

# Top Trends in Retail Digital Transformation and Innovation for 2021

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5 February 2021

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Published 5 February 2021 - ID G00739178 - 28 min read

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Initiatives: [Retail Digital Transformation and Innovation](#)

Digital transformation is accelerating rapidly across the retail industry, requiring retailers to build adaptable, composable business models to scale in disruptive environments. CIOs can use the seven trends Gartner has identified to inform technology investments and other strategic decisions.

## Additional Perspectives

- [Summary Translation: Top Trends in Retail Digital Transformation and Innovation for 2021](#)  
(08 March 2021)

## Overview

### Opportunities

- Real-time visibility of accurate levels of stock availability across channels is crucial to achieving a high level of speed and accuracy in fulfillment execution.
- Failure to implement strategic cost optimization as a continuous business discipline will pose a fundamental threat to the business.
- Values-driven consumer purchasing behavior is at an inflection point and signals considerable opportunity for retailers.

### Recommendations

Retail CIOs driving digital transformation and innovation:

- Improve management of on-hand inventory, avoid “dead” inventory and reduce waste by leveraging IoT technologies such as RFID and smart shelving.
- Apply strategic cost optimization practices such as AI-powered merchandising which can deliver increased operational efficiencies and free up resources to fuel digital transformation investments for revenue growth.

- Take the lead in advocating for internal alignment on values-based retailing in line with evolving consumer preferences. Demonstrate how technology can be used to embed values-led retailing wherever applicable in the major customer processes.

## What You Need to Know

The ongoing COVID-19 pandemic is driving retailers worldwide to fundamentally reassess how they do business. Due in part to its many challenges and threats, the past year has moved retail digital transformation forward at previously unknown speeds. The crisis has also made clear the importance of technology to the industry. According to Gartner's 2021 CIO Survey, nearly two-thirds of retail CIOs believe their relationships with their CEOs have been strengthened during the past year, as CIOs have helped guide their businesses through significant disruption. <sup>1</sup>

In the year ahead, capitalizing on the momentum of transformational activities — especially in physical locations — will be critical to building and maintaining the flexibility that is demanded of doing business today. Gartner has identified seven key trends that retail CIOs must recognize and understand when advising the business on technology investments. To some extent, these trends were in evidence prior to COVID-19, but the pandemic has dramatically increased their importance to retailers' efforts to meet and exceed customer expectations.

Note that for the foreseeable future, changes in consumer behavior — which impact and are impacted by all the trends we've identified — will have a greater impact on value in retail than any other single factor. This actionable research can be used as a guide to identify the top trends that retailers must be in tune with to provide excellent customer experiences and, in turn, solidify customer trust. See Figure 1 for an overview of each trend.

**Figure 1: Top Trends in Retail Digital Transformation and Innovation for 2021**

<b>Top Trends in Retail Digital Transformation and Innovation for 2021</b>	
 <b>People Centricity</b>	 <b>Operational Excellence</b>
<ul style="list-style-type: none"> <li>• Touchless Interactions</li> <li>• Associate Enablement and Effectiveness</li> <li>• Values Driven Consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfillment Execution</li> <li>• Algorithmic Merchandising Optimization</li> <li>• Collaborative Ecosystems</li> <li>• Cost Optimization</li> </ul>

Source: Gartner  
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## Trend 1: Touchless Interactions

Analysis by Hanna Karki and Miriam Burt

**Description:** “Touchless” experiences are “safe,” physical-contact-free interactions across the customer’s entire shopping process.

**Why Trending:** Due to government social distancing and hygiene requirements, retailers now routinely include sanitization processes in their operations. Customers also expect retailers to offer them safe, touchless shopping experiences. These include providing multiple ways to research, purchase and consume goods, in convenient, contact-free interactions in a hygienic physical environment. Such experiences mean not just contactless payments, but also touchless capabilities across all major customer processes (see Figure 2 and Table 1).

**Figure 2: Touchless Interactions Across the Major Customer Processes**

### Touchless Interactions Across the Major Customer Processes



Source: Gartner  
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**Table 1: Touchless Interactions With Examples**

	Search	Transact	Acquire	Consume
Major Customer Processes	Enables customers to find what they need, as well as discover new and different products and services that will enhance their lifestyles. Provided by stores and online channels; mobile, social and IoT-enabled devices; and artificial intelligence (AI) and augmented reality working together to deliver an immersive shopping experience.	Enables a seamless capability for the customer to transact within and across channels, regardless of the product or the combination of products and services, without inconvenience or delays. Provided through modern, interconnected POS applications; mobile applications; and the excellent customer-facing execution of these processes.	Enables the customer to acquire goods and services via a variety of methods, including physical shopping, click and collect, in-home delivery, automated replenishment, lockers, and partnerships with external organizations. Provided by executing highly flexible fulfillment models, including traditional in-store shopping and many last-mile delivery options.	Enables customers' enjoyment and enhances their consumption experience. Provided through enhanced information and services, connected devices, and autoreplenishment.

Source: Gartner (February 2021)

**Implications:** Retailers' technology implementations must enable touchless interactions across all major customer shopping processes: search, transact, acquire and consume. Moreover, touchless experiences must deliver a level of personalization that makes customers feel that retailers are really being loyal to them through taking the trouble to understand their needs and desires to deliver satisfying customer experiences.

Ulta Beauty is a solid example of a U.S. retailer that has capitalized on the opportunity the pandemic presented to expand personalized touchless interactions, by:

- Expanding its buy online, pickup in store (BOPIS) and buy online for curbside pickup (BOPAC) services to include a new notification process for a seamless digital experience.

- Adding new virtual try-on capabilities, through its GLAMlab app, to include hair color, eyebrows and false eyelashes.
- Using AI and loyalty data insights to expand its ability to provide members with unique recommendations (for example, new products, products based on category preferences, reminders for replenishment or hand-picked items).
- Launching an app-only offer and exclusives to drive member mobile app engagement.
- Rolling out a new service booking tool in the app and on its website that enables shoppers to easily book or reschedule salon, brow and other service appointments.
- Launching a customer service chatbot on the website to improve the convenience and speed of resolving basic customer queries.
- Launching a new guest service customer engagement platform that allows its call center to respond to customer service needs across a variety of contact channels and internal platforms.
- Launching a new skin analysis tool in the Ulta Beauty app that uses augmented reality (AR) to assess needs for personalized recommendations.

These changes resulted in significant benefits for Ulta, <sup>2</sup> including:

- E-commerce: Ulta achieved record high e-commerce growth of 200% in 2020. Twenty percent came from BOPIS and BOPAC.
- GLAMlab: Product views jumped more than 150% in 2Q compared with 1Q.
- Loyalty: Omnichannel shoppers grew to 21% of loyalty program members, double the number from the same quarter the year prior. Online members represented 7.5% of all members – 2.5 times the previous year's numbers.
- Service booking tool: More than 1,000 stores are now actively using the new tool.

#### **Actions:**

- Choose a complex cross-channel process, like BOPIS, and identify all its major customer touchpoints that warrant a touchless experience.
- Use the digitalization opportunity to redesign or make adjustments in the process to ensure that the channels are working in concert to deliver a seamless customer experience.
- Use Gartner's Hype Cycle to prioritize investments in the various technologies used to deliver touchless interactions.

**Further Reading:**[Hype Cycle for Retail Technologies, 2020](#)**Trend 2: Fulfillment Execution***Analysis by Max Hammond, Sandeep Unni and Kelsie Marian*

**Description:** Fulfillment execution enables excellence in fulfillment operations across the retailer's physical and digital assets through real-time analysis and reconfiguration of inventory, labor and processes. This in turn results in optimization of inventory, enablement of unified commerce experiences and increased customer satisfaction, as well as improved profitability for the business.

**Why Trending:** Excellence in fulfillment execution has become a top retailer priority, driven by the significant rise in e-commerce during the past year as well as increasing consumer demand for unified commerce experiences. Just 18% of organizations report fulfillment accuracy rates of 95% or better, according to a recent Gartner "final mile" survey.<sup>3</sup> Furthermore, Gartner inquiry data indicates that for several Tier 1 retailers, more than half of online orders are now handled by a store, through either click and collect or store fulfillment (shipping from the store). Customers want to be able to search, transact, acquire and consume products and services safely and easily across a retailer's entire ecosystem. This means that retailers need strong store teams and robust technology in place to create a fluid experience for customers while simultaneously managing costs.

**Implications:** Retailers must expect lasting postpandemic demand for greater online purchasing with timely acquisition. Many retailers are working to remodel physical locations by reducing selling footprints, coupling this with increased on-site fulfillment and curbside capabilities. For customers, this improves the convenience of online shopping and gives them confidence that they can actually get what they need when they need it. Retailers must reassess and redesign their entire physical locations, evaluating and incorporating new format types that allow for fluid execution and a true unified commerce model. Gartner research conducted in 2020 shows that top barriers to optimal customer fulfillment include the ability to accommodate special requests and lack of agility to react to short-notice requests.<sup>3</sup> Carefully balanced human-machine teams likely hold the key to tackling some of these issues.

Target is an example of a U.S.-based retailer that exhibits strength in execution.<sup>4</sup> More than 95% of the company's 3Q20 sales were fulfilled by Target stores. Table 2 shows a snapshot of performance highlights.

Table 2: Target's Performance Highlights, 2020

Growth Category	Drive Up	Shipt Services	In-Store Pickup	Comparable Sales	Comparable Digital Sales
2Q20	700%	350%	>60%	24.3%	195%
3Q20	500%	280%	>50%	20.7%	155%

Source: Gartner (February 2021)

The retailer continued improvements throughout 2020, building on 2019 store investments and parking lot enhancements to support fulfillment, including:

- Accelerating curbside grocery pickup and becoming the first retailer to offer [curbside pickup](#) in all 50 states, encompassing more than 1,750 locations. <sup>5</sup>
- Doubling the number of parking spaces and store associates dedicated to curbside pickup. <sup>6</sup>
- Rolling out same-day and one-hour delivery options via Shipt available from Target.com and the Target app.
- Enabling shoppers to check on Target's website to see if there's a line outside of their store and reserve a spot ahead of a visit. <sup>6</sup>

#### Actions:

- Identify all the data requirements to support end-to-end complex cross-channel processes such as BOPIS, BOPAC and buy online return in store (BORIS). This will make it possible to evaluate the ecosystem of integrated solutions required to speedily support increased online demand.
- Improve management of on-hand inventory, avoid dead inventory and reduce waste by leveraging IoT technologies such as RFID and smart shelving.
- Optimize customer order fulfillment by improving real-time inventory visibility and implementing or improving distributed order management.

#### Further Reading:

[Hype Cycle for Retail Technologies, 2020](#)

[Retail Insight: IoT Will Transform the Store for Unified Commerce Success](#)



## Trend 3: Algorithmic Merchandising Optimization

*Analysis by Robert Hetu*

**Description:** Algorithmic merchandising optimization enables retailers to more precisely determine items that need to be displayed and stocked, as well as how they should be priced and promoted, to maximize sales, margin, inventory and customer satisfaction across touchpoints.

Optimization models use customer behavior insights and predictive analytics to evaluate the relative performance of items across touchpoints and customer segments, thus helping merchandisers to make more intelligent decisions. High-level merchandising processes frequently optimized include assortment leveraging retail assortment management applications (RAMA) and retail assortment optimization applications (RAOA) and space planning through intelligent virtual store design (IVSD). They may also include the various pricing and promotion types through unified price, promotion and markdown optimization (UPPMO).

**Why Trending:** Escalating operational costs driven by shifting customer expectations are driving a renewed focus on merchandise assortment and pricing accuracy. No longer can retailers afford to spread inventory evenly across all of their store locations. Retailers must leverage algorithmic approaches to increase precision when planning assortments, pricing and promotions, and the resulting inventory investments across all touchpoints. Every existing assumption and strategy must be tested against consumer behavior trends.

Retailer strategies are evolving as the drive for customer centricity and digitalization continues to stretch retail processes and capabilities due to external factors like COVID-19. The ensuing digitally transformed retail business models will no longer be just about delivering the retail business processes in the context of streamlined or seamless cross-channel shopping experiences through digitalization. They will be about creating and sustaining unified commerce shopping experiences that satisfy innate customer behaviors. This is the future of shopping – and, by inference, the future of retailing.

Business trends impacting merchandising include:

- Store-specific assortments aligning with digital commerce needs and store design experimentation
- Marketing and merchandising moving toward becoming one process that supports customer shopping behaviors
- Customers having increased expectations for prescriptive recommendations
- Sustainable production, waste reduction, sourcing and sales impacting all aspects of assortment and display
- Growth of private brand, innovations, exclusives and recommerce as market-differentiating strategies

- Recommerce creating a secondary market that siphons sales from new products
- Returns processing impacting results as physical returns shift the balance of inventory away from plans

Technology trends impacting merchandising include:

- Leveraging AI to augment product development and selection by merchandising teams, and for predictive and prescriptive recommendations for customers
- Buyers, planners, replenishers, allocators and others working in an entirely analytic environment – never interacting directly with executional systems
- Algorithmic merchandising optimizing the end-to-end cycle of merchandise procurement, distribution and sales
- Focusing on analytics that optimize rather than on embedded analytics
- Giving preference to leveraging external applications as opposed to in-house development

**Implications:** Inventory is typically a retailer's largest single expense. Gartner predicted in 2020 that by 2024, Tier 1 retailers in North America and Europe will have reduced inventory carrying costs by 30%, dramatically improving free cash flow for digital investment while revamping their balance sheets (see [Predicts 2020: Consumers Determine Retail Success Well Before the Sale](#)). At that time, of course, no one expected the pandemic, and many retailers learned a hard lesson from it, with inventory management being one of the major pillars of cost optimization.

A key element of improved merchandising performance is the use of sophisticated data and analytics tools. The 2021 Gartner CIO Survey shows that 63% of retailers expect to spend more on business intelligence/data analytics, and 35% on artificial intelligence (see [2021 CIO Agenda: 5 Digital Business Acceleration Trends for Retail](#)). Merchandising and supply chain will be the major areas that will incorporate data and analytics tools into processes that improve performance.

Naturally, the impact from the pandemic has not been evenly distributed across the retail landscape, but organizations from all retail segments are leveraging merchandising optimization to improve performance.

Tractor Supply Co., the largest operator of rural lifestyle retail stores in the U.S., is implementing a store and channel clustering initiative that will help it optimize inventory at the store, category and SKU level across its 1,900-plus fleet. It's implementing new channel-clustering and assortment-optimization tools from Blue Yonder that incorporate a variety of data sources, combining them with overall merchant product strategies to generate product recommendations.

Pets at Home provides another example. The U.K.'s largest pet supplies retailer, with more than 400 stores, was experiencing continuing growth in the number of SKUs within its stores. It faced an increasing challenge of finding available space to display the SKUs and to add space for its growing in-store pet services. Like many retailers, it needed to provide the most relevant assortment to serve its various-size stores (its largest store being six times larger than its smallest). The company selected Symphony RetailAI's SR Category Space Optimization solution to modernize the macrospace planning process for existing and new stores using IVSD.

#### Actions:

- Undertake root cause analysis with merchandising business leaders to identify performance gaps and evaluate opportunities from dead inventory, stock-outs and excessive markdowns.
- Develop an understanding of how to leverage near-real-time diverse datasets, combined with AI-led approaches, to create customer-centric assortments that are aligned with specific customer behavior segments across touchpoints.

#### Further Reading:

[Market Guide for Retail Assortment Optimization Applications in Merchandising](#)

[Market Guide for Retail Assortment Management Applications: Long Life Cycle Products](#)

[Market Guide for Retail Assortment Management Applications: Short Life Cycle Products](#)

[Market Guide for Advanced Retail Space Management Applications](#)

[Market Guide for Retail Unified Price, Promotion and Markdown Optimization Applications](#)

[Market Guide for Retail Forecasting and Replenishment Solutions](#)

## Trend 4: Associate Enablement and Effectiveness

*Analysis by Kelsie Marian*

**Description:** A great customer experience hinges on a great associate experience, and this makes retail store associates key competitive differentiators. To create a digital workplace capable of meeting and exceeding customer expectations, retail organizations must create an environment that supports a digitally dexterous and resilient in-store workforce. At the same time, retail organizations must also keep a handle on costs. Therefore, retailers must empower the associate workforce with tools as well as data and insights to better engage with customers and address their needs. This also includes optimizing the productivity of store staff and facilitating associate flexibility through real-time, AI-enabled applications such as mobile scheduling, shift swapping/bidding, task management, and real-time communication tools and applications.

**Why Trending:** The COVID-19 pandemic has illuminated how incredibly reliant both retailers and consumers are on the work that store associates do, and how important they are in servicing customers safely and effectively. The ability to flexibly perform work duties, optimize costs and deliver excellent customer experience is now more critical than ever. After years of underinvestment, many retailers are now playing catch-up to equip associates to provide unified commerce experiences, placing associate efficiency and enablement at the top of retail strategies in 2021. A third of retail respondents to Gartner's 2021 CIO Survey indicate plans to increase spending on digital workplaces. <sup>1</sup>

**Implications:** Investments in retail digital workplaces — particularly those in physical-store environments — have been shown to grow sales and increase profits, creating a virtuous cycle of investment in the workforce and creating significant competitive advantage over time. In order for retailers to build the digital dexterity of store associates required for meeting customer expectations safely and effectively, frontline workers must become one of a retailer's most significant investments.

One prominent example: During the past year, Lowe's Home Improvement has significantly stepped up associate investment to ensure that frontline workers have the tools and support needed to do their jobs in a challenging environment. As the pandemic began to unfold in the U.S., Lowe's made the decision to fast-track a nationwide rollout of curbside pickup. The retailer had recently completed an e-commerce replatform to help facilitate this, and rolled out associate-facing mobile devices to a third of its store staff. Most importantly, the retailer also intensified its focus on taking care of associates during this time. Lowe's committed millions to store staff during the pandemic, and extended hourly pay increases, profit-sharing bonuses and telemedicine to frontline associates.

Over the past several quarters, Lowe's sales performance has been on the rise, <sup>7</sup> and its customer satisfaction scores have risen several hundred basis points. Even more critical, however, is that the company's leadership understood that if bonuses and incentives were cut, it would be even harder to find people willing to go the extra mile. Lowe's was courageous in a time of uncertainty and invested in associates, instead of cutting and compromising both associate and customer experiences.

Moving forward, part of prioritizing the frontline workforce and scaling digital workplace investments will also include making closer and ongoing assessments of the human-machine labor portfolio. Leveraging technology to offload back-office and routine work, and to allow associates to take on more meaningful customer-facing responsibilities, is a key element of building digital dexterity in the workplace. However, retailers must find an optimal balance in order to gain the most business value, meet customer expectations, and grow and maintain employee trust. This will include taking into account the applicability of new and emerging technologies such as microfulfillment, smart check-out and smart robots (see [Hype Cycle for Retail Technologies, 2020](#)).

**Actions:**

- Identify and invest in functions that have the greatest potential impact on store managers and associate experiences — intelligent automation, for example — to increase scheduling productivity and accuracy.
- Use real-time communication tools to enable collaboration and knowledge sharing among associates to build a support structure across store teams.
- Work closely with the business and store operational leads to evaluate the connectedness of task management with end-to-end retail business processes, including merchandising, channel operations and fulfillment.

**Further Reading:**

[5 Best Practices to Attract and Retain Excellent Retail Store Associates](#)

[Take a Human-Centric Approach to Empower the Workforce With AI](#)

[Market Guide for Smart Robots in Retail](#)

[Market Guide for Retail Workforce Management Applications](#)

## Trend 5: Collaborative Ecosystems

*Analysis by Sandeep Unni*

**Description:** A collaborative ecosystem enables a dynamic network of stakeholders. This could include retailers, technology vendors, customers, suppliers and other players in the retail industry or other industries all interacting with one another to create and exchange sustainable value for the customer's benefit. Such an ecosystem model allows participants to work cooperatively and extend existing business capabilities, support new business models, offer new products and services, and ultimately satisfy evolving customer needs.

**Why Trending:** Significant changes in customer behavior and purchase patterns driven by the COVID-19 crisis have severely exposed weaknesses in traditional retail business models. Retailers have been forced to evaluate structural changes in their operating models as a necessity for response and survival. Customer expectations will continue to be the single most impactful driver of retailer value creation. Gartner expects a number of pandemic-heightened customer behavior changes to persist beyond the crisis. Engaging in a collaborative ecosystem through partnerships with other retailers, technology platforms, marketplaces or other innovative partners will enable retailers to quickly pivot and extend capabilities to offer new products and services, enhance existing offerings and fulfill customer demand.

**Implications:** COVID-19 has caused rapid upticks in digital adoption across retail segments, even in traditionally underpenetrated segments such as grocery. In particular, physical store execution for fulfillment of online orders has undergone meteoric rises through BOPIS, BOPAC, BORIS and ship from

store (SFS). Many retailers have struggled to respond quickly and accurately to this rapidly escalating demand for online fulfillment.

Gartner has observed that retailers that were able to address these customer needs were already well into their digital journeys, having made strategic investments at scale to support the required business processes well before the crisis. Organic development through technology investments is certainly not the only business approach to address this market need. Innovative and collaborative ecosystem partnerships can offer an alternative means to extend business capabilities.

The U.S.-based retailers Kroger and Walgreens have, for example, embarked on an innovative collaborative ecosystem partnership — announced well before COVID-19 — that has since been expanded to combine the respective strengths of both organizations. <sup>8</sup> Through the partnership model, Kroger has been able to service its grocery and distribution network into Walgreens' existing footprint with minimal capital and store investments. It also allowed the company to realize economies of scale and drive procurement efficiencies in categories such as health, personal care and beauty.

For Walgreens, the partnership enabled rapid food and grocery additions to its portfolio, thereby expanding assortment and foot traffic. The retailer was also able to leverage its traditional assortments in health, beauty and personal care private-label products to almost completely replace the Kroger brand in Kroger stores. The partnership has positioned both retailers to capitalize on the COVID-19-induced demand surge, offer products through curbside and drive-through delivery, and meet rapid customer demand.

#### Actions:

- Pursue new retail ecosystem partnership approaches that could be employed to meet market and business requirements as an alternative to organic technology investments.
- Evaluate ecosystem participation through strategic collaborations, marketplaces, last-mile delivery platforms, or technology collaboration hubs with other retailers, technology providers or both.
- Incorporate analysis of the current competitive and partner landscape at an ongoing cadence (such as yearly) for your strategic planning process so you have a continuous, updated view of competitive ecosystem dynamics.

#### Further Reading:

[8 Ways Ecosystems Supercharge Digital Business Models](#)

## Trend 6: Cost Optimization

*Analysis by Max Hammond*

**Description:** Cost optimization is a business-focused, continuous discipline that works to drive spending and cost reduction while maximizing business value.

**Why Trending:** The COVID-19 crisis has caused widespread business and economic failure and caused many retailers to prioritize ways to preserve cash flow and, ultimately, remain solvent. Cost optimization is one of the primary ways that businesses have responded to the crisis. It's a key contributor to helping keep businesses afloat during these unprecedented times, and it's becoming a major pillar in many retailers' "reopening playbooks" and operating models.

When looking at ways to manage extreme uncertainty, retailers need to be able to adapt and respond quickly to a rapidly evolving landscape, which makes cash preservation a critical priority. Many retailers have implemented tried-and-tested cost reduction measures. These include cuts in compensation for directors and senior executives, across-the-board cuts in annual bonuses and salary increases, and employee furloughs with reduced pay or no pay. Other steps include renegotiating contracts to defer payments of rents or payables to suppliers, temporarily withholding shareholding dividends and taking advantage of "free" services from technology providers.

These short- to medium-term, largely one-off, fixed-cost measures will yield some relief, but they're unsustainable in the long run. Moreover, they will likely be more than offset by expenditure on more hiring (for example, grocery workers added to support a spike in online fulfillment), waiving sickness and absence policies, and contributing more to employees' medical and child care expenses.

**Implications:** Gartner has identified four critical elements to consider when developing cost optimization strategies:

- **Fulfillment execution** – A bold reconfiguration of existing physical assets, designed to support digital commerce fulfillment models, to deliver better profitability
- **Merchandising optimization** – The implementation of AI-powered merchandising to enable retailers to optimize costs of inventory management
- **Labor efficiency** – An optimized human-machine hybrid labor portfolio, increasing operational efficiency to drive down costs and protect or enlarge margins
- **Organizational transparency** – Openness that encourages collaboration and reduces the costs of delivering timely, trusted customer service

### Actions:

- Reconfigure the store estate, labor portfolio and ecosystem to optimize product availability and reduce fulfillment costs.
- Develop organizational transparency to encourage collaboration and reduce the costs of delivering a trustworthy customer proposition in a timely manner.

- Implement AI-powered merchandising practices to optimize costs of inventory, reduce waste and decrease returns.

#### Further Reading:

[14 Ways for Retailers to Use IT to Optimize Business Cost](#)

### Trend 7: Values-Driven Consumption

*Analysis by Miriam Burt*

**Description:** Values-driven consumption speaks to a growing and tangible consumer trend in which people are reevaluating and reprioritizing their values in line with a steady move away from pure consumerism and toward values-based, purpose-driven spending.

**Why Trending:** In Gartner's 2019 Retail Customer Expectations Survey, consumers in the U.S. (27%) and U.K. (29%) ranked "be authentic by being honest and genuine" as fifth in response to a question about the top five basic expectations that would define a good shopping experience.<sup>9</sup> This means they expect retailers to act with honesty, integrity and transparency, delivering products, services and experiences based on consumers' values.

The coronavirus pandemic has forced an anxious society — people *and* businesses — to accelerate the reevaluation and reprioritization of their values. Figure 3 shows ongoing and tangible shifts in this regard.



Figure 3: Examples of Values-Driven Consumption

## Examples of Values-Driven Consumption



Source: Gartner  
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Gartner

We highlight some of these aspects in our 2020 Retail Scenarios research (see Further Reading section below), which focuses on how changing societal values impact consumerism, purchase behavior and resulting expectations of retail execution.

It's important to note that values-driven purchasing behavior related to sustainability is at an inflection point and signals considerable opportunity for retailers. In the 2019 Gartner Consumer Values and Lifestyle Survey, 61% of consumers in Europe and 59% of consumers in the U.S. voted for sustainability with their wallets by doing one or more of the following: <sup>10</sup>

- Checked packaging labels to ensure that the product or service had positive social or environmental impact
- Purchased from companies committed to positive social or environmental impact
- Stopped buying from brands that made false claims about their social or environmental impact
- Purchased from a company because it cared about the issues the consumer cared about
- Paid extra for products or services from companies committed to positive social or environmental impact

More research from the Gartner Consumer Values and Lifestyle Survey can be found in [Research Index: Consumer Values Findings, 2020](#).

### Implications:

Values-based consumption is clearly coming more to the fore in consumers' purchasing behaviors, and retailers have a growing need to satisfy this demand. This will require tight alignment among the internal players in the various functions and channels as well as building and maintaining solid relationships with the external ecosystem of collaborators, such as technology vendors, customers and suppliers. Retailers will need to invest in constant vigilance to understand their customers' changing expectations and adjust their sourcing and governance policies accordingly. This will enable retailers to become more transparent with consumers about the provenance of products and services and sensitively market their credentials, so that their brand efforts are not perceived as mere virtue-signaling.

### Actions:

- Take the lead in advocating for internal alignment on values-based retailing. Demonstrate how technology can be used to embed values-led retailing wherever applicable in the major customer processes.
  - In the search/research customer process, for example, Home Depot uses a corporate sustainability page to promote awareness of how it's engaging with energy efficiency, water conservation, sustainable forestry, healthy homes, clean air and the circular economy (see [How to Incorporate Sustainability Into the Purchase Path](#)).
- Encourage the business to increase transparency with consumers about how it develops sustainable products and services.
  - One example: The French retailer Carrefour is using IBM Food Trust to track meat, milk and fruit from farms to stores. <sup>11</sup> This enables customers to see detailed information on products. The information includes when products were harvested or packed, giving customers the ability to make values-based decisions on which items to purchase and which to avoid, based on sustainability factors. Carrefour has indicated that this initiative has boosted sales of some of its products.
- Enable the business to work with local providers through collaborative platforms.
  - Schnuck Markets, a grocer in the U.S. Midwest, offers an example. Schnuck planned to buy more than \$5 million worth of goods in 2020 from farmers who live and work locally in the communities the retailer serves. The grocer partnered with Foodshed.io, a logistics and marketing platform, to consolidate its existing relationships with farmers, establish new ones and ensure that products from the local farms met its quality standards. <sup>1 2</sup>

- Help the business to implement fairer practices and protect frontline associates through the use of real-time mobile communications and microlearning, which enable transparency and faster training among associate teams.

### Further Reading:

[The New Retail Scenarios: Digital Acceleration and Consumer Behavior Change the Mission](#)

[Cool Vendors in Food Retail: Catering to New Customer Lifestyles](#)

[Consumers' Evolving COVID-19 Concerns Point to What's Next](#)

[Consumer Outlook: Gen Z in 2020](#)

## Evidence

<sup>1</sup> **Gartner 2021 CIO Survey:** This survey was conducted online from 14 July 2020 through 14 August 2020 among Gartner Executive Program members and other CIOs. Qualified respondents are each the most senior IT leader (CIO) for their overall organization or a part of their organization (for example, a business unit or region). The total sample is 1,877, with representation from all geographies and industry sectors (public and private), including 76 from the retail industry.

The survey was developed collaboratively by a team of Gartner analysts, and was reviewed, tested and administered by Gartner's Research Data and Analytics team.

*Disclaimer: Results do not represent "global" findings or the market as a whole but reflect sentiment of the respondents and companies surveyed.*

<sup>2</sup> [Ulta Beauty Drives Digital Discovery](#), RIS.

<sup>3</sup> **Gartner Executing the Customer Experience From Order to Final Mile Survey 2020:** This survey was conducted online between 30 May and 2 July 2020, to determine the current state, emerging business models and evolving capabilities of customer fulfillment and logistics in the supply chain and the impact on experience. A total of 400 respondents were interviewed in their native languages across North America (41%), Western Europe (36%) and the Asia/Pacific region. Qualifying organizations operate in the manufacturing and retail industries and reported annual revenue for fiscal year 2020 of at least \$250 million (at least \$500 million in the U.S.). Qualified participants had a role tied to a supply chain function and were in manager roles or above. All respondents were involved in their companies' decisions regarding supply chain management processes, operations and strategies related to customer fulfillment, warehousing, and transportation. The study was developed collaboratively by Gartner analysts and the Primary Research Team.

*Disclaimer: Results of this study do not represent global findings or the market as a whole, but reflect the sentiments of the companies and respondents surveyed.*

<sup>4</sup> [A Closer Look at Target's 2Q20](#), Target.

<sup>5</sup> [Why Target Is Winning With Shoppers](#), Progressive Grocer.

<sup>6</sup> [Target Says It Will Hold Your Spot in Line as It Looks to Make Holiday Shopping Safer During COVID-19 Pandemic](#), CNBC.

<sup>7</sup> [Lowe's Reports Blowout Quarter With 30% Surge in Revenue](#), CNBC.

<sup>8</sup> [Walgreens and Kroger Get Closer in Group Purchasing Deal](#), Forbes.

<sup>9</sup> **Gartner 2019 Retail Customer Expectation Survey:** This survey was conducted online between September and October 2019, with 2,006 respondents in the U.S. and the U.K. Respondents ranged from 18 to 74 years in age, with quotas and weights applied within each country for gender, age, region and household income.

*Disclaimer: Results of this study do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.*

<sup>10</sup> Gartner Consumer Values and Lifestyle Survey (October 2019)

<sup>11</sup> [Carrefour Says Blockchain Tracking Boosting Sales of Some Products](#), Reuters.

<sup>12</sup> [Retailers Support Local Farmers](#), Specialty Food Association.

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