

Retail Industry Outlook: Through the Workday Lens

Embrace the changing consumer to bolster growth in inflationary times

As the business shocks of the pandemic recede, retail executives are preparing for the tides to shift once again as the reality of economic headwinds, geopolitical strife, a rapidly changing consumer, supply chain disruptions, and lingering labor issues come into play. But the retail outlook is not all gloom and doom; retailers have learned much about resiliency in the past few years. Massive demand fluctuations during the pandemic forced retailers to rethink archaic systems in favor of more pliable operations. Seemingly overnight, retailers

rolled out health and safety protocols and established omnichannel capabilities. And they learned that rapidly evolving consumer preferences require more effective analytics and tools to build loyalty.

Workday and Deloitte are well-positioned to help retailers advance the innovations developed during the pandemic and drive profitable growth during a volatile time. With Workday's integrated, AI-enabled cloud platform, retailers can create efficiencies, address the changing

consumer, and retain the more-demanding worker—all while sustaining the resiliency of the last few years.

The [Deloitte Retail Industry Outlook](#) offers readers detailed insight into the key themes facing the retail sector and how executives can turn emerging challenges into competitive differentiators. Explore the report, along with this document, to discover what distinguishes Workday as a key technology enabler for retailers on their journey toward greater customer-centricity, agility, and cost-effectiveness.

Outlooks



Economic

Spending shifts toward services amid a constrained environment

Three key economic trends will likely influence retail sales this year. First, a slowing economy will keep retail sales growth in check while a relatively healthy labor market will continue to boost sales. Second, inflation has lowered consumers' purchasing power, despite gains in nominal income due to a strong labor market. Real earnings have fallen, which will weigh on consumer demand and, hence, retail sales volume. Third, consumer spending on services could be a bright spot as people return to bars and restaurants, take vacations, and enjoy sporting events as they did before the pandemic.



Consumer

Shoppers focus on price and convenience

The pandemic accelerated a trend already in motion: Consumers expect the best price in the most convenient way possible. To compete, retailers have offered fast last-mile services like curbside pickup and same-day delivery, personal shoppers, fit predicting tools, and payment plans. And retailers have met consumers where they are—from traditional brick-and-mortar stores to metaverse storefronts and everywhere in between. So, it may come as no surprise that customer acquisition and retention costs are rising. Today, consumers are demanding a seamless shopping experience across channels, while tightening their purse strings, in many instances valuing price over brand or retailer loyalty.



Value chain

Labor looks for more

Simply put, retailers are getting squeezed from both sides of the value chain—from demanding, price-conscious consumers to increasing operational and supply chain costs and growing losses from organized retail theft. The industry is also facing increased scrutiny over lack of environmental, social, and governance (ESG) initiatives, including diversity, equity, and inclusion (DEI) programs. Although many retailers are choosing to focus on margin-enhancement opportunities in the near-term, they may not be able to put ESG on the back burner for much longer as consumers seek more sustainable products and employees demand greater accountability. Indeed, labor issues top the list as the number one challenge. Retailers continue to struggle with hiring and retaining employees, many of whom are seeking higher wages and more flexibility, in addition to greater ESG commitment.



Demographic

Retailers called to analyze and adapt

Over the next decade, consumer sociodemographic shifts are expected to occur at an unprecedented rate, creating ever-expanding and diverse needs and desires. The emerging consumer is getting older, multi-ethnic, gender-positive, sex-positive, sexual-identity authentic, mobile, more digitally reliant, and less financially secure. They also have greater expectations for companies to uphold higher ESG and DEI standards. As the consumer transforms into a complex mosaic of unique needs, wants, and preferences, retailers will be challenged to understand their changing customer base and to adapt accordingly.

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The Workday Difference



Economic

Spending shifts toward services amid a constrained environment

As the economy slows, inflation rises, and consumers shift their discretionary spending toward services, many retailers are scrutinizing cost drivers and performance metrics in an effort to preserve their margins. As an integrated, intelligent platform with embedded artificial intelligence (AI) and machine learning (ML), Workday blends operational and financial data to enhance spend analysis and to help retailers plan and adapt their operating models in response to new market opportunities, such as increased demand within food services and drinking venues. It also combines external data, such as point-of-sale and inventory information, with store location and revenue data, for clear visibility into revenue and profitability mix by sales channel.

A native data model further gives retailers greater visibility into business drivers and expenses for a deeper understanding of labor and supply costs, along with granular insight into profitability, by department for example. To address industry-wide labor struggles, Workday provides a single skills foundation with embedded AI and ML analytics to help HR managers align employee skills to changing talent objectives. It also offers AI-driven insights for measuring labor costs, employee productivity, and schedule quality.



Consumer

Shoppers focus on price and convenience

Workday's unified platform is uniquely designed to help retailers plan and adapt their operating models in response to new market opportunities, such as a desire for more convenient and cost-effective consumer experiences. Retailers can quickly model future market conditions, evaluate changes to business and cost drivers, and understand how new business models will impact profitability. To help retailers control costs, ML is embedded into core finance processes, automating manual actions and identifying anomalies to reduce risk and improve efficiencies. Examples include expense protect functionality, journal anomaly detection, and intelligent recommendations for customer payment matching.

In addition, Workday can integrate and transform high-volumes of third-party data, such as merchandising and supply chain, into accounting to give retailers an accessible, real-time view of results. With Workday, retail leaders can easily view and analyze business performance down to the transaction level to pinpoint opportunities to manage margins, control costs, and drive revenue and profitability.



Value chain

Labor looks for more

Workday offers a number of innovations for optimizing workforce planning and productivity and providing greater flexibility to workers. Intelligent scheduling automation accommodates employees' shift/role preferences and availability while meeting labor demand, skill requirements, and compliance regulations. From a single data view, store managers can review and approve time off, monitor operational analytics, compare scheduled hours to actuals, understand coverage gaps, and optimize labor costs. Workday also supports high-volume recruiting with streamlined workflows, engaging campaigns and landing pages, mobile requisition creation, and a consumer-grade, mobile-responsive application process.

With rich reporting capabilities, Workday enables retailers to consolidate and analyze data on workforce composition, organizational health, diversity, and workforce investments in a single platform. This allows leaders to track progress toward ESG and DEI goals and determine where to make improvements. The platform also offers visibility into supplier risks and sustainability, as well as emissions modeling and planning capabilities, to help retailers assess where material emissions come from and what the impact of reducing them may be. By marrying loss data with labor information, Workday also gives retailers visibility into theft trends and inventory shrinkage down to the employee and manager levels.



Demographic

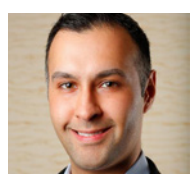
Retailers called to analyze and adapt

Workday's integrated platform empowers retailers to keep pace with sociodemographic shifts and to embrace the changing consumer. It brings together financial, workforce, and operational data at scale, supporting company-wide planning and execution. Retailers can quickly model scenarios based on evolving consumer preferences and business conditions and examine how new growth strategies could impact profitability.

Workday's flexible business process flows allow retailers to quickly restructure existing operations and workflows to support new business models, M&A activities, and consumer experiences. With its open-platform architecture and no-code integrations, Workday enables retail leaders to meet consumers exactly where they want to be met, further helping the organization to maximize the value of its full tech stack.

Learn more

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