

Unique Social Enterprise

Main theme: When to set up a Trading Arm / Market Research

Unique Social Enterprise was founded in 2000 as 'Unique Coffee Bar'. It is a charity that supports vulnerable and disadvantaged people in Newark, Nottinghamshire. They have a particular focus on young people and provide education, training and employment opportunities. Although Unique began as a charity the organisation has evolved into one of the East Midlands' most prominent social enterprises, trading through a subsidiary Community Interest Company (CIC) that is wholly owned by the charity. Unique now operate several enterprises including the Unique Education Centre, the Unique Coffee Bar and the Unique Scrap Store. Paul Evans, the General Manager of Unique Social Enterprise, explains how the organisation's trading activities and legal structure have evolved over time...

"We began as a charity but in about 2004 we decided that the future looked quite unstable for Unique. It was becoming difficult to get funding for what we were doing and we needed to generate our own income and become more business like. We didn't want to just dry-up and disappear, we had about 500 individuals that used the service and we were going to have to scale back or close down unless we became creative in how we generated income.

We had received some funding to run a short pilot education project programme for young offenders, so we ran that programme working with the youth offending team in Newark. It was very successful and they asked if we were running any more programmes like that and so did the local schools that the kids came from. So from that interest we actually ran some further pilot programmes charging a reduced rate using the funding we had left over and we grew our education business from there.

Based on the need we'd discovered, we identified the market, did some feasibility work and established there was a significant need for youth education."

As Unique's Alternative Education began to grow they considered whether their legal structure as a charity was appropriate and decided to set up a subsidiary trading arm. Paul explains how Unique reached this decision...

"Although we could have traded as a charity without having to pay tax because the trading was related to our primary purpose, the main attraction of setting up a subsidiary CIC was that we could protect assets of the charity. Although the trading arm could use the charity's assets, they would remain the charity's property and even if the business failed they would not be lost. The profits of the CIC are donated back to the charity through Gift-Aid so we don't have to pay Corporation Tax either."

In 2005 Unique explored setting up a new venture recycling clean industrial waste to be sold to school and youth groups as low-cost art supplies. Paul explains how they used market research to establish the need for the 'Unique Scrap Store'...

"We were working with schools and they told us they had a problem of getting hold of low-cost arts and crafts materials and they were asking us where they could get this kind of stuff from. So we thought if we had a warehouse where we could sell the stuff that other people were throwing away as waste we might be onto a good opportunity. We got a consultant to do some market research and he looked at other furniture projects and arts and crafts shops to determine whether we would be competing with them or offering a complementary service. From the market research we realised we'd identified a real need and it



Unique Social Enterprise

turned out there was a building just next door to us available for lease.

The market research also allowed us to identify some new markets. Most scrap stores in the UK are only open to other businesses but we open to the general public and a lot of art students use us for supplies. The Unique Scrap Store was also the first e-commerce scrap store and the first online charity shop in the UK. However, looking back, we still could have done more research. The problem with the scrap store is that we have a very expensive building with very low value stock so it's a big challenge to make it profitable."

Running several businesses with a combined turnover in excess of £500,000 is a challenging prospect and Paul believes that a business-like mindset and investing in people are the keys to Unique's success...

"I think it's all about mindset – very early on we recognised we need to think more like a business and we had to find the right people. An organisation made up completely of youth workers will be great for young people but they might not take your organisation forward. It's about balancing the 'social' and the 'enterprise'; we have people that like working for a good cause but they don't really want to hang around the young people or go on trips with them but they have great business expertise.

We recruit to put the right people in the right role. We also invest in a lot of business training, two of our employees have just finished the Chartered Management Institute Diploma in Management and Leadership, I have also completed a BA (Honours) in Business Management."

Paul offers the following advice to other voluntary sector organisations that are considering setting up trading activities...

"Finding the right people and the right

business is important; don't just do the first thing that comes into your head, there's a good possibility that nobody wants it or that someone else can do it much better than you! You should do some really detailed research and prove there is a market for what you're going to offer. If you do start trading don't imagine people will buy from you just because you're a good case. Make sure you use the support services that are out there, as a small organisation you may not have an operations person or a HR person but through organisations like Business Link and Social Enterprise East Midlands you can get help with those things. Finally make sure you watch your cash flow – that's an important one!"

Key lessons:

- Trading through a subsidiary offers tax advantages and asset protection
- Careful market research allows you to prove there is a real market for your trading activity
- Train or hire staff with the right skills and experience to run your business effectively

Legal structure: Charity with subsidiary CIC
 Main activity: Youth education
 Number of employees: 13
 Location: Newark, Nottinghamshire
 Date formed: 2000
 Percentage of generated income: 70%
 Date written: February 2010
 Website: www.uniquesocialenterprise.com

This case study is one of a series produced by the Capacity Builders funded 'Stepping Up To Enterprise' project in the East Midlands.

The case studies tell the stories of voluntary or community organisations and how they moved to developing trading. The case studies are available on the website www.oneeastmidlands.org.uk/sute.