

PEOPLE'S FOOD CO-OP

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The Merger of Two Co-ops

“Don’t You Love It When a Plan Actually Works?”

BY MICHELLE SCHRY



On Jan. 2, 2012, People’s Food Co-op in La Crosse, Wis., merged with the Good Food Store Co-op in Rochester, Minn. That connection created a single co-op, known as People’s Food Co-op, with combined sales of \$16.4 million and 5,399 members. It took a lot to get to that point—but it brought us only partway toward where we needed to be.

The merger itself took a lot of negotiating and member-owner education. Both co-ops had operated since the 1970s, but the operating results were stronger at People’s La Crosse. The Rochester store, 70 miles away, was smaller and cash-poor and had retained its original dues-based membership system. Co-op owners and the market in Rochester were underserved, but there was huge potential. (For additional background, see my 2012 report in this magazine: www.cooperativegrocer.coop/articles/2012-09-25/working-together-our-mutual-benefit.)

Looking back at it today, the merger was the easy part. Next we had to strengthen the co-op to prepare for an upcoming move and new store and a whole new way of serving a community.

The right store manager

Bringing on a terrific store manager was a crucial ingredient in starting off on the right foot. PFC was able to convince the general manager of Bluff Country Co-op (in nearby Winona, Minn.), Lizzy Haywood, to join our organization to run the Rochester location as store manager. Haywood’s experience was an instant benefit to PFC. We needed a leader who could bring together the two memberships, connect existing Rochester staff to their new co-op, and work to carry the culture and strategy of the PFC to a “new” location. Two years in, I can tell you that she has been incredibly successful on all fronts. Her leadership has nurtured a whole new web of relationships both within PFC and in the Rochester community.

Once Haywood was aboard, we dove in head-first—working to create the infrastructure we would need to create the connections and pipelines for information it would take to effectively manage a new, two-store co-op. Management had approximately 70 days following the vote that authorized the merger until PFC officially took responsibility for the Rochester store.

During that time leading up to the operating merger, our two teams worked long hours

to plan for conversions and to train staff on new procedures, so that we could be ready to serve our members and staff on Day #1. We shifted all staff to PFC human resources programs, including for the first time offering the Rochester staff healthcare benefits and a retirement program. We trained them on PFC’s membership equity system. The day the merger became official, we also shifted from Quickbooks to PFC’s Mas90 Accounting systems. Before we hit the 90-day mark, we also tossed in a new POS system and a major store reset—just to make sure we didn’t get too comfortable!

If the sound of all of that makes you itchy—well, it made me itchy, too. But PFC’s leadership team and staff performed as well as anyone could have asked. It was truly an amazing feat of teamwork to make the transition and to keep it as transparent to our shoppers as possible. And these changes didn’t just involve administrative staff and Rochester staff. Our entire La Crosse team participated not only in the planning process, but also in the training of their counterparts in Rochester. They also had new systems in La Crosse as we worked to create thoughtful systems that serve this new configuration for our co-op. We are very appreciative of the ►

generosity of fellow multistore co-ops—friends who let us question them endlessly about their procedures, so that we could implement new systems effectively.

A generous planning interval

We were grateful when the site development of the new Rochester store was pushed back due to the size of the mixed-use project. We had a year to work on planning and training before we would begin construction—ultimately, we would have just over a year and a half before we would relocate to a new store. We did more market research, refined our plans, pulled back on projections, then increased them. As I often tell other general managers who are working on expansion plans: “Be grateful for every delay that doesn’t cost you money—because it gives you that much more time to get ready.”

As general manager for PFC, serving as the project manager on the new construction meant that my time became almost entirely focused on Rochester, the staff integration, and the new construction of a complicated mixed-use project. The co-op would serve as the single retail tenant on the ground floor, with three floors (60 units) of market-rate rental housing above us. That meant it was time to hire a store manager in La Crosse.

Jennifer McCoy, our front end/member services manager, was ready to step into the role. Her 20 years of experience with PFC gave her an excellent understanding of the business and her coworkers. Her ability to inspire her staff’s support for the Rochester project, to work closely

with Lizzy Haywood, and to keep the ship steady in La Crosse was critical to meeting our development schedule.

Construction on our building’s “white envelope” began in February of 2013. Due to our urban site, with housing above and sensitive businesses nearby, we worked hard to success-



fully create a mechanical system that would limit noise and increase our energy efficiency. We installed a single water-loop system that takes rejected heat from our refrigeration racks and preheats our domestic hot water and also serves a series of 12 heat pumps throughout the facility. That water loop connects to an outdoor water-chilling tower rather than to condenser fans.

The result of these investments is very friendly to our neighbors in terms of noise, and it has also reduced our annual natural gas usage to 30 percent of what our similarly sized La

Crosse facility uses. The success of our system garnered us the “2013 Environmental Achievement Award” from Rochester Public Utilities.

Rebranding to boot

While 2012 gave us practice in accomplishing a lot on a tight timeline, we didn’t get a rest during 2013. In the midst of construction, we undertook a major rebranding effort, debuted a new logo, launched a new website, and shifted all of our marketing collateral. Somehow, we again managed to get it all done and to do it well.

We opened our doors on the new Rochester facility on Sept. 3, 2013, to great fanfare and lots of community support. On Sept. 30, 2013, we began our fiscal year 2014. We’ve now completed our first year in the new store, and our performance has exceeded our expectations. With 50 new staff members on our team, PFC has shown the strength of our management team in the Rochester store, the strength of our plan, and our ability to monitor and respond. During the first year of operations, with nearly 92 percent sales growth, the Rochester team hit BOTH their margin and labor goals—actually outperforming both goals! Our entire staff has been phenomenal.

Today, we continue the work of connecting our communities with their food and inspiring pride of ownership of these two community resources, which have shown so clearly the true power of cooperation. ■

Profile: Two-Year Transformation

	Pre-merger		First Year, New Store
	FY2012	FY2013	FY2014
Rochester Sales	\$4.336M	\$5.274M	\$10.112M
Rochester Sales Growth	4.6%	21.6%	91.7%
Members [Rochester]	764	1622	2374
Consolidated Sales	\$16.4M	\$17.7M	\$22.9M
Consolidated Sales Growth	4.9%	7.9%	22.7%
Consolidated Net Income	\$435,876	\$342.694	\$258.432
Patronage Rebate	\$164,079	\$0	\$106,090
Consolidated Members	5399	6591	7562

Project size:

\$4.7M
equipment and Leasehold
Improvements

15,500 sq. ft. retail

24,000 sq. ft. total

Employees:

36 pre-expansion

86 post-expansion