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Managing Co-op Financials During and After the Coronavirus Pandemic



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Brittany Baird -- *Improving Operational and Financial Outcomes*

Don Moffitt -- *Applying Financial Feasibility Analysis Tools to Post-Pandemic Planning*

Ben Sandel -- *Exploring the Viability of Raising Capital During the Pandemic*

Brian McDermott -- *Facilitator*

*A panel presentation and discussion to help co-op leaders think innovatively
about managing finances during and after the Covid-19 pandemic*

This document summarizes highlights from the webinar presented May 8, 2020. You can also find a link to the recording of the session on the Columinate website:

<https://columinate.coop/managing-co-op-financials-during-and-after-a-pandemic/>

You are encouraged to contact the presenters if you would like more information:

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Brittany Baird – Improving Operational and Financial Outcomes

- Plans are built from assumptions about what we believe to be true, but there is so much we don't know about what is coming next – especially about how the shifts in our environment and consumer habits will impact operations and financial plans.
- Most co-ops manage their labor-to-sales budgets weekly, and deep dive into other metrics monthly. Conditions are changing so rapidly it is important to track beyond monthly or weekly labor and sales trends, perhaps monitoring sales and labor expenses daily.
- One the most important things to do: conserve cash. Preserve margin-minus-labor, and position for what comes next.
- To do that: make data your friend.
- We can't wait for things to bounce back to "normal" and base future assumptions off the past.
- Collect data. Be your own detective to track how trends are shifting in your communities.

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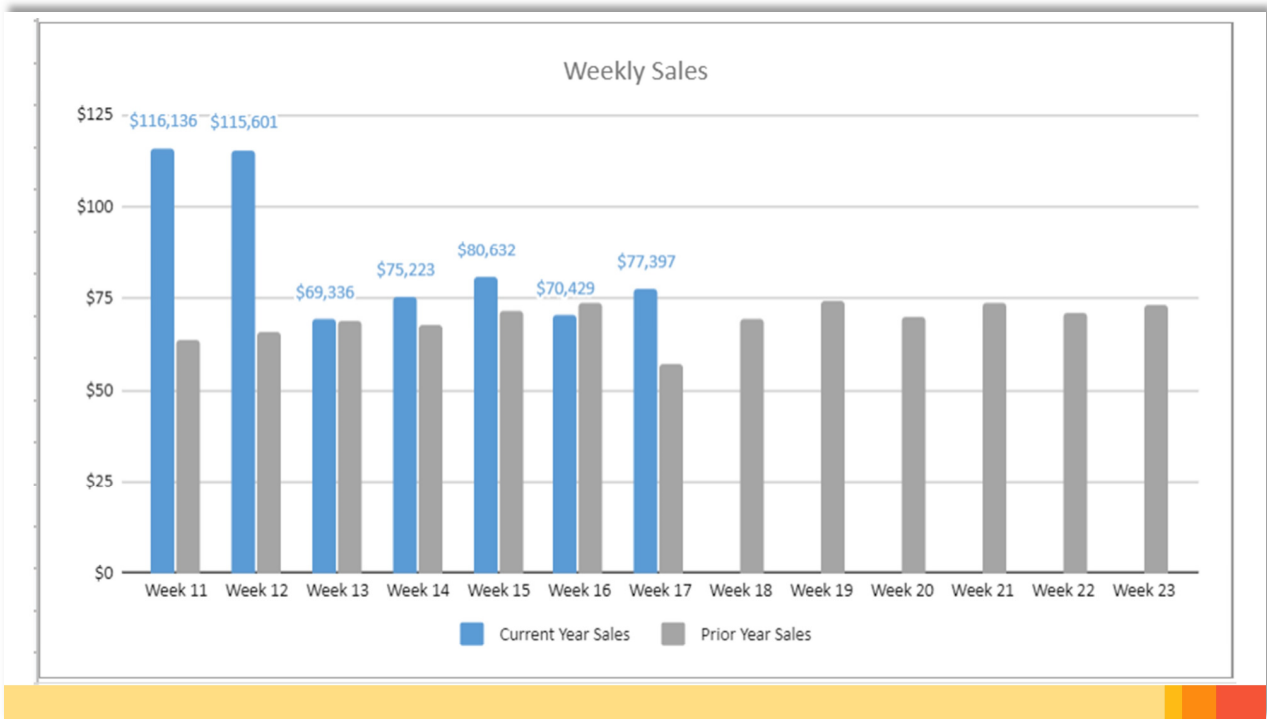
Brittany Baird

*Improving
Operational and
Financial Outcomes*

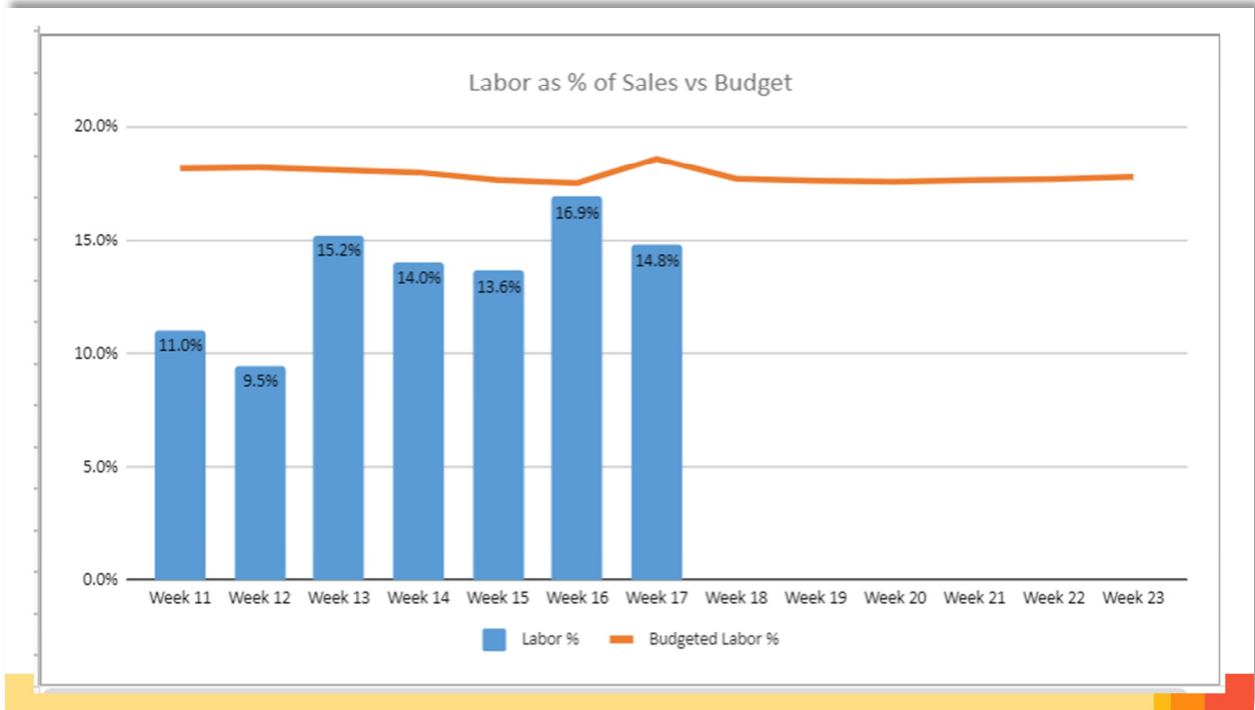
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- **Increase | Deepen Tracking**
 - Sales and Labor
 - Customer Count
 - Basket Size
- **Stay Ready**
- **Use your data**

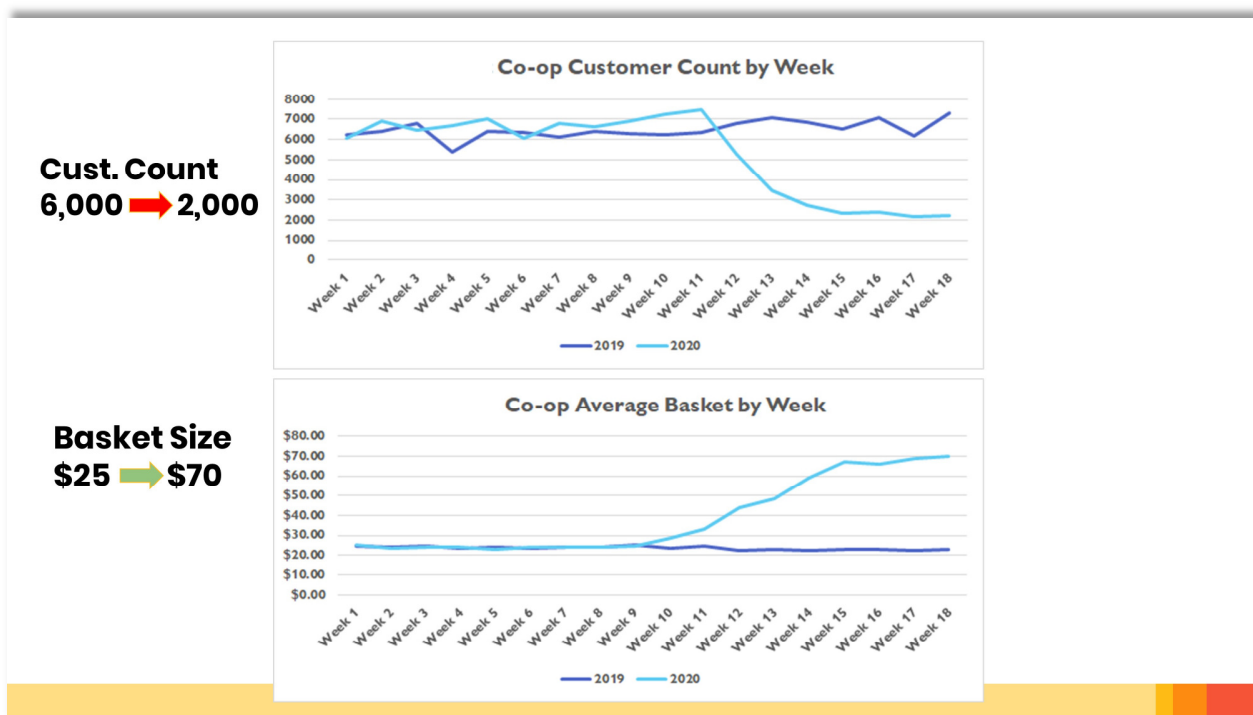
- The first chart is an example of weekly year-over-year sales comparisons. Weeks 11 and 12 are the second and third weeks of March when the biggest Covid boom hit.
- Notice sales begin to slow for this co-op in weeks 13 and 14, and at week 16 sales begin to drop below the previous year.
- Action Idea: Set up a similar data-rich chart to find trend lines.



- The next chart shows the same co-op tracking labor-to-sales ratios trends.
- The data illustrate the co-op has been performing significantly below previously established labor budgets.



- Week 16 numbers highlight where performance began to fall behind the previous year; labor remains low.
 - Co-ops are being forced into efficiency. There is pain, but there are lessons to learn about how to operate clean and lean to help be positioned for better profit margins in the future.
 - The pandemic may cause us to revolutionize labor efficiency.
 - Action Idea: Question if there are ways to change models and assumptions to be more profitable and sustainable in the future.
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- The next chart looks at this co-op's customer count and average basket size.
 - At week 11, weekly customer count takes a nosedive.



- Weekly transactions drop from 6,000 down to just about 2,000.
- Around that same mark, basket size sharply rises – nearly tripling from \$25 up to \$70.
- These data can help answer questions such as:
 - How do we know when to open back up our prepared foods department?
 - How do we know when to extend our hours and open up the day of the week we've been closed?
- As basket size falls and customer count rises, people are coming in more often for smaller shops. If big baskets are the new normal the loyalty of a single customer just became twice or three times more important and maybe that shows up in our strategic marketing.
- Trends suggest a need to focus on being one-stop-shop and maintaining shopper loyalty.

- This chart is an example of daily sales tracking to illustrate how the shifts in operation impacted day-to-day performance.

2019	Day	2019 Sales	2020 Sales	2020	% growth over prior year	Of note	UN
3/13/19	Thursday	\$8,876	\$19,605	3/12/20	120.88%		
3/14/19	Friday	\$10,637	\$27,016	3/13/20	153.98%	Last regular UNFI delivery	
3/15/19	Saturday	\$8,824	\$24,842	3/14/20	181.54%		
3/16/19	Sunday	\$10,276	\$18,448	3/15/20	79.53%	Last day salad bar and hot bar	
3/17/19	Monday	\$11,692	\$24,853	3/16/20	112.56%	Schools close	
3/18/19	Tuesday	\$10,143	\$16,923	3/17/20	66.84%	First local case announced	
3/19/19	Wednesday	\$9,020	\$14,552	3/18/20	61.33%	Reduced hours to 9am - 8pm with 8-9am Golden Hour	
3/20/19	Thursday	\$10,143	\$12,096	3/19/20	19.25%		
3/21/19	Friday	\$8,696	\$18,260	3/20/20	109.98%	UNFI delivery delayed until Saturday	
3/22/19	Saturday	\$8,466	\$10,811	3/21/20	27.70%	Began daily 1-2pm closure for stocking / sanitizing.	
3/23/19	Sunday	\$10,026	\$9,226	3/22/20	-7.97%		
3/24/19	Monday	\$11,095	\$9,977	3/23/20	-10.07%	UNFI order arrives reduced by \$5k. No dairy items.	
3/25/19	Tuesday	\$10,788	\$8,249	3/24/20	-23.54%		
3/26/19	Wednesday	\$9,433	\$11,151	3/25/20	18.21%		
3/27/19	Thursday	\$7,819	\$10,927	3/26/20	39.75%		
3/28/19	Friday	\$8,783	\$11,973	3/27/20	36.32%		
3/29/19	Saturday	\$11,059	\$8,465	3/28/20	-23.45%		
3/30/19	Sunday	\$10,316	\$9,780	3/29/20	-5.20%		
3/31/19	Monday	\$11,962	\$9,780	3/30/20	-18.25%		
4/1/19	Tuesday	\$9,025	\$8,212	3/31/20	-9.01%		

- The goal is to make sense of the trends – to answer questions such as:
 - Should they still staff as if Sunday is the biggest day of the week?
 - Did shortening the hours kill their sales?
 - Was last week’s slump due to a missed UNFI order or something else?
- When we build out our data tracking tools, we build ourselves resources to use in data-based decision making.
- Being able to identify and anticipate trends provides advantages for financial stability and long-term financial security.
- Action Idea: Stay informed. Watch your data. Be ready to pivot operationally with the trends.

Don Moffitt – Applying Financial Feasibility Analysis Tools to Post-Pandemic Planning

- What we once took for granted with regards to financial planning isn’t true anymore.
- Historical results—older than a day—aren’t really relevant.

- **What to Do:** It's critical to keep planning, to ensure that your co-op is going to have enough cash to get through any changes that are within reason.



Don Moffitt

Applying Financial Feasibility Analysis Tools to Post-Pandemic Planning

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‘Pandemic Pro formas’

- No Change:
Debts and Leases
- Big Change:
Sales and Personnel Expense
- Probable Change:
Prepared Foods Gross Margins
- **Action:**
Budget with Variable Assumptions

- **Things that Will Not Change with Regards to Effective Financial Planning:**
 - Debt obligations. You're still going to have make loan payments. Account for that.
 - Lease obligations. Unless you've worked out something with your landlord you're going to need to be able to make your lease payments.
 - Many operating expenses. Credit card expense and supply expense (as a percentage of sales) isn't going to change a whole lot quickly. That makes planning a little easier.
- **Things to Be Big Changes with Regards to Effective Financial Planning:**
 - Transaction counts and basket size
 - Sales.
 - Personnel expense as percentage of sales and as true dollars.
- **Things Probable to Change with Regards to Effective Financial Planning:**
 - Prepared Foods Gross Margins due to changes in product sales.
- **Budget with the Changes in Mind**
 - Prior to the pandemic one budget was adequate—the one with the most reasonably expected sales, gross margins and labor costs.
 - Now several budgets are recommended, each with a different assumption for the big variables. Ask, “What If?” For example, budget for your expected sales, but “what if they are 15% less? Or 15% more?” What if bulk sales don't recover? What if customers aren't comfortable with shared implements on a salad bar?

- Instead of one budget, consider multiple scenarios. It will be a hassle, but developing up to five different budgets may be needed to be sure a co-op comes through the pandemic financially sound.

Ben Sandel – Exploring the Feasibility of Raising Capital During a Pandemic

Ben Sandel

Exploring the Viability of Raising Capital During the Pandemic

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Raising the Stakes

- **It can make sense to reinvest in tough times**
- **You can make a credible case for raising capital now**
- **Good people want to invest in good ventures**
- **Co-ops can be the change**

- It may seem counterintuitive, but this could be a good time to raise capital to reinvest in co-ops. There is money and there is interest in supporting the good work.
- The process of raising capital is changing. Cannot do in-person events, but funds can be raised “without shaking anyone’s hand.”
- Due diligence, as always, is required to make a credible case. Carefully assess the cost benefits.
- Look for real estate deals and contractors who are available for projects at reasonable rates.
- Co-ops have a history and a need to continually reinvest to serve customers better and sustain their good work. Consider: Will a new vision for the hot bar be needed? Are investments in IT needed to support online ordering and curbside pick-up? What other changes and improvements will be needed to remain competitive and financially viable?
- Action Idea: Focus on keeping core operations strong to survive, but evaluate if this may be a good time to implement long-awaited plans or move ahead with needed improvements.
- Action Idea: Highlight cooperatives as viable, human-centered alternatives to our broken systems in reaction and contrast to the inequities, injustice, and corruption being exposed by the pandemic. Co-ops are functional institutions that can serve universal needs and help transform society.

ADDITIONAL RESOURCES:

View the recording of **Managing Co-op Finances During and After the Coronavirus Pandemic** [here](#).

See Also:

Financial Planning During a Pandemic, an article by Rachel Krause on the Columinate website: <https://columinate.coop/financial-planning-during-a-pandemic/>

See Also:

Financial Training for Directors: A 4-part webinar series August 5,12,19,26, 2020 with Brittany Baird & Leslie Watson

This session will help directors better understand their role in financial oversight and evaluating risk and build their confidence in doing that work well, regardless of their experience in business finance. We will explore the different dimensions of financial health, including how to look for both strengths and weaknesses. Topics include:

- Seeing the story in your co-op's financial statements
- Evaluating financial performance in context
- Setting expectations for financial performance that hit the "sweet spot" with the right mix of information, analysis, and addressing non-compliance or underperformance
- Understanding the importance of budgeting and planning
- Knowing how to ask great questions

Sessions will include a mix of instruction and interactive learning. Attendees who complete all four sessions will receive a certificate of completion.

For more info: https://columinate.coop/upcoming_events/financial-training-for-directors-q3/