

MARCH-APRIL  
2015

# Cooperative Grocer

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## catching the wave



# The Cooperative Advantage:

*How P6 co-ops go the extra mile to tell the cooperative story, support small producers, and grow a healthy food system*

BY AARON RESER

**F**ood co-ops have a unique story to tell. As corporate and privately owned natural foods chains jump into the niche that co-ops created, co-ops need to celebrate our history and grandstand the cooperative advantage.

Across the country, waves of competition hitting individual retail co-ops have built to a national swell. With an increasing number of competitors trumpeting organic and local products, it's up to co-ops to prove a long-standing commitment to local producers and to a distinct economic model that values community wealth and sustainability equally with running a successful business. Building on our history, co-ops have an important future role to play in building local and regional food systems and promoting equitable relationships throughout supply chains.

Jeff Jewel, branding and communications director at Bloomingfoods in Bloomington, Ind., says his store is feeling some of the same pressures faced by many co-ops. "It appears very likely that we will be facing three new competitors opening within the next two to three years," says Jewel. He knows that Bloomingfoods customers shop the co-op because they align with its values. "Consumers have a real desire to think through where their dollar goes after it leaves their pocket."

In the face of competition, the co-op edge relies on skilled storytelling, communicating to customers that co-ops are living models of community-based economy and the best place to find the values-driven product selection customers are seeking. Co-ops keep the edge sharp by ensuring those stories reflect authentic action. This key to differentiating co-ops from competitors is a one-two punch: one, crafting the message, and two, living it. This article examines the P6 program as one way that co-ops around the country are responding to new threats from competition.

## **P6: owned by and designed for co-ops**

The Principle Six (P6) Cooperative Trade Movement is a national cooperative movement to build a fair food economy by supporting small, local, and cooperative producers. P6 envisions a future with strong, networked cooperative economies. To move toward this future, P6 builds on the rich and influential history that co-ops have had in creating strong community-based food systems. P6 is owned by and designed for co-ops. The eight P6 member co-ops are leaders in building community-based food economies and using the co-op story to set themselves apart from competition.



In order for products at member stores to receive the P6 label, they must meet at least two of the three P6 criteria: small, local, and cooperative. P6 combines on-shelf labeling, events, and customer conversations (storytelling) with powerful tools for tracking and incentivizing sales to small, local, and cooperative producers (impact). P6 supports retailers and cooperative producers to market and strengthen the cooperative advantage.

## **Telling the cooperative story**

"Our one point of differentiation [from the competition] is our business model. Our one key tool is that differentiation," says Jewel.

We heard the same thing from Mike

Anzalone, store manager at Ozark Natural Foods in Fayetteville, Ark.: "We saw strong competition heading for Ozark Natural Foods and made a decision to launch the P6 program in the store as a way to differentiate our co-op."

P6 helps co-ops audit their brand. Are they listing the cooperative principles in the store where customers can see them? Do staff and customers relate to cooperative identity? As part of Ozark Natural Foods' strategy in planning for competition, they're re-focusing on promoting their store as a co-op. They've made small tweaks including changing their logo tagline from "your community market" to "your community co-op" and moving from a .com website to the .coop domain.

With the rise of the socially conscious consumer, mistrust of big business, and the popularity of localism, the timing is ripe for co-ops to distinguish themselves as values-driven, community-owned businesses. Co-ops have both a responsibility and a marketing opportunity in educating consumers on co-op values and ownership.

Marketing the cooperative advantage means talking about ownership, the key differentiation between a co-op and a natural foods chain. "P6 is the launch pad for engaging customers, producers, staff in larger conversations of food systems change," says Abby Rae LaCombe, P6 Coordinator at Eastside Food Co-op in Minneapolis, Minn. "What makes P6 so valuable for us is that it allows us to talk about who owns our food system; who owns the grocery store, the farm, the food business. Let's talk about what cooperative ownership means. Ownership dictates what our food system looks like, and P6 is a very powerful tool to communicate this message."

Jewel agrees: "P6 is a way to talk about the co-op model and our commitment to small, local producers and to push back against greenwashing."

An especially ripe opportunity is telling the co-op story and building loyalty with younger consumers. Ozark Natural Foods

# P6 Producers



Credit: Ruby Levine



Credit: P6

(Clockwise from upper left) Lucille's Kitchen Garden: P6 producer Lucille's Kitchen Garden is a family-owned business making jam for Twin Cities co-ops.

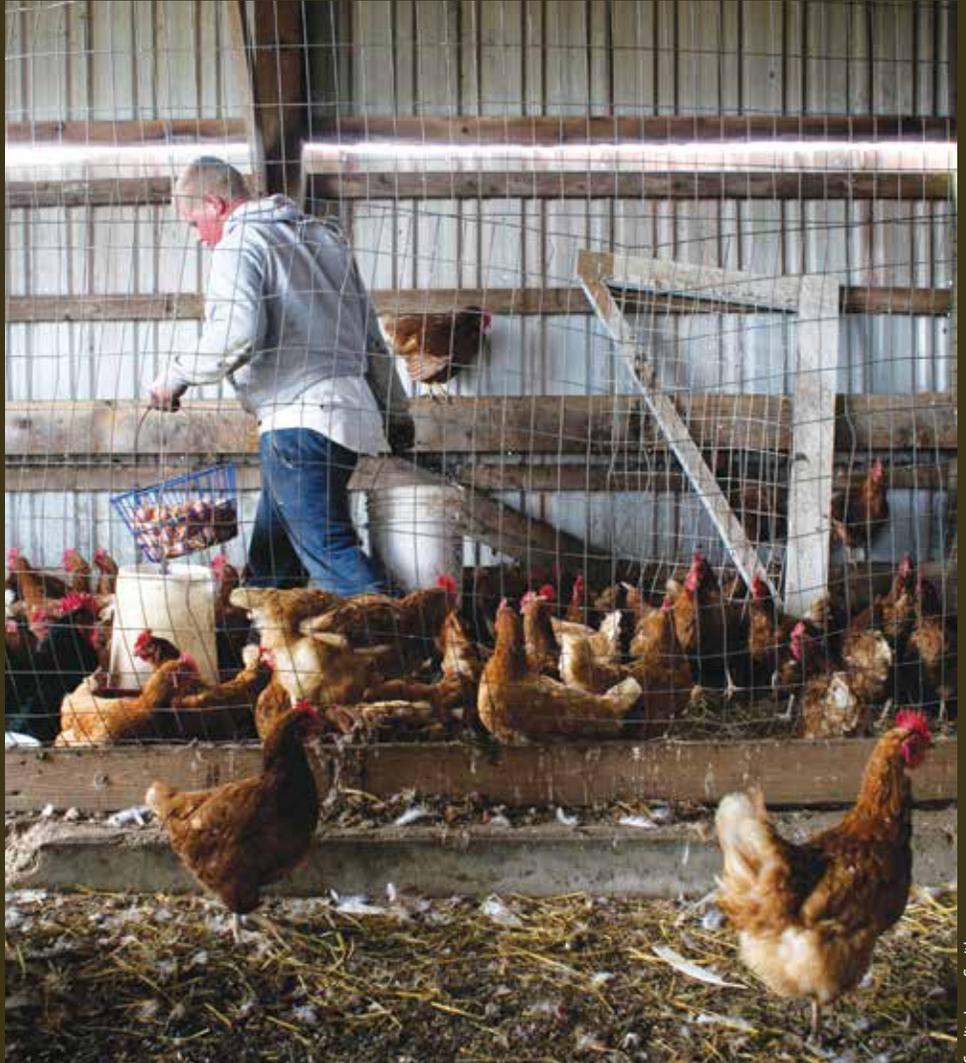
The partners at Second Cloud on the Left Farm.

Rodney Rhodes, 15, gathers eggs on his family's farm in Newberry, Ind., where the family also raises cows for beef and milk and hogs.

Erin Rupp from P6 producer Beez Kneez, shows off honey in their Minneapolis extraction and education facility.



Credit: Ruby Levine



Credit: Isaac Smith

► has a whip-smart marketing team attuned to its young college-town customer base, and they work social media magic (19,000+ likes on Facebook). When Seward Co-op in Minneapolis, Minn., surveyed customers on what values drove their purchases, organic and local ranked high, but among customers under age 30, P6 was the #1 label they sought out to guide their purchasing decision. Do any digging on marketing industry trends and you'll hear about millennials' skepticism toward corporate America and Wall Street and a generational push to buy local, support small businesses, and hold the bar high in expecting social responsibility as a norm.

This is great news for co-ops, but there's a real risk in social responsibility marketing being the next wave of greenwashing—nothing more than a slick marketing trick open to anyone with a good PR department. Co-ops do the real work of operating community-owned institutions and generating community wealth, practicing participatory democracy, and building long-term, financially sustaining relationships with producers. We need to own that message and prove it. The story that P6 tells is resonating with consumers. One customer at Seward

Co-op wrote, "Thank you for developing the P6 initiative. I'm proud that as members of Seward we're all pushing the boundaries of building a more equitable and sustainable economy through co-ops supporting co-ops."

A hallmark of food co-ops has long been their connection to their community and support of local producers. Local food is popular right now, and any tuned-in restaurant or grocery store talks up connections with local producers. In a best-case scenario, genuine new relationships are developing for local producers, and they're seeing both an increase and diversification in market share. In the worst-case scenario, "local" becomes a marketing gimmick or lip service—giving producers small and inconsistent orders and nickel-and-diming them on pricing. Relationships that co-ops have been cultivating with local producers over the long haul run deep, and the genuine commitment co-ops have to creating a vibrant local food system can still be a point of differentiation if these stories are told well, if the connections to the producer are real and felt by the customers, and if co-ops continue to pioneer and lead on ways to support the local producer economy.

## Demonstrating the cooperative impact

As part of living the message of cooperative ownership, P6 co-ops form a strong network of peers working in the cooperative economy. P6 is structured as a multi-stakeholder co-op, owned by retail and wholesale co-ops and P6 employees. It's a unique model that brings both cooperative retailers and producers to the same table to strategize around what we can do to grow the cooperative movement. Topics of discussion include: how do we better market ourselves as cooperatives? how do retail food co-ops and producer co-ops work more closely together? and what can co-ops in the U.S. do to grow international cooperative supply chains for products such as coffee, chocolate, fruits, and nuts?

P6 can be a powerfully effective way to take any co-op's existing local program even further. Seward Co-op joined P6 in 2010 and has implemented P6 as a strategic storewide initiative, weaving it into everything from marketing, purchasing policies, and staff training to Open Book Management. Seward has consistently been able to grow P6 as a percentage of total store sales compared to the previous fiscal year. Throughout FY2014,



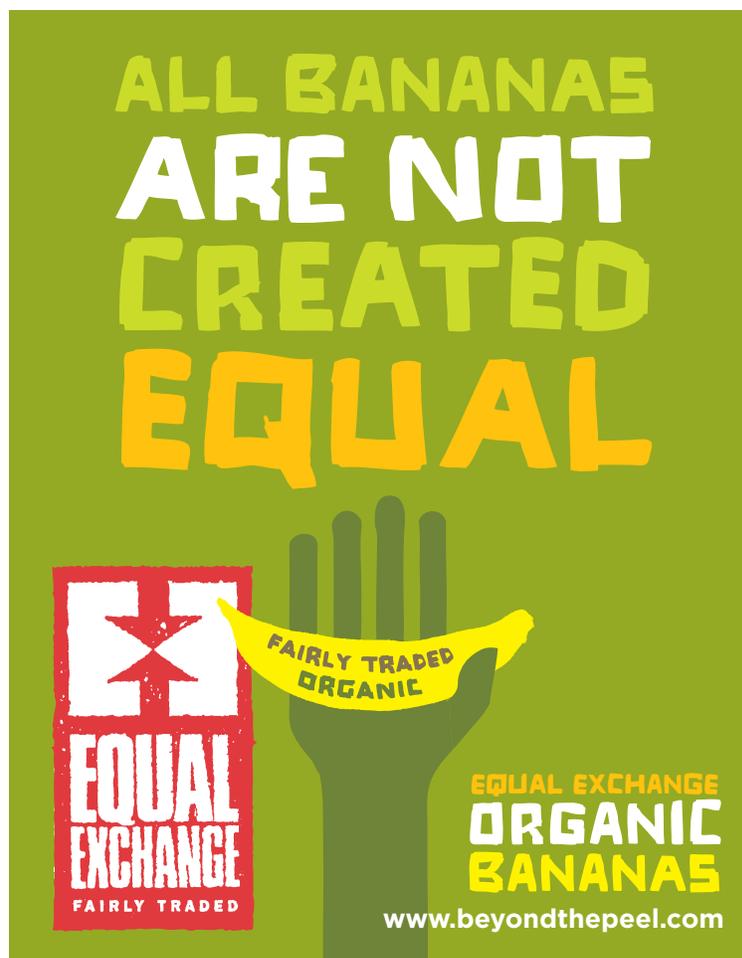
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# International Cooperation

A new opportunity in 2014 allowed P6 stores and other co-ops to partner with innovator Equal Exchange in realizing cooperative supply chain development. The Grow Together Fund ([equalexchange.coop/growtogether](http://equalexchange.coop/growtogether)) is a revolving loan fund supported by retail food co-ops and providing much-needed capital to small farmer co-ops internationally. The first recipient is Aprainores Cashew Co-op in El Salvador.

By donating to the fund, co-ops are taking a tangible step to ensure that a fair and cooperative product source is available in the future. Looping in consumers through a per-pound cashew purchase contribution is a way to, as Equal Exchange says, "bridge the gap between innovative farmers in remote places and shoppers who are looking for fair, sustainable food options." In 2014, six participating stores (including two P6 member stores) raised \$22,000 to kick off a revolving loan fund for the co-op's farmers.

over 40 percent of Seward's total sales were P6 products, and a huge percentage of the benefit is passed on to local producers. Combining overall store growth and the extra push for local producers through P6, Seward took its \$6.8 million of local sales in 2009 (before launching P6) and doubled sales of local products by 2014.

Scott Heard, manager of Seward's cheese department, explained how P6 helped him hone in on supporting local producers. "I always enjoyed carrying local cheeses," said Heard, "but it wasn't until P6 that I really looked at the ownership of the cheese companies we were supporting and paid attention to the dollars going to local producers. Now our department uses P6 as a key to our purchasing and promo decisions." By using P6 to filter which cheeses he's carrying, making changes such as switching from an imported to a local parmesan (which first had to pass the quality test, of course), Heard was able to grow the percentage of P6 cheese sales by 6.3 percent last year, which meant over \$100,000 more in sales to small, local, cooperative producers compared to 2013.

The value that co-ops have for local producers goes beyond creating a market for their products. Fresh Department Manager Pauline Thiessen at Ozark Natural Foods has enthusiastically embraced P6 as a program that focuses on supporting small producers. Thiessen has a rock-solid relationship with local Arkansas farmers, one that goes beyond selling their products. She works creatively with farmers on how to expand their product offerings, steps in as an informal business coach, and serves as a member of the administrative council of Southern SARE (Sustainable Agriculture Research and Education). Thiessen and her co-op celebrate their P6 producers every year with a P6 producer appreciation dinner.

Toril Fisher, a Wisconsin farmer at Second Cloud On The Left Farm, emphasizes how her relationships with the staff at Viroqua Food Co-op (VFC) in Viroqua, Wis., are deeper than with other buyers. She talks about how everybody knows everybody at the co-op and it feels like everybody "has a stake in what we're building together. I'm a new farmer, this is our fourth year," says Fisher. "Produce Manager Linda Gallardo has been so helpful, like no other buyer has been. She's very honest with what I'm doing right and wrong, everything from packaging to returning product with constructive criticism when quality isn't good enough. She must have returned our dill bunches four times before we got it right, but she's schooling us in a way where I don't feel insulted, I feel encouraged and like I'm learning. That's a big deal for a new farmer."

Many co-ops make similar efforts to seek out and sustain producers. Fisher explains how Viroqua Food Co-op's participation in the P6 program makes a difference for her business. "You walk into the co-op and see P6; you can't miss it. The signage is everywhere you go, in the produce, dairy, meat section. VFC is so proud of the work they do, and producers notice that."

Fisher applied last spring for a P6 micro loan from Viroqua Food Co-op, a program offering no-interest loans under \$3,000 to producers whose products are labeled P6 at VFC. This allowed her farm to purchase equipment that otherwise would have been out of reach, resulting in scaled-up greens production for the season and into the future. "They gave us a no-interest loan at the beginning of the season, which is the hardest point in the year for us. We're purchasing all of our materials upfront, seeds, potting soil, row cover, and don't see the payback until later in the season. The P6 micro loan is such a good program, and as a revolving fund, what we paid back can now be used by

another producer next year."

Jack Hedin, a well-respected Minnesota farmer who's been running Featherstone Farm for over 20 years, doesn't beat around the bush when talking about what strong relationships with co-ops, especially Seward, mean for small farmers. "Working with food co-ops, Seward in particular, is a dream come true for any local producer. The reason? Co-ops view local farms not just as sources of crop they need, not just partners of necessity, but as a larger partner in shared work. There's an ideological alignment that translates into practice in a way that it doesn't with any other buyers."

To Hedin, these practices in action include highlighting local producers in P6 marketing and meet-your-producer events such as P6 Month and the Seward CSA Fair. Co-op staff are leaders in supporting small farmers through essential business planning agreements covering crop planning and purchasing contracts. A co-op difference that Hedin identifies is that food co-ops initiate these commitments to farmers, rather than producers needing to come in and fight for market share. "When we sell to other buyers, they view the farmer as an important source of product," says Jack, "but there it's not like we're all in this together with a larger mission to improve the food system. The co-ops are partners in that larger mission."

P6 provides tools, resources, and a network of co-ops leaders working toward that larger mission of building a fair food system. We'd love to hear about other ways your co-op is telling the co-op story, strengthening the cooperative advantage, and building a co-op economy. Let us know what you're doing, learn more about P6, and find information on how to become a P6 member by visiting our website at [p6.coop](http://p6.coop) or emailing us at [info@p6.coop](mailto:info@p6.coop).