

The community business success guide to retail



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01.

Introduction

This guide is for you if you want to start selling things or grow your existing retail activity.

Our Success guide to retail explores how community businesses earn money through selling things that local people want or need – typically goods made by and for that local community. This is the fourth in our series of guides providing facts, figures and guidance to help you plan for a more sustainable future.

As a community business there are many things you can sell. But what kind of retailing will suit your business and the community it serves? This guide will help you decide.



We've looked at the retail activity of 81 community businesses across England, to provide some benchmarks to help you with your own business development. We've drawn up some guidelines, hints and tips from what we've learned, although these can never replace the peer advice, local knowledge and community engagement that really help community businesses flourish.

We've also identified several business models for you to consider – these are the different approaches being used by community businesses that have already successfully introduced or enhanced their retail activity as an income stream. Learning from what others have done can give you a sense of what is achievable, but it's not only important to compare your business with others that operate in the same way but also with those that share other key characteristics – like scale, location and facilities. You might

find it useful to gather a list of similar organisations to see what you can learn from comparing their performance to yours and the benchmarks we have presented.

As a community business you can earn income from selling many different products and goods, and this guide can help you decide what might be most fruitful for your particular business and the community it serves. It also provides insight into the contribution made by other revenue streams like grants, donations and sponsorship. If you're considering what else might bring you additional income, other guides in the popular 'Success' series can help you explore things like lettings, room hire or running a café. You can find these at powertochange.org.uk/research-type/guides.



A note on our research and the findings

The guide is based on a benchmark analysis of Profit and Loss data for 81 community businesses who have received or applied for grant funding from Power to Change, the independent trust supporting community businesses in England. As well as using additional data from the Charity Commission, the Mutuals Register and Companies House, we interviewed organisations that were already retailing successfully.

Benchmarking measures the relative performance of an organisation to other, similar organisations. Learning from what other people have done gives you a concrete sense of what is achievable. Knowing how that stacks up financially gives you the best chance of reaching an income goal.¹ The Power to Change financial dataset can give you a good starting point for identifying a 'home group'.

It's important to compare your community business against the right peer group. This is how to get a better picture of how your business compares, and how it will benefit by adding retail or how it can improve existing retail figures.

The data in this guide is presented as percentages of total turnover – a simple way to compare yourself with other organisations. The figures in the tables of income and costs do not always add up to 100 per cent as not every organisation draws income from every stream or faces the same range of costs. We've rounded the percentage figures where that makes things simpler, or where more detail was unnecessary.

You'll notice we often use 'median' values. They represent the mid-point of any range of income or expenditure figures and provide a better sense of what's 'typical' across the range of community businesses we studied.

¹ For more information about how to use benchmarking data in your work, see the first report in this series, 'The community business success guide to cafes' <https://www.powertochange.org.uk/research/community-business-success-guide-cafes/>

How this guide can help you

If you're a community business that's considering selling things to increase your revenue, or an established community retailer that wants to make a business more sustainable, you'll have questions. We hope this guide will help you get started, with some of the answers you're looking for:

01.

What are the different ways a community business can earn income through selling things?
See page 8 ↗

03.

What are the costs involved?
See page 18 ↗

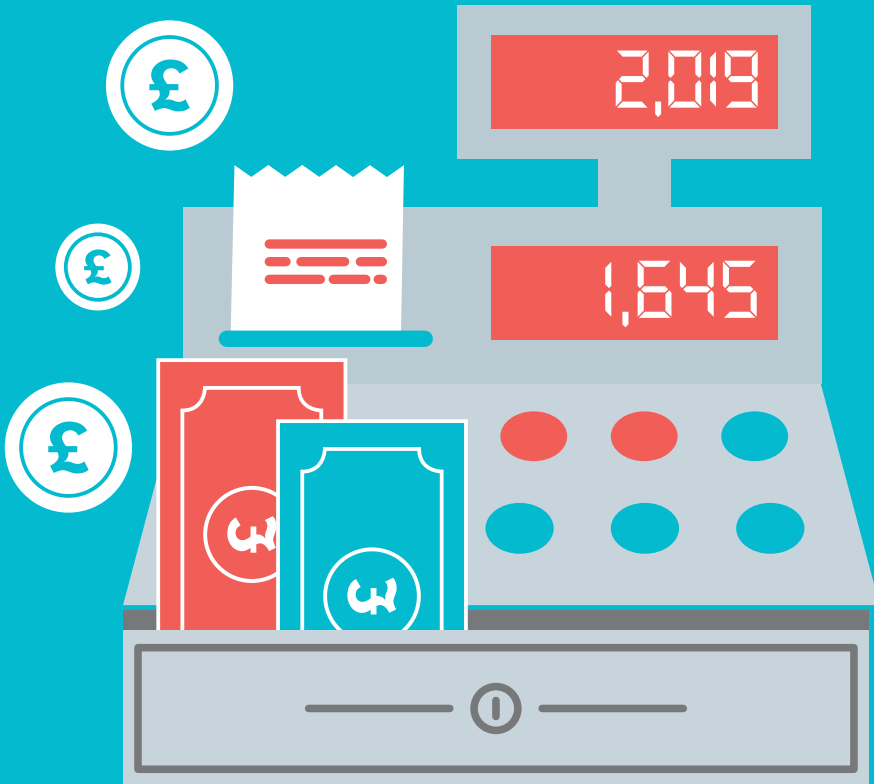
02.

What other sources of income are there?
See page 12 ↗

04.

How do I decide what approach is right for us?
See page 22 ↗

02. What are the different ways a community business can earn income through selling things?



Community businesses of any size can sell things and there are many different types of products and services that can be sold. The annual revenue of the businesses we studied ranged widely – from £23,000 to £2.6 million – and the proportion of the revenue that came from retailing varied from next-to-nothing to nearly 100 per cent.

Amongst the 81 community businesses included in our dataset, we found three common types of retail community business that Power to Change supports:



pure retail



retail servicing



donation-based
retail

We use these three typical business models throughout our guide, to help you decide which approach or combination of approaches might best suit your community business.



Pure retail

- Community shops selling brand new goods to the community, like food or books that are sourced from outside the business. Typically, revenue from retailing represents almost all their turnover (97 per cent median) but earns them overall less than other approaches (a median of £147,000).
 - Community businesses selling what they produce like bakeries, potteries and other community craft centres, such as the Devon Guild of Craftsmen.
-



Retail servicing

- ‘Retail in-venue’ where businesses sell to those people visiting their premises for reasons other than shopping, like the audiences for theatres, community halls or museums. Although these activities earn the highest revenue across all the types (median average £213,000), retail makes a much smaller contribution to turnover for these organisations (16 per cent is the median of average total turnover).
 - Support providers that sell by-products of the services they deliver, typically made by their community members themselves. For example, a wood-recycling plant supporting ex-offenders might sell the furniture it produces or a community farm supporting people with mental health issues could sell its fruit and vegetables.
-



Donation-based retail

- Community businesses which reuse or recycle and sell goods that have been donated to them, like furniture, white goods, clothes and books. Income from these contributes around two-thirds of turnover for those that operate in this way (66 per cent is the median).
- Reuse/recycle community businesses earn overall the least from their retail (median total revenue of £120,000), and retail revenue (at an average 68 per cent of total income) is often supplemented by grant funding from a variety of sources (17 per cent of income). This is distinctive to this group and, in contrast, grant-funding is largely unavailable to pure retail operations like community shops.

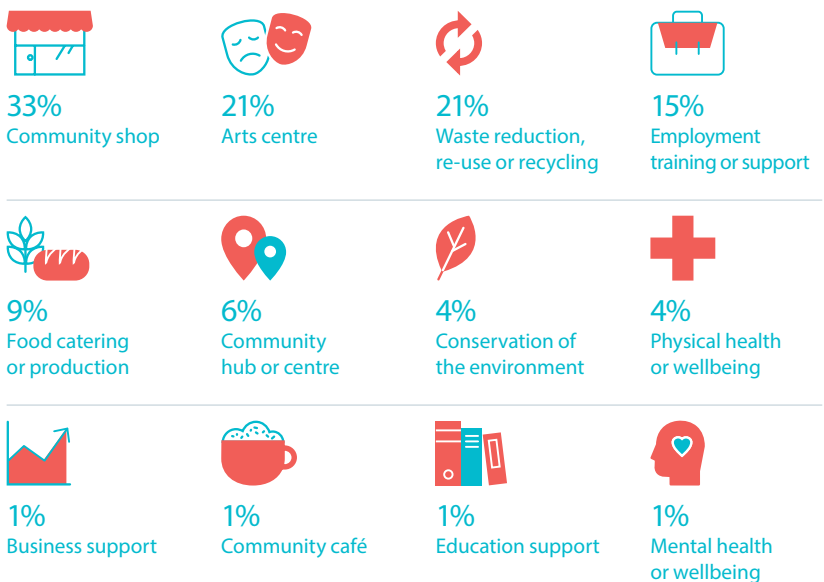
Not all community businesses fit in one category. A community hub may serve visitors in a shop and also host an organisation which re-uses or recycles furniture.

Decisions about what to sell and how to sell it depend on the needs and wants of the communities you serve, the facilities, human resources and experience available to you and whether you're about to start selling things or want to make your already-established retail activity more sustainable. Whatever your circumstances

and ambitions, the following sections can help you with making decisions about the role of retail in the future of your business, as well as help you understand the value of other income streams, like grants and donations. If you're considering what else might bring you additional income, our other guides can help you explore things like lettings, room hire or running a café and you can find these at powertochange.org.uk/research-type/guides.

Table 1 outlines the composition of the 81 organisations with retail income in our dataset.

Table 1: Retail models of community businesses (n=81)



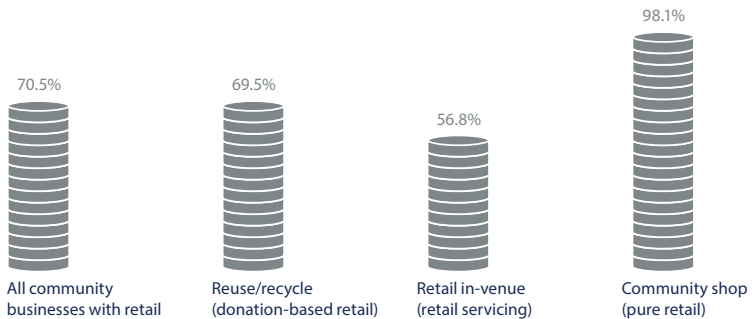
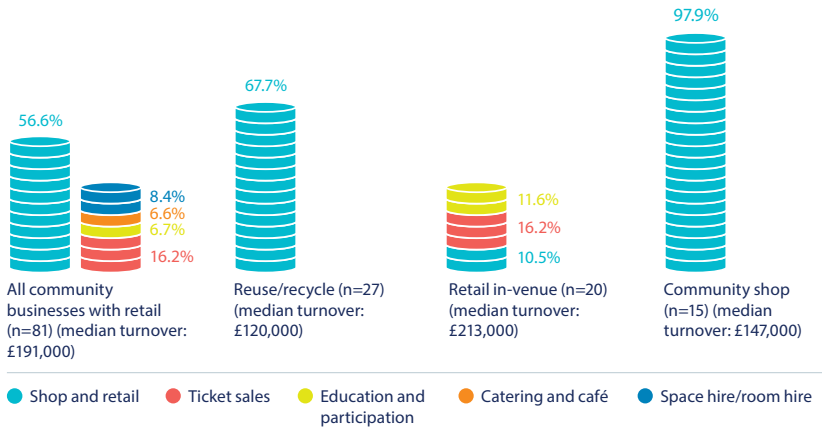
2.1

What about other sources of income like grants, donations and sponsorship?

Venue-based income

Chart 1 highlights that all identified groupings within our dataset generate significant revenue from retail (>10 per cent). But there were clear differences in their dependence on this revenue.

Chart 1: Retail and venue-based income sources, as a percentage of total turnover (2015)



● Total venue-based income

Further analysis of this data shows how the rest of the income is made up from their venue-based activities:



Re-use/recycle organisations achieve a median 67.7 per cent of their revenue from retail. Twenty-three of the community businesses in this sample receive more than a quarter (>25 per cent) of their revenue in this way. This sample of 27 community businesses also includes three organisations with mixed revenue streams, including Room hire or Letting, as well as Education and Participation revenue. The remaining community businesses only generate retail revenue 'in venue', generating the majority of their income through retail which is supported by grant/gift funding.



Retail in-venue community businesses generate 10.5 per cent of their revenue from retail on site. They also generate a median average of 16.2 per cent of their total revenue from ticket sales or entrance fees. This is supplemented by a median average of 11.6 per cent of total income from education and workshops.



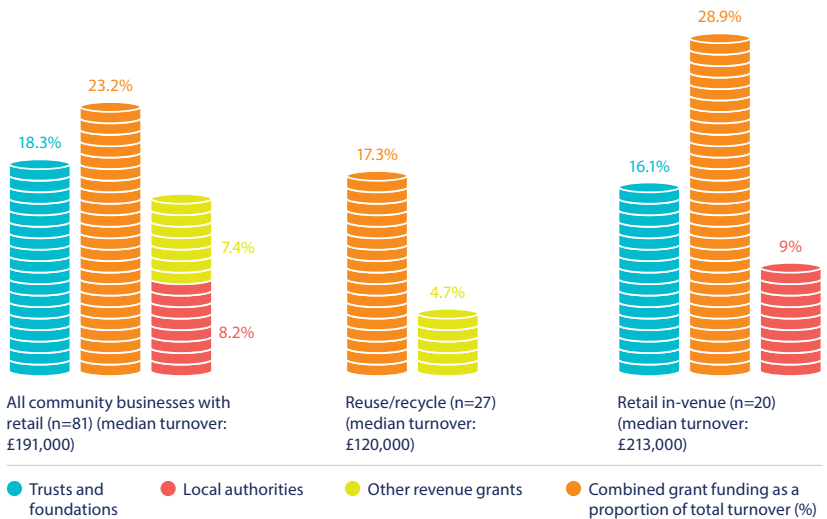
Community shops in our sample generate little or no income from other venue activities. They are pure retail organisations.

Grants

Retail is not the only source of income for community businesses and you will want to explore what else you might do to bring in extra money to help make your business more sustainable.

Although many community businesses benefit from some kind of grant, donation or sponsorship, the extent differs across the approaches we've identified. Chart 2 shows that of the 15 Community shops in our dataset, none reported any revenue grants. This sets them apart from the other groups observed, and across all community businesses in our sample with retail, an average of 23.2 per cent of total revenue was from grants.

Chart 2: Grant income as a percentage of total turnover (2015)²



² None of the pure retail community businesses in our dataset generated income from this source.

Further analysis of this data highlights:



Re-use/recycle community businesses in receipt of grants from Trusts tend to have a focus on training and adding value to the re-used furniture. The median average of their total turnover which comes from grants is slightly lower than other groups, at 17.3 per cent.



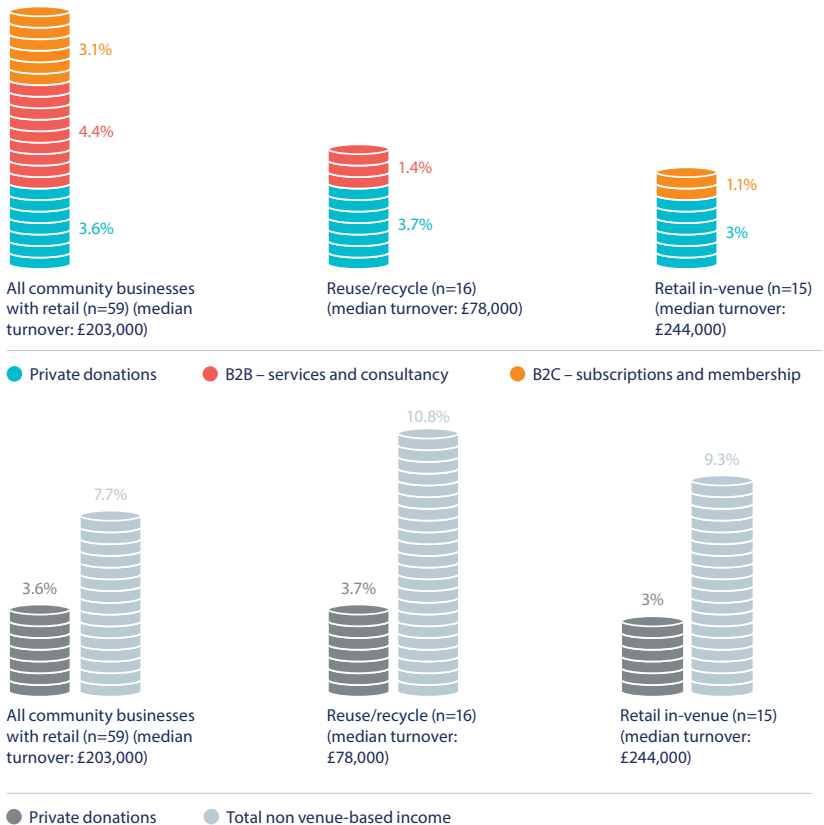
Retail in-venue community businesses generate a sizeable portion of their income in grants from Trusts and Foundations (median average of 16.1 per cent of total turnover). They are also well-supported by Local Authorities (generating a median average of 9.0 per cent of total turnover from this source), but from varied parts of their budget such as Arts, Education or community infrastructure. Finally, they receive a median average of 28.9 per cent of their total income as grant revenue. This is higher than the overall median average (23.2 per cent across all community businesses in our dataset).

Retail in-venue community businesses generate a sizeable portion of their income in grants from Trusts and Foundations

Sponsorship and donations

The different groups enjoy support from a variety of sources that aren't connected with local or national funding organisations, or directly related to their venue or premises. Such 'non venue-based' activities, like soliciting donations and consultancy, can make a sizeable additional contribution. Chart 3 outlines the percentage non-venue based activities (such as donations and consultancy) comprise of total turnover amongst community businesses.

Chart 3: Non-venue based income as a percentage of total turnover (2015)³



³ None of the pure retail community businesses in our dataset generated income from this source.

When we look at how organisations generate income from their intangible assets, the different business models have differing results:



Over half of the community businesses with retail revenue achieve some level of donations or sponsorship, with a median value of 3.9 per cent.



Retail in-venue community businesses also receive Subscription and Membership at a median average of 1.1 per cent of total turnover, with values of up to 5 per cent for some organisations.

Such 'non venue-based' activities, like soliciting donations and consultancy, can make a sizeable additional contribution.

2.2

Where does the money go?

The approach you take to retailing activity will depend on what you need the money for. Charts 4 and 5 outline the common items community businesses spend their money on. They show that Retail in-venue community businesses are running most profitably (96 per cent of revenue is accounted for costs).

The median expenditure for all community businesses is 98 per cent of total revenue. The Re-use/recycle community businesses (98.3 per cent) and Community shops (99.9 per cent) in our sample are all running at break even. Looking in more detail at the Indirect Costs, Chart 5 shows that Re-use/recycle community businesses have median Indirect Costs 9.1 per cent higher than the median across the group. Indirect Costs are less flexible than direct costs, making these businesses susceptible to changing fortunes with their income. Businesses with higher direct costs can vary more of their spend in line with the client based income.



Chart 4: Expenditure by type- direct costs (2015)

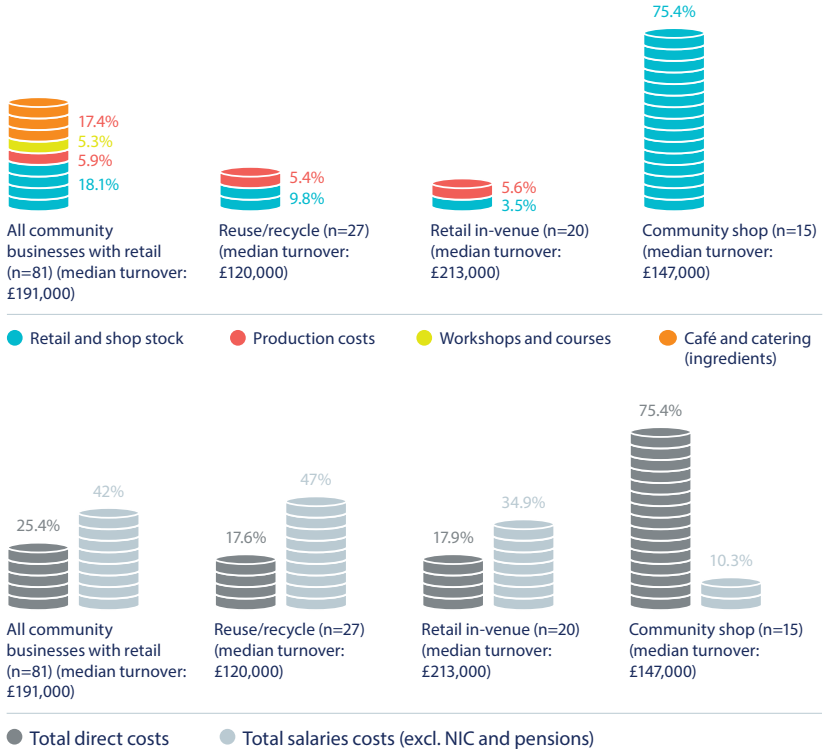
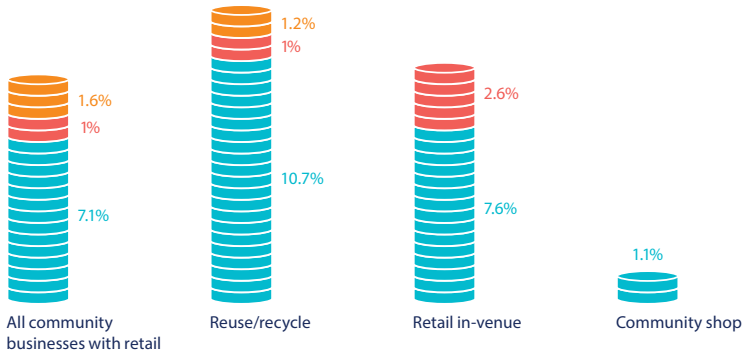
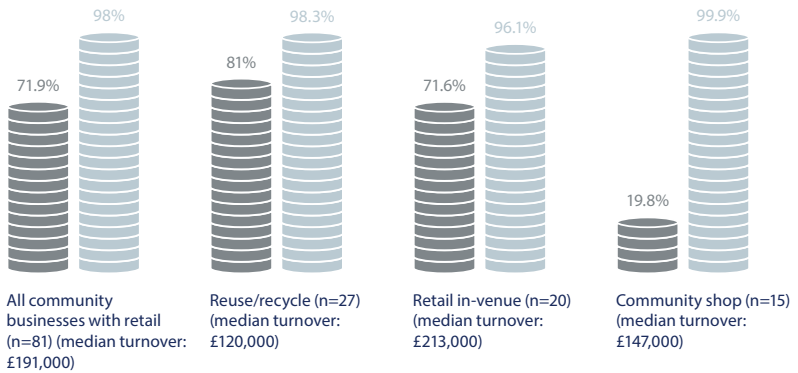


Chart 5: Expenditure by type- indirect costs (2015)



● Rent and rates ● Marketing ● Buildings maintenance



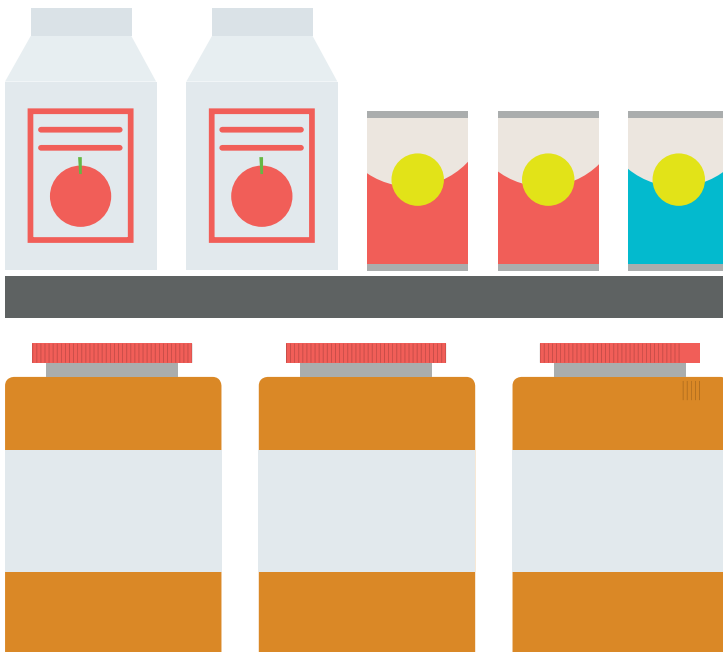
● Total indirect costs ● Total expenditure

Community business outgoings depend on the main activity of an organisation, the scale of retail in its mix of income-generating activity, how it sources the goods it sells, the premises it occupies and the staff it employs. Key points of note include:

- Community shops have high stock costs compared to all other types of organisations. This is reflected in the median 75.4 per cent of revenue vs. an average of 18.1 per cent across all community businesses
- Most organisation types with retail operations have similar

salary costs, ranging between 34.9 per cent (Retail in-venue) to 47.0 per cent (Retail in-venue). Community shops, where the median salary cost is 10.1 per cent, are a special case. Whilst most organisations rely on volunteers in some form, the Community shops in our sample rely on them much more than other types of community business, with little spent on salaries

- Community shops also have less rent and rates costs, 1.7 per cent on average compared to 8.6 per cent across all types of organisations with retail.



03. Your retailing options – what you need to know

By reviewing community businesses engaged in retail, seeing how they make their assets work harder and asking them for lessons learnt, we have compiled analysis, hints and tips for how different types of community businesses can generate income through retail. In this chapter we provide advice and insight structured around the three main business models featured throughout this report – pure retail, retail servicing and donation-based models



3.1

Selling things that your community needs and wants, but can't otherwise access

There are many organisations that focus on providing products to their local community that are not otherwise available, either because the community is remote or there is a dearth of independent or specialised shops. Examples include community shops, bakeries and bookshops where everyday products, healthy food or books are made available.

As well as their primary range of products these organisations may also provide:

- a focal point and sense of community
- a Post Office facility and local delivery point
- a place of learning with events and workshops
- an opportunity for volunteers to give something back to their community.

Crediton Community Bookshop

Crediton Community Bookshop, part of the Independent Booksellers' Network, is a community business committed to finding creative ways to support community projects – from inspiring school children with stories and their authors and providing skills training to improve employability, to reducing rural social isolation and investing in community ventures. It has more than 300 shareholders who inform progress and development, submitting ideas by email, phone or in person by calling in to the shop.



3.11 The financial health of pure retail community businesses

Pure retail community businesses primarily exist to sell to local people. Their business model is generally simple, in that they buy products or ingredients to sell to their customers.

In terms of income, these community businesses:

- survive on the skills of their mostly voluntary staff and their sales, supplemented by some donations or small grants
- have lower revenues than the ‘average’ community business that includes retail (community shops generate a median £147,000 annual revenue, compared to the £203,000 for all community businesses).
- In terms of costs, these organisations are slightly different:
 - community shops can’t usually afford to pay wages, so have low salary costs (at 10 per cent of revenue compared to four times that (42 per cent) for all community businesses)
 - community shops spend 75 per cent of their income on purchasing of products

- other costs are below average: spending on rent, rates, buildings maintenance and marketing is less than half that of other community businesses. However this is not necessarily because there is less need, rather that there is less capacity to spend on non-core elements.

3.1.2 How to succeed as a pure retail community business

- Build a culture of responsiveness: It is essential to listen to your customer base and community and respond to their needs. Owning stock that doesn’t sell is expensive, and these organisations often operate on the thinnest of gross profit margins, putting extra pressure on sales. So, provide multiple ways of letting customers tell you what they want, listen to them at the counter, provide suggestion boxes, and survey your users and shareholders to understand more about their needs and preferences – there are numerous low-cost or freely-available online survey tool to help.

- Provide additional community services: Open long hours? If your shop is open outside of normal hours, perhaps add additional community services such as parcel delivery - you can provide a delivery/drop-off point for one of the many private parcel services or perhaps become a rural Post Office. This both supplements your income and provides a service for the community.
- Support excluded community members: Why not provide both job training and work experience for excluded members of your community? With the right support and supervision, they can develop skills and experience that not only benefit them but also contribute to the ongoing success and reputation of your organisation.
- Diversify your income: Could you run events or workshops at your venue, such as author readings or bread making classes? These have been shown to increase sales, engage more volunteers and raise the profile of the shop in the wider community. You might also charge an entrance fee or ticket price making the event a money spinner.

Crediton Bookshop runs book readings which raise the profile of the shop and bring visitors into the town, benefiting other local businesses. At LoveBread, a community-led bakery in Huddersfield, baking lessons are often organised at times of the year that would otherwise bring in fewer sales, bringing in revenue with a higher profit margin and smoothing cash flow.

- Get out to your community: You might also consider taking your product to the customer. Sell to customers who may not otherwise visit your own shop by running a regular stall at a local market or organising a regular book sale in local schools.

3.2

Selling things to people who visit your venue

Some community organisations are built around a venue or a place that is important locally, either through its history or position within the town or village. Premises might operate as a theatre, concert venue or museum. Many are for hire, either for one off-events or shows, or a series of performances or activities. Visitors mostly pay an entrance fee, and guides are often local volunteers who become experts in their field.

These venues often sell merchandise that fits in with the theme of the exhibition or show, or perhaps refreshments if there is neither a café nor other catering facilities nearby.

Castleford Heritage Trust

Castleford Heritage Trust is a registered charity with the aim of preserving the local heritage in Castleford and enhancing the future of its community. Among the buildings they have restored is an old flour mill, which produces flour that is used by the on-site tea shop and sold locally. The amenities are run by volunteers and staff for the benefit of the community.



3.2.1 The financial health of retail in-venue community businesses

Retail in-venue community businesses are the largest group represented in our study and have the highest typical income (a median average of £213,000 compared to the £191,000 across all community businesses). However, they achieve the smallest average percentage of revenue from retail (10.5 per cent), although this is not to say that this revenue stream is not important to them.

For income, these organisations:

- earn income from ticket sales (16 per cent) and educational or participatory events (12 per cent).
- generate more than half (57 per cent) of revenue from activities at their venue, although this is considerably less than the 70 per cent average across all organisations.
- receive roughly a third (29 per cent) of their income in grants from funding organisations, usually from two or more sources.
- supplement income further through some sponsorships and donations (median 4 per cent), bringing the total of non-venue, non grant-based income to 9 per cent.

3.2.2 How to make a success of selling to people who visit your venue

Provide an experience:

Organisations that have visitors who watch, participate or learn in their venues can provide visitors with a retail opportunity before they leave the premises. Select products that correspond with an exhibition or experience, remind them of their visit or that provide information about the local area and your organisation or venue. You can make books, postcards and crafted items available as they 'Exit through the gift shop'.

- Promote local specialities: If there is a local speciality, perhaps once made on the premises, then this could also be of interest to customers.
- Upsell with additional products: Sell items that complement your main products – if you sell bread, then also sell butter, jams or milk. If you're already selling gifts, then consider cards and wrapping paper.
- Provide refreshments: If visitors stay for any length of time, they may be hungry or appreciate a snack, especially if there is no café or other catering facilities on site.
- Hire space: If you have your own building, hiring or letting some of the space to organisations with similar values can build community as well as improve your financial resilience.

3.3

Selling donated goods

Many organisations sell donated goods. Charity shops raise money for a specific charity or local causes and are well-known on every high street. These shops have traditionally sold everything, from second-hand clothes to furniture and white goods. These pre-used, refurbished and upcycled items provide essential items to many who cannot afford new items or people who value the use and love that an item has experienced.

Kennet Furniture Refurbiz

Kennet Furniture Refurbiz (KFR) collects and resells furniture and white goods to low-income families throughout Wiltshire, providing a twice-weekly collection and delivery service across the county. The staff and volunteer team cleans, checks and repairs all the furniture and white goods, and provides employability training and engagement activities for people with special needs. KFR aims to reduce the environmental impact of end-of-life products, ensuring nothing goes to waste.

“Brilliant way of furnishing on a budget, picking up a piece to complete a room or to upcycle with some French Chic or Annie Sloan paint. The white goods are usually really good quality at affordable prices.”

Kennet Refurbiz customer



As well as selling pre-used goods, many of these businesses provide additional community benefits:

- work-experience or training within their organisations for people entering or re-entering paid employment
- social activities around refurbishing and repairing
- social engagement for people with special needs
- access to reduced price products for people at who could not afford basic items
- assistance for the homeless

YES: Brixham

The Brixham Youth Enquiry Service, 'YES: Brixham', has been welcoming and engaging with young people and their families since it was founded in 1996. It provides information, support and activities to build confidence and self-worth in young people aged 8 to 25 years, enabling them to make a positive difference in their town.

YES: Brixham has two outlets – one is a traditional charity shop selling donated goods, while Living Rooms sells higher quality items of furniture, including those upcycled by the organisation Men's Sheds.



3.3.1 The financial health of shops that sell donations

Compared to the other community businesses in our sample selling products, donation-based community businesses are the most consistent of all the types of businesses in this guide.

In terms of income, these organisations:

- earn the majority (68 per cent) of their revenue from the sale of upcycled, refurbished or pre-used goods (compared with a median average of 57 per cent across all other retailing businesses).
- receive a proportion of their income from grant funding, donations and sponsorship, albeit at lower levels than other community businesses involved in retailing (a median average of 17 per cent from grants and 6 per cent from donations and sponsorship, compared to the 23 per cent from grants and 4 per cent from donations across all businesses)
- typically receive grants from several sources

On costs, they:

- spend less than average on shop stock – 10 per cent against 18 per cent – as their products are donated, and the costs include collecting, refurbishing or delivering products to customers
- are able to spend slightly more on salaries as they can have fewer costs than other types of community business (a median of 47 per cent compared to 42 per cent across the broader group)
- pay a slightly higher proportion of their income than others on rent and rates (11 per cent as opposed to 7 per cent).



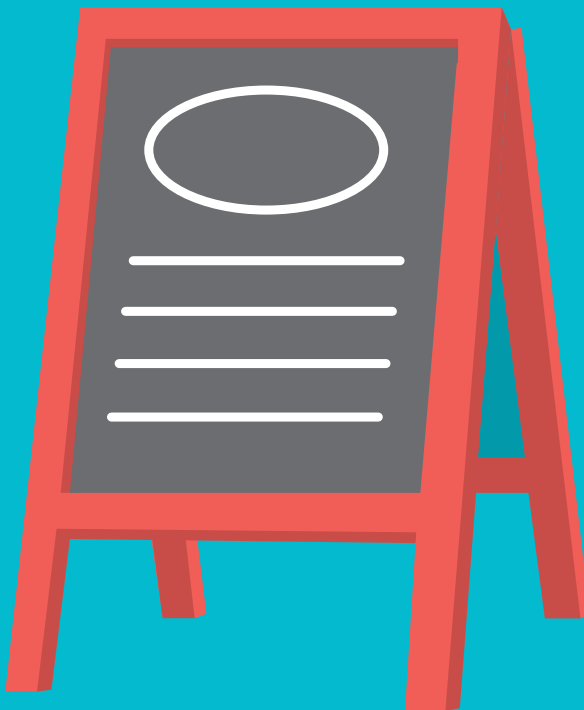
3.3.2 How to make a success of selling donated goods

- Upcycle: Consider engaging community members to repair, up-cycle or refurbish the donated products, so that you can sell for the maximum price and the products will last for longer. This will increase the value of the goods. Kennet Furniture Refurbiz takes in and repairs broken white goods and small electricals – they can sell a refurbished washing machine for £70–120.
- Provide opportunities for the local community: The refurbishment or repair is also an opportunity for the wider community. It can provide skills and job experience for people seeking work, it can provide activities for people with special needs and can provide a social activity to combat loneliness and isolation, as the Men's Sheds organisation has shown.⁴ You can work with existing organisations or start a group with your own community.
- Price it right: Price your products to the maximum that any customer will be prepared to pay. You can provide standard discounts to particular groups, like people in receipt of benefits or people recovering from a health condition or crisis. Kennet Furniture Refurbiz offers a 'Green price' for anyone in receipt of certain benefits and a 'Blue price' available to everyone, and affordable for all.
- Sell online: You can sell your products online as well as in store. Many organisations have websites or use social media, like a Facebook page, which shows good like furniture and appliances for sale, so that people can see, buy and arrange delivery (or collection) without visiting a shop. Social media also allows people to review and recommend your service.

⁴ For more information, visit: www.menssheds.org.uk

04. Top tips for all community businesses

Successful community-led retail businesses are focussed on their communities. Their community of volunteers and staff, their community of visitors and service users and most of all, on their community of customers.



And, from the retail managers we interviewed, we picked up some invaluable tips for any community business looking to grow its income from retail:

01.

Remember your roots

Make sure your customers, partners and volunteers remember that your principle focus is for social good. Communicate it in your marketing materials and refer to it wherever you sell – in your shop or online. It's key that the community understands you are there primarily for them – measuring and demonstrating your social impact is crucial to your reputation.

How many people have you helped, how much money has been raised and shared with other causes? If all they see is your retail activity, supporters and stakeholders may overlook the value you provide.

02.

Supplement your skills

If you are missing some key business skills, other businesses may be happy to help. Many private sector organisations take their corporate and social responsibility (CSR) seriously and are particularly interested in supporting local organisations. Check their websites for a 'CSR' or 'Work with us' section.

03.

Get advice

Trustees and advisory board members will be more than willing to share their expertise. Keep your trustee recruitment open and don't be afraid to seek out particular skills or experience.

04.

Diversify your income

Don't forget to remind people that they can make charitable financial contributions. Every charity should consider the way that they solicit donations, Gift Aid, grants and legacies, as well as making money from their own trade.

One last tip from many retail managers up and down the country:

'Just give it a go!'

Power to Change
The Clarence Centre
6 St George's Circus
London SE1 6FE

020 3857 7270

info@powertochange.org.uk

powertochange.org.uk

 [@peoplesbiz](https://twitter.com/peoplesbiz)

Registered charity no. 1159982

Design: Joana Pereira

