

## MACOMB FOOD CO-OP SPECIAL OWNERS MEETING

August 28, 2018

PRESENT: 68, including employees Crystal Kepple and Paul Butler, Sean Park and Board members

BOARD PRESENT: Gordon Rands, Randy Powell, Jeanne Nehls, Pam Rands, Rose Elam, and Sydney Null

The meeting was called to order by Board President Gordon Rands at 6:05 pm at the American Legion. Board members were introduced. Gordon began by stating we want to hear from the owners on three broad topics – your experience shopping at the co-op, what you like or don't like and what can be done to improve your shopping experience; your visions for the co-op's future; and your reactions to some possible future scenarios. The Board needs a better sense of what you want our future to be.

Finance Report. Treasurer Pam Rands distributed and presented an Income Statement showing the last three fiscal years. Our fiscal year runs July 1-June 30. Highlights of this report were:

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	
Sales	\$ 59,219.94	107,703.57	143,291.11	
Cost of goods sold	<u>56,409.79</u>	<u>94,971.93</u>	<u>105,118.64</u>	
Gross Profit	2,810.15	12,731.64	38,172.47	
Less expenses	<u>41,323.39</u>	<u>56,460.99</u>	<u>59,981.28</u>	Rent, payroll, administrative
Net Income	-38,513.24	-43,729.35	-21,808.81	

Pam explained that we have been moving in the right direction, clearly, we are not profitable yet, but we are losing less each year. Gordon explained we had a cushion to start with when we opened the store, from owner capital (purchase of shares) and a generous \$30,000 gift, but that is gone. On a positive note, we have no debt nor interest costs. (Note: one \$5,000 loan and one \$1,000 loan were given in July by owners.) The co-op is a corporation as per State of Illinois guidelines. Unfortunately, donations made to the co-op are not tax deductible. We are a small business struggling to survive. We have a lot of owners who have a voice in what we do.

Pam said if every owner spent \$10 each week, we would be in the black. We have 490 members. 40 members shopped last month. Brian Davies, former Board member and secretary for five years, and co-op volunteer, shared that one quarter of our sales are from non-owners, or 15 members. One-half of our sales are from about 150 owners. That leaves 300 owners that didn't buy one item in six months. 200 owners have not shopped this year. Crystal has learned from conferences that we are better off getting new members; it doesn't work to get the initial non-shopping members active.

Alan Nemecek stated that when shares were initially being sold, there was an incentive to winning a free stay at Peace of Earth Lodge. They may not be committed owners. How many owners are truly committed? Getting that base number would be important. It may mean that committed owners may need to spend \$20 per week to get the co-op finances in the black.

Margaret Ovitt asked if we are operating in the red or black? Pam Rands responded in the red. But we pay our producers, our bills (including credit card), and our employees on time every month. Roughly, our in-store sales vs. online sales are 50/50.

Dustin Berg asked if the co-op has gone through \$100,000 since FY 2015? Gordon replied yes, but that is not unusual for a small business to lose money in the first few years of operation.

Sydney Null said to the audience you probably realize that the purpose of this meeting is we can't continue like this, even though we have made progress, we are not sustainable.

Sterling Kernek – can we scale back to an on-line business, open 2 afternoons/week to cut overhead? Crystal said on-line only would cause food in the store to expire much quicker. Jeanne Davenport ran the on-line market as a Vista Volunteer. We didn't feel we could run the on-line and mini store with just volunteers. The McDonough County Telephone Co-op initially allowed us use of the building without paying rent or utilities. Then they started charging \$600 rent per month.

Margaret asked how many employees we have? One full-time employee, and two part-time employees.

Dustin Berg said cutting hours would be a beacon for failure. He suggested a broader outreach. He doesn't check his emails regularly and doesn't know what is happening at the co-op. Pam said we have had WIU Marketing classes give suggestions about flyers, advertise in newspapers, etc. Gordon announced that the newsletter The Buzz has been restarted. We know marketing is necessary, unfortunately, it costs money that the co-op doesn't have. Pam said we need everyone's correct emails.

Dorothy Gossell suggested we use text messaging. Crystal Kepple said the co-op has Facebook and Instagram accounts. She mentioned our approaching September 1 outdoor concert, and upcoming farm tours. Sydney Null mentioned that Crystal's marketing of special events has worked very well in bringing new customers.

Becky Parker asked if the consultant recommended expanding. Pam Rands said Dakota Consulting had said that would be one way to increase sales. Dakota also recommended we get to 800 members. Jeanne Nehls added that we have acquired 29 new members in the last year – it will be a slow process.

Bill Maakested asked if Prepared Foods was a success? Gordon said it was break even; the profit margin could have been better. Working with the consultant, our prices needed to be higher. It helped bring in shoppers. Sales this summer have been flat. Why? Macomb is losing population. People are on vacation. Our POS (Point of Sales) system is bare bones and cumbersome. It's free but not working well for us. It doesn't give us the data we would like. It would require \$3,500 for equipment, labor and consulting to upgrade it to something workable. Crystal added that sounds like a lot but the payoff would be so beneficial. Margaret Ovitt asked if we were able to use the Silent Auction proceeds to buy the upgraded POS? Pam responded a iPad/Square was purchased for \$400 but the rest had to be used for operating costs.

Brian Davies said that Green Top Co-op spent \$60,000 on a POS to run four lanes. We cannot go that commercial.

Richard Chamberlain stated the co-op would be in debt without the \$6,000 loans. You need an advertising campaign.

It was asked what is the incentive or perks to being a member? Crystal explained that owner discounts are desirable but not possible with the current POS system. Crystal said one benefit is having the democratic process of having votes. Suzan Nash stated she and Tim Howe became owners because they wanted the co-op to start and grow. They liked the grass roots feel and buying from local producers; they wanted to be a part of it. She was not looking for discounts. Randy Powell informed the crowd that the co-op has given in excess of \$600,000 back to the community through producers and other small businesses. Sydney Null said owner benefits are important and necessary to the Board; we want to address this. Jeanne Nehls agreed with Suzan Nash about having like core values, but how do we go from 490 owners to 690 owners?

Kathy Combs asked if we have talked to other co-ops? Crystal replied yes, frequently, and we have come to the conclusion we need to do another owner drive. Kathy then asked if it is our location? We have asked this of ourselves often.

Crystal said we would like to offer SNAP sales to low income families. A better POS would allow that.

Getting back to our agenda, Gordon asked what do you like? What don't you like? What would lead you to shop at the co-op more? We need to increase sales.

Another owner said our prices are higher as compared to Hy-Vee or Aldi. Those on a limited income may find it hard to buy at the co-op. Can volunteers get a discount on food? Gordon explained that we have learned at conferences not to do that because of workers comp issues.

Margaret Ovitt said that our bulk products are cheaper and our local products are things you cannot get at those other stores. You can take an empty spice jar to the co-op and get it filled for 50 cents, rather than purchasing a new bottle for \$6 at other stores. Gordon said one of our producers (Spring Water Produce) is experimenting with aquaponic tomatoes. Pam Rands explained that our producers set a price and we mark up, which protects us from losses. Crystal said that is our producers' livelihood. She doesn't feel our produce is that high.

Randy Sollenberger suggested weekly specials to get people in the store. Whenever he goes in, he buys other items that were not on his list. Crystal responded that we are working on marketing specials all the time. Two of our issues are time and money.

Bill Maakestedt felt our prepared foods were quality foods. What other local stores carry in their deli is unimaginative. He offered the idea of a food truck – take the food out to the community – to the high school one day a week – on Wednesdays to Chandler Park's summer noon concerts. Crystal said it was our plan to do prepared foods on Tuesdays, Wednesdays, Thursdays, and Fridays, made fresh to order. We had been working with a consultant on prepared foods. Unfortunately, our PF manager just took another job.

Jeff Moore said he is not discouraged by these numbers. He is guilty of not shopping often and needs reminding. Gordon said we can let owners know how much they bought in the last six months if they ask for that.

Dustin Berg – I need reminders. The newsletter will help. He likes that we are the only game in town offering bulk sales. Crystal sends an email reminder every week to shop. Group text messaging would be ideal but there is a cost.

Jeanne Nehls is so proud Macomb has a co-op, she liked our prepared foods and knows prepared foods is a national trend, but we have no money. We need people to shop more.

Sally Huffer suggested owners may not be engaging in social media (Facebook and Instagram) for the co-op. The more you "like" "comment" or "share" the co-op posts, it will change the algorithms. The co-op posts all week long. That's how we get the information out to our friends. It's hard to read all the emails we get – it's a human condition that we have less attention span. Be proactive and engage with social media. She said cutting overhead and hours is not an option. She added the online system is a little klunky.

Dorothy Gossell said she needs a ding on her phone to remind her to shop on Friday at 6:00 pm on the on-line market. She asked where the nearest food co-ops are – Bloomington, Iowa City, Champaign.

Ann Patterson, a former Farmington producer, said her sales went north and east. She has felt guilty and scared about what is happening to our co-op and felt she needed to attend. She made a commitment today to come to our store once a month to shop.

Sean Park, IIRA, assumed that most in attendance are frequent co-op shoppers. What can we do to get the other owners to shop? He suggested a survey from outside the "pond". Dustin Berg said Hancock County would be a target population. Dawn Piper said Free Range Yoga is always willing to share co-op information on their FB page and in its newsletter. The audience was urged to use social media groups they belong to to share co-op information.

Jean Wolf suggested giving gift certificates to people who may not be owners or shop, getting them to come to the store.

Gordon moved on to topic 3 – what is your vision? Remain as we are? Do we cut back, trying to be more efficient? Should we expand in some way at the current location? Or another location?

Dustin Berg suggested expanding shelf products. He added the location is not good. A location on the square would be better.

Sterling Kernek said we would all like to see a big store with more shelves. It would be imprudent to do that without the money. We need a campaign to get more people to shop. He felt it would be rash to do any expansion before raising money. He is opposed to a store on the square with big rent.

Joanne Hooper felt our building was unattractive, doesn't look like it is open, and it's cultish looking. We need a store with personality that will draw customers.

Terry Hostert: We were in Schnuck's in Dunlap on a Friday night and there was a 2 piece band playing in the prepared food area. It was like a party. Obviously, they had the space that we do not. Sydney complimented Crystal on having special events that were fun and brought people in.

Dustin Berg summarized the following as necessary: outside marketing, special events, targeted fundraiser for the POS, new member campaign, and SNAP.

Gordon mentioned that the Telephone Co-op Board was meeting the following night to discuss possibly raising our rent and/or starting to charge us for our utilities. The Macomb Food Co-op is generating a \$300 utility bill each month. We may be looking at a significant increase in monthly costs.

We have to be looking at several things at once. We need owner assistance. Pam spends 20+ hours per week on finances. Randy spends a significant amount of time volunteering each week.

Regarding open Board positions, owners were encouraged to run. Gordon, Pam and Rose are running for re-election. We need three more Board members due to the death of Steve Yeast, the recent resignation of Anthony West and the upcoming resignation in October of Sydney Null.

We need people to help with an ownership drive; to help plan a fundraising campaign for the POS system; your assistance in a variety of ways. Please let us know what you can do. At our annual meeting last year, some of you signed up for a committee. Some of those committees have met. We as Board members did not do as good of a job as we could have to keep some of those committees going. There are a lot of opportunities. Feel free to stay after the meeting and talk and sign nomination packets. Crystal has additional Board packets available for anyone who would like to run for the Board.

Sue Marshall asked if it would be feasible to go back to just on-line – we have never taken a hard look at that. Gordon replied our opinion is no. That would mean Crystal's hours would be 15 hours per week. But we still would have fixed building costs.

Becky Parker said no to expansion. She liked the idea of specialization i.e., homemade breads, jams, salsas, things you cannot get at the other Macomb stores. We can skip the canned products. Gordon said it is hard to know what the impact would be until we do it.

Alice Trimmer thanked the Board members.

The meeting was adjourned at 8:10 pm.

Respectfully,  
Rose Elam, Secretary