



## Revisit Retail Basics in Hard Times

BY PATRICIA CUMBIE

Everyone in retail knows that there's always a balance between good service and operating costs. When recessionary times hit, many businesses look to cost-cutting measures to survive. But sometimes cutting back on benefits staff or customers previously enjoyed can negatively affect customer interactions, causing further sales decline. Improving current operations to achieve cost savings can be a better strategic approach. That way, operators can maintain that critical balance between efficient operations and exceptional service without having to make drastic changes that impair the workplace dynamic or shopping experience.

Food cooperators have stated commitments to staff and customers about benefits, service quality, and concern for community, so the need to be excellent operators is ever more critical. Within a professed culture of caring about people and the environment, and a not-business-as-usual approach to those relationships, how do food co-ops maintain those commitments and keep the loyalty of customers in the face of rising costs and lower sales?

Mel Braverman, operational and financial improvement consultant, said that the current recession has certainly motivated more food co-ops to take a critical look at their operations. He advocates a back-to-basics approach, evaluating inventory, margin and labor systems, and using some of the benchmarking tools already available to co-op retailers: Common Cooperative Financial Statement Program (CoCoFiSt) and SPINS data for retail buying decisions. "You can drive down expenses through efficiency," he said.

"The economy may have changed," Braverman said, "but the tools are still the same. You may find you have to apply them more often or keep better track. These are the basic tools for good manage-



*"The economy may have changed, but the tools are still the same."*

MEL BRAVERMAN

ment." He said that one of the operational issues he encounters a lot is that the information that could help an organization mature or improve its systems "gets stuck at the top." This can happen when other staff don't have access to technology or don't know how to use it, training is lacking, or management is overwhelmed. "It's important to figure out how this data can be shared with everyone in the store who needs to use it. Otherwise you're missing a key component to running a dynamic business," Braverman said.

There are many places to look for improvement, but Braverman noted that improved inventory systems often yield dramatic results, and can be achieved when applying information from the available data programs to store operations. "It's easy to get caught up in having more SKUs than you need," Braverman said. Food co-ops often feel like they need to carry a wide range of products. But the risk in that is that those products may not turn quickly, taking up valuable shelf space and co-op cash. "Better operators give our members

## Answering "Yes"

No magic. No brain surgery required. It's no secret customers are looking for the best deal. Especially now. So can your co-op continue to afford the prime customer service and knowledgeable staff that sets it apart from the competition? Will consumers still be willing pay for food that's produced with integrity? Finding a way to answer "yes" to both of those questions is the challenge of the moment for food cooperators.

It is possible to engage everyone in your organization in the solution. Slashing and burning expenses on top budgetary items isn't always necessary, or the most effective. That's because you don't want your process to ignore a fundamental of doing business well—continual improvement. Finding a way to balance the needs of consumers and employees with those of business survival means taking a hard look at the way you do things and fixing them. No magic, no brain surgery required. Just a thinking cap and the wherewithal to make change.

The good news to everyone is that there are so many resources available that can help retailers with business basics and improving the bottom line. At CDS Consulting Co-op, our specialty is helping you find the right person or piece of information that allows your food co-op to make a meaningful contribution to your community well into the 21st century.

—Patricia Cumbie

continued on page 2



## Our Mission

CDS Consulting Co-op is dedicated to building and strengthening cooperative businesses by providing consulting, training and development services.

CDS Consulting is a network of independent professionals experienced in developing cooperatives. Our consultants have worked on over 500 projects and will tailor our services to fit your needs and provide solutions.

### Board Leadership Development

- CBLD—Cooperative Board Leadership Development
- Board training and facilitation
- Hire, evaluate and compensate your GM
- Policy Governance® and Accountability
- Member owner linkage

### Expansion and Relocation

- Expansion planning
- Financial pro forma
- Capitalization and member loans
- Business strategy
- Market, location and site analysis
- Trade area and market penetration analysis
- Project management
- Store planning and design
- Consumer research

### Improving Operational Performance

- Business planning, goal setting and monitoring
- Audit and strengthen operational systems
- CoCoFiSt workshops
- Margin enhancement
- Labor controls
- Merchandising
- Management training, coaching, and support
- Customer service training
- Employee surveys
- Human resource systems—assessment, planning and training
- Supervisory skills and training

## Improving in Hard Times continued from page 1

more of what they want. You make the shopping experience more pleasant by meeting the needs of our marketplace. Keep the three SKUs that sell, don't pay for SKUs that don't. That way you can make more money. Really push those top sellers in your store."

Molly Langley, general manager of East Dakota Natural Foods Co-op in Sioux Falls, South Dakota, followed Braverman's advice. For years the co-op had kept a product line rigorously geared to a hard-core natural food customer—lots of bulk and too many SKUs of slow-selling special foods. After a reset that included new shelving and larger produce coolers, a slimming of the product line, and reduction in backstock, East Dakota's sales went up 18 percent and put more money in the bank.

As part of their work improving inventory systems, Braverman coached Langley on how to empower staff to make better buying decisions. "Part of our sales increase is also related to my delegating more and having department managers do more. My job is a lot less crazy," she said. Last year the co-op also made a substantial profit, and this has done a lot to change the co-op's culture as well. "The place is cleaner, less cluttered, organized. People see things differently now," Langley said. "Now it's a jewel in the heart of Sioux Falls." All this because East Dakota focused on one thing: better inventory management.

On the other end of the spectrum, there are also stores that have just expanded and sales are going pretty well, economy notwithstanding. Even stores that are currently doing well need to seize opportunities to make improvements. "Getting by is not the answer," Braverman said. "It's always an appropriate time to look at your systems and see what opportunities you may still be missing. Getting new people in to your store is expensive and you'd rather not lose the one you have." In these situations, Braverman advises adopting aggressive pricing strategies and studying what the competition is doing. "You've got to be looking not only at prices, but merchandising, and what they are doing for their customers."

Valley Natural Foods in Burnsville, Minn., did an expansion of 3,300 square feet, and half of that was devoted to improving the workspaces

of those who work in perishable departments. The rest of the space was used to grow the produce, dairy, and meat departments and add more to their deli seating area. According to general manager Susan McCaughey, this change was all about improving stocking and delivery systems to better meet customer needs.

"We were doing regular price comparisons with our competitors and decided to take it further," McCaughey said. After an analysis of their pricing, margins, and product mix, McCaughey determined their targeted growth area was in perishables, specifically local foods. Not only that, Valley Natural's competition was also improving their fresh department offerings. They developed a strategy to act.

The deli management toured a number of competitors and determined a good price point for a meal for a family of four in order to meet the budgetary needs of people hit by the recession. For \$24.99 a family can have a variety of healthy meals: fish, pork, beef or a vegetarian option. "It's been very popular," McCaughey said. In addition, it's served as a successful promotional tool for

showing customers that good food doesn't have to be expensive. "We've been using it to reach out to the community, tell our stories about the food, and push local."

Although the co-op has been seeing double-digit sales growth, McCaughey doesn't take it for granted. Valley Natural's management team has been developing contingency plans for what the co-op would do if sales don't materialize. "Inventory and labor are two of the most controllable expenses. We keep track of that most closely," she said.

McCaughey is a firm believer that having adequate systems in place and giving her team the right tools allows her to set and make Valley Natural's goals. "I can't say enough about CoCoFiSt. It's been a tool I've used since the beginning. The benchmarks are so helpful for the managers. They can see the data, see what's possible, and call the co-ops reaching those goals. Without that we wouldn't have come so far." McCaughey also knows how operational efficiency is closely tied to owner satisfaction. "Members get patronage refunds and see how their investment is working for them."

*"It's always an appropriate time to look at your systems and see what opportunities you may still be missing.."*

MEL BRAVERMAN



## CASE STUDY

# New Pioneer Co-op: Improving Profitability During a Recession

In the nearly 40-year history of New Pioneer Co-op in Iowa City, Iowa, they had never sustained negative sales growth. In fact, until last summer, the co-op had been experiencing double-digit sales growth. But it was the accumulation of certain forces that led the co-op to what general manager Matt Hartz called its wake-up call.

Last June, Iowa was hit by severe flooding and that turned out to be a pre-shock to incipient falling sales. When the national financial meltdown occurred last October, the store went into negative sales growth and has stayed there. Yet they've found ways to be more profitable than ever.

"It's a new environment for us," said Hartz. "But it's also been good in some ways." Hartz said it forced the co-op to come to terms with some things that were not working well. That old adage about good sales hiding inadequate systems seemed to be true for New Pioneer. "We found some data systems were slow right when needed to get good analysis. These were things we didn't need as much when we were pushing growth. But now we needed to move faster on making change than we have been used to and to make broader changes right away" he said.

As part of that process, communication to staff about management's plans to weather the recession were paramount. The lack of sales compounded with the media coverage of the economy and massive layoffs was, frankly, oppressive. "There was a lot of staff anxiety. We worked to address that," Hartz said.

To Hartz, one of the most surprising outcomes of the process of doing this was how much impact better systems had on payroll expenses. New Pioneer's goal during this recession has been to keep staff on the job and receive their usual wages and benefits, which are a high load of expenses for the co-op. "We had to get focused on managing payroll on a daily basis." The management team asked people to do more with fewer hours. "That's been key to our strong cash flow," Hartz said.



**New Pioneer Co-op**  
Iowa City, Iowa  
Founded: 1971  
Number of members: 18,000  
Number of employees: 160  
Retail square footage:  
Iowa City, 5,500  
Coralville, 8,000  
Equity investment: \$60 household

"Our direct payroll expenses have declined at a faster rate than our sales decline," he said. "We are aggressive about labor and productivity, so we've been able to continue to give scheduled wage increases... we've done all this to adhere to the promise we've made to our employees: no layoffs, no cuts, and no reduction in benefits or

raises." The co-op has managed to do this through efficiency and attrition, and for a seven-month stretch they only hired one person.

That's not to say they didn't invest in a few things they believed were critical to their long-term success. They hired someone to do information technology so data collection and disbursement could happen faster. They also improved their customer service training program. "We didn't want what was happening to denigrate the shopping experience. We wanted to ensure we can continue to earn people's business. We know budgets are tight and we want to provide the best experience we can," Hartz said.

In the long history of the co-op, the recession's impact on the business is a "blip" according to Hartz. "A pretty big one for sure," he said, but the board and management are confident the economy will come to a new cycle. "We can't lose sight of the long term. The current situation can inform our decisions, but not decide them all." The co-op continues to plan for the future, perhaps to build another store, all while taking care of the basics: building cash, lowering inventory, reducing capital expenditures. "It was healthy for us to get knocked around a bit," Hartz said. "It made us more focused on the quality of our activities."

## Welcome, Tami Bauers!

Tami has worked with food co-ops in Minnesota for over 15 years in a variety of capacities, including customer service and management. Over the last three years Tami has helped co-ops achieve their capital goals through member loans, Class C stock and member-owner shares.



### Her services include:

- Planning and implementation of a member-owner loan and/or class C Stock campaign for expansions, new stores and startup co-ops.
- Staff trainings tailored to fit your needs, including What Is Membership?, Growing Your Member Base, Orienting Your Staff to their Role in Member Loan Drives, and Customer Service.
- Planning and implementing a member-owner equity drive and/or changing your existing member-owner equity structure.

"Our goal was to raise \$1.5 million dollars in member investments as part of our \$10.5 million expansion project. Tami attained this goal by successfully building a strong partnership between operational staff and the board of directors. The employee training program she developed also helped staff explain the concepts of member investment and its critical importance in cooperation."

—Sean Doyle, General Manager,  
Seward Co-op Grocery & Deli

### Tami Bauers

Phone: 612-275-5089  
tamibauers@cdsconsulting.coop  
Minneapolis, Minnesota

## Webinar Info: Survive and Thrive in the Recession

Recordings and materials available from the series on topics including managing in a recession, inventory, sales, cash, layoffs, labor efficiencies, and lowering costs without layoffs.

NCGA members go to [ncga.coop/node/3825](http://ncga.coop/node/3825).

Managers of co-ops that are not NCGA members, email [marilynscholl@cdsconsulting.coop](mailto:marilynscholl@cdsconsulting.coop).

---

# CDS Consultants

For more information about our consultants and services, please see [www.cdsconsulting.coop](http://www.cdsconsulting.coop)

## Tami Bauers

Member Loan and Capital Campaigns  
Staff Training  
Customer Service Training  
(612) 275-5089  
TamiBauers@cdsconsulting.coop

## Mel Braverman

Operational and  
Financial Improvement  
(608) 243-3255  
MelBraverman@cdsconsulting.coop

## Denise Chevalier

Project Management and  
New Co-op Development  
(319) 337-3452  
DeniseChevalier@cdsconsulting.coop

## Carolee Colter

Human Resources Training  
and Consulting  
(250) 505-5166  
CaroleeColter@cdsconsulting.coop

## Mary Courteau

Employee Surveys  
(651) 699-6836  
MaryCourteau@cdsconsulting.coop

## Peter C. Davis

Location and Site Analysis  
Expansion Strategy Study  
(360) 344-4104  
PeteDavis@cdsconsulting.coop

## Bill Gessner

Expansion Planning and  
Business Development  
(612) 823-4509  
BillGessner@cdsconsulting.coop

## Mark Goehring

Board Leadership Development  
(802) 380-3824  
MarkGoehring@cdsconsulting.coop

## Michael Healy

Board Trainer  
(802) 864-9724  
MichaelHealy@cdsconsulting.coop

## P.J. Hoffman

Store Planning and Design  
(763) 780-1058 ext. 62128  
PJHoffman@cdsconsulting.coop

## Thane Joyal

Board Trainer and Consultant  
(315) 380-4522  
ThaneJoyal@cdsconsulting.coop

## Marshall Kovitz

Board Leadership Development  
(505) 256-1241  
MarshallKovitz@cdsconsulting.coop

## Bentley Lein

Board Leadership Development  
(608) 784-0249  
BentleyLein@cdsconsulting.coop

## Holly O'Neil

Board Leadership Development  
(360) 303-3217  
HollyONeil@cdsconsulting.coop

## Marilyn Scholl

Board Leadership Development  
and Cooperative Development  
(802) 387-6013  
MarilynScholl@cdsconsulting.coop

## Debbie Suassuna

Location and Site Analysis  
Consumer Research  
(925) 833-8524  
DebbieSuassuna@cdsconsulting.coop

## Kate Sumberg

CoCoFiSt/CoCoFiSt Workshops  
(919) 968-8799  
KateSumberg@cdsconsulting.coop

## Walden Swanson

CoCoFiSt/CoCoFiSt Workshops  
(919) 968-8799  
WaldenSwanson@cdsconsulting.coop

---

## CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

### For more information

Contact Marilyn Scholl  
**phone:** 802-387-6013  
**email:** [info@cdsconsulting.coop](mailto:info@cdsconsulting.coop)

### Bookkeeping Office:

2110 Luann Lane, Madison, WI 53713  
[bookkeeping@cdsconsulting.coop](mailto:bookkeeping@cdsconsulting.coop)

---

CDS Consulting Co-op is the exclusive agent of its Members. All the Co-op's actions and business are specifically and only undertaken on behalf of its Members, who in each case are the principal party with whom the client contracts for services.