

## MEMBERSHIP PROPOSAL prepared by Corey Berman Jan. 10/10

### Background:

Karma is in a position where, in order to be financially sustainable, needs to make more money. In fact, there have been many consecutive losing months.

Two ways to increase our profitability is to increase membership size and to increase sales per member, assuming we do not make any changes to the price of the goods.

Membership size is a function of retention of our existing members, marketing efforts to recruit to new members and how attractive it is to join Karma (eg. membership structure, costs to join, etc.)

Sales per member means that members shop for more of their groceries at Karma and is a function of price, location (convenience), hours of operation and more.

Each of the ideas listed below are meant to recover member feedback and to understand which ideas are worthy of pursuing and explore any other potential ideas.

### Membership Ideas

Idea #1 - Permit the number of hours worked to exceed 2 hours per month and excess hours can be redeemed for for a \$10 shopping credit.

#### Pros

- More likely to appeal to university students who will find it easier to perform work shifts compared to older members and members with families, jobs, etc.
- Would increase member participation at a lower cost than the current starting wage rate (assumes an hour worked by a paid staff is equal in output to the work of member labour).

#### Cons

- Would require administration time and integration into the new cashier system. The Finance Committee would likely be asked to create a control system to mitigate any misuse.

Idea #2 - Allow sales to be made to non-members, likely at a fixed surcharge (would have to be above the current 10% flat fee).

#### Pros

- Could increase sales without making commitments to join and could lead to more members as members become more interested in joining.

#### Cons

- At a surcharge above 10% the prices that non-members would face would be quite high compared to local competition.

Idea #3 - Eliminate the \$18 building fee and \$18 membership fee by a small increase in product costs (I'm estimating 2%, maybe up to 3% but that would have to be vetted by the finance committee).

#### Pros

- It would eliminate the many organizational headaches associated with billing and collecting the fees.
- It would make Karma look more appealing to outsiders since there will be less costs to paid when joining.
- Personally (Corey) speaking, I believe the fee structure is really an outdated model and not necessary for a business like Karma.

#### Cons

- The two fees account for a substantial amount of revenue and help to pad any losses Karma faces or improves gains made.
- Increased prices are almost always met by decreased demand (basic economic theory). How much demand will decrease (or how price elastic) customers are is a definitely hard to know with certainty.
- It would be difficult to understand how members will perceive this structural change - good or bad?

Idea #4 - Make the member loan \$70 or pay-what-you-can.

#### Pros

- In a recession, it is important that entry price isn't prohibitive.

#### Cons

- Equity would amongst existing members may cause strife.

#### Other Interesting Ideas

Idea #1 - Partner with a local bike courier for home deliveries, either pre-ordered or in a bundles service. The member would have to pay for the delivery service.

#### Pros

- May make Karma more accessible for elderly, the immobile or those too busy to shop. This could help both sales per member and the total membership.

#### Cons

- Would need to evaluate the viability. A discussion with a local courier would need to be discussed.