



NEWS RELEASE

Is Your Business on the Verge of Digital Disruption? New Cisco Research Reveals Nearly Half of All Retailers Are at Risk

2016-01-18

Eighty-Five Percent of Digital Business Opportunity Still Untapped by Retailers
NEW YORK, NY -- (Marketwired) -- 01/18/16 -- **National Retail Federation (NRF) Convention and Expo** -- Cisco (NASDAQ: CSCO) -- *\$506 billion*. That's the digital value the retail industry has the potential to generate over the next three years. Looking out over the next 10 years, that number grows to \$2.8 trillion in Digital Value at Stake. Digital Value at Stake (VaS) is a measure of financial gain or loss based on two components: 1) Entirely new sources of revenue or savings derived from digital investments and innovations, and 2) value shifting among players within industries based on how their respective digital capabilities equip them to steal value from rivals. Believe it or not, retailers realized *only 15 percent* of their potential VaS in 2015, according to a new Cisco study "[A Roadmap to Digital Value in the Retail Industry](#)" released today.

Clearly, digital disruption brings a wealth of opportunity, but retailers must also be positioned to navigate the risk that comes along with it. According to research from the Global Center for Digital Business Transformation (DBT Center), a joint initiative of the Institute for Management Development (IMD) and Cisco, 47 percent of retail executives believe that disruption could put them out of business. In spite of this, only 24 percent have a plan for digital transformation.

The DBT Center research also ranked industries according to their proximity to the center of the "Digital Vortex." This is defined as the movement of industries toward a "digital center," a place where business models, offerings, and value chains are digitized to maximum levels.

Key Highlights

- **Retail nears the center of the Digital Vortex.** Retail is one of the three industries most vulnerable to digital disruption.
- **Close to half of retailers are at risk.** Forty-seven percent of retail leaders believe that digital

disruption is a high-risk proposition. According to the DBT Center research, four of today's top 10 retail firms will be displaced over the next five years.

- **Leadership is not proactively addressing risk.** Almost half of retail executives surveyed do not acknowledge the risk of digital disruption - or have not addressed it sufficiently. Only 24 percent have a plan and are willing to disrupt themselves in order to compete.
- **New retailers will emerge.** Retailers believe that newcomers, or start-ups, will likely be the biggest source of digital disruption. Nearly 38 percent believe these start-ups will come from inside the industry.

Bottom line: after realizing just 15 percent of their potential Digital Value at Stake in 2015, retailers are leaving more money on the table than almost any other industry. According to the analysis, a \$20 billion retailer that fully embraces digital business transformation has the potential to save \$33 million in IT costs per year, and may generate \$823 million in annual earnings before interest and taxes (EBIT).

"Digital disruption has the potential to overturn incumbents and reshape markets faster than perhaps any force in history," said Shaun Kirby, CTO, WARP Accelerated Rapid Prototyping at Cisco. "Just as Apple and Android devastated the pre-smartphone era of brands, digital disruption is poised to have a tremendous impact on the retail industry over the next five years. If retailers fail to digitize their services, the ones we know as leaders today may become laggards, or even disappear."

Where to Start: Largest Opportunities for Digital Value in Retail

Harness the value of digital. The Cisco study highlights 10 [use cases](#) that have the potential to drive the greatest VaS for retail over the coming years. For example, connected ads and marketing can drive \$112 billion in VaS, and for cybersecurity that number is \$68 billion.

In its new study, Cisco recommends that retailers begin their digital transformation by first determining where they are on their digital journey. Next, build an investment plan that combines the top digital use cases to meet specific business objectives. Finally, retailers should use their investment plan to close the gap between the digital capabilities they need and the business outcomes they desire.

CUSTOMER QUOTES

Michael Leeper, Director of Global Technical Infrastructure, Columbia Sportswear

"By providing complete store infrastructure in half the space, the Cisco ISR frees up more real estate to sell product and provide customer service. We also have the flexibility to quickly add new IT services such as sales analytics, digital signage, or customer behavior analysis without the time and costs of adding physical servers. IT no longer slows down the speed of business."

Columbia Sportswear creates innovative apparel, footwear, accessories and equipment for outdoor enthusiasts.

Andy Beale, Head of Digital and Multichannel Development, F&F, Tesco

"Cisco has worked with F&F to bring concepts to life and live pilots in a matter of months. We are learning new things about our customers' behavior in-store and how to delight them with a whole new channel."

F&F, part of Tesco, is leading global fashion house offering affordable fashions to consumers in the moment.

Julija Bainiaksina, Co-Founder, The Dandy Lab

"Working with Cisco has brought our interactive men's lifestyle retail store to life with a completely new consumer shopping experience. The store is a rich, living laboratory that allows designers, makers and brands to test the latest retail technologies and use the data to improve products, processes and the customer experience. Our futuristic store encourages shoppers to interact with products and displays for a blended physical and digital experience; while also allowing us to optimize business processes through the use of real-time data analytics."

The Dandy Lab is an interactive men's lifestyle retail store with the latest retail technologies; Cisco and Dandy Lab issued a joint press release on January 18 at NRF.

PARTNER QUOTE

Anne McClelland, Retail and Hospitality Practice Director at Cisco

"We are excited to broaden our relationship with Fujitsu North America in the retail industry. Through this alliance, we will be expanding the sales reach and support of Cisco's Connected Mobile Experiences wireless infrastructure, Integrated Services Routers, Unified Computing System Servers and Digital Media Suite. Cisco will also gain a new and powerful Retail IT Hardware, Software and Services partner with even greater visibility into larger, global retail organizations. To compete in today's digital enterprise, retailers need the most current and advanced in-store computing and data transport infrastructure available from Cisco, delivered and supported by Fujitsu. Together we can help retailers attract and retain consumers as these retailers digitally transform their stores."

Fujitsu North America will issue a partnership announcement with Cisco on January 19th at NRF.

CISCO AT NRF - Information

Visit Cisco Booth #2052 at the [NRF Big Show](#) to see how you can help your customers experience digital retail!

Take our in-booth customer journey to travel in your shoppers' shoes - from entry to consulting with store staff, from in-store pickup to smart lockers, from mobile payment systems to warding off a sudden hacker attack. Cisco works behind the scenes, too, supporting and securing operations, inventory management, and loss prevention. All these functions are enabled by powerful analytics software, designed specifically for retail. From entry to exit, Cisco supports your customer experience to drive revenues and build long-term relationships.

Cisco Big Idea Sessions (Room 4, Level 3)

- Monday, 1/18, 12:45-1:30pm: *We Hear You: Retail Security Should Be Simple and SAFE*
- Monday, 1/18, 1:45-2:45pm: *Survival Guide: Light Up Dark Assets to Lead in the Digital Vortex*

Supporting Resources

- [Digital Vortex: How Disruption is Redefining Industries](#)
- [Where to Begin your Journey to Digital Value in the Private Sector](#)
- [Slideshare: Customer Success Stories](#)
- [Infographic: Digital Value at Stake](#)

- [Dandy Lab and Cisco Press Release](#)
- [Private Sector Press Release](#)
- [Shaun Kirby: NRF Blog](#)
- [Cisco Retail Blog](#)
- [Cisco Retail Website](#)
- [Cisco Retail Twitter](#)
- [Cisco Retail Facebook](#)
- [Cisco at NRF website](#)

For updates on Cisco at NRF, follow us on social media and use the hashtag **#CiscoNRF16**.

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RSS Feed for Cisco: <http://newsroom.cisco.com/rss-feeds>

PRESS CONTACT:
Kristen Palazzolo
408/772-8242
krpalazz@cisco.com

ANALYST CONTACT:
Carolyn Buerger
408-853-6685
cabuerge@cisco.com

Source: Cisco