

Reaping Multiple Benefits Through a Network of Waste-Based Social Enterprises

*St. Vincent de Paul Society of Lane County, Oregon
and the Cascade Alliance*



A Report for the Robert Wood Johnson Foundation
By Mary B. Geisz, PhD, MBA

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Contents

Overview: The Cascade Alliance	4
<1> Waste-Based Social Enterprise: The Business Opportunity	5
<2> The Waste-Based Social Enterprises of St. Vincent de Paul Society of Lane County, Ore.: The Business Model That Works	8
<3> Replicating SVdP's Business Model: The Cascade Alliance Members	18
<4> The Social Enterprise as a Start-Up: Bringing Business to Nonprofit Operation	24
<5> Maximizing the Potential: The Cascade Alliance as a Network	39
<6> Expanding and Integrating the Network: Achieving the Promise of the Cascade Alliance	42
Appendices	
A – People Interviewed	54
B – Current Active and Inactive Members of the Cascade Alliance	56
C – Mattress Recycling Business Opportunity	58
D – Retail Thrift Business Opportunity	63
E – Online Used Book Sales Business Opportunity	66

About This Report

The Robert Wood Johnson Foundation (RWJF) commissioned this examination of the national network of waste-based social enterprises (called the Cascade Alliance) that operates under the guidance of St. Vincent de Paul Society of Lane County, Ore. (SVdP). The purpose was to provide a comprehensive description and assessment of: the successful business model at SVdP; how the Cascade Alliance came to be, how it operates, and the vision for its future; and what is required to achieve that vision and fulfill the promise of the Cascade Alliance.

To gather information for the case study, the author, Mary B. Geisz, reviewed relevant documents from SVdP, the Cascade Alliance, and RWJF; conducted in-depth telephone interviews between November 2017 and August 2018 with 25 individuals; visited an Alliance member on-site; and drew from a 2014 tour of SVdP's facilities in Eugene, Ore. Interviewees included SVdP and Alliance leaders and staff, RWJF officers, active and inactive Alliance members, communications consultants, and key staff from Williams-Sonoma, Inc., a corporate partner and supplier of product to SVdP and the Alliance. See [Appendix A](#) for a list of those interviewed.

This report includes a brief overview of the Cascade Alliance, its components, and its operation. Section 1 defines the business opportunity and benefits offered by waste-based social enterprise. The history, experience, and an assessment of SVdP's successful business model is described in Section 2. The replication of that model through the Cascade Alliance follows in Section 3; and then a discussion of the essential elements needed for a successful enterprise; with brief case studies of enterprises that are succeeding and implications for the larger nonprofit field—all in Section 4. Section 5 addresses the importance of the Cascade Alliance as a network. Finally, the vision for an expanded and integrated network is presented, along with critical steps needed to make this vision a reality—including a description of the burgeoning relationship between the Alliance and retailer Williams-Sonoma—Section 6. Additional supporting and detailed material is included in the Appendices.

Acknowledgements

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Cover photo: Andre Williams (center) from the mattress recycling business at Greater Bridgeport Community Enterprises in Bridgeport, Conn., strips soft materials from a mattress with employee Joe Hill (left) at the Mustard Seed in Orlando, Fla. Williams spent two days with the Mustard Seed crew, analyzing work flow and proposing cost-cutting changes for their site.

OVERVIEW: THE CASCADE ALLIANCE

The Cascade Alliance is a national network of affiliated organizations that is tapping into the ever-expanding supply of landfill-headed goods and materials to create and operate waste-based social enterprises that offer a quadruple set of key benefits:

- **Economic** → revenue generation to fund social programs; reduced disposal costs
- **Employment** → training and jobs for individuals with barriers to employment
- **Environmental** → reduction in the amount of items and materials sent to landfills
- **Community** → quality items at affordable prices; strengthened community well-being and economy; enhanced corporate citizenship

The network is comprised of several components:

- **EXEMPLAR**—St. Vincent de Paul Society of Lane County, Ore. (SVdP), with more than 30 years of experience, offering a real-life model of successful waste-based social enterprise as the network exemplar. SVdP delivers an array of supports (e.g., mentoring, technical assistance, conferences, tool kits, equipment) to Cascade Alliance members and the logistics needed to move product throughout the network.
- **MEMBERS**—nonprofit organizations located throughout the United States, which provide a variety of charitable programs in their communities and which operate one or more waste-based social enterprises. These organizations are connected to SVdP through the Alliance for services, but also interact among themselves—providing advice to each other, sharing experiences, and moving product between them as appropriate.
- **PURCHASERS**—individuals and organizations that buy the recycled, refurbished, remade, or deconstructed items and materials offered by the waste-based social enterprises. These include (among others) individual consumers, other nonprofit organizations and agencies, resellers, and commodities brokers.
- **PRODUCT SUPPLIERS**—consumer goods companies, manufacturers, hotels, universities, and others, which have products in need of disposal.
- **OTHER NETWORK ASSOCIATES**—organizations and agencies that connect with the Cascade Alliance in various ways, such as waste haulers, landfill operators, transportation companies, and municipal and state government agencies.

Working together, and guided by Alliance staff, the network moves product to the best location for its eventual productive use. At the same time, it offers quadruple benefits to its direct partners, as well as contributes to the well-being and economic development of the communities it touches.

The vision for the Cascade Alliance is continued growth, with future expectation of a truly national network of waste-based social enterprises, organized by region to allow efficient and cost-effective transportation, processing, and selling of items and materials.

Waste-Based Social Enterprise: The Business Opportunity

Waste-based social enterprises are actual businesses—operated and marketed on sound business principles—that take advantage of a key market opportunity to provide multiple desirable benefits that contribute to the solution of social problems and further societal well-being.

THE OPPORTUNITY

A great and ever-expanding volume of potentially reusable or recyclable waste is being produced by individuals and organizations. Consumer products companies, manufacturers, and others have unsold, defective, out-of-style or -season, and other unwanted products filling warehouses, which must be moved out to make way for new products. Hotels, universities, the military, and other organizations that provide housing have used mattresses that are being replaced. As described by Susan Palmer, director of economic development at St. Vincent de Paul Society of Lane County, Ore. (SVdP), “The waste stream¹ is rich and deep, and does not seem to be diminishing.”

Something must be done with this growing mass of waste. Its disposal presents a major business opportunity for nonprofit organizations seeking to generate revenue to support social programs and provide stable jobs for individuals who face barriers to employment.

A Waste “Niche”

The waste products that fuel this opportunity represent a particular subset of the total waste generated in the United States. They are not the items that individuals and households typically recycle curbside (plastic bottles, cans, paper, etc.). Rather, they are items that are used, defective, or unwanted for some other reason and can include: clothing, furniture, mattresses and box springs, household items, appliances, books, and many others no longer wanted by their owner. Such products may be *reused*—i.e., given new life with minimal repair, change, or use of additional resources—or *recycled*, tapping into their potential value through repair, refurbishment, or deconstruction into useful parts.

These items tend not to be profitable for larger waste haulers to handle and, in some cases such as mattresses, are actually costly to deal with (the cost of landfill disposal may run \$20 to \$30 or more per set).

¹ The “waste stream” refers to the process of moving discarded items and materials from their original source (whether consumer- or commercial-based) through to final disposal (e.g., landfill, incineration, or other methods).

Nonprofit organization leaders recognize the opportunity here.


- Ed Frechette, chief innovation officer/director of social enterprise partnerships at UTEC Mattress in Lowell, Mass., is enthusiastic: “There’s mattresses everywhere, there’s clothing everywhere, there’s books everywhere. There’s a huge potential.”
- Diane Cohen is executive director of Finger Lakes ReUse in Ithaca, N.Y., which promotes and facilitates the reuse of building materials and other used goods. “The EPA has estimated that construction demolition debris is 40 percent or more of the nation’s waste stream,” said Cohen. “There’s a huge, huge value there.”
- Justin Green, founder and executive director of Big Reuse in New York, emphasized the potential of waste-based social enterprise. “We would like to keep expanding—there’s so much waste, so much stuff getting thrown out,” he said. “And there’s so much opportunity to create a valuable resource for the community and great jobs.”

→ *Enter the waste-based social enterprise.*

THE “QUADRUPLE BOTTOM LINE”

By taking unwanted items and materials and processing them into viable products, waste-based social enterprises offer a quadruple set of key benefits—a “quadruple bottom line”—that include:

- *Economic benefits.* For nonprofit organizations, the enterprises generate revenue that can be used to fund social programs and services. And for product suppliers, the enterprises offer a way to reduce disposal costs.
- *Employment benefits.* The jobs created by the waste-based social enterprises can be ideal for training and employing people who may otherwise have a very difficult time procuring employment: recently incarcerated individuals, recent immigrants and refugees, those with mental or developmental health or addiction challenges, or people who lack meaningful work experience. These jobs can offer full-time employment with benefits, as well as training and experience that can lead to positions elsewhere.
- *Environmental benefits.* These enterprises reduce the amount of material going into landfills, thus making important contributions to environmental health.
- *Community benefits.* By collecting, reclaiming, and repurposing still-useful goods, the enterprises offer their communities good quality merchandise at affordable prices. The enterprises also contribute to the economic development of their communities, as well as overall community well-being through increased employment, improvement in the local



safety net, and so on. Corporate partners also benefit from the opportunity to achieve corporate social responsibility goals.

While there is potential to realize all four benefits, different nonprofit organizations may be motivated by different benefits based on their organizational mission and may, therefore, focus on one or more as their goal(s).

- The generation of ongoing, unrestricted revenue to support social programs or offset deficits, along with job creation, are primary goals of many nonprofits considering waste-based social enterprises, but the relative importance may vary by organization.
- While environmental benefits are appealing to all, some organizations will have those as their top priority.

An especially attractive aspect of these enterprises is the “multiplier effect” as each organization may realize several types of benefits even as they focus on the one or more most in line with their mission and goals.

« 2 »

The Waste-Based Social Enterprises of St. Vincent de Paul Society of Lane County, Ore.: The Business Model That Works

SVdP's Credo

Our enterprises and our services are enmeshed by our goal of making this community a better place across four specific areas:

- We want people who don't have housing to have a place where it is legal to be (our day and night shelters).
- We want to create and maintain housing that the lowest-paid workers can afford.
- We want there to be job opportunities available for anybody who wants to work, regardless of past bad decisions.
- We want to preserve the embodied value of the products we divert for reuse and recycling, both to give people access to high-quality, low-cost materials and because that is best for the environment.

**We need all these pieces to work in concert
if we are going to make our community a better place.**

ST. VINCENT DE PAUL SOCIETY OF LANE COUNTY: OVERVIEW

Founded in 1953, St. Vincent de Paul Society of Lane County, Ore. (SVdP), provides comprehensive programs to alleviate poverty while helping people move out of poverty and into self-sufficiency. Today (2018), as Lane County's largest nonprofit human service organization, SVdP helps more than 84,000 individuals and families each year through its efforts in six core areas: affordable housing; emergency services (including food boxes); homeless services (day services and night shelters); recycling programs; retail thrift stores; and self-sufficiency services (job training and placement).

THE DEVELOPMENT OF WASTE-BASED BUSINESSES AT SVDP

The multiple waste-based social enterprises that SVdP operates today are successful individually and, as a group of well-run businesses; afford SVdP with the quadruple set of benefits that allow it to carry out its mission of assisting individuals and families in making a better life; while reducing the impact of waste on the environment.

Yet, this success took a long time in coming and its now vast wealth of knowledge was hard-won, with upsets along the way. SVdP's entry into waste-based social enterprise was, early on, a start-up just like the waste-based start-ups it mentors today. With its decades of experience, SVdP now has a business model that works—a model emulated by other nonprofits that have an eye on those quadruple benefits.

→ *How did SVdP get from there to here?*

The Early Years

At its beginning in 1953, SVdP operated just one thrift store that was open one day each week. Two stores (open six days) were added in 1955 and a fourth not until 1971. During this time the only social service provided by SVdP was home visits by volunteers bringing food and supplies to people in need. The profits from the thrift stores supported the network of volunteers.

The first, and only employee in 1953 was director Harold Colin (“Mac”) McDonald, who ran the organization until his death in 1984. In 1971 he hired his son, Terry, as his assistant “because he was getting old and needed someone to back him up,” Terry McDonald said. When his father died he took over as executive director and has held that position ever since.

In college, McDonald (Terry) majored in political science and Byzantine history, with an aim of becoming a history professor. But he became enamored with the potential of the thrift system during his early years at SVdP. He believed there was a lot more that could be done with it if approached in a different way.

During the recession of the 1980s, Oregon's timber industry collapsed and the state unemployment rate was over 20 percent. With many people out of work and losing their homes, the pressure on local emergency services in Lane County was great. The SVdP board resolved to meet this challenge with a three-part plan to create affordable housing; to establish a much more robust set of emergency services; and to develop job training opportunities and stable jobs to help boost local employment.

Mining the Waste Stream

Also in the 1980s, the greater St. Vincent de Paul brand was fading in retail thrift throughout the country, surpassed by Goodwill and the growth of for-profit thrift. In Eugene, SVdP “had no brand,” said McDonald. “We were just a thrift store that supported volunteers. We needed to have a brand that separated us and gave us a different niche than the other nonprofits there.”

After considering other paths, McDonald and SVdP gravitated to the environmental space—peeling away the layers of waste otherwise headed to the landfill and finding a new use for them while “building social services on the back of that, which created jobs that were really tactile and hands-on for my population [of individuals who had difficulty finding employment],” McDonald explained. “If we could go after the thrift industry and find more stuff, we could sell more and support our programs. The waste stream—transfer sites and dumps—was rich in product. We

started pulling reusable product out of that stream and specializing in recycling things that were nuisances: appliances, mattresses, propane tanks. That's how we got into waste-based business."

Goodwill, the Salvation Army, and for-profit thrifts were getting out of appliance repair so many used appliances were becoming available for the taking. McDonald determined to specialize in appliance repair, training people, and creating high-paying repair jobs. In 1983, SVdP opened its appliance shop to repair used, major appliances for purchase by consumers and recycle parts and materials for sale to manufacturers and commodities brokers. Support staff was added to assist the trained technicians and, said McDonald, we were "able to create a really strong appliance business." The presence on the selling floor of guaranteed, rebuilt appliances also distinguished the look of the SVdP thrift stores and was another positive. When chlorofluorocarbons (CFCs), which were used as refrigerants, were banned in 1996, SVdP was ready to take on contracts to remove the gas from appliances, contracts that have lasted for over 20 years.

By 1984, six additional thrift stores had been added, along with a new warehouse, and SVdP began to recycle textiles by baling unsellable t-shirts and other clothing for sale to textile brokers. A woodshop opened in 1987 that continues to craft furniture from recycled and reused wood and melamine. In 2000, SVdP entered the mattress recycling business, deconstructing and rebuilding mattresses for sale in its thrift stores and selling components to commodities brokers. Later operations included propane recycling, computer recycling, and used book sales.

The key to building all of these businesses, said McDonald, "was just incrementally watching the market and the possibilities there—getting into a product area nobody else really cared about."

Responding to the Marketplace

Not every business idea worked. As more women worked outside the home, collection centers for donated items became more popular than in-home pickups. Other thrift stores were on top of this trend before McDonald was and he found that SVdP was having trouble getting enough product to support the thrift operation. The situation turned around when, after lamenting to a colleague at the St. Vincent de Paul in San Rafael, Calif., he began to buy excess product from that organization—a wealthier area—and move it to Eugene for sale. "Her stuff was better than the stuff I had in my town," he noted. This led to relationships with other nonprofits eager to unload clothing and other items that SVdP could sell in Eugene.

Clothing was the "backbone" of the retail thrift business, over 60 percent of sales. Enough clothing was needed to hit a profitable bottom line and the shipments from California helped achieve that, with better product being sold in the stores and unsellable textiles sold to commodities brokers.

Similarly, SVdP was paid by waste haulers to take appliances from the waste stream and process them for materials. A certain percentage could be repaired by SVdP's technicians and resold in its thrift stores. "The cost of acquisition of product to fix was virtually zero," McDonald stressed—a factor key to financial viability.

Different businesses ebbed and flowed, and some just ebbed. For a number of years the organization manufactured a successful line of unfinished furniture made of low-grade wood and chipboard. When IKEA and other brands of unassembled but finished furniture began to appear, the wooden furniture business diminished to nothing over a five-year period. “It was successful, and then it wasn’t successful,” said McDonald. In an example with a different trajectory, rags were a good business for several years; the market collapsed, and McDonald stopped buying rags. Now that the market is up, he is buying them once again.

“You have to adapt with the market. You have to pay attention to what’s going on out there.”

—Terry McDonald, SVdP

As SVdP began to increase the geographic reach of its product acquisition, logistics and transportation grew in importance. Figuring out the most cost-efficient ways to move product from one place to another; scoping out the type of equipment and vehicles needed (along with licensing, permitting, and maintenance requirements); and generally understanding best practices—were all part of the learning curve as SVdP’s waste-based businesses grew in number and size.

In time (around 1989 or so), the organization became known for its recycling businesses, the affordable housing it offered, and its other programs. The media began to pay attention. “We started to matter, said McDonald, “and when we started to matter, we became much more effective, and when we became more effective, more product came in and things spiraled.”

McDonald was invited to speak at conferences on recycling, economic development, and more. This led to greater visibility for the work, and he began to mentor other organizations. A connection with a recycling organization in Scotland in 2003 led to an arrangement in which SVdP purchases unwanted furniture in Edinburgh and ships it to Eugene, where it is a popular addition to thrift shop furniture departments. This relationship has led to others in the United Kingdom that have increased the product available to SVdP’s businesses, and McDonald has expectations for further expansion in Europe. “It’s a way for them to profit and for us to profit,” he said.

THE CALIFORNIA MATTRESS RECYCLING STORY

In the late 1990s, McDonald was purchasing used appliances from St. Vincent de Paul of Alameda County, Calif., for repair and sale in SVdP thrift stores in Eugene. The agency’s director asked for his help in developing a waste-based business. McDonald contacted local waste companies and asked what items they most did *not* want in their waste facilities. The uniform answer was: mattresses, due to the problems they create in the landfill. He prepared a plan for St. Vincent de Paul of Alameda County to operate a mattress recycling business. This was a brand-new concept; mattress recycling was not being done in the United States at the time.

When the management of St. Vincent de Paul in Alameda County turned down the plan, concerned that the business would be too risky, McDonald rented the space from them and started a mattress recycling business himself, which he called “DR3 (divert, reduce, re-use, recycle).” Two years later, he moved the business to a new facility “and away we went.”

Accommodating to the licensing requirements, tax structure, and culture in California was challenging. “What we were doing was inventing a business,” McDonald stressed. “There had never been a viable mattress deconstructor in the United States—or in the world for that matter—before we got started. We created it.”

By 2017, DR3 was processing about 30 percent of all mattresses in California², from three locations: Oakland, Stockton, and Woodland. “We’re continuing to expand our footprint,” said McDonald. In late 2018, DR3 will move from its 24,000 sq.ft. facility in Oakland, to a much larger (45,000 sq.ft.) facility in Livermore. DR3 has been asked by the state to open a facility in the Central Valley (possibly in Fresno) in fall 2018 to process between 80,000 and 100,000 units per year. At the same time, they will continue to explore additional markets within the state.

Predicting future net income for new facilities is difficult as costs can vary greatly by location. For example, monthly rent at the DR3 facility in Woodland (20 miles northwest of Sacramento) is \$7,700 and minimum wage is \$10 per hour, while in Oakland (in the Bay Area) rent is \$20,248 per month and minimum wage is \$15 per hour. Costs are expected to be less in the Central Valley than in the Bay Area, but mattress volume is likely to be less as well, and lower margins are anticipated. Establishing realistic financial projections requires knowing exactly where the facility will be located, its size, number of employees, etc.

The mattress recycling business in California is strong and rising,³ supported by the state’s regulatory environment—DR3 operations grew 63 percent during the first six months of 2018 compared to the same period the previous year. McDonald anticipates growth of about 50 percent in California over the next several years—from processing over 300,000 mattresses annually to closer to half-million or more. Actual experience will depend upon contracts he obtains from the Mattress Recycling Council, which lets the contracts for the statewide program. Net income from the mattress recycling business is used to support social programs and activities.

Aside from this expansive growth in California, the experience and knowledge gained (with much learned from making mistakes) has been applied to the work that McDonald and SVdP are doing with other nonprofit mattress recyclers in Connecticut, Florida, and Massachusetts through the Cascade Alliance. The breadth and depth of the mattress recycling business in California, with its potential for continued and strong growth in the future, is a solid foundation for SVdP’s mattress recycling enterprise across the United States and abroad.

² California implemented a mattress recycling law in December 2015, the third state in the United States to do so.

³ Mattress recycling in California is funded by a recycling fee of \$10.50 per unit paid by consumers when they purchase a mattress or box spring. See the website of the [Mattress Recycling Council](#) for more information.

A DIFFERENT WAY TO RUN A NONPROFIT: HOW WASTE-BASED SOCIAL ENTERPRISE DRIVES SVdP'S MISSION

“A mission-driven business will always fail. What we do is a business-driven mission.”

—Terry McDonald, SVdP

Over more than three decades, SVdP's waste-based enterprises have grown in number and size. They are now critical to fulfilling its mission to “assist the poor and those in need of consolation, seeking out and utilizing every resource.”

The Waste-Based Businesses Provide Funds and They Provide Jobs

- **These businesses make a significant contribution to net income that can be used to support SVdP's social programs.**

In 2017 the waste-based enterprises at SVdP realized a total gross revenue of \$23.5 million, with total direct expenses of \$21.2 million. In addition, the enterprises were responsible for \$850,000 of the organization's overhead (e.g., human resources, information technology, accounting, communications, development) that would not have been needed if SVdP had remained the simple, volunteer-based operation it was originally. Including the overhead in total expenses (\$22.1 million) yields a net income of \$1.4 million and a margin of 6.3 percent—a margin comparable to or exceeding that of many for-profit companies in similar industries.⁴

Several important points about the financial contribution of the waste-based enterprises:

- Unlike funds from grants and contracts that are directed to specific uses, the net income of \$1.4 million is unrestricted cash that can be used for whatever purpose SVdP deems appropriate. This affords SVdP a level of financial flexibility that is highly unusual among similar nonprofits.
- Total 2017 revenue for SVdP was \$38 million. The waste-based enterprises contributed 62 percent of that and, therefore, were a significant revenue source.
- The majority of the enterprises' expenses are personnel-related and, thus, are spent in fulfillment of SVdP's commitment to providing gainful employment opportunities in its community.
- Similarly, the size of the waste-based operation has required the creation of overhead functions (human resources, information technology, etc., as mentioned

⁴ [Margins by Sector \(US\)](#). New York: NYU Stern School of Business, January 2018.

above). Once in place, these departments are now available to the rest of SVdP's programs and services and enhance the overall organizational operation.

Having the cash provided by these businesses has a variety of benefits, said Palmer:

- Support for programs that spend more than received in grants, rental income, etc.
- “A reservoir to draw from when we see new needs emerging.”
- Capital available to take advantage of major opportunities when they appear, such as the purchase of a deconsecrated church to house homeless teens. After purchase, donations and grants were pursued for renovation and operation.
- The ability to provide free gift cards for needy community members to shop in the thrift stores (about \$500,000 worth annually).

Without the financial contribution of its waste-based businesses, SVdP could not deliver the level and range of services it provides to its community. These are ongoing successful businesses that, if well-managed, can continue to provide SVdP with the flexibility and security to operate its programs without heavy dependency on government and philanthropic grants that have limited timetables and no guarantees beyond the current funding cycle.

- **These businesses employ hundreds of workers in permanent jobs with benefits—jobs that offer opportunities for advancement and the acquisition of marketable skills, and are also a boost to the local Eugene community and economy.**

From 1953, when the director was the one paid employee, SVdP now employs a total of 606 paid workers. Of these, 463 (76%) work in the waste-based enterprises. Many of these individuals would have limited or no other opportunities for such employment.

At the same time, the addition of hundreds of jobs to the Eugene workforce reinforces SVdP's impact on the community safety net, as well as on the local economy—more people employed means fewer people needing government or charitable support and more people paying taxes, making purchases, and participating in the general life of the community.

SVdP's social enterprises strengthen both, the lives of the people they employ and the life of the community in which they live and work.

Two examples, of many:

Leisha Wallace is general manager at St. Vincent de Paul and oversees all of its social enterprises. Her operation provides more than half of the agency's \$38 million annual budget.

Thirty years ago, when she began work as a store clerk, Wallace was a 19-year-old single mother living in a tiny house with no heat and a roof that leaked like a sieve. Today, she's an amazing dynamo and a no-nonsense roll-up-your-sleeves leader. Wallace is responsible for more than 400 employees across 15 stores and three warehouses; four mattress recycling facilities; a used car lot; an appliance repair and recycling operation; a glass foundry; and a wood shop. And she runs her staff meetings with humor, passion, and energy.

Wallace is inspiring, but in the context of her workplace, she's not unique. Her assistant manager came to work straight out of a three-year stint in federal prison and grateful for any kind of work. Two of the three mattress recycling managers also have prison in their pasts. Today, they all supervise crews who look at their bosses and see that there is a route up from the entry-level jobs where they started.

Ashley Raman wanted his son back. Growing up on the streets of L.A., Raman became involved in drugs and gangs at an early age. He was in and out of prison and tried to overcome his addiction many times. He finally hit rock bottom when his son was taken from him and placed in foster care.

Ashley vowed to change. He entered drug rehab and completed mandatory parenting classes. But to get his son back, he needed a job—not an easy task for a person with a criminal record, history of drug addiction, and few job skills. Ashley turned to SVdP.

SVdP gave Ashley a second chance, and he started working in one of the mattress recycling facilities. With a secure job, he was finally able to obtain full custody of his son. He was promoted and moved to one of SVdP's retail stores, eventually working his way up to store manager.

Seven years later, Ashley is now an upper-level manager, remarried, and the father of three children. Ashley works side-by-side with store managers to improve their store operations. He helps with warehouse operations and logistics. And he spends hours of volunteer time working at SVdP's winter warming shelters, where homeless people on the streets are given a safe, warm place to sleep when night temperatures drop below freezing.

"With St. Vincent de Paul," he says with a smile, "there is always hope."

The Businesses Also Realize Environmental and Community Benefits

- **SVdP has become the largest nonprofit mattress recycler in North America**, with significant operations in Oregon and California. In 2017 SVdP's businesses recycled 353,000 mattresses and box springs.
- **A total of 30,488,270 pounds of materials were diverted from landfills in 2017** for re-use, refurbishing, or recycling.
- **The agency has become expert in recycling, reusing, and repurposing items and materials that other recyclers reject**, such as appliances, glass, candle wax, electronics, textiles, Styrofoam, and many others.
- **SVdP's 15 thrift stores in western Oregon offer a range of quality items at affordable prices to the communities they serve.**
- **SVdP's experience and resources have qualified the organization to become certified as a Community Development Financial Institution (CDFI).** As a CDFI, SVdP helps low-income, low-wealth people to finance homes and develops housing options for those without stable and secure places to live. SVdP owns over 1,000 units of affordable housing.

Running Waste-Based Enterprises: McDonald's Key Caveats

- **These are businesses and must be treated as businesses from the beginning.**
- **To run a business, focus on getting to profitability as quickly as possible.** But understand that it is generally a six-month to two-year time frame to do that. It will lose money initially as the business develops and management learns how to run it.
- **Don't expect to hit too many targets at the same time—and invest in management.** A nonprofit may want to be profitable immediately, with only minimal investment, in order to support a social mission, while hiring ex-offenders to operate the business. But ex-offenders may not have the skills to start—"hire your clients to run the project and you'll lose money," said McDonald. Running a business requires skilled management.
- **To integrate the waste-based businesses and social programming "you have to make a system that feeds on itself and supports itself, a full circle organization.** All of these pieces [the waste-based enterprises *and* the social services and programs] support one another, either socially, monetarily, or politically."

THE BUSINESS MODEL THAT WORKS

Without its social enterprises, SVdP would not be the organization it is today. Like many other St. Vincent de Paul organizations, it likely would have remained a collection of dedicated volunteers helping a small number of individuals. It would not have the meaningful community-wide impact it does today.

The waste-based enterprises of SVdP were born out of necessity and nurtured through years of attention to the market and a willingness to continue to try new things and look for openings.

But each of these businesses was once a start-up and took several years and much work to reach break-even and eventual success. Some businesses did not take off and others floundered. The point at which SVdP stands in 2018 took decades to attain.

SVdP's business model works. Through its set of social enterprises, the organization generates income that supports its social mission and provides hundreds of individuals who may have difficulty obtaining meaningful employment— full-time jobs with benefits, marketable skills, and a career path. By diversifying efforts over multiple businesses, SVdP is able to spread risk over its portfolio. It all works now and can be expected to continue to grow and work in the future.

SVdP is the proof of concept, the model that shows what can be achieved. With similar determination and attention to potential markets;; a capacity for learning from one's own mistakes and the experience of others; a willingness to take calculated risks; and the commitment of leadership and staff—other nonprofit organizations can also, in time, build business structures that will support their missions to improve the lives and futures of people in need.

« 3 »

REPLICATING SVdP'S BUSINESS MODEL: THE CASCADE ALLIANCE MEMBERS

A VERY BRIEF HISTORY OF THE CASCADE ALLIANCE

Over time, as Terry McDonald began to speak at conferences and meetings, the waste-based enterprises of SVdP gained visibility among other nonprofit organizations looking to develop revenue streams and provide job opportunities.

In 2008, SVdP's work caught the attention of the Robert Wood Johnson Foundation (RWJF). An RWJF grantee—who had sought help from Terry McDonald in setting up a social enterprise to employ men who had previously been incarcerated—urged Senior Adviser for Program Development Nancy Barrand to visit the SVdP operation in Eugene. Barrand had been working on solutions to end homelessness for 20 years. “I had seen many community agencies doing remarkable work,” she said, “but I was blown away by what I saw in Eugene.”

“SVdP had put in place one of the most expansive networks of services and supports to address homelessness I have ever seen and was the anchor institution for the county's safety net. Moreover, a major portion of its budget was self-sustaining through its business enterprises.”

“It was a model that could benefit any community.”

—Nancy Barrand, RWJF

This model—of using social enterprise to provide meaningful jobs for people with barriers to employment, which then help to support programs and services to families and individuals facing homelessness—fit well with the strategy of RWJF's Vulnerable Populations portfolio at the time, “which was to address the social determinants of health,” said Barrand. “We were looking for community-based solutions with growth potential that recognized the deep connections between health and where you LIVE, learn, WORK, and play.”

With a total of \$3.7 million in support from RWJF⁵ beginning January 2010 through August 2019, SVdP embarked on a multiphased effort to replicate its waste-based social enterprise model in other nonprofit organizations throughout the United States.

- Phase 1⁶ (January 2010 through December 2012) focused on the development of mattress recycling businesses at two nonprofit organizations (Greater Bridgeport Community

⁵ In addition to direct grants, RWJF has funded communications support for SVdP and the Cascade Alliance.

⁶ RWJF grant ID 66582, 1/1/10–12/31/12, \$584,161.

Enterprises in Bridgeport, Conn., and the Mustard Seed of Central Florida in Orlando) as a way to test the model in other environments, learn about best ways to replicate it, and develop an approach for expanding the model nationally.

- Phase 2⁷ (mid-May 2013 through mid-August 2017) aimed to replicate the model at seven additional sites.⁸
- Additional support⁹ (May 2017 through June 2018) enabled SVdP to bring the model to a total of 12 nonprofit organizations as of June 2018, and a final grant¹⁰ (September 2018 through August 2019) will help it develop a sustainable approach for on-going replication to other nonprofits.

The network of organizations working to establish the SVdP model came to be called the Cascade Alliance.¹¹ As of October 2018, the Cascade Alliance (an unincorporated affiliation of members) includes a total of 12 active and five inactive members (see list in [Appendix B](#)).

KEY ELEMENTS OF THE CASCADE ALLIANCE

SVdP as the Focal Point, Exemplar, and Headquarters

SVdP is the focal point of the Cascade Alliance network. With more than 30 years of experience in waste-based social enterprise, it is the source of knowledge and experience for the network and serves as the exemplar. The depth and breadth of the expertise and wisdom of its leadership and staff are well-recognized and the major draw for Alliance membership.

“SVdP provides an incredible and inspiring example of success that others want to emulate,” said Justin Green from Big Reuse. Brady Gott, from Cleanslate Chicago by Cara, described the confidence that SVdP inspired: “You know that their practices work because they’re successful. It gives you confidence that you can trust what they’re saying.”

SVdP also serves as the “central office/headquarters” for the Cascade Alliance. As of October 2018, four SVdP staff are dedicated to the Cascade Alliance: Executive Director Terry McDonald, Director of Economic Development Susan Palmer, Member Liaison Bethany Cartledge, and Communications Coordinator Kylie Nelson. Other staffers are pulled in on an as-needed basis to assist in mentoring visits and conference calls with Alliance members.

The knowledge that SVdP has acquired from its connections with other nonprofits throughout the United States has reaped benefits for SVdP itself, as noted by Terry McDonald: access to

⁷ RWJF grant ID 70349, 5/15/13–8/14/17, \$2,195,726.

⁸ These were: Cara Program (Chicago, Ill.), Exceed Enterprises (Milwaukie, Ore.), Furniture Bank of Metro Atlanta (Atlanta, Ga.), Opportunity House (Reading, Pa.), The Up Center (Norfolk, Va.), Urban League of Essex County (Newark, N.J.), and United Teen Equality Center-UTEC (Lowell, Mass.).

⁹ RWJF grant ID 74474, 5/1/17–6/30/18, \$400,000.

¹⁰ RWJF grant ID 75601, 9/1/18–8/31/19, \$500,000.

¹¹ During Phase 2 of its support, RWJF provided funding to engage DeSantis Breindel, a New York-based branding, marketing strategy, and design firm, to create a brand—the Cascade Alliance—for SVdP’s replication work.

“beautiful product;” an increased product volume that allows SVdP to offer a wider range of items in rural areas; and learning about how different markets operate.

Business Lines

The focus of the first RWJF grant was on replicating the mattress recycling enterprise in other nonprofit organizations. Over time, it became apparent that mattress recycling would not likely be successful in states without mattress recycling laws or state lawmaker interest. For organizations not in supportive states, but eager to develop a waste-based business, SVdP and the Cascade Alliance began to encourage the launching of retail thrift stores and/or online used book sales.

Before agreeing to assist an organization in establishing one of these businesses, Cascade Alliance staff investigates the local market, especially with regard to business potential and regulatory factors, as well as organizational capacity to develop and operate that business. Each line has advantages and challenges. Not all lines will work for all organizations in all situations.

Mattress Recycling

At least 20 million mattresses and box springs are discarded annually in the United States, according to Consumer Reports¹², but the Mattress Recycling Council¹³ reports that up to 80 percent of their contents are recyclable. Cotton, foam, and steel recovered from mattresses and box springs can be sold to commodities brokers and/or reconstructed into new mattresses using new cover material. This process represents a key business opportunity for nonprofit organizations, especially in states with mattress recycling laws. (Wood in box springs can be recycled as mulch, but removing metal staples and chipping the wood results in a net expense.)

The mattress recycling business opportunity and its requirements, potential, and risks are detailed in [Appendix C](#).

Retail Thrift

Retail thrift is a \$17 billion industry, according to a white paper prepared for the Cascade Alliance that explored the industry,¹⁴ and one that has been growing since the recession of 2007 and 2008. Thrift stores, which may be nonprofit or for-profit, draw shoppers looking for lower prices; young people attracted to a retro style; and people interested in refurbishing furniture and other items. As the industry has grown it has become more professional. Stores that have strong, fresh inventories of attractive goods can draw customers; offer good jobs; and generate income for nonprofit programs.

¹² Perratore E. “[Mattress Recycling is Easier than You Think](#).” *Consumer Reports*, February 12, 2016.

¹³ The Mattress Recycling Council is a nonprofit organization established by the mattress industry that is focused on developing and implementing mattress recycling programs in the states that have mattress recycling laws: California, Connecticut, and Rhode Island. A number of other states are considering the adoption of such laws.

¹⁴ *The State of the Retail Thrift Industry, 3rd Edition*. Eugene, Ore.: Cascade Alliance, 2017.

The retail thrift business opportunity and its requirements, potential, and risks are detailed in [Appendix D](#).

Online Used Book Sales

Despite the initial exponential growth of e-readers such as Kindle and Nook, printed books continue to hold the largest share of book sales—nearly 90 percent of child/young adult books and 67 percent of adult books in 2016.¹⁵ Nonprofits seeking a new line of business can consider the sale of used books donated to them by individuals, libraries, and others. With the rise of online used book sellers (Amazon, Alibris, and others) and the development of supportive software, such as Indaba that scans a book to determine its online value, the online sale of used books has become a business open to everyone from individuals to large companies.

The online used book sales business opportunity and its requirements, potential, and risks are detailed in [Appendix E](#).

Services and Support

Once Alliance staff agrees to work with an organization to establish an enterprise, the organization is considered to be a member of the Alliance and will have access to sustained guidance and support as it develops its waste-based enterprise.

Cascade Alliance staff offers a range of services to members: mentoring site visits; tours of the SVdP Eugene operation; toolkits; procedure manuals; funding toward capital equipment purchases; member networking telephone calls and in-person conferences; and ongoing and readily available advice and counseling. Alliance staff also draws on the expertise available at the SVdP operation in Eugene to answer questions and resolve problems.

Members described the assistance they have received:

- “There is support at all levels: strategic, implementation, materials and toolkits, a highly experienced team.” The knowledge-sharing is “priceless and indispensable.” (Denny Bender, Union Rescue Mission, Wichita, Kan.)
- “They helped us make our stores more efficient. They helped buy us a forklift. They gave us critical financial advice when we were scaling. They've also shared policies, safety stuff, and ‘how-to’ information. It's been really deep and involved support.” (Diane Cohen, Finger Lakes ReUse)
- “Recommendations have included: looking at how things are selling by square foot, which can impact store layout; putting prices on everything; adding new sections to the retail thrift store; focusing on process.” (Justin Green, Big Reuse)

¹⁵ *StatShot Annual*. Washington: Association of American Publishers, 2016.

Market research information on best practices and what works and doesn't work in waste-based social enterprises is not readily available, noted Reed Irvine, facilities and logistics manager at the Furniture Bank of Atlanta Metro. "They offer a very business-like, structured, and professional approach to those things."

At the same time, members identified a need for more marketing assistance; clearer financial proformas to guide business development and operation; and more well-defined expectations around available funding for capital assets.

HOW AND WHY NONPROFITS BECOME MEMBERS

Current members have mostly connected with the Cascade Alliance serendipitously. Through October 2018, there has not been much intentional connection with particular organizations or geographic locations. The executive director of a small to medium-sized nonprofit organization will hear a talk by Terry McDonald at a conference or hear of him from someone else and get in touch. If there seems to be some alignment of mission and interest at the first connection, then both parties proceed to explore the potential for membership.

According to Susan Palmer, the organizations that contact the Alliance tend to either: (1) offer strong social services and want to add a social enterprise; or (2) are already engaged in a social enterprise and want to do it better and to add social services. All want help enhancing revenue generation through the social enterprise, and all are also focused on job creation (or, at least, the creation of training options for external job placement).

Here is how one current member connected with the Cascade Alliance:

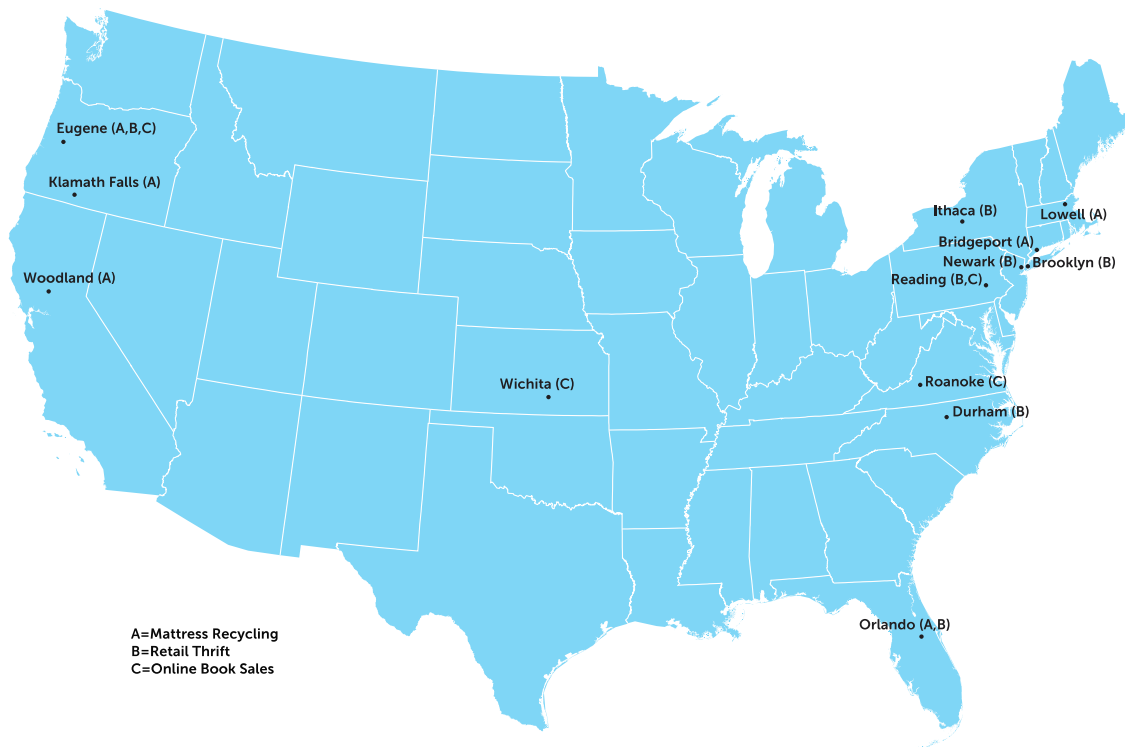
Leadership at Union Rescue Mission in Wichita, Kan., realized that, though well-respected and supported in the community, available resources from its current donors were limited. "We need incremental revenue to grow, try new initiatives, and expand," explained Executive Director Denny Bender. "We had to look at what new revenue streams we could develop. And since we're not about to go after government contracts [as a religiously based organization], a social enterprise made a lot of sense."

Acting on a tip from a colleague running a furniture bank, Bender got in touch with the Cascade Alliance with the intent of establishing a mattress recycling business. After research indicated that Kansas was not a supportive state for mattress recycling, Terry McDonald recommended online used book sales as the way to go. While the business is not yet "at the state that we want," said Bender, "it has created three and a half full-time positions for employment and that's one of our strategic goals, to employ men with barriers to earning a living." The volume of books processed continues to climb, and along with it, the potential to eventually reach financial goals.

CURRENT CASCADE ALLIANCE MEMBERS

A Snapshot of the 12 Current Members

- Alliance members include nonprofit organizations located in 11 states, which operate shelters; child-care centers; furniture banks for disaster victims; training programs and other services for homeless men; programs for young people touched by gang violence; construction waste reuse centers; and other services directed at the alleviation of poverty and other social ills.
- The East Coast—from Florida to Massachusetts—is the base for most, with one in Oregon (other than SVdP) and a significant presence in mattress recycling in California.
- Only one is located in the middle of the country (Wichita, Kan.).
- Five are engaged in mattress recycling (other than SVdP).
- Six operate thrift stores (other than SVdP).
- Three sell used books online (other than SVdP).
- Three organizations are focused on reuse, rather than recycling.
- Other related businesses include: building deconstruction and building materials reuse, computer refurbishing, and used car sales.
- Several operate more than one waste-based social enterprise.



« 4 »

The Social Enterprise as a Start-Up: Bringing Business to Nonprofit Operation

Waste-based social enterprise offers a potentially excellent opportunity for committed nonprofit organizations to reap multiple benefits and bolster their long-term sustainability. The inclusion of such enterprises among the resources available to these organizations could signal a new way of funding and managing nonprofit operations.

Yet, the challenges are significant. Organizations considering such an enterprise must be aware of and be proactive about meeting the inherent demands. Since the enterprises are businesses, the organizations must have—or hire—staff that can lead and operate a business. This requires an entrepreneurial spirit, strong leadership, and a willingness and ability to handle risk.

THE ESSENTIAL ELEMENTS OF A SUCCESSFUL ENTERPRISE

“There are a lot of good ideas. The challenge is implementation.”

—Justin Green, Big Reuse

Not all nonprofits are good candidates for social enterprise. The creation, development, and management of waste-based social enterprises is an endeavor out of character for the leadership and staff of many nonprofit organizations accustomed to an operating environment quite different from the business world. Successful enterprises that achieve anticipated financial and employment targets will be built on the essential elements described below.

Business-Driven Operation

Waste-based social enterprises are—first and foremost—businesses, and must be operated as such. Nonprofits are accustomed to funding their operations through donations, grants, and contracts, which typically are acquired over extended periods and, in the case of grants and government contracts, have clearly established payment structures matched to defined timetables of work. These organizations generally are not set up to adapt quickly to fast-changing business conditions, nor are their budgeting and staffing systems responsive to the uncertainty that goes along with a volatile business environment.

Given the risks involved, Terry McDonald stressed the critical need to have the commitment of the board, management, and staff. The enterprise’s actual experience may turn out differently from what was planned or from what was predicted on proforma statements, and leadership must be equipped to deal with the situation.

This is a major challenge for Alliance staff in working with the members. “I’m struggling with how to help our members understand that that’s how it works and learn to be willing to pivot

toward solutions,” said Susan Palmer. Separating organizational mission and business operation has been “a huge struggle” echoed Member Liaison Bethany Cartledge.

The members recognize the quandary. “It is quite an adjustment for nonprofits to get into the social venture thing, where you have to be mindful of your overall mission, but really hone in on: ‘What is my break-even point? What is my contribution to my margin—to my overhead?’” observed Adrienne Houel, president and CEO of Greater Bridgeport Community Enterprises in Bridgeport, Conn. And Modesto Fiume, president of Opportunity House in Reading, Pa., admitted, “We had to stand up and really just learn how to run the business” when launching and running Opp Shop, the agency’s new thrift store.

A Clear and Honest View of Organizational Capacity

SVdP is a large operation with decades of experience and multiple businesses generating revenue. These businesses were once start-ups themselves, but now the organization has the capability to try new ideas and spread the risk while drawing on a range of resources.

Many nonprofits will not have the broad support (financial, content knowledge, marketing, human resources) that can help mitigate the risk of a new venture. Thus, nonprofits considering a waste-based social enterprise can learn much from SVdP’s experience and expertise—but must be realistic about their own capacity to raise the funding needed; develop and manage the business; and handle the risk involved. “What SVdP does is wonderful,” said Fiume, “but they’ve been doing it for a long, long time. It’s not the same as getting one going on your own.”

Other Alliance members can be helpful in this regard. “The connection with other places [doing mattress recycling], particularly Connecticut, has been tremendous,” said Ed Frechette from UTEC, “because you want to be able to benchmark how you’re doing relative to how someone else is doing. SVdP’s scale is so much bigger, it’s hard to compare.”

Clarity on Financial Goals and How to Achieve Them

“Creating jobs for people who were homeless or never really had the ability to maintain permanent full-time jobs before, that’s wonderful,” said Modesto Fiume at Opportunity House as he described the challenges of opening and operating a thrift store. “Diverting waste from the landfill, that’s wonderful too. And recycling, that’s great. But ultimately it needs to make money.”

—Modesto Fiume, Opportunity House

It is critical that a nonprofit considering and planning for a waste-based social enterprise knows what its financial goals are and understands the likelihood that the amount and timing of expected revenue can meet those goals. Key points in this regard include:

- Different organizations may have different financial goals, based on their mission, overall financial status, fundraising potential, competing financial demands, and other factors.

Goals may include: covering a portion of costs, breaking even, throwing off cash to fund programming or other expenditures. Each organization must be clear about its own goals.

- Different business lines have different financial potential. The nonprofit must determine which line makes the most sense for the organization, given its goals and capabilities.
- Labor costs can be a real challenge, especially before the enterprise is fully operational. As Vivian Cox Fraser at Urban League of Essex County put it, “The good thing about this is that it creates jobs; the bad thing about it is there’s a lot of people to be paid.” Funding for capital equipment may be easier to access than funds to pay people before the business can cover the costs.
- For product suppliers, corporate social responsibility can be outweighed by financial demands. “It still comes down to money,” said UTEC’s Ed Frechette. “As much as a lot of organizations want to do the right thing for the environment and sustainability, often they get squeezed by financial pressures that might prevent them from participating.”
- Marketplace uncertainty can have an impact when trying to attract investors wanting assurance of a certain margin in a certain period of time, as Adrienne Houel stressed.
 - Commodities markets can be highly volatile. The prices of after-market products—baled steel, rags, book pulp—go up and down. “The commodities market is nothing anybody should have to depend upon, because you can’t.”
 - Municipalities can change regulations and practices unexpectedly. “Municipalities will do things with other interests in mind than we imagined,” said Houel.

Dedicated Management

Starting a business requires hard work and extreme dedication during an intense period of time. Funds must be raised or earmarked for capital and operating budgets that must be prepared. Staff must be hired and trained according to policies and procedures that must be developed. Space must be acquired to meet storage and processing needs that must be identified and prioritized.

An experienced and dedicated manager/director who can oversee start-up and implementation, along with an appreciation of the demands of the new enterprise on the part of organizational leadership, will help smooth the path to full operation. This job cannot be done part-time by an employee with other significant responsibilities. “You’ve got to have somebody running that business who eats, sleeps, drinks that business every day,” stressed Fraser.

Denny Bender at Union Rescue Mission had this advice for any nonprofit CEO considering a waste-based social enterprise: “Don’t think you can do it and run your other responsibilities. Either hire a really experienced professional from business or accept the fact that you’re going to work longer hours and it’s going to take you longer to get to where you want to be.”

Adequate Start-Up Funding/Working Capital

Any new business requires an input of cash—to purchase equipment, lease and upgrade space, hire staff to get the business going—well before any money comes in. In the case of the businesses operated by Cascade Alliance members, it could be several years before they break even and expenses start to be covered by revenue. So the nonprofit organization must have a source of working capital to rely on for an extended period. This may come from a grant; fundraising; a program-related investment; a bank line of credit; income from other organizational programs; or another source. But having adequate working capital, in terms of both, an amount and time period, is critical to the long-term success of the enterprise and also to protect the rest of the organization from the financial demands of the new business.

A Role for Local Philanthropy

“We hope that local and regional funders will be interested in the SVdP model and see the value of investing in their nonprofit partners as start-up social enterprises. SVdP is really a community development model.”

—Nancy Barrand, RWJF

Under the RWJF grants to SVdP, some funding has been made available for the purchase of capital equipment (e.g., fork lifts, balers, etc.) for several Cascade Alliance members. But the grants do not cover operational expenses nor provide working capital to the members as they develop and implement their businesses. Individual members must meet this obligation on their own, through whatever means are available to them. Potentially the Alliance could provide advice to members on ways to obtain the needed start-up funding.

The Ability to Develop a Reliable, Trained Team of Employees

While providing stable jobs to hard-to-employ individuals is a key goal of the Cascade Alliance and its waste-based social enterprises, these workers (who often are not used to coming to work every day or working as a team) can require significant amounts of training, not only in the functions and responsibilities of the job, but even in basic workplace routines and expectations. This can be particularly demanding during start-up when the enterprise staff is mostly composed of new hires. As the business matures and staff gets more experience, new staff can be more easily integrated into the operation.

Unlike the SVdP operation in Eugene, with hundreds of employees, many of the Alliance members are small and may lack the right talent needed at the right time. “When you’re a small organization, you don’t have the depth. So missing links really hurt you a lot,” said Fraser.

Appropriate Storage Space in the Right Amount and Right Location

Space to store mattresses, items for a thrift store, or used books can be expensive and may be difficult to find in a location that works well for the new enterprise. Especially in the start-up phase, figuring out the right amount and configuration of space can be complicated since product is coming in but not going out.

Collecting more product in advance of opening a thrift store than can be stored and processed, for example, can lead to acquisition of more space than will actually be needed once the store is up and running, resulting in unnecessary expense. At the same time, not having enough space can result in turning away product that will contribute to the success of the business.

A Marketing Approach

These businesses must market themselves both at the front end (e.g., to individual and organizational suppliers of mattresses, items for thrift stores, used books), as well as to the eventual purchasers of recycled or refurbished items and commodities. In a situation where the nonprofit has no prior experience with a waste-based enterprise (e.g., has never operated a thrift store and is now planning to start one up) the need to develop a marketing approach can be daunting.

Staff from SVdP may be less help here as SVdP has been ensconced in its own community of Lane County, Ore., for so long that it does not need to make a name for itself. When Union Rescue Mission started planning its used book business, it had no initial access to donated goods. “We had to just struggle through and come up with our own ideas on how to present our business to individuals and to groups and public entities like libraries,” said Denny Bender. “The marketing of our service is something that we could have used some more help with.”

Realistic Expectations

The nonprofit must have a realistic understanding of what it can expect to accomplish with the waste-based enterprise and within what time frame. Enthusiasm is a necessary ingredient in the development and operation of a new business, but unrealistic overenthusiasm can blind people to the risks and work that balance the potential rewards of any business. These must be understood from the beginning. Ann Woodward, executive director of the Scrap Exchange in Durham, N.C., emphasized the importance of a business plan. “Do the 30-page business plan that the bankers want. Then work your plan.”

A great deal of work—and the right sort of work, with the right people and other resources—is needed, and even with that, the money realized may not meet the money anticipated. “It’s not going to solve all your problems,” said Fraser. “As a waste business and a thrift store, I underestimated the business acumen needed to do it.” And Justin Green from Big Reuse pointed out, “It’s not a magic money-generating scheme.”

FOUR ENTERPRISES THAT ARE SUCCEEDING

While the challenges are many, Cascade Alliance members are seeing a path to success. Four mini-cases describe the experience of three mattress recycling businesses and one retail thrift store as real-life examples of how these businesses get started, the costs involved, outcomes, and factors leading to success.

Mattress Recycling at Park City Green (Greater Bridgeport Community Enterprises), Bridgeport, Conn.

Greater Bridgeport Community Enterprises launched in 2007 in Bridgeport, Conn., to train low-skilled individuals in housing stock upgrade work, such as lead and asbestos abatement and weatherization, providing jobs and these services in Bridgeport.

When the market for this work began to drop in 2010 and 2011 when the economic stimulus funding ended, the organization was looking for another opportunity. “The opportunity that turned up was Terry McDonald,” said President and CEO Adrienne Houel. McDonald spoke about creating a business from waste-stream reduction at an event sponsored by the state Department of Energy and Environmental Protection. At the same time, it appeared that interest in a mattress recycling law was growing in Connecticut.

Houel approached McDonald and, with his help and support from Bridgeport’s mayor and various state and local agencies, the basic infrastructure for a mattress recycling business was created in the form of Park City Green, a new arm of Houel’s organization, in December 2011.

The business start-up cost was in excess of \$850,000, of which \$200,000 in labor costs were supported by grants from the Connecticut Department of Labor; \$400,000 by loans from the Connecticut Department of Economic Development; and \$250,000 in deferred vendor costs (vendors willing to carry the debt for several years). Park City Green has been working with the state on loan forgiveness. Thus far, \$200,000 has been forgiven. SVdP also provided financial assistance to Park City Green from its RWJF grant.

Despite much time and effort expended in “agitating at the state legislative level for a mattress recycling law,” as Houel put it, the law was not voted on before the end of the legislative session in May 2012. “A lot of money was going out the door with almost nothing coming in” during that year, she said. Facilities had been rented and renovated and people hired. While they drummed up the business they could from hospitals, universities, and a few hotels, they were operating “at an extraordinary disadvantage” without the law behind them. The legislation finally passed in May 2013, but additional time was needed for implementation.

The early work did create a client base and offered proof of concept to state legislators as they considered the law; but the delay led to a negative cash-flow position from which the organization has not completely recovered.

As of summer 2018, the mattress recycling business has a staff of 18 full-time workers, including an operations manager and a floor supervisor. Of the 18 employees, 16 were hired from

Bridgeport’s “second-chance community,” people who have been recently incarcerated. These individuals are referred to Park City Green through four local agencies that offer assistance to members of the second-chance community in Bridgeport. Eight of the employees have been with Park City Green for three or more years.

About 5,000 to 6,000 units are processed per month, with the summer the busiest season. Park City Green serves 46 municipalities through contracts with the Mattress Recycling Council in the state and has expanded its reach beyond the southwestern corner of Connecticut into the center of the state. Some 57 percent of its volume comes from the municipal work, with the other 43 percent from private organizations. While Park City Green also works with a hotel group and a retail group in New York State, that is only a small portion of total volume. Directed marketing to New York retailers, universities, and hotels would likely yield more business there.

With revenue of \$750,500 and expenses of \$682,400 in the most recent (2017–2018) fiscal year, the business generated a net income of \$68,100, which is being used to pay down debt incurred in the early years before passage of Connecticut’s mattress recycling law.

Dealing with commodities markets continues to be a key challenge, according to Houel, as prices vary often and quickly. In addition, growth is hindered since capital is “hard to come by—banks won’t invest in us.”


Overall, “Park City Green is doing well,” said Houel. She is most proud of “being able to build a real business with folks who are expected to fail. To do this in Bridgeport is pretty exceptional—it’s not a place known for its successes.” Houel also measures success by typical business metrics such as profit and loss and break-even point, “which is particularly important for start-ups.” Reaching break-even and paying back some of the debt incurred in the earliest years are further indications of the growing achievement of this busy waste-based social enterprise.

Mattress Recycling at The Mustard Seed, Orlando, Fla.

The Mustard Seed, a nonprofit furniture and clothing bank in Orlando, Fla., serving families and individuals who have suffered disaster or personal tragedy, celebrated its 30th year in 2018. With Greater Bridgeport Community Enterprises, the Mustard Seed was one of two nonprofits that SVdP worked with under the first RWJF grant, before the launch of the Cascade Alliance.

Motivated by environmental concerns and by the promise of revenue from recycling, the Mustard Seed began to explore the potential of mattress recycling in 2011. Of every 100 donated beds, perhaps 30 were in a good enough condition to sanitize and give to people in need of a bed. The organization did not want to just send the other 70 beds to the landfill.

The Mustard Seed connected with Terry McDonald and SVdP and began to develop the business with their help. Foundation grants, individual donations, and fundraising events helped support the initial cost of equipment and start-up staff time. The organization was able to re-configure its current space to accommodate the mattress recycling operation.



It took nearly five years for the business to become profitable. The business now processes 1,500 to 3,000 mattresses each month, a total of 30,753 in the fiscal year ended June 30, 2018, when the business brought in \$207,000 in revenue, with \$155,000 in expenses, for a net income of \$52,000. A portion of the income is re-invested in the recycling facility to improve the operation and the remainder assists the Mustard Seed's furniture program.

Mattresses are received from sources that include 12 of the 22 Disney hotels, other hotels in this tourist area, and—via the Cascade Alliance relationship with Waste Management—five IKEA stores in Florida.¹⁶ Cruise ships were a source for several years, but their mattresses have gone to Puerto Rico since Hurricane Maria devastated the island.

In addition to providing economic and environmental benefits (a total diversion of 2.6 million cubic feet of waste from landfills through mid-2018), the business “allows us to give employment opportunities to those in need of a second chance to prove their independence through work,” said Executive Director Kathy Baldwin. Turnover is costly, Baldwin pointed out, and so the jobs are permanent ones, with a 401K plan that encourages employee longevity. Baldwin prefers “that they grow with us, but if someone takes the skills and moves on to something better, we bless and release. That’s a wonderful thing.” Currently the operation includes four full-time positions.

The assistance and support of SVdP and the Cascade Alliance have been highly instrumental in the successful development of the Mustard Seed's mattress recycling business, providing advice, online resources, and equipment such as a baler and a compressor.

Baldwin stressed that “there are so many factors involved” in a mattress recycling business: commodity prices, optimal facility arrangement, the best way to handle waste, and so on. A key challenge is storage space—mattresses and box springs take a lot of it. “When Disney has a soft goods renovation in one of their resorts, that means 5,000 to 8,000 pieces will need to be processed in about four months,” said Baldwin. But since such renovations may take place only after five or more years, it is difficult to plan the space to accommodate the influx. At the suggestion of Cascade Alliance members, the Mustard Seed has rented SeaLand containers to handle the ups and downs of shipments.

Florida does not have a mattress recycling law at this time, which “would change our business,” said Baldwin. “That would allow us to grow exponentially, considering the number of mattresses and box springs in this market.” But she doesn't see a law coming to Florida any time soon and her challenge is convincing hoteliers, retailers, and consumers that paying a fee to have mattresses deconstructed is the right thing for the environment. The business faces competition from for-profit mattress liquidators and refurbishing companies that are willing to pay hotels and retailers for used mattresses. Landfill managers beg her to take mattresses, but their cleanliness may be compromised and they cannot be sanitized for reuse or deconstructed for recycling.

¹⁶ These stores are in Jacksonville, Orlando, Sunrise, Sweetwater, and Tampa, Flor.

Mattress recycling is a challenging business, Baldwin emphasized. “It is difficult to manage your expenses. You have to know what your price point is to break even.” It is critical to “run this like a business. Make sure everybody is held accountable. Know your expenses so you charge the amount you need to cover those expenses. That is the key factor in [positive] net income.”

But, happily, despite the challenges, the Mustard Seed’s mattress recycling business is a success, said Baldwin, with “a seven-year track record to prove that the concept works.”

Mattress Recycling at UTEC, Inc., Lowell, Mass.

Founded in 1999, (UTEC serves young people in Lowell and Lawrence, Mass., through a program model built on street outreach and gang peacemaking. Its aim is to draw in the most disconnected youth and help them complete their education and prepare for the workforce.

UTEC was introduced to Terry McDonald as an RWJF grantee when the organization was considering the development of a social enterprise, both to bring in earned revenue and to create full-time living wage jobs for its youth clients. Having an actual job opportunity available right within the organization, rather than just training, ensures that UTEC participants will remain with the program for a longer period of time, increasing the odds of success.

The mattress recycling business launched in 2013 with mattresses from a few colleges, but started in earnest in January 2014 with a subcontract from Waste Management to do residential pickups for the city of Lowell, where residents must pay to have mattresses collected. Government and private (including Cascade Alliance) grants funded the purchase of initial equipment such as a baler, forklift, and box truck. Workforce grants helped to pay for the labor of the young adults in UTEC’s program as the business was getting off the ground. The learning curve was steep. Each client university and hotel had different policies and different ideas about what they would pay. And the product stream was unpredictable—hotels change mattresses every five to seven years and institutions want pickups right away, with little notice.

The Massachusetts Department of Environmental Protection (DEP) established an incentive program to encourage municipalities to participate in mattress recycling and approved three vendors, including UTEC. UTEC now handles recycling for over 20 towns, accounting for 40 percent of its total volume. Universities account for another 40 percent, hotels about 15 percent, and the remaining 5 percent comes from a variety of sources including individuals. As of fiscal 2017 and 2018, UTEC is processing about 25,000 mattresses per year.

While the mattress components have market value, it is “all pennies on the pound,” said Ed Frechette, chief innovation officer/director of social enterprise partnerships. “The real value is on the front end, getting paid for the pickups. That is where we need to make our money.”

A major, and common, struggle is space—the amount, type, and cost. UTEC has not been able to secure appropriate space and is making do with an undersized warehouse and just one loading dock, which makes an organized workflow difficult. (According to Frechette, Terry McDonald is

clear that three docks are optimal: one for deliveries, one for aftermarket materials, and one for trash.) The volume is out there, Frechette believes, and with more space the business could grow.

Having enough space to store materials ready for market, without having too much space, is complicated. UTEC has found that steel, wood, and foam move out reasonably well, but the aftermarket for cotton and for mattress toppers is limited, resulting in bales of these textiles waiting for a buyer and taking up valuable space. Yet, disposal also has significant costs. And the need for space can vary considerably throughout the year—with summer having the highest demand as colleges seek to swap out mattresses before the new school year begins.

In the fiscal year ending June 30, 2018, the mattress recycling business provided job training and short-term employment to 109 young adults, with a daily crew of between six and 12. The young people cycle through the facility as part of programming; on average a youth participant spends 45 days at the warehouse. Four full-time workers provide continuity and the ability to do pickups when program participants are in classes or otherwise not available. Temporary part-time workers are hired during peak volume periods but those numbers are kept to a minimum.

Labor costs are a major challenge. Since UTEC's goal is to provide training and a real job experience for the young adults it serves before they take a permanent job elsewhere, the emphasis has not been on efficient operation. The participants are short-term workers and turnover is high by design. "As soon as they get good they leave us," Frechette said. "Then we're bringing in new people who have never done this work before—just working in a warehouse is new to them." Thus, labor costs are more than for those enterprises that are organized on a more efficient and productive business model. As a result, "getting to break-even still remains a challenge to us," he said.

Frechette has seen something of a turnaround in the business in 2018, with the hiring of a new manager who is streamlining operations and production. In addition, UTEC has re-negotiated its DEP contract, resulting in an increase in the processing fee it receives per piece from \$10 to \$16 and a significant increase in the transportation fees it is paid. The outcome, he said, "is we're doing the same work but getting paid more. We are not yet in the black but we have seen a big improvement." Total revenue has increased from \$327,000 in FY 2017 to \$375,000 in FY 2018. While expenses directly related to the mattress recycling business are difficult to separate from UTEC's overall expenses, they are increasing at a slower rate than revenue is increasing.

With experience, Frechette and his team have learned that the way to break-even is not through increased volume, as the tight warehouse space can't handle it, and a packed warehouse actually slows operation. "We realized that if we want to get to break-even," he said, "we have to run the warehouse efficiently and process fewer pieces at a better margin, rather than more pieces at a lower margin. We now understand where the pressure points are and have been able to make tremendous progress despite working in a difficult space."

As part of UTEC's programming, Frechette explains how the business works from a financial perspective to the young people working there. They learn about the costs of doing business and the effects on revenue. They can apply this good business understanding to other work situations.

For the future, Frechette is focused on finding space that would meet processing needs and also open up the potential for mattress rebuilding, a business that would offer expanded training and employment opportunities. Rebuilt mattresses would also provide an affordable option for organizations, like transitional housing, that need less expensive bedding. In general, he would like to see the industry make better use of the materials left over from deconstruction, rather than just sell them as commodities. And he would like UTEC's operation to be part of that.

Having a positive bottom line that could fund programming is a key goal, but the primary emphasis is on training young people and helping them find permanent employment elsewhere. While taking longer than originally expected, Frechette believes they are on the right path and is optimistic about UTEC's future in mattress recycling.

Retail Thrift at The Scrap Exchange, Durham, N.C.

The Scrap Exchange in Durham, N.C., is an organization dedicated to promoting creativity, environmental awareness, and community. It offers a wide range of discarded materials for reuse by artists, teachers, social services agencies, and other nonprofits.

From its beginning in 1991 with one staff person and a \$75,000 budget—the Scrap Exchange in 2018 serves over 500,000 people annually; operates on a \$1.4 million budget with 52 full- and part-time employees, and is open seven days a week. The organization diverted 240 tons of waste from the landfill in 2017.

A robust creative arts program travels to schools, businesses, hospitals, fairs, and festivals throughout the southeastern United States, providing materials and education for creative hands-on experiences. Staff has also trained 20 individuals in 10 states to develop creative reuse centers in their areas through three-day “boot camps,” as well as 40 others at a creative reuse conference in October 2017. The organization hopes to build these activities into a national center for reuse.

The Scrap Exchange has become “the largest creative reuse center in the world,” according to Executive Director Ann Woodward, a claim that has been confirmed by others in the field. “We are this mechanism for helping others to be creative; understand sustainability; and understand how to make healthy choices related to environmental issues; their own consumption, and the circular economy [reuse].” She stressed that reuse is different from recycling.

“Reuse keeps materials local, provides jobs, and offers resources, tools, equipment, shared assets, innovation, creativity, robotics, science, art—it’s all of that.”

—Ann Woodward, The Scrap Exchange

Woodward met Terry McDonald and Susan Palmer at a conference of the Reuse Alliance in 2014. She was looking for assistance in taking the Scrap Exchange to the next level. McDonald visited the Scrap Exchange and immediately offered detailed advice on upping their game with their retail operation Scrap Shop—“a thrift store for artists”—and how to gain solvency and

increase their income stream. “They helped us learn how to say ‘yes’ to offers of materials, by changing our systems, our infrastructure, and some of our policies,” said Woodward.

With this advice and more (additional SVdP staff visits to Durham, visits by Scrap Exchange staff to SVdP in Eugene, etc.), revenue at Scrap Shop shot up from about \$20,000 per month to a monthly average of about \$75,000, with an all-time high one month of \$90,000. Scrap Shop employs five full-time and 18 part-time workers.

In summer 2016, the Scrap Exchange offered a series of very successful pop-up thrift stores, indicating a market for a regular retail thrift operation. With continued mentoring by SVdP staff and an 18-month planning effort, the Scrap Exchange opened Scrap Thrift in December 2017—carrying clothing, shoes, and accessories for women, men, and children, along with a wide range of household goods.

The launch of Scrap Thrift required the renovation of space already owned by the organization at a cost of about \$300,000, as well as about \$100,000 in pre-launch staff costs. These expenses were funded by a loan from the Self-Help Ventures Fund,¹⁷ a zero interest loan from neighbor Duke University’s Office of Durham and Regional Affairs, and revenue from Scrap Shop. A loan from a board member (a former bookstore owner) helped to get a book store component going, which opened in March 2018. The Scrap Exchange also secured a loan from the Natural Capital Investment Fund,¹⁸ which it did not need to use.

Monthly revenue at the new Scrap Thrift has ranged from a low of \$29,000 in January 2018, to a high of \$56,000 in July 2018. Monthly expenses average about \$51,000, with personnel (six full-time and 15 part-time) accounting for the large majority. As of summer 2018, the store is “just about at break-even,” said Finance Director Rebecca Currie, but is not yet an “income generator.” As positive net income is attained, it will be reinvested in store improvements (better lighting, more fixtures, etc.) and the expansion of warehouse space in order to make use of the large amount of donated material the store is receiving and to operate more efficiently.

As leadership and staff gain more experience with the retail thrift operation, they are working to increase productivity: “bringing up our daily average without adding staff,” explained Currie. Key to achieving this goal is the improvement of a system for tracking the flow of materials—a major challenge. Currie believes that bottlenecks in materials processing are hindering sales growth and that, with a better system in place, monthly revenue of \$75,000 is attainable.

While Scrap Thrift is still in a transition phase, Woodward and Currie consider the store to be a success that shows the Scrap Exchange is able to “expand from weird materials and take normal things and sell those also.” In addition to refining materials processing, ongoing challenges include integrating and managing the increased staff and strengthening its infrastructure.

¹⁷ [Self-Help Ventures Fund](#) provides financial services to small businesses, nonprofits, and individuals, especially in communities underserved by conventional lenders.

¹⁸ [Natural Capital Investment Fund](#) provides loans and technical assistance “to support small businesses that have a big impact.”

Many factors have been instrumental to the success of this new enterprise. Scrap Thrift was introduced on the solid foundation of the Scrap Exchange's 27-year experience creating a national model for creative reuse and operating a related retail store. The organization has collected donated materials for decades; is a leader in the reuse field; is engaged in strong community partnerships; and already had an infrastructure in place. With this base of experience, staff was very receptive to the advice offered by SVdP and the Cascade Alliance. They did not need to develop new systems but could put the information into practice very quickly.

The thrift store is something of a linchpin in a large shopping center space that the Scrap Exchange purchased some years ago. The intent was to establish a multi-facility creative reuse center that will include a maker space with tools and other resources available to artists, engineers, and other innovators. The Scrap Exchange leadership has big plans for the future. The continued growth and success of Scrap Thrift will be an important contribution to those plans.

Summary Assessment of Successful Enterprises

The four examples of successful waste-based social enterprises share some characteristics that likely are contributing to their success:

- **Each parent organization is over 10 years old.** Three have been in existence for almost 20 to 30 years. They are well-established in their communities; recognized for the work they do; and have developed strong relationships with residents, other agencies, and both local and state officials. They are known entities, with good reputations.
- **The mattress recycling businesses are operating in locations that are encouraging mattress recycling in various ways:**
 - Park City Green in Bridgeport operates in Connecticut, one of the three states with a mattress recycling law. Municipalities provide 57 percent of its volume through its contract with the Mattress Recycling Council there.
 - The Mustard Seed, though not having the benefit of a state mattress recycling law, does have the advantage of location in a major tourist area with many hotels and a connection, through Waste Management, to five IKEA stores.
 - While Massachusetts does not have a mattress recycling law, the Department of Environmental Protection does have an incentive program that encourages municipalities to recycle mattresses. As one of three vendors in this program, this contract provides UTEC with 40 percent of its volume. The area is also home to many universities, which account for another 40 percent.
- **Three had previous experience in related work when they began to explore waste-based enterprise:**

- Greater Bridgeport Community Enterprises employed low-skilled individuals in physically demanding work that involved deconstruction (e.g., asbestos abatement), work, requiring abilities similar to those in mattress recycling.
- The Mustard Seed had over 20 years of experience acquiring, storing, processing, and distributing donated furniture, including mattresses and box springs.
- The Scrap Exchange's business model of over 25 years was built on the collection and resale of donated items; the organization had operated a similar retail store for many years; and an infrastructure was already in place.
- **All four organizations have had access to funding, from a variety of sources, to help their start-up:**
 - Park City Green had substantial grants from the Connecticut Department of Labor; loans from the Connecticut Department of Economic Development; and the willingness of vendors to defer debt payment. It has also been able to secure some loan forgiveness and hopes for more.
 - Foundation grants, individual donations, and fundraising events helped the Mustard Seed to get its business going.
 - UTEC's enterprise was supported by government, private, and workforce grants as it got started.
 - The Scrap Exchange was able to secure loans from the Self-Help Fund, Duke University, and a former board member.
- **Success takes time and these enterprises have had some time.** The mattress recycling businesses of Park City Green and the Mustard Seed are now at break-even, which UTEC has yet to achieve. But both have been in business for several years longer than UTEC and both took years to break-even (five at the Mustard Seed). The Scrap Exchange is approaching break-even much more rapidly—but the retail thrift store, as noted, follows the organization's long experience in retail, with a market presence already established.
- **All four enterprises have been, and continue to be, led by dynamic individuals** who see opportunity at every turn; have a wealth of ideas to draw upon; are highly motivated to achieve business goals. Furthermore, while they are very clear about the risks and issues involved, the leaders of these enterprises aren't daunted by setbacks but rather, look for ways to problem solve and keep moving forward. In addition, all have a broad perspective that looks beyond their individual enterprise to the wider industry, expressing

interest in being part of efforts to develop and enhance the waste-based social enterprise field.

Summary: Key Characteristics of Successful Enterprises

- Strong, stable, and connected parent organizations
- Environments receptive to the type of business
- Previous related experience
- Access to adequate start-up funding
- Time to learn the business and become established
- Motivated, knowledgeable, enthusiastic, and business-savvy leadership

A NEAR-REVOLUTIONARY APPROACH TO NONPROFIT FUNDING

Though the risks and challenges are not inconsequential, waste-based social enterprise offers a new way for nonprofit organizations to generate income to fund their social programs (and accrue other significant benefits)—rather than relying only on government and foundation grants, individual donations, and other sources. Given the limitless supply of product, along with ongoing needs, both for human programs and services, and to improve the environment—waste-based enterprise is an opportunity that calls for expansion.

→ *So why don't more nonprofits get on board?*

- **This is new.** Most nonprofit organizations have never heard of waste-based social enterprise. So the word needs to get out. The Cascade Alliance can help with that.
- **This is risky—and out of most nonprofits' element.** True. This isn't for everyone. It's not actually for most. But it is a real possibility for some and those need to be identified and drawn in. The Cascade Alliance, with help from local agencies, philanthropies, and governments, can help with that.
- **Nonprofits don't know how to get started.** They need advice and the opportunity to learn from others who are already doing this. The Cascade Alliance can help with that.
- **It takes time to develop the enterprise, time during which money is going out and not coming in.** So nonprofits need financial support to get through start-up. Philanthropies and governments can help with that.

This is a new way of thinking for nonprofits and not an immediately obvious solution to their financial needs. But it offers great promise as an almost revolutionary approach to nonprofit operation. While not for everyone, it could be a game changer for some and have real impact, over time, on the way nonprofits function and on their ability to fund the work they do.

MAXIMIZING THE POTENTIAL: THE CASCADE ALLIANCE AS A NETWORK

The defining feature of the group of nonprofits that is the Cascade Alliance is the ability to move product (mattresses, textiles, books, other items) between members.

This is what makes the alliance a NETWORK.

SHARING PRODUCT THROUGH THE CASCADE ALLIANCE NETWORK

The Cascade Alliance is not simply a group of organizations engaged in waste-based social enterprise. Most notably the Cascade Alliance is a **network**. While the different members are separate organizations, they are linked through the Alliance and able to share not only experiences, expertise, and ideas, but **actual product**.

This aspect of the Alliance is key—it means that items and materials can be moved to the member who can make the most out of the particular product. When one member could use an infusion of new items to offer its community, another with excess material can alleviate its storage problem while helping to solve the other’s inventory problem. When one mattress recycler is offered a shipment of more mattresses than that facility can process, the shipment can go to another with excess capacity—thereby maintaining the relationship with the supplier while ensuring that the other member continues its expected level of processing. “Just having the ability to move product around is great,” said Modesto Fiume at Opportunity House who has done that with other members in the Northeast.

Thus, the network expands the reach and potential of each of the member organizations’ individual enterprises. And it is the network that holds the promise for the future.

In the United States, responsibility for recycling and reuse has historically been held by states and municipalities (just as trash disposal is), in part because different geographic areas have widely different needs in this regard. For example, midwestern states—with lots of available land for landfills and where landfills tend to be privately owned—lack the incentive for recycling that land-limited eastern states have. Publicly owned landfills are more likely to embrace recycling than are privately owned facilities. As the volume of trash and recyclables has grown, state and local authorities have looked to ways to ship waste out of the area. In fact, about 30 percent of all recycled material in the United States is exported out of the country. China was the destination for half of that until recently (2017).¹⁹

¹⁹ Cella M. “China Doesn’t Want Your Trash.” *U.S. News & World Report*, March 27, 2018.

A national network that moves waste product around regions and the country is, therefore, something of a unique and innovative approach to dealing with waste and making best use of it.

THE COLLECTIVE FORCE OF THE NETWORK

Membership in the Alliance connects nonprofits with other like-minded organizations also developing waste-based enterprises. Through group telephone calls; member in-person conferences; and advice given member-to-member—the individual and collective knowledge and experience of members is shared and used to lighten the load of other members.

As Adrienne Houel in Bridgeport described it: “The Cascade Alliance is a great source of ideas and for when you want to test an idea and need information.” Vivian Cox Fraser at Urban League of Essex County stressed the supportive camaraderie of the Alliance: “There is something about having a network of people who are interested in thinking about the same things that is important. I’m not alone in trying to figure this out and struggling with this.”

As a block of members, the Alliance also offers the as-yet-untapped potential to demonstrate to state and local policymakers the employment and environmental benefits of mattress recycling and other waste-based enterprises. “We would have greater success as a collective group, rather than trying to do it individually,” points out the Mustard Seed’s Kathy Baldwin. Group leverage could also be employed to obtain favorable rates for shipping product among members.

NETWORK ASSOCIATES

In addition to the nonprofit Cascade Alliance members—and the purchasers of the recycled, refurbished, remade, or deconstructed items and materials offered by the waste-based social enterprises—other organizations have roles to play in the overall network.

Product Suppliers—Critical Players in the Network

*“You have to have enough product to animate the network.
And you need that product to be refreshed.”*

—Terry McDonald, SVdP

An ongoing supply of waste product (whether mattresses, textiles, books, and so on) is the fuel for the network, and without it, or with too little of it, the network doesn’t work. With it, and especially with an ever-increasing volume of it, the network can grow and expand exponentially.

Product suppliers offer high-volume, high-quality product that can be shared with multiple members. They may include consumer products companies, manufacturers, hotels, universities, the military, and others. They are critical network players, providing its lifeblood. At the same time, suppliers benefit from reduced costs to dispose of unwanted items and the satisfaction and public relations benefit of supporting charitable causes and diverting materials from landfills.

Yet, for-profit companies have concerns about what happens to their product after it leaves their warehouse and the potential impact on their brand. They want to ensure that the quality of the brand will not be compromised if their product is resold or reused

Other Network Associates

The network includes several other important links.

- **Commercial waste disposal and recycling services**, such as Waste Management and Republic Services, may contract with an Alliance member, or the Alliance overall (through SVdP), to supply materials that the company would otherwise take to a landfill.
- **Transportation companies** may contract with a member or the Alliance overall (through SVdP) to transport product from a supplier to a member or between members.
- **State and municipal governments** may interface with the Alliance in several ways.
 - A state mattress recycling law will determine the potential for a viable mattress recycling enterprise in the state by creating the demand and the product supply. States that encourage mattress recycling will likely see a number of key benefits, based on the experience of the three states (California, Connecticut, and Rhode Island) with mattress recycling laws.^{20, 21}

As of January 2017,* states with mattress recycling laws had:

- Recycled 1 million mattresses
- Saved about 11 million cubic feet of landfill space
- Employed more than 200 people

*By March 2018, three million mattresses had been recycled.

- Local government regulations regarding waste disposal and landfill use will affect how a waste-based enterprise will operate in that locality.
- Both state and local governments may be suppliers of product. They also have the capability to encourage or discourage the availability and movement of product within their borders.

Each of these associates has a role to play in the network and will influence the network's trajectory and likelihood of success.

²⁰ "MRC Marks Millionth Mattress Milestone." Mattress Recycling Council, January 27, 2017.

²¹ "3 Million Mattresses Collected Through MRC's Bye Bye Mattress." *Bed Times*, March 12, 2018.

EXPANDING AND INTEGRATING THE NETWORK: ACHIEVING THE PROMISE OF THE CASCADE ALLIANCE

Ten years from now, a vibrant national network of nonprofits, fueled by an array of social enterprises, will be providing more services to those in need; employing more people struggling to find jobs; protecting more of our natural resources by using more of what's already out there—and developing organizational self-reliance and strengthening communities while reducing dependence on charity, philanthropy, and government for support.

This is the promise of the Cascade Alliance.

SELF-RELIANT SERVICE PROVIDERS, STRONG COMMUNITIES: THE PROMISE OF THE CASCADE ALLIANCE

The real promise of the Cascade Alliance network lies in its potential to contribute to the well-being and economic development of communities ranging from crowded inner cities to under-populated rural areas. Increased employment; enhanced funding for social support programs and services, the infusion of quality affordable goods for purchase, reduced waste disposal costs, and overall environmental benefits will lead to communities with stronger economies, as well as greater economic security and enriched quality of life for their residents.

The network taps into an ever-increasing quantity of waste and treats it as a resource to be used to organizational, individual, and community advantage. The result is the quadruple set of benefits described at the outset of this report—and more self-reliant providers of health and social services; healthier individuals and families; and stronger and more supportive communities.

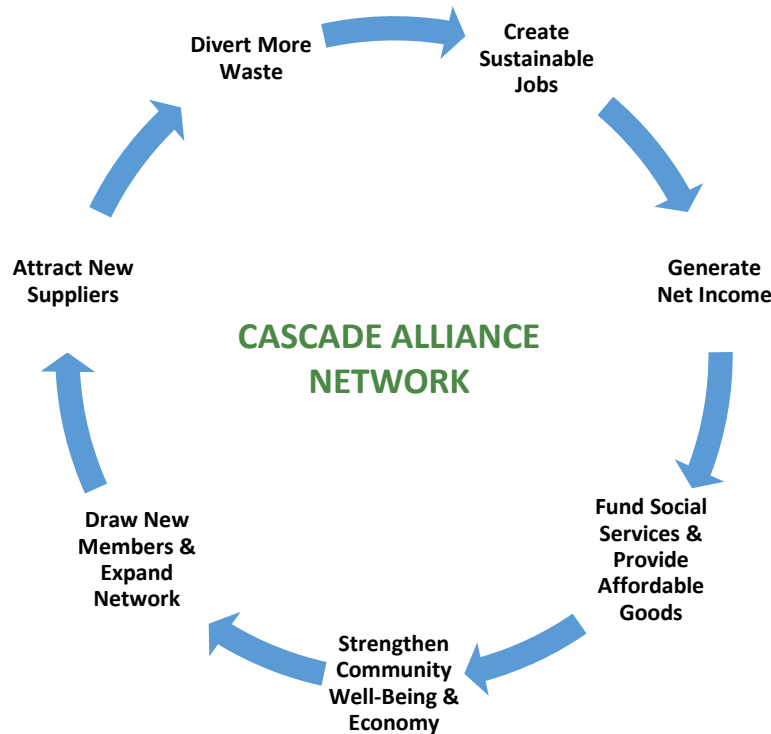
A Vision for the Future: The Cascade Alliance “Flywheel”

The increasing and forward movement of this network—as new members join; new product suppliers connect; more and more product is introduced; and the logistics to move the product around the network are arranged—is an example of the “flywheel effect” first coined by author Jim Collins in his book, *Good to Great*.²² The Cascade Alliance flywheel gathers momentum through incremental efforts by its partners, fueled by an ongoing infusion of product.

²² Collins J. *Good to Great: Why Some Companies Make the Leap and Others Don't*. New York: Harper Business, 2001.

“With each new mattress stewardship law enacted, each new corporate supplier of waste product engaged, and each new community nonprofit joining to expand and absorb product flow, the flywheel is starting to turn.”

—Nancy Barrand, RWJF



A 10-YEAR VISION FOR THE FUTURE CASCADE ALLIANCE NETWORK

Ten years into the future, the Cascade Alliance likely will operate at several levels, each integral to the overall movement of the flywheel. **A 10-year vision for the future Cascade Alliance is described below.**

Leading and Managing the Cascade Alliance Network

- **The Cascade Alliance will be a separate 501(c)(3) organization that is organized into regions across the United States**, with the Northeast and the West Coast being the first regions established. The Alliance will seek to attract members that have the potential for success and will fill geographic and business line gaps in the network, with the goal of a robust and well-situated set of members that allows for the smooth and efficient flow of product around the network.

- **Alliance staff will include an executive director; staff handling financial management, membership development, logistics, and technology; trainers and mentors; and support staff.**
- **Alliance staff will provide the logistics (technology) and operation (warehouse and transportation) to manage the flow of product around the network, as well as the training and mentoring offered** to Alliance members and those interested in becoming members. Efforts to develop these systems may be aided by the expertise contributed by knowledgeable and experienced corporate partners.
- **The Alliance will own and manage several warehouses** strategically located to ensure efficiency and productivity in the sorting and movement of product throughout the network. It will own vehicles to handle some transportation itself and also contract with transportation companies to move product.

Attracting and Supporting Alliance Members

Nonprofits will get their social enterprise start with help from the Cascade Alliance. **The Alliance will offer three successive levels of engagement:**

- **“An Introduction to Waste-Based Social Enterprise,”** offered to interested organizations for free as an online webinar and also as a workshop held at relevant meetings and conferences already attended by staff from nonprofit organizations (so no additional travel is required). The curriculum will cover: what waste-based social enterprise is; how it works; the rewards and the risks, etc—and will assist an interested nonprofit in beginning to consider the development of such an enterprise.

While open to any nonprofit, some organizations will receive a direct invitation from the Alliance upon referral from local foundations, municipal governments, or other agencies.

- **Waste-based social enterprise “boot camps”** for nonprofits that have given serious consideration to creating an enterprise and are ready to begin to develop their business plans. Led by Alliance staff and staff from Alliance member organizations with successful enterprises, the boot camps will be intensive and deep dives into the specifics of operating a waste-based social enterprise. They will be held at SVdP’s operation in Eugene, Ore., and that of other long-time and successful Alliance members so that attendees can see the businesses in action. The boot camps will include general workshops addressing common issues and workshops directed at specific products/services.

Nonprofits must apply for a boot camp and will be accepted based on the realistic potential of their enterprise. The attendance fee will include ongoing post-boot camp

mentoring and tools. In addition, the nonprofit must show evidence of available funding for the enterprise start-up from philanthropic, internal, and/or government sources.

- **Ongoing mentoring and tools** for boot camp graduates as they develop their enterprises. This cost will be covered by the boot camp fee and will include site visits by Alliance and experienced enterprise staff; phone calls; topic-focused conference calls with Alliance staff and other Alliance members; planning materials; and a tool box of financial proformas and other useful items.

Those nonprofits that have completed the boot camp and are working to plan and implement their enterprises will be considered members of the Cascade Alliance and links in the network, with access to product, as well as the experience and expertise of the Alliance.

Future Alliance key characteristics will include:

- **Multiple nonprofits, with a variety of missions and goals, operating waste-based social enterprises:** mattress recycling facilities, retail thrift stores, online book sale businesses, and perhaps appliance repair services, used car lots, woodworking shops, and so on.
- **The nonprofits use the net profit generated by their social enterprises to provide programs and services** for children; families; seniors; homeless people; people with serious physical or mental illnesses; individuals challenged by addiction; people in poverty; people who have been recently incarcerated; people experiencing disasters; recent immigrants and refugees; and others in need.
- **The social enterprises employ many individuals** whose lack of skills; prior work history; addiction; mental health; previous incarceration; immigrant/refugee status; or other challenges have made it very difficult for them to find stable jobs with benefits and career-building potential. The enterprises offer employment in return for their commitment to learn and work.

The Cascade Alliance will continue as an affinity group, with member nonprofits that remain as separate organizations. Members will participate in the network, sharing product, experience, and ideas. They may partner to share work in the interest of efficiency and specialization; for example, one mattress recycling business focusing on mattress reconstruction while another in the same geographic region specializes in foam-grinding to make carpet padding.

Integrating the Contributions of Multiple Partners

The network will include many partners that are critical to its operation and success. A partner may contribute in a primary way (for example, corporate partners that provide product to the network) and also in a broader supportive way (corporate partners who contribute ideas and/or, in some cases, financial investment).

Product Suppliers

- While some product donations will be received from individuals, **the network—and, thus, the enterprises themselves—will be especially driven by its major suppliers**, such as consumer products companies, manufacturers, hotels, educational institutions, libraries, etc. These will provide the real fuel that drives the network.
- **Product will be transported from suppliers either directly to a member nonprofit or, especially for mixed loads, to a warehouse/sorting facility**, where it will be sorted and stored until it can be moved to the appropriate Alliance member for processing and sale.
- **To minimize transportation fees and carbon footprint, product will be handled within or close to the region in which it originates as much as possible.** It will be moved beyond that only if the tradeoff in potential ultimate sales offsets the cost of transport.

Corporate Partners

- **Corporate partners—who will usually be product suppliers—could also contribute to the functioning of the network by offering their expertise** in supply chain management, distribution, technology, etc., to the Cascade Alliance—in order to assist in the Alliance’s development of systems that will ensure its efficient and productive operation.
- **In addition to waste disposal cost savings, corporate suppliers could also accrue charitable and public relations benefits** as responsible corporate citizens that support: the sustainability of nonprofit organizations serving people in need, environmental stewardship, and the strengthening of communities.

State and Municipal Governments

- **Encouraged by the benefits realized by states with mattress recycling laws, additional states may implement such laws**, paving the way for more nonprofits to undertake mattress recycling as a way of supporting their programming and meeting organizational goals of employment and environmental protection.
- Seeing the benefits of both diversion of materials from their landfills (cost savings as well as environmental improvement), along with the support of safety-net programs and increased employment in their communities—**municipal governments could connect with local Alliance members to determine ways to ease regulatory restrictions and encourage the expansion of waste-based social enterprise.**

Philanthropy Support

- **Local philanthropies, captivated by the potential to contribute to the sustainability of their community grantees, could contribute to the start-up of the new enterprises,** providing grants and/or program-related investments to cover boot camp fees, initial equipment and supply purchases, and pre-opening salary costs.
- **National philanthropies, looking for sustainable solutions to strengthen the safety net could will provide grants and/or program-related investments to help fund the national Cascade Alliance operation and its expansion.**

WILLIAMS-SONOMA + CASCADE ALLIANCE: A LEARNING PARTNERSHIP TO TURN THE FLYWHEEL

At the Cusp of an Innovative Collaboration to Build the Network

SVdP and the Cascade Alliance have begun a relationship with home products retailer Williams-Sonoma, Inc., which can provide the nudge that will begin to turn the Cascade Alliance flywheel. This exciting and unique partnership offers an excellent opportunity to create and fine-tune the processes and procedures to take the network to the next level and beyond, while testing its long-term ability to handle large loads of product waste in a mutually beneficial way.

As discussed, an ongoing supply of fresh product is the critical element in the continual movement of the Cascade Alliance flywheel and the long-term growth and success of the network. Pertaining to the mattress recycling business, the presence of mattress recycling laws or, at least, a supportive state environment, is the ignition to product flow. For other business lines, corporate suppliers will be key to fueling the flywheel with product.

Currently, SVdP accepts truckloads of unwanted, unsold product from several Williams-Sonoma distribution centers. The loads are sorted and the products are de-branded and sold, used in SVdP housing facilities, or reconfigured to create upcycled items for sale. **This arrangement is poised to encompass other members of the Cascade Alliance for the next level of network engagement.**

The collaboration with Williams-Sonoma will help build the network for the sharing of goods other than mattresses. At the same time, lessons learned from the evolution of this partnership will be critical to the development of the undergirding of experience, expertise, and infrastructure that will propel the Cascade Alliance flywheel into the future.

Company Background

Founded in 1956 by Chuck Williams as a store to sell French cookware in Sonoma, Calif., Williams-Sonoma, Inc., has grown to encompass eight brands²³ selling home products ranging from kitchen items to furniture. The company operates retail stores in four countries,²⁴; franchises its brands in a number of other countries; and also sells its products through catalogs and online.

Five distribution centers located around the country handle U.S. product distribution. The Olive Branch, Miss./Memphis, Tenn., distribution center handles small parcel items (those that are typically sent FedEx or UPS), as well as medium-sized items (such as ottomans or small rugs), but no furniture. The other four centers handle furniture, along with medium-sized items. Each center carries products from all Williams-Sonoma brands.

Making a Positive Impact Through Williams-Sonoma's Supply Chain

Jennifer Gootman is Vice President, Social Consciousness & Innovation, at West Elm. Gootman's broad portfolio includes overseeing West Elm's commitment to craft and making, to fair trade, and to sustainability from raw materials to product life end. She also is part of Williams-Sonoma's corporate social responsibility team, which focuses on global goals, with Gootman overseeing global social compliance, i.e., monitoring how well the company's factory code of conduct is followed across all eight brands and around the world.

More than traditional corporate social responsibility, West Elm seeks to “make a positive impact through our supply chain,” Gootman explained, “using our purchasing power and the way that we do business to make a positive social impact.”

West Elm stores engage with local artisans to craft pieces selected by store teams for sale. The brand is also well-known for working with global artisans and, according to Gootman, is one of the largest purchasers of craft at scale. The commitment to fair trade is reflected in West Elm's position as the first home retailer to join Fair Trade USA's²⁵ factory program, with 15 factories, employing 12,000 workers, certified across five countries as of October 2018.

The company also has a strong commitment to reducing and recycling waste. In 2017 Williams-Sonoma met its goal of diverting 75 percent of its waste—both packaging and product—from landfills, “which was a really exciting milestone,” said Gootman.


New Life for Product Waste

The Williams-Sonoma brands repair and return to stock all product that can be considered “first quality.” Slightly used items or those the company is no longer selling are sent to outlet stores for

²³The brands of [Williams-Sonoma, Inc.](#) include: Mark and Graham, PBteen, Pottery Barn, Pottery Barn Kids, Rejuvenation, West Elm, Williams-Sonoma, and Williams-Sonoma Home.

²⁴ Retail stores operate in the United States and Puerto Rico, and in Canada, Australia, and the United Kingdom. Brands are franchised to third parties in Mexico, the Middle East, and the Philippines.

²⁵ [Fair Trade USA](#) certifies transactions between companies and their suppliers “to ensure that the people making Fair Trade-certified goods work in safe conditions, protect the environment, build sustainable livelihoods, and earn additional money to empower and uplift their communities.”



sale. “Product waste,” Gootman explained, “would be product that’s really damaged or because of legal restrictions unable to be resold.” The distribution centers are eager to develop alternative ways to deal with the waste product they are responsible for moving out and are open to partnerships with organizations that can be part of that effort.

It was in this spirit that Eric Stubbs, Williams-Sonoma assistant general manager, located at the distribution center in South Brunswick, N.J., connected with Terry McDonald at SVdP. He had learned that distribution teams on the West Coast were donating waste product to SVdP rather than sending it to the landfill. Stubbs met with McDonald and Susan Palmer to discuss expanding that relationship and determined that their work would be a good fit for Williams-Sonoma. “As a large retailer we want to be sure that we don’t leave a large footprint in the landfill,” he said. “We want to be as eco-friendly as possible.” In addition, the potential to create jobs and to generate revenue for nonprofits to help people in need “really caught our eye.” And it eliminates the company’s cost to transport waste to the landfill. “It’s a win-win situation for us.”

To ensure that slightly used product that may be found in a thrift store is not mistaken for “first quality” Williams-Sonoma merchandise, processes have been put in place with SVdP, Stubbs explained, to de-brand the product supplied.

As the South Brunswick team worked with SVdP and the Cascade Alliance, Director, Reverse Logistics, Kendra Welter, who is located in the Williams-Sonoma Memphis distribution center, began a pilot to see “if there was an opportunity to expand that relationship to help with all product returns and divert them from landfills.” The materials at that location—textiles, plastics, bedding, etc.—were quite a bit different from the furniture and larger items being supplied by the South Brunswick center.

Both Welter and Stubbs emphasized the appeal of working with one partner that can deal with a wide range of product. “We are not looking to ‘dump’ our waste on someone else and make it someone else’s problem,” said Welter. “We are looking for someone who can handle that volume and sustain it.” Also, Stubbs noted that “it is much harder to control process consistency across multiple partners.”

Gootman, in her role, has worked closely with Stubbs, Welter, and the distribution centers. The appeal of the Cascade Alliance relationship is high for West Elm and Williams-Sonoma, as it resonates with the company’s commitment to sustainability and to making a social impact through its supply chain. “This diverts waste from the landfill but also provides an opportunity for skill-building, employment, and revenue—for a really solid nonprofit partnership,” she said. Gootman supports “what St. Vincent has done in terms of incorporating a business operation within a larger mission-based organization and figuring out how we can recycle and what could be repurposed—really creative ways to manage waste and generate income.”

The endless supply of waste in this country, Gootman said, offers “a huge business opportunity that could bring some of the change that everyone sees is needed,” and she noted “the tremendous potential there for a national network to help deal with waste.” SVdP has worked out

“how to take a large volume and figure out different channels for disposition.” The next step, she believes, is testing whether this can be replicated through the Cascade Alliance.

Moving Forward With SVdP and the Cascade Alliance

To move forward, the Williams-Sonoma team said, a solid reporting and tracking system (a feedback loop) is needed to understand what product has been recycled and where and how, as well as the social impact of Williams-Sonoma’s involvement in the network.

Starting October 2018, Williams-Sonoma is implementing a returns software system that will have the added benefit of allowing the company to know, to the SKU level, what exactly has been supplied in a truckload, the cost to produce each item in the load, and each item’s original retail value to Williams-Sonoma. As a result, a total cost and total retail value can be assigned to each truckload and these data can then be tracked. The software will be implemented throughout all of the distribution centers.

As part of the feedback loop, Williams-Sonoma would be looking for information from SVdP and the Cascade Alliance on a regular basis about what resulted from the processing of a load of product—for example, revenue generated, jobs created, other impacts.

Scaling the relationship into one that is across the company’s supply chain so there is standardization between distribution centers, a system for knowing what is going where, and feedback on the impact of the process, is the vision for Williams-Sonoma’s future relationship with SVdP and the Cascade Alliance. This vision will be supported by an assessment of the ability of the Alliance to replicate SVdP’s success in processing Williams-Sonoma’s waste product and to scale up the network to have the truly national reach that will offer top-level efficiency.

Gootman emphasized that there is support among company leadership for this direction and collaboration across different parts of the business to make it happen. The partnership between Williams-Sonoma and SVdP and the Cascade Alliance could result in the development of best practices to guide recycling and reuse of corporate waste product. It is an opportunity to seriously examine “how you can use a network of nonprofits and mission-oriented organizations to solve a business challenge,” Gootman stressed.

The process will benefit from the inclusion of other partners, Gootman expects, including local governments and other companies. Williams-Sonoma has a history of taking “a really active role in piloting or funding things we believe in and showing the business case,” she said, citing their experience with Fair Trade USA as well as a current project with Nest²⁶ to create standards for transparency in the artisan sector and help build a set of brands committed to making this an industry change.

²⁶ Nest collaborates with public and private sector partners to bring transparency, data-driven development, and fair market access to handworkers throughout the world.

It takes creative thinking to deal with the systemic challenges around economic opportunity or sustainability, Gootman noted. “Terry and Susan have used ingenuity to create this whole opportunity that some might just pass by as waste. It is a great example of the creativity and optimism that’s needed to tackle some of the biggest challenges we’re facing as a society.”

“I’d love to see this work with St. Vincent and the Cascade Alliance be an example that drives additional attention and potential resources into this space to think about how we address some of these systemic challenges that one brand alone and one nonprofit alone can’t solve.”

—Jennifer Gootman, West Elm/Williams-Sonoma, Inc.

“Williams-Sonoma is a leader in sustainability and environmental stewardship and its relationship with the Cascade Alliance is the nudge that is needed to start to turn the flywheel as the Cascade Alliance network expands and strengthens. Williams-Sonoma is a great example of how a major company can contribute to building a Culture of Health in communities across the country.”

—Nancy Barrand, RWJF

A COMPREHENSIVE STRATEGIC PLAN AS THE GUIDEBOOK TO THE FUTURE OF THE CASCADE ALLIANCE

The evolving partnership with Williams-Sonoma can be the nudge to turn the Cascade Alliance flywheel. At the same time, developing and committing to a future vision for the Alliance and the strategies to achieve that vision will be critical to the Alliance’s long-term success. A clear plan will guide leadership and staff as they make decisions about where to direct time, energy, funding, and other resources. And it will be invaluable in approaching potential funders and corporate and other partners who will want to understand where the Alliance is headed and the contribution they are being asked to make.

- **A plan is needed that lays out the details:**
 - A long-term vision for the future Cascade Alliance that is sufficiently fluid to allow for the extended time and effort needed to identify and develop relationships; negotiate contracts; and work through details; as well as the opposite need to take advantage of opportunities that may appear suddenly and require immediate attention and quick decision-making.
 - Challenges associated with realizing the vision.

- Resources needed to achieve the vision and avenues to obtain those resources:
 - *Human*: the leadership and support staff needed to carry out the various functions of the Alliance (management, membership development, logistics, training, mentoring, etc.).
 - *Financial*: financial management expertise and ongoing attention to the acquisition of philanthropic, corporate, and government investment and funding. **This is an especially critical element of the plan**, as financial support is needed to fund the work of the Alliance itself as staff:
 - Identify, train, and mentor new members.
 - Develop and maintain relationships with a range of key partners.
 - Create and provide the logistical (both technological and operational) support needed to move product around the network.
 - *Technological*: the development of logistics, tracking, and reporting systems needed for the flow of product throughout the network and to provide the feedback loop sought by corporate partners.
 - *Organizational partnerships*: collaborations with other organizations to help expand the reach of the network.
 - *Communications*: dedicated marketing and public relations expertise to attract both new members to the Cascade Alliance and new partnerships with product suppliers, philanthropic and corporate investors, etc. Messages must highlight the benefits that will attract different potential partners—funders especially committed to job creation or to the environment, for example, or consumer products companies needing to discard unwanted items while supporting a social purpose.
- **Executive director succession must be part of the strategic planning process.**
 - Terry McDonald is the driving force behind both SVdP's waste-based enterprises and the creation and expansion of the Cascade Alliance. His long experience, deep knowledge, entrepreneurial approach, and can-do spirit attract and inspire those who come in contact with him. The Alliance would not exist nor have grown without his dynamic leadership.

As with many organizations founded by a charismatic leader, the question of who would lead the Cascade Alliance were McDonald no longer involved becomes an important one as the Alliance

evolves and expands. Potential philanthropic, corporate, and other partners and funders may raise this issue and will be reassured by knowing that there is a succession plan in place.

- **A dedicated process—with input from appropriate parties and perhaps a strategic planning consultant—will offer the best chance to develop a truly visionary—yet realistic and attainable—plan for the future.** The process will be aided by leveraging the power of the Cascade Alliance network by:
 - Convening a Cascade Alliance Advisory Group comprised of member directors of successful social enterprises, product suppliers, SVdP staff, and others with experience and expertise to offer as the strategic plan is developed.
 - Tapping into the supply chain experience of Williams-Sonoma and including the company as a valued contributor to the strategic planning effort.
 - Building on the knowledge and insight acquired through SVdP’s experience in mattress recycling. The experience here is extensive and can offer lessons relevant for the expansion of the network.

TURNING THE FLYWHEEL: THE PROMISE ACHIEVED

The story of the Cascade Alliance is bookended on one side by SVdP’s experience in developing many waste-based social enterprises to drive its social mission to assist people in need of employment, housing, and other services—and on the other, by its budding relationship with Williams-Sonoma, a major for-profit company looking to make a social impact through the way it does business.

SVdP’s vast experience provides the solid foundation for both the premise and the promise of the Cascade Alliance. SVdP has figured out the “what” of waste-based social enterprise as well as the “how.” And the wisdom gained over the years now informs and supports the growth of the Cascade Alliance, the network it is becoming, and the flywheel that is beginning to turn.

The nascent partnership with Williams-Sonoma offers the opportunity to test the promise of the network in a serious, yet enthusiastic, meeting of social commitment and business acumen on both sides. If successful as expected, this partnership has the potential to deepen learning about operating a connected and wide-ranging national network and to expand the network by drawing in others who will be attracted and re-assured by the involvement of a respected corporate partner.

The promise of the Cascade Alliance is consequential—a whole new way of funding programs and services to assist those in need, while providing substantive employment, environmental, and community benefits, *and* saving money for its partners. The consequences for community development are positive and strong. There is plenty of work to be done and the risks abound, but the rewards are great and the future is bright.

APPENDIX A: PEOPLE INTERVIEWED

- **Kathy Baldwin**, Executive Director, *The Mustard Seed of Central Florida*, Orlando, Fla.
- **Nancy Barrand, MPA**, Senior Adviser for Program Development, *Robert Wood Johnson Foundation*, Princeton, N.J.
- **Denny Bender**, Executive Director, *Union Rescue Mission*, Wichita, Kan.
- **Bethany Cartledge**, Member Liaison—Cascade Alliance, *St. Vincent de Paul Society of Lane County*, Eugene, Ore.
- **Jenna Cerutti**, Managing Director and Vice President, *Prichard Communications*, Portland, Ore.
- **Diane Cohen**, Executive Director, *Finger Lakes ReUse*, Ithaca, N.Y.
- **Rebecca Currie, MAC**, Finance Manager, *The Scrap Exchange*, Durham, N.C.
- **Jennie Day-Burget**, Communications Officer, *Robert Wood Johnson Foundation*, Princeton, N.J.
- **John Donovan**, Senior Vice President, *Metropolitan Group*, Portland, Ore.
- **Modesto Fiume**, President, *Opportunity House*, Reading, Pa.
- **Vivian Cox Fraser**, President and CEO, *The Urban League of Essex County*, Newark, N.J.
- **Ed Frechette, MPA**, Director of Social Enterprise Partnerships, *UTEC, Inc.*, Lowell, Mass.
- **Jennifer Gootman, MBA**, Vice President for Social Consciousness & Innovation, *Williams-Sonoma, Inc.—West Elm*, Brooklyn, N.Y.
- **Brady Gott, MBA**, Managing Director, *Cleanslate Chicago by Cara*, Chicago, Ill.
- **Justin Green**, Executive Director and Founder, *Big Reuse*, Brooklyn, N.Y.
- **Adrienne Houel, MBA**, President and CEO, *Greater Bridgeport Community Enterprises*, Bridgeport, Conn.

- **Reed Irvine**, Former Facilities and Logistics Manager, *Furniture Bank of Atlanta Metro*, Atlanta, Ga.
- **Terry McDonald**, Executive Director, *St. Vincent de Paul Society of Lane County*, Eugene, Ore.
- **Ben Milder**, Senior Vice President and Director, Public Policy Team, *Burness Communications*, Bethesda, Md.
- **Susan Palmer**, Director of Economic Development, *St. Vincent de Paul Society of Lane County*, Eugene, Ore.
- **Jacob Powers**, Former Communications Specialist—Cascade Alliance, *St. Vincent de Paul Society of Lane County*, Eugene, Ore.
- **Jason Prasad**, Operations Manager, *DR3 Recycling*, Woodland, Calif.
- **Eric Stubbs, MEd**, Assistant General Manager, *Williams-Sonoma, Inc.*, Cranberry, N.J.
- **Kendra Welter**, Director, Reverse Logistics, *Williams-Sonoma, Inc.*, Memphis, Tenn.
- **Ann Woodward**, Executive Director, *The Scrap Exchange*, Durham, N.C.

APPENDIX B: CURRENT ACTIVE AND INACTIVE MEMBERS OF THE CASCADE ALLIANCE

Active Members

Big Reuse

Brooklyn, N.Y.

Project: building materials reuse

DR3 Recycling Woodland

Woodland, Calif.

Project: mattress recycling

Finger Lakes ReUse

Ithaca, N.Y.

Project: retail thrift, building deconstruction, and computer refurbishing

Greater Bridgeport Community Enterprises

Bridgeport, Conn.

Project: mattress recycling

Klamath Works

Klamath Falls, Ore.

Project: mattress recycling

The Mustard Seed of Central Florida

Orlando, Fla.

Project: mattress recycling, retail thrift

Opportunity House

Reading, Pa.

Project: retail and online thrift and book sales

The Scrap Exchange

Durham, N.C.

Project: retail thrift, industrial discard materials, scrap store and online

Tap Into Hope

Roanoke, Va.

Project: online books, used car lot

UTECH, Inc.

Lowell, Mass.

Project: mattress recycling

[Union Rescue Mission](#)

Wichita, Kan.

Project: online book sales

[The Urban League of Essex County](#)

Newark, N.J.

Project: online & pop-up shop retail thrift

Inactive Members

[Cara](#) (Chapter Two)

Chicago, Ill.

Project: online book and media sales

[Exceed Enterprises](#)

Milwaukie, Ore.

Project: upcycling & manufacturing; collect reusable items at transfer sites

[Furniture Bank of Atlanta Metro](#)

Atlanta, Ga.

Project: mattress recycling; retail/online furniture sales

[Society of St. Vincent de Paul Council of Pittsburgh](#)

Pittsburgh, Pa.

Project: retail & online thrift

[The Up Center](#)

Norfolk, Va.

Project: retail and online book sales; mattress broker

APPENDIX C: MATTRESS RECYCLING BUSINESS OPPORTUNITY

What is the opportunity?

At least 20 million mattresses and box springs are discarded annually in the United States, according to Consumer Reports.²⁷ Individuals, hotels, universities, other residential institutions, the military, and furniture and mattress companies routinely need to dispose of used or unwanted mattresses and box springs. Mattresses and box springs are bulky, heavy, hard-to-move items that take up considerable space, clog machinery, do not compact well, and create flammable air pockets in landfills—and the cost of disposal is not insignificant.²⁸

At the same time, up to 80 percent of the contents of mattresses and box springs are recyclable, according to the Mattress Recycling Council, a nonprofit organization established by the mattress industry that is focused on developing and implementing mattress recycling programs in the states that have mattress recycling laws: California, Connecticut, and Rhode Island. A number of other states are considering the adoption of such laws.

The cotton, foam, and steel recovered from mattresses and box springs can be sold to commodities brokers and/or repurposed into new mattresses using new cover material. Cotton can be used for insulation, in industrial oil filters, and for other applications. Foam padding can have a new life as carpet padding. Steel can be recycled as scrap for use in making appliances and building materials. The wood has value to landscape products manufacturers as mulch, but the additional processing required to remove metal staples and chip the wood makes it an expense to recycle rather than being part of the revenue stream.

How does mattress recycling work?

In a mattress recycling business, used or unwanted mattresses are delivered to the recycling facility. There they are systematically deconstructed and reusable components are baled into bundles for sale to commodities brokers or used to construct new mattresses, if the facility has that capability. The portion that is no longer usable or recyclable is discarded.

Where is there money to be made?

Several points in the mattress recycling process can become revenue sources:

- In states with mattress recycling laws, a fee is collected from consumers at the time of mattress purchase. Recyclers are paid per mattress from this fee, which is in the range of \$9 to \$11, depending on the state. **This can be the most lucrative revenue source.**
- Mattresses in good condition can be rebuilt, with new foam and quilted toppers, and sold as another revenue source. It is important to find buyers for rebuilt beds before purchasing rebuilding equipment. Buyers include other nonprofits such as furniture banks

²⁷ Perratore E. “Mattress Recycling is Easier than You Think.” *Consumer Reports*, February 12, 2016.

²⁸ [The State of the Mattress Recycling Industry, 3rd Edition](#). Eugene, Ore.: Cascade Alliance, 2017.

and those operating retail thrift stores. Price ranges vary widely across the country. SVdP has a ready sales outlet for its rebuilt mattresses through its chain of thrift stores. Without a reliable sales channel, investing in mattress rebuilding is not recommended.

- Materials from deconstructed mattresses and box springs—cotton, foam, and steel—can be baled and sold to commodities brokers. Prices paid for these materials can vary quite a bit over time. In 2017, for example, Cascade Alliance foam prices ranged from \$0.10 per pound to \$0.16 per pound. Quilted topper prices hovered around \$0.10 per pound to \$0.13 per pound. Cotton stayed consistent at \$0.04 per pound. Metal prices dropped to a quarter of a cent per pound at one point and ranged up to \$0.03 per pound. Wood is almost always a cost to recycle. As a result of these variations, the recycling organization must be able to manage fluctuations in the revenue stream.

What is the potential for employment?

The jobs created by the mattress recycling business offer opportunities for people to acquire employable skills such as truck driving, forklift operation, machine operation (complicated baling equipment), warehouse safety, etc. In addition, some individuals will show ability and interest in becoming supervisors, facility managers, and logistics managers. Beyond positions at the facility, individuals with barriers to employment can gain skills and experience that can be applied to positions elsewhere.

The site manager position requires both education (business management, logistics, marketing, etc.) and specialized experience in managing a production enterprise, including staff management, analysis of financial reports, and so on.

The support staff positions do not require particular experience and can be appropriate for individuals with little work history but with adequate physical strength and health and a willingness to learn and work. The number needed will depend on the number of units processed.

What is needed to operate a mattress recycling business?

Key elements required to establish and operate a mattress recycling business include:

- ***A state/local environment that encourages the recycling of mattresses and box springs.*** California, Connecticut, and Rhode Island have enacted laws that require mattress manufacturers to create statewide recycling programs. A fee paid by consumers when purchasing a mattress and/or box springs funds these programs. This creates a strong opportunity for potential mattress recyclers.

Another 20 or more states have mattress recycling facilities, even though they do not have laws requiring recycling. The environment in these states is at least supportive of mattress recycling. For example, Massachusetts has launched an incentive program for municipalities to participate in a mattress recycling program. UTEC in Lowell, Mass., is

one of three approved vendors for the program, an arrangement that accounts for more than a third of UTEC's total volume.

In the other half of states there may be little incentive on the part of manufacturers and institutions to recycle mattresses. If there is no fee required to dispose of a mattress, the landfill may be seen as an easy and cheap disposal option. For nonprofits located in those states, mattress recycling is most likely not an appropriate enterprise to consider.

- ***Transportation from mattress source to recycling facility.*** The delivery of used and unwanted mattresses to the recycling facility requires trucks and staff. The source organization can deliver them or the facility can send its own truck and staff to pick them up. (Typically mattress recyclers do not pick up mattresses from homes but focus on bulk pickups from organizations.) In either case, there are significant capital and labor costs as well as logistics to be considered. Stewardship laws cover the costs of transportation. In nonstewardship states, cost of transportation is a negotiated part of any recycling deal.
- ***Storage space for mattresses prior to processing.*** Warehouse space is needed to store mattresses as they arrive, which is a significant expense.
- ***Processing facility with appropriate equipment.*** A range of machinery—balers, forklifts, etc.—is needed to process the mattresses and box springs. This requires a major capital outlay in order get the facility up and running.
- ***Policies and procedures:*** These must cover a myriad of topics and situations. Personnel, mattress processing, and safety are just a few of the areas that must be considered.

What are the costs of doing business?

The components of a mattress recycling enterprise can have substantial associated costs.

- ***Space:*** Warehouse space that is of an appropriate size, type, and location must be acquired and upgraded to meet operational requirements. Rental costs will vary greatly by location, size, and the extent and type of upgrades needed. A warehouse in the San Francisco Bay Area sufficiently large to manage 400 mattresses per day (24,000 sq.ft.) can cost as much as \$25,000 per month. A similarly sized warehouse in a less costly location might cost \$13,000 per month.
- ***Capital equipment:*** According to the three-year proforma financial statement offered by the Cascade Alliance, the upfront cost (before any work begins and revenue comes in) of capital equipment (trucks, balers, a forklift, etc.) and warehouse space is likely to be close to \$300,000.

An organization can start with fewer resources if it already has assets such as available warehouse space, a forklift, and a box truck. In that case, it would be possible to get a mattress recycling business up and running with \$100,000 or less if a scrap metal buyer can be found who is willing to take loose springs rather than baled springs. The purchase of a used horizontal baler for the soft materials and a used pallet shear to separate box springs wood from the metal would also bring the costs down. Equipment can be added as the business and the revenue grow.

- **Personnel:** The Cascade Alliance estimates that a mattress recycling facility requires a full-time site manager, one support staff for the first 700 units processed per month, and then one support staff for each additional 700–800 units processed.

SVdP's three mattress recycling facilities in California employ 64 people with wages that range from more than \$11 to over \$16 per hour depending on local minimum wage laws. In fiscal year 2017, before the third facility opened, 48 people were employed, with wages and benefits representing 62 percent of expenses.


- **Other non-personnel costs:** These include rent, utilities, supplies, fuel for trucks, permit and license fees, and other costs. Rent and utilities represent a major variable. In Oakland, Calif., those costs were 25 percent of 2017 expenses, but in Woodland, Calif., they were just 14 percent of costs. Building, vehicle, and equipment maintenance and repair can also add up, with occasional expensive machinery breakdowns. In Oakland, those costs were \$18,000 in 2017, while in Woodland they were \$49,000.

The Cascade Alliance makes a three-year proforma financial statement available to its members who are considering or beginning to develop a mattress recycling enterprise. The proforma includes a five-month planning period during which space and equipment are acquired and the operation is developed. The site manager would be hired at the start of that period with other staff hired at launch. Projected revenue and costs and assumptions about capital investment, number of units processed, and operational costs, are based on SVdP's experience in Oregon and California. Break-even is projected by end of year two with substantial net income thereafter. Actual costs and financial results will vary greatly by location and size of facility.

What are the risks?

The potential margins in mattress recycling can be greater than those in the other waste-based enterprises sponsored through the Cascade Alliance. In 2017, SVdP's net income from its largest California mattress recycling facility was a margin of 13 percent, while its largest retail thrift store netted 4 percent and online book sales netted 5 percent.

While there is financial potential in mattress recycling, it is an uncertain business, with commodities markets varying greatly. Support from local and state governments is key.



The industry is growing, according to Terry McDonald, and mattress recycling is attractive to the private sector, which may present competition.

McDonald pointed out that projected sales may make a proforma appear to work, but actual circumstances may produce unanticipated results. For example, he said, “In many parts of the country, you get rain six months a year and that ruins the mattresses for recycling [if they are transported or stored in the open air]. The only thing you can get out of them is steel and wood. Your proforma starts to look a little bit upside down.”

Overall Assessment of the Business Opportunity

In the three states with mattress recycling laws, mattress recycling offers an attractive business opportunity if the organization can manage the space and processing requirements and handle the risk involved. As SVdP has shown in California and Greater Bridgeport Community Enterprises has demonstrated in Connecticut, there is business to be had, money to be made, and employees to be hired for a well-run operation, especially if the enterprise can get in at the beginning of the mattress recycling effort in that state.

There is also opportunity in states without laws but that encourage mattress recycling. SVdP’s Oregon operation, the Mustard Seed in Florida, and UTEC in Massachusetts are examples.

There is little to no viable opportunity in the half of states that lack any discernable interest. An organization located in one of those states would be better off pursuing a different enterprise.

APPENDIX D: RETAIL THRIFT BUSINESS OPPORTUNITY

What is the opportunity?

Retail thrift is a \$17 billion industry, according to a white paper prepared for the Cascade Alliance that explored the industry.²⁹ After the recession of 2007 and 2008, the industry added stores and jobs and grew at a rate several times that of other retail. Today the popularity of buying used, remanufactured, and recycled items—whether to save money, express a personal style, and/or in response to concerns about consumer waste—continues. Indeed, within the retail industry, the resale segment (thrift, consignment, and other for-profit stores) is one of the fastest-growing. And the used merchandise industry is one of the fastest growing overall—number 12 on the Bureau of Labor Statistics’ 2016 list of the fastest growing in the United States.³⁰

Today’s thrift store shoppers (about 16% to 18% of Americans annually) include many young people, people looking to refurbish items (such as furniture), and others inspired by eBay and other websites and television programs to buy used. The stigma of secondhand has greatly diminished in the last decade or so.

Industry growth has led to more professional operations, as retail thrift competes more directly with regular retail. The shopping experience in successful thrift stores is more like that of a regular store—one that attracts shoppers not only with its lower prices but also an appealing and organized layout, ever-changing and interesting product, and friendly and knowledgeable staff.

Projections by the U.S. Bureau of Labor Statistics³¹ indicate a 30.6 percent growth in employment related to used merchandise between 2014 and 2024. During the same period, the Bureau anticipates that employment in other retail sectors (e.g., clothing, furniture, electronics, and appliances) will decrease.

How does retail thrift work?

Within the used merchandise sector, thrift stores are typically nonprofit and receive donations of items to be resold, with the profits used to fund charitable efforts. St. Vincent de Paul, Goodwill, and the Salvation Army are examples of well-known nonprofit thrift store chains.

On the for-profit side, consignment shops accept merchandise for resale, then return a portion of the sale to the consignor. Resale stores purchase used items and then mark them up to make a profit. Value Village, Savers, and Unique are examples of for-profit resale store chains.

Where is there money to be made?

Thrift store sales can be boosted by offering a range of merchandise (shoppers drawn in by clothing may stop to consider a new piece of furniture) that is geared to the market in which the store is located, which changes frequently (so regular shoppers have something new to reinforce

²⁹ *The State of the Retail Thrift Industry, 3rd Edition*. Eugene, Ore.: Cascade Alliance, 2017.

³⁰ *Fastest Growing Industries*. Washington: CareetOneStop, U.S. Department of Labor, 2016.

³¹ Reported in *The State of the Retail Thrift Industry, 3rd Edition*. Eugene, Ore.: Cascade Alliance, 2017.

their regularity), and which is presented in an attractive manner. Using techniques developed for regular retail in the ways merchandise is advertised and displayed will increase potential sales.

At the same time, careful attention to costs will increase store margins. SVdP's largest thrift store has attained margins of 4 percent. Actual margins will vary greatly by store, location, external economic forces, commodities prices, and other factors.

What is the potential for employment?

Retail thrift requires several types of employees: manager, assistant managers, clerks, cashiers, warehouse workers, etc. The actual number varies by store size and layout and whether items are processed at the store or offsite. Organizations with just one or two stores will likely process materials onsite with employees there, while those with larger chains of stores may do so at an offsite warehouse and will require employees in that location. SVdP's smallest store employs five full-time staff, while its largest employs 39 full-time staff. Additional employees process clothing, books, and housewares at offsite facilities.

What is needed to operate a retail thrift business?

Key elements required to establish and operate a retail thrift business include:

- ***A consistent flow of saleable product:*** To be successful a retail thrift store must routinely offer fresh inventory so that customers will return to “see what’s for sale.” Merchandise that does not turn over on a regular basis will quickly become stale and discourage traffic through the store. Sources for product must be identified and cultivated, and may include: individuals; local businesses and organizations; consumer products companies with unwanted product needing disposal; thrift stores in other geographic locations seeking to refresh their own inventories.
- ***Appropriate retail space:*** Store sizes will vary greatly depending on location and need. SVdP's smallest store is 4,240 sq.ft., while its largest encompasses 26,000 sq.ft. with a back room area of an additional 13,100 sq.ft. Ideally, the store will be located in a high traffic area near other businesses likely to draw customers who will also be interested in retail thrift. The space should be clean, bright, and have the potential to offer an attractive shopping experience. On-site space is also needed to accept donations and to store items before they are moved to the selling floor.
- ***Warehouse space:*** Especially with multi-store chains, space in addition to that in the store may be needed to house product prior to sale..
- ***Equipment:*** A wide variety of equipment is required, such as clothing racks, shelving, counters, glass cases, bookcases, carts, cash registers, office equipment, and so on.

- **Policies and procedures:** These must cover a myriad of topics and situations. Personnel, pricing, donations, dealing with shoplifting, and merchandise display are just a few of the areas that must be considered.

What are the costs of doing business?

Most expenses will begin before the store opens and any revenue comes in, as space is rented and renovated, equipment purchased, and staff hired to prepare. Key areas of expense include:

- Personnel (salaries, wages, and benefits)
- Rent of retail space and warehouse space
- Facility upgrades
- Utilities
- Large equipment, such as box truck, forklift, pallet mover, etc., for larger facilities
- Smaller equipment
- Advertising

The proforma offered by SVdP to Cascade Alliance members projects a two-month startup period with only very minimal sales in the second month. Projected expenses during that time are about \$125,000 with initial equipment purchases. It includes start-up funds of \$125,000 and a five-year loan of \$75,000. In this scenario, break-even (start-up funds repaid, loan repayment covered as part of expenses) is reached by the end of Year 3. The cash position is funded by the start-up funds and the initial loan. Actual experience may vary greatly, depending upon available start-up funding, inventory quality, operation size, location, and other factors.

What are the risks?

The risks in operating a retail thrift store are those inherent in any retail business and can be internal (volume not commensurate with market size, i.e., too little or too much; poor quality merchandise or merchandise that does not meet market needs and interests; high costs due to excess warehouse space, and so on) or external (downturn in the local economy, increased competition, changes in traffic patterns due to highway construction, etc.).

Overall Assessment of the Business Opportunity

Retail thrift is a demanding business that requires constant attention and creativity in order to keep the customers coming and buying. Margins are not high in the best of circumstances. At the same time, thrift stores provide employment for people holding a range of skills and training potential in a variety of positions; offer good quality merchandise at affordable prices to their communities; and are a way to increase the visibility of the parent organization as a positive presence in the community.

APPENDIX E: ONLINE USED BOOK SALES BUSINESS OPPORTUNITY

What is the opportunity?

Despite the initial exponential growth of e-readers such as Kindle and Nook, printed books continue to hold the largest share of book sales—nearly 90 percent of child/young adult books and 67 percent of adult books in 2016.³² Nonprofits seeking a new line of business can consider the sale of used books donated to them by individuals, libraries, and others. With the rise of online used book sellers (Amazon, Alibris, and others) and the development of supportive software such as Indaba that scans a book to determine its online value, the sale of used books online has become a business open to everyone from individuals to large companies. Online book sales have exceeded those in physical stores, although physical stores are making something of a comeback, after a long decline.³³

How do online book sales work?

Books are acquired from a range of sources: individuals; libraries; schools; leftovers from book fairs; hauling services; etc. The books are sorted and damaged or moldy books separated and sold for pulp. Others with barcodes are scanned using specialized software (e.g., Indaba) to determine whether they meet criteria for online sales. If so, they are recorded and stocked. When sold, they are packed and shipped to customers.

Books that are not accepted for online sales can be sold in thrift stores or, if damaged or with no value, sold for pulp for prices averaging \$20 to \$55 per ton.

Where is there money to be made?

Online book sales is not a high margin business. In 2017, SVdP's online book sales garnered a margin of 5 percent. Most of SVdP's book sales are through their retail thrift stores.

What is the potential for employment?

A manager will be needed, along with people to scan books and handle the processing of sales (unloading, sorting, pulling and packing for shipment, etc.). A manager is needed at start-up; other staff can be added as inventory and sales increase. Book scanning can be handled by trained volunteers, as is done at Union Rescue Mission's NewLeaf online book sales business. This reduces personnel costs, but also reduces potential employment, if that is a business goal.

What is needed to operate an online book business?

Key elements required to establish and operate an online book sales business include:

- ***A consistent flow of donated books:*** As with any retail business, fresh product will draw customers and keep regular customers coming back.

³² *StatShot Annual*. Washington: Association of American Publishers, 2016.

³³ *Bookstores Record First Rise in Sales Since 2007*. *CNN Money*, February 12, 2016

- **Warehouse space:** A viable online book sales business requires adequate warehouse space to store donated books before scanning and until post-sale shipment or shipment to pulp dealers. Books available for sale must be stored in a clean and organized manner on shelving so they are easily pulled for shipment.
- **Software, computers, and scanner:** These are needed to identify and process the books for sale.
- **Equipment:** Both general warehouse equipment and office equipment are needed. A box truck to pick up bulk donations is also likely needed.
- **Policies and procedures:** These must cover a myriad of topics and situations. Personnel, book processing, pricing, donations, and safety are just a few of the areas that must be considered.

What are the costs of doing business?

Most expenses will begin before any sales occur and any revenue comes in, as space is rented, equipment purchased, and staff hired to organize the inventory. Key areas of expense include:

- Personnel (salaries, wages, and benefits)
- Rent of warehouse and work space
- Utilities
- Software and computer and scanning equipment
- Large equipment, such as box truck, forklift, pallet mover, etc., for larger facilities
- Smaller equipment

The proforma offered by SVdP to Cascade Alliance members projects a two-month startup period before any sales occur, with about \$65,000 to \$70,000 in expenses (including initial equipment purchases) during that time. It includes start-up funds of \$100,000 and a five-year loan of \$100,000. In this scenario, break-even (start-up funds repaid, loan repayment covered as part of expenses) is reached by the end of Year 1. The cash position is funded by the start-up funds and the initial loan. Actual experience may vary greatly, depending upon available start-up funding, inventory quality, operation size, location, and other factors.

What are the risks?

Sales depend upon a steady stream of quality books that will be accepted for sale and sold in a reasonable period of time. Ensuring this flow requires cultivating those sources proven to offer a good assortment of saleable books. Selling for pulp is a way to empty the warehouse of damaged and poor quality inventory; it is not a way to make money.

Overall Assessment of the Business Opportunity

With low margins, online book sales is not a highly lucrative business. Yet, with a reliable and changing inventory and efficient processing, it can be a source of income and of jobs. The positions offer employees the opportunity to learn to work with computers and to understand online sales, skills which are transportable to other work situations.