

**Final Project: Habitat for Humanity International**

**Case Studies in Social Entrepreneurship**

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Habitat for Humanity is a nonprofit organization that provides social goods and services to communities in all 50 states and in over 70 countries around the world. For the purpose of this paper, much of the focus of Habitat for Humanity will be on the local chapters, using Habitat for Humanity Macomb County of Michigan as the main example. Habitat for Humanity was founded in 1976 by Millard and Linda Fuller with the mission, “seeking to put God’s love into action, Habitat for Humanity brings people together to build homes, communities and hope” (“Habitat’s Mission,” 2020). Millard and Linda conceptualized Habitat for Humanity after coming across a community social service outside Americus, Georgia while looking for meaning in their lives. “The idea that became Habitat for Humanity first grew from the fertile soil of Koinonia Farm, a community farm outside of Americus, Georgia” (“Habitat’s history,” 2020). Since then, Habitat for Humanity has grown to 1800 locations worldwide. One of those locations is Habitat for Humanity Macomb County, which had its founding in 1993 and has helped build over 150 homes within its communities.

Habitat for Humanity International (HFHI) is a massive organization. As of 2019, HFHI has assisted over 29 million people build a place to call home with a reported 800,000 plus (2014) affordable living spaces constructed. Habitat for Humanity’s strategy is to build low-cost homes by partnering with qualifying families, and then selling those homes to the families at no profit. The families are able to apply for low-interested mortgages, in addition to investing their own labor hours into the construction process to keep the costs at a minimum. Habitat for Humanity relies on donated materials, goods, and volunteer services to complete each project. This is the process at the local chapter within Macomb County as well.

At the conclusion of each construction project, surplus materials and goods are delivered to local Habitat ReStores to be sold for the funding of future housing projects. Additionally, the ReStores accept donations of many goods such as: appliances, cabinets, doors, electronics, furniture, hardware, tools, light fixtures, roofing, windows, and much more. Macomb County currently has two active ReStores, one in Shelby Township and the other in Warren. The ReStores are an excellent example of an additional socially entrepreneurial good or service (SEGoS) provided by Habitat for Humanity that brings in supplemental revenue. However, the services of the ReStores can be expanded on even more to better meet Habitat for Humanity's mission.

The functionality of the ReStores relies heavily on volunteer services, donations, and the vehicles of donors and customers. This is achieved mostly by volunteers completing the necessary physical labor of loading and unloading the purchases and donations at each ReStore. The donations of goods are handled by donors driving themselves to a ReStore location and dropping off whatever good it is they wish to donate. The purchasing is managed in the same way, just in reverse. Customers come to the store and load whatever it is they have purchased into their own vehicle and drive off. In a general sense, this process works well as there are many hands at the ready to make the work light as far as loading and unloading goes. This isn't always the case, however. There are often many moments throughout the day when logistical issues arise due to one key factor creating a weak-link within Habitat for Humanity's ReStore business structure: the reliance on the vehicles of donors and customers. Due to ReStore's accepting and selling products like large appliances, bulk materials, and furniture, it is most often the case that these goods simply do not fit inside a standard vehicle. Some donors and customers are forced to

rent trailers or moving trucks in order to complete transactions with the ReStores. That means there are barriers to those that wish to donate to a good cause or purchase products in support of a good cause. In other words, there is a social need for effective transportation by means of delivery and pickup for the Habitat Restores.

Implementing a delivery and pickup system into Habitat for Humanity's Restore business model has the potential to produce additional revenue, raise ReStore awareness, and increase the number of donors and customers by removing barriers to interaction. Due to the customers and donors having to rely on renting acceptable moving equipment for larger goods regardless, it is acceptable for Habitat for Humanity to provide the service at a low-cost fee allowing the organization to generate revenue. The trucks can be operated by a single at location employee accompanied by volunteers for loading and unloading. This would not require the need to add much more human resources, as the large loads of goods would now come and go with the volunteers. Habitat ReStores often have 4-10 volunteers at a time, but realistically could operate with as little as 2 volunteers in the warehouse at all time. In the same sense, the delivery trucks could operate with as little as 1 volunteer and 1 employee. Under this assumption, a Habitat for Humanity ReStore could execute this SEGoS requiring only a single additional dedicated employee. Depending on the demand and frequency, this position could be handled by one of the already existing warehouse assistants.

This brings about the next obstacle, a delivery system requires a delivery vehicle. Fortunately, Habitat for Humanity has a "donate a vehicle" option on their website. It's possible that asking for donations of moving vehicles could provide many ReStores with the necessary equipment. These vehicles that are now owned by Habitat for Humanity can be turned into an

advertising and PR device, as branding can be added. This means that during delivery, awareness of Habitat for Humanity and its ReStores will be occurring. Another option is a potential partnership with a moving truck rental company such as U-Haul. U-Haul and HFHI could partner so that ReStores get to keep a truck on site during open hours, and U-Haul, in turn, gets to have their brand parked out front and associated with Habitat for Humanity and its good cause.

Finally, Habitat for Humanity gets to benefit from the surge of new donors and customers who have now been given access to the movement of larger goods due to the removal of the barrier. The added convenience of not having to leave one's house in the case of the donor, and not having to lift and transport the goods themselves in the case of the purchaser, may also bring in new prospects who had no interest prior (Carollo, 2018). This also brings about what defines success from this added SEGoS. There are people that require the services and goods of Habitat for Humanity's Restores and people who simply wish to support the organization by shopping and donating. Seeing an influx and outflux of large materials and goods, especially of those that have been present in the ReStore facility for an extended period of time (such as large rolls of carpet, refrigerators, cabinets, etc), due to the prior mentioned parties now being able to utilize a delivery system would mean a potential measurement of success exists. If a Habitat ReStore, such as the chosen example of Macomb County, is able to assist people within its community on a weekly basis with this service then that would constitute success for the SEGoS as it aligns with the mission statement of "Habitat for Humanity brings people together to build homes, communities and hope" ("Habitat's Mission," 2020).

Habitat for Humanity International's mission statement states clearly that its goal is to build homes and improve communities by bringing people together to achieve an objective. However, this mission statement does not make it clear what HFHI will not do, especially with the final word of the statement being to build "hope." It is very hard to define what building hope means and to create a clear vision from the mission statement. Ironically, published on HFHI's own website below the mission statement on the about page exists a far superior rendition of what should be the overall mission statement. Combining a few of the elements into a new mission statement reads as the following,

"Seeking to put God's love into action, Habitat for Humanity partners with people in your community, and all over the world, to help them build or improve a place they can call home. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Habitat homeowners achieve the strength, stability and independence they need to build a better life for themselves and for their families. Our goal is to create a world where everyone has a decent place to live." (Habitat Mission and Vision, 2020).

This statement makes it abundantly more clear what HFHI will do and what it will not do. HFHI will not buy someone a home as a gift, nor will it build a home in someone's stead. HFHI partners with new homeowners to build the home together. Anything outside this mission statement is also outside of what HFHI does as an enterprise. "[a mission statement should be] specific about what XYZ does (thus bounding it from what it doesn't do) (Brooks, 2009, p. 42). This revised mission statement also gives insight to what is considered "value" for HFHI.

"Habitat homeowners achieve the strength, stability and independence they need to build a better

life for themselves and for their families” this important life lesson holds as much value to the organization as the home itself. Similarly, the definition of success for HFHI is laid out by the final line with the goal being to create a world where everyone has a decent place to live. Every home built is one more step toward achieving this success.

One important aspect to note about HFHI’s mission statement is that one of its objectives is to bring people together and to help people “improve a place they call home.” Circling back to the recommended SEGoS mentioned before of a delivery and pick up style service to be added to Habitat ReStores, the connection can be made on how this aligns with the mission statement. The mission to bring people together can be reworded as “removing barriers of interaction between members of a community.” The inability for community members to interact with ReStores in regards to larger items is one of these barriers. Additionally, the ReStores exist as a community supply house. One member donates an item with the intent that another member can purchase the item cheaply in order to “improve a place they call home.” The proposed SEGoS is simply removing one more barrier of community interaction.

The delivery service industry is booming and demand for it has never been higher--the case can even be made that the service is becoming an expectation (Rogers, 2018). Kate Rogers for CNBC used the term the “Amazon Effect” to describe the increase in demand. This is due to the massive company Amazon offering reliable two-day shipping on millions of products. Consumers have become more attuned to the idea of being able to complete transactions without ever leaving their house. This has caused a massive spike in other organizations utilizing delivery services, “Major players from Postmates, with 150,000 couriers in the U.S., to Uber Eats, with 300,000 delivery drivers globally, are expanding in the tech and actual delivery sides of the

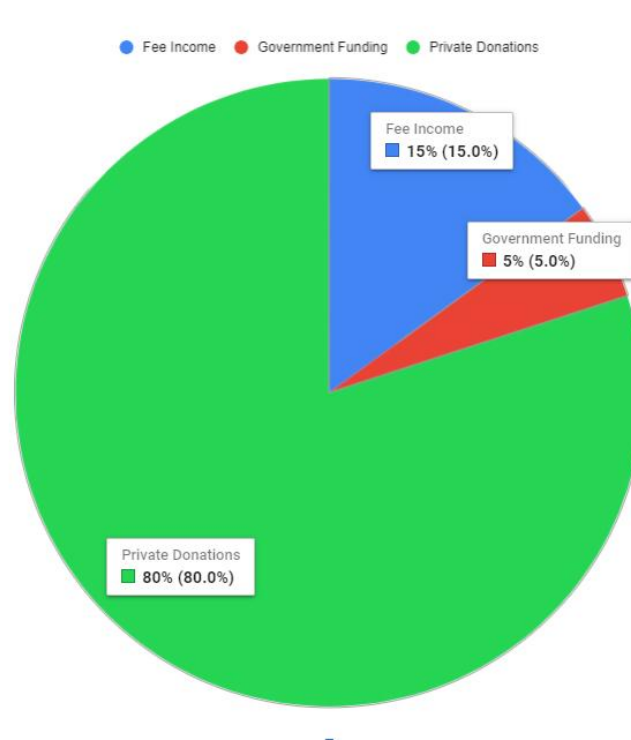
business to keep up with growth” (Rogers, 2018). With more and more delivery options becoming available, consumers will begin to expect less that they will have to perform the delivery themselves. This includes nonprofits like Habitat ReStores, as no retail is immune to consumer demands. Linking the idea back to the concept of partnering HFHI with a company such as U-Haul, an opportunity presents itself in the face of the growing demand of the modern consumer client. Safeena Walji expressed this opportunity for Dropoff by saying, “aside from relieving nonprofits of the pressure to meet increasing demands surrounding delivery on their own, outsourcing delivery provides an avenue for national companies, and even philanthropies, to operate on a local level” (2018). To support the claim that delivery is important and financially feasible, according to Dropoff’s annual consumer survey, “47% of U.S. consumers say they’ve paid extra for either same-day or next day delivery” (Carollo, 2018). ReStores offering local delivery on the spot, or by offering at least next day delivery--which would allow ReStores to use the truck only if necessary and set up a logistical delivery of all current orders--has established value among consumers. People are willing to pay for delivery.

HFHI measures its success using two main metrics: the number of individuals who have found decent homes and the number of homes built. As of 2019, HFHI reports to have helped over 29 million individuals find a decent place to live (Habitat Timeline, 2020). Additionally, it has been confirmed that over 800,000 houses have been built, remodeled, or repaired. It should be noted that the statistic of 800,000 homes was reported in 2013, and for reference, HFHI did not report reaching 13 million individuals helped until 2017. Since Habitat has more than doubled in the measurement of individuals helped in the last 2 years, it is likely that HFHI has more than quadrupled the amount of homes built since 2013. However, further reading into



annual financial reports and Habitat's news room has given no insight as to why this measurement has not been updated in a few years. To make up for this, I submit HFHI's third measurement: the number of volunteers brought together to serve communities. In 2019 HFHI reported that over 1.4 million volunteers served around the world (Habitat Newsroom, 2020). Habitat could measure the newly proposed SEGoS by how many times the service is used or the increase in overall cash flow from the ReStores. This measurement would represent how many people have gained additional access to the ReStores goods and Services.

Looking into finances reveals crucial information about Habitat's operations.



HFHI's income sources per its 2019 fiscal year report total to \$2.3 billion. Simplified into 3 main categories of private donations, fee income, and government funding, the income ratio is distributed as represented in the chart above. Private donations come from an exhaustive list of contributions from companies and partners in both cash donations and donated product totaling

at approximately \$1.84 billion. Fee earning income is generated by the sale of homes as well as the profits from ReStores generating \$345 million. Grants and government funded projects cover the remaining \$115 million.

It would be in Habitat's best interest to focus on growing fee earning sources of income, as internal sources of revenue create the opportunity to be the most self-sustaining and Habitat has much potential in this category. Habitat's main source of fee earning income is the sale of houses. As this is their core mission, the sale of houses will always have the utmost focus applied to it. Instead, HFHI should turn some of its focus into expanding in its other fee earning venture: the Habitat ReStore. Though the ReStore SEGoS is not as aligned with Habitat's core mission as the aforementioned income source, it still provides a great source of additional income (Brooks, 2009, p. 89). The potential to grow the ReStore venture is found in ideas such as the delivery system proposed earlier. The introduction of the delivery service into Habitat ReStores' business model would likely increase fee-based income as supported by the statistics of consumer demand provided prior.

Volunteers are an integral part of Habitat's mission and vision. Habitat for Humanity uses both targeted and abstract marketing in its solicitation of volunteers and funds. Targeted marketing puts focus on the benefits of supporting the nonprofit, which HFHI does in such ways as labeling contributions as tax deductible (Brooks, 2009, p. 142). Much of Habitat's marketing is abstract as well. For instance, in the "Who are we" section of Habitat's website exists the following statement, "with your support, Habitat homeowners achieve the strength, stability and independence they need to build a better life for themselves and for their families" (2020). This is considered an abstract promotional appeal toward marketing (Brooks, 2009, p. 144).

As an organization, Habitat is an incredibly successful entrepreneurship. Habitat sees constant growth and expands its organization every year. Due to its massive size, it would be believed that the organization would be very slow to change but Habitat is quite innovative. In 2012, Habitat introduced the MicroBuild Fund to support innovation within the organization. With constant expanse and unique ideas such as the ReStores, HFHI should be considered a continuous but incremental organization, as the overwhelming size prevents changes from being too frequent even though they are ever-present (Brooks, 2009, p. 163).

I believe Habitat for Humanity is an incredible nonprofit organization, one that many social entrepreneurs have likely been inspired by and attempted to model their own ventures after. The ReStore program, however, is underutilized and underdeveloped. There is incredible potential for growth due to the high demand for fast delivery found in today's consumers. Customers find true value in delivery services and are willing to pay for it, especially if it means helping a social good cause. The concept of improving the ReStore venture by removing any and all barriers to consumers and donors should be explored posthaste. As a Christian organization, HFHI would appreciate Proverbs 3:27 on this matter, "Do not withhold good from those to whom it is due, when it is in your power to do it." There are those within communities who are either in need of ReStores' goods and services, or ready and able to be a part of the ReStores' mission by donating, and are merely waiting for the barriers that hold them back to be removed. Habitat for Humanity has the power to do this, as doing good unto others is what Habitat does best and it is time to do this once more.

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