

## **Good360: Redirecting unsold household goods to charities and disadvantaged schools**

Report for Good360 Australia

2 March 2022

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The Australian Retailers Association (ARA) is proud to be partnering with Good360 Australia in pursuit of our common goal - to accelerate the transition to a circular economy.

As Australia's oldest, largest and most diverse industry retail body, the ARA has an important role to play in that transition: unifying our sector behind a common vision for change, providing tools and resources to build capability, and connecting our members with innovative partners operating in the circular economy.

The ARA holds a unique position in the Australian retail community, representing two-thirds of a \$360 billion sector that employs 1.3 million Australians. Our members operate more than 100,000 shopfronts in all markets, across all categories and across all size of businesses - from our largest national retailers to our small and medium sized members who make up 95 percent of our membership.

In this exciting community partnership with Good360, we will leverage the scale of our membership to drive significant volumes into Good360's innovative solution for pre-consumer waste. These efficiencies of scale will be critical to accelerating the mainstream adoption of circular design, material flows and products.

No retailer wants to create pre-consumer waste. With heightened concern about environmental issues and tight profit margins, retailers need to sell as much inventory as possible and find environmentally sound disposal methods for the balance.

Good360 has a great business model that connects donations of pre-consumer waste to where they are most needed in the community. Securing much higher volumes of donated goods is critical to their growth and to underpinning their continued investment in technology.

To help secure this investment, ARA's 2022-23 Pre-Budget Submission recommended that the Federal Environment Minister's Priority List for product stewardship be expanded to include Pre-consumer waste. We also highlighted the importance of incorporating Pre-consumer waste into the Product Stewardship Scheme for clothing textiles currently being designed by a cross-sectorial consortium led by the Australian Fashion Council.

I would like to congratulate Alison Covington and her team for this exceptional piece of research with Deloitte Access Economics. We look forward to continuing our work with Good360 Australia to raise awareness about the challenge of pre-consumer waste while helping our sector increase its social impact, reduce its environmental footprint and accelerate the transition to the circular economy.

**Paul Zahra**

**Chief Executive Officer**

**Australian Retailers Association**



The Board of Good360 Australia commissioned Deloitte Access Economics to prepare this vitally important report examining the level of brand new and valuable pre-consumer goods wasted in Australia.

Since inception in 2015, Good360 has rapidly grown its role in the circular economy. Seed funded by leading philanthropic organisations, Good360 leverages the capabilities of digital eCommerce tools to efficiently match excesses in the supply chains of leading environmental, social and corporate governance aware businesses to Australians most in need.

Good360's experience in matching and supplying over 27 million needed new items to 3,000+ charities and schools in our network has confirmed to us:

- The huge need within local communities nationwide
- The dignity created for Australians when providing brand new essential items
- That with ambition, significant **financial, environmental** and **social** impacts are achievable.

To guide the continued future strategy and growth of Good360, the Board needed a deeper understanding of the amount of excess brand-new goods available, yet currently going to waste, and the funds spent on equivalent goods by charities to benefit the community.

This report by Deloitte Access Economics provides the answers.

- **\$2.5 billion per annum of new and valuable goods wasted**
- **\$400 million per annum by charities buying equivalent goods**

This \$2.5 billion of excess goods are never used. These goods have **no first life** - let alone entering the recycling chain.

Deloitte Access Economics' research has confirmed the efficiency of Australian business supply chains. However, the product sectors examined are so large even a small excess percentage represents a huge value of brand-new goods going to waste.

The findings contained in this report make it clear Good360 should seek to grow rapidly, greatly extending collective financial, environmental, and social impact through:

- Scaling up its efficient digital redistribution capabilities
- Securing additional short-term funding from the Federal Government
- Increasing industry partnerships and funding to make donation of excess goods an essential part of a responsible supply chain.

The Board thanks Deloitte Access Economics for their work in preparing this ground-breaking report.

**Matt Barnett**

**Chair**

**Good360 Australia**

# Executive summary

## The problem:

Communities and schools are in critical need of regular household goods like clothing, electronics, toiletries, cleaning goods, hygiene and personal care items, educational supplies, manchester, furniture and more. In 2021 alone, governments across Australia gave **\$2.7 billion** to charities, of which approximately \$400 million was used to purchase household goods for their clients.

At the same time, industry has a surplus of more than **\$2.5 billion** worth of these exact same goods, which are wasted or end up in landfill ever year.

## The solution:

Good360 has the largest digital marketplace in Australia for industry to donate goods to people in need and currently supports over 3,000 charities and schools across the nation.

## The opportunity:

By redirecting a larger portion of industry's **\$2.5 billion** (per annum) in unsold surplus goods to people in need, governments will save money and actively participate in the circular economy.

This is in addition to reducing the charity sector's reliance on government funding for household goods, effectively shifting these costs to industry at a **\$1: \$20 return on investment**.

In FY 2019-20, Good360 Australia delivered \$74.7 million dollars of goods to over 3,000 charities including the Salvation Army, Save the Children, Pyjama Foundation and Meals on Wheels. The potential for organisations like Good360 Australia to help redirect unsold brand-new household goods to people in need is not fully appreciated as the scale of unsold brand-new household goods is a relatively unexplored issue in Australia. Fundamentally, this issue is one that is not often highlighted, discussed or reported on in the retail industry more broadly.

Deloitte Access Economics has been engaged by Good360 Australia to understand what level of wastage currently occurs in household goods. Household goods for this analysis have been defined as the categories presented below:



### Toys

Like board games, action figures, building blocks, dolls



### Toiletries

Like shampoo, deodorant, soap, hygiene products, make-up



### Homewares

Like bedding, kitchen appliances, kitchen utensils



### Clothing

Like shoes, work clothes, coats, underwear, hats



### PPE

Like masks, gloves, hand sanitiser, RATS



### Electronics & Whitegoods

Like computers, head-phones, phones, fridges, microwaves



### Office/School Supplies

Like notebooks, pencils, backpacks, markers, pens, art & craft supplies



### Infant Supplies

Like nappies, prams, car seats, bottles & feeding equipment



### Sporting Equipment

Like tents, sleeping bags, balls, bats, clothing, shoes



### Cleaning Supplies

Like toilet paper, tissues, detergent, multipurpose cleaners, mops

Using Australian Bureau of Statistics (ABS) Retail Trade data, Deloitte Access Economics estimates there is approximately \$125 billion worth of household goods that are sold each year in Australia. Combining insights from consultations and desktop research, Deloitte Access Economics estimates that around \$2.5 billion worth of household goods are not sold or essentially 'go to waste' each year.

At the same time, based on the Annual Charities Report from the Australian Charities and Not-for-profits Commission and the annual reports of major charities, Deloitte Access Economics estimates that, in 2021, governments across Australia gave between \$270 million and \$410 million to charities to purchase household goods for their clients.

This represents a clear opportunity to reuse valuable and high demand wasted household goods like electronics and textiles in place of the purchase of new goods by charities. Doing so offers up the potential for a dual benefit of reduced waste and savings for governments and charities.

The potential reduction in waste would contribute to the 2019 National Waste Policy Action Plan: *Less Waste*, and its target in reducing total waste generated in Australia by 10 percent per person by 2030, specifically:

- Supporting community-based reuse and repair centres, enabling communities to avoid creating waste
- Developing a common approach to restrict the disposal of priority products and materials in landfill, starting with lithium-ion batteries, materials collected for the purpose of recycling, and e-waste.

In FY 2019-20, Good360 Australia distributed a total of \$75 million worth of product, which is double the previous year. If this trend were to continue over the next two years, which is feasible based on the supply and demand in the Australian market as well as the growth and scale achieved by Good360 USA, Good360 would be moving almost \$300 million worth of product in a year. Based on Good360's financial statements, to do so would require the budget of Good360 to be approximately \$15 million, equating to a rise of roughly \$12 million from the \$2.7 million total expenses incurred in FY 2019-20.



*'Estimated \$2.5BN of goods are wasted every year that Good360 could direct towards replacing the \$400m of goods that governments fund charities to purchase each year'*

# 1 Introduction

## 1.1 Background

Unsold household goods are a relatively unexplored waste issue in Australia. Many categories of retail goods include seasonal items, such as toys, cosmetics, toiletries and clothing, which essentially go to waste if they are not sold by the end of the season. Unfortunately, a large portion of these unsold goods often end up in landfill which is an unsustainable and costly practice for industry and government.

Some of these wasted goods are very valuable to many Australians despite being difficult to resell. There are plenty of Australians that could make use of clothing items and cosmetics and toiletries even if they are from previous seasons. Indeed, charities across Australia often purchase and provide these types of household goods to families. With government being a major funder of charities in Australia, governments are indirectly paying for the purchase of household goods that charities distribute.

There is an opportunity to repurpose those wasted seasonal goods in place of purchasing new household goods that are distributed by charities. In doing so, industry is able to reduce their waste: governments could save on the purchase of household goods: and charities are able to access more goods to support people in need. Organisations such as Good360 who connect industry to charities to help repurpose unsold household goods thus have a pivotal role in facilitating this process.

## 1.2 About Good360 Australia

Good360 Australia repurposes surplus brand-new goods from businesses to charities and schools. Innovatively using digital marketplace technologies developed for eCommerce, it matches product donors and member charities and schools to coordinate the redistribution of surplus goods to Australians that are in need of these valuable goods.

As at FY 2019-20, Good360 had connected over \$134 million worth of surplus items to organisations and individuals across Australia. In doing so, it helps to reduce waste in the economy and has the potential to save governments and philanthropists who would otherwise support charities in acquiring the necessary goods.

## 1.3 Purpose of this report

Good360 have engaged Deloitte Access Economics to assist them with understanding the size of the market for their services. More specifically, Deloitte Access Economics has been asked to investigate the size of the current and potential market in unwanted household goods from those businesses who donate to charities. To do so, three questions have been considered. They are listed below:

- **Market size:** What is the dollar value of household goods that currently go to waste each year in Australia?
- **Government benefit:** How much money are governments currently providing to charities to provide household goods in Australia?
- **Scale:** What would scaling to the market size look like for Good360?

The report answers these questions using a variety of data sources and consultations with industry and partners of Good360 to inform the process.

## 1.4 Report structure

The remainder of the report has been structured in the following way:

**Section 2** provides estimates as to the current value of household goods and the value of this that is wasted.



**Section 3** provides an estimate as to what potential savings the government could accrue from reduced expenditure to charities for the purposes of purchasing household goods.

**Section 4** then draws on findings from Section 2 to build an understanding as to what it would look like for Good360 to scale up their operation and cover a larger portion of the Australian market.

## 2 Value of household goods going to waste

The following section details the value of household goods that currently go to waste.

The total 2021 value of household consumables and durables in Australia is estimated to be \$125 billion. Of this amount, it is estimated that approximately \$2.5 billion is wasted.

### 2.1 Total value of household goods

Based on the approach set out in Appendix A, the total value of household goods in Australia is estimated to be \$125 billion. The four largest categories – electronics and whitegoods, clothing, toiletries, and homewares – are over 90 percent of the total value of goods. Electronics and whitegoods make up the majority of this total value being 31 percent of the total. This is followed by clothing making a share of 25 percent, and then toiletries and homewares which together, represent 36 percent of the total value.

Table 1 Total value of household goods

Consumable/Durable category	What it includes	Total value (\$billion)	% of total
Electronics and Whitegoods	Computers, headphones, phones, tablets, Bar fridge, microwave, washing machines	\$38.6	31%
Clothing	Shoes, work clothes, coats, underwear, hats	\$30.9	25%
Toiletries	Shampoo, deodorant, soap, hygiene products, make up	\$24.0	19%
Homewares	Bedding, kitchen appliances, kitchen utensils	\$20.8	17%
Sporting Equipment	Tents, sleeping bags, balls, bats, clothing, shoes	\$4.4	3%
Infant Supplies	Nappies, prams, car seats, bottles and feeding equipment	\$2.2	2%
Cleaning Supplies	Toilet Paper, tissues, detergent, multipurpose cleaners, mops	\$1.5	1%
Office/School Supplies	Notebooks, pens, backpacks, markers, pencils, art & craft supplies	\$1.5	1%
Toys	Board game, action figures, dolls, building blocks	\$1.4	1%
<b>Total</b>		<b>\$125.2</b>	<b>100%</b>

Source: ABS Retail Data 8501.0, 2021. Note PPE has not been included – refer to section A.1.4 in Appendix A.

## 2.2 Value of consumables and durables that go to waste

Previous research for similar social enterprises, In Kind Direct (United Kingdom) and Innatura (Germany) was estimated based on 2 percent of products manufactured and intended for sale becoming surplus.<sup>1</sup> In Kind Direct are an organisation based in the United Kingdom that provide a similar service to Good360 in that they redistribute donated consumable and durable goods to charitable organisations. Innatura is also a similar organisation in that they distribute products that they receive from manufacturers and retailers in Germany for social good.

We confirmed that the 2 percent estimate was a reasonable estimate for the Australian context through consultation with major retailers in Australia. Furthermore, consultation revealed there is potential for this figure to rise significantly higher with up to 15 percent wasted in some years. In total, two consultations were held with the following organisations: BIG W and Winc,



Whilst there is a portion of donated goods that stems from unsold or goods deemed as wasted, it should be noted that a portion of donated goods arises due to there being a need for goods as well. For example, in response to natural disasters, many essential goods such as clothing, toiletries, homewares, and stationery are donated by Good360 Australia partners. According to data reported by Good360 on their website, **since 2020, 12.6 million items valued at \$89 million** have been donated by businesses and connected to communities affected by disaster. This presents a significant cost saving opportunity for the charitable sector expected to support victims of disaster as well as the governments who fund these charities.

This report has focused on the former and as such the estimates are geared towards those donated goods deemed as wasted.

Even though 2 percent of goods going to waste is not a sizable proportion and shows that retailers and manufacturers generate very little excess, when it is applied to the total value of household consumables and durables, the resulting value and volume is quite substantial. Deloitte Access Economics estimates there is an annual wastage of approximately \$2.51 billion in household goods. Making up the larger portions of the total value of goods, clothing, toiletries, homewares and electronics and whitegoods also make up the bulk of the total amount of goods wasted. This is further detailed in Table 2 below.

Industry generates **very little waste, only 2 percent**. However, 2 percent of \$125 billion - is **\$2.5 billion each year**, which is a substantial amount.

Table 2 Total value of household goods wasted by category

Consumable/Durable category	Total value in 2021 (\$million)	Total value wasted 2021 (\$million)
Electronics and whitegoods	\$38,601	\$772
Clothing	\$30,921	\$618
Toiletries	\$24,009	\$480
Homewares	\$20,771	\$415
Sporting equipment	\$4,358	\$87
Infant supplies	\$2,232	\$45
Cleaning supplies	\$1,500	\$30
Office/School supplies	\$1,459	\$29
Toys	\$1,399	\$28
<b>Total</b>	<b>\$125,249</b>	<b>\$2,505</b>

Source: Deloitte Access Economics, 2022.

# 3 Government expenditure on household goods

The following section provides an estimate of total government expenditure on household goods through charities.

Government funding is a major source of revenue for charities. Each year charities spend a sizeable portion of dedicated funding on household goods. As such, the government is effectively providing funding for charities to purchase household goods.

Deloitte Access Economics estimates that **governments across Australia** are spending in the range of **\$270 million to \$410 million** on household goods indirectly through the **funding they provide to charities**.

This figure may be underestimated as expenditure from schools for the purposes of providing goods to people in need has not been considered in this report.

## 3.1 Total government expenditure on household goods through charities

In this sub-section, estimates are outlined for:

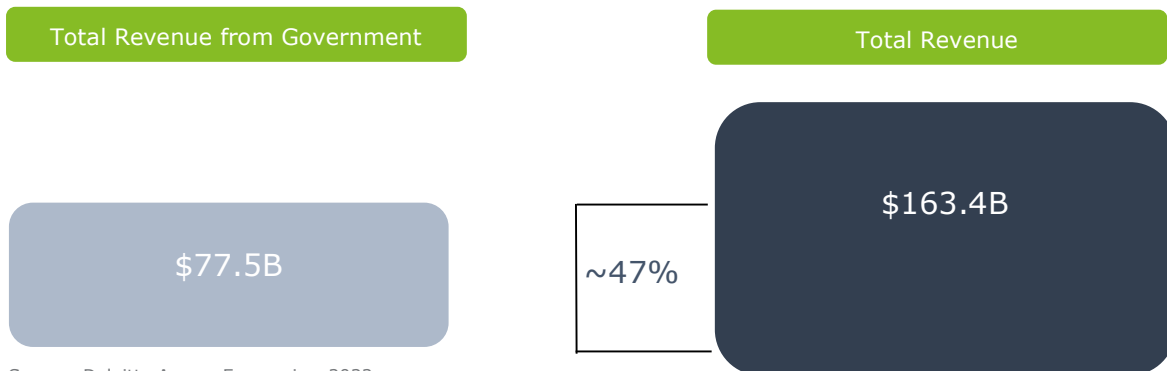
1. Total charity revenue from government funds
2. Total charity expenditure on household consumables and durables.

### 3.1.1 Total charity revenue from government funds

According to the Australian Charities Report, a total of \$155.4 billion in revenue was reported by the approximate 48,000 charities that provided figures in 2018.

Of this total revenue, 47 percent was contributed by governments making a total of \$73.7 billion in 2018. These values have been uplifted to 2021 dollars using ABS Consumer Price Index data<sup>ii</sup> making total revenue equal to \$163.4 billion and government sourced revenue equal to \$77.5 billion.

Figure 1 Total charity revenue – assumed portion in 2021 that is provided by governments



Source: Deloitte Access Economics, 2022.

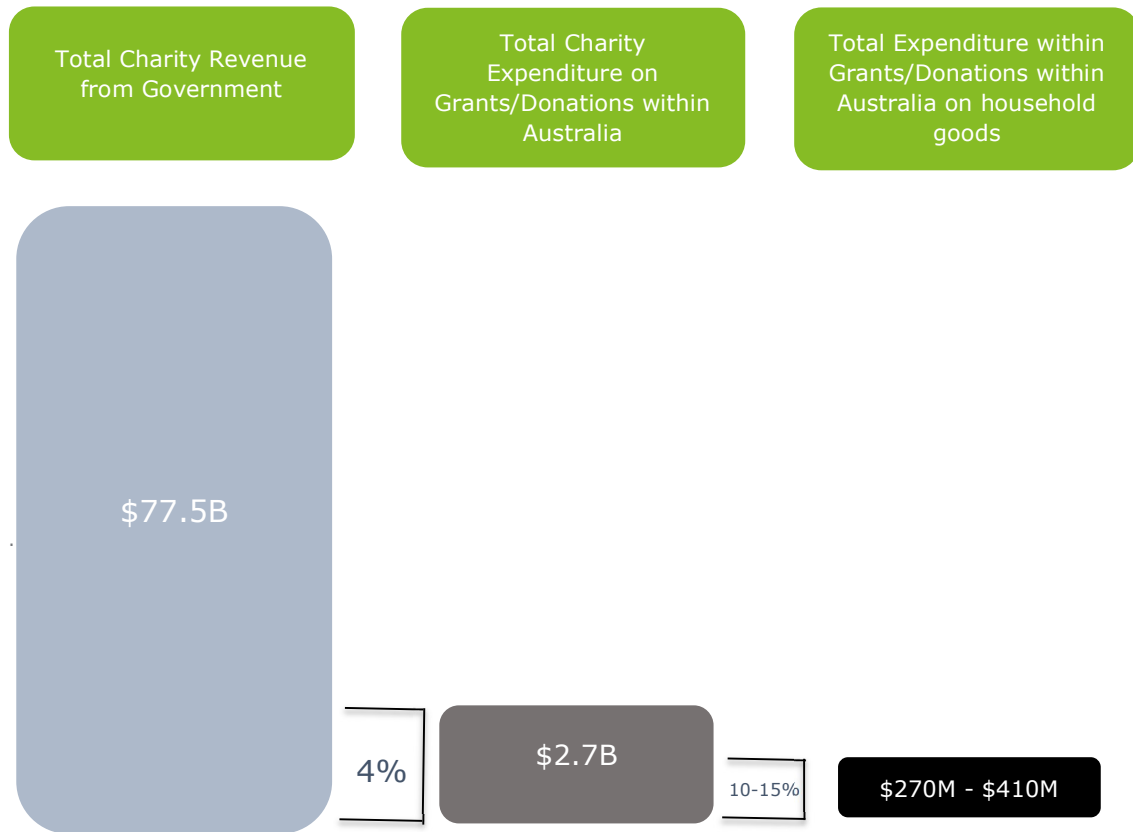
### 3.1.2 Total charity expenditure on household goods

To establish the portion of expenditure on household goods, first the portion that is spent on grants/donations within Australia is determined. A portion of this figure is then taken to make up for the expenditure that occurs within grants/donations specifically for household goods.

According to the Australian Charities Report, of the total of \$77.5 billion of government sourced funds, \$2.7 billion (3.5 percent) is spent on grants/donations within Australia<sup>iii</sup>.

Of the \$2.7 billion of government sourced funds spent on grants/donations within Australia, Deloitte Access Economics estimates that \$270 million - \$410 million of this is spent on household goods. This is a range of 10 percent - 15 percent of the total \$2.7 billion. This estimate has been derived from a look into the annual reports of charities to understand what portion of expenditure is attributed to purchasing household goods and other similar functions.

Figure 2 Portion of charity revenue sourced from government spent on household goods



Source: Deloitte Access Economics, 2022.

# 4 Scaling up the benefits

The following section explores what it would look like for Good360 to scale up and extend their services in Australia.

Increasing the volume of wasted brand new household items to the charitable sector has an obvious benefit to increase the impact in the community when need has continued to grow. This has the potential to reduce the sector's reliance on government funding to supply material aid and provide a new source of goods in volumes which have never been identified before.

## 4.1 Scaling up Good360 Australia

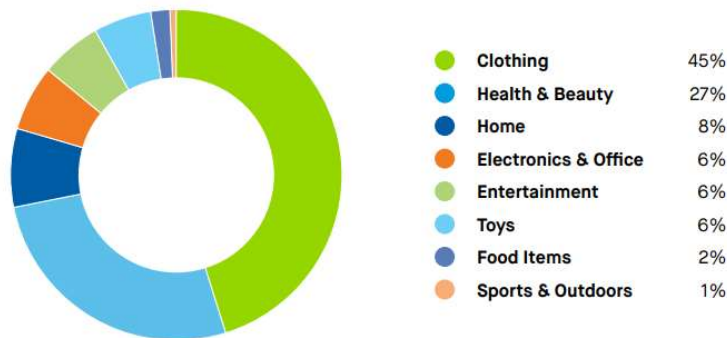
This sub-section is structured in the following way:

1. Current size of Good360 Australia
2. Understanding the rapid growth of Good360 US scale up and the scaling potential for Good360 Australia
3. Implications for government resource allocation.

### 4.1.1 Current size of Good360 Australia

In the FY 2019-20, Good360 Australia delivered \$74.7 million dollars worth of goods to charities. The primary category of repurposed goods was clothing which made close to half of the total (45 percent).

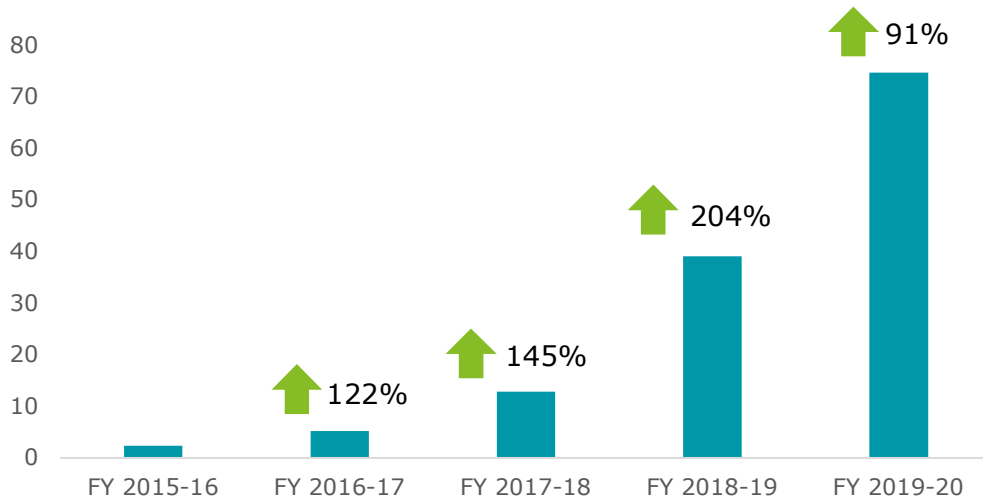
Figure 3 Categories of goods donated to charities



Source: Good360 Annual Report, 2020.

Good360 Australia has been able to grow its operations significantly each year since FY 2015-16. Using the dollar value of goods donated as the measure, the continuous growth in Good360 Australia's operations over each financial year can be seen in Figure 4 below. Over the past five financial years, there has been an average growth of 141 percent in donated goods year on year. Comparing FY 2015-16 to FY 2019-20 there has been a total growth of \$72.3 million worth of goods being donated.

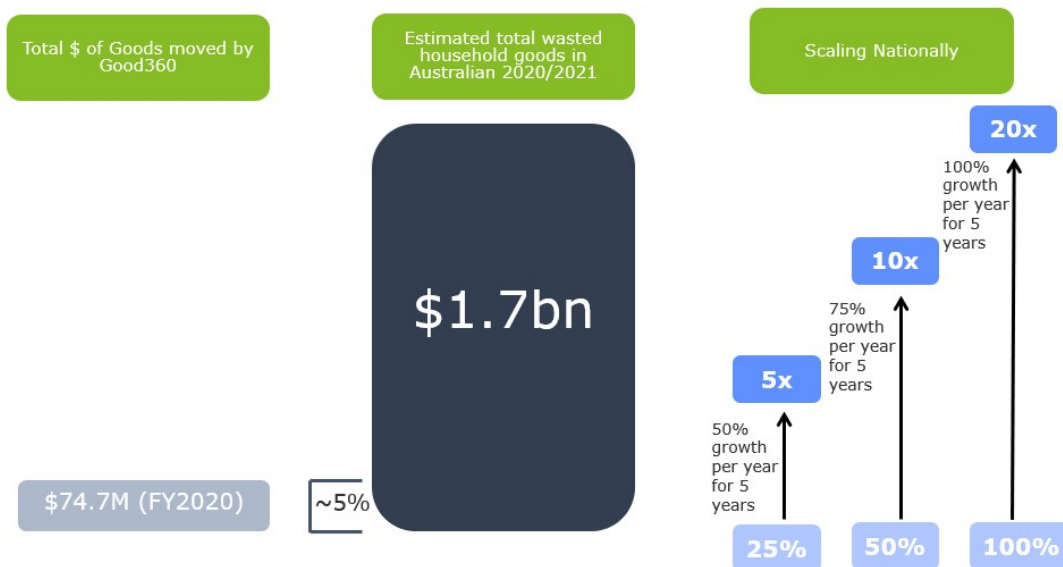
Figure 4 Good360 Australia - Total goods donated (\$Million)



Source: Good360 Australia Annual Reports<sup>iv</sup>

Based on the current size of Good360 operations and using the lower end of the estimate of wasted household goods of \$1.7 billion, this equates to Good360 currently covering approximately 5 percent of the total value of wasted household goods. Good360 would have to be five times as large to reach 25 percent of the market, ten times larger to reach 50 percent of the market, and twenty times larger to cover the entire Australian market (Figure 5). Each of these would require substantial growth with levels of 50 percent, 75 percent, and 100 percent per year over the next five years to cover a market share of 25 percent, 50 percent, and 100 percent respectively.

Figure 5 Scaling up for Good360



Source: Deloitte Access Economics, 2022.



On average, over the last five financial year periods, a growth in **28 percent of expenses** has been accompanied by a growth of **141 percent of donated goods**.

#### 4.1.2 Scale up potential

While scaling of Good360 Australia operations to cover the national market will require substantial growth, based on international experience this rapid pace of growth is possible. In particular, the experience of Good360 US demonstrates that high growth is possible once the additional necessary technology and human resource capabilities are scaled.

Investing further into partner networks to manage logistics and to enable recipients to match donated goods would be beneficial. Actions including: expanding the network of partner distribution stores and warehouses, expanding the number of industry partners donating and charities distributing to their communities and developing more innovative partnership that match high demand goods including e-waste and textiles would all facilitate a scale up in operations. Examples of these innovative partnerships already exist with Optus' *donate your device* and BIG W's *local store program* that matches goods directly to communities Australia wide from a network of over 170 stores.

In the 2019 calendar year, Good360 US repurposed over USD \$315 million worth of product. Just over a year later in the 2020 calendar year, this figure more than doubled with USD \$870 million worth of goods donated representing growth of 176 percent to the previous year<sup>v</sup>. This follows multiple years of strong growth rates since the 2016 calendar year. Looking ahead, over the next few years Good360 US expects to be able to continue these high growth rates.

Given that they perform largely the same functions, the growth in Good360 US can be indicative of the potential for Good360 Australia.

#### 4.1.3 Implications for government resource allocation

At present, Good360 Australia is moving and distributing a total of \$75 million worth of product in a year. In prior years, they have essentially doubled the value of product they have been moving year on year. If this trend were to continue over the next two years, Good360 Australia would be moving almost \$300 million worth of product in a year.

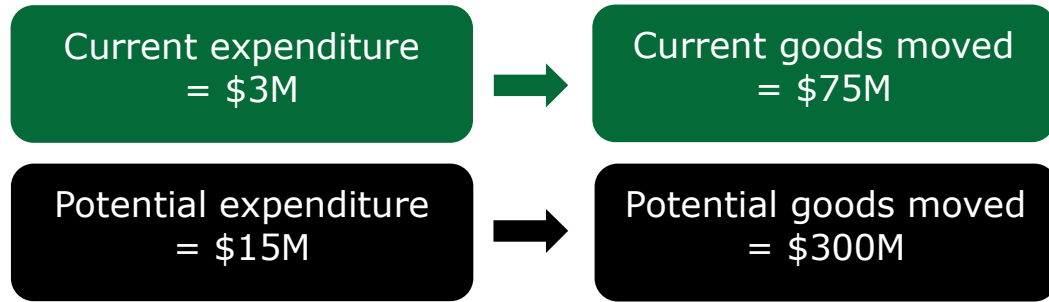
Achieving this continued level of high growth may seem ambitious, however drawing upon the success of Good360 US which saw annual growth at sizes well beyond those seen in Australia, it is possible that this scale up can be reached.

Good360 Australia moved \$39 million and \$75 million worth of product with expenses of \$1.9 million and \$2.7 million respectively over FY 2018-19 and FY 2019-20. This translates to each dollar of expenses translating to total product distributed to charities between approximately \$20 - \$27.

**\$1 of funding** direct to Good360 will provide **\$20+ of valuable goods** not wasted and directed to communities most in need

Assuming this holds as the scale, if Good360 Australia increases to \$300 million worth of goods moved in a year, the budget of Good360 would need to be approximately \$15 million, equating to a rise of roughly \$12 million (arising from once off scaling costs) from the FY2019-20 \$2.7 million total expenses.

Figure 6 Good360 scale up potential



Source: Deloitte Access Economics, 2022.

# Appendix A

The following section includes some additional technical details regarding the data used from the Australian Charities Report.

## A.1.1. Definition of charity sizes

The Australian Charities Register provides the details of the reported charities by their size. The size classification and the portion that each size makes up of all charities is detailed in Table A.3 below.

Table A.3 Classification of charities

Size of charity	Classification (total revenue)	Portion of all charity sizes
Extra small	> \$50,000	30.4%
Small	< \$50,000, > \$250,000	21.0%
Medium	< \$250,000, > \$1,000,000	13.9%
Large	< \$1,000,000, > \$10,000,000	13.4%
Very large	< \$10,000,000, > \$100,000,000	4.0%
Extra large	< \$100,000,000	0.4%
Size unknown		16.9%

Source: Australian Charities Report, 2018.

As such calculations completed in the analysis have been done at each size and then aggregated to establish a total.

## **A.1.2. Charity revenue**

### **A.1.2.1. Definition**

The following section provides further detail as to what each source of charity revenue includes. It is structured to the 4 sources of charity revenue:

1. Revenue from government (including grants)
2. Donation and bequests
3. Revenue from providing goods or services
4. Other revenue

#### Revenue from government (including grants)

This includes all types of funding and financial assistance provided by Commonwealth, state, territory or local governments in the reporting period, even where there was no condition attached to the grant. For example:

- General purpose government grants or funding
- Revenue received under a contract with government to provide specified services
- Government procurement
- Government rebates, supplements, subsidies or funded programs.

#### Donations and bequests

A donation is when a charity receives voluntary support (in cash or gifts in kind) and there is no material benefit to the donor. This includes donations from:

- Public collections
- Fundraising
- Philanthropic trusts and corporations (including some types of grants from these bodies)
- Members (but not membership fees)
- Supporters
- Employees.

Also falling into this category are:

- Bequests and memorials
- Tax deductible donations and gifts from the public
- Tax deductible donations from members, supporters and employees
- Non-tax deductible gifts and bequests.

#### Revenue from providing goods or services

This includes:

- Sale of items
- Commercial activities
- Fees and charges for services provided
- Certain types of grants from non-government bodies like philanthropic trusts and corporations
- Rental income (if earned as part of a charity's ordinary activities)
- Running lotteries and gaming machines
- Receiving royalties
- Membership fees
- Corporate sponsorship or partnership revenue
- Subscription fees
- Revenue from investments
- Revenue from investments includes
  - Revenue from interest
  - Dividends and distributions from investments and investment portfolios, and
  - Dividends and/or distributions from units held in managed funds which may contain real estate.

Other revenue

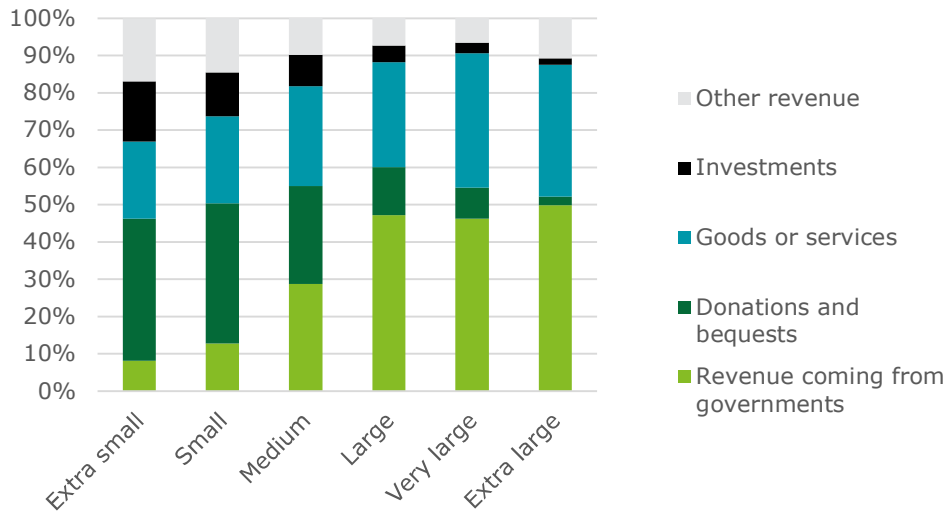
Other revenue can include:

- Levies where there is no obligation to supply goods or services
- Recoupments
- Rental income (if not earned as part of a charity’s ordinary activities)
- Other revenue not already captured in the above categories.

**A.1.2.2. Other sources of revenue**

Figure A.7 below illustrates the portion of revenue that is made up by each category. This is also broken down by charity size. It appears that the larger the charity, the more it relies on government funding.

Figure A.7 Portion each category of revenue makes up by charity size



Source: Australian Charities Report, 2018

### A.1.3. Charity expenditure

#### A.1.3.1. Definition

The following section provides further detail into the different categories of expenditure by charities. The definition of each category of expense is presented in Table A.4 below.

Table A.4 Charity expenditure category definition

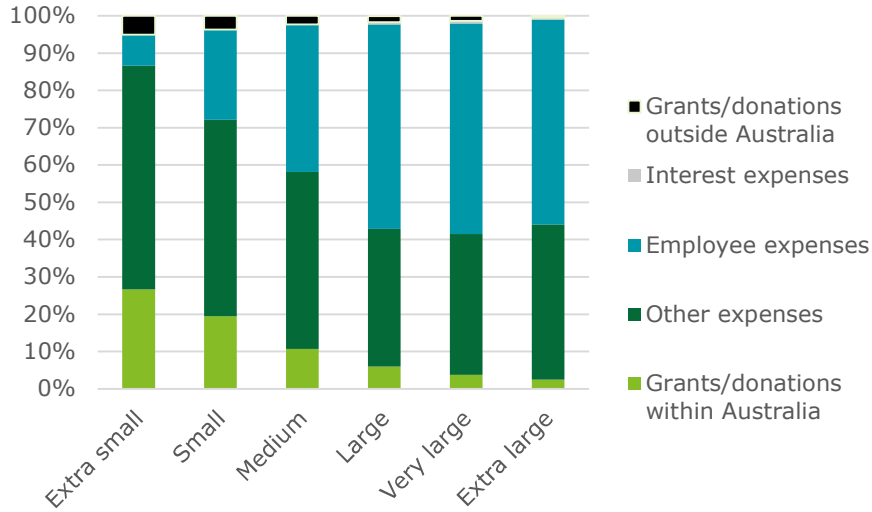
Category of expense	Description
Employee expenses	Charities are a significant employer in Australia and as such need to compensate their employees. All expenses to employees are captured here.
Interest expenses	Interest expenses captures interest paid by charities on any money they have borrowed.
Grants and donations within Australia	Charities such as some ancillary funds and trusts are established primarily to deliver structured philanthropy and focus solely on the distribution of grants and donations to other charities and charitable causes. Expenses related to these causes fall under the grants and donations category. This category is made up domestically.
Grants and donations outside Australia	Relates to the category above with the difference being donations and grants being made internationally.
Other expenses	Other expenses' includes all expenses, other than employee expenses, grants and donations made in and outside Australia, and interest expenses for small and medium charities. Other expenses may include essential expenses such as rent, insurance, bank charges, consultancy fees, cost of goods sold, equipment hire, depreciation, fundraising expenses, utilities and other administration

Source: Australian Charities Report, 2018

### A.1.3.2. Other categories of charity expenditure

Figure A.8 below details the other categories of expenditure by charity size outside of grants/donations within Australia.

Figure A.8 Other categories of charity expenditure by charity size



Source: Australian Charities Report, 2018.

It is clear that as the size of the charity increases, the portion spent on grants/donations within Australia decreases.

The following section details the approach taken to estimate the values used in the report.

**A.1.4. Methodology: Total value of household goods wasted annually**

To estimate the annual value of household goods wasted, the approach below was developed, drawing from data sources including the ABS Retail Trade data<sup>vi</sup> 2016 Census data<sup>vii</sup> and IBIS World reports<sup>viii</sup>

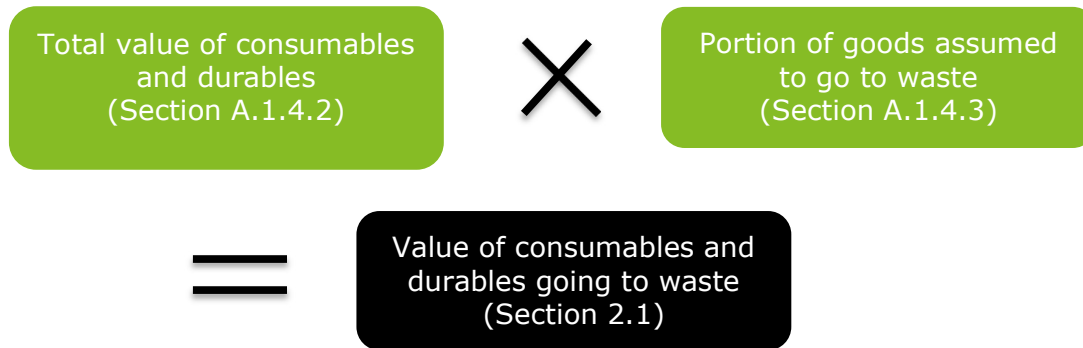
**A.1.4.1. Overview of approach**

To estimate the total value of the wasted goods in the nine in scope categories, a two-step approach was taken.

First, the total value of household goods was estimated. Estimates of what portion each consumable/durable category that is wasted is then applied to establish the value of wasted goods.

This process is detailed in Figure A.9 below. More detailed is provided in the respective sections.

Figure A.9: Methodology used to estimate total value of wasted consumables and durables.



Source: Deloitte Access Economics, 2022.

Nine categories of household goods were included in this analysis which are detailed in Figure A.10 below. Note PPE has not been included in the analysis as this is a relatively newer category and was not separately defined in the Australian Bureau of Statistics Retail Trade data.



Figure A.10 Household goods categories

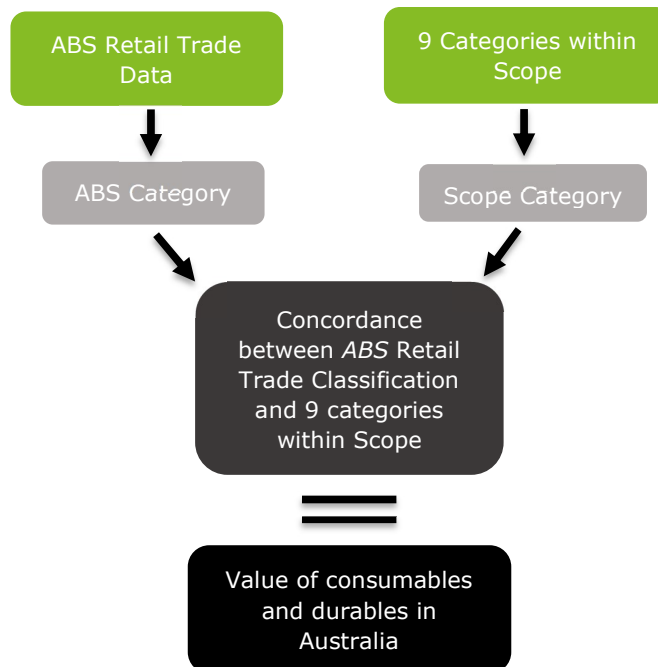


Source: Good360, 2022.

#### A.1.4.2. Total value of household goods wasted annually

Three data sources were used to estimate the total value of consumables - ABS Retail Trade data (8501.0), employment data from the 2016 ABS Census and IBIS World data. ABS Retail Trade data provided the estimates for seven out of the nine assessed categories. ABS Employment data was used to breakdown the retail trade data in the desired categories. For the remaining two categories, IBIS World data was used. Further details on this approach provided below.

Figure A.11 Approach taken to calculate total value of scoped categories



Source: Deloitte Access Economics, 2022.

Table A.5 details the concordance between ABS groupings and seven of the nine categories of household goods within scope for this study.

Table A.5 ABS Retail Trade data concordance

ABS category	ABS sub-category	ABS sub-category component	Concordance to study categories
Household goods retailing	Furniture, floor coverings, houseware and textile goods retailing	Furniture retailing	Homeware
		Floorcoverings retailing	
		Houseware retailing	
		Manchester and other textile goods retailing	
	Electrical and electronic goods retailing	Computer and computer peripheral retailing	Electronics and white Goods
		Other electrical and electronic goods retailing	
		Electrical, electronic and gas appliance retailing	
Clothing footwear and personal accessory retailing	Clothing retailing	Clothing retailing	Clothing
		Footwear and other personal accessory retailing	
		Watch and jewellery retailing	
		Other personal accessory retailing	
Department stores			Split proportionally according to expenditure into clothing/homeware/electronics/toiletries*
Other retailing	Other recreational goods retailing	Sports and camping equipment retailing	Sporting equipment
		Toy and game retailing	Toys
		Entertainment media retailing	Electronics and whitegoods
	Pharmaceutical, cosmetic and toiletry goods retailing	Pharmaceutical, cosmetic and toiletry goods retailing	Toiletries
	Other retailing n.e.c.	Stationery goods retailing	Office/school supplies

Source: Deloitte Access Economics, 2022. \*ABS ANZIC definition of department stores define department stores as being made up of the categories listed so department stores were broken down further using weights based on the overall retail trade data i.e. Column 1 – Table 4

To show how employment data was used to determine a more granular breakdown, Table A.6 below is an example using illustrative data to demonstrate how sport and camping equipment retailing, toy and game retailing and entertainment media retailing is calculated.

Table A.6 Examples of estimating subcategory components

ABS Category	ABS Sub-Category	ABS Sub-category Component	Total other recreational goods retailing value*	Number of employees*	Portion of total employment	Individual Values
Other retailing	Other recreational goods retailing	Sports and camping equipment retailing	\$10,000	200	20%	\$2,000
		Toy and game retailing		300	30%	\$3,000
		Entertainment media retailing		500	50%	\$5,000

Source: Deloitte Access Economics, 2022. \*Figures are illustrative only for the purposes of demonstrating the approach.

The remaining two categories (Infant supplies & Cleaning supplies) used data compiled by IBIS World as these categories was not readily available through the ABS Retail Trade data. Table 3 below details the estimation for the remaining two categories.

Table A.7 Infant supplies & Cleaning supplies estimation

Source:	Calculation	Category	Concordance to study categories
ABS/IBIS World	See equation below	Clothing retailing/wholesaling	Infant supplies
IBIS World	Directly taken from IBIS World Data	Cleaning and maintenance supplies distributors	Cleaning supplies

Source: Deloitte Access Economics, 2022.

Cleaning supplies have come directly from IBIS World whereas Infant supplies have used a combination of IBIS World and ABS data in the following way:

*Portion made up by infant clothing in clothing retailing (6.80%; IBIS World) x Total expenditure on clothing (ABS).*

#### **A.1.4.3. Total value of household goods wasted annually**

To gain an understanding of what portion of consumables and durables are going to waste in Australia, Deloitte Access Economics engaged in desktop research and consultations with retailers.

Research was conducted into organisations with a similar purpose to Good360 to get an understanding of potential levels of wastage in the retail goods industry. In Kind Direct are an organisation based in the United Kingdom that provide a similar service to Good360 in that they redistribute donated consumable and durable goods to charitable organisations. Innatura is also a similar organisation in that they distribute products that they receive from manufacturers and retailers in Germany for social good. Similar market sizing research conducted for In Kind Direct (UK) and Innatura (Germany) was grounded on 2 percent of products manufactured and intended for sale becoming surplus<sup>1</sup>.

We confirmed that the 2 percent estimate was a reasonable estimate for the Australian context through consultation with selected major retailers in Australia. Consultations were conducted with organisations that were partners of Good360 i.e., those businesses that are in the retail goods industry and already donating goods to Good360. During consultations with partners to Good360, each organisation had an insight into what levels of goods they were donating relative to their business turnover.

Conversations with Good360 partners revealed there is potential for the 2 percent estimate to rise significantly higher. In some categories like seasonal clothing the proportion that is remaining can be as high as 15 percent wasted in some years. Years in which there were unforeseen circumstances, like a global pandemic can reduce consumer confidence and retail demand, resulting in higher than expected levels of unsold goods.

In total, two consultations were held with the following organisations: BIG W and Winc.

Whilst there is a portion of donated goods that stems from unsold or goods deemed as wasted, it should be noted that a portion of donated goods arises due to there being a need for particular goods as well. For example, in response to natural disasters, many essential goods, such as toiletries, appliances and stationery, are donated directly by Good360 Australia partners. This report has focused on the former and as such the estimates are geared towards those donated goods deemed as wasted.

#### **A.1.5. Methodology: Total value of government expenditure to charities for household goods**

To estimate the total value of government expenditure on charities and what proportion of this is then spent on household goods, data in the 2018 Australian Charities Report and the annual reports of selected charities was used. Note, figures used in the 2018 report were inflated to 2021 dollar values using the Consumer Price Index recorded by the ABS.

##### **A.1.5.1. Estimating government expenditure on household goods**

A two-step process has been taken to estimate government expenditure on charities for household goods.

1. Step 1 was to estimate the total expenditure by governments on charities which considered total charity revenue in Australia in 2018 (note – figures were inflated to 2021 dollar values) and considered the proportion of revenue that might be from government sources.
2. Step 2 then narrows down to the proportion of government expenditure on charities to the component that is used for the purchase of household goods by first, looking at the proportion of charity expenditure that is spent on grants and donations in Australia (Step 2A) and then the proportion of charity expenditure that is likely to be have been spent on household goods (Step 2B).

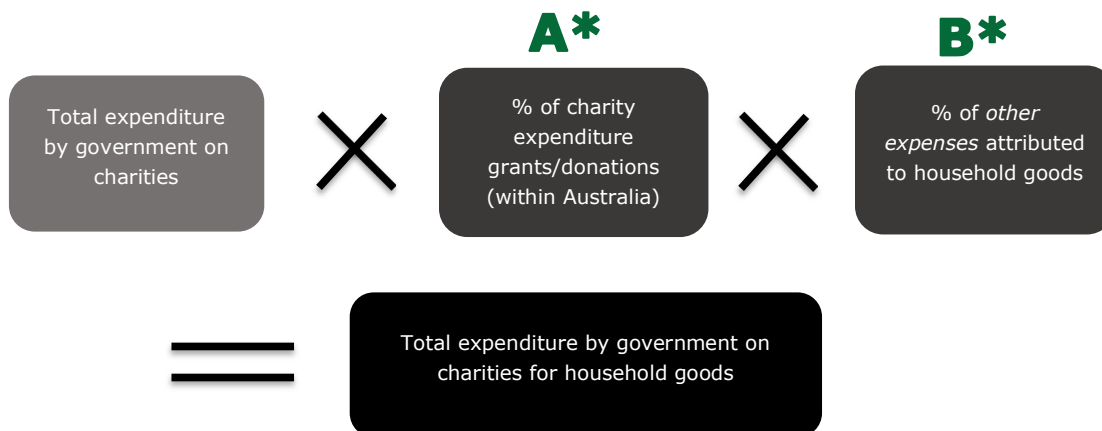
These steps are summarised in Figure A.12 and Figure A.13 below.

Figure A.12: Step 1 – Estimating total expenditure by government on charities



Source: Deloitte Access Economics, 2022.

Figure A.13: Step 2 – Estimating the proportion of government expenditure on household goods



Source: Deloitte Access Economics, 2022. Grants Donations is one of the 5 reported categories of expenditure in the Australian Charities Report.

**A.1.5.2. Step 1**

To establish total expenditure on charities by governments, each charity sizes total revenue was multiplied by the percentage of revenue that comes from government respectively. In total, governments spent almost \$74 billion on charities in 2018. This figure was inflated to 2021 dollar values and resulted in an estimated \$77 billion. This figure makes up approximately 47 percent of the total revenue received by all charities.

**A.1.5.3. Step 2 – Part A**

To establish the total amount spent by charities on household goods from government revenue, the total government sourced revenue calculated in Step 1 is first multiplied by the portion of expenditure on the category grants/donations within Australia. This category of expenditure was chosen as the expenditure on household consumables and durables by charities are effectively gifts in kind, something that could be provided through grants & vouchers.

Of the approximate total of \$77 billion charity revenue that is sourced from governments, \$2.7 billion is spent on grants/donations within Australia. The figures used in the Part A of Step 2 as well as further detail surrounding charities’ other categories of expenditure can be found in Appendix A.

**A.1.5.4. Step 2 – Part B**

An apportioning factor is then applied to the \$2.7 billion calculated in Part A of Step 2 to estimate the proportion of grants/donations within Australia that is spent on household goods

The apportioning factor was determined by analysing the annual reports of a handful of major charities to determine a rough estimate of the proportion of expenditure that is likely to have been spent on household goods. As this was rarely clearly identified in financial statements, we looked at the closest line item to determine a range for the apportioning factor. This line included things such as:

- 'People in need' services
- Housing and homelessness
- Cost of goods and sale of consumables.

The 2020 annual reports of three charities (St Vincent De Pauls<sup>x</sup>, Red Cross Australia<sup>x</sup>, and Salvation Army<sup>xi</sup>) were analysed and indicated a range of 10 percent – 15 percent as the proportion of charity expenditure likely to be for household goods. These charities were selected based on their established interaction with government program delivery according to NSW Government annual reports.

#### **A.1.6. Limitations**

All calculations in this report have been derived from available data sources. As the data may not fully capture all aspects, there is an inherent limitation. For example, in the ABS Retail Trade Data, there may be additional goods sold that are not fully captured in the figures as there may be smaller retailers who are not included in the overall data set.

The concordance between the ABS Retail Trade data and the ten within scope categories presents itself as a possible limitation to the analysis done. As these two sets of categories were not perfectly aligned, it is possible that some of the categories may be partially misrepresented. For example, some whitegoods may have been considered in homewares and as such may have distorted some of the final figures.

Furthermore, there may be an over or underestimation of certain within scope categories as datasets were combined to calculate totals when the data was not as granular. For example, in calculating the Infant supplies, figures were used from IBIS World and ABS Retail Trade data to identify a total figure. Of course, it is not ideal to combine the datasets, but given the limitations this method was used.

This study focuses on the nine categories that have been identified within scope. Although these nine capture the majority of retail and household goods, there may be additional categories that do not fit within the nine. As there may also be waste in those additional categories, the figures presented in this report may be underrepresented.

# Limitation of our work

## **General use restriction**

This report is prepared solely for the internal use of Good360. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose assisting Good360 in understanding the market size of its services. You should not refer to or use our name or the advice for any other purpose.

# Endnotes

- <sup>i</sup> PWC, Product Giving – A review of the market, business case and impacts 2017 (report commission by In Kind Direct, November 2017)
- <sup>ii</sup> Australian Bureau of Statistics, *Consumer Price Index – Australia, December 2021*, (Catalogue No 6401.0, December 2021).
- <sup>iii</sup> Australian Charities and Not for Profits Commission, *Australian Charities Report*, (December 2018) <<https://www.acnc.gov.au/tools/reports/australian-charities-report-2018>>
- <sup>iv</sup> Good360 Annual Report, *Good360 Australia*, (2020) <<https://good360.org.au/our-impact/>>
- <sup>v</sup> Good360 Financial Information – Good360’s 2020 Impact, *Good360* (2020) <<https://good360.org/financial-information/>>
- <sup>vi</sup> Australian Bureau of Statistics, *Retail and Wholesale Trade, December 2021*, (Catalogue No 8501.0, December 2021)
- <sup>vii</sup> Australian Bureau of Statistics Census Quick Stats, 2016, <[https://quickstats.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/036](https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/036)>
- <sup>viii</sup> Retail and Wholesale Trade Data, *IBIS World (June 2021)* <<https://www.ibisworld.com/>>
- <sup>ix</sup> St Vincent De Pauls, Annual Report 2020-21, *Vinnies (2021)* <[https://www.vinnies.org.au/page/Publications/NSW/Annual\\_Reports/](https://www.vinnies.org.au/page/Publications/NSW/Annual_Reports/)>
- <sup>x</sup> Red Cross Australia, Annual Report 2020-21, *Red Cross (2021)* <<https://www.redcross.org.au/publications/>>
- <sup>xi</sup> Salvation Army, Annual Report 2020, *The Salvation Army* <<https://www.salvationarmy.org.au/about-us/news-and-stories/reports/annual-report/2020-annual-report/>>





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