

E-BOOK

Back-to-front retail

New challenges for growing retailers



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Overview

Running a retail company has never been so challenging – perhaps more so for mid-sized businesses. With high customer expectations, shrinking margins, and intense competition from start-ups and global retail giants alike, it's difficult to know which areas of your business to prioritise for improvement.

In this guide, we'll discuss some of the key challenges for growing retailers. We'll also look at the digital tools that could help you overcome them, and keep your competitive edge.

Retail is under mounting pressure

Customer expectations are rising rapidly as technology advances. People now expect to buy online 24/7, to get next-day or same-day delivery, and to have a smooth and simple purchase journey at every step.

At the same time, behemoth cost-cutters like Amazon are putting huge pressure on margins, while easy access to e-commerce has created a vast number of small, online retailers to compete with. And those smaller retailers don't have to contend with nearly as much legacy software, customer data, and supply chain management as you.

Mid-market retailers are being squeezed by all this change.



Where should you invest?

Technology offers solutions to many of these challenges. Mid-market retailers in the US who took advantage of digital advances – improving areas like e-commerce, sales process, and productivity – saw revenue growth of 10.5% over the past year, compared to 5.9% for those who didn't.¹ But although most businesses recognise the value of technology to streamline their operations, it can be difficult to prioritise exactly where to invest.

With customers dictating whether retailers thrive or die, a lot of effort is naturally spent on improving the customer experience. These kinds of investments grew by 9% in 2018, versus just 4.8% on back-office spend.²

But here's the trouble: although selectively investing in digital transformation can rapidly improve key parts of the shopper experience, it also leaves big pockets of inefficiency elsewhere in your business. And many mid-market retailers are still scraping by with back-office processes that are unintuitive, poorly integrated, require too much manual input, and are ultimately stunting the growth of the company.

Customer experience 2018



Don't neglect your back-office

“We tolerate our current system because our time has to be focused on keeping customers happy. It's true that we have challenges with data access and management, and comparing performance of different retail outlets. But I haven't had time to investigate back-end options, as our priority is keeping our customers happy first and foremost.”

Mid-market drinks company, <100 employees

For many retailers, bringing their back-office business management system up to speed with the rest of their software hasn't even crossed their minds. Perhaps they are too used to their old systems, or have invested heavily in them and don't want to change. Or, more commonly, they've simply got bigger priorities elsewhere.

Yet carrying on with legacy software could be wasting huge amounts of time for your accounts, finance, and operations teams. And this will have a significant effect on your bottom line and growth ambitions.

Take inventory management, for example. Out-of-stocks, overstocks, and returns cost retailers worldwide an average of 11.7% of their potential sales, with human error a major cause of those issues.³ That's a big margin for companies to increase their profitability through more careful inventory management.

Without real-time access to data, it's impossible to make quick inventory decisions. And that will affect your sales, supply chain management, business performance, and ultimately your ability to fulfil your promises to customers.

Which means the impact of your investments in front-end technologies is limited by your back-office systems.

Building yourself a solid foundation

Operations flow much more simply and easily when your back-office is as efficient as your other investments. Here are some anonymised case studies from retailers that have done just that.



Mid-market high-street shoe chain

This company was unable to predict demand for products in different stores, so they couldn't accurately stock inventory for January sales – leading to missed sales opportunities and disappointed customers.

By updating their business management system, they could manage their distribution network more effectively, know what stock they have and where it's most needed, and increase seasonal sales.



Alcoholic beverages company

This company has several warehouses on four continents, but the global finance manager was still manually entering data from each regional manager – and was struggling to stay on top of regulatory laws.

She was coping, but as regulations changed, this added more risk to the business. With an updated business management system, there was no more manual input, the global data was standardised, and it was significantly easier to ensure compliance.



Children's supplies retailer

This retailer was selling successfully across Europe, but a supplier alerted management about a safety problem with one batch of products. The company didn't have the data access to contact the customers who bought a car seat from the faulty batch.

They had to recall the product in its entirety, not just the faulty batch, so their revenues and brand reputation took a hit. After upgrading their back-office processes, they are now able to track and manage all products and see who they've been sold to – so if they ever need to recall products again, they can take it in their stride.

Get started today

There's plenty of room for optimism – Forrester research suggests that changes in front-office systems are starting to drive changes in back-office business management systems in 2019 and onwards.⁴

That makes it even more imperative for retailers to upgrade, so they're not left behind. A modern business management system – one that offers the business intelligence to make forecasting and stock distribution more efficient, decision making faster, and managing supplier relations easier – can help you keep your edge on the competition.

If you'd like to learn more about the Sage 200cloud platform – a business management system built for mid-market organisations – take a product tour today.

Take a tour >

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¹ NCMM Report

² go.forrester.com

³ IHL Group

⁴ go.forrester.com

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