
In a remade economy, retailers are reinventing themselves—boosting e-commerce, adopting new technologies, and delivering value in new ways.

2021 PLANNING | **RETAIL**

New business models, big opportunity



Now is a tough time to be a retailer. Even before the 2020 coronavirus pandemic brought rapid changes to the market, many traditional brick-and-mortar businesses were struggling. For example, from 2011 to 2020, the [number of US department stores shrank](#) from 8,600 to just over 6,000.

The global crisis only amplified retail challenges. Since March 2020, at least [347 US companies](#) cited the pandemic as a factor in their decisions to file for bankruptcy. Among them was Guitar Center, whose executives said its e-commerce sales couldn't replace the experience of musicians trying out instruments in person. Some businesses are finding new ways to cope – or perhaps come out of the crisis in better shape than when it began. In 2021, it appears many retailers are ready to shift the way they do business.

MIT Technology Review Insights, in association with Oracle, surveyed 297 executives, primarily financial officers, C-suite, and information technology leaders, about their organizations' plans for big business moves. These include new business models, mergers and

Key takeaways

- 1 As economies slowly recover amid the pandemic, retailers are facing industry specific challenges such as meeting high customer demand for value and protecting the vast amounts of data they collect.
- 2 In 2021, many retailers are building on e-commerce expansion plans, which were accelerated over the past year. Others are using technology, such as cloud-based applications, to strengthen analytics, cybersecurity, and compliance capabilities.
- 3 Overall, organizations are approaching the unknown as an opportunity to set new goals and move ahead – a posture that retail industry observers say is essential for business success.

acquisitions, and major technology changes, such as automating financial and risk management processes.

According to the research, 83% of executives across industries feel upbeat about their company's ultimate objective for 2021, expecting to thrive or transform – that is, sell more products and services, or take up new business practices or sales methodologies. Overall, 80% of organizations made a big move in 2020 or are planning at least one in 2021.

About this report

This MIT Technology Review Insights report is part of a series that explores how organizations are rebuilding business in the wake of the 2020 coronavirus pandemic. Based on a combination of survey-based market research and in-depth executive interviews, it focuses on four industries: technology and manufacturing, finance, and retail. The report is sponsored by Oracle, and the views expressed within are those of MIT Technology Review Insights, which is editorially independent.

- In November 2020, MIT Technology Review Insights surveyed 297 executives – primarily financial officers, C-suite executives, and information technology leaders.
- Respondents work in more than a dozen industries. Technology, at 20%, represented the largest response group; followed by financial services, at 15%; professional services, at 13%; and retail and manufacturing, each at 8%. This report focuses on the retail sector.
- The survey was global, with 60% of respondents from the Americas, 27% from Europe, the Middle East, and Africa; and 13% from the Asia-Pacific region, which comprises Asia plus Australia and New Zealand.
- Respondents were asked about strategic business moves that their organizations made in 2020 or are planning in the next 36 months, challenges they face in implementing such initiatives, and cloud-based technologies they use to support their finance organizations.

The road ahead for retail

The shopping process will be different in 2021, says Mike Robinson, head of retail operations at The Eighth Notch, a tech platform that connects shippers and retailers, and former digital business leader at Macy's. Among the hard-to-answer questions retailers are asking: "How can stores reassure people that it's safe to return to congregating in places again? How can consumers trust that the store is doing the right thing from a cleanliness perspective?" Nobody has definitive answers, Robinson points out, but at least they're asking.

Other special areas of concern for retail organizations in 2021: consumer and e-commerce cybersecurity risks. As cyberattacks get bolder and more frequent, retailers have to contemplate how to protect their data, starting with preventing credit card fraud. While that matters to any consumer business, Robinson says, the data protection challenge has extra resonance for retailers. To offer customers better, more personalized experiences, retailers need to collect more data to analyze, opening them up to more risk of a data breach.

The supply chain – manufacturing, shipping, and logistics – is also a key issue this year. The [strain started showing in 2020](#), when pandemic lockdowns spread across the globe, exposing weaknesses in production processes and supply chains. And the US-China trade war caused many companies to look beyond China to Southeast Asian countries such as Vietnam or Thailand for production partners.

The supply chain isn't only a financial concern. Robinson says ethical sourcing and manufacturing are becoming more important as consumers raise expectations about sustainability and worker safety. "That's just going to continue to be more and more important as we move forward," he adds.

80%

of organizations made a big move in 2020 or are planning at least one in 2021.

Figure 1

Big moves 2021

Four fifths of corporate leaders have made or are planning business initiatives: tech projects are the most common.

INCREASE TECH INVESTMENTS	53%
MOVE IT FUNCTIONS TO THE CLOUD	40%
ACT ON A MERGER/ACQUISITION	32%
ADD A SUBSIDIARY	21%
SPIN OFF A DIVISION	13%
DIVEST REAL ESTATE	13%
DIVEST A SUBSIDIARY	8%

Source: MIT Technology Review Insights survey of 297 executives, November 2020. Respondents were asked to choose all that apply.



Fortune favors the bold

It's hard to plan for the long term during times of volatility – but that's exactly what most businesses across industries are doing: more than half of surveyed organizations will ramp up technology investments in 2021, and 40% plan to move IT and business functions to the cloud (see Figure 1).

In some cases, the 2021 strategic plan is simply to ramp up for more business. Thriving companies that sell treadmill desks or [sweatpants](#) don't need to change their business models. Because of increased demand at a time of heightened remote working, those retailers need only to fine-tune the manufacturing processes and work out shipping logistics.

But adapting to a new world means being open to new ideas. Business leaders ready to transform a company have to rethink everything: business models, product development, marketing processes, fulfilment, and success metrics. As a result, 87% of the organizations that expect business transformations in 2021 have some sort of big move planned.

Robinson believes now is the time to be bold, and retailers are realizing that. "People are going to be rewarded for taking chances and will probably be forgiven if it's imperfect," he says. When you are out of the usual options, try the unusual ones.

"Business didn't stop just because of covid," says Ashwat Panchal, vice president of internal audit at footwear retailer Skechers. "We're expanding our distribution centers. We're increasing our e-commerce footprint. We're implementing new point-of-sale systems. We're expanding into new territories."

“Organizations that survive and thrive in the 21st century must focus on their ability to attract, hold, and grow long-term and profitable customers.”

Michael Forhez, Global Managing Director, Consumer Markets, Industry Strategy Group, Oracle

One way to change things up is with mergers, acquisitions, and partnerships. In the survey, 32% of respondents report that their organizations have acted on a business merger or acquisition or will do so this year. Skechers, for one, has gained substantial international growth by establishing joint ventures or wholly owned subsidiaries. Recent expansions have included converting its India joint venture into a wholly owned subsidiary in 2019 and forming a joint venture in Mexico.

Reinventing retail with new business models

One bright spot for retailers has been additional investments in e-commerce, most of which have paid off. According to a global study by marketing strategy agency WARC, US e-commerce experienced the equivalent of a 10-year growth spurt in a matter of eight weeks.¹ And 67% of in-house marketers expect that shopping behavior to be permanent.

At Skechers, e-commerce has accelerated as a result of the pandemic, says Panchal. "With increased online purchases by consumers, our investments in improving our e-commerce platform have expanded."

The customer experience is paramount – particularly when shoppers are not in the store. In the WARC report, 57% of in-house marketers are focusing on quality customer experiences, while four out of 10 have developed a new product offering. "Organizations that survive and thrive in the 21st century must focus on their



ability to attract, hold, and grow long-term and profitable customers,” says Michael Forhez, global managing director for consumer markets in Oracle’s industry strategy group.

In the survey, 90% of businesses with 2021 plans are looking at new business models – that is, new ways of doing business. Roughly half are undergoing projects targeting lower costs – automating business or financial processes – for example. Another half are changing how they sell or deliver products (see Figure 2).

Most retail organizations developed an e-commerce presence a long time ago, but recent events drove them to consider new delivery systems. For instance, 2020 became the year of curbside pickup, says Robinson. “All of a sudden, it became the adoptable fulfillment solution.” The curbside process was crude to begin with but has become more elegant over time – and more innovations are likely on the way. Take produce, for example, “one of those really personal choices.” If a shopper wants an avocado delivered – when the fruit will be eaten often determines how ripe it should be. “Finding a way to get you the avocado the way that you want it, I think that’s a massive breakthrough,” Robinson says. “It becomes another point of intersection with the customer.” That adds to data-collection considerations and learning how to use that data. How can retailers have an ongoing conversation with curbside customers?

Tech throws a lifeline

Technology can help retailers up their game, adds Forhez. “Technology adoption – the creation of a synergistic pathway – can tackle the conflicts that have historically troubled traditional 20th-century organizational structures: the conflicts between time and money, people and machines, standardization and flexibility, for product and process, and functions and systems.”

Cloud applications, for example, are seen as a long-term opportunity for business growth. Panchal points to a cloud-based financial planning and analysis tool in use at Skechers. “It’s helped us get better visibility in terms of planning and budgeting across our various business units,” Panchal says. “And it’ll continue to be helpful as we expand the use of that around the world.”

Indeed, many executives worldwide laud the usefulness of cloud applications. In the survey, the primary financial advantages of cloud-based technology are providing

Figure 2

New business models

Organizations are reformulating goals – and ways to achieve them. Tops are cost-saving optimization and automation projects and entries into new markets.

DRIVE COST-REDUCTION PROJECTS	53%
CHANGE HOW PRODUCTS/SERVICES ARE SOLD	52%
PIVOT TO NEW MARKETS	50%
REALLOCATE RESOURCES	44%
REPURPOSE AN EXISTING PRODUCT	39%
LAUNCH AN “AS A SERVICE” MODEL	37%
IMPROVE CUSTOMER EXPERIENCES	35%

Source: MIT Technology Review Insights survey of 297 executives, November 2020. Respondents were asked to choose all that apply.

predictive analytics and real-time insights across the business (58%); evaluating product opportunities, such as enhancing or eliminating products or launching new ones (45%); and automating security, audit, and compliance (42%) (see Figure 3).

Big business moves like acquisitions give companies even more data – and that means more chances for data to be compromised. So Skechers is sharpening the way it manages risk. “We’re looking to improve our audit efforts by utilizing technology and systems,” explains Panchal. That includes doing more automated auditing and exception reporting. “That’ll help us focus our efforts on the higher-risk areas and identify issues with transactions that may not fit within our corporate governance policies and guidelines.”

Robinson looks forward to scenario modeling and related tools that help retailers find answers. He wants to be able

to ask, “Can I simulate what the impact of my decision can be? Can I take a look at a series of scenarios and understand whether I’m headed in the right direction? At least tell me if I’m potentially headed into a pitfall that I might have to be ready for five, six, seven months from now.”

MORE SURVEY RESEARCH

Collaborative planning in an uncertain world

Recent data shows that the majority of organizations are ready to let technology guide their business decisions: a separate MIT Technology Review Insights report, published in

January 2021, shows that 55% of organizations across industries trust the recommendations produced by business planning tools that rely on artificial intelligence, and just 14% are uncomfortable with them.²

Robinson says organizations have all they need in the data – but for many it’s buried beneath layers of noise. “All the data exists,” he says. “I just don’t think it’s been combined and analyzed in the way that it needs to be, to drive decisions the way they need to be made.”

Amid uncertainty comes opportunity

As Robinson sees it, the future is bright for retail. Retailers have an opportunity to reinvent the customer experience in ways that benefit the company and the consumer. Before moving forward, they have to start with the desired goal. “What’s the expected outcome that we’re trying to drive toward? And what are the metrics that we would need along the way in order to get there?”

90%

of businesses with 2021 plans are looking at new business models – new ways of doing business.

Figure 3

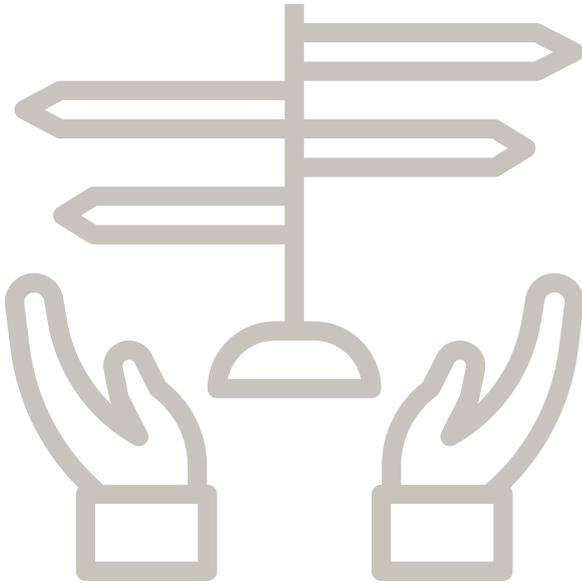
An assist from the cloud

Organizations are looking to cloud capabilities – from analytics to scenario modeling – to facilitate big business moves.

PROVIDE PREDICTIVE ANALYTICS	58%
EVALUATE PRODUCT OPPORTUNITIES	45%
AUTOMATE SECURITY, AUDIT, AND COMPLIANCE	42%
CREATE A SINGLE SOURCE OF FINANCIAL DATA	41%
AUTOMATE FINANCIAL CLOSE AND REPORTING	39%
CONNECT FINANCE, SUPPLY CHAIN, AND HUMAN RESOURCES	36%
OPTIMIZE SCENARIO MODELING	33%

Source: MIT Technology Review Insights survey of 297 executives, November 2020. Respondents were asked to choose all that apply.





“You can either seize the uncertainty of the moment and do something with it – or be paralyzed by it and do nothing.”

Mike Robinson, Head, Retail Operations,
The Eighth Notch

Once a company answers those questions, “Consider the investment changes necessary to actually bring those metrics to life and bring the outcome to fruition.”

Adapting to new circumstances is nothing new to retailers, Robinson says. One example is the adoption of mobile platforms. “How quickly did we adapt and adopt mobile as the fundamental way that we interacted with our customers? It seems so obvious today, but five years ago it surely wasn’t,” says Robinson. At the time, the decision-makers thought, “Why would somebody ever want to shop on a screen that is 6 inches by 3 inches?” Eventually, mobile phones created tighter relationships between retailers and customers. According to B2B news

site The Future of Commerce, shopping by mobile device is [predicted to reach 73%](#) of total global e-commerce sales by the end of 2021.

Whatever challenges 2021 presents to retailers, “You can either seize the uncertainty of the moment and do something with it – or be paralyzed by it and do nothing,” adds Robinson. Whether it’s ramping up production, spinning off a division, pivoting to a new market, or adopting AI applications in the cloud, the moment is right for action. “I believe the bold will win.”

Learn more about the [strategic moves](#) that retail companies are making to capture growth.



“2021 planning: New business models, big opportunity” is an executive briefing paper series by MIT Technology Review Insights. We would like to thank all participants as well as the sponsor, Oracle. MIT Technology Review Insights has collected and reported on all findings contained in this paper independently, regardless of participation or sponsorship. Jason Sparapani and Laurel Ruma were the editors of this report, and Nicola Crepaldi was the publisher.

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References

1 “[The Marketer’s Toolkit 2021: Navigate through uncertainty](#),” WARC.

2 “[Collaborative planning in an uncertain world](#),” MIT Technology Review Insights, February 1, 2021.

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