

Innovation trends in the wholesale and retail trade sector, 2019-2021



The South African wholesale and retail trade sector is a major contributor to GDP and offers significant employment.¹ Businesses in the sector provide essential goods and services to consumers and serve as a crucial link in supply chains, connecting producers to end-users. In recent years, businesses in the sector have faced multiple pressures, from the Covid-19 pandemic, to social unrest in mid-2021, and electricity shortages.

This brief examines how much innovation happened in the wholesale and retail trade sector from 2019 to 2021, including the types of technologies wholesale and retail trade businesses used, the innovation challenges they faced, and the outcomes of their innovations.

During 2019-2021, over 60% of businesses in the wholesale and retail trade sector carried out activities intended for innovation. Not all these businesses had developed product or process innovations by the end of 2021.



Figure 1: Percentage of businesses in wholesale and retail trade that engaged in innovation and developed innovations.

What types of advanced and emerging technologies did businesses in the wholesale and retail trade sector use and/or develop during 2019-2021?

Internet of Things was the most widely used technology, by 82.6% of businesses in the sector. Only about one-third of businesses engaged with **material handling, supply chain and logistics technologies** (32.1%) and/or **business intelligence technologies** (31.2%), while one-fifth or less engaged with each of the other technologies.

Apart from widespread use of Internet of Things, engagement with advanced and emerging technologies among businesses in the sector was low.

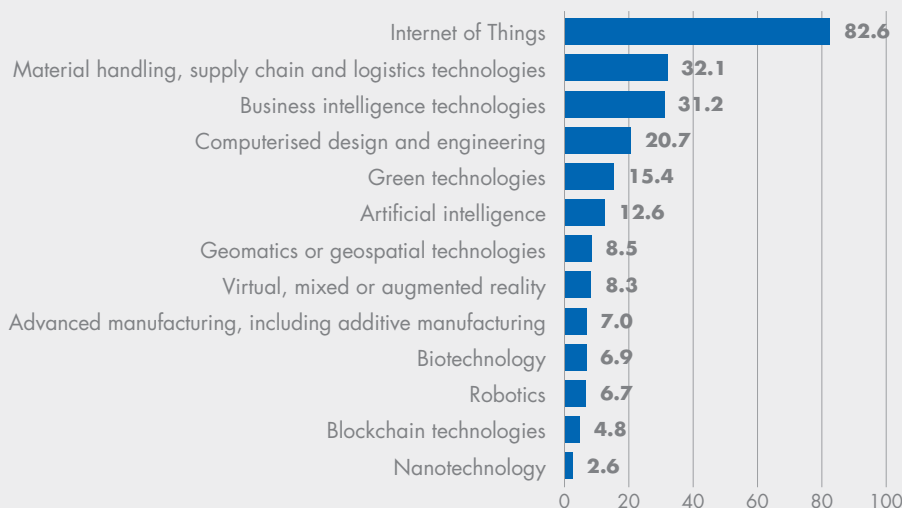


Figure 2: Percentage of businesses in wholesale and retail trade that used or developed advanced or emerging technologies.

Percentage of businesses in wholesale and retail trade

¹ Statistics South Africa (2022). Annual Financial Statistics: Statistical Release P0021. Available at: <https://www.statssa.gov.za/publications/P0021/P00212021.pdf>. Last accessed: 9 February 2024.

What were the most important barriers to innovation that wholesale and retail trade businesses faced during 2019-2021?

Financial barriers were the most common barrier, including **high innovation costs** (29.1% of businesses), **lack of funds** (24.7%), **difficulty in obtaining government grants or subsidies** (19.0%) and **lack of external finance** (17.1%). **Competition** (28.4%) and **market domination of established enterprises** (18.6%) were also highly important barriers.

Lack of **information** or **skills** were less important barriers to innovation.

The most important barriers to innovation in the wholesale and retail trade sector were financial and competition related.

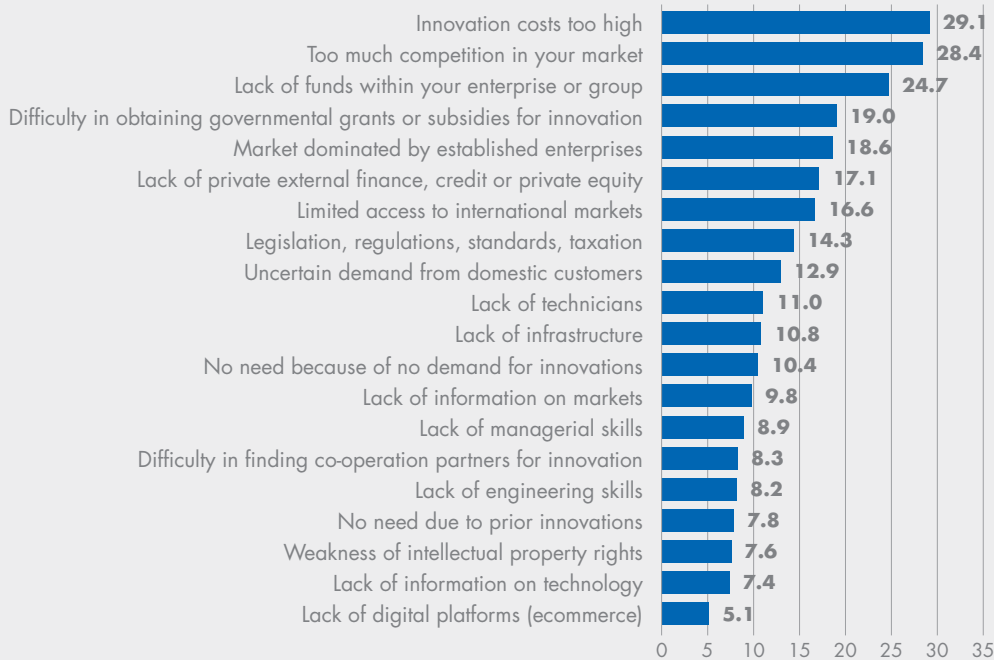


Figure 3: Percentage of businesses in wholesale and retail trade that rated barriers to innovation as highly important.

Percentage of businesses in wholesale and retail trade

What did innovative wholesale and retail trade businesses perceive to be the most important outcomes of their innovation(s) during 2019-2021?

The most important innovation outcomes were **improved working conditions, health or safety of the firm's personnel, meeting governmental regulatory requirements, and improved quality of goods or services**.

Improved cost efficiency, including **reduced labour costs, materials and energy per unit output**, were of lesser importance.

The most important innovation outcomes were improvements in well-being and product quality, rather than cost-efficiency.



Figure 4: Percentage of innovative businesses in wholesale and retail trade that rated outcomes as highly important.

Percentage of businesses in wholesale and retail trade

About this brief

This brief is one of eight sector-specific analyses drawn from the South African Business Innovation Survey 2019-2021. It provides deeper insight into innovation trends in the **wholesale and retail trade sector**, so that businesses can compare and benchmark their innovation activities. Industry associations and policymakers can use the data in their efforts to mobilise and support innovation activities across the wholesale and retail trade sector.