

SME retailers must adapt to survive

The retail sector is one of the toughest to operate in, especially for a small business, as South Africans' discretionary spend narrows and consumers feel the pinch financially. Retailers that fail to adapt to the evolving needs of the market will struggle to stay afloat in the new retail environment.



Kobus Engelbrecht, spokesperson for the 2017 Entrepreneur of the Year competition sponsored by Sanlam and Business/Partners, says that for many small and medium sized (SMEs) retailers, this increased pressure on consumers has demanded a creative approach to their business and operations to ensure both survival and success.

Stuttafords example

“While some businesses have successfully managed the changes and adapted well, others have seen the ultimate demise of their business, simply from not responding effectively to the market.”

He points to the imminent closing of one of South Africa's largest and oldest retailers of 150 years, Stuttafords, and says that entrepreneurs in the retail space, regardless of their business' size and stage of development, can learn a valuable lesson from this announcement.

“It has been widely reported that, after a number of disagreements between its shareholders, as well as the continued struggle to keep up with changing market demands, Stuttafords will close its doors on 1 August 2017. As a business owner, you need to know your target market well and constantly pay attention to changes within the market.

“It is no longer enough to simply know what the market wants; you need to guarantee that your business' product offering and/or service is meeting at least one of the identified needs of the current market and, as this market changes, so must your business offering.”

Apart from the challenging operating environment in which retailers find themselves positioned – one with low economic growth rates, rising unemployment and declining household wealth – the sector also needs to adapt to shifting consumer behaviour, such as the uptake of online shopping.



Online shopping grows

The PayPal and Ipsos *Third Annual Cross-border Commerce Report for 2016*, revealed that 58% of online adults in South Africa turned to online shopping in 2016, amounting to an estimated spend of R37.1 billion, and that 53% of adults cited they would increase their online spending over the coming 12 months.



South African online spend expected to reach R53bn by 2018

21 Feb 2017



“The majority of respondents in the report attributed this spending behaviour to the convenience of online shopping (84%), while 38% planned to save money and 36% reported a change in disposable income. This highlights how retailers need to rise to meet the possible opportunities and challenges that advancements in the sector present, especially small businesses operating in the sector. If bigger retail giants in the country, which have more access to resources and capital, are already showing signs of struggle, the survival rate for SMEs can be much more concerning. However, it is the smaller business that has the nimbleness necessary to adapt and capitalise on emerging trends.”

Identifying problems early

Another lesson that entrepreneurs can learn from the Stuttafords story, and likewise from the publicised struggles of other local retail giants, is to be able to identify clearly when the business is failing – and how to rescue it – quickly and efficiently.

“Managing a business is not only about managing your customers and responding to their needs and wants. An entrepreneur must have a hands-on approach with all aspects of the business, and must know the metrics of the business inside and out. Hands-on cash flow management is imperative. If an entrepreneur keeps a watch on the business’ cash flow management, then it will be relatively easy to see if the business’ creditors begin to outweigh its debtors, which would be an urgent call for immediate rectification. If the business has reached the point of formalised business rescue, then the entrepreneur has not paid enough attention and has left it too late.”

Engelbrecht concludes that the retail sector, and especially SMEs, must keep their ears to the ground, and adapt their businesses to keep up with opportunities for growth, expanding on strengths, and adjusting accordingly to counter threats to the business’ survival.

For more, visit: <https://www.bizcommunity.com>