



# Brand C

## Next generation charity shops

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## BACKGROUND

There are many who openly say that charity shops blight the high street. And it's also true that a sizeable percentage of the UK public don't like them. But then on the other hand, half the population do shop in them.



The screenshot shows a webpage for Cause4Opinion, which focuses on fundraising, philanthropy, and social enterprise. The article, written by Zoe Dean on September 11, 2012, discusses the impact of charity shops on high streets. It mentions that in Rochdale, there are eight charity shops on a high street, double the national average. The article also notes that independent shop owners claim it is unfair that charity shops receive an 80% rate relief, making it easier for them to survive in a tough economic climate.

Those who are concerned about high-street blight point to the fact that the UK has the world's highest concentrations of charity shops in our town centres. So why is that?

For a start, we are a nation of givers. The charity market, nowadays called *the third sector*, was worth £71.7bn in 2015/16 and employed some 765,000 people. (Source Charities Commission) Our Royal National Lifeboat Institute, for example, covers the whole coastal waters of the UK but receives not a penny from central UK Government coffers.

The British are amazingly generous to the point that we are the #1 western nation in the Charities Aid Foundation (CAF) league tables for giving up our hard won cash. So the key issue for the UK High Street is whether there is another workable modality for charities to receive donations without having a shop presence. And because *chuggers aka charity huggers*) are getting quite a bad name nowadays, there are not any obvious answers.

Secondly, our British retail entrepreneurs are habitually stealing ideas from the United States, so we now have more out of town shopping centres than anyone else apart from North America. And that's where the issue of excessive charity shop concentrations started.

Because as everyone piled into the hermetically sealed environments of Trafford Park (featured below) and Gateshead's Metro Centre, the retailers in our town centres could not compete. You can spend all day in one of these gargantuan shopping malls without worrying about rain, snow or being cold. You don't shop Doncaster or Wigan without such worries. More the point, these malls allow



our twenty first century shoppers to choose from every desirable brand name under the sun.



So the local councils and landlords faced with an increasing number of empty shops thought it would be a good wheeze to lease them to charities, and, for good measure, give them a whopping 80% discount off their business rates too. Unfortunately, and mainly because of the recession, no one has since come along to compete with them for these spaces.

However, looking at the bigger picture, there is one way that our town centres and high streets will survive. They have to reinvent themselves and become more like those in Europe. People must come back to live in the town. As a by-product, it means the Green belt will not be ravished by house developers and CO2 emissions will go down.

Having people back in town will completely alter the dynamics. It will encourage more bars and cafes. For example, in Laredo (pictured below), Northern Spain, there are ten times more bars and cafes than Bolton which has over twice the population. And whilst people live throughout the town centre of Laredo, there is virtually no one in central Bolton.

More bars and services shops like cobblers, dry cleaners, electrical repairs, for example will compete against the charity shops for space. The charity will eventually lose, but where will they go?

This is where Brand C, the new charity superstore – a TK Maxx lookalike, will help maintain, if not increase, charity revenues from the displaced shops.



## HOW WILL BRAND C WORK IN PRACTICE?

Brand C is all about convenience, collaboration and most importantly, technology.

Recent research by Bank Santander, published in Retail Bulletin, has indicated how much we love the *one-stop shopping* that the supermarkets provide. Their study found that 16% of shoppers now use supermarkets as *one-stop shops* and that 98% of all UK shoppers buy at least some non-food items from their local supermarket. In essence it's all about convenience, having clothes, food, electricals, records and books, for example, all in one place. Of course, the rise and rise of Aldi, Lidl and Primark shows that the British shopper still wants a bargain, convenience or not.

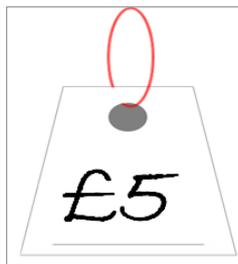
So Brand C could be all of those things but without the food part. Brand C could be a TK Maxx lookalike - light, airy and spacious! How different would that be from your average, generally cramped and arguably down-market charity shop? And the business model can be split into two

- A. Collaboration between, say 10 non-competing national charities all working together towards a common cause which is maximising the revenues from goods donated by the public
- B. Collaboration between all the local community charities in a town or city. A true community store

In the picture on the right, all these tee shirts on the garment rail in the picture could be from differing charities. Brand C will exploit modern bar code technology to allow a diverse range of suppliers to supply one unit with product. Each garment will have a swing ticket with price on one side and a unique simple charity bar code on the other.



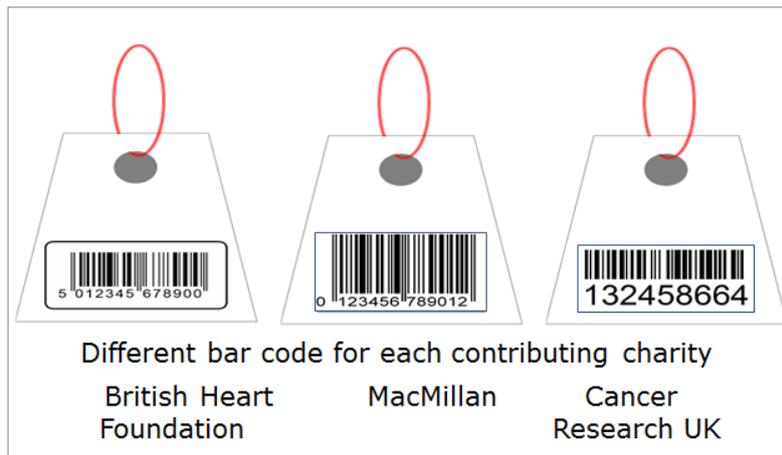
Very few charity shops have a decent range of



men's clothing, if at all. By aggregating up several charities, there becomes the possibility of having a full rack of tee shirts, several racks of formal shirts and so on. Having decent ranges

means more customers and foot fall and greater sales.

It's no different from modern department stores who sell a mix of own label brands intermingled with other private brands. So for example, Debenhams will sell their own house brands such as Maine alongside Levi's, Lacoste and Nautica amongst many. John Lewis sells house label John Lewis (previously called Jonelle) against Jigsaw, Gant and Ted Baker.



Brand C could be a joint venture between several main UK charities who then sell as a department store or co-operative. The premises would then become destination stores for selling good quality, clean fashion items, household bric-a-brac and books. All the monies are split precisely according to the bar code.

It's really not a great extension to what the British Heart Foundation are already doing in their larger stores that sell furniture in prime shopping centre space, for example the Pride Hill Centre in Shrewsbury and Knowsley Street in Bolton

## WILL BRAND C STORES REDUCE THE OVERALL NUMBER OF CHARITY SHOPS?

As councils reconfigure their town centres, there will probably be less opportunity for the smaller charity shops. This decline will be further exacerbated by the probable loss of the 100% rates relief, making most c-shops uneconomic.

But any financial loss from the lost smaller shop should be mitigated by the Brand C superstores. These new, superior class retail operations will allow charities access to greater margins and greater throughputs as a higher percentage of the UK population shops in them. Any excess stock not shop retailed can then be

- Sold directly to the wholesale markets shipping clothing out to Nigeria, for example, and other developing world countries
- Sold through Hennes and Mauritz (H&M) style 'bucket shops'
- Sold as rag

## NEW PARADIGMS OF PRODUCT AND MARKETING

The size of the new superstore opens up many new possibilities for product lines, for example

- A Dress Agency to rent out the better dresses and garments passed over
- Event / Wedding Hire built up from passed over garments and bought in liquidated new stock
- Vintage clothes (picture right) appealing to Goths, New Age and those of similar tastes. The rise of school proms could also see increased activity in retro dresses as per 'The Fonz and Happy Days'
- Major items of value can be sold through Ebay, plus there



- is major scope for a simple subscription-only collector's and memorabilia newsletter to further increase awareness and push up prices like a quasi-auction
- The newsletter can be further refined into
  - Military; antiques; dresses for example

## WILL BRAND AWARENESS BE REDUCED?

There are many in the charity sector who would worry about a decline in brand awareness should their portfolio of smaller stores disappear from the town centre.

However, there is no hard evidence that the High Street presence of a national charity actually promotes brand awareness. Regional and local charities are different, though, and anecdotal evidence suggests that for them, presence is very important.

Strangely, perhaps, from a marketing viewpoint, those members of the public who purchase from charity shops are rarely, if ever, given any verbal encouragement or explanation by the shop staff, as to why they, the *warmed-up* purchaser, should consider that charity in a favoured or wider context.

Trying to change that loss of opportunity marketing is Tenovus, a cancer charity covering Wales and the South West of England. They have developed a *community blueprint* where the role of the shop goes beyond being a mere retail venue, but also becomes a signpost to Tenovus services and support within the community.

Patently, the availability of a *favoured* charity shop assists donations of product. And if that same charity's shop was missing, it is probable that another charity, which did have a shop in that locality, would benefit instead.



However, there is no proven connection between those who donate goods to those who buy them. More likely that the majority of people giving away unwanted items do not want to replace them with other un-necessary products

Finally, there is no reason to suspect that charity shop purchasing habits are no less promiscuous than the normal High Street; people buy from a shop because the product matches their needs rather than considering what is the fascia brand.

## **IN SUMMARY, THE MAJOR BENEFITS OF BRAND C**

1. Creation of a large destination store to complement and /or replace smaller shops being replaced by artisan goods and cafes serving new town centre populations that help reduce pressure on the Green Belt
2. Many smaller town centre shops will migrate to neighbourhoods for better community connectivity and increased product donations
3. The Brand C format will work on two business models
  - A. 10, say, non-competing national charities
  - B. All the town's or cities' local community charities
4. Managed on a social enterprise basis. More paid staff to give career prospects, plus an army of volunteers as is usual at present
5. Significant new product line offers such as dress agency, wedding hire, vintage clothes, memorabilia and antiques, furniture
6. Major economies of scale
7. Ability to gain higher margins, higher product turnover
8. Higher sales numbers per square foot
9. Products shown in high quality surroundings
10. Perceived increased cleanliness and freshness of product
11. Ability to lose a general, though not universal perception of dowdy surroundings
12. Opportunity for sponsorship from larger retailers, primarily supermarket groups

## ABOUT PUREPAGES RETAIL CONSULTANCY

Mike Phillips, the company's main retail consultant, is an MBA graduate of Manchester Business School and leads a small team of associates with a wide range of retail skills.



He is an ex director of both PricewaterhouseCoopers, Centre of Retail Excellence in Utrecht, Holland and KPMG, the latter role as Head of Retail in the UK's BAS Division.

During the Nineties he led consultancy projects from Moscow to New York, mainly in the retail and FMCG sectors.

Prior to these roles, Mike wrote for several years for the Financial Times in London, where he authored reports on commercial, consumer and healthcare issues whilst a freelance consultant to the UK Government's Department of Trade and Industry. Specifically, he authored two top-selling FT reports on Convenience Retailing and Franchising for Global Expansion

In late 2015, Mike was invited to Paris by the French Government to discuss the opportunities for the French bookshop industry to stave off mass bankruptcy in the wake of the Amazon onslaught. <http://bit.ly/1jhmkmM>

Currently he is completing the analysis and turnaround marketing plan and strategy for a mid-size chain of DIY stores. Some other relevant retail work

- Category management at Sainsbury's
- Turnaround strategy for Cotswold Outdoor
- Advisory work for the French Government on how to defeat Amazon
- Award winning regional manager with B&Q
- Supply chain analysis for Bon Marche fashions
- Branding for American Tools, Copenhagen
- Brand sales training for K2 Skis of the USA

