

# Potsdam Coop Strategic Plan

## Introduction

The Potsdam Consumer Cooperative has been in existence for 40 years. Over that time it has grown and evolved with the growing, evolving food culture. When the Coop first opened in 1973, it was the only place in town to get most whole grains. Since it grew out of a buyers' club, it focused on trucked-in food rather than local food. Soon, though, it was carrying local beef that was purchased by the side from Pahler's (now Glazier's) on Route 11. As "organic" began to take on meaning, the Coop offered the first organic products in the area. Organic became popular and the local grocery stores started offering products labeled "organic," too. About that time the focus turned to locally produced food and the Coop, which had been selling local for many years, turned its buying preference from "organic" to "local."

Along the way, the Coop began to offer other products that weren't available locally like foreign foods. It added "gourmet" food like organic pre-popped popcorn. Spring seeds were an early addition to the product line as were bulk spices that continue to be significantly less expensive than other venues.

At different times in its life, the Coop has taken on very large projects – moving from Maple St. to Market St. (by the bypass), moving from Market St. to the current location on Elm St., and turning the old carriage house into the Carriage House Bakery. Each time the membership has stepped up and supported it not only in word but also in deed. Members moved the shelves, poured the concrete, built the oven and most importantly provided the leadership that made these projects possible.

By their nature, coops take time to make decisions. The Board takes its responsibility of consultation with the membership very seriously and that process can be time consuming. If the Coop is to evolve, it is critical to develop a strategic plan that lays out the general direction the Coop will take followed by an implementation plan that will allow the Board to take advantage of opportunities as they arise. This document is the strategic plan that the membership will weigh in on and eventually embrace or reject. If embraced, the Board will create task forces to implement the plan's various components.

It is also the hope of the authors that this plan will inspire members to provide the leadership and motive forces for implementation. As you will see, the Coop is in good shape...but it cannot stand on its laurels. The food universe is changing and the Coop must continue to change, too, finding or even producing the next product that no one else carries or finding some new empty niche that serves our membership.

## Current State of the Coop

The State of the Potsdam Community Coop is sound. While it doesn't enjoy wide support from the general community, it enjoys truly dedicated support from the segment of the community that started it forty years ago. However, that segment is aging and the next generation of coop shoppers is not as large or as involved as its graying predecessors. Over the next twenty years, the Coop will begin to lose this older demographic and need either to shrink and eventually dissolve or evolve to serve the needs of the next generations. The Coop's mission continues to be valuable in the community and engaging the next generation of Coop members in shaping the way it fulfills that mission could keep the Coop relevant.

Since the Coop took on its second role as a community owned grocery allowing non-members to shop, active membership has been flat. We currently have a little over 700 members. This indicates that the benefits of membership are not worth – or at least perceived not to be worth – the investment of \$25. Although the annual fee is divided up into 2 parts – \$15 annual dues and \$10 refundable share investment – it isn't likely that most people look at them separately, particularly since many people don't seek a refund of their shares when their membership lapses. Nor do they usually think about the fact that the investment portion is limited to \$100 so after 10 years the annual bill drops to \$15.

In the beginning, all members were required to work as well as pay dues. Not only did members patronize the business, but they invested money and time into it. This combination coupled with the success of the institution, even through the great coop shakeout of late 1980s and early 1990s when Coops were failing at an alarming rate, are factors that contributed to the strong community support.

With the advent of non-working membership and non-member shopping, the Coop (along with most of the grocery cooperatives in this country) has metamorphosed into a hybrid buyers' cooperative and community owned grocery. The influence of the latter has been to have less actual work done by the membership, more of that done by a smaller segment still – the core workers – and more done by paid employees, who do the majority of the work.

This may also be at the root of another challenge: the challenge to keep members engaged in operation of the Coop. The newsletter is our primary form of communication to the membership, but the Annual Meeting and Annual Potluck are the primary venues for public input. Participation in these events has waned over the years. Possible causes for this are that the Coop doesn't have any large and exciting new projects like the move or the bakery or that there are just a lot more things calling for attention in our community. Members also provide input through comments to the suggestion box and verbal communications to the staff and board.

From a financial perspective, the Coop has the interesting combination of a weak revenue/expense statement and a strong balance sheet. In a nutshell, it often loses money in a year but it has significant assets and minimal debt. One source of the strong balance sheet is

annual member investment in refundable shares. Similarly, the forfeiture of shares by people who let their membership lapse without claiming a refund on them increases our annual income.

In addition to the strong balance sheet, there is a perception that the community would be willing to loan money to the Coop for expansion and/or new projects. This manner of financing has been very successful in the past.

The structural challenges that face the Coop going into the next 5 years are attracting more shoppers, increasing or at least maintaining membership, improving communication with shoppers and particularly members, increasing members' engagement, and strengthening net revenues without significantly raising prices. The strong balance sheet and perceived ability to raise capital for new projects puts the Coop in a good financial position to grow and/or launch new projects.

## **Methodology**

To identify and develop ideas for the Strategic Plan, we used a three-step process to get a handle on what kind of Coop the membership wants to see us grow into, starting from very general questions in the first step and getting to very specific questions in the third:

### ***Clipboard Surveys***

In an effort to identify key issues that would be used as a foundation for strategic planning, Board members asked more than 100 Coop members at random in the store "what should the Coop look like in five years?"

### ***Neighborhood Dinners***

Using the results of the clipboard surveys as starting points, more detailed ideas about the future of the Coop were solicited at ten neighborhood potluck dinners, each hosted by a Coop member and attended by approximately 5 to 12 people. Dinners at 6:00 pm were followed at 7:00 pm by discussions facilitated by a member of the Planning Committee. Notes were kept by either the facilitator or another attendee. There was considerable leeway in how the discussion was framed, but generally it revolved around the participants' vision of the Coop in 5 years. Ideas of substance were recorded, but no attempt was made to quantify the support for them.

### ***Online Survey***

Nine key priorities were identified from clipboard surveys and neighborhood dinners. In an attempt to get significant membership engagement about which priorities were more or less important, an on-line survey was created and distributed to all members. 188 responses were collected.

## Limitations of the Methodology

Clipboard surveys elicited 100 responses, neighborhood dinners recorded thoughts from approximately 100 members, and the online survey collected 188 responses, for a total of 388 responses. However, since the same individuals often provided input to more than one survey method, the total number of members responding is probably significantly less, probably in the range of 200 to 250 range, or probably around 25 - 30% of the membership. There is no way to project whether these results also represent the interests of the members who did not respond and the interests of non-members. There is also no way to be certain that people's expressed visions for the Coop will translate into actual interests and future shopping habits.

## What We Found

### *Clipboard Surveys*

Responses from the clipboard surveys were sorted based on key words and the use of Wordle provided a graphic representation of the survey outcome:



### *Dinners*

One of the first things people said was that community is very important and that the Coop is a key part of their community. Community looks like things such as the annual and neighborhood potlucks, the open house, having conversations in the Coop and an intangible “feel” that the institution holds. The flip side is that some newcomers don’t always feel as welcomed as established shoppers even if they are members. Some members of the community feel uncomfortable in the Coop because it feels too elitist.

Everyone wanted more products and lower prices...and understood that the Coop has limited space and buying power. That means focusing carefully on the products that sell, offering products with lower demand through the buyers’ club (or suggest other sources) and keeping

the price of staples as low as possible. There is also a commitment to paying living wages and finding a way to offer good food to people struggling economically.

The deli and bakery got high marks, too. There were lots of ideas about how to expand them from offering frozen, healthy, ready to heat meals to building a restaurant. In between there were suggestions of more offerings and a place to sit down to eat them.

One area of possible expansion is in making more of the products. The Coop makes its own granola, but could it also make other cereals and crackers that cost less and possibly use local ingredients? Creating innovative partnerships with local producers such as buying their output in advance (*i.e.*, lettuce futures) was also suggested. Respondents said that local is more important than organic. People would like to see more local non-food products, too.

There was less agreement on whether to offer products that cost less elsewhere for the convenience of Coop shoppers. Many members are value shoppers and shop where things are least expensive...but only when the quality is equal. Good quality is worth paying for. Some also use the Coop for the vast majority of their purchases because it is convenient and a “good cause.”

Members said that the Coop is doing well at labeling products as “local,” “organic” and “commercial” but more information would be welcome, particularly about GMOs (genetically modified organisms).

Education is an area where cooperative relationships with local not-for-profit organizations are a possibility. Offering classes in conjunction with them on healthy eating would serve our members without stretching our resources.

The vision most members have for the Coop is very much a “steady as she goes” course. Instead of looking for the next big thing, members are encouraging the organization to concentrate on refining offerings and expanding through partnerships. Members want the focus to be on community, local products and affordable prices (particularly of staples).

## Online Surveys

The results of the online survey are shown in this report from surveymonkey, the website used to conduct the survey:

Item	Total score	Rank
Increase partnerships and support of local vendors, businesses and producers (farmers)	1256	1
Lower prices, especially on items found at other retailers	1189	2
Expand in house processing and production to broaden offerings, example: mill flour or bulk purchase of meat and fish	1060	3
Expand the deli	1011	4
Expand the store	959	5
Invest in marketing to increase memberships and revenue	840	6
Provide education, both in store (regarding food we sell), and out of store (i.e., cooking classes)	836	7
Provide a space in the store to sit and eat	809	8
Sell beer and wine	500	9

The ranking shown above was determined by surveymonkey's weighting scheme. Since the ranking might be affected by the choice of weightings, we re-analyzed the raw data using five other schemes. The rankings were reasonably consistent regardless of scheme, particularly for the top three items, so we are reasonably confident in this ranking. However, the data do not reveal whether the membership ranks one item only slightly more important than the next, or a lot more important. Therefore, these results should be taken as confirmation of the results of the clipboard surveys and potlucks, rather than as an ironclad statement of what projects the Coop should undertake and in what order.

## Vision

Over the past 40 years the Potsdam Food Coop has grown into an organization that is central to Potsdam and the surrounding community. In order to continue growing over the next five to ten years, the Coop intends to support local businesses by significantly increasing its partnerships with local vendors, to focus on offering goods at lowest possible prices and to expand the Coop's physical space to enable an expanded offering.

Partnerships with local vendors and producers will provide the membership and the Potsdam community with fresh and high quality products at minimal environmental impact. Most importantly, strong partnerships will provide producers with a predictable market, which will strengthen the local economy.

In order for the Coop to remain a store that serves both its membership and the larger community, prices need to remain as low as possible. The Coop values the diversity of its

membership and that diversity can only be maintained if the goods offered for sale at the Coop remain affordable.

The Coop grew in its beginning because it offered product to its members that could not be bought elsewhere. Offering value-added products from local sources will continue that focus and will help maintain a market niche for the coop.

## **Recommendations**

### ***Goals***

Based on the research described above as well as internal discussions, the Planning Committee identified four primary goals that the Board should consider at this time:

1. **Increased partnerships and support of local vendors, businesses and producers (farmers).** Integrating the Coop within a local food network will provide high quality food to the membership and community while improving the economic outlook for local producers. To assure progress towards this goal, the Coop will
  - a. Track and increase Coop sales of local products
  - b. Track and report on the Coop's local business partnerships
  - c. Catalog local partnerships and determine options for developing new ones
  - d. Develop clear guidelines for selling to the Coop
  
2. **Affordable pricing.** In order for the Coop to meet members' needs while remaining economically viable, the Coop will strive to offer essential grocery items at prices that are affordable to all. To achieve that goal the Coop will
  - a. Identify key "staple" items found at primary competitors
  - b. Conduct a marketplace pricing analysis
  - c. Determine and evaluate mark-ups for each product group necessary for the Coop to remain economically viable
  - d. Research and communicate with other Coops and community grocery stores to determine best practices and other approaches to pricing staples.
  - e. Work with local vendors to implement solutions to reduce pricing on staples while maintaining profitability
  - f. Improve financial reporting for management
    1. Finalize process for automating inventory and using real cost valuation for the inventory
    2. Automate linkage between Point of Sale program and the General Ledger
    3. Create reports that estimate profitability by department
    4. Implement automatic ordering in Point of Sale program where it is feasible and makes sense
  - g. Increase flexibility of discounts

1. Change bylaws to allow for the implementation of patronage dividends (note: that this is NOT necessarily a recommendation to implement patronage dividends, but to put the structure in place allow it to be implemented)
3. **Expansion.** Expansion of the Coop will provide the Coop with better purchasing power, ultimately reducing prices and maintaining its competitiveness. A broader offering will attract more customers, allow more local producers to offer their products, and strengthen the local community. An expanded Coop (membership and physical space) would also allow for a broader offering of community activities. Expansion possibilities and the first steps toward implementation include:
  - a. In-house processing and production of manufactured goods that are currently purchased from non-local vendors. Determine what, if any, products would be financially feasible to produce in-house without exceeding management capability and facility availability.
  - b. The deli operation. Study the costs and benefits of expanding the deli with a particular eye to what sales levels would be necessary for sustainability. The study will analyze development of a seating area to accompany the deli and expansion of the production kitchen.
  - c. The store offering. Develop a plan for physical expansion so that opportunities that arise may be capitalized on. Develop a model that predicts increase in sales for an enlarged store so that the cost of increased space can be analyzed quickly in light of projected revenue.
  - d. Establish a way for members to put together buying opportunities for items of interest (*e.g.*, locally raised meat, wild caught salmon, etc.).
  - e. Provide a space in the store to sit and eat
    1. Investigate the feasibility of using current space for sitting and eating
    2. Investigate the feasibility of an expanded space for sitting and eating
  - f. Sell beer and wine. Assess and evaluate whether to sell beer and/or wine, particularly local products, in the store.
4. **Education**, both in store (regarding the food we sell), and out of store (*i.e.*, cooking classes)
  - a. Develop a collaboration with local organizations (*i.e.*, Local Living Venture, Hands on Health, Gardenshare, Health Initiative, etc.) to offer classes in using whole foods
  - b. Expand access to nutritional and other information about the products the Coop sells
  - c. Invest in marketing to attract more shoppers. Increase memberships and increase gross sales to \$2M by the end of 2014 to capitalize on reduced costs of inventory.
  - d. Find ways to convert shoppers to members.
  - e. Improve communication with members and engagement and enfranchisement of members
    1. Increase the attendance at the Annual Meeting and Annual Potluck
    2. Increase member participation in committee and in-store activities



## ***Implementation Considerations***

Implementation of the Strategic Plan is beyond the purview of the Long Range Planning Committee. However, it would be unfair for the plan to be developed without an eye to its implementation. Many of the goals in the plan involve a significant investment of time and money; making sure that this investment is used effectively is important.

Some of the recommended goals (*e.g.*, improving financial reporting for management) can be achieved by current staff and volunteers, others (*e.g.*, increasing the flexibility of the discounts) by board action followed by membership approval, but some many will require significant new resources, both human and financial. For the latter, the Committee recommends the use of Task Forces to implement many of the goals. These Task Forces would be made up of Coop members, possibly including but not limited to, Board members and staff. Generally speaking, these Task Forces would look at the goal they are tasked with meeting, develop a plan for meeting that goal and estimate the amount of time and money required to meet the goal. Any money spent and time spent by staff or volunteers for credit would have to be approved by the GM and/or the Board if it required money outside the budget.

Many possible projects would require a business plan. For example, adding cracker production to the Coop's activities would require a plan that:

- Shows that producing crackers would not conflict with current deli and bakery production. That might mean that crackers had to be made at night after night cleaning and before the bakers come in for the morning.
- Shows that Coop-made crackers would not displace other Coop-made or locally sourced products.
- Demonstrates that Coop-made crackers would be cost-effective in investment, materials, packaging and human resources compared to purchased crackers.

## **Conclusion**

The Coop has a member base of 700 households. Its balance sheet is sound. However, the Coop's membership is aging, and revenue and membership numbers have been flat, probably for reasons such as the availability of non-member shopping, competition from other stores, insufficient outreach, and lack of perceived compelling reasons for shopping at the Coop. The Coop needs to begin to address these problems in the near future to insure its long-term viability.

This Strategic Plan offers several ways the Coop might increase sales, attract new members, strengthen the Coop's ties to the community, and potentially create additional jobs at the Coop and additional sales for local businesses. Some of these opportunities would require little staff or volunteer time and minimal investment and could be implemented in the near future. Others will require detailed business planning and substantial investment. Based on the Coop's previous experience implementing growth initiatives that members have proposed and developed, we anticipate that members will enthusiastically support and assist with

implementation of these initiatives, as well, both in volunteer involvement and as a source of financing.

The next step for the Board is to review the opportunities presented above to develop a provisional priority list and timeline. The Board will likely then want to appoint one or more task forces to flesh out each idea to be pursued, determine its feasibility, and develop a detailed plan for implementation. Exploration and implementation of these initiatives will strengthen an already strong Coop and position us to take advantage of future opportunities.