

Meeting Minutes for Weaver Street Market's Board of Directors

May 2014 Meeting

Monthly Board Meeting, Carrboro Century Center, Carrboro, NC, May 14, 2014, 6:15 pm to 9:30 pm.

Directors present: Ruffin Slater (general manager), Curt Brinkmeyer (chair), David Bright (secretary), Lisa Best (treasurer), Michael Marotta, Jon McDonald, and Linda Stier (Elections Committee chair).

Others attending: Andy Sachs (facilitator), Brenda Camp (notes), Hank Becker (consumer owner, Elections Committee member), Geoff Gilson (worker owner), Barbara Keith (consumer owner), Dana Keith (consumer owner), Amy Lorang (worker owner, Elections Committee member), Charles Traitor (worker owner), and Byron Wall (worker owner).

1. Preliminaries

Owner Input: Hank Becker spoke to the Board about the potential of increasing the community aspect of the co-op by having more opportunities for owners to be involved with the co-op, which he suggested would eventually lead to more owners being interested in running for the Board. He also suggested having an advisory group for each of the four 2020 goals. Barbara Keith indicated that she is considering running for the consumer Board position and is interested in meeting the Directors. Amy Lorang suggested that the Board protocol be reviewed for visitors.

Agenda: There were no changes to agenda.

Minutes: Minutes from the April meeting were approved.

New Owners: There were no exceptions to the owner lists for March 2014: 94 new consumer owner shares, 1 new worker owner share, 12 refunded consumer owner shares, and 4 divested worker owners.

Decision: The Board approved the April meeting minutes.

Decision: The Board made no exceptions to new consumer and worker owners.

2. Update on Growth in Impact and Sales

The General Manager presented a report on growth in impact and sales for the co-op. The presentation focused on four elements:

- Sales growth trends in the grocery and natural food industries
- WSM's sales growth trends
- WSM's approach to sales growth going forward
- What WSM is doing today

The GM identified two purposes for the report: 1) It fulfills the GM's obligation to keep the Board apprised of industry trends and their relevancy to WSM, and 2) it identifies information factored into the 2015 Plan and Budget, which will be presented at the June meeting.

The following key points were identified:

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Industry trends and how they impact us

The General Manager identified three significant trends:

- An overall trend in natural food stores is that sales growth among existing stores is slowing. Sales had already slowed in conventional food stores, which rarely grow in sales above inflation. Whole Foods's stock price recently went down 20% based on the assumption that previous sales are not going to be sustainable, in part because conventional stores are selling more natural foods.
- Competition, including Whole Foods, is responding in part by lowering prices. Wild Oats will be offering a product line for Wal-Mart that is 25% less expensive than natural food store prices.
- Additional grocery stores are opening in our area, including two recently named by Consumer Reports in the top five grocery stores in the country: Publix is opening 20 stores in the area with a warehouse in Charlotte; Sprouts, a large natural food store mostly in the West, is coming to the Chapel Hill area.

The GM reported that these trends make sales growth more difficult and that reduced sales growth has the potential to impact our ability to achieve the 2020 goals, particularly those related to selling more healthy foods and more local foods. The GM emphasized the following connections to sales growth:

- Sales growth equals financial ability. In the NCGA's assessment of financial risk, 25% is based on sales growth. WSM experienced this in 2009 with a significant decline in sales growth when Trader Joes opened. Considerable financial losses occurred during this period.
- Sales growth provides the resources needed for accomplishing goals not directly related to sales but dependent upon them for resources, such as environmental improvements, pay and benefits, and investments in future, such as staff positions that remain unfilled.
- Sales growth is an international co-op goal—it is necessary in order for cooperatives to become the preferred business model.

WSM's sales growth trends

The GM reported that WSM's sales growth, after being ahead of the trends for the last two years, has now been mirroring current industry trends. For the last six weeks, however, the co-op moved back above the trends. (Reasons for the increase are identified below.)

- March sales dropped because of a late Easter and bad weather.
- Last year's sales growth was 8%, which was above the budgeted 6%. This year sales growth has been around 6% with sales budgeted to increase from the Carrboro remodel. Southern Village sales have been at the average for overall WSM sales this year, Hillsborough sales have been above the average, and Carrboro below. All three stores have had positive sales trends for the last three weeks.

Sales growth approach going forward

The General Manager identified six important approaches that address sales growth, some long term and others more immediate. For each approach, he identified critical elements and opportunities.

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a. Improve satisfaction of existing owners/customers:

- Develop life-long customers, convert one-time shoppers to regular shoppers, increase shopping frequency, attract a new generation of customers.
- Build an employee foundation that includes great service and outstanding product knowledge.
- Develop employment capabilities and opportunities.
- Build job satisfaction.

b. Distinguish ourselves as a co-op:

- Identify and develop the most important ways people relate to WSM.
- Build participation through the USE/BELONG model.

c. Develop more of our own products:

- Deli and bakery sales are significant drivers of WSM sales, much more so than for other large co-ops. For example, for WSM 28% of sales are Food House products, while only 8% for Wedge, 12% for Seward, and 12% for Lakewinds.
- WSM has new and in-the-works products, including seasonal and themed food bars, “Rise and shine breakfast,” smoked meats, and bagels.

d. Reinvent our role as the buying agent:

WSM’s role as buying agent is to find and offer products that our owners and customers want to buy, products that resonate with them. The GM identified ways in which WSM needs to change how it implements that role:

- Find an alternative supply chain. With all stores buying from the same source—UNFI—the co-op buys at higher prices because its sales are dwarfed by the bigger players. WSM has begun to buy produce from Four Seasons, who delivers produce to the Food House, where it is then redistributed to the three stores. This change has opened up regional food selection.
- Buy direct from the manufacturer and distribute ourselves to stores. For example, WSM was able to secure highly competitive pricing on olive oil and maple syrup by buying it in large quantities directly from the manufacturer.
- Increase cross docking. The products come to the Food House and immediately go out to the stores. This opens up wholesaler status for the co-op.
- Pick up local food while trucks are on their regular deliveries and bring it back to the Food House for distribution.
- Focus selection of products so that we buy a lot more of a few products. Offer the best choices in a category instead of the most choices. WSM addressed this with the Carrboro remodel, which eliminated the least important products.

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- Expand warehouse capabilities. Conventional chains stores buy their products from the company's warehouses. WSM has a similar relationship already in place with three food co-ops in the area. Wedge has a produce warehouse.
- Develop a private label. Trader Joe's private label accounts for 90% of its products. The private label needs to be for food co-ops as a whole rather than WSM.
- Develop a shared understanding of the above strategies before they are implemented. This addresses the fear and frustration of consumers who come to shop but do not find what they used to buy.

e. Address the price barrier:

Consumers believe that our food is too expensive! WSM needs to be able to respond to this dissatisfaction. Reducing prices is an industry trend, not a choice. Our pricing is not sustainable long term.

- Make our food accessible to more people. Don't let price be a barrier.
- Eventually spread out costs over additional stores.
- Buy more food effectively and be a more effective business.

f. Create excitement:

WSM has experimented with a number of initiatives seeking an immediate impact on the goal of stretching sales growth from 5% to 10%. The increase of 5% in sales growth equates to \$30,000 per week additional sales across the three stores. The assumption is that if \$15,000 can be achieved in sales growth through specific initiatives that give a better deal, the other half would come along naturally. The experiments have focused on different products and different approaches, including sampling, pallet buys, and weekend deals.

These new approaches have contributed to top sales week for four out five sales weeks in the last five weeks. Some examples include:

- Pallet buy of pineapple: WSM sold a larger pineapple at a lower price than a smaller pineapple. We sold more in a month than the previous year total. We only made a little money on the initiative, but we continue to sell twice as much pineapple.
- Selling product 75% off. We sold asparagus and mini peppers with this approach and created excitement, but we didn't make money.
- Exposing shoppers to some of our great products with samplings and store displays. For example, introduced shoppers to our great house-made guacamole and our hot cross buns, which had record sales at the same price.
- Offering something new—an unhomogenized milk. WSM worked with the producer from the beginning to help with the cost, including picking up the milk at the farm. With better marketing, WSM doubled the sales, and the producer now produces more.

Discussion

The Directors expressed excitement about the experimentation with the sales initiatives, the focused product selection, the approaches to offering competitive prices, the inclusion of shared goals among the

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food house and stores, and the tools being provided for employees to do their jobs. The following points were made in the ensuing conversation with the Directors:

- The General Manager attributed a quarter of the increase in sales over the last six weeks to the sales initiatives.
- A private label for a co-op brand is on the NCGA agenda again. To participate in the program would require a commitment from WSM. WSM may be ready to take that step now. Private labeling would require education of what the products are and what private labeling means.
- Owners expect us as a co-op to provide the best deal. WSM is working on a price comparison on products to determine where we are competitive and where we are not. It's easier to be competitive with Whole Foods than Trader Joe's.

3. Elections Committee Report

Linda Stier, Chair of the Elections Committee, reported on the work of the Elections Committee and submitted the 2014 Elections Manual for approval. Stier noted that the manual had been revised to be consistent with the board's new policy on elections. The revisions also reinvent the approach to campaigning so that it is aligned with who are as a co-op. In particular, the new approach separates voting from campaigning, and it adds a "Meet the Candidates" event, which this year is part of the Co-op Fair in August. Stier reported that the committee will evaluate the new elements at the end of the elections.

Stier noted that she intended to contact last year's candidate who expressed concerns over some of the activities in the 2013 elections. Stier intends to inform the candidate of the changes made to improve the processes for the 2014 elections.

The Directors expressed satisfaction with the work of the Elections Committee and excitement about the changes. The Directors approved the 2014 Elections Manual.

The Directors were encouraged to attend the two candidate orientation sessions being held on Sunday, June 1, and Wednesday, June 11. The Board will send an email invitation to the list of co-op leaders the Owner Services Coordinator identified. The owners on this list have served on committees, participated in focus groups, or attended Board-sponsored meetings.

Decision: The Board approved the 2014 Elections Manual.

Task: Linda, Ruffin and Lisa will coordinate plans for the candidate information session and will draft an email invitation to send to owners on the co-op leadership list.

Task: Directors will contact the owners identified at the March meeting to inform them of the election.

4. Other Board Business

Approval of Revisions to Board Process Policies

The Board discussed the final revisions of the Board Process Policies. The revisions were the culmination of Board work that had begun with the January 2014 retreat. The revisions were approved with one change: 4a was deleted from C5 – Officer's role.

Decision: The Board approved the revisions to the Board Process Policies with one change: the deletion of 4a under C5-Officers' Roles.

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Appointed Board Member

The Chair announced that the Board had reappointed Dave Bright to his position on the Board.

Decision: The Board approved Dave Bright's appointment to the Board.

Board Budget

The Treasurer reported on the FY2014 Q3 actual-to-budget figures and presented the 2015 Board Budget. The only overage was for the annual meeting, which incurred additional costs for the guest speaker fees and travel expenses. There are considerable savings reflected in the figures due to sending owner communications electronically, which reduced the printing and postage costs significantly.

The Directors reviewed the 2015 Budget and decided to leave the costs associated with a dividend mail out since it was not certain that electronic distribution would be in place in time.

Decision: The Board approved the 2015 Board Budget with the expense \$8,401 added for the dividend mail out.

Report on Trip to the Co-op Café in Asheville

The Directors discussed their experiences at the Co-op Café in Asheville. Highlights included:

- “Kid Picks” are a popular and effective way to engage shoppers.
- Creating large-scale events that include local farmers can be effective for sales growth.
- Powerful events come in surprising forms, such as a community dinner at a local grade school.
- The cooperative café is a highly participatory model that the Directors would like to use for engaging owners. It is an effective format for individuals to both share stories and gain experience from others. The format fosters dialoguing from one's own experience to dialogue with others; it stimulates ideas and thinking rather than problem solving.
- The conversations in the café format provide a fruitful opportunity for participants to learn about approaches that arose out of different contexts as well as share and refine similar approaches.

The Directors agreed to find opportunities to build upon these learning experiences and incorporate them into activities, such as the Co-op Fair and the Annual Meeting.

Board Emails

The Chair reported that there were no Board emails this period.

5. General Manager Reports

General Manager's Report

The General Manager answered questions on his monthly *General Manager's Report*. The report noted that sales growth improved in April. The GM reported that sales were doing great the last six weeks, but noted that we need a longer period of time to look at it. The General Manager shared the Q3 financial report that was published in the staff newsletter.

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Monitoring Report 2-6: Financial Condition

The General Manager presented his Financial Condition report. A Director observed that Accounts Receivables look better and have a mix that is far superior than last quarter (the amount current has increased substantially). When asked what happened to create the change, the General Manager reported taking a different approach with two of the accounts that were so far behind. He noted that we are no longer as lenient with payment on these accounts (both co-ops).

Decision: The Board accepted the Monitoring Report 2-6: Financial Condition.

6. Closings

Tasks and Decisions: The Board reviewed and confirmed its tasks and decisions.

June Agenda Items:

- Candidate Information Session
- Annual Report and Annual Meeting
- 2015 Plan and Budget

Meeting Evaluation:

The Directors identified a number of ways in which the meeting moved the Board forward on one or more areas:

- New election manual and process changes the participation model.
- It's awesome to see so many owners here.
- We're moving forward with engagement opportunities.
- We did great work with the Board policies, getting them more current, consistent, and reflective of actual practice.

Questions That Need to be Addressed:

A Director suggested that the retreat would be a good time to revisit the idea of participation, to keep it alive and at the crossroads. The Director suggested that the Board needed to identify the barrier between *saying* and *doing* something about participation.

Director Headlines:

Come check out our new policies!

Keeping an eye on our surroundings and planning for the future