

Optimising Your Retail Company's Financial Management with NetSuite ERP



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In 2024, effective financial management is more critical than ever for success in the increasingly competitive retail sector. Retailers face a host of unique financial challenges, from managing cash flow and liquidity to accounting for complex transactions and ensuring accurate, timely reporting. Many retail companies are turning to cloud-based ERP systems like NetSuite to overcome these challenges and drive profitable growth.

NetSuite ERP provides a comprehensive, integrated platform specifically designed to meet the needs of modern retail businesses. With robust financial management capabilities, NetSuite empowers retailers to streamline processes, gain real-time visibility into performance, and make data-driven decisions.

In this article, we'll explore how NetSuite ERP can help improve your retail company's financial management. We'll delve into retail finance teams' key challenges and demonstrate how NetSuite's features and capabilities can address these pain points. From setting up a retail-specific chart of accounts to managing revenue recognition, streamlining accounting processes, budgeting and forecasting, and analysing key metrics, we'll provide a comprehensive guide to leveraging NetSuite for retail financial excellence.

Whether you're a CEO, controller, accounting manager or finance executive at a retail company, this article will provide valuable insights and actionable strategies for transforming your financial operations with NetSuite ERP. Let's start by examining the retail industry's unique financial management challenges and how NetSuite can help overcome them.

Financial Management Challenges in the Retail Industry

The retail industry faces unique financial challenges requiring robust and flexible management solutions. NetSuite ERP provides a comprehensive platform to address these challenges effectively.

Managing Cash Flow and Liquidity In A Seasonal Business

Forecasting and Managing Working Capital Needs

Retail businesses often experience seasonal fluctuations in sales, which can significantly impact cash flow and working capital requirements. NetSuite ERP enables accurate forecasting of cash inflows and outflows, allowing retailers to plan for and manage their working capital needs effectively.

Optimising Inventory Levels and Turnover

Maintaining optimal inventory levels is crucial for retail businesses to avoid stockouts and reduce carrying costs. NetSuite ERP provides real-time visibility into inventory levels, enabling retailers to make informed decisions about stock replenishment.

Improving Cash Collection and Payment Cycles

Efficient cash collection and payment processes are essential for maintaining

a healthy cash flow in retail. NetSuite ERP streamlines these processes by automating invoicing, payment reminders, and collections, ensuring timely cash inflows and outflows.

Accounting for Complex Retail Transactions and Processes

Handling a High Volume of Transactions and Data

Retail businesses handle a high volume of transactions daily, generating vast amounts of financial data. NetSuite ERP is designed to handle this complexity, providing a scalable and robust platform for processing and managing large volumes of transactions and data



Managing Multiple Sales Channels and Revenue Streams

Modern retail businesses often operate across multiple sales channels, including brick-and-mortar stores, e-commerce platforms, and marketplaces. NetSuite ERP enables seamless integration and management of financial data from various sales channels, providing a unified view of revenue and performance.

Accounting for Promotions, Discounts, and Returns

Retail businesses frequently offer promotions, discounts, and handle returns, which can complicate accounting processes. NetSuite ERP provides built-in functionality to accurately account for these scenarios, ensuring more accurate financial reporting and analysis.

Ensuring Accurate and Timely Financial Reporting for Retail

Consolidating Financial Data from Multiple Sources

Retail businesses often have multiple data sources, such as point-of-sale systems, inventory management systems, and e-commerce platforms. NetSuite ERP enables the consolidation of financial data from these various sources, providing a single source of truth for financial reporting.

Generating Retail-Specific Financial Statements and Metrics

Retail businesses require financial statements and metrics tailored to their industry, such as sales per square foot, gross margin return on investment (GMROI), and inventory turnover. NetSuite ERP provides out-of-the-box reporting capabilities to generate these retail-specific financial statements and metrics.

Meeting External Reporting and Compliance Requirements

Retail businesses must follow various external reporting and compliance requirements, such as tax regulations and financial reporting standards. NetSuite ERP helps retailers meet these requirements by providing robust financial reporting and compliance features, ensuring accurate and timely submission of necessary reports and filings.



Managing Retail Revenue Recognition and Reporting in NetSuite

Accurate revenue recognition and reporting are critical for retail businesses to maintain financial integrity and make informed business decisions. NetSuite ERP provides robust tools and features to manage these processes effectively.

Setting Up Revenue Recognition Rules and Schedules

Defining Revenue Recognition Criteria and Triggers

Retailers must define the criteria and triggers for recognising revenue in NetSuite ERP. This involves specifying the conditions under which revenue should be recognised and at what point in time, such as upon product delivery, service completion, or reaching certain milestones.

Configuring Item-Specific Revenue Recognition Templates

NetSuite ERP allows for the creation of item-specific revenue recognition templates, which automate the application of revenue recognition rules to specific products or services. Retailers can configure these templates based on their unique revenue recognition requirements.

Automating Revenue Allocation and Deferral Calculations

NetSuite ERP automates revenue allocation and deferral calculations based on the defined revenue recognition rules and schedules. This ensures accurate and consistent revenue reporting, eliminating manual calculations and reducing the risk of errors.

Handling Complex Retail Revenue Scenarios

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Retail businesses often offer gift cards, loyalty programs, and layaway options, which require special consideration in revenue recognition. NetSuite ERP provides built-in functionality to account for these scenarios, ensuring accurate and compliant revenue reporting.

"Implementing NetSuite ERP can significantly enhance the financial management of your retail company, providing real-time insights and streamlined processes essential for sustained growth."

– Tiernan O'Connor, Sales Director,
DWR Consulting



Managing Consignment Sales and Vendor Chargebacks

Consignment sales and vendor chargebacks are common in the retail industry and can complicate revenue recognition. NetSuite ERP offers tools to manage these scenarios, including tracking consignment inventory, calculating commissions, and processing vendor chargebacks.

Generating Retail Revenue Reports and Analysis

Monitoring Revenue Trends and Performance by Channel and Product

NetSuite ERP provides real-time visibility into revenue trends and performance by sales channel and product. Retailers can generate reports and dashboards to monitor key revenue metrics, identify growth opportunities, and make data-driven decisions.

Analysing Sales Mix and Profitability

Understanding the sales mix and profitability of products and channels is crucial for retail businesses. NetSuite ERP enables detailed analysis of sales mix, gross margins, and profitability, allowing retailers to perfect their product offerings and pricing strategies.

Reporting on Key Retail Revenue Metrics (SSS, GM ROI, etc.)

NetSuite ERP offers built-in reporting capabilities for key retail revenue metrics, such as same-store sales (SSS), gross margin return on investment (GMROI), and average transaction value (ATV). These metrics provide valuable insights into retail performance and health.

Streamlining Retail Accounting Processes with NetSuite

Efficient and accurate accounting processes are essential for retail businesses to maintain financial control and make informed decisions. NetSuite ERP streamlines and automates various accounting workflows, saving time and reducing errors.

Accelerating Month-End Close and Reconciliations

Centralising and Standardising Accounting Data

NetSuite ERP provides a single platform for storing and managing all accounting data, eliminating the need for manual data entry and reconciliation across multiple systems. This standardisation of data accelerates the month-end close process.

Automating Reconciliations and Eliminating Manual Effort

NetSuite ERP automates various reconciliation tasks, such as bank reconciliations, credit card reconciliations, and intercompany reconciliations. This automation eliminates manual effort, reduces errors, and speeds up the reconciliation process.

Collaborative Review and Approval Workflows

NetSuite ERP supports collaborative review and approval workflows for accounting processes, such as journal entries, account reconciliations, and financial statements. These workflows ensure proper oversight and control, while streamlining the review and approval process.

Managing Retail Accounts Payable and Receivable

Automating Invoice Processing and Payments

NetSuite ERP automates the accounts payable process, from invoice capture and approval to payment processing. This automation reduces manual data entry, minimises errors, and ensures timely payment of vendor invoices.



Integrating with Retail Billing and Collections Systems

NetSuite ERP integrates with various retail billing and collections systems, such as point-of-sale (POS) systems and e-commerce platforms. This integration enables the automatic creation of customer invoices and streamlines the collections process.

Monitoring Ageing and Resolving Disputes Efficiently

NetSuite ERP provides real-time visibility into accounts receivable aging, allowing retailers to monitor outstanding invoices and proactively manage collections. The system also supports dispute resolution workflows, ensuring efficient resolution of customer disputes and maintaining strong customer relationships.

Ensuring Sales and Use Tax Compliance

Configuring Tax Codes and Nexus Settings for Retail

Retailers must properly configure tax codes and nexus settings in NetSuite ERP to ensure accurate calculation and reporting of sales and use taxes. The system allows for the setup of tax codes based on product categories, sales channels, and jurisdictions.

Calculating and Reporting Sales Tax at the Transactional Level

NetSuite ERP calculates sales tax at the transactional level, ensuring accurate tax calculations for each sale. The system also generates detailed tax reports, providing a clear audit trail and supporting tax compliance.

Generating Tax Returns and Filings

NetSuite ERP simplifies the process of generating tax returns and filings, such as sales and use tax returns. The system automatically populates tax returns with the relevant data and supports electronic filing, reducing manual effort and ensuring timely submission of tax filings.



Budgeting, Planning and Forecasting for Retail in NetSuite

Effective budgeting, planning, and forecasting are critical for retail businesses to allocate resources effectively, set performance targets, and make informed strategic decisions. NetSuite ERP provides powerful tools to support these processes.

Developing Granular Retail Budgets and Plans

Creating Bottom-Up Budgets by Department, Category, and SKU

NetSuite ERP enables the creation of granular, bottom-up budgets at various levels, such as department, product category, and stock-keeping unit (SKU). This level of detail allows for more accurate and actionable budgeting and planning.

Involving Business Owners in Collaborative Planning

NetSuite ERP supports collaborative planning processes, allowing business owners and managers to provide input and feedback on budgets and plans. This collaboration ensures that budgets are realistic, achievable, and aligned with business objectives.

Aligning Merchandising, Sales, and Financial Plans

NetSuite ERP enables the alignment of merchandising, sales, and financial plans, ensuring a cohesive and

integrated approach to budgeting and planning. This alignment helps reduce inventory carrying levels and improve pricing and promotional activities.

Monitoring and Controlling Retail Spend

Tracking Actuals vs. Budgets in Real-Time

NetSuite ERP provides real-time visibility into actual performance versus budgets, allowing retailers to monitor spending and identify variances as they occur. This real-time tracking enables proactive management of expenses and ensures adherence to budgets.

Identifying Variances and Taking Corrective Actions

NetSuite ERP helps identify budget variances and their underlying causes, such as changes in sales volume, pricing, or expenses. This insight enables retailers to take timely corrective actions, such as adjusting spending or revising budgets.





Controlling Expenditures through Approval Workflows

NetSuite ERP supports approval workflows for expenditures, ensuring that spending aligns with budgets and policies. These workflows route purchase requests and invoices for approval based on predefined criteria, providing control over retail spend.

Forecasting Retail Financial Performance

Building Driver-Based Forecasting Models

NetSuite ERP enables the creation of driver-based forecasting models that incorporate key business drivers, such as sales volume, pricing, and expenses. These models allow retailers to simulate different scenarios and assess their impact on financial performance.

Incorporating Seasonality, Promotions and External Factors

Retail businesses often experience seasonal fluctuations and the impact of promotions and external factors. NetSuite ERP allows for the incorporation of these variables into forecasting models, providing more accurate and realistic financial projections.

Generating Rolling Cash Flow and Financial Projections

NetSuite ERP supports the generation of rolling cash flow and financial projections, enabling retailers to maintain a forward-looking view of their financial performance. These projections help manage liquidity, plan investments and make informed strategic decisions.

Retail Financial Metrics and Dashboards in NetSuite

Monitoring and analysing key retail financial metrics is essential for assessing business performance, identifying trends, and making data-driven decisions. NetSuite ERP provides robust reporting and dashboarding capabilities to support this analysis.

Identifying Critical Retail Financial KPIs

Determining Industry-Relevant Metrics (GMROI, COGS, etc.)

Retailers should identify the key performance indicators (KPIs) that are most relevant to their business and industry. Common retail financial KPIs include gross margin return on investment (GMROI), cost of goods sold (COGS), and inventory turnover.

Aligning Metrics with Strategic Goals and Objectives

Selected financial metrics should align with the retailer's strategic goals and objectives. This alignment ensures that performance measurement and analysis support the achievement of business priorities and drive continuous improvement.

Establishing Targets and Benchmarks for Performance

Retailers should establish targets and benchmarks for each financial metric, based on historical performance, industry standards, and strategic

objectives. These targets and benchmarks provide a framework for evaluating performance and identifying areas for improvement.

Calculating and Analysing Retail Metrics in NetSuite

Configuring KPI Formulas and Data Sources

NetSuite ERP allows for the configuration of KPI formulas and data sources, ensuring that metrics are accurately calculated and based on reliable data. Retailers can define the formulas and map the relevant data fields to ensure consistent and accurate metric calculations.

Generating Metric Calculations and Comparisons

NetSuite ERP automatically generates metric calculations and comparisons based on the configured formulas and data sources. This automation saves time and reduces the risk of errors in manual calculations.

Drilling Down into Drivers and Components of Metrics

NetSuite ERP provides drill-down capabilities, allowing retailers to explore each metric's underlying drivers and components. This drill-down analysis helps identify the root causes of performance variances and enables targeted corrective actions.

Building Retail Financial Dashboards and Scorecards

Designing Intuitive and Visual Dashboard Layouts

NetSuite ERP supports the creation of intuitive and visually appealing dashboard layouts that present financial metrics and KPIs in a clear and concise manner. These dashboards should be designed to facilitate quick understanding and actionable insights.

Displaying Key Metrics, Trends and Variances

Retail financial dashboards should display the most critical metrics, along with trends and variances against targets and benchmarks. This information helps managers and executives quickly assess performance and identify areas requiring attention.

Role-Based Distribution and Access to Dashboard

NetSuite ERP allows for the distribution of financial dashboards based on user roles and permissions. This role-based access ensures that each user has visibility into the metrics and insights relevant to their responsibilities while maintaining data security and confidentiality.



The Wrap Up

Implementing NetSuite ERP for financial management and accounting in a retail business offers numerous benefits and opportunities for continuous improvement. By leveraging the capabilities of NetSuite ERP, retailers can drive financial excellence and make informed, data-driven decisions.

NetSuite ERP provides a single, integrated platform that consolidates all financial data and processes, providing real-time visibility and control over the retail business. This integration eliminates data silos, reduces manual effort, and enables a holistic view of financial performance.

Partner with DWR, the NetSuite Retail Edition Experts

Are you ready to transform your retail business's financial management and unlock the full potential of NetSuite ERP? With our deep industry expertise, proven implementation methodology, and commitment to client success, we can help you streamline your financial processes, gain real-time visibility into your performance, and make data-driven decisions that drive growth and profitability.

Our team of certified NetSuite consultants will work closely with you to understand your unique business needs, design a tailored solution, and provide ongoing support and professional services. Whether you're looking to automate your accounting processes, improve your budgeting and forecasting, or gain deeper insights into your financial metrics, DWR has the skills and experience to help you achieve your goals.

Contact us today to schedule a consultation and take the first step towards retail financial excellence.