Overcoming Retail Hurdles with Business Process Outsourcing and Analytics

The debate on the fate of the global economy rages on. While there are brief moments of optimism, the overall economic sentiments continue to be cautious. The retail sector has had to face the brunt of economic uncertainty since it is directly impacted by factors which are, most often, beyond its control. Some of these factors are the economy's strength, unemployment and interest rates, fiscal policy, poor salary hikes, high fuel prices and demanding consumers.

According to *Moody's*, the United States' Gross Domestic Product is expected to increase by a mere 2.4 percent in 2013 (rather unimpressive over the 2.3 percent anticipated for 2012 when the figures are tallied). The holiday season will see U.S. retail sales grow at about 4 percent, down 6.5 percent from 2011 (*Holiday Sales Will Overcome the U.S. Fiscal Policy Grinch: Moody's Investor Service*). The U.K.'s Office for National Statistics has recorded a greater-than-expected fall in retail sales in October 2012. The U.K. retail expenditure in 2012 stands at 1.2 percent, the third lowest growth rate in 40 years (*U.K. Retail 2012 and Beyond: SAS Analytics*).

The retail industry on both sides of the Atlantic has been undergoing huge organizational and operational changes in recent times.

Challenges Faced by Retailers

Retailers today have to contend with market saturation, high operating expenses, increased multi-channel purchases, buyers with less disposable income, reduced consumer loyalty and the rise of digital media to influence purchasing decisions (*PriceWaterhouseCoopers*).

Given below are some of the major challenges faced by retailers today:

- **Increased Overheads:** Rental rates, power and other overheads continue to rise, squeezing margins even further. In the U.K., despite adverse trading conditions and a nationwide petition headed by the British Retail Consortium to the Government to implement a rate freeze, the Government has postponed the review from 2015 to 2017. Retailers must now look inward to absorb the increased overhead costs whilst protecting margins.
- **Supply Chain Risk Management:** With increased focus on cost reduction and the pressure to reduce per unit costs, retail and consumer packaged goods (CPG) companies now have to build collaborative supply chains. Large / general retailers, who previously relied on other suppliers, are increasingly donning the role of suppliers themselves, thus compelling them to shoulder the supply risk burden as well.
- **Shipping and Logistics:** Retailers can no longer rely only on their suppliers to get the stock into the warehouses. They have to contend with complexities arising from a growing network of storage and fulfillment locations, rising costs and tightening regulations, to name a few.
- **Market Saturation and Increased Globalization:** The retail industry faces market saturation with a steady proliferation of brands in established markets. Companies aiming at new, high potential markets for business growth need smart and intelligent strategies to penetrate these markets.
- **Focus on Analytics:** It is obvious that the current Analytics capabilities of retailers are just not able to keep up with the changes in business. Today, business leaders in North America are prepared to spend more on analytics to make more accurate forecasts, map trends and realign their strategies.
- **Growth of E-Retail:** Online shoppers in the U.S. are expected to spend USD 327 Billion in 2016, up 45 percent from USD 226 Billion this year (*Forrester Research Inc*). The estimated value of the U.K. online retail market in 2012 is GBP 77 Billion (*Interactive Media in Retail Group*). Retailers need to increase their online presence. However, there are indications that their existing billing ability is inadequate to handle such a surge in online purchases.

- **Digital Transformation:** Retailers have to realign their strategies to account for the increased use of tablets, smartphones and other mobile devices as the mode of purchase and the rise of social media channels such as Facebook, YouTube and Twitter as influencers in purchase decision-making. According to *Booz Allen Hamilton*, USD 30 Billion will be spent on social commerce by 2015.

- **Pressure on Margins:** Retailers have to cope with rising overheads on processes like Information Technology (IT), Finance and Accounting (F&A) and Human Resources (HR). HR is fast becoming a huge burden for smaller discount-based retailers. Most of these organizations employ a huge amount of staff at standard / basic wage or on temporary employment contracts. Companies need smart systems and processes to manage the high HR administration costs, plan campaigns effectively, collect revenues faster and optimize costs.

The Big Change in Store for Retail: Outsourcing

With a global economic recovery likely to remain elusive just yet, retail companies in the U.S. and U.K. are increasingly looking towards strategies like Business Process Outsourcing or Management (BPO / BPM) and Analytics solutions to save the day.

Partnering with a BPO / BPM and Analytics solutions provider makes business sense for the following reasons:

- Outsourcing providers have proven processes to link risks with strategic goals, employ resources more effectively and bring down losses. A BPO / BPM and Analytics solutions provider can help improve risk response and address both operational and reputation risks to the supply chain. The solution can be an agile, collaborative, low cost supply chain with shortened cycle times, accurate demand forecast and higher inventory turns.

- Providers of retail and shipping & logistics processes have the necessary domain expertise to tackle complex legacy systems and updated technologies that help reduce inaccuracies.

- BPO / BPM companies adopt a vertical approach with domain experts who enable retailers to formulate and execute smart business growth strategies to counter market saturation and increased globalization.

- With the help of outsourcing, retailers will be able to make decisions that directly impact business outcome by gaining accurate insight from all the data gathered.

- Outsourcing will enable retailers to procure the technological assets and skill sets to tackle issues such as online fraud.

- Partnering with an outsourcing provider will allow retailers to reach out to customers with a personalized, unique shopping experience tailored to their needs across multiple channels (including mobile technology and social media channels).

- Given that the overheads on processes like F&A, IT and HR are high due to the sheer nature of the business in retail, it is beneficial for companies to turn to outsourcing to access smart methodologies, rationalize costs and use efficient processes.

Partnering with an established BPO / BPM and Analytics player will enable retailers to augment operational efficiencies, increase productivity and reduce costs. Retailers will have access to technology, analytics platforms, business partnerships, domain expertise, agile, intelligent processes and platforms offered by these outsourcing providers.

The benefits of allying with the right outsourcing provider go far beyond tactical gains. BPO / BPM and Analytics can enable winning strategies, helping retailers to tide over turbulent economic conditions and accelerating growth.

To learn more, please write to us at **marketing@wns.com**