

# CASE STUDY A

## Biocoop the national network



### **Biocoop – what is it?**

Biocoop is the leading network of organic shops in France. The 'Biocoop' network is not a chain or a franchise but a federation of over 300 independent shops, and also consumer and producer co-operatives with shared ideals, objectives and structures. They have discovered that the best way to get organic consumers a good deal and compete with supermarkets is to work together. By co-operating they are able to offer many of the advantages of centralised distribution while reducing its damaging side effects. The federation was founded in 1987 by a pioneering group of co-operatives and is united by its common principals, the 'three conventions', to which all members have to adhere. The conventions emphasise the social and environmental objectives of the federation and the need to encourage consumers to take an active role and interest in the contents of their weekly shopping basket. The conventions also govern relationships with consumers, staff, other 'Biocoops' and producers.

Producer groups will include the original groups who set up platforms.

### **History and origins**

Biocoop has its roots in at the end of the '60's, as part of the 'Soixante-huit' movement in a reaction against 'the system'. 1968 was a milestone year in French life and politics in the second half of the 20<sup>th</sup> century, when protests by students and workers almost brought down the French government, and led to sweeping changes in French society.

It started with groups of consumers buying directly from individual and groups of farmers. In 1987 a pioneering group of producer and consumer co-operatives joined up to form a national federation focused on 3 logistical/distribution centres (known as regional platforms)

## Regional platforms

The first three regional platforms were formed around producer cooperatives with the distribution centres run and managed by producers, in the South, the South West and in Brittany. These have continued to operate and are now run by Biocoop.

- Solebio – formed in '87
- Biocap – formed in '88
- Cabso – formed in '89

In 2002 when the organisation formerly changed from a federation to a cooperative, there were changes to enable all 3 regional centers to operate within one system. A 4<sup>th</sup> centre in the outskirts of Paris was later established and managed by a national federation based on a central decision that Paris and the North required their own dedicated logistics platform.

## Formation of Biocoop shops

At first there were no shops, in fact there was a conscious decision not to have retail outlets. The selling was more akin to a 'cash and carry' operation on farms, in homes, local depots etc. The first shops began in 1990, clustered around the three regional platforms. There was a lot of disagreement amongst Biocoop members over whether shops were a good idea or not, due to the origins of the movement and the reaction against the trends in commerce.

## Formation of the Biocoop Charter & cooperative structure

In '93 the first charter was set up and was wider/more strict than the organic regulations themselves – no GM, no artificial flavours, producers had to be selected carefully and their ethics investigated (eg Biocoop won't buy from organic producers in Almeria in Spain due to their poor treatment of labourers). At this point it was still a 'non-profit association'. In 1997 the federation celebrated 10 yrs and the decision was taken to become a cooperative enterprise. In 2002 it changed to this statute, and could thus distribute profits to its members.

### Biocoop charter in the Auxerre shop



The Charter explains the purpose of Biocoop and its core values:

*'The network of shops aims to support the development of organic agriculture in a spirit of equity and cooperation. In partnership with producer groups we are creating equitable supply chains based on high social and ecological respect.'*

## **Governance & staff of the national cooperative body**

The members own the business and all the stakeholders are represented on a board of 14 elected directors:

- 2 farmers
- 2 staff
- 2 consumer groups
- 8 shops

The entire core Biocoop management staff are paid and the board members get a small allowance and expenses. There is a technical management team who work closely with the board.

- Board of directors (expenses and simple attendance fee)
- Technical Director (paid)
- Technical management team (paid)
- Admin (paid)

Top staff not paid more 3-4 times the national minimum wage €9/hour.

## **Organisational structure**

Within the national Biocoop structure, there are 705 full time equivalent jobs.

Biocoop the national cooperative body provides 'consultancy' services to its member shops:

- Initial set up and staff training,
- Business advice and development support,
- Support with increasing retail 'professionalism'.

## **Distribution**

The four regional platforms operate as logistical distribution centres, each of which serve the shops within its reach and provide daily deliveries.

### **Paris regional platform in Sainte-Geneviève-des-Bois, 15,000sq m**





## **Subsidiary Biocoop companies**

There are a number of subsidiary companies within the national Biocoop structure:

- A transport and distribution company which owns forty 24 tonne trucks;
- A specialist public sector catering supply company;
- A company that helps producers with loans for investment in processing infrastructure;
- A company to help shops rent and buy premises. (Biocoop will buy premises and then enable a new member shop or a newly moved shop to rent the premises for a period of 5 years. The shop then has the option to buy, having established itself in a good position and developed a loyal customer base. Shops can then buy their premises with a mix of member and loan capital).

## **Biocoop shops and their relationship with the national network**

Of the current 320 member shops, 20% are cooperatives themselves and the rest are limited companies. The largest and oldest shops are in Rennes, Le Mans and Auxerre, all run on consumer coop model.

- The 320 shops are very varied in style and in size (from 60-800 sq metres floor space).
- There are 2500 paid staff across all the Biocoop member shops.
- The shops sell both organic and eco-products (of which the main criteria are bio-degradable, cruelty-free testing).

Since 2008 there have been more changes. Biocoop decided to create a new contract between the shops and Biocoop with the aim of having a stronger visible identity for consumers. So the shops are a bit less free to be completely independent and there are some parallels with a franchise model (although it is not a franchise).

The individual shops vary in the degree to which they benefit from membership of Biocoop. For example Geminale in Auxerre (see case study B), as a long-established cooperative, itself owned by its members and well known, has less need of the Biocoop identity but new shops need signage and the brand. Each shop has a Biocoop sign and uses Biocoop packaging eg fresh produce wrapping; paper bags printed with the logo and the charter.

Biocoop is trying to encourage shops to develop along similar lines and to be more visible. Approximately 80% of products in the shops are common lines in all the shops. In 2005 as a response to the increasing competition from organic lines in supermarkets, Biocoop tried to increase the range of product lines in their shops. A core range of products is centrally distributed.

Each shop is also strongly encouraged to find local organic suppliers and there is no limit placed on this. It is the responsibility of the shops to select appropriate suppliers and to check that their credentials conform to the Biocoop charter rules. The range of local products varies amongst Biocoop members. Some shops have a very active policy of local purchasing particularly those situated in more rural areas, while others tend to rely on the central ordering and distribution system simply as it entails less work.

### **State of the French organic market**

72% of French shoppers buy food in supermarkets and 31% in the independent retail sector. Biocoop has approximately 15% of the organic market share in France. There has been a year on year growth in organic sales in France with 46% of consumers buying at least one product in 2009/10. The best organic sellers are fruit & veg, eggs and milk. The supermarkets are also selling more organic products so there is a lot of market competition. Generally the young customers are more motivated by environmental concerns than health but it remains that people don't want to pay more for organic.

### **Wider strategic partnerships to promote organic agriculture at a national level**

Since its founding, Biocoop has had a policy of developing strategic and commercial partnerships: to promote organic agriculture at national level; to develop a better supply base and chain, through encouraging greater access to land for new entrants and the development of improved processing and logistical infrastructure. Biocoop has also supported the development of other ecological and ethical services from which its member's customers/members can benefit and which also widen its social and economic partnerships.

### **Principal examples:**

1. **FNAB**: the National Federation of Organic Agriculture (The principal organisation in France for the promotion of organic agriculture; largely producer led). The two organisations have signed a partnership agreement which commits them to coordinating their activities relating to supply chain development, development of new organic production and measures to improve the organisation of the sector. The agreement also commits the organisations to encourage the localisation of both production and processing.
2. **Objectif bio**: Biocoop was a founding member of this lobbying/pressure/awareness raising organisation which is made up of the principal organic organisations in France (including certifiers) whose aim is to put environmental/organic questions at the centre of political and social debate

3. **Terre de Liens:** Biocoop was a founding member of this ethical investment trust which assists small rural enterprises (in particular new entrants into organic farming) to access finance and develop a sustainable management project for their new enterprise.
4. **Credit Cooperatif:** The leading ethical/co-operative bank in France. Together with Biocoop they have developed a 'Biocoop' savings account where investors agreed to donate 50 to 75% of the interests towards the development of organic and fair trade supply chains.
5. **Enercoop:** Biocoop was a founding member of this SCIC (a cooperative community interest company) set up to facilitate the supply and production of renewable energy. Enercoop is widely promoted throughout Biocoop member shops.
6. **La plate-forme pour le commerce équitable/The platform for Fair Trade** – Biocoop is a member and represented on the board of the 35 member trade association

# CASE STUDY B

## Germinal in Auxerre: a Biocoop shop

*'You need to be a very good retailer with a good range of products – from local potatoes to organic toothpaste. You need to create a good shopping experience as well as have values.'*

Benoit Gaussens, Deputy Manager



### History

Germinal was founded in 1974 and is now a three-shop consumer co-operative with 8000 members, in the Yonne département of Northern Burgundy.

It has been a member of the national BioCoop federation since it began in 1987. Its founding members wanted to be able to buy organic food so they set up a buying group and purchased products direct from local farmers. The group was originally based in a farm barn and gradually grew. Over the years Germinal has been able to build up capital and now owns its own shops.

### Structure

Germinal has a cooperative society constitution. The capital belongs to its members, no single shareholder. It therefore can't be bought out by another company.

### Membership

Since the start of the Germinal cooperative it has involved 11,000 members. In recent years with the growth in awareness of environmental issues and interest in organic farming, it has given the shop the opportunity to become open to the public and the incentive to make it a more attractive shopping experience for everyone. In 1997 the shop was opened up to non-members. 80% of shoppers are now members of Germinal. It has been a challenge to overcome the perception that the shop

exists only for members. Members pay €6 per year and get a discount on bulk goods or have specific discounted member days.

There are 4-5,000 regular shoppers between all 3 shops. 80% of sales are to members. The shop actively encourages new members and there is a notice board and info at the shop entrance. In 2010 the board decided to do more to attract new members and benefit existing members. They started a regular newsletter (five issues a year) and work with a professional journalist on its production. Each issue features a different local producer who supplies the shop.

## **Staff**

There are 18 staff and two managers in the Germinal Auxerre shop and the administration team which serves all 3 shops is located in an office above the shop. Across the 3 Germinal shops there is a total of 42 staff, all of whom have permanent contracts. This long-term commitment goes both ways. Staff receive training in product awareness enabling them to engage in meaningful conversations about products with customers. It is very important for Germinal that their staff have really good product knowledge eg why fair-trade organic coffee or chocolate costs more. Germinal believe it is also important that staff are interactive and friendly with customers and that they keep a balance without being preachy. In turn they have found that their customers to be very loyal.

## **Germinal shop, Auxerre**



## **Governance**

There is an annual AGM at which the board is elected. There are 12 members, and all are voluntary. They establish overall strategy, direction, priorities and work closely with the shop management team (2 directors and a manager for each of the 3 shops). A recent decision was taken by the board to open a new shop located in an eco-building in Sens, a neighbouring town. They also decided to enlarge the main



Germinal shop in Auxerre rather than attempt to open a second shop elsewhere in the town. The management team has the technical expertise; the board does not need to have any specific retail expertise. Above all the shop is a retailer and they have to practice 'common sense'.

## Finance

Between the 3 shops annual turnover is 7-9million euro. 17% overall turnover goes on salaries. (In France there is a very strong social model so these costs tend to be higher than in the UK). The business operates 1.5% net profit margins. All profits go back into the shop and a tiny bit to its members, usually in the form of 5-10% discounted prices. The shops always try to offer the best price possible. Margins vary across different products. The mark up depends on the needs of the coop. There is a mark up of 28% average for all products – cosmetics are more and the basic staples are less eg milk, bread.

With the recession the shops have seen a halt in growth, keeping a static turnover. Overheads are high (in the UK they are approximately 11% but in France they are twice as much due to higher Nat Insurance and other rates). There has been careful management in order to remain viable. The expansion of the Germinal Shop has required a 7 yr bank loan for 350k euro but between the 3 shops annual turnover is 7-9million euro. All overheads have to be costed into the profit margins for the year.

## Biocoop 'own brand' and 'special offers' 'Ensemble'



There is an exclusive Biocoop 'Ensemble' range of products which are produced in partnership with producers and processors. The purpose is to keep the supply chain as short as possible: so the producer gets more, the customer pays less, and the middle mark up is kept to a minimum. Such initiatives come from the central Biocoop's elected board of 14 representatives of the key stakeholders (shop members, consumers, producers, staff).

Flour is an example of the 'ensemble' brand.



With the milk example below, the producer gets 42% of the final price the consumer pays; the processor gets 21% and the distributor gets 37%. In Jan 2011 this meant 43c/litre milk went to the producer (3c higher than the market rate); the customer paid €1.10 and the shop mark up was 22%.



## 'La Bio Je Peux'



In order to compete more effectively against supermarkets whilst ensuring that members on lower incomes have access to ethical organic produce, Biocoop has introduced the 'La Bio Je Peux' lines ('I can buy organic' range). This is where specific lines of basic staple food items are sold at lower margins. The type of lines selected are 'decision maker' or perhaps 'known value items' which form the most common purchases like milk, olive oil, pasta.

### **Product range and supply:**

The shop floor covers 380 sq m and Germinal has 8000 product lines (unique amongst the Biocoop shops).

Germinal only buys French meat products or products that have been processed in France eg Irish and Scottish salmon smoked in France. Some lines are ordered through Biocoop's catalogue. Others are found in different catalogues. Some products are bought directly from producers outside France eg Moroccan olive oil. Biocoop has a strict policy on no GM, no airfreight, no plastic bottled water, no artificial flavourings.

Germinal works mainly with European produce in season. A good range of fruit and vegetables is important with 15% sourced locally when available. Local producers deliver to the shop.

Biocoop delivers daily to the shop. Orders are put in by 5pm on a central ordering system and the products arrive the following day by 4pm. Germinal has 4 weeks stock of certain lines stored in their own warehouse area. They also have two cold stores: one for fruit and veg, one for dairy products.

The new expansion includes a delicatessen area which is proving very successful. Most cheese is cut in the shop, very little is pre-pack. Shop customers are offered tastings, including fruit and veg where possible. All the coffee is fair-trade as well as organic. There is a self-service bulk buy on wholefoods - a very tightly packed corner of the shop with over 80 products including coffee beans which the customer can put through a grinder if they wish. This means less packaging - paper bags are supplied.

## Delicatessen counter, Germinal, Auxerre



### Local sourcing:

Local is defined fairly loosely as French produce from close by, from the region and the surrounding departments. 15% of annual turnover comes from sales of local products. Some other 'artisan' products from small scale producers are sourced more widely.

Flour is an example of a local product. The producer approached the shop with some samples. The shop checked the product and his organic credentials and now stock a range of his flours. His basic wheat flour is bought from him at €1.50/kg. At a 25% mark up, the customer buys it at €2.10/kg.

### Locally grown and milled flour, Germinal, Auxerre



Germinal pays suppliers within 3 weeks and seek to build and maintain good relationships with suppliers. In turn they expect good quality produce.

## **Benefits of Biocoop membership**

Advantages of being a shop member of Biocoop include product choice, price, daily deliveries, staff training and other support. Every two years there is a congress in Paris which provides members with the opportunity to meet with other 30 shops in the regional network.

## **Customer views**

Customers tend to be educated and well informed; committed to organic. Germinal did a customer survey 2 years ago and found that the main customer priorities are to:

- a) be able to trust the food and where it comes from
  - b) to be able to buy healthy food ie trust and confidence in the products.
- For example Biocoop says no to GM and all soya products are sourced from SW France (GM is not allowed in France)

Customer quotes:

*'I have shopped at Geminal for over 30yrs. I first joined when it was in a barn on a farm.'*

*'I used to work in the grocery business and was impressed by the quality'.*

*'I used to shop here all the time when the children were growing up and I still buy almost everything from Germinal, it's a pleasure to shop here.'*

*'We really value the friendliness of the staff, their knowledge, their attitude. It is totally different from any other shop and so are the products. It is more expensive but we tighten our belts!'*

*'The staff are well informed and educated, able to communicate. I have tried other Biocoop shops but this is by far the best because of the staff. It is an intelligent shop.'*

*'I got involved because my parents were founding members and I have known many organic producers. I only buy organic food.'*

*'It is not just a commercial transaction; it is a very different shopping experience.'*

[www.biocoop.fr](http://www.biocoop.fr)

(With thanks to Françoise Vanalder, Directrice Régional de Biocoop, Paris regional platform/logistics centre, Sainte-Geneviève-des-Bois and Benoit Gaussens, Deputy Manager of the Germinal Organic/Ecological Consumer Co-operative in Auxerre)

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