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A different world
SAP S/4HANA
Finance for retailers

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If finance executives from other industries were to trade places with their peers in Retail for a day, the transition would likely be jarring.

They share many of the same goals, of course—starting with the need to provide the business with current, actionable information in time to drive decision making. But finance leaders in retail have a number of big obstacles to that goal built directly into their business model—starting with the need for daily financial reporting across wide networks of stores and channels.

Managing data across many dimensions— geography, market segment, product, function, you name it—can make standard finance activities exponentially more complicated. For example, if a retail CFO wants to examine current numbers from a new and fresh perspective, that directly translates into an IT ticket, and possibly hours of manual labor required to manipulate thousands of spreadsheet rows.

Meanwhile, the pressure on Finance teams within retail organizations is growing. Many retailers are expanding markets and channels to deliver consistent customer experiences in a market where there is increased volatility and barriers. While many retailers have made big investments in such areas as logistics and store automation (for improving

the customer experience), the CFO may still be playing catch-up, often having to wait days after the end of the month to examine results to gain a historical view of performance and profitability. Customers are engaging real time, but in many cases, the finance organization is moving at the same old pace.

Few finance organizations are able to keep up with the volume of data that is available. But when data continues to stream in, changing based on the many variables that influence buying decisions, things get exponentially more complicated. As a result, many finance leaders in retail struggle to anticipate what will happen next, much less capture what already happened. But it doesn't have to be that way.

SAP S/4HANA Finance

SAP's S/4HANA Finance tools can make it possible for finance leaders in retail to change the equation, giving them the opportunity to run the finance organization from one centralized, consolidated platform. The result? One logical document that unifies both financial and management accounting—and the potential to finally achieve one source of the truth in finance. With the right capabilities in place, Finance can become a real-time function, moving away from its traditional dependence on the month-end close.

SAP S/4HANA Finance also includes simulation planning, real-time financial reporting and close process in an intuitive application. Users can quickly zoom in to item-level details—a particularly important capability in retail, where everything from prices and product availability to consumer preferences can change in a matter of moments.

This article explores issues that are reshaping finance in the Retail industry through SAP S/4HANA Finance capabilities.
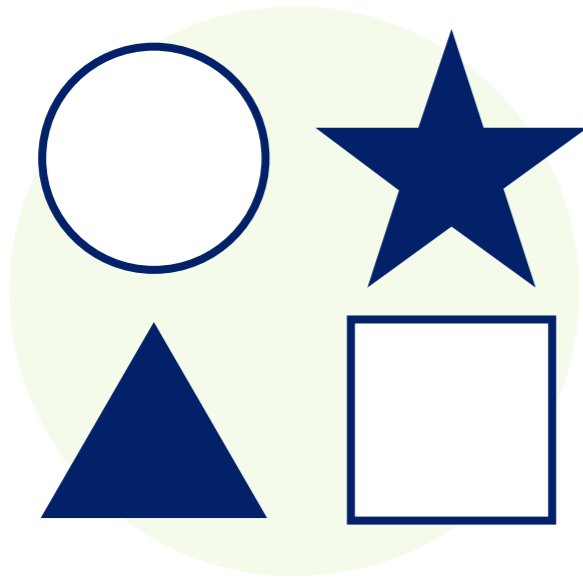
New market complexity, shorter reaction time

Organizations are persistently searching for growth opportunities through new markets, franchisee relationships, and other strategic partnerships. As retailers push into new global markets and pursue new channels, they encounter new levels of complexity. This can include evaluating risks related to foreign suppliers, the cost of manufacturing overseas, and political and social pressures in emerging markets. Other executives increasingly rely on the CFO's office to analyze financial metrics and build decision models to more clearly understand new market opportunities for corporate growth and other key decisions. That's not something that can wait until the month-end close.

Multiple systems, aggregated data, obscured details

Retailers have a number of systems in place (merchandising, point-of-sale, financials, etc.) that are constantly generating data from a myriad range of sources—from ecommerce, store operations, mobile purchases, and more. All that data is used to fuel finance-related insights. The truth is that many retail finance leaders are probably missing out on the lion's share of data and insights contained in all those systems. That's because the individual groups responsible for each system's data rely heavily on manual processes, and to make things more manageable, they aggregate data. When data is aggregated, you have to navigate data structure limitations to get to the details. And the details can become very important in key decisions.

As a result of their heavy reliance on both manual reconciliation and aggregation, retail CFOs are often left to skim the surface of their data—and even then, it can be a maddeningly slow, manual process. Plus, working with a multiplicity of systems typically leads to a delay in receiving data. Batch processing means that the finance team may routinely be operating with data that's more than a day old: Stores close at midnight, sales figures come in, the audit process happens the next morning, and a day later the information goes through batch processing.

Having an in-memory powered financial system in place can eliminate aggregates, increase visibility, and remove manual roadblocks.

Ad hoc needs, ad hoc pressure

As retailers move into unfamiliar territory, they're finding that they need to be able to adjust their plans at a moment's notice. Whether due to the convergence of markets or international expansion, fierce competition and intense price pressure is the norm. So is volatility, especially within the buying market, where broader economic volatility and currency fluctuations can leave retail finance in dire need of real-time reporting as well as complex analytical simulations for forecasting.

As a practical matter, this means that business and finance leaders must be prepared to shift tactics, goals, and strategies very quickly; which turns up the pressure on the finance team, who tend to rely on spreadsheet-based, brute force efforts to address ad hoc needs.

Store-level responsibility

Traditionally in retail, when a store is underperforming, or encountering some specific challenge, it was often the job of the central finance function to identify the problem. Then the problem would be communicated to local-level store management. Then local management would attempt to address the problem, monitored by Finance. These activities could stretch out over weeks or even months, and the results were still often difficult to discern.

Today it's possible to make individual stores more accountable for their results—using data. After all, store managers are more tech-savvy than ever before, accustomed to seeing dashboards, metrics, and other information in a digital environment. Give them timely information presented in an intuitive way, and they're likely to make smarter, more informed decisions.

This is a big opportunity, not least because it allows the entire process of identifying and remediating problems at the store level to take place in a compressed amount of time.

The journey starts here

SAP S/4HANA Finance offers retail CFOs and other finance leaders three major capabilities. First, the entire platform is supported by SAP S/4HANA, which offers the ability to zero in on data at the most granular level, instantly— detail doesn't have to be sacrificed. That can prove crucial when faced with high-level insights that demand more scrutiny, fast. When you have instant access to store- and transaction-level data, are able to reach it virtually anywhere in a mobile-enabled environment, and are able to make sense of it just as quickly with intuitive presentation interfaces, the speed of decision making is accelerated exponentially.

Second, Deloitte's S/4HANA Finance-based solution for retailers can provide information to the entire organization in a seamless cross-platform view with SAP Fiori's next generation user experience. It can give executives a single, up-to-date view of the enterprise, drawing from a host of different systems, and uses a single logical document and streamlined table structures to work across a broad range of data types.

Finally, this solution can be implemented in SAP HANA Enterprise Cloud, which provides lower total cost of ownership, and lower maintenance costs.

Deloitte has already helped many clients get their S/4HANA Finance journey off to a quick start, and we can help you. If you'd like more information on how we can help, let's start with a conversation.

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