



Industry Perspective

Consumer Markets

The unfinished business of digital transformation.



Disruption has a way of quickly exposing gaps and weaknesses within an organization's digital infrastructure, and over the past few years, the retail sector has been among one of the most challenged. Through growth cycles, inflation, supply chain challenges, and worker shortages, retailers recognize that completing the unfinished business of digital transformation may be the better way to limit the damage and position themselves for growth if the cycle turns again.

This joint industry perspective from PwC and Workday looks closely at the pressures, risks, and opportunities retailers face, and how they take advantage by improving their digital infrastructure—including cloud and mobility—and rethinking their decision-making processes.



Market conditions expose operational gaps.

Connecting the dots is always important for retailers—especially those with large brick-and-mortar distribution networks. Today's uncertain market conditions not only raise the stakes, but can also bring shortcomings sharply into focus. “When the tide goes out, it's easy to see who's swimming without a next-generation cloud strategy,” says Robert Knittle, a PwC partner in finance transformation.

As retailers pivot from one crisis to the next, completing the unfinished business of digital transformation can help them move from reactive to responsive and get ahead of future rounds of cascading impacts and unintended consequences.

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Keith Pickens

Head of Retail Industry, Workday

Wrestling with mutually reinforcing negative market conditions—supply chain disruptions, global energy price shock, worker shortages, inflation, recession fears, among others—many retailers understand why digitalization is often key: it establishes fast, consistent, and secure access to management data, delivering agility while helping drive down costs. “Implementing the right enterprise cloud technology can help make the difference for retailers as they seek to thrive in an uncertain market, empower the all-important workforce, and improve their operations across each business function,” says Keith Pickens, head of Retail Industry at Workday.

Global inflation is a compelling example of a negative market condition, affecting the whole spectrum of retail from discount to luxury. It's interconnected with supply chain volatility and labor challenges. As the costs of materials, fuel, operations, and worker compensation continue to rise, retailers should decide how much they're willing to pass on to consumers.

Retail workers, empowered by an abundance of available positions, are keenly aware that they can't work remotely. When fuel costs rise, they are likely to take the hit. They're also on the receiving end of consumers expressing frustration over slow fulfillment and increased prices. Combined, these conditions can become a recipe for job dissatisfaction and high employee turnover.

What can retailers do to help solve these challenges? To be sure, they can commit to responding faster and better to incoming data—finding ways to cut costs and help improve spending while still nurturing their frontline workforce. And many have already gotten started: almost one-third of consumer market companies plan to commit at least \$1 million to new cloud technology over the next two years—their [top priority in 2022](#). What's more, one-quarter intend to invest more than \$1 million in third-party spend analytics tools.

But many others lack the necessary infrastructure and processes—and insights into their own operations—that would enable them to take full advantage of their new technologies.

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Joshua Goldman

Partner, Consumer Markets Cloud and Digital Leader, PwC



Retailers need to “see” better.

Senior executives at consumer-facing industries face disruption on many fronts—with supply chain upheavals, customer preferences, and a talent deficit among [their most pressing concerns](#). “The speed at which future risks can overtake present conditions has proven to be one of the distinctive and important challenges of the current management era,” says Joshua Goldman, partner, Consumer Markets Cloud and Digital Leader, PwC.

In many cases, fast-turning social and economic trends have impacted the bottom line for companies, with various retailers quickly recognizing they can respond more effectively if they have faster access to key operational data.

What operating teams see.

Increasingly frustrated, many retail executives and managers struggle to embrace one of the most challenging economic environments they've experienced in decades. In a 2022 PwC [Pulse Survey](#), business leaders say that achieving profitable growth while controlling rising costs is a top challenge. Other top priorities include hiring and retaining talent, capitalizing on digital transformation, and increasing agility. Nearly three-quarters of consumer market leaders cite supplier operational issues as a primary concern, with two-thirds concerned that suppliers may not be able to keep up with the technological challenges of digitalization.

What frontline workers see.

The economy-to-workforce feedback loop has become highly unpredictable, leaving employees bewildered and ambivalent. In this environment, recent headlines—the same ones workers see—may tell the story better than survey data. From the summer through the fall of 2022, the *New York Times* probed the implications not just of [the Great Resignation](#), but also of [quiet quitting](#), [worker hoarding](#), [worker whiplash](#), and increasingly, [mass layoffs](#). Is the era of low employment drawing to a close? Or is it a new fact of economic life?

What customers see.

Consumer perception and buying behavior—driven by inflation; supply chain shortages; environmental, social, and governance (ESG) awareness; and economic concerns, have [continued to shift](#) over the past two years. Online shoppers—many of whom expect retailers to deliver [frictionless, tech-enabled experiences](#)—say that rising prices (56%), out-of-stock goods (43%), and extended time-to-delivery (42%) impact their experience. Availability of goods, in particular, is leading to purchase abandonment: [up to 40% of consumers](#) have sought out comparison sites, different selling channels, and competing retailers to help fulfill their purchases. In-store shoppers are also raising the stakes, with some expressing higher expectations for retail technology than their online counterparts.

What executives see.

Human resources (HR) professionals often feel the most pressure in this environment. Acquiring and retaining quality talent is harder than ever. Inside organizations, the executives that HR supports are experiencing ongoing labor market churn—not as an isolated phenomenon, but as an obstacle to success. For example, chief marketing officers are acutely feeling the negative impact of staff shortages on customer experience, with 40% citing it as a major issue. Data suggests that the chief financial officer, who should be an HR leader's essential partner, views labor management as a problem more than a solution ([PwC Pulse Survey, Next in Work](#)).

“In times of disruption, relationships within the C-suite may become less collaborative, which only adds more friction to an already difficult situation,” says Pickens. “Instead, they should focus on strengthening connections between their functions, which can make it easier to find the solutions to extremely challenging problems.”



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What finance teams see.

Those who run a division or department within a large corporation likely understand that an executive-level P&L can be a blunt instrument—more sledgehammer than scalpel. CFOs, working with line items that aren't granular enough and lagging key performance indicators, know this very well. Notwithstanding, finance leaders are **tasked** with developing pricing strategies that help offset labor and input costs, as well as the rising cost of capital. Amid supply-chain pain, they should keep sales and inventory aligned. Along the way, they're increasingly realizing the solution: more focus on digital transformation.

Better, faster decision-making typically requires retailers to reevaluate how they can engage with the right people at the right times using the right data. For many, getting there will require a fresh assessment of critical decision points, as well as a platform that helps establish improved data connectivity, availability, and relevancy.



Empowering the organization with data and insights.

Many retail organizations have the data they need. It's in their point-of-sale systems, customer loyalty and membership data, employee onboarding forms, and shipping and receiving inventories. But not every organization is using that data to its advantage. For many, the solution to these challenges can boil down to completing the work of digital transformation: making actionable data accessible across the organization.

Connected retail organizations have open data sharing across geographic and organizational boundaries. They can turn data into action quickly and use data-driven automation whenever possible. An enterprise management cloud system such as Workday can help make that possible. A strategic collaborator such as PwC can help retail organizations fill in gaps with process design and industry knowledge.

Every retail organization has unique characteristics based on its market, product lines, employee base, distribution network, corporate structure, and more. As retailers look for connection points to help increase operational and financial benefits, they should focus on the following areas.

The essential collaboration between HR and finance.

One of the most important data connections for a large retail organization is between HR and finance—a relationship that links its largest, most variable expense line to its most critical business management function. For example, visibility into staffing levels and customer foot traffic can help finance leaders better manage rising costs through labor productivity. Hiring managers with access to revenue forecasts can help accelerate or slow down talent acquisition, continuously modeling their full-time and contingent workforce alongside changing market conditions.



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Often managed as a single block, employee turnover can also be improved through workforce segmentation by aligning compensation packages to staff needs over time. Retention of newer workers may be linked to salary and flexible scheduling while other employees might care more about healthcare or retirement. Mid-level managers, on the other hand, might be most attracted to advancement opportunities or job titles.

The power of digital technology.

Many companies that graduated through the first or second waves of digital transformation and enterprise resource planning (ERP) by building great e-commerce platforms or deploying inventory tracking systems may not be reaping the benefits of integrated cloud computing, mobile access, and adaptive learning through big-data applications. In the next wave, leaders should start by focusing on the parts of their big data that are underutilized, and the potential benefit of tapping into that data in real time. For example, more responsive and data-driven workforce management can help retailers navigate inflationary pressures without passing higher costs on to customers.

Organizations that deploy an enterprise management cloud platform such as Workday—and that build connectivity by moving their data and management tools into a unified cloud—often find that collaboration can become easier, operational efficiency increases, and employee and customer experiences improve.

The potential of predictive analytics.

The end goal of predictive analytics is to provide access to actionable insights as quickly as possible. A single source of truth can help make this shortened time frame more attainable, helping retail executives and store managers act on their data quickly and confidently.

To reach this potential, predictive analytics should be built on the foundation of a composable architecture, where third-party data can be brought in from each side. Retailers typically need a holistic view of their operations, from point-of-sale to supply chain and inventory, which in turn enables informed decision-making in real time.

Conclusion

Navigating the complexities of volatile market conditions requires retailers to focus on digital transformation that can empower agility, help drive better decisions, and build a connected organization. When retail leaders embark on this journey, they should have a deep understanding of their own operations—turning that knowledge into power that helps them become more proactive in an increasingly unstable world.

To learn more, visit: workday.com/retail



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