Table of Contents

03 INTRODUCTION
Survey Methodology

06 SNAPSHOT: 2020 DIGITAL OUTLOOK

11 DIGITAL TRANSFORMATION VALUE DRIVERS
1. Boosting Operational Efficiencies
2. Strengthening Data Capabilities
3. Improving Customer Experience
4. Tempering Cyber Fears

19 DIGITAL TRANSFORMATION CHALLENGES
Challenges on the Road to Transformation
Lessons Learned from Failure

22 DIGITAL TRANSFORMER SECRETS

24 BENCHMARKING YOUR DIGITAL TRANSFORMATION EFFORTS
Digital Enablers Defined

31 CONCLUSION
Introduction

Retail has been a testing ground for digital innovation for decades. Today, digital transformation is a requirement for retail success. In fact, 100% of retailers have either developed or are planning to develop a digital transformation strategy, according to BDO’s 2020 Retail Digital Transformation Survey.

In early 2020, retailers had big plans for digital transformation for this year and beyond. However, the current pandemic has likely shifted the objectives and tactics within those plans. As COVID-19 continues to disrupt business operations and impact revenues throughout the industry, the crisis has highlighted the necessity for retailers to evolve business models, increase efficiencies and strengthen their digital presence. Digital transformation can drive these imperatives.

But strategy isn’t enough. Execution is key to the success of any transformation initiative, and as the effects of COVID-19 plunge many players in the retail industry into financial distress, the ability to not just conceive but adopt new digital capabilities may be the deciding factor between recovery and bankruptcy.

Well before the coronavirus was on retailers’ radars, the "Amazon effect" and digital innovations like mobile apps, self-checkouts and augmented reality were reshaping the retail landscape, separating the haves from the have-nots. Now, in the pandemic’s wake, that separation is a nearly insurmountable chasm. Those who have not fully embraced e-commerce or invested in the digital customer experience cannot stay solvent in a shut-in economy. These laggards have a dwindling window of time to digitize their business before they’re beyond the point of recovery.

But even among retailers who are relatively digitally savvy, the current environment is no piece of cake. The Amazon effect has been exacerbated by the pandemic, their sales skyrocketing over the last few months. Already thin profit margins will be strained further by COVID-related expenses and increasing transportation costs. Amid these challenges, retailers must still be proactive in reimagining the future state of retail and the next iteration of omnichannel customer experience. Retailers that lack the agility to adjust their business and operating models for the next phase of industry evolution will be left behind.
As retailers begin to resume operations and reopen their doors, understanding and adapting to the pandemic’s impact on consumer behavior will be crucial to recovery. Given the recent acceleration of e-commerce is largely crisis-based, retailers should be prepared to adjust inventory and distribution options to shifts in customer purchasing trends, like desires to bulk buy or preferences for contactless delivery, that may be long-lasting. Retailers who strategically use data and technology to reallocate resources, amplify their digital presence, improve customer experience and prepare operations for a reimagined future will be better positioned to endure the turbulence that lies ahead.

While COVID-19 has likely disrupted most retailers’ initial plans for digital transformation in 2020, it has also served as a widespread case study for the effectiveness of digital solutions in optimizing operations, cutting costs, mitigating risk, and increasing omnichannel agility. Looking ahead, the shut-in economy has offered a glimpse into the future state of retail, in which service delivery models and operations are contactless. Retailers need to be rethinking their businesses now to prepare for the new industry normal when doors re-open.

NATALIE KOTLYAR
Partner and Retail & Consumer Products
National Practice Leader, BDO USA
Survey Methodology

BDO’s 2020 Retail Digital Transformation Survey was conducted —prior to the COVID-19 pandemic— by Rabin Research Company, an independent marketing research firm. The survey included 100 c-level executives in a wide range of capacities, for middle market companies with annual revenues between $250 million and $3 billion.

WHO WE SURVEYED

- **ANNUAL REVENUES**
  - 26% $250 million to $500 million
  - 26% $501 million to $750 million
  - 24% $751 million to just under $1 billion
  - 19% $1 billion to just under $2 billion
  - 5% $2 billion to $3 billion

- **EXECUTIVE TITLE**
  - 22% Chief Information Officer or Chief Information Security Officer
  - 17% Chief Technology Officer or Chief Innovation Officer
  - 14% COO
  - 14% Chief Marketing Officer
  - 13% CFO
  - 11% CEO
  - 9% Line of Business Executive

RETAIL SEGMENTS

- **27%** Big Box Retailer
- **22%** Department Store
- **18%** Specialty Retailer
- **17%** Discount Retailer
- **16%** Pure Play E-Commerce
Snapshot / 2020 Digital Outlook

A BRIEF SNAPSHOT OF RETAIL ORGANIZATIONS' DIGITAL TRANSFORMATION PLANS FOR 2020
Consumer demand drives focus on customer experience (CX)

**TOP DIGITAL PRIORITY**

- **32%** Improve Customer Experience
- **25%** Optimize Business Processes
- **20%** Change Management
- **12%** Simplify or Modernize Legacy IT
- **11%** Adopt a New Business or Revenue Model

Digital transformation remains a double-edged sword

**TOP DIGITAL THREAT**

- **34%** Cyber Attacks or Privacy Breaches**
- **23%** Disruption by Industry Competitors
- **17%** Disruption by Industry Outsiders
- **14%** Poor Customer Experience
- **12%** Commoditization Or Automation

*Retailers’ top digital priorities and threats may have shifted in the wake of COVID-19.

**As the COVID-19 outbreak has worsened, IT security vendors have reported a sharp increase in cyber threats. Cloudflare noted a 37% increase in cyber-attacks during the month of March, and Barracuda Networks found a 600% increase in COVID-19-themed phishing emails during that period.*
Top Overall Business Objectives

COVID-19 may cause organizations to focus more on operational efficiencies and cost savings in the short-term. However, business objectives for the longer term are likely to hold steady.

**SHORT-TERM**

- **71%** Improve Customer Experience
- **59%** Modernize IT infrastructure
- **57%** Bolster Cybersecurity
- **54%** Increase Operational Efficiencies
- **52%** Diversify Revenues
- **51%** Increase Market Differentiation

**LONG-TERM**

- **50%** Modernize IT Infrastructure
- **42%** Diversify Revenues
- **41%** Increase Operational Efficiencies
- **40%** Bolster Cybersecurity
- **40%** Increase Market Differentiation
- **31%** Improve Customer Experience
### Transformation sought across business functions

#### Transformation Focus Areas

<table>
<thead>
<tr>
<th>Area</th>
<th>Projects Underway</th>
<th>Projects Planned Longer-term*</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT</td>
<td>38%</td>
<td>68%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>38%</td>
<td>59%</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>32%</td>
<td>59%</td>
</tr>
<tr>
<td>Finance &amp; Accounting</td>
<td>33%</td>
<td>47%</td>
</tr>
<tr>
<td>HR</td>
<td>36%</td>
<td>46%</td>
</tr>
<tr>
<td>Core Business Operations</td>
<td>38%</td>
<td>45%</td>
</tr>
<tr>
<td>Risk Mgmt &amp; Compliance</td>
<td>41%</td>
<td>48%</td>
</tr>
<tr>
<td>Tax</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Longer-term projects (looking at the next 12 months) were planned prior to the COVID-19 outbreak, so some may have been de-prioritized or put on hold.
Business and tech leaders split on digital transformation ownership

52% of digital transformation strategies are led by non-tech executives
Digital Transformation Value Drivers

- Boosting Operational Efficiencies
- Strengthening Data Capabilities
- Improving Customer Experience
- Tempering Cyber Fears
1 / Boosting Operational Efficiencies

Even before the pandemic, boosting operational efficiencies was a top digital priority for retail executives—and achieving that goal is even more urgent now. As the retail landscape continues to technologically advance, the ability to nimbly navigate disruption and stay ahead of the digital learning curve is more important than ever before. Retailers are focused on modernizing their existing IT infrastructure and pursuing digital initiatives that will help them address existing and emerging consumer pain points, like automated customer service. At the same time, technologies like robotic process automation (RPA) and advanced analytics are helping retailers accelerate improvements by identifying opportunities to automate routine work, reconfigure supply chains and right-size cost structures.

---

**BDO INSIGHT**

Successful integration of new technologies will require retailers to have a true understanding of how their businesses operate—from enterprise-wide to intra-organizational. Only with a clear view into how all parts of the business function and interact, will retailers be able to break down existing internal silos, generate collective intelligence and advance their digital capabilities. Retailers that collaborate with their workforce and suppliers to identify solutions that extend beyond the limited view of a single person, function or entity, will be better informed to optimize efficiencies and equipped to operate in a post-COVID world.
2 / Strengthening Digital Capabilities

The current crisis only heightens the need for retailers to build out their digital resources and reimagine traditional business models. To uncover, meet and exceed the expectations of an increasingly digitally-enabled consumer, retailers will need to diversify and introduce new revenue streams like voice commerce and recommerce, and leverage technologies like AI and advanced analytics to amass and unleash greater value from their data. As retailers look to embrace new product and service offerings like resale, rental and other subscription services, it will take a combination of front-end and back-end digital capabilities to build out IT infrastructure, streamline data collection and support marketing functions. When it comes to enabling business sustainability in a post-COVID environment, the adoption of digital capabilities will be essential to creating more nimble, dynamic and cost-effective organizations. However, as competitors and the industry at-large continue to invest in digital, technology adoption is becoming more of an equalizer than a differentiator.

- 42% say interoperability with legacy technology & processes is the #1 reason digital initiatives fail
- Yet, only 12% say consolidating or upgrading legacy IT infrastructure is their #1 digital priority

- 25% say superior technology is their #1 competitive differentiator

- 40% say disruption by industry competitors or outsiders is their #1 digital threat, while 12% cite commoditization/automation
- 53% say they most often invest in a new technology to stay competitive
- 22% say superior technology is Amazon’s #1 advantage over their organization
- 21% say inferior technology is their #1 weakness when compared to their greatest competitor
As retailers take steps to strengthen their data capabilities, they should do so with a focus on the end game: adopting tools that will not only improve processes and cut costs, but also enable data-driven insights. This intel will help inform potential pivots in business strategy and accelerate recovery in a post-COVID-19 world. While RPA might not sound as exciting as AI or virtual reality, the retailers who choose to make digital investments in both the front-end and back-end of a business will have a competitive edge over those who don’t—especially when it comes to deriving value from data. In fact, data-driven decision making will be particularly important in today’s environment as retailers look to navigate changes in consumer shopping behavior, optimize inventories based on shifts in supply and demand, and create unified e-commerce experiences across social and digital platforms.

**BDO INSIGHT**

While important for boosting operational efficiencies, the value of digital transformation extends far beyond optimized operations. To truly meet customer demands both during and beyond the COVID-19 crisis, retailers will need more channels to market, more touchpoints with consumers, and more innovative customer experiences. Retailers that find new ways to offer value and properly focus on digital capabilities to strengthen their offerings will be the ones to prevail.

— MALCOLM COHRON
National Digital Transformation Services Leader, BDO USA

60% are currently deploying advanced analytics

29% are currently deploying AI
Advanced Omnichannel in Action

A retailer’s omnichannel offerings reflect how their mobile, virtual and online experiences—including digital marketing, influencer endorsements and online-only deals—are interconnected to convert consumers from browsers to buyers. By engaging consumers during their initial research stage through a set of interwoven, personalized experiences, retailers can leverage smart retail technologies to translate digital presence into concrete revenue.

A few technologies retailers are currently using to enable better digital presence include:

**Advanced Analytics**: Retailers like H&M are relying on trend-watching to be successful when it comes to product placement and inventory management. By using AI to analyze consumer purchasing habits, advanced analytics algorithms can help to determine which items to promote and stock up on based on global, national or even local demand and insights. Smart analytics can also underscore patterns in consumer demographics and behaviors that may otherwise go unnoticed, and grant retailers the ability to make more informed decisions on how to best target and convert single-sale customers into repeat buyers.

**5G Networks & Edge Computing**: Intel’s Frictionless Checkout Store solution is already ahead of the curve in using 5G networks and edge computing to create more seamless ways for consumers to find and purchase products. By allowing retailers to collect and make sense of consumer, AI and IoT device data in real-time, retailers are able to identify key trends in shopping behavior and adjust their operations accordingly. With increased digital customer service capabilities and offerings like cashierless checkout and interactive ads, retailers can drive better retail experiences that optimize the time consumers spend in-store.

**Extended Reality**: In automotive retail, 90% of consumers begin their purchase journey online when determining which car to buy. Given that the majority of car buyers’ first impressions of a product will be virtual, some automakers and dealers offer highly personalized digital experiences to allow consumers to build their ideal vehicle online and then find a matching car in a local dealer’s stock. This use of extended reality not only enhances the customer’s experience, but also provides key behavioral analytics to the seller, which can inform retailers’ go to market strategies and transform the buyer journey from a traditional, in-person only sale to a more engaging, digitally-integrated conversion of interest.
3 / Improving Customer Experience (CX)

In a COVID-19 environment, a strong digital presence and seamless digital customer journey will be critical to success as retailers seek to attract and retain interest from the uptick of homebound consumers shopping online. However, job cuts and furloughs as well as declining consumer sentiment are negatively impacting overall spending. To effectively compete for the limited dollars in an economic downturn and meet the expectations of younger generations of consumers, retailers must deliver a personalized customer experience—both online and in-store as they restart operations.

- 71% say improving customer experience is one of their top 3 short-term business goals (12-18 months)
- 59% have digital transformation projects underway in the customer service area
- 37% Consumer demand was the most cited driver of transformation
- 32% say improving customer experience is their #1 digital priority (the most cited across all priorities)
- Only 9% of retailers say outstanding customer service is their company’s #1 competitive differentiator
For retailers, the focal point of any customer experience transformation should be to first understand and then enhance the customer journey from browsing to purchase—whether by improving in-app user-friendliness, creating consistent physical and digital customer touchpoints, or enabling greater options for delivery like curbside pickup. The digital customer journey starts not on retailers’ websites or mobile apps, but with online search, social media platforms, third-party marketplaces, or all of the above. Nor does the digital customer journey necessarily end when the transaction is complete. Products that come with a digital manual, for example, or have an online services component (think Peloton) can be a source of ongoing customer intelligence. For a 360-view of the customer, retailers need to capture the full spectrum of those digital interactions. And though these insights on customer behavior may be gleaned from digital channels, they should also be applied to the in-person shopping experience. You should know who your customer is and what they want when they walk in the door—and personalize their experience accordingly. That’s the new standard of omnichannel.
4 / Tempering Cyber Fears

Emerging technologies, like advanced analytics and artificial intelligence (AI), are allowing retailers to make data-driven decisions to streamline operations and improve the buyer journey. However, while the savviest retailers create more opportunities to aggregate, sort and make sense of endless streams of consumer data, they are also both knowingly and unknowingly exposing themselves—and more importantly their customers—to significant cyber risks. These risks are exacerbated today as retailers adjust their operations and become more virtual entities in the wake of global lockdowns. As consumer data treasure troves continue to grow, and cybercriminals look to exploit the pandemic to target retailers and consumers alike, data privacy and security remain top of mind for retail executives.

- **57%** say bolstering cybersecurity is one of their **top 3 short-term business goals** (12-18 months)
  - 40% say bolstering cybersecurity is one of their top 3 long-term business goals (18 months-3 years)
- **48%** are planning digital initiatives in the area of risk management and compliance over the next 12 months
  - 41% already have projects underway
- **40%** have made investments in blockchain
- **34%** say their **#1 challenge in moving forward with a digital initiative** is concerns around cybersecurity
  - cite cyberattacks or privacy breaches as their **#1 digital threat**
- **16%** of retail CFOs cite data privacy as their **#1 overall business priority**, according to BDO’s 2020 Retail Rationalized Survey

**BDO INSIGHT**

While the industry’s biggest obstacles currently stem from COVID-19-related disruption, concerns around data privacy and cybersecurity are well-founded as the crisis also brings an increase in cyber risks. As external digital threats proliferate, and with consumers’ personal and financial data at stake, retailers must take action to protect their organizations by prioritizing threat-based cybersecurity. Instead of focusing solely on protecting critical data assets or following the basic script of a generic cyber program, retailers must concentrate on investments in the most likely risk and attack vectors based on an organization’s unique threat profile. AI-enabled cyber solutions, such as data deception technology, can help retailers defend themselves by automating breach detection and response, and even proactively tricking attackers.

By taking a threat-based approach, retailers can ensure that investments in innovation are backed by the appropriate safeguards and technologies to keep company and customer data safe.
Digital Transformation Challenges

WHAT CAN THREATEN OR DERAIL DIGITAL TRANSFORMATION IN RETAIL?
Challenges on the Road to Transformation

Even with a clear consumer imperative and proof of ROI, roadblocks like budget constraints and legacy technology interoperability issues continue to slow down and impede retailers’ efforts—and COVID-19 has likely only exacerbated these challenges. Retailers must balance their desire to innovate with the ability to foresee and address disruption and the key challenges that stand between digital failure or success. And while the fear of introducing new security risks is a valid cause for concern, given COVID-19, retailers’ biggest obstacle to moving forward with a new digital initiative has likely shifted to navigating new and preexisting budget/resource constraints.

WHAT IS YOUR ORGANIZATION’S BIGGEST CHALLENGE IN MOVING FORWARD WITH A NEW DIGITAL INITIATIVE?

*In the current environment, budget/resource constraints are likely to pose an even greater challenge than is reflected here.*
Lessons Learned from Failure

A certain level of failure is inevitable with innovation—but retailers must learn from such failures when they occur. Recent surveys from McKinsey and Bain show that upwards of 70% of digital transformation initiatives fail across all businesses. Our survey shows the failure rate in the retail middle market is not nearly as grim: Just 20% of retail executives reported their digital initiatives failed to meet expectations.

TOP REASONS FOR FAILURE

But where does it all fall apart? The vast majority (85%) of failed retail digital transformation initiatives never managed to get off the ground. Only 15% of unsuccessful initiatives failed after they had already been launched across the organization.

DIGITAL TRANSFORMATION IN PRACTICE: CAUSES OF FAILURE*

15% Failure to adopt (initiative was launched across the firm, but poorly understood and adopted by employees, vendors/suppliers/partners and customers).

85% Failure to launch (could not get initiative launched across the firm).

*Among respondents who experienced a failed digital initiative
Digital Transformer Secrets

For all the talk of failure, four out of five middle market retail executives rate their digital transformation initiatives from the last year a success. In fact, 96% of retailers who self-assessed themselves as a retail Transformer saw success and 33% of Transformers executed digital initiatives that were “overwhelmingly” successful, with results exceeding their expectations. For retailers, overwhelming success translated into measurably greater improvement in overall financial performance compared to those that reported moderate success.

We asked retailers to self-assess their digital maturity:

- **27%** identified as Transformers (digital capabilities are advanced compared to peers)
- **58%** identified as Adopters (digital capabilities are on par with peers)
- **15%** identified as Laggards (digital capabilities are lagging behind peers)

Self-assessments should be viewed with a certain amount of scrutiny, as in our experience, digital maturity tends to be overestimated without the benefit of competitive intelligence or insights from an outside perspective.

For a personalized assessment of your organization’s digital strengths and weaknesses, check out our Digital Transformation Accelerator and SMARTDiagnostic tools.
What Does Success Look Like?

2019 RESULTS

- Revenue Increases: 85%
- Revenue Increases of 10% or More: 41%
- Profitability Increases: 85%
- Profitability increases of 10% or more: 41%
Benchmarking Your Digital Transformation Efforts

How do you stack up against your middle market peers? As retailers embark on digital transformation, benchmarking against those in the same revenue range can help determine priority areas of focus for any digital transformation efforts.

**HOW TO USE THIS BENCHMARKING DATA**

1. **Identify your relative strengths & weaknesses**
2. **Understand competitive gaps & threats to your business**
3. **Gauge where you can gain a competitive advantage**
4. **Prioritize investments**

For the purposes of this section, organizations are categorized in two groups, according to their annual revenues:

- **Lower Middle Market**: $250M-$750M
- **Upper Middle Market**: $751M-$3B
What is the current status of your digital transformation strategy?

<table>
<thead>
<tr>
<th>STRATEGY STATUS</th>
<th>All Respondents</th>
<th>Lower Middle Market</th>
<th>Upper Middle Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing against a DT strategy</td>
<td>25%</td>
<td>19%</td>
<td>31%</td>
</tr>
<tr>
<td>Developed a DT strategy, but not yet implementing it</td>
<td>33%</td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td>In the process of developing a DT strategy</td>
<td>28%</td>
<td>31%</td>
<td>25%</td>
</tr>
<tr>
<td>Want to develop a DT strategy, but haven’t started</td>
<td>14%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>No plans for DT</td>
<td>14%</td>
<td>19%</td>
<td>8%</td>
</tr>
</tbody>
</table>
### Benchmarking / Emerging Technology Adoption

<table>
<thead>
<tr>
<th>Emerging Technologies</th>
<th>All Respondents</th>
<th>Lower Middle Market</th>
<th>Upper Middle Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Currently Deploying</td>
<td>Currently Deploying</td>
<td>Currently Deploying</td>
</tr>
<tr>
<td>Cloud Computing</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Internet of Things</td>
<td>61%</td>
<td>56%</td>
<td>67%</td>
</tr>
<tr>
<td>Advanced Analytics</td>
<td>60%</td>
<td>52%</td>
<td>69%</td>
</tr>
<tr>
<td>Blockchain/DLT</td>
<td>40%</td>
<td>33%</td>
<td>48%</td>
</tr>
<tr>
<td>Artificial Intelligence</td>
<td>35%</td>
<td>23%</td>
<td>48%</td>
</tr>
<tr>
<td>Robotic Process Automation</td>
<td>29%</td>
<td>25%</td>
<td>33%</td>
</tr>
<tr>
<td>Extended Reality</td>
<td>26%</td>
<td>21%</td>
<td>46%</td>
</tr>
<tr>
<td>3D Printing</td>
<td>25%</td>
<td>23%</td>
<td>27%</td>
</tr>
</tbody>
</table>
Digital Enablers Defined

**Cloud Computing**
Cloud computing shifts the access, processing and storage of data and services to the Internet.

**Advanced Analytics**
Advanced analytics go beyond historical data analysis to provide real-time and predictive business intelligence.

**Robotic Process Automation (RPA)**
RPA is the use of software “bots” that automate repetitive manual tasks.

**Artificial Intelligence (AI)**
Artificial intelligence is a broad concept to describe machines trained to think like humans.

**Machine Learning**
A subset of AI, machine learning aims to mirror human intelligence by equipping algorithms with the ability to “learn” on their own without human intervention based on experience and new inputs.

**Internet of Things (IoT)**
IoT connects “smart” devices to the Internet and to each other.

**Distributed Ledger Technology (DLT)**
A database of information that is simultaneously shared and updated in real time and in multiple locations across a network.

**Blockchain**
A type of distributed ledger technology, governed by a consensus protocol, used for sharing and storing validated and unchangeable information.

**3D Printing**
Also known as additive manufacturing, 3D printing builds three-dimensional objects from a digital model.

**Extended Reality (XR)**
The extended reality realm encompasses virtual reality (VR), augmented reality (AR) and mixed reality (MR).

**Virtual Reality**
VR is a full immersion into a computer-generated environment.

**Augmented Reality**
AR overlays virtual elements, such as computer-generated graphics or simulations, on top of the real-world environment.

**Mixed Reality**
MR is an advanced form of augmented reality, integrating the virtual and physical worlds to create an immersive interface.
## HOW ARE YOU RESPONDING TO NEW DATA PRIVACY REGULATIONS AND NORMS?

### Benchmarking / Data Privacy Compliance

<table>
<thead>
<tr>
<th>Action</th>
<th>All Respondents</th>
<th>Lower Middle Market</th>
<th>Upper Middle Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Currently</td>
<td>Next 12 Months</td>
<td>Currently</td>
</tr>
<tr>
<td>Performing a Data Mapping Exercise</td>
<td>59%</td>
<td>43%</td>
<td>60%</td>
</tr>
<tr>
<td>Revising Privacy Policies and Processes</td>
<td>54%</td>
<td>35%</td>
<td>56%</td>
</tr>
<tr>
<td>Updating Privacy Disclosures</td>
<td>53%</td>
<td>36%</td>
<td>54%</td>
</tr>
<tr>
<td>Providing Training for Employees</td>
<td>52%</td>
<td>42%</td>
<td>48%</td>
</tr>
<tr>
<td>Performing a Readiness Assessment</td>
<td>48%</td>
<td>30%</td>
<td>54%</td>
</tr>
<tr>
<td>Automating Compliance Processes</td>
<td>47%</td>
<td>58%</td>
<td>48%</td>
</tr>
<tr>
<td>Reviewing Third-Party Agreements</td>
<td>43%</td>
<td>43%</td>
<td>38%</td>
</tr>
</tbody>
</table>
### Benchmarking / Digital Adoption & Enablement

<table>
<thead>
<tr>
<th>Approach</th>
<th>All Respondents</th>
<th>Lower Middle Market</th>
<th>Upper Middle Market</th>
<th>No Plans - 0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing training to upskill current employees</td>
<td>58%</td>
<td>58%</td>
<td>58%</td>
<td>58%</td>
</tr>
<tr>
<td>Establishing a Digital Transformation office</td>
<td>44%</td>
<td>38%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Leveraging third-party outsourcing solutions</td>
<td>39%</td>
<td>38%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Developing a formal change management strategy</td>
<td>38%</td>
<td>37%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Working with an external advisory firm</td>
<td>31%</td>
<td>27%</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>
### Benchmarking / Digital ROI

#### Rate of Success

**Business outcomes surpassed expectations**
- 14% (All Respondents)
- 6% (Lower Middle Market)
- 23% (Upper Middle Market)

**Achieved expected outcomes**
- 66% (All Respondents)
- 73% (Lower Middle Market)
- 58% (Upper Middle Market)

**Failure**
- 20% (All Respondents)
- 21% (Lower Middle Market)
- 19% (Upper Middle Market)

#### 12-Month Revenue Growth from Digital Initiatives

**Increased by 10% or more**
- 19% (All Respondents)
- 22% (Lower Middle Market)
- 17% (Upper Middle Market)

**Increased by 1-9%**
- 46% (All Respondents)
- 37% (Lower Middle Market)
- 56% (Upper Middle Market)

**No impact**
- 32% (All Respondents)
- 41% (Lower Middle Market)
- 23% (Upper Middle Market)

**Decreased**
- 2% (All Respondents)
- 0% (Lower Middle Market)
- 4% (Upper Middle Market)

*Excludes respondents that did not make digital investments in the last 12 months

#### 12-Month Profitability Improvement from Digital Initiatives

**Increased by 10% or more**
- 16% (All Respondents)
- 14% (Lower Middle Market)
- 19% (Upper Middle Market)

**Increased by 1-9%**
- 52% (All Respondents)
- 49% (Lower Middle Market)
- 54% (Upper Middle Market)

**No impact**
- 29% (All Respondents)
- 33% (Lower Middle Market)
- 25% (Upper Middle Market)

**Decreased**
- 3% (All Respondents)
- 4% (Lower Middle Market)
- 2% (Upper Middle Market)

*Excludes respondents that did not make digital investments in the last 12 months
Conclusion

The retail industry is in the midst of overwhelming disruption. For retailers to emerge from the pandemic prepared to navigate the new normal, they must embrace digital transformation from a holistic perspective, using BDO’s 3+1 methodology. Without the proper optimization of the Digital Business, Digital Process and Digital Backbone components, bottlenecks will form and beleaguer retailers’ digital initiatives. The Digital Adoption element is especially critical to ensuring employees and customers are aligned, without which any digital transformation will fail.

Some retailers may be reluctant to prioritize new digital initiatives during this time, but adapting to the environment means redefining how businesses are leveraging technology to deliver value post-COVID-19.

About BDO’s Retail & Consumer Product Practice

BDO has been a valued business advisor to retail and consumer products companies for more than 100 years. The firm works with a wide variety of clients across the traditional retail, consumer product and e-commerce sectors, ranging from multinational Fortune 500 corporations to emerging businesses, on myriad accounting, tax and advisory issues.