



KEWEENAW  
CO-OP

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# 2019 annual report

Community Owned & Operated Since 1973

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# From the Board & GM

The Keweenaw Co-op Board of Directors, along with the General Manager, would like to inform all of our valued owners about the Co-op's 2019 performance and the status of the annual patronage refund.

In regard to the annual patronage refund, the Co-op is unable to provide one for the 2019 fiscal year. The patronage refunds are calculated on two factors: an owner's purchases and the Co-op's net profit. Unfortunately, the Co-op finished 2019 with a small net loss, and thus there will be no patronage refund this year.

While not the desired outcome, this small loss was also not a complete surprise to us, as 2019 was a year when the Co-op invested heavily in positive changes that should support and further our growth plans toward a future relocation and expansion. In 2019, the Co-op made investments in new technology, operational efficiencies, and most importantly, improved staff compensation and incentives. Such changes included meeting our targets for wage scale increases and making 50% of positions full time, moving us closer to our goal of providing a living wage for employees and also increasing staff productivity, proficiency, and flexibility to serve all of our customers better. While costly, those investments are indeed beginning to improve earnings as planned. But unfortunately, those effects did not come soon enough to push the bottom line back to net profitability by the end of 2019.

We can confidently say that those changes were fortuitous for another reason. While they were intended to prepare us for future growth, they unexpectedly also prepared the Co-op staff extremely well for navigating the pandemic challenges. Despite the Co-op's crew thinning out due to health and family concerns, the cross training and cross-departmental collaboration that was already in place meant that management was able to quickly adapt scheduling and workflow to maintain essential store functions even while implementing urgently needed services, such as curbside pickup, increased store-wide cleaning, monitoring of all incoming shoppers, special shopping times for seniors, and more. These emergency adaptations would have been much more difficult under the previous structures, and this experience has also provided many important lessons for going forward, including the importance of an invested and committed staff, which we are extremely grateful to have.

The Keweenaw Co-op is still financially solid despite our small 2019 loss, and we are well positioned to resume growth and profitability once we navigate the changes and challenges caused by the pandemic. The Co-op remains a viable business with a strong history and plans for continued success. In fact, the last few months have demonstrated in so many ways that our Co-op is essential to our community. They have proved that our growth plans are realistic and achievable, and they have shown that even in a public health crisis, our staff is committed, resilient, and eager to serve.

Finally, while we realize that our Co-op Annual Meeting is a meaningful experience for so many of our Owners, pandemic-related legal restrictions on public gatherings and ongoing concerns about local spread of the virus made it impossible to schedule such a gathering. As all of the Co-op's annual business requirements were completed with owners via internet communications in April, we are now looking instead toward next year and planning how to meet *[continued on pg 4]*

## Caring for OUR Community in 2019



**31,161**

**Bags Saved in 2019**

**\$21,679**

**Senior/Student Day Discounts**

**\$16,903**

**Owner: Appreciation Month Discounts**

**Healthy Eating**



**2019 Produce Sales +\$624K**

**\$24,017**

**Owner: Special Order by the Case Discounts**

**\$6,085**

**Co+op Deals & New Owner Coupons**

**coop explorers**

**1,512**

**FREE pieces of fruit for Co+op Kids**

**Community Sponsorships (not including labor)**

**34 + 41 = \$7,951**

**Organizations Events Donated**



## NCG Promotional Rebates **\$89,153** Passed on to Customers

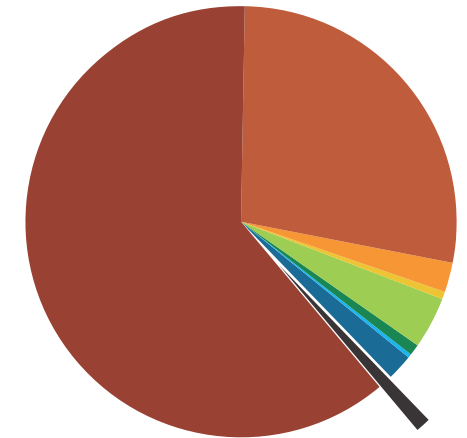
### Income Statement

Sales growth was steady in 2019 at 4.3%, passing the \$4 million mark in annual revenue. Gross Margin was soft in a few quarters prompting a margin review and updates at the turn of 2020. All major expense categories remained steady as a percentage of sales with the exception of personnel. Investments in our staff--implementing the first of two steps in a wage scale adjustment and doubling our full time positions — were planned additional expenses. These factors, Gross Margin and Labor Margin, accounted for unrealized income of nearly 5%. We ended 2019 with a small loss. Our efforts are focused on improving these two key indicators, and we are making great progress in 2020.

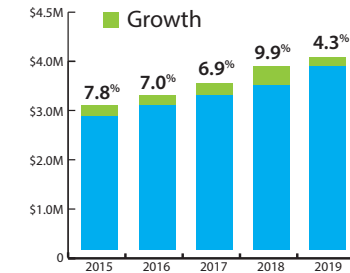
	2017	2018	2019
Sales	3,519,319	3,867,559	4,035,393
Cost of Goods	(2,164,811)	(2,439,441)	(2,550,560)
<b>Gross Profit</b>	<b>\$1,354,508</b>	<b>\$1,428,118</b>	<b>\$1,484,833</b>
<b>OPERATING EXPENSES</b>			
Personnel	985,791	1,041,525	1,139,145
Occupancy	69,559	70,169	71,061
Depreciation	29,005	25,531	27,308
Operations	134,544	155,308	151,329
Administration	23,057	19,373	34,525
Governance	12,634	13,826	13,494
Marketing/Outreach	64,096	77,311	84,586
<b>Total Expenses</b>	<b>\$1,318,686</b>	<b>\$1,403,043</b>	<b>1,521,448</b>
<b>Operating Income</b>	<b>\$35,822</b>	<b>\$25,075</b>	<b>(\$36,615)</b>
Other Income/Expenses	16,504	9,449	11,533
Patronage Refund	(18,214)	(12,571)	0
Income Tax Paid	(7,618)	(6,879)	0
<b>Net Income</b>	<b>\$26,494</b>	<b>\$15,074</b>	<b>(\$25,082)</b>

**Total Sales 2019 \$4,035,393**

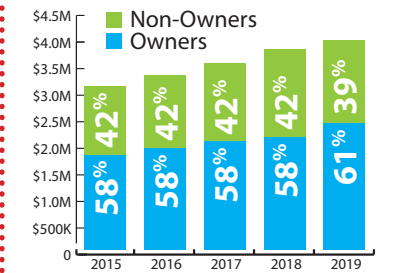
- Cost of Goods** 63.2%
- Personnel** 28.2%
- Occupancy** 1.8%
- Depreciation** 0.7%
- Operating** 3.8%
- Administration** 0.9%
- Governance** 0.3%
- Promotions** 1.7%
- Net Income** -0.6%



### Annual Sales Growth



### Owner/Non-Owner Sales



### Balance Sheet

Our business continues to grow and our balance sheet is solid. Our current assets, which include cash, savings, short-term investments, inventory and prepaid expenses increased by 2.1% in 2019. Fixed assets decreased as equipment depreciated. Other assets increased slightly as our equity in other co-ops grew. Liabilities, our short- and long- term payables, were higher, primarily due to accrued payroll expenses. Equity, which represents Owner investment and retained earnings, decreased by 0.8% due to the 2019 net operating loss, after growing 5% in 2018.

#### BALANCE SHEET RATIOS

Current Ratio 5.3 (benchmark 1.25 or above)  
(Current Assets divided by Current Liabilities) measures liquidity  
Debt to Equity Ratio .17 (benchmark 3.0 or below)  
(Total Liabilities divided by Total Equity) measures of solvency

ASSETS	2017	2018	2019
Current Assets	788,272	848,695	866,866
Property/Equipment	175,865	177,264	154,137
Other Assets	54,534	59,783	65,964
<b>Total Assets</b>	<b>\$1,018,671</b>	<b>\$1,085,742</b>	<b>\$1,086,967</b>

LIABILITIES	2017	2018	2019
Current Liabilities	135,269	158,620	167,343
<b>Total Liabilities</b>	<b>\$135,269</b>	<b>\$158,620</b>	<b>\$167,343</b>

EQUITY	2017	2018	2019
Pre-2010 Equity	37,867	37,767	37,613
Owner Equity	233,093	254,732	274,985
Retained Patronage	115,624	122,731	120,216
Retained Earnings	470,324	496,818	511,892
Net Income	26,494	15,074	(25,082)
<b>Total Equity</b>	<b>\$883,402</b>	<b>\$927,122</b>	<b>\$919,624</b>
<b>Total Liabilities/Equity</b>	<b>\$1,018,671</b>	<b>\$1,085,742</b>	<b>\$1,086,967</b>

### Sales per Sq. Foot



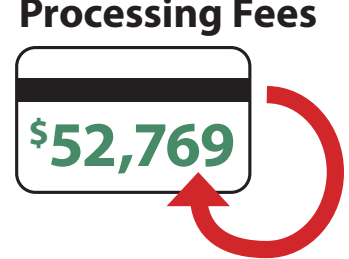
### Avg. Transaction



### Avg. Inventory



### Credit/Debit Processing Fees



[Continued from pg 2] virtually if restrictions on gatherings are still in place.

Thank you for your ownership and your continued patronage and support of this community-owned business. We are here to serve you, and we wouldn't be here without YOU!!

## Operations Update

**2019 saw growth, change and challenges** for the Keweenaw Co-op. The main driver of business planning in 2019 was the Organizational Growth Plan. This plan implemented changes to build capacity for an expansion by increasing efficiency and productivity through improved systems of accountability and wages coupled with increased full-time opportunities and cross-training of staff. This investment has taken longer to achieve desired results than anticipated. The bottom line is that 2019 did



**GM Curt Webb details 2019 organizational changes.**

not achieve needed profitability. But, with these changes in place, the Co-op is positioned to meet financial goals in 2020.

We focused on creating a better workplace in our community. We made intentional and meaningful investments in our staff, and asked for greater focus on productivity, service and accountability in return.

The Growth Plan adjusted the Co-op's wage scale to meet MIT's livable wage for our area in 2019.

This was the first of two steps in wage scale adjustments. When

Sales per Labor Hour (SPLH >\$75) and wage as a percentage of sales (<19%) goals are achieved, the next step will be to increase the scale to meet NCG's Livable Wage Model.

In the process, the Co-op's Organizational Chart was restructured into three core teams: Retail, Fresh and Administration. This change balanced managerial oversight and built in cross-departmental teamwork by combining produce, deli and kitchen as the Fresh Team, and grocery, wellness and front end as the Retail Team. Level I staff, or Cooperators, are expected to train throughout their home department, and in time to train across departments as well.

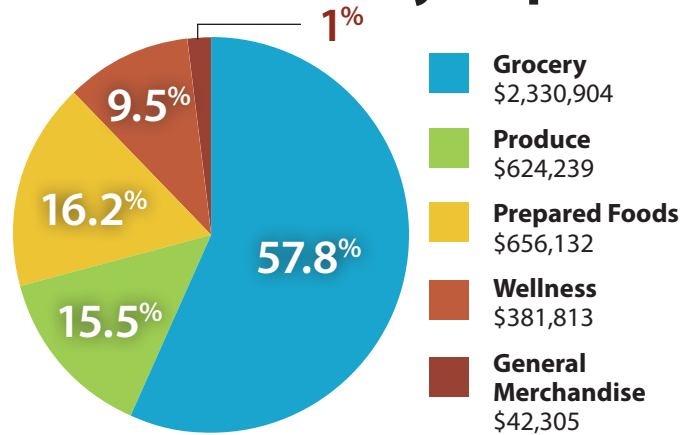
Change isn't always easy. For some staff our new culture of accountability and the requirement to do things in new ways caused some dissatisfaction. Results of the 2019 Staff Survey, while not indicating anything dire, did show that the Co-op has opportunities to improve our workplace. A team of managers was tasked with prioritizing these improvements.

Efforts were made to increase and improve communication. These included weekly sharing of the Weekly Sales Report (WSR). Our team can follow along in real time our progress toward sales and labor goals. We huddled weekly to look over the WSR, celebrate successes, and plan for improvement.

The Co-op embarked on a project to update and standardize all Standard Operating Procedures (SOPs). The intent is to improve training tools and to streamline cross-training between departments. These procedures will also serve as an element of training passports, which in turn become evaluatory inputs.

Other investments in our staff included both internal and external training. We took advantage of numerous NCG training and conference opportunities. In 2019 these included sending staff to Convergence, Focus on Fresh, two National Meetings and an Operations Conference.

## Total Sales by Dept (%)



# 124,699

## Total Transactions

### By the Numbers



# \$77,600

Average Weekly Sales

# \$11,110

Average Daily Sales

Current Staff @ The Co-op = **189 Years**

# +148

Cooperatives We Network With

# 13

Cooperatives We Do Business With

# 25

Cooperatives On Our Shelves

# 5

Cooperatives We Belong To



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