



Agility, Resiliency, And Sustainability As A Strategy In Consumer-Facing Businesses

Benchmark Report

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Executive Summary

The world isn't as predictable as it once might have seemed. A "wash, rinse, repeat" retail business model doesn't work very well anymore, and executive teams are learning that the organization must be designed to take quick action in the face of both unpredictable demand *and* uncertain supply.

The purpose of this benchmark is to uncover what retail decision makers are doing to address **Agility** (the ability to quickly adjust to changes in consumer demand), **Resiliency** (the ability to respond to supply side shocks), and **Sustainability** (the ability to support ecological, human, and economic well-being).

Some of the highlights of what we found:

- Retailers accept that they will never see a return to predictability, and that their best course forward is to move from "command and control" to "sense and respond". *Their number one concern is customer's mobile phones* (and the ability they provide to buy from competitors), and rightfully so.
- On the bright side, retailers see implementing location-aware capabilities as a way to improve virtually every aspect of the shopping experience by knowing how both shoppers - and inventory - move. They see these tools as opportunity to speed up the supply chain, to make CRM data from loyal customers more actionable - even to open new ways to sell to existing customers. All this falls under the umbrella of *improving omnichannel profitability* – and **that** is the name of the game in retail today.
- The best performers plan to spend the next 36 months steeling their businesses as much as possible to whatever the world throws their way – 80% see workforce equity and inclusion as an important way to enhance their business' resilience; 56% will undertake climate risk analysis.
- As to roadblocks, retail respondents don't *just* blame the fact that many of their systems are rooted in the past. Their #2 inhibitor is that business leadership still prefers to run by "gut feel." For the newest generation of retail leaders, this plays every bit as old-and-in-the-way as the DOS-based point of sale systems.
- If arcane technologies are the roadblock, better data and analytics *to make sense of that data* will show the way around them. Our retail respondents display something of a "holy trinity" for a way forward:
 1. Improved data quality will enable the business to become focused on what matters most;
 2. Analytics to allow retailers to respond to incidents as they arise (in real time), and, ultimately;
 3. *Business analytics* will help to measure the business effects of those efforts.

The virtuous cycle of sustainability, resiliency, and agility is entirely interconnected, but at its core, it is entirely dependent on the best data and analytics available to enable real sustainable change. To call this an ecosystem would be a dramatic understatement.

As always, we also offer several in-depth and pragmatic suggestions on how retailers should proceed.

We certainly hope you enjoy it,

Brian Kilcourse and Steve Rowen

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Research Overview

Why Achieving Agility, Resiliency, And Sustainability Is Important Now

The retail business model as we have known it for almost 100 years was developed with an underlying assumption that *change is predictable*, and that *achieving operational efficiency* is the key to success. With that baseline assumption and objective in mind, businesses have, with very few exceptions, focused on delivering on the promises as stated in financial plans with a “command and control” organizational construct.

As long as the world was a predictable place, that model worked well - with the obvious caveat that the brand’s value proposition had to be relevant to consumers. Companies focused on continuously improving their line-of-business processes (supply chain operations, store operations, etc.) to maximize the sell-through of optimized product assortments and to eliminate as much process friction as possible to eliminate unnecessary operational expenses, all in the service of delivering bottom line results.

But increasingly, the world isn’t as predictable as it once might have seemed. Consumer demand certainly has become more unpredictable, starting in 2007 with the introduction of the Apple iPhone and all the way through the global pandemic of 2020-22.

Supply has also become unpredictable to the point where “the supply chain” has become a topic at the dinner table. And finally, new consumer service demands (for example, “buy-online-pickup-instore”: BOPIS) have tended to work at cross purposes with retailers’ efforts to control operating costs.

To complicate matters, an emerging demand coming from consumers related to *sustainability* is fast becoming a top-of-mind challenge. **Retailers are being driven more by changing consumer expectations rather than internal efficiency considerations when prioritizing efforts associated with sustainability.** As RSR noted in its most recent supply chain study¹, “Consumers have made their feelings about environmental issues crystal clear to us in our research ... *the messages that resonate most with them are directly related to something far more personal: their health.*”

But other issues related to sustainability are also starting to rise in importance as well: how a product is made, where it is made, what the working conditions are for those who make it, and how the product will be recycled. And there are potential *efficiencies* associated with a sustainability agenda too: eliminating waste, reducing carbon emissions, and addressing the costs associated with direct-to-consumer deliveries (packaging, last mile logistics).

Netting all these considerations out, it is increasingly clear that a “wash, rinse, repeat” retail business model doesn’t work very well anymore. Retailers are challenged to reliably deliver top line sales and bottom-line earnings more than ever. Executive teams are learning that the organization must be designed to take quick action in the face of both unpredictable demand and uncertain supply.

The purpose of this benchmark was to uncover what retail decision makers are doing to address **Agility** (the ability to quickly adjust to changes in consumer demand), **Resiliency** (the ability to

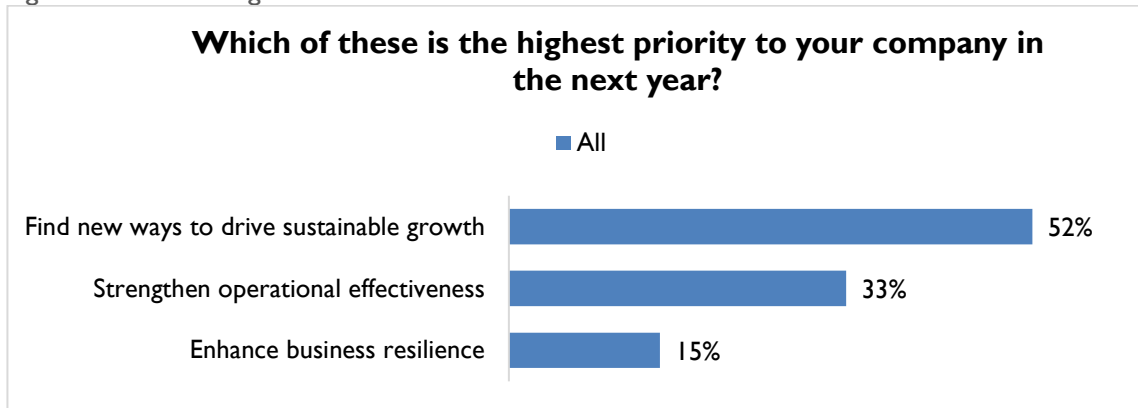
¹ **The Quest For A Resilient And Agile Supply Network**, RSR Benchmark Report, April 2023

respond to supply side shocks), and **Sustainability** (the ability to support ecological, human, and economic well-being).

Cards On The Table

In RSR benchmarks, we often comment that “more revenue” and “improved profits” are *desired outcomes*, not objectives (we have yet to work with a business that wants *less* revenue!). Retailers make that point abundantly clear when we ask them to state what their priority is for the coming year; the agenda is all about ensuring the company’s economic well-being by driving **sustainable growth** (Figure 1). But that is a different definition of “sustainability” than consumers have in mind.

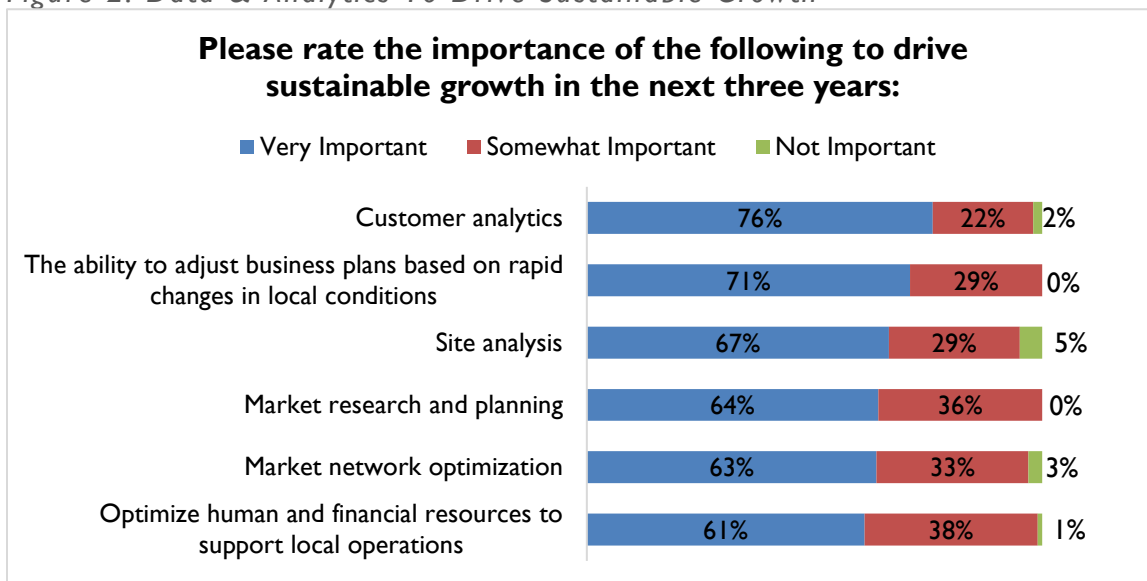
Figure 1: Challenges For Sustainable Growth



Source: RSR Research, August 2023

It’s also clear that sustainable growth is increasingly dependent on *data and analytics* (Figure 2). Most importantly, *customer* analytics are viewed as the most important analytical capability by our survey respondents. RSR has written for years that the essence of a *customer-centric* go-to-market model is not to sell what the retailer wants to sell, but what consumers wants to buy. Putting customer analytics at the center of operational decision making is how retailers make that happen.

Figure 2: Data & Analytics To Drive Sustainable Growth



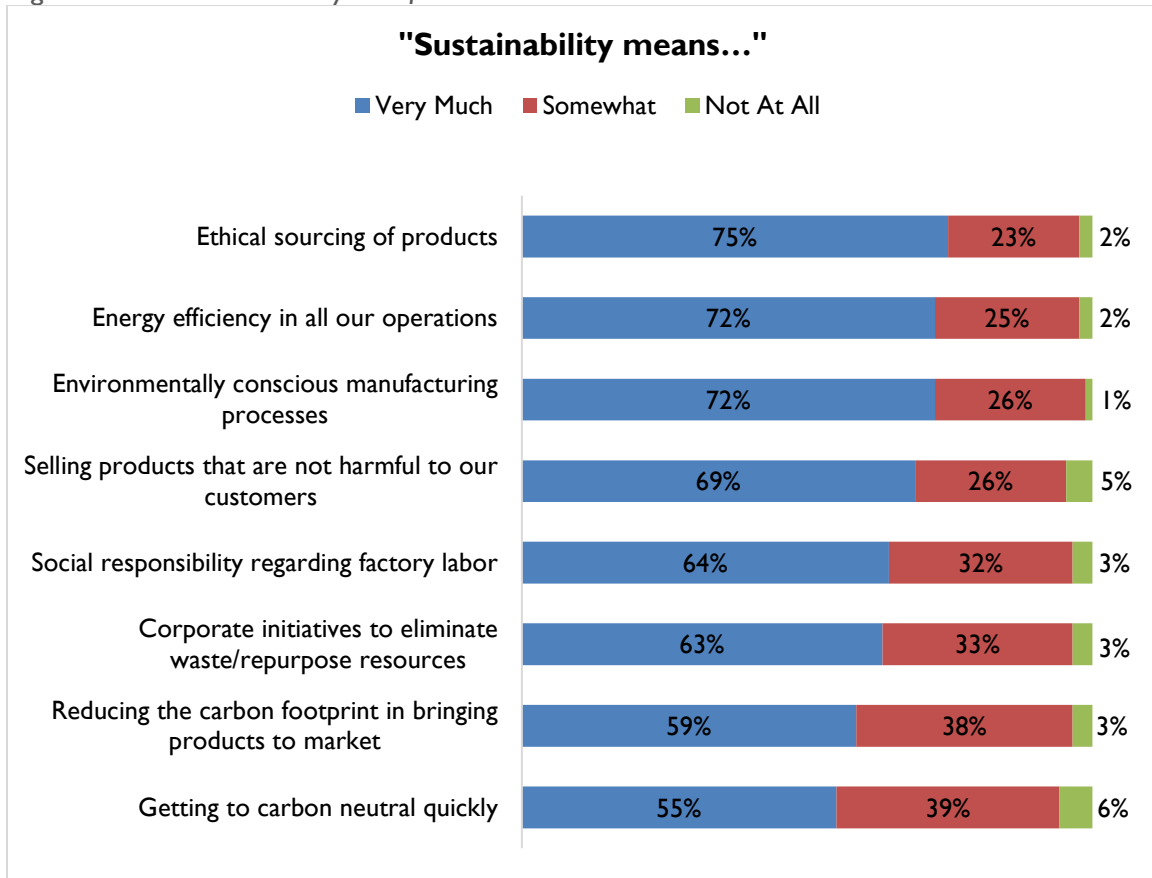
Source: RSR Research, August 2023

Real World Definitions

Earlier, we offered our definition of **Sustainability**, as *the ability to support ecological, human, and economic well-being*. Figure 1 shows that retailers put the emphasis on their *economic well-being*. Figure 3 adds some color to that perspective.

Fascinatingly, retailers generally prioritize the more qualitative attributes of sustainability (“ethical”, “environmentally conscious”, “not harmful”, “social responsibility”), over quantitative attributes (“energy efficiency”, “eliminate waste”, “reduce carbon footprint”, “carbon neutral”).

Figure 3: ‘Sustainability’ Defined

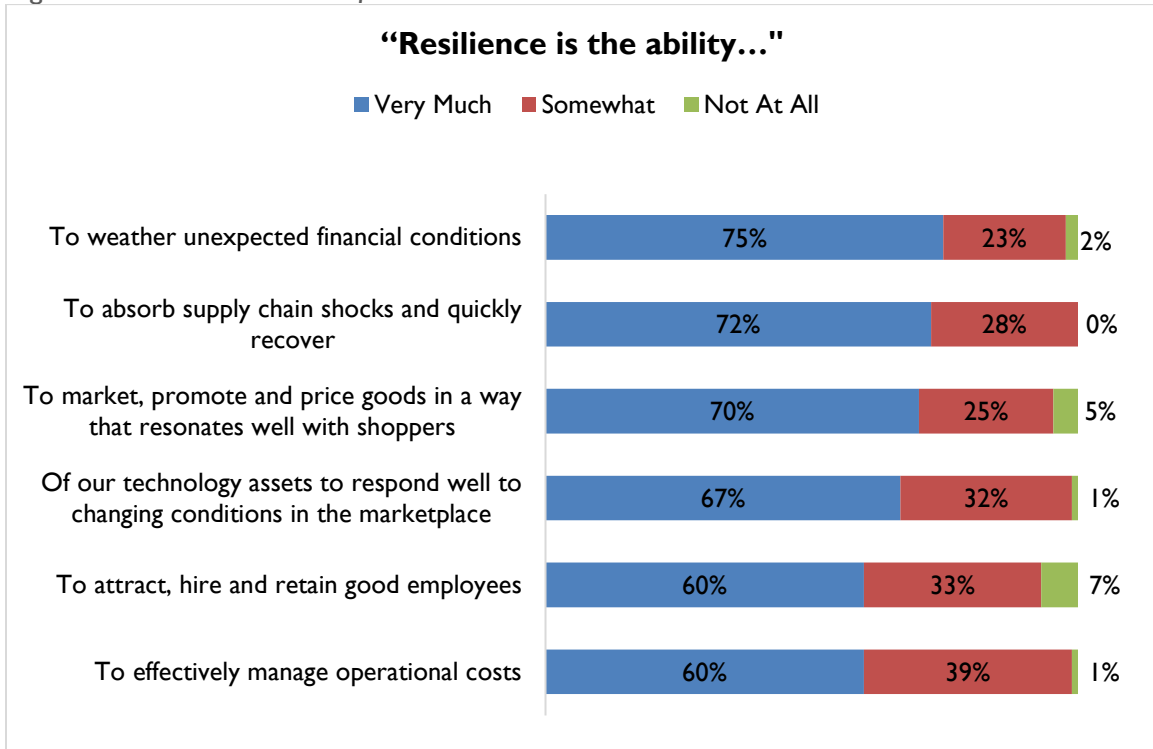


Source: RSR Research, August 2023

That’s an important insight, since it highlights that retailers are in fact paying close attention to how they are being perceived by *consumers*.

Retailers summarize **Resilience** to mean the ability to “weather unexpected financial conditions”, “absorb supply chain shocks”, and “resonate well with consumers” – in that order (Figure 4). These all relate to maintaining top line sales; “effectively managing operational costs” is a secondary consideration. Once again, these priorities signal a big change in how retailers frame their continued economic well-being.

Figure 4: 'Resilience' Defined

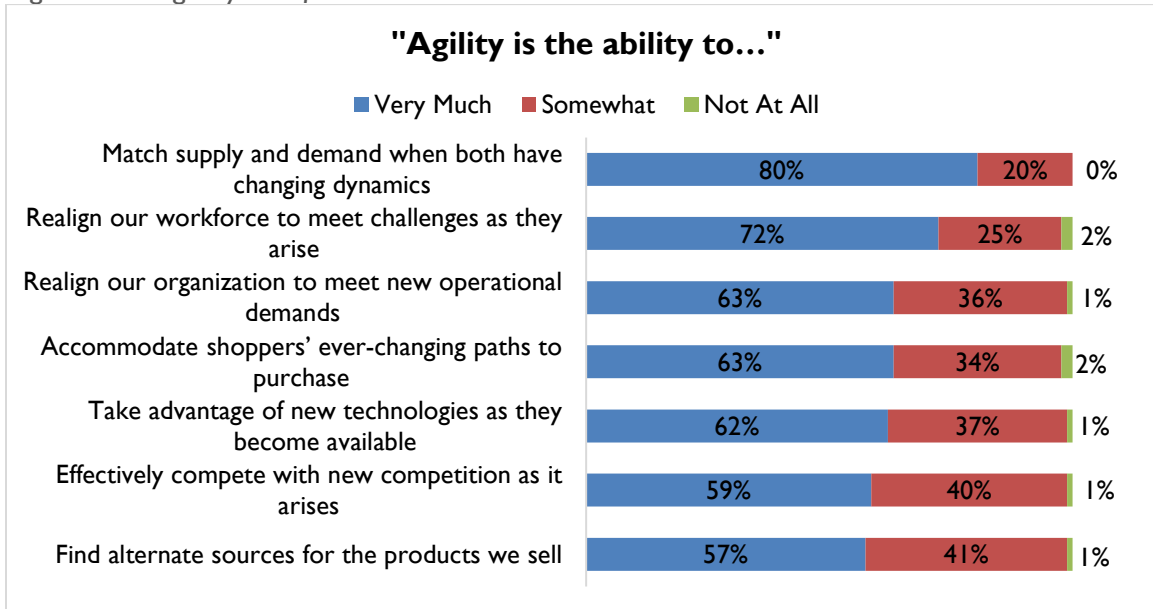


Source: RSR Research, August 2023

There is another consideration that is important to highlight: the ability of *“technology assets to respond well to changing conditions...”*. We have already observed that retailers are increasingly aware of their dependence on data and analytics (Figure 2) to drive sustainable growth. But as we will see in a moment, retailers have a real concern about the company’s ability to deliver timely insights from their analytics systems.

Finally, we asked retailers to flesh out what **Agility** means to them. At the start of this report, we defined agility as “the ability to quickly adjust to changes in consumer demand”. While according to our survey respondents that’s part of what it means, there’s more to it than that (Figure 5).

Figure 5: 'Agility' Defined

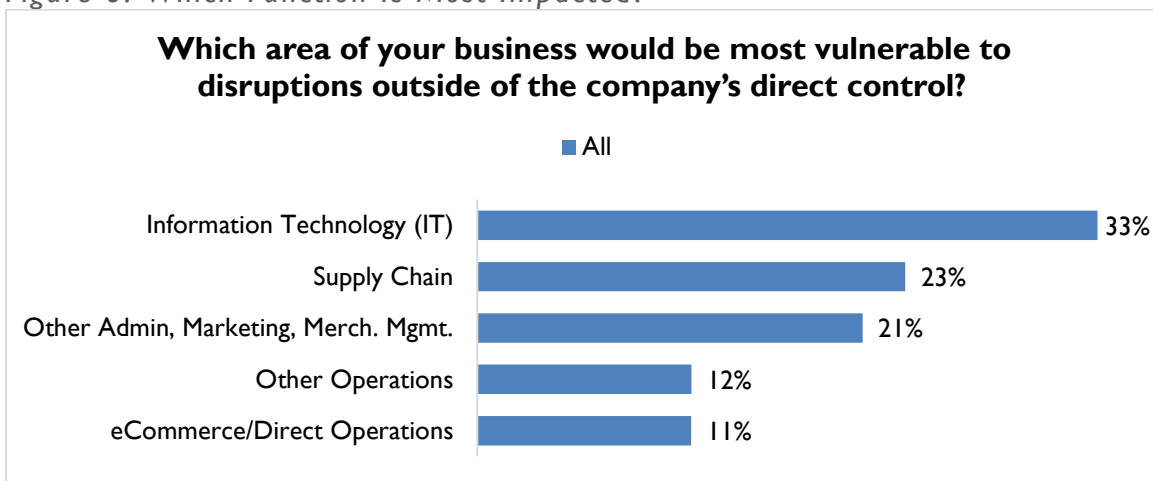


Source: RSR Research, August 2023

While there's strong agreement among all retailers to be able to keep pace with consumer demand and changing shopping behaviors, they also want to be able to realign their workforce to meet operational challenges head-on and respond on the supply side to find alternative sources when demand requires it. Importantly, almost 60% of our respondents see these capabilities as important competitive weapons.

But once again, "technology" is on retailers' minds. In this case, retailers want to be able to take advantage of new technologies when they become available – presumably to accommodate new and changing consumer shopping behaviors. That sounds like a positive (just as it did on Figure 4), but when we asked retailers to identify the *one* line-of-business functions that would be most vulnerable to factors outside of the business's control, we were surprised to learn that retailers are even more concerned about IT than they are about the supply chain (Figure 6).

Figure 6: Which Function Is Most Impacted?

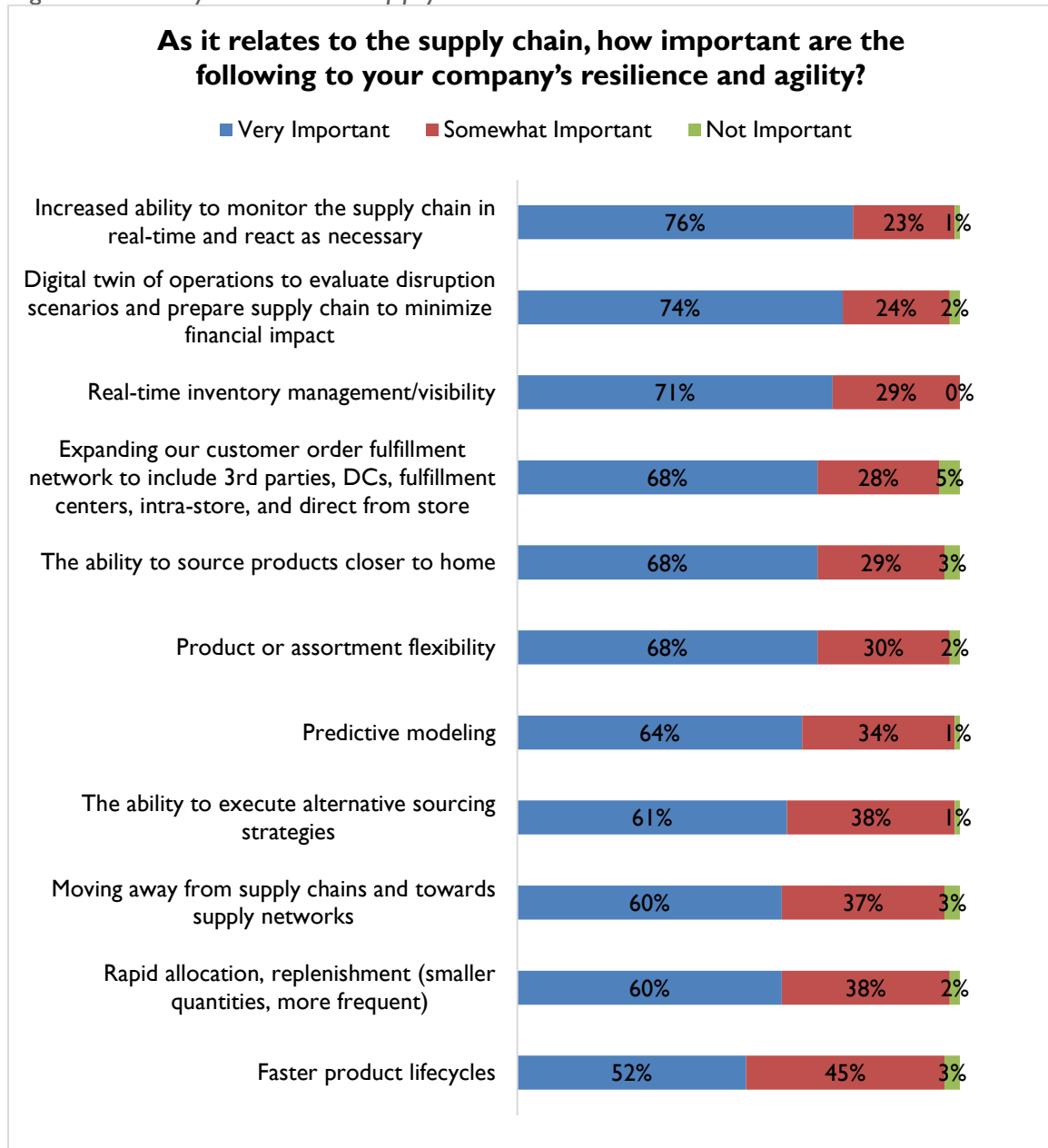


Source: RSR Research, August 2023

This response invites all kinds of conjecture. Is the IT backlog so long that the organization can't respond to new demands on a timely basis? Is the explosion of new data analysis requests overwhelming the organization? Has historic under-investment in technology come back to haunt retailers now? We'll discuss these issues more in the **Organizational Inhibitors** section of this report.

But regardless of the answers to those questions, it is crystal clear that when it comes to **Supply Chain** resilience and agility, IT capabilities play a vital role. In fact, the top-3 most important capabilities to enable an agile response to supply chain conditions are all IT related.

Figure 7: All Eyes On The Supply Chain



Source: RSR Research, August 2023

In RSR's recent study on the state of digital transformation in retail², we remarked that:

*“The most immediate challenge driving retailers’ interest in pursuing a digital transformation agenda is the need to expose – in real-time and with a high degree of accuracy – **available-to-promise inventory** to both consumers and employees anywhere within the enterprise. Inventory visibility is an enabler for an effective omnichannel selling environment, but it also enables retailers to identify supply chain bottlenecks and disruptions, and ultimately to optimize the flow of goods in an agile manner as market demands dictate.”*

The retail business model is now being challenged to respond in real time to disruptions, both on the supply side of the model and in the selling environment. It's difficult to overstate how fundamental of a shift that is. The objective is to make decisions to exception conditions throughout the business in time to affect the outcome of any operational process. New processes and technologies are essential to making that happen. The fact that many retailers are concerned about the IT organization's ability to support a more agile business should be a call to action.

The good news is that according to responses to our survey, retailers are already in the process of transforming their businesses to be more agile and resilient. But as is often the case, over-performing retailers, those which RSR calls “Retail Winners” are much more aware of the challenges and opportunities associated with such a stance, as well as which technologies are most important to make it real.

Retail Winners And Why They Win

In our benchmark reports, RSR frequently cites differences between retailer over-performers in year-over-year comparable sales and their competitors. We find that consistent sales performance is an outcome of a differentiating set of thought processes, strategies, and tactics. We call sales over-performers “Retail Winners.”

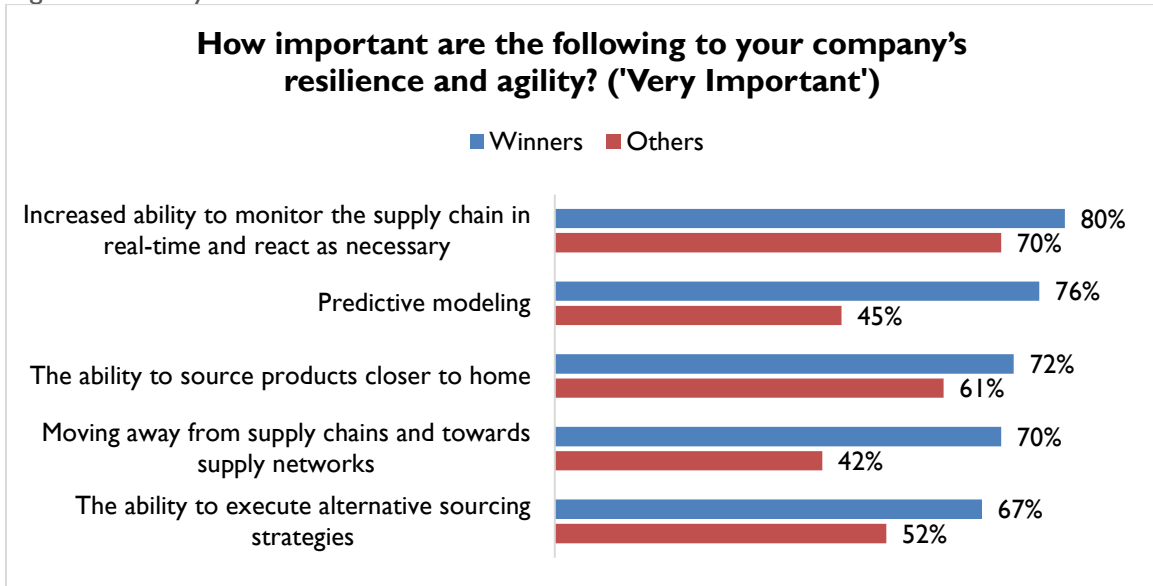
RSR's definition of these Winners is straightforward. Assuming industry average comparable store/channel sales growth of **4.5 percent**, we define those with sales above this hurdle as “Winners,” those at this sales growth rate as “average,” and those below this sales growth rate as “laggards” or “also-rans.”

One trend that will emerge in most RSR benchmarks is that Retail Winners view information assets through a *strategic* lens, whereas non-winners tend to think them *tactically*, to address specific challenges. This is consistent with what RSR has observed in virtually all our benchmarks: Winners view the information assets as having the *strategic* ability to create new value, while average and under-performers use information assets *tactically*, to control operations.

In this report, Retail Winners and others agree that they need the increased ability to monitor the supply chain in particular; that will require the use of non-transactional data such as geo-location tracking information, and more advanced analytics (Figure 7). Where Winners stand out is in their belief that predictive modeling is essential to their plans. While retail is and always will be a reactionary business, over-performers want to have engaged in scenario planning so that when events do occur, they are ready to act with the right resources in the right places.

² **The Digital Transformation Of The Retail Business Model**, RSR Benchmark Report, July 2023

Figure 8: Why Winners Win – And Others Don't



Source: RSR Research, August 2023

Methodology

RSR uses its own model, called The BOOT Methodology[®] to analyze Retail Industry issues. We build this model with our survey instruments. See Appendix A for a full explanation.

In our surveys, we continue to find the kinds of differences in thought processes, actions, and decisions cited above. The BOOT helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

Survey Respondent Characteristics

RSR conducted an online survey in May 2023 and received answers from 106 qualified retail respondents. Respondent demographics are as follows:

- **2022 Revenue (US\$ Equivalent)**

Less than \$250 million	1%
\$250 million - \$499 million	14%
\$500 million - \$999 million	39%
\$1Billion to \$5 Billion	29%
Over \$5 Billion	17%

- **Products sold:**

Fast moving consumer goods	37%
Apparel, footwear and accessories	16%
Hard goods	11%
General merchandise	32%
Brand manufacturers	3%

- **Retail Presence:**

USA	100%
Canada	44%
Latin America	13%
UK	15%
Europe	20%
Middle East & Africa	5%
Asia/Pacific	11%

- **Year-Over-Year Sales Growth Rates** (assume average growth of 4.5%):

Average & Worse Than Average	38%
Better than average (“Retail Winners”)	62%

Business Challenges

Consumers... And The Supply Chain

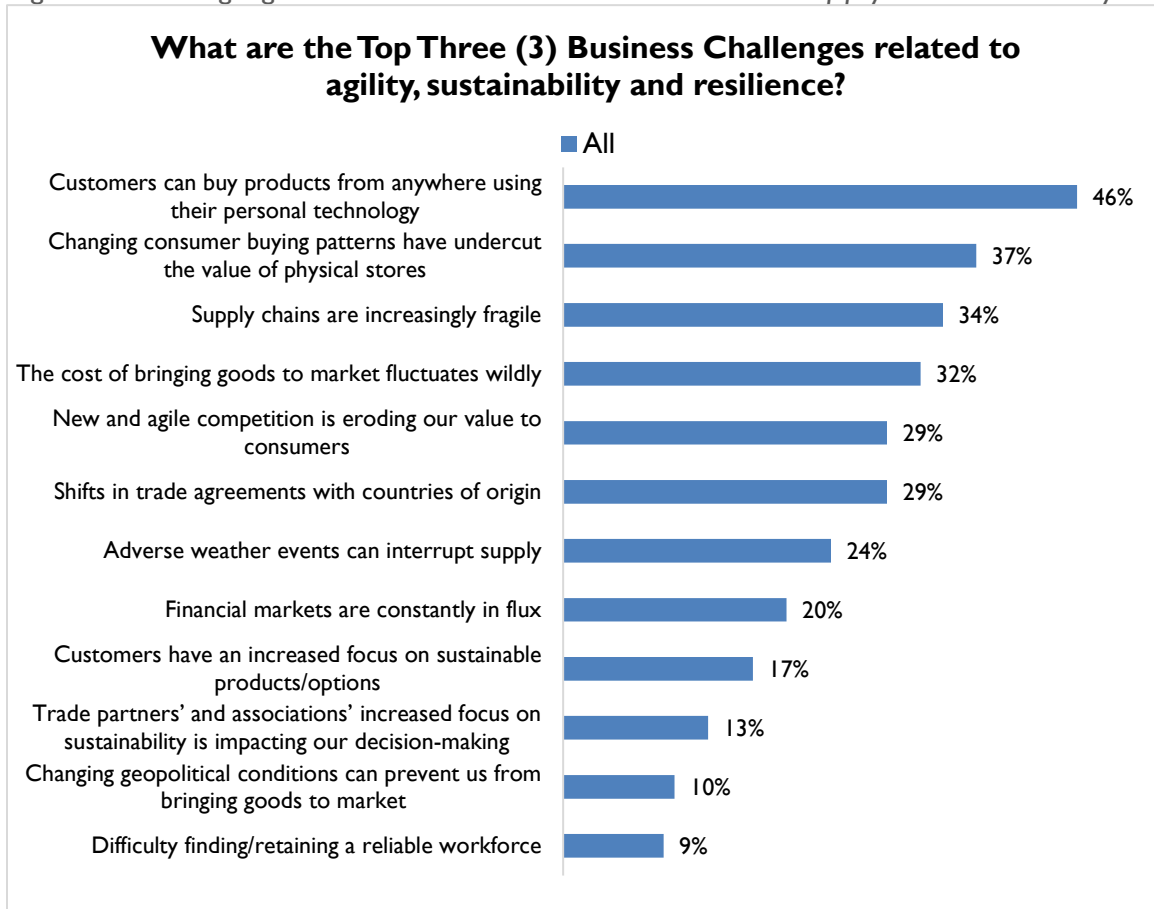
In the **Overview** section of this report, we pointed out that retailers are focused on *sustainable growth*, and that for most retailers that is driven by maintaining a focus on both the customer and the supply chain. Operational efficiencies have become a secondary consideration.

It's no surprise that the supply chain is an area of focus. In RSR's 2023 supply chain benchmark³, we observed that:

“While over the prior 30 years the supplier side had been hyper-optimized to reduce costs, it came at the expense of resiliency and agility. Faced with new risks revealed during the pandemic, both retailers and suppliers have struggled to adapt to fast changing conditions.”

What is perhaps a bigger reveal is that retailers are *even more focused* on consumers' increasingly mercurial shopping behaviors (Figure 9).

Figure 9: Changing Consumer Demand And Increased Supply Chain Volatility



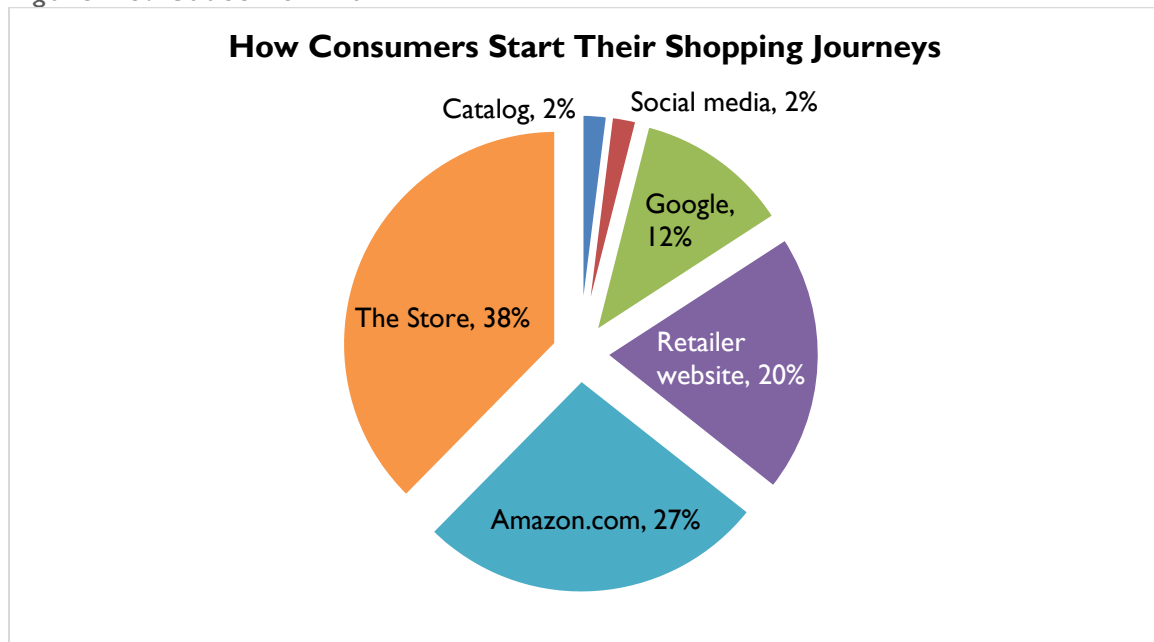
Source: RSR Research, August 2023

³ The Quest For A Resilient And Agile Supply Network, RSR Benchmark Report, April 2023

In RSR studies, any “Top Three” selection that is chosen by one-third or more of our survey respondents is considered important. What we see in Figure 9 - by a meaningful margin - is that retailers worry that consumers literally have a world of choices at their fingertips, 24X7, via their smart mobile devices, and are taking advantage of them.

Retailers have reason to be concerned, even alarmed. An October 2022 survey of over one thousand shoppers by RSR revealed that 41% of consumers begin their shopping journeys with a Google search, on the Amazon.com website, or via social media (Figure 10).

Figure 10: Cause For Alarm



Source: RSR Research, October 2022

This goes a long way towards explaining why in Figure 2 retailers put so much emphasis on *customer analytics*. Retailers know that they need to use the data that consumers create in their digitally enabled paths to purchase to understand and influence those behaviors. *How* that is to be accomplished is the hard part, but it starts with observation and analysis.

Interestingly, Fashion & Specialty retailers are less concerned than general merchandise (GM), fast moving consumers goods (FMCG), and hardgoods retailers, about the top challenge. These retailers, who frequently feature bespoke and seasonally oriented products, trust that their unique assortments will continue to draw consumers (Figure 11). But they worry more than other retailers about the #2 challenge, the future viability of the store as the starting point of shoppers' journeys (47% compared to 37% of the aggregate).

Figure 11: Fashion Retailers Are The Exception

Top Business Challenge By Vertical	FMCG	GM	Fashion & Specialty	Hardgoods
Customers can buy products from anywhere using their personal technology	53%	50%	29%	40%

Source: RSR Research, July 2023

To have an agile response to the dynamics of consumer demand, retailers need to collect the behavioral data that consumers are leaving along their paths to purchase and use it to discover a consumer's *intent*. In the **Technology Enablers** section of this report, we will discuss how retailers are seeking to address this challenge.

Back To The Supply Chain

Right behind changing consumer behaviors and their effect on the stores as the top challenges, retailers express concern about the state of the supply chain – specifically that it has become increasingly fragile.

It's hard to imagine that retailers wouldn't be concerned after the events of the last few years! While over the prior 30 years the supplier side had been hyper-optimized to reduce costs, it came at the expense of resiliency and agility. Faced with new risks revealed during the pandemic, both retailers and suppliers have struggled to adapt to fast changing conditions. Supply chain agility and resilience have become boardroom issues, even while challenges on the consumer side are still being addressed.

We see that concern reflected in how retailers rank their top operational (internal) challenges. By a big margin, retailers are concerned about optimizing their supply networks to help them achieve "maximum profitability" (Figure 12). That's a nice way of saying that retailers know that they need to re-engineer their supply chains to be more flexible while still delivering products at the most favorable unit cost-of-goods. The supply chains of old were designed to deliver the latter, not the former – now retailers want both.

Figure 12: Retailers Want To Sense Disruptions As Early As Possible



Source: RSR Research, August 2023

But retailers are almost as challenged to optimize customer order fulfillment operations too. Over the last several years, retailers have tended to alternatively focus on either the *supplier side* of the supply chain (how goods are brought to market), or the *consumer side* (how goods are put into the hands of consumers). To be truly agile and resilient, retailers are saying they need to address both challenges.

Although these two challenges affect most retailers, there is a difference of focus by retailer performance worth noting (Figure 13). Specifically, more over-performing Retail Winners than average and under-performers are giving priority to optimizing their supply network to deliver the best unit-cost-of-goods, while more average and under-performers are focused on shaking the costs out of customer order fulfillment and delivery.

Figure 13: Different Focus

Top Operational Challenges	Winners	Others
Optimizing our supply chain network for maximum profitability	80%	67%
Dynamically determining the best fulfillment option and pickup/delivery for customers	57%	73%

Source: RSR Research, August 2023

While it's not an either/or choice by any means, more Winners seem to be saying that a good gross margin covers a multitude of other inefficiencies.

Netting Out The Business Challenges

Taken in whole, retailer responses to the RSR survey seem to say that retailers accept that they will never see a return to predictability, and that their best course forward is to design their processes for a quick response to ever-changing conditions in the marketplace. The management structure needed should move from “command and control” to “sense and respond”, and to accomplish that, operational processes must be armed with real time insights derived from advanced data and analytics.

In RSR's recent report on digital transformation in retail, we observed that “retailers can't take a time-out to perform a wall-to-wall redesign of their operations on either the selling side or the supply side of their businesses.”⁴ But in essence, retailers are re-examining their processes on both the customer and supply sides with an eye towards making them more agile and resilient.

In the next section of this report, we'll look at how they are planning to accomplish that.

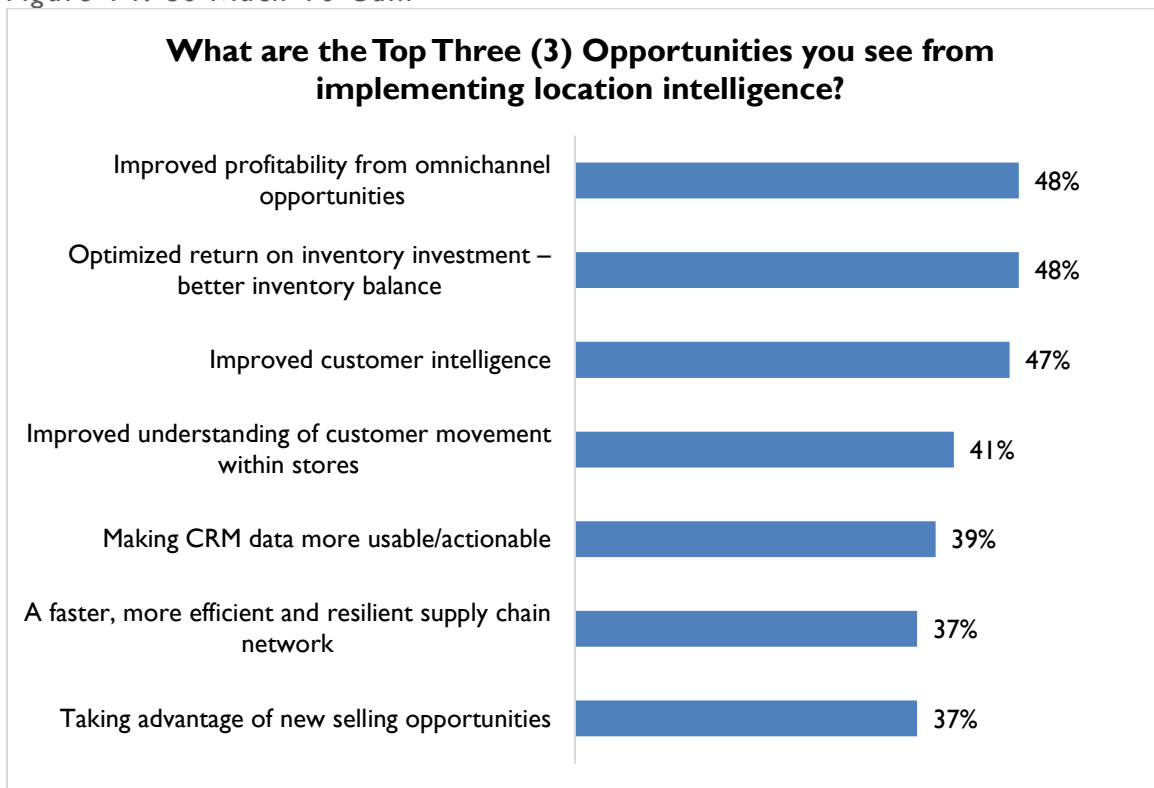
⁴ The Digital Transformation Of The Retail Business Model, RSR Benchmark Report, June 2023

Opportunities

What's At Stake?

On the flip side of such daunting external challenges, retailers see an enormous amount of upside to implementing location-aware capabilities. Figure 14 shows that this isn't just about understanding customer shopping patterns, but also as the means to improve virtually every aspect of the shopping experience by knowing how both shoppers - and inventory - move. This holds the opportunity to positively affect every component of the selling cycle – from speeding up the supply chain, to making CRM data from loyal customers more actionable - even to opening new ways to sell to existing customers. All this falls under the umbrella of improving omnichannel profitability – and *that* is the name of the game in retail today.

Figure 14: So Much To Gain

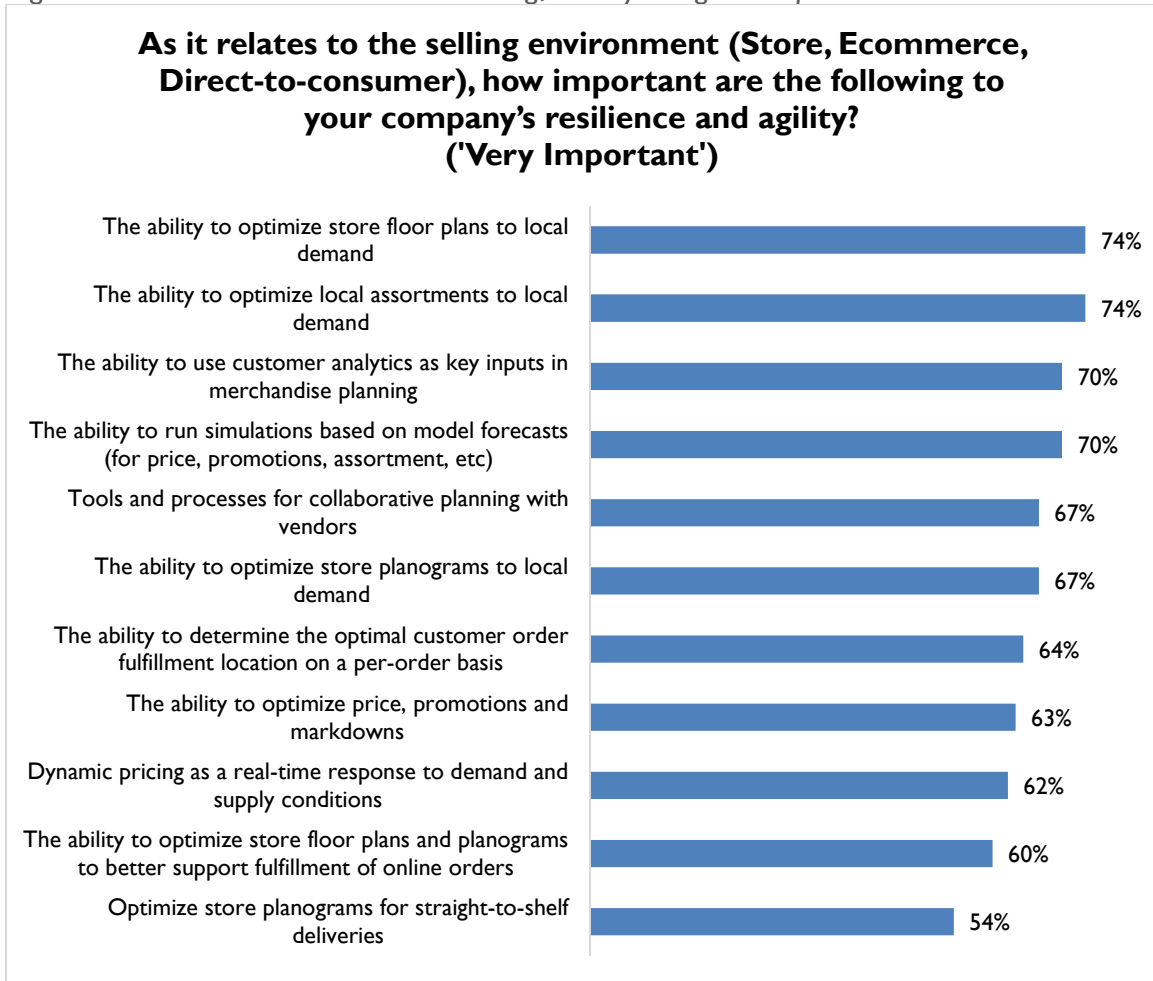


Source: RSR Research, August 2023

The Value Of It All

Indeed, retailers see enormous value to location intelligence capabilities. The question is, how do these capabilities help retailers achieve greater resilience and agility to improve the *selling environment*? Figure 15 highlights retailers' priorities.

Figure 15: When It Comes To Selling, Everything Is Important



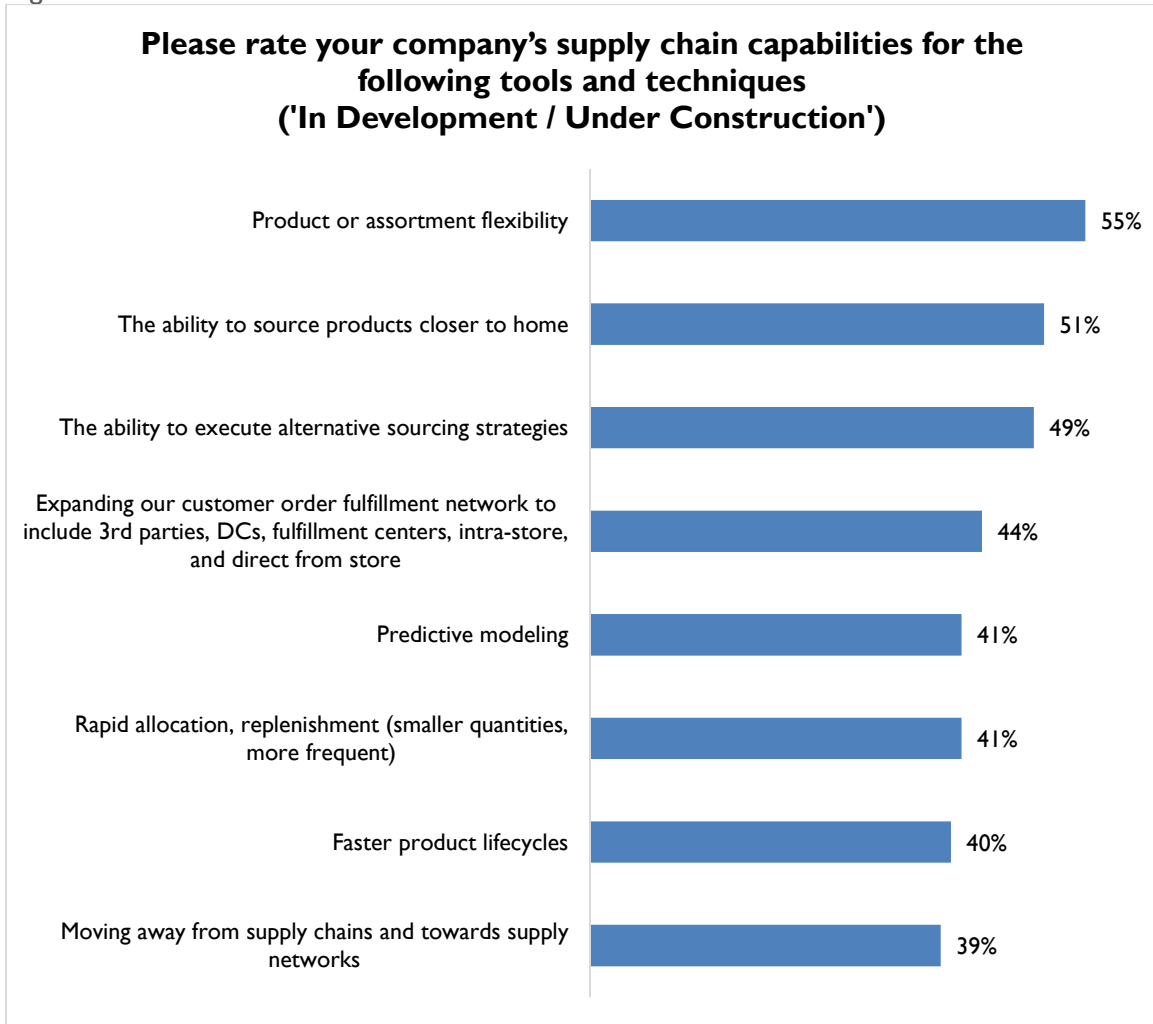
Source: RSR Research, August 2023

Figure 15 doesn't just show what is important, but what our respondents feel is "very important". Their responses speak volumes. None of the options we offered falls below the 50% mark of being "very important".

What does this mean? In short: in a post-pandemic world, having had consecutive years of competing with more agile retailers, the lesson has become crystal clear: *rigid processes are no longer acceptable*. **Retailers are now pursuing agility in every component of their selling environment.**

But where are we when it comes to the development of such capabilities? As Figure 16 shows, nowhere near where retailers wish to be.

Figure 16: Still Far To Go

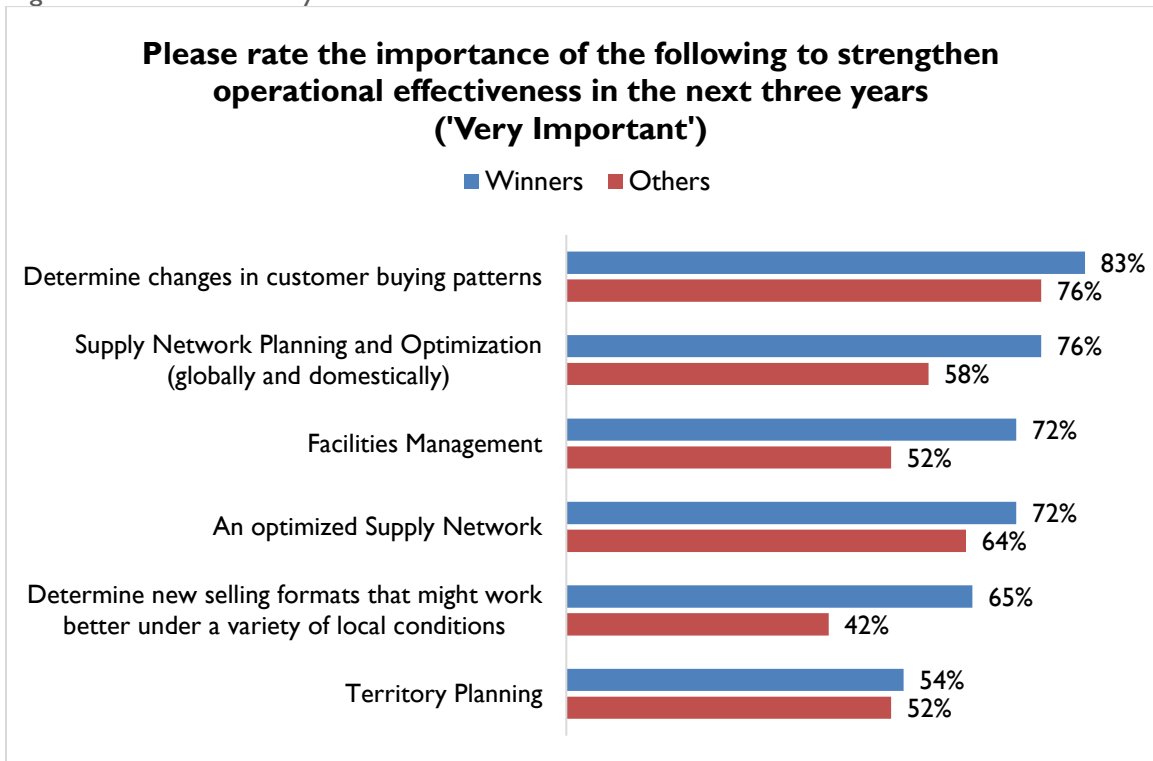


Source: RSR Research, August 2023

Looking Ahead

As we'll see in the next section of this report, to make headway, retailers have their work cut out for them to get past some significant internal roadblocks. Before we dive in, however, it is worth noting which endeavors retailers say could benefit from greater *operational* effectiveness. As Figure 17 shows, the answer isn't the same for everyone.

Figure 17: Some Busy Years Ahead



Source: RSR Research, August 2023

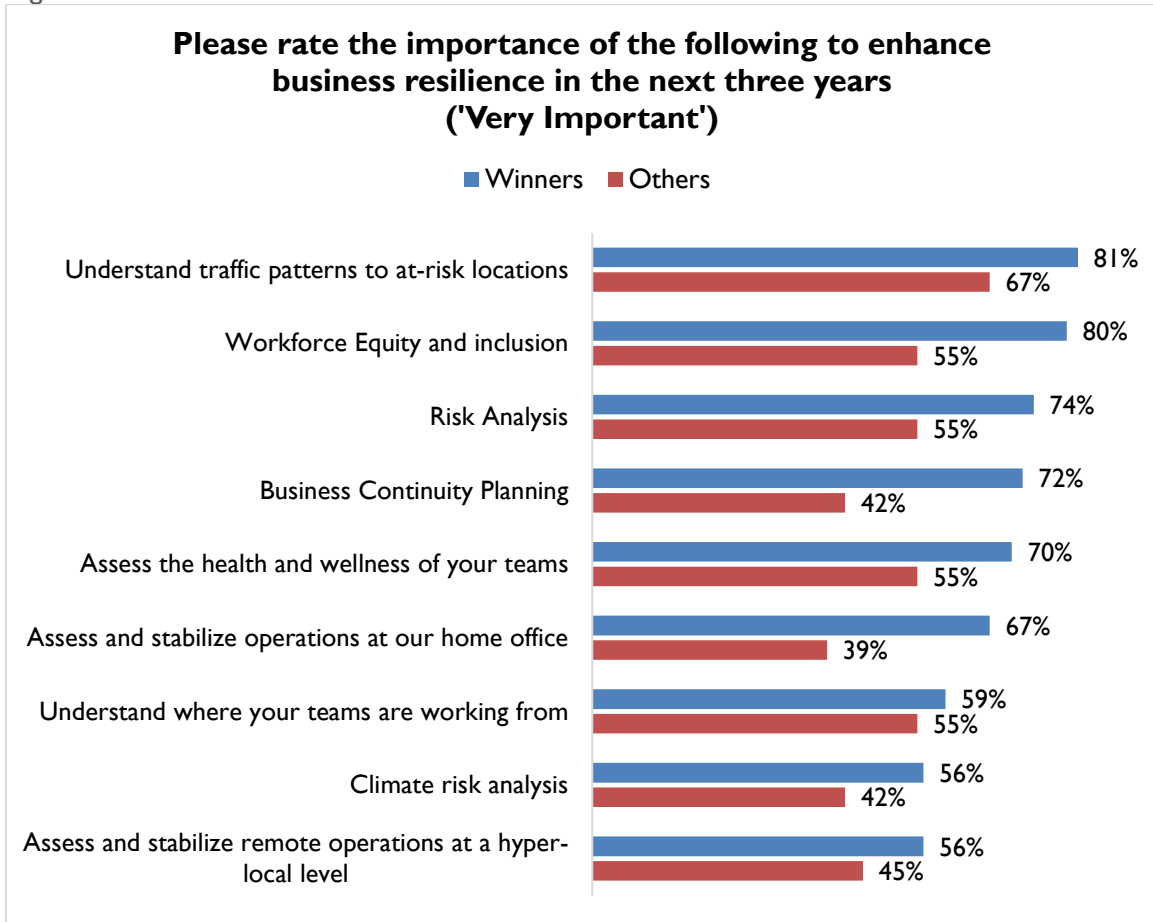
More Retail Winners than average and under-performers recognize the need to understand shoppers, something we've already seen not only in this study (Figure 7), but also in recent benchmark reports about [Merchandising](#), [The Customer Experience](#), and [The Digital Transformation Of The Retail Business Model](#). This is one of the most valuable lessons *all* retailers have taken from the pandemic: that to meet demand, one must think about how fickle it can now be – and how quickly it can change. However, where Winners really shine is in the data points beneath the topline finding. They have a stronger recognition of the need to improve how their own facilities are run and managed, how they can work with partners – both domestic and abroad – to optimize the flow of goods from point of origin AND are more open to the idea of new selling formats as they invariably arise.

To put it bluntly – Winners aren't just focused on reacting *more quickly* to what customers might do in the future: they are doing everything they can right now to prepare for the inevitable unpredictability of customer behavior at every level possible: from how a product gets to its destination to what that destination even looks like. It's an important distinction.

Resilience Over Time

When it comes to *resilience*, Winners' next few years will be quite busy fortifying their operational models as much as possible (Figure 18).

Figure 18: Winners' Next Three Years



Source: RSR Research, August 2023

The COVID-19 pandemic presented myriad “free” lessons for those willing to learn, and what Figure 18 shows us is that Winners were open to the education. Winners plan to spend the next 36 months steeling their businesses as much as possible to whatever the world throws their way – be it crises resulting from climate change or a workforce that completely decides to “quietly quit” all over again.

Winners also want to know more about the health and wellness of their workers. They want to make their workplaces more equitable for anyone willing to put in the work. And they want to be able to understand what the data is showing them about where the risks are at *everywhere in the physical work environment*. It’s both noble and practical. It’s also necessary in a time when competition for both consumer and employee loyalty is only a click away.

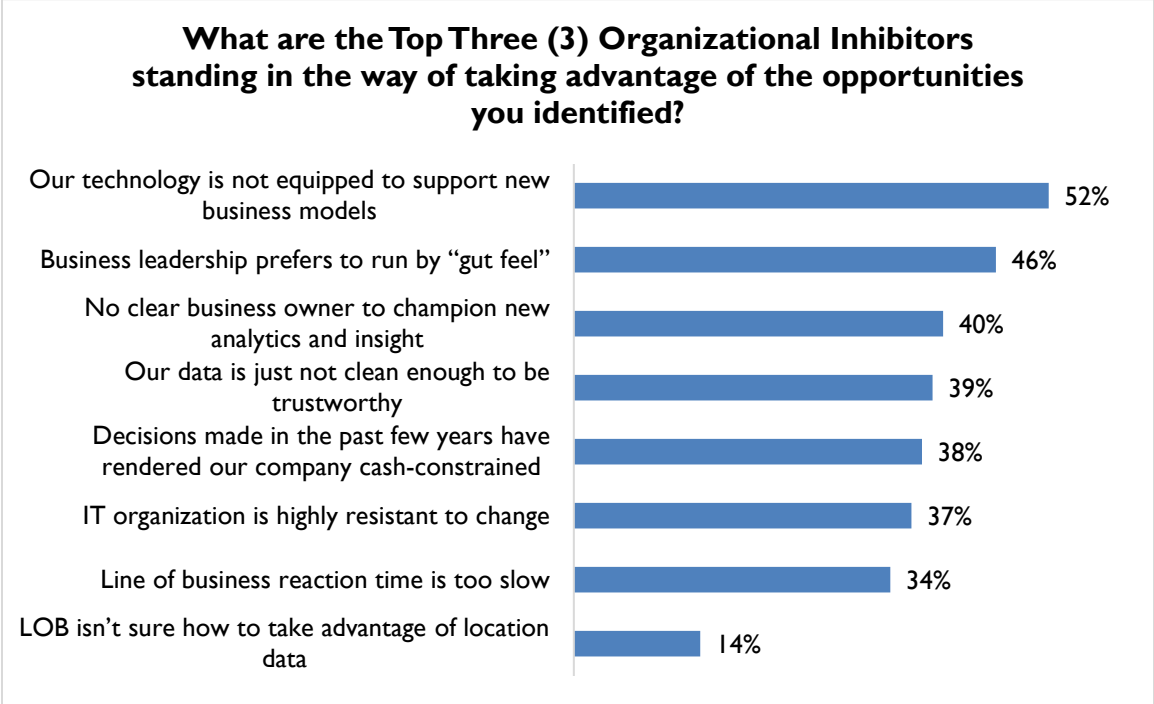
Let’s see what’s holding more retailers back from doing all they can.

Organizational Inhibitors

A Capital ‘P’ Problem

Our retail respondents suffer no illusions. The primary reason they have yet to realize more of the long list of Opportunities identified in this benchmark report is simple: they are working with legacy technologies, many of which were implemented when the agility required by today’s business models would have seemed like fantasy (Figure 19).

Figure 19: The Ugly Truth



Source: RSR Research, August 2023

To put a finer point on this, the fact that 52% of retailers say that “our technology is not equipped to support new business models” is significant. The fact that only 38% of retailers selected this option when we last conducted this survey less than 2 years ago makes it more so. This isn’t just a problem – it’s a *growing* problem.

It bears noting, however, that our retail respondents don’t *just* blame the fact that many of their systems are rooted in the past. The second most-selected offering is that business leadership still prefers to run by “gut feel.” For the newest generation of retail leaders, this modus operandi plays every bit as old-and-in-the-way as the DOS-based systems at stores.

Indeed, “this is how we’ve always done it” is truly the enemy of progress. However, as we’ll soon see, the very fact that our respondents are **aware** of these technology and personnel issues means they have the ability not only identify them, but to *envision a path beyond them*.

The Dose Makes The Poison

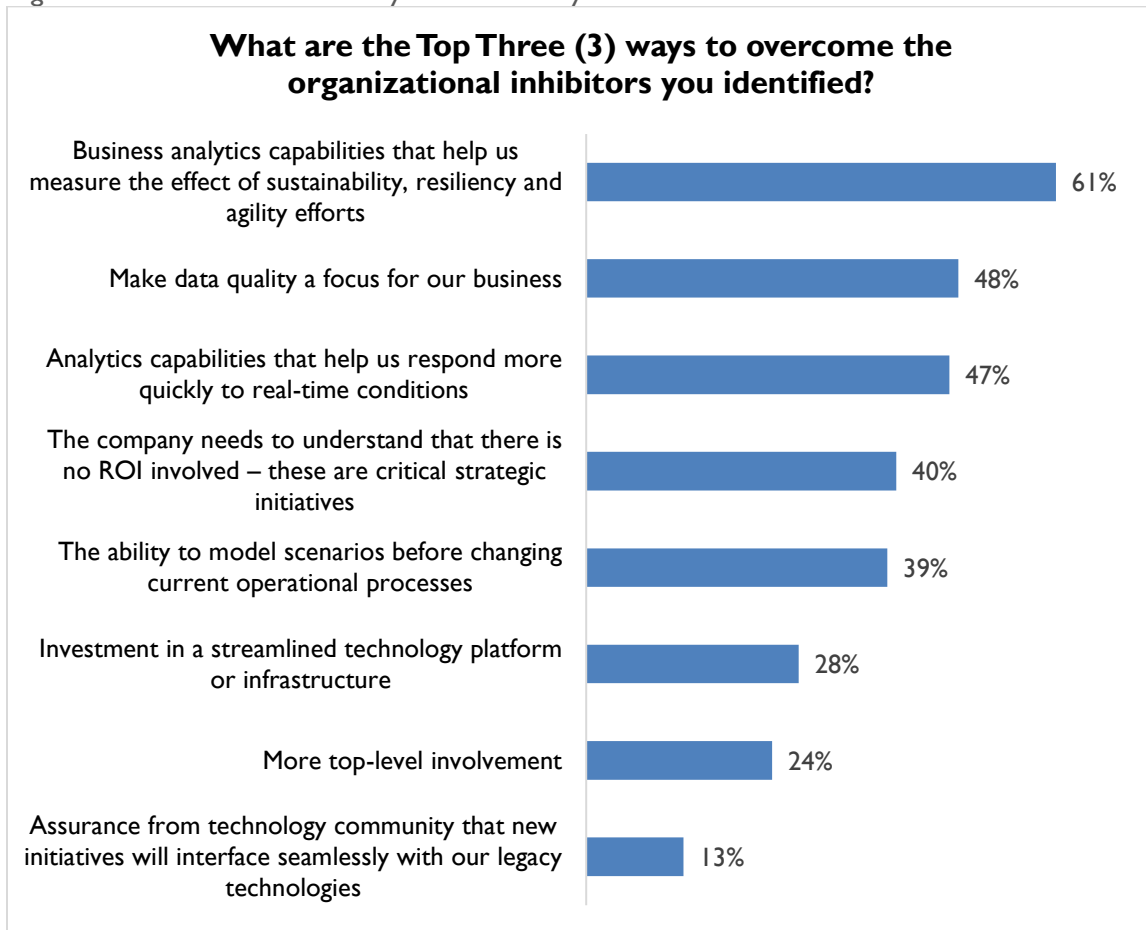
If arcane technologies are the roadblock, better data and analytics *to make sense of that data* will show the way around the inhibitors that retailers identify. Figure 20 shows something of a “holy trinity” for a way forward:

4. Improved data quality will enable the business to become focused on what matters most;
5. Analytics to allow retailers to respond to incidents as they arise (in real time), and, ultimately;
6. *Business analytics* will help to measure the business effects of those efforts.

The virtuous cycle of sustainability, resiliency, and agility is entirely interconnected, but at its core, it is entirely dependent on the best data and analytics available to enable real sustainable change.

To call this an ecosystem would be a dramatic understatement.

Figure 20: A Virtuous Ecosystem At Play



Source: RSR Research, August 2023

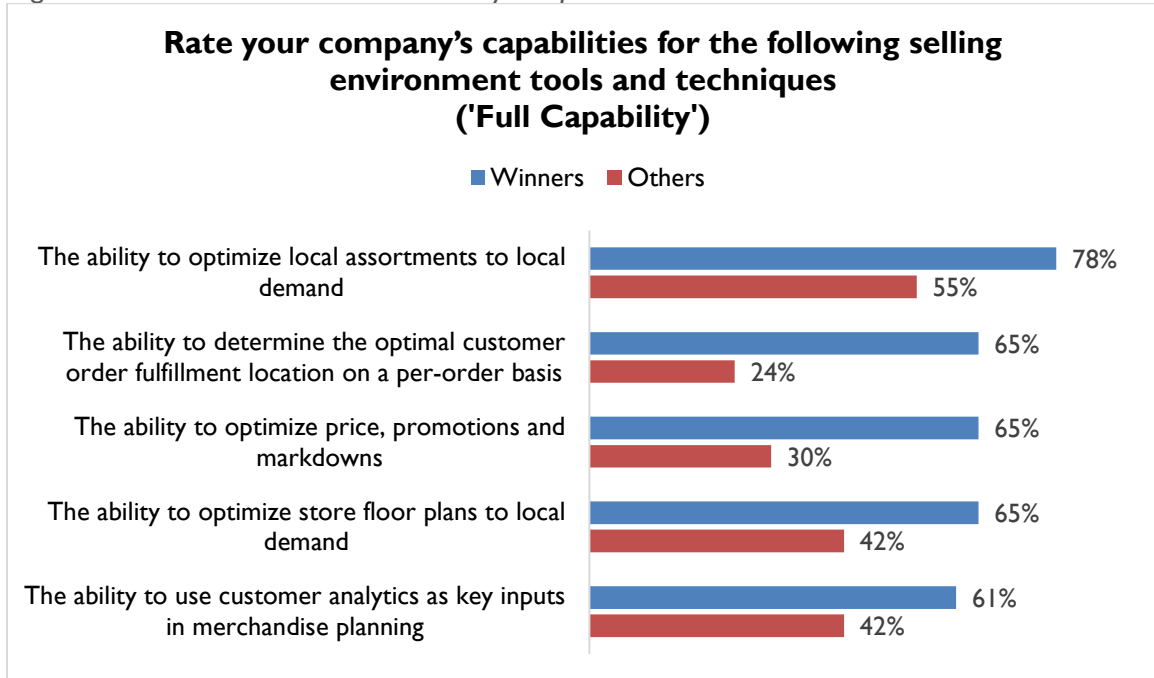
Now let's explore where retailers see technology being able to help, and just as importantly – where they are planning their investments.

Technology Enablers

The Current Battlefield

To understand how retailers approach technology enablers, it's important to first level-set current capabilities. Figure 21 makes clear just how much more capable the retailers with the best performance already are within the *current* selling environment. “Good” retailers are in good shape. Challenged retailers will undoubtedly be challenged further.

Figure 21: Where You End Usually Depends On Where You Start

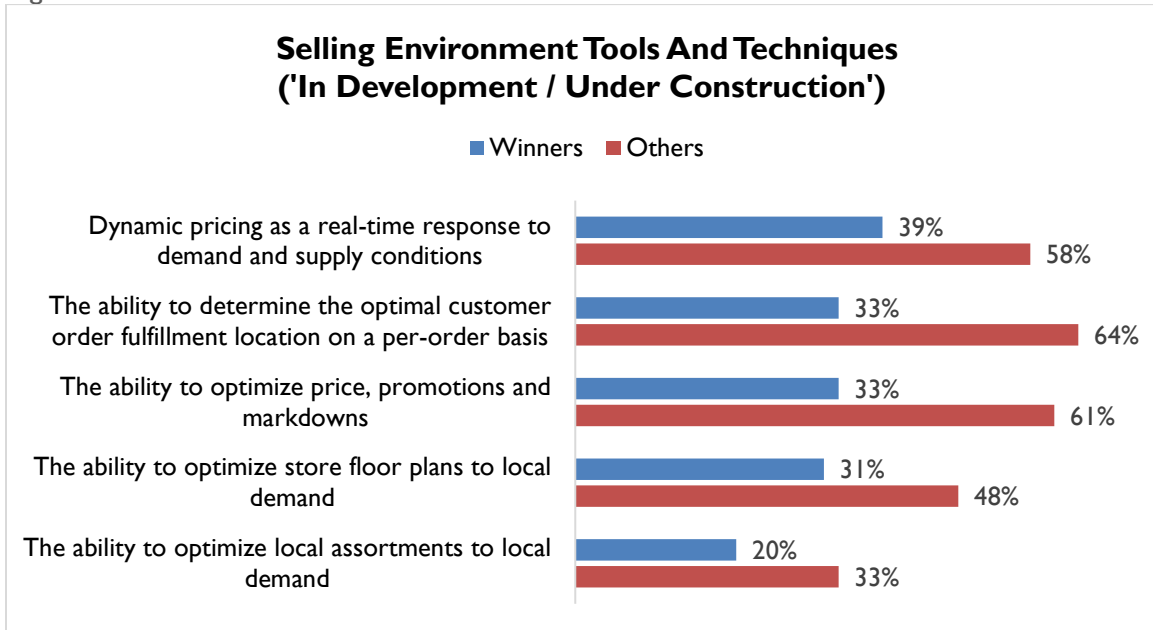


Source: RSR Research, August 2023

This trend applies to all corners of the selling process: the ability to plan which merchandise to sell, the ability to figure out where that merchandise should be allocated (and whether or not it need be localized), the ability to price it once it's there (or if, after too long, it should be promoted or marked down), and ultimately, how an ensuing customer order should best be fulfilled. This is not a subtle head start for Winners.

However, while “challenged” retailers may be starting from a position of disadvantage, it's not wise to count them out just yet. Figure 22 shows which selling tools and processes are currently in development. Average and underperformers are currently working hard to deliver in a whole slew of important aspects of the selling environment.

Figure 22: Construction Ahead



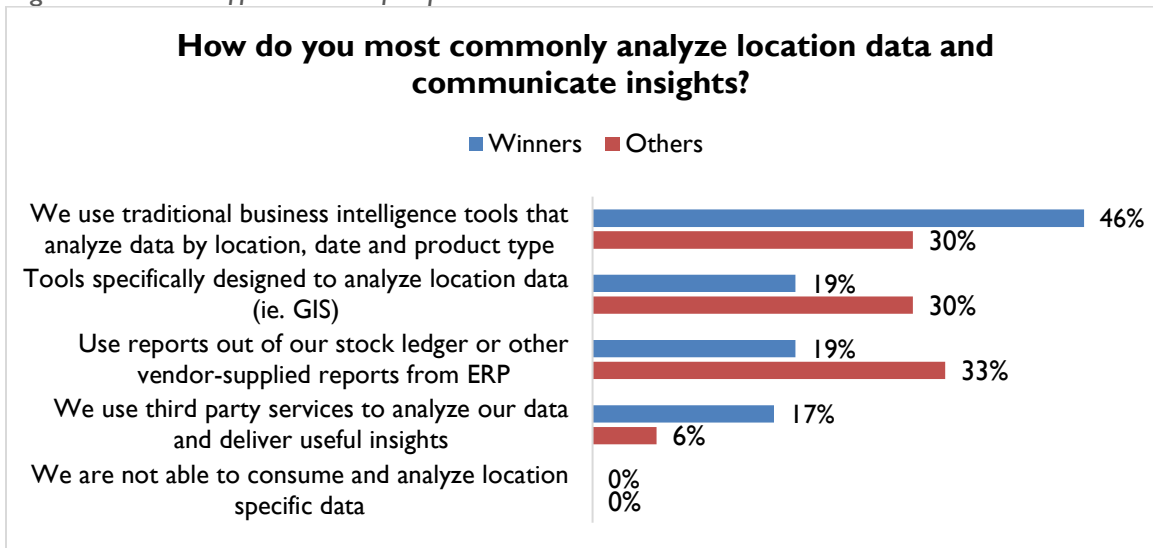
Source: RSR Research, August 2023

Variance In Approach

Another area worth examining is what retailers are doing with the data they collect from location-enabled capabilities. As Figure 23 clearly illustrates, the best performers have integrated geo-location data into their existing analytical tools to gain insights across a combination of factors (location, date, and product type). Average and under performers, by contrast, are most likely to utilize ERP-provided or stock-ledger reports to analyze whatever location data they've collected, although almost as many are searching for another answer.

This is yet another indicator of how much more advanced Retail Winners' systems and processes *already* are.

Figure 23: A Difference Of Opinion

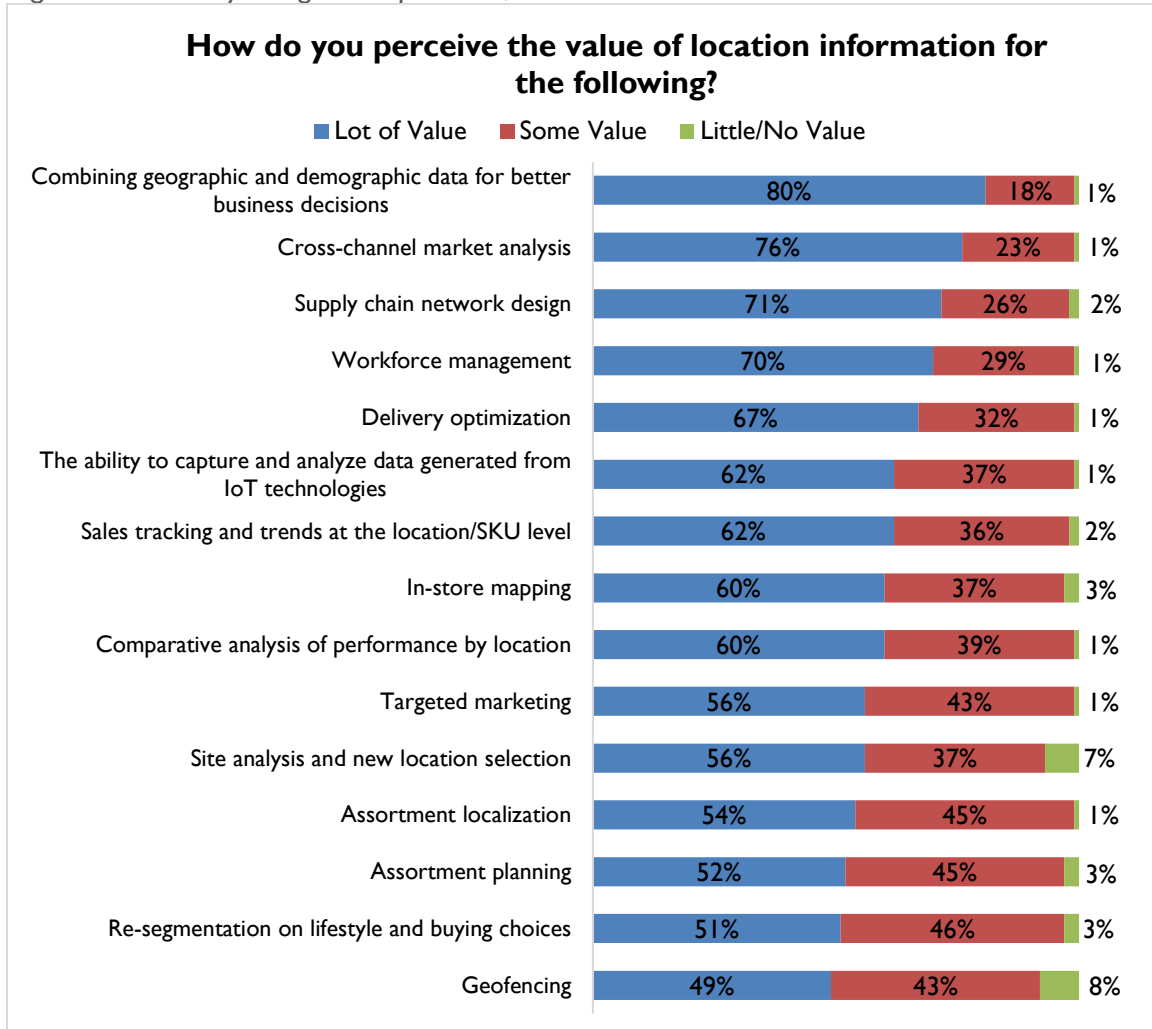


Source: RSR Research, August 2023

Clear And Present Value

When it comes to the how and why retailers would want to use location information, the list is somewhat overwhelming: almost no area of the business doesn't stand to gain (Figure 24).

Figure 24: Everything Is Important, But Cross Channel Most



Source: RSR Research, August 2023

While the topline finding, above (*combining data for better business decisions*), is interesting, it serves as an umbrella that covers all the data points that follow. As a result, Figure 24 serves as prioritization scale: location data can create many opportunities.

But with that topline finding as an outcome, cross channel market analysis is the way retailers hope to reach that outcome most. At a time when cross-channel selling reactions to increasingly erratic cross-channel buying patterns can literally make or break a retailer. Retailers understand the stakes.

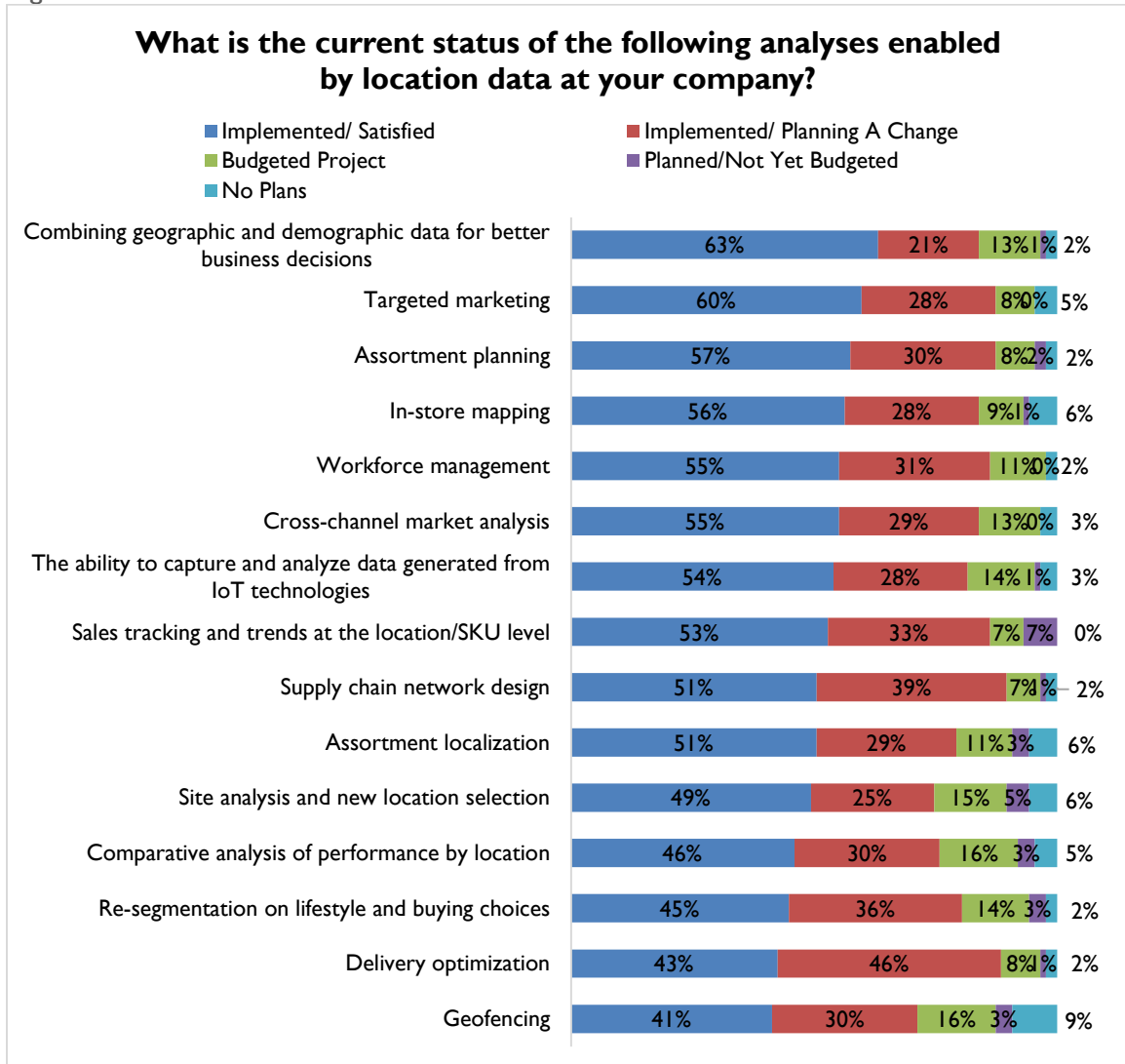
Place Your Bets

If Figure 24 highlights retailers' *understanding* of the stakes, Figure 25 serves as nothing short of testament. Retailers are spending in accordance with their priorities. From assortment planning to

supply chain network design, from site analysis to workforce management, retailers are investing in location-based technologies to help every aspect of their businesses.

They may have been slow to get moving, but retailers are now in the throes of a massive investment cycle.

Figure 25: All In

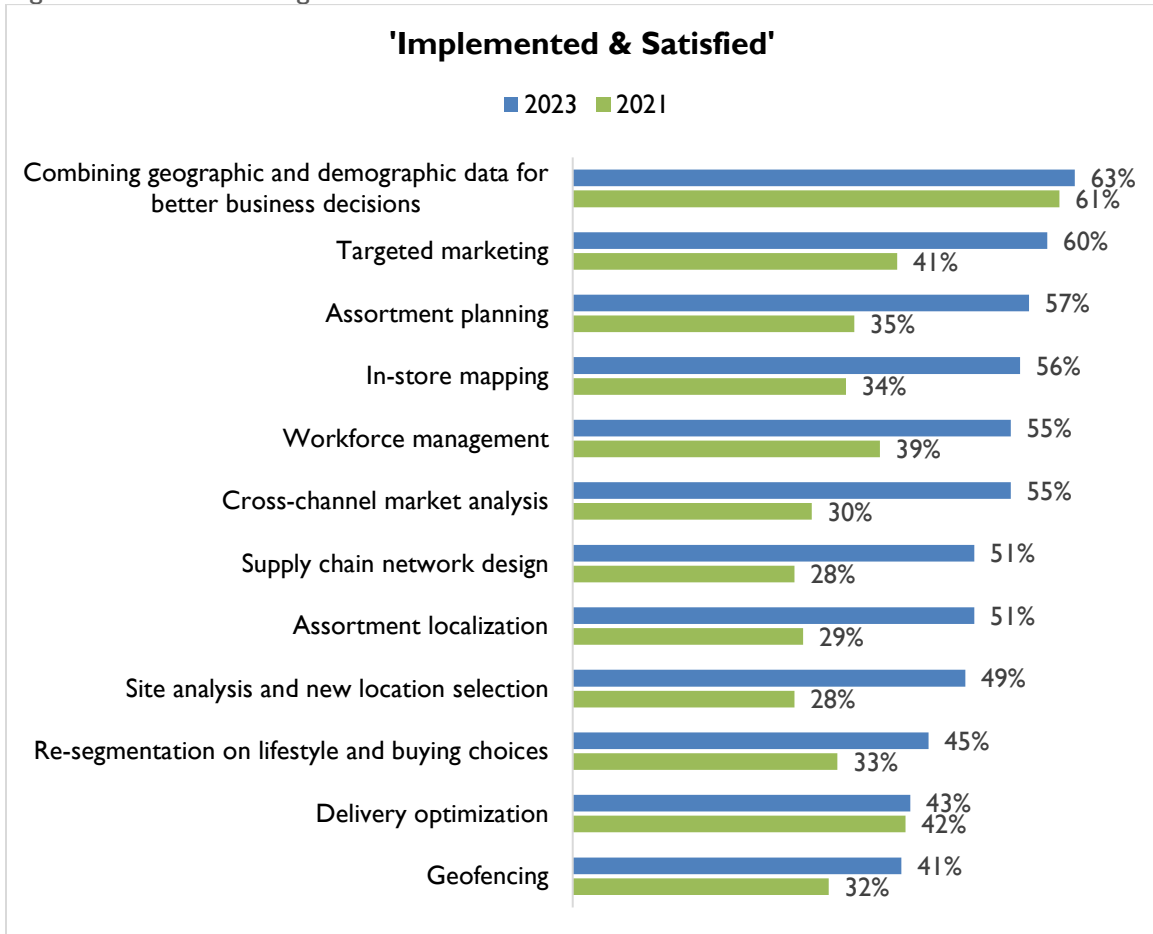


Source: RSR Research, August 2023

Full Steam Ahead

While the results of this report have shown that the changes required to adopt a more resilient, agile, and sustainable enterprise may have gotten off to a slow start, Figure 26 closes out by showing that they are at least underway.

Figure 26: In The Right Direction



Source: RSR Research, August 2023

It is important to note that Figure 26 highlights the *implementation and satisfaction* across a broad spectrum. From the planning and allocation of products to the marketing of those products, to the management of the people tasked with selling those products to the delivery of them to the end consumer – and every analysis point in between – **retailers are happy with the investments they've been steadily making in location-based technologies.**

As this report has called out frequently, they still have a long way to go. But they are happy with the choices they've made thus far. It's a great start.

BOOTstrap Recommendations

It is increasingly clear that a “wash, rinse, repeat” business model doesn’t work anymore in retail. Both consumer demand and supply have become less predictable, and as a result, retailers seek to improve their operations to be more **agile** and **resilient**, to ensure more **sustainable** growth.

Let’s define those terms:

- **Agility** is the ability to quickly adjust to changes in consumer demand;
- **Resilience** is the ability to respond to supply side shocks;
- **Sustainability** is the ability to support ecological, human, and economic well-being. Here, it’s important to note that consumers are pushing retailers to focus more on *ecological* and *human* well-being, while retailers are focused on consumer careabouts to further their own *economic* well-being.

From the insights highlighted in this study, RSR offers the following recommendations to assist retailers in their efforts to achieve greater agility, resilience, and sustainability.

It’s Not Just About Winning, It’s About Surviving

The RSR team has observed for years that a key difference between Retail Winners and other retailers is that over-performers *view their information assets as strategic weapons*, whereas average and under-performers use those assets tactically, typically to control operations. In the current environment, it’s better to say that **survivors** use information assets strategically, while failing retailers can’t or don’t.

Sustainable growth is entirely dependent on data and insights. And importantly, customer analytics are at the center of Winners’ decision-making processes.

Consumers’ Sustainability Concerns Are Vital To Achieving Sustainable Business Growth

Retailers prioritize several qualitative attributes of sustainability – ethical sourcing, environmentally conscious practices, social responsibility when it comes to factory labor – over quantitative attributes like improving energy efficiency, eliminating waste, reducing the carbon footprint, and becoming carbon neutral. They set their priorities because those are things that consumers increasingly care about. At best it’s early days before any of those priorities become real. But it’s a start.

IT Investments Are Overdue

Retailers have historically been stingy about IT spending. Before the global pandemic of 2020-22, *some studies pegged retail IT spending at about 1.5% of sales*, compared to a *cross-industry average of 4%*. Before 2020, retail was still arguably a *physical* business - approximately 85% of all sales happened in the stores. After 2020, a huge percentage of consumer shifted to the *digital* domain, even if many purchases ultimately were completed in a store. Now, the new storefront is digital. To paraphrase: “this is not your father’s IT”.

The new selling environment requires a very different IT posture than in the past – starting with big new investments in data analysis tools, techniques, and expertise. Retailers’ ability to respond quickly to changes in both supply and demand depend on it.

Eyes On The Supply Chain

Although in this study retailers prioritize the consumer side of the business even more than the supply side, the ability to “*monitor the supply chain in real time and react as necessary*”, use “*digital twin <technologies>... to evaluate disruption scenarios and prepare supply chain to minimize financial impact*”, and to enable “*real time inventory management/visibility*” are all top-of-mind capabilities for retailers. And, they are all IT dependent.

Scenario Planning / Predictive Modeling Is Vital

Three-quarters of Winners view their ability to use predictive modeling techniques as key to helping them to react much more quickly to supply chain disruptions and sudden shifts in demand. Less than one-half (45%) of average and under-performers view this capability as “very important”. They are wrong.

Consumers Are Talking – Pay Attention

Consumers generate a huge amount of information during their digitally enabled shopping journeys that can be used by retailers to understand how, when, where, and why shoppers make the choices they do. But shoppers aren’t feeling the love. In fact, an October 2020 consumer study conducted by RSR revealed that 54% of consumers believe that “*my favorite retailers don’t know how to engage with me digitally*”, and 68% think that “*brands that I love don’t know enough about my shopping habits to identify me as one of their best consumers.*” That is a damning indictment.

Retailers clearly recognize that this represents a major challenge to their continued growth. Interestingly, while 80% of Winners rate “customer analytics” as very important to sustainable growth, even 70% of average and under-performers agree. Everyone needs to get on board.

Don’t Give Up On Efficiency

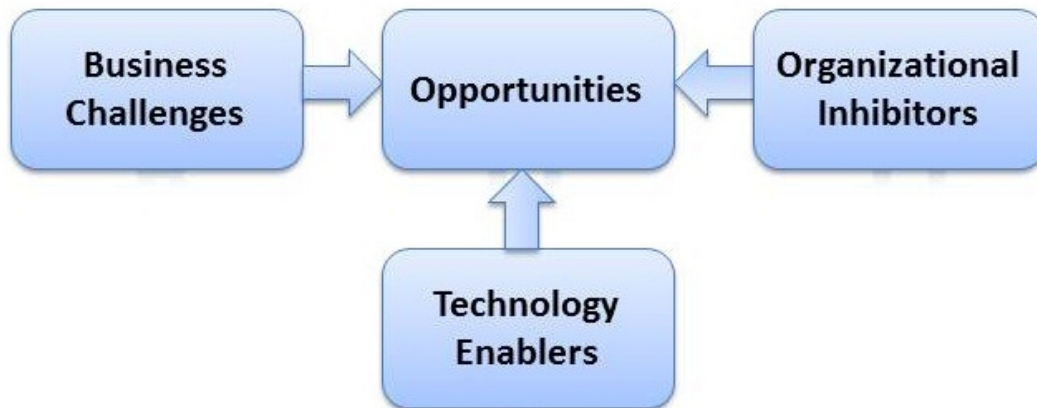
Retailers are focusing on top line growth, i.e., selling more, than they are on achieving and maintaining operational efficiencies. That may be necessary in the short term given the state of the selling environment. But retailers cannot lose sight of more “traditional” objectives, for example to optimize supply networks to deliver products to market at the lowest possible cost of goods. It shouldn’t be mutually exclusive to be either agile or to be profitable. Retailers need to be both.

Appendix A: The BOOT Methodology[®]

The BOOT Methodology[®] is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and “also-rans.”** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors, it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT Methodology[®] follows:



Appendix B: About Our Sponsor



Esri provides the world's most powerful mapping and spatial analytics software. Our product, ArcGIS applies The Science of Where to connect everyone, everywhere through a common visual language. It combines mapping and analytics to reveal deeper insight into data. For Retailers ArcGIS extends the key capabilities retailers need to understand why things happen where they do. Every transaction in retail happens in a specific place for a reason. Using ArcGIS, leading retailers find hidden insights in their data, enabling them to understand their customers and their enterprise.

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Appendix C: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

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