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Secondhand success

Goodwill tries on a cast-off idea and boosts money, mission

By [Sherri Welch](#)

When it came to identifying a source of new revenue as other funding dropped off, **Goodwill Industries of Greater Detroit** looked back in order to move forward.

The Detroit-based organization re-entered the thrift store market late last year, a decade after exiting it - but this time with a more sustainable operating model.

The successful deployment of the retail strategy, with an eye toward mission, was the reason judges chose Goodwill as *Crain's* 2011 Best-Managed Nonprofit Winner.



Goodwill's return to retail brought the promise of not only new revenue, but new jobs for its clients in a new industry.

In its first year of operation, Goodwill's flagship store in Canton Township has created 25 new jobs and an estimated \$800,000 in

GLENN TRIEST



President and CEO Lorna Utley says Goodwill Industries of Greater Detroit learned from its past when it decided to get back into the retail business with this thrift shop in Canton Township.

Meet the judges

This year's *Crain's* Best-Managed Nonprofit Contest focused on successful revenue strategies for nonprofits that were not fundraising. The winner, **Goodwill Industries of Greater Detroit** (profiled

revenue this year to support the nonprofit's mission of putting people back to work.

Goodwill, operating on a \$25 million budget this year, is projecting the store will top \$1 million in sales next year.

The new store is generating about \$13.50 per store transaction, outpacing the national average of \$12.50. It generates additional revenue from the sale of unsold metals, glass and plastic by the pound.

With support from its board to expand its earned-revenue model, Goodwill plans to build on the success of the first store, opening a second in the coming year and eventually a chain across the region.

"We learned from our mistakes of the past" and now position stores in high-traffic, high-income areas where it's convenient for donors, said President and CEO Lorna Utley.

"The donated goods model has been successful in many other markets similar to metro Detroit, and if done properly here, it has (been) and will be sustainable."

The Detroit-based nonprofit operated local thrift stores for about 80 years before closing its last storefront in 2002 due to low sales. It dabbled with selling items online but didn't pursue that for long.

When storm clouds began gathering around the automotive industry (long the backbone of Goodwill revenue) and around other industries that employed its clients, as well as federal grant funding, the organization began planning its return to retail.

Goodwill benchmarked top nonprofit thrift store chains around the country, in Sarasota and Fort Myers, Fla.; Indianapolis; Portland; Seattle; Atlanta; Grand Rapids; Muskegon and Traverse City,

above), will be honored at *Crain's* Newsmaker of the Year lunch next year and will receive a cash prize of \$1,500: \$1,000 from *Crain's* and \$500 from **Gary Dembs**, president of the **Non-Profit Personnel Network in Southfield**. Dembs also served as a judge. The other judges were:

- **Paul Good**, community and government relations manager, **Detroit Zoological Society**, Royal Oak.
- **Karla Hall**, manager, corporate contributions, and vice president and secretary, **DTE Energy Foundation**, Detroit.
- **Gerald Lindman**, senior lecturer and director for the **Center for Nonprofit Management at Lawrence Technological University**, Southfield.
- **Richard Martin**, vice president, advancement, **Lutheran Social Services of Michigan**, Detroit.
- **Donna Murray-Brown**, director of Metro Detroit Partnership, **Michigan Nonprofit Association**.
- **Mark Neithercut**, principal, **Neithercut Philanthropy Advisors**, Detroit and Chicago. Also a past executive at the **Community Foundation for Southeast Michigan** and **The Kresge Foundation**.

Crain's thanks the judges for the hours spent evaluating applications, and thanks the nonprofit practice group at **Plante & Moran PLLC** in Southfield, led by partner **Sue Perlin**, for its financial analysis of the applicants.

noting the successful strategy of locating stores near donors.

It looked to its parent, **Goodwill Industries International**, and to its Grand Rapids affiliate for insight and guidance in critical areas such as site selection, market analysis, store design and best practices for the business.

To hold the costs of launching the store to \$500,000, it collaborated with numerous organizations, such as Warren-based **Art Van Furniture Inc.**, which donated a 26-foot box truck to transport donated goods; Rogers, Minn.-based **Archway Marketing Services** for donated warehouse space prior to the store's opening; and Brighton-based **Riemenschneider Design Associates**, which donated interior design services to create an inviting atmosphere for the store, with wood floors, fashionable lighting and words that speak to Goodwill's mission adorning the walls.

Goodwill hired Jeffrey Ukraineec, former inventory control manager for **Ford Motor Co.**, as its new director of donated goods operations.

It tapped its soft-skills employment and training programs to ready 25 unemployed people for jobs with the new store in customer service, processing donated items, stocking clothing racks and managing operations. It also established training positions at the new store for people going through its job training programs.

But re-entering resale was not without challenges.

Initially, there was some concern among board members because of Goodwill's past failures in the business, and about shifting the nonprofit from one that primarily trained people for jobs to one that also would create jobs through the new businesses, Utley said.

"Once the complete and strong business case was developed and supported, the (board) ... provided resources which helped to ensure our success," she said.

Goodwill's brand proved to be a double-edged sword as it sought to open its first store.

While Goodwill is a highly recognizable nonprofit, its past thrift store operations had left a reputation as an operator of dirty, dimly lit stores that featured old, though very affordable, used merchandise and clothing, the nonprofit said.

Those impressions led to challenges in securing a site for the first store, as city planners and

property owners voiced concerns that a traditional resale store did not align with their desired image for their community and might hurt nearby businesses.

Goodwill tapped Farmington Hills-based public relations firm **Tanner Friedman** to communicate with shoppers, donors, city planners and potential landlords about the improved resale experience through social media and other platforms.

Goodwill eventually locked in the Canton site, convincing the community the store would bring customers to other businesses. "We'll bring in over 100,000 people every year to the store, whether donors or shoppers," Utley said.

With the automakers strong again, it's a good time to be in the business of donated goods, she said. Gently used and new name-brand items are sought after by "treasure hunters," yet affordable for people who can't pay retail, she said.

"Demographics indicate we could have 50 stores in the area," Utley said.

She hopes to see five to 10 of them built under her watch. The stores build on Goodwill's experience with other revenue-generating enterprises, such as its long-time tier-one supplier relationship with automakers, its **Ben & Jerry's** Scoop Shop in the Compuware Building in Detroit and its **Green Works Inc.** industrial recycling company.

As with all of those endeavors, Goodwill developed goals around the number of clients it would help and job placements it would create with the new store, in an effort to balance the social return with the financial return, Utley said.

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