

# Converting your store to a co-op: A viable path for long-term success

Should your grocery store become a co-op?

A presentation to the Rural Grocery Summit

# Your Presenters

Faye Mack, Food Co-op Initiative

Nicole Borner, Montana Cooperative Development Center

Stuart Reid, The Co-op Consultant



# Locally-owned businesses are vital for urban and rural communities

- Small businesses employ 47.1% of all U.S. workers  
*2020 Small Business Profile, Small Business Administration*
- Locally-owned businesses circulate 3x more money back into the local economy than chains  
*The Multiplier Effect of Local Independent Businesses, American Independent Business Alliance*
- Help build the culture and identity of our communities

# Survey findings on business transition planning for rural grocers in Kansas

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**25%**

of Kansas rural grocers anticipate retiring in the next 1-5 years,

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**70%**

of whom do not have a plan for the store's ownership in the future.

# Co-op conversion is one possible solution for business transition

## What is a cooperative?

“An autonomous association of persons united voluntarily to meet their *common economic, social, and cultural needs and aspirations* through a *jointly owned and democratically controlled* enterprise.”

– *International Co-operative Alliance*

# What is a Co-op[erative]

- A business created to meet the needs of its owners
- Owned by the people who use it
- No speculative return on investment
- One member, one vote
- Consumer, worker and hybrid ownership options



**Monadnock Food Co-op exists to meet our community's need for:**

- **an accessible community-owned food market**
- **a marketplace that welcomes, serves, and connects community**
- **a healthy sustainable food system**
- **the support of local farmers and producers**
- **education to promote healthy living**
- **a strong, sustainable, and improving local economy**

## Why Choose Co-op?

- Community empowerment
- Addressing market failure
- Focus on shoppers' needs
- Local return on investment
- Lack of other options



# What is a co-op conversion?

- A group of stakeholders (shoppers, workers, etc.) buy an existing grocery store
- The store's legal structure and operating philosophy transition to cooperative
- Members of the local community own and benefit from the co-op





The impetus to convert The Old Creamery into a co-op came from the independent owners themselves.

According to Cozzolino they had a “vague recollection” of an organization called the Cooperative Development Institute (CDI) in South Deerfield, Mass., the Northeast’s center for cooperative business development. She called them one day in 2009 out of the blue and she said “they were so hopeful and supportive. Amy and I wept with relief and joy.” Thus began their journey as both sellers and boosters for the co-op.



<http://www.oldcreamery.coop/>

# Placerville Food Co-op Placerville, California

<https://placervillefood.coop/>

Locally grown and community-owned since 2011, the Placerville Food Co-Op is a full-service grocery store, featuring organic produce, raw milk, organic and grass-fed meats, gluten free foods, bulk nuts and grains, kombucha drinks and more. Come visit us and enjoy the great, nutritious food in our deli!



# Other Conversions

## **Epicerie Co-op Grocery**

Moonbeam, Ontario, Canada

<https://www.moonbeamcoop.com/about-us>



In 2012, the owner of the only grocery store in the village of Moonbeam, L & E Léonard Inc., announced that without a buyer, the establishment would be closing its doors in August 2012. Seeing that they were about to lose its only grocery store, Moonbeam citizens came together to found a co-operative to acquire the Business.

## **Marmaton Market**

Moran, Kansas

<https://www.themarmatonmarketinc.com/>



The Marmaton Market Inc was purchased in May 2018 by a group of individuals in the community and surrounding area who became members of The Marmaton Market. The store had been on the market for sale for several years and the people of the community wanted to make sure that the store stayed open and operational for the needs of the community.



# How to get started

## Store Owner or Developer

- Contact Food Co-op Initiative
- Learn about cooperatives
- Consider your timeline and possible terms of sale or lease
- Engage with a community group that is interested in a co-op conversion
- You may need to help form this group

## Co-op Organizers

- Contact Food Co-op Initiative
- Learn about cooperatives
- Identify a potential grocery store for the co-op to acquire
- Approach the current owner(s)
- Build a team
- Talk to your community

# Build or work with the Co-op team



## Store Owner or Developer

- Engage with co-op organizers
- Establish levels of confidentiality
- Agree on public communications

## Co-op Organizers

- Recruit a steering committee and volunteers
- Ensure inclusivity
- Agree on expectations
- Listen to your community
- Draft a vision statement

# Engage your community

## Store Owner or Developer

- Determine how public you will be about the pending sale
- Help Co-op team promote the conversion effort
- Share information in your store

## Co-op Organizers

- Respect seller's confidentiality
- Find trusted voices
- Plan your campaigns
- Spread the word
- Be welcoming and inclusive



# Feasibility– Evaluate the option at hand



## Store Owner or Developer

- Does the co-op team have the resources to complete the transaction?
- Are you or other staff willing to stay on during transition?
- Do you need professional advisors?

## Co-op Organizers

- Condition of facility and equipment
- Financials– historical and projected
- Suitability of the site
- Management
- Financing

# Feasibility– the tools



## Store Owner or Developer

- Personal financial goals
- Timing

## Co-op Organizers

- Market Study: Revenue projections
- Sources & Uses Budget
  - Startup costs
  - Sources of capital
- Operating budgets (pro formas)
  - Profit and loss projections
  - Balance sheet
  - Cash flow
  - Debt service

# Decision point

## Store Owner or Developer

- Is this a deal you want?

## Co-op Organizers

- Review your research
- How great are the risks?
- How strong is the community support?
- Can you raise the necessary capital?





# Making/Accepting an offer

## Store Owner or Developer

- Business valuation and personal financial objectives
- Acceptable concessions
- Length of contingencies

## Co-op Organizers

- Business valuation
- Lease or sale negotiation
- Contingencies

# Raising needed capital

## Store Owner or Developer

- Consider financing part of the sale

## Co-op Organizers

### Capital Campaign

- Owner shares
- Owner loans
- Preferred shares
- Grants and donations
- Mission (co-op) lenders
- Commercial lenders
- Seller financing



# Marketing the store

## Store Owner or Developer

- Make space available in the store and storefront to promote the co-op
- If appropriate, participate in co-op's outreach

## Co-op Organizers

- Create anticipation and excitement
- Clearly define what your business is
- Make sure everyone is welcome
- Engage suppliers for in-store demos, tastings and giveaways
- Get press coverage
- Use social media



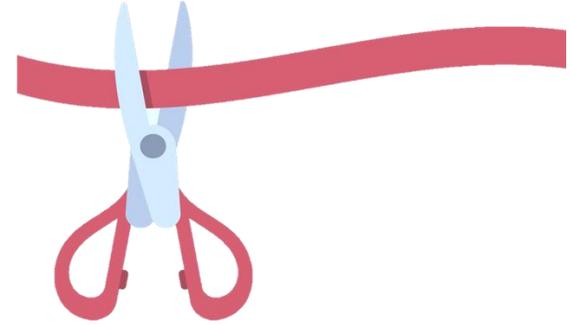
# Opening!

## Store Owner or Developer

- Sigh and sit back!

## Co-op Organizers

- Start “soft”
- Special day for owners
- Grand opening later



# Business transition resources & trainings

Available at [www.ruralgrocery.org](http://www.ruralgrocery.org)

## ***Webinars***

*Over two dozen topics and featured stories are available on RGI's website.*

## ***Mentorship Program***

*RGI paired store operators with mentors to receive one-on-one assistance on a specific transition-related project.*

## ***Rural Grocery Specialist Microcredential***

*This online course trains resource providers across the country to support rural grocers with succession planning.*

# The Action Guide

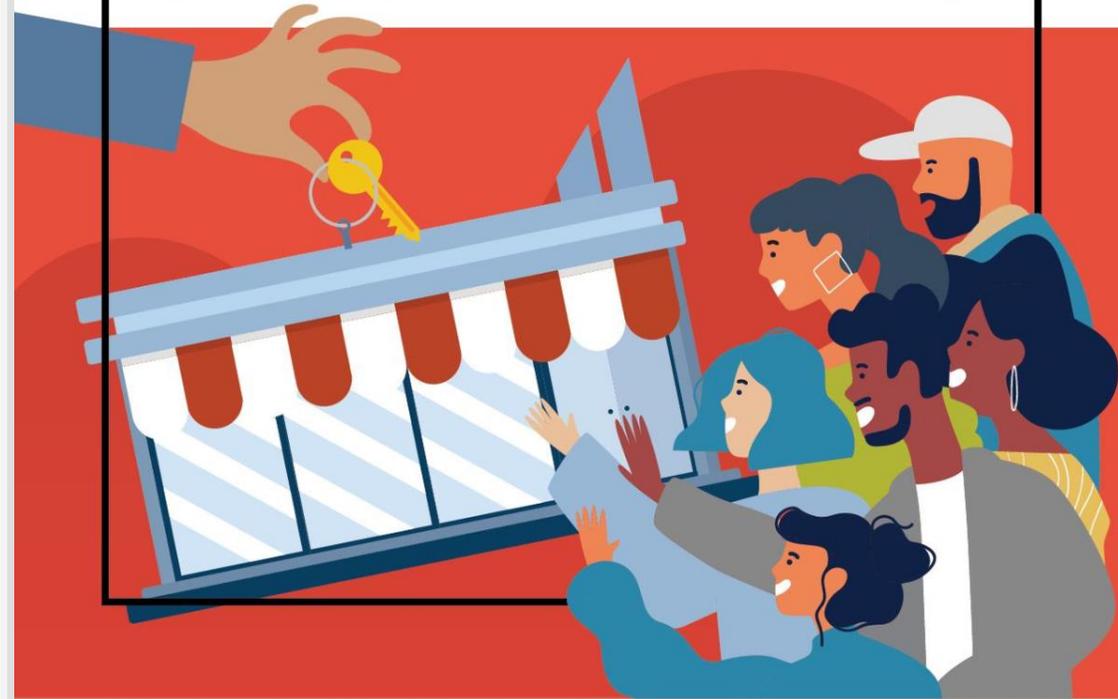
- ⑩ Guidance for co-op organizers
- ⑩ An introduction to the co-op business model
- ⑩ An overview of the entire conversion process
- ⑩ Recommendations for professional support
- ⑩ A directory of critical resources

**Get the  
Guide!**

[www.fci.coop](http://www.fci.coop)

FCI ACTION GUIDE

## Converting your grocery store to a co-op



This guide was produced by Food Co-op Initiative in partnership with the Rural Grocery Initiative at Kansas State University

**Written by Stuart Reid and Bonnie Hudspeth**  
with contributions from Erica Blair of the Rural Grocery Initiative at Kansas State University and Faye Mack of Food Co-op Initiative

**What are your  
questions and  
thoughts?**

