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The sky's the limit for an adventurous youngster from Monroe. Page 18

Making a profit off donated items

Thrift mega-store pays lump sum for charities' collections

By Suzanna Travers
FOR THE STAR-LEDGER

Even on a Monday morning in the dog days of August, the parking lot at Unique in Watchung was packed.

Drivers circled the lot waiting for a parking spot. It was, after all, 25-percent-off Monday.

Inside, shoppers attacked the racks, grabbing \$14.99 (before Monday discount) Ralph Lauren dresses or \$24.99 Steve Madden shoes. China, jewelry, electronics, jogging strollers, even furniture disappeared into carts, while a small army of workers in blue smocks constantly restocked from a huge back room.

The newest discount chain to hit New Jersey is not your mother's junk shop, but thrift mega-stores that are quickly developing a cult following, despite unease in the non-profit community about how Unique Thrift obtains its eclectic merchandise.

If you recently donated household items to the Lupus Foundation of America or the United War Veterans Council, it could be your old stuff that Sherry Montani of Martinsville and her daughter Chelsea, 15, were delightedly scoring at Unique on Route 22 in Watchung, one of seven of the company's thrift shops in New Jersey.

"We usually shop at Free People," Montani said, referring to the trendy — and expensive — juniors shop at Short Hills Mall. "But Chelsea recently got interest in vintage clothes, and I said, if you want to buy used, go to the source: thrift shops."

"This is fabulous," she announced, holding up several well-made pinstripe shirts for \$4.99 each.

There is no question that the prices are good at Unique. Badgley Mischka gowns, which can retail for \$700 and up in department stores, were \$114.99 recently. But it is the everyday items that draw a lot of people to Unique. The stores are a bonanza for bargain-hunters looking for T-shirts under \$5 and Stride Rite shoes that go for \$3.99.

It is true that reselling donated items has been an American charity staple for more than a century. The difference, however, is Goodwill and the Salvation Army directly receive donated goods,

SEE THRIFT, PAGE 19

Thrift

CONTINUED FROM PAGE 15

privately train their workers to sort and restore the goods and then sell them out of their own stores, keeping overhead at a minimum.

Unique is not a charity. It is a massive for-profit business that contracts with charities to pick up and buy their donated goods at bulk rates and keeps whatever it makes on resale, according to the company and the charities.

Goodwill Industries International, for example, states on its website that 84 percent of the \$2.4 billion of goods sold in its stores last year went directly to programs.

Under its contract with Apogee — the Minnesota-based parent company of Unique Thrift Stores — the Lupus Foundation of America collected \$3.4 million in donated goods and cleared a quarter of that amount for its programs, according to Lupus CEO Sandra Raymond.

The charities contracting with Apogee say that hiring a for-profit middleman affords them a chance to solicit donations on a scope they could never manage alone.

The Apogee contract allowed the Lupus Foundation to mail 10 million fliers requesting donations to New Jersey homes last year, with Apogee paying up-front costs, Raymond said.

"We are about raising awareness of the disease," said Raymond. "Apogee is our agent in making sure the program rolls out."

Some question the transparency of the process.

If donors "knew only 25 percent of the value of their donation could benefit the charity, they're not going to be enthusiastic about donating their goods unless they just want to get rid of them," said Daniel Borochoff, president of the American Institute of Philanthropy, which monitors charity fundraising practices. "I would hope people who have something valuable to donate wouldn't donate this way."

VALUABLE SERVICE

Formed in 2007 to consolidate three existing thrift store operations across the country, Apogee Retail is led by CEO Dave Kloeber, who runs several dozen corporations through a holding company.

"We purchase the (donated) merchandise from the charities," said Kloeber, adding that without Apogee, "A lot of these charities ... wouldn't be able to provide the services they provide."

Apogee Retail has ties to the grandfather of the thrift department business, the



ALEXANDRA PATS FOR THE STAR-LEDGER

Shoppers sift through racks of clothing earlier this year at the Unique thrift store in Watchung. The mega-store, which has seven locations in New Jersey, purchases and resells clothing and household items donated to charities such as the Salvation Army and Goodwill.

Salvation Army. The great uncles of Apogee vice president Orlo Ellison are credited with creating the first large Salvation Army thrift stores in California before leaving to adopt a for-profit model in the early 1950s.

They and their descendants created for-profit thrift stores throughout the country. The largest, TVI Inc. of Bellevue, Wash., operates more than 200 stores in the western U.S. and Canada under the names Value Village and Savers.

Apogee is a privately held company and does not release annual profits or sales figures. Kloeber said it has about 4,000 employees.

FLAT-RATE PURCHASES

Here, according to Kloeber and the charities, is how the program works:

Apogee contracts with a charity to use its nonprofit status for reduced mail rates soliciting donations, and Apogee and its affiliates handle nearly every aspect of the donation programs.

In the case of the Washington, D.C.-based Lupus Foundation — which first contracted with Apogee in 2008 — the charity wrote the copy for the mailers, which state donations "will be sold to private companies by annual bid."

Apogee took care of mailings and donation bags, calls from potential donors and curbside pickups using its private fleet of trucks, Lupus officials said. Apogee sold the best stuff in its privately leased Unique stores and disposed of any unsalable items through its recycling subsidiary.

Last year, about 800,000 cubic feet of goods were donated to the Lupus Foundation from New Jersey, Raymond said. All of it was sold to Apogee

for a flat rate.

Apogee paid the foundation approximately \$3.4 million for goods collected in New Jersey and two other states. It deducted, however, roughly \$2.5 million for its services, leaving the foundation with net proceeds of nearly \$890,000 — money that funded national research grants, chapter services and a public awareness campaign, Raymond said.

In addition to the revenue, the Lupus foundation got its name into millions of New Jersey households, said Raymond.

"It may not be a great return on donation dollar, but some charities lose money, particularly on fundraising events," said Sandra Minuliti, spokeswoman for Charity Navigator, a nonprofit watchdog group. "They choose to do so because they know they are making friends and bringing in potential donors down the line."

"Using a for-profit middleman may not be the optimum situation, but sometimes it's the only way smaller charities can get their name out there," Minuliti added. "I don't have a problem as long as the charity is upfront with potential donors and keeps a really close eye on the middleman."

Kloeber said Apogee has donation contracts with two charities currently operating in New Jersey: the Lupus Foundation and the United War Veterans Council.

The first Unique Thrift Stores opened in the Garden State in 2007, filling retail spaces in Elizabeth, Paterson and Union City. All are called Unique, with the exception of the Apogee store in Hawthorne, called Value Village.

At an average store size of 25,000 square feet, the stores dwarf nearby Goodwill and Salvation Army outlets. Each

sale, because of Apogee's ability to afford higher rents and a large staff. Kloeber said 80 to 100 employees work in each store.

There are no signs in the stores indicating the merchandise was given to charity, but with Apogee-linked donation solicitations blanketing the state, the Apogee practice has aroused concern.

"I know it's the only way they can collect money," said Mary Cochran, senior vice president for production operations at Goodwill Industries of Greater New York and Northern New Jersey, referring to the charities that contract with Apogee. She added, however, "this man is making millions off them."

Kloeber responded: "Ask our charity partners if they are happy."

CUSTOMER CONFUSION

Unique stores have amassed a devoted fan base. But in the stores and on the Internet, shoppers and potential donors have tried to connect the dots between the items for sale and

the wave of solicitations.

"I read online it's donations from Lupus, so how did it end up here?" said Lynda Jones, 4 of Montclair, a Unique regular.

Apogee's bulk rates mean donated fur coats brings a cheater no more money than a bit of T-shirts, and the middleman's fees slash what the charities get by large percentage. But donors are led to believe the full value of their goods helping a cause.

"I call it lying by omission," Borochoff said. "It's not what most people would consider reasonable."

Yvonne Brown, 67, of Elizabeth shops at the Unique store in Watchung because it's a way to satisfy her clothing want without breaking the bank.

It doesn't bother her that she's shopping at a for-profit thrift store, but she has different thoughts about donating to one.

"I'm not going to give to them because they're making money," she said. "I'd rather leave bag of clothes at a church."

Star-Ledger reporter Judy Pest contributed to this report.