

A woman with dark hair in braids, wearing a white short-sleeved button-down shirt and large hoop earrings, is looking down at a tablet computer she is holding with both hands. She is standing in a clothing store, with racks of clothes and a "SALE" sign visible in the background. The image has a soft, warm lighting. There are two red vertical bars on the left side of the image, one near the top and one near the bottom.

# 2021 Retail Digital Transformation Survey

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# Introduction

Before the pandemic, digital transformation was considered a critical path to business longevity. In a matter of months, it became the only path. Retailers that thought they were ahead of their competition when it came to technology soon saw weak points, as COVID-19 forced businesses to rely on digital like never before. In the *2021 Retail Digital Transformation Survey*, just 10% of retailers say superior technology is their top competitive differentiator, down from 25% that said the same in early 2020.

As the industry shifts from maintenance to recovery mode, the lessons learned and the innovations developed during the pandemic will be valuable, but they won't be enough on their own. To propel business forward, retailers need to double-down on investments that integrate their digital and physical shopping experiences. While the physical store is not going away, the future of retail calls for a reimagining of physical space to seamlessly integrate with digital platforms.

Economic uncertainty and liquidity issues intensify the balancing act of investing in digital solutions and minimizing costs.

**61%** of retailers plan to increase spending on digital investments in the next 12 months—recognition that digital is no longer optional, despite a hard economic year in 2020.



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*More resources do not necessarily make large, established retailers better equipped to pivot, and on the other end of the spectrum, startups may lack the means and infrastructure to scale. Middle market retailers now have a unique opportunity to beat the competition, but to do it, they'll need shorter timelines, bolder moves and stronger data.*



**NATALIE KOTLYAR**

Partner and National Retail & Consumer Products Leader

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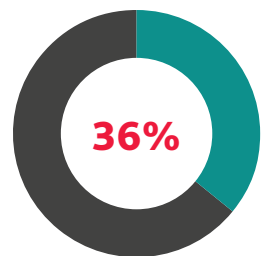


# Digital Vision 2021

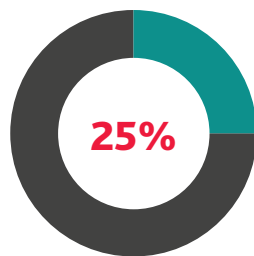
# When Everyone is Doing Digital, Execution is the Differentiator

With 85% of retailers actively pursuing digital transformation, simply “doing digital” is not enough. To get ahead, retailers need differentiated strategies—backed by data—and strong execution. Those already executing on their plans are in the minority and ahead of the curve. Among the 36% of retailers currently implementing their digital transformation plans, all have seen clear ROI to date and have high expectations for profitability and revenue gains as a result of digital investments in the next 12 months.

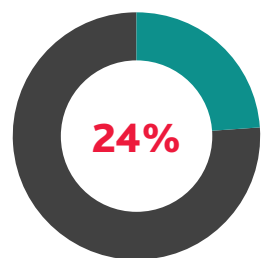
## DIGITAL TRANSFORMATION STRATEGY STATUS



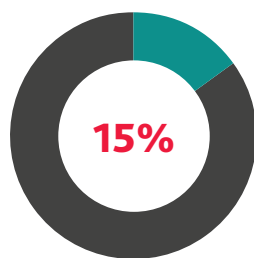
are currently implementing a digital transformation strategy



of retailers developed a digital transformation strategy but have not yet implemented it



are in the process of developing a digital transformation strategy



want to develop a digital transformation strategy but have not yet

## DIGITAL ROI

	All Retailers	Retailers Implementing Digital Transformation Plans
Success rate of digital initiatives to date	78%	100%
Expect digital investments will increase profitability in the next 12 months	62%	97%
Expect digital investments will increase revenue in the next 12 months	47%	75%

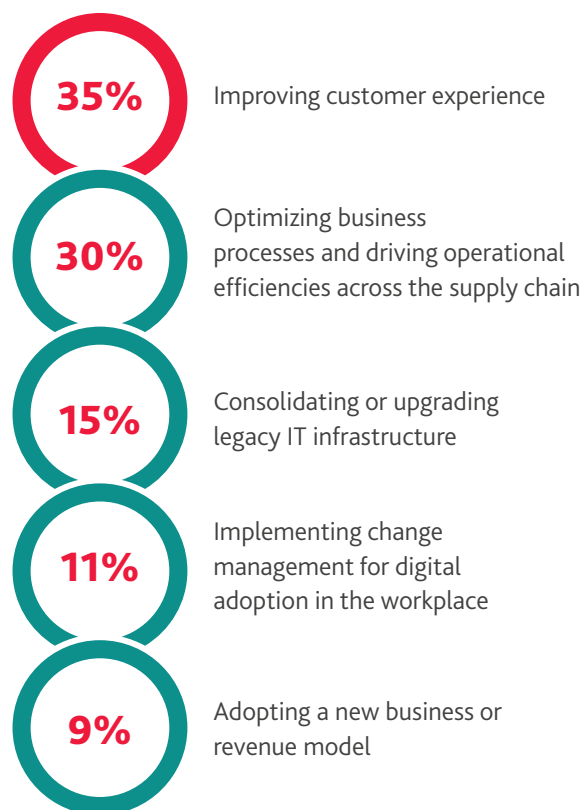
### BDO INSIGHT

Merely having digital elements in your business—including an e-commerce website, a social presence or a mobile app—does not constitute digital transformation. Retailers must ensure their channels are working in concert to create new value for the business, which starts with a consistent, cohesive omnichannel experience. With digital and physical channels strategically integrated, retailers can develop new revenue streams, decrease customer friction, improve customer retention and gain access to better data to drive business decisions. True transformation requires having a data-backed, 360-degree view of the business to identify gaps or opportunities that drive innovation.

# CX Remains Retail's Top Digital Priority

As the effects of the pandemic changed consumer habits, retailers needed to adapt their customer experience strategies to remain relevant. Now, while only 11% of retailers see a poor customer experience as the top digital threat to their business, they recognize the need for continuous improvement. Enhancing customer experience is the top digital priority among retailers, but even secondary priorities, including optimizing operational efficiencies across the supply chain, will support an improved customer experience. Retailers are making both front-and back-end investments to provide a frictionless, convenient and personalized shopping journey across all channels.

## TOP DIGITAL PRIORITIES



## DIGITAL SOLUTIONS RETAILERS ARE USING TO IMPROVE

The In-Store Experience		The Online and Mobile Commerce Experience	
In-store analytics	68%	Mobile app/in-app purchasing	70%
Mobile POS	64%	Social commerce (i.e., enabling shoppers to make purchases directly within social media platforms)	61%
Wayfinding capabilities via in-store apps	35%	Shared online/mobile shopping carts	57%
Scan and go technology (i.e.: self-check-out)	32%	Augmented reality for virtual try-on/previewing products	32%
Interactive kiosks	31%	Virtual shopping appointments/consultations	31%
Sensors to limit in-store traffic	27%	Voice shopping	16%
In-store virtual or augmented reality experience	23%		

## BDO INSIGHT

A great customer experience is driven by data that not only monitors shifts in demand, but also uncovers emerging needs, providing retailers opportunities to differentiate their offerings and build loyalty. These insights should be leveraged to enhance online channels, as well as the in-store experience, which will become increasingly tech-enabled. The post-pandemic store will involve less human interaction than what was typical before COVID-19, and instead be outfitted with digital solutions to help customers find what they want faster, receive personalized recommendations, and speed up—or eliminate—the checkout process.

“

*Creating a memorable customer experience starts by understanding your customers with great specificity, from who they are and how they prefer to shop, to the goods and services they don't yet know they need. If you don't have a data-based CX strategy, you have a chance-based strategy. Consumers will not be patient during the trial and error process.*

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**ROBERT BROWN**

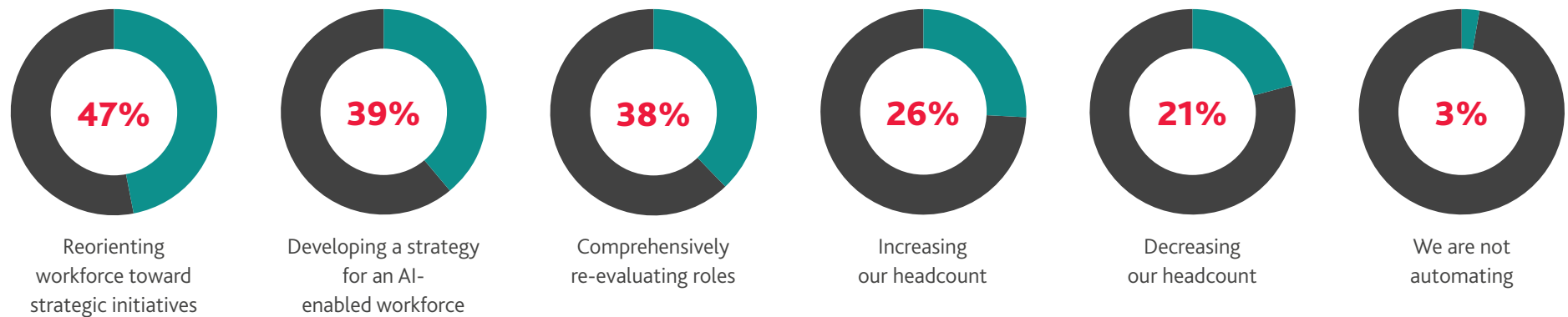
Managing Director & BDO Digital Retail Leader



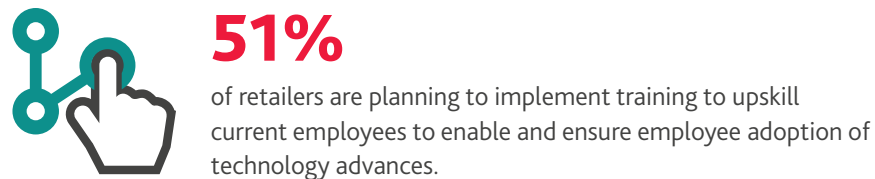
# A Re-imagined Retail Workforce

Pressure on retailers to reduce costs and increase margins makes automation a valuable lever, particularly during pandemic recovery. As automation becomes incorporated into various aspects of retail, from the warehouse to the store, it is transforming retail jobs. However, automation and other emerging technologies often replace specific job tasks, not entire roles, freeing up employees to work on higher-level tasks. In fact, survey respondents say automation will create more jobs than it displaces. At the same time, retailers are working to upskill their workforce so they can effectively leverage automation and make the most of workplace technologies.

## IMPACT OF AUTOMATION ON WORKFORCE STRATEGY



## RETAILERS TAKE STEPS TO ENABLE THE WORKFORCE, BUT DEPRIORITIZE CHANGE MANAGEMENT





## BDO INSIGHT

Even in the digital age, people—not tools or machines—remain a business' most valuable asset. Yet 32% of survey participants say a lack of skills or insufficient training is the primary reason digital initiatives fail, while another 25% cite employee pushback. In order for retail workers to shift from being data gatherers to data proctors—meaning they can analyze and manipulate data to produce insights—reskilling and training is necessary.

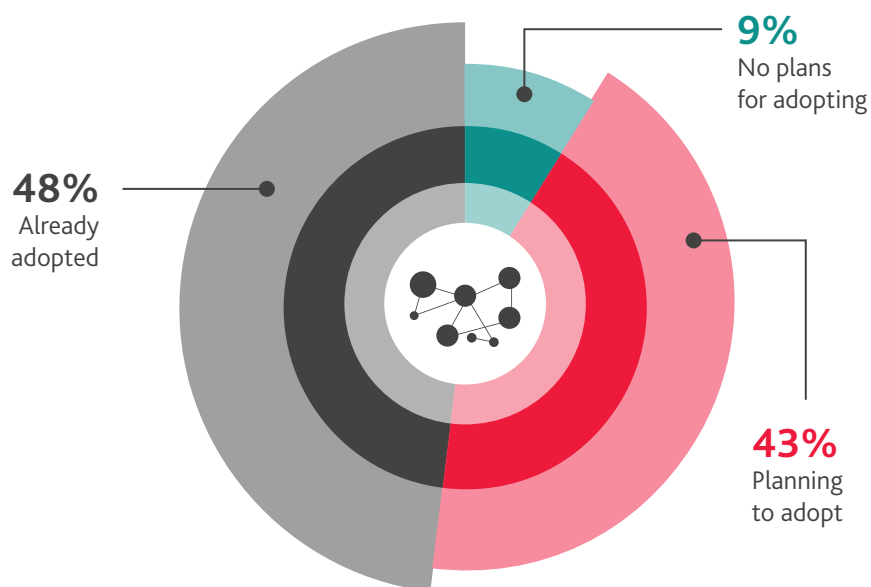
The pattern of employee pushback hindering digital transformation plans proves technology can't be implemented in a vacuum. To ensure a successful workforce strategy that effectively integrates people and technology, retailers must prioritize change management at the onset. It's critical to ensure employees are invested in and understand the vision behind new digital initiatives upfront to minimize resistance.



# Efficient Supply Chains Hinge on Data Analytics

Driving operational efficiencies across the supply chain is the second highest digital priority for retailers in 2021, right behind improving CX. The events of 2020 made clear the importance of a connected supply chain to respond quickly to demand shifts. Meanwhile, as consumers expect seamless omnichannel experiences—including in-store pickup and fast, free shipping and returns for e-commerce purchases—data transparency across the supply chain is a critical need. To deliver on these demands, savvy retailers are implementing digital solutions that enable better data and connectivity to improve omnichannel logistics.

## ARE YOU PLANNING TO DIGITIZE YOUR SUPPLY CHAIN IN THE NEXT 12 MONTHS?



## SOLUTIONS RETAILERS ARE USING TO IMPROVE OMNICHANNEL LOGISTICS

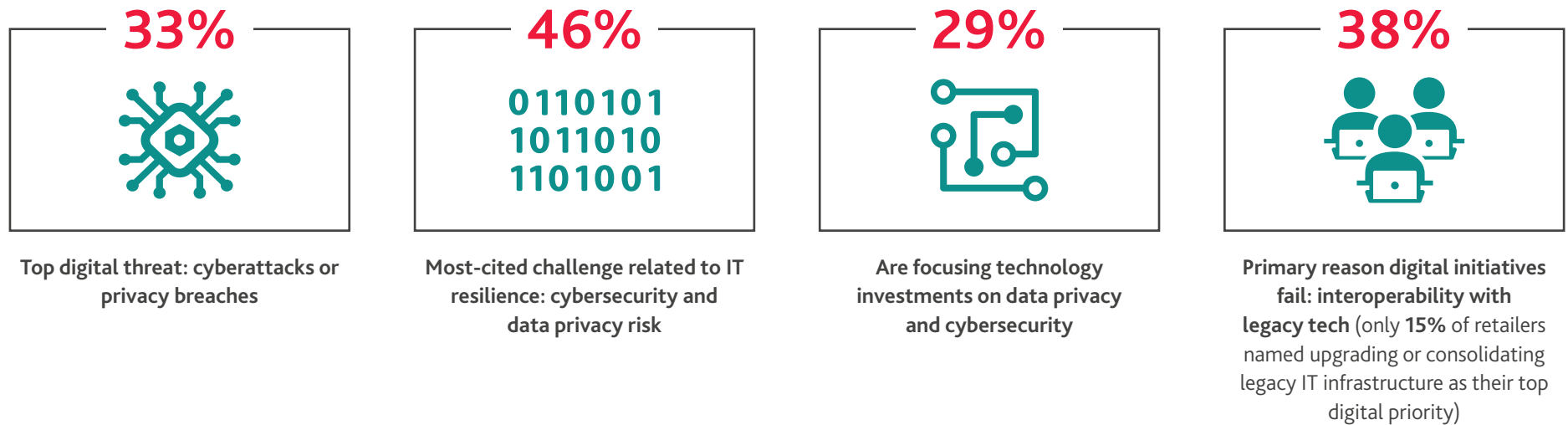
Real-time order tracking	55%
Connected inventory management system or in-aisle re-stocking	52%
Warehouse management system applications	47%
Integrated enterprise resource planning (ERP) and customer relationship management (CRM) systems	43%
Reverse logistics software	38%
Automated data capture and item tracking (e.g., RFID tags, Bluetooth technologies)	36%
Third-party logistics	11%

### BDO INSIGHT

There's a common misconception that the supply chain is primarily a back-end function. In reality, it's a function of the entire business, from the back-end to the front-end. Sources of friction in the customer experience—from inaccurate product availability and lack of transparency into order status, to shipping delays and inconvenient returns—are the manifestations of disconnected supply chains and immature data analytics. The right omnichannel logistics solutions and strategy should support the full supply chain and ultimately improve customer satisfaction while minimizing process inefficiencies.

# Cyber and Data Privacy Risks Persist Amid Digital Shifts

As companies move more of their data and operations online, data protection presents an ongoing challenge. Cyberattacks and privacy breaches are cited by retailers as both their top digital threat overall and top challenge related to IT resilience. At the same time, interoperability with legacy tech is the most-cited reason for underperforming digital initiatives. This is not a coincidence. Outdated and patchwork IT systems often introduce vulnerabilities that expose retailers to data breaches.



## BDO INSIGHT

A major data breach could seriously damage a retailer's reputation and diminish customer trust. As organizations digitally transform, legacy technology presents a risk when it cannot scale adequately or is misconfigured with newer applications and systems. These failures weaken a system's ability to safeguard sensitive customer and business information. As an added challenge, it's not just their own systems that retailers need to secure: Organizations that lead on cybersecurity and data privacy are focused on identifying weaknesses across their entire ecosystem, including suppliers and third-party partners' networks.



# Conclusion

While some consumer patterns and habits developed in 2020 may fade as the pandemic subsides, others will not. It's important retailers refrain from pulling back on digital transformation plans as the economy rebounds and instead push forward with a focus on speed and strong execution. To capitalize on today's opportunity, middle market retailers must successfully collect and leverage data to transform their customer experience, workforce and supply chains.

To benchmark your digital maturity and transformation readiness against your peers, explore our [2021 Retail Digital Transformation Survey Benchmarking Report](#) ►

## ABOUT BDO'S RETAIL & CONSUMER PRODUCTS PRACTICE

BDO has been a valued business advisor to retail and consumer products companies for more than 100 years. The firm works with a wide variety of clients across the traditional retail, consumer product and e-commerce sectors, ranging from multinational Fortune 500 corporations to emerging businesses, on myriad accounting, tax and advisory issues.

For a personalized evaluation of your organization's maturity level and opportunities, sign up to receive our Digital Performance Indicator.

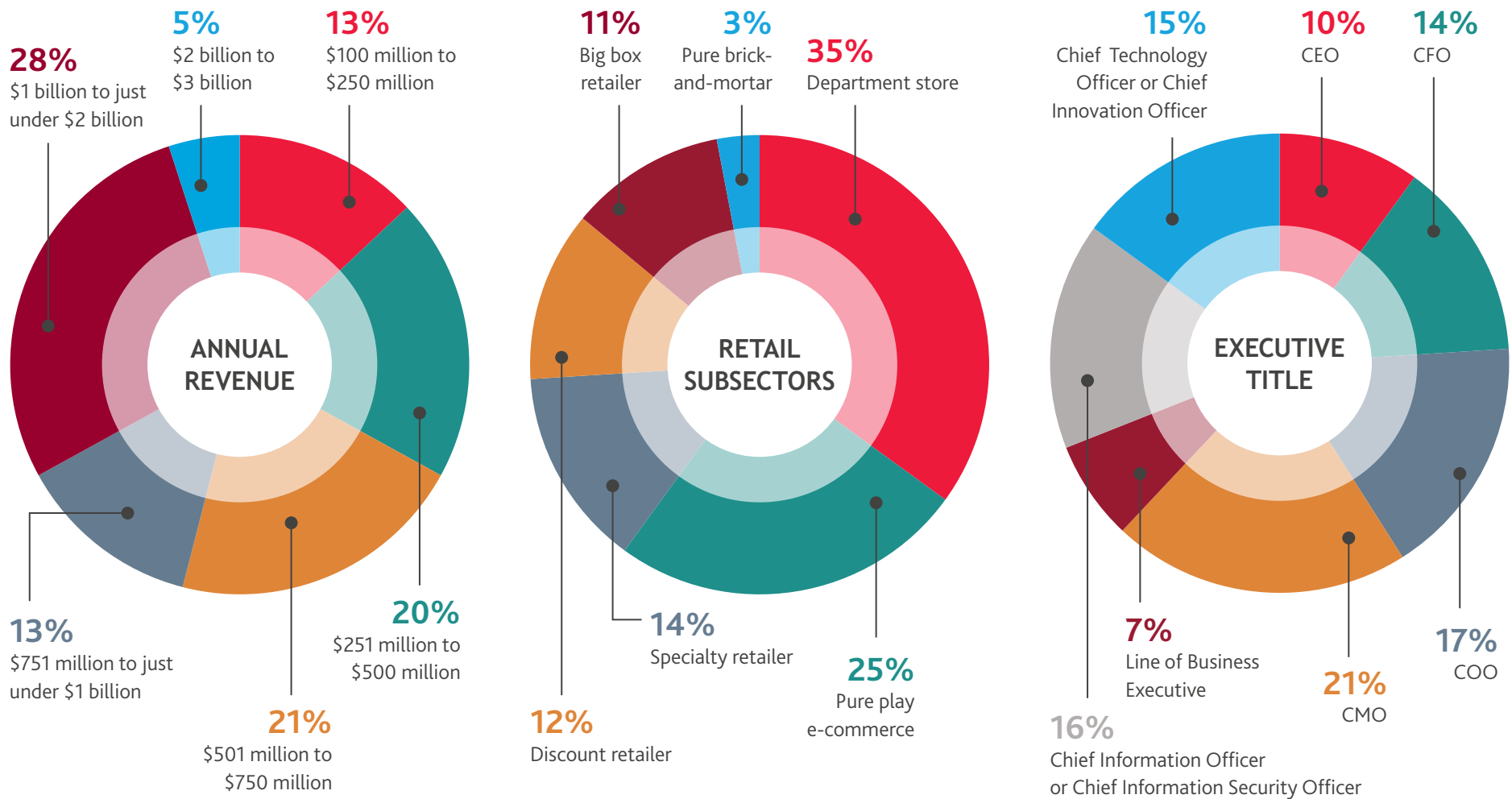
**SIGN UP NOW** ►



# About the 2021 Retail Digital Transformation Survey

The **2021 Retail Digital Transformation Survey** was conducted by Rabin Research Company, an independent marketing research firm, in January 2021. The survey included 100 C-level retail executives at organizations with annual revenues between \$100 million and \$3 billion.

## WHO WE SURVEYED



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