

SWARTHMORE CO-OP
Annual Meeting of the Owners

Minutes

April 18, 2019

The Annual Meeting of the Swarthmore Coop Member owners was held in the store. The meeting began at 7:10 PM.

In attendance were approximately 60 member owners, including Board President Donna Francher; Vice President Jill Gaieski, Treasure Stephanie Edwards and Secretary Mark Rossi, and Board members Barbara Amstutz, John Moots, Lori Knauer and Ines Rodriguez. General Manager Mike Litka was in attendance.

Process:

All owners in attendance signed in.

Owner members in attendance who had not voted in advance of this meeting cast their ballots on the proposed revisions to the Co-op Bylaws and reelection of Lori Knauer to the Board for a new three-year term.

Votes were tallied by Stephanie Edwards and were announced after the presentation.

Welcome by Donna Francher, Board President

Donna welcomed all of the member owners and outlined the agenda for the meeting. She introduced the officers and board members to the owners, and introduced Mike Litka to deliver the presentation.

Presentation:

Mike led the presentation around the following topics:

2018 Recap and Highlights

- New exterior sign was installed. A micro loan was provided by an owner.
- The Co-op remains committed to local vendors. Signage is placed throughout the store.
- “Give a Book, Take A Book”: owners exchange cooking and food-related books regularly.

- More events are being developed by volunteer committees to engage and involve owners more deeply in the Co-op community.
- Bathrooms were updated.
- The owner database has been launched as a means to better track ownership records. Email has replaced print mailings as the primary means of owner communication. As an example, for tonight's meeting, staff and volunteers contacted members to update the email list, and as a result, we only needed to spend \$200 on postcard mailings, compared with over \$1,700 in past years.
- Replaced and added new lighting throughout the store, with major improvements in the rear quadrant area.
- Data analysis was conducted to get a much better picture of what sells and doesn't sell.
- Findings resulted in a major store reset going into 2019.
- Operations are much more nimble and flexible. The focus is on carrying what sells.
- Co-op is no longer a "big shop" for customers. It is used for convenience and for specialty items.
- Increased focus on community functions is designed to engage the owners and reinforce the notion of "fresh, friendly, local." Greater synergy and energy is being created in the store: this is a community space that anyone can use.

2018 "Lowlights":

- This building is now 15 years old. With constant use, wear and tear, furnishings and equipment in the store are wearing out. Many items simply can't be repaired because they are beyond their useful life; they need to be replaced.
- Examples: Toasters, panini press, ovens, lighting replacement and installation have all needed to be addressed. Refrigeration equipment is original.
- There is a major issue with the cooler/freezer area. The slabs in the concrete floors are cracking, and the floor is beginning to lean downward. Cooler panels are shifting. An insurance claim has been filed for this work, and we are hopeful it will be covered. Estimated cost of repair is \$60,000 to \$70,000.

Competition:

- Increased pressure is being felt from the rapidly changing food and retail landscape. This has intensified during the past year alone.
- Examples: 7-11 now delivers, newer concept stores such as Lidl and Aldi are in the area. They have limited SKUs and sell in bulk. They cannot be beaten on price.
- Target and Walmart sell groceries
- Robotics are being used by the big players to fulfill orders.
- Small groceries face intense pressure. This is not an issue for this Co-op. It's a reflection of the entire industry.

The Store's DNA:

- Despite all the other options, the Co-op does 120,000 transactions a year! We are the third oldest co-op in the country!
- Who shops here? Why?
- Our 7 principles tell the story:
 - **Voluntary and Open Membership:** Attracted 60 new owners and \$27,000 in equity in 2018
 - **Democratic Member Control:** Board is exclusively owners. You lead, you govern and you OWN.
 - **Member Economic Participation:** Owners spent \$7.2 million this past year, 52% of overall sales. Owners also enjoyed \$22,000 in discounts through owner appreciation days and member discounts.
 - **Autonomy and Independence:** The Co-op is owned by and accountable to you, not by outside investors.
 - **Education, Training and Information:** More opportunities are being emphasized and encouragement for owner/member involvement for programming and events.
 - **Cooperation among Cooperatives:** Participation with Philadelphia Area Cooperative Alliance and Mid-Atlantic Cooperative Alliance

- **Concern for Community:** Co-op works with over 100 *local* vendors and suppliers, which \$1.8 million into the pockets of those close to home. The Co-op also donates to local organizations and host key events such as the Truck-A-Thon.
- Of the 178 total vendors used in 2018, 110 are local (within 90 miles).
- Engagement: Margaret Kuo at the Co-op! More events of this type are in the works.

Beer and Wine Update

Donna presented an update of the Co-op's progress toward obtaining a liquor license in order to sell beer and wine in the store. An 1892 waiver prohibits sale of beer and wine in the "Biddle Tract" in the center of Swarthmore. We are nearly complete in receiving waivers from property owners within the Biddle Tract that would allow us to move forward. There are four oppositions to our suit to "quiet the deed" that have been filed to prevent the Co-op from selling beer and wine. The Board is hopeful that we can settle these suits through mediation. Information regarding each suit is available on the Delaware County website, delcopa.gov.

Financial Results:

Mike reviewed financial highlights and results.

- Huge income declines 2016 and 2017 were reversed in 2018, when the Co-op made a profit.
- 38 employees made it happen. They did not receive raises last year.
- However, sales continue to be less than forecast. This continues in 2019 with sales down \$30,000 the first three months of this year.
- Expenses are being controlled.
- Owner transactions are dropping in all owner categories, including the "green" category of owners who have been the most active and biggest shoppers. Why? Aging out of families, smaller families (children grow up and move away), less dollars available.

Reality Check:

- Sales have been on the decline for five years, nothing left to cut from budget. One catastrophic event, e.g. major equipment failure, could hurt in a big way. Competitive forces are stronger than ever.
- How do we counter?

- Goals: Install and reinforce the Co-op DNA, continue to change the footprint and product mix in the store, add beer and wine, strengthen discount programs.
- What can owners do? Be active, volunteer, engage, recommend, tell your neighbors.
- There will be an engagement meeting on May 14: Plan to attend!
- Spread the word on social media.
- Shop here first; use the community space.
- Shop: if there is something that isn't being carried, ask for it.

Results of Owner Voting:

Owners voted on changes to the bylaws and the reelection of Board member Lori Knauer to a new three-year term. Voting was completed in advance and during the owner meeting.

Totals:

By-law changes:

YES: 138

NO: 14

Re-election of Lori Knauer

YES: 141

NO: 4

Owner Q&A Session:

Following is a summary of questions from the audience. In all cases, questions were answered by Mike with the exception of the first one on an issue with the by-laws, which was answered by Donna:

Question: A question was raised regarding the recent amendment to the bylaw: Can owner/ members remove members or can just board members remove a board member? It reads that only Board members can do this. Shouldn't the bylaws state that owner-members can also remove a board member?

Answer: The rule was stated to the audience: If a board member has missed three meetings that board member can be removed from the board but NOT exclusively by the board alone.

Action: The wording of the bylaws will be reviewed and corrected accordingly. Members can still remove board members as well.

Question:

Are there roof issues? Are there structural problems?

Answer: No. There are no issues with roof or the structure of the building.

Question:

Are we providing enough high quality food?

Answer: We try, but we also get questions about costs of high-quality food across the board. We try to balance as best as possible

Question:

Why are we having fewer truck-a-thons? Can't we charge a fee to make more?

Answer: We have only 38 employees in the store. Megan is the grocery manager who also runs the event. Pat is a volunteer giving as much time as possible. We might do more if more members took part. This year we do have 27 volunteers, which is great!

Question:

Are we working to win back people who have left?

Answer: My primary effort is to get *new* people to shop...new people to join. Once people leave it's hard to get them back.

Question:

I see a lot of product. What are we doing for "service" What is the intent to incorporate more SERVICE?

Answer: (Mike): We try to adjust available labor as much as possible to improve service. We would like to do more home delivery, but it takes time. People want to talk. We have scarce resources to manage home delivery at this time.

Question: I have a millennial son. Can he use grub hub here?

Answer: We are investigating this type of arrangement with another service, instacart. But they take 7 – 15 percent of the sale, which may not work for us.

Comment... I'd like to see one variety of organic apples.

Question/comment: Recent changes make a stronger atmosphere for convenience and less as a grocery store. I am shopping more away from the coop. I don't have any joy choosing fish here. I walk up and down aisles ...this is not a place to do regular shopping.”

Response: We have less space for the fish, but it is a better arrangement now. The Quantity is the same and the quality is better. We have the same amount we had before, it just presents differently.

Comment from Mike: We are still carrying many of the same products, and the same variety, but it is presented differently and has been remerchandised for a longer shelf live. We have discontinued products that were not selling. However, over 100 items have been added back in based on customer feedback.

Comment from Don Delson, owner:

We should all applaud Mike for all his efforts.

Members applauded and thanked Mike for the great work he and his staff are doing.

The meeting was adjourned at 8:40, followed by a reception.

Respectfully submitted,

Mark Rossi

Board Secretary

