

Best Practices for Membership and Marketing in Food Co-ops

These best practices, initially developed by the CoCoMamas, were presented at the Let's SOAR conference for additions and improvements from the conference participants. While we believe these practices represent the best of what we know today, we expect (and hope) that they will evolve and change through the process of continuous improvement. Please contact CDS Consulting Co-op with your questions or suggestions for improvement. Special thanks to the following three CoCoMamas for their work on these best practices: Rosemary Fifield, Hanover Co-op (Co-op Education); Elizabeth Archerd, Wedge Co-op (Membership Programs: Equity, Benefits, and Administration); Lisa Malmarowski, Outpost Natural Foods (Community Building and Community Relations).

I. Co-op Education

A. **Before joining:** Education upon curiosity for potential members.

1. Primary tools:

- a. One-on-one contact. Customer service throughout the store that demonstrates a welcoming, inclusive atmosphere and accessible staff ready to answer customer concerns and questions.
- b. Well-trained cashiers able to provide enthusiastic, short answers to questions from potential members.
- c. Supportive and committed Front End Manager.
- d. Ongoing reinforcement with cashiers.
- e. Incentives for cashiers or other staff members when new members sign up; recognize them as a group or as individuals.
- f. Signage at strategic points throughout the store identifying that: this is a co-op, anyone can join/be an owner, and the co-op's mission.
- g. Professional-looking materials that explain membership, readily available for potential members to take with them.
- h. Designated display area for membership materials and information, including at checkouts for easy pickup and where they will be most noticeable.

2. A prepared "30-second" answer to membership questions, supplemented with written materials (a flyer or brochure). Alternate 30 second answers:

- a. Communicate the spirit of what it means to join the co-op; convey the message that it's a positive, fun experience and the co-op welcomes new members.

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- b. "We are a consumer owned business. More than half of the people who shop here are owners."
 - c. "It's easy to join, you don't have to be an owner to shop here, but you may want to because"
 - d. "By becoming a member you support local ownership which has great benefits for the community and for you as a shopper."
 - e. Use a 3-prong message: "It only costs 'x,' your investment is refundable, and there are lots of member benefits."
 - f. "Members receive benefits, including case discounts, etc..."
3. A positive initial interaction and/or getting a potential member to take a flyer or application form can constitute success at this stage. Provide information that includes how membership translates into dollar benefits.
 4. Don't try to complete the membership transaction at the cash register. Give the 30 second answers and have written information available. Sell memberships at information/customer service desk.
 5. Be sensitive to the individual you are talking to when discussing the co-op. Gauge receptivity before giving more verbal information. Depending upon their response, ask if they want some information to take instead of going on and on.
 6. Many people need to be asked to join. Many people get tired of being asked. Provide support for cashiers to make the right call and tools for recovery if they annoy a customer.
 7. Have a planned closing comment that ensures that people feel welcome continuing to shop even if they don't buy a membership. Reassure them that you are happy to answer any questions at any time. And they are welcome to shop as long as they want to as a non-member.
 8. Know your audience and when to emphasize what (benefits, ownership, nutrition, community or something else.) What makes someone want to join your co-op? Identify "hot button" opportunities for conversations with members.
 9. Offer a trial membership for a month if the benefits at your co-op allow tangible meaning to membership in that period of time.
 10. Tie member recruitment to other fund drives (as a member you help support this worthy cause)

11. Bring membership materials to all events; color-code applications for tracking purposes.

B. At joining: Explaining rights and responsibilities of membership

1. Provide new members with something tangible and symbolic at the time of joining such as the owner guide, membership card, coupons, or a small gift. Receiving something tangible helps members feel they received something for their investment right away.
2. Provide an owner's guide/new member packet for new members. Include bylaws, financials, ownership information, organizational information, coupons, etc. Make sure new members understand that are receiving a complete packet of everything they will need to know. Suggest that they keep it to refer to later.
3. Provide high quality, good-looking printed materials. The materials may not provide much education because few people will take the time to read them, but prepare them anyway.
4. Be sure owners know how and where they can get answers to their questions.
5. Follow up with a letter or a phone call a week or so after joining to answer questions and help people feel welcome.
6. Hold orientation and encourage attendance. Send a letter or postcard to invite. Give a gift to thank those who come.
7. At orientation, include co-op's history, structure, uniqueness; equity info; nuts and bolts of services; store tours, sampling and how to shop the bulk section; history video if you have one.

C. Ongoing: Building and sustaining interest in co-ops; helping consumers know what it means to jointly own a food co-op

1. Always remember that first and foremost, it should be a great place to shop. No amount of co-op education will make up for uncooperative practices or a poorly run business.
2. Communicate intangible benefits to members. For example:
 - a. Not only are you a member of this cooperative, you are part of a world-wide movement of cooperation.
 - b. Cooperatives keep money, jobs and profits in the local community.
 - c. Joining the co-op is a way to support the mission of the co-op.
 - d. Joining the co-op is a way to strengthen our community.

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- e. Cooperatives are trustworthy because they exist to serve members, not to make money off of them.
- f. Cooperatives promote equity in relationships with farmers, producers, staff, and owners.
- g. Cooperatives provide a sense of belonging and community.
3. Human connection makes people understand why the co-op is different. The co-op difference is more often “felt” than “intellectualized.”
4. Demonstrate and communicate that members can and do influence the co-op. Example: post suggestions and responses.
5. Hold regular member forums with the GM, the store manager, or the Board; post proceedings.
6. Know what it is that differentiates the cooperative from other businesses selling similar products and do it consciously. Articulate the strategy. Know how you plan to deliver that enduring message.
 - a. Be clear and concise about what is unique about the co-op. Be sure you have a plan to deliver it every time someone comes shopping. Create sense of “I belong here” and “the co-op is special compared to other places to shop.”
7. Focus on what the co-op is “for,” not what you are “against.” Avoid the “Are you good enough to shop at the co-op?” messages and the “Don’t buy me” signs.
8. Emphasize the human contact style of continuing education. Consider stocking during the day so that there are people in the aisles to talk to people.
9. Hold owner appreciation days or in-store celebrations at which members get a discount; visible to non-members; rewards members and interests non-members.
10. Run a newsletter series focused on member/ownership, even if repeated year to year (folks will forget they’ve seen it before)

II. Member meetings and voting

- A. Make sure that bylaws and articles are in accordance with state laws and adhere to them.
- B. Be sure that bylaws clearly define a quorum and how to get items on the agenda in order to protect from takeover by a small group.

- C. Provide options for members to vote outside of a meeting in order to assure a quorum and to allow a greater number of members to participate.
- D. Establish procedures to provide appropriate information to all members prior to a vote.
- E. Adequately advertise the meeting using newsletter and postings in store(s).
- F. Have realistic expectations for attendance at annual meetings.
 - 1. Understand co-op's life cycle. During different times in a co-op's life cycle, needs for member involvement and issues for members to focus on change. Set goals and expectations accordingly.
- G. Keep annual meetings fun and varied. Combine meetings with an event to increase attendance and fun.
 - 1. high profile guest speaker
 - 2. award to community member
 - 3. food
 - 4. entertainment
 - 5. prizes
 - 6. a pre-event period for those interested in discussing issues with staff or Board.

III. Member Equity, Benefits, and Administration

We have an opportunity, in the current political and economic climate, to model a high degree of accountability and transparency. It is essential for members to be attached to the cooperative concept. This will be achieved by open, simple explanations of the basics of co-op ownership structure.

A. Member Equity

- 1. Base the equity requirement upon the co-op's equity needs.
 - a. The equity needs of the co-op should be analyzed initially and on an ongoing basis and updated based on the capital needs of the co-op. Since equity needs may increase over time, make sure the equity amount can also be increased over time. Consider not having an equity cap, to allow an increased equity requirement as needed. With fewer and fewer co-op friendly banks, co-ops need to look at becoming a self-financing community. Consider an annual equity contribution with no cap.

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- b. Articles and bylaws should spell out who determines the cost of membership shares, either the board or the membership. (Procedural note regarding equity issues: Articles and bylaws need to be amendable without an overbearing process. If your state doesn't have a good co-op law, incorporate in a state with more favorable statutes.)
 - c. Develop a long-term capital plan to integrate with the patronage refund system. Develop a growth goal for a capital reserve fund, to be met either through interest or a combination of interest and retained earnings - i.e. non-cash portion of patronage refund. Use this goal to develop a formula for determining the cash distribution portion of patronage refunds.
 - d. Co-ops must repurchase equity (shares purchased upon joining, *not* non-cash equity from patronage refunds) when members leave the co-op, so have a plan in place to raise replacement capital. Board should regularly monitor or approve (in accordance with bylaws and incorporating statutes) new members and equity repurchases to monitor balance between new capital and exiting capital. Co-op bylaws should provide the option to control repurchase of shares by requiring replacement capital (new members) in at least equal balance with capital being withdrawn.
 - e. Abandoned equity: be familiar with escheatment laws in your state and have a plan to address abandoned equity.
 - f. Develop a communication plan to explain the capital needs. ("Our needs are..." To meet your needs as members we must...") Use a newsletter column regularly to educate the membership and plan a sustained presentation to members about how ownership makes the co-op stronger. Equate equity with ownership in all communications.
 - g. Communicate investment in the co-op as each member's fair share of the co-op's capital needs. Develop language and documentation for explaining equity. Any of the following terms may be applied, but once chosen, use consistently in all communications such as: investment share; capital certificate; fair share; stock certificate; share certificate; share purchase requirement; member share requirement. Communication examples:
 - i. The business has these equity needs and this is your share.
 - ii. What is each member/owner's fair share of the co-op's equity needs?
 - iii. Members are the lifeblood of the co-op. Equity is the lifeblood of the business. The co-op won't be successful without attending to the needs of the business!
2. NEVER ever use the term "lifetime" member.
 3. Don't use the word "fee" or "annual fee" to describe equity. Staff needs to be effectively educated on equity issues and be provided with the wording to use.

- a. Have options for to accommodate lower income members. Find the balance between raising equity and making membership accessible to low-income persons.
 - i. Use patronage refunds to build equity.
 - ii. Create an equity fund for low-income members.
 - iii. Payment plans vs. payment in full. Don't require proof of income to go on payment plan.
4. Multiple tiers or classes of memberships can complicate communication of co-op ownership, lead to a perception of "unfairness" and contribute to a perception that the co-op has social engineering goals. A single type of ownership emphasizes that co-ops are about equity and meeting member needs. Each membership has the same value (share cost) and the same rights (one vote). For co-ops that use the patronage refund system, courtesy cards can be issued for other people in the household so that their purchases can be included in the patronage refund calculation.

B. Member-Owner Benefits

Best practices are benefits that members love *and* are financially sustainable - i.e. member-owners, by being member-owners, extend sustainability to their co-op. Such benefits measure favorably when compared to the cooperative principles and the co-op's mission. To promote the second bottom line, benefits should deliver both value and intangible rewards. Examine why people become members. Benefits should emphasize our values: lots of member specials on local products, organic, sustainably produced, and fair trade products.

Joining increases people's interest in shopping. The average sale per member is higher than the average sale per non-member. There is a cost associated with new members - customers in transition to becoming members may initially require a high degree of attention, but as they become informed and confident, and thus feel more competent at the co-op, they can become the most loyal member-owners.

Co-ops actually are what profit-driven stores work at seeming to be! Genuine connections and community values are the basis of the cooperative way of doing business. Develop a consistent level of service and a store environment that sends shoppers out looking forward to their next visit.

1. Member benefits should be sustainable even if 100% of sales are to members. Make them simple, easy to explain, and fiscally responsible.
2. Member benefits should not cost the co-op so much that they become a disincentive to promote membership.

3. Tangible member benefits are necessary. There are two types:
 - a. Benefits related to amount of purchase: the more you buy the greater the benefit (patronage refunds).
 - b. Other tangible benefits which might include: member specials, a newsletter, special order discounts, member coupons, case lots, special owner appreciation benefits, the store itself and more! Community partners programs are a tangible benefit but primarily "feel good" - they may not be used much, but people like them. This can be important in creating a sense of community within a large city, for example. Tangible benefits do not need to involve financial sacrifice from the co-op: a grocery delivery program for seniors and the disabled can be implemented instead of offering a discount, for example.
4. Intangible benefits are also important to members. Think of and emphasize the long-term relationship with member-owners and the larger community.
5. Transitions: When making a structural change, such as from discounts to a patronage refund system, do it all at once: (Gradual change is like having a root canal in one millimeter increments over the course of many months so it "won't hurt" as much!) Allow for a transition period - example, Wedge Co-op took a year to survey and discuss changes in member benefit plan - but implemented all at once after decisions were made.
6. Patronage refund systems are superior to discount systems for long term sustainability. It allows the co-op to retain tax-sheltered profit as needed rather than giving all that money out at registers, allowing the co-op to build a capital reserve fund.
7. Send patronage refund checks out near a holiday (especially December) or April 15! This is outstanding PR.
8. Recruit new member-owners throughout the year, not only at annual or semi-annual membership drives. There should be a continuous emphasis on membership by staff (a low-key membership "stroll") as well as "pull out all the stops" drives. Premiums for new members are not recommended, but if given they should be a small "thank-you" gift rather than an incentive to join temporarily (and not fulfill the equity requirement later).
9. A surcharge to non-members at the register is not recommended as a best practice because it may turn away shoppers (who are potential members). In addition, a surcharge can be confusing and make it harder to explain ownership. People may think they have to join our co-op to shop and won't understand the difference between a co-op and a "club."

C. Data and information needs

1. Member records are the official record of corporate ownership, not just anonymous data entry. Allocate adequate resources to develop and maintain this system: labor, computer, software and support, desk space.
2. Be sure that member database and entry forms have
 - a. Room for all communication venues (address, phone, cell phone, e-mail)
 - b. Room for a credit card number for automatic payments on a schedule, if used.
 - c. Record of equity payments – amount/date; next due date (if not paid in full).
 - d. Ability to generate list in alphabetical OR member number OR order by whatever information you want
 - e. Ability to import data, updated nightly, from registers and look up past purchases by date or year-to-date
 - f. Past FY purchase record
 - g. Record by fiscal year of patronage refund distribution (Both cash paid out and equity stock)
 - h. Place on each member screen to note any communications from/with member about the membership.
 - i. Appropriate means of tracking business memberships (Check bylaws, state laws - there are accounting requirements for business members - W9, possible 1099 forms)
3. Have a read-only access computer on the sales floor (customer service). POS system flags for stock payment due, address update needed, etc.
4. Have a plan (forms and/or procedures) to handle death, divorce, and otherwise separating households.

IV. Community Building and Community Relations

A. Community building events

1. People are more likely to come to events than meetings. Have community events to build interest in the co-op, attract future members and support your co-op's mission.
2. Know your broader community, its needs and preferences and target community events to these interests.

3. Use a variety of tools to help increase your understanding of local community like:
 - a. chamber of commerce
 - b. neighborhood groups
 - c. help/support groups (allergy support, vegetarian groups, etc.)
 - d. identify the connectors and advocates in your own co-op
 - e. surveys
 - f. demographic studies
 - g. stakeholders meetings & focus groups
 - h. suggestion box
 - i. employee surveys
4. Trust your crazy ideas and keep it fun.

B. Customer/Member Input

1. Provide opportunities for members and customers to provide their opinions – survey, focus groups, suggestions, stakeholder conference, web site, etc.
2. When using suggestion boxes, develop a plan for answering feedback and do what you say you will. Ideas for developing a plan:
 - a. Handle each suggestion individually giving personal attention
 - b. Encourage the practice of having customers sign their comments by posting only those that are signed
 - c. Choose someone to manage the responses.
 - d. Create a system of accountability for staff who give responses; make sure they follow through in a timely manner.
 - e. If responses are posted, be sure to cast in a positive and informative light. Don't make the commentator look bad
3. Create a culture of welcoming input and suggestions. Visible comment responses can assist in creating an open culture
4. If you print or post suggestions, use both positive and negative suggestions.

5. Appreciate Diversity. Develop a strategy for seeking out, hearing and responding to diverse opinions. Ideas for seeking diverse opinions:
 - a. Use small surveys at the registers on a regular basis (simple to fill out)
 - b. GM and/or BOD offers open office hours to answer questions and hear comments
 - c. Host dinner with the BOD and/or GM for an appropriate number of members who are randomly selected and not known by co-op personnel (casual focus group)
 - d. Host a *series* of Member Forums
6. When hot topics arise or are anticipated at a membership meeting or other meeting, solicit outside facilitation help.

C. Community Donations and Support

1. Develop a donation program tied to the co-op's mission. Define your purpose in having a donations program.
2. Have a complete and clear program including goals, policy, budget, decision- making process, reporting and assessment
3. Coordinate giving activities for greatest impact in community and value to the co-op. People respond to local issues and concerns.
4. Make sure the work the co-op does in community building and community support is visible by using different vehicles to promote and talk about your donation programs - newsletter, press releases, annual report, in-store info and tables, signage, etc.
5. Routinely assess your programs
6. Go for the greatest good
7. Be consistent (clear policies help this)
8. Solicit donations from vendors for charitable events (and remember to recognize them!)
9. Get creative and consider many ideas for donations:
 - a. Donate private label products (like water) to athletic events
 - b. Donate gift certificates or vouchers
 - c. Choose a percentage of sales that gets donated to a selected organization each month

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- d. Offer customers the option of 'rounding up' their purchase amount at registers
- e. Conduct drives for food pantries
- f. Hold events for donations (like picnics, etc...)
- g. Sell lawn signs
- h. Put a change jar at registers - money collected goes to selected charity
- i. Offer option to customers to donate their reuse bag monies to your donation program
- j. Offer 'free' ad space in co-op newsletter for local charitable events and programs

D. Event Planning and Execution

1. Create an 'eventful' atmosphere where things are always happening
2. Consider events outside the store (at other venues) that will funnel new customers into your co-op
3. Survey event participants to improve future events
4. Develop/use budget for events
5. Create a communication plan for the event that utilizes a variety of sources like:
 - a. press releases
 - b. inviting the media to attend
 - c. media (radio, print, tv, etc.)
 - d. newsletter
 - e. posters (in and out of store)
 - f. E-mail announcements
 - g. Mailings to churches and bars
 - h. Free calendar listings
 - i. Op Ed column in local paper
6. Keep detailed notes and records for future event planning

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7. Offer food at all applicable events, but offer familiar foods when venturing outside your usual realm of shoppers
8. Seek outside financial sponsorship for big events. Consider charging for events (where applicable) to create value.
9. Piggyback on other events (co-sponsorships or participation) or partner with others but make sure that any event you consider sponsoring or linking to matches the vision and values of your organization
10. Establish clear goals for event or sponsorship and know your audience
11. Get creative when considering event and sponsorship possibilities:
 - a. Host a music fest (local talent)
 - b. Earth Day events
 - c. Halloween party - pumpkin carving contest
 - d. Participate in local farmer's market
 - e. Partner with other types of co-ops (like credit unions)
 - f. Host a Soup Supper where participants purchase locally made artisan bowls and the co-op fills them
 - g. Install a Peace Pole for the holidays
 - h. Sponsor local alternative theater
 - i. Sponsor athletic events (bike or walk-a-thons)
 - j. Sponsor local neighborhood events
 - k. Truckload sales
 - l. Showcase local products and vendors
 - m. Sponsor ethnic festivals
 - n. Focus on a select food . Athena Festival (olive oil), Mexican theme
 - o. Host a Slow Food movement event
 - p. Focus on pets (dog wash, etc.)
 - q. Partner with public radio or TV on their event
12. Conduct an after event review with key personnel to evaluate event
13. Question the status quo. Don't do an event just because you always have. Keep evaluating

E. PR & Advertising

1. Establish your co-op as the local experts. Example - Develop a relationship with an area hospital
 - a. Send food trays on the holidays
 - b. Send informational brochures
 - c. Participate in health fairs
 - d. Create a connection with their nutrition dept.
 - e. Have store nutritionist develop a relationship with hospital
 - f. Create short presentation for their professional meetings
 - g. Coupons for their employees to use in your store
2. Develop relationships with area educational efforts (university extensions, area schools, etc.)
3. Plan an ad campaign that educates and informs (rather than using price ads)
4. To save costs, contact area colleges for marketing help (interns, ad design, etc.)
5. Advertise more during busy times and around events
6. Create press releases for all events and donations
7. Create press releases that offer a story line idea
8. Connect with area businesses that overlap the co-ops visions