THE NEW FINANCIAL FRONTIER FOR RETAIL

How retail CFOs are leveraging technology to optimize growth

It’s no secret that to stay ahead of the competition, remain relevant and maintain profitability, retailers must intimately understand consumer culture, adapting their business processes and product offerings to keep step with shifts in how shoppers seek out, engage and purchase from their brand. While simple in theory, maintaining a firm hold on these types of actionable insights can prove challenging, especially in today’s U.S. retail market, where digital and mobile technologies are constantly evolving, continuously changing how consumer interactions occur.

Retailers, and the chief financial officers (CFOs) who oversee and protect their bottom lines, can use this highly dynamic marketplace to their advantage, however, leveraging its ability to forge direct, meaningful partner and customer relationships and more personalized shopping experiences, appealing to consumers on emotional, financial and social levels. That said, such an approach requires significantly reworking the traditional one-size-fits-all sales model. As both retail channels and supply chains become more globalized, areas of opportunity and influence are also expanded, requiring retailers to adjust their strategies and formats to cater to a more diverse audience, one in which consumers are more varied than ever before, and polarized across generational, financial, cultural and geographic lines.
A global perspective: The retail CFO's broadening frontier

As retailers look to a broader and more globally connected business model, the role of the CFO is, likewise, expanding to include responsibilities outside traditional tasks required in core markets. In short, in a world in which multinationals can now operate across time and space virtually without limit, the CFO is coming to be seen as the go-to resource to translate business ideas and ambitions into realities for global success.

In addition to oversight in traditional areas such as balance sheets, income statements and cash flow, new expectations for the retail CFO include strategic and diplomatic initiatives, including building more accurate decision models and forecast predictions that can be used to plan for overseas supplier relations, labor and material costs, and volatility swings associated with foreign and emerging markets. This CFO insight is not only fundamental to hedging risks and strengthening teamwork across departments and geographies, but also comprises the new arsenal of leadership skills essential to retail CFO performance.

A new take on window shopping: The rise of the nonstore

To keep up with an increasingly diverse global audience making purchasing decisions in new and varied ways, forward-looking retail CFOs are embracing channel fragmentation, specifically as it relates to online technologies, as a supplement to and sometimes even a replacement for in-store engagement. Examining this retail paradigm shift, industry research powerhouse Kantar Retail predicts that by 2020, nonstore sales will account for 12.3 percent of the overall U.S. retail marketplace for nonautomotive goods, a dramatic increase from 5.5 percent in 2010. Similarly, this expansion to digital platforms not only widens a retail organization’s sphere of influence and sales, it also impacts the job market. Forrester Research estimates more than 400,000 individuals are currently employed by e-commerce companies in the United States, with numbers expected to continue to rise. These types of numbers and trends are driving the plans and actions of retail CFOs, who are looking to create and maintain a more robust multichannel presence in the future.

But at the same time as these technologies are gaining more ground than ever before, physical stores also remain in play, tweaked to fit a new eco-conscious, on-the-go consumer. The continued importance of physical store locations in all shapes and sizes can be seen by recent surges in demand for smaller retail spaces, such as pop-up stores, trunk shows and mobile retail trucks, all designed to cater to niche markets and individual consumers, featuring smaller footprints and more narrowly focused concepts than larger, traditional retail venues. Whether online or in-person, the challenging reality remains that in order to succeed, today’s retail CFOs must steer their organization ever closer to a customer-centric sales model that embraces the complex and multifaceted interactions that provide a unique and fully engaging shopping experience for each consumer, while also appealing to an ever-widening customer base.

Redefining retail relationships: CFOs harness the power of mobile

The good news for retail CFOs who must address these sorts of complex challenges is that as requirements and demands around consumer engagement expand, so do the technology tools at their disposal. For example, as the need for the omnichannel consumer engagement grows, access to critical customer and partner knowledge is keeping pace, chiefly due to the proliferation of mobile devices that enable retailers to both engage across the supply chain and sell to prospects in a broader capacity than ever before. And even beyond their ability to facilitate consumer engagement, mobile technology innovations are impacting the retail landscape through the sale itself, where even in midmarket companies, nearly half of retail websites are optimized to accept mobile payments, one quarter currently accept point-of-sale (POS) mobile payments, and one in five retail transactions are completed online.

For retail CFOs, the sales implications and potential around mobile devices is almost endless. As the use of mobile devices, particularly smartphones and tablets, continue to rise, the amount of time...
customers spend online has exponentially increased, with more associated buying opportunities generated. Underscoring the sales impact of this surge in mobile adoption, Forrester Research projects online sales will reach $370 billion by 2017, accounting for a more than 10 percent compound annual growth rate (CAGR) for retailers globally. Such e-commerce technologies will also continue to play an increasingly vital role in overall retail sales.

**Executive insight: CFOs leverage data analytics to maximize engagement**

Retail executives are generally optimistic about the future of the industry and economy—70 percent of C-suite executives recently surveyed in the GE Capital National Center for the Middle Market (NCMM) Indicator Survey expect revenues to increase over the next 12 months by an average of 5.8 percent, and 62 percent of midmarket executives believe the U.S. economy will grow.

**Retail companies demonstrate confidence in the economy**

Despite this bullish supply-side outlook, however, the average retail consumer is demonstrating more wariness of market conditions. While innovation is booming, with a relatively high savings rate and rising inequality between income and wealth classes, means shoppers are more selective with their purchases, and retail CFOs are feeling the pressure to turn a profit from a progressively thrifty audience.

Against this backdrop, retail executives understand that a deep level of understanding around shopper preferences and buying habits are essential to reaching and affecting the behavior of this newly discriminating consumer persona. As such, retail CFOs are looking to invest more deeply into data analytics technologies, which can provide actionable, real-time, in-quarter insights into market trends that can then be used to drive strategies such as new market entries and product assortments.

This rise in retail data analytics capability is paving the way for a massive shift in how retailers gather, manage, track and organize critical data to position their companies for success. According to recent industry research, 57 percent of CFOs believe that investment in new, digital technologies will be a leading competitive advantage over the next three years. While these new measures will require time to learn and implement, they represent a commitment retailers have already begun to make. According to a recent CFO Outlook survey by Bank of America, more than half (52 percent) of finance executives reported an increase in time spent on strategic activities, with 61 percent focused on technological advancements and 59 percent on data-management specifics.

**All quiet on the global front: Securing supply chain vulnerabilities**

In addition to their massive potential for connecting retailers to consumers, data analytics technologies also enable retail CFOs to boost efficiency along the supply chain, providing valuable insight into intermediary performance and operations, an especially critical capability as the supply chain expands in breadth and scope. As global partnerships are forged to ensure greater access to affordable labor, a broader customer base, and new sources of raw materials, finance
executives are tasked with ensuring these relationships are fiscally sound and operationally optimized—a chief area of concern on this new CFO frontier is maintaining the security and integrity of an increasingly global supply chain.

The reality is that the more complex and distributed a company’s supply chain, the greater the potential for vulnerabilities. According to the Business Continuity Institute (BCI) Supply Chain Resilience Survey of 525 businesses across 71 countries, four in five businesses reported experiencing at least one instance of supply chain disruption in the past 12 months, with issues ranging from adverse weather to outsourced service failure. At best, such disruptions are an inconvenience; at worst, they have global repercussions, such as information breaches and cyber hacks that affect countless consumers and jeopardize or destroy brand value.

According to a recent consulting study, average supply chain disruptions can reduce shareholder value in affected companies by 7 percent. Critical to managing financial and operational risks in this area are strong relationships with partners and careful assessments of key suppliers, which can increase CFO confidence in forging ahead with global partnerships and supply chain expansions.

Ensuring a strong backbone: Leveraging ERP systems to mitigate risk and optimize operations

Also noted as key to maintaining stability are the foundational technology systems that tie everything else together. Effective, industry-specific enterprise resource planning (ERP) systems, designed to help retailers organize and manage product data through the supply chain and into the retail marketplace, provide the visibility and control required to identify and avert potential disruptions, saving CFOs valuable time, money and labor resources. Because some of these systems have been built with industry-specific requirements in mind, they are often capable of providing a business with a single solution that meets virtually all of its needs, almost out of the box.

For retailers, these systems cover all areas of channel management, to include point of sale, e-commerce, contact center, marketing and social, as well as retail operations, which include store operations, supply chain and logistics, and sales force automation. These ERP solutions also deliver platform benefits that include cloud and on-premise options; mobile capability; workflow management; interoperability; unified service desk; integrated financial management; integrated HR, payroll, and skills profiles; as well as business intelligence, reporting and analytics.

A look ahead: Finding balance in a shifting environment

As retail CFOs navigate their complex and expanding frontier, the demands placed on them have never been greater, and the tools at their disposal have never been more powerful. While this new landscape of globalization, innovation and expansion is relatively uncharted, the potential for growth is vast and seemingly limitless. Success will lie in harnessing and optimizing the technologies capable of nurturing and building balance, engagement and relationship among a complex fabric of consumers, partners, resources and their technologies—cultivating CFO assets and mitigating their liabilities for unprecedented retail growth and success.
Endnotes


2. Ibid.


