



BENCHMARKING *your business*

Benchmarking is an important tool for business owners to help measure their success, set goals and make informed decisions, no matter how large or small the operation. But the first step to consider for any independent retailer to effectively begin benchmarking is to identify your values and goals and to be true to yourself. | BY ALEXANDRA LOPEZ-PACHECO

If quality is an independent retailer's top value, that's really the strategic benchmark they should keep as their bull's eye at all times," says Kriston Dean, Director of Planning and Merchandise for Vancouver-based Purdy's Chocolates. "That's your vision, the key that started your business, so being really strong in staying committed to that is a key benchmark in helping you grow. As the years go by and you begin to grow your business, the benchmarks may change and become more strategic and sophisticated. But at the end of even those strategic benchmarks, there are still the core values. I can go back to Mr. Charles Flavelle, who bought Purdy's in 1963 - his vision for the company is so very similar to what it is today. It was about making quality products and giving people a great place to work. And that lives today for us so that's the key benchmark."

While in its 104-year history, Purdy's has grown from being a relatively small operation into the country's second largest chocolate retailer, with 59 stores in British Columbia, Alberta, and Ontario. However, not all independent retailers share the dream of growing into a national chain.

"Most small businesses, especially one-store retailers, aren't in it to make a fortune," says Kyle Murray, Associate Professor and Director of The School of Retail at the University of Alberta. "It requires long hours, hard work and most people could make more money working elsewhere, so they do it because they love it and enjoy it. So if they can continue to the next year and make a reasonable living, that's the most important benchmark for them."

Benchmarking basics

Once they've identified their goals and values, however, there are some basic key benchmarks retailers can use to help them monitor their progress—but small retailers, says Dean, can keep it simple.

"The top benchmark is year-over-year sales," says Murray. "If you can increase at a rate that's faster than inflation, you're doing

"We are always looking at customer satisfaction, our team and our sales - those three things are linked very closely for us."

— JILL WILCOX, *JILL'S TABLE*

very well. Small retailers are also going to look at sales per square foot to get a sense of how they're doing in terms of the space they're leasing and paying for. And probably sales per employee to see how effective they are in terms of what they're doing in customer service. Ultimately, revenue and profits are going to be the benchmarks. You have to make enough money for the business to be viable and for the owner to make a living."

When your sales per square foot and per employee benchmarks begin to plateau, says Murray, "You know your store is just too busy to do more business in that location and you start to think 'maybe I can do more business in another location.'"

That's exactly what Jill Wilcox decided two years after opening, Jill's Table, a specialty food and kitchenware store in London, ON. The store had quickly outgrown its 500 square foot space and when an opportunity opened up across the street for a 2,000 square foot space, she seized it.

"We've been in the current location for about nine years. And the move allowed us to expand into a full-scale kitchenware shop. We also do gift baskets and conduct cooking classes."

Year over year sales

For her store, Wilcox monitors customer satisfaction as one of her key benchmarks. "We are always looking at customer satisfaction, our team and our sales - those three things are

linked very closely for us,” she says. “Fourth quarter for us is really important. Through the year, we look at our sales on a weekly basis but when we get into fourth quarter, we’re looking daily, comparing it to the year before and the year before that. We also set financial goals in November and December and we set some goals in terms of specific products as well.”

“Because we are in a new, constantly changing niche market, the benchmarks that we have used since inception have been new product research and relevant product introduction. There are lots of great new products out there. But are they relevant?”

— REBECCA BEST, *THE HEALTHIEST HOME*

In fact, in fourth quarter, Wilcox, whose store is a previous recipient of the Canadian Gift & Tableware Association Retailer of the Year Award, spends a considerable amount of time analyzing key products and product category sales to identify any changes, comparing current year sales with those of previous years. “So we can look at food and say it’s pretty stable year after year. The only change we’ve noticed in the last year is that electrics have gone down a little bit because some of the large chains are starting to carry more of them, including specialty electrics previously carried primarily by independents.”

is also a huge benchmark as it’s the basis of customer satisfaction. We strive to have products that exceed standard expectation and durability.”

Customer satisfaction

Most independent retailers simply don’t have the resources to invest in sophisticated benchmarking systems and processes—nor do they need to, say both Murray and Dean. The reality is that larger retailers have to spend a considerable amount of money and resources to benchmark their business in order to achieve what comes naturally to the small owner-operator neighbourhood shop. Customer satisfaction—always a key benchmark—is one example. “The reason big organizations have customer relations management systems and deploy customer satisfaction surveys is so that they can be like small businesses. They don’t know their customers personally,” says Kyle Murray. “Independent merchants do.”

In contrast, both Best and Wilcox spend a considerable amount of time personally speaking with customers—and their own employees. “We’re very sensitive in terms of customer comments and we’re always mapping them and sharing comments that customers make or successes that staff have had with a customer. So, we’re really keeping our ear to the ground in terms of feedback from customers,” says Best. “And I’m here six days a week and so I’m very hands on.”

Uniquely independent

Murray also points out that while larger retailers have to benchmark against competitors and the market as a whole, that’s not necessarily the case for small retailers. “For small businesses, you’re just comparing to yourself year over year because what you’re doing is very different from what the



Benchmarking product

Rebecca Best, Co-Owner of Ottawa-based The Healthiest Home, which in 2003 became Canada’s first exclusively green building supply store, and her partner Tosh Serafini, highlight the importance of independent retailers looking for benchmarks that reflect their uniqueness and niche. That is, after all, more often than not what gives independent retailers their competitive advantage.

“Because we are in a new, constantly changing niche market, the benchmarks that we have used since inception have been new product research and relevant product introduction,” says Best. “There are lots of great new products out there. But are they relevant? We also ensure that introductions are price accessible—not too far off the market, since 99% of consumers are typically looking for mainstream aesthetic regardless of green qualities. Performance of products

large businesses are doing,” he says. “A small business that has \$100,000 in annual sales can relatively easily grow at 25% a year. Even a small business that’s doing \$1 million a year in sales can grow at 10% without having to bring in an enormous amount of new business or have a big impact on other competitors in the area.”

Once an independent retailer grows beyond three stores, however, there’s significant shift needed that includes more sophisticated benchmarking and performance measurement as well as a professional management team. “When they get to five or six stores, a lot of small businesses tend to struggle and either pull back or in some cases fail entirely because it really takes a different type of management style to be able to get a real advantage from scale. But with the right benchmarking system, that business can continue to grow exponentially,” says Murray.