

BY DAVE GUTKNECHT

Better Metrics, Stronger Allies



Food co-ops today operate with both increased competition and increased collaboration. During previous decades, these co-ops thrived on growing demand for natural/

organic products, while supporting expanded operations and services through higher labor costs and higher margins. Now, with the maturing of the natural/organic niche, these operational tactics are of diminishing effectiveness. At the same time, improved services, supported by better messaging and stronger collaboration with allies, are deepening the impact of co-ops.

In discussing a more sophisticated approach in pricing that a tighter market requires, **Jeanie Wells** and **Mel Braverman** of CDS Consulting Co-op identify these changed circumstances—with many natural/organic products and services now available from other stores. Co-ops “operate smaller stores than much of the competition, and we have to adjust our strategy and tactics to compete with larger operators who offer some lower pricing due to their more efficient operational costs and lower margin structure.” After their thorough review, Wells and Braverman conclude: “The most effective way to become more competitive is to move away from a focus on high margins as the primary profit driver to a new focus on having stronger price points and increased product turns, in order to create the gross profit we need to be self-sustaining operations.”

The present edition offers additional examples of how a competitive environment shapes cooperative strategies, both in recommended metrics and in allied campaigns.

A dramatic decade

Food co-ops’ growth in sales and member-owners are longstanding trends that reinforce community impact and market impact. In the face of added competition and the recession ongoing since 2007, food co-ops overall are reporting diminished but still-healthy growth and profitability.

While store expansion is widespread, a key form of co-op growth is going beyond single stores and opening additional sites. Over the past 12 years, existing food co-ops have opened more than 31 additional stores, solidifying their market impact and position both locally and nationally. National Co+op Grocers is a new

partner in financing these expansions, along with Capital Impact Partners, as announced by **Dave Blackburn**, executive director of the Development Co+operative.

Additionally, during the past decade some 70 new food co-ops have been successfully launched. **Stuart Reid** of Food Co-op Initiative provides useful summary data on the food co-op sector and some speculation on its future. The current list of food co-op stores is nearly 400, a number not seen since the co-op wave of the 1970s.

Overall, food co-ops have achieved 36 percent growth in additional stores over the past 12 years. Atop these co-ops’ prior years, that growth translates to tens of thousands of new member-owners, thousands of new jobs, and hundreds of millions of dollars in additional buying power.

The increasingly competitive market is impacting startup efforts as well: minimal requirements for store viability have grown as the availability of natural/organic products and services has spread to many other stores. Reid points to stronger capital requirements for new stores, which makes it more challenging for startups and underscores the importance of member-owner capital. Startup food co-ops are showing a strong survival rate of nearly 74 percent. However, two-thirds of these stores are small, with \$1 million or less in annual sales, and such co-ops are especially vulnerable in tighter market conditions.

The cover section is rounded out with reports from co-op allies that are extending the values of fairness, solidarity, and transparency. The Principle Six (P6) Cooperative Trade Movement is having a growing impact on the co-ops that are participating, measured in stronger sales and relationships with producers that are local, small, or cooperative. **Aaron Reser**, the national director, gives a full report—including many quotes that testify to positive effects on branding and sales at co-ops that practice those values and support those producers through P6.

The Domestic Fair Trade Association (DFTA) is working to extend those same values throughout the food chain, beginning with farmworkers and linking to homes through food cooperatives and other retailers. **Colette Cosner**, executive director of DFTA, follows up its recent national meeting with testimony from diverse member organizations concerning the impact of this food justice campaign. ■

CONTRIBUTORS IN THIS ISSUE



Dave Blackburn is executive director of the NCG Development Co+operative (dave.blackburn@ncg.coop). **PAGE 7**



Mel Braverman is a member of CDS Consulting Co-op, specializing in operational and financial improvements (melbraverman@cdsconsulting.coop). **PAGE 9**



Colette Cosner is executive director of the Domestic Fair Trade Association (Colette@thefcta.org). **PAGE 23**



Michael Healy is a member of CDS Consulting Co-op, specializing in board leadership development (michaelhealy@cdsconsulting.coop). **PAGE 14**



Aaron Reser is national director of the Principle Six (P6) Cooperative Trade Movement (aaron@p6.coop). **PAGE 18**



Stuart Reid is executive director of Food Co-op Initiative, which assists startups across the country (stuart@fci.coop). **PAGE 25**



Jeanie Wells is a member of CDS Consulting Co-op, specializing in expansion planning and organizational and leadership development (jeaniewells@cdsconsulting.coop). **PAGE 9**

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dan@cooperativegrocer.coop, 612/436-9177