

Draft Minutes  
French Broad Food Coop  
Annual Owners' Meeting  
June 4, 2018

The meeting began at 6:15 pm and was held at the YMI Cultural Center in Asheville. Quorum was present. Prior to the meeting, owners were treated to snacks, wine, and tea.

**Meeting Summary:**

- Welcome remarks, introduction of Board members
- GM Report – Bobby Sullivan
- Break out groups –for owner input. Brief discussion of break-out topics
- Minutes of June 2017 Annual meeting approved.
- Discussion of proposed amendment to bylaws regarding non-discrimination clause
- Board candidates introduced
- Coop awards presented
- Expansion update
- Closing comments/questions from owners

**President Stephanie Swepson-Twitty welcomed owners & thanked all for attending.**

Board members introduced themselves.

**GM Report: Bobby Sullivan, General Manager** – Full report appears at the end of these minutes.

**Break-out groups:** During the pre-meeting social time, members were encouraged to visit each of 5 stations. Each station provided a question and large blank sheets on which owners could write answers/give input. During this part of the meeting, the 5 questions were reviewed & some responses given aloud. Summary of all 5 questions and all input – see addendum.

General discussion & comments followed.

- Appreciate knowledgeable, helpful staff
- Request to increase deli offerings
- Compliment to the Board for listening to owners
- Appreciate the opportunity to participate in democratic economics
- Request to express & explain what a co-op is, especially to younger people – investing in local rather than money leaving our community. Your money goes further at the co-op.
- Thanks to the young people who spoke today – you are the future of the co-op. Need to get young people involved.
- Racial equity – remind the Board that's an area we need to work harder on.
- Take more of an advocacy role in many issues facing the city. Stand up for racial, social, and economic justice.
- Request to list produce sale items in the sales flier rather than just nationally promoted sale items.
- Could send text message to announce sale items in produce department

**Minutes of 2017 annual meeting:** A motion to approve the minutes of the 2017 annual meetings was made and seconded. Minutes were approved as presented.

**Proposed amendment to the bylaws regarding the non-discrimination clause:**

Bob LeRoy presented information about the proposed amendment to the bylaws which will appear on the ballot

to be distributed later this month. It was suggested that we include socio-economic status. The Board agreed. Below is the amended proposal as it will appear on the ballot.

- **Existing Section 1.5:**

**Nondiscrimination.**

The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, sexual preference, or other arbitrary basis.

- **Proposed Section 1.5:**

**Nondiscrimination.**

The Co-op shall not discriminate against any persons on the basis of: sex; race; color; age; national or cultural heritage; religious or spiritual beliefs, nonbeliefs and/or practice; political ideology; disability; genetic information; marital status; socio-economic status; sexual orientation; gender identity or reassignment; pregnancy or maternity; citizenship; veteran status; any other status protected by applicable laws; or any other arbitrary basis. Additionally, the Co-op shall be an equal opportunity employer accepting, supporting and practicing the concepts of non-discrimination pertaining to, but not limited to, hiring, pay, assignments, promotion, discipline, working conditions, training and benefits.

**Board candidates introduced:** The following candidates introduced themselves with a brief statement. Full application and résumés, if available, will be posted on the FBFC website. Five Board seats are open. Ballots for Board elections and changes to the bylaws will be available online or sent via USPS later this month.

- Ashley See – via video
- Mark Goldstein
- Diana Davidson
- Pauline Heyne
- Danielle Goldstein
- Jennifer Heeder
- Josh O’Conner

**Coop awards presented:**

- Top shopper.....Mary Sullivan (highest amount of individual purchases in the last year)
- Owner engagement.....Rusty Sivils ((attending the most Board meetings for owner comment, showing up to events, etc.)
- Staff appreciation.....Michelle Thacker, Jo Bell (tied) (nominated by co-op staff as an owner they feel brings good vibes, cooperative values into the store on a regular basis)
- Owner appreciation.....Wond Haile (chosen on behalf of the owners as a staff person who improves their shopping experience)
- Co-op explorers.....given to all attending tonight who are under the age of 18.
- Merchant awards.....Rosetta’s Kitchen, French Broad Chocolate Lounge, Smiling Hara, and No Evil Foods

**Expansion update:** Full report appears at the end of these minutes.

**Closing questions/comments from owners:**

- Rachael Bliss – Can we do the expansion project in tiers? Do one part, rest, do another.
- Bobby (GM) – Construction costs have gone up 20% in the last few years. We need to keep the store open during expansion and that is costly. We plan to start the process over with careful, cautious thinking.
- Ed Mayer – It’s important, if we intend to re-engage, to take a step back, reassess, and know what the sticking points are between our vision and the developer’s hesitancy to engage, so the membership has a clear understanding of what we might have to give up or compromise on.

- Barbara Vandervate – It is important, as we move forward, to look for dynamic leadership, to build momentum & maintain it. We need leadership to carry this through. Maybe that person is here now; maybe it's a Board member. Secondly, this is time to move forward, do the planning. We are a pillar of this community. The community wants us to be here. This will change Asheville as we build a new co-op. I want to see us respond to what the rest of Asheville wants.
- Justina Prenatt – I'm a fan on Charles Eisenstein's work in the book Sacred Economics. He lays out a vision of a change in our economy that allows us to sustain how we live on the planet. One tenet is that a plan based on unlimited growth doesn't work; the planet cannot support that. I'm interested in the coop exploring ways to align with these ideas. What if there are investors whose goals are not just money, but rather sustainable projects, community, or environmental regeneration? Is this being explored.
- Joanna Walsh – How did we go from a bigger store to include housing, other stores, etc.? Why not just a bigger store? Can someone respond to this?
- Sage Turner – Those ideas came from owner output. Now, the city no longer allows one-story building downtown; they require a minimum of 2 stories. We started considering small additional shops as a way to hide coolers, compressors, etc. and have a more attractive entrance/street presence. Center-of-store sales are declining, partly due to availability of shipping with other stores. So, we are looking at several options (different-sized stores, whether we need outdoor spaces, etc.) We have several tenants (BMW shop, LaZoom Room) providing income and keeping us above water – don't want to give up these things.
- Tom Craig – From the movie “The Graduate,” one word – plastics. It's a problem of incredible immensity. Now we have single-use everything and we're finding plastic everywhere. I would like to see the co-op address that in some meaningful way.
- Tom \_\_\_\_\_ ? \_\_\_\_\_ - If you don't do anything expansion-wise in the next 3 years, is that a problem?
- Bobby – great point. When I was hired in 2011, it was essentially to expand the store. Before we make any moves, we get a market study. We've done 2 market studies. One of the things said in both was “To effectively compete, we have to have a bigger, better meat & seafood department and food service.” That would be the only sense of urgency. At this point, I'm in no rush – things are changing so fast. Now, we're reinventing what we have and it's working.

Raffle winner (basket of co-op goodies)– Joanna Walsh

Closing remarks from Board President, Stephanie – Thanks to all for attending. Thanks to the YMI. Reminder that Board meetings are open to owners.

The meeting was adjourned at 8:01 pm.

Jean Karpen, Board Assistant

## **GM Report – Annual Meeting 2018**

What's been going on with the co-op? In the retail world, we have been experiencing what's being called the "retail apocalypse," and that's after we already experienced what the Asheville Citizen Times called "Asheville's grocery invasion." This is why Earth Fare closed a bunch of stores recently. The competition is getting fierce and the industry is changing dramatically with online sales.

An important aspect of our changing retail playing field to consider is what Price Waterhouse Coopers (PwC) called "nothing short of a revolution," and in their words "the stakes have never been higher for retailers." Chains all over the country are shuttering stores – from Toys 'R' Us, to Sears.

In the grocery world, as we found out the last three years, long-term trends are largely going in our direction. Unfortunately, the other stores have much bigger marketing budgets and are just better at their messaging. More and more they are positioning themselves to appear to do what we *actually* do. PwC points to insights to consider moving forward and these have driven our business planning for the last couple of years. And, as you'll see, it does sound like many of these trends are going our way.

1. We may live in the age of values, but price is still king.
2. There is the need for an increasingly focused, curated and engaging brick and mortar store experience, even though online purchases are increasing.
3. Retail talent (finally) matters – associates with product knowledge.
4. Today's consumers look to community.
5. Social media is the "great influencer."
6. There is room for retailers to grab the "leading innovator" mantle.

So, the good news is, it's stores like us that are likely to survive – smaller formats, and a distinctive customer experience. Through the staff we provide more information about food than your average retailer, and we offer an authentic approach to sourcing the food people want from environmentally sensitive foodways. We plan to leverage ourselves as "the experts" and we're also venturing into offering more international food options, as you may have noticed with our new Asian and Indian food sets. We're going direct to other suppliers for these items.

It's an intentional deviation from our normal sourcing mechanism, because our main supplier is being controlled by the corporate giants that are now their bigger buyers. In addition, supply and demand are increasingly at odds. For instance, for a significant period we couldn't get bulk nutritional yeast from our main supplier because the producer couldn't keep up. That meant we had to get smaller quantities for higher prices. Also, when Safeway starting ordering from them, this supplier eliminated key items for us, so they could carry what Safeway wanted. Items we sold consistently were suddenly no longer available.

We will need to continue to be innovative when it comes to sourcing and this unfortunately takes more time and labor, which effects our bottom line – but it is fun, and in the long term it will ensure our survival. And frankly, it's what we're here to do. Plus, we get to work with great companies like Riojana and Equal Exchange, who are here today. By working directly with co-ops like these, we can make sure our customers are getting high quality products, instead of the bait and switch that is going on at the other stores.

With all this change in the air, on a sour note what's not changing is the increasing wage gap in America. According to the US Census Bureau, our country is now "the most income-polarized developed economy in the world." Expectations are that this will continue under this president, although according to retail consultants, there are opportunities here. "This polarization," their reporting says, "will continue to drive success stories at both ends of the economic spectrum – increasingly catering to a wider income range."

Appealing to a wider swath of our community is enshrined in our Ends Policies, and we would do well to follow suit – hence our Double Up Food Bucks Program. We were the first store in NC to implement it. In this program, we get grant money to give vouchers for free produce to EBT customers when they purchase local produce items – a win/win/win for local farmers, low income residents and our co-op. The grant money

is part of the farm bill, so hopefully they can get that passed in Washington.

Also in this vein, work is being done on the national level by the National Co+op Grocers and they are working diligently to provide more services to individual co-ops, to help us economize on labor while offering more refined services. I serve on their board of directors to ensure their focus is where we need it. Increased training, better pricing and newer technologies, all on the national level, will help us fulfill our goals in a profound way. Already the Co+op Basics program with the purple tags in our store, has given us a leg up in competing with other stores' private labels. This way we're able to offer premium products at an everyday low price. This program will continue to expand and branch out into more categories of products.

Leading up to our expansion, we are acutely focused on maximizing our sales per square foot in the current space. We've been largely successful at doing this, although we stalled a bit last year. Sales were down -1.2%. We also lost a little money due to higher occupancy costs and pricing pressures. It's getting harder to sustain a living wage for our staff with lower profit margins, but we're doing it. The first quarter of this year showed a daunting -2.4% drop in sales from the same period last year.

Luckily the difficulties in 2017 made us come up with plans for addressing this challenge and because we've done so well in April and May of this year, we now stand at around 1% growth YTD after that tough first quarter. April was up 4% and May was up 5%. What's been amazing to watch has been the dramatic results of our produce reset, which we did at the end of April. In the first quarter, produce was down -9%. Produce is a category you can't lose because when it starts dying, it's a harbinger of overall store sales. I've always been told that if you can get produce up to 15% of your overall store sales, you're guaranteed to have a rocking store. Because, if people are coming in for the fresh stuff, they're definitely going to buy from your other categories.

So.... Results of the produce reset? Produce was up 11.5% in May and did 14.3% of overall store sales. In the first quarter it was only doing 11.6% of store sales, and we've got more to do. Soon we will completely transform the produce refrigerated case to get a more vertical set and next will be a massive grocery reset. HBC is holding their own. They were the only ones with positive sales growth in the first quarter, and we will depend on them to continue curating the right products for success.

Deli is unfortunately in transition with multiple leadership changes and we appreciate your patience there. This department is a huge opportunity for us to capture sales from all the people walking around downtown. After all, Asheville is a "food-topia" and we have the advantage of being able to offer quality ingredients in products that cost much less than the restaurants downtown. With the right focus, we can significantly grow this department, although our space is limited.

We are also focused on growing our business merchant program, since this has been the mechanism offsetting our losses at the store level. Currently we sell to around 50 local businesses and because of our buying power with the National Co+op Grocers, we are able to offer them a better price than if they were ordering on their own. This has increased our individual buying power too, and that's in turn lowered our costs a few percentage points. We have awards today for the top purchasers in this program: Rosetta's, French Broad Chocolate Lounge, Smiling Hara and No Evil Foods. TJ and the grocery crew deserve a lot of credit for building this program into generating almost \$10k a week in sales, while simultaneously benefitting other local businesses.

Activity in the areas around the store continues to increase in the form of population density and more dominantly - tourist traffic. This could become a significantly limiting factor for selling groceries, as locals are less and less likely to make the trek downtown, even if they live close by. Biltmore Avenue continues to get clogged up by 6pm during tourist season, which is only getting longer. We depend on a basket average of at least \$20 and tourists are more prone to purchase small amounts. This means we work the same or more for less sales per transaction. The good news is that apartment buildings are going in all around us and this bodes well for our future, as we continue to deal with the limitations of our small store.

The bottom line is there has never been a more important time for you – our owners – to rally around the co-op, singing our praises and spreading the word about why it's important to shop here. Please use your social media prowess to promote the co-op on a regular basis. And this is the point of our break out session today. After all, you are the heart of the Co-op, and we want to hear about what the co-op means to you. So, here are the questions that you will be able to comment on at the tables you see:

- What makes you feel valued as a customer of the co-op?
- What do you think is the most important thing about the co-op?
- What do you wish we were doing differently?
- What products or experiences are you going to other stores for?
- What do you think would attract more customers/owners?

As a cooperative, we are a true example of the “power of the people,” the embodiment of food activism. But, because many stores have come to mimic what we do, many people have forgotten we are not only here to provide employees that will serve you. We are also here so you can provide a service. In other words, your involvement, your diligence, your passion, your power is what we are all about. Let us be a vehicle for you to express that. Let us be the vessel that houses your imagination and your potential. We are here so you can lead, and we all know our community needs that. As fast as Asheville is growing, imagine the co-op as the civic body that molds a future we can be proud of.

In our lifetimes, there has never been a more urgent time for true economic democracy. Politics have failed us. Bullying has tempered us, or worse, goaded us into thinking that's the way to get things done, or that if we simply complain the loudest we will get what we want. Shopping here is good, but raising the profile of the co-op will ensure that this community-owned economic engine, which drives the local economy in so many profound ways, will forge a path to be the “transformative force” that our global ends policy compels us to be.

Thanks again for being here. We're proud to do this important work.

# **Development Update for Owners at the Annual Meeting**

## **Recap:**

It has been exactly two years since the deadline for proposals for the redevelopment of our property and store. The request included these specifics that came from Owner input, staff input, surveys and meetings like the one we're having tonight.

## **Here are the things you, our Owners want us to achieve with our expansion:**

We want a bigger, better store that allows a full shopping experience

We want a mixed-use development that has more than just a store and activates our block

We want more, and easier to access parking

We want renewable energy systems

We want to serve as an incubator of small business

We want to be environmentally friendly

## **We also added these procedural components:**

We want to stay open throughout the construction and have adequate parking during, so we don't interrupt sales, customer experience, or jobs.

We want housing, but we're not housing experts, so we need partners to build and own it.

We want to maintain ownership of the new store, as we understand that having paid off a mortgage has allowed us to remain adaptable to big changes and growth.

We want to maintain several miscellaneous incomes, including things like MLC rental, and having other storefronts with tenants that pay rent. These misc. items contribute significantly to our profitability and help us implement pricing strategies we may not otherwise be able to do.

## **We also layered in some restraints:**

We don't want a hotel

If there is housing, we want as much of it as possible to be affordable

If there are other storefronts, we don't want competitors or chain stores

We don't want to use big corporate funds or financing if avoidable

*(last year's meeting was the Walmart discussion)*

## **Great news**

So, the great news is, our hard work, vision, goals, and location have attracted several qualified and reputable developers with the expertise we need. Everyone agrees that Asheville, downtown, and our Co+op both want and need this kind of socially responsible, equity building, environmentally friendly project that you, our Owners envision.

The less great news is that we've been unable to produce a deal that meets ALL of our goals and ideals, and in staying steadfast to them, we've given up some opportunities. Sometimes the feedback is that building green is too expensive to also be affordable, that our grocery parking lot dreams are too consumptive of land and too costly; other times it's been that keeping the store open increases costs too much.

So as of right now, we do not have a contract with a developer to move forward. We continue to talk with them, to seek other potential partners, and to challenge those involved to see and appreciate our vision.

Luckily, the store is still in a good position and we can take our time to find just the right partners or to reevaluate if our requirements are too much. We owe this luxury of time in part to the forward thinking the previous Co+op generation had. They saw the importance of owning our building. They saw the importance of setting up shop in downtown. And this Co+op generation is no different. We strive to replicate this forward thinking and will take all the time we need to ensure the future Co+op generation has everything it needs to remain viable and adaptable to a changing community and industry.