

# NCGA Development Cooperative Addresses Growing Demand

BY C.E. PUGH

**T**he National Cooperative Grocers Association (NCGA) created a subsidiary Development Cooperative (DC) in 2008 for the purpose of providing specific, fee-based business development services for retail food co-ops in the areas of business improvement, expansion and new store development. This subsidiary isolates NCGA from the business and legal risk of development, and it also serves as a vehicle to procure development capital from multiple parties. A subsidiary cooperative permits NCGA to consider higher risk opportunities than would likely be feasible without a subsidiary.

NCGA currently has 122 member and associate co-ops operating 158 food stores in 34 states. Whole Foods, Trader Joe's and other national and regional chain operations are able to gather their cumulative experience in business and store development projects over time. Each future project benefits from this growing knowledge base as the organization adds to its collective internal expertise. The DC fulfills this role for NCGA's virtual chain of food cooperatives.

The DC engages directly with co-ops to improve their business performance. Areas of assistance include improving sales; gross margin and productivity; inventory management; marketing; staff development; and new department deployment. The DC also provides comprehensive new store development support. Areas of assistance cover market analysis

review; site selection; project scale; finance procurement; lease negotiation; store design; architect and contractor oversight; build-out management; equipment sourcing and installation; staffing and opening; marketing; and post-opening monitoring and measurement.

The DC assists co-ops in improving their existing business and new store development for a fee—utilizing both internal resources and external consultants. The DC's longer-term agreements and fees returned over the life of the agreement create a productive relationship between the DC and client co-ops and a vested interest for the DC in the co-op's success.

The DC is building NCGA's capacity to serve co-ops by consciously extending and deepening the expertise of staff and members and by developing practices that institutionalize such knowledge. Optimizing resources ultimately requires that we are a learning organization, marshalling skilled individuals to teach and train others. This approach continually improves our ability to work with co-ops one-on-one, while also building systemwide tools that help build the entire sector.

The DC fee structure provides for extended payments following the completion of the project. The DC has completed the work of six engagements, and there are currently 17 active engagements—two business-improvement and 15 new-store development or expansion projects. DC staff members have supported nine new store openings over the past two years and

are working with seven new-store/expansion projects that are expected to open in 2012. The nine recently opened new stores improved their communities with 220 new jobs, \$4.5 million in annual wages, \$12 million in local project dollars and over 10,000 new co-op member/owners.

The DC primarily works with NCGA member co-ops, but it has also worked with Food Co-op Initiative (FCI) and CDS Consulting Co-op (CDS CC) to support five startup co-ops, four of which have opened since June of 2010. We have learned a great deal about the extraordinary challenges of new co-op development during the past year, and the DC is working with FCI and CDS CC to develop a more structured development approach and improved systems to support startups. The DC is most suited to supporting startups in the implementation phase, while these other partners are geared toward organizing, feasibility and development. All of these entities are committed to working together to lend support in ways most appropriate to success. (See page 24 for more on the startup process.)

NCGA member feedback has been positive, and demand for the DC's services has recently exceeded the capacity of its limited staff. The DC is now adding staff to support the increased demand and broaden its ability to support food co-op development and business improvement.

Please contact C.E. Pugh (ce.pugh@ncga.coop) for more information about the NCGA Development Co-op. ■

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