



IT in the new reality for consumer & retail

Like all sectors, consumer and retail businesses face a different world in the wake of COVID-19. Widespread lockdowns during the pandemic hugely accelerated consumer migration to digital and ecommerce channels — a trend that looks with us to stay. As a result, it is a clear priority for companies in this sector to create enhanced digital offerings that provide customers with seamless shopping experiences, and to scale investments in gaining insights into customer behavior and sentiment.

Going beyond customer centricity to “customer leading” is key. This must be driven through a recognition that customers don’t always know what they want; the new reality will be built on thinking beyond what customers are saying to anticipate future trends and requirements. To enable that, companies are leaning hard into accelerated digital transformation with digital leaders performing 20–30 percent better than their competitors, by investing in data and analytics, trust through security, frictionless sales and supply chain management, and new channel and interaction models. With many consumers tightening their belts in uncertain economic times, having the right products available at the right time is critical.

Board priorities & investment

When addressing strategic priorities for the future, consumer and retail CIOs know they must be focused on one thing: adapting the customer experience to the new reality. Investments that enhance customer experience and engagement are at the head of the list — 18 percent more so than in other industries — while generating customer insights through data are another prime concern. At the same time, security and privacy are indispensable to maintaining customer trust, loyalty and confidence. Technologies to improve the efficiency of distribution, supply chain management, inventory management, and shipping and receiving will also be pre-requisites. It is encouraging for the sector that CIO representation on the Board is 8 percent higher than the cross-industry average.

Top three business issues that management boards are looking for IT/technology to address as organizations emerge from COVID-19:

Consumer & Retail vs. overall

Consumer & Retail

1. Improving customer engagement
2. Improving operational efficiency
3. Improving agility and speed to market

Overall

1. Improving operational efficiency
2. Improving customer engagement
3. Enabling the workforce

Three most important technology investments in light of the new reality:

Consumer & Retail vs. overall

Consumer & Retail

1. Customer experience and engagement
2. Systems of insight
3. Security and privacy

Overall

1. Security and privacy
2. Customer experience and engagement
3. Infrastructure/Cloud

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

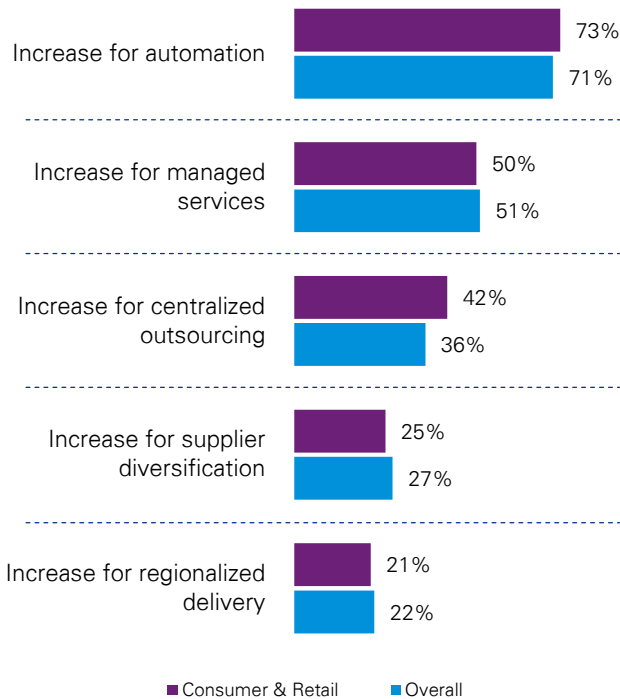
Strategy & operating model

As COVID-19 forced an accelerated stress test for companies in this sector, digital transformation became a necessity overnight. Companies had to segue into serving customers primarily through digital channels. Successful digital transformation meant delivering a digital platform of integrated data, processes, and technology. Barriers — such as siloed structures and systems, inability to scale enterprise cloud, unclear vision from the top, or lack of advanced skill sets — posed a challenge for retailers who had not previously invested in their digital transformation. Meanwhile, digital leaders in this sector gained a clear advantage, being significantly better on key metrics such as customer experience, customer trust and time to market with new products and offerings.

While many physical stores will hope to return to growth over time, many retailers are looking to shift the balance of the portfolio to platform businesses to help drive sales volumes. This will require new ways of working, facilitated by the right IT connectivity and a focus on an integrated multi-channel customer experience.

Expected change to service delivery model:

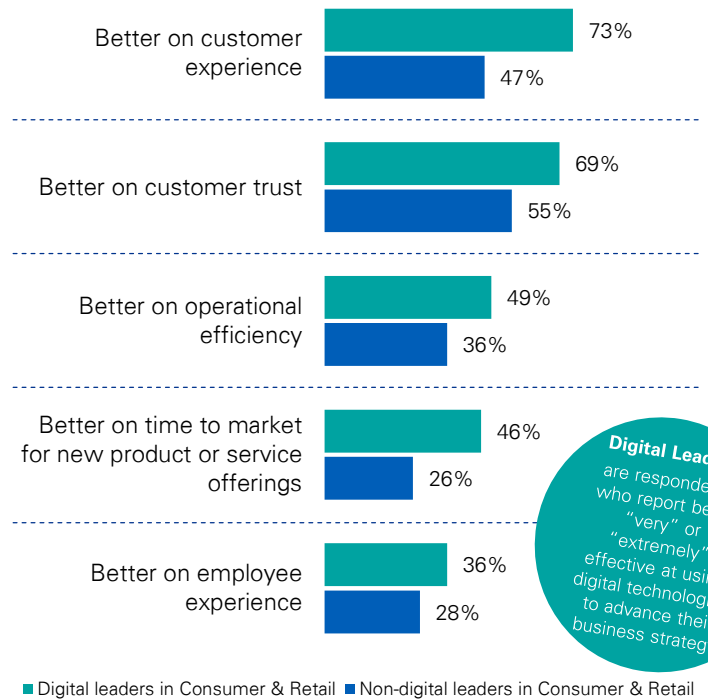
Consumer & Retail vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Organizations performing 'better' or 'significantly better' than competitors on the following metrics:

Digital leaders vs non-digital leaders in Consumer & Retail

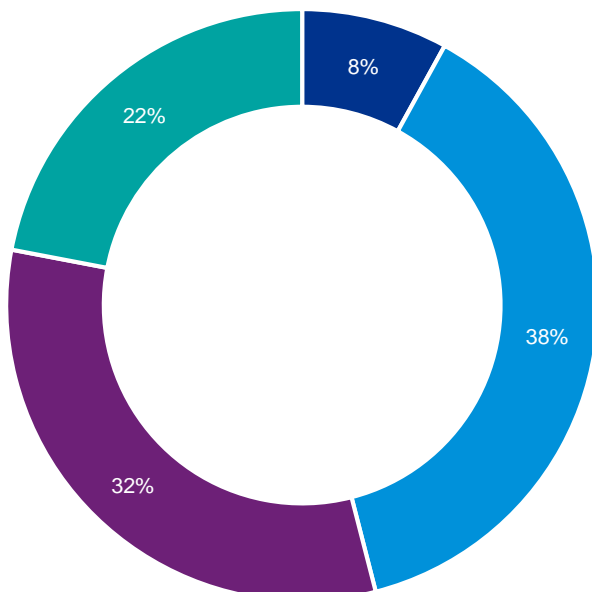


Digital Leaders are respondents who report being "very" or "extremely" effective at using digital technologies to advance their business strategy

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Four economic recovery paths:

Consumer & Retail



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

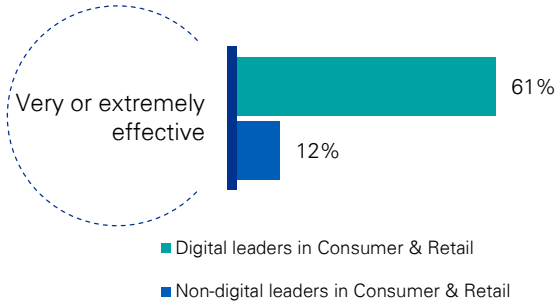
- Hard Reset** — companies that struggle to recover from COVID-19 due to 'permanently' lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.
- Transform to Re-emerge** — companies that will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.
- Surge** — companies that scale post-COVID-19 as consumer behavior that was altered during the crisis is sustained in their favor. Investors sense their potential to lead and provide capital to scale aggressively during recovery.
- Modified Business-as-usual** — companies seen as daily essentials will suffer effects of the consumer shutdown recession but are expected to recover more quickly as consumer demand returns in similar volumes.

Delivering value at speed

Connectivity between front, middle, and back office is vital for retail businesses to create a seamless experience that delivers value at speed. This was thrown into sharp relief during the pandemic as availability of the right goods at the right time became a key issue. Grocery retailers, for example, decreased their range of high-demand items to make supply chains more efficient and increase working capital. 61 percent of digital leaders in retail are highly effective at pivoting their business to in-demand areas and scaling digital channels compared to 12 percent of non-digital leaders — collecting more valuable data along the way and tailoring the customer experience.

Organizations that are 'very effective' or 'extremely effective' at pivoting and scaling digital channels to meet new customer demands and expectations:

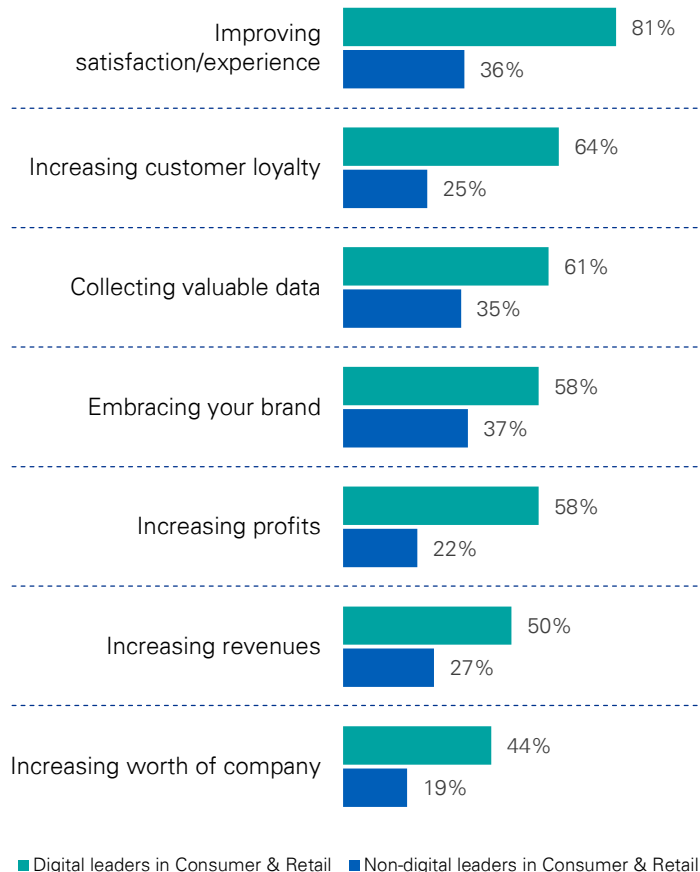
Digital leaders vs non-digital leaders in Consumer & Retail



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Digital offerings to customers that were 'very effective' or 'extremely effective' at the following:

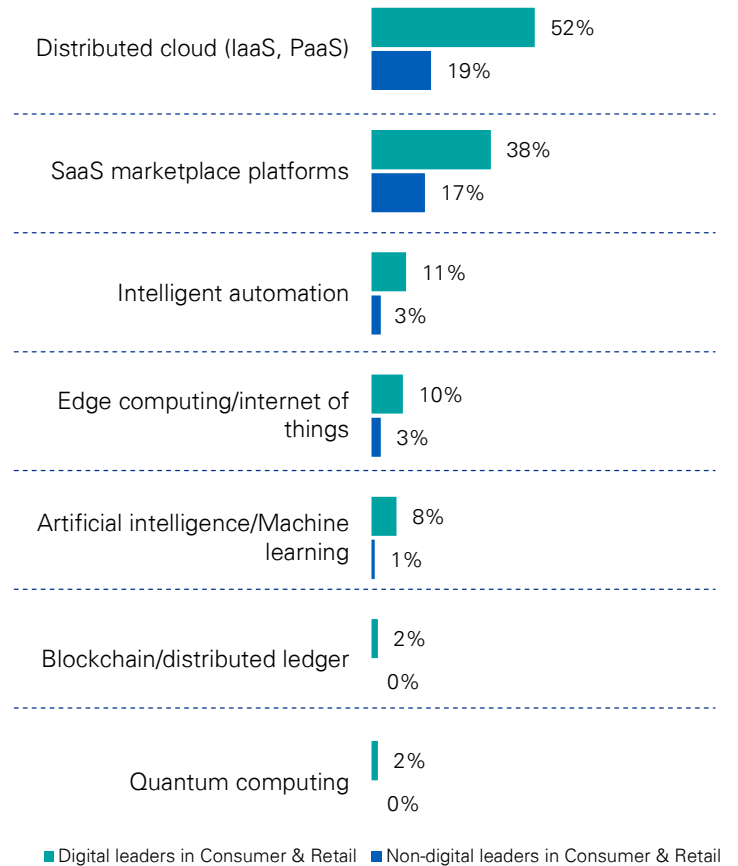
Digital leaders vs non-digital leaders in Consumer & Retail



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Large-scale implementations of emerging tech:

Digital leaders vs non-digital leaders in Consumer & Retail



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

People & culture

With so much resting on technology, addressing skills shortages in the IT team must be a key priority. Advanced analytics stands out as the number one skills shortage for retail businesses but unsurprisingly cyber security also looms large given the huge emphasis on customer trust through digital channels. One positive is that new virtualized ways of working may enable retailers to recruit key non-branch staff from a much wider — even global — talent pool. With 55 percent ranking strong culture and leadership of the organization in the top factors in attracting talent, building the brand, with a sense of purpose that goes beyond profit, will be critical not only for customer loyalty but for employee engagement and motivation too.

Most in demand skills:

Consumer & Retail vs. overall

Consumer & Retail

1. Advanced analytics
2. Business analysis
3. Cyber security

Overall

1. Cyber security
2. Organizational change management
3. Enterprise architecture

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Top factors in engaging and retaining key technology talent in the new reality:

Consumer & Retail vs. overall

Consumer & Retail

1. Strong culture & leadership
2. Good remuneration
3. Career progression opportunities
4. Purpose of organization
5. Training, development, & reskilling opportunities

Overall

1. Strong culture & leadership
2. Good remuneration
3. Career progression opportunities
4. Work location and remote work opportunities
5. Training, development, & reskilling opportunities

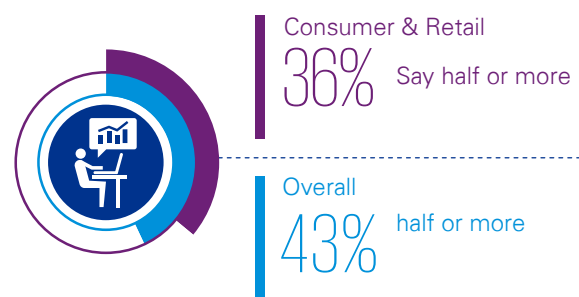
51% in Consumer & Retail believe COVID-19 created a culture of inclusivity in the technology team

More than half in Consumer & Retail believe promoting diversity improves access to the right skills, trust and collaboration, engagement with the business and ability to innovate

Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Proportion of enterprise that will remain predominantly working from home post COVID-19:

Consumer & Retail vs. overall



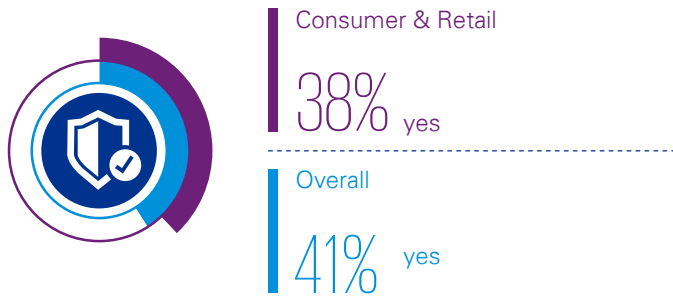
Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

The rise of cyber

With COVID-19 causing the mass relocation of office workers from corporate networks to living rooms, bedrooms and kitchen tables around the world, organizations' attack surfaces also dramatically grew. As a result, more than four in ten organizations have experienced an increase in cyber security incidents — with spear phishing and malware attacks the most prominent. Six in ten retail CIOs agree that COVID-19 has increased the importance of cyber security, which is somewhat lower than the cross-sector average of 74 percent — but this must remain at the top of their agenda in order to prevent damaging hits to public reputation and loss of customer trust.

Organizations that experienced an increase in security or cyber incidents due to remote working

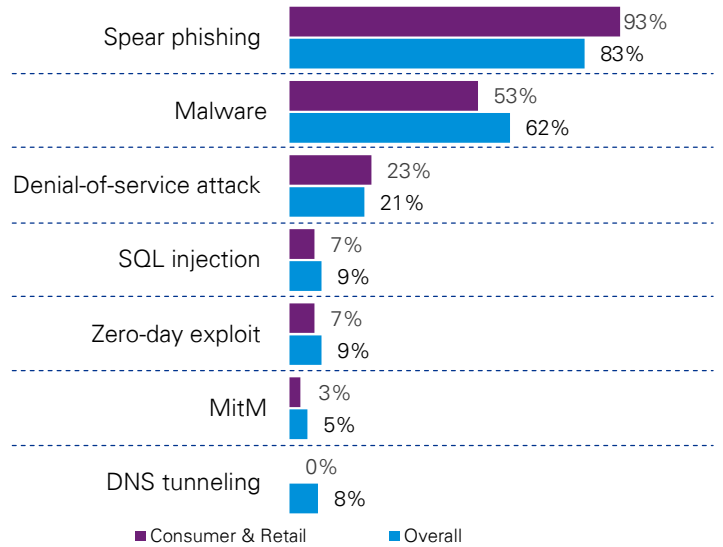
Consumer & Retail vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Increase in types of attacks due to remote working:

Consumer & Retail vs. overall



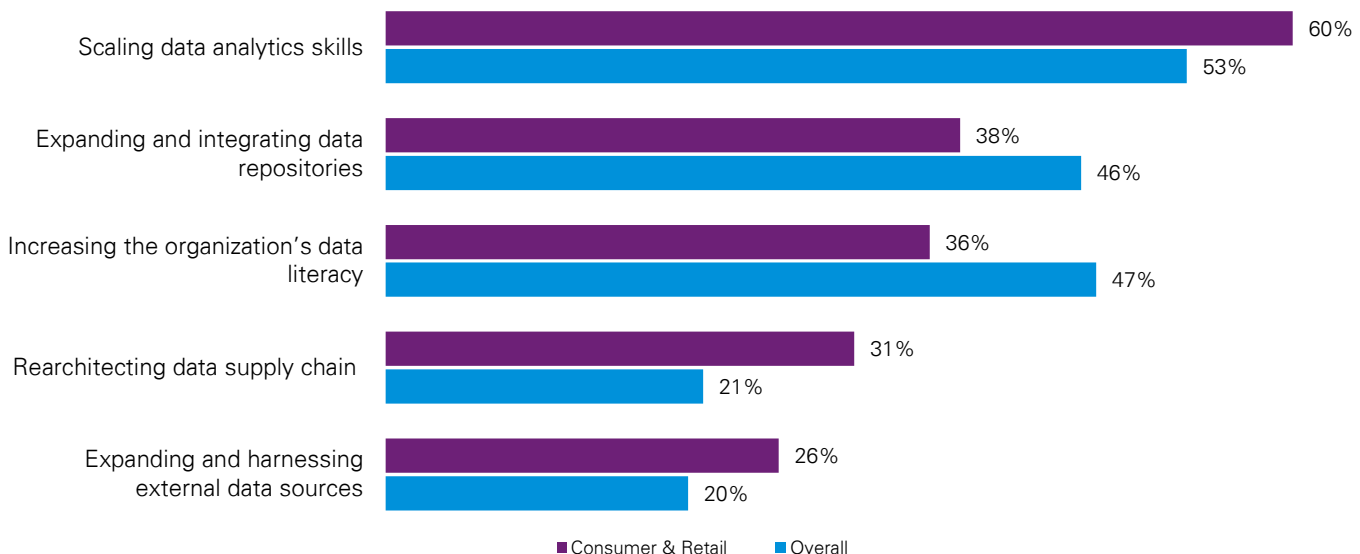
Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

Analytics & insight

If anticipating and understanding customer behaviors and preferences are key, then accessing and analyzing the rich data behind it is critical. However, only 15 percent of retailers are effective at maximizing the value of the data they hold. Using both internal and external sources of data, advanced retailers manage their customer experience and loyalty as if it were a crown jewel asset, bundling product and service offerings that encourage consumers to stay in their ecosystem, building integrated customer loyalty programs that drive higher levels of repeat business and consistently demonstrating what is possible through new solutions and ideas. Retailers also need to leverage data and analytics to identify their most profitable stores, configurations, and products — remembering that what was profitable before may no longer be profitable in the future.

Top priorities for organizations' data strategy:

Consumer & Retail vs. overall



Source: 2020 Harvey Nash/KPMG CIO Survey, KPMG International

What now?

COVID-19 has changed the landscape. With technology more important than ever to organizations' ability to survive and thrive, the opportunity has never been greater for CIOs to work as strategic partners with the business. Seven in ten IT leaders report increased collaboration between the business and technology teams — this relationship is something that CIOs must build on to ensure their organization's digital transformation success.

For CIOs in retail, the focus must continue on providing customers with seamless digital experiences and leveraging data & analytics through fully integrated systems and processes to anticipate, meet and exceed customer expectations.

How KPMG can help

While KPMG firms are some of the largest providers of services to consumer goods and retail organizations globally, we take a boutique approach to client issues with a focus on flexibility, adaptability, and innovation. We recognize that there are many on-ramps to supporting IT transformation and we've tailored our services accordingly:

Transform the business

- Strategy and operating model
- Organizational design
- Enterprise architecture
- Portfolio planning
- Merger and acquisition
- Integration and separation

Run the business

- Scaling agile
- Product management
- DevOps tooling
- IT financial management
- IT service management
- IT asset management

Modernize and protect

- Cloud strategy
- Data center strategy
- Continuity and resiliency
- Workplace transformation
- Network modernization
- Cyber, risk, and compliance

Contact us

Rene Vader

Global Sector Head,
Consumer & Retail
KPMG International
T: +33 6 2223 6905
E: rvader@kpmg.fr

Gillian Hawkins

Global Sector Executive,
Consumer & Retail
KPMG International
T: +44 7785 393859
E: gillian.hawkins@kpmg.co.uk

Steve Bates

Global Leader,
CIO Center of Excellence
KPMG International
T: +1 303 295 5524
E: sjbates@kpmg.com

Anson Bailey

ASPAC Sector Head,
Consumer & Retail
KPMG in China
T: +852 2978 8969
E: anson.bailey@kpmg.com

Stephan Fetsch

EMA and German Sector Head,
Consumer & Retail
KPMG in Germany
T: +49 221 2073 5534
E: stephanfetsch@kpmg.com

Matt Kramer

Americas and US Sector Leader,
Consumer & Retail
KPMG US
T: +1 614 241 4666
E: mattkramer@kpmg.com

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