SURVEY REPORT:

Setting the Foundation for Sustainable Growth

Insights From the 2023 Retail Strategies and Priorities Survey

ORACLE NETSUITE | retail TouchPoints

To understand how retailers of differing sizes and maturity stages are approaching the challenges of 2023 and planning for what comes next, NetSuite and *Retail TouchPoints* conducted the *Retail Strategies and Priorities Survey*.

We asked more than 100 executives (director level and up) to share insights on everything from their channel mix to their technology investments and priorities. These executives represent a rich variety of traditional retailers, consumer brands, marketplace sellers, and even manufacturers.

Their responses offer a glimpse into how executives are navigating the retail environment, including:

- Sales channels they believe provide the most revenue potential
- The internal and external pressures slowing them in reaching their growth goals
- How they're prioritizing tech investments
- Whether they're effectively managing cash flow

Results within all these areas reaffirm the increasingly critical role that analytics and automation play in creating businesses built for scale.

Brands Balance Acquisition and Retention to Reach Growth Goals

It's no secret that retailers face macroeconomic challenges. Up to 70% of U.S. consumers and 76% of UK consumers believe the economic downturn will last through at least 2024, according to Centiment research. As a result, many buyers are planning to either curb their spending or explore more cost-effective brands and products.

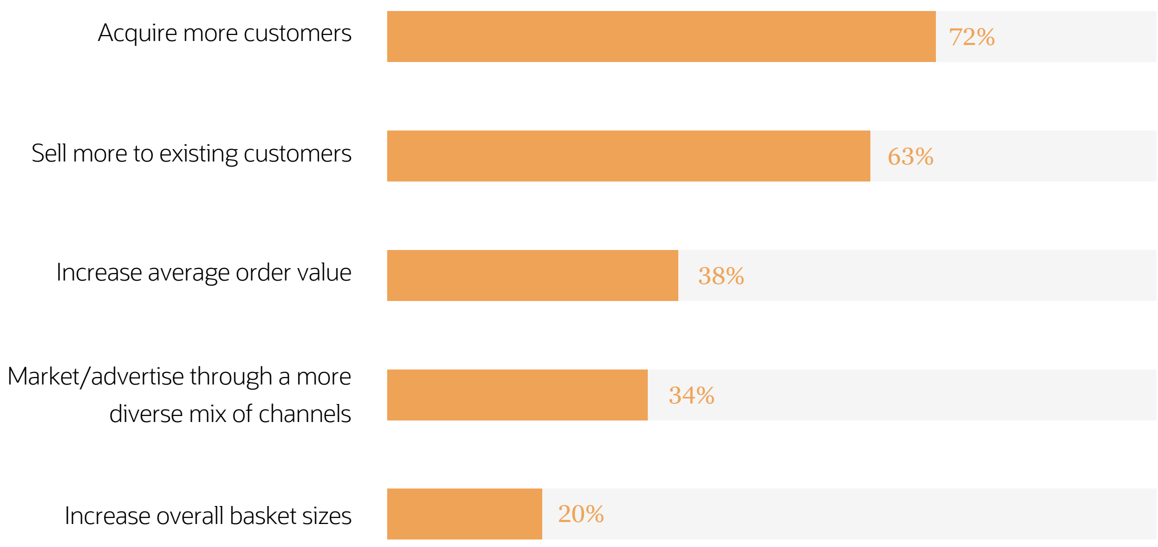
With this pullback, respondents indicate they're focusing on striking a balance between customer acquisition and retention. When asked to rank growth priorities, acquiring more customers (72%) and selling more to existing customers (63%) were the clear leaders.

Beyond these top priorities, the three most-cited results reflect more tactical ways respondents plan to achieve their growth goals *(fig. 1)*. For example, 34% of respondents said they plan to diversify the marketing and advertising channels they use. This is key to optimizing customer acquisition investments, especially because overall cost per acquisition online remains high.

Marketing and advertising teams are testing new channels, such as connected TV (CTV) and retail media, while continuing with their high-performing digital channels, from email to SMS.

Figure 1

What are your top growth priorities over the next 12 months?



(Respondents were asked to select their top three responses.)

Additionally, respondents said they want to focus on increasing average order value (38%) and basket sizes (20%). These two priorities will help respondents boost revenues; however, a clear question emerges: **How can brands get consumers to buy more items and spend more at the end of each visit?**

The obvious answer lies in creating a relevant and engaging customer experience. And data is the core to making these better shopping experiences a reality.

“Pulling information from your own sales as well as third-party sales channels increases your ability to entice customers with items that are relevant to them,” said Asad Ahmed, principal industry solution advisor, retail and ecommerce, NetSuite. “As you serve up complementary product suggestions, you also offer shoppers data from similar customers and even customer testimonials: ‘People who bought this also bought that.’ It makes it easy for your existing customers to make those repeat buying decisions.”

Business Leaders Focus on Making Omnichannel a Reality

As brands and retailers optimize their customer acquisition and retention efforts, which commerce channels are they prioritizing?

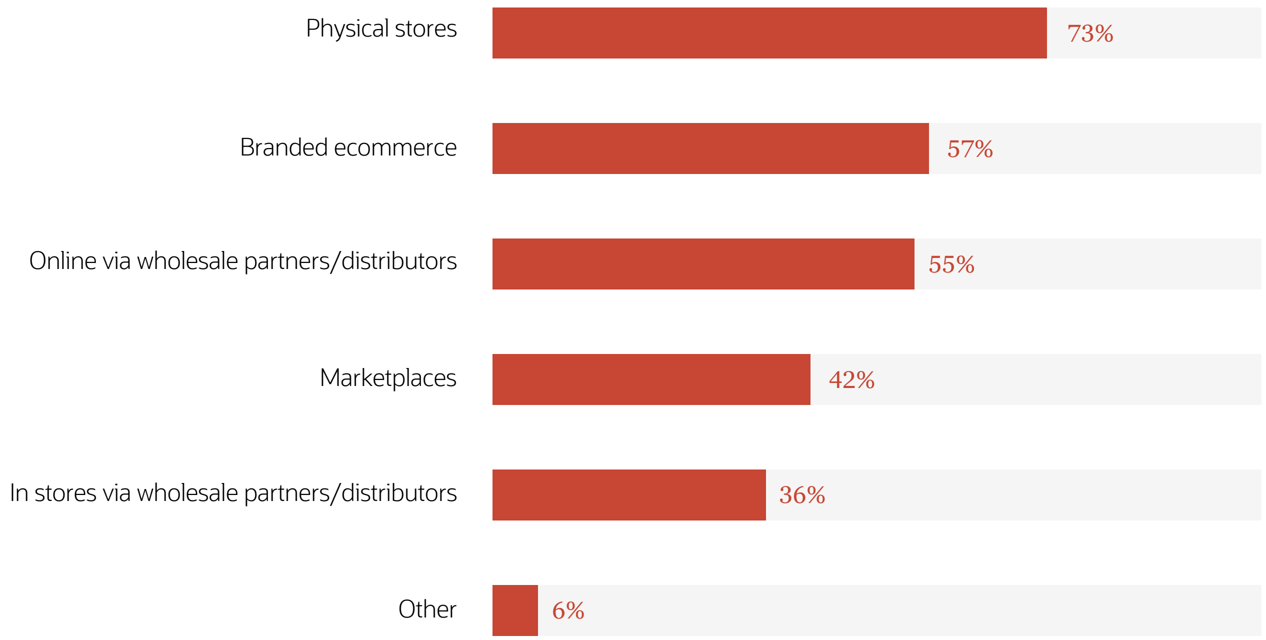
We all know that consumers live an omnichannel reality. They fluidly move between stores, branded ecommerce sites, and marketplaces to compare products and prices.

That is why brands that were once digital natives, such as Warby Parker, have moved to open physical stores to acquire more customers and increase overall market share. And the survey results reveal that these companies are not the exception. In fact, respondents currently use between two and three sales channels on average, with most using a combination of physical stores and traditional ecommerce, both branded and via wholesale *(fig. 2)*.

All respondents reported taking a multichannel approach, even small and midsize retailers.

Figure 2

Which sales channels do you use?



(Respondents were able to make multiple selections.)

Connecting Growth Goals to Channel Investments

Most channels have relatively equal positioning in the minds of our respondents, especially as we ask about growth potential *(fig. 3)*. However, there is a clear laggard in the group.

Despite the hype surrounding marketplaces, fewer than 20% of respondents say these platforms offer the greatest opportunities for growth. Nearly half (47%) said marketplaces would add 10% or less to their revenue over the next year *(fig. 4)*.

Yet many consumers rely on marketplaces like Amazon to quickly access a breadth and depth of inventory from various brands. Research from retail advisory firm CI&T found that consumers are increasingly turning to marketplaces first in their shopping journey, whether they have a specific item (52%) *or* a specific brand (55%) in mind.

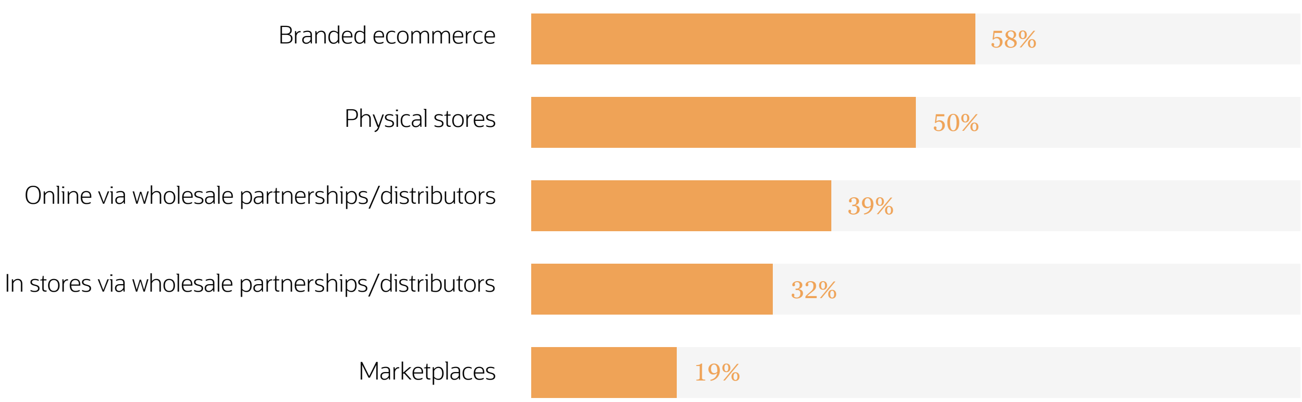
Selling via marketplaces lets brands participate in this new, critical part of the buying process, but certain limitations hold brands back from unlocking the full value of these platforms.

"One big challenge for retailers is that marketplaces don't tend to share a lot of data about the customer or the consumer of the product because they want to keep the traffic on their platform," Ahmed said.

Brands can use marketplaces as an inbound channel for product discovery; however, they must think strategically about how they're connecting this initial purchase to long-term customer engagement. For example, including a postcard with a QR code to register for updates and a unique discount code, will create a clear incentive for a new customer to stay connected with the brand.

Figure 3

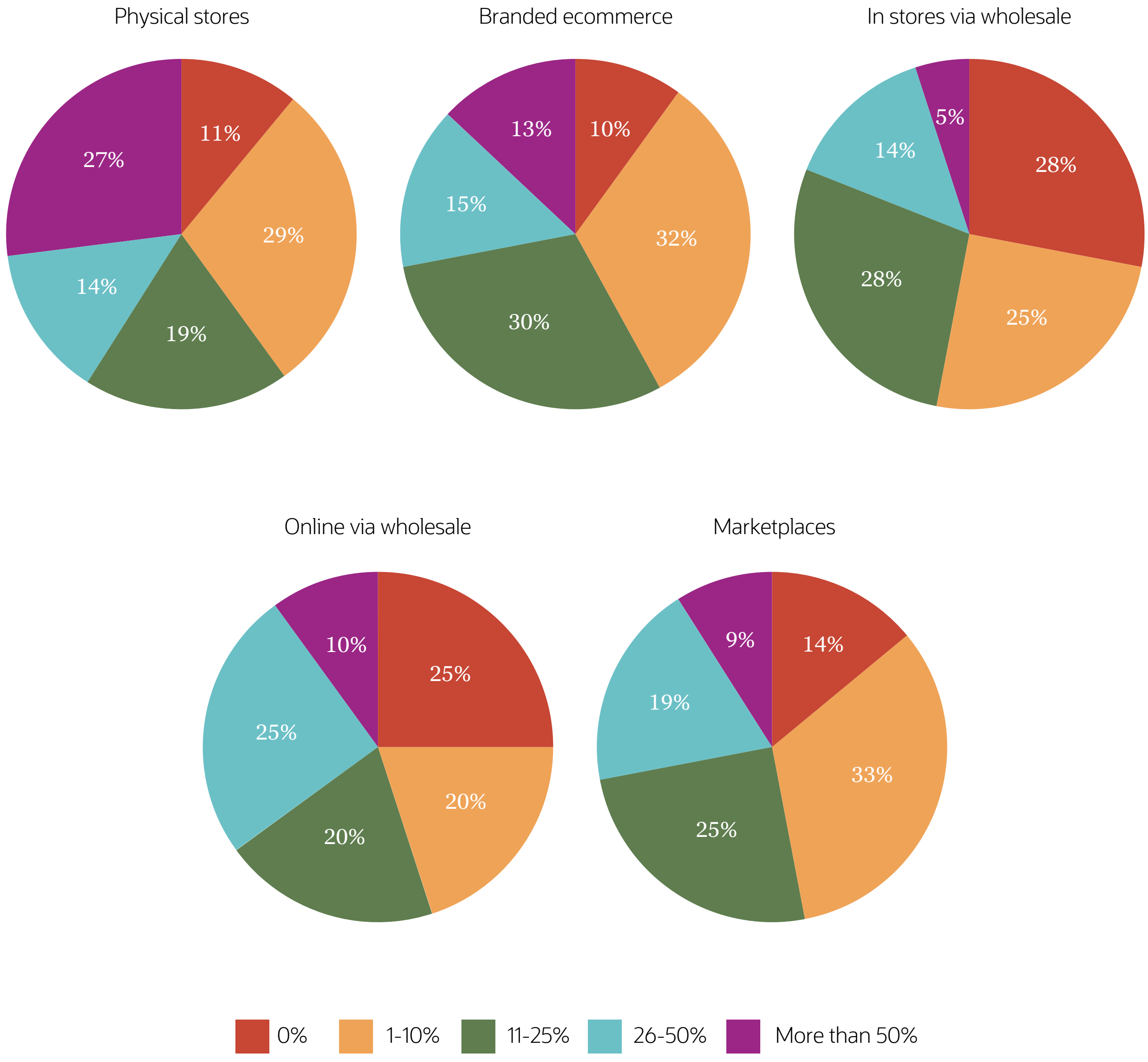
Which channel offers the greatest opportunity for growth?



(Respondents ranked each channel on a scale of 1 – 5, with 1 offering the greatest growth potential for their business. Above numbers reflect the percentage of respondents who selected 1 and 2 for the specific channel.)

Figure 4

How will these channels contribute to your business's revenue over the next 12 months?



(Respondents selected a percentage for each channel.)

Execs Remain Cautiously Optimistic About Revenue Performance

When asked how their businesses performed during the 2022 holiday season versus 2021, surprisingly more than half (55%) of executives said results were better than expected, while 32% said they performed as expected.

While results from the National Retail Federation (NRF) revealed that holiday growth was less than expected, sales for the year still increased by 7% over 2021. This growth aligned with NRF's forecast of between 6% and 8% growth for the year, which may explain why respondents noted it was an overall positive season.

Executives were also pleased with their overall revenue performance in 2022: 65% of respondents said they performed better than expected, and another 27% rated their performance as "about the same."

But are continued economic and market uncertainties painting a less steady picture for the rest of 2023? Overall, the outlook is relatively flat, but there are variances depending on organizations' annual revenue *(fig. 5)*.

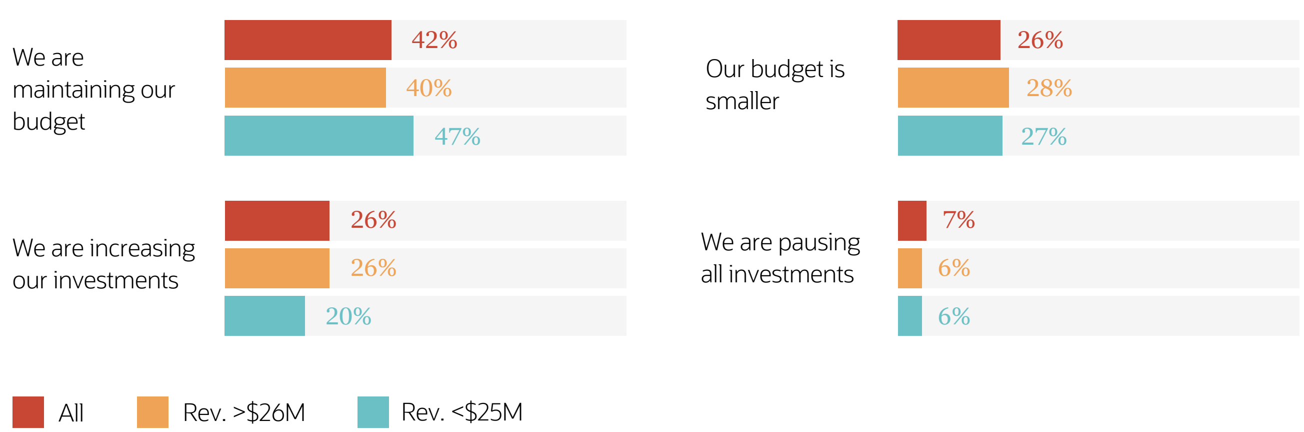
Nearly half (47%) of retailers generating $25 million or less in revenue per year said they plan to maintain budget levels in 2023, while fewer (40%) of their larger counterparts said the same. Conversely, 26% of those with annual revenues of more than $26 million said their investments would grow, while only 20% of smaller organizations said the same thing.

Many fast-growing retail darlings like Allbirds have spent years prioritizing rapid growth. In some cases, this created short-term wins but overall, these brands saw significant hits to their earnings results and cash flows in 2022.

Younger companies are learning from these examples and instead are taking **slow, steady measures** that allow them to grow while protecting cash flow.

Figure 5

How is the current economic climate impacting your business investments?



Adapting Growth Plans in Response to New Pressures

In 2022, supply chain challenges likely would have ranked as retailers' top external pressure point. But our survey results indicate that several other pain points are far outpacing supply chain this year. In fact, combating ongoing supply chain disruption ranked only fourth on retailers' list of the top external challenges.

What took its place at the top? Responding to new consumer behaviors, with competitive differentiation and inflationary pressures ranking second and third.

The pressure to quickly adapt to new shopper behaviors is especially prevalent among respondents generating more than $26 million in annual revenue, indicating that as organizations mature, they may see themselves outgrowing their existing tech stacks.

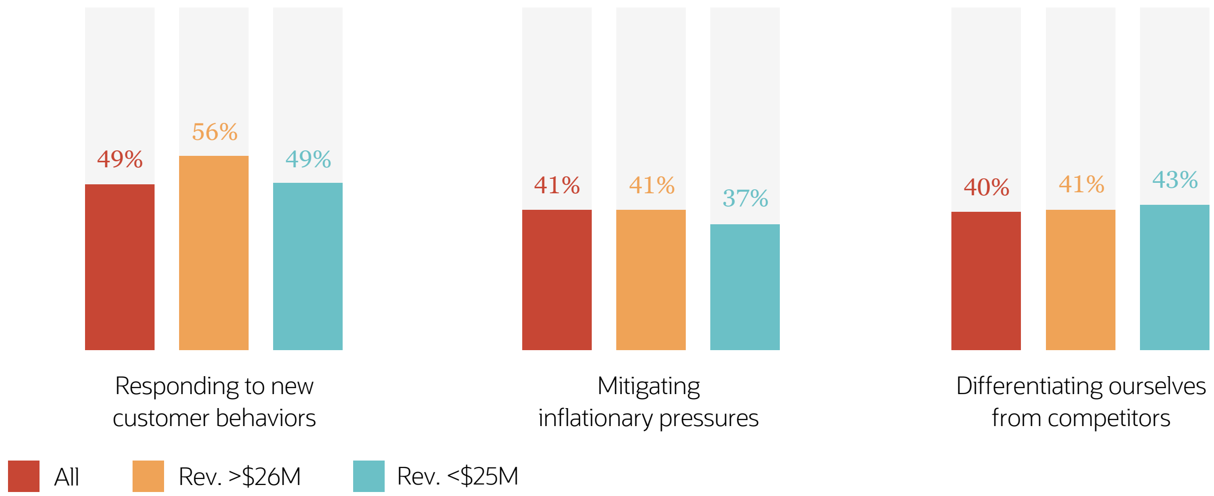
While responding to new consumer behaviors was also the top response among smaller organizations, they were focusing more on competitive differentiation than their larger counterparts *(fig. 6)*.

To keep pace with the ever-changing consumer, organizations of all sizes must invest in systems that give everyone across finance, marketing, customer service, and operations access to real-time data that helps them better understand their customers and how they can improve their experience.

Because consumers are more eager to test new products and brands, and they're more likely to switch brands should their price and experience expectations not be met, experience is one key way brands can win and keep customer affection.

Figure 6

What would you consider the top *external* challenge in achieving your growth goals?



(Respondents ranked each response on a scale of 1 – 5, with 1 being the "top challenge." Above numbers reflect the sum of respondents who selected 1 and 2.)

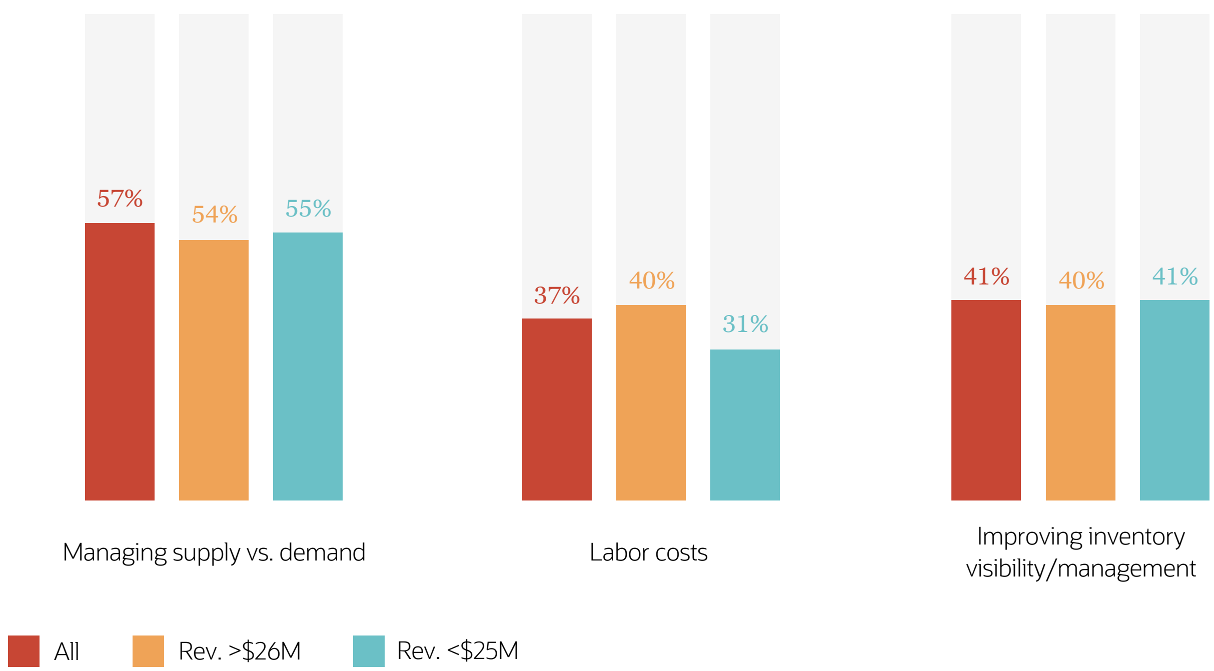
The top three overall internal challenges were: managing supply versus demand; responding to rising labor costs; and improving inventory visibility and management *(fig. 7)*. The survey found that larger organizations are more concerned with rising labor costs than smaller ones, possibly due to the sheer size of their workforces. Smaller organizations are more focused on better managing supply versus demand, as well as improving inventory visibility and management.

As smaller brands and retailers set their sights on growth, they need to ensure they have the ideal operational infrastructure. This means investing in a more sophisticated enterprise resource planning (ERP) solution that includes applications for accounting, order processing, inventory management, supply chain, and warehouse operations.

"Directing technology investments to overcome internal challenges will be vital to growth," Ahmed said. "Retailers continue to struggle with orchestration of the demand and supply sides, and that's where solutions that can gather and ingest key datasets — then apply analytics to gather actionable insights from them — are so important. Those are the kinds of investments that allow you to overcome challenges and get the right products in the right places at the right times."

Figure 7

What would you consider the top *internal* challenge in achieving your growth goals?



(Respondents ranked each response on a scale of 1 – 5, with 1 being the "top challenge." Above numbers reflect the sum of respondents who selected 1 and 2.)

The Great Cash Flow Challenge

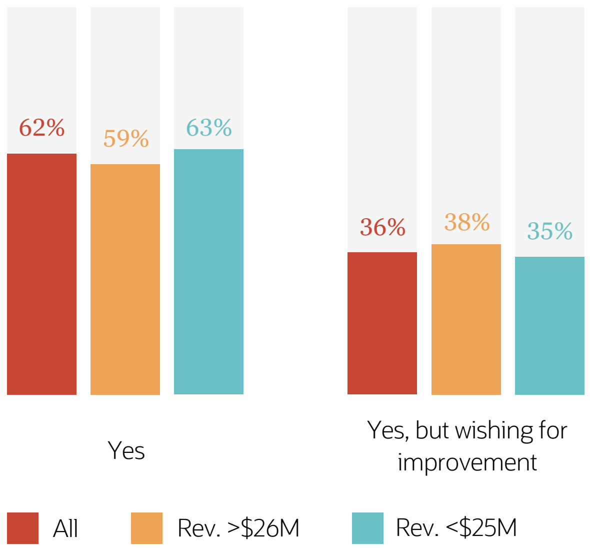
Business leaders won't be equipped to address internal or external challenges on their path to growth without proper cash flow.

More than one-third of respondents (36%) said they wish they were able to track and manage cash flow better, with larger retailers showing slightly higher interest (38%) in improving their capabilities than smaller brands (35%) *(fig. 8)*.

Enhanced data management and visibility via an advanced ERP system can help, allowing retailers to fully understand cash flow details across product, marketing, operations, and customer experience.

Figure 8

Can you effectively track and manage cash flow?



Data: Unlocking Growth Opportunities

Overall, ecommerce ranks as the top technology investment retailers plan to make in the next 12 months, but across all categories, there is also a clear emphasis on data and analytical capabilities.

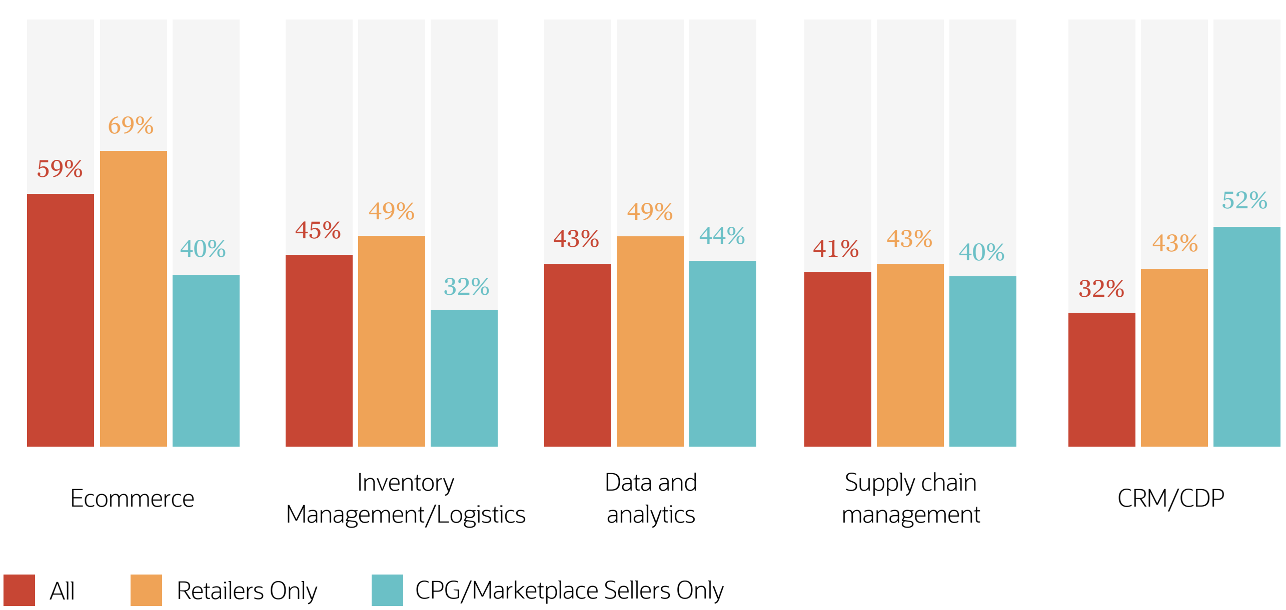
Ecommerce is a significant growth channel for retail brands selling through stores and branded websites, according to the survey results. Ecommerce has seen staggering growth over the past five years and is anticipated to grow another 8.9% in 2023, according to *Insider Intelligence*.

Brand leaders know that if they want to grow online, they need to invest in delivering a more engaging and personalized site experience. That is why they are also investing in customer data platforms (CDPs), robust data and analytics, and inventory management and logistics. These three technologies operate in concert with physical channels to create a more seamless omnichannel experience *(fig. 9)*.

Meanwhile, marketplace sellers are more focused on building out their core customer data and insights. As noted earlier, some marketplaces do not provide granular data on customer behaviors, but some do. Certain platforms offer more insights to their seller communities, which can help brands understand customer spending patterns and develop growth strategies.

Figure 9

What are your key tech investments over the next 12 months?



(Respondents were able to select more than one response. Above are the top five responses.)

Automation as the Key to Sustainable Growth

With most respondents selling across multiple channels, they simply cannot rely on manual processes and disconnected tools to manage their businesses. These can lead to wasted time, more errors, and lost opportunities for growth.

As more sales channels, SKUs, and services are added to a brand's portfolio, the internal infrastructure will only grow more complex. This is where automation can facilitate scale. However, most respondents don't have the tools they need to manage the complexities of omnichannel selling and fulfilment. While 23% of respondents said they've automated almost all their business processes, 29% say they've only automated some. And 23% say they still largely use manual processes *(fig. 10)*.

Business automation can help brand leaders and operators use real-time data to inform their decision-making processes. It also can help better manage cash flow and expenditures, which is especially critical in the current climate.

"If you have the data to know what your demand has been and what your supply looks like, you can use automation to divert resources toward the products and product lines that are actually selling, versus those that aren't," Ahmed said. "This drives revenue and ensures your resources are continually optimized across every sales channel."

In addition, automation lets team members work more efficiently and effectively, which proves especially valuable amid workforce shortages.

For example, a CPG brand selling across a growing network of marketplaces and wholesale partners will be able to manage different catalogs of SKUs, product descriptions, content, and other elements more effectively — even if they have a lean team. CPG brands also will be able to quickly access product sales data and other results, so they can understand what's performing well and what areas need improvement.

Figure 10

Where are you in your business automation journey?

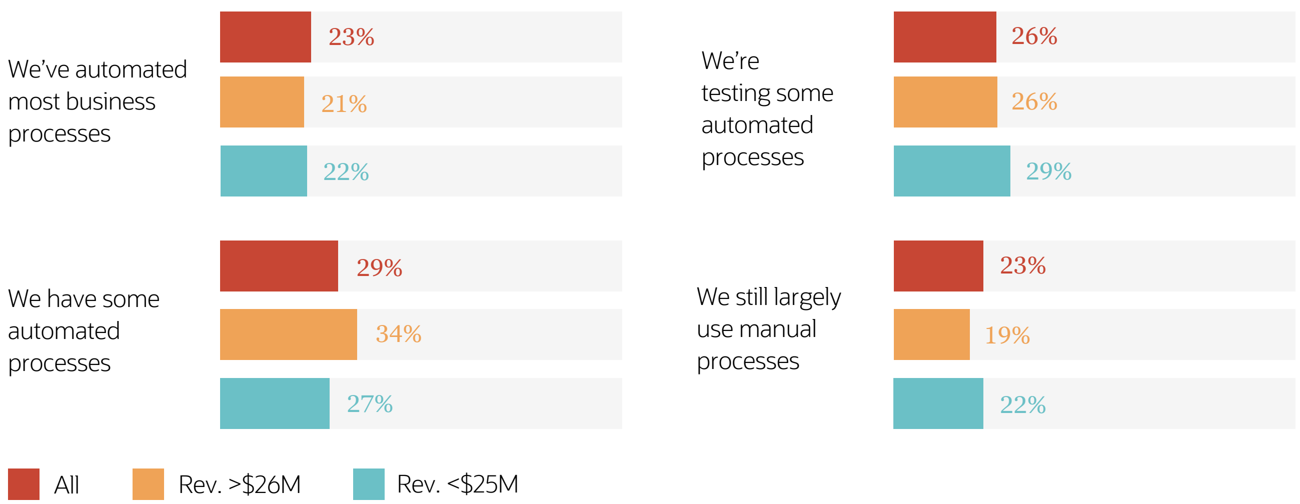


Chart Your Path Toward Sustainable Growth

Retailers, DTC brands, and marketplace sellers alike are prioritizing sustainable growth. Forward-looking organizations are using data to drive their short- and long-term decisions so they can prioritize the right sales channels, tactics, and experiences for their customers.

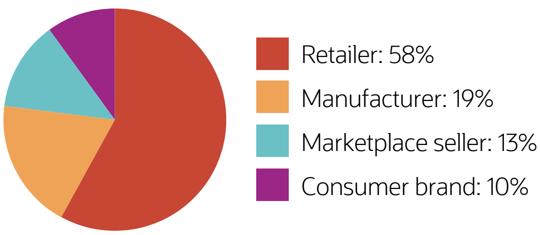
As consumer behaviors continue to shift, organizational leaders should focus on building their capabilities around inventory visibility, data analytics, and business process automation. These investments will allow for scale and equip teams across the organization to work intelligently, no matter what comes next.

Explore how NetSuite can help you unlock growth opportunities in times of change.

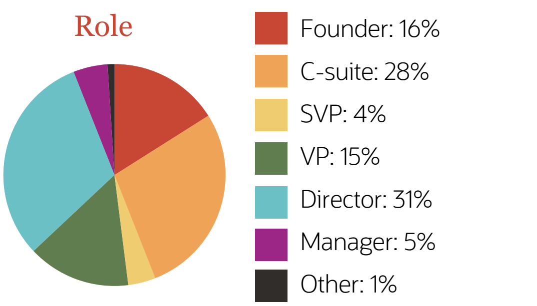
Learn more

Survey Demographics

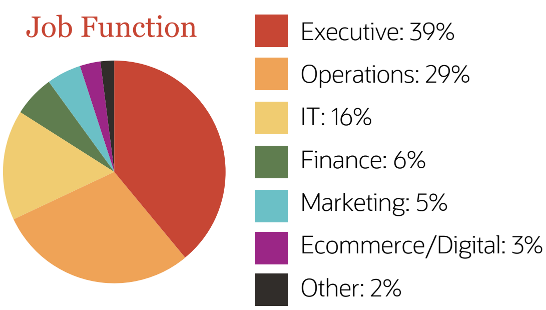
Business Type



Role

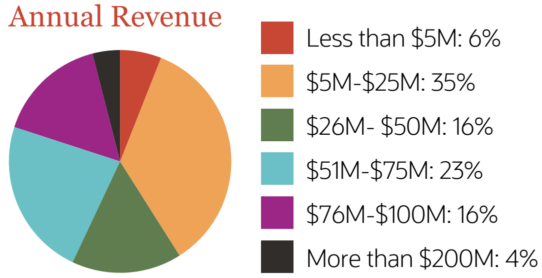


Job Function



Business Category

Annual Revenue



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NetSuite ERP is a cloud business management solution that automates core business processes to improve operational efficiency and provide real-time visibility into operational and financial performance. With a single, integrated suite of applications for managing financials, order processing, inventory management, HR, professional services automation, omnichannel commerce, supply chain and warehouse operations, NetSuite ERP gives companies clear visibility into their data and tighter control over their businesses. For more information, visit our website www.netsuite.com.

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