

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2021-2027, 3Q23 Update

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Gartner forecasts global IT spending in the retail industry to grow by 4.6% in 2023 to reach \$197.1 billion in constant U.S. dollars, up from \$188.3 billion in 2022. In the long term, spending is expected to grow at a 6.9% compound annual growth rate, to reach an estimated \$262.6 billion by 2027.

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Overview

Gartner has made a significant number of changes to its 3Q23 IT spending forecast to accommodate two major market trends that are pushing global IT spending in opposite directions: change fatigue and AI/generative AI (GenAI).

Change fatigue among CIOs is most often manifesting as hesitating to engage or lengthening negotiations for new projects and initiatives. These delays can also be attributed to a new wave of pragmatism, capital restrictions or margin concerns. In extreme cases, organizations are resorting to cost-cutting measures, such as reducing headcount and cutting discretionary spending. Organizations taking a more pragmatic approach are simply shifting the emphasis of ongoing IT projects toward cost control, efficiencies and automation, while curtailing IT initiatives with longer ROIs. The overall effect is to have downward pressure on overall IT spending, particularly new spending.

On the other hand, a silver lining exists. Gartner is simultaneously raising IT spending in specific due to the prevalence of AI and GenAI. Business leaders want to use GenAI, but clarity on how to use it or the risks associated with its use can be nebulous. Early adopters have begun experimentation in 2023, leaving most companies planning for how their organization will use AI and GenAI, and watching quietly as the technology matures. 2024 and beyond will have more spending centered on AI/GenAI, as these technologies speed across the Hype Cycle.

With the holiday season looming, retailers continue to navigate 2023 amid macroeconomic uncertainty that appears to be easing but is still weighing on consumer behavior. A tight labor market and protracted supply chain pressures are also disrupting their operating models. Despite the economic climate, Gartner is projecting continued growth in current and future IT spending across retail segments, even as the spending growth shows deceleration and varies by market.

Worldwide retail IT spending is expected to increase by 4.6%, to an estimated \$197.1 billion in 2023, an increase of \$8.8 billion from 2022 levels. In the longer term, Gartner expects the industry to grow at a 6.9% compound annual growth rate (CAGR) between 2022 and 2027, reaching \$262.6 billion in spending in 2027.

This growth is largely driven by an increase in software and IT services spending, growing at a CAGR of 10.0% and 7.8%, respectively. At the vertical segment level, quick-service restaurants (QSR) and grocery are expected to drive IT spending growth in the short term, growing by 5.4% and 5.3%, respectively. QSR and specialty hardlines lead the long-term growth outlook, projected at 7.7% and 7.3%, respectively over the five-year span.

Boosted by the hype on ChatGPT and GenAI, retailers are experimenting on GenAI initiatives. They are also continuing to invest in AI-enabled applications to support algorithmic end-to-end merchandising, including assortment planning, price, promotion and assortment optimization, demand forecasting, replenishment and supply chain planning. According to the 2023 Gartner Business Outcomes of Technology by Use Case Survey 44% of responding retailers are already utilizing or experimenting with GenAI through solutions like ChatGPT. ¹

Retail continues to see significant investment momentum in cloud and edge technologies to advance intelligent decision making for customers and associates. Retail cloud infrastructure as a service spending is expected to grow by 19.7% in 2023, continuing to outpace overall industry growth. Despite a deceleration in growth over the last 12 to 18 months, it represents the fastest-growing IT segment opportunity in retail. As retailers continue to grapple with labor shortages, cloud along with overall IT services investments provides an opportunity to shore up immediate talent needs.

Physical stores continue to undergo significant transformation as retailers reevaluate store formats and processes. This is leading to sustained prioritization of store technology investments to support store automation and improve associate enablement. In turn, it will bring about a transformation toward an operationally “omniscient” store, one that is powered by “intelligent” data which can digitalize operational execution and boost profitability.

We also expect retailers to undertake sustainability investments as a means to set themselves up for future growth. Technology providers in the industry can aid retailers to continue down the path of digital transformation in 2023 and beyond through strategic IT investments.

NOTE: Microsoft Office 365 applications have added a feature that blocks untrusted macros from running by default; therefore, no macros are used within this workbook. Please see the workbook for instructions for using the updated functionality.

Israel-Hamas War

On Saturday, 7 October 2023, Hamas launched an assault on Israel, which led Israel to declare war on Hamas. These events took place after the 3Q23 forecast was finalized and are therefore not included in Gartner's forecast assumptions.

Russian Invasion of Ukraine

In response to the Russian invasion of Ukraine that began on February 24th 2022 and was ongoing at the time of this publication, Gartner is suspending market coverage of Russia and the Eurasia region. The definition of the Rest of Eastern Europe has been expanded to include Russia and the countries previously covered in the Rest of Eurasia.

Exchange Rate Alert

In the current environment, currency exchange rate fluctuations will be more volatile. Foundational factors, such as interest rates, tariffs and economic sanctions, changed more rapidly and with less predictability throughout 2022, and the expectation is that this will continue throughout 2023. For the near term, expectations for exchange rates should be treated with a heightened level of caution.

Evidence

¹ 2023 Gartner Business Outcomes of Technology by Use Case Survey. This survey investigates how organizations leverage industry-specific technologies, including generative AI, for particular use cases. Business outcomes are explored utilizing a "Fundamental Five" stakeholder framework to show the impact of technology investments on customers, employees, partners, funders and society. Factors influencing positive and negative business outcomes are also assessed.

The survey was conducted online during June through August 2023. In total, 624 director-level or above respondents representing 10 industries participated (n = approximately 60 per industry). Qualified respondents were associated with either a business or IT function (approximately 50% each) and either influenced or had the final say in technology investment decision making for their organizations. Qualifying organizations were from North America, Western Europe and the Asia/Pacific region, and reported enterprisewide annual revenue of at least \$50 million or the equivalent. The findings in this survey represent n = 62 retail industry respondents from organizations reporting an annual revenue of \$1 billion or more. Disclaimer: The results of this study do not represent global findings or the market as a whole, but are a simple average of results for the targeted countries, industries and company size segments covered in this survey.

Notes

- This retail forecast provides total enterprise IT spending, including internal spending and multiple lines of detail surrounding spending on data center systems, devices, software, IT services and telecom services for 42 countries within 10 geographies, with detailed breakdowns for general retailers, grocery, quick-service restaurants, specialty soft lines, specialty hard lines and other retail.
- The data in the .zip download contains one or more Excel reports, along with data formatted in a comma-delimited flat file (.csv) that can be imported into a variety of other applications.
- All the growth and figures here are in constant currency unless specified otherwise.

Spreadsheets published by Gartner may leverage features such as pivot tables and macros that are supported in a Microsoft Windows environment and with Microsoft Excel 2007 or higher.

See Gartner Internet Browser [System Requirements](#) for more information.

Document Revision History

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2021-2027, 2Q23
Update - 24 July 2023

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2021-2027, 1Q23
Update - 20 April 2023

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2020-2026, 4Q22
Update - 31 January 2023

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2020-2026, 3Q22
Update - 20 October 2022

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2020-2026, 2Q22
Update - 28 July 2022

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2020-2026, 1Q22
Update - 8 April 2022

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2019-2025, 4Q21
Update - 25 January 2022

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2019-2025, 3Q21
Update - 20 October 2021

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2019-2025, 2Q21
Update - 26 July 2021

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2019-2025, 1Q21
Update - 23 April 2021

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2018-2024, 4Q20
Update - 1 February 2021

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2018-2024, 3Q20
Update - 28 October 2020

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2018-2024, 2Q20
Update - 16 July 2020

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2018-2024, 1Q20
Update - 8 May 2020

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2017-2023, 4Q19
Update - 13 February 2020

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2017-2023, 3Q19
Update - 4 November 2019

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2017-2023, 2Q19
Update - 2 August 2019

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2017-2023, 1Q19
Update - 2 May 2019

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2016-2022, 4Q18
Update - 31 January 2019

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2016-2022, 3Q18
Update - 5 November 2018

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2016-2022, 2Q18
Update - 19 August 2018

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2016-2022, 1Q18
Update - 3 May 2018

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2015-2021, 4Q17
Update - 15 February 2018

Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2015-2021, 3Q17
Update - 31 October 2017

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2015-2021, 2Q17](#)
[Update - 1 August 2017](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2015-2021, 1Q17](#)
[Update - 24 May 2017](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2014-2020, 4Q16](#)
[Update - 3 February 2017](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2014-2020, 3Q16](#)
[Update - 17 October 2016](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2014-2020, 2Q16](#)
[Update - 25 July 2016](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2014-2020, 1Q16](#)
[Update - 27 April 2016](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2013-2019, 4Q15](#)
[Update - 27 January 2016](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2013-2019, 3Q15](#)
[Update - 15 October 2015](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2013-2019, 2Q15](#)
[Update - 17 July 2015](#)

[Forecast: Enterprise IT Spending for the Retail Market, Worldwide, 2013-2019, 1Q15](#)
[Update - 5 May 2015](#)

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[Forecast: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2021-2027, 3Q23](#)
[Update](#)

[Market Definitions and Methodology: Vertical Industries](#)

[Retail Industry Overview: Kick-Starters for Technology Providers, 2023](#)

[2023 CIO and Technology Executive Agenda: A Retail Perspective](#)

[Retail CIO Priorities 2023: Insights for Technology and Service Provider Product Plans](#)

[Top Unified Retail Commerce Execution Trends for CIOs 2023](#)

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