REGION FOCUS: WORLDWIDE

How Intelligent Business Systems Help Retailers Drive Profitability and Growth

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Executive Summary

Retail organizations are at an inflection point during a time of great volatility. Pressures are mounting in the retail space as organizations grapple with heightened consumer expectations, a tight labor market and even tighter margins — all coupled with increasingly complex tech stacks that make it difficult to make decisions intelligently and quickly.

All data from IDC's *Workday Multi-Industry Study*, June 2023

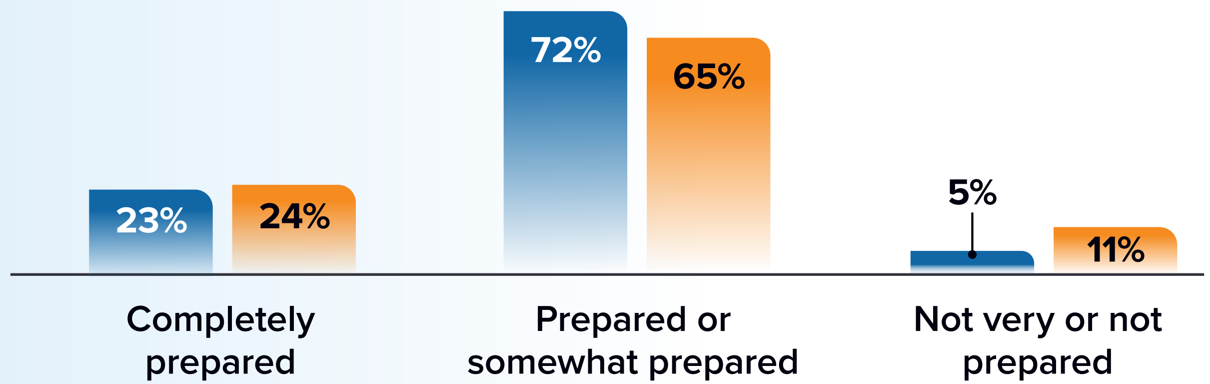
IDC conducted a survey of 387 global retail executives distributed among both IT decision makers as well line of business decision makers in June 2023. These executives were highly knowledgeable regarding their organizations' digital transformation plans including modernization opportunities around enterprise IT systems such as ERP and finance.

Most of those surveyed were in a retailer's finance and accounting area, with good representation among purchasing and procurement, and with responsibility for setting overall corporate strategy.

One-third of retailers (34.6%) report that they believe the retail industry is healthy, yet they worry that many are not ready or are unable to pivot should overall conditions change.

When asked to rate their own organizational preparedness in finance and planning, the following was reported:

■ Finance ■ Planning



The retail industry's self-awareness is driving strategic investment in the digitalization of ERP and finance systems as a result. Resilience, agility, and better outcomes for today and tomorrow are the objectives.

Accelerating Innovation and Reducing Complexity Are Priorities for Retailers

Competitive pressures and disruptive market forces have only increased the retailer's resolve to improve organizational resilience and agility so that they can accelerate innovation, reduce IT complexity, hire and keep the right talent, and invest in new business models and growth.

Current and continued success is dependent on getting access to and utilizing data to make decisions, plan for the future, and drive operational improvements and efficiencies.

Retailers report that their top priorities for improving or competing are as follows:

40%
Improving data-driven decision making

38%
Planning for new business models and growth

38%
Attracting, retaining, and upskilling the right talent

Current Challenges Impede Seamless IT Operations

Retailers must modernize their legacy systems and processes to improve operational visibility and decision processes. Disconnected point solutions, siloed data, and integration complexity slow innovation and impede long-term performance.

Which of the following, if any, have been your organization's biggest challenges in managing its systems, processes and functions in the past 18 months?

44%

Limited Visibility

Limited visibility into operations across the front and back offices/ lack of confidence in data used to drive impactful decision making

38%

Slow Response to Change

Slow, reactive responses to business changes/ pivoting quickly to change

37%

Long Cycles

Long planning and execution cycles for new business model/strategies

36%

Talent

Dificulty retaining and engaging frontline talent/high turnover

34%

Disconnect

Disconnected point solutions, siloed data, and integration complexity

Retailers Are Embracing Core Business Systems Transformation

Retailers are addressing issues by investing in technology across many areas of their business. Organizations report the following:

The areas most in need of a complete overhaul:

1. **Frontline workforce management**
(mobile, payroll, time tracking, absence management)
2. **Accounting**
(receivables, payables, audit, tax, budgets, reconciliation)
3. **Financial and/or workforce planning and budgeting**

The areas due for major upgrades:

1. **Labor optimization**
(scheduling, demand forecasting)
2. **Sourcing indirect products, procurement and payments**
3. **Employee recruiting, onboarding, training, learning, engagement, and skills**

New technology investments will:

- Improve data (quantity and quality)
- Create more intuitive user experiences
- Apply more automation
- Enable better decision making with AI and ML

Investment Plans — Charting the Path Forward

Organizations are investing in the use cases that will have the greatest impact on outcomes by aligning to business process change needs. The focus is on leveraging data better and innovating more frequently by investing in fundamentally smarter systems.

The top five major use cases identified by retail decision makers that can influence or make technology investment decisions are as follows:

32%
AI-powered insights

31%
Open innovation platforms

30%
Digital product testing

27%
AI-powered risk assessments

25%
Data analytics and visualization

The Challenges of Integrating Multiple Core Operational Systems in Retail

As retailers upgrade or replace technologies, numerous challenges need to be overcome. Modern systems are architected to connect seamlessly to data and to automate processes wherever possible. Organizations struggle when integrating multiple core operational systems that may or may not be built on or adapted to modern technology architectures.

38%
of retailers report that getting the needed technology to integrate with current systems is a top challenge related to implementing finance and/or planning systems within the next 18 months.

What are your organization's most difficult challenges when integrating your core operational systems?

45% Data quality and standardization

43% Data privacy, security and compliance

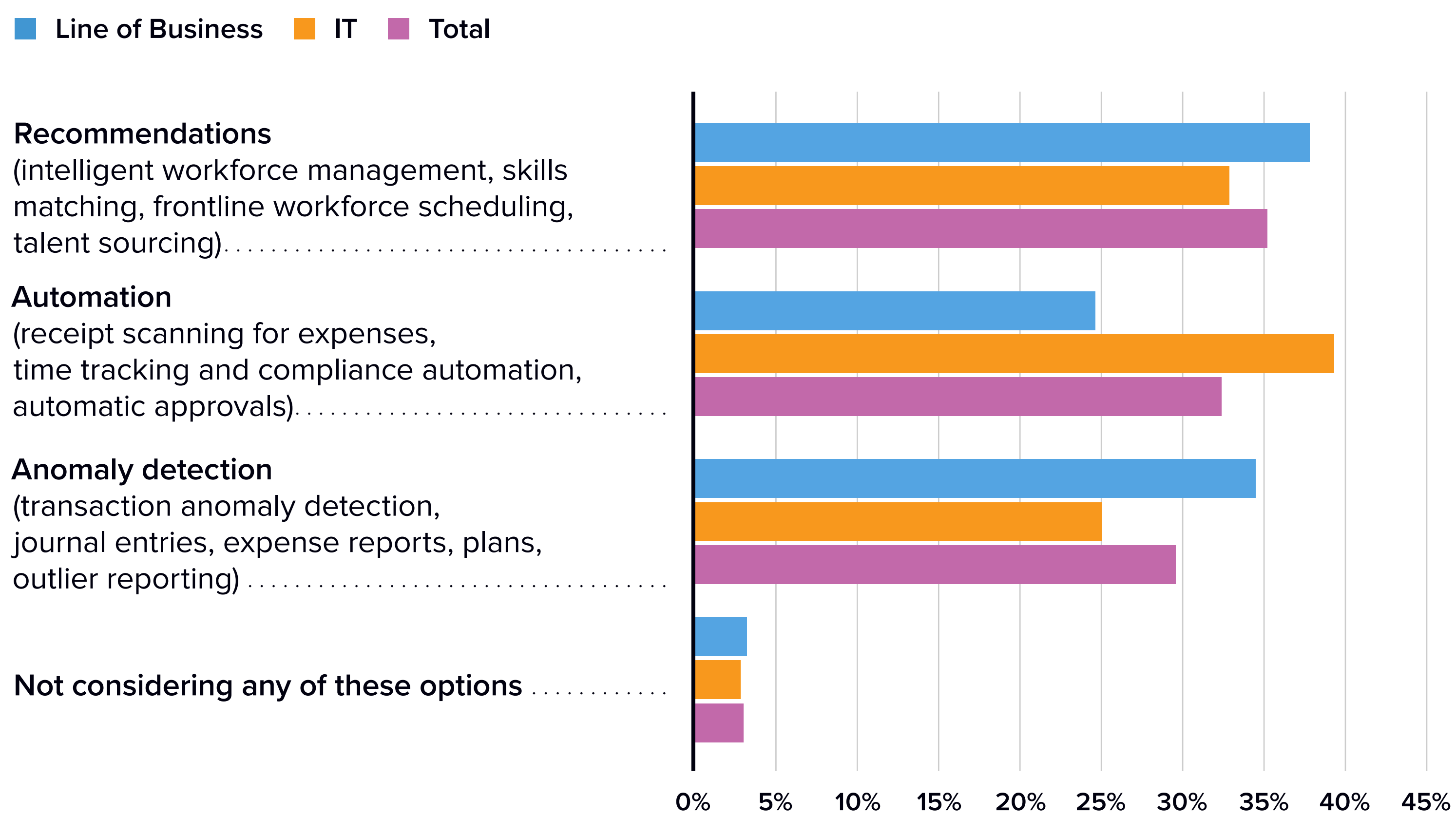
42% Cost and resource constraints

39% Disconnected legacy systems and point solutions

Using Artificial Intelligence and Machine Learning to Improve Decision Making and Efficiency

The benefits of artificial intelligence (AI) and machine learning (ML) within retail organizations start with providing more automation, yet the benefits extend beyond self-approval and reconciliation. Using AI for recommendations, both for customers and for employees, as well as anomaly detection can provide greater benefits than simply automating an existing process.

How are you using or considering using AI and ML in your organization?
(Percentage of respondents)



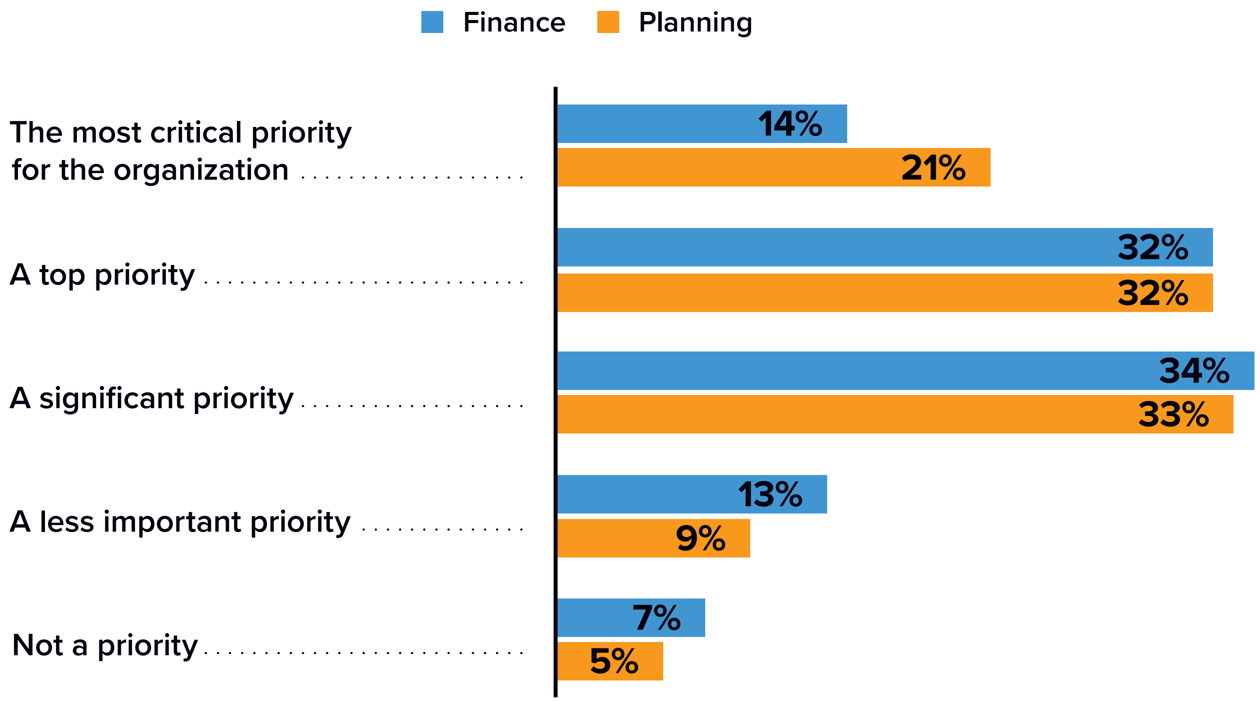
Innovation in Action: The Power of Innovation in Finance and Planning Operations

Most retailers consider innovating finance and planning a priority.

Finance
46% of retailers consider improving finance a "most critical" or a "top" priority.

Planning
53% of retailers consider planning "most critical" or a "top" priority.

Overall, how significant a priority is improving finance and planning corporate functions over the next 18 months?



The Top Benefits of Partnering with Cloud Solution Providers

Partnering with cloud solution providers helps retailers achieve business objectives and grow profitably. Expanded market reach, accelerated innovation, reduced risk, and increased efficiency and agility are all easier to achieve when efforts to modernize systems, processes and operations are completed together.

What main benefits does your organization anticipate or currently experience from embracing connected cloud services in your organization's finance, planning, or other retail systems?

54%

Expanded market reach:
enter new markets and segments customer by leveraging cloud-based systems and partnerships

52%

Accelerated innovation:
collaborate with cloud solution providers and partners to develop new services faster and more cost-effectively

52%

Improved risk management:
access to more data and expertise to make better risk assessments and decisions

51%

Increased efficiency and agility:
streamline processes and respond to changing market conditions through digital transformations

Key Takeaways

1

Focus on data visibility, analysis, and automation.

2

Cloud is a critical tech stack enabler.

3

Continuous innovation and engagement among decision makers is the way forward.

About the IDC Analyst

Leslie Hand
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As group vice president, Leslie Hand is responsible for the research direction and teams supporting IDC Retail Insights and IDC Financial Insights. Hand works closely with the teams to help guide technology suppliers and buyers to develop best practices and strategies, aligned with where they are and where they want to go, leveraging IDC quantitative and qualitative data sets. Hand's specific research focus includes a particular emphasis on the digital transformation of the future "store," which operates in real time, is AI-enabled, and connects omni-channel customers to the frictionless, "touch-free," and secure experience they desire.

More about Leslie Hand

Message from the Sponsor

Workday is a leading provider of enterprise cloud applications for finance and human resources, helping customers adapt and thrive in a changing world.

Workday applications for financial management, human resources, planning, spend management, and analytics are built with artificial intelligence and machine learning at the core to help organizations around the world embrace the future of work. Workday is used by more than 10,000 organizations around the world and across industries—from medium-sized businesses to more than 50% of the Fortune 500.

For more information about Workday, visit workday.com/retail

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