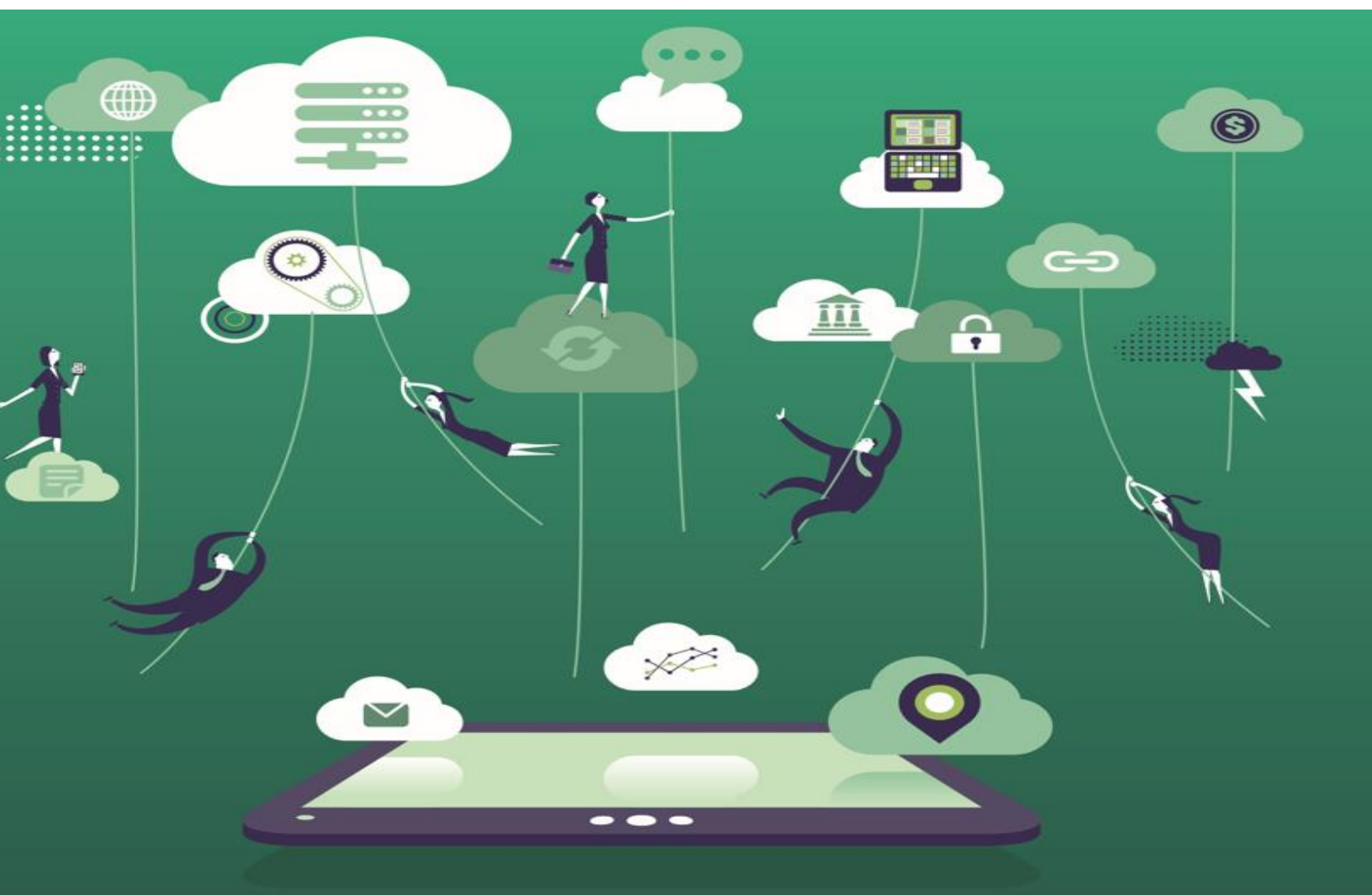


SMEs & Hybrid Retail: adapting to the new normal

29 June 2022

A “Digital for SMEs” (D4SME) knowledge event

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The D4SME Initiative

The “**Digital for SMEs**” Global Initiative (D4SME) is a multi-stakeholder dialogue engaging governments, large and small businesses, industry experts and associations on how to enable all SMEs to seize the benefits of digitalisation.

This initiative is coordinated by the **OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE)** in cooperation with **Business at OECD**.

For more information on the D4SME initiative, please visit: <https://www.oecd.org/digital/sme/>

Background

- **The retail sector is changing rapidly.** The shift is due to several interrelated drivers: on the demand side, consumers’ increasing appetite for shopping online and changing behaviours, and on the supply side, multiple digital channels retailers can now leverage. While many retail businesses rushed to digitalise during the COVID-19 pandemic, data on changes in mobility suggest that consumers are gradually returning to bricks-and-mortar retails. To accommodate hybrid consumer behaviour and seize rising opportunities, retail businesses need to become hybrid themselves. Governments and the business community can play a key role in easing the transition for SMEs, which represent the sheer majority of retail businesses across countries. Faced with resource constraints, SMEs and entrepreneurs in the retail sector need to overcome important challenges when adopting hybrid models. Challenges such as achieving synergies across the different channels in ways that can streamline operations and deliver optimised customer service. The transition of small retailers to the ‘new normal’ is essential, given the importance of the sector in terms of jobs, inclusiveness, regional and social cohesion, and urban development.

Key Takeaways

- **Retail consumer’s demand for digital interaction has proliferated during the COVID-19 pandemic.** COVID-19 accelerated trends that already existed. Consumers drawn to online shopping increased across all ages, but the demographic evolved with older generations significantly increasing their familiarity with shopping online.
- **At the same time, as consumers are increasingly returning to bricks-and-mortar retails, retail has become ever more hybrid.** There is now an expectation from consumers of a seamless relationship between online and offline stores, as they become accustomed to “hybrid” shopping habits (e.g. “shopping around” online before making their purchase in store, or vice-versa checking goods in stores to then shop online).

- ⦿ **Operating multiple sales channels, both online and offline, might help to increase sales, to broaden customer base, and to improve relationship with customers.** Furthermore, as SMEs can lack the capacity to commit large upfront IT investments, availability of subscription-based and commission-based digital tools and services enhance SMEs' digital accessibility.
- ⦿ **In the context of the COVID-19 pandemic, integrating online sales channels has led to enhanced business resilience to cope with stringent social distancing measures.** It emerged from the discussion how vital the use of e-commerce platforms was to surviving the crisis. Ms Milena Panagiotopoulou, International Affairs Manager from ESEE – Hellenic Confederation of Commerce & Entrepreneurship, explained how in Greece SMEs rapidly adopted new business models that they were previously apprehensive about as, in many instances, they had no other option.
- ⦿ **Hybrid models are changing retail landscape dynamics, with local retailers having to compete with a much broader range of players.** Brick-and-mortar retailers are under pressure to compete with online retailers, with consumers increasingly able to compare offers through digital platforms. Small retailers, especially micro-retails, often face challenges in seizing the opportunities brought forward by hybrid retail. This is often due to resource constraints, in terms of both financial limitations and lack of appropriate professional profiles and skills. Ms Panagiotopoulou emphasised the essential role of SME ecosystem, including policy strategies and instruments, to assist small and micro firms who have a lower level of digital knowledge and organisational culture and weaker financial structure.
- ⦿ **For hybrid and omni-channel retail, harmonising and creating synergies among the sales channels is as important as establishing and maintaining a multichannel presence.** The two different types of retail should be seen as linked, rather than running in parallel. For example, Mr Severin Bonnichon, the founder of *Cuisse de Grenouille* and *ForLife* (French clothing retail SMEs) shared the view that for their products a 100% digital model does not work, as consumers still need to try on products and experience them in person. This is the case also for the *ForLife* business, which is a digitally native brand with a pre-order business model. While digitally driven, the activity benefits from the availability of an in store showroom, where consumers can experience the clothing for sizing and style preferences. . The complementarity between online and offline activities was also stressed by Ms Anna Klissouras, Principal EU Public Policy for SMEs at Amazon, who highlighted the two modalities can be part of the same shopping journey.
- ⦿ **Hybrid retail business models can help SMEs operate more sustainably.** Mr Bonnichon explained how the digitally native brand *ForLife* was created as a solution to leftover stock after each season, which was not sustainable. As well as being more agile and environmentally friendly, a pre-order model can help SMEs in managing their cash-flows more effectively.
- ⦿ **Enhancing competitiveness of brick-and-mortar SMEs through digitalisation can also bring positive impacts at the local level.** Strengthening retail SMEs' business activities through digitalisation can



reinforce their contributions to the local economy. Ms Kristin Schreiber, Director of Chemicals, Health, Retail and Agri-food at DG GROW, European Commission, explained that as the retail sector is the biggest employer and contributor of the economy in the EU, the success of the sector has a significant impact on rural and urban areas, as well as for employing youth and offering lifelong learning. Ms Schreiber shared the main EU initiatives on the topic, including the #RevitaliseRetail initiative which engages different actors in the ecosystem to exchange best practices on the greening and digitalisation of retail SMEs, a guide for local authorities called 'Facing the Future,' workshops across Europe and analytical studies & survey's on the topic.

- ① **Governments support the digitalisation of retail SMEs through diverse policy programmes.** The OECD Secretariat illustrated examples of recent programmes targeted to retail SMEs, including: France's 'Digital Cheque' offering micro-firms access to grants for integrating digital tools and services in their activities; Canada's 'Grow Your Business Online' grant helping SMEs cover costs associated with initiating or refining e-commerce plans; Portugal's 'Digital Commercial Neighbourhoods' providing supports to relevant local stakeholders in enabling SMEs to sell online. The discussion highlighted the important role for other players in the ecosystem, such as business and sector associations, to support SMEs. Ms Panagiotopoulou asserted that business associations can play a significant role by communicating the needs of SMEs to the central government and raising awareness of the holistic approach needed. Furthermore, Ms Panagiotopoulou called out for governments to focus on better digital infrastructure and access to sophisticated digital tools for all SMEs.
- ① **The availability and affordability of ecommerce platforms can increase the digital footprint of SMEs, also providing them with useful data to improve business intelligence and processes.** To be effective in using hybrid retail strategies, SMEs should consolidate data from across all their retail channels. Ms Klissouras pointed to available software which assists SMEs to manage e-commerce data coming from difference sources, including own websites, online marketplaces, etc (software dedicated to data portability, connecting APIs from different software).
- ① **It emerged from the discussion that there is still a need to raise awareness amongst SME retailers of the value of digitalisation and selling online.** The COVID-19 pandemic accelerated the digitalisation process, but there is still much that can be done to continue this process and achieve full transition to effective hybrid models such as enhancing SMEs access to high-speed broadband and logistical networks.
- ① **Digital skills remains an important cross-cutting theme for the digitalisation of firms, especially those operating in the retail sector.** Upskilling and reskilling should however not exclusively focus on hard digital skills, but also on the digital and experimental mind-set, as well as soft skills such as communication online and managing partners online.
- ① **The discussion looked forward into the future, touching on advanced technologies that can be used by hybrid retails SMEs such as augmented reality, web 3.0 (blockchain-based Metaverses) and**

artificial intelligence. These new technologies hold the potential to further change retail habits and business models for firms of all sizes. For SMEs, as with many new technologies, the early adopters will reap the benefits that digitalisation has to offer. Accordingly, this shift will further increase relevance of skills and multi-channel strategies for SMEs.



The panelists



Ms Lucia Cusmano
Deputy-Head
Entrepreneurship, SMEs &
Tourism Division,
Centre for Entrepreneurship,
SMEs, Regions and Cities
OECD

Lucia Cusmano is Senior Economist and Deputy Head of the Entrepreneurship, SME and Tourism Division at the OECD Centre for Entrepreneurship, Small and Medium-sized Enterprises, Regions and Cities (CFE). She leads OECD work on SME and Entrepreneurship Transformations and has authored OECD reports on SME financing, innovation and sustainability, and benchmarking of SME and entrepreneurship policy,

Ms Cusmano has a PhD in Economics from the University of Pavia and has completed a Master of Science in Economics at Warwick University (UK). She has published in international journals on SMEs, entrepreneurship, innovation, structural change and economic development.



Ms Kristin Schreiber
Director Chemicals, Health,
Retail and Agri-food,
European Commission

Kristin Schreiber leads the Directorate Ecosystems I: Chemicals, Food, Retail, Health in DG GROW, the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs at the European Commission.

Prior to that, she occupied a variety of positions at the Commission, namely as Director for Governance of the Single Market and International Affairs and Director for SME policy, Head of Cabinet of Employment Commissioner Vladimír Špidla, Deputy Head of Cabinet of Internal Market Commissioner Michel Barnier as well as member of the Cabinets of Enlargement Commissioner Günter Verheugen and Competition Commissioner Karel Van Miert. She also served as Head of Unit for International Affairs in DG Employment and Social Affairs and was a member of the Merger Task Force of DG Competition. She graduated with honours from L'Institut d'Etudes Politiques de Paris and holds a Master's degree from the University of Kent at Canterbury and the Diplôme des Etudes Approfondies of the College of Europe in Bruges in International Relations, Economics and European Law. Before joining the Commission in 1990, she worked as a researcher on the Single Market at the Institut für Europäische Politik in Bonn.



Mr Severin Bonnichon
Co-Founder, ForLife
France

Severin Bonnichon is the co-founder of Parisian fashion brands ForLife and Cuisse de Grenouille, which he launched with his brother in 2011. Cuisse de Grenouille, is a menswear brand with Urban-Surf inspirations. All the products are Made in Europe by manufacturer specialized for one product, with high quality fabric independently chosen. ForLife is a digitally native brand with a pre-order model.



Anna Klissouras
EU Public Policy Manager
SME
Amazon

Anna Klissouras is the Public Policy SME spokesperson at Amazon Europe. Previously, she held communications and marketing roles including at the Amazon Seller Services business, at an SME solar technology company and at the United Nations, and has entrepreneurial experience as the founder of an e-commerce company. She holds two master's degrees in International Business from ESCP Europe and MDI India, as well as in Philosophy and Art History from Humboldt University.



Ms Milena Panagiotopoulou
International Affairs Manager,
ESEE – Hellenic Confederation
of Commerce &
Entrepreneurship
Greece

Milena Panagiotopoulou is International Affairs Manager at the Hellenic Confederation of Commerce and Entrepreneurship (ESEE). She has worked on multiple aspects of the SME and Entrepreneurship policy domain and she specializes in digitalization and emerging technologies in the commerce sector. She coordinates the “Future of Retail” Conference which is the ESEE’s flagship event on navigating the new retail landscape. The conference aims to bring together national and international large and small enterprises, business associations, academia, NGO’s, political, economic, and other thought leaders in an effort to address emerging challenges and influence the national agenda for responsible growth policies for the commerce sector.

Ms Panagiotopoulou is currently a Ph.D. candidate in the Entrepreneurship field at the University of Crete. She obtained her first MSc in International Business and Emerging Markets from the University of Edinburgh and her second MSc in Health Management from the National and Kapodistrian University of Athens. She completed her BS.c in Political Science and Public Administration at the National and Kapodistrian University of Athens. Before joining ESEE, Ms Panagiotopoulou worked as MEP and MP Parliamentary Assistant and Policy Officer in the Institute for Strategic and Development Studies (ISTAME) with a focus on innovation policies.



For further reading



SME Digitalisation to Build Back Better (D4SME Policy Paper) (<https://doi.org/10.1787/f493861e-en>)

This policy paper aims to improve understanding on how SMEs responded to the COVID-19 crisis and adapted to the new environment, and how different players in their ecosystems are contributing to their digital transition. The paper focuses on some of the main trends emerging from - or being strongly accelerated by - the COVID-19 crisis, including access to digital infrastructure, e-commerce and teleworking. International practices in SME digitalisation policies and original evidence from the “rescue” and “recovery” packages launched by OECD governments to face the crisis are presented; as well as case studies and qualitative evidence from private-sector programme provided by partners of the Digital for SMEs Global Initiative (D4SME).



The Digital Transformation of SMEs (<https://doi.org/10.1787/20780990>)

Despite potentially tremendous benefits, small and medium-sized enterprises (SMEs) lag in the digital transformation. This report looks at recent trends in SME digital uptake, including in the context of the COVID-19 crisis. It focuses on issues related to digital security, online platforms, block chain ecosystems, and artificial intelligence. It identifies opportunities, risks of not going digital; barriers to adoption and policy actions to speed up SME transformation.



Enhancing SME Resilience Through Digitalisation – The case of Korea (<https://doi.org/10.1787/23bd7a26-en>)

The report investigates the role of government programmes in strengthening SMEs’ resilience to external shocks, by focusing on SME digitalisation policies implemented in Korea during the COVID-19 outbreak. The report examines how digital tools and services contributed to enhancing SME resilience during the pandemic and how policy programmes facilitated the strong acceleration in SME uptake of digital technologies.



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