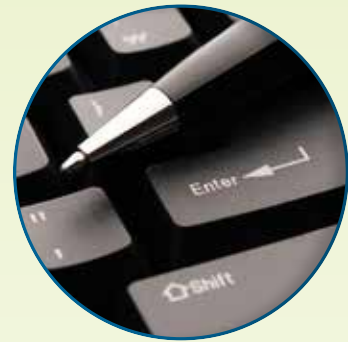# Wholesale&Retail
LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities

E-Retail in South Africa and the Impact on Skills Development in the South African Retail Sector

A SUMMARY

INTRODUCTION

The study also investigates the essential business processes required to drive the change agenda for e-Retail, by drawing from salient national and international case studies.

The study provides an overview of how e-Retail will be implemented in SA and what sort of impact it will have on the skills development process.

A selection of technology, marketing, operations and business factors are examined in studying how ready the SA retail sector is for e-Retail. A forward-looking analysis of the technical skills needed to sustain its arrival and growth is also carried out.

Towards this end, relevant functions, skills and services are identified which define those competencies necessary for the successful implementation of e-Retail. An outline for a professional qualification in the management of e-Retail is furthermore provided, as curriculum guidance for a tertiary education solution.

The research clarifies the environment for e-Retail deployment in South Africa with respect to e-Retail functions, services and job skills requirements and career prospects within e-Retail. The formation of an e-Retail change agenda within South Africa is a central theme of the research methodology.

Key and breaking technologies likely to affect the implementation of e-Retail in South Africa are also identified by the study.

The study also investigates the essential business processes required to drive the change agenda for e-Retail, by drawing from salient national and international case studies. Significant contributions regarding the practical implementation of e-Retail in South Africa are also put forward.

DEVELOP A PROFILE OF THE SOUTH AFRICAN E-RETAIL SECTOR, BASED UPON THE INTERNATIONAL E-RETAIL PROJECT NUMBER 2014/04

To start with, the report provides some relevant statistical points to help define the nature of the South African e-Retail sector.

A number of online publications are referenced, with the objective of garnering 'authentic' insights into the current state of the industry.

Forecasts by World Wide Worx for the next five years, show online retail sales almost exactly doubling over this period.

World Wide Worx (2016) states in its Online Retail in South Africa 2016 report that, 'online retail in this country will reach 1% of overall retail during 2016'. It goes on to say that, 'online retail continues to grow at a high rate in South Africa' quoting a rate of over 20% per annum. The current market share of e-Retail in South Africa is around R9 billion of a total retail sector share of around R900 billion. 'Forecasts by World Wide Worx for the next five years, show online retail sales almost exactly doubling over this period'.

World Wide Worx summarises 'opportunity for development' into two key points.
1. 'There is an ever-increasing 'number of experienced Internet users in South Africa who are ready to transact online.'
2. 'South African e-commerce has not attained the sophistication of major western markets.'

The Memeburn 2015 report

SEVEN FAST FACTS ABOUT THE SOUTH AFRICAN E-COMMERCE SPACE

A summary of the consumer level demographics of the sector

1 The majority of online shoppers were women aged between 18 and 39 years

2 The majority of South Africans spend between R250 and R1000 when making a purchase online

3 33% of those surveyed made 10 or more purchases online per year

4 28% of shoppers make online purchases using their mobile phone

5 The busiest time for online stores was after the 25th of each month

6 The average basket size in South Africa stood around R725 per order

7 70% of all online transactions were paid for with a credit/cheque card

The BusinessTech (2015) blog titled 'SA online shopping only 1% of retail sales', quotes and confirms the demographics and statistics provided by the World Wide Worx (2016) report. An earlier associated blog however, provides some insight into the drivers of e-Retail in South Africa. The key drivers, as reported, are:
1. Lower product costs
2. Faster delivery
3. Flexible delivery options
4. Safer ways to pay
The blog furthermore suggests that payment related issues are the major barrier to consumer participation in e-Retail.
The research also, however, indicates that the explosion of mobile will drive future growth in online shopping in South Africa.

The Deloitte (2015) report declares the six most definitive trends for the African and South African e-Retail sector to encompass are:

1 The informal retail market is still significant

2 Increasing omni-channel strategy informing the rise of e- and m-Commerce

3 International retailers entering Africa

4 South African retailers focusing on expansion outside the continent

5 Forecourt retailing growth

6 Grocery retailing driving the industry

The following statistical information (reproduced verbatim), from the e-Commerce Industry Report (2016), is based on the survey of 12 000 South African Internet users and provides insight into their shopping habits:

1. 58% of respondents prefer to pay by card and 23% would prefer to pay on delivery.

2. Guaranteed returns at 41% is the overriding assurance that would make them feel most comfortable shopping online.

3. They felt most comfortable doing their first online payment with bill payment merchants and least comfortable with automobile merchants.

4. Travel tickets and books were the items most online shoppers last purchased.

5. 45% received their online purchases within 1-2 working days. 74% received their purchase within 5 working days. 58% were very satisfied with the speed of delivery.

6. 49% pay for delivery and 38% did not pay any delivery fee. Of those that paid, 58% paid between R200-299.

7. Saving time, access to product reviews, special offers and price comparisons are the four main reasons online shoppers like to shop online.

8. 72% use price comparison sites.

9. Cheaper or free delivery, a payment method they can trust and an easy return policy are the three most important improvements that would make them shop online even more.

10. Credit cards, bank transfers and debit cards are their preferred method of payment.

11. Purchase discounts are the overriding incentive which would motivate online shoppers to do online shopping with a card.

12. 65% shop online occasionally or only for certain products or services. 60% are happy with the level of online shopping they are doing at the moment.

DEVELOP A PREDICTION OF THE TRAJECTORY OF E-RETAIL IN SOUTH AFRICA OVER THE NEXT 5 YEARS.

An objective of this study was to produce a five-year trajectory of the South African e-Retail industry by evaluating e-Retail markets and salient technology trends. The decision was taken to focus primarily on proposed 'mega trends' that might characterise e-Retail's medium to long-term trajectory in South Africa.

GROWTH OF THE SECTOR

The Euromonitor International (2016) report: the South African "internet retailing channel is still in its infancy" by global standards and that it will continue to grow. World Wide Worx (2016): online retail sales will grow at a rate of more than 20% per annum and double over the next five years.

FOLLOWING THE TREND

In the medium term, South African e-Retail will probably continue to follow global and western e-commerce trends. Brett Kaplan of Biz Trends (2014) says that South African retailers should focus on providing efficient online retail services. He recommends that global trends should be interpreted and adapted to suit local conditions.

SKILLS DEVELOPMENT

Developing competitive capacity within the South African e-Retail industry requires investment in training. The UKCES (2010) report ("skills for jobs – today and tomorrow") argues for "right skilling" for an emergent e-Retail industry. Individuals with the right skills need to be developed to sustain an effective e-Retail industry.

MOBILE

Another mega trend that will continue to shape the e-Retail industry is the spread of mobile devices. Klaiber & Hermanus (2014) state that the proliferation of mobile technologies even cuts across class borders. The Business Tech (2015) report suggests that mobile devices will drive future increases in online shopping in South Africa.

CYBERSECURITY

Cybersecurity is also likely to impact the e-Retail industry in South Africa in a big way. Dynamic new systems are needed to ensure that sensitive transactions can be done securely. The Expert Group agreed, stating that "industry-referenced skills training could enhance the capacity of the South African e-Retail industry."

BIG DATA

"Big Data" and Data Science are emerging mega trends impacting digital platforms. Gary Hadfield, Biz Trends (2014), claims that big data will become a major factor in e-Retail, by providing intelligence not generally available to traditional retailers. By tuning into consumer needs, the efficacy of a business can be improved by big data.

WEARABLES AND PERVASIVE TECH

Wearable and pervasive (the internet of 'things') technologies is the breaking mega trend that will next impact the South African e-Retail sector. There will be a significant impact on e-Retail as attitudes, behaviour and integration of technology into our lives continue to grow.

IDENTIFY THE CURRENT AND PREDICTED SKILLS NEEDS THAT COULD RESULT FROM THE ABOVE PREDICTION, RESULTING IN A PLANNED REQUIREMENT OF SCARCE SKILLS OVER THE NEXT 5 YEARS.

E-Retail skills

Many retailers find the technology aspect of e-Retail to be quite daunting. The Harris Poll (2014) states that the biggest concern around the implementation of any e-Retail venture is the threat of having to engage in new technologies. Often the first response is to consider "new product development, marketing and establishing an online presence".

Although somewhat dated, E-Skills UK (2011) makes a compelling case for providing the necessary IT skills to support e-Retail, and it remains relevant as South Africa is probably at the same level of technological readiness as Scotland was at the time of writing that paper.

The report suggests that significant investment needs to be made into a wide range of IT skills training. It also advocates that the traditional approach of separating IT and marketing is not effective. The case is thus made for integrating IT and marketing training as a specialist e-Retail offering.

Accenture Digital (2015) highlights the need for social skills development within the virtual reality of e-Retail and that the customer should be prioritised. Often the environment for e-Retail is instead dominated by technology considerations.

Mintel (2015) states that 'product informatics' and 'market intelligence' will become central to the efficacy of e-Retail in order to support and drive consumer demand sensibly. These skills should be provided and nurtured.

UKCES (2010) emphasises the need to proactively provide for future skills requirements to support the economy. It is crucial that skills needs are prioritised in operating platforms such as e-Retail.

Although the Chiles & Dau (2005) report is now dated, it still has relevance when it states that success in retail is achieved through "recognising opportunity and excellence in supply chain management". e-Retail is fundamentally still retail and all the performance considerations therefore still apply.
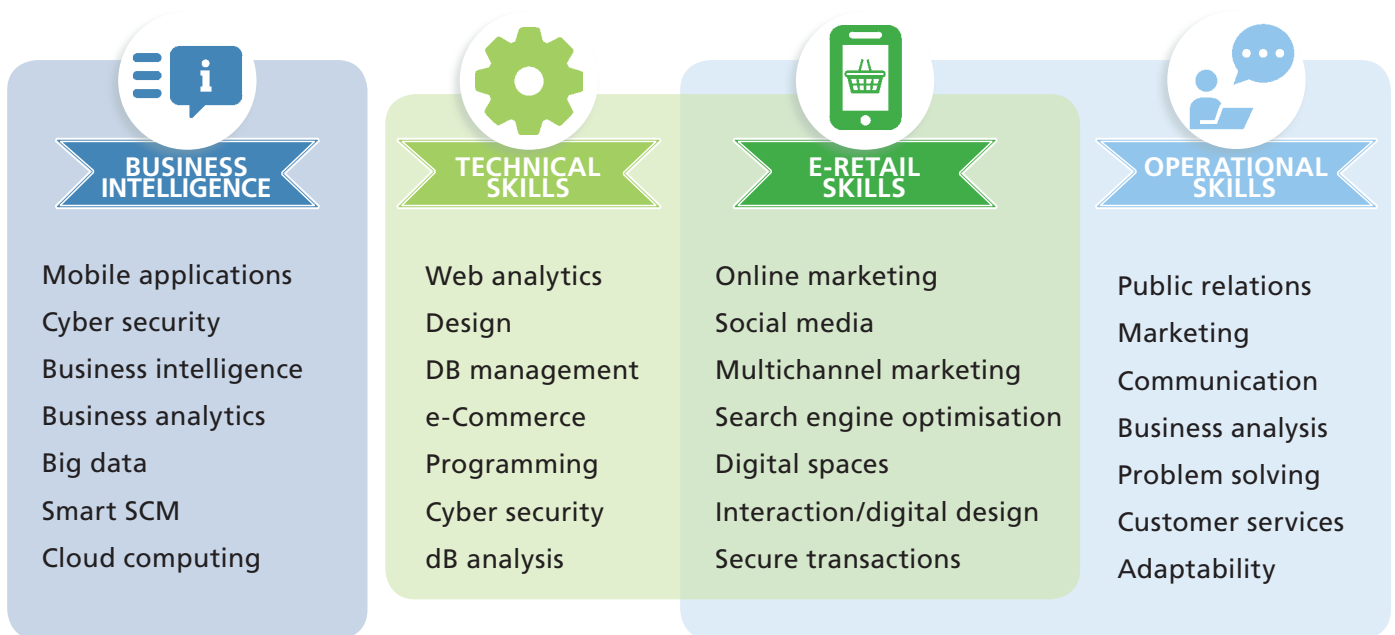
Deloitte (2015) suggests that e-Retail is "experience retailing" and that special skills are needed to make the e-Retail experience "entertaining, educational, emotional and engaging".

E-Retail skills map

The process for evolving a South African e-Retail skills mapping was based on the mapping of the "e-Skills UK Sector Skills Council 2011".

The figure on the next page illustrates the e-Retail skills proposed to be relevant to the South African context.

Figure 1: e-Retail skills map (Adapted from e-Skills UK Sector Skills Council 2011)

BUSINESS INTELLIGENCE	TECHNICAL SKILLS	E-RETAIL SKILLS	OPERATIONAL SKILLS
Mobile applications	Web analytics	Online marketing	Public relations
Cyber security	Design	Social media	Marketing
Business intelligence	DB management	Multichannel marketing	Communication
Business analytics	e-Commerce	Search engine optimisation	Business analysis
Big data	Programming	Digital spaces	Problem solving
Smart SCM	Cyber security	Interaction/digital design	Customer services
Cloud computing	dB analysis	Secure transactions	Adaptability

The scoping group returned a mapping similar to that of the UK in respect of technical skills, e-Retail skills and operations skills. However, the scoping group proposed introducing a completely new category for the South African context, namely, Business Intelligence, as a key skills area. This probably indicates the rapidly changing nature of e-Retail skills rather than a separation of South African and UK approaches to them.

E-Retail specialised training

Within each of the e-Retail sub-disciplines, various employment and career opportunities are proposed, with training being task and level appropriate, and specialist tasks requiring advanced training.

The following selected comments endorsed the thesis:

"We have a comprehensive specification document available showing the types of skills that are needed for the setup of an e-Retail store"; and "there are certainly many career opportunities within the various sub-disciplines and each one would require specialised training".

"E-Business specialised tasks would be e-Retail Technology, e-Retail Marketing, e-Retail Operations and e-Retail Business Intelligence while basic warehousing, finance and accounts receivable would not differ much from a traditional store"; and "advanced training and experience would be vital to support success for e-Retail".

IDENTIFY THE INTERVENTIONS REQUIRED OF THE W&RSETA AND OTHER ROLE PLAYERS IN THE RETAIL SECTOR, TO FILL THESE SKILLS GAPS.

Interventions required in order to fill the skills gaps detailed above, should be a combined effort between retailers and the W&RSETA.

Investment in training has been identified as a mega-trend for the development of competitive capacity within the SA e-Retail industry. In order to sustain an e-Retail industry and to extract optimum performance, it is imperative that individuals with the right skills be developed.

The expert group, however, had this proviso: "The challenge of sound basic business knowledge still exists. We need to overcome this challenge before embarking on any e-Business training. E-Business training, no matter how sound, would be largely ineffectual without basic business knowledge, including inventory and finance."

The challenge then, is to develop a curriculum able to meet these demands.

Table 1: Proposed Curriculum Topics

	LEVEL 5 HIGHER CERTIFICATE	LEVEL 6 DIPLOMA	LEVEL 7 ADVANCED DIPLOMA	LEVEL 8 POSTGRADUATE DIPLOMA
CURRICULUM COVERAGE	• Awareness • Taxonomy • Phenomenology • Tools	• Practices • Technologies • Governance and Policy • Ethics	• Change agenda • Strategy • Integration • Evaluation	• Ontology • Metacognition • Innovation • Reflexivity
TOPICS				
TECHNICAL	• Technology and process development • Cloud computing • Web technologies and services	• E-Commerce architecture • E-Commerce hosting • E-Commerce payment	• Cybersecurity • IT Services Management • E-Commerce platforms	• B2B and B2C networks • Web platform and connectivity • Secure transactions •
MARKETING	• Marketing, sales, and accounts • Customer and aftersales services • Multi-channel marketing	• E-Retail marketing • Marketing dashboards • Online targeting	• Media and communication • Search Engine Optimisation • Online reputation management	• E-Retail media design • Mobile marketing

	LEVEL 5 HIGHER CERTIFICATE	LEVEL 6 DIPLOMA	LEVEL 7 ADVANCED DIPLOMA	LEVEL 8 POSTGRADUATE DIPLOMA
CURRICULUM COVERAGE	• Awareness • Taxonomy • Phenomenology • Tools	• Practices • Technologies • Governance and Policy • Ethics	• Change Agenda • Strategy • Integration • Evaluation	• Ontology • Metacognition • Innovation • Reflexivity
TOPICS				
OPERATIONS	• Procurement, logistics, and distribution • General management and infrastructure • Human resource management	• Supply Chain Management • Products and services delivery	• E-Retail distribution • E-Retail logistics • Transactions management	• Operations management • Enterprise management • Smart SCM
BUSINESS INTELLIGENCE	• Product and/ or service development • Merchandise planning	• Risk analysis • Funnel analysis • Data integrity	• Business analysis • Financial management • Information security	• Data analysis and management • Data visualisation • Web analytics

CONCLUSION

The study identified key technologies affecting the successful implementation of e-Retail in South Africa, as well as the business processes required to drive change for South African e-Retail. Also highlighted were aspects of business and social change linked with e-Retail, and the evolution of e-Retail functions, skills and services.

Significant knowledge contributions regarding the major issues around implementation of e-Retail in South Africa were made, and comprehensive suggestions were put forward as to how shortfalls in relevant skills should be addressed.

The research is both suggestive and receptive to opportunities and challenges within a complex environment. Mega trends impacting e-Retail in South Africa were identified, including cybersecurity and big data, as well as wearable and pervasive technologies.

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.

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. This project is the twentieth research study conducted by the WRLC.

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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.

| Professor Bennett Alexander | Dr Joey Jansen van Vuuren | Mr Terence Hermanus | Mr Reuben Dassah | Professor Roger B. Mason |

The lead researchers were Professor Bennett Alexander, Department of Information Technology, Cape Peninsula University of Technology, and Dr Joey Jansen van Vuuren, Research Group Leader Cyber Defence, CSIR Defence Peace Safety and Security (Command Control and Information Warfare). Their research team included Mr Terence Hermanus and Mr Reuben Dassah, Department of Retail Business Management, Cape Peninsula University of Technology, and Professor Roger B. Mason, Wholesale & Retail Leadership Chair, Cape Peninsula University of Technology.

The full report is available at:

http://wrlc.org.za/wp-content/uploads/2017/01/2015_13-e-Retail-in-SA-161020.pdf

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