

IS STARTING A RETAIL THRIFT BUSINESS RIGHT FOR YOUR AGENCY? -- AN INITIAL CHECKLIST--

Starting your own retail thrift and enjoying the financial benefits of ownership is certainly an appealing thought—especially if you are frustrated with the myriad of government regulations and/or the inherent unpredictability of donor giving. Retail thrift *does* provide a great opportunity for more financial self-determination. Before you jump into business development, however, it is important to ask yourself a few questions . . . the answers to which might well guide you in determining whether to begin a retail thrift, whether to start with no outside help, or whether to enlist the services of Talon Company.

(On A *Personal* Level)

- 1. Do you have prior retail experience? YES NO**
If yes, you know that retailing is both an art and a science. Whereas there is much that can be taught (and learned), an essential part of retailing is knowing intuitively how your customers will think and act once in your store. If you have *not* had prior retail experience, you will need to be sure that someone on your senior team has this vital knowledge. We do not recommend moving forward without it.
- 2. What is your comfort level with uncertainty? Very comfortable Some trepidation but would proceed if appropriate Uncomfortable**
The context here, of course relates to starting a retail thrift business. Be sure of this one thing, however-- there is no certainty in the undertaking. Remember, at the moment you put your assumptions into play, you alter the very world you sought to predict. If you are comfortable with this uncertainty, you have a natural edge in growing your business.
- 3. Is there adequate flexibility in your budget as well as available staff time for a business activity? YES NO**
Stretch your organization too thin in the process of starting a business and you will likely lack the practical means for success—namely, cash flow and personnel. Your projected annual budget may paint a rosy picture, but can you survive during the seasonal downturn? You might also need to borrow operating cash during the early days of your business. Can you do so? Staffing wise, you will probably rely on volunteers or additional paid staff to operate your retail thrift store. But . . . what about all the support staff needed to complement the offering, e.g. HR, marketing, executive staff, accounting? Whereas each may play a lesser role, spread too thin and there will be an offsetting compromise somewhere else in his or her responsibility chain. Better to identify the additional players and study impact ahead of time.
- 4. Are you able to make quick decisions? YES NO**
A successful venture requires that management be able to respond quickly to environmental cues and messages. A recent study suggested that businesses fail not so much from bad predictions of the future, but rather because they did not adjust rapidly enough to unanticipated events in the business. In other words, it is not so important that you correctly predict the future as that you have an ability to react quickly to the twists and turns of everyday business.
- 5. Do you have the time and energy to follow through with a business startup? YES NO**
Make no mistake about it: starting a new business can be a very exciting time in your organization's life. Nonetheless, doing so will take a huge commitment of time and energy. Be sure you have them to give, or that someone on your senior team has the time and enthusiasm that is needed.
- 6. Are you willing to commit to become a student of retailing? YES NO**

Let's face it, most of us are more the "student" than we might initially imagine as daily we assess good service and bad service, and tell ourselves many times over what could be done to improve this or that business. That is not a bad place to start as *we* are the consumers we hope to attract—for the most part. Being able to identify what is not customer friendly in a particular business, however, is only one part of a fairly complex interplay of marketing, advertising, display, customer service, staff training, and a host of other retailing dynamics. On the positive side, this is all discoverable . . . and transformational to your business. On the negative side, well, I guess I haven't seen any. Retailing is just pure fun!

7. **If you are leading a nonprofit, are you comfortable with a "business"?** __ YES __ NO

In our experience, we find many nonprofit executives who are very uncomfortable talking the language (and profits) of the for-profit business world. If you are one of these individuals, remember this: Mission requires margin. As competition increases for your best donors, and as government dollars come with more and more strings attached, finding alternative resources for your important programs will become an increasingly vital part of your job. A retail thrift can be a great source of recurrent revenue.

(On a *Corporate* Level)

1. **Do your organization's mission and vision statements allow a retail business?** __ YES __ NO

A simple check of wording is usually all that is needed here, though you will want to be certain to do so. Whether, also, you consider the principal purpose of the retail thrift to be business, or part of a social services offering will be important to this review.

2. **Is the time *right* for your organization to consider a retail thrift?** __ YES __ NO

You would be wise to delay starting a retail thrift business unless your organization is stable enough organizationally and otherwise to allow you to divert significant attention to start-up details. For example, what is your turnover rate of key personnel? If high, perhaps there is wisdom in delaying a startup until you deal with the causes of the turnover. Whereas starting a thrift store can truly be *fun*, make no mistake about it . . . the success you experience will be in direct proportion to the level of attention you give to the many details that accompany startup. Be sure of your organization's readiness to undertake such a venture.

3. **Are you willing to conduct a feasibility study?** __ YES __ NO

Though a feasibility study will certainly *not* be one of the easiest tasks you will ever have undertaken, it is without question, one of the more important if you are considering a retail thrift business. Here, you will look at market, technical, financial, and organizational/managerial feasibility. Unquestionably, most businesses that fail, fail early, and many of those that failed would not have done so had they conducted a proper feasibility study.

4. **Is the local economy growing?** __ YES __ NO

An expanding local economy usually has many benefits, not the least of which is increased donor support. The greater the amount of discretionary income, i.e. the amount left over after the necessary living expenses such as food, rent, and the like, the greater the likelihood your organization will benefit. The same thing holds true for a retail thrift store. If the economy is expanding, your business will likely benefit from its share of total discretionary income—more discretionary income, more dollars to be spent at your store. If the local economy is shrinking, however, be very careful to determine whether the long term outlook supports a new business. Whereas a retail thrift offers quality goods at below retail prices (which is good for those most affected by a receding economy), if there's limited discretionary income, shoppers will simply not be able to take advantage of your offering—even if great deals. Be cautious.

5. **Does your agency have the ability to self-finance a business startup?** __ YES __ NO

If your agency has the ability to underwrite its venture, it is fortunate—few organizations can do so. If yours is well-resourced, however, it is still important to fully consider the “cost” of self-financing against the benefits of not doing so. Let me explain. In the social services world, the highest use of a resource is to produce an outcome, e.g. a changed life. In the business world, the highest use of a resource is to produce income. Blending these two worlds, it is easy to see that financing may offer *income-producing* advantages which can then be used to effect *charitable ends*.

6. At what point will you need Board approval in the process? At the beginning After a business plan is developed Do not need

We cannot encourage you strongly enough to thoroughly think through business viability before bringing your Board into the picture. We are *not* suggesting in any way that you circumvent this necessary body; rather, we encourage you to lead the process carefully and wisely. By their very caretaking nature, Boards tend to be cautious—which is good! There needs to be balance in the organization. If you want to give retail thrift a leg-up on succeeding, however, you may want to delay approaching the Board until you have carefully researched a number of critical areas, including those mentioned in this checklist.

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We hope this quick sheet helps! Though we have not had the privilege to meet, you are obviously a careful, deliberate person in your decision-making process or you would not have read this material. We recognize, also, that if you are an agency executive, you already know that you don't have to be an expert in retail development . . . you can hire that expertise. That's where we might be of assistance. At Talon Company, our job is to make yours easier by providing you with the tools and expertise to start, and develop, a profitable and expanding retail thrift enterprise. We can even function as your staff in the process. Safer, quicker, more effortless development of a thriving business. Give us a call. We are ready to talk.