

Retail, Consumer Goods and Wholesale

Retail, consumer goods and wholesale organizations are advancing in their digital transformation journeys, with 22% of executives saying they are producing results from their digital strategies, up from 15% last year. Phygital strategies have become a top digital initiative across all industry sectors, while automation is maturing in retail. Budget constraints have emerged as the new top challenge to business priorities as fewer executives say they are increasing their IT spend. These are just some of the insights shared by retail, consumer goods and wholesale executives this year.

Read on for more insights into retail, consumer goods and wholesale executives' top trends and priorities, along with recommendations for key actions they can take now to accelerate their digital journeys.



Accelerate digitization to enhance agility, deliver unified customer experiences and drive profitable growth

Retail, consumer goods and wholesale organizations have navigated a tumultuous year led by rapidly changing customer behavior and an urgent need to improve agility. In response, this year, executives identify phygital strategies and supply chain agility as their top digital initiatives. Digitization's impact on business models continues to rise, particularly in retail. Sustainability is a key focus for the majority of organizations.

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders. This report summarizes the trends and priorities from our 2021 CGI Voice of Our Clients discussions with 114 retail, consumer goods and wholesale executives, along with recommendations for them to accelerate their digital journeys.

About the insights

In 2021, we met with 1,695 business and IT executives. This summary shares sample insights from 114 retail, consumer goods and wholesale executives.

Interview demographics

46% Business leaders	54% IT leaders
74% C-level	26% Ops-level

Over the past 6 years through the CGI Voice of Our Clients program, we've held 7,470 client discussions, collecting 1 million data points across the industries and geographies we serve. Our anonymized benchmarking data reflects insights from 5,500 client organizations located in countries representing 82% of the world's IT spend across all economic sectors.

Top trends and priorities

The focus on becoming digital, improving the customer experience and big data continues to dominate retail, consumer goods and wholesale executives' trends and priorities. Supply chain agility rises as a business and an IT priority in retail and wholesale. In consumer goods, operations optimization and IT modernization rise as a business and IT priority, respectively.

Retail and wholesale

Top trends

- 1 Becoming digital organizations
- 2 Omnichannel is now the new normal
- 3 Digitization and optimization of the supply chain

Top business priorities

- 1 Improve the customer experience
- 2 Improve supply chain agility
- 3 Optimize today's operations

Top IT priorities

- 1 Improve the customer experience
- 2 Drive IT modernization
- 3 Implement agile supply chains

Consumer goods

Top trends

- 1 Becoming digital organizations
- 2 Big data and predictive analytics
- 3 Regulatory compliance, transparency and sustainability

Top business priorities

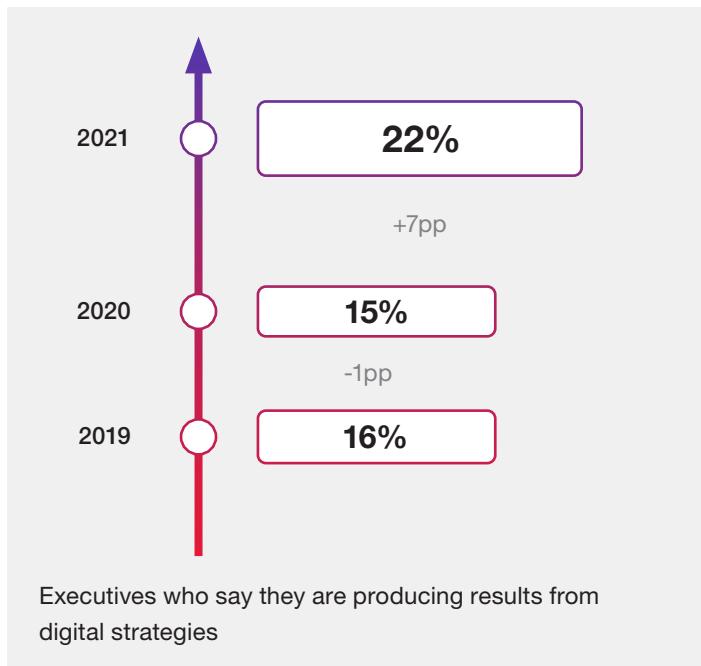
- 1 Optimize operations
- 2 Improve supply chain agility
- 3 Harness the power of data analytics

Top IT priorities

- 1 Drive IT modernization
- 2 Deliver the benefits of big data and business insights
- 3 Improve the customer experience

Top insights for retail, consumer goods and wholesale

Executives report progress in achieving results from digital strategies. Phygital strategies emerge as a top digital initiative. Budget constraints is the new top challenge to business priorities together with optimizing operations.



1 Phygital strategies emerges as the top digital initiative in retail.

Executives say phygital strategies has become their most important digital initiative, rising from fifth in 2020. The second top digital initiative is agile supply chain, up from third last year.

2 More are producing results from digitization strategies.

This year, 22% of executives say they are producing results from their digital strategies, up from 15% last year. This is higher than the all-industry average of 20%. From a sector perspective, 22% of retail and 25% of consumer goods executives say they are producing results from their digital strategies, up from 15% and 13% respectively in 2020.

3 Supply chain agility is the top-cited business priority in consumer goods.

88% of consumer goods executives say improving the agility of the supply chain is their top business priority, up from 78% last year. Supply chain agility has also risen in importance to second.

Top insights for retail, consumer goods and wholesale

4

Digitization's influence on business models is rising.

88% of executives say their organization's business model is evolving as a result of digitization, while 62% cite a strong impact* of digitization on their business models, up from 40% last year. However, the number of executives saying their business model evolution is complete has not increased.

5

Budget constraints emerges as the new top challenge to business priorities.

75% of executives identify budget constraints as the top challenge to achieving business priorities, dramatically increasing from 28% in 2020. 75% also cite a lack of operations optimization as a key challenge, down somewhat from 82% in 2020.

*8-10 on scale of 1-10, where 10 is high

6

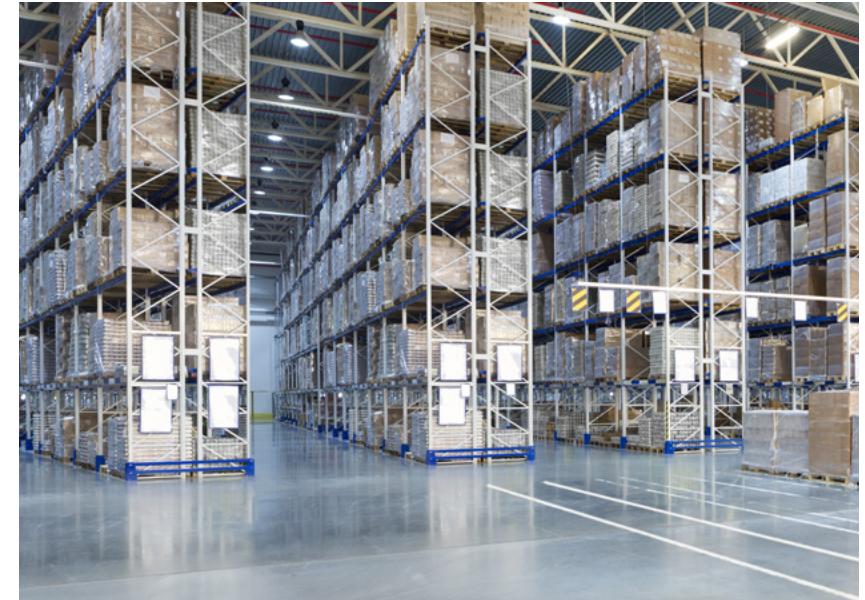
Sustainability is key to creating value, especially for European firms.

57% of retail executives and 69% of consumer goods executives view environmental sustainability as highly core to their organization's ability to continue creating value for customers in the future. Overall, significantly more European executives (63%) cite this than their North American counterparts (30%).

7

Fewer executives are increasing their overall IT spend.

55% of executives are increasing their overall IT spending, down from 64% last year. At the same time, 75% of executives still struggle to reduce operations and maintenance spend, while two-thirds continue to increase spend in new applications and infrastructures.



8 Automation is progressing, notably when driven by analytics; yet challenges remain.

For algorithmic automation, 57% of executives say they are in the “investigating,” “building proof-of-concepts,” or “in progress” implementation stages. However, only 7% say they are “done” compared to 24% of digital leaders (those who say they are producing results from their digital strategies). In addition, 40% say artificial intelligence is “not for us”, “confidential” or “don’t know” compared to 24% of digital leaders.

9 Fewer executives cite strain of legacy systems.

66% of executives say legacy systems still pose a challenge to successfully implementing their digitization strategy, compared to 78% last year.



Digital leaders in retail, consumer goods and wholesale

Retail, consumer goods and wholesale executives cite increased progress with producing results from digitization strategies, with 22% achieving such results in 2021. In examining the insights from this 22% who are digital leaders, some common attributes emerge. The table compares responses to questions from the digital leaders to those from executives whose organizations are still building or launching digital strategies.

Common attributes of digital leaders	Executives producing results from digital strategies	Executives building or launching digital strategies
Are better at introducing new products and services	83%	60%
Are more likely to have a very* agile IT supply chain	38%	15%
Are better at aligning IT and business priorities	50%	32%
Feel strongly that environmental sustainability is core to creating value for customers	70%	41%
Modernize more of their applications	40%	31%
Migrate more solutions to the cloud	50%	14%
Are more sensitive to data privacy laws	55%	26%
Secure more cloud platforms	71%	59%
Secure more mobile platforms	67%	59%

Digital leaders rank their digital initiatives quite differently citing agile supply chain as their top digital initiative. Digital leaders also are making significant progress in all areas of automation compared to those building or launching digital strategies.

* 8–10 on scale of 1–10, where 10 is high

5 recommendations for achieving your top priorities

1

Accelerate phygital strategies and supply chain agility to create unified customer experiences.

Consumers today want simple, seamless and convenient shopping experiences across online and in-store touchpoints. However, retailers' phygital strategy maturity varies widely. Some are more advanced in their journey, while others are still struggling to catch up. Digital leaders are developing new products and services and becoming better at remote selling and last-mile delivery. They also are advancing their supply chain agility to achieve profitable growth, ensure product traceability and sustainability, and improve market share. New hybrid working models will require brands to use more remote selling capabilities to interact with customers. In parallel, modernizing systems, leveraging artificial intelligence, developing personalized products and adding new services that offer the most value to customers can help increase omnichannel profitability. We recommend organizations assess and benchmark their omnichannel maturity, keeping segment specificities in mind. Then, evaluate and prioritize those initiatives that offer real market differentiation. This will help to focus investments and efforts on other key priorities and support business model evolutions.

Case in point: Danish design company Georg Jensen was looking to modernize their IT systems to drive growth in several key markets and improve the customer experience. To support our client's goals, we provided strategic business consulting and technology expertise to consolidate and modernize their ERP platform to deliver a unified commerce platform. We also helped implement a new cloud-native point-of-sales (POS) system with monitors, scanners and payment terminals for 70 of the company's stores across eight countries. As a result, Georg Jensen benefits from a single, unified digital business and sales solution that provides customers better shopping experiences while expanding opportunities for business growth.

5 recommendations for achieving your top priorities

2

Progress business model evolution to keep pace with sustainability and digitization goals.

Achieving successful business model evolution requires a more holistic transformation approach and better alignment between business and IT strategies and priorities. The business side must see digital transformation as a business model evolution and not just an IT project. Investing in change management and culture change can help to ensure people, processes and technology evolve simultaneously to achieve outcomes faster. At the same time, sustainability transformation is much more than reducing greenhouse gases. It requires new sourcing models and embracing concepts like recycling, second-life retailing and social responsibility. New store models are emerging to respond to changing customer needs like innovative recyclable packaging, alternative or service-enriched products, services-oriented retailers, repair shops and hybrid businesses like “grocerants” (a cross between a grocery store and a restaurant). To reduce costs and become more agile, stores have become micro-fulfillment centers. However, they need to optimize processes to be profitable, including training staff, using automation for better in-store inventory management and picking, and providing the right digital tools to interact with customers.

3

Advance IT modernization to support business agility and sustainability efforts.

Business models need to evolve quickly. However, the restraints of legacy systems and limited budgets make it challenging to achieve everything at once. IT roadmaps are often driven by savings and value creation for the existing business. Small and medium businesses, in particular, should be cautious when adopting expensive best-of-breed models. A more pragmatic approach is to simplify the core system and modernize the peripheral systems that offer the most significant value and differentiation. The sustainability transformation also requires organizations to take a balanced approach to adopting emerging technologies like cloud and AI and prioritize investments that drive the most value. We recommend always factoring each project’s environmental benefit and impact and integrating these sustainability KPIs into governance and communication to create long-term value.

5 recommendations for achieving your top priorities

4

Rethink your IT supply chain for scalability and resilience using flexible cost models aligned to sales.

The pandemic revealed the role of managed services in helping successful companies build robust and resilient IT supply chains. It also highlighted the need to adopt a “best-shore” approach to ensure business continuity in a seamless and resilient manner. A compelling reminder was the shortage of electronic chips faced by the automotive sector due to the heavy offshore reliance of supply chains. Instead of focusing only on costs, we recommend performing a comprehensive cost, risk, performance and carbon assessment of the IT supply chain to achieve the best equilibrium for the business. We also recommend collaborating with a trusted and capable managed services partner to serve as an extension of the organization to improve efficiencies, lower costs and focus on what really matters to modernize and transform the business.

Case in point: FashionCube brings together six leading European fashion brands: Pimkie, Jules, Bizzbee, Orsay, Grain de Malice and Rouge Gorge. In a very competitive and constantly evolving environment, FashionCube aims to drive the in-depth transformation of its brands to achieve “Positive Impact Fashion.” As part of our 10-year managed services agreement, our experts will help to unite and transform the technology capabilities of all six fashion brands. This includes operational management of all their IT activities, including user services, application maintenance and upgrades, and operations and infrastructure upgrades. It also covers the construction of an information systems organization in the next three years. As part of our engagement, we will help FashionCube improve service quality, maximize IT synergies, accelerate key transformation projects and increase the value creation of services.

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5 recommendations for achieving your top priorities

5

Extract value from data to improve decision-making and achieve the benefits of automation.

Harnessing the power of data requires improving data completeness and quality. Ensuring data quality begins with looking at data sources and fixing quality issues in the source system instead of using complex mechanisms at the data lake entry point. In addition, organizations need to adopt rigorous data management approaches to break down silos and establish a single source of truth. We recommend also assessing data readiness before embarking on automation initiatives, particularly process automation and machine learning. It's also vital to continue progressing artificial intelligence initiatives to identify correlations and understand evolving consumer behavior patterns, for instance. Machine learning algorithms can then be built on the use of consistent data and proven use cases that offer the most value and benefits.

Case in point: Adeo, a leading global DIY retailer, has 32 brands, operates in 15 countries and employs 114,000 people. As part of the company's digital transformation strategy, Adeo was looking for ways to use data to improve decision-making, optimize operations and provide greater value to the business. To help Adeo achieve their goals, we are helping them move all their data warehouse environments to the cloud. We are also working on redesigning a significant part of their data architecture to include more data sources and new machine learning capabilities. In addition to benefiting from agility and cost reductions, Adeo will be able to aggregate a very large amount of internal and external data without storage concerns and with a massive computing capacity. As a result, instead of focusing time and resources on managing the systems, they can leverage the data to better understand evolving patterns of consumer behavior and take strategic insight-led decisions.

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Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 78,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

For a complete set of the CGI Voice of Our Clients industry insights, and to consult with one of our experts, please visit cgi.com/voice-of-our-clients or contact us at info@cgi.com.

