

Retail benchmarking for small businesses

The Source Academy & The National Skills Academy for Retail



As a condition of funding, all recipients of Flexibility and Innovation awards are required to submit to LSIS an interim report at the mid-point of their projects and a final report within **2 weeks** of their project end dates.

Final project reports will normally be published on the Excellence Gateway. They should be approximately 3-4 pages in length and address key headings and questions as set out below. The reports should be evaluative rather than descriptive and focus on the key outcomes of the project, as well as the lessons learnt.

Project synopsis

Please state, in not more than 75 words, the focus and key findings of the project. This section will be used for general search purposes.

To enable SME retailers to increase profitability through investing in and training employees. This will be achieved through the development of a data benchmarking system that will enable retailers to understand the impact of training. Training will be delivered through The Source Academy and a the network of skills shops, all of whom are members of the National Skills Academy for Retail.

Project aims

This section should summarise the aims of the project and the changes it was intended to bring about. It should also explain why the project was considered to be innovative in terms of sector practice.

The aims of the project as set out in the original proposal were as follows:

- 1) 1. Develop an innovative data benchmarking tool which will demonstrate to SME retailers how their business is performing versus other businesses in their area and sub-sector
- 2) 2. Promote to SME retailers the benefits of investing in and training themselves and their employees
- 3) 3. Enable retailers to identify and understand the positive impact including return on investment that training can deliver for their business
- 4) 4. To provide the whole sector with richer intelligence about the skills needs in SME retailers

Intended changes

The data benchmarking tool will be used by staff employed within retail skills shops to show SME retail employers the monetary benefits and softer outcomes (for example retention, productivity, customer service and motivation) of training staff and developing a career pathway that encourages employees to stay and develop within the sector. Led by:

As a result of this, we would expect to see:

- Retail employers acknowledging the benefits of training staff and being clear on return on investment
- An increase in SME retailers investing in training
- A decrease of those employed within the retail sector with no qualifications (currently 11%)
- A reduction in the number of employees leaving the sector
- Improved retention rates and motivation of retail employees
- A more clearly defined career pathway being identified for retail employees
- CPD development for SME owner managers
- Feedback data to the sector skills council for LMI purposes
- Improvement in SME retailers profitability

Changes will be sustained by the continual use of and investment in the data benchmarking tool. We will continue to work with retailers to ensure the KPIs remain relevant to the market, so that the system offers a vibrant and visual depiction of the sector and the challenges that face it. As such, the system will be sustainable and continue to function past the 2 year project phase and will continually monitored, reviewed and evaluated. The project will also provide an opportunity for retail skills shops to ensure that those employed within the sector continue to be valued and developed.

Why is this innovative?

This project is innovative for the following reasons

- 1) It will provide SME retailers with comparative information about their businesses not generally available to them. At present only large retail businesses tend to use data benchmarking methodology to help understand how their businesses are performing in order to develop their business strategies. Useful market data can be difficult or expensive to obtain. The Retail Data Benchmarking Tool will provide SME retailers access to the kind of information and business analysis techniques regularly used by large businesses. As more and more SME retail businesses use the tool so the database upon which it is based will grow and the information ever more robust and authoritative
- 2) It is especially relevant and valuable in the current extremely tough trading conditions being seen on UK high streets. Comparison is based on assessment against other retailers and aims to help participants measure where they are now, highlighting strengths and weaknesses. It will also give them a view of what current best practice performance and practice looks like.
- 3) It will enable the development of a database of information about practice and performance in retail SME businesses which will inform future training and skills provision, highlighting skills gaps and enabling the sector to develop targeted solutions
- 4) Use of technology – the system is web-based which enables us to offer it free to retailers and provides instant access for the retailer and an immediate result. This cannot be achieved using any other medium. In addition we are working with a very experienced data benchmarking agency which has developed the underpinning technology over many years and built up a significant database which this project will use to provide high quality results for retailers
- 5) Signposting to resources and training - The tool signposts users to high quality training and online resources. This is one of its innovative features because it is able to automatically pinpoint advice and resources relevant to business need. It does this using a sophisticated matrix in the background which is actively managed and maintained by the system manager.

The diagnostic is designed to be completed by retail businesses in 15 minutes or less, reflecting experience of how much time they are normally prepared to invest in such an exercise. The approach was therefore built on the foundation of this intelligence, with the focus being on usability and value added. A considerable amount of consultation took place with retail business owners, expert consultants, Winning Moves and the National Skills Academy to develop the structure, measures, practices and resources that will make a real and positive impact to beneficiary businesses. Participants are able to maintain their anonymity by simply obtaining an html version of the report, but should they wish to benefit from the full range of functionality available they need to register. They are also asked if they want their local Retail Skills Shop to make contact to provide further support to assist the business. This means that targeted, relevant support can be offered immediately. In marketing terms, this is helping us to create a „pull“ rather than „push“ approach to support provision.

Project delivery

We wish to learn more about the process of innovation and how this was managed, including the involvement of key partners and stakeholders. What did you learn from the project? What were the views of key stakeholders? Were there any unforeseen issues? Would you do things differently next time?

Data benchmarking is a well established and proven methodology for understanding business performance in many industry sectors. The partners chose to work with an established data benchmarking agency for this project – Winning Moves Ltd.

This project is the first time the technique has been used specifically for SMEs in the retail sector.

Development of the retail benchmarking tool

This took place in four stages:

- 1) Creation of a “straw man” version with retail expert input. This included a draft structure and measures
- 2) Consultation with SME businesses
- 3) Technical development
- 4) Testing and review

1. Creation of a Straw Man

A project team was established by the partners which included team members with many years experience of retailing and data benchmarking (see Appendix 2: project team). The team quickly established a proposed set of benchmarks and questions which would underpin the data benchmarking tool. It was established that the tool would cover two key areas of business performance: good business practice and financial performance.

A series of key retail financial measures were established which would form the basis of the system for assessing the financial performance of a retail business. In order to assess good practice a questionnaire was developed covering seven key areas of good retail practice:

- a. Vision & Plans
- b. Finances
- c. Buying and Products
- d. Sales & Service
- e. Merchandising
- f. People & Teams
- g. Marketing

This “straw man” was used for the basis of a series of workshops with SME retailers in order to validate the model.

2. Consultation with SME businesses

A pilot group of ten SME retailers was chosen from amongst existing customers of The Source Academy and other skills shop members of the NSA for Retail, to help develop the measures around which the tool would be based. The businesses were chosen to provide a mix of businesses of varying sizes, complexity and merchandise variety in which to test the usefulness of the tool as set out in the straw man.

Two workshops were held in Sheffield and London to review the proposed measures and questions and from these workshops the shape of the tool emerged. Each element of the straw man was rigorously tested by the the workshops and a consensus emerged around the measures.

3. Technical Development

Overall the technical side of the project ran reasonably smoothly. Some delays elsewhere did impact on programming time but not significantly. The tool is written in PHP and the database element sitting behind it is programmed using MySQL. The data collected is compared against Winning Moves existing Benchmark Index database. The 100,000 sets of business data make it the largest of its kind in the world and it is widely considered to be the de facto global standard for business benchmarking, having been adopted in more than 30 countries to date. The Winning Moves programmers feel that there is nothing significant that they would do differently next time.

4. Testing and Review

Two stages of testing were undertaken:

- a. testing of the financial benchmarks and practice questionnaire
- b. IT system testing.

The pilot SMEs submitted their own organisations to benchmarking using a paper-based version of the new tool. Some of their experiences are set out in the next section. Testing the tool in this way provided real-life evidence that the tool could be a very powerful way of helping retailers to improve their businesses and demonstrate to them the importance of training and qualifying their staff.

Testing the web-based version of the tool is now complete and the system is up and running. It can be accessed at:
<http://retail.virtual-adviser.com/>

Lessons Learned

The effort put into the early stages in working with SMEs to develop the practice quyaestonnaire and performance measures seems to have been very worthwhile – the project has been delivered to the original timetable and testing has highlighted few fundamental problems with the system. Problems that did arise were thankfully few and far between and were largely non-technical e.g. keeping faith with the pilot retailers and keeping them informed.

Project outcomes

This key section should report the results of the project. Did the project achieve its original aims? What were the key outcomes and/or outputs from the project? Were there any unforeseen outcomes? LSIS is particularly seeking evidence of project impact. What impact has the project had on your service users (learners, employers and communities), your own

organisation, other participating organisations and other key stakeholders? How will the impact of the project be sustained?

Assessing Impact

The tool is now complete and we can report on the results achieved with our first group of SMEs. We propose to submit another report in October 2012 when the tool has been operating for a longer period of time with significant numbers of SMEs and the wider impact of the tool can be assessed objectively.

Key Outcomes

The outcomes of the project are summarized in the table below:

Project Objective	Outcome
1. Develop an innovative data benchmarking tool which will demonstrate to SME retailers how their business is performing versus other businesses in their area and sub-sector.	This objective has been achieved – the tool is up and running and can be accessed at: http://retail.virtual-adviser.com/
2. To promote to SME retailers the benefits of investing in and training themselves and their employees.	It is too soon to report major impacts on the sector but retailers are now using the tool and we have undertaken a survey to understand the impact the tool has had on their businesses. Eight businesses from our first group responded to our survey and the results of the survey are reproduced at Appendix 3. Key outcomes: 75% agreed the exercise was worthwhile 50% stated developing their teams was an area of focus for their businesses with three businesses taking action on staff training.
3. Enable retailers to identify understand the positive impact and return on investment training can deliver for their business	One out of the eight respondents to our survey has already reported impact on the business as a result of using the tool to identify the need for increased marketing activity which has resulted in increased foot fall. We have also undertaken a number of case studies to assess the potential of the system (see below and Appendix 4).
4. To provide the whole sector with richer intelligence about the skills needs in SME retailers.	The results of the use by the first group of retailers to use the system has demonstrated to us the potential of the system to identify key training needs for the sector in the seven key areas covered by the system (See case studies below). As more retailers use the

	system, so the intelligence will become increasingly valuable.
--	--

In order to evaluate the tool, we have worked with a number of SME retailers. Below is a summary of the work that was done using the tool with three of them. Case Studies for two retailers are also attached as Appendix 4.

Accelerate – running shop, Sheffield

- Identified that staff costs were low compared to average – and thus they could be impeding sales growth - decided to invest in additional staff timed for January 2012, which is their next anticipated sales growth time.
- The exercise confirmed that their previous detailed approach to planning was worthwhile.
- Recognised the need to have robust HR processes in place prior to recruiting more staff, we were able to support this need through the Opportunity Sheffield programme
- Encouraged further networking with retailers to increase awareness of what is happening in retail

Monica Hewitt – Florists, Sheffield

- The business was introduced to the notion of managing stock losses from their involvement in the project and as a result introduced a simple monitoring scheme to note what stock was being “lost” through being discarded. This enabled the owner to look at what lines were costing money for this reason and to introduce measures to reduce the losses – resulting in increased profit
- The owner was previously unaware of the relative spend on marketing so was able through this process to make those comparisons.
- There had always been a commitment to staff training with excellent results being achieved (see case study) however the comparisons enabled Helen to see where she was spending her effort relative to other retailers and therefore make quantitative assessments about where to put the resource in future
- Helen also introduced a means of collating customer feedback so that she can make adjustments to range and offer based on feedback rather than supposition

Fuse – Alternative clothing store, Sheffield

- Opportunity to develop CRM through EPOS system, hold meeting with EPOS provider to investigate
- Low staff costs – scores green but could be missing some sales, reviewed and decided to take on another apprentice (currently being recruited)
- Invest in Shopfitting, the survey showed that they are underinvested
- Improve business control mechanisms to reduce losses
- Develop monthly budgeting system
- Develop an appraisal process (we have provided some forms for them to use)

Sharing of project findings

This section should explain how you will share the outcomes and learning from the project with the wider sector and how you will encourage other providers to actively engage with this work.

The NSA for Retail will share the outcomes and learnings from this project in the following ways:

- 1) Summary anonymised data on retail SME training needs will be made available on the Skillsmart Retail/NSA for Retail website. This will be very useful to all learning providers wishing to develop solutions for the SME retail sector.
- 2) Data gathered will be used to inform the development of programmes and initiatives offered by the NSA for Retail.

Appendix 1: Project Partners

The Source Academy

Adjacent to Meadowhall Shopping Centre in Sheffield, The Source Academy is a flagship Centre providing state of the art training, development and conferencing facilities for all sectors of the local community and local businesses. It is an innovative and unique £5.5 million training and development centre set up as a charity in partnership with Sheffield City Council. It contributes to regional, social and economic regeneration strategies, connecting disadvantaged communities to new economic opportunities, supporting local businesses in their training needs and encouraging inward investment in the sub-region. The Source Skills Academy is an element of British Land's Masterplanning programme, which is looking at sustainable development of the area, in conjunction with Sheffield City Council, over the next 20 years. The Source Skills Academy plays a central part in providing training for inward investors into the region. Profits are reinvested for long-term development, to create a self-sustaining organisation.

The National Skills Academy for Retail

The National Skills Academy for Retail provides access to consistent, high quality training for retail businesses, their employees and future workforce, delivered through a network of quality-marked retail skills shops located in shopping centres and high streets across the country. The National Skills Academy for Retail offers a host of services including business support for retailers of all sizes and in any location, a consistent national approach for retail training and the provision of authoritative labour market intelligence. The National Skills Academy for Retail is a wholly owned subsidiary of Skillsmart Retail Ltd.

Winning Moves Ltd

Established in 1995, Winning Moves is a business improvement consultancy which specializes in data benchmarking technology which it originally developed for the DTI (now BIS). After fifteen year's experience Winning Moves now has a database of over 100,000 companies and has developed benchmarking modules across many sectors & themes including fishing, tourism, manufacturing, construction and automotive.

Appendix 2: The project team

Steven Gaunt, The Source Academy

With a successful UK-wide track record of more than twenty five years in blue-chip retail management, Steven is a highly experienced retail adviser and consultant. His most recent position was Senior Store Manager for Debenhams where he had responsibility not only for leading his immediate management team, developing a Centre of Excellence to a premier position for sales density but also for mentoring store managers across the region. He is an exponent of change management, possesses a can-do attitude and has specific experience of store openings across the UK gained at many levels of management. Additionally, the experience gained in customer-facing and not-for-profit organisations enables him to deliver performance enhancing training and coaching programmes.

Mark Modena, Winning Moves Ltd

Mark was appointed Products Director of Winning Moves in June 2009; he has been with Winning Moves since 1999 having played a key role in the organisation, being responsible for the development of Winning Moves and the Benchmarkindex® performance benchmarking system. Mark has introduced Benchmarkindex® in over 20 countries to underpin their economic development activities. Mark is also currently working on several Innovation programmes

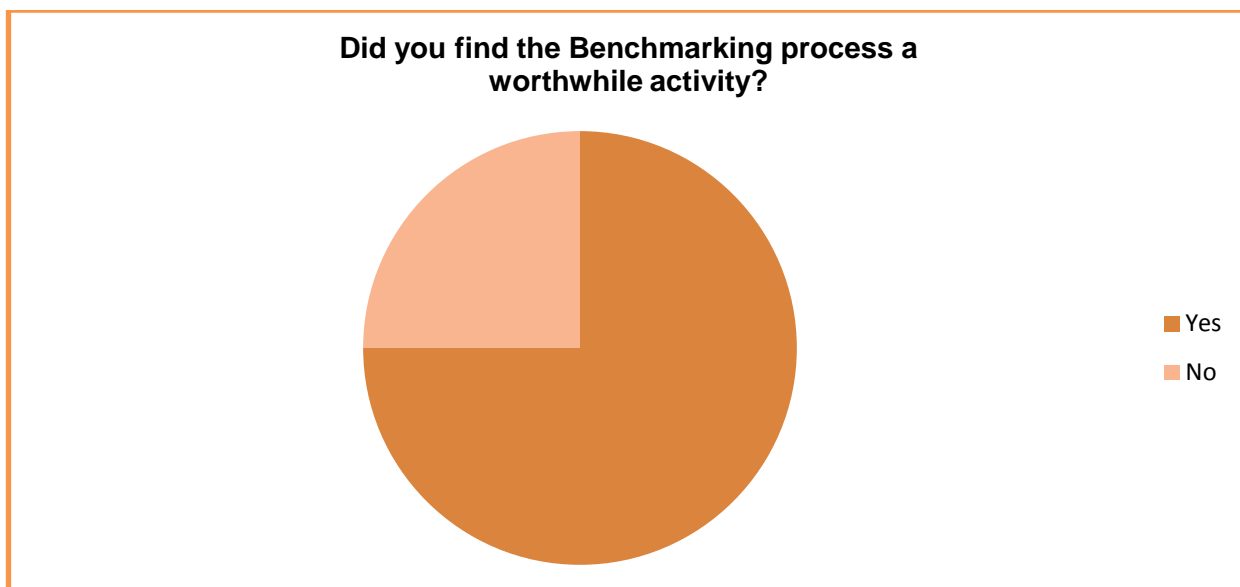
helping clients build value into their businesses theory and develop and commercialise ideas as well as leading on the development of the international benchmarking centres.

John Browning, NSA for Retail

John Browning is Membership Services Manager for the National Skills Academy for Retail. He is an experienced Learning and Development professional with many years experience in the Retail sector gained through roles with BP Retail and Homebase. More recently John has specialized in work-based learning and skills development, having spent time with E-skills UK working on the QCF trials and the IT diploma before joining Skillsmart Retail in September 2007 to support the development of the business plan for the NSA for Retail. John moved over to the NSA for Retail when it was approved by the LSC in October 2008 and since then he has been employed as Membership Services Manager.

Appendix 3: Survey results Benchmarking exercise survey

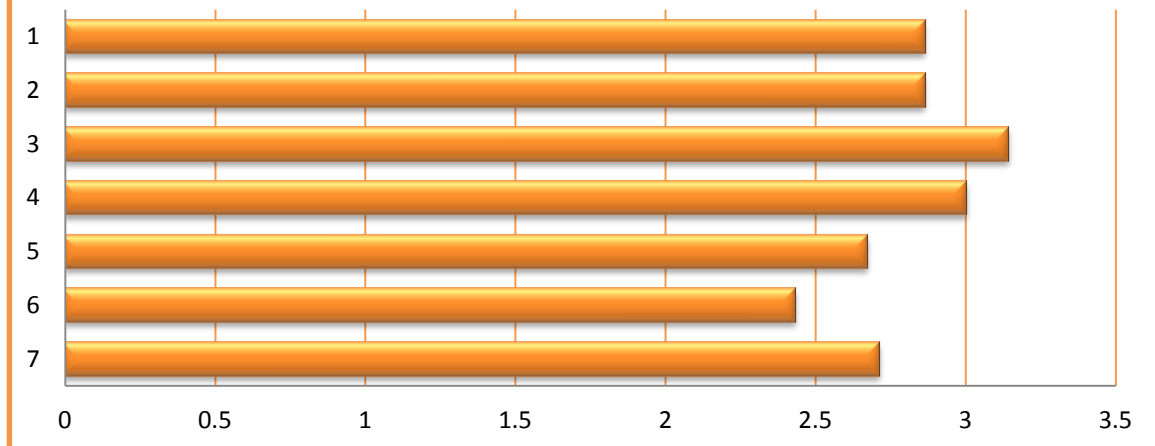
Did you find the Benchmarking process a worthwhile activity?		
Answer Options	Response Percent	Response Count
Yes	75.0%	6
No	25.0%	2
<i>answered question</i>		8
<i>skipped question</i>		0



Benchmarking exercise survey

To what extent did the Benchmarking exercise help you to focus your business in the following areas:							
Answer Options	A major area of focus	A small area of focus	Neutral	A little focus on this area	Not at all focused on this area	Rating Average	Response Count
Vision for you business	1	2	1	3	0	2.86	7
Finance and business planning	1	1	3	2	0	2.86	7
Buying for your customers	1	1	2	2	1	3.14	7
Selling and service skills	1	2	1	2	1	3.00	7
Visual merchandising	1	2	1	2	0	2.67	6
Marketing for more customers	3	1	1	1	1	2.43	7
Developing yourself and your team	1	3	1	1	1	2.71	7
<i>answered question</i>							7
<i>skipped question</i>							1

To what extent did Benchmarking exercise help you to focus your business in the following areas?



Benchmarking exercise survey

If you selected 'major' or 'small' (the first two categories) in the previous question. Please use the box below to describe what you expect to be the benefit of your increased focus in this area?

Answer Options	Response Count
5	
<i>answered question</i>	5
<i>skipped question</i>	3

Number	Response Date	Response Text
1	Nov 2, 2011 11:13AM	I expect to develop a better understanding of what my customers want to buy and how best for me to sell to them whilst decide where finance is best placed.
2	Oct 24, 2011 12:06 PM	Increased exposure through marketing activities leading to increased footfall and sales.
3	Oct 21, 2011 2:06 PM	Helped pinpoint items to focus on in each of these key areas Of course this will also help to improve all these areas

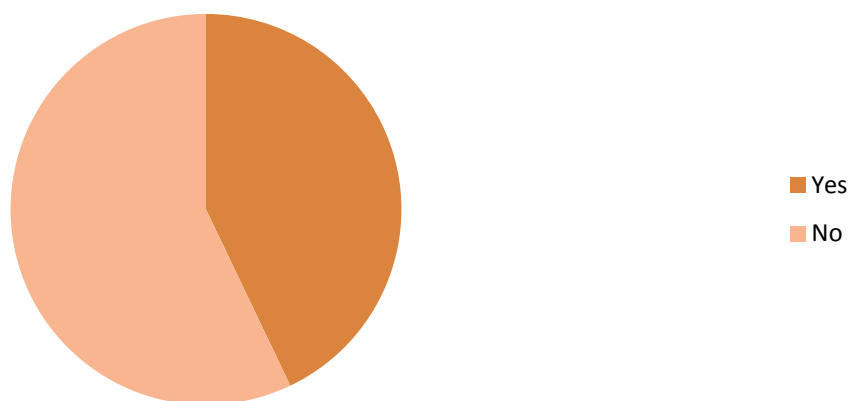
4	Oct 20, 2011 4:10 PM	I have developed systems for stock control including tracking waste and stock takes. I have developed ways of recording and monitoring complaints and annual performance review record for all members of staff.
5	Oct 20, 2011 3:22 PM	We did not participate in the financial evaluation as the Directors did not wish to disclose the company financial information.

Benchmarking exercise survey

Did you indicate in Q3.7, an increased focus on 'developing yourself and your team' as a result of the benchmarking exercise?

Answer Options	Response Percent	Response Count
Yes	42.9%	3
No	57.1%	4
<i>answered question</i>		7
<i>skipped question</i>		1

Do you indicate in Q3.7, an increased focus on 'developing yourself and your team' as a result of the benchmarking exercise?



Benchmarking exercise survey

How have / are you developing your commitment to training within your business? (please use the box below to highlight your answer)	
Answer Options	Response Count
	3
<i>answered question</i>	3
<i>skipped question</i>	5

Number	Response Date	Response Text
1	Nov 2, 2011 11:15 AM	I have looked into what training courses are required for all staff so that it may be put into place in January which is after our Xmas rush.
2	Oct 21, 2011 2:08 PM	We are actually trying to grow our business and team, allowing people to specialise in their areas of particular skills, also recruiting people to cover areas we are lacking in. We will also be encouraging staff to excel in each area.
3	Oct 20, 2011 4:13 PM	I have reviewed our staff handbook to incorporate all the areas mentioned in the previous question and had a staff meeting to train staff on the new procedures.

Benchmarking exercise survey

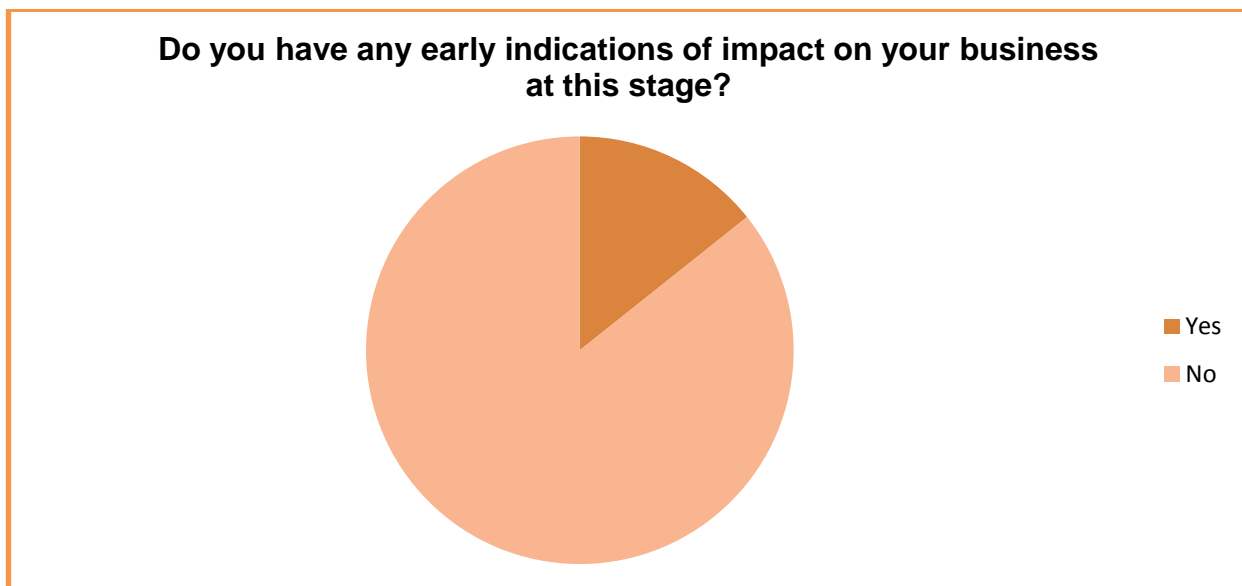
What benefits do you expect that this training will have for your business? (please use the box below to highlight your answer)	
Answer Options	Response Count
	3
<i>answered question</i>	3
<i>skipped question</i>	5

Number	Response Date	Response Text
1	Nov 2, 2011 11:15 AM	Better sales and happy, returning customers.
2	Oct 21, 2011 2:08 PM	We hopefully will be able to do more, faster. Therefore grabbing chances and developing them when they appear
3	Oct 20, 2011 4:13 PM	I am hoping that I will be more in touch with stock control, compliments and staff performance.

Benchmarking exercise survey

Do you have any early indications of impact on your business at this stage?

Answer Options	Response Percent	Response Count
Yes	14.3%	1
No	85.7%	6
<i>answered question</i>		7
<i>skipped question</i>		1



Benchmarking exercise survey

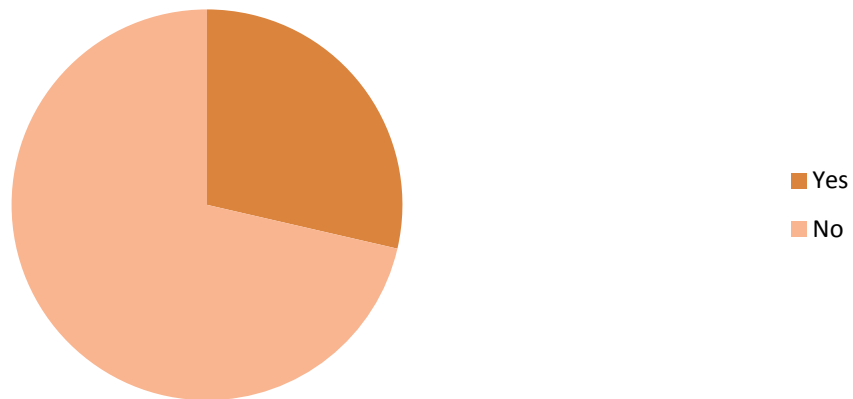
Please use the box below to highlight the impact(s) that you have already experienced	
Answer Options	Response Count
	1
<i>answered question</i>	1
<i>skipped question</i>	7

Number	Response Date	Response Text
1	Oct 24, 2011 12:07 PM	We have increased our marketing activity and seen increased footfall and website "hits" as a result.

Benchmarking exercise survey

Do you feel the need for further input from a retail sector specialist to develop your action plans from the Benchmarking exercise?		
Answer Options	Response Percent	Response Count
Yes	28.6%	2
No	71.4%	5
<i>answered question</i>		7
<i>skipped question</i>		1

Do you feel the need for further input from a retail sector specialist to develop your action plans from the Benchmarking exercise?



Appendix 4: Case Studies

Fuse

Fuse is an independent retailer based in the Forum in Sheffield that prides itself on being at the forefront of exciting and unusual clothing and accessories. Fuse has two stores in Sheffield – Fuse in The Forum that focuses on male and female fashion and Fusion on Devonshire Street that focuses on accessories. www.thealternativestore.net is the very popular virtual face of Fuse and Fusion and online sales have increased in recent months. Although the majority of the staff base is students, staff often stay longer than their university term as they settle into the business. Stuart, the owner, feels that it is important to develop a staff base that is happy involved and permanent. Steven Gaunt from The Source Academy is working with Stuart and his team to implement new ideas and encourage more structure across the business to enable the businesses to develop. Through this relationship an apprentice joined the team in July 2010 and is enjoying the environment. Steven is also supporting Stuart by helping him to shape and define the business for the future and as part of this process is encouraging Stuart to be involved in retail events. One such event was the launch of the Mary Portas Retail Master classes held at The Source in Sheffield. Stuart received coverage on BBC Look North after being interviewed at the event to discuss the benefits of training for small businesses. Stuart said *Although we are only a couple of months into the programme I have high hopes that the scheme will help us move forward as an organisation and grow the business. Due to the difficult climate we are in a chicken and egg situation where we are not making enough profit to take on additional team members but we cannot grow the business without recruitment. Steven suggested the apprenticeship programme and this is ideal as it is training someone from the very beginning, at an affordable rate, allowing us to grow.* Stuart has been an enthusiastic contributor to the Data Benchmarking pilot and has already seen some areas in his business practices that he can improve. He is keen to see the results of the benchmarking exercise that will demonstrate where he can improve to match or beat industry figures.

Accelerate

Accelerate is an outdoor and urban athletics store set up by Stuart Hale with his partner Debbie. Stuart has a retail background and had previous experience of this specific market through a previous business enterprise in East Anglia. This Sheffield-based business has been established on Attercliffe Road in a building previously used as a bank. This gives the shop a bright an airy feel inside although the exterior is a little sombre! Stuart has worked hard on the visual aspect with large scale photographs inside and out. He has developed an expertise in the science of the human body as far as all aspects of running are concerned and gives unrivalled expertise to customers by matching the right product with a specific need.

Opportunity Sheffield is engaged with this business to offer support to the owners and through the programme has involved the expertise of Business Link to assist with marketing ideas and development of social media as a means of creating greater awareness of the brand and growing the sales. Steven Gaunt, the Business Account Manager for Opportunity Sheffield has also been able to put Stuart in touch with a marketing consultancy which has added additional value by considering all the possible routes to development. Stuart said *“ I have received a greater awareness of business planning and marketing – and this has been used to enhance our approach to brand development through social media – we are now very strong in this area and our blog is keenly followed by hundreds of avid enthusiasts.*

Stuart and Debbie have been keen to be involved in the benchmarking pilot and have completed the exercise very thoroughly – they are excited about seeing the results.