

Non-member and lapsed member shopping – current irritations and the prospects for change

Howard Kaplan, for the Board meeting of July, 2010

There seems to have been some confusion among several different questions, all of which have “15%” as their answer. This is my attempt to recap the history of those questions and to suggest current and future action. This document is based, in part, on my email discussions with Hilary Gibson-Wood and Arel Agnew about some of the issues I raise here.

Some history

Last fall, Corey Berman raised an important question while we prepared for the membership policy discussion, originally scheduled for the 2009 AGM but deferred until the February forum. He made a reasonable guess about the financially appropriate surcharge that we should ask non-members to pay, if we ever opened the store to general non-member shopping. The goal was to ensure that non-members who shopped could not get a financial advantage over either working or non-working members. I confirmed that his guess was reasonable, and so the figure published in the notes for the meetings was 15%. That is, if we were to charge a non-member a 15% surcharge, the non-member would be paying a fair share of the costs of running Karma.

Once the number had been calculated in that context, I realized that it would also be the correct number to use in a different context, that of trial shopping. Therefore, in March 2010, I asked the Finance Committee to recommend that trial shoppers pay a 15% surcharge once the cash registers allowed that to happen, and the Committee agreed. In April, the Board approved a slightly expanded version of that resolution, which I presented:

The Board hereby changes the procedures for trial shopping, effective immediately.

- Until the new cash registers are installed, all non-member shops will incur a 10% surcharge.
- When the new cash registers are installed, all non-member shops will incur a 15% surcharge.

All in favour, with one abstention (Ben). Passed.

The motion did not specify which non-member shops, other than trial shops, we would allow. However, some previous discussion, never adopted as policy, had also mentioned the occasional existence of “guests” to whom we would extend a non-regular shopping privilege when they happened to be at the store. These guests would generally be people who were at Karma on some kind of official business – our auditors, people delivering goods for us to sell, and other co-ops’ organizers visiting us to share experiences and ideas.

In the past week or so, I’ve become aware of several discussions and events that make it important for us to clarify the policy, to state just when we allow shopping by non-members (or by members whose shopping eligibility has lapsed):

- The new cash registers have a button for “GUEST SHOP”, though there is not yet much in the instructions telling cashiers when it is appropriate to use that button.
- At the recent open house, it was mentioned that Karma is considering opening its shopping to non-members at a 15% surcharge.
- Occasionally, someone who appears to be a housemate of a member, clearly confused about exactly what is the membership situation, shops using the member’s number, and the member labour cashiers don’t feel authorized to stop the person.

- I was working in the office when an ex-member who's rarely in Toronto wanted to do a little shopping. I warned her that she wouldn't like my answer, told her the official policy, and also referred her to a staff member who would probably give her an answer she liked better (which is what actually happened).
- Justin has suggested that members who have not paid their Member Services fee be allowed to shop at a 15% surcharge, since that privilege is going to be available to non-members.

There are a number of reasons that we have generally not allowed non-members to shop, of which these are the most important; I have also added my own view of the current relevance of each reason.

- The by-laws implicitly state that only members may shop, while the membership policy explicitly states that. (My view: This remains relevant, and the existing though unofficial exception for trial shoppers is clearly in support of encouraging membership. The exception for people on official business is not obviously consistent with the membership policy, though it is typical for businesses to extend such small courtesies to each other.)
- It would be financially unfair to members. (My view: With the new cash registers now in place and able to charge a 15% surcharge, there is no longer any such unfairness.)
- The membership has not asked or authorized Karma to extend shopping to non-members. (My view: This is true, although the February results suggest that members might approve the idea if formally asked.)
- It would discourage membership. People could get what many of them perceive as the main benefit of Karma membership, access to our product line, without needing to take any responsibility for Karma and its further development. (My view: This is still true.)
- It would interfere with enforcing membership obligations, because members who fail to meet those obligations could simply shop as non-members. (My view: This is true, as Justin recognized in making his proposal.)
- If it reduced membership, it could make it difficult to decide how to budget for member services expenses, as there would be some shift of income from membership fees to surcharges. (My view: This is true, though it would not be hard to devise some appropriate principle for setting that budget.)
- It would be operationally disruptive, because Karma shoppers need to receive orientation, especially concerning bulk goods. (My view: This may become less important, especially if we prepare some good, illustrated instructions to post near the scales. However, what I think about this matter is less important than what the staff think.)
- Regulations under the Co-operative Corporations Act require us to do at least 50% of our business with members. (My view: For the near future, there is no reason to worry that non-member shopping will approach anything like 50% of our business.)

In summary, we currently have no authorization to extend shopping to non-members in general, though some of the arguments against seeking such authorization are less valid than they used to be. Also, as a matter of Karma practice (though not specified in the by-laws), neither the Board nor the General Manager has the authority to change the shopping limitations contained in our Membership Policy.

Shopping by non-members

Therefore, I offer the following as the starting point for a resolution about non-member shopping, with the understanding that other Board members might want to add additional clauses. (This resolution does not address what to do about members who are delinquent in paying their fees; that's a separate issue, discussed below.) My guiding principle is that, except for trial shoppers,

non-members may not come to Karma for the purpose of shopping, but people coming to Karma for other official purposes may do a little shopping while they're here. I recognize that this list does not do anything for the ex-members or the housemates, because I do not support extending shopping privileges to them until a full review of our membership policy. We should also consider whether or not to impose any kind of size-of-shop limit on the people in the second and third of the categories listed below.

The Board hereby clarifies the current policy on non-member shopping. The following non-members of Karma, and no others, may shop for a 15% surcharge:

- Legitimate trial shoppers, whether or not they have completed orientation, provided that they complete a trial shopper certificate, but not more than twice per shopper
- People who are at Karma to conduct business with Karma, including but not limited to people delivering products, people repairing equipment, and our auditors
- Officials from other co-operatives visiting Karma to meet with our officials

The Board welcomes a fuller discussion of the issue of non-member shopping as part of a general review of our membership policies and practices.

Shopping by members who have not paid their fees

People who are behind in paying their fees are not non-members, at least not at the beginning. For example, our by-laws specify that they still have political rights for four months after the fees became due, even if they don't have shopping rights. Justin has proposed letting these people shop for a 15% surcharge. Even if we do not have a general policy of letting non-members shop, I agree with the arithmetic of Justin's proposal: 15% is a fair surcharge for anyone who is not supporting Karma through payment of membership fees. (I am assuming that the people behind in their fees are non-working members, ones who ordinarily pay a 10% surcharge.) Just to put some more facts into our thinking, last summer we estimated that the average surcharge-paying member was buying \$720 per year, or \$60 per month. At that rate, the extra 5% would typically bring in \$3 per month, or \$36 per year, which is the annual fees amount. That's what I mean by saying that the arithmetic is correct.

With the new cash registers, it would be technically possible to take the last third of the 15% surcharge, the excess over the usual 10% surcharge, and apply it to paying off the membership fee over the year. That would allow a membership fee to be paid off in small parts rather than all at once. I haven't thought about the idea a lot, but my preliminary thought is that I don't like it. However, the idea may be at least worth discussing.

Even if the arithmetic works out, however, there are other issues involved. One of those issues is the payment of the membership fee as a sign of membership and commitment to membership – this was mentioned at the February Forum. I do not want to see Karma becoming a place where some members pay fees up-front and others pay them only in proportion to how much shopping they do.

Another issue is that charging both working members (especially those who are up to date in their work) and non-working members the same 15% surcharge is unfair to the former, for whom it's a 15% penalty, while for the latter it's only a 5% penalty.

Yet another issue is the difficulty that cashiers, especially member labour cashiers, can face if a member has completed shopping and needs to be told that she or he is ineligible to shop because of not paying fees. This has the potential of losing both sales and member goodwill, in addition to putting stress on the cashiers.

Justin has often challenged the Board to explain why we have policies, such as limiting shopping to members who are up to date in paying their fees, which thereby have the effect of limiting sales. This is a reasonable question. In the past, when our only practical alternative was

to charge a fee-delinquent member exactly what would have been charged if the fees had been paid, we could argue that letting that member shop would cost us money and be unfair to other members. Now that the 15% option is practical, that argument no longer holds. If there is a good reason why only paid-up members should ordinarily shop at Karma, then we need to articulate that reason. If the reason is that the majority of the members expressing an opinion on the matter want it to be that way, that's a legitimate reason, but we need to be up-front about it.

In terms of action, I believe we have two choices:

- If we want to continue with the present policy, denying shopping privileges to members who have not paid their fees, then we need to articulate the reason, specifically stating why collecting membership fees on time is important enough to justify some loss of sales, and to ensure that the cashiers have sufficient support to enforce this policy.
- If we want to change the policy, allowing members to pay a 15% surcharge instead of paying their fees on time, then we need to articulate the reason, specifically stating why allowing members who are not in good standing to shop does not damage our membership system, and we also need to deal with some technical issues, perhaps by referring the matter to the Finance Committee.

My feeling at this point is that adopting the second choice would be opening the thin worm on the edge of the can of wedges (or something like that), but I haven't thought about the issue enough, and I'd like to hear more Board discussion of it.