

by Rus Kinzinger

IN PURSUIT OF A SINGLE BOTTOM LINE

He had been with us only a short time when one of my vice presidents exclaimed, “Mission requires margin!”

Though most of us in management have probably heard this tidbit of wisdom, I for one, had never heard it expressed so succinctly. To accomplish mission . . . you have to have margin. You cannot long do what you cannot sustain. It’s really that simple.

Not a Targeted Goal

Not too long ago, net profitability was *not* a desired end in the services sector. Profit suggested that an agency could have done a better job spending dollars on programs. If the goal was to provide for the general good, then every available dollar should be directed to that end. Making a profit *was* not a badge of distinction to be worn with pride.

A Necessary Clarification

Which may account for one of the principal challenges facing nearly every retail thrift store with which I am acquainted, namely, “Is it first and foremost a *business*, or a *service*?” In the context of our phrase, “Is your store first and foremost a *mission*, or is its purpose to provide a *margin (profit)*?” I propose that how you answer that question matters greatly to the ease with which you can attain your objective.

Here’s why. In the world of the service sector, the highest use of a dollar is to produce a social good. In other words, a dollar is not an end of itself; rather, it is a means to achieving a public good. If, for example, your goal is to provide inexpensive goods to low income shoppers, every decision you make is made through the filtering question of, “Will this action provide better goods at lower prices for needy shoppers?” It is *not* “Will this action yield more net profit?” Your objective is clearly to provide a service,

and whether there’s a profit in the process is fully secondary. On the plus side, your offering may thus be available to folks who might otherwise not be able to access your services. On the negative side, your retail thrift may become another drain on your agency’s revenue allotment, and the offering of itself, will have to compete for likely scarce dollars.

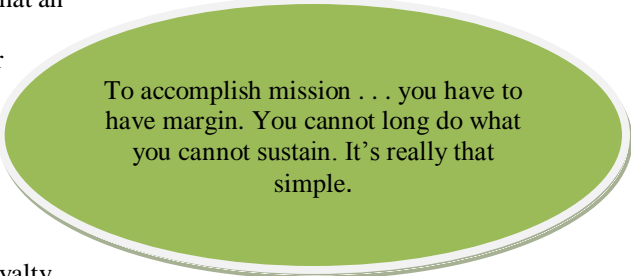
An Option

There is an alternative, i.e. that retail thrift shops declare their highest value as producing a net profit—*not* a social good. The direct goal, therefore, is not better goods at lower prices for needy shoppers, but rather, best net profitability from goods marketed to needy shoppers. Now before you regard me as a wasted interruption on your day, consider this. Net profit can only be achieved when the total price of goods sold exceeds the total cost of the offering. Net profit sustained is when the total price of goods sold exceeds the total cost of the offering over the long haul. In retailing, long haul profitability implies that an

ongoing customer need is being met in a

manner which drives loyalty.

Customer loyalty, in turn, presumes that all the best practices of retailing are delivered to your shoppers—who just happen to “need” this social good. It’s all the best features of a free market society applied to the treasures of retail thrift. Have fun!



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