

Weaver Street Market – food co-operative (North Carolina)

Executive summary¹

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Introduction, a brief history

WSM is a food co-operative founded in 1988. Truly a community-owned business, the start-up was funded by a loan from the Self-Help Ventures Fund, by a Community Development Block Grant from the Town of Carrboro, and individual community supporters. Ruffin Slater is a co-founder of WSM. He has been General Manager since it opened in 1988.

The co-op started with only 250 members, each paying \$75-135 per household which covered only a tiny portion of the \$500 000 required for start-up. The rest of the capital came from borrowing; first, two dozen members agreed to loan \$5,000-10,000 each, and the balance was borrowed from the Self-Help Credit Union and from a municipal revitalization program.

WSM is the largest cooperative grocer in the Southeast. It is a « premier » local natural food supplier. It aims at recreating and reinventing a local and sustainable food system, to revigorate the downtown commercial center, and to re-establish a strong connection between communities of people and a locally sourced food supply. As a cooperative WSM takes the 7 cooperative principles to heart and which can be summarized in the operating conditions of 'economic viability', 'social responsibility' and environmental stewardship. « WSM is a remarkable local success story according to the Mayor Tom Stevens ».

They have received a number of awards over the years. In 2005, they won a national business ethics award for socially responsible business. The **Living Economy Award**, presented by Business Ethics Magazine, recognizes a company that is locally-based, human scale, stakeholder-owned, democratically accountable, life-serving and seeking fair profits rather than maximum profits. In 2007, they have been selected by the YES! Magazine as one of the seven best alternative businesses in the country. They were also named « sustainable business of the year » by the Chapel Hill-Carrboro Chamber of Commerce's foundation the same year. In 2009, the co-op was selected to be one of ten

¹ The present text is based on the case study « Weaver Street Market (WSM), Food co-operative located in North Carolina » by Daniel Côté.

US based local food enterprises to be profiled as part of « Community Food Enterprise: Local; Success in a global Marketplace », a project of the Wallace Center at Winrock International. In 2011, they were recognized as one of the top stores in the country by the Gourmet Retailer magazine and ranked in the top 50 list.

WSM proved to be a central market that reflects the soul of the community.

Business activities and performance

WSM operates three stores, a Food House and a restaurant. While, it used to be the only source for natural and organic foods, today it faces substantial competition from the likes of Walmart and other big box enterprises. It was therefore challenged to redefine its niche and did so quite successfully.

Between 2004 and 2008, the co-op saw a steady growth in sales and was able to generate substantial profitability. 2009 was a difficult year for WSM. They experienced a significant decline in their sales at two of their stores, Carrboro and Southern Village, due to the 2008 economic downturn and again new competition. This resulted in the biggest losses experienced since the foundation of the cooperative (\$1, 26 million on sales of \$25 million). WSM saw its equity to total asset ratio drop to 17%. This situation forced them to review all expenses and convert from an owner discount to a patronage dividend policy. They also had to raise additional capital. These changes had an immediate impact allowing WSM to resume profitable operations in 2010 which turned out to be a substantial turnaround for WSM going from their worst financial year in 2009 to their best ever.

Between 2011 and 2012 WSM experienced another banner year with overall sales jumping by almost \$3 million, from \$27 million to a close \$30 million and they earned a surplus of \$767,000 (2.6% on sales compared to 0.9% the previous year). WSM's equity over its total assets reached a healthy 34%.

The Food House has greatly improved their ability to produce high quality fresh food, and to offer more authentic food to their community with most of it being marketed through direct sales in their stores. It is a self-sufficient single facility providing the freshness of twice-a-day delivery to their stores. The Food House quickly became the cornerstone of their strategy to sell more locally-produced food providing all sorts of baked goods, pre-prepared meals, deli items and meats. The Food House now produces 25% of the products that WSM sells at its stores, amounting to \$5 million annually.

WSM values and purpose: Business model and the corporate social responsibility

More than just a grocery, WSM's roots in the community run deep and it describes itself as a destination.

WSM is a co-operative that strives to maximize local resources to meet local needs in the most ecological manner while working in harmony with the environment. It aims at providing for basic community needs in a mutually beneficial and non-exploitative approach. Being inclusive to all, WSM manages to create opportunity for community interaction. It also aspires at empowering both worker-members and consumer-members with fulfilling work and customer experience. It relies on education to develop an informed community.

WSM is based on a commitment to local, fair and authentic food. It is demonstrating how to practice local sourcing, purchasing, and marketing profitably. To pursue their vision, they have developed a unique design of a co-op, blending consumer and worker ownership.

In their 2007 annual report, WSM defines authentic food as: « *organic products from small farms that embody the spirit of organic farming rather than factory farms that do the minimum to get by. Authentic food means products from local producers who contribute to a sustainable food system, retain artisan production techniques, and allow family farmers to stay in business. Authentic food means fair trade – fair payment to farmers in the developing world. Authentic food means products from our own kitchen and bakery, where we use high quality ingredients and maximize quality and freshness* ».

The choice of products is first class from their cheese selection coming from all over the world, from their charcuterie, beer and wine, to handcrafted bread, etc. All of their meats are antibiotic and hormone free. Their biggest local categories (30% of their sales) are produce, milk and eggs, beef and pork, and products they produce themselves in the Food House, baked goods and deli items. As stated by Ruffin Slater, General Manager of WSM, they strive to sell products that offer the best possible value to their owners and the community. They seek products that meet their member's tastes, but also meet the values WSM has established as a co-op.

WSM works to offer « authentic food » to its customers. Product sourcing for authentic food has become more complex and requires that they conduct their own investigation, get to know the producers, and visit their operations. They have developed their own capacity to buy directly from local producers in economically viable quantities. They need to assist small producers to meet their needs for quality and consistency. In order to do so, they have hired a head merchandiser to lead their product sourcing efforts.

Although large mainstream organic products may not have all the advantages WSM seeks, they are still better than non-organic products, and WSM will continue to carry them when there is no small-scale local alternative.

Their annual purchases from regional producers total \$3 million. WSM does business with at least 150 local farmers and product producers and thinks it is important to make a list available to its owners and customers. The selection of these partner/suppliers is based on quality as well as sustainable and ecological certified farming practices. To help the members appreciate the unique partnership WSM builds with its farm suppliers, it invites its members to a farm tour every year (Annual Piedmont Farm Tour). In 2013, more than 3000 people visited 39 farms (close to 12 000 individual farm visits), allowing them to better recognize where their food is coming from, who is behind those products, but also how farming is being done. Almost half the food sold at WSM is produced locally, including the pastries, soup and salads and pre-prepared they craft in their own Food House kitchens.

Environmental stewardship is central WSM's goals and therefore buying practices, as shown in the previous section. Sustainable farming extends beyond vegetable crops to include livestock and aquaculture. Through implementation of local buying, they work to lighten the overall ecological footprint of their foods while guaranteeing the freshest food possible. The environmental bottom line is always improving at WSM.

WSM offers very good pay and benefits to its employees. The minimum salary paid is significantly higher than other grocery stores and restaurants in the area.

According the Ruffin Slater, the core values at the center of the WSM business model have never been half-hearted slogans. Those values have driven their decisions and practices since the beginning in 1988. They endeavor to act as their member's buying agent for food that matches their values. On a day-to-day level, this involves evaluating products and selecting foods that have the best combination of price, quality and social and environmental attributes.

Increase competition

WSM has to protect its position in the face of increased competition. Its members have an increasing number of alternative food shopping choices which puts pressure on the co-op to constantly improve its business strategy.

Slater and Watts stipulate that locally sourced produce was once enough to separate WSM from other grocery stores, but with increased competition, co-op owners and the community are demanding more of their market. « *The business side is under pressure to maximize itself as a true resource and benefit to the community. Being community-owned is a huge advantage on its own. At WSM, the co-op system and relationships with farmers*

mean that this philosophy is a reality ». But WSM must find a way to balance that special sense of community with being a top-class grocery store.

Appendix: a business model based on harmony

