

Wholesale&Retail

LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities



E-Business Developments and Skills Requirements in the Retail Sector A SUMMARY



Developing countries have replaced industrialised countries as the main drivers of growth in e-commerce

INTRODUCTION

E-business, or the use of web-based applications to support economic transactions, is changing the way people buy products and the way companies do business. Retailers have a huge challenge in constantly adapting to rapid change. E-business is a broad term, and the focus of the study is on all kinds of processes which are related to seller-buyer interaction. The study also aimed to explore the impact of developments on the retail sector with regards to skills requirements and staff expertise.

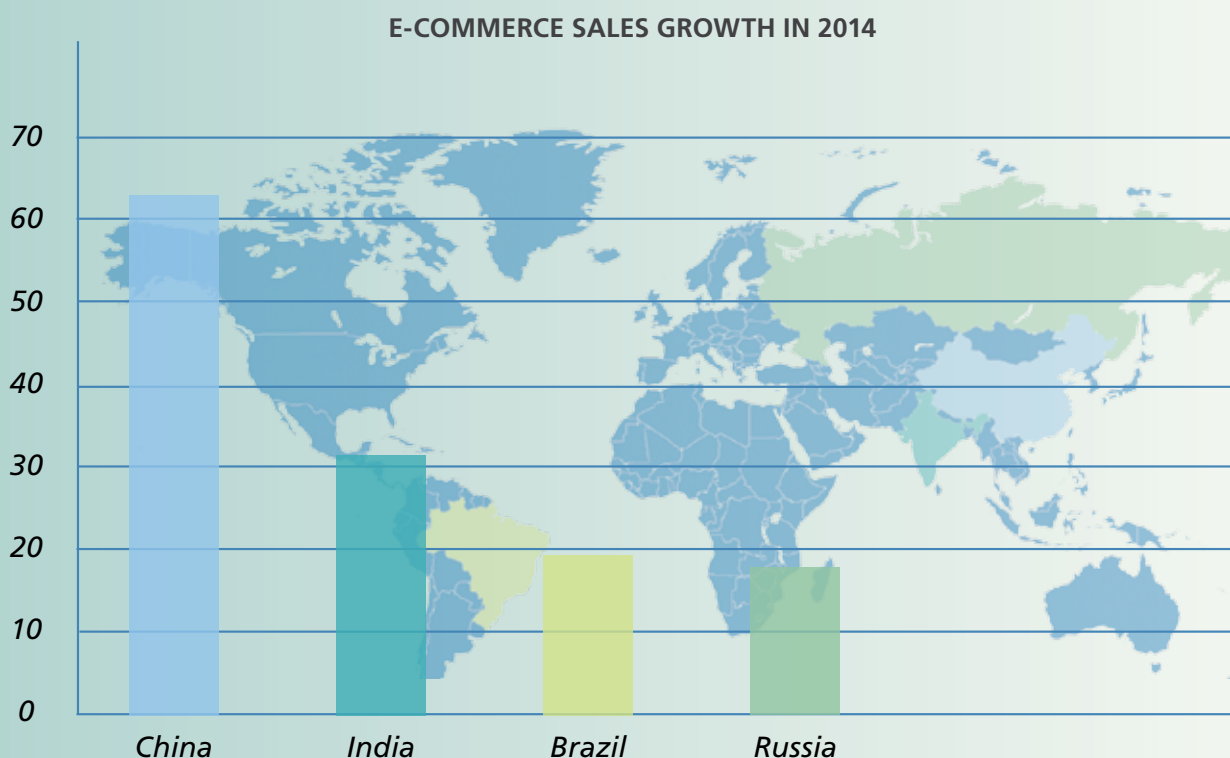
METHODOLOGY

The research process consisted of three steps: a literature review, ten interviews with international experts using the Delphi technique and in depth questioning of five scientists with specialisation in retailing.

- In the literature review, researchers studied a wide range of articles, websites, blogs and discussion groups on e-business.
- In the first round, where 10 people were interviewed face to face, the main objective was to identify relevant trends.
- In the second round, five experts questioned in the first round were presented with the first round findings and could comment on views or opinions contradictory to their own.

SUMMARY OF FINDINGS BASED ON THE LITERATURE REVIEW

E-business is soaring and the rapid pace of technological innovation is contributing to changed shopping habits and the transformation of businesses, especially retailers. The future survival of companies largely depends on their ability to cope with these transformations.





There is a strong growth of online retail sales in Europe. Asia is picking up, while North America and Western Europe seem headed for some consolidation. Africa appears to be left behind.



E-commerce sales are expected to increase by an average 20% annually worldwide until 2017.

DEVELOPING COUNTRIES

The literature review revealed that developing countries have replaced industrialised countries as the main drivers of growth in e-commerce, and the biggest growth in online buying is expected in emerging markets (eg. China, India, Indonesia, Mexico, Brazil and Russia).

There is a strong growth of online retail sales in Europe. Asia is picking up, while North America and Western Europe seem headed for some consolidation – but Africa appears to be left behind. E-commerce sales are expected to increase by an average 20% annually worldwide until 2017. Online trading has grown 20% a year since 2011.



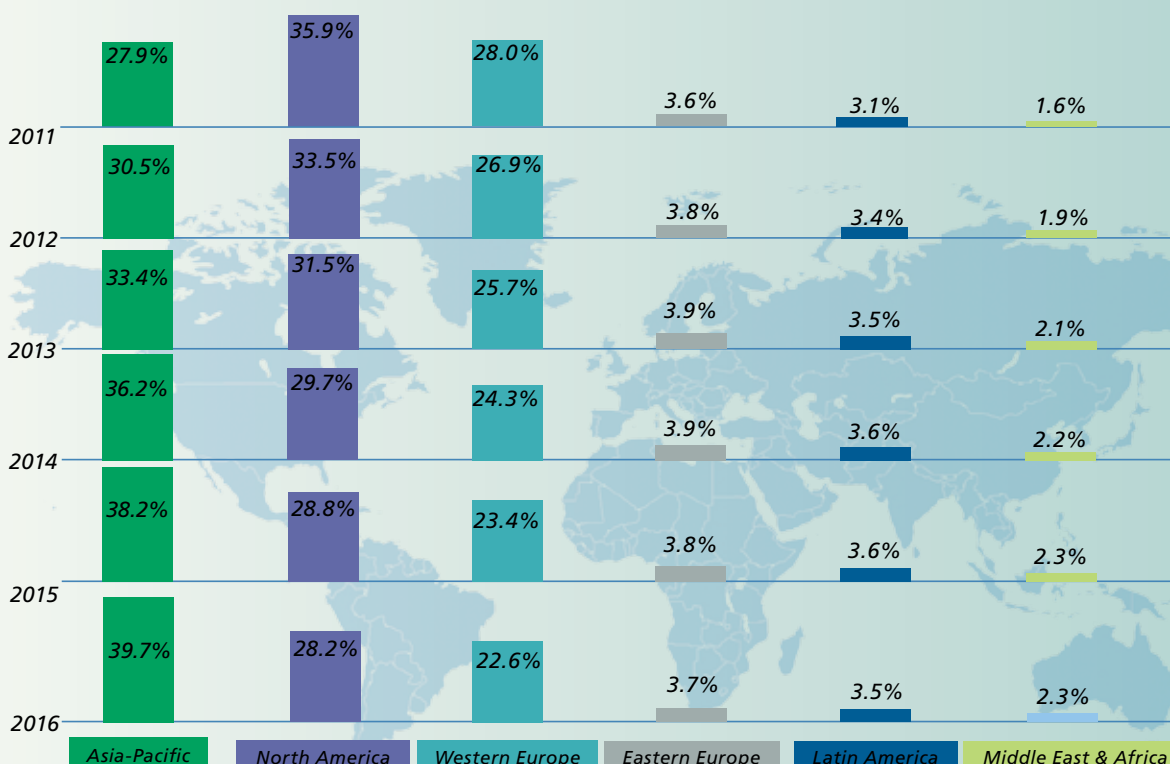
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SHOPPING BEHAVIOUR

Progress in information technology and the internet have changed people's behaviour patterns, and contributed to a shrinking of geographical distances and a soaring pace in informational exchange. People are displaying entirely new behaviours in getting information, communicating and buying products and services and, as attention levels shorten, purely informational communication to customers will lose impact. For people and organisations, the choice is not online or offline – buyers like to combine different channels.

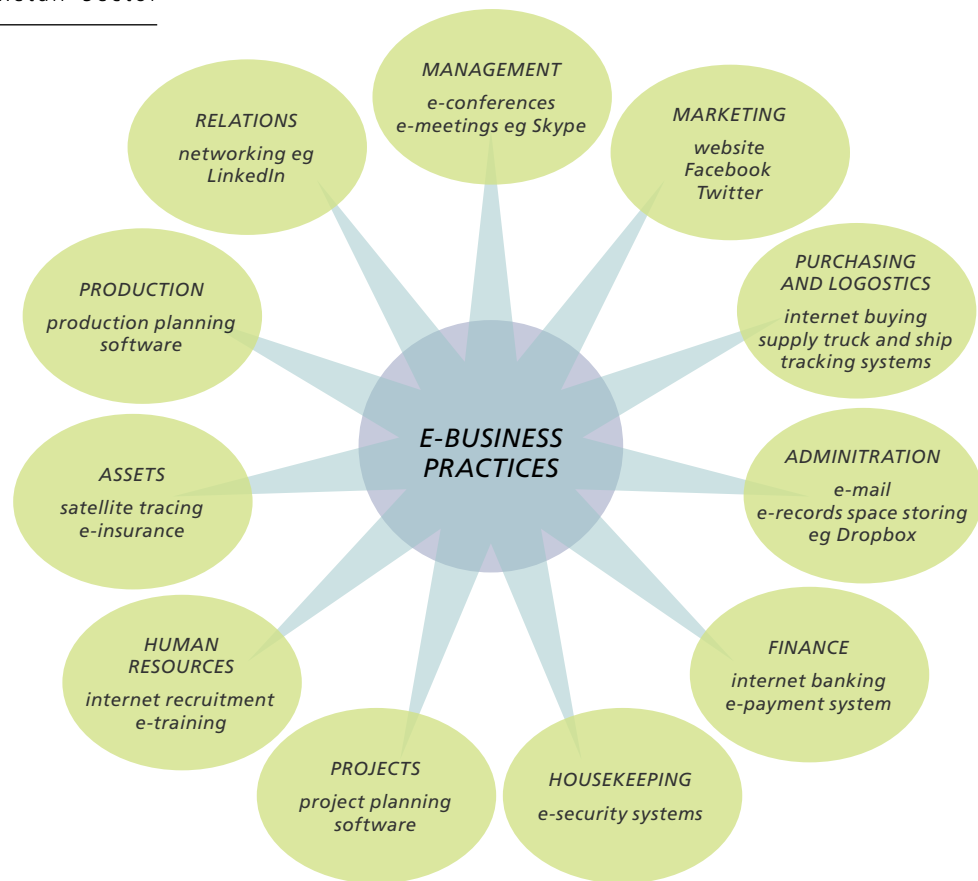
Given the privacy and data issues, it is crucial to obtain and handle customers' data properly. Excellence in logistics and the application of innovative forms of payment are important determinants of retailers' success.

E-COMMERCE SALES SHARE WORLDWIDE, BY REGION





One recent technological development is mobile shopping or m-commerce, where people use smartphones to identify deals, compare products and prices, and order while on the go. It is thus essential that retailers have a multichannel offering.



Viral communication can spread information at an enormous rate. It is important to know what is happening in social networks and to be able to react quickly.

TECHNOLOGIES

The focus of technology innovation is on multi-channel and continuous access to various retail store formats. Customers can choose when to use it, it can be provided almost everywhere and it offers potential for personalisation and individualisation via location-based services.

As consumers are willing to exchange privacy for convenience or entertainment provided through apps, the large retailers are all heavily engaged in launching apps. But the strategy to use apps to obtain consumer data is not without risk, especially if people become more concerned about privacy issues.

Online shoppers have no human contact with retail store staff in contrast to the online shopper's sub-conscious desire to engage with online stores that are more sociable and personal, so communication which is close to classic face-to-face communication is the silver bullet in selling.

Simply attracting site traffic and new customers is not a sustainable strategy. Customer retention is critical, and the main factors that predict e-loyalty are efficiency and problem resolution.

The important elements of online customer service include reliability, access, ease of navigation, efficiency, responsiveness, flexibility, assurance, security, aesthetics and personalisation. Building relationships around these dimensions requires access to data and an in-depth understanding of different online consumers.

It is recommended that companies include e-procurement in their e-business strategy. E-procurement reduces paper work and time for queries and enhances the competitiveness of a business, while reducing costs.



Concerns about internet security are the main reason consumers avoid online shopping. Companies must minimise the risk for their clients.

IMPLICATIONS FOR BUSINESS

E-business creates business opportunities, but the implementation of an e-business strategy also has risks and challenges. Staff need to have a whole new set of skills and technical know-how.

There are also implementation costs and risks, and businesses often don't know what technology to invest in and how much to invest in it. Retailers have a tendency to under-invest in technology.

In a study among SMEs in the UK the companies viewed "security-related issues as their greatest threat, followed by viruses and worms, and credit card fraud". Small and medium enterprises (SMEs) adopted a "watching brief" to avoid being trapped in first-mover disadvantages.

E-business implementation can increase sales, improve customer service, and result in better distribution and cost reduction. It is empowering companies to build a greater online presence, enhance their image, target their markets, simplify payment systems, improve internal efficiencies and engage directly with customers.

E-business has forced retailers to meet consumers on their terms and so they need to look at individualisation, use of mobile devices, cost containment, flexibility, speed in logistics and security. It is evident that implementing e-business has to be regarded as a strategic goal and a successful e-business strategy has to obey the number one marketing principle: Focus on customers' requirements.

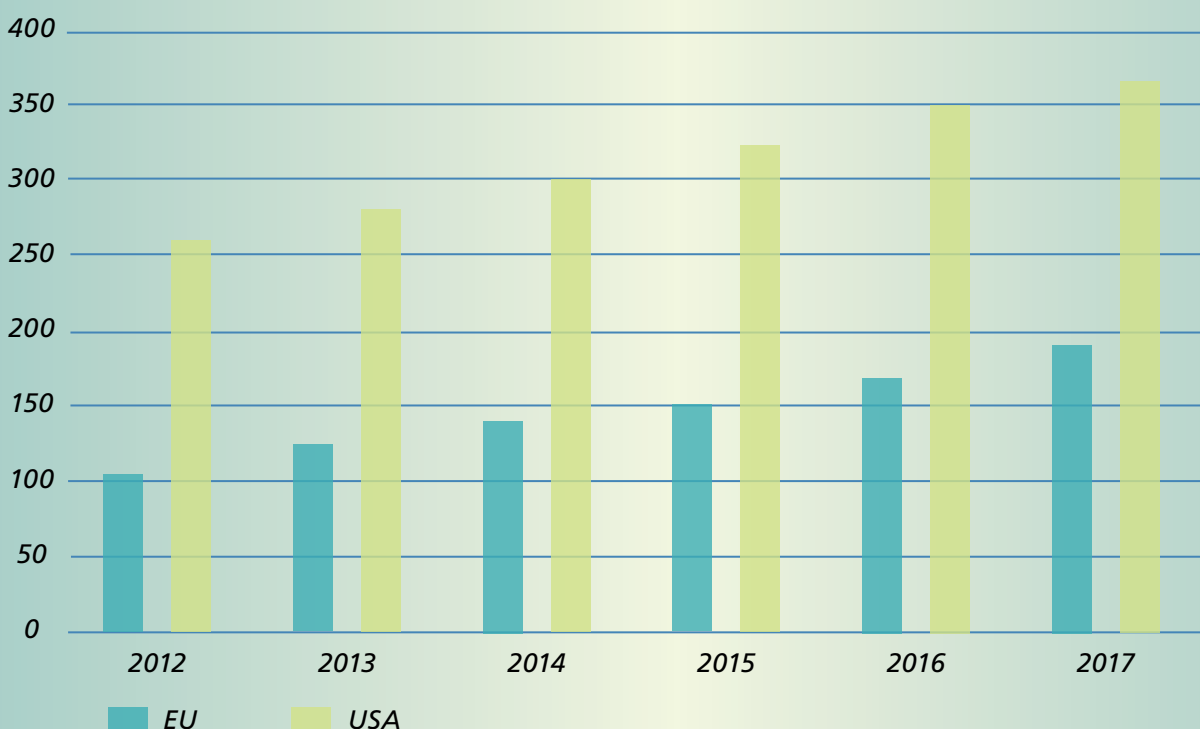
SKILLS REQUIREMENTS

Not too much research has been done on future e-business skills requirements for employees in the retail and wholesale industry.

The demand for qualified experts in e-commerce is huge and the requirements are challenging. More and more retail chains, particularly in clothing and fashion, have a growing demand for employees with a university degree. But there are very few universities that offer programmes in e-commerce with a retail focus.

The competition among retailers for e-commerce experts is going to increase, and the required qualification level is going to rise. Outsourcing some e-commerce activities could help.

FORECAST E-COMMERCE SALES IN BILLION US\$





“Probably the Anglo-American world (plus a good part of Asia) is quite homogeneous on that issue, as is Europe. The rest of the world, name it Africa, is different,” says one interviewee.



Another innovative field is ibeacon technology, which can monitor behavioural data, particularly of consumers in brick and mortar stores.



Consumers want to combine shopping and entertainment, and companies that respond to this will have competitive advantages.

SUMMARISED FINDINGS FROM INTERVIEWS

DEVELOPING COUNTRIES

Asked if it made sense to differentiate developments on a country- or region-specific level, Africa was cited as an example where the country and regional differences are huge.

TECHNOLOGIES

Continued concentration of web-based offers and providers is expected by most interviewees, particularly for general distribution services such as those found on Booking.com, Amazon and Trivago.

Opinion is varied on the issue of the protection of data privacy: Half the sample say consumers are losing interest in that issue while the other half expect changes in the wake of scandals.

The internet of things, or m2m business, which allows machines and technical devices to interact without human interference, is developing alongside developments in sensor technology used in things like virtual shopping experiences or the self-driving car.

According to most experts big changes can already be observed in tourism (travel agencies) and in retailing (e-commerce).

Online communication facilitates precision and efficiency in communication and interaction, and one of the pacemakers is e-banking, which goes much further than only account-keeping and includes a range of financial services

Drivers of innovation are the giants like Google, eBay, Amazon, Microsoft and Apple, and it is users who slow down the speed of change as they are sometimes reluctant to change their behaviour patterns.

Today's most important development trends are 3-D printing, internet of things (or machines), payment systems (including micro payments) and big data, which are the drivers of e-business and e-commerce proliferation.

IMPLICATIONS FOR BUSINESS

The boundaries between business partners and competitors will become blurred and supply chains will become more complex as additional services are added.

Profit margins will come under more pressure. Some experts indicate that service and after-sales service are becoming more important as their margins are higher.

The most important challenge is to transfer technological developments and innovations into economically successful applications.

Some offline trade will vanish. Some aspects, like services, will be affected more and others, like fresh food, less. In countries like South Africa, malls have a strong position and will be able to defend themselves against online competition.

CONCLUSION

Retailing is considered one of the industries most affected and influenced by e-business, and therefore the challenge to get prepared is huge.

SKILLS REQUIREMENTS

Retailers will require technological expertise combined with strong administrative capabilities and marketing and sales experience. They will have a growing number of positions for data analysts or people who have the tools and processes as well as understanding of marketing, sales and behavioural sciences.

For management and executive positions in retailing there is a growing demand for university graduates, but in selling – because of cost limitations – university graduates will remain a minority.

The availability of information means an increased need for salespeople to have better knowledge, qualifications and competencies to avoid well-prepared customers knowing more than sales staff.

There will be much more competition for qualified employees. This will cause salary levels to rise, at least in developed countries, and retailers will have to provide more training and development programmes.

There will be a growing need for new job profiles such as online marketing manager, online merchandise manager, community manager, social media manager, multichannel manager, mobile marketing manager, SEO manager, digital manager, interactive designer, digital web designer, software developer and cyber security manager.

IMPLICATIONS FOR BUSINESS

Not all business will be done online in the near future, and e-commerce has to be considered an additional option for clients, and they will choose what they prefer.

With technological advances customers can enjoy the shopping experience while sitting on the sofa using data goggles, the flat screen or in the near future a 3D device. These will attract a specific target group. Retailers may experience increased site visits but lower conversion rates.

Operating systems and different technological parameters (e.g. speed of processor, size and resolution of the screen, speed of internet connection) will affect the appearance of a company's communication. Changing customer behaviour requires an adaptation in marketing through offering incentives or improving convenience.

Online shoppers are increasingly concerned about security issues, and retailers have to guarantee their customers security if they want to continue doing business with them, so there are two major challenges: to make processes secure against attacks by cyber criminals using highly qualified and experienced IT security experts, and to convince customers and potential customers that they are safe when doing online business with them, which is a marketing and communication task.



The required qualification profiles of executives in middle management will be subject to change.



The most important competencies retailers will need are networking, communication, adaptability, flexibility, learning, innovation management, creativity, openness to new approaches and agility.



Mall retailers should focus on their competitive advantages (e.g. atmosphere, personal contact, holistic experience of shopping and entertainment).

THE W&R SECTOR

W&R is the fourth largest contributor to GDP and the 30 000 tax-registered retail enterprises employ about 20% of the total economically active workforce according to Stats SA.

The recent update of the W&R Sector Education and Training Authority Sector Skills Plan: 2011-2016 says data shows wholesaling and retailing as one of the least transformed sectors.

It says about 86% of registered enterprises in this sector are small and micro enterprises, 9.5% medium size and 4.5% large companies. Only 66% of operational retail traders are formally registered and contributing to the fiscus, suggesting there are over 100 000 informal (unregistered) traders in the sector accounting for 10% of national retail turnover.

The main employment increase has been in the informal /SMME sub-sector.

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Cape Peninsula University of Technology Cape Town

THE WRLC

The Wholesale and Retail Leadership Chair (WRLC) at the Cape Peninsula University of Technology (CPUT) was established in 2013, based on an initiative by the Wholesale & Retail Sector Education and Training Authority (W&RSETA) to contribute towards sector research and professional qualifications development at Higher Education levels.

A national survey report entitled Priority Research Needs of the South African Wholesale and Retail Sector marked the first step taken by the WRLC towards the creation of a basis for relevant research in this dynamic business sector.



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This publication is based on global research on the influences of IT developments on retail businesses and resulting skills requirements of employees by lead researcher Professor Doctor Udo Klaiber of Duale Hochschule Baden-Württemberg, Ravensburg, Germany and Terence Hermanus of the Department of Retail Business Management, Cape Peninsula University of Technology.

The full report is available at <http://wrlc.org.za/wp-content/uploads/2015/03/2014-04-e-business-and-global-retail-sector-report.pdf>

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