

# Are Food Co-ops Still Relevant?

BY STUART REID

**F**ood co-ops were part of the revolution in organic food, bulk food, local and sustainable sourcing, transparent labeling, knowledgeable staff, and so many other things we often take for granted. When you do an internet search for “best natural food retailer” or “best natural food grocery store,” you might expect to find food co-ops prominently mentioned.

Try it—you won’t be directed to co-ops. In fact, you will see Walmart, Trader Joe’s, Whole Foods, and other national supermarket chains. You will have to dig deep to even find a mention of food co-ops.

What kinds of things come up when the “experts” talk about best natural food grocers? Here are a few interesting headlines and tidbits from recent on-line grocery articles:

*“This [Aldi’s] is the best grocery store in America.”*

*25 Reasons Wegmans is the Greatest Supermarket the World Will Ever Know*

*Huffington’s Top 11 Health Food Stores in the U.S. (a few independents, but no co-ops)*

*America’s Healthiest Grocery Stores: 10 stand-out supermarket chains (no co-ops)*

Are we irrelevant or simply invisible to most of the media that report on the grocery industry? Even if we are just off-radar, it speaks volumes about our perceived relevance in the current marketplace.

What defines relevance for food co-ops? Is it the innovations and contributions we value most from our history? Staying ahead of the grocery industry in ways that improve the communities we serve? If that is the case, what little differentiates us from our competition may be short-lived.

According to the writers at FoodDIVE, shopping experience is the trend in 2017 (bold emphasis added):

**Shopping experience over price**  
(FoodDIVE: Top Trends for 2017, Nr. 5)

Given the low-price positioning of Wal-Mart, dollar stores, Aldi and others—as well as the much-anticipated U.S. entrance of European extreme-value retailer Lidl in 2018—*it’s clear that price is no longer a competitive differentiator.*

Consequently, **grocery retail value should be reframed to emphasize non-price factors such as freshness, quality, customer**

**service and the shopping experience.** *2017 could become the year when retailers stop primarily selling products and instead start selling services, solutions and quite possibly stellar shopping experiences.*

Grocery retailers should find ways to **deepen emotional connections with shoppers.** Experiences to engage consumers and encourage them to shop longer, spend more and stay loyal are needed.

For example, **could grocery shopping be positioned as an extension of a health and wellness lifestyle, with space at the store for premium and specialty brands and health-oriented services?** Or what about a collection of departments complete with products, services and gathering stations? Some of these departments might include a coffee bar, wine-tasting section, dinner party solutions and farmer’s market.

Am I wrong, or are they describing a typical food co-op? We know that at least some of our competitors pay attention to what we are doing and adopt our best ideas, but it seems we don’t get any credit for it.

This leads me to one of my first observations about food co-ops’ relevance: We represent a tiny part of the grocery industry and have no stores in most markets. Being a small part of a big machine doesn’t make us irrelevant, but it may make us insignificant in the eyes of many. If food co-ops all closed next week, would the grocery industry feel any impact?

## Core and more

This leads to my next observation: Relevance is relative. For most of you reading this, the business model of cooperation is our most important distinction and the reason co-ops will always be relevant. As the American economy becomes more imbalanced and undemocratic, cooperatives promise the possibility of real change. This recognition motivates us and inspires the creation of new food co-ops. We patronize our food co-ops even when they fall short of our expectations and willingly pay a bit more to support the local economy. Co-ops are clearly relevant—to us.

Remember the Hartmann Group’s circles—core, mid-level, and periphery—of customer

involvement? Food co-ops have a relatively small core group of true believers who understand cooperative principles, need and want the products being offered, and are very loyal. A much larger part of our customer base is mid-level—they want good food, do some of their shopping at a co-op, and have at least some values that intersect with ours. Beyond that circle is the periphery, where consumers have no special connection or loyalty to the co-op but may shop due to convenience, selection, or other reasons.

Similarly, food co-ops are highly relevant to the core consumers, less so to the mid-level, and potentially not at all to the periphery. A food co-op can’t survive by just serving its core consumers, and its perceived relevance declines quickly as we move beyond core supporters.

It has often been said that co-ops exist to meet otherwise unmet needs of a community. In many communities, access to fresh, local, organic, etc., is not at issue. What other needs does the co-op fulfill? This is a critical question, one that addresses the need for differentiation in the marketplace.

What is the co-op difference as perceived by our communities? In some areas co-ops still lead in locally grown products and transparent labeling, but that edge is rapidly disappearing. Even grocers with limited representation of truly local foods have successfully convinced the shopping public of their commitment to local farmers.

## New co-ops? Check your assumptions

Since our business model is the ultimate differentiator, does it really matter to the general public? Surveys show that over 74 percent of Americans do not have a clue what a co-op is, and another 14 percent only have a partial idea<sup>1</sup>. Most of the remaining 12 percent had a pretty good understanding of cooperatives, but often limited to the sector they were involved in. Can we base our relevance on a concept that less than 12 percent of the public (probably our core supporters) understands? If we do, we had better be prepared to conduct a massive education campaign.

There are thousands of communities that have significant need for access to healthier food and that don’t care what business model is used, so long as it serves them well. Many of these communities are urban, lower-income neighborhoods that the chain grocers have abandoned; or



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small, often isolated rural communities where local grocery stores are closing by the thousands.

Can food co-ops be relevant in these environments? Why are there so few existing co-ops in these communities? The typical responses are that there is not enough market strength to support a co-op or any other grocery store in these areas, and that food co-ops cannot be successful selling conventional inventory.

However, there are enough exceptions to make me question those assumptions. Some of our older, successful food co-ops operate in communities that may well have become food deserts if it had not been for the co-op's presence. Small, even tiny, rural communities have formed cooperatives to take over privately owned stores when the former owners retired or gave up. Additionally, interest from urban, low-income areas in starting new co-ops is the highest that Food Co-op Initiative has seen.

Co-ops can be viable in these communities, but we really haven't learned what we need to know about how to organize, capitalize, and operate outside our comfort zone.

There can be no question that these co-ops are relevant. In their communities, people no longer have to drive 40 miles or more round-trip to the nearest grocery store; or take a bus two miles with bags of groceries; or shop at a corner convenience store. A social and economic hub brings people together and helps the community survive.

### **Co-op development conundrum**

So we have a conundrum. Co-ops can be most relevant to the most people where they are rarely seen. They are most needed in areas where we have the least expertise and experience supporting them.

We assume that co-ops in low-income and small communities are unlikely to be viable—it is hard to argue that food co-ops are relevant if they can't be successful—but I believe that many can be. Success may not be measurable in double-digit annual growth or patronage rebates, but for a lot of these co-ops, keeping the doors open and providing convenient access to food is all the success they need.

We have an opportunity to listen and learn from new co-ops that are organizing now. There are reasons why some are doing well and others

fail. By working with them and collecting their stories we can begin to create appropriate guides and more effective technical assistance. We don't expect all of them to succeed—nor do we expect all of the more typical natural food startups to succeed or even all of the mature co-ops to stay open. But there is a real need out there that we can try to address, and in doing so, spread awareness of co-ops well beyond the limits of our current owners.

I have heard concern from leaders in the food co-op development community and from general managers that grassroots food co-op organizing is inefficient and puts a heavy burden on the existing co-ops to support new co-ops. I don't disagree that it is far easier to open new co-op stores if successful co-ops take on viable opportunities in their market areas. But it is a rare thing to venture into untried territory, making it even more unlikely that new co-ops will arise in areas not currently served by successful co-ops—which is most of the country. Also, opening co-ops in new areas is one of the surest ways to expand public awareness of our business model and its values.

*Food Co-op Initiative has committed to two major projects in the coming year:*

- Together with twelve other cooperative development centers across the U.S., we will be researching small rural grocery operations and distribution systems, identifying successful strategies, and building a shared information base.
- Secondly, with grant funding from the Blooming Prairie Foundation and Capital Impact Partners, we have created a special Seed Grant program for co-ops in low-income, low-access urban areas. FCI will work closely with the co-ops' organizers and community members to learn as much as we can, offer recommendations when appropriate, and conduct activities to build a peer-based sharing network among the participants.

These are long-term commitments for us; in most cases we will not know for quite some time whether the co-ops and communities we work with can open successfully and remain viable for years. □

<sup>1</sup>Howard Brodsky, "Building a Better World Now: Cooperatives, the Better Business Model", <https://www.youtube.com/watch?v=Mebjoy9PgZ0>