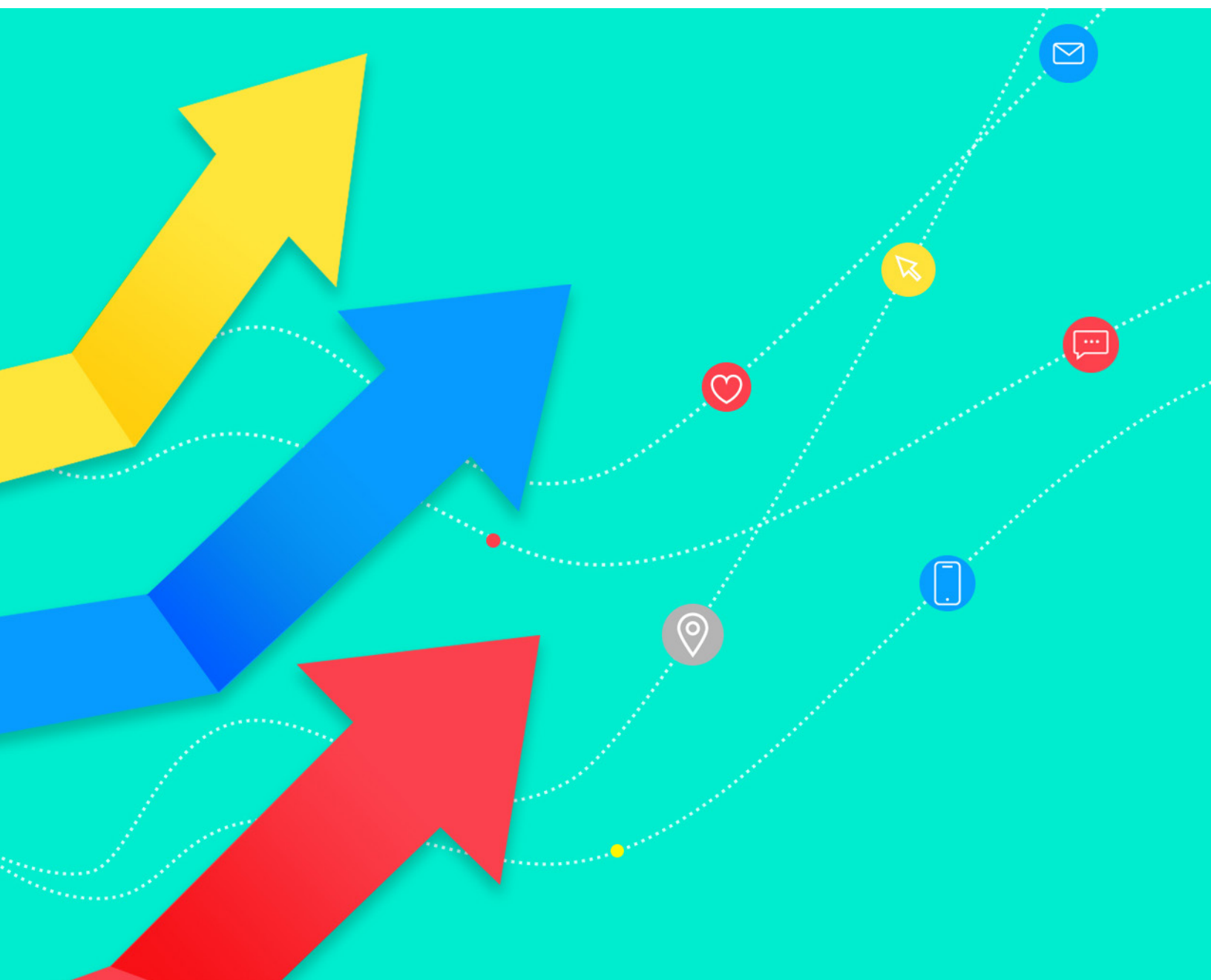


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Data Unwise: Insights on Unlocking Where Retailers Need to Go Next

A research study from Publicis Sapient and Adobe



Data maturity in retail today



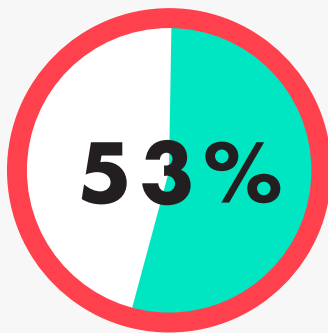
60% of retailers feel that they're ahead of their competition on AI, but in reality, only pockets are actually ahead of the curve and many don't understand what true data maturity looks like.

Adobe and Publicis Sapient undertook a study to assess the current data maturity of top retailers and uncover gaps in their analytics strategies. The research explored the executives' perspectives and proficiencies in topics such as customer data platforms (CDP), artificial intelligence (AI), and algorithmic retailing. (See page 11 for methodology.)

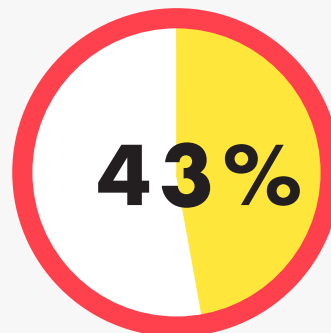
As a new decade begins, our survey demonstrates how far data analytics strategies have come in the past decade, and how many retailers understand the power of data in 2020. While Big Data had barely entered the lexicon of most retailers in 2010, now the conversation focuses on how to harness it for the most value to customers and the business alike.

Large retailers are indeed competing to get ahead of the data curve, but most are still using data and automation primarily for tablestakes marketing tactics such as detecting customer product preference or predicting customer intent. Ironically, however, 60% of retailers we surveyed feel that they're ahead of their competition on AI.

Our findings show that it is still early days for data analytics and artificial intelligence (AI) in retail, as many respondents' use of data to streamline business decisions and measure the link between customer experience and business value remains untapped.



**CONSIDER DATA AS
IMPORTANT TO FACILITATE
CONNECTIONS WITH
CUSTOMERS**



**CONSIDER DATA AS
IMPORTANT TO FACILITATE
IN SAVING CUSTOMERS
MONEY**

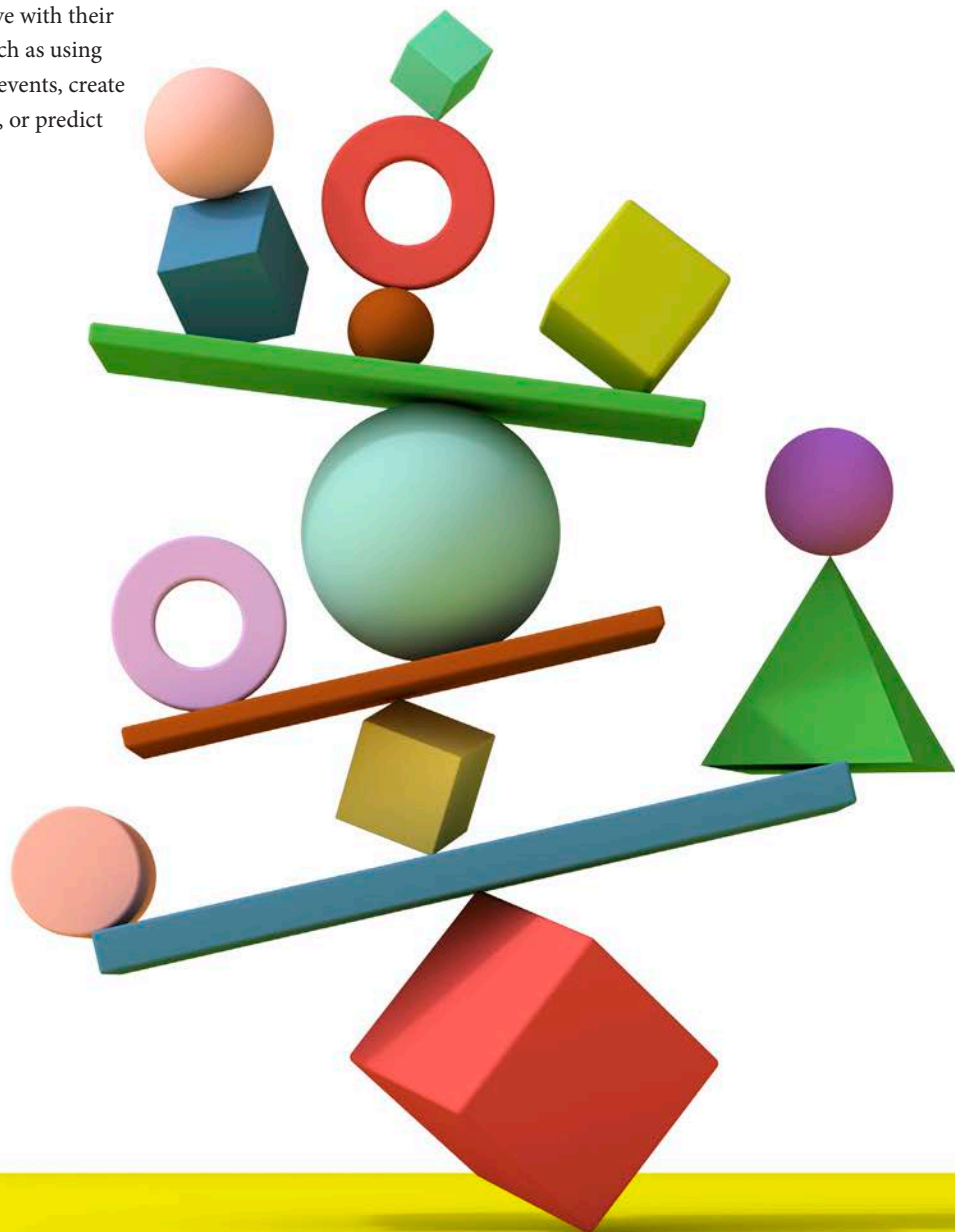
“Retailers create 40TB of data every hour, and that data is often hard to work with and often noisy,” said Hilding Anderson, Head of Retail Strategy, North America at Publicis Sapient. “Then the insight layers are overly simplistic and don’t use the latest in AI; they’re much closer to Excel spreadsheets. And on the action side, a lot of retailers don’t have an integrated tool set where they can action against data models that are creative. This takes time and investment, but, our findings suggest that retailers are overconfident.”

Retailers use data to paint interesting portraits of consumers’ behavior and engage with them more effectively. U.S. consumers, for instance, spent \$142.5 billion online during

the 2019 holiday season, a 13.1% increase year-over-year, according to data from Adobe. Smartphones accounted for 84% of last holiday season’s e-commerce growth. During the holidays and throughout last year, many retailers’ data analytics strategies were tested as they compete with e-commerce giants like Amazon and implement new privacy policies to comply with laws such as GDPR and the California Consumer Privacy Act.

Despite these challenges, there is a myriad of ways retailers could be more imaginative with their data goldmines, such as using them to detect life events, create customer genomes, or predict lifetime value.

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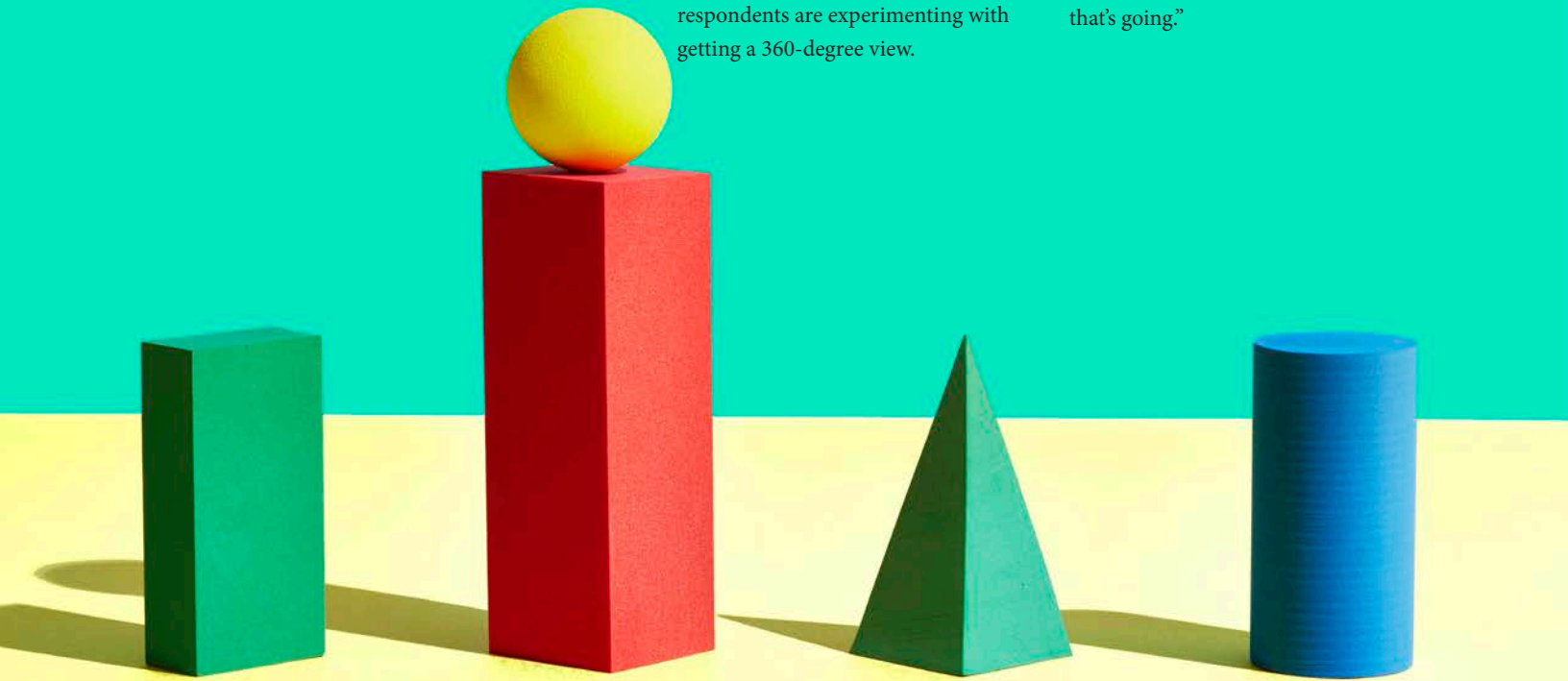
Sticking to the basics

Experiences and events have become more important for many consumers versus material possessions, but this isn't doomsday for retailers. Brands can still anticipate these experiences and events to reach a consumer when they're planning for a wedding or the birth of a child.

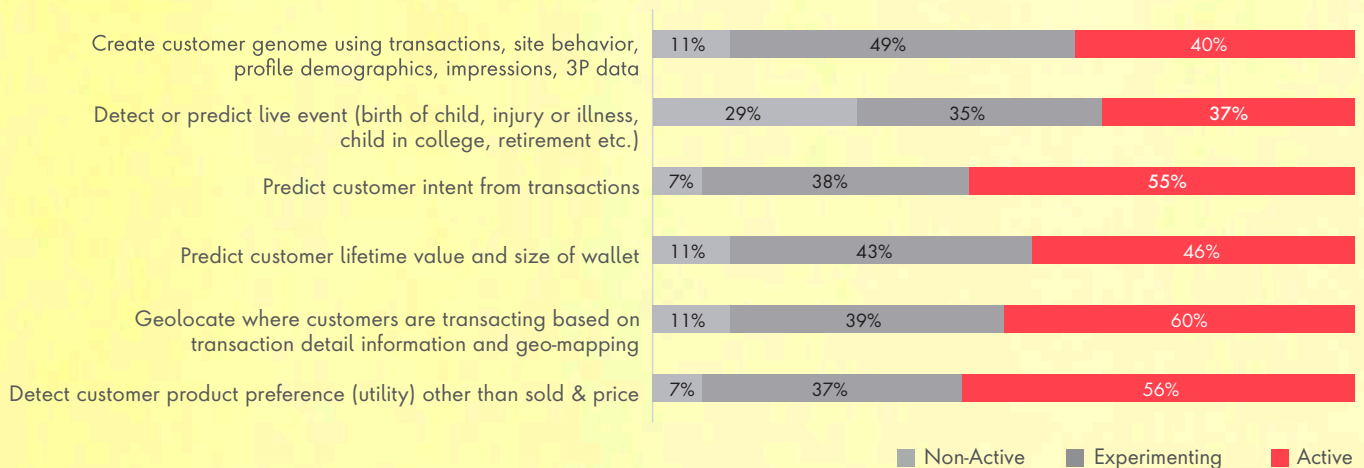
Only 37% said they currently use data to detect or predict a life event, and 35% are only experimenting with this. Only 40% are creating 360-degree views of the customer using transactions, site behavior, profile demographics, impressions, or third party data; but nearly half of respondents are experimenting with getting a 360-degree view.

“I would say we are farther away than we'd like and I think it's because as soon as we get closer to it, the goal posts keep moving,”

said one respondent from a big-box retailer who was interviewed as part of the survey. “The challenge is in the past when people would have said, ‘hey, we're almost close to getting that single data lake,’ it's more like, ‘well, we thought of about 17 more use cases so that's going.”



HOW ACTIVE IS YOUR COMPANY IN USING DATA TO...?



Many consumers understand that in an increasingly technology-driven world you have to give a little to get a little from retailers. Provide an email address and you get a coupon code or chance to win a gift card, or offer your mobile number to receive SMS alerts of deals and promotions.

Some 65% of respondents use data to offer discounts and recommendations. But a discounted vacuum pushed by a retailer, for instance, might not be the best fit for a particular consumer. The vacuum they searched for on Google a couple of hours before visiting a store is what the consumer wants. Yet, only one-third are using cognitive search to provide the most relevant, personalized results.

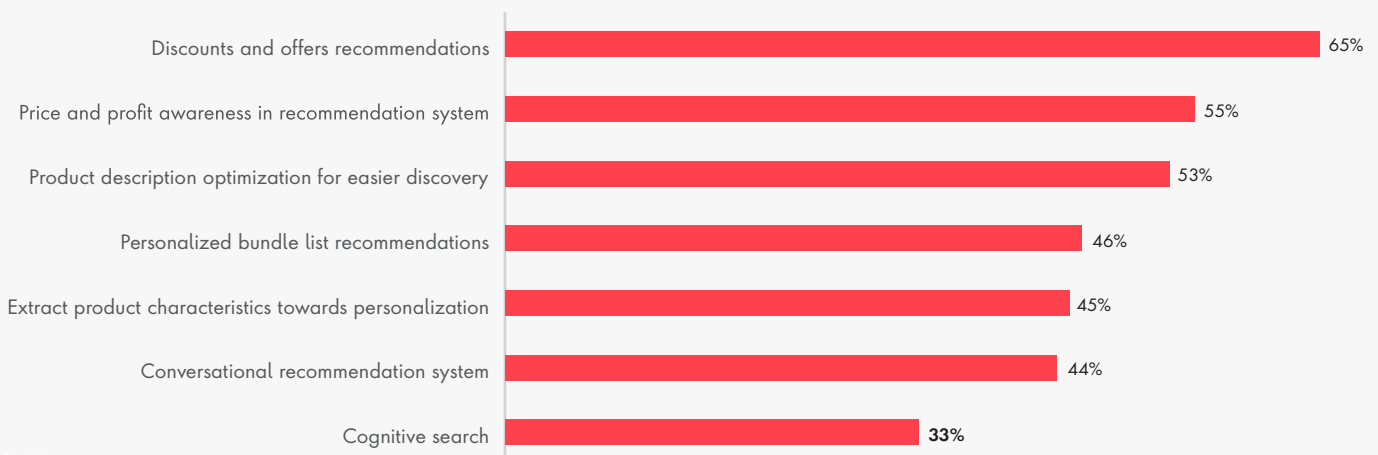


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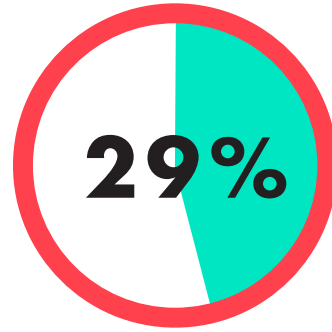


WHICH OF THE FOLLOWING ARE YOU USING TO OPTIMIZE CUSTOMER EXPERIENCE?

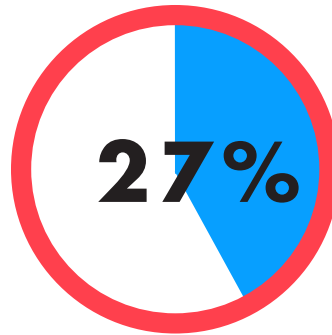




Virtually all respondents are confident that investments in analytics drive business results. Many retailers still need to clear the hurdle of going deeper to maximize the use of available analytics, such as minimizing returns, forecasting demand, and optimizing inventory. Only 29% said leveraging statistical models and techniques to minimize the number of returns describes their organizations very well, and 27% said using analytics on external and/or internal drivers of demand describes their organizations very well.

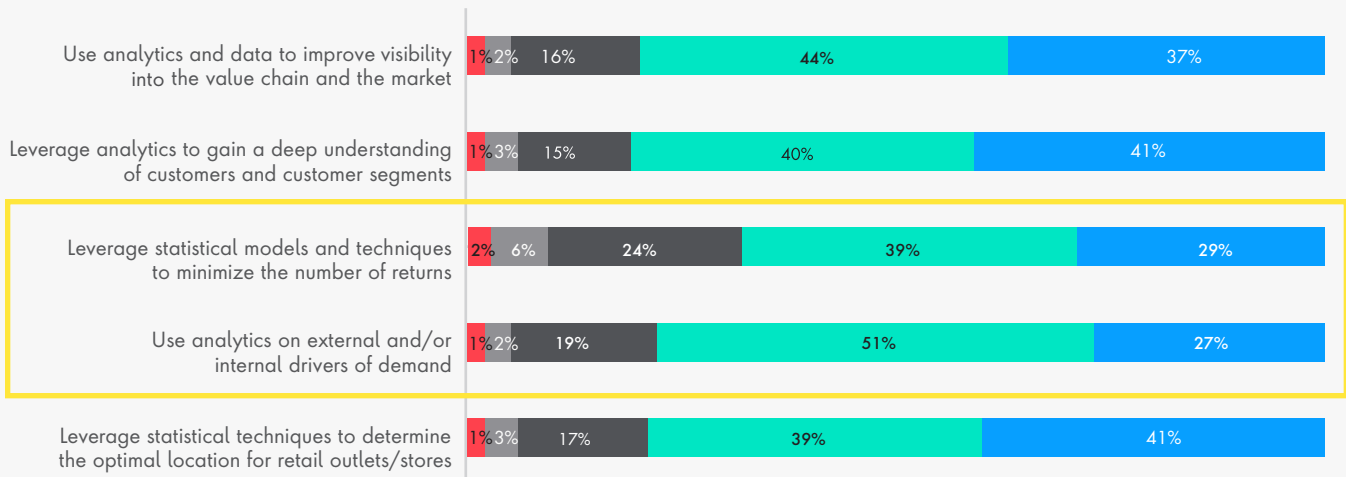


OF RETAILERS SAY THEY USE STATISTICAL MODELS AND TECHNIQUES TO MINIMIZE RETURNS



OF RETAILERS SAY THEY USE ANALYTICS ON DEMAND FORECASTING

PLEASE INDICATE THE EXTENT TO WHICH EACH OF THE FOLLOWING DESCRIBES YOUR ORGANIZATION IN THE AREA OF USING ANALYTICS:



■ 1 - Does not describe your organization at all ■ 2 ■ 3 ■ 4 ■ 5 - Describes your organization very well

The AI skills gap has widened in recent years as the technology becomes more prevalent, and the World Economic Forum estimates that 54% of the global workforce will require significant reskilling by 2022.

At some organizations, teams that should be in close communication do not or barely interact with each other. One respondent from the pet care industry interviewed for the survey said that the fact that their organization hasn't yet "seamlessly integrated the insights and analytics team with the digital team in order to properly mine the data" remains one of the largest bottlenecks to enabling the full potential of their organization's data.

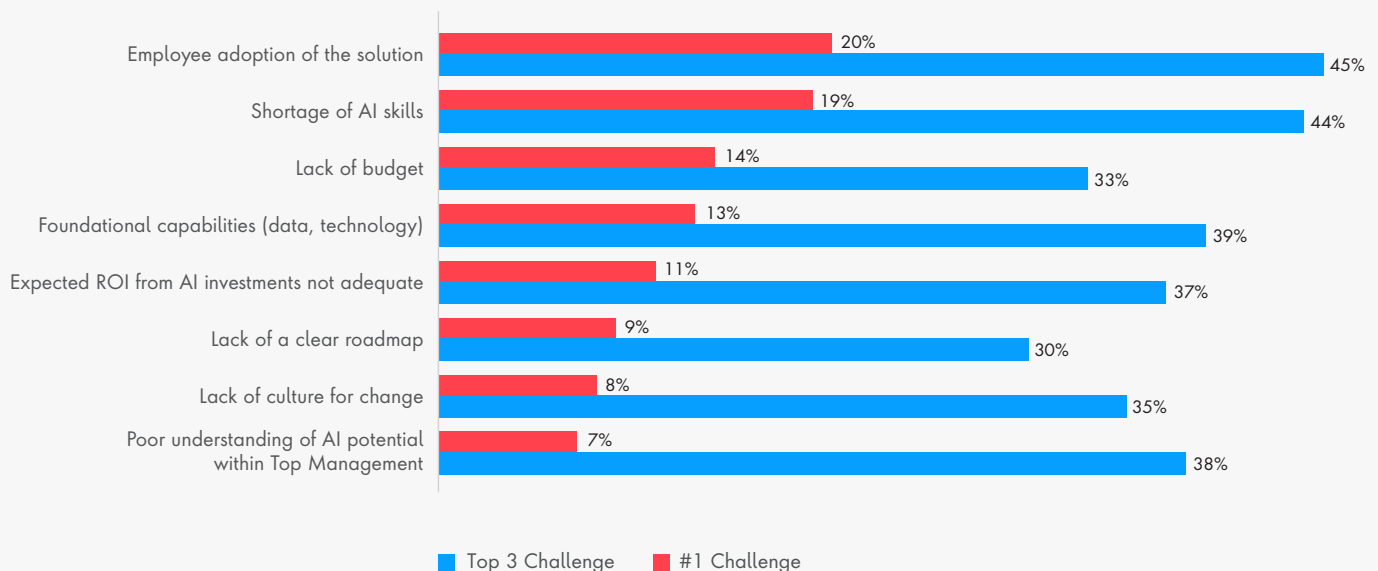
The skills gap is impeding many organizations from using analytics to their full potential. According to our survey, 44% of respondents said shortage of AI skills is a top three challenge for why their organizations haven't adopted the technology. Employee adoption of AI came in ahead of lack of skills, with 45% saying it's a top three challenge.

Many retailers are talent-starved where data is concerned and siloed investments in people, processes, and platforms is hurting their ability to train and hire talent that can take their analytics to the next level and keep pace with swift advances in AI.

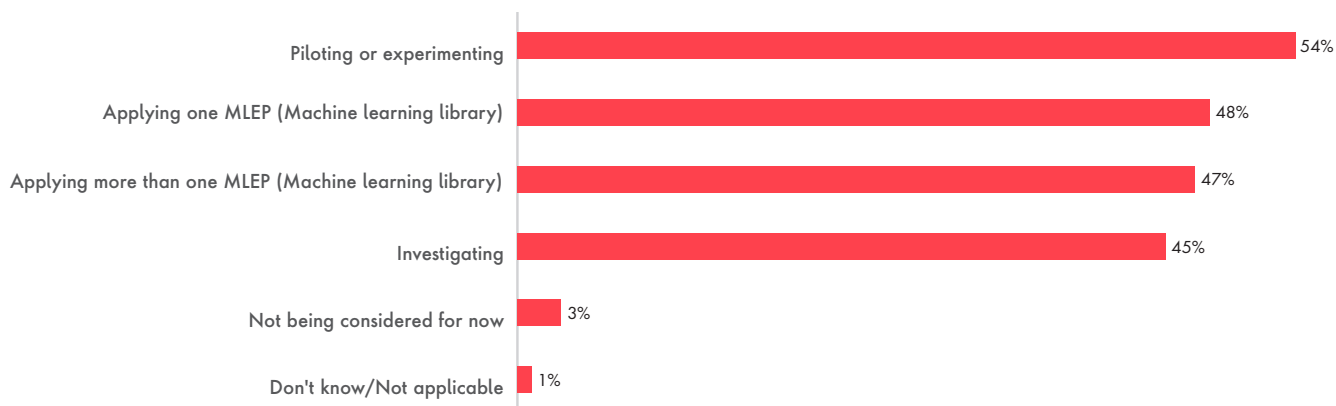
"Organizations haven't yet seamlessly integrated the insights and analytics team with the digital team in order to properly mine the data"

- A surveyed respondent from the pet care industry.

WHICH OF THE FOLLOWING REPRESENT THE GREATEST CHALLENGES FOR USING ARTIFICIAL INTELLIGENCE IN YOUR ORGANIZATION?



TO WHAT EXTENT HAVE THE AFOREMENTIONED ACTIONS BEEN TAKEN BY YOUR COMPANY OR ORGANIZATION?



The good news is...

that more than half of respondents indicate their company is piloting or experimenting with the C-suite actions that are essential to avoid either excessive skepticism or unquestioning acceptance by employees or management. Machine learning is algorithms that can learn from data without specific rules. These algorithms operate by building a model to data-driven decisions or predictions rather than following strictly static program instructions.

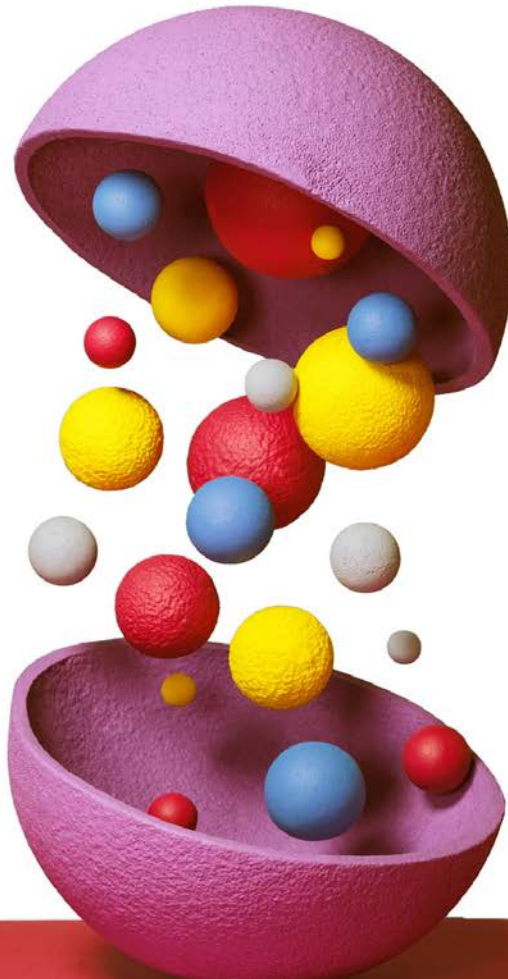
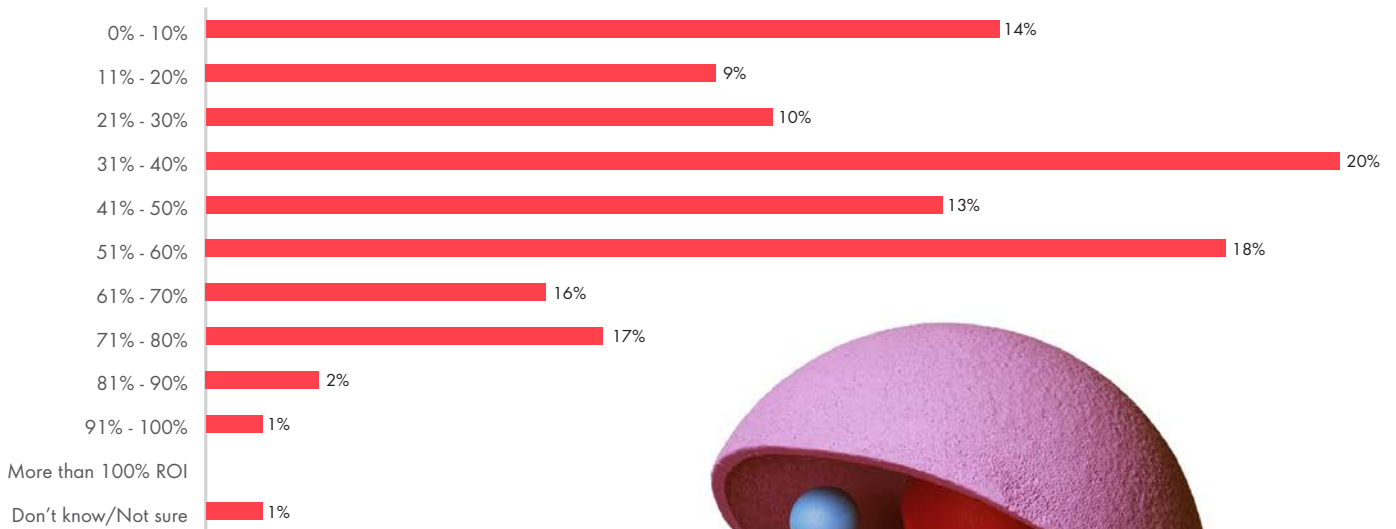


Data shows that despite the difficulty of coordination, the ROI necessitates the approach for a single platform.

For retailers that measure ROI on analytics investments and customer experience investments, one-fifth indicate a typical return of 31 to 40% on their customer experience investments. “It’s going to be tough for large retailers to build that connected single place because it’s just a lot of investment, a lot of teams have to coordinate,” said one big-box

retailer interviewed for the survey. Nevertheless, the data shows that despite the difficulty of coordination, the payoff necessitates the approach for a single platform.

WHAT IS A TYPICAL RETURN ON YOUR CUSTOMER EXPERIENCE INVESTMENTS?



Making Your Data Work for You

It's helpful to think of the money under the mattress analogy to picture how many retailers are currently approaching their analytics. Less than half of respondents are using their core data in the ways that go beyond marketing and this is keeping many consumers from having a truly relevant shopping experience.

To be sure, our respondents represent large companies that likely have many processes and policies in place that prevent them from being as nimble as smaller companies that don't have legacy systems to replace.

No one said it would be easy for retailers to tackle data maturity. Organizations don't have a choice, but to use all of the tools at their disposals to convince customers to give their loyalty to your organization instead of a

competitor. But that's still not the reality at many retailers given the 60% of respondents who feel they're ahead of the competition, when our work and knowledge of the retail landscape tell a different story.

Retail has always been competitive, but the pace of that competition has never been faster. Our global team of experts can help translate the confidence that many of our respondents felt in their analytics progress – and many were too confident – into a foundation that will enable you to keep pushing your data forward in ways that make customers fall more in love with their relationship to your brand.

- 1 CONNECT DISPARATE DATA IN A SINGLE DATA PLATFORM AND THINK BEYOND ONLY INCLUDING TRANSACTIONAL DATA.**
- 2 DEMOCRATIZE ALL DATA THROUGHOUT THE ORGANIZATION, AND BE SURE TO NAIL DOWN YOUR DATA GOVERNANCE APPROACH.**
- 3 INVEST IN PEOPLE (BOTH INTERNALLY AND EXTERNAL SUPPORT) TO MAKE THE MOST OF RETURNS IN THIS SPACE.**
- 4 THINK OUTSIDE THE BOX. DATA CAN BE USED TO DRIVE MORE EFFICIENT OPERATIONS, OPTIMIZED PRICING, AND MUCH MORE.**
- 5 EXPERIMENT, LEARN, REPEAT.**



○ OUR METHODOLOGY

The Adobe Retail study was completed via online interviews by a third party research firm hired by Adobe and Publicis Sapient.

The sample is comprised of 150 retail respondents. Interviews consisted of an administered questionnaire, covering the following topics:

- Introduction and Screening Questions
- Data Initiatives
- Analytics and Customer Experience
Analytics and Customer Experience Investments
- Artificial Intelligence Initiatives

The retail sub-segments include: Apparel, Grocery, Discount Mass Club, Consumer Electronics, Department Store, Health and Beauty, Home Improvement and Specialty.

The Adobe Retail study was conducted throughout October and November of 2019. The survey had 150 respondents from the US, Canada, France, Germany and the UK.

All survey respondents were actively employed by a retailer at the time of the study.

All retail organizations surveyed are \$2 billion+ in annual revenue.

○ OUR PARTNERSHIP



Our partnership with Adobe, the leader in digital experience technology and platforms, allows us to power transformations in retail, financial services, transportation and mobility, and more.

Adobe named Publicis Sapient their Partner of the Year seven times—a feat no other Adobe partner has achieved. Combining Publicis Sapient's proprietary methodologies with the power of the Adobe Experience Cloud and the Adobe Experience Platform, our global clients choose our partnership to transform their operations and customer experiences through enriched customer profiles, AI-generated actionable insights, streamlined orchestration, and real-time personalization. Get in touch with us today to see how we can help you start your digital business transformation journey.

○ GET IN TOUCH

Learn more about how Publicis Sapient and Adobe help retailers embrace progressive, agile and cost-effective ways to deliver against increasingly nuanced customer demands. Continue the conversation with:



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Head of Retail Strategy & Marketing, Adobe



Publicis Sapient is a digital transformation partner helping established organizations get to their future, digitally-enabled state, both in the way they work and the way they serve their customers. We help unlock value through a start-up mindset and modern methods, fusing strategy, consulting and customer experience with agile engineering and problem-solving creativity. As digital pioneers with 16,000 people and 53 offices around the globe, our experience spanning technology, data sciences, consulting and customer obsession – combined with our culture of curiosity and relentlessness – enables us to accelerate our clients' businesses through designing the products and services their customers truly value. Publicis Sapient is the digital business transformation hub of Publicis Groupe. For more information, visit publicissapient.com.

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