



## **Topic Guide: Benchmarking**

### **What is Benchmarking?**

Price benchmarking is one aspect of buying which is very important if the efficiency of buying performance is to be measured.

All buyers like to think that they are buying well but it is unlikely that across a range of goods and services they will be in the top quartile for a large proportion if the measure of price is used. For this reason it is important that attempts are made to actually compare prices against external sources or in a large company across its divisions. By doing this opportunities for improvement may quickly be identified and targeted.

When making comparisons it is important to ensure that fair comparisons are being made in respect of quantity and delivery requirements and that market factors and timing is taken into account.

### **Not just price**

Benchmarking can be used to measure many attributes other than price, including:

- Quality of service
- Customer satisfaction
- Safety
- Risk management
- Cost reduction
- Teamwork and leadership
- Supply chain management
- Employee satisfaction
- Predictability in estimating
- Productivity
- Training and development.

- Delivery
- Defects or inspection failures
- Profits or savings

### **How do you find external benchmarking information?**

Whilst it may be difficult to obtain external information there is information freely available in the annual accounts of companies at Companies House which can be used as to compare top level financial performance. Similarly much information can be extracted from tenders and enquiries. In certain instances information is available from external sources which provide a confidential benchmarking service for companies in certain sectors of business who are willing to exchange information on a non attributable basis.

Benchmarking is a useful and flexible tool which can be used in any industry, commercial or public organisation and can earn very high rates of return for the investment of resources in carrying out the exercise.

### **Top tips for Benchmarking:**

- In the early days pick those aspects of procurement that are within your power to change – and incorporate the benchmarking within an action plan which seeks to deliver tangible value improvement.
- Prior to conducting the benchmark, think about how you will report the findings – and keep them easy to understand. This way you will gain the senior management support prior to tackling the more complex issues.
- Make sure that you benchmark what is seen as important to your internal customer, otherwise it will be perceived as being a waste of resource conducting the benchmark in the first place.
- Ultimately, the pure benchmarking measurement in itself won't deliver the savings – people will. Thus insure that purchasing staff are adequately trained to ensure that strategies and planning are appropriate once the measurement has started.
- Don't benchmark for benchmarking sake. Overmeasurement can cause lower morale and de-motivates. Keeping the measurement focused is key.

For more advice on this and other procurement support services, contact the Buying Support Agency. Tel: 0845 555 3344 or email [info@buyingsupport.co.uk](mailto:info@buyingsupport.co.uk)