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ERP helps retailers run more efficient, profitable operations in the digital age

Middle market retailers that replace their aging, disparate software systems with a unified cloud ERP that integrates directly with third-party applications are experiencing significant efficiency, productivity and profitability gains.

The global consumer goods industry is on track to reach nearly [$40 trillion by 2027](#) and is posting a compound annual growth rate (CAGR) of 3.8%. As the largest consumer market in the world, the U.S. is the land of opportunity for midmarket consumer products retailers that understand what their customers want and know how to meet those demands.

As consumers shift toward wanting more "experiences" versus just products, retailers are using data analytics, discounts and other means to reduce excess inventory that accumulated as a result of the global pandemic (and the subsequent overstocking to compensate for supply chain disruptions). Companies are also using technology, software and artificial intelligence to improve their inventory efficiency, create more accurate forecasts and better meet their customers' needs.

"Middle market companies must choose tools wisely to stay competitive and expand effectively," said Nick Stuart, a consumer products senior analyst at RSM US LLP. As an Oracle NetSuite Alliance Partner, RSM helps middle market retailers leverage enterprise resource planning (ERP) to run more efficiently and profitably in any market conditions.

Retailers are also reexamining their operational strategies as consumers become more strategic about spending and as they seek out value in their purchases. This shift is driven by deflationary price pressure, production costs, a tight labor market and increasing borrowing costs. "As consumer demand decreases," Stuart said, "middle market companies should focus on maintaining profitability by controlling costs, automating processes, removing low-margin products and eliminating underperforming product lines."

Addressing key retail challenges

Middle market consumer products retailers face many of the same challenges their larger counterparts are dealing with right now: shrinking margins, high transportation costs, changing consumer preferences, a persistent labor shortage, and increased competition from both online and offline sources. In response, more retailers are turning to technology to help them work through these roadblocks, operate more efficiently and better serve their customers.

The problem is that many retailers still rely on manual processes, individual software applications and Excel spreadsheets to run their growing operations. This approach requires much manual intervention, is error-prone and consumes too many resources in an era when all organizations are trying to do more with less.

The problem is particularly acute for midmarket retailers also dealing with these constraints:

- The need to scale up quickly while being throttled by existing technological infrastructures
- High inventory levels "left over" from the global pandemic

- Inaccurate forecasting and demand planning
- Poor inventory master management
- An ongoing labor shortage, but also no way to "scale up" with current staff because of an abundance of manual processes
- Poor visibility into profit margins and/or profitability at the item level
- No feasible way to grow and get their operations "next level" using their current resources

Retailers also have to answer to an investment community that's particularly fond of companies that either have their own robust ERPs and technological infrastructures or are willing and able to gear up quickly on this front. Private equity investors, for example, view organizations with robust IT infrastructures as having the best potential for long-term success, knowing that an ERP like Oracle NetSuite can help retailers operate more efficiently, reach new markets, differentiate themselves in the marketplace and improve customer satisfaction.

Tackling retail's inventory glut

After enduring myriad supply chain shortages during the global pandemic, retailers are now experiencing the "bullwhip effect" of overordering right at a time when consumer spending has slowed. This has left many companies holding excess inventory. And because they rely on a mix of systems and manual approaches to manage that inventory, retailers also lack good visibility into what's on their shelves, in their stockrooms and/or sitting in their distribution centers.

"Retail's biggest issue by far right now is inventory management, whether that's excess inventory or a lack of visibility into what's available and where," Stuart said. "This is the key pain point across the entire retail industry." To solve this problem, more retailers are turning to cloud-based ERP to help them gain inventory visibility and make data-oriented decisions—versus just continuing to use "gut instinct" and historical information.

Moving to ERP also helps retailers get their various disconnected applications onto a single platform. This is an important win for companies that use Shopify Plus to manage their e-commerce storefronts, separate point of sale systems for in-store sales, an application like Stripe for payments and multiple third-party logistics (3PL) providers, each of which uses its own software system. Many retailers also use electronic data interchange to transact with their suppliers.

The information from all these systems then feeds into a basic accounting system like QuickBooks. Next, retailers must use spreadsheets and email to connect the dots across these and other disparate systems. This approach isn't scalable, nor is it viewed favorably by investors or other business partners that understand the value of a unified, streamlined ERP platform. With NetSuite, for example, the same retailers can readily track their existing inventory levels, integrate that data with their financials and automate many of the manual processes. This can vastly speed up the month-end close process and allow financial teams to quickly generate accurate performance reports that support good decision-making.

> Retailers are using ERP to pull the details of each transaction into a centralized source of truth that can be used to obtain real-time financials without the accounting team having to manage all the manual reporting. This is by far a more efficient and effective way to manage a growing retail organization in today's competitive environment.
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> **Nick Stuart**,
> consumer products senior analyst
> RSM US LLP

Good channel and financial management

Inventory gluts and poor visibility into that stock may be two of retail's most pressing challenges right now, but those aren't the only roadblocks these organizations deal with. A lack of channel-based visibility and profitability also hold middle market retailers back from greatness.

For example, the brick-and-mortar retailer that wants to expand its online direct-to-consumer channel—but that lacks accurate, reliable insights into the potential opportunity—can't readily compare its channels or pinpoint which of them are (or aren't) the most profitable. Without these insights, retailers can't confidently expand their reach, increase their revenue or maintain profitability.

Finally, retailers using antiquated, disparate technology and spreadsheets never really have a good handle on their financials, financial reporting or transaction reconciliation. As sales volumes increase, these issues escalate to the point where automation becomes a must-have versus just a "nice to have." With global retail e-commerce sales on track to reach $8.1 trillion by 2026—up from $5.2 trillion in 2021—retailers that implement automation now will be well positioned to leverage this growing opportunity over the next few years.

Blending cloud ERP with deep industry specialization

Using NetSuite as the technological underpinning, RSM helps middle market retailers use technology to streamline their operations, optimize processes and focus on their core missions.

As a NetSuite Alliance partner, RSM's core value proposition includes deep industry experience and a long track record of helping retailers successfully implement NetSuite. For example, RSM provides the integrations that retailers need to connect their new ERP to existing applications such as Shopify Plus, Stripe and any platforms that their 3PL use to manage shipping and freight.

When middle market retailers work with RSM to implement NetSuite, they also get the benefit of deep industry experience and the assurance that they'll be supported by people, processes and technology transformation as part of their ERP implementations.

"Our specialists understand the industry challenges and the solutions that help retailers meet those challenges," Stuart said. Some of RSM's top offerings for retailers include pre-built solutions (e.g., integrations to third-party platforms), custom solutions in NetSuite that meet industry-specific requirements and an implementation approach that folds change management into the ERP implementation journey.

RSM also has key relationships in the industry to provide recommendations on available third-party tools that deliver best-in-class solutions in industry sectors. For example, it provides best-in-class demand planning for the apparel industry and reconciliation tools that the e-tailer can use to speed up and automate the close process.

> Once we put NetSuite in place for a retailer, that company immediately experiences the operational efficiency that comes with having a fully integrated technology platform.
>
> **Andrew Wilson**,
> director, RSM US LLP

The retailer that previously used spreadsheets to move data from one system to the next—an error-prone, time-consuming process—suddenly has real-time reporting dashboards that require little manual intervention. Team members can focus on more strategic projects, and corporate leaders have crucial margin analysis, profitability analysis and other data right at their fingertips.

Equipped with that reliable data, retailers can make better decisions about inventory allocations, understand their true supply chain costs and appeal to potential investors that want to put their money in companies that "have their technology act together." With NetSuite and RSM in their corners, middle market retailers can also scale up, add new locations, break into new markets and/or grow their operations in ways that wouldn't be possible using QuickBooks, spreadsheets and disconnected applications.

Retailers also use NetSuite to future-proof their operations at a time when organizations across the board use technology to run more efficiently and profitably.

> As sales channels continue to evolve, and as customers seek out products in different places, retailers have to be able to respond quickly and confidently to these shifts. Retailers that have the right foundation in place to be able to deliver their brands to customers in a unified manner will come out winners.

Andrew Wilson,
director, RSM US LLP

It's time to make your move

As the global consumer retail market continues to push toward the $40 trillion mark, more middle market retailers will shed their basic legacy systems in favor of a cloud ERP that can scale up as they grow, automate many of their processes and better meet their customers' ever-changing expectations. By working with RSM before, during and after ERP implementation, retailers can effectively tackle the "now" while also preparing for future success.

Learn more

The Power of Being Understood is a promise to our clients and our people that when they work with RSM, they are working with professionals who will take the time to truly understand them, who will bring tailored ideas and insight to their environment, and who are committed to helping them make confident decisions about their future.

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