



2022 KPMG U.S. Technology Survey Report

Consumer and retail industry insights



Early successes fuel appetite for more digital wins

Consumer and retail companies are among the biggest spenders on digital technology, when measured as a percentage of their overall budgets. They also are more likely than most organizations to have reaped positive rewards from it—including better profits or performance. But they're not wholly satisfied. Consumer and retail executives polled in the 2022 KPMG U.S. Technology Survey are more likely than executives in all other industries to say implementation of their digital strategy, despite support and funding from leadership, isn't proceeding as fast as they had hoped.¹ Behind their desire for more speed is a keen focus on meeting growing customer expectations.

1 In May and June 2022, KPMG U.S. surveyed 1,052 U.S.-based, executive-level technology leaders across eight broad industry sectors about the current state of their organization's digital transformation journey, the challenges they are facing along that journey, and their planned technology investments. This report highlights the most significant differences in the survey findings for the consumer and retail sector relative to all sectors represented in the survey.

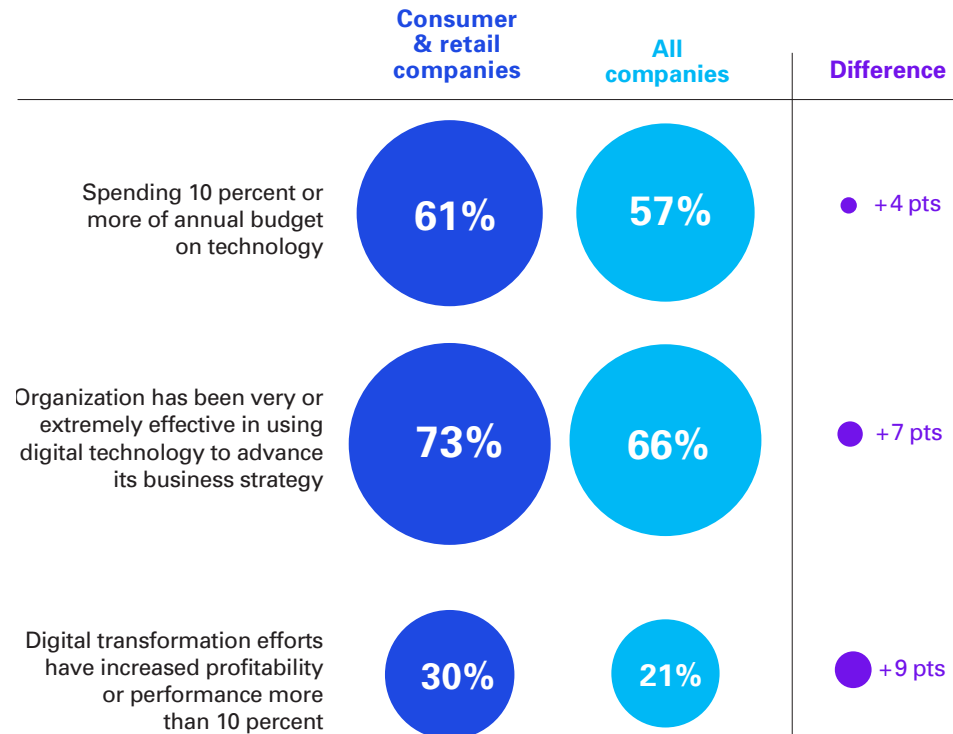
What have you done for me lately?

At first blush, digital transformation would seem to be a big win for consumer and retail companies, who are investing at a high level and getting positive results from their investment. Sixty-one percent are spending 10 percent or more of their annual budget on technology, versus 57 percent of all companies. Seventy-three percent have found their investment in digital transformation very or extremely effective in helping to advance their organization's business strategy, versus 66 percent of all companies. And 30 percent have seen their profits or performance boosted more than 10 percent as a result of digital transformation, versus just 21 percent of all companies. (See Figure 1.)

Nonetheless, many consumer and retail executives appear to want more. Fifty-seven percent—more than in any other industry—say implementation of their overall digital transformation strategy is moving slower than expected, despite support and funding from company leadership. And only 33 percent—the fewest in any industry—say their organization is proactive in progressing against its digital transformation strategy. Sixty-four percent say their organization is lagging in investing in emerging technologies—that a strategy is still under design, but that a broad initiative has not yet started or only a few areas are being evaluated prior to further rollout—versus 48 percent of all companies. And just 32 percent say their organization is proactive in progressing against its artificial intelligence (AI) and automation strategy, with 42 percent saying implementation on that front is behind schedule. (See Figure 2 on next page.)

Figure 1: Companies see meaningful wins from digital transformation

What consumer and retail companies say about their investment in digital transformation:



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.

WHAT HAVE YOU DONE FOR ME LATELY?



“Just because you spend on technology doesn’t mean adoption is going to be automatic.”

— Sam Ganga, National Consulting Leader, Consumer & Retail, KPMG in the U.S.

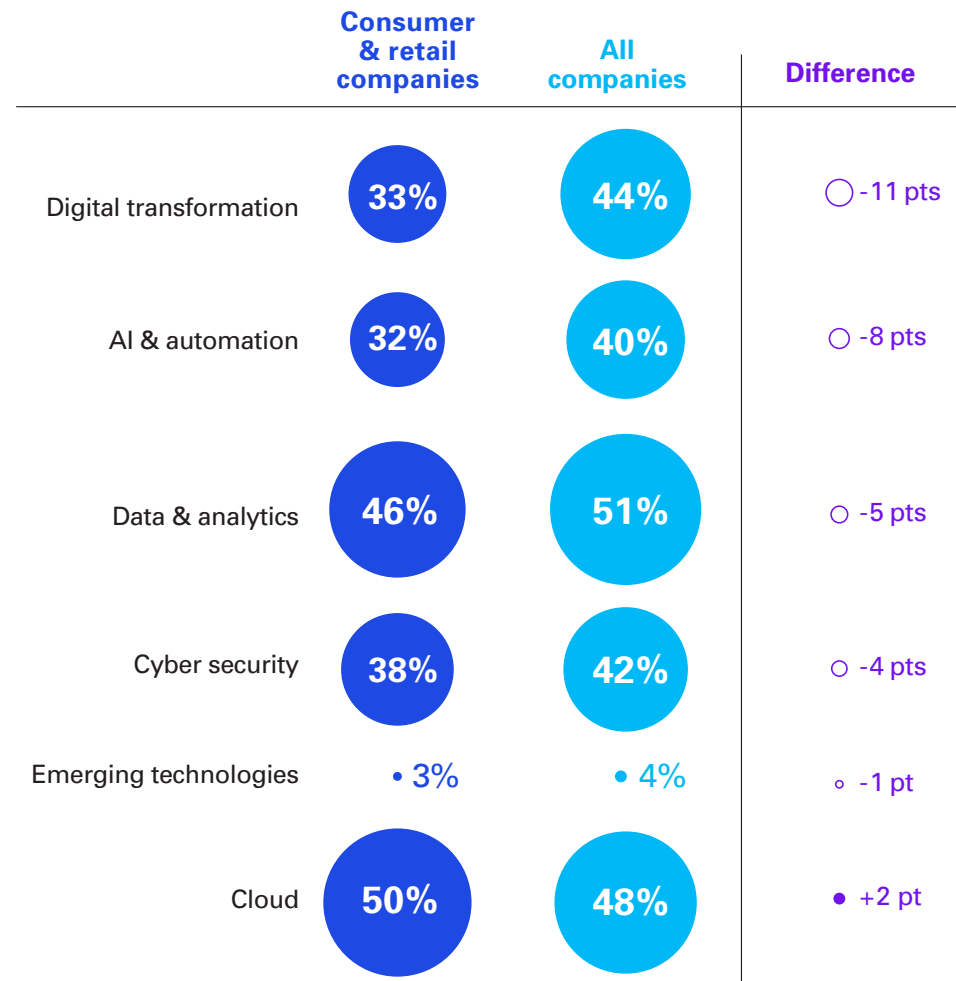
“Just because you spend on technology doesn’t mean adoption is going to be automatic,” says Sam Ganga, national consulting leader, Consumer & Retail, for KPMG in the U.S. “You’ve got to figure out how you’re going to use that technology to deliver measurable value for the business.”

While consumer and retail companies have enjoyed success with digital transformation in pockets of their business, like marketing and promotions, Ganga says, it’s not happened uniformly across the enterprise.

A key reason for wanting to move faster with digital transformation, Ganga says, is because customers are forcing consumer and retail companies to up their game. Customers increasingly expect companies to understand who they are and what they want along every point of the customer journey. They also expect companies to be able to cater to their needs in a seamless fashion via whatever

Figure 2: Speed of digital transformation is nonetheless lagging expectations

Percentage of organizations proactive in progressing against their strategy and continually evolving in the following areas:



Source: KPMG U.S. Technology Survey Report, KPMG LLP (U.S.), 2022.

WHAT HAVE YOU DONE FOR ME LATELY?

channel they prefer. Indeed, 61 percent of industry executives—the most in any sector—say a desire to accelerate customer centricity and engagement is a key driver of their organization’s digital transformation agenda and corresponding investments. That compares with 52 percent of executives in all industries. Like businesses in many sectors, consumer and retail companies recognize that operating in an increasingly digital world requires a strong focus on cyber security, both to protect their organizations and their customers and to meet regulatory requirements around data privacy. When asked to cite the most influential drivers of increased cyber security spending, 44 percent of industry executives point to government oversight/regulations, versus 32 percent of executives in all sectors. Half also mention a need to improve the customer experience, versus 42 percent of all executives.

The top cyber security challenges consumer and retail organizations face are rooted in the adoption of remote/hybrid work environments, cited by 35 percent of industry executives (versus 36 percent of all executives), the increasing interconnectivity of systems (34 percent versus 24 percent), and the automation of services and processes (30 percent versus 21 percent).

“I suspect many of the concerns these organizations have around cyber security regulation are less about cyber security in the traditional sense and more about privacy, given all the privacy laws pertaining to the personal data of consumers that have been enacted over the past four years,” says Duleep Rodrigo, national advisory leader, Consumer & Retail, KPMG in the U.S. “But to the extent companies are engaged in e-commerce and collecting payments online, they are subject to some of the same tax and regulatory regimes that apply to financial services firms.”

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of consumer and retail executives cited the adoption of remote/hybrid work environments as their top cyber security challenge.



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Getting more from digital transformation

In working shoulder to shoulder with clients in the consumer and retail sector, KPMG has identified three important ways companies in this industry can get more from their digital transformation initiatives. They center on their data, cloud, and cyber security strategies.

With the survey showing that only 46 percent of consumer and retail companies are proactive in progressing against their data and analytics agenda (versus 51 percent of all organizations), creating a more data-driven culture will be critical to success in this sector—and represents a massive opportunity for any organization still lagging behind its peers. Companies across the sector now have access to a broad array of customer data to inform strategy and tactics. “They’re not taking advantage of the opportunity if they are just collecting data, which could lead to growth and profits slipping through their fingers. Data should be used to change the way decisions are made and deliver more for the customer.” Ganga says. “We see that happening not only in the survey findings about this sector’s slower-than-expected progress on data and analytics but also on AI and automation.”


At the same time, consumer and retail companies need to be maniacally focused on moving not just their big enterprise applications to the cloud but also smaller applications used by discrete parts of the business—and even work currently being done in spreadsheets.

“There’s an incredible amount of data still locked up in custom applications that needs to be modernized and migrated to the cloud so that it can be used more effectively,” Ganga says.

Ganga encourages IT organizations to take advantage of low-code and no-code software platforms to speed the modernization and migration of those applications, and then work with end business users to take advantage of the data embedded in them. It’s important to look beyond common metrics—which are our most profitable SKUs, our most valuable customers—to find ways to provide better or

more personalized service for customers. With better data management in a more nimble cloud environment, for example, logistics managers could use data to better ensure that inventories reach stores, or orders reach customers, even amid supply chain disruptions.

On the cyber security front, Ganga suggests that consumer and retail companies begin thinking more about edge protection—how to safeguard against bad actors who might seek to penetrate their defenses by attacking through remote facilities like stores or distribution centers rather than corporate headquarters.



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Unlike business-only consultancies, our more than 15,000 Technology professionals have the resources, the engineering skills and experience, the battle-tested tools and solutions, and the strategic alliances with leading technology companies to help achieve your vision quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials and sector experience to help you deliver measurable business results, not just blinking lights. We're recognized by industry analysts as a leader in advanced technologies: AI and automation, data and analytics, cyber, low-code, and more.

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