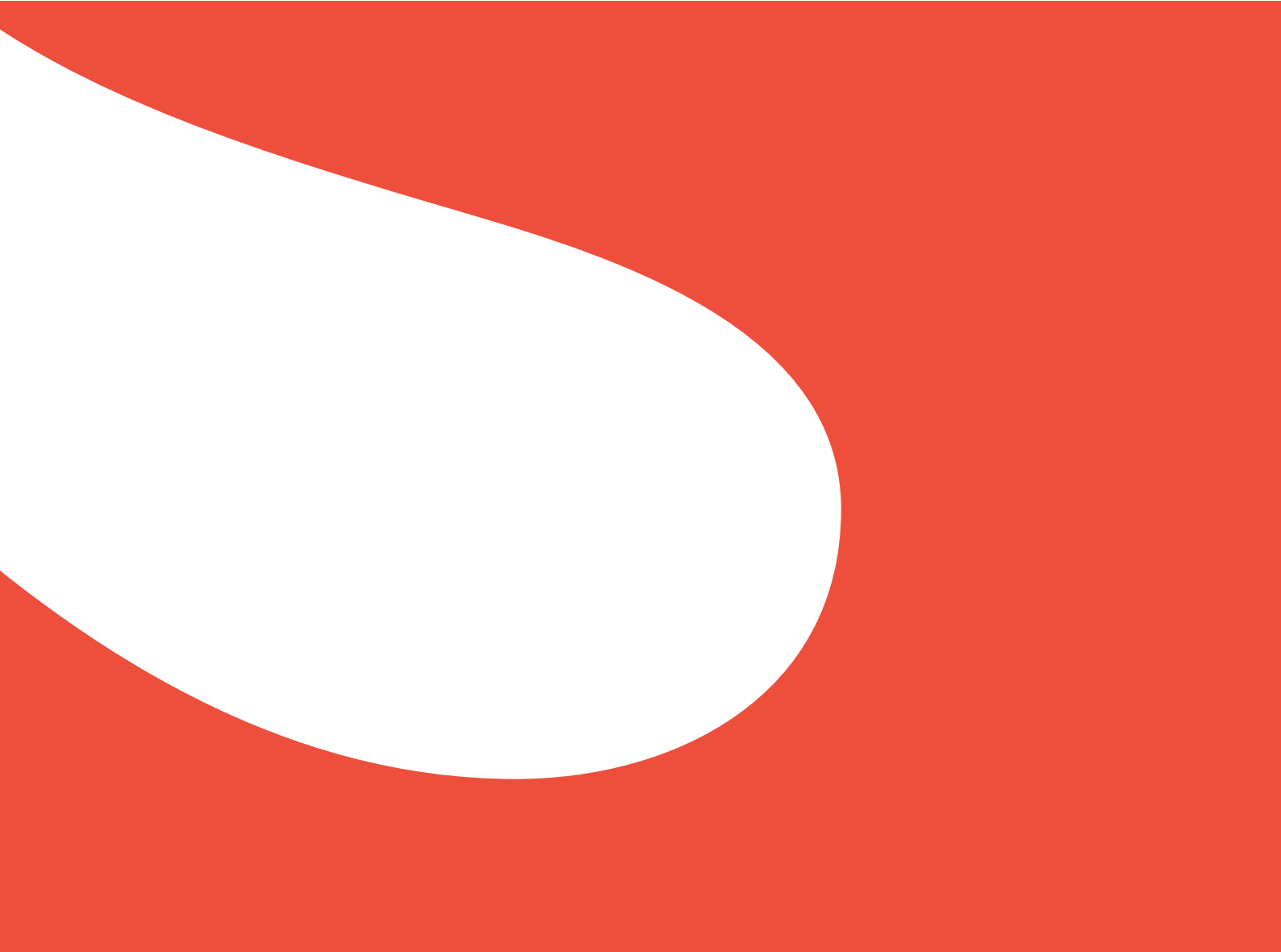




UK COMMISSION FOR
EMPLOYMENT AND SKILLS

Sector insights: skills and performance challenges in the retail sector

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July 2015



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Sector Insights: Skills and performance challenges in the retail sector

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UK Commission for Employment and Skills

July 2015



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Executive Summary

Overview of the research

This report is one in a series examining sector skills and performance challenges, with an emphasis on the skills mix needed in specific occupations. It also investigates current levels of use of, and interest in, National Occupational Standards (NOS).

This report focuses on the retail sector, identifying the outlook for jobs and skills as well as looking at trends affecting the sector, employer perceptions of the skills needs of specific occupations, and the implications for skills supply and workforce development. It builds on a previous study which investigated skills and performance challenges across both the wholesale and retail sectors.

The report looks at five occupations in detail:

- customer services/sales assistant;
- customer service manager;
- marketing associate professional;
- human resources manager;
- SME¹ owner/manager.

The research was conducted using a mixed method approach of interviews with stakeholders and retailers, combined with secondary analysis of survey data and literature.

Key findings

The retail sector has seen year on year growth since 2008, and contributed £90bn to the UK economy in 2014. The sector is dominated by small businesses, but large retailers make a significant contribution to the workforce size and economic performance of the sector.

Over three million workers were employed in the retail sector in 2013. The workforce is dominated by customer service assistants who account for almost half of the workforce. The total sector workforce is predicted to increase to 3.2 million people in 2020.

Online retailing is transforming the sector, and the past growth of out of town centres and hyper-markets has changed the profile of town and city high streets. In 2014 online sales represented 11 per cent of all retail spending and this had increased by one percentage point by May 2015.

¹ Small and medium sized enterprise

The age profile of the sector is changing. Evidence suggests that as older workers retire they are not being replaced by younger workers at the same rate as in previous years. Roles such as sales/customer service assistants are increasingly being filled by graduates alongside older workers. New technology requires workers to have up-to-date IT skills, which can be a challenge for older workers who are less likely to have good IT skills than younger workers.

Currently, the wholesale and retail sector has a comparatively low-qualified workforce, with only 22 per cent holding a qualification at or above QCF level 4/SCQF level 8-9² in 2012 (compared to an all-industry average of 41 per cent). Predictions suggest that by 2022 holding qualifications at this level will be a pre-requisite for 34 per cent of wholesale and retail jobs and half of jobs across all industries. In order to meet the predicted skills demand retailers will need to upskill existing workers and attract appropriately skilled new entrants.

Results from the UK Commission's Employer Skills Survey 2013 show that 55 per cent of retail establishments with skills gaps identify gaps in the customer handling skills of their existing staff (compared to 47 per cent across all industries). Furthermore 60 per cent of sector employers with skills shortage vacancies have difficulty recruiting employees with these skills (compared to an average of 43 per cent across all industries).

Although the sector suffers from a perception of a lack of training opportunities, approximately 60 per cent of retailers invest in some kind of training, compared to an average of 66 per cent of employers across all industries. On the job training is the most common form of training offered in the sector (and is offered by around half of all companies). Approximately half of retail employers that provide training focus on the use of new technology, and overall a higher per cent of sales and customer service staff received training when compared to managers.

Skills gaps were reported by 18 per cent of retail establishments, which is comparable with the UK average. Where skills gaps exist, being new to post or incomplete training is the most commonly attributed cause. However, a perceived lack of staff motivation and insufficient improvement following training were also reported by 40 per cent of employers.

Whilst only a minority (less than 10 per cent) of the retail workforce were described by employers as not proficient, there was some variation across occupations. Lower proportions of managers were described as not fully proficient than associate professional level staff (which includes marketing associate professionals) or sales and customer service staff.

Current skills issues facing key occupations

² QCF A Level 4 qualification is equivalent to a certificate of higher education or higher. Level 3 is equivalent to an A Level and Level 6 is equivalent to degree level.

Current skills challenges for **customer service/sales assistants** include: a need for better product knowledge; working with new technologies; and challenges in retention. For **customer service managers** challenges include developing appropriate management skills; managing diverse skills and staff requiring technical knowledge; and overseeing an omni-channel³ retailing approach.

Human resources managers face challenges recruiting to a changing sector, which includes recognising changing skills needs across occupations. A significant challenge for individuals in this role is overcoming the negative image of retail careers among potential recruits.

Recruiting **marketing associate professionals** is recognised by employers as a challenge because retail faces strong competition from other sectors in attracting suitably skilled individuals.

SME owner/managers face skills challenges in mastering management skills as well as understanding the benefits of, and adopting, multi-channel and omni-channel retail approaches.

Future skills

Working Futures predicts net sector employment growth between 2012 and 2022 of almost four per cent. The sector will need to recruit over 2 million people by 2022 to fill new jobs as well as replace workers leaving the sector. There will also be an increase in the demand for workers qualified at QCF levels 4-6/SCQF levels 8-12, alongside a growth in the number of associate professionals and technical roles.

In the short term, retail sector employers are most likely to predict that technical, practical and job specific skills need improvement over the next 12 months, along with planning, organisation and customer handling skills.

The development of new products is the most powerful driver leading to a need for upskilling, with the impact of new technology also a factor. Pressure to upskill is most pronounced for managers (including HR, customer service and SME owners/managers) and for customer service staff.

Stakeholders and employers identified a range of skills as being of importance to the key occupations:

³ ³Multichannel or Omni-channel retail is defined as '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, October 2013).

- Future skills needs for **customer staff** include adapting to new technology; communication; English language skills and general literacy; numeracy; product knowledge; and softer, employability skills. Faced with better informed customers, sales skills (negotiation and persuasion) are also likely to become more critical.
- **Customer service managers** will need a sound understanding of the retailer's different channels (marketing and e-commerce); excellent interpersonal skills to respond to increasing customer demands; and well-developed general retail management skills. Keeping the skills and knowledge of customer service/sales assistants up to date will also be a key challenge in a dynamic sector.
- **Marketing associate professionals** will require more advanced and broader skills in data-handling and analysis to effectively use customer data. Other skills include: exploring information and generating findings; and understanding current and identifying future trends.
- Strategic management skills will become increasingly important for **human resources managers**. However, competition from other sectors for these professionals may impact how well the retail sector can manage the major demographic and skills challenges predicted over the next decade.
- Training in financial management is identified as the most pressing need for **SME owners/managers** to enable them to respond more effectively to competition. Many SMEs could benefit from identifying training needs and investing in training. Behaviour change and confidence-building is also recognised as a requirement to encourage individuals in these roles to think more strategically.

National Occupational Standards

Approximately a third of sector employers reported that they were familiar with National Occupational Standards (NOS), slightly lower than the 39 per cent average across all industries. Small businesses are least likely to be aware of NOS. Where NOS are used by sector employers, this is for HR purposes such as for developing quality standards, external staff recruitment and for helping with writing job descriptions.

Just over half of the employers participating in the research expressed an interest in inputting into the future development of standards.

Conclusions

The sector needs to do more to improve its image to attract the workforce of the future. This means presenting retail as an attractive and promising career to those who may be overlooking it in favour of other options. To continue to attract younger workers, the opportunity to use and develop technology-based skills and knowledge within a retail career should be promoted. The range of potential career options at higher levels and in management roles should also be promoted to undergraduates and graduates through universities and careers intermediaries.

Retailers will need to continue to upskill existing staff to respond to the growing use and sophistication of technology. This will require prioritising engagement with older workers and the self-employed who are less likely to participate in training. The use of intergenerational mentoring may be appropriate in some instances. For example, some older workers may lead on customer service training and where appropriate younger workers could lead on training or confidence building in the use of new technology and social media (Altmann, 2015).

For those retailers looking to upskill existing staff, attention needs to be given to ensuring existing (and new) level 4 provision is tailored to their needs and covers future skill areas of multi-channel retailing, data analytics and a more strategic approach to business. This will require the sector to work with awarding organisations and training providers to ensure these needs are met.

In order to ensure training and upskilling is effective and targeted appropriately, retailers will need to review their methods of diagnosing skills gaps and better match these with suitable training programmes. Retailers also need to provide pathways to facilitate the progression of workers within the sector, particularly those within lower paying roles.

For SMEs, accessible, flexible programmes that combine basic management skills, business strategy and multi-channel retailing should be marketed more widely. Initiatives that have proven successful in recent years (e.g. the Digital High Street programme), programmes such as these should be rolled-out more widely. This may require support from sector bodies, including People 1st and the National Skills Academy for Retail.

There is a need for greater flexibility on the part of employers to incorporate soft skills and attitude into recruitment and training, and in ensuring job roles match employees' abilities. Where retailers have started to do this, good practice should be recorded and applied more widely to other parts of the sector.

Almost one in five retailers employs individuals who they consider to be over-qualified and over-skilled. Retailers should improve mechanisms for capitalising on the skills of employees, such as flagging those with high potential for progression and improving internal skills matching to strengthen internal recruitment processes.

Executive Summaries present the key findings of the research produced by the UK Commission for Employment and Skills. More detailed analytical results are presented in Evidence Reports.

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This document is available at
www.gov.uk/ukces

ISBN 978-1-908418-82-1
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