

BACK TO SCHOOL CLOTHING DRIVE CASE ANALYSIS: PART III

Larson's *Venture Forth!* Worksheets
Liz Gray • NLM 562 • Fall 2013

WORKSHEET IA: VENTURE OBJECTIVES

- Mission

- Our mission is to provide new school uniforms and outfits, backpacks and school supplies to children in need. We carry this mission out through annual distribution drives and through the provision of matching grants of up to \$2500 toward the purchase of uniforms.
- Creating a social enterprise will enable us to create a more self-sustainable SAFE grant structure that can grow along with the increasing demand for assistance from schools. It will also allow us to allocate any additional profit to an endowment fund in the future.

- Money

- *Specifics as to the organization's initial budget are not available*, however in 2009, \$200,000 in paid just-in-time revenue were generated. An additional \$150,000 in donor commitments were received and were used to seed the grant pool, so approximately 57% of the annual budget came from earned income activities.
- *Specifics as to the organization's initial budget are not available*, however it can be gathered from the case study that revenue comes from school purchases of uniforms, and the schools' matching funds are taken from the donor grant pool. The net profit after costs for production, distribution and staff wages have been paid for is reinvested in the program. The profit in 2009 was \$56,840, or 28.4% of the total revenue. Profit was measured by deducting the total costs of operation from total revenue for the year.
- Net profit totals over five years--from 2009 to 2013--averaged out to 30.68%, so it is likely that they would like to see profit increase another ten percentage points in order to support our grant initiatives with decreasing reliance on outside contributions.

WORKSHEET IA: VENTURE OBJECTIVES

- Capacity

- Our venture has already raised the organization's visibility and reputation, as can be seen by the doubling of participating schools over the past five years (from 67 to 133). We anticipate that this venture will continue to improve our reputation within the community and allow us to expand outside of Maricopa County in the future.
- Active communication with the schools and community that we serve will continue to enhance our ability to understand our customers.
- The venture will provide opportunities for staff to build new skills in supply chain management, e-commerce, and retail management.

- Concerns

- Our move toward a social enterprise venture started due to an increased concern regarding the reliability of donor funds to support our matching funds grant initiative. The economic downturn of 2008 made it abundantly clear that reliance on donations alone could result in insufficient resources to accommodate the increasing demand for assistance from schools. Because our revenue stream comes predominantly from schools which also rely on outside funding, we are aware of the fact that decreases in school budgets could result in reduced or removed budget allocations for student uniforms.
- In order to address this potential decrease in revenue, we must continue to improve the efficiency of our supply and distribution processes and ensure that our e-commerce site remains stable so that additional manpower isn't required to compensate for it. All profits made must be allocated back to the program, then to an operating reserve, and eventually to an endowment fund that will aid in sustaining the program through unanticipated periods of decreased demand or donor contributions.

WORKSHEET 2A: CORE CUSTOMERS

- **Constituencies**
- Maricopa County Elementary Schools
 - Core Customer: Yes
 - Schools purchase uniforms through our SAFE program in order to receive matching funds for up to \$2,500, thereby increasing the quantity of uniforms and supplies that they can purchase and provide to low-income students who cannot afford to purchase their own.
 - We know that school budgets are tight, so SAFE grants are of critical value to them because they allow them to stretch their budgets further.
- Low-Income Families and Students
 - Core Customer: Yes
 - Students whose families do not have the means with which to purchase school uniforms and supplies are benefitted by SAFE because the grants increase the number of students that can be assisted by their schools.
 - Provision of uniforms and supplies to those students in need removes one of the barriers that keep students from attending school. We hope to help ensure better attendance as a result of this effort, which will further ensure that all students, regardless of their families' incomes, will have access to a good education.
- **Prospective Customers**
 - Poverty doesn't adhere to borders, so we hope to expand our venture to schools beyond those in Maricopa County once we have refined our supply chain and can ensure that it's stable enough to handle the increased demand.

WORKSHEET 2B:

CORE COMPETENCIES

| Competency | Why customers value this | Variety of customers who value (or are likely to value) this | Why it is difficult for others to imitate |
|---|---|--|---|
| Largest non-profit provider of school uniforms | Customers recognize and have good access to the brand and its offerings. | Schools, low-income families, funders, and other partners | It takes time to develop a substantial base. |
| Most experienced provider of school uniforms | Customers trust the organization because of its extensive history in this market. | Schools, low-income families, funders, and other partners | 40+ years of service can't be attained by organizations that are just entering the market. They will have to start from zero. |
| Established relationships with retailers and vendors | It is easier to build partnerships with existing retailers and vendors within this market. | Funders and partners | Relationships also take time to build, so organizations entering the market will have to start fresh. |
| Board experience within retail, accounting, and supply-chain management industries | This helps establish trust in the management of the venture. | Schools, low-income families, funders, and other partners | This can be imitated, but the other core competencies listed combined with board experience create a more difficult formula to replicate. |
| Reliable base of key funders | This helps ensure that matching funds will continue to be available while we work to reach sustainability. | Schools, low-income families, and other partners | This can be imitated, but the other core competencies listed combined with an established base of funders create a more difficult formula to replicate. |
| Technologically advanced approach to customer demands | This makes us competitive within a market that is leaning much more heavily toward e-commerce. | Schools, low-income families, funders, and other partners | This can be imitated, but our organization's knowledge of the market and our communications with schools help us define expectations more clearly and more quickly. |
| Lean operational costs | This establishes trust with key funders and with customers in ensuring that as much profit as possible goes to schools and low-income students. | Schools, low-income families, funders, and other partners | This can be imitated but may be more difficult to do with little to no experience in the community and the market. |
| Loyal customer base | This helps ensure that demand for our product will continue to grow. | Funders and partners | This can be attained with time, but organizations entering the market will have to start fresh. |

WORKSHEET 2C:

INTERNAL VENTURE SKILLS

| Question | Explanation | Rating (1-5) |
|--|---|--------------|
| Do you have the financial stability and budget flexibility to invest sufficient resources (at least 1/3 full-time employee for six months) into exploring venture opportunities? | A detailed business and operating plan was developed and presented to the organization's key funders, and as a result, raised more than \$150,000 in commitments to seed the matching grant pool of money and to fund start up operating costs of the retail store. | 5 |
| If a promising venture opportunity emerges and a business plan is written, can you invest staff and financial resources into launching that venture? | A detailed business and operating plan was developed and presented to the organization's key funders, and as a result, raised more than \$150,000 in commitments to seed the matching grant pool of money and to fund start up operating costs of the retail store. | 5 |
| Do you have strong financial and accounting capability on staff? | A corporate CPA from PriceWaterhouseCoopers was chosen to serve as the organization's board Treasurer and de-facto chief financial officer. | 5 |
| Do you have strong financial and accounting capability on the board? | A corporate CPA from PriceWaterhouseCoopers was chosen to serve as the organization's board Treasurer and de-facto chief financial officer. | 5 |
| Do you have strong marketing background and experience on staff? | We have not invested much into marketing resources but believe that we can manage this effectively and efficiently due to our history of 40+ years within the community. | 2 |
| Do you have strong marketing background and experience on the board? | We have not invested much into marketing resources but believe that we can manage this effectively and efficiently due to our history of 40+ years within the community. | 2 |

WORKSHEET 2C:

INTERNAL VENTURE SKILLS

| Question | Explanation | Rating (1-5) |
|---|---|-------------------------|
| Do you have staff stability and continuity (slow turnover), especially for the three most senior positions in the organization? | We have a reliable base of volunteers involved with the organization, but the board and executive director are fairly new. | 2 |
| Does your organizational culture encourage innovation, risk taking, and long-term thinking? | Such mindsets and culture became stagnant for a while, but we feel that we have exhibited this drive through our willingness to make changes to leadership and program structure. | 3 |
| Do the executive director and the board support the development of earned income ventures? | The executive director and board were brought on based upon this premise. | 5 |
| Do you have a solid internal cost-accounting system that provides reliable data on fixed and variable costs for each program or activity? | <i>I do not have actual data for this question, but I can guess that an internal system exists since the organization was able to provide stats on their sales and revenue numbers within the case study.</i> | 4 |
| Do you have the ability to establish the cost for a unit of service? | The cost for a unit of service has been established at \$30 per child. | 5 |
| Total Score | | 43 |

WORKSHEET 2D:

MARKETABLE ASSETS

| Asset | Potential Customers | Why they might be interested and willing to pay |
|--------------------|--|---|
| Reputation | Schools, retailers, vendors, and other local organizations | Partnerships with a well-known and respected organization may increase customer trust in their own offerings. |
| Experience | Schools, retailers, and vendors | With 40+ years serving this market, our experience may be of benefit others while organizing their own community outreach programs. |
| Talent | Uniform retailers and vendors | The talent that our board offers could be beneficial to others in the form of consultations. |
| Storage facilities | Schools, retailers, vendors, and other local organizations | Leftover storage space could be rented out to other parties as-needed and available. |
| Networking | Schools, retailers, vendors, and other local organizations | Collaborative efforts within an extensive network of schools and community leaders could be created to help reduce overhead costs for all parties involved. |

WORKSHEET 2E: CONSTITUENCY CONCERNS

- **Funders**
 - The Stardust Foundation gave us the SAFE Matching Grants Program to manage, so we do not anticipate that they will oppose moving to a social enterprise structure.
- **Board**
 - The board was created based on skills that will contribute to this venture, so there should not be opposition to a social enterprise.
- **Allies**
 - Retailers and vendors that we once passed schools' uniform order to for processing may challenge our decision to launch this venture.
- **Rivals**
 - For-profit retailers and vendors pose the greatest threat of rivalry to our venture. However, we have the unique value proposition of matched funds up to \$2,500 that helps separate our endeavors from theirs.