

**Oneota Community Co-op
Minutes for Regular Board Meeting**

February 28, 2017 5:30 PM

Kitchen Classroom, 308 W. Water St.

Board Members Present: Brita Nelson, Scott Hawthorn, Bryan Stuart, Flannery Cerbin-Bohach, Maren Beard, Carl Peterson, Alicia Trout arrived at 5:41 p.m.

Board Members Absent: Alicia Trout arrived at 5:41 p.m.

Acting GM Present: Nate Furler

Co-op Staff : Larry Neuzil

Member/Owners Present: Randall Duvall, Jeanine Scheffert (Bd Admin Asst)

1. Call to Order

Nelson called the meeting to order at 5:34 p.m.

2. Board Learning - none

3. Member Comments - 6:40 p.m.

Randall Duvall expressed his appreciation for being able to listen in on the board meeting. Randall has worked in bulk and in the kitchen and he was a supervisor for 17 years. Moving to Decorah has been his introduction to “co-op living.” He’s been here 3-4 years now and is an active co-op volunteer. He feels it is a privilege and an honor to be running for the board. Duvall says from a volunteer’s perspective, it has been interesting to watch staff and managers interact. He feels it is important for managers to “cheer on” the staff they manage. He also noted that there are fewer people today who are “sustainable.”

Duvall appreciates the changes made in the bulk section and feels when something is building and moving forward, business will get better. There were reasons the changes were made.

Duvall noted that people should make suggestions via the suggestion box or talking to a manager or board member directly. He also feels there should be better education around the co-op’s ability to make special orders.

4. Disposition of Member Comments - Board thanked Duvall for his thoughts and for joining the meeting.

5. Agenda Review

Motion: Beard moved and Cerbin-Bohach seconded to **Approve Agenda.**

Agenda **passed** by a vote of 6 aye, 0 nay. Trout was not yet in attendance.

6. Approve Minutes

6.1 January 2017 Main Meeting Minutes

Motion: Beard moved and Stuart seconded to **Approve January 2017 Meeting Minutes.** Motion **passed** with a vote of 5 aye, 0 nay. Peterson abstained because he was not present for the full January meeting. Trout was not yet present at today’s meeting.

7. Consent Agenda – none

8.1 GM Report

Financial Snapshot:

January sales went up slightly compared to 2016, but not as high as budgeted. Bulk sales continue to trail, but we had increased sales in wine and beer partly because of a January Toppling Goliath release. This counteracts the loss in bulk.

Our finance department noticed the wine and beer inventory was too high. This was due to a misunderstanding about a Toppling Goliath soft release. We did a flash sale to get rid of this beer over the weekend.

Losing the extra day in February compared to last year will be enough to put us behind our February 2016 sales.

Local sales stayed at 24% from January.

Furler has been sending weekly financial reports out to staff. Our goal for labor is 19.25% and we're not hitting it, even without David's time represented in the past two months. We need to find ways of increasing staff efficiency while also maintaining a friendly and welcoming store.

Community/Outreach/Other Store Happenings:

Carl Haakenstad has shifted to buying meat in addition to bulk so that his position (a buyer's position) is being paid to make purchases, not to repack. Kristin Evenrud was previously in charge of buying meat, but is now moving to the front end. Our new grocery manager is Nicole Brauer - formerly Assistant Produce Manager.

We're getting systems in place to keep repack consistently on the shelf. Some things like dried mango are difficult to keep on the repack shelf and might go back to being offered in bulk.

Co-op is also looking into the idea of an online buying club. Co-op has been discussing this internally for over a year, but wasn't sure how quickly we'd be able to move forward with it. We were doing buying for the co-op in Lanesboro and used that as a test-run. Logistics were always a hurdle, but grocery figured a lot of this out. We developed minor systems at that point and now we feel like we could do it. Our IT person may be able to do a lot of it, both online and the physical logistics - to get things off the ground. We are still looking at how and where to set this up. We haven't talked about this idea publicly yet because we haven't been sure how fast we can make it happen - if it is determined possible by management. However, there is talk amongst our membership about needing a buying club because of the bulk reset, so now would be a good time to make it happen.

The board indicated that it would like to have the buyers club discussion sooner rather than later and would like to be part of the conversation, perhaps in the form of a listening session. The board will consider this as an agenda topic for the annual meeting.

Furler indicated that a bulk buying program should not be too difficult to develop seeing as most of it

would be managed through a computer program that would allow us to upload catalogs. By the end of March we should have an idea how quickly we can roll this out.

Concerns were raised over the fact that members are having discussions about changes to the bulk section behind the scenes on Facebook and email lists. Co-op leadership would love the opportunity to sit down with members to listen to concerns and take them into consideration with future planning.

Until last year, bulk wasn't negative year over year. However, sales have continued to drop - going negative in 2016. We've learned a lot from what we've attempted to do and we would do a lot differently next time, from picking certain products to keeping a circular table. That table felt like a gathering space. Negating the importance of its existence was huge. The impression of losing a gathering space combined with losing products - it's all part of the discussion.

People coming to these discussions aren't the same ones who are saying, "We're so glad you did this." We also have that; they are glad they don't have to put things in their own bag.

The question was raised of whether sales would be flat if we hadn't gotten rid of so many things? Furler is going to look at the numbers and report back.

We're looking forward to a reset of the whole store this fall. We're not going to make any dramatic changes yet because we don't know what the pro forma will say, but we're looking forward to hearing what they suggest.

We've had a worst case scenario leading up to this bulk reset with 6 months of gearing up. We had a choice of resetting in December or March. In December, we were down \$38,000 in sales, so we felt we'd better hurry up and do it. Then Lester had his two-month sabbatical, our grocery manager switched, we lost our front end manager. A lot was happening at the wrong time but now we're ready to start charging forward and continuing to make improvements.

A copy of an article that Furler wrote for the Scoop was shared with the Board before the meeting. The Board thanks Furler for capturing the complexity of the bulk section and changes that have taken place so well. The article was honest and answered many of the questions board members have been hearing.

Furler and Board reflected on how there were things that could've been done differently with the bulk reset like simultaneously rolling out a bulk buying club and installing a comment board in the bulk section to keep track of which items people were missing. Unfortunately the time and energy available this Winter did not allow for this to be done. Changes are incrementally being made to things like lighting and timers to improve the bulk section but there is more that could be done and we are now wishing we would've been more proactive.

There has always been a feeling of community in the bulk section. We need to keep a pulse on the feel and community nature of the store. If people's definition of our store is at odds with the changes we're making in order to compete in the marketplace and the generation coming up is used to a different shopping experience... It is important to not alienate one group while bringing another in.

Physical Store Update:

Packaged grocery (and its sub-departments) now have more shelf space because of the Bulk reset. We'll

pull those numbers and start to ask questions: how much have sales increased? Does it represent the amount of space grocery has gained?

One idea is also to put bulk bins next to packaged grocery products in order to compare two similar products and note the price per pound difference, etc.

Kristin Evenrud will make a great front end leader and has a longevity here that will help her be successful in her new role. She and the entire front end represent the last face shoppers see and biggest interaction they have. We need to get them all on board with all we're doing at store.

Marketing/Special Projects:

Our biggest challenge is setting ourselves apart.

We could promote "local" more. We put out a vibe that we want to do local, but we could do a much better job of it and it could be an anchor for us to have almost half our sales be local. Especially now in the current political and economical climate, local economies are a huge deal.

Peterson: Maybe we should have goal of increasing local sales by 10% instead of by 1% so people have to think more creatively. Board can set these parameters and move the co-op to achieve this.

8.2 L5: Financial

Motion: Trout moved and Hawthorn seconded to **Approve L5: Financial.**

Agenda **passed** by a vote of 7 aye, 0 nay.

We ended 2016 1.54% over previous year. We expected the 4th quarter to go back up, but it didn't. 4th quarter ended up being our lowest quarter with a \$16,000 loss (compared to previous year) in bulk alone. This was part of a \$38,000 loss in bulk sales (compared to previous year) for 2016, putting us \$54,000 under our budgeted sales for that department.

We don't know why the rapid drop in bulk sales is happening. There is talk about millennials not shopping bulk, but millennials aren't our top shoppers and wouldn't make this kind of difference on their own.

Part of the reason we're losing bulk sales is a change in cost structure: packaged food can now, at times, be sold as cheaply as bulk. Are these co-op deals cannibalizing bulk? Is the margin too high for bulk? There is room to look further into this to see if margins in bulk vs. grocery can be played with more.

We don't know what has caused the steep decline of bulk sales, but we don't think it is all one thing. It seems as though there was a bubble and it popped: 2013 was a great year and then there was a steady decline. We're still \$300,000 over what we were making 10 years ago; maybe it is stabilizing. Even though bulk is still dropping for us and the rest of the Central Corridor, we are seeing co-ops on the coast seeing stabilization of their bulk sales.

Co-ops have become mainstream for many college age people. This is a new demographic that is also stabilizing and we can see sales trends of this new demographic begin to solidify as well.

Board said they are glad we're looking at bulk margins; if we can't meet accessibility and affordability in bulk, where can we do it?

Peterson noted that he's surprised that although each department has the same margins goal, they don't have the same margin minus labor goal. He would expect that to be the focus and presented the question: How would it change pricing and profitability if margin minus labor was more uniform?

Nate added that he'd like to know the dollar amount to put on the inefficiency of not meeting the goal of 19.25% labor.

According to the NCG benchmarks, our quick ratio and current ratio are low, but by 3rd quarter we should meet the benchmark and we're not far off. We're doing really well on equity.

Hacker and Nelson sends a generic list of things for a business of our size to be aware of. Board asked to see documentation of how Co-op is addressing these issues. Furler furnished this report.

8.3 D: Global Governance - Management Connection

Motion: Peterson moved and Trout seconded to **D: Global Governance - Management Connection**. Motion **passed** by a vote of 7 aye, 0 nay.

9. Action Items - none

10. New Business

10.1 Board Candidate Update

Five approved Board Candidates have been announced in the Scoop. There will be a Meet & Greet 5:30-6:30 March 8 in the Co-op. Members have received the letter describing electronic balloting. It caused a bit of confusion to have the letter arrive before voting began. An email will go out March 1 and reminder emails will be sent before the close of the election. Reminders will also be posted on social media.

One person has requested a paper ballot so far.

10.2 Electronic Balloting - Procedure Updates

Board went over proposed changes in balloting procedure manual and made final edits.

Motion: Peterson moved and Trout seconded to **Electronic Balloting Procedure Updates**. Motion **passed** by a vote of 7 aye, 0 nay.

10.3 Member Linkage

Member Linkage Committee proposed a 2017 Member Linkage Plan to help board connect with members. The plan includes looking into resurrecting co-op potlucks and finding ways to survey co-op members for ideas and to gauge satisfaction levels. Board liked the ideas presented in the Member Linkage Plan.

Motion: Beard moved and Trout seconded to **Approve 2017 Member Linkage Plan.** Motion **passed** with a vote of 7 aye, 0 nay.

11. Next Monitoring & Other

11.1 [L9: GM Succession - Lester]

11.2 [G9: Treasurer's Role - Peterson]

11.3 [G10: Secretary's Role - Beard]

11.4 [G7: Board President's Role - Nelson]

11.5 [G8: Vice President's Role - Trout]

12. Next Meeting - Tuesday, March 28, 2017 @ 5:30PM

Board asks minutes to reflect their great appreciation for Furler's excellent job at being Acting GM as well as Marketing Director during Lester's sabbatical.

13. Self-Evaluations - done via internet

14. Adjourn

Motion: Trout moved and Beard seconded to **Adjourn Meeting.** Motion **passed** with a vote of 7 aye, 0 nay. Meeting adjourned at 7:52 p.m.