

Fulfilling the future of possible

How retail CFOs can glean insights &
grow revenue in modern times



“ In today’s retail landscape, CFOs should not rely on hunches; they need the right data to succeed.”

Dean Hobbs, Principal, Finance & Enterprise Performance, Deloitte Consulting

Deloitte.

It's a brave new world for retail CFOs

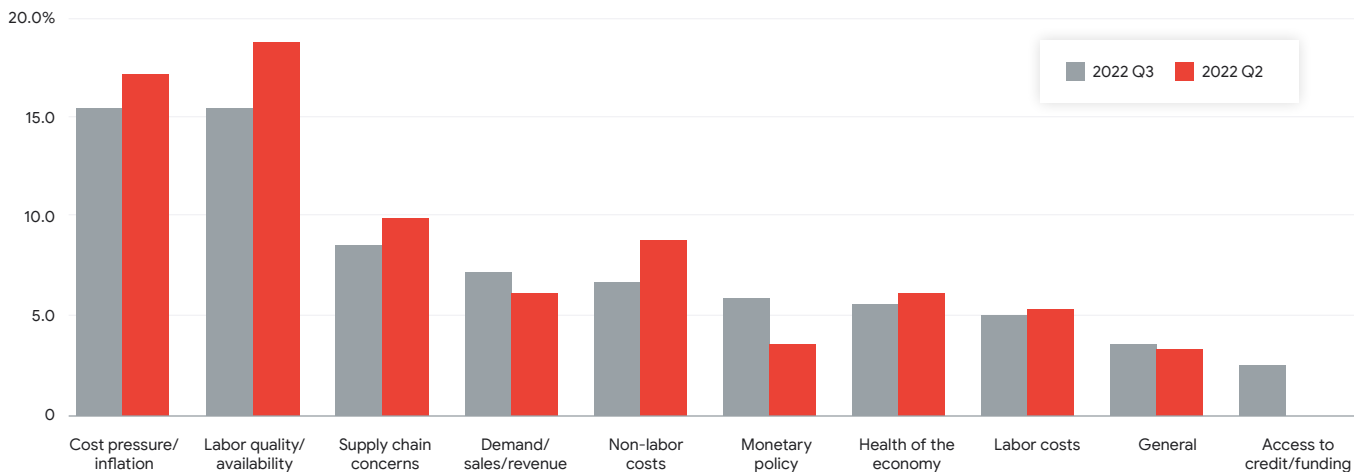
In today's retail landscape, mistakes are more costly than ever. With the cloud of economic uncertainty looming, modern CFOs are finding it tougher to keep their footing. It's increasingly expensive to consume working capital or take on short-term debt in order to build inventory and ensure it gets to where it needs to go. Infrastructure isn't cheap either. The average distribution center costs between 50-300 million USD to build, and much more if that center is automated.

“ [In a recent survey], more than half (53%) of finance executives reported having an abnormally large increase in a majority of their costs, an indication that companies are spending more to get the same results.”

Adam Zaki, CFO.com¹

CFO's most pressing concerns

In the third quarter, CFOs said inflation was the most pressing concern facing their firms.



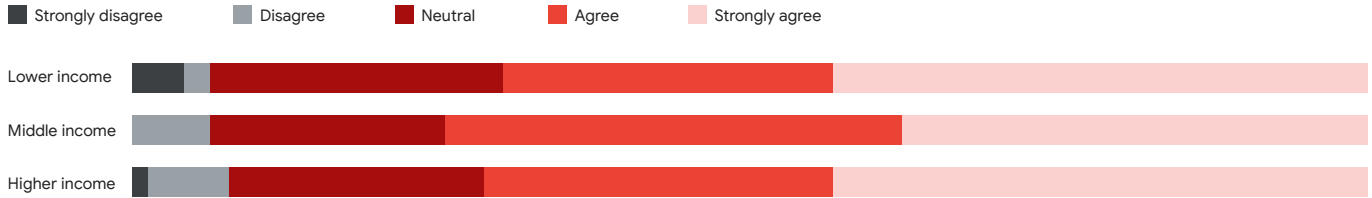
Percentages do not sum to 100 because only the top ten topics (and ties) are shown. Results from Q2 2022 survey (May 25 - June, 10 2022) are shown for comparison. A topic without a Q2 frequency of mentions is one that moved into the top ten in Q3 2022.

Chart: CFO - Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q3 2022 (August 24 - September 9, 2022)
Source: [CFO: 80% of CFOs Expect Cost Pressures to Persist Into Next Year](#)

1. CFO, "80% of CFOs Expect Cost Pressures to Persist Into Next Year: Weekly Stat," September 2022

Inflation worries persist across all income groups

“I’m concerned about rising prices for everyday purchases”



Deloitte, “When inflation concerns persist for too long,” October 2022

Finance executives are spending enormous amounts of money to invest in infrastructure amidst a time of very real margin-erosion pressures. Moreover, consumers are changing how they interact with brands, and these shifts seem to snap back at fickle and unpredictable rates. Driven by pent-up demand during the COVID-19 pandemic, there’s a growing appetite for experience-based buying, but no one knows when that will shift again.

Consumers have also changed where they want to purchase and return merchandise. Many prefer to shop online, but some want technology to augment the bricks-and-mortar shopping experience. To respond to these shifts, retailers are closing hundreds of physical stores to divert more of their capital towards a seamless digital and physical experience.

Smart data in action

Leveraging the right data and analytics can help retail CFOs minimize waste and navigate the following challenges:



Better place distribution centers and “dark stores” for order fulfillment.



Know which stores to close, open, or relocate.



Decide where to reallocate their digital presence to spur demand in certain markets.

If you take all of these factors and couple them with inflationary pressures, many CFOs find themselves in a pressure-cooker situation. On a macro and micro level, CFOs should find ways to rapidly identify and respond to shifting performance, preferences, and behavior — or they may find themselves behind the eight ball.



Retail CFOs should become a lot more efficient with using money that's tied up in inventory, and they need to more quickly convert that inventory to cash.”

Evan Sheehan, Global Retail, Wholesale & Distribution Leader, Deloitte

The new terms of success for retail CFOs

In retail, there has seldom been more pressure to drive results, and it's never been harder or costlier to do so. Luckily, finance executives have another lever they can pull. With more granular data and analytics at their fingertips, CFOs can open the proverbial pressure-release valve — to help drive better decision-making and wiser spending across the business.



The state of the economy is cyclical, but the need to be more granular and analytical — and the shift from CapEx to OpEx spending — is permanent.”

Jose Gomes, Managing Director of Retail & Consumer, Google Cloud

It's no longer enough to rely on quarterly reporting to analyze how a season rolled up. Modern CFOs should look beyond qualitative assessments and performance drivers that are tentative, inefficient, and not institutionalized.



So, if the past is no longer a good indicator of the future, what is? How can CFOs forge ahead and drive results across multiple business lines?

Retail leaders can put strategies in place to:

- 01 Shift to more granular daily or hourly metrics vs. looking back every season or quarter.
- 02 Halt, or at least target, the forward deployment of inventory, which is no longer profitable or feasible.
- 03 Embrace the shift from capital expenditure (CapEx) to operational expenditure (OpEx) spending, particularly for analytical capabilities.
- 04 Leverage more advanced analytics to improve agility and decision-making.

Getting granular with data

Through cloud-enabled analytics and operations, retail CFOs could keep a current pulse on:



Sales, share, and margin for a range of targeted customer segments



Required inventory to support transaction volume and impacts on working capital



In-store and online transaction patterns



Item-level profitability and cost-to-fulfill by channel

Getting smart about the CIO's business

To succeed in today's competitive and rapidly changing consumer landscape, retail CFOs should shift their mindset and approach. The new breed of leaders should not only understand the greater forces at play; they should have the tools, analytics, and operational rigor in place to identify and respond to these forces faster. CFOs will need to be more efficient with how they use money that's tied up in inventory and will need to spend more wisely across all areas of the business.

Importantly, finance leaders should make decisions based on data and not hunches, using each tool at their disposal to measure and pivot as needed. But that's only half of the story. While contemporary CFOs continue to get smarter about what's happening at the merchant and consumer level, they should bring that same level of intelligence to the IT side of the business.

Worldwide IT spending is projected to total \$4.6 trillion in 2023, a 5.1% increase from 2022, according to the latest forecast by Gartner.

Worldwide IT spending forecast (Millions of U.S. dollars)

	2021 Spending(\$)	2021 Growth(%)	2022 Spending(\$)	2022 Growth(%)	2023 Spending(\$)	2023 Growth(%)
Data center systems	189,506	6.1	209,190	10.4	216,262	3.4
Software	732,030	14.8	790,385	8.0	879,625	11.3
Devices	807,580	15.8	739,982	-8.4	735,394	-0.6
IT services	1,207,966	12.8	1,258,150	4.2	1,357,914	7.9
Communications services	1,459,483	3.8	1,435,401	-1.7	1,469,220	2.4
Overall IT	4,396,565	10.2	4,433,108	0.8	4,658,416	5.1

Gartner, "Gartner Forecasts Worldwide IT Spending to Grow 5.1% in 2023," October 2022

By doing so, CFOs can often free up budget and resources, improve performance, and offset economic pressures felt at the retail and merchant level. To achieve this goal, CFOs should be able to audit their CIOs in the same way they review their operations, merchants, and labor practices. By getting as smart about the CIO's business as they are about their chief operator or chief merchant, retail CFOs can lead with strength in uncertain times, allowing them to fulfill the future of possible — right now.

IT spending is on the rise, yet cost pressures remain. By applying the same lean-and-mean mindset to the FinOps side of the business, CFOs can manage IT in the same way they manage any line of OpEx: carefully.

“**With the advent of cloud, there’s a whole new world that’s opened up to the CFO, enabling better telemetry of the business through granular insights.**”

Jose Gomes, Managing Director of Retail & Consumer, Google Cloud

Google Cloud

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