Managing and Measuring

ReStore Metrics That Make an Impact
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Why do we need to focus on metrics?
Have questions about your ReStore?

- Metrics are a way to get answers to questions that you have about your ReStore.
- What your questions are determines which metrics to track.
- Metrics can lead us to explore new questions we didn’t know we had.
Metrics matter

- Can confirm or contradict intuitions
- Data-driven decisions make businesses more productive and more profitable
- Can uncover unknown successes or problems
- Help us determine how to use our finite resources to create the biggest impact
Trackable vs. actionable metrics
Trackable metrics

Anything we can measure and quantify

• Daily sales
• Volunteer hours
• Sales by department
• Donation drop-offs

• Customers in red shirts
• Volunteers named Bob
• Number of times you hear “Will you take less for that?”
Metrics versus KPIs

- Metrics - things we can measure
- KPI - Key Performance Indicator
  - Metrics or data points that show how well we are achieving business-specific goals
  - Can be used to re-assess strategy
Dashboard

- Creating a KPIs dashboard
  - Quarterly sales
  - Quarterly donations
  - Personnel costs
  - Whatever you need!
Limitations of data
Quality of data

• Is it an accurate sample?
• How are you collecting it?
• How large is the sample?
• Are there outliers?
Correlation is not causation

• Are we considering the right variables?
• Are there other variables we should be considering?
• What is the relationship between your variables?
How does HFHI look at ReStore metrics?
Year over Year (YOY)

• The difference between last year’s sales and this year’s sales
• Useful for all ReStore operations
Nationwide ReStore Gross Revenue and Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Revenue</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011</td>
<td>$227 M</td>
<td>$75 M</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$264 M</td>
<td>$61 M</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$209 M</td>
<td>$69 M</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$334 M</td>
<td>$103 M</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$383 M</td>
<td>$110 M</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$431 M</td>
<td>$123 M</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$454 M</td>
<td>$127 M</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$486 M</td>
<td>$123 M</td>
</tr>
</tbody>
</table>

Year Over Year (YOY)
## Gross Revenue

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Average</th>
<th>% Change YOY in Average</th>
<th>Median</th>
<th>% Change YOY in Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014</td>
<td>$408,185</td>
<td>8%</td>
<td>$307,466</td>
<td>7%</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$453,315</td>
<td>11%</td>
<td>$342,625</td>
<td>11%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$506,844</td>
<td>12%</td>
<td>$395,594</td>
<td>15%</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$511,318</td>
<td>1%</td>
<td>$400,460</td>
<td>1%</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$543,401</td>
<td>6%</td>
<td>$415,969</td>
<td>4%</td>
</tr>
</tbody>
</table>

## Profit

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Average</th>
<th>% Change YOY in Average</th>
<th>Median</th>
<th>% Change YOY in Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014</td>
<td>$126,884</td>
<td>11%</td>
<td>$82,815</td>
<td>6%</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$140,561</td>
<td>11%</td>
<td>$89,915</td>
<td>9%</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$147,265</td>
<td>5%</td>
<td>$104,767</td>
<td>17%</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$145,831</td>
<td>-1%</td>
<td>$95,987</td>
<td>-8%</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$140,289</td>
<td>-4%</td>
<td>$92,428</td>
<td>-4%</td>
</tr>
</tbody>
</table>
Comp Store Sales

• Compares this year to the same period last year (must be a full year)
• Measures the health of a business
• Especially useful for multi-store operations
Comp Store Sales

Comp Store Totals FY17-FY18

<table>
<thead>
<tr>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sum of Gross Revenue</td>
<td>$378,965,838</td>
</tr>
<tr>
<td>Sum of Profit</td>
<td>$107,859,903</td>
</tr>
</tbody>
</table>
Comp Store Sales

Comp Store Totals FY14-FY18

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>$249 M</td>
<td>$275 M</td>
<td>$298 M</td>
<td>$313 M</td>
<td>$329 M</td>
</tr>
<tr>
<td>Profit</td>
<td>$80 M</td>
<td>$88 M</td>
<td>$92 M</td>
<td>$96 M</td>
<td>$92 M</td>
</tr>
</tbody>
</table>
Comp Affiliate Metrics

![Chart showing Comp Affiliate YOY Performance]

- **YOY Average Gross Revenue**:
  - FY 2015: 12%
  - FY 2016: 13%
  - FY 2017: 13%
  - FY 2018: 5%

- **YOY Average Profit**:
  - FY 2015: 9%
  - FY 2016: 1%
  - FY 2017: 15%
  - FY 2018: -6%

- **YOY Average Sales per Sq Ft**:
  - FY 2015: 4%
  - FY 2016: 2%
  - FY 2017: 1%
  - FY 2018: -2%

- **YOY Average Profit Margin**:
  - FY 2015: -5%
  - FY 2016: -6%
  - FY 2017: -5%
  - FY 2018: -9%
These help us see things like...

- Trends
- Growth phases
- Cannibalization
- Anomalies
A case for change (closing, moving, or adding stores)
Growth Check Points

Health of Affiliate

Long term GSA sales projections

Sales per square foot
  Individually and Operationally

Retail gaps

Current donation stream
  Demand for donations and current logistics

Current place in the market
  Size of current store and lease outlook
Occupancy cost percentage

- Recommended 14-20% occupancy cost for a mature (3+ years old) store
- Is this within range? If not, why?
  - Not meeting sales goals?
  - Rent/mortgage rate too high?
  - Paying for too much space?
  - Exceeding sales goals?
  - An incredible deal?
  - Outgrowing existing space?
Occupancy cost percentage

- National average: 16%
- National median: 13.4%
Personnel cost percentage

• Recommended 35-45% of gross invested in personnel
• Ideally at least 2 paid staff present during all operating hours
• Are these metrics within range?
Personnel cost percentage

- National average: 40%
- National median: 38.95%
Sales per square foot (SPSF)

- The higher, the better!
- If this is outside national averages, why?
  - Not meeting sales goals?
  - Inefficient use of space?
  - Too much space?
  - Not enough donations?
  - Exceeding sales goals?
  - Efficient use of space?
  - Too little space?
  - Strong donation stream?
Sales per square foot

• National average: $36.46
• National median: $33.68
Number of donations

• As many as the operation can handle
• If this is steadily declining, why?
  – Poor location?
  – Not enough marketing?
  – Poor customer service?
  – Competition?
Gross sales

• Use applicable information to make projections that fit the market
• If this is stagnant or steadily declining (a trend, not just a down year), we need to ask why
Penetration rate

- Measures market penetration
  - Can help you understand market potential
  - Helps inform decisions on if/how to expand operations
  - This is not a benchmark, every market is different
There's always more to the story...

- Hours/days open
- Staffing levels
- Marketing budget
- Markdown system
- GSA characteristics (divided market?)
- Trends over the years
A metric we can’t ignore...
Too many red flags might call for a store closure

• Closures trending upwards the past 3, going on 4 years
• Store openings trending downward for that same time frame
• More closures in FY19 already than in all of FY18
• The closure of these stores has actually resulted in a net gain in terms of profit
ReStores reporting net loss

7 every year for past three years
31 two out of last three years
97 one out of last three years
135 lost a collective $7.5+M in three years
Net loss- a closer look

- Down years occasionally happen, but patterns are concerning.
- How do we decide if it is time to close, or if it is time to make changes?
Net loss- a closer look

• 46 of the stores that reported a loss in FY16, FY17, or both were profitable in FY18

• 22 of stores posting losses for at least 1 of the past 3 fiscal years have closed
Tracking new ideas or secondary services
OUR SECONDARY SERVICE IS CLEARLY SUCCESSFUL, AS SHOWN BY THIS GRAPH OF HOW AWESOME I THINK IT IS.
How do we know if it’s working?

- Set clear, quantifiable goals up front
- Identify key metrics to track
- Regularly check metrics against goals
- Be honest about results
What to look out for

- Hidden costs
  - This goes beyond additional costs and could be things like staff time or floor space
  - Opportunity costs
- Unforeseen side effects
Example: Deliveries

- **Goal:** Increase gross sales by \( x\% \)
- **Hypothesis:** Implementing a delivery system will lead to an increase in total sales by removing the transportation barrier of large items for customers.
Example: Deliveries

• What should we measure?
  – **Must do:** Gross sales (probably on a monthly or quarterly basis); number of deliveries made; staff hours spent on deliveries; additional fuel costs
  – **Should do:** Sales per department; additional mileage/truck maintenance needs
  – **Extras:** Days scheduling out for pick-ups; Number of cancelled pick-ups
Example: Deliveries

• What might possible side effects be?
  – Additional demands on truck scheduling team
  – Increased complexity of customer service (timeliness of delivery; product damaged in transit; damage to customer home)
  – Increased liability/Changes in insurance
  – Others?
Example: Deliveries

Are there any costs (monetary or opportunity)?

- Staff and volunteer hours spent scheduling/delivering
- Truck gas
- More frequent truck maintenance
- Lost revenue from pickups that could’ve been made

- Lost revenue due to cancelled pickups because of slower response time (truck occupied)
- Return of items damaged in transit
- Others?
Questions?
Is it worth trying?
Relating ReStore metrics to the bigger picture
Funds to your affiliate

• The purpose of a ReStore is to provide funding to further our mission
• Successful ReStores enable their affiliates to increase building capacity through their profits
Reputational effects

• How the ReStore is perceived affects all of Habitat!
• Hopefully furthering a positive perception of Habitat for Humanity
• Engaging customers and donors who are otherwise uninvolved with Habitat
**FY2018 tithe**

- **TOTAL TITHED**: $14 million
- **TOTAL FAMILIES SERVED**: 3,111
- **RANGE OF TITHES**: $3.50 - $569,054
- **MEDIAN TITHE**: $3,000
- **AVERAGE TITHE**: $12,685

**Potential Global Impact**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationwide ReStore Profit</td>
<td>$123,235,287</td>
</tr>
<tr>
<td>Tithe %</td>
<td>10%</td>
</tr>
<tr>
<td>Estimated ReStore Tithe</td>
<td>$12,323,529</td>
</tr>
</tbody>
</table>

**FY 18 Affiliates by Tithe Categories**

- ReStore, No Tithe: 8%
- ReStore + Tithe: 4%
- No ReStore, No Tithe: 37%
- No ReStore + Tithe: 51%
The decisions you make inside your four walls...

Have major impacts outside of your four walls
Questions?
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