

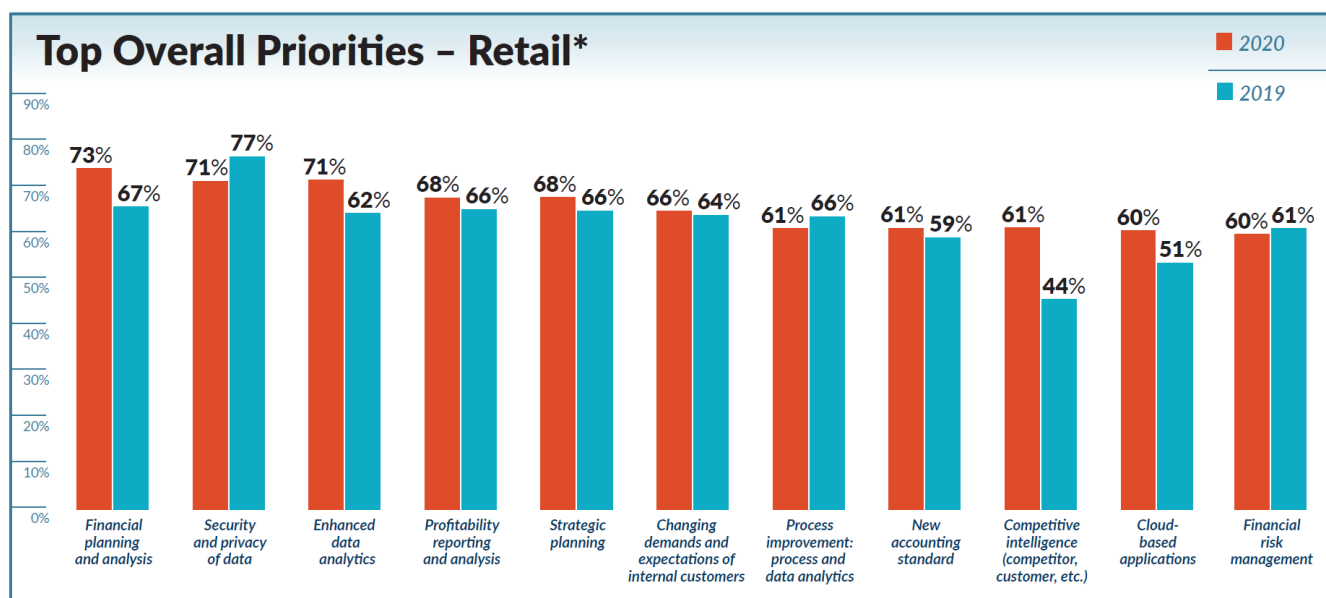
Finance Priorities in the COVID Era

Retail

Retail Finance Leaders' 2021 Priorities Include Enhancing Customer Experience and Supply Chains

Chief financial officers and finance leaders across all industries are leveraging hard-earned lessons from the COVID-19 pandemic to strengthen organizational agility and resilience. In the retail space, where the pandemic has had drastic effects, the demands and expectations of both internal and external customers are changing by the day, and retailers are looking to their finance departments for robust support on many critical fronts.

Over the last 12 months, retail finance departments have had to focus relentlessly on, and respond to, customer angst, workforce adjustments, revenue declines, cost-reduction programs and supply chain disruptions, to name a few issues prompted by the pandemic. Notwithstanding the recent rollout of promising COVID-19 vaccines, many of these issues have carried over into the new year. These concerns are reflected in Protiviti's [latest global survey of CFOs and finance leaders](#) across various industry sectors. Retail finance leaders specifically identified financial planning and analysis, enhanced data analytics, security and privacy of data, and strategic planning and profitability reporting and analysis, among others, as top priorities going forward.



* In our survey, respondents were asked to rate 42 different finance areas based on a 10-point scale, where "1" reflects the lowest priority and "10" reflects the highest priority for the finance organization to improve its knowledge and capabilities over the next 12 months. Rankings are based on the percentage of respondents who scored these areas at "8" or higher.

The top priority overall, financial planning and analysis, is a clear result of the pandemic's disruptive impact on retail finance departments' ability to deliver reliable and timely performance data and profitability analysis, as well as forecasting metrics, in the last 12 months. Amid store closures, employee layoffs and supply disruptions, retail finance leaders had a difficult time closing the books.

The other top priorities that will enable retail finance departments to operate more flexibly and resiliently over the next year are discussed below.

Changing Customer Habits

With customers eschewing physical stores, more retailers have broadly adopted omnichannel shopping, e-commerce and contactless transactions, to name a few pandemic-fueled emphasis changes. Retail finance departments are looking to invest in analytics to improve their organizations' understanding of customer habits, including which merchandise to sell, which regions or segments are performing or underperforming, and which methods of delivery are most effective in this new environment (e.g., curbside delivery, drive-through and on-premises dining). Not surprisingly, retail finance leaders identified enhanced data analytics (72%) as their second top finance priority overall.

Eighty-six percent of retail finance leaders indicated that to keep existing customers happy and attract new ones, their organizations have substantially increased their focus on customer experience and loyalty programs. Providing exclusivity and personalized services, these programs are designed to help retailers form long-term brand relationships. Along the same lines, retailers are emphasizing brand values to build deeper connections with their customers.

The prioritization of values extends to the finance departments, according to the survey, which shows the focus and frequency of reporting related to [environmental, social and governance \(ESG\) issues](#) have increased – 82% indicated a moderate to significant increase, compared to 18% indicating no increase to a minimal increase. ESG programs, which are driven by boards, shareholders, customers and other stakeholders, remain one of the few areas of focus where retail finance departments do not intend to cut costs over the next year.

Supply Chain Demands

At the onset and during the peak of the pandemic's first wave, there were substantial gaps and shortages in the supply chain, particularly at grocery chains, which struggled to keep up with a strong demand for food, cleaning and personal-care supplies. Retailers that rely on manufacturing in Asia also experienced widescale delays due to factory and port closures. These events have impacted how retailers (and their finance departments) intend to approach policies on sourcing goods from current supply chains going forward.

According to the survey, finance departments are looking at diversifying supply chains geographically (47%), and about the same number plan to enhance third-party risk management oversight of suppliers. Additionally, some retail finance leaders (35%) indicated that they are now more inclined to source materials and products locally – a trend that is likely to increase under the Biden administration's "Buy America" campaign.

Staffing Adjustments

Third-party service providers (e.g., payroll processing firms and accounts payable and other vendors) that support retail finance departments have been roiled by disruptions during the pandemic. According to the survey, more than half of retail finance departments (51%) shifted more of these activities to in-house finance resources. Over

the next 12 months, to meet staffing demands, the finance leaders plan to focus on these staffing priorities: soft skills (56%), embracing new technologies (56%) and leadership within the organization (55%).

In addition, retail finance departments continue to lean on temporary professionals or contractors, as well as managed services providers, for support in understaffed areas. Staff augmentation (i.e., use of contractors or freelancers) is heavily leveraged for various accounting functions, including accounts payable/procure to pay (37%) and risk management (34%). Managed services providers were primarily engaged to assist with treasury (35%), financial planning and analysis (29%), and tax (29%) services.

Security and Privacy of Data

With the spike in e-commerce, mobile applications and loyalty programs, concerns over privacy and security of data have escalated. Retailers are capturing more consumer data than ever before, often in exchange for providing customers with discounts and other pricing offers. To address these challenges, retailers are investing in various security tools, such as cloud infrastructure, and partnering with managed security solution providers. Accordingly, retail finance leaders expect budgets for security and privacy to continue to increase even as they reduce capital investments for recruiting, operations and mobile finance applications.

Automation

Survey results show that a large majority of retail finance leaders (66%) are planning to increase use of automation to perform critical business functions. How are they planning to do this? About 40% indicated they will look onshore and use robotic process automation (RPA) tools to automate – and a smaller number (21%) stated they will automate only. The survey also shows many current finance applications have the potential to be moved to the cloud.

Interested in learning more? Further insights and our full report, *Finance Priorities in the COVID Era: Digital Dominance and Flexible Labor Models*, are available at www.protiviti.com/financesurvey.

About Protiviti

Protiviti (www.protiviti.com) is a global consulting firm that delivers deep expertise, objective insights, a tailored approach and unparalleled collaboration to help leaders confidently face the future. Protiviti and our independent and locally owned Member Firms provide clients with consulting and managed solutions in finance, technology, operations, data, analytics, governance, risk and internal audit through our network of more than 85 offices in over 25 countries.

Named to the 2020 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 60% of Fortune 1000 and 35% of Fortune Global 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

Contacts

Carol Raimo

Managing Director
Consumer Products and Services Industry Leader
+1.212.603.8371
carol.raimo@protiviti.com

Chris Wright

Managing Director
Global Business Performance Improvement Leader
+1.212.603.5434
chris.wright@protiviti.com