

RetailMerchandiser

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A Retailer With Soul

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AMERICA'S THRIFT STORES

On a Mission

America's Thrift Stores aims to increase its charitable contributions to Christian ministries to \$100 million over the next 10 years by growing the business. **BY RUSS GAGER**



America's Thrift Stores is celebrating its 30th anniversary by contributing \$100 million over 10 years to its ministries.

Ken Sobaski, CEO
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Who says profits just make rich people richer? Not when they are going to seven charities that help people with substance and domestic abuse, adolescent adjustment and family care challenges in the United States. That is the mission of America's Thrift Stores' 18 store locations in Alabama, Georgia, Tennessee, Mississippi and Louisiana, which process up to 2 million donations of clothing and hard goods monthly from more than 2,300 locations.

Each store stocks and displays thousands of "gently used" items, approximately 70 percent of which are clothing and the rest is hard goods. "The range is from 4,000 items at the small store level to 15,000

at one of our larger stores," CEO Ken Sobaski says. "The way the thrift business works is if it hasn't sold within four weeks, it's not going to sell. So the number of items in the store fully rotates in four weeks."

Merchandise that does not sell after four weeks is removed from the store weekly.

"That is making room for the new things coming out that week," Sobaski points out. "A thrift store is very much a high-volume, high-velocity retail operation. Our largest store is a \$6 million store. Most retailers in the world would love to have a \$6 million retail store."

Located in Alabaster, Ala., a suburb of Birmingham, that store has approximately 10,000 square feet

of retail space and 20,000 square feet of loading dock and processing facilities. Most America's Thrift Stores process all their merchandise in their back rooms – sorting, grading, processing and hanging clothing.

"It's set up in an assembly-line kind of way," Sobaski says. "Someone does a first sort of it." This is to determine whether each item is salable. A second sort classifies the item by men's, women's, boy's or girl's. "Then it is graded, priced, hung or put into totes to put out on the floor," Sobaski continues. "It is a very hands-on, laborious job."

However, technology makes the job easier. "We have a point-of-sales system that allows us to grade items on quality and condition, defined by the amount of wear and tear," Sobaski says. "There are four levels of conditions that we grade on and three levels of quality. Then we have a pricing system that assigns a price to the item."

Overseas Markets

Merchandise that remains unsold after four weeks is sold wholesale by America's Thrift Stores, and many other thrift retailers like Goodwill, to large international broker networks in Africa, Central and South America and the Middle East.

Sobaski estimates that up to 25 percent of what is donated is deemed unsalable. Of that, another 20 to 25 percent is baled and recycled as rags. Damaged or soiled clothing is disposed of. Income is generated from some recycled materials such as cardboard, paper or metal. "We're a \$50 million to \$60 million revenue business overall, and recycling revenue is well under a million dollars," Sobaski points out.

The retail seasons in the thrift store business vary from those in the rest of retailing. "Our lowest seasonality is mid-November through mid-January," Sobaski reveals. "In our hard goods and non-clothing lines, we have a spike in December, but that's only 30 to 35 percent of our overall sales. Our highest retail seasonality is mid-February to mid-April and September and October. I think it's because our business is primarily a clothing business, and gift-buying probably doesn't include buying used clothing." Those periods of highest sales coincide with the change of seasons in the South when people need new clothing for the upcoming season, he says.

Management Training Changes

America's Thrift Stores promotes from within. "In the last six months, we've had 37 internal promotions, and I want to do more," Sobaski says. One way of achieving that has been to make fundamental changes in the manager training program.

"Historically, the program had been more about learning how to do the jobs in the store," Sobaski says. "What we were finding was we were having people coming out of the program who were great at doing but not teaching, training and leading. So we've added elements of coaching, leader-

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ship and team-building to the training program, because ostensibly – while they need to know how to do the work – we're hiring them to ultimately run a store someday."

Another change has been in the people who are recruited for the training program. "We've really upped the criteria on what it takes to enter the program," Sobaski continues. "Historically, probably one out of every four individuals in the program had a bachelor's degree. Now it's four out of five, and those that don't are more than likely long-term employees who we're willing to make a bet on and help them with a career path." Manager trainees also must be willing to relocate to another store location for a position or they cannot join the training program.

Interviewing candidates from outside the company is a three-step process. "There's a screening interview, then an interview with a panel of leaders, and then my chief operating officer is the final interviewer – the gatekeeper," Sobaski says. "It's a fairly rigorous assessment process because we probably see on paper 50 to 100 candidates a month. My guess is we extend offers to four out of 10 people we interview, and three out of four accept. We always have about seven to 10 manager trainees at any point in time across our 18 stores."



Promotions Calendar

America's Thrift Stores has contributed \$4 million over the past 12 months to seven ministries it supports and solicits donations in the name of, but its goal is to contribute \$100 million over the next 10 years to the same ministries. To accomplish that goal and keep sales growing, America's Thrift Stores has established a quarterly marketing promotion and advertising calendar.

The company advertises primarily on radio and emails a newsletter to 20,000 customers. It communicates with its 8,000 Facebook followers several times weekly. An in-store signage program and sales floor optimization effort also are underway. "We are trying to better align the space in the store to the supply and the demand for the categories of products we sell," Sobaski declares. The company also believes in reuse of store locations as it grows by adding stores – it always locates its stores in existing retail facilities with parking that preferably are near other value-oriented retailers, such as dollar stores.

America's Thrift Stores plans to achieve its financial goal through sales growth in existing stores and by opening new stores. "We believe that we can attain 3 percent to 5 percent comparable store growth," Sobaski asserts. "When we achieve that, it will give us enough free cash flow to open three to four stores annually. We are targeting opening two to four stores in 2015."

Founded in 1984 and celebrating its 30th anniversary, the company's culture is focused on achieving its goal to contribute \$100 million to Christian ministries. "We are a mission-driven company," Sobaski emphasizes. "We're a company that is honest, has high integrity and is focused on employee engagement and our customer's experience." 📖

*Congratulating
America's Thrift Stores
on their recognition as a
thrift store industry leader.*

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