

# ÉPICERIE CO-OP GROCERY MOONBEAM

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## Legacy Leadership Lab Case Study

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# Épicerie Co-op Grocery Moonbeam

*Moonbeam, Ontario*

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In 2012 residents of the town of Moonbeam, Ontario, prevented the only grocery store in their community from shutting by converting it into a cooperative. Now it is May 2021 and the Board of Directors who represent the 800 members of the Épicerie Co-op Grocery Moonbeam are considering expanding their operations by moving into a larger building, as has been suggested by the store manager. You are the Board Treasurer, Andre Filion, and are preparing recommendations to the rest of the Board for how to handle this opportunity and outline the additional capacities or challenges arising from the decision.

## **Introduction**

In 2012, the owner of L'Épicerie Leonard, the only grocery store in the small town of Moonbeam, Ontario, decided to shut down the business unless a buyer was found by August of that year to keep the grocer in this predominantly Francophone community. Following a \$5,000 grant from the local municipality to study the feasibility of a conversion, pro-bono financial and legal advice from future volunteer board members, and support from the Conseil de la Coopération de l'Ontario (CCO), residents of Moonbeam came together to raise \$330,000 and were able to begin ownership of the store on June 7, 2013 as Épicerie Co-op Grocery Moonbeam.

## **Background**

As a co-op, Moonbeam's grocery store is collectively owned and run by members of the community. Residents of the town have seen the grocery stores of other nearby small Northern Ontario communities close their doors and presage dramatic population declines in those communities. Moonbeam has avoided this fate and actually saw its population grow over the past decade. However, the grocery store itself faces competition from a chain store in Kapuskasing, 25km away, that has ten times Épicerie Co-op Grocery Moonbeam's inventory. That said, shutdowns and safety concerns arising from the COVID-19 pandemic starting in March 2020 and the inclusion of more local products in the store have highlighted the value to the community as a local institution.

In light of this situation, the Board of Directors is considering moving the grocery store into a larger space that could offer a wider variety of products. The coop has expanded annual sales from \$1.3 million upon the conversion in 2012 to over \$1.8 million in 2018. Memberships has also grown from an initial 650 members to almost 1000 members as of 2021. While the expansion in annual sales has increased the financial capacity of the co-operative and expanding the range of products being offered is expected to further increase revenues, expanding to a new space will also increase fixed costs for the co-op due to both the increase in the size of the building and the need for more staffing to operate it.

As a consumer co-operative the consumer-members elect the Board of Directors who in turn are responsible for setting the store's strategic priorities, hiring, and some day-to-day management responsibilities. However, alongside the increased responsibilities tied to an expanded store there have also been challenges in recruiting new directors to the board. Those who serve on the Board of Directors are all volunteers and even though the co-op itself has been successful as a grocery store, few members have expressed an interest in taking on director responsibilities. This is particularly important because there are specific legal, accounting, and financial skills that are becoming more important as the co-op grows. Additionally, to the extent that new directors have joined the board come from Kapuskasing or outlying areas in the region rather than Moonbeam itself, raising concerns that the Board of Directors is losing its direct connection to its membership.

### **Key Considerations**

- The number of members in the coop continue to grow and the town has seen an increase in their population partially due to the food access the grocery store provides, and an expansion is expected to see revenues rise by 50%
- An experienced store manager has been hired who is able to effectively manage inventory and provide leadership to the staff, but this was a difficult position to fill; while they are not planning on leaving and support the store expansion this manager has become an increasingly critical position
- A bigger space is expected to cost \$1,000,000 to purchase and properly outfit and a mixture of mortgages and loans at a 3.5% annual interest rate have been arranged to finance the purchase. It is expected that the larger space will add about \$75,000 per year in staffing and other expenses.
- Before COVID-19 it was difficult to keep Moonbeam residents from going to the larger grocery store in Kapuskasing due to their larger inventory, though residents have viewed the co-op as a much safer place to shop during the pandemic, which in turn has increased members, shoppers, and revenues even further

### **Current Situation**

The journey to the ownership and sustaining of the grocery store has been a long journey for co-op members, and this move to a bigger space could bring on new challenges for the group, especially while also grappling succession issues within the Board. You are Andre Filion and you have been keeping a close eye on the finances of the cooperative since you helped with the original conversion in 2012 by providing pro bono financial services and serving on the Board. Although you are looking to leave the board, you are still serving on the board as Treasurer because it has been challenging recruiting new directors who can replace your skill set. Next week you are going to make a presentation to the Board of Directors about the potential expansion of Épicerie Co-op Grocery Moonbeam. What are the recommendations you would make to the board for how to proceed?

*Note: although this scenario is based on real events, elements of the current situation and key considerations have been fictionalized for teaching purposes. We would like to thank Épicerie Co-op Grocery Moonbeam for their participation in developing this teaching case.*