The Future of Data: Adjusting to an opt-in economy
Industry spotlight: Retail

The future of the data economy has arrived—and nobody is ready for it. Oxford Economics and NTT DATA surveyed executives—including a meaningful sample from the retail sector—and consumers about their visions for a data-driven future in which people have greater control over their personal information, what we call the opt-in economy.

Retailers are focused on data applications that will transform the customer experience, such as personalized services and targeted offers. To get sustainable value from these investments, they must update talent strategies, technology, and business processes—and focus on maintaining customer trust in an uncertain world.

Consumers demand a delicate balance from retailers

Trust is particularly important in the retail sector, where performance relies on strong relationships with customers. Yet only about one-fifth of the consumers we surveyed are confident that their data is adequately protected by the organizations they do business with.
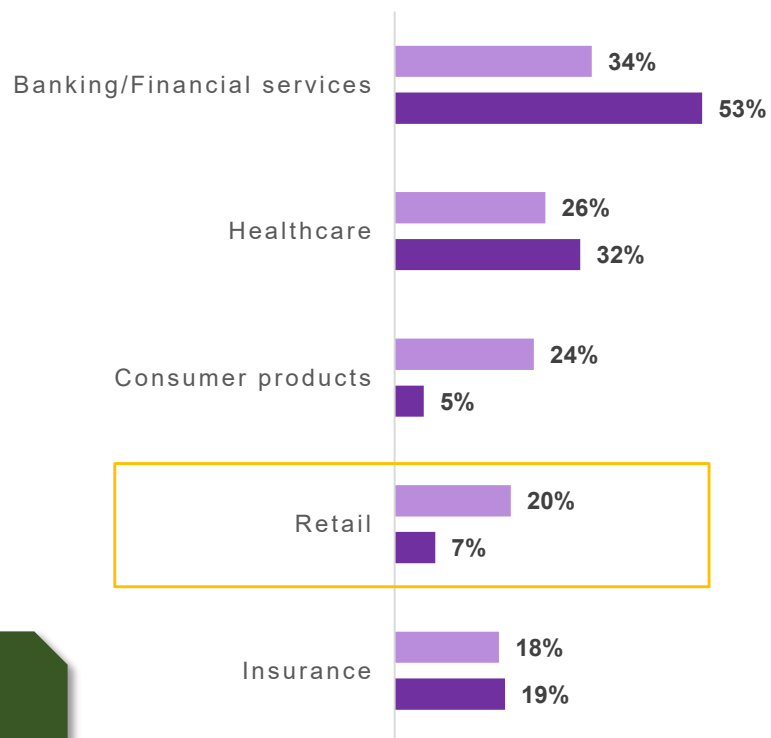
Consumers are looking for a data-enabled customer experience that many retailers are yet to deliver, and even fewer consumers say retailers effectively protect their information.

Using data to create the customer experiences consumers demand without violating trust requires a delicate balance that few companies have yet to master. Many consumers are not completely comfortable with data-sharing, yet are hungry for the personalized services it enables: while about two-thirds say too-frequent contact or too many personal questions from an organization would make them uncomfortable, less than one-fifth are uncomfortable with personalized offers, products, or services.

Q: Which industries do you think best make use of data to drive growth and improve the customer experience? Which do you think best protect consumer information?
TOP 5 INDUSTRIES

- Consumers - Improve customer experience
- Consumers - Protect customer information

Banking/Financial services
- 34%
- 53%

Healthcare
- 26%
- 32%

Consumer products
- 24%
- 5%

Retail
- 20%
- 7%

Insurance
- 18%
- 19%

> Using data without violating consumer trust requires a delicate balance for retailers.

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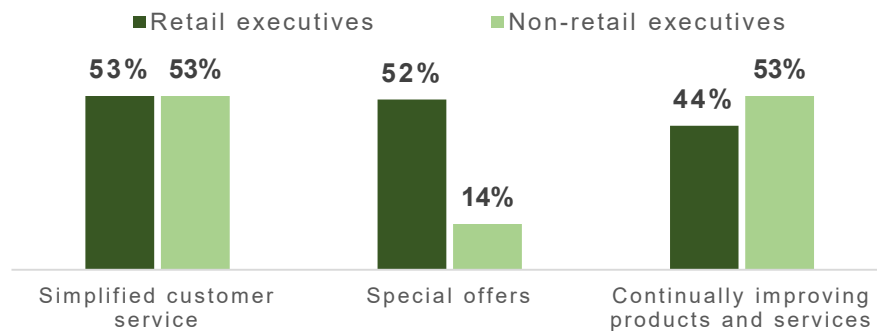
Retailers must continually improve their use of data

Retailers are focused on creating data-driven offerings that will attract customers, while other sectors are more focused on enhancing products and services. Retailers' strategies are generally in line with what consumers care about—continual improvement of products and services (42% of consumers say this is important), special offers (40%), personalized services (32%), and simplified customer service (30%).

Meeting these needs depends on the effective analysis of multiple types of data. Retailers are collecting a broad range of data—purchase history (97%, vs. 65% of others), web-browsing habits (95% vs. 52%), and social media data (85% vs. 62%). Yet only about 60% of consumers understand that the companies they do business with are collecting these types of information.

Q: Which of the following are most important for your business, in terms of customer satisfaction?

■ Retail executives   ■ Non-retail executives

	Retail executives	Non-retail executives
Simplified customer service	53%	53%
Special offers	52%	14%
Continually improving products and services	44%	53%

> Retailers see simplified customer service as most critical to customer satisfaction.

The struggle to make meaning from data

Making meaning from vast stores of customer and operational data requires a strong strategy and tactics to support it. Most retail executives (94%, vs. 92% of others) say the effective use of analytics is critical to improving the customer experience.

But execution lags strategy. While two-thirds of retailers (vs. 70% of others) have developed an overarching plan for data use and management, under half have changed recruitment and retention to reskill around data analytics—despite the fact that just 50% (vs. 63% of others) have the talent they need to compete in the data economy.

Meanwhile, just 29% (vs. 24%) have begun data-sharing across the business—a step that will become increasingly important as digital and physical channels converge across the retail landscape.
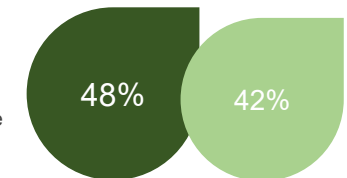
Q: Which best describes your organization's current use of data and analytics?
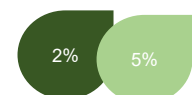
■ Retail executives   ■ Non-retail executives

Developing; we are beginning to use data and analytics in some parts of the business — 50% / 53%
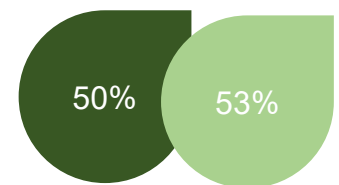
Advanced; we already use data and analytics to inform our operations and products/services, and are making plans to improve further — 48% / 42%

Highly advanced; data and analytics are core to our strategy — 2% / 5%

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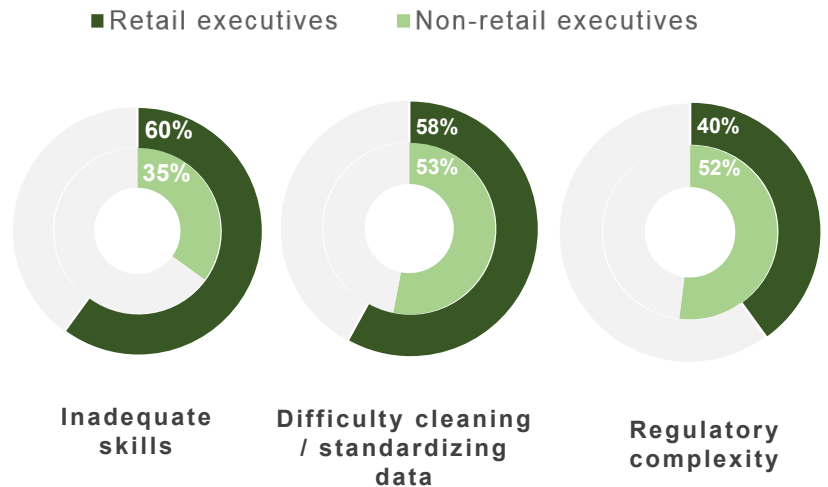
Challenges of the data age

For all its benefits, data-driven business introduces a range of obstacles. Inadequate skills, difficulty standardizing data, and regulatory complexity are top challenges cited by retailers.

Nearly all surveyed retailers have experienced a recent security breach, yet only about one-third have strong protections in place for their customers' personal or financial information.

As ongoing revelations about data use by big companies draw government scrutiny around the world, most companies remain ill-prepared for regulatory change—just 5% of retailers (vs. 8% of others) are prepared for upcoming regulations.

Q: Which of the following present the greatest challenge to your data and analytics strategies? *Top 3 responses*

■ Retail executives   ■ Non-retail executives

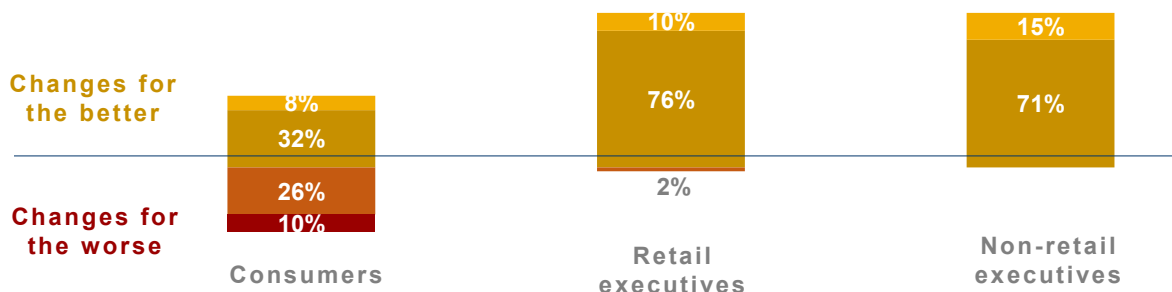| Inadequate skills	Difficulty cleaning / standardizing data	Regulatory complexity
60% / 35%	58% / 53%	40% / 52%

> Inadequate skills are a top obstacle to retailers' data and analytics strategies

Visions for the future

The future of retail will be enabled by data. Better-equipped employees, ambient commerce, channel integration, personalization, curation, and click-and-collect all require high-quality, integrated data for proper execution.

Business leaders are excited, but consumers are far more ambivalent about what lies ahead. Of those retailers who expect data to create meaningful change, more than half (56%, vs. 50% of others) say businesses are prepared for upcoming changes, but only 26% (vs. 23% of others) say consumers are prepared. While most executives expect analytics to change consumer lives for the better, consumers are far less certain—and 36% expect changes for the worse.

Q: Do you think changes resulting from Big Data/analytics will be mostly for good or ill for consumers?

	Consumers	Retail executives	Non-retail executives
Changes for the better	8% / 32%	10% / 76%	15% / 71%
Changes for the worse	26% / 10%	2%	

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The path forward

What are the next steps for retailers aiming to update their data and analytics strategies?

❖ Deliver a single view of the customer

A holistic understanding of your customers derives from data, from across your organization and from the larger data economy. Retailers need to connect disparate systems and sources—online, offline, in-store, social—to build a single view of the customer that can be leveraged across the enterprise and with partners.

❖ Enable employees with new skills

Acquiring, cleansing, standardizing, analyzing, and maintaining data requires specialized skillsets. Every employee—from associate to CEO—needs data competency and an understanding of how it can be used in their daily activities. Developing these skillsets takes time, and the sooner you get started, the sooner you can properly leverage your data.

❖ Personalize the customer experience

Customers want the organizations they engage with to use data to improve products, services, and experiences. Consider customizing and personalizing products, or equipping employees with the tools and skills to use data to make informed suggestions. Your goal is to simplify and enhance the customer experience and relationship.

❖ Physical retail focuses on data

Physical retail is not dead, just different—and it's powered by in-store technology and data. Digital natives have a distinct advantage in this space as they apply their back-end enabling technology to their newly launched brick-and-mortar locations. Traditional retailers must look to connect their physical and digital spaces to deliver the experiences that customers demand.

❖ Deepen customer trust

Consumer trust will be one of the greatest competitive advantages that a company can possess in the opt-in economy. As data drives deeper insights about your customers and how you can better serve them, seek to establish a deeper level of trust. The more you know about your customers, the more important trust becomes.

About the research   For more data, see our [full report](#).

Oxford Economics surveyed 500 executives and 5,000 consumers across 15 countries, including 62 executive responses from the retail sector, in early 2018. Other sectors represented include automotive, media/telecommunications, healthcare, insurance, financial services, manufacturing, and the public sector.

Respondents come from around the world, including the United States, Canada, Mexico, Brazil, Chile, UK, Germany, France, Italy, Spain, Belgium, India, China, Japan, and Australia. Retail executive respondents come from North America (13%), Latin America (22%), Europe (32%), and Asia Pacific (33%).

Executives represent both IT (approximately 40%) and business (approximately 60%) functions, and company sizes from $500 m to more than $5 bn.

We also conducted in-depth interviews with more than a dozen senior executives, officials, and academics.

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