

New and Persistent Challenges Shape Finance Priorities in Retail and Consumer Goods

Finance leaders in the retail and consumer packaged goods (CPG) industry have been leading their organisations' efforts to manage and adapt to challenges produced by the global pandemic. Many of these persistent pandemic-related challenges will continue to be a primary focus for finance leaders over the next 12 months, along with new and emerging priorities.

According to the results of **Protiviti's latest Global Finance Trends Survey**, retail and CPG finance leaders identified security and privacy of data, enhanced data analytics and process improvement to be top overall priorities. Also on the top overall priority list are challenges with regulators, global mobility and cloud-based applications that support finance activities.

When asked to select a single most important priority to address over the next year, most of the retail and CPG finance leaders identified cloud-based finance applications as their number-one issue, followed by process improvement: process and data analytics; enhanced data analytics; and environmental, social and governance (ESG) metrics and measurement.

Below, we summarise other key priorities that finance leaders in retail and CPG intend to focus on over the next year.

Data Security and Privacy

Concern over data security and privacy has escalated in recent years as more companies become targets of sophisticated cyberattacks such as ransomware. For retailers, there has been a particular focus on software supply chain security, which relates to the software code used by an entity and its third-party services providers throughout the full development and deployment life cycle of specific products.

Top Overall Priorities — Consumer Packaged Goods and Retail



According to the National Retail Federation, a significant percentage of cyber breaches and incidents are now the result of third-party compromises, not breaches of systems that retailers directly control or manage. This is a difficult problem because a medium-sized or large retailer might have hundreds, if not thousands, of third-party systems operating within its IT enterprise, many requiring privileged access to company information in order to operate effectively. Further compounding the [data security issue](#) in the consumer products and retail space is the scarcity of cybersecurity skills and tightening IT budgets.

Meanwhile, the e-commerce boom and omnichannel shift continue to pose increased security risks as an ever-expanding amount of customer data flows through more channels, and retailers adopt new technologies such as Internet of Things without adequate controls. Many consumer products and retail organisations fear they will not be able to sustain privacy compliance and effectively respond to consumer data security requests. For these companies, a [managed services approach](#) to data privacy — which would allow them to access skilled privacy expertise from external sources — is a solution they may want to explore, along with the use of cloud-based solutions.

Analytics

The ability of finance leaders to address many of these top-priority issues, such as data security and privacy, hinges on the quality and completeness of the data they access, secure, govern and use. This explains why finance leaders, as stewards of enterprise data and analytics, are always on the hunt for better analytical capabilities. Across the industry, finance teams are eager to obtain and analyse complete and timely data from suppliers, vendors and other external sources to enable forecasting and planning activities. Additionally, in today's dynamic risk environment, internal stakeholders are demanding that their finance teams provide real-time information on the way that business is moving and what threats may lie ahead.

Enhanced data analytics are also needed to identify and fight criminal activity, including [money laundering and terrorist financing](#), in the e-commerce ecosystem. In the hospitality, leisure and travel industry, for example, [data and advanced analytics](#) are critical to enable fraud surveillance and monitoring systems, given the rise in loyalty-program fraud, counterfeit currency, stolen credit cards and human trafficking.

Regulatory Challenges

While CPG and retail are traditionally not highly regulated industries, their finance teams indicated a growing concern with regulation and their intention to focus on related challenges over the next 12 months. According to the survey, 75% of respondents identified this as the fourth-highest overall priority. The growing regulatory concern can be traced to many factors, including the myriad (and often conflicting) COVID-19 policies issued by government and regulatory agencies around sheltering in place, traveling, vaccinations and face coverings.

Another potential source of consternation is the Biden administration's stepped-up efforts on price gouging and anticompetitive practices as part of its efforts to address supply chain issues that are plaguing retailers and driving prices up for consumers. In July, President Biden issued an executive order directing the Federal Maritime Commission to aggressively investigate shipping and freight charges.

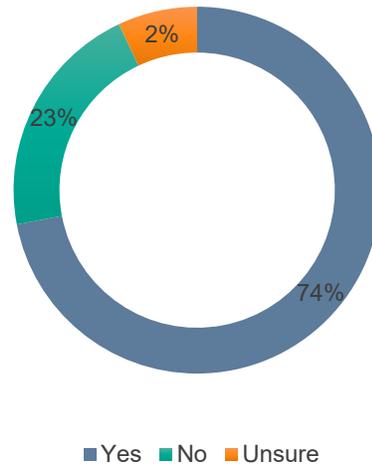
Similarly, the administration's data privacy crackdown and the growing number of states that are enacting [consumer privacy laws](#) are of particular interest to the retail industry.

Supply Chain

Across the industry, supply chain bottlenecks have created significant shortages of merchandise and inflationary pressure, and many are concerned about their impact on the holiday shopping season. While these issues are mostly external client related, finance leaders are also addressing these challenges within their departments.

According to the survey, 56% of CPG and retail finance leaders indicated that they are enhancing third-party risk management oversight of suppliers, and 52% stated that they are sourcing more materials and products locally. Improving communication with select suppliers and diversifying the supply chain to numerous regions are among the various measures that finance leaders are taking to manage supply chain issues.

Is your finance team involved in conversation with senior leadership/boards to develop ESG metrics against which your organisation should track progress?



ESG

Companies in the retail and consumer products industry are exposed to material environmental, social and governance risks across the value chain — from sourcing and manufacturing to the distribution and use of products. The pandemic amplified the need for companies to increase transparency of their sustainability practices as it relates to a number of ESG issues, including the health and safety of workers, as well as product waste.

The impact of the ever-growing demands and expectations of ESG on retail and CPG finance leaders, from customers and internal stakeholders alike, is also reflected in the survey. According to the results, 87% of finance leaders stated that their organisations have increased their focus and frequency of reporting ESG issues, and 70% stated that measuring and reporting ESG risks and issues have become part of their finance team's role in the last year. Additionally, 79% of the respondents indicated that their organisations are investing in [new technology](#) to assist with measuring and reporting on ESG risks and issues.

Notably, the ESG results show that retail and CPG finance leaders who participated in the survey are in many ways ahead of their counterparts in other industries. But it's also clear that even within the industry, ESG maturity levels differ significantly. Accordingly, managements and boards must decide the ESG maturity at which their organisations should operate, starting with conversation within their C-suites and boardrooms about where they sit on the [ESG continuum](#).

Interested in learning more? Further insights and our full 2021 Finance Trends Survey are available at www.protiviti.com/US-en/insights/finance-trends-survey.

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