



IDC Spotlight sponsored by Siemens

Evolve your Apparel & Footwear Business to the New Shopping Paradigm

November 2022



The rapid changes in consumer behavior and preferences accelerated by the recent pandemic shifted apparel & footwear as part of retail industry into a new shopping paradigm. These recent changes put pressure on costs and require retailers to rethink their businesses to respond better to customer expectations, increase efficiency, reduce the cost to serve, and identify new business growth levers.

IDC predicts that the proportion of IT investments in cloud in the apparel industry will shift from 36% in 2020 to 54% in 2025, scaling 18 percentage points in only 5 years.

In this environment, retailers must invest in the experiences delivered at every stage of the shopping journey — attraction, discovery, purchase, and post-sale. Traditional operating schemes have given way to fully integrated omnichannel tactics to deliver best-in-class adaptability, operational efficiency, and contextualized customer engagement.

To be successful, apparel and footwear retailers need to continue digital evolution in everything they do, so IT investment will continue to grow. According to IDC data, Worldwide Apparel and Accessory Stores IT Investment will grow at a CAGR of 10% from 2020 to 2025, reaching a total market of €27 billion.

Figure 1 - Worldwide apparel and accessory stores IT investment Market (M€)

Year	2020	2022	2025	CAGR (5 Years)
TOTAL	16,626	20,013	27,288	10,4%

Source: IDC Worldwide 3rd Platform Spending Guide, Sept. 2022

Different technology trends are disrupting the apparel & footwear Industry. In this Technology Spotlight, we will focus on cloud, omnichannel user experience, low-code, and augmented and virtual experiences.

Cloud as an Innovation Lever

Cloud has already changed the way IT is designed and operated in organizations. Decisions made about platforms, resource management, and operational workflows are having long-term implications for organizations’ agility and growth opportunities. A consistent cloud adoption strategy creates a framework for IT managers to make decisions in the changing cloud environment while staying focused on business priorities.

By 2023, retailers collaborating on cloud- and data-driven innovation with consulting and systems integration partners will increase the speed of digital road map execution by at least 30%.

The more that retailers scale the usage of cloud and data capabilities across their extended value chains, the faster they will be able to improve top- and bottom-line results and their innovation agility. IDC predicts that the proportion of IT investments in cloud in the apparel industry will shift from 36% in 2020 to 54% in 2025, scaling 18 percentage points in only 5 years.

Figure 2 - Worldwide apparel and accessory stores IT investment Market by Deployment Type

Year	2020	2022	2025
Cloud-Related	36%	43%	54%
Non-Cloud/Other	64%	57%	46%

Source: IDC Worldwide 3rd Platform Spending Guide, Sept. 2022

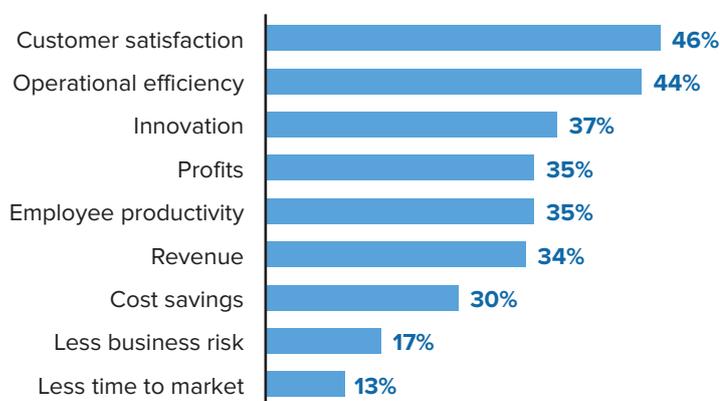
25% of retailers running or planning to launch at least one co-innovation program have an IT vendor or a service provider as the main partner to execute their plans.

For retailers, collaborating with IT services providers is key to optimizing their investments in innovation: it enables them to better understand consumers — faster — and to accelerate pilots, implementations, and the scaling of additional innovation. It’s a virtuous cycle. Working with IT services partners enables retailers to benefit from those organizations’ advanced capabilities in business and IT processes. Relatedly, 25% of retailers running or planning to launch at least one co-innovation program have an IT vendor or a service provider as the main partner to execute their plans.

Omnichannel User Experience — The key Differentiator in the Apparel & Footwear Industry

Customer satisfaction is a strategic priority with greater weight in companies today than cost reduction or profit, as we can see in Figure 3. This is probably because companies have realized that it is a necessary condition or a first step to have a healthy income statement. In fact, agile companies with a differentiated customer experience increase their profits in 93% of cases, according to IDC studies.

Figure 3 - Customer experience as a strategic priority (% of responds)



Source: IDC FERS Survey, Dec. 2021

By 2024, 25% of the customer data used to drive personalized experiences and improve omnichannel merchandising, marketing, and service intelligence will be sourced from shared customer data hubs.

About 25% of retailers are now focusing on a real-time contextual customer journey model. They do so by leveraging AI to dynamically optimize customer journey options while fully automating the selection and delivery of individual customer offers across all available interfaces. Data consolidation and data processing are therefore fundamental steps that retail organizations are constantly required to address to secure a connected and contextual customer journey while improving marketing and merchandising capabilities. According to IDC's 2020 Global Retail Innovation Survey, 54% of retailers plan to consolidate customer data and leverage advanced analytics. As customer data constantly moves across retailers' value chain core processes (internally) and partners (externally), a shared customer data hub constitutes a solid base of retailers' data services.

According to IDC's 2020 Global Retail Innovation Survey, 54% of retailers plan to consolidate customer data and leverage advanced analytics

For merchandising and marketing, robust customer data is essential. Increasingly, retailers, vendors, and industry stakeholders are turning to collaborative platforms and shared customer data hubs to source rich data and insights. In the past, collaboration and data sharing across industry stakeholders was more of an analytical arms race between retailers and their suppliers. Each party had a different view of data, varied insights, and competing perspectives of what was in the best interests of the consumer. A more collaborative approach with shared customer data hubs requires not just a technology upgrade but also a cultural shift. Across organizations, industry partners will need to be more comfortable with the transparency that is required and the trust that is necessary to identify opportunities for mutual benefit.

Modern Enterprise Application Development Platform Powered by Low-Code

A common challenge for companies in any sector is to increase their productivity and efficiency. This is achieved on many occasions by eliminating repetitive tasks and inefficient processes that are carried out manually through outdated systems or applications.

Within the general process of modernizing applications, one of the most relevant trends today is the modern enterprise application development platform powered by low-code that allows applications to be created in a very intuitive way and facilitates process automation.

The use of low-code applications will multiply by 4 by 2025 to achieve 10 million users

The main advantage in using this modern enterprise application is the ability to speed up the delivery of software and applications with minimal code development. There is also the greater ease of providing frictionless omnichannel experiences to customers and the ability to bring access to application development to all types of businesses regardless of their sector and size.

This “democratization” of resources is directly related to reusability and composability.

The reusability of proven platform components in multiple locations means essentially reducing the time to implement and test similar behavior or features. Composability offers modularity, portability, and autonomy to organizations when developing new solutions from backend functionality. To deliver bespoke user experiences at scale, businesses need modularity and adaptability in their backend.

Although it is true that most low-code projects are still carried out by IT areas, there is no doubt that they improve the ability to accelerate the delivery of software and applications by providing agility, scalability, and a higher degree of automation. Therefore, the development of software is vital in the development of business activity in the coming years and in the global digitization process.

According to an IDC survey, software development stands out as the top priority for companies. This makes sense if it is conceived as a tool to achieve innovation.

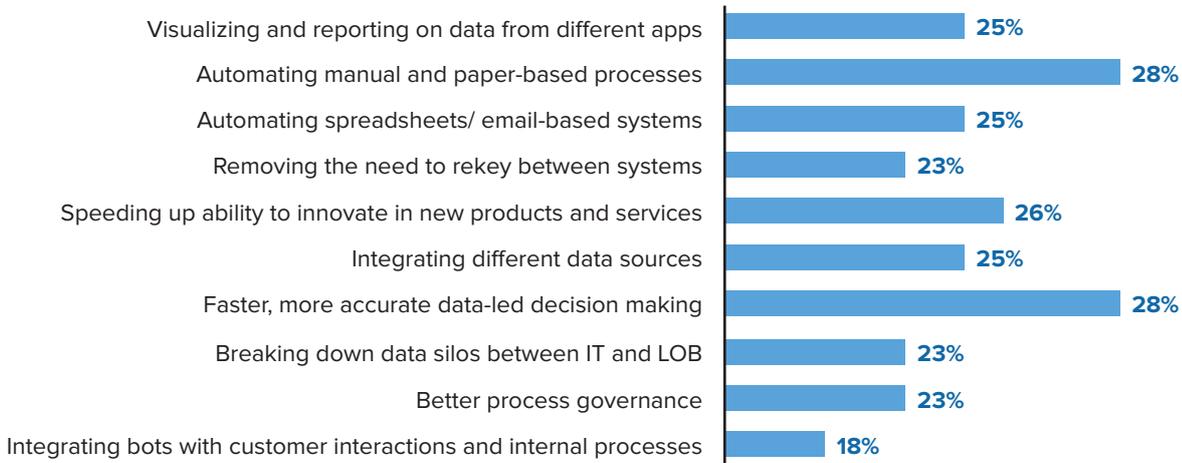
Software development should be part of the process of modernizing and streamlining legacy applications. In this sense, we see that 95% of CIOs have plans to modernize and rationalize legacy applications and more than a third evaluate them annually.

These plans translate into a considerable increase in the use of low-code applications, which, as they do not require specific technical training, exponentially expand the range of potential users. According to IDC predictions, the number of low-code users will multiply by 4, reaching more than 10 million users worldwide in 2025.

The main benefits that organizations detect in the adoption of low-code platforms are the automation of manual processes, the ease and agility that it provides to the decision-making process, and the acceleration in the process of innovation and digitization of products and services. In other words, it transforms the organization into a much more agile entity.

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Figure 4 - Benefits of Enterprise Platforms Powered by Low-Code



Source: IDC FERS Survey, Dec. 2021

Next step: Augmented and Virtual Experience

Augmented reality (AR) and virtual reality (VR) are two different but related technologies that have already made their way into all sectors of the retail industry, including apparel & footwear. Although there are differences in terms of applications and interfaces, in some cases they are considered together as immersive technologies since their value resides in their ability to offer real time, immersive, and engaging experiences.

AR/VR is expected to have a five-year CAGR of 40.5%, and worldwide spending on retail is expected to be \$4.2 billion in 2026

Figure 5 - AR and VR in Retail: Executive description



Technology Description

AR technologies enhance the shopping experience with digital elements, while VR replaces the real-life environment with a virtual/immersive one.



Business Value

AR/VR can help retail companies to enhance customer engagement and employee productivity, achieving higher conversion rates, increased revenues streams, and customer satisfaction, both online and offline.



Financial Investment

Retailers should consider AR/VR applications as a short-term investment that can be added to existing ecommerce and store system capabilities.



Urgency

Most retailers are implementing or will implement AR/VR capabilities in the next 12 months. Therefore, these technologies are urgent investments for retailers to stay competitive.

Interest in the metaverse has ramped up quickly in the past few months, making retailers realize the need to develop AR and VR capabilities that are previous to its implementation. Therefore, retailers that have not started yet should start investing in the development of these technologies in the short term to stay competitive and secure a place in the prospective metaverse. Figure 6 shows the most common use cases for AR & VR:

Figure 6 - AR and VR Use Cases

USE CASES	DETAIL
Virtual and augmented engagement	The use of AR/VR throughout the customer journey enhances the customer experience from discovery and purchase to use.
Digitally connected product experiences	Solutions including mobile apps, smart displays and fitting rooms, and digital product codes provide customers with an interactive experience that informs buying and usage satisfaction and empower associates to better assist shoppers.
Augmented and virtual product discovery	This expands the customer's options for finding products, where an image is more familiar or appropriate for search, and provides a real-time contextual and immersive understanding of the product's use.
Live streaming product discovery and purchase	Participants in the live streaming can share their reactions and comments publicly in real time and can purchase products as they are made available on screen.

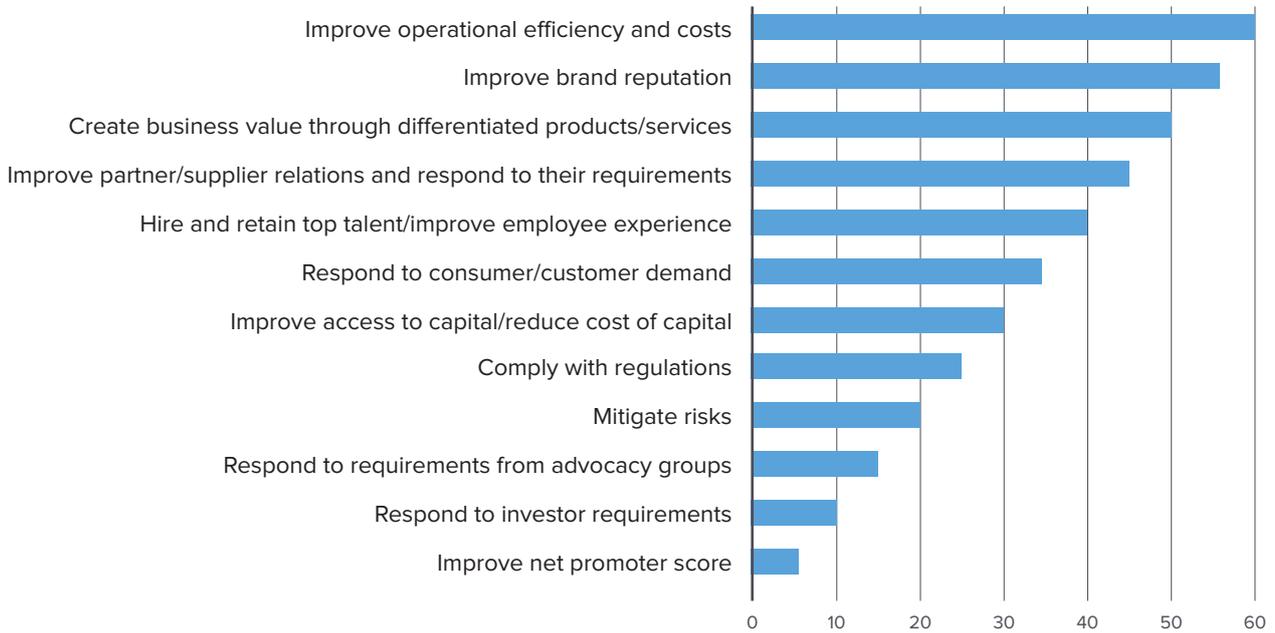
Sustainability and its Relationship With IT in Retail

Top factors driving retailers' sustainability initiatives are improving operational efficiency and costs, improving brand reputation, and creating business value through differentiated products or services.

That is significant because it demonstrates an understanding that sustainability isn't just an add-on. It is about running a business more responsibly and less wastefully.

Philosophically, it shows an understanding that sustainability is just good business and that it is becoming integrated into how everything is done.

Figure 7 - Factors Driving Your Organization’s Sustainability Initiatives in Retail

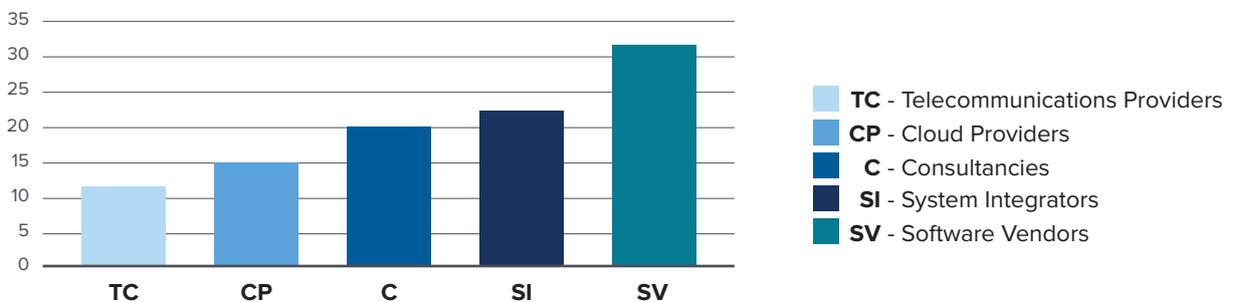


Source: IDC Sustainability Survey, Retail, n=128

Moreover, the factors driving retailers’ sustainability are closely related to technology, as IT is the key facilitator in this process.

IDC’s Sustainability Survey shows that in retail, software vendors are best equipped to implement tech solutions that enable their sustainability programs. This may be because software vendors would be most familiar with their own applications and able to identify how to harness their capabilities for collecting, reporting, and analyzing sustainability-related data.

Figure 8 - Technology Provider Best Able to Implement Technology Solutions That Enable Sustainability Programs



Source: IDC Sustainability Survey, Retail, n=128, Dec. 2021

Regarding sustainability, retailers most value providers that have end-to-end solutions capabilities, broad ecosystem and partner alliances, and knowledge of the regulatory environment. These attributes are crucial when thinking about the need to view sustainability goals holistically across an enterprise and/or ecosystem.

Figure 9 - Attributes for Providers to Help With Sustainability Initiatives



Source: IDC Sustainability Survey, Retail, n=128, Dec. 2021

Siemens' Digitalization Platform Offering

Siemens Digital Industries Software helps organizations of all sizes digitally transform using software, hardware and services from the Siemens Xcelerator business platform. Siemens' software and the comprehensive digital twin enable companies to optimize their design, engineering and manufacturing processes to turn today's ideas into the sustainable products of the future.

From chips to entire systems, from product to process, across all industries, Siemens Digital Industries Software is where today meets tomorrow.

About Mendix

In a digital-first world, customers want their every need anticipated, employees want better tools to do their jobs, and enterprises know that sweeping digital transformation is the key to survival and success.

Mendix, a Siemens business, is quickly becoming the engine of the enterprise digital landscape. Its industry-leading low-code platform and comprehensive ecosystem integrates the most advanced technology to support solutions that boost engagement, streamline operations, and relieve IT logjams. Built on the pillars of abstraction, automation, cloud, and collaboration, Mendix dramatically increases developer productivity and empowers a legion of not-so-technical, 'citizen' developers to create apps guided by their particular domain expertise, facilitated by Mendix's engineered-in collaborative capabilities and intuitive visual interface.

Recognized as a leader and visionary by leading industry analysts, the platform is cloud-native, open, extensible, agile, and proven. From artificial intelligence and augmented reality to intelligent automation and native mobile, Mendix is the backbone of digital-first enterprises. The Mendix enterprise low-code platform has been adopted by more than 4,000 leading companies in 46 countries.

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