

Charting a Course to Success

KEY TRENDS & INDUSTRY PREDICTIONS FROM THE 2024 RETAIL CFO SURVEY

MARCH 6, 2024



Agenda



Retailers' Outlook for 2024



Distress & Performance: Retailers Rely on Price Adjustments



Logistics: Supply Chains Lack Actionable Data



Workforce: Upskilling Talent to Uphold the Brand

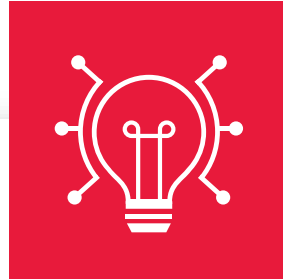


Digital: Retailers Are Eager About All Things AI

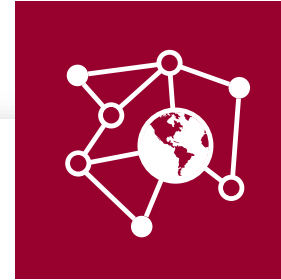
Learning Objectives



Review the state of the industry, performance predictions and revenue expectations



Identify strategies for achieving financial stability and growth in a volatile market



Assess supply chain network connectivity and data analytics, and learn how new predictive technologies can improve disruption response and agility



Understand generative AI's value proposition and potential applications across the industry and learn how to strengthen the data foundation required to successfully implement the technology

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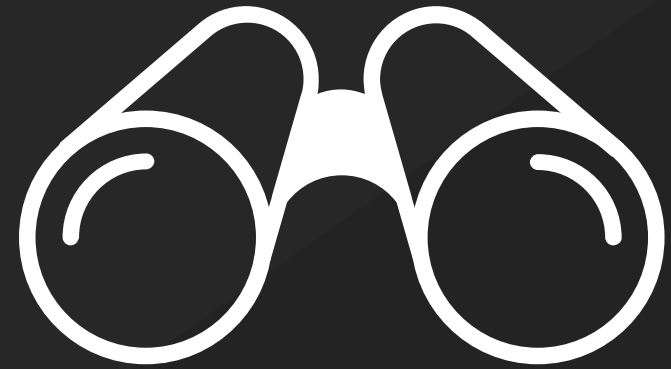
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Retailers Outlook for 2024

Natalie Kotlyar



Key Takeaways That Illuminate the Road Ahead



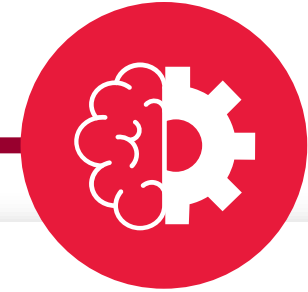
Debt increases ahead

Retailers are borrowing more money to cover costs. **79%** expect debt increases, up from **48%** last year.



Inventory inaccuracy still an issue

To help better forecast inventory needs, **55%** of retailers are planning to deploy scenario modeling and predictive software this year.



Generative AI adoption in motion

45% of retailers say they are building a proprietary generative AI platform.

Retailers Rely on Price Adjustments

David Berliner



Revenue & Profitability



In the last 12 months, **61%** say their revenue increased **1-25%** compared to the **71%** who said the same last year.



CFOs are taking a more conservative approach to revenue projections: **65%** of CFOs expect increases, down from **86%** last year.



CFOs report a more optimistic profitability outlook: **40%** say they anticipate profitability will grow by **10-25%**, meaning they expect to outpace inflation.

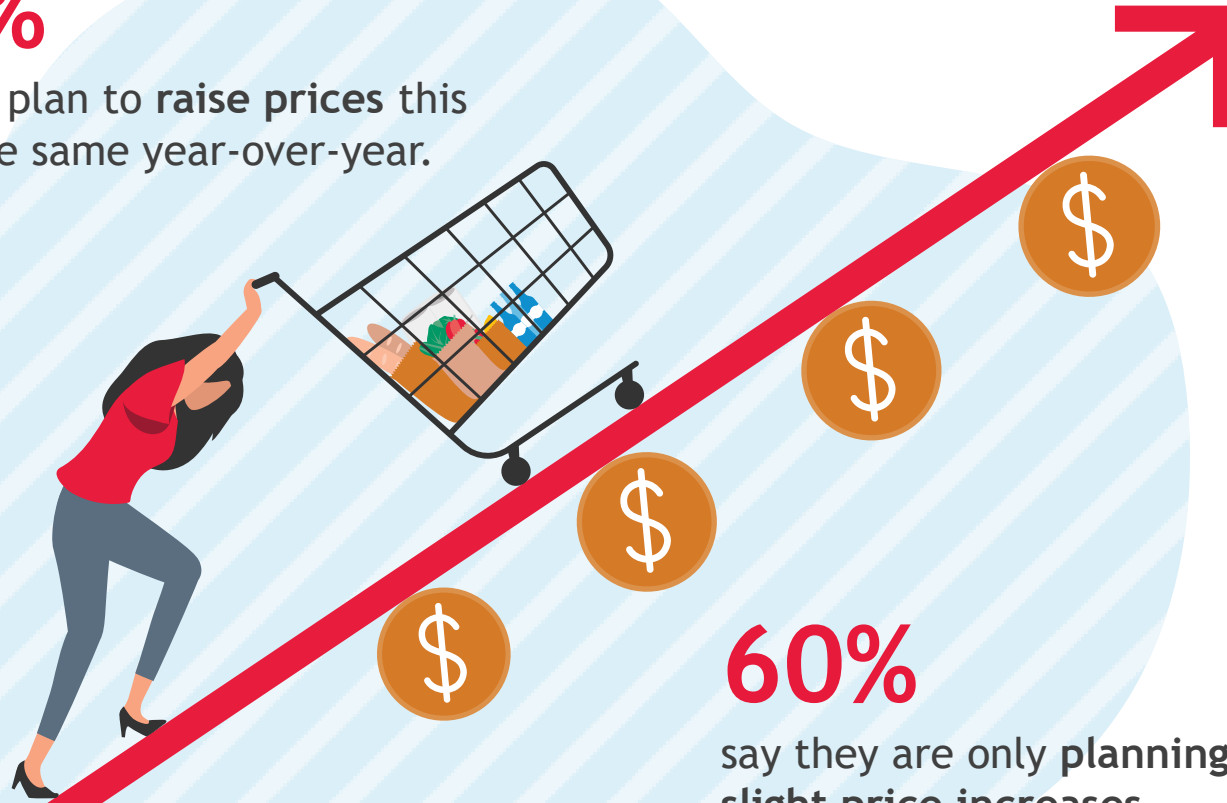


State of Play

PLANNED PRICE HIKES

70%

of CFOs plan to raise prices this year, the same year-over-year.



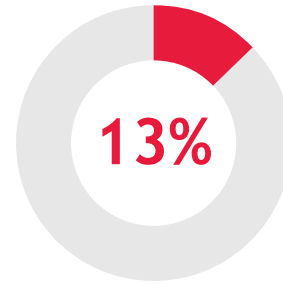
60%

say they are only planning slight price increases.

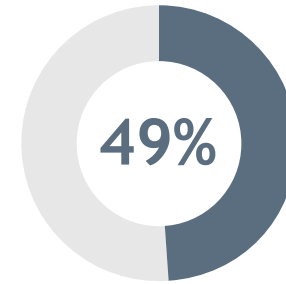
- ▶ Retailers stuck in pricing limbo with customers
- ▶ Retailers want to pull back on discounting post-holidays and boost their bottom lines.
- ▶ They'll do this by:
 - **Adjusting timing** of deals and discounts
 - Modifying or **increasing prices**
 - Leveraging AI for cost optimization

Thrivers & Survivors

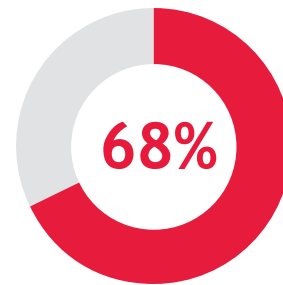
PERFORMANCE VS. EXPECTATIONS



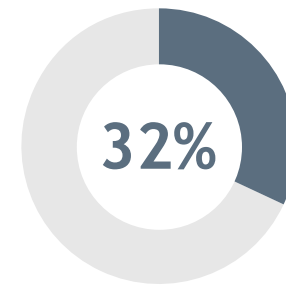
2023 Performance: Thriving
(Profitable and/or Experiencing Robust Growth)



2023 Expectations: Thriving
(Profitable and/or Experiencing Robust Growth)



2023 Performance: Surviving
(Breaking Even and Stable)



2023 Expectations: Surviving
(Breaking Even and Stable)

The X Factor: Building Brand Loyalty

To boost sales retailers must **compete beyond price** and focus on other elements of the customer experience.

Consider shifting efforts from short-term profit generation to **nurturing long-term brand loyalty** by improving in-store and digital experiences.



59% of CFOs expect their involvement in digital transformation to increase in the next 12 months



PARTICIPATION QUESTION #1

How Do You Expect Your Revenue to Change in 2024?



A

Increase over 10%

B

Increase 1-9%

C

Stay about the same

D

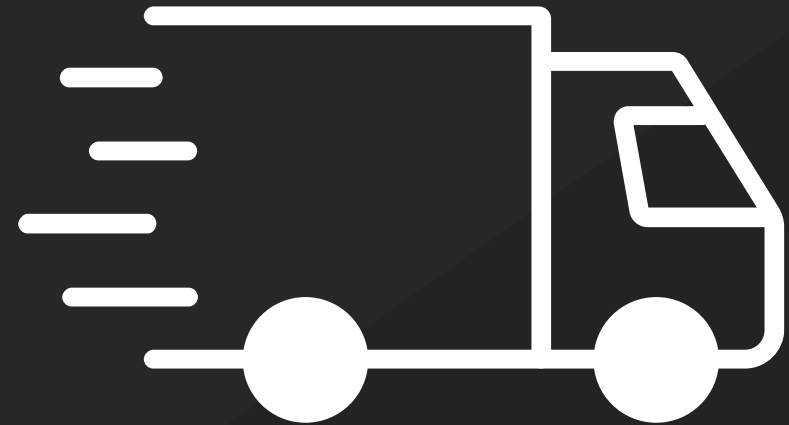
Decrease 1-9%

E

Decrease over 10%

Supply Chains Lack Actionable Data

RJ Romano



A Closer Look at Inventory Issues

HOW CFOS PLAN TO USE CUSTOMER DATA

- ▶ Retailers are planning to leverage new technology to improve inventory management and accuracy.
- ▶ New technology and systems are only as good as the data that feeds them.
- ▶ They understand customer demand better than they historically have but are **hamstrung by their inability to act on data quickly to capture that demand.**

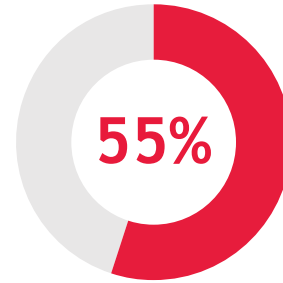


59%

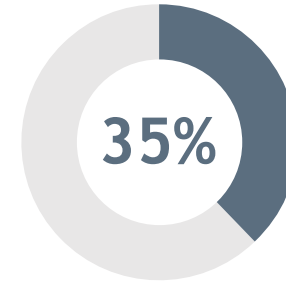
plan to leverage customer data analytics to better predict, align, and manage demand to inform inventory decisions.

Supply Chain Technology

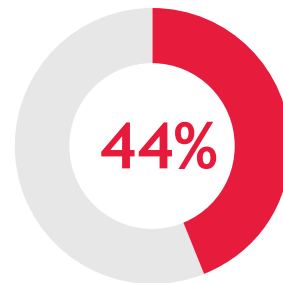
PLANNED VS. ALREADY DEPLOYED SUPPLY CHAIN TECHNOLOGY



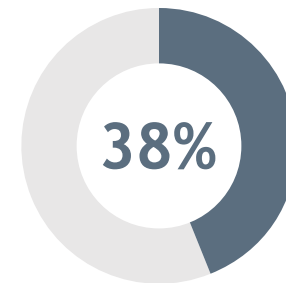
Planning to Deploy:
Scenario Modeling Software



Already Deploying:
Scenario Modeling Software



Planning to Deploy:
AI/Machine Learning



Already Deploying:
AI/Machine Learning

Tactics for Managing Higher Costs of Goods Sold

53%

Will improve
supply chain
systems and
visibility



45%

Will absorb
the increase



44%

Will look for
alternative
suppliers



39%

will reduce reliance
on outsourced
productions



Enhancing Supply Chain Resilience to Get Inventory Right



AI will play a big part in enhancing resilience and optimizing supply chains – but it's not a magic wand.

Retailers need to improve the harmony between merchandising and marketing to accelerate inventory-decision timing.

Building Sustainable Supply Chains



46%

of CFOs expect to be more involved in **conversations around ESG strategy** and execution this year.



PARTICIPATION QUESTION #2

How Effective is Your Company at Managing Inventory to Keep Pace with Customer Demand?



A

Very effective: We are able to pivot inventory with changes in customer demand and optimize sales

B

Somewhat effective: We struggle to pivot inventory in a timely fashion and sometimes miss the demand window

C

Not effective: Our inventory management processes do not work in lockstep with demand forecasting

Upskilling Talent to Uphold the Brand

Ross Forman



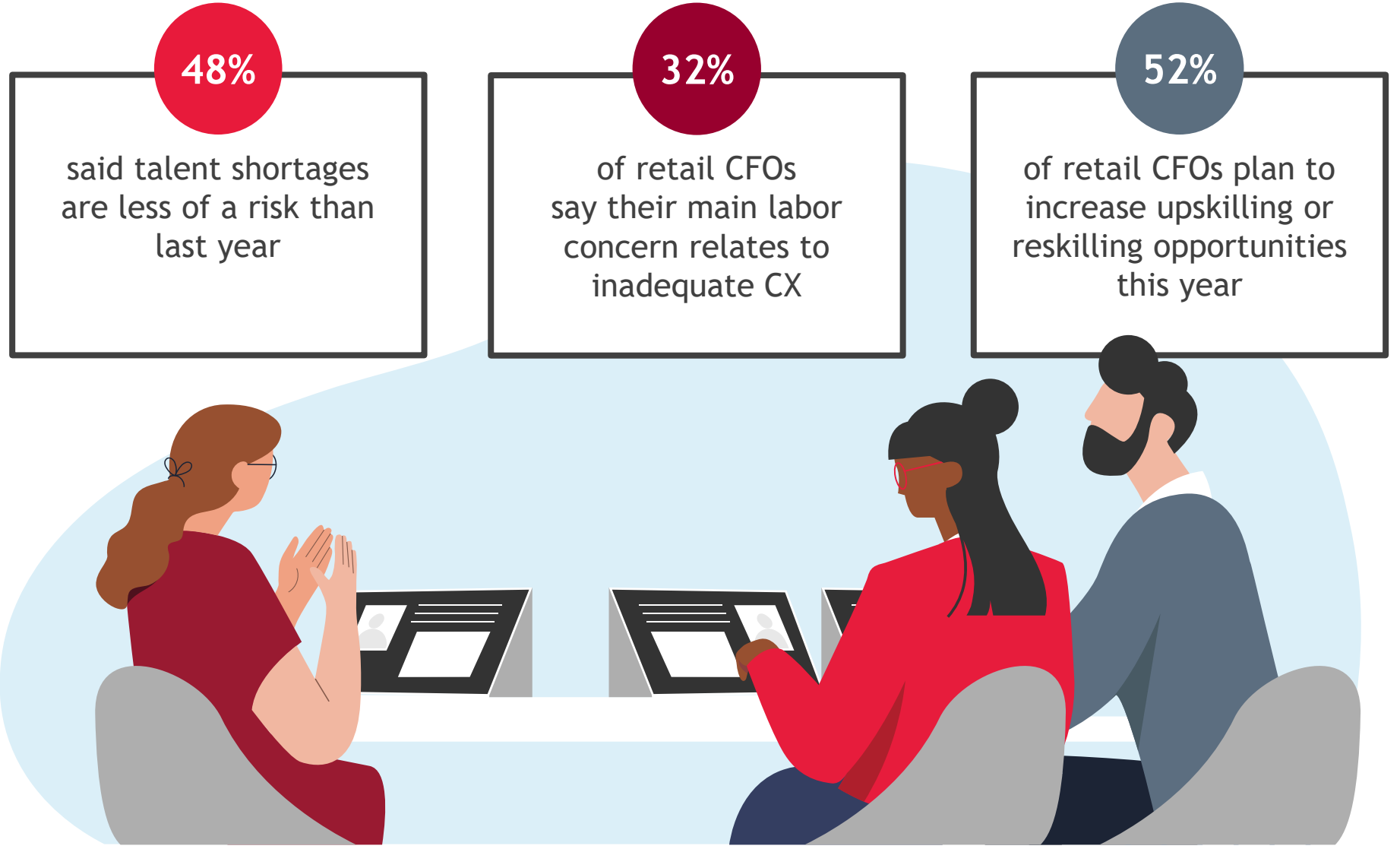
The Importance of Workforce Upskilling

More than **50%** of all activities in retail can be automated with technology.

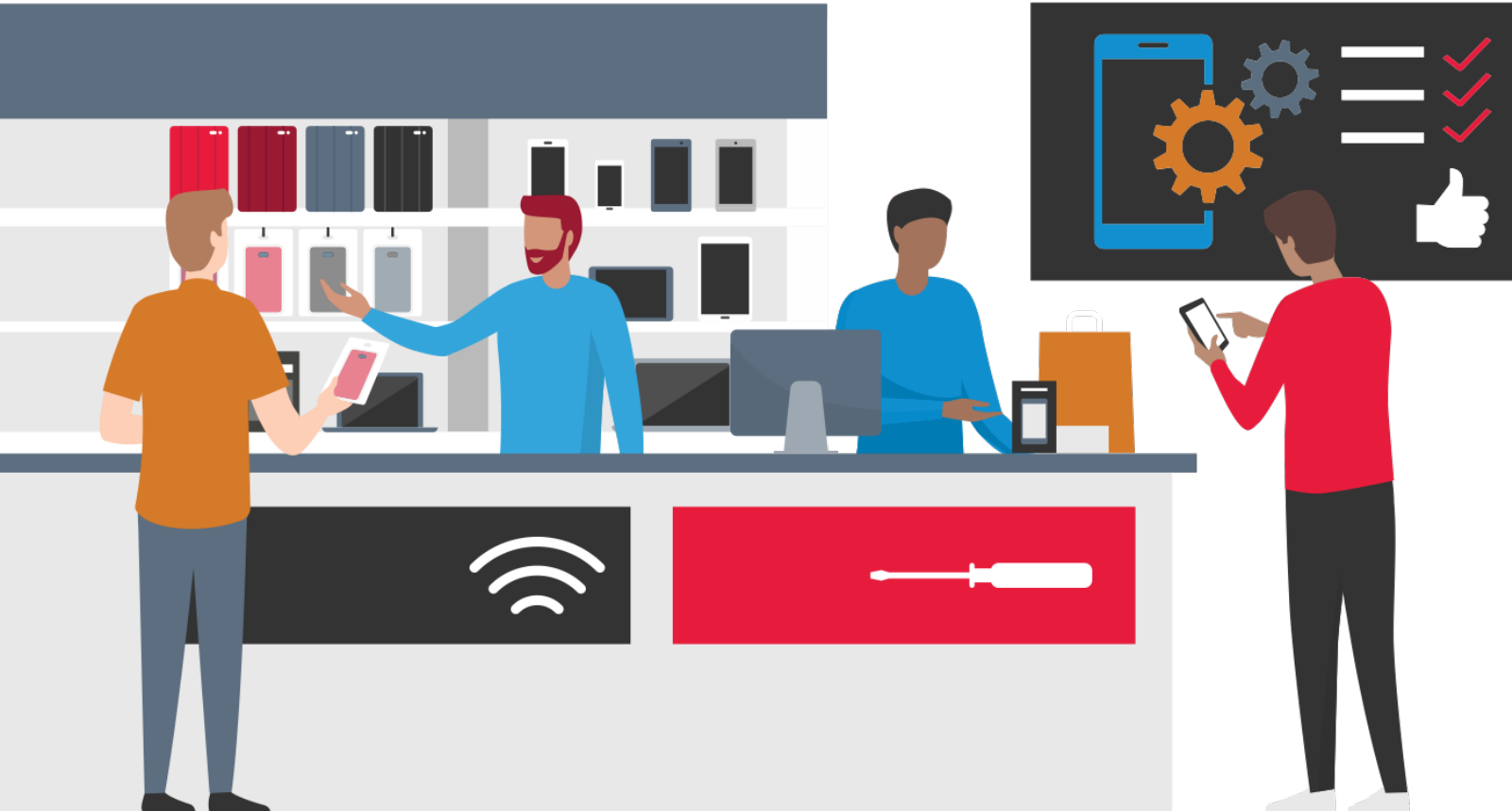
As a result, the skills retail companies will need in the future will be different from the skills they needed in the past.



Managing Talent in 2024



Understanding the Employee Evolution



Tailored training will be particularly important as the store-associate role has greatly evolved.

Associates are expected to wear multiple hats:

- ▶ Cashier
- ▶ Customer service specialist
- ▶ Stylist
- ▶ Last-mile delivery or BOPIS in-store fulfillment manager
- ▶ Social media influencer

Retailers Eager About All Things AI

Kirstie Tiernan



The AI Road Ahead

STRONG CONNECTION BETWEEN DIGITAL AND PRICING STRATEGIES

46%

of retailers are already using AI to optimize prices



48%

plan to use AI and automation to help optimize costs over the next 12 months



Retailers Actively Pursuing Generative AI

CURRENT APPROACH TO GENERATIVE AI

Have formalized or are in the process of formalizing a policy for usage

55%

Are building a proprietary generative AI platform

45%

Have restricted access to certain generative AI chatbots

24%

Are informally exploring generative AI without a standardized approach

8%

PARTICIPATION QUESTION #3

What is Your Company's Current Posture Toward Generative AI?



A

We are actively exploring use cases and have **established a standardized approach**

B

We are in the process of **formalizing a policy** for usage

C

We are discussing the use of generative AI but **do not have a standardized approach**

D

We **have not begun** exploring generative AI

Popular Use Cases for Generative AI



MARKETING

Creating marketing materials and hyper personalized experiences to improve CX.



CUSTOMER SERVICE

Generating responses to employee or customer questions via chatbots.



REAL ESTATE STRATEGY

Suggesting ways to optimize stores and powering more efficient lease analysis for educated decisions.

Popular Use Cases for Generative AI

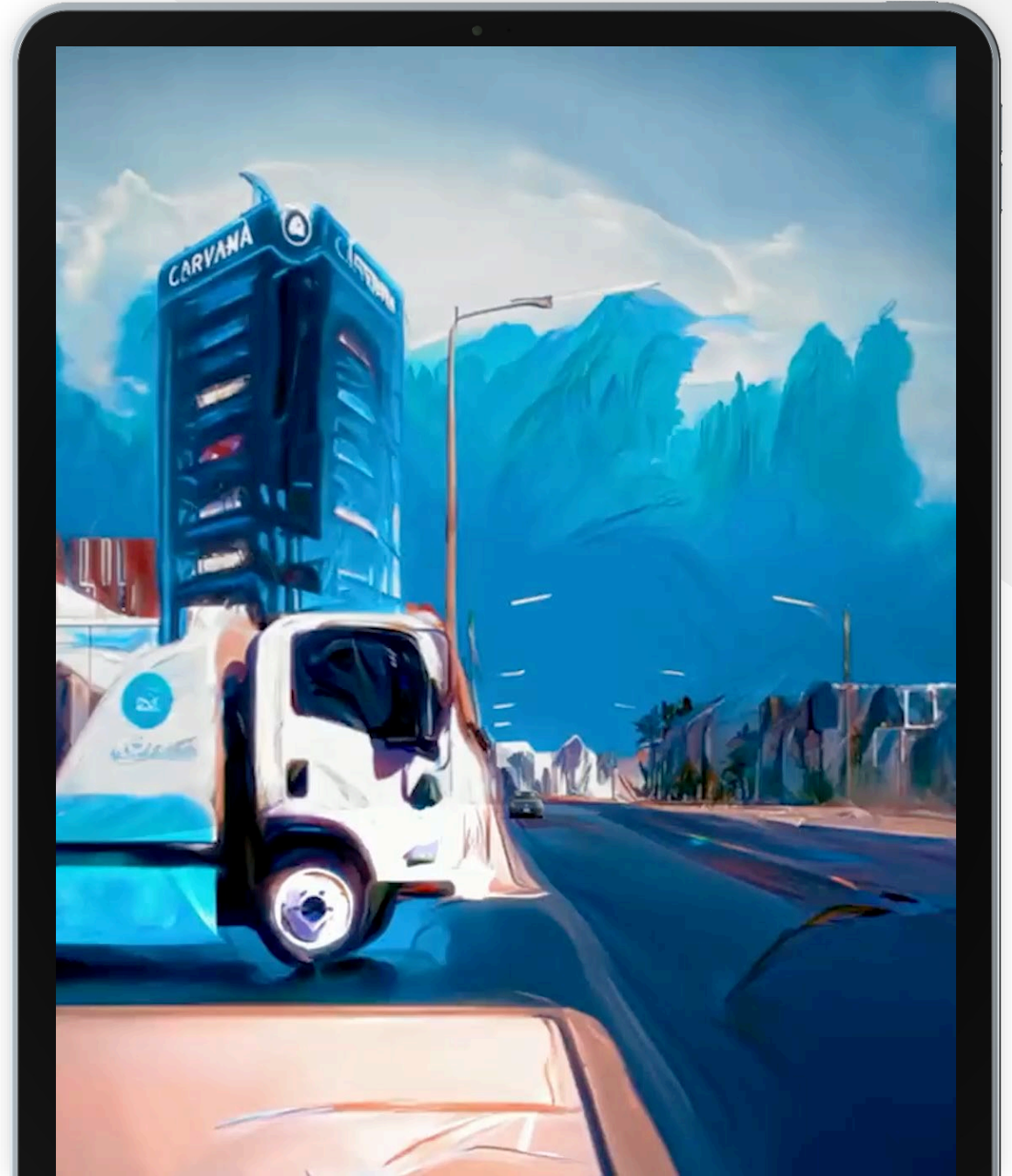
MARKETING: CARVANA EXAMPLE

Carvana's groundbreaking approach utilized AI to create 1.3 million unique videos for their customers, that included:

- ▶ Personalized vehicle recommendations
- ▶ Detailed inspections
- ▶ Virtual tours

Retailers can generate personalized videos for their customers, featuring their favorite menu items, exclusive offers, and even highlighting their loyalty milestones.

This could not only enhance customer engagement, but also foster a deeper connection with the brand.

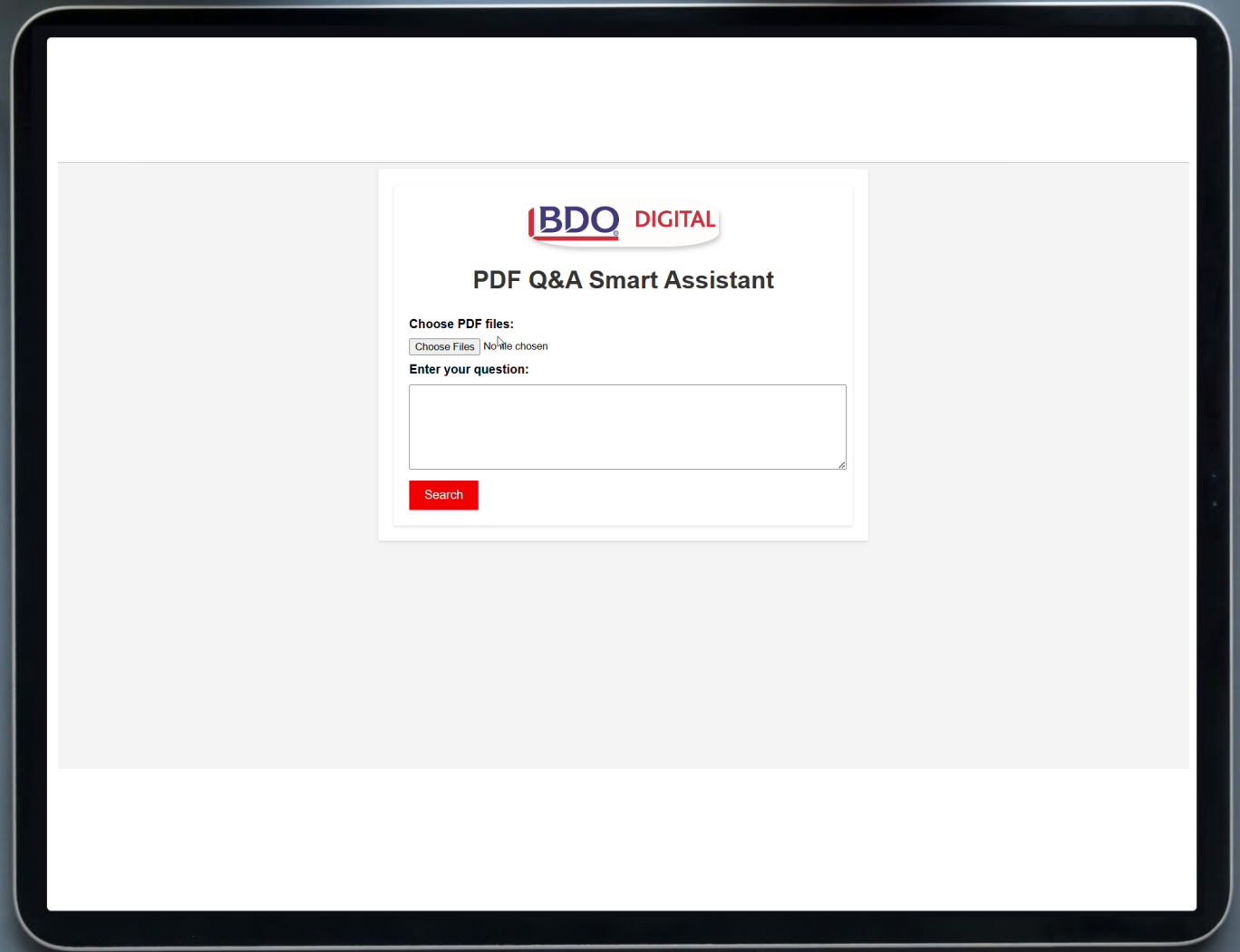


Popular Use Cases for Generative AI

CUSTOMER SERVICE

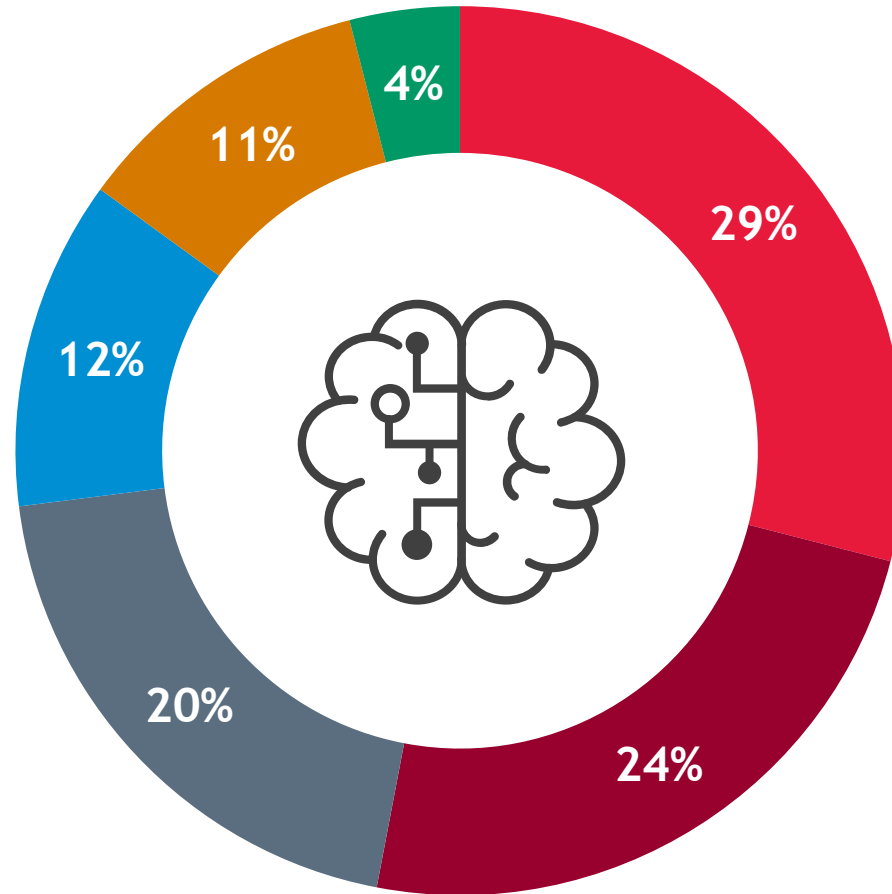


Popular Use Cases for Generative AI REAL ESTATE STRATEGY



Managing AI Risks

ARE RETAILERS OVERLOOKING CRITICAL AI RISKS?

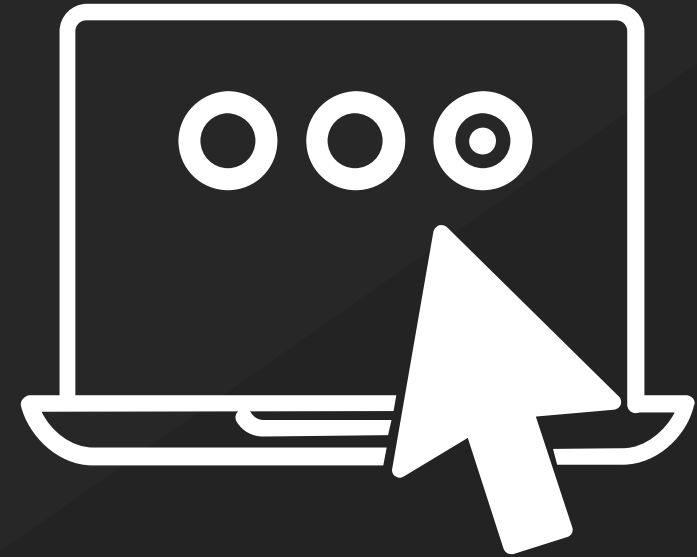


- Inability to find talent with generative AI skillset
- Generation of/or acting upon incorrect information
- Industry disruption
- AI bias/ethics
- Data privacy Risk
- Job displacement

- ▶ Only **11%** of respondents identify data privacy as a top risk
- ▶ Just **12%** of CFOs identify AI bias as a top risk

Conclusion & Methodology

Natalie Kotlyar



What's Ahead for Retailers

Retail executives have cautious optimism for 2024, marked by challenging consumer and market dynamics.

By embracing the new tools and tactics identified in today's presentation, you can set your business on a course to not only succeed but thrive in the year ahead.



Strategic deployment of data and AI in both the front-end and back-end of the business.



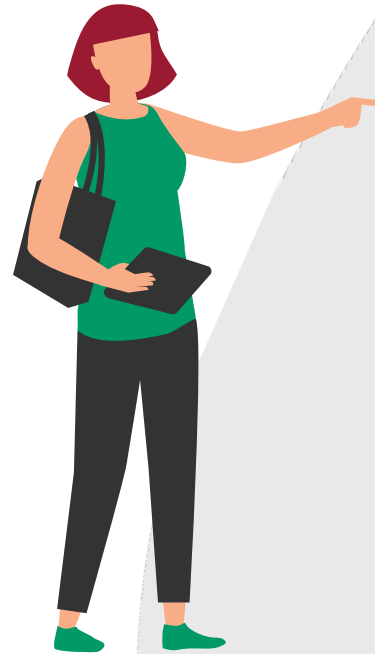
Emphasis on talent development and meaningful customer connections.



Increase visibility across supply chains and implement bold strategies to improve profitability.

PARTICIPATION QUESTION #4

Would You Like to Speak to Any of Our Presenters on the Content From Today's Webinar?



A

Yes, I would like to speak to **David Berliner's team** on “Financial Health & Resilience.”

B

Yes, I would like to speak to **R.J. Romano's team** on “Supply Chain Data & Technology.”

C

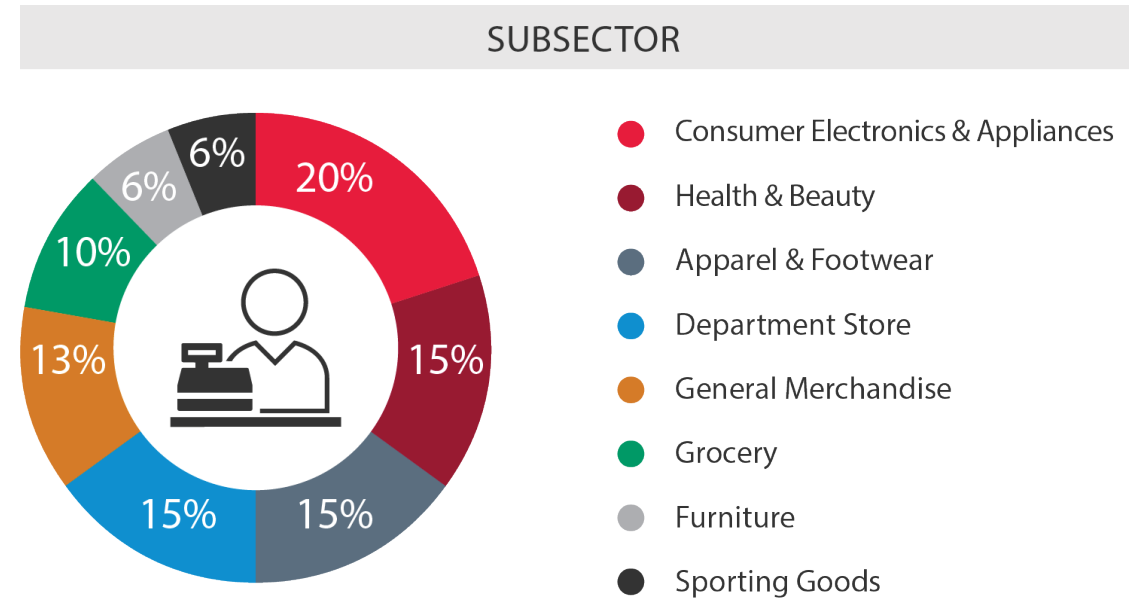
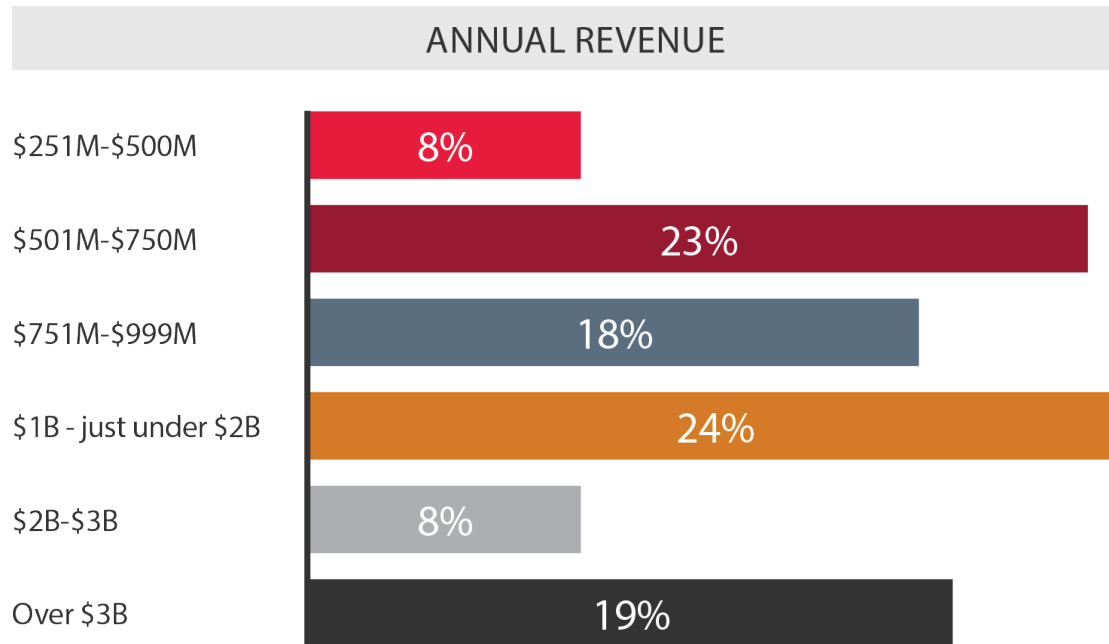
Yes, I would like to speak to **Kirstie Tiernan's team** on “Data & AI Applications in Retail.”

D

No, thank you.

Methodology

The **2024 Healthcare CFO Outlook Survey** polled 100 healthcare CFOs with revenues ranging from \$250 million to \$3 billion or more in October 2024. The survey was conducted by Rabin Research Company, an independent marketing research firm, using Op4G's panel of executives.



2024 BDO Retail CFO Outlook Survey

[READ THE REPORT](#)

2024 RETAIL CFO OUTLOOK SURVEY

Customer Loyalty Is a Competitive Differentiator



Questions?





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