



CASE STUDY: WILLY STREET GROCERY COOPERATIVE

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“I’m pleased to announce that sales forecasts are exceeding expectations at both Willy East and Willy West. Sales for the combined operations are running at 10% over what was budgeted.”¹ There was an audible sigh of relief in the boardroom as Anya Firszt, Willy Street Co-op’s general manager continued to share positive statistics about the Co-op’s new location.

It had been nine months since Willy Street Co-op opened its second location and both sales and membership were exceeding expectations. And despite the growth at Willy West, sales continued to be strong at the flagship location on the east side. After years of hard work and several aborted efforts to expand, it was a relief to finally have Willy Street’s second store open, embraced by the community, and on track for financial success. As this success began sinking in, minds naturally turned to the Co-op’s next step.

History of the Willy Street Grocery Co-op

The Willy Street Grocery Cooperative, is a consumer-owned co-op located in Madison, Wisconsin, and has been one of the city’s major purveyors of natural and organic foods since it opened its first storefront in 1974. The Co-op developed in response to an increasing demand for natural foods in the 1960s and 1970s as well as the departure of a local buying club from the Williamson Street area, which at the time was a somewhat run-down neighborhood with a diverse socio-economic make-up. Since its humble beginnings, the Co-op has experienced impressive growth and now has 24,000 member-owners,

approximately 275 employees, and over \$26 million in annual sales.² (See Appendix A.)

The Co-op’s first storefront was located in the heart of the neighborhood at 1101 Williamson Street. Willy Street Co-op and Nature’s Bakery Cooperative shared this small space and offered a limited selection of products. A small staff of volunteers ran the store, while another group of volunteers sought out a larger location.

In October of 1974, the Co-op moved to 1014 Williamson Street, which had 900 square feet of retail space as well as some storage space. The Co-op was able to increase its inventory and hire six full-time workers. At first, the staff was not paid but was allowed to take up to \$50 per week for sustenance until the Co-op was financially stable. Many of the workers took less or none of the allotted \$50 and within three months the Co-op was able to begin paying the staff.³

The Co-op quickly outgrew this space and relocated once again in October 1977. The new space, at 1202 Williamson Street, had 1,600 square feet of retail space and 2,500 square feet of office and storage space. The inventory expanded greatly, sales doubled almost immediately, and membership grew from 1,300 to 4,000 in five years.⁴

This success came with staff and governance challenges. Up until this point, the Co-op had had no formal governance system, board of directors, or staff structure—the staff operated on a non-hierarchical, consensus basis and most

governance issues were addressed at monthly membership meetings. As the Co-op grew, this system no longer met the Co-op's needs and the business began experiencing financial losses. In response, the membership elected its first board of directors in 1979 and hired its first general manager in 1982.⁵



Historical meeting at the Willy Street Co-op

By 1985, the Co-op was back on sound financial footing and decided to expand into available space in their building. Sales continued to grow in the 1980s and by 1990 the Co-op was able to purchase the building.⁶

In 1998, the board began yet another conversation about expansion—but there were nine board members and nine different visions of that what expansion meant. After 20 years at 1202, the Co-op had outgrown the space. It was inefficient and needed renovation and equipment was starting to break down. The board discussed renovating the current location but at some point it became clear that they should look for a new location.

The most recent Willy Street Co-op expansion on Williamson Street took place in 1998 with the purchase of the former Eagles Club building at 1221 Williamson. The building has 20,000 total square feet and 9,500 square feet of retail space. The building was remodeled and opened for business in October 1999.⁷ Since then, the Co-op has continued its impressive growth. Between

2000 and 2004, annual sales grew from \$6.34 million to \$11.4 million, nearly doubling sales per square foot.⁸ In fact, the Co-op experienced so much growth after the move to 1221 that they immediately began thinking about their next step.

Exploring the Possibilities

Opportunities Committee

In response to rapid growth at the 1221 location, the Co-op formed an Opportunities Committee in 2004 to explore potential expansion ideas. The Opportunities Committee was a member-owner-driven committee comprised of four staff members, three board members, and seven member-owners at large. In order to staff the committee with a good representation of member-owners, general manager Anya Firszt placed a call for member-owner volunteers in the Co-op's newsletter. She also asked three members of other local grocery co-ops—Regent Street and Mifflin Street—to join the committee. Firszt emphasized that member-owner involvement in the committee was prioritized “because owner loyalty is what makes our business a success” and it was critical to have member-owner “investment in the decision of where to locate.”

Once the committee was formed, members drew up a long list of possibilities including remodeling the 1221 location, buying a farm, starting a restaurant, launching a daycare service, opening an offsite kitchen facility, establishing a natural foods warehouse, and opening a second store, among others. Of these, three ideas rose to the top and were adopted by the board as potential strategies: 1) Open a second store 2) Open an offsite production facility, and 3) Change the footprint of 1221 to better accommodate the Co-op's growth. Initially the ideas were prioritized in that order, but over the years their order of priority shifted a few times.

Why Expand?

In 1999, a market study revealed that at \$17-18 million in sales, Willy Street Co-op would be maxed out on their current space—and at \$18.4

million in sales they were. On average, a typical grocery store turns their inventory over 18-20 times per year and has sales of \$700-\$1,100 per square foot. In 2007, Willy Street was turning their inventory over 35 times per year and averaging sales of \$1,900 per square foot. While these figures were good for business, they created major labor and space constraints that put too much pressure on the store and staff.



Willy Street Co-op's current store on the east side.

In addition to pressure on the space and staff, member-owners began to comment on how crowded the store was and the need for additional parking. Many member-owners were driving from around the county to shop at the Co-op. Beyond alleviating crowding, these member-owners were also interested in having access to a more conveniently located Co-op. Many member-owners wanted a store of their own in their neighborhoods.

Convincing the board of the need for a second location was easy—they knew something needed to happen to alleviate pressure on 1221 and quickly came to the conclusion that the best idea was to open another store. The board took seriously the opportunity to create good jobs in a difficult economy, give current staff professional growth opportunities, and provide additional market opportunities for local farmers. The board of directors also had an interest in protecting the Co-op's position in Madison's natural foods market. With the arrival of Whole Foods and

Trader Joes in the mid-2000s, the Co-op needed to be proactive about diversifying and maintaining its place in the market. The real challenge was picking a location that met the committee's criteria and would actually have a downsizing effect on 1221.

Monroe Commons

Monroe Commons, in the heart of the Monroe Street neighborhood, was the first potential expansion opportunity to arise. The Monroe Commons development project was an ideal location. The community is highly educated, affluent, and located in close proximity to the University of Wisconsin-Madison campus.

An aging grocery store was originally on the Monroe Commons site. When the owner retired and was going to sell the property to Walgreens, over 400 neighbors met to explore other options to keep a grocery in the neighborhood. Monroe Street Grocery Cooperative came into being as a result, and it spent the next several years negotiating with the city and new owners of the site on various redevelopment plans, eventually including the Monroe Commons project. The Monroe Commons developer's plan, which included demolition of the old site, TIF financing, and the building of a very large condo project, was only approved once a space for a retail grocery was included. The developers asked that they be allowed to negotiate directly with Willy Street, since Monroe Street Grocery Cooperative was not yet a proven successful grocery business. The Monroe Street Co-op agreed to step aside at which point Willy Street entered into negotiations with the developer.

On July 5, 2004, member-owners received a ballot and four-page summary of the benefits, costs and risks of two ventures: opening a second store on Monroe Street and the development of an off-site kitchen. At the time, the Co-op's bylaws stated that member-owner approval was required for any unbudgeted capital expenditure on expansion over \$50,000.⁹ The membership voted to open both the store and an off-site production kitchen.

After 10 months of negotiations, however, the Monroe site developer and the Co-op could not agree on terms and eventually broke off negotiations. The developers behind the Monroe Commons were asking \$28 per-square-foot, a price the Co-op could not afford to pay, so the Co-op walked away.

Through this disappointment, Willy Street learned that it can be difficult to do business as a cooperative in a corporate environment. Many cooperatives choose to share information freely with their member-owners, making it more difficult to keep business dealings secret. In the case of the Monroe Street expansion, the board asked the membership to vote on the expansion proposals before they had negotiated a deal with the site developers. The board hoped that securing member-owner approval would prove their interest in the Monroe Commons site and put the Co-op in a better position during negotiations.¹⁰ In real estate dealings, however, secrets are often critical to success. Based on this learning experience, the board of directors kept the remaining list of potential sites private until a deal was secured.

Metropolitan Place

In late 2006, the Co-op began negotiating with the Buckingham Corporation to operate a retail grocery store in the Metropolitan Place Condominium project being developed on West Mifflin Street in downtown Madison. After sinking months of work and approximately \$600,000 into the project, the Co-op learned in early 2008 that Buckingham could not meet its financial obligations to the bank. As a result, the development was put on hold indefinitely and the Co-op had to terminate the agreement. In addition to the time and money the Co-op had already invested in the project, the Co-op had hired staff for the new store six months prior to the proposed opening date. When the deal fell through, these combined factors put a major strain on the Co-op's finances and frustrated member-owners and staff. It was a tense, difficult time and people wanted someone to blame. A

board member at the time confessed that the board "missed the ball on pulling the plug on MP2 [Metropolitan Place]. We were too trusting." None of the board members who were on the board when the Metropolitan Place deal fell through were re-elected during the next general election. Most board members believe that the unusually high turnover rate was due to the failed expansion efforts.

The loss of the Monroe Commons and Metropolitan Place opportunities was a huge blow to the Co-op's expansion efforts. While other potential sites were still available, including locations on the north and east sides of Madison as well as in Middleton, the Co-op's consultant, Dakota Worldwide Corp., had highly recommended both sites due to their strong demographics and sales potential.

Offsite Production Kitchen

In the middle of the Metropolitan Place expansion process, the Co-op opened an offsite kitchen, which enabled the Co-op to create additional floor space at 1221. While the Co-op had planned to open the second retail location before opening the offsite kitchen, by 2004, they had completely outgrown their refrigeration and storage space at 1221. The new facility alleviated some pressure on 1221 and helped the Co-op grow their deli sales. The facility was designed to supply product to at least two retail operations and it was obvious from the beginning that the kitchen could expand its operations. When it first opened, it was only running eight hours per day, but it is now operating sixteen hours per day due to increased demand for prepared foods.

Second Site Committee

After the Co-op regrouped from the Metropolitan Place disappointment, Firszt formed a Second Site Committee that focused exclusively on evaluating a list of 24 potential sites that she, a realtor, and a few board members had compiled. The Second Site Committee, which did not include any board members, was comprised of two people from the Opportunities Committee and five member-

owners who were new to the process. The seven member-owners represented different geographic areas in and around Madison. First selected committee members based on individuals' interest in the Co-op over the last ten years. She also chose professionals, including a commercial real estate broker and an architect, whose skill sets would be valuable in the decision making process.

The committee used market studies from Dakota Worldwide (see Appendices B and C), a tiered set of evaluation criteria, (see Appendix D), and site visits to narrow the list down to two prospective locations. To accomplish this task, the Co-op hired an outside facilitator who led a series of seven meetings over the course of three months.¹¹ The facilitator worked hard to use facts and a structured process to bring the group to a consensus decision. The two biggest difficulties during the process were getting people to agree on the evaluation criteria and to look beyond their first choice.

As the committee worked through the list, they dropped a few sites that were no longer available. Midway through the process, the committee requested an updated market study from Dakota. (See Appendix E.) This second Dakota study eliminated additional sites that did not have promising demographic or sales data. For many years, the Co-op had been encouraged by the city and neighborhood associations to open a store in an underserved neighborhood. This second round of market data confirmed that it would be a significant financial risk for the Co-op to open a second store in one of these neighborhoods. Ultimately, the committee chose to prioritize membership and sales potential in order to safeguard the Co-op's overall financial health.

One of the major disagreements in the group was whether the second location should be downtown or not. Some committee members wanted the store to be downtown even if it meant picking a site that met fewer of the evaluation criteria. The other big push was in

Middleton, a small city on the outskirts of Madison. There had been some effort to find a location further east or north, but it eventually became clear that Middleton was the best option.

The 2010 market study update by Dakota concluded that Willy Street's market share of the Madison area grocery market would nearly double if they located their second store in Middleton. (See Table 1. See Appendix E for full market study update.) According to the 2007 Dakota study, however, opening the second store in Middleton would have the least downsizing effect on 1221 of all the sites on the table. (See Appendix B.) This was problematic given that one of the main reasons cited for needing a second storefront was overcrowding at the 1221 location. In addition to increasing the Co-op's market share, the benefits of locating in Middleton included the following:

- Favorable demographics including high income and education levels (See Appendix F.)
- 100,000+ people within a five-mile radius
- A strong sense of community
- Few current member-owners in city so excellent opportunity for attracting new member-owners
- Up and coming neighborhood that is growing. Middleton was ranked 4th in CNN/Money's "Best Places to Live 2009."

TABLE 1: Market Share of Madison-area of Key Competitors Before and After Expansion

Chain	Market Share in 2010	Projected Market Share w/ 2 nd Willy St. store in Middleton
Sentry (4 stores)	6.19%	6.12%
Whole Foods	2.58%	2.54%
Trader Joes	1.70%	1.68%
Willy St. Co-op	1.83%	2.67%
Regent St. Co-op	0.12%	0.12%

Eventually, the committee narrowed the list to two sites in Middleton: 6825 University and 6310 Century. In May 2009, the Second Site Committee

evaluated the pros and cons of the two Middleton sites they had selected. This part of the process was especially painful because people had strong opinions about one site or the other. Some committee members really wanted the Co-op to build its own new building, but to some it did not seem environmentally responsible to build a whole new building if they could use an existing structure. In the end, the committee voted to recommend the University Avenue site and the board took the committee's recommendation.



Exterior of Willy West

The Challenges of Opening a Second Store

While many aspects of opening Willy West were very successful, there were also quite a few challenges. Fortunately, the board and management learned a lot from their earlier expansion attempts and thus avoided some potential pitfalls. One person involved in the process talked about the improvements since their first expansion attempt downtown:

"We failed in phase one, but we learned from our mistakes. Despite falling on our face, we executed almost a textbook transition to the second site. That's the real story. The staff really stepped up and learned from it. The process was much better the second time for four reasons: a better agreement, a project plan, a project manager, and appropriate staffing."

Even a textbook transition has wrinkles. There were four key challenges during the opening of

the second store: financing, staffing and management, governance, and culture.

Financing

Financing for Willy West included a landlord tenant improvement allowance, a member-owner bond drive, cash held by the Co-op, vendor credit, and a business loan.¹² Total financing for the project was \$3,450,562.

The Co-op decided to borrow money from member-owners to help finance the second store. To do so, they used a financial tool called owner bonds. A bond is a formal agreement to pay back borrowed money with interest by an agreed upon date. Cooperative businesses occasionally use owner bonds to finance major capital investments. The Co-op had a goal of raising \$600,000 in member-owner bonds but was authorized to raise up to \$1 million. They reached that stretch goal in an astonishing 39 days. Money earned from the bond drive provided a portion of the cash needed to finance the second store.

The Co-op sought bids for debt financing from a variety of sources including national commercial banks, community banks, and credit unions. In keeping with Cooperative Principle Six, cooperation among cooperatives, a few board members advocated for working with a credit union. After reviewing several options, the Co-op chose to work with Summit Credit Union. Summit had recently developed a strategic initiative to work more closely with cooperatives and the Willy Street expansion was the credit union's first big commercial loan of this nature.

As a result of the expansion financing, the Co-op took on approximately \$1.5 million in long-term liabilities between fiscal years 2010 and 2011. This raised the Co-op's long-term liabilities to a total a \$2.8 million, the highest level in the Co-op's history.¹³

Staffing and Management

Several informants identified internal staffing issues as a major challenge during expansion. The

management team has worked together for a long time and is tightly connected. This helped streamline the process, but the change was still difficult. The leadership worked hard to put mechanisms in place that made people felt safe and supported through the transition and an enormous amount of planning went into making the opening a success. Nonetheless, some staff felt that the store opening was too rushed.

There were also concerns that the labor estimation was wrong and insufficient training was provided to new staff members. One staff member shared that the hiring process didn't go quite as smoothly as they had hoped. She added, "We didn't know how to do it then and I'm not sure we know how to do it now. Maybe a completely smooth process doesn't exist. We still kept a positive attitude, but I was really feeling for a lot of the managers who were working here and training at the new store. It was really intense." Once the second store was up and running an additional challenge emerged, stretching management across two stores that are a 25-minute drive apart. So far, the board and staff have focused on continuity of service and striking the right balance between bringing the eastside culture to the new store and allowing the new store to develop it's own culture.

Governance

There were a lot of questions at the board level regarding the best governance model for two stores:

- Should there be one board or two?
- Where should the annual meeting be held?
- Should there be board voting by geographic district to ensure equal representation from the east and west sides of town?
- What is the best way to get Middleton residents elected to the board?
- How do we retain the same sense of community?

Ultimately, the board decided to maintain a single board without seats based on geographic district but they have yet to tackle the complex questions about community, annual meetings, and the need for representation beyond the east side.

Culture

The original Willy Street Co-op has a strong culture that reflects the culture of the neighborhood surrounding the store. Bringing the values of Willy East to Willy West while still allowing the new store to develop its own culture was a major challenge. Anytime a business has more than one location, it can be difficult to transfer the values from one site to two. At the same time, it is important to allow for some individuality, especially since the populations being served at each location are different.



Hula hoopers at the 2009 Annual Meeting and Party.

Something that helped this transition is that nearly 30% of the staff from Willy East moved to the new store, which was very significant. This enabled the new store to open with a certain level of expertise and confidence and provided an infusion of new energy into the original store. Hiring the right person to manage the new store and help build its culture was also key. The hiring committee chose a candidate who started his career at a cooperative grocery store and had a solid track record in the grocery and natural food industries. He also had experience opening and

remodeling stores and had worked for years in the local Copps grocery store, which made him a bit of a “hometown favorite.”

Possible Next Steps for the Co-op

There are a number of paths the Co-op could have chosen for expansion instead of opening a second location. As the Co-op explores future opportunities, many of these options are still on the table—and there are several cooperatives around the country that have tried these options and could share their experiences.

Buy a Farm

Over the years, buying a farm has come up several times. Willy Street would not be the first Co-op to go down this path. In 2008, Chequamegon Food Co-op in Ashland, WI, purchased an 82-acre abandoned fruit farm in Bayfield, WI. Despite some member-owner opposition, they saw it as an opportunity to help the region’s agricultural community and be an example of sustainable and organic farming. The Chequamegon Co-op was able to purchase the farm for 75% of its appraised value, which decreased the perceived risk of the venture.¹⁴

In 2007, Willy Street explored the possibility of purchasing Turkey Ridge Organic Orchard in Gays Mills, WI, in order to create a farm-to-table relationship with a sustainable tenant farmer. They eventually decided to forgo the opportunity for two reasons. First, they were in the middle of negotiations with the Metropolitan Place, so management already had a lot on their plates. Second, the co-op was not confident in the business potential of the partnership. The farm idea continues to be popular with member-owners though some have voiced opposition. One member of the Opportunities Committee said that she saw the value in it, but just doesn’t think it is the right direction for the Co-op.

The cost of cropland is also a major barrier to the Co-op owning a farm. In 2010, the average sales price for a 10-35 acre bare land farm in Dane County was \$5479/acre, compared to the state

average of \$3194/acre. While land sale prices in Dane County have decreased 10% since 2005, they are still pose a major challenge to starting a new farm.¹⁵ In 2011, the Milwaukee Sentinel Journal reported that prime farmland sells for \$5,000 to \$10,000 an acre in the state depending on the location.¹⁶

Increase Offsite Kitchen Production

Willy Street’s offsite production kitchen produces baked goods, deli items, and other prepared foods. The Co-op retails these items at both Willy Street locations and sells them wholesale to Regent Street Co-op and the EVP coffee shop at the University of Wisconsin VA Hospital. The offsite kitchen is currently operating at two-thirds capacity, so there is excellent growth potential. The Co-op could increase its sales, support of local growers, and overall impact by ramping up off-site kitchen production to full capacity. The additional prepared food items could help the Co-op capitalize on its market niche by targeting local cafes, grocery stores, and delis that serve local and organic fare.

Remodel 1221

Remodeling the 1221 store has been on the list of expansion possibilities since the first Opportunities Committee was established. Remodeling 1221 will definitely need to happen, the real question is when. While the store could benefit from a facelift and additional retail space, there are some negatives to remodeling. First, the cost of remodeling an existing structure can be very high. Second, it will be a challenge to remodel the site given the limitations that the current footprint imposes. The Co-op would like to add a second level to the current building but management is hesitant to make any big changes soon.

Open a Restaurant

Given the Co-op’s successful deli and catering operations, starting a restaurant might be the logical next step for the Co-op. Other grocery co-ops have successfully made this leap.

In November 2004, the People's Food Co-op in LaCrosse, WI, opened Hackberry's Bistro in conjunction with a major store renovation and expansion. Hackberry's, a full-service upscale restaurant, was intended to compliment the Co-op's popular deli. In early 2005, General Manager Michelle Schry wrote that, "The restaurant is a risky proposition. There haven't been many co-ops to try it, and those who have tried haven't necessarily been blessed with immediate financial success. But a restaurant was something that came up over and over in focus groups."¹⁷ By January 2005, both the expanded store and restaurant were on track to meet budget goals, but the economic downturn in 2009 had major impacts on Hackberry's success. "Revenues have shown only minimal growth, but due to our ability to 'co-house' these businesses, which keeps the restaurant overhead down, we've been able to make money on it...not a ton, but it has added very important margin to the store overall."¹⁸

Weaver Street Market in Carrboro, NC, operates Panzanella, an award-winning Mediterranean-style trattoria offering dishes prepared with seasonal ingredients. The restaurant opened in 2000 and quickly became a local favorite in Carrboro and Chapel Hill. Opening Panzanella was a strategic decision for Weaver Street. In 2001, Co-op founder Ruffin Slater wrote: "We realize that our strategy is different from the growth strategy of replicating successful stores in markets with similar demographic characteristics. In our case, with Whole Foods already thriving in two neighboring cities, we weren't comfortable with that strategy. Moreover, we feel that working from our established base of membership and community recognition we have a good chance of making co-ops a major force in our town's future."¹⁹ While Panzanella was an immediate success with diners, financial and operational successes were more difficult to achieve. Ruffin emphasized that "The behind the scenes personnel and operational challenges will ease over time as we become more savvy in the restaurant industry"²⁰ Ten years later, Panzanella

is still serving up delicious, seasonally based meals.

Partner with Non-Profits on Farm to School Programs

There is strong momentum behind the Food to School movement, particularly in Wisconsin. Willy Street could become a strong business partner in this movement by leveraging existing relationships with growers or excess capacity in the offsite kitchen to help bring sustainable, local food to Madison area schools.

Open a Third Store

Depending on Willy West's evolution, opening a third store could be the best way to continue spreading the Co-op's mission. There would be some powerful, tangible benefits to opening another store including job creation, increased management opportunities for current staff, reduced prices through larger purchases, and additional market opportunities for local farmers. With two successful stores under their belt, the Co-op might also be in a better position to move into a financially riskier, underserved neighborhood. Additionally, sales at Willy East have nearly returned to their original levels, so opening a third store may be the only way to achieve the downsizing effects on 1221 that the Co-op desires.

Is Willy Street Getting Too Big?

While most member-owners were incredibly supportive of the Co-op's expansion efforts, some member-owners have accused Willy Street of getting too big and "selling out." One long-time member-owner mentioned that she has "personal friends who were very opposed to a second location. To them the Co-op was becoming too big and losing its co-op feel. They've also been members since the 70s so they remember when you went in and did your three-hour shift. And now we don't even permit that. So to them, they felt like the Co-op was selling out and becoming more like a big business. But I don't really know how widespread that sentiment was."

The March 2006 issue of *The Reader*, the Co-op's monthly newsletter, included the following letter from a member-owner:

"I am so tired of hearing about 'expansion.' If the coop is making so much money, why not consider the following instead:

- 1. lower mark-up margin (i.e. lower prices)*
- 2. donate money to other local cooperative, struggling businesses (e.g. Mifflin)*
- 3. increase the amount given to the Community Reinvestment Fund*
- 4. raise staff salaries and benefits*

*I am deeply saddened that Willy Coop is becoming so mainstream and corporatized, with the sole goal of 'expansion' and with 'management' making all business decisions. Nowadays, it seems to be almost a misnomer to call the store a cooperative. With 'expansion' constantly on the mind, it feels to me like the 'management' of Willy Coop is trying to make the store the Wal-Mart of the cooperatives. Please, no!! As a member-owner, I ask you, the 'management,' to remember the store's roots. No more talk about 'expansion.' Please."*²¹

Other member-owners disagree. One member-owner emphasized that "people who are having success doing good work have an obligation to do more of it." Willy Street's mission is to bring healthy, natural foods to consumers and support a more sustainable, equitable food system. If they are able to successfully do that by opening additional stores, then they should open additional stores.

Evaluating the best way for a Co-op to serve its member-owners is not an easy task. Are member-owners best served by Willy Street confronting broad food system deficiencies or by lowering prices and increasing convenience? Which is more important and can they do both?

Even the general manager has questioned the Co-op's role in the community and whether or not it should be in the business of starting other co-ops.

"In some ways, for me it's tough to balance if it is our job to open other co-ops. Because I do think that co-ops are somewhat grassroots efforts and communities build them and that's why they thrive. But I do know that it's very hard to do as a start-up. So my long-term goal is that the Middleton store might be spun off and turned into a Middleton co-op. I know that's a ways down the road and that not everyone would agree with me."



Willy Street board members serve cake at the annual Owner Appreciation event.

What's Next for Willy Street Co-op?

As a well-respected, successful business, Willy Street Co-op is in a position to broaden its positive impact on the Madison community. But what is the best way for the Co-op to do that? Not surprisingly, the answer to this question differs depending on who you ask. The following quotes represent the diversity of ideas and opinions held by staff, board members, and member-owners.

"I'd like to see them replicate the success in whatever way they think is best. It might not be another store, it might be something else. The co-op is a very successful enterprise. If you look at the ends policies they talk about being an economic cornerstone. We should not rest on our laurels."

"I'd like the co-op to do some other things besides just retail grocery. Manage co-op

housing? Run a daycare center? Sometimes the management team will say ‘we know how to run a grocery store but we don’t know how to do these other things.’ But we have a very highly skilled management team and I bet they could.”

“I would like to see the Co-op add a third site in a couple of years.”

“We have been in expansion mode for so long that we haven’t been able to focus on our core business activities and processes. I think we should slow down and focus on doing what we are already doing well.”

Strategic Priorities

In February 2011, the Board of Directors met to discuss Willy Street’s strategic priorities for the years ahead. The board whittled ten ideas down to three core initiatives:²²

- 1) Develop the local food system
- 2) Pursue green initiatives
- 3) Make the co-op more financially accessible

Willy Street and its member-owners have an exciting future ahead, ripe with possibility. Given the Co-op’s overall mission, strategic priorities, past experiences, and financial reality what should be the Co-op’s next step?

Appendices

Appendix A: Willy Street Co-op Financials, 3rd Quarter, 2011

Appendix B: 2007 Dakota Study

Appendix C: 2006 Dakota Study

Appendix D: Tiered Evaluation Criteria

Appendix E: 2010 Dakota Study Update

Appendix F: Demographic Data

Appendix G: Financial & Operational Statements, 1998-2005

Appendix H: Map of Willy Street Co-op Locations

The appendices are still in the review process. For more information, please contact the UW Center for Cooperatives.

In addition to the below citations, a selection of current and former board members, staff, and management were interviewed for the purpose of writing this case study.

¹ Firszt, Anya. General Manager's Report: Business Matters. *The Willy Street Co-op Reader*. July 2011.

² Willy Street Co-op. Willy Street Co-op History. Willy Street Co-op Website. Retrieved on June 5, 2011 from <http://www.willystreet.coop/history>.

³ Willy Street Grocery Co-op. Willy Street Co-op History. January 10, 2007. Retrieved from <http://www.willystreet.coop/history>.

⁴ Willy Street Grocery Co-op. Willy Street Co-op History. January 10, 2007. Retrieved from <http://www.willystreet.coop/history>.

⁵ Willy Street Grocery Co-op. Willy Street Co-op History. January 10, 2007. Retrieved from <http://www.willystreet.coop/history>.

⁶ Willy Street Grocery Co-op. Willy Street Co-op History. January 10, 2007. Retrieved from <http://www.willystreet.coop/history>.

⁷ Willy Street Grocery Co-op. Willy Street Co-op History. January 10, 2007. Retrieved from <http://www.willystreet.coop/history>.

⁸ Firszt, Anya. GM Report. *The Willy Street Co-op Reader*. June 2004. Retrieved from http://www.willystreet.coop/Newsletter/Newsletter_Archive/0406/gm.html.

⁹ Olson, Lynn. Board Report: A Primer on the Proposed Bylaw Changes. *The Willy Street Co-op Reader*. February 2008. Retrieved from <http://www.willystreet.coop/article/326>. Current bylaws state that unbudgeted capital expenditures over one percent of the Co-op's total equity shall be approved by the Board of Directors. Any decision to buy or sell the Co-op's building(s) or to spend over ten percent of the Co-op's total equity on an expansion project must be approved by the Owners, using the ballot process described in Section 4.7. Total equity for these purposes is defined as (Total Assets-Total Liabilities=Total Equity).

¹⁰ Lauber, Renée. Board Report. *The Willy Street Co-op Reader*. July 2004. Retrieved from http://www.willystreet.coop/Newsletter/Newsletter_Archive/0407/board.html.

¹¹ WSGC Second Site Review Committee. PowerPoint. May 2009.

¹² Willy Street Co-op. Owner Bond Program Information Packet. February 2010.

¹³ Willy Street Co-op. Owner Bond Program Information Packet. February 2010.; FY 2011 figure is an estimated projection; Willy Street Co-op. Financial Statements and

Operational Statements for Fiscal Years 1998 to 2005. See Appendix H.

¹⁴ White, Tim. Buying the Farm: Chequamegon Food Co-op purchases a fruit orchard. *Cooperative Grocer*. July-August 2009.

¹⁵ Brannstrom, A.J. Wisconsin Agricultural Land Prices 2005-2010. University of Wisconsin Center for Dairy Profitability. February 2011.

¹⁶ Barrett, Rick. Demand for farmland fuels higher prices, rents. *Milwaukee Journal Sentinel*. January 31, 2011.

¹⁷ Schry, Michelle. New La Crosse Store and Restaurant Opens: People's Food Co-op jumps from 11,000 to 29,000 square feet. *Cooperative Grocer*. January-February 2005.

¹⁸ Schry, Michelle. New La Crosse Store and Restaurant Opens: People's Food Co-op jumps from 11,000 to 29,000 square feet. *Cooperative Grocer*. January-February 2005; Schry, Michelle. Email communication. July 18, 2011.

¹⁹ Slater, Ruffin. Panzanella: Fresh Ideas at Weaver Street Market. *Cooperative Grocery*. #95. July - August 2001.

²⁰ Slater, Ruffin. Panzanella: Fresh Ideas at Weaver Street Market. *Cooperative Grocery*. #95. July - August 2001.

²¹ Willy Street Co-op. A Customer Comment About Expansion. *The Willy Street Co-op Reader*. March 2006. Retrieved on June 6, 2011 from http://www.willystreet.coop/Newsletter/Newsletter_Archive/0603/gm.html.

²² Bessmer, Jeff. Board Report: 2011 Board Retreat. *The Willy Street Co-op Reader*. April 2011.