



## **January 29, 2014 Board Meeting**

Present: Matthew Stanley, Sam Seulean, Allie Evans, Libby Lawrence, Tom Duncan, Norma Hernandez

Late: Beth LaFleur (excused)

Absent: Mark Albrecht

Public present: Robert Jacob (owner and designer of Cannery Pier Hotel), Donna Quinn (Director of Sales and Marketing Cannery Pier Hotel and Spa, Past Board Member), John Huelman (Co-op member/owner), Hilary Herman (prospective Board Member), Brian Mahoney (prospective Board Member)

Introductions of attendees.

Public comment: Robert and Donna from the Cannery Pier Hotel discussed what they've been seeing going on. Robert ("Jake") has been member for many years, used to own the Norblad space, also owns a place in Portland. Very proud of progress of the Co-op over the years. Some have come close to providing local/OG sourced fresh seafood/meats in Astoria. Susan Trabucco came close. He is local and pains him to go to Safeway to try to get fresh local salmon. People have been snooping around Astoria, he knows the limitations of the situations (leases, landlords, etc), but would love to come to the coop to do all his shopping, down to fresh meats and seafoods. Green Zebra, others in Portland have been doing this. In small spaces even. If somebody master leases, and someone can come in and provide the goods, it could be good. Lots of people in town would love to do a one-stop shop. There are limitations but there are opportunities.

Matthew agreed, and allowed that we are moving in that direction but there are difficulties in sourcing and agility of a co-op. We will be figuring out what is that "dream Co-op" and get management, board, and membership aligned to get there.

Tom asked why the local fish stores have failed. Discussion commenced. Jake has talked with many of the local fish purveyors. It's not an easy deal, and hard to make it work. There are many discreditable shoppers, who won't go to box grocery stores. There are hipsters coming into Astoria and setting up shop. Many want a local fresh seafood source. If the opportunity isn't taken, it's going to get taken (ie from not the Co-op unless we take it). Make money selling fish by selling the fish and everything else on "Aisle 3". That's what makes a fish market profitable. He knows space really is limiting. He is willing to help where he can to have the Co-op be the one-stop shop.

Allie added there are shoppers here and the market survey is saying there's market opportunity and it's now. Thank you for the input.

Jake added he's asked at Deep Sea what's in season...and he loves that he gets what is in season and local. Jake and Donna concluded with people **want** to eat healthy and local---keep up the good work.

Allie asked for a motion to approve December minutes. Tom motioned, Libby seconded.

Annual meeting is Saturday, May 4. At Fort George Lovell Showroom, Time TBA. Expected attendance is about 100+.

Brunch Feb 9, with Sara Klein who is designing the new logo. This is an input opportunity. Almost 200 people filled out the on-line survey.

Allie needs to know who is up for re-election. Please let her know. Some people are 2 year, some are 3 year.

Board retreat this Saturday, Feb 1, 9-4 pm at Cannery Pier Hotel. We will have a facilitator.

Audit review: NCGA did in-store audit this past year. Matt just did 6 month follow-up (Jan 22, 2014). Does anything stand out or hone in on, or feedback?

Matthew described his 3 month phone call with NCGA and it was a little disappointing. This 6 month follow up they felt we really got a lot done, esp the human resources items. Some things like lighting isles aren't as important as new coolers. Profitability is important this year. We need to know what we have and haven't done as we go into this next retreat, with Holly McNeil, the strategic planning consultant. Matt's next project is to recreate his job description and evaluation procedures. Matt would like that to be a more robust process. The audit itself was like a big giant evaluation but that won't happen every year. Every job at the coop has a current job description except for his. One of the audit recommendations was to try to get Matt out of operations and more management. Mick as grocery manager has taken over a lot of the operations and doing a great job. The management team has been doing a lot more and reviews. We don't have a front end manager yet. We have 22 employees. Maybe a front end manager in 2015. We have low turn-over and labor budget it pretty high, thus 2015. Manual is pretty big and wage scale is in place. Training the staff on Co-op difference is on the to do place. We're trying to do "owner" vs "member". "Ownership" is more powerful than "membership". No annual fee, it's an equity investment. We're not going to budget for a human resources audit this year. We have a staff manual, let's give this a year.

Libby asked about the literature that implies that delis are hard to make profitable.

Matthew said it's high margin but high labor. if you get flip-flopped, it's bad.

John added it's about customer base. If the numbers are not encouraging to do that venture, look at subleasing or joint venture with a deli service/fish monger like Jake was saying New Seasons does with their seafood.

Hillary asked if we are targeting the same customer base as a Whole Foods or New Seasons.

Matthew added we are targeting really the mid-level consumers, those who shop Co-op as well as other stores. Not necessarily the hard core Co-op shoppers. With the fresh meats, we could get those consumers, which are usually families.

Hillary added it's price comparison for her. Shopping at the Co-op was barely more expensive than Fred Meyer. And the food was much better.

Matthew added that home goods/toiletries are generally a little more expensive at the Co-op but with the Co-op deals, deals can be had.

Regarding how to show differentiation from other grocery stores (Fred Meyers, Safeway, etc) Libby suggested doing a comparison shopping list for the newsletter, for example, a family grocery list. Matthew will be looking at category management and hope to do great on deals, and not look silly on non-deal prices. Beth mentioned that the Co-op is the only one where a person can literally park at the front door.

Allie gave an overview of Zetty's Family Friendly Program. There will be a (family friendly on price and taste) recipe of the month, and hopefully, we will keep it fresh, interesting and exciting. This is part of continuing education. Zetty has found that fresh meats and deli (unavailable at the Co-op) are reasons some shoppers go to Fred Meyer and Costco.

John Huelman added that better food is more nutrient dense. If one eats better food, one doesn't need to eat as much, therefore one spends less money. That's another education point.

Norma agreed and added that still, we are not reaching all of our community. However, younger kids have more information about food supply than many of us did at the same age. It's never too early to talk and education about nutrients.

Matthew mentioned the themes for the upcoming Board Retreat: Education, Issue of Exclusivity, and Intangibles. He encouraged Board to read the Board packet and Audit Report prior to the Retreat.

**Manager's Report** (dated **January 2014**) was next to be discussed. Regarding the health insurance, Co-op accountant says this is a good route for now. There was a discussion of new coolers and configuration. Brian mentioned that the County Food Bank has a USDA certified facility for meat processing. Matthew mentioned that we have looked at the debt to equity ratios in the past and it's looked good. Not all of the new coolers could be financed by equipment loans. Tim Kennedy's work would most likely be cash or store credit.

Tom asked about the member loans. Matthew said we would not utilize those for this cooler project. Perhaps in the future we could look at forming an LLC or similar entity to buy a building or to hold a property or building, but that is in the future. The audit team said prebuying a building is risky, If we had an LLC so the Co-op didn't hold the risk, that would be ideal. It's an idea.

Allie asked, back to the coolers, how would that affect profitability?

Matthew said it is a capital purchase; we are going for margins vs profitability. Meat is a lower margin department, especially at first with very competitive pricing. The deli cooler would cross sell items too. The East side would look more like a grocery store.

Libby made a motion to authorize up to \$50,000 for two coolers and associated condensers (equipment will be 5.99% bank equipment loan) and associated installation costs (cash on hand will be used for anything not covered by bank). Norma seconded, all approved.

Matthew mentioned that we had \$19,000 in 4th quarter owner discounts. That really affects the bottom line. Labor will look high in January because sales are not quite as hoped. The next meeting we will look at 4th quarter numbers.

Norma asked if there have been any new discoveries with the new POS and third lane. Sam said we know now which departments are making money--easier to track actual products instead of having to lump them into general categories. Matthew said it's been really helpful to have the 3rd lane, and Kelly has added cost into it so she has a "living" margin.

Norma mentioned the need for (still) better customer service when it comes to helping customers at check out (bagging, offer to help, etc). Matthew made note of the Board input and will make improvements by March and will role-model a big basket order complete with at 2 tired children in tow, with employees.

To close, Allie reviewed the role of the Board--oversight, outreach, eyes on financials.

Matthew suggested one Board member select a few snack items for Board meetings--this would rotate. Sam reviewed some of the new deli items.

Board Retreat scheduled for February 1 at the Cannery Pier Hotel.

The next meeting date, time and location will be determined.

Meeting adjourned at 8:37 pm.

Respectfully Submitted,

Beth La Fleur