FORRESTER®

Are Today's Retailers Ready For The New Normal?

Shift Toward A Cloud-Centric Approach To Enable
Speed, Scale, And Agility Across Retail Operations

Get started $\longrightarrow$

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Embrace Digital In The New Retail Era

For many years, retailers with physical stores have had to acknowledge the rise of digital preferences of customers. This has led them to develop their digital and cloud capabilities and build a channel-agnostic differentiated customer experience (CX). COVID-19 lockdowns have accelerated this shift even further and made it fundamental to their very survival.

Bringing digital capabilities to life requires IT to modernize and orchestrate the right data flows, applications, tools, and IT infrastructure to leverage cloud. Retailers that have embraced this approach have reaped the benefits of speed, scale, and agility across the IT environment while strategically managing their costs — this is the need of the hour in these unprecedented times.

To explore the scope of cloud adoption, Cisco commissioned Forrester to survey 150 retail decision makers in APAC on their priorities, drivers, and challenges to cloud adoption.

Key Findings

Retailers must adapt to a more channel-agnostic experience as 69% of their customers expect seamless service across channels.

Close to 64% of APAC retailers look to cloud as a key priority for the flexibility and agility it enables.

However, retailers still fall short of accelerating cloud-first operations needed to succeed in the new retail dynamic.

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Shifts Toward Channel-Agnostic Retail Engagement

Long before the COVID-19 pandemic hit, retailers had been experiencing symptoms of a new mode of retail engagement. Offline retailers had been seeing declining foot traffic and lower revenue per square foot. In tandem, the pressure of rising rents and competition from market disruptors led to a rise in store closures. Well-established global retailers that relied on in-store revenue streams began filing for bankruptcy with several more following suit amid the crisis.

The pandemic will further aggravate this if retailers do not adapt to a digital-physical synergy: Store closures and tightened consumer spending are forecast to wipe out $695 billion in retail sales in APAC alone.[1] Given existing digital preferences and lockdowns further compelling buyers to shop online, eCommerce sales are expected to grow by 50%.[2] Retailers must accelerate their digital presence to continue to generate revenues.

COVID-19 led to a **7.5%** drop in offline retail revenues in South Korea — its lowest drop since 2018

The Impact Of COVID-19 On Retail In Asia Pacific

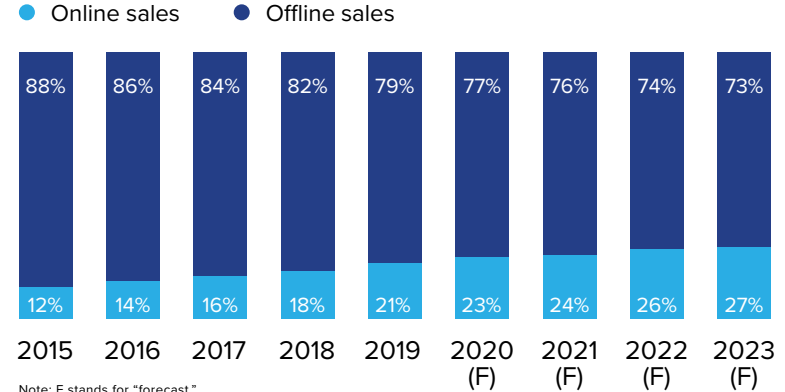Proportion of online retail sales will increase from 21% to 29% of total APAC sales by 2024

A Singapore-based online grocery retailer saw average order numbers triple on its platform between March and May 2020

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Digital Revenues Are Increasing, But Physical Stores Are Here To Stay

While embracing digital, large, established retailers must acknowledge that physical stores are still foundations of the retail portfolio. Offline sales made up 79% of total retail sales in APAC as of 2019, and retailers continue to boast higher transaction values compared to online channels. Even during these lockdowns, consumers have still been frequenting physical stores for groceries and other necessities. These shopping habits are hard to shake off.

To succeed and deliver an elevated experience for customers, retailers must merge their physical stores with their online offerings. Our survey identified that 73% of APAC retail decision makers know their customers expect more convenience in their buying experiences (73%), while 69% say they want to serve customers across channels better.

Despite rising online presence, sales in physical stores will remain significant

● Online sales   ● Offline sales

Year	Offline	Online
2015	88%	12%
2016	86%	14%
2017	84%	16%
2018	82%	18%
2019	79%	21%
2020 (F)	77%	23%
2021 (F)	76%	24%
2022 (F)	74%	26%
2023 (F)	73%	27%

Note: F stands for "forecast."
Source: ForecastView: COVID-19 Retail Scenario Planner, April 2020 (Global) and Forrester Analytics: Online Retail Forecast, 2018 To 2023 (Asia Pacific)

Proportion of transactions over $50 across channels

71% — Physical stores

54% — Online stores
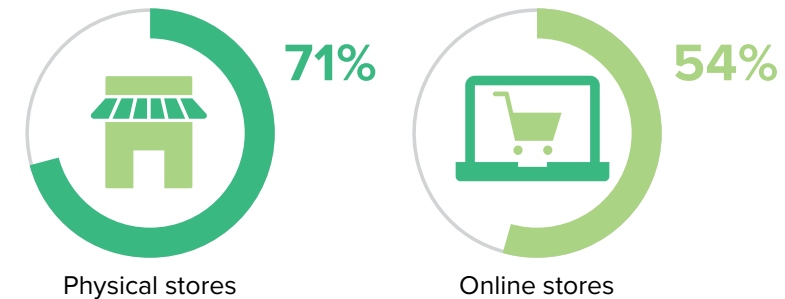
Base: 150 technology decision makers in retail organizations.
Source: A commissioned research conducted by Forrester Consulting on behalf of Cisco, January 2020.

IT Is Critical To Building Speed, Scale, And Agility

To deliver this seamless, channel-agnostic experience, leading retailers are exploring a range of emerging technologies across the value chain and reporting promising business impact. IT leaders must enable three key capabilities to succeed in the new retail dynamic:

1. **Speed:** Let retail ops and storefronts communicate information on inventory and customer preferences in real time to address demands.

2. **Scale:** Ensure infrastructure and supply chains can flex quickly to handle unplanned spikes and ebbs in site traffic and demand.

3. **Agility:** Have the ability to modify workflows and data flows to enable customer-led innovations.

Not only does cloud deliver scalability and speed to core IT operations, but it also allows retailers to broaden their scope of new technology adoption.

Emerging technologies are needed across a variety of retail use cases

FRONT-END

- Supermarkets in China have attributed 60% of their total sales to digitally enabled physical chains that can fulfill in-app orders at the store.

- Pop-up smart stores within department stores in China allow supply chain efficiency, and direct-to-customer shipments have seen 18% same-store growth.

BACK-END

- IoT-enabled store operations and facilities management reduces operational cost.

- AI-enabled labor scheduling reduces overhead and improves productivity.

Cloud Enables Seamlessness Across Channels. . .

Retail decision makers understand the importance of cloud in enabling the channel-agnostic seamlessness they desire. Most retailers (64%) consider expanding their use of cloud a key priority over the next year. This is driven primarily by the scalability that cloud provides, as well as the flexibility it can enable in managing IT applications across channels.

"What were the key strategic objective(s) for moving to cloud?"
(Showing select responses only)

32% To provide on-demand capacity and scalability

29% To build flexibility in IT workloads to enable omnichannel customer experiences

26% To provide faster time-to-market with new business capabilities

. . . And Resiliency In Retail

As adoption grows, leading retailers have seen cloud's role in enabling speed, scale, and agility across specific use cases, meeting their current need for efficiency and competitiveness.

Retail firms that have mastered cloud technologies well have also shown increased business resilience in these unprecedented times. An established luxury cosmetic brand distributor in APAC, for instance, leveraged cloud technologies as part of its multiyear digital transformation roadmap. Amid the crisis, the retailer has seen the benefits of using cloud as it quickly shifts its distribution strategy to online channels while keeping a strong level of customer engagement and enabling the necessary supply chain flexibility.

Where Cloud Can Add Value In Retail Operations

Real-time Margin Simulation
Connecting real-time inventory information with sell-thru information, predicting margins across on and offline channels

Web/Mobile Personalization
Customize web/mobile pages by consumers' shopping pattern analytics

Omni-channel Order Fulfillment (BOPIS)
Optimize online orders to be fulfilled leveraging existing offline store networks

Plan/market

Supply

Strategy & Planning

Sell

Agile Innovation
Cloud environment provides integrated development environment, with ease of collaboration, implementation and publish in fast-fail manner

Inventory Optimization
Build predictive inventory-forecasting model by stitching together both the internal and external data, also factoring into variables like seasonality, competitor promotions, weather

Holistic Approach To Cloud Adoption

While most retailers in APAC see the business value of cloud adoption, many still need to maneuver around traditional mindsets and regulatory and technical challenges to enable success.

Inconsistent service levels from cloud providers is a key challenge for 75% of respondents, likely rising from an overreliance on a single carrier, as well as bandwidth issues that might arise at the storefront.

Most (67%) do not have infrastructure and tools that support a cloud-first approach, likely due to years of legacy technology, budget cuts, and management mindsets.

Cloud security is also a concern for 65% of retailers, with sensitive customer data and managing applications across multiple environments, while 67% also cite compliance concerns.

"When deploying/using multiple cloud platforms/environments, how big of a challenge are the following factors?"
(Showing top five responses only)

75% Inconsistent service levels

67% Lack of prioritization of a cloud-first architecture

67% Managing compliance levels across environments

65% Security concerns

57% Management inertia to a multicloud landscape

Key Considerations To Build A Cloud-Conducive Retail Environment

To accelerate cloud's potential, retailers must tactically alleviate business and technical challenges. They need:

A cloud-first management mindset. Firms must move from siloed department-focused cloud efforts toward a holistic vision for cloud across the organization.

Cloud-first connectivity, right to the storefront. Firms can most effectively enable end-to-end CX and broader retail service offerings with next-gen tech with agile, flexible, and scalable networks.

Visibility and insights built into digital delivery of apps and services. Investing in tools that provide a comprehensive view of apps and services delivered to customers and employees helps better manage inconsistencies in service levels.

A comprehensive Zero Trust approach to future-proof for cloud complexities. IT environments need security to adapt to the new work-from-home and mobile workplace paradigms. Adopt Zero-Trust frameworks to secure against vulnerable end user devices, APIs, and app environments.

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Methodology

This Opportunity Snapshot was commissioned by Cisco. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 150 retail technology decision makers.

ENDNOTES

[1] Source: "ForecastView: COVID-19 Retail Scenario Planner, April 2020 (Global)," Forrester Research, Inc., May 21, 2020.

[2] Source: Chong Guan and Calvin M L Chan, "Commentary: Has COVID-19 made e-commerce and online shopping the new normal?" Channel News Asia, April 7, 2020.

https://www.channelnewsasia.com/news/commentary/coronavirus-covid-19-online-grocery-shop-e-commerce-digital-12606982

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Demographics

COUNTRY

Australia & New Zealand – 20%
ASEAN – 40%
Japan – 20%
South Korea – 20%

PRIMARY STORE FORMAT

Supermarket – 39%
Hypermarket – 29%
Convenience store – 23%
Complex mall – 10%

REVENUE

> $1B – 13%
$500M to $1B – 37%
$50M to <$500M – 50%

Note: Percentages may not total 100 because of rounding.