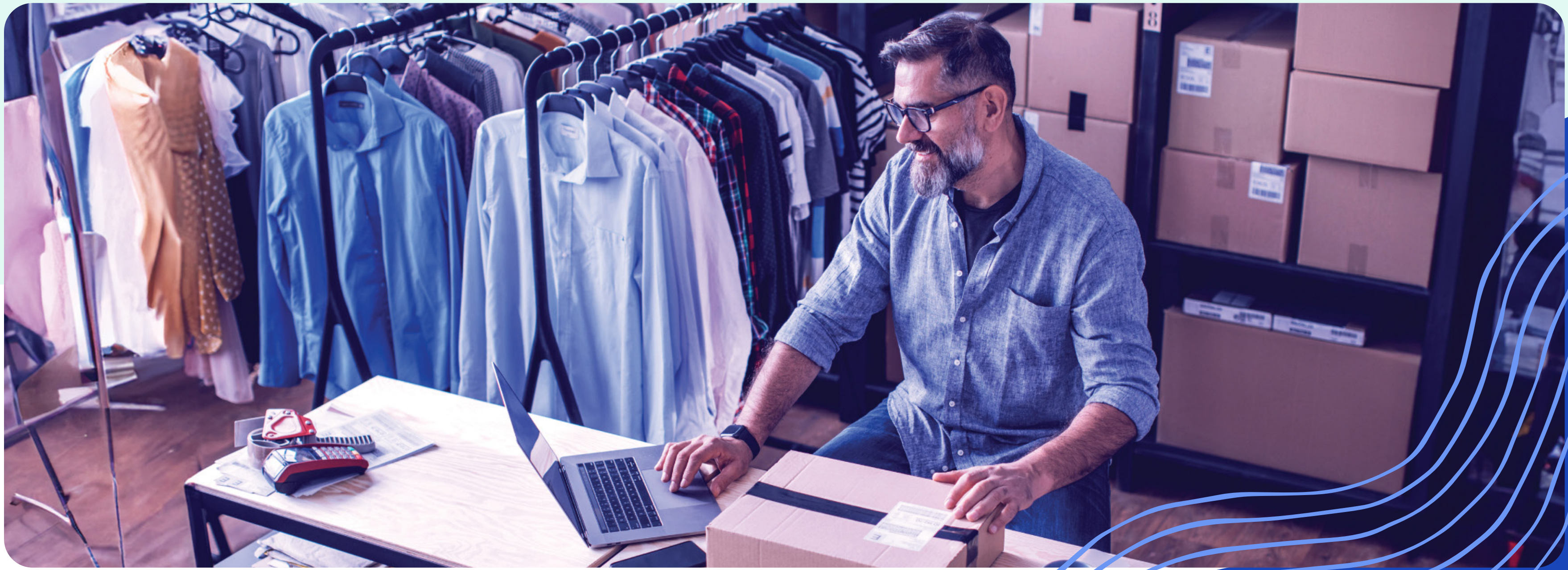
Anaplan

Why retail leaders are making the shift to connected finance

Insights from today's finance leaders



TODAY'S RETAIL REALITY

Retail organizations face the formidable task of making informed, financially smart decisions on merchandise levels, costs, and investments — all coordinated in real time — in an exceptionally uncertain and volatile environment.

The rise of **the zero consumer*** is putting retailers under pressure to respond to demand signals as soon as they are received to maximize profit potential. At a macroeconomic level, rising inflation and interest rates are squeezing operating models and revenues, raising inventory carrying costs, and restricting cash flow. Unprecedented supply chain disruptions have led to gaps on shelves. Add to this the need to serve consumer demand across multiple online and offline channels, and the challenges mount.

Real-time visibility and forecasting is critical to recognize the impact of merchandising decisions, however many finance teams currently lack the accurate insights and business intelligence required to do it well.

* Retail reset: A new playbook for retail leaders, McKinsey 2023

To understand this highly nuanced reality, Anaplan partnered with Wakefield Research to carry out an independent survey of finance leaders across major U.S. retailers.

What was uncovered?

1. **Faster, more accurate decision-making is a business imperative**
2. **A connected, data-minded culture is non-negotiable**
3. **The modern finance leader must evolve to guide strategic transformation**

The current planning process is out of step

Maximizing profitability, preventing stock-outs, and avoiding excess inventory are top of mind for retailers today. However, they are missing the critical insights they need to make accurate merchandising decisions, and their planning processes are typically not set up to coordinate decisions across all the functions needed to respond quickly to changes. Optimizing product ranges, promotions, and stock availability requires access to centralized, up-to-date data. However, our research reveals that retailers often still depend on siloed tools and low-quality data.

75%

of finance leaders surveyed have difficulties generating organization-wide insights because of silos.

Data and business objectives must be coordinated across the organization — but our findings show us that retailers are currently struggling with this orchestration.

Speed of decision-making is critical

Finance leaders must produce accurate forecasts to generate the insights needed to optimize the planning process. However, the data being used to generate reports and plans is all-too-often unreliable, or simply out of date.

Typically, the merchandise planning process has been managed using static tools such as spreadsheets and relies on certain individuals’ gut instincts. Among the finance leaders surveyed, 85% have had to make manual adjustments to forecasts based on their own experience or expertise, rather than hard data. But a decision-making process that is based on invalidated or inaccurate information is problematic and fraught with risks. Our research found that 100% of executives have seen negative consequences for the businesses due to making decisions based on inaccurate forecasts.

86%

of retail finance executives acknowledge that their business or revenue forecasts are out of date by the time they are presented to stakeholders.

Unlocking a data-driven culture is key

Retailers face cultural and organizational barriers to achieving integrated merchandise planning, with siloed data being the chief issue.

Data-centric planning requires the implementation of collaborative processes and data sharing — not only across different departments and functions, but also with partners and vendors up and down the supply chain. It also requires the application of consistent data standards across the organization, but 48% of respondents cited inconsistent data standards as a top barrier to forecasting in real-time for their organization.

Ideally, retailers need real-time information that enables them to make quick, accurate adjustments that will prevent stock-outs and markdowns. Advanced technologies — in particular AI — are being recognized as critical capabilities of building better-informed insights. They bring the capacity to analyze vast amounts of data at incredible speeds and introduce an element of automation to complex decisions.

The great AI debate

Retail finance leaders believe AI will have an impact on their industry in the coming years:

43%

said it will create more efficient ways of working, and

43%

said that it will significantly reduce costs.

However,
it appears that retail businesses are not yet ready to embrace AI:

98%

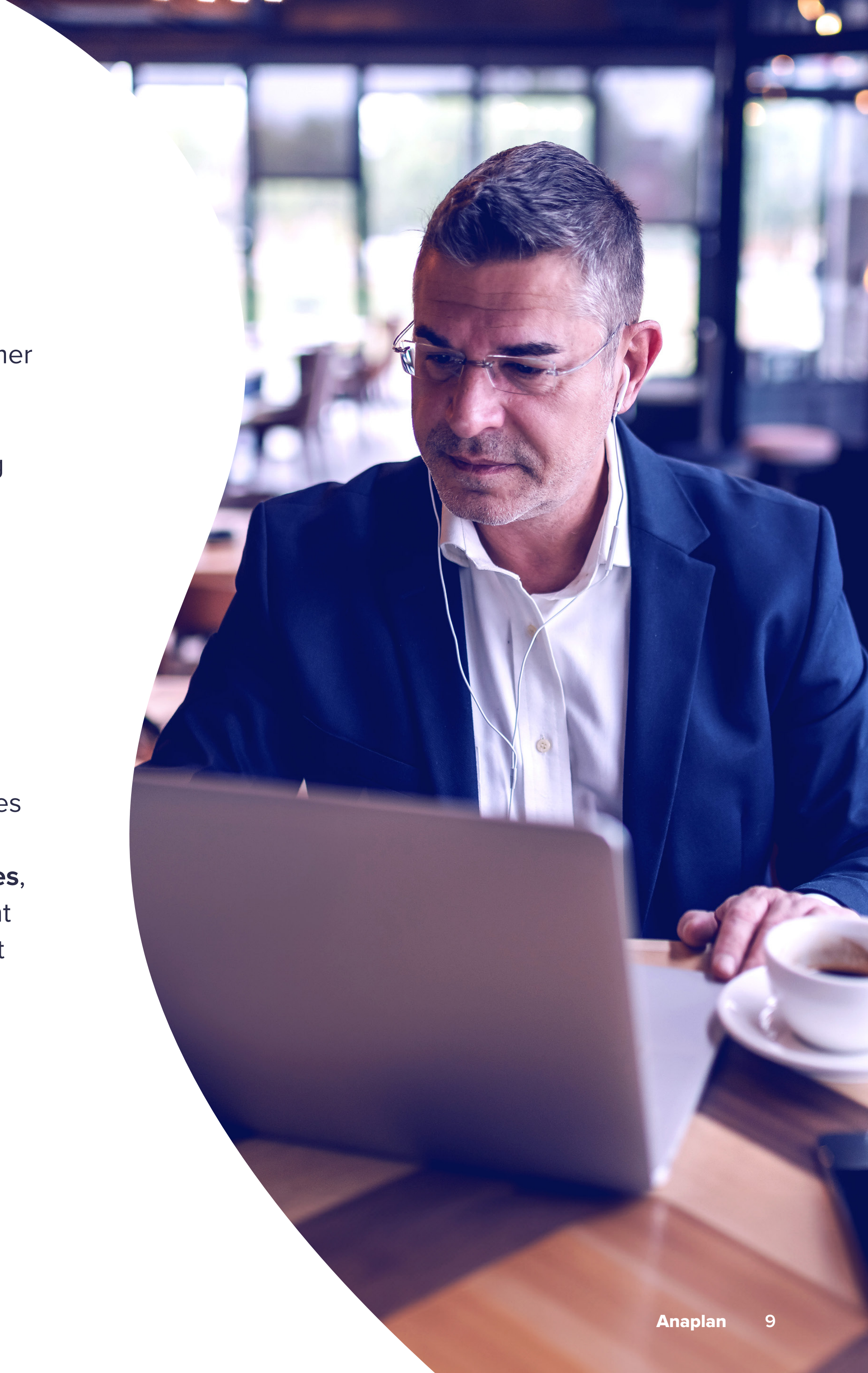
admitted their organizations need to improve their data infrastructure and information analytics capabilities before adopting AI or other emerging technologies.

The evolving role of the modern finance leader

The finance leader has long played a proactive, strategic role in driving growth within retail organizations. In recent years, they have become directly involved in many more aspects of the business that have an impact on financial performance and profit margins.

48% **of retail finance leaders have taken on additional responsibilities in supply chain planning and operations. This is because the supply chain today is fraught with greater cost and risk than ever before.**

41% **of retail CFOs have new responsibilities influencing company-wide innovation activities.**



The evolution of the CFO's role is being driven by changing customer expectations, a lack of available talent, and the implementation of new laws and regulations. Meanwhile, higher interest rates and inflation have pushed up inventory carrying costs, tying up working capital and restricting cash flow.

The expansion of the CFO's role — with its unrivaled visibility of the overall business, combined with a profound understanding of the financials — strengthens the organization's capacity to make better decisions. However, the lack of available, connected data is jeopardizing the ability to execute that role effectively.

There is also evidence that the data deficiency creates inefficiencies and causes stress. **46% of retail finance executives report that their team's workload has increased as a result of data challenges**, including generally poor data quality, discrepancies across different sources and users, and being incomplete or out of date. They must manually combine and fix errors in data, for example, as well as chase down missing information across the organization.

The business impact

Ultimately, the prevalence of disparate, disjointed, and low-quality data is leading to inaccurate forecasts and sub-optimal decision making. The problem extends far beyond the finance department, resulting in misaligned merchandising goals and strategy across the entire organization. This has a direct impact on performance, revenue, and profitability.

100% **of retail finance leaders have seen negative consequences on their organization due to making decisions based on inaccurate forecasts.**

Almost **50%** **believe it has led to poor customer experience.**

What are retail leaders seeing?

Retail organizations struggle with errors in stock planning and the inability to adapt quickly to cyclical demand. Overbuying leads to excess inventory when demand reduces, and the need to use reactive, margin-eroding markdowns to clear it. Underbuying also reduces margins.

Longer time on the shelf and slower cash flow is another challenge. If money is tied up in stock that isn't moving, it can't be used elsewhere, and the cost of having items sitting on the shelf has tripled in recent years. The slower the turnover, the longer you tie up the supply chain and revenue opportunity.

The upshot for retailers is an inability to plan merchandise needs in line with shifts in consumer behavior, demand, and emerging market trends. This is a significant threat to their profitability.

Combining the power of information, people, and plans

Managing uncertainty has become “business as usual” for finance leaders in the retail sector. The need to be able to steer their organization quickly and accurately in the right direction to adapt to changing scenarios will only intensify. However, they are currently basing their merchandizing plans on fragmented, substandard data.

Retailers need to be able to make faster, better merchandizing decisions, while delivering value to customers. To have full confidence in the forecasts that fuel these decisions, finance executives must have one version of the truth: a centralized data source that allows real-time access to cross-functional information.

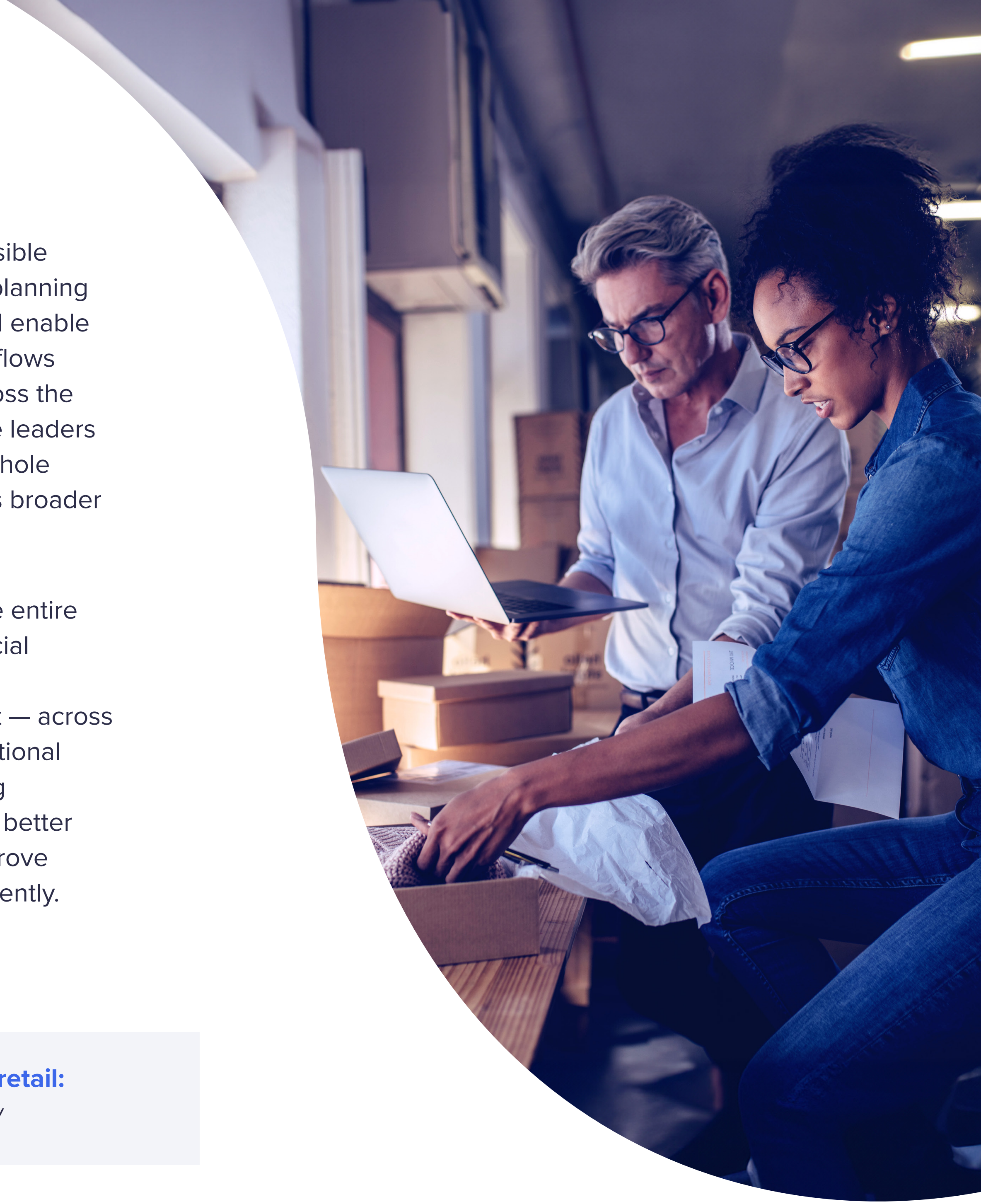
The impact of AI

Platforms with embedded AI functionality bring confidence and transparency to the decision-making process.

They enable retailers to extract predictive insights from complex datasets, as well as analyze information in real time to respond swiftly to changing market dynamics. They can also model “what-if” scenarios to establish the impact of decisions related to inventory sell-through and markdowns, for example, and even identify potential overstocks.

Arriving at an optimal product mix strategy is only possible through an integrated, collaborative, and data-driven planning approach. Using a specialized technology platform will enable the retailer to draw together data, functions, and workflows from across the organization, as well as externally across the supplier and partner ecosystem. This will allow finance leaders to leverage the full power of their data and align the whole organization behind a single unified plan to achieve its broader strategic goals.

Integrated planning provides a unified approach to the entire merchandise life cycle — from merchandise and financial planning to assortment planning, costing, allocations, markdowns, receipts management, and replenishment — across every channel. It allows retailers to move beyond traditional demand forecasting, improving efficiency and focusing merchants on driving higher sales, gross margins, and better item productivity. Retailers can increase net sales, improve gross margin, and turn inventory faster and more efficiently.



Find out more about Anaplan solutions for retail:
https://www.anaplan.com/industries/retail/

About Anaplan

Anaplan transforms the way you see, plan, and lead your business. By dynamically connecting financial, strategic, and operational plans in real time, Anaplan gives you the power to anticipate change, address complexity, and move at the speed of the market. Anaplan's Connected Planning platform lets you view and contextualize current performance, forecast future outcomes to fuel growth and mitigate risk, and optimize costs so you can make faster, more strategic decisions. Anaplan helps more than 2,400 market-leading customers in over 50 countries navigate their daily planning challenges with confidence.

To learn more, visit **Anaplan.com**