

TOP 4

WAYS THE FINANCE TEAM ADDS VALUE IN A RETAIL BUSINESS.



BE MORE THAN A NUMBER CRUNCHER AND BECOME A VITAL INGREDIENT IN THE SUCCESS OF YOUR RETAIL ORGANISATION, WITH THESE TOP 4 WAYS THE FINANCE TEAM ADDS VALUE TO A RETAIL ORGANISATION.

1 BUSINESS PLANNING

Help to focus business planning on ways to continually innovate and adapt to the changing landscape and look for opportunities both here and abroad.

Business planning involves some key areas where you can command a seat at the leadership table:

Evolution of technology:

Inventory management, data analytics and the consumer. Are you connected with your consumer? How accurate is your inventory?

Changes in consumer behaviour:

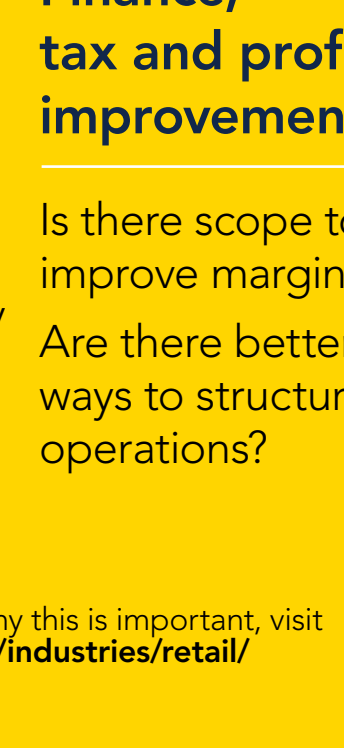
Do you use data analytics to understand your consumer better?

Online and mobile:

Is the website fast and optimised for mobile? How seamless is the customer experience?

Asian expansion:

Is your brand desirable in Asia?



Impact of global retailers:

What makes your services and products unique? Do your locations leverage foot traffic?

Vertical integration:

Is your business model sustainable with competitors looking to vertically integrate?

Finance, tax and profit improvement:

Is there scope to improve margin? Are there better ways to structure operations?

Stores:

Have you negotiated the best lease terms for under-performing stores? Are you re-examining the impact of omni channel retail and the implications for your stores?

For more information on why this is important, visit grantthornton.com.au/en/industries/retail/

2 IMPROVE WORKING CAPITAL THROUGH INVENTORY EFFICIENCIES

Retail businesses are made and broken by their ability to predict and manage inventory levels to meet demand without an oversupply. Here are three steps to improve your working capital situation by ensuring an efficient inventory system.

STEP ONE

ANALYSIS AT THE STOCK KEEPING UNIT (SKU) LEVEL

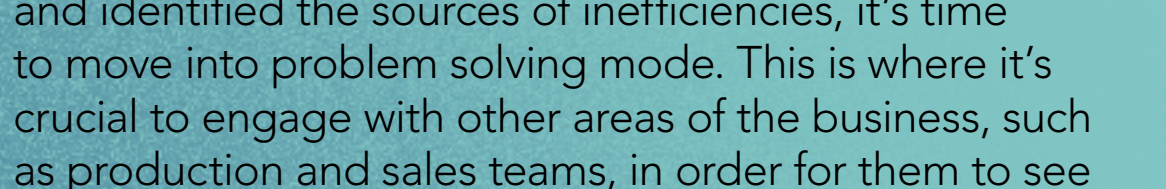
Analyse current raw material, work in progress and finished good inventory at the SKU level to drive inventory efficiencies. This helps understand the value and level of inventory, plus coverage costs for each SKU against historical and future demand. Avoid completing this analysis at the category level though – it can hide individual SKU under or overstocking issues.

STEP TWO

IDENTIFY THE KEY DRIVERS OF INEFFICIENCIES

Your inventory analysis at the SKU level completed in step one now becomes your base reference to identify the causes of inefficiencies:

Production processes Product proliferation Customer proliferation



STEP THREE

PUTTING IT ALL TOGETHER

Once you have completed your inventory analysis and identified the sources of inefficiencies, it's time to move into problem solving mode. This is where it's crucial to engage with other areas of the business, such as production and sales teams, in order for them to see where the inefficiencies lie, and what some possible solutions are.

3 TRANSFER PRICING AND INTERNATIONAL RETAIL EXPANSION

Expanding into overseas markets is a major source of growth for Australian retailers, especially given our relative market size compared to other countries. As a finance professional, your involvement in the global expansion strategy ticks all these boxes:

- * Complex tax issues are managed and profits taxed reasonably

- * Documentation of transfer pricing policies and ensured compliance at local and cross jurisdictional levels

- * Reduce risk of double taxation scenarios and manage the interaction between transfer pricing, custom duties, royalties and withholding taxes

- * Define and document the entity that creates value to minimise risk and possibly obtain tax deductions.

4 SHOPPING FOR GROWTH THROUGH MERGERS AND ACQUISITIONS

Mergers and acquisitions (M&A) are proving to be major sources of growth in the retail sector in Australia, especially with low levels of consumer confidence and high levels of competition. A recent review of global retail deal activity over the past four years by Grant Thornton, revealed that Australia placed seventh in terms of deal volume – a high ranking considering the relative size of Australia's economy.

And surprisingly, the majority of the deals were in the food retail category:

Percentage of deals per category



With the increasing likelihood of M&A activity becoming a major source of growth, your expertise will become invaluable.

For the full report by Grant Thornton, visit grantthornton.com.au/en/industries/retail/

RETAIL ACCOUNTING AND FINANCE FORUM

The retail accounting and finance forum is your opportunity to hear more about these issues and how finance can come together with other areas of the business to achieve growth, innovation and a competitive advantage.

Find out about the latest global trends and developments direct from industry experts including Woolworths, Telstra, David Jones, JB HI-FI, Kent & Lime and Grant Thornton.

Program and registration details are available at cpaaustralia.com.au/retail