



2018

marquette food co-op

# Annual Report



# MESSAGE FROM THE GENERAL MANAGER



**Matt Gougeon**  
General Manager

2018 was a heck of year for the Co-op!

We had challenges on multiple fronts in 2018. We had a large competitor open in our market. We were into our first full year of paying employees a livable wage, which added nearly \$250K to our personnel costs. And, we were slated to pay out \$70K in dividends to preferred shareholders. Fortunately, we were planning for all of this for nearly two years.

We began the year with solid growth and by June we were up nearly 10% over 2017. Then Meijer opened and took the wind out of our "sales." For the rest of the year, we were flat to 2017. In a sense, you could say that we took a 10% hit to our sales revenue. But, we were expecting and prepared for worse. Because of our strong start, by year's end our sales revenue was up 4% over the previous year.

Since 2016, we have been preparing for the implementation of Livable Wage. While sales revenue support is essential, employee productivity and accountability is necessary for a Livable Wage to be sustainable. Productivity gains are made through systems improvement and having a higher ratio of full-time staff to part-time staff. Accountability means staff share the buy-in for the reward of being productive. Of many improvements to our systems that result in increased productivity, two stand out.

- Improved scheduling of staff to better meet the needs of departments, thereby reducing the total number of hours being worked in the store.
- Automation of ordering product, which consolidated many buyers of product into a single employee.

Accountability, by the definition above, largely occurs when you have more full-time staff. Full-time staff are more engaged in their work and better at their jobs than part-time staff. It's all about being in the building and gaining a deeper understanding of the work. We have an 85% ratio of full-time to part-time staff.

Our 2018 goal for total personnel costs as a percentage of sales revenue was 24%. This was 2 percentage points over our 2017 costs and accounted for the Livable Wage. We ended the year with total personnel costs of 23.5%.

Another area of solid performance for us is in our margin management. Margin is the difference between product purchase cost and product sales price. Margin pays for all other expenses incurred by the store including personnel costs. Through improved purchasing and inventory control combined with meaningful promotions and pricing throughout the store that brought real value to shoppers, we attained a gross margin of 37%.

The key to our successes at meeting financial benchmarks during a challenging year was cash management. To be able to pay for higher wages, pay preferred share dividends, and weather stiff competition and declining revenue, we monitored and managed our cash weekly and sometimes daily. Cash generated from operations is strong. Our earnings before interest, taxes, and depreciation at the end of the year was 4%. What we ran up against was the many places for the cash to go in 2018! Namely preferred share dividends, principle payments on loans, and some investment in technology.

We reduced debt as scheduled by \$185K by years end. Since the store opened in 2014, we have paid down \$1.2 million in debt, with another \$2.2 million to go. It's a long game and we've made good progress in this regard.

Ownership is an important indicator of store health for me. We are, after all, a community-owned company and our owners regularly account for 70% of store revenue. We had another year of nearly 400 new owner households join the Co-op family with a record \$52K in owner equity dollars coming into the store in 2018.

From a department perspective, we continued to see shrinking sales in packaged grocery and other center store items. This mirrors a national trend, as there are many other channels for shoppers to purchase such products. We saw a surprise drop in sales in produce after Meijer opened. I did not anticipate that as we sell only organic produce and they sell only a little. Our Wellness Department sales were buoyed by the sale of CBD products. Our Meat and Seafood Department saw a drop in sales as well and is in line for something of an overhaul in the coming year. Our Prepared Foods Department continues to be our pride and joy with sustained strong growth, with more to come. When we opened the store, Prepared Foods was only 7% of sales and I had hoped that someday we might get it to 10%. Currently it rides at 14% of total store sales. We've got something good going on there.

Looking forward, we feel we are set up pretty well for a successful 2019. Our systems and personnel are lean. We return to efforts of growing revenue as opposed to managing decline. And we are bringing new initiatives to the store in an effort to open more accessibility to shoppers and value to owners. We'll continue to pay down debt and pay out dividends to preferred shareholders. We anticipate being profitable and also grow cash this year. After our challenging 2018 which made our financial progress lurch for a moment, we will steady the forward progress of the Co-op ship.

## BALANCE SHEET

		2018	2017
<b>CURRENT ASSETS:</b>	Cash & Equivalents	\$223,989	\$229,970
	Accounts Receivable	16,261	4,886
	Inventory	336,147	343,060
	Other Current Assets	7,039	6,146
	<b>Total Current Assets</b>	<b>583,436</b>	<b>584,062</b>
	Fixed Assets	2,826,684	3,047,243
	Other Assets	314,210	302,465
	<b>Total Assets</b>	<b>\$3,724,330</b>	<b>\$3,933,770</b>
<b>LIABILITIES:</b>	Accounts Payable	326,503	359,037
	Other Current Liabilities	480,837	525,995
	<b>Total Current Liabilities</b>	<b>807,340</b>	<b>885,032</b>
	Long Term Liabilities	2,236,079	2,339,908
	<b>Total Liabilities</b>	<b>\$3,043,419</b>	<b>\$3,224,940</b>
<b>EQUITY:</b>	Preferred Shares	468,000	473,000
	Capital Stock	613,137	571,010
	Retained Earnings	(597,419)	(583,101)
	Undistributed Patronage Dividends Allocated	246,006	246,006
	Net Income	19,187	1,915
	<b>Total Equity</b>	<b>\$680,911</b>	<b>\$708,830</b>
	<b>Total Liabilities &amp; Equity</b>	<b>\$3,724,330</b>	<b>\$3,933,770</b>

## INCOME STATEMENT

		2018	2017
<b>INCOME:</b>	Gross Sales	9,657,079	9,286,576
	Cost of Goods Sold	6,086,229	5,955,513
	<b>Gross Profit Margin</b>	<b>\$3,570,850</b>	<b>\$3,331,063</b>
<b>EXPENSES:</b>	Personnel Expense	2,272,582	2,148,711
	Occupancy	291,839	290,352
	Depreciation	218,796	221,221
	Operating Expense	482,173	423,971
	Administrative	183,634	201,092
	Governance	18,700	27,493
	Promotional	114,985	58,357
	<b>Total Operating Expense</b>	<b>\$3,582,709</b>	<b>\$3,371,198</b>
	Other Income / Expense	51,471	42,051
	Taxes	0	0
	<b>Net Income</b>	<b>\$19,187</b>	<b>\$1,915</b>

# MESSAGE FROM THE BOARD PRESIDENT



**Phil Britton**  
Board President

Welcome to the 2018 Annual Report! Of all the reports the board sees throughout the year, this one is by far my favorite. It's when we get to take a breath, step back, and look at the big picture of what we do. That "we" is important — don't rush past it — because I'm talking about you, too! Everything in this report reflects you, as an owner in this cooperative. Your votes determine your representatives on the Board, who direct the General Manager, who directs the staff, who produce the results you hold in your hands (or see on your screen). By spending your hard-earned dollars at the store, you are the principal funder of all this great work. Well done!

I wanted to highlight a few things from the report. First, it's more than just a "look what we did!" document. Each section corresponds to a Board-prescribed End policy. These are the highest-level policies that guide what our co-op is all about and reflect the will and desires of all of us. The old adage "what gets measured gets managed" is true here, and we've specified these nine broad categories to keep track of our performance. This report is for you, as a cooperative owner, to see how your cooperative has performed relative to these policies throughout the past year.

The statistics that pump me up more than any other are the ones that show our local financial impact. More than \$750,000 was spent on local products in our store! Think about that for a second: we're approaching seven figures of local product sales in our little grocery store in our little city in the middle of the U.P. That's incredible! Also, a full third of the total revenue goes back into the

community. Matt Gougeon often speaks about the "local multiplier" effect, but the point is that our food co-op is a small-but-mighty economic engine whose effects ripple outward throughout our community.

There's so much more to talk about but let me point out one more thing: more than 1,800 people attended cooking classes at the Co-op. That's almost 10 percent of our population and about 20 percent of our cooperative, walking downstairs to learn about preparing food for their tables using the organic, wholesome, and local ingredients that brought us all together in the first place. We call it the "community kitchen" for a reason. Not to mention that 36 of those classes were for children, investing in the generations coming after us.

Above all, reading through this report always produces an overwhelming sense of gratitude. I'm grateful to be able to serve on this board, grateful for the incredible people that I serve alongside, both now and in previous years. I'm grateful for the amazing staff, day after day working to nurture and build and expand our cooperative, and our cooperative movement. And finally, I'm grateful for all of you. Your patronage of, dedication to, and involvement in our cooperative is truly the heartbeat of this community. I can't thank you enough, and I'm excited to see what 2019 brings!

## 2018 Board of Directors



**Cori Ann Noordyk**  
VICE PRESIDENT



**Richard Kochis**  
TREASURER



**Michelle Augustyn**  
SECRETARY



**Kelly Cantway**



**Angie Cherrette**



**Mary Pat Linck**



**Hillary Bush**



# THE MARQUETTE FOOD CO-OP GLOBAL ENDS

The actions of the Marquette Food Co-op provide access to local, organic, and wholesome products, and the benefits of a healthy, diverse, educated, and sustainable community.

These actions shall be guided by:

## **ECONOMIC VITALITY**

MFC successfully uses the cooperative business model, primarily through a retail storefront, as a component of a robust local economy.

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## **FOOD**

The MFC provides access to local, organic, wholesome, and fairly-traded food and products.

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## **OWNER ENGAGEMENT**

MFC maintains connection and relevance to its owners and encourages them to take an active role in order to sustain the cooperative.

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## **MODEL WORKPLACE**

MFC fosters a workplace in which there is a professional culture of mutual support and open communication, while balancing personal and organizational needs.

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## **ENVIRONMENTAL STEWARDSHIP**

MFC strives to conduct its operations in an environmentally conscious manner.

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## **COMMUNITY LEADERSHIP**

MFC takes a collaborative leadership approach to positively impact our community.

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## **EDUCATION & OUTREACH**

MFC maintains connection and relevance to its owners and encourages them to take an active role in order to sustain the cooperative.

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## **LOCAL EMPHASIS**

MFC gives preference to local products and services that align with operational principles.

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## **WELLNESS**

MFC promotes health and wellness in our community through the principles of eating good food, staying connected, being active, and rest.

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**\$9,657,079**

Total Sales Revenue

**973**

Average Customers Per Day

**317,203**

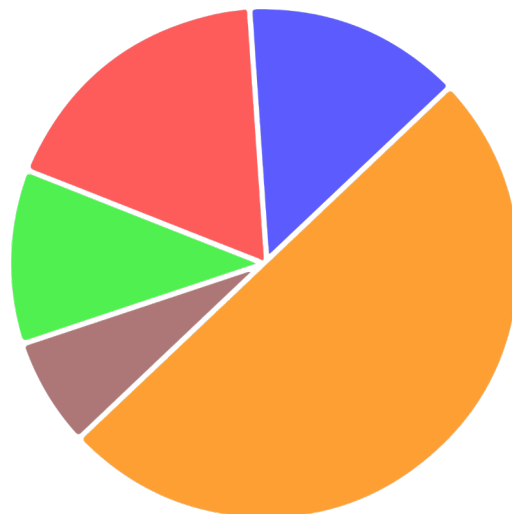
Total Transactions

Average Basket Size



**\$27.52**

**Percentage of Total Store Sales  
by Department**



**Grocery**  
50%

**Produce**  
14%

**Prepared Foods**  
18%

**Wellness**  
11%

**Meat & Seafood**  
7%







DOUBLE UP  
FOOD BUCKS™

**\$12,936**

Vouchers Distributed

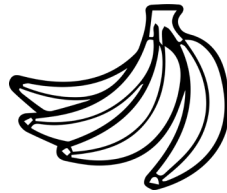
**\$10,997**

Vouchers Redeemed

**85%**

Redemption Rate

*The Marquette Food Co-op is the first and only grocery store in the U.P. to offer the program, increasing access to fresh produce.*



**62,531 lbs**

Bananas Sold

**15**

Store Promotions that  
passed savings on to shoppers

**44**

Sampling Events



## OWNER ENGAGEMENT

5,397

Owners

61

New Owners through  
Owner Referral Program



357

New Owners in 2018

70%

Sales from Co-op Owners

“As a business owner, I am very proud to partner with our local Co-op to offer free yoga to the Marquette community. Rohana and the Marquette Food Co-op share a similar mission; to not only provide a product or a service, but to help those in our community live healthy and fulfilling lives.”

**Be Embley**

Co-owner, Rohana Yoga & Wellness  
Owner for **3 years**

“Local is the most important thing — it’s primarily why we shop here. It’s important to put thought into not just what you’re consuming, but what you’re consuming supports. I think it’s fair to say we’re all here for the politics more than anything else. Healthy dietary choices are a political choice. The Co-op helps promote that notion as an active choice and opens people’s eyes that aren’t as familiar with those products and ideas.”

**Jungwirth Family**

Nora, Nina, Lake, Bryn, Victoria, & John  
Former Employees (3)  
Former Board Members (2)  
Wilderness Herbs (vendor)  
Owners for **30 years**

For the Decolonizing Diet Project (facilitated through NMU’s Center for Native American Studies), we asked that the Co-op offer indigenous food items and label the ones they were already offering, and they happily obliged. In the study, 25 research participants spent one year eating indigenous foods from the Great Lakes Region. We wanted to know if eating indigenous foods would have positive health effects on us both in a biological sense and in a socio/cultural and legal/political sense, and it did. The Co-op was part of that success and went out of its way to assist us. It’s not every day that a business will help a study and have a mutual focus like that.”

**Dr. Martin Reinhardt**

Owner for **2 years**





# 4,428

People receiving our  
online newsletter  
and mid-month update

# \$18,099

Earned in Owner Rewards Program



# 28%

Open Rate for Online Newsletter  
*14.9% is industry average*

# 629

Customer Suggestions

"I really enjoy the MFC's cooking classes – it's a good opportunity to get out of the house, meet new people, try new food, and hear stories from the people who share their recipes. I appreciate the discounted class pricing and owner pricing in the store."

**Chris Gralewski**  
Owner for 1 year

"It's wonderful to see the front end staff interact with my daughter, and for them to know her and truly care about her. She's very shy and takes a while to warm up to people, so it's wonderful to see her have these close relationships and thrive here. She insists on sending our Christmas cards to the employees and always says she wants to make a special trip to "see her friends at the Co-op."

**Laxo Family**  
Jess, Jason, & Nora  
Owners for 4 years

"We love the Co-op. It provides us with locally grown organic produce and other health-promoting products that we can't get from other stores. The ambience is warm and friendly, with happy knowledgeable folks who help us find what we're looking for."

**Patrick St. Germain  
& Maggie MacDevitt**  
Owners for 17 years





74

Employees

78%

Full-Time Staff

77%

Percentage of Management Team promoted from within the store

91%

of staff reported being proud to be employed at the MFC\*

100%

of staff reported that their manager or someone at work cares about them\*

95%

of staff reported having a good working relationship with their immediate manager\*

*\* According to the 2018 Employee Satisfaction Survey, which had a 75% participation rate.*







**63,809**

Bags saved through our  
"Bring Your Own Bag" program



**46,374 lbs**

Material composted and  
diverted from landfills



**147,120 lbs**

Material recycled



**46.6%**

of MFC Sales were organic  
products compared to the  
national average of 5%  
*(2017 NCG Trends Report)*



**\$77,383**

Food donated to the community



**\$5,997**

Local Donations

**\$6,503**

Raised for United Way  
of Marquette County

**\$10,133**

Raised for Schools and  
Youth Organizations through  
our Farm To School  
Fundraising Program



We work with

**20+**

Community Organizations and  
Business on issues relating to health,  
wellness, and local agriculture

**\$987**

Donated to the MFC Community Fund by  
shoppers at the register

*Thank You!*





**4,492**

People Reached through  
Outreach Activities



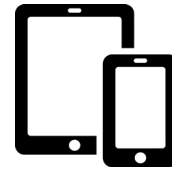
**1,827**

People attended Cooking Classes  
and Demonstrations



**77**

Multi-Course Cooking Classes Held



**11,324**

Followers on Social Media



61

Local Vendors

\$774,150

Total Local Sales In-Store

33.5%

Total Revenue Returned  
or Spent Locally

8.12%

Products carried that meet  
the definition of Local\*

\* Grown, raised, harvested, or produced in the U.P.

U.P.  FOOD  
EXCHANGE  
growing local food systems

\$204,819

Sales Passed through  
UPFE Online Marketplace

\$12,044

Purchased from local vendors  
for Farm to School Fundraising







# 249

Participants in our free Yoga at the Co-op program



# 36

Cooking classes for children

# \$74,763

Therapeutic oil products sold



# 65%

of products are organic

# 9

Wellness Fairs Attended  
by Outreach



# \$34,645

Scrip & Wellness  
Gift Cards Sold



# \$3,464

Donated through the  
Scrip & Wellness  
Gift Card Programs







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Open Daily 8am - 9pm  
Everyone Welcome

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