

Brotherhood of St Laurence Retail Study

Research Report, 2005



Brotherhood of St Laurence

Working for an Australia free of poverty



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Background and Scope of the Brotherhood of St Laurence Retail Study

This report presents the findings of research into the Brotherhood of St Laurence (BSL) retail stores, conducted pro-bono by the Australian Centre for Retail Studies (ACRS). The research was initiated by BSL to evaluate their current retail offering through the eyes of their customers. Consequently, the ACRS undertook secondary research, a competitor analysis (focusing on three competitors selected by BSL), a financial analysis and a customer questionnaire. The customer questionnaire formed the major component of this research. The purpose of the questionnaire was to identify who BSL customers are, to determine customer perceptions regarding BSL stores, discover the reasons why customers shop at BSL stores, and understand the factors that influence how often customers shop and how much they spend. These results will enable BSL to increase customer satisfaction and to enhance the shopping experience within BSL stores. Further it can be used to form strategies aimed at increasing the number of times customers shop at and the amount they spend per transaction.

Summary of Key Findings

- Charity retailing is an important and growing sector of retail trade in Australia, however information regarding this industry is lacking
- Several industry trends and challenges are affecting the ability of charities to deliver their services. These include:
 - An increase in the demand for services
 - A reduction in traditional governmental financial support
 - An increase in the number of charity organisations
 - Increasing pressure to sustain and increase profits due to heightened competitive conditions
 - More centralised decision making
 - The introduction of new merchandise for sale in charity shops
 - A decrease in donor giving

- Financials
 - Sales have fallen significantly in recent years although Auxiliary stores performance has been more stable
 - Profits have fallen dramatically since 2003, with the profit to sales ratio currently at 2.5%
 - Auxiliary stores are performing better in financial terms than Managed stores
- The majority of BSL customers are:
 - female,
 - educated,
 - working,
 - retirees or young singles,
 - have 2 people in their household, and
 - earn between \$30-60k
- Customers have very positive responses towards all BSL store characteristics
- Product range, product pricing, customer service, and store location are all important in increasing customers' spend and visits to a BSL store
- BSL customers visit at least once a week to 'hunt' for a bargain or a good deal and spend \$10 or more
- Clothing and accessories, bric-a-brac, books, and footwear are the most popular purchases at a BSL store
- BSL customers make purchases because the goods are value for money or they needed something specific
- Goods at BSL stores are considered to be of very good value for money
- Customers are prepared to pay \$2 more for goods they purchase at BSL stores
- Customers would consider buying new clothing and accessories, footwear, bric-a-brac and books
- Customers would consider using a Café and Photocopying & Printing services at a BSL store
- BSL customers also shop at other charity shops

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1.0 Secondary Research

Charity retailing is an important and growing sector of retail trade in Australia, however information regarding this industry is lacking. This is largely because Australia does not have a governing body to collect data on charity organisations' retail activities. In addition, charity organisations do not release detailed financial data regarding their retail operations. Therefore, Australian charity retailing industry statistics, trends and characteristics are not readily available, making comparisons and benchmarking a difficult task. It is important to note, however, that this problem is not isolated to Australia, with the exception of the UK where charity retailing has been a topical issue. The following section brings together the scarce information available in a bid to understand the key characteristics and drivers of charity retailing in Australia.

Non-Profit Organisations

In Australia, and throughout the world, non-profit (NP) institutions play an important role in the delivery of welfare, healthcare, education, and other key services. They can be defined as groups of people committed to the provision of a service for themselves or others, to the representation of their interests or lobbying on behalf of others, or to the practice of religion (Lyons, 1999).

The number of NPs has ballooned in recent years, growing from 12,000 in 1940 to more than 1.5 million organisations in 2003 (Aoki, 2003). According to the Australian Bureau of Statistics (2002), the NP sector plays an increasingly important role in the Australian economy. The Bureau states that the total income raised by the sector grew from \$26.6 billion in 1995–1996 to \$33.5 billion in 1999–2000, representing an annual average growth rate of 6.5 percent.

The NP sector accounted for 3.3 percent of total GDP in 1999–2000, a contribution greater than many other commercial industries such as communications, gas and electricity, accommodation, cafes, and restaurants. NPs also accounted for 6.8 percent of total employed persons during the same period and volunteers worked 558 million hours, which equates to 285,000 full time positions.

Charity Retailing

A key avenue through which NP organisations raise funds is through charity shop retailing. Charity shops provide a vital source of “unallocated” funds; they can be used in any area of charitable work because they are not pre-allocated to any specific project (Parsons, 2002). Other than raising funds for the organisation, charity shops also fulfil a wide range of other roles in their local communities (Parsons, 2002). These include:

- providing a contact point between the parent charity and the general public
- providing clothes and household goods cheaply for customers
- providing useful employment support and training for a range of volunteers
- recycling unwanted household items

Despite moves towards professionalisation, charity shops still exist on a broad continuum. At one end are small stores that are volunteer-managed, selling donated goods only, and charging very low prices and sited in back and side streets. At the other end, are more “upmarket” shops, which employ paid management, sell both new and donated goods and occupy more prominent, high street premises. Therefore charity retailing embraces a spectrum of approaches to the many facets of retail management including locating, presenting, staffing and resourcing shops (Parsons, 2002).



Industry Size

While the NP sector contributes over \$33 billion to the Australian economy, it is not known what proportion of this resulted from retail trade. However, the size on the Australian sector is comparable to that in the UK in terms of growth and contribution to the national economy.

In 1990, there were just over 3200 charity shops in the UK, and by 2000 they had almost doubled to 6300 (NGO Finance, 2000). The total sales of charity shops in the UK grew from £183.3 million in 1992 to £426.5 million in 2002 (Parsons, 2002). However, the signs at the beginning of the 21st century are that the growth of the 1980s and 1990s is not sustainable. Competition from discount commercial retailers (Charter, 2000), and an overall saturation of the charity shop market, has seen diminishing returns with charities forced to cut costs, and some to close outlets altogether.

Factors behind the Growth in Charity Retailing

There are a number of reasons why charity shops have thrived over the last decade, both in Australia and abroad (Parsons, 2000; 2005). Reasons include:

- A climate where as consumers have become increasingly willing to try a complex array of retail formats, resulting in more diverse patronage habits
- Increased environmental awareness amongst consumers has boosted both donations and custom in charity outlets
- Shopping in charity shops has both increased in popularity and become de-stigmatised as shop numbers multiply and charities become more professional in their retail activities
- The introduction of new goods in the shops has further diversified their customer base
- Perceptions of charity shops as serving only the less affluent in society have now largely died away, and as a result, a range of customers across class and economic status now patronise charity shops

Volunteers versus Paid Employees

Volunteers are becoming increasingly difficult to recruit. This is attributable to the dramatic rise of charity shop numbers, all of which are competing for volunteers, as well as the increased competition for volunteers in the voluntary sector generally. It may also be associated with the notion of the commercialisation of the charity retail sector, which perhaps dissuades traditional volunteers from offering their services (Broadbridge and Parsons, 2003). Consequently, there is competition in the recruiting and retention of good volunteers. One way to overcome these issues is to pay shop staff. However, this brings staffing into competition with established retailers and means that wages and working conditions have to be comparable to established retailers in order to attract the most skilled workforce.

The payment of shop managers is undoubtedly the most obvious symbol of the move towards professionalism in the sector. While large charity retailers have retained their volunteer workforce at shop assistant level, most now employ paid shop managers to oversee these volunteers. In fact, 82 percent of charity shops are now managed by at least one paid staff member. Independent charities have been slower to move to a paid management model. However, in the UK independent charities now employ a higher percentage (95 percent) of managers than large chain or hospice retailers (Parsons, 2004).

Despite moves to paid management, the links between paying managers and increasing profits are not clear – and it is suggested that in this industry, paid management is not a key success factor. Whilst paying managers does, in many cases, result in an increase turnover, the associated costs may override this. One key problem is that more often than not, managers are placed in charity shops without thought given to training and support which results in poor management of stores and wasted resources (Parsons, 2004).

Volunteers and Charity Retailing

The use of unpaid staff is a major difference between the traditional retailer and the charity retailer and volunteers will undoubtedly remain a large resource that need to be managed by charity retailers. The retail volunteer can be on the one hand the biggest asset, working for no financial reward, and on the other hand the biggest headache because often he/she has their own very definite ideas of how the operation should be run. In order to be properly managed, retailers need to understand the characteristics of this segment of their workforce. According to one of the few studies on charity retail volunteers (Horne, 1998) the volunteer workforce is almost all (98 percent) female, indicating that women are even more predominant in charity shops than they are in traditional retail outlets. Not only was this found for volunteers on the shop floor, but it also applied to shop and area managers – all of whom were women.

Unlike retail employment research, where it has been shown that women are over represented in the less skilled retailing categories, this survey found that women predominate at all levels of retail charity volunteering. Managerial responsibilities for the shops, which are not traditionally



regarded as women's roles in ordinary retailing, are undertaken by female volunteers. However, the shops are not operated by paid managers who work on a full-time basis. The majority of the respondents are aged 55-64, with the largest cohort between 65 and 74. Three-quarters (76 percent) of the volunteer workforce were over the age of 55.

The survey also found that 60 percent of female and 47 percent of male respondents volunteer for four hours per week, while 27 percent of females and 40 percent of males volunteer for 8 hours per week. Seven per cent volunteer for between 9 and 12 hours per week; these were all women. Very few volunteers were also found to work beyond 12 hours a week. Only two managers reported working over 30 hours per week; most managers volunteer for 8 or 12 hours per week.

Most managers volunteer for 8 or 12 hours per week, and are therefore not physically present in the shop for three quarters of the trading week. These findings are significant for charity organisations in an increasingly competitive market. The survey also found that the shops do not, in general, have deputy managers. When the manager is unavailable at the shop, she generally designates another volunteer to cover for her.

Almost half (48 percent) of the volunteers surveyed had a personal affiliation with the cause of the charity being investigated. A further quarter (28 percent) of the volunteers chose this charity primarily because they believed the mission of the charity to be a worthwhile cause. Eight percent of volunteers chose this charity directly as a response to an appeal for help, while 6 percent because they were lonely at home, had time to spare or lived nearby.

Almost one-third of volunteers believed charity retailing to be the most interesting form of charity work, while a third wanted to meet people and make friends and felt that charity retailing as opposed to other forms of charity work gave them this opportunity. Nearly a quarter of the volunteers had been asked to help or already had friends in the shop.

Paid Employees and Charity Retailing

While in the early years of charity retail most shops were managed almost entirely by volunteers; in an increasingly competitive environment, employing paid staff in charity shops is seen as the only effective way to increase sales and compete in an increasingly professional sector (Parsons and Broadbridge, 2004). The payment of store managers is now practised widely in the Australian charity retail sector. Nevertheless, employing paid managers has to be cost-effective as the overall objectives of the charities are to raise as many funds as possible. Generally, the payment of managers is justified in terms of being able to operate in a more professional and profitable manner.

Charities do, however, experience difficulties in paying employees for a number of reasons. Firstly, remuneration is generally low and in some instances not much higher than the national minimum wage. This low salary often poses difficulties in attracting suitable candidates with the right skill sets to the job, and at times, someone less than ideal is selected for the position. There is also the potential for fraught relationships between paid managers and volunteer staff. The payment of sales assistants is potentially even more problematic, and can cause considerable resentment and conflict with those who volunteer in the shop.

Managing a charity shop involves much hard physical work as managers are heavily involved in the preparation of stock for sale. Managers must also possess a developed set of communication skills to manage volunteers adequately as well as a sense of entrepreneurship to make creative (and profitable) use of limited stock and labour resources. In addition, the work is poorly paid and holds few opportunities in the way of career progression. This issue may be one that charities have to tackle. Indeed, some have begun to do so by focusing on staff development and training, and introducing performance based bonuses. Some charities also have inserted a management tier in between shop managers and area managers creating senior shop managers. These new

posts extend the shop manager's role to include the provision of three or four charity shops (Broadbridge and Parsons, 2003).

Looking specifically at the characteristics of charity retail managers, research shows that an overwhelming 94 percent are women and nearly half (47 percent) aged 50 or over. Managers tend to be married or living with a partner (70 percent), have no dependants (61 percent), and not be the chief wage earner in their household (61percent). Most managers tend to be educated at a high school level but 22 percent have no formal educational qualifications (Parsons and Broadbridge, 2004).

Sourcing of Goods

Charities compete for good quality donated second-hand goods which, as the number of shops increases becomes increasingly difficult. The search for the best quality donated goods has led to greater sophistication in charity retail “distribution” methods. In the past, most charity shops relied on donors bringing unwanted goods to individual shops. In doing so, there is little control over distribution, no means of monitoring which location goods are from, or how regularly donors provide the goods or any means of moving them from shop to shop. The



pedestrianisation of the high street in many towns has also caused a downturn in the number of goods being given in to individual shops. Donors are finding it harder to “park and drop” and for many donors it was either too embarrassing to carry goods in or the goods were too heavy (Horne, 1998).

While there appears to be a growing trend towards donation to charity shops, competition between charities for these donations has meant that shops are still struggling for stock. Charity retailers are actively seeking extra donations through a range of means. These include: introducing new merchandise into shops, undertaking bag drops, seeking *goods in kind* from commercial retailers and circulating stock between shops to make up deficits.

Initially, bag drops were a popular method of actively seeking donations amongst charity multiples, but competition from both other charities and private rag merchants has rendered this method less than lucrative. As a result, many large chains are cutting back on their bag dropping activities and concentrating their resources into other methods of acquiring stock (Parsons, 2004). Many of the more professional charity retailers now operate their own pick up and distribution systems. Van drivers, many of whom are employed on an hourly rate or are self-employed, drop bags in neighbourhoods and call back for them at a later date. Charities operating this system suggest that it is the control and monitoring of these systems which make them so much more useful than traditional collection bins (Horne, 1998).

In Australia, problems with the quality of goods deposited at charity bins (discussed in the next section in more detail) has meant that charities are increasingly diversifying their avenues through which goods are sourced. At the forefront of this trends has been the Salvation Army who no longer rely on deposit bins, instead they have invested in smaller bins inside stores, clubs and offices, home pick-up of goods and paying community clubs for collecting goods on their behalf.

Industry Trends and Challenges

Several market trends are affecting the ability of charities to deliver their services. For instance, the increasingly competitive charity sector is characterised by an increase in the demand for services, a reduction in traditional governmental financial support, and an increase in the number of organisations (Ignacio, Gonzalez, Vijande, and Casielles, 2002). As a result, charities are now fighting over smaller funding budgets, a smaller pool of volunteers and struggling as they have to implement business practices that will ultimately make them more accountable, profitable, an attractive to future business partners (Goerke, 2003; Rados, 1996). This has, in turn, brought about a number of challenges including managing financial resources, managing human resources including volunteers, managing changing consumer needs, and challenges of finding new markets, new partners and new ways of working (Inglis, Alexander, and Weaver, 1999).

Shop managers are under increasing pressure from charities, particularly to sustain and **increase profits**. This is not easy in today's competitive climate where both good quality donated stock and volunteers are in short supply. This means that managers are working increasingly hard to increase sales through careful pricing, display and merchandising, and regulating the stock on the shop floor by coordinating changeovers and promotions and generally keeping stock moving. This is especially important because many customers visit the shops very regularly so changing stock is essential to keep them interested in making a purchase. However by transforming these spaces into professional retail outlets charities may extinguish the very features that charity shops rely on for their success (Parsons, 2004). By maximising profit – and thus maximising prices obtained for goods – the shops may ironically hurt those they are collecting money for and the volunteers dedicated to the cause.

There has also been a trend towards more *centralised decision making*. Rather than the traditional system where store managers make decisions regarding pricing, merchandising and promotion, these decisions are now being made in centralised locations. Research suggests that this may not be the best strategy in terms of keeping staff motivated and satisfied (Parsons and Broadbridge, 2004). In a UK study, managers agreed most strongly with the statement that “Too many decisions are made by head office without branch managers’ consultation” (64 percent agreed or agreed strongly). They also tended to express agreement with the statements “I would like more opportunity to influence decisions made by the charity” (51 percent agreed or agreed strongly) and “I feel constrained by head office rules” (50 percent agreed or agreed strongly). These findings indicate that managers are concerned about their wider role within the organisation; wanting to be consulted on decisions made at higher levels and wanting to have some influence within the organisation.

The introduction of *new merchandise* in charity shops has become a popular strategy for these organisations. However, it has become apparent that some volunteers find the concept of selling new merchandise difficult to understand and the introduction of new goods is perceived by some to be changing the nature of their volunteering altogether. Many report that money is being spent unnecessarily on the purchase of new goods and do not appreciate the reasons for the change (Horne and Broadbridge, 1995). If new goods are on sale then charity shops will begin to compete more directly with each other (Horne, 1998).

Competition is an issue that has affected all charity retailers. However, competition is more than just existing charities dividing up available funds, but also the result of new focused charities being developed to examine specific aspects of a social issue (Joachimsthaler and Aaker, 1997). It is estimated that on top of the 30,000 plus registered charities, a new foundation is established at least every four days (Brook, 2002). This is mainly due to the Government’s withdrawal from many areas of social welfare provision (Bennett and Gabriel, 2003).

The increase in competition and its effect on the ability to attract funding is compounded by a ***decrease in individual giving***. A charity funding report by UK research group Key Note (Marketing Week, 2001) reported that giving has dropped steadily since 1993. Other figures indicate that donations have steadily been declining for over 20 years (Fletcher, 1998), with the biggest drop among younger audiences (Hughes, 2003).



This can, in part, be attributed to the sheer number of charitable organisations. According to a British survey, adults believe that “there are too many charities doing similar work and competing with each other” (Poole, 2000, p.9). Individual giving behaviour has also changed as donors no longer remain loyal to a cause over their lifetime, and are more selective and sophisticated in their giving.

The progressive ***reduction in government and donor support*** has led charities to diversify their sources of revenue (Mariiez, 2003), leading to a growth in cause related marketing. Cause related marketing can loosely be defined as a product promotion that pledges to donate money or good goods to a worthy cause (Anonymous, 2003). Corporate brands meet their economic responsibilities and improve corporate reputation on a number of levels, whilst charities gain increased funding and awareness for their brands (Martinez, 2003). The Australian government has been actively encouraging these business partnerships between the profit and non-profit sectors (Busch, 2001) and the many benefits that can be gained by charities has meant that there is an increased imperative for them to create partnerships with profit-driven organisations (Goerke, 2003;

Irwin, 2003). However, corporate Australia has put pressure on charity organisations to develop better marketing and business skills when seeking funding from them (Burbury, 2003), thereby raising more difficulties for charities.

Problems related to stock management and stock control are also affecting charities financially. Charities are paying more than \$1 million a year to clear household rubbish dumped outside their stores by Victorians. This is forcing funds to be diverted from essential programs for the state's most needy. Thieves are also stealing from charity shops overnight, taking the best items left outside by well-meaning donors and scattering the rest, making much of it useless. Piles of kitchen waste, garden clippings, building materials, car parts and syringes are regularly dumped outside Victorian charity centres. Rubbish dumped into charity clothing bins has caused many organisations to reduce the number of their bins with the Salvation Army cutting its bins by two-thirds. The Salvation Army previously spent \$500,000 a year on tip fees in Victoria, with transport and labour costs adding to the bill (Rindfleisch, 2005).

Thieves are stealing up to \$750,000 worth of clothing and goods from Salvation Army family stores each year. Up to 150,000 donated items disappear each year from the Salvos' 54 Melbourne stores as well as the few charity bins around the state. While in any retail organisation theft has always been a problem, this problem is reported as getting worse. In response charities have to invest in putting staff through training sessions to try to improve their awareness of it and to try to reduce it as much as possible and some are employing staff to collect goods from outside stores before they were stolen (Hodgson, 2004).

2.0 Key Competitor Analysis

The Salvation Army



The Salvation Army in Australia is part of an international movement whose message is based on the Bible. Active in 103 countries, the Salvation Army is an evangelical part of the universal Christian Church whose mission is to preach the gospel of Jesus Christ and to meet the needs of the community in his name without discrimination. Their work in Australia is based in two territories; Eastern Territory (NSW, ACT and Queensland) and Southern Territory (Northern Territory, Tasmania, Victoria, and Western Australia). Both of these territories answer to the global Salvation Army head office in London.

The Salvation Army assists 1.08 million people each year throughout Australia and spends \$318 million delivering its social services. In the 2004-2005 fiscal year, The Salvation Army in all of Australia received \$106,099,300 through donations in the following areas:

- Red Shield Appeal: \$58,546,500
- Wills and Bequests: \$41,220,900
- Tsunami Appeal: \$ 6,331,900

Their total fundraising costs amounted to less than 12 cents on the dollar. According to the Salvation Army, their average mail donation is \$65, their average phone donation is \$133 and their average internet donation is \$196.

The largest campaigns run by the Salvation Army are its Red Shield Appeal and its Kmart Wishing Tree Appeal.

In the UK, the Salvation Army has developed a strategy intended to seriously compete as a value retailer over the coming years. They plan to more than double store numbers (from 45 to 120) and to refurbish all their stores, placing them under five distinct banners. Each separate banner will offer a distinct range of products and managed by a team of retail professionals (Retail Week, 2005). The new store offering is listed as:

- *Again*: clothing, home accessories and books
- *Bargain*: sell clothing and charge customers by the weight of their purchase
- *Live Again*: specialises in homewares
- *Read Again*: specialises in books
- *Re*: vintage wear and original designer clothing

In Australia Salvation Army stores are known in the Eastern Territory as *Salvos Stores* and in the Southern Territory as *Salvation Army Family Stores*. They operate in accordance to slightly different missions and visions, however they are based on the same core values:

“Salvos Stores is committed to continually redevelop our donor base of gifted and new products and provide our retail customers with goods at affordable prices; thereby assisting The Salvation Army to be more effectively mobilised for mission.”

“Family Stores is the Recycling Division of The Salvation Army and is committed to provide services in harmony with Christian principles and providing funding for The Salvation Army.”

The purpose of Salvation Army stores throughout Australia is stated as being to:

- Commit to providing all services in harmony with Christian principles
- Assist the community by providing reasonably priced, quality, used clothing, furniture and other household goods
- Provide free goods to families referred by a welfare officer of The Salvation Army Family Support Services
- Contribute to the protection of the environment by reducing the quantity of textiles and household goods delivered to land fill, by recycling waste and providing industry with recycled cleaning materials
- Providing a 'work environment' for volunteers, rehabilitation program for addicted clients, work for the dole and community services order persons
- Providing a substantial financial surplus each year to Salvation Army Corps and Centre programs through Territorial Headquarters General Fund

The objective of the retail stores is to clear a minimum of 20% surplus from trading which is paid into The Salvation Army general funding account to underwrite part of the annual budget for their work throughout Australia.

According to their annual report the total costs of providing all Salvation Army social services in the Southern Territory for the 2003-2004 fiscal year was over \$288 million. Family



Stores accounted for 17% of these costs, which equates to close to \$49 million. While exact figures are not publicly available trading revenue (of which the Family Stores form the majority) in 2003-2004 was \$48.8 million.

The Salvation Army stores have been operating in some form or other for the past 116 years. Family Stores operate 206 Retail Stores throughout the Australian Southern Territory. In Victoria alone there are approximately 98 retail outlets.

Of the total retail sales at Salvos Stores, approximately 10% are new products which The Salvation Army purchases for resale. These stock items are quality products at attractive prices and supplement the recycled donated products given by the general public for resale.

Clothing is the Salvation Army's biggest source of trading and accounts for approximately 70% of our business activity.

Once goods are collected they are sent to a central processing centre in the nearest capital or regional city for sorting and pricing; ensuring a consistent standard of quality and pricing. They are then distributed to one of the Salvos Stores retail outlets in Eastern Australia to be sold to the general public at attractive prices.

However, products are always available free of charge to families and individuals in genuine need who have been referred by a Salvation Army Officer to a store.

New recycled stock is delivered at least once per week to each store and after two weeks on the racks is available for sale at half price during the third week. By the end of the fourth week the unsold used clothing stock is culled out and sold through wholesale means. This strategy ensures that stock is constantly refreshed and that customers always have new stock and specials from which to choose.

The Salvation Army retail operations use both volunteer and paid staff managed by cluster managers. All management and supervisory staff are paid salaries in line with awards and commercial practices. In addition, to support those staff members, stores are operated with the support of around 800 volunteers and people seeking employment through government support programs.



The growth in Salvation Army stores are largely attributable to the business decisions made in the mid 1990s to run Family Stores along management lines of commercial retail operations. Staff are fully trained in retail practice, they wear corporate uniforms and stores and trucks are fitted out in corporate colours and logos. Furthermore staff are now offered a career path into management, with internal promotions a high priority.

The Salvation Army has also made a concerted effort to market their stores so as to appeal to a range of demographics. The current campaign is targeted at youth who are interested in vintage clothing at a low cost. The campaign is modern and goes along way to changing the image of Family Stores as a place just for the needy. Further, they also have campaigns aimed at families who are interested in saving money. This indicates that the Salvation Army is being proactive and are



very advanced when it comes to marketing of their stores. Rather than relying on emotional appeals and the loyalty of long-term customers they are making attempts to attract new shoppers and customers who may not have considered shopping at a family store.

In 2004 The Salvation Army axed its outdoor clothing bins because disposing of trash abandoned at Victorian stores cost the Salvos \$500,000 in tip fees a year (Herald Sun, 2004). Originally 650 bins were in use, but with the costs of disposing the rubbish left at the sites mounting these have been phased out in favour of other collection methods. Salvation Army bins are now inside their stores, and available only for "open hours" donations. The charity has also boosted its home pick-up service.

In a bid to combat the shortage of donated goods to supply their retail chain the Salvation Army has developed a range of new strategies which are focussed on making them more "donor friendly". These include:

- Opening stores in evenings and on a Sunday for collections
- Increasing Sulo Banks to replace out-door Clothing Banks
- Community Recycling Partners
- Online Donations
- Expansion of the "Red Bag it for the Salvos" campaign throughout Australia

Dollars for donations campaign: with the help of Community Recycling Partners the Salvation Army has developed a campaign to increase the level of donations received by collecting from clubs, schools and community groups. In return for organising a collection drive, the club receives a financial payment.

Online product catalogue: is used as part of its retail offering, and is available exclusively from its Family Stores or online. The main product line available through Family Stores and the online catalogue are bulk laundry, cleaning and body products.

Home collection service: To increase the number of collections their stores receive the Salvation Army also has a home collection service. After calling a centralised centre, bulky items such as furniture are collected at no cost.

Sulo Sallys: smaller bins (pictured below) have been placed inside dry cleaning stores, Family Stores and selected office locations. These bins were introduced to provide donors with a convenient location where goods can be dropped off and to attract better quality donations than those dropped at the door.



Red Bag Campaign: each year throughout Australia the “Red bag it for the Salvos” campaign is run to increase the donations of goods. According to the Salvation Army the campaign is two-fold:

- To keep the important message of recycling before the general public
- To keep the clothing coming in, particularly during the winter months when there is high demand for items - particularly with those who are finding it hard to make ends meet

St Vincent de Paul

The St Vincent de Paul Society has presence in 130 countries internationally and has over 950,000 members



worldwide. The organisation was established by Frederic Ozanam in France 1833 and its Australian operations were founded by Fr Gerald Ward at St Francis' Church in Melbourne in 1854. In Victoria, St Vincent de Paul is over 150 years old and has over 7,000 members and volunteers providing assistance to over 660,000 people through its two arms: St Vincent de Paul Society Victoria Inc. and St Vincent de Paul Aged Care & Community Services.

The Mission of the St Vincent de Paul Society in Australia is to deepen the Catholic faith of its members and to heighten the awareness of Jesus Christ. In this mission of service, St Vincent de Paul works with the poor, by respecting their dignity, sharing their hope, and encouraging them to take control of their destiny.

The focus of retailing for St Vincent de Paul is to provide the best quality items to customers and to build a reputation as places where genuine treasures and bargains can be found.

St Vincent de Paul has around 250 retail centres in operation throughout Australia, 94 of which are located in the state of Victoria.



Approximately 4,000 people volunteer in St Vinnies Shops in Victoria and approximately 73 people are paid employees, including Managers, Warehouse Staff, Area Managers and Centres Administration Office Staff. Employee numbers equate to only 1.8% of the total number of people who work in Vinnies Shops.

The aim of St Vincent de Paul Society Vinnies Shops is to provide high quality, low cost furniture, clothing and household items to people on low incomes or who are in need, as well as to the general public at a low cost. In addition, Vinnies Shops play a critical role in distributing and co-ordinating goods during disasters and other emergencies.

All profits raised from the sale of stock in the shops goes towards providing resources and support to those in need. Much of this money is used to buy food for local families in need.

Vinnies Shops not only sell essential items at affordable prices, but continue to provide a visual presence of the organisation in the community and an easily identifiable point of contact for people seeking assistance and community fellowship.



In the non-metropolitan areas, many Vinnies Shops also provide a confidential waiting area and interview referral room for people seeking assistance where brief information can be obtained to refer the person to other Society services such as home visitation or counselling.

In the past few years, a national decision was made to rename the Society's Centres of Charity to Vinnies Shops. During the past 12 months, St Vincent de Paul has also made concerted efforts to improve its retailing standards and provide a modern, fresh and popular shopping environment for both its clients and customers. This has been achieved by means of major renovations to many of its stores and retail facelifts.

St Vincent de Paul also has a newly developed INNZONE concept, which includes youthful fashions of today and originals from the 60s, 70s and 80s. This strategy has proved to be an extremely popular initiative attracting both bargain hunters and vintage clothing enthusiasts. Its success has seen the Society introduce the concept to a further nine shops across metropolitan and regional areas.

They have also refurbished the shop in Brunswick to convert it into Victoria's very first Vinnies INNZONE concept shop. True to the concept, the store is bright, eclectic and provides a "veritable treasure chest of goodies for retro shoppers". Furthermore, world renowned children's entertainers The Wiggles continue to provide their support to the Society for a national campaign promoting Vinnies Shops.

The St Vincent de Paul Society also operates six charity supermarkets around Australia, all of which are staffed and managed by volunteers. St Vinnies food stores sell 10,000 lines of groceries, from milk and bread to tinned food, ice cream, frozen and fresh meat, cleaning products, toilet paper and shampoo at quarter of their price in major grocery chains. Only pensioners, health card holders and those on government benefits are able to shop in these supermarkets for which donations are sought for goods from manufacturers and suppliers, as well as cash donations from the public.

The Society's retail centres rely solely on quality donated goods from the general public. St Vincent de Paul has collection bins that are conveniently located to deposit items such as furniture, books, clothing, household goods, bric-a-brac, toys, and blankets. Other sourcing options include the deposit of these items at local Vinnies Shops or a free pick up service for people who do not have the means to do so.

Donated goods are sorted by volunteers into family assistance, retail and recyclable items. Through its recycling of donations, the Society is a major contributor to Australia's environment and minimises the amount of landfill otherwise required.

This year, St Vinnies shops have assisted over 14,000 households with goods valued at \$1,233,442, while sales have contributed \$6,615,130 to fund St Vincent de Paul services. During 2004-2005, sales were recorded at \$12,486,196, representing growth in excess of 10% and an increase in the amount of funds available for assisting those in need.

Savers



Originally founded in the USA in 1954, Savers is a privately owned for-profit retail store chain that pays cash to their non-profit partners for donated clothing and household items for resale. As an international company, Savers now operates nearly 200 locations throughout the United States, Canada and Australia and is the largest company of its kind in the world. Savers currently has 5 stores in Victoria and a sixth store in the pipeline for 2006. However, as they are not publicly listed company information on this organisation is scarce.

The vision of Savers is to achieve distinction as a second-hand retailer that provides a refreshing shopping experience at incomparable value for customers, while simultaneously giving back to the local community. The organisation's mission is to succeed and grow as a profitable resale enterprise that leverages unique partnerships with local non-profit organisations and donors to continuously innovate a recycling-focused retail approach, ensuring consistent sourcing and volume of the highest quality product in multiple channels.

As Australia's recycling superstore, Savers has been described as an "op shop on steroids," from designer and vintage clothing to unique accessories, home décor, books, shoes, electronics, and sporting goods. There is always a guarantee of something new at Savers, and this is largely due to the thousands of items arriving daily from non-profit partners. The shop itself is run like a department store; things are sorted into sizes so goods are quick and easily found.

Savers accept donations of quality re-sellable items on their partnering charities' behalf and also conduct home pick-ups.

A large part of the Savers business is regular 50% off everything sale days and promotions. Savers also gives every donation of reusable clothing and household items a voucher for 30% off their next purchase. A free recycle rewards card also offers customers discounts of up to 30% off.

Key to Savers' success is their unique "everyone wins" business model. Savers pioneered the concept of partnering with local non-profits by purchasing and reselling donated items. Under this model, charities and the communities they support win by receiving a sustainable funding source; the environment wins through the implementation of recycling; and Savers wins by managing a thriving business. Savers' winning business model is three-fold:

1. Community and Charitable Partnerships: Savers provides benefits for local communities by purchasing goods collected by local non-profit organisations. This functions in the following way:

- Charity partners collect reusable clothing and household items and deliver them to Savers
- Savers pays the non-profit a bulk rate based on the volume of goods delivered; Savers also compensates charities for donated items delivered directly to the stores by individuals
- Savers sorts through the donations for reusable items suitable for the retail floor, which are then value priced and displayed for purchase



Through this business model, Savers has paid more than one billion dollars to charitable organisations in their 50 years of operation, allowing the non-profits to concentrate on the core needs of their organizations while leaving the complex retail operation to Savers. Currently, Savers partners with 120 charity organisations throughout the United States, Canada and Australia. In Victoria Savers is aligned with Diabetes Australia (since 1997) and YMCA (since 2003). Across the world more than \$100 million is paid annually to non-profit partners.

2. Environment: The Savers business model helps protect the environment by promoting the reuse of household goods and clothing which otherwise may end up in landfills. Beyond that, roughly 50 % of donated goods are unsuitable for the retail floor, and are shipped to developing countries and material wholesalers for reuse. Savers sells and ships 220 million



pounds of reusable goods to developing nations annually, which are then sold at local markets or shredded and recycled into rags. This represents another avenue through which Savers gain a substantial portion of their revenue.

3. Company and Employee Growth: Through strong non-profit partnerships and a commitment to recycling, Savers has grown from a single store in 1954 to nearly 200 retail outlets throughout North America and Australia in 2004. More than 7,000 individuals are employed throughout the Savers network, and because the business operates as a commercial organisation, employees enjoy a promising career track, full benefits and entry into the retail market. From training store managers to managing regional teams, Savers career tracks exceed positions typically found in the second-hand or charity industry.

3.0 Summary of Store Visits

In order to gain a deep understanding of BSL retail, nine stores were visited. Store visits encompassed an analysis of such factors as store layout, product range, pricing, display, signage, service, and trading circles. The stores visited were selected based on consultation with the Brotherhood of St Laurence to represent a range of retail operations. The BSL stores visited are listed in the table below:

LOCATION	DESCRIPTION
Balwyn	Auxiliary
Bentleigh	Managed
Brunswick	Managed
Eltham	Auxiliary
Heidelberg West	Managed
Hunter & Gatherer St Kilda	Managed
Knox	Managed
Moonee Ponds	Managed
Ormond	Auxiliary

Without exception, the layout of all stores was consistent with commercial retail models. Products were displayed in separate areas, with products in the same category grouped together. Merchandise was well arranged and sorted according to styles, colours and occasions (i.e. casual versus formal). In addition, menswear was separated from womenswear, and in most cases clothing was divided into sections such as shirts, jackets, skirts and pants to facilitate easy customer browsing. This compares well against other charity retailers who often have poorly laid out stores making it difficult for customers to search through the goods on offer.

While the product range varied according to store size, most stores had a wide selection of goods for customers to choose from. Typically, stores stocked items such as clothing, shoes, books, toys, bric-a-brac, bags, manchester, hats, and CDs/tapes/LPs. The larger stores also sold a range of furniture and homewares. Due to their different format and philosophy, Hunter & Gatherer stores only stocked new and vintage clothing and accessories.

Most of the stores visited used BSL price labels to attach to items, which were clearly marked with the retail price and, in some cases, the date of which they arrived at the store. Prices were fairly consistent across stores and suitable to the area in which they operated. For example, Knox's womenswear was at a higher price point than other stores. While charities do vary in their pricing strategies between locations, the BSL stores visited priced their goods below that of other charity retailers and Savers.

The way in which merchandise was displayed did vary among stores. While some stores were more professional than others, all had stock displayed neatly either on clothing racks or shelves. Only one of the stores visited had a "bargain bin" for customers to rummage through. Several of the stores had mannequins in the display window modelling fashionable vintage clothing to attract buyers. Generally, the products were displayed clearly and without clutter that is typical in many op-shops.



Signage throughout the stores also varied between locations. The majority of stores used BSL signs to indicate where items were located within the store and to highlight specials. However, some stores used hand-written signage on plain paper rather than that printed by BSL. Overall, stores did have signage that clearly directed customers around the store using the colours consistent with the BSL brand. The only inconsistency with regards to signage related to the display of BSL information, while some stores had information placed around the store highlighting the BSL mission, values and purpose for raising funds, some stores were completely lacking in this sort of information.

The stores visited were all located near public transport, enabling easy access for customers without personal transport. Within the immediate trading circle, BSL stores had a tendency to be surrounded by independent retailers rather than large chain stores. The immediate area was also often characterised by vacant shopfronts or stores that operated with limited hours, this may indicate the low foot traffic experienced by these high street locations.

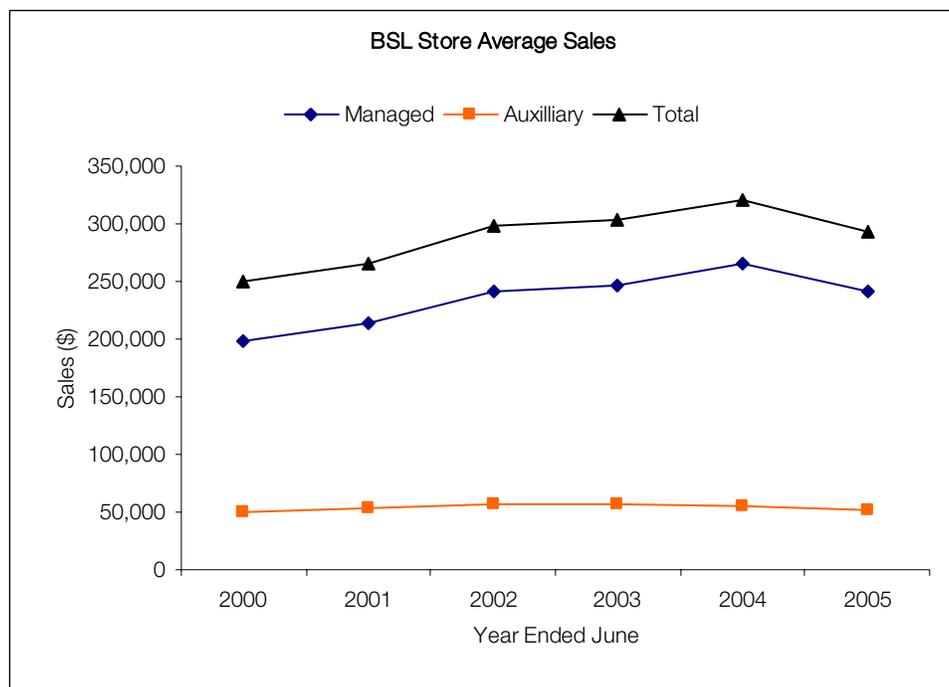


Financial Analysis

A key task in developing an organisation's financial strategy is to analyse current performance and set future targets based on a number of key financial indicators. The key financials related to the Brotherhood of St Laurence's (BSL) retail operations will now be discussed in turn so as to analyse their current performance and provide recommendations. As suggested, the analyses in this section are based on financial figures outlined in BSL's most recent retail store PowerPoint presentation.

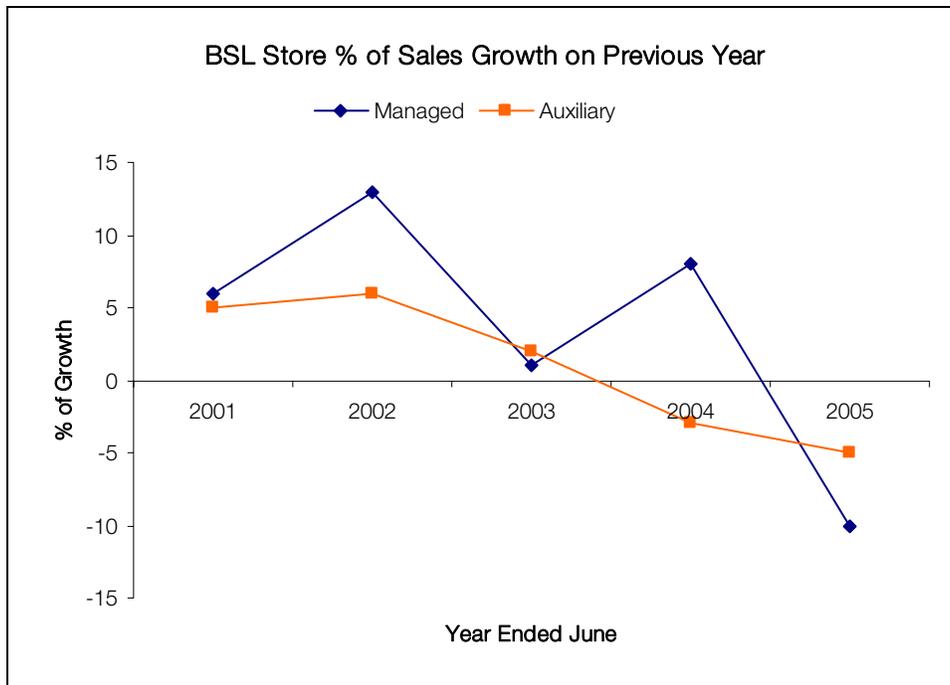
Sales

Net sales represent the revenues received by BSL from the sale of their stock during a given time period minus any markdowns or discounts. For the year ended June 2005, BSL retail sales totalled \$5,711,361. This represented an increase of close to \$1.5 million in sales since 2000 (most of this growth is attributable to increased sales by Managed stores). The average sales for BSL stores over the most recent six year period are illustrated in the following graph.



As can be seen from the graph, Managed BSL stores have experienced higher average sales than Auxiliary stores, and are therefore driving sales for BSL retail. However, during the period 2004-2005, for the first time, Managed stores recorded a downturn in average sales to \$240,562. On the other hand, Auxiliary stores sales have remained relatively stable over the past six years with average store sales of around \$50,000 per annum.

Looking at the percent of sales growth over the last six years for the two types of stores (see graph below), it is possible to see that they have followed quite distinct patterns of growth. While Auxiliary store sales have been fairly stable, they have declined in recent years, particularly in 2004-2005 when sales fell by 5%. Managed stores have followed a less stable growth pattern, experiencing large increases and decreases, culminating in a 10% fall in sales in 2004-2005.



The decline in BSL sales may be a result of fall in patronage numbers. In 2003, BSL stores processed 680,724 sale transactions. In 2005, however, this number fell to 577,200 for the year, representing a decline of 15% in transactions.

Compared to St Vincent de Paul, BSL retail stores are still performing well in terms of total sales. For the period 2004-2005, St Vincent de Paul reported total sales of \$12,486,196 for its 94 Victorian stores. Each Vinnies Shop recorded an average of \$132,832 for the year. In comparison, the average BSL store made \$190,378; this amounts to \$60,000 (43%) more than a St Vincent de Paul store. However, while BSL store sales have been in the decline over the last fiscal period, St Vincent de Paul retail sales have increased by more than 10%.

Cost of Goods Sold

The cost of goods sold (COGS) refers to the amount a retailer pays to acquire stock during a given time period. It is based on the purchase prices and freight charges, less any discounts. The COGS is usually the largest expense on the income statement of any retail organisation. The COGS for BSL retail is made up of factory purchases, furniture delivery and the purchase of new goods and materials. Auxiliaries have no significant COGS due to their differing business operations. For example, Auxiliary stores receive a large amount of direct donations from the local community and therefore do not purchase large amounts of stock from the factory. As such, the following table lists the COGS of Managed stores only for the last six years.

Year	Factory Purchases	Furniture Delivery & New Goods	Total Cost of Goods sold	% of Sales
99/00	\$ 1,109,939	\$ 262,860	\$ 1,372,799	31%
00/01	\$ 1,050,545	\$ 281,138	\$ 1,331,683	28%
01/02	\$ 1,515,481	\$ 318,552	\$ 1,834,033	35%
02/03	\$ 1,537,295	\$ 324,596	\$ 1,861,891	34%
03/04	\$ 1,589,248	\$ 410,124	\$ 1,999,372	34%
04/05	\$ 1,415,424	\$ 317,542	\$ 1,732,966	33%

Over the last six years, the average COGS in Managed stores was 32.5% of sales. As the table above highlights, the COGS for BSL retail is fairly stable, with the exception of a jump in factory purchases (up \$500,000) in 2001-2002 which contributed to an increase in COGS of 7% to 35%. However, as would be expected, the COGS for Managed BSL stores has fluctuated in line with sales which experienced a large growth in 2001-2002.

When Auxiliary sales are taken into account, the COGS for *all* BSL stores for the period 2004-2005 was \$1.9 million, representing 30% of total sales. Throughout the recorded period, the COGS has remained relatively stable. These figures are low as is common amongst charity retailers where there is little need to purchase merchandise as goods are largely sourced through donations. As a point of comparison, department and apparel stores COGS is normally about 60-65% of sales (Ghosh, 2004).

In retailing, COGS usually includes not only the invoice cost of merchandise but also the cost of transportation to the store, plus any workroom costs associated with preparing the merchandise for sale. From the management point of view, COGS can be reduced by operating on any or all of these factors. The Brotherhood of St Laurence would be able to substantially reduce their COGS by either delivering to stores less frequently or developing an alliance with a transportation company who willing to manage delivery of goods pro-bono or at reduced cost.

Operating Expenses

Operating expenses are the costs associated with running a business. Retail managers have traditionally concentrated on reducing their operating expenses in order to increase profits. Operating expenses for BSL retail include all expenses that the organisation incurs with the exception of the COGS; wages, property costs, promotion costs, and administration costs. These operating expenses, for *all* BSL stores, totalled \$4,296 million in the year to date June 2005, representing 66.7% of total sales. Operating expenses was equal to 68.7% of sales for Managed stores for the same period, while only 55% for Auxiliary stores. The major reason for this difference is related to wage costs, which are minimal for Auxiliaries but are a substantial expensed for Managed stores.

In comparison, expenses for St Vincent de Paul, Vinnies Shops, were \$5,871 million for the period 2004-2005. This is \$1 million more than BSL store expenses, however there are 60% (64 stores) more St Vinnies stores throughout Victoria. This would indicate that St Vincent de Paul have greater control over their operating expenses than BSL.

Wages

Next to property costs, wage costs represent the second largest expense for BSL retail and are the most important consideration in the development of their retail strategy. The following table lists the wages expense of Managed stores for the last six years.

Year	Sales	Wages	% of Sales
99/00	\$ 4,381,000	\$ 963,820	22%
00/01	\$ 4,685,628	\$ 1,124,551	24%
01/02	\$ 5,309,194	\$ 1,221,115	23%
02/03	\$ 5,409,940	\$ 1,244,286	23%
03/04	\$ 5,858,916	\$ 1,464,729	25%
04/05	\$ 5,292,361	\$ 1,481,861	28%

The above table indicates that the costs associated with staff wages are a substantial and growing expense for Managed BSL stores. However, these figures are in line with, or less than, those of international charity retailers. In the UK, the average wage expense of a charity retailer as a percentage of turnover is 28.6% (Parsons and Broadbridge, 2002).

The pay offered to charity shop managers in the UK is generally low, and in some instances, not much higher than the national minimal wage at around \$23,000. Although this may be attributable to a lower national minimum wage in the UK, the average wage of BSL store managers is high in comparison and measures up reasonably with other areas of retail at \$35,000 - \$40,000.

Gross Margin

The gross margin represents the difference between sales and the cost of goods sold; it consists of operating expenses plus net profit. The table below lists the gross margin of Managed BSL stores for the past six years.

Year	Sales	Cost of goods sold	Gross Margin	% of Sales
99/00	\$ 4,381,000	\$ 1,372,799	\$ 3,008,201	69%
00/01	\$ 4,685,628	\$ 1,331,683	\$ 3,353,945	72%
01/02	\$ 5,309,194	\$ 1,834,033	\$ 3,475,161	65%
02/03	\$ 5,409,940	\$ 1,861,891	\$ 3,548,049	66%
03/04	\$ 5,858,916	\$ 1,999,372	\$ 3,859,544	66%
04/05	\$ 5,292,361	\$ 1,732,966	\$ 3,559,395	67%

This table indicates that the gross margin for Managed BSL stores has fluctuated during the last six years and averages over the period to 67.5% of sales. This means that for every dollar of sales generated, stores had 67.5 cents to cover costs such as rent and wages, and from which to draw a profit. The remaining 32.5 cents went directly to cover costs associated with the acquisition of stock.

The gross margin was higher for Auxiliary stores at 98.7% for the year to date June 2005, further figures were not available. While this figure is much lower, it is not unexpected as these stores are managed by volunteer staff (rather than salaried staff) and have relatively low costs associated with the goods they sell.

BSL will find that the profit margin may be increased by controlling expenses. If they can maintain the same level of sales with lower costs, net profit margin will increase. Generally, retailers find that a small change in costs results in a substantial improvement in net profit margin. The key areas where BSL should try and minimise costs are personnel and rent.

Stock Turnover

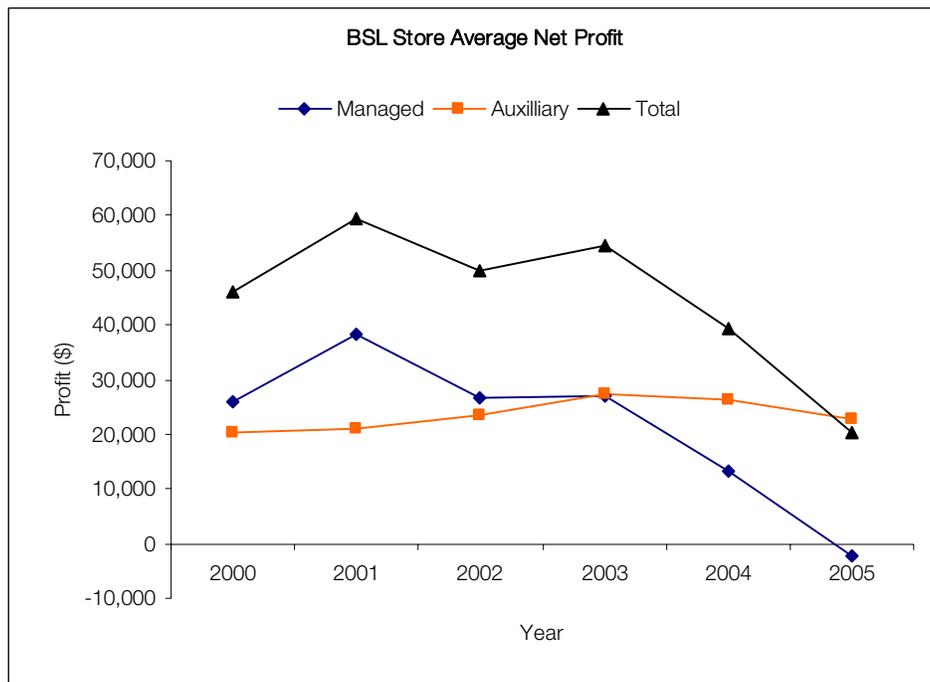
Turnover of stock on hand refers to the number of times during a specific period, usually one year that inventory in the store is sold. The rate of stock turnover in BSL stores has been increasing since 2002 and in 2004 the average piece of stock took 8 months to be sold. This rate is much lower than in the rest of retail. For example, the average family clothing store, women's clothing store and furniture store take 3 months, 2 months and 1.5 months respectively to turn stock over (Dun and Bradstreet, 2001). With regard to this area, BSL retail is performing below average compared to the rest of the retail industry. However this is not unusual for second hand goods which typically take longer to turnover.

It is important to remember that the Salvation Army, BSL's biggest competitor, has a policy of turning stock over every four weeks. Stock is displayed for two weeks, if stock has not sold by the third week it is sold at half price, and by the fourth week stock is taken off display and sent back to the warehouse. This is very important in an industry where customer shop on a regular basis and seek new goods each time they visit.

BSL should try and attempt to increase the turnover rate of its products because a high turnover sees many benefits for the organisation. The higher the turnover the more inventory investments can be said to be productive in that items are fresher, there are reduced costs associated with change in styles and interest, insurance, breakage, and warehousing costs are reduced. However BSL will need to determine the optimal level of stock turnover for their stores, since profits may be lost if prices are reduced to turnover stock quicker and BSL may experience higher freight costs if stores no longer ordered in bulk (Berman and Evans, 2004).

Profit

For the year ended June 2005, BSL retail stores recorded profits close to \$145,000. While Managed stores made a loss equivalent to 1% of sales (a fall of 17% since its peak in 2001), Auxiliary stores boosted overall results with profits equivalent to 43% of sales. Individual store profits have followed a similar pattern. The following graph illustrates the average net profit earned for a BSL store over time.



The preceding graph shows that the average Managed store has experienced a marked decline in profitability since 2003. In 2005 the average store made a loss of \$2,406, a \$15,721 fall from the previous year. While the average store sales is in the negatives, 63% of Managed stores did generate a profit – 14 stores made a profit in the year ended June 2005, with 8 stores making profits in excess of \$20,000. Of the stores performing poorly, 7 stores made a loss – 5 of these made losses over \$20,000. The biggest losses were recorded at Footscray and Deer Park, with \$111,334 and \$91,448 respectively. These negative profit figures by far outweigh the profits gained by other stores as the highest Managed store profit was only \$39,818.

On the other hand, the profit of all Auxiliary stores during the same period has remained relatively stable. For the year ended June 2005, the average Auxiliary store made a profit of \$22,625; almost \$25,000 more than the average Managed store. No losses were recorded for the period, although Box Hill did only record a profit of \$307.

Overall, Auxiliary stores performed better than Managed stores in terms of profit. Three of the highest profit earners were Auxiliary stores who achieved profits in excess of \$40,000. Auxiliary profit is comparable to such successful UK charities as OXFAM, Barnados, Help the Aged, and The British Red Cross (from figures in Parsons, 2003).

In 2005, the average weekly profit earned by a BSL store was \$92. Looking at the two types of stores separately, the average weekly profit for a Managed store and an Auxiliary store was \$33 and \$439 respectively. However, these results have been in decline in recent years. For example in 2004 the average weekly profit for a BSL store was \$322; a Managed store had an average profit of \$256 and Auxiliaries an average weekly profit of \$502.

In comparison to profits attained in by charities in the UK, BSL retail is performing poorly overall. While Auxiliary store profits are good in comparison, total BSL retail figures per store, per week, is less than the average profit of multiple and independent charity retailers in the UK which was reported as \$437 and \$647 respectively (Parsons, 2003).

Profits for St Vincent de Paul were reported as \$6,615,130, in comparison to BSL's \$145,000. This equates to a profit of \$70,374 per Vinnies Shop which is significantly higher than BSL stores. It is important to note that St Vincent de Paul store sales were significantly lower than the average BSL store but they have been able to achieve profits much higher than that of BSL perhaps because of lower expenses. In comparing the performance of these two charity retailers it is possible to see that St Vincent de Paul are receiving far greater returns on their sales than BSL. Where BSL's profit as a percent of sales is 2.5%, St Vincent de Paul are able to achieve 53% profit to sales.

Breakeven Analysis of Store Types

A breakeven analysis is useful in determining the point at which total revenue equal total cost, and any sales beyond this point result in profit. Due to the distinct salary costs, the breakeven points of Managed stores and Auxiliary stores are markedly different.

Year to Date: June 2005		
	Managed Stores	Auxiliary Stores
Fixed Expense \$ (property costs)	\$ 1,628,959	\$ 175,360
Gross Margin %	67%	98.7%
Salaries %	28%	4.2%
Central Admin %	6.8%	7.6%
Other Variable Exp %	2%	1.3%
Total Variable Exp %	36.9%	13.1%
Break-Even Sales \$	\$ 5,404,642	\$ 204,860
Number of Stores	22	8
B/E Sales per Store \$	\$ 245,666	\$ 25,607

Managed stores need to make \$5.4 million in sales in order to cover their expenses which equates to \$245,666 in sales per store. However, Auxiliary stores need to achieve total sales of only \$204,860 or sales of \$25,607 per store. The breakeven point for the Auxiliary stores is *less* than the breakeven amount required per Managed store.

These findings highlight the key point that the most significant expense for BSL in comparison to other charities and retail organisations is the wage expense of Managed stores. While the average retailer's wage expense is 8% of sales (CCH Benchmarking, 2003) BSL Managed stores' wage expense is 28%, and this figure has been steadily rising. Looking at the actual number of paid staff, this group accounts for 8% of the BSL workforce, four times more than that of St Vincent de Paul at 1.8%.

If BSL were to change the management structure of their Managed stores to be consistent with the Auxiliary stores (i.e. using paid regional managers and volunteer shop staff) salaries would be 4.2% of sales. This represents a breakeven point \$2.4 million less than with the current structure.

However, volunteers may not be readily available in which case the use of paid staff would be necessary. In this case BSL's sales expenses should be inline with commercial retailers, at 8%, if they are to succeed. In this case the breakeven point would also be significantly reduced by \$2.2 million. Each store's sales targets would be reduced to \$137,101 – a drop of over \$100,000.

Projected Figures				
	Salaries at 8% of Sales		Salaries at 4.2% of Sales	
Fixed Expense \$ (property costs)	\$	1,628,959	\$	1,628,959
Gross Margin %		67%		67.7%
Salaries %		8.0%		4.2%
Central Admin %		6.8%		7.4%
Other Variable Exp %		2%		2.1%
Total Variable Exp %		16.8%		13.7%
Break-Even Sales \$	\$	3,244,938	\$	3,016,224
Number of Stores		22		22
B/E Sales per Store \$	\$	147,497	\$	137,101

A key point to note is that the financial analysis did not find a correlation between paid staff and profitability. In fact, the three most profitable stores were Auxiliaries who rely solely on volunteers. Even though their sales were lower, they had a higher profit to sales ratio. As such it does not appear that increased staff expenses are warranted and that moving towards a greater volunteer base would have a positive affect on profit.

4.0 Customer Questionnaire

MONASH University 

Brotherhood of St Laurence Customer Questionnaire

Report of Findings
14 December 2005

THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

Report Contents

- Questionnaire Aims
- Methodology & Sample
- Sample Profile
- Store Characteristics
- Shopping Behaviour
- Summary of Findings
- Appendix A: Hunter & Gatherer Findings

 MONASH University

THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

Questionnaire Aims

- Identify who Brotherhood of St Laurence (BSL) customers are
- Determine customer perceptions regarding BSL stores
- Discover the reasons behind why customers shop at BSL stores
- Understand factors that may influence how often customers shop and how much they spend

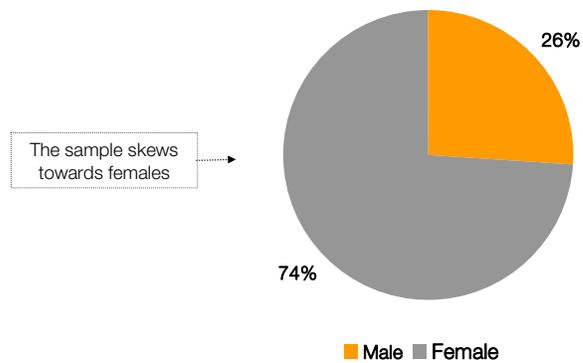
Methodology & Sample

- A self-administered customer survey was distributed by retail staff following ACRS guidelines
- Completed surveys were collected from the following stores:

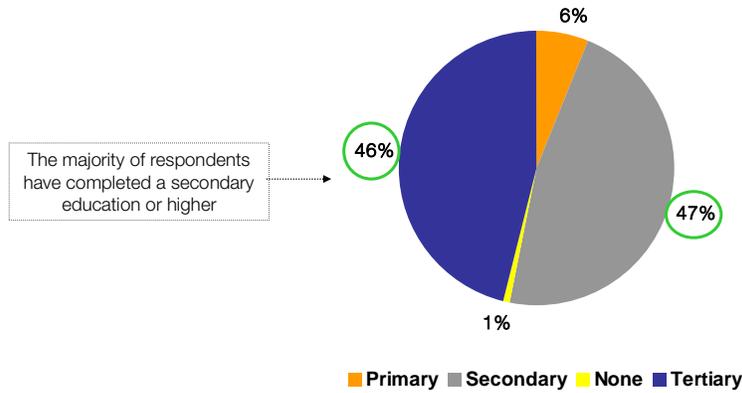
Heidelberg	62	Bentleigh	9
Brunswick	44	Eltham	9
Moonee Ponds	26	Mt Waverley	9
Geelong	25	Northcote	9
Fitzroy	20	Rosebud	9
Footscray	20	Glen Huntly	8
St Kilda	20	Ivanhoe	8
Croydon	19	Seaford	8
Fairfield	15	Greensborough	7
Malvern	12	Box Hill	6
Dandenong	11	Knox	6
City	10	Ormond	5
Deer Park	10	Watsonia	3
Pakenham	10		
		Total	400

Sample Profile

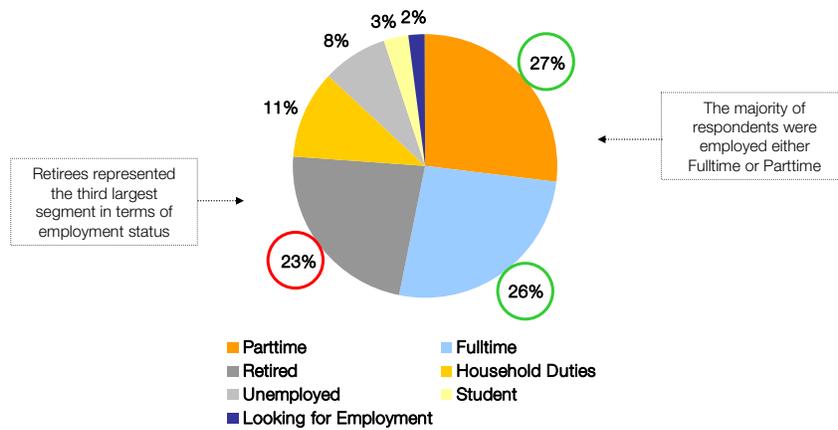
Gender



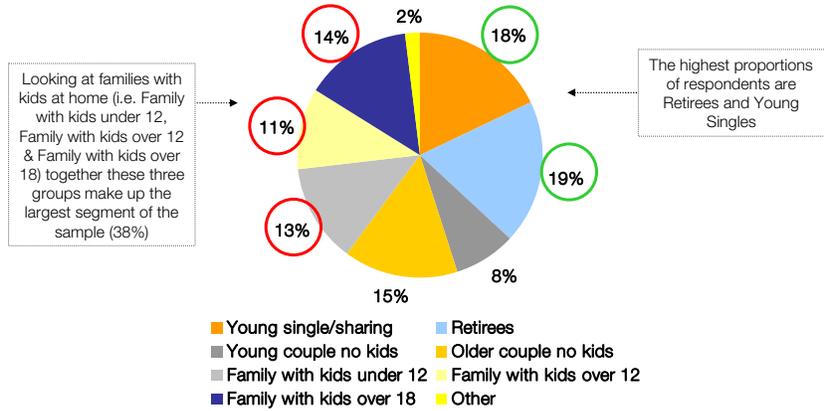
Education



Employment Status



Life Stage

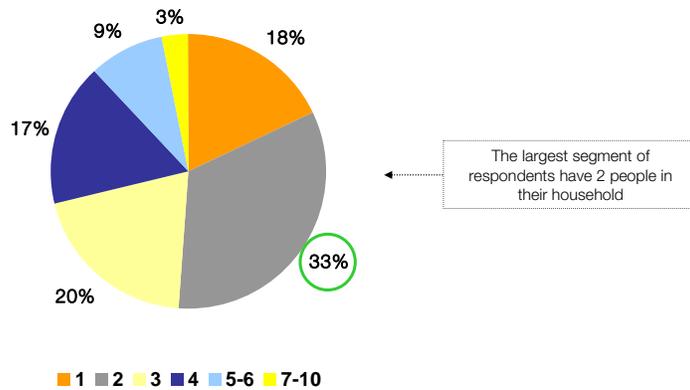


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Base Sample = 400
Other = Older Singles

THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

Household Size

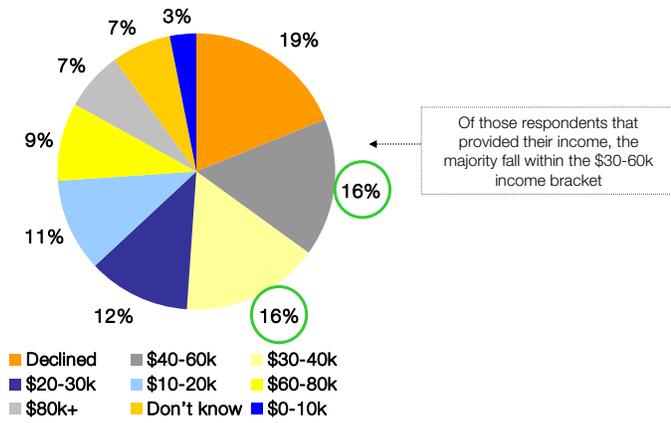


MONASH University

Base Sample = 400

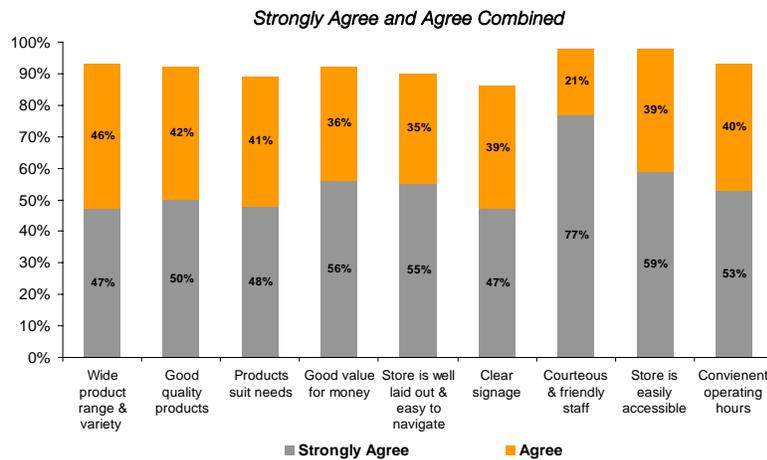
THE AUSTRALIAN CENTRE FOR
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Household Income



Store Characteristics

1. The following statements refer to your *thoughts and opinions* on particular characteristics of this Brotherhood of St Laurence store.
Please indicate the extent to which you agree or disagree



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RETAIL STUDIES

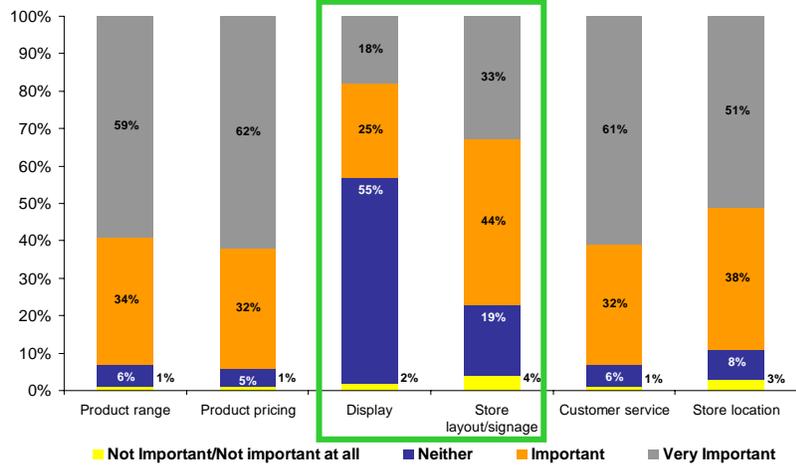
Customer Quotes

- “I couldn’t praise the staff here enough, management is excellent and friendly. I’m extremely happy with the store... I’m here almost every day!”
- “Love the ladies, love the service, love the hunt, don’t change, keep it up!”
- “Great staff; most people go for a chat or to meet up and then purchase goods because it’s a fun experience”
- “I am so thankful that I am able to buy presents for friends and family”
- “It’s a grey day and I needed cheering up so popping in to buy something, trying some things on and saying hi to staff does the trick”

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2. How important are each of the following store characteristics in ***increasing your visits to this store?***
 Please indicate the extent to which you find each important

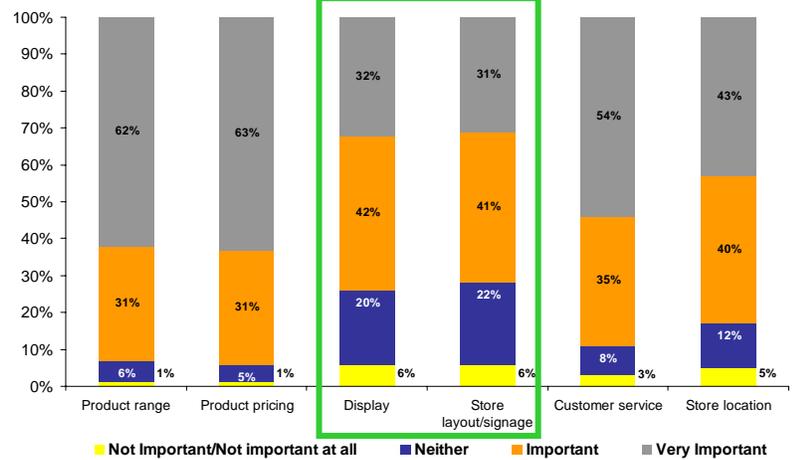


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Base Sample = 400

THE AUSTRALIAN CENTRE FOR
 RETAIL STUDIES

3. How important are each of the following store characteristics in ***increasing the amount of goods you buy*** when you visit this store?
 Please indicate the extent to which you find each important



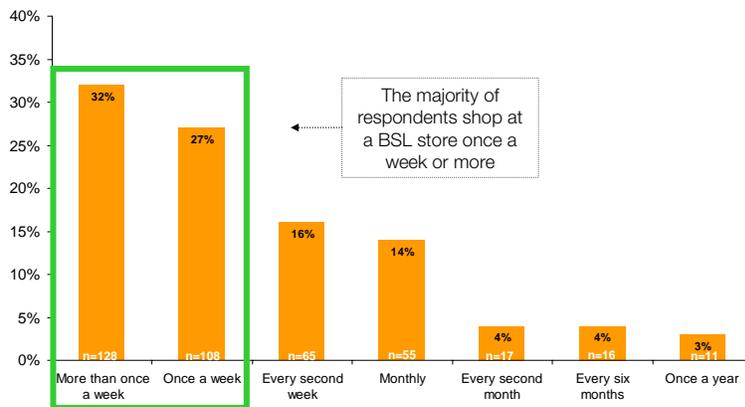
MONASH University

Base Sample = 400

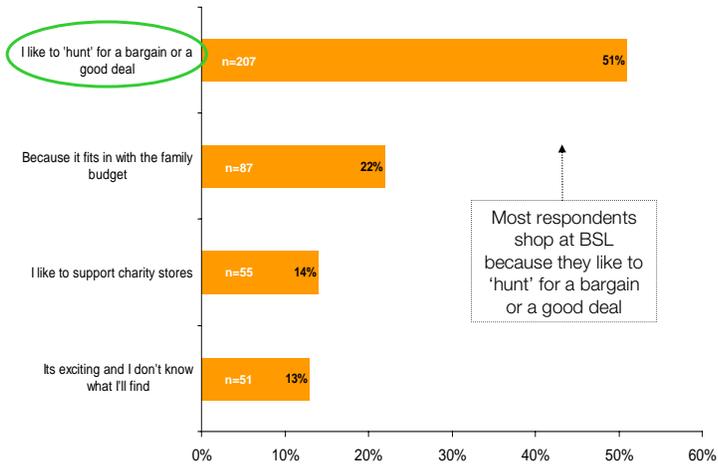
THE AUSTRALIAN CENTRE FOR
 RETAIL STUDIES

Shopping Behaviour

1. How often do you visit this store?

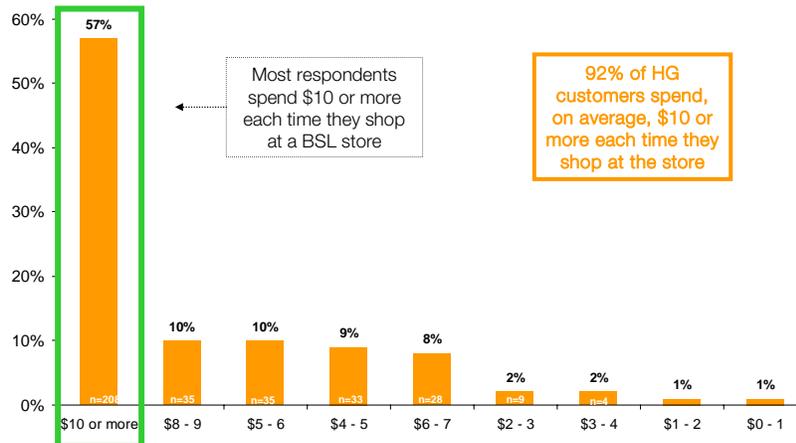


2. Which of the following statements *best describes* why you shop at this store?



Most respondents shop at BSL because they like to 'hunt' for a bargain or a good deal

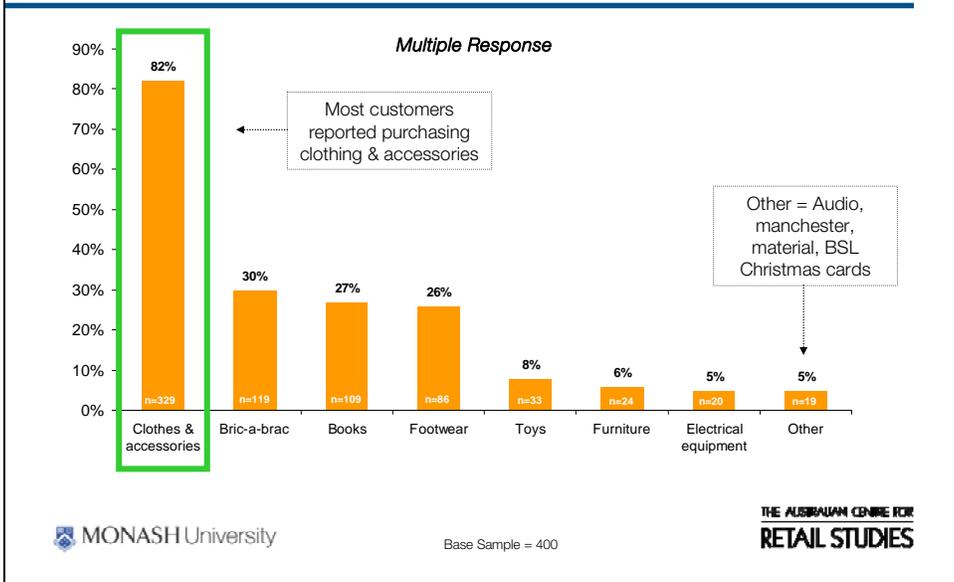
3. Approximately how much do you spend each time you shop at this store?



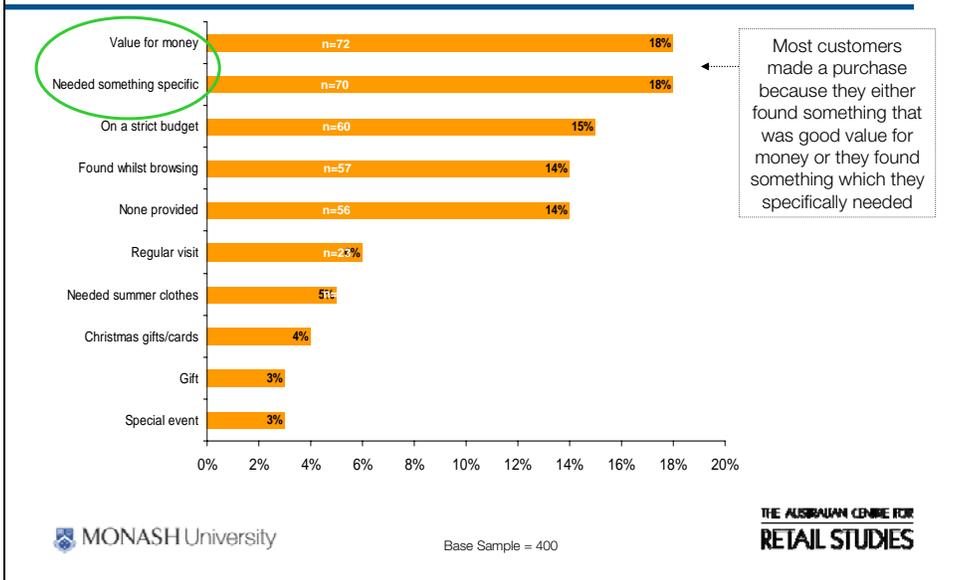
Most respondents spend \$10 or more each time they shop at a BSL store

92% of HG customers spend, on average, \$10 or more each time they shop at the store

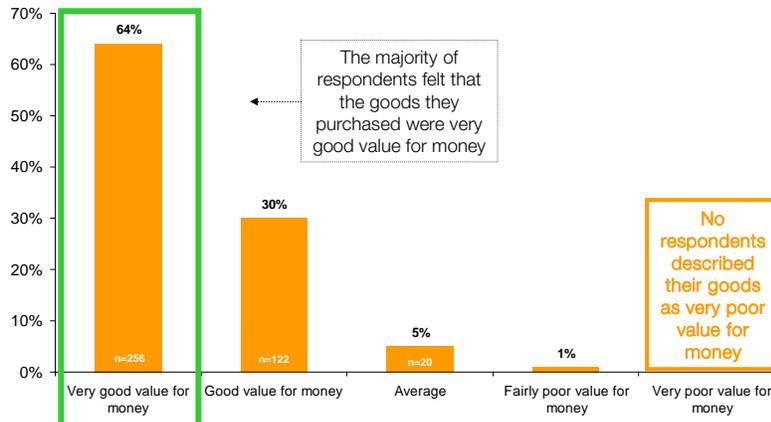
4. What type of goods did you purchase from this store today?



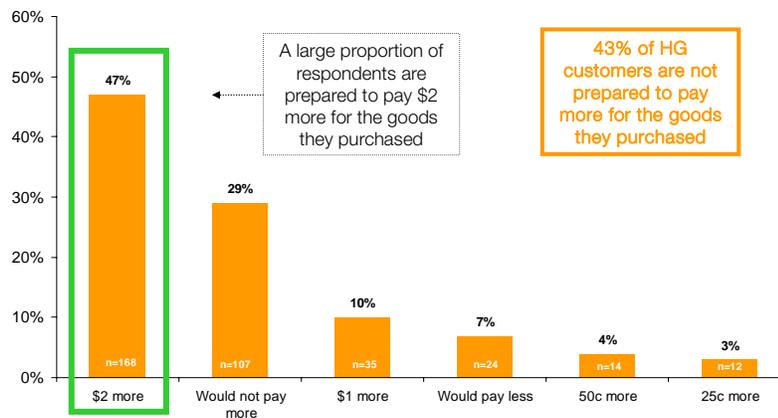
5. What is the *main reason* for your purchase(s) today?



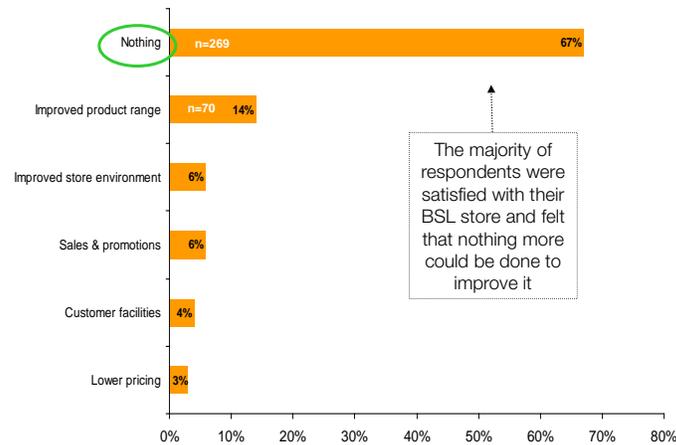
6. Would you describe the goods you purchased as:



7. What is the *most* you would pay for the goods you purchased today?



8. Is there anything that you think this store can do to encourage you to *visit more often* and *buy more goods*?

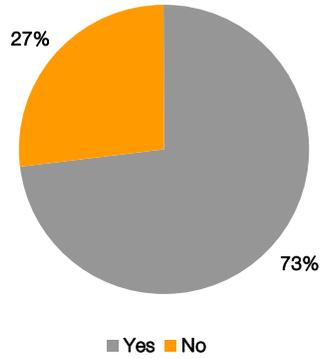


8. Is there anything that you think this store can do to encourage you to *visit more often* and *buy more goods*?

● Definition of groupings:

- Improved Product Range – increased quality of goods, more bric-a-brac, more retro clothes, more audio products (CDs, tapes, LPs), larger range of bigger size clothing
- Improved Store Environment – Better layout and display, cleaner stores
- Sales & Promotions – 50% off days, more specials, pensioner/student discounts, loyalty card
- Customer Facilities – Air-conditioning, toilets, longer operating hours

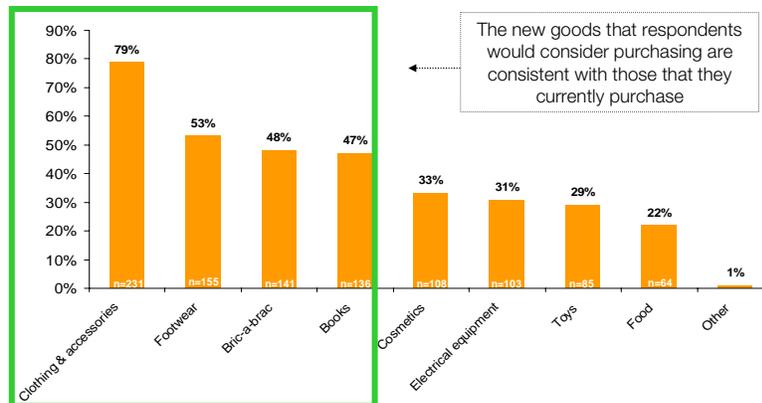
9. Would you consider buying *new goods* at this store?



The majority respondents would consider buying new goods from a BSL store, provided prices are reasonable

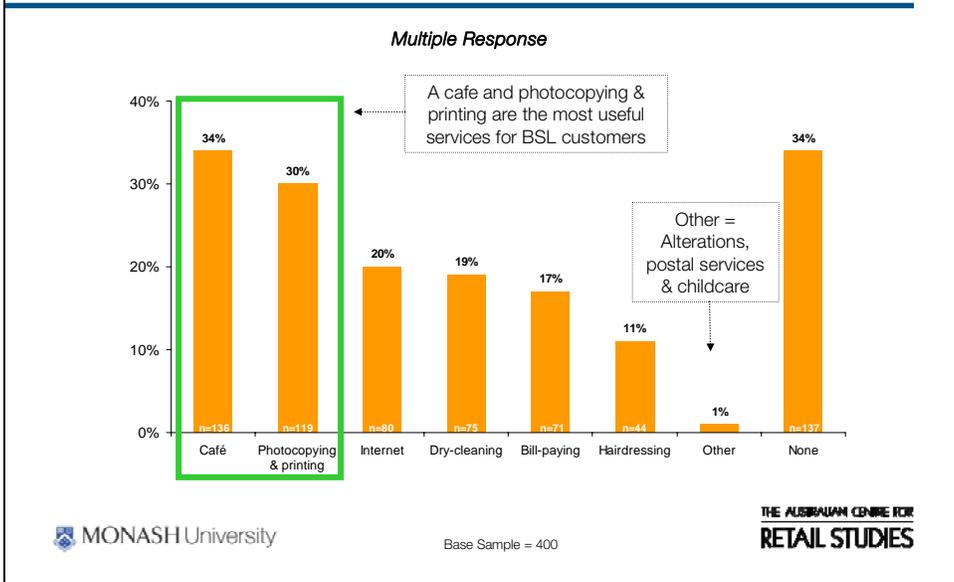
10. Which of the following *new goods* would you consider buying at this store?

Multiple Response

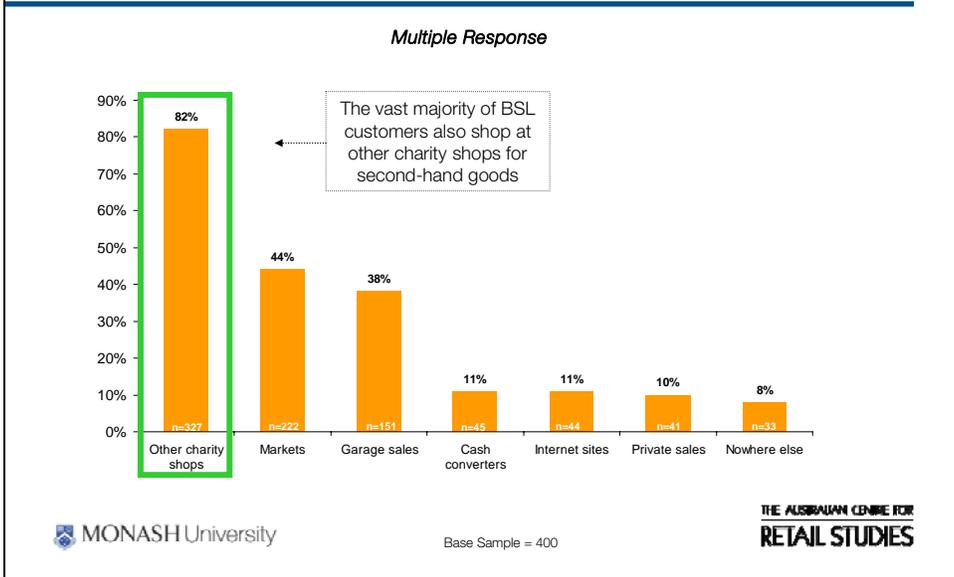


The new goods that respondents would consider purchasing are consistent with those that they currently purchase

11. Which of the following services would you consider using at this store?



12. Where else do you shop for second-hand goods?



Summary of Findings

- The majority of BSL customers are:
 - Female;
 - Educated;
 - Working;
 - Retired or young singles;
 - Have 2 people in their household; and
 - Earn between \$30-60k
- Customers have very positive responses towards all BSL store characteristics
- Product range, product pricing, customer service, and store location are all important in increasing customers' spend and visits to a BSL store
- BSL customers visit at least once a week to 'hunt' for a bargain or a good deal and spend \$10 or more

Summary of Findings

- Clothing and accessories, bric-a-brac, books, and footwear are the most popular purchases at a BSL store
- BSL customers make purchases because the goods are value for money or because they needed something specific
- Goods at BSL stores are considered to be of very good value for money
- Customers are prepared to pay \$2 more for goods they purchase at BSL stores
- Customers would consider buying *new* clothing and accessories, footwear, bric-a-brac and books
- Customers would consider using a Café and Photocopying & Printing services at a BSL store
- BSL customers also predominantly shop at other charity shops

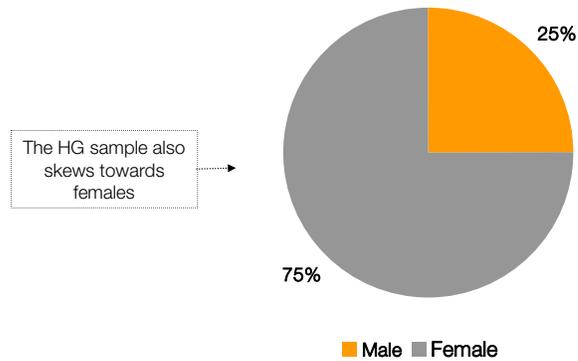
Appendix A

Hunter & Gatherer Questionnaire Findings

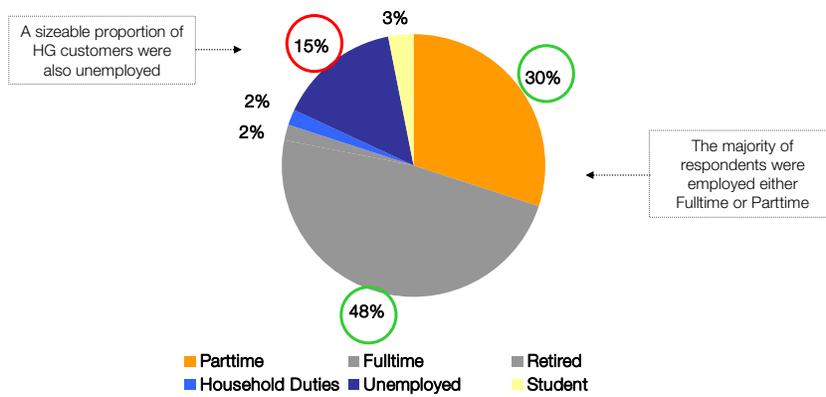
NB: The sample of 40 Hunter & Gatherer customers is not large enough to draw valid and reliable conclusions, and therefore the following findings should be taken as rough indicators only

HG Sample Profile

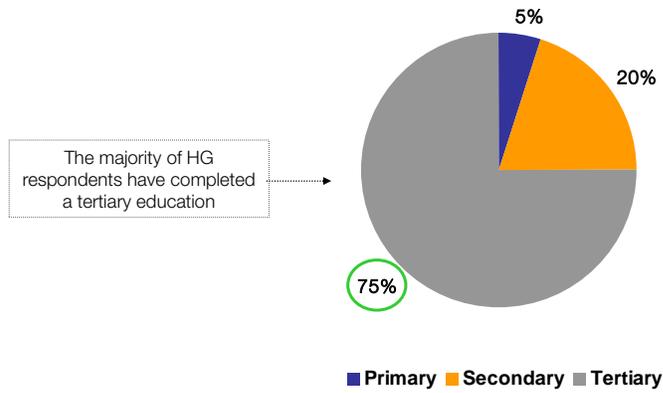
Gender



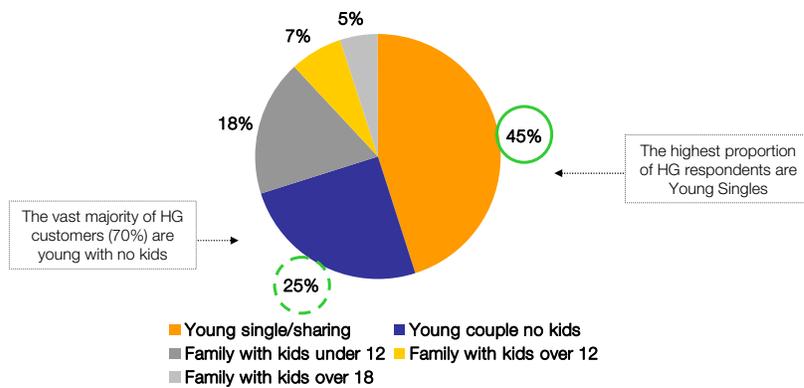
Employment Status



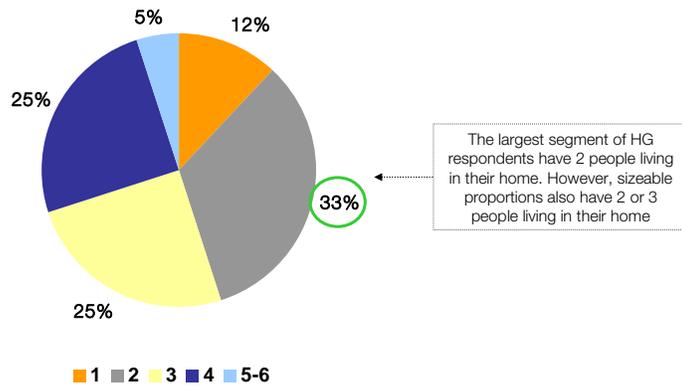
Education



Life Stage

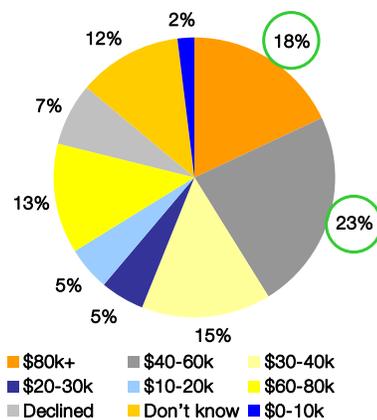


Household Size



The largest segment of HG respondents have 2 people living in their home. However, sizeable proportions also have 2 or 3 people living in their home

Household Income

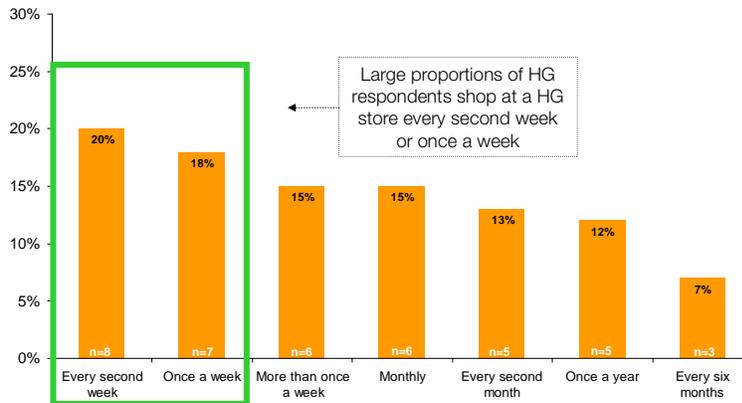


Of those HG respondents that provided their income, the largest proportions fall within the \$40-60k and \$80k+ income brackets

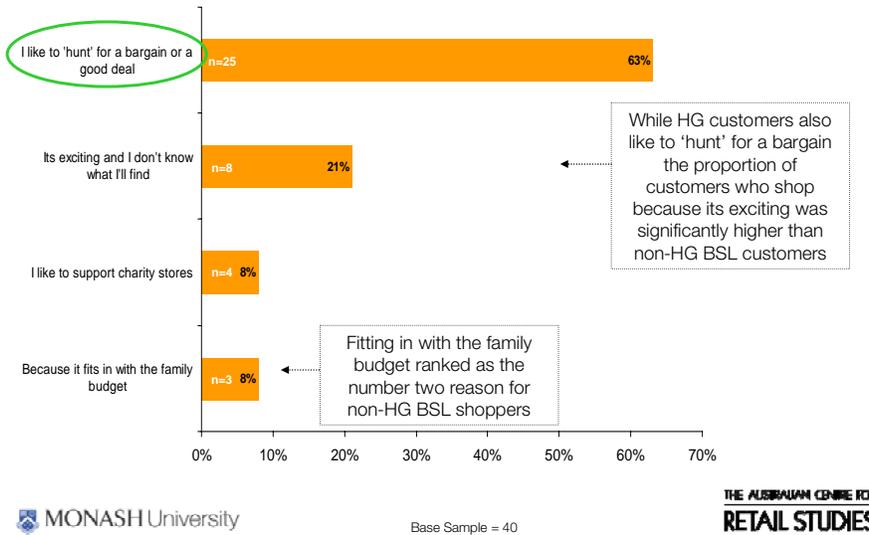
HG Shopping Behaviour

Only the responses that varied from total BSL retail findings were included in this section

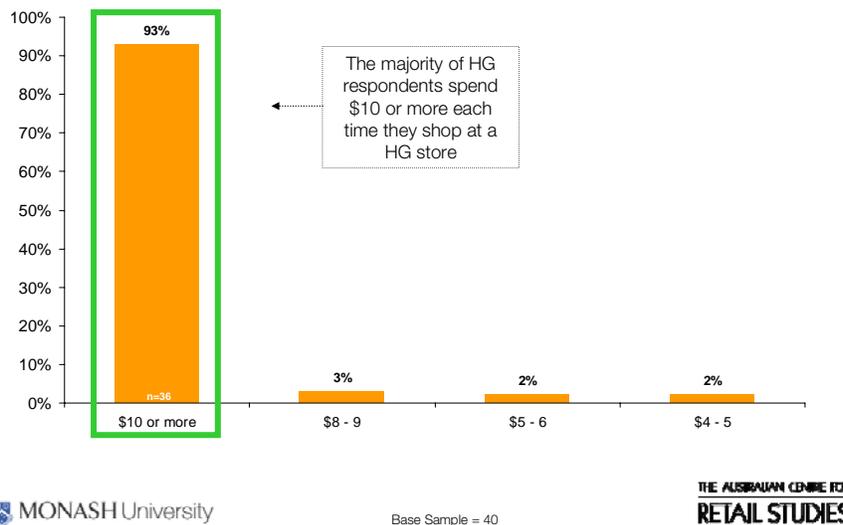
1. How often do you visit this store?



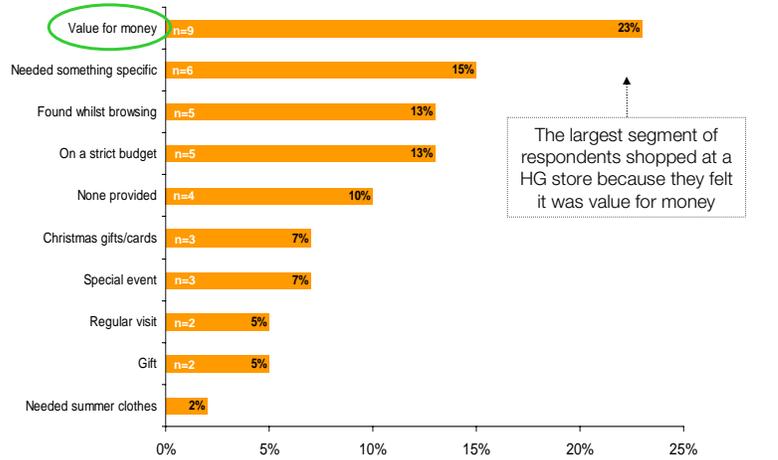
2. Which of the following statements *best describes* why you shop at this store?



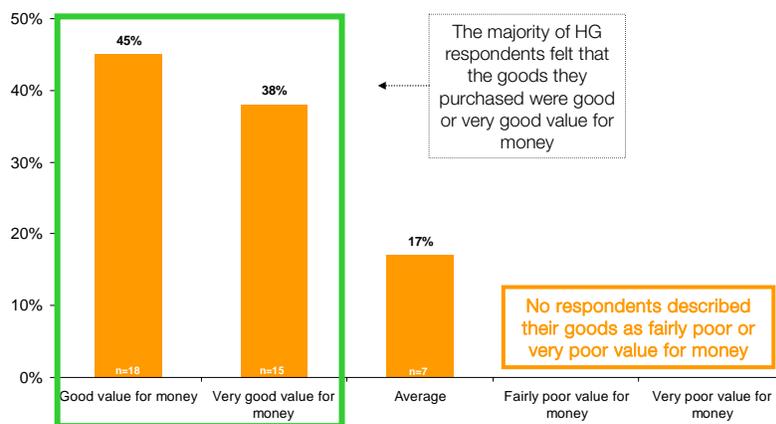
3. Approximately how much do you spend each time you shop at this store?



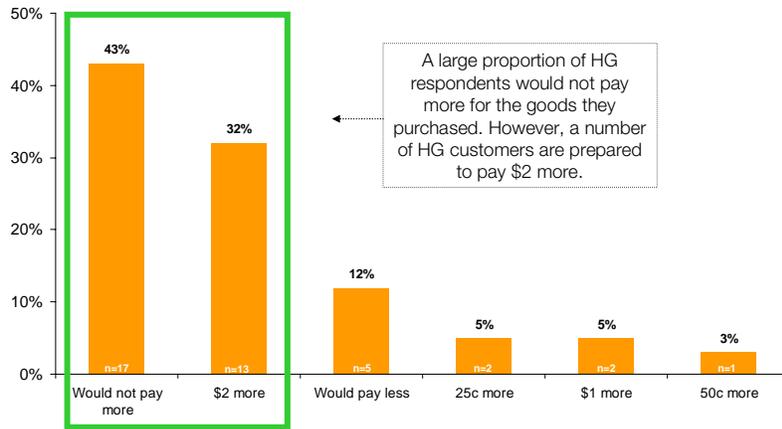
5. What is the *main reason* for your purchase(s) today?



6. Would you describe the goods you purchased as:

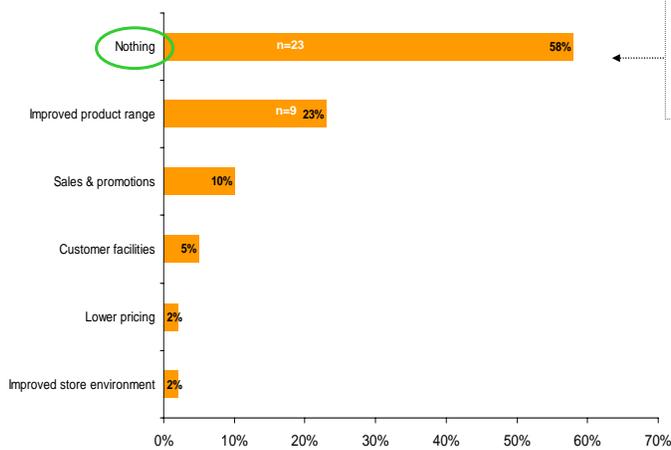


7. What is the most you would pay for the goods you purchased today?



A large proportion of HG respondents would not pay more for the goods they purchased. However, a number of HG customers are prepared to pay \$2 more.

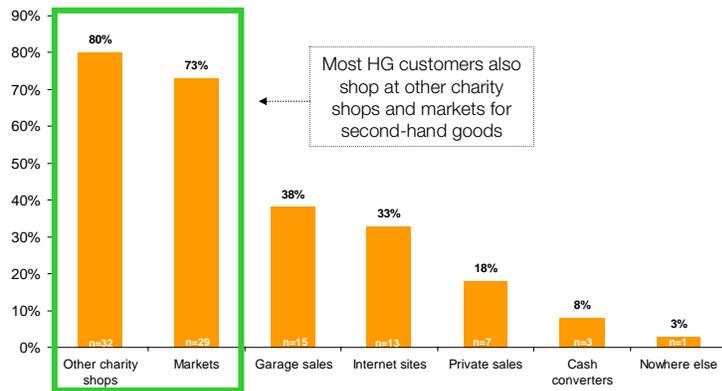
8. Is there anything that you think this store can do to encourage you to visit more often and buy more goods?



Over 50% of HG customers felt that there was nothing else that could be done to improve the stores

12. Where else do you shop for *second-hand goods*?

Multiple Response



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Base Sample = 40

THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

Summary of HG Findings

- The majority of HG customers are:
 - Female;
 - Educated;
 - Working;
 - Young with no kids;
 - Have 2 people living in their home; and
 - Earn \$40-60k
- Customers visit a HG store once a week or every second week to 'hunt' for a bargain or a good deal and spend \$10 or more

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THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

Summary of HG Findings

- HG customers make purchases because the goods are value for money
- Unlike other BSL customers, HG customers are not prepared to pay any more for goods they purchase at HG stores
- HG customers also shop at other charity shops and markets (other BSL shoppers predominantly only shopped at other charity shops)
- Goods at HG stores are considered to be of value for money

5.0 Recommendations

- The sales to profit ratio of BSL is too low, therefore BSL needs to reduce operating expenses such as wages and property costs.
 - Increase the number of hours worked by volunteers within stores to decrease the number of part-time and casual hours paid to staff.
 - Make concerted efforts to renegotiate rental agreements for current store locations.
- Re-examine the structure of Managed stores as paying staff wages is not affording sufficient benefits to warrant salary costs.
- Increase, where possible, the amount of floor space in Auxiliary stores as this appears to be an inhibiting factor in generating sales.
- Increase stock turnover to compete more closely with other charity retailers such as the Salvation Army.
- Develop marketing and promotional campaigns to target young singles and retirees as they form large segments of the BSL store customer base.
- Focus on product range, product pricing, customer service, and store location in developing strategies to increase BSL customer store visits and spend.
- Continue to stock wide ranges of clothing and accessories, footwear, bric-a-brac, and books as these are the most commonly sought after and purchased items in BSL stores.
- Increase the pricing of selected items by at least \$1 across all BSL stores. It is important to note here that most respondents are accepting of a price increase of \$2, however it is most effective to increase prices gradually.
- Introduce new lines of clothing and accessories, footwear, bric-a-brac, and books into suitable BSL stores, however at reasonable prices.
- Consider the offering of a café or printing and photocopying services in suitable BSL stores as long as it is feasible to do so.
- Ensure that BSL's mission, values and purpose for raising funds is clearly communicated within all stores.

6.0 References

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APPENDIX A: Customer Questionnaire

The Brotherhood of St Laurence

Retail Questionnaire

Store: _____

Thankyou for agreeing to participate in this survey, it should only take around 8 minutes to complete.

The Brotherhood of St Laurence is seeking to find out who their customers are and what they think of their stores. The Brotherhood of St Laurence is planning to use this information to make improvements to their retail stores.

Any information you provide will be anonymous and the results from your questionnaire will be combined with those from other people, and cannot be linked back to you in any way. Once you have completed the questionnaire, please place it inside the envelope provided so that your answers are kept confidential. The information collected from all questionnaires will be analysed by an independent organisation.

If you have any questions regarding this questionnaire, please contact Joe D'Angelo at The Brotherhood of St Laurence on (03) 9385 6101.

SECTION A: STORE CHARACTERISTICS

1. The following statements refer to your *thoughts and opinions* on particular characteristics of this Brotherhood of St Laurence store.

Please indicate the extent to which you agree or disagree from 1-5 where:

1= Strongly agree

2= Agree

3= Neither agree/disagree

4= Disagree

5= Strongly disagree

	Strongly agree	Agree	Neither agree/disagree	Disagree	Strongly disagree
The store has a wide range and variety of products	1	2	3	4	5
The store has quality products	1	2	3	4	5
This store has products that suit my needs	1	2	3	4	5
The store has products that are value for money	1	2	3	4	5
The store is well laid out and makes it easy for me to move around and find what I need	1	2	3	4	5
The store has signage that informs me of where goods can be found	1	2	3	4	5
The store has friendly and courteous staff that are able to offer help when needed	1	2	3	4	5
The store is easy to find and is accessible	1	2	3	4	5
The store has operating hours that are convenient for me	1	2	3	4	5

2. How important are each of the following store characteristics in ***increasing your visits to this store?***

Please indicate the extent to which you find each important from 1-5 where:

1= Very important 2= Important 3= Neither important/not important
4= Not important 5= Not important at all

	Very important	Important	Neither important/ not important	Not important	Not important at all
Product range	1	2	3	4	5
Product pricing	1	2	3	4	5
Product display	1	2	3	4	5
Store layout/signage	1	2	3	4	5
Customer service	1	2	3	4	5
Store location	1	2	3	4	5

3. How important are each of the following store characteristics in ***increasing the amount of goods you buy*** when you visit this store?

Please indicate the extent to which you find each important from 1-5 where:

1= Very important 2= Important 3= Neither important/not important
4= Not important 5= Not important at all

	Very important	Important	Neither important/ not important	Not important	Not important at all
Product range	1	2	3	4	5
Product pricing	1	2	3	4	5
Product display	1	2	3	4	5
Store layout/signage	1	2	3	4	5
Customer service	1	2	3	4	5
Store location	1	2	3	4	5

SECTION B: SHOPPING BEHAVIOUR

1. How often do you visit this store?

- a) More than once a week
- b) Once a week
- c) Every second week
- d) Monthly
- e) Every second month
- f) Every six months
- g) Once a year

2. Which of the following statements *best describes* why you shop at this store?

Please rank these statements from most important to least important by numbering from 1-5 where 1 = most important.

- I shop at this store because I like to 'hunt' for a bargain or a good deal
- I shop at this store because I like to support charity stores
- I shop at this store because it fits in with the family budget
- I shop at this store because its exciting and I don't know what I'll find
- Other (if applicable) _____

3. Approximately how much do you spend each time you shop at this store?

- a) \$0 - \$1
- b) \$1 - \$2
- c) \$2 - \$3
- d) \$3 - \$4
- e) \$4 - \$5
- f) \$5 - \$6
- g) \$6 - \$7
- h) \$8 - \$9
- i) \$10 or more

4. What type of goods did you purchase from this store today?

Please circle all that apply

- a) Clothes and accessories
- b) Footwear
- c) Bric-a-brac
- d) Toys
- e) Furniture
- f) Books
- g) Electrical equipment
- h) Other (please specify) _____

5. What is the main reason for your purchase(s) today?

Please write in.

6. Would you describe the goods you purchased as:

- a) Very good value for money
- b) Good value for money
- c) Average
- d) Fairly poor value for money
- e) Very poor value for money

7. What is the most you would pay for the goods you purchased today?

- a) 25¢ more
- b) 50¢ more
- c) \$1 more
- d) \$2 more
- e) Would not pay any more
- f) Would like to pay less

8. Is there anything that you think this store can do to encourage you to visit more often and buy more goods?

Please write in.

9. Would you consider buying new goods at this store?

- a) Yes Go to Q. 10
- b) No Go to Q.11

10. Which of the following new goods would you consider buying at this store?

- a) Clothing and accessories
- b) CDs
- c) Cosmetics
- d) Food
- e) Footwear
- f) Homewares or bric-a-brac
- g) Books
- h) Toys
- i) Furniture
- j) Electrical equipment
- k) Other (please specify) _____

11. Which of the following services would you consider using at this store?

- a) Dry-cleaning
- b) Hairdressing
- c) Bill-paying
- d) Photocopying and printing
- e) Internet
- f) Café
- g) Other (please specify) _____

12. Where else do you shop for second-hand goods?

Please circle all that apply

- a) Other Charity Shops (i.e. op-shops)
- b) Cash Converters
- c) Internet sites (e.g.. eBay)
- d) Markets
- e) Garage Sales
- f) Private sales (e.g. newspaper ads, trading post)
- g) Other (please specify)_____

SECTION C: CUSTOMER CHARACTERISTICS

Following are questions about yourself. Please write in or circle the most appropriate response for each item from the options provided. This information will be kept completely confidential and will help us to analyse the data we receive.

1. Are you?

- a) Male
- b) Female

2. What is your level of completed education?

- a) Primary
- b) Secondary
- c) Tertiary
- d) None

3. Which of the following best describes your employment status?

- a) Full time work
- b) Part time work
- c) Unemployed
- d) Looking for work
- e) Full time student
- f) Retired
- g) Household duties
- h) Other (please specify)_____

4. Which of the following *best describes* your current life stage?

- a) Young single/sharing accommodation
- b) Young couple with no children
- c) A family with children aged under 12
- d) A family with children aged over 12
- e) A family with oldest child aged over 18 and living at home
- f) An older couple without children living at home
- g) Retirees

5. How many people currently live in your home?

6. Which of the following broad categories does the *combined annual income of your household* fit in to? This information will be anonymous and kept confidential.

- a) \$0 -10,000
- b) \$10,001 - \$20,000
- c) \$20,001 to \$30,000
- d) \$30,001 to \$40,000
- e) \$40,001 - \$60,000
- f) \$60,001 - \$80,000
- g) Over \$80,000
- h) Decline to answer
- i) Don't know

7. Is there anything else that you feel is important for the Brotherhood of St Laurence stores to know? If so, please write in.

Thankyou for completing this survey!