



## **Growing Your Trading and Enterprise Profitability Enhancing Your Financial and Social Return**

**By**

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# Growing Your Trading and Enterprise Profitability

## Enhancing Your Financial and Social Return

***There is no trading enterprise on this planet that cannot be improved. Complacency can be the biggest enemy of all.***

### **A Specific Example**

Markets change and so must those who trade in those markets. As an example Aperio worked with a hospice organisation with a retail trading arm. Profitability and hence the amount transferred to the charity was of concern to the trading board.

As with many charity shops they have been heavily dependent on donated clothing, an area under huge pressure from discount clothing retailers such as Matalan, ASDA and Tesco. When a consumer can purchase three new T shirts for £10 there are clearly some competitive difficulties.

The first step taken was to accurately reflect the performance of each outlet and then benchmark it against sector norms, in particular on a square metreage basis. Next came evaluating the competition in each area, not just charity shops but also commercial outlets that sold similar products – such as card and novelty gift shops. Opportunities were then assessed based on the product available, location and market opportunity, such as a wedding store upstairs in one of the outlets.

It was clear that the good charity shop can still perform well by reconsidering their marketplace; looking at more specialisation, adopting more segmentation based on location; re evaluating their cost structures (property and staffing are after all the two main components).

This can lead to some difficult conversations about the number and role of paid staff as well as the viability of some outlets. One of the worst reasons for keeping a loss making store open is that it gives the charity a presence in the community. Retail arms only work with a commercial focus that is not clouded by other factors.

More radically there is much more scope for co operation in infrastructure particularly with warehousing, bought in goods and back office services.

As a result a number of changes are taking place, the changes potentially tripling profits.

### **Generic Steps**

Charities may develop greater profitability from their current trading activities by market expansion, achieving efficiencies and/or expanding the portfolio of enterprises. A basic review would consist of:

- Assessing the current enterprise
  - ✓ When undertaking a review, determine what you want to accomplish by it and who the review is for (oneself, the team, external funders/investors, internal funders, the board, stakeholders).
  - ✓ Be clear what your product offering is, including your ambitions for the enterprise; your vision, mission, values; business objectives/financial results; your customer(s) and what they buy, why, how and where.
  - ✓ A key step once the definition is clear is to perform a SWOT analysis; particularly assessing marketing, sales, operations, staffing, management, finances and risk.
- Undertaking market research to identify opportunities
  - ✓ Perform detailed information collection on the industry and target markets.
  - ✓ Analyse the competitive environment and key players.
- Assessing growth opportunities – these should be apparent after the research and review of the enterprise and they should then be assessed using metrics that equate likelihood of success to capital outlay to desire and enthusiasm to make the opportunity come alive – one must never underestimate passion!

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It is important throughout the process to be dispassionate; challenging assumptions and creating solutions (if the right people are chosen). Key activities include:

1. Benchmarking – classically, how do costs and sales compare with other like organisations.
2. Effective measurement and reporting – any commercial organisation must always know how they are performing in a timely accurate fashion

Once the review is complete, ongoing operational approaches to enhancing social and financial returns should be implemented including:

- ✓ Improving methods, new technology, and better tools
- ✓ Increasing sales (pricing, add products, adding locations)
- ✓ Expanding product lines, new/additional products, focus on niche services/products
- ✓ Adding customers (marketing, expand into new markets)
- ✓ Increasing production (increased capacity)
- ✓ Costs
- ✓ Franchising
- ✓ Acquisitions/mergers

This is a brief introduction to a subject that can have a major impact on organisational and programme development in the third sector. Trading income can be an important element of funding and maximisation of return should be an ongoing management objective.