



REGENERATIVE ECONOMIES

by way of

COOPERATION

RESILIENCE THROUGH COOPERATION

AGENDA

- AN ERA OF SUBSCRIPTION BASED BUSINESSES
- BUILDING RESILIENCE INTO THE BUSINESS MODEL
- ENHANCING MEMBER PARTICIPATION
- STARTING A CO-OP FROM SCRATCH
- TRANSITIONING TO A CO-OP
- DEVELOPING THE LEADERSHIP TEAM

AN ERA OF SUBSCRIPTION BASED BUSINESS

Subscription eCommerce has grown approx. 100% since 2013.

- Consumers trading product for brand ownership

Net Promotor Score (NPS)

- Shows a trending decrease indicating that consumers are dissatisfied and expect more from brands.

AN ERA OF SUBSCRIPTION BASED BUSINESS

63 Net Promoter Score (NPS)

Represents overall customer satisfaction (NPS = %Promoters - %Detractors)



AN ERA OF SUBSCRIPTION BASED BUSINESS

Average weekly household expenditure (over all households)

By group, subgroup, and class expenditure levels⁽¹⁾

Years ended 30 June 2016 and 2019

Expenditure group, subgroup, and class ⁽¹⁾	2015/16		2018/19		Percentage change ⁽⁴⁾	Sampling error for percentage change ⁽³⁾
	Estimate ⁽²⁾	Relative sampling error ⁽³⁾	Estimate ⁽²⁾	Relative sampling error ⁽³⁾		
	Dollars	Percent	Dollars	Percent	Percent	Percent
Food						
Fruit and vegetables	24.50	4.2	23.50	4.0	-4.0	5.5
Fruit	10.50	5.0	9.60	4.7	-8.8	6.1
Vegetables	14.00	4.4	13.90	4.5	-0.4	6.3
Meat, poultry and fish	29.20	3.8	28.10	5.3	-3.8	5.7
Meat and poultry	24.60	3.8	23.30	5.3	-5.3	5.8
Fish and other seafood	4.60	8.8	4.80	10.4	3.6	13.9
Grocery food	87.80	3.9	102.80	3.3	17.2	6.3
Bread and cereals	18.60	3.3	18.30	4.2	-1.8	5.3
Milk, cheese and eggs	15.20	3.9	15.50	4.5	1.8	5.8
Oils and fats	2.80	5.2	3.30	7.8	18.2	10.7
Food additives and condiments	5.10	4.4	5.20	6.9	1.2	8.0
Confectionery, nuts and snacks	12.80	4.3	13.10	6.1	2.5	7.5
Other grocery food	33.30	9.1	47.50	7.6	42.8	17.5
Non-alcoholic beverages	11.70	5.0	11.50	6.6	-1.8	7.8
Coffee, tea and other hot drinks	3.80	6.9	3.90	11.0	4.2	13.8
Soft drinks, waters and juices	7.90	6.4	7.50	6.4	-4.7	8.3
Restaurant meals and ready-to-eat food	60.70	6.0	67.70	8.0	11.5	10.9
Restaurant meals	23.60	8.5	26.50	8.2	12.0	11.9
Ready-to-eat food	36.40	6.1	39.00	5.1	7.3	8.6
Other food services	0.70	97.5	2.20	182.7	214.4	687.6
Total food	213.90	3.2	233.60	2.9	9.2	4.7



Companies are shifting their focus:

- From loyalty driven by advertising
- To Loyalty from capturing more of the consumer spend

Source: <https://www.stats.govt.nz/information-releases/household-expenditure-statistics-year-ended-june-2019>

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Example: companies like My Food Bag, a “food-at-home” company, may have traditionally been competing for the “Restaurant meals” and “Ready-to-Eat” category spend.

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But companies have started to feel the pressure of diminishing disposable income and are therefore targeting “necessity” and broader categories of the household budget.

Source: <https://www.stats.govt.nz/information-releases/household-expenditure-statistics-year-ended-june-2019>

BUILDING RESILIENCE INTO THE BUSINESS MODEL

A BUSINESS MODEL IS COMPRISED OF TWO COMPONENTS:

- PRODUCT/SERVICE MODEL
- BUSINESS STRUCTURE MODEL

Profit & Loss Statement		
as of		
xx/xx/xxxx		
	REVENUE 1	\$ x,xxx,xxx
	REVENUE 2	\$ xxx,xxx
	REVENUE 3	\$ xx,xxx
+	TOTAL REVENUE	\$ x,xxx,xxx
	COGS 1	\$ xxx,xxx
	COGS 2	\$ xxx,xxx
	COGS 3	\$ xx,xxx
-	TOTAL COGS	\$ xxx,xxx
=	GROSS PROFIT	\$ x,xxx,xxx
	O. H. EXPENSES (variable)	\$ xx,xxx
	O. H. EXPENSES (fixed)	\$ xxx,xxx
-	TOTAL O. H. EXPENSES	\$ xxx,xxx
=	NET PROFIT	\$ xxx,xxx

Product/Service Model

Business Structure Model

BUILDING RESILIENCE INTO THE BUSINESS MODEL

Profit & Loss Statement		
as of		
xx/xx/xxxx		
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REVENUE 2		\$ xxx,xxx
REVENUE 3		\$ xx,xxx
+ TOTAL REVENUE		\$ x,xxx,xxx
COGS 1		\$ xxx,xxx
COGS 2		\$ xxx,xxx
COGS 3		\$ xx,xxx
- TOTAL COGS		\$ xxx,xxx
= GROSS PROFIT		\$ x,xxx,xxx
O. H. EXPENSES (variable)		\$ xx,xxx
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- TOTAL O. H. EXPENSES		\$ xxx,xxx
= NET PROFIT		\$ xxx,xxx

Revenue(s)

Minus (-) Cost of Goods Sold (COGS) — [D.M.
D.L.]

Gross Profit

Product/Service Model

- “Making it up with volume” is not a resilient strategy.
- Analyze the factors that make up your direct costs.
- And then take steps to reduce those costs or cover those costs through effective pricing strategy

BUILDING RESILIENCE INTO THE BUSINESS MODEL

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as of xx/xx/xxxx		
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Business Structure Model is comprised of:

- Indirect Variable Costs – varies with sales volume
- Indirect Fixed Costs – constant regardless of sales volume

If Gross Profit is positive, then we can move on to working on the business structure model.

If Gross Profit is not positive, do not pass go, do not collect \$200. 😊

Business Structure Model

BUILDING RESILIENCE INTO THE BUSINESS MODEL

Balance Sheet		
as of xx/xx/xxxx		
ASSETS		
CURRENT ASSETS		\$ xxx,xxx
FIXED ASSETS		\$ xx,xxx
TOTAL ASSETS		\$ xxx,xxx
LIABILITIES		
CURRENT LIABILITIES		\$ xx,xxx
LONG-TERM LIABILITIES		\$ xx,xxx
TOTAL LIABILITIES		\$ xx,xxx
EQUITY		
OUTSTANDING SHARES		\$ xx,xxx
RETAINED EARNINGS		\$ xxx,xxx
TOTAL EQUITY		\$ xxx,xxx
TOTAL LIABILITIES & EQUITY		\$ xxx,xxx

THE SCARIEST STATEMENT IN ALL OF FINANCE!

Let's simplify...

Assets –

- the liquid and non-liquid resources owned by the business.
- Often used to determine if the business is “worth” anything

Liabilities –

- The short-term and long-term debts owed by the business
- Often used to determine if the company is in “financial jeopardy”

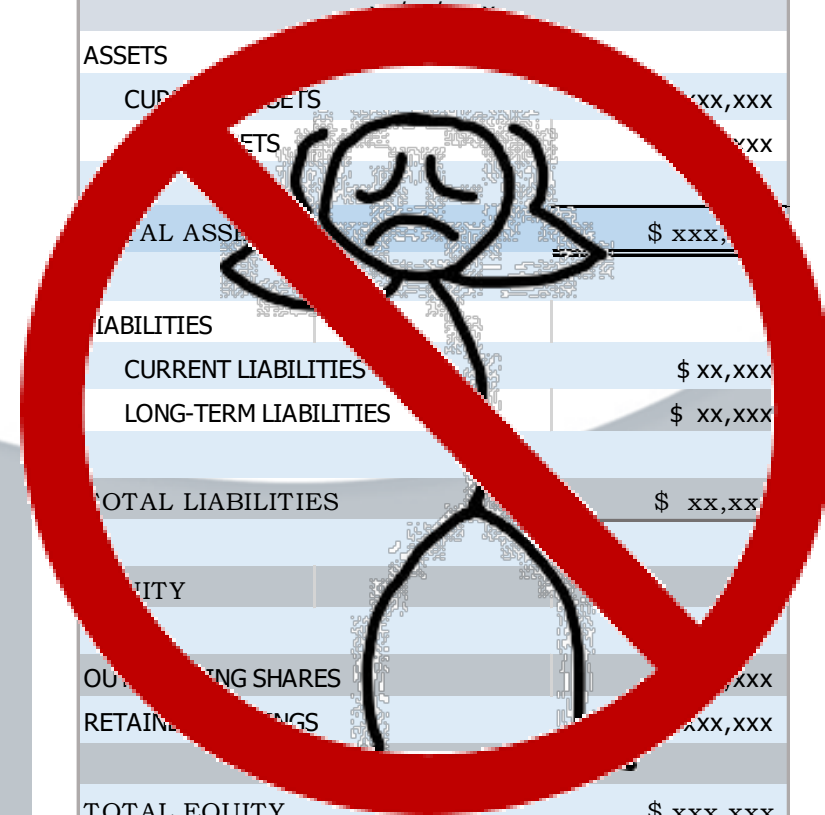
Equity –

- How much has the owner invested and/or removed from the business
- How much does the business owe to shareholders

BUILDING RESILIENCE INTO THE BUSINESS MODEL

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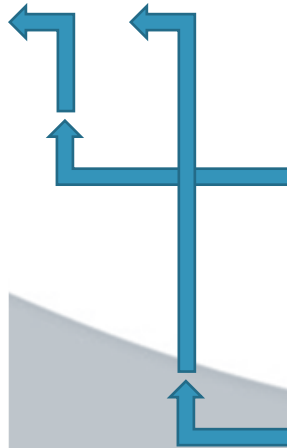


Leaves the business

BUILDING RESILIENCE INTO THE BUSINESS MODEL

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ENHANCING MEMBER PARTICIPATION

SHOW THEM THE MONEY!

ENHANCING MEMBER PARTICIPATION

SHOW THEM THE MONEY!

Actually

Show them the value they are looking for
in exchange for
their loyalty and participation.

ENHANCING MEMBER PARTICIPATION

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Short-term
Wealth
Creation

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long-term
Wealth
Creation



ENHANCING MEMBER PARTICIPATION

Short-Term Wealth Creation –

- Created through cost/pricing savings (depending on business model)
- Created through Patronage Dividends

Long-Term Wealth Creation –

- Created through equity investment/development of the co-op
- Expanding co-op membership to include more aspects of the household budget.

STARTING A CO-OP FROM SCRATCH

1. Identify Business Idea
2. Conduct Business/Market Feasibility Analysis
3. Assemble Steering Committee/Launch Board of Directors (BoD)
4. Write the Articles of Incorporation
5. Write the Cooperative Bylaws Including Detailed Conflict Resolution Policy
6. Develop Membership Application
7. Conduct Membership Drive
8. Raise Necessary Capital
9. Develop Accounting and Member Equity Management
10. Install Initial BoD Based on Adopted Bylaws

TRANSITIONING TO A CO-OP

1. Clearly Outline Reason(s) For Transitioning
2. Obtain Business Valuation
3. Gauge Employee Interest In Transitioning To Ownership
4. Revise The Articles Of Incorporation
5. Write The Cooperative Bylaws Including Detailed Conflict Resolution Policy
6. Elect “Launch”BoD and Adopt Bylaws
7. Conduct Membership Drive
8. Raise Necessary Capital
9. Modify Accounting Practices/Systems And Develop Member Equity Management
10. Install Initial Bod Based On Adopted Bylaws

DEVELOPING THE LEADERSHIP TEAM

Fiduciary Responsibility

- Duty of Care – Making “Informed” Decisions
- Duty of Loyalty – Acting without personal economic conflicts
- Duty of Good Faith – Advance interests of the corporation
- Duty of Confidentiality – Keeping corporate information confidential
- Duty of Disclosure – Acting with candor and transparency

DEVELOPING THE LEADERSHIP TEAM

Execution

- Leaders must know how to execute on strategic goals/objectives
- Starts by knowing how to identify the correct strategic goals/objectives to pursue
- Instilling a culture of systematic problem solving and goal oriented teams
- Breaking bad habits – “Activity does not equal productivity”
- Using a systematic approach like the 4DX System from Franklin Covey

DEVELOPING THE LEADERSHIP TEAM

Compassion & Accountability

- Leaders need to be trained in Emotional Intelligence (EI)
- Leaders need to be trained in the practical application of concepts like: “Leading is not about being in charge but rather taking care of those in your charge.”
- Accountability means putting systems in place where leaders can hold teams accountable and teams can hold leaders accountable
- Leaders have to create a culture where its acceptable to challenge their decisions

CONCLUSION

- The landscape of consumerism is changing. It's time for local communities to own the investments (businesses) that build resilience into the needs/wants of daily living
- Increasing financial IQ in business leaders, employees, and consumers leads to more resilient economies
- Member participation improves when we directly address the expected value characteristics
- Investing in leadership development greatly improves the resilience of the business

CONCLUSION



Kia Mihi, Vinaka, Fa'afetai, Tangkyu
Tumas, Kia Orana, Tank iu Tumas