



2023 KPMG US Technology Survey Report

Transformed— but with mixed outcomes

Consumer and retail sector insights

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Investments in digital transformation continue to alter the landscape of the consumer and retail sector.

The KPMG 2023 US Technology Survey¹ reveals that fewer than four in 10 consumer and retail companies have seen increases in profitability or performance over the last 24 months from their investments in five key tech-related areas: artificial intelligence (AI) and automation, cybersecurity, virtual reality/augmented reality (VR/AR), and data and analytics.

Challenges to better results, senior technology executives say, include transformation fatigue, the complexities of managing an expanding ecosystem of partners and vendors, and internal shortcomings around governing and coordinating digital transformation initiatives.

These are among the key findings from this year's annual KPMG survey, which paints a portrait of a sector that has both been transformed by the emergence of disruptive new technologies but also challenged to take full advantage of their potential.

Data: Promises and pitfalls

Data and data analytics have become foundational to business success in nearly every industry. In the consumer and retail sector, it is the currency that allows companies to leverage sophisticated technologies like AI, cloud computing and data analytics to better understand and serve their customers and drive process improvements. But to win companies need the right data—internal, external, structured, unstructured—and they need it to be clean, reliable, and accessible.

“Traditionally digital transformation has been about people, process, and technology,” says Sam Ganga, partner and national consulting leader, Consumer & Retail, KPMG in the US. “But the key is really people, process, technology, and data. You can get everything else right, but if you don’t have high-quality data you won’t have a clear view of how your business is doing and you won’t be able to effect the changes you’re targeting.”

“The key to digital transformation is people, process, technology, and data. You can get everything else right, but if you don’t have the data you won’t have a clear view of how your business is doing.”

— Sam Ganga
Partner and national consulting leader,
consumer and retail, KPMG in the US

¹ In May and June 2023, KPMG surveyed 400 US-based, executive-level technology leaders across eight industry sectors to find out how their organizations are looking forward to the next stage of the digital transformation journey, where they expect emerging technologies to drive new value, and how they will move forward with pace and confidence. This report highlights the most significant differences in the survey findings for the consumer and retail sector relative to all sectors represented in the survey.

For many consumer and retail organizations, getting data right is still a work in progress. When asked how much their digital transformation efforts around data and analytics have impacted their organization’s profitability or performance over the past 24 months, only 37 percent of consumer and retail organizations reported any improvement at all, versus 49 percent of all survey respondents. (27 percent

say it’s too early to tell, versus 21 percent of all respondents.)

Deficiencies around data and analytics may be bleeding into other areas. Only 39 percent of consumer and retail executives report profitability or performance gains from their investments in AI and automation, for example, versus 46 percent of all survey respondents.

They report similar disparities for their investments in cybersecurity (37 percent report profitability or performance gains, versus 46 percent of all survey respondents), low-code/no-code software development tools (35 percent versus 40 percent), and VR/AR (including the metaverse) (35 percent versus 44 percent). (See Figure 1)



Figure 1

Struggling to capture return on investments on tech investments

Percentage of consumer and retail executives reporting an increase in profitability or performance over the past 24 months from their investments in five key areas of technology, versus percentages of survey respondents reporting the same across all sectors.

Technology	ALL SECTORS	CONSUMER AND RETAIL	DIFFERENCE
AI and automation	46%	38%	-8 pts
Cybersecurity	45%	37%	-8 pts
Data and analytics	49%	37%	-12 pts
Low code/no code	44%	35%	-5 pts
VR/AR (including the metaverse)	44%	25%	-19 pts
Public cloud and everything-as-a-service (XaaS) technologies	44%	45%	+1 pt

Source: KPMG 2023 US Technology Survey, KPMG LLP (US), 2023

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However, the picture isn’t entirely bleak. Where consumer and retail organizations have seen the biggest gains from their technology investments—gains of 11 percent or more in profitability or performance—they are most likely to have been from investments in public cloud and anything-as-a-service technologies (23 percent of executives in this sector say they have seen 11 percent-plus gains at their organization) and data and analytics (21 percent).

Also, when asked where outcomes from digital transformation efforts have significantly exceeded expectations, consumer and retail executives are slightly more likely than others to say those efforts

have enhanced customer engagement (28 percent versus 23 percent of all executives surveyed), increased employee productivity (23 percent versus 20 percent), and improved efficiency and cost cutting (23 percent versus 21 percent). (Q10, Slide 36) Many point to their investments in data and analytics, as well as public cloud and everything-as-a-service technologies, as helping to drive those improvements.

These findings reinforce our belief that successful digital transformations aren’t purely technology exercises. They put the customer at the heart of the agenda, and in doing so deliver measurable value for the business.

Organizations have seen the biggest gains from their technology investments—gains of **11%** or more in profitability or performance.

28% of executives say digital transformation outcomes have significantly enhanced customer engagement.

Goals: Meeting customer expectations, including around ESG

Consumer and retail companies have long known that understanding the customer is critical to their success.

But today, tech executives in this sector indicate that their organizations are facing different customer and user pressures than those in many other sectors. They are more likely than others, for example, to say transparency around environmental, social, and governance (ESG) issues is one of the customer/user expectations having the most influence on the strategic priorities of their digital transformation projects, with 55 percent saying this, versus 45 percent of all survey respondents.

The end goal of knowing the customer is, of course, to boost revenue and profits. When asked to identify the main triggers of digital transformation at their organization, executives in this sector point most often to converting prospects into customers (59 percent say this) and upselling and cross-selling optimization to boost spend volumes (55 percent). Those objectives are followed by regulatory obligations or security concerns (51 percent) and customer feedback (50 percent).

In line with those goals, consumer and retail executives are looking to technology to help them reach new markets and improve products and services. Asked which innovation goals their technology function will primarily contribute to over

the next two years, they most often point to reaching new regions/customer demographics (53 percent name it as a top three area of focus), improving products and services (49 percent), and advancing ESG priorities (47 percent). (See Figure 2)

As for which technologies will be most important to achieving their goals over the next three years, consumer and retail executives align with those in other industries in singling out AI/machine learning, robotics/automation, and VR/AR (including the metaverse). However, they are more likely than others to also identify edge computing, including Internet of Things (IoT), as important. 47 percent say IoT will be among the top three most important technologies, versus 38 percent of all executives surveyed.

Tech executives in this sector also are looking to edge computing, which involves locating computing power and data storage close to data sources, to improve their businesses. Based on the most common ways they intend to measure the results of deploying it, they appear to be counting on edge computing to help them increase output productivity (67 percent say they'll use this metric) and launch new revenue streams or services (47 percent).

Figure 2

Looking to technology to reach new customers

Which of the following innovation goals will your technology function primarily contribute to in the next two years?

TRIGGER	C&R COMPANIES
Reaching new regions/customer demographics	53%
Improving products and services	49%
Advancing ESG priorities/commitments (including carbon emissions targets)	47%
Unlocking more value/insight from data	42%
Enhancing trust through cyber threat detection and management	40%
Improving processes across the business	39%
Expanding into new industries	28%

Source: KPMG 2023 US Technology Survey, KPMG LLP (US), 2023

Challenges

Like their counterparts in other sectors, tech executives in the consumer and retail sector say the challenge most likely to slow their organization's digital transformation agenda is having a technology function that lacks the governance and coordination capabilities needed to support transformation initiatives. Almost half (47 percent) of consumer and retail tech executives say this, as do 47 percent of all survey respondents.

By contrast, consumer and retail executives are more likely than most to identify transformation fatigue as a top challenge to their organization's digital transformation agenda (40 percent, versus 31 percent of all executives surveyed).

They also are finding managing an expanding ecosystem of partners and vendors to be challenging, with 55 percent citing it as a hurdle to their ability to innovate and stay competitive, versus 45 percent of all executives surveyed.

40% of executives are more likely to identify transformation fatigue as a top challenge to their organization's digital transformation agenda.

Up next: Six key steps

KPMG has identified six steps consumer and retail companies can consider as they leverage technology to better know their customers and deliver the products and services they want:

“If you can trust the data, you can trust the insights.”

– Sam Ganga
Partner and national consulting leader, Consumer & Retail, KPMG in the US



Make data management a priority.

Data is the key to unlocking value in a digital enterprise—the foundational element on which insights and strategy are built. Building the capability to create high-quality data for all business domains should be a priority for companies. After all, if you can trust the data, you can trust the insights.



Monitor and measure outcomes to ensure that digital transformation investments are delivering value.

It's only when companies systematically look at what's being generated by their investments in technology—what's working, what's not working, where the variances are—that they can quantify the value they're receiving. Once they have done this, they can use that insight to help inform further technology investments.



Secure the edges.

The era when companies only had to protect internal data and systems is long gone. Supply chains span the globe. Customer data is collected at multiple locations through multiple channels. IoT sensors pull in data from retail customers' homes, manufacturers' shop floors, and distributors' warehouses. Securing these “edges” of a company's information systems is critical to meeting cybersecurity and data privacy goals.

Key next steps

Continued

“Generative AI is going to be a gamechanger, not just for the IT function but for all functions.”

– Duleep Rodrigo
Principal and Advisory industry leader, Consumer & Retail, KPMG in the US



Evaluate the future through a generative AI lens.

“Generative AI is going to be a gamechanger, not just for the IT function but for all functions,” says Duleep Rodrigo, principal and Advisory industry leader, Consumer & Retail, KPMG in the US. “It’s going to play a role in product design and development, supply chain and inventory management, marketing, finance, customer support, talent management, and employee training. Companies need to consider the potential role of generative AI in every strategic decision they make and every IT project they undertake.”



Use technology to address labor shortages.

Few business challenges have been more vexing in recent years than finding and keeping talent, whether the need is for data scientists or cashiers. Technology can help. Automation and robotics can automate warehouses and checkout counters. AI algorithms can predict consumer demand and allow for more accurate staffing levels. And blockchain technology can improve transparency in supply chains, reducing the need for manual auditing. The list is virtually endless.



Stay focused on ESG.

Consumer expectations that companies will live up to their promises around ESG remain high, and failures can have disruptive consequences. From using data analytics to track and reduce waste to employing social listening tools and sentiment analysis to understand customer concerns, companies can take advantage of technology to support responsible business practices and long-term sustainability.

How KPMG can help

KPMG has a long track record of helping consumer and retail organizations find and implement practical solutions to their most complex challenges. In a world where data is foundational to success, we have the technical skills, resources, and alliances they need to assess the current state of their technology and data management practices. We can then design and implement a successful digital transformation agenda that help them meet customer expectations, create business value, and drive sustainable growth.

[Click here](#) to learn how KPMG can help your organization reap the full promise of a tech-enabled transformation.

[Download the full report](#) and discover how KPMG can help you with digital transformation.

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