

Solutions

Volume 6, No. 4

July/August 2006

Balance and Focus Key to Post-Expansion Limbo

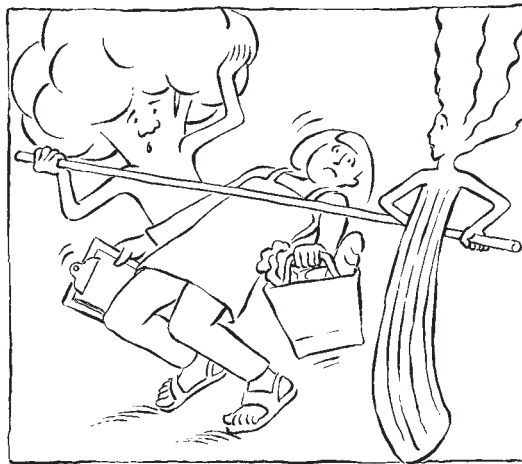
BY PATRICIA CUMBIE

Since the beach party movies of the '60s, the limbo dance is considered kitschy fun, but that doesn't mean it doesn't take real guts and talent to do it. But just try leaning backward and dancing under a stick without touching it. You'll learn quickly enough that it takes real skill, dexterity, and a backbone made of rubber to make it through "limbo."

After the expansion of a food co-op, there's also a period of limbo in the first quarter or two where the co-op's opened the doors with its expanded products and services to new customers, but there is still a long way yet to finish the expansion. Both internal and external systems need fine tuning simultaneously. Managers need to shift their role from what the project demands to refocus on the day-to-day operations. At the end of the day, can you count how many times you've made it successfully through limbo?

Consultant Bill Gessner notes that planning for and carrying out this phase of an expansion is about "balance" and "focus." As part of expansion planning, developing and using systems for monitoring post expansion progress is critical for long-term success.

Gessner offers this post expansion mantra: focus on sales, margin, labor and inventory turns, in that order, assuming you have adequate working capital. It's imperative to have a way to check on your progress in those areas, he said, to help you gauge if you're meeting goals. The sooner you know where you stand on sales, for example, you'll know what you might need to adjust for margin and labor, and so on.



John Seymour-Anderson

In addition to those new service departments, expanded food co-ops also need an adequate accounting system in place to generate sales, margin and payroll reports that are useful to the manager and management team. "Usually everyone's so busy that to have someone who can develop and emphasize that information and reporting system is important," Gessner said.

Without good reporting systems, he said, you can't achieve operational stability, which can put sales goals at risk. "If it's erratic or consistency is not there, it has a big impact on customer service." For example, if management is not getting information to help develop a sustainable store operation, a series of negative actions may follow; cash might run low and labor gets cut to make up for it, causing lines at the cash register. Or if there are payables issues, inventory gets stretched and you have out-of-stocks. "Those stresses are conveyed to the customer," Gessner said.

Shedding Some Light on the Post-Expansion Haze

Earlier this year I'd called the public works department to tell them about a light that had been burned out in my alley. The man I talked to checked my address on his computer and said he didn't see that there was a light pole stationed there. I'd insisted there was. I told him it had been burned out for months, at least. He asked, was it a wood or metal light pole? Wood, I'd told him. He said there were no lights on the wood poles. I said there was on mine. He sighed and said can you check for me and call me back?

I went outside and looked at my light pole. It didn't have a light on it and never had the whole twelve years I've lived in my house. Truly a light's-on-nobody-home moment. There was no way I was calling that guy back to admit it.

On the surface, the first year in an expanded store, everything might look swell: there'll be gangbuster sales and swarms of happy customers. Yet you get caught up in the swirl of an unending punch list, and months go by before you're able to look up. You realize you're in the dark only when there's something you suddenly need to see better.

The general managers interviewed for this issue should be thanked for sharing their first-year expansion challenges. Their willingness to speak honestly about what they learned managing their co-ops could help you see your own co-op in a different light.

—Patricia Cumbie

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Our Mission

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

CDS includes a network of independent consulting professionals experienced in all aspects of developing food cooperatives. CDS consultants have worked on over 500 projects and will tailor their services to fit your needs and deliver results.

Expansion and Growth of Cooperatives

CDS provides a full range of services to assist your cooperative in growing your business and in the planning and implementation of expansion/relocation projects.

Leadership Development

CDS works to support and strengthen the leadership team—governance and management. Our work builds organizational alignment and enhances the working relationship between board and management.

Improving Performance

CDS identifies areas for improvement and develops strategies for results in organizational and business improvements.

Strengthening the Cooperative Advantage

CDS believes that the cooperative difference is your competitive advantage. We help co-ops build member investment and loyalty. We contribute to co-ops benefiting from collaborative networks while retaining local ownership and control.

Post-Expansion Limbo *continued from page 1*

Gessner said that its important to consider this 80/20 rule especially at this point in the co-op's post expansion management cycle. Twenty percent of the time should be used on analysis and reporting and the rest on taking corrective action based on what those updates tell you.

Operational consultant Mel Braverman said that managers also need reporting to help focus what he called "competitive awareness." In a newly expanded store, managers need to look at drawing new customers, "For many people it's their first time in your co-op, and they're not comparing it to the old store. They're comparing it to where they currently shop." Thus enhanced service, presentation, and price perception can make or break whether these customers will come back again.

A main area of expansion difficulty for food co-ops is in monitoring their fresh foods departments, often because these are brand new service units or have expanded to a significantly different level of operation. The pressure to succeed, and quickly, in this area is intense because it has the power to make or break a co-op's reputation in food service in the community. "Delis can be huge cash drains," Braverman said, and internal reporting is essential, "It's important to track shrink real closely, create spreadsheets you can use, gather and analyze data. Problems with fresh food departments may create an immediate dollar loss."

Viroqua Food Co-op, in Viroqua, Wisc. went from a 1,200 square foot store to 7,300 square feet and from a staff of 15 to 50 and added new perishable departments. "I was really grateful for that sales, margin, and labor message," said Jan Rasikas, general manager of the co-op. The co-op focused first on building sales and improving customer service, all the while managing what she called "a huge leap" in their work culture. Keeping track of their progress meant twice-monthly reports on sales, cost of goods and labor, and weekly meetings with her management team. They made necessary operational adjustments as a group.

One year later, Rasikas believes the pro forma was right on and that the co-op budgeted adequately for their first year in the expanded store. Looking back, there's nothing in that

realm she would change, but that didn't mean there weren't challenges. Launching a strong periphery of fresh natural meats, deli, cheeses and produce in a small town was one of them.

The Lexington Real Foods Co-op in Buffalo, New York doubled its co-op's size and also added an ambitious new food service department, as well as a meat and seafood department. General manager Tim Bartlett noted that sales exceeded projections, but they were losing in the margin and labor areas. It took about 6 months "to clear the cobwebs" from the expansion he said, to see how things were really going in those departments. By then they'd eaten up all their budgeted losses for the year. It was clear reporting structures needed work.

With the help of Bill Gessner, Bartlett created a monthly improvement report that tracked progress on the goals for sales, margin and labor, and included net income, cash and payables. The Common Cooperative Budget (CoCoBud) program helped him create a quick and easy way to respond to the financial crisis quickly. In addition he created other weekly and monthly reports used by his management team. "I flooded my department managers with information so they could make better decisions," Bartlett said, "I asked them to handle 20 percent sales growth with 5 percent less labor. That info clarified things for them."

Looking back on it, Bartlett believes that if he could've made the transition from finishing the expansion to managing store operations a lot sooner, some of what happened could've been dealt with less painfully.

Expansion project manager Denise Chevalier usually works with food co-ops before and during expansions, but she said there are things managers can do before the new store opens to help them manage post expansion operations. "Engage someone before the expansion is over to work with you to plan out some type of monitoring program and the tools you're going to need or use...then really tweak it, and do it before there's any evidence of something going wrong."

An expansion project will always involve some limbo, but the better and more effective your planning and monitoring systems, the more focused and balanced your operations will be.

As part of expansion planning, developing and using systems for monitoring post expansion progress is critical for long-term success.



CASE STUDY

A New Deli's First Year

Middlebury Natural Foods Co-op is located in historic Middlebury's downtown, which boasts of a thriving town life as well as an easy vacation getaway nestled between the Vermont's Green Mountains and Lake Champlain. Amid the bed-and-breakfasts and chic little eateries, the food co-op is attempting to carve out a niche as the place to find healthy and innovative food focused on fresh, local and organic.

Since the co-op expanded a year ago and doubled its size, it's been meeting its sales goals and is on track for profitability, ahead of schedule. This is all good news from general manager Glenn Lower's perspective. Yet as much as he anticipated the difficulties he might face in the co-op's post-expansion world, he said it was a lot harder than he anticipated. He credits the professional advice and support he got throughout the project's phases for his success to date. "I used every facet of CDS's expansion programs," Lower said, "Market study, expansion and general manager support, pro forma, and store design."

Lower said during the first year in the new co-op, his priority was to keep on top of the co-op's new café and food service department, as well as other expanded perishables departments like meat and produce. At the outset of the project, he said he gave the café the biggest budgetary cushion. He figured if the rest of the store's departments did well it would carry the food service operation. So far, it has, although it's been much more complex than he expected. "It's been our biggest challenge and our biggest success."

Lower said because they never had a deli they were starting operations from the beginning, "Our deli production systems needed sorting out, all of them—ordering, preparation, processing, merchandising. And we had to consistently meet customer expectations." The first food service manager he hired only lasted three weeks into the newly expanded store. Besides worrying about café sales and margin, Lower was also concerned about high turnover in the department and the kitchen staff's isolation from the rest of the store.

Lower also believes that being clued in to the cultural shifts in the workplace are just as



Middlebury Natural Foods Co-op

Middlebury, VT
 Founded: 1976
 Number of members: 2,240
 Equity investment: \$300 per household
 Number of staff: 62
 Retail square feet: Over 6,000 including a café and seating area

important as number crunching. Often staff morale is the bellwether of positive or negative customer service levels, and that has a profound impact on sales. Since they doubled personnel and added new labor-intensive departments, the co-op staff was bound to feel the change. The deli's personnel experiences may have been extreme, but the message was clear. "One area of focus for our new store was communication and keeping staff focused on teamwork," Lower said. "I also wanted to nurture a culture of change."

He knew he needed an overall integrated approach to monitoring and correcting the situation. So he developed a plan to meet regularly with the management team as well as one-on-one with managers, have them report on their progress relative to the business plan's goals for the expansion, and hold people accountable on following through. A big part of the one-on-one work was tracking sales. He wanted to be sure people were well acquainted with sales targets and meeting those goals. "Sales are going well," Lower said about those efforts, "and cash is holding steady."

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Mel Braverman,
melbraverman@cdsfood.coop,
608-243-3255

CDS

Cooperative Development Services
consulting services for food cooperatives



131 West Wilson, Suite 400
Madison, Wisconsin 53703

www.cdsfood.coop

US Postage
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Permit #2783

CDS Administrative Office

131 West Wilson #400 • Madison, WI 53703 • **phone:** 651-265-3678 • **email:** info@cdsfood.coop • **website:** www.cdsfood.coop

CDS Consultants

Marilyn Scholl

Trainer & Consultant
(802) 387-6013
MarilynScholl@cdsfood.coop

Bill Gessner

Business Development
& Project Management
(612) 823-4509
BillGessner@cdsfood.coop

Peter C. Davis

Location Research Consultant
(360) 344-4104
Cell Phone: (360) 531-1995
PeteDavis@cdsfood.coop

Michael Healy

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

Mel Braverman

Business Consultant
(608) 243-3255
MelBraverman@cdsfood.coop

Walden Swanson

Consultant
(919) 968-8799
WaldenSwanson@cdsfood.coop

Linda Stier

Trainer & Consultant
(919) 387-9325
LindaStier@cdsfood.coop

Loretta Norris

Consultant
(608) 250-6494
LorettaNorris@cdsfood.coop

Mark Goehring

Consultant
(802) 380-3824
MarkGoehring@cdsfood.coop

Denise Chevalier

Consultant
(319) 337-3452
DeniseChevalier@cdsfood.coop

Kate Sumberg

CoCoFiSt
(919) 968-8799
KateSumberg@cdsfood.coop

Kevin Edberg

CDS Executive Director
(651) 287-0184
Kedberg@cdsus.coop

You may contact individual consultants at their home office address and phone numbers.