



## A note from Ruffin Slater General Manager and one of the founders of Weaver Street Market

I want to share with you the history of the discount at Weaver Street Market and let you know why the time has come to change from a discount to a patronage dividend.

The original idea for the discount came before Weaver Street Market opened 22 years ago. The intent was to have a simple yet meaningful mechanism to reward owners for shopping at WSM. Each time a consumer owner shopped, they would receive a 5% discount on about half the products. A parallel mechanism was set up to reward worker-owners. At the end of the year, if the co-op made a profit, each worker owner would receive a patronage dividend based on the number of hours worked during the year.

The reason for giving consumer owners an immediate discount at the cash register rather than a patronage dividend at the end of the year like worker owners was a matter of capability. Cash registers at that time had a button that allowed us to give a discount, whereas tracking shopping during the year required saving receipts and manually adding them up at the end of the year--a major inconvenience.

Over the next 20 years, the discount became part of Weaver Street Market's culture. Owners grew accustomed to giving their owner number to receive a discount each time they shopped. Although the owner discount wasn't much on any one transaction, it added up to a lot of money in total—half a million dollars this year. If you consider the discount as a return on co-op share investment, consumer owners have consistently averaged a 40% return.

Our co-op only paid patronage dividends to workers in about half the years, and not in the last two. The combination of a discount for consumer owners and a dividend for worker owners didn't always produce a fair return between the two groups, but there was not a compelling reason to change—until now.

In the last year and a half, our ability to afford the discount changed dramatically. Our store sales declined due to the recession and to new competition from Trader Joes and Fresh Market. While the discount was a huge cost to the co-op, it didn't provide owners with sufficient savings on an individual shopping trip to reduce shopping trips elsewhere. (Ironically, giving out multiple discounts forced us to keep our shelf prices higher, giving owners a reason to shop elsewhere.) Lower sales meant that the co-op began to lose money. Even so, we continued to give consumer owners the same discount. Obviously this is short sighted, since no business can survive for long if it returns half a million dollars a year when it is losing money.

*(PLEASE TURN OVER)*

In the years since WSM started, food co-ops across the country changed from a discount to a patronage dividend. New technology made it easy to track purchases for the year—we have this technology now, so it's no extra expense to convert to a patronage dividend.

There was no magic to the way the discount was set up originally. It was the best tool at the time to reward owners for shopping at the co-op. Now there is a better tool—the patronage dividend—to achieve that same purpose in a more sustainable way.

Consumer owners have been insulated from WSM's financial difficulty--not because you asked to be, but because that's the way the system was set up from the beginning. This change makes you more than just a member who receives a discount in exchange for joining. It makes you a true owner whose return is directly impacted by how well our co-op does financially.

The co-op is here for you, and it relies on your shopping to be successful. The patronage dividend reinforces this relationship. When your co-op does better financially, you are rewarded as an owner for making that success possible by receiving a dividend at the end of the year. Every shopping trip that you make to the co-op, rather than a chain store, returns money to you. But more importantly, every shopping trip builds our co-op, benefits our local economy, and advances our local food system.

We're making the change for the best of reasons — to provide a stable financial base to continue to improve our co-op's impact on our community. Just last month Progressive Grocer, the leading magazine of the conventional grocery industry, named Weaver Street Market its store of the month. It speculated that WSM might be “the future of retail: keeping control and profits within the community... working in harmony with ecology... putting the needs of the community ahead of profits ... and playing a major role in educating the public about the foods they eat.” With your support, we can make this future come true!

Thank you for your support,

A handwritten signature in black ink that reads "Ruf Stata". The signature is written in a cursive, flowing style.

Please email me at [ruffin@weaverstreetmarket.coop](mailto:ruffin@weaverstreetmarket.coop) or call me at 241-1767 with your questions and suggestions.