

RETAIL

Retail needs a revamp to find success in 2022: Deloitte

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Retailers are expecting a strong 2022 due to several factors. Image credit: Bloomingdale's

By SARAH RAMIREZ

Retailers will face more turmoil in 2022, but the current climate has shaped opportunities for the industry to reset.

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According to Deloitte's [2022 Retail Industry Outlook](#), retailers have a chance to rethink outdated strategies across supply chains, inventory management, pricing and physical stores. Priorities for retailers should include workforce retention, supply chain resiliency and digital investments.

The report was based on interviews with 50 retail executives, as well as insights derived from client work and previous research.

Identifying investment areas

Retailers are stronger at the start of 2022 than they were in 2021, thanks to effective vaccines, more knowledge of COVID-19, increased consumer spending and lowered unemployment.

Nearly nine in 10 retail executives expect revenue growth for the industry this year, with 32 percent predicting growth of 5 percent or more.



More aspects of the supply chain will become automated. Image credit: Burberry

Thirty-two percent also expect operating margins to be higher year-over-year. Many retailers have already rethought their usual patterns, using inflation as a chance to improve margins, changing buying and discounting cycles, ceasing promotions or closing unprofitable locations.

Eighty percent of executives plan to make "moderate-to-major" investments in digital or supply chain, with the leading retailers more likely to focus on data privacy, future-proofing the workforce and modernizing their supply chains.

The emphasis on their employees is the latest indication that retailers have not been immune from The Great Resignation, as the U.S. sees a record number of workers leaving their jobs.

Labor shortages are impacting retail from top to bottom, starting at the store level. Nearly three-quarters of retailers expect shortages this year in customer-facing positions this year, while 56 percent are predicting shortages in hourly positions across the supply chain, distributions and logistics.

With labor shortages likely to hamper retail growth, some companies are already investing in technology and automation to reduce their reliance on physical labor with half of retail leaders predicting staff-free stores will be common within the next five years.

The future of digitally enabled retail, however, depends on talent in IT and analytics. Retailers are competing with most industries to hire these in-demand workers and retaining these employees will require more investment on the behalf of businesses.

Companies will also have to rethink how they present themselves, offering employees flexibility and considering outcomes for diversity, equity and inclusion efforts beyond programming and training.

Retailers also need to prioritize revamping their supply chains, as disruptions are likely to continue throughout 2022. Eight in 10 executives believe that consumers will prioritize stock availability instead of retailer or brand loyalty this year, meaning sales are on the line.

A third of retailers, including 50 percent of retail leaders, are prioritizing automation in distribution and fulfillment centers as a way to streamline their supply chains. Inventory management and supply chain analytics software are other key areas where retailers are upgrading their technology.

Transparency should be another end-to-end priority, as sharing information can help suppliers and appeal to consumers.

When it comes to retail's digital revolution, traditional ecommerce is only the beginning. Voice commerce, staff-free stores and sales of digital goods are all likely avenues for growth.

Goals for digital marketing include converting more in-store shoppers into online shoppers, as omnichannel consumers are more profitable for retailers. The metaverse already embraced by several luxury brands is another opportunity for retailers to boost their brand recognition with digital-first consumers through virtual goods, product launches and other exclusive experiences.



Luxury brands have begun leaning into the metaverse. Image credit: Gucci/Roblox

The stores of the future will also need to support omnichannel services, but only a quarter of retailers are prioritizing store investments this year. To better deploy in-store technology, retailers should focus on zero-infrastructure

strategies and plug-and-play integrations.

Another investment area that cannot be overlooked is data privacy and security, as retailers will only become more at-risk of data breaches and ransomware attacks as the industry becomes more digital.

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