Jumpstarting the Workday: How smart retailers are leveling up with a more flexible software approach

Jumpstarting the Workday: How smart retailers are leveling up with a more flexible software approach

For retail leaders seeking New Year's resolutions, "expect—and prepare for—the unexpected" is a good place to start. After all, between significant macroeconomic challenges, from rising raw materials prices and labor costs to declining consumer spending and sentiment, 2024 promises ongoing upheaval for industry players. At the same time, if retailers are willing to embrace new technology and reinvent their operations, they have a unique opportunity to thrive in this ever-changing environment.

The explosion of innovation in AI and Generative AI (GenAI) is disrupting how organizations consume and process data, boosting efficiency and helping to uncover new insights. It's also shaking up the retail value chain and rewarding the few retailers who have capitalized on data transformation strategies, data lakes and data science to create an emerging age of "smart retail." Retailers are using AI to increase profitability across their operations, workforce and systems, while brands leverage the technology to better personalize digital content for customers, suppliers and consumers.

Smart retailers are riding the wave of AI/ GenAI innovation to reimagine and reshape nearly every aspect of retail business operations and customer engagement, and they're replacing traditionally monolithic and rigid enterprise software architecture with new, composable platforms: a software

approach that is more flexible, modular, and easier to scale in response to rapidly changing market conditions.

This helps meet the evolving expectations of suppliers, customers, employees and consumers when it comes to their digital experiences, because delivering seamless, interconnected interactions and high levels of service at low costs requires the right technology, applied the right way.

In short, smart retailers are using this new tech to drive what we call Total Enterprise Reinvention, setting a new performance frontier for themselves and the industries in which they operate. By building a strong digital core, increasing the interoperability of enterprise software and breaking down boundaries and fostering collaboration, these retail reinventors are completely reimagining what's possible.

1. Retail industry challenges

There's little doubt that retailers are facing headwinds, from higher input and supply chain costs to an uncertain economic climate distinguished by weaker consumer demand. High interest rates make it expensive to borrow and raise both short and long-term capital, putting the squeeze on retailers trying to meet payroll demands. While there've been recent upticks in positive consumer sentiment and stock market performance, ongoing geopolitical uncertainty and the looming 2024 US general election mean that a period of economic uncertainty is likely to continue.

Much of the retail focus in the last 24 months has centered on reducing costs and improving margins. Zooming in on a few key areas highlight the following challenges:

Raw materials price hikes

Shortages that began during the COVID-19 pandemic and have continued amid ongoing disruptions like armed conflicts in Ukraine and the Middle East.

Increased labor costs

Global labor mismatches between supply and demand are driving higher wage expectations among employees.

Security concerns

A growing number of thefts and other breaches—both online and off—has become a strategic issue for retailers.

Plummeting consumer sentiment

Consumers are generally more pessimistic about the economy, with weaker spending as households build precautionary savings.

Supply chain disruptions

There are record levels of long delivery times, which is harming the bottom line.

High employee turnover

Wage inflation is making it difficult to hire and retain workers.

Consumer spending pressure

With high inflation continuing to force households to make painful financial trade-offs, consumers are generally spending less on both essential and non-essential items and looking for cheaper alternatives.

While these larger macroeconomic forces are affecting all industries and companies, retailers are also coming to terms with their failure in recent years to adapt to a fast-changing industry. Consumers want streamlined, omni-channel integration across the shopping experience, whether online or off, for example. There has been an overconcentration of vendors used by retailers, heightening the risk of cost increases and furthering supply chain disruptions. Minimal tracking of inventory loss or theft—shrinkage—is causing retailers to inaccurately report costs. In general, there has been reduced visibility into their current inventory levels, and a lack of transparency when it comes to managing them. In the absence of real-time data, insights and advanced analytics when making critical business decisions, retailers are ending up with stockouts or overstock situations. Finally, the rapid acceleration of AI is quickly transforming best practices for inventory optimization, and retailers aren't keeping up.

These challenges—amid continuing technological disruption—reveal retailer weaknesses as they struggle to transform digitally to meet them. Retailers have difficulty accurately procuring goods from suppliers due to a lack of actionable data for assortment planning, sourcing and procurement. They have poor visibility into and control of gross margins and inventory, leading to an inability to track and analyze point of sale (POS) data to make meaningful decisions. They can't predict consumer demand accurately, on a macro level or at the individual store level (where they have limited visibility into store-specific demand fluctuations—like curbside pickup, promotions and discounts). To top it off, retailers are struggling to manage their workforces optimally, failing to effectively forecast, plan and schedule workers across multiple locations.

Workforce management is a multi-faceted challenge for retailers. From inefficient planning for peak seasonal hiring to a failure to appreciate the importance of the employee experience, they are coming up short when it comes to efficiently managing the workforce and boosting productivity.

The bottom line is that retail leaders are scrambling to preserve margins and balance costs while also planning for a permanent state of unpredictability.
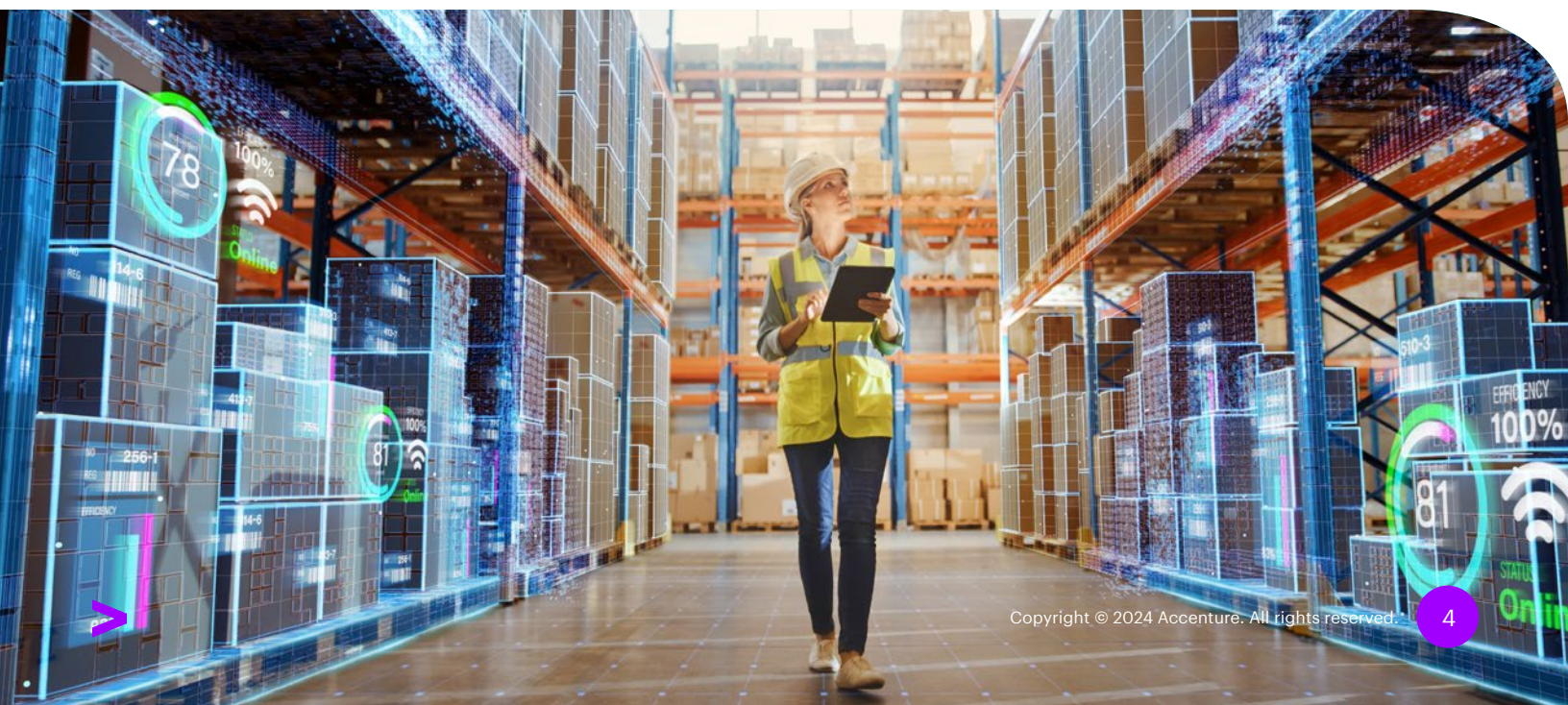
2. How leading retailers are rising to the challenge

Leading retailers are focused on maximizing productivity and business performance, and the innovators who are growing market share and driving business value are the ones transforming their enterprise operations and applications with newer composable platforms that tap into the potential of AI/GenAI.

Nearly every single CFO surveyed—**99%**—says it's important to have real-time financial and operational data to drive better business decisions for merchandising and procurement.

In the current climate, retailers must take ownership of modernizing their digital core: their company's tech foundation comprised of AI, security, cloud, composable platforms and data. This will help boost the speed and agility of decision-making. Moreover, that decision-making should be driven directly by real-time data (e.g. performance, sales volume and margin). Data-driven decision-making allows for intelligent demand forecasting of materials, inventory and labor demand to shore up costs.

Data-driven planning and management will do more than that: It will help retailers control costs by accurately tracking inventory loss; understand the financial impact of promotions and discounts to optimize inventory terms; plan better and reduce operating expenses by comprehensively evaluating vendor spending; and gain insights into store-level demand to more intelligently forecast labor needs.

Building this strong digital core is a key component of Total Enterprise Reinvention, allowing new data to be leveraged across functions. This is aided by two additional key priorities:

Better C-suite collaboration and

Increased interoperability between applications
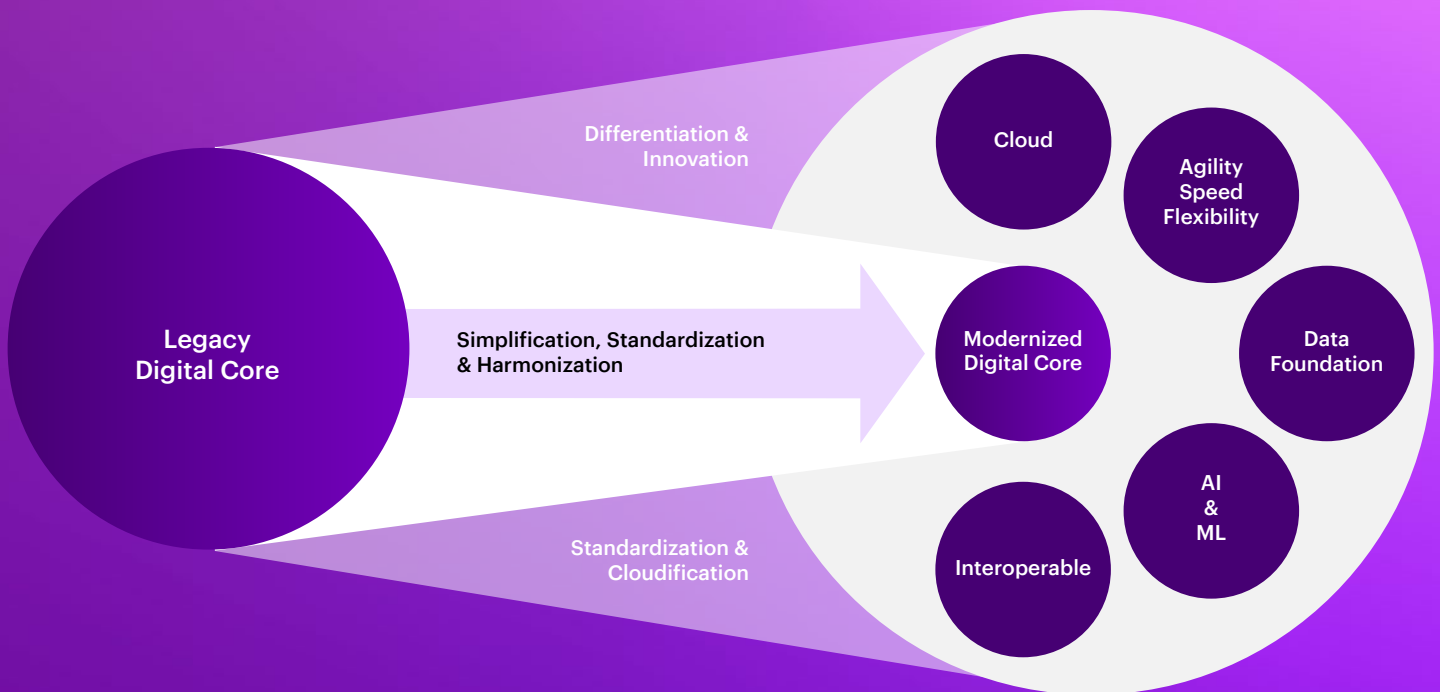
C-suite collaboration

With a strong digital core in place, organizations should embrace cross-function collaboration to capitalize on the resulting data insights. CFOs and CIOs should partner with CXOs to unlock business value, maximize productivity and sustain growth.

CXOs in Merchandising, Store Operations, Loyalty and Supply Chain, in turn, are taking personal ownership of harmonizing new technology and data platforms to achieve greater efficiency.

How are CXOs responding?

Leaders are taking personal ownership for harmonizing technology and data platforms to achieve greater operational efficiency[2]

Legacy Digital Core → Modernized Digital Core

Differentiation & Innovation

Simplification, Standardization & Harmonization

Standardization & Cloudification

Cloud · Agility Speed Flexibility · Data Foundation · AI & ML · Interoperable

The chart below demonstrates how CFOs, CHROs and COOs are working together to enable the kind of strategic, data-driven decision-making under discussion.

Retail CFOs, CHROs, and COOs are collaborating to enable strategic decision making and drive enterprise value.

	CHRO		CFO		COO
Workforce Planning	Headcount Allocation (Staffing Models)	⟷	Operating Income (Workforce, Stores)	⟷	Workforce Demand Planning (Sales Forecasting)
Talent Strategy	Forecasting Labor Demand (Store & Region Level)	⟷	Inflation in Wage Control (Seasonal)	⟷	Frontline Workforce Mgmt. (Storefront)
Future of Work	Hybrid Work (WFM, Remote)	⟷	Real Estate Investment (HQ, Satellite Locations)	⟷	Omni Channel Strategy (Store of the Future)
Transformation	Change Management (Training, Skill Development)	⟷	Real-Time Margin Control (Automated Price Setting)	⟷	Store Traffic Assessments (Real-Time Foot Traffic)
Sustainability	Purpose (ESG) (Core Values, Employees)	⟷	ESG Reporting (Metrics)	⟷	Product Lifecycle Mgmt. (Supplier Diversity)

There are multiple benefits to increased collaboration in the C-Suite:

Allows for improved business partnering across functions.

Unlocks a multitude of new insights through AI and advanced analytics to drive executive decision-making.

Empowers a wave of new governance models and data-driven decision-making by functional leaders, with focus on where to target new investments and drive ROI for the company.

Connecting the dots with new data insights across silos helps turbocharge Total Enterprise Reinvention. By going beyond benchmarks to embrace the art of the possible and emphasizing people impact in the organization, smart retailers are embracing a holistic model of change that allow for continuing reinvention amid many continuing unknowns.

Interoperability

Making sure that enterprise applications can easily connect to each other and exchange data is also essential for fueling the kind of Total Enterprise Reinvention that is helping some retail leaders succeed. Interoperability enables retailers to properly support the capabilities of a modern merchandising and procurement value chain and effectively track cost, supply chain and customer metrics.

Composable Tech

Cloud & Data Foundation

Enable Collaboration
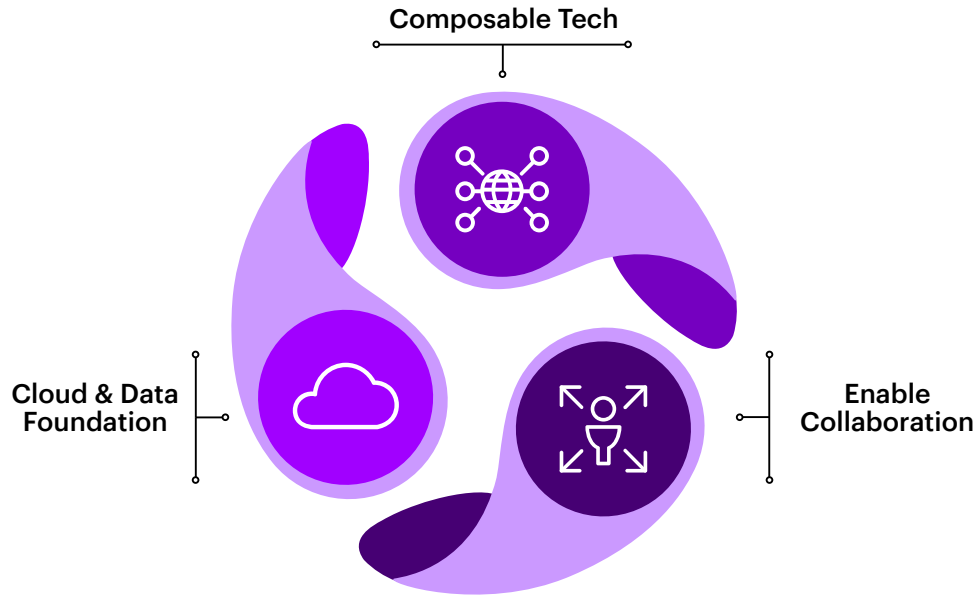
Metrics	Calculation
Cost of Goods Sold (COGS)	(Beginning Inventory + Purchased Inventory) - Ending Inventory
Labor Cost Percentage	(Labor Cost/Total Revenue)
Vendor Performance	Vendor Scorecard (SLA Fulfillment, Delivery Time, Invoice Accuracy)
Inventory Shrinkage %	(Inventory Value* - Physical count value)/Inventory Value* *From Accounting GL records
Employee Sales to Revenue	(Total Sales by Employee/Total Revenue)

The result of enhanced interoperability?

Retailers are experiencing **2-5% Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)** uplift from implementing interoperable systems and an increased focus on data and AI. Additional stats:

1-3%
revenue uplift accross core retail functions.

4-6%
reduction in supply chain operating cost.

2-5%
gross margin uplift with accurate inventory forecasting.

Specifically, inventory, merchandising and supply chain can benefit in the following ways:

Main benefeciaries from these changes are seen within Inventory, Merchandising and Supply Chain.

Inventory

Access real-time data insights to accurately predict consumer demand and inventory levels to avoid stockout or overstock.

Merchandising

Use Data & AI to analyze category and product performance, optimize product ranges, maximize space and spot opportunities for new offerings.
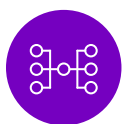
Supply Chain

Improve transparency, agility and resilience across the network and make better, faster decisions to drive efficiencies and reduce cost.

3. Case study

Accenture has teamed up with Workday Solutions to help retailers move from change to value faster and enable the data-driven insights and benefits mentioned above. Together they've co-developed three specific solutions:

Accenture and Workday are co-developing solutions to address challenges across target retail sub-industries

	1 FINS+ Merchandising & Procurement	2 Strategic Workforce Management	3 E2E Retail Analytics
Market Solution			
Value proposition	Integration and interoperability with best of breed composable apps and ISVs for merchandising and procurement to make right products available in the right place, across channels.	E2E planning and management of front-line workforce enabling direct linkage of employee experience and peformance with sales and revenue uplift.	Power predictive analytics to enable retail leaders to derive valuable insights to run the business with improved margins and spend across categories.
Benefits	Visibility to financial impact and fulfillment of inventory; effective ways of planning and procurement.	Drive intelligent labor demand forcast, workforce financial modeling, store formats and performance management.	Ability to derive actionable business insights through real-time data and maximize profitability.

Let's consider an example.

Accenture began working with a large national grocery retailer in 2019, helping transition from legacy financials and payroll systems to Workday FINS. The retailer was looking to move to a system where leaders would have more visibility into financial impact and the fulfillment of inventory, along with advanced analytics to make the most of real-time data.

In 2020, Accenture and the retailer worked together to evolve the financial performance management system to Workday FINS, and in 2021, moved their core financial processes there as well. Now, the work continues with the retailer able to create a financial data model with harmonized data standards, one global platform for financial reporting and a transformed operating model with a highly effective shared service function.

4. Conclusion

Amid what could be perpetual macroeconomic and technological disruptions in the coming years, retailers who want to succeed must ensure they are leveraging the most effective tech to derive real-time insights to strengthen everything from supply chain to workforce management. If they fail to evolve into modern, data-driven organizations, the challenges discussed in this paper will grow bigger and multiply. The key to a successful transformation is encouraging C-suite collaboration across functions and establishing interoperability of enterprise applications. An experienced partner—like the Accenture/Workday team—can help organizations on their transformation journey by building on a strong digital core to power data-driven decision-making that allows leading retailers to capitalize on the explosion of data and GenAI exponentially—which in turns leads to better insight on challenge areas ranging from sales and revenue margins to inventory shrinkage and optimization. We're truly entering an era of smart retail, in which only companies that have taken these steps towards Total Enterprise Reinvention will position themselves for future success.

Written by:

Ken Milton
Managing Director,
CFO & Enterprise Value -
Consumer and Retail

(in)

Chandra Abhishek
Business Architecture Associate Director,
Workday Business Group

(in)

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services—creating tangible value at speed and scale. We are a talent and innovation led company with 738,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities.

Visit us at www.accenture.com.