



# **Ukiah Natural Foods Co-op 2011 Strategic Plan**

**Membership Copy**



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## **Introduction**

### ***Overview***

The strategic planning process began in June, 2010 in preparation for an all-day planning session. The topic to be discussed with the planning group (the management team and the board members) was how the Co-op can continue to grow with the current building limitations and how to “green up” the building. Information was gathered using on-line surveys about the strengths, weaknesses, and potential of the current location as well as looking at opportunities and threats for the business in Ukiah.

An all-day retreat was held in August, 2010 to get into the topic more fully and to create “Champion Teams” to work on the key issues defined in the meeting. The smaller teams met separately and additional shorter planning group meetings were held in October, December, February, and March. The result of these meetings is a flexible five-year plan with five goal statements, supporting strategies, and an action plan, all centered supporting one large goal. If that one goal is reached, then the Co-op is opened to new opportunities, which means the planning group will need to create a new strategic plan moving forward from that point.

With the larger goal in mind, the energy of the planning propelled the smaller groups into beginning the work even during the planning stages, which has been a nice jump start forward.

### ***Our Vision***

We envision Ukiah Natural Foods to be the foundation of a trusted, cooperative marketplace of goods and service that provides for the needs of our diverse community.

### ***Our Purpose***

The purpose of Ukiah Natural Foods is to be a vital, thriving, and growing community center that will:

- Provide and promote organically grown, sustainably produced food, goods, and services that are locally and regionally sourced whenever possible.
- Promote the health and wellness of our community by providing facilities, resources, and information, and by offering effective, positive community education and services.

- Embody and model sustainable, humane, equitable, “green” ways of working and living, creating and maintaining an ideal workplace.
- Add to the enjoyment and enrichment of our greater community, and the expression of our common humanity.
- Help create and participate in other cooperative community ventures and networks.
- Have fun doing it!

## ***Our Core Values***

1. **Integrity:** An ethical commitment to bringing sustainability and humane practices into action.
2. **Quality Food and Goods:** Organic, natural and healthy, sustainably produced.
3. **Customer Service:** Friendly and responsive in an inviting environment.
4. **Community Involvement and Leadership:** mutual responsiveness that connects us with community members and inspires their involvement.
5. **Prosperity:** Financially viable, flourishing, well-managed organization that returns fair value to its members.

## ***Background and History***

Ukiah Natural Foods is a cooperatively owned natural food retail store in Ukiah, California offering a full-line of organic and natural foods and merchandise.

In the late 1970’s a small group of Ukiah residents evolved a buying club for food, fruit trees, fencing, household items, and farming supplies. The success of the buying club led to the idea to form a small food cooperative retail store that offered high quality natural foods and goods to the community.

“The Homestead Exchange” was incorporated as a non-profit in 1978. In 1980, The Homestead Exchange amended the Articles of Incorporation to a California corporation having a nine member board of directors and a general manager. The Homestead Exchange rented a store from that was located in a small converted garage on Gobbi Street. The Co-op continued to grow with members joining and volunteering their time.

Financial growth led the co-op to relocate to a larger rental location on Perkins Street, increasing the retail space and thereby offering a larger selection of natural food products to its members and the community.

There were many changes over the years at the Perkins Street location. There was a management structure change, two major expansions, and the co-ops name was changed to Ukiah Natural Foods. The rented building was in dire need of major repair and caused ongoing problems, which led the co-op to find another location. Money was saved over the years for a possible relocation and in 1997 the co-op purchased an existing 9,600 square foot

building at 721 S. State Street, on the corner of State and Gobbi streets. The new store opened in mid-January, 1998.

In 1998, the board of directors changed the management structure from a management team (financial manager, merchandising manager, and operations manager) to a general manager structure.

Since the relocation in 1998, Ukiah Natural Foods Co-op has experienced an average of 15.66% growth per year in sales taking the Co-op from 2.4 million in sales in 1998 to \$11.2 million in 2010, approximately a 365% increase in sales just 12 years.

The Co-op's growth from 1998 thru 2008 left us bursting at the seams in our operational capacity. In 2008, the board of directors engaged Sutti and Associates, a design firm that specializes in independent grocery stores, to revamp the store and warehouse areas with an initial design project for Phase I. The goals of this project were to create more room for additional products, replace all equipment with energy-efficient cases and compressors, add three express check-out lanes and create a safe and larger receiving area for deliveries. The Phase I remodel began in February, 2009 and was completed by April, 2009 at a cost of \$1.4 million dollars.

### ***Organizational Direction***

Sutti and Associates proposed a Phase II design plan that would expand the north side of the building, including a deli and second floor kitchen and bathroom. This plan would eliminate six parking places on the north side of the store. At the strategic planning session, the board and management concluded that Phase II would not provide the necessary space needed to support future goals or solve current spatial needs and the cost would be too great for a short-term fix to the existing building. Therefore existing Phase II plan is no longer in consideration.

In a market study completed in July, 2003, given the current sales penetration level achieved by Ukiah Natural Foods, the competitive environment within which it operates, and based on the experiences of other natural food co-ops in similar market situations, it is not unreasonable to expect a total market share potential level in the magnitude of 35% - 40% (versus its current level of 30%). However, it is doubtful that Ukiah Natural Foods can continue to grow much further toward this potential, given its limited facility and site characteristics, which include limited parking, ingress/egress that is hindered by the positioning of the espresso stand, visibility that is hindered by frontage buildings, and a store size that is inadequate to accommodate other services.

## ***Strengths, Opportunities, Weaknesses and Threats***

Prior to and during the first strategic planning session, the group was asked to look at the internal and external possibilities and limitations. The some of the strengths included:

- Financial stability
- Non-existent debt
- Uniqueness w/in community
- Low competition
- Product selection
- Loyal members
- Organic produce
- Incredible staff
- Excellent customer service
- Strong management & board

The some of weaknesses included:

- Space
- No community room
- No deli
- [Small] Parking lot
- Flow issues within the store
- The perception of high prices (when comparing conventional food)
- Lack of demo kitchen
- Overcrowded/noisy working space
- Need to be “greener”

The board and management team identified many possible opportunities, which would continue to support our purpose of being “a vital, thriving, and growing community center providing for the needs of our membership and the community”. Much of the conversation focused on community outreach and education as well as promoting localization, increased customer service, and program development.

During the discussion about opportunities, the group stopped the conversation and concluded that, while there was excitement about and energy to move forward with the possibilities, the reality is that the current location and its limitations would not fully support or even allow some of those goals.

Prior to the meeting, the group identified key external threats to the Co-op over which there is little or no control. The goals created during this process take those possibilities in account and we hope that by taking these actions, it will minimize the potential impact should these situations arise.

## **The Goals & Strategies**

### ***The Primary Strategic Goal***

Given the continued sales growth since moving to the South State Street location and the increased staff, the current facility holds increasing limitations. The physical space will not allow for the growing demand for a deli, more merchandize, or a demonstration kitchen for educational classes. The staff is limited in work space, with little room to increase community outreach or administrative staff. Finally, the expansion plans proposed in 2008, while expanding the building space for a deli, it would still not supply the space needed over time to continue the Co-op's projected growth.

Therefore the goals set forth in this strategic plan are driven by a primary strategic goal which is:

**In order to fully support the Co-op's purpose and the needs of its members and staff, Ukiah Natural Foods plans to move to a new larger store that is U.S. Green Building Council's LEED® certified or equivalent in a location that is in or close to downtown Ukiah by 2016.**

**This larger store will allow the Co-op to offer expanded products and services including: a prepared foods deli and eating area, expanded fish and meat counter, olive and salad bars, demonstration kitchen with a gathering space for educational classes and outreach programs, and additional office and storage space.**

(\*LEED is a third-party certification program and the nationally accepted benchmark for the design, construction and operation of high-performance green buildings. LEED gives building owners and operators the tools they need to have an immediate and measurable impact on their buildings' performance. LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.)

## **Goals & Objectives**

In order to reach this primary goal and to continue to support the vision and purpose during this transition, we have set forth the following objectives:

- 1. UNF will continue to provide quality products and services to members and the local community up to and during the transition to a new location, while seeking to increase annual sales to 14.3 million in the current location.**
- 2. Build on the existing Marketing Plan to address increasing store sales internally, by using staff to help promote sales and basket size, and externally by expanding to new markets within the community.**
- 3. Strengthen the financial structure of the organization in order to support the current operations of the store and accumulate capital for the initial investment of a move to a larger facility, which will require increased cash flow sufficient to offset debt-service and other increased occupancy costs.**
- 4. Secure a larger home for the Co-op which will accommodate a wider array of products and services for its members and improve working conditions for the staff.**
- 5. The Co-op will continue to provide for our members in fulfillment of the Co-op's Purpose Statements in support of local and sustainable products and employee training.**

## ***Strategic Direction***

### **Growing Sales**

**UNF will continue to provide quality products and services to members and the local community up to and during the transition to a new location, while seeking to increase annual sales to \$14.3 million (5% growth per year over 5 years) in the current location.**

#### **Strategy 1: Grow sales by maximizing the current store space.**

**Purpose:** Increased profitability will support the pro forma and the ability to finance the new location.

#### **Strategy 2: Adjust operational scheduling to accommodate the shopping needs of UNF customers.**

**Purpose:** To free up shopping aisles for customer convenience and get the product stocked efficiently. New or different schedules may allow departments to hire more employees while accommodating the limited space.

#### **Strategy 3: Adjust operational hours to increase sales.**

**Purpose:** Offering increased hours will increase shopping opportunities for customer convenience.

#### **Strategy 4: Research and implement, as possible, new revenue generators.**

**Purpose:** To increase sales in support of the move and to create membership inclusiveness.

## Marketing

**Build on the Marketing Plan to address increasing store sales internally, by using staff to help promote sales and basket size, and externally by expanding to new markets within the community.**

**Strategy 1: Product comparison to show our customers we aren't more expensive in the big picture in terms of customer service, quality, and value.**

Purpose: To overcome the community perception that natural foods cost more and capture more of the local market.

**Strategy 2: Increase product awareness**

Purpose: When customers know more about a product's taste and nutritional, it creates increased basket sales.

**Strategy 3: Expand existing or develop new creative marketing programs**

Purpose: To help expand community and customer awareness of product sales, special events, and healthy living programs through social media, local partnerships, and outreach to the Latino community, leading to increased income.

## Financial Structure

**Strengthen the financial structure of the organization in order to: 1) support the current operations of the store; 2) accumulate capital for the initial investment of a move to a larger facility, which will require increased cash flow sufficient to offset debt-service and other increased occupancy costs; and 3) prequalify for bank funding to match debt-service limitations.**

**Strategy 1: Create a realistic sales pro forma reviewing sales and cash flow to better define financial milestones to help meet our goal.**

Purpose: To help secure outside financing, look at a variety of different financing options, and to see if a project is feasible.

**Strategy 2: Review of and resolution of annual patronage refund issue**

Purpose: If the membership votes to approve the implementation of patronage refunds, UNF could save more than 70% of our federal/ state tax expenses at our current member purchase levels, while allowing UNF to retain up to 80% of member dividends for investment purposes.

**Strategy 3: Implement a Member Loan Drive**

Purpose: A loan program would create an affordable source of capital and a way to involve members.

**Strategy 4: Complete a Market Feasibility Study**

Purpose: An updated study will help determine our potential sales growth with the move and will help support the pro forma for financing.

**Strategy 5: Pre-qualify for a loan**

Purpose: Early preparation will allow for greater flexibility to move on potential opportunities and know where the financial limitations are when searching for a new site location.

## Site Development

**Secure a larger home for the Co-op which will accommodate a wider array of products and services for its members and improve working conditions for the staff.**

**Strategy 1: Research available properties, with guidance from the Finance Committee regarding budgetary constraints.**

Purpose: In support of the primary goal to relocate.

**Strategy 2: Develop a detailed plan for utilizing the new space to serve as guidance to the design team.**

Purpose: To serve as guidance to the design team to fit the needs of a new store.

**Strategy 3: Work with design team and project manager upon selection of a building or property in development of a transition plan.**

Purpose: To minimize the disruption to our current customers and to make sure the move goes smoothly.

## **Membership Services**

**Continue to provide for our members in fulfillment of the Co-op's Purpose Statements.**

**Strategy 1: Support local farmers**

Purpose: Continue to bring high-quality, fresh, organic food to our members; Supporting local business and keeping dollars within the local economy.

**Strategy 2: Increase customer service further by training employees about the food carried in the store.**

Purpose: The more employees know about the products the Co-op carries (nutritional value and how to use), the more the Co-op can assist and inform customers.

**Strategy 3: Create an expanded volunteer program.**

Purpose: There is an expectation of volunteerism with co-ops and this would offer opportunities for and encourage member-owners to volunteer in support of UNF and its community involvement.

## **Organization/Adjustments of Strategic Plan**

Since this plan has many variables it is contingent upon finding the right location and the right financing to service the new debt associated with the move. This plan must remain fluid as opportunities present themselves. The goal date is a move by the year-end 2015 to the beginning of 2016, however if a property that fits the space and location needs at the right price comes available earlier, the Board of Directors and the Management Team acknowledges the need to be prepared early on to take advantage of that opportunity.

Therefore, a large portion of this plan is front-loaded with work to define the key components in the decision making process, specifically determining the spatial needs of a new building, reviewing the current and projected market and demographics, and projecting financial information to determine comfortable financial boundaries. Additionally, the plan includes making some changes in 2011 and 2012 which will increase cash flow and sales, within the limitations of the current building and which will be in continual review.

A process was set in place for on-going reviews and strategic adjustments. Each strategy listed above has an action plan, which includes a means of verifying the progress and meeting the goal, a timeline, those responsible for the items, and any support needed. The plan lists the frequency with which those responsible will meet to touch base on the progress on the activities. The store managers will address items as outlined during their weekly leadership team meetings (LTM) and the Board of Directors has added an agenda item to each meeting to review the progress of the action plan.

The full action plan will be reviewed annually for adjustments. Some strategies will have been completed and some are on-going. An annual review will allow the group to change or add to the remaining strategies, creating a new activities list and action plan for the next year.