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Habitat for Humanity and Supply Chain Management

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HONORS PROJECT

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Supply Chain Management and Habitat for Humanity  
By: Corrie Jones

Introduction

I am writing this paper for my class, HNRS 4990, in order to complete my Honors Program curriculum at Bowling Green State University. As a senior Supply Chain Management major who has been involved in Habitat for Humanity throughout my whole life, both Habitat and supply chain have become very important to me. I participated in my first Habitat build when I was seven with a group of church members, and I have dedicated myself to my supply chain studies for the last four years. I will explain the background of Habitat for Humanity, what supply chain management actually is, the mission and framework of a Habitat ReStore, the history of the Wood County Habitat ReStore project, and how the supply chain techniques I have learned in the classroom apply to real world business situations, specifically how I have applied them in the not-for-profit sector with the example of the Wood County Habitat for Humanity ReStore.

Purpose

I chose this major and this paper subject because supply chain is an integral part of business. Within Habitat for Humanity’s not-for-profit business model, they can benefit greatly from improving their supply chain management. The not-for-profit business model does not mean that these companies and organizations do not make a profit. They are just different in the way they use this profit. In Habitat for Humanity’s case, any profit they make is used for two main things: paid out in salaries, offices, warehouses; or put towards the next Habitat build. This way, the organization does not have a net profit at the end of the fiscal year. Using ideas and techniques I have learned in my past four years here at Bowling Green State University, I believe I can be beneficial in helping to complete their goals for the next three years and beyond, which I will explain later.

In order to understand my passion for these two subject matters, Habitat and supply chain, I should explain a little about my personal background. I came to BGSU as an Honors Freshman Business Undecided major. I knew I wanted to be in business because I find it fascinating. Business is always changing and evolving, and there is always something new to learn. However, the only exposure I had to business in high school was a semester-long
accounting class I had taken. So my sophomore year in college I decided to go ahead and try out accounting. After the first couple of courses, I realized it was not for me. I went to my academic advisor and explained what I thought was a terrifying situation; I was an almost-junior in college with no idea what I wanted to do with my life. My advisor asked me to explain what I liked about accounting, which was the math and structured organization of it. She then asked what I disliked, which was a lack of complex problem solving, teamwork, and interpersonal communication for me. She then recommended I try out Supply Chain Management. After my first two classes, I was hooked. It had the math and numbers I loved, but was complex and ever-changing. It involved teamwork and constant interaction with both suppliers and customers. I realized that with supply chain, you can do anything. Almost all aspects of business are supply chain related. So now that I had a major I loved, I wanted to apply it to something I loved. In the next section, I will explain more about this major.

Supply Chain

Simply put, supply chain management is the study of how to take raw materials and turn them into a finished good or service, then deliver that good or service to the end user. The goal is to do this as efficiently and effectively as possible. In for-profit business, the main goal is usually to make money. This means the main functions of the supply chain are to reduce costs in some areas, or to add value to the end product without adding any costs. By reducing costs, you are left with a larger profit at the end. This structure is very similar in not-for-profit businesses, such as Habitat for Humanity. Supply chain techniques can still be used to reduce costs in the same way. Except now, instead of those cost savings going straight to the bottom line to be reported as increased profit, they are invested directly into another part of the business. This could be overhead costs of offices or warehouses. They could also use these cost savings to reinvest is some part of the company or to buy more capital materials. Habitat generally uses these cost savings to buy direct materials for the next Habitat build in that county. Supply chain management, as well as all other business techniques, can be extremely influential in a not-for-profit business model. Now I will explain more about the not-for-profit I love and have decided to focus on in this paper, Habitat for Humanity.
Habitat for Humanity

Habitat for Humanity is an international not-for-profit organization which aims to provide affordable housing for those lacking a suitable shelter. Since 1976, Habitat has provided over 600,000 houses and has helped more than 3 million people worldwide (www.habitat.org). Habitat is mainly based on work done by volunteers. There is a loosely structured business strategy which guides the efforts. In order to expand and be more successful, Habitat needs to focus on continually improving their strategy and keeping all areas of the organization aligned with it. By focusing on supply chain management, Habitat can be more effective and help even more people in need.

Early Volunteer Efforts

I have volunteered with Habitat through my church for many years. I went on my first build with my youth group at seven years old. They had us sorting nails, sweeping floors, and cleaning windows. I have since volunteered on five different build sites. I think it is amazing that a group of people who desire to have a positive impact on their community, most with little to no building experience, can come together to build a house for complete strangers. There is something extremely fulfilling about putting work in and being able to see the finished product at the end. Completing homework assignments or tasks on a computer can be rewarding, but it does not compare to how accomplished you feel after you complete a tangible achievement, like spending five hours putting a roof on a house. This is what gives me such a strong connection to Habitat.

Classroom Efforts

In the fall of 2011, I took a Management class titled Organizational Behavior (MGMT 3600). In this class, we were required to get into groups and do a service-learning project. Since the class was made up of all different business majors, we were challenged to apply our individual specialized skills to whatever project we decided to do. Our group went to the Volunteer Fair that semester and talked to a few different organizations seeking help. Habitat really struck a chord with all of us. I was initially drawn to Habitat because of my previous history with them. The woman at the Volunteer Fair was so receptive and was really interested in finding ways we could work together while still applying our specific knowledge bases. The big project Habitat was focused on at the time, and is still focused on, was opening the Wood
County ReStore. We believed Habitat offered us the greatest opportunity to help, and therefore chose to work with them.

During my group’s work that semester, which I will discuss later, we were able to see a warehouse completely transform from a vacant, useless space to a functional and profitable space. We volunteered a handful of weekdays and quite a few Saturdays to do some manual labor in order to get the warehouse in functioning order. We also used our marketing, accounting, supply chain, and general business knowledge to help get the ReStore off the ground and worked towards its initial opening. We had started the project with the initial goal of getting a good grade in our academic class, but it turned into a personal passion of a few group members to see the project through. At the end of our project, we were asked to give interviews about our work to a woman who was interested in creating a story for the BGSU TV station. We were also nominated for and won the 2011 Service-Learning Project Award for our outstanding service.

Internship Efforts

I also was fortunate enough to have an internship with Owens Corning (OC) in Toledo, Ohio over the summer of 2012. I was surprised to see the focus that Owens Corning puts on the Lucas County chapter Habitat. During multiple days, the interns were released from work to volunteer at the local Habitat build site. Every summer, Owens Corning sponsors a build which is completely provided for by OC. They provide the wood, insulation, roofing, and volunteer labor for the entire house. It was a great experience to continue my passion for volunteering for Habitat, and even better to work for a company who shared my passion. It was a perfect fit. Now that I have explained why I have a passion for Habitat, and subsequently why I chose to partner with them for my Honors Project, I will explain what the Habitat ReStore project actually is.

Functions of a ReStore

The mission of a ReStore is to further the ministry of Habitat by providing additional funding through the sale of merchandise so that the local chapter can help more families build, renovate, or repair their homes. They sell new and gently used donated goods from manufacturers, distributors, dealers, and individuals to the surrounding community. Most of the items Habitat focuses on are furniture, home accessories, building materials, and appliances. This merchandise is sold at a reduced rate so lower income families can afford to do some home
renovations, and it encourages community members to stop by the local ReStore to look for what they need before they go to a Lowes or Home Depot.

In order to have a branded ReStore, a Habitat chapter must submit a business plan to Habitat International and it must be approved. This includes having a location zoned for retail where they can sell their merchandise. The Habitat chapter must also be in good standing with all of its builds and mortgage loans to those families. Until all of these guidelines are met, a chapter cannot call their space a ReStore and cannot use and ReStore signage to promote their space.

History of Habitat ReStore Project

When my MGMT 3600 group and I started to volunteer for Habitat in fall 2011, the Wood County chapter was just beginning to conceptualize their ReStore. The reasons were as follows. First, as previously stated, a ReStore is a place for people to come and purchase building materials and house wares at an inexpensive price. Many county Habitat chapters are beginning to introduce these into their overall business strategies because they are a source of revenue which can be used to have more builds in that county and help more people. Second, ReStores are a way to get Habitat front and center in people’s minds. Normally, people only think of Habitat when there is a build in their area. Once volunteers have completed a build in their area, they have a tendency to forget about Habitat. These ReStores are a way to keep Habitat in mind. Third, when people have around-the-house projects, the goal is that they will consider Habitat as a source of building materials. This in turn creates more loyalty and support of the local Habitat chapter. Knowing all the great things which can happen from starting a ReStore, Wood County Habitat began to get started.

At this point, Habitat had just rented an old potato chip factory, located on Napoleon Road in Bowling Green, at a low rate. They were planning to use this location as the warehouse to store all of their donations before taking them to the ReStore to be sold. There was no electricity in the warehouse, and it was full of garbage. My group had to sign waivers before we could even enter the building. Initially, we spent most of our time helping to clean out the warehouse. We moved stuff out to the dumpsters, swept floors, and tried to organize the old offices. After a few weeks, electricity was installed, a wall was knocked down to open up the
space, and the inside of the building was repainted. At that point, Habitat was ready to start taking in donations.

You cannot make money if you have nothing to sell. So for an hour every other Saturday morning, community members would come to the warehouse and donate building materials and house wares. People brought in half-used cans of paint, doors, and old appliances. Then companies such as Lowes and Home Depot started to call and say that they had excess or slightly damaged inventory we could come and pick up. The biggest donation Habitat had during that time was from the Wood County Hospital. The Hospital was renovating a wing of their hospital and wanted to donate items such as the old light fixtures, doors, cabinets, and countertops. My group was in charge of recording all of the donations and reporting back to the hospital so they could receive the tax benefits of their donation. Another large donation came from BGSU when they began to tear down and renovate some of their residence halls. From that, Habitat received tons of dorm room furniture. Once Habitat had received all of these donations, my group volunteered to categorize these numerous inventory items.

To keep track of what Habitat had collected, my group created an inventory system and separated the items into different categories using that system. We created a spreadsheet which listed the different product categories and the number we assigned to them. We were then able to use small sales tags on which to write the correlating category number, then put the tag on the product. Using this system, we moved some of the larger household items into the back room, and brought many of the smaller building materials into the front room. This helped to organize the entire warehouse, making it easier to walk around and see the different products which had been donated. The purpose of this exercise was so we could report back to Habitat and tell them what they actually had to in the warehouse, and therefore what they had the potential to sell. It also provided them information on how much space they had left in the warehouse. From these two large donations (i.e. the Wood County Hospital and BGSU), the warehouse was almost full. The next step was to find a suitable place for a ReStore so we could begin to sell the items. This would start Habitat’s revenue stream and help clear out the warehouse to make room for more donations. By the end of the semester, Habitat had rented a small, vacant store front in a local mall on Saturdays. They would take a few van loads of what my group determined as the most
sellable items to the store and try to generate some revenue. As I will describe below, this was proving to be rather ineffective for the amount of volunteer labor it required.

**Current Progress of the Habitat ReStore Project**

As of spring 2013, Habitat is in what they call “garage sale mode”. This means they sell a few items out of their warehouse on Saturdays. It is fairly simple and run more like someone’s yard sale than a professionally run store. This is because they do not yet have an official ReStore. They are focusing on devising a business plan to submit to Habitat International for approval in order to be an officially registered ReStore. The warehouse where they store their items remains in its original location. With more volunteer support, they now accept donations every Saturday morning at that warehouse.

Another big development is that they are now allowed to sell merchandise from that warehouse for a limited time. This has been mildly successful because as people come in to drop off their donations, they can peruse the other merchandise for sale. They also still sell goods out of Bowling Green mall.

A few of the volunteers have visited local branded ReStores in order to get some insight into how they started and where they are now. For example, Lucas County has a thriving ReStore. Wood County Habitat is looking to model their store off of the Lucas County one. They have been able to go in a actually look at how their store is set up and ask questions about how to solve some of the problems associated with getting started. This has been helpful in giving the Wood County Habitat something to work off of and a goal to work towards.

**Future Goals of the Habitat ReStore Project**

The main three goals for the next three years are as follows: 1.) Formulate a business plan; 2.) Raise $50,000 in capital; and 3.) Find a location for the official ReStore. These goals must be accomplished in order for the Wood County Habitat to become an officially registered ReStore. Wood County Habitat hopes to be officially branded by 2015. Once the ReStore is in place, they will be able to establish processes to make operations more efficient. In the mean time, they hope to work on some smaller internal projects as well in order to prepare for the upcoming ReStore, which I will now discuss.
While waiting for the official branding of the ReStore, Wood County Habitat is doing many other things to prepare. They are looking for a part-time warehouse manager so the inventory can be better organized and managed. That position will be able to process more inventory items and have oversight over the warehouse. Right now, it is somewhat difficult to stay updated on happenings within the warehouse since different volunteers are there on different days, and there is little consistency.

They also hope to come up with a point of sales system to better track their weekend sales. This would be much more efficient than having multiple people making sales and having them each record their sales in a notebook. This leads to unorganized record keeping and the notebook smudges over time. Habitat is also looking to compile a list of items they have too much of as it is. This includes current items like doors, toilets, and light fixtures. With such a small amount of room in the warehouse, they cannot afford the space these excess items take up. Another problem is volunteers accepting items Habitat cannot resell. This includes upholstery items and chemicals. After volunteering with Habitat during fall of 2011, I realized that with my classroom knowledge from BGSU, I believe I can help Habitat to complete some of these goals.

**How Supply Chain Directly Influences a ReStore**

By focusing on their supply chain, Habitat can become more efficient and effective in the way they receive and sell goods. By evaluating their suppliers, customer service, and volunteers, as well as looking at how they store their inventory and make sales, Habitat can generate more revenue. Ultimately, this revenue will allow them to increase the number of builds in their area and help more people.

**Suppliers**

In supply chain, it is important to have many different potential sources of supply. The ReStore can only be profitable if there are available goods to sell when customers come in. Habitat has two large donors right now. The Wood County Hospital is only a temporary supplier because they are currently renovating. Once they are done, there will be fewer donations from them. The other big source is BGSU residence halls, which are also being renovated. These donations should continue more steadily because there are so many halls and buildings on campus. BGSU as a whole is trying to freshen up their look in order to attract more potential
students, which means donations should remain high for awhile. As one area is done, they move on to the next one. This is an advantage of having a college in the county of your ReStore. In addition to these two main donors, Wood County Habitat is supplied by local building material stores such as Lowes and Home Depot. If one of these major retailers has extra product, returned product, or damaged product, they might offer it to Habitat. Community members also donate to Habitat, but these donations are usually relatively small items, such as cans of paint or leftover fencing.

A major issue right now is that Habitat cannot accept donations at all times because they are so low staffed. People can only bring in donations when someone is at the ReStore to receive them and inventory them. A lack of volunteers means shorter windows in which people can come to donate.

Another issue is that they lack a designated van to pick up the donated items, so sometimes the volunteers must use their personal vehicles in order to retrieve the goods from different suppliers. This is fairly inefficient and can sometimes keep larger donations from being picked up. Once they have a branded ReStore, they hope to get a dedicated van which can then always be available for pick-ups. Increasing amount of donations picked up will increase the amount of items available for sale, thereby increasing revenue.

**Customer Service**

Having the ReStore open would require a volunteer to be there at all times. Ideally, Habitat would like to have their ReStore open for more than a couple hours every Saturday. By partnering with the local BGSU student chapter of Habitat for Humanity, it may be easier to get volunteers. There are also many other student groups on campus that require their members to complete a certain number of community service hours, especially in Fraternity and Sorority Life. By having the more volunteer, the ReStore could be open for more hours. This would give shoppers more time to come in and look around. For people who do house or yard work at a time other than Saturday morning, the ReStore may not be open when they need an item. Having the store open more often would also cause customers to frequent the store more often. However, there may be some issues which arise when an organization increases their necessary number of volunteers.
Volunteers

In order to better the customer service Habitat offers, Habitat needs to increase the number of volunteers. However, this presents a problem. You cannot put anyone in any volunteer job. They may not have the abilities or skills to do that job. Different people are naturally better at different things. Some volunteers may be better at stocking shelves or taking money, while as other volunteers may be better at helping customers find what they need in the store. It may be beneficial to screen volunteers before placing them in a job. All new volunteers will need to receive some sort of training. The more volunteers you need, the more time you must spend training them. This is especially true when there is high turnover in volunteers. For example, if Habitat utilized more BGSU student volunteers, that population would have quite a bit of turnover with new students coming in to volunteer every week. It would be beneficial to Habitat to have some sort of process to train all of the new volunteers so they can do their job safely and accurately, no matter what role they are filling. They could have something as simple as a handbook or a video explaining Habitat and the specific volunteer role they will be performing. Long-time volunteers could take some sort of class which explains more about the volunteer work they do and how to improve.

A current issue at the Wood County Habitat warehouse sales is how to track incoming inventory and outgoing sales. There is not a standard way people input these numbers. Sometimes there is a laptop with a spreadsheet of all the inventory, and some days there is not. It would be extremely beneficial to have a designated laptop with all the information always on site. When it comes to selling different products, the price is generally up to the cashier. Currently, there is a paper list of suggested retail prices. However, it is very generic. For example, the list says that a door is $10, but does not differentiate between interior doors, exterior doors, or the level of wear and tear on the door. This makes pricing very subjective. The spreadsheet which tracks inventory and sales could have a price column as well, making it easier on the volunteer working with the cash register. The more process standardization there is, the easier it is to train these new volunteers. Also, the more automation you have, the less training you must go through with each of your new volunteers. The easier it is to input incoming inventory and record sales, the less training will be required to teach people how to do these jobs and the more people that will actually be able to do it.
**Inventory**

The current warehouse is separated into two different rooms. The back room is mainly made for stocking inventory. The front room is used to sell product to the public. A main deficiency in the current set up of the warehouse is that there is not enough space for their current inventory. It is hard to see what all is in the ReStore because there is so much clutter. Items have been stacked on top of each other. This makes it inefficient to put new inventory items away and pick items from shelves to sell. This is partially because there were a large amount of donations at one time that Habitat did not want to turn down, but they really did not have enough space to store all of the items. Having too much inventory can be detrimental to an organization. Holding inventory costs money in two ways; first, it costs money to rent that space where you keep your inventory; second, once your inventory is full, there is an opportunity cost for all the donations you must turn away because you do not have enough room to store them. There are additional issues with storing the inventory effectively on shelves.

Another issue is that there is very little shelving space. One wall in the front room is half filled with shelves, but there is no other shelving in either room. There is no moveable storage which allows for flexibility in the way items are stored. Most of the products for sale in the front room just sit piled on the floor. In the back room, this makes it difficult to see what items are where and to move them around. Bringing items up to eye level will make the items easier to see. Shelving can be helpful to feature some items which will sell quickly. It can also be used to separate items more clearly and create a store-type feel in the new ReStore. Customers would be able to shop in different “sections” such as kitchen, bath, and yard. The more organized the store is, the easier it will be to find the items that customers are looking for, and the most likely it is that customers will be repeat buyers because they enjoy shopping at the ReStore.

**Sales**

One of the main focuses of Habitat currently is getting a space for a ReStore which is separated from the current warehouse. Right now it is difficult because the existing warehouse is not technically zoned for sales. However, the city of Bowling Green is willing to overlook this issue for a short period of time while Habitat looks for a permanent selling location. Because of this current problem, all inventory is stored in the same area where the items are sold. Items are also being brought in for donation at the same time, and in the same place, as items are being
sold. This makes it challenging to keep track of what items are coming in, what items are going out, what you have in inventory, and what you have left on the shelves. Creating sections in the store will allow workers to better track the daily operations. Once the official ReStore is open, it can act as solely as a retail area. Hopefully this will make customers feel as if they are walking into a real, professionally done store instead of a messy warehouse.

Another aspect which will hopefully help build sales is increased marketing. Once the ReStore is officially branded by Habitat International, they will be allowed to use official Habitat ReStore marketing materials. As of now, Wood County Habitat cannot advertise an official ReStore, making it difficult to bring in customers. After they are officially branded, they can have a sign out front of the store and market the store through websites and other channels.

Conclusion

In conclusion, supply chain management is an important aspect of any business, especially not-for-profits like Habitat for Humanity. Supply chain management really does encompass everything. From the time a person decides they want to donate an item, to when someone else buys that item, to when that generated revenue is used to build another Habitat home; all of these steps are a part of the overall supply chain. The main goals of supply chain management are to analyze a strategy for how to go through this process as quickly, efficiently, and profitably as possible. By applying these ideas and theories to Habitat for Humanity, it can help them to achieve their business plan goals. In this paper, I have described my passionate connection with Habitat for Humanity. I then explained and the background and mission of Habitat, and the general framework of the Habitat ReStore. I then went into detail about the history of the Wood County Habitat’s ReStore project, and the plans Habitat has for their ReStore. I then attempted to use my classroom knowledge of supply chain management to aid Wood County Habitat for Humanity in achieving their goals. I am so lucky to have had the opportunity to apply a concept I love to a wonderful organization with which I am so passionate.