a collaborative culture.** Involve employees across the organization in designing how the organization is meant to look in the next 5 to 10 years, guarantee greater engagement, and establish a collaborative culture, which is critical to work in this new environment.
- **Share leadership and alignment.** DX is a task for the entire company, not only for an isolated digital office. Engage managers to apply a top-down engagement, and involve people at different levels to transform the company, sharing the same view and being aligned with organizational goals.
- **Constantly invest in technology.** It is preferable to manage a constant flow of investment and have the organization prepared to face these investments, instead of launching a huge set of initiatives at one time, making it difficult to manage both technology and people change.

LEARN MORE

Related Research

- *Design Thinking in European Digital Transformation: Consultants, IT Services Companies, and Agencies* (IDC #EMEA42463717, April 2017)
- *Does 3rd Platform Technology Pave the Way for Digital Transformation? Technology Adoption and Trends by Industry in Europe for 2017* (IDC #EMEA41352217, March 2017)
- *IDC FutureScape: Worldwide Digital Transformation 2017 Predictions* (IDC #US42259317, January 2017)

Synopsis

This IDC Perspective is the first of a series that focus on the different digital transformation strategies, approaches, and implementations across various Western European organizations. It focuses on how retailer Leroy Merlin Spain is approaching innovation and digital transformation, and how these affect its business operations from four different points of view: organizational structures, collaboration approaches, employee engagement, and metrics/KPIs used to measure success.

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