

# 'BEST PERFORMING RETAILERS'

READ THIS IF YOU WANT TO BE  
A SUCCESSFUL RETAILER  
IN WINCHESTER



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# INTRODUCTION



CHAPTER 1

Report content

## 1. INTRODUCTION

### 1.1. The report is organised into six chapters as follows:

1. Introduction.
2. Setting the scene - the retail environment in the UK and in Winchester.
3. Best Practice approaches to retail marketing and sales.
4. The 'bottom line' - the critical financial and non-financial measures that retailers should concentrate on.
5. The approaches adopted by 'best performing' retailers to ensure that their greatest asset - 'people' – receives the attention it deserves.
6. Report Summary highlighting the main findings and 'action' points.

There are three Appendices:

- Appendix A; Points to consider before 'setting up shop' in Winchester.
- Appendix B; Ways to improve 'on-line' retail capabilities.
- Appendix C; Performance Improvement Checklist – identifying the best practices that outlets need to take to become top performing retailers.



The sign on the door of  
Piecaramba, Parchment Street

## 1.2. Approach

Ten 'top' performing outlets in the centre of Winchester, both national and independent, were asked for their views about 'what it takes' to be a successful retailer.

For the purposes of this report, 'top' performing means top quartile 'takings' results achieved by most of the participating retailers during 2017 and the first six months of 2018. The 'takings' results are based on research carried out to prepare the Winchester Business Improvement District's [BID's] quarterly 'Business Barometer' report which has been published since October 2011.

The participating businesses are:

- [Jeremy France Jewellers](#), an Independent
- [Hotter](#), a National
- [Mawson & Company](#), hairdressers, an Independent
- [Pavilion Fashion](#), an Independent
- [Piecaramba](#), a specialist hospitality outlet, an Independent
- [Robert Dyas](#), a National
- [The Hambledon](#), a clothes and fashion retailer, an Independent
- [Toscanaccio](#), an Italian wine and hospitality outlet, an Independent
- [Vodafone](#), a National
- [P&G Wells](#), booksellers, an Independent.

The Managers and/or Owners of these businesses were interviewed during the first half of 2018. I am extremely grateful to them all for their co-operation and support. It is greatly appreciated.

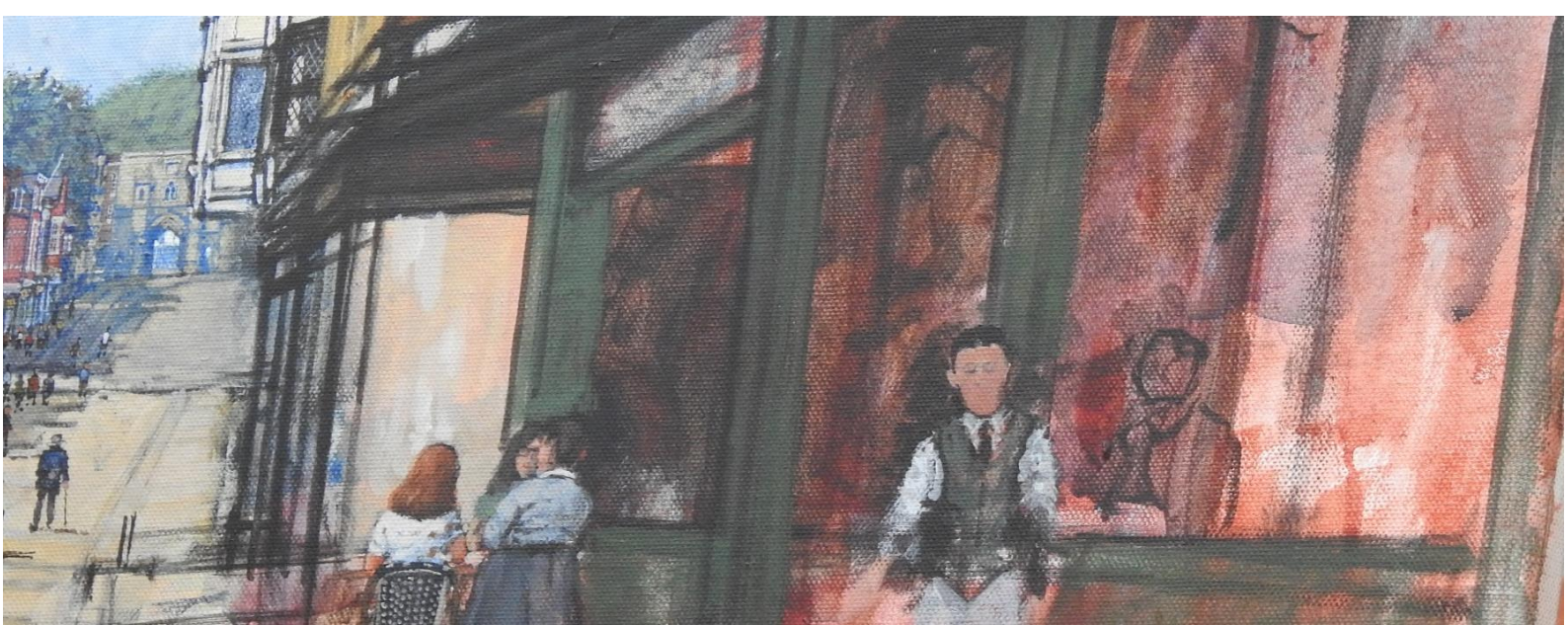
Apart from discussions with local businesses, a great deal of desk research has been carried out. References are highlighted in the text.



*Service with a smile at Piecaramba*



# THE UK RETAIL ENVIRONMENT AND THE RETAIL SCENE IN WINCHESTER



*From an unfinished painting by Don Lavelle. [www.donlavelle.net](http://www.donlavelle.net)*

## CHAPTER 2

digital sales now account  
for more than 20%  
of consumer spending

## 2. THE UK RETAIL ENVIRONMENT AND THE RETAIL SCENE IN WINCHESTER

### 2.1. The UK retail environment

- 'The end of the department store' [[Investors Chronicle](#), 20 March 2018]
- 'More fun and fewer shops can save our towns' [[The Times](#), 17 January 2018]
- 'High Street must change or shut up shop' [[The Times](#), 19 May, 2018]
- 'Town goes hi-tech to save its shops' [[The Times](#), 30 May 2018]

- 2.1.1. It is difficult to avoid headlines about UK retailing. According to Ipsos-Retail Performance [5 July 2018], footfall into High Street stores for 'non-food' items fell by 9% between the first half of 2018 and the comparable period a year ago. There have been a number of recent high-profile administrations and CVAs [Company Voluntary Arrangements] affecting retailers such as Carpetright, House of Fraser, Mothercare and Poundland.
- 2.1.2. Bill Grimsey, the former CEO of Wickes and Iceland in his July 2018 report, '[The Vanishing High Street](#)' says 'there is no point in clinging to a sentimental vision of the past'.
- 2.1.3. E-commerce, of course, is adding to the challenges faced by 'bricks and mortar' retailers as digital sales now account for more than 20% of consumer spending. In 2010, it was 10%. Last year, more than £1 in every £6 spent was via smartphones and tablets. By 2021, mobile devices will account for more than 50% of ecommerce sales compared to 43% in 2017 [[emarketer](#), 29 December 2017].
- 2.1.4. Sir Ian Cheshire, the Chairman of Debenhams, says that 'retail has faced more changes in the past three years than in the previous twenty. It's a big structural shift so old models have to be reinvented. If you're starting out now you'd have much less space, much more online and much more flexibility. No one will be signing 20-year leases'.
- 2.1.5. To consider these matters, a cross-party group of MPs on the Housing, Communities and Local Government Committee is to investigate how to revive town centres as the threat of online shopping and the financial problems facing some important high street names intensify.

It should not be forgotten that the retail sector is important. It contributes 11% of our total economic output. It employs nearly five million people, about 15% of the U.K.'s labour force, and one in six businesses are retail businesses. [House of Commons Library, [Briefing Paper 06186](#), 21 March 2018].

## 2.2. The specific challenges faced by the retail sector include:

- 2.2.1. Significant increases in costs such as the apprenticeship levy, business rates which have risen by about 20% nationally, the minimum wage and the fall in the value of the pound which has increased import costs by 10% - 15% over the past two years. The [Centre for Retail Research](#) estimates that 'bricks-and-mortar' retailers will pay 2.3% of their sales in business rates in the 2018-2019 financial year. The comparable figure for the online sector is only 0.6%, [Which? Magazine, July 2018].
- 2.2.2. A lack of pricing power as retailers have absorbed additional costs to insulate customers from price increases. According to the British Retail Consortium [BRC], average shop prices have been falling continuously for the past five years. [The Times, 4 April 2018]. It means that retailers are experiencing significant profit margin pressures which are leading them to take radical initiatives such as reducing their retail estate as announced, for example, by Carphone Warehouse and Marks & Spencer.
- 2.2.3. Significant high street rents which, although stabilising in the past two years, have increased by 90% in the past decade, [Investors Chronicle, 16 February 2018]. The Retail Gazette comments that UK retail occupancy costs are four times greater than in the US for 50% of the space. 'We face fundamental change' says the Gazette [21 May, 2018]. The leading retailer 'Next' is reviewing its property costs extremely seriously. It is seeking to obtain rent reductions where a retail neighbour receives a similar deal through a CVA.
- 2.2.4. The acceleration in the significance of online sales which is expected to rise to 25% of retail sales in 2021 from the current level of around 20% [e-marketer, 22 December 2017].
- 2.2.5. The continuing decline in footfall. The [Ipsos Retail Performance](#) report, [5 July 2018] commented that UK High Street footfall into non-food outlets fell by 9% in the first half of 2018 compared to the same period in 2017. The BRC/ [Springboard](#) Footfall Monitor reported, in April 2018, that 'we are seeing a longer-term trend of reduced footfall. It highlights that shoppers face more choice in terms of how, where and when they shop'.

## 2.3. Department stores

- 2.3.1. The future of traditional department stores is under threat. According to an article in the [Retail Gazette](#), [29 May 2018], the number of department stores in England has fallen by 25% since 2009. The lending platform, Lendy, says that 'department stores have been affected by the rise of online shopping and heavy debt burdens [arising from mergers and acquisitions] which have hampered their investment in ecommerce and in-store refurbishment. They used to be a gateway to a vast array of products from home and international markets to local high streets. But mass availability of these same products through the internet allows shoppers to seek out the best products at the best price. If department stores are to survive and prosper their formats will need to change'.
- 2.3.2. High street brands do not need a large shop anymore. All that is needed is a 'sample' outlet instead as sales take place increasingly online with 'click and collect'. M&S, for example, has just announced a target to achieve 30% of its sales via the internet. As a consequence, smaller frontages will emerge with lower rents and business rates. As Sir Charlie Mayfield the Chairman of John Lewis says 'we need to step up investment in innovation with potential strategies ranging from promoting stores through their own social media platforms and expanding own brand ranges'.
- 2.3.3. But online shopping does not always work. Ben Farren the CEO of Spoke, an online menswear retailer, says that 'pictures on screen can mislead and disappoint'. 'There will always be customers who want to touch and feel a product and to try it on before they buy. [This is resulting in retailers offering customers new experiences that they cannot get online.](#) Magnum Pleasure Stores, for example, allows customers to dip their ice creams into warm Belgian chocolate! For Unilever, the brand's owner it allows such stores to connect more closely with the brand as traditional advertising wanes. It also helps Unilever to resist pricing pressure from supermarkets.

## 2.4. The customer experience and the impact of technology

- 2.4.1. As discussed already, what is likely to change is the experience that customers will have once they are inside a store. Amazon, for example, has opened supermarkets in the United States without traditional checkout lines. It wishes not only to dominate online space but to achieve its 'bricks and mortar' ambitions with a technological edge. The company has a chain of bookstores where customers download a shopping app to select a store for book availability. Stocks of books are based on customers' pre-orders and sales. Customers use their Amazon account to pay before visiting the bookstore which operates as a 'click and collect' depot. Customers obtain what they have been looking for and have the opportunity to browse. If customers find a book they want 'in-store', they can purchase the e-book download rather than the physical book.

This combines 'off-line' and 'on-line' shopping - a mix of much more professional in-store retail management and a much more competitive online capability - a trend which is likely to become a retail 'critical success factor'.

- 2.4.2. Another Amazon shopping experience, in a trial food store, allows customers with an app to enter the store to choose products from the shelves whilst being monitored 'on camera'. As soon as customers have finished shopping, their Amazon accounts will be billed automatically without the items purchased being scanned. Long checkout queues can, therefore, be avoided as well as error prone self-scan checkouts.
- 2.4.3. In the UK, Spoke has an inventory system which allows it to offer over thirty sizes of chinos not just small, medium and large. 'The traditional sizing system is blunt. It is designed to manage inventory not to deliver fit' says Ben Farren. 'I was tired of falling between sizes. Our clothes fit our customers not the other way round'. [[Retail Gazette](#), 26 March 2018].
- 2.4.4. According to a Manhattan Associates article in the Retail Gazette [25 July 2018], 'retailers are no longer benchmarked against their industry peers and competitors but against pioneering global brands like Amazon and Alibaba. Consumers want the convenience of buying online and visiting a store to inspect a product and make a purchase. Modern retail is made from this channel mix. Successful retailers do all they can to make this mix work smoothly... a seamless omnichannel experience. The primary role of instore technology is to help and inform customers so they can find what they want to buy'.

## 2.5. The High Street

- 2.5.1. According to BRC/Springboard, there is over-capacity on the High Street given the 8.9% national town centre vacancy rate reported in the Spring.
- 2.5.2. More significantly, pcr-online.biz [17 January 2017] predicts that more than 50% of current town centre stores will not exist by 2030 as the impact of online shopping intensifies. 'There is too much retail space in Britain today and it needs to contract' says Helen Dickinson, Chief Executive of the BRC.
- 2.5.3. But that does **not** mean that the High Street will disappear. Quite apart from shopping, the High Street is needed as a place for social interaction. 'Our stores are gathering places for the community where everyone is welcome to connect, learn and create' says Angela Ahrendts, Apple's Senior Vice-President of Retail, [Shopper Trak, March 2018]. Lord Simon Wolfson CEO of 'Next' commented in the [Retail Gazette](#) [31 July 2018] that '50% of our goods sold online are collected from a 'Next' store so stores will be there in 5 – 10 years time'.
- 2.5.4. Some high streets are busier than others because of the experience of shopping there. As we have seen, online sales are not always a substitute for touching, comparing and trying products. It is also true that some town centres have a particular attraction due to their heritage as well as the ease of transport and parking provision, the so-called 'practicality of access'.
- 2.5.5. 'The future of many town centres is not just about shops' says John Parmiter, Director, '[Future High Streets](#)' in a letter to The Times [20 January 2018]. 'High Streets are failing to adapt to the way people shop (through the internet), to the rapid reduction in shop portfolios and to improving low-quality environments (poor access, shoddy pavements and bad-smelling car parks)'. Parmiter goes on to say that 'if the problems on the High Street can be fixed it can deliver on a range of policy objectives such as reducing crime and increasing housing provision'.
- 2.5.6. 'The challenge for High Streets and town centres is to become desirable places to spend times in; for visiting, for working, for living, for relaxing, for learning **and not just for retail**. Many High Streets need to offer a significantly better experience if they are to prosper. The internet, shopping centres and retail parks are not going to go away. Conventional streets are at a disadvantage in terms of parking, business rates, rents and ease of construction. As a consequence, they need a new viable purpose'.



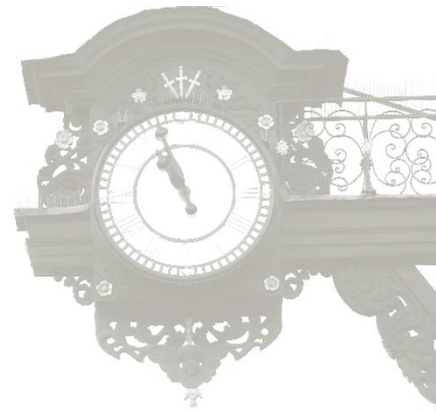
- 2.5.7. This is a view supported by Bill Grimsey in the latest of his reports, '[The Vanishing High Street](#)' [18 July 2018]. His central theme is that High Streets need to reduce their reliance on retail. They should be 'refashioned as public spaces focussed on their respective communities'.
- 2.5.8. This will not happen by accident. Concerted action is required from local councils in whom voters' confidence is low. '56% of city dwellers believe that their locations are being left behind and 54% believe that politicians don't care about them'. [[The Centre for Towns](#), December 2017]. 'Councils... need to do more to facilitate the evolution of town centres from shopping areas to places where people gather to socialise, to be educated and entertained or even just as places to live' [The Times, 4 September 2018].
- 2.5.9. A new blueprint for the High Street is required so that it becomes the equivalent of a very large village hall – the centre of the community. A more diverse range of activities and facilities will act as a catalyst to create such an environment. For example:
- **Homes** 'Which must return to UK high streets in order to stop them from becoming 'no-go' areas after 6pm when stores are shut. Shopping needs to be more of a social experience', [[pcr-online.biz](#), 17 January 2017]. And Councils 'should change more of their retail space into residential use helping to ease housing problems by providing flats and homes on the high street and in redesigned former shopping centres' [Alice Thomson, The Times, 17 January 2018].
  - **Hotels**
  - **Cultural, entertainment and leisure** venues such as art galleries, cinemas, concert halls, exhibition areas, libraries and play groups.
  - **Sports centres** like bowling alleys, gyms and skating rinks supplemented by sport tournaments, for example, for athletics and cycling.
  - **Food, fashion and literary festivals.**
  - **Indoor markets** selling high quality and local produce.
  - **New retail formats** such as more pop-up stores, an experiment being carried out in the King's Road, Chelsea which is hosting 'pop-up' stores for a number of online fashion brands.

- 2.5.10. This vision of the High Street is supported by Which? and the Centre for Retail Research, [Which? Magazine, July 2018]. Both argue that the 'future is social'. The shift will be towards the High Street being a social centre rather than just a commercial centre. 'It will become more leisure focussed with even more space allocated to coffee shops, restaurants, 'artisanal' food, health and beauty, dance and fitness. The Centre predicts that the High Street will increasingly be a place where people go to fetch their goods from 'click and collect' lockers and it will continue as a place to access services'.
- 2.5.11. Which? expects a rise in the number of 'showroom' and concept stores. 'These allow retailers to maintain the cost savings of online retailing which satisfying shoppers' wishes to touch and see goods. Dyson, for example, recently launched a store in London where people can test vacuum cleaners and get advice from hairstylists aided by its hairdryers'. And in KitchenAid's Experience Store in London, it's possible to learn to cook as well as try out all its appliances.
- 2.5.12. The conclusion is that as more shoppers go online, more interactive stores are likely to be seen so that customers have the opportunity to 'try before they buy'.
- 2.5.13. A good example of collaboration between the local council and stores is the recent initiative launched in Holywell, North Wales. The most significant change for many of the small businesses and their customers in the town centre is the free card readers that have been distributed by Square, a US company founded by the co-founder of Twitter, Jack Dorsey. 'Businesses are embracing technology to save their high street', according to The Times [30 May 2018]. 'They get free portable card readers which allow them to take payments using an app on their phone or tablet'. More than 90% of Holywell's traders have taken up Square's offer.



The children's reading room  
in P&G Wells





## 2.6. The future of retail in Winchester

- 2.6.1. As the county town of Hampshire, the city of Winchester has a 'catchment' population of over 100,000 with a shopping population of 71,000. By contrast, Chichester's shopping population is 154,000 and Basingstoke's is nearly 1m.
- 2.6.2. Winchester is 60 miles south west of London with direct access to the M3 motorway at Junction 9. Waterloo is 60 minutes away by train so there is a significant commuter population. London Heathrow airport is a 60-minute drive. Southampton International airport is 10 miles to the south. The city has a rich historical heritage and an internationally renowned cathedral. 5 million tourists visit annually.
- 2.6.3. Winchester has a significant public-sector infrastructure including Hampshire County Council, the University, Hampshire Constabulary, the County Hospital and Winchester City Council. As far as new infrastructure is concerned, the new physical regeneration project in Central Winchester scheduled over the next few years is extremely important.
- 2.6.4. According to [Grant Thornton's Vibrant Economy Index](#) [5 May, 2018], Winchester is ranked 11<sup>th</sup> out of 324 local authority areas. The Index seeks to capture the ways in which locations in England perform not only against economic but also social and environmental criteria. The focus is on the opportunities for and the challenges to social and economic growth.
- 2.6.5. On the five specific factors, Winchester rated as follows: Prosperity and economic well-being, 49<sup>th</sup>. Dynamism and opportunity with the skill sets and entrepreneurship to drive future growth, 12<sup>th</sup>. Inclusion and equality, 21<sup>st</sup>. Health, well-being and happiness, 11<sup>th</sup>. Resilience and sustainability (measuring air quality, recycling rate, CO2 emissions and energy consumption), 144<sup>th</sup>.
- 2.6.6. The overall rankings for other locations within a 60-mile radius of Winchester are: Basingstoke, 55. Chichester, 61. Eastleigh, 103. Guildford, 10. Oxford, 9 and Southampton, 190.

- 2.6.7. In October 2017, Knight Frank (KF) published its '[Retail, 200 Hot Towns](#)' ranking [KF, Retail News, Issue 7]. Twenty different criteria were used in arriving at the different rankings including catchment size, competition from other locations, forecast rental growth, local online expenditure, the quality of the retail mix, retail investment demand, retail provision and tourism spend. The index is a forward-looking assessment focussing on what constitutes a 'good' town centre especially its retail potential.
- 2.6.8. Winchester came 40<sup>th</sup> in the KF ranking with other benchmark locations scoring as follows; Basingstoke, 28. Cambridge 1, Canterbury, 10. Cheltenham, 9. Chichester, 3. Guildford, 5. Salisbury, 28 (equal to Basingstoke) and Southampton, 22.

Overall, the current strengths and opportunities as well as the limiting factors for Winchester, as a retail destination, can be summarised as follows:

## 2.7. Strengths and Opportunities

- 2.7.1. A top quartile ranking both in Grant Thornton's Vibrant Economy Index and Knight Frank's 'Retail, Hot Towns' Survey. There is a lot of potential for improvement especially if a systematic study is carried out to see what ideas and initiatives can be learnt from and, possibly, implemented based on the experiences of Winchester's benchmark locations.
- 2.7.2. A very low shop vacancy rate in the High Street [0.8% in July 2018 compared to the national average of 8.9%].
- 2.7.3. A high proportion of public sector jobs [2.25% compared to less than the 1% average for Bath, Canterbury, Chester, Chichester and Salisbury]\*. This provides, relatively speaking, a stable and 'core' employment population.
- 2.7.4. Residents' earnings which at £670 per week approximately are 15% higher than the average of the five locations mentioned above\*.
- 2.7.5. An unemployment rate which at 2.5% is the lowest of any of the five benchmark locations\*.
- 2.7.6. The current performance of Winchester's city centre retailers is superior to retailers elsewhere. In the first half of 2018, whilst retailers nationally reported that in-store, non-food sales fell by 2.7% on a 'like-for-like' basis, they were unchanged in Winchester.

- 2.7.7. The ability to exploit even further its attractions as a retail 'destination'. The Propernomics Report\* highlights that an important consideration for Winchester is the extent to which it can become increasingly regarded as a magnet to attract even more cultural, heritage, leisure and local expenditure. As the Report comments, 'towns and cities that exploit initiatives such as farmers' markets, festivals and more leisure opportunities are likely to fare better than those that do not'.

## 2.8. Limiting factors

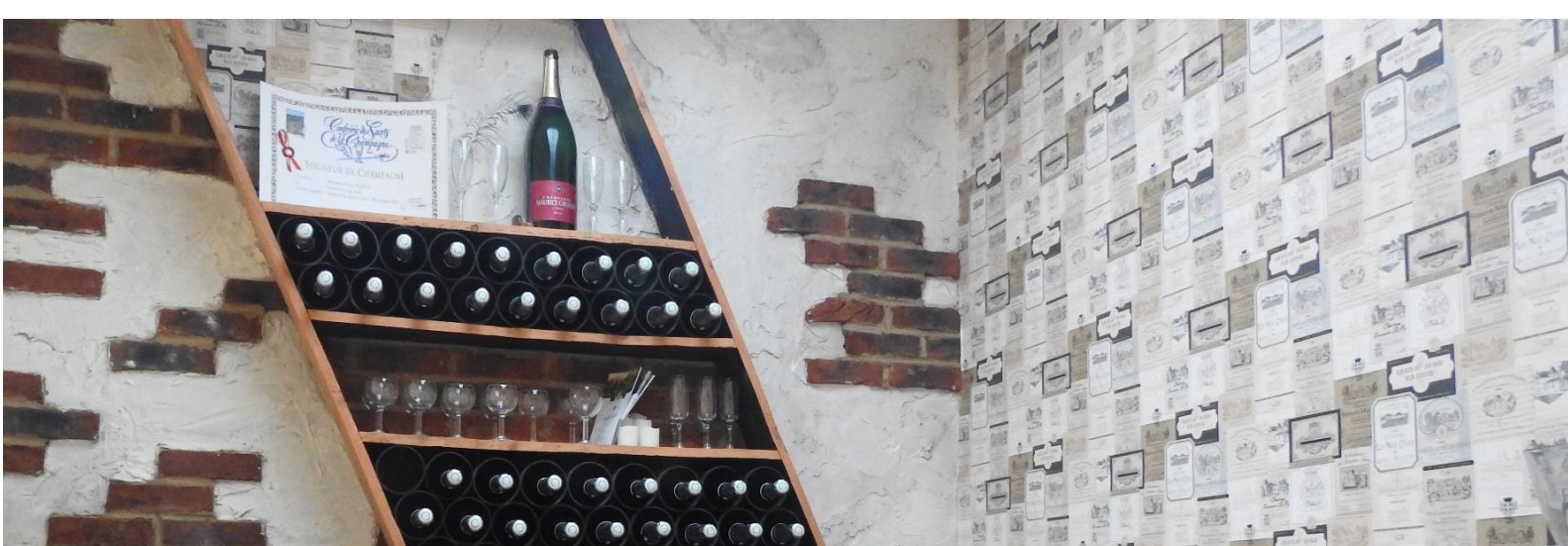
- 2.8.1. High street rents are high compared to a number of other regional locations. In Winchester, depending on the precise location in the high street, rents are between £120 - £180psf approximately. In Basingstoke, the comparable figures are £50 - £100psf and in Chichester, £25 - £50psf. This is a serious barrier to entry especially for Independents who occupy only about 10% of the Winchester High Street retail space.
- 2.8.2. Current retail capacity (in square metres) is about 40% below the average of Bath, Canterbury, Chester, Chichester and Salisbury\*. This constrains Winchester's ability to offer a more diverse range of retail outlets and makes it difficult for the city to attain a retail 'critical mass'.
- 2.8.3. There is a relatively low shopping population compared, for example, to Basingstoke and Chichester\*.
- 2.8.4. City centre car parking capacity is relatively low at 1,135 spaces approximately. By contrast, there are 4,000 spaces at the West Quay Shopping Centre Car Parks in Southampton. Day time central Winchester car parking charges are £1.40/hour for up to four hours with a charge of £15 for over four hours. The comparable charges at West Quay are £1.25/hour for up to four hours and £10 thereafter.
- 2.8.5. For some shoppers, the availability of 'park and ride' facilities does not compensate for the convenience of city centre parking.
- 2.8.6. Given Winchester's second quartile 'Resilience and Sustainability' ranking in the Grant Thornton survey, there is a continuing tension between car parking provision on the one hand and environmental performance on the other.

\* Propernomics – [Retail Market Report for Central Winchester](#) prepared on behalf of Winchester City Council, 2017.



*Nothing is too much trouble at Toscanaccio*

# BEST PRACTICE APPROACHES TO RETAIL MARKETING AND SELLING



*The Champagne store in Jeremy France Jewellers*

## CHAPTER 3

What does the customer  
want to buy?



### 3. Best practice approaches to retail marketing and selling

#### 3.1. Introduction

Peter Drucker was, perhaps, the most influential management guru of the 20<sup>th</sup> century. His views on business continue to resonate today not least on marketing and selling. Here are three of his especially relevant quotes:

- 'True marketing starts with customers... his or her demographics, realities, needs and values. It does not ask 'What do we want to sell? It asks, 'What does the customer want to buy?''
- 'Because the purpose of business is to attract and retain customers, it has only two functions: Marketing and Innovation. Marketing and Innovation produce results. All the rest are costs'.
- 'There are no results within an organisation. All the results are on the outside. But they are not the trends. They are the **changes** in the trends. These determine success or failure and they have to be **perceived**'.

#### 3.2. Effective decisions and actions

3.2.1. The challenge is to convert these comments into effective decisions and actions in the context of the most challenging retail environment that independent and national business alike have ever faced. To help, this chapter has been divided into a number of separate but interrelated headings as follows:

- Acquiring the specialist knowledge to offer products and services that customers really want to buy.
- Plan, plan, plan and prepare, prepare, prepare!
- Achieving competitive advantage.
- Promoting your business.
- Impressing your customers with outstanding customer service.
- Exploiting technology.

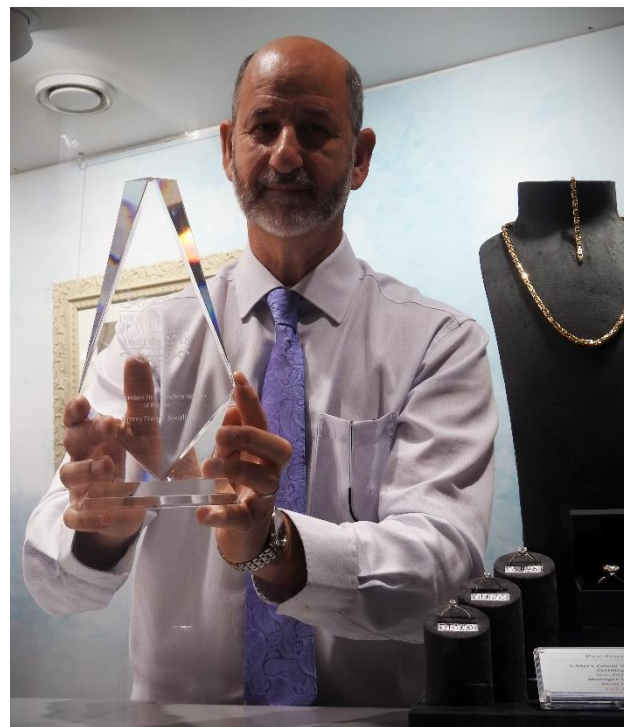
### 3.3. Knowledge

- 3.3.1. Acquiring product and retail sector knowledge in order to offer products and services that customers really want to buy.

As Peter Drucker highlights, it is spotting the changes in trends that differentiates a successful business from an unsuccessful one. To see what is coming 'round the corner'.

- 3.3.2. It will be much easier to do this if you are extremely knowledgeable about the retail sector in which you compete. Bookselling? Clothes and fashion? Hospitality? Mobile communication? Photography? Shoes? Stationery? Whatever your markets and customer segments, it is essential to spot the trends and opportunities; more choice? new colours? new designs? new menus? new sizes? faster delivery time? lower prices? Whatever they are, you'll be better informed to anticipate changes and not just respond to them.

- 3.3.3. The message? Read trade magazines, go to exhibitions, monitor the activities and results of competitors, speak to commentators and experts, observe what is happening and may happen in other countries, industries and business sectors. The aim? See and exploit opportunities before anyone else does.



*Professional Jeweller Award 2018 for the Independent Fine Jewellery Retailer of the Year.  
The award taking pride of place in the window of Jeremy France Jewellers*

### 3.4. Best practice

- 3.4.1. Current examples of best practice include fashion retailers, Joules and Ted Baker. According to the [Investor's Chronicle](#) [22 March 2018] both businesses 'focus on and have a passion for exclusive products targeted at their core customers. They carry out research. They listen to their customers. They know all about them; their profiles; ages and post codes and their buying behaviour such as the frequency and value of their purchases and what they like and dislike. It is important to know what customers bought last time and on previous occasions so it's possible to build a really effective rapport'.
- 3.4.2. Successful retailers recognise that 70% - 80% of sales [and operating profit] comes from 20% - 30% of customers - the 'core' - so it is essential to know what they want and prefer. Consultation and liaison are essential. Innovation comes from communication!
- 3.4.3. Ben Farrow the CEO of 'Spoke' a menswear ecommerce retailer launched his business in 2016. 'With chinos' Ben says, 'small, medium and large doesn't cut it'. It's a blunt sizing scheme designed to manage inventory not deliver fit'. The 'Spoke' deal? Many, many more size options – eight waists, nine legs and three 'builds'. 'We're carving out a sweet spot between Ready to Wear and Bespoke so you enjoy an uncommonly good fit without the hassle or the wait of tailor-made'.
- 3.4.4. 'We know what our customers love' says Victoria Suffield owner of 'The Hambledon' in The Square, Winchester. 'So we know what to offer them'. 'Customers are for life not just for today' she says. And notice what 'Bensons for Beds' is doing'... We've truly understood the market, segmented it and been very clear about our target market...a younger more style-led audience', [Retail Gazette, 28 June 2018].





### 3.5. Plan, plan, plan and prepare, prepare, prepare!

- 3.5.1. It is one thing to cogitate, to consult, to discuss and to talk. It is quite another to produce the action needed to meet the deadlines required. The essential principle is not to leave anything to chance. To 'research everything' in the words of Rob Litchfield of Piecaramba in Winchester. To seek advice and to obtain the information you need. What's the size of your target market in Winchester? Who are your target customers? What are the estimated footfall figures in your proposed location? Is a competitor intending to open a store nearby?
- 3.5.2. Whether its launching a new product range for the start of a new season, designing a new website, introducing a state of the art EPOS system or refurbishing a store, excellent project management skills will be much in demand.
- 3.5.3. Don't forget to experiment before longer-term and onerous commitments are entered into. Test customers' reactions to a new product or service. Try out a new business model with a pop-up shop, a stall or temporary premises. Avoid or reduce as many fixed costs as possible such as long and fully repairing leases as well as rent and business rates. Don't forget that Winchester is the 'joint second most expensive place to buy property in the UK.' [Hampshire Chronicle, 8 March 2017] with High Street rents to match. Luke Johnson, the entrepreneur whose ventures have ranged from Pizza Express to fresh fish distribution and the UK's largest chain of dental surgeries says that 'smaller businesses have the advantage of being able to adapt quickly'. Or to 'pivot' using a Silicon Valley term. 'I'm a great believer in incubating a business or an idea quietly', says Johnson. 'Pivot until the model works'.

Clear signage in  
Robert Dyas

### 3.6. Achieving competitive advantage

It's important to remember that most retail spending is discretionary rather than essential. As a consequence, there is a very high elasticity of demand or price sensitivity. It's difficult to raise prices so you need to make sure that you provide:

- distinctive and tangible benefits
- exceptional value
- superb quality
- an outstanding product range
- exceptional customer service.

#### If you don't, why should customers buy from you?

- 3.6.1. Take note of what the John Lewis Partnership have announced, 'The focus is on greater differentiation – not scale. We have clear plans to build on our strengths and to sharpen our points of difference', [Retail Gazette, 29 June 2018].
- 3.6.2. Highlight after sales service...care, care, and more care for customers. Explain, for example, how to look after shoes. Toyota send an email video of a customer's car being serviced to help to provide reassurance that the vehicle is in excellent condition.
- 3.6.3. Customer and market segmentation is extremely important too. It means that you meet the preferences that different customers show. You tailor your offer to their precise requirements. Vodafone, for example, is the only telecoms supplier to offer business accounts in-store thus making it more convenient for local companies. P&G Wells, Booksellers in College Street, Winchester cater for at least three different kinds of customer groupings; school students, university students both undergraduate and post-graduate and retail - book-reading members of the public. Different initiatives and offers will be required for the different customer groups. In the case of retail, for example, it will be modest print advertising, a social media presence and an events programme throughout the Winchester district and in the shop such as book launches and book groups. 'Our survival in Winchester' says Crispin Drummond, the owner 'depends on our being different from our competitors not imitative'.

- 3.6.4. Although customer segmentation is important, the use of more sophisticated retail metrics may well be required such as the 'retail personalisation index'. Personalisation is not segmentation. Whereas segmentation uses general customer characteristics, personalisation uses specific ones. It highlights data about individual shoppers from store card and point of sale information to serve them in a highly tailored fashion. Examples include:
- mobile apps using personalised content – names, addresses and customer-specific, product offers and recommendations based on buying history
  - email promotions based on brands and styles that individual customers prefer
  - email research allowing new customers to inform retailers about the designers and styles they like best
  - virtual shopping such as the experience offered by Sephora, the cosmetics retailer. This enables customers to use makeup virtually via mobile and desktop to ensure that they select the right shades to match individual complexions. Asos, the fashion retailer is another example of a business exploiting the power of personalisation.
- 3.6.5. It's argued that the benefits of personalisation deliver a more efficient customer service and produce an increase in the number of returning customers – enhanced customer loyalty as well as encouraging new customers to make repeat purchases. All of this leads to a shift from a transactional, 'one off' approach with customers – just individual orders – to increased customer loyalty and retention. According to the consulting group, Bain, every 5% increase in the customer loyalty or retention rate can lead to increases in profitability of at least 25%, [Retail Gazette, 27 March 2018]. Well worth achieving!
- 3.6.6. Finally, 'shop secretly to see what competitors are doing in order to make sure we're way above standard'. Open longer? Provide faster delivery times? Be more price competitive? Make your offer far superior to anything else provided by competitors and the business sector within which you compete.

### 3.7. Promoting your business

#### 3.7.1. Branding

It's about being 'remarkable' says Simon Bailey of 'thisiscaffeine.com'. 'Stop going with the flow – your brand needs to stand out' he says. 'Customers are spending less time thinking about the differences between brands. Instead they are interacting with the brands they find interesting and distinctive. Being memorable is the only thing that matters', [BA, Business Life Magazine, February 2018]. Or to quote Oscar Wilde 'there is only one thing in the world worse than being talked about and that is not being talked about'!

An example of what Simon has in mind is Metro Bank. It is the first new High Street bank to be launched in more than 100 years. It talks about 'fans' rather than customers. The result? Metro has spent less than £100,000 on conventional advertising in six years but has a brand recognition rate of 82%. 'Why bother with PR and social media when customers ['fans'] do much of the talking for you'?

Metro concentrates on three principles – Stand up, Stand out and Stand firm. Stand up focuses on what you want to be remarkable for. Stand out is about getting people to talk about you, for example, instant account opening. Stand firm is concentrating on what you do best so you can deliver an outstanding customer experience. Metro says that 'it takes one person to say 'yes' to a customer and two to say 'no''.

#### 3.7.2. Shop design and layout

The advice from Carol Hobbs, Branch Manager of Hotter on Winchester High Street is:

- 'Keep window displays simple. Less product in the window is more. When there is a sale, just have sale notices in the window with no products.
- Make window displays colourful and interesting. Change them frequently because product life cycles are very short.
- With layout, emphasise the best sellers. With 'core' products such as shoes, have more colours of the same shoe. With stock selection have a main colour such as black in every size with fewer sizes for the other colours.
- Since window displays are very powerful, measure the sales impact they produce'.

The branch of the British Heart Foundation towards the bottom of the High Street is 'convinced' that colourful and vibrant window displays which are changed regularly is one of the reasons why its sales performance is 'very good'.

Cat Brandwood, Owner of Toscanaccio, in Parchment Street says 'use space efficiently and imaginatively. One business I know has a juice bar at ground floor-level and a yoga studio in the basement'.

### 3.7.3. Networking

'It's not just about competing it's also about collaborating' says Cat. 'We focus on Italian wines but Wine Utopia in St. Thomas Street doesn't so we're able to refer customers to each other'. The message? Consider the ways in which you may be able to share customers. 'Be part of the street' says Cat. 'Get known. If you have challenges to overcome and problems to sort out, speak to other retailers. Don't struggle on your own. Share intelligence and news'.

It's a characteristic of most of the Winchester businesses interviewed that they devote a lot of attention to being active in the local community. By organising and/or sponsoring indoor and outdoor events, supporting charities, entering competitions, winning awards and joining with other businesses to support a particular location such as Kingsgate Village and Parchment Street, profiles will be raised.

Piecaremba offers its pies at a Mayor's Lunch and goes to festivals and attends weddings. It uses 'point of sale' stands, for example, at the Technology Festival at Badger Farm where it also gives demonstrations. Vodafone in the High Street organises social events 'in-branch' after working hours.

### 3.7.4. Obtain 'on-line' and 'hard' copy reviews. Jay Rayner, a journalist, writer, broadcaster, food critic and jazz musician was entertained by Piecaremba. He gave a very positive 'write-up'. 'The Hambledon' has been favourably reviewed in The Pool an 'on-line' magazine for 'busy women' and in the 'Spend It' section of the Weekend FT.

### 3.7.5. Use as many social media platforms as possible. The advice from Winchester's retailers is to use Facebook for Generation 'Y', the over 30s. Instagram for 18s - 25s and Twitter for celebrity audiences. Snapchat is reputed to be effective for influencing teenage audiences. Finally, what about producing a regular 'on-line' newsletter? Experiment!

### 3.8. Impressing your customers with outstanding customer service

According to the latest Zebra Technologies [Shopper Vision Study](#) [Retail Gazette, 21 June 2018] nearly 50% of customers are still not happy with customer service offered in-store and on-line. And a point to be stressed; nearly two-thirds of shoppers would be willing to purchase more merchandise in exchange for better customer service. 'Shoppers with smartphones, for example, can research the products they want with quick convenience. They expect the same experience online and instore' says Zebra.

#### 3.8.1. Important findings from the Study are:

- 60% of shoppers say that retail staff in-store who use mobile devices for customer assistance improve their shopping experience.
- 66% of shoppers are satisfied with the overall in-store shopping experience.
- 44% of in-store shoppers and 55% of online shoppers are not satisfied with staff availability and customer service. Out-of-stock merchandise, difficulty in finding an item and unclear pricing and discounting are the leading factors causing instore dissatisfaction. Increasingly, consumers expect retailers to improve the in-store experience by using technology and employing knowledgeable sales staff to solve 'chronic shopping hassles'.
- The main reasons shoppers shop where they shop are (a) browsing and experiencing the physical product (b) discounts and, (c) product availability.
- Two-thirds of customers prefer same-day or next-day delivery. 27% are not willing to pay for delivery at any speed.
- Over 50% of customers, 53% to be precise, are not satisfied with the returns/exchange process.

### 3.9. What is your business doing to address these issues? Here are some ideas:

- #### 3.9.1.
- 'Customers are for life not just for today' says Victoria Suffield owner of 'The Hambledon' in The Square, Winchester. 'So treat them accordingly. Give customers personal attention. Don't ignore them. Say 'good morning'. Show eye contact. Display positive body language. Ask yourself, 'how would I feel if this member of staff was serving me? Open out the conversation so don't only talk about the reasons for coming into the shop'.

- 3.9.2. And says Victoria, 'make customers feel very welcome. Smile. Give customers the space and time to buy. Be honest with your advice, for example, about the suitability of an item of clothing. Always do what you say you will do; deliver a dress on time, exchange a pair of trousers without fuss, give a refund without a quibble. Don't forget; retail is always about the customer.'
- 3.9.3. 'Be at the cutting edge of the contemporary scene' says Rob Litchfield of Piecaramba. 'Offer an experience. Let customers escape from the real world. Let them leave their troubles at the door. Organise fun; 'Top Trumps' card games are available at every table and so is Snatch App so customers can enjoy free virtual treasure hunts'.
- 3.9.4. What can you do to apply some of these initiatives? Be like Oasis on the Tottenham Court Road? It's a Beauty Salon with cocktails. 'A ladies pamper experience in one store'.
- 3.9.5. It is important to recognise that there are two elements to customer service:
- **The people**  
Given that first impressions are so important, make sure you employ staff with plenty of enthusiasm, self-confidence and personality. That they show inter-personal skills, experience and product knowledge; to be welcoming, to be able to communicate well 'face-to-face' and on the telephone and to be able to sell effectively. It's about ensuring staff build relationships with customers. 'We get staff to dress in our clothes' says Victoria. 'We want them to know and experience the product inside out'.
- 'Our aim is to encourage people to come into the shop and to browse. Staff make themselves known to customers on arrival and then move discreetly away. We have an atmosphere of quiet, unhurried calm' says Crispin Drummond of P&G Wells.

- The process

Making sure, for example, that appointments are easy to arrange, that paying a bill is straightforward and quick, that 'click and collect' works well, that telephone calls are answered promptly and deliveries arrive on time. 'We concentrate on getting it right' says Victoria. 'And putting it right when we cause a problem'.

Remember; make sure you have a shop floor presence all the time. According to Salesforce Research [26 March 2018], 75% of consumers say it is 'absolutely critical or very important to interact with a salesperson who is available when needed'. The message is simple – 'store staff are not just a cost, they are revenue generators'.

- People and process

Customer sensitive staff with inefficient systems will become frustrated and stressed. Staff turnover may increase. Efficient processes run by disinterested staff will turn customers away and reduce their loyalty. Increasingly, customers require and value the overall shopping experience. That means recruiting and employing highly capable staff **and** operating reliable processes. One without the other is simply not good enough. Excellent customer service is about exceeding expectations. Quoting Victoria, 'people want more than they are going for. It's their overall experience that matters'.

One way of improving the 'customer service' process is to consider the 'end to end' experience or the customer 'journey' from the moment a customer enters a shop or store to the moment he/she leaves. Identify the 'touch' points – arrival, searching for a product, browsing, inspecting, asking questions and seeking advice, trying on, asking for more advice, deciding and paying. At each of these stages, what customer service interventions take place both people and process? What can be done to improve them? 'An effective way of finding out is to ask customers themselves using a regular feedback system' says Jason Dade, Branch Manager of Robert Dyas in the centre of Winchester. According to the [Tempkin Group](#) (2017), 86% of shoppers are more likely to repurchase after a great experience so it is well worth asking what they think.



### 3.10. Exploiting technology

- 3.10.1. [Retail Gazette](#) reports [3 and 31 July 2018] that 'new technologies are transforming retail'. For example:
- Digital signage can lead to sales increases of up to 20% with customer satisfaction rising by 35%.
  - 'Real time' inventory systems such as those recently introduced by the Card Factory in Winchester produce sales increases of up to 11%.
  - Digital menu boards lead to a reduction of 7% in operating costs by eliminating printed boards and the associated personnel expenses.
  - Self-service kiosks lead to a 10% increase in sales with 95% of customers reporting that they will use kiosks again.
  - Nearly two-thirds of UK retailers equip their store assistants with hand held devices capable of accessing stock levels giving staff the ability to 'close a sale'.
  - Nearly 70% of shoppers expect retailers to have I. T. systems to locate and deliver products no matter where they are in the stock and supply chain.
- 3.10.2. Marks & Spencer is taking this matter extremely seriously. So should you. It has just announced a partnership with Microsoft to test the ways in which Artificial Intelligence [AI] can be used to explore how it can be used to improve the customer experience and to optimise operations. 'We want to be at the forefront of driving value into the customer experience using the power of technology' says Steve Rowe, M&S's CEO.
- 3.10.3. An example? H&M have interactive mirrors in their stores so customers can look at themselves from different angles. This experience also helps with 'upselling'. For example, buying shoes as well as a dress.
- 3.10.4. Technology is an essential enabler to help to improve efficiency and reduce costs. 'State of the art' EPOS [Electronic Point of Sale] systems, for example, carry out the calculations involved in arriving at sales totals, giving the correct change and the issuing of receipts. But it is much more than that. EPOS systems link directly with credit card payment systems. They monitor stock levels and the sales performance of different products and product lines. This is all supplemented by detailed information on customers' spending habits.

- 3.10.5. Customer and data analytics are the terms used for such capabilities. According to the stockbrokers Liberum, 'retail winners will be those that are implementing clear, well thought out strategies where data and the insight it provides form the new frontier', [Investor's Chronicle, 15 June 2018]. 'Edited' is an example of a company helping fashion retailers to decide what is going to be a 'hit' with shoppers next season. The company is 'rooted in an attempt to bring more science to the art of fashion', [The Times, 25 July 2018]. One of the founders of 'Edited', Julia Fowler, says 'the most important decision in retail is what you carry and how you price it. We cut to the heart of how you make that decision'. Those companies not using data science are likely to be losers. They are operating with legacy systems and processes, playing 'catch-up' on technology and lack both a true understanding of their customers and the management, culture and vision to set a successful strategy for growth'. Make sure it is not you!
- 3.10.6. There is little doubt, for example, that 'click and collect' will increase in significance. What is also likely to become more important is the experience that customers will have once they are inside a store. Amazon, for example, has opened supermarkets in the United States without traditional check-out lines. The company has a chain of bookstores where customer download a shopping app to select a store for book availability. Stocks of books are based on customers' pre-orders and sales. Customers use their Amazon account to pay before visiting the book store which operates a 'click and collect' depot. Customers obtain what they have been looking for and have the opportunity to browse. If customers find a book they want in-store, they can download the e-book rather than the physical book.
- This combines 'off-line' and 'on-line' shopping, a trend which is likely to become a retail 'critical success factor'. At the heart of Joules and Ted Baker's strategies says the Investors' Chronicle [23 March 2018] is 'a strong multi-channel capability – apps, mobiles, and genuine engagement with customers both in-store and online'. 'The key to success is to allow customers to shop whenever, wherever and however they want', says Liberum.
- 3.10.7. Another Amazon shopping experience in a trial food store allows customers with an app to enter the store to choose products from the shelves whilst being monitored 'on camera'. As soon as they have finished shopping their Amazon accounts will be billed automatically without the items purchased being scanned. Long check out queues can, therefore, be avoided as well as error-prone self-scan checkouts.

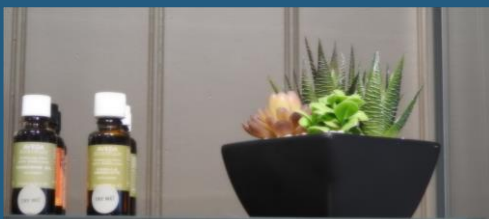
- 3.10.8. Tesco have started a trial of a new app allowing customers to scan and pay for groceries using their smartphone and then leave the store without needing to use a checkout, [Retail Gazette, 29 June 2018].
  
- 3.10.9. The use of mobile is becoming a significant force to increase retailers' revenues as it encourages 'augmented' and 'virtual' reality - AR and VR respectively. Ikea, for example, has launched 'Ikea place' an AR app which allows users to see what items of furniture potential customers would like in their homes or offices before they buy. V commerce is becoming more common especially with larger scale purchases where 'in situ' visualisation is important. With home improvements, a virtual environment allows customers renovating their house to picture what specific designs will look like.
  
- 3.10.10. In the UK Spoke has an inventory system which allows it to offer over thirty sizes of chinos not just small, medium and large. 'the traditional sizing system is blunt. It is designed to manage inventory not deliver fit' says Ben Farren, CEO. 'I was tired of falling between sizes. Our clothes fit our customers not the other way round', [[Retail Gazette](#), 26 March 2018]. Victoria Suffield at The Hambledon says 'we're developing our in-house digital expertise. A member of staff devotes half a day a week to ensuring that our Facebook and Instagram profiles are working effectively. With Facebook, for example, you can target specific socio-economic groups'. We pay a lot of attention to the detail including how pictures are set up, how they're framed and how they're laid out. We take our own photos for posting. Digital advertising does work not only for products and services but also for publicising launch events'.
  
- 3.10.11. A number of Winchester retailers use video marketing. They use online marketing platforms like mailchimp.com to tell stories, build marketing campaigns, share news and engage with customers. It is also worth considering using platforms like Hootsuite to manage a social media presence.
  
- 3.10.12. The Times reported at the end of last year [26 December 2017], that nearly 90% of small businesses expect to be selling their goods online by the end of 2019. Less than two thirds do so now. This, very significant increase, is driven by increasing numbers of companies wanting to use their websites and mobile apps to increase sales. Just over a quarter of SMEs [27%] expect to sell their products via third-party online retailers. According to Amazon, 'the contrast between businesses who use ecommerce and those who don't is significant. The impact digital tools and services have on small business [not least independent retailers] cannot be underestimated. They can improve productivity and boost revenue growth'.

- 3.10.13. Emma Jones, the founder of [Enterprise Nation](#) says 'small business owners understand the need to adapt and innovate. Digital adoption is the key enabler'. And as The Times stresses [4 September 2018] 'technology has transformed the business of remote shopping. Buyers can glean far more product information and advice with a few clicks of the mouse or swipes of the phone than they ever garner from an assistant in a physical shop'.

## Emma Jones, Founder, Enterprise Nation:

'Small business owners understand the need to adapt and innovate. Digital adoption is the key enabler'

# YOU NEED TO TAKE EMMA'S ADVICE!



Product display in  
Mawson & Company

# THE BOTTOM LINE

## THE FINANCIALS YOU NEED TO KNOW



*The seating area in Piecaramba*

### CHAPTER 4

“Cash is the fuel  
in your business tank”

## 4. THE BOTTOM LINE...the retail 'financials' you need to know

### 4.1. Introduction

You're in business to delight customers in order to earn a profit and generate cash. If you achieve both these objectives, you'll be a success.

It is more important than ever to give financial management the attention it deserves. You do not need to be an accountant but you do need to become financially literate. As 'Which?' Magazine reports in its July 2018 issue and as mentioned in Chapter 2, 'town centres are in trouble'. One of the ways in which you can overcome these difficulties is to watch your 'bottom line' and your cash flows very closely indeed. Read on!

### 4.2. Budgeting

4.2.1. The first essential is to prepare a budget. It's a short term financial plan, a commitment to achieve a set of results typically over a 12-month period summarising:

- your sales or revenues
- all your costs
- your proposed capital expenditure (cash spent on longer term items like shop fixtures and fittings, equipment, refurbishments and vehicles)
- and, most important of all, your cash flows.

4.2.2. If you need to prepare a business plan covering a 3–4 year period then the 'financials' referred to above will need to be estimated over this longer time frame.

4.2.3. It is also important to bear in mind that whether you are preparing a budget or a longer term financial plan [as part of a business plan], your figures are bound to be challenged. Whether it's your bank, a potential shareholder or a Venture Capitalist, questions will be asked about your sales projections, your cost estimates, your cash flow projections and so on. You will be asked to justify the numbers and to demonstrate that they are realistic. It is essential, therefore, that you prepare different financial scenarios using clear supporting assumptions, for example, sales growth predictions, cost increases and capital expenditure requirements. If these supporting assumptions are not clear it will be extremely difficult if not impossible to defend your budgets and plans. You will lose credibility very quickly. To be avoided!

- 4.2.4. It's a typical comment of the retailers in our sample that they 'prepare budgets and have weekly conference calls to look at actual performance against budget'. And in the light of such comparisons, actions will be taken to get the business back 'on track' if there are significant variations from what was budgeted. Most variations are due to weaknesses in a retailer's processes or procedures so performance improvement usually comes from process improvement and efficiency gains.
- 4.2.5. There is a need to be 'analytical' says Cat Brandwood of Toscanaccio in Parchment Street. 'For example, identify the reasons for not hitting your sales targets and what can be done about it. There's no room for wishful thinking'.

### 4.3. Cash flow management

- 4.3.1. **Cash flows** are simply the difference between your business's cash receipts (for example, takings from customers, any capital provided by shareholders and any loans from banks or individuals) **less** cash payments (for example, payments to suppliers for products to be sold, advertising and promotion, rent, business rates, staff salaries and wages).
- 4.3.2. **Cash is the fuel in your business 'tank'**. Without it you have no chance of surviving.
- 4.3.3. **You need to forecast cash flows month by month** based on a clear set of assumptions such as your expected takings, cash due to suppliers, cash payments for rent and business rates and estimated staff salaries and wages to be paid at the end of every week/month.
- 4.3.4. If, for any reason, you expect cash flows in a particular month to be negative, you can take action **in advance**. For example, by negotiating a bank overdraft. But banks hate surprises. There's the old adage that 'banks only lend when it's not raining' so anticipate when you're likely to need support. You won't get much sympathy if you cry for help when the cash has already run out!
- 4.3.5. 'It's essential to do cash flow forecasting' says a leading Winchester retailer, 'especially given our high fixed costs such as business rates, rent and insurance'.

#### 4.4. Income statement or profit and loss account

Sales and costs for a particular period are highlighted in the **income statement** or profit and loss account. Sales are self-explanatory.

Costs can be split into two broad categories. **Direct** such as the cost of products from suppliers. And **indirect** such as rent, business rates, depreciation, staff salaries, tax and interest and utility charges. **Direct plus indirect costs equal total costs.**

##### 4.4.1. Gross profit and the gross profit margin

The difference between sales and direct costs is the **gross profit**. The gross profit expressed as a percentage of sales is the **gross profit margin**. It's an essential figure to work out because it is the indicator of the profitability of your products. For example, if the selling price of a dress or a shirt is £50 and it cost £20 to purchase, your gross profit is £30 and your gross profit margin is £30 divided by £50 expressed as a percentage. That's 60% [ $£30 \text{ divided by } £50 \times 100\%$ ]. The more you promote your brand, the more you sell high quality products which competitors don't offer, the greater your gross margin is likely to be.

Relatively high and increasing gross margins are a key indicator of high performing business. The opposite is true if gross margins are relatively low and falling.

For a non-food retailer, the aim should be to achieve a gross profit margin of at least 50%. In 2017, according to markets.ft.com, Ted Baker had the highest gross profit margin of any UK retailer at 61%. Marks & Spencer achieved 55% and the online retailer ASOS, 50%. The U.K. retail sector reported decreasing gross profit margins in 2017 compared to 2016 as its pricing power weakened reflecting intensifying competitive pressures and cost increases, for example, product costs from Europe following the fall in the value of sterling against the euro.

##### 4.4.2. An important concept to understand is gross profit margin leverage.

Take an example by looking at the fashion retailer Pronto's income statement for the year ended 30 June 2018.

	£ A	£ B
Sales	100,000	100,000
Direct costs or cost of sales	(50,000)	(45,000)
<b>GROSS PROFIT</b>	<b>50,000</b>	<b>55,000</b>
<b>Gross Profit Margin</b>	<b>50%</b>	<b>55%</b>



There are two scenarios A and B. Scenario A shows a gross profit of £50,000 and a gross profit margin of 50%. Scenario B shows a gross profit margin of £55,000 and a gross profit margin of 55%. Say the higher gross margin has been achieved (a) by selling a greater proportion of products with higher gross margins, for example, by increasing selling prices. This means a more profitable sales mix and, (b) by better procurement – purchasing the same quality of products from cheaper suppliers.

	£ A	£ B
Gross profit	50,000	55,000
Indirect costs or operating costs	(40,000)	(40,000)
Operating profit	10,000	15,000

- 4.4.3. Note that, strictly speaking, indirect or operating costs ('overhead' costs) exclude interest charges and taxation. More on this below.

With exactly the same sales in both scenarios and exactly the same indirect or operating costs, the operating profit in scenario B is £15,000 or 50% higher than in scenario A. The reason? The gross profit has risen by 10% from £50,000 to £55,000 and the gross profit margin has gone up from 50% to 55%. So a 5% point increase in the gross margin has produced a 50% increase in the operating profit. Well worth having!

The point is that even small increases (or small decreases) in the gross profit margin will have a more than proportionate effect on the operating profit. So it's essential to monitor trends in the gross profit margin product by product and to explore every option available to increase the gross profit margin. Every percentage point improvement in gross margins will produce more than proportionate benefits to the 'bottom' line.

One final example. Let's say that, because of competitive pressures, a 1% point increase only can be secured for the gross margin. That means the gross profit in scenario B will now become £51,000 with a gross margin of 51%. As a consequence, the operating profit will be the gross profit of £51,000 less the indirect costs of £40,000 to give £11,000. Under scenario A, the operating profit was £10,000. It is now £11,000 a 10% improvement for a 1% point increase in the gross margin. That's leverage for you!

The message? Don't forget to seek out all the possible ways to improve your gross profit margin. It will be well worth the effort.

#### 4.4.4. Operating profit

As we have seen, the difference between gross profit and indirect or operating costs is referred to as the operating profit. At this stage, however, a retailer's financial costs or interest charges and taxation (either income tax for a sole trader or corporation tax for a company) have not been included. But they will be as shown below.

Pronto Limited	
Income statement for the year ended 30 June 2018, £000s	
Sales	100
Cost of sales	(50)
Gross profit	50
Indirect or operating costs	(40)
Operating profit	10
Financial costs/interest charges	(3)
Profit before taxation	7
Taxation	(2)
<b>NET PROFIT</b>	<b>5</b>

In the same way that you can calculate the gross profit margin as the gross profit expressed as a percentage of sales you can also work out the operating profit margin or the operating margin. It's simply the operating profit expressed as a percentage of sales. In the case of Pronto Limited, it is 10%, (the operating profit of £10,000 expressed as a percentage of the sales of £100,000 to give 10%).

Top performing retailer, Ted Baker achieved an operating margin of 12% in its latest financial year. By contrast Marks & Spencer achieved only 6.6 % [tradingeconomics.com].

Whereas trends in the gross profit margin highlight changes in the profitability of a retailer's products and services, the operating margin draws attention to the profitability of a retail business as a whole before deducting financial costs and taxation. The tell-tale sign of a high performing retailer is an improving operating margin. It means that its sales are growing faster than its direct costs (or cost of sales) and its indirect (or operating or overhead) costs. The opposite is true for a low performing retailer – direct and indirect cost will be rising faster than sales.

#### 4.4.5. Net profit

Net profit highlights the 'bottom line'. It is the profit after deducting all costs including financial costs and taxation. Pronto's net profit is £5,000 and its net profit margin is 5% (£5,000 expressed as a % of the sales of £100,000). Ted Baker's latest net profit margin is 9% whereas Amazon's is only 2% (Investopedia, 8 June 2018).

#### 4.4.6. Conclusions

Winchester's best performing retailers monitor their 'financials' in great detail. As Jeremy France of Jeremy France Jewellers in the High Street says 'we track weekly, monthly and yearly figures taking careful note of our gross profit and net profit margins. We are constantly trying to move forward'.

As a starting point, how do your profitability indicators compare to the retail sector's best performers? And what initiatives are you going to take to achieve much improved financial results? For example, if your net profit margin is 2% like Amazon's what do you need to do to get to 5%, say, over the next 2 – 3 years?

### Additional KPIs (Key Performance Indicators) to concentrate on.

#### 4.5. Introduction

So far, we've highlighted three measures of profitability; the gross profit margin, the operating margin and the net margin. All three require a great deal of attention. But in the quest to improve performance, there are a number of additional metrics which retailers should look at:

##### 4.5.1. Sales per employee

Increasing attention is being devoted to the productivity and 'value added' provided by your staff. Although not all of them have direct dealings with customers and suppliers, they can only justify their existence to the extent that they make a distinctive contribution towards achieving your objectives. In the retail sector this boils down to the contribution made by all staff to generate and increase sales. The 'sales per employee' indicator is a way of working out if this is really happening. Is it going up, going down or staying the same? You need to know. It is the trend that matters rather than the absolute figure.

#### 4.5.2. Stock turnover rate

This is simply a measure of sales for the retail business as a whole or for individual product lines in relation to the level of stock that is being held in the business or for the particular product line. For example, if annual sales for a product range are £25,000 and the value of the stock being held for that product range on a particular date is £5,000 then the 'stock turnover' rate is 5 times. In other words, stock is being 'turned over' five times a year so that, on average, one item of stock stays on the shelf for 73 days [365 days divided by 5 times].

The retailer 'Next' has 40 days sales in stock based on its results for the 6 months ended 31 January 2018 [gurufocus.com]. This is equivalent to a stock turnover rate of 9 times [365 days divided by 40 days] across all its product lines.

Well run retailers will work out stock turnover rates for individual product lines and will take action earlier rather than later to identify and sell or dispose of 'slow movers'. 'We do have stock disposal programmes' says Jeremy France of Jeremy France, Jewellers. Quite apart from the cost of holding excessive stocks, there is also a cash flow delay. Because products are being sold later than expected, cash receipts from customers will be received later than planned. Not good news!

It's a question of balance. A low stock turnover rate means that too much stock is being held in relation to sales. To sell the slow-moving stock, prices may have to be lowered and gross profit margins will suffer. Too high a stock turnover rate may mean that you are not holding enough stock to keep up with demand and customer service will be affected. 'We watch stock levels like a hawk' says Jeremy France. Victoria Suffield of 'The Hambledon' in The Square in Winchester is insistent, 'surplus stock is dead money' she says. 'We have a 'sell through' approach during a season so each week we monitor the sales performance of different items to see if they are 'on track' to be sold out. Any remaining stocks are cleared by 'post-sale' events, for example, at the Guildhall'.

Don't forget that stock holding costs – financing, insurance, storage, pilferage – are high. They are estimated to be 15% - 20% of stock value. So, if your average stock levels are £50,000 it's costing you at least £7,500 a year to manage them.

#### 4.5.3. Sales conversion rate or just the 'conversion rate'

Let's imagine what happened yesterday. 100 shoppers 'crossed the threshold' into the store – the footfall. A vitally important challenge is to identify the ways in which an outlet can attract the highest possible number of potential customers – to maximise footfall.

Once in the store, the shoppers browsed. They asked your retail staff lots of questions and they tried on a number of garments. The end result? 20 of them bought at least one item of clothing thus producing a 'conversion rate' of 20%. This is in the typical target range for Winchester retailers. Quite obviously, the higher the conversion rate the better. This is an outcome that is most likely to be achieved by having excellent staff who know the product well, can answer questions impressively and have the personality and selling skills to 'seal the deal'. Measuring and monitoring conversion rates is, therefore, essential. It is a key indicator of the strength of your product range and your staff's selling skills.

#### 4.5.4. Average Transaction Value (ATV)

Let's assume that the 20 shoppers who bought garments in the example above spent £1,000. This gives an ATV of £50. Again, the higher the better and, as with the conversion rate, it is another measure of the strength of your product range and the calibre of your retail staff.

#### 4.5.5. Conversion rates and ATVs

With footfall into shops under pressure, sales levels can be maintained and increased by devoting more attention to conversion rates and ATVs. For example, one leading fashion retailer trading on Winchester's High Street experienced a 9% drop in in-store footfall during the first half of 2018. But both the conversion rate and ATVs increased leading to an overall rise in sales of 15%! 'We have a strong team. We're better at selling. We offered more promotions and we did some discounting' reported the retailer.

#### 4.5.6. Sales effectiveness

The number of shoppers [100] x the conversion rate [20%] x the average transaction value [£50] = £1,000 = sales. This means that there are three key factors affecting sales performance. Each of them needs to increase to boost overall sales. The question is 'in what ways can this be done'?

Another measure of sales effectiveness is 'sales per shopper'. In the example, this works out at as the sales of £1,000 divided by the number of shoppers [100] to give £10.

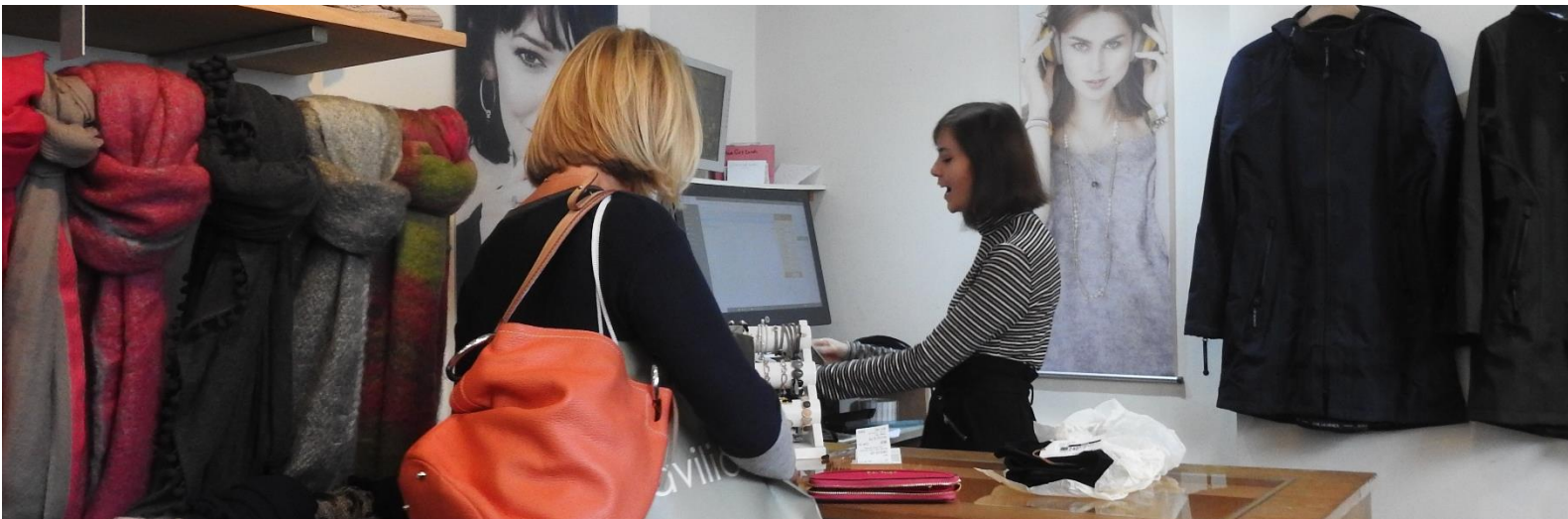
If you want to become even more sophisticated, you may decide to monitor the percentage of full price sales. For instance, with daily sales of £1,000, what proportion of those sales came from 'full' price products and what proportion came from 'sale' or discounted items? To enhance gross margins and overall profitability, the proportion of 'full' price items needs to be as high as possible.

#### 4.5.7. Labour optimisation

A ShopperTrak Report in its Retail Intelligence Series [27 March 2018] highlights that retail staff should be considered not just as a cost to be controlled but rather as an essential asset to provide differentiation and competitive advantage. It comments that 'a positive experience with retail staff increases customer satisfaction by 33%'. The Report draws attention to two particular indicators:

- 'Power Hours' – the hours throughout the week when store traffic is at its highest. Given that the objective is to maximise sales per shopper, it's essential to have the best selling retail staff on the shop floor during traffic peaks than during any other periods. Jason Dade of Robert Dyas schedules staff to the busiest times 'just to ensure that customers get served'
- 'STAR' – an acronym for the 'shopper to associate ratio'. Associate is another term for a retail staff member. 'STAR' is the number of shoppers divided by the number of sales associates that are available to serve shoppers at any time. The lower the 'STAR', the higher the level of service. To help to make sure that this objective is achieved, Waterstone's in the Brooks Shopping Centre in Winchester recruit staff specifically for lunch breaks to make sure that there is enough lunchtime cover and a shop floor presence.

# PEOPLE MANAGEMENT



*Customer service in Pavilion Fashion*

## CHAPTER 5

“ We’re a better team,  
we’re a strong team ”

## 5. People Management

### 5.1. Introduction

'Staff are our are greatest asset' is the oldest cliché in business.  
It just happens to be true.

- 5.1.1. 'Poor people management and in the case of retail, in particular, it is likely to lead to a deterioration in customer service and profit margins', [e – days, 12 January 2018]. According to the Retail Gazette [12 October 2016], 'people stay with companies that demonstrate value and care for their employees... they nurture their talent'. In the retail sector, there is considerable room for improvement. According to hiring.monster.co.uk and clive.unum.co.uk, [2018], the average staff turnover rate across all industries in the UK is 15% approximately. In retail, it is 25%.
- 5.1.2. Recent conversations with a cross-section of Winchester's shop owners and managers make it clear that recruiting and motivating 'top' quality staff is probably the single biggest factor influencing retail performance. Of course, the product range and price competitiveness matter but a 'good team is half the battle' says the Manager of one of Winchester's leading personal care stores. It is no accident that all the 'top' performing fashion retailers on the High Street during the first half of 2018, with a median increase in sales of 5%, have implemented a much more professional approach to staff management. 'We know what we need to do, and we help each other' is a typical comment.
- 5.1.3. 'We've changed the team. We're a better team. We're a strong team. There's a lot of mutual support. There's more flexible working. We're honest with customers about whether a dress fits well and whether it looks good or not. We're better at selling. And we're smiling!' report two leading fashion houses on Winchester's High Street. It works. The average sales increase for the businesses concerned is over 8% 'year on year'.



- 5.1.4. This excellent level of performance justifies the increasing attention being devoted to staff management. It is essential. Cost pressures in the retail sector are intense. As a consequence, 'retailers are continuing to reduce their labour requirements to support a re-invention in how retail and shopping works.' says the [British Retail Consortium](#) [26 July 2018]. This means that the staff who do remain need to be of the highest possible calibre. 'You need to be crystal clear about who are the right people for your business and to be relentless in hiring and developing them' comments Andy Milligan a co-founding partner at Caffeine. Caffeine is a specialist in accelerating business, brand and people growth, [\[thisiscaffeine.com\]](#). BA Magazine, May 2018]. The message? If you're a business leader, a store manager or a departmental head it is your job to put people first. Customers will benefit.
- 5.1.5. 'Studies show that if you empower your people, equip them with the right skills, tools and processes and give them clear direction, they will reward you with superior performance – higher customer satisfaction, better employee productivity and improved business profitability. The only source of differentiation comes from the culture you create.

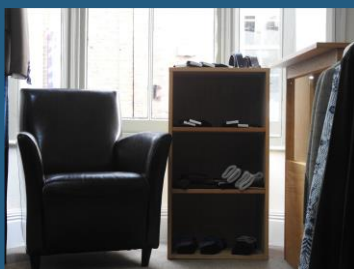
A culture that first needs to take care of employees who will then take care of the customer'. Is this an accurate description of the way in which in your business operates?

## 5.2. Culture

- 5.2.1. Culture has been defined as 'The system of shared assumptions values and beliefs which govern the ways in which people behave. These values have a strong influence on people and dictate how they act, dress and perform their jobs' [Study.com, 2018]. Jason Dade, Branch Manager of Robert Dyas just off Winchester's High Street says 'we look after our staff first, targets come second. Long, long hours are not sustainable. You don't need long hours to get results. Staff need a life outside work'.

5.2.2. The characteristics of culture include:

- Innovation and risk taking – the degree to which employees are encouraged to be innovative and to take risks.
- Attention to detail – the degree to which employees are expected to be analytical and to give attention to detail.
- Outcome focussed – the degree to which there is a focus on results and achieving objectives.
- People orientation – the degree to which decisions consider the impact on staff.
- Team orientation – the degree to which work activities are organised around teams rather than individuals.
- Standards – the degree to which staff are expected to be highly professional with a strong sense of ethics and acceptable behaviour. Chris Barez-Brown the founder of [uppingyourelvis.com](http://uppingyourelvis.com) says that ‘you will never see an electronic device when we are in a meeting or doing anything that involves human connection. We want to have high-quality, positive interactions to make them count. These behaviours are what we call our standards’, [BA Magazine, April 2018]. ‘Recognise and share stories of staff doing the ‘right things’. People take pride in what they do and appreciate when what they have done is shared as an example’, comments Andy Milligan.
- Assertiveness – the degree to which people are assertive and competitive rather than easy going and relaxed.
- Authority to act and make decisions – the extent to which staff are empowered to act on their own initiative. Practise ‘extreme delegation’ says Andy Milligan. ‘When you have hired and inspired the right people, give them the freedom to act. Trust your choice of hire and your training. Pret a Manger delegates the choice of new hires to its existing store staff’.



The seating area in  
Pavilion Fashion

### 5.3. The points below highlight the advice and comments from some of Winchester's best performing retailers. What do they do to attract, select, retain and develop the high calibre of staff they need?

#### 5.3.1. Attracting staff

Use your brand to attract staff. If it's not well known promote it. This will help with personal recommendations, referrals and 'word of mouth' communication. Make sure your website is as attractive as possible to encourage applications. Advertise 'on line' using digital platforms like Facebook and Twitter. Use external agencies and websites such as 'Indeed'. Advertise at local colleges, schools and universities.

'We use benchpeg.com' says Jeremy France of Jeremy France Jewellers on Winchester's High Street and 'we often do well with locals with a notice in the window'. 'All our staff are paid at a high average compared to our industry – getting this information from trade associations. We train our staff continually both internally and externally. We give staff responsibility which they seem to relish. Our managers regularly check, evaluate and review staff as well as everything about the company'.

- a) Offer work experiences to students from colleges, schools and universities. '60% of our staff members had work experience with us' says Jason Dade of Robert Dyas. 'And we recruit staff with autism and learning difficulties'.
- b) Incentivise staff and their friends to introduce new recruits. And don't forget to tell the world that you're looking for the brightest and the best.

#### 5.3.2. Selecting staff

- a) Look for people who are engaging, enthusiastic, interesting (not boring!) and with plenty of energy. Are they self-confident? Do they have a 'winning' smile? Are they excellent communicators? Can they talk about lots of different subjects not just the reasons for coming into the shop? Are they prepared to be 'really helpful' and patient? Will they go the 'extra mile' to delight customers who may then recommend you to their friends? 'Hire for the customer experience you want' says Andy Milligan. For example, the John Lewis Partnership recently introduced a concierge-style shopping experience with dedicated floor space for free services such as travel advice, personal styling and technology workshops to help customers get the most out of their purchases. Without the profile of staff to deliver this strategy effectively, the customer experience is unlikely to be enhanced.

The Retail Gazette and Manhattan Associates report [31 July 2018] that '51% of UK shoppers want store assistants to be expert at sharing product knowledge meaning that they know not only the product specifics but have access to systems that can provide information at their fingertips. This is by far the most important requirement for shop assistants'. 'Nearly 40% of consumers want the store assistant to locate an item immediately if it is not in stock at a store'.

- b) Be flexible about the need for prior experience. However, ensure that potential staff are quick on the uptake and able 'to use the coffee machine and the till as quickly as possible' says Cat Brandwood, Director of Toscanaccio in Parchment Street, a two-minute walk from Winchester's High Street.
- c) Take references before first interviews. To screen applicants, arrange 'head and shoulders' video interviews. First impressions are very important including 'appearance, voice and professionalism'. Organise 'shop trials' so potential staff spend, say, a morning on the shop floor dealing with customers. Give feedback at the end of the 'trial'.
- d) Arrange more 'in-depth' interviews after the 'trial' with at least two members of staff present. During the interviews, ask lots of 'open' questions not just those needing a 'yes' or 'no' answer, for example, how? what? who? when? and why? Make sure interviewees really do want to work for you. How much do they know about your business? Have they done their homework? 'And don't make selection decisions on the same day as the interviews', says Cat.

#### 5.3.3. Retaining and developing staff

- a) Offer flexible working arrangements and excellent terms of service. Make sure your culture is friendly with a strong, team emphasis. Do you help each other? Do you listen to what your employees have to say? Do you share information and ask for ideas? Do you delegate as much as possible to increase your colleagues' experience and expertise? Do you give staff the opportunity to demonstrate their skills, for example, arranging store layouts, organising window displays and designing web sites? Last but by no means least, don't forget to celebrate! Pret a Manger in Winchester sing 'happy birthday' to staff members during working hours with customers participating! Finally, think about organising outings to promote a family atmosphere.

- b) Provide opportunities for more responsible and stimulating roles. 'One member of staff joined as a Retail Assistant and she's now a director. Another employee also joined as a Retail Assistant. She's now our Digital Manager' says Victoria Suffield, owner of The Hambledon in The Square. 'Staff are always moving through the ranks so there's plenty of personal development and promotion' says the Winchester Branch Manager of a leading telecoms company.
- c) Provide thorough training and on-the-job coaching. Offer 'in-store' and 'on-line' training to reinforce your customer service ethic. Exploit technology, for example, Extended Reality [XR] to simulate 'real world' experiences without 'real world' risk. Walmart, the world's largest supermarket chain uses XR to prepare store managers for the challenges of retail 'Black Friday'. Marks & Spencer is creating a Skills Academy to train staff in data science, so it is 'fit for the digital age'. 'Embracing new technology is key to ensuring M & S's future' says Steve Rowe, CEO, [Retail Gazette, 30 July 2018].
- e) Make sure staff know exactly what is expected of them, for example, having superior product and technical knowledge, excellent selling skills as well as showing courtesy and patience with older customers.
- f) Encourage staff to make eye contact and welcome customers. Say 'Good morning' or 'Good afternoon'. Don't say 'can I help!' But do say, 'hello' with a smile. Emphasise that exceptional customer service is essential. 'Retail is all about the customer' says Victoria. 'We greet our customers. They love a chat. They like to browse'. 'Customers ask questions and want explanations' says Carol Hobbs, Branch Manager of Hotter in the High Street.
- g) As a number of business gurus have mentioned, it is one thing to tell people they're here to build a rocket. It is quite another to tell them they're here to put a man on the moon. So don't forget to inspire! It's naïve to think that most of the work we do is quite so important 'But by identifying the higher purpose beyond daily tasks, you will help to ignite someone's dedication' says Andy Milligan. 'Are you cleaning a street or are you creating a place where people can happily live, work and play'? Are you selling a dress or assisting someone to look stunning at their daughter's wedding?

And, finally:

5.3.4. Performance management

- a) Be as supportive as possible with staff who are not reaching the required standards of performance. Deal with 'performance' issues earlier rather than later. Get 'on top' of them to make sure the atmosphere in your business remains upbeat.
- b) Your appraisal or performance management system needs to be 'fact' not just 'opinion' based with the opportunity for regular informal conversations throughout the year. Consider using 'key performance indicators' or KPIs for different roles and responsibilities. The more formal annual interview should simply confirm what has been discussed and agreed already. There shouldn't be any surprises.
- c) 'There is a lot of measurement of performance in our business' says Jason Dade of Robert Dyas. 'For example, we have mystery shopper scores. Training effectiveness is measured by the extent to which our 'my shopper' training is put into practice. We also have a 'net promoter score' which focusses on the number of recommendations our store receives from customers and the number of times existing customers return'.

# MAIN FINDINGS

## AND ACTION POINTS



### CHAPTER 6

“ The High Street will not disappear because it will not be just about retail ”



## 6. MAIN FINDINGS AND 'ACTION' POINTS

### 6.1. The UK retail environment

- 6.1.1. The retail sector is experiencing a huge upheaval as 'bricks and mortar' retailers face the increasing impact of digital competition. Fundamental changes are underway.
- 6.1.2. By 2021, online sales are expected to account for 25% of retail sales. At the end of 2017, it was 20%. 'Click and Collect' is likely to become increasingly significant.
- 6.1.3. Retailers face intense cost pressures not least from business rates and rental levels. Traditional retailers pay nearly four times as much as online businesses relative to their sales. But that is not the end of the story. Physical shops do confer benefits on local communities but they also cause some significant costs, for example, crime, litter, pollution and traffic congestion. As The Times comments [4 September 2018], it is, therefore, not unreasonable that traditional retailers should 'shoulder some of the expense of street cleaning, traffic management and policing'.
- 6.1.4. The future of the traditional Department Store is under serious threat as the network rationalisations and financial difficulties, for example, of Debenhams, House of Fraser and Marks & Spencer testify.
- 6.1.5. Smaller scale 'Department Store' outlets are likely to emerge with smaller frontages resulting in lower property costs. 'Sample' stores may replace the traditional 'Department Store' model.
- 6.1.6. Online shopping does not always work for consumers. They may wish to feel a product and to try it on before they buy. This means that retailers do need to become much more innovative and offer new experiences including convenience, choice, price and service that consumers cannot obtain online.
- 6.1.7. Online and 'offline' shopping are likely to be combined so that a mix of a highly competitive online capability and much more creative and professional retail management will be the critical success factors.
- 6.1.8. Technology needs to be exploited to the full to take maximum advantage of the opportunities available to improve customer service and the customer experience.

- 6.1.9. There is over-capacity on the High Street. One forecast [from 'pcr-online.biz'] eighteen months ago predicted that more than 50% of current town centre stores will not exist by 2030.
- 6.1.10. **But the High Street will not disappear because it will not be just about retail.** Apart from shopping, it will become a place for a greater range of activities and experiences – more events, more homes, more hotels, more venues such as art galleries, cinemas and exhibition centres plus an even greater variety of cafes and restaurants as well as more sports centres, indoor markets and new retail formats such as 'pop-up' stores. The message? To survive and prosper, High Streets require new blueprints. The challenge they face is to adapt or die.

## 6.2. The Winchester retail environment

- 6.2.1. Winchester is prosperous. Residents' earnings are 15% higher than benchmark locations such as Chichester and Salisbury. Unemployment at 2.5% is lower than comparable cities.
- 6.2.2. The High Street shop vacancy rate at 0.8% [July 2018] is extremely low compared to the national average of nearly 9%.
- 6.2.3. The current performance of Winchester's city centre retailers is superior to retailers nationally. During the first half of 2018, non-food sales were static compared to an average fall of 2.7% elsewhere on a 'like for like' basis.
- 6.2.4. High Street and city centre rents and business rates are high. They are more than double those in locations such as Basingstoke and Chichester.
- 6.2.5. Current retail capacity is about 40% less than cities such as Bath and Canterbury which, along with its high rents and rates, makes it difficult for Winchester to offer a more diverse range of retail outlets.
- 6.2.6. The challenge for Winchester is to exploit even more its attractions as a retail as well as a tourist destination. As a city with a superb cultural and historical heritage that should be entirely possible.

### 6.3. Best practice approaches to retail marketing and selling

- 6.3.1. Effective retail marketing and selling has five important aspects. First, acquiring the specialist retail knowledge to offer the products and services that customers want to buy. Second, being prepared to plan and to prepare. There's the old adage that 'retail is detail'. It's true. Third, ensuring that competitive advantage is achieved whatever it may be. Fourth, promoting your business – making your presence felt in the marketplace. Fifth, impressing your customers with outstanding customer service. And finally, using technology to the fullest possible extent to make sure that your customers' experience is exceptional.
- 6.3.2. You need to become extremely well informed about current and future retail trends. You need to develop the foresight to anticipate the opportunities in your specific retail sector and not just react to them. Understand your market, segment it and be clear about the profiles of your target customers. Research everything.
- 6.3.3. Convert all your talk into action by developing excellent project management skills. Experiment until your business model works and before you enter into longer term commitments such as leases and contracts.
- 6.3.4. Achieve competitive advantage by offering a combination of the following factors – an outstanding product range offering distinctive benefits to customers who buy your products and services; exceptional value; superb quality; and the best customer service in your market segment.
- 6.3.5. Segment your market meaning that you meet the preferences that different customers show. But segmentation, by itself, may not be enough. Consider 'personalisation'. Focus on specific customer characteristics such as buying behaviour rather than just general ones like income levels and age ranges.
- 6.3.6. Promote your business vigorously. 'Stand up', 'Stand out' and 'Stand firm'. This means a relentless focus on branding, having an extremely appealing shop design and layout, continual networking in the business and local community, impressing customers with outstanding customer service concentrating on both the 'people' and the 'process' side of service. One without the other is not good enough.

- 6.3.7. Make sure you exploit technology to transform customers' retail experiences. Use 'data analytics' to enhance your understanding of retail trends both current and predicted. Don't forget that the most important decision in retail is 'what you carry and how you price it'. By all means take full advantage of your experience and intuition but underpin them with some data 'science'.
- 6.3.8. The critical success factors for retail are an extremely appealing physical shopping experience combined with an impressive online capability. A strong multi-channel capability will be essential allowing customers to shop whenever, wherever and however they want. It is fair to say that online retailers are gaining market share not just because of their lower costs and tax advantages but also because they are providing a superior service compared with those traditional retailers who have not adapted to their competitive environments.

#### 6.4. The retail 'financials' and 'non-financials' you need to know

- 6.4.1. You're in retail to be profitable and to generate cash. One without the other won't work. Businesses, not least retailers, fail because they run out of cash. Make sure that you don't.
- 6.4.2. Prepare a business plan covering, say, a 2-3 year period. Prepare different scenarios from the most optimistic to the most pessimistic so you are prepared for all eventualities and can prepare for them in advance.
- 6.4.3. Take budgeting seriously covering sales, costs, capital expenditure and cash flows.
- 6.4.4. An income statement or profit and loss account summarises your sales less all your costs during a financial period. The most important indicators to pay close attention to are the gross profit and the gross profit margin, the operating profit and the operating profit margin and the net profit and the net profit margin.
- 6.4.5. A cash flow statement highlights cash inflows less cash outflows during a financial period. Don't forget to prepare one!
- 6.4.6. Additional indicators to concentrate on include sales per employee, the stock turnover rate, the sales conversion rate, average transaction value, sales effectiveness (measured by the number of shoppers x the sales conversion rate x the average transaction value) and labour optimisation ('power hours' and STAR – the number of shoppers divided by the number of available retail staff).

## 6.5. People management

- 6.5.1. With a staff turnover rate two-thirds higher than the national average for all business sectors, retail has considerable potential to improve its human resource management!
- 6.5.2. A key factor to consider is whether or not your business culture is supportive of or detracts from achieving better results. You need to find out. Common, very positive cultural attributes include a team orientation, a willingness to explain what is expected of staff and to delegate as much as practicable, to be inspirational and to ask for ideas and to share information. Finally, celebrate, for example, by remembering birthdays and organising outings to promote a family atmosphere.
- 6.5.3. Apart from a positive culture, the main factors affecting 'people' management are taking great care to attract the 'right' calibre of staff, carrying out a rigorous selection process, offering flexible working arrangements and excellent terms of service, taking staff development seriously including training and on-the-job coaching and being very thorough about 'performance management'.
- 6.5.4. Be clear about the characteristics of the staff you are seeking to recruit. Hire for the customer experience you want to offer.
- 6.5.5. When selecting staff and apart from arranging interviews, give potential employees a trial 'instore' to see how they perform. Don't forget to give them feedback.
- 6.5.6. Provide regular opportunities for more responsible and challenging roles.



Retail display in Hotter

## APPENDIX A

### POINTS YOU NEED TO CONSIDER BEFORE 'SETTING UP SHOP' IN WINCHESTER

#### 1. Do your homework

- 1.1. It's not a question of what you want to sell but what your potential customers want to buy. What's the answer to that question? And what's the evidence to support your contention? Have you carried out the research to demonstrate that your business idea, your proposition really will work? You need to know what you're talking about. As Crispin Drummond, the owner of P&G Wells, the Bookshop in College Street, says 'there is no place for the amateur given the intensity of competition and demanding customer requirements'.
  - Do you understand your potential customers? Do you know who they are? In what ways will you communicate with them?
  - What products and services will you be offering? What are your proposed price points? Which marketing channels do you propose to use?
  - Have you identified your competitive advantages? If so, what are they? But no wishful thinking. What are your points of difference? What's your USP [Unique Selling Point]? Without a USP, you'll get lost in the crowd. It's essential, therefore, that you focus on it all the time. It needs to be at the forefront of all your marketing initiatives.
- 1.2. Once you've addressed these points, you'll be on your way to acquiring the experience and expertise – the specialist retail knowledge to make sure you'll be offering the 'right' products and services to exploit a market opportunity.

#### 2. Network

- 2.1. Speak to other retailers in those areas of Winchester you're considering. What's the footfall like? What's the shop vacancy rate in the immediate locality? Is it a 'well to do' area? Do other retailers know if other businesses are going to be launched which may be a competitive threat? What opportunities and challenges are existing retailers having to contend with?
- 2.2. Understand what the Winchester Regeneration Project is all about. What are the ways in which it may affect your ideas?
- 2.3. Attend business forums, briefing sessions and workshops to meet like-minded, local business people. Pick their brains and learn from their experiences. Use your previous and existing business and social relationships to build a 'dream' team. You'll certainly need a well-regarded, commercially minded accountant to advise you.

### 3. Prepare a business plan

- 3.1. Not a very original suggestion but you won't survive without one.
- 3.2. Become financially literate so you know your numbers 'inside out'. Prepare different financial scenarios to 'stress' test your projections. What will happen, for example, if your sales are 20% above or 20% below expectations? What about 30% above and 30% below? You need to know.
- 3.3. It's essential to produce realistic financial projections. If it's not feasible to take at least £30,000 out of the business before tax, think twice. Your business proposition may not be worth getting out of bed for!
- 3.4. Try out your business model before you enter into longer term commitments like a lease. Experiment. Test your proposition with a pop-up store, a market stall or temporary premises. Avoid as many fixed costs as possible especially during the formative stages of your venture.
- 3.5. Given the high level of fixed costs in Winchester, for example, rent and business rates you will be vulnerable to falling sales levels. Profitability and cash flow are quite capable of disappearing very quickly. Will you be able to cope? What is your 'Plan B' or contingency plan? You need to have one.
- 3.6. Pay particular attention to 'cash flow'. It's the vital fuel for your business. Without it, you have no chance.
- 3.7. Be prepared to present your business plan to bankers and potential shareholders. Anticipate the questions they're likely to ask. Before speaking to them, arrange dress rehearsals with your advisers and friends. Practise the presentations as if they're for 'real'. The message – learn your lines. Be prepared.

### 4. Get 'tech savvy'

- 4.1. Make sure your typing and spreadsheet skills are in good shape. For example, use FaceTime and Skype to improve your productivity so conference calls and meetings can be organised without sitting round a physical table.
- 4.2. Get to grips with social media – Facebook, Instagram etc. etc. You'll need to acquire digital expertise to expand your business. In particular:
  - To develop effective digital tactics such as email marketing and customer data base management.
  - To operate highly efficient digital processes such as selling online, order processing and 'click and collect'. Gaining a reputation for exceptional customer service will be a big advantage.



## 5. Have a strong online presence

- 5.1. You'll need a 'state of the art' e-commerce website. First to 'test the water' to assess the commercial viability of your ideas. Second, operating online is likely to reduce your costs since you'll need less space.
- 5.2. Having achieved a core customer base online, it may then be appropriate to consider the opening of a physical store or outlet.

TO BE A SUCCESS  
You'll need **SUPERIOR** and  
**HIGHLY DIFFERENTIATED**  
products and services,  
supported by  
**EXCEPTIONAL** retail management and  
a **SUPERB** online capability

*GOOD LUCK!*

### Acknowledgements:

Retail Gazette, 19 April 2018. 'Top 10 tips for starting a business in your 50s'. Nayna McIntosh, CEO and Founder of the womenswear retailer, 'Hope'.

Chris Turner, Board Member and Catherine Turness, formerly a Board Member of the Winchester Business Improvement District, for their invaluable comments and suggestions.

## APPENDIX B

### WAYS TO IMPROVE YOUR ONLINE RETAIL CAPABILITIES

#### 1. Introduction

- 1.1. According to the 'The Times' [26 December 2017], 'nearly nine out of ten small businesses expect to be selling their goods and services online by the end of 2018. This is a very significant increase from the 64% who already use the internet today'.
- 1.2. 'The greatest rise in ecommerce will primarily be driven by a surge in companies wanting to use their own websites and mobile apps to drive sales'. The 'Capital Economics and Enterprise Nation' Report comments that 'the contrast in performance between businesses who use ecommerce and those that don't is significant...the impact digital tools and services have on small business cannot be underestimated. They can improve productivity and boost revenue growth'.

#### 2. Action agenda

So, given the imperative to improve your online capabilities, what should you do to make it happen?

- 2.1. If you need additional digital expertise as well as using your own staff, take great care in choosing external IT specialists. 'Make sure that the IT professionals you work with have an excellent reputation' advises Victoria Suffield, Owner of 'The Hambledon' in The Square, Winchester.
- 2.2. When developing a new or upgrading an existing online presence, prepare a written brief or specification. It's the 'we want this' document says Victoria. 'You need as much detail as possible to reduce the likelihood of changes later. They're extremely costly'.
- 2.3. Make sure the brief covers three areas – the content, the design and the functionality or technicalities; for example, what do you want your website to do? 'Get as much advice as possible. Try to avoid reinventing the wheel. Competitors may well be willing to share their experiences. Get ideas and inspiration from the websites of the brands you're selling' mentions Victoria.

- 2.4. Take advantage of generic solutions. Shopify, for example, is a proprietary ecommerce platform for online stores and retail point of sale systems.
- 2.5. Ensure your online capabilities are 'state of the art' so they reflect best practice and the ways in which customers use web sites. Ensure ease of use. Click on everything to find out!
- 2.6. Have plenty of visuals supplemented by interesting articles and stories about customers, services, suppliers, products and staff. Have 'chats' and use 'prompts' to encourage purchasing.
- 2.7. Build apps and use them to operate as online stores. This will make it easier for customers to buy regardless of where they happen to be. And use apps to enhance customers' instore experience, for example, by making it easier for customers to find products. Use apps to provide customers with information and guidance to increase their brand loyalty. The cosmetics company, 'Sephora' has an app which allows customers not only to buy but to receive information about its loyalty programme and local community events.
- 2.8. Use social media platforms and not just the obvious ones like Facebook and Instagram. Pinterest, for example. According to the Investors Chronicle [17 August 2018], 'social media is where most people, especially the younger generations, live their lives and first encounter a brand. It's crucial for retailers to have a well-thought-out, sensibly resourced strategy and enough people able to deliver what shoppers expect. Social media is today's shop window, showing what a retailer stands for and what customers can expect'.
- 2.9. Recognise and take initiatives to exploit 'Insta-shopping'. Instagram has more than double the monthly active users of Twitter and over three times as many users on messaging platforms such as WhatsApp. Instagram is image-driven and has introduced video and television features to compete with Snapchat and You Tube. 'Shopping on Instagram' was made available in 2017. It provides businesses with a storefront for customers so they can explore products with a single tap. The evidence suggests that over a third of Instagram users have used their mobile to purchase a product online which makes them 70% more likely to do so than non-users, ['The rise of social shopping', Investors Chronicle, 17 August 2018].
- 2.10. To sell more, social media offers a willing and engaged audience. For example, it allows customers to understand how garments will fit and what they might look like. It helps to develop trends so if you are a fashion retailer, you'll be more able to capture the attention of fashion-conscious consumers. Are you exploiting the potential of all these possibilities? You need to.

### 3. FINALLY

- 3.1. Ensure you organise a number of 'test runs' before any new online capabilities are launched for use by customers. 'Experiment. Click on everything to make sure that the new or improved services are delivering what you want them to deliver' recommends Victoria Suffield.
- 3.2. Get as much customer feedback as possible about your online systems both when they're launched and regularly when they're operational.
- 3.3. Keep a careful eye on developments in Artificial Intelligence [AI] and the ways in which they may affect retail. Will the boss of JD.com, Richard Lui, be correct when he says that 'in future, retail will be operated by robots'? [Retail Gazette, 21 April 2018].
- 3.4. Many thanks to Victoria Suffield, Owner of 'The Hambledon' and Fiona Morris, Digital Manager for their advice and help. It is very much appreciated.



The stained-glass window in  
Jeremy France Jewellers,  
designed by Sophie Hacker

## APPENDIX C

### PERFORMANCE IMPROVEMENT CHECKLIST

#### 1. Introduction

The purpose of the Checklist below is to draw your attention to practices which will help your retail business improve its performance. 'Only the mediocre are always at their best' said a long forgotten English author, Somerset Maugham! We're taking his words to heart.

The Checklist highlights what needs to be done to manage a successful retail operation. You're invited to complete it so you can identify the specific areas where you're in 'good shape' and those where improvement may be necessary. Your results will then be the basis for putting together a 'performance improvement plan' and taking the practical steps required to convert it into action.

Here goes. Good luck!

#### 2. Approach

There are 25 questions. For most of them, place a tick in one of the three columns 'Never/Rarely', 'Sometimes' or 'Often'. Other questions need just a 'yes' or a 'no' response. Please circle the appropriate answer. 'Never/ Rarely' or 'no' receives zero points. 'Sometimes' receives one point. 'Often' or 'yes' receives two points. The maximum score is 50 points.

If you score below 25 points [48% or less], are you really expecting to run a successful retail business? It doesn't seem like it. You need to 'up your game' and without delay.

If you score between 25 - 40 points [50% - 80%], not too bad. But there is quite a lot of potential for improvement. It would be a great pity if you didn't achieve it.

If you score over 40 points [82% - 100%], extremely well done. Your business and financial results should be impressive. You're managing your business in a highly professional way. Long may it continue!

### 3. Questionnaire

	Never / rarely 0 points	Sometimes 1 point	Often 2 points
<b>A. The retail environment</b>			
1. Do you pay attention to what is happening in UK retail, on High Streets and in Winchester?			
2. Do you monitor trends to identify opportunities in your specific markets?			
<b>B. Marketing and Selling</b>			
3. Do you experiment with new marketing and sales initiatives to improve customer service and the appeal of your product ranges?			
4. Do you carry out research and gather intelligence to become better informed about your 'core' customers, to segment your markets and provide a more 'personalised' service?			
5. Do you use research and market intelligence to inform your product selection and pricing decisions?			
6. Can you identify the specific ways in which your business is better and different in order to achieve competitive advantage?			
7. Do you ask for feedback from your instore and online customers to improve your competitiveness?			
8. Do you organise promotional activities to make sure your business becomes more high profile?			
9. Do you pay attention to your shop layout, interior design and window displays to make sure they are contemporary and appealing?			
10. Do you network in your local business community to explore opportunities for collaboration, to share ideas and to enhance your reputation?			

	Never / rarely 0 points	Sometimes 1 point	Often 2 points
11. Do you shop 'secretly' to assess what your competitors are offering?			
12. To what extent do you use social media to raise your marketing profile and to increase sales?			
13. Do you have a highly competitive e-commerce capability including mobile apps, order processing and a 'click and collect' facility?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
<b>C. Finance and Operations</b>			
14. Have you prepared a business plan covering the next 2-3 years?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
15. Do you prepare budgets?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
16. Do you compare your actual results against budget, highlight the differences and take appropriate action to get you back 'on track'?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
17. Do you prepare cash flow forecasts?			
18. Do you monitor the performance of your business by using Key Performance indicators [KPIs], for example, gross and operating profit margins, footfall, stock turnover rate, sales conversion rate and average transaction value [ATV]?			
19. Do you make sure that the buying/procurement of goods and services, including property, is as cost-effective as possible, for example, by using buying groups, the services of the Winchester BID and by taking specialist advice?			
20. Do you practise 'continuous improvement'? [for example, by using a full range of digital tools and services to increase efficiency across all the areas of your business]			



	Never / rarely 0 points	Sometimes 1 point	Often 2 points
<b>D. 'People' Management</b>			
21. Do you have the calibre of staff you need to provide exceptional customer service?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
22. Do you have a rigorous process to select staff including, for example, video and 'face to face' interviews and shop trials?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
23. Do you offer flexible working arrangements and excellent terms of service?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
24. Do you provide training and on-the-job coaching offering genuine prospects for career development?	YES <input type="checkbox"/>	NO <input type="checkbox"/>	
25. Do you seek feedback from your staff and do you give them feedback?			

SCORE OUT OF 50 POINTS =

Note that your percentage score is the number of points x 2 [for example, a score of 30 = 60%].

**The Winchester BID area with some of the best performing businesses, approximate locations highlighted**

