



MKT 432  
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## I. Management Overview (Executive Summary)

This strategic project takes a look at Goodwill Industries (GWI) and how they manage their supply chain. Through careful research and analysis of their current strategy and processes; as well as receiving answers to certain questions from Goodwill employees along the way, we were able to develop a logistics strategy with the intent to improve the overall efficiency of the GWI supply chain. Our analysis has led us to find a few areas in which GWI can improve upon and some possible changes to their overall supply chain design that could have a positive impact upon the company.

This analysis takes a look at various aspects of Goodwill's current logistics strategy, and discusses possible solutions to current issues and outlines possible new avenues that GWI may be able to take in order to improve their overall logistical strategy for the Grand Rapids region/network. The analysis will go over numerous topics ranging from supply/demand management, to inventory management and network design.

## II. Logistics Objectives

The primary objectives for this logistical strategic project were devised keeping cost and effect upon customer service in mind. The overall goal of this project was to streamline supply and demand for the Mt. Pleasant store as well as to focus on creating the most sustainable environment possible for the company through our logistics strategy. Ensuring simplicity and standardized procedures was also a primary objective which not only creates a familiar and easy means of donating goods, but also creates a stress free and convenient shopping experience.



Focusing on keeping costs low in order to maintain low prices for customers is another primary objective for this logistical strategy. Through developing an efficient and smooth supply chain, GWI and its employees will benefit by making their everyday businesses processes provide more effective and create a good work environment. Providing strategic changes or adjustments that add value to the customer and support the company as a whole is the overall goal for this logistical strategy.

### **III. Strategic Elements/ Operational Plans**

#### **A. Demand Forecasting/Demand Management**

We feel that a new demand forecasting and demand management process would be beneficial for GWI. They are currently utilizing a push strategy by accepting anything and everything that comes in and putting it out on the floor for sale regardless of which product(s) have lower inventory levels. Our group suggests implementing more of a pull strategy, or at least as much as possible considering the donation situation. This pull strategy combined with new product categories, new donation process and new POS/inventory management software will help GWI to more accurately forecast and manage their demand. By being able to better forecast and manage their demand, GWI will see an increase in inventory turnover, a reduction in lost sales due to stock-outs, and higher profits in general due to a larger, more consistent inventory.

#### **Upgrade POS Software**

After spending time researching the top point-of-sale software kits for retail and clothing stores we came across a top ranked bundle to accomplish everything we desired with room for future expansion called Counterpoint. Counterpoint is a complete retail management software product that is extremely versatile and completely customizable which was a necessity for GWI seeing as their inventory is constantly fluctuating. Upon further research, our group discovered

that another GWI region in Akron, Ohio has recently implemented this same software in hopes for tighter inventory management and tracking and has had great success. Our focus will be to implement the software at our local GWI store in hopes of future expansion across the entire Grand Rapids network to ensure information accuracy and consistency across the entire region. This will minimize costs and also act as a test store before going network wide.

During our in class interview with Mount Pleasant store manager, Kat, we were told they currently utilize Citrix servers to communicate with other GWI locations. This is already a good start towards implementing the Counterpoint software because it does require a server or network to run on and Citrix offers compatible service, so this will help keep start- up costs down and ensures that management already has experience running some form of inventory management software.

An authorized Radiant Systems dealer would deliver, install and train employees on the new software, although no information could be retained on who our local dealer would be due to authority restraints. According to POSsoftwareguide.com, Counterpoint can be purchased for between \$1,500 and \$75,000 (Guide, 1). with an implementation cost of about half of the software price. That being said, for just one store with servers and most of the necessary hardware in place, we estimate the total cost to be around \$4,500. This comes from a software cost of about \$3,000 plus implementation cost of about \$1,500 ( $3,000 \times .5$ ).

This new software includes the capabilities to forecast demand, automate purchasing, easily input inventory and even create custom tags and barcodes. These features will allow GWI to view demand for any products, sorted any way imaginable, and fully integrate with purchasing, customer relationship management and all other stores in the network (if desired). Inventory can now be entered into the computer, tagged with custom barcodes, and then stored in

the warehouse until inventory levels on the reach minimum level requirements or restocking points. When the inventory levels get low for a particular department, a form can be automatically printed to tell employees which items need to be stocked from the back. If there is no current back-stock, then the store will know this is something that will need to be order from the distribution center. Counterpoint can automate the orders for the Grand Rapids warehouse as well, awaiting approval from the manager before submitting. The barcode tags will also help GWI track returns. All of these improvements will give GWI the knowledge they need to forecast demand, carry the proper amount of inventory resulting in lower ICC, and have a more consistent product selection.

### **New Product Categorization**

According to our in class interview with Kat, GWI currently categorizes their products by four different colors which are stamped on the tags. This simply gives them an idea of how long a product has been the floor and when to change it. For example, all purple tags are replaced with orange tags every 3 months to insure fresh inventory for customers. Unfortunately, this is a very inaccurate, inconsistent way to track inventory as it only categorizes items by how long they've been on the floor.

We are suggesting that GWI set up a more precise, in depth categorization of products. All items donated to Goodwill will be categorized as one of the following: pants, shorts, shoes, shirts, outerwear, clothing accessory, electronics, home décor, or miscellaneous. An F or an M before the accompanying SKU will identify clothing as male or female. These product categories will be printed, along with a barcode on a tag, from the Counterpoint software and attached before storage or moving to the sales floor. This will ensure accuracy within the system and allow more accurate demand forecasting.

By having more precise product categories, (departments) GWI can track sales and forecast

demand more accurately and consistently. A GWI employee will now be able to track sales for just one category, male pants for example, and see what the demand has been in order to estimate future demand. This allows them to get a much more accurate snapshot of what needs to be donated or ordered from the Grand Rapids store. This will ensure that they only keep what's needed for the Mount Pleasant store, and they don't order unnecessary inventory from Grand Rapids that isn't needed. This will save on transportation costs as well as decrease ICC since unnecessary products will not be shipped and inevitably take up valuable warehouse space at the store. GWI can also advertise or offer promotions for donations of "high need" to manage demand.

The four major strategies above combine to provide GWI with an extremely effective, efficient, and accurate way to forecast their demand. This will help them to ensure they have sufficient inventory levels to keep with the customer demand, which will improve sales and customer satisfaction.

## **B. Supply Forecasting**

Many of our suggested strategies from the demand forecasting and management section will also help improve GWI's supply forecasting. Goodwill relies on donations for their inventory, they can only get what people are willing to give away, and this variable is constantly changing with seasons, economic downturns, etc. We suggest that GWI take the following strategies into consideration to help control their incoming supply of donations.

### **Utilize Counterpoint Software**

Counterpoint has the ability to instantly display real time data relating to current inventory levels (supply). Managers at the store can easily check this at any time, for any specified period of time to help illustrate demand for current products, and what products have low inventory levels and need to be replenished. With this knowledge available, we suggest that GWI offer

incentives to customers who donate items in high demand.

The items that are in high demand can be advertised in store during slow periods with small flyers and posters. They can be advertised more intensely during the holiday seasons and when college students move out by utilizing email advertisements, billboards, or truck side ads. Counterpoint software includes customer relationship software that is capable of customer tracking and targeted email advertising. This would be one of the cheapest and most effective ways to advertise, as almost everybody has an email address in this day and age.

An example of one possible incentive would be a discount (10%-25% off) on the next purchase for customers who bring in donations of the required item(s). The discounts would be in the form of a coupon, which has a “valid thru” date included on it. This would force the customer to use their coupon within a certain given time frame. (Say a two week time period) This “valid thru” date would help control demand in a sense that it would manipulate the consumers into shopping sooner rather than later if they want their discount to be valid. We feel this is a great tactic as GWI donators are more often than not also customers of the store.

Items that are out of season would be a great candidate for this discount as getting donations prior to needing them will allow GWI to more accurately assess supply issues for upcoming seasons before they arise. GWI could also partner with other organizations to offer more unique incentives for donations, similar to Salvation Army’s deal with Charter to give customers free movies on demand for their donations. This plan could be simply modified by GWI to offer on demand movies for customers that donate only required products.

Counterpoint software can also be used in the reverse direction, meaning managers can look up what product categories have excess inventory and are using up valuable warehouse space. Using this information, GWI could offer discounts on these particular product categories.

For example, if the store currently has 400 pairs of male shorts on hand going into October, they can simply offer 50% off male shorts, or buy one get one, to move them out the door.

One last function Counterpoint can perform for GWI relating to supply forecasting is the ability to track donations for any number of different variables. By implementing our new incoming donation process, managers could pull up records of incoming inventory (clothes input in computer immediately when donated) for any time period. This would tell the managers exactly how much and which product category was donated for that time period, leading them to a final conclusion comparable to “we received 35 pairs of female pants in September.” This will give them an accurate base to forecast future donations for the same time period and can implement ad campaigns similar to what is in high demand.

### **C. Order Management**

We have a new incoming donation process that we recommend GWI implement in order to help them keep accurate inventory levels, while still keeping it quick and easy for people to donate. Our process requires that GWI is using our suggested Counterpoint Retail Software and also utilizing our other inventory management and demand forecasting processes (product categorization, etc.).

All Goodwill locations (retail, donation centers, warehouses, etc.) will accept donations as usual. This will keep current consumers familiar with our process, as many people are afraid of change. We also want to make it as easy as possible for consumers to donate (multiple locations). The process will be changed internally once the drop offs are made.

#### **New Incoming Donation Process**

We suggest that GWI tweak their current donation process to help streamline operations, reduce theft, and improve inventory accuracy. Donations will be dropped off in the back of the store just as they are now to keep donations out of sight to customers on the sales floor.

According to our in class interview, donations may be processed whenever they are gotten to, and sometimes not even at all, in which case they are loaded directly on to the storage trailer for pick up later. This updated process will have very low implementation costs and greatly improve accuracy of information and inventory levels.

GWI should adopt a more lean, JIT, donation process. All donations should be processed immediately when they arrive or as soon as available. Goodwill's entire inventory is donation based, so donations should be a very high priority. Teams of at least two, one of which must be a manager, will handle donations; this insures less room for error, and also less risk for employee theft.

One person will tag the clothes with already printed/sorted tags printed (from the Counterpoint software and new categorization process) and hand it to the second employee, who will input the item into the computer by scanning it and placing it in the appropriate location. This could include storage in the back where it will be shelved according to product category or immediately out on the floor if that specific category is below minimum inventory levels. By tagging and scanning all incoming donations before sorting, the computer will be able to immediately tell employees where the item belongs and what inventory levels look like for that particular department.

This process would not require hiring any more employees, only re-training current employees with simple instructions. The only hardware necessary would be a second register or computer with an attached barcode scanner, which would be located in the warehouse so that scanning the product would not require transporting it through the store away from the receiving doors. Products can also be entered manually if a bar code scanner is not present or costs too much to purchase, although this will greatly slow down the process.

## **Ordering**

Every time donations are received and immediately input into the computer, the employee will see a snapshot of current inventory levels on the sales floor. This is will be a “mini order” from the sales floor telling the employee, which of the current donations need to be stored in the back, put on the floor, put in the trailer for pick-up from DC, or what needs ordered from the Grand Rapids warehouse.

Any items needed to be ordered from the regional warehouse can simply be viewed by bringing up current inventory levels at the end of the day, week, or month and then identifying which product categories are dangerously low and haven't been meeting minimum donation requirements. The minimum donation requirements will be calculated for each product category and will be compiled from a number of manger specified variables. These will include the demand for that product category, the incoming supply for that category, and many others like seasons, economy, etc.

If the actual level of donations does not meet the minimum required donations for that product category and time period, the manager can submit an order electronically to the Grand Rapids warehouse. This entire process can also be automated for streamlining purposes. Counterpoint can automatically calculate the minimum required donation levels for all product categories during specified time periods (weekly to compliment transportation mgt. strategy) and prepare an electronic order for approval from management. If the order is big enough the manager can click submit to complete the order for their weekly delivery.

## **D. Purchasing Strategy**

The purchasing strategy for the Mt. Pleasant Goodwill currently involves using a corporately issued credit card that is used when the purchase of store supplies is needed. Types of items that would fall into this purchased store supply category are: paper, pens, computers, envelopes, etc.

“Goodwill spent approximately \$1.7 billion on products and services for their retail locations...” (Goodwill, 1). This investment is large and very important for the efficiency of everyday retail level store operations.

The store manager, Kat, currently uses her own truck and drives to the Staples store approximately a mile South on Mission St. and purchases and brings the purchased materials back to the Goodwill location. This is a cost effective means for the Goodwill location to transport the goods as they are only really being charged the store manager’s hourly wage to get the goods shipped from Staples to Goodwill. Changing this process was the original intent but after moving our store the new location, which will be discussed in the network design section, we’ve decided to continue to use Staples as the supplier of the purchased materials.

The suggested available building is located in the same plaza as Staples and the buildings are actually attached. This means that rather than requiring the manager to drive her own vehicle to pick up the goods, she can merely walk next door and purchase the necessary supplies. These materials can then be put into a Staples shopping cart and taken directly next door. This new ease of process will allow Goodwill to save on the opportunity cost that they incur when paying the hourly wage to the manager to go pick up the goods from their current location since the time will be cut at least in half.

## **E. Inventory Management**

Goodwill is a business that generates all of its “revenue” (still considered non-profit organization) based upon inventory sales. This is the reason that maintaining an efficient inventory management system for Goodwill is a must. A couple of difficulties arise when trying to manage inventory within a donation-based business like Goodwill. Almost the entire inventory that Goodwill receives is donated to them by individuals in the community; Goodwill

is forced to rely on the community for its entire inventory as well as all of the selling of its inventory.

Focusing on the organization of current inventory and developing a structure for receiving and allocating donated inventory is a priority for Goodwill. Departmentalizing the stores, at a retail level, would help the company organize its stock and manage inter-store transfers/ selling. This system initially would have to be a pretty simple one, after it is implemented continuous improvement and learning through practice would allow for increased efficiency. Possibly breaking the store into men's and women's departments and then breaking it down further based upon item for clothing. Furniture and store appliance would also be separate. The store is currently separeated on the sales floor for shopping ease by category but the inventory is not logged into POS software in SKU format to keep any form of inventory counts for different types of goods.

For example men's shirts would be one department, men's pants; women's pants another, etc. This initial act of departmentalizing would give more clear boundaries within the clothing lines that Goodwill carries and allow them to keep better track of their current stock and needs.

After developing a way of categorizing their items within the Mt. Pleasant store, the next concern dealing with inventory management takes a look at the actual capturing and receiving of donations. Sorting the goods into separate gaylords by assigned department will help keep track of inventory as well. This will also ensure that there are no excess jeans (for example) at the bottom of a gaylord that no one knows about resulting in lost sales and decreased customer satisfaction.

The new store location, which is discussed in the next section, is larger than the current store

and therefore will have additional space for storage in the warehouse. The warehouse will not have the inconvenient L- shape that the current one has and will be taller. This additional height will allow for storage racks to be placed lining the walls. These storage racks will be labeled and have gaylords on them holding the different departments. This is a much more effective way of warehousing than they current have and is only made possible by the increased size and faster donation processing times made possible by the new Counterpoint POS software.

## **F. Network Design**

### **Network Analysis**

GWI's current design, for the Grand Rapids network, consists of 9 counties, with 10 trucks available for operational purposes with 13 retail stores and 1 outlet center. Since store locations serve as prime contact points with customers, as well as drop-off locations, we believe that no stores should be shut down as of right now. Stores should always be located in the most high-traffic areas in cities that are easily accessible, highly visible, as well as being near residential areas to help make it convenient for clients by keeping travel to a minimum to drop off goods. Though some logic could suggest the store here in Mt. Pleasant be relocated to a new network, rather than make a change such as that, we purpose a store relocation of the Mt. Pleasant location, which will help restructure the way this location current operates.

The current GWI facility in Mt. Pleasant is not tailored for their specific needs. This was an issue that was touched on a couple of times by Kat during her meeting with our MKT 432 class. The lack of customization and space results in a major issue for the store and makes daily operations difficult. In another personal interview with Goodwill management, they estimated their current building size is roughly 1,100 square feet, which upon further analysis proved to quite an unrealistic estimate; however we compared the floor space with that of our newly purposed location, and figured a more exact estimate would be between 7,500-9,000 square feet

(8,250 sq. ft. is the size we used in our calculations). Since space has been deemed as a large issue for the retailer, a new store location would serve as an ideal modification to their current network, as well as benefit the retailer in many other ways.

### **New Design**

Before deciding to build a new store for GWI in the Mt. Pleasant area we decided to look for current buildings that could be rented or bought and then converted into the new store which would be more cost effective than building new. After searching out potential real estate properties in the area, an intriguing location presented itself that seemed to fit well overall with Goodwill's daily operating needs. A 15,400 square foot location in Mt. Pleasant is currently up for lease, which would be ideal for the new location. The property manager, Robert Cohom, quoted to us the monthly rent of this location at \$10,000 per month. Since we were not able to obtain a figure on current leasing prices of the Goodwill store here in town due to an authorization limitation, we are not able to compare new leasing prices with that of current leasing prices. However, other financial areas are indeed impacted greatly.

The new location, which was the previous JoAnn Fabrics retail store attached to Dunham's Sporting goods on Mission St., would increase the overall size of the store by roughly 7,150 square feet (15,400 – 8,250), a 86.7% increase in total square footage from their current store size. The added space would serve well for interior and exterior functions for the business. The new facility will do a lot for the Mt. Pleasant retailer by allowing for employees and managers to be more in-control of their operations, as well as being much more flexible as a business. Some featured amenities of the new location include:

- Addition of a loading dock (necessity)
  - increase loading/unloading speed
- Added retail space (86.7% increase in store size)
- Addition of a custom warehouse
- Added parking area for customers

With the addition of the new location, incoming shipments from Grand Rapids could be lowered from three times per week on average, to one shipment per week. This could be achieved because the more space available could allow the store to hold more of the donations, rather than needing a truck to come from Grand Rapids to pick up the excess goods three times per week, which is how many times they currently make the trip from Grand Rapids. One other essential piece of equipment needed for the store in Mt. Pleasant is a boxed truck on-site at all times, aside from the trailer left there at their current facility picked up by the driver from Grand Rapids (explained further in the transportation section).

### **Warehouse**

According to GWI, every three weeks, half of their current inventory is cleared and the sellable items are transported to the outlet center, while non-sellable items are sold as salvage or recycled. Another great advantage, to help better manage inventory, the new facility has to offer for the company is that it would allow for GWI to build an in-house warehouse, with the expanded floor space. With the addition of a wall to the back portion of the building to section off the store, a 3,850 square foot room could be built to help hold the large amounts of donations during the Christmas season, as well as at the end of the school year (May), when student donations are at its highest point.

The warehouse would also be where the donations from the drop-off locations (explained in the transportation section) would be held as well until they could be sorted and placed on the floor or sent to the outlet center if needed. A combination of the store re-categorization, the

improved donation process, software implementation, and added store space, will all help improve product turnover, ultimately lowering the overall number of excess goods in the store.

### **Donation Location(s)**

One main issue Kat was expressing to us in our interview with her was how congested the donation process can be during certain times of the year when donations are more popular (December and may especially in the Mt. Pleasant area). To help better manage the flow of products and donators into the store, drop-off boxes will be placed on two opposite ends of Mt. Pleasant. The location of these drop-boxes will be in the parking lot of Meijer and Wal-Mart, the areas two largest retailers.

These locations see a high amount of traffic, along with the fact that people can take clothes and other items to the store, drop them off, and go in and purchase other goods. These two locations would also be located in high automobile traffic areas as they are at the point of freeway entrance to go North or South on 127. This process will be easier on the customer since many people in the area, as well as from surrounding cities, shop at Meijer and Wal-Mart already so this will mean they won't have to make a special trip to the store to drop off donations. Also, if customers want to drop off donations after store hours, these locations will add convenience in that respect as well.

The new network design was created to help decrease the number of overall trips needed from Grand Rapids, as well as make donations easier, and have an overall cost impact on the bottom line. With the new store location, warehouse built in-store, useable box truck on-site, and drop-off locations set up in high traffic areas, the Mt. Pleasant Goodwill should be able to offer exceptional product offerings, as well have a better control on current inventory, which are positive steps in achieving higher levels of customer satisfaction. The new location is also more visible since it is located in a bigger plaza with stores like Dunham's Sporting Goods, K-Mart,

Stapled, and JC Penney which will help bring customers to the store as well. These companies are far bigger and have a much larger customer base than the pet shop and pharmacy that are the companies occupying the current store location plaza.

## **G. Transportation Management**

Transportation needs for the Mt. Pleasant retail location (such as picking up a couch from a donator's location) has been done solely by the use of a current employee's pick-up truck. This method can be an unreliable source for the company at times of emergency or other uses for that matter, as well as the pure burden that this method puts on the employee. A box truck available for full-time use for the store is necessary to our network design, in-order to carry out all necessary functions of the business to take the responsibility off the employee to use their own vehicle and increase ease of transport.

To help cater to the needs of the Mt. Pleasant location, a new box-truck is needed to help complete the daily tasks and chores. We priced out a used, sixteen foot 2007 GMC G33903 HICUBE (right) with 80,000 miles, which is for sale for \$13,000. The newly purchased truck will be used in the following areas for daily operational purposes:

- Picking up donations from drop-off locations
- Station truck on CMU campus at the end of semester(s) to take donations
- Available for customers who need more hauling capacity for a donation
  - (An appointment and personal information will be mandatory).
- Coordinated between churches/organizations for special donation purposes and/or events.

### **Cost Benefits**

A truck is currently sent three times per week from Grand Rapids to the Mt. Pleasant retail location, which is roughly 170 miles round trip. That route, when ran three times per week,

is 510 miles. As of November 29, 2010, etrucker.com, which provides a per gallon average of diesel fuel prices five days a week from over 9,600 truck stops nationwide, listed the average price of diesel per gallon at \$3.186 in Michigan. The total current fuel cost, 510 miles multiplied by the Michigan diesel average per gallon (3.186), is roughly \$1,624.86 per week spent on diesel to pick up excess goods from Mt. Pleasant. The decrease in number of round-trips from Grand Rapids to Mt. Pleasant by the truck driver from three to one trips, would lower the overall total miles put on by the semi-driver by 340 miles per week, which would lower the weekly fuel cost from \$1,624.86 to \$541.62, a weekly savings of \$1,083.24. Over a year's time, the cost impacts will be extremely beneficial, and will allow for Goodwill to expand operations in other aspects of the business, as well as help justify some of the new costs incurred from restructuring the network and the way GWI is conducting business.

#### **H. Disposition/Recycling Plans**

When donations come to the store, employees that check-in donations will know which items can and cannot be donated, creating a preliminary screening process. GWI, with the Counterpoint software in-place we purposed, GWI will be able to know which items, and which categories of items, are selling and which aren't selling. Information obtained from the software will allow management to better assess which types of items to stock and which types of items not to stock and to compare that to seasonality and demand effects.

With the added space from our new store location, a section will be designated for clearance items, which will consist of products that have been sitting on the shelves the longest, (employing FIFO strategy) which items are seasonally popular (Christmas/seasonal items), and whatever other items management feels necessary to put on clearance, creating essentially what could be considered as another outlet center to the network. If certain products completely fail to

sell in the store, the items will then be sent from clearance and either given away to a local source for consumption, or to the storage truck out back, to be picked up by the driver, and taken back to Grand Rapids to be dealt with further. Items could also be sent from other stores as well from Grand Rapids or any other retail store, if needed.

Another potential area for recycling products from the store that don't sell would be to give goods to churches and other organizations. Certain activities that would directly deal with recycling are as follows:

- Donate clothing/items to churches for plays/crop walks/Christmas caroling and other related functions.
- Donate clothing/items to local shelters/soup kitchens
- Donate clothing/items to local schools for plays/décor

With GWI able to give things away to those in need, and selling products on clearance, it allows for products to have a “second-chance” so to speak, by keeping tons of perfectly-useable consumer goods out of landfills. By doing this, it ultimately reduces Goodwill's carbon footprint, which is the focus of sustainability. This combined with having a cardboard and paper recyclable receptacle in the rear of the store next to the regular trash bin will help Goodwill employ recycling to stay consistent with today's “green” trends.

## I. Security and Contingency Planning

Every company must develop a contingency plan that is intended to secure the business when a crisis or disaster arises. Goodwill is no exception. When taking a look at donation security the first priority for GWI is to ensure the safety of their employees and merchandise. One way this can be aided would be by making sure that when the back/ receiving doors are open, there are always two workers present. This policy would allow for a sort of watchdog approach to security making it difficult for any donated items or goods to be taken out of the store without being purchased.



Employee theft is a large cause of loss in most retail businesses and it is safe to assume that it is also an issue at GWI. The two-employee approach would also ensure the safety of the worker and even expedite the donation process for larger donations. Yet possibly the most important aspect of security is in the implementation. All employees should be properly trained and informed of all new procedures and required to know company protocol in order to promote proper practices.

In the case that buyers just quit buying, marketing will have to step up its game and align current merchandise with discounts and incentives to help drive buyers in. In the event that a store just completely fails as a retail store and buyers just quit coming, that store could be turned into a pure donation center that only receives goods. This is an extreme approach and may only be temporary until a better solution could be developed. As mentioned above, moving into the new building located in the plaza with Dunham's, Staples, K-Mart and JC Penney will increase traffic flow; as well as, Goodwill store visibility for the customer and should eliminate some of the threat of drastic decreases in demand.

In the case that donations cease, Goodwill has a little more wiggle room and means of control than if buyers just stop buying. Merchandise that has been recycled or sent to the relocation warehouse will be employed using strategic forecasts to align with need. Help from other stores in the region that are receiving surplus donations will also need to be employed. Increasing the number of donation receptacles and outreaching to the public for donations through the use of radio advertisements, newspaper, and online posting could also be a tool to help spark donations once again.

## **IV. Financial Justification**

### **Balance sheet**

In the appendix you will find a balance sheet for Goodwill Greater Grand Rapids Region from 2009 along with our projected figures for 2011. Our projections are based on a combination of Goodwill's past figures over the last 9 years, plus our additional costs and projections from our logistics objectives. As you can see, our projected net assets have increased about \$160,000. Respectively, our sales were up almost \$500,000 (based on our projected 7.5% increase from improvements). Expenses climbed about \$3 million dollars due to higher development costs from the new store and other expenses from our logistics objectives. In conclusion, we felt our projected balance sheet is in line with Goodwill's average trends over the past 9 years. (goodwill, 1).

### **EVA**

First, we calculated Goodwill's current EVA to the best of our abilities using averages over the past 9 years plus our additional costs of our objectives to project 2011's figures. After analyzing the EVA calculators provided in the appendix, we concluded that our new EVA, while

still negative, is better than their current figures. This indicates that our logistics objectives are a worthwhile investment and helps Goodwill add value to their processes.

### **SPM**

We calculated Goodwill's return on net worth for the current year and projected it for 2011 (as seen in appendix) to give us an idea of the return on stockholder's equity. While our 2011 RONW was still negative, it was slightly less negative than years past. This indicates that our logistics objectives are improvements, although very little. This is mostly due to the fact that our objectives come with relatively high initial costs.

## **V. Logistics Strategy Impact/ Conclusion**

Goodwill is a non-profit organization that does a great deal for the communities in which it serves. After taking a look at the GWI store in Mt. Pleasant, MI and the Grand Rapids network that it resides in, our team developed a logistics strategy to outline possible improvements and changes to benefit the Mt. Pleasant store and inevitably the communities it serves. Some of the above recommendations included: moving the store location, implementing a new POS software program, changing the way inventory is stored in the Mt. Pleasant store warehouse, purchasing a 16 foot box truck for Mt. Pleasant store use, and adjusting security protocols and contingency plans.

### **Store Move**

Moving the store location to 2125 South Mission Street, will have a number of positive benefits for the GWI Grand Rapids region and more specifically the Mt. Pleasant store location. The first, and possibly most important, impact that this move will result in is a larger store that has an interior design that can be custom fit to accommodate the daily needs that a GWI store needs to perform more efficiently.

The store will require a wall to be put in place as there isn't a current divided warehouse in the store. This warehouse will be much bigger than the current warehouse and will allow for donations to be stored in departmentalized locations to allow for simplicity and increased visibility of inventory. A loading dock is also located in the rear of the store which provides an easier means of loading and unloading corporate deliveries and pick-ups than the current situation allows for. The new store location is in a plaza that is much bigger and surrounded by businesses like Dunham's Sporting Goods, JC Penney, K-Mart, GNC, and Staples making the Goodwill much more visible to potential donors and consumers that frequent this plaza. Having a truck purchased for specific uses needed for the Mt. Pleasant store will allow a means to transport larger donations to store and also can be used to pick up from the two new recommended donation receptacles located at the north and south ends of town. The truck can also be left on campus for donation purposes during move in and move out times for CMU students which should increase donations immensely.

### **New Software**

The new POS software that is recommended, Counterpoint SPL, is a form of inventory management, supply/ demand forecasting, and order management tool that has been used in other GWI regions. The software will allow for an easier view at past buying trends and donation trends for particular times and seasons. This will allow GWI to recognize times when marketing and other functions may have to pick up slack to increase donations or even allow insight into which days tend to be busier and help in the scheduling of in store employees.

Inventory will receive barcodes which will allow them to be more specifically departmentalized and stored increasing donation processing efficiency and speed; as well as, increase customer satisfaction by allowing donations to get out of the backroom and to the sales

floor to be available for purchase. Stock-outs will decrease which are a large contributor to lost sales for retail companies and GWI is no exception.

### **Security**

Some of the changes to security protocol include: requiring two people to receive donations and management key to the warehouse door. This will eliminate a large portion of internal shrink, (employee theft) and promote employee safety. This is an aspect that is very important to GWI as employee comfort and feeling of family is a key to continuing the success of the company. Marketing and donation coupon incentives will serve as contingency plans involved with answering issues like buyer and donator volume issues. This will help in handling come of the complexities that arise from being a business that relies entirely on donations which is an interesting dynamic to deal with for any business. Overall the above recommendations will allow GWI to improve its supply chain on a micro level (Mt. Pleasant store) and experiment with strategy that may be able to be implemented in other regions outside of the Grand Rapids network. Inventory visibility and better management of donations will lead to increased sales and benefit not only GWI but also the communities it serves.

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Appendix I.

## BALANCE SHEET

### Goodwill Industries

	2009	2011
Assets	\$16,281,776	\$18,541,776
Liabilities	\$10,257,232	\$12,357,232
<b>NET ASSETS</b>	<b>\$6,024,544</b>	<b>\$6,184,544</b>
<b>Retail and Salvage Sales</b>	<b>\$14,336,697</b>	<b>\$14,843,995</b>
<b>EXPENSES</b>		
Program Expenses	\$23,954,555	\$26,422,240
General and Administrative	\$3,542,981	\$4,115,172
Development	\$97,352	\$268,985
<b>TOTAL EXPENSES</b>	<b>\$27,594,888</b>	<b>\$30,806,397</b>

## Appendix II.

### *Current SPM*

Sales						
11961912	Gross Margin					
COGS	11961912	Net Profit				
0		-15632976	NET PROFIT MARGIN			
Variable Expenses			-1.306896088			
3640333	Total Expenses					
Fixed Expenses	27594888	Sales		RETURN ON ASSETS	FIN LEVERAGE	RONW
23954555	Income tax	11961912		-1.020236084	1.7	-1.734401343
Inventory	0	Sales				
204196		11961912	ASSET TURNOVER			
Acct. Receivable	Current Asset		0.780655856			
847855	1218959.5	Total Assets				
Other Current Assets	Fixed Assets	15322900.5				
166908.5	14103941					

### *New SPM*

Sales						
<b>11961912</b>	Gross Margin					
COGS	<b>11961912</b>	Net Profit				
<b>0</b>		<b>-16184873</b>	NET PROFIT MARGIN			
Variable Expenses			<b>-1.35303</b>			
<b>35331123</b>	Total Expenses					
Fixed Expenses	<b>28146785</b>	Sales		RETURN ON ASSETS	FIN LEVERAGE	RONW
<b>24433646</b>	Income tax	<b>11961912</b>		<b>-1.055</b>	<b>1.7</b>	<b>-1.7927067</b>
Inventory	<b>0</b>	Sales				
<b>229196</b>		<b>11961912</b>	ASSET TURNOVER			
Acct. Receivable	Current Asset		<b>0.779384</b>			
<b>847855</b>	<b>1243960</b>	Total Assets				
Other Current Assets	Fixed Assets	<b>15347900.5</b>				
<b>166908.5</b>	<b>14103941</b>					

### Appendix III.

#### Current EVA

Revenue			
27455907			
		NOPAT	
		-138981	
Total Expenses			EVA
27594888			-1179927.8
		CAPITAL CHARGE	
Working Capital		1040946.8	
766727.5	coc		
	0.07		
Fixed Assets			
14103941			

#### New SPM

Revenue			
29828702			
		NOPAT	
		83814	
Total Expenses			EVA
29744888			-967282.8
		CAPITAL CHARGE	
Working Capital		1051096.8	
791728	coc		
	0.07		
Fixed Assets			
14223941			