

Reimagining finance for the digital age

Retail sector



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Introduction—the automation imperative

Retailers are digital businesses. Exploiting ever-increasing amounts of data with insight-generating analytics tools, retail businesses offer multichannel, customer-centric products and services. This requires sophisticated logistics and supply-chain management.

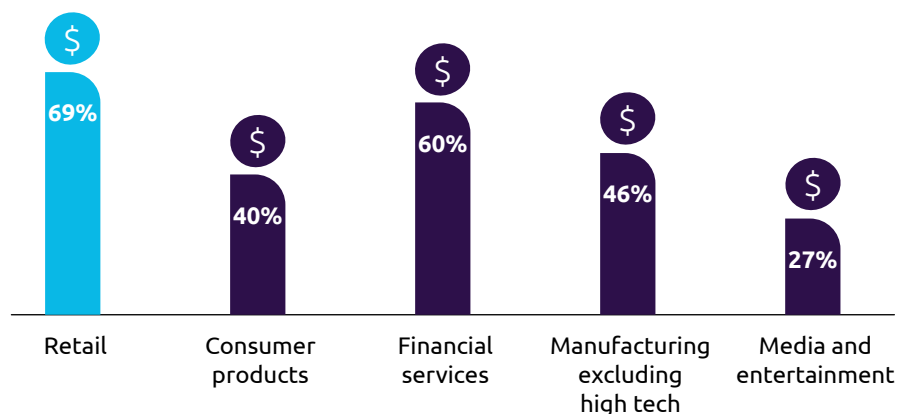
Automation technologies underpin the sector’s digitalization—and nowhere more so than in the finance functions of leading retailers. Finance functions throughout retail increasingly recognize the potential of automation: first, to drive efficiency and quality in their own function, freeing up staff from manual tasks for activities that will add greater value; and second, to enable finance to take its place at the center of the data-driven organization.

Capgemini’s latest research¹ suggests that retailers are very clear about the potential business impact of greater automation in finance. Senior finance leaders in retail strongly believe—to a greater extent than executives in any other sector—that they must now play a more strategic role within their business. And they see automation as a way to do exactly that.

More than two-thirds of the retailers in this research (69%) now have an overall vision of how they want to transform automation in the finance function, which puts them well ahead of any other sector surveyed (see Figure 1). Meanwhile, more than a third of executives in the sector (38%) say their organization has now agreed a strategy for delivering this automation; only consumer products firms have moved more quickly.

As a result of the sector’s forward-thinking approach, there is a significant cohort of retailers in the automation “Masters” identified in our research—a small group of finance teams in the wider survey that are outpacing the rest in finance automation. Companies from the retail sector account for 19% of Masters. See our report, [Reimagining finance for the digital age](#), for a detailed discussion of this group.

Figure 1: Share of respondents in each sector who say their organization has an overall vision for automation within the finance function

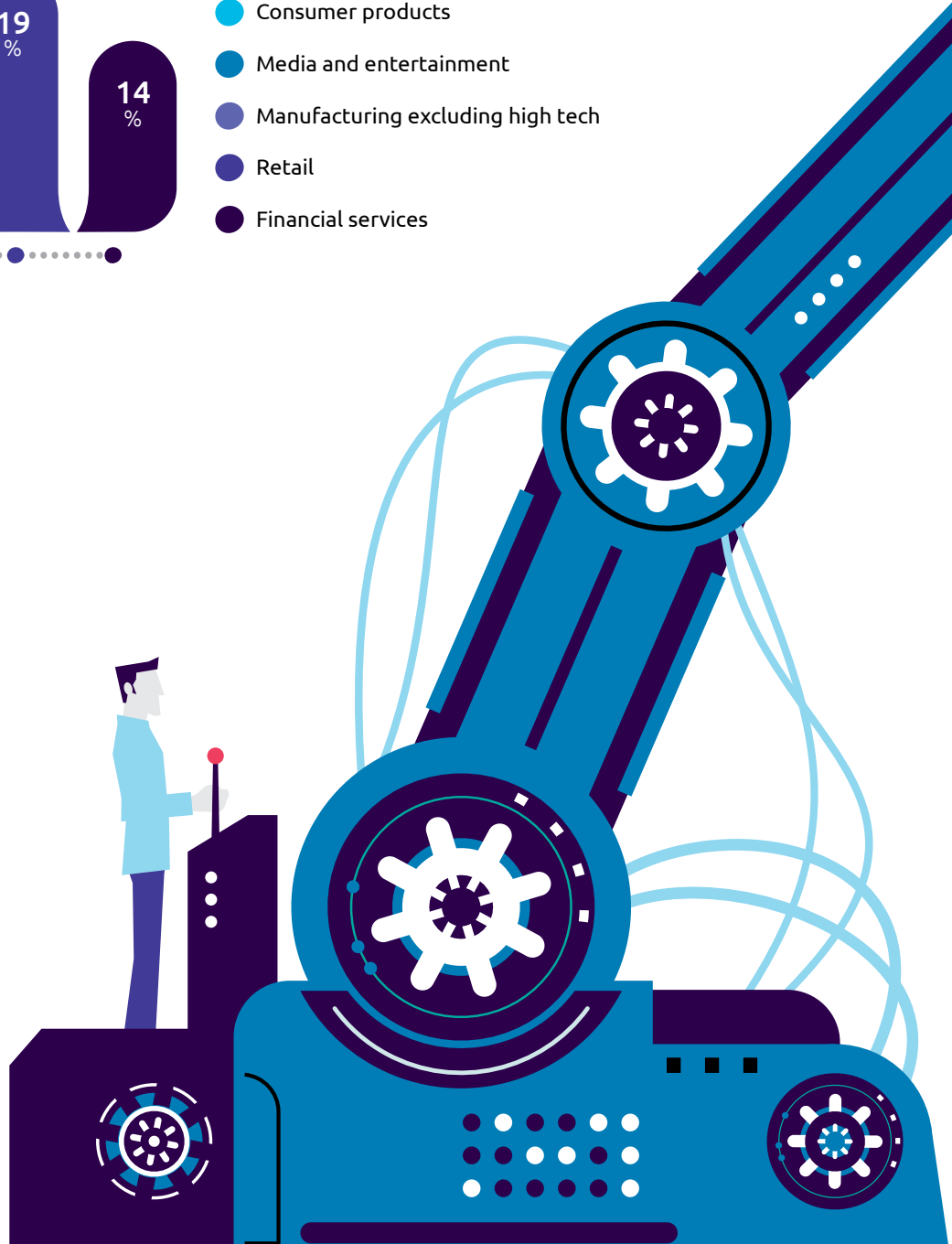
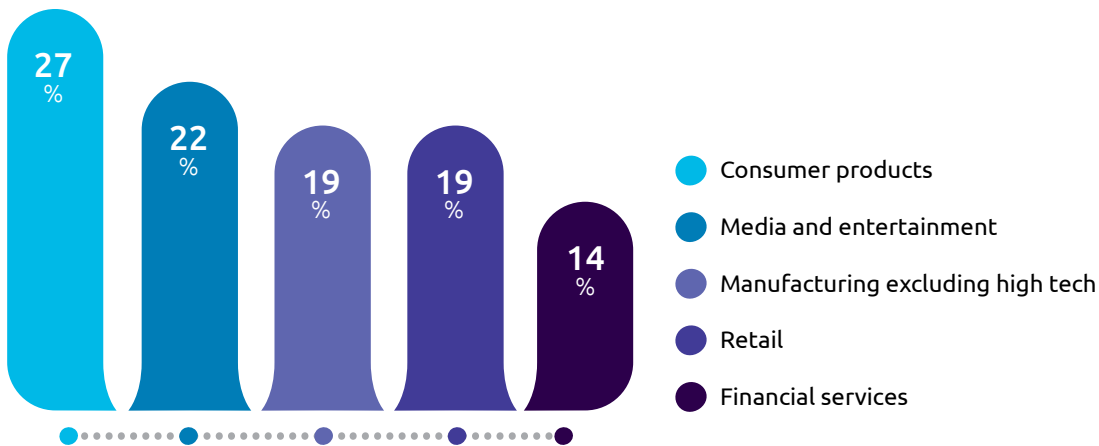


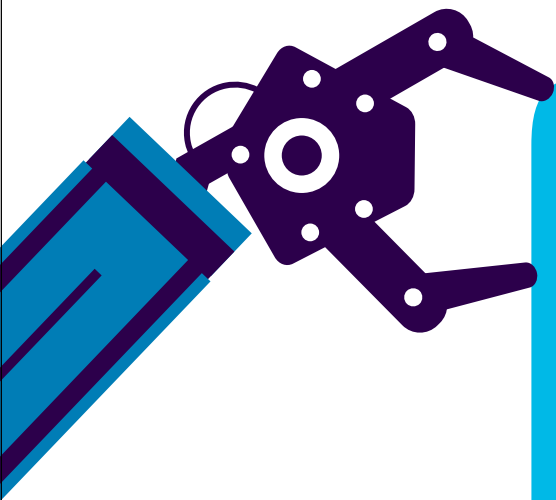
¹ The survey of 500 senior finance executives, conducted in January and February 2018 by Capgemini and Longitude, included 100 executives working in the retail sector (33 in Europe and 67 in North America). The conclusions from that wider research are presented in [Reimagining finance for the digital age](#).

But the job is not complete. Consumer products and media and entertainment are more heavily represented in the automation Masters, which suggests that more retailers now need to move from a vision for transformation to implementation. And retailers themselves concede that even where initiatives have been implemented, they have yet to secure all the benefits they want from automation—particularly in freeing up resources for higher-value activities.

So while finance leaders in retail now recognize the case for automation of their function, and have a vision of what could be achieved, they have more work to do on the ground. They must now focus on tackling the practical problems standing in the way of automation in finance, including skills shortages, concerns about data privacy and security, and the difficulty of choosing the right tools and approaches to implement.

Figure 2: Breakdown of finance automation “Masters” by sector





Defining automation

For the purposes of this study, automation is defined as the application of technologies such as RPA, AI, ML, and chatbots. Within the finance function, automation lends itself to numerous processes, such as invoicing, order management, payments, journal entry, and many more. In this context, the term “robot” typically denotes a software program that drives the automated execution of a process.

About the research

The analysis in this report draws on an [*online survey of 500 senior finance executives*](#) conducted in January and February 2018 by Capgemini and Longitude.

Seven in 10 survey respondents are finance directors (39%) or finance operations directors (31%), with the balance consisting mainly of finance transformation directors or managers, chief financial officers (CFOs), and controllers. Quotas were set on the sample to deliver an even split between five industries: consumer products, retail, financial services, manufacturing, and media and entertainment.

We also set quotas on geography, with half of the respondents based in North America and the other half in Europe (mainly in the UK, Germany, and France). All work in large organizations that have an annual revenue of €2 billion or more.

We also obtained in-depth insights from interviews conducted with the following individuals:

- Daniel Borges, Senior Vice President, Chief Account Officer, Iron Mountain
- Violet Desilets, Vice President, Financial Services and Systems, Staples
- Katja Hinojosa, Finance Transformation Director, Tetra Pak
- Bob Kurpershoek, Director of Financial Operations, NBCUniversal
- James Merrick-Potter, Head, Robotic Automation Unit, UK Cabinet Office
- Thomas Newman, Director, Solutions Development, General Mills
- Thomas Peyton, Vice President, Service Excellence, Wolters Kluwer
- Nick Prangnell, Global Head, Finance Shared Services, Iron Mountain
- Wayne Walker, Director, Financial Operations, Global Business Services, General Mills
- Brian Warnert, Director of Operations, Global Business Solutions, General Mills

Finance automation maturity

Retailers are making steady progress in implementing automation technologies, but they have room to accelerate the pace of adoption—both in terms of new tools and in how and where they apply these tools within the finance function.

In some areas of automation technology, retail leads the way. For example, 19% of retailers say they have fully or partially implemented chatbots in their organizations, which puts them well ahead of any other sector. Retailers are also much more likely to be using automation tools to monitor transactions. In other areas, however, there is some catching up to do. Retailers are less likely than other types of business to be using robotic process automation (RPA) tools, for example, and they also lag behind on the implementation of machine learning.

Within finance itself, retailers report good levels of automation implementation across a broad range of tasks performed by the function. In several instances—notably financial planning and dispute handling—retailers are ahead of other sectors in fully or partially automating the processes (see Figure 2).

In a few processes, however, they are doing less well: only 42% of retailers, for instance, have fully or partially

automated invoice processing—fewer than in every other sector apart from media and entertainment.

Retailers expect these adoption rates to increase. In terms of invoice processing, for example, more than a third of retailers (35%) not yet at full or nearly full automation expect to have reached that level within three years. Still, many finance leaders in retail are likely to want to drive automation even more aggressively.

The answer will lie, at least in part, in leadership. While 49% of retailers say their organizations’ senior leaders have a good awareness of automation technologies, which places them ahead of every other sector in the research, only 36% have a dedicated team in place that manages automation across the enterprise. Manufacturing is the only sector that records a lower figure.

It may also be that the nature of retailing has prompted automation leaders to prioritize functions ahead of finance. Retailers are more likely than other sectors to see high impact from automation in areas such as logistics and procurement; by contrast, only 45% currently think automation will have a high impact on finance, which puts retail behind every other sector.

Figure 3: Share of retail organizations that have fully or nearly fully automated the following finance processes



Building the business case

If finance is going to build a consensus for greater investment in automation, it must demonstrate the benefits. Building the business case for implementation of automation in finance—beyond a vision for change—requires the function to show what’s possible.

Finance leaders in retail certainly have high expectations, and their hopes for the potential of automation tools go well beyond straightforward productivity gains. The key benefits they now expect from automation include better and more informed decision-making (cited by 61% of retailers) and increased sales (57%).

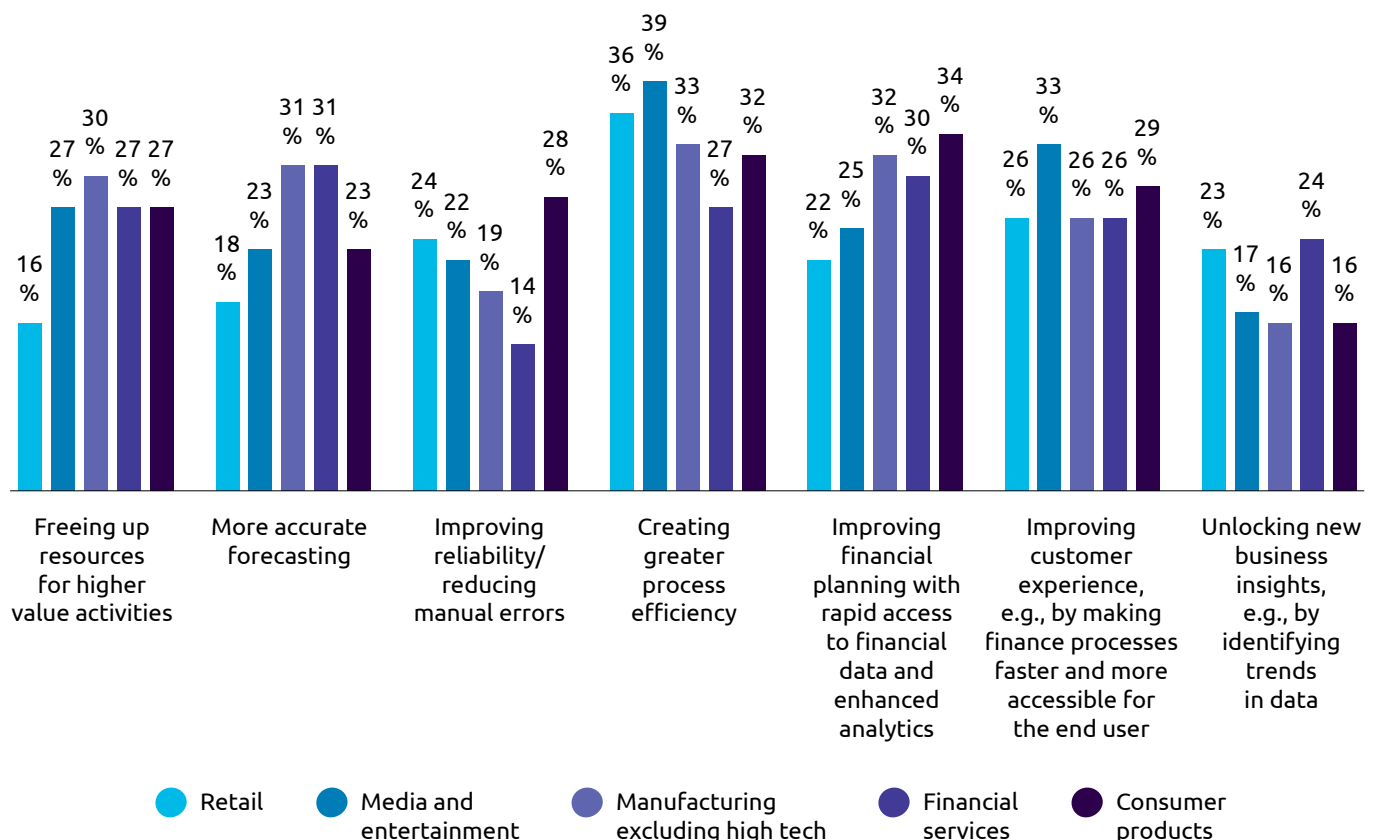
Many retailers can point to the successes that finance automation has already achieved. More than a third of retailers (36%) say they have already realized the full process efficiency benefits of automation—ahead of all other sectors except media and entertainment. More than a quarter (26%) say the same of automation’s impact on the customer experience.

But in other areas, finance has not yet captured the full benefits of automation. Most notably, only 16% of retailers say they have fully realized the benefits of freeing up resources for higher-value activities; this is the lowest of all the sectors by some margin (see Figure 4). Similarly, just 18% of retailers have captured the full benefits automation can bring to forecasting accuracy, which, again, is well behind the other sectors.

It is important that the finance function focuses on these areas as it looks to move forward with automation. The good news is that retailers are ambitious: more than half (57%) of those businesses that have not yet captured the full benefits of automation for unlocking better business insight expect to do so within the next three years. And on risk management, financial planning, regulatory and legal compliance, and continuous monitoring and analysis, retailers expect to make more progress toward the full benefits of automation than any other sector.

If they are successful, their resulting competitive advantage will give them a powerful business case for even greater automation in finance.

Figure 4: Share of respondents who say that the benefits of finance automation have already been fully realized



Driving change through strategic leadership

The imperative for retailers is to capitalize on leaders' strategic vision for greater automation by building a business case for implementation based on realizable benefits. And finance leaders in retail are determined to seize the initiative.

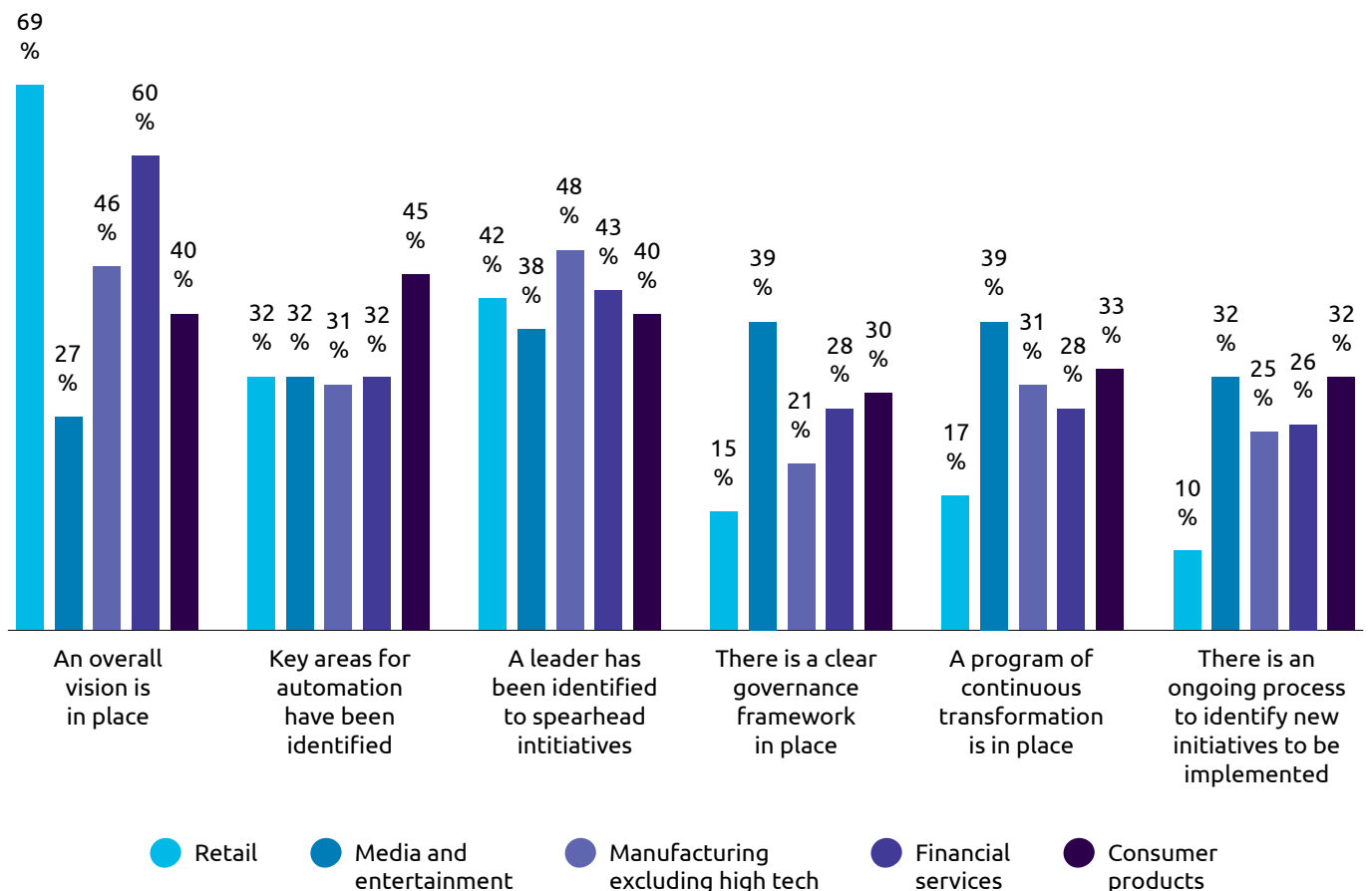
Already, 64% of retail respondents in the research strongly agree that automation is a strategic priority for their finance function—well ahead of any of the other sectors surveyed. And 61% believe that if it used effectively automation could transform the finance function from scorekeeper to strategic business partner; this is almost twice as many as in other sectors.

It is this fundamental belief in the case for automation that has prompted retailers to take the lead in setting out an overall vision for the transformation of finance (see Figure 5). No other sector has developed its overall vision in such large numbers.

Ultimately, retailers believe in the benefits of automation: 58% strongly agree that the rewards for finance of implementing automation will outweigh the risks; in manufacturing, the sector where respondents are next most likely to hold this view, the figure is only 43%.

They are optimistic about the rewards of automation, but retailers must also recognize every potential implication of their plans to stimulate strategic change through automation. For example, almost two-thirds (63%) strongly agree that automation will mean that finance employs fewer people, but with greater skills and on higher salaries. A similar number (64%) say that as automation proceeds, the finance function will need to reskill the workforce to become strategic business partners.

Figure 5: Share of those respondents with a clear strategy for finance automation or are developing one, who have the following elements in place



Moving past the barriers

Retailers have a strategic vision of what automation in finance can achieve, and are building a business case for implementation, but they also worry about obstacles and risks standing in the way.

“We will need to develop systems of control and governance,” says Violet Desilets, vice president for financial services and systems at US retailer Staples. “Particularly when we get to a large number of robots. We need to maintain visibility and control.”

Most notably, the retail sector worries about how it will keep data secure as it makes greater use of automation technologies. More than a quarter (26%) of respondents say that this is a major challenge of the adoption process; only media and entertainment companies report a similar level of concern.

For a sector with such a huge customer base, this will be a key issue to address as automation continues. And the introduction this year of the EU’s General Data Protection Regulation (GDPR) may now be concentrating minds for many retailers.

Significant numbers of retailers worry about skill shortages. Almost a quarter (23%) say they lack relevant skills internally, which is more than the other sectors in the research, while 15% worry about their ability to recruit the right people to fix that shortage. And a significant minority of retailers (19%) are not sure that they understand what skills they need (see Figure 6). On top of these challenges, retailers see significant risks as they move forward with automating the finance function.

Again, security concerns are top of the list: 81% of retailers worry about the potential for fraud as automation increases, which puts them significantly ahead of all the other industries in the research except manufacturing (75%). Three-quarters (75%) say they are concerned about the risk of hacking (see Figure 7).

Practical considerations are another concern. Above all, three-quarters of retailers (75%) worry about the possibility of operational disruption and delays as they implement new automation tools. And in keeping with their need to make the business case for implementation, 72% of retailers are concerned about proving the returns on investment in automation—more than in any other sector.

Figure 6: Key challenges for the finance function in adopting automation technologies (share of respondents ranking challenge 1 or 2)

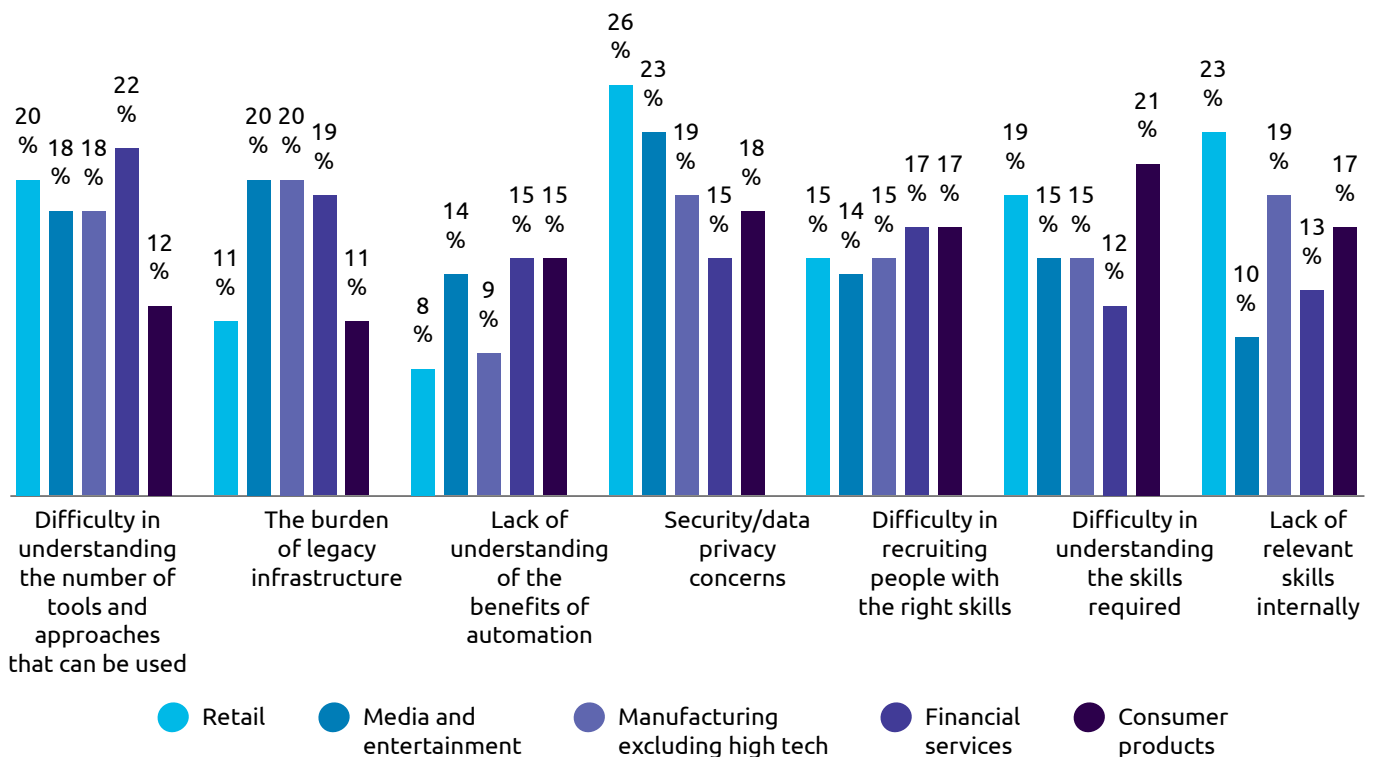
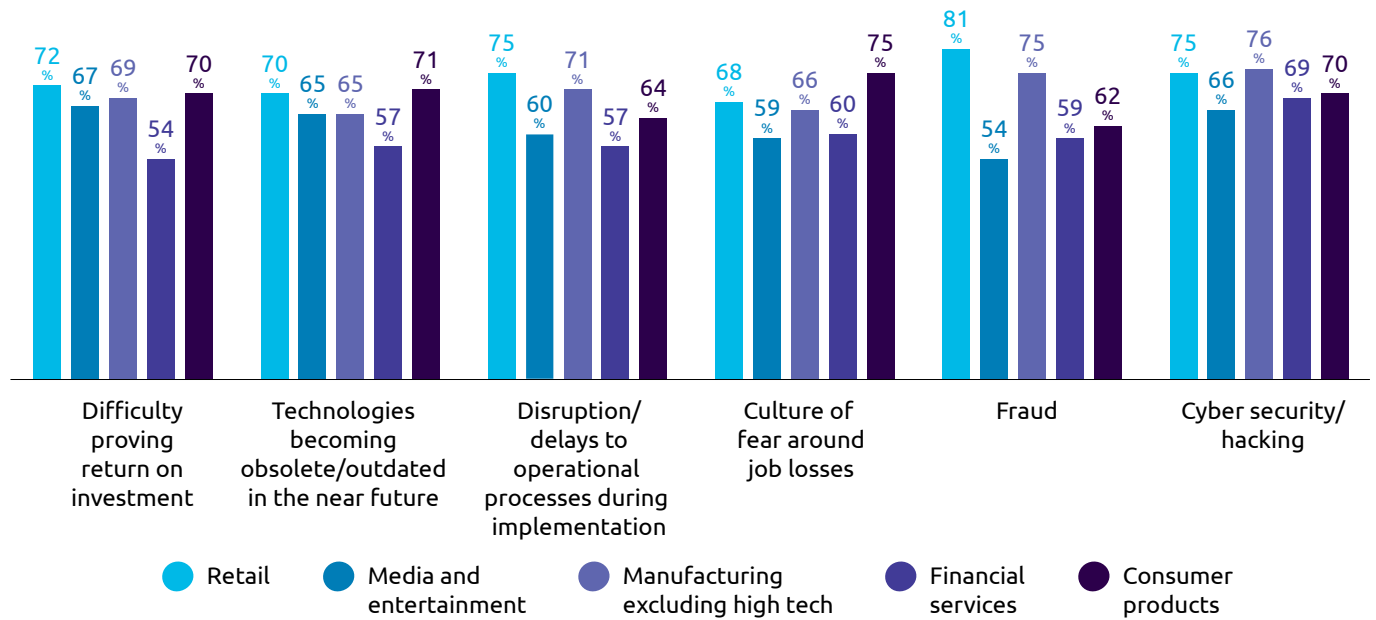


Figure 7: The most pressing risk factors in adopting automation technologies (share of respondents answering “some” or “significant” risk)



Retail businesses have a clear vision for where automation in the finance function can take them, as well as its valuable strategic benefits.

Conclusion— moving along the maturity curve

What does the research results tell us about how retail businesses are handling the shift to finance automation?

- **They must set a roadmap for moving from a vision for finance automation to implementation**—retail businesses have a clear vision for where automation in the finance function can take them, as well as its valuable strategic benefits. Now, they must step up their implementation programs.
- **Moving beyond the operational benefits of automation to longer-term, strategic gains is a critical next step**—retailers report good progress in achieving the operational benefits of automation, but they are less advanced in their efforts to use new technologies as a strategic catalyst. Appointing leaders to oversee the implementation of automation throughout the enterprise will be an important step toward recognizing and achieving these more strategic goals.
- **They need to prioritize resolving skills shortages**—retailers will be hampered in their progress toward more widespread implementation of automation if they are unable to resolve the skills shortages in their businesses. Focusing on the internal skills base, which is one area of weakness that the research identifies, will be imperative given that retailers report difficulties with external recruitment.
- **They must confront their well-founded fears about security**—the rewards of automation outweigh the potential risks, but organizations must still address the risks. Confronting the issue of cybersecurity with robust resilience planning should be a particular focus.
- **They need to think hard about how to address the skills shortage in automation technology**—retail businesses are understandably conscious of the need to safeguard data and privacy. They will need to allocate greater resources to resilience, with new policies, processes, and structures that provide greater protection.



About Capgemini

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