

# Understanding skills and performance challenges in: wholesale and retail

# Strategic LMI: Wholesale and Retail

## Introduction

The vision of the UK Commission for Employment and Skills is to create the best opportunities for the talents and skills of people to drive competitiveness and growth. Developing a deep understanding of the skills and performance challenges facing the UK economy now, and in the future, is integral to this role.

The wholesale and retail sector is an important contributor to the UK economy and has been successful in achieving growth and remaining competitive, despite the economic downturn.

Current changes in technological advancements have created many challenges which in turn have consequences for the sector's skills supply and needs, and impacts upon workforce development strategies.

# Research approach

The aim of the research was to investigate the skills requirements of the wholesale and retail sector in relation to a number of key themes and associated drivers of change (as listed below). These themes, initially identified by UKCES along with the drivers of change were refined through the research. The study involved a detailed literature review, data analysis, employer and stakeholder interviews.

Drivers of change	→	Key themes
Demographic change		1. Attracting talent
Technology and innovation		2. The image of the sector
Consumer behaviour		3. Employee retention and progression
Sustainability		4. Customer service management
Regulation		5. Managing innovation and technology
Globalisation		6. Business development, sales and marketing

# The wholesale and retail sector

## **Economic position**

According to the Office for National Statistics (ONS) in 2012 the retail sector is the second largest sector by General Value Added (GVA) contributing £144bn to the economy, constituting 15 per cent of the UK total.

Despite a dip in 2009, the recession has not stopped retail sales and total industry turnover increasing year-on-year.

There are over 358,000 businesses in the sector in the UK, providing a total of 4.87 million jobs. It is the largest sector in the economy by employment.

# The three subsectors

Wholesale and retail is divided into three discrete subsectors:

## Wholesale

Businesses in the wholesale subsector provide goods (except for motor vehicles) to businesses or brokers, often retailers.

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## Retail

Businesses in this subsector are involved in the distribution of merchandise to the public, with the exception of motor vehicles.

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## Automotive retail

Businesses in this subsector are involved in the wholesale and retail trade and repair of motor vehicles and motorcycles.

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# Drivers of change (1)

## Changes in demography

- The sector is vulnerable to demographic change due to its traditionally young workforce.
- Sixty three per cent of all 16-18 year olds in employment work in the wholesale and retail sector;
- However, the UK's ageing population means there are comparatively fewer young people to enter the workforce;
- Younger workers are competing with older, experienced workers but who typically have low levels of ICT literacy;
- Areas of low population density have, and are continuing to, suffer from out-migration of young workers.

# Drivers of change (2)

## Technology and innovation

- Technological advancement has serious implications for the future skill requirements of the sector. Advances in online, multi-channel and omni-channel marketing are proving a challenge to businesses due to the changing and fast pace of developments.
- The introduction of new technology-based services changes the structure of the business;
- Marketing strategies are evolving to make increasing use of internet and social media-based channels. Across these channels, brand and experience will need to be consistent;
- In-store technologies require a diversified and higher-level skills base.

# Drivers of change (3)

## Changes in consumer behaviour

- Consumers are changing their shopping habits and this is reflected for example in the spread of the Research Offline Buy Online (ROBO) phenomenon.
- The buying public are increasingly better-informed and discerning
- Consumers are becoming less loyal to brands

# Drivers of change (4)

## Sustainability

- Companies are driven to more sustainable business models and processes, partly because of legislation but also due to consumer demand.
- Concerns regarding packaging waste, energy and water efficiency require retailers to be more environmentally aware;
- The increasing popularity of hybrid and electric vehicles is changing the knowledge requirements of car mechanics, technicians and sales staff

# Drivers of change (5)

## Regulation

- Online retailing exposes businesses to international markets and associated legislation regarding e-commerce
- For the automotive subsector, European carbon reduction targets may increase consumer appeal of ultra-low emission vehicles
- Knowledge of the UK's own online trading law will become essential for staff responsible for internet sales

# Drivers of change (6)

## Globalisation

- The opening up of international markets will have an impact on the specialist skills needs of business management and retail staff
- The creation of global supply chains can incur little additional cost, but can deliver products and resources quickly
- Customer service staff in online retailing roles are likely to be more exposed to international customers, requiring skill in understanding cultural norms and differing customer needs and preferences

# Key themes for the future (1)

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## **Attracting talent**

The sector is struggling to attract people with the skills it needs. There is high demand for skills in maths, IT and web-related areas, analytics, big data management in combination with marketing and commercial skills.

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Young people with these skills are typically attracted to industries other than retail.

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‘Traditional’ recruitment channels are still effective for lower-level roles, however in order to compete with other sectors for good quality workers, the wholesale and retail sector will need to review its recruitment strategies.

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# Key themes for the future (2)

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## **Image of the sector**

The image of the sector is still a significant challenge for many (smaller) retailers in attracting the right sets of skills. The sector is seen as having low pay, low skills and few career prospects.

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Some, larger businesses have introduced schemes and initiatives to improve the image of wholesale and retail careers, to improve staff satisfaction and reduce turnover rates.

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A lack of appropriate careers advice is blamed as one factor, with little information available on less 'visible' retailing roles.

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# Key themes for the future (3)

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## **Employee retention and progression**

Employers can struggle to retain staff and provide progression opportunities.

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Retention is an issue for certain roles where the market is competitive, employees tend to move for little differences in wages. This is particularly true of motor vehicle technicians; drivers in wholesale and logistics; sales assistants. A lack of training compounds the problem, together with limited progression routes in small companies.

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Businesses may find it easier to promote workers, rather than attracting talent from outside the business, but a lack of training means that once in management positions, these individuals can find themselves lacking necessary skills. This problem is exacerbated due to the heightened complexity of the manager's job role.

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# Key themes for the future (4)

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## **Customer service management**

Changes in consumer demand and technological innovation mean that employers will need to adapt their customer service strategies. Customers will expect a consistent shopping experience, in store and across channels.

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Customer service staff will also need a higher level of product knowledge, as customers themselves are becoming more knowledgeable.

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All of this will impact and challenge the managers of customer service staff, as they need to engage and motivate their staff, as well as provide up-skilling.

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# Key themes for the future (5)

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## **Managing innovation and technology**

New technological processes and other innovations being introduced produces a major challenge for managers on shop floors, in the supply chain and in head offices. The inclusion and pervasiveness of new technology leads to new skills requirements in 'shop floor' staff and those managing them.

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Leaders are expected to be entrepreneurial in their exploitation of new technologies, from managing supply chains to cross-channel integration and marketing.

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Demand for workers with appropriate digital commerce, social media and web expertise is increasing. Managers in smaller businesses need ICT-related skills to take advantage of new opportunities, with new skills focused on innovations concerning new working practices and developing new product knowledge.

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# Key themes for the future (6)

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## **Business development, sales and marketing**

At a strategic level, planning becomes more complex, affecting business development, recruitment and the response to changes particularly regarding the pace of technological change.

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Online forums and symbol groups are being used by smaller companies to benefit from business support and information exchange.

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Sales data is becoming more precise and transparent, requiring increased sales performance to meet targets.

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Marketing approaches have developed to increasingly incorporate consumer endorsements, through a multitude of channels.

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# Implications for the future (1)

Based on an analysis of skills and performance challenges, the research has identified a number of implications the sector is advised to address in order to maximise future opportunities for prosperity and growth.

## **Business models and globalisation**

- New business models are emerging, the most complex of which being omni-channel retailing. This requires staff with a diverse skill set and the adoption of business models promoting a consistent standard of customer service.
- This, combined with exposure afforded by the internet, creates opportunities for businesses to expand into new, overseas markets.
- This will require new higher-level skills in: identifying opportunities; languages; knowledge of other cultures and an ability to extend supply chains internationally.

# Implications for the future (2)

## Technology

- Customer data is acknowledged as being underused by the sector. In the future, businesses will need highly skilled individuals able to use this information effectively to take advantage of the marketing opportunities presented.
- In wholesale, skills will be needed in managing the ever more technical processes of stock-management and supply systems.
- In the automotive retail sub-sector, the integration of new technologies into vehicles and a focus on low emissions vehicles requires knowledge of those technologies, along with the carbon-reducing targets driving them.
- Knowledge and skills will need to be refreshed through appropriate top-up and Continuing Professional Development (CPD) training.

# Implications for the future (3)

## Attracting young people

- As demand for well-qualified (QCF Levels 4-6/SCQF Levels 8-12) individuals intensified, the sector must overcome long-standing difficulties of attracting graduates. The challenge is compounded by competition from other sectors for graduates in IT-related disciplines. Higher Apprenticeships could be a means of addressing this.
- An ageing population and a smaller pool of young people means wholesalers and retailers will need to be more outward looking in their approach to recruitment.
- The negative image of the sector could be addressed by showcasing to potential entrants the changing face of the sector – by providing up to date information to careers adviser and promoting less visible roles such as management, marketing and e-commerce.
- Encouraging the sector to invest more in training could help to retain staff and improve the sector's image.

# Implications for the future (4)

## Training

Most hard-to-fill vacancies in the sector are caused by skills shortage vacancies which are more commonplace in SMEs than in larger businesses. Priorities for training include:

- ICT skills: needed for staff at all levels
- Technical and product knowledge: as customers become more knowledgeable and discerning
- Customer service and support: changing consumer behaviour demands market segmentation knowledge to inform better customer service
- Managerial and leadership skills: to address the changing business models seen in wholesaling and retailing businesses.

Case studies and strong messages on the benefits of training remain important.

