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Forging Ahead

The retail and consumer goods industry and the cloud.

Cloud survey report:
Industry experts explore
the current and planned cloud
adoption strategies of senior
IT professionals.

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Introduction.

Retailers and consumer goods (CG) companies are facing a time of change unlike any other in the industry's history. Consumers are hyperconnected and prepared to discriminate not only on price, but also on values and lifestyle. New business models—such as on demand and subscriptions—are changing buyers' behavior. And the lines that traditionally divided manufacturer and retailer are blurring. How is cloud helping companies to navigate an industry in flux?

Companies are well aware of the business benefits of cloud, and they are moving accordingly. 41% have a cloud strategy that is fully in place or already largely executed (48% among retailers and 35% among consumer goods firms).

On average, they are further along their cloud migration than contemporaries in most other industries. And they are embracing cloud to open up new channels to consumers, get ahead of competitors, and offer better customer experiences.

The research indicates the retail and CG industry has a higher than average proportion of companies with an application infrastructure that is mostly or significantly cloud based.

This report is based on the responses of 164 senior IT leaders occupying a range of roles within the retail and consumer goods sectors. The research was conducted in late summer 2017 as part of a larger survey of 730 senior IT decision-makers in 13 countries and nine sectors.

The data driver.

Thanks to the increasing importance of personalization, the industry understands better than most the benefits of managing data in the cloud. And with 52% of businesses adopting data as a service (DaaS), the retail and consumer goods industry has a higher level of expertise in cloud-based data management.

We can explain this relatively quick DaaS adoption by considering both the industry's high use of analytics and the key role played by data. 50% of companies are currently analyzing data in the cloud, and a further 45% plan to in the next one to three years.

Even before cloud services were commonplace, retail companies were routinely buying information, including syndicated, panel, and trading-partner data. However, in recent years, the amount of information they can gather and interrogate has ballooned. From simple frequency data about transactions to the behavioral and emotional aspects of purchasing—gleaned from social media or other online recommendations. DaaS allows businesses to enrich their understanding of consumers and act accordingly.

However, they've been somewhat slower to embrace PaaS: just 45% have adopted a cloud platform service, compared with 55% across industries overall.

One explanation for this discrepancy is the belief that PaaS integration can lead to increased downtime and have a negative impact on productivity—cited as the leading challenge among companies. Yet those that have already rolled out PaaS have seen the benefits: more than half of businesses say PaaS enables them to better manage and analyze their data.

Generally, the industry favors using private cloud, but it has higher-than-average levels of hybrid cloud adoption. The average company has 28% of its applications hosted using hybrid cloud—the highest use of hybrid cloud among any industry surveyed. This may be due to the lower numbers of businesses in the sector that expect hybrid cloud deployment to be affected by a lack of resources or security gaps.

Security, agility, scalability.

Security is a key concern across every industry, but security has added weight for retail and CG companies. Recent high-profile data breaches in the sector have pushed security up the agenda. The damage that data breaches can do to consumer trust—and to brands— means that security has become a board-level issue, and companies expect robust security to be built into their IT infrastructure at every level.

Security is also likely to figure so strongly because of the tougher environment businesses are facing. More than half (53%) believe that the frequency and impact of cyberattacks are increasing. External threats are also a concern for a significant proportion. 38% say they have experienced an outage due to hacking, while 30% say that malware has caused downtime.

Beyond security, priorities diverge from those of other sectors, with greater emphasis on running a more streamlined and responsive infrastructure. Increasing agility through scalability is a greater priority than in other industries, which reflects the shift to on-demand and service models among retail and CG companies. It is also the industry with the highest proportion of companies rating business operations management as one of their top IT priorities.

What are the top IT priorities currently within your organization?

1 Improving cybersecurity

2 Improving agility and scalability

3 Improving data storage, governance, and management

Businesses also believe that cloud technologies will allow them to better control their infrastructure. 52% say they expect cloud services will make their apps and infrastructure easier to manage.

Migration: prerequisites and priorities.

For businesses that have already moved to the cloud, or are planning to do so, the three top prerequisites are holistic security, integrated tools and services, and fast processes.

With those conditions in place, retail and CG businesses are most likely—with the highest rate reported by any sector—to prioritize customer-facing mobile apps for cloud migration. Where workloads are concerned, databases and data warehouses are those most likely to be migrated.

Both types of workloads are above the cross-industry average, with 61% saying they have earmarked databases for migration, and 54% saying the same about data warehouses.

Underpinning these trends is the ability to interrogate data—using it to make predictions, exploit it with artificial intelligence (AI) and machine learning, and use it to offer a better customer experience to hyperconnected consumers. They are also affected by the fact that data management is evolving at a speed that could not have been foreseen, even five years ago.

Taming the information sprawl.

The emergence of cloud-based data management products is giving businesses greater ability to exploit data than would have once been thought possible—making data interrogation both faster and more valuable.

For the companies that already conduct their data management in the cloud or are planning to do so, the principal driver is to do more with the great volumes of data they already hold. Improved management features for both structured and unstructured data, and increasing data accessibility were key motivators for managing data in the cloud.

And, given the importance of security to the industry, it's no surprise that the subject is once again top of mind in relation to data management. The most commonly cited challenge of moving to cloud-based data management is the perception of compromised data security. However, businesses are less likely than those in other sectors to cite gaps in security as a challenge when migrating. This could be because previous attacks have made them more conscious of protection.

There are also concerns about outages. Businesses cite downtime affecting their ability to access data as a key challenge when moving to cloud data-management solutions. With this in mind, businesses will be looking for service-level agreements that can guarantee continuity of service.

The importance of analytics.

Data is the lifeblood of every business. It enables companies to understand customers and more reliably predict future demand and trends. With so many digital interactions between consumers, businesses, and their partners, the amount of data that companies are gathering is growing exponentially. Unsurprisingly, the use of analytics is rising in parallel.

With so much information on board, greater use of analytics is allowing businesses to extract more value from the extensive data they capture about their customer relationships. For those using cloud analytics, speed and greater functionality are drivers. Enabling more sophisticated data analysis, better visualizing of data, and accessing information faster and more frequently were the most common reasons for moving to cloud-based analytics.

Perhaps unsurprisingly, given the value of insight to the sector, retail and CG companies are above the cross-industry average when it comes to using automation and machine learning to streamline data analysis.

Why and how to make the move.

Those businesses that have already moved to cloud, or are planning to, are most likely to cite IT cost savings and resource management improvements as key drivers. They also cite improved customer/client interaction and optimizing the collaboration of teams.

What were/are the key motivators behind your organization's move to the cloud?

1	Save on IT costs	4	Update IT infrastructure
2	Improve IT resource management	5	Optimize how teams collaborate
3	Improve customer/client interaction		

*Respondents chose up to three of 12 potential options.

Against a background of industry-wide change, companies can no longer afford to take on expensive, time-consuming, on-premises installs. The adoption of cloud applications gives companies the opportunity to move away from expensive and time-consuming setups, and configure implementations that are leaner, simpler, and quicker to install. Cloud not only allows them to cut the costs of deploying and maintaining software, but also to become more responsive—by adapting their cloud IT infrastructure to shifting markets, at a pace that on-premises infrastructure can't match.

And the industry seems to understand that cloud not only allows companies to make savings, but also stay ahead of their rivals. While two-thirds agree there are clear financial benefits in moving IT and application development to the cloud, a similar number say moving applications, DevOps, and workloads is integral to their competitiveness, agility, and responsiveness.

Cloud for collaboration and communication.

The sector's increasingly diverse supply chains give it one of the most sophisticated perceptions of the benefits of cloud for improved communication and cooperation between staff, partners, and other stakeholders. Out of all industries, it has the highest proportion of companies that agree that cloud allows wider and deeper collaboration between development teams.

Businesses are also more likely than those in other industries to cite optimizing collaboration as a reason to migrate to the cloud. The industry also rates the improvement of workforce mobility and collaboration as one of its top IT priorities. This emphasis on how cloud can aid collaboration is a result of it enabling a greater depth of data exchange within supply chains, and increasing the speed at which decisions can be made. This drives innovation forward.

Going further into cloud.

A number of retail and CG industry leaders are now building all their applications within the cloud. The industry has one of the highest proportions of companies that have developed all of their infrastructure estate in the cloud from scratch, and an increasing number of brands have grown up as cloud-only businesses.

This interest in cloud-only development is likely to be down to such a model helping with deployment across multiple channels. This is in response to a world where consumers are mixing their digital and in-store behaviors—researching a product in store before checking out recommendations on their desktop, exploring their personalization options in an app, and going on to make their purchase on a mobile or tablet device. About two-thirds (64%) of in-store purchases are influenced by digital media (with expectations of 90% by 2020).[1]

[1]Deloitte Digital, "Navigating the New Digital Divide: Capitalizing on Digital Influence in Retail," 2016

Cloud frustrations: slowed down by others.

Increasing integration of their supply chains and digitization of processes means that companies are seeing growing interdependence between their IT infrastructures and those of their partners. This reflects the current "race to the top," which is seeing retailers, CG companies, and their suppliers working together to achieve goals that benefit both. Yet this interdependence of value chains also means that the pace of cloud adoption may in the future be driven more by external factors affecting partners and suppliers.

Other concerns are more concrete: businesses are more conscious of a lack of visibility and control of migrating apps and workloads to the cloud, and the cost of cloud-specific tools, consulting, and training.

For some, this cost is exacerbated by their reliance on legacy systems that still run many of their day-to-day processes. It can take time to unpick these processes and systems, and establish which should remain on premises, and which can be migrated to the cloud.

Innovators must take the value chain with them.

In a market where new competition and business models can spring up in weeks rather than years, businesses are using cloud infrastructure to power innovation. The sector is characterized by an understanding that cloud gives them the flexibility they need to respond to shifts in market dynamics as soon as they happen, testing new ideas and failing fast when needed.

As a result, the industry is further along the cloud migration path than others. Thanks to the interconnectedness of its value chains, the sector is likely to act as a catalyst, bringing other sectors along as it progresses.

Making it happen.

Cloud helps businesses to free up resources, which can then unlock insights and drive innovation. It also enables them to exploit new technologies, such as AI and machine learning, which can open up new consumer knowledge and insights, and improve prediction of security threats. As a result, businesses that move to the cloud can better equip themselves to tackle those threats head on.

To migrate effectively to the cloud and overcome the challenges they have recognized, companies need a strategy that encompasses multiple ingredients—from the underlying platform and applications to integration capability. Above all, they need flexibility—to be able to build a custom migration plan that works for them.

For further information, visit:
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