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CLOUD DRIVES DIGITAL TRANSFORMATION IN RETAIL

Excerpts from the 2020 Frost & Sullivan Global Cloud User Survey

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SPONSOR PERSPECTIVE

2020—wow what a year. From disruptions across supply chains and shifting consumer behaviors to new ways to shop and a continued explosion of data, 2020 was the year in which we experienced change at a pace and a scale that we could never have imagined. Yet, despite this unprecedented change, the retail industry still prevails. Still as important as ever to the global economy, still essentially the demand signal for the world. And retailers continue to respond, recover, and reimagine their businesses with a renewed focus on ways to better serve their customers and empower their employees all the way from the shop floor to top floor.

If the COVID-19 pandemic has taught us anything it is that no business is resilient to everything. What's more, the retailers who laid their 'digital tracks' early were better positioned to adapt. Some have even emerged stronger, capturing increased consumer spending and driving business growth. I'm optimistic about the future of retail and excited by the opportunity we face as an industry. But as we all know, the journey past the COVID-19 pandemic has only just begun.

We recently partnered with Frost & Sullivan to bring you the latest global insights from across the retail industry. The Frost & Sullivan 2020 Global Cloud User Survey highlights how retailers large and small continue to accelerate their path to the cloud. It's also with this strategic backdrop in mind that I'm excited to bring Microsoft Cloud for Retail to the industry.

Microsoft Cloud for Retail connects experiences across the end-to-end retail shopper journey using integrated and intelligent capabilities. It will bring value to the industry by connecting and unlocking the power of Microsoft Azure, Microsoft 365, Microsoft Dynamics 365, Microsoft Advertising, and Microsoft Power Platform to help solve the most urgent challenges retailers are facing. Our ambition is to empower the retail industry to seamlessly connect their customers, their people, and their data.

Learn more about Microsoft Cloud for Retail Public Preview or keep reading to learn how retailers are using the cloud to unlock data and intelligence.

Shelley Bransten

Corporate Vice President, WW Consumer Goods & Retail Industries

Microsoft Corporation

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EXECUTIVE SUMMARY

In 2020, the retail industry faced challenges but also opportunities. COVID-19 caused disruptions in product supply and demand, in the labor pool, and in consumer spending.

To address the challenges, retailers accelerated their digitalization strategies. The retailers best positioned to emerge stronger from COVID-19 were those that leveraged a cloud foundation to maintain customer relationships, protect employee health and safety, and maintain a competitive differentiator through innovative, customized products.

The 2020 Frost & Sullivan Global Cloud User Survey looked at how retailers worldwide are approaching digital transformation.

Among the interesting findings of this year's survey:

67%
say they
are digitally
advanced

76%
say tech
investments meet
expectations

50%
increase in
multicloud
adoption

Retailers feel positive about their digital journeys. 67% of retail industry respondents believe they are more digitally advanced than their competitors.

76% of retailers say their technology investments are meeting stakeholder expectations for achieving goals, which include such as improving productivity and improving the customer experience.
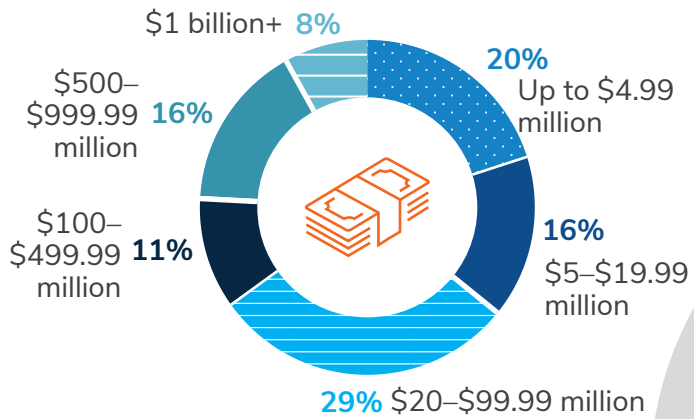
Multicloud adoption has skyrocketed among retailers in the past year, up nearly 50%. Hybrid cloud adoption is up by 19%. An intelligent hybrid cloud platform enables retailers to maximize the value of their data.

Source: 2020 Frost & Sullivan Global Cloud User Survey
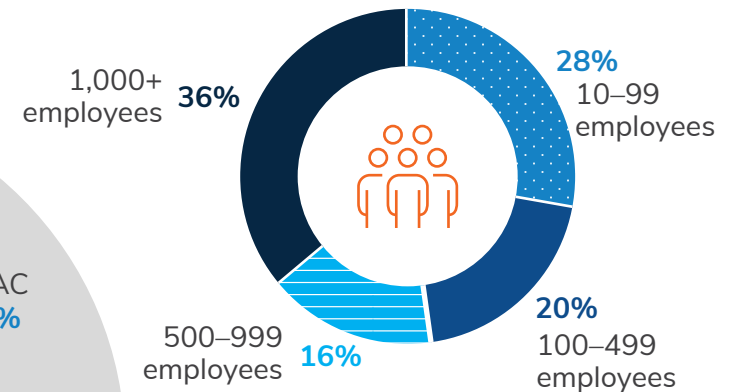
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ABOUT THE 2020 FROST & SULLIVAN GLOBAL CLOUD USER SURVEY

This year's survey was conducted via internet in August 2020. The survey garnered responses from 152 IT and business executives who make or influence decisions regarding the purchase of IT infrastructure, software, or cloud services for retail firms.

Respondents' Company Revenue, 2019

$1 billion+ **8%**

$500–$999.99 million **16%**

$100–$499.99 million **11%**

20% Up to $4.99 million

16% $5–$19.99 million

29% $20–$99.99 million

Size of Respondent Company

1,000+ employees **36%**

28% 10–99 employees

20% 100–499 employees

500–999 employees **16%**

Respondents by Region

U.S. **29%**

LATAM **14%**

Europe **27%**

APAC **30%**

Respondent Title/Role

Manager **9%**

Middle Manager **14%**

Senior Manager **17%**

21% C-level Executive

9% Vice-President

30% Director
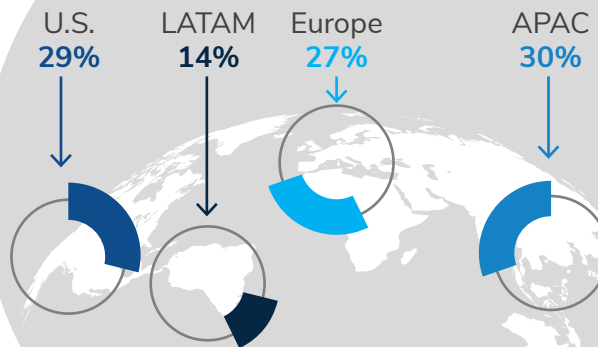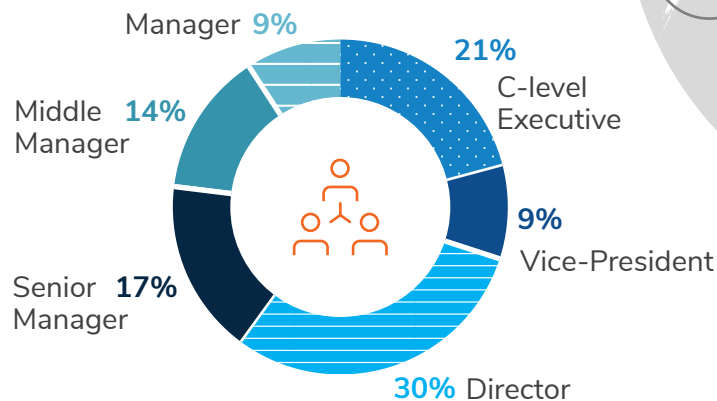
Respondent's Departments

Other **6%**

Operations **8%**

Marketing/Sales **13%**

26% General Management

10% Finance/Accounting

IT **36%**

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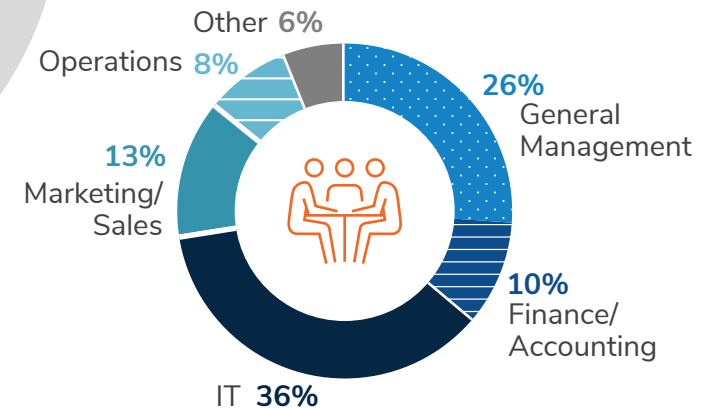
RETAILERS FOCUS ON CUSTOMERS AND EMPLOYEES

As retail organizations continue to respond to the rapid changes brought about by the COVID-19 pandemic, their top priorities relate to keeping employees productive (and safe) and improving the customer experience. Retailers are adopting health an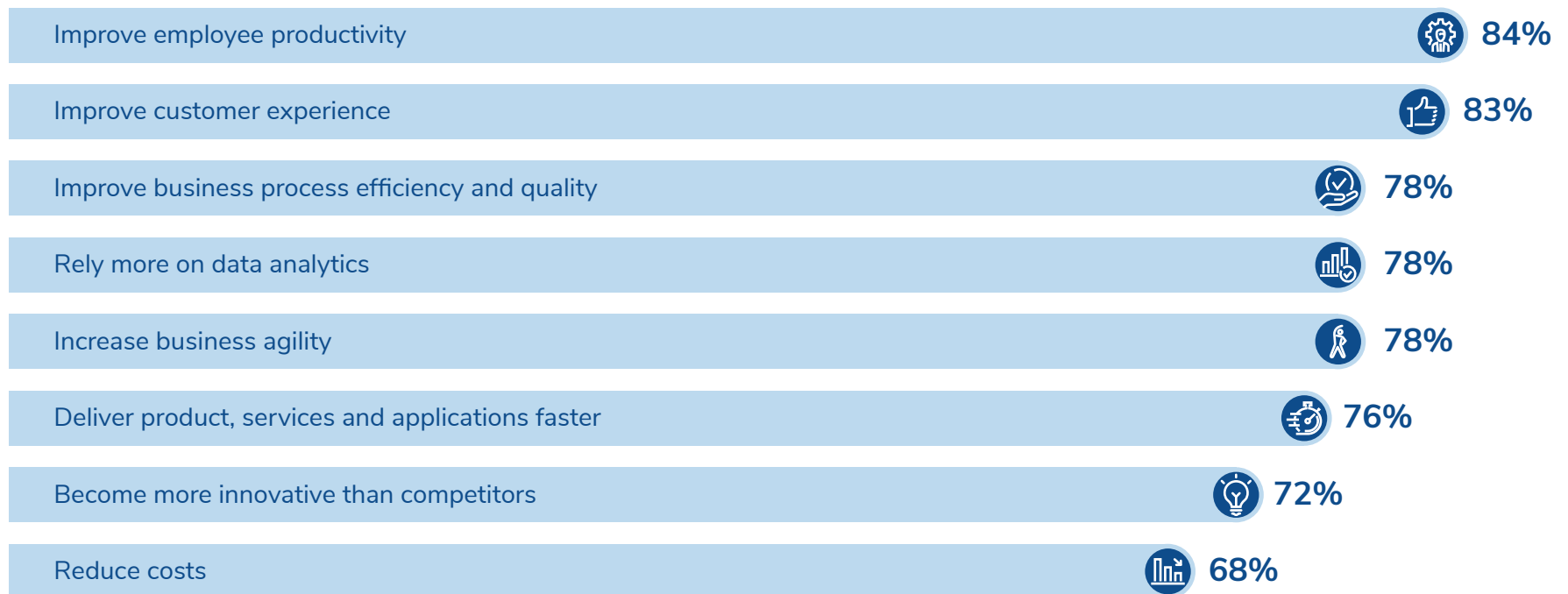d safety protocols for essential workers in warehouses and retail stores, and implementing multichannel solutions to maintain customer relationships.

Strategic Business Goals Rated "Crucial" or "Very Important"

Goal	
Improve employee productivity	84%
Improve customer experience	83%
Improve business process efficiency and quality	78%
Rely more on data analytics	78%
Increase business agility	78%
Deliver product, services and applications faster	76%
Become more innovative than competitors	72%
Reduce costs	68%

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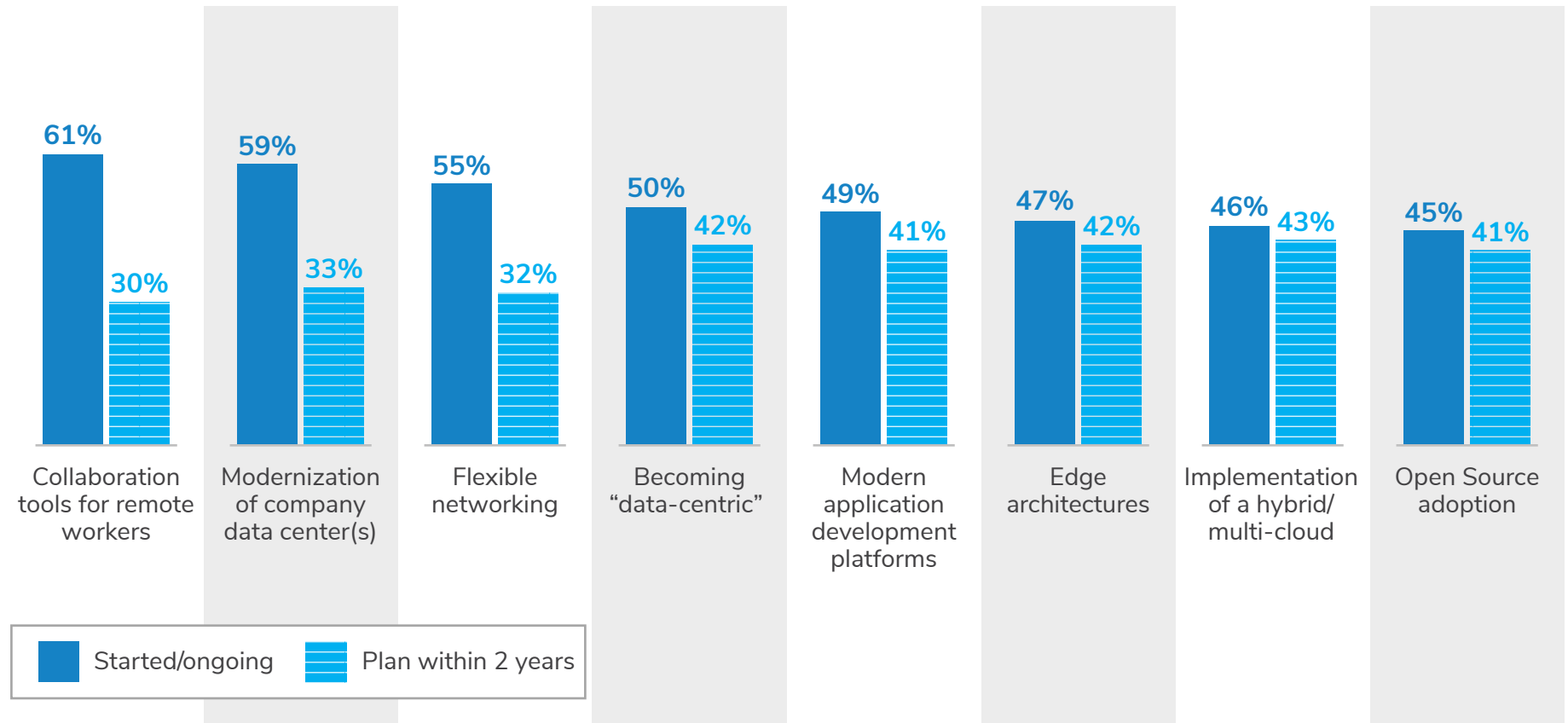*Source: 2020 Frost & Sullivan Global Cloud User Survey*

BUILDING TECHNOLOGY FOUNDATIONS

An effective digital transformation requires a flexible foundation: including infrastructure, platform, tools, and processes that will support a range of technologies and intelligent solutions.

Survey respondents from the retail industry are well on their way to implementing the cloud technology foundations they will need.

Implementation Status of Foundational Technologies

Technology	Started/ongoing	Plan within 2 years
Collaboration tools for remote workers	61%	30%
Modernization of company data center(s)	59%	33%
Flexible networking	55%	32%
Becoming "data-centric"	50%	42%
Modern application development platforms	49%	41%
Edge architectures	47%	42%
Implementation of a hybrid/multi-cloud	46%	43%
Open Source adoption	45%	41%

Legend: ■ Started/ongoing ▤ Plan within 2 years

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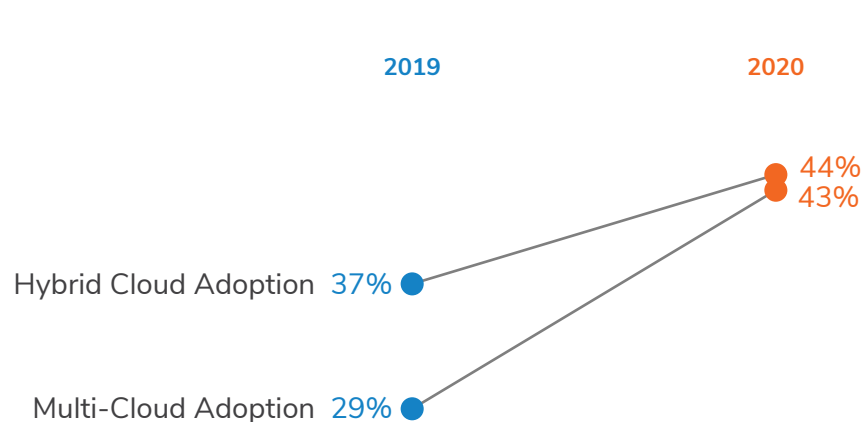*Source: 2020 Frost & Sullivan Global Cloud User Survey*

HYBRID AND MULTI-CLOUD USAGE SOARS

In the past year, retailers worldwide have rushed to adopt hybrid and multi-cloud configurations, which give them the flexibility to host applications in the optimal infrastructure and move workloads and data across infrastructures and clouds.

A HYBRID CLOUD is defined as any combination of cloud, hosting and private data center resources that are managed and controlled as a single pool of resources to run an application.

A MULTI-CLOUD ENVIRONMENT combines services and resources from more than one cloud service provider.
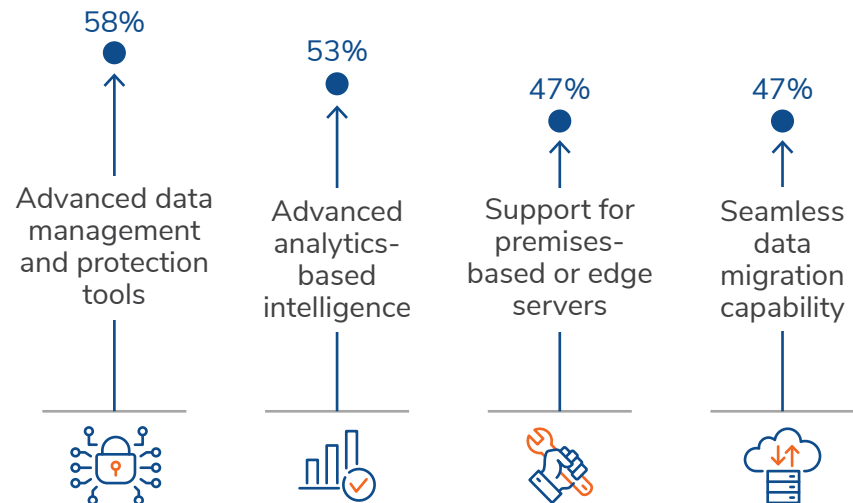
A sophisticated hybrid cloud platform offers advanced intelligence that retailers need to deliver an optimal shopping experience, and derive maximum value from disparate data sources.

Usage and Value of Hybrid /Multi-Cloud Platforms

37%

of organizations have **implemented a hybrid/multi-cloud management platform**

Retail Businesses Using Hybrid and Multi-Cloud Services

2019   **2020**

44%
43%

Hybrid Cloud Adoption 37%

Multi-Cloud Adoption 29%

HIGHEST-VALUE FEATURES OF A HYBRID CLOUD PLATFORM

58%

Advanced data management and protection tools

53%

Advanced analytics-based intelligence

47%

Support for premises-based or edge servers

47%

Seamless data migration capability

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Source: 2020 Frost & Sullivan Global Cloud User Survey

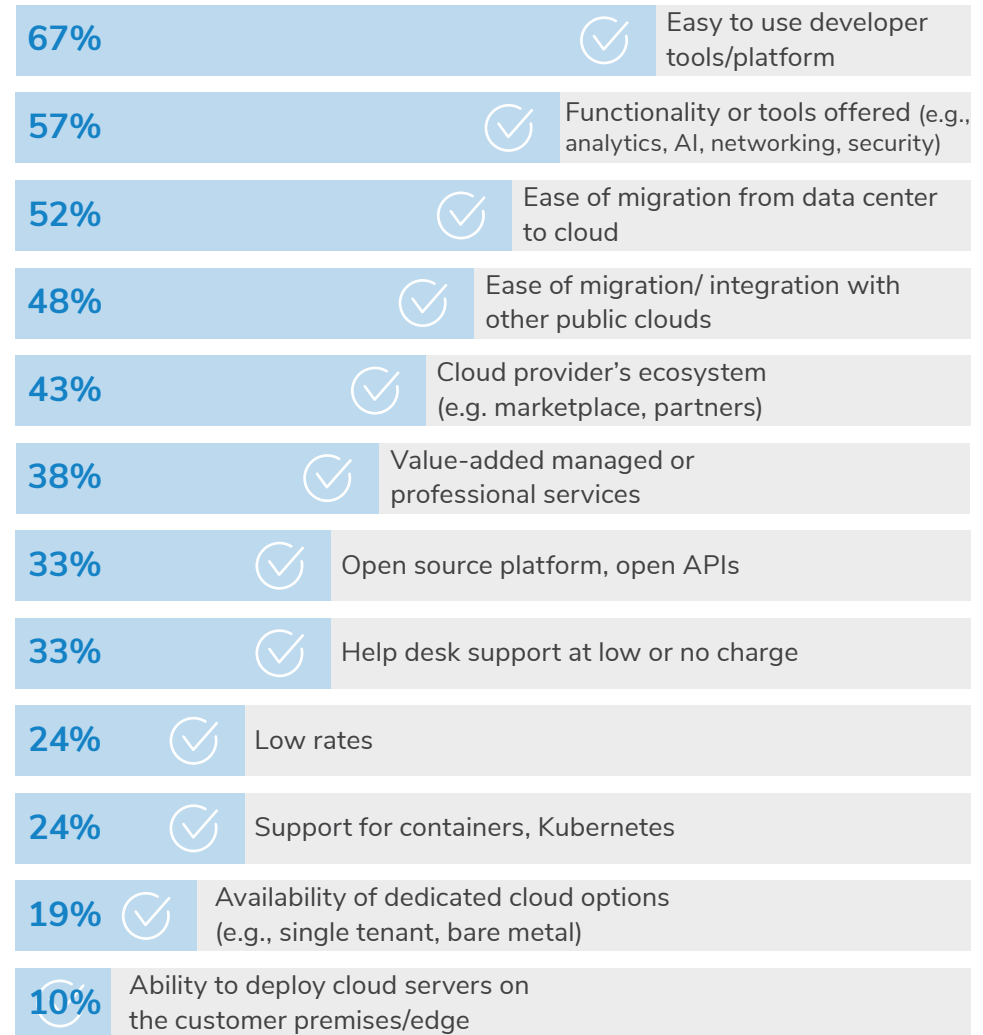# RETAIL ORGANIZATIONS RELY ON AZURE TO ACCELERATE DIGITAL TRANSFORMATION

According to the Frost & Sullivan survey, 95% of Azure users are satisfied or very satisfied with their choice of cloud provider.

Their reasons for choosing Azure over other cloud service providers reflect their confidence that Microsoft can help them meet their goals, such as improving customer experience and employee productivity.

Their satisfaction with Azure starts at the beginning of the cloud journey with "ease of migration" (cited by 52%), which can allow retailers to implement and run a hybrid environment. Over two-thirds of Azure users cite "easy to use developer tools," which can enable developers to build and deploy apps quickly using their preferred tools and frameworks. 57% prize advanced functionality such as AI, which helps enable retailers to meet their current and future needs. Users also recognize Azure's focus on protecting customer apps and data, via security and compliance tools.

Retailers leverage Azure's data analytics capabilities to gain faster insights, understand customers better, manage inventory, and generate process efficiencies. Respondents cite the extensive Azure ecosystem, including managed and professional services available from Microsoft and partners, to help them implement and optimize the cloud and harness the value of their data.

Reasons for Choosing Microsoft Azure

Percentage	Reason
67%	Easy to use developer tools/platform
57%	Functionality or tools offered (e.g., analytics, AI, networking, security)
52%	Ease of migration from data center to cloud
48%	Ease of migration/ integration with other public clouds
43%	Cloud provider's ecosystem (e.g. marketplace, partners)
38%	Value-added managed or professional services
33%	Open source platform, open APIs
33%	Help desk support at low or no charge
24%	Low rates
24%	Support for containers, Kubernetes
19%	Availability of dedicated cloud options (e.g., single tenant, bare metal)
10%	Ability to deploy cloud servers on the customer premises/edge

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DIGITAL JOURNEY YIELDS VALUABLE RESULTS

Retailers feel generally positive about their digital journeys. They believe their cloud strategy is enabling them to meet their goals for improving productivity and customer experience, and enables them to maximize the value of their data. However, there is a risk if confidence leads to complacency. To remain competitive, retailers must consider the cloud not as an end, but as a foundation that will enable them to quickly and effectively adopt any technology, today and into the future.

Confidence in Digital Journey

94%
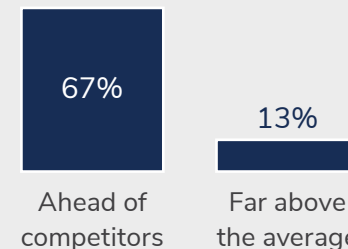of businesses are **"very" or "somewhat" satisfied with their primary public cloud service provider**

More than

76%
of businesses rate their **technology initiatives as "excellent" or "very good" at meeting stakeholder expectations**

RETAILERS' SELF-ASSESSMENT OF DIGITAL TRANSFORMATION PACE

67%
Ahead of competitors

13%
Far above the average

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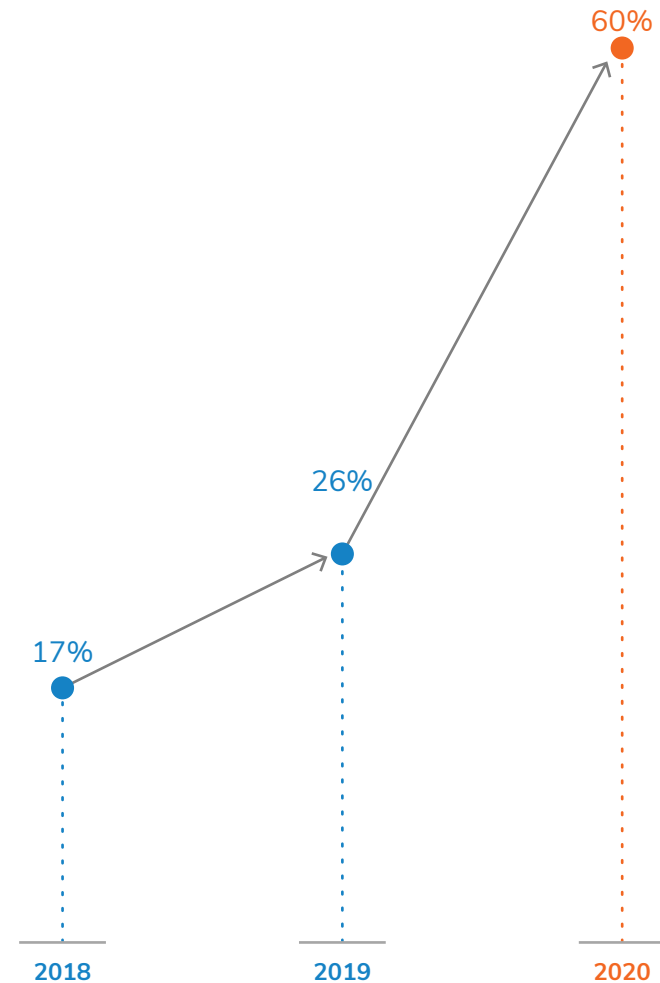*Source: 2020 Frost & Sullivan Global Cloud User Survey*

THE CLOUD KNOWLEDGE GAP

When retailers struggle with their cloud implementations, the underlying cause is not the cloud model itself, but a knowledge gap. More than a decade into the cloud era, many organizations in all industries still feel under-qualified to make informed cloud decisions. Driving retailer uncertainty is the flood of new technology offerings and features that cloud service providers and their ecosystem partners are introducing.

- 60% of retail respondents say insufficient staff knowledge has led them to delay or halt their cloud implementations.

- 66% of retail respondents identify "keeping up with the pace of new technology being introduced into the market" as a critical challenge to cloud implementations.

Retailers are realizing that cloud is not a "set it and forget it" proposition: the organization can't simply pull together a team to evaluate offerings, choose a provider, implement the cloud, and move on to the next initiative. Instead, to fuel their digital organizations, they need to continually keep ahead of the latest cloud offerings. This requires choosing with the right technology partner, one that understands the retail industry and can help develop and implement a cloud roadmap.

Interestingly, the percentage of retail organizations claiming insufficient knowledge has risen in the past few years. As the complexity and pace of cloud technologies accelerates, retailers feel less equipped to roll out initiatives to shops and branches that often have no IT specialists on-site.

Retailers Citing Insufficient Staff Expertise as a Significant Hurdle to Hybrid Cloud Implementation

60%

26%

17%

2018   2019   2020

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Source: 2020 Frost & Sullivan Global Cloud User Survey

KEY TAKEAWAYS

### Growth Opportunities for Providers

The Frost & Sullivan 2020 Global Cloud User Survey reveals how retail organizations can derive value from their cloud implementations.

Retailers recognize the cloud as an effective way to achieve their business goals. While employee productivity and customer experience have long been priorities for retailers, the COVID-19 pandemic forced new and rapid solutions. Retailers with a solid digital strategy in place—one that enabled them to harness the value of their data—are well-positioned to pivot their operations.

Retailers are increasingly relying on hybrid cloud to connect their disparate data, applications, and users. For assistance with designing, implementing, and managing their hybrid configurations, they are turning to trusted partners.

The future of retail requires a flexible cloud-based digital foundation, one that will continue to support retailers and their customers with intelligent, next-generation functionality.

For more information about the 2020 Frost & Sullivan Cloud User survey, contact your account executive or visit **www.frost.com**
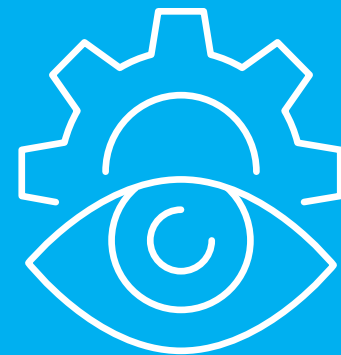
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