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## Cooperative Ownership as a Succession Strategy for Independent Grocers

Stuart Reid

*Food Co-op Initiative*

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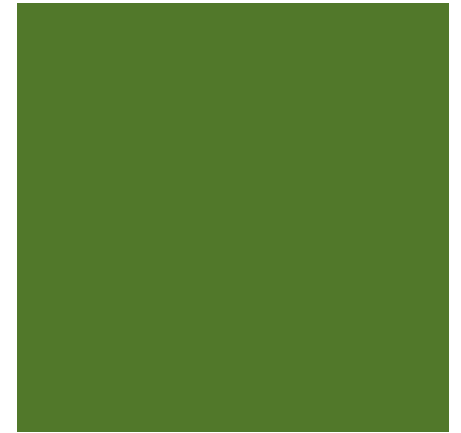
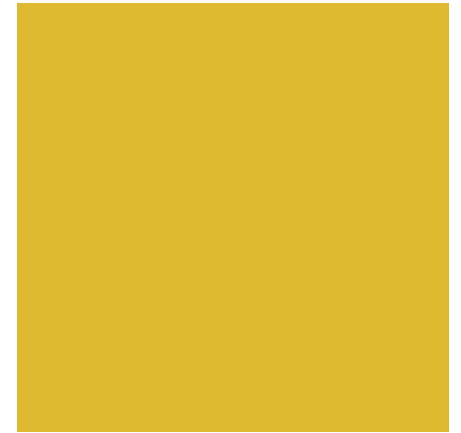


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**FOOD CO-OP  
INITIATIVE**

New co-ops start here.

# Cooperative Succession

## Strategies for Rural Grocery Stores

Presented by Stuart Reid  
Food Co-op Initiative



# Today's Questions

Why should you be considering cooperatives?

How can you increase the likelihood of a successful sale & transition?

What are the unique needs of co-op organizers?

Where can you find support and information?

**TOP Ten**  
**Reasons to Support Small Businesses**  
From *Made in USA Challenge*  
**Buy Local**

- 1 Personal Service
- 2 Local Products
- 3 Energy Efficiency
- 4 Community Support
- 5 Sustainability
- 6 Hometown Pride
- 7 Economic Impact
- 8 Social Connections
- 9 Fun Shopping
- 10 Entrepreneurship

**madeinusachallenge.com**



# Considering Co-op



- Leverage small investments of many people
- Responsive to community needs
- Not restricted by corporate profit drive & policies
- Keeps your money local!



# Planning Ahead



## Store owners!

- What is your succession strategy?
- When should you start the conversation?
- Do you want to keep working? How long?
- Can you afford to carry a loan?



# Planning Ahead

## Community!

- What is the future of your local grocery store(s)?
- Have you talked to the owners?
- Is there community interest?
- Are there willing organizers?







# Seller's Concerns

- Confidentiality
- Future employment (self and staff)
- Fair price





# New Co-op's Concerns

- Transparency (access to business info)
- Community outreach
- Site, equipment, and inventory quality
- Capital
- Viability







# Organizing Steps



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## FOOD CO-OP DEVELOPMENT MODEL



**FOUR CORNERSTONES IN THREE STAGES**





# Cornerstones

- Vision
- Talent
- Capital
- Systems





# Timeline

- Organizing
- Feasibility/Planning
- Implementation







# Stage 1: Organizing Community Role

Confirm owners' interest

Become a business entity

- Incorporation
- Governance
  - Board
  - Committees
  - Volunteers
  - Accountability
- Systems
  - Accounting
  - Ownership records

Community Support

- Sign up owners
- Seek civic investment/support





# Stage 1: Organizing Seller's role

- Provide co-op organizers with business information
- Determine starting point for sale negotiations
- Discuss transition with staff
- Work with organizers to promote the co-op





# Stage 2: Feasibility/Planning The Business Plan

Can the grocery store be a viable business as a cooperative?

- Market research
- Community surveys
- Community meetings
- Startup Budget
- Operating (pro forma) budgets
- Distributors and vendors
- Manager and staff







# Stage 3: Implementation

## Closing the deal, Opening the store!

- Negotiate terms of sale
- Letter of intent/contingencies
- Raise capital
- Set transition date
- Hire GM and staff (as needed)
- Prepare for renovations, new equipment, etc.
- Plan marketing and grand opening





# Resources



**FOOD CO-OP  
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New co-ops start here.

- Resource Library <https://www.fci.coop/resource-library/>
- Co-op Conversion Case Studies <https://www.fci.coop/co-op-conversion-case-study/>
- Guide to Starting a Food Co-op <https://www.fci.coop/fci-guide-starting-food-co-op/>

**R G I**

Rural Grocery Initiative

Strengthening our stores  
Strengthening our communities

<http://www.ruralgrocery.org/>



**Cooperation Works!**  
THE COOPERATIVE DEVELOPMENT NETWORK

<https://cooperationworks.coop/member-locator/#search>



<https://www.rd.usda.gov/>