

2024 RETAIL CFO OUTLOOK SURVEY

# Customer Loyalty Is a Competitive Differentiator



# Retail & Consumer Products at a Glance

Retail CFOs report positive but tempered outlooks as revenue expectations decrease while profitability expectations increase. To boost profitability with the consumer wallet being more fixed than ever, retailers are depending on improving pricing strategy and inventory management, as well as cost cutting. Those levers, however, may not suffice. To thrive, retailers must enhance customer experiences through the strategic use of data.



## Key Takeaways from the 2024 Retail CFO Survey



### Price increases lie ahead.

Seventy percent of CFOs plan to raise prices again this year, though the majority say those increases will be slight as opposed to significant.



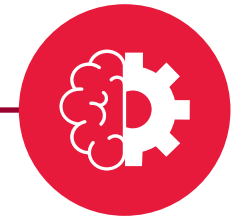
### Retailers are tired of inventory inaccuracy.

To help better forecast inventory needs, retailers turn to technology, with 55% planning to deploy scenario modeling and predictive software this year.



### Retail CFOs look to maximize talent.

Fifty-two percent of CFOs plan to pursue more upskilling or reskilling opportunities for their employees, which is, at least partly, to create data-driven models around customers, products, and experiences.



### Retailers are bullish on generative artificial intelligence (AI).

Forty-five percent say they are building a proprietary generative AI platform.

# Table of Contents

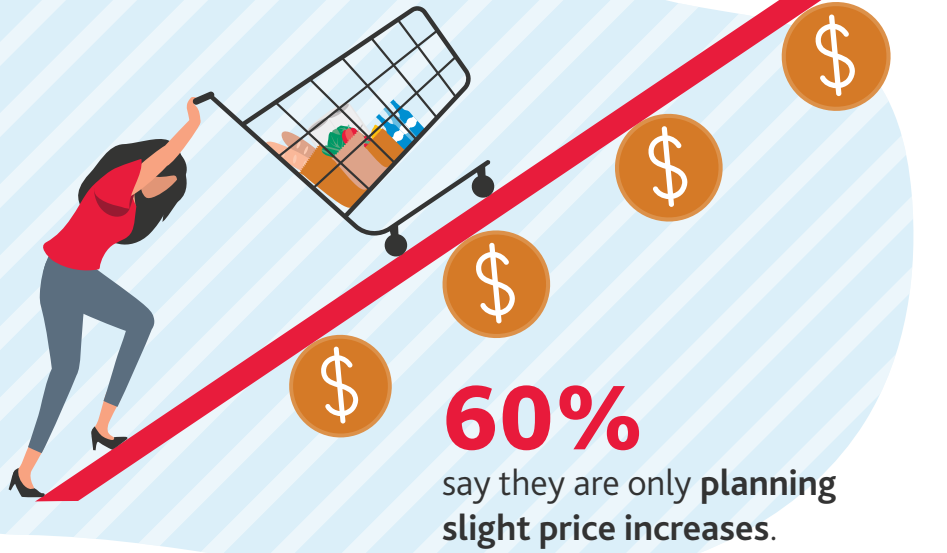
# Retailers Stuck in Pricing Limbo

Retailers have been caught in a pricing “game of chicken” that will almost certainly continue throughout the year ahead. Retail CFOs plan to raise prices again in 2024 while consumers seek deals and discounts. While discounts are typically a last resort, toward the end of 2023 it became clear that consumers were winning this game, as many retailers offered steeper discounts than that last four years ahead of the holiday season. However, as December continued, retailers tried to pull back on those discounts, underlining the ongoing pricing limbo that retailers find themselves in.

## Planned Price Hikes

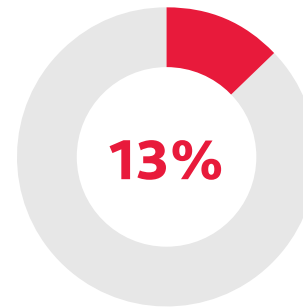
**70%**

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

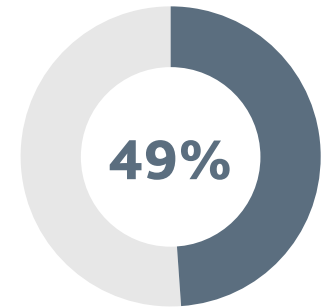


To navigate this dynamic in 2024, retailers will be counting on pricing modifications and cost optimization strategies supported by AI, as potential alternatives to continued discounting. Forty-two percent plan to pursue pricing strategy adjustments. While these tactics can help, they are unlikely to take retailers from surviving to thriving, particularly because raising prices will likely drive customers to lower-priced competitors or customers won't make the purchase at all.

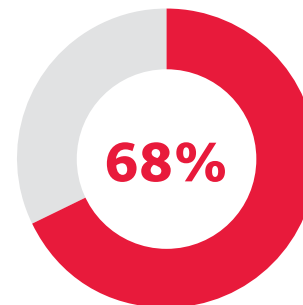
## Thrivers & Survivors' Performance vs. Expectations



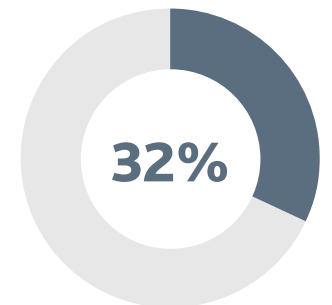
**2023 Performance:** Thriving (Profitable and/or Experiencing Robust Growth)



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



**2023 Performance:** Surviving (Breaking Even and Stable)



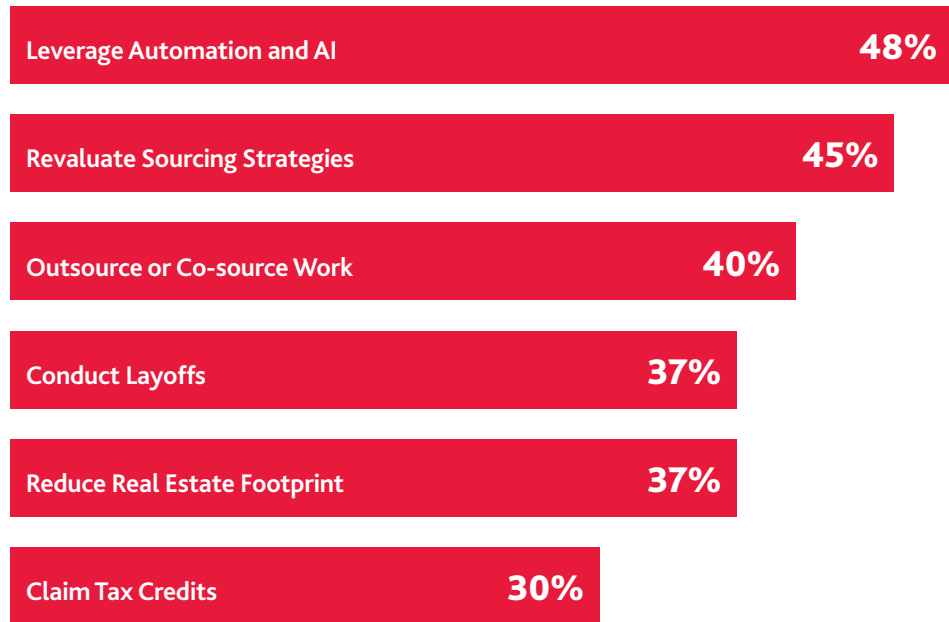
**2023 Expectations:** Surviving (Breaking Even and Stable)

As discretionary spending slows and tough macroeconomic conditions hamper profits, few retailers are thriving. Last year, nearly half of retailers anticipated they would be thriving in 2023 but were unable to realize the fiscal health they had hoped for. Instead, many report they are surviving.

In the last 12 months, 61% say their revenue increased 1-25% compared to the 71% who said the same last year. This year, it seems retail CFOs are taking an even more conservative approach to revenue projections: 65% of CFOs expect increases, down from 86% last year.

However, respondents report a slightly more optimistic profitability outlook for the year ahead: 40% say they anticipate profitability will grow by 10-25%, up from 31% last year. Retailers likely expect price adjustments, cutting costs, and better inventory accuracy will help protect their margins. Many CFOs also anticipate inflation will continue to ease, which would help encourage discretionary spending. But to really boost sales retailers need to compete beyond price and focus on other elements of the customer experience (CX).

### Cost Optimization Strategies for the Year Ahead



### THE X FACTOR: BUILDING BRAND LOYALTY

It may be beneficial for retailers to shift efforts from short-term profit generation to nurturing long-term brand loyalty by improving in-store and digital experiences. In store, tactics can include developing content or media that speaks to the customer's preferences or building an interactive, experiential element that fits the brand. Online, dynamic websites and AI-powered marketing that shifts based on known customer attributes can also boost conversion.

Competing on customer experience is successful when retailers know their customers, making calculated investments in AI tools a make-or-break strategy in 2024. AI can produce insights that help personalize recommendations or inform tailored, loyalty rewards. To take AI application further, retailers may consider virtual try-on capabilities, which can help reduce returns.

Other, and potentially bolder, strategies to grow sales may include establishing alternative revenue sources, such as complimentary brand partnerships.

### RETAIL PREPARES FOR THE UNEXPECTED

While some retailers remain hopeful this year, many are still building in cushions. They are borrowing more money to cover costs, with 79% expecting debt increases this year compared to 48% last year. With that jump in mind, there will likely be an increase in distressed retailers — such as those in consumer appliances, furniture, home goods, and electronics — taking on more debt.

Overall, retail CFOs don't want to be underprepared after enduring significant volatility over the last three years. In case of a downward economy, many have triage tactics prepared, with 67% reporting they have more than one ready. These back-up plans may include restructuring or engaging in M&A.



# Recommendations

To navigate yet another tricky year ahead retailers should diversify their tactics:

# 1

## Use data to time discounts.

Promotional strategies can significantly impact a retailer's profit margins. CFOs should use AI tools to be deliberate about the timing of discounts, in concert with planned price hikes, to maximize sales and compete with discount retailers. This will be critical as consumers continue to hunt for discounts, forcing retailers to adjust.

# 2

## Keep an open line with lenders.

Communicate financing plans to lenders and be forthcoming about any signals of distress early on to build credibility and trust. This may help to secure more favorable terms in the future and is especially true for those taking on additional debt.

# 3

## Don't ignore the store.

Relocation, such as moving out of major malls to neighborhood storefronts, is an important real estate strategy to be closer to target consumers, particularly as many customers still work from home and no longer commute from dense areas, where larger format locations may primarily be.

# 4

## Prioritize supply chain improvements.

While retailers are likely to be limited when it comes to spending, increasing warehouse operation efficiencies and improving inventory management could be worthwhile investments. Leveraging predictive analytics can greatly help organizations pick SKUs that sell.

Unsure about your organization's financial footing?  
Use our *Retail Health Assessment* to get clarity.

# Supply Chains Lack Actionable Data

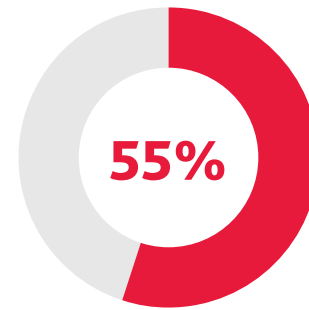
Inventory accuracy and forecasting is top of mind for retailers this year, but the challenge is less about an insufficient understanding of customer demand to inform inventory decisions. Instead, the primary issue is a lack of timeliness and retailers' inability to act on the data quickly enough. Retailers have come a long way in understanding what their consumers want, but the demand data used is often not far enough in advance to make real-time, let alone predictive decisions, with confidence.

Compounding this is the speed at which retailers analyze said data and communicate with suppliers — especially those overseas — with enough time for them to act on it. In most cases, retailers' production and inventory lifecycle systems are not set up to pivot in lockstep with consumer trends as they cycle, yet they need to be. Accelerated, data-driven decision making is critically important as supply chains and inventory management tactics become more complex than ever.

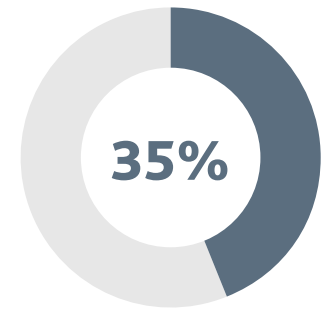
To improve inventory accuracy and restock shelves faster with in-demand products, retail CFOs are turning to advanced technologies such as scenario modeling and predictive AI.



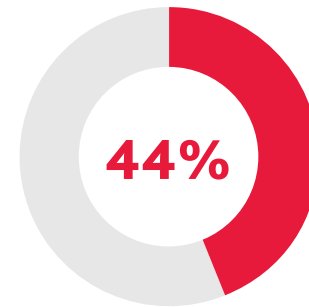
## Planned vs. Already Deployed Supply Chain Technology



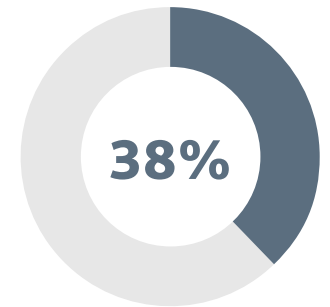
**Planning to Deploy:**  
Scenario Modeling Software



**Already Deploying:**  
Scenario Modeling Software



**Planning to Deploy:**  
AI/Machine Learning



**Already Deploying:**  
AI/Machine Learning

## MARKETING AND MERCHANDISING MAKE THE PERFECT MATCH

Whether it's expansion into a new market, natural disasters, changing suppliers, or adjusting for a change in consumer spending, scenario modeling allows retailers to see how specific events will impact their network. Additionally, the power and applicability of AI is vast — a primary use case being its ability to ingest large amounts of dispersed data to help better forecast customer demand.

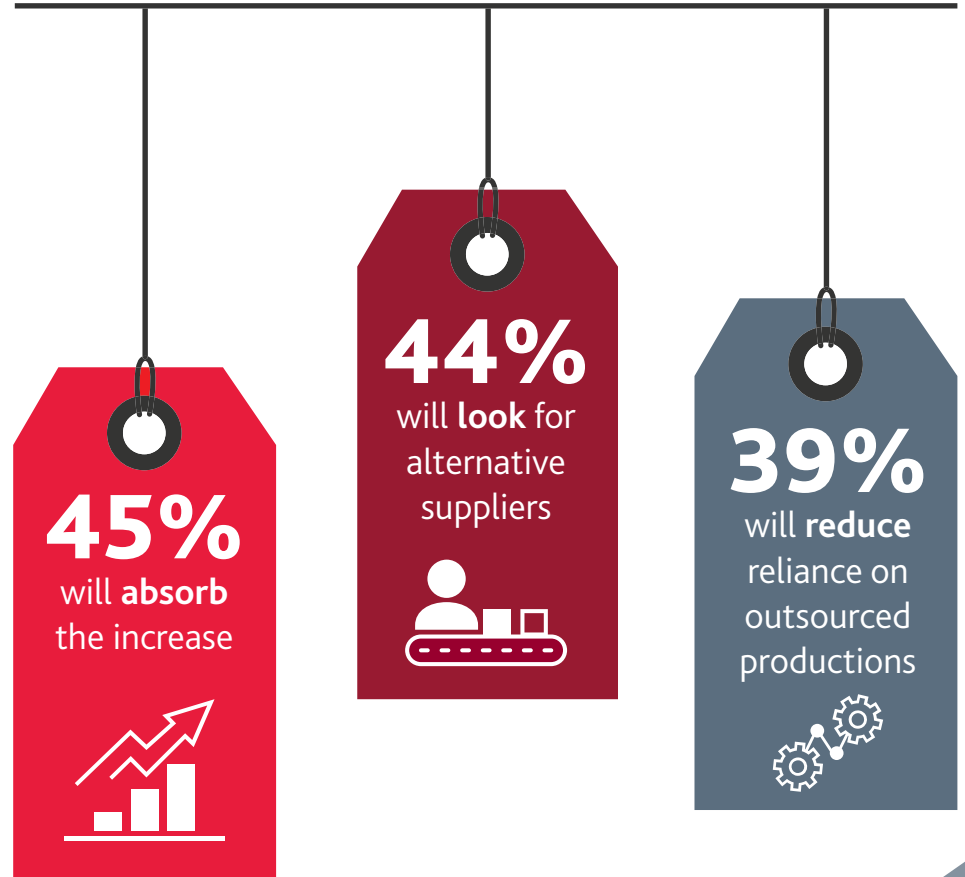
Technology alone is not enough to solve retailers' supply chain issues regarding timing. To do this, retailers need to improve the harmony between merchandising and marketing. There's often a disconnect between sales functions — those analyzing consumer data to make decisions about upcoming trends — and inventory and merchandising functions — those who communicate with suppliers. Resolving this presents a major opportunity to accelerate inventory-decision timing and increase sell-through.



## ZOOM IN ON SUPPLIER STRATEGY

Digitizing supply chains and improving network agility also helps retailers manage higher costs of goods sold (COGS), which may remain a key concern in 2024 amid wavering discretionary spending. Retail CFOs' top strategy (53%) to address higher COGS is improving supply chain systems and visibility. Changes to supplier strategy, like nearshoring or finding alternative suppliers, can also play a role in managing costs and improving supply chain lead time and resiliency.

### Tactics for Managing Higher COGS





“

*For many organizations, sustainable supply chains are pivotal for growth and success. There are multiple ways to shift toward sustainability, such as teaming up with new suppliers to revamp products or optimizing the manufacturing network to reduce your carbon footprint. These strategic steps can help retailers cater to evolving consumer preferences and satisfy the growing demand for eco-friendly products.*

**R.J. ROMANO**

Supply Chain Managing Director

Retailers on an ESG journey can implement a variety of initiatives to gain various benefits. One consideration is to develop a strategic sourcing strategy around the supplier network to identify opportunities that diversify or optimize partnerships. Retailers can work with current suppliers, and new or alternative suppliers, to set expectations around ESG performance and transparency.

Almost half of retail CFOs (46%) expect to be more involved in conversations around ESG strategy and execution this year. In part, respondents may be addressing prominent ESG issues such as the Uyghur Forced Labor Prevention Act (UFLPA), given increasing consumer demand for transparency on product manufacturing. Adjusting to work with sustainable suppliers can support this effort.



# Recommendations

To overcome today's supply chain hurdles, retailers should consider the tactics below:

# 1

## Leverage scenario modeling software.

2024 should be the year retailers adopt scenario modeling technology to better inform inventory decisions. Scenario planning technology, predictive analytics, and AI should all be considered a priority for investment.

# 2

## Reassess the necessary skillsets for supply chain roles.

Identifying and understanding micro-trends requires employees with deep data and AI skills. With customer data as the foundation of inventory accuracy, retailers should look to hire candidates across roles with AI knowledge or upskill their current staff.

# 3

## Prioritize ESG reporting compliance.

Retailers should begin compiling, standardizing, and refining processes for sustainability reporting. Analyzing data related to their carbon footprint and other ESG initiatives will also be needed for disclosure and compliance with reporting requirements, such as California's new climate reporting laws (SB 253, SB 261, and AB 1305) and the UFLPA.

# 4

## Proactively manage disruption when switching suppliers.

When nearshoring or diversifying suppliers, retailers should take steps to minimize the impact on customers. This means fine-tuning supplier relationship management processes and increasing communication between internal supply chain executives and external partners to avoid delays that may result from changes to supplier strategy.

Learn more about the benefits of scenario planning today and tomorrow in our *Future Proof Retail* insight.

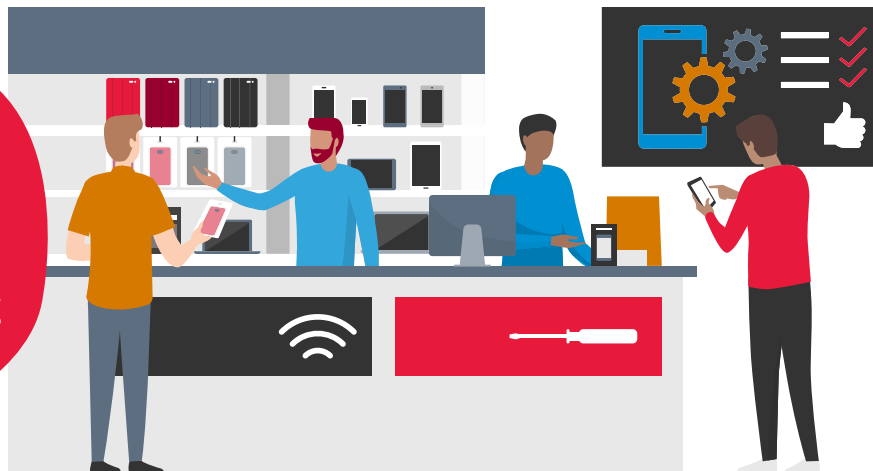
# Spotlight: Improving Customer Experience With Upskilled Employees

Retail CFOs don't identify talent shortages as a major issue in 2024, with nearly half of respondents (48%) citing that it's less of a risk compared to one year ago. That's a positive sign for the industry but getting the right talent in place remains a challenge: 32% of retail CFOs say their main labor concern relates to inadequate CX.

More important than the number of employees in place is whether they possess critical soft skills to connect with the customer and personalize the experience. Retailers must prioritize talent management for both in-store and eCommerce channels to establish an engaging experience and maximize sell-through. In-store staff should be trained to ask appropriate questions of the customer to gauge which items to upsell, or leverage tablets or devices to showcase product customization options they may not have in store. To build a memorable brand experience, it's essential to hire talent with a diverse set of skills in AI and communication. Equally important is investing in the upskilling and reskilling of current staff.

## Top Workforce Strategy for 2024

**52%**  
of retail CFOs plan  
to increase  
upskilling or reskilling  
opportunities



With AI-powered training programs, retailers can better leverage lessons learned from customer engagements and tailor upskilling efforts to their specific CX gaps. Using AI, retailers could also identify trends in employee engagement, which, based on productivity and morale, can be used to determine which training programs would yield the best results and empower employees.

## BDO's Take

Tailored training will be particularly important as the industry sees the store-associate role evolve. Associates are expected to wear multiple hats, serving the roles of cashier, customer service specialist, stylist, last-mile delivery or Buy Online Pick Up in Store fulfillment manager, and even social media influencer. Maximizing talent will be a careful balance of upskilling and automating select tasks that don't require soft skills.

Ahead of making workforce changes, CFOs must first consider whether investments in their human capital strategy align with the organization's broader business model and company culture.

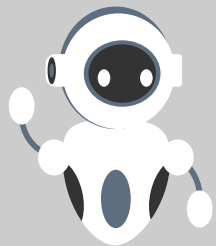
**Ready to learn more about how technology supports the future of workforce upskilling? Read our insight from the *Future Proof Retail* series.**

# Full Steam Ahead for AI Adoption

The connection between digital and pricing strategies is increasingly evident, as 46% of retailers are already using AI to optimize prices. Going forward, they will likely leverage it further to manage costs, forecast issues, and adjust their sourcing and inventory strategies to better meet demand. Further illustrating the connection between technology and managing profits is the fact that 48% of retailers plan to use AI and automation tools to help with cost optimization over the next 12 months.

However, AI outputs are only as strong as the corresponding data inputs, which need to be accurate for insights gleaned to be operable. Using AI to ingest information on customer experience and measure satisfaction is one way retailers can derive powerful insights and make strategic decisions that align with the voice of the customer. It will be critical for CFOs to be involved in their organization's digital strategy to build a strong data foundation for AI usage.

## CFO Involvement in Digital Strategy

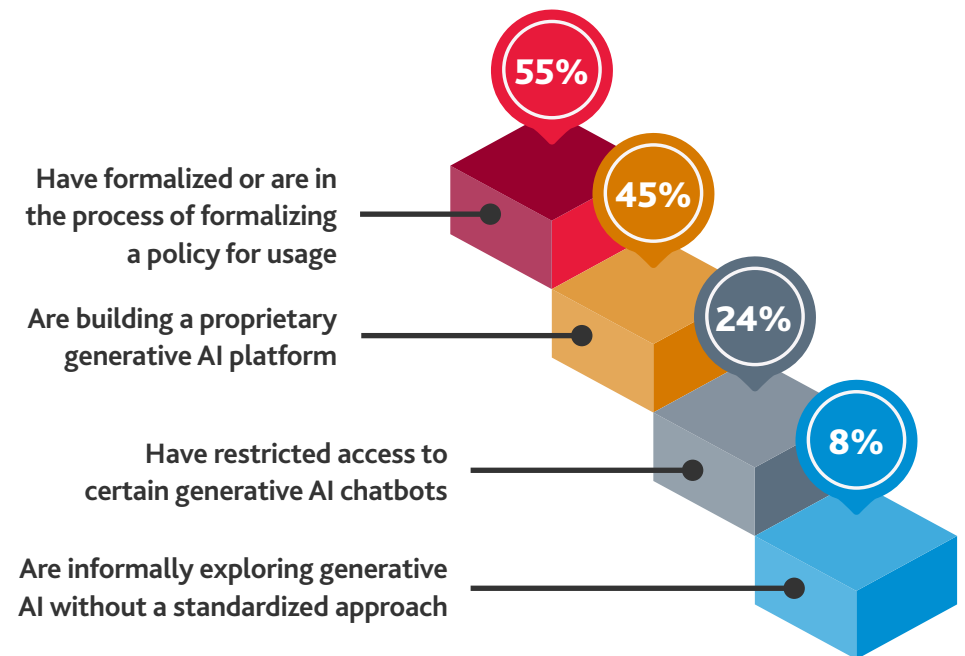


**59%** of CFOs expect their involvement in strategic conversations around digital transformation to increase in the next 12 months

## SEIZE THE GENERATIVE AI MOMENT

Retailers are also actively exploring generative AI, and in many cases, leveraging third-party platforms to experiment. Our survey suggests that retailers are ahead of the curve when it comes to generative AI, with 55% already formalizing policies compared to an average of 48% for all other industries surveyed. This demonstrates that retailers are quickly moving from inquiry to implementation, as use cases and testing opportunities for generative AI in retail are ample.

## Current Approach to Generative AI



**Popular use cases for generative AI in retail include:**



Creating marketing materials and hyper-personalized experiences to improve CX.



Developing SKU rationalization plans and inventory roadmaps to help better predict and prepare for necessary inventory changes.

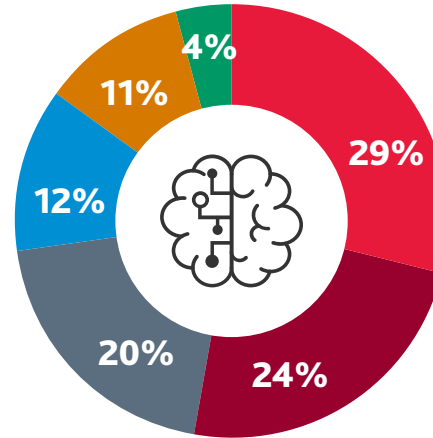


Generating responses to employee questions via chatbots, which can help speed up employee training and education.

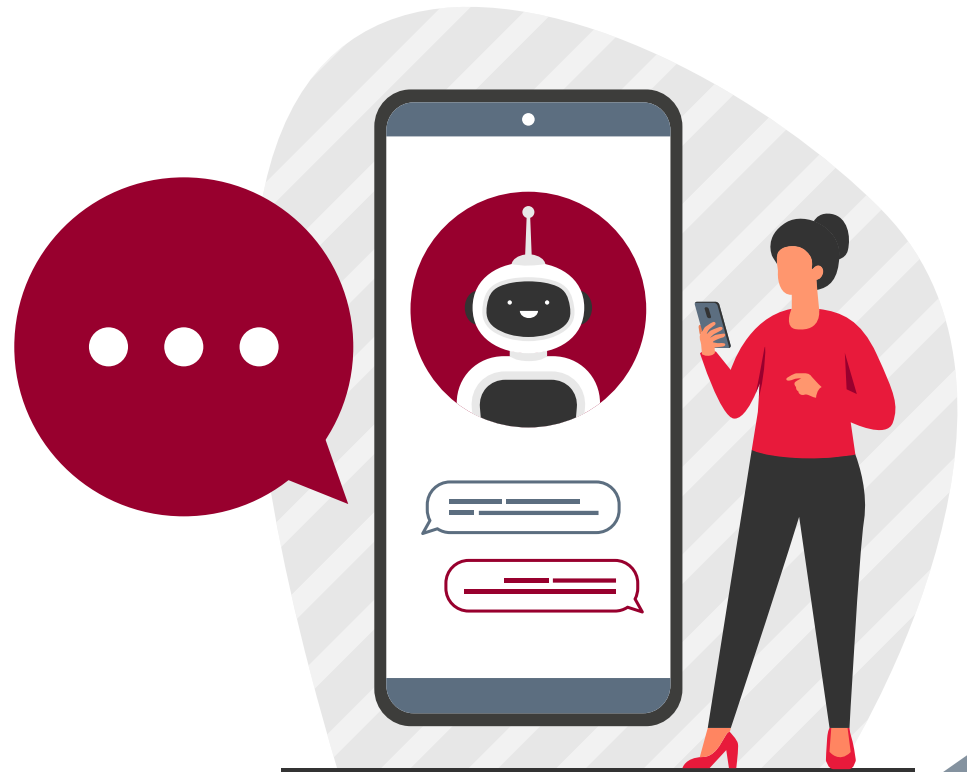


Suggesting ways to optimize each store and powering more efficient lease analysis so retailers can make educated decisions on their real estate footprint.

**Top Risks Posed by Generative AI**



- 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



## AI ADOPTION IS NOT WITHOUT RISK

Amid all the hype around generative AI, retailers may be overlooking some of its risks. While they are most concerned about their inability to find talent with generative AI skills — a critical gap with the rapid adoption of AI — relatively few respondents identify AI bias and data privacy as top risks. Ensuring retailers establish safeguards to mitigate these issues, such as training their generative AI with representative data, conducting routine testing of data sources, and codifying responsible AI policies associated with its use, will be essential to success. Because AI models can learn human biases from training data, retailers have an ethical responsibility to address this risk.



“

*Think of AI as a smart guide for retailers, helping them make well-informed decisions about what customers want. But, just like any guide, it's important to use AI wisely, keeping an eye on data privacy and fairness. A combination of innovation and responsibility is key to success.*

**KIRSTIE TIERNAN**

National Data & AI Practice Leader

# Recommendations

To maximize the value of AI and the use of customer data, retailers should focus on the below recommendations:

# 1

## Build the data foundation first.

To generate reliable outputs using AI, retailers likely need to refine their data processing capabilities. They can do this by first cleaning, sorting, and structuring the data. These steps may also include establishing standardized categorical variables or dataset feature enrichment to allow data from dispersed sources to be easily combed and compared.

# 2

## Foster successful AI adoption.

Follow these steps: Educate employees, identify relevant use cases for the organization, prepare data and data controls, provide training for adoption, define processes, and then iterate on use cases to maximize value.

# 3

## Prepare for AI's Upfront Costs.

CFOs should budget for more than initial adoption costs, including potential licensing fees, infrastructure build, and varying implementation costs tied to the specific language model chosen. Additionally, CFOs must factor in ongoing expenses such as regular maintenance and staff training to ensure the AI tools are effective.

# 4

## Use social listening tools.

Understanding conversations taking place on social media is critical for effectively connecting marketing with merchandising and inventory decisions, as well as reaching all potential customers. Social listening tools range in sophistication, so retailers can align their selection with their maturity level.

To dive deeper into the power of generative AI, check out our insight from the *Future Proof Retail* series.

# What's Ahead for Retailers

Retail executives painted a picture of cautious optimism for 2024, marked by challenging consumer and market dynamics that are impacting revenue and debt expectations. But they are also embracing new tools and tactics to guide them. Strategic deployment of data and AI, a growing emphasis on talent development, meaningful customer connections, increased visibility across supply chains, and bold strategies to improve profitability will set thrivers apart from survivors. Retail CFOs will need to skillfully orchestrate all of these moving parts with agility, acting fast as trend cycles evolve and economic conditions shift, to remain competitive.

“

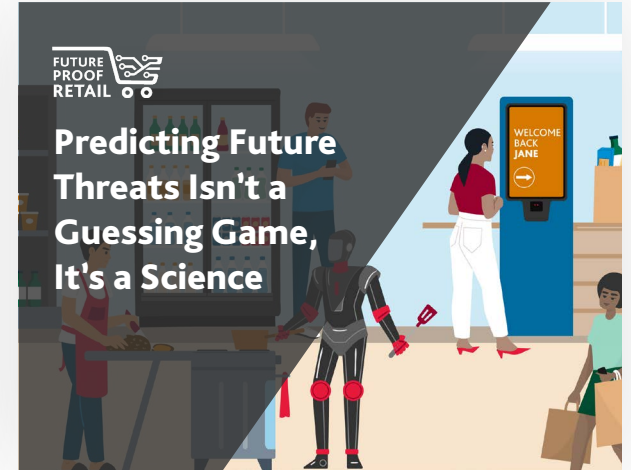
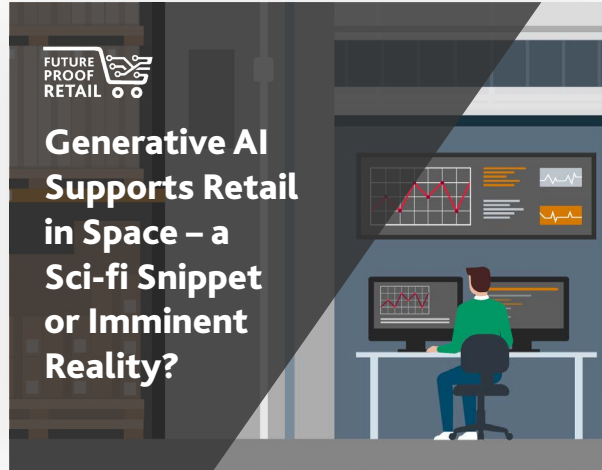
*Despite challenges in the industry, many retailers are innovating and embracing operational and digital strategies to succeed. Those who truly understand their customers' changing preferences are more likely to thrive in 2024.*

**NATALIE KOTLYAR**  
National Retail & Consumer Products  
Practice Leader





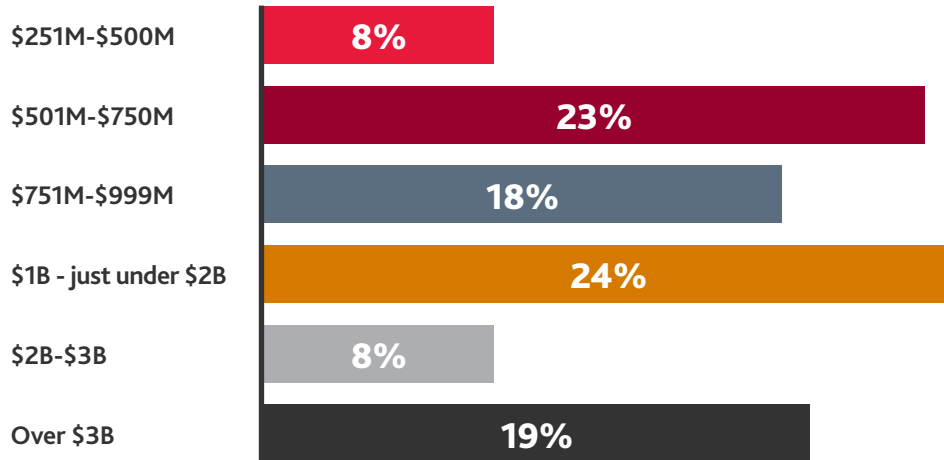
To learn more about the topics covered in this report, check out some of our additional resources:



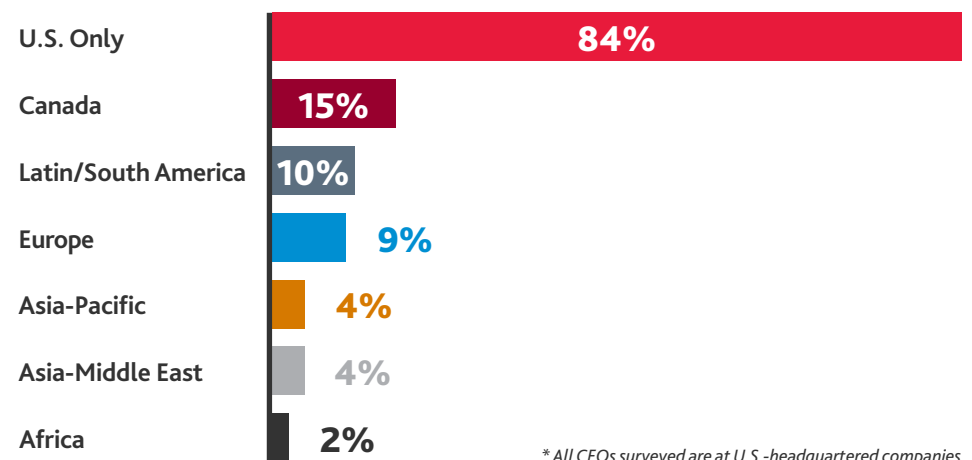
# Methodology

The **2024 Retail CFO Outlook Survey** polled 100 retail CFOs from companies with revenues ranging from \$250 million to \$3 billion or more in October 2023. The survey was conducted by Rabin Roberts Research, an independent marketing research firm, using Op4G's panel of executives.

## ANNUAL REVENUE



## REGION

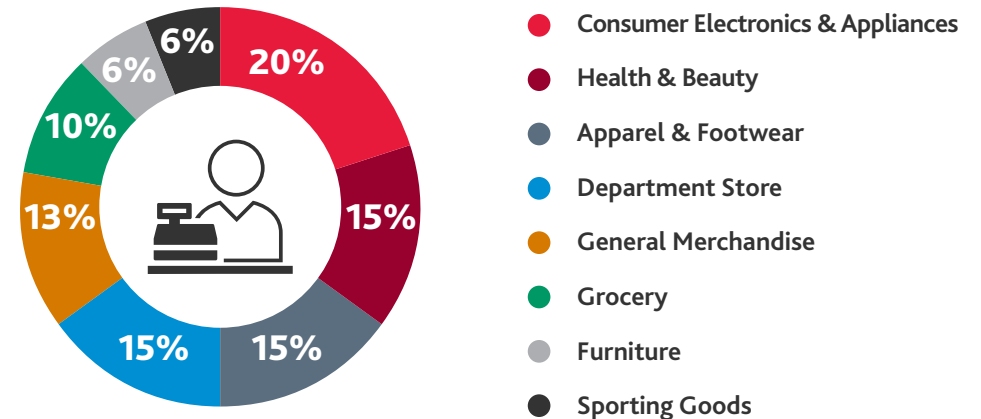


*\* All CFOs surveyed are at U.S.-headquartered companies*

## SUBSEGMENT



## SUBSECTOR



## CONTACT US

### **NATALIE KOTLYAR**

Assurance Principal  
National Retail & Consumer Products Practice Leader  
[nkotlyar@bdo.com](mailto:nkotlyar@bdo.com)

### **DAVID BERLINER**

Principal  
National Business Restructuring and Turnaround  
Services Practice Leader  
[dberliner@bdo.com](mailto:dberliner@bdo.com)

### **R.J. ROMANO**

Supply Chain Managing Director  
[rromano@bdo-ba.com](mailto:rromano@bdo-ba.com)

### **KIRSTIE TIERNAN**

Principal  
National Data & AI Practice Leader  
[ktiernan@bdo.com](mailto:ktiernan@bdo.com)

### **ROSS FORMAN**

Corporate Real Estate Advisory Services Managing Director  
[rforman@bdo.com](mailto:rforman@bdo.com)



At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes — for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C, a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms: [www.bdo.com](http://www.bdo.com)

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2024 BDO USA, P.C. All rights reserved.

