Habitat for Humanity ReStore Chain Improves Services to its Mission, Customers, and Donors

"Habitat for Humanity's mission is to build homes, communities and hope," says Ryan Smith, Chief Retail Officer over four Habitat ReStores in Denver, Wheat Ridge, Aurora and Littleton, Colorado. The chain sells $5.5 million annually and more than $29 million in sales since its founding in 2004. Smith joined in 2012.

Habitat for Humanity International® is a tax-exempt 501(c)(3) nonprofit organization. In the USA, 670 independent local affiliates run about 850 ReStores.

Wrestling a Restless Inventory

Habitat Denver ReStores manage just 1,200 SKUs, but challenges lurk in the continuous, tumultuous flood of donated items and few repeating SKUs.

Approximately 85 percent of Denver ReStores' inventory is donated and the chain purchases 15 percent. "We order very few items like traditional retailers. A new flood of unpredictable inventory arrives daily, ready or not," says Smith. "We figure out where to put it and what price will sell it."

Where donations come from	
Donor drop-off	35%
Truck pick-ups	35%
Corporate donations	20%
"Decon" program	10%

Habitat's novel Deconstruction (Decon) Program takes in cabinetry, appliances, sinks, fixtures, and lighting that Habitat's team removes from remodeling projects. Owners may choose to donate to Habitat, but there is no cost for the careful removal and haul-away. Donors then receive a tax deduction for their donations' fair market value. This reduces the remodeling waste stream, lightens the load on landfills, provides a tax benefit to the donor, and supports local families' housing needs.

Staff classifies each donated item by department, category, type or size, and condition. "Our old Excel price book was difficult to use, even though staff did their best to price accurately. But results were uneven from store to store and by employee."

Habitat purchases complementary items, occasionally in closeout lots, that customers need but which are seldom donated in salable quality: paint, brushes, tile, and door hardware. These normally sell 25 percent below for-profit store prices.

Practices, Methods and Challenges
Smith points out, "To stably continue our big mission of raising funds for Habitat, dollars-in must far exceed dollars-out. We will grow by adding customer benefits that bring in new customers, and thus open more stores."

Habitat promotes the motto, "Shop the ReStore first!" to home owners, landlords, DIYs, small contractors, and "treasure hunters." Contractors account for about four percent of transactions but generate nearly 20 percent of revenue.

Denver ReStores transact 13,000 to 14,000 sales/month averaging $36. However, their new installation of Microsoft Dynamics Retail Management System (RMS) from New West Technologies revealed that the $36 average is deceiving—. Analysis sourced from the strong RMS reporting

package revealed that sales follow a trimodal distribution pattern: That sales transactions over $60 generate the vast majority of revenue.

Trimodal Sales Distribution Analysis by RMS			
Amount of sale:	Below $10	$10 to $60	Over $60
% of transactions:	46%	32%	22%
Average sale:	$4.38	$21.55	$123.59
Revenue share:	5.6%	19%	75%

Staff post interesting new finds on Facebook and Instagram. Smith says, "It's a treasure hunt! People call for special items and RMS retrieves a match or comes close. We average a four-week turn on inventory."

Not the Easy Call

Habitat had grown up on QuickBooks Point of Sale and QuickBooks financials. Their screens and methods were second nature. Yet every new store added hours and complexities to each problem and function.

Smith says, "Facing up to replacing QuickBooks POS after 11 years wasn't easy. But its underlying architecture wasn't made for chain reporting, so it didn't scale well. It became more a barrier than a friend. I couldn't run nightly reports, a SKU report, or get a clear picture of inventory at all stores. Managers had to run dailies and send them to me. When we needed enterprise-wide reports—say, to justify a fifth store—I drove to each store to run reports. For software, QuickBooks POS sure wasted a lot of gas! Later, I'd call managers to clean up discrepancies.

"We were frustrated that enterprise-wide reports, which should be run nightly, were so cumbersome we only did them weekly. QuickBooks POS lacked customer rewards, credit card integration with our preferred

processor, back-end reporting, and tight PO management. It was hard to see inventory movement history to help us order more wisely.

"QuickBooks POS never satisfied our type of multistore, constantly changing inventory. We had to assign 24 pallets of white paint equally across large and small stores. Of course we'd transfer unsold pallets or cans between locations. With no software method to balance that inventory, we had to write checks from one store to another. That ate up hours and gave our accountants fits."

Selecting a Solution and Provider

"Microsoft Dynamics RMS' flexibility and New West's wide retail familiarity were a great fit for us. RMS sells to walk-ins and industrial customers. Then it manages the big picture and granular details of materials cost and returns. Its feature set spoke to our business's functional requirements and future scalability.

"We see Microsoft's vision for RMS as matching our customer vision. It's customer-centric for us as users, just as we're centered on our 10,000 customers. We've seen it scale up to large chains, so we'll be in its sweet spot no matter how large we grow. When a retailer upgrades to Microsoft Dynamics AX for complete retail ERP, the money and learning from RMS slide right in.

"RMS cured our IT deficiencies with its flexible and unified reporting, gift cards, and customizable POS touch screens. Because many cashiers are volunteers or short-term, it's vital we're able to design everyday screens so they're intuitive and make sense to the eye."

In selecting a replacement for QuickBooks POS, Smith and others at Habitat carefully compared several retail management systems feature by feature, for scalability, ease of implementation, and overall price.

"Retail Pro came in fourth in functionality, cost 25 percent more than RMS, and was not as customizable. We thought Epicor/Eagle was not user-friendly and had difficult screens. It had very good reporting but was four times the cost of RMS. NCR Counterpoint was too pricey but, even if costs had been equal, it didn't match RMS's functionality."

Each store has two POS lanes and a loading-dock PC to price items and print labels. "Another big plus was that Microsoft only charges for POS lanes—not management PCs, our dock or warehouse stations.

"We were homing in on RMS but had to pick the right systems integrator to provide, install it, and support our growth. That's choosing a new business partner we plan to work with closely for the long term! The first two we interviewed didn't show us they understood our unique needs.

"Our first phone call with New West Technologies and George Muchae impressed us. References supported that. But 30 pre-sale calls to George, his demos, and proving he understood our challenges clinched us on RMS and New West."

Installation and Tweaks

All systems definition, presentations, planning, negotiations, contracts and installation were accomplished 100 percent remotely. "Yet we completely trust them with the future of our business," says Smith. "After 11 years on an aging system integrated into every corner of your business—and people's minds—installing new software is like a heart transplant."

Installation and early results went well. "We pulled the trigger on June 1 to give us a clean break from the old system. The retail side is fully functional and we were up and running on our construction supply warehouse by August 1, only two months later. On the back end, things went as expected. It took two weeks to finalize tweaks and patches. At

every step, New West has always been impressively responsive with support help and answers," Smith reports.

New West developed or provided add-ons from other developers that extended RMS' usefulness by shortening or eliminating tasks and delivering growth-oriented analytics:

- *Global Customer Edit*: Lets trusted cashiers see global transactions and update customer profiles from the POS
- *Zip Code Tracker:* Captures customer Zip Codes for every sale at the POS. By illuminating where customers come from, Habitat can direct marketing money more effectively
- *Mobile Manager:* A highly versatile "RMS on a phone" Windows app enabling staff to sell, take payment, manage registries, count inventory, make transfers, do label printing and more
- *Simply Loyal:* A custom loyalty program for Habitat for Humanity enabling it to reward named customers who accumulate points (account credit) to redeem in future transactions
- *Donor Tracker:* Manages marketing and demographic information as donors drop off products. Reports include donor Zip Code, new or repeat status, email, and marketing source
- *Rental Module*: Lets users create, edit and view rental items and transactions

Benefits in Hand

"We're getting early wins from RMS' automatic global reporting. It comes out any way we want. Customers like the loyalty programs and gift cards. We have clear inventory tracking and balancing, new marketing analytics, and consistent pricing across the chain," says Smith. With one inventory master, the only pricing decision is an item's quality. Labels that staff once laboriously handwrote are now a quick stick-on.

"I love seeing Z-reports, changes in inventory levels, new donations, either globally or drilling down to by-store details, and seeing them on my PC or wherever. No more nighttime store safaris!"

"Store managers design their preferred reports and RMS pumps them out automatically. Managers have more autonomy, and they don't get my late-night discrepancy calls. When we receive those 24 pallets of paint, we distribute them as we like and rebalance as needed."

For now, RMS smoothly feeds its accounting data into QuickBooks financials.

"RMS will help get our most valuable high-dollar customers to come back more often. With RMS, we know their visit frequency, purchasing patterns and email addresses so we can serve them better. We easily give back a five percent credit on all purchases. When cashiers get an item-inquiry call, they check inventory and tell the customer which store it's in.

"Straightforward, customizable touch screens help more staff learn more functions, which lightens my load. We pragmatically evolve screens as necessary. RMS wizards let us set up the ordering of purchased inventory we purchase for staff not yet versed in retail management. One cashier says RMS will cut shrinkage and enforce tighter adherence to policy. We discourage 'sweethearting' by cameras and tracking every move and POS exception the same day.

"We purchase and distribute more wisely now. We generate POs based on history and what we need to stock. That wasn't just difficult before; it was impossible."

Reflecting Back, Looking Forward

Smith advises, "The hardest part of growth is no longer technology. RMS and New West manage that. It's selling your new and disruptive changes to cashiers and staff. Don't underestimate the need for change management.

"Smooth that out by picking an in-house expert who knows the ins and outs of retail and especially your business, yet sees the benefits of change. We wisely tapped store manager Amy Van Der Kamp as project manager and troubleshooter.

"Ensure you have a solid and adaptable IT person to lead the technology process. Rich Coffey constantly interfaced between staff and New West to ensure that what was built fits what's needed. And it does.

"It's too early to quantify all the benefits but we see glimpses of them. RMS helps us leverage our very tight staffing model, scale efficiently, and expand our mission into the future. Tracking specific rates of item movement is on the horizon, so pricing will be done by analytics, not estimates.

Smith projects, "I want us totally JIT, and our wholesalers want foreknowledge a year in advance. We're working toward both. We'll almost certainly add new stations and stores. We count on Microsoft for product innovation and on New West's counsel during our evolution."

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