

Jenny's Community Thrift Store

Feasibility Study

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Feasibility Study

1. Introduction

The existing Thrift Store must either be moved or closed since it is no longer profitable. In order to make the store profitable, a commitment of time and money must be made and there must be capacity within the organization to support these changes. More time must be dedicated to managing the store itself and more money should be spent on attracting profitable donations and a regular and profitable clientele.

Project Problem

The Thrift Store is losing money and is taking staff time away from other activities. The current location is expensive, located in an isolated neighbourhood with little foot traffic and no other shopping opportunities nearby. The current average sale is approximately \$10.00 with about 50 sales a day.

Apart from being a potential revenue source, the Store assists in fulfilling the agencies social mandate to assist vulnerable people in independent living. Among other things this requires the ongoing collection of donated furniture and household goods. The Thrift Store also provides valuable pre-employment training for these youth who contribute volunteer labour to the business.

The Executive Director identified the ability to make a profit as the primary consideration for the store. Continuing the Education Program and being in a position to provide furniture and housewares for participating youth were seen as secondary.

Project Scope

The goal of this study is to determine if the Thrift Store can be made profitable. The Study provides an evaluation of a number of options and considers the costs and expected revenue of each. Location and store format were the primary factors for the options considered. Recommendations also consider marketing and staffing necessary for the preferred option.

2. Factors for Success

Increase sales and raise prices

In order for the store to be successful and realize profit it must both increase the number of sales and be in a position to increase prices.

Prices

- a. *Quality of Goods* - Prices can be increased if the quality of donations is improved, resulting in a greater willingness to pay among customers.
- b. *Demographics* - Prices can be increased if suitable customers can be attracted to the store. Studies show that income levels have little or no impact on a person's willingness to shop at a thrift store.ⁱ
- c. *Customer Service* - Studies show that thrift store shoppers are more sensitive to good customer service than they are to prices.ⁱⁱ Part of good customer service is an appealing store environment where items are easy to see and find.
- d. *Location* - It is assumed that prices in better locations are higher than for the same goods in the current locations. This should be confirmed by a price comparison exercise conducted independently by current staff and volunteers.ⁱⁱⁱ

Sales Volume

- a. *Quality of Goods* - The current average sale at the Store is estimated to be \$10 per customer. It can safely be assumed that if the quality of goods in the store is improved, more sales will be made.
- b. *More Customers* - Sales volume will increase if there are more customers entering the store. This will happen in an established shopping neighbourhood with higher foot traffic.
- c. *Repeat Customers* - High turn over of inventory will ensure that customers come back regularly because they can be sure to find something new.

The Store Manager

- a. A Store Manager who is focused solely on the success of the store is key to ensuring the success factors listed above.
- b. The Store Manager should have the following characteristics:
 - a. Well organized and possesses bookkeeping and merchandising skills
 - b. Personable and engaging with customers
 - c. Able to create visually appealing displays
 - d. Able to engage in an ongoing social media campaign including daily updates on the website
 - e. Able to manage staff and volunteers
 - f. Able to run a Donation Program in order to continually solicit new goods
 - g. Enjoys thrift stores

Demographics

Research shows that resale shopping attracts consumers from all economic levels and there is no typical resale shopper.^{iv} It is suggested that the contents of the shop and the corresponding marketing be tailored to suit the demographics of the neighbourhood where the shop is located. Anecdotally it seems that in Vancouver the majority of thrift store shoppers are women in their 20's or retired, women with time to spend shopping carefully.

Opportunities

1. MSC – MSC is a thrift store owned and operated by the Women's Society, has two very successful Thrift Stores and a robust donation program. They offer vouchers to their clients up to \$2000/month that can be redeemed for clothing in the store. On February 21, 2011 they closed one store due to a sizeable rent increase, and are offering a significant portion of their donations to Jenny's on the provision that Jenny's honour their voucher system. Through MSC, Jenny's can be assured of a steady supply of high quality clothing based on a well established donation program that receives contributions from the film industry, new sale boutiques and private donations of used clothing.
2. Existing donation program – Jenny's has an existing donation program that can be more fully developed to meet the needs of a new store and clientele.
3. Existing name recognition – Jenny's has a certain amount of existing name recognition both among potential donors and potential shoppers that can be used to develop a following in a new store.
4. Existing knowledge – Jenny's has a well established store with systems and knowledge that can be built upon in a new location.
5. Good volunteer and staff program – Jenny's enjoys a very good relationship with longstanding staff and volunteers.

Threats

A response to these threats can be found in the *Risks and Mitigation* section following.

1. Too much competition
2. Change in the demographics of the neighbourhood of the new store.
3. Increase in leasing costs

3. Financial Analysis

see Budget Projections in Appendix One

The Projected Budget as shown in Appendix 1, is based on a best estimate for actual expenses for the existing Thrift Store. It does not account for expenses that may be shown in another program budget, most particularly the Pre-employment Training Program. This is based on the assertion that should the store continue in a new location

it will be operated in isolation from any other program space, which is a departure from the current circumstance. In order for the board to best consider the opportunity and risk associated with a new store, the thrift store is considered as a separate entity from the rest of the organization.

There is little room to cut operational or staffing costs as the current store is run very efficiently. However, it is recommended that unless the moving van is used regularly for a number of different programs, it be sold and a van rented only when it is needed.^v And it is recommended that there be no paid staff in the store other than the manager, at least to start. A full time manager and volunteers should be sufficient to run the store while it establishes a presence in the neighbourhood.

While the actual costs will have to be refined, it appears that expenses for a new store will not substantially exceed expenses for an existing store. The bulk of costs will be for lease space and manager wages.

Larry T., Vice President Commercial Real Estate at Associates Realty, offers an informal “letter of opinion” that suggests suitable rent for retail and warehouse space can be found, in the locations noted above, for the same amount as is currently being charged. This is confirmed by a review of listings on clslink.ca, owned by the Real Estate Board of Greater Vancouver.^{vi}

A starting wage of \$20/hour is slightly lower than average for a similar position in the private sector, but may well be sufficient. In the private sector this wage would be enhanced by a performance bonus, which may or may not be deemed appropriate in the context of Jenny’s existing pay structure. A full time store manager should render additional paid staff unnecessary, especially if sales are slow to start.

While the same revenue assumptions are made for either the Furniture format or Furniture and Clothing format, and the Furniture and Clothing expenses are slightly higher, it can be reasonably assumed that actual sales for Furniture and Clothing will be greater. Revenue should increase with the volume of quality goods for sale.

If the average sale doubles from \$5 to \$10, not accounting for an increase in prices, then we can assume the “sales volume” has doubled. We can assume the same thing if prices double, which should happen immediately in a new location. If both prices and average sale doubles, then Jenny’s can expect to make a good profit. The goal should be to ensure that volume doubles and prices triple based on an improved quality of goods and an increase in foot traffic.

All transactions are made with cash or by credit card, the store holds no appreciable assets other than inventory, the value of which is unknown. If in time sales are sufficient to have a cash flow surplus and the Donation Program develops such that

some items are bought before being resold for a profit, then a small and simple line of credit may be considered.

4. Considerations for Options Evaluation

Location and format, were determined to be the most important considerations for evaluating the options available. The established format for Jenny's is resale of used goods with many product categories. *Format* is also taken to mean the overall appearance and feel of the store as well as the range of merchandise carried. A good format will both draw in customers and encourage them to buy. A variety of locations and formats have been considered in this Study. Location and manager are deemed to be the most important success factors and are addressed in a separate section.

Location

A good location is a space in an established shopping neighbourhood with significant foot traffic, a neighbourhood where people expect to find the kind of goods that the store carries. A preferred location will have the following characteristics:

- Lease payments that do not exceed the current rates
- In an existing shopping destination so that foot traffic is significant
- Proximity to the right demographic
- Clustering of similar stores where the competition from other second-hand stores will attract suitable customers but not so many stores that the market is saturated. In this instance Jenny's may benefit from their marketing that draws people to the area, and can assume that the location is proven.
- A smaller floor plate than the existing site is acceptable and even desirable to ensure a steady turnover of goods.
- Proximity to a population that can and will make quality donations

The options for location are:

- 1) The East Side of Vancouver – Maple Street between 2nd and 34th Avenues
- 2) The West Side of Vancouver – Carter Street between 12th and King
- 3) Borden from Frank Street to Oliver Street
- 4) 27th Avenue in New Hampshire
- 5) Cordova Street in New Hampshire

A variety of locations were also considered further west in Vancouver, downtown Vancouver and various locations in Burnaby.

Format

The format for the store considers the Jenny's mandate as well as the need for the store to provide income to the organization. A new store should be select in its offerings and focus on either only furniture, or furniture and adult clothing only, and possibly only

women's clothing. The store should avoid clutter, make room for displays and attempt a "boutique" look without pretending to be a new merchandise retailer. Selecting only appropriate donations, displaying them attractively, and finding a means of discarding the rest, will take some special skill and a certain amount of time.

Maintaining the existing store was not seriously considered in this Study as it is currently losing money.

The options for format are:

- 1) Operate a thrift store with many different products similar to the existing business
- 2) Maintain a warehouse space only
- 3) Operate a used furniture store that also does some minor restoration
- 4) Operate a clothing only store
- 5) Operate a store that sells only furniture and clothing, but does not do any restoration – some restoration may be added later once the store is established, demand warrants it and capacity is available
- 6) Cease operations

5. Evaluation of Options

Location

- a. Fraser Street, Main Street, Cambie or Broadway in Vancouver are well established shopping districts with good foot traffic. Rents can be higher than in other neighbourhoods and in all instances can be expected to increase as the volume of shoppers increases. Being located in these neighbourhoods means that Jenny's can take advantage of the MSC donation opportunity and attract many of those existing shoppers.
- b. New Westminster is a well established second hand shopping neighbourhood, however there are at least eight existing thrift stores in a small area and it would mean the probable loss of MSC customers.
- c. Parts of the downtown core have well established consignment stores and foot traffic is very good all over. However it can be expensive and the existing consignment stores tend to cater relatively high end merchandise.
- d. Kerrisdale and Dunbar are expensive and have a number of stores already. These neighbourhoods do not fit with the new brand which encourages a young and vibrant demographic.
- e. Other than Burnaby Heights, Burnaby does not have a single shopping neighbourhood that can be counted on for foot traffic and the right demographic. Burnaby Heights is a relatively small neighbourhood with a number of existing thrift stores and is not typically considered a destination shopping neighbourhood.

The Tables below summarize the strengths and weaknesses of the options considered. The recommended option is highlighted in light blue with discussion to follow in the next section.

Table 1: Strengths & Weaknesses: Location

	Strengths	Weaknesses
Downtown	<ul style="list-style-type: none"> • High volume of foot traffic 	<ul style="list-style-type: none"> • Leases are prohibitive • Competition tends to be high end
Burnaby	<ul style="list-style-type: none"> • Reasonable leases 	<ul style="list-style-type: none"> • No defined walking/ shopping neighbourhood
New West	<ul style="list-style-type: none"> • Reasonable leases • Proximity to donations from the Fraser Valley 	<ul style="list-style-type: none"> • Too much established competition • Minimizes MSC opportunity
Cambie/ Main/ Fraser/ Broadway	<ul style="list-style-type: none"> • High volume of foot traffic • Proven locations • Established shopping destinations • Proximity to donators 	<ul style="list-style-type: none"> • Leases can be high and may increase due to gentrification

Format

- a. The existing thrift store format is not recommended because too many product categories are difficult to manage, confuse the customers and clutter the store.
- b. Ceasing all operations is not recommended because it will result in a significant lost opportunity to provide valuable services and for the store to realize a profit, however small. While there is risk in moving and continuing, it is determined that this risk is sufficiently mitigated.
- c. A ‘warehouse only’ option has no risk and but provides no revenue while maintaining some associated costs.
- d. A ‘clothing only’ option will not capitalize on the existing donation program which will have to be maintained in order to provide furniture and household goods to participating youth.
- e. Adult clothing and furniture are the most profitable product categories in the second hand goods market. Jenny’s has an existing supply of furniture and clothing that can be substantially enhanced through a relationship with MSC.

Table 2: Strengths & Weaknesses: Format

	Strengths	Weaknesses
Status quo	<ul style="list-style-type: none"> • Strong PET program 	<ul style="list-style-type: none"> • Low volume • Poor location
Closing	<ul style="list-style-type: none"> • No risk • Frees resources for other ventures 	<ul style="list-style-type: none"> • Eliminates potential for revenue • Reduces Pre-Employment Program opportunities • Eliminates opportunity to honour MSC vouchers and minimizes benefit of providing goods for youth. • Existing retail knowledge is lost
Warehouse Only	<ul style="list-style-type: none"> • Minimal costs and risk • Location is immaterial • Minimal administrative burden 	<ul style="list-style-type: none"> • No opportunity for revenue • No PET • Will take time to manage that cannot be combined with other activities
Clothing Only	<ul style="list-style-type: none"> • Good supply available through MSC • Profitable product 	<ul style="list-style-type: none"> • Does not capitalize on furniture acquisition
Furniture Only	<ul style="list-style-type: none"> • Requires new function in refinishing • Profitable product • Maintains PET and provides a source of household goods for youth 	<ul style="list-style-type: none"> • Requires robust donation program
Clothing & Furniture	<ul style="list-style-type: none"> • Profitable products • Can attract two types of customer • Relies on existing donation streams and MSC • Maintains PET and provides a source of household goods for youth 	<ul style="list-style-type: none"> • Requires full time manager

6. Recommendation

It is recommended that the store be kept open and moved to any of the following neighbourhoods: Fraser Street, Main Street, Cambie or Broadway. The decision should be made according to the specific space available and the corresponding lease rate. One might reasonably expect rents on Main Street or Cambie Street to go up in the not too distant future, so the store should be prepared to move upon expiration of the lease, however, these are well established shopping districts that should provide reasonable assurance that foot traffic will meet expectations. Fraser Street and part of Broadway are likely to improve in the next five years, but may be slower to get started. These locations should attract My Sisters Closet customers and enable Jenny's to meet the needs of women in the Voucher Program.

It is recommended that a combination adult clothing and furniture store be the format of a new store since these two product categories are most profitable and Jenny's can reasonably expect to maintain a supply of good quality goods. Through My Sisters Closet, Jenny's can be assured of a steady supply of high quality clothing based on a well established donation program that takes donations from the film industry, new sale boutiques and private donations of used clothing. Additionally, Jenny's must maintain an inventory of furniture for its participating youth. An expanded donation program will ensure that there is enough furniture to sell as well. Any other products should not be kept or sold in the store. A Donation Program will be addressed separately.

In order to successfully generate a high turnover of quality goods, resulting in suitable sales volume, a dedicated store manager is essential. This person will be responsible for a number of factors critical to the success of the store including operations, staff management, donations and marketing, specifically:

- The look and feel of the store
- Generating sufficient donations
- Attracting a large enough customer base through ongoing marketing
- Managing daily or near daily communications through social media and the website.

If the role is to be shared by more than one person or one person is responsible for other programs in the first year of operation, continuing the thrift store is not recommended. In order to maintain continuity and manage the store through the transition period, this position must be the sole responsibility of one person.

7. Performance Objectives & Evaluation Criteria

How will we know if the transition is successful?

The following criteria are suggested as measures for success.

- a. Sales targets are met
 - E.g. \$10K in sales for the first month, increasing by \$1K/month for six months. Eventual target should be \$20K/month and greater.
- b. The Donation Program is effective
 - The quality of merchandise is sufficient to ensure turnover and sales targets are met. If the targets are not met, the Donation Program should be reevaluated.
- c. The Manager demonstrates a commitment
 - Merchandise turnover targets are met (E.g. 75% of goods are sold within 2 weeks)
 - Website and social media campaigns are updated daily or almost daily
 - The store environment is such that the Pre-Employment Program can operate as well as or better than it did on Fraser Street.
 - The Donation Program is regularly evaluated and improved.

8. Timeline

How long will it take to become profitable?

The store will be profitable when sales volume exceeds existing levels, assuming that prices can be doubled immediately.

It is impossible to know how long this will take as it will depend on the reach of a marketing campaign (which needn't be overly expensive) and the quality of the shopping experience provided. However, it is assumed that prices can be doubled immediately and that the quality of goods will improve with a more developed Donation Program. Turnover of inventory should increase with an ongoing social media campaign and regular website updates to advertise the goods currently for sale. It should be expected that these goals can be achieved within the first few months of operation at a new location.

9. Risks & Mitigation

1. *There is not enough foot traffic* – the store must be placed in a location that has an existing volume of foot traffic and the right kind of people who frequent neighbouring businesses.

- a. The proposed location should be observed a number of times before a commitment is made to a lease. Someone should spend a number of hours on the street in front of the proposed location, on different days and at different times, and count the people who go by.
 1. The store needs customers who are shoppers, some who are under 30 *and* some who are over 50.
 2. *There is not enough supply* – a partnership with *My Sisters Closet* will ensure there is enough clothes supplied, but a formal commitment for continuation of the existing donation program should be made before an agreement is signed.
 - b. In order to ensure enough furniture an ongoing Donation Program must be established.
 3. *The store become cluttered and loses its ‘boutique’ feel* – in order to maintain a welcoming retail environment, the look and feel of the store needs to be a priority and it must be the responsibility of the manager in charge. This manager must be strict about sticking only to the identified product lines.
 4. *Turnover is not high enough* - it is important that new merchandise be moved through the store as quickly as possible. This requires ongoing promotion of the best items and rotating displays within the store.
 5. *The location is not right* – consider the duration of the lease carefully since this is a new venture and its success is unproven. If the price is excellent, signing a long term lease makes sense, but if it is a bit of a stretch, then the store should be prepared to move when the lease is up. For instance, rents are rising on Main Street, and Fraser Street is gentrifying quickly. Most loyal customers will follow a store as it moves, as long as the move is not too far. Since the turnover of goods is expected to be high and Jenny’s already regularly moves goods, the move shouldn’t be too onerous. Additionally, it provides a good promotional opportunity to have a big “Moving Sale” and a subsequent “Grand Opening.”
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10. Conclusion

The Jenny’s Thrift Store can provide a good source of income to the organization if it is in the right location and managed by a dedicated and focused individual. In order to successfully increase both prices and sales volume, more time and money will have to be spent on management and marketing.

- **Dedicated Manager** - In order to operate a store that is appealing to customers and operates efficiently, more dedicated management time is essential. In order to create a positive customer experience one person must take responsibility for the store appearance and atmosphere and this should be a primary part of their mandate. They must spend the time to tailor the atmosphere to the customers in
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the surrounding neighbourhood as well as take the time to get to know regulars and encourage new shoppers to return.

- **Enhanced Donation Program** - In order to secure good quality donations that are effectively managed (sorted, priced, displayed and liquidated), an ongoing donation program must be established and will require dedicated staff time of approximately 1 day per week and should be supported by some ongoing marketing efforts.
 - **Ongoing Marketing** - In order to maintain donations and ensure high turnover of goods, a simple marketing campaign should be ongoing and will require dedicated staff time of approximately .5 days per week. This includes tracking of sales data. The suggested marketing campaign is addressed separately.
 - **Location in a good shopping neighbourhood** – In order to ensure the right type of shoppers in sufficient volumes, it is critical that the store be in the right location.
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Additional Work

Provided the Board decides to continue the Store, additional work for a preferred option will include:

- a. Business Plan
- b. Marketing Plan
- c. Donation program
- d. Transition Strategy
- e. Projected Income Statement & Cash Flow Analysis

Endnotes

ⁱ Consumer Insight Magazine, 1999 and National Association of Retail Thrift Shops, 2003. In: [International Journal of Business Research](#), 01-Sep-2007. http://goliath.ecnext.com/coms2/gi_0198-475370/Measuring-consumer-preferences-for-thrift.htm

ⁱⁱ Ibid.

ⁱⁱⁱ Staff can identify 10-20 different items for sale at the current Jenny's location and seek to find similar products at other stores. In doing so they can make a more informed guess as to pricing comparisons.

^{iv} Op cit, Consumer Insight Magazine.

^v For many years Budget Rentals has offered cube moving vans for rent at \$19/day. An informal quote from the North Vancouver store suggested that a non-profit rate could be negotiated at any Budget location for approximately \$13/day and \$0.40/km. Fuel is extra.

^{vi} Commercial Real Estate Listings:
<http://www.clslink.ca/Services/PropertySearch.aspx?area=210001>