

Flywheel Communications Report to Hunger Mountain Co-op

Co-op Conversation: Member-Owner Discount Programs

January through February, 2017



**Co-op Conversation
2017**

March 14, 2017

Flywheel Communications Report

A summary of the Co-op Conversations on member-owner discount programs

BACKGROUND

Hunger Mountain Co-op is focusing its 2017 Co-op Conversation series on the current Member-Owner discount programs. The topic is a priority right now because this category of its budget has outpaced sales growth the past few years and at some point in the future changes in the discounts may be needed. Before that occurs, the Co-op management team and Council wanted to get feedback on what Members think about the current programs, what their priorities are if changes are made, and suggestions they may have for making modifications.

A discount committee made up of staff, members, Council members and a communications consultant was selected by management and it began meeting in the summer of 2016. The committee is tasked with making recommendations to management on what, if any, changes should be made and on what timeframe they would take place. The group met through the fall to narrow the focus of this very wide-ranging topic and to prepare the materials that could provide Members with a brief background prior to the winter discussions.

The Co-op publicized the series through a combination of member emails, in-store signage, media placements and social media posts. Since direct mail to the co-op's 8,000 members has been limited to once or twice a year, this was not an option. The nearly 6,000 shoppers who have signed up to receive co-op e-mails were sent several special mailings about this. Signs and café table displays in the co-op were also used. A news release ran in the World and the Times Argus, the Bridge wrote a feature article highlighting the questions, and the co-op's regular live ad on WDEV invited feedback as well. A background document summarizing key data was broadly distributed online and in the store.

We captured comments from 120 members (see list at end of report), not including many informal conversations with committee members in the aisles or around town. Seven small group discussions were held at the co-op (on different days and times between January 23 and February 9) as well as a larger community meeting at the Kellogg-Hubbard Library. Seventy members attended all together. Co-op members were given the option of having a phone interview if they preferred and 17 of those were conducted by staff and committee members. The co-op also received comments from 29 members via e-mail and its Facebook page.

Of those who provided their age, the breakout was:

| | |
|-----------------|----|
| 25-44 years old | 19 |
| 45-64 years old | 25 |
| 65 and older | 40 |

The annual co-op shopper survey is took place from February 7 to March 1. Three questions related to this topic were on the survey which was completed by nearly 1300 people. Survey responders had access to the background information on the co-op's website, but did not have the in depth context that was provided in the small groups or interviews.

The process was set up to capture anecdotal and numerical ways to gauge feedback. Though these methods may not meet statistical rigor, they do provide a way of compiling preferences across all the groups and gauging the relative frequency that similar ideas were raised.

What follows is a synthesis of the comments and opinions we captured, as well as the survey results. The discount committee will use this feedback in developing its draft recommendations. These will be circulated back to the co-op community for reactions and comments before any ideas are finalized.

OUTLINE

As the starting point for this summary, all the comments were grouped into these various baskets:

1. Mission
2. Options
3. Criteria
4. Rate of change
5. Further research
6. Patronage
7. Encourage membership
8. Competition
9. Communication
10. Other

1-5 reflect the order of topics from our small group discussions and interviews. In general, they moved from the 10,000 foot view to gathering reactions and ideas related to specific options and questions we put forward. 6-10 were other major areas that came up repeatedly. Although they may be tangential to the primary focus on Member-owner discounts, they should prove useful for the committee as well as Hunger Mountain staff and Council going forward.

SOME KEY OBSERVATIONS

- The vast majority of people we heard comments from voiced a strong interest in modifying the current Member-Owner discount programs. There were a variety of reasons for making changes, but most agreed that the primary purpose of our Member discount program should be to increase access and affordability to co-op products for a wider segment of our community. Many seniors, as was pointed out repeatedly, may be in the situation of relying on the current discount in order to shop at the co-op. But, many seniors are not. The clear message was that the emphasis of the Co-op Member discounts should be on helping those who most need it, regardless of their age.
- In contrast to the broad support for modifying current discounts, there was a wide range of preferences regarding options going forward.
- Many creative approaches were brought up regarding potential changes to the current Member discounts. In fact, each small group raised at least one unique idea that had not surfaced elsewhere. These included:
 - Expand the criteria/programs Hunger Mtn. use to establish eligibility in Co-op Cares.
 - Limit discounts to staples or basic products and removing non-necessities from the program
 - Provide a sliding scale guideline for Members that use senior discounts and let them choose what % they receive
 - Enlarge the number and types of jobs that Members can do to help the co-op and earn their working discount.
- There was a lot of discussion related to the core worker and other member volunteer opportunities that can result in a working member discount. Generally, members who

participated in these conversations would like to see more options available to members who want to be involved in this way.

- Though the patronage refund system was not part of the focus on member-owner discounts, it was brought up by a number of groups. Generally, people were divided about the value of the patronage refund system for them when compared to other benefits.

Towards the end of each session, participants were asked to vote on three questions related to member-owner discounts. Their responses echoed what was heard during the first part of these discussions and interviews. The Co-op shopper survey included the same 3 questions.

Results below are based on 76 small group/interview replies and 1300 shopper survey responses.

For Question 1, small group/interview participants strongly favored modify current discounts. The highest ranking response in the shopper survey (“Need more information”) was not an option in the small groups and interviews.

| | | Small Groups and Interviews | Shopper Survey |
|--|---|-----------------------------|----------------|
| Q1. Do You think the Co-op should | | | |
| | Continue the member discounts as they are | 17% | 31% |
| | Modify current member discounts | 81% | 21% |
| | Eliminate all member discount programs | 2% | 2% |
| | Need more information | Not asked | 46% |

Question 2 asked for these to be ranked from 1-3, with 1 being their top priority. Overall average scores are reported here. These were determined by dividing the total score for each option (adding the 1s, 2s, and 3s) by the number of people responding.

Need based, the lowest average score, was the top preference in small groups/interviews and shopper survey.

| | | Interviews and Small Groups | Shopper Survey |
|---|-------------|-----------------------------|----------------|
| Q2. If the Co-op continues to offer member-owner discount programs, what basis do you prefer we use to determine benefits? | | | |
| | Need based | 1.2 | 1.5 |
| | Labor based | 2.1 | 2.1 |
| | Age based | 2.5 | 2.3 |

Question 3: Two-thirds of each group said if changes are made, phase them in gradually.

| | | Interviews and Small Groups | Shopper Survey |
|--|---------------------|-----------------------------|----------------|
| Q3. If the Co-op determines that significant changes are needed, do you prefer: | | | |
| | All at once | 35% | 36% |
| | Phased in gradually | 65% | 64% |

MISSION

In the small groups and interviews we encouraged participants to bring their personal views but also to be wearing their member-owner hats as they considered these issues. We asked them to think about the best long-range interest of the co-op as well as their own. As part of setting this stage, general manager Kari Bradley read the co-op's mission statement when he explained why the co-op is focusing on the member discounts now.

This part of the Conversation asked if the current discount categories (age, need, and co-op participation) reflect the Co-op's mission. This part was looking for reflections rather than possible options (which came later).

The bulk of comments in this section revolved around the senior discount and whether or not it helped advance the Co-op's mission. Repeatedly, when people advocated for keeping the senior discount, the key point was that many seniors live on a fixed income or have other financial restraints that limit what they can spend on groceries and other items. The idea that this vulnerable population is especially in need of healthy products to thrive was also made. People were passionate about this.

We need to find a way to keep the senior discount going. Cutting the program is a cold move when the need is greater than ever.

But, in almost every group, a broader discussion evolved. That is, how to address increasing access across lower income levels at all ages?

Really would like needs-based to more prevalent, very important part in terms of mission to make co-op accessible to larger community.

The co-op's mission should include affordability throughout a member's lifespan and it might be more significant when young than old.

Some seniors currently receiving their 6% discount offered to give it up if that would help lower income community members afford the co-op's healthy products. Other seniors were quick to caution that they would probably buy less at the co-op because they would have to look elsewhere to stretch their limited budget.

Some said they feel the senior discount is a reward for all the years they have been members and the co-op has been able to use their equity. It was also pointed out that the co-op picks up new members who join once they turn 65 and become eligible for the discount.

Unlike the senior discount, Co-op Cares had almost universal support to not only continue, but expand. It is seen to have a direct relation to the mission.

This Co-op-Cares Program is invaluable, and intrinsic to any co-operative mission for sustainable community participation.

The mission statement talks about community, but co-op prices mean we serve only one section of community.

For some, encouraging participation in the co-op is very important to the mission. It brings members closer to the original co-op model and you contribute in exchange for the discount.

Working there is a great opportunity to understand better about co-ops.

OPTIONS

Kari summarized the research he did asking other co-op's about their discount programs and their experience with changing them. A handout (see copy at end of report) had a range from "do nothing" to "change everything", but mostly offered up specific ideas to modify discounts. The groups were told this was not a voting exercise, but prepared as the starting point to get their reactions, to mix and match parts that resonated with them, and to add ideas that were missing.

In contrast to the broad support for modifying current discounts, there was a wide range of preferences regarding options going forward.

Limiting the days of the week the discount is available got a lot of interest and discussion. It could help stimulate business on an otherwise slow day (like Monday or Tuesday) and it would probably cut back the overall discounts the co-op is providing.

One group was very excited about the idea of a Senior Day once a week that was not tied to membership. They saw it as a way to work closer with area senior centers and housing to expand the co-op community and perhaps offer classes and transportation. Generally though the other groups saw limiting a discount to one or two days a week as problematic for a number of reasons. These included inconvenience, arranging transportation, timing with other errands and schedules, overcrowding, not matching product delivery day, and too confusing.

There was some discussion about discounting different departments on different days (like vitamin Wednesdays for other products), but it would be even more confusing to have to wait for a particular day to shop in each part of the store. Plus, many co-op members are not in Montpelier more than once a week.

Along those lines, discounting specific items was discussed a lot. One cashier said it would drive her crazy, but others were intrigued by the concept of using it to promote basic items, local foods, bulk, or other products seen as central to the mission. Some comments also liked it as a way to keep luxury and non-food gift type items at full price, but others felt the co-op should not limit it to certain items.

It should remain a general discount, and if you want to buy a candle or something at the deli, you can.

Grandfathering (i.e. maintaining the senior discount for current recipients but not offering to future seniors) was not a popular option. People felt it wasn't fair and potentially divisive. However, what a lot of people did suggest were variations of self-selection for the Senior discount. This ranged from just asking everyone on the program if they want to stay on to coming up with income guidelines and a sliding scale for Seniors to choose what discount they will take. Comments also proposed the idea of letting seniors donate their discount back to the co-op to support Co-op Cares or other affordability measures—either with each checkout or at the end of the year.

Numerous members suggested variations of changing the threshold age of the senior discount, the % of the discount, and combinations of both these ideas. For example:

Based on age: 4% ages 65 to 75, 5% ages 75 to 80, 6% over age 80

There were ideas for other discounts to consider including ones for veterans, Americorps, students, and families with young children.

Members encouraged the co-op to expand the outreach worker program and other volunteer opportunities. They think the resulting discount will bring in more young members and grow the impact the co-op has in our community.

Expanding Co-op Cares was also a recurring theme and groups brought up a number of existing programs that are already evaluating people in terms of low income eligibility. Adding these to criteria for Co-op Cares would be a way of extending this safety net. Programs include heating assistance, renter rebates, property tax relief, and weatherization.

Multiple members also suggested that discounts should not be compounded e.g. a member receiving the senior discount should not also receive the vitamin Wednesday discount.

One person suggested doing away with all the discounts except one to help low income shoppers. But most comments along those lines felt eliminating all the discounts (or suddenly cutting them) would affect too many members and have a negative result.

Throughout members expressed concern for sense of loss some might feel if discounts were reduced or eliminated. Many members urged caution, some advocated for testing ideas first and most advised a clear and compelling rationale if changes are to be made.

Two people felt strongly that the co-op should be looking elsewhere to save money instead of cutting any discounts.

CRITERIA

The overwhelming preference was that criteria for member discount programs should be need based. Labor was second, followed by age.

Reasons from those who preferred *need based* included “I think the Co-op has worked hard to make it accessible to many but there are still so many low-income people that simply cannot afford it”, “Labor participation is not always an option with people’s schedules”, and “if people need it and mission is healthy community, it seems like the best fit.”

Reasons from those who preferred *labor based* included “Encourage community volunteering” and “fundamental to what a co-op is.”

Reasons from those who preferred *age based* as a criteria included “It’s an incentive and appreciated”, and “many of the age and need based overlap.”

RATE OF CHANGE

Members we heard from clearly prefer to phase in any changes, rather than implement all at once. This gives time to measure impacts and then evaluate if further changes are needed.

All at once: “Simpler, clean break, easier to communicate.”

Phase in: “Change one type of discount at a time and reflect to see how it is going.”
“Match the pace of change with the type of change.”

FURTHER RESEARCH

The committee and staff received lots of suggestions for further research to look into related to member discounts. Some have already been brought up in committee discussions. New ones include:

- What other existing programs could be used to establish low income status?
- What’s the total a low-income shopper spends in a year, and then what impact does a 6% or 10% discount have on that?
- What are people with discounts buying, and whether limiting the discount from certain product categories would advance the coop’s mission.
- How do Co-op demographics line up with Montpelier and Washington County?

PATRONAGE REFUND

Though not part of the Member discount discussion agenda, the patronage refund came up in a number of groups. Those who really like it and want to keep it were balanced evenly by members who feel it is not very worthwhile or motivating to them as shoppers.

Would much rather see good sales from time to time than an annual disbursement check.

The fairest and least complex system to reduce discount benefits would have to be based on patronage, the more you buy the better the discount.

The other categories are not summarized in this report since they are not directly related to our primary topic. They are available as part of the Grouped Comments document on the Co-op's website.

Hunger Mountain Co-op Discount Options - January 2017

| # | Option | Potential Impact on Co-op | Notes |
|---|--|--|---|
| 1 | Add discount categories or increase percentage | Growth in discount expense, potential increase in sales; If profits go down, then reduce other expenses and/or increase prices | |
| 2 | No Change | Likely growth in discount expense If profits go down, then reduce other expenses and/or increase prices | |
| 3 | Reduce percentage of discount | Likely reduction in discount expense Potential to decrease sales | For example: 6% to 3% |
| 4 | Limit days of week/month that discount applies | Likely reduction in discount expense Potential to decrease sales Potential to shift some business to slowest days | For example: discount applied only on Mondays and Tuesdays |
| 5 | Limit discount to specific products | Likely reduction in discount expense Potential to decrease sales Potential to promote sales of staples or mission-oriented products | For example: discount applies to bulk foods and produce or all local products |
| 6 | Continue existing senior discounts, but discontinue the option going forward | Stop further growth of discount expense and begin its slow decrease over time Potential to decrease sales | Determine future of Co-op Cares and working member discounts separately |
| 7 | Allocate a set amount for each discount category each year | Control growth of discount expense Potential to decrease sales Added administrative burden | Pay at register until it runs out or pro rate end of year based on purchases |
| 8 | Eliminate all discount programs | Eliminate discount expense Potential to decrease sales Savings could potentially be used to increase patronage refund, lower prices on specific products, allocate more to other discount categories | Retain patronage refund |

Sources: practices from other co-ops, committee and staff suggestions

Participant List

| First Name | Last Name | How participated |
|-------------|-------------|------------------|
| Armand | Altman | email |
| Rachel | Andreyev | email |
| Alex | Anlyan | email |
| Alex | Anlyan | Interview |
| Eric | Bachmann | Interview |
| Jerry | Balkum | Small group |
| Terrance | Barber | Staff |
| Brenda | Bean | Small group |
| Susan | Becker | Interview |
| David | Bergamini | Forum |
| David | Bergamini | Small group |
| Neville | Berle | Interview |
| Roberta | Bienvenu | email |
| Michael | Billingsley | Small group |
| Melissa | Brenner | Staff |
| Alex | Brown | Small group |
| Elliot | Burg | Small group |
| Elliot | Burg | email |
| Barbara | Burnett | Small group |
| Pat | Carstensen | Small group |
| Wendy | Clark | Forum |
| Rebecca | Dalgin | Small group |
| Beatrice | David | Interview |
| Patricia | Davies | email |
| Neil | Davis | email |
| Marie | DiCocco | Small group |
| Phil | Dodd | email |
| Maria-Luisa | Duke | email |
| Irvin | Eisenberg | Small group |
| Gretchen | Elias | Interview |
| Sylvia | Fagin | Small group |
| Steven | Farham | Forum |
| Jake | Feldman | email |
| Melissa | Fisher | email |
| Lew | Friedland | Forum |
| Lew | Friedland | email |
| Nat | Frothingham | Interview |
| Krystal | Fuller | Small group |
| Mary Beth | Furr | email |

Hunger Mtn Co-op Discount Discussions

| | | |
|-----------|-----------|-------------|
| Sherry | Gary | email |
| Jeffrey | Gilbert | Staff |
| Alison | Goyette | Small group |
| Laurie | Graves | email |
| Carolyn | Grodinsky | Small group |
| Bud | Haas | email |
| Emily | Harris | Small group |
| Cynthia | Hartnett | Small group |
| Michael | Hauser | Staff |
| Emma | Hempstead | Small group |
| Mona | Hersey | email |
| Paul | Hess | Small group |
| Scott | Hess | Small group |
| Richard | Hoffman | Interview |
| Mary | Holden | email |
| Karen | Jackson | Interview |
| Beth | Johns | Staff |
| Sonia | Keene | Small group |
| Peter | Kelman | email |
| Marcia | Kepnes | Interview |
| Joseph | Kiefer | Interview |
| Meredith | Kittfield | Small group |
| Stephen | Klein | Small group |
| Peter | Kleman | Interview |
| Jess | Knapp | Small group |
| Tom | Leahy | Staff |
| Tammy | Leno | email |
| Jesse | LoVasco | Small group |
| Jeannie | Lowell | Forum |
| Catherine | Lowther | Small group |
| Patrick | Luce | Staff |
| Elizabeth | Mathai | Forum |
| Lucinda | McCloud | Interview |
| Susan | McKenney | Small group |
| Ron | Merkin | Small group |
| Andrea | Mills | Small group |
| Phil | Morse | Small group |
| M | Murray | Small group |
| Erin | O'Connell | Forum |
| Kevin | O'Donnell | Staff |
| Leo | Ormiston | Small group |
| Emma | Paradis | Small group |

| | | |
|------------|------------|-------------|
| Avram | Patt | Small group |
| Robyn Joy | Peirce | Staff |
| Rita | Ricketson | Forum |
| Deb | Robinson | Forum |
| Bernadette | Rose | email |
| Donald | Rowan | email |
| Kelly | Sewell | Staff |
| Eva | Shectman | Interview |
| Nancy | Sherman | Forum |
| Michael | Sherman | Forum |
| Marcia | Sibley | Interview |
| Diane | Sophrin | Forum |
| Justin | Stender | Staff |
| Joan | Stepenske | Forum |
| Tyler | Strange | Small group |
| Nancy | Sullivan | email |
| Ned | Swanberg | Forum |
| Elizabeth | Templeton | email |
| Brenda | Thow | Small group |
| Phoabe | Townsend | Staff |
| Red | Trees | email |
| Ellen | Urman | email |
| Geraldine | Vatan | Small group |
| Sophi | Veltrop | email |
| Bob | Walker | Forum |
| Peter | Weinbaum | Small group |
| Roger | Weingarten | email |
| Julianna | Westcott | Small group |
| Susan | Wilkie | Interview |
| Susan | Wilkie | email |
| Cassie | Wilner | Interview |
| Lee | Wilschek | Small group |
| Tim | Wingate | Staff |
| Elly | Wood | Small group |