

Life beyond the sales rack

Redistribution of Excess Merchandise in the Retail Sector

Stresses & Shocks:

FINANCIAL/
ECONOMIC
CRISIS



POVERTY &
INEQUALITY



UNEMPLOYMENT



CAPE TOWN'S RESILIENCE STRATEGY

PILLAR 1:

People
Compassionate,
holistically healthy city

PILLAR 2:

Place & Space
Connected, climate
adaptive city

PILLAR 3:

Economy
Capable, job
creating city

PILLAR 4:

Disaster readiness
Collectively,
shock-ready city

PILLAR 5:

Governance
Collaborative,
forward-looking city

What is resilience?

In human terms, resilience refers to "the ability of an individual to recover from setbacks, adapt well to change and to keep going even when facing difficult circumstances". A resilient Cape Town is a compassionate, connected, and capable City, where Capetonians collaborate across households, communities and institutions, to build collective responses to the current and future social, environmental and economic challenges.

PURPOSE

A **circular economy** keeps products, components, and materials at their highest use and/or value for as long as possible. This case study, which focusses on textiles, is written to demonstrate how organisations that act as intermediaries can create economic opportunities that contribute to a circular economy in a developing country, such as South Africa.

The Clothing Bank, established in 2010 in Cape Town, is a trusted intermediary that collects excess clothing merchandise from retail partners and empowers women to become self-employed entrepreneurs that re-sell these items in their local communities.



THE CASE STUDY DISCUSSES:

- ✓ How waste can be used as a resource to drive economic growth and social upliftment.
- ✓ How intermediaries can unlock circular economy opportunities.
- ✓ How a circular economy can be emergent from addressing economic and social imperatives in a developing country context.
- ✓ How collaboration enables the organisation and partnering individuals to each have a sustainable business model.

IT IS WRITTEN FOR:

- ✓ Businesses along the textile value chain with unsold or excess garments who may want to reduce disposal liabilities and/or contribute to poverty alleviation and social upliftment.
- ✓ Not-for-profit organisations that would like to create economic opportunities with social and environmental benefits.
- ✓ Organisations wanting to understand how circular economy initiatives can be successfully implemented in a developing country context.



Key Insights

- 1 The work undertaken by The Clothing Bank is unique as it creates an opportunity from two problems: waste and poverty to be addressed simultaneously.
- 2 The Clothing Bank model demonstrates the strength in collaboration between the public and private sector.
- 3 The Clothing Bank is an example of how waste can become a resource and contribute to building a circular economy by extending the life of items that have already been made.

Challenge

RETAIL SUPPLY CHAIN

Retailers that sell clothing are generally large corporate companies. Due to several factors, such as mass production, inaccurate forecasting and economic trends, retailers have excess merchandise that is either unsold, returned by customers or items slightly damaged during trade that are not fit for sale.

In the retail segment of the textile and clothing supply chain, floor space and storage are a limited commodity and excess merchandise must be cleared quickly to allow for new stock to be displayed. Excess merchandise is also fragmented across multiple stores and locations. Ultimately, these companies would be liable for waste management and transportation fees and the cost of disposal of these items, should the stock be sent to landfill or incinerated.

SINGLE MOTHER HOUSEHOLDS

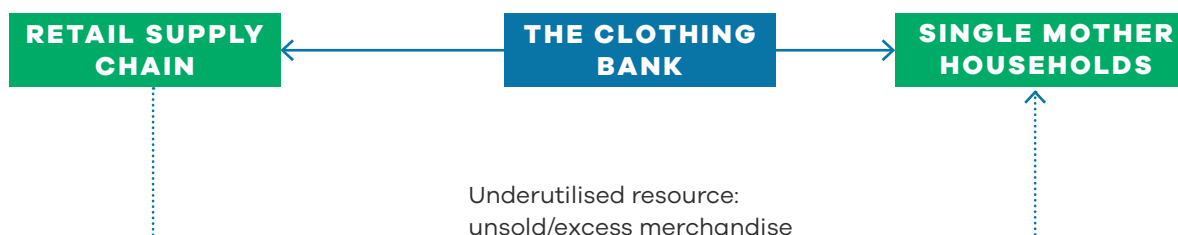
South Africa's unemployment rate stands at over 30% (reported as 32.6% in the first quarter of 2021 by Statistics SA), with a lack of education and training pinned as the root cause of unemployment. This results in many families living below the poverty line (and specifically women-led households with 49% of black women living below the poverty line) and a heavy reliance on government grants.

With many of the women having not completed their schooling, their employment prospects are low. In most cases these women have multiple dependants to feed, clothe and educate. Several of these single mothers are ambitious and urgently looking for a way to better their lives.

Solution

A non-profit organisation, The Clothing Bank, identified a gap in the market, and a need for an **intermediary** to link the end of the retail supply chain with unemployed, single mothers.

Figure 1: The Clothing Bank bridges a gap



The Clothing Bank established itself as a central point with a strong business model that corporate organisations can trust with their excess merchandise. It is much easier for businesses to deal with a single entity that can facilitate the donations of their merchandise than multiple interested off-takers.

The Clothing Bank identifies ambitious and motivated women in poorly served communities and, through a structured training programme, equips them with the knowledge, skills and resources to build a successful and sustainable clothing sales business.

Outcomes and Impact

Professional Development and Income Generation:

Unemployed mothers that are motivated to become entrepreneurs are selected for a practical and experiential based 24-month programme that offers a holistic approach towards business, self-empowerment and actualisation. In May 2021, there were approximately 229 women supported by the Clothing Bank branch in Cape Town, that have generated revenue to the value of R72.8 million since inception.

The Clothing Bank measures impact based on decent income and financial independence of its graduates. The average monthly income across all regions is R4 245, which is 13% higher than the minimum wage in South Africa (R3 759). These women and their families live in low-income, peri-urban and urban communities and are able to access schooling for their children and stimulate growth in local shops and the informal market with their income.

Scalability: Following the success of The Clothing Bank operations in Cape Town, the model has since been replicated and scaled up to five branches across South Africa with entrepreneurs generating R204 million since inception.

Diversification: Various other inherent needs in the communities in which they operated were identified and three additional programmes have been developed by The Clothing Bank, namely:

- **The Appliance Bank:** Trains unemployed fathers to repair and sell home appliances collected from their retail partners.
- **Grow Educare Centres:** Equip women in low-income neighbourhoods to develop and run 5-star Early Childhood Development centres.
- **Trade UP:** Textile off-cuts and deadstock fabric are supplied to unemployed seamstresses who create and sell products.

The work undertaken by The Clothing Bank is unique as it creates an opportunity from two problems: waste and poverty to be addressed simultaneously.

An economic value is reaped from something that would have otherwise been thrown away and is given the opportunity to retain its value and enable women to uplift themselves and their families.

Driving Resource Efficiency: From its inception in 2010 to May 2021, 13.7 million textile items have been diverted from landfill by this initiative. A portion of clothing donations received are passed on to vetted public beneficiary organisations and the remaining amount is sold to women in The Clothing Bank network. With more than eight retail partners, the organisation can reduce the risk of disturbances that come from relying on a single source and manage connectivity in the supply chain. Further to this, clothing items are given an extended life and diverted from landfill.

It is of note that the clothing is redistributed to the entrepreneurs at a fee rather than donated. This enables The Clothing Bank to recover most of its costs, with a self-funding ratio of over 80%. The self-funding ratio is the percentage of operating expenses covered by self-generated revenues. Strategic partners fulfil the remaining expenses through funding mechanisms such as donations. Since inception, The Clothing Bank has increased its self-funding ratio annually and had a ratio of 89% for the 2019 financial year. The Clothing Bank thus continues to work towards an entirely self-sustaining business model, and the sale rather than donation of clothing furthers the aim of the women functioning as sustainable businesses in their own right.

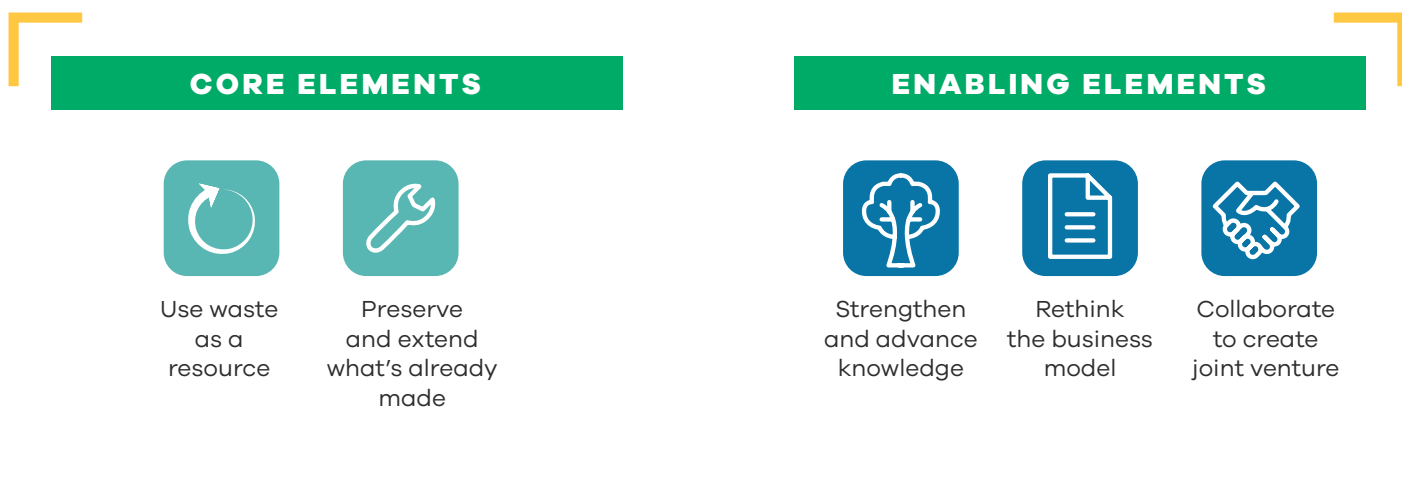
Shared Value Partnerships: The Clothing Bank model demonstrates the strength in collaboration between the public and private sector. The retail sector is able to donate their excess merchandise for free, eliminating landfill and associated logistics costs. The donation of clothing also strengthens retailer's commitment to positive corporate social responsibility.



Circular Economy

The linking of these two initiatives by The Clothing Bank unlocks various circular economy strategies in line with the elements defined by Circle Economy (www.knowledge-hub.circle-lab.com/) as illustrated below.

Figure 2: Circular Economy Elements



Summary

The Clothing Bank is an example of how waste can become a resource and contribute to building a circular economy by extending the life of items that have already been made. This demonstrates how the elements of a circular economy can be used to create value.

The Clothing Bank is thus not only an economic and social empowerment tool but an important circular economy enabler that creates sustainable livelihoods and diverts waste from landfill through collaboration.

The drivers and enablers for the implementation of a circular economy in a developed versus a developing country context can differ considerably. The key drivers for circularity in a developed country are typically environmental factors. In a developing country, economic development, job creation and poverty alleviation are imperatives, but, as illustrated through this case study, solutions to address these that involve end-of-life goods or other under-utilised resources arising from the value chain can address these whilst also enabling a more circular economy. The role of an intermediary to enable collaboration is also a notable, as is the specific intermediary i.e. a non-profit organisation working towards an entirely self-sustaining business model over time.



For more information or to sign up as a GreenCape member, visit <https://www.greencape.co.za/become-a-greencape-member/>, email info@greencape.co.za or telephone 021 811 0250.