Understanding the impact of new retail technology

By Courtney Radke
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As consumer needs continue to evolve, both as a result of new technology and the Covid-19 pandemic, retailers have been forced to change how they do business. This was the focus of Retail Info Systems' (RIS) 31st Annual Retail Technology Study, sponsored by Fortinet, which highlights several key trends across the retail space that CISOs should be aware of, including priority investments, top technology-driven strategies, and expected challenges for the coming years.

Photo by Jack Sparrow from Pexels

The most common words and phrases survey respondents used to describe the current state of the retail industry were "changing," "transforming," "in flux," and "unpredictable." Anyone who has been paying attention over the past year can understand why. The COVID-19 pandemic led many consumers to explore online shopping opportunities and pushed retailers to meet those demands.

Approximately 32% of retail sales now come from digital channels, compared to 23% in the previous year. The fact that many retailers are investing more in digital sales suggests that these higher numbers are likely to hold; however, they may not increase as dramatically in upcoming post-pandemic years.

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Top challenges in the retail technology industry

Managing the rapidly evolving retail IT landscape is challenging. More than one-third (36%) of survey respondents indicated that change management is a significant roadblock for the foreseeable future. Other top challenges IT decision-makers expect to face in the next three years include application integration (50%) and retiring legacy systems (43.3%).

The retail industry's shift toward providing omnichannel shopping and keeping up with all the transformations means that retail networks are growing in complexity. This, coupled with increasingly sophisticated cyber threats, means that retail CISOs must continue to ensure that cybersecurity is not overlooked by the board as it is critical to business and compliance.

Further, CISOs need to prioritise flexible, adaptive, and scalable cybersecurity solutions to address these challenges now and also well into the future as networks continue to change.

Sixty percent (60%) of retailers expect to increase IT spend this year, with 30% of survey respondents planning for budget increases of over 10%. In the previous year, the total number that increased their IT budget was almost identical (62%). However, only 19% increased their actual spend by more than 10%. Security solutions must be cost-effective and fit within these expanded IT budgets, which are sometimes stretched thin to cover a multitude of upgrades and transformations.

State of the physical store

The physical store isn't disappearing any time soon and has also shifted to meet the demands of a changing retail landscape this past year—offering services such as curbside or in-store pick up.

Today, 33% of retailers offer curbside pick up, 27% percent are in the process of implementing it, and another 10% plan to implement it over the next two years. In-store pick up and return are already available in 40% of retailers, with 33% in the process of implementing it and another 7% percent planning to implement it over the next two years.

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Similar to the e-commerce space, physical stores are experiencing technological change at an accelerated pace. Current top in-store technology investments include mobile devices for associates and managers (40%), in-store pick up and return of web-purchased goods (33%), and real-time store monitoring of key performance indicators (30%).

Over the next 12 months, 20% of survey respondents expect to invest in guided selling, 17% plan to invest in location-based sensing for marketing and communication, and 14% are working to enhance shopper tracking capabilities. Many retailers are also now actively using data analytics to inform assortment planning, category management, allocation, price management and execution, item master data management, and more.

As physical stores continue to adopt new technologies, all the additional IT infrastructure, whether on-site or in the cloud, must be secured just as well as on e-commerce platforms.

Top retail technology-driven strategies

When asked about their top technology-driven strategies for the next 18 months, survey respondents indicated the following:

- 40% plan to expand unified commerce initiatives.
- 37% plan to improve network and IT system security.
- 33% plan to advance analytic tools and capabilities.
- 30% plan to develop personalised marketing capabilities.
- 30% plan to advance mobile commerce for customers.

This demonstrates that retailers are still focused on the basics of building and securing a successful enterprise, even in light of recent uncertainty and changes.

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Top priority digital investments

Overall, retailers are prioritising enhancements to the digital shopping experience and connection between retailers and customers. Currently, one in three retailers are deploying technological enhancements to their e-commerce platforms, though the survey indicated shifting priorities over the next two years, with the following categories making up the top five expected digital investment areas:

1. Customer relationship management (CRM) and personalisation
2. Email, mobile, text marketing, and messaging
3. Product and catalogue management
4. Product recommendations
5. Distributed content management and repository

Looking at the supply chain side of things, the most significant focus appears to be investments in distributed order management, with 54% of survey respondents indicating that they are currently performing upgrades in this area or are planning to do so sometime within the next two years.

Cybersecurity in retail technology

A 2020 Retail Industry Trends report, also sponsored by Fortinet, separately indicates that retailers' security upgrades will focus on cloud security (55%), network security (58%), and application security (55%). This focus on security – particularly in light of a fast-evolving threat landscape – is especially vital in the retail industry.

The retail industry must meet regulatory requirements of the Payment Card Industry Data Security Standard (PCI DSS) and the PCI Software Security Framework (SSF), both of which define strict security controls for the protection of financial data. Beyond keeping financial transactions secure, retailers must also secure customer data that many have been collecting in droves to gain insights that allow them to remain competitive. Retail networks, in general, are common targets of malware, spy ware, and DDoS attacks.

An effective cybersecurity solution in the retail sector needs to include centralised visibility and device management without breaking the bank or sacrificing customer experience, all while still maintaining industry compliance.

Leveraging automation, proactive threat intelligence, and high-performance firewalls – all under a unified platform – results in a security solution with end-to-end visibility that is sophisticated and cost-effective, all without impacting network performance.

Final thoughts on retail technology

As technology use in the retail industry continues to expand and evolve, so too must the cybersecurity strategies that are deployed in this sector. Advances in retailer/customer relationships, order and product management, and analytics capabilities should always happen alongside advances in cybersecurity, with a unified platform capable of adapting to rapid change serving as a key component.

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