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Exploring Retail Challenges and Priorities in the Age of the Digital Customer

Retailers are grappling with workforce pressures, increased competition and an inflationary period with the potential for recession (amid many other challenges) as they seek to improve customer personalization and expand market share. They also have big plans for the 12 to 18 months ahead, including expanding their number of locations and implementing new technologies.

This report breaks down these and other findings from a recent survey of 365 retail executives, administrators and technology staff conducted by Windstream Enterprise and Industry Dive. By uncovering concerns and predictions across the retail industry, this report can help retail executives and their teams better navigate the challenges ahead.

Executive takeaways

Here's what you'll learn from this survey report:

1 The top changes retail industry executives, administrators, and technology staff expect to affect their organizations over the next 12-18 months.

2 The percentage of respondents that have had a network outage in the past 12 months, and the operational systems they're putting at risk.

3 The level of confidence respondents have in mitigating potential cyber risks after implementing the latest digital technologies.

4 The value of working with a single, trusted vendor that can deliver a best-in-class digital toolkit.

Doing more with less

Retail industry executives, administrators and technology staff anticipate a considerable amount of change to affect their organizations over the next 12 to 18 months—including increases or significant increases in the competitive landscape (84%), operational costs (75%), workforce/labor challenges (74%), e-commerce transactions (72%), compliance/regulatory scrutiny (71%) and cybersecurity threats (70%)—and 73% of respondents said their organizations would increase the number of physical locations.

With competition and operational costs as their main challenges, retailers are turning to technology investments to help them do more with less and operate in a more efficient, agile way. Retailers continue to adopt technology—with the greatest percentage of respondents of the survey (29%) saying they are implementing a proof of concept and over a quarter (26%) reporting they have adopted solutions and are actively enhancing their technology. Budgets have also increased, with nearly half (47%) of the survey respondents reporting their budgets for digital solutions increasing in 2022, compared with 2021.

Going digital across the business

Retailers are embracing digital solutions in many areas. For example, digital channels such as live social media messaging (50%), unified messaging (48%) and mobile messaging (45%) are retailers' three most frequent methods to communicate with customers, and 81% of respondents are implementing or already using chatbots in their e-commerce. Retailers are also embracing modern fulfillment methods for the digital customer: The vast majority of retailers are either implementing or already using buy online, pick up in store (BOPUS) (90%); buy online, ship to store (BOSS) (88%); same day, last-mile delivery (88%); and buy online, return in store (BORIS) (87%).

Retailers are transforming the in-store experience through technology as well. A full 86% of retailers are implementing or already using contactless/touchless transactions in store, for example, and 85% are implementing or already using self-checkout kiosks. Emerging technologies such as augmented reality/virtual reality (AR/VR), in-store robotics and Internet of Things (IoT) devices are the top three technologies survey respondents have the highest interest in considering/evaluating for adoption.

Retail industry executives, administrators and technology staff anticipate a considerable amount of change to affect their organizations over the next 12 to 18 months—including increases or significant increases in:

Competitive landscape	Operational costs	Workforce/labor challenges	E-commerce transactions	Compliance/regulatory scrutiny	Cybersecurity threats	Physical locations
84%	75%	74%	72%	71%	70%	73%

You're only as good as your network

To adopt those solutions, however, retailers need a strong network to build upon. Despite ongoing tech investments, this is an area where many retailers have room for improvement: More than half (54%) of survey respondents reported they had a network outage in the past 12 months.

Downtime can be costly for retailers because it affects everything from customer experience and sales to productivity, compliance, security vulnerability and reputation. Adding self-checkout kiosks and contactless technologies increases an organization's network burden, and outages put critical technologies at risk.

Over half of the respondents (52%) indicated that their operational systems (e.g., inventory management, warehouse management, omnichannel functionality, etc.) would not function at 100% if their network experienced an outage. Nearly half (47%) of survey respondents noted that e-commerce functionality would be affected by outages, and 46% also indicated that payment processing (e.g., POS, self-checkout kiosks) would not function at 100%.

54%

of survey respondents reported they had a network outage in the past 12 months.

Too many vendors

Technology risks are amplified by the fact that retailers work with so many vendors supporting the various programs that underpin their businesses. Survey respondents would rather have more specialized applications, infrastructure and systems (76%) than have fewer vendors (24%).

That interest in specialized applications, infrastructure and systems may be hindering retailers more than it helps them, however. When asked how many applications or programs their customer-facing teams use to have an up-to-date, complete view of customers/members (across marketing, customer service, billing/finance and sales touch points), 67% reported it required three systems or more.

Survey respondents would rather have:
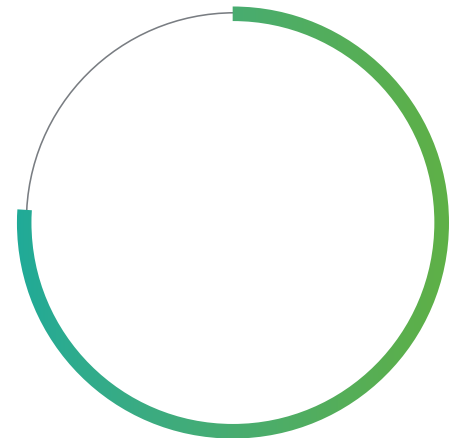
76%
more specialized applications, infrastructure and systems

24%
fewer vendors

High cyber-risks

Three systems is too many, especially when you consider that only 27% of respondents indicated that they felt "very confident" in mitigating potential cyber-risks after implementing the latest digital technologies. Every system introduces new data-breach risks, and 41% of the survey respondents indicated it would already take their organizations more than 90 days to identify a breach.

Knowing that 63% of survey respondents were moderately concerned or extremely concerned regarding a cyberthreat or data breach, it's important for retailers to find ways to streamline their technologies. Working with a single, trusted vendor—one that can provide both a high-performance network and collaboration and managed security solutions—minimizes data-breach risks while making compliance easier.

41%

of the survey respondents indicated it would already take their organizations more than 90 days to identify a breach.

ADDRESS CYBERSECURITY CONCERNS

Compared with two years ago, 38% of survey respondents had encountered an increased number of cyber incidents (whereas 36% had encountered the same number and 22% had encountered fewer). Retailers need to invest in new security measures to address new vulnerabilities introduced by new technologies.

38%

Increased number of cyber incidents

36%
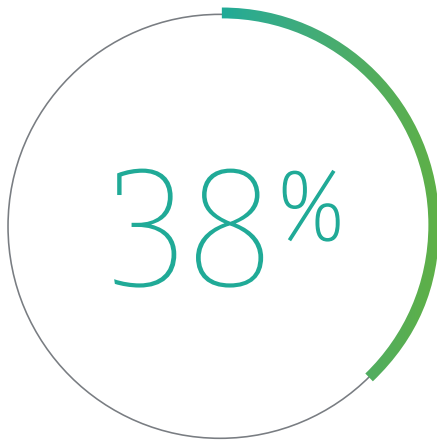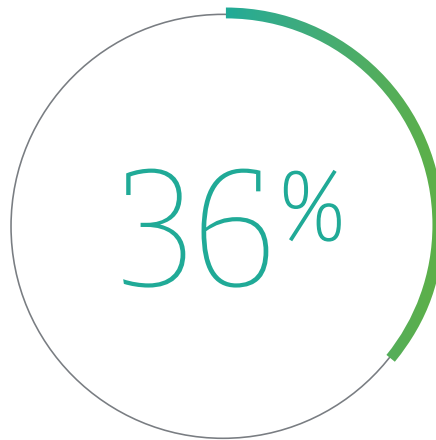
Same number of cyber incidents

22%
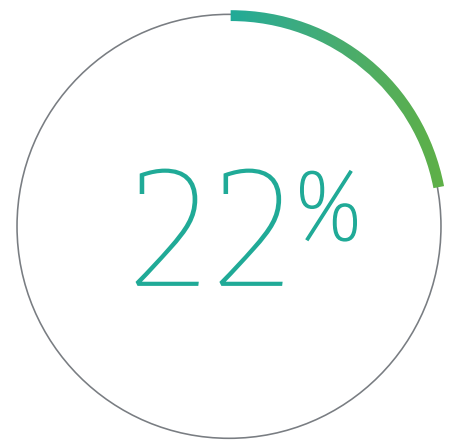
Fewer number of cyber incidents

2% of survey respondents had no cyber incidents, and 2% weren't sure

Achieving alignment with customer-focused employees

While the survey respondents—retail executives, administrators and technology staff—were in agreement on many topics, priorities differed across the three groups.

Survey respondents also differed on their top considerations when reviewing new technology purchases. For C-suite respondents, the burden on the IT function (36%) is the top factor when evaluating digital initiatives. For administrative

respondents, it is the ease of integration with the current technical stack (39%), and for technical respondents, it is the cost of implementation (37%).

These findings suggest retailers may benefit from spending more time aligning priorities across departments—especially when it comes to digital transformation investments and other technical initiatives.
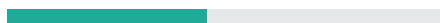
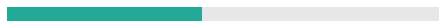**In the aggregate, respondents ranked the following as their top three "high" and/or "critical" priorities:**

48%
Hire new, retain existing and/or reskill talent
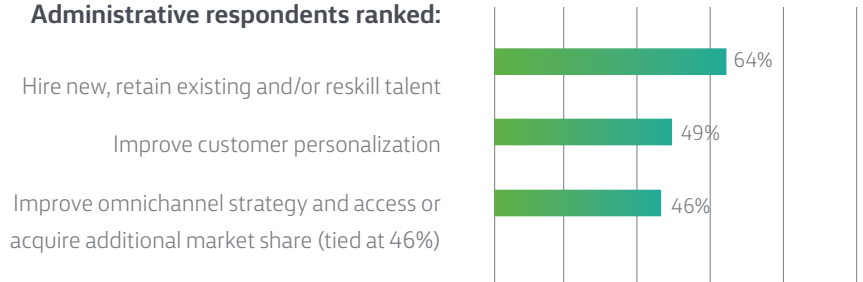
46%
Access or acquire additional market share
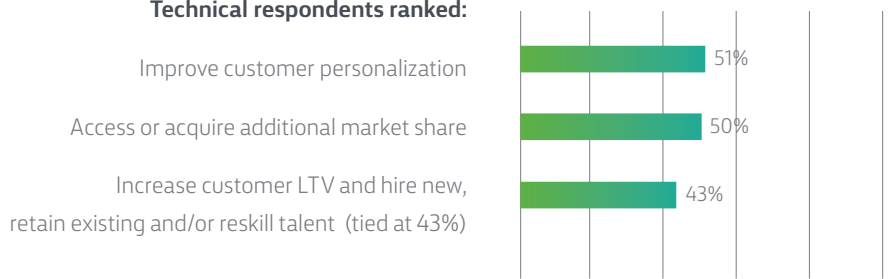
45%
Improving customer personalization

C-suite/Executive respondents ranked:

Improve omnichannel strategy	45%
Reduce lost sales from returns	44%
Access or acquire additional market share	43%

Administrative respondents ranked:

Hire new, retain existing and/or reskill talent	64%
Improve customer personalization	49%
Improve omnichannel strategy and access or acquire additional market share (tied at 46%)	46%

Technical respondents ranked:

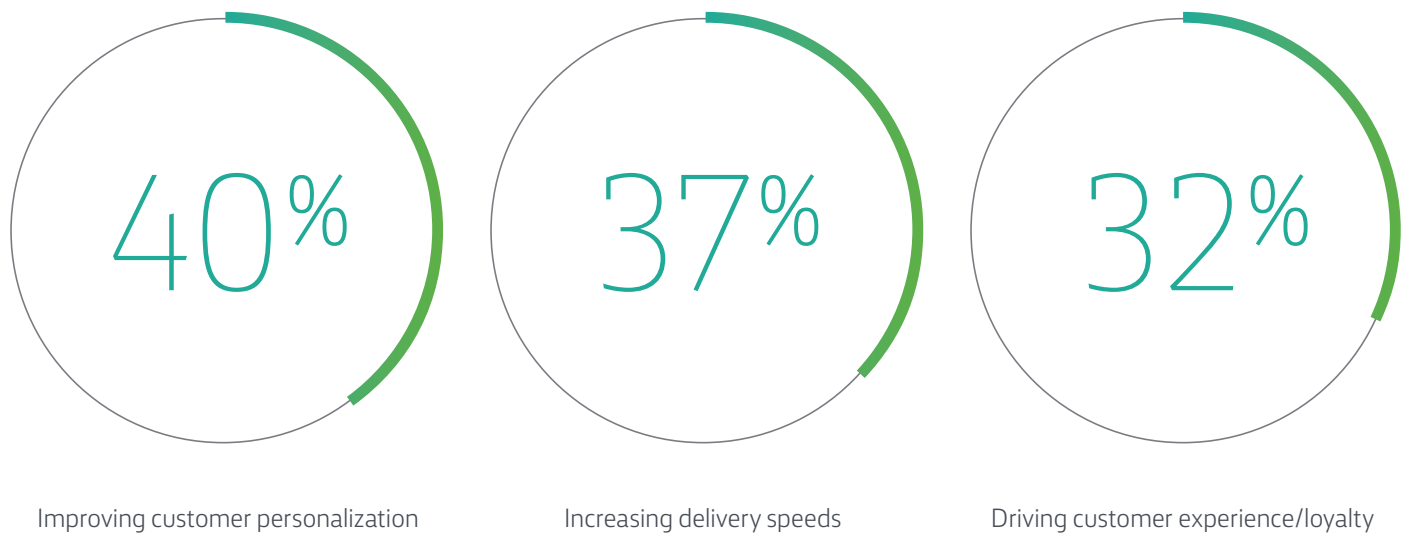|	
Improve customer personalization	51%
Access or acquire additional market share	50%
Increase customer LTV and hire new, retain existing and/or reskill talent (tied at 43%)	43%

0%   20%   40%   60%   80%   100%

Partnering for success

The top three benefits respondents' organizations would realize if they were to adopt best-in-class digital toolkits are improving customer personalization (40%), increasing delivery speeds (37%) and driving customer experience/loyalty (32%).

They can also realize drastically reduced levels of risk. Unless organizations have high confidence in their security protections, the cost of doing nothing is high—because data breaches and network interruptions can be costly.

At this time of significant change, retailers can adopt best-in-class digital toolkits with the help of a managed services or consulting provider capable of delivering security, networking and unified communications. With a range of innovative solutions and a team of true retail experts, Windstream Enterprises can bring about transformative change through high-quality and reliable networking and security technology. With Windstream Enterprise on your team, you're in the best position to lead a successful digital transformation for your organization.

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40%	37%	32%
Improving customer personalization	Increasing delivery speeds	Driving customer experience/loyalty

Conclusion

Successful digital transformation requires the right partner. Windstream Enterprise can help with a secure, reliable network and cloud-based solutions. With Windstream Enterprise on your team, digital transformation is accessible and efficient, putting your retail organization in the best position to achieve successful outcomes.

Cloud-enabled connectivity, communications and security—guaranteed.

Windstream Enterprise drives business transformation through the convergence of our proprietary software solutions and cloud-optimized network to unlock our clients' revenue and profitability potential. Our managed services streamline operations, enhance productivity and elevate the experience of our clients and their end users while securing their critical data and brand reputation. Analysts certify Windstream Enterprise as a market leader for our product innovation, and clients rely on our unrivaled service guarantees and best-in-class management portal. Businesses trust Windstream Enterprise as their single-source for a highperformance network and awardwinning suite of connectivity, collaboration and security solutions—delivered by a team of technology experts whose success is directly tied to our clients' complete satisfaction. .

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