

Gartner: Retailers Invest "Heavily" in Digital

Written by Marco Attard
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According to Gartner, customer expectations and competition force retailers to "invest heavily" in digital business transformation-- leading to global retail sector technology spend reaching \$203.6 billion in 2019, a 3.6% increase.

Table 1. Retail IT Spending Forecast (Billions of U.S. Dollars)

	2018	2019	2020	2021	2022
Internal Services	33.3	33.8	34.0	34.3	34.9
Software	30.2	32.8	35.7	38.6	40.5
IT Services	81.6	85.7	90.2	95.0	100.0
Telecom Services	27.4	27.0	26.7	26.4	26.0
Devices	12.4	12.6	12.6	12.5	12.4
Data Center Systems	11.5	11.7	11.7	11.7	11.5
Total Spending	196.6	203.6	210.9	218.5	225.4
Total Growth (%)	5.6%	3.6%	3.6%	3.6%	3.1%

Note: Totals may not add up due to rounding.

Source: Gartner (October 2018)

The analyst says retail, compared to other industries, used to be a "laggard" in terms of appetite for change, digital maturity and technology spend. But not any more, since retail now surpasses most industries with regard to IT spend. Software is the fastest growing category of technology spending, with retail CIOs prioritising digital marketing, mobile applications, eCommerce platforms and AI, technologies deemed most crucial to their organisation.

"Retail CIOs used to be tasked with minimising risk and cost," Gartner says. "Now they are held

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accountable for business results. They are prioritising ROI and other measurable business impacts. Retail CIOs are investing in analytics for both near-term benefits like decision making and to prepare for innovations such as smart machines, AI and augmented reality-- all of which will require robust datasets."

Gartner also points out that, contrary to common belief, physical retail is very much thriving-- global retail sales are set to increase by 4.8% in 2018, more stores are opening than closing, and consumer confidence is high. However, while retail is robust, the rules of the game are changing rapidly. As such, retailers need to find ways to differentiate themselves from the eCommerce giants while different kinds of retail businesses continue to challenge the status quo.

What should retailers do to succeed in the current landscape? Gartner has 3 suggestions:

- **Get even closer to customers** using new digital capabilities, such as advanced analytics and AI, to segment customers by behaviours and adapt to evolving wants and needs.
- **Make clear strategic choices** to adapt capabilities that are in lock step with customer evolution. Transformative technology should be scaled only when it is clear customers actually want it.
- **Predict and drive results** by establishing clear leading indicators and measures of digital transformative success.

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