



RETAIL

DIGITAL
TRANSFORMATION
SURVEY

INSIGHTS INTO DIGITAL TRENDS
AND CHANGES IN **RETAIL**

EXECUTIVE SUMMARY



"The findings in this year's survey all point to an urgency to increase investment to meet digital transformation objectives. Retailers who reported appropriate levels of investment appear confident in their decisions...as digital transformation increases in importance across the retail landscape."

John Nicolopoulos
RSM Retail and
Restaurant Sector Leader

Engage, assess, predict, transform

In today's highly competitive retail environment, successfully leveraging a digital strategy is as important as honing a strong brand or deeply understanding consumer preferences. Digital can help engage, assess and predict key operations, and transform a business. Those retailers that optimally harness technology and data are top shop in this dynamic sector.

Middle market retailers are beginning to see the value and power of digital transformation; however, there are unique challenges and considerations for those businesses as well. What risks should be weighed related to digital? Who should be leading and guiding decisions associated with technology efforts? How can outcomes be measured and assessed to determine return on investment?

To gauge the transformative impact of a variety of digital methods and strategies within the retail sector, RSM surveyed executives late last year as part of a broader study that looked at digital transformation across multiple industries. While findings were compiled before the coronavirus pandemic, much of the analysis and insights can be applied today as the industry adapts to and learns from the COVID-19 pandemic.

"What we've seen through the pandemic is the importance of digital strategies, whether it's to address consumers' changing needs, workforce dynamics or supply chain. While many of these conditions and opportunities existed before the pandemic, they have only been intensified during the crisis; and as companies make post-COVID-19 decisions and adjustments," said John Nicolopoulos, RSM's national retail and restaurant sector leader, "a strong digital strategy is even more essential."

The goal of this report is to provide organizations ideas and opportunities for improvement, evaluate ongoing digital strategies and provide comparison analysis of their peer groups. A summary of the findings follows.

Leading the way

Digital transformation has become a priority for middle market retail leaders. According to survey findings, a majority of CEOs take ownership for leading strategy (53%), trailed by chief financial officers and chief information officers. However, where CEOs often take authority for digital transformation strategy, implementation still resides with technology-related leaders, including:

- Chief technology officers assuming the most responsibility for execution (72%)
- CIOs and chief digital officers also playing critical roles in implementation, assuming 68% and 64% of responsibility, respectively

In addition, 89% of CEOs and 83% of CIOs, CDOs and CTOs anticipate their roles will expand related to digital decisions; however, only 53% of CFOs see an expansion in digital transformation responsibility.



"It's reassuring to see the role of digital transformation becoming less siloed and more prevalent across functional areas among middle market retailers," said Chris Shaker, RSM's partner and consumer products senior analyst. "But the fact that more than 75% of retailers are concerned with their ability to achieve their goals is something companies should be weary of. Middle market retailers should ensure that they have a well-thought-out and documented digital road map that they can execute on, rather than taking a project by project approach to their digital transformation. This is especially important in light of the increased propensity for consumers to shop through nontraditional brick-and-mortar sites during the COVID-19 pandemic."


Reaching goals

All respondents said that digital investments have stayed the same or increased over the past three years, and 98% reported digital investments were the most important, or among their most important, strategic priorities. These numbers underscore the growing necessity for digital investments to remain competitive; however, while some middle market retailers have experienced progress in digital transformation, executives remain hesitant in their companies' ability to achieve digital goals. In fact, nearly eight of 10 retail executives are extremely or significantly concerned about their companies' ability to reach digital goals.

Investing in transformation

In terms of what digital investments middle market retailers are prioritizing, the focus is currently on customer-facing technologies. Aligning with the growing popularity of 5G, 50% of executives reported 5G technology as extremely important, with mobile technologies, e-commerce platforms, business intelligence and digital marketing ranked highest among respondents.

In addition, survey respondents indicated the top benefits from digital investments included:

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- Frictionless customer experience (38%)
 - New differentiated markets (28%)
 - Improved data storage (27%)
 - Improved customer relationships (27%)

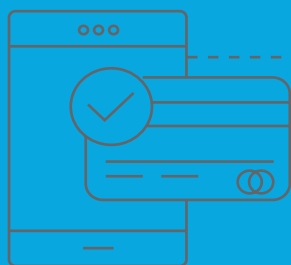
"Augmented reality, sophisticated loyalty programs and many other critical components of a successful multichannel strategy require massive amounts of data. The additional bandwidth provided by 5G makes this all possible. Every retailer will need to operate on a 5G network to execute an effective digital strategy," said Shaker.

Along with speed and bandwidth, executives are also recognizing the importance of and difficulties with integrating technologies and processes across their organizations. The top three business processes where respondents cite a great need for integration, according to survey findings, include order fulfillment, profiling customer information and in-store pickup.

KEY TAKEAWAYS

Retailers say **customer experiences and relationships**, **improved data storage and new market engagements** are the biggest benefits derived from digital transformation.

E-commerce, BI and digital marketing were the top three most important technologies. Forty-six percent rated e-commerce as extremely important; BI and digital marketing scored extremely important by **44% of respondents**.



Assessing value, predicting future needs, employee/customer adoption and meeting organization needs are top four prioritization challenges. All were chosen by **32% or more** of the respondents.



Consumerism (enabling more buyer involvement), **success metrics** and **horizontal thinking** (or wider, visionary thinking) were the top three most difficult challenges for retail.



The CIO and CTO are the most responsible for prioritizing digital investments. But other C-level leaders anticipate their roles will expand related to digital decisions. CEOs often lead digital strategies.



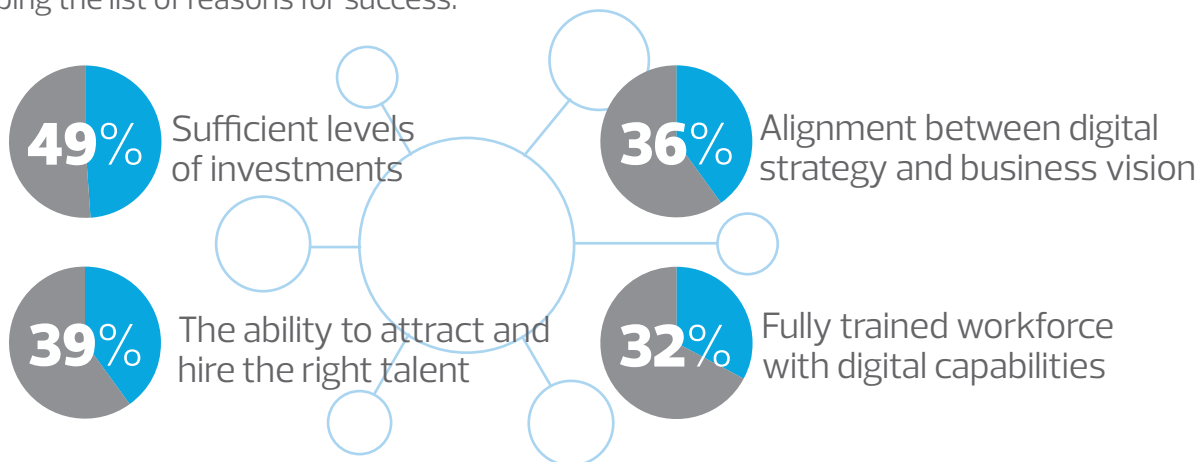
While the survey was conducted before the coronavirus pandemic, findings support **new normal needs of enhancing customer experiences and relationships, improving data storage and opening new markets**.

Outpacing competitors

Retailers who are outpacing their competition when it comes to digital transformation **attribute their success to a focus on adequate levels of investments.**



Topping the list of reasons for success:



Driving digital strategy is complex and requires investments, talent and organizational change management to create a vision and process customized to the needs of the enterprise. An outside perspective may be needed to help evaluate opportunities and considerations. Engage consultants who have deep industry experience in retail to ensure you're getting the best digital strategy guidance.



WHAT RETAILERS SAID

Survey respondents provided interesting insights about their digital strategy experiences.

Channels

"We are looking to data from wearables and a variety of other sources to ingest data and understand what our members want." —CTO

Innovation

"Part of the journey is reinventing yourself all the time." —CTO

Leadership

"I'm essential to the digital transformation process. I ask my teams, 'What are we trying to accomplish with our digital transformation? How do we do it as profitably as we can? What are the primary tenets we're trying to achieve with it?'" —CEO

Focus

"We reinvested in the website, building it from scratch with a customer experience focus." —CEO

Training

"We're building applications for our employees the way we build applications for our customers. We're making them intuitive and simple, reducing the need for a training seminar. We use short, bite-sized training materials." —CTO

Challenges

"It's hard to identify a complete ROI with projects like this; in many ways, you're just moving dollars from one venue to another, from brick-and-mortar stores to websites." —CEO



Countering COVID-19: Adaptation and adoption

While some retail businesses have pivoted and found ways to succeed through the pandemic, like grocers and essential retail, others have been hit hard. For certain, retail will be changed, and those that plan for new shopping expectations and changing environments will be well-positioned for success and future growth. An element of this planning includes key technology adaptation and adoption.

Adapting the business to reach customers through new channels is key to maintaining a strong consumer base. Even as physical stores reopen, many consumers may still be more comfortable shopping online. A continuous survey conducted by Coresight Research throughout the early part of the pandemic consistently showed that the majority of respondents expected to retain the new shopping habits they developed when the pandemic was over. While that percentage has been declining, it is likely that online buying habits developed during the pandemic will carry over for a large number of consumers.

To continue to reach these customers, retailers need to optimize various technology platforms to sell products and services. More customers are buying online and then picking up in store or getting items shipped, or doing curbside and contactless pickups. Consumers who do return to brick-and-mortar stores will still expect other options that may necessitate the adoption of new technology, such as self-checkouts, scan and go (via mobile application) and contactless payment, via radio-frequency identification or near-field communication.

What to do now

- Build an online presence, if the business doesn't have one already.
- Leverage applications to automate delivery scheduling, curbside pickup, appointments and waiting lists.
- Begin implementing technology within stores that will minimize contact.
- Leverage omnichannel and loyalty programs to enhance the customer experience and cultivate a seamless shopping experience.
- Do not overlook security implications. Cybersecurity attacks are on the rise, and retailers cannot let their guard down in the flurry of adopting new technology.

Source: "[The new reality for retailers: 5 strategies as businesses reopen](#)," RSM US LLP

NEXT STEPS

Digital transformation will continue to be a pressing need for retail businesses, especially as organizations emerge and recover from the impact of COVID-19. Innovations in everything from customer engagement to supply chain management will be key to revival and recovery. Creating a digital road map aligned with organizational strategic goals and vision is essential. Likewise, collaboration among digital decision-makers is a must to ensure optimal planning, prioritization and implementation. Planning must include a variety of assessments from consumer buying behaviors to ROI analysis. Likewise, risks and security must be weighed, along with cost and workforce evaluation.

Optimal digital transformation is an important element for growth. Our hope is that the data and insights in this report provide helpful comparisons, raise awareness and spark areas to build and improve.

Please contact us if you have additional questions or require help in developing your organization's digital road map strategy.

About the survey

The RSM Digital Transformation Survey represents perspectives of C-suite executives from middle market retail companies (those with annual revenues between \$50 million and \$4 billion). The survey assesses organizations' approaches to digital transformation to support companies in benchmarking digital transformation initiatives and opportunities to embrace innovation effectively.





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