

# VIRTUAL STORES MAGALU: Innovation, Technology and Human Warmth

## LOJAS VIRTUAIS MAGALU: *Inovação, Tecnologia e Calor Humano*

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### ABSTRACT

The present teaching case highlights the difficulties encountered and the strategies adopted by the company Magazine Luiza to develop in the market with the implementation of virtual stores, meeting its objectives and the needs of its customers. From the point of view of Virtual Store or stores without products, other opportunities arose for the company, demonstrating the e-commerce importance for retail and presenting the performance of Magazine Luiza. This teaching case aims to generate knowledge about the importance of technology, and the integration with brick-and-mortar stores, taking into consideration a unique case from the national retail industry. Thus, based on the case, it is possible to understand the different retail formats and their integration with an omnichannel strategy. Furthermore, it is possible to analyze the necessity of adapting marketing mix decisions, thinking about the evolution of the virtual store business model.

**Keywords:** innovation; e-commerce; digital; technology; retail.


### RESUMO

O presente caso de ensino retrata as dificuldades encontradas e estratégias adotadas pela empresa Magazine Luiza para se desenvolver no mercado com a implantação de Lojas Virtuais, atendendo seus objetivos e as necessidades de seus clientes. Partindo do ponto de vista Loja Virtual ou lojas sem produtos, surgiram outras oportunidades para a empresa, demonstrando a importância do *e-commerce* para varejo e ainda apresentando a atuação do Magazine Luiza. O objetivo deste caso de ensino é gerar conhecimento sobre a importância da tecnologia e da integração do digital com lojas físicas, considerando um caso de destaque no varejo nacional. Assim, a partir do caso é possível compreender os diferentes formatos varejistas e a sua integração numa estratégia *omnichannel*. Além disso, é possível avaliar a necessidade de adaptação do composto varejistas nas decisões de marketing, pensando na evolução do modelo das Lojas Virtuais.

**Palavras-chave:** inovação. e-commerce; digital; tecnologia; varejo.

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## Introduction

Magazine Luiza, a major Brazilian company, bet on innovation when it decided to invest in Virtual Stores in the early 1990s. The idea was to create physical stores without product stock, selling products through photos and videos. At that time, it was cassette tapes containing images of the products offered and sold by the company. This retail model aimed to be present in small cities but throughout the national territory.

The choice to open Virtual Stores, initially reducing costs and aiming to attract a larger number of people to its stores, led to a change in planning and logistical restructuring, as the Virtual Stores would not have stocks. The market differential was based on service, product and service offerings, and delivery time.

Over the years, with the success of the first phase, the company began to invest in innovation and technology, taking advantage of digital means to expand its market presence and thus increase the number of stores. In addition to technological innovation, the stores underwent a physical transformation, becoming more attractive and modern.

However, following the group's DNA of innovation and evolution, the proposal for the creation of the third phase of Virtual Stores was presented. The group debated which investments were necessary to ensure the success of the third phase of Virtual Stores. Additionally, there was a central dilemma. The group was divided on how the project should evolve, considering the characteristics of the stores. On one hand, there was a suggestion for the store to function as a mini warehouse, with portable and technology products ready for delivery but without shelf exposure. On the other hand, there was a proposal for the model to evolve in technology and store environment, without product stock, or even not functioning as small distribution centers. Such a change could impact the very essence of the virtual stores, the "human touch" and close customer service.

Magazine Luiza was founded on November 16<sup>th</sup>, 1957, in Franca, São Paulo, which is considered the capital of men's shoes. The foundation occurred through the acquisition of a small gift shop known in the city as "A Cristaleira", carried out by Mr. Pelegrino Donato and Mrs. Luiza Trajano Donato. The current name, Magazine Luiza, emerged after a cultural contest held on the local radio station in Franca,

where customers and friends suggested the name Magazine Luiza in honor of Mrs. Luiza Donato.

The business expanded in the 1970s, and in 1976, Magazine Luiza acquired Lojas Mercantil, opening its first branches in cities in the interior of São Paulo. Soon, in the 1980s, the first stores outside the state began to appear, starting operations in the state of Minas Gerais.

In the 1990s, the company entered a new cycle. Mrs. Luiza Helena Trajano, the founder's niece, took over the company's leadership, bringing innovative processes and seeking to apply her entrepreneurial spirit to continue the company's development and market performance.

In 1992, Luiza Helena met with her leadership team to develop a project allowing the company to serve small towns with few inhabitants. Thus, the idea of Virtual Stores emerged, which were inaugurated and continue to operate to this day.

According to Mrs. Luiza Helena,

*“The virtual store was born at a time when Pernambucanas was a very strong retail chain in the interior of São Paulo, in both small and large cities. Meanwhile, Magazine Luiza was only well-known in a specific region and primarily in large cities. It was a time of high inflation and economic difficulty.”*

In 2000, Magazine Luiza launched its e-commerce website, [www.magazin-luiza.com.br](http://www.magazin-luiza.com.br). The decade was marked by new acquisitions, such as the Wanel chain in 2001, Lojas Líder in 2003, and Lojas Arno in 2004, among others in subsequent years, which fueled the company's expansion throughout Brazil. In 2011, the company was listed on BM&FBovespa.

In 2015, a new cycle began with digital transformation, featuring the launch of a new version of the Magazine Luiza mobile app, which was used by more than 180 stores for sales.

When Frederico Trajano took over the company's management, there was a significant transition from a traditional management approach to one focused on the company's development. In an article published in *Líderes do Brasil* magazine, Trajano highlights: “When I took over, my management plan was already to transform a traditional company with a digital area into a digital platform with physical points.” In this sense, the executive sought to invest heavily in technology within five

fundamental pillars: digital inclusion, multichannel approach, physical store transformation, marketplace, and digital culture.

In 2016, Magazine Luiza was the publicly traded company with the highest increase in stock value in Brazil. During this period, the marketplace platform was launched, allowing about 50 partners to sell their products on the Magazine Luiza website, becoming “Luiza partners”.

The years 2017 and 2018 became important and remarkable for the company as it acquired the logistics startup logbee, being considered one of the most innovative companies in Brazil by the American magazine Fast Company. The following year, the company purchased Netshoes, the leading sports e-commerce platform in Brazil.

With the arrival of the COVID-19 pandemic, the company accelerated its online digital process. The multichannel strategy was enhanced with “Ship from Store”, aimed at speeding up delivery to the final customer.

In 2021, e-commerce experienced intense growth, driven by the impact of the Covid-19 pandemic. Many acquisitions occurred that year, expanding the company’s ecosystem. Additionally, in 2021, the first physical Magalu stores were opened in the state of Rio de Janeiro.

## The Digital Market

According to Statista, Brazilian e-commerce revenue grew from R\$ 60 billion in 2017 to nearly R\$ 170 billion in 2022, considering B2C. With a CAGR of over 20%, the sector experienced a boost in 2020 due to the COVID-19 pandemic, jumping from R\$ 90 billion to R\$ 126 billion in revenue (see Annex 1).

Considering data from the second quarter, from 2019 to 2022, the number of unique e-commerce users grew significantly, rising from 17.9 million in 2019 to 35.9 million in 2020 (see Annex 2). It is worth highlighting the evolution in the number of orders from 2019 to 2020. During this period, growth was 40%, surpassing the 300 million for the first time in 2020. According to Statista, in 2021, online orders reached nearly 335 million.

Regarding the competitive environment, Magazine Luiza led the revenue ranking for direct online sales in 2021, reaching R\$ 26.7 billion (see Annex 3). According

to the company's 2021 annual report, total e-commerce sales reached nearly R\$ 40 billion during the same period. Building a broader business ecosystem and the growth of 3P on the marketplace platform were central to the year's results. These numbers highlight the importance of e-commerce to the company's strategy. Also, according to the company's annual report, in 2021, of the R\$ 56 billion in revenue, 71% came from online channels, notably driven by the sale of new categories such as gaming products, fashion, beauty, and sports, among others.

Finally, when evaluating the share of monthly visits to the leading e-commerce sites in Brazil in 2022, Mercado Livre leads with 21%, followed by Amazon with 16%, and Magazine Luiza with 12%. It is worth highlighting Shopee, which had a 12% share of visits in the same period (see Annex 4). The ranking shows the relevance of international players in the Brazilian e-commerce market but also reinforces the prominence of Magazine Luiza in the competitive environment.

## The Different Channels of Magalu

Magazine Luiza demonstrated significant growth on the Stock Exchange during the first quarter of the fiscal year 2021, despite a scenario heavily affected by the Covid-19 pandemic. The company achieved exponential sales growth, resulting in a net profit of approximately 81 million reais in the first quarter of 2021. This success is attributed to Magalu's sales channels, investments, and technology (see Annex 5).

Frederico Trajano, CEO of Magalu, states that thanks to the ecosystem and the benefits of multichannel operations, "we continue to grow exponentially and sustainably, without unnecessary margin trade-offs, generating profit."

The company's growth occurred across all its operations—digital and physical, own inventory, and marketplace. In the first quarter of 2021, 1P digital sales increased by 114% compared to the same period in 2020 (see Annex 6). The marketplace reached 56,000 sellers in the first quarter of 2021.

Therefore, we consider that Magalu has different retail channels, including virtual stores, conventional stores, e-commerce, marketplace, telesales, mobile, and WhatsApp (see Annex 7) throughout the national territory (see Annex 8).

With a structure designed to explore both online and offline channels, the company had a market share of 3.5% in 2020, as reported in the 1Q21 quarterly results presentation.

Thus, even with moderate sales growth in physical stores between 1Q21 and 1Q20 (4%), considering 25% of physical stores were closed during the quarter due to the pandemic, the company achieved a 63% year-over-year growth (1Q21 vs 1Q20) in its total sales. These numbers reinforce the importance of multichannel strategy in the company's operations (see Annex 9).

## The Creation of Virtual Stores

The company's management came up with the idea of Virtual Stores. They sought a way to be present in small towns, serving their customers personally without the need for high investments or product inventory costs and facilitating delivery in hard-to-reach cities (see Annex 10).

According to Mrs. Luiza Helena,

*“Many people asked Magazine Luiza to open stores in their cities, but the cost was immense. How could we bring a large store, in difficult economic times, to inner cities? We started working on the idea of offering these cities a store that would be good for everyone. That's when the “electronic store” emerged, not virtual, because at that time virtual didn't exist.”*

The development of virtual stores occurred through two major phases, each important to the success that virtual stores represent in today's retail market. The third phase is currently in the experimental stage.

According to Douglas, Executive Director of Store Operations:

*“In the initial phase, there were no products on display, while in the second phase, cell phones were on display and were the only products that could be purchased and taken on the spot.”*

Given that a Virtual Store is an online store developed and managed through e-commerce platforms, the idea of stores where the physical structure exists to

serve customers virtually arose. These stores use digital platforms to offer a wide range of products and services without physical inventory and with an adequate number of employees to provide excellent customer service.

Douglas states:

*“The Virtual Store is a landmark for Brazilian retail because it was a bold move for national retail, as when it was conceived, we never imagined we could sell in smaller cities.”*

## THE FIRST PHASE OF VIRTUAL STORES

With the economic changes in the 1990s, Magazine Luiza sought to increase its market share, expanding its retail operations and aiming to serve small towns. Driven by this idea, Luiza Helena persistently gathered her development team to convey her desire to expand the business, drawing on the idea of an IT employee who also sought growth in the commercial area by developing a new form of retail that could serve everyone at a low cost. According to Mrs. Luiza:

*“A company takes time to mature; it is a new company, but this was a new idea. We had moments of crisis thinking about not continuing with the project. But soon, a tech person came along and worked on the idea of the Virtual Store, and thus, innovations emerged.”*

In this sense, innovation was seen as a great opportunity, directly linked to the presence of entrepreneurial professionals who pursued their ideas even in constant change times. Here, we note the full concepts of intrapreneurship.

This is a crucial point for the company, as Mrs. Luiza Helena encourages entrepreneurial and intrapreneurial practices. Besides the Virtual Store, other projects emerged from intrapreneurial actions such as the “Dia de Ouro”; Liquidação Fantástica; Reinauguração de Lojas; “Só Amanhã, no Magazine Luiza”.

Thus, through meetings and discussions, the idea of a small store without products and inventory emerged, containing only technology and the internet (a future plan) and employees trained with the right values and behaviors to conduct sales without the physical display of products (see Annexes 10, 11, and 12).

The idea was then embraced by all directors and quickly developed, leading to the opening of the first virtual store of Magazine Luiza in 1992. The main objective was to serve a larger audience in small towns, making the Magazine Luiza brand known and accessible to everyone.

The virtual store project started in approximately 150 square meters, which contained only cell phones for immediate purchase. The store was otherwise equipped with tables and chairs for customer service, along with VCRs and 20-inch televisions. Some telephones were available for customers, where they were received, according to Mr. Douglas, by salespeople who understood their needs and took them to their tables to start the negotiation. With the VCR and television, salespeople could show filmed footage of the products available for sale and continue the sales process, negotiating price, terms, and delivery to customers' homes.

Frederico Trajano says, "The virtual store is that innovation that came before its time. So, it was seen as a sales concept without inventory before the Internet in 1992."

A list of products and segments indicated the cassette tape and the exact minute the presentation started. This system allowed salespeople to showcase all the items available for sale by advancing or rewinding the tape as needed. This sales method was highly successful at the time.

In this sense, they emerged as a market differentiator and a competitive advantage, evolving into a future retail model. Built on the foundation of technology, they provided people with a new way to purchase millions of products from various brands and segments, offering personalized service, better prices, and flexible payment terms. Additionally, they aimed to ensure faster delivery and offer additional services such as insurance, loans, courses, and more.

According to Mrs. Luiza Helena,

*"Along with the virtual stores, Educational Marketing emerged. As soon as we secured the location, we made three types of interventions: one for the rural population where we made a cassette tape: 'Magazine Luiza arriving in town, a store of the year 2000, a store without products'. For the town, the video cassette explained the electronic store. Finally, for school students, we created a children's story in comic form, informing that an electronic store was coming, a store without products on display but with products shown on video cassettes, photos, etc."*

Additionally, the first virtual store had a space entirely dedicated to customers, with an experimental kitchen where cooking courses were offered to the public. This provided not only products but also maintained a good relationship between customers and the company (see Annex 13).



Frederico comments that “Magalu now operates with several stores without inventory and smaller operational areas, which would be a way for the brand to reach smaller towns. Thus, the Virtual Store emerged, without all the technological advances that would come later, using video cassettes and product images as a basis for future innovations.”

## THE SECOND PHASE OF VIRTUAL STORES

The second phase was marked by significant investment in innovation and technology, using digital media to promote its products and services, thus investing in digital marketing.

Frederico states:

*“For Magalu, I think they were implemented and kept growing. When technology finally arrived, Magalu already had a foundation, a market advantage over competitors who had never sold online. That is, 10 years after the virtual store opened, innovation and technology, in the form of the internet, arrived, giving other competitors the opportunity to act virtually. This was indeed our second major phase of virtual stores.”*

Thus, Virtual Stores became one of the company’s main sources of revenue, viewed as commercial establishments located in cities with up to 100,000 inhabitants. Sales are conducted through state-of-the-art multimedia terminals featuring product images generated by an in-house studio. These images offer extensive detail and showcase a diverse range of products, meeting the needs of the entire population and all preferences. All content is the same as what is available on the website [www.magazineluiza.com.br](http://www.magazineluiza.com.br), allowing customers to access all the information they need to make informed purchase decisions.

However, in the Virtual Store, the difference is having a trained salesperson who can assist the buyer with careful and personalized service, making the purchase a unique experience. This way, customers have a better chance of meeting their needs and obtaining the necessary information to complete their purchase.

Understanding consumer behavior is as important as ensuring the quality of a product or service. These factors are directly related and ensure the best customer experience together.

When a company identifies all the factors that influence its target audience’s decisions, it can focus its efforts where they are truly needed. This allows the com-

pany to anticipate trends, implement effective marketing strategies, and achieve the desired results—profit. By understanding consumer behavior, companies can design innovative actions to attract, engage, and retain customers.

Understanding the customer’s purchasing journey is considered very complex, as numerous sales channels, variables, and factors make the decision-making process increasingly irregular. Therefore, it is important to analyze consumer behavior during the purchasing process, identifying the factors that influence the sale: personal, psychological, and social factors.

According to Frederico, “the companies that survive are those that are constantly changing and continually reading the environment, adapting their operations to new realities, needs, and market changes.”

Magazine Luiza’s Virtual Stores have several unique features. Over time, they have evolved into community promotion centers, offering free internet access and language courses and serving as venues for various group activities. These differentiators become great experiences for consumers in Virtual Stores, where they receive special attention from salespeople and a unique high-touch experience.

Over the years, the Virtual Store has evolved and innovated according to market and existing technology. It has modernized in both technology and environment, becoming attractive and innovative virtual stores (see Annexes 14 and 15).

In this sense, Virtual Stores contribute positively to consumer behavior, as customers will always seek out the Virtual Store, knowing they will find attention, human warmth, and the necessary information to decide what, how, and when to make their purchases.

## The Evolution Of Virtual Stores – What’s The Next Step?

The combination of cutting-edge technology, innovation, and a unique value proposition has made Magalu the predominant Virtual Store in the market. Frederico says, “I express my satisfaction in having outpaced our competitors over time, using technology and human warmth to meet market demand with innovation, perseverance, and hard work.”

Virtual stores were already a success; however, the company leadership constantly pondered how to advance to maintain its position as an innovator. Thus, the question of how to enhance the experience of increasingly tech-savvy consumers in virtual stores frequently came up in meetings between Mrs. Luiza, Frederico, and Douglas.

This led to the idea of a third phase. The leadership wanted something different from what was already in the market. The project needed to be revamped with new perspectives and approaches. In Douglas's view, customer-focused technology makes all the difference. Through personalized service, a well-trained salesperson can welcome customers, understand their needs, and offer products and services that meet those needs while negotiating better service options to increase customer satisfaction.

In this context, the debate arose about what investments are necessary for phase 3 to be as successful as the previous two. Additionally, how could virtual stores enhance Magalu's omnichannel strategy?

Among the various questions, an idea was presented: to have small inventories of portable and technological products and to transform virtual stores into mini distribution centers. Despite the consensus on not having products on the shelves, the group was divided on the idea.

## Teaching Notes

### SYNOPSIS

The presented case details the history of Magazine Luiza, a company founded in 1957 by Mrs. Luiza Trajano and Mr. Pelegrino Donato in Franca, São Paulo state, with the acquisition of a clothing and general goods store. Over time, the store expanded its presence across the national territory. Moreover, throughout its development, it pursued market strategies to expand its operations and improve customer service, meeting their needs and emphasizing the importance of human warmth. In this context, the implementation of Virtual Stores emerged, which were stores designed to meet a broad consumer demand with reduced costs and no product inventory, but with differentiated service and fast delivery. However, the

model needs to evolve, and new ideas arise. Besides the discussion about the necessary investments, there is a dilemma about adding small inventories of portable and technological products and potentially transforming Virtual Stores into mini distribution centers. Such changes could strengthen the company's omnichannel strategy.

## TEACHING OBJECTIVE

The teaching case encourages students to reflect on how Magazine Luiza has become a benchmark in the retail market. It also examines how the creation of Virtual Stores boosted the company's sales and laid the groundwork for developing other channels. This, in turn, enhanced e-commerce, established new physical sales points, and strengthened the Omnichannel strategy. The entire process involves leveraging technology from its inception, fostering innovation, seeking new processes, and adopting new ways of thinking and acting to ensure customer satisfaction.

The main objective of the case is to demonstrate the significance of innovation and technology in retail development, utilizing the multichannel approach where e-commerce leads in sales alongside Virtual Stores and the Omnichannel strategy, which are fundamental factors for Magazine Luiza's operations in the national market.

The case shows how the company's strategy has been successful so far in phase 2 and challenges students to discuss phase 3, which is still in its early stages, but it is already being implemented in the market.

## DATA SOURCES AND METHODS

The information presented was collected through interviews with Mrs. Luiza Helena Trajano, Mr. Douglas, and Mr. Frederico Trajano, who have all been involved in the company's development.

The questions focused on the emergence of Virtual Stores, the use of technology, and the management's belief in innovation, betting that the company would gain a larger market share by pursuing innovation. Finally, the figures and images presented here were provided by the company's directors.

In addition to the interviews, investor reports (Magazine Luiza, 2021a, 2021b) were used to contextualize the period during which the narrative takes place, as well

as the Statista report (2024), which provides data on the evolution of e-commerce in Brazil. Other information published on the company's website was also used to illustrate the narrative. Finally, the case is supported by other publications about the company, published in academic journals, allowing students to delve deeper into the case study.

### **SUGGESTED COURSES FOR USING THE CASE**

This case should be applied in courses such as Entrepreneurship, Strategic Management, Retail, Management of Medium and Large Enterprises, Consumer Behavior, and E-commerce.

### **QUESTIONS FOR REFLECTION - PREPARATORY FOR THE CASE**

In preparation for the case, the facilitator might assign the following questions to students to guide them throughout their reading and strengthen the in-class discussion.

- How did the idea of Virtual Stores emerge and evolve in the market?
- What is the role of each Magalu store channel/type (street, shopping, virtual store, e-commerce, and marketplace) in its market access strategy?
- How do Virtual Stores contribute to strengthening the company's omnichannel strategy?
- How should phase 3 of the Virtual Stores project evolve to be as successful as the previous two? Could the stores hold small inventories of some product lines and become small distribution centers?
- How have the retail mix variables (6 P's) evolved in the two phases of the virtual stores?

### **SUGGESTED READING FOR DISCUSSION PREPARATION**

Students are encouraged to prepare in advance by answering the facilitator's questions. Specific readings may be recommended to support and enhance discussions between students and facilitators.

Notable reading suggestions include:

- Bernardes and Guissoni (2020), Botelho and Guissoni (2016), Guissoni (2017), Guissoni et al. (2020), and Parente and Barki (2014).

The company featured in this study has previously been the basis for other teaching cases. The facilitator can seek connections with other narratives or even leverage some ideas highlighted from each case to strengthen the discussions presented here:

- Dias et al. (2022) - Da transformação digital ao superapp Magalu: impactos contábeis dos investimentos em startups;
- Passos et al. (2021) - Tem no Magalu: Estratégias Sociais, Políticas e de Mercado Durante a COVID-19;
- Teixeira et al. (2018) - Digital Transformation at Brazilian Retailer Magazine Luiza.

## Case Analysis and Discussion

### **Question 1: How did the idea of Virtual Stores emerge and evolve in the market?**

Question 1 serves as a warm-up for the case discussion. To start, the facilitator should prompt students to develop a synthesis of the initial two phases of Magalu's Virtual Store.

Felix et al. (2018) highlight the pioneering nature of creating the Virtual Stores. According to the authors, innovation is a core value in the daily operations of Magazine Luiza. It is suggested that the facilitator emphasize Douglas's statement in the case to illustrate the pioneering and innovative nature of the Virtual Stores project since 1992:

*"The Virtual Store is a landmark for Brazilian retail because it was a bold move for national retail, as when it was conceived, we never imagined we could sell in smaller cities."*  
(Douglas).

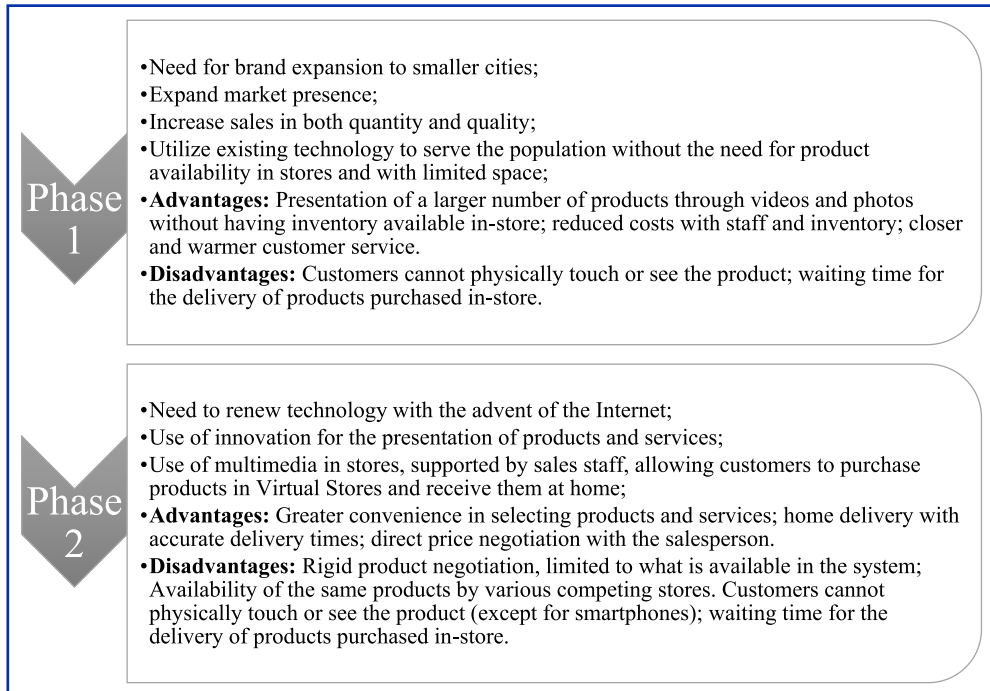
Despite other teaching cases, such as Teixeira et al. (2018), Passos et al. (2021), and Dias et al. (2022), highlighting the creation of Virtual Stores as an important milestone in the company's history and digitalization process, none of them delve deeply into the history of how Virtual Stores evolved.

The narrative presented in this case combines both phases, which form the foundation for addressing the initial question. At this stage, the class can be split

into groups to discuss the characteristics of each phase. Besides the main question, the facilitator may present a secondary question to the groups: what are the advantages and disadvantages of the two phases?

Figure 1 suggests the main elements that can be highlighted in each phase.

**Figure 1.** Virtual Stores phases.



**Source:** case authors.

In conclusion, the facilitator can draw the proposed figure (figure 1) to summarize the evolution and consolidate the debate.

**Question 2: What is the role of each Magalu store channel/type (street, shopping, virtual store, e-commerce, and marketplace) in its market access strategy??**

Currently, stores present very differently compared to ten years ago due to the evolution of commercial activities over the years, time, and space, and in light of

constant changes. Magazine Luiza, the focal point of this case study, serves as an exemplary illustration of the evolution in the types and formats of retail stores.

Magazine Luiza has a multichannel approach, with various offline or brick-and-mortar stores distributed throughout the national territory and various online channels to serve the largest number of customers warmly and pleasantly.

Retail can be characterized by two main systems: retail with stores or offline and retail without stores or online. Considering the type of ownership, they can be independent, chains and networks, franchises, or rented, among others (Parente & Barki, 2014).

Offline or brick-and-mortar stores operate in various formats, including street stores, shopping malls, and commercial hubs. Parente and Barki (2014) state that traditional street stores are frequented mainly by a financially disadvantaged public and have the greatest economic potential, generating a high volume of sales. This audience makes purchases in person, needing to see the product and negotiate payment, whether in cash or on credit.

Shopping mall stores have limited growth due to the audience that visits them, the prices of the products they offer, which are often higher than those found online, and the expenses associated with maintaining a physical store in a shopping mall (Salvador, 2013). The audience that visits these stores usually has access to the internet and the means to make online purchases.

In this sense, Parente and Barki (2014) demonstrate that electronic commerce or e-commerce represents the present and part of the future, showing that numerous business opportunities can arise. It is up to consumers and clients to analyze not only the price factor but also products, services, and added values that bring them advantages and benefits.

Porto (2006) suggests that e-commerce, also known as electronic retail, represents the evolution of traditional retail. It involves various virtual store channels where physical products do not exist. Instead, there is a large database containing precise information about each product. This information aims to meet customers' needs as they go through the purchase process.

In a more recent analysis, Silva et al. (2021) demonstrate that e-commerce has been a crucial tool for companies to mitigate the impacts of the COVID-19 pandemic on the retail sector. This case study, as shown in Annexes 1 and 2, illustrates



the significant growth of e-commerce from 2019 to 2020, driven by the pandemic. According to do Prado et al. (2022), companies such as Magazine Luiza, Mercado Livre, and Amazon, which had already invested in e-commerce platforms and technology, benefited and led the sector.

Finally, the marketplace, according to Guissoni et al. (2020, p. 39), "can be compared to a shopping mall in the physical environment, where the administrator is not the owner of the stock nor responsible for the supply chain but rather the host for the retailers so that consumers can buy the products." The authors note that sales via the marketplace have become increasingly important in total e-commerce revenue.

Thus, students can explore how each retail format (online and offline) contributes to Magazine Luiza's market access strategy. Still, in groups, students can analyze the advantages and disadvantages of each type of store. The facilitator can draw a template with the five types of channels on the board so students can highlight the importance of each channel discussed above, as well as the advantages and disadvantages. Table 1 presents a suggestion of advantages and disadvantages that the instructor can use for the discussion with students.

**Table 1.** Types of Magazine Luiza Stores, Their Basic Characteristics, Advantages and Disadvantages.

Type of store	Basic Characteristics
Street	Physical space containing product inventory. <b>Advantages:</b> Easier customer loyalty; possibility to vary product mix. <b>Disadvantages:</b> High costs with rent, staff, and product inventory.
Shopping center	Physical space containing product inventory. <b>Advantages:</b> High volume of customers with purchasing power; better infrastructure; greater marketing efforts; shopping experience; prestige in shopping at the mall. <b>Disadvantages:</b> Higher occupancy cost; significant initial investment; greater competition; lack of autonomy in certain decisions.

Virtual	<p>Virtual store on a website where the company offers various products for sale, without physical inventory, only in their distribution centers (DCs).</p> <p><b>Advantages:</b> Availability; low costs; more information about the product; low operational cost; longer delivery time; facilitated delivery; comfort, variety of products.</p> <p><b>Disadvantages:</b> Cannot touch the product; delivery delays; uncertainty about product quality; insecurity.</p>
E-commerce	<p>Electronic connection between the company and the customer for the sale of products or services, following the established e-business strategy. E-commerce does not require physical space; it is a digital platform containing products and services to be offered by the store.</p> <p><b>Advantages:</b> Shares the same advantages as virtual stores, with the added benefit of monitoring consumers and tracking results.</p> <p><b>Disadvantages:</b> Inability to touch the product; potential delivery delays; uncertainties and insecurities.</p>
Marketplace	<p>It is a marketplace for buying and selling products.</p> <p><b>Advantages:</b> Popularity; higher retention; less marketing investment; additional sales channel; ease of starting to sell; greater reach; less concern with integrations.</p> <p><b>Disadvantages:</b> Platform commission; security concerns about the website; internal competition; inability to customize the page.</p>

**Source:** Case authors.

### ***Question 3: How do Virtual Stores contribute to strengthening the company's omnichannel strategy?***

According to Guissoni (2017), consumers interact with companies using various devices and channels. The omnichannel perspective requires companies to be “prepared to capture and analyze information simultaneously from all these touch-points and develop integrated marketing stimuli for the customer.” (Guissoni, 2017,

p. 25). According to de Andrade et al. (2022), omnichannel is increasingly integrated into retailers' strategies. They recognize the necessity of an online presence across various platforms to complement their distribution strategy and address evolving consumer needs.

Magazine Luiza can be considered a reference in omnichannel management in Brazil (Bernardes & Guissoni, 2020). In this sense, this question aims to provoke a discussion with students on how virtual stores can strengthen the company's omnichannel strategy. This is the first question that appears at the end of the narrative. It is suggested that the instructor encourage students to present their points of view before starting the discussion. The brainstorming technique can be useful for strengthening the debate.

Teixeira et al. (2018) highlight Virtual Stores as an important component of the company's omnichannel strategy, notably as a tool for geographic coverage expansion and entry into smaller cities at a reduced distribution cost.

As reported in the case, Magalu took its first digital step by selling products through multimedia terminals, with sellers guiding their customers. In this sense, there was no need to display the products or have them in stock. Deliveries of goods purchased occurred within 48 hours after the completion of the purchase.

Magalu invested in innovation and technology of the time, using videotapes with product images and catalog folders with photos as an innovation for presenting its product portfolio, which is available for sale. At this time, an important contact for Magazine Luiza was the "human warmth". This contact should be explored by facilitators as a crucial point for sales and service.

With the arrival of phase 2, innovation and technology were present through the Internet and computers. Products were seen on Magalu's sales websites, and customers started seeing the products in the company's virtual stores, being able to make their purchases and receive them at home.

Magalu, originally established as a physical store, evolved over time by leveraging technology and innovation. This transformation, coupled with the belief that customer service is a key market differentiator, led the company to become a major player in the retail industry. It can demonstrate important concepts such as innovative concepts, service, motivations, and marketing and communication. In this sense, virtual stores are part of the e-commerce strategy, being a highly sought-af-

ter sales channel by customers. The virtual store allows serving customers through e-commerce, with personalized service, without having products in stock.

According to Douglas,

*“What we want is for people to feel valued, to feel well-served within a virtual store, being able to be access through computers, mobile phones, tablets, or even receiving information about their products via a large screen where they can see details about their products. The Virtual Store aims to meet all customer needs and fulfill all their expectations.”*

Finally, a reflection on the role of Virtual Stores in Magazine Luiza’s omni-channel strategy is supported by Silva et al. (2021). According to the authors, with the increased use of digital channels, many new consumers may have doubts and difficulties in the purchasing process. Virtual stores are excellent points of contact for customers to interact with Magazine Luiza’s team, as well as serving as another point of contact for customer relationship, who want to use virtual channels.

It is worth noting that besides Virtual Stores, Magazine Luiza has invested in various technologies and channels over time. In 2016, the company launched the Magazine Luiza marketplace, starting to sell products from over 200 sellers on the website and app. Additionally, the creation of Luiza Labs (technology and innovation lab), the Magalu app, and buy online and pick up in-store (Bernardes & Guissoni, 2020).

According to Teixeira et al. (2018), using a single brand strategy across all its channels allowed Magazine Luiza to enhance its relationship and marketing efforts, strengthening its omnichannel strategy.

***Question 4: How should phase 3 of the Virtual Stores project evolve to be as successful as the previous two? Could the stores hold small inventories of some product lines and become small distribution centers?***

Question 4 is part of the dilemma presented in the case. At this point, the facilitator can explore how the phase 2 Virtual Stores project can evolve into a phase 3. Additionally, ask students about the idea of stores becoming small distribution centers with inventories of some product lines. This concept divided the management team, as placing inventories in stores could impact the store’s fundamental purpose, its proximity to the customer, and the sense of “human warmth”.

The Virtual Store, in its implementation phase, served as a basis to analyze consumer behavior, what they expected from the store, and how they viewed this new retail channel. Based on this information, Magalu could act, invest in development, and train and motivate its employees to provide warm and pleasant service during the sale, presenting important information about the products through videos and photos in catalogs.

There was no specific purchasing power to be met. In this sense, the goal was to serve a larger number of customers in more cities, aiming to cover the entire national territory. The lower-income population tends to buy in physical stores and still buys less through online channels due to a lack of access to technology and the need for installment payments (credit), which is only possible in offline stores.

Magalu serves all market niches due to its retail operations and multichannel approach. Since phase 1, attendants have been instructed to offer human warmth, demonstrate confidence in what they are presenting, and seek to understand the customer's needs to offer what they desire. This principle remains valid today, and the rule is to offer "human warmth", as cited by Frederico.

With the COVID-19 pandemic and the lockdown period (shutdown, with controlled flow of people), people spent much of their time indoors, increasing their internet time and, consequently, the likelihood of purchases. Companies started investing in digital media, promoting products and price promotion to maintain minimum sales levels.

Virtual Stores were closed following lockdown guidelines, respecting Ministry of Health regulations. However, due to constant technological development, Magalu was prepared to continue new projects without the need for traditional physical stores or people. A major project was the Magalu Partner (Parceiro Magalu), where interested individuals could register for their own Magazine Luiza virtual store, selling products and earning commissions. This was a significant company initiative during the pandemic, allowing unemployed people to earn a considerable income.

According to de Sousa et al. (2023), the COVID-19 pandemic had significant impacts on the organizational environment, leading companies to develop new strategies to become more competitive.

The third major phase of Magazine Luiza's Virtual Stores came with the need to innovate, to have something different in the market. Something that already

existed but needed to be revamped with new perspectives and approaches (see Figure 2).

**Figure 2.** New Design of Virtual Stores.



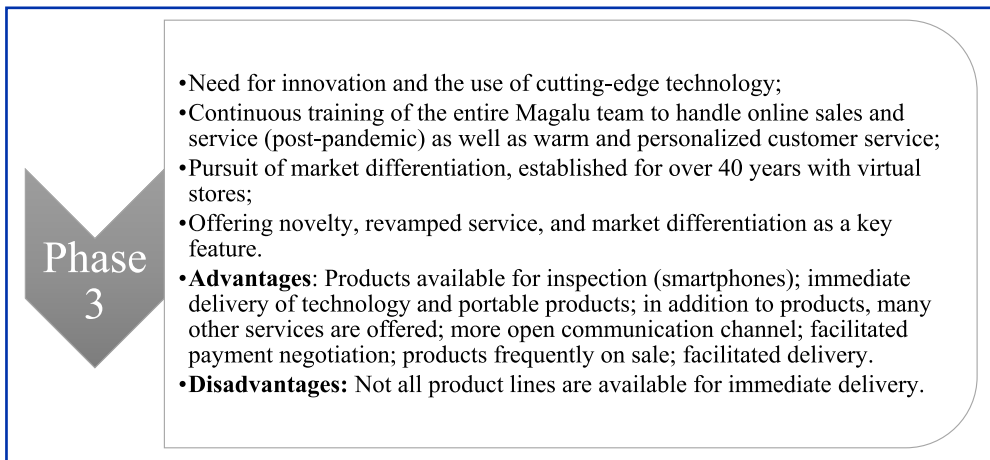
**Source:** Magazine Luiza – images provided by the company.

Before presenting the solution to the question, the facilitator can pose the question to the class and ask who supports the idea of implementing inventories of some product lines and transforming virtual stores into small distribution centers and who does not, asking students to debate the advantages and disadvantages. These could be associated with strengthening the company's omnichannel strategy, facilitating product delivery to local customers, or serving as support points for the

buy online and pick up in-store strategy. On the other hand, there is a debate about the principle of the virtual store and the different gains the store already brings to the group's omnichannel strategy without the need for inventories.

After phase 3 of the virtual stores and the post-pandemic period, stores continued with fierce sales and focusing on efficient and fast delivery logistics. Magalu's concern is to reduce delivery/shipping costs to attract more customers. Phase 3 offers innovation, technology, and some products displayed in stores for knowledge, with small inventories focused on portable and technology products. Figure 3 highlights some of the characteristics of phase 3 stores and the advantages and disadvantages of the model.

**Figure 3.** Characteristics of Phase 3.



**Fonte:** elaborado pelos autores.

To strengthen the debate about the characteristics of phase 3 stores, the facilitator can discuss question 5 or close the case discussion with question 4.

### ***Question 5: How have the retail mix variables (6 P's) evolved in the two phases of the virtual stores?***

The facilitators can continue using Magalu to present the 6 Ps of retail, which is an important topic well demonstrated in Magazine Luiza's market operations.

Parente and Barki (2014) state that the retail mix encompasses all the variables over which retailers can make decisions. It consists of product lines, prices, promotions, presentation, people, and points of sale.

To assist the retail market, the marketing mix has expanded to include 6 Ps, with two very important variables for retail marketing. Thus, retail marketing operationalization considers the following dimensions: Product mix, Prices, Promotion, Presentation, People, and Point (Parente & Barki, 2014).

This shows the direct relationship between the strategic variables of the retail mix and their marketing decisions throughout the consumer’s purchasing process.

Considering the three implementation phases of the virtual stores, we have the following table (Table 2) of the evolution of the 6 Ps. At this point, facilitators can organize the class into groups and ask each group to describe the retail mix for a specific phase, already considering that phase 3 stores have advanced to implementing small inventories of technology and portable products.

**Table 2.** The Evolution of the 6Ps vs. the Phases of Virtual Stores.

6Ps	1st phase	2nd Phase	3rd phase
<b>Products:</b>	Products displayed on cassette tapes and photos in catalogs, without products in-store	Wide variety of products displayed via store multimedia, available for home delivery, with only mobile phones available in-store.	Some electronic products available in stores for inspection (mobile phones). Immediate availability of technology and portable products. Major partnerships with leading brands, resulting in a greater variety of products.
<b>Price:</b>	Affordable prices, with some items on sale.	Competitive prices compared to the competition.	Extremely competitive prices due to the wide availability of products on competitor websites.



<b>Promotion:</b>	In-store purchase with home delivery; promotions advertised on television, radio, and regional schools.	Mass advertising reaching the entire national audience. Products can be purchased on promotion by all interested parties.	Advertising through digital media, television, flyers, billboards, among others, showcasing product and service promotions.
<b>Presentation:</b>	Store divided into physical spaces for video presentations of products or demonstration folders containing photos. Rooms for courses using some of their products.	More innovative store, with computers available for product consultation and purchases.	Innovative store, with greater use of technology, providing a system for customers to conduct product research and make purchases.
<b>People:</b>	Trained staff to demonstrate products via videotapes and photo folders.	Trained staff to welcome the public, present the products and services offered, showcase the technology used, and provide personalized service.	Well-trained and qualified staff to serve the public, aiming to demonstrate “human warmth”, respect, and empathy in understanding needs, offering quality products.
<b>Place:</b>	The location of the virtual store is easily visible and accessible to the local population.	The location of the virtual store is in city centers.	The location is in city centers, with easy access and visibility.

**Source:** Case authors

After the discussion, the instructor can conclude the case discussion by summarizing the learnings based on the recorded table.

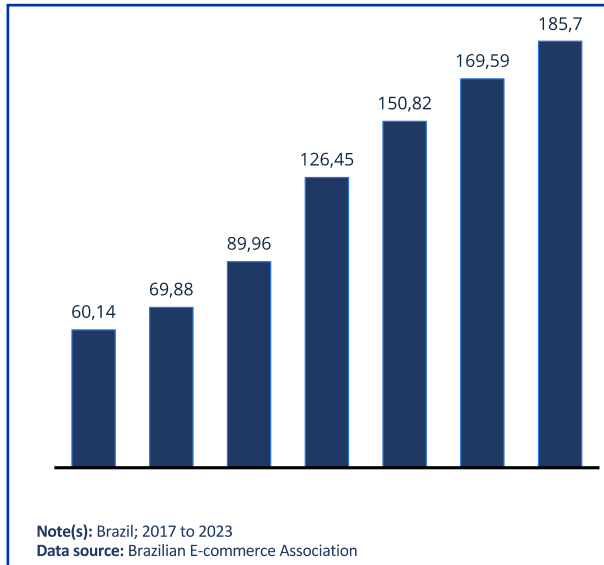
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## Annexes

### ANEXO 1. Annual Online Shopping Revenue in Brazil from 2017 to 2023 (in billions of reais).



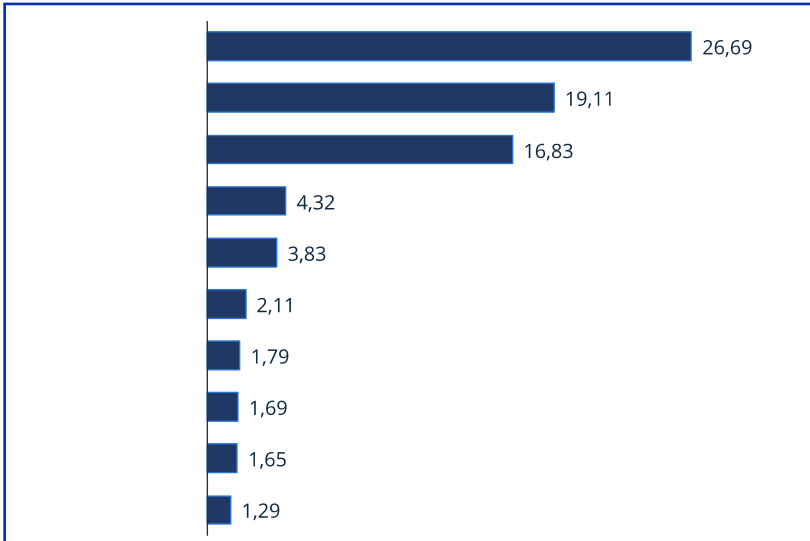
Source: Statista – E-commerce in Brazil, Digital & Trends (2024).

### ANNEX 2. Number of Unique Online Shoppers in Brazil from Q2 2019 to Q2 2022 (in millions).



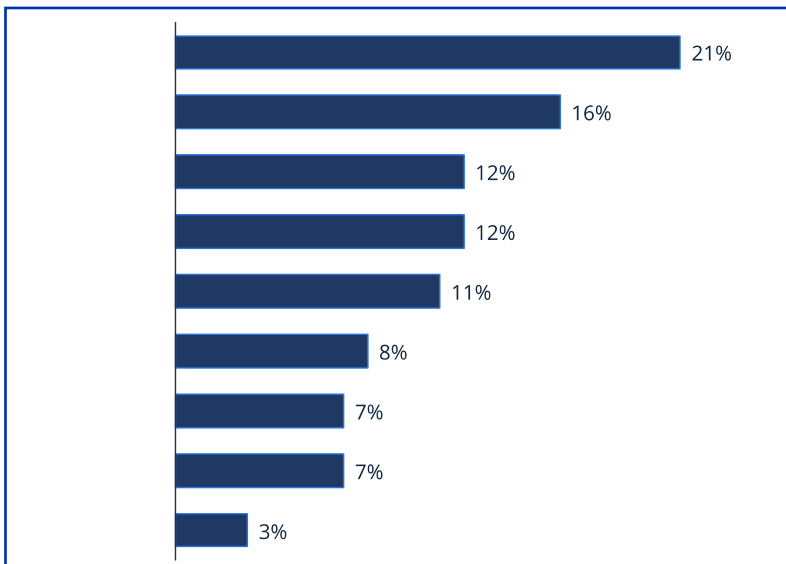
Source: Statista – E-commerce in Brazil, Digital & Trends (2024).

### ANNEX 3. Leading E-commerce Retailers in Brazil in 2021.



Source: Statista – E-commerce in Brazil, Digital & Trends (2024).

### ANNEX 4. E-commerce Platforms with the Largest Share of Monthly Visits in Brazil in 2022.



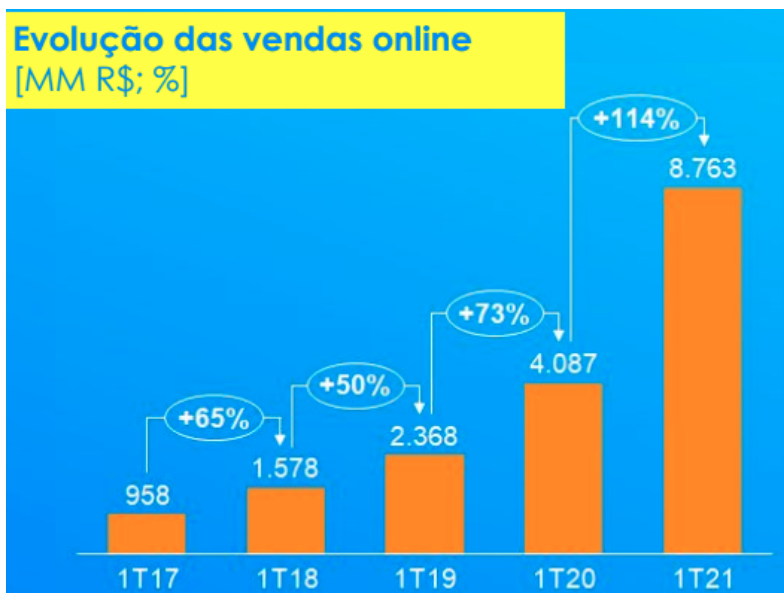
Source: Statista – E-commerce in Brazil, Digital & Trends (2024).

### ANNEX 5. Multichannel Operation.



Source: Magazine Luiza (2022).

### ANNEX 6. Evolution of Online Sales.



Source: Q1 2021 Results Presentation – Magazine Luiza Website – Investor Relations (2021a).

**ANNEX 7. The Magazine Luiza Ecosystem.**



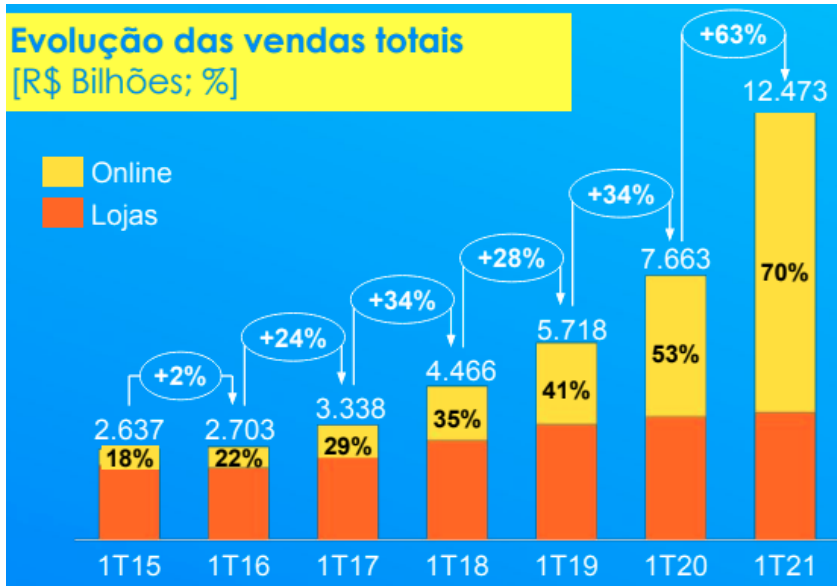
Source: Magazine Luiza (2021a).

**ANNEX 8. Operational Structure.**

<b>1481</b>	<b>20</b>
Stores	States (+ Federal District)

Source: Magazine Luiza – Annual report (2021).

**ANNEX 9. Total Sales Evolution Q1 2015 – Q1 2021.**



**Source:** Q1 2021 Results Presentation – Magazine Luiza Website – Investor Relations (2021a).

**ANNEX 10. First Magazine Luiza Store Magazine Luiza.**



**Source:** Magazine Luiza – image provided by the company.

### ANNEX 11. Customer Sales Service Magazine Luiza.



**Source:** Magazine Luiza – image provided by the company.

### ANNEX 12. Customer Service Points Magazine Luiza.



**Source:** Magazine Luiza – image provided by the company.



### ANNEX 13. Product Demonstration and Training.



**Source:** Magazine Luiza – image provided by the company.

### ANNEX 14. Innovative Facade of the Virtual Store - Magazine Luiza.



**Source:** Magazine Luiza – image provided by the company.

### ANNEX 15. Interior of the Modern Virtual Store.



**Source:** Magazine Luiza – image provided by the company.