

Finance and Accounting outsourcing presents a major opportunity for retailers to drive out cost from non-core activity and invest in improving the customer experience

The current economic climate of decreased consumer confidence and increased competition puts even greater emphasis on retailers to do more for less. 42% of retailers surveyed are considering F&A outsourcing as an enabler to delivering business growth and, as the market for these services has matured, the time is right for retailers to actively exploit this opportunity.

Introduction to the research

Leading BPO analyst NelsonHall, in conjunction with Xansa, surveyed 320 UK organisations in October 2005 to analyse the market for F&A outsourcing services by sector within the UK. The study applied user interviewing to derive an understanding of market drivers, inhibitors and customer requirements. 45 interviews were carried out in the Retail & CPG sectors - this document summarises the key results for these sectors and presents an analysis of the overall findings. The full report is available from NelsonHall. (www.nelson-hall.com)

Analysis

Push aside perceived barriers

The survey paints a picture of retailers seeing and actively evaluating the opportunity for F&A outsourcing along the classic lines of cost reduction and improved control. In putting together a compelling business case for F&A outsourcing in Retail, not only are massive cost reductions now available but a string of other benefits are also achievable. So why are some struggling with the business case? Whilst factors such as the distributed nature of some retail finance functions and the legacy of a constrained investment approach of recent years can present perceived barriers, these must be overcome given the scale of the

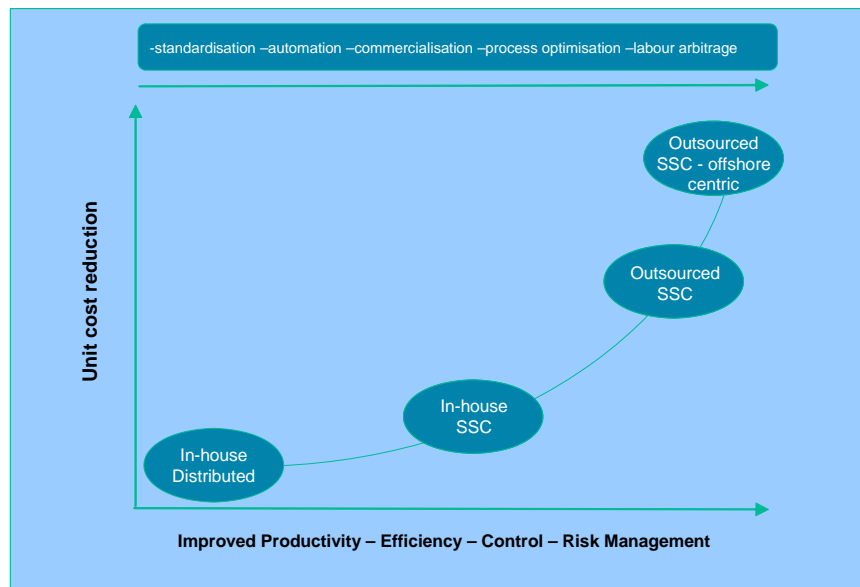
business opportunity. The 42% figure for active consideration of F&A outsourcing was the highest of any sector surveyed.

Jump the benefits queue

If achieving world-class Finance and Accounting is viewed as an evolutionary path which ranges from a distributed, in-house approach through to a centralised, outsourced and largely offshore operation, then retailers who are just starting the journey are ideally positioned to 'jump the queue' in accelerating benefits realisation. By leapfrogging organisations in other sectors who have already taken some benefits along the way but stalled before reaching the end of the journey, retailers are ideally placed to wipe the slate clean of years of constrained investment in back-office, low value add, but high volume business activities.

Of the 53% who have begun to implement or implemented F&A shared service centres, the focus is now on further reducing the cost base of the SSC, potentially through migration to lower cost locations.

F&A OUTSOURCING IN RETAIL



F&A Service Delivery model benefit curve

Exploit the opportunity

Retailers recognise they are best positioned to maximise outsourcing scale and resultant benefits by having a broader view of the process elements they would include within an F&A outsource discussion. With fewer sector-specific or regulatory issues to slow the pace and the added opportunity of technology replacement as part of the engagement, retailers are well placed for a rapid move to an outsourced, offshore model. Resolution of internal process and technology issues is no longer a mandatory precursor to engaging in an outsourcing dialogue.

Take the first step on the journey

With the benefits potential clearly acknowledged, the challenge therefore is “when and how” to exploit it as opposed to “if”. Current market pressures, together with delayed investment in integrated systems, are bringing many F&A related issues to a head and affecting competitive positioning. It will be an ability to unravel the seemingly complex

issues around outsourcing into a sensible roadmap which will mark out those organisations which will truly exploit the opportunity.

Conclusion

It would seem that retailers have everything to play for in evaluating F&A outsourcing as a way to deliver not only substantial cost savings, but also move on from years of constrained investment in world-class process delivery. Indeed the history of retailers in this field has uniquely positioned them among all sectors to now make the largest and most rapid gains.

To assess the scale of the opportunity and the options for your business, email retail@xansa.com or call Sean Murphy on +44 (0) 118 984 6130.

Key results for retail

42% of retailers are planning or evaluating an F&A outsource by the end of 2006 - the highest of all sectors.

Cost reduction, competitive pressure, enabling rapid change and delivery of greater control were all cited as key reasons for this being the highest score across all the sectors surveyed.

58% expressed the high cost of F&A services as an important issue

This figure, together with 40% of organisations perceiving high manual intervention to be an important issue, is an indication of the relative opportunities retailers could gain as against other sectors

72% expressed a willingness to transfer ERP responsibility within an outsource contract

With a low take-up of ERP packages to-date, retailers are now faced with ageing finance, HR and payroll systems and options to replace or outsource, either as standalone technology solutions or as part of a more process-orientated approach. Whilst the benefits are there to bundle the ERP implementation as part of the F&A outsourcing discussion, the next step to review a “black box” approach (where the organisation focuses on the input and output requirements as opposed to the particular technologies applied) might be a cultural “abdication” too far for most retailers.

Higher than average dissatisfaction with IT systems and availability of management reporting

Although generally satisfied with the speed of month-end reporting and debtor management, the same section also drew out higher than average dissatisfaction with IT systems and the provision of management information – again indications of a period of under-investment.

9% apply external benchmarking of F&A practices

This was the second lowest of all sectors. With an acknowledgement that there is little amongst core F&A which is retail specific, there is opportunity for retailers to measure internal performance against other sectors to provide a more objective assessment than the current internal review process.

An average of 38 business units with own P&L responsibility

With an average of 14 business units across all the sectors surveyed, retail was far and away the sector with the greatest organisational complexity. Whilst the organisational implications of F&A consolidation should not be underestimated, neither should they be seen as a blocker to the delivery of business benefit. With greater complexity comes greater potential for cost reduction and improved control.