

Software company wins Auchan after Sonae, Lidl and Pão de Açúcar. Chile, Colombia, England and France are the targets in 2021

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The first Portuguese hypermarket opened in 1985. Thirty-six years later, the retail that was then called modern, in contrast to the traditional, became the traditional retail, in contrast to the electronic retail. “The store concept has evolved a lot”, but “many continue to work the old way”, because “they do not take advantage of information that the store produces in relation to customers”, says Paulo Magalhães, CEO of Tlantic, a company that produces software for stores and who just added Auchan to the list of customers. Which means that it provides retailers that represent 50% of the food market in Portugal. To explain the problem, Paulo Magalhães uses an analogy. In the large retail sector, the circuit was structured to have “one direction”, from “upstream to downstream”, but in which “decisions are made centrally”. “The retail is set up in this way, and the self service [the predominant model in which the customer collects what he wants] came to give even more strength to this. Everything went in one direction, from the mountain to the mouth, from the producer to the warehouse, to the store, to the shelf, to the front of the box, to the customer's home, to his or her pantry”, he describes. “It is like a brain that does not use the skin. The skin is the stores, the workers who collect information daily on a myriad of issues. “What happens in the store, what the customer says, does or wants, the way they work, a lot of that information only started to be taken into account when

Tlantic arrived on the market, around 2004, with three softwares that, in the bottom, they “get the skin of the flap to work”, connecting it to the “brain”. In 2020, the company had a turnover of seven million euros, and this year it already conquered another important retailer in the national market, pointing at the same time to batteries for an international expansion that has long been part of its daily life, but which intends to extend to new geographies, such as Chile and Colombia, in Latin America, and France and England, in Europe.

Brazilian roots

Born in Brazil in 2004, by the hand of the Sonae group (owner of PÚBLICO), Tlantic cut this umbilical cord in 2018. Today, Sonae is a customer, just like the Lidl chain. Or CUF hospitals. Or even call centers. “As a result of chance, we develop software that is applied very effectively in other types of companies”, he stresses. The company has 100 workers, 70 in Portugal, 30 in Brazil. The average age is 34 years. Most are engineers, such as Paulo Magalhães, who graduated in Computer Systems in Minho, went to banking, traveled to Germany, and who instead of deepening that area he preferred to diversify through an MBA. The last major job at the bank in which he participated was at the beginning of the privatization of Portucel, in 1995. He could have been an architect. He is a photographer in his spare time. But he opted for retail, which he joined as a

computer man and later became a businessman (and even a teacher). In 2004, Tlantic's idea was to support the expansion of Sonae's retail in Brazil, where the growth cycle of the group led by Belmiro de Azevedo had started in 1999. They created an innovative cash front system for the time, the first on Linux, which made it possible to dispense with Microsoft's Windows, which is much more expensive. It is the legacy of this engineering work done in Brazil that can still be seen to be used in many Portuguese cash lines. The “Brazilian part” of Tlantic was then significantly larger than the “Portuguese part”. But the departure of Sonae from Brazil, which sold the operation to Walmart (USA), dictated a change. The American retailer dismissed Tlantic because it had its own software. Instead of leaving, Tlantic oucou. It started to grow more in Portugal, but never gave up on the other side of the Atlantic, where it maintains offices in Porto Alegre and São Paulo. Today, Brazil represents 40% of turnover. It serves the Pão de Açúcar group (number two in the Brazilian retail segment, with 800 physical stores) and Drogaria Araújo and Panvel, two pharmacy chains, among others.

Future? Physical, for sure

The pandemic has put everyone in the world talking about a transfer from physical to digital retail. The reinvention of stores has been a hot topic for some years

5000

Number of stores in portfolio to which Tlantic already supplies, or will supply, management support software systems

100

workers: 70 in Portugal and 30 in Brazil. Most have a degree in engineering, the average age is 34 years old

50%

Sonae, Lidl and Auchan are three national customers of Tlantic and represent 50% of the food retail in Portugal

40%

Businesses in Brazil, where the Pão de Açúcar group and large pharmacy chains are clients, account for 40% of revenues

now. Farfetch, in the fashion world, has a curriculum in this area with the Browns store in England. This week, a Portuguese startup, Sensei, secured 5.4 million in the largest initial round (seed) of a national company, to continue its technological bet that allows physical stores to become autonomous. Tlantic, says Paulo Magalhães, is "attentive" to what is being experienced, but for now it maintains the course that, essentially, starts from the premise that "physical stores will continue to exist". "The physicist will always be there. The store concept has evolved a lot. Retail started at fairs, which were meeting points for transactions but also for interaction, with social life", something that human beings will hardly dispense with. "We are supporting this transition, but the mobile phone will not eliminate the store, it will complement it and will force it to be transformed." In the end, we will stop calling it stores, he admits. We can start calling it a showroom, as did a chain of opticians in the USA that transformed the stores into a kind of storefront, but that stopped delivering products. It is a case that interests those who like to reflect on trends because it provided data that allow us to conclude that "whoever has a website without a physical store sells more than if he had only a physical store". However, the same case shows also that "having the website and having a showroom store still makes sales more exponential", underlines Paulo Magalhães. What Tlantic does is seen in the so-called cash front. However, these disappeared in some experiences like that of the Whole Foods chain (USA), controlled by Amazon, which

was perhaps the first global brand to dispense with it, when it opened the Amazon Go convenience stores. The customer enters, takes what he wants and leaves, and payment is no longer made at a cashier where a person is registering barcodes. The process is controlled by cameras, sensors, artificial intelligence that identifies what is removed from the shelves, and then the payment is made through a mobile application. Tlantic technology is also already "traveling" in our pocket, for example being used for mobile phone payments, but this Portuguese company, installed in the industrial area of Porto, has produced other systems in its almost 18 years of existence. In addition to the cash front, there is software to manage processes (such as stock management) and people (adopted now by Auchan and already in use by Lidl). For more alternatives that may appear, Paulo Magalhães says that the change in retail has been constant and that he does not know the model without boxes is the one that will be imposed in the future. He points out that this was already a practice at Apple long before Amazon gained media coverage with its experiences in supermarkets, and believes that, in the future, retail "will have many options" in addition to stores without boxes. He also estimates that the more digitalized our purchases are, and the more the physical and the virtual mix, the more important it will be to have technological solutions that allow to transmit information from the "skin" to the "brain".

Three questions to Paulo Magalhães

At Tlantic, how are you preparing for the store of the future?

What we really do is transform the dark side of the store, about which there was no information. It may seem almost absurd, but in retail there are still those who spin without great operational control, where everything depends on the discipline, intuition, panache or merit of the "heroes" who are the workers. We have 5000 stores in our portfolio and we have a lot of data. We know that 80% of workers are in stores, but even today, there are still those who do not collect all the information that this workforce gathers every day, and make management decisions without taking advantage of this potential. We don't know what the store of the future will be like. There will probably be several models. Whatever it is, we will continue to work to make the connection between the store and the customer.

If everything is digital, what will be the big challenge?

It's the reverse logistics. If there is no store, and you buy four but just want to keep one, how are you going to return it? Changing the cycle from upstream to downstream is the most difficult and expensive. Perhaps we will have models in which there will be intermediate points of transaction. Think of a kind of "Uber solve [collect and repair] mobile", which deals with collection, instead of delivery. It was a problem that Netflix faced when delivering films by mail.

Is the front office carrier, replaced by machines?

If the cash register disappears, half of the workers in a current store also disappear. But it does not mean that the store will become more empty. A few years ago, those who worked in the store replenished the product. It was pure logistical operation, arms and legs. Today we go to a store and it already has a sushi counter, a cafeteria, a bookstore, etc. The Transformation has already been so great.

"The physical store will always be present, with another name or model. It sells more on a website than on a store, but having both boosts sales even more."