

Risks that could impact retail in 2023

By [Sanet Yelland](#)

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The retail sector has faced many upheavals and challenges recently and we seek to put agile and safeguarding solutions in place to prevent many of these events from recurring. The big question for retailers, marketers and analysts is, how do we manage these risks and still aim for calculated growth in this valuable sector?



Sanet Yelland, CEO, Streamline Advertising. Source: Supplied

Looking back over the last two years, the risks have been pervasive.

Climate risks

The Department of Trade, Industry and Competition ran a survey that revealed that approximately 826 companies were affected by the recent floods in KwaZulu-Natal, with the cost of the damage [estimated at R7bn](#).

Whilst measures of a rebuild were put in place for larger sector impacts, the challenge also impacted SMMEs on a scale that affects broader economic recovery and development of micro business enterprises and informal retail growth. On small, micro and medium enterprises (SMMEs) support, [Zikalala said](#) "measures are being implemented to assist spaza shops in townships and implementing tourism sector interventions, and SMME relief for infrastructure and R67.5m to support SMMEs."

Social factors

Social unrest with the looting and retail strikes of 2021 hit the sector hard and created much loss for investors in South Africa. "Traditionally seen as a safe haven for foreign investors, the escalation of violence and ransacking of businesses has caught many off guard," [African Business](#) reported.

Cybercrime on the rise

Figures from SonicWall's [Biannual Report](#) revealed that e-commerce and online retail businesses saw a 264% surge in the past 12 months in ransomware attacks alone. These statistics are extremely worrying for retail companies, so unsurprisingly, websites and digital security are at the forefront of retailers' minds.

Risks include physical and digital integration of store software and the Internet of Things (smarter surveillance and tracking camera tools pose more risk ironically). More vigilance must be sought on digital footprints of cybercrime and monitoring access gateways to retail systems both offline and online, especially on payment gateways and customer data storage.



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Economy

Inflation accelerated fuel prices, and the constant energy load shedding crisis we live in is becoming harder to maintain consumer confidence and risk aversion to investors in this country. Escalating power cuts are having a ["disastrous effect"](#) on the South African economy, with National Treasury downwardly revising its growth forecast for 2022 from 2.1% to 1.9%.

Supply chain insecurity

The Russian-Ukraine war continues to affect global supply chains for farming inputs and gas. This triggers inflationary pressures, especially for global energy prices and food. Rising global inflation results in central banks raising interest rates, constraining investment and household spending.

A potential but long-term development solution around this is global food sovereignty (a systemic change in the food system). According to a [News24 report](#), the scheme places local farmers at the centre of modern agriculture. It empowers local farmers to produce and distribute crops that thrive within their regions without fear of unfavourable trade regulations, climate change, lack of infrastructure, and drought.

Shopper behaviour

Uncertainty and economic pressures equate to rising unpredictability in shopper behaviour and gloom on short- and long-term spending patterns. [Less frequent trips to stores](#) and price sensitivity means that the risk on retail growth is curbed, with trading down across categories and basket penetration.

Retailers are sourcing cheaper imports and a rise in dealer-owned brand investment strategies with agile stockholding to

ensure that nothing is wasted 'stock on demand' inventory holdings.

The fashion industry shows a key focus for this, whereby local helps the [economic investment of SMMEs](#) and the sustainability of locally sourced items.



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Eyeing opportunity during instability

Navigating risks and future-proof initiatives will mean seeing opportunity in instability and unpredictability.

Rise of risk-proof strategies through digital diversification:

Covid-19 accelerated the shift into digital channels and the integration of legacy models into the hybridisation of omnichannel solutions. More investment needs to be explored on how physical impacts [can be mitigated](#) through large-scale online solutions.

Data-driven pricing adjustments and fluctuations:

No longer can retailers rely on year-on-year trends or seasonal patterns to predict purchase cycles and business replenishment. [Real-time price optimisation systems](#) will give data-driven insights into buying patterns, price and inventory levels, and the competitive landscape.

Modular agility within stakeholder infrastructures:

Modularity offers businesses the agility to respond quickly to changing consumer expectations and competitive threats. This is not limited to store infrastructure but also [key innovations](#) like self-purchase scanners, self-checkout, in-store ordering and flexible retail store spaces. It allows flexibility in consumer journey mapping and being able to supply 'just-in-time solutions' for consumers and shoppers alike.

Whilst unpredictability and uncertainty will continue to be a force in a retail economic downturn, the key learnings over the last two years on multiple impact risks have enabled us to look towards future fit technologies that can be put in place to prevent further impacts.

While new and emerging threats will always be on the horizon, the foundations we build from the learnings will allow us to invest in more modular, agile solutions and seek alternatives from innovation sectors to weather these storms.

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