

# CO-OPERATIVES BY DESIGN

Building Blocks for  
Co-op Development



**Learn to work with a co-operative model**

**Set up your co-op structure**

**Test the feasibility of your business idea**

**Prepare your business plan**

# Co-operatives by Design

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Building Blocks for Co-op Development

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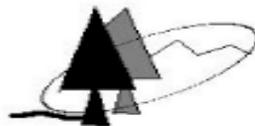
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We have made every effort to provide reliable general information and advice in this manual but we urge that individuals organising co-operatives, as indicated in this manual, should consult with lawyers, accountants and other professionals to ensure that they are conducting their affairs in a prudent, accountable and legal fashion.

*To order more copies of this guidebook or individual modules, contact:*

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The British Columbia Institute for Co-operative Studies is a catalyst for research, learning, and teaching about co-operative thought and practice through the development of Co-operative Studies as an established field of inquiry. The Institute collaborates with other post-secondary institutions, the co-op sector, governments, individuals, and communities interested in co-operative development.

# FOREWORD

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We are proud to present *Co-operatives By Design* for the use of those who are starting, or have recently started, a co-operative. We hope it will be a useful contribution.

This manual is based on a manuscript initiated by the former BC Ministry of Community Development, Cooperatives and Volunteers (CDCV), Co-op Branch. Leslie Ross, Policy/Programs Advisor at the Co-op Branch, directed the work through its first phase. A number of individuals, including some of British Columbia's most experienced co-op developers, Lyn Cayo, Marty Frost, Melanie Conn, contributed to that manuscript in many ways. Marj Walsh and Bruce Lacroix provided technical advice. We are grateful to them for their contributions and pleased that CDCV got this manual 'off the ground' and provided support toward its completion. In addition, financial support has been provided by supporters of the Institute, in particular, Credit Union Central of British Columbia, The Co-operators, Federated Co-operatives, and the University of Victoria.

Sol Kinnis of the BCICS staff edited the original manuscript, did much of the final writing, and prepared the layout. Sol also sought the input and received feedback on the content of the manuscript from Nicole Chaland, Pamela Eberhardt, Dr. Eric Morse, Gay Toner and members of Local Global Co-op and the Solid Roofs and Autonomous Roots Housing Co-operative. We are also indebted to Institute staff, especially Kristen Sinats, Brianna Brash-Nyberg and Liam Odell, for their help in editing the final draft. The result is a guide that is easy to read, practical and thoughtful.

Our hope is you will look upon the purchase of this manual as being a little like joining a co-operative. It is not a project that is ever finished, that is ever perfect. We commit to use all proceeds from the sale of this manual to help fund revisions, additional manuals and supplementary materials. Further, we will alter, and add to, the information in *Co-operatives By Design* as we learn more about co-operative development through our collaborative research relationships with co-operatives in British Columbia and elsewhere.

We also ask for your help — think of it as your contribution to an ongoing co-operative effort: please tell us how we can improve the manual, what we might add to it, and what other materials we might provide to help make it more useful. Together, we can make this manual the catalyst for an improved understanding of how more people can use co-operatives for their own purposes and for the benefit of the communities in which they live ... a kind of accumulating collective or social capital potentially of immense value.

Kathleen Gabelmann  
Research Co-ordinator

Ian MacPherson  
Director

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# INTRODUCTION TO THIS GUIDEBOOK

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**C***o-operatives by Design* grew out of a demand for resources for co-op development. There are various resources on starting a business, but few are specifically designed to address the unique challenges of starting a co-operative business. While a number of helpful start-up manuals have been written for co-ops, none contain the detailed business information that new co-ops often require. *Co-operatives by Design* is meant to fill that gap.

This guidebook is designed to reflect the values and principles of co-operatives. For example, rather than plan how to ‘out compete’ your ‘competitors’, *Co-operatives by Design* suggests how to use your co-operative advantage and, whenever possible, to work with other co-ops, small businesses and community members to support one another to meet the needs of your members and your community. To help new co-ops learn from old ones, we have included real stories and quotations from co-ops that highlight the information provided. Finally, at the end of each module there is a list of resources where you can find more information related to the module.

*Co-operatives by Design* is divided into 8 modules. This format allows you to acquire the modules you want and lets you use them in the order that suits your co-op’s needs, whether you are a group of people with no experience in business starting a co-op for the first time, a business that wants to become a co-op, or an existing co-op that would like to expand.

The modules are designed to help people work through the process co-operatively. Pages may be easily pulled out of the binder and divided among the members of your core group to work through sections individually and then return to the group to discuss the key points and make decisions. It is a good idea to create another co-op binder, with a section for each area being investigated, so all the information can be kept together. Depending on the funding available, you may want to hire someone to co-ordinate the research and organise training sessions.

Co-operatives often start with the aim of promoting the interests of the less powerful members of society. Farmers, producers, workers, consumers and many others have found they can accomplish more collectively than they can individually.

# HOW TO USE THIS GUIDEBOOK

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In many ways, developing a co-operative enterprise is like developing other businesses. Both need a solid idea for a service or product, and both require a comprehensive business plan that shows lenders the potential of that idea. Where they differ is that a co-op is guided by co-operative values and principles and it is shaped through collective effort and democratic decision-making. This makes the business planning more complex, but it also means the resulting co-operative corporation is stronger and more likely to succeed.

The potential for success largely rests on how well you work together during the planning process, the quality of your work, both individually and collectively, and how well everyone participates in making and keeping agreements. Module 1 focuses on the people part of organising a co-op, with suggestions for building membership, communicating effectively, setting goals and creating an advisory board. Keeping in mind that the key to forming a new co-op is starting small, Module 1 also includes suggestions for conducting a pilot project.

Modules 2, 3, 4 and 5 help you take a closer look at the potential of your co-op to succeed, and guide you through the research and planning process. This includes conducting a feasibility study and developing a marketing strategy, operations strategy and a financial plan. Module 6 will help you pull together all of the research and planning you have done and put it into a concise format to show potential lenders, investors and members.

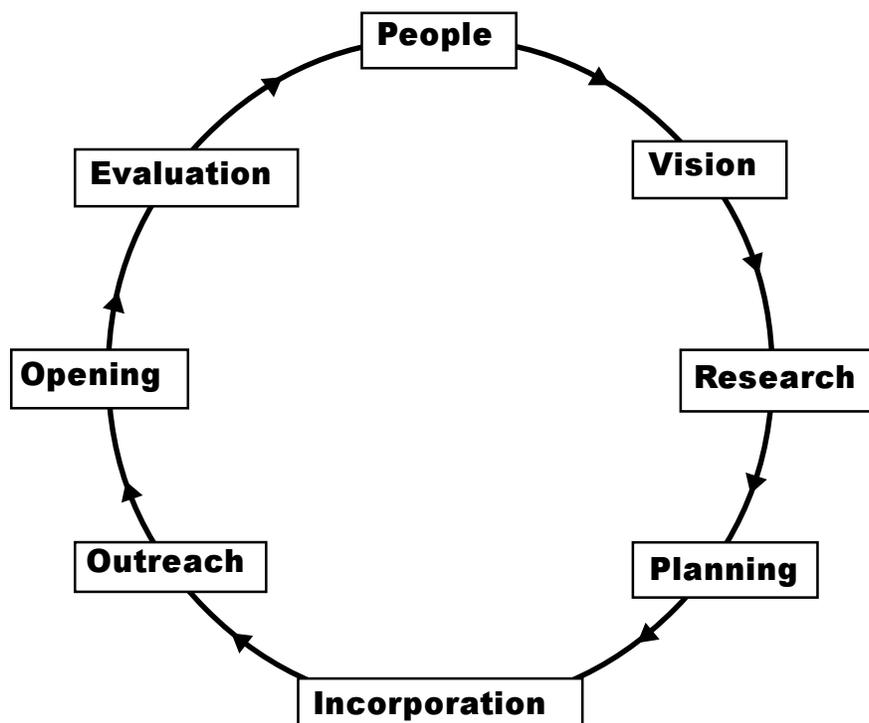
At some point, your group will need to decide when and if you want to incorporate. If you incorporate, you can transact business, get loans and licenses, sign contracts and purchase insurance without risking the personal assets of co-op members. Your group may want to wait until it has completed its business plan before incorporating. Waiting to incorporate may give your group more freedom to create a financial structure and membership agreement according to specific situations you have anticipated and discussed. On the other hand, your co-op may want to incorporate earlier in the process so you can recruit members and negotiate with lenders sooner. You may even decide that becoming an incorporated co-op is not necessary to achieving your group's goals. Module 7 will help you to understand the legal aspects of operating a business as a co-operative; however, you will still need to refer to your provincial, state or national regulations.

Finally, the first half of Module 8 provides advice on finding the money your co-op needs to get started, and includes tips for making your start-up cash last longer. The second half of the module looks at some of the long

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term actions you will take to operate as a healthy co-operative and be part of a larger movement creating a co-operative economy.

As you embark on your co-op development, keep in mind that you are not alone. An international principle of co-operation is “co-operation among co-operatives”. If there is a successful co-op in your community, ask if it will provide a mentor, preferably a founding member whose experience and qualities complement those of your co-op members. A co-op mentor can help you make decisions, provide advice, listen to your concerns and celebrate your successes. Most of all, you will be learning from someone who has been through what you are going through and may be able to answer any questions you have.



# HOW CO-OPS DIFFER FROM OTHER BUSINESS MODELS

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There are several different structures available for providing services or selling products. Before committing to a co-operative structure, you should closely examine the options available and their advantages and disadvantages. The most common organisational structures are non profit societies, co-operatives, collectives, sole proprietorships, partnerships and companies. Collectives, sole proprietorships and partnerships are all unincorporated. To become a society, co-operative or company, the organisation or business must be legally incorporated. The following table outlines some of the major characteristics of each structure.

## **Bottom Line:**

The term bottom line comes from the bottom of a company's income statement, the figure that reflects company profitability. In a company, the bottom line is the profit after all expenses and taxes have been paid.

Co-ops are democratically owned enterprises, controlled by members who share a common need and see a co-operative as the best way to meet this need. While the degree of member involvement varies with the business of the co-op, its size, complexity and stage of development, every member has an equal opportunity to participate in the policy and decision-making process through their elected board of directors. The directors are in turn accountable to the members.

The first thing to recognise may be that a co-operative is about mutual aid and shared ownership. A person who prefers to work alone or to direct the work of others is better off managing a traditional business. Co-ops also differ from companies and partnerships in that they have multiple concerns, or bottom lines. A co-op needs to make enough money to succeed, but is also concerned about other "bottom lines", such as its impact on a community or the environment.

## **Protecting the Environment**

The Nelson Carshare Cooperative does more than just provide a service to its members. The primary motivation for the co-op were environmental ones. According to one of their members, "fifty percent of the urban environment is paved and everybody's into the individual ownership of a car or truck". When people share cars through the co-op, they help to reduce greenhouse gases by driving fewer kilometres and by driving well-maintained vehicles. They also reduce consumption and manufacturing of more automobiles, and the associated pollution and waste from the auto industry. Rather than spend money on automobiles, members have decided to put that money into community-oriented projects and businesses while reducing their impact on the environment.<sup>1</sup>

## Comparison of Co-operatives and Other Organisational Structures<sup>2</sup>

	<b>Purpose</b>	<b>Ownership</b>	<b>Control</b>	<b>Distribution of Surplus Earnings</b>	<b>Liability</b>
<b>Collective</b>	Benefits to members or society in general.	Members	One member, one vote.	Determined by members.	Unincorporated. Collective members have full liability.
<b>Non-profit Society</b>	Benefits for clients or society in general.	Really has no owners; seeks funding from members and the general public.	Members generally entitled to one vote, but many have multiple votes or no votes.	Used to increase or improve services to clients.	Directors liability limited. Members not liable.
<b>Co-operative</b>	Benefits for the members (i.e., service, cost savings and/ or dividends).	Members	One member, one vote. Proxy voting limited.	To members in proportion to use of service.	Members limited to share subscription. Directors have limited liability.
<b>Sole Proprietorship</b>	Profit for proprietor	Sole proprietor	Controlled by sole proprietor	Income to the sole proprietor.	Unlimited liability of sole proprietor.
<b>Partnership</b>	Profit for partners.	Partners	Controlled by partners, typically according to time or money invested.	Allocated among partners, typically according to time or money invested.	Unlimited liability of partners.
<b>Corporation</b>	Profit for shareholders on investment of time or money.	Shareholders	Based on number of voting shares held per shareholder, directly or by proxy.	To shareholders paid in proportion to investment.	Shareholders limited to share subscription. Directors have limited liability.

# TYPES OF CO-OPERATIVES

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Be creative. Create a co-op that will meet your needs and then find the best way to describe it.

“We’re a group of very diverse people dealing with very complex issues and we know one form of co-op doesn’t really fit us so we’re going to try to create something that brings in all these pieces.” — member, Cowichan Community Economic Development Cooperative.<sup>3</sup>

Co-operatives are as diverse in their structure as they are in members. Like people, it is impossible to create categories and expect every co-op to fit into only one. In reality, many co-ops include aspects of several types of co-ops. The following list is meant as an example of some of the general types of co-ops that exist.

A *consumers co-op* is usually a retail outlet that buys products in bulk, sells at market prices and passes on the savings to the members. Unlike “big box” stores that also buy in bulk, the members of consumer co-ops own their store and make decisions about what products to sell, whether to expand and other important issues.

A *workers co-op* provides employment, and may be a bakery, food store, printer, sawmill – virtually anything. The member-owners operate their business together and make decisions about all the important issues including wages, production methods and finances.

A *producers or marketing co-op* sells the products of members who may be farmers, fishers, artisans or other producers. It allows members to share processing and packaging equipment and pool their marketing to reach more customers. A producer co-op can also market the services of members, such as those provided by musicians or graphic artists.

A *multi-stakeholder co-op* includes different types of members within one co-op, with the rights of each class of membership set out in the co-op’s rules: for example, a produce market co-op may bring together farmers, customers and workers within one co-op.

A *supply co-op* includes members who get together to access products or services necessary to their business operations: for example, this type of co-operative may provide farmers with lower-cost bulk products such as fertilizer.

A *financial co-op* provides financial services such as insurance, loans, savings plans, and marketing services to their members who may be individuals or organisations. A *credit union* is a financial co-op that provides a full range of financial services to members.

A *new generation co-op* is a restricted-member marketing co-op that adds value to producer goods through the joint processing of raw commodities. The new generation model is typically applied to value-added production in agriculture and forestry.

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A *social* co-op provides access to essential community services. These kind of co-ops are involved in distributing services such as childcare, utilities, transportation, recreational facilities and health care. For example, a *housing co-op* is a service co-op that gives members secure access to apartment units and houses which they own co-operatively.

A *shared services* co-op is one in which individuals and/or organisations join together to purchase a service they all need or to promote their common interest; for example, groups in a community may get together to promote tourism.

### **Getting Groceries Beyond the Consumer**

“The Growing Circle Food Cooperative”, incorporated in 2001, “is a unique example of a multi-stakeholder co-operative. The needs of all stakeholders are represented equally. Workers, consumers and producers have equal voting rights and all have representation on the board. Each group is dependent on the co-operation of the other stakeholders to ensure its economic success.”<sup>4</sup>

Unlike most co-operative groceries, the Rainbow Grocery is owned by its workers, not the consumers. Their worker-members now number over 150 and all contribute to the collective decision-making process. As a co-op, they have an open book policy for members. All members have access to the co-op’s financial statements as well as the co-op pay cheques and time cards of their co-workers/owners. Rainbow Grocery Co-op’s success may be partly measured by its finances, which include a 10% annual growth rate with annual sales at around \$7 million.<sup>5</sup>

# INTERNATIONAL CO-OPERATIVE PRINCIPLES

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The following seven principles were established in 1995 by the International Co-operative Alliance,<sup>6</sup> an organisation of co-ops from around the world. The principles are based on the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity, and the ethical values of honesty, openness, social responsibility and caring for others.

“Co-operative ownership by the consumer is a thoroughly democratic institution. It is a movement of the People, by the People, and for the People. Through it the People supply themselves with the goods and services they require, without exploitation or profit and with mutual help and service as their motive. It is a co-operative service at cost.” — People’s Co-operative Bookstore brochure, ND.<sup>7</sup>

**Voluntary and open membership:** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**Democratic member control:** Each member has one vote in a co-op. Members who are elected to the board of the co-op are accountable to the membership.

**Member economic participation:** Members contribute financially to their co-op and make decisions about finances democratically. Generally, surpluses are distributed to members in proportion to their participation in the co-op. This is called a patronage rebate and is based on the amount members sell through the co-op, or purchase, or the hours they work. Co-ops may also direct surpluses back into the co-op or to other community activities approved by the membership.

**Autonomy and independence:** Co-ops are self-help organisations. No one owns a co-op except its members. Co-ops maintain their autonomy, although they may have relationships with other organisations and may receive financial contributions from external sources.

**Education, training and information:** For members to participate effectively in their co-op, education and training are important components in co-op development and operations. Co-ops also take an educational role about co-ops with the general public, especially with youth and policy-makers.

**Co-operation among co-operatives:** One of the most important strengths of the co-operative movement is that co-ops work in solidarity with each other at the local, regional, national and international level.

**Concern for community:** Co-ops are committed to work for the sustainable development of their communities through policies approved by their members.

## END NOTES

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See also People’s Co-op Bookstore’s Website:  
<http://www.peoplescoopbookstore.com/>

# Module 1: Getting Started

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# ORGANISING A CORE GROUP

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**S**tarting a co-op may seem overwhelming, but keep in mind that while very few are easy to start, millions of people around the world, often facing extreme challenges, have successfully developed co-operatives. Remember, co-ops don't start overnight and sometimes it may take years to get going, depending on the scale of your co-op, the experience of its members, the resources available to it, the kind of business being considered, and the energy and commitment of the core group. This first module focuses on the people part of organising a co-op: forming the core group; setting goals; communication; and finding support.

The inspiration for a co-operative usually comes from a couple of people with a good idea and a vision who then recruit other members or from a group of people that want to work together to realise a vision. Whatever the inspiration, a co-op requires a core group of people dedicated to making the co-op happen. These people should be good leaders: people who will come out to meetings, work outside of group meetings and commit to making the co-op work.

It is important to consider the number of people in your core group. Involving a large group of people from the start may slow you down, but it can lead to a stronger plan with more dedication from members. People who are part of the initial development and decision making may feel a deeper attachment to the success of the co-op, perhaps more than those who come in later. If you plan on incorporating, you should check the minimal number of members required to form a co-op. In British Columbia co-ops must have at least three members.

## How to recruit members

- Word of mouth
- Put up posters where potential members hang out
- Distribute leaflets at public meetings and events
- Host a forum or discussion about co-ops or on an issue related to your specific co-op
- Talk to associations
- Hold a public meeting or information session about the co-op (be sure to circulate sign-up sheets)
- Hold public events, such as fundraisers or educational events (for example, show a film or bring in a speaker that will bring together people who may be interested in your co-op)

Always remember to get people's contact information. They may not become core members, but they may get involved at some point.

## Keys to Success:

- Feasible business idea and thorough business plan
- Sound business practices
- Adequate financing
- Business and co-op mentors
- Strong member commitment
- Clearly defined roles for directors and staff
- Ongoing member and staff education
- Co-operation with other co-ops
- Community participation

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The number of people you involve will vary depending on the number of members you will need to run the co-op, the amount of time and money required from members, and how soon you plan to get started. A workers co-op, for example, may only need three members to start the business; however, this co-op will require a significant commitment from each member. Ideally, those three members will be involved from the start. A consumers co-op, on the other hand, may require thirty members to allow for bulk purchasing, but their required commitment may be minimal. While most of the members may come in later in the process, a consumer co-op will still require a committed group of people to conduct the feasibility study, prepare the business plan, recruit members and seek financing.

### **Start-up Funding**

One of the first activities you might do as a group is organise a fundraiser. There are many costs associated with starting a co-op and, while this will vary considerably depending on the co-op, all co-ops will have at least some small expenses from the start. Costs for phone calls, photocopying, stamps and accessing internet may seem small, but they can add up quickly. A fundraiser, such as a garage sale, a bake sale at a community event, a music event or a film night can help bring your group together, raise awareness in the community about your co-op and put a few dollars in your bank account to cover smaller costs. Other costs, such as hiring consultants or training members, may require raising money through member contributions, government grants, foundation grants, or through local credit unions, co-ops or other businesses. If there is a grocery co-op in your neighbourhood, you might ask them to set up a donation jar at the till. Some grocery stores will give a 5 cent token to every customer who brings in their own bag, which the customer drops in a jar to support a local organisation or project.

If you can access a special government or foundation start-up grant, you may consider hiring someone to co-ordinate the research and development of your co-op, especially if your co-op will be more complex. This person should be able to raise money, such as by writing grants, and be skilled at networking and co-ordinating research. In addition, they should help the core group by ensuring tasks are completed according to the group's schedule. They should not, however, be responsible for developing the co-op. The danger with hiring someone is that the group relies too heavily on the employee to do all the start-up work. Remember that starting a co-op is a group process.

#### **Think Ahead!**

“Open a savings account or petty cash fund. Have your core group contribute a manageable amount of money from the start. Even \$5 or \$10 a month can make a huge difference. This money can be used for incorporating, copying or other petty cash items. It also can be used as savings, for start-up when you are ready to ask for a loan. Contributing even a small amount of money is a good way to value your time.” Nicole Chaland, Local Global Co-op.

# COMMITMENT

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The strength of any co-op is its membership – assuming, of course, that the members are committed to developing a successful new co-operative and that they work well together.

There are four major commitments expected of co-op members:

1. **Financial commitment:** How much is necessary? Each member should make a financial investment in the co-operative. Any group or individual, for example, a credit union, government agency, or some philanthropist (if you're lucky!) that you approach for financial assistance, such as a loan or grant, will want assurance that co-op members have made their own financial commitment to their co-op venture.
2. **Time commitment:** How much time will each member commit to the co-op?
3. **Commitment to organising:** Are the group's members committed to developing the organisational aspects of the co-operative and developing a democratic process? Do members understand that the process of developing a co-op takes time but will likely lead to better quality decisions than if a person was going about it alone?
4. **Commitment to the co-operative model:** Do you have a core group who will become the initial directors, carry through the launch of the business and, in the case of a workers' co-op, become the first workers? You will need at least three members to incorporate your co-op and you need to be confident you can recruit enough members to make the co-op a success.

You will want assurance that your co-op has members who are committed to working together and sharing control as well as responsibility, and that they trust each other and are willing to share losses and profits. For example, you will want to know that members of a producer-marketing co-op are prepared to produce goods or services independently and distribute and market them collectively; that members of a consumers co-op will buy the co-op's products; and that members of a workers co-op will produce a product or service the co-op can sell.

The best way to measure the commitment of members is with a group discussion where you can record the agreements that should carry you into development of membership criteria, work and investment commitments, and operating policies.

# IDENTIFYING SKILLS

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Like all businesses, co-ops require people with specialised skills. The benefits of working co-operatively are that one person doesn't have to have all the skills. Instead, the co-op brings together people with the different skills necessary to develop and operate the co-op. Four types of experience are especially relevant:

1. **Technical:** the skills necessary to produce the goods or services one wishes to sell.
2. **Marketing:** experience or education with the market you are selling to or the industry you are entering.
3. **Operation:** experience or education with operating a business, including managing the finances.
4. **Governance:** experience or education with group decision-making and experience with co-ops.

“The marketing, organisational, legal skills and mutual trust we've learned in the food coops have allowed us to approach housing as a problem which can be solved. Before joining Waterfront, most of us ignored housing altogether, using the self preservation tactics of the poor:

1. Make sure you have a place to stay tonight
2. Be ready to move tomorrow, and
3. Don't think about next week.”<sup>1</sup>

Take a look at the skills available among your members. Do you all have the same skills, or do you have different skills?

Use the following chart to identify your skills. In each space, record whether the member has no experience, minimal experience or a lot of experience in that particular area. You may want to be more specific; for example, someone with experience in group decision-making should write that under “governance”.

	Technical	Marketing	Operations	Governance
<b>Member A</b>				
<b>Member B</b>				
<b>Member C</b>				
<b>Member D</b>				
<b>Member Z</b>				

Next, create a plan to increase your group’s skill set. If the members lack a specific type of experience, you may want to involve someone in your community who has these skills, either as a member or as an informal advisor. Alternatively, you could hire someone with the appropriate expertise; or train current members.

Use the following chart to create a plan for increasing your group’s skill set. Remember that education is a key principle of co-operatives. While outside

	Member recruitment	Advisor recruitment	Training	Hiring
Technical				
Marketing				
Operations				
Governance				

Be creative when finding outside support for the co-op. Remember that their participation could be very much to their benefit. For example, high school and university students are sometimes eager to help in exchange for work experience or to complete a course practicum or obtain school credits. If your co-op has limited funds, work out a trade: for example, in exchange for someone setting up your co-op’s bookkeeping system, your group might offer a discount on your product or service.

support is necessary in some cases, training is essential to a co-op’s success. Member education empowers members to participate in the co-op and distributes power more evenly.

When you are planning membership education, you may want to get together with other co-ops or people in the community. For example, if you would like to bring in a co-op developer to do a general workshop on co-operatives, see if you can find other new co-ops that are interested in doing the same, and share the costs. Similarly, if you are seeking training, such as bookkeeping, you may organise a short training course and make it open to the community. If each participant pays a small fee for the course, a co-op with limited start-up funding can still find the necessary member training. On the other hand, a co-op that does have training money can open up its workshops for free or *sliding scale*, as a service to the community.

**Sliding Scale:** A system of charging fees on the basis of income. Those with more money subsidise those with less, and help to make services more accessible.

# FIRST STEPS TO PLANNING

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Careful planning is very important to the success of the co-op. Planning begins with visioning, a process of finding your common vision, values, purpose and goals. These will guide you in developing a co-op that will meet the needs and desires of your group.

“Everybody should have the same vision ... A common goal to keep the co-op going.” – Brenda Friesen, Advantage Workers Co-op.<sup>2</sup>

Visioning is an important step in forming an organisation with a clear direction. Visioning also helps members explain the co-op idea to others. It should be done early enough in the process so that the members of the group have the opportunity to back out if they find they have an entirely different concept of what the co-op should do.

## Vision, Values and Purpose

A *vision* is what keeps the group moving forward. It is the inspiration that has brought people together in the first place. Your vision statement should be about what the members want to see in the future. If your group is inspired by something specific that needs doing, then your vision will be specific. For example, the vision of a community forest co-op may be that a particular area of land is owned and managed sustainably by and for the community. If your group is inspired by a bigger picture or ideal, then your vision statement will be more general and say what the members would like the future to look like. An organic food co-operative may envision a world where food is not grown with chemicals.

“The Mission of The Growing Circle Food Co-op is to enhance Salt Spring Island’s economy while fostering a vibrant sense of community. Linking producers and community members through a predominantly organic food store, the Co-op forms a circle of local sustainability and food security.”<sup>3</sup>

*Values* are the guidelines for how you will operate together and in the community. The principles of co-operatives are based on the values of honesty, openness, social responsibility and caring for others. Your groups values may be more specific. For example, a housing co-op may hold as its primary values affordability and the use of healthy building materials. Articulating values helps members work through conflict and determine priorities later on. A clear set of values also help new members understand the group they working with.

The *statement of purpose* is the reason your co-op exists. It should state the intention of the members or what the members want to achieve by starting the co-op. Unlike your vision, your purpose is specific to what your co-op intends to do. The purpose of the organic food co-op that wants to see food grown without chemicals, for example, may be “to promote the use of sustainable agricultural practices through education and to support the production of organic foods through a retail food outlet and the purchase of bulk agricultural supplies”. The purpose may be stated in 2 or 3 sentences.

# WORKSHOP 1: VISIONING THE CO-OP

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The difference between vision, values and purpose can often be confusing, and trying to keep them separate during a brainstorming session can be even more difficult. The following workshop is designed to help your group vision, without getting bogged down by terminologies.

**Time:** 2 or 3 meetings of a couple hours each. Don't try to limit the workshop to one working session.

**Objective:** To prepare a vision statement, a list of values, and a statement of purpose

**Materials:** A flip chart or large pieces of news print and markers.

## Activity One: Brainstorming:

Start the activity by choosing a facilitator and a recorder. The recorder will write down all the ideas on the flip chart so that everyone can see it. The facilitator will help start the process by asking questions, and making sure that people stick to sharing ideas and not discussing anyone else's suggestions. Here are some questions to help start the process:

- Why have you come together?
- What issues have created a need for a co-op?
- Where do you want to go with your co-op?
- How do you want to work together?
- What impact do you want the co-op to have in the community and/ or the industry?
- What product or service will you offer?
- What will your co-op be known for?
- How will the co-op benefit the members? What do each of you want personally from the co-op?
- Will the co-op or its membership be limited (in number, to a particular place, etc.)?
- How will the community look different if your co-op is successful?

## Brainstorming:

A process of sharing ideas without limitations. During brainstorming, anything goes. The person writing down the suggestions writes down all the ideas, even if they seem impractical, impossible or even silly. It's also important that the participants do not discuss the ideas during the brainstorming activity.

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## **Activity Two: Discussion**

At the end of the brainstorming session, choose someone or work as a group to rewrite the ideas on three separate pieces of flip chart paper, one for vision, one for purpose and one for values. If some ideas don't seem to fit into any of the categories, note them on a separate piece of paper.

Once you've divided up the ideas, review each list as a group and try to identify the suggestions that get the most support. Start with the vision, then the values, then the purpose. Once you have these shorter lists, you can open up discussion on those ideas. Ensure people speak respectfully to each other and challenge the ideas, not the people who proposed them.

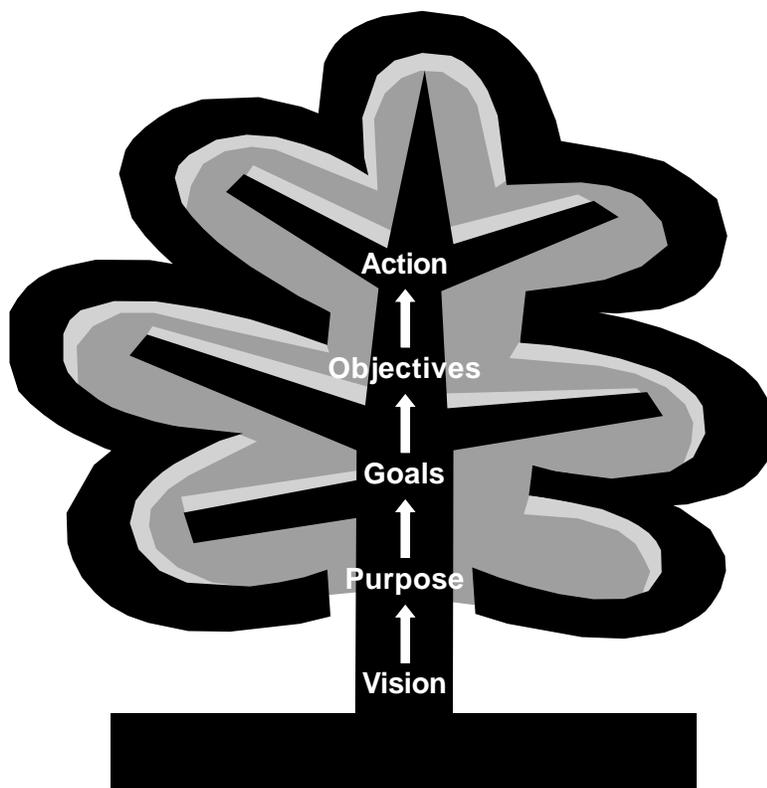
At the end of the discussion, choose someone to prepare a vision statement, a list of values and a statement of purpose using the lists you've discussed and modified as a group. Finally, bring these statements back to the group for feedback. These statements should reflect the vision, values and purpose of the group, as they will be used to determine your goals and objectives and will be included in any materials your prepare to promote the co-op.

# SETTING GOALS AND OBJECTIVES

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*Goals* are designed to help move your co-op closer to fulfilling its purpose. Clear and specific goals can help keep your co-op heading in the right direction. Be cautious, but not too cautious. While your goals need to be realistic, you should make sure they are challenging enough to help the co-op stretch and grow. Goals should be attainable and realistic, while motivating you to reach and surpass them. At the same time, it is a good idea to identify some goals that you know your co-op can meet fairly easily, so that your group can get used to working together and succeeding.

*Objectives* are concrete, measurable, specific and achievable “targets” you are trying to reach. Objectives are shorter term than your goals. You should have a series of objectives for each one of your goals. For example, if your goal is “to test the feasibility of an artisans’ marketing co-op” then your objectives might be to set up a craft table at a local market for two months; to research the local craft market; and to meet with other artisan marketing co-ops. Your objectives will be used to create your immediate plan of action and your business plan.



# WORKSHOP 2: SETTING GOALS AND OBJECTIVES

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- Time:** 1 or 2 meetings, about two hours each.
- Objective:** To set short and long term goals and objectives for the group.
- Materials:** A flip chart or large pieces of news print and markers.

## Activity One: Setting goals

Have each member write down some goals that they can get enthusiastic about and that they think are achievable. Start with individual goals to reach in six months, one year, and five years. Your goals should give you direction during the development process, as well as provide direction for your co-op's business plan.

On the flip chart, create three columns: immediate goals (6 months), short term goals (one year) and long term goals (five years). Write all of the goals people have come up with into the columns. Can some goals be combined into one? Which ones seem the most realistic? Is everyone able to settle for what seems to be most realistic, or do some members want to stretch even further? Decide together which goals or modified goals will become the group's goals.

Once the group has adopted a goal, it no longer belongs to the individual. The group needs to let go of their attachment to a particular outcome because the group's energy will influence how the goal looks in the end.

## Activity Two: Objectives

Once your group has set its goals, brainstorm objectives that will serve to help you achieve each one of the goals. Do this by creating three columns on a new flip chart page. In the first column write out each of your goals. In the second column, you will write down the objectives. Once you have finished brainstorming the objectives, check each objective to make sure it is:

- Concrete
- Measurable
- Specific
- Achievable

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In the third column, write down how you will measure the completion of each objective.

For example:

Goals	Objectives	Evaluation Criteria
- to test the feasibility of an artisans marketing co-op	<ul style="list-style-type: none"><li>- to set up a craft table at a local market for two months</li><li>- to research the local craft market</li><li>- to meet with other artisan marketing co-ops.</li></ul>	<ul style="list-style-type: none"><li>- will have data on participation and the amount of money made</li><li>- will have concrete data on the local craft market to be used in the business plan</li><li>- will have met with other artisan marketing co-ops.</li></ul>

### Activity Three: Putting your objectives into action

Once you have determined your objectives, you will need to prioritise them. You have already organised your goals according to immediate, short term and long term. You can now set actual dates for completing your immediate and short term objectives. You will come back to your long term objectives when you are preparing your business plan.

For your immediate and short term objectives, prepare a plan of action by deciding what activities you need to do to make them happen, what resources you will need to accomplish them and who in the group will take them on.

At the end of the workshop, schedule time to evaluate your goals and objectives, and to make new ones.

# PILOT PROJECT

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I would say [take it] one step at a time. First you crawl before you walk, walk before you run. I...see us, if we succeed, crawling for one heck of a long time..." – Godfrey Ferguson, founding member, Warmland Specialty Food Co-op.<sup>4</sup>

The first objective you might consider doing as a group could be to organise a pilot project. For example, a group of doll makers wishing to start a co-op may start with each interested member making a few dolls and selling them together at a local market. A pilot project helps to give people interested in starting a business a tangible idea of how many members are needed, what is involved in working together, and in this example, what is needed to make and sell dolls.

A pilot project also allows you to start small and be practical. A consumer co-op might start with a few members collectively ordering some goods in bulk, then adding members and inventory with each new order, all of which could begin long before leasing a storefront. A group of students who want to start a housing co-op might begin by leasing a house either as a collective or a co-op long before the co-op purchases any property.

## Starting with a Pilot Project

"The Kooconusa Value Added Cooperative owes its existence to the successful outcomes of a pilot project conducted by some members of the East Kootenay Value Added Society (EKVAS), an association made up of small sawmill operators, remanufacturing operators, and log home builders, among others." With financing from Community Futures, seven members from the society formulated a pilot project that would test the benefits and possibilities of independent mill operators working together. The project included co-operatively locating a buyer, purchasing bulk logs at a discount price (something they could not do as individuals), and consolidating the wood at the College of the Rockies, where they then graded the wood and divided it among the participating millers. In the end the millers used and sold every bit of the wood. Due to its financial and operational success, the group decided to form a co-operative business based on the structure of the pilot project.<sup>5</sup>

# GOOD COMMUNICATION AND EFFECTIVE MEETINGS

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Communication is a cornerstone to any co-op activity, and it is especially important as you develop your business. You should hold regular meetings, probably at least once a week, so you can share information, consider overall progress, assess how well you are working together as a team and set some goals for your next meeting. Effective meetings are a great way to build member enthusiasm and accomplish goals. Like anything else involved in business development, it takes work to organise and run a good meeting.

It helps to find someone in your community who can work with your group to build facilitation skills so members can take turns facilitating your regular meetings. You will find as you develop the plan that you will continue to strengthen your communications skills and find ways to improve your working partnership.

## **Here are some additional tips to help you arrange and run effective meetings:**

- Send out notices well in advance and clearly state the reason for meeting. Include relevant documents that have not yet been distributed such as minutes from the last meeting and any reports and recommendations.
- Make sure you have an agreement in advance about how many people need to be present, and who is eligible to make decisions. Once you are incorporated, your rules or bylaws will set a *quorum* and determine whether the chair can cast a deciding vote in the event of a tie.
- Set out a process in advance or at the start of the meeting for making decisions. These rules should not be complicated, and participants should understand the reasons for them. It is usually wise to agree in advance that everyone would participate if a conflict resolution or mediation process became necessary.
- Keep track of all agreements and who made them. Even if a formal motion has not been made, agreements should be noted in the minutes. Agreements made outside of a meeting should be included in a report or formalised through a recommendation brought to the meeting. You may wish to create a binder where you keep all your minutes, with a section specifically for recording any new policies you create. Keep them as records of what has gone on in the past, and remember to review them occasionally.

### **Quorum:**

Minimum number of members needed to make decisions.

“You can’t be narrow-minded in this. You’ve got to keep an open mind to things, I think, in the co-op.” - Brenda Friesen, Advantage Workers Co-op. <sup>6</sup>

# DECISION MAKING

## Comparison of decision-making techniques

	<b>Robert's Rules</b>	<b>Consensus</b>	<b>Participatory Decision Making</b>
<b>Guidelines</b>	Members must agree to use Robert's Rules of Order or a modification of those rules.	Members must agree to a set of guiding principles: democracy, responsibility, co-operation together, honesty and egalitarianism.	Members agree to four core values: full participation; mutual and co-ordinated understanding; inclusive solution; shared responsibility
<b>Conduct</b>	<ol style="list-style-type: none"> <li>1) Motion made</li> <li>2) Motion seconded</li> <li>3) Chair opens discussion</li> <li>4) Each member has the right to call for a vote. A vote is first called on whether or not to end discussion.</li> <li>5) After members are heard, the chair calls for a vote on the motion as proposed or amended.</li> </ol>	<ol style="list-style-type: none"> <li>1) Ideas proposed by members. Facilitator calls for discussion.</li> <li>2) Facilitator tries to ensure participation by all through techniques such as brainstorming or each person speaking in turn around the table.</li> <li>3) Facilitator keeps discussion focused on the proposed idea and summarizes the idea as amended through the discussion.</li> </ol>	The method of conducting the meeting is secondary to respecting the core values. Whether you use majority rules or consensus, try to ensure that everyone's voices are heard and their needs, goals and points of view are respected and that difficult issues are raised.
<b>Decision Making</b>	Through vote majority rule. A group may require a 75% majority for a motion to pass, but typically 50% plus 1 is sufficient for a motion to pass.	Through consensus. Facilitator may test for consensus at any point. There are 3 responses: <i>Consent:</i> Yes I agree and will participate <i>Stand aside:</i> I don't fully agree, but can live with the decision. I will/I won't put my labour into making it happen. <i>Block:</i> I cannot consent and I commit to seeking a solution that is agreeable to the group.	Whatever the decision making process, all members must share responsibility for creating and developing sustainable agreements, giving and receiving input ,and implementing the proposals they endorse.

### Disclosure of Interest

Any member who stands to benefit more from a decision than other members must disclose this fact. This also applies to an individual representing another organisation at the meeting. The recorder should note this in the minutes and indicate whether the member making the disclosure is present for the discussion. If there is a potential conflict of interest, it is important to not only do the right thing, but to ensure it is recorded.

This is particularly important if your organisation has received or will receive funding from any public source. The minutes serve as a legal record of who participated in each decision, which may be important if you ever need to prove there was no conflict of interest.

# SAMPLE AGENDA

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The following agenda is provided as a sample process. For many groups, especially small co-ops in the early stages of development, this agenda may be too formal. We suggest you adapt it to the process that works best for your group.

## **Agenda for the Meeting of the (name of group)** (Date - Time - Place)

1. *Adopt agenda:* Any member entitled to participate can recommend a time limit on the meeting, on a specific agenda item or on both. If one item is taking too long to discuss, it might be better to schedule a special meeting to deal with it.
2. *Call the roll:* If there is any question about the quorum, it is best to take attendance formally. In a large meeting, when not everyone present is a member, it is important to have some way to distinguish registered voters such as voting cards for a show of hands or ballots issued when voters arrive. Although a formal roll call is not necessary at a small meeting, the recorder will note who is present and who is absent in the minutes.
3. *Adopt minutes of the last meeting (as distributed or as amended):* If all members are eligible to participate in the meeting have not received a copy of the minutes, they should be read aloud. Each member has the right to request that the minutes be amended if they do not accurately reflect the decisions taken, actions assigned or views expressed at the meeting. If the other members agree that the minutes of the previous meeting should be changed, the changes are noted in the minutes of the current meeting, and the past minutes are approved “as amended”.

If there are many changes to be made, you may want to defer approval until changes have been made in the original minutes, and new copies distributed; if this happens, it should be noted on each copy of the original minutes that they have been replaced, and on the replacement minutes as well, to avoid confusion later.

4. *Old business:* This is for business continuing from the last meeting. If a request for action or information was made at a previous meeting, you can include a copy of the response or report with the agenda or note that it has been received and will be read at the meeting. A copy should always be filed with the minutes.

Vote on the little stuff and come to consensus on the big stuff. Deciding what colour to paint the wall is better left to a simple majority decision. If most people like the blue, go with the blue. However, if you are deciding on the cost of membership shares, you want to make sure everyone can live with the amount you choose.

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## Facilitation:

A facilitator is not the same as a leader or a chairperson. A facilitator accepts responsibility to help the group accomplish a common task, to move through the agenda in the time available, and to make a necessary decision and plans for its implementation. A facilitator makes no decisions for the group, but suggests ways that will help the group move forward. He or she works in such a way that the people present at the meeting are aware that they are in charge, that it is their business that is being conducted, and that each person has a role to play. — Berit Lakey, "Meeting Facilitation" <sup>7</sup>

### 5. *Management and Committee Reports:*

*a. Updates:* Items that do not require action or a decision, but are relevant. You may wish to include action items that are not yet due, as a reminder to the person(s) involved. There is no debate on updates.

*b. Decision Required:* Items that require action or direction from the members attending this meeting.

6. *New Business:* New business may be scheduled on the agenda, or may be brought up by individuals prior to approving the agenda at the beginning of the meeting.

7. *Announcements, appreciations, and meeting evaluation:* Schedule a time when members can mention upcoming events and items of general interest so you are more likely to stay on track during the meeting. This is also an appropriate time to say thank you for the work volunteers have done. If you also take the time to evaluate each meeting, your members will increase their facilitation skills and your meetings will become more effective.

8. *Set next meeting time and place.*

### **Flexibility and Support**

In 1995-96, the Cowichan Community Economic Development Cooperative (CCEDC) was formed to provide business-related and social support to persons with disabilities wanting to engage in work and generate economic activity. The members of CCEDC chose the co-operative model in order to "accommodate the complex and fluctuating energies and abilities of people with disabilities." Through the co-op, members have found the support network they need to work. According to one member, the co-op "enables us to work collaboratively and complement each other's skills and share resources...and work with people who can recognise our skills, abilities and our need for accommodation." <sup>8</sup>

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## Why People Co-operate <sup>9</sup>

### Economic Reasons

- Market not providing needed goods and services
- Prices aren't fair or affordable
- Members can save money by pooling their buying power or other resources
- Workers or producers are not getting a fair return for their labour
- "Depressed" area with a lack of outside investment

### Social reasons

- Community building
- Desire to be of service
- Overcoming social barriers or disadvantages
- Group synergy

### Philosophical Reasons

- Value co-operation over competition
- Value equity and economic democracy
- Value social good over personal gain

### Personal Reasons

- Have needs that can be met only by working with others
- Opportunity to meet and interact with other people
- Learning and/or sharing skills

### What Inhibits Co-operation

- Money as a primary motivator
- Impatience with collective decision-making
- Unwillingness to delegate authority
- Desire to avoid conflict
- Competition
- General lack of knowledge about co-operatives and how they work

### Moving Forward:

"Moving forward has revealed many of the challenges facing co-op members who live with varying degrees of abuse ... either at home, in their past, which affects the present, or through involvement with friends or relatives. Because they are a caring community and are all closely related to each other through family ties, members of the co-op are often affected and not always available to participate in the group project ... Unlike a conventional business where the lives of the employees are shaped around the business, our co-op needed to be built around the lives of the members." This has meant that "a great degree of flexibility needed to be built into organising the project."

— Pamela Eberhardt,  
Circle of Dollmakers <sup>10</sup>

# MINUTES

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Minutes are the official record of the discussions and decisions of a meeting. They remind participants of what was done at previous meetings and they keep track of agreements. When approved “as distributed (read)” or “as amended” and signed, they become both a historical and legal record of group decisions.

The recorder keeps track of who is in attendance. If members arrive after decisions have been made or leave before all decisions have been made, their arrival or departure is noted in the body of the minutes. The names of those who should be present, but are not, are also noted, usually under “regrets”. The name of the recorder should appear at the beginning or end of the minutes.

Members voting on a motion may call for a *recorded vote*. The recorder then includes the names of those voting for and against the motion following the result in the minutes. Votes may also be taken by *roll call*, with each member registering their vote when the chair calls their name. Ballots may be used at a member’s request if the issue is confidential. A motion for the destruction of ballots is required.

Keep track of discussions on controversial subjects, when a decision is not going to be made until a future meeting, and about “values”. Point form is fine, and speakers should not be identified.

Keep an “action by” section, recording who said they would do what, and by when, so follow up and reporting can happen in an organised fashion. It helps to put a copy of all actions in the upcoming agenda file of the appropriate committee or group, indicating where the action comes from, e.g. board meeting 09 December 2001.

The members in attendance at the meeting, or two persons designated by them, should sign and number each page of the official minutes. In some cases, financial institutions may want to see a copy of your minutes signed by all the members in attendance, such as when the decision to give certain members signing authority has been made. If you e-mail minutes to group members it is especially important to keep a dated and initialed copy since it becomes very easy to change information while retaining the look of the original. You may want to keep two or three signed copies in different locations, to guard against loss. Include any policies you develop or change in the body of the minutes from the appropriate meeting, but also put them into a policy format and file them separately in the “policy” file for easy reference.

# SAMPLE MINUTES FORM

**Minutes of the Meeting of the (name of group)** \_\_\_\_\_

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

**Time:** \_\_\_\_\_

**Place:** \_\_\_\_\_

Motions are recorded as:

Moved by: (name)      Seconded by: (name)

To .... (example: To adopt the agenda as distributed)

CARRIED/ DEFEATED or TABLED UNTIL (DATE).

---

**Action**

**By Whom**

**By When**

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Minutes approved by the (name of group)

\_\_\_\_\_  
Signature of Chairperson

\_\_\_\_\_  
Date of meeting where motion to  
approve was carried



# DEALING WITH CONFLICT

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If there is disagreement at this stage, it is important to deal with it in a healthy, constructive way. Members or potential members who feel they have been treated unfairly may end up working against the co-op in the future. This does not mean it is necessary, or even desirable, for everyone to agree all the time, but it does mean that any differences must be acknowledged in an appropriate manner. If you are able to bring in a skilled facilitator or co-operative developer, they can help you learn how to manage disagreement. If you require the support of a mediator, a co-op federation may have a list of recommended mediators.

## **Skills for resolving conflict and creating successful human relationships**

### **DO I WANT TO RESOLVE THE CONFLICT?**

Be willing to fix the problem.

### **CAN I SEE THE WHOLE PICTURE NOT JUST MY OWN POINT OF VIEW?**

Broaden your outlook.

### **WHAT ARE THE NEEDS AND ANXIETIES OF EVERYONE INVOLVED?**

Write them down.

### **HOW CAN WE MAKE THIS FAIR?**

Negotiate.

### **WHAT ARE THE POSSIBILITIES?**

Think up as many solutions as you can. Pick the one that gives everyone more of what they want.

### **CAN WE WORK IT OUT TOGETHER?**

Treat each other as equals.

### **WHAT AM I FEELING?**

Am I too emotional? Could I get more facts, take time out to calm down, tell them how I feel?

### **WHAT DO I WANT TO CHANGE?**

Be clear. Attack the problem, not the person.

### **WHAT OPPORTUNITY CAN THIS BRING?**

Work on the positives, not the negatives

### **WHAT IS IT LIKE TO BE IN THEIR SHOES?**

Do they know I understand them?

### **DO WE NEED A NEUTRAL THIRD PERSON?**

Could this help us to understand each other and create our own solutions?

### **HOW CAN WE BOTH WIN?**

Work towards solutions where everyone's needs are respected.

Source: Fighting Fair: A Guide. The Conflict Resolution Network. © This CRN material can be freely reproduced provided this copyright notice appears on each page.<sup>11</sup>

# GETTING SUPPORT

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“We recommend shopping around for all professional services. There are many co-op developers and consultants; each one does things a little differently and has varying fees. Find out who is best suited to the personality of your group and project. Ask for references and talk to other co-ops about their experiences.” — Pamela Eberhardt, Circle of Dollmakers.<sup>12</sup>

## Key Contacts

Many new co-ops start to really work when the members activate their contact networks. These networks can help you:

- Get important first sales as people begin to hear about your co-op and know you are for real.
- Get a break on costs, such as office furniture, rent, and payment terms for supplies.
- Provide you with important references and referrals that will help you get sales.

Keep a list of key contacts that includes the following:

- The contacts you have, the organisation they are with and the skills or experience that are valuable to your co-op and how to get in touch with them.
- When you contacted them and any follow-up you agreed to make.
- The contacts you require or want to have.

You may want to formalise your use of contacts by making a formal schedule to meet with each one. Be sure to record the results of your meeting as well as the date you met. List some of the more important connections your co-op wants to make or revitalise during the start-up period.

## Key Contacts Chart

Person/ Organisation	Skills/ Experience	Contact #/ Address	Date Contacted	Agreements Made
Donna Dealer, Salty Lake Credit Union	Commercial mortgage loan advice	534-8945	May 3, 2002	She'll call back with more info on loans available
Salty Lake Housing Association	Statistics on housing	housing@salty-lake.ca	May 7, 2002	We need to go to office for info
Gabrielle Devenue	Fundraising for affordable housing	534-5585	May 7, 2002	Call her back May 9

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### **Baby Steps**

Pamela Eberhardt is from the Circle of Dollmakers Co-op, a developing co-op whose members are Coast Salish women dollmakers. After several years of organising, Pamela has learned that it is important to build your co-op gradually, taking baby steps, rather than bringing too many things together at once. “I would like to say that there are a number of ways we could have been more effective in organising the Circle of Dollmakers. First and foremost is having ongoing production; making dolls and getting them out to the public in as many different ways as possible: craft fairs, Pow Wows, donating some to groups for fundraising, seasonal events such as Christmas or selling at malls, for example. Direct sales would have engaged us in the basic principles of business as well as given us the confidence in reaching our goals.”<sup>13</sup>

### **Advisory Board**

Any sort of business can use an advisory board – a group of people who can put in some time and who have skills or contacts you need. You will probably need advisors with knowledge of insurance issues, legal matters, business operations, and marketing, among other things. Experienced co-operators in your community may be willing to work with new co-ops on developing operational processes and strengthening co-op principles. Recent retirees with experience in a given industry or in a function such as financial management can be useful resources; former entrepreneurs can provide much-needed empathy when things get rough.

The advisory board has no legal status, and normally does not meet as a group. Most advisory groups work on a voluntary basis. Often they are just available to call for advice as needed, or are thanked with a quarterly meeting over a meal, with the co-op picking up the tab.

Whatever you do, don’t mix up professional advisors with advisory board members. If your co-op can find a lawyer and/ or an accountant who want to volunteer, be sure to use them only in an advisory capacity. Don’t try to turn your volunteer advisors into your accountant or lawyer. Even if your co-op is not-for-profit, you will need to budget enough money for professional services. A possible exception to this would be an accountant who might prepare an annual statement for the membership.

# REVIEW OF MODULE 1

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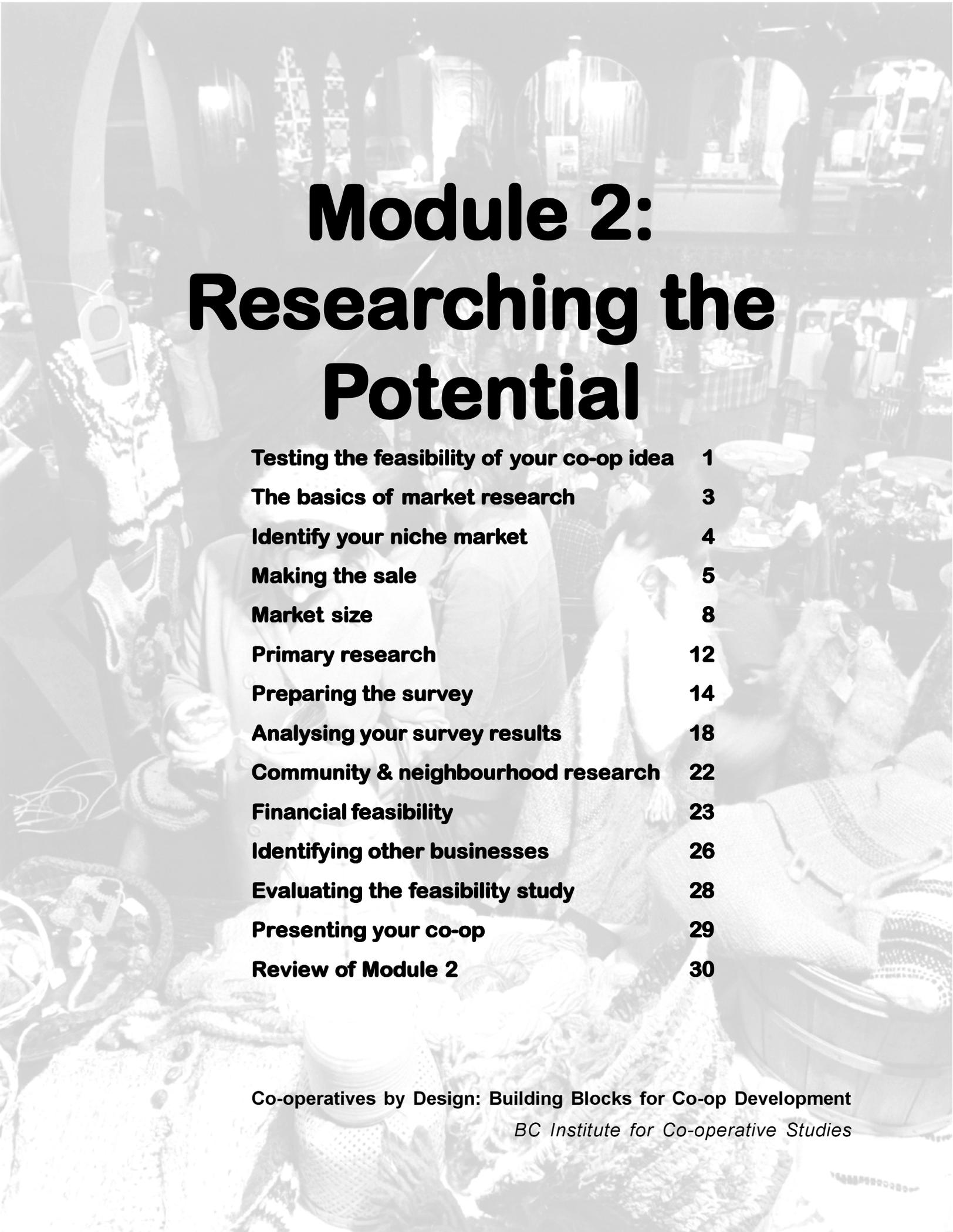
In this section we have covered the following:

- Forming a core group of committed members with the skills, experience or training needed to develop the co-op
- Conducting a pilot project as a model for your co-op
- Developing a clear vision, statement of purpose, and a set of goals that will lead you through the development process
- Creating a list of contacts you will need throughout the development process
- Developing a process for working together that suits the needs of your co-op
- Setting up an advisory board to help guide your co-op

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## End Notes

1. Waterfront Consumers Co-op: a case study. (2002) Researched and written by Nicole Chaland. <http://web.uvic.ca/bcics/casestudiesindex.htm>
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4. Warmland Specialty Foods Co-operative: a case study. (2002) Researched and written by Lloy Wylie. <http://web.uvic.ca/bcics/casestudiesindex.htm>
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6. As in 2.
7. Meeting Facilitation: The No Magic Method. ( ND) Written by Berit Lakey. Seattle, WA: New Society Publishers. This publication is out of print; however, there is a new manual, The Makings of a Good Meeting (1994), that is based on Lakey's booklet and other information. It is available on-line: <http://www.dcn.davis.ca.us/go/kjwolf/>
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10. Circle of Dollmakers: a case study. (2002) Researched and written by Pamela Eberhardt. <http://web.uvic.ca/bcics/casestudiesindex.htm>
11. The Conflict Resolution Network. PO Box 1016, Chatswood NSW 2057, Australia. <http://www.crnhq.org>
12. As in 10.
13. As in 10.



# **Module 2: Researching the Potential**

<b>Testing the feasibility of your co-op idea</b>	<b>1</b>
<b>The basics of market research</b>	<b>3</b>
<b>Identify your niche market</b>	<b>4</b>
<b>Making the sale</b>	<b>5</b>
<b>Market size</b>	<b>8</b>
<b>Primary research</b>	<b>12</b>
<b>Preparing the survey</b>	<b>14</b>
<b>Analysing your survey results</b>	<b>18</b>
<b>Community &amp; neighbourhood research</b>	<b>22</b>
<b>Financial feasibility</b>	<b>23</b>
<b>Identifying other businesses</b>	<b>26</b>
<b>Evaluating the feasibility study</b>	<b>28</b>
<b>Presenting your co-op</b>	<b>29</b>
<b>Review of Module 2</b>	<b>30</b>

# TESTING THE FEASIBILITY OF YOUR CO-OP IDEA

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**B**y now you should have a core group of members, ready to conduct a feasibility study of your co-operative idea. A feasibility study is simply a fancy name for looking into whether or not your co-op will work. This is done by looking at the potential market for the product or service, the potential to make money, and the ability of those promoting the idea to run the business. Don't be surprised if you find you are changing the details of your business concept as you gather more information and feedback. In fact, you should be.

There are many reasons why people come together to form co-operatives. Historically, co-operatives have been organised to collectively address a common need in a community, such as access to a particular service, product or for employment. Whatever your reason, try to define your co-op idea in business terms. Start by asking questions, such as:

## **What are we selling or providing?**

You'll want to be as precise as possible. For example:

A co-op whose members prepare fruit jams and jellies might say, "we will be preparing and selling organic jams and jellies made of 100% certified organic apples, grapes, plums and cherries grown in the Okanagan, and sweetened with 100% organic honey. There will be four varieties, each available in 150 ml., 250 ml., and 400 ml. glass jars, labelled with original art from Okanagan artists."

## **Who are our customers or members?**

Identify who is most likely to be your first customer or member. Remember to focus on people who not only want your product or service, but are willing to pay for your product or to become a member. For example:

A co-op that manufactures wooden dog houses might say "homeowners in Courtenay whose dog sleeps outside and who are willing and able to pay at least \$250 for a wooden dog house".

## **Where will you be selling your product or service?**

By all means dream nationally or globally, but start by focusing locally. For example:

A co-op that manufactures a value-added food product may start by marketing at local farmers markets for a season. The next year, it may sell through local merchants. The product could be in production for two years or longer before the co-op widens its distribution through a broker or a distributor.

## **Solid Bond Welders Co-op\***

**Type of co-op:** Workers co-op

**Product or service:** Welding

**Market:** Small businesses and individuals in Saldertown and surrounding area.

**Members:** Welders

*\*Fictional co-op created for illustrative purposes.*

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**Berrydale Jammers  
Co-operative\***

**Type of co-op:** Marketing  
co-op

**Product or service:** Jam

**Market:** BC residents  
who tend to be health  
conscious and who  
prefer to purchase  
local products.

**Members:** The jam  
makers

*\*Fictional co-op created  
for illustrative purposes.*

**What is the major benefit you are offering your potential customers?**

Remember that co-ops often contribute to their community's long-term stability. For example:

A co-op that manufactures and sells outdoor clothing may charge more for its product, but it may also guarantee that the clothing outlasts that from any other manufacturer, and is a lot easier for travellers to wash and wear. Or it may make the clothing from local wool products or provide jobs for disadvantaged people in the community.

**What will attract people to your co-op?**

This may be how your co-op is fulfilling a need or what advantage your co-op provides. Non-co-op based business planning manuals will describe this as 'competitive edge'. For example:

A local computer shop selling to small business or home users may be able to charge more for its product by having a technician deliver it to the customer, set it up, get it running, and provide some basic training.

Present your business concept to people who are outside of the co-op, ask if they understand what you are saying and if they agree your co-op is financially viable and that it can meet the needs of its members.

**Diversifying the economy**

Concerned about the loss of jobs in their community, a group of local Lake Cowichan citizens began to lobby for control of forest land so that the revenue coming from forest resources would go toward the economic development of the Cowichan community. The Cowichan Lake Community Forest Co-operative (CLCFC) grew out of this effort, with the purpose of creating and maintaining employment and community economic development in the Cowichan Lake area. In 1994 the co-op obtained a timber-cutting license (TCL). The co-op's main activity is a joint venture with the forest company TimberWest, where the corporation manages the co-op's TCL and the two share the profits evenly. Recognising logging alone will not sustain the co-operative the members have been committed to diversifying the activities of the co-op and to date it has also generated income from managing government contracts, salvaging, milling and brokering lumber. CLCFC also continues to search for value-added activities to meet its overall mandate.<sup>1</sup>

# THE BASICS OF MARKET RESEARCH

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Once you have defined your idea in business terms, it's time to begin researching the feasibility of the co-op. Start with finding out more information about the market. Looking at the market will give you a better understanding of who your members or customers are and why they are likely to buy the product or service you are selling or providing. It will also help you identify what other businesses are out there that offer similar products or services and whether or not they are meeting the needs of the community.

Market research for a co-op must consider the needs and expectations for members, and in most cases must address the need to attract members as well as customers. If you are forming a workers' co-op, you will need to know if members will support the business by investing time or money; if you are forming a consumer co-op, you will need to look at what benefits members will receive for their participation, how they expect to be involved, and if they will support the business by buying goods and services.

There are two kinds of market research:

*Primary research* includes information you discover or conclude from personal observation and research, results of questionnaires, site visits, and conversations with experts in your industry.

*Secondary research* includes information from journals, books, published reports, government statistics, or Internet findings. In other words, research that someone else has conducted.

You will probably find the best place to begin is with secondary research. Secondary research uncovers and helps you understand broad industry trends and issues so your primary research can be more focused and effective, and you know what questions to ask.

Secondary research also helps you identify industry *benchmarks* so your financial estimates are more realistic, and it is faster and cheaper than primary research, giving you a sense of momentum and achievement right at the start of your investigations

Start with three big questions.

1. Who is your niche market (members and/or customers)?
2. How is a sale made to your niche market?
3. How big is the market for what you are selling?

## **Fablewood Community Forestry Co-op\***

**Type of co-op:** Multi-stakeholder co-op

**Product or service:** Value-added wood products

**Market:** Co-operative of private wood products distributors.

**Members:** Companies, co-operatives or societies whose members/owners reside in Fablewood

*\*Fictional co-op created for illustrative purposes.*

**Benchmarks:** Industry standards that can be used to compare your own estimates.

# IDENTIFY YOUR NICHE MARKET

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The term “target market” is also used to describe the market segment where a business’ sales will come from. However, we’ve chosen not to use the word ‘target’ to describe people because it can imply manipulation and therefore goes against the principles of co-operativism.

Every market is made up of different segments based on variables such as geographic location or demographic characteristics. Marketing takes a lot of time and effort so you want to focus on the segment or segments where your efforts will have the most impact. This is your *niche market* or service area.

In your marketing research, you do not identify your customers or members; you identify the market segment or service area where most of your potential customers or members are likely to be found. For example:

A co-op that plans to provide landscaping services in Kamloops might identify its niche market as “mainly homeowners with front or back yards within a 20-kilometre radius of central Kamloops, who do not have the time or inclination to care for a garden, want their yard to look neat and are prepared to pay about \$50 a month for this service”. This market does not include all homeowners with yards because those who enjoy yard work and those who cannot afford to pay for landscaping are less likely to be potential customers.

To have a better understanding of what your potential customers and/or members like and dislike, where they are located, how much they earn, their buying patterns, and the size of your niche market or service area, answer the following questions, look at the following:

**If your market is individuals, look at:**

*Demographics:* Age, gender and income.

*Profile:* Lifestyle, values, and beliefs.

**If your market is businesses, look at:**

*Status of the industry:* In decline? Growing? Why?

*Companies in the industry:* Large, small, mixed? Their policies and structure? Who makes decisions about purchasing?

**Whether you are serving individuals or businesses, look at:**

*Geography:* Where are your customers, clients or members located?

*Frequency:* How often would a regular member or customer purchase the co-op’s products or use its services? Daily? Weekly? Monthly?

*Publicity:* How do customers find out about new products or services?

# MAKING THE SALE

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Once you identify your niche market or service area and understand its dynamics, you can look for the essential ingredients needed to sell your product or service to this market.

Create a step-by-step model so you understand how a sale is made, from start to finish, including details of any credit your customers, clients or members might expect you to extend.

## Step 1: Identify the product or service essentials

- Does the product/service have specific features? Does it need specific materials/special expertise or training?
- Does it need specific endorsements, certification, warranties or guarantees to be credible?
- How will the product be distributed? What kind of packaging and/or labeling is needed? Does it need a *UPC* (universal product code)? (See Module 3 for more information)
- What type of sales and technical support must be provided? (Examples include product samples and money for in-store demos, shelf flyers and other information, print ads and/or co-op ad money, store staff training.)
- If you are selling a product to businesses, what minimum quantity does the business require?

### Universal Product Code:

A UPC is a standard code for product marketing. A Universal Product Code Identification Number is a unique number assigned to merchandise as a barcode. There are many barcoding systems. An ISBN is used for publications. UPC is the most common for merchandise. To get a UPC for your product in Canada, contact the Electronic Commerce Council of Canada ([www.eccc.org](http://www.eccc.org)). In the USA contact the Universal Code Council ([www.uc-council.org](http://www.uc-council.org)). To apply for an ISBN, visit the website [www.isbn.org](http://www.isbn.org).

### Product or service

Some products and services, especially those involving food, children or health, are carefully regulated. Thoroughly investigate any special certifications or regulations that might apply. All levels of government have regulations, and some professional organisations are self-regulating. Here's a sample:

#### Municipal

Incorporated villages, town and cities enforce business licenses, zoning restrictions and business codes. Check with your local city hall on the following:

- Business licensing
- Zoning and land use bylaws
- Local building codes
- Days and hours of operation.
- Home-based business regulations

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A co-op planned to start a pet care service in the Kootenays and one of its services was dog walking. Members were surprised to find that dogs were not allowed to be walked in the downtown core, an area where many of their customers were located.

**Provincial:**

The British Columbia government enforces rules related to:

- Name search and registration
- Incorporation
- Land use
- Travel agencies and tour operators
- Environmental issues
- Forestry
- Alcohol sales
- Education
- Health
- Food and beverage (making and selling)
- Building codes
- Labour laws (including Workers' Compensation)
- Provincial sales tax
- Highways and transportation

**Federal:**

The Canadian government concerns itself with:

- Labeling
- Language laws
- Alcohol manufacturing
- Boating regulations
- Fisheries and oceans
- Import and export
- Goods and Service Tax

Remember to check the regulations for every city, province or country where you plan to conduct your business or sell your products. A good place to start is to find an industry association that represents businesses like yours to ask about possible regulations that would affect your business. As well as advising you of regulations, an industry association can also help you determine if your members will need specialised skills, training or accreditation, and whether you will need legal protection such as a copyright, trademark or patent.

You can learn more about business rules and regulations from your accountant or the One-Stop Business Registration and the BC Ministry of Competition, Science and Enterprise.

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## Step 2: Marketing essentials

- How do you get customers, clients or members?
- Are there seasonal shifts in production and/or sales?
- Must you sell through a broker or middleperson to reach your customers or members?
- Must you use a *distribution network* to reach your customers or members? How large should the network be?

## Step 3: Legal and regulatory essentials

- Do you need any special approvals or licenses to begin selling?

## Step 4: Financial essentials

- Must you accept credit payment for your product or service? For how long must you extend credit?
- Is there significant up-front spending required before making a sale (e.g. do you have to build a facility or do a lot of advertising)?

### **Distribution Network:**

The system of intermediaries between the producer of goods and/or services and the final users.

A worker co-op started by a group of friends in a rural region of British Columbia decided to make low-sugar jam and jellies from local fruit. In its market research, the co-op identified supermarkets as a key market. Follow-up meetings with supermarket managers confirmed interest in purchasing the product. The shock came when co-op members discovered they had to buy shelf-space at the supermarket at a price that cut severely into their anticipated income. Without the supermarkets, the co-op was in trouble, yet the additional cost was prohibitive.

### **Making the sale: an example**

#### **Step-by-step model for Salty Lake Tour Operators Marketing Co-op**

##### **Service essentials**

- Service must adhere to code of ethics and strict quality control.
- Member training required to ensure quality.
- Services to members must include networking support for creating package tours as well as sales and administration.
- Provide marketing expertise for members to increase sales.

##### **Marketing essentials**

- Advertise through Internet, provincial tourism stations and tourism magazines.
- Salty Lake tourism season June to September; December to February.
- Must allow for on-line booking.

## **Legal and regulatory essentials**

- Members must be in compliance with all regulations and industry standards that apply to their particular operation, including motor vehicle licensing and insurance, travel industry insurance, driver licensing, water safety regulations, food safety regulations and professional certification.

## **Financial essentials**

- Operators must accept credit cards, cash and travelers cheques for payment.
- Significant pre-season spending on marketing; co-op must offer credit and payment plan to members

*Note: Salty Lake Tour Operators Marketing Co-op is a fictional co-op created to explain the model for making a sale.*

Forecasting sales and estimating market size is more art than science. The heart of forecasting is good guessing, and the best guess is an educated one. Use your common sense and judgment, but find as much information as possible to base your forecasting on. You may not end up with the right answer, but you can weed out or eliminate a lot of wrong answers. Consider past trends and new developments, and anything else that can give you an idea of the market size. Always remember what your realistic objective is. The following example demonstrates how to estimate the market potential.

A group of friends wants to start a restaurant co-op in their community because they know they can cook unique yet simple meals and they have heard complaints from other friends that there is no “simple food” place to have lunch in their area. In trying to decide how big the market would be for this restaurant, they might sit down and make some guesses:

Number of days open: 365

Hours open per day: 6

Number of people in our town: 50,000

Number of people who would drive by the co-op per day: 5,000

Percentage of people who would stop to eat: 10%

What each person would spend each visit? \$10

Using the example, they might estimate the annual market potential using the following equations:

Number of people who drive by each day	5,000	
x % of people who stop to eat each day	x 10%	
= Number of potential customers per day	<u>500</u>	
Number of potential customers per day	500	
x Average amount each person spends	x \$10	
= Average income per day	<u>\$5,000</u>	
Average income per day	\$5,000	
x Number of days open per year	<u>365</u>	
<b>= ANNUAL MARKET POTENTIAL</b>	<b>\$1,825,000</b>	

**Circle of confidence:**  
The range of estimates for your market size and sales potential that you feel, given your research, are reasonable to make.

That’s a whole bunch of assumptions, but all of them can be researched and refined later.

Estimating your annual market potential in this way is how to begin defining your *circle of confidence*. Establishing and then narrowing the circle of confidence is the objective of your market size research.

Using the example above, let us say the co-op members did some more research through their local economic development office and discovered:

- The daily traffic by the likely site for their restaurant is 3,000 vehicles and 1,000 pedestrians (oops! they forgot pedestrians and were overly optimistic about vehicles).
- Canadians spend an average of \$7 for a lunch, and are eating out less than in the past.
- The market for quick, simple, lunches that are healthy is growing rapidly. Meals delivered to corporations and other offices during the lunch hour are a booming, under-served market.
- Sundays and some holidays there is virtually no traffic. Better count on a “year” of 300 days.
- The co-op members interviewed a sample of passersby and found that 20 per cent of pedestrians and 15 per cent of motorists say they stop for lunch regularly in this area.

Don’t get hung up on precision, because the odds of correctly estimating the market size down to the last dollar are very unlikely. But you need to establish a range of estimates that can be whittled down by research. Estimating is more about knowing what it won’t be than what it will be.

New information means a new calculation.

<b>The Good Food Co-op*</b>	Number of people who drive by each day	3,000
	<b>x</b> % of people who stop to eat each day	<u>x 15%</u> 450
<b>Type of co-op:</b> Consumer co-op	Number of people who walk by each day	1,000
<b>Product or service:</b> Food	<b>x</b> % of people who stop to eat each day	<u>x 20%</u> 200
<b>Market:</b> Residents within a 2 km radius of the co-op.	Potential customers by car	450
	+ Potential customers on foot	<u>200</u>
	<b>=</b> Number of potential customers per day	650
<b>Members:</b> The customers and staff.	Number of potential customers per day	650
	<b>x</b> Average amount each person spends	<u>7</u>
	<b>=</b> Average income per day	\$4,550
	Average income per day	\$4,550
	<b>x</b> Number of days open per year	<u>300</u>
	<b>= ANNUAL MARKET POTENTIAL</b>	<b>\$1,365,000</b>

*\*Fictional co-op created for illustrative purposes.*

### Finding Market Information

Trade magazines and other speciality publications that provide in-depth, up-to-date coverage are available for most industries. These publications contain a lot of statistics, forecasts and profiles related to the specific industry. For example, a co-op starting a restaurant could read on-line guidebooks such as [Restaurant Business](#) or [Restaurant Report](#). A co-op starting a convenience store could benefit from the information in [CSNewsonline.com](#).

Trade magazines are usually more useful than textbooks or large market studies because the information they present is more current. On top of that, many magazines are available free on the Internet, and most have archives of past articles that you can search.

Find out what trade associations or co-operative federations or associations apply to your business. Most regularly publish member directories and some publish statistical information tracking industry sales, profits, economic trends, etc. A good place to start is the Internet. The section on e-businesses in Module 3 provides some information on using the Internet.

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The circle of confidence has tightened. The co-op members are more confident about the \$1.3 million number than the \$1.8 million number because they have more information. Neither is correct to the last dollar, but the odds strongly favour the \$1.3 million estimate.

Keep looking for ways to refine and tighten your circle of confidence. Watch other similar businesses, count the number of people going into their establishments, guess what their hourly, daily, weekly and monthly gross sales are. Brainstorm with friends and colleagues, read marketing books, watch successful media campaigns, and then start thinking “outside the box” for what might work for your business.

## Techniques to Measure Market Size

Here are some of the current methods of estimating market size for a start-up business; some or all may apply to your situation. Remember they will only give you estimates.

### 1. Trading area approach

Identify the geographic area where you expect most of your customers will come from by asking

- How far will people travel to buy from you?
- How far will your promotional message reach?
- How far are you intending to distribute your product or service?

All of these considerations should be taken into account. This is what is called your *trading area*. Now identify the amount of demand that exists in this trading area for what you are selling by finding out what other products or services are available in the area. This will be your *market size*.

Several statistical tools related to the census are available to determine the amount of demand in a given geographical area in Canada. You should review the PC Census tool available in most libraries and visit the Statistics Canada web site. <http://www.statcan.ca>

### 2. Traffic approach

This approach identifies a specific location where the business will be located, then attempts to estimate the traffic flowing by that location and how much they spend on the product or service the business will sell. This is the approach we used earlier when we calculated the Annual Market Potential.

# PRIMARY RESEARCH

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Primary research should be used to gather information from the people in your service area or niche market that you identified through the secondary research. There are a number of ways to conduct this primary research – from talking to potential customers, other co-ops and businesses to conducting focus groups or sending out questionnaires.

Probably the most important activity you will undertake in all your business research and planning is a market survey. It does not cost a lot, but it does take ingenuity, motivation and some courage. Existing businesses use market surveys to get ideas from customers about needed improvements; new businesses use them to ask potential customers for their reaction to a product or service and use the results to help guide business decisions.

In particular, a market survey will help to find out if the individuals or businesses you've identified as potential customers will buy your product or service as is or if you will need to make adjustments. This is when you talk to these potential customers and confirm your theories about what they will buy.

Doing some sort of questionnaire is almost a rite of passage in starting a business. It's often the first time your core group makes direct contact with your potential members, customers or clients. Some of the information can be a shock, and the need to approach people who are strangers to obtain their opinions can be a challenge in itself. When exploring a business opportunity there is nothing more important than to have direct contact with the group you are thinking of selling to, and learning their likes, dislikes, needs and beliefs.

Before composing either survey, check out the resources on surveys at the back of this module. If possible visit: [www.surveysystem.com/resource.htm](http://www.surveysystem.com/resource.htm), which provides useful background on the whole area of surveying.

You should conduct at least two market surveys before starting your business:

- An informal street level test to measure the response to your product or service idea
- A market segment survey to assist in identifying your niche market and its buying behaviour

## **Start-up Survey 1 – Street Level Test**

Take a sample of your co-op's product or a description of your services to as many people as possible. Talk to people who are part of your niche market or in your service area and are likely to give you an honest assessment. Avoid talking to friends or relatives. Ask people:

- 
- What they think of the product or service
  - Whether they would buy it
  - How often would they buy it

Ask the same questions in the same way in all the interviews so your survey results are more reliable. There is no doubt that this kind of survey takes nerve, co-ordination, and a lot of work, but it will give you a very preliminary “go” or “no go” signal. You may be surprised at the response and information you get

### **Start-up Survey 2 – Market Segment Survey**

At this point you should have enough secondary research to understand how your industry works, and some general views from potential clients, customers or members. Now it is time to put together a proper questionnaire and start the more detailed primary market research.

Start by determining how much time and money you can invest in the survey. This will help you plan the most effective survey. Face-to-face interviews are best, but they take a lot of time. Mailing a questionnaire or posting an Internet questionnaire is simple, but the response rate is very low.

#### **Changing markets**

The Kootenay Bakery Café Cooperative has identified its niche market as individuals who are “conscientious, discerning, and health minded...[and] consider factors such as natural and organic ingredients, food preparation methods, and earth conscious sustainability issues when making purchases and supporting businesses.” At the same time the co-op has noticed a shift in its market as Nelson attracts an increasing number of “urban based customers who naturally frequent businesses that offer contemporary food service options mirroring those available in larger centres.” This has led the co-op to diversify their products and services and to change its ambiance to satisfy their changing clientele.<sup>2</sup>

# PREPARING THE SURVEY

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## Wooly Mamas Knitting Co-op\*

**Type of co-op:** Supply co-op

**Product or Service:** Bulk yarn and craft supplies for members.

**Market:** The members

**Members:** Knitters

*\*Fictional co-op created for illustrative purposes.*

Your survey should show you whether there is a solid market for your product or service, whether your price is reasonable, whether you will be able to compete with others and what type of marketing will be most effective. Like a news reporter, you need to find out the answers to Who, What, Where, Why, When, How, How Much, and How Often.

**Who** relates to the demographics of your niche market or service area. Who is most likely to purchase what you plan to sell? It could be individuals, other businesses, co-op members, governments, or societies. You can start to build a profile of your niche market or service area, by asking for demographic information, (age, job, marital status, where they live, and education).

**What** asks those in the niche market or service area exactly what they want.

**Where** asks them where they are buying similar products or services now or where they could buy it. This will help determine if there is a need for your product or service.

**Why** asks why they would buy what you have for sale, or why they would not buy it, which could signal the need for modifications.

**When** refers to timing. When are potential customers most like to buy your product or service? It could be a time of the day, a season or a specific time in their lives.

**How** asks how they want to access your product or service. In your store? In another retail store? At a craft show? Door-to-door? Via the Internet?

**How much** do or would they spend on a similar product or service?

**How often** do or would they buy this type of product or service?

### Some other questions to ask are:

- Would you definitely/maybe/not buy this product/service?
- Would you be more likely to buy it if something was changed? Offer options or invite comments.
- Would you buy this product/service if it were sold in the way being planned?

- 
- Does it make a difference to you (or not) that this product/service was produced by a co-op in the community?

If your co-op is open to additional members, you may also ask them if they are interested in becoming a member. This is an excellent time to be developing a list of potential members.

## Types of Questions

There are three basic types of questions:

**Yes/ No Questions:** Use *yes/no* questions if you are sure the question can be answered with a simple Yes or No, and you are only looking for general information.

**Multiple Choice:** Use *multiple choice* questions if you can provide reasonable alternatives. The benefit of multiple choice questions is that you can choose options that will give you the information you need and the answers are easy to compare. The challenge is making sure the individuals you are surveying can understand the options and that people are not put off by limited choices.

**Open-Ended:** Use *open-ended* questions when you need to find out how people feel about a product or service. You will get much more detailed information. However, it is difficult to compare between individuals because the answers may vary considerably.

Be sure to avoid questions that lead the respondents to an answer, for example: “What would you pay for a slice of the best pie ever made in this city?” Also avoid asking more than one question at a time, such as was done in this question: “Are you interested in buying a sweater that costs less than \$20 and has neon buttons?”

### Shackville Housing Co-operative\*

**Type of co-op:** Service co-op/ Housing co-op

**Product or service:** Housing units

**Market:** Renters in Shackville who need affordable, healthy housing and who want housing security but cannot afford to buy a house.

**Members:** The residents of the co-op

*\*Fictional co-op created for illustrative purposes.*

### People to People

When the South Peace Grain Cleaning Co-operative outgrew its first grain cleaning facility, the board wanted to find out what the members wanted. At first they tried to survey the members, but, as current manager Jarvis Taylor says, “In agriculture, paper don’t mean much.” What was more effective than a survey was hashing it out over coffee.”<sup>3</sup>

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## Steps to Creating a Questionnaire

1. Identify your information needs – what do you need to know?
2. Prepare a brief introduction to the product or service you are planning to provide.
3. Before you add a question, clarify why you are asking it. How will the information contribute to your knowledge of the niche market or service area?
4. Ask the questions in a logical order. Start with screening questions, for example to determine eligibility. Work from broad general questions to specific topics, and from simple questions to more complex ones.
5. Check the length. You should be able to complete the survey in less than two minutes, especially if you are stopping people on the street.
6. Pre-test it to ensure it is easy to read, simple, unambiguous, *jargon-free* and clear.

### **Jargon:**

Technical terminology used by a specific industry or group.

## Conducting the Survey

No one person or source can give you the opinions of the real people who have the potential to become your customers. As many potential members or customers as possible should participate in the market survey. These are the people who are most likely to provide valid information. Interview as many people as your budget and time allow. The larger the number of people, the more precisely it reflects the market. The survey should develop your confidence in the product or service you are planning to offer.

## Survey categories

Here are some suggested characteristics to look for and some potential variables in the demographic, geographic and behavioural characteristics of the people in your niche market or service area. Many of these may not be applicable to your co-op.

Individual Characteristic of Individuals or Businesses	Variable
<b>Demographics</b>	
Age	0-19; 20-30, 31-50, 51-65, over 65
Years in Business	0-5, 6-10, 11-15, 16-20, over 20 years
Gender	male, female, transgender
Family size	1, 2, 3, 4, 5-8, more than 8
Business size (number of employees)	1, 2, 3, 4, 5-8, more than 8
Form of business	Sole proprietorship, partnership, co-operative, company, non-profit society, government.
Family characteristics	Single, young, married/ no children, young children, single parent, children not living at home, other.
Family Income	\$0-10,000; \$10,000 - \$15,000; \$15,000 - \$20,000; \$20,000 - \$30,000; \$30,000 - \$45,000, over \$45,000
Education	Elementary, High School, College or technical diploma, Undergraduate, Graduate.
Language(s) spoken	Open ended
Literacy	Yes/no, specify language
Occupation	Open-ended answer
Business type	Construction, manufacturing, retail, etc.
<b>Geographic</b>	
Location of business/ where person lives	Could be neighbourhood, city, province, country.
<b>Behavioural</b>	
Purchase frequency	Daily, weekly, monthly
Preferences	Affordability, quality, name brand, environmentally friendly, local, etc.

# ANALYSING YOUR SURVEY RESULTS

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Once you have completed your survey, you need to analyse the results so that the information is useful. You may present this information in several ways, depending on the type of information, the type of question and who you are presenting the information to. The information may be displayed as text, numbers, tables, charts or graphs.

## Qualitative

The first way to categorise your information is as *qualitative* or *quantitative*. **Qualitative** is related to quality. The open-ended questions you ask will usually give you qualitative answers. They are often difficult to compare because the answers can be very different from one another, but the information will most likely be more detailed and tell you stuff you didn't think of before. For example:

The question "Why are you interested in joining the Salty Lake Tour Operators Co-op?" may be written as an open-ended question, with space given for people to say why they are interested in joining the co-op. There may be many answers to this question, such as: "We are finding it difficult to market our Bed and Breakfast because we are so isolated" or "We need to increase the income of our business this year." In some cases, people will give more than one reason for wanting to join: "A co-operative is in keeping with the principles of our tour group and we would like to work with other like-minded tourism businesses".

From these answers, the co-op will have a better understanding of the reasons why people might join the co-op, and therefore help the co-op to focus its goals as well as its outreach to potential members.

Qualitative information is usually summarised in paragraph form.

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## Quantitative

**Quantitative** information has to do with quantity. The multiple-choice and yes/no answers will give you quantitative information. This information is easy to compare because the answers can be counted. The information may be words or numbers, but is limited to specific answers. However, the information may not be detailed enough and is limited to the kinds of answers you expect to get. For example, the Salty Lake Tour Operators Co-op may also ask the following multiple choice question:

How is your tourism business structured?

- a. Sole proprietorship
- b. Partnership
- c. Co-operative
- d. Company
- e. Non-profit society
- f. Government

With this example you can count the answers. Out of 30 respondents, you may have 13 sole proprietorships, 6 partnerships, 5 co-ops, 3 corporations, 1 non-profit society and 2 government agencies.

This information may be represented in written form, as in this paragraph, or it may be displayed as a chart or graph. To create a chart or graph, first you need to represent the information as a percentage. To find the percentage, divide the number for each answer by the number of respondents:

13 sole proprietorships ÷ 30 respondents	=	0.433	or	43.3%
6 partnerships ÷ 30 respondents	=	0.2	or	20%
5 co-ops ÷ 30 respondents	=	0.167	or	16.7%
3 companies ÷ 30 respondents	=	0.1	or	10%
1 non-profit society ÷ 30 respondents	=	0.03	or	3.3%
2 government ÷ 30 respondents	=	0.067	or	<u>6.7%</u>
				100%

With a percentage, the information can be easily compared and may also be represented graphically. You can either do this by hand or using a computer program. Most word processing programs have the ability to create graphs and charts.

### **Crow Point Credit Union\***

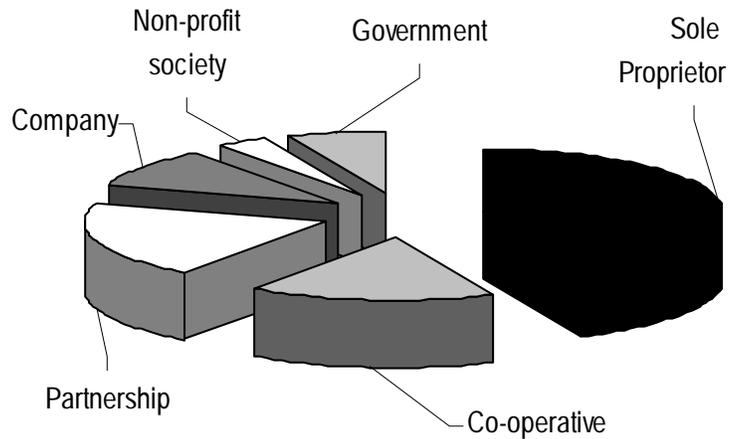
**Type of co-op:** Financial  
co-op

**Product or Service:**  
Loans and other  
financial services

**Market:** Residents of  
crow point

**Members:** People  
requiring financial  
services

*\*Fictional co-op created  
for illustrative purposes.*



Another way to analyse quantitative information is using **averages**. The following example shows how a co-op can use their market research to estimate a selling price for their product:

To get a better sense of what to charge for their product, a jam making co-op includes the following open-ended question on their market survey.

How much are you willing to pay for a 350ml jar of jam? \$ \_\_\_\_\_

Step 1: Record the results by compiling the number of respondents with the same answer. Rank the answers in order of dollar value, as follows:

Results: (20 respondents)

2 respondents x \$2

5 respondents x \$3

4 respondents x \$4

6 respondents x \$5

2 respondents x \$7

1 respondents x \$8

---

Step 2: Drop the bottom and top 10% of the responses. With 20 respondents, that means drop the 2 people who are willing to pay the lowest amount and the 2 people who are willing to pay the highest amount. This leaves:

5 respondents x \$3  
4 respondents x \$4  
6 respondents x \$5  
1 respondent x \$7

Step 3: Average out the middle 80% to get a rough price.

5 x \$3 = \$15  
4 x \$4 = \$16  
6 x \$5 = \$30  
1 x \$7 = \$ 6  
Total = \$68

Now divide the total by 16 respondents = \$4.25/unit

Therefore, the average price that people are willing to pay for a jar of jam is \$4.25

In your market research, you may have come across some municipal regulations (such as zoning bylaws or building codes) that affect your business. There may also be a number of other neighbourhood or community processes that may affect your business. Any business that is setting up in a particular neighbourhood or community must be aware of the social and political climate.

**Gentrification:**

The trend and process of neighbourhood renewal by way of widespread architectural upgrading, the so-called “rehabilitation” of substandard and average rental housing, commercial properties and infrastructure, and the general development of new buildings. Gentrification is indicated by an increase in rents and subsequent shift from a poor or primarily working class neighbourhood to a more middle class or professional class neighbourhood.

You can start by talking with the local community association or business association. They should have copies of a neighbourhood plan which may contain information about where services or retail should be located or what direction the residents want their neighbourhood to go. The neighbourhood association may have a good understanding of trends that may affect your co-op in the future, such as *gentrification*.

Your community and neighbourhood research should also look into the kinds of resources available to the co-op, such as business support services, organising committees, special events and transportation services.

### Taking Care of the Kids

More than just a retail outlet, the Neechi Foods Community Store dedicates itself to individual empowerment, co-operative principles, healthy living and local community economic development. Neechi Foods is an aboriginal worker co-op located in the north end of Winnipeg and serves the largest urban native population in Canada. The co-op sells wild blueberries, whitefish and pickerel and organic wild rice from aboriginal co-ops in rural areas as well as moccasins made by neighbourhood aboriginal women. The co-op tries to keep kids from buying candy by putting a “kids only” fruit basket at the front counter where the fruit is sold at cost. The co-op also promotes healthy living by refusing to sell cigarettes, although tobacco is still sold for ceremonial purposes.<sup>4</sup>

# FINANCIAL FEASIBILITY

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An important part of your feasibility study is developing a basic idea of your potential sales, costs, and surplus so you can decide if your business will make enough money to cover costs and support the workers.

## **Pricing (see also Module 3 for more on pricing)**

You will likely find it hard to set a price for your product or service because there are so many variables. Begin to make an estimate by finding a price that sounds reasonable and that your members can agree upon. Revise your price based on the costs to produce and deliver your product or service, keeping in mind that costs will vary according to the number of units produced.

### **Variable Costs**

Your variable costs are the costs of producing each unit of your product or service. For example:

A three-person woodworkers co-op that plans to produce and sell wooden chairs would estimate the cost of producing one chair (or one unit) as follows:

<b>Materials</b>	<b>Cost</b>
Wood	25.00
Upholstery	15.00
Nails, etc.	2.00
Finish	<u>2.50</u>
<b>Total Cost/ Unit</b>	<b>\$44.50</b>

Through experimentation, the members agree that they can produce three chairs a day and could work a maximum of 20 days per month. This means they can produce 60 chairs per month:

$$3 \text{ chairs/day} \times 20 \text{ days/month} = 60 \text{ chairs/month}$$

To figure out the material costs of producing 60 units, multiply the total costs/unit by 60:

$$\$44.50 \times 60 \text{ units} = \$2,870.00$$

---

### Fixed Costs

These are the additional costs you will have regardless of the number of units you produce. They will remain the same no matter what. For example, your rent will be a fixed amount – your landlord will want rent money even if you produce nothing.

The fixed costs of running the wooden chair co-op business for one month may be as follows:

Special note for worker co-ops: In Module 5 you will develop personal budgets to determine appropriate salaries. You may wish to do that step now as it will help your members decide realistically if the co-op will generate enough income to make the business worthwhile.

Description	Cost
Rent	450.00
Utilities	100.00
Insurance	80.00
Staff salaries & benefits (for 3 full time workers)	4,500.00
Marketing	150.00
Office and communications	<u>150.00</u>
<b>Total Fixed Cost /Month</b>	<b>\$5,430.00</b>

### Break-Even Price

The break-even price is the price you would have to charge to cover all of your costs, if you sell all of the units. To get the break-even price, first find the total cost of producing 60 chairs per month by adding the variable and fixed costs:

Total variable cost/month for 60 units	2,870
+ Total fixed costs/month	<u>5,430</u>
<b>= Total cost/month for 60 units</b>	<b>\$8,300</b>

Next divide this by the number of units to get the break-even price:

$$\begin{aligned} \text{Total cost/month for 60 units} \div 60 \text{ units} &= \text{Break-Even Price} \\ \$8,300 \div 60 \text{ units} &= \mathbf{\$138.88} \end{aligned}$$

We can round up for simplicity, and say that the co-op will have to make and sell 60 chairs at \$140 every month to cover all costs of production.

### Calculating the break-even point

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A break-even analysis will begin to give you an idea whether your business idea has the potential to make money for the co-operative. When you break-even the “money in” equals the “money out”. In other words, revenues equal expenses, and surplus equals zero.

To calculate your break-even point:

- 1) Take your estimated selling price
- 2) Subtract your estimated variable costs
- 3) This will give you your “contribution to fixed costs”.

Using the wooden chair example, let’s estimate the break-even point. Based on market prices, the co-op decides to raise their price to \$200. As in the last example, the co-op found their costs/unit to be \$44.50. The equation therefore is:

Selling price/unit	200.00
- Cost/unit	<u>44.50</u>
= <b>Contribution</b>	<b>\$155.50</b>

Now take your estimated fixed costs and divide by your “contribution to fixed costs”. This will give you the number of units you need to sell to break even.

$$\begin{array}{l} \text{Fixed cost/month} \div \text{Contribution} = \text{BREAK-EVEN POINT} \\ \$5,430.00 \div 155.50 = \mathbf{35 \text{ Units}} \end{array}$$

If the number of units/month required to break even sounds reasonable, continue. If it does not, you will need to find out why. In the example given above, the co-op must produce **and sell** 35 chairs a month, or about nine a week. Since they could produce 60 chairs a month, this will give them more time to focus on selling the chairs. If the co-op produces and sells more than 35 chairs in a month, it will have a surplus.

Once you have your break-even point, set and record a realistic goal for first-year sales that will ensure you have enough surplus to make your co-op successful. Any surplus in the first year, and possibly in the first few years, will probably go toward building the business – putting aside reserve funds, purchasing equipment, developing marketing and public relations campaigns, or developing new products and services.

# IDENTIFYING OTHER BUSINESSES IN THE INDUSTRY

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In order to find out if there is a “space” in the market for your co-op’s product or service, create a profile of each business similar to yours. The businesses may be categorised in two ways:

- 1) Those that sell the same type of product to the same customer; for example, two or more restaurants in the same neighbourhood. (These may be referred to as direct competitors.)
- 2) Those that sell products or services that could be substituted for one another; for example, bicycles, mopeds, scooters and motorcycles are all forms of transportation that could be substituted for one another on certain occasions. (May be referred to as indirect competitors.)

When applying for loans from banks and business investors, you may need to describe these other businesses as “competition”. Here is a grid showing how a co-op starting a business that finds advertisers for Internet sites might analyse other businesses offering similar services.

<b>Business Name or Cluster</b>	<b>Years operating</b>	<b>Key Alliances</b>	<b>Number of employees</b>	<b>Key Selling Points</b>
Full-service advertising agencies	4	Have existing relationship with all large customers	30-100	<ul style="list-style-type: none"> <li>•Existing portfolio of work</li> <li>•Credibility</li> <li>•Contact network</li> </ul>
Boutique agencies specializing in matching advertisers to Web sites	3-4	Some financed by groups that have relationships with major site owners	5-7	<ul style="list-style-type: none"> <li>•Specialized skill</li> <li>•Existing portfolio of work</li> <li>•Credibility in field</li> </ul>
Individual brokers	1	None	1	<ul style="list-style-type: none"> <li>•Client payment linked to performance</li> <li>•Pay greater attention to smaller customers than larger businesses do</li> </ul>

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Other co-ops will use slightly different details in the grid. For example: *alliances* are not as important to a restaurant. A restaurant which would instead look at *location*.

If there are too many businesses offering a similar product or service to the same community, your co-op may not be able to survive. Furthermore, your co-op may take business away from other small businesses. On the other hand, if the other businesses offering your product or service are large corporations offering very low prices, you will need to offer a unique product or service and/or draw on your co-operative advantage (see Module 3) to be able to survive.

Remember the principle of co-operatives helping co-operatives. Are there existing co-operatives in your area? Are they leaders in the community? Will you be able to work with them to gain support for your initiative?

### **Co-ops and beer**

Beer and co-ops have come together in Santa Cruz, California, through the Seven Bridges Cooperative Micro Brewery Inc., an organic brewery and meadery founded in 1996. The co-op has 26 worker-members who work to produce organic home brewing ingredients. Their mission is “to make every quality organic brewing ingredient in existence available to home brewers.” In addition to beer kits, the co-op offers home brewing classes and have now designed a free On-Line Brewing Class on their website.<sup>5</sup>

# EVALUATING THE FEASIBILITY STUDY

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Once you have completed the research for your feasibility study, hold a meeting to evaluate the results as a group. Invite all the members and potential members to the meeting. Prepare for the meeting by writing a summary of the research results and recommendations from the core group. Send a copy to all those invited to the meeting, so they can read it before the meeting. Include the following items in your agenda:

- A step-by-step review of the results of the feasibility study, including the secondary market research, the market survey, the community and neighbourhood research, the financial feasibility and assessment of the business environment.
- Presentation of core group recommendations.
- Discussion of the feasibility study. Be prepared to answer questions on the results as well as how the research was conducted.
- Vote on whether or not to proceed. If the vote is positive, form working groups or subcommittees and delegate tasks involved in preparing the business or development plan. You may also want to set another meeting to set new objectives and actions to complete the next steps in your co-op's development.

## **On Air**

One of the biggest challenges for Kootenay Co-op Radio during its start-up was securing a broadcasting licence through the Canadian Radio Television Communications Commission. To overcome this challenge, the co-op held various events to raise awareness in the community while at the same time fundraising. "One of the largest events was the "Almost On-Air Premiere," a five-hour extravaganza showcasing the type of programming that members would do once the co-op secured a permanent broadcasting license. This event was a huge success in terms of outreach and generating enthusiasm in the community." After four years of persistence, the co-operative received its license on August 22, 2000.<sup>6</sup>

# PRESENTING YOUR CO-OP

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If your group decides to go ahead, the next step is to talk with people you trust as well as those you need to get to know, such as financial lenders, about your business idea.

Create a presentation package using your preliminary research. It does not have to be expensive, but it should be neat and error-free with pictures or diagrams if possible. Identify the members of your group who are experienced in making presentations and coach each other to raise your confidence level.

Some of the key messages you will want to convey are:

- What your business idea is.
- When you plan to start.
- Who your niche market is or what your service area is.
- How much they will be willing to pay for your product or service.
- What other businesses offer similar products or services (or who your competitors are).
- How your product or service is fulfilling a gap or need.
- What the next steps are in starting your business.

You may also want to include a short “sell sheet” listing the benefits of membership in your co-operative. Create this as a group as this will help members focus on why they created the co-op, and will help your audience appreciate the value of your co-operative approach to business.

Your presentations at this stage will allow you to practice for the future. As you move ahead with your co-op business, you will frequently want to present your idea to others – whether it is to attract new members and customers or to increase investment. The more you practice and prepare, the more likely you are to convey confidence in yourselves and your venture.

## **Tips to help you prepare and present your co-op idea:**

- Start by greeting the audience and introducing the co-op members.
- Break your presentation into sections
- Make sure you talk about what the co-op means to you.
- Avoid writing a full script and reading it word for word. Speak naturally and use key words and brief notes as prompts – it is more natural and appealing to an audience.
- Provide a brief description of the co-op – try to do this without any notes.
- Use visual aids, including samples of your work, overheads, photos, sample publicity, etc.
- Leave a short summary or your “sell sheet” with your audience.

## REVIEW OF MODULE 2

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In this section we have covered the following steps:

- Defining the idea in business terms.
- Identifying certifications or regulations associated with your product or service.
- Conducting primary and secondary market research, including a niche market survey.
- Analysing the market research.
- Researching the community and neighbourhood.
- Developing a basic idea of your potential sales, costs and surplus, including pricing your product or service, to determine the financial feasibility of the co-op.
- Identifying other businesses in your industry.
- Evaluating the feasibility of your co-op.
- Presenting the co-op to potential lenders, members and supporters.

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## End Notes

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# **Module 3: Developing a Marketing Strategy**

<b>Positioning the co-operative advantage</b>	<b>1</b>
<b>Service or product</b>	<b>6</b>
<b>Pricing</b>	<b>7</b>
<b>Distribution</b>	<b>9</b>
<b>Communications</b>	<b>11</b>
<b>The basics of E-business</b>	<b>14</b>
<b>Customer Relationship Management</b>	<b>22</b>
<b>Review of Module 3</b>	<b>23</b>

# POSITIONING THE CO-OPERATIVE ADVANTAGE

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**I**n this module you will use the niche market research you did in Module 2 to design a marketing strategy for your co-op. You can find lots of books and courses about marketing. It is a big subject and your co-op may decide one or two of your members should focus on studying it. For most co-ops, however, this module should be sufficient. Module 3 draws upon the marketing advice of the business world, but is written specifically for co-operatives with information from co-operative marketers.

## Co-operative Advantage

A co-operative marketing strategy shouldn't be just like any other business, because a co-op isn't just another business. A small grocery co-op probably would not be able to "out compete" its major competitor based on price, but it does have one thing its large competitors do not have: the co-operative advantage. The *co-operative advantage* is the added benefit a co-operative has by being a member-owned business or service provider with a value-based structure.

A co-operative has a set of values and principles that enables people to have influence over our economies, protecting ecosystems, redistributing wealth, and developing our own communities from within. A co-op isn't just in business to make a profit; rather, it is designed to take the surplus it does make and reinvest it in the community. A co-operative is part of a larger network of co-operatives that can work together to support one another. Co-operative marketing, therefore, begins with creating a co-op whose practices model the co-op principles and values.

Co-operative marketing is not about selling unnecessary stuff to mindless consumers. Co-operative marketing is about communicating the co-operative advantage to members and to the general public, to keep people investing in healthy communities.

### Co-operative Advantage:

The advantage you have as a member-owned business or service provider with a value-based structure.

"Multiple polls show that if price and quality are roughly equal, about 90 percent of people in the U.S. would prefer to buy from a co-operative."<sup>1</sup>

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“The structure of co-operatives...inherently includes more than one bottom line, based as it is on a set of internationally recognised values and principles ... Co-operatives offer us room for hope, a structure people can trust because they own it, it is close to them, and is based on the dignity of people rather than the power of wealth.”<sup>2</sup>

Tom Webb, president of consulting co-op, Global Co-operation, has developed a new approach to marketing and education in co-operatives. In his article “Marketing Co-operation in a Global Society” Webb explains the contradiction of co-ops using traditional marketing tools. “It is difficult to imagine how a co-operative can base its marketing on one set of values and its education on another without creating serious confusion for members, workers, and the public. Most marketing is manipulative, uninformative, and is not thought of as education. Yet marketing works. It changes attitudes and sells products. Corporations have no commitment to education, yet much co-operative marketing is modelled on the most successful corporate methods. In borrowing corporate techniques, co-operatives...often seem to ignore market strategies that have potential to enhance co-operative values, and rely instead on techniques that are more aggressive and/ or manipulative.”

Webb identifies two growing trends in marketing today, *relationship marketing* and *character marketing*, which he believes co-ops are well-suited to make use of and could benefit from.

Relationship marketing is used “to create a sense of special benefit, responsibility, belonging or some other feeling of obligation between a corporation and its customers.” Frequency marketing programs (eg. Airmiles; “clubs”, such as Burger King Kids Club; or “memberships”, such as that used by Costco, are set up by major corporations to keep customers loyal to their products. Webb suggests that relationship marketing is perfect for co-ops, especially those where the member owners are consumers or users of the products or services. After all, co-operatives are member based and have as their foundation a clear value system guided by co-operative principles.

Character marketing “flows from values and the principles cherished by a company and which shape its products and actions.” It can only be successful if it is based on what the business really is. If a co-op uses character marketing, it must first of all ensure that its activities are consistent with its values and principles. Webb says that “by embedding its values in its structure, a co-operative positions itself as the ultimate character marketer.”<sup>3</sup>

It is important to note that character marketing is very different from image marketing. “Image marketing is not based on what a business is, but on how it would like to be seen.” The following table is adapted from Webb’s description of the key differences between image marketing and character marketing.<sup>4</sup>

<b>Image Marketing</b>	<b>Character &amp; Relationship Marketing</b>
Based on how a business wants to be seen	Based on what a business is
Emphasis on trivial differences	Emphasis on real, significant differences
Promotes value of a weak, contrived relationship	Can educate about the value of a real relationship of significance
Focus on beating the competition	Focus on people's needs
Image driven company may have several competing brands with inconsistent values	Character driven company will have brands with coherent values based on trust.
Relies on advertising; cannot rely on public relations to serve a fake message.	Often can attract good public relations
Careful restriction of information flows from a company	Can be relaxed about the availability of information
Unique selling point can be copied or imitated	Unique selling point of a co-op cannot be copied without becoming a co-op

## Positioning

*Positioning* is a concept used by image marketers to help businesses see where to “position” their product or service in the minds of consumers relative to “competitors”. In other words, positioning is arranging for a product or service to occupy a clear, distinctive, and desirable place in the minds of consumers relative to competing products or services. Positioning may be used by character marketers to position their co-op according to their real values or principles, and thereby create your place in the market.

Unlike your purpose, which states the purpose of your co-op, positioning deals strictly with marketing. Your position may focus on the ownership by the employees or members, the quality of your product or service or a specific benefit the product or service brings to consumers or the community. Make sure, through market research, that the aspect of your co-op you are emphasising is also important to your members and your niche market.

A *positioning statement* is simply a one sentence summary that describes

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what aspect of your product or service or your co-op you want people to remember you by. The positioning statement will be a slogan that will not say everything you want to say, but will encompass your position. For example:

The purpose of a worker co-op in Castlefield that cleans houses is “to provide thorough cleaning services to customers using nontoxic products and creating steady, flexible work for residents of Castlefield”. The co-op wants to position itself as a cleaning company that is thorough and is healthy for the planet. Thus, the co-op’s positioning statement or slogan is:

“We clean your house like it is our own.”

The rest of the co-op’s marketing will support this statement.

A positioning statement should be unique and as precise as possible. Avoid using terms like “best”, “good” or “quality” – these terms mean different things to different people.

Here’s another example:

The Berrydale Jammers Co-op produces jam and plans to sell to

Florida’s Natural is a registered brand name of Florida’s Natural Growers, a growers co-op that produces orange juice. Its positioning statement suggests freshness and a connection to the farm:

“It’s as close to the grove as you can get”

The co-op’s promotional materials ensure that consumers know it is a co-op and describes the quality of the juice. A product description on the co-op’s Website reads:

“Florida’s Natural® Premium Brand orange juice is made just from our fresh oranges, not from concentrate. And it’s the only leading brand owned by a small co-op of growers, so only our personal best goes into every carton.”<sup>5</sup>

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## Rebuilding through Marketing

In 1985, the Kootenay Country Store Co-op moved into Nelson's downtown core. The next three years were rocky ones, and by 1988 the co-op was in trouble, but through an organised plan of action intended to rebuild community support and awareness while the co-op struggled to shore up weakened business practices, the co-op was able to rebuild. This was achieved by slashing prices to attract shoppers and increase volume, establishing a regularly published newsletter, creating an effective board of directors and working with the local newspaper to publicise all of the changes to the store.

Their success also comes from "the image the co-op has cultivated in the community over the years. The Nelson area continues to be home to many consumers whose purchasing trends are, in part, a conscious resistance to corporate control over their food choices." People are becoming increasingly concerned about genetically modified food and the mounting pressure to globalise the food system. The co-op's long time commitment to healthy whole food and organics, along with its pledge to support agricultural and environmental awareness positions them well within the community.<sup>6</sup>

residents in B.C. One of the goals of the co-op is to promote local jams, thereby supporting local producers. In its market research, the co-op found there is a large percentage of people in the province who want to support British Columbian producers. Here is the co-op's positioning statement:

"Berrydale Jammers Co-op, spreading local freshness around the province."

Once you create a positioning statement, read it aloud to several people. See if they can tell what aspect of your co-op you're trying to communicate.

Once you have determined your position and positioning statement, the rest of your marketing tools will back it up. The marketing tools include product or service, pricing, distribution and communications.

"A community radio station is nothing without a community of listeners. It is critical for the co-op to stay in tune with the pulse of the community. As a result, community outreach is a very important part of the radio station's activities. The radio station contributes airtime to community events and activities that might not reach the more conventional radio stations. Members of Kootenay Co-op Radio actively involve themselves in community events and are the host of many community celebrations."<sup>7</sup>

# SERVICE OR PRODUCT

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You have already identified your product or service essentials, including any specific endorsements, certifications, or regulations that might apply. Now define the marketing aspects of your product or service by asking the following questions:

- What benefits does the product or service offer?
- What are the attributes of the product or service, such as quality level, features, design, brand, and/or packaging?
- What additional services or benefits are there, such as installation and repair services or warranties?

## **Line:**

A product line refers to several items that are under the same brand name.

*Quality* refers to durability, safety, health, reliability, or other aspects of quality. Quality can be ensured through researching and testing suppliers' products or applying standards or labels with associated testing. Concern for quality comes naturally to co-operatives. The first consumer co-ops in England, which began during the industrial revolution, gained a reputation among the working poor for high quality. They "produced flour from their own mill and refused to add chemicals to whiten it", in contrast to the adulteration of food that was common during and after the industrial revolution.<sup>8</sup>

A *brand* may be a name, symbol, term, sign or design. A brand is also a label by which consumers know what to expect. The set of features and benefits you market for your products should be consistent for all your products. If you are producing a product or a *line* of products, you may decide to market the product through a larger co-operative, such as a marketing co-op, with its own brand name, or you may decide to market it under your own brand name.

To make use of your co-operative advantage, emphasise how your product or service is produced or provided according to the co-operative principles. If your co-op is a worker co-op emphasise the fact that it was produced by worker owners. If you are encouraging people to buy a membership in a consumers co-op, emphasise their democratic control over price and product selection.

The marketing aspects of your product or service should back up your positioning statement, not confuse it. For example,

The Berrydale Jammers Co-operative emphasises the local aspect of their product. One of the benefits of a locally made product might be freshness. It may also be no sugar or artificial preservatives and/or made with organically grown fruit. The Berrydale Jammers Co-op may ensure quality through its own testing or through certification. Consumers should therefore expect fresh, organically grown, locally made, high quality products when they see the Berrydale Jammers label.

# PRICING

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Your initial price estimate in Module 2 was based on the costs to produce and deliver your product or service, and by determining the break-even point. Here you will further develop your pricing strategy to reflect your marketing position and your market research.

Before you start thinking about a pricing strategy, remember this important point: You **must** charge enough, and sell enough at that price, to cover **all** the costs of running your co-op, including the staff or member wages, and have something left over. If you sell for less than what all your costs are, you will soon be out of business.

Most start-co-ops face a fundamental choice at the outset: Whether to price under the market or to price at the market? This depends, of course, on the nature of your co-op. A supply co-op, for example, will use its bulk buying power to get the lowest prices for its members. A housing co-op may set rents at a sliding scale based on members' income. However, most co-ops have to consider other factors.

## Fair Trade

Shavi Shavi is a non-profit co-op that buys and sells world folk art, crafts and music with a commitment to the principles of Fair Trade, social justice and education. For the Shavi Shavi Co-op, pricing products provided a unique challenge. The challenge was to determine what type of financial trade relationship would work for the Zimbabwean artisans and the potential co-op in Canada. "In Zimbabwe [co-op founder Barbarah Nicholl] noticed that the artisans would trade their crafts without trying to attain any set value. Rather, they would settle for anything that addressed their immediate needs .... What is considered a relatively small amount of money in Canada has a much greater value in Zimbabwe due to their cost of living and exchange rate ... The way in which the co-op handled money and surplus was a sensitive matter because by giving an artisan what a Canadian might deem to be a small amount of money, [the co-op] could upset the fragile, but established, economic balance in a village and cause community erosion due to inappropriate competition ... As a result, it was determined that "fair purchase price" would be defined as an amount of money that would improve the livelihood of those in Zimbabwe over the longer term, as well as take care of their immediate needs."<sup>9</sup>

If you are entering an industry where it is hard to find out what other businesses charge, try to talk to someone who was in the industry or is a supplier or distributor. If you are introducing something new to a specific area, it may be hard to find local comparisons so you may have to look at prices in regions outside your market and make adjustments.

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Remember what potential customers said during your market research when you asked them what they would pay or are paying for your product or service.

For example, a consulting co-op, when it is starting out, may price a piece of work under market value. Or, because it has bid on a contract that would open up a lucrative market for it in the long term, the co-op may price the work a little lower than normal. However, if the customer requires the work to be done in half the usual time, the co-op might charge higher than normal.

The consulting business would have little in common with a worker co-op selling organic produce to the public. The organic produce co-op needs to move goods out the door in high volume so the pricing needs to consider how perishable the co-op's stock is, a factor not relevant to the consultant. For example, there might be regular sales on mixed salad greens at the end of the day in the co-op store to reduce losses due to shrinkage or waste.

A danger with entering the market with a below market price is often called *upward stickiness*. Since the late 1980s, inflation has been at record lows so North American businesses and customers have grown accustomed to very small, if any, price increases. A business that comes into the market at a low price level and later tries to increase that price often finds little, if any, success in doing so.

Remember your co-operative advantage. If the consumers are members of the co-op, then the co-op should ensure that members understand that they have a say in the pricing of products or services. Member consumers should also understand that if a product is overpriced, then any surplus may come back to them as member rebates.

Some businesses with little or no track record may price below the market for the first few sales in order to gain recognition and build market share. Usually they will explain that these low prices are an introductory offer or opening discount. Once the businesses have established themselves they eliminate the special offers and price close to the market price.

Charging less than the market value, while tempting, is usually a bad approach for a new co-op business that is selling products to consumers. This is because it probably cannot:

- Survive at the lowest market price.
- Obtain the discounts or scale of production necessary to keep costs low.
- Meet its members' expectations for a good price for their labour or their product or service.

The best plan of action is to determine the range of prices in the market, price yourself near what similar businesses are charging, and plan to position your product or service on factors other than price. People will pay you at least as much as the market price, and maybe even more if you offer extra benefits.

# DISTRIBUTION

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Distribution addresses how you actually get your product or service to the customer: Do you deliver it in person? By mail? In other words, how does your product or service physically get to the people who buy or use your product or service?

Distribution is not as important for some businesses, such as a co-op whose members operate a personal service business that visits its clientele, but it is absolutely critical to others, for example, a co-op that manufactures a product. Even if it doesn't seem to have an impact on your business today, keep up with what is happening in distribution as a part of your general business reading, as distribution is changing everywhere. Internet services, for example, are bringing together consultants and customers, who are thousands of miles apart.

Some questions you will need to address include:

- Will you sell directly to the paying customer or member?
- Will you use a middle-person to reach your paying customer or member?
- Will the middle-person be a marketing co-op, wholesaler, retailer, or an agent?

*Selling direct* means you do it yourself; that is, you do not have channel members or middlepeople.

*Middlepeople* participate in moving goods from the producer to the final customer. Each time you contract with one, there is an additional cost in getting the product to market. An example would be a manufacturer who uses an outside distributor or sales agent to sell a product to a major retailer.

Most start-ups cannot afford the time and money required to construct their own distribution network. If you need to physically create and then move a tangible product, you will almost certainly need to get a partner or middle-person involved. Don't try to do it yourself.

If you use a middle-person, you may want to use co-op advertising. *Co-op advertising* is when a manufacturer of a product or a provider of services contributes to the cost of the distributor's advertising because the ads include references to the product or service.

A chart approach is useful for demonstrating how the product or service will get to the customer.

Product or Service	Middleperson	Middleperson's % of Total Sales	Co-op Advertising Budget	Geographic Reach

### Business Location

If your co-op is strongly tied to a particular neighbourhood or community you may already have a good idea of where you will be located. In any case, the location of the business may be important to the distribution of the product or service, and there are a number of things you may need to consider:

- The proximity of your members or customers to the co-op.
- If you require raw materials, the proximity to your suppliers may be important.
- The cost of land will vary depending on the location. A storefront in downtown Vancouver may get more traffic but the higher rent may make it impossible to survive.
- The cost of transportation (financial and ecological).

If the location is important to your co-op, you may want to make a map using the information you gathered in your research, locating the following:

- niche market
- members
- suppliers
- distributors or middlepeople
- competition
- land prices
- potential locations (building for lease, etc.)

You can get a map from your local government and use it as your base map. The map might have information on future development plans that may affect the cost of land or rent.

# COMMUNICATIONS

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The communications subsection of the marketing strategy explains how you will communicate with your niche market. Before you can determine how you will communicate, you must consider what your message is to your niche market.

Every powerful promotional message has three basic parts:

- What are you selling?
- What's in it for the buyer?
- How can the buyer buy the product or service?

When composing your promotional messages, remember to make sure they are consistent with your position. Then consider the best way to express your message. The last decade has witnessed an explosion in promotional media available to the marketer; where once there was simply radio, television, print and personal selling, now there is a wide range of promotional methods available.

This picking and choosing is called determining your media mix.

Following are the three major challenges new businesses have when marketing.

1. **Trying to reach too big a market.** You have a niche market, so concentrate on niche marketing. In other words, don't try to tell the whole world about your co-op. Save enormous amounts of time and money and be more effective by going right to those you want to communicate with.
2. **Weak messaging.** Your niche customers want to know what you can do for them, so make sure every marketing message you send out, directly or indirectly, contains a message about the benefit of doing business with you.
3. **Not marketing frequently enough.** Recent studies have shown that, on average, North Americans are directly exposed to about 300,000 marketing messages a year – from logos on shirts to direct mail to television and Internet ads. That's 820 a day, 5,740 a week, or 24,000 a month. WOW! If you take out one ad in the weekly community paper for a month, you will have exposed your business

**Communications:**  
Includes advertising, personal selling, sales promotion, public relations.

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to the market four times (assuming your niche market reads all four issues and actually sees your ad). In that month, your niche market has been exposed to 24,000 other marketing messages. It is quite possible your message will be lost in the masses and potential customers will not think of you when it comes time to buy.

Things you should do when choosing methods for advertising and publicity include:

- Find methods that are consistent with your position (that is, if your co-op is about environmental responsibility, don't use methods that create a lot of waste with nonrecyclable products).
- Watch for methods that involve little or no cost.
- Keep a very close watch on your costs.
- Compare costs of each method against the number of potential customers you will reach.
- Find out what is working by keeping track of the money you are spending and by asking customers what attracted them to your co-operative.

There are five categories of advertising activities to consider when developing your promotional plan.

1. Packaging: folders, binders, package inserts, printing on envelopes, boxes, bags, wrappers or containers, balloons, banners, stickers, printed messages, packaging tape or ribbon.
2. Personal selling: direct communication between sellers and potential customers. Includes personal sales calls, networking, canvassing, trade fairs/shows, exhibits, presentations, special events, fundraising, business lunches, co-op events, personal letters or e-mails, proposals, surveys, word of mouth, business cards, or door-to-door sales.
3. Mass selling: direct mail, flyers, fax back, brochures, Website, posters or paid advertising (make sure you know your niche market actually uses or reads or listens to the media you choose). Includes ads in newspapers, newsletters, magazines, radio, yellow pages, television, on billboards, buses, benches, bulletin boards, Internet, sandwich boards, signs, vehicles.

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4. **Publicity:** any unpaid form of non-personal presentation. Includes news releases, sponsorships, internet newsgroups or lists, charitable benefits, thank-you letters, post cards, gifts, celebrity endorsements, newsletters, greeting cards, articles, reports, toll-free number, courses, uniforms, T-shirts, etc. Community newspapers are often happy to publish an article that you have written.
  5. **Sales promotion:** sales incentives include free trials, catalogues, free samples, discount coupons, two-for-one offers, contests, games, raffles, discount rates, gifts, referral incentives, free demonstrations, personal endorsements/appearances.

Develop a grid and write down some notes on what you think will be the most effective methods to get the word out about your product or service. In addition to writing the method, indicate how you will use that method. So, don't just write "brochures"; write "brochures handed out to tourists stopping at the ferry terminal on weekends from May to October". For example:

A co-op business based in Victoria helps companies to design Websites. This sub-section of its marketing plan might include the following type of grid to outline the promotional mix:

Promotional Mix Grid

<b>Niche Market</b>	<b>Message (What will be said)</b>	<b>Media Mix (How to say it)</b>
Small media-oriented companies located in Victoria	Eye-Catching Web Site Design Co-op can create a professional-looking Website for your business in three weeks that will get you more customers.	<ul style="list-style-type: none"> <li>- Direct mail campaign</li> <li>- Office opening events</li> <li>- Donation of services to major Victoria charity in return for mention as designer</li> <li>- Article in local business newspaper about the value of websites for small businesses</li> </ul>

Marketing requires creativity. Try to be original. It's important to use a number of different methods – try six or eight – all reinforcing each other. And remember that your customers, members and their friends will make the business a success. A co-op is about co-operativism; that's what makes it work. It's easy to get overwhelmed by too much work, but stay in touch with your network.

The Internet has become an integral piece of market research and marketing. You can use it to research your new business, to gather information from your niche market, to promote your product or service, or even sell directly to customers. Used properly, the Internet can open up a wide range of innovative opportunities for new businesses.

The Internet allows businesses, regardless of size or the products they carry, to service customers, check out other businesses and source suppliers easily, 24 hours a day, seven days a week. It is opening possibilities both domestically and internationally, that, a few years ago, may not have existed for your business. The Internet allows you to reach new customers and geographic markets, and it lowers your overhead costs and it can improve credit collections. On top of that, it helps you stay on top of trends, monitor and network with other businesses and find new products, services and suppliers quickly as the market moves and changes. It can make your business more productive as well as more profitable.

## **Opportunities for E-commerce**

Whether you use E-commerce to complement traditional business activities or replace them, it can be used in a variety of ways, including to:

- Offer product or service information and offer customer service support.
- Generate on-line sales and transactions.
- Solicit feedback via email or on-line user surveys.
- Expand product or service lines and notify potential customers of new products, services or upgrades.
- Reduce communication, delivery and other standard operating costs.
- Expand market beyond traditional clientele to new demographic groups and foreign markets.
- Identify and implement new distribution systems to deliver products and services.
- Communicate with the public and press about your co-op.
- Educate the public on your co-op and other co-operatives.
- Provide start-up advice internationally for new groups that want to start a co-op like yours.
- Discuss challenges with other new co-ops and businesses.

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## Using the Internet Effectively

It is important to consider how you can best integrate the use of the Internet effectively and cost efficiently. Look at:

- How it fits into your marketing plan and strategy.
- Start-up costs and time factors.
- Overall costs and time needed to achieve your objectives.
- Long-term resources to maintain and sustain the system.
- How much money will be brought in by E-commerce.
- The future impact of new technology.

Techniques that will allow you to use the Internet will vary according to your industry, your goals and your objectives. For example, you might set up a web page for information only or design a site that allows you to conduct sales and be paid electronically. If it appears that conducting business electronically (E-commerce) creates opportunities for you, include it in your business plan as part of your marketing strategy.

## Creating an Internet Marketing Strategy

Planning an Internet strategy is vital if you hope to use the new medium successfully. Review available technologies and tactics, and look for ways to blend Internet marketing with your other marketing strategies. Set some measurable goals before implementing an E-commerce strategy. You will need to follow basic marketing principles. The following questions should be answered through market research (see Module 2):

- Will you be reaching the same people as your marketing methods or are you reaching new potential customers?
- What products or services will your customers, clients or members purchase over the Internet?
- What price are they willing to pay? Will they pay extra for shipping?
- How will they find your Website? How will you reach them?
- What promotional efforts will work with this medium?
- What hardware/software capabilities for accessing the Internet

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does your audience have?

- How and where is your audience accessing the Internet (work, home, library, etc.)?
- Should you use a combination of media to gain access to the intended audience?
- What are the motivations of the niche customer for using the Internet? Is it to gather information, to purchase a product or service, or to interact?
- What are their patterns of usage? Are they frequent users, occasional users, or infrequent users?
- Do they have biases against electronic commerce? Are they worried about security?
- Are there government regulations or restrictions on the sale of certain products or services over the Internet?

Watch for specific situations where the Internet can offer strong advantages. For example, brand name products sell especially well via the Internet because purchasers are familiar with the manufacturer's reputation and have higher confidence in the product's quality. Consumers tend to search for the best price, regardless of the location of the retailer.

The Internet also works well for specialty products. Its wide audience may be able to generate enough sales to sustain a specialty product business where local markets may not have enough capacity. An example

#### **Tourism On-line**

Tourism co-operatives are making good use of the internet to market their services world wide. The Mistahaya Wayatinaw Tourism Co-operative, a marketing co-op whose members are independent tourism operators, is using its Website to advertise their travel packages, with links to itineraries, photos, video clips, downloadable brochures and each member's home page. Its also provides an on-line booking form in which customers can suggest modifications to existing tours to accommodate their needs or abilities. The tour operators take this information to design a travel package that will best satisfy the customers.<sup>10</sup> In addition to advertising and offering on-line services to customers, the tourism co-op, Adventures BC Travel Cooperative, uses its Website to provide detailed information on the co-op and an on-line application for membership.<sup>11</sup>

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would be a First Nations co-op selling crafts in a small community. As the Internet matures, new opportunities will emerge and your marketing plan should be adjusted to be more efficient.

If your co-op does not have in-house expertise, it is wise to seek expert advice from individuals, co-ops or companies such as web page designers, Internet Service Providers, E-commerce and E-marketing experts. Get recommendations from other co-ops or businesses on who to hire. Note there are a number of co-ops that provide these sorts of services.

## **Internet Marketing Tools**

There are many different technologies to facilitate an Internet marketing strategy. Some of the most common and effective tools are the following:

### **Advertising**

A major advantage of marketing on the Internet is that you can include a lot of information and potential customers can pick out what they want. You can also update this information easily and frequently with an ever-increasing amount of graphic and multimedia effects. Make sure your graphics don't take so long to download that customers move to another site.

A downside of advertising on the Internet is that it is still difficult to gauge how many people you are reaching. You need to find some way to measure how many Internet users actually see and read your ads.

### **Direct Marketing**

The Internet provides outstanding opportunities to direct your marketing to individuals for the purpose of generating an immediate response. This direct marketing is a particularly powerful tool because it helps you build relationships with your customers. It is far more profitable to use direct, personalised communication to retain and build customer business over the long run rather than trying to continually find new customers.

The more people that use and trust transactions over the Internet, the larger the opportunity for E-business. As businesses and individuals become more comfortable and confident with electronic purchases of products and services, this will increase potential markets for you. The key is to understand how to make an E-business strategy work for you. A low-cost strategy can result in significant sales and become an important component of your business plan.

### **Protecting your Information:**

To protect your information and prevent losses, make sure you have an uninterruptible electricity supply or a heavy-duty surge protector. Back up your computer files regularly and keep backup files off site. Install virus protection on your computer and keep it updated, especially if you plan to download files from the Internet.

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**Security concerns:**

Right now, consumers appear to have little confidence in the security of transactions conducted over the Internet. Address this in your strategy so you can assure customers that their credit card information is safe on your site.

**Business markets**

E-commerce can include both business-to-business and business-to-customer transactions. A large amount of E-commerce is currently business-to-business. Your product or service may not appeal to end-user customers on the Internet but may have broad appeal to other businesses.

Business-to-customer transactions will continue to grow as more customers use the Internet, personal computer costs decrease, and the Internet becomes more popular in homes.

**Web Directories**

Web directories and search engines are information gateways that have high traffic and are good for displaying advertisement banners. They are used to find Internet information and, for this reason, appeal to broad niche groups. They can target specific markets and use keywords to link the niche customer to your ad.

**E-flyers**

You may want to collect the e-mail addresses of potential customers and send out product information specific to their interests. Some ways to gather these e-mail addresses are through on-line registration built into corporate Websites, or in-store requests for this type of information. An alternative is to purchase lists of customer e-mail addresses indexed by special interests from a private company but many people find this unethical and/or annoying. Be careful not to bombard potential customers or members with unsolicited and unwanted e-junk mail.

**On-line Magazines**

These publications are focused on specific topics and may be a way to reach a niche audience interested in that subject. You may want to purchase banner ads to display your product or co-op name.

**Hosting Services**

These services are often set-up by Internet Service Providers (ISPs) to provide community information about non-profit agencies. Advertising on these sites may reach the intended audience if they have known interests in the posted services.

**Collaborative Marketing**

It's possible to team up with other co-ops or businesses to:

- Cross-promote: For example, setting up links from one Website to another or offering special promotions in partnership with

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complementary goods or services. This may also support credibility and awareness for your co-op.

- Share advertising.
- Participate in joint sponsorship of events, informational Websites, mailing lists, on-Line bulletin boards, directories, etc.

### **Protecting the Environment**

The Co-operative Auto Network and the Nelson Carshare Co-op are using the internet to attract new members and to allow existing members to access its services. The Co-operative Auto Network's Website provides detailed information on what car sharing is all about and what it means to be a member of an auto network. It also offers an on-line "consulting" link to provide information to other groups trying to develop a car sharing co-op. The Nelson co-op makes use of its Website to allow members to book a vehicle on-line. It also provides an electronic "rideshare" bulletin board which allows anyone travelling to or from the Nelson area to hook up with other travellers by offering a ride or asking for a ride.<sup>12</sup>

### **Sales Promotions**

These are short-term incentives that include methods to stimulate sales through immediate or delayed incentives to the customer, such as:

- E-coupons: these can be printed off Websites or e-mail.
- Sampling: offering product samples electronically.
- Bonus offers: offering additional goods or services when making single purchases (e.g. buy one-get one free).
- Limited time offers: useful to attract visitors to return to a Website.
- Games with prizes: useful to keep people coming back to Websites. Some legal restrictions may apply; make sure you check out all applicable laws and regulations.
- Re-order points awards: awarding points to customers that order through your Website regularly.
- Feature pricing: providing special pricing to customers that order electronically.
- Cross-promotions with other business' products or services: buy a product or service and get a coupon for another business' product or service.

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## **Publicity**

The goal of publicity is to have others talk about your business or its products. It can be inexpensive or even free and it may have the potential to generate far more in sales than even a well executed advertising plan. Key publicity tactics include:

- Entering awards contests. For instance, Website design contests hosted by a variety of co-operatives, consultant agencies, professional associations, Internet magazines, suppliers, or consumer groups may generate traffic to a winning site.
- Contact traditional sources (e.g. newspapers, magazines, trade newsletters) about the co-op's entry into electronic marketing of its products.
- Write articles for on-line magazines.

## **Direct e-mail**

Solicited and unsolicited. E-mail lists of prospective clients may be purchased or developed using search engines. These may be used to send out batch mailings. Potential customers may reject your unwanted e-mail so carefully consider the drawbacks.

## **Public Relations**

The Web can be an important vehicle for public relations activities. It is important to communicate with your customers and let them know what you are up to. You can use the Internet for this purpose through:

- Customer service communication via email
- On-line special events
- Customer chat rooms or discussion groups
- On-line information
- Electronic press releases

### **High Tech Co-operation**

An emerging area of co-operative activity is in the high tech industry. One example of a high tech co-op is CLIQ Services Co-operative. CLIQ is a worker-owned programming and tech services co-op that has been operating in Oakland, California since 1994. The co-op has 11 members in total. The co-op's Website has links to each member's personal home pages, and lists all of their services on-line, which include dial-up and Digital Subscriber Line (DSL) access as well as Internet hosting.<sup>13</sup>

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## **Public Forums**

There are many interest-based sites that allow visitors to communicate with one another. You can reach people by posting messages or sponsoring a forum. Do your research and see what forums are currently out there. You can monitor them to determine your niche market's needs and find business opportunities. These are also a good way to discuss issues with other co-ops or businesses.

## **Virtual Malls**

These Web-based sites allow a business to post products or services for sale along with other businesses. Usually these "malls" contain products or services that complement one another and are designed to reach a specific market. These sites have traffic already drawn to them and this may be a better way for you to get your product to the marketplace than by waiting for potential customers to find your site.

## **On-line Surveys**

Information may be collected on the visitors to a Website through registration forms, on-line surveys, or through tracking the areas of the site they visit. You may find information and opportunities by surveying potential or existing customers. The Internet is evolving rapidly and you may want to keep up with the trends on an ongoing basis by using this technique.

### **What, No Advertising?**

Mountain Equipment Co-op, Canada's "environmentally responsible" outdoor store, has grown from a group of UBC students selling climbing equipment to Canada's largest retail co-operative by membership. But MEC doesn't advertise. Advertising might lead to people buying stuff they don't need, and that goes against MEC's strong environmental values.

MEC's marketing comes from its position as a socially responsible store that sells high quality equipment and does business by treading lightly on the earth. The co-op maintains its commitment to social justice by ensuring that its environmental, safety and employment standards are respected in the manufacturing of all its products, whether made in Canada, China or Taiwan.<sup>14</sup>

# CUSTOMER RELATIONSHIP MANAGEMENT

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It is vital to the success of your co-op that you keep information about your customers or clients. If your customers are members, you will already have records for them.

The amount of information you collect will vary depending on your co-op. A consulting co-op should keep as much information about its clients as it can. A bakery co-op, however, will probably scare away its customers if it starts asking and writing down everyone's names and addresses when they buy a loaf of bread.

As part of your marketing plan, keep detailed records that include information such as the following:

- Names and addresses, including e-mail, phone and fax numbers.
- How they heard about the co-op.
- What they purchased.
- If they received referrals and from who.

You also need to keep information about every prospective member or customer. For example, if someone from the co-op gives a public talk, ask for contact and other information from everyone who attended. If they came to listen to you, they are potential members or customers!

An ideal way to keep such information handy and organised is with a simple database program or basic CRM (customer relationship management) software. There are many good programs available that are quite affordable. Be aware of privacy issues and concerns of security. Never give away or sell your lists to anyone. Not only could this get you into legal trouble but it will also lose people's trust.

Most importantly, co-ops are about community building. Creating a co-op with a welcoming space or in a way that brings people into the co-op in nonmonetary ways will help the co-op grow and stay strong. Try to organise events or get involved in community celebrations where you can interact with your members or customers and clients.

## REVIEW OF MODULE 3

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In this section we have covered the following:

- Using your co-operative advantage to create a unique co-operative marketing strategy.
- Positioning your co-op to give your co-op a space in the market.
- Defining the marketing aspects of your service or product and considering the market in your pricing strategy.
- Locating your co-op and distributing your product or service to your members, customers or clients.
- Creating a promotional mix to let members, customers or clients know about your product or service.
- Understanding what tools are available on the Internet and using it effectively to sell products, advertise, network and conduct other co-operative business.
- The value of customer relationship management.

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## End Notes

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# **Module 4: Developing an Operations Strategy**

<b>Work process</b>	<b>1</b>
<b>Site</b>	<b>2</b>
<b>Equipment</b>	<b>3</b>
<b>Supply sources</b>	<b>4</b>
<b>Labour</b>	<b>6</b>
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<b>Accounting and bookkeeping</b>	<b>9</b>
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# WORK PROCESS

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**T**he operations strategy is the actual plan for how you are going to run your operations. This is more important to your group than it is to funders, although parts of it will still be included in your business plan. Your operations strategy is where you start getting into the nitty gritty details of what your work site will look like and what kind of equipment you need. This module will also help you through the process of purchasing insurance and finding an accountant. A group field trip or tour of other co-ops or businesses in your industry should help you design your operations. Remember to ask lots of questions!

To begin your operations strategy, outline your operational process in detail, from raw material through to finished product, or from receipt of an order through to delivery of goods and/or services to your customer. This will help you identify any research you need to do and will make sure you haven't left anything out. When you write your business plan you will walk the reader through your operations plan.

A manufacturing business, for example, should ask themselves:

- Where will we store raw materials?
- Where will we store finished goods? How much space is needed, and what it will cost?
- What are the hours of operation and number of shifts each day?
- How will the work required get done physically?
- What are the production steps? (You can show this in a step-by-step guide, usually in a flowchart.)

## **Why co-operate?**

"If you go on a seal hunt using breathing holes to hunt seals, and you go by yourself, and if you cover only one of the breathing holes, you don't have that much chance of being lucky. A seal has five or six breathing holes, so the more you can cover, the better, and so usually the whole camp would go out — with their dogs— and try to cover as many holes as possible and everyone shares. And that is why I think the Inuit took so easily to co-operatives."<sup>1</sup>

## **Value-added:**

The amount by which the value of an article increases at each phase of its production, separate from the original costs.

For example:

"Carrying out further processing of the wood locally before exporting it is considerably more profitable and it creates more jobs or collective wealth than if we confine ourselves to basic products like 2 x 3s or 2 x 4s, and so on."<sup>2</sup>

In Module 3 we discussed the importance of the location of your business geographically for marketing purposes. In your operations strategy, you should be looking at your actual site plan. Now that you've outlined your production process step-by-step, you should have a good idea of what your space needs are.

Begin by determining what square footage (or square metres) is needed and in how many locations. Do you need office space, warehouse space, manufacturing space, or a combination of these?

Some things to consider when you are designing the layout of your space are:

- Accessibility for staff and customers, including washrooms.
- WCB regulations.
- Storage needs.
- Parking needs and parking requirements.
- Building codes and bylaws.
- Efficiency.
- Marketing (colour, design, etc.)-

If the physical flow of goods and services is vital to your co-op's success, consider providing a layout of your facility in the appendices of your business plan.

# EQUIPMENT

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Do you need any special equipment to initiate operations? This is where you need to get a clear idea of what you expect to pay and who the proposed supplier will be. Start collecting brochures and/or quotes from suppliers, and make sure the quotes are guaranteed to still be valid when you are ready to buy the equipment.

Discuss whether you will be leasing or buying key equipment. If you are leasing, find out the details of the lease (there is more information on leasing in Module 8). It helps to create a table showing what you need, where you'll get it, and what it will cost.

Example for a business consulting co-op in Nelson:

<b>Equipment Needed</b>	<b>Source/ Supplier</b>	<b>Cost</b>
R2D2C3P0 Computer	XYZ Computer Supply Co.	\$1,800
3 ergonomically designed chairs	ABC Chair Co.	\$600
2 Danish work stations	Bill's friend Andrea	Barter for marketing advice (value \$500)
Deluxe scanner	Scan-you Co.	\$150
2 x 4 drawer legal filing cabinets	Government auction in Nelson	\$50
Answering machine / fax/ copier	XYZ Computer Supply Co.	\$220
Skookum laser printer	A local business which is closing down	Trade for bookkeeping services (value \$200)
<b>Total Equipment Cost</b>		<b>\$2,820 (\$700 in-kind)</b>

Make sure you thoroughly investigate your sources for anything key to the start-up – a major piece of machinery, a key contract and vital raw materials. Sometimes things don't work out as planned. That's why your co-op needs a back-up plan. If you're prepared for the worst, it's not so bad if it happens.

Is there a key supplier that you will rely on? Who? Why that supplier? What happens if that supplier goes out of business, is sold, or decides to "price gouge" you because it knows it is the only supplier? If you have to find an alternate supplier, perhaps you should start buying some things from the alternate supplier now in order to build a relationship.

### **The Big Widget Maker That Wasn't**

About 15 years ago, there was an entrepreneur who wanted to start a company that would manufacture specialised siding for various industrial uses. The entrepreneur did a tremendous amount of research to confirm there was definitely a narrow, yet growing, market for the siding as well as identifying how the target market purchased this type of product, who the key contacts in the market were and so on. The research also established there was only one supplier of the machine that could produce this particular type of siding.

Out of the research grew a business plan and then a one-year search for the \$2 million this venture required to start up. The money was raised, the machine (which took up \$1.5 million of the cash) was ordered from a large manufacturer, and all seemed golden.

One day the machine arrived in a big crate. Champagne corks flew – it was a grand day. Then the crate was opened to reveal a bunch of gears and other small parts that looked like they had been thrown together in a heap and shipped. Yes, it was true. The manufacturer was supposed to have shipped a plug and play, ready to use, siding maker, but had instead sent up a box of junk with no assembly instructions.

It turns out the manufacturer had been on the brink of bankruptcy just before receiving the order, and there was no one to provide assembly help to the business. The entrepreneur went out of business without really having been in business.

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Other things to consider at this point are:

- How you will keep track of inventory. Find out what other similar businesses do, as inventory control procedures will vary depending on what type of co-op you operate.
- How you will keep track of specific procedures and equipment used.
- What your quality control procedures will be and whether these procedures meet or exceed the standards required by the industry you are entering?

### **Co-operative Financing**

In 1990 the B.C. government established the B.C. Feeder Associations Loan Guarantee Program (FALG), which provides a partial loan guarantee to private sector lenders who make financing available to farmers through local livestock feeding co-operatives. Farmers must be members of the co-op in order to participate.

The purpose of FALG is to increase the time feeder cattle remain on B.C. farms thus capturing more of the value-added potential of the cattle industry. Having access to this financing arrangement allows ranchers more market options and it enables them to optimise the use of the livestock feed resources available. With an affordable loan farmers are able to keep cattle longer to increase weight before market sale, to buy other cattle to use up available feedstuffs, or to finish calves to market weight for sale to packing plants. Perhaps most importantly, people are able to obtain low-interest financing to start up a farming operation allowing them to contribute to strengthening B.C.'s agriculture industry.

The lender finances 100% of the value of the cattle purchased, and the cattle become the security for the loan. Co-op members place a security deposit of five per cent of the loan value with their co-operative (the security deposit is banked as both the assets and the collateral of the co-op). Deposits to the co-op are maintained whether or not a member has an outstanding loan, so the collective deposits of all members at any one time amount to an average of 8 to 10 per cent of outstanding loans. The government guarantees the lender 25 per cent of the value of any loan that the lender is unable to collect from the individual member or from the collective deposits of the members.

While some ranchers have a few criticisms about the design and expectations of the program, it is noteworthy that since its inception there have been no defaults. Participants in the program say that the co-operative model encourages the members to make sure it works; if there is a loan default everyone bears a financial cost. See End Note 3 for more information.

The importance of this section will depend on the structure of your co-op. Not all co-ops require paid labour, especially in the early stages. A housing co-op, for example, may be managed entirely by the collective efforts of its residents. However, even a housing co-op will hire contractors at some point, especially when it is doing major renovations or construction.

How you structure your co-op will also determine whether or not your workers are members or non-members, or both. When developing your business plan and your membership agreement, members must decide what percentage of the work, or which specific work, should be done by members and what can reasonably be done by non-members. Most new workers co-ops start without any employees, other than the core of three or more founding members. As a guideline, federal co-op legislation requires that 75 per cent of the staff in a worker co-op must be members.

Develop a chart showing all the positions your co-op requires. You should also include any positions that may be required during the development period. In your operations strategy, develop job descriptions for each of the positions. The chart may look like the following:

Labour Profile for X Co-op Warehousing

Position	Number of Employees	Is this a Member Position?	Skills Needed	Wage
Sales rep	3	Yes	Certificate Business-to-business experience	\$40,000/yr plus commission

You may want to consider subcontracting, which has proven more useful than hiring for an increasing number of new companies. Subcontractors may cost more, but this is usually more than made up for by the time saved by not having to supervise work as closely and not having to pay employment benefits. Subcontractors may also offer more flexibility, which is especially useful at start-up.

In some marketing co-ops, workers co-ops, and many producers co-ops, the members provide goods or professional services which the co-op markets collectively. In this case, often members will *contract* their

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services to the co-op. A membership agreement will spell out the terms of the contractual relationship. This may include how much of your product or services must be sold through the co-op, how many shares you must buy, the co-op's right to accept or refuse product, terms of payment, and so on.

## Recruiting New Members

For worker-member co-ops, you should recruit a new member if the work available is full-time and the business is stable enough to support them. This decision is also based, in part, on your earlier discussion of what specific work should be done by members.

A general guideline in retail business is that you do not hire someone until the benefit of a new person to the co-op is at least three times the cost to the co-op. Let's say you are planning on hiring one person at \$10 an hour for 40 hours a week. That's \$400, plus about 20% payroll costs (for CPP, EI, and Workers' Compensation Board coverage, vacation pay, plus training costs and time, additional bookkeeping costs) for a total cost each week of \$480.

The new person must bring in at least three times the cost, or an extra \$1,440 in sales to make it financially worthwhile to the co-op. Why? Because about half of this \$1,440 – or \$720 – pays for the actual product the person is selling. So the cost of the product (\$720) and the cost of the employee/member (\$480) totals \$1,200. Therefore, if a new person doesn't bring in at least three times their cost, the co-op may actually lose money.

“Some workers co-operatives attach importance to the rotation of jobs because drudgery can be spread more evenly, more members can have the opportunity to perform challenging tasks, and members can develop a better sense of the co-operative as a whole. Rotating jobs can encourage better decision-making by your co-operative and personal growth for your members.”<sup>5</sup>

### Sharing the Work

Advantage Workers Co-op, located in Dawson Creek, secures employment and training opportunities for its members, who experience barriers to work. The worker-members provide practical support for each other by respecting each individual's barriers to work and offering a workable solution, such as sharing shifts or car-pooling.<sup>4</sup>

## **The Management Trinity:**

“Bad management kills companies, not lack of finance. No matter how much money you infuse into a badly managed business, the chances of it succeeding are slim, whereas if you infuse good management into a financially troubled company, you can turn it around ... That is to say that people, not money, run businesses.”<sup>6</sup>

Management is responsible for the day-to-day operations of the business according to the co-op’s goals and policies. They may have duties similar to those of managers in a company or other duties as determined by the co-op’s structure and the direction of the board. In small co-ops, management responsibilities are frequently shared among the members, rather than being concentrated in one person. In other co-operatives – generally larger and more complex enterprises – there will likely be management staff for operations.

Managers may be members of the co-op or they may be hired from outside the co-op. In a co-op, managers are politically accountable to the members through the board of directors. The board of directors evaluates management’s performance with input from the members.

The authority, responsibility and accountability of management needs to be made clear. Develop clear guidelines now, before you actually start the business or hire anyone. A process should be in place to evaluate the division of labour to make sure members/employees and management are able to function efficiently within these guidelines, and that the co-op is fostering a working environment of mutual respect and learning.

### **Value-Added Services**

In 1998, small community farmers in the Cowichan region came together to talk about their needs and concerns. Three concerns were identified: the need for value-added activity to increase the value of local products; the need to develop new business opportunities for processors; and the fact that there were no local processing facilities that meet the federal health standards guidelines. To address these concerns, a small group of processors developed the Warmlands Specialty Foods Co-operative. So far the co-op offers a number of services to help producers add value to their products, among them the use of a provincially inspected commercial kitchen, training in safe food handling and other business skills, bulk buying, the opportunity to market products under the Warmland Gourmet Co-op label, distribution networks, on-line marketing services, and the opportunity and materials to participate in professional trade shows. Ultimately, the co-op is working towards the establishment of a federally certified food production facility.<sup>7</sup>

# ACCOUNTING AND BOOKKEEPING

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Bookkeeping is the practice of recording a organisation's financial transactions in a systematic manner. This may be done by one of your members. If none of your members know how to do bookkeeping, then the co-op should pay for training for at least one of your members to learn. Basic bookkeeping courses are usually available at community colleges. However, you still need to hire an accountant.

Bring in an accountant early in your business planning process. Accountants not only help reduce your financial risks, assist with tax matters and monitor the financial health of your business, but they can also provide help with your business plan and challenge your financial assumptions.

Make sure you find someone who is qualified. Any one can open up a business as an accountant, but only those with specific qualifications can call themselves a Chartered Accountant (CA), Certified General Accountant (CGA) or Certified Management Accountant (CMA). A bookkeeper can prepare your financial statements, but he or she is not an accountant.

Here is a sample of the services you might need from an accountant:

- Assisting with financial projections.
- Providing formulas to help determine prices.
- Working with Canada Customs and Revenue Agency on payroll issues and employee deductions.
- Setting up a day-to-day bookkeeping system that the co-op can easily understand and complete on a regular basis.
- Providing tax advice and financial planning for both the co-op business and members.
- Preparing income tax returns for the co-op business and members.
- Setting up systems for the control of cash and handling of funds.
- Reviewing the finished business plan.

Before you start looking for an accountant for your co-op business, make sure you know what you will want this person to do. Then you can ask for references from other co-ops, businesses, or your financial institution. You can also find an accountant firm that will meet your needs by looking in the phone book.

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A good accountant should:

- Understand co-ops and your type of business.
- Explain things in a language you understand.
- Help you set up your day-to-day bookkeeping.
- Stay up-to-date on Canadian tax laws.
- Be accessible to answer quick questions.
- Be up-front about all rates and fees.

Arrange to interview a number of accountants. Most are willing to offer a short free consultation so you can learn more about what they have to offer your business. Take as much of your business plan as you can to this meeting, and make sure the person in your co-op who will be responsible for the day-to-day bookkeeping and bank accounts is present. If you are dealing with a larger accounting firm, make sure you know who will be assigned to work with you. You should work with the same person so they understand your co-op and you are comfortable working with them.

Make sure your accountant is being as aggressive as possible in interpreting tax matters, without putting you at risk. The Income Tax Act of Canada and its Interpretive Bulletins are literally thousands of pages long and extremely complex. Your accountant will need to be comfortable with those areas that affect co-ops and your business. There's a world of difference between arranging your affairs in a way that minimises your taxes and tax evasion. You need an accountant to help you avoid as much tax as possible without breaking any laws.

# INCOME TAXES

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The following section is a guide to help you understand more about income taxes. However, tax laws are always changing. Your accountant will be able to provide you with the most accurate, up-to-date information.

All co-ops are taxed as corporations, which means business expenses may be *written off* against revenues and the remaining net income is taxed at corporate tax rates. If a co-op loses money, it can carry forward losses and apply them against income in subsequent years to reduce the tax payable in those years.

The relationship a member has with the co-op determines the tax treatment of money that flows between the co-op and the member, whether it is a salary or payment for goods or services.

## Employer - Employee Relationship

In co-ops where the members are also employees, the *employer/employee* relationship becomes the primary one for taxation purposes. The co-op pays its member-employees through a payroll system. It deducts income tax, Canada Pension (CPP), Employment Insurance premiums (EI) and any other deductions, and *remits* them to the appropriate agency on behalf of the member-employee. The co-op **must** also make an “employer’s” contribution of CPP and EI.

Member-employees receive a pay stub with each cheque showing how much they have earned and how much the co-op has withheld. At the end of the year, they also receive a T-4 slip showing the total amount they were paid and the total withheld. The member-employee uses the T-4 slip to file his or her personal tax return.

The co-op writes off the *gross amount* it pays its member-employees, plus the total remitted to Canada Customs and Revenue Agency on behalf of member-employees, as well as the employer’s contribution.

## Self-employed Contractor

In this relationship, members contract goods or services to the co-op, which the co-op then sells. Member-contractors are usually self-employed and invoice the co-op for the goods or services they provide as well as provincial sales tax or GST, if applicable. They use their own tools and equipment, and work out of their own space.

### Write Off:

To charge an asset amount to expense or loss, in order to reduce the value of that asset and one’s earnings.

### Remit:

To send payment for goods or services.

### Gross Amount:

Total of something.

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**Invoice:**

The bill issued by the person who has sold goods or rendered services to a customer.

The co-op treats the total amount of the *invoice* as a purchase of goods or services, and deducts this from its revenue along with other costs to arrive at its taxable income. If the contractor charges GST, the co-op claims this as a credit against the amount of GST it has collected and remits any amount owing to Canada Customs and Revenue Agency.

The contractor records the sale as revenue and remits the GST and PST collected. After deducting any business expenses incurred to create the product, deliver the service or make the sale to the co-op, members arrive at an amount that is claimed as personal income. They calculate the taxable income and remit the necessary tax to Canada Customs and Revenue Agency.

Make sure you check with your accountant and/or the Canada Customs and Revenue Agency before hiring a member-contractor or a subcontractor. If you don't arrange things properly, you might find yourself responsible for the contractor's taxes, CPP, EI, and maybe even a fine plus interest. The co-op should ensure that each contractor has Workers' Compensation Board coverage if they are working on site. Otherwise, the co-op could be liable if the contractor is injured.

### **Employee or Self-employed Contractor**

Canada Customs and Revenue Agency provides a pamphlet called "Employee Or Self Employed" which helps employers determine if they have a business relationship (worker is self-employed) or an employee-employer relationship. Some of the key differences between a self-employed person and an employee are:

- **Control:** If the person is an employee, an employer usually determines hours of work, tasks to be performed and deadlines.
- **Specific results:** An employee usually provides ongoing services as needed for the daily operations of the business; a contractor usually has a specific assignment or project to complete.
- **Economic reality:** A contractor accepts any risk of losses occurring upon completion of the project or assignment; an employee is paid as long as the employer is *solvent*.
- **Integration:** An employee is generally an integral part of the business and does not leave to work for another business when the project is complete.

If you are not sure about the status of your co-op members, talk to your accountant or call the Canada Customs and Revenue Agency.

**Solvent:**

Able to pay all debt obligations as they become due.

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## Distributing Patronage Rebates

If your co-op creates a surplus and distributes this to its members this is called a patronage rebate. (In some cases it may also be called a dividend.) The taxes will be determined according to whether members are considered employees or self-employed contractors. If the members of the co-op are neither employed nor contracted, then the patronage rebate is considered a pre-tax expense by the co-op and is therefore not taxed. If the rebate is high enough (which it rarely is) then the co-op might issue a T-5 slip so that members may declare it as income when they file their personal taxes. Your accountant can help you figure this out.

## Employer/Employee Relationship

If the co-op membership decides to pay part of a surplus to employee members, the co-op can deduct the surplus before calculating its taxable income. Canada Customs and Revenue Agency will consider this earned income, not a dividend, and the co-op must withhold and remit the necessary income tax, CPP and EI, just as if it were a regular paycheck.

When a co-op decides to issue such a “bonus”, it can deduct the amount from its income immediately but has 182 days to issue the bonus – which results in a *tax deferral*. In other words, if a co-op declares a bonus in August, it can reduce its income for that year but it does not have to pay the bonus until February. Members can then claim the income in their following year’s income tax.

If a co-op needs capital or is short of cash, it can declare a worker bonus and keep the money inside the co-op in the member’s name. This is often called an internal capital account, or a member loan, and allows members to help capitalise their co-op. The loan may be held for a specific period of time (for example, five years) and then paid out. Members will still have to pay income tax on this bonus, even though they do not receive it immediately, and Income Tax, EI and CPP must be deducted.

## Self-employed Contractor

The co-op membership can also decide to distribute some of its profits to members who sell their product or service through it. The distribution is generally based on *patronage* or the amount of business each member has done through the co-op. This is done just like a bonus to employees – the co-op declares the *patronage rebate* and reduces its net income accordingly.

### Tax Deferral:

Paying taxes in the future for income earned in the current year

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When the member receives the patronage rebate, it is added to other revenue on their tax return before expenses are deducted and tax calculated.

The following table summarises the tax-profit issues discussed above:

	<b>Members are employees</b>	<b>Members are self-employed</b>
Income Tax	Co-op deducts from employee's pay and submits to CCRA.	Member pays.
EI	Co-op deducts from employee's pay, adds employer's contribution and remits to appropriate agency.	N/A
CPP	Co-op deducts from employee's pay, adds employer's contribution and remits to CCRA.	Member must pay when submitting tax return.
Patronage rebates	Considered earned income; treated as regular income.	Member declares as income when submitting tax return.

# INSURANCE

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Finding the best insurance plan may be challenging. If none of your members have extensive knowledge of insurance issues, find an advisor who does.

## Identifying Your Risks

Start by identifying your risks. It is important to consider all the potential risks your co-op business may face when you are planning your insurance needs. Remember this can range from traditional risks such as theft and fire to personal or professional *liability*. Remember to consider potential losses that could damage your business – such as a computer crash for an Internet-based business, the loss of a key employee/member, a business interruption caused by a natural disaster, or liability related to your product or service.

### **Liability:**

A financial obligation, debt, claim, or potential loss.

Once you know what presents a risk, evaluate the nature and potential severity of this risk. Your business is more likely to experience a theft than a major earthquake, but the potential for major loss and disruption is far greater with the earthquake. Anything that causes a loss is called a peril. Your co-op should insure its land and buildings against a number of perils, such as fire (including arson), vandalism, water damage and smoke.

## What You Need to Protect

To help identify your risks, take an inventory of what you will need to protect. The chart “Finding the Right Insurance Coverage” in this section will help you through this. The list of what you need to protect extends beyond the more obvious things such as physical property or things you own.

If you rent or lease your place of business, the co-op may be responsible to the landlord in the event of fire, explosion, vandalism, water leaks and other perils. If you own your place of business, the co-op will need insurance to protect the interests of the mortgage-holders as well as the members. If your co-op is doing business from a member’s home, you will likely want to buy additional insurance coverage in case a person is injured while in the home on business.

In some cases you may want to protect your members, employees and/or directors. For example, if your co-op will provide professional services, you may need to protect the members who are providing those services.

## Establishing an Insurance Plan

### Deductible:

The amount of a loss that an insurance policy holder has to pay out-of-pocket before reimbursement begins in accordance with the insurance rate.

Insurance is intended to protect individuals and businesses from losses they cannot handle themselves, whether it is rebuilding after a fire or paying costs from a car crash. Your business may never recover if it cannot deliver goods and services to customers for a period of time, or is forced to redirect its cash flow to cover the cost of a theft.

The chart “Finding the Right Insurance Plan” is designed to help you identify the kinds of insurance you should look into. Your insurance agent can help explain the different policies, options and deductibles available. Select the highest *deductible* your business can absorb without facing severe difficulty. This lets you to keep the cost of the insurance as low as possible, but still protects you against losses that could put you out of business.

## Finding the Right Insurance Coverage

Type of Coverage	What to Protect	Risk	Special Note
Business Insurance	Vary in what they protect.	Vary in what they protect against.	Standard business insurance plans do not provide insurance protection for professional services liability.
Property Insurance	Physical property and inventory (items inside building such as furniture and fixtures, inventory and any personal property used in your business).	Fire, earthquake, theft, etc.	If your business was destroyed by fire, would not cover lost income.
Auto Insurance	Any motor vehicles your co-op uses.	Insurance claims may not be valid if a vehicle covered for personal use is involved in a crash while being used for business purposes.	
Member and/or Director's Liability Insurance	Co-op members and/or directors.	Legal liability arising from defective products or services, negligence in fulfilling a contract, or even from a fall by a customer on a wet floor.	Some boards buy liability insurance to cover legal fees and expenses of legal action against the board and/or individual directors.

<b>What to Protect</b>	<b>Risk</b>	<b>Type of Coverage</b>	<b>Special Note</b>
Co-op or co-op members	If your members are professionals and your co-op provides specialized services, your professional activities may expose you to lawsuits.	Professional Services Liability Insurance.	Most policies exclude any loss from professional activities, which would include an error or mistake on your part.
Co-op or co-op members	If your co-op sells advice or counselling of any kind, you may need to protect against legal action if members give advice that results in damages.	Professional Liability Insurance (it will likely be packaged as "professional errors and omissions insurance").	Talk to your industry association.
Co-op	Liability for bodily injury or property damage incurred as a result of negligence or a defect in the product you sold or manufactured.	Product Liability Insurance	It may also include liability incurred after a business has completed a job with improperly performed work.
Protects co-ops and companies	Losses resulting from faulty or malfunctioning machinery, including damage to the insured equipment as well as surrounding buildings and equipment.	Boiler and Pressure Vessel Explosion Insurance	Because of the high potential for serious loss, insurance companies generally provide high levels of inspection and loss-prevention service to their customers.
Protects co-op and companies	Damages to equipment	Equipment Breakdown Insurance	
Office equipment, finished goods, equipment, etc.	Theft	Burglary protection	
Co-op	Theft by employees.	Dishonesty Insurance or an Indemnity Bond	It is particularly important for any business that handles cash or securities.
Co-op	Compensates businesses if the death or departure of a key employee causes a downturn in orders.	Key personnel Insurance	

What to Protect	Risk	Type of Coverage	Special Note
<p>Lost income or other costs you may incur to get back into action. Business interruption insurance covers things such as rent, electricity, payroll, renting temporary accommodations and machinery, hiring sub-contractors or paying overtime.</p>	<p>Losses if you are unable to continue normal operations and functions of your business, whether this is due to a fire in your premises or a natural disaster such as a major snowstorm, flood or earthquake.</p>	<p>Business Interruption Insurance</p>	<p>Lost profits and continuing expenses can be covered until the business reopens, or even until previous business volumes are reached. Coverage is generally provided for a specific period so you can rebuild, repair or replace the damaged property at the described premises with reasonable speed and similar quality.</p>
<p>Member employees and their families.</p>	<p>Inability to work due to injury or disability</p>	<p>Disability Insurance</p>	<p>See “Special Notes on Disability Coverage”</p>
<p>Employees</p>	<p>Inability to work due to injury or disability</p>	<p>WCB (Workers' Compensation Board) Provincial agencies</p>	<p>*Required The cost depends on your business. You may qualify for a discounted rate if you work with a WCB representative when setting up your operations, and show you have implemented appropriate and recommended safety procedures, training and precautions</p>

\*Some co-ops may have more specific risks that require insurance coverage. Check with an insurance agent that knows co-ops and your industry.

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## Special Notes on Disability Insurance

If you are planning to have both Workers' Compensation and private disability insurance for your employees, check each of the policies to see what would happen if you have to make a claim from both at the same time. Sometimes, one or both may refuse to pay because they consider the employee has a source of income from the other.

Caution: If WCB payments are not being made, each member of the board may be personally liable for any injury to workers.

When purchasing disability coverage, here are some things to watch for:

### **The amount of the monthly benefit**

Most disability policies have a fixed monthly benefit that does not increase with time, although you can purchase extra coverage, or *riders*, that offer higher payment schedules.

**Rider:**  
An amendment to a contract or policy.

### **Definition of disability**

The policy will state whether it covers members if they are unable to perform the duties of their specific occupation, or if they are unable to perform "any occupation", which means any occupation their education and training qualifies them to do. Check this out carefully – it can make a big difference.

### **Waiting period**

This is the amount of time the member must wait before benefits start, and can range from one week to two years. The longer the wait, the lower the cost of the disability policy.

### **Benefit period**

This will determine how long you will receive monthly benefits once your policy starts paying. The benefit period can range from six months to life, depending on what you choose, as well as what your insurance company is willing to offer you.

The monthly amount for which you can qualify, the price, and the benefit period amount, all depend upon the hazards of your occupation.

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Read the fine print! Make sure you understand all of the “subject to’s” and the terms in the policies.

Here are some guidelines to help put together your entire benefits package:

- Determine whether you may need short-term disability (usually three to six months) or long term disability (more than three months), or both.
- Get the highest monthly benefits for which you can qualify.
- Try to get “own occupation” coverage for life. Many insurers now only offer “any occupation” coverage, which could force you into a new line of work.
- Get the longest waiting period you can afford. A policy with a six-month waiting period is much less expensive than one with a two-week waiting period.
- Get coverage for the longest benefit period you can afford.

### **Insurance Terminology**

#### **Subrogation:**

Any time an insurance claim is made, the insurer looks for someone other than their insured who can be held responsible and made to pay for the damages. This is called subrogation. No one can agree to work in unsafe conditions as determined by the Workers’ Compensation Board. For example, if workers in a bakery co-op ignored provincial safety regulations by wearing open-toed shoes, the co-op would be liable for any resulting injuries (and likely charged by the WCB) even if the workers had agreed not to hold the co-op liable.

#### **Named Peril:**

To be covered for damage or loss under a “basic” contract, the damage or loss must be caused by a peril that is “named” or listed in the contract (i.e. fire, flood, etc.). If the damage or loss is caused by a peril that is not named in the insurance contract, there is no coverage. Read the fine print exclusions in the contract – they must also be considered in determining coverage.

#### **Replacement Cost Coverage:**

This form of insurance usually costs more but it provides coverage for full replacement cost without deduction for depreciation. It can apply to both buildings and contents, as specified in the policy.

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- Make sure that each individual contributes to the cost of his or her disability premiums – if the co-op pays the whole *premium*, any benefits will be taxable.
  - Try to get extended coverage for members with spouses or families. If you need to purchase coverage for someone with a same-sex spouse, be sure to get confirmation in writing from your insurance agent that the partner will be covered.

**Premium:**

A regular periodic payment for an insurance policy.

## Preventing Loss

The best insurance is to find ways to protect your business, its assets and its employees by preventing fires, discouraging theft, increasing worker safety and so on. Investment in loss prevention often means lower insurance premiums so you may recover the cost in a short period of time.

Here are some recommended ways to prevent losses:

- Install approved burglar alarm systems in your buildings and vehicles.
- Install sprinklers, smoke detectors, and fire alarms.
- Keep good inventory control and accurate bookkeeping records – it may help avoid placing temptation in the way of employees and suppliers.
- Secure all doors, windows and skylights.
- Isolate flammable materials and dispose of waste materials properly.
- Leave some lights on and windows clear so police patrols can view the interior.
- Train employees to be watchful and careful.
- Back up your computer files frequently and store copies off premises.
- Register with your local police and fire departments so they know who to call in an emergency.

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- Arrange to have the police and fire department inspect your premises and train all of your members and staff in prevention and emergency procedures.
  - Consider hiring a caretaker or security guard when conditions warrant.

Creating a co-op business that fosters mutual ownership and responsibility among members and employees as well as neighbours and the community is one of the most effective and rewarding ways to prevent losses.

Caution: To protect against employee theft or embezzlement, make sure 2 signers are required for cheques and that there is a mechanism in place for ensuring that cheques for GST, insurance and other payments are being sent.

### **Finding an Insurance Agent**

Select your insurance agent or broker with as much care as you would any other professional, and put some effort into developing a close working relationship. Together, you can determine what types of insurance protection your co-op needs. The secret is to be informed and shop around carefully so you understand the different types of insurance being offered and what works best for your business.

Find an insurance agent or broker who understands co-ops and knows your type of business. Many credit unions in British Columbia own and operate insurance agencies. The Co-operators and CUMIS are the two largest insurance companies in Canada that are owned by the co-operative sector. You may be able to contact them directly through a local office or credit union. Both companies have long histories of encouraging co-operative enterprises.

### **Keeping Up-To-Date**

Your insurance coverage should be thoroughly reviewed at least once a year to give you a chance to adjust your coverage and deductibles to suit new markets and conditions; adjust for changes in the type and volume of your business; and watch for better or more affordable other coverage

## REVIEW OF MODULE 4

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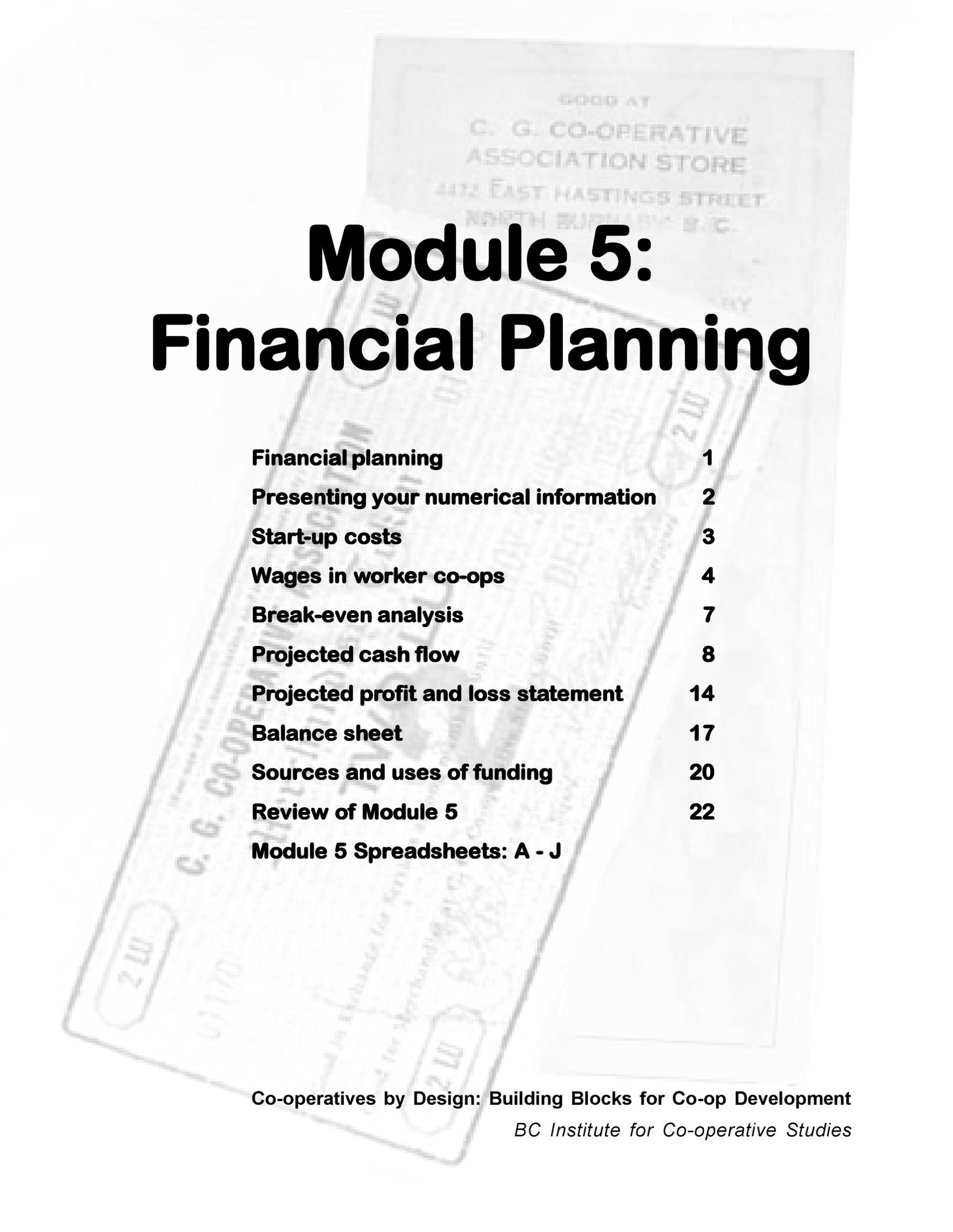
In this section we have covered the following:

- Walking through the operational process, from raw material to finished product, or receipt of an order through deliver of good or services.
- Determining your site, equipment and supply needs, as well as sources.
- Identifying your labour and management needs.
- The differences between employees and contractors with respect to paying income taxes.
- Finding a good accountant.
- Identifying your risks, what you need to protect and how to insure against losses.

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## End Notes

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# Module 5: Financial Planning

<b>Financial planning</b>	<b>1</b>
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<b>Module 5 Spreadsheets: A - J</b>	

# FINANCIAL PLANNING

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The purpose of your financial plan is to determine whether or not your co-op has the potential to make money and, if it does, to prove that to monetary lenders and investors. Your financial plan will be the bulk of your business plan. Creating the plan will help you to answer the following questions:

- How much will it cost before the co-op has a positive cash flow?
- How much money will be paid out in wages, and how much surplus will there be at the end of a year?
- How much must the co-op sell, and at what price, to cover all costs?
- How much money is coming into the co-op, when, and from where?
- How much money is going out of the co-op, when, and to where?
- How much will the business make or lose?
- What does the co-op own, what does it owe, and what is the difference between the two?
- Where will the co-op get money from in the beginning, and what will the co-op use it for?

To make the financial planning module easier to understand, we will use an example of a small hypothetical restaurant co-op, the Global Grill. It has three owner-workers who will form the original co-op, start it and run it, each taking a salary, with occasional part-time assistance from other paid workers. It is important to remember that this example is only an illustration. There may be numerous other expenses for your co-op that are not included in the examples.

## **Tips for Refining your Financial Projections:**

Keep in mind the following suggestions when you are creating your sales forecasts.

- Don't expect any breaks. Assume the co-op will have to pay its bills in the shortest time period imaginable, and that it will collect money owing no faster than does the industry as a whole.
- Be aware of seasonality. Find out when the busy season is for your industry and reflect both the busy and the slow periods of the year in your projections.

# PRESENTING YOUR NUMERICAL INFORMATION

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- Note the lag between when you invest funds to help sales and when sales actually come in. An example of this is the lag between advertising expenditures and any increase in sales. A common mistake is to assume the increased sales occur in the same month as the advertising spending occurs.
- Respect the “start-up lag”. For most new companies, there is slow sales growth during start-up. You start from zero and work up. Some companies, notably consulting businesses, can go for months at the start without billing a single sale. Your projections should show sales building up slowly over the first four to six months.
- Make sure you document all assumptions. Lenders and investors will question the adequacy of all of your numbers. The better documentation you have to back up your numbers the more seriously investors will take your financial plan.

“Real” financials – the actual financial results of a real company operating in the real world – are very lumpy. The numbers do not line up smoothly. Sales go up and down month to month. There are one-time expenses and monthly expenses and then there are emergency expenses.

Since your projections are trying to simulate or forecast what is actually going to happen financially, your numbers should not be the same for each month, at least when you are making projections. For example, if you expect your sales to be higher in the summer months than in the winter, your projections must show that.

## **Computer Spreadsheet:**

This is a type of computer program that displays a group of cells (a 2D graph pattern) and allows for easy mathematical operations and relationships between the cells (for example, Microsoft Excel).

It is not necessary to use *computer spreadsheets* but they are very useful. Computer spreadsheets allow you to link the numerical tables you create so that if you input a number, it will appear on all tables with the same category. If you have to change a number later, it will automatically change the number everywhere it appears.

# START-UP COSTS

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“Start-up costs” include what you need to get the business up and running and what this will cost you. Below is what the three members of the Global Grill believe their start-up costs will be. The costs must be based on real quotes. The column describing “Source” is important for documenting where you will purchase supplies and equipment.

## Global Grill Start-Up Costs

Item	\$ Cost	Source
Inventory	10,000	Lucy's Restaurant Equipment
Equipment	11,000	Motormouth Restaurant Auctions
Advance Rent	2,000	The building owner
Licences and Permits	250	City hall, health & building inspector
Signs	500	Sanchez Design
Leasehold improvements*	1,500	Kim's Restaurant Renos
Vehicle expense	100	Gas for one member's vehicle.
Marketing	600	Daily Blab newspaper
Legal Costs	250	Dewey & Howe Law Office
Communication	350	Telus
Staff Training	300	ABC Hospitality Training, Inc.
Insurance	750	Justus Insurance Co.
Incorporation	2,000	Incorporator's Consulting Co-op
Contingency & Misc.	500	
<b>TOTAL</b>	<b>\$30,100</b>	

\*renovations

In this example, if the co-op founders can come up with \$30,100, they're in business. As they complete the other financial papers, they may realise they have forgotten something and the start-up projections should be higher. Then all they have to do is come back to this sheet and add or change the numbers. Other expenses that your co-op may have in its start-up are utilities and wages, tools, office and other supplies, hook-ups, travel, repairs, shipping, bank fees, loans, among others. You will likely need money to operate between the time you open the business and the time when sales are high enough to cover all expenses. This will be addressed in Cash Flow.

Your co-op's founding members may already have some of the equipment, tools, inventory or other materials you need. If so, don't include any of this in the start-up costs. Start-up cost only refers to specifics that will cost you money. Members' donations or other things they are bringing into the co-op are included under *Sources and Uses of Funding*

# WAGES IN WORKER CO-OPS

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Depending upon how you are organising your co-op, you may have working members, volunteers, paid staff, or any combination of these. If you are planning a co-op where the members are workers and get paid by the co-op, you might want to develop a pay schedule based on ONE of the following methods:

- All working members receive an equal amount per pay period.
- Pay according to hours/days worked.
- Pay according to skills of each working member.
- Pay according to the needs of each working member.
- Some other system your group is comfortable with.

There's nothing wrong with paying people different amounts of money, as long as there is a consensus and all members are able to live with the consequences. Regardless of which method you choose, the pay (most likely) has to be enough for the working members to live on.

In a workers' co-op, each member must complete a personal budget (this does not have to be included in your business plan, but is necessary as a supporting document) and they must be able to draw enough cash from the business to pay themselves. Developing personal budgets will help you to determine how much money your co-op will need to make in order to be worthwhile. These will be the numbers you will use in your financial plan as a basis for determining a pay schedule and the cost of labour. For example:

Michel, Rosa and Radhika are the founding members of the Global Grill Co-op Restaurant. Each brings different skills and investment into the co-op. At first, they will be the only workers. All need to pay themselves enough from the co-op to cover living expenses, such as rent, food, utilities, kids' clothing, transportation, etc.

## **Budget:**

An itemised forecast of an individual's or company's income and expenses expected for some period in the future.

So how do they decide who gets paid how much? They start by preparing a Personal Family Yearly *Budget*. Since Rosa has a family, she sits down with her partner Roberto and they prepare it together.

Rosa's Personal Family Yearly Budget:

<b>MONTHLY EXPENSES</b>		
Rent/ Mortgage payments	600	
Food	400	
Utilities	80	
Phone	75	
Cable	55	
Student Loan Repayments	200	
Clothing	150	
Transportation	80	
Entertainment	100	
Emergency Fund	100	
Miscellaneous	100	
<b>Total Monthly Expenses</b>	<b>\$ 1,940</b>	
<b>Total Monthly Expenses x 12</b>		<b>\$23,280</b>
<b>ANNUAL EXPENSES</b>		
Home Insurance (February)	400	
Medical Insurance (May)	850	
Property Taxes (July)	1,200	
School Supplies (September)	360	
Car Insurance (October)	900	
Other	600	
<b>Total Annual Expenses</b>	<b>\$ 4,310</b>	<b>4,310</b>
<b>TOTAL EXPENSES (monthly x 12 + annual)</b>		<b>\$27,590</b>
<b>OTHER ANNUAL INCOME</b>		
Roberto's Income	12,000	
Rental of Basement Suite	6,000	
Other		
<b>TOTAL OTHER INCOME</b>	<b>\$18,000</b>	<b>\$18,000</b>
<b>AMOUNT ROSA NEEDS TO EARN (Total Expense Less Total Other Income)</b>		<b>\$ 9,590</b>

“I would encourage all co-ops to ensure that their staff (and members in a worker co-op) have the opportunity to earn a wage that is above the “poverty line” and allows the opportunity to amass some personal savings while enjoying a relatively frugal lifestyle...This should ensure that individuals can stay out of personal debt, live comfortably, and put aside a few bucks for retirement. However, the bigger obligation is to ensure the co-op can afford to pay the salaries it is committing to over the long term.” — Lyn Cayo, Co-op Developer

Monthly expenses are just that: expenses that remain fairly constant and occur each month. Rosa and Roberto then multiply this figure by 12 to get a yearly total of \$23,280. They also include student loan repayments. Always budget to pay down any personal loans once you get into business.

Then they figure out all the other expenses that occur during the year. Starting in January, and working through each month to December, they come up with home insurance, which is due in February; medical insurance in May, etc., to a total of \$4,310. (If they paid these expenses monthly, then they would appear under Monthly Expenses. For example, some people make car insurance payments monthly).

Monthly expenses	x 12	=	\$23,280
plus other annual expense			<u>4,310</u>
equals the total amount this			<u>          </u>
family needs for one year.			<b>\$27,590</b>

Since Roberto works part-time, and the family rents out part of the house, their income is \$18,000. When they subtract *Other Income* from *Total Expenses*, the remaining \$9,590 is what Rosa must earn in a year as an owner–member of the co-op in order to meet the family’s budget needs. For simplicity, she rounds it off to \$10,000.

Michel does a similar exercise with his partner, and Radhika does one by herself, as she lives alone. Michel discovers that he needs \$20,000, and Radhika needs \$15,000.

How do Michel, Rosa and Radhika decide to fairly split up the work in order to justify their wages? Michel needs twice as much as Rosa, with Radhika in the middle. Maybe Michel will put in twice as many hours as Rosa. Or he might be responsible for tasks that the other two do not want to do, such as bookkeeping and marketing. Or if the business can afford it, perhaps everyone can earn at least \$20,000 and split the work equally.

You can be fairly flexible here as long as you record your agreements for future reference, and don’t agree to pay out more than the business can afford. The main points are that the owner-workers must pay themselves at least enough to cover their personal living expenses or the business is not worthwhile to them; and everyone must agree on who is responsible for what, and how much they will be paid for doing it.

# BREAK-EVEN ANALYSIS

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In Module 2 you did a quick break-even analysis to test the financial feasibility of your co-op idea. You might have new information now that could change those numbers.

Let's look at the break-even analysis for the Global Grill.

The founding members' market research, analysis of other businesses, and idea for the restaurant all indicate that the average selling price of a meal at the grill will be \$10.00.

Their research shows that food cost in this type of business is typically around 25 to 35 per cent. They estimate cost to produce one meal is 30 per cent of cost, or \$3.00.

Estimated fixed costs are \$138,000.00

Selling price minus cost = contribution to fixed costs  
(contribution margin)  
 $\$10.00 - \$3.00 = \$7.00$

Fixed costs divided by contribution = # units (meals) sold to breakeven  
 $\$138,000 / \$7.00 = 19,714$

So, now let's see if this is reasonable. The Grill plans to be open 365 days a year. So,

# of units sold to break even divided by 365 = # of units per day  
 $19,714 / 365 = 54$

That's an average of 54 meals a day, every day. Their research shows that similar restaurants do at least this much business. Slow days will average 30 customers, and very busy days will probably see 80 people, so 54 a day seems reasonable. Therefore, 54 meals is the break even point for Global Grill.

# PROJECTED CASH FLOW

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Complete each of the three projections: cash flow, profit and loss statement, and balance sheet, in the order given, as each flows nicely into the next. Don't worry if you sometimes have to flip back and forth between different spreadsheets, and change a few numbers as you find new information. Get each projection as complete as possible before moving on to the next. If you don't know a few numbers, leave them out for now and come back when you do. The spreadsheets are at the back of this module.

A cash flow shows the anticipated flow of cash into and out of the business. A cash flow statement is a management tool for determining when or if the business may be able to purchase a new piece of equipment or additional inventory or when it may need to dip into its line of credit or acquire additional loan funds.

## **In kind:**

Paying for something with an item or service as opposed to money.

This is not the place to show the “stuff” that members are bringing into the business. *In-kind* income will go in the Balance Sheet. Here we put the flow of cash only. Money coming in from cheques, debit card, credit cards and cash is all treated the same and considered cash.

## **Assumptions:**

Notes that you include in the note field for each cell in a computer spreadsheet. For example, if you are basing an estimate of your monthly income on 50 customers per day, you would note that in the “monthly income” field. This helps future members understand what you were thinking, and will also impress the financial institution if it is done correctly. You may also create other spreadsheets using different assumptions.

The cash flow is the most important part of the whole business plan and is the part of the financial plan that seems to cause people the most anxiety. They look at the example below and think, “Oh my goodness, I'll never be able to put that together”. You might think this looks complicated, especially if you have little experience with cash flows. But don't worry. Let's start by looking at the whole thing first, then break it up into smaller, more manageable chunks so you can go through it step by step.

## **Tips for Cash Flow**

- Remember that these are estimates only, not 100 percent accurate facts. You're basing these numbers on research, interviews, calculations, phone calls, estimates, etc. Yes, it's a guess. But it's a guess based on the best research you can do. You'll back up and explain any assumptions and guesses in the *Assumptions* portion of the cash flow.
- Don't try to complete a cash flow in one sitting. You'll probably start it, put in some numbers, then save it and walk away until you find out some more numbers. That's OK! You may even come back to it and change some numbers you already had.
- Notice there are no cents, or \$.00, in the example. Every

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number is rounded off to the nearest dollar. That's close enough!

- Use a computer spreadsheet program. You can do this by hand with a calculator, but it's much more time consuming. (If you really cannot use a computer spreadsheet, use columnar paper, pencils, a good quality eraser and a calculator that has a printer function so you can check your many, many calculations and recalculations.)

## Spreadsheet A

Put numbers in “as they happen”. Take a look at the Insurance row. Notice that \$750 is under start-up, but there is nothing in the April and May space for insurance, then there's \$250 showing in June. That's because the Global Grill plans to pay a chunk of insurance before they start, then the remainder every three months. Since no money is paid in April or May, that space is blank.

If your co-op is planning on selling products or services, and then billing the customer who does not pay until later, then the money will show later. For example, your co-op may offer consulting services. If you do some work for the provincial government in March and invoice them for \$2,000 in April, you'll probably get paid in May. So the \$2,000 would show as sales, or money in May, not March. May is when you expect the money, so May is when it shows coming in. The flow of cash, as it happens!

Cash Flow Statements are usually for a minimum of one year; however, funding agencies often request statements for two years. If you look at the columns in the example, you'll notice that the business starts in January, and then there are columns for each month in the year. Your first month may not be January. Your first month will be the month during which you expect your co-op to be open, ready for customers. If this is April, for example, then your cash flow will start with 'start-up' then a column for April through to March of the next year. The first column in the second and following year's statements will be “prior year balance forward”.

Add a row with the number of business days per month. The number will vary from year to year (unless you are open 365 days, as in this example), and remember to deduct statutory holidays if your co-op will be closed. These will be used in formulas when you need to calculate daily income and daily expense.

### Starting Small

Not all co-ops start-up with a great deal of capital. In fact, most start with very little. The Nechako Valley Credit Union, which today has 6700 members and over \$67 million in assets, started out with a tin cash box. “Early day members recall when the Credit Committee would approve loans, but ask the member to wait until enough other borrowers made their payments into the cash box to fund the loan”.<sup>1</sup>

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## Spreadsheet B

OK, now let's see how to build your Cash Flow from scratch.

Start with a blank spreadsheet with 15 columns. Write your title across the top. The first column title is blank. Start with "Start-up" in the second column, followed by the months in the next 12 columns. The first month will be when you plan to open the business. The title of the last column is "Totals".

One way to check to make sure your formulas are being performed correctly is to see that the total DIFFERENCE and the BALANCE on the last month are the same. In this example, the total difference of \$78,365 is the same as the final Balance of \$78,365. If these two numbers are not the same, you have made a mathematical error and will need to check all of your formulas or calculations.

In the "Start-up" column you will write down all your sources of cash and your expenses. At the bottom will be a row for "difference", which is the total cash in minus the total cash out. The last row is the balance. This is equal to the balance of the previous month plus the difference of the current month.

$$\text{Total Cash In} - \text{Total Cash Out} = \text{Difference}$$

$$\text{Month 1 Balance} + \text{Difference of Month 2} = \text{Month 2 Balance}$$

If you are using a computer spreadsheet, set a formula in each cell (box in the table) showing a "\$0" in Spreadsheet B so that all the totals are automatically calculated. If you don't know how, get someone to show you, or find a user-friendly manual for your spreadsheet program.

## Spreadsheet C

Now add in your start-up costs. Negative amounts appear in brackets.

At this point the members know that they have to come up with at least \$30,100 to cover start-up expenses.

## Spreadsheet D

Together, they have a total of \$18,100 in cash to contribute. That leaves at least \$12,000 that they have to get from someplace else. So for now, they put in \$18,100 in Member Contribution, and \$12,000 in Loan Proceeds. Remember, you might have to change numbers as you go.

They can also put in the Wages and Benefits, which the three owners obtained when each did their personal budgets. Michel is drawing \$20,000 a year, Rosa \$10,000, and Radhika \$15,000, for a total of \$45,000. Since they'll be paying themselves monthly, this is divided by 12:

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$$\$45,000 / 12 = \$3,750$$

(Divide each income by 12 to get \$1,666.66 for Michel, \$833.33 for Rosa, and \$1,250 for Radhika).

## Spreadsheet E

Beginning to make some sense? Don't worry about the difference or balance not looking good right now. Continue researching expenses and adding in the numbers. Let's put in some more numbers that the Grill now has. They have a good idea how much rent, licences, marketing, legal and accounting, communication, staff training, loan repayments, bank fees, and insurance will be.

Notice that the licenses and permits and staff training expenses are only in the first month. For the legal and accounting, they estimate that they will have \$200 of expenses in the first month, and another \$500 eleven months later. Insurance is paid every 3 months and is therefore added to every third column. All other expenses are the same each month.

## Spreadsheet F

Taking shape, isn't it? But the Grill isn't finished yet. They need to estimate sales, and replace the food that they sell. Based on all their market research, the size of the grill, hours and days of operation, seasonal and monthly variations, and the average amount people will spend, they made the following assumptions:

On a slow day, they'll serve about 30 customers ( $30 \times \$10 = \$300$ )

On an average day, they'll serve about 50 customers ( $50 \times \$10 = \$500$ )

On a good day, they'll serve about 80 customers ( $80 \times \$10 = \$800$ )

They figure that their slow months will be January and February; it will be average in March, April, May, October and November; and great in June, July, August, September and December.

Then it's easy to estimate sales figures for each month. For example, January has 31 days, they'll do about \$300 per day, so that's  $\$300 \times 31 = \$9,300$ . May, an average month, will bring in \$15,500 ( $\$500 \times 31$ ). They estimate that August will bring in 24,500 ( $\$800 \times 31$ ).

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Food cost averages 30 per cent of sales. So in August, their inventory costs will be \$7,440 (30% of \$24,800).

They will also have a contract with the local Credit Union to cater bimonthly meetings starting in May. They will cater the meeting, invoice the Credit Union, and expect to get paid the following month. For example, they will cater a meeting in May for \$500, but not get paid until June. The inventory cost (30% of \$500 = \$150) will be added to the inventory expenses for May and the \$500 will appear in June. The catering is a contract and so the cash in is called Receivables Collected.

They estimate their vehicle use as varying due to the seasonal changes in sales. The more sales, the more inventory, the more they use the vehicle. This is shown in the cash flow statement.

Note in the example that there is more money going out in February (Cash Out = \$9,355) than there is coming in (Cash In = \$8,900), leaving a difference of negative \$455. That's okay here, because they have a January balance of \$75,190 which is enough to cover the expenses for February.

## **Spreadsheet G**

### **What if the balance isn't enough to cover the next month's expenses?**

In the example we've shown, the balance after start-up expenses is \$0. Cash in = Cash out. In the first month the expenses (\$12,260) are covered by the cash in from sales and receivables collected. However, the majority of their expenses will come before they make the sales. For example, they need to pay for rent on the first of the month. They will also need to buy food (inventory) before they make and sell the meals (sales). Therefore, their balance after start-up will need to be enough to cover some of their April expenses.

At the end of each month your cash flow statement MUST have a positive balance. It is impossible to actually spend more CASH than you bring in. If the balances are negative, you will have to increase the cash coming in those months. DO NOT just increase sales, as that is not realistic. You can either increase the loan, reduce costs somehow, or request a line of credit.

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To do so, they will have to increase the loan or line of credit. They decide to borrow an extra \$6000 to cover rent, licenses, legal costs, training and half of inventory, vehicle use, marketing and communications.

Remember that when you ask for more loan money, your loan repayments will also increase. In their case, the Grill will have to increase their payments to \$800 per month.

Of course, they can't just assume they'll get the extra money in a loan or line of credit. But since this is a **PROJECTED** cash flow, they will put in the projected loan, and include it in the business plan they take to a lender. It shows clearly how much they need and why.

Positive cash flow is the beginning of a period when your venture begins to consistently take in more cash from sales than it spends. In other words, positive cash flow occurs when the venture is forecast to stand on its own financial feet and no longer needs any money from your pockets, or a lender, to pay its bills and keep operating.

Understanding positive cash flow is important because the longer it takes to achieve, the more start-up money your business will need to stay alive. For illustrative purposes, our sample business will achieve positive cash flow in the first year. However, please note this is not a typical scenario, especially in the restaurant business!

### **Personal Touch**

In Cambridge Bay, Northwest Territories, the Ikaluktutiak Co-operative Limited is a thriving co-op that operates a retail outlet that sells groceries, dry goods, and hardware, a twenty-four room hotel, a large commercial fishery, an arts and crafts outlet, a taxi and freight service, a commercial bakery, and a cable television service. Despite its size, the co-op maintains a personal approach. In the retail outlet, any co-op member may have an account, which are usually maintained under \$500. Collection of overdue accounts is done in person. Bill Lyall, one of the longtime leaders of the co-op, explains, "We do not send bills that accounts are overdue...It is a personal touch, because if you keep sending somebody bills marked overdue they won't pay. If someone is slow in paying then I go personally and see what payment plan can be worked out. Generally they respond positively."<sup>2</sup>

# PROJECTED PROFIT AND LOSS STATEMENT

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The Cash Flow for the Global Grill is now complete. As you can see, they project a positive cash balance of \$78,365 by the end of the first year. Before everyone cheers, hang on a bit.

That \$78,365 is not surplus! It's just their balance, or money in the bank. You can have money in the bank, but that does not mean that it's all surplus. If you take \$5,000 from a sock at home and put it into your account at the credit union, it doesn't mean that you've made a profit of \$5,000. It just means that you transferred money from one place to another. Similarly, if you borrow \$1,000 and put it into an account, that does not mean that you've made \$1,000. Since you owe that money, plus interest, there is no surplus.

Some of the Global Grill's \$78,365 balance is borrowed money, member contributions, and other money that does not count toward profit. So the Grill has to prepare a Projected Profit and Loss Statement.

All the numbers in a projected Profit and Loss Statement come directly from the cash flow statements. With a spreadsheet program, you can link the cells to copy numbers right from your finished cash flow. If you are not using a spreadsheet program, you'll have to cross check your totals to make sure you've transferred all the numbers correctly.

## Spreadsheet H

Profit and Loss Statements for any business will look very similar. Again we will use the Global Grill as our example:

The Global Grill by starts setting up its Projected Profit and Loss Statement for the period of April 1, 2003 to March 31, 2004. Their total sales were \$216,600 and Receivables Collected were \$2,500, giving a total of \$219,100 in the first row.

**Cost of Goods Sold** describes what the business paid for what they sold. In other words, if the restaurant sold \$216,600 worth of meals, what did it pay for that food? The start-up inventory, or food that they bought to open the doors, was \$10,000 (See Cash Flow). They then bought an additional \$65,880 worth of food, giving a total Inventory (Food) expense of \$75,880.

But they know they will not sell all the food they bought – there will be food in the restaurant at the end of March. They estimate their inventory (physical count of the saleable food in the restaurant) at the end of March will be worth about the same as value of food they started with – \$10,000. So they subtract *Estimated Inventory* at the end of March as \$10,000. This leaves the *Cost of Goods Sold* at \$65,880.

Formula for Cost of Goods Sold:

Beginning Inventory	\$10,000
+ Purchases	+ <u>65,880</u>
= Cost of goods available for sale	\$75,880

Then:

Cost of goods available for sale	\$75,880
– Ending inventory	- <u>20,000</u>
= Cost of goods sold	\$55,880

Then:

Sales	- Cost of Goods Sold	= Gross Income
\$219,100	- 55,880	= \$163,220

You will notice that other cash into the business, like *Loan Proceeds* and *Member Contributions*, is not included. That’s because the business did not **make** that money. Loans have to be paid back, and the same may apply to member contributions. If you lend yourself \$10, you have not made a surplus. If you borrow \$100 from a friend, you have to pay it back (if you want to keep your friend) so it’s not included in income, surplus, or sales figures.

**Asset:**  
Anything owned that has value.

### Patronage Rebates

If there is a surplus, the members can receive patronage rebates or dividends based on how much they supported the co-op, such as time worked or product purchased from the co-op. In Module 4 we discussed how surplus is divided in co-ops where the members are either employees or contractors. In co-ops where the members are not being paid by the co-op, any payment to members is based on patronage or sometimes as a return on their shares.

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**Interest:**

Amount a business pays for the use of borrowed money.

**Principal:**

Amount of money that is borrowed or invested, before interest or income generated.

Now, in order to complete the *Projected Profit and Loss Statement*, the co-op has to add up all the expenses from the Cash Flow. An expense is money spent that is not considered an *asset*. Anything that is considered an asset is not included on the Profit and Loss Statement. In this case, equipment, signs and incorporation are considered assets and are not included on the Profit and Loss Statement. Everything else is. Note that the Wages and Benefits, which is what the three member/owners took as their own pay, is included as an expense. Notice also that only the *loan interest* on the loan repayment is included here, not the entire loan repayment. The whole thing (interest and *principal*) will show on the balance sheet.

Depreciation is also considered an expense, but we haven't included it here. Canada Customs and Revenue Agency has regulations for depreciation of equipment. Your accountant will be able to tell you how much each piece of equipment is depreciated each year.

The Global Grill is an example only. A restaurant cannot expect to make that kind of surplus in its first year of operation, and probably not ever!

The total expenses therefore are \$78,136. This is deducted from Gross income, and the total shows how much the co-op made in surplus.

Not a bad surplus, considering that the owners paid themselves! However, the owners will have to put in long hours every day in order to achieve this. Maybe they will have to consider hiring a few people or finding more members. If so, then they would go back to the *Cash Flow* and do a "what if" calculation, adding the costs of hiring people. They may decide to do this in July once the business shows on paper that it will have a strong positive cash flow.

Of course, this would then affect the surplus of the business. They would have to redo their *Profit and Loss Statement*, too. A computer spreadsheet program makes this easy as the numbers automatically re-add.

**Credit Account**

The North Cariboo Growers' Co-operative was created in 1939 to serve the needs of the agricultural community, which in the beginning was an outlet for selling produce, and later became a supplier of agricultural supplies. One way in which the co-op supports its membership is by providing a credit account service. For smaller purchases, a line of credit is offered at the store. For larger purchases, the co-op arranges a pre-approved line of credit with the bank for their customers to use. "The bank pays the co-op, and the money is owed to the bank, with an 18-month period of repayment."<sup>3</sup>

# BALANCE SHEET

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To find the net worth of your business or its financial condition, you prepare a *Balance Sheet* that lists the assets (what is owned) or resources the co-op owns *on a specific date*. It also lists the liabilities (what is owed), and shows the *shareholder's equity* (member investment, including money the co-op has earned and retained to date) of the co-op for the same date. In other words, the balance sheet shows what you would own and what you would owe if the business were to shut down that day.

A *proforma* Balance Sheet gives your banker a look at your cash balances, as well as your debt and equity levels for a specific date. This is usually done for the end of year one and the end of each year included in your projections. It can also be done at any time during a business start-up or during the year. A Balance Sheet shows what a business owns, owes, and is worth at a specific date in time.

Assets owned by your business are divided into three categories and go on the left side of the Balance Sheet:

## Assets

### Current Assets

Money (Assets) the business has which can easily be converted to cash (e.g. cash, inventory, prepaid expenses and accounts receivable).

### Fixed or Long-Term Assets

Items that have a useful life of over a year (e.g. equipment, land, buildings, leasehold improvements, etc.). These are investments. You would list the depreciated value of these assets in your books – the original cost less the accumulated *depreciation*.

### Other Assets

Non-tangible assets (e.g. incorporation, patents, goodwill, etc.) These represent investments similar to fixed assets that will get *amortised* in the same way that assets get depreciated.

## Liabilities

Liabilities, or business debts, are divided into two categories, and go on the right side of the Balance Sheet:

### Liability:

Debt, financial obligation, or potential loss.

### Shareholder's equity:

Total assets less the total liabilities of a corporation.

### Proforma:

Simply means 'provided in advance'.

### Depreciation:

Calculated as the original cost of the item divided by the number of years of its expected useful life.

### Depreciated value:

The calculated cost of the remaining useful life of the item. Canada Customs and Revenue Agency (CCRA) refers to depreciation as capital cost allowance, and issues a guide that illustrates allowable depreciation rates. Refer to CCRA for classifications of assets for tax purposes.

### Amortise:

Gradual paying off of a debt by making regular equal payments to cover interest and principal.

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Do not undervalue the starting value of your co-op. Counting your assets is figuring out what it would cost you if you had to go out and buy everything that you have.

### **Current Liabilities**

What is owed and must be paid within a year of the balance sheet date (e.g. *accounts payable*, taxes, salaries, and the portion of long-term loans or mortgages due in a year). This is the money that must be paid out for work or services that have already been done, or products they have but haven't paid for yet; in other words, the unpaid bills. Loans due in more than a year (long term loans) are not considered under current liabilities.

### **Long-term Liabilities**

Debts owed by the business extending beyond the current year (e.g. long-term loan, mortgage).

### **Equity**

Equity is the difference between assets and liabilities; in other words, what the business is worth. This also goes on the right side of the Balance Sheet.

When both sides of the balance sheet are listed and totalled, the totals must be the same. Your equity in the business will be the factor that makes both figures equal.

### **Spreadsheet I**

The Global Grill has counted its assets using the following categories:

#### **Accounts payable:**

Current liability a business owes to others for goods or services purchased.

**Cash:** They have \$6,000 in cash. This is the Balance remaining after start-up. This came from increases the loan in order to cover April's expenses.

**Accounts Receivable:** Nothing is owed to them yet.

**Inventory:** This is the amount of food they bought for resale but have not yet sold.

**Prepaid Expense:** Includes rent, licences and insurance. Here we include the portion of these that has been paid as of April 1st. The rent at start-up is \$2,000, which includes a \$1,000 deposit that is shown as an asset.

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**Equipment:** They have spent \$11,000 so far on office equipment.

**Sign and Leasehold Improvements:** These are permanent, so they count as an asset.

**Vehicle:** Here the Grill has estimated the depreciated resale value of the vehicle they use. While they do not own it, they still include it here as an asset because they use it and therefore do not need to purchase one.

**Current Liabilities:** The Grill has no outstanding bills as of April 1st.

**Loan Balance:** This is what remains on their loan.

**Equity:** We can go back to the *Start-up Costs* on the Projected Cash Flow Statement the Grill has prepared in order to get the figures.

The Proforma balance sheet calculates the assets (what you own) minus your liabilities (what you owe).

Assets	–	Liabilities	=	Shareholder's Equity
\$35,000	-	\$18,000	=	\$17,000

The shareholder's Equity is what the business is worth as of April 1, 2003. The *Total Assets* minus the *Total Liabilities*, equal the *Shareholder's Equity*, or *Worth*. In this case the business is worth \$17,000 as of April 1, 2003.

### Spreadsheet J: Personal Net Worth

It might help to think of your personal situation as an example. A lender may also ask for a Personal Net Worth statement from each founding member. Here's Michel's Personal Net Worth (Balance Sheet) as of April 1, 2003. It shows that Michel has a Net Worth of \$30,600 (What he owns/Assets, minus what he owes/Liabilities).

**Remember: Assets must equal liabilities + equity!**

It is strongly recommended to have an accountant prepare your year end financial statement (balance sheet ) and annual tax return.

It is strongly recommended to have an accountant prepare your year end financial statement and annual tax return.

Don't worry if you have a negative net worth, many people starting co-ops do. That's why we form co-ops, because collectively we can meet our needs!

# SOURCES AND USES OF FUNDING

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The last part of the Financial Plan provides information a lender will want to know:

- How much money you want to borrow.
- How much money you and your members are putting into the business.
- Any other sources of money.
- What you're going to use the money for.

Some sources of funds are: member contributions, bank/credit union loans, line of credit, credit cards, or sale of shares or in-kind contributions (see Module 8 for more on financing). Uses of funds might be all start-up costs and enough money to pay all bills until the business shows a positive cash flow.

The CCEC Credit Union located in East Vancouver uses a loan guarantee fund to secure loans and offer lower rates. "A loan guarantee fund is money held on deposit at the credit union by a group or individual" for a specific purpose, such as the WomenFutures Loan Guarantee Fund that was set up to assist enterprises started by women.

The Global Grill's might look like this:

## Sources of Funds

Member Contribution	\$18,100
Loan Proceeds	<u>18,000</u>
Total Funds	\$36,100

## Uses of Funds

Inventory	\$10,000
Equipment	\$11,000
Renovations	1,500
Operating (April)	6,000
Other Start-up Costs	<u>7,600</u>
Uses of Funds	\$36,100

Sources of Funds *always* = Uses of Funds

This is also where you can show in-kind income, whether they be donated assets or labour. Donated assets, such as office equipment or vehicles are calculated based on the market resale value. Donated labour is calculated by multiplying the number of hours worked by the market rate. For example, a co-op that receives a desk, 2 chairs and a computer by donation and receives 8 hours of labour without charge in renovating their office, would have an in-kind income of:

Donated Assets	Market re-sale value
Desk	200
2 Chairs	300
Computer	500
<b>Total in-kind assets</b>	<b>\$1,000</b>
Donated Labour	
Renovations 8hours @ \$15/hour	120
<b>Total in-kind labour</b>	<b>120</b>
<b>Total in-kind contributions</b>	<b>\$1,120</b>

### In Conclusion:

Focus your energy on creating a projected cash flow statement for the first 12 months of your business start up. This is the financial document most external audiences will look at closely. The lessons you will learn from composing it will provide insight into the economic realities of starting your venture.

#### Final Note Regarding Tax

There are so many variables that affect taxes (depreciation, type of co-op, how workers are paid, time of year you start, how much each member brings to the co-op, among others) that your co-op will need the assistance of a good accountant. Your accountant will figure out if you need to charge Provincial Sales Tax (PST) or the Goods and Service Tax (GST), or to pay the PST or GST on purchases.

So for now, don't worry about including tax in or out in any of your calculations. Make a note to the reader in your plan that you have excluded all taxes in your calculations. This is normal and accepted practice in a first-time business plan. Your accountant should be familiar with co-ops so he or she can assist you with tax issues and help you fine-tune your business plan. (Remember to put the accountant's expense on your cash flow). Taxes and working with accountants are discussed in some detail in Module 4.

# REVIEW OF MODULE 5

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In this section we have covered the following:

- The purpose of financial planning in starting your co-op.
- Presenting your numerical information to funders.
- Calculating start-up costs.
- Figuring out wages in worker co-ops.
- Doing a break-even analysis.
- Creating your projected Cash Flow, Profit and Loss Statement and Balance Sheet.
- Showing your sources and uses of funding and calculating in-kind contributions.

## End Notes

1. Nechako Valley Credit Union: a case study. (2001) Researched and written by Lloy Wylie. <http://web.uvic.ca/bcics/casestudiesindex.htm>
2. Ikaluktutiak Co-operative Limited: a case study. (1992) Wanda Wuttunee. Appendix I, In *Aboriginal Co-operatives in Canada: Current Situation and Potential for Growth*. Lou Hammond Ketilson and Ian MacPherson. March 2001. Saskatoon: Centre for the Study of Co-operatives, University of Saskatchewan. <http://coop-studies.usask.ca/aboriginal/aboriginalcoops.thml>
3. North Cariboo Growers' Co-operative: a case study. (2002) Researched by Gabe Haythornthwaite. Written by G. Haythornthwaite & Andrea Zacharuk. <http://web.uvic.ca/bcics/casestudiesindex.htm>

Module 5 Spreadsheet A

**PROJECTED CASH FLOW STATEMENT 2003  
GLOBAL GRILL**

	START-UP	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTALS
# working days		30	31	30	31	31	30	31	30	31	31	28	31	365
<b>CASH IN</b>														
Loan Proceeds	18,000													18,000
Member Contribution	18,100													18,100
Sales		15,000	15,500	24,000	24,800	24,800	24,000	15,500	15,000	24,800	9,300	8,400	15,500	216,600
Receivables Collected				500		500		500		500		500		2,500
<b>TOTAL CASH IN</b>	<b>\$36,100</b>	<b>\$15,000</b>	<b>\$15,500</b>	<b>\$24,500</b>	<b>\$24,800</b>	<b>\$25,300</b>	<b>\$24,000</b>	<b>\$16,000</b>	<b>\$15,000</b>	<b>\$25,300</b>	<b>\$9,300</b>	<b>\$8,900</b>	<b>\$15,500</b>	<b>\$255,200</b>
<b>CASH OUT</b>														
Inventory (Food)	10,000	4,500	4,800	7,200	7,590	7,440	7,350	4,650	4,650	7,440	2,940	2,520	4,800	75,880
Equipment	11,000													11,000
Rent	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000
Licences and Permits	250	100												350
Signs	500													500
Repairs and Maintenance	1,500	50	50	50	50	50	50	50	50	50	50	50	500	2,550
Vehicle expense	100	50	60	75	85	75	85	50	60	75	35	25	60	835
Marketing	600	1,000	1,000	300	300	300	300	300	300	300	500	500	500	6,200
Incorporation	2,000													2,000
Legal & Accounting	250	200										500		950
Communication	350	100	100	100	100	100	100	100	100	100	100	100	100	1,550
Staff Training	300	500												800
Wages & Benefits		3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Loan Repayment		800	800	800	800	800	800	800	800	800	800	800	800	9,600
Bank Fees		160	60	60	60	60	60	60	60	60	60	60	60	820
Insurance	750			250			250			250			250	1,750
Misc. & Contingency	500	50	50	50	50	50	50	50	50	2,000	50	50	50	3,050
<b>TOTAL CASH OUT</b>	<b>\$30,100</b>	<b>\$12,260</b>	<b>\$11,670</b>	<b>\$13,635</b>	<b>\$13,785</b>	<b>\$13,625</b>	<b>\$13,795</b>	<b>\$10,810</b>	<b>\$10,820</b>	<b>\$15,825</b>	<b>\$9,285</b>	<b>\$9,355</b>	<b>\$11,870</b>	<b>\$176,835</b>
<b>DIFFERENCE</b>	<b>\$6,000</b>	<b>\$2,740</b>	<b>\$3,830</b>	<b>\$10,865</b>	<b>\$11,015</b>	<b>\$11,675</b>	<b>\$10,205</b>	<b>\$5,190</b>	<b>\$4,180</b>	<b>\$9,475</b>	<b>\$15</b>	<b>(\$455)</b>	<b>\$3,630</b>	<b>\$78,365</b>
<b>BALANCE</b>	<b>\$6,000</b>	<b>\$8,740</b>	<b>\$12,570</b>	<b>\$23,435</b>	<b>\$34,450</b>	<b>\$46,125</b>	<b>\$56,330</b>	<b>\$61,520</b>	<b>\$65,700</b>	<b>\$75,175</b>	<b>\$75,190</b>	<b>\$74,735</b>	<b>\$78,365</b>	





Module 5 Spreadsheet D

PROJECTED CASH FLOW STATEMENT 2003  
GLOBAL GRILL

	START-UP	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTALS
# of working days														
<b>CASH IN</b>														
Loan Proceeds	12,000													12,000
Member Contribution	18,100													18,100
Sales														-
Receivables Collected														-
<b>TOTAL CASH IN</b>	<b>\$30,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,100</b>
<b>CASH OUT</b>														
Inventory (Food)	10,000													10,000
Equipment	11,000													11,000
Rent	2,000													2,000
Licences and Permits	250													250
Signs	500													500
Repairs and	1,500													1,500
Vehicle expense	100													100
Marketing	600													600
Incorporation	2,000													2,000
Legal & Accounting	250													250
Communication	350													350
Staff Training	300													300
Wages & Benefits		3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Loan Repayment														-
Bank Fees														-
Insurance	750													750
Misc. & Contingency	500													500
<b>TOTAL CASH OUT</b>	<b>\$30,100</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$3,750</b>	<b>\$75,100</b>
<b>DIFFERENCE</b>	<b>\$0</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$3,750)</b>	<b>(\$45,000)</b>
<b>BALANCE</b>	<b>\$0</b>	<b>(\$3,750)</b>	<b>(\$7,500)</b>	<b>(\$11,250)</b>	<b>(\$15,000)</b>	<b>(\$18,750)</b>	<b>(\$22,500)</b>	<b>(\$26,250)</b>	<b>(\$30,000)</b>	<b>(\$33,750)</b>	<b>(\$37,500)</b>	<b>(\$41,250)</b>	<b>(\$45,000)</b>	

Module 5 Spreadsheet E

PROJECTED CASH FLOW STATEMENT 2003  
GLOBAL GRILL

	START-UP	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTALS
# of working days														
<b>CASH IN</b>														
Loan Proceeds	12,000													12,000
Member Contribution	18,100													18,100
Sales														-
Receivables Collected														-
<b>TOTAL CASH IN</b>	<b>\$30,100</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,100</b>
<b>CASH OUT</b>														
Inventory (Food)	10,000													10,000
Equipment	11,000													11,000
Rent	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000
Licences and Permits	250	100												350
Signs	500													500
Repairs and Maintenance	1,500													1,500
Vehicle expense	100													100
Marketing	600	1,000	1,000	300	300	300	300	300	300	300	500	500	500	6,200
Incorporation	2,000													2,000
Legal & Accounting	250	200										500		950
Communication	350	100	100	100	100	100	100	100	100	100	100	100	100	1,550
Staff Training	300	500												800
Wages & Benefits		3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Loan Repayment		550	550	550	550	550	550	550	550	550	550	550	550	6,600
Bank Fees		60	60	60	60	60	60	60	60	60	60	60	60	720
Insurance	750			250			250			250			250	1,750
Misc. & Contingency	500													500
<b>TOTAL CASH OUT</b>	<b>\$30,100</b>	<b>\$7,260</b>	<b>\$6,460</b>	<b>\$6,010</b>	<b>\$5,760</b>	<b>\$5,760</b>	<b>\$6,010</b>	<b>\$5,760</b>	<b>\$5,760</b>	<b>\$6,010</b>	<b>\$5,960</b>	<b>\$6,460</b>	<b>\$6,210</b>	<b>\$103,520</b>
<b>DIFFERENCE</b>	<b>\$0</b>	<b>(\$7,260)</b>	<b>(\$6,460)</b>	<b>(\$6,010)</b>	<b>(\$5,760)</b>	<b>(\$5,760)</b>	<b>(\$6,010)</b>	<b>(\$5,760)</b>	<b>(\$5,760)</b>	<b>(\$6,010)</b>	<b>(\$5,960)</b>	<b>(\$6,460)</b>	<b>(\$6,210)</b>	<b>(\$73,420)</b>
<b>BALANCE</b>	<b>\$0</b>	<b>(\$7,260)</b>	<b>(\$13,720)</b>	<b>(\$19,730)</b>	<b>(\$25,490)</b>	<b>(\$31,250)</b>	<b>(\$37,260)</b>	<b>(\$43,020)</b>	<b>(\$48,780)</b>	<b>(\$54,790)</b>	<b>(\$60,750)</b>	<b>(\$67,210)</b>	<b>(\$73,420)</b>	

Module 5 Spreadsheet F

**PROJECTED CASH FLOW STATEMENT 2003  
GLOBAL GRILL**

	START-UP	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTALS
# working days		30	31	30	31	31	30	31	30	31	31	28	31	365
<b>CASH IN</b>														
Loan Proceeds	12,000													12,000
Member Contribution	18,100													18,100
Sales		15,000	15,500	24,000	24,800	24,800	24,000	15,500	15,000	24,800	9,300	8,400	15,500	216,600
Receivables Collected				500		500		500		500		500		2,500
<b>TOTAL CASH IN</b>	<b>\$30,100</b>	<b>\$15,000</b>	<b>\$15,500</b>	<b>\$24,500</b>	<b>\$24,800</b>	<b>\$25,300</b>	<b>\$24,000</b>	<b>\$16,000</b>	<b>\$15,000</b>	<b>\$25,300</b>	<b>\$9,300</b>	<b>\$8,900</b>	<b>\$15,500</b>	<b>\$249,200</b>
<b>CASH OUT</b>														
Inventory (Food)	10,000	4,500	4,800	7,200	7,590	7,440	7,350	4,650	4,650	7,440	2,940	2,520	4,800	75,880
Equipment	11,000													11,000
Rent	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000
Licences and Permits	250	100												350
Signs	500													500
Repairs and Maintenance	1,500	50	50	50	50	50	50	50	50	50	50	50	500	2,550
Vehicle expense	100	50	60	75	85	75	85	50	60	75	35	25	60	835
Marketing	600	1,000	1,000	300	300	300	300	300	300	300	500	500	500	6,200
Incorporation	2,000													2,000
Legal & Accounting	250	200										500		950
Communication	350	100	100	100	100	100	100	100	100	100	100	100	100	1,550
Staff Training	300	500												800
Wages & Benefits		3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Loan Repayment		550	550	550	550	550	550	550	550	550	550	550	550	6,600
Bank Fees		160	60	60	60	60	60	60	60	60	60	60	60	820
Insurance	750			250			250			250			250	1,750
Misc. & Contingency	500	50	50	50	50	50	50	50	50	2,000	50	50	50	3,050
<b>TOTAL CASH OUT</b>	<b>\$30,100</b>	<b>\$12,010</b>	<b>\$11,420</b>	<b>\$13,385</b>	<b>\$13,535</b>	<b>\$13,375</b>	<b>\$13,545</b>	<b>\$10,560</b>	<b>\$10,570</b>	<b>\$15,575</b>	<b>\$9,035</b>	<b>\$9,105</b>	<b>\$11,620</b>	<b>\$173,835</b>
<b>DIFFERENCE</b>	<b>\$0</b>	<b>\$2,990</b>	<b>\$4,080</b>	<b>\$11,115</b>	<b>\$11,265</b>	<b>\$11,925</b>	<b>\$10,455</b>	<b>\$5,440</b>	<b>\$4,430</b>	<b>\$9,725</b>	<b>\$265</b>	<b>(\$205)</b>	<b>\$3,880</b>	<b>\$75,365</b>
<b>BALANCE</b>	<b>\$0</b>	<b>\$2,990</b>	<b>\$7,070</b>	<b>\$18,185</b>	<b>\$29,450</b>	<b>\$41,375</b>	<b>\$51,830</b>	<b>\$57,270</b>	<b>\$61,700</b>	<b>\$71,425</b>	<b>\$71,690</b>	<b>\$71,485</b>	<b>\$75,365</b>	

Module 5 Spreadsheet G

PROJECTED CASH FLOW STATEMENT 2003  
GLOBAL GRILL

	START-UP	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTALS
# working days		30	31	30	31	31	30	31	30	31	31	28	31	365
<b>CASH IN</b>														
Loan Proceeds	18,000													18,000
Member Contribution	18,100													18,100
Sales		15,000	15,500	24,000	24,800	24,800	24,000	15,500	15,000	24,800	9,300	8,400	15,500	216,600
Receivables Collected				500		500		500		500		500		2,500
<b>TOTAL CASH IN</b>	<b>\$36,100</b>	<b>\$15,000</b>	<b>\$15,500</b>	<b>\$24,500</b>	<b>\$24,800</b>	<b>\$25,300</b>	<b>\$24,000</b>	<b>\$16,000</b>	<b>\$15,000</b>	<b>\$25,300</b>	<b>\$9,300</b>	<b>\$8,900</b>	<b>\$15,500</b>	<b>\$255,200</b>
<b>CASH OUT</b>														
Inventory (Food)	10,000	4,500	4,800	7,200	7,590	7,440	7,350	4,650	4,650	7,440	2,940	2,520	4,800	75,880
Equipment	11,000													11,000
Rent	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000
Licences and Permits	250	100												350
Signs	500													500
Repairs and Maintenance	1,500	50	50	50	50	50	50	50	50	50	50	50	500	2,550
Vehicle expense	100	50	60	75	85	75	85	50	60	75	35	25	60	835
Marketing	600	1,000	1,000	300	300	300	300	300	300	300	500	500	500	6,200
Incorporation	2,000													2,000
Legal & Accounting	250	200										500		950
Communication	350	100	100	100	100	100	100	100	100	100	100	100	100	1,550
Staff Training	300	500												800
Wages & Benefits		3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Loan Repayment		800	800	800	800	800	800	800	800	800	800	800	800	9,600
Bank Fees		160	60	60	60	60	60	60	60	60	60	60	60	820
Insurance	750			250			250			250			250	1,750
Misc. & Contingency	500	50	50	50	50	50	50	50	50	2,000	50	50	50	3,050
<b>TOTAL CASH OUT</b>	<b>\$30,100</b>	<b>\$12,260</b>	<b>\$11,670</b>	<b>\$13,635</b>	<b>\$13,785</b>	<b>\$13,625</b>	<b>\$13,795</b>	<b>\$10,810</b>	<b>\$10,820</b>	<b>\$15,825</b>	<b>\$9,285</b>	<b>\$9,355</b>	<b>\$11,870</b>	<b>\$176,835</b>
<b>DIFFERENCE</b>	<b>\$6,000</b>	<b>\$2,740</b>	<b>\$3,830</b>	<b>\$10,865</b>	<b>\$11,015</b>	<b>\$11,675</b>	<b>\$10,205</b>	<b>\$5,190</b>	<b>\$4,180</b>	<b>\$9,475</b>	<b>\$15</b>	<b>(\$455)</b>	<b>\$3,630</b>	<b>\$78,365</b>
<b>BALANCE</b>	<b>\$6,000</b>	<b>\$8,740</b>	<b>\$12,570</b>	<b>\$23,435</b>	<b>\$34,450</b>	<b>\$46,125</b>	<b>\$56,330</b>	<b>\$61,520</b>	<b>\$65,700</b>	<b>\$75,175</b>	<b>\$75,190</b>	<b>\$74,735</b>	<b>\$78,365</b>	

## Module 5 Spreadsheet H

### PROJECTED PROFIT AND LOSS STATEMENT

#### Global Grill

For the period April 1, 2003 to March 31, 2004

SALES, INCLUDING RECEIVABLES COLLECTED			\$219,100
COST OF GOODS SOLD			
Inventory	75,880		
Less: Estimated inventory at end of March 2003	20,000		
Cost of goods sold	55,880		55,880
<b>GROSS INCOME (Sales minus cost of goods sold)</b>			<b>\$163,220</b>
EXPENSE (taken from totals on cash flow)			
Rent	14,000		
Licences & Permits	350		
Repairs and maintenance	2,550		
Vehicle expense	835		
Marketing	6,200		
Legal & Accounting	950		
Communication	1,550		
Staff Training	800		
Wages & Benefits	45,000		
Loan Interest	408		
Bank Fees	820		
Insurance	1,750		
Miscellaneous & Contingency	3,050		
<b>TOTAL EXPENSE</b>	<b>\$78,263</b>		<b>\$78,263</b>
NET SURPLUS (Gross Income minus Expense)			\$84,957

## Module 5 Spreadsheet I

Global Grill: As of opening day, April 1, 2003

### Pro-forma Balance Sheet

<b>ASSETS (Own)</b>		<b>LIABILITIES (Owe)</b>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	6,000	Accounts Payable	-
Accounts Receivable	-	Payroll Deductions	
Inventory	10,000		
Prepaid expense (ie. Insurance, rent)	3,000		
<b>Total Current Assets</b>	<b>\$19,000</b>	<b>Total Current Liabilities</b>	<b>\$0</b>
<b>Fixed Assets</b>		<b>Long-Term Liabilities</b>	
Office Equipment	11,000	Loan Payable***	18,000
Sign	500	<b>Total Long-term Liabilities</b>	<b>\$18,000</b>
Leasehold improvements	1,500		
Vehicle*	3,000		
<b>Total Fixed Assets</b>	<b>\$16,000</b>	<b>Total Liabilities</b>	<b>\$36,000</b>
<b>Other Assets</b>		<b>Equity</b>	
Other Assets **	2,000	Share Capital ****	4,800
		Contributed Capital	(5,800)
<b>Total Other Assets</b>	<b>\$2,000</b>	<b>Total Member Equity</b>	<b>(\$1,000)</b>
<b>TOTAL ASSETS</b>	<b>\$35,000</b>	<b>TOTAL LIABILITIES PLUS EQUITY</b>	<b>\$35,000</b>

\*Include vehicle used by the co-op, even if the co-op doesn't own it.

\*\* This may include the cost of incorporation

\*\*\*Include principle only, not interest

\*\*\*\*Shares show up on the balance sheet only.

Everywhere else they are lumped in with member contributions

Member contribution = shares + inkind + donated capital

## Module 5 Spreadsheet J

### Personal net worth

<b>ASSETS (Own)</b>		<b>LIABILITIES (Owe)</b>	
<b>Current Assets</b>		<b>Current Liabilities*</b>	
Cash (in bank & on hand)	2,000	Short term bank loan	5,000
Accounts Receivable	-	Credit Card Payable	800
Prepaid Property Tax	600	Income Tax Payable	200
Prepaid insurance	500		
<b>Total Current Assets</b>	<b>\$3,100</b>	<b>Total Current Liabilities</b>	<b>\$6,000</b>
<b>Fixed Assets</b>		<b>Long-Term Liabilities</b>	
House, at assessed value	150,000	Mortgage balance	138,000
RRSP's	15,000	<b>Total Long-term Liabilities</b>	<b>\$138,000</b>
Automobile	1,500		
Personal Stuff	5,000		
<b>Total Fixed Assets</b>	<b>\$171,500</b>	<b>Total Liabilities</b>	<b>\$144,000</b>
<b>Other Assets</b>		<b>Equity</b>	
Other Assets	-	Owner's Equity	30,600
<b>Total Other Assets</b>	<b>-</b>	<b>Total Owner Equity</b>	<b>\$30,600</b>
<b>TOTAL ASSETS</b>	<b>\$174,600</b>	<b>TOTAL LIABILITIES &amp; OWNER EQUITY</b>	<b>\$174,600</b>

\*less than one year

# **Module 6: Writing the Business Plan**

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# WHAT IS A BUSINESS PLAN?

---

Your co-op's business plan is the blueprint for building your co-operative business. It will guide co-op members as you create the business, help you secure financing, and map out your co-op's future path.

If you have worked through Modules 1-5, you have already done the bulk of the work involved in planning your business. Now you will put it all together, and start moving towards making your plan reality. A written business plan can be used to apply for loans and investments. A well-organised business plan lets lenders or investors assess both your financing proposal and the ability of your group to manage the business. Writing your business plan will also help you focus your research, identify any details that need more work, and resolve potential problems before you start your business.

A good business plan:

- Explains the business concept.
- Summarises the goals of the co-op.
- Identifies the resources that will be needed.
- Describes how those resources will be obtained and applied.
- Tells the reader why the business will succeed.

Before you start writing your business plan, make sure you know where you are right now, where you hope your co-op will end up, and how you plan to reach that goal. If you don't, it's time to go back and set some more goals (see Module 1). Keep in mind that conventional practice for writing business plans is to describe a period three years into the future. If your group finds information that will be relevant further than that into the future, find a way to keep it available so the co-op can access it when it is useful.

# PREPARING A GOOD BUSINESS PLAN

---

Define your objectives for the plan itself, and decide who is likely to read it and use it so you can focus on the most important sections. For example, if you want to use it to seek financing, it will need to be more detailed than if it is used to recruit new members. Find out from potential lenders and investors exactly what they want to know. Your plan will be useful only if it includes the information your co-op needs to achieve its goals. But regardless of the use, aim to keep it 10 to 25 pages long.

Write your own business plan. While using a business plan from a similar co-op is helpful and recommended, borrowing too heavily from a sample business plan is not a good idea. You may wind up with something that is disjointed and incomplete.

“Sometimes a ‘business plan’ isn’t appropriate. For the past couple of years we’ve been talking about writing a business plan, but it never seemed to make sense for our co-op. Finally we found a copy of a similar housing co-op’s ‘development plan’. This made perfect sense. Now we are working on our ‘development plan’ and referring to business planning resources for support.” — Solid Roofs and Autonomous Roots Housing Co-op.

Keep it simple. If the plan has too much jargon it will not be understood. Explain any acronyms or terms that an outsider would not know. Provide enough detail that an outside reader can understand what product or service your co-op will provide, how it will be provided, and how the co-operative structure will assure business success. If you need to include minute details, put them in a separate section for internal use only, or in the Exhibit/Appendices section.

Make sure your financial projections are believable and reproducible. The financial section is key for potential lenders and inventors because it identifies your financing needs and shows your profit potential. Keep track of how you developed your financial assumptions, and test them to make sure they are reasonable. Make notes every time you make a change in your financial projections.

Seek feedback on drafts of your business plan from people within and outside of your industry. Mentors, your co-op developer, and other business resource people can provide valuable feedback. Make sure your plan reflects the image your co-op wants to portray. Potential lenders, investors and members are looking for the character of your business, and may dismiss something they see as a “fill in the blanks”.

Finally, you don’t need to spend a fortune on design and printing, but make sure your plan is clean, easy to read and error-free. Take your time. You cannot ‘cram’ a business plan – it is a methodical, day-to-day task.

# THE BUSINESS PLAN IN A NUTSHELL

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The following is a snapshot of each section, and its purpose:

## **Title page**

Includes your co-op name, official address, contact information (phone, fax, email), website, date the plan was completed, estimated start-up date, and names of founding members or your board of directors.

## **Executive summary**

Briefly describes the co-op's product or service, its main markets, expected first-year sales and expenses, when it will open for business and, if applicable, the amount of funding it is seeking.

## **Table of contents**

This is so readers can easily find the information they want.

## **Business background**

What will the business do, how will it earn money, who has been involved to date and where is it located.

## **Product or service description**

How the product will be made or how the service will be provided.

## **Market for the product or service**

Describe your niche market, its size, its buying behaviour and trends, and outline the research you used to gather this information.

## **Competition**

Include a profile of other businesses in your industry or community that affect your co-op. What are their strengths and weaknesses, and how will your business ensure survival in this environment?

## **Marketing strategy**

How will you sell your product or service and at what price? How will you promote and distribute it?

## **Operations strategy**

How will you run your co-op, produce the product or service and get it to customers? Where will you get your supplies, do you need insurance or permits, are there legal issues that must be addressed? Outline which co-op members are responsible for each day-to-day operational task.

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### **Co-operative structure**

Are the members the employees? Why are you qualified to start the business? What is the structure of the co-op?

### **Financial requirements and projections**

What are the start-up costs? How much will the co-op workers pay themselves? How much will the co-op have to sell and at what price to pay all the expenses and the workers? How much money is expected to come in and go out of the business and when? Will the business make a profit? How much will the business own and owe, and what will be the worth of the business at any given time? And how much money is needed and what will it be used for?

### **Key risks**

What are the potential risks and how will you handle them?

### **Exhibits or Appendices**

Include photos of products, resumés of members, letters of intent from prospective buyers, layout of the premises, etc.

#### **Collective Banking**

What happens when a community pools its money co-operatively? In some cases the results can be outstanding. When the 16 founding members of the Island Savings Credit Union began to pool their money in 1951, they had a mere \$36 in assets and maintained an office in the basement of their first employee. By December the following year, they had 209 members and assets worth \$34,810.97. Only twelve years later, the Credit Union's assets had passed the one million mark. Today, Island Savings has branches up and down Vancouver Island, with over 35,000 members and over \$500 million in assets.<sup>1</sup>

# THE EXECUTIVE SUMMARY

---

Write the Executive Summary last. It can be the most important part of your plan because it will be read first, and it may end up being the only section that is read. Keep it short, one or two pages, and make sure it highlights the most important points in the plan – the reasons why the reader should be excited about your business.

**Purpose:** To summarise the main points of the plan in a way that encourages the reader to keep reading the rest of the plan.

**Length:** 1-page text overview and 1-page summary of financial requirements and projections.

**Tips:** Avoid a tabloid news approach that uses phrases such as “best investment ever”, “unlimited growth potential”, “perfect management team”. Point form is okay in the Summary.

**Don’t:** Cut pieces out of each section and jam them together in an executive summary. The result is a summary that risks reading like a jumble of out-of-context paragraphs. It will be repetitive and not very compelling.

**Do:** Ask one member to write a draft executive summary. The group should review it, but you will find it reads better if one person writes it – even if the plan itself has a number of authors.

**Content:** Many people will tell you the most important part of your plan is the Executive Summary because any external audience – lender, investor, potential member, government staff – will either be engaged enough to read the plan or decline involvement without reading further, strictly on the basis of the summary. The Executive Summary is the curtain raiser for your business opportunity; you need to impress the audience.

The first page should:

- Stress what the business opportunity is (one to two sentences).
- Describe the product or service (two to three sentences).
- Show why you have chosen the co-op structure and how it will work (three to five sentences).
- Summarise the market (one paragraph – who is the niche market/why will they buy), the competition and your co-operative advantage (one to two sentences).

- Outline the key points of your marketing strategy (one to two sentences).
- Introduce your management and show why they are qualified (one paragraph or more, depending on your co-op structure).

On the next page, present your financial information. You can present this simply with a chart. The numbers are derived from your projected income statements in your Financial Requirements and Projections section. Adapt the charts so that they are appropriate to your type of co-op.

### Summary of Financial Projections

	Year 20__	Year 20__	Year 20__
Sales			
Cost of Good Sold			
Gross Margin			
Major Operating Expenses:			
Wages			
Rent			
Others			
Profit			

---

### Summary of Key Assumptions

	Year 20__	Year 20__	Year 20__
Sales (explanation of how you derived your sales forecasts for each year – keep it brief)			
Prices (if you have a lot of products or services, provide pricing information on the one or ones that you feel will provide the majority of your sales)			
Collection Period (what collection period did you assume in making your financial projections?)			

### Summary of Financial Requirements

<b>SOURCES</b>	
Equity Investment By Members	\$
Term Loan, Bank/Credit Union	\$
Equity Investment by Outside Investor(s)?	\$
<b>TOTAL</b>	\$
<b>USES</b>	
Kick Off Marketing	\$
Upfront Rent	\$
Working Capital Requirement	\$
<b>TOTAL</b>	\$

# BUSINESS BACKGROUND

---

**Purpose:** To provide the reader with a clear summary of what the business is and how it will make money, and to outline the basic facts of the co-op.

**Length:** 1-2 paragraphs.

**Tip:** Read this section to a colleague or friend, then ask them to explain how the co-op will make money. If they can't do this easily, it's time to rewrite!

**Don't:** Make this section too long and involved – it's an introduction to set the stage for the reader. Point form is OK .

**Do:** Make this section brief and to the point.

**Content:**

- Name and location of the co-op.
- List of members and facts about key members.
- Incorporation number and date of incorporation (or plans for incorporation if applicable).
- A description of what you will be selling or providing, to whom and where (geographic location of members or target market).
- Key success factors or co-operative advantage – to show why individuals or businesses will buy from the co-operative.

# PRODUCT AND SERVICE DESCRIPTION

---

**Purpose:** To create a detailed, comprehensive description of your product or service.

**Length:** Varies with the complexity of the product or service – usually no more than 1-2 pages.

**Tip:** Include a picture or drawing of your service (if possible) or product or prototype in the body of the plan.

**Don't:** Spend too much time on technical detail. Include enough technical information so the reader understands your product or service. If you need a lot of technical detail to run the operation, put it in a separate section that does not go to potential lenders or investors, unless they request it.

**Do:** In this section, you tell the reader what you are planning to sell. You have done this before, in the Business Background section. Here you are going to do it in much more detail.

**Content:**

- Size, shape, colour and life-span.
- Features and benefits with reference to service, delivery and warranty support.
- Plans for packaging and labelling, showing how you aim to meet regulations in Canada or in international markets regarding packaging and labelling.
- Stage of development, and further technical development that may be needed.
- Your quality assurance process, and plans for, or results of, product testing.
- Include service details such as:
  - What it entails, where it will be offered.
  - Major features and benefits.
- Its value to the target audience, and problems it is expected to solve.
- Include details on special needs for your product or service including insurance, certification or regulations, other than a conventional business licence.

# MARKET

---

**Purpose:** To show in detail who will buy your product or service and to describe the extent and nature of demand for your product or service.

**Length:** 2-3 pages.

**Tip:** Make sure you define your target market before starting this section. This is where you will feed in your market research and/or opportunity analysis data.

**Don't:** Make generalisations, assumptions and conclusions that you are not able to support.

**Do:** Recognise this is one of the two or three most important sections in the entire plan. Your effort will pay off tremendously both in creating a great plan and in developing a clear understanding of your venture's potential and pitfalls.

**Content:** The market section is best split into a number of subsections, including a description of your niche market. In this subsection, you will describe as precisely as possible where you will focus your marketing, which means identifying the customers most likely to buy your product or service.

Describe the size of the total market for your product/service in your market area. This is usually presented as a percentage of the whole market in an area, as a number of customers, or as a dollar figure. Indicate how much of this total is held by other businesses and how many people you plan to sell a product or service to. Your niche market can include part of your competitors' share or you can focus on a different market that currently doesn't have access to your product or service.

Show your co-op's current status if you have started selling already. Include evidence of past sales such as purchase orders or a client list as exhibits for your plan.

Show your understanding of trends in your business, and back this with sample research. Explain what is happening or may happen in the next two years that could have a significant impact on the level or nature of demand for your product or service.

# COMPETITION

---

**Purpose:** To describe other businesses in your industry or community that may have an affect on your co-op and to identify your co-operative advantage.

**Length:** Varies – no more than two pages.

**Tip:** If there are a lot of other businesses, try to describe them in clusters, with one or two examples of specific businesses in the cluster. For example, small restaurants don't list every small restaurant in town.

**Don't:** Assume there are no "competitors". If your product or service is new and unique (and you want to be absolutely sure this is true, especially in the Canadian market), look for businesses that sell a similar product or service to the same market. It does not have to be identical to affect your business. A co-op that wants to open a Thai restaurant in a town with no Thai restaurant, should still consider other restaurants. You can often find other businesses by putting a description of your product or service idea into an Internet search engine, or look in the Yellow Pages of your telephone directory.

**Content:** Begin with a brief overview of the characteristics of the industry your co-op is entering. The industry overview should answer these and other relevant questions:

- Is the industry growing or shrinking? Why?
- How hard is it for a new company to enter the industry?
- Will any major government regulations affect how easily or quickly a new company can enter the industry?
- How high are the start-up costs? Is special expertise needed?
- Is it necessary to have a known brand?
- Are major technology changes likely in the next two to three years?
- How is a product distributed or service accessed? In the case of a product, will the co-op need to work through brokers, does it have access to any necessary distribution networks – and how much will brokers or distributors cost?

While most lenders will probably be looking for your analysis of the "competition", remember you are a co-operative. While co-operatives still have to operate in a business environment that promotes competitive thinking, there are many examples of very successful co-operative businesses that do not use competitive thinking. Remember the co-op principle of education. Educate the lenders on co-operative businesses and the co-op advantage. This isn't "flakey", it just makes good business sense. (see Module 3)

# MARKETING STRATEGY

---

**Purpose:** Your plan to let your potential customers, clients or members know about your co-op, and how to buy your product or service.

**Length:** 2-3 pages.

**Tip:** Talk about your co-operative advantage in real terms. How will you educate the public on the benefits of purchasing from a co-op?

**Don't:** Identify one promotional method and rely on it alone. Most successful marketing strategies in this age of technology are being built around multiple media/message combinations.

**Do:** Be creative! This is your chance to really be imaginative.

**Content:** The marketing section of your business plan may be divided into subsections as in Module 3:

- Positioning: How will you position your co-op?
- Pricing: What is your pricing strategy?
- Distribution (Placement): How do you plan to distribute your product or service?
- Communications (Promotion): How will you communicate with your niche market? What will your promotional message be? What will your media mix be?

# OPERATIONS STRATEGY

---

**Purpose:** To describe where and how the co-operative will operate to make and deliver the product and/or service.

**Length:** 2-3 pages depending on the scale and complexity of operations

**Tip:** Provide enough detail so the reader understands how your co-op will produce its product or deliver its service. If you require a lot of technical detail, include it in a separate section for internal use only.

**Don't:** Include overly complicated and detailed diagrams and charts.

**Considerations:** This section will help to ensure that all your members clearly understand exactly how the co-op will work. You can create a flow chart detailing each phase of the operation, or you can describe the operations in text format.

This section may be longer for co-ops that are entering manufacturing or establishing a service that involves many different steps because it sets out the internal operations and equipment necessary to produce your product or service. However, include an operations section even if you are providing an uncomplicated service.

## **Operational Flexibility**

The Advantage Workers Co-operative was formed to create employment opportunities for its members who experience various barriers to securing employment. One of these barriers is the lack of flexibility in most workplaces. Flexibility, therefore, is an integral part of the organisational structure of the co-op. This includes regular weekly or bi-weekly meetings at which time members decide on what shifts they will work for the upcoming week. Together they work out a schedule that is supportive of people's needs, such as transportation, number of hours or working with someone else.<sup>2</sup>

# ORGANISATION OF THE CO-OPERATIVE

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## Do it yourself:

“Hiring a business consultant to help us develop a business plan is a useless exercise. Beyond useless. What we need to do is develop some skills ourselves in developing a business plan, because it’s something that we need to be able to continuously do. But the consultant comes in and writes the business plan. First of all we don’t own it, we really don’t have any responsibility around it ... and we haven’t developed the skills to continue to revise [it].”<sup>3</sup>

**Purpose:** To describe the relevant skills and experience of the members, the management team, and the legal and operating structures of the co-operative. This section will answer any questions your lender(s) may have about how a co-op works in relation to financial obligations, and how decisions are made.

**Length:** 2 pages or more, as required.

**Tip:** Take care not to use unverifiable descriptions in your plan or your resumés, phrases like “hard worker” or “good role model”. Stick to facts that can be verified, such as work, volunteer experience and education.

**Don’t:** Over sell your members’ qualifications.

**Do:** Keep your membership structure as simple as possible. Design a clear legal structure for your co-op (see Module 7: Incorporating the Co-op).

**Content:** For each member of the management group (which may include your whole membership) develop job descriptions that include:

- Title of the position.
- Duties and responsibilities of this position – what they will do, which functions they will oversee, who they will supervise, who they will report to, etc.
- Previous industry and related experience (should relate directly to the position) – who they have worked for, what they did, for how long, etc.
- A list of major accomplishments for each member of the team.

**Considerations:** Some lenders and investors may feel a topnotch person or management team can compensate for a mediocre business idea so they will turn to the “people” section as one of their first stops in your plan. In this section include all members and other individuals who are going to be key active players in the co-operative. Don’t list external investors here unless they are going to take an active role on the co-op’s board.

The opposite may also be true. Some lenders or investors may shun a fantastic idea because they are not convinced the people involved have the skills required. A resumé of each management group member should appear as an exhibit to the plan. If you are forming a workers’ co-op, provide a resumé for each member who will play a key role in the business and those who will form your first board of directors. You may also include the names of your advisory board.

# FINANCIAL REQUIREMENTS & PROJECTIONS

---

**Purpose:** To translate your projections and aspirations into numbers and show what the new co-op will achieve if all goes according to plan.

**Length:** 1 page text summary, backed by 3 or more spreadsheets.

**Don't:** Show multiple cases or scenarios in your business plan. It is fine to run experiments on your own with different scenarios, but too much information in your business plan will lose the readers. This could be detrimental when you're trying to get an investor interested in your business.

**Do:** Check your calculations very carefully. Make sure they all add up, even if you are relying on a computer spreadsheet.

**Tip:** The cash flow projections are the most important part of your financial plan. Every reader with experience with business start-ups will look at the cash flow statement first. Think of cash flow as your co-op's survival map. It tells you how much you need to finance and when.

## **Content:**

- **Start-up Costs:** Include the costs before the co-op has positive cash flow.
- **Wages, Dividends, Patronage Rebates and Bonuses:** Here you include how much money will be paid out in wages, and how much surplus there will be and how this will be divided.
- **Break-even analysis:** You must show how much the co-op must sell, and at what price, to cover all costs.
- **Projected Cash Flow:** Include a projected cash flow for the first year showing how much money will be coming into the co-op, when and from where, as well as how much money is going out of the co-op, when and to where.
- **Income Statement or Profit and Loss Statement (Projected):** This statement is needed to show how much the business will make or lose.
- **Balance Sheet (Proforma):** This shows what the co-op owns, what it owes, and what the difference is between the two.
- **Sources and Uses of Funding:** Demonstrate where the co-op will get money from in the beginning, and what the co-op will use it for.

# KEY RISKS

---

**Purpose:** To show the reader that you have anticipated key risks and have planned to overcome them.

**Length:** 1-2 pages.

**Tip:** This section will help you see some of the challenges you may face so you can develop strategies to overcome them at a very early stage. Realistically dealing with risks demonstrates you understand the environment in which your business functions and that you have sufficiently planned for challenges.

**Don't:** Worry that talking about risks will reveal the weaknesses of the venture. It shows that you have anticipated potential problems and have a strategy to deal with them. In fact, it gives the reader confidence in your ability to meet challenges.

**Some potential risks are:**

- The market doesn't buy your product or service as quickly as you expected.
- A competitive business moves in and matches your best effort.
- An assumption regarding a large contract fails.
- A legal or regulatory barrier emerges.
- You have to reduce the price to attract a wider market.
- The cost of raw materials goes up.
- The demand for your product falls off after a year.
- You enter a booming market and it runs into problems.

Also consider what would happen if the business became far more successful than you had anticipated. How would you handle this? Will you expand premises, recruit more members, hire or contract non-member staff? Will you have the money, time, and other resources to put into the extra managing and training that might be necessary?

You should also consider whether there is room for you to succeed without taking away market share from others. If not, how will other businesses react if you take away customers or market share? Are you equipped to deal with other businesses trying to squeeze you out? Is this what you are trying to promote?

# EXHIBITS AND APPENDICES

---

**Purpose:** To include detailed material at the end of the plan that supports the summarised information you have presented in each section.

**Length:** As long as needed. You may not want to give all of this information to all the lenders you present your business plan to, but be sure to keep it all together for easy reference in case a lender, a member, or a manager needs to see it.

**Tip:** Include information that you feel is important but do not feel is appropriate to include in the body of your plan. Include references to show the reader your members are competent, hard-working and trustworthy, and thus a good risk. Always ask the person who is your reference before you include them, and explain why in case they get a call from the lender.

**Content:** Include the following kinds of exhibits and appendices:

- List of collateral – for a plan for a bank or credit union.
- Any key contracts or leases.
- Market research results.
- Co-op member's resumé's.
- Copies of purchase orders.
- Support letters from community members, organisations, and especially potential customers.
- Pictures or drawings of the facility layout.
- Sample pictures of your product.
- Copies of brochures and advertising materials.
- References (personal, financial and professional).
- Any positive press or stories members have received.
- Names, addresses, phone, e-mail of professional advisors such as accountants, lawyers, business consultants, mentors.

# REVIEW OF MODULE 6

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In this section we have covered the following:

- The purpose of a business plan.
- Preparing a written business plan.
- The elements of a business plan, including the purpose, length and content of each section.

## **Last Thoughts on the Business Plan**

A plan will never be totally ‘right’ when implemented. Starting a business involves so many variables that you are bound to make false assumptions somewhere. Don’t be afraid to play with the sequencing of the sections. For example, if your co-op has a strong management group, move up the “Organisation” section so it appears right after the “Business Background”.

Make sure you use the plan. Your business plan is a living document that needs to be revisited and revised often, at least annually. It is of no value if you put it on a shelf and forget about it.

## **End Notes**

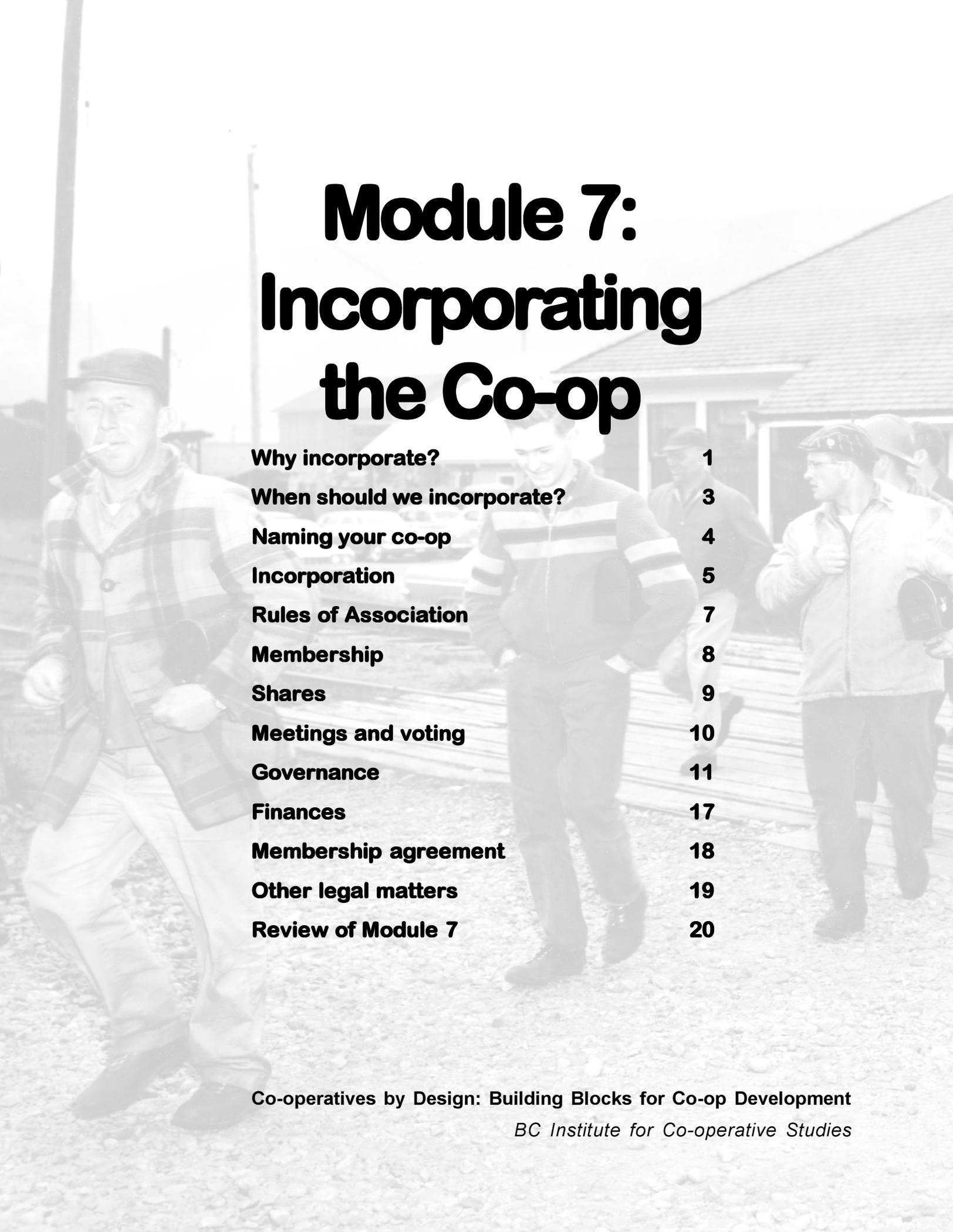
1. Island Savings Credit Union: a case study. (2001) Researched and written by Lloy Wylie. <http://web.uvic.ca/bcics/casestudiesindex.htm>
2. Advantage Workers Co-operative: a case study. (2001) Researched and written by Nicole Chaland. <http://web.uvic.ca/bcics/casestudiesindex.htm>
3. Cited by a member in Hummingbird Bottled Water Co-operative: a case study. (2001) Researched and written by Lloy Wylie. <http://web.uvic.ca/bcics/casestudiesindex.htm>

# CHECKLIST FOR EDITING YOUR BUSINESS PLAN

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Before showing your business plan to potential financial lenders, it is important to carefully edit the plan. First read the plan out loud as a group to check for grammatical and spelling errors. Next have a couple people from outside of your group (at least one person familiar with your particular industry and another person not familiar with it) read over your business plan and answer the following questions: (If they can't answer the questions, you need to edit your plan.)

- Before reading the entire plan, read the executive summary. What is the co-op's product or service? What is its niche market? How much money is the co-op seeking?
- What is the concept of the co-op?
- What are the goals of the co-op?
- Are the financial projections realistic?
- What resources are needed to get the co-op started?
- How will those resources be obtained?
- Why will the co-op succeed?
- What are the key challenges or risks the co-op faces?
- How does the co-op plan to overcome those challenges?
- Is the language clear?
- Is there information that seems unnecessary?



# **Module 7: Incorporating the Co-op**

<b>Why incorporate?</b>	<b>1</b>
<b>When should we incorporate?</b>	<b>3</b>
<b>Naming your co-op</b>	<b>4</b>
<b>Incorporation</b>	<b>5</b>
<b>Rules of Association</b>	<b>7</b>
<b>Membership</b>	<b>8</b>
<b>Shares</b>	<b>9</b>
<b>Meetings and voting</b>	<b>10</b>
<b>Governance</b>	<b>11</b>
<b>Finances</b>	<b>17</b>
<b>Membership agreement</b>	<b>18</b>
<b>Other legal matters</b>	<b>19</b>
<b>Review of Module 7</b>	<b>20</b>

# WHY INCORPORATE?

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**W**hen you incorporate, whether as a co-operative, a society or a company, you put some distance between the operation of your business and your personal assets. Incorporation limits the personal liability of the members.

The incorporated body becomes a “person” under the law, with most of the rights and responsibilities of a *natural person*. Incorporated status allows your co-operative to transact business, get loans and licences, sign contracts, and purchase insurance, to name a few activities.

In the process of incorporating as a co-op, you will create a binding structure that describes how the members will work together. Your incorporation documents must reflect the common principles of your members.

In Canada, each province has its own regulations regarding co-operatives. This module is written according to the laws and procedures of the province of British Columbia. While most of this information may be applied to co-ops in general, you will still need to check your own provincial or federal laws and procedures if you are not starting a co-op in BC. A co-op developer or a lawyer familiar with co-operatives will be able to assist you. If there is a co-op federation in your area, they will most likely be able to recommend someone.

In BC, the *Cooperative Association Act* (1999) governs the legal structure of your co-op business. British Columbia’s new *Cooperative Association Act*, which came into effect January 30, 2001, allows co-ops to do some things they were previously prevented from doing, such as obtaining investment from non-members and establishing different groups of members (multi-stakeholders) with different rights and responsibilities. If you decide your co-op wants or needs to do either of these things, it will be important to get professional advice from someone who is competent to interpret the new legislation and regulations.

“Trust is an important factor when people take risks. To discontinue receiving social assistance benefits and to explore work after being told that you do not have the capacity for it involves huge risks. An environment of trust was required so that we could take risks. Developing a co-operative must foster an environment of trust so that people with disabilities can take risks and get actively involved.”<sup>1</sup>

“The co-operative force of our membership is greater than what we can achieve alone – as one we are greater than the sum of our parts.” – Business Plan, Kooocanusa Value Added Cooperative.

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## To incorporate or not to incorporate

Not all “co-operatives” decide to incorporate. For some groups, operating as a collective or an informal co-op is enough to meet the needs of the members, and for others it may be a starting place or “pilot project” to work out the basics of operating as a co-op, before jumping through the bureaucratic hoops.

An excellent example is that of the ‘food-buying clubs’ that were formed across British Columbia in the 1970s to meet the demand for natural foods. Food buying clubs were run entirely by volunteers. Food was ordered in bulk, which meant members of the club could access otherwise inaccessible natural foods at reasonable prices. “The food buying clubs were popular because there was little overhead and management required. It was easy. In the rural communities of BC, a truck would arrive at a community hall or church basement and the collectives would unload the truck and divvy up the orders.”<sup>2</sup>

Vancouver’s East End Food Co-operative started as a food-buying club in 1975. The club was organised into co-operatives within neighbourhoods, shared houses, families and friends. Each collective was run autonomously within the umbrella structure of the club by collating and submitting their orders together. The collectives took turns ordering and sorting the food for the whole club, all on a volunteer basis. The experience and organisation gained through the food buying club structure laid the foundation for what would become a permanent store front consumer co-op with over 3000 members.<sup>3</sup>

Today, a similar collective model is being pursued in Victoria, BC. “The Good Food Box” is a food buying collective that provides fresh locally grown produce for low-income people. The Good Food Box is run on the volunteer energy of its members who each pay \$10 - \$15 at the beginning of each month and then collectively purchase produce from local farmers. The food is then sorted, boxed and distributed to each of the members. The future of the Good Food Box is unknown. Perhaps one day it will have a permanent store front to distribute locally grown and affordable produce on a daily basis.<sup>4</sup>

# WHEN SHOULD WE INCORPORATE?

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Each co-op is different, and you'll have to determine when your group is ready to incorporate. If you wait until you complete your business plan before incorporating, you can tailor your financial structure, membership agreements, etc., to the specific situations you have anticipated and discussed. Furthermore, you will have a better idea of how you work together and what your common principles are.

Incorporating earlier means you can officially recruit members sooner, and their membership will likely be strengthened by their involvement in the business development. It also means you can start negotiations with lenders sooner (although don't hesitate to visit or chat with your lenders early in the process, whether you are incorporated or not). In some cases, you may need to incorporate early to negotiate a lease agreement or obtain agreements with suppliers.

You may wish to spread the incorporation process out over a longer period of time. For example, by holding monthly discussions on one of the sections in your rules of incorporation, you can give yourselves more time to create a set of rules that suits your group, and can put them into practice the rest of the month to test them out.

In preparation for incorporation, make the following decisions as a group:

- Why is your business a co-operative?
- When is your co-operative going to apply for incorporation?
- What are your criteria for membership?
- What will members be responsible for?
- What rights in the co-operative will members have?
- What is your share structure?
- How will decisions be made (by whom and how)?
- How will the co-op's surpluses be allocated?

# NAMING YOUR CO-OP

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For a co-op to be “non-profit”, it must adopt section 196.1 of the *Act* as a non-alterable clause in its Memorandum, and have Rules stating that surplus shall not be distributed to the membership, but shall be used in the operation of the business, for special projects, or donated to a worthy (not-for-profit) cause.

The first step to incorporation is choosing a name for your co-operative. There are certain legal requirements when deciding on a name. You must include the word “cooperative”, “co-operative”, “coop”, “co-op” or “coopérative”, or another grammatical form of any of those words, as part of your name.

You must not include the words “not for profit” or “non profit” or any words of similar import unless you are starting a non-profit housing co-operative. You may not include either the word “company” or the word “limited” in the name of your co-op.

You are also required to have a “distinctive element” and a “descriptive element” in the name, for instance “Lucille’s Jam Cooperative” or “ABC Courier Co-op”. The three elements of the name are:

<b>Distinctive Element</b>	<b>Descriptive Element</b>	<b>Corporate Designation</b>
Lucille’s	Jam	Cooperative
ABC	Courier	Co-op

You may decide to shorten your name for signage, labels, etc., but the name in your incorporation documents is your co-operative’s legal name and you must use it on all official documents, for example, leases, contracts.

To register your name, you must submit a Name Approval Request. This form is available online at:

[www.fin.gov.bc.ca/registries/Corppg/forms/0708BFILL.pdf](http://www.fin.gov.bc.ca/registries/Corppg/forms/0708BFILL.pdf)

Or, you can obtain the form from the Corporate Registries office of the Ministry of Finance, Victoria. (Note: The guide *Incorporating a Cooperative Association in British Columbia*, which is referred to in the next section also has this form and other information for name registration in its appendices.)

On the Name Approval Request you must include three choices for your name. If your name is accepted, your name will be reserved for 56 days or until incorporation. If you have not applied for incorporation within that time, you will have to renew your reservation and pay a fee. It is best to apply for your name once you are ready to submit your incorporation documents. If there is a problem with the name (for example, if another co-op has the same name) you will have to resubmit the application.

# INCORPORATION

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The next step to incorporation is to prepare your incorporation documents. We highly recommend you obtain the guide, *Incorporating a Cooperative Association in BC*. It is an excellent resource which contains far more detailed information on incorporation than we have included here. For example, it outlines in detail the requirements for the Memorandum of Association and the Rules of the Association. The guide also includes:

- A sample Memorandum.
- Name approval request instructions.
- A Name Approval Request form.
- A notice of Registered Office
- A List of First Directors.

*Incorporating a Cooperative Association in BC* is available on-line at <http://www.fin.gov.bc.ca/registries/corppg/forms/guide.pdf>. If there are difficulties downloading or Internet access is not an option you can obtain a copy from the Ministry of Finance's Corporate Registry office -- Society/Cooperative Associations Unit.<sup>5</sup> This office has staff who will review your Rules when you submit them and help you make whatever changes are needed to comply with the legislation. Remember, the office staff is a great resource for groups going through incorporation on their own but the staff can only help after the members of your group are clear about what your co-op will and will not be able to do.

*In brief* you are required to file the following documents plus pay a fee of: \$250.00 (to the Minister of Finance):

**Memorandum of Association** (two signed and witness copies)

This document lists the name of your co-op, its purpose, any restrictions on the business it may carry on, any restrictions on the powers of the co-op, a detailed listing of the number and classes of shares the co-op is authorised to issue, a statement that the liability of the members or investment shareholders is limited in accordance with the *Act*, an optional statement regarding unalterable provisions on winding up of the co-op, the number, class and par value, if applicable, of shares subscribed for by the founding members. It is important to use the exact format recommended by the Registrar.

**Rules of the Association** (two signed and witness copies)

These are the rules regarding the overall governance of your co-op. Since each co-operative is unique, there are no standard forms to use for your Rules. (Note, the Rules are not the same as policies and procedures regarding operations, which concern the banks but not the corporate

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registries office.) We offer more guidance on the Rules in the next section.

### **List of First Directors**

This records the first and last names of your first board of directors and their complete physical addresses . There must be at least 3 directors listed.

### **Notice of Registered Office**

This is the legal address of your co-op. Your address must be a complete physical address such as an office or residence where legal notices and other important documents can be delivered by means other than mail (e.g. courier, in person). Because it will cost you money to change your address, try to use an address that is permanent.

For more assistance with your incorporation documents, you can also contact a co-operative development resource group or find a lawyer who is familiar with co-ops.

An existing co-op may also be an excellent resource. One way to create your incorporations documents is to use the documents of a similar co-op as a template. Make sure the co-op has rules that conform to the new legislation (they will have written or revised their rules after February 2001). A co-op may also have knowledgeable members who are willing to meet with you and share their experiences.

### **Legal Steps in the Development of a Co-operative**

- Research the provincial and/or federal co-operative incorporation requirements.
- Register the co-op's name.
- Draft Rules for Incorporation
- Submit the required incorporation documents
- Prepare Membership Agreement and Membership Certificate.
- Research appropriate local, provincial or federal business and product licenses.
- Apply for required business and product licenses
- Open bank account.
- Submit annual report and financial statement after first Annual General Meeting.

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One way to work on the documents as a group is to divide up the sections among your founding members. Each member takes her or his section and prepares a draft for the group, highlighting anything not understood or in need of discussion by the group. After the group has made suggestions on the draft and had the opportunity to discuss it, that member, or even someone else, prepares a second draft. If you are working with a co-op developer, he or she can help you through the parts you don't understand. When everyone is comfortable with what you have, you may chose to have a lawyer take a look at your documents before you submit them to the Registrar.

# RULES OF ASSOCIATION

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In order to create a set of Rules that reflect your group, you will need to discuss the following:

- The character and values of the co-op, as determined by the founding members.
- The service the co-op will provide to members.
- The definition of membership: For example, are members those people who sell their products through the co-op, or are they the people who work in the co-op? Does either type of participation make them eligible for membership?
- The on-going obligations of a member – this is the basis for the membership agreement.
- The decision-making process.
- The official language.
- The place of meetings and rules for virtual meetings.
- Ensuring gender equity and ethnic diversity of members.
- Ethics: for example, consideration of environmental impact, restriction of specific products or processes, etc.
- Conflict resolution processes.
- The financing of the start-up.

## **Incorporating a Co-op**

**Tip:** Incorporating a Co-operative Association in British Columbia is available online at <http://www.fin.gov.bc.ca/registries/corppg/forms/guide.pdf>.

Your Rules of Association can be broken down into a number of different sections, such as membership, shares, meetings and voting, governance and finances.

### **Not Quite a Co-op**

The AMS Bicycle Co-op was formed in 1998 in order to make the University of British Columbia campus a better place for cyclists by improving the cycling environment. The co-op currently operates a bicycle shop and the Purple and Yellow Public Bike Program on the UBC campus. It also helps to educate people about bicycling issues, and it advocates for changes in planning and policy. “The actual organisational format of the AMS Bicycle Co-op is a very loose co-operative structure. Although the principles of co-operation are observed..., AMS is not legally incorporated as a co-operative. This is because the AMS Bicycle Co-op is required under AMS legislation to be constituted as a “Club” through the Alma Mater Society...”<sup>6</sup>

# MEMBERSHIP

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Growing Circle Food Co-operative on Saltspring Island chose the multi-stakeholder model to meet the needs of the three distinct groups of members that make up the co-operative: consumers, producers and workers. The co-op's board is comprised of 9 members, with at least two board members from each of the different member groups in order to ensure representation from all of the stakeholders.<sup>7</sup>

To prepare your rules around membership, you will need to discuss the following:

- Who are the members?
- How are the members going to use the co-op?
- If relevant, how do non-members use the co-op?
- Will all members have the same rights and responsibilities, or will there be different classes of members?
- How much member participation is required, for example, unpaid work on committees or “sweat” equity?
- What is the process for joining the co-op?
- Is there a trial period before membership is approved?
- What are the criteria for approving a member's application?
- How is membership terminated, and under what conditions?

## **Becoming a Member**

To become a member of either the Feeders or Bred Heifers co-operatives, farmers must complete an application form, and undergo a credit check, “which includes a site visit from the supervisor to inspect the prospective members facilities.” If the board accepts the new member, that member purchases a share and is allotted a brand position and identification number for their livestock. All members must participate in the co-op's own Livestock Insurance Program. Participation in the co-op's loan program, which allows farmers to borrow money to purchase cattle, is optional.<sup>8</sup>

# SHARES

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Every co-op is required to have membership shares and, to become a member, you must purchase at least one share. Membership provides voting privileges. Although members may own more than one share, every member still has only one vote. The *Cooperative Association Act* allows shares to be issued as *par value*, or *non-par value* (which means the directors determine the *redemption* value of the share).

**Redeem:** To pay off, buy back, or to clear a debt by payment.

Investment shares may be held by members or non-members if the co-op so chooses, and they may carry specific benefits which must be spelled out in the Rules. Investment shareholders will get one vote per investment share on matters that affect their shares, such as repayment and share value, as well as other issues allowed in the Rules. Other key decisions are whether to sell investment shares to non-members and what voting rights to attach to the investment shares.

The *Securities Act* may require the co-op to issue a *prospectus* if investment shares are sold. A prospectus is a lengthy documentation about the enterprise and its share offerings that is extremely costly to have prepared. A prospectus may not be required if the value of an investment share is less than \$5,000, the co-op has fewer than 150 members, or the co-operative is a worker co-op and the shares are sold only to people who are friends or relations of the co-op members.

See *Incorporating a Co-operative Association in British Columbia for more information on shares.*

A disclosure statement will be required whenever any shares (including membership shares) are issued if there is more than one class of shares. If your co-op decides to issue more than membership shares, you should definitely discuss the process with technical advisors.

Some of the key questions you need to answer as a group are:

- How much capital does the co-op need to raise for start-up and for operations?
- Will the co-op raise capital through the sale of shares or by other methods?
- How much will co-op shares cost?
- What is the minimum number of shares a member must agree to purchase?
- What is the maximum number of shares a member may purchase?
- Does the co-op need to have different classes of shares?
- How may a member redeem their shares?

# MEETINGS AND VOTING

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By now you should have a good idea of how you make decisions as a group. In Module 1 we discussed some of the options that your group could explore. Now you must put that process into legal language. Remember that up to now you have most likely been operating as a small group of founding members. If your co-op is expecting a larger membership in the near or distant future, the process in your Rules of Association must account for that. Your decision-making process needs to ensure that each member can be equally involved in making informed decisions on matters that affect them, whether they are core members or not.

Remember that the membership in general meetings is the final decision-making body of the co-op. Under the *Cooperative Association Act*, the membership is required to meet at least once annually. It may meet more often for regular general meetings or for special meetings. In annual or semiannual general meetings, the members:

- Elect the board of directors.
- Determine how net profits will be used or distributed.
- Help develop the co-op's major goals and objectives.
- Give approval to long-range plans.
- Participate in administrative committees.
- Make suggestions and recommendations for improvement to the co-operative and its operations.

**Proxy:**

A person who represents another person or a document granting representation to another person.

If your group makes decisions by consensus, you will still be required by law to have a “last-resort process” for decision-making, which involves voting if consensus cannot be reached. The guidelines in *Incorporating a Cooperative Association in British Columbia* can provide language for this rule. You also need to state whether or not *proxy* voting will be allowed. If proxies are allowed, what is the process and under what conditions?

# GOVERNANCE

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The co-op structure must ensure member control over major policy questions, member influence, usually through the board of directors, over management selection (paid or volunteer) and member input into management decision-making. The structure must recognise the ultimate authority of the members while providing management with enough authority to fulfil its legal, ethical and practical responsibilities.

## Board of Directors

A board of directors must be established when you incorporate as a co-operative. The board is a group of individuals who are legally entrusted with overseeing the operation of the co-operative. The business plan should list who is on the initial board of directors – names, occupations, expertise and experience.

The board must have at least three members at all times. Your first members – the subscribers to your *Memorandum of Association* (the people who apply to have the co-op incorporated) – will operate as the board of directors until the first annual general meeting. If investors purchase shares in the co-operative, they may want to become directors as well. Under the new co-op legislation, up to 20 per cent of your directors may be non-members. If you decide to provide for this in your Rules, you also need to consider how you will make sure such directors will operate in the best interests of the co-operative and its business.

Directors can be sued for unpaid employee wages or unpaid corporate taxes, so you must be certain the board has mechanisms in place to ensure your directors are never in this position. Developing clear operational policies and entrenching regular reviews of financial documents at the very beginning of your co-op business can help directors avoid difficult situations in the future.

The *Cooperative Association Act* has excellent guidelines for the duties and conduct of directors. Review the requirements of the *Act* and then decide whether your co-op needs to add further descriptions and/or prescriptions for the board.

The board is the governing body of the co-op, the trustees of the members' interests. The board acts on behalf of members between general meetings, and typically it does the following:

- Sets goals, objectives and administrative policies.
- Adopts long term strategic plans.

### **Volunteer Labour:**

When the Kootenay Country Store Co-operative formed in 1975, it operated as a small retail store run on the volunteer energy of its members. Members purchased a \$50 share which contributed to the purchase of equipment and a full reserve of goods. Not all members contributed labour. Those who did contribute were acknowledged by paying a lower markup on goods.<sup>9</sup>

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- Protects the assets of the members.
  - Establishes budgets.
  - Monitors achievement of operational goals.
  - Enters agreements on behalf of the co-op.
  - Hires, directs and oversees management staff (if any).
  - Receives and acts on administrative reports and recommendations from committees and management.
  - Makes recommendations to membership about important issues and keeps members informed.
  - Conducts board evaluations (self-evaluations).

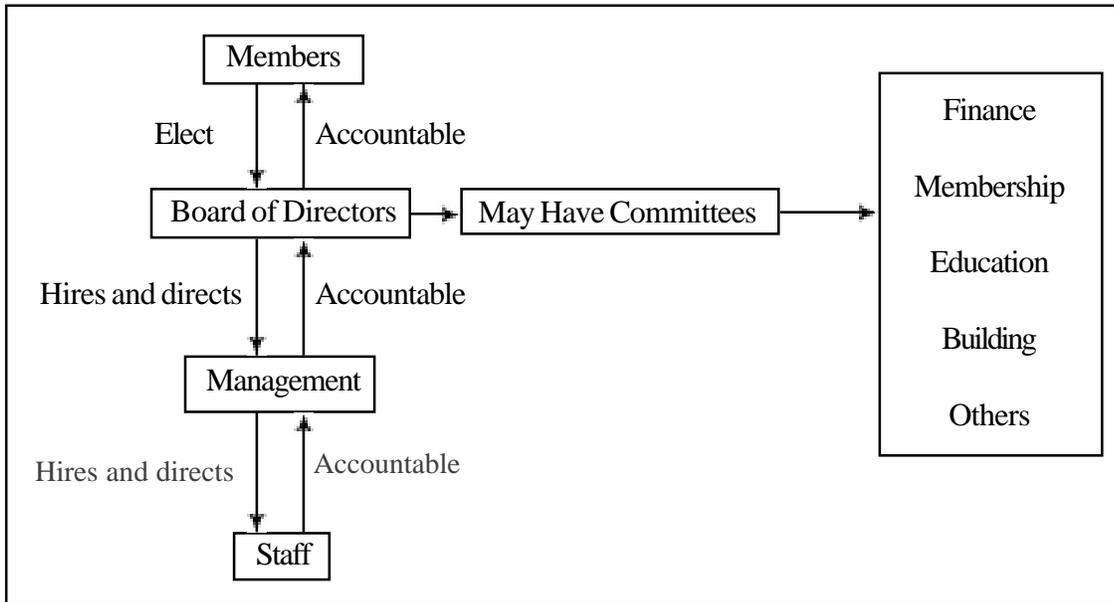
The board of directors includes some key roles: chairperson or president, vice-chair or vice-president, secretary, treasurer or financial director.

### **Changing Governance**

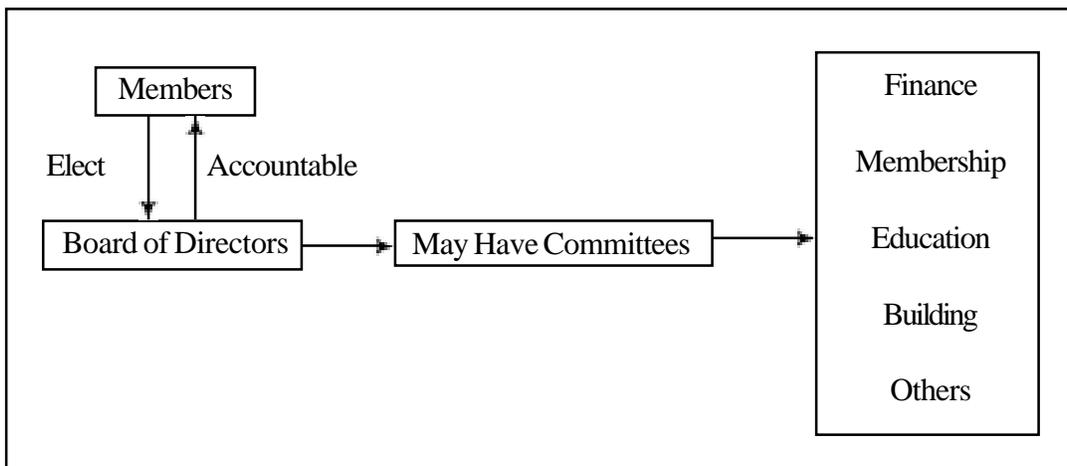
In 1981-82, the East End Food Co-operative underwent a major restructuring that changed the entire organisational structure of the co-op. The co-op began as a loose knit network of collectives managed by volunteer workers. When the co-op decided to open up a storefront, they quickly found the need to enact changes to keep the co-op alive. To do so, the Central Collective that was responsible for co-ordinating volunteers gave all its operative power to a special committee with a mandate to enact whatever changes were necessary to bring the store into a viable position. The committee and sub-committees researched the food market and co-op management structures, wrote job descriptions, recommended rule changes and eventually dissolved the Central Collective and divided its responsibilities between a Board of Directors and paid staff.

In the end, the co-op moved toward a “more conventional, co-operative model where the volunteer involvement was at the policy ... [and] ... decision-making level” and the members were not involved in the direct operation of the store. However, “professionalising the store meant relating to each other in a new way”. One of the co-op’s founders recalls the early non-hierarchical structure: “It was a huge learning experience for people. ... It created ... a sense of community here that still exists as a result of that kind of volunteer interaction that happened.”<sup>10</sup>

Here is an example of an organisational structure for a co-op with a large membership and staff. With a large membership, decision making on a daily basis by members is not possible, nor can all members participate in the daily operations of the co-operative. Managers and staff are hired to do this. However, membership still owns the business.



Here's an example of an organisational structure for a co-op with a active volunteer or working membership and no staff. Here the responsibilities of the daily operations of the co-operative divided among members and or the board of directors.



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Joining a new board may be a difficult job, particularly if you've never been on the board of a business before. But this should not be a deterrent to new people. Instead, this is an opportunity for co-op education. If there are experienced board members, they can help train and mentor new ones. If everyone is new, perhaps the co-op should hire someone to do some board training.

## Committees

### Staff on the Board:

The East End Food Co-op has created a space on its board of directors for a staff representative. The staff representative helps to ensure that staff concerns are addressed at the board level. "The staff representative cannot participate on issues such as wage increases but is otherwise an active member of the board." Because staff have the most contact with customers, its role on the board is crucial in bringing forward members' concerns.

A co-op may form committees, which are voluntary bodies composed primarily of members. There may be times when the co-op's management requests that a committee be formed to provide recommendations or to oversee an operational project. The members are either elected by the membership or appointed by the board. Directors may sit on committees, and non-members may be invited to participate in committee work.

If you are forming a committee, make sure it has a specific mandate, timeline and area of authority and responsibility. Committees may:

- Perform in-depth analysis and research at the direction of the board. This is an administrative function and the committee reports to board.

A helpful tool for ensuring effective boards is to have a board manual. This manual might include:<sup>11</sup>

- A brief history of the organisation.
- A statement of the objectives of the organisation.
- An organisation chart showing the different roles in the co-op.
- A list of board committees and their members.
- Names, addresses, and telephone numbers of each board member.
- Job descriptions of the president, the manager, and the board
- By-laws of the organisation.
- Current minutes and agendas of the board meetings.
- Board and management policies.
- Financial statements.
- Operating and capital budgets.
- Long-range plans.
- Special reports.

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- Perform analysis and research at the request of the management. This is an operational function and the committee reports to management.
  - Make recommendations to the appropriate body (board or management) according to their mandate (e.g. finance, membership, personnel).
  - Be empowered to proceed with action, or not.

## Management

Management is responsible for the day-to-day operations of the business according to the co-op's goals and policies. They may have duties similar to those of managers in a company or other duties as determined by the co-op's structure and the direction of the board.

In small co-ops, management responsibilities are frequently shared among the members, rather than being concentrated in one person. In other co-operatives – generally larger and more complex enterprises – there will likely be management staff for operations.

Managers may be members of the co-op or they may be hired from outside the co-op. In a co-op, managers are politically accountable to the members through the board of directors. The board of directors evaluates management's performance with input from the members.

The authority, responsibility and accountability of management needs to be made clear. Develop clear guidelines now, before you actually start the business or hire anyone. A process should be in place to evaluate the division of labour to make sure members/employees and management are able to function efficiently within these guidelines, and that the co-op is fostering a working environment of mutual respect and learning.

## Staff/ Workers

Staff make day-to-day decisions in the performance of their duties on behalf of the co-operative. They may be paid or volunteer, and they answer to the co-operative's management.

Staff are usually members of the co-op. Staff who are also members may wear different hats at different times so they must always be aware of who they are reporting to and what type of decision they are able to make in every situation.

“An important dimension of the governing structure is the degree of centralization and decentralization in decision-making. On the one hand, a decentralised worker co-operative which involves everyone in decision-making gives individual workers more control over their workplace. On the other hand, it can become very inefficient to have everyone deciding who will carry out the garbage, or which company should supply the office paper.”<sup>12</sup>

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## Board versus Management Roles and Responsibilities

One of the challenges in a co-operative is to define clearly the roles of the board, management and workers. Without clearly defined roles, the board could feel bogged down by too many decisions, management and staff may feel disempowered and frustrated by a lack of guidance and/ or not enough decision-making power and there's a greater potential for legal liability for the board if something goes wrong.

The following table attempts to provide some guidance in distinguishing between the role of the board and the role of management in decision making. Not all of the items will apply to your co-op, especially if you are a small workers co-op. However, even a small workers co-op will have to clearly define how these kinds of decisions will be divided.<sup>13</sup>

<b>Board</b>	<b>Management or Staff</b>
Makes "idea" decisions	Makes "action" decisions
Makes "what" decisions	Makes "how" decisions
Sets overall goals and objectives	Decides how to successfully obtain those goals and objectives
Makes long-range decisions, especially those involving commitment and obtainment of future resources, especially financial	Makes short-run decisions
Selects management and salary	Management hires staff (if any)
Fills board vacancies and provides board training	Trains staff
Approves budgets	Prepares budgets for board approval
Conducts manager evaluations	Conducts staff evaluations

# FINANCES

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The board of directors has the overall responsibility for the financial management of the co-operative. You will need to decide whether or not to establish a limit on borrowing and, if so, whether it should be a dollar figure, a percentage of equity or a percentage of members' investment.

You will also need to decide how you want to distribute surpluses (e.g. patronage rebates, dividends, reserves, etc.). See *Incorporating a Cooperative Association in British Columbia* for more information.

## **Two Kinds of Shares**

The North American Bison Cooperative has used the New Generation co-operative model to “add value to member owned finished bison bulls by slaughtering, processing and marketing a variety of bison meat products and by-products”. Incorporated in 1993, the co-op now has over 400 members, all of whom are bison ranchers in 18 states (USA) and 4 provinces (Canada) as well as one member in Europe. In order to maintain equality while raising capital, the co-op has created two shares: membership stock which entitles each member to one vote, and equity stock which permits and obligates the annual delivery of one bison to the co-ops slaughterhouse facility. Members are advised to purchase as many equity stocks as bison that will be sent to the slaughterhouse.<sup>14</sup>

# MEMBERSHIP AGREEMENT

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Once you have incorporated, you will need to develop a membership agreement that people will sign when they become members of your co-op. Writing up a *Membership Agreement* as part of your co-op incorporation is not only highly recommended but also key to future planning, estate planning and dissolution. In British Columbia, if you don't have a written agreement, everything is split equally on dissolution.

Fill-in-the-blank partnership agreement samples can be picked up at office supply stores, Notary Public offices or downloaded off the Internet. These can be a good guide for developing a membership agreement. Make sure you have a Canadian version of the agreement.

Along with the agreement, it is a good idea to create a new member orientation kit that may include:

- Mission statement and guiding principles.
- Business idea.
- Support for the project so far, such as organisations that like the idea, any grants, individuals that say they will help later.
- Short history, such as minutes from the first meetings.
- Where to find old minutes.
- How the co-op runs meetings and records minutes.
- How the co-op makes decisions.
- Existing policy.

This is especially important for new members. Founding members have the advantage of having participated in the discussions and research while developing the co-op. It is important that new members learn as much as they can about the history and status of the co-op so they have a better idea of what the co-op is all about. This may also save the founding members from having to debate issues that have already been discussed.

## OTHER LEGAL MATTERS

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In addition to incorporating your co-op with the province of British Columbia, your co-op may be subject to other business rules and regulations, such as regulations around taxes or Workers' Compensation Board requirements. All levels of government have their own responsibilities and rules. Some overlap and some contradict but usually one level of government does not care about the rules of other levels of government. For example, your co-op will need a business license to operate in a town or city; that's a municipal responsibility. You can get the license, whether or not you have registered for GST; that's a federal responsibility.

You can learn more about business rules and regulations from your accountant or the BC Ministry of Competition, Science and Enterprise. The *One-Stop Business Registration* ([www.onestopbc.ca](http://www.onestopbc.ca)) is an excellent on-line resource for registering your business if you plan on having staff. Using the registry, you can apply for incorporation, register as a vendor for the purposes of the BC sales tax, register as an employer with WCB, apply for a business number account with Canada Customs and Revenue Agency and apply for municipal business licences.

# REVIEW OF MODULE 7

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In this section we have covered the following:

- Why and when you should incorporate your co-operative.
- Reserving a name for your co-op.
- How to Incorporate, what documents you will have to submit, and what is included in those documents.
- An overview of co-operative governance, including the roles of the board, committees, management and staff or workers.
- Developing a membership agreement.
- Legally registering your business.

## End Notes

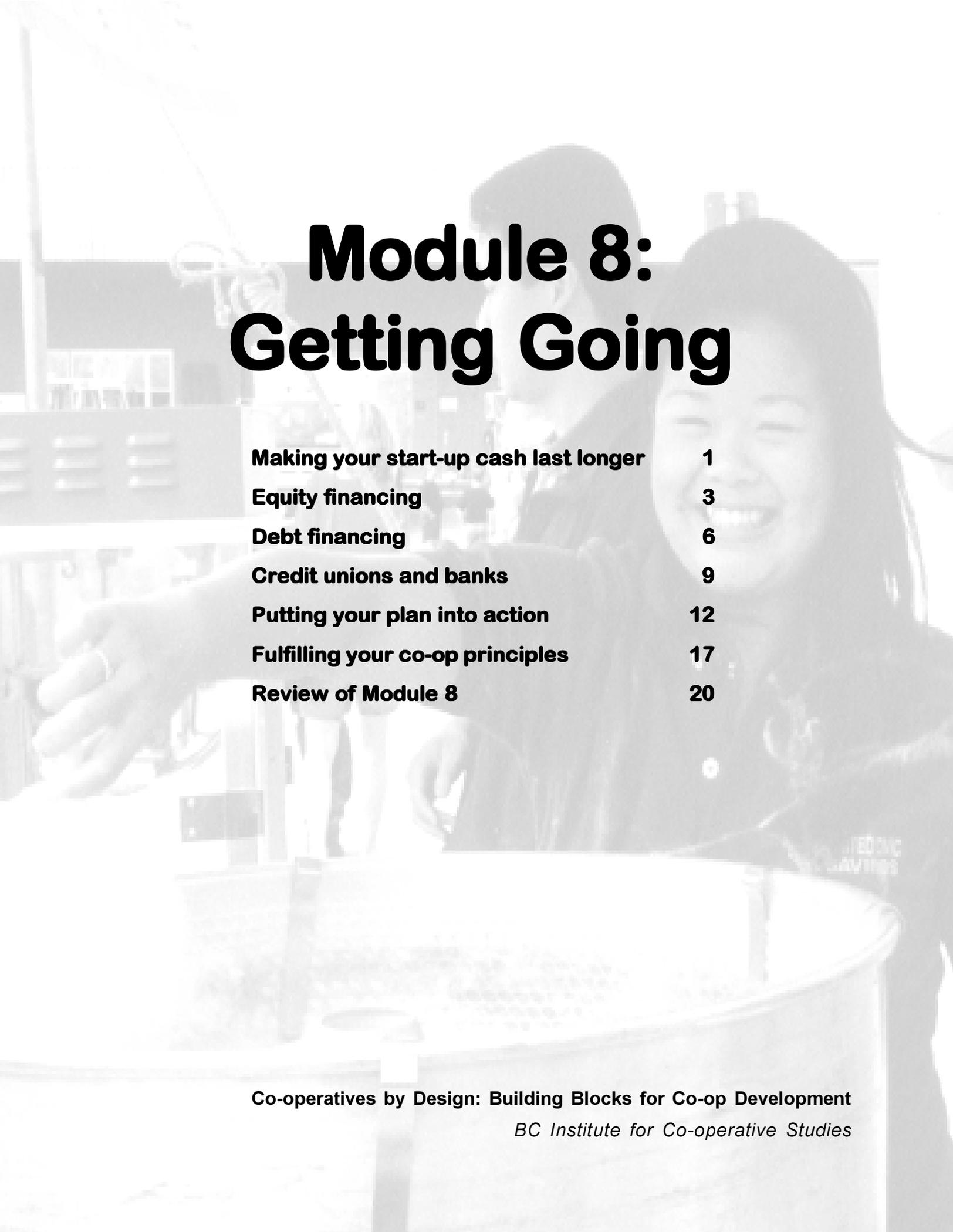
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2. East End Food Co-operative: a case study. (2001) Researched and written by Nicole Chaland. <http://web.uvic.ca/bcics/casestudiesindex.htm>
3. As in 2.
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5. *Incorporating a Cooperative Association in British Columbia*. (2001) Government of BC. Available internet: <http://www.fin.gov.bc.ca/registries/corppg/forms/guide.pdf>

Or phone the Society/Cooperative Association Unit at 250.356.8673. If you are calling from the Greater Vancouver area, you can direct dial the free line at 604.775.1046.

Or visit the Society/Cooperative Association Unit at:  
2nd floor, 940 Blanshard Street, Victoria, BC

Or write the Society/Cooperative Association Unit at:  
PO Box 9431, Stn Prov Govt, Victoria, BC V8W 9V3

- 
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# Module 8: Getting Going

<b>Making your start-up cash last longer</b>	<b>1</b>
<b>Equity financing</b>	<b>3</b>
<b>Debt financing</b>	<b>6</b>
<b>Credit unions and banks</b>	<b>9</b>
<b>Putting your plan into action</b>	<b>12</b>
<b>Fulfilling your co-op principles</b>	<b>17</b>
<b>Review of Module 8</b>	<b>20</b>

# MAKING YOUR START-UP CASH LAST LONGER

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**T**he best way to ensure your co-op has enough cash to last through the start-up is to find ways to reduce the initial or start-up costs.

## Leasing

Consider leasing, rather than buying, the equipment you need. You can lease personal computers with the software or technology that give small start-up businesses computing power that was undreamed of even five years ago. For example, cash registers that provide state-of-the-art technology for a retail outlet can be leased.

When you lease, you are less likely to be stuck with old equipment, and you will probably find it is easier to arrange to lease equipment than it is to get a loan to buy it outright. On the downside, leasing locks you in for the full term of the lease and it is usually more expensive over the long term than buying the asset.

Before entering into a lease, it is wise to review the characteristics of the type of lease you are signing. Make sure you compare the financial cost of leasing versus buying.

Leasing reduces the amount of up-front capital needed and, depending on how ownership transfers at the end of the lease, the payments may be fully deductible as a business expense.

Most new businesses find it difficult to obtain supplies on credit until they build up a track record of payment on delivery (cash on delivery (COD) payment). Make sure you ask for credit or better credit terms after you have proven you are able to pay consistently on time. If your supplier is a co-op, it is more likely to give you a credit break to help you get started. However, keep in mind that credit may be collected at any time.

## Barter

Barter involves trading something you have for something you want. For example, a small community newspaper could barter with an office supply company for equipment so it receives \$10,000 in office equipment in exchange for \$10,000 of advertising for the company. Canada Customs and Revenue Agency will want to know about the transaction, and will require that you record the fair market value for both ends of the transaction. (Check with Canada Customs and Revenue Agency or your accountant.)

“Waterfront started with a group of people getting incorporated as a co-op, demanding a lease for their living space and socking away \$5 a month each until they had enough money for a down payment.”<sup>1</sup>

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## Landlord

Rent is a very large fixed cost. Could the business space be arranged differently at the start? For example, could you arrange a sublet arrangement with a larger company that has some spare space? Another option may be to share space with other co-ops or community businesses, perhaps even working with building or housing co-ops in a residential/commercial development project.

If your start-up includes rental of office or retail space, you may wish to approach the landlord with a proposal to put off the initial three to six months of rent. The landlord may also be prepared to put off all or part of the costs for renovations (leasehold improvements) to make the rental space appropriate for your use. You will pay eventually, but this will reduce costs at a time when you need the cash most. Make sure that you have a signed agreement for any such arrangements.

## Up-front payment

Depending on your business, you may be able to ask customers to pay in advance for a product or service. This kind of option should be explored in your market research.

### Kick backs

The CRS Workers Co-operative began in 1972 as a resource group to help establish co-op businesses. The early co-op members accessed federal grant funding for wages on projects of the co-op. In order to build up the capital of the co-op, early organizers who viewed the grants as common property of the 'movement', and who were themselves committed to minimal consumption, 'kicked back' up to 50% of their own wages to the co-op.<sup>2</sup>

# EQUITY FINANCING

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## **Member Financing**

The reality is that a good percentage of the funding for the start-up stage of a venture comes out of the pocket of the members and often from their family or relatives. There's a good possibility that you and the other members of the co-op will need to put up at least 30 per cent of the funds you need from your own pockets or from friends and relatives.

One of your reasons for starting a co-op is to share these initial costs of start-up. If you are thinking about approaching a credit union or bank for a loan, and/or a government program for a grant, they will definitely look at how much your group is contributing as a demonstration of your confidence and commitment to your idea. If you are going to get investment in the co-op from non-members, they also will want to see that the members have made a significant contribution.

In some cases, that contribution may be in the form of in-kind contributions, or fund-raising done by the members. Fundraising may also include applying for special government or private grants. Some resources for finding grants are listed at the back of this guidebook.

In any case, you need to prove to a lender and/or investor that you have a real stake and recognizable interest in the business and will not just walk away from it if things aren't going well.

## **Membership Shares**

Shares are the basic source of starting capital for a co-op. Every co-op member must buy a membership share, which gives the holder a right to use the services of the co-op, to elect the board of directors, and to make decisions about the distribution of profits and losses according to the rules of the co-operative.

The co-op often does not pay a financial return on membership shares, and must have rules to outline how members can redeem their membership share(s) when they leave the co-op. Often members can only sell their membership shares to members or to people approved for membership under the co-op's Rules. This is particularly important when the cost of shares is high and the co-op is dependant on a certain number of members, such as a small worker co-op.

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### **Fundraising on Horseback**

The Dawson Creek Co-operative Unions began in 1921 on horseback. After submitting their incorporation documents and “without waiting to hear back from the Registrar’s office, members initiated an aggressive share selling campaign. On foot or with a team of horses, the founders went to farms in the surrounding communities selling shares to the co-op.” The results of this campaign was a grand total of \$875. This money was turned over to Mr. Cusack who “then set off in a wagon to the nearest wholesaler in Grande Prairie. “The money did not buy too much”, states Mr. Ravelli, “but it was a start.”<sup>3</sup>

The cost of shares vary significantly from co-op to co-op: a share in a consumer co-op or credit union may be only \$5; a share in a car share co-op may be \$500, while a share in a woodworkers co-op may be more like \$5000.

### **Investment Shares**

New business owners or entrepreneurs often obtain equity financing by selling off shares of their company to individual or corporate investors, who hope to be able to sell their shares later for a profit.

Until very recently, co-ops were unable to get equity financing from any source other than their own members. The most recent *Cooperative Association Act* gives co-ops the option of creating classes of investment shares that can be purchased by members or non-members. So now co-ops may have two types of shares: membership and investment.

Investment shares are pieces of ownership and value in the co-op, just like shares in a company. However, the difference between co-ops and companies is that when co-ops look for equity financing, they do not want their investors (or non-members), to interfere with the democratic structure of the co-op – which is one member, one vote.

Investor shareholders have the right to vote as a group on certain issues, for example, their “precedence” (or place) in the line-up of creditors should the co-op go out of business, or changing the value of their shares. When investors vote as a group, they vote according to the number of shares they hold.

If you decide to sell shares in your co-op to non-members (investment shares) you will want to be sure that non-member shareholders understand

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the objectives of the co-op and are not seeking a quick route to millionaire status! Also, you will want long-term investment. It may be that this is the role friends and relatives could play in the co-op. If you are pursuing the option of investor shares, it is strongly recommended that you work with a professional who is familiar with the regulations to ensure you are complying with your co-op's own rules, with the *Cooperative Association Act* and the *Securities Act*.

Investors want to help increase the value of the co-op and earn a return on their investment, but they understand they could lose their money since there is no collateral or security to back up their investment. Lenders, on the other hand, expect to get their principal back plus interest, and want to reduce their risk by securing the loan with collateral or personal guarantees.

### **Money from relatives and friends**

Treat investments or loans from relatives, friends, and family the same way you would treat money secured from a conventional source.

Show them your financial plan, and make sure they understand the risks – even if they insist this is not necessary. Always draw up formal documents (you will need them for the co-op anyway) and keep them informed of the business progress, both good news and bad.

### **Entrepreneurs**

Do not be shy about inviting successful businesses or individuals in your community to invest in your co-op. Federal statistics show there is a large pool of investment money available through entrepreneurs who are enthusiastic about being involved in the development of new ventures.

#### **Investment Shares**

The Kootenay Bakery Café Cooperative became the first in BC to take advantage of the investment shares class in the new Co-operative Act. "These "redeemable preferred investment shares" are available in \$1000.00 increments and are a means for outside investment in the co-op for the purpose of providing further capitalization of the venture" The bakery marketed the shares as a way for Nelson residents to invest in a local business that supports local produce growers and suppliers. This move was extremely successful and far surpassed the expectations of the founding members.<sup>4</sup>

## How Debt Financing Occurs

Debt financing can occur in two main ways:

1. An operating line of credit or
2. A term loan.

## Operating Line of Credit

### Line of Credit:

Arrangement whereby a lender agrees to lend up to a specific amount of money during a specific period, usually one year. A commitment fee is sometimes imposed on the borrower. A second type of line of credit is called revolving.

Revolving line of credit usually requires collateral, has a loan duration over a year, and is available only to established companies.

Ideally, your accounts payable (your business bills) and accounts receivable (what customers owe the co-op) would match perfectly. Or even better, cash would exceed the accounts payable. The amount of money you spend fulfilling a customer's order or completing a project would be due the same day your customer pays you for the order or the project. This doesn't happen however, so you may require what is called an *operating line of credit*.

The operating line of credit is similar to a credit card in the manner in which it works. An operating line of credit is intended for day-to-day expenses such as inventory carrying cost and payroll. The business draws on the line of credit as required and interest is charged on the outstanding balance. The interest rate floats, which means it goes up and down with the prime rate. A business can draw on its line of credit up to a pre-set limit.

For example, a co-op with a \$10,000 line of credit can have up to \$10,000 in credit outstanding at any given time. The line of credit is usually secured by receivables and/or inventory. If you don't have collateral it may be hard to get a line of credit at first. The lender will want to see some operating history. You should also keep in mind that the lender can cancel a line of credit for any number of reasons, with limited notice to the borrower, such as a change in banking policies or an unfavourable year-end financial statement.

Most operating lines of credit have a borrowing base formula, which is the real limit on how much can be outstanding at any given time. This formula links the amount that can be used on the operating line of credit to the value of the collateral used as security.

For example, say your business has a \$10,000 line of credit, but a borrowing base formula is attached to the line of credit. The borrowing base formula in this case says that you can have an outstanding balance on the credit line of **no more than 75 per cent of your accounts receivable for less than 90 days**.

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So in this example:

The line of credit = \$10,000

Borrowing Base Formula = Credit limited to 75% of collateral

Collateral = Accounts receivable less than 90 days

## **Term Loans**

A term loan is more secure as long as the borrower makes payments in time. A *term loan* occurs when the entire principal of a loan is borrowed by the business in a lump sum. The loan is paid back in instalments over time according to a pre-determined schedule. Payments are a mixture of interest and principal.

For example, a \$10,000 term loan means you get \$10,000 cash from the bank on Day 1, then you must pay it back in instalments over time with interest. Lending institutions also charge fees for borrowing so there are additional costs. The interest rate is usually fixed at the time the loan is made. The loan is repayable over five to 10 years, depending on the type of asset purchased.

Each payment of the principal further reduces the balance of the principal remaining to be paid. The interest rate may remain constant for the duration (*term*) of the loan. However, since the interest is calculated only on the remainder of the principal outstanding, the interest portion of the repayment will be reduced by each successive payment of a portion of the principal.

Term loans are used to purchase business assets such as equipment, computer systems, trucks, and buildings. The term loan is secured partially by the asset that is purchased itself (up to approximately 75 per cent of the loan may be secured in this manner, depending on the type of asset). The remainder of the loan is usually secured by other business assets of the venture, or, as could be likely in a start-up situation, the major personal assets of the members (e.g., house, cottage, vehicle).

Since the term of the loan is fixed, and hard assets act as collateral on the loan, the interest rate is usually less than that charged on an operating line of credit.

## Comparison of Debt and Equity Financing

	<b>Advantages to Co-op</b>	<b>Disadvantages</b>	<b>Realistic Sources for Start-ups</b>
<b>Equity</b>	<ul style="list-style-type: none"> <li>- No mandatory payments from cash flow (no dividends or interest on common shares)</li> </ul>	<ul style="list-style-type: none"> <li>- Dilutes the co-op's share of the value and ownership of the business venture if non-members hold shares</li> <li>- Co-op may need to issue shares that pay dividends to attract investors</li> </ul>	<ul style="list-style-type: none"> <li>- Members</li> <li>- Relatives and friends</li> <li>- Entrepreneurs</li> <li>- Co-op funds</li> </ul>
<b>Debt</b>	<ul style="list-style-type: none"> <li>- Co-op preserves ownership and control - doesn't involve issuing shares of the venture to an investor</li> <li>- Interest paid on debt is tax-deductible</li> </ul>	<ul style="list-style-type: none"> <li>- Regular, mandatory, cash payments</li> <li>- Potential loss of any collateral put up to secure the loan</li> <li>- With lines of credit, may be cancelled at any time.</li> </ul>	<ul style="list-style-type: none"> <li>- Banks, credit unions</li> <li>- Relatives and friends</li> <li>- Government lending programs</li> </ul>

# CREDIT UNIONS AND BANKS

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Credit unions and banks usually use the following to evaluate a loan request:

1. **Collateral** means the assets that can be used to obtain cash in the event of a loan default. Business loans are usually secured by assets such as company cars, accounts receivable and equipment. Since a start-up business generally has few assets, your co-op directors may be asked to provide personal collateral or to co-sign the loan agreement.
2. **Character** is usually linked to an individual's credit history. Your business plan should describe the skills and experience of members and also include letters of support or references. If lenders are confident the members who will operate the co-op bring credible experience, they may feel the risk is lower and offer a better interest rate.
3. **Credit history** is derived from credit reports sold by credit bureaus. You can check your individual credit rating by contacting Equifax at 1-800-465-7166.
4. **Capital** relates to how much members are investing in the business. Few start-ups will get 100 per cent of the money they require from debt financing, most need to show they can raise 25 to 30 per cent of their start-up costs. The ratio of debt financing to equity financing in a business start-up is its debt-to-equity ratio. If you can increase your equity, your lender faces less risk, which may reduce your interest rate. Use every asset available to your co-op, including tools, inventory, materials, equipment, furniture and cars, as equity.
5. **Capacity** involves an analysis of whether you can pay back the loan. This requires a business plan or at a minimum a set of pro forma financial statements with well-developed assumptions. If your cash flow forecast shows that you have sufficient cash available to make regular loan payments, you have capacity.

Some lenders put more emphasis on some of these things than others, so you may want to ask a potential lender for a copy of their loan evaluation criteria so you can tailor your application. Most lenders emphasize collateral to the exclusion of the other 4. However, all are important.

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### **In-kind Fundraising**

When they first opened, the CCEC Credit Union did not pay interest on deposits and loans were available to community groups at below-market rates of interest. As a co-operative solution, groups receiving loans from the credit union offered depositors lower-cost goods and services in exchange for the lower rates. Depositors enjoyed lower cost goods and services from the groups rather than benefitting directly through interest payments.<sup>5</sup>

### **Debt Financing Proposal**

While the text of a business plan is still important, the financial part of the document is emphasized by a pro-forma financial statement (see Module 5). In your plan, the following should be highlighted:

- The specific type of loan and term (length) of the loan being requested.
- What the loan will be used to purchase.
- Members' equity in the business, and investments by friends, relatives or others.
- Cash flow forecasts.
- A personal net worth statement with assets and debts if any of you are providing a personal guarantee.
- Copies of letters of intent, commitments and potential inventory orders.
- Photocopies of your insurance policies, any relevant legal contracts (for example, a start-up retailer would bring a copy of any lease they have committed to) and appraisals of any fixed assets to be involved in the financing.

You'll already have a lot of this information because you will have completed a detailed business plan.

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## Tips On Financing

1. Identify what each source you intend to approach wants (interest rate, term of loan); see if you can accept their conditions.
2. Expect financing to be a time consuming task that could take a year to complete.
3. Every financing arrangement you enter into should be reviewed by your lawyer and should be professionally documented.
4. Expect to revise your business plan over and over again in response to feedback from financing sources.
5. Ask for more money than you think you'll need; most new businesses underestimate what they need.
6. Raising money for a new business is like baking a layer cake. You likely will be combining multiple sources to make up your start-up financing.

The following table is not required for the business plan, but it shows that you know your business requirements. Lenders and investors will want to see where your financing will come from. If you are applying for a loan, the lender will likely have a similar form.

<b>Funding Sources</b>	<b>Cash Contribution</b>	<b>Non-cash Contribution (In-Kind)</b>
Members of the co-op	\$	
Family/Friends	\$	
Banks	\$	
Credit Union	\$	
Government Programs	\$	
Community Futures	\$	
Small Business Loans	\$	
Equity Capital Program	\$	
Other	\$	
Other	\$	
<b>Total Contributions</b>	<b>\$</b>	

# PUTTING YOUR PLAN INTO ACTION

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Once you have your financing, it's time to put your business plan into action. By this point you should have all of the members, board members, management and staff you need to run your business. If this is not the case, you will need to recruit members and board members and hire staff and management.

## **Hiring**

In your operations plan, you should have developed job descriptions for each of the positions you need to run the business. The job description is extremely important to have before you hire anyone, because it can be very challenging to create one once someone is already hired. The job description should include the following information:

### **Position**

Name or title of the Position

### **Job Summary**

A short summary of the job, including the purpose of the position and the main tasks or responsibilities.

### **Supervisor**

Include the name of the position by whom the employee will be supervised by or answerable to, if applicable. For example, if the position is manager, their supervisor could be the president of the co-op, as directed by the board of directors and the personnel committee.

### **Hours**

Number of hours of work per week, exact days and times, as well as any extra hours expected, such as to attend board meetings.

### **Wage**

Amount per hour, or per month if it is a salaried position

### **Benefits**

Any benefits, such as extended health insurance or dental.

### **Qualifications**

Any qualifications expected of the employee, such as education, certification, training, experience, personal qualities, etc.

### **Duties**

Clearly outline all of the responsibilities and tasks expected of the employee.

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The job description is used as a guideline for the board, management and employees and is also used to advertise for an employee. A shortened version may be posted with Human Resources Canada, a local job search office, or at a community centre, school, or other public space. You may decide to advertise the position in the classified ads of the local paper.

Before you hire anyone, you should also prepare a “terms of employment” form. This is the written contract between the co-op and the employee and should be attached to the job description. The following is an outline for the “Terms of Employment”. This example is not a legal document. You should have your lawyer look over your terms of employment.

**SAMPLE TERMS OF EMPLOYMENT:**

Further to our discussion of \_\_\_\_\_, 2001, we are pleased to confirm our offer of employment and your acceptance on the terms of employment as outlined both in the Personnel Policy Manual (see page 15), the Job Description and in the terms below.

**Employee:** (name) \_\_\_\_\_

**Start date:** \_\_\_\_\_

**Probation period:** (if applicable) 3 months

You acknowledge that the \_\_\_\_\_ Co-op is at liberty during the initial 90 day probationary period of employment to assess your ability to perform the attached duties of (name of position). During this period of probation, and/ or pending the 3 month evaluation, the \_\_\_\_\_ Co-op may terminate your employment for any reason.

**Termination:**

Employment agreed to in this contract may be terminated in the following manner in the specified circumstances: (outline your policy regarding termination of the position and entitlement to pay.)

1. By you, on the giving of two weeks notice to the \_\_\_\_\_ Co-op
2. By the \_\_\_\_\_ Co-op, on your receipt of a written notice. If

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during that time, you obtain other employment, the \_\_\_\_\_ Co-op's obligations to you will cease from the date other employment was obtained.

3. Breaching a written job review contract within the specified time frame.

After six months of employment, you are entitled to two weeks written notice of termination, or two weeks pay in lieu of this notice. After three years of employment, you are entitled to three weeks written notice or three weeks pay in lieu of the written notice.

**Interrelationships:**

This describes who the employee reports to, takes directions from and who they are responsible to supervise or work with. This may also include the employees relationship with volunteers, members, contractors or other temporary staff people.

**Employee/ Employer Evaluation:**

3 month evaluation: \_\_\_\_\_, 20\_\_\_\_

1 year evaluation: \_\_\_\_\_, 20\_\_\_\_

Further evaluations will take place yearly.

All employees of the \_\_\_\_\_ Co-op agree to abide by the current and future mandate, goals and policies of the \_\_\_\_\_ Co-op as determined by the board of directors and members of the \_\_\_\_\_ Co-op. The \_\_\_\_\_ Co-op board of directors has the right to reduce or expand on the duties outlined in the job description depending on future staffing priorities.

**Signature of employee:** \_\_\_\_\_

**Signatures of the \_\_\_\_\_ Co-op Directors:**

\_\_\_\_\_  
President

\_\_\_\_\_  
Vice-President

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

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## Personnel Policy Manual

A personnel policy manual is simply a compilation of all of your co-op's policies regarding staff and/or workers. Whether or not your employees/workers are members or non-members, policies must be in place regarding employee or worker rights and responsibilities, the co-op's rights and responsibilities, hours of work and overtime, training, discipline and dismissal, grievance procedures, evaluations, holiday and vacation time and benefits.

To begin, you may find another co-op with a similar employment and governance structure to yours that would allow you to use their personal policy as a template. The provincial ministry responsible for ensuring employment standards may also provide guidelines for personnel policies.

## Finding Co-op Members

Many co-ops prepare a *sell sheet* (see module 2), a one-page list of all the benefits of their product/service and the co-op structure. This provides a quick reference when you are doing your market survey (see Module 2), and may also be left with survey participants to study at their leisure. The sell sheet also helps to solidify the current members understanding and presentation of the co-op.

If you kept a list of potential members during your market research, now it's time to invite these people to a public information meeting or membership orientation session. Provide participants with information on your proposed co-op, and ask for feedback on your ideas. Make your gatherings fun. You may even organize a celebration or music event.

Don't miss celebrating your grand opening! This is a chance to celebrate all of those who made the co-op happen, and to get the community interested in your co-op.

## Maintaining Your Co-op

The development of a co-op does not end after the grand opening. It is an ongoing process of challenges, learning and growth. A healthy co-op will keep its members informed and active in decision making. This is rarely an easy task. If the co-op expands, the challenge of maintaining member participation will increase.

New co-ops often experience a shift in the first couple of years, as the

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movement and excitement of getting a co-op started becomes the daily challenge of keeping the co-op running. Sometimes members of the core group find their interest was more in the development process and not the day-to-day activities, and other members not as active in the development process may find a new place on the board that is running the co-op.

To make this transition easier, the members, especially the core group, needs to be flexible, accepting that change is normal, not holding on too tightly to their originally objectives, and preparing for change through strategic planning (see Module 1) and ongoing evaluations.

### **Annual General Meeting**

If you are an incorporated co-op, you are required to hold an Annual General Meeting (AGM) every year within four months of your co-op's fiscal year end. Semi-annual general meetings and general meetings should also be held to keep members involved in decision making. At the AGM and at general meetings, the committees and directors make reports to the members about the financial status of the co-op and any important information that the members need to make informed decisions on policy, goals or other important issues. The AGM also when the members elect the directors. Your rules will outline how elections must take place and other details regarding conduct at general meetings (see Module 7).

#### **The Annual General Meeting**

Getting members out to an AGM can sometimes be a challenging task, especially for older established co-ops with large memberships. The Nechacko Valley Credit Union sometime holds a special event around their AGM to attract more people. "For their 50<sup>th</sup> anniversary Annual General Meeting the Credit Union brought in a local doctor...who made a slide presentation of his trip to Mount Everest. There was a lot of interest in the community and they were able to pack the hall for the event." <sup>6</sup>

# FULFILLING YOUR CO-OP PRINCIPLES

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A number of the co-op principles should already be built into your co-operative's legal structure: voluntary and open membership, democratic member control, economic participation of members; and autonomy and independence. Other principles, however, may not be, and will require special efforts to make them happen.

## Member education

One of the keys to a successful co-op is membership education. Education allows members to acquire the skills they need to run the business and to work together co-operatively. Education is also a way in which co-operatives can help to empower members in their daily lives, and to include a diversity of people, despite their qualifications. Education does not stop at the planning stage and it should always be given more than a token amount of attention.

Here are a few suggestions:

- Organise one-on-one training, skills development workshops or courses.
- Attend conferences and trade shows (for co-ops or your industry).
- Create a small member library with educational materials on co-ops and your industry, an owner's manual, and a directory of contacts and other co-ops.
- Organise a member tour of similar businesses or co-ops.
- Bring in facilitators to hold leadership development workshops.
- Participate in or start an email discussion group. These are great spaces for sharing stories, problems and solutions with other co-operators or people in your industry.

### Community Education

Radio programs at Kootenay Co-op Radio are run by community members who join the co-op by paying a \$40 membership fee. One of the privileges of membership is the access to training programmes. The training programmes include: station orientation; on-air performance; how to operate the sound board; program structure, pacing and flow; pre-recording studio; field recording; and interviewing skills. The station also has a program in place to monitor new programs for quality, content, and the programmer's technical skill. The training programs help to make radio programming accessible to a diversity of community voices.<sup>7</sup>

### Raising Awareness:

The Growing Circle Food Co-operative hopes to raise awareness of food issues, encourage more people to grow their own food, and increase its membership through ongoing educational activities. This multi-stakeholder organic food co-op holds local food fairs with guest speakers, workshops, discussions, and recipe exchanges as well as producing a community newsletter with information about food issues.<sup>8</sup>

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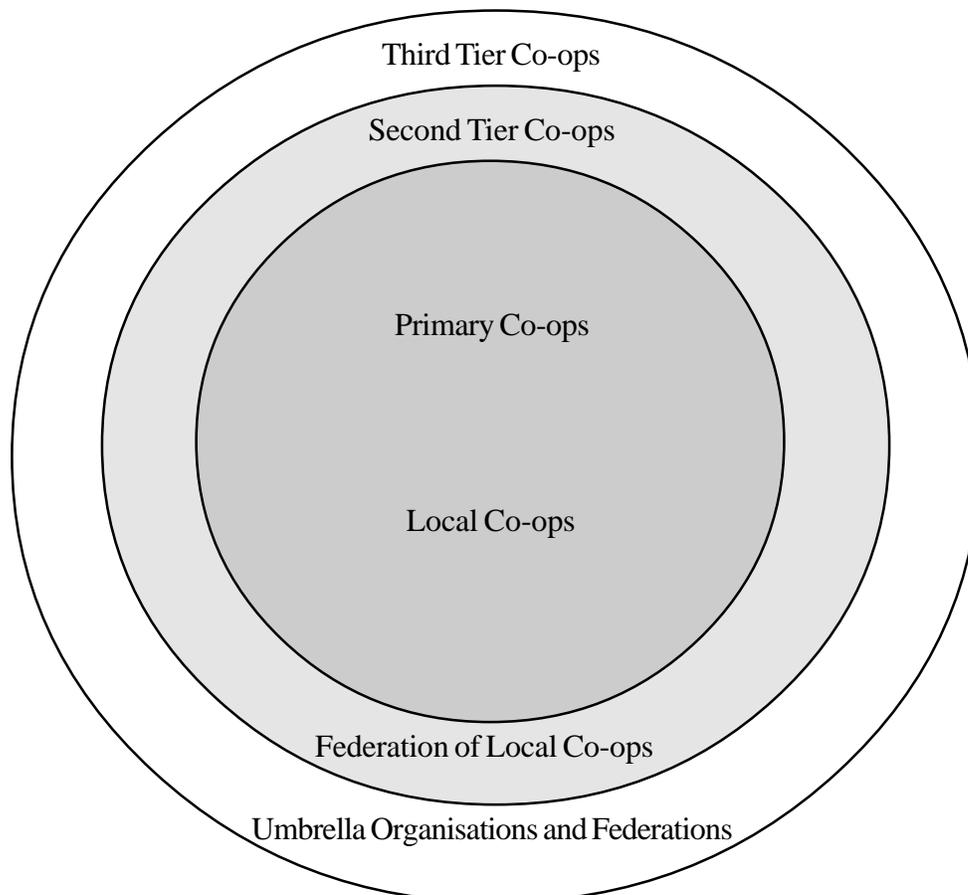
Make sure you take the time to orient to co-op members. The membership orientation kit (see Module 7) should be part of this. This is especially important in co-ops with a high member turnover (such as in student co-ops) where the loss of organizational memory could really affect the success of the co-op. Remember that the empowerment of members is fundamental to making good organisational decisions.

### **Extending Co-operation**

The last two co-operative principles take the ability of an individual co-op to meet the common needs of members and extends it to other co-ops and the larger community. Co-ops may do this by working together with other co-operatives at the local, regional, national or international level. The following information is from the Canadian Co-operative Association of BC:

#### **Primary Co-ops**

A co-op that does business or provides services directly to individual members within a local community is called a primary or first-tier co-op.



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## Second Tier Co-ops

A number of primary co-ops will often join together to start a federation or an association. These groupings are called second-tier co-ops. For example, many retail co-ops from across BC are joined together through Federated Co-operatives. Second tier federations offer a wide range of shared services to their members.

## Third Tier Co-ops

In turn, a number of federations may join together to form third-tier co-ops. Third-tier co-op organizations may represent all kinds of co-operative federations and associations. They often provide sector-wide services to their members and to the co-op movement generally. The Canadian Co-operative Association (CCA) is a third tier organization.

## Internationally

Co-operatives and credit unions are linked by organizations which represent the same type of co-operative throughout the world (an example is the World Council of Credit Unions). There is also an international organization that represents all kinds of co-ops from all around the world. It is called the International Co-operative Alliance (ICA), and is the largest non-governmental organization in the world.

Here are some other ways in which co-ops reach out to other co-ops and the community in general:

- Mutual support for other co-operatives.
- Loan funds for new co-ops or community economic development.
- Sharing resources with other co-ops and the community.
- Consulting other co-ops in their development stage, sharing your new experience.
- Promotion of co-operatives through co-operative marketing.
- Fostering new co-ops to meet other social and economic needs in your community.
- Offering grants, scholarships or bursaries to co-op members, their family or the community in general.
- Staying involved in community events and/ or sponsoring community events.
- Getting involved in Community Economic Development efforts, such as facilitating a workshop on starting a co-op business.
- Sharing resources and space.

## Co-ops Helping Co-ops:

The Harrop Proctor Community Co-op has not limited its activities to the business of the co-op. Members have also been active in reaching out to other communities and sharing their model for community-based forestry. The board of the Harrop-Proctor co-op has given presentations in several communities in BC and in Russia and continue to get calls from communities interested and eager to learn about the Harrop-Proctor community co-op model.<sup>9</sup>

## REVIEW OF MODULE 8

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In this section we have covered the following:

- How to make your start-up cash last longer through leasing, bartering or other means.
- Financing your co-operative through equity and how to acquire equity in a co-op.
- Debt financing or financing your co-op through loans and lines of credit.
- How to apply for loans from a bank or credit union.
- Hiring employees and recruiting new members.
- Maintaining your co-op over the long term.
- Fulfilling the principles of education, co-operation among co-operatives and support for community.

### **Building a New Kind of Society**

“The great objective of co-operatives should be to build community, create villages, many hundreds of them, within the larger urban setting. Around many economic and social needs, co-operative organizations can be formed which will have the combined effect of creating community. Co-operatives of all kinds will have the effect of turning a neighbourhood inward to discover its own resources and start the services required. The co-operative idea, of self-help, sharing common interests and needs can be the social adhesive holding an urban area together and transforming it into community.”<sup>10</sup>

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## End Notes

1. Waterfront Consumers Co-op: a case study. (2002) Researched and written by Nicole Chaland. <http://web.uvic.ca/bcics/casestudiesindex.htm>
2. East End Food Co-operative: a case study. (2002) Researched and written by Nicole Chaland. <http://web.uvic.ca/bcics/casestudiesindex.htm>
3. Dawson Co-operative Union: a case study. (2002) Researched by Nicole Chaland and Laura Sjolie. Written by N. Chaland. <http://web.uvic.ca/bcics/casestudiesindex.htm> See also the Calverley Collection: <http://www.calverley.dawson-creek.bc.ca/Part05-Dawson%20Creek/5-014.html>
4. Kootenay Bakery Café Cooperative: a case study. (2002) Researched by Colleen Shepherd. Written by BCICS Editorial Group. <http://web.uvic.ca/bcics/casestudiesindex.htm>
5. CCEC Credit Union: a case study. (2002) Researched and written by Nicole Chaland and Jill Kelly. <http://web.uvic.ca/bcics/casestudiesindex.htm>
6. Nechako Valley Credit Union: a case study. (2001) Researched and written by Lloy Wylie. <http://web.uvic.ca/bcics/casestudiesindex.htm>
7. Kootenay Co-op Radio: a case study. (2002) Researched by Colleen Shepherd and Andrea Zacharuk. Written by Andrea Zacharuk. <http://web.uvic.ca/bcics/casestudiesindex.htm>
8. Growing Circle Co-operative: a case study. (2002) Researched and written by Kathy Dryden with assistance from Jana Thomas. <http://web.uvic.ca/bcics/casestudiesindex.htm>
9. Harrop Proctor Community Co-op: a case study. (2002) Researched by Colleen Shepherd and Andrea Zacharuk. Written by C. Shepherd and K. Gabelmann. <http://web.uvic.ca/bcics/casestudiesindex.htm>
10. *Co-operatives in the Year 2000*. (1980) A.F. Laidlaw. Ottawa: Co-operative Union of Canada, p. 68.

# RESOURCES



<b>Starting a Small Business</b>	<b>1</b>
<b>Organising Co-ops &amp; Co-op Start-up Guides</b>	<b>7</b>
<b>Incorporating your Co-op</b>	<b>11</b>
<b>Conflict Resolution, Managing, Running a Board of Directors</b>	<b>12</b>
<b>Legislation Relevant to Starting a Co-operative</b>	<b>13</b>
<b>Co-op Resource Centres &amp; Co-op Associations</b>	<b>14</b>
<b>General Resources (including U.S. based information on co-operatives)</b>	<b>16</b>

*Inclusion as a resource is not an endorsement by BCICS. All information was accurate at the time of printing.*

# APPENDIX A: Starting a Small Business

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## General Information and Resources for Starting a Small Business

### Canada Business Service Centres

This excellent website contains a wide array of information on starting a small business in Canada. Services include information guides, government services and programs, and interactive tools for starting a business. You can also link to business services information in each province or territory (for BC, see below). Information is provided in English or French, and in the case of the territory of Inuvik, information is also available in Inuktitut and Inuinnaqtun. For more information see: <http://www.cbcs.org>

### Canada-British Columbia Small Business Service Centre

The Canada-British Columbia Business Service Centre is a comprehensive orientation service to information on all business-related topics pertinent to entrepreneurs, small businesses and start-up companies. See: <http://www.smallbusinessbc.ca/> Go to the drop down menu on the upper right of the home page – it probably says ‘popular requests’. Choose **Start-up Checklist** and you will get a page with a number of links. This site also has links to a number of publications, which you can read on-line or download (PDF), however these links are not so obvious. Start with: <http://www.smallbusinessbc.ca/guides/index.html>

### OneStop Business Registration Service

The BC government has partnered with federal and municipal governments to make it easier to start a business in British Columbia. This service can be used by: sole proprietorships, corporations, incorporated societies, partnerships, co-operatives, and associations. The OneStop system allows you to complete many of the required legal documents to get your co-operative going all at once at one of the designated computer terminals in BC. See: [http://www.onestopbc.ca/bus\\_registration.htm](http://www.onestopbc.ca/bus_registration.htm)

### Canadian Executive Services Organization (CESO) (Information available in English and French)

In Canada CESO offers the expertise and skills of volunteer native and non-native elders to First Nations, Inuit and Métis businesses and communities. CESO volunteers provide support with business plans, feasibility studies, and marketing strategies and offer training services in such things as budgeting, business training and financial management. For more information see: <http://www.ceso-saco.com/>

### Aboriginal Business Service Network (Information available in French and English)

Part of the Canada Business Service Centres, this site provides a number of links to information to both specific and general information for Aboriginal businesses. See: <http://www.cbcs.org/english/absn/>

### Canada Youth Business Foundation

This organisation provides support to youths (18 to 34 years) starting their own business. Resources include mentoring programs, business publication and a youth loan program (see below: Information on sources of financing). For more information see: <http://www.cybf.ca/> There is also a link to another site called YouthBusiness. If you like you can go directly to the site: <http://www.youthbusiness.com/>

### Business Development Bank (Information available in English and French)

From the home page of this site go to pages that provide information about start-up, finding your niche, mentorship, business plans, financing, and so on. See: <http://www.bdc.ca> There is also a page on conditions required for creating successful workers’ co-ops: [http://www.bdc.ca/en/my\\_project/Projects/articles/succes4.htm](http://www.bdc.ca/en/my_project/Projects/articles/succes4.htm)

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### **Women's Enterprise Society of British Columbia**

This non-profit organisation helps women entrepreneurs to succeed in business. Services include financing, free business counselling, business-to-business linking, workshops and training opportunities, and resource information and referral. For more information see: <http://www.wes.bc.ca>

### **Community Futures Development Association (CFDA)**

CFDA represents 31 individual Community Future Development Corporations (CFDCs) located throughout rural B.C. CFDCs foster local entrepreneurship, promote, co-ordinate and implement a variety of community development initiatives within their respective communities. CFDCs offer a variety of entrepreneurial programs, business counselling, loan programs and business information to community members interested in expanding or starting their own businesses. Community Futures is a federal government program. For more information see: <http://www.comunityfutures.ca>

### **Information on employing people**

**Human Resources Management** – that is, Information about Employing People! (Information available in French and English)

The government of Canada offers this on-line service to small- to medium- sized businesses. National to local in scope, there is both government and non-government information that is meant to help you with the many aspects of having employees. See: <http://employers.gc.ca>

**Employed or Self Employed?** (Information available in French and English)

This brochure, published by Canada Customs and Revenue Agency, outlines the differences between an employee and a contractor for tax purposes. Available Internet: <http://www.ccr-aadrc.gc.ca/E/pub/tg/rc4110ed/>

### **Information on exporting your goods**

**ExportSource** (Information available in English and French)

Team Canada Inc. (TCI) provides this online resource which offers information about exporting goods. TCI is a network of more than 21 federal government departments and agencies working with provinces and territories and other partners to help Canadian businesses succeed in world markets. See: <http://exportsource.gc.ca/> If you prefer to use the phone you can call its toll-free: 1.888.811.1119

**Strategis** (Information available in English and French)

Strategis, an on-line service of the federal government service, provides business and consumer information to all Canadians without the constraints of time and geography. See: <http://strategis.ic.gc.ca/> Follow the links to information about exports.

### **Information on finding sources of financing and financing assistance possibilities**

**Strategis** (Information available in English and French)

Strategis, an on-line service of the federal government, provides business and consumer information to all Canadians without the constraints of time and geography. See: <http://strategis.ic.gc.ca/> Follow the links to get information about financing.

T: 734.663.0889 F: 734. 663.5072 E: [info@nasco.coop](mailto:info@nasco.coop)

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### **Canada-British Columbia Small Business Service Centre**

The Canada-British Columbia Business Service Centre is a comprehensive orientation service to information on all business-related topics pertinent to entrepreneurs, small businesses and start-up companies. See: <http://www.smallbusinessbc.ca/> Go to the drop down menu on the upper right of the home page – it probably says ‘popular requests’. Choose Financing and you will get a page with a number of links with information about funding/financing possibilities. Also check out the document “Overview of Government Financial Programs” at: <http://www.smallbusinessbc.ca/pdf/overview.pdf>

**Canada Youth Business Foundation** – Information about loan applications. (Information available in English and French)

This organisation’s website, specifically aimed at young people, aged 18 to 34 years, has a step-by-step explanation of the application process for loans. CYBF provides loans for start-up costs of up to \$15,000. See: [http://www.cybf.ca/en\\_loan-application.html](http://www.cybf.ca/en_loan-application.html)

**Community Economic Development Technical Assistance (CEDTAP)** (Information available in English and French)

CEDTAP offers support to mature Community Economic Development (CED) organisations and to Community Based Organisations (CBOs) emerging in the CED field. Eligible organisations include co-operatives, community development corporations, community loan funds and other non-profit organisations. Support includes: technical assistance, community exchanges, target group initiatives (e.g., women, youth, aboriginal people, new immigrants, disability groups), information and communication technology, and tool development. Each province has its own list of assistance providers. For more information see: <http://www.carleton.ca/cstier/cedtap/>

### **Co-operators Development Fund (CDF)**

The purpose of this fund is to encourage the formation of self-sustaining co-operatives and co-operative sectors that respond to the needs of Canadians for goods and services delivered co-operatively. For more information see: [www.cooperators.ca](http://www.cooperators.ca). On the left menu, click on In the Community, then on C.E.D. Fund, and on C.D.F. Fund.

### **University Student Co-operative Housing Fund**

Established by the Co-op Housing Federation (Canada) this is a new fund that provides loans to assist with the development of co-op housing for university students or to assist existing student co-ops with their housing operations. Other co-ops may qualify for designated student units. Co-ops must be or become CHF Canada members in order to qualify for loans or loan guarantees. For more information about the fund, contact CHF Canada - 225 Metcalfe Street, Suite 311, Ottawa, ON, Canada K2P 1P9  
T: 613.230.2201 Toll-Free: 1.800.465.2752 F: 613.230.2231 E: [info@chfc.ca](mailto:info@chfc.ca)  
Or direct your inquiries to: Mark Goldblatt at [mgoldblatt@chfc.ca](mailto:mgoldblatt@chfc.ca).

### **Kagawa Fund for Student Cooperative Development**

The Kagawa Fund for Student Cooperative Development was created in 1989 to meet the need for democratically-controlled, affordably-priced co-operative housing in campus communities across North America. Begun as a joint initiative of the Campus Cooperative Development Corporation and the Cooperative Development Foundation, the Fund works in partnership with local groups and other lenders to provide risk financing for the development of new co-ops. Note: you do not have to be a registered student to qualify. The notion of student here is more about a person being open to life-long learning. For more

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information see: [http://www.umich.edu/~nasco/main\\_kaga.html](http://www.umich.edu/~nasco/main_kaga.html) Or contact - NASCO Main Office, PO Box 7715, Ann Arbor, MI 48107 USA

**Worker Co-op Fund** (Information available in English and French)

The Worker Co-op Fund is a \$1.5 million investment fund. Its purpose is to create new and to expand existing worker-owned co-operatives in Canada. The Fund is a pilot project funded by Human Resources Development Canada (Federal Government). It is currently in the pilot project phase, which has the objective to assess the viability of the creation of a permanent self-sustaining fund to support the development and expansion of worker co-op enterprises in Canada. Funds will be used by the Canadian Worker Co-op Federation (CWCF) to invest in worker co-ops across Canada judged by the Fund Investment Committee to have the greatest potential for success. For more information see: <http://www.workercoop.ca>. Scroll down the left page to find the link to the information. \*\*Note: Be sure to check out the “Changes to the Fund” (April 2002).

**Credit Union Central of British Columbia (CUC BC)**

CUC BC works to further credit union growth and strength through the provision of core financial and trade association services. Members of local credit union boards have the opportunity to participate in CUC decision-making. Some local credit unions support co-op development in their communities. The CUC BC website provides a listing of credit unions in BC. For more information see: <http://www.cucbc.com>. Or contact - 1441 Creekside Drive, Vancouver, BC V6J 4S7  
T: 604.734.2511 F: 604.737.5055 E: [info@cucbc.com](mailto:info@cucbc.com)

**VanCity Capital Corporation**

VanCity Capital is a wholly owned subsidiary of VanCity Credit Union. It specialises in providing subordinated debt financing to small and medium sized BC businesses, non-profits and co-operatives. For more information see: [http://www.vancitycapital.com/social/multiple\\_roi.html](http://www.vancitycapital.com/social/multiple_roi.html) Check the menu under Social Enterprises. Or contact - VanCity Capital Corporation, 7<sup>th</sup> floor - 815 W. Hastings Street, Vancouver, BC V6C 1B4  
T: 606.877.6565 F: 604.871.5409

**CCEC Credit Union — Share Purchase Loans**

CCEC Credit Union, located in the Commercial Drive area of Vancouver, BC has been specialising in financial services for housing co-ops since 1976. CCEC has enabled hundreds of people to meet the financial requirements of housing co-ops by negotiating share purchase loans. For more information see: <http://www.ccec.bc.ca/ccec/products/coop.html> Or contact - CCEC Credit Union, 2250 Commercial Drive, Vancouver, BC V5N 5P9  
T: 604.254.4100 Toll-Free: 1.866.254.4100 F: 604.254.6558 E: [cweaver@ccec.bc.ca](mailto:cweaver@ccec.bc.ca)

**Canadian Alternative Investment Cooperative (CAIC)** (Information available in French and English)

CAIC was formed in the early 1980s by a number of religious communities who wanted to pool their resources in order to make investments that support positive social change and promote alternative economic structures. Currently CAIC has fifty-one members and a lending pool of approximately \$7 million that supports alternative economic structures that are supportive of worker co-operatives, disadvantaged peoples and the environment. For more information see: <http://www.caic.ca/index.htm>

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### acre Fund

The Acre Fund provides community oriented mortgage funding to non-profit organisations or consumer directed corporations that are creating or preserving affordable housing or projects which benefit seniors, families and special needs people. See: <http://www.acrefund.com/>

### Social Investment Forum

The organisation is based in the United States but its website contains a list of Canadian-based financial services. See: <http://www.socialinvest.org> This site has a directory of financial services for socially and environmentally concerned businesses. The directory is located at: <http://www.socialinvest.org/areas/sriguide/directory>

## Information on grant proposal writing

### Basic Elements of Grant Writing

There are a number of funding agencies, including foundations, which might be willing to provide some kind of financial assistance to your co-op. Writing a grant proposal that has a chance of being successful is critical. We suggest you read the document entitled *Basic Elements of Grant Writing*. It is produced by an American organisation, the Corporation for Public Broadcasting. See: <http://www.cpb.org/grants/grantwriting.html>

## Information on marketing

### Canada-British Columbia Small Business Service Centre

The Canada-British Columbia Business Service Centre is a comprehensive orientation service to information on all business-related topics pertinent to entrepreneurs, small businesses and start-up companies. See: <http://www.smallbusinessbc.ca/> Go to the drop down menu on the upper right of the home page – it probably says ‘popular requests’. Choose Marketing and you will get a page with a number of links.

### Strategis (Information available in English and French)

The Strategis federal government website has excellent information to assist you in researching your market at: <http://strategis.ic.gc.ca>

### BC Stats

BC Stats is the central statistical agency of the Province of British Columbia. It has the provincial government’s largest concentration of statistical products, services and expertise. There is a lot of marketing research information for your business plan. This site also has a link to the latest Canada Census data. For more information see: <http://www.bcstats.gov.bc.ca/index.htm>

## Information on writing your business plan

### Canada-British Columbia Small Business Service Centre

The Canada-British Columbia Small Business Service Centre is a comprehensive orientation service to information on all business-related topics pertinent to entrepreneurs, small businesses and start-up companies. Go to the drop down menu on the upper right of the home page – it probably says ‘popular requests’. Choose Business Planning and you will get a page with a number of links. See: <http://www.smallbusinessbc.ca/>

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### **Interactive Business Planner (IBP)**

This is an on-line business planner designed for small business start-up. It provides sample business plans but does not include information or samples specific to co-ops. See: <http://www.cbsc.org/ibp/>

### **Solutions for small business: Business planning and financial forecasting**

This booklet is worth looking at. It is a joint publication of the governments of BC (Ministry of Competition, Science, and Enterprise) and Canada (Western Economic Diversification) (Revised 2002).

Available Internet: <http://www.smallbusinessbc.ca/pdf/bpff2002.pdf>

### **Sample Size Calculator (The Survey System)**

This Sample Size Calculator helps you to determine how many people you need survey in order to get results that reflect the target population as precisely as needed. You can also find the level of precision you have in an existing sample. See: <http://www.surveysystem.com/sscalc.htm> Information on taxes.

### **Canada Customs and Revenue Agency (CCRA)**

CCRA's mission is to promote compliance with Canada's tax, trade, and border legislation and regulations. It is possible to do a lot of research on its website and to also get needed forms. See: <http://www.ccra-adrc.gc.ca>

Or, check the Blue Pages in the phone book. In particular, you might want to look at the following:

- **CCRA Guide for Canadian Small Businesses (RC 4070)**  
This guide includes information on GST, how to get a business number and other obligations and entitlement under laws administered by CCRA. Available Internet: <http://www.ccra-adrc.gc.ca/E/pub/tg/rc4070eq/>
- **CCRA Bulletin about co-operatives in an 'agency relationship' (IT 493)**  
This CCRA bulletin about co-operatives in an 'agency' discusses the tax treatment of co-operatives that have an agency relationship with their members in respect of income and/or property. Available Internet: <http://www.ccra-adrc.gc.ca/E/pub/tp/it493/it493-e.html>
- **CCRA Bulletin about Patronage Dividends (IT 362R)**  
In computing income for a taxation year, a co-operative is allowed to deduct patronage dividend payments made to members. This bulletin discusses the conditions set forth in section 135 that must be met in order to deduct the amount of the payments. Claimants are required to file Form T2S(16). Available Internet: <http://www.ccra-adrc.gc.ca/E/pub/tp/it362r/it362r-e.html>

**Principles of Canadian income tax law** (2<sup>nd</sup> edition) (1997) P. W. Hogg & J. E. Magee. Toronto, ON: Carswell.

**The fundamentals of Canadian income tax** (6<sup>th</sup> edition) (2000) V. Krishna Scarborough, ON: Carswell.

## APPENDIX B: Organising and Startup Guides

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### **Co-operatives By Design – Building Blocks to Co-op Development.** (2002) BCICS

If you are reading this you probably have this guide or at least part of it; however, we are mentioning it here in case this section gets separated from the manual for some reason. *Co-ops By Design* is a clearly written guidebook designed to help you help yourself. It takes you through the process of developing your co-op, from forming your core group, to developing your business plan, to starting your co-op operations. For more information see: <http://web.uvic.ca/bcics> Or contact - BCICS, University of Victoria, University House 2, Room 109, PO Box 3060, STN CSC, Victoria, BC V8W 3R4  
T: 250.472.4539 F: 250.472.4541 E: [rochdale@uvic.ca](mailto:rochdale@uvic.ca)

### **The BC Co-op Developers Network (CDN)**

CDN is a service provide by the combined efforts of co-op development professionals in British Columbia and the BC Region of the Canadian Co-operative Association. CDN was established to address the need for an organised professional resource pool to support co-op development in a coherent and integrated manner. It is designed to link experienced co-op development professionals to communities and groups that need assistance with the establishment and growth of co-ops. It also provides a means for developers to share information, ideas and to collaborate on projects, and it supports professional training and other skill development opportunities for co-op developers. For more information see: <http://quickplace.ucscop.com/QuickPlace/coopdevnet/Main.nsf>. Or contact: BC Co-op Developers Network, c/o CCA – BC Region, Suite 390 – 319 West Pender, Vancouver, BC V6B 1T4  
T: 604.662.3906 F: 604.662.3968 E: [info@CoopsCanada.coop](mailto:info@CoopsCanada.coop)

### **West Coast Development Cooperative (DevCo)**

DevCo is a workers' co-op of co-operative developers who provide complete resource group services to new and existing co-ops of all types, mainly in BC, although its members also have experience in other jurisdictions. Its services include development of incorporation documents, member and director training, business planning, organisational development, conflict resolution, and change management. For more information contact - Melanie Conn – 626 Slocan St., Vancouver, BC V5K 3X7  
T: 604.736.0935 F: 604.737.4901 E: [mconn@sfu.ca](mailto:mconn@sfu.ca)  
OR - Marty Frost - S44, C39, RR#2, Galiano island, BC V0N 1P0  
T: 604-251-6710 E: [martyfrost@sprint.ca](mailto:martyfrost@sprint.ca)

### **The Co-operative Enterprise Centre (CEC)**

The CEC provides group workshops and one-on-one counselling for starting up a co-operative enterprise. It also offers specialised workshops and assistance to those working with a disability or special needs. The centre is supported by Human Resources Development Canada (HRDC). For more information see: <http://www.co-opinfo.com>  
T: 250.384.6451 Toll-free: 1.877.543.645.

### **Resource groups that start housing co-ops**

The following groups are listed by the Co-op Housing Federation of BC as resources to contact if you are interested in starting a housing co-op:

#### ❖ **ARC Research Co-op**

ARC is a worker's co-op which assists and advises groups in the development of projects and communities which include: non-profit rental & co-op housing; equity housing co-ops; adult and child care facilities; and, non-profit group housing / transition housing. For more information see: <http://www.accessbc.net/arc/archome.htm> Or contact: 107-2050 Scotia St., Vancouver, BC V5T 4T1  
T: 604.875.1836 F: 604.875.0310 E: [arcinfo@accessbc.net](mailto:arcinfo@accessbc.net)

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❖ **Columbia Housing Advisory Association (CHAA)**

CHAA, among other activities, provides development and education services to people wanting to develop housing co-operatives.

For more information contact - Executive Director (Jamie Ritchie), 202 - 2250 Commercial Dr., Vancouver, BC V5N 5P9

T: 604.255.7733 F: 604:255.0669 E: [info@columbiahousing.bc.ca](mailto:info@columbiahousing.bc.ca)

❖ **Innovative Housing Society**

This nonprofit society, among other activities, provides development and education services to societies and groups wanting to develop assisted living, co-operative or nonprofit housing projects. For more information contact - Development Manager (Joffre Pomerleau), 201-1646 West 7th Avenue, Vancouver, BC V6J 1S5

T: 604.717.6500 F: 604-734-9806 E: [innovative@his.bc.ca](mailto:innovative@his.bc.ca)

❖ **Terra Housing Consultants (THC)**

THC works with co-operatives to develop housing units. For more information see: <http://www.terrahousing.bc.ca/>. Or contact: 301, 1587 West 8<sup>th</sup> Avenue, Vancouver, BC V6J 1T5

T: 604.736.8416 F: 604.736.5800 E: [info@terrahousing.ca](mailto:info@terrahousing.ca)

**Agricultural Co-operatives: A Start-up Guide.** (1998) Andrea Harris. Canada-BC Farm Management Program.

This guide provides information on how to start an agricultural co-op in British Columbia.

**Co-operative Auto Network (CAN).** CAN is a non-profit car sharing co-op. Its website has good information AND it provides information about starting an auto co-op. For more information see: <http://www.cooperativeauto.net/page1.htm> Or contact:

T: 604.685.1393 E: [info@cooperativeauto.net](mailto:info@cooperativeauto.net)

**Health Care Co-operatives Startup.** (1999) Co-operatives Secretariat - Government of Canada (Available in English and French)

Available Internet: <http://www.agr.ca/policy/coop/contents.html>. This guide has three sections, each aimed at different audiences. The first provides developmental resource persons with an introduction to the status of the health care sector, approaches to development that are likely to generate interest among the people involved in creating new co-ops in Canada, and the co-op movement's vision of health and social services. It also presents a history of health care co-ops in Canada. The second section, intended for both development resource persons and proponents of co-operative projects, identifies needs and different co-op models. The final section, aimed at those who have decided to start a health care co-op, presents the steps in the process of starting a co-op and the factors to be considered in drawing up a good business plan.

**How to Start a Cooperative Preschool** (and other resources)

Enter this website presented by the Parent Cooperative Preschools International – see: <http://www.preschools.coop/> – and click on the link – Resources and Links – which takes you to the Resources page. This page has a number of links including one that lists publications, such as How to Start a Cooperative Preschool, which you can order from this association. There are other pages that tell you about preschool co-ops. You can also get information from - Vancouver Island Cooperative Preschool Association See: <http://www.vicpa.org>. Or contact - #27-14 Erskine Lane, Victoria, BC V8Z 7J7

T: (250) 598-CO-OP (2667) F: (250) 704-0415 E: [vicpa@vicpa.org](mailto:vicpa@vicpa.org)

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**New Generation Co-operatives: Resource Materials for Business Development Professionals and Agricultural Producers.** (2001) Saskatoon, SK: Centre for the Study of Co-operatives, University of Saskatchewan. This publication, available on-line, provides information about the New Generation Co-operative model, including taxation issues, marketing contracts, and other key issues. Available Internet: <http://www.coopstudies.usask.ca/NGC2/resourcematerial/resourcematerialse.htm>. To order a hard copy contact - Centre for the Study of Co-operatives, 101 Diefenbaker Place, University of Saskatchewan Saskatoon, SK S7N 5B8  
T: 306.966.7917 F: 306.966.8517 E: [coop.studies@usask.ca](mailto:coop.studies@usask.ca)

**Organising Fishery Co-operatives in British Columbia: A Handbook.** (2001) A. Welch. BCICS & Environmental Law Centre, University of Victoria  
This handbook provides a step-by-step guide to developing a fishery co-operative although it must be remembered that there is no one recipe for developing a co-op and that the strategies you take will largely depend on the circumstances you face. It should also be noted that this information applies to co-operatives incorporating in British Columbia only, as variations in co-operative law exist among provinces. Note that the information is **not** legal advice. Available Internet: <http://web.uvic.ca/bcics/research/fishery/fishery-handbook.html> You can also purchase a paper copy of this handbook. Contact BCICS.

**Organising Forestry Co-operatives in British Columbia: A Handbook.** (2001) A. Welch. BCICS & Environmental Law Centre, University of Victoria  
This handbook provides a step-by-step guide to developing a forestry co-operative although it must be remembered that there is no one recipe for developing a co-op and that the strategies you take will largely depend on the circumstances you face. It should also be noted that this information applies to co-ops incorporating in British Columbia only, as variations in co-operative law exist among provinces. Note that the information is **not** legal advice. Available Internet: <http://web.uvic.ca/bcics/research/forestry/forestry-handbook.html>. You can also purchase a paper copy of this handbook. Contact BCICS.

**Organising Fishery Co-operatives in British Columbia: The Legal and Policy Framework.** (2001) A. Welch. BCICS & Environmental Law Centre, University of Victoria  
This document provides general and legal information to persons interested in organising a co-operative business. It also deals specifically with legal and policy requirements facing those persons interested in establishing fishery co-ops. Topics range from the general requirements that a business planning to incorporate under the BC *Cooperative Association Act* must meet, to specific licensing requirements for harvesting the sea's resources. Other topics include security regulations, liability, and the tax implications of forming a co-op. Note that the information is **not** legal advice. Available Internet: <http://web.uvic.ca/bcics/research/fishery/fishery-legal.html>. You can also purchase a paper copy of this document. Contact BCICS.

**Organising Forestry Co-operatives in British Columbia: The Legal and Policy Framework.** (2001) A. Welch. BCICS & Environmental Law Centre, University of Victoria  
This document deals with legal requirements facing those persons interested in establishing forestry co-operatives. Topics range from the general requirements that a business planning to incorporate under the British Columbia *Cooperative Association Act* must meet to specific licensing requirements for a tree farm or community tenure in forest land. There is also some discussion of marketing value-added merchandise and other natural products, such as mushrooms or herbal products, which could be suitably combined with forestry. Other topics include security regulations, liability, and the tax implications of forming a co-operative. Note that the information is **not** legal advice. Available Internet: <http://web.uvic.ca/bcics/research/forestry/forestry-legal.html>. You can also purchase a paper copy of this document. Contact BCICS.

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**Forming our co-operative.** Co-operatives Secretariat (Available in French and English)

This is step-by-step guide that takes you through the basics of forming a co-op. In some sections you can opt for the province you live in. (Note: at press time there was no information available for BC)

Available Internet: <http://www.agr.gc.ca/policy/coop/kitcoop/index.html>

**Organizer's Handbook: bringing new co-operatives to life.** Campus Cooperative Development Corporation (CCDC)

This is a step-by-step guide to developing new student housing co-operatives; it is detailed, inspiring and easy to read. You don't have to be a registered student to find this document helpful, and it is useful for people in Canada and the United States. Available Internet: [http://www.umich.edu/~nasco/main\\_ccdc.html](http://www.umich.edu/~nasco/main_ccdc.html)

**YouBet! Plus for Co-ops: Participants' Manual.** (2000) Youth, Business and Entrepreneurship Training. BC Ministry of Small Business, Tourism and Culture & Ministry of Community Development, Cooperatives and Volunteers.

This is a start-up guide for co-operatives, intended for youth. This manual is designed as a workbook and includes worksheets for writing business plans. The manual is out of print but may be available in your library or local resource centre. Several copies are also available for loan from BCICS.

## APPENDIX C: Incorporating your Co-op

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### **Incorporating a Cooperative in British Columbia.** (2001)

This is an excellent guide prepared by the Corporate Registry with the assistance of the Ministry of Community, Aboriginal and Women's Services. It also includes in the appendices some of the forms required to file for incorporation plus the **Name Approval Request** form. Available Internet: <http://www.fin.gov.bc.ca/registries/corppg/forms/guide.pdf>. If you have difficulty downloading the document or if you do not have access to the Internet contact - Corporate Registry – the Society/Cooperative Association Unit, Write: PO Box 9431, STN Prov Govt, Victoria, BC V8W 9V3  
T: 250.356.8673

**OR**, if you are in Greater Vancouver area, T: 604.775.1046

**OR**, if you are in Victoria you can go to the office located at - 2<sup>nd</sup> Floor – 940 Blanshard Street. Office Hours: 8:30 AM to 4:30 PM (Monday –Friday)

### **Cooperative Act (BC) – forms**

Available Internet: <http://www.fin.gov.bc.ca/registries/corppg/crforms.htm#coop>  
This website offers the forms you need for incorporation and for other reporting.

### **Incorporating a Co-operative in Canada**

An information kit on incorporating a co-operative federally is available through Industry Canada's Strategis. See: [http://www.strategis.ic.gc.ca/sc\\_mrksv/corpdirengdoc/9c4.html](http://www.strategis.ic.gc.ca/sc_mrksv/corpdirengdoc/9c4.html)

## APPENDIX D: Conflict Resolution, Managing, Running a Board of Directors

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**Considering Cooperation: A Guide for New Cooperative Development** (2001) Brian M. Henehan & Bruce L. Anderson, Department of Applied Economics and Management, Cornell University

This document has several sections devoted to achieving 'smooth' governance. More information about its contents is available in General Resources below. The document is available online: <http://aem.cornell.edu/outreach/extensionpdf/eb0101.pdf>

**Creating boards that lead.** (1995) A. Hoyt

Available Internet: [www.wisc.edu/uwcc/staff/hoyt/boardlead.html](http://www.wisc.edu/uwcc/staff/hoyt/boardlead.html)

**Building united judgment, a handbook for consensus decision making.** (1981) M. Avery & The Center for Conflict Resolution. Madison, WI: The Center for Conflict Resolution.

**British Columbia corporations law guide.** (1999) CCH Canadian Limited. \*\*See especially "Directors' and officers' liability." Don Mills, ON: CCH Canadian.

**Tips for teams: A ready reference for solving common team problems.** (1995) K. Fisher. Toronto, ON: McGraw-Hill.

**Directors and officers liability.** (1995) D.F. Gormican, A.G. Henderson & Continuing Legal Education Society of BC. Vancouver, BC: The Continuing Legal Education Society of British Columbia.

**Getting to yes, negotiating agreement without giving in.** (1981) B. Patton and W. Ury. Toronto, ON: Penguin Books.

# APPENDIX E: Legislation Relevant to Starting a Co-operative

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## Legislation – British Columbia

*Cooperative Association Act* (1999) Bill 98.

Available Internet: [http://www.legis.gov.bc.ca/1998-99/3rd\\_read/gov98-3.htm](http://www.legis.gov.bc.ca/1998-99/3rd_read/gov98-3.htm)

*Cooperative Association Amendment Act* (2000) Bill 9.

Available Internet: [http://www.legis.gov.bc.ca/2000/1st\\_read/gov09-1.htm](http://www.legis.gov.bc.ca/2000/1st_read/gov09-1.htm)

*The Company Act* (RSBC 1996).

Available Internet: [http://www.qp.gov.bc.ca/statreg/stat/C/CompanyAct/96062\\_00.htm](http://www.qp.gov.bc.ca/statreg/stat/C/CompanyAct/96062_00.htm)

*The Securities Act* (RSBC 1996) Chapter 418.

Available Internet: [http://www.qp.gov.bc.ca/statreg/stat/S/96418\\_01.htm](http://www.qp.gov.bc.ca/statreg/stat/S/96418_01.htm)

Note: the electronic version of the above *Acts* is for information only. The printed version remains the official version. Official printed versions of the above can be obtained from - Crown Publications, 521 Fort Street, Victoria, BC V8W 1E7

T: 250.386.4636

F: 250.386.0221

E: [crown@pinc.com](mailto:crown@pinc.com)

## Legislation – Federal

*Canada Cooperatives Act* (1998)

Available Internet: <http://laws.justice.gc.ca/en/C-1.7/index.html>

*Canada Business Corporations Act* (RSC 1985) Chapter C-44.

Available Internet: <http://laws.justice.gc.ca/en/C-44/index.html>

# APPENDIX F: Co-op Resource Centres and Associations

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## **British Columbia Institute for Co-operative Studies (BCICS) – University of Victoria**

BCICS is a catalyst for research, learning, and teaching about co-operative thought and practice through the development of Co-operative Studies as an established field of inquiry. The Institute collaborates with other post-secondary institutions, the co-op sector, governments, individuals and communities interested in co-operative development. It also does original research with co-operatives, publishes its research, and maintains a resource centre of co-operative materials for both students, researchers, and interested members of the public. See: <http://web.uvic.ca/bcics>

Or contact - BCICS, University of Victoria, University House 2, Room 109 PO Box 3060, STN CSC, Victoria, BC V8W 3R4

T: 250.472.4539 F: 250.472.4541 E: [rochdale@uvic.ca](mailto:rochdale@uvic.ca)

## **Centre for the Study of Co-operatives (CSC) – University of Saskatchewan**

CSC develops and offers university courses that provide an understanding of co-operative theory, principles, development, structures, and legislation. It also undertakes original research into co-operatives, publishes co-operative research, and it maintains a resource centre of co-operative materials that supports the Centre's teaching and research functions. For more information see: <http://www.coop-studies.usask.ca/> Or contact - CSC, 158 Diefenbaker Centre, Saskatoon SK S7N 0W0

E: [coop.studies@usask.ca](mailto:coop.studies@usask.ca)

## **Canadian Co-operative Association – BC Region (CCA-BC)**

CCA-BC promotes co-operative enterprise and provides support services to its members and the broader co-op sector in British Columbia. See: <http://www.ccabc.bc.ca/> Or contact: #390 – 319 West Pender, Vancouver, BC V6B 1T4

T: 604.662.3906 F: 604.662.3968 E: [general@ccabc.bc.ca](mailto:general@ccabc.bc.ca)

## **Canadian Co-operative Association (CCA)**

CCA is the umbrella organisation for all types of co-ops in English-speaking Canada; CCA speaks for the Canadian co-operative sector on government and public policy issues, and promotes the growth of co-operatives through public information, education programs, and special development projects. For more information see: <http://www.coopcca.com> Or contact: Suite 400, 275 Bank Street. Ottawa, Ontario. K2P 2L6

T: 613.238.6711 F: 613.567.0658 E: [info@CoopsCanada.coop](mailto:info@CoopsCanada.coop)

## **Conseil Canadien de la Coopération (CCC)**

CCC is the umbrella organization for Francophone co-operatives in Canada. For more information see: <http://www.granco.ca/ca>

## **Co-operatives Secretariat (Information available in French and English)**

The Co-operatives Secretariat is dedicated to economic growth and social development of Canadian society through co-operative enterprise. Check out the different pages and publications available through this site.

See: <http://www.agr.gc.ca/policy/coop/accueil.html>. Or contact - 1525 Carling Avenue, 3<sup>rd</sup> floor, Ottawa, Ontario K1A 0C5

T: (613) 759-7194 F: (613) 759-7489 E: [coops@agr.gc.ca](mailto:coops@agr.gc.ca)

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### **BC Housing Co-op Federation (CHF BC)**

CHF BC is a co-operative association whose members are housing co-ops and related organisations in British Columbia. The purpose of CHF BC is to expand non-profit co-op housing, promote better housing conditions in BC, share skill and information, and to represent co-op housing to governments and the public. The website is helpful to people who live in housing co-ops or who are interested in joining one. See: <http://www.chf.bc.ca/>. CHF BC does **not** assist people in developing co-ops; however, if you are interested in starting a housing co-op check the FAQ page: <http://www.chf.bc.ca/pages/about5.asp#owncoop> – and click on: How do I start my own co-op. This will lead you to useful information and provides links to resources that can help you develop a housing co-op. Or contact: #200 - 5550 Fraser Street, Vancouver, BC V5W 2Z4

T: 604.879.5111 Toll-free: 1.866.879.5111 F: (604) 879-4611 E: [info@chf.bc.ca](mailto:info@chf.bc.ca)

**Or** - #410 - 1105 Pandora Avenue, Victoria, BC V8W 3P9

T: (250) 384-9444 F: (250) 384-0349 E: [islandinfo@chfc.bc.ca](mailto:islandinfo@chfc.bc.ca)

### **Co-operative Housing Federation of Canada (CHF Canada)** (Information available in French and English)

CHF Canada is the nationwide umbrella organization for co-op housing and Canada's link with co-op housing around the world. It represents and serves the co-op housing community across Canada. See: <http://www.chfc.ca/> You might be particularly interested in its "About Co-op Housing Page".

### **Canadian Worker Co-op Federation (CWCF)** (Information available in English and French)

The CWCF works for the development and expansion of businesses organised according to co-operative principles and the principles of worker ownership and control, and promotes the ideals of democracy in the work place. It also provides leadership and a voice for worker co-ops. The CWCF also manages the Worker Co-op Fund. See: <http://www.workercoop.ca/>

### **International Co-operative Alliance (ICA)**

The ICA is an international non-governmental organisation which unites, represents and serves co-operatives worldwide. Its website contains information on the ICA, its aims and activities, and information on the co-operative movement in different economic sectors: agriculture, banking, credit, consumer, energy, fisheries, housing, insurance, workers, tourism and health care, as well as links to other sites and issues of interest to co-operators. See: <http://www.coop.org/ica/>

# APPENDIX G: General Resources (Including U.S. based information on co-operatives)

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## **Aboriginal Youth Business Council (AYBC)**

AYBC is a volunteer run, non-profit, youth-driven council of First Nation, Métis, & Inuit entrepreneurs; their website is a resource for youth to learn about business. See: <http://www.aybc.org>

## **First Nations Development Institute (FNDI)**

The mission of FNDI is to help Native communities rebuild their economies through asset-based community economic development. Its programs and strategies focus on assisting “tribes and Native communities so they control, create, leverage, utilize and retain their assets”. See: <http://www.firstnations.org>

## **Canadian CED Network**

This organisation promotes and provides resources on community economic development. See: <http://www.canadiancednetwork.org>

## **Centre for Community Enterprise**

The Centre for Community Enterprise provides a variety of resources on community economic development. See: <http://www.cedworks.com/>

## **Community Economic Development Centre, Simon Fraser University**

The CED Centre at SFU encourages accountable, sustainable and appropriate community economic development in BC. Its website includes resources on small business, community economic development, and co-operatives. For more information see: <http://www.sfu.ca/cedc/>

## **GroundWorks Learning Centre**

GroundWorks is a joint project between Common Ground Community Mapping Project and LifeCycles to provide a resource centre which includes a lending library, with books on social development, community economic development, sustainability, business planning and other guides. For more information: <http://www3.telus.net/cground/groundworks.html>. Visit: 521 Superior St., Victoria, BC Or contact: 527 Michigan St., Victoria, BC V8V 1S1  
T: 250.360.0799 F: 250.386.3449 E: [groundworks@telus.net](mailto:groundworks@telus.net)

## **Co-op Housing Bookstore**

This bookstore provides educational materials to help housing co-ops in their day-to-day management and in building stronger communities. For more information see: <http://www.coophousing.com/bookstore.html>  
Or contact: 22 Mowat Avenue, Suite 100, Toronto, Ontario M6K 3E8

## **Cooperative Grocer Online** (U.S. based information)

This is a bi-monthly trade magazine for food co-operatives. It includes links to online publications for co-operatives. See: <http://www.cooperativegrocer.com/index.html>

## **Center for Cooperatives**

The centre is focuses on educations, research, and development assistance to meet the needs of co-ops, their members, and the public. For more information see: <http://www.ucdavis.coop>

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### **University of Wisconsin Center for Cooperatives (UWCC)**

There are many interesting things to read as well as links to useful resources on the UWCC website. See: <http://www.wisc.edu/uwcc/>. In particular you might want to look at: Co-operatives: A tool for community economic development. This nine-chapter manual was produced by the UW Center for Cooperatives and Cooperative Development Services (CDS) for the 1998 Cooperative Development Training Conference. See: <http://www.wisc.edu/uwcc/manual/cover.html>

### **National Cooperative Business Association (U.S. based information)**

The mission of the National Cooperative Business Association is to develop, advance, and protect cooperative enterprise of all kinds. For more information see: <http://www.ncba.org/> Or contact: 1401 New York Avenue, N.W., Suite 1100. Washington, DC. 20005, USA.

**Developing successful worker co-operatives.** (1988) C. Cornforth, A. Thomas, J. Lewis & R. Spear. London: Sage Publications

### **Considering Cooperation: A Guide for New Cooperative Development.** (2001) Brian M. Henehan & Bruce L. Anderson, Department of Applied Economics and Management, Cornell University

This document reviews the main elements needed for the successful formation and development of new co-ops. It presents six phases of co-operative formation including: 1) identifying the opportunity, 2) building consensus on the potential for a co-op, 3) developing trust among potential members, 4) securing member commitment, 5) involving other stakeholders, and 6) starting up the co-op enterprise. The roles and selection of qualified advisors are presented for each phase. Available Internet: <http://aem.cornell.edu/outreach/extensionpdf/eb0101.pdf>. Also available at: [http://www.wisc.edu/uwcc/info/i\\_pages/coopdev.html](http://www.wisc.edu/uwcc/info/i_pages/coopdev.html). Or contact - Carol Thomson, Department of Applied Economics and Management, 204 Warren Hall, Cornell University, Ithaca, NY 14853

T: 607.255.5464 E: [cmt8@cornell.edu](mailto:cmt8@cornell.edu)

### **How to start a co-operative.** (U.S. based information) (1996) G. Ely & G. Rapp

U.S. Department of Agriculture, Rural Business Cooperative Service.

Available Internet: <http://www.rurdev.usda.gov/rbs/pub/cir7/cir7rpt.htm>

### **Co-ops 101: An introduction to cooperatives.** (U.S. based) (1997)

Cooperative information report 55. U. S. Department of Agriculture (USDA) – Rural Business Cooperative Service. Available Internet: [www.rurdev.usda.gov/agency/rbcds/html/](http://www.rurdev.usda.gov/agency/rbcds/html/)

### **Steps to Starting a Marketing Co-op,** 2<sup>nd</sup> edition. (U.S. based information) (2000) Karen Zimbleman, Kim Coontz, Audrey Malan. Centre for Cooperatives, University of California.

This is a user-friendly guide (U.S. based) to incorporating a marketing cooperative. It presents an overview of the basic steps of the co-op organising process and examples of contemporary marketing cooperatives.

\*\*If you order this guide be sure to ask for the Second Edition (2000). For more information see: <http://cooperatives.ucdavis.edu/publications/marketing.html>. Or contact - Center for Cooperatives, University of California, One Shields Avenue, Davis, CA 95616 USA

T: 530.752.2408 F: 530.752.5451 E: [centerforcoops@ucdavis.edu](mailto:centerforcoops@ucdavis.edu).

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**Steps to Starting a Worker Co-op.** (U.S. based information) (1997) Gary Hansen, Kim Coontz, Audrey Malan. Center for Cooperatives, University of California & Northwest Cooperative Federation. This a user-friendly guide (U.S. based) for people interested in organising a co-operative to create income and employment opportunities. It includes organising steps, discussion of feasibility study and business plan, examples, and an annotated bibliography. For more information see: <http://cooperatives.ucdavis.edu/publications/worker.html>. Or contact - Center for Cooperatives, University of California, See above for address information.

**Balancing Ecology and Economics: A Start-up Guide for Forest Owner Cooperation.** (U.S. based information) (2000) Cooperative Development Services, University of Wisconsin & Community Forestry Resource Center. Madison, WI: Center for Cooperatives. A two-part book on the benefits of forest owner co-operation and steps to forming forest owner co-operatives and associations. For more information see: [http://www.wisc.edu/uwcc/info/org\\_for\\_forest\\_manual.html](http://www.wisc.edu/uwcc/info/org_for_forest_manual.html). Or contact - University of Wisconsin Center for Cooperatives, 230 Taylor Hall, 427 Lorch St., Madison, WI 53706-1503  
T: 608.262.0705 F: 608.262.3251 E: [padgham@ae.wisc.edu](mailto:padgham@ae.wisc.edu)

**Lessons Learned: a planning toolsite** (ca 2000) Sponsored by the National Endowment for the Arts. (a U.S.- based organisation)  
This website has a number of essays about planning. Click on the Essays button to see the various publications. Each essay is interesting. For example, the “Pillars of Planning: Mission, Values, Vision” essay offers is helpful in understanding the importance of knowing what it is that holds an organization together. If you have access to the website take the time to read this and some of the other essays. For more information see: <http://www.arts.endow.gov/pub/Lessons/index.html>

**The Power of People: Building Stronger Communities.** Helen Dewar and Associates, Know TV, and Ministry of Community Development, Cooperatives and Volunteers  
This is an excellent publication that, unfortunately, seems to be out of print. However, you may be able to find it at your local library or CED resource centre.

**Promoting a Sustainable Future: An Introduction to Community-Based Social Marketing.** (1996) Doug McKenzie-Mohr. National Round Table on the Environment and the Economy. This is a useful guide which serves as a practical tool for people seeking to implement successful sustainable development programs. It offers information needed to incorporate community-based social marketing techniques into planning. Available Internet: <http://www.nrtee-trnee.ca/publications/PROMOTE.PDF>

**Invested in the Common Good.** (1995) Susan Meeker-Lowry. Gabriola Island, BC: New Society Publishers  
This book talks about how to invest money, time and skills in a way that will create “the best possible safety net: vibrant home-grown economies [that are] inoculated against large corporations and rooted in local ecosystems and cultures.” Check your local library or resource centre.

**New Social Entrepreneurs: the Success, Challenge and Lessons of Non-Profit Enterprise Creation.** (1996) Jed Emerson & Fay Twersky. San Francisco: CA: The Robert’s Foundation Homeless

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Economic Development Fund.

The book is about non-profit business development. Its full text is available through the Internet in PDF.

See: [http://www.redf.org/pub\\_nse.htm](http://www.redf.org/pub_nse.htm)

**Ripples from Zambezi: Passion, entrepreneurship, and the rebirth of local economies.** (1999)

Ernesto Sirolli. Gabriola Island, BC: New Society Publishers.

This book of stories and ideas that lead to a new approach to local economic development.

**Strengthening Communities: a series of community development skills guides.** (1995) Social

Planning and Research Council of British Columbia (SPARC), Vancouver, BC

This series includes 6 guide related to aspects of community development.

**Canadian Co-operatives in the Year 2000: Memory, Mutual Aid and the Millennium.** (2000) Brett

Fairbairn, Ian MacPherson, Nora Russell – CSC, Univ of Saskatchewan.

This book has essays on how the Canadian co-operative movement undertakes and adjusts to change.