

Digital Transformation Trends

Global Retail Industry –
Key Findings



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Foreword



Global Retail Digital Transformation trends

We are living through a time of unprecedented disruption and loss in our personal, domestic and professional lives. Owing to the COVID-19 pandemic, societies across the world are facing a period of significant change and adjustment to new ways of living and operating.

The retail industry, already subject to significant transformation via the introduction of new technologies and processes, is right at the forefront of this development. To help illuminate a way forward, Fujitsu has partnered with independent research and advisory firm *DataDriven* to survey close to 200 ICT leaders in nine countries on their thoughts and attitudes towards technology in the industry. In this report we are delighted to share our findings and conclusions.

Technology is revolutionising the way we do retail

Fujitsu provides business and ICT solutions and services to many of the world's high-performing retailers. Working with our customers, we see every day how that technology is applied to people and process, to revolutionise the way we shop, run stores, provide mobile services and manage complex back office operations. For us, Digital Transformation, enabled by mobile, Artificial Intelligence (AI), Internet of Things (IoT) and cloud technologies, is the outcome of this journey for all involved, including shoppers, store colleagues and operations managers.

The first part of this report covers Retail in general

- Meeting overall business objectives
- ICT objectives and challenges
- ICT Budgeting and staffing
- ICT infrastructure, communications and networking

Specific Retail topics include:

- Impact of COVID-19 and natural disasters on Retail
- Cloud, Cybersecurity, IoT, AI/ML, Enterprise applications
- Retail in DX impact, drivers, progress, challenges
- Implementation vs investment in Retail ICT
- Marketing automation and back office systems
- Drones and autonomous vehicles
- Workplace innovation and mobility
- Satisfaction with partners and digital co-creation

Covid-19 is accelerating DX trends

We hope the results of this survey will shed some valuable light on what actual ICT decision-makers across many retailers and countries are thinking and doing to maximise the benefits of technology in their businesses. COVID-19, in our view, is accelerating trends which were already advancing. These include online/offline shopping, automation, digital customer experiences, and mixed in-house and offsite data processing. No doubt, the current disruption will give rise to new concepts and trends. Listening to the voices of the decision-makers through the findings of this survey will, we hope, help determine the speed and future direction of these developments.



Richard Clarke,
Executive Director,
Global Retail, Fujitsu

About the DataDriven Report:

"Key ICT Trends & Digital Transformation in the Global Retail Industry"

Real insights from real business leaders

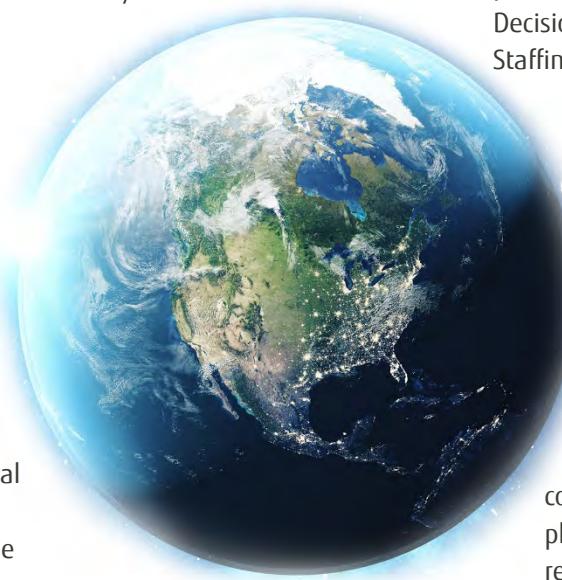
Business decision makers, especially those responsible for ICT decision making, have a very difficult job. Budgets are tight, and management demands more accountability and greater ROI from their ICT investments. In addition, ICT professionals need to maintain and improve the current mission critical systems, whilst simultaneously driving Digital Transformation to compete in the market.

Read the views of ICT decision makers in the Retail sector

To shed light on these challenges we went to the ICT Decision Makers themselves – people like you who can provide real insights grounded in real experience. DataDriven is an ICT research and advisory firm with a focus on global demand side research. After an extensive respondent selection and survey fielding process, DataDriven was able to collect high quality, valid completed responses from 197 ICT decision makers in the Retail sector across nine countries generally representative of global trends.

Balancing existing systems and advancing DX

Unlike many other recent ICT reports focussed specifically on the digital economy and digital transformation, this report also paints a comprehensive picture of the relative strengths and weaknesses of the current state of global ICT implementation and investment. This is important for ICT decision making as the majority of ICT budgets are spent on 'keeping the lights on' and maintaining/upgrading infrastructure and applications, and other investments need to be made within that context.



ICT decision makers need clarity

However, the need for Digital Transformation (DX) is increasing and ICT decision makers often don't have time to cut through multiple, confusing, conflicting and biased sources of advice. Importantly, to provide some clarity, this report provides detailed analyses of the ICT Decision Makers' Business Strategies and associated ICT Strategies, Staffing and Budget intentions and Sourcing considerations.

DX drivers, challenges and investment plans

In addition, the report covers Digital Transformation Drivers, Challenges and Implementation and investment directions for key digital transformation technologies or strategies including: AI, IoT, Cloud, Cybersecurity, Workplace innovation, Mobility, Enterprise applications and related topics.

A unique report

We believe this to be the first survey of this scope and size conducted globally. Almost every aspect of current and future ICT plans and issues in Retail have been covered. Many questions are related, cross-referenced, and compared. Taken in their totality they build a comprehensive picture of the issues and challenges faced by ICT decision makers in the Retail sector during the past year and what they face now and for the next 12 months..

DX Technology Matrix (DXTM) and methodology

Complete details of the DataDriven Digital Transformation Technology Matrix (DXTM) which was used as the framework for development of this research, and the research method and approach are contained at the end of the full report.

Introduction & Key Findings

In February 2020 (in the midst of the COVID-19 Pandemic) DataDriven conducted an extensive global survey of ICT leaders in Retail.

DataDriven applied seven levels of exhaustive selection, screening and validation questions, then conducted intense data scrubbing and removal of non-representative data and outliers.

The result is a highly qualified and reliable set of complete responses from 197 ICT decision makers in the Retail sector across nine countries.

Retailers operate in a very competitive environment

More than half of the respondents say their organizations operate in an extremely competitive (11.9%) or very competitive (40.3%) environment. Only 2.0% say their environment is not competitive. Strong competition, in conjunction with the industry's historically low margins and high turnover, make for a challenging environment.

Financial objectives are by far the most important

Retail is the most transactional of all industries. More so than in any other sector, success is measured by the bottom line. All high priority objectives in Retail are financial – making budget targets (65.2% extremely high or very high importance), increasing productivity (66.7%), making sales targets (65.2%) and reducing costs (62.7%). In Retail, financial success is everything.

Digital Transformation is revolutionizing Retail

Digital Transformation (DX) is a global phenomenon across many industry sectors. It is very important to Retail, where operators are constantly looking to optimize business processes and service delivery. More than two thirds (70.7%) of respondents agree that DX is an essential part of Retail technology.

Most retailers are well advanced with their digital transformation programs. The most mature areas are finance, where 63.7% have a mature implementation or are well underway. This is closely followed by sales (62.2%), customer service (59.7%) and their frontline Retail operations (59.2%).

Key Findings (continued)

Times are tough, but ICT budgets are increasing

Many more Retail organizations are predicting an increase (39.8%) in their overall ICT budget than are predicting a decrease (17.9%). Increases greatly outnumber decreases in every area of budget expenditure. Other major areas of increase include Digital Transformation (39.8%), communications and networking (37.8%), and cloud services. End user hardware and part-time staff and contractors have the largest decreases, but even in these areas the number of increases is substantially higher.

Online sales are growing

Retailers are increasingly moving online. More than one third (34.3%) now sell the majority of their products and services online. Many operate a hybrid online/physical model relying on such techniques as buy online purchase in-store (BOPIS). Nearly two thirds (64.2%) believe that online and physical retailing are moving closer together.

Many retailers are adopting a hybrid cloud/in-house strategy

Cloud is an increasingly important component of ICT processing in Retail. SaaS is the most popular type of application source, preferred by one third (32.3%) of respondents. But many retailers are sticking with in-house processing (24.9%) or using off-the-shelf enterprise applications (18.4%).

Artificial Intelligence is increasingly important in Retail

Many more retailers see Artificial Intelligence (AI) as an opportunity (69.7%) than believe it is a threat (9.5%). Three quarters (73.6%) believe that AI will fulfil some of the tasks currently performed by humans, and at the same time two thirds (66.7%) believe it will result in a better quality of life and allow for the creation of new jobs.

Retailers are generally satisfied with their ICT providers

Just under half of retailers are very satisfied or highly satisfied with their ICT providers in a range of areas. Very few are dissatisfied. The levels of satisfaction do not change significantly for different products and services. They are most satisfied with their cybersecurity (48.9% highly satisfied or very satisfied) and business continuity providers (48.3%), and least satisfied with their applications management (41.0%) and enterprise applications (41.2%), though the differences are not significant.

The Internet of Things will be important for Retail – but not just yet

Technologies associated with the Internet of Things (IoT) have many applications in Retail, from improving the customer experience, the tracking of delivery fleets, through to industry optimization. Adoption is slow at the moment, but more than two thirds of respondents (69.2%) believe that IoT will eventually revolutionize Retail.



Key Findings (continued)



The major ICT strategic challenges are security based

Network security (57.2%), web security and database security (both 55.7%) and fraud prevention (55.2%) are all in the top ten ICT strategic challenges. Other security factors rate highly as challenges with data privacy (53.2%) and regulatory compliance (50.3%) also regarded as challenges by more than half of all respondents.

The customer experience is increasingly important

Most retailers have embraced the concept of enhancing the Customer Experience (CX). The great majority of survey respondents are using or planning social media (79.1%), digital marketing (79.1%), and smartphone apps (68.0%) to enhance the Customer Experience.

A range of DX technologies are being applied. Three quarters (73.1%) have implemented or are moving towards giving customers the ability to buy online and pickup in-store (BOPIS). The majority are also looking at delivering real-time in-store recommendations via smart phones (77.1%).

Retailers are agnostic about their ICT suppliers

Generally speaking, retailers have no strong preferences for whether their ICT suppliers are local, regional or global. They prefer local for things like training and maintenance and are happy to go with global suppliers for enterprise applications. They will buy the best product or service from the best supplier, regardless of origin.

Retailers are technology optimists

Retailers strongly believe (71.1%) that digitalization will make the world a better place. But they also realize they must prepare for it. More than three quarters (76.1%) say that people must prepare for a digital future by embracing lifelong learning and skills development, while two thirds (68.2%) believe that they themselves have the necessary skills.

Retailers are not concerned about technology hype

More so than in many other sectors, retailers have a realistic view of technology and are unlikely to be overly swayed by fashionable trends.

Key Findings (continued)

Coronavirus (at this time) is having both a positive and negative impact

Respondents were asked about the effect of COVID-19 (Coronavirus) on their industry. Two thirds believe it will have significant (21.6%) or minor (44.8%) negative impact. Note that the survey was conducted in mid to late February 2020 when the effects of the pandemic were already being felt in most countries.

Since that time the impact on the Retail industry has been both positive and negative, with dramatically increased sales of food and grocery items and pharmaceuticals, but reduced sales at many Retail outlets such as clothing and jewelry stores

Retailers are not technology leaders – but nor are they laggards

Only one in ten (9.5%) of retailers say they are very early adopters, with another quarter (26.9%) saying they are somewhat early. One third (36.8%) say they are neither late adopters nor early adopters. The remainder are technology laggards. These numbers are similar to those found in other industries, indicating that ICT leaders in Retail are not significantly more or less innovative than those in other sectors.

“The Retail market is extremely fluid and many important technology trends are yet to be felt”

In these extremely uncertain times the Retail industry is facing many challenges. While it shares many of these in common with other industries, retailing is not one monolithic industry. There are many sectors, many channels to market, and many products for sale.

Some Retail sectors are booming, while others are languishing. Some have gone totally online, others remain wedded to the concept of the physical store, and most are somewhere in between. There are large retailers and small retailers, early adopters and technology laggards, and economic circumstances differ by country or even by region within countries.

But virtually all retailers have one thing in common. They use technology. Their industry is more competitive than most, with low margins the norm. There are many commercial imperatives driving them to constantly seek an advantage, no matter how small, over their rivals.

The survey shows the many challenges confronting retailers in the 21st century, and the many technologies and techniques they are adopting to move their businesses forward. New technologies like Artificial Intelligence and Internet of Things have arrived but are not yet mainstream. Digital Transformation (DX) has become a byword across all aspects of Retail. The Customer Experience is becoming a more important factor.

The use of ICT in Retail is in a healthy state. Though times are tough, ICT budgets are growing, because retailers cannot afford to get left behind. The market is extremely fluid and there are many important technology trends whose effects are yet to be felt.

GLOBAL ICT TRENDS SERIES

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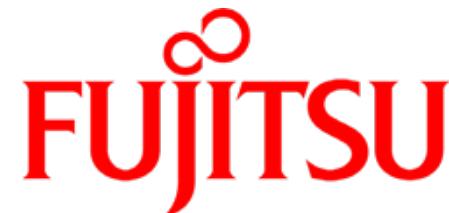
Acknowledgement to ICT Decision Makers

DataDriven would like to thank the many hundreds of people and organizations involved in the production of this report. We would particularly like to thank the ICT decision makers/CIOs and senior IT managers who responded to the survey upon which it is based.

About Fujitsu

Fujitsu is the leading Japanese information and communication technology (ICT) company, offering a full range of technology products, solutions, and services. Approximately 132,000 Fujitsu people support customers in more than 100 countries. We use our experience and the power of ICT to shape the future of society with our customers. Fujitsu Limited (TSE: 6702) reported consolidated revenues of 4.0 trillion yen (US \$36 billion) for the fiscal year ended March 31, 2019.

For more information, please see www.fujitsu.com



About DataDriven

DataDriven is a global research and advisory services company specializing in the areas of ICT Strategy for technology users and providers, Research-based thought leadership, market and competitive intelligence, and marketing and technology strategy consulting projects. DataDriven is also highly experienced in the area of cross-cultural communications and leadership, managing virtual teams across multiple geographies and runs training and workshops in these areas. In addition DataDriven associates are skilled at the delivery of presentations at events ranging from facilitation of small C-level roundtables, through to 'big-tent' major keynotes with audiences in the thousands. With a combined ICT market experience of over 120 years, DataDriven associates have supported hundreds of ICT providers and other private and public sector organizations. DataDriven has successfully executed projects globally, but has a particularly strong focus on Asia/Pacific and Japan.

For more information, please see www.datadrivenservices.com.au



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