

CORONAVIRUS PUTS COOP IN FINANCIAL SQUEEZE

April 9, 2020

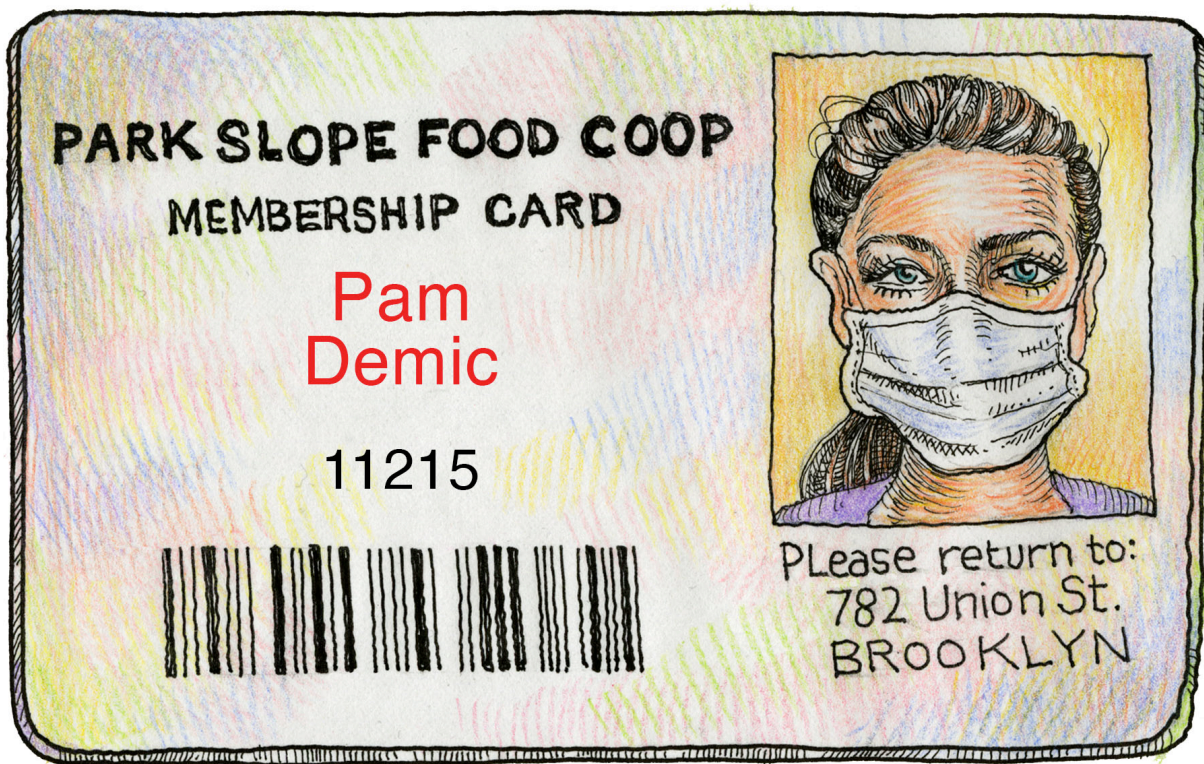


Illustration by Tommy Kane

By Leila Darabi

The Covid-19 crisis has put the Coop in a financial squeeze as sales have nosedived and labor costs have increased due to new safety procedures.

The details of that squeeze and the Coop's strategy for dealing with it were explained on April 1 by Coop co-founder and general manager Joe Holtz in an interview with the *Gazette*. He also talked about supply lines, safety procedures and the pressure the pandemic is putting on the staff.

To date, no Coop staff member or hourly worker has tested positive with Covid-19. "I'm so proud of everybody that works here for coming in and running the Coop," he

said, his voice cracking a bit from emotion.

A Spike in Sales Followed by a Plummet

At the end of February, as New Yorkers fearfully anticipated Covid-19 striking the city, Coop sales surged. Staff and members working their shifts on a regular schedule struggled to keep up. Lines snaked the length of the store and moved slowly as members piled carts high with boxes of pasta, canned goods and bulk aisle basics.

“It was a knock-down, drag-out, exhausting time,” said Holtz.



Joe Holtz. | Illustration by John Donohue.

From the last week of February through the first two weeks of March, sales totaled nearly \$5.5 million, an increase of around \$1 million total over that three-week peri-

od. For context, during a comparable week last year, the Coop had an average of about \$1,150,000 in weekly sales.

But then things started to shift. The following week, the staff reduced store hours and started implementing a stricter limit on how many people could enter the store at a time.

On Sunday, March 22, all Coop members received an email informing them not to report to their scheduled work shifts as all member labor has been suspended until further notice.

On the week ending March 22, sales were down \$200,000 to about \$950,000. The following week, the first full week of the new restrictions, they were down \$600,000. And when the *Gazette* spoke to Holtz, the week ending on April 5 was on track to mirror the week before.

Conservative Estimates

As the Coop treasurer, it is Holtz's job to play out worst case scenarios. And he has done the math.

"What if this goes until the middle of August?" he asked. "Because no one can tell me that it will not. The governor can't, I can't, no one can."



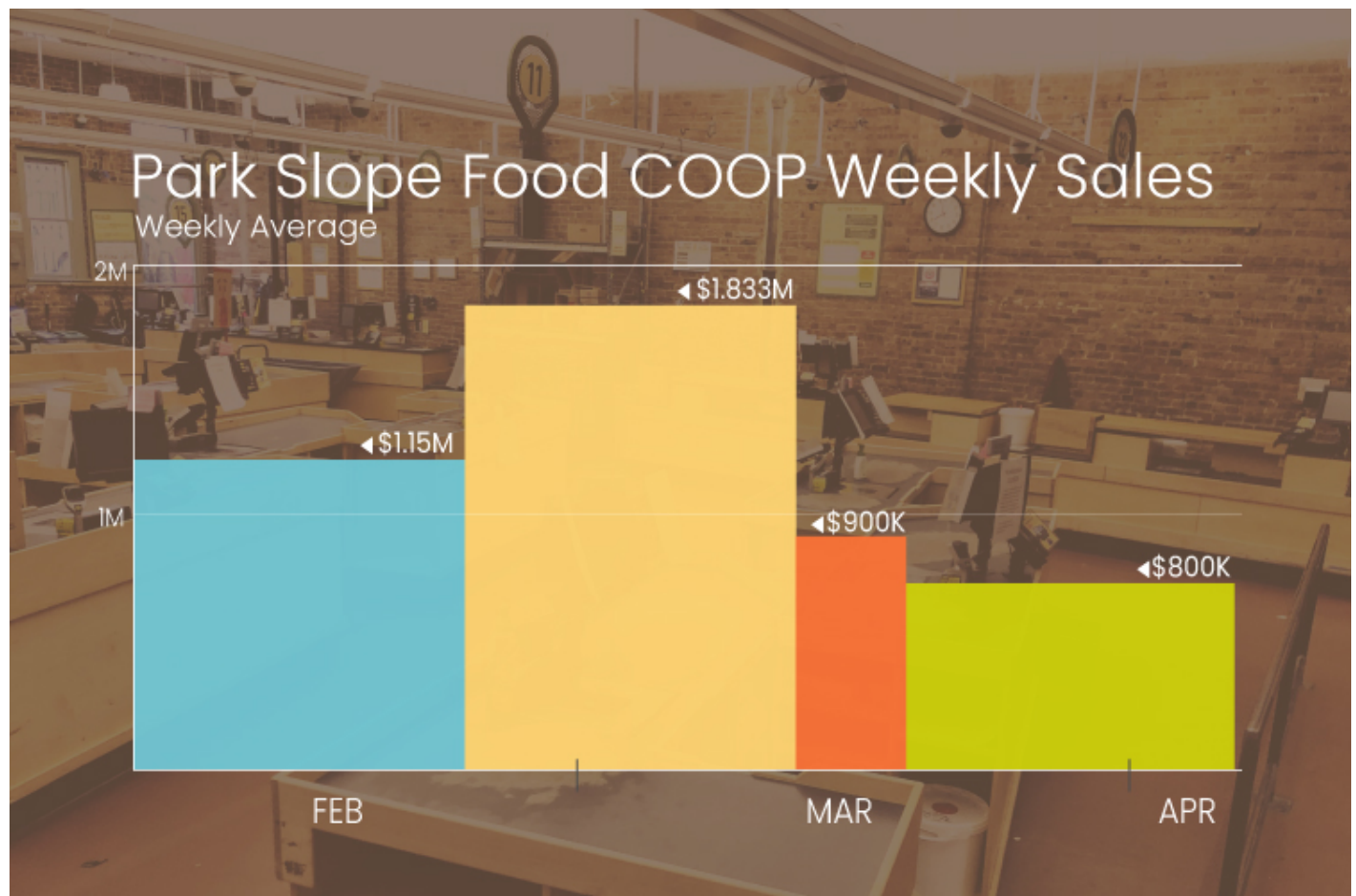
Over 40 newly hired workers include from top left: Matisse Neal, Jason Sparks, Chris Moore and Grey Brooks. | Photos by Rod Morrison.

The Coop has also incurred a new cost: paid hourly workers. As of Sunday, March 29, the Coop had hired 32 paid workers, all recruited from Coop membership and paid minimum wage. Holtz said he anticipated another 10 to 15 workers hired by April 5.

By Holtz's calculations, if sales remain at current levels, by mid-August the Coop's

bank balance could go down by \$2.5 million. That estimate assumes about \$100,000 lost income from lost sales of about \$600,000 in weekly sales, plus \$25,000 per week in new paid labor over 20 weeks.

“I’m not saying we stop thinking or that we stop entertaining ideas,” said Holtz. “If the current trajectory continues with no fixes, this is the estimate.”



Design by Fanny Gotschall

Luckily, the Coop has funds in reserve for just this sort of crisis. Holtz reported that the Coop started fiscal year with \$3.9 million in the bank. Some of the cash is in checking. Some of it is in certificates of deposit that could be cashed.

As one cautionary measure, he has filled out a small business administration loan application and called the Coop’s bank to ask for an application for a line of credit.

He also said he was considering restarting the member loan program, which has been

dormant for more than a decade. When last activated in the early 2000's, the program allowed members to make loans to the Coop to help secure the purchase of the third store front.

"I know that our community of members love the Coop and I know that there will be a way for the Coop to be a vibrant, stable, financially stable organization. I know that," said Holtz.

Lots of Ideas, All with Drawbacks

The main barrier to cash flow has been the small number of shoppers able to enter the store given the current restrictions. Last week the Coop was open for 59.5 hours and conducted a total of 2,908 transactions. By comparison, on the week ending February 23, 2020, the store was open for 100 hours and conducted 17,337 transactions.

These days, the line of members waiting to get into the store routinely wraps around the block with wait times often exceeding two hours.

"The General Coordinators have discussed alternatives to those lines, but we haven't come up with anything that we agree is a better alternative to the system," lamented Holtz, who said the Coordinators have been meeting constantly.

One idea they considered was an online appointment system for a proportion of the shoppers allowed in during selected time slots. But online appointments would mean people who didn't go online to reserve would wait even longer. This concern caused the General Coordinators to drop the idea, according to Holtz.

"No idea is terrible in that every idea that I've heard has pros and cons," he said. "There are people who think that we should do online ordering and have it so people can come pick it up or maybe even delivered," Holtz shared. "There are people who think we should do a preset box. There are people who think we could go to that type

of system exclusively and shut down the store as we know it. There are people who think we could do both.”

The Challenge of Extending Hours

Shorter store hours have also contributed to the drop in sales. It has been frustrating, Holtz said, to figure out how to keep the shelves stocked and store clean without closing earlier and opening later.

“We are taking cleaning extremely seriously,” he said. Deep cleaning each evening takes time, as does restocking the shelves each morning.

With no volunteer receiving squads, staff and paid hourly workers have taken over. Fewer people receiving heavy loads of wholesale groceries has also meant having to slow down the process.

“When we have a member coming in for two-and-a-half hours it’s one thing, but it’s another thing to lift for 25 or 35 hours every week,” Holtz explained. “It’s a great system that we developed of sharing that lifting. And ergonomically speaking, it’s much safer for employees here.”

Keeping Items in Stock

Despite these hurdles, the Coop shelves remain nearly fully stocked. One notable exception is the bread section. Suppliers like Runner and Stone, who provide fresh bread and fresh pasta, and Colson, who supply fresh croissants and other pastries, have halted production.



Cheddar is selling very well, TP supplies are terrific, plenty of bread, but several bakers, including Colson, have closed.

Other than that, stock-outs have been rare. "I think the amazing thing is how much is in stock," said Holtz who noted that the Coop has consistently had toilet paper as stores across the country have struggled to keep it on the shelves.

"It has been hard to keep the 5-pound bags of flour in stock, but if you wanted to

bake bread you could get good bread baking flour from the bulk bins,” he added.

As an aside, he also noted some interesting spikes in purchasing. “We were blown away by the amount of cheddar people wanted,” he said. Despite the dramatic reduction in shoppers, New York state cheddar sales have increased compared to last year.

Safety First

According to Holtz, the General Coordinators are following all federal and state safety recommendations and receiving additional counsel from the National Cooperative Grocers advising Coops. “Whatever we do, we’re going to do it with our eyes wide open towards safety,” said Holtz.