

RETAIL

Retailers must raise digital ambitions: Cognizant

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Boosting technology budgets equates to better digital leadership. Image credit: Cognizant

By NORA HOWE

Over the past five to 10 years, traditional retailers have faced challenges adjusting to the dynamic world of digital retail, and the COVID-19 pandemic solidified ecommerce as a necessary tool.

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Retailers are prioritizing analytics, artificial intelligence and other software and technology to meet the growing demands of consumers, while also navigating how to create new experiences. In its latest Future of Retail report, professional services firm **Cognizant** examines how retailers are shifting their priorities to combine the best of physical and online shopping to reignite sustained growth in the future.

To understand the changing nature of retail in a world dominated by digital and disrupted by COVID-19, Cognizant surveyed 4,000 global executives globally and across industries, 287 of whom were from the retail industry.

Key themes

According to the report, boosting technology budgets equates to better digital leadership. Retail respondents plan to increase their investment in technology by 50 percent between now and 2023, from 6 to 9 percent of revenues.

To close the gap with the digital elite, Cognizant suggests traditional retailers will need to make the funding of technology initiatives a sustained priority over the next few years.

More than 40 percent of retailers have gone beyond the pilot stage of implementing analytics, artificial intelligence (AI) and Internet of Things (IoT) technology to create experiences that combine the best elements of physical and virtual.

Technology implementations mirror the convergence of virtual and physical retail, therefore new models of retail should seamlessly blend the two.

The percent of revenues retailers expect from digital channels is above the cross-industry average but still far below the segment of respondents deemed "digital-first," based on their percent of online sales and growth rate.

According to the survey, more than half of retail respondents said the pandemic accelerated their own adoption of

digital working practices and will result in heightened reliance on digital channels to serve customers.

Nearly 25 percent expect their own employees to work from home more as a result of the pandemic.



Drone deliveries offer lightweight, agile options for retailers located within close proximity of their customers. Image credit: Cognizant

While the pandemic led to virtual work experimentation, the future calls for specific protocols and regulations to fully optimize and support remote working arrangements. Retail leaders recognize this, as 46 percent say they will need to introduce new human resources policies in light of remote working.

Even as regions reopen, and consumers rush to experience live events, in-person social interactions and travel, the continued prevalence of remote work will likely keep consumers focused on making the most of their homes.

As consumers resolve to equip their spaces with equipment for work, exercise and entertainment while continuing to engage in online shopping behaviors, retailers will need to respond. More than half of retail respondents said they will rely more on digital channels for customer interactions, as well as digital working practices for themselves.

Cognizant predicts this will lead to more demand for products related to home-based activities and retail processes that offer greater convenience. Robust omnichannel options, low-cost and speedy delivery services and expedient curbside service are expected to become table stakes in the future of retail.

The data also points to future technologies that are not, as yet, seeing high levels of implementation but are being widely explored. This next round of technology adoption will likely include intelligent agents, augmented and virtual reality technologies (AR/VR) and autonomous vehicles.

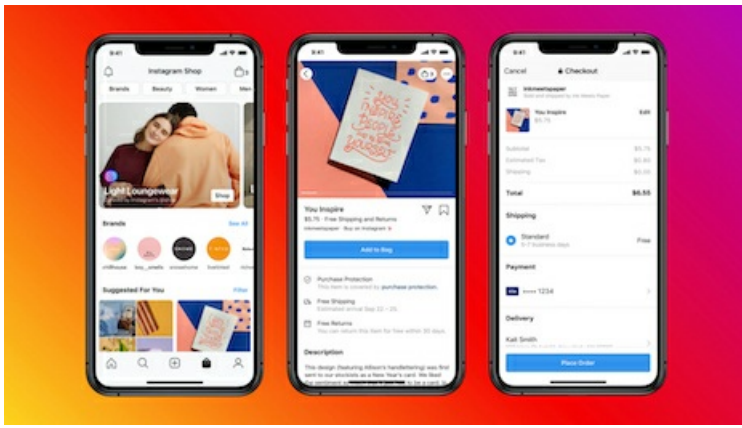
The technologies set to transform the next few years of retail will focus on customer experience with engaging and innovative approaches to delivering products and services.

An overwhelming 86 percent of retailers anticipate a global talent shortage for workers. While automation and robotics will fill a portion of that gap, organizations will need to cultivate extensive talent pools for the future.

Dangers of digitalization

Retailers will need to continue increasing their digital ambitions to meet the expectations set by the pandemic, however, digitization presents a new set of challenges and dangers.

The increased reliance on digital tools and the ever-growing sophistication of hackers puts businesses at greater risk of operational disruption. Retailers have taken note, with 63 percent of respondents listing digital terrorism as a concern.



As social shopping accelerates, so are concerns over payment privacy. Image credit: Instagram

Exacerbated by the presence of counterfeit and pirated goods and bad actors, many luxury brands have steered clear of Amazon partnerships. During a webinar hosted by Luxury Daily on April 29, intellectual property attorney Milton Springut and luxury market researcher Bob Shullman examined the benefits and drawbacks of luxury brands selling on the massive ecommerce platform.

They suggested that luxury brands want control over how they price their products and where they are positioned on ecommerce sites, which they could lose with Amazon partnerships.

In terms of counterfeiting, French conglomerate LVMH's CEO Bernard Arnault publicly expressed severe concerns over Amazon last year, claiming that the ecommerce giant benefits from the counterfeit market and is associated with organized crime ([see story](#)).

As the challenge evolves from individual bad actors to coordinated and well-funded attacks, partnerships between the private and public sector must strengthen, Cognizant suggests.

As digital marketing campaigns amass greater amounts of detailed data from customers, 61 percent of retail respondents expressed concern that customers' personal information will be disclosed or over-shared.

While ecommerce and social shopping are accelerating, consumer confidence in the privacy and security of omnichannel payments is low, according to provider of data security and compliance solutions [Semafone](#).

Social platforms may be aiding in product discovery and the shopping process, they are falling short on closing the deal. The survey revealed that U.S. consumers are not as confident in social purchasing as trends may suggest, as 13 percent of respondents use social media to complete a purchase and only 5 percent say it is their preferred method.

More than half of respondents, 56 percent, stated they would not want to give payment details through social media platforms, suggesting that payment security across all channels is critical ([see story](#)).

Enacting strategies that mitigate risk to the private information collected from customers will be critical moving forward.

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