

Why the Time is Now for Integrated Business Planning in Retail

Retail Planning & Analytics have arrived for companies in the midst of digital transformation.



Introduction

Integrated Business Planning (IBP) is an essential step in retailers' digital transformation process — now more of an imperative with the swift expansion of omnichannel retail.

Given current competitive challenges, it is critical for retailers to tap and empower their expert decision makers at all levels by making data access more democratic and self-service. In doing so, retail organizations can move beyond constraining spreadsheet processes and first-generation business intelligence tools, to encompass enterprise level Retail Planning & Analytics.

For omnichannel retailers (really all retailers) it is essential to pursue IBP innovation while enhancing connectivity between merchandising, marketing, operations, and the office of finance. Every management decision has a financial impact that should be measurable and maintained in alignment with corporate goals.

Retailers are prioritizing IBP at a time when they face a number of timely, complex industry challenges:

Supply chain disruptions have exposed deep flaws in the global shipping and sourcing infrastructure. News of product shortages, massive mis-location of the global stock of shipping containers, and the blockage of the Suez Canal have revealed the brittleness of global logistics. To cope, retailers need better forecasting capabilities and faster responsiveness.

Inflation returned to the headlines in June with consumer prices rising at a much-faster-than-expected 5.4 percent from last year, according to data from the U.S. Bureau of Labor Statistics.¹ The rate, which remained the same in July, has been the fastest pace since 2008 and comes on the heels of the pandemic-related supply shortages in key categories including food, fuel, vehicles, and other manufactured goods.

Labor shortages and rising wage costs are adding budget pressure and operating challenges for retail and hospitality companies who are scrambling to find and train front-line workers. As of Aug. 10, there were more than 10 million open jobs in the U.S., the highest level ever, and over one million more jobs than unemployed people.²

The consumer economy has rebounded in many sectors after the initial chill of the pandemic. Spending is up year-over-year across retail categories for the year through July 2021, but the rate of recovery has been uneven. High growth percentages in sectors like specialty soft goods (+70 percent) and restaurants (+30.5 percent) reflect dismal sales declines in the year-ago period.³ Shopping habits have certainly changed, but it is yet unclear whether these new behaviors are permanent.

Taken together, these areas of profound change amount to a call to action for retailers as they adapt their decision making to the fast-changing realities of digital transformation.



The need for progress

While adoption of business intelligence tools has increased in recent years, for most retailers today, embracing the use of advanced Retail Planning & Analytics is still in the early stages, as learned from a recent industry study conducted with RetailWire and underwritten by Board. The 2021 report, "The Beating Heart of Digital Transformation"⁴ states that 76 percent of retailers are presently using either an off-the-shelf BI platform, an in-house custom application or a hybrid of the two.

The findings revealed that BI implementation is most developed in the sales and CRM domain of the business, where 48 percent of retailers said they had a well-developed solution. Surprisingly, only 28 percent were as far along with BI in the core domain of store operations and merchandising.

While the use of BI in some areas of the business has opened the door to more integrated planning processes, sophistication lags for most retailers. Only 16 percent of respondents indicated use of automated, centralized systems that link these functions across departments and layers of management. Three in four companies have little or no integration whatsoever of these processes, according to the study.

This means that many retail decision makers (65 percent) remain bogged down — using spreadsheets for critical decision processes — while data visualization remains confined to rudimentary dashboards.

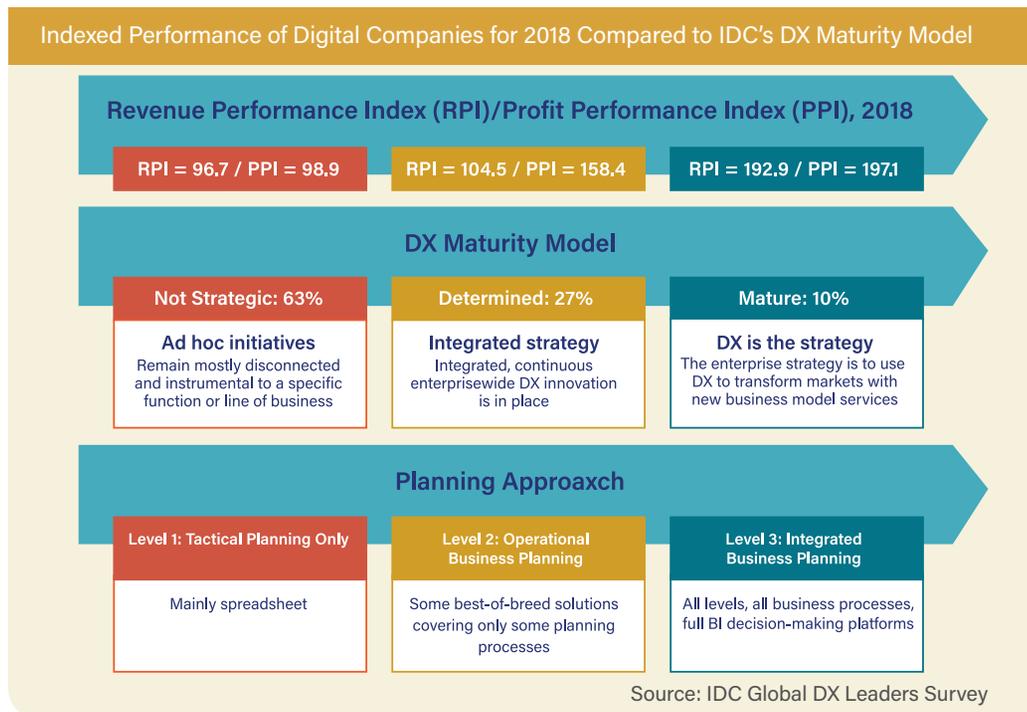


In a 2020 report from the research firm IDC, “Retail Digital Transformation: Why Integrated Business Planning is the Linchpin,”⁵ the authors called out the critical role of IBP for retailers who are determined to advance their business models and their strategic, financial and operational plans:

IBP in fact enables companies to move beyond budgeting and accurately align their short-and long-term strategic planning to the operational financial plans across all business functions, including the plans that are not core in retail, such as real estate, HR, and marketing.

At the time of publication, IDC determined that just 10 percent of retail companies met their criteria for being “digitally mature,” meaning that they had adopted an enterprise strategy in which key decision-making processes are streamlined and integrated to support new business models with predictive capabilities.

Retail companies who are not digitally strategic, the IDC authors state, “are still using short-term, tactical, line-of-business-initiated digital initiatives” that are disconnected from the wider corporate strategy. For these companies (63 percent), business planning tends to be tactical and ad hoc, focused on short-term goals.



CASE STUDY



Puma: Transitions from Wholesale to Omnichannel

Global sportswear brand Puma’s retail and e-commerce activities have grown rapidly due to acquisitions and investment. The management team is extending the successful operational model it had implemented with Board to both its company-operated stores and the online business.

The Puma Group took on the ambitious challenge of standardizing planning, reporting, and analytics processes to advance its competitive position. This meant a transformational integrated planning project that has increased efficiency, collaboration, and accuracy from target-setting to execution.

It set targets for strategic planning, merchandise planning and conceptual assortment planning. This meant defining high-level global objectives by region, business units, and division, with timeframes of between one and three years.

Management reports it has already increased the accuracy and speed of its forecasting and is now in the position to continuously balance supply and demand.

Planning and deciding better

As they advance their digital transformation journey, most retailers will quickly confront several limitations of their legacy approaches:

Disconnected data silos: When operational and marketing data reside in isolated departmental systems, it can be near impossible to fully evaluate the impact of planning and operational decisions across other functional areas of the business. Important questions to address: Where does your data live now? How do your functional experts access it and work with it? Are decisions happening with sufficient speed and precision to effectively collaborate and compete?

Clumsy data access: Even if data from all departments are consolidated in a common data lake, users may struggle to pull the answers they need to make timely and effective plans and decisions. Often the process requires the expertise of dedicated data scientists who can design the queries and dashboards. This time-consuming process can inhibit managers from monitoring key performance metrics or pursuing game-changing insights.

Spreadsheet bondage: The widespread dependence on spreadsheets has long been unwieldy and constraining. The proprietary business know-how built into legacy systems may be well worth preserving but, if only a few gurus understand where it resides, it can amount to an organizational weakness.

By design, an enterprise planning platform can transcend these limitations and transform decision processes throughout the retail enterprise. It does so by democratizing access to data and forecasts and providing end users with self-service access so they can rapidly formulate queries, ask what-if questions and create powerful data visualizations that support faster, more accurate business decisions.

CASE STUDY



Conad Nord Ovest: Nails Down its KPIs

Italian supermarket coop Conad Nord Ovest was able to increase visibility of its KPIs and significantly reduce its operating costs by consolidating financial data from 410 stores at 57 member companies into standardized reports and interactive dashboards within Board.

Implementation included a dashboard for the senior management, capable of furnishing rapid, synthetic measurements of business performance through accurate identification of the correct KPIs. Across the network, the platform was made available to all stakeholders of relevant decision-making processes.

Superior management control data and FP&A discipline, especially unification of management control, budgeting, and sales analysis, has led to improved results systemwide, highlighted by workforce savings of 20 percent.

Retailers are ready for IBP

As omnichannel retailers continue to advance their digital transformation it is essential to empower decision makers with relevant linkages between strategy, finance, sales, operations, merchandising, labor, and marketing. The objective is to enhance user access to relevant data, while maintaining a single version of the truth and a common, extensible platform with superior data reliability.

An Integrated Business Planning platform connects all functional areas with the “office of finance” so that department experts can maintain tactical and strategic awareness of the results of the plans they formulate.

Incorporating planning and Business Intelligence tools, IBP enables superior core operational planning. Ultimately IBP makes data access more democratic — empowering expert decision makers throughout the retail enterprise to design and track plans that are data-aware and highly competitive in the marketplace. ■



CASE STUDY

MARKS & SPENCER

Marks & Spencer: Drives Collaborative Decision-Making

Looking to drive business agility and retain its market-leading position, British retailer Marks & Spencer embarked on a transformational project to replace disparate, legacy financial systems and processes with the Board Decision-Making Platform. The team began the finance transformation by automating several reporting and planning processes managed by the central FP&A team, using the Board platform to increase the efficiency of working capital reporting and planning, cost initiatives tracking and monthly risks and opportunities.

The customizable nature of Board, and its ability to maintain high levels of performance with large datasets, created the ideal environment on which to rapidly implement the new applications to drive continuous improvements in the commercial teams, such as supporting trade reporting and planning in the Food business unit.



THE BOARD ADVANTAGE

Board empowers digital transformation through our #1 Decision-Making Platform.

The solution enables people to have a transformative impact on their business, helping them to intuitively explore and leverage their data in a flexible, all-in-one environment.

By unifying Business Intelligence, planning, and predictive analytics, the Board platform allows companies to produce a single, accurate, and complete view of business information, gain actionable insights, and achieve full control of performance across the entire organization.

A planning layer, not an execution layer, Board provides the foundation that enables performance benefits across functional areas of the retail business. Users are empowered to make better, faster decisions by accessing self-serve analytics, statistical forecasting, and expert collaboration and workflow.

To learn more: board.com/retail



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