

## **Board of Directors Equity Meeting Minutes – November 13, 2018**

Location: St. Andrew's Church, Division Street

### Welcome and Introductions

Rainey Lamey gave a welcoming speech to the members.

Two main topics: increasing member-owner investment and discussion options, decisions and viability for some PFC decisions

Begin with information-sharing from Board members, take a break, then everyone will discuss.

After the town hall, the board will be staying in case there are additional conversations you would like to have.

Goals of today:

- 1) Share information
- 2) Include as many viewpoints as possible
- 3) Respect time of 1.25 hours

Time will be kept per speaker.

If questions/topics arrive that are not relevant to the two topics of today, they will be recorded on the whiteboard.

Raney gave introductions of the board members.

### Why Are We Here?

Co-op has been facing difficult times. The last time PFC made money was in 2012, with flat or declining sales. There is still money and equity, but less than expected. If nothing is done to amend this trend, store will have to close. On the other hand, we have over 8,500 members. Member fee of \$60 has been the same since the early 80's, which in today's value is \$142. Changes cannot be made only in the store; a combination of solutions must be found. We are asking for an increased member investment, up to \$160, weekly discounts will be replaced with a monthly discount day of the member's choice, and members need to be engaged and on board.

### How Did We Get Here?

Sales show a downtrend between 2013 and 2018. Customer count trends have also been declining. Average basket size, aka transaction amount, is increasing, meaning that shoppers are finding more of what they want, but fewer people are building the co-op into their schedule. To meet needs of co-op, we look at store data and national data. The average grocery shoppers shops at 2.5 locations. Co-op shoppers shop at 3.5 channels. PFC needs members and shoppers to build the co-op back into their routine, remembering the services that the co-op provides well.

Co-ops around the country are struggling with competition, so some of this is normal. Management issues have also been an issue, with an interim general manager for a long time. With the current GM, the Board feels more stable.

### What Have We Been Doing to Improve and Make Changes?

Ownership numbers have increased over time, but sale amount to members have declined.

The co-op has been in its current location since 1994, and this location has its operational challenges. For example, there are no loading docks, but rather pallets are hand-unloaded out in the alley. Many goods have to be taken up and down stairs. Storage is also scarce. This means that huge bulk orders that competitors can do to drive down prices and guarantee stock are more difficult for PFC.

Recent improvements include a new awning (last one was 20 years old); floors were redone a few years ago; kitchen dish washing area was remodeled. A partial remodel of the café is coming up to add a custom sandwich bar and a meat and cheese deli. Prepared food and cheese sales, which can most closely predict the outcome of a meat and cheese deli, are outpacing whole store sales growth.

A meaningful change in operation is the transition away from the Wednesday 10% discount for members. This is one of the most generous co-op discount found from research. The discount currently represents PFC giving away the profits to members before the co-op can earn it. There are quarters that could have been profitable or broke-even had the discount not been in effect. However, going forward there will be more member-only sales on specific products, coupons and once a month pick-your-day discount day.

*Bruce*

A four-day in-shop study was done, followed up by a market study with a consultant. Another study we have done and asked a consultant to find a new location for PFC. Feasibility work for a possible different location will start next year.

Starting 2019, current member-owners will have to pay the extra \$100 to stay member-owners

Question: If the sales trends are driving the profit loss, how will taking \$100 from everybody fix this problem?

Angie: Profit from sales lies solely in operations. This equity payment will be earmarked for relocation or improvements and not used to mediate operational losses. While it is in some ways related to sales decline, it is not being done because of sales decline.

### What Can Member-Owners Do to Help?

Jaime read the 2018 PFC Board and Leadership Vision Statement, which epitomizes PFC's values and beliefs and has and will continue to guide decisions. This is a synthesis of board members and GM had heard from members and shoppers, and what the Board as elected representatives have imagined for the co-op.

Next Steps: what can you do and what does the future look like. It is helpful to shop at the co-op. It can be difficult in certain situations, but that one extra trip is valuable to you and the co-op. Tell your friends about the Co-op; we keep meeting people who do not know that the co-op exists; encourage shopping

and membership. Member-ownership means you have power, control, and a voice. Keep up with the meeting minutes: all of the board meeting minutes and agendas are on the website. Please maintain your members. If the financial aspects are concerning, keep in mind that there are payment plans available coming in the next weeks. Join committees. Run for the board. Every March, the process for running for the Board begins. The future is concerning, but hopeful. The Board is monitoring all of the trends. We are excited to share information and challenges with you. Give us your feedback even after this meeting; it is the Board's duty to represent you.

BREAK

### Conversation with Member-Owners

Q: Can the Co-op term itself a nonprofit? A lot of people do not know what a co-op is. How about allying with the housing co-ops, trying to get shoppers from there?

Angie: PFC is a "not-for-profit" not a "nonprofit" which is a tax distinction. The Co-op already does partner with the housing co-ops. PFC sends them employment notifications and other flyers and coupons.

Q: The Co-op in its downtown location is a unique opportunity for the influx of downtown residents. Newspapers frequently leave out the co-op when discussing grocery stores. PFC ought to flyer to downtown residents.

Angie: PFC has a new marketing director and the department is being rebooted. This past year, marketing targeted new residents and folks who work downtown.

Jaime: Tonight, there is someone from Ann Arbor News/MLive here and interviewed the Board. The Ann Arbor Observer has written several articles on the co-op. We are making a concerted effort to reach out to the community and let them hear our story.

Q: Number of member-owners are going up, but how many are active vs. inactive members? What happens to the existing memberships that do not pay up to the \$160?

Angie: PFC does keep data on active members. 5000-5500 member-owners use the service at least once a year.

Bruce: When considering the raise, the Board considered what decisions might people make. It is expected that some people will just leave their money with the co-op, others will ask for their money back, and others will pay-up.

Follow-up q: To keep those who don't want to pay to \$160 but have existing membership, have you considered a two-tiered membership, where some benefits are available to those who pay and those who don't?

Bruce: We just don't know how many people will make each of these decisions.

Jaime: Michigan law prevents PFC from having tiers on membership.

Q: Is the equity payment a liability? Is the potential for a new location instead of or in addition to the current location, and, if two, would one subsidize the other?

Angie: The consultant PFC will be working with will help us frame that question to member-owners, and generally what helps us best exist long-term.

Jaime: Going back to the Vision, part of that was having a presence in the city's core.

Q: Argus Farm Stop seems to be flourishing. What can we learn from them?

Angie: I think we are comparable to Argus in terms of supporting local businesses and farmers, but our business model is very different. The services provided are different and Argus has a much smaller staff, so copy-and-pasting from them would not be compatible in most cases. Argus and similar places are more partners with PFC in accenting the landscape with organic, local foods.

Q: I didn't get any personal communication about this meeting. How will the change in equity fee be communicated?

Angie: Mailings to the entirety of the membership are very expensive. We encourage people to sign-up for emails for environmental friendly reasons. We are improving our in-store communication.

Jaime: We are trying to improve Board communications on the website. Look for more Board-specific social media posts.

Q: I think the Co-op has made some great strides, but why did you remove the juice and smoothies? Will you consider adding them back to the redesigned cafe? What are the operating costs of adding meat and cheese counter?

Angie: Some of that is a separate operating discussion, and you can email me about it. We are in a constant state of assessing what is profitable. It may some day be part of the plan, but currently is not.

Q: I was a longtime member of a food co-op in Detroit. The space there was too small, and they wanted to move to a large facility. They went out of businesses in a year and haven't been able to open a new location. I hear you saying often that this is a natural and organic foods store. However, I have seen a decline in organic food and an increase in RGBH cheese, hormone laden meat, expanding the meat department, expanding alcohol space, while hearing that this is what the customers want. Has the co-op board and staff considered the member-owners that no longer shop at the co-op because they felt they weren't heard? How are members going to feel giving another \$100 but not feeling heard or getting the things they want in the store we have?

Jaime: The conversation about specific products is another operational discussion to have with the GM after this meeting. Regarding health and the co-op, the Board discusses what the bylaws and policies say about health and well-being in the community. I encourage you to voice to the Board and the GM about specific products and types of products. The Board has done a lot of due diligence around the question "how do we change, remain viable, and maintain our values?" We have a co-op consultant. We did a 700-shopper study. We will be doing a member-owner survey in the coming months. When members give the extra \$100, we hope they know that we have made the best decisions we can.

Bruce: In research of other successful co-ops, \$160 is quite low, with many having fees of over \$200.

Q: The point is making the co-op unique in our community. I think we need to make the co-op interactive with the community, because Argus and Whole Foods do not do this. For example, could we

have exhibits at the Ann Arbor Hands On Museum about sustainable food? Also, what do we do with outreach to University of Michigan students?

Angie: I agree that being unique is our key to success. I think that uniqueness comes from our member-ownership. I am looking at engagement opportunities. We advertise heavily with the Michigan Daily and have done a few huge student events.

Q: In the 1970s and 1980s, the co-op movement was alive and well. Slowly, they have lost their viability. Many of them kept their prices low to appease their shoppers. The Co-op is our store, and I would encourage us to support us.

Q: What role do non-management workers play in this visioning?

Angie: The Vision statement itself was made by the Board and managers, but all staff are informed and encouraged to engaged in these large decisions. We have had all-staff forums and other formats, and I am open to other options and feedback.

Follow-up: I make \$10, which is not a living wage in Ann Arbor. How is the Board considering in the equity plan the wages of non-management workers? Will we earn a living wage?

Jaime: We will work with the GM to ensure that the workers get paid the best to adhere to policy and bylaws.

Q: The Vision statement seemed limited in scope. I would like to see it a little more inclusive of wages, adaptation, and Ann Arbor community. Could you work to make the vision statement more inclusive of greater values?

Angie: As one of the people who drafted this: this was not meant to be an all-inclusive statement. This is a statement about how we want our operational space to be. (2018 PFC Board and Leadership Vision Statement)

### Closing Remarks

Raney: I would like to thank everybody. I know it isn't easy. We will have more of these meetings. We were unsure how people would respond to the change in equity.

Jaime: I would like to thank everyone who appeared tonight. I appreciate the passion you all have. I would like to thank the Board members and Angie, and those who have assisted in the process. As President, I am always available and you are always welcome at Board meetings. We will do a better job of letting you know when these meetings are happening and changes that are taking place. All board members and GM are here to take your questions and continue the conversation.