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## Amazing Grains: A Study of The Grand Forks Food Cooperative

Lisa Wikenheiser

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# **AMAZING GRAINS**

**A Study of The Grand Forks Food Cooperative**

**An Independent Study By**

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**August 3, 1995**

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## EXECUTIVE SUMMARY

**Purpose and Methods:** To increase sales and membership and improve management procedures, the Grand Forks Food Cooperative - Amazing Grains - requested a study of its operations, competitors and customers. An in-store customer analysis, competitor analysis and member interviews were used to form a basis for the resulting conclusions and recommendations. The study was designed to reveal customer characteristics, increase competitor knowledge and discover areas within the cooperative which could be improved or revised to ensure long term viability.

**Literature Review:** A literature review revealed several important aspects about cooperatives, particularly the competition, customers, management and marketing of natural food cooperatives. Cooperatives provide a number of services and products with the guidance of several professional organizations located in the United States and throughout the world. Natural food cooperatives serve primarily white, affluent females age 30 - 44. They purchase natural foods to satisfy a diet in order to prevent future illness or support a spiritual/personal philosophy. Operation of the store can be handled effectively and efficiently by a manager who takes the time to plan, read reports/budgets and communicate to and make him/herself available to employees and customers. In order to ensure sales, the following marketing procedures are required: correct product selection, effective merchandising in the store and follow-up advertising. According to a preliminary market analysis, Amazing Grains holds 9 percent of the Grand Forks market; it is preceded by Hugos grocery stores, GNC, Nature's Country Store and Nature's Oasis.

**In-Store Customer Analysis:** The in-store customer analysis was completed for 267 customers who walked into Amazing Grains from June 22 to July 18, 1995. The primary

customers were college-educated, non-member females age 25 - 55 who live in Grand Forks. Most customers frequent the store once a month, purchasing \$1 - \$25 of bulk and grocery products.

**Competitive Analysis:** A competitive analysis was performed to compare Amazing Grains to its five direct competitors: GNC, Nature's Oasis, Nature's Country Store, The Garden and Hugos grocery stores. The analysis revealed that Nature's Oasis, GNC and Amazing Grains were the most competitive in nearly all the categories of product, service, appearance and employees. However, Amazing Grains did rank low on store location.

**Interviews:** Interviews with Tom Duval, President of Amazing Grains' Board of Directors, and Betsy Perkins, store manager, detailed the current operations of the co-op. Amazing Grains has an equity based membership, where members buy shares in the business and receive special discounts. The Board oversees the manager who handles all the day-to-day activities of the store. No plans have been developed; however, a mission statement and vision for the future has been written. Amazing Grains is currently marketing through a newsletter, signs and advertisements in local newspapers.

**Recommendations:** Based on the analysis, it is recommended that Amazing Grains consider the following:

1. Develop written long and short term plans (particularly a marketing plan).
2. Conduct management audits periodically.
3. Use consistent advertisements and track effectiveness.
4. Conduct a formal customer survey.
5. Set up a suggestion/comment box in store.
6. Observe competitors' stores, products and advertisements.



## INTRODUCTION

Today there are hundreds of cooperatives, businesses owned and managed by the people they serve, in operation. This cooperative spirit is catching on worldwide, affecting over 700 million individuals in nearly 100 countries (Fortunato, H. J. & Thompson, D. J. 1994, p. 3). The idea is simple: bring together a group of people who can pool their resources to satisfy a common need (Fortunato et al., 1994, p. 3). Yet this basic idea, which was created by the first co-op 150 years ago, has established the fundamental principles followed by today's co-ops who provide every product and service imaginable.

One of the most recognized type of co-op is the natural food store. Ranging from warehouses to buying clubs to retail stores, natural food co-ops have recently been growing in popularity due to the increased number of health and environmentally conscious individuals. What was once thought of as a "hippie" phenomenon of the 1960's, has now become a part of the lives of people of every race, sex, and religion. People are becoming aware of the fact that co-ops provide the basic food they need plus much more in nutrition and education at lower prices. Also, through customer ownership, patrons feel a true responsibility and connection with the co-op.

The Grand Forks food co-op, Amazing Grains, offers just those kinds of products and services at its retail store. Amazing Grains is owned and operated by its members, yet serves a substantial number of non-members. Presently, the co-op is suffering from low membership and low sales. The purpose of this study is to provide Amazing Grains with information on how to improve business through management and marketing techniques. It begins with a description of this purpose and continues to discuss co-ops, research findings, and recommendations.

## PURPOSE

The Grand Forks Food Cooperative, known as "Amazing Grains", began as a small buying club in the early 1970s (Table 1). Since then, the co-op has expanded its services and products to sell to the entire Grand Forks community - members and non-members. This expansion has prompted some customers to increase their food purchases from 10 percent to 50 percent or more.

Table 1. History of Amazing Grains

<u>Year</u>	<u>Event</u>
1970	Established as a buying club.
1973	Rented warehouse to store and distribute products.
1977	Established a volunteer board of directors.
1978	Became incorporated. Moved to 1602 9th Ave North (current location).
1994	Changed name to "Amazing Grains". Changed membership requirements to equity base.

SOURCE: From "History of Co-op", by Gessner et al., 1979. Tape Recording.



Currently, Amazing Grains is struggling to ensure the continuation of the business due to several problem areas. This study has been conducted in order to address those areas and to determine a means of improving operations. The following details the problem areas that were the basis of this study:

1. Membership
2. Customer Characteristics
3. Community Recognition
4. Competitor Knowledge
5. Low Profits
6. Site Relocation

**Membership:** Amazing Grains has had up to 750 members, now it has 85. Although this decrease is primarily due to changing membership requirements, it has resulted in a significant loss of income through membership fees. Amazing Grains needs to attract more members that will become involved in and support the business through store purchases. This problem may be alleviated if the second issue is resolved - knowing the customers it serves.

**Customer Characteristics:** Amazing Grains has very little knowledge about the customers they serve or the market potential for natural foods in the Grand Forks area. Customer demographics such as age, education, residence, and sex must be attained in order to aid Amazing Grains in serving their customers. Also, understanding the potential market available can provide a guideline for any business expansion being considered. Knowing the customer is the basis for any business to survive and Amazing Grains needs to strengthen their market knowledge in order to provide competitive products and services.

**Community Recognition:** Amazing Grains is unfamiliar to or possibly even totally unknown to many of the residents in Grand Forks and the surrounding area. Very few people

truly know what Amazing Grains is, what it has to offer, and where it's located. Business would surely improve if those interested were made aware of its existence. Marketing and customer analysis play a big part in resolving this problem.

**Competitor Understanding:** There has been an increasing number of natural foods businesses establishing stores in Grand Forks such as: GNC, Nature's Oasis, and The Garden. In addition, area grocery stores are beginning to devote more shelf space to develop and expand the natural products they offer. Services, products and prices offered by these competitors are unknown and, as a result, it is very difficult to know if what Amazing Grains is providing is competitive.

**Low Profits:** Amazing Grains has recognized low profits in the last several years. Monthly reports have even shown some zero or negative bottom lines. Contributing factors are determined to be little consumer recognition and store location. Amazing Grains must increase profitability in order to remain in business.

**Site Relocation:** All of the addressed issues will serve as an aid in deciding upon a move of the business to a more accessible and noticeable location. The information will provide data in determining if such a move will truly be beneficial or if other, less costly, actions could be implemented. Although space is limited in the current location, financial constraints force an expansion to be conducted only if profits can not be realized in another way.

This study is only a preliminary analysis of each issue described; therefore, additional consulting services regarding Amazing Grains and its operations may be desired. It is hoped that this study will be beneficial in the successful continuation of Amazing Grains.

## LITERATURE REVIEW

### History

The first successful cooperative, the Rochdale Equitable Pioneers Society, was established in northern England as early as 1844. The 28 members were weavers, shoemakers, cabinetmakers, tailors, printers, hatters, and engineers whose ideas became the basis of the principles followed by many co-ops today. In fact, in order to recognize the substantial contribution this co-op has brought to co-ops throughout the world, 1994 was proclaimed Cooperative Year (Fortunato et al., 1994, p. 3).

Co-ops came to the United States in approximately the same era; however, most of the co-ops still in existence began in the 1930's. As stated in The Food Co-op Handbook, "Today's co-ops are a product of the Industrial Revolution and the rise of capitalism" (Coughlan, B., Heins, M., Tumlin, H., Vohalem, D. 1983, p. 16).

The influence cooperatives have in the lives of practically everyone around the world in the 1990's is astounding. In order to really understand their impact, one must first come to know what it is they offer. Co-ops provide nearly every product or service desirable from anyone of any age, race, and sex. Some co-ops sell bicycles, furniture, appliances, camping equipment, and books. Others provide health care, insurance, and food (the focus of this study). There are co-op wholesalers for hardware and grocery. Many large co-ops exist in electric and telephone utilities, farms, and housing. Several others are in operation, but this list helps to portray the extensive functions of many very successful co-ops.

Today's cooperatives are successful businesses because they are responding to growing consumer needs in a global marketplace. There are 47,000 co-ops in the United States alone who



generate over \$100 billion in economic activity annually. They provide some form of direct service to as many as 100 million Americans - 40 percent of the population (Fortunato et al., 1994, p. 3). However, some of the most dominate co-ops in their industries are those in business outside the United States, affected another 600 million people (Fortunato et al., 1994, p. 30)

### **Food Co-ops**

The United States experienced its first food cooperative in 1822, but not only until the Great Depression did they grow, many of which are still in business today. However, the 1960's and 1970's experienced the greatest surge in food co-ops, mainly attributed to the spread of alternative lifestyles - particularly the need for natural, healthy foods. Today, there are three primary forms of food co-ops: preorders, stores, and warehouses (Table 2).

**Table 2. Food Cooperative Forms**

<u>Form</u>	<u>Definition</u>	<u>Types</u>
1. Preorders	Informal groups who order food before pickup.	Unified Branch Block
2. Stores	Maintain inventory, customers purchase as needed.	General Meetings Elected Boards Collectives
3. Warehouses	Supply food to preorders and stores.	

SOURCE: From The Food Co-op Handbook, By Coughlan et al. 1983.

**Preorders:** Preorders are also known as conspiracy or buying clubs. These co-ops are usually informal groups of consumers who order the food they want before they pick it up. Preorders serve only the members and they often have stricter nutritional standards than natural food store co-ops. There are three main types of preorders:

1. Unified preorders
  - single distribution point, all members given a job
2. Branch preorders
  - one distribution point for each branch with central committees to perform work
3. Block preorders
  - work and distribution done by the blocks on a rotation basis (Coughlan, B., 1983, p. 35).

**Stores:** Store co-ops are primarily natural food store co-ops. Stores maintain an inventory and allow members, and often non-members, to purchase on an as-needed basis. There are three types of stores based on how they make decisions and cover operating expenses. The three decision-making structures are:

1. General Meetings
  - periodic meeting are conducted for all members to participate in decision-making
2. Elected Boards
  - members are elected to a board to oversee operations (Amazing Grains utilizes this type)
3. Collectives
  - a "self-selected" board made up of members who participate in all operations from store clerk to strategic analyst (Coughlan et al., 1983).



In addition, there are three types of financial systems:

1. Rebate
  - annual net profit distributed to members in proportion to their purchases (Amazing Grains practices this type)
2. Direct Charge
  - members charged a specific amount each week, even if they make no purchases, and co-op sells items 2 percent to 3 percent above wholesale
3. Direct Savings
  - members charged a set percentage of the price of food added either to each individual item or to the total food bill (Coughlan et al. 1983).

**Warehouses:** Food warehouses supply food to preorders and stores, "maintain listings of cooperatives within their service regions and provide technical assistance to groups interested in starting food cooperatives" ("Cooperative Business In The United States"). There are nine natural food cooperative wholesalers that supply the food cooperatives located in the United States (Fortunato et al., 1994, p. 11). Like most of the food wholesalers, they are owned by the co-ops they serve. Wholesalers have proven to be very successful even though they average only a one percent return on sales (Fortunato et al., 1994, p. 9).

Today, approximately 300-400 natural food co-ops consisting of 500,000 members and 3,000 preorders containing 100,000 members remain (Fortunato et al., 1994, p. 11). Although these co-ops are smaller in number than they were in the past, their services have been steadily improving due to many changes:

1. Facilities are cleaner, brighter, and larger.
2. Products are expanded outside food.
3. Prices are decreased due to vertical integration - getting food directly from farmers.
4. Education about nutrition, food industry, and cooperatives. (Fortunato et al., 1994, p. 11).

These are among many changes which have generated more than \$1.2 million worth of goods purchased by consumers in the United States each day from natural food co-ops and preorders, and \$123 million worth of groceries and household products from independent food stores that are members of co-op owned wholesalers (Fortunato et al., 1994, p. 9).

### **Professional Organizations**

There are several cooperative associations located throughout the world that provide assistance to the various co-ops in business today. Below is a listing of the primary professional organizations, followed by a brief description of the services they provide to cooperatives.

1. International Cooperative Alliance (ICA)
2. National Cooperative Bank (NCB)
3. National Cooperative Business Association (NCBA)
4. Twin Pines Cooperative Foundation (Co-op Resource Center)
5. North Country Cooperative Development Fund
6. Universities of California and Wisconsin - Centers for Cooperatives

**International Cooperative Alliance (ICA):** Probably the largest professional cooperative association in the world is the International Cooperative Alliance (ICA) based in Geneva, Switzerland. It represents over a half billion members around the globe ("The Home Of Cooperation", 1995, p. ii). The ICA's most significant contribution to the cooperative business world, has been its 1966 adoption of six principles. These principles (Table 3) have become the basis of how most cooperative operate and therefore, provide a basic description of cooperative operations.

**Table 3. International Cooperative Alliance Principles**

1. Open and voluntary membership. A cooperative is open to anyone who can use its services and accept membership responsibility.
2. Democratic control. Members are equal co-owners.
3. Limited interest on shares. Membership shares pay limited interest to avoid those who would join solely for a return.
4. Return of surplus to members. Net profits returned to members often in form of cash and/or dividends in proportion to patronage.
5. Constant education. Provide education on the principles and practices of cooperative business to members and general public.
6. Cooperation among cooperatives. Cooperatives work together at local, regional, national, and international levels

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SOURCE: "Cooperative Business In The United States." Food Cooperatives.

**National Cooperative Bank (NCB):** Located in Washington, DC, the National Cooperative Bank (NCB) serves cooperatives in the United States and its territories. It "is a private, cooperatively - owned financial services company." (How To Organize A Cooperative, p. 6). The NCB provides many services including: long and short term loans, lines of credit, and business planning. Many of these services are conducted by its finance affiliate, NCB Development Corporation also located in Washington. The NCB is an important source for all cooperatives, including those in natural foods.

**National Cooperative Business Association (NCBA):** Formerly known as the Cooperative League of the USA, the National Cooperative Business Association (NCBA) is also



based in Washington, DC. NCBA includes members from housing to agricultural to financial cooperatives, as well as, many trade associations. It "represents cooperatives before Congress and the federal agencies and promotes and supports cooperatives in the US and overseas through training and technical assistance, publications and programs." ("Cooperative Business In The United States"). The NCBA has several affiliates including the Cooperative Development Foundation (CDF) and the Cooperative Action for Congressional Trust (Co-Act) which enable it to provide these services.

**Twin Pines Cooperative Foundation (Co-op Resource Center):** Located in California, this foundation supplies all cooperatives with a catalog of information to assist in operations. The catalog, produced in cooperation with several cooperative associations, is filled with literary and audio visual sources from starting-up to expansion. It includes editor recommendations and information about other means of education and training conducted throughout the US.

**North Country Cooperative Development Fund:** This Minnesota-based cooperative services cooperatives by providing literary information and references to additional associations and cooperative consultants.

**Universities of California and Wisconsin:** Each of these universities maintain a center for cooperatives. These two facilities provide seminars and conferences designed specifically for those individuals involved in cooperatives. They are also a very bountiful source of secondary information.

All the associations depicted in this section provide excellent services to all types of cooperatives. Most will provide information about themselves and cooperatives in general free of charge, but more complex and detailed services are provided for a fee.

### Natural Food Store - Competition

Amazing Grains has been suffering from increasing competition due to the growing market for natural products. Over the past five years, several natural product chains (ie. GNC), have set up stores in the Grand Forks area and they are likely to be a contributing factor to Amazing Grains' low profits. The following is a brief analysis regarding the market and competition of Amazing Grains.

According to a preliminary market analysis performed by Bill Gessner of Cooperative Development Services in May, 1995, (Appendix A), the natural foods market in Grand Forks is 1.75 percent of annual grocery sales, or \$1.58 million per year. This has the potential to grow to over \$2.262 million or 2.5 percent in the next five years as the trend continues. Gessner estimates that Amazing Grains stands at number five in market share with nine percent or \$147,000 per year. It is preceded by Hugos grocery stores, GNC, Nature's Country Store, and Nature's Oasis. Although these numbers are only estimates, they provide a basis for Amazing Grains in assessing the market as well as its fiercest competitors.

So what can Amazing Grains do to become more competitive? The key is to know the following three items better than the competition:

1. Amazing Grains' Operations
  2. Customers
  3. Competitors
- (Bangs, D. H. 1987)

**Amazing Grains' Operations:** Take time to study Amazing Grains itself. Ask what products and/or services does it offers, why does it offers them, how they are offered, etc.



**Customers:** Customers buy solutions. Amazing Grains must determine the solution and benefits its products and services satisfy and make sure they match the needs and wants of its patrons.

**Competition:** Compare Amazing Grains to the competition in any way possible. This will help to know competitors, determine differences, and gain preliminary ideas on how to differentiate. This can be done by observation and inquiries. One effective way to gauge competitors service is to call them and take notice as to how they act: Are they friendly? Were you put on hold? If so, for how long? What about their return policy? A telephone call is anonymous and can provide some valuable information.

As the competition for natural foods products continues to pressure Amazing Grains, a thorough analysis become detrimental. Service is often the strongest factor to differentiate but being able to compete means knowing who the competition is. Learn from their successes, go to the store and observe. There displays, sales, and promotions can spark ideas in addition to gaining knowledge about them. In addition, ask customers' opinions and study competitor advertisements.

### **Natural Food Store - Customers**

The heart of any business is the customers it serves. Therefore, knowing anything about the target market - from demographics to likes/dislikes - is necessary in order to ensure proper product and service selection. Cooperatives have an advantage in knowing their customers because many of the customers are members; as a result, more accessible. However, customer analysis studies are essential to tap potential markets and niches, in addition to increasing current customer purchases. Customer studies include surveys, observations and customer profiles

through mailing lists. The following information regards the demographics, attitudes, and behaviors of natural food store customers. It was a survey of more than 4,000 natural food consumers nation-wide conducted by New Hope Communications.

**Demographics:** The majority of natural foods consumers are likely to be affluent, college-educated, white females ranging in age from 30 to 44 years. They tend to have an income slightly above average, although this isn't a significant difference. Most do not watch television programs other than for news and education. Rather, they listen to public radio and read heavily - preferably newspapers and magazines including National Geographic, Time, and Newsweek.

**Preferences:** When asked what they liked most about natural food stores, consumers choose selection, organic products, and quality. Dislikes included high prices, crowded spaces and lack of selection. But the most striking difference between natural foods and mass market consumers was in their dietary preference. Topping the list was vegetarian followed by low salt, low fat and organic (Table 4).

**Table 4. Natural Food Shoppers' Dietary Preferences**

<u>Preference</u>	<u>Percent of Respondents</u>
Vegetarian	40%
Low Fat	26%
Low Salt	21%
Organic	20%
Low Cholesterol	18%
Macrobiotic	7%
Meats	7%
Convenience Foods	3%
No Wheat	3%

SOURCE: Johnson, G. (July, 1990). Who is the natural products consumer?  
Natural Foods Merchandiser, 1.

**Purchasing Behavior and Why:** Surprisingly, breakfast cereals were the products purchased by the majority of the patrons, however, not so surprisingly, 62 percent buy some type of vitamin or supplement. Consumers also desired education regarding the use of those products; the most common questions involved vitamins, herbs, and how to cook certain foods (particularly vegetables).

Finally, consumers were asked why they are eating natural foods. The primary reason was to prevent future illness, followed by a diet influenced by spiritual/personal philosophy (Table 5).



**Table 5. Why Consumers Are Eating Natural Foods**

<u>Reason</u>	<u>Percent Response</u>
Prevent Future Illness	50%
Spiritual/Personal Philosophy	20%
Treat Existing Health Problems	10%
Provide Extra Energy and Stamina	10%
Better Taste	10%

SOURCE: Johnson, G. (July, 1990). Who is the natural products consumer?  
Natural Foods Merchandiser, 1, 52-55.

All of these customer characteristics are important to Amazing Grains in making inventory, marketing, and strategic decisions. It is assumed that these characteristics apply to the customers of Amazing Grains; however, a company specific analysis should be conducted to verify and obtain additional information.

#### **Natural Food Store - Management**

Management has been said to set the pace and culture of a business; it may very well determine the success or failure. As a result, people chosen for management positions need to be competent and knowledgeable about the business and the industry in order to ensure a business is realizing its full potential. Although co-ops are a special type of business, its management should be conducted in the same manner as any other business for profit. It needs to consider long and

short term plans, advancements and new technologies, and industry standards. Many sources have stated that co-ops need only one good manager to be effective. However, that one manager is held responsible for many significant aspects of the co-op. This section discusses some of the most important responsibilities of a cooperative manager as well as some tips to become more effective.

The most important job of the manager is to plan, yet most managers have been noted to spend the least amount of time making plans. Nearly every aspect of a business stems from a plan; therefore, good business is good planning. According to the North Dakota Small Business Development Center Planning Guide, small businesses (like Amazing Grains) need only three main "classes" of plans (Table 6) which can provide the basis for all management decisions.

**Table 6. Classes of Plans**

<u>Plan Class</u>	<u>Time Frame</u>	<u>Definition</u>
1. Long-range Plans	2-3/5-7 years	Translates strategy into operative objectives.
2. Program Plans	3 weeks to long-range	Details individual tasks required to implement the strategies in written form.
3. Reports/Budgets	monthly or yearly	Financial documents with objectives for the year stated quantitatively, it guides and monitors day-to-day operations.

SOURCE: From Market Planning Guide, by Bangs, D. H. 1987.



**Long-range Plans:** The most neglected and most difficult to develop of the three classes. Long-range plans include writing a business plan. Several businesses have written business plans, often as part of a loan request, but few actually use it. An effective business plan takes time and energy to develop, but it can establish an identity, a goal of the business and communicate them to all the employees. A business plan includes a mission statement which clearly and concisely (fifteen words or less) expresses the business and its purpose. For most co-ops it simply states the desires to provide quality products at lower prices for its owners. It also includes a game plan that provides direction and vision to employees and information about markets, competitors, and marketing to help employees carry out their responsibilities. The business plan, once written, needs to be used and revised continually because of changes over time.

**Program Plans:** These plans involve individual responsibilities in achieving the overall strategies of the business. In addition to writing formal job descriptions other informal means of communication are necessary. It is key to inform employees about exactly what they are expected to do. This may be done through evaluations, monthly meetings for all employees, or bulletin board announcements. Communicate to them and show them how their duties contribute to the whole.

**Reports or Budgets:** This class of plans uses financial statements to study the operations more closely. Only properly developed and interpreted reports can lead to sound decisions.

Questions to ask when reading reports are:

1. Are inventory and expense reports providing all the information needed?
2. Can the reports be easily compared to industry standards?
3. Is management using the reports effectively?
4. Would additional reports be more helpful - is more detail or more compilation needed?
5. Do these reports indicate any trends?

To use reports more effectively, feel comfortable about knowing industry standards to compare and study other reports specific to the industry (ie. velocity reports help with inventory decisions).

There are also several things managers can do to increase themselves and the business as a whole:

- \* Join trade organizations or associations
    - read the information they provide
    - use them as a network group
  - \* Keep track of marketing efforts
    - allow an advertising campaign 60 - 90 days before determining effectiveness
  - \* Be on the store floor often
  - \* Conduct management audits periodically
  - \* Encourage suggestions and be available to hear them
- (Musante, P. 1995, Johnson, G. 1993, "Streetwise Marketing Strategies. . .").

Finally, planning will only be successful if employees agree to incorporate them and the changes that go with them. Change is likely to be more accepted if managers do the following:

1. Allow employees to help create plans.
  2. Base the plans on company principles (don't dictate).
  3. Train employees.
  4. Gain the support of everyone.
  5. Communicate early on all the plan entails (avoid surprises).
- (Bangs, D. H. 1987).

### **Natural Food Store - Marketing**

**General:** Marketing is one of the most important yet least developed aspects of a business. It is essentially communicating what the business is and what it offers to current and potential customers; it is the means by which a business makes its sales. There are several pieces of literature available providing numerous ways to market which often times only adds to the confusion of what is best for each particular business. The following is a compilation of some of these resources specifically designed to provide effective marketing techniques for small

businesses in the natural foods industry.

Regardless of the marketing program, not one will reach its full potential without a marketing plan. Contrary to what many believe, a marketing plan does not have to be long and detailed, although the more information given the more direction it provides. Rather, it can be one page or less as long as it addresses the primary issues of the business:

1. The business one is in.
  2. The goals the business is striving to reach.
  3. The people the business wants to sell to.
  4. The customer needs the products of the business meet.
  5. The strengths and weaknesses of the products.
- ("Marketing Plan In Miniature . . .").

Putting this information in written form communicates to all the employees the mission and vision of the business in a clear and concise manner.

Once a marketing plan is developed and studied, marketing methods can be looked to determine which is best for the particular business. There are three steps to marketing of which each should be given considerable time and effort:

1. Select the products.
  2. Merchandise the products.
  3. Follow-up with advertising.
- (Wells, D. 1993).

**Product Selection:** There are more than 25,000 products available in the natural foods industry. The average store carries 3,000 to 5,000 of those products, which indicates that it can be quite difficult to choose the proper products (Wells, D. 1993). A thorough customer analysis and evaluation of sales will help to determine what products are likely to be big sellers. It is also important to carry many different sizes of each product for further customer satisfaction.



**Merchandising:** Merchandising refers to the design of the store and the experience the customers encounter when they are shopping. Table 7 highlights the most important variables to look at in merchandising.

**Table 7. Merchandising Variables**

<u>Variable</u>	<u>Considerations</u>
1. Product abundance	<ul style="list-style-type: none"> <li>- eliminate empty space</li> <li>- double stack and face products</li> </ul>
2. Store design	<ul style="list-style-type: none"> <li>- choose a simple, vertical design and follow it</li> <li>- "spice up" store with products</li> <li>- eliminate distractions (murals, dirty floors and shelves, etc.)</li> <li>- arrange products in a way the makes sense</li> <li>- eliminate as much back room as possible (get inventory out front)</li> <li>- avoid register clutter</li> </ul>
3. Promotions and Specials	<ul style="list-style-type: none"> <li>- conduct regular promotions and specials</li> <li>- provide a guide to notify and assist patrons about attractions</li> <li>- use in-store displays (Note: single-item displays sell more than cluttered)</li> <li>- change displays often</li> <li>- make sure all displays have prices on a sign (Note: customers would rather not buy item than ask clerk for price)</li> <li>- give demonstrations to draw attention to special offers</li> </ul>
4. Variable Pricing	<ul style="list-style-type: none"> <li>- mark different prices within product categories and for key items (enhances price image)</li> </ul>
5. Education	<ul style="list-style-type: none"> <li>- supply literature on products, nutrition, cooking, etc.</li> <li>- hang signs throughout store regarding products</li> <li>- hire knowledgeable employees</li> </ul>
6. Scout and Consult	<ul style="list-style-type: none"> <li>- scout areas stores for ideas on product mix, and displays</li> <li>- consult distributors regarding product display</li> </ul>

SOURCES: Johnson, G. 1993, Kilham, C. 1993, Musante, P. 1995, Wells, D. 1993.

**Advertising:** Advertising enforces the efforts put into product selection and merchandising by making the public aware of the business and what it has to offer. There are several media to choose from and it is important to select the proper forms in order to reach those interested in what the business provides. The following is a list of some of the most important guidelines to help choose the proper media:

1. Sell a solution.
  2. Assume no one knows what the business is or what it sells.
    - provide all the necessary information in each advertisement
  3. Write a message that is clear and consistent in logo, tone, audience, etc.
  4. Run the advertisements in the same place often.
    - a good rule of thumb is at least seven times
  5. Don't copy advertisements.
    - be creative and unique
  6. Educate and appeal to the consumer.
- (Kilham, C. 1993, Musante, P. 1995, Wells, D. 1993).

There are also several opportunities for free publicity which can increase recognition and enhance the business image more than any paid media could provide. Becoming involved in the community, donating or sponsoring a charity event, conducting educational classes, or taking part in public service announcements are easy to do and very effective. The key is to constantly look for such opportunities and, when found, being open to try them out.

Whatever marketing method is chosen, be sure to put the customer first by:

- \* Considering their needs.
  - \* Communicating to them often.
  - \* Establishing a like and trust relationship with them.
  - \* Showing a genuine interest in them.
  - \* Showing an appreciation for their patronage.
- ("Streetwise Marketing Strategies. . .").

## METHODOLOGY

In order to conduct the analysis requested by Amazing Grains, several methods were used. Below is a description of those methods by which the following four areas were researched:

1. Marketing
2. Management
3. Competition
4. Customers

**Marketing:** Marketing the products and services offered by Amazing Grains includes effective use of store layout, appearance (in and outside the store), and advertising. Current practices regarding all of these issues were obtained through interviews with the store's manager (Betsy Perkins) and President of the board of directors (Tom Duval), as well as, through observation. Analysis and recommendations were based upon secondary research and guidelines described from several publications made available through North Dakota's Small Business Development Center and cooperative associations.

**Management:** Due to the fact that management involves such an extensive range of responsibilities, this area was reduced further for the purposes of this study. Included here, are the organization, and short and long term plans, goals, and objectives. As with marketing, current practices were obtained by interviews and the use of research specific to management procedures for cooperatives aided in the analysis. Also, studies of written material developed by Amazing Grains, such as financial statements and board meeting minutes, provided a more detailed look at operations - past and present.

**Competition:** There are several area businesses competing for market share in the natural foods industry. Amazing Grains has five direct competitors: GNC, Nature's Country Store,



Nature's Oasis, The Garden, and area grocery stores. Each competitor was compared to Amazing Grains regarding the following: location, store hours, products, services, prices and appearance. A form (Appendix B) including each aspect was developed and completed for each store by going to them and observing. A list of standard products, determined by the management of Amazing Grains, was included in the form in order to compare prices, product availability and packaging. Also included was a current preliminary analysis regarding Amazing Grains' market conducted by Bill Gessner of Cooperative Development Services in Minneapolis (Appendix A). This analysis is to learn more about the competition and discover areas for Amazing Grains to differentiate.

**Customers:** Due to the limited amount of time relating to this study, only a general overview regarding customer characteristics could be obtained. A brief in-store customer analysis (Appendix C) was developed and completed for each customer to determine the characteristics and buying habits of Amazing Grains' customers. The clerk filled out the form once the customer was serviced. Also, a national survey regarding customers of natural food stores was included for further information regarding the general characteristics of Amazing Grains' target market. This research is meant to increase customer knowledge and provide products and services that fit the customers' needs and wants.

## RESEARCH FINDINGS

### Introduction

Although taking advantage of all of the literature available is useful in running a successful business, some primary research specifically designed for the business is necessary. Amazing Grains is aware of this and as a result, three different types of analysis was performed:

1. In - Store customer Analysis
  - determine customer characteristics
2. Competitive Analysis
  - compare direct competitors to Amazing Grains
3. Interviews with Betsy Perkins, store manager and Tom Duval, Board of Directors' President
  - review current practices and policies in operating Amazing Grains

The following indicates the procedures, findings, and limitation of each analysis.

### In-Store Customer Analysis

Due to the lack of sufficient time available for a mail survey, an in-store customer analysis was developed (Appendix C). The form was to be completed for each customer that walked into Amazing Grains from June 22 to July 18, 1995. Completed forms totaled 260 providing information on 267 customers. The survey revealed the sex, age, residence, education, and purchasing habits of over the customers.

The analysis indicated that Amazing Grains serves the same "type" of consumer as those surveyed throughout the nation (discussed in literature section). That is, college educated females primarily ranging in age from 25 to 55. The majority of customers live in Grand Forks (138 respondents) while others live in the surrounding area. When asked how much money was spent for an average purchase, 206 indicated from \$1 to \$25. However, only 76 took advantage of discounts available, and those that did were volunteers. Although 60 reported that they shopped

there weekly, the majority showed visits on a monthly basis. Probably the most surprising information was the fact that 220 of the customers are not members of Amazing Grains. This indicates the service Amazing Grains provides to the entire community. The most common items purchased were bulk foods, followed by grocery and herbs (Table 8). Comments about the store (Appendix C) revealed customer satisfaction, appreciation, and additional product ideas.

**Table 8. Items Purchased**

<u>Item</u>	<u>Number of Customers</u>
Bulk	201
Grocery	130
Herbs	59
Non-Food	43
Frozen	38
Dairy	33
Produce	17
Vitamins	14
Special Orders	12

This analysis provides some very useful information; however, some limitations apply:

1. Answers may not be completely accurate.
2. Questions on some forms remained unanswered.
3. Form completion was not consistent for each customer.

Because of these limitations, this analysis should be considered preliminary. A more comprehensive, survey mailed to current and potential customers may be desired.



## Competitive Analysis

In order to be competitive, a business must have a thorough knowledge of its competition. For this reason, a competitive analysis form was developed (Appendix B) and completed for Amazing Grains and its five direct competitors:

1. Nature's Oasis  
Med Park Mall - South Columbia  
Hours: M-F 9am - 6pm Sat 9am - 6pm Sun 12pm - 5pm
2. Nature's Country Store  
South Forks Plaza  
Hours: M-F 9am - 9:30pm Sat 9am - 6pm Sun Closed
3. The Garden  
420 DeMers Ave  
Hours: M-R 10am - 7pm F 10am - 3pm Sat/Sun Closed
4. GNC  
Columbia Mall  
Hours: M-F 10am - 9pm Sat 10am - 6pm Sun 12pm - 6pm
5. Hugos Grocery Store  
1315 Columbia Road  
Hours: M-Sun 24 hours

The form entailed a rating system of the physical characteristics of each business (ie. signs, displays, etc.), product availability and pricing and special services (ie. special orders, education/literature, etc.). The following is a compilation of results found for each store in the following categories:

1. Outside Appearance
2. Inside
  - Layout
  - Music
  - Cleanliness
3. Employees
4. Sales/Promotions/Displays
5. Products
6. Special Services

**Outside Appearance:** Each store had relatively the same appearance: sign of store name and list of product categories available. No one store had any window displays or specials shown. The Garden and Amazing Grains were the only stores which did not have ample parking; however, they did have some parking available in front of their store.

**Inside (Layout, Music, Cleanliness):** All of the stores were very clean. The layouts varied, yet product placement appeared to flow for each. Amazing Grains and The Garden had background music that displayed a fitting image of the store and its products; others played contemporary radio stations. Nature's Oasis has tremendous empty space while GNC and Nature's Country Store were very cramped; Amazing Grains, The Garden, and Hugos were comfortable.

**Employees:** Nature's Oasis, The Garden, GNC, and Amazing Grains displayed the most customer service. Greetings and offers to help were immediate. Hugos and Nature's Country Store made themselves available; however, they weren't as accessible. The appearance of all the employees was adequate.

**Sales/Promotions/Displays:** The stores did indicate sales items; however, there was little attention drawn to them through the use of displays or signs. If any signs were used, they were not readily seen because they were placed above or below eye level.

**Products:** Five products: Rice Dream, Oatmeal, Garlic Tablets, Pasta, and Celestial Seasoning Tea, were chosen by Amazing Grains manager (Betsy Perkins) in order to compare the stores on product availability and price (Table 9). The stores were relatively close on all products in terms of price; however, Nature's Oasis, GNC and Amazing Grains were the only businesses to carry all five of the products chosen, offering several brands for each product.

Table 9. Competitive Analysis: Products

Products	Store					
	Nature's Oasis	Nature's Country Store	GNC	The Garden	Hugos	Amazing Grains
Rice Dream -						
Price (32 oz.)	\$2.49	\$2.59	\$2.59	\$2.39	N/A	\$2.19
No. Flavors	2	3	2	4		4
Dessert	N/A	N/A	N/A	Yes		Yes
Oatmeal -						
Price (13 oz.)	\$2.19	N/A	\$1.99	N/A	No	\$2.09
No. Brands	1		2		Natural	3
Garlic Tablets -						
Price (90-100 pills)	\$10.45(100)	\$11.00(90)	\$9.99(100)	N/A	\$9.66(100)	\$9.99(90)
No. Brands	4	1	8		3	1
Pasta -						
Price (10 oz.)	\$2.59	\$2.59	\$2.25	\$1.69	\$1.29	\$1.99
No. Brands	4	5	4	8	3	5
Avail. in Bulk	Yes	No	No	No	No	Yes
Celestial Seasoning Tea -						
Price (20 bags)	\$2.75	\$2.75	\$2.69	\$2.59	\$2.39	\$2.39



**Special Services:** All the stores (except for Hugos) carried several types of literature specifically designed for the natural products offered and nutrition in general. However, The Garden and Nature's Country Store appeared to supply the most "hands-on" educational services. The Garden conducts seminars and demonstrations for cooking vegetarian food. Nature's Country Store has a touch-screen computer available to customers that provides nutritional information.

**Limitations:** This research was limited because of its subjective nature. The findings would likely vary for each individual conducting the study due to the make-up of the form (rating scale), the manner in which the research was performed and the unique perceptions of each person. As a result, more concrete research should be conducted.

### Interviews

Meetings with Tom Duval, President of the Board of Directors, and Betsy Perkins, store manager, were conducted to review the procedures Amazing Grains follows regarding:

1. Membership
2. Strategic Plans
3. Operations
4. Marketing
5. Manager Notes

**Membership:** Recently, Amazing Grains changed membership requirements to an equity base, followed by most cooperatives. To be a member, one must invest \$100 either in one payment or quarterly installments of \$27.50 (additional charge goes to handling the account). This membershare investment represents a purchase of four shares of stock which may be redeemed if membership is discontinued. It is not an annual fee; rather, a one time purchase with the option to purchase additional shares if the member would like to contribute more to the co-op. Membershare allows a voice in the operating procedures of Amazing Grains as well as discounts

(10 percent quarterly). Since membership requirements have changed, there has been a decrease in those investing in the co-op. No definite reasons are known as factors for this decline.

**Strategic Plans:** Amazing Grains recently established a mission and vision for the future (Appendix D). Both the mission statement and vision provide a basis and general direction for Amazing Grains and its employees to follow. Standing at the forefront is a site relocation. The leaders of the co-op feel they need a larger, more visible store in order to capitalize on market potential. Considerable time and effort has been and is currently being devoted to this project.

Other plans relating to the vision of the co-op can be found in the minutes of some board of directors meeting. However, no written short and/or long term plans have been established.

**Operations:** Amazing Grains rents its current location at 1602 9th Avenue North. It is a 1,500 square foot building with approximately 900 square feet devoted to retailing products. It employs five part-time people (six during the school year): one manager, one assistant manager, and three (four) store clerks. Members are not required to volunteer any time; however, board members are strictly volunteer and additional volunteers are called upon to unload trucks, price and stock products, produce the newsletter and work at special events. These volunteers receive an additional two percent discount for every hour worked up to a 10 percent maximum per month, any additional discount is carried over to the following month. The employees receive on-the-job training, but no formal training procedure has been developed. Betsy Perkins, store manager, has been going to regional workshops and meeting with area cooperative managers to exchange ideas. She attends the monthly board meetings to give a "manager's report" regarding Amazing Grains operations. Other information discussed include the financial condition, membership, and site relocation. Newly-elected board members went through a training session

put on by Tom Duval, Board President. Annual meetings are conducted for all members, yet few attend. Committees are formed as needed.

**Marketing:** Over the years, Amazing Grains has conducted several different methods to gain community recognition:

1. "The Garlic Press" newsletter
  2. Signs
    - located on store and at 9th Ave North and Washington
  3. Cards
    - handouts describing Amazing Grains with a 10 percent coupon
  4. Advertisements
    - High Plains Reader
    - Leader (GF Air Force Base)
    - Grand Forks Herald
    - Placemats at Perkins Restaurant
  5. Lectures
    - Various club meetings
    - Church dinners
  6. Floats
    - Potato Bowl Parade
  7. Concessions
    - Summerthing
    - Food Fair
    - Health Fair
  8. Store tours
    - clubs
    - UND and area high school classes
- (Perkins, B. 1995).

The newsletter, sign, cards, concessions, and advertisements are current marketing methods.

Betsy Perkins, store manager, conducts the marketing efforts as she feels is needed, seasonally appropriate, and financially allowable. No specific means of tracing the effectiveness of any of the marketing attempts have been done; as a result, management is unclear as to what is best.



**Manager Notes:** Betsy Perkins feels that the strengths of Amazing Grains lies in its product line and customer service. Weaknesses include location, store hours, and employees who do not have a business background.

When asked about competition, Betsy Perkins indicated that natural food stores are primary competitors, although grocery stores are becoming direct competitors. She believes that advertising is the only significant factor that competitors do better than Amazing Grains.

## RECOMMENDATIONS

Several recommendations have been derived for Amazing Grains regarding its management, marketing, customers and competitors. These recommendations are based on the findings of secondary literature, customer and competitor analysis's and informal interviews.

### Management

Amazing Grains has made significant studies in developing its management procedures through its board of directors and current manager. The following recommendations are to enhance those procedures in order to become more effective.

1. Develop written plans.
2. Enhance employee business knowledge.
3. Establish general guidelines for employees.
4. Conduct management audits periodically.
5. Increase report effectiveness.

(Bangs, D. H. 1987, "Marketing Plan In Miniature. . .").

**Plans:** Develop written plans, both short and long term. Expand on the mission statement and vision for the future already established. Discuss at board and annual meetings and create a committee to write. Once the plans are completed, make them accessible to all employees and members of the co-op, reviewing periodically for needed changes.

**Business Knowledge:** Amazing Grains' employees lack a sufficient business background; therefore, this should be developed through attending seminars and workshops. Training such as these should include those designed for cooperatives as well as businesses for profit. Amazing Grains may also consider hiring a University of North Dakota business student as an intern. An intern could help set-up or improve computer inventory systems, generate additional reports, and work during busy seasons.

**Guidelines:** Establish general employee job descriptions and training procedures in order to communicate what is expected of each employee and to help them adapt. The training procedures need not be extensive; rather, develop checklists of information and business policies to ensure all are explained to the new hires. Also, provide employees with material regarding the co-op (ie. history, purpose, etc.) and the products and services it offers. Educate the employees so they can educate the customers.

**Management Audit:** Management audits are reviews of management procedures and business operations. They provide useful comparative data on the business from period to period and they also make managers aware of what may be unnoticed or considered unimportant aspects of the business. There are several different types of "how to" books available from cooperative associations; one will be provided to the co-op with this study (See Appendix E for sample audit).

**Report Effectiveness:** The periodic reports made available by suppliers (ie. velocity reports), as well as, the business (ie. financial statements) contain an abundance of information. Look for additional ways to manipulate the data for use in decision making.

### **Marketing**

As stated previously, there are three primary parts to marketing: selecting, merchandising, and advertising products. The recommendations below pertain to all three parts:

1. Write a marketing plan.
  2. Subscribe to applicable magazines.
  3. Use appropriate advertisements.
  4. Track advertising effectiveness.
  5. Be customer focused.
- (Kilham, D. 1993, "Streetwise Marketing Strategies. . .", Wells, D. 1993).



**Marketing Plan:** Write a marketing plan that describes strategies and objectives. If followed, it will allow Amazing Grains to become more consistent in the advertisements and image they portray.

**Subscriptions:** This recommendation is to encourage Amazing Grains to expand its business literature by subscribing to more magazines, journals, etc. that will aid in business management and marketing. They provide up-to-date information in the industry and otherwise.

**Track Advertisements:** Keep detailed records of the various advertisements used and their effectiveness (ie. coupons) in order to focus on those advertisements that are the most beneficial.

**Customer Focus:** Always be sure the advertisements and products focus on the needs and wants of the customers they are meant to serve.

### Customers

Devote more time to establishing a thorough knowledge of the customer. Include the following:

1. Conduct a formal customer survey.
2. Set up a suggestion/comment box.
3. Use direct mail.

**Customer Survey:** Develop a formal customer survey with the aid of a professional. This survey should be mailed to current and potential customers and include an incentive to complete (See Appendix F for sample survey).

**Suggestion/Comment Box:** Set up a comment box that is visible and accessible to all Amazing Grains customers. This may provide some valuable customer incite because it is anonymous and easy to do. Encourage customers to take part, making them aware that their

suggestions will be considered.

**Direct Mail:** Use direct mail to reach current and potential customers. It allows the sender to select who is to receive the mail and measure the effectiveness of the article mailed. Consider expanding the newsletter in what it entails and who it is sent to.

### Competitors

Continue to acquire an extensive knowledge about the direct competition by:

1. Observing the store and its products.
  2. Evaluating the advertisements.
  3. Asking customers' opinions.
- (Johnson, G. 1993, Musante, P. 1995).

**Observe Store:** Visit the competition acting as a customer. Take note of their prices, products (ie. size, availability, etc.), layout, displays, promotions, and sales. Be aware of any expansions or unique services.

**Evaluate Advertisements:** Look for advertisements in local newspapers, radio stations, billboards, and television channels. Consider what is being advertised, how it is shown, how often it is seen, etc.

**Ask Customers:** Question customers about the competitors. Look for what they like/dislike, how they react to the questions and their general feeling about a specific competitor.

## CONCLUSION

This study was designed to reveal customer characteristics, increase competitor knowledge and discover areas within Amazing Grains that could be improved or revised to ensure long term viability. The analysis provided the following information about Amazing Grains.

### Customers

Primary customers are college-educated, non-member females age 25 - 55 who live in Grand Forks. Most customers frequent the store once a month, purchasing \$1 - \$25 of bulk and grocery products.

### Competitors

Amazing Grains has five direct competitors: GNC, Nature's Oasis, Nature's Country Store, The Garden and Hugos grocery stores. Of the five, Nature's Oasis, GNC and Amazing Grains proved to be the most competitive in nearly all the categories of product, service, appearance and employees. However, Amazing Grains did rank low on store location.

### Interviews

Tom Duval, President of Amazing Grains' Board of Directors, and Betsy Perkins, store manager, indicated that Amazing Grains has an equity based membership, where members buy shares in the business and receive special discounts. The Board oversees the manager who handles all the day-to-day activities of the store. No plans have been developed; however, a mission statement and vision for the future has been written. Amazing Grains is currently marketing through a newsletter, signs and advertisements in local newspapers.



## Recommendations

Based on the analysis, it is recommended that Amazing Grains consider the following:

1. Develop written long and short-term plans (particularly a marketing plan)
2. Conduct managerial audits periodically
3. Use consistent advertisements and track effectiveness
4. Conduct a formal customer survey
5. Set up a suggestion/comment box in store
6. Observe competitors' stores, products and advertisements.

Amazing Grains demonstrates a great deal of potential as a prosperous business entity.

The recommendations stated above are designed to recognize this potential and increase the viability of the business.

## APPENDIX A





For this purpose we might define "natural foods" as those products commonly found in natural food stores (this includes some conventional/mainstream products). Nationally, the average is 1.25%-1.75%. In communities where the natural foods market has been developed over time, the average ranges from 2-6% with real strong markets being in the area of 12%+ (Boulder, Chapel Hill, Santa Cruz). As natural foods become more mainstreamed over the next 5 years, we'll see that range go from 2-6% to 10-15%. For now, we will assume the current natural foods market in Grand Forks is 1.75% or 1.58 million/year with the potential to go to at least 2.5% sometime in the next five years (2.262 million). Amazing Grains share of the current market is about 9%. If the current market is fully realized (and not just potential), maybe the market is divided as follows, now and in the near future:

	Current	Near Future (1-5 yrs)
Amazing Grains	147,000	400,000
Nature's Country Store	250,000	300,000
Nature's Oasis	150,000	250,000
GNC	300,000	350,000
The Garden	75,000	100,000
Hugo's (5 stores)	375,000	500,000
Super One	100,000	150,000
Leever's	100,000	150,000
Misc.	83,000	62,000
Total	(1.75%) 1,580,000	2,262,000 (2.5%)

This model does not factor in annual inflation to the \$30/capita for food. In a new store, you will draw from competition and expand the market. This assumes an aggressive growth strategy for Amazing Grains.

3. Assuming you will at least double the size of your selling space (typical expansion/relocations are 2.5-3 times the current size, but you may not be strong enough to do that.) Your sales projections might look like:

2000 sqft selling	Sales	%Growth	Sales/sqft selling space
Year 1	\$220,500	50%	\$110
2	264,600	20%	132
3	296,352	12%	148
4	325,987	10%	163
5	358,586	10%	179

I suggest looking at spaces ranging from 2500-3000 sqft total with 60-70% selling space. (70% is better than 60%.)

4. What products will you feature in your new store? What departments will you expand? What new departments will you have? What are your strong areas? What is % breakdown of sales (and margin) by dept. for current and new store? What is your member goal? What is your member capitalization goal? What is your marketing plan? What position in your local natural foods market do you wish to have? What % marketshare? Do you want to have leading market share? Do you want to expand your marketshare? Do you want to maintain your marketshare? What is your customer count/day or week? What is your average sale? What will these be in your new store? Current customer count and avg. sale, new customer count and avg. sale? What are the priority areas in the organization that need strengthening before you can operate a larger store?

## ANALYSIS BY DEPARTMENT

5/31/95

	margin	% of sales	% of cost
Bulk	.44	33.0	27.6
Grocery	.30	29.8	31.7
Dairy	.27	5.2	5.8
Frozen	.26	8.0	8.9
Herbs	.58	4.9	4.5
Produce	.26	2.1	2.4
Special Orders	.14	5.1	6.6
Vitamins	.34	3.0	3.0
Taxable Food	.36	6.3	5.1
Non-food	.35	3.8	3.7

## APPENDIX B



## NATURAL FOOD STORE - COMPARATIVE ANALYSIS

### Description:

Store Name \_\_\_\_\_  
 Location \_\_\_\_\_  
 Hours \_\_\_\_\_

### Store Characteristics:

Rate the following from 1 (poor) to 5 (excellent). Provide comments to support rating.

#### Outside

Layout	1	2	3	4	5
Parking	1	2	3	4	5
Advertising/Signs	1	2	3	4	5
Image	1	2	3	4	5

#### Inside

Layout	1	2	3	4	5
Quality of Merchandise	1	2	3	4	5
Atmosphere	1	2	3	4	5
Music	1	2	3	4	5
Clean	1	2	3	4	5
Employees - Appearance	1	2	3	4	5
Greeting					
Telephone Manners					
Helpfulness					
Knowledge					
Ability to handle complaints					
Sales/Promotions/Displays	1	2	3	4	5

**Products:**

Packaging and prices of the following:

Rice Dream

Oatmeal

Garlic Tablets

Pasta

Celestial Seasoning

Tea

**Additional Services:**

Delivery, special orders, education/literature regarding products, etc.

# AMAZING GRAINS GRAND FORKS FOOD CO-OP

Please print or type in block letters appropriate for the information you were just surveyed. Also, attach any comments you have regarding the customer satisfaction survey on the form. Thank you.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone \_\_\_\_\_  
Age \_\_\_\_\_  
Gender \_\_\_\_\_  
Occupation \_\_\_\_\_  
Education \_\_\_\_\_  
Marital Status \_\_\_\_\_  
Number of Children \_\_\_\_\_  
Annual Income \_\_\_\_\_  
How long have you lived in this area? \_\_\_\_\_  
How long have you lived in this house? \_\_\_\_\_

## APPENDIX C

Education: \_\_\_\_\_  
Attended Grade School \_\_\_\_\_ Attended Senior High School \_\_\_\_\_ High School Graduate \_\_\_\_\_  
Attended Junior College \_\_\_\_\_ College Graduate \_\_\_\_\_ Post-Graduate \_\_\_\_\_

6. Customer Frequency: \_\_\_\_\_ Weekly \_\_\_\_\_ Less Than Monthly  
\_\_\_\_\_ Monthly \_\_\_\_\_ Annually

7. Annual spend on purchase: \_\_\_\_\_ \$1 - \$10 \_\_\_\_\_ \$11 - \$20  
\_\_\_\_\_ \$21 - \$30 \_\_\_\_\_ Over \$30

8. What do you buy? \_\_\_\_\_ Bulk \_\_\_\_\_ Grocery \_\_\_\_\_ Dairy  
\_\_\_\_\_ Produce \_\_\_\_\_ Meat \_\_\_\_\_ Poultry \_\_\_\_\_ Fish  
\_\_\_\_\_ Wine/Beer \_\_\_\_\_ Non-Food \_\_\_\_\_ Special Orders

9. Did you buy any organic or specialty? \_\_\_\_\_ Yes \_\_\_\_\_ No  
If yes, please specify: \_\_\_\_\_

10. Please explain any unusual or positive remarks, comments, etc. on the back.



# AMAZING GRAINS GRAND FORKS FOOD CO-OP

## In-Store Customer Analysis

Date \_\_\_\_\_

Please check all those appropriate for the customer you have just serviced. Also, include any comments, requests, etc. you have regarding this customer that are not listed specifically on this form. Thank you.

1. ☐ Male ☐ Female
2. Approximate Age: ☐ Under 25 ☐ 25 - 35 ☐ 35 - 45  
☐ 45 - 55 ☐ Over 55
3. ☐ Member ☐ Non-Member
4. Place of Residence \_\_\_\_\_
5. The highest level of education achieved:  
☐ Attended Grade School ☐ Attended Some High School ☐ High School Graduate  
☐ Attended Some College ☐ College Graduate ☐ Post-Graduate
6. Customer frequency: ☐ Weekly ☐ Less than Monthly  
☐ Monthly ☐ Unsure
7. Amount spent on purchase: ☐ \$1 - \$10 ☐ \$26 - \$50  
☐ \$11 - \$25 ☐ Over \$50
8. Items purchased: ☐ Bulk ☐ Grocery ☐ Dairy  
☐ Frozen ☐ Herbs ☐ Produce  
☐ Vitamins ☐ Non-Food ☐ Special Orders
9. Did he/she use any coupons or discounts? ☐ Yes ☐ No  
If so, please specify.
10. Please explain any unusual or notable requests, questions, comments, etc. on the back.

## CUSTOMER COMMENTS

- [Looking for] "blueberry rice syrup. Want to buy bulk almond/rice milk."
- "The workers here are very helpful and knowledgeable. Thanks so much, I'm a novice."
- "Stay here."
- "We like an appreciate it!"
- "Just a great selection of fresh spices. Just great for my use."
- "Looking for walnut oil."
- "Satisfied customer."
- "Was glad to see so many new options with wheat-free foods."
- "I like your displays - store is attractive."
- "Love the variety and freshness of products."
- "Very nice store."
- "Looking for blue cornmeal."
- "Membership should fit family circumstances."
- [Looking for] "bulk golden seal."
- "Please carry vegetarian capsules in bulk - thanks."
- "I wish you could get organic produce in more frequently and in greater quantities. What's available is generally great though. How about organic or at least antibiotic-free milk."

## APPENDIX D

Some specific issues in this vision include:

- a larger store in a location significantly more convenient for most shoppers
- a kitchen and deli in the store
- stock organic and natural products
- regular organic and natural products
- computerized inventory control and tracking
- more customer education



## MISSION STATEMENT

The Grand Forks Food Cooperative is guided by the Cooperative Principles in

- operating a prosperous business
- offering healthful, quality products and services at reasonable prices to the community
- supporting local and environmentally responsible suppliers
- fostering the dignity and well-being of all.

## A VISION FOR THE FUTURE OF AMAZING GRAINS

We envision a thriving cooperative store in an appropriate, effective location.

The cooperative will be highly visible in the community, and regarded as a valuable asset by co-op shoppers and community leaders.

The cooperative will be recognized as an educational resource for good nutrition, preparation of healthful foods, and ecologically sound, cooperative business practices.

Always of highest importance will be a commitment to complete customer satisfaction with products and services.

\* \* \*

Some specific images in this vision include:

- a larger store in a location significantly more convenient for most shoppers
- a kitchen and deli in the store
- more organic produce and organic meats
- regular evening and Sunday shopping hours
- computerized checkout/inventory control/patronage tracking
- more community education activities

## APPENDIX E

# Figure 6.1 Management Audit

By: \_\_\_\_\_

Date: \_\_\_\_\_

Based upon my analysis of the business, I believe that the operation is being run satisfactorily in the area of:

## I. Sales and Marketing

### A. Pricing

- Are prices in line with current industry practice?
- Is your pricing policy based on your cost structure?
- Have you conducted price sensitivity studies?

Yes

No

_____	_____
_____	_____
_____	_____

### B. Market research

- Have you identified target markets?
- Do you segment your markets?
- Have you identified customer wants/needs?
- Do you know how your markets perceive your products/services?
- Has your business taken advantage of market potential?
- Has the competition been analyzed?

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

### C. Personal selling

- Are your sales practices satisfactory?

_____	_____
-------	-------

### D. Customer service

- Is customer service a priority?
- Is there a rational balance between serving your customers' needs and good business practice?

_____	_____
_____	_____

### E. Advertising and public relations

- Do you select media for measurable results?
- Is your advertising consistent?
- Does your advertising budget make sense in terms of the level of business and its anticipated, planned growth?

_____	_____
_____	_____
_____	_____

### F. Sales management

- Are salespersons and outside agents properly directed in their duties?
- Do you establish individual sales goals?
- Do you provide adequate sales support?
- Are your salespersons trained?

_____	_____
_____	_____
_____	_____
_____	_____

### G. Market planning

- Do you have a marketing budget?
- Do you have a market plan?
- Has your business taken advantage of market opportunities?

_____	_____
_____	_____
_____	_____

## II. Business Operations

### A. Purchasing

- Are reputable, competitive vendors used?
- Do you have a purchasing program?

_____	_____
_____	_____

continued on next page



Figure 6.1  
Management Audit *continued from previous page*

	Yes	No
<b>B. Inventory control</b>		
Do you know what your inventory turnover is?	_____	_____
Is slow-moving stock managed?	_____	_____
Have you established rational reordering policies?	_____	_____
<b>C. Scheduling</b>		
Do goods and materials move through the business without tie-ups and problems?	_____	_____
Do you know how long each job should take?	_____	_____
<b>D. Quality control</b>		
Are inferior incoming materials returned to vendors?	_____	_____
Are reject rates minimized?	_____	_____
Do you have a "do-it-right-the-first-time" policy?	_____	_____
<b>E. Business growth</b>		
Has your business grown at least above the rate of inflation?	_____	_____
Have you met your asset growth, sales, and profit goals?	_____	_____
<b>F. Site location</b>		
Do you have the right business location?	_____	_____
<b>G. Insurance</b>		
Do you have an annual insurance review?	_____	_____
Are the proper risks to your business (and to yourself) covered?	_____	_____
Do you put your insurance package out to bid every year?	_____	_____
<b>III. Financial</b>		
<b>A. Bookkeeping and accounting</b>		
Are your books adequate?	_____	_____
Are records easy to come by?	_____	_____
Can you get information when you need it?	_____	_____
Do you have monthly Profit and Loss (Income) Statements?	_____	_____
Do you have annual financial statements?	_____	_____
<b>B. Budgeting</b>		
Do you use a cash flow budget?	_____	_____
Do you use deviation analysis monthly?	_____	_____
Are capital equipment purchases budgeted?	_____	_____
<b>C. Cost control</b>		
Are cost items managed?	_____	_____
Are high cost items treated separately?	_____	_____
Is the budget used as the primary cost control tool?	_____	_____
<b>D. Raising money</b>		
Have you been successful in raising capital when it was needed?	_____	_____

*continued on next page*

Figure 6.1

Management Audit *continued from previous page*

	Yes	No
<b>E. Credit and collection</b>		
Do you know your C&C costs?	_____	_____
Is your current policy successful?	_____	_____
Do you review C&C policies regularly?	_____	_____
Do you have a receivables management policy?	_____	_____
<b>F. Dealing with banks</b>		
Is your relationship with your lead banker open and friendly?	_____	_____
Do you have access to more than one source of financing?	_____	_____
<b>G. Cost of money</b>		
Do you compare the cost of money (interest, points) with your profit ratios?	_____	_____
Are interest rates and loan conditions appropriate?	_____	_____
<b>H. Specific tools</b>		
Do you know and use:	_____	_____
1) Break-even analysis?	_____	_____
2) Cash flow projections and analysis?	_____	_____
3) Monthly Profit and Loss (Income) Statements?	_____	_____
4) Balance sheets?	_____	_____
5) Ratio analysis?	_____	_____
6) Industry operating ratios?	_____	_____
7) Tax planning?	_____	_____
<b>IV. Personnel</b>		
<b>A. Hiring</b>		
Has the right mix of people been hired?	_____	_____
Do you hire from a pool of qualified applicants?	_____	_____
Do you maintain a file of qualified applicants?	_____	_____
<b>B. Training</b>		
Are your employees suitably trained for their jobs?	_____	_____
<b>C. Motivating</b>		
Do your employees appear to enjoy what they are doing?	_____	_____
<b>D. Enforcing policies</b>		
Does there seem to be logic and order to what goes on in the business?	_____	_____
Are reviews and evaluations performed on schedule?	_____	_____
<b>E. Communicating</b>		
Are people informed and brought in on decisions?	_____	_____
Do you create opportunities for employees to set their own goals?	_____	_____

*continued on next page*

Figure 6.1  
Management Audit *continued from previous page*

## V. Administrative Management

	Yes	No
<b>A. Record keeping</b>		
Are records of past transactions and events easy to find?	_____	_____
Are records retained for at least the minimum legal time period?	_____	_____
Is access to personnel files limited?	_____	_____
<b>B. Problem solving</b>		
Are there few unresolved problems?	_____	_____
<b>C. Decision making</b>		
Are you decisive?	_____	_____
Is there a chain of command?	_____	_____
<b>D. Government regulations</b>		
Are you aware of local, state, and federal regulations that affect your business?	_____	_____
<b>E. Leadership</b>		
Do you actually take charge of the business and its employees?	_____	_____
<b>F. Developing subordinates</b>		
If you were to die or suddenly become disabled, is there a ready successor?	_____	_____
<b>G. Business law</b>		
Do you have a working knowledge of applicable business law regarding contracts, agency, Uniform Commercial Code, and so on?	_____	_____
Do you know how current contracts and other legal obligations affect your business?	_____	_____
<b>H. Dealing with professionals</b>		
Do you have and use an accountant, attorney, and business consultant?	_____	_____
Do you use outside advisors?	_____	_____



## APPENDIX F

1. What is your average weekly grocery expense at all shops?
  1. less than \$15
  2. \$15-\$25
  3. \$25-\$35
  4. \$35-\$50
  5. more than \$50
2. About what percentage of your weekly groceries do you buy at the shop?
  1. 0-20%
  2. 20-40%
  3. 40-60%
  4. 60-80%
  5. 80-100%
3. At what shop other than People's do you do the largest percentage of your shopping?
 

1. Quill's in the Village	5. Community Super Store
2. Quill's, Manager's Plaza	6. Food City
3. Quill's, Campus	7. Food Party
4. Quill's, West at Denison	8. Thriftway
5. Super Value	9. Peoples Market
6. Old Market	10. Market USA
7. Peoples Market	11. Other
4. How do you compare to the shop?
  1. better (value)
  2. same
  3. worse
  4. not sure

Please take a few minutes to give us your thoughts. We are in the process of evaluating the co-op, you can help us insure that the co-op is all that you want it to be. *Your comments are welcomed* and appreciated.

Please circle the number corresponding to your answer.

1. Your sex?      1. male      2. female
2. Your age?      1. 15-19      2. 20-29      3. 30-44      4. 45-59      5. over 60
3. Are you a People's Food Co-op member?      1. yes      2. no
4. Size of your household including yourself:  
Adults-      1      2      3      4      5 or more  
Children-      1      2      3      4      5 or more
5. Do you usually do the household shopping?      1. yes      2. no
6. On the average how often do you shop at the co-op?  
1. more than once/week      2. once/week      3. two times/month  
4. once/month      5. less than once/month
7. What is your average weekly grocery expense at all stores?  
1. less than \$15      2. \$15-\$25      3. \$25-\$35      4. \$35-\$50      5. more than \$50
8. About what percentage of your weekly groceries do you buy at the co-op?  
1. 0-20%      2. 20-40%      3. 40-60%      4. 60-80%      5. 80-100%
9. At what store other than People's do you do the largest percentage of your shopping?  
1. Quillin's in the Village      8. Convenience type store  
2. Quillin's, Menard's Plaza      9. Smale's  
3. Quillin's, Campus      10. Plaid Pantry  
4. Quillin's, West & Denton      11. Skogen's  
5. Super Valu      12. Freddie's Market  
6. Cub Foods      13. Monge's IGA  
7. Nutrition World      14. Other
10. How far do you travel to the co-op?  
1. under 1 mile      2. 1-2 miles      3. 2-5 miles      4. more than 5 miles

11. Which of the following product categories do you purchase mostly at the co-op or mostly other places? Why?
- Please circle only one place where you mostly buy and only one reason why you buy this product where you do.

Products	Place of Purchase			Price	Quality	Reason Why	
	Mostly People's	Mostly Other	Don't Buy			Variety	Convenience
1. produce	1	2	3	1	2	3	4
2. fresh fish	1	2	3	1	2	3	4
3. frozen fish	1	2	3	1	2	3	4
4. frozen foods	1	2	3	1	2	3	4
5. bulk foods	1	2	3	1	2	3	4
6. packaged natural foods	1	2	3	1	2	3	4
7. vitamins	1	2	3	1	2	3	4
8. cheese	1	2	3	1	2	3	4
9. dairy	1	2	3	1	2	3	4
10. coffee	1	2	3	1	2	3	4
11. bread	1	2	3	1	2	3	4
12. health and beauty	1	2	3	1	2	3	4
13. spices and teas	1	2	3	1	2	3	4

12. There are several options for the future of People's Food Co-op. Please indicate below whether you agree or disagree by circling your answer.

	Strongly Disagree		Strongly Agree	
A. Remain at present site and stay the same size.	1	2	3	4
B. Expand present site.	1	2	3	4
C. Retain present site and establish a second store.	1	2	3	4
D. Relocate the store to another site.	1	2	3	4



13. How would you rate how well the co-op does on each of the following things?

	Does Very Poorly					Does Very Well
1. Good use of member labor	1	2	3	4	5	
2. Cleanliness	1	2	3	4	5	
3. Prices clearly labeled	1	2	3	4	5	
4. Low prices	1	2	3	4	5	
5. Accurate/pleasant cashiers	1	2	3	4	5	
6. Good produce	1	2	3	4	5	
7. Shelves well stocked	1	2	3	4	5	
8. Helpful/friendly staff	1	2	3	4	5	
9. Accessible parking	1	2	3	4	5	
10. Short wait for checkout	1	2	3	4	5	
11. Convenient location	1	2	3	4	5	
12. Not usually crowded	1	2	3	4	5	
13. Pleasant atmosphere	1	2	3	4	5	
14. Clear, spacious aisles	1	2	3	4	5	
15. Frequent sales/specials	1	2	3	4	5	
16. Good variety/selection	1	2	3	4	5	
17. Easy layout for shopping	1	2	3	4	5	
18. Good newsletter	1	2	3	4	5	
19. Food quality	1	2	3	4	5	
20. Good member benefits	1	2	3	4	5	

14. Would you mind giving us your annual household income?

- |                      |                      |                      |
|----------------------|----------------------|----------------------|
| 1. \$0-\$5000        | 2. \$5000-\$10,000   | 3. \$10,000-\$15,000 |
| 4. \$15,000-\$20,000 | 5. \$20,000-\$30,000 | 6. over \$30,000     |

15. What one thing could People's do to improve the co-op?

THANK YOU VERY MUCH FOR YOUR COOPERATION.

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