

EXECUTIVE BRIEF

# DIGITAL TRANSFORMATION IN THE RETAIL SECTOR



THIS EXECUTIVE BRIEF IS A SUMMARY OF THE REPORT:

## Digital Innovation in Retail

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- ▶ Based on web-based surveys and telephone interviews, comprising more than 30 questions, 451 Research polled 386 decision makers at leading retailers across North America, Europe and Asia Pacific to assess the state and status of digital transformation in modern retailers. The report, Digital Innovation in Retail, is the result of this primary research.
- ▶ The report, part of a wider study by 451 Research in collaboration with CenturyLink, highlights trends, insights and shared learnings of enterprise strategists and practitioners with a working knowledge of digital transformation in modern retailers.

### RESEARCH FINDINGS

- ◉ Digital transformation is very much alive in the retail industry. Only 6% of retail organizations don't have any digitization strategy in place. 54% of retailers are actively digitizing business processes and operations with most others planning their initiatives.
- ◉ Though the retail industry is bursting with digital innovation that is driving change, the research by 451 Research exposes a divide between digital leaders and laggards. The lack of a formal digital strategy to improve the customer experience while also reducing costs through operational efficiency is a notable difference between these two groups.
- ◉ The top three barriers to digital transformation identified by retailers are less about technology and more about culture and expertise:
  - Lack of agility 39%
  - Failure to embrace digital change 37%
  - Knowledge of advanced analytics 37%
- ◉ Customer data breach or hacks are not uncommon in the retail industry. These not only alienate customers but have serious financial repercussions for the business. Securing customer data at all times, wherever it resides, is unsurprisingly the top goal for 49% of retailers surveyed.
- ◉ Digital transformation enables innovation. 67% of respondents at retailers with a formal digital transformation strategy rated their organization as more capable and faster to innovate; twelve percentage points ahead of retailers that had yet to formalize plans.
- ◉ Top three retail IT strategies
  - Use the growth of customer data for more contextualized experiences (40%)
  - Create the digital retail store of the future (34%)
  - Create mobile apps to bridge in-store and online customer demands (34%)

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When big data and analytics work in tandem with transactional retail applications, then predicting demand, outcomes, activities or events provides retailers with actionable insights at a level of granularity never seen before.

## RESEARCH FINDINGS (cont.)

- 👁 The top disruptive technologies retail executives are considering to adopt:
  - Internet of Things (IoT) sensors, connected devices, digital displays (44%)
  - Real-time, predictive analytics (42%)
  - Augmented reality and virtual reality, e.g, the future digital store (39%)
  - Virtual assistants (37%)
  - Artificial intelligence and machine learning (36%)
- 👁 The cloud is viewed as strategically important to starting or accelerating digital transformation by 64% of retailers. 'Cloud workload migration, onboarding, and management services' is the top IT requirement for an outsourced partner (57%), closely followed by data science services (54%) and managed IT services (50%).
- 👁 Retailers use of multiple-cloud environments reflects the growing need to connect diverse and traditionally divided ecosystems to remain competitive and provide a seamless, integrated customer experience. This trend will be pushed even more aggressively in 2017.

## TAKEAWAYS

- 🔗 Digital innovation is changing the business landscape at breakneck speed. Savvy retailers understand that digital innovation leads to transformational projects that enable them to be strategic and focused on customer outcomes.
- 🔗 Digital transformation tips for mature retailers:
  - Act like a startup
  - Think differently
  - Empower employees
  - Adopt new technologies
  - Improve systems and networks
  - Eliminate legacy systems
  - Invest in multi-cloud infrastructure
- 🔗 Retail IT environments that best balance service, performance, and cost for their e-commerce system will be different from the supply-chain system to manage real-time inventory. Cloud service and IT service provider partners must be able to provide strategic advice on the Best Execution Venue (BEV) for workloads, operational and analytical applications. This venue could be private on-premises, single-tenant cloud or dedicated hosted cloud.
- 🔗 Cloud is the default platform in speeding the digital transformation journey. Retailers are increasingly relying on cloud services and industrial strength connectivity provided by trusted 3rd party partners to improve agility, operational efficiency, and customer experience.



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With a core focus on technology innovation and market disruption, 451 Research provides essential insight for leaders of the digital economy. More than 100 analysts and consultants deliver that insight via syndicated research, advisory services and live events to over 1,000 client organizations in North America, Europe and around the world. 451 Research and its customers benefit from the combined assets and talent of The 451 Group and its two divisions: 451 Research and Uptime Institute.

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