



Industry Perspective

Future-Ready Retail Requires a New Approach to ERPs



Retailers know that change is constant—but in the last few years, the industry has seen change accelerate at a spectacular pace.

Amid so much change, a retailer’s ability to adapt is paramount to its ability to survive—let alone thrive. Yet adaptability is challenged by monolithic enterprise resource planning (ERP) systems. “In many cases, retail ERP systems are old and disparate, cobbling together a lot of different point solutions,” says Karen Schreiber, principal/partner at KPMG. Rather than delivering a one-size-fits-all solution, these brittle systems tend to be resource intensive and require customizations and upgrades to stay current.



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Principal/Partner, KPMG

“The world is changing, and retail is changing, and we’re seeing more desire for systems that drive greater analytics and insights,” says Schreiber. “Retailers are having to quickly figure out how to get on board with the back-office technology advancements they haven’t taken advantage of over the last 10-plus years so as not to be left behind.”

To maximize both adaptability and analytics, retailers need a platform that seamlessly integrates middle- and back-office systems, while providing more flexibility and freedom to choose best-in-class applications. Retailers need what some organizations call a [composable ERP](#) and others call an [enterprise management cloud](#) solution.

While both legacy ERPs and their modern alternatives target core business functions such as finance and human resources, the latter is built with adaptability at its core. Highly flexible and configurable, a composable ERP can evolve over time, adding new best-of-breed applications as they emerge and removing outdated solutions—without disrupting the business.

An agile data architecture allows retailers to seamlessly integrate with other systems without compromising data security or privacy. And because cloud-native solutions are built on a common data core, they’re better able to leverage automation and machine learning to drive stronger value creation versus value tracking.

“ERPs cannot keep up with the ever-changing nature of business,” says Joe Wilson, CTO, Americas, Workday. Wilson points out that ERPs date back to the 1960s—what has changed since then? For retailers, almost everything. Yet legacy systems haven’t fundamentally evolved, despite the “lift and shift” strategy some retailers have used to move on-site systems to the cloud. As Wilson says, “Unlike classic cars or fine wines, ERPs do not get better with age.”

A legacy ERP forces retailers to play by its rules; a composable ERP plays well with others. Retailers that make the shift to a modern solution will be better positioned to adapt as business changes—now and into the future. Following are five considerations that are driving more retailers to rethink their enterprise management strategies.

Unified data.

Never before has the retail industry had so much data waiting to be mined—it’s sitting in digital systems spanning everything from point-of-sale, customer engagement, e-commerce, and foot-traffic details to merchandising and warehouse management, contingent labor pools, and store information. But what use is all that data if it’s stuck in disparate systems and siloed by function?

Retailers may have a lot of data, but that doesn’t mean it’s accessible or reliable. In fact, more than 1 in 3 retail executives cite access to high-quality data as one of their biggest barriers to achieving their transformation goals, according to a [Workday report](#). And legacy ERPs exacerbate that problem because data is stored in relational databases and often requires manual extraction prior to collaboration or analysis.

By contrast, a cloud-native enterprise management system seamlessly pulls together data from across the enterprise—as well as blending data from third-party solutions—into a single unified platform, so data can be accessed and analyzed in real time. That’s a game changer for leaders asked to support strategic decision-making, often with only a fragmented view of company data. Among finance leaders, for instance, [Workday research](#) shows there’s broad consensus that technology to unify people, operational, and financial data would greatly improve real-time decision-making and accelerate planning cycles.

“Finance is increasingly being asked to help guide strategic decision-making, as more of a business partner rather than a machine shop that closes the books,” says Glenn Hare, senior director, industry GTM delivery leader, Workday.

Visibility is worthwhile. But the full value of a cloud-native solution stems from its ability to leverage machine learning and automation—and the underlying data architecture built for similar tech breakthroughs as they emerge. With tech all but eliminating manual, repetitive tasks, finance spends less time closing the books and more time telling the data story—leading to better business decisions and business value.

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Fit-for-purpose flexibility.

For decades, ERPs have claimed to provide a comprehensive solution. But in trying to be all things to all retailers, legacy ERPs fail to provide a complete solution. ERPs require complicated customizations and costly updates, and any retail functionality still demands custom integrations and the navigation of multiple data silos.

“For many retailers, their systems are not what they would have created if they had started from scratch. Rather, their systems have become mazes over time—difficult to navigate and to untangle,” says Keith Mattioli, principal, KPMG. “If a retailer wants to replace one small system—say, merchandising or rewards or supply chain—the sheer complexity of decoupling the existing system from their ERP is so great that retailers find themselves stuck. They start building technical debt.”

And when one retailer merges with another, Hare says it’s brutal to integrate it into the ERP system. Retailers looking to swiftly onboard an acquisition may be slowed down by multiple tools and different data formats.

By contrast, a composable ERP is designed for retailers to swap new solutions in and out, accommodating the reality of today’s—and tomorrow’s—ever-changing technology landscape. Retailers can easily harmonize data across new business models or acquisitions. And they can choose their tools—such as inventory or merchandising systems—to fully capture the value of those solutions, blending data from real-time tech with historical data to surface richer insights and trends.

“Modern technology platforms can and should provide agility for retailers by integrating isolated movements—across inventory, finance, HR, point-of-sale, marketing, CRM—so it all comes together, and any of it can change quickly and easily,” Wilson says.

Retailers still need a stable, reliable technology core; otherwise, they risk assembling a jigsaw puzzle of ad hoc apps and digital capabilities that don’t work together in real time. A modern, composable ERP provides this digital backbone, supporting the operation of other industry-specific systems and allowing retailers to blend data from internal and external systems.

“To be more nimble and flexible, retailers need different solutions from different vendors,” Mattioli says. “And they need an architecture that allows them to do that—to plug and play different solutions. The more flexible and adaptable their systems, the better they can react to what’s happening in the marketplace.”

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DNA-deep security.

According to a [global study](#), retail had the second-highest rate of ransomware attacks among all sectors, with 77% of retailers hit—a 75% increase. The rise of remote and hybrid work has made security an even more pressing issue, as hackers increasingly target not just individuals but service providers—which can affect a retailer’s ERP and core financials.

Disparate legacy ERPs only exacerbate retailers’ vulnerability. “For many retailers, there are a lot more opportunities for attacks because legacy ERPs have more moving parts, more integrations, and more third parties involved,” Mattioli says. “A consolidated ERP solution pulls many things into one place, so there’s only one door to protect.”

That speaks to a fundamental irony of enterprise resource systems: legacy ERPs are often presented as one platform but are actually comprised of different systems. A composable ERP allows for different systems to interact with each other—but with a singular security model.

“At its root, the idea of the composable ERP is that the systems need to be able to coexist and be better together, and that’s predicated on a modern design that is open and secure,” says Wilson. “For retailers, speed alone isn’t enough. They need to be able to safely navigate in the fast lane, or risk getting passed by someone who can.”

Empowered users.

Retail customers want a consistent, friction-free experience across every touchpoint. And employees want the same thing. Yet many retailers burden their workforce with clunky ERP systems, which can lead to higher attrition particularly in an industry that’s seen an annual turnover of frontline workers above [60%](#) for years. And while higher inflation and economic uncertainty has cooled the red-hot talent market that marked the Great Resignation, 56% of organizations say they’re still grappling with frontline employee turnover that’s higher than the historical average, according to a [2022 Workday report](#). Nearly half of the organizations believe the historic turnover will be greater in the year ahead.

An enterprise management cloud can help retailers deliver a better employee experience by unifying the systems and information an employee needs into a personalized and intuitive interface on a single platform. That means everyone—from FP&A analysts to frontline store managers—feels empowered and informed, whether they’re seeking accrual of paid time off, updating their skills profile, or requesting a schedule swap. And being cloud-based means the data is accessible anytime, anywhere—a must for the new norm of hybrid and remote work.



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Business leaders can also track and analyze workforce patterns to better understand and address the needs of their people. Workday research found that **60%** of organizations that are leaders in managing frontline workers say that data guides their evaluation of the employee experience. For example, if data around employee departures shows that caring for a family member is driving turnover, the retailer may want to adjust its extended leave offerings to provide greater flexibility for employees—while also boosting its talent retention.



Always-on adaptability.

Retailers had to pivot during the pandemic. And now more than one-third of retail executives expect three-quarters or more of their revenue to come from digital sources within the next three years—a threefold increase over the previous year, according to the latest Workday [global retail survey](#).

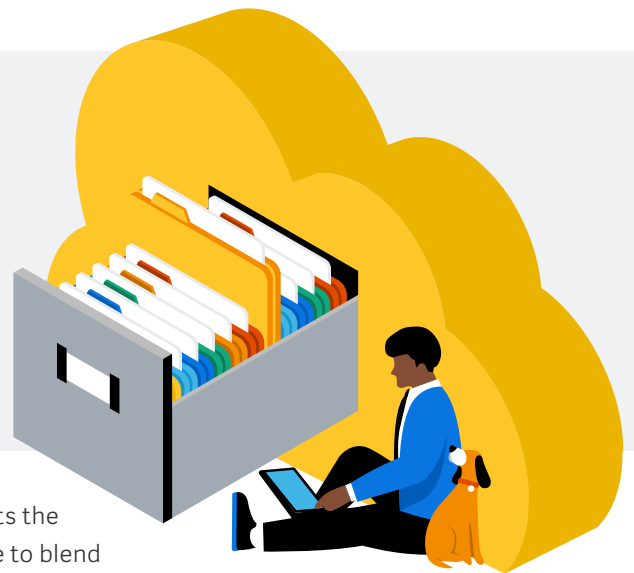
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But any omni-channel shift can have impacts on a company's entire ecosystem, says Schreiber, pointing to the uptick in labor needs that brick-and-mortar stores might experience when a brand allows online sales to be returned in store. "Being able to look at real-time sales and real-time returns and call in additional resources on a dime—that agility and real-time analytics are becoming even more critical for retailers," Schreiber says.

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However, it's hard to leverage real-time analytics when your ERP limits the scope and scale of your view. Insights surface when retailers are able to blend data points with vastly different data sets—from workforce data to store energy usage—to provide opportunities to drive revenue, find efficiencies, or innovate.

"The data point is the artifact that lands on the journal or general ledger," says Wilson. "But what's really important is to understand the broader 'who' and 'why' and 'how'—to have this cross-pollination of data between key systems, aligned with finance, to build this much better story about what is and isn't working, and where the company might want to iterate next."

Rather than risk a knee-jerk reaction to an isolated data point, business leaders have a panoramic, context-rich view of that data, making it that much easier to optimize a plan. Not many legacy ERPs have that adaptability.

A new ERP for future-ready retail.

The retail industry is facing an onslaught of challenges, changes, and opportunities—at a dizzying pace. But clinging to the familiar ERP can actually make it that much harder for retailers to navigate the future.

“Companies that have gone to a cloud-based ERP platform have seen reduced manual effort, greater controls, automated controls, greater data integrity, greater data transparency to drive better insights, more actionable insights, more real-time data access—the list goes on,” says KPMG’s Schreiber. “Companies are seeing a lot of value in going there, and they’re starting to see the return on that investment usually by the end of the first quarter.”

An outmoded ERP requires a retailer to operate on its terms. A composable ERP serves retailers and their changing needs. Would you rather work for your system, or have your system work for you? The choice is clear: by harnessing data more seamlessly and intelligently, a cloud-native, composable ERP system can power business performance today and far into the future.

To learn more about how Workday can help your organization, visit: workday.com/retail.



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+1-925-951-9000 +1-877-WORKDAY (+1-877-967-5329) Fax: +1-925-951-9001 workday.com

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