2 Retailing

A theoretical perspective on charity shops II

The historic roots of the charity shop, as described in the Introduction, show that the underlying philosophy of the sector is grounded in social service. However, since those early days the sector has developed and changed in character, encompassing diversity of approach to the business of charity retailing. This diversity has implications for our understanding of the ethos, retailing practices, management systems and customer base of charity shops, individually and collectively.

Classification of charity shops

Characterisation of charity shops as if they formed a homogenous group is increasingly a misrepresentation of the sector. In the early 1980s shops were more uniform in nature but, as the sector has developed, there has been polarisation in terms of store size, store function, the merchandise mix and the development of chains of stores, as opposed to the autonomous unit. An attempt has been made to classify stores (Horne and Broadbridge 1995) on the basis of merchandise mix. They suggest that depending on the type of merchandise sold, it is possible to classify charity shops into the following three categories:

Category I	100 per cent donated merchandise
Category II	Donated merchandise plus a proportion of new merchandise
Category III	100 per cent new merchandise.

Category I comprises those charity shops that sell only donated second-hand goods, ranging from clothes and furniture to books and smaller household items. In these shops most second-hand goods donated to the shops are accepted and offered for sale, the exception being those goods restricted by law, usually because of a safety aspect, for example

Table 2.1 Category II merchandise mix

Percentage of retail outlets	*Percentage donated goods*	*Percentage bought-in goods*
48	95	5
24	90	10
4	85	15
4	75	25
8	70	30
4	65	35
4	50	50
4	5	95

Source: Authors' research and Corporate Intelligence (1992)

firearms or drugs, and safety wear such as child car seats and buoyancy devices. Electrical goods can be accepted for sale but have to be tested by a qualified person using appropriate testing equipment. Some charities do not accept large white goods because, although they can be tested electrically and found to be working, the quality of performance cannot be tested. Second-hand toys can be sold but have to conform to the same safety standard as new toys – that is, British Standard BS EN71 (BS 5655). Moreover, some charities refuse to sell second-hand shoes and earrings for pierced ears, for health reasons. The law on furnishing fabrics implemented in 1988 restricts the sale of any covered seating to that manufactured after 1988 which carries a fireproof label, and the sale of other furniture is restricted because of the difficulties of transporting, handling and storing it. Any goods deemed unfit for resale are usually accepted but thrown away or recycled via an alternative route – for example, ragging, whereby clothes unfit for sale are sold on for recycling in other forms such as car seat upholstery (see Chapter 4).

Category II comprises shops that, in addition to selling donated goods, sell a percentage of new bought-in goods, with a merchandise mix of between 5 per cent and 95 per cent of bought-in goods (Table 2.1). As charities have grown in retail professionalism, so they have changed the nature of their retail operations. One of the major changes has been the buying-in of new merchandise, a change that occurred during the second half of the 1980s and coincided with the rapid expansion of charity shops in the UK at that time. The rationale for the changed strategy was, first, to improve the image of the shops in order to attract new customers and thus widen the customer base, and second, to compensate for the lack of good-quality goods being donated to the shops (Horne 1998). In the late 1980s many people were feeling the effect of the recession and were not renewing their clothes and household goods to the same extent. The amount of good-quality goods being donated to the charity shops was in decline, and without a constant provision of donated goods the shops could not exist, or at best could not be as profitable. Many people, instead of donating to charity shops, were selling their disposable goods at car boot sales for their own enjoyment and financial reward (Stone *et al.* 1996; see also Crewe and Gregson 1998; Gregson and Crewe, 1998).

The new goods that are bought-in for sale in charity shops include craft-type goods (often from industrialising countries), stationery, pottery, jewellery and household goods. The bought-in goods tend to be relatively low-cost 'gift' items. They are often displayed in the windows so as to attract potential customers into the shop. Inside the shop the new goods are generally displayed separately from the donated goods, in a clear demarcation of use and consumer identity space.

From Table 2.1 it can be seen that the percentage of bought-in goods is variable, and Horne and Broadbridge (1995) suggest that because of this, Category II can be further subdivided into Category IIa (donated second-hand goods and up to 35 per cent bought-in new goods) and Category IIb (donated second-hand goods and more than 35 per cent bought-in new goods). This subdivision categorises, respectively, those shops that sell mainly donated goods and are therefore 'charity shops' and those that enter the seemingly more 'commercial' arena.

The reason for this watershed between converted donation and retail commercialism is the tax implications that surround the charity shop. Value added tax (VAT) is charged on bought-in goods but is not charged on goods donated by the public to the charity shops. The business rate charged for trading in a location varies according to the location, but the local authority in which the shop operates has to give an 80 per cent business rate relief to a charity shop. This relief can be further reduced as the authorities are able to add a further discretionary 20 per cent discount. Thus a charging authority gives a mandatory rates relief of 80 per cent and a discretionary relief of 20 per cent. It is suggested that in order to qualify for relief of these taxes, the turnover of bought-in goods must not exceed 35 per cent, and accordingly 65 per cent of turnover must be derived from the sale of donated goods. Confusion exists over this figure, as some people believe that the turnover of bought-in goods could be up to 49 per cent and that the requirement is simply that the shop sells 'mainly' donated goods (Horne and Broadbridge 1993, 1995). Originally covered by the 1967 General Rate Act and subsequently amended by the 1988 Local Government Finance Act (LGFA), which introduced the Community Charge and the Uniform Business Rate, charity shops are covered by section 64 (10) of this 1988 Act. The Act states that a hereditment (property) is to be treated as being for charitable purposes if it is 'wholly or mainly used for the sale of goods donated to a charity and the proceeds of the sale of the goods (after the deduction of any expenses) are applied for the purpose of the charity'. The term 'mainly' is open to interpretation and causes much confusion.

If the merchandise mix is a key determinant for rate relief, then it would be logical to assume that shops in Category III (100 per cent new goods) have no such relief. Research suggests, however, that some shops in this category are nevertheless granted tax relief (Horne and Broadbridge 1995). This confusion over trading legislation suggests that charity retailing is moving faster than the imposition of legislation.

Until 1988 little thought was given as to whether charities indulging in retail activities were to be considered to be trading in the real sense. In section 505 of the Income and Corporation Taxes Act 1988 the exemption from tax given to charities extends to income from trade only if that trade is the primary purpose of the charity. There are also exemptions for certain trading activities that are not covered by statute, the most important being that relating to the sale of donated goods. If goods are donated to a charity, their sale is deemed to be the realisation of a gift and not the act of trading. This would suggest that a charity shop selling 100 per cent donated goods is considered not to be trading but to be realising the value of gifts. This interpretation still applies even if that gift is cleaned or renovated. However, if the renovation is significant, or if it changes the nature of the good, then the sale will amount to a trade. Presumably therefore if cushion covers, say, are made out of donated second-hand curtains, they are to be considered 'new goods'.

Category III comprises charities that sell only new bought-in goods. They entered the market selling only new goods and most sell goods that are related in some way to the charity. Examples include the National Trust, which sells products related to individual properties as well as more general goods, and Camphill Village Trust, which sells own-produced goods. Some are highly specialised retailers selling customer-specific goods; for example, the Royal Air Force (RAF) Association sells RAF-related products that are bought by ex-RAF/WAAF service personnel. The Royal National Institute for the Blind (RNIB) has outlets stocked with goods specific to the needs of customers with a visual handicap, and similarly the Scout Association sells a range of

Table 2.2 Category III shops ranked by total income

Charity	*Shop nos.*	*Volunteers*	*Annual wage bill (£)*	*Total income (£)*
National Trust (Eng.) Ltd	281	—	4,707,100	22,205,000
Cards for Good Causes	279	6,005	—	5,316,000
Royal Society for the Protection of Birds (RSPB)	13	20	336,328	2,388,972
National Trust Scotland	41	23	542,138	3,011,672
Royal National Lifeboat Institution (RNLI)	118	1,180	—	1,945,066

Source: Horne (2000)

equipment and clothing relating to Scouting activity (Corporate Intelligence 1992). It could be argued that many have a captive market because of their location, and it is interesting that, on the whole, the general public do not perceive these shops as charity shops (Phelan 1994). The fortunes of these new goods shops fluctuate more obviously than those selling donated goods. Phelan suggested a downturn in their profit margins in his 1998 publication but recorded good news from this sector of the charity shop market in 1999, with a 5.7 per cent increase in their total sales and a 12 per cent growth in profits (Phelan 1996). Table 2.2 shows the ‘top five’ Category III charity shop operations.

Classification by merchandise mix helps to sort and to clarify some of the anomalies of the charity shop. Table 2.2 categorises still further those shops in Category III by ranking them in terms of their overall income. This total income is another way of classifying charity shops within the three sectors identified on p. 20.

Another means of classification is by cause type. The only way that this is used at present is in the categorisation of hospice shops. These are by nature often small retail charities operating one or two shops in a local area, although some operate chains of up to twenty-one shops (St Peter’s Hospice, Bristol, for example). Although the topic is unresearched, anecdotal evidence suggests that there is a very close relationship between the local community and its hospice shop. Loyal communities support their local hospice by means of donations and purchase of goods. Because of the nature of a hospice as a home for the care of the terminally ill, the disposal of goods after bereavement can often be very traumatic and the hospice shop is a comfortable way of accomplishing this disposal (see Chapter 4).

Raison d'être: conflict between social function and commercial enterprise

One major difficulty that many charities entering the retail arena face is that of 'What business are we in?' If we look back to the origins of the shops, there was an element of social welfare and opportunism – the 'raising of the submerged' and the prospect of proselytising – but as the economic potential of the shops became evident, commercialisation and profit making became a main reason for selling goods. Most charities go into retailing in order to make money, which will in turn enable them to carry out their individual, primary purpose such as the relief of poverty, the advancement of education, the promoting of religion or other purposes presumed to be beneficial to the community (*Charities Digest* 1995). This can cause tension within the charity shop organisation (see Chapters 5 and 7 and Goodall 2000c) and between charity shops and their local shoppers (Maddrell 2000). One major charity suggests that compromise is needed, as there is conflict with hard business and charity. Its mission statement for trading is 'to generate as much money as possible without compromising its charitable aims' (interview with charity fundraiser).

Dees (1998) suggests that conflict can occur between the culture of the commercial world and that of the voluntary sector and that many of those who work in the voluntary sector find commercialism an uncomfortable bedfellow. Charities are not always clear as to why they entered the retail sector, and the purposes of the shop are often multiple. The perceptions of the shop's functions can be varied, with headquarters managers and 'shop floor' volunteers seeing them from very different perspectives. Figure 2.1 indicates a range of purpose from that of purely social to that of purely commercial and suggests a continuum of purpose between the two (Horne 2000). This continuum highlights the complexity of the charity shop: it is not necessarily market driven or solely a 'social service', but, depending on merchandise, customer base, staff and location, operates in a multifunctional way. It is suggested (Horne 2000) that the charity shop performs interrelated functions. The first of these, and the main *raison d'être* for the majority of charity shops, is to provide a method of raising unallocated funds that can be used for any purpose and are not constrained by, for example, the will of a corporate or individual donor.

The amount of money raised by individual shops depends on their location, the quality of goods sold and the pricing policy, as well as the dedication and professionalism of the staff and management. Phelan *et al.* (1998) suggest that in 1998, 6,238 shops run by 82

	Methods	Social service orientation	⟷	Commercial service orientation
		Social service social value	Mixed motives mission- and market-driven social and economic value	Market-driven economic value
Stakeholders	Customer	Pay under market value prices	Subsidised to mixed commercial prices	Market rate competitive prices
	Workforce	Volunteer/ community service	Mixed volunteers and paid staff	Salaried staff market rate pay scales
	Donors/ suppliers	Goods donated	Donated goods and bought-in goods	Market rate prices
	Local authority	Subsidised business rate	Mixture of mandatory and discretionary rates	Full local authority rates paid

Figure 2.1 Charity shop purpose: social to commercial orientation

Source: Horne (2000)

charities raised a total net income in excess of £91 million on a turnover of £365 million. Taking the largest charity shops (ranked by income), but excluding gift shops and hospice shops (Phelan *et al.* 1998), the total income from 5,282 shops was £308,856,951. The expenditure on this sum was £230,850,458, giving an overall profit of £78,006,493 and a profit margin of 25.1 per cent on turnover. However, as can be seen from Table 2.3, the margin varies from charity to charity.

In 1999 there was an overall increase of 38 shops, resulting in an income of £338,975,656 from a total of 5,818 shops. Although this represented an increase of 2.6 per cent on 1998 figures, the overall profits fell to £62,808,135, suggesting that increased costs were part of the explanation for the changing fate of the sector – although one has to be aware of the limitations of this survey, as well as of interpreting aggregated figures from charities with very diverse retail practices. With many different accounting methods and structures in operation, it is difficult to compare profitability. For example, charities vary the amounts of capital employed and headquarters' overheads.

The second perceived function of the charity shop is to provide a social service, offering cheap goods to those customers who cannot afford to shop at commercial retail outlets. These shops also offer a cheap alternative to those who, although not on or below the poverty line, are able to extend a very limited income by purchasing second-hand clothes and household goods, and to those who are simply

Table 2.3 Incomes generated by top ten charities

Charity	*Date figures prep. to*	*Income total (£)*	*Average profit per shop per week (£)*	*Profit as a percentage of turnover*	*Wage bill as percentage of total income*	*Average sales per shop per week (£)*	*Donated goods as percentage of turnover*
Oxfam	30.4.99	57,084,000	365	27.3	13.8	1,331	82
ICRF	1.09.98	31,323,948	131	10.5	17.6	1,289	75
British Heart Foundation	28.3.98	35,696,759	555	27.6	NA	1,879	NA
SCOPE	31.3.99	27,060,002	544	30.6	31.0	1,680	98
Barnardo's	31.3.99	22,039,512	347	26.4	33.5	1,297	86
Help the Aged	30.4.99	27,795,000	366	24.3	42.0	1,432	95
Cancer Research Campaign	31.3.99	19,239,670	352	24.9	22.7	1,462	98
Age Concern, all shops	31.3.99	11,637,983	27	4.3	29.1	556	96
British Red Cross	31.12.98	15,503,937	215	31.6	NA	682	99
Save the Children Fund	31.3.99	6,727,172	325	37.5	7.4	842	69

Source: Horne (2000)

Note: NA, not available

'thrifty'. While almost all charity shops offer this service to a degree, those emphasising service to their locality are, for the most part, situated in 'poorer' locations in areas where customers can access them easily. There is evidence to suggest that these 'community'-based shops become part of the community, acting as a base for meeting friends and sharing problems (see Chapters 3, 5 and 7).

As well as selling goods for profit and acting as a 'social service', the third function of the charity shop is to raise public awareness of its particular charitable cause. A shop in a location with good footfall will attract the attention of passers-by and thus can be used as a place to disseminate information, to display the logo and to promote the charity's name. It can be used as a meeting place for volunteer recruitment and, of course, donations of both goods and money can be made there. However, this third function of charity shops is often a by-product rather than an explicit aim, with many charity shops focusing on trading virtually to the exclusion of disseminating the charity message. When this occurs, it is a lost opportunity for both the charity itself and potential users of the charity.

These three functions are those most commonly thought of in relation to the charity shop, but a fourth function can be seen: that of the recycling of goods, or the 'green' function. Charity shops serve to recycle goods on two levels (Horne 1998). The first is that of goods which are unwanted by one set of consumers being offered for sale to another set which is ready to buy. The second is the recycling of goods at the end of their current usefulness, and thus saleability in that form, into a new and resaleable form, for example the conversion of clothing via ragging merchants into stuffing for car upholstery, paper-making and new fabric. One charity shop manager said of dubious-quality clothing, 'If in doubt, rag it' (Manager F, Oxford). For many charity shops this approach was taken even further, with some charities now purposefully collecting rags and selling them on to rag merchants at a profit (although the market for rags has been susceptible to price fluctuations in recent years). In a further twist, a very small number of charities without charity shops began to license rag merchants to collect goods in their name in return for a payment per tonne of goods collected (Phelan 1998) (see Chapter 4 for a fuller discussion of this). The green function is often overlooked both by the charities and the consumers. In an age where 'green issues' are at the front of policy making there is often surprisingly little effort made by charities to appeal to the 'green consumer' to patronise the stores – another lost opportunity.

Different combinations of these four functions of the charity shop place individual shops and chains in different positions on the continuum from the social service orientation through to that of commercial orientation, from 'community service' to that of 'pure' fundraiser, with some charities changing location on the continuum over time. The majority of charities now view the primary function of the charity shop as that of fund-raiser.

Competition

With a rapidly increasing number of charity shops, competition becomes fierce, and in these circumstances understanding customer behaviour is of paramount importance inasmuch as the success of the organisation depends on it (Kotler and Andreasen, 1991). It is also believed that the better the marketers understand their customers' needs and wants through purchasing behaviour, the better they will be able to meet these needs and wants (Foxall and Goldsmith, 1994). Added to this, 'selling objectives for a retail operation also requires a good understanding of an organisation's customers' (Lovelock and Weinberg, 1983). This customer knowledge also improves and enables nurturing of the long-term commitment of the donors to the organisation (Guy and Patton, 1989).

Increased professionalism can be identified in the retailing practice of many charity shops. This has been characterised by the use of paid staff – professionals – and applying business practices (Goodall 2000c), probably the most widespread being indeed that of the introduction of paid management with retail experience, which is now seen in the top retailing charities. Given that raising money is the primary reason for the majority of the charity retail sector to be in business, it is not surprising that this sector has become increasingly professional in its retail practice (see Chapter 5). This increase in professional practice has brought more revenue to the charities concerned but has also brought problems, the most obvious of which is that of competition, which manifests itself differently depending in which category the shop operates (Horne and Broadbridge 1995).

In order to put this debate about professionalisation into a theoretical context, the cyclical retail model known as the Wheel of Retailing can be used to demonstrate how professionalisation can change the purpose of a charity shop, as well as suggesting possible post-professionalisation scenarios, including the opportunity for new charity retailers to enter the market.

Charity shops and the Wheel of Retailing

The Wheel of Retailing, although limited as a working model of retailing evolution, does serve to describe a progress of growth and development. Developed by McNair in 1958, it has been a topic of argument and discussion ever since – for example, see Hollander (1960), Savitt (1988), Gipsrud (1986) and D'Amico (1983), and demonstrations of its use by Bucklin (1972) and Brown (1990, 1992). In 1958 McNair described a cycle in distribution as a wheel that 'always revolves, sometimes slowly, sometimes more rapidly but does not stand still'. He recognised the circular nature of some types of retailing where the original concept has moved on and developed to a point where the niche initially exploited has been left so far behind that it is no longer occupied. If the niche is still valid and relevant, it is to be expected that others will fill it.

Incomers attract the public on the basis of low price appeal, which is made possible by low operating costs. As they progress, they trade up, seeking greater respectability. McNair suggests that if after the trading up process they are still in business, there will be a period of growth when business will be taken away from the established retailers who have clung to their old methods. During the process of growth the institution becomes respectable in terms of the customers, potential customers and investors. With this movement upwards the capital investment increases, as do the operating costs. It is at this point that the maturity stage is reached. The premises are probably now larger, with more elaborate fixtures and fittings, and greater promotional efforts are undertaken. At this stage the competition is with other similar institutions rather than with 'old-line' competitors. The maturity phase is followed by one of top-heaviness and decline in return on investment and eventual vulnerability. This vulnerability is the next revolution of the wheel and the point at which the next entrepreneur starts a low-cost business and slips into the opening. From this simplistic hypothesis the wheel has been tidied up by Hollander (1960) and re-turned by McNair and May (1978) when they expanded the original theory by saying that in the USA the cyclical process both quickened and affected an increasing number of retail sectors. Taking the suggestion of Brown (1990) that some of the most prominent retail institutions have reflected the wheel theory, the simple McNair (1958) description of the wheel can be compared to the development of the charity shop.

Thus a charity shop operating primarily as a social service to its local area and with modest fund-raising expectations is going to be

Figure 2.2 The Wheel of Retailing

Source: Horne (2000)

located in a secondary, if not poor, location. The price of its goods will reflect the limited expenditure capability of its customers, and often these goods are recycled within this customer segment. For example, baby clothes are donated to the shop from outside the community, purchased by local customers used and re-donated to be sold on until no longer in a fit state for resale (McNair 1958). Because of the social function of the shop, profits are minimal and the whole operation is that displayed in Phase 1 of the Wheel (Figure 2.2) – that is, low status, low price and low operating costs. The goods are all donated, the shop's emphasis is on service to the community and it is managed and staffed by volunteers, with no, or little, independent, centralised management.

As the realisation of fund-raising potential occurs, so 'trading up' takes place. Shops are opened in better secondary or in primary locations. Greater resources are put into collecting and presenting for sale good-quality donated goods. Consideration is given to store layout and to corporate colours and logos. It is at this stage that new goods might be bought in to broaden the merchandise range and widen the customer base, and paid managers introduced. It could be argued that at present all charity shops in all stages of maturity continue to display some element of social service. By their affiliation to a charity, all shops act as an advertisement to the general public as well as providing a focal point for 'drop in' information, volunteer recruitment and information distribution. However, as the charity retail operation moves 'around the Wheel', so it is potentially distanced from those in society who can afford only to shop at the 'community' charity shop, thus creating an interesting example of potential social exclusion within the sector (see Chapter 6 on pricing).

In Phase 2 of the Wheel the emphasis is on fund-raising rather than social service, with new goods bought in to maintain stock levels and to broaden the merchandise range. These new goods add further dimensions of customer service such as the provision of fair trade goods. A wider merchandise range also serves to widen the customer base, as does the improved respectability of the shop as the concept of 'trading up' occurs. We now have not only a continuum of charity shop purpose (see Figure 2.2), but also a continuum of customers ranging from those able to shop only in the cheap and basic Phase 1 shops for functional goods to those looking for a bargain or 'collectable', or those positional shoppers wanting to purchase new goods in order to support a specific charity or the concept of fair trade in Phase 2 shops.

McNair (1958) postulates that as a result of trading up, the new institution becomes 'mature' and is now top-heavy, conservative and unable to show a good rate of return on investment. Certainly the charities with the greatest investment and return from their shops are the largest and have had criticism levelled at them for being too large and 'top-heavy'. In principle the very nature of these charitable organisations defies the concept of bureaucracy and lack of good return on investment, but in practice the differential between turnover and profits – and indeed falling profits – suggests an alternative scenario. The mature stage of bureaucracy and 'top-heaviness' could be used to describe those charities with the largest number of shops. These chains operate with retail departments and a hierarchy of retail management. Arguably these 'mature' charity retailers/chains are already professional retailers rather than charities. Oxfam price tags illustrating how the cost of the item bought might be used to buy seeds, etc. are an example of an attempt explicitly to link fund-raising and the purpose of the charity.

The concept of a constantly turning wheel implies that retail organisations that have evolved to a mature state will gradually revert to the initial, Phase 1, trading style. This is unrealistic and rarely happens, although some highly structured charity retail chains have recently devolved greater autonomy to the local level on matters such as pricing and display in order to increase turnover in the face of recent stagnation in, or saturation of, the sector. In reality, organisations trade up, leaving a niche for new companies to enter, since, as McNair (1958) suggests, eventually the retail institution emerges as a high-cost, high-status establishment whose sales policy is based on quality and service rather than price. These high-margin operators are then vulnerable to new competitors who enter the market as low-status retailers. The new companies are not necessarily competitors until they invade the niche of the matured company.

There is little competitive overlap between a well-organised chain of charity retailers with professional management and a reliance on sourcing new goods, and a single, locally organised charity shop relying on donated goods and dedicated amateurs. Therefore, as charity shops mature, the initial niche is indeed left open. This is true only to the extent that the mature chain does not continue to predate the second-hand, donated goods market. Since there frequently is little sign of a change in specialisation in the products sold as the Wheel progresses to maturity, the newcomer competing locally with a Phase 3 outlet would be faced with finding its own niche in the goods offered, either by generating its own 'niche' support network or perhaps as a specialist shop offering very low-cost goods or specialist goods. However, specialisation is also a route being adopted by charity chains in Phase 3 mode, such as Oxfam furniture shops and bookshops. While charity retailers have successfully entered this specialist niche market, they often compete with other second-hand shops.

Staff and cyclical change

The low-cost operation of the initial entry into the retail market can be identified through the use of a totally volunteer workforce. Most charities start their retail activity with unpaid managers and floor staff. As the number of stores increases, the locations improve and the merchandise requires more careful selection and detailed accounting, the need for more professional paid staff increases. At present the majority of paid staff are at managerial level and the 'workforce' is still mainly voluntary (see Chapter 5).

The logical progression through the Wheel model would suggest a movement from part-time volunteering to paid full-time staff. Freathy (1997) suggests that in commercial retailing, at each segment of the Wheel a transformation of labour relationships can be identified, from flexibility of small independent shops through to formal and centralised structures of retailers at the ‘mature’ stage. Although no specific research has tested this in the charity sector, work by Maddrell (1999, 2000) and Whithear (1999) would suggest that for most charity retailers this is not the case and that the part-time and flexible nature of the volunteer workforce is evident through to the ‘mature’ stage.

Whithear (1999) gives interesting insights into volunteering in a charity shop, and to the differences found in the volunteer force in shops with paid managers as opposed to those with volunteer managers. His findings suggest that the volunteer managers had a sales force whose members were older, had less retail experience and were longer-serving than those in shops managed by paid managers. While the ‘professional’ managers wanted a more ‘professional’ team, which would work standard hours, in contrast the volunteer managers were more ‘accepting’ of the volunteers and accepted their need to work as a group. However, it is wrong to characterise ‘professional’ and ‘voluntary’ as diametrically opposed. There is a middle way to be found in many charity shops in the form of ‘professional voluntarism’ that aims to raise funds at the same time as working with and valuing volunteer input (Goodall 2000c). Contrary to the perceptions often held that store service levels are low, the quality of customer service in many charity shops appears to be high (Maddrell 2000). The Sue Ryder management insists that every customer must be made to feel welcome, cherished and important (‘High street charity’ 1992).

As purpose becomes more commercial in nature, so the change manifests itself in a greater professionalisation of operations, and at this stage the retail operations match or indeed surpass those in commercial organisations. The shops run by the National Trust, for example, are run as mainstream retailers and are often not recognised as charity shops by the public. Competitive mainstream retailers have copied elements of their format. An example is the Past Times chain, who realise the potential of this traditional/nostalgic market.

The areas of competition, for customers, goods and volunteers, could be described as ‘internal’ problems that are part of the retail operations of charity shops, but a different level of competition that is beyond the control of the charity retailer has become an issue that could, in the long run, have a hugely detrimental effect on certain charity shops, namely competition perceived by established retailers. This is causing much concern throughout the country, and might have severe repercussions for charity shops if legislation were to be brought in, say, to add VAT to the sale of donated goods. This perceived competition by small established retailers manifests itself in the belief of the Federation of Small Businesses that charity shops trade on an unfair footing, gaining benefit from their charitable status (Federation of Small Businesses (FSB) 1995). There is a feeling among retailers and local chambers of commerce that tension is growing and that in a time of recession the established retailer will fight for the right to operate regardless of the fact that the competition might be fundraising for a worthy cause. Some retailers are registering complaints with chambers of commerce and the Office of Fair Trading alleging unfair competition. Most of the debate of established retailers against charity retailers has been directed to the issue of rates paid or not paid and the fact that charity shops have few overheads, either fixed or unfixed. Another issue that has not been so well argued is that if a charity is given rate relief, it can then afford to pay higher rent and rates for a property than an established retailer and this, in many cases, serves to keep rent and rates in a given locality at a higher level than would otherwise be sustained.

It has been suggested by many established retailers that the mandatory relief should apply only to those shops selling 100 per cent donated goods. Obviously those charities that follow such a strategy are happy with the proposal. Many charities are denied the discretionary award, and some authorities have refused the mandatory one on terms of unfair competition if the proportion of new goods is very high. There is a suggestion that the percentage of mandatory relief should be brought down from 80 per cent to 50 per cent, which, as Phelan in 1998 pointed out, would have cost Oxfam, at that time, approximately £1 million across its chain of 844 shops.

The rise in the number of charity shops, together with the change in their image and their move away from poor secondary trading sites to primary high street sites and even, occasionally, a site in a shopping centre, has made some established retailers fear the proliferation of charity shops. There is evidence to suggest that some chambers of commerce are putting pressure on local councils to go so far as to restrict the number of successful charity shop applications (Horne 1995). The following quotations are emblematic of alternative perspectives on this debate nation-wide:

> ‘The expansion of charity shops is an enormous problem which has caused the local economy to suffer due to lost rates, employment and business impact – as charity shops proliferate the negative drain on the economy increases.’
>
> (Spokesperson from the Federation of Small Businesses, Scotland)

> 'There are far too many charity shops, but better a charity shop than a boarded up shop.'
>
> (Shopkeeper 9, Stirling)

The increasing number is not the only problem perceived by established retailers. Complaints are made regarding the competition because of the increased sophistication of their operations and because of the change in the merchandise mix offered by charity retailers. Some retailers have been so annoyed by the alteration of the merchandise mix by charity shops that they have ceased to deal with suppliers who supply charity shops. A further insult to injury was the case of a loyal customer who requested the name and address of a supplier in order to recommend it to a charity retailer, much to the chagrin of the shopkeeper, who resented the fact that the charity could then 'sell the product at little more than cost instead of the recommended retail price' (Shopkeeper 4, Inverness).

Some retailers deal with the situation by offering better value for money or by stocking different products from those sold in the charity shops. Although many of these problems of similar stock do not affect the small shopkeeper, the majority do feel the perceived competition.

> 'We would like to see restrictions on rate relief for charity shops.'
>
> (Shopkeeper 1, Inverness)

> 'The fact that these shops get so much help in terms of rate relief, a volunteer workforce, etc. upsets small businesses, especially in times of hardship when all are struggling; it's deemed to be an unfair advantage and we would like to see restriction on rate relief for charity shops.'
>
> (Shopkeeper 1, Inverness)

Comments such as these illustrate small retailers' strong feelings, though many say that they have no objections to the 'genuine thrift shops'. There is, however, evidence to suggest that there is a degree of mutuality between mainstream retailers and charity retailers, and some suggestion that the charity retailer provides 'added value' to the wider retail environment (Paddison 2000). The level of competition is also in part determined by the economic well-being of the area. For example, in Oxford a jeweller sends pensioners around the corner to buy silver-plated frames at a cheaper price in the charity shop. Even so, there is every reason to suppose that competition between charities for goods, workforce and customers, will continue to increase, as will competition, perceived or otherwise, with established retailers, particularly as charity shops ‘trade up’. These issues will be revisited in the following chapters in relation to shoppers, donors, staffing and the pricing of goods.