



08/14/2023

To: Riverwest Co-op Board  
Riverwest Co-op Management Team

From: Wynston Estis, Columinate Cooperative

Thank you for giving me an opportunity to work directly with your staff and to see your Co-op in action, it's clearly a loved and valued service in the Riverwest neighborhood.

My first impression is that its location at the corner of Clarke and Fratney makes it a prominent building in an area that has plenty of parking for shoppers on all the adjacent side streets. However, the store is not as visible to the street as I would like for a grocery and café. I recommend refreshing the blade sign above the door to elevate its presence as a market on that corner. Adding seating on the sidewalk could help passersby identify the building as a store with ready to eat and drink offerings when seasonally possible.

Once I entered the store Sunday afternoon, about three p.m., it was bustling but easy to navigate which was a surprise given how small it is. Produce is nicely arranged and is one of the first offerings you see upon entering, which is excellent. The packaged goods layout is clean, the aisles are clear of merchandise which makes seeing the goods you have relatively simple, and staff were friendly and welcoming. The deli is accessible but not well signed; this can easily be improved in your tight space with some creative signage.

The Coordinators and staff have worked hard to improve the service to the community since the pandemic's impact on operations caused tremendous disruption and costs to the co-op. The Coordinators have embraced managing with greatly reduced volunteer labor support, increased workloads and responsibility for front line duties, as well as increased stress of operating at a loss for the last several years. The loss from operations has declined from Fiscal Year 2020 \_4 quarters (-\$122,362.00) to FY 2023 Year to Date\_ 2 quarters (-\$35,476.00).

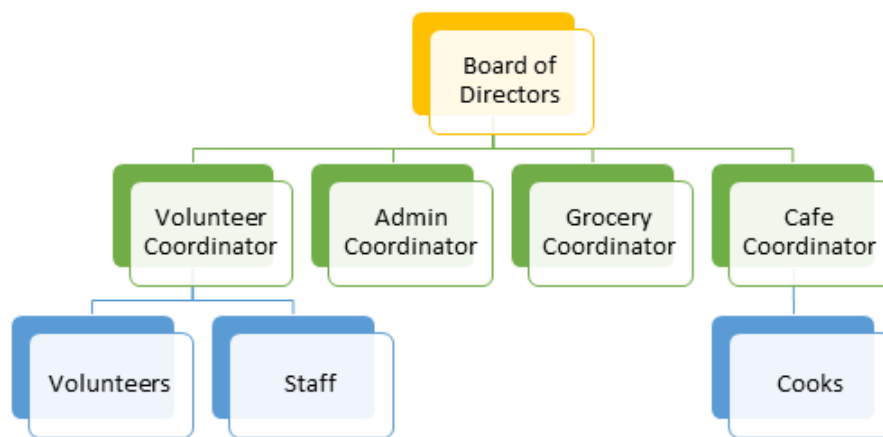
## Key Areas of Focus

The focus on labor efficiency and disciplined purchasing decisions needs to continue for the foreseeable future. In addition, the Co-op needs to:

- Continue to participate in neighborhood events to improve its presence in the community as an easy, accessible shopping option to supplement one’s pantry and to find unique vegetarian and vegan goods.
- Clarify Coordinator roles and responsibilities.
- Improve Financial tracking and reporting by departments and category.
- Convert from mark-up to margin application pricing systems.
- Evaluate and reduce poor selling products to focus offerings on basic and specialty options.
- Prioritize additional services based on increasing customer count, basket ring, and sales.

## Management Structure

*Riverwest Cooperative Org August 2023*



### Staff Job duties

<b>Admin Coordinator</b>	<b>Café Coordinator</b>	<b>Grocery Coordinator</b>	<b>Volunteer Coordinator</b>
Bookkeeping	Plan menu	Stock Produce and Grocery	Promote Volunteer opportunities
Payroll	Schedule & supervise Cafe staff	Order Produce and Grocery	On board new Volunteers
Daily Deposits & sales reconciliation	Replenish Inventory	Replenish Inventory	Schedule and supervise Volunteers
Prepare Sales reports			
Collate monthly inventory	Participate in monthly inventory	Participate in monthly inventory	Participate in monthly inventory
Coordinator meeting minutes	Participate in Coordinator meetings	Participate in Coordinator meetings	Plan Coordinator meetings
On board new staff	Register coverage	Register coverage	Register coverage
Prepare BoD reports monthly	Prepare BoD reports monthly	Prepare BoD reports monthly	Prepare BoD reports monthly
Plan and lead staff meetings	Plan and lead staff meetings	Plan and lead staff meetings	Plan and lead staff meetings

Job Duties that are not clear

<b>Service</b>	<b>HR</b>	<b>Operations</b>	<b>Miscellaneous</b>
Customer Service standards	Staff hiring standards	Financial performance standards	POS updates/ oversight
Produce quality standards	Staff supervision	Equipment purchase/ repair	
Café quality standards	Coordinator accountability	Expense approval	

During my visit to the Co-op I observed a great deal of collaboration between the Coordinators to support the daily operations. Good communication is so important in all businesses but especially in a business with tight cash and limited personnel to achieve all that needs to be done in a day. The Co-op’s team is truly supportive and respectful of one another.

An area I noted for improvement by the staff is to focus on the customer equally as much as on the task you are working on. Most of the Coordinators tasks (ordering, stocking, reviewing credits, etc.) take place on the retail floor in full view of customers. Acknowledging customers, asking if they need help finding things, and assisting them at the register all need to be as big a priority as other day-to-day responsibilities. Every customer that comes in the door is a big deal for the business; hopefully with the right attention from staff that person has a great experience they want to tell others about. Each interaction is an opportunity to make the customer an advocate for the Co-op.

My other recommendation for attention is the actual overlap and lack of clarity in coordinators’ roles. I realize that Shannon, the Café Coordinator, is filling both the Café and the Grocery Sales Coordinator roles but now that Mimi has had several months of training and is now performing the role of Grocery Product Coordinator I believe it’s time to remove the overlap and make each Coordinator responsible for specific departments of the Co-op. I expect several things to improve by making each individual the sole responsible party for their categories:

- Consistency in product availability.
- Improvement in produce care and quality standards and training for all staff and volunteers.
- Improved efficiency in purchasing activities.
- Reduction in food waste.
- Increase in gross margin performance.

The other area of responsibility that is unclear is staff supervision. While each coordinator needs to have the authority to direct staff, when there’s a serious performance or conduct issue with staff, the issue needs to be addressed quickly, fairly and consistently. I understand there is a part time HR specialist that can assist in documenting and reviewing corrective actions with supervisors and staff, but there needs to be consistent presence in the Co-op that moves performance and conduct concerns along towards resolution more quickly. The part-time HR specialist is likely not available frequently enough to head off problems as well as the

Coordinators. While the HR specialist can be a great support to the Coordinator who is responsible for addressing HR issues, there needs to be a single person to be in charge of day to day staff accountability. It seems to me that Wendy is largely responsible for discussing issues with staff already and it should be formalized that she is the coordinator that formally reviews performance with staff. The remaining coordinators are still authorized to give direction, set department and customer care standards, train and coach staff but when disciplinary issues arise the coordinators would take their concerns to the Volunteer coordinator for formal action with staff.

Additionally, I believe both Juniper and Wendy work with the POS system, CoPOS, routinely for sales reporting while Shannon and Mimi work with it to enter their pricing information but it's not clear by the job descriptions who is responsible for the systems maintenance and over sight. Given that this is a mission critical system, someone should be primarily responsible for the data integrity, software updates and system security. Juniper has been training with Wendy to get up to speed on CoPOS and appears to have some capacity to take on this responsibility.

Clarified Job duties

<b>Admin Coordinator</b>	<b>Café( Fresh) Coordinator</b>	<b>Grocery Coordinator</b>	<b>Volunteer Coordinator</b>
POS Oversight	Café- full oversight	Grocery- full oversight	HR- staff performance
	Produce- full oversight	Consignment-full oversight	

### Margin Performance

Year to date through June, margin performance is around 68% for the Café and 21% for the store for a blended margin of about 28%. If the store had produced 35% margin, standard for an operation of your maturity, the Co-op would have \$64,000 additional gross profit to put on your bottom line. In order to improve margin performance overall, it's paramount to find which department(s) are struggling to make margin so you can become financially sustainable again.

The Co-op's register system can create reports by department, but on the accounting side sales and cost of goods are in two large profit centers of Café and Store. We need to be able to drill down to see where the margin issue is since each department has different management challenges.

It would be very helpful if the Co-op's chart of accounts could be revised to include sales, cost of goods, and inventory for the following departments and categories.

Department	Category		Department	Category
Grocery	Bulk		Wellness	Health and Beauty
Grocery	Dairy		Wellness	Supplements
Grocery	Refrigerated (perishibles)		Wellness	General Merchandise/Sundries
Grocery	Frozen			
Grocery	Grocery Packaged		Deli	Prepared Foods
Grocery	Taxable grocery		Deli	Beverages
Grocery	Household/Pet		Deli	Bakery
Produce	Produce		Admin	Admin

Once we have more detailed reporting we will be able to narrow down what issues are driving poor margin performance.

Before my site visit I was concerned that theft was a significant contributor to the low gross margin. However, once I visited the store my focus turned to handling and merchandising issues. While the produce department had beautiful table ready stone fruit, it also featured moldy summer squash and cabbage that needed to be culled badly. In my few days with the staff I saw the items that were set aside for 50% off reduced sale go from over ripe to rotten without ever being touched by either staff or volunteers assigned to the department.

Produce has to be stored at proper temperatures and moisture to last long enough to sell at the Co-op. It also needs to sell within 3-5 days on the fresh side and within a week for roots, tubers, and storage crops such as apples, potatoes, etc in order to be fresh to the customer. Given the Co-op's volume of sales, most items are not going to sell that quickly so developing storage and handling methods for maintaining great quality on the aisle has to be prioritized.

Without accurate, detailed reporting, we can't assess how many days produce is in inventory and therefore it's more challenging to determine the best methods to keep great quality on the aisle.

Great quality is more important to customers than a wide variety. I recommend reducing selection of items as a way to focus purchases across fewer items. Apples, for instance, might reduce to 2 varieties verses 4 to improve sales of each 30lb case of apples. That would mean you would need to sell 60 pounds during your sales cycle rather than 120 pounds for improved freshness. I also encourage choosing the heartiest products in a category that shoppers want, such as green leaf or romaine lettuce rather than red leaf that is particularly delicate.

Theft could still be a significant part of the problem but we need good, department and category specific reporting to explore that concern.

## Convert Mark-Up pricing to Margin Application

In addition to improving the Co-op's chart of accounts I recommend we update the point of sale system to use the new departments and categories and to convert your pricing method from mark-up to margin. Gross

margin application is the common grocery pricing standard. Using this standard will help the Co-op compare your financial performance to industry standards more easily. Gross margin is the industry norm, and implementing its use will make it easier to compare to peer co-ops and industry benchmarks. Should you make this adjustment, it will also take a great deal of pricing work out of the Coordinators receiving duties. The UNFI deliveries come with invoices that include standard margin application and suggested retail prices (SRPs) that closely align with the Co-op's margin objectives. Rather than the coordinator pricing every item on every delivery they can use the SRPs on the invoice and still be moving toward improved margin performance.

In pricing work that I've done to model using standard margins per category compared to your current mark-up strategy, margin and therefore profit dollars did improve. Aligning with the industry standard of pricing by margin application and adopting the new margin strategy from your mark up strategy should improve over all profitability and efficiency for the team.

To return your co-op to sustainable operations, you need to:

- Implement the use of gross margins to determine retail prices.
- Use recommended retail prices provided by UNFI.
- Focus on product selection, replenishment ordering, and product storage and handling.

## Evaluate product and service offerings

The Co-op does a good job of focusing its offerings on natural, vegetarian and vegan goods. This is very helpful to customers and staff alike since you have such a small retail area to merchandise your offerings. It makes messaging what you offer and why shoppers should come through the door pretty clear. There could be a bit more variety on staples such as cooking oils, both varieties and sizes, to improve shoppers' options and price accessibility. Frequent review of item movement reports is necessary since every inch of shelf space is needed to support optimum sales.

Prepared foods / grab & go is doing very well as far as margin performance goes. The Café Coordinator is doing a good job of providing systems to the production staff to get product on the shelf in balance with sales through out the week and in response to event opportunities. In order to continue to grow and inspire interest in the department and move the department toward full reopening, I recommend using the weekends to test old and new recipes for made-to-order specials as well potential hot case options. Once the Coordinator has a menu that is well supported by sales and profitable production, opening the café for select hours and select days of the week to reestablish efficient systems and operations is the next step to a full reopening.

## The order of implementation

While all the above is important, the most urgent item is to find the lost margin dollars that will keep you in business. The cash remaining with the business is precious little and will only cover a few more months of negative cash flow. If you can update your chart of accounts to track sales, purchases, and inventory by the

departments and categories I've laid out, it will be a huge step in learning where the co-op is purchasing goods but not getting sufficient sales out of those expenditures.

I'd say of parallel importance is customer service to every person that comes through the door. This is an improvement you can make to your business immediately. Many staff and volunteers have a good standard of helpful friendliness but that standard needs to be consistently outstanding and authentic.

With the reporting and the customer service standards improved I would move urgently to establishing produce product quality standards that are well above the current practices. Produce is the first impression for most customers; when their quality is poor so is the image of the co-op in the customers' eyes. No one wants to spend good money on poor quality goods no matter how much they may like and truly want to support the Co-op. Get credit from your produce vendors if product comes in and isn't in good, sellable shape. If it becomes overripe routinely, you should:

- Not sell it.
- Offer it less frequently.
- See if the vendor will split the case for you so you don't have as much to sell before getting new product or
- Mark it down before it's ready for the compost bin.

Produce should be beautiful, and it should also be a premier department. I strongly recommend having one coordinator in charge of it, rather than the current set-up of two different coordinators. This should expedite improved standards greatly.

Once you have improved margins, ordering and handling, there are other areas of opportunity to be explored with the Coordinators:

1. Offering fresh meat such as a few items of fresh ground beef and one or two cuts of poultry.
2. Offering beer & wine.
3. Offering a selection of conventional goods to improve price accessibility .
4. Remerchandise the entire store to accommodate these new services
5. Use social media, in-store signage, and neighborhood media such as *Currents* to elevate your presence and get the word out about the improvements you're making to Co-op services

The current staff don't have the capacity to implement these suggestions. They are stretched too thin to support the reporting that obtaining a license to sell alcohol would require. The addition of a conventional line of goods would require many hours of remerchandising the grocery aisles that the staff can't schedule due to the lack of profitability from operations. Even the addition of a few meat and poultry items won't be possible without extensive communication with the largely vegan and vegetarian member base.

You have a wonderful Co-op and a fantastic community of staff and volunteers that care deeply about it. I'm also now very fond of you as well. I'm hopeful that you can achieve the improvements I've recommended here so that you are able to reinvest in your facility with the successful award of a loan from Shared Capital.