

**Minutes of the
Marquette Food Co-op Board of Directors
July 19, 2016 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:10 p.m.

Roll call: Phil Britton, C. Noordyk, E. Wright, B. Krause, M. Augustyn, B. Jackson, R. Kochis, M. Potts, G. Sarka.

Absent: None.

Staff: GM Matt Gougeon, Natasha Lantz, Kelly Cantway, Kat Eaton.

Public: John Kinch.

II. Preliminaries:

(a) Approval of Agenda & Additions: The Board discussed adding the approval of the Range Bank Resolution to the agenda.

Motion: To add the approval of the Range Bank resolution in the Finance Committee Report (*motion by* G. Sarka, *second* B. Jackson).

Action: Motion passed unanimously.

Motion: To approve agenda with changes (*motion by* R. Kochis, *second* C. Noordyk).

Action: Motion passed unanimously.

(b) Review of June Minutes: No changes were made.

Motion: To approve the June minutes without changes (*motion by* R. Kochis, *second* E. Wright).

Action: Motion passed unanimously.

(c) Electronic Communications: Board communicated about needing to approve the resolution.

III. First Public Comment: None.

IV. GM Monitoring

(a) Store Report (M. Gougeon): GM reported that June sales were up 7% over last June and the store crested \$700,000 for the third consecutive month. Sales are already at 8% growth so far for July, which puts annual growth at 6%. The MFC was at 82 employees but is now at 80 but will likely return to about 83 staff. Over 400 hours per pay period have been reduced from staffing schedules and the store has seen an uptick in sales. The most recent pay period achieved the goal of over \$70 per labor hour. The store underwent an audit by NCG. The GM noted that he does not yet have the full report from the auditors but shared about the experience. The auditors arrived Monday and shopped the store. They shared positive feedback about the appearance and condition of the store, enthusiastic employees once they were engaged, department allocation and layout, and local selection. Improvements to labor were recommended. They suggested that the MFC change from monthly schedules to biweekly and eventually weekly so that the store can better respond to sale trends. They also recommended a time clock, which the MFC had previously planned for and purchased prior to the audit and will be implementing in the near future. The auditors suggested the MFC negotiate a third UNFI truck because they observed a high number of out-of-stocks. The auditors suggested merchandising improvements including increasing seasonal and promotional product and product facing improvements. It was also recommended that the store standardize its procedure for recording and reporting shrink (product that is lost due to damage, theft, etc.). Improvements to Prepared Foods were recommended

including eliminating sales of reduced priced foods because it lowers the value and trust in product. The auditors suggested developing a process for recording production and loss in Prepared Foods to ensure product availability during announced hours. The GM shared that overall it was a very productive experience. The Board inquired about their customer service experience. The GM explained that during the auditors' secret shopping experience they noted that they were not approached by employees but once they engaged staff they found the customer service to be enthusiastic. The Board inquired about whether the store requested the audit or if NCG mandated it. The GM noted that an audit was something both NCG and the MFC have been interested in doing for a while.

(b) L1 – Customer Treatment (M. Gougeon): The Board received the report and determined that the report demonstrated compliance. There were no questions.

Interpretation Reasonable: Yes.

Adequate Data: Yes.

The report was accepted as in compliance.

GM explained that the uptick in sales is related to the Customer Treatment plan, noting that the customer surveys conducted last year yielded feedback that has informed changes at the MFC including changes to pricing, increasing local product through how the MFC works with local vendors, and the Co-op Basics program. The Board discussed the summer tourist season and encouraged outreach to visitors. The Board also discussed the success of the 5/2 Plan and that the local section in the produce department seems to be doing very well.

V. Outreach Reports

(a, b) Outreach Report/UP Food Exchange Report (N. Lantz): Lantz reported that farm photos are happening along with site visits for food safety. Bridget from the produce department will be the new Owner Services Coordinator. There will be big changes to signage in the store in the near future. The MFC is doing a regular column in *Marquette Monthly*. The Double Up Food Bucks program launches August 1. The MFC will be the only retailer in the UP to be able to accept Double Up Food Bucks. Outreach is working on spreading the word. The 5/2 Plan is going well and there is community excitement about MFC membership. Palette sales have been very successful. The MFC will start having “The Big Deal,” a pre-advertised sale offered one day per week. The “Fresh Feed,” the monthly e-newsletter will start in September. The MFC is using more social media to connect with consumers. The store has started conversations to participate in MGH's Nutrisavings wellness program, so participants will be able to earn Nutrisavings points for items at the MFC. “Together at the Farm” is coming up on July 30. The Board President encouraged Board members to register as soon as possible if they can attend, and suggested that board development funds could be made available to help cover registration costs for Board members.

VI. Second Public Comment Period: John Kinch from the nonprofit organization Michigan Energy Options commented about how tourists are interested in walking-distance options for groceries in town and encouraged the co-op to connect with hotels and lodging options to reach the tourist population.

VII. Break

VIII. Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (P. Britton, C. Noordyk, R. Kochis): Did not meet.

(ii) Finance Committee (B. Krause, P. Britton, G. Sarka, R. Kochis): Met with GM prior to Board meeting and mostly discussed recommendations from the NCG audit. Instead of having a monthly adjustment done, it is recommended that the MFC do a monthly adjustment in-house and look at inventory as of that day to determine the entry. Quarterly statements will be done by Pat Thompson. NCG noted that the MFC has a great finance manager. It was also discussed that the MFC has under-reported assets of \$70,000, which will be reported correctly. Financials will start showing the current portion of long-term liability on statements, which might cause the current ratio to go down due to the reporting method. Positive pay service was recommended by NCG to help reduce fraud. NCG also recommended that the Board review terminated equity shares quarterly and consider changing the language in the bylaws concerning payback of terminated equity shares to something similar to the payback of preferred shares. It was discussed whether an ad hoc committee should be formed to address the proposed bylaws change and the Board determined that this was a task that the Finance Committee should address. The Finance Committee also reported that NCG recommended decreasing labor by a full percentage point. NCG also recommended a third party inventory counting service for better third party oversight.

1. Approval of Range Bank Resolution: The GM explained that the MFC asked Range Bank for a period of interest only payments so that the store could catch up on accounts payable and build cash. The resolution needs to be signed by the new Board President and Secretary. The Board inquired about the amount of principal and interest. The GM explained that principal is \$10,000 per month and interest payments are \$8,000 per month. With this arrangement, the MFC will only be paying the \$8,000 interest payments for a period of six months. The Board inquired about liability and risks and discussed that there should be a plan to make sure the MFC is not in the same position in the future. The GM commented that the MFC is reducing costs and is able to start paying down overdue accounts payable while also building cash during this period.

Motion: To accept the resolution as written and direct the President and Secretary to sign. (*Motion by G. Sarka, second B. Krause*).

Action: *Motion passed unanimously.*

Board President P. Britton and Secretary E. Wright signed the document.

(iii) Communications Committee (C. Noordyk, M. Augustyn, E. Wright, B. Jackson): Did not meet. Will meet following the Board meeting.

(iv) Elections/Nominations/Orientation (C. Noordyk, M. Potts, G. Sarka, E. Wright): Did not meet. Will need to meet before next meeting.

(v) Board Education (B. Jackson, M. Potts, M. Augustyn): Communicated via email and will be meeting after the Board meeting. Natasha Lantz has been invited to participate on the committee. The committee is making arrangements to meet with members of the board from the Keweenaw Co-op on July 31. B. Krause, B. Jackson, and G. Sarka are planning to attend.

P. Britton met with NCG auditors and reported that they suggested the Board could be more proactive in pursuing education opportunities. The Board discussed CBLD opportunities.

(b) Ends Survey and Blog Review:

(i) Ends 8 “Community Leadership” Blog Draft (P. Britton): Draft was submitted prior to the meeting. E. Wright also submitted the draft for the Ends 7 blog post. No changes were recommended.

(c) G1 – Governing Style (P. Britton): G1.5 concerning electronic communications was discussed. The Board determined it should remain on the agenda because it is important for transparency even if there is typically nothing to report. No changes to the policy were recommended.

(d) Procedure for Appointment of Interim Members: It was discussed that the bylaws do not clearly outline the actual procedure for how interim members are appointed to the Board and there is a need to develop a document that provides guidance. The task was assigned to the Elections/Nomination/Orientation Committee.

(e) Set Retreat Date: The Retreat was scheduled for January 14. All Board members reported availability on this date. There will be a regular October Board meeting and no meeting in January.

X. Third Public Comment: None.

XI. Closings

(a) August Assignments:

- i. Store Report (M. Gougeon)
- ii. Outreach Report (N. Lantz)
- iii. Review and Approve Committee Charters & Procedures
- iv. G2 – Board Job Description (R. Kochis)
- v. L5 – Financial Condition 2nd Quarter (M. Gougeon)
- vi. Ends 9 “Outreach and Education” Blog Draft (B. Jackson)

XII. Motion to adjourn at 8:04p.m. (*motion by B. Jackson, second R. Kochis*).

Action: Motion passed unanimously.

Next Board Meeting: August 16, 2016 at 6:00 p.m.

Emily Weddle
Board Recorder

Monitoring Report

Policy Type: Executive limitations

Policy Title: L1 – Treatment of Customers

Reporting Period: July 19, 2016

I report compliance with all policies within this report. New information from the last reporting period is highlighted in yellow.

Global: *The General Manager will not fail to ensure that our customers receive high value in our products and services.*

Interpretation/Operational Definition – The word “customer” is inclusive of Marquette Food Co-op Owners, other shoppers, and services and programming participants. It also includes vendors. High value as applied to products sold in the store means a balance between product price, quality, and origin. High value in service as applied to customer service means a helpful, informed, and attentive staff. High value applied to other services offered by the MFC means services delivered by professional staff dedicated to community outreach and food education. High value applied to vendors means timely and efficient orders and payment.

The GM will not:

L1.1 *Fail to offer a range of products and services that meet our customers’ needs.*

Interpretation/Operational Definition – The GM will direct staff to fulfill customer expectations through a variety of product selection and service offerings as defined by our Global Ends policy.

Data:

Selection

Our members desire wholesome, organic, local, and fairly traded products as articulated in the Ends Policies of this organization. The MFC stocks between 15,000 and 20,000 unique items in the store on any given day. Members of the MFC desire value pricing on product. We are in the middle of developing, a pricing structure reflecting a Good, Better, Best strategy relative to product selection and includes increased product promotions. We have begun to implement parts of this strategy. The strategy provides the customer a choice when it comes to their food budget and personal values. Additionally, the Co-op Basics Every Day Low Price program

provides a value priced organic option in many products. This program is largely identified by the Field Day label- though not exclusively so. We have just joined the extended Co-op Basics program offered by NCG which adds the labels of producers and manufacturers like Organic Valley, Equal Exchange, Alaffia, and Dr. Bronners to the program.

Local

Local products may be found in the store within almost every category. “Local” is most prevalent in the Produce Dept. Once again, Local comprised about 10% of total store purchases and accounted for roughly 9% of total store sales last year. This suggests that Local products sell rapidly, turning over at near the rate of purchase. Purchases of local products increased by nearly 10% over the same reporting period last year. Additionally, we have begun a program of crop production planning with our local farm vendors in an effort to maximize our purchases from farms, keep a dynamic product mix and prevent overlap of vendor offerings, and improve our purchasing efficiency. This also creates value for our farmers in knowing what we wish to purchase from them. See data packet for *On Hand Inventory Summary as of June 30, 2016*, see the store shelves, and see the *2015 Ends report* for more detail on “Local”.

Pricing/Value

Price comparison shopping trips are required of each department as part of developing our pricing strategy. We carry a far wider range of organic, wholesome, local, and fairly traded products than can be found in other area stores. Our comparison shopping has shown us to compare favorably with our competitors. However, there persists much opportunity for us to improve our price image- and there are some areas where we will just not be able to compete. As previously stated, we diligently work on correcting the perception that we are a high priced store. The EDLP program of Co-op Basics, pallet sales, flash sales, and owner buys are all pieces of improving our price perception and bringing value to our shoppers. See *sample Comp Shop reports*.

Organic

Annually, 100% of produce in the store is certified organic or is grown locally without synthetic inputs as witnessed by the Produce and Outreach depts. Roughly 60% of other products in the store are organic or partially organic. With the intent of eliminating slow selling products and highlighting popular products, we have utilized Category Management (CM). CM is a technique of identifying bestselling and slow moving items through internal data and comparisons with other stores in our region. In this way we find opportunities for new products and we feel we stay in touch with member need via their shopping habits. Through category management we have seen that shoppers will choose price over product integrity sometimes. Price and value are

opposite sides of the same coin and finding balance between organic integrity and price is the intent behind our pricing strategy work.

L1.2 ***Allow an unsafe or unpleasant shopping experience for our customers.***

Interpretation/Operational Definition- The GM will maintain the store in such manner as to provide customers an atmosphere conducive to shopping, a staff trained to a high degree of customer service, and a store free of hazards and encumbrances.

Data: Store Atmosphere- The store is cleaned daily by department by staff throughout each day. It is cleaned by contract professionals six nights per week. Dedicated deeper cleaning is provided 20 hrs. per week by a staff member.

The store is attractively decorated **and merchandised**. *See the store.*

The store purchases a Business Pandora music service. This provides both the necessary licensing for playing music publicly as well as pleasant selection of music for shoppers.

Customer Service- We strive to offer the best customer service in town. All staff are given a customer service overview upon the start of their employment with us. Our Front End staff discuss customer service at monthly meetings. They are coached in our Core Customer Service and Organizational Skills. Areas of focus include Enthusiasm, Accuracy, Respect, Communication, Teamwork, and Smiles. We utilize Zingerman's "Zingtrain" video to help our staff learn how to offer our shoppers a truly fantastic experience.

Staff also receives comprehensive store training through Co-op Essentials. This training program, developed by HR and management, trains staff in the Co-op Business Model, Customer Service, Outreach, Local & UPFE, and Loss Prevention. These trainings happen as needed and are mandatory for each employee. These workshops help staff build confidence and knowledge in the co-op business model, store products, community partners and projects, and more and is an important tool that helps us provide our customers with great service

See customer service standards and expectations policy. See Co-op Essentials Booklet.

Customer Safety- The store is generally free of safety hazards and there have been no customer accidents in the last year.

The store has a Safety Committee and is comprised of both staff and management. They are led by Victoria Jungwirth of our HR Department. **In the last year we have created a comprehensive Safety Manual that was approved by MIOSHA and has been updated twice this past year.** *See MFC Safety Manual.*

L1.3 Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints, and suggestions.

Interpretation/Operational Definition – The GM will administer mechanisms that gather customer input regarding products, services, desires, and criticism. The GM will gauge such input as to its relative worth compared to our Ends Policies.

Data: The MFC has in place an active customer suggestion system in which every attempt is made to reply to each customer inquiry/complaint that is supplied with contact information. Suggestions are directed to appropriate staff or management for response. The MFC receives on average 40 or more suggestions per month, mostly regarding product. We also receive suggestions for improvements or added amenities and inquiries about our store facility. The Customer Suggestion system allows customers to communicate specifically to operations. All suggestions go to Mary Moe or Natasha Lantz or the appropriate manager or buyer. All administrative comments are handled by the GM, Ms. Lantz, or Ms. Moe. All customer suggestions or complaints are logged into one spreadsheet that tracks the suggestion to its final resolution. Social media plays a significant role in interfacing with our members and customers. Product highlights and specials are posted to our Facebook page. Members often comment on their experience in the store or at a Co-op sponsored event. Those comments range from questions about prepared food ingredients to product searches. Members also use social media to opine about food related issues, both nationally as well as locally. *See data packet for suggestion forms and complaint spreadsheet.*

Additionally, last year, we gave an extensive survey to members and other shoppers about their experience shopping in the new store. More than 700 respondents gave us their opinion. The Board of Directors was given the survey results at a previous regular meeting. We have used the survey results to inform our operational strategic plan, our pricing strategy, and creation of our marketing plan. We will administer another such survey in 2017.