2020 Retail Digital Transformation Survey

RETAIL'S NEW DIGITAL DRIVE

BDO®

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Introduction

Retail has been a testing ground for digital innovation for decades. Today, digital transformation is a requirement for retail success. In fact, 100% of retailers have either developed or are planning to develop a digital transformation strategy, according to **BDO's 2020 Retail Digital Transformation Survey.**

In early 2020, retailers had big plans for digital transformation for this year and beyond. However, the current pandemic has likely shifted the objectives and tactics within those plans. As COVID-19 continues to disrupt business operations and impact revenues throughout the industry, the crisis has highlighted the necessity for retailers to evolve business models, increase efficiencies and strengthen their digital presence. Digital transformation can drive these imperatives.

But strategy isn't enough. Execution is key to the success of any transformation initiative, and as the effects of COVID-19 plunge many players in the retail industry into financial distress, the ability to not just conceive but adopt new digital capabilities may be the deciding factor between recovery and bankruptcy.

Well before the coronavirus was on retailers' radars, the "Amazon effect" and digital innovations like mobile apps, self-checkouts and augmented reality were reshaping the retail landscape, separating the haves from the have-nots. Now, in the pandemic's wake, that separation is a nearly insurmountable chasm. Those who have not fully embraced e-commerce or invested in the digital customer experience cannot stay solvent in a shut-in economy. These laggards have a dwindling window of time to digitize their business before they're beyond the point of recovery.

But even among retailers who are relatively digitally savvy, the current environment is no piece of cake. The Amazon effect has been exacerbated by the pandemic, their sales skyrocketing over the last few months. Already thin profit margins will be strained further by COVID-related expenses and increasing transportation costs. Amid these challenges, retailers must still be proactive in reimagining the future state of retail and the next iteration of omnichannel customer experience. Retailers that lack the agility to adjust their business and operating models for the next phase of industry evolution will be left behind.

As retailers begin to resume operations and reopen their doors, understanding and adapting to the pandemic's impact on consumer behavior will be crucial to recovery. Given the recent acceleration of e-commerce is largely crisis-based, retailers should be prepared to adjust inventory and distribution options to shifts in customer purchasing trends, like desires to bulk buy or preferences for contactless delivery, that may be long-lasting. Retailers who strategically use data and technology to reallocate resources, amplify their digital presence, improve customer experience and prepare operations for a reimagined future will be better positioned to endure the turbulence that lies ahead.

> **"**
>
> *While COVID-19 has likely disrupted most retailers' initial plans for digital transformation in 2020, it has also served as a widespread case study for the effectiveness of digital solutions in optimizing operations, cutting costs, mitigating risk, and increasing omnichannel agility. Looking ahead, the shut-in economy has offered a glimpse into the future state of retail, in which service delivery models and operations are contactless. Retailers need to be rethinking their businesses now to prepare for the new industry normal when doors re-open.*
>
> **"**

NATALIE KOTLYAR
Partner and Retail & Consumer Products
National Practice Leader, BDO USA

Survey Methodology

BDO's 2020 Retail Digital Transformation Survey was conducted —prior to the COVID-19 pandemic— by Rabin Research Company, an independent marketing research firm. The survey included 100 c-level executives in a wide range of capacities, for middle market companies with annual revenues between $250 million and $3 billion.

WHO WE SURVEYED

ANNUAL REVENUES
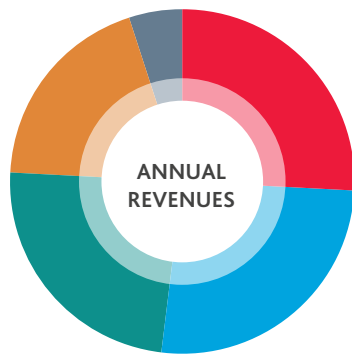
26% $250 million to $500 million

26% $501 million to $750 million

24% $751 million to just under $1 billion

19% $1 billion to just under $2 billion

5% $2 billion to $3 billion

EXECUTIVE TITLE
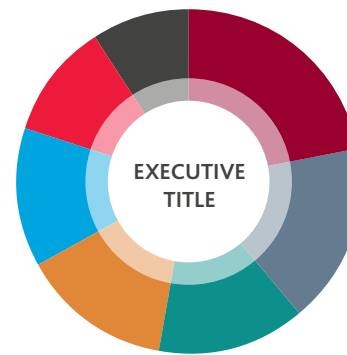
22% Chief Information Officer or Chief Information Security Officer

17% Chief Technology Officer or Chief Innovation Officer

14% COO

14% Chief Marketing Officer

13% CFO

11% CEO

9% Line of Business Executive

RETAIL SEGMENTS
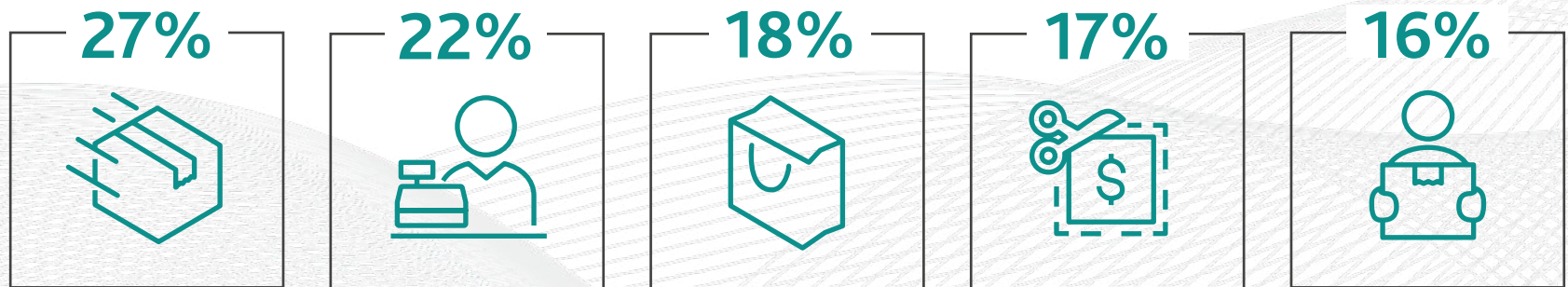
27% Big Box Retailer

22% Department Store

18% Specialty Retailer

17% Discount Retailer
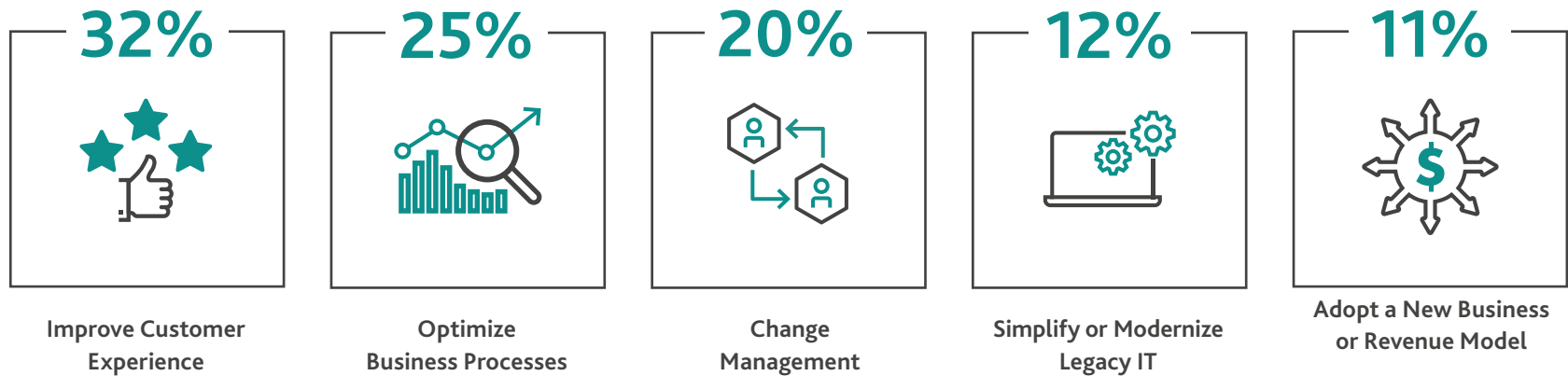
16% Pure Play E-Commerce

Snapshot / 2020 Digital Outlook

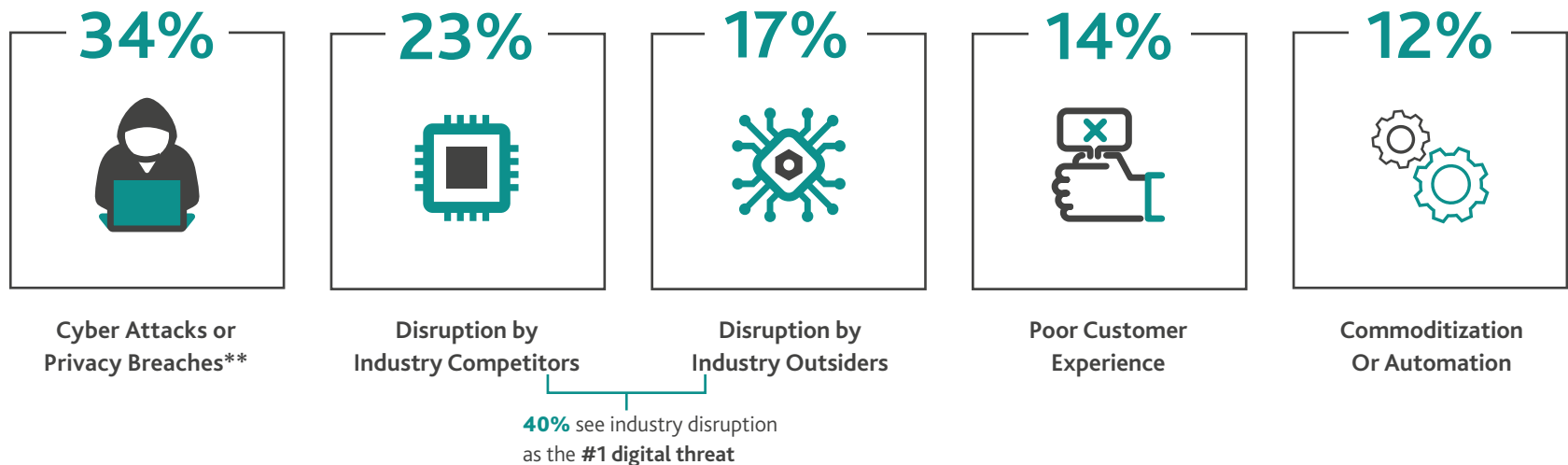**A BRIEF SNAPSHOT OF RETAIL ORGANIZATIONS' DIGITAL TRANSFORMATION PLANS FOR 2020**

Consumer demand drives focus on customer experience (CX)

TOP DIGITAL PRIORITY*

32%	**25%**	**20%**	**12%**	**11%**
Improve Customer Experience	Optimize Business Processes	Change Management	Simplify or Modernize Legacy IT	Adopt a New Business or Revenue Model

Digital transformation remains a **double-edged sword**

TOP DIGITAL THREAT*

34%	**23%**	**17%**	**14%**	**12%**
Cyber Attacks or Privacy Breaches**	Disruption by Industry Competitors	Disruption by Industry Outsiders	Poor Customer Experience	Commoditization Or Automation

40% see industry disruption as the **#1 digital threat**

*Retailers' top digital priorities and threats may have shifted in the wake of COVID-19.

As the COVID-19 outbreak has worsened, IT security vendors have reported a sharp increase in cyber threats. Cloudflare **noted a 37% increase in cyber-attacks during the month of March, and Barracuda Networks found a **600% increase in COVID-19-themed phishing emails** during that period.
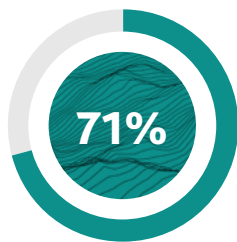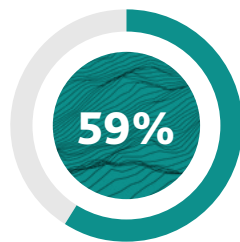
CX IS TOP SHORT-TERM PRIORITY

Top Overall Business Objectives

COVID-19 may cause organizations to focus more on operational efficiencies and cost savings in the short-term. However, business objectives for the longer term are likely to hold steady.
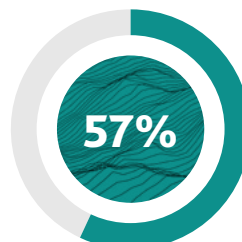
SHORT-TERM

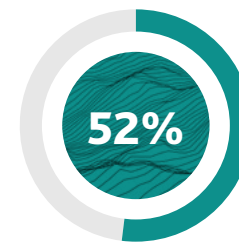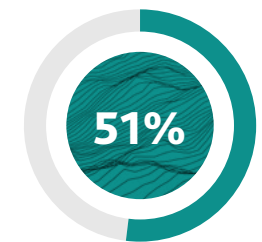| 71%	59%	57%	54%	52%	51%
Improve Customer Experience	Modernize IT infrastructure	Bolster Cybersecurity	Increase Operational Efficiencies	Diversify Revenues	Increase Market Differentiation
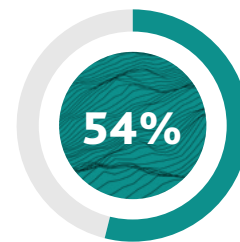
LONG-TERM
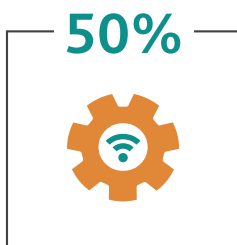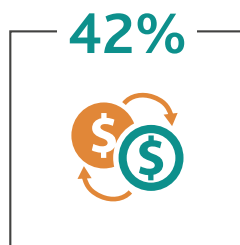
50%	42%	41%	40%	40%	31%
Modernize IT Infrastructure	Diversify Revenues	Increase Operational Efficiencies	Bolster Cybersecurity	Increase Market Differentiation	Improve Customer Experience
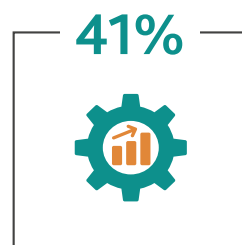
Transformation sought across business functions

TRANSFORMATION FOCUS AREAS

IT
- 68%
- 38%

Customer Service
- 59%
- 38%

Marketing & Sales
- 59%
- 32%

Finance & Accounting
- 47%
- 33%

HR
- 46%
- 36%

Core Business Operations
- 45%
- 38%

Risk Mgmt & Compliance
- 41%
- 48%

Tax
- 29%
- 37%

Other
- 2%
- 2%

● **Projects Underway**   ● **Projects Planned Longer-term***
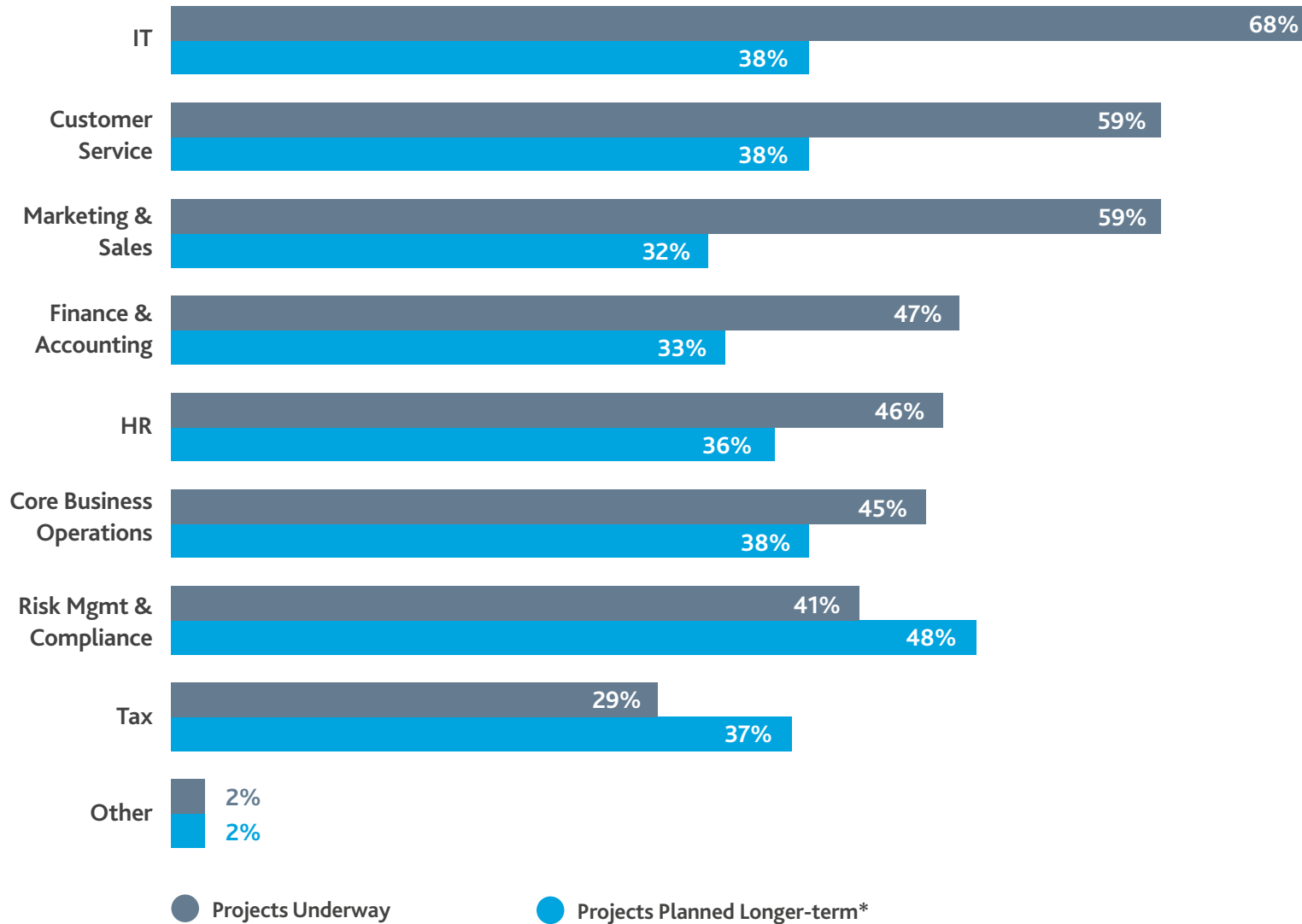
*Longer-term projects (looking at the next 12 months) were planned prior to the COVID-19 outbreak, so some may have been de-prioritized or put on hold.

Business and tech leaders split on digital transformation ownership

TECH VS. NON-TECH LEADERSHIP

52%

48%

22%

17%

10%

3%

- ● CIO/IT Leadership
- ● Board of Directors
- ● Steering Committee
- ● Business Unit Heads
  (e.g., Product Development, Customer Experience, Procurement)
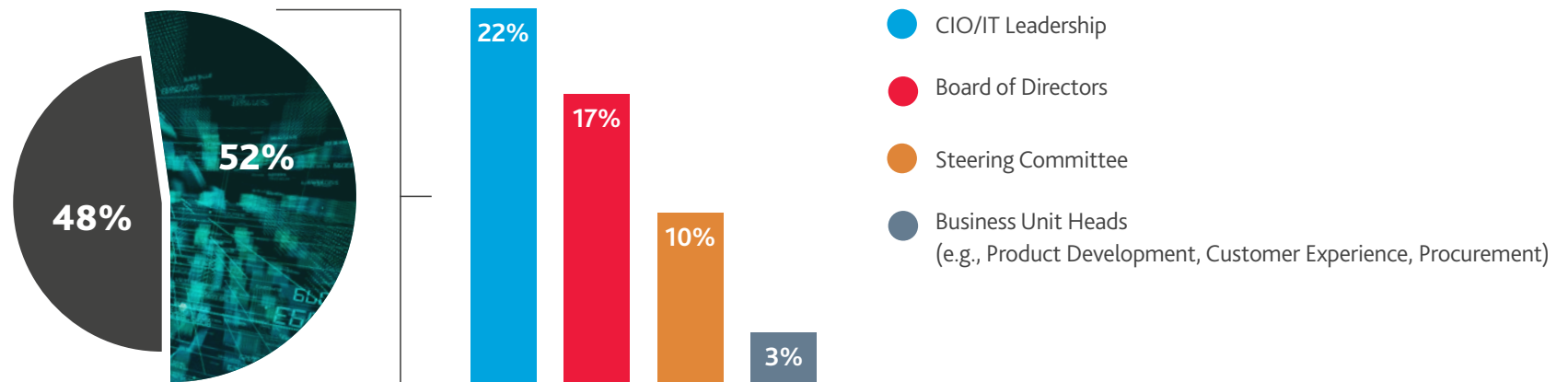
52% of digital transformation strategies are led by non-tech executives

Digital Transformation Value Drivers

Boosting Operational Efficiencies

Strengthening Data Capabilities

Improving Customer Experience

Tempering Cyber Fears

1 / Boosting Operational Efficiences

Even before the pandemic, boosting operational efficiencies was a top digital priority for retail executives—and achieving that goal is even more urgent now. As the retail landscape continues to technologically advance, the ability to nimbly navigate disruption and stay ahead of the digital learning curve is more important than ever before. Retailers are focused on modernizing their existing IT infrastructure and pursuing digital initiatives that will help them address existing and emerging consumer pain points, like automated customer service. At the same time, technologies like robotic process automation (RPA) and advanced analytics are helping retailers accelerate improvements by identifying opportunities to automate routine work, reconfigure supply chains and right-size cost structures.

59% of participants say **modernizing IT infrastructure**—critical to boosting efficiency—is one of their **top 3 short-term business goals**
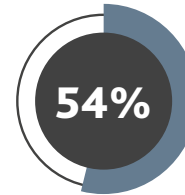
54% say i**ncreasing operational efficiencies** is one of their **top 3 short-term business goals** (12-18 months)

▶ **41%** say increasing operational efficiencies is one of their top 3 long-term business goals (18 months-3 years)

25% say **optimizing business processes** is their **#1 digital priority**

BDO INSIGHT

Successful integration of new technologies will require retailers to have a true understanding of how their businesses operate—from enterprise-wide to intra-organizational. Only with a clear view into how all parts of the business function and interact, will retailers be able to break down existing internal silos, generate collective intelligence and advance their digital capabilities. Retailers that collaborate with their workforce and suppliers to identify solutions that extend beyond the limited view of a single person, function or entity, will be better informed to optimize efficiencies and equipped to operate in a post-COVID world.

2 / Strengthening Digital Capabilities

The current crisis only heightens the need for retailers to build out their digital resources and reimagine traditional business models. To uncover, meet and exceed the expectations of an increasingly digitally-enabled consumer, retailers will need to diversify and introduce new revenue streams like voice commerce and recommerce, and leverage technologies like AI and advanced analytics to amass and unleash greater value from their data. As retailers look to embrace new product and service offerings like resale, rental and other subscription services, it will take a combination of front-end and back-end digital capabilities to build out IT infrastructure, streamline data collection and support marketing functions. When it comes to enabling business sustainability in a post-COVID environment, the adoption of digital capabilities will be essential to creating more nimble, dynamic and cost-effective organizations. However, as competitors and the industry at-large continue to invest in digital, technology adoption is becoming more of an equalizer than a differentiator.
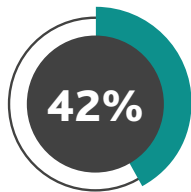
42% say interoperability with legacy technology & processes is the **#1 reason digital initiatives fail**

▶ Yet, only **12%** say consolidating or upgrading legacy IT infrastructure is their **#1 digital priority**
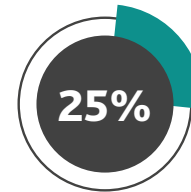
25% say superior technology is their **#1 competitive differentiator**
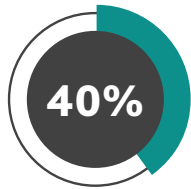
40% say disruption by industry competitors or outsiders is their **#1 digital threat**, while **12%** cite commoditization/automation

▶ **53%** say they most often invest in a new technology to stay competitive

▶ **22%** say superior technology is Amazon's **#1 advantage** over their organization

▶ **21%** say inferior technology is their **#1 weakness** when compared to their greatest competitor

> *While important for boosting operational efficiencies, the value of digital transformation extends far beyond optimized operations. To truly meet customer demands both during and beyond the COVID-19 crisis, retailers will need more channels to mar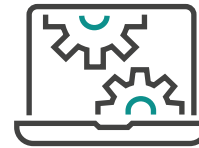ket, more touchpoints with consumers, and more innovative customer experiences. Retailers that find new ways to offer value and properly focus on digital capabilities to strengthen their offerings will be the ones to prevail.*

MALCOLM COHRON
National Digital Transformation
Services Leader, BDO USA

60%
are currently deploying advanced analytics
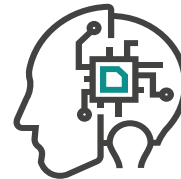
29%
are currently deploying AI

BDO INSIGHT

As retailers take steps to strengthen their data capabilities, they should do so with a focus on the end game: adopting tools that will not only improve processes and cut costs, but also enable data-driven insights. This intel will help inform potential pivots in business strategy and accelerate recovery in a post-COVID-19 world. While RPA might not sound as exciting as AI or virtual reality, the retailers who choose to make digital investments in both the front-end and back-end of a business will have a competitive edge over those who don't—especially when it comes to deriving value from data. In fact, data-driven decision making will be particularly important in today's environment as retailers look to navigate changes in consumer shopping behavior, optimize inventories based on shifts in supply and demand, and create unified e-commerce experiences across social and digital platforms.

Advanced Omnichannel in Action

A retailer's omnichannel offerings reflect how their mobile, virtual and online experiences—including digital marketing, influencer endorsements and online-only deals—are interconnected to convert consumers from browsers to buyers. By engaging consumers during their initial research stage through a set of interwoven, personalized experiences, retailers can leverage smart **retail technologies** to translate digital presence into concrete revenue.

A few technologies retailers are currently using to enable better digital presence include:

Advanced Analytics: Retailers like H&M are relying on trend-watching to be successful when it comes to product placement and inventory management. By using AI to analyze consumer purchasing habits, advanced analytics algorithms can help to determine which items to promote and stock up on based on global, national or even local demand and insights. Smart analytics can also underscore patterns in consumer demographics and behaviors that may otherwise go unnoticed, and grant retailers the ability to make more informed decisions on how to best target and convert single-sale customers into repeat buyers.

5G Networks & Edge Computing: Intel's Frictionless Checkout Store solution is already ahead of the curve in using 5G networks and edge computing to create more seamless ways for consumers to find and purchase products. By allowing retailers to collect and make sense of consumer, AI and IoT device data in real-time, retailers are able to identify key trends in shopping behavior and adjust their operations accordingly. With increased digital customer service capabilities and offerings like cashierless checkout and interactive ads, retailers can drive better retail experiences that optimize the time consumers spend in-store.

Extended Reality: In automotive retail, 90% of consumers begin their purchase journey online when determining which car to buy. Given that the majority of car buyers' first impressions of a product will be virtual, some automakers and dealers offer highly personalized digital experiences to allow consumers to build their ideal vehicle online and then find a matching car in a local dealer's stock. This use of extended reality not only enhances the customer's experience, but also provides key behavioral analytics to the seller, which can inform retailers' go to market strategies and transform the buyer journey from a traditional, in-person only sale to a more engaging, digitally-integrated conversion of interest.
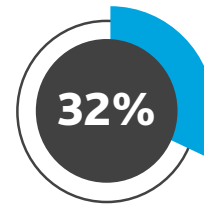
3 / Improving Customer Experience (CX)

In a COVID-19 environment, a strong digital presence and seamless digital customer journey will be critical to success as retailers seek to attract and retain interest from the uptick of homebound consumers shopping online. However, job cuts and furloughs as well as declining consumer sentiment are negatively impacting overall spending. To effectively compete for the limited dollars in an economic downturn and meet the expectations of younger generations of consumers, retailers must deliver a personalized customer experience—both online and in-store as they restart operations.
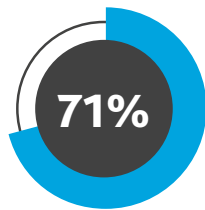
71% say improving customer experience is one of their **top 3 short-term business goals** (12-18 months)

32% say improving customer experience is their **#1 digital priority** (the most cited across all priorities)
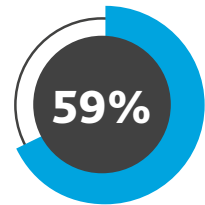
59% have digital transformation projects underway in the **customer service area**
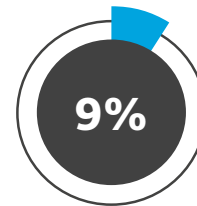
9% Only 9% of retailers say outstanding customer service is their company's **#1 competitive differentiator**

37% Consumer demand was the most cited **driver of transformation**

AREAS OF FOCUS FOR CX IMPROVEMENT IN RETAIL

Quality of Customer Support
- 63%
- 46%

Speed of Customer Support
- 57%
- 48%

Personalization
- 42%
- 38%

Consistency
- 41%
- 48%

User-Friendlines
- 34%
- 44%

● Current Focus Area
● Future Focus Area

BDO INSIGHT

For retailers, the focal point of any customer experience transformation should be to first understand and then enhance the customer journey from browsing to purchase—whether by improving in-app user-friendliness, creating consistent physical and digital customer touchpoints, or enabling greater options for delivery like curbside pickup. The digital customer journey starts not on 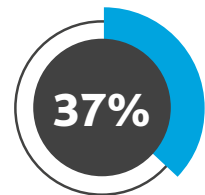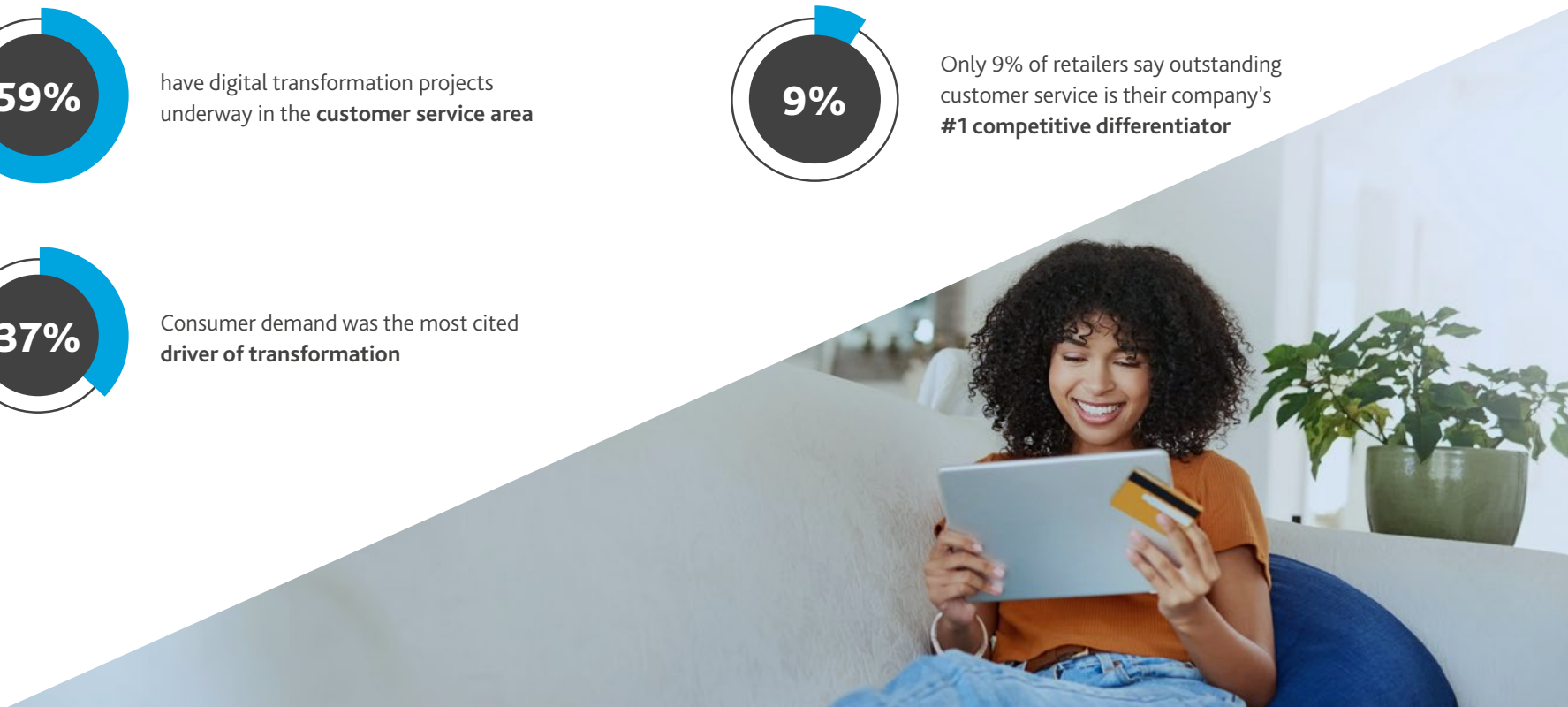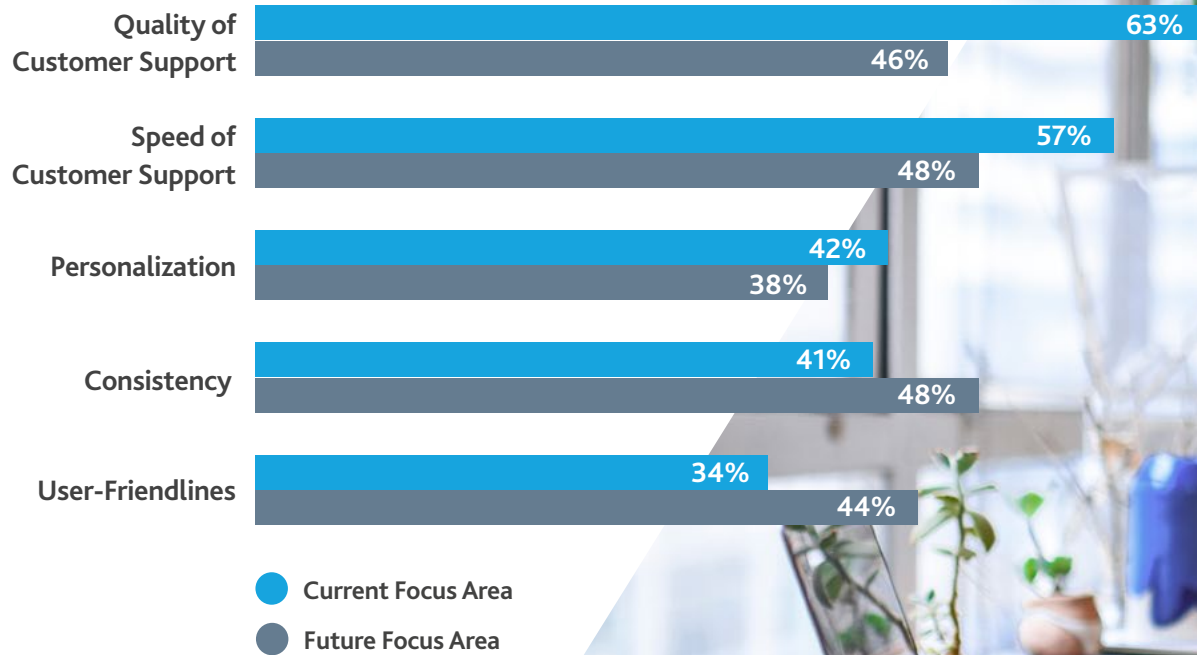retailers' websites or mobile apps, but with online search, social media platforms, third-party marketplaces, or all of the above. Nor does the digital customer journey necessarily end when the transaction is complete. Products that come with a digital manual, for example, or have an online services component (think Peloton) can be a source of ongoing customer intelligence. For a 360-view of the customer, retailers need to capture the full spectrum of those digital interactions. And though these insights on customer behavior may be gleaned from digital channels, they should also be applied to the in-person shopping experience. You should know who your customer is and what they want when they walk in the door—and personalize their experience accordingly. That's the new standard of omnichannel.

4 / Tempering Cyber Fears

Emerging technologies, like advanced analytics and artificial intelligence (AI), are allowing retailers to make data-driven decisions to streamline operations and improve the buyer journey. However, while the savviest retailers create more opportunities to aggregate, sort and make sense of endless streams of consumer data, they are also both knowingly and unknowingly exposing themselves—and more importantly their customers—to significant cyber risks. These risks are exacerbated today as retailers adjust their operations and become more virtual entities in the wake of global lockdowns. As consumer data treasure troves continue to grow, and cybercriminals look to exploit the pandemic to target retailers and consumers alike, data privacy and security remain top of mind for retail executives.
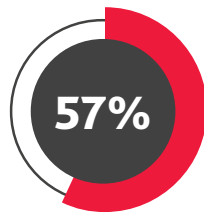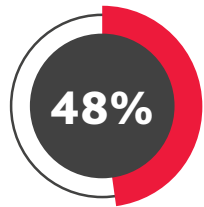
57% say bolstering cybersecurity is one of their **top 3 short-term business goals** (12-18 months)

▶ **40%** say bolstering cybersecurity is one of their top 3 long-term business goals (18 months-3 years)
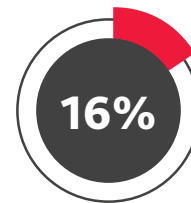
16% of retail CFOs cite data privacy as their #1 overall business priority, **according to BDO's 2020 Retail Rationalized Survey**

48% are planning digital initiatives in the area of risk management and compliance over the next 12 months

▶ **41%** already have projects underway
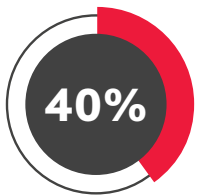
40% have made investments in blockchain
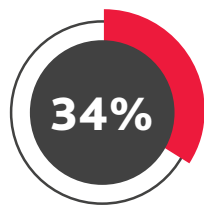
34% say their **#1 challenge in moving forward with a digital initiative** is concerns around cybersecurity

▶ cite cyberattacks or privacy breaches as their **#1 digital threat**

BDO INSIGHT

While the industry's biggest obstacles currently stem from COVID-19-related disruption, concerns around data privacy and cybersecurity are well-founded as the crisis also brings an increase in cyber risks. As external digital threats proliferate, and with consumers' personal and financial data at stake, retailers must take action to protect their organizations by prioritizing threat-based cybersecurity. Instead of focusing solely on protecting critical data assets or following the basic script of a generic cyber program, retailers must concentrate on investments in the most likely risk and attack vectors based on an organization's unique threat profile. AI-enabled cyber solutions, such as data deception technology, can help retailers defend themselves by automating breach detection and response, and even proactively tricking attackers.

By taking a threat-based approach, retailers can ensure that investments in innovation are backed by the appropriate safeguards and technologies to keep company and customer data safe.

Digital Transformation Challenges

WHAT CAN THREATEN OR DERAIL DIGITAL TRANSFORMATION IN RETAIL?

Challenges on the Road to Transformation

Even with a clear consumer imperative and proof of ROI, roadblocks like budget constraints and legacy technology interoperability issues continue to slow down and impede retailers' efforts—and COVID-19 has likely only exacerbated these challenges. Retailers must balance their desire to innovate with the ability to foresee and address disruption and the key challenges that stand between digital failure or success. And while the fear of introducing new security risks is a valid cause for concern, given COVID-19, retailers' biggest obstacle to moving forward with a new digital initiative has likely shifted to navigating new and preexisting budget/resource constraints.

WHAT IS YOUR ORGANIZATION'S BIGGEST CHALLENGE IN MOVING FORWARD WITH A NEW DIGITAL INITIATIVE?

2%
Fear of failure

10%
Knowing how/where to start

34%
Concerns about cybersecurity

13%
Making the business case to internal stakeholders

21%
Budget/resource constraints*

20%
Establishing the right metrics
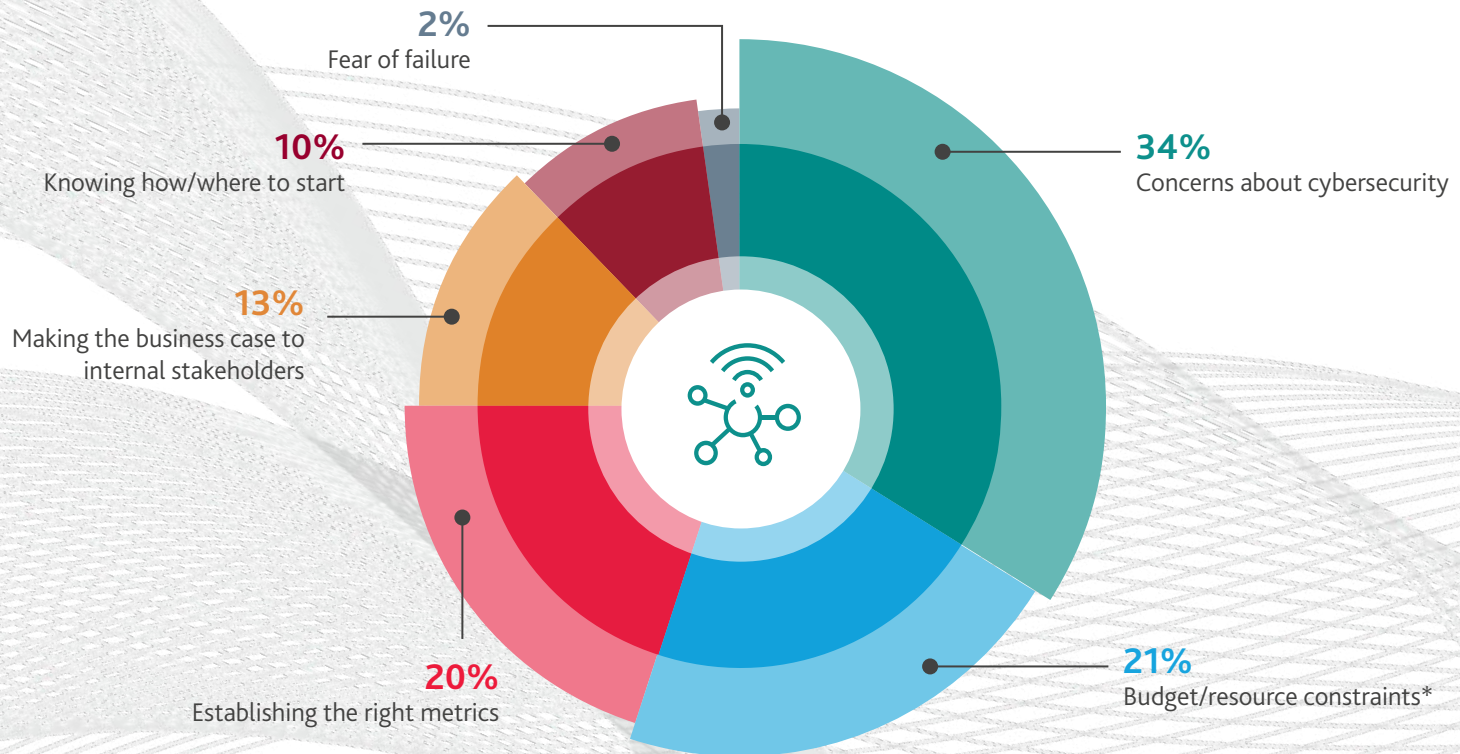
*In the current environment, budget/resource constraints are likely to pose an even greater challenge than is reflected here.

Lessons Learned from Failure

A certain level of failure is inevitable with innovation—but retailers must learn from such failures when they occur. Recent surveys from McKinsey and Bain show that upwards of 70% of digital transformation initiatives fail across all businesses. Our survey shows the failure rate in the retail middle market is not nearly as grim: Just 20% of retail executives reported their digital initiatives failed to meet expectations.

TOP REASONS FOR FAILURE

42%	38%	37%	31%	27%	27%
Interoperability with Legacy Tech	Lack Of Skills or Insufficient Training	Poor Communication or Project Management	Employee Pushback	Underinvestment/ Under-Prioritization	Lack of Leadership or Vision
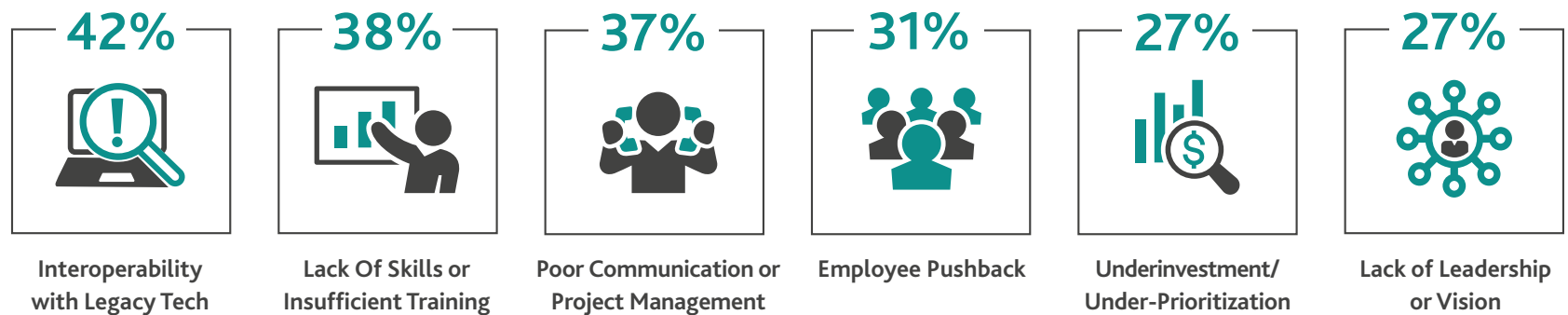
But *where* does it all fall apart? The vast majority (85%) of failed retail digital transformation initiatives never managed to get off the ground. Only 15% of unsuccessful initiatives failed after they had already been launched across the organization.

DIGITAL TRANSFORMATION IN PRACTICE: CAUSES OF FAILURE*

15%
Failure to adopt (initiative was launched across the firm, but poorly understood and adopted by employees, vendors/ suppliers/partners and customers).

85%
Failure to launch (could not get initiative launched across the firm).
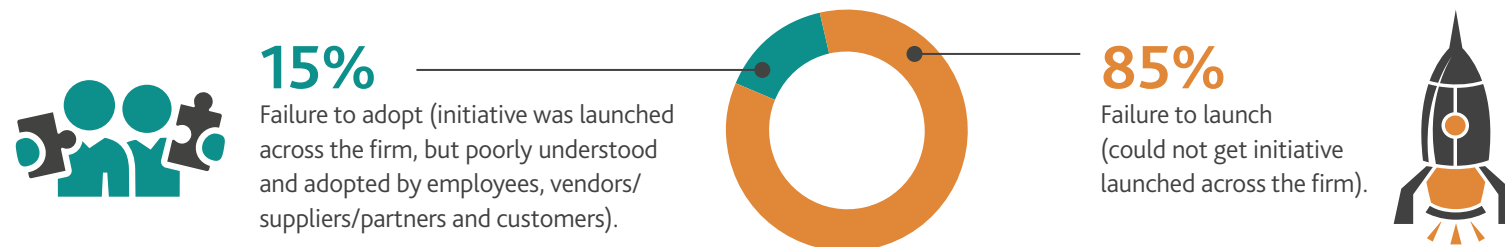
*Among respondents who experienced a failed digital initiative

Digital Transformer Secrets

For all the talk of failure, four out of five middle market retail executives rate their digital transformation initiatives from the last year a success. In fact, 96% of retailers who self-assessed themselves as a retail Transformer saw success and 33% of Transformers executed digital initiatives that were "overwhelmingly" successful, with results exceeding their expectations. For retailers, overwhelming success translated into measurably greater improvement in overall financial performance compared to those that reported moderate success.

We asked retailers to self-assess their digital maturity:

▶ **27%** identified as Transformers
(digital capabilities are advanced compared to peers)

▶ **58%** identified as Adopters
(digital capabilities are on par with peers)

▶ **15%** identified as Laggards
(digital capabilities are lagging behind peers)

Self-assessments should be viewed with a certain amount of scrutiny, as in our experience, digital maturity tends to be overestimated without the benefit of competitive intelligence or insights from an outside perspective.

For a personalized assessment of your organization's digital strengths and weaknesses, check out our **Digital Transformation Accelerator** and SMARTDiagnostic tools.

What Does Success Look Like?

2019 RESULTS

Revenue Increases	85%
Revenue Increases of 10% or More	41%
Profitability Increases	85%
Profitability increases of 10% or more	41%
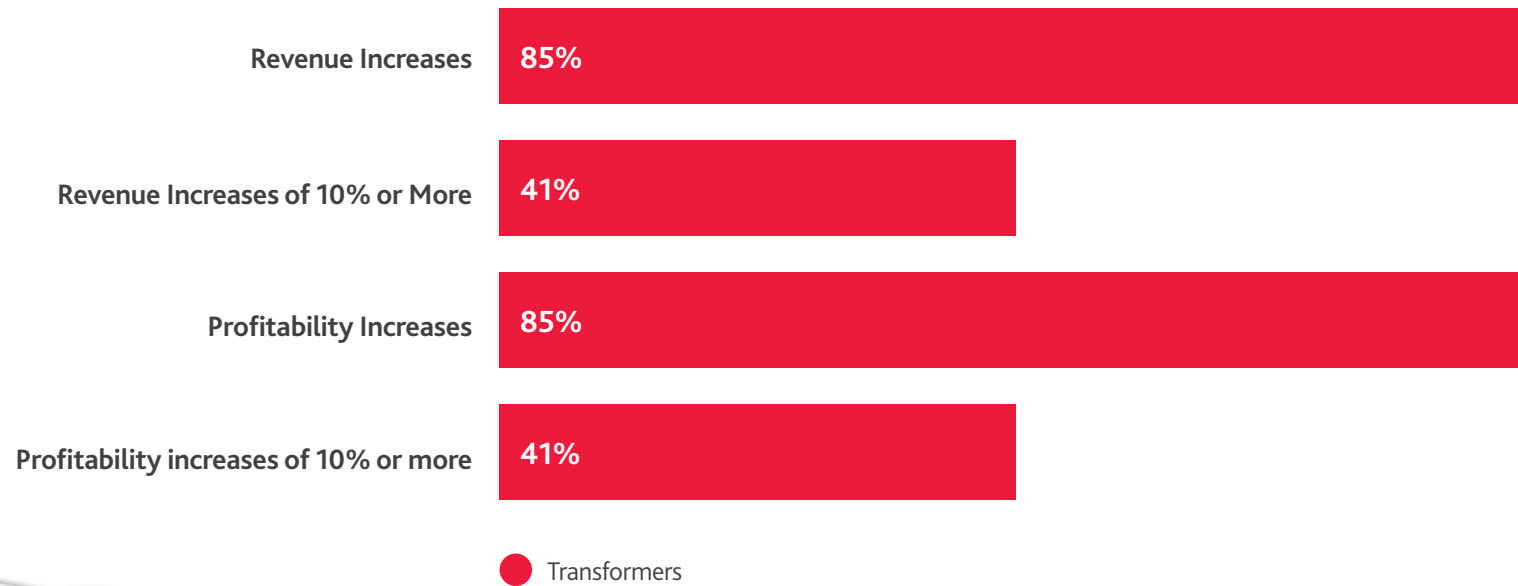
● Transformers

Benchmarking Your Digital Transformation Efforts

How do you stack up against your middle market peers? As retailers embark on digital transformation, benchmarking against those in the same revenue range can help determine priority areas of focus for any digital transformation efforts.

HOW TO USE THIS BENCHMARKING DATA

Identify your relative strengths & weaknesses

Understand competitive gaps & threats to your business

Gauge where you can gain a competitive advantage

Prioritize investments

For the purposes of this section, organizations are categorized in two groups, according to their annual revenues:

▶ **Lower Middle Market:** $250M-$750M

▶ **Upper Middle Market:** $751M-$3B

WHAT IS THE CURRENT STATUS OF YOUR DIGITAL TRANSFORMATION STRATEGY?

Benchmarking / Strategy Status

STRATEGY STATUS

	All Respondents	Lower Middle Market	Upper Middle Market
Implementing against a DT strategy	25%	19%	31%
Developed a DT strategy, but not yet implementing it	33%	31%	35%
In the process of developing a DT strategy	28%	31%	25%
Want to develop a DT strategy, but haven't started	14%	19%	8%
No plans for DT	14%	19%	8%

● All Respondents   ● Lower Middle Market   ● Upper Middle Market
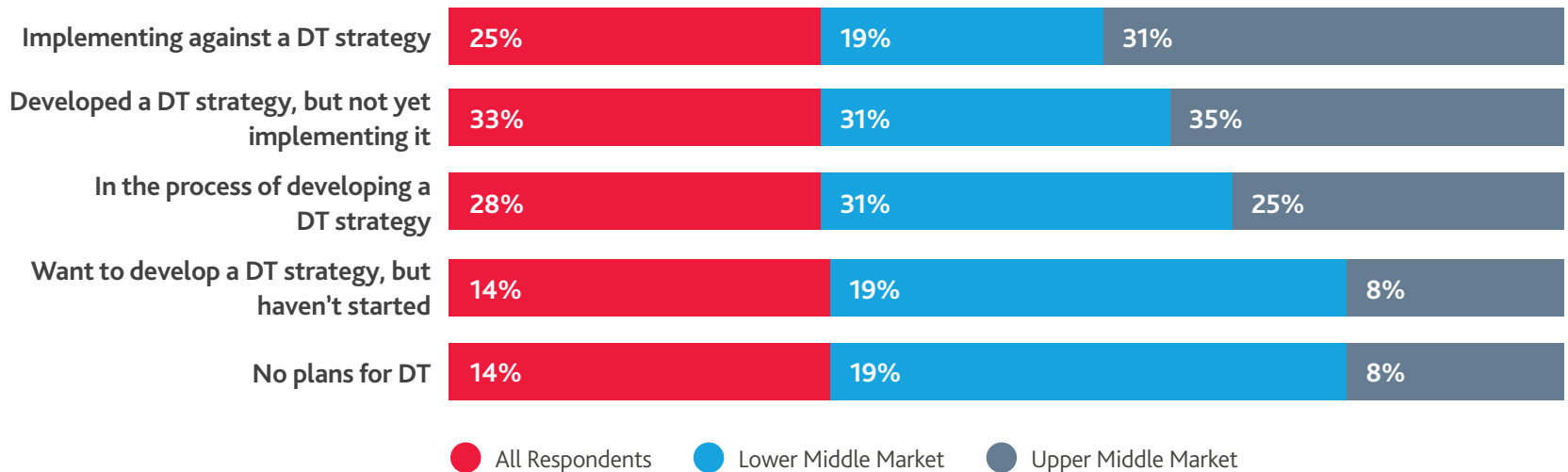
WHICH DIGITAL ENABLERS ARE YOU ADOPTING?

Benchmarking / Emerging Technology Adoption

Emerging Technologies	All Respondents	Lower Middle Market	Upper Middle Market
	Currently Deploying	Currently Deploying	Currently Deploying
Cloud Computing	71%	71%	71%
Internet of Things	61%	56%	67%
Advanced Analytics	60%	52%	69%
Blockchain/DLT	40%	33%	48%
Artificial Intelligence	35%	23%	48%
Robotic Process Automation	29%	25%	33%
Extended Reality	26%	21%	46%
3D Printing	25%	23%	27%

Digital Enablers Defined

Cloud Computing
Cloud computing shifts the access, processing and storage of data and services to the Internet.

Advanced Analytics
Advanced analytics go beyond historical data analysis to provide real-time and predictive business intelligence.

Robotic Process Automation (RPA)
RPA is the use of software "bots" that automate repetitive manual tasks.

Artificial Intelligence (AI)
Artificial Intelligence is a broad concept to describe machines trained to think like humans.

Machine Learning
A subset of AI, machine learning aims to mirror human intelligence by equipping algorithms with the ability to "learn" on their own without human intervention based on experience and new inputs.

Internet of Things (IoT)
IoT connects "smart" devices to the Internet and to each other.

Distributed Ledger Technology (DLT)
A database of information that is simultaneously shared and updated in real time and in multiple locations across a network.

Blockchain
A type of distributed ledger technology, governed by a consensus protocol, used for sharing and storing validated and unchangeable information.

3D Printing
Also known as additive manufacturing, 3D printing builds three-dimensional objects from a digital model.

Extended Reality (XR)
The extended reality realm encompasses virtual reality (VR), augmented reality (AR) and mixed reality (MR).

Virtual Reality
VR is a full immersion into a computer-generated environment.

Augmented Reality
AR overlays virtual elements, such as computer-generated graphics or simulations, on top of the real-world environment.

Mixed Reality
MR is an advanced form of augmented reality, integrating the virtual and physical worlds to create an immersive interface.

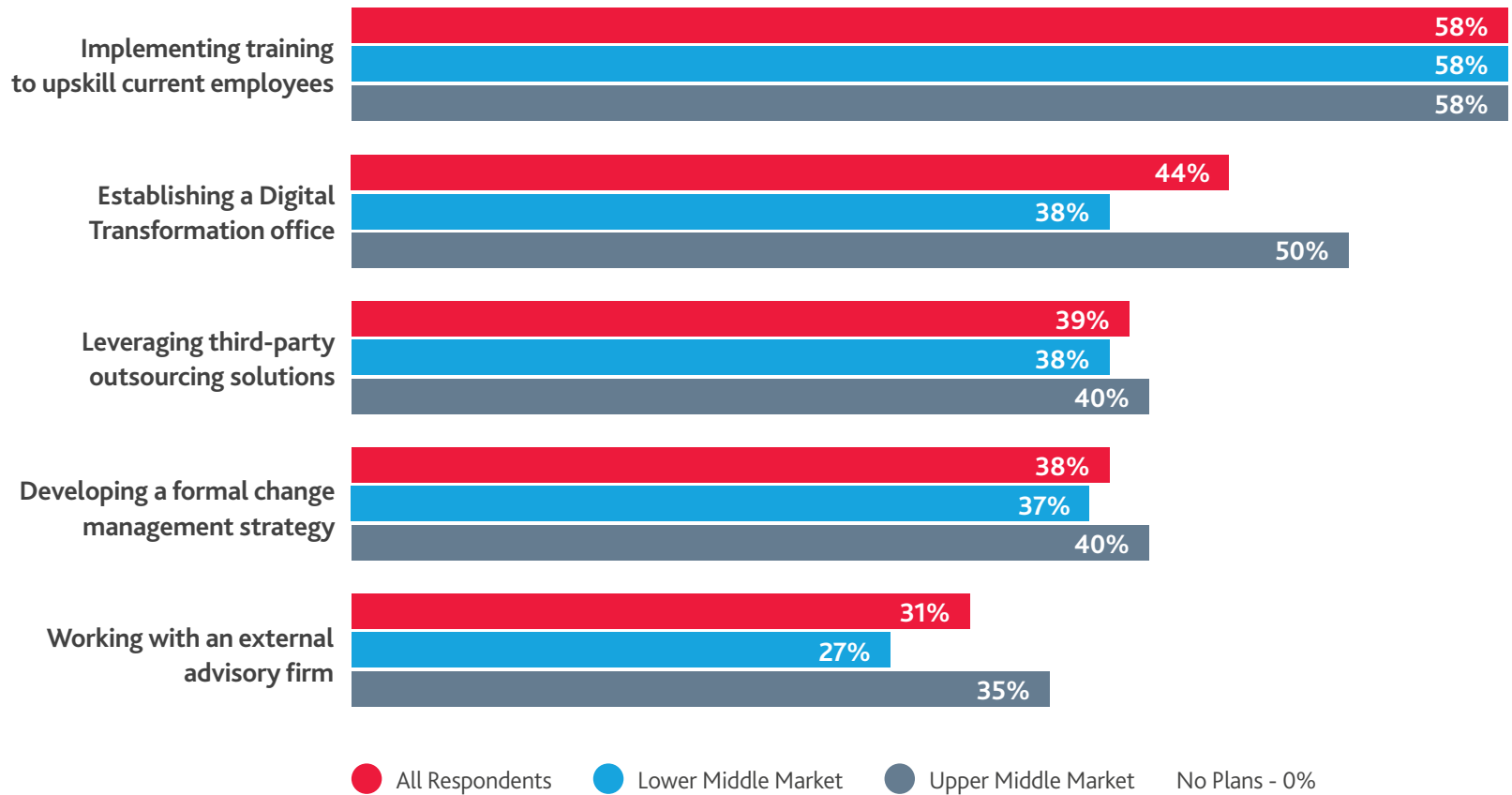# HOW ARE YOU RESPONDING TO NEW DATA PRIVACY REGULATIONS AND NORMS?

Benchmarking / Data Privacy Compliance

	All Respondents		Lower Middle Market		Upper Middle Market	
	Currently	Next 12 Months	Currently	Next 12 Months	Currently	Next 12 Months
Performing a Data Mapping Exercise	59%	43%	60%	38%	58%	48%
Revising Privacy Policies and Processes	54%	35%	56%	31%	52%	40%
Updating Privacy Disclosures	53%	36%	54%	37%	52%	35%
Providing Training for Employees	52%	42%	48%	48%	56%	35%
Performing a Readiness Assessment	48%	30%	54%	19%	42%	42%
Automating Compliance Processes	47%	58%	48%	56%	46%	60%
Reviewing Third-Party Agreements	43%	43%	38%	46%	48%	40%

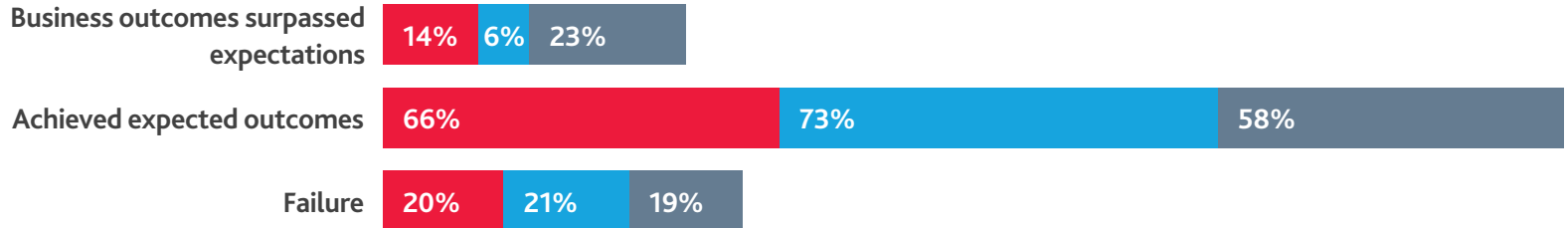# HOW ARE YOU PREPARING YOUR EMPLOYEES FOR DIGITAL TRANSFORMATION IN THE WORKPLACE?
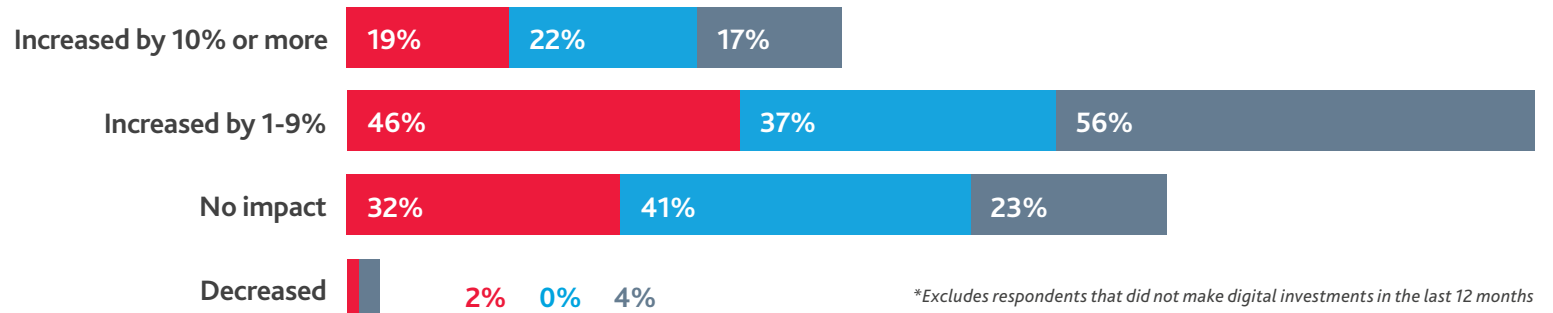
Benchmarking / Digital Adoption & Enablement

Implementing training to upskill current employees
- 58% (All Respondents)
- 58% (Lower Middle Market)
- 58% (Upper Middle Market)

Establishing a Digital Transformation office
- 44% (All Respondents)
- 38% (Lower Middle Market)
- 50% (Upper Middle Market)

Leveraging third-party outsourcing solutions
- 39% (All Respondents)
- 38% (Lower Middle Market)
- 40% (Upper Middle Market)

Developing a formal change management strategy
- 38% (All Respondents)
- 37% (Lower Middle Market)
- 40% (Upper Middle Market)

Working with an external advisory firm
- 31% (All Respondents)
- 27% (Lower Middle Market)
- 35% (Upper Middle Market)

● All Respondents   ● Lower Middle Market   ● Upper Middle Market   No Plans - 0%

IS YOUR INVESTMENT IN DIGITAL PAYING OFF IN FULL?

Benchmarking / Digital ROI

RATE OF SUCCESS

Business outcomes surpassed expectations
- 14%
- 6%
- 23%

Achieved expected outcomes
- 66%
- 73%
- 58%

Failure
- 20%
- 21%
- 19%

12-MONTH REVENUE GROWTH FROM DIGITAL INITIATIVES

Increased by 10% or more
- 19%
- 22%
- 17%

Increased by 1-9%
- 46%
- 37%
- 56%

No impact
- 32%
- 41%
- 23%

Decreased
- 2%
- 0%
- 4%

*Excludes respondents that did not make digital investments in the last 12 months

12-MONTH PROFITABILITY IMPROVEMENT FROM DIGITAL INITIATIVES

Increased by 10% or more
- 16%
- 14%
- 19%

Increased by 1-9%
- 52%
- 49%
- 54%

No impact
- 29%
- 33%
- 25%

Decreased
- 3%
- 4%
- 2%

*Excludes respondents that did not make digital investments in the last 12 months
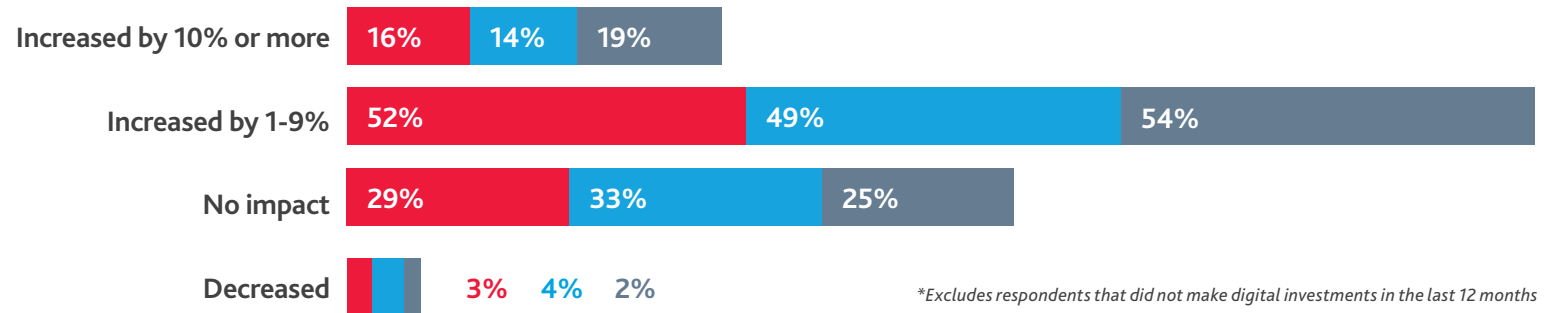
🔴 All Respondents 🔵 Lower Middle Market ⬤ Upper Middle Market

Conclusion

The retail industry is in the midst of overwhelming disruption. For retailers to emerge from the pandemic prepared to navigate the new normal, they must embrace digital transformation from a holistic perspective, using **BDO's 3+1 methodology**. Without the proper optimization of the Digital Business, Digital Process and Digital Backbone components, bottlenecks will form and beleaguer retailers' digital initiatives. The Digital Adoption element is especially critical to ensuring employees and customers are aligned, without which any digital transformation will fail.

Some retailers may be reluctant to prioritize new digital initiatives during this time, but adapting to the environment means redefining how businesses are leveraging technology to deliver value post-COVID-19.

EXPLORE HOW BDO HELPS RETAILERS DELIVER DIGITAL SOLUTIONS THAT DRIVE BUSINESS FORWARD ▶

About BDO's Retail & Consumer Product 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.

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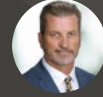tvaughan@bdo.com / 214-665-0752

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