



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Understanding Skills and Performance Challenges in the Wholesale and Retail Sector

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Understanding skills and performance challenges in the wholesale and retail sector

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Foreword

The UK Commission for Employment and Skills is a social partnership, led by Commissioners from large and small employers, trade unions and the voluntary sector. Our ambition is to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. Our strategic objectives are to:

- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base;
- Work with businesses to develop the best market solutions which leverage greater investment in skills;
- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them.

The third objective, relating to intelligence, reflects an increasing outward focus to the UK Commission's research activities, as it seeks to facilitate a better informed labour market, in which decisions about careers and skills are based on sound and accessible evidence. Relatedly, impartial research evidence is used to underpin compelling messages that promote a call to action to increase employers' investment in the skills of their people.

Intelligence is also integral to the two other strategic objectives. In seeking to lever greater investment in skills, the intelligence function serves to identify opportunities where our investments can bring the greatest leverage and economic return. The UK Commission's third strategic objective, to maximise the impact of policy and employer behaviour to achieve an internationally competitive skills base, is supported by the development of an evidence base on best practice: "what works?" in a policy context.

Our research programme provides a robust evidence base for our insights and actions, drawing on good practice and the most innovative thinking. The research programme is underpinned by a number of core principles including the importance of: ensuring 'relevance' to our most pressing strategic priorities; 'salience' and effectively translating and sharing the key insights we find; international benchmarking and drawing insights from good practice abroad; high quality analysis which is leading edge, robust and action orientated; being responsive to immediate needs as well as taking a longer term perspective. We also work closely with key partners to ensure a co-ordinated approach to research.

This report provides strategic labour market intelligence on skills needs in one of the key industrial sectors of the UK. The report examines recent changes in the wholesale and retail sector and the implications for future skills and training needs. Seven key performance challenges are identified for the sector, namely; attracting talent, the perceived image of the sector, staff retention and progression, leadership and management training, enhanced customer service, responding to IT developments through business development and new forms of sales and marketing. The research draws on an extensive literature review and analysis of the latest Employer Skills Survey as well as drawing on the insights of employers and stakeholders through interviews. It provides new intelligence on the current state of play and the future of skills and training in retail and wholesale. The insights will support business leaders, policy makers and those charged with shaping the skills and training landscape to maximise to contribution that retail and wholesale can make to economic success in the UK.

Sharing the findings of our research and engaging with our audience is important to further develop the evidence on which we base our work. Evidence Reports are our chief means of reporting our detailed analytical work. All of our outputs can be accessed on the UK Commission's website at www.ukces.org.uk

But these outputs are only the beginning of the process and we are engaged in other mechanisms to share our findings, debate the issues they raise and extend their reach and impact.

We hope you find this report useful and informative. If you would like to provide any feedback or comments, or have any queries please e-mail info@ukces.org.uk, quoting the report title or series number.

Lesley Giles

Deputy Director

UK Commission for Employment and Skills

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Executive Summary

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. By having informed intelligence about the labour market, businesses and people can make informed decisions on skills and careers. Developing a deep understanding of the skills and performance challenges facing the UK economy now, and in the future, is integral to this vision.

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.

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

The aim of this 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). Six themes were initially identified by UKCES along with the drivers of change, were refined through the research. The study involved a detailed literature review, data analysis and a series of depth interviews with employers and stakeholders.

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

According to the Office for National Statistics (ONS) the retail sector generated a General Value Added (GVA) of £144bn in 2012, constituting 15 per cent of the UK total, making it the second-largest sector after manufacturing.

Despite a dip in 2009, the recession has not hindered retail sales with 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 making it the largest sector in the economy by employment. The wholesale and retail sector comprises three discrete subsectors:

- the retail subsector is the largest by a variety of measures (see below). Businesses in this subsector are involved in the distribution of merchandise to the public, with the exception of motor vehicles;
- businesses in the wholesale subsector provide goods (except for motor vehicles) to business or brokers, often retailers;
- finally, businesses in the third subsector are involved in the wholesale and retail trade and repair of motor vehicles and motorcycles

These three subsectors have a similar purpose of selling products; therefore, they are all included in this report and analysed jointly. Any differences between the three subsectors uncovered in the research are discussed in appropriate sections.

Characteristics of the sector

Over 50 per cent of businesses are classified as operating in the retail subsector. Across all subsectors 88 per cent of businesses are characterised as 'microbusinesses', employing nine employees or fewer.

In 2012, the sector workforce accounted for 15 per cent of all UK jobs. The number of jobs declined during the recession by 6 per cent between March 2008 and June 2011 (its lowest point) however it was not as hard-hit as some others. The sector is now slowly recovering, with 2 per cent more jobs in March 2014 compared to June 2011.

In terms of its skills profile, the sector has a workforce with relatively low levels of qualifications compared to others: only 22 per cent of the workforce holds a qualification at QCF Level 4/SCQF Level 8-9 and above.

Skills and training profile of the sector

According to the 2013 UKCES Employer Skills Survey (UKCESS), average rates of hard-to-fill vacancies and skills shortage vacancies in the sector compare favourably to those found in the whole economy. However, the automotive retail subsector in particular, as well as small businesses across all three subsectors, has difficulty finding suitable applicants. Hard-to-fill vacancies are most commonly found amongst skilled trades occupations and associate professional occupations. When looking at skills levels of the currently employed workforce, sector employers reported slightly higher than average rates of skills gaps compared to employers across all other sectors combined.

The wholesale and retail sector provided less training for its staff over the 12 months prior to the UKCESS compared to businesses in other sectors; this was also supported by the findings of the literature review and primary research for this study. On-the-job training is most prevalent in the wholesale and retail subsectors, whilst employers in the automotive retail subsector most typically provide off-the-job training. The comparison between the four nations revealed that employers in Scotland proportionally engage slightly more in training, than the other nations, while employers in Wales engage slightly less. However, the greatest predictor for engagement in training is the size of the business. Employees of microbusinesses are receiving less training than employees of larger establishments (42 per cent versus 71 per cent of employees, respectively).

Drivers of change

Mirroring the situation for the economy as a whole, the sector is currently experiencing demographic changes. As a result of the UK's aging population there are comparatively fewer young people available to enter the workforce. This will affect the wholesale and retail sector in particular as 63 per cent of all 16-18 year olds in employment work in the sector. To add to this, areas of low population density have, and are continuing to, suffer from out-migration of young workers.

Advances in technology and innovations, such as online, multi-channel and omni-channel retailing¹ are proving a challenge to businesses due to the changing and fast pace of developments. The introduction of new technology-based services demands changes to the structure of businesses in order that they can satisfy consumer demand for quality, price and speed of delivery. In response, companies are also using advancements in technology in other areas of the business. For example, marketing strategies are increasingly incorporating internet and social media-based channels. In order for businesses to provide a consistent brand experience and customer service, multi- and omni-channel retailing is becoming increasingly important. In addition, the introduction of in-store technologies requires a diversified and higher-level skills base in shop-floor staff.

The technological advances, along with innovations being made by some companies are fostering 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. Due to widespread use of the internet, customers are also increasingly better-informed and discerning about their purchasing and companies are having to work harder and smarter to find innovative solutions and retain customer loyalty.

Additionally, companies are driven to more sustainable business models and processes, partly because of legislation regarding, for example, packaging waste, energy, and water efficiency. More efficient, and increasingly automated, supply-chains are driving retailers to collaborate and innovate. In the automotive subsector, the growing popularity of hybrid and electric vehicles is changing the skills and knowledge requirements of sales staff as they face more knowledgeable and sophisticated customers.

¹ Multichannel (or "Omnichannel") retail is selling and fulfilling retail goods and services across more than one sales and fulfilment channel, including physical stores, online commerce (fixed or mobile), telephone and catalogue selling. Choosing, purchasing and receiving are increasingly being integrated in a seamless experience for customers, who can perform different parts of the process in different combinations to suit their needs and preferences. BIS, A Strategy for Future Retail: Industry and Government Delivering in Partnership, (BIS October 2013).

Omni-channel retailing is best described as the appearance of a seamless customer experience navigating through all available retailing channels. It is considered as an evolution of multi-channel retailing, offering a more connected approach to improve the customer experience and improve customer loyalty and engagement.

Regulations, such as the European carbon reduction targets, challenge companies of all sectors to reduce the carbon footprint of their business processes, and in the case of the automotive subsector, of their products as well. Consumer demand is also a key factor in the drive for the development and improvement of ultra-low emission vehicles, and in the development of environmentally-friendly products more generally. The introduction of online retailing exposes businesses to international markets and associated legislation regarding e-commerce. Not only is legislation on the international level impacting on businesses, but also on UK legislation. Knowledge of the buyer's own nation's online trading law is essential for staff responsible for sales conducted over the internet.

As international markets open up and retail trade becomes steadily more global, this will have a major impact on the specialist skills needs of staff working in the sector. The importance of global supply chains cannot be understated when delivering products and resources quickly, but it does mean that customer service staff in online retailing will have more immediate exposure to international customers possibly demanding language skills. Employees will also need an understanding of cultural norms and differing customer needs and preferences.

Employment and qualification needs

According to the latest Working Futures report 2012-2022, the wholesale and retail sector is expected to experience net employment growth of almost 4 per cent over the ten years from 2012 to 2022 and in response to that, and replacement demand, over 2 million people will need to be recruited by 2022; particularly in customer service roles, followed by managerial occupations, professional and associate professional and technical occupations. In comparison with the skills profile of the sector as it stands now, moving towards 2022 there will be far greater demand for qualified workers, especially at QCF Levels 4-6 (SCQF Levels 8-12).

The drivers of change, together with the impact of predicted employment and qualification needs, presents a challenge for the wholesale and retail sector in terms of its future skills priorities. These priorities have been distilled into six key themes, presented in the table on the following page. Summarised under each key theme are the main findings from the interviews, literature review and data analysis, as they relate to the drivers of change.

Key themes for the future regarding skills and performance challenges

Attracting talent	Image of the sector	Employee retention and progression	Customer service management	Managing technology and innovation	Business development, sales and marketing
<ul style="list-style-type: none"> • High demand for skills in IT and web-related areas, analytics, big data management as well as commercial skills. • Young people with these skills are attracted to industries other than retail. • ‘Traditional’ recruitment channels are effective for lower-level roles. • The wholesale and retail sector will need to review its recruitment strategies to compete with other sectors for high level roles. 	<ul style="list-style-type: none"> • 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. • The image of the sector is still a significant challenge for many (smaller) retailers in attracting the right sets of skills. This is evidenced in the findings of the UKCESS. • A lack of appropriate careers advice is blamed as one factor, with little information available on less ‘visible’ retailing roles and the urgent need for ICT, technology and webdesign skills and qualifications in the sector. 	<ul style="list-style-type: none"> • Retention is a challenge in certain roles where the market is competitive, employees tending to move for little differences in wages, in particular: 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. • Businesses can find it easier to promote workers, rather than attract talent from outside the business, but a lack of training means that once in management positions these individuals can find themselves lacking necessary skills. 	<ul style="list-style-type: none"> • Customer service staff will need to operate in multiple channels. Customers will expect a higher-level and consistent shopping experience, in store and in all other channels, and the customer service strategy will need to be anchored at the top of the company to achieve that. • Customer service staff will also need a higher level of product knowledge, as customers are becoming more knowledgeable. • All of this will impact on and challenge the managers of customer service staff, as they need to engage and motivate the workforce, as well as provide up-skilling. 	<ul style="list-style-type: none"> • The inclusion and pervasiveness of new technology leads to new skills requirements in ‘shop floor’ staff and those managing them. • Leaders are expected to be entrepreneurial in their exploitation of new technologies, from managing supply chains to cross-channel integration and marketing. • 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. 	<ul style="list-style-type: none"> • Marketing approaches have developed to increasingly incorporate consumer endorsements, through a multitude of channels. • Online forums and symbol groups are being used by smaller companies to benefit from business support and information exchange. • Sales data is becoming more precise and transparent, requiring increased sales performance to meet targets. • At a strategic level planning becomes more complex, affecting business development, recruitment and responding to changes particularly considering the pace of change of technology.

Implications

Based on 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

As businesses focus more on multi-channel relating, new business models are emerging, perhaps the most complex of these being omni-channel retailing. This requires staff with a diverse skill set and the adoption of business models that promote the same standards of customer experience across all modes of wholesale and retail. Support and partnership working by sector bodies, employer organisations and providers for businesses of all sizes is required.

This business diversification combined with the exposure afforded by the internet creates real opportunities for businesses in the sector to expand into new, overseas markets. This will require new higher-level business skills to identify opportunities, language skills and knowledge of other cultures and business practices, combined with the ability to extend supply chains internationally. Retailers could benefit from the opportunities afforded by international growth to simulate interest in export.

Technology

Customer data is acknowledged as being underused within the sector and businesses are aware of the need to develop the skills of their employees to take advantage of new opportunities for marketing. The impact of technology is felt across all subsectors: in wholesale appropriate skills will be required to manage the ever more technical processes of stock-management and supply systems. In the automotive retail sector, the integration of new technologies into vehicles and a focus on low emissions vehicles requires knowledge of these evolving technologies and the carbon reducing targets driving them. Knowledge and skills will need to be regularly refreshed through appropriate top-up and Continuing Professional Development (CPD) training.

Attracting young people

The sector has long experienced difficulty in attracting graduates. Overcoming this challenge will intensify in importance as the demand for well-qualified (QCF Levels 4-6/SCQF Levels 8-12) individuals grows. The challenge is further compounded as the sector will be competing with other sectors seeking to attract graduates in IT-related disciplines as well as data-analytics, finance and business management. The management and analytics skills demanded by employers could usefully be embedded into existing programmes such as Higher Apprenticeships to ensure training meets employer need.

As wider skill sets are required and as an ageing population leaves a smaller pool of school leavers, wholesalers and retailers will need to be more outward-looking in their approach to recruitment. This will involve seeking to attract older workers from other sectors, as well as graduates, and school leavers, rather than relying on traditional internal progression routes.

The perceived negative image of careers in wholesale and retail – characterised as long hours, low pay and little opportunity for progression – could usefully be addressed by showcasing to potential entrants the changing face of the sector. Careers advisers require up to date recruitment information to illustrate how the sector is changing, and the new opportunities this brings, as well as efforts to raise the profile of less visible roles, such as management, marketing and e-commerce.

Issues associated with the negative image of the sector affect staff retention, mean that potentially good staff can be lost to other careers. One way of overcoming the challenge is to encourage the sector to invest more in training. Not only could this help to improve the sector image and improve recruitment and retention, it is vital for progression and productivity. Showcasing effective mechanisms and interventions that have been successfully employed by those firms who do train, could help companies to improve retention rates.

Training

Most of the hard-to-fill vacancies in the sector are caused by skills shortage vacancies, and these are more commonplace in SMEs than in larger businesses. The sector could usefully be encouraged to invest in training, particularly in managerial roles which are often filled from within the business. Other priorities for training, identified by employers contributing to this research and confirmed in the data analysis include:

ICT skills: a fundamental need for all levels of staff, particularly considering the low levels of general computer literacy reported;

Technical and product knowledge: businesses increasingly need to invest in developing the product and technical knowledge of their staff as customers become more knowledgeable and discerning;

Customer service and support skills: changes in consumer behaviour demand market segmentation knowledge to inform better customer service, both in customer-facing and virtual environments;

Managerial and leadership skills: excellent customer service management, technology management and general business management skills are required to address the changing business models seen in wholesaling and retailing businesses.

Employers may be encouraged to see the value that investment in training can bring by learning lessons from other trusted sources of information such as similar businesses. Case studies and strong messages on the benefits of training remain important.

1 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. The Commission has invested in new and innovative solutions, which support enterprises of all sizes. Integral to this is developing an approach to supporting skills acquisition and development based on a deeper understanding of the skills and performance challenges facing the UK economy now and in the future.

The wholesale and retail sector² is an integral part of the UK economy contributing 15 per cent of the total UK gross value added (GVA)³ in 2012, ranking it the second largest sector after manufacturing (Office for National Statistics, 2014 II). It is a sector that cuts across industries, underpinning many businesses and with an increasingly global reach. The UK government recognises the importance of the wholesale and retail sector and its potential to contribute to future economic growth: UK Trade and Investment⁴ in March 2013 published their UK Retail Industry International Action Plan as part of the 'Business is Great' campaign to capitalise on global growth. Later in 2013, the Government published *A Strategy for Future Retail: Industry and Government Delivering in Partnership*. The document set out how the retail sector can work in partnership with local and national stakeholders to rise to the challenges facing the sector and achieve sustained development. The importance of the retail sector to the economy was stressed in the Strategy, which followed the 2011 Portas Review⁵. The Review put forward 28 recommendations for revitalising the nation's high streets, by adopting a more business-like approach to town centre management, restoring social capital and once more making Britain's high streets accessible and desirable places to visit. The changing face of retail and the way that the public shops were both highlighted by Portas as key drivers.

Further changes such as demographic change and technological advancements in online and offline retailing and supply chain management, as well as an aging population, bring a raft of challenges that influence skills supply and workforce development strategies. Understanding why these challenges persist within the sector is, therefore, essential for the development and implementation of effective countermeasures.

² The three subsectors comprising 'wholesale and retail' are very similar in that they focus on 'selling' products. Therefore, they are all included in this report and analysed jointly. This is in accordance with the categorisation of the Standard Industrial Classification (SIC), where these three subsectors constitute Section G: Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles. Notable differences between the three subsectors are discussed in the appropriate subsections of this report.

³ GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom

⁴ UK Trade and Investment (UKTI) works with businesses to ensure their success in international markets through export. UKTI is a non-ministerial department.

⁵ In April 2011 the Prime Minister and Deputy Prime Minister invited Mary Portas, a retail expert and broadcaster, to undertake an independent review into the state of Britain's high streets and town centres.

The skills and performance challenges facing wholesale and retail in the UK stem from a series of drivers of change. These structural drivers have an influence on the wider economy and shape the UK labour market. However, some have specific implications for the wholesale and retail sector.

The key characteristics of the sector include:

- an occupational profile consisting of job roles in which large proportions of the UK population are employed: primarily sales and customer service positions. Five per cent of the 2012 UK workforce were employed in sales and customer service roles in the wholesale and retail sector, and 64 per cent of all people employed in sales and customer service roles UK-wide were employed in the wholesale and retail sector (Wilson *et al.*, 2014 II).
- a 'young' age profile with a quarter of the wholesale and retail employees aged under 25. The wider UK economy has 13 per cent of the entire workforce within this age group (Skillsmart Retail, 2010 II).
- above average annual labour turnover rates which result in low levels of retention of skilled and motivated employees. This is attributable to a number of factors including: a high number of business closures; traditionally low level skill base which attracts transient workers including students; and the below average wages for entry level positions (Mosley, P., Winters, G., Wood, S. 2012).

The key drivers of change present a number of new challenges in terms of the skills and competences that will be required in order to maintain the future position of wholesale and retail as a key contributor to the UK economy. If positive steps are not taken to address existing threats to the performance of the sector, these challenges could deepen.

As the UK population distribution continues to age, attracting and retaining young people in wholesale and retail has become a priority. Declining numbers of young people are entering the wholesale and retail sector. This requires employers to refresh their recruitment strategies as the sector seeks to meet the challenges of changed workforce demographics and skills gaps.

Technology has affected how businesses of all sizes operate. Effective oversight of these innovations is a key role of senior managers and officers. Online trading and the installation of energy and time saving in-store technologies places new demands on job roles and an increase in the role of IT skills.

According to the employers interviewed and the findings from the literature review conducted for this research, businesses such as those in the automotive retail subsector are keen to meet customer demands to reduce their carbon footprint and source products from sustainable and fair-trade suppliers. Superior product knowledge and the ability to answer technical questions from customers are areas that need to be developed in customer service staff working in the sector.

Logistic operations in industry are increasingly global and service provision has to reflect the demands of operating in an international context. Senior managers and officers in global wholesale and retail enterprises have seen a greater diversity in their job roles and, consequently, skills needs.

New and updated regulatory frameworks can change many aspects of the job role of senior staff in areas such as labour supply, training provision, environmental sustainability schemes, supply chains, and international and online trading strategies.

Understanding how these drivers of change have an impact on the skills and performance challenges facing the wholesale and retail sector is crucial for businesses and policy makers to adapt. This report is intended to add value to the existing labour market intelligence base on the wholesale and retail sector and identify the best approaches by which the sector can address the specific skills and performance challenges it faces.

1.1 Aims and objectives of the study

The primary aim of the study is to investigate the current skills requirements of the wholesale and retail sector in relation to six key themes, drivers of change and the corresponding skills and performance challenges that follow. Key themes were identified by research previously commissioned by UKCES⁶ as being critical areas for further consideration for skills and the sector:

- attracting talent;
- employee retention;
- employee progression;
- customer service management;
- managing innovation and technology; and
- business development and sales and marketing.

⁶Challenges were highlighted in a previous report. Gambin, L *et al* (2012) *Sector Skills Insights: Retail Evidence Report 53*. UKCES Research Report 01 07. UK Commission for Employment and Skills

Throughout the research with employers and stakeholders, retention and progression were found to be closely intertwined and we have therefore combined our analysis and reporting of these two themes. We also identified an additional theme through the research relevant to skills, training and recruitment policies: the perceived image of the sector.

A secondary aim of the research was to outline the current skills and training landscape in the wholesale and retail sector.

Key objectives of the study were to:

- review and consolidate existing intelligence and literature on the current and future impact of the drivers of change on the sector;
- determine the range of skills required to meet the demands of the drivers of change;
- understand the future skills needs of specific job roles;
- evaluate the different opportunities and challenges present in the wholesale and retail sectors of the four UK nations and their regions, and in businesses of different sizes;
- identify previous, current and planned campaigns and initiatives with a focus to improve the skills and qualifications of the sector's workforce, and evaluate these actions in order to form recommendations for possible countermeasures to the sector's skills and performance challenges;
- assess the short, medium and long term strategies in place to secure economic recovery and growth within the sector and develop an understanding of the existing opportunities and challenges these bring.

The research used a mixed methodology combining an extensive literature review and over 40 depth interviews with sector stakeholders and employers of different sizes in the three subsectors. A fuller description of the methodology is included in Appendix A.

The information presented in this report will help to inform policy makers and shapers of the wholesale and retail training landscape seeking to overcome existing performance challenges and support future economic growth across the sector.

1.2 Structure of this report

The first chapter outlines a profile of the wholesale and retail sector including its size, workforce characteristics and its skill profile in terms of skills shortages and skills gaps, hard to fill vacancies and extent of up-skilling. Where there are differences by subsector, or UK nation, this is highlighted.

The chapter that follows brings together the findings from a literature review, supported by analysis of interviews with employers and stakeholders on the main skills and performance challenges that are faced by the industry; these challenges are described as 'drivers of change'. Where the research has identified certain drivers as having particular influence over a subsector, this has been drawn out in the text. The research has not found any particular differentiators by subsector, nor by nation. The most pronounced differences are in the automotive retail subsector and these are reported separately in the appropriate sections.

Chapter four describes the likely future employment and qualification needs in wholesale and retail. The picture is explained in terms of observation of general trends and trends relating to distinct occupational groups and qualification levels by nation and by subsector. This chapter also presents aggregated findings from interviews with employers and stakeholders regarding industry views of qualifications and training, and the skills priorities of employers.

The six key themes are explained in chapter five; any findings specific to nations or subsectors are highlighted where appropriate.

Chapter six brings together a strategic summary of the main findings, together with the implications for addressing the future skills and performance challenges facing the sector.

And finally, Appendix C presents three vignettes from the wholesale and retail sector, chosen to showcase initiatives and programmes that successfully target some of the main drivers of change and challenges identified by this research:

- the Cytech Technical Skills Programme works to improve the skills levels and increase the quality and standard of working of cycle retailers across the country;
- the Digital High Street Skills project aims to increase retailers' knowledge and use of technology, multiple channels and social media within their businesses; and
- Marks and Spencer's Make Your Mark initiative gives young, unemployed people the chance to acquire vital employability skills and gives them a taster of what the retail sector has to offer.

The majority of wholesale and retail establishments are located in England (86 per cent); 6.5 per cent of all businesses are in Scotland, 4 per cent in Wales and 3 per cent in Northern Ireland. Nationwide, over 50 per cent belong to the retail subsector, reflecting its economic output, followed by the wholesale and the automotive retail subsector (Office for National Statistics, 2014 III).

Similar to the general UK average across all industries, 88 per cent of businesses in the wholesale and retail sector can be characterised as microbusinesses, with nine employees or fewer. This proportion is slightly lower for the wholesale subsector. Almost all companies (99 per cent) can be characterised as small with 50 employees or fewer and only around 1,080 businesses (less than one per cent) can be classified as large companies with over 250 employees (Office for National Statistics, 2013 II). However, these large companies make a disproportionate contribution to the UK economy: they are responsible for 56 per cent of total turnover of the wholesale and retail sector, 52 per cent of GVA, and employ 56 per cent of all people in the sector.

Although the wholesale and retail sector is similar to the wider economy in relation to business size measured by number of employees, there are key differences when using annual turnover as a marker for size. The vast majority of companies have an annual turnover below £1m, however an above average number, 15 per cent, have a turnover above this threshold. This can largely be attributed to the wholesale subsector, where 27 per cent of establishments fall within this category (Office for National Statistics, 2013 II).

2.3 Workforce Characteristics⁹

In 2012, 4.8 million people worked in the sector amounting to 15 per cent of total UK employment. The majority of these, 3.1 million people, work in the retail subsector, with the wholesale subsector being the second largest with 1.2 million people.

The vast majority of the workforce is located in England (87 per cent), with approximately 8 per cent working in Scotland, 4 per cent in Wales and 3 per cent in Northern Ireland. This broadly reflects the proportion distribution of businesses, by nation. Although the number of jobs declined during the recession by 6 per cent between March 2008 and June 2011, its lowest point, the sector was not as hard-hit as some others and it is slowly recovering: the sector had 2 per cent more jobs in March 2014 compared to June 2011 (Office for National Statistics, 2014 IV).

⁹ Data for this section is taken from Wilson, R. et al (2014) Working Futures 2012-2022 report and UKCES/IER/CE (2014) Working Futures 2012-2022 electronic resource, unless specified otherwise.

A key characteristic of the wholesale and retail sector is the age distribution of its workforce. Proportionally, the sector employs more young people compared to all sectors: 21 per cent of employees in the wholesale and retail sector in England and Wales are between 16 and 24 years of age. Only 13 per cent of employees belong to this age group across all UK economy sectors (Office for National Statistics, 2013 I).

Part-time work is also a key characteristic of wholesale and retail, with 38 per cent of the workforce falling into this category (10 percentage points higher than the average across all sectors). Most of these part-time positions, 70 per cent, are filled by women, while around two thirds of men in the sector are employed full-time. The sector is an important source of part-time employment for students, providing income while studying and giving many people their first experience of employment (Gambin *et al.*, 2012).

Approximately the same number of women and men work in the sector (53 per cent are male); however, there are notable differences across the three subsectors. The retail sector employs a larger proportion of women (59 per cent overall), with most of these working in administrative and secretarial roles, as well as sales and customer service occupations. The automotive retail subsector, on the other hand, is dominated by men, who comprise over 81 per cent of the workforce. The largest occupational group is the skilled trades occupation and almost all of those working within that group, 97 per cent, are male. Women in the automotive retail subsector are mostly employed in administrative and secretarial roles, as well as sales and customer service occupations. In the wholesale subsector, the majority of workers, around two thirds, are men working predominantly in managerial positions, as machine and transport operatives, and as associate professionals and technicians. Women are most commonly employed in secretarial and administrative occupations, but they also fulfil associate professional and technical roles and sales and customer service occupations.

2.3.1 Occupational groups

The most common occupational group to be found in the wholesale and retail sector is sales and customer service occupations. Over one third of the entire workforce, 35 per cent, is employed in these roles UK-wide: five times the proportion of the economy average (Molsey *et al.*, 2012). As a comparison, within the accommodation and food & beverage services, for example, only 7 per cent work in sales and customer service occupations. This proportion is even higher in the retail subsector alone, with 49 per cent of all employment being in sales and customer service roles.

2.4 Skills shortages and skills gaps¹¹

This section focuses on the skills challenges identified in the 2013 UKCES Employer Skills Survey (UKCESS). The first part focuses on skills challenges experienced when recruiting new staff into the sector and the second focuses on skills characteristics and gaps of the existing workforce.

2.4.1 Hard-to-fill vacancies and skills shortage vacancies

The wholesale and retail sector has historically been noted for its high labour turnover rates (Northern Ireland Adviser for Employment and Skills, 2011; Skillsmart 2010 II).

Although employers in the sector may experience more churn compared to those in other sectors, filling open positions tends to be less problematic. This is evidenced by the incidence of vacancies, hard-to-fill vacancies and skills shortage vacancies.

The UKCESS 2013 provides information on vacancies across the UK. The picture for the wholesale and retail sector shows that the incidence of vacancies was no higher than the UK average across all sectors at the time of the latest survey. Vacancies were reported by twelve per cent of employers (15 per cent across all sectors), amounting to 1.9 vacancies per 100 employees (2.4 across all sectors). Altogether 84,300 vacancies were reported in the sector in 2013 with more than half of those being noted in customer service and sales occupations.

This vacancy rate has exhibited some change over recent years. In 2007, 15 per cent of employers in England surveyed in the UKCESS (at that time known as the National Employer Skills Survey) reported having at least one vacancy: there were 2.3 vacancies per 100 employees (Winterbotham *et al.*, 2008). Two years later, in 2009, only 10 per cent of English employers reported vacancies and there were only 1.5 vacancies per 100 employees (Shury *et al.*, 2010). One of the possible reasons for the fall and rise in vacancies during that period may have been due to the uncertain economic climate: a time when employees may have sought security by staying in their current jobs (Chartered Institute of Personnel and Development, 2013; Winters *et al.*, 2014). This situation is now showing improvement.

¹¹ Unless noted otherwise, information in this section was collated from Winterbotham *et al.* (2014) Employer Skills Survey 2013: UK results, as well as IFF (2014) Employer Skills Survey 2013: data tables, and calculations by the authors from the original data-set of the Employer Skills Survey 2013 provided by UKCES

Of all the vacancies reported in 2013 in the wholesale and retail sector, 26 per cent were classified as hard-to-fill, comparing favourably with the situation across all sectors (29 per cent of vacancies being classified in this way). Employers in wholesale and retail across the four nations reported very similar levels of hard-to-fill vacancies. The lowest levels were reported in Wales (23 per cent), while Northern Ireland reported the highest levels (29 per cent). Of all employers in wholesale and retail that reported vacancies, 29 per cent reported having at least one hard-to-fill vacancy.

There were however differences between the three subsectors in terms of reported hard to fill vacancies: very low levels of 21 per cent were reported in retail, wholesale had 33 per cent, with the automotive retail subsector experiencing as much as 43 per cent of all vacancies being hard-to-fill. There were also differences in the proportion of hard-to-fill vacancies based on company size. Smaller companies had greater problems filling vacant positions compared to larger ones: 35 per cent of vacancies of microbusinesses (2-9 employees) were reported as hard-to-fill, while only 11 per cent of vacancies in large businesses (250+ employees) were reported as such.

The proportion of hard-to-fill vacancies also varied depending on occupational group. Skilled trades occupations and associated professional occupations experienced fairly similar levels of hard-to-fill vacancies (53 per cent and 51 per cent respectively). On the other hand, for sales and customer service occupations only 19 per cent were reported as being hard to fill. So, although most vacancies are reported in this group, employers do not seem to encounter significant problems filling them.

Wholesale and retail employers that reported experiencing hard-to-fill vacancies in 2013 gave reasons similar to those in other sectors. The most common factor was the receipt of low numbers of applicants with the required skills; 39 per cent of employers in wholesale and retail cite this issue, slightly less than the 44 per cent over all sectors. The data illustrates however that employers in the automotive retail subsector were faced with particular challenges in sourcing skilled applicants, this issue being cited by more than half the employers in that subsector.

Another common reason, given by 22 per cent of employers across the whole sector, was a low number of candidates with the required attitude, motivation or personality. Only 19 per cent of employers across all sectors mentioned this. However, finding candidates with the required attitude was especially difficult in the retail subsector, where 27 per cent of employers with hard-to-fill vacancies highlighted this problem.

In common with other sectors, many of the hard-to-fill vacancies (71 per cent) within wholesale and retail are a result of the skills shortages of applicants and are therefore classified as skills shortage vacancies. Of all employers with vacancies in wholesale and retail, 22 per cent reported having skills shortage vacancies, compared to 27 per cent of employers across all sectors. Eighteen per cent of all vacancies in the sector are skills shortage vacancies and again, this proportion is similar across nations: 17 per cent for Wales, 18 per cent each for England and Scotland and 19 per cent in Northern Ireland. These rates are slightly lower compared to all sectors (22 per cent).

However, as with the hard-to-fill vacancies, there are clear differences between the subsectors. Skill shortages are the reason for:

- over one-third of vacancies in the automotive retail subsector;
- only 22 per cent and 15 per cent of vacancies in wholesale and retail, respectively.

There are also differences between companies of different sizes, with microbusinesses more likely to experience skills shortages compared to SMEs and large businesses.

Employers report relatively high levels of skills shortage vacancies amongst skilled trades (45 per cent), associate professionals (30 per cent), and for managerial occupations (22 per cent). In contrast, only 13 per cent of vacancies for sales and customer service roles are classified as skills shortage vacancies.

Almost two thirds of employers, 64%, who reported skills shortage vacancies found technical, practical and job specific skills difficult to obtain from applicants. In the automotive retail subsector, almost 80 per cent of employers reported this. Conversely, employers in the retail subsector most commonly found customer handling skills difficult to obtain: 61 per cent of employers compared to 50 per cent of employers across all subsectors.

Other skills that were difficult to find in applicants were:

- planning and organisation skills (50 per cent across the sector);
- problem solving skills (46 per cent);
- oral communication skills (42 per cent).

2.5 Education and training provision

The different types of training available in the wholesale and retail sector can be broadly categorised into three groups:

- job-related programmes such as Apprenticeships, Foundation Degrees, Retail Skills and Retail Knowledge qualifications;
- licence to practice and statutory training, i.e. awards in areas such as Food Safety that ensure compliance with regulations;
- courses focusing on specific disciplines for instance, fashion retailing or visual merchandising, which equip the learner with the skills required to find a job (National Skills Academy Retail, 2014 II).

For those who wish to gain skills and knowledge before entering the sector or to develop their skills and knowledge once on the job, pre-employment courses, training and qualifications are offered by further education colleges and organisations, such as professional bodies, trade associations, private training providers, and through the National Skills Academy for Retail. Subjects include merchandising and buying, selling and customer care and supervisory skills. Courses are also available in associated areas such as warehousing, storage and logistics.

Successful completion of these programmes can lead to nationally accredited Awards, Certificates or Diplomas, N/SVQs, (Modern) Apprenticeships and Foundation degrees. In 2009/2010 more than 7,500 retail apprentices completed their apprenticeship programme (HM Treasury, 2011). Trailblazers, focused on the development of new apprenticeship standards and assessment approaches (British Retail Consortium, 2014 I), were recently announced and established in England to help enhance retail, automotive retail, and butchery apprenticeships (Department of Business Innovation & Skills, 2014). Trailblazers are led by employers and involve both large and small businesses and professional bodies.

In the automotive retail subsectors, a large proportion of employees are skilled tradesmen and women (see section 2.3.2 Occupations) and are likely to have completed a vocational qualification or apprenticeship in motor vehicle mechanics or a similar programme. Many of the large car manufacturers and retailers support their own in-house training academies, through which employees can access work placements, apprenticeships and graduate training.

For those seeking professional or managerial roles within the sector, universities offer undergraduate and postgraduate studies in Retail Management, Retail Marketing, Fashion Buying and Merchandising.

When asked whether employers in wholesale and retail expect any staff would need to acquire new skills in the future as a result of changes in the working environment, 69 per cent of employers cited such a need. Employers were also asked what factors may lead to the need for up-skilling in the future, and 48 per cent cited the development of new products and services as reasons for future training, 45 per cent identified the introduction of new technologies and equipment, and 43 per cent predicted that the introduction of new working practices will require their employees to be up-skilled. Managers (45 per cent) and sales and customer service staff (26 per cent) were considered by their employers most in need of skills acquisition; the situation was similar for retailers and wholesalers.

Overall, employers in the wholesale and retail sector tend to engage less in training compared to their counterparts in other sectors, especially in relation to higher level qualifications. This is especially the case in small businesses. Employers may see little benefit in training people who work for a few hours a week or whose positions are known to be temporary as there is less opportunity for them to recoup investment. Employers may experience difficulty in providing training for people who work irregular hours. The high levels of labour turnover seen in the sector may also discourage employers from investing in employees' skills (Gambin *et al.*, 2012). The situation may be compounded by the possibility that employees are reluctant to train, perhaps seeing little opportunity for career progression from introductory roles (Gambin *et al.*, 2012). Investment in training and staff development can counteract problems of retention: being seen to invest in staff, through the provision of training and access to qualifications, can have a positive effect on retention rates (Winters *et al.*, 2014), improve staff loyalty, raise the motivation of employees and be a positive influence on promoting a culture of internal progression (Nodder *et al.*, 2012).

To aid retention and progression, companies can formally or informally identify 'high potential' employees, who may then be offered fast-track progression routes or training to develop them to the next level. While 46 per cent of employers across all sectors have such formal and informal processes, 48 per cent of employers in the wholesale and retail sector operate them. This is, however, mostly dependent on the size of the company: while only 41 per cent of microbusinesses have such processes in place (and only 12 per cent have formal processes), 70 per cent of businesses with 10 to 49 employees, 77 per cent of businesses with 50 to 249 employees, and 92 per cent of large businesses with 250 employees or more operate such a system.

A minority of employers interviewed for this research have recently invested in computer-related tools. There is no strong trend in terms of the specific tools desired, each company being motivated by its own specific set of circumstances.

IT-related investment is seen as important for:

- delivering training;
- improving customer service;
- logistics;
- monitoring staff performance;
- omni-channel marketing;
- online advertising;
- recruitment; and
- selling products.

Using this technology effectively and to its full potential will require various skills encompassing a range of functions including installing new software and hardware, its operation, maintenance and upgrade.

3.2.1 Managing IT-centric stock and facility systems

Stakeholders interviewed confirmed that the growth of click-and-collect services has led to changes in the structure of business and changed business processes. This will likely change the number of jobs in these roles, as well as change the job profile and skills needs. To enable retailers to dispatch same-day or next-day deliveries all over the UK, impacts on the supply-chain include the need to distribute warehouses nationwide in contrast to single large depots in central locations. This has positive consequences for customers: businesses can offer a wider variety of products and make them available quickly, as businesses are less restricted by in-store storage space.

Some businesses have devised innovative logistics services to cope with the demand for 'same-day' or 'next-day' deliveries. The 'click and collect' facility offered by a good number of retailers has been taken up by Network Rail. The organisation, in partnership with Travelex founder Lloyd Dorfman, has created a new business 'Doodle' which will provide customer collection points at more than 300 stations (Butler, S, 2014).

Supply chain management is also becoming ever more complex as a result of improved technology; this has afforded some businesses to operate real-time supply chains¹⁴, meaning logistics managers are now required to understand the technical processes of these new systems and how to utilise them to secure effective service (Skillsmart Retail, 2010 I). This suggests a significant shift in the skills profile of these individuals, requiring skills in the wider application, use and operation of complex stock and supply systems.

3.2.2 Online marketing experience

Marketing strategies have adapted in response to internet driven commerce and, in particular the use of social media. Customer data obtained from website activity and purchasing habits are used to profile customer needs and devise targeted and tailored marketing strategies (Gambin *et al.*, 2012). Between 2009 and 2010, social networking was reported by Experian Hitwise to have increased online traffic by 13 per cent (Skillsmart Retail, 2010 I), and businesses are now taking advantage of social media sites to promote customer loyalty and introduce new-customer promotions (Zablan *et al.*, 2011), as well as maintain regular contact with consumers.

The significance of m-commerce (mobile-phone retailing) is increasingly expected to grow as mobile technology improves. Sales made on mobile devices in the UK are expected to increase by 62 per cent in 2014 (Spencer, A., 2014) and revenues from m-commerce are predicted to reach £16bn in Europe by 2017 (Murphy, D., 2014).

Some retailers and wholesalers are taking advantage of this development by adapting their marketing and promotional schemes. Push-notification technology is being used to send information and promotional offers directly to consumers' mobile phones (Moth, D., 2014). Quick Response codes (QR codes) are now often incorporated into customer loyalty schemes and advertising campaigns enabling consumers to scan the barcode with their mobile phone and collect loyalty points or to access hidden promotional material.

For those SMEs and micro-businesses, who do not possess the resources to operate an independent marketing department, social networking sites such as Facebook and Twitter provide a platform to engage with a wide range of customers globally (Mosley *et al.*, 2012). Successful application of these technologies will however require SME owners and managers to recognise their own skills gaps and development needs to exploit these channels to their full potential. Such skills will include:

¹⁴ Retail-time supply chains are those that can respond in real-time to changes in consumer demand. This requires communication technology and "intelligent alerts" which allow supply plans and schedules to be shared and adjusted instantly. The real-time aspect is incorporated into every stage of supply, including the planning, logistics, and warehousing stages.

However, the in-store experience remains a crucial aspect of modern purchasing habits for UK consumers. An online survey of online consumers by Groupon UK¹⁵ saw 58 per cent of those surveyed note they preferred a physical shopping experience where they are able to talk with experts about products and physically touch and see items (Groupon UK, Kantar Retail, 2013).

The omni-channel shopping experience has become increasingly important: i.e. the appearance of a seamless customer experience navigating through all available retailing channels. The implications involve more than ensuring the efficacy of multi-channel retailing. This reshaping of retailing requires that managers in the industry have a strategic view of the whole retail offer, in order to ensure consistency in brand experience, marketing and customer service whether that comes through a computer, a mobile phone, social media or the physical world of the store.

3.2.4 Operating new technologies

High-street retailers such as Tesco, Marks and Spencer and IKEA, have successfully adopted self-service checkouts since their introduction in the early 2000s as labour saving devices, and to reduce customers' wait-time at manned checkouts (Skillsmart Retail, 2010 I).

Other in-store technologies include:

- scan-as-you-shop devices first employed by Waitrose in 2007 and now being used by Tesco and Sainsbury's;
- tap-and-go contactless payment services currently offered in 63 countries worldwide (Thompson, R., 2014).

In-store payment technology has also advanced in recent years, and several retailers are now trialling mobile phone payment services and contactless-payment systems in order to cater for customers' growing m-commerce habits (Colclough, G., 2014).

However, the increased use of new automated devices continues to prompt a requirement for well trained staff. Not only will retail staff be required to possess the practical skills required to operate and monitor new technologies, such as addressing faults and maintaining devices, but, they must also possess well developed communication and customer handling skills in order to provide appropriate levels of face-to-face customer service and offer help and support to shoppers – some of whom may struggle to use automated systems.

¹⁵ The online survey was conducted by One Poll on behalf of Groupon UK and was reported by Kantar in October 2013. The national survey questioned 2,000 UK adults aged 16+ in September 2013.

Wholesale and retail job roles are likely to diversify and evolve in order to accommodate these changes (UKCES, 2011). As more customers choose to shop online¹⁶ the need to enhance their virtual shopping experience increases. Striking a balance between retaining the ease and efficiency of e-commerce whilst incorporating the advantages of in-store face-to-face interaction is the key challenge for many businesses. Personal shopper initiatives and superior sales assistant experiences are starting to venture into the digital sphere. Future customer service operatives, offering 'intelligent agent' design and management services are likely to be in demand. They will assist customers to personalise their online presence and avatars to reflect their bespoke interests, budgets, preferences, and measurements (Talwar, R., Hancock, T., 2010). This omni-channel development demands new skills.

The needs and attitudes of automotive customers are also changing; there is a shift within the replacement/repair sector where consumers favour the replacement of parts rather than repairs (Mosley *et al.*, 2012).

Automotive businesses are also coming under increasing pressure to reduce costs of repair works from insurers wishing to reduce their own costs and insurance premiums in the face of emerging customer service innovations such as price comparison websites (SAMI Consulting Ltd, 2010). Similarly, with an ever-increasing range of models, body styles, on-board technologies, and alternative fuel options available, sales and customer service staff will need to possess extensive product knowledge in order to assist and advise consumers on those products appropriate for their individual needs and experiences.

Consumers are becoming more environmentally conscious and are demanding products and service from their retailers and wholesalers that are environmentally and socially responsible. An international 2009 survey of 9,000 customers by the Boston Consulting Group, found that consumers were prepared to pay at least 5 per cent or more for 'green' products and services, particularly those associated with the food and electrical appliance categories (UKCES, 2011). It would follow that businesses who react to these changing attitudes by introducing initiatives such as reusable 'bags for life', biodegradable packaging, locally grown and sourced organic produce, and clothing manufactured using recycled materials, are likely to retain customer loyalty and attract new consumers.

¹⁶ The Centre for Retail Research estimates that the UK online share of retailing will rise from 12.1 per cent in 2013 to 13.5 per cent in 2014

Consumers are also conscious of buying from businesses engaging in ethical trading and offering fair trade products. Retailers and wholesalers are now placing greater importance upon these strategies. For example, The Co-Operative - a member of the Ethical Trading Initiative established to raise awareness of unethical employment practices and to promote and support ethical trading - currently stocks 80 per cent Fairtrade branded produce that can be labelled as Fairtrade and expects this figure to rise over the forthcoming years (Co-operative Group Limited, 2012).

The recent economic crisis has undoubtedly affected consumers' behaviour when it comes to price. The 2013 Retail Think Tank concluded that discount stores are one of the only areas of the retail sector to have not experienced a decline in their expansion activities, with new stores opened during the course of the recession (KPMG and Ipsos Retail Think Tank, 2013). This popularity demonstrates the importance consumers are placing upon price-tags.

“Quantity of staff is the biggest concern currently, the market is starting to emerge from recession and confidence is increasing, however, clients are still behaving cautiously with their money... 2014 has been tough – buyers’ confidence is increasing and we are receiving a growing number of business enquiries, meaning our staff are now stretched.”

Retailer

The impact is a changing skills profile across the board, from management to front-line customer-facing staff. In terms of customer service skills, some interview respondents have suggested a raising of the skills-level from what is described as a 'Level 2' type skill (in qualification terms this equates roughly to those qualified to GCSE level) to a Level 3 type skill-set for sales assistant roles. For management disciplines it requires having a more holistic view of the whole retail offer and the means of attracting suitably qualified staff, and those with the appropriate behaviours to interact with customers in a more meaningful and responsive way.

3.4 Sustainability

A key objective for wholesale and retail businesses is to make commercially viable improvements to their operational strategies in order to reduce their negative environmental impact and to encourage ethically responsible trading. Many are already taking up the challenge and engaging with their consumers through the introduction of public campaigns and initiatives to reduce waste and promote Fairtrade products. Marks & Spencer's 'Plan A' scheme, for example, involves public-engaging initiatives like 'Shwopping', where customers can donate their old clothes to Oxfam via in-store clothing-banks (Oxfam, 2014).

Alternative techniques designed to reduce the amount of carbon emissions produced by delivery services to and from stores include the 2011 Quiet Deliveries Demonstration Scheme, which saw six large retail outlets, such as the Superdrug store at Marble Arch London, trialling a scheme in which their deliveries were made out-of-hours during the night or prior to and immediately after opening and closing times (Douglas, C., 2011).

Employers are making sure their delivery staff are trained in the necessary behavioural skills and knowledge to reduce noise caused by loading and unloading, by incorporating these requirements into their Driver Handbooks or driver training procedures (Douglas, C., 2011).

Businesses establishing collaborative partnerships with their suppliers aim to tackle the challenge collectively, reducing carbon emissions throughout the supply chain and promoting sustainable manufacturing and farming. Innovative technology is being used to monitor energy, water, and packaging waste, as well as education programmes to raise awareness of these issues.

- as part of their Farm Forward campaign, McDonald's UK has provided its beef farmers with their 'What If?' software designed to measure the carbon emissions produced per kilo of beef, and compare this against top performing farms (British Retail Consortium, 2014 II);
- food retail giant Walmart established its first ever 'Sustainable Product Expo' in April 2014 in collaboration with major business partners such as Procter & Gamble, Cargill, PepsiCo and Kellogg (Clancy, H., 2014);
- in the UK, TJX Europe and Boots UK have developed a collaborated load-sharing logistics scheme with DHL to cut the number of partially filled HGVs delivering to individual retailers and, as a result, reduce unnecessary mileage, fuel costs, and carbon emissions (British Retail Consortium, 2014 II).

One of the sectors under the most pressure to improve its environmentally responsible offerings is the automotive retail subsector.

Currently, the biggest change facing the subsector in relation to sustainability looks to be an increase in customer demand for vehicles utilising alternative power supplies and technologies such as electric or hybrid vehicles, and those using bio-fuels or hydrogen. Despite industry analysts' views that the electric car is a niche product, it is predicted that the UK's road will see more of these vehicles in the future (Institute of the Motor Industry, 2012).

3.5 Regulation

Retailers and wholesalers are affected by numerous regulations and legal obligations, and this can have an impact upon the skills needs and demands of businesses and specific job roles. For example, recent changes to regulations controlling labour market entry and exit points such as the retirement age will affect the labour supply of the sector as well as the workforce demographic. This is also exemplified by recent changes to the educational participation age in England. As children are now required to remain in some form of education or training until they are 18 (GOV.UK, 2014 II), fewer young people of the current school leaving age will be eligible for full-time roles.

3.5.1 Automotive retail subsector

The automotive retail subsector is governed by a series of regulations covering competition, security, environment and health and safety, amongst others. As vehicle manufacturers work towards carbon reduction targets set by the Government, the automotive retail subsector has a range of new products to promote and sell. For example the Office for Low Emission Vehicles' 2014 report (Office for Low Emission Vehicles, 2014) details the government funding projects designed to support the promotion of ultra-low emission vehicles (ULEVs) and increase their consumer appeal. Therefore, businesses will need to equip staff with good product knowledge in order for them to be able to cater for customer queries and demands.

Environmental legislation is also expected to impact upon the after-sales market as technicians and MOT testers are now responsible for ensuring customers' vehicles comply with vehicle emission regulations (SAMI Consulting Ltd, 2010). Whilst these staff are likely to hold the required qualifications, they may not have received formal customer service training, forming another skills development consideration for businesses and their staff.

Competition within the sector has been governed according to the Vertical Block Exemption Regulation (VBER) since 1st June 2013 (Osborne Clarke, 2011). This legislation has a variety of implications for traders and manufacturers within the automotive retail subsector, for example, under VBER, car manufacturers are obliged to supply technical information and spare parts to independent repair establishments and unauthorised garages are permitted to undertake under-warranty car services such as oil changes (SAMI Consulting Ltd, 2010). These regulations will affect the knowledge and skills demands of those in senior management positions. For example, during the development of a franchise outlet, dealers will need to be aware of their responsibilities to the manufacturer under VBER (SAMI Consulting Ltd, 2010). As a result, HR staff will need to be conscious of these requirements when recruiting. Businesses may also benefit from providing additional training to those staff members promoted into senior management positions so they are equipped with the necessary legislative knowledge to operate according to regulation (UKCES, 2011).

3.5.2 International sales

Online retailing is subject to tight regulation, particularly when trading within the European Economic Area (EEA)¹⁷. Businesses are required to conform to the EU Electronic Commerce Directive (HM Treasury, 2011), first established in 2000, which sets out legislation surrounding factors associated with e-commerce such as electronic contracts, the transparency of information for online retailers, and the liability of internet service providers during online purchases (European Commission, 2014). The E-commerce Regulations apply a "country of origin" principle. In its simplest form, this means that as long as a UK business complies with UK laws, it does not have to abide by the laws of other Member States (Pinsent Masons LLP, 2014). However, E-commerce Regulations do not apply the country of origin principle to all aspects of EU trade. For example, the terms and conditions for any e-commerce site must meet the laws of every Member State in which the site is accessible, not just those of the country of origin (Pinsent Masons LLP, 2014). Therefore, all UK retailers which engage in e-commerce must consider all of the legislation governing their online trading ventures anywhere in the world.

¹⁷ The EEA includes all EU countries and also Iceland, Liechtenstein and Norway. It, therefore, consists of: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the UK.

The ongoing developments in IT and logistics systems have facilitated the creation of global supply chains, which incur little additional cost and can deliver resources and products quickly. As a result, in order for businesses to maintain a competitive advantage, many of their low-skill level activities are being transferred overseas to take advantage of lower labour costs (UKCES, 2010).

With the export of manufacturing and customer service roles outside of the UK comes a need for businesses to employ staff in management positions who not only possess experience of working in these geographies, but who understand and appreciate cultural differences and employment laws. Businesses may achieve this by recruiting local experts to manage regional outlets, or by establishing centralised departments responsible for specific global regions.

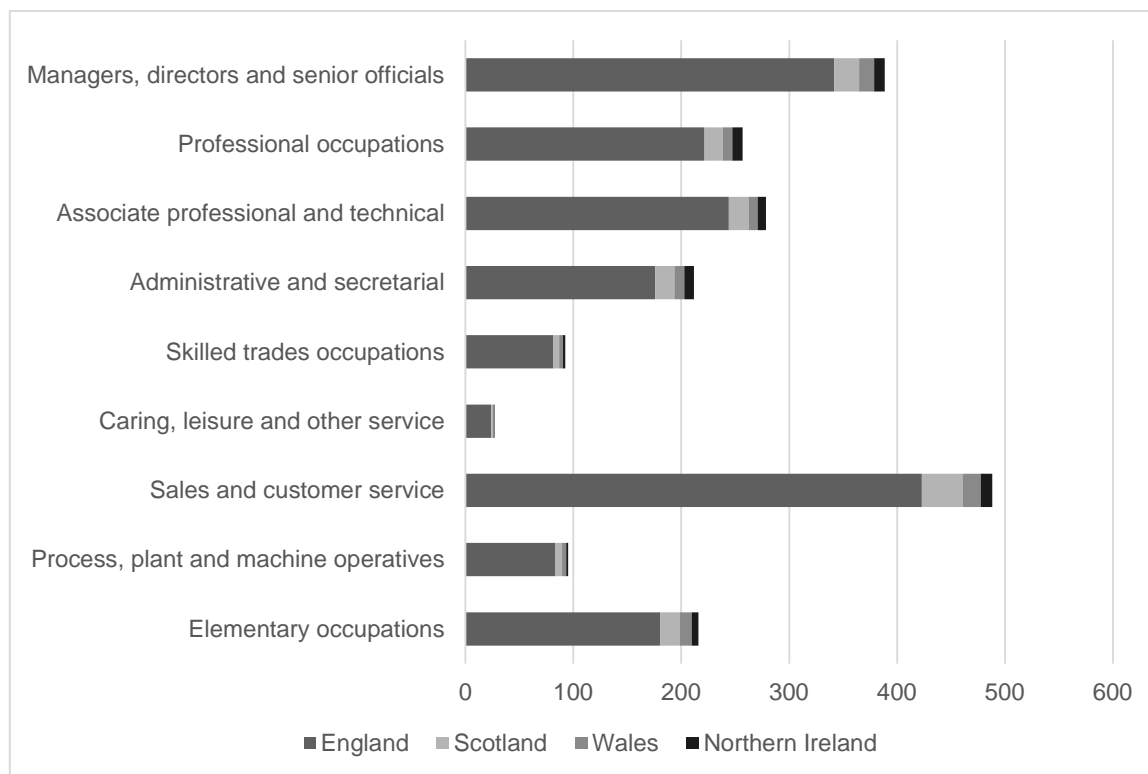
As those employees in customer service roles operating overseas may be servicing customers based in various countries, they will need to be given adequate training in order to cater for these customers' differing needs and preferences. As a result, businesses will be responsible for ensuring staff are fully equipped with the skills they will need to complete a given task in various contexts.

The opening up of the supply chain to a global market has afforded wholesalers the opportunity to engage in a new line of business. Increasingly, rather than acting solely as a 'middleman' to manufacturers and retailers, they are evolving into sophisticated supply managers who use innovative technology to transport goods directly from producers to end-users (Mosley *et al.*, 2012). For example, the international wholesale giant Costco manages numerous warehouse outlets throughout the UK and operates a members-only service whereby customers – both retailers and end-users – are able to purchase internationally branded products directly from the wholesaler (Costco Wholesale, 2014).

These new business ventures will have implications for the skills needs of a number of job roles within the wholesale sector. Firstly, customer service and sales staff will now be responsible for assisting and advising end-users. This may require them to adapt their skills to cater for the different demands and queries of this audience.

Secondly, those in higher-skill level occupations will require a more diverse skill-set in order to cater for the integration of web-based technology to monitor sales and communicate with customers, and to manage larger-scale operations including those involving end-user customer services and marketing (Mosley *et al.*, 2012).

Figure 4.3 Proportion of workers needed by occupation and nation (thousands)



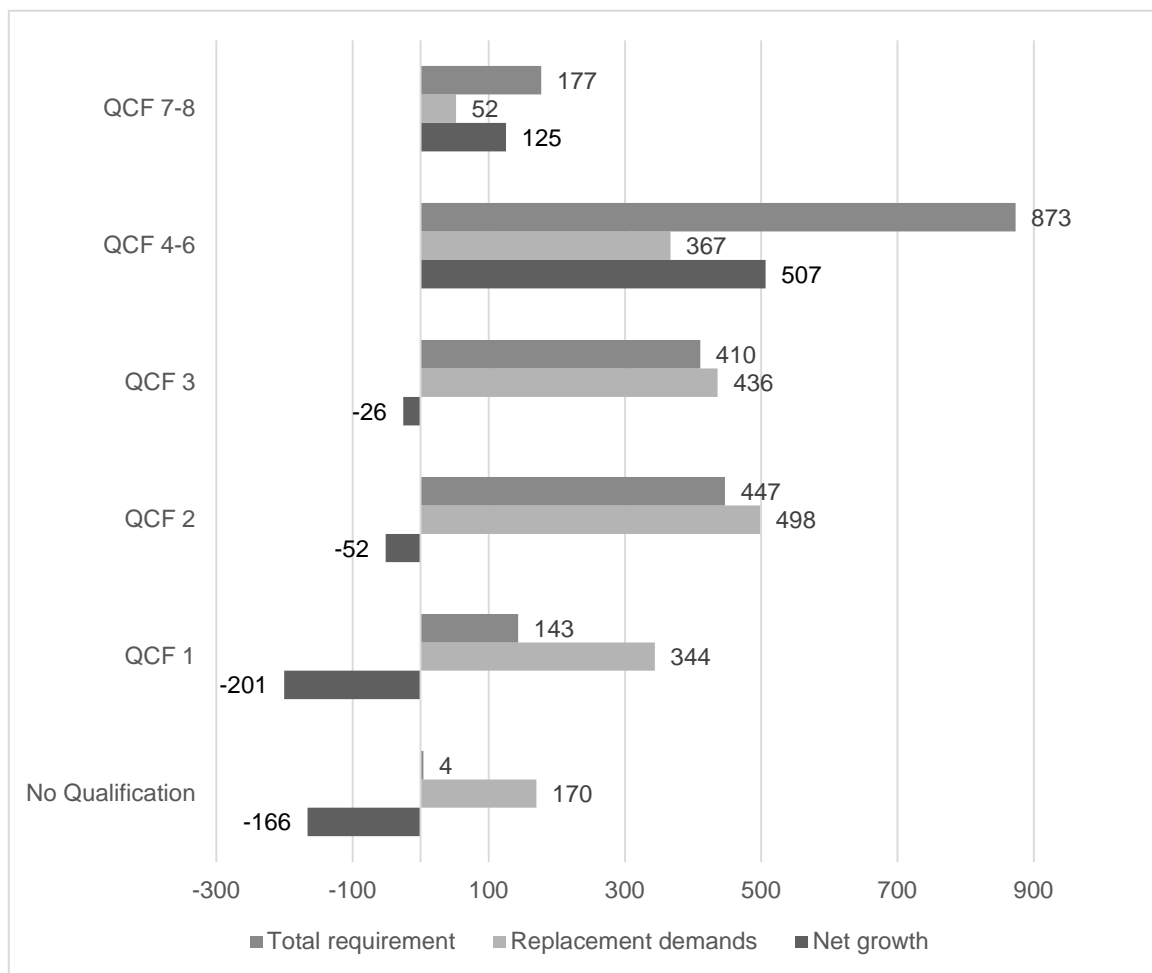
Source: Wilson et al. (2014) *Working Futures 2012-2022*, electronic resource

4.1.2 Total workforce requirement relating to qualification levels

When viewing the forecast of net growth, as well as the replacement demand by qualifications, a different and quite clear picture emerges to that of general workforce requirements (see Figure 4.4). The number of people holding at least a QCF Level 4 qualification is expected to increase in absolute terms, while all others decrease, especially those who hold a QCF Level 1 qualification or no qualification at all. The highest replacement demands are expected for people with QCF Level 2 qualifications, followed by QCF Level 3 and Levels 4 to 6.

The highest overall requirement is by far the greatest for those with QCF Levels 4 to 6, as these roles will experience the highest levels of net growth. Of the 2 million people that need to be recruited overall, over 870,000 are expected to hold a qualification Level of between 4 and 6, which would drastically change and elevate the qualification and skills pattern of the wholesale and retail sector. As can be seen in Figure 4.4, however, the sector will also need to recruit large numbers of people holding QCF Level 2 and 3 qualifications (most probably to fill customer service roles), although this is solely due to the replacement demand. The sector must therefore respond and revise its image in order to attract appropriately, highly skilled people into the industry (see section 5.2), which haven't traditionally played such an important part in the sector, but will be vital to successfully respond to the current drivers of change and challenges.

Figure 4.4 Number of workers needed by level of qualification (thousands)²³



Source: Wilson et al. (2014) Working Futures 2012-2022, electronic resource

²³ Extended qualification categories are: No qualification, QCF1 GCSE(below grade C) & equivalent, QCF2 GCSE(A-C) & equivalent, QCF3 A level & equivalent, QCF4 HE below degree level, QCF5 Foundation degree;Nursing;Teaching, QCF6 First degree, QCF7 Other higher degree, QCF8 Doctorate

Qualifications are satisfactory

- The majority of employers who responded to this question considered the training individuals receive whilst studying for qualifications as being sufficient to complete assigned tasks, and meet their businesses' needs. Several added that in-house training was still required to equip recruits with business-specific knowledge or to refine their existing skills.
- A good work attitude and enthusiasm to learn were identified by a number of employers as being key to an employees' success. This reflects responses to the UKCESS, which found attitude, motivation and personality to be key characteristics looked for during the recruitment process.

Training and education provision is inadequate

- Several employers dissatisfied with the outcomes of training or education. Both training providers and higher education institutions were criticised by these employers for not addressing gaps in the workforce's skillset, particularly in areas such as sales and technical occupation roles.
- These employers expressed their disappointment in schools and colleges for failing to prepare students for the world of work. Young people entering the workplace are seen to lack business sense and an understanding of working practices. One respondent commented that he had approached a number of local schools and colleges to offer work experience opportunities for their students, but had received no interest.
- Training courses for occupational roles such as sales are often too generalised for many businesses and therefore do not meet their skills needs. A large proportion of the employers interviewed operate in niche markets, and require employees to possess a skillset obtained through experience within similar environments and with similar client bases.

Qualifications are not important or required

- A small number of employers did not consider high level or sector specific qualifications as being a necessity. Rather, they sought employees with a good attitude to work or relevant experience.
- The provision of in-house or on-the-job training was mentioned by the majority of respondents, and many saw it as being essential for equipping their staff with skills unique to their businesses. For example, one franchise employer reported that his entire workforce was required to undergo brand-specific training administered by their parent-company.

As described in section 3.3, customer freedom to thoroughly research products on the internet has resulted in a more discerning (UKCES, 2011) and less brand-loyal consumer (SAMI Consulting Ltd, 2010). Consequently, sales staff are being required to adapt their customer service skills in order to enhance the customers' in-store experience.

At a lower skill level, shop-floor staff are now required to manage in-store technologies such as self-service checkouts, and possess an understanding of their business' multi-channel systems and procedures in order to assist customers on any channel. These innovations will be explored in a greater depth in the next section.

The scale of technological change could mean that the sector needs fewer customer service staff, but that they would need to be more highly skilled. The omni-channel retailing approach which takes advantage of the show-room model as described previously is likely to see a shift to lower numbers of low-skilled shop floor staff and higher numbers of more highly-skilled technical and managerial staff. The Working Futures data does support the proposition, predicting a reduction in the absolute number of customer service staff required over the next ten years, and growth in the requirement for managerial, senior official, professional and associate professional occupations.

Although the number of customer service staff is predicted to fall, the future replacement demand will be substantial, meaning a considerable training requirement not only to address the current skills gaps reported but to also train the required number of new entrants.

5.5 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 technology and what it can offer to companies leads to a requirement of new skills as discussed in the previous sections of this report.

But not only is technology being introduced to help customers interact with businesses, the companies themselves are using more technology to operate and have to deal with mass technical releases of new technological systems internally that all employees need to be trained to use.

The role of store managers has become more complex, requiring higher levels of ICT and other management skills to deal issues such as location for the shop, stock control, merchandising, accounting, designing the shop layout, managing suppliers, managing pricing and, managing staff and the customer service they provide.

Some stakeholders interviewed in both retail and wholesale reported awareness of resistance to change in the way that business operates, noting that some firms prefer to continue trading in the way they always have. As technology is increasingly introduced into the supply chain (especially in warehouse management systems), new approaches and new training will be required. Older employees in particular may benefit the most from training in new high-tech systems.

Companies have started to use social media for advertising and marketing, a recruitment method in which senior and older staff might lack experience using.

A small number of employers interviewed reported concerns that systems are not currently in place to harness entrepreneurship, with firms being in danger of missing potential benefits of innovation. One major retailer interviewed has invested in innovation by collaborating with other businesses to produce digital tools and linking stores digitally to permit the sharing of recent discoveries and lessons learned.

Diverse approaches are needed to meet skills needs for innovation. Some examples, although mostly adopted by large companies, include:

- arranging for experienced users to demonstrate new equipment to colleagues;
- creating and distributing newsletters about new company products;
- maintaining a television channel which airs training programmes;
- developing new job roles to handle new technologies;
- relying upon the relationship between technical and other teams to spread information; and;
- using computer-based training to update workforce knowledge.

Whatever the method used, the primary research supports the findings from the data, which highlight a recognition amongst wholesale and retail businesses that future skills needs will focus on developing new working practices and developing new product knowledge.

Stakeholders interviewed noted that the demands of strategic planning skills have become more complex requiring that leaders are able to respond to change, especially the use of technology and multi-channel retailing. Some larger and smaller businesses have adapted well. For example, online sales mean that shops are not restricted by the size of the shop floor, but can offer a wider selection of products by warehousing offsite. Online capabilities mean that stores can use data produced through sales and online behaviour of customers to predict future behaviour, adapt their stock and marketing strategies and plan for future trends.

6 Summary and Implications

Wholesale and retail is a major driver of the UK economy, it employs more people than any other sector, is second in terms of its contribution to the UK economy, and is the third largest in terms of the number of establishments. It has proven to be a 'recession-proof' industry, experiencing year-on-year growth in retail sales and total industry turnover (apart from a dip in 2009).

However, the sector's reliance on younger workers and the high proportion of low-skills, temporary and part-time jobs, creates major challenges for the future which are all compounded by structural shifts to the operation of wholesale and retail businesses. The rate at which technology has evolved and is being used by businesses in the sector is highly variable and means that many are competing on an uneven playing field. Add to that, the increasing rate at which the global marketplace is contracting, changing consumer demands and heightened pressure to operate in an environmentally-conscious way. The result is that wholesale and retail businesses face multiple challenges in terms of attracting and retaining talent, managing technology and innovation, delivering excellent customer service and implementing successful sales and marketing strategies.

Without the development of appropriate actions to address these pressures and challenges, the sector faces possible negative repercussions for its future economic performance.

This presents a number of implications for skills and competences, and the way in which the sector approaches training.

Business models and globalisation

The impact of business diversification (i.e. a movement from single to multiple channels and serving new markets) and business planning is being felt by businesses of all sizes and the rate of that change is recognised as a challenge.

What was a fairly simple, channel-focused approach to retailing has evolved to new levels of complexity requiring an enhanced understanding by retailers of the portfolio of channels available in order to compete effectively and provide customers with the routes to purchasing that they require and are coming to expect.

This reshaping of retailing into an omni-channel approach requires that managers in the sector have a strategic view of the whole retail offer, in order to ensure consistency in brand experience, marketing and customer service whatever the channel, and ensure seamless integration between them.

This requires access to skills in: graphic design, visual merchandising, website optimisation, marketing, branding and design. A pressing skills need is the application of online marketing strategies across multiple channels and, specifically, the integration of such approaches into the overall business model.

The increased exposure afforded by an online presence and through omni-channelling – to a now global consumer-base – will also require an appetite and the skills to capitalise on exporting opportunities. This brings with it a need for a range of additional skills:

- knowledge of international, national and local trading laws and customs in order to compete (in the major upcoming markets such as China, India, Brazil and the far-east);
- language skills and appreciation of other cultures in new markets;
- knowledge of the legal/social environments.

The globalisation of the sector also extends to the supply chain, impacting on management and the need to source appropriately priced commodities that meet the needs of demanding customers (a particular concern for the automotive retail subsector). This will require a diversification of the skills profile of senior managers and officers in wholesale and retail enterprises to deal not only with the automation of stock control and deliveries but the integration of the supply chain into their omni-channel strategies.

Technology

New technology, new business practices and changed consumer expectations demands concerted action in skills and training planning and delivery in order for this important UK sector to grow and remain competitive.

There are already a variety of initiatives in place to promote digital skills within the high-street, integrating the digital platform with the historic approach of bricks-and-mortar: one such being the Technology Strategy Board's (TSB) programme 'Re-imagining the high street'²⁸.

But the focus also needs to be on embedding the required skills into retail businesses themselves, rather than simply pursuing new ways of introducing yet more technology into the retail environment.

²⁸ This initiative which called for proposals between January and March 2014 aims to develop "new and innovative solutions for retailing, service provision, logistics and travel management" by making available up to £8m via a competition open to any organisation able to demonstrate a route to market for their solution.

There are instances of where this integration is being successfully achieved; for example through the National Skills Academy for Retail's Digital High Street Skills programme²⁹, which helps small businesses develop their knowledge of the internet, social media and the benefits of embracing online retailing. Another example is being undertaken by the Gloucestershire Local Enterprise Partnership, GFirst LEP, through its High Street Toolkit, which operates at a strategic level to support employers with skills funding bids.

At present however such programme support is fairly fragmented and regionalised. There could usefully be support for widening the reach of such programmes to achieve a more joined-up and consistent approach to tackling the skills issues faced.

The effective use of IT such as social media in marketing and in customer analytics is potentially the most pressing skill need for the sector today. The cutting edge of modern commerce lies in adapting to omni-channel retailing which integrates customer and supplier data into a single business model. Contributors to this research suggest however that customer data is underused and retailers could benefit from developing their skills in this area in order to take full advantage of opportunities.. Learning and understanding these approaches to sales and marketing would be beneficial to UK businesses.

Attracting talent

Labour market analysis estimates that almost 400,000 new managerial staff will need to be recruited into the sector by 2020, to account for replacement demand and net growth. This, combined with an increased demand for the number of people qualified to QCF Levels 4-6/SCQF Levels 8-12, presents a significant recruitment challenge for the sector.

The historically low number of graduates being attracted into the sector is not expected to improve over the medium term, as wholesale and retail continues to compete with other sectors for the same people. This is particularly true of skilled professionals in IT-related disciplines, such as those involved in web-design, data analytics, app development, social media management and other disciplines such as finance and business management.

Young people with an interest and skills in a range of areas are also needed, including: mathematics, computer sciences, digital design, supply chain management, procurement, international sales and marketing and channel design and management.

²⁹ Please see Appendix C 'Vignettes' for further details of this programme.

Wholesale and retail is changing and the kinds of roles that are likely to be available in the near future will appeal to a range of potential recruits with a wide variety of technical, analytical and customer service skills. The sector could usefully ensure that careers advisers are made aware of the changing face of wholesale and retail and the increasingly tech-oriented opportunities available within the sector.

Retailers could usefully refresh their recruitment strategies to meet the challenges of changed workforce demographics and skills gaps, finding new, innovative ways to attract young workers and graduates.

This could involve highlighting the significant and varying skill-sets required in the modern sector, the richness of the career-paths, and promoting not only the highly visible roles but those which are less visible too; examples of which include all of the management roles (such as procurement and project management, design and sales), marketing (including e-commerce and advanced web and mobile applications).

Encouraging businesses to invest in training for more staff could be one way of improving both recruitment and retention by showcasing successful programmes and interventions that have been used in other sectors.

Training

Three quarters of hard-to-fill vacancies in the sector are caused by skills shortages and these are more often reported by SMEs than larger businesses. The incidence of these types of vacancies among skilled trades, in combination with the pressures of attracting graduates as highlighted above, indicates an urgent need to introduce support for up-skilling existing employees and for attracting appropriately skilled and qualified new workers.

The predicted large replacement demand for managerial occupations also presents a major training requirement for the sector, underlined by the fact that many managerial and senior positions are filled through progression from more junior roles. This adds further weight to the up-skilling argument – most likely to QCF Levels 4-6 – to meet the skills challenges discussed earlier, such as IT, and general business acumen in order to remain competitive.

Individuals with a background in advanced technology, web and mobile device skills development are highly sought-after by retailers, but very few are trained in this way.

Embedding these topics into existing retail training could usefully be considered a priority by further education training providers and higher education institutions, but not at the expense of content covering business basics such as general management skills, business development, and financial skills.

Alternative routes such as Higher Apprenticeships could usefully be promoted as mechanisms for meeting the demand for higher-skilled individuals, given the competition for graduates. But, these programmes must include content on higher-level IT skills; multi- and omni-channel retail strategies and business skills, perhaps through the development of specific pathways.

Priorities for training include:

- The current low level of basic ability in critical areas of literacy, numeracy and, in particular, ICT presents a fundamental skills challenge compounded by the increasing impact of technology. The issue is more pronounced for SMEs who traditionally train less than larger businesses and who are facing a particularly steep learning curve when it comes to competing in areas of e-commerce and online marketing.
- Training and skills development for all age cohorts is vital for sectors where technical product information and performance metrics are advantageous. This is of particular relevance to automotive and high-tech retail trades, which require the use of in-store technologies, and familiarity with the business' website to achieve optimised cross-channel integration, and the knowledge of multi- and omni-channel approaches.
- In the automotive retail subsector, the full impact of carbon reduction targets and growing consumer demand for environmentally friendly (electric and hybrid) vehicles means a radical change to, and a training need for, the skills needed for maintenance and repair, as well as the knowledge required by those in specialist sales roles.
- Ensuring that staff are trained in technical skills and in excellent customer service will remain essential to the sector, especially considering that sales and customer service staff were found to have slightly more skills gaps compared to the other occupational groups (aside from associate professionals).
- Management level staff will require more advanced skills in customer service management and marketing to respond to changing consumer behaviour and operate multiple channels, ensuring a seamless link between online and offline. Planning and organisation skills were also cited in the data analysis and the importance of such skills should be communicated to employers and training providers.

The wholesale and retail sector is crucial to the UK economy, both in terms of its economic output and the number of people it employs currently and is projected to employ in the near future. The sector has become much more sophisticated in a relatively short space of time in terms of the expectations of customers, the need to service demand constantly and the opportunities offered by using data analysis. Some employers and training providers have adapted well to changing skills needs. Good practice examples of progression routes and improved job design illustrate positive steps being taken to ensure that wholesale and retail competes and that potential employees see the sectors as routes to careers of choice. However, best practice in training, workforce development and the establishment of progression pathways is not yet widespread and many challenges remain. The diverse range of roles predicted to be available at professional and managerial levels in the near future as well as the continued need for excellent customer service, presents great opportunities for the sector to engage in good workforce development initiatives attracting skilled workers and instigating good quality progression pathways to enable existing staff to successfully develop and progress.

This report has outlined the drivers of change in the sector in terms of globalisation, technology, consumer behaviour and demographic change. It has used labour market and sector information as well as new research to analyse the challenges that these drivers of change present. Positive action has been highlighted that can be taken to attract talent, retain staff and bring tangible benefits to both employers and employees. For the wholesale and retail sector to remain competitive and realise the opportunities available, the issues raised here could usefully be addressed in order for the sector to maximise future opportunities for prosperity and growth.

Appendix A: Methodology

In order to deliver on the study objectives detailed in 1.1, the research followed a two phase approach consisting of two mutually reinforcing tasks conducted in tandem:

1. A literature and data review of existing intelligence on the current situation in the wholesale and retail sector, and the impact of the key themes and drivers of change upon the sector and its skills and performance challenges.
2. A consultation with the sector on the information gleaned from the literature, and their views on the current skills needs and gaps in wholesale and retail.

Task 1: Literature review

An extensive range of research material was reviewed, including UK-wide: sector skills assessments; industrial strategies; Labour Market Reviews; and independent reports into the sector's training practices, future growth opportunities, customer service strategies, and national skill priorities. The literature was mapped onto the six key themes and the main topics were identified and discussed with the sector during the consultation.

The review of literature was supported by a thorough analysis of datasets such as the current Working Futures data and data from the 2013 UK Employer Skills Survey (UKCESS) and the results of this analysis provided supportive quantitative data to the literature review findings.

Task 2: Sector-wide consultation

Findings from the literature and data review informed a consultation with the sector. This included topics pertaining to:

- the importance of specific skills to various occupations within the sector, such as sales and marketing or customer service skills;
- the priority skills and knowledge needs in relation to the six key themes;
- individuals' experiences of the impact of drivers of change upon their business' skills and knowledge needs, and their view of the drivers' impact upon the sector as a whole;
- business-specific or sector-wide initiatives or campaigns designed to overcome skills and performance needs, and an assessment of their success;
- the impact of qualifications or training courses upon skills and performance challenges.

The consultation consisted of a series of depth interviews and a webinar. Over 40 depth interviews were conducted with employers and industry stakeholders such as:

- Further and higher education academics and private training providers specialising in the delivery of wholesale, retail, and automotive qualifications;
- Representatives from national training organisations, trade associations and professional bodies;
- Local Enterprise Partnership representatives.

Those representing all subsectors, nations and business sizes, were invited to contribute.

Upon completion of the depth interviews, a webinar with employers and stakeholder representatives was hosted in collaboration with the UK Commission. At this event, participants were invited to share their views on the current findings from the literature review, as well as differences identified between the literature review findings and those from the depth interviews. The information gained through the consultation process has helped to develop an understanding of the sector's current skills situation, the impact of drivers of change upon the current skills needs and gaps, and examples of initiatives and strategies to overcome skills and performance challenges.

Appendix B: Employers' skills priorities

The list below illustrates the breadth of responses from employers when asked for their top three business priorities in terms of skills.

- Continue to promote the personal progression and develop staff skills through the completion of NVQs;
- Provide training for the entire workforce, particularly those in technical roles, to improve product knowledge and technical staff's skills in diagnosis and the use of diagnostic equipment;
- Improve the IT confidence of the entire workforce by exposing all staff to computer based tasks regularly and providing basic computer literacy training;
- Develop the managerial skills of senior officers by enrolling managers on leadership courses;
- Support staff at all seniority levels in the development of in-demand specialist skills: customer service staff's product knowledge; and managers' general leadership and management skills;
- Improve the employability of school leavers by providing opportunities to gain work experience, and offer apprenticeships;
- Through training, support ongoing improvements to customer service and care, and business support;
- Ensure all technical staff maintain up-to-date knowledge of the latest automotive maintenance technologies, innovations and techniques;
- Instil the importance of, and enhance the entire workforce's team-working strategies;
- Establish effective structures and platforms on which to encourage and successfully utilise staff entrepreneurship;
- Collaborate with schools and colleges in order to improve the perception of and increase the interest in niche job roles, so as to fill vacancies in these occupations;
- Expand into overseas markets and recruit staff with the skills and experience to succeed in these regions;
- Recruit staff who possess experience in the industry and require limited training so as to maximise business resources swiftly and continue to expand as a business;

- Equip staff with IT skills and confidence as preparation to integrate new sales and marketing techniques, such as social media, into everyday tasks.

Appendix C: Vignettes



Cytech Technical Skills Programme³⁰

Cytech is the bicycle industry's recognised training and accreditation scheme for bicycle mechanics and retail staff. It was developed over 20 years ago by the Association of Cycle Traders (ACT), the largest cycling trade organisation in the UK, and the programme is therefore owned by the UK Cycle Industry. The Cytech Technical Skills Programme is a set of courses which encompasses everything from the basics of bicycle maintenance, to Health and Safety and legislative issues such as the Consumer Protection Act, to complex bike builds and servicing of the newest and most technical products. It is an example of a successful skills development scheme, which has attracted huge buy-in from the industry itself.

Cytech and the training programme have its roots in an assessment scheme, which was developed for the bicycle industry in the mid 1980's. The bicycle industry wasn't regulated at that time and the industry needed to make sure that the bicycle component parts being delivered from abroad were assembled according to a set standard and quality.

As well as assessing mechanics, certain parts of the industry also identified a need to introduce technical training for the industry. ATG, a private training company, was founded and went on to develop a technical training course (what has now become Technical One and Two) and because of rapid advances in technologies used in bicycles, later went on to develop Technical Three.

³⁰ Information for this vignette is collated from <http://www.cytech.uk.com/technical/> (retrieved 04/06/2014), <http://www.cytech.uk.com/retail-directory/?order=ranking&direction=DESC&FilterStoreName=&page=3>, the sources referenced to in the other footnotes and an interview with Mark Walmsley, Chairperson of the Independent Retailers Confederation and Managing Director of C 2 Zero Limited

Another important milestone in Cytech's history was the decision of ACT to develop the brand "Cytech" and to invest in marketing. Cytech is now well-known across the industry and by consumers alike. Through registration and accreditation with this brand, the retailers and distributors get a tangible return on their investment in training. According to Mark Walmsley (Chairperson of the Independent Retailers Confederation with a long involvement in the bicycle industry and Cytech), this may well be one of the main incentives for training and the reason for the wide-spread uptake among independents. Customers benefit from the reassurance that accredited retail staff have the appropriate technical knowledge to provide accurate advice.

The level of investment that individuals and businesses make into training is evaluated and made visible through a ranking on the online business directory³¹. This creates competition and recognition in the industry, helping consumers make informed decisions. According to Mark Walmsley, staff are frequently undervalued, however Cytech and the accreditation "*empowers the individuals and broadcasts their value*".

ACT are now in the process of developing an extended online version of the Technical One theory also targeted at amateur bike enthusiasts. These courses again help to increase the visibility of the Cytech brand amongst the public and increases its attractiveness to businesses to take-up training themselves.

The Cytech Technical Skills Programme has helped to raise skills levels throughout the cycle trade. It has been delivered to over 3,500 candidates, with leading UK bicycle distributors having signed up to it and having put their technical and retail staff through this training. Over 2,000 Cytech qualified staff are currently employed in the UK and the searchable business register features over 1,000 businesses³². The retail directory on the Cytech website can also be used by customers to see the exact level to which staff at a given store are trained. Another search engine function, by which consumers can find the nearest mechanic/retailer with a specific Level of training, is currently being developed.

Such is the prestige of the brand that there is world-wide interest in it, for example in South Africa, where Cytech training will start this year. Discussions are also underway with other countries, such as Australia, Ireland and the USA. According to Walmsley, this international expansion will give the brand more visibility in the UK, as well.

³¹ <http://www.cytech.uk.com/retail-directory/>

³² In order to be an accredited business, at least one mechanic of that business needs to have at least a Technical Two certification.

This programme is one example of an initiative that supports and makes visible those businesses that invest in training, and aids transparency for the consumers.



Digital High Street Skills³³

Digital High Street Skills is a National Skills Academy for Retail (NSAR) programme, developed and delivered in partnership with the Association of Town and City Management (ATCM). It is specifically designed to help small businesses develop their knowledge of the internet, social media and the benefits of getting their business online. It consists of three modules in digital marketing, website development and social media with the aim of supporting small businesses in developing the necessary skills to enable them to develop or enhance their online presence and make the most of digital marketing techniques to grow their business³⁴.

The project was officially launched in March 2014 with a target to offer training in 75 locations and to deliver 450 training sessions for 3,000 business owners and staff by the end of 2014³⁵. The programme, piloted in Altrincham, Cheshire, is in the process of being rolled out in towns and cities across the UK³⁶. The programme has already had a positive impact in the pilot area, and a number of case studies³⁷ demonstrate the effect it has had on local, small retailers there.

The training is specifically targeted at small business owners and managers, market traders, start-ups, entrepreneurs and sole traders. The training has the aim of supporting businesses in increasing their online presence and becoming more competitive, developing multi-channel expertise, accessing new markets, increasing the customer base, widening the geographical reach and, improving sales and profits.

³³ Information for this vignette is collated from <http://www.digitalhighstreetskills.co.uk/>, the sources referenced to in the other footnotes and additional information from Tracy Duggan of the National Skills Academy for Retail and responsible for this programme

³⁴ <http://www.actsmart.biz/news/small-businesses-to-benefit-from-digital-high-street-skills-programme-.php>

³⁵ https://www.atcm.org/programmes/digital_high_street/dhs_skills (accessed 05.06.2014)

³⁶ For example, Durham, Acocks Green Village Business Improvement District (BID), Bath BID, Winchester BID, LoveBedford BID, Bexleyheath BID, Bury St.Edmunds BID, Colmore Row BID, Otley BID, Market Rasen Business Improvement Group (BIG), Salisbury BID, Loughborough BID, Worcester BID, Liverpool City Central BID, Huntingdon BID, InSwindon BID, Lincoln BIG, Rugby BID, Ashington Town Team, Woking Borough Council, Newmarket, South Lakeland District Council, GFirst LEP, York, North Yorkshire and East Riding LEP

³⁷ Case studies are available on the Digital High Street website here: http://www.digitalhighstreetskills.co.uk/case_studies (accessed 19.06.2014)

The training is structured around three consecutive training modules, delivered over three days. For each of the three modules there are a variety of support materials available, such as a pre-course questionnaire, a comprehensive workbook and access to a series of downloads that, for example, contain detailed information and templates to develop the businesses' online strategies.

This programme aims to tackle one of the biggest challenges the sector is currently facing: the advent of online and multi-channel retailing and the reluctance, especially of smaller businesses, to 'get on board'. Besides offering insight into the new technologies, the programme helps the participating businesses to develop their business strategies and their practical approach in relation to websites, online sales and social media, assisting each business to find their own unique solutions. As the programme is aimed at smaller businesses and offered locally, these three days also offer a rare opportunity for the participants to get to know businesses operating in the same area or even town centre and learn about each other's challenges and innovative ways in which they deal with them, facilitating future cooperation.

Another feature of the training is that it makes businesses aware of other areas where they may benefit from skills development. One participant of the project stated that, as a result, he is also exploring other training and support packages that are available including a one-to-one retail mentoring service and courses covering sales and marketing, business planning, finance, buying and visual merchandising.

All in all, this programme aims to raise the skills levels and improve the business models of small companies, equipping them to profit from the advent of online and multi-channel retailing with the resources available to them.



Marks and Spencer: Make Your Mark³⁸

Make Your Mark is a training and mentoring scheme that aims to give unemployed young people the skills, experience and confidence they need to find a job. For Make Your Mark, Marks & Spencer joined forces with youth charity, The Prince's Trust, to create over 1,400 work experience placements for young people. It's an example of a partnership approach to tackling youth unemployment, and attracting appropriately motivated and enthusiastic young people into retail.

Make Your Mark is inspired by Marks & Start, M&S's successful employability scheme for people who face barriers into employment. Since 2004, Marks & Start has enabled over 1,100 young people to complete placements in stores and offices across the country. Thanks to the skills they have developed, approximately 50% have been able to gain employment with M&S or another employer within three months. As M&S have become increasingly concerned about youth unemployment, they wanted to create a programme specifically targeting that group. Marc Bolland, Chief Executive of M&S, said: "*Youth unemployment has become one of today's key social issues and we want to lead the charge for businesses to do more to tackle it head on.*" The 1,400 places mean an eight-fold increase in the number of unemployed young people taken into work experience at M&S.

Make Your Mark kicked off with its first intake at M&S stores across the UK in July 2013, with two other intakes in September 2013 and February 2014. Make Your Mark specifically recruits 16-25 year olds, who are not in education, employment or training (NEETs) alongside other specified criteria. M&S and The Prince's Trust aim this opportunity at young people with a good attitude and motivation to get into work. They run an initial induction day prior to placement as a 'taster', which is used, among other things, to evaluate the young people alongside those criteria, to prepare them for what lies ahead and to clarify expectations. This process leads to a very low drop-out rate once the programme commences and the participants know exactly what they can expect over the four weeks of the programme.

³⁸ Information gathered from: http://www.corporate.marksandspencer.com/media/press_releases/mands-makes-a-mark-on-youth-unemployment-with-1,400-new-placements-for-young-people, http://www.princes-trust.org.uk/about_the_trust/headline_news/national_news_2013/1306_ms_make_your_mark.aspx and an interview conducted with Sophie Brooks, Employee Engagement Manager and Manager of the Make your Mark programme at M&S

The young people then spend four weeks (up to 37 hours per week) either in training or on the shop floor. Most of the time is taken up by a structured in-store job training curriculum with regular feedback and evaluation provided to ensure M&S standards of service, sales and behaviours. Some days of the programme are dedicated to specially tailored training modules aimed at raising participants' knowledge of the retail industry, developing workplace and life skills, including CV writing, networking and confidence building. These topics for training were developed to tackle issues that are especially common amongst NEETs. Throughout the work placement, the participants also receive dedicated support through a workplace buddy who helps inspire, champion and provide on-the-ground assistance and training. While participants are especially in need of their buddies during the beginning of the four weeks, their independence and confidence grows over time, says Sophie Brooks, M&S senior employee engagement manager, who manages this project. The buddies themselves are chosen from the store and are trained to carry out that role. It is also an opportunity for staff to develop their own mentoring skills and is a highly sought after role. According to Sophie Brooks: "we had people queuing up to become a buddy".

Participants are evaluated at the end of the four weeks by their manager and buddy and if they have performed well they may go straight into a vacancy, if and when one becomes available. Every young person, whether they require additional support prior to employment, or if a job vacancy isn't available at their store, is offered up to six months post-programme support with The Prince's Trust to find an alternative outcome and to showcase what they have learned.

Overall, this programme offers opportunities for young people to gain confidence and other soft skills needed to successfully secure a job. It also gives them a positive insight into the retail sector and the possibilities it offers. While many young people may not have considered pursuing a career in retail before the start of the work placement, experience from the Marks & Start programme shows that many who choose to enter employment in retail after the programme stay on with M&S. Not only is this good news for the young person in question, but it also supports the sector in securing the much needed workforce for the coming years and helps to promote a positive image of the sector to other young people.

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