IDC

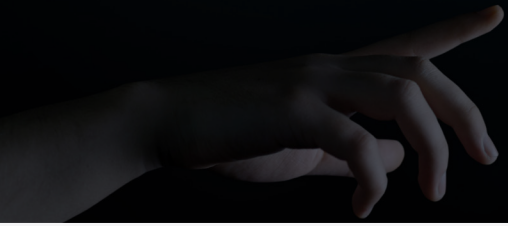# How Data-Driven Digital Transformation Enables Profitable Retail with a Purpose

Top 5 Factors Driving Retailers' Sustainability Initiatives

52%
Improve operational efficiency and costs

46%
improve brand reputation

43%
Create business value through differentiated products or services

37%
Improve partner/supplier relations and respond to their requirements

36%
Hire and retain top talent/ improve employee experience

Today's retailers face a confluence of challenges unprecedented in modern times in variety, scale, and complexity, ranging from geopolitical strife, weather events and Covid-19, to demanding customers, labor and supply shortages, and an expanding array of omnichannel customer journeys. Facing such strong headwinds, retailers are challenged to control costs and protect margins. But there's another urgent challenge in the mix: retailers are under intense pressure from consumers, employees, and investors to operate responsibly with respect to people and the planet. To illustrate: 45.6% of consumers in IDC's July 2022 Consumer Sentiment Survey said that they make decisions about the retailers they do business with based on those organizations' sustainability records, and 83.9% of consumers say they will pay more for items and services that are produced sustainably. Consumers, employees, and investors alike want to align themselves with responsible, purpose-driven organizations.

It's a common belief that controlling costs is antithetical to operating sustainably – that being responsible and protecting margins are mutually exclusive. They are not. In fact, if a retailer is successfully operating sustainably, controlling costs is built into its business model: Operating sustainably means using resources efficiently and optimally. Retailers instinctively understand this connection, which is why, when asked what's driving their sustainability initiatives, their top response is 'improving operational efficiency and costs.' A retailer becomes more efficient and less wasteful when it digitally transforms, eliminating silos and embracing technology such as cloud, AI, and IoT to capture data at the source, integrate

it into a single, unified platform, and analyze and use it intelligently and in real-time to optimize across the end-to-end enterprise and ecosystem.

> **A single, unified, data platform enables organizations to fulfill the needs of ESG reporting.**

When looking to operate responsibly in a recessionary environment, intelligence makes a difference

An important aspect of operating sustainably is operating intelligently. If you are operating intelligently, you are coordinating your end-to-end enterprise in an optimal way to operate more efficiently, eliminating unnecessary waste — time, energy, labor, inventory — across channels, in the store, and throughout the supply chain. You are sharing data across the enterprise and ecosystem, empowering people of diverse skills and interests to work more collaboratively to make better decisions, and enabling detection of trends or anomalies in real time. You are using the more holistic view you achieve through visibility and insight across your end-to-end organization to make better decisions for the whole — company, community, country, globe – even while continuously improving all of the parts.

How does a responsible retailer behave? A responsible retailer will—

Account for the full product journey along the end-to-end concept-to-consumer value chain:

A holistic sustainability strategy takes into account the environment and people across all product and service planning and execution, from design and development, merchandising, sourcing, production, inventory management, transportation and logistics, through order management, fulfillment, and post-purchase activities including returns, repairs and recommerce. What does this mean? A few examples include:

- Designing with the end in mind by using environmentally friendly materials, and collaborating in real-time across design, merchandising, and production to address market trends, minimizing wasted time and materials

- Inventory sourcing that includes scope 3 data collection, sharing, and reporting, from suppliers compliant with energy, water usage and other sustainability targets

- Optimizing transportation, last-mile delivery routes, space inside vehicles, and situating inventory closest to where it will be purchased as well as enabling easy, workflow-driven returns and reverse logistics.

Make smart use of brick-and-mortar stores:

While the supply chain accounts for a large portion of an environmental footprint, and while most customer purchase journeys interleave digital and physical footprints, stores still comprise 85% of sales. What does this mean? In-store shopping is alive and well! Your store offers a host of opportunities to demonstrate the ways in which a retailer responsibly stewards its environmental and people resources as well as to encourage sustainable habits on the part of consumers by:

- Communicating principles of ESG with the consumer, which might include the retailer's or brand's own efforts at energy, water, or packaging reduction or guidance for post-purchase consumer care of products.

- Creating an easy, engaging and seamless digital-physical experience for the consumer inside the store, which can reduce the need for last-mile deliveries (including returns), saving on fuel use, labor, and packaging, while keeping the consumer close to the beating heart of the retail experience.

- Offering personalization to consumers by understanding where they are in their omnichannel shopping journey and serving up information, suggestions, coupons, or other engagements that strike a chord with each individual, building loyalty and increasing revenue.
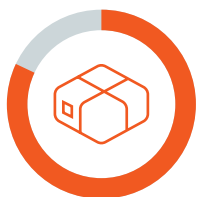
34.9%
of consumers say they're likely or very likely to go elsewhere if a retailer doesn't offer visibility into its ESG practices

82.1%
of consumers say that when making decisions about purchasing in the moment, the amount and type of packaging (minimal vs. too many layers, unnecessary bulk, many single-serving containers, etc. -- it is somewhat or very important to them.

81.6%
of consumers say that the distance a product travels is somewhat or very important to their in-the-moment purchasing decisions.

54.9%
of consumers say they're likely or very likely to go elsewhere if a retailer doesn't offer the ability to return an online purchase instore.

81.3%
of consumers say that it is somewhat or very important to them that retailers accept used items for recycling, repair, or resale.

Empower your workforce.

How do you achieve operational efficiency and costs? Through intelligence. By gaining visibility and insight into data, retailers empower people, with the aid of technology, to make better decisions across the end-to-end enterprise and the extended ecosystem. When organizations digitally transform, two amazing things happen: 1) automation eliminates boring, redundant, error-prone work, opening the door to faster, smarter analysis and decision making and enabling a retailer to better balance business priorities; and 2) the scale and speed of and real-time accessibility to data enable organizations to get information into the hands of stakeholders who need it, including frontline retail workers, who are freed of some manual, labor-intensive tasks and better able to engage meaningfully with consumers. You can enable your workforce by:

- Putting information at their fingertips with mobile devices that provide insight into available inventory, inventory location, customer orders and order history, or whatever they need to best serve the consumer.

- Providing task workflows and assigning tasks intelligently to take advantage of each individual's strengths

- Providing user-friendly platforms that are engaging and easy to use, but also training that draws employees into your company's mission and ensures that they understand the value they bring to the organization.

57.4%
of consumers say they're likely or very likely to go elsewhere if sales associates are unavailable or unknowledgeable

55.9%
of consumers say that it is likely or very likely that they will choose to shop elsewhere if they are not recognized as the 'same' person in-store and online by a retailer.

The efficiency that digital transformation brings goes hand in hand with sustainability. Through a unified data platform that enables better collaboration across the concept to consumer supply chain, retailers are better able to build brand loyalty and create business value through differentiated products or services, improve partner relationships, and attract and retain top talent – all of which are top drivers themselves of sustainability.

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