

Frequently Asked Questions

1. How does a Patronage Dividend system work?

You will still provide your owner number to the cashier when you check out so that we can keep track of your purchases. You will see the running total of your purchases at the bottom of your receipt each time you shop. At the end of each profitable fiscal year in June your Patronage Dividend will be calculated and we will return a percentage of your total purchases for the year.

2. When will the change take effect?

The Patronage Dividend system will begin on Sunday June 28, 2009—the beginning of the co-op's fiscal year. The last day of the register discounts (owner and senior) will be Saturday June 27, 2009.

3. How can owners talk to the board about this issue?

Please attend one of the open meetings or come to one of the tables the board is staffing in front of the stores to speak to the Board of Directors directly. If you are unable to attend either, contact the Board by email at board@weaverstreetmarket.coop or General Manager, Ruffin Slater, by phone at 241-1767 or by email at ruffin@weaverstreetmarket.coop. As always, store staff will try to do their best to answer your questions, but talking with the Board and General Manager are the best way for you to discuss the change.

4. Why is Weaver Street Market losing money?

Before the fiscal year began, we budgeted to break even. The strong performance of our existing businesses was projected to compensate for start-up losses in our Hillsborough store and Food House. However, sales in our existing businesses have been substantially below budget (12% below last year) due to the recession and the poor economy. Lower sales translate into lower profits. About 70% of our under-budget performance is attributed to lower sales in our Carrboro and Southern Village locations. The other 30% is due to under-budget performance in our Hillsborough store and Food House.

5. What other steps have we taken?

We have already taken several steps to reduce our loss. We improved efficiency, which has allowed us to reduce staff through attrition. We negotiated better credit card processing fees. We reduced waste, and improved our purchasing from several vendors. These steps have eliminated two-thirds of our loss. However, many of our expenses such as rent and utilities are fixed and cannot be reduced. Ending the discounts will put us back in the black and on a path to declare a Patronage Dividend as the economy and sales improve.

6. What new benefits are being added for owners?

There will be new ways that owners will receive immediate savings. There will be weekly owner specials with significant saving on everyday items. There will be periodic coupons that enable you to save on a shopping trip of your choice. (We offered such a coupon in March, and it produced a winning combination of savings up to 20% for owners and increased sales for the co-op). There will also be new dining coupons for Panzanella. Through the Patronage Dividend, owners will have a new connection to the viability and success of their business. We are also looking for ideas for other benefits that are sustainable, exciting, and flexible. We will add these as time goes on.

7. If sales are down already, won't ending these discounts make sales go down further?

The co-op is here for you, and it relies on your Patronage to be successful. This has always been the case, and the Patronage Dividend system reinforces this relationship. When the co-op does better financially, you are rewarded for making that success possible by receiving a Patronage Dividend at the end of the year. Surveys have shown that people shop at the co-op because they believe in what we are doing. It is up to all of us to make our co-op successful, and deciding to continue to support the co-op is vital to our continued success.

8. Why did the Board of Directors make this decision?

The Board of Directors' most important responsibility is to ensure that the co-op remains financially viable so that it can continue to serve our owners and our community far into the future. The Board has been monitoring the financial situation on a monthly basis, and has been monitoring the impact of giving an automatic discount should the coop fall on tough economic times. The Board looked at alternatives to making this change, but this was the only one that would return the co-op to long-term viability. The change also creates a more equitable system of distributing our surplus to consumer owners and worker owners and establishes a clearer, more direct connection between co-op owners and the success of their co-op.

9. Why didn't the Board ask for owner input before making this change?

The Board did collect owner input on the concept of a Patronage Dividend three years ago that indicated that many owners preferred to keep the discount. We honored that preference by keeping the discount as long as possible. However, it's clear that circumstances have changed and we can't continue in business with the current discount. We didn't want to go through the motions of surveying owners as if we had a choice: we don't have a choice. It's time for the Board to provide leadership and make a decision that is in the long-term interest of the financial stability of the co-op.

The Board is involving owners in putting together new benefits to replace the discounts that are sustainable to the co-op, exciting to owners, and flexible enough to accomplish both. Our goal is that by the time the decision is implemented, every owner of Weaver Street Market understands the need for the change and is involved in helping develop the new benefits.

10. Why is the senior discount being eliminated?

We value our senior shoppers, many of whom are our most loyal customers. Our co-op has continued to give seniors a 10% discount long after other local grocery stores stopped giving any senior discount. The cost of the senior discount is growing rapidly as the baby boomer generation qualifies for the discount, and will cost over \$200,000 this year-- money that we simply can't afford to pay out. Continuing to offer the senior discount would keep us in the red and delay paying a Patronage Dividend.

11. What alternatives to eliminating the discount did the board look at?

The board analyzed alternatives and determined that this was the best way to return our co-op to financial viability. Other businesses these days are taking dramatic measures to cut costs—large layoffs, eliminating benefits, even closing stores. These measures have a severe impact on the affected individuals and families, as well as a negative impact on the quality of service that the businesses provide. This change avoids these types of severe impacts. It spreads the short term hardship over the co-op's entire consumer ownership, and at the same time puts in place a Patronage Dividend mechanism that will give owners a return as soon as the economic fortunes of the co-op improve.

12. What role does the expansion to Hillsborough play in our current situation?

The timing of our Hillsborough expansion with the recession and with new competition has been difficult. Fortunately, sales at the Hillsborough store are slightly ahead of projections. Food House sales to the stores is less than projected due to lower sales in Carrboro and Southern Village, and Food House expenses are somewhat higher than projected. Overall, the new store and Food House combined account for about 30% of our under-budget performance. Once we get beyond our current tough times, our long term prospects are good. We own the Hillsborough store, and in 15 years we will have paid off the building. In six years, we will realize a \$1.6 million tax credit associated with our Hillsborough expansion that will convert that money from debt to equity. The Food House gives us a greatly expanded capacity to produce our own food, which is a niche that our competitors don't have.

13. How will the Patronage Dividend improve fairness between consumer and worker owners?

One thing that makes our co-op special is that WSM is jointly owned by our consumer and worker owners. The contributions of both are vital to our success. With the new system, both groups will share equally in a year-end benefit based on their contribution of dollars spent or hours worked during the year.

14. What has been the experience of other co-ops that have switched to a Patronage Dividend?

Other co-ops that have changed from a discount to a Patronage Dividend have improved their financial stability and established a clearer, more direct connection between co-op owners and the success of their co-op. They have also provided other new benefits that demonstrate the benefits of ownership more immediately. The Lexington Co-op in Buffalo New York reports that most owners like the new owner specials so much that they don't miss the discount.

15. How does the Patronage Dividend fit into the co-op principles?

The notion of the Patronage Dividend is embedded in the third cooperative principle "Member Economic Participation," which reads "... members allocate surpluses for any or all of the following purposes: developing the co-operative...supporting other activities, or distributed to members in proportion to purchase." The Patronage Dividend is a cooperative advantage that has proved itself for generations, and it is even codified in our current tax laws for cooperatives. Neither the co-op nor consumer owners pay tax on Patronage Dividends.