

THROUGH THE INDUSTRY LENS

# The state of digital transformation for retail and consumer goods

INSIGHTS FROM THE 2022 CONNECTIVITY BENCHMARK REPORT

In collaboration with **Deloitte Digital**



# Executive letter

**Digital agility is essential to successful transformation, allowing retail and consumer goods companies to drive innovation at scale, deliver new projects faster, and exceed ever changing customer expectations. Those companies that can build a foundation of digital agility will be best positioned to adapt to change quickly without being slowed by IT or operations bottlenecks.**

A modern strategy that combines integration, API management, and automation is central to achieving digital agility, enabling companies to easily connect and integrate the data, applications, and devices that meet customers where they are.

We are now entering the era of the composable enterprise. This allows anyone to draw from existing digital capabilities when

building new products and services without having to start from scratch every time.

Such an approach increases digital agility by easing the pressure on IT and freeing up time for innovation at a time when consumer behaviors are quickly changing and retail and consumer goods companies need to adapt faster than ever.



**YUSUF LAWAL**, MANAGING DIRECTOR AND API & INTEGRATION LEADER FOR CONSUMER INDUSTRY, DELOITTE CONSULTING LLP

# What you'll find in this report

MuleSoft's seventh annual [Connectivity Benchmark Report](#), in partnership with Vanson Bourne, was produced from interviews with 1,050 IT leaders across the globe (of which 134 came from the retail and consumer goods sector).

We conducted an online survey between October - November 2021 across the United States, the United Kingdom, France, Germany, the Netherlands, Australia, Singapore, Hong Kong, and Japan. We ensured that only suitable candidates participated in the survey by using a rigorous, multi-level screening process.

Respondents are all IT leaders, which are defined as those who hold a managerial position or above in an IT department. All respondents work at an enterprise organization in the public or private sector with at least 1,000 employees.

---

**>1,000 IT LEADERS**

WITH 134 RESPONDENTS FROM RETAIL AND CONSUMER GOODS ORGANIZATIONS

---

**9 COUNTRIES**

NUMBER OF COUNTRIES COVERED WITHIN THE SURVEY

---

**IT MANAGER+**

RESPONDENTS WERE ALL IT DECISION MAKERS AND/OR INFLUENCERS WITHIN THEIR ORGANIZATION, WITH TITLES AT MANAGER OR ABOVE

# Introduction

**The retail and consumer goods sector increased their commitment to digital transformation as many did during the pandemic. With many physical stores forced to temporarily close, retailers quickly needed to scale their eCommerce operations practically overnight. Meanwhile consumer goods organizations struggled to keep products on the shelf with limited supply chain visibility.**

Both retailers and consumer goods organizations needed to support the mass shift to online and improve supply chain efficiency, while at the same time deliver a more connected and personalized customer experience. Today, customer expectations are sky high and competition is fierce, raising the stakes – and the costs – for failed innovation projects.

The [Connectivity Benchmark Report](#) looks at the impact of failing to complete digital transformation projects, the challenges retail and consumer goods organizations face integrating user experiences, and how API-led connectivity can drive business value.



## The financial impact of digital transformation failure is significant

Nearly three-quarters (72%) of retail customer interactions are now digital. That's putting the pressure on organizations in the sector to modernize or be left behind.

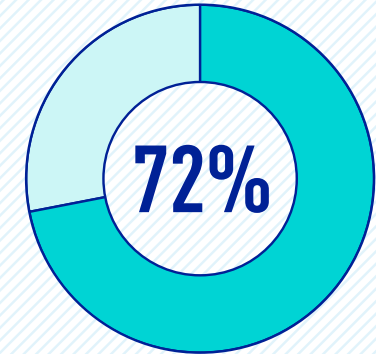
Almost all (93%) retail and consumer goods IT decision makers (ITDMs) surveyed believe the pace of digital transformation has accelerated in the past five years. That's in line with the average across all sectors.

In practice, this means finding ways to deliver new features and functionality across application ecosystems. As retailer and consumer goods organizations go through this process, they're asking a critical question: do I need to build new custom systems to achieve this, or can I find an agile way to connect with pre-existing solutions?

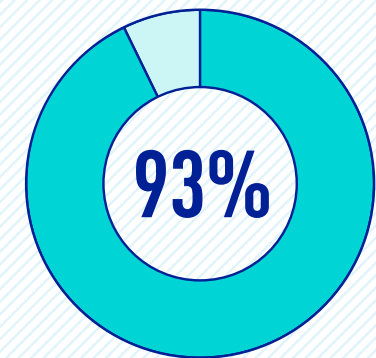


Learn how WatchBox is reusing API-led integrations for new launches, helping them expand new regions 50% faster than before. [Read their story](#)

WHAT PERCENTAGE OF YOUR ORGANIZATION'S CUSTOMER INTERACTIONS ARE NOW DIGITAL?



TO WHAT EXTENT DO YOU BELIEVE THAT THE SPEED AT WHICH DIGITAL TRANSFORMATION TAKES PLACE HAS CHANGED IN YOUR ORGANIZATION IN THE LAST 5 YEARS?



93% OF DIGITAL TRANSFORMATION TAKES PLACE MUCH FASTER OR SLIGHTLY FASTER THAN IT USED TO

## The cost of failed projects is high

As the pressure builds to successfully deliver digital projects, so do the risks. Retail and consumer goods ITDMs think their organization could lose **\$6,403,846** on average if digital transformation initiatives aren't successfully completed. While this is slightly lower than average across all sectors (\$6,846,979), it shows just what's at stake.

As consumer expectations rise, retail and consumer goods organizations are aspiring to create a seamless experience from initial interaction to supply chain to delivery of goods. To get there, they're looking at innovative new ways to leverage existing assets and harness data more effectively, such as APIs. Many see this as means to deliver more personalized omnichannel experiences, through automated analysis to create customer insights.

## IT is struggling to deliver projects on time

Unfortunately, there's a roadblock to these plans. IT departments are increasingly unable to deliver what's asked of them. Although budgets are up, so is demand from the business.

Retail and consumer goods ITDMs said **43%** of projects were delivered last year, while over half (**51%**) were not delivered on time. While this is similar to other industry sectors, these findings are concern at a time when customer expectations are particularly high.

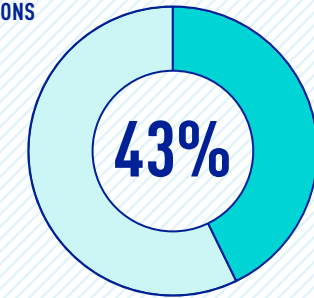
It is clear retail and consumer goods organizations need a way to circumvent the IT bottlenecks that are delaying and disrupting essential digital projects.

APPROXIMATELY HOW MUCH REVENUE DO YOU THINK YOUR ORGANIZATION COULD LOSE IF THEY AREN'T SUCCESSFULLY COMPLETED?

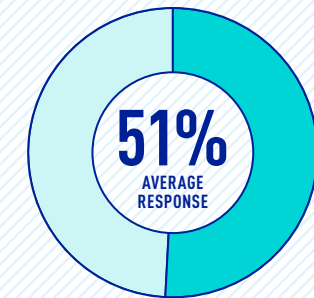
**USD \$6,403,846**

WERE YOU ABLE TO DELIVER ALL THE PROJECTS ASKED OF YOU LAST YEAR?

PERCENTAGE OF ORGANIZATIONS THAT COMPLETED ALL PROJECTS LAST YEAR:



WHAT PERCENTAGE OF PROJECTS ASKED OF YOU WERE NOT DELIVERED ON TIME LAST YEAR?



## Security is the top roadblock to integrated user experiences

It's not just IT capacity that retail and consumer goods organizations are struggling with. Nearly half (47%) of ITDMs say it's difficult to integrate end-user experiences, including shopper and employees.

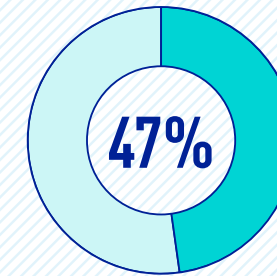
Seamless connectivity between applications, data, and devices is a prerequisite towards achieving this goal. However, ITDMs cite security and governance (56%) as the main challenge towards integrating end-user experiences, ahead of an inability to keep up with an ever-expanding number of processes, tools, and systems (50%), and outdated IT infrastructure (44%).

The findings point to a need for digital transformation platforms that can drive integrated end-user experiences, whilst also building in strong security and governance safeguards.

With IT and security skills in short supply today, the focus should be on providing such capabilities out-of-the-box so that even non-technical users can deliver digital innovation securely.

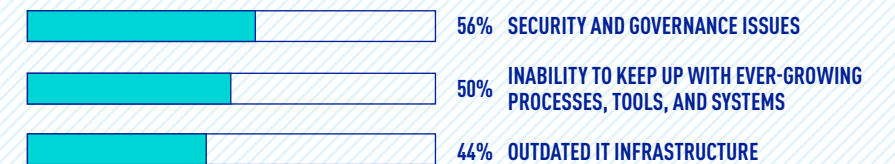
API-led connectivity can provide the right building blocks to progress in a steady, manageable manner, following processes created by your teams.

### HOW DIFFICULT IS IT FOR YOUR ORGANIZATION TO INTEGRATE END-USER EXPERIENCES?



ORGANIZATIONS THAT FIND IT DIFFICULT TO INTEGRATE END-USER EXPERIENCES

### WHAT MAKES IT DIFFICULT FOR YOUR ORGANIZATION TO INTEGRATE END-USER EXPERIENCES?



## More retailers and consumer goods organizations are exposing internal assets and components for reuse

On average, **46%** of retail and consumer goods organizations are making available internal software assets and components for developers to reuse. This illustrates a growing recognition of the benefits of such an approach in driving integrated user experiences.

In the retail and consumer goods sector, there are good reasons why some enterprise integrations must remain point-to-point or batch oriented. But in many other cases, legacy integrations are holding organizations back from realizing their digital transformation goals.

Exposing assets in a reusable manner via APIs can keep costs down, accelerate time-to-value, and empower non-technical users to contribute to innovation initiatives at scale.

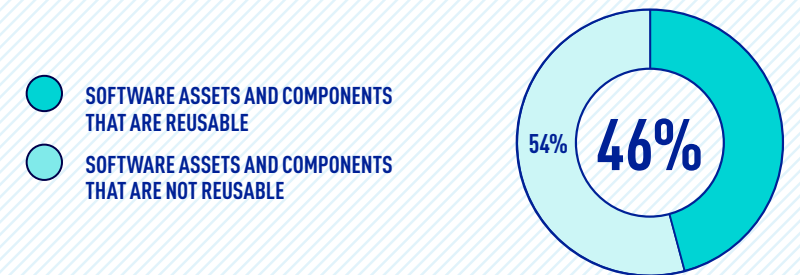
## Retailers and consumer goods organizations are using APIs to build more connected systems

Retail and consumer goods organizations are adopting API-led approaches in ever greater numbers. They are far more likely to expose them to third parties: **42%** versus **31%** for all sectors.

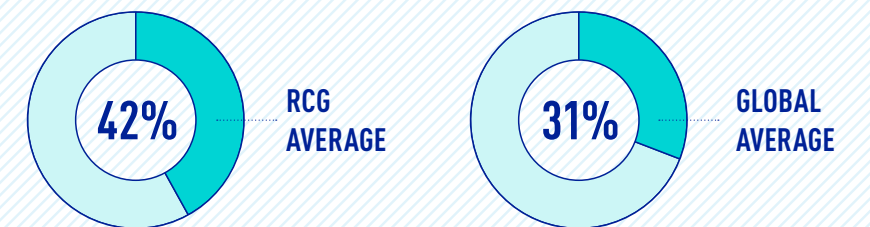
This tells us that platform-based business models are becoming increasingly vital to retail and consumer goods organizations. It's an evolution of the commercial relationship – from one of “owning the customer” to a new era where more value can be created by developing strategic partnerships with others.

Of course, this kind of expansive offer can only be made to customers if there is a seamless way to rapidly integrate with third-party apps and data.

WHAT PERCENTAGE OF YOUR ORGANIZATION'S INTERNAL SOFTWARE ASSETS AND COMPONENTS (E.G. CODE, APIs, BEST PRACTICE TEMPLATES) ARE AVAILABLE FOR DEVELOPERS TO REUSE?



PERCENTAGE OF COMPANY-OWNED APIs EXPOSED TO THIRD PARTIES





## APIs help to meet customer demand and drive revenue

Retail and consumer goods ITDMs whose organizations use APIs now claim that **38%** of revenue is generated from APIs and API-related implementations. That's higher than the average across all sectors (**35%**) and shows the bottom-line impact that creating seamlessly connected customer experiences can deliver.

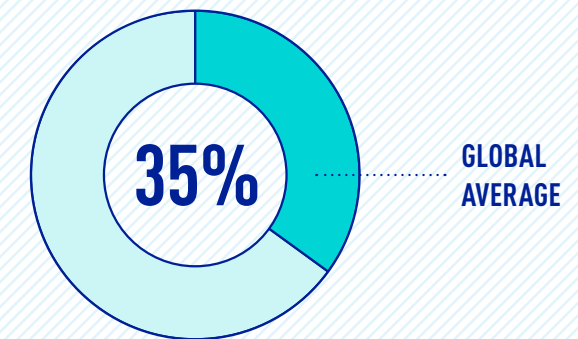
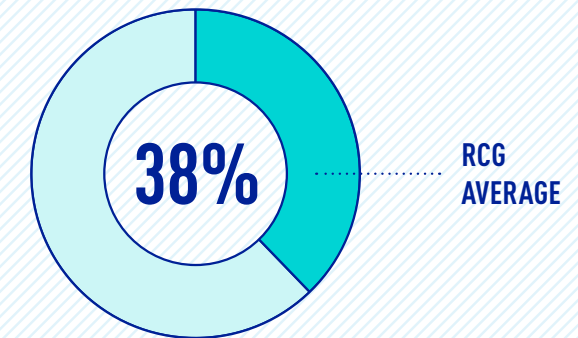
Over the first two years of the pandemic, large numbers of consumers flooded

online. To retain their loyalty, retail and consumer goods organizations must deliver a seamless, consistent experience whatever channel customers choose to interact with. It must be immersive, highly personalized and synchronized in near real-time across all channels. That in turn will demand integration efforts be stepped up across the customer facing and back office operations – to harness the power of data and deliver digital success.



How can APIs democratize innovation? Find out from Steve Stone, former CIO of Lowe's and L Brands. [Watch the interview](#)

### WHAT PERCENTAGE OF YOUR COMPANY'S REVENUE IS GENERATED FROM APIs AND API-RELATED IMPLEMENTATIONS?



- REVENUE GENERATED BY APIs AND RELATED IMPLEMENTATIONS
- REVENUE GENERATED OUTSIDE OF APIs

## Conclusion

**Digital transformation initiatives helped many organizations during the pandemic, and the retail and consumer goods sector is no exception. They offered these organizations the ability to create seamless ways of serving customers and driving new operational efficiencies.**

However, this transformation has also increased customer expectations higher than they've ever been. Retail and consumer goods organizations know they must move quickly to capture customers' attention and loyalty – or risk irrelevance. However, in many organizations, important customer and operational data remains siloed.

To successfully unlock that value of their data, retail and consumer goods organizations must be able to modernize their application environment in a structured and secure manner. They need to have the ability

repeatedly adapt to constantly changing consumer preferences, and they must strive to create closer alignment between IT and business teams. This collaboration is key to delivering the new integration projects that are a vital driver for digital innovation and improved customer experiences.



# Recommendations

For the post-pandemic enterprise, digital transformation has become a critical driver of customer engagement and employee productivity. Yet data silos, legacy infrastructure and IT bottlenecks are a persistent challenge. To overcome these, retail and consumer goods organizations must leverage the undoubted benefits of API-led integration. Here's how:

---

## Empower business users

IT departments are struggling – retail and consumer goods organizations are failing to deliver on all the projects required of them. Accelerate the speed of digital transformation by enabling business technologists with low- and no-code tools to create new integrated user experiences built on reusable APIs.

---

## Tackle security and governance challenges

Security is an increasingly acute challenge for IT teams across every industry as they transition to API-led integration approaches. Retail and consumer goods organizations must seek vendors that provide multi-layered protection of the data itself, the API that provides access to it, and the perimeter within which the API is deployed.

---

## Focus on API reuse

Adopt a more flexible, agile, and cost-effective way to create the experiences both users and consumers demand with reusable API-led integration. It's faster, more cost-effective, and means less effort for IT and business user.

---

## Create a Single Source of Truth (SSOT)

Data-driven organizations will increasingly dominate as the post-pandemic era unfolds. To keep pace, retailers and consumer goods organizations must first break down longstanding data silos by creating a SSOT to ensure all users are working from the same set of standardized, relevant data. Then it's about using API-led integration to turn this data into meaningful insights and innovative user experiences.

# Want to learn more?



## Read the full report

Curious how the financial services industry stacks up? Get insights from IT leaders across all industries by reading the entire 2022 Connectivity Benchmark Report. [Read the report](#)



Improve inventory management with real-time data sync



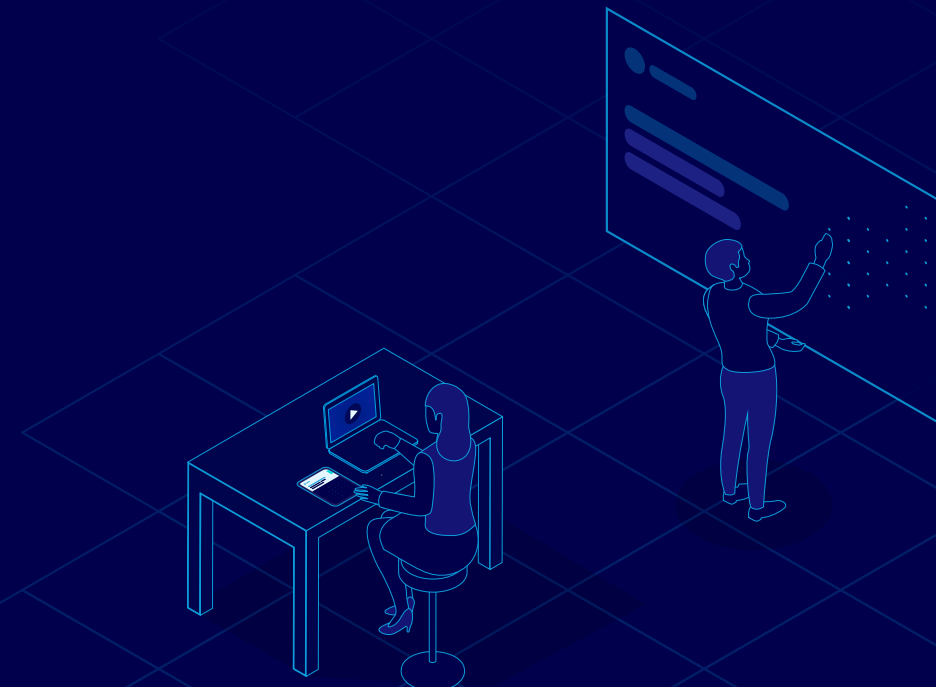
## Improve inventory management

Find out how retail and consumer goods organizations are driving digital transformation to deliver more efficient inventory management. [Watch the webinar](#)



## Create connected customer experiences

Learn how retailers are responding to rising customer expectations by embracing an integration strategy across the retail value chain. [Get the ebook](#)





## **Deloitte.** Digital

All rights reserved. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [deloitte.com/about](https://deloitte.com/about) to learn more about our global network of member firms.

Copyright © 2022 Deloitte Development LLC. All rights reserved

### **MULESOFT, A SALESFORCE COMPANY**

MuleSoft, provider of the world’s #1 trusted integration and API platform, empowers any company to quickly unlock and integrate their apps and data to create seamless experiences, faster. For more information, visit: [mulesoft.com](https://mulesoft.com)

MuleSoft is a registered trademark of MuleSoft, Inc., a Salesforce company. All other marks are those of respective owners.