Identifying the Digital Training Needs of Retail Workers in Small Businesses

SUMMARY REPORT

This report was prepared for the National Retail Association.

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EXECUTIVE SUMMARY

The opportunities of the emerging digital economy mean that retailers must increasingly embrace new technologies to offer value to their customers, as well as improving business efficiencies. However, it is vital to clearly understand the current digital competence of retail workers and owners, in order to support businesses during this period of change and digital disruption. This is particularly relevant for micro, small and medium sized retail businesses.

In summary, this research;

1. Develops a research tool to measure self-reported digital skills and competencies of micro, small and medium sized retail business owners, managers and workers.
2. Identifies current 'digital training needs gaps' which serve to better inform the development of NRA training programs.
3. Offers evidenced based insights and recommendations.

Training appeared to be the biggest barrier for micro, small and medium sized retailers in the adoption or updating of new digital technologies. More broadly, findings indicate many micro, small and medium sized retail businesses felt they need to adopt new technologies to survive or grow, but are currently constrained by a lack of knowledge, training, confidence and skills. In relation to training, the majority of retailers indicated a central tendency in self-reporting. Mean scores between 5.88 and 6.41, suggest incumbent retailers lack knowledge in these areas.

Interestingly, despite self-assessing their own websites, the findings indicate a lack of clarity in this area, with the majority of retailers indicating once again a central tendency. Mean scores between 5.29 and 5.95, suggest incumbent retailers lack an ability to interact with their customers via digital platforms, like websites. Most alarmingly, the findings indicate a lack of clarity relating to digital strategies and goals. Mean scores between 4.98 and 5.91, suggest retailers lack an ability to develop clear plans and goals relating to the digital elements of their business.

Despite the prevalence of social media and digital third party digital platforms (cloud-based technologies, social media), many retailers did not feel that they were proactively leveraging these digital assets. The results of this research infer micro, small and medium sized retailers are most likely under resourced, lack an awareness of the need to update or lack the ability to update sites.

In relation to knowledge of the internal analysis process, loyalty programs and customer segmentation, retailers reported mean scores of between 5.23 and 6.32, (scaled 1-10), indicating a reasonably low level of confidence in these important business areas. Overall, knowledge of digital promotions, reported a mean of 7.23, indicating reasonable confidence. While knowledge of inventory management processes, produced a mean score of 7.52, which indicated a reasonable level of confidence.

Recommendations in this report call for the development of a comprehensive set of training and mentoring programs, that will deliver positive outcomes for micro, small and medium sized retailers and prepare them for the future.

RESEARCH METHODS

Sample

A total of 336 participants responded to the 56 item survey. The target population for this study was Australian micro, small and medium sized retail businesses (Australian Bureau of Statistics, 2017) from urban and regional areas.

KEY INSIGHTS

Insight 1. Barriers to Digital Technology Adoption.

Training appeared to be the biggest barrier for micro, small and medium sized retailers in the adoption or updating of new digital technologies (Lange *et al.*, 2000; Aryee *et al.*, 1996; Barrett, 2006). Previous research has identified the importance of training for the growth and survival of small businesses (Cosh *et al.*, 1998; Davidsson *et al.*, 2010; Dawe and Nguyen, 2007). The majority of respondents (43%) indicated that they had a distinct lack of skills required to implement new digital technologies or update superseded technology. This was closely followed by a lack of confidence in using new types of digital technology (38%) and a lack of understanding of and knowledge in how to use new technology (36%). A further 36% of retail owners and managers indicated cost was a barrier to adopting new technology. In attempting to deliver or undertake training, small retail businesses are also constrained by time (Walker *et al.*, 2007).

Recommendation 1: Training programs need to be developed for both manager/owners and retail workers to improve relevant skill sets, confidence and understanding of emergent digital technologies.

Insight 2. Need for New Technologies.

To ensure reliability and integrity of the survey, a reverse coded item (Weems and Onwuegbuzie, 2001), measured using a 10 point sliding scale, was utilised; "*We don't need to adopt new technologies in our business to survive or grow.*" **Taken in context with Insight 1, it appears many micro, small and medium sized retail businesses feel that they need to adopt new technologies to survive or grow, but are currently constrained by a lack of knowledge, training, confidence, skills and also finances.**

Recommendation 2: Respondents indicated a '*need to adopt new technologies in order to survive or grow*', yet express insufficient skills, confidence and understanding of emergent digital technologies. Accordingly, training programs need to be developed for both manager/owners and retail workers to improve relevant skill sets, confidence and understanding of emergent digital technologies.

Insight 3. Legal Issues and Security.

Cloud computing is a way to increase the capacity or add capabilities dynamically without investing in new infrastructure, training new personnel, or licensing new software (Subashini and Kavitha, 2011; Morse and Raval, 2008). Despite the growth of cloud and other digital technologies, small and medium sized retail businesses are still reluctant to utilise these opportunities, due to perceived security risks that pose a threat (Sarasvathy *et al.*, 1998; Brender and Markov, 2013). **Findings indicate a lack of confidence in this area, with the majority of retailers indicating a central tendency. Mean scores between 5.88 and 6.41, suggest incumbent retailers lack knowledge in these areas. To indicate confidence, mean scores greater that 8.5 would be expected.**

Recommendation 3: A training program needs to be developed specifically for manager/owners. Further, micro, small and medium sized retailers need access to relevant professionals. Therefore, a need for recruitment of such a resource may be required.

Insight 4. Customer Facing Technology.

Customers demand service efficiency and frictionless transactions (Brynjolfsson and Smith, 2000; Morganosky and Cude, 2002). One way retailers deliver on this metric is through the implementation of new digital technology, like interactive and transactional websites (Breugelmans, 2012). **Interestingly, despite assessing their own websites, the findings indicate a lack of clarity in this area, with the majority of retailers indicating a central tendency. Mean scores between 5.29 and 5.95, suggest incumbent retailers lack an ability to interact with their customers via digital platforms, like websites. To indicate confidence, mean scores greater that 8.5 would be expected.**

Recommendation 4: Mean scores in a central tendency tend to indicate incumbent retailers lack an ability to interact with their customers via digital platforms, like websites. Accordingly, workshops (or digital workshops) should be consider to assist retailers to better leverage their digital assets.

Insight 5. Retailers' Digital Strategies.

It is vital for retail managers to have a clearly defined digital strategy and accompanying goals for their business (Gray, 2002; Khedhaouria *et al.*, 2015; Gibb, 1997). **The findings indicate a lack of clarity relating to digital strategies and goals. Mean scores between 4.98 and 5.91, suggest retailers lack an ability to develop clear plans and goals relating to the digital elements of their business. To indicate confidence, mean scores greater that 8.5 would be expected.**

Recommendation 5: Mean scores in a central tendency generally indicate incumbent retailers have failed to develop clear digital strategies and goals. Accordingly, interactive workshops (or digital workshops) should be considered to assist retailers to such strategies and goals.

Insight 6. Retailers' Confidence in Training

As identified in 'Insight 1', the majority of micro, small and medium sized retailers indicated that training at some level was a key barrier to adopting new digital technology (Vinten, 2000; Webster *et al.*, 2005). To further explore this issue, three further items were presented to respondents. **Similar to the findings above, while the owner/manager's confidence was higher, between 6.13 and 6.52, such mean scores still infer a lack an assurance. Perception of team training was lower at 5.82. To indicate confidence, mean scores greater that 8.5 would be expected.**

Recommendation 6: It is suggested that training programs should be developed to upskill managers/owners – enabling them to on-train and mentor their staff. It is further recommended specific training for retail workers on digital technology in the workplace.

Insight 7. Third Party Platform Usage

Third party digital platforms, such as Facebook, Google, LinkedIn, Yelp and other industry specific platforms, like TripAdvisor, are becoming the cornerstone of successful retail businesses (Harris and Rae, 2009; Brennan and Schafer, 2010). **Despite the penetration and prevalence of social media and digital third party platforms, many retailers did not feel that they were proactively leveraging this digital asset. To indicate strong utilisation, mean scores greater that 8.5 would be expected.**

Recommendation 7: The development of a training program, designed to assist and educate retail businesses of the commercial benefits of third party digital platforms is required.

Insight 8. Website Maintenance

Retailers need to ensure that their active websites are regularly maintained, updated and refreshed (Knapp and Ferrante, 2012). Respondents were asked to quantify how frequently they updated their business website. Findings indicate over half (57.1%) rarely update or maintain their active business website. **This indicates that micro, small and medium sized retailers are most likely under resourced, lack an awareness of the need to update or lack the ability to update sites.**

Recommendation 8: Findings indicate over half (57.1%) rarely update or maintain their active business website, accordingly a communication program (possibly a regular reminder program) should be developed to ensure retail business owners/manager are maintaining active websites.

Insight 9. Internal Analysis

While historically, retailers have focussed on their financial data, current best practice encourages a more holistic approach to assessing business performance (Van Der Zee and De Jong, 1999; Fraser and Zarkada-Fraser, 2000). **Findings indicate micro, small and medium sized retailers were mostly able to identify several types of financial data relative to their business to assist with an internal analysis (M=6.98, SD 1.77), but were slightly less able to describe or identify other important metrics, such as customer data (M=6.34, SD 1.94), employee data (M=6.32, SD 1.99) and importantly WHS data (M=5.93, SD 1.95). Overall, on a scale of 1 to 10, measuring knowledge of the internal analysis process, retailers reported a mean of only 6.32.**

Recommendation 9: The development of a training program, designed to assist and educate retail businesses in undertaking an internal analysis is now required.

Insight 10. Digital Promotions

It is vital that retailers understand the different types of retail promotions available to them (Grewal, 2011). It is equally important that retailers employ digital technology to collect and analyse promotional data (Ghose and Yang, 2009; Tan, 1999). **Findings indicate micro, small and medium sized retailers were able to identify several types of promotional strategies available, or currently utilised, in their business (M=7.64, SD 1.91) and (M=7.98, SD 1.60), but were slightly less able to describe or identify the metrics (M=6.80, SD 1.96). Overall, on a scale of 1 to 10, measuring self-reported knowledge of the digital promotions, retailers reported a mean of 7.23, which indicates reasonable confidence.**

Recommendation 10: A training program, designed to specifically assist retail businesses in metrics and data analysis is now required.

Insight 11. Customer Loyalty

An emerging trend in 'loyalty' is the move from physical 'cards' to digital platforms (Balan and Ramasubbu, 2009; Uncles *et al.*, 2003). **Findings indicate micro, small and medium sized retailers were less able to articulate different terminology, structures and outcomes of loyalty programs (M=6.43, SD 1.90) and were less likely to be able to identify key aims of programs (M=5.96, SD 2.01) or emerging trends (M=4.96, SD 1.74). Similarly, retailers were less likely to be able to identify suitable metrics to capture within their digital programs (M-5.18, SD 2.23). Overall, on a scale of 1 to 10, measuring self-reported knowledge of the loyalty programs, retailers reported a mean of just 5.23, which indicates reasonably low levels of confidence.**

Recommendation 11: The development of a training program, designed to assist and educate retail businesses is now required.

Insight 12. Inventory Management

Retailers need to consider direct and indirect inventory costs, perishability issues, seasonality, obsolescence and 'opportunity' costs (Tibben-Lembke and Rogers, 2002). Inventory management is challenging, but digital technology is making it easier for retail managers today (Kärkkäinen, 2003). **Findings indicate micro, small and medium sized retailers were reasonably confident in their understanding of stock weights – too much (M=7.66, SD 1.48) and too little (M=9.48, SD 1.59). However, they were less confident in relation to analysing metrics (M=7.46, SD 1.56) and post-analysis actions (M=7.52, SD 1.56). Overall, on a scale of 1 to 10, measuring self-reported knowledge of the inventory management processes, retailers reported a mean of just 7.52, which indicates a reasonable level of confidence.**

Recommendation 12: While the development of a training program, designed to assist and educate retail businesses might be warranted, it is not considered urgent.

Insight 13. Segmenting Customers

Market segmentation can help retailers develop a deeper understanding of their customers and also identify unmet needs (Marcus, 1998). **While retailers appeared to understand 'why' they should segment their customers (M=6.71, SD 2.16), they were less confident in 'how' they might undertake this task (M=6.20, SD 2.13) or 'what' they might do with that data (M=6.50, SD 2.13). Retailers reported to be far less confident in relation to the different sources of data available to segment their market (M=5.63, SD 1.98). Overall, on a scale of 1 to 10, measuring self-report knowledge of customer segmentation, retailers reported a mean of just 5.80, which indicates a reasonably low level of confidence.**

Recommendation 13: Accordingly, the development of a training program, designed to assist and educate retail businesses is now required.

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