

ACCELERATE

CPG and retail finance leaders cite ESG, inflation and data security as top priorities

Whether it is dealing with inflation, supply-chain disruptions or workforce challenges, finance leaders in the retail and [consumer packaged goods](#) (CPG) industries are leading their organizations' efforts to navigate today's uncertain market environment. Increasingly, companies are leaning on finance leaders to step outside their comfort zones to provide strategic guidance across all facets of the business.

[Protiviti's 2023 global finance trends survey](#) highlights the priorities dominating the finance function at retail and CPG organizations and the growing pressure on finance teams to perform both emerging and routine tasks with greater speed and efficiency. This year, a geographically diverse group of CPG and [retail](#) respondents provided a more global perspective on a range of issues, including artificial intelligence (AI), talent retention and acquisition, succession planning and off-shoring strategy.

Among the top 10 priorities identified by the CPG and retail finance leaders are environmental, social and governance (ESG) metrics and measurement, inflation, security and privacy of data, national tax changes and mobile finance applications. Additionally, the results show a strong focus on areas related to business planning and analysis, such as strategic planning, profitability reporting and analysis, financial planning and analysis, and enhanced data analytics.

ESG

Measuring and reporting ESG metrics sits at the top of the 2023 list of priorities for CPG and retail finance leaders. The survey shows that 98% of the respondents have increased their focus and frequency of reporting on ESG issues in 2023; 63% said they are reporting ESG risks and issues annually, while 27% said they report on a quarterly basis.

ESG has been a priority for many retail and CPG organizations for several years, driven primarily by customer demand and, to a lesser degree, changing regulatory expectations, especially in Europe, where there are more stringent requirements. The larger industry players have voluntarily been reporting ESG metrics and investing heavily in sustainability practices for years.

For example, earlier this year, Walmart [announced](#) a joint initiative with PepsiCo to set aside \$120 million to support regenerative agriculture on 2 million acres of farmland. This project encompasses the dual objective of promoting regenerative agricultural practices to lower greenhouse gas emissions while also protecting and

creating a more resilient food supply source. Similarly, Target has also established several regenerative agriculture programs through partnerships with the Nature Conservancy and the Soil and Water Outcomes Fund.

Additionally, many finance teams have been preparing for a new era of ESG reporting, which has already begun but is sure to gain momentum when the U.S. Securities and Exchange Commission releases its much-anticipated final rules on climate disclosures. The European Union's Corporate Sustainability Reporting Directive already has brought mandatory ESG reporting to many companies, inside and outside the bloc. You can read more about that in this [blog](#).

Inflation

The impact of inflation continues to be another major priority for CPG and retail finance leaders, according to the survey. Since last year, when inflation was recorded at four-decade highs, the pace of price increases has slowed but remains a huge concern due to its impact on consumption behavior.

Asked how they are addressing inflation, more than half (58%) of the CPG and retail respondents said they are reassessing working capital needs or employing cash-flow management, and 36% said they are assessing the need for new skills and talent both inside and outside the organization. Reducing inventory in warehouses and negotiating pricing with suppliers were tied for third place among the top actions to fight inflation.

Security and privacy

Retailers have been the target of several major data security breaches this year. In August, for instance, a major cosmetic brand disclosed that an unauthorized third party had accessed its systems and obtained consumers' personal information including names, contact information, dates of birth, and demographic data and details about individual customer's engagement with its brands.

Given this and other similar events, it is no surprise that the survey respondents placed data security and privacy among their top priorities to address. The concern over cyber threats explains why many finance leaders continue to migrate applications to the cloud, which can provide enhanced resilience against cybersecurity threats. Cloud services typically include ready-to-consume modern cybersecurity services that can protect businesses from distributed denial-of-service attacks.

Generative AI

AI adoption in finance is still in its early stages, but the potential for growth and innovation is significant. At the organizational level, CPG and retail companies are deploying generative AI to predict consumer behaviors, suggest timely product recommendations, optimize pricing, mitigate fraud and manage inventory effectively, among other use cases. Within the finance realm, the technology can enhance decision-making and improve operational efficiency.

According to the survey, more than half of the CPG and retail finance respondents are already using AI for cash-flow management (64%). There's no doubt that this trend is only beginning; we expect companies to continue to explore and invest in AI technologies to drive better customer experiences and optimize financial processes.

Other notable findings

The survey reveals many other key areas of focus for CPG and retail finance leaders and solutions that they have devised to address challenges. Below are a few notable insights:

I. Top 3 **HR-related concerns**:

- Replacing employees who leave the organization.
- Ability to recruit qualified candidates.
- Building and maintaining our culture amid a hybrid or remote working model.

II. **Supply-chain disruptions** persist despite a slight decline:

- The number of CPG and retail respondents experiencing disruptions dropped from 77% in 2022 to 73% in 2023.

III. CPG and retail finance organizations continue to review **sourcing policies from their supply chains**:

- Fifty percent are improving or increasing communication with select suppliers across the value chain.
- Forty-two percent are producing and sourcing more materials and products locally.
- Forty percent are diversifying their supply chain to multiple sources and multiple regions.

Interested in learning more? Read our research report, *Accelerate: Assessing CFO and finance leader perspectives and priorities for the coming year*, available at www.protiviti.com/financesurvey.

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