By Philip Trevvett, of Urban Greens Food Co-op in Rhode Island

September, 2016

Food Co-op Initiative staff understands that a capital campaign can be one of the most stressful yet rewarding activities a startup undertakes. We offer many resources for startups planning a campaign, but in the last few years we have seen increased interest in the direct public offering (DPO) of shares. Our Resource Library is full of great info on running a successful owner-loan based capital campaign. Any type of capital campaign will find useful resources in our Capital Campaign Workbook. *This post gives us a glimpse into a successful DPO by a startup co-op.*

Urban Greens Food Co-op in Providence, Rhode Island is in the implementation stage, with groundbreaking for their co-op in Fall 2016. The group has been working through many community-based efforts to bring a retail food co-op to their community but chose to reach out to a larger audience to support their capital campaign. Philip Trevvett has been one of the leaders of this effort, and welcomes questions via info@urbangreens.com. Our thanks for Philip and Urban Greens for sharing their story.

Part 2:

Lessons Learned:

1) Local knowledge has value. This was true in many areas:

- *We decided not to hire externally for a coordinator position:* In planning and prioritizing call lists, personal emails, etc., my knowledge of our member list was incredibly helpful. It would have taken more hours to transfer that knowledge to someone else and made our call list organization less efficient. This of course was possible because of my time availability, but the key point: whoever is most familiar with membership has a lot to offer in planning call lists. All board members also reviewed our full list of members and noted members they knew, connections and context.

- *We choose to hire a local fundraising consultant on a limited basis.* While donation-based capital campaigns differ from investment-based ones in some ways, we gave our consultant a clear outline of our plan and were able to benefit significantly from her local knowledge. As we reported on various conversations and connections, she'd give us background on members with potential capacity that we were unaware of, or general techniques and strategies to help build stronger relationships with specific supporters.

- *Customizing specific aspects of our messaging.* Key lesson here: know your members. as well as your capacity. In some ways our messaging went against the standard, advised messaging rules. We did **not** emphasize that we needed to reach our full goal by our target date in order to open. In fact, we emphasized that, above our lower threshold of 100k, we would be able to move forward with the building by taking on more debt if needed. This was the right decision for us because of our particular history. Urban Greens has been on a long startup path. At one point we had to opt out of an earlier publicized site at a fairly late stage, then had several more years working towards our current site. It was critical to several investors that they know the co-op was 'really happening' this time. Multiple investors felt much more comfortable knowing that the store was definitely moving forward, and that our planning was solid even if we did not reach the full target by the end of June.

2) Going Digital & "Remote." *M*ore than most, our campaign was almost entirely remote, via emails and phone calls. Because we had an e-portal set up through which investors could complete the offering agreement, there was often no need to meet people in person. We always offered in person meetings, but a high percentage of investors were happy to have a phone call and then complete the online form. Because we were registered publicly, and able to promote directly on our Facebook page, this also meant a number of individuals invested without having conversations at all. (While this wasn't a large proportion of our raise, it did speak to the impact a strong social media campaign could have.)

3) Open communication among team members is key. There is a lot of communication happening during a capital campaign. We were strong in some respects but weak in others.

One of our biggest challenges was keeping board members on task, especially those less immediately involved in the campaign. In both the quiet and public campaign, we had trouble getting several board members to follow through on their commitment to having pitch conversations. We had predicted significant investment from several sources where direct connections existed, but in the end were only able to reach out to them through cold calling. In some cases, this made little impact, and we still received investments. In other instances, this likely led to less or no investment. Key points:

- It is critical that members of the board are fully aware of, and "buy in" to, the work that needs to be done for the capital campaign.
- The coordinator needs to be able to focus on efficiently managing the entire campaign. Board members should be the top supporters of the coordinator and help in every way possible. Understanding their own accountability for the campaign outcome is important.

- Big picture: if the coordinator find it is a challenge to get board members to actively participate, it risks making the larger goal (and the coordinator's job) feel impossible.

Keeping morale up among callers was also difficult, but we did better on this aspect. Many evenings most callers would get no commitments, and only reach a handful of people. Figuring out how to keep callers engaged and feeling good is key. Some campaigns have the capacity to focus on the callers with the best success rates. We did not. We had a limited set of callers and needed everyone. **It was imperative to emphasize how important everyone was no matter the results they were seeing.** Many messages left would result in follow up email exchanges with me as the coordinator, and to eventual investments. Callers needed to understand that just because they didn't reach someone, that did not mean the call was pointless.

4) Create a strategy for accessing the funds before you start. *T*here seem to be multiple strategies here: locking funds until full financing is reached, allowing a percentage to be used, or designating a lower minimum "raise threshold." We designated a minimum threshold of 100k. We had to justify it in our Offering Memorandum, but this put us in the comfortable position of knowing that—even if we did not raise the entire amount by July—we would have a significantly larger budget towards raising additional capital if needed.

5) People invest for many different reasons and understanding those various reasons and when to emphasize each, will strengthen your pitch.

This means listening to, and learning from investors, or investors from other co-ops, to hear what they found important. We also made sure all callers were sharing what investors found compelling.

6) Prepare investors for the campaign well before launch. The capital campaign has been part of our plan for several years, and we have been open about that with members. That meant that many members were ready to listen, and ready to invest.

Next Steps:

Members celebrate the Urban Greens future site.

Our goal is to not run a second phase of public campaigning, and phone-banking numbers either this fall or next spring.

The avenues we are currently focused on:

- 'Quiet' presentations, and house parties, organized by a few current investors. (The public offering makes it very easy for us to talk directly about the campaign in these presentations, even if not everyone is a member.)
- Foundation/institution support–Social impact investing as a form of mission-based endowment investment. Foundations are increasingly looking into this, and we are currently in the review process towards 1 such investment large. What is small for an endowment can be huge for a co-op
- Small/likeminded business support: We plan to reach out to numerous independent businesses in the neighborhood that will benefit from the customers that the co-op brings to the area.

Overall, we've been extremely happy with our capital raise to date and look forward to continuing our raise quietly this fall. We worked hard to use guidelines and strategies outlined by the Capital Campaign Toolbox, while also trusting our local knowledge of where slight adjustments would benefit us. The biggest lessons for us from this campaign:

- It's important to trust the plan, but also trust your knowledge about when the plan needs modifications.
- Open communication is important.
- The better you know your members, the better you will do.
- Designing the investment structure for your needs can have a huge impact on your success.

Running a Capital Campaign as a startup is one of the hardest things a startup has to do. You won't know how it will go until you're in it. It feels like a big leap of faith to plan on raising large amounts of capital like this, but we found what many other co-ops have as well: that it can work and have a huge impact.

(We know you will have questions as you read this post! Please share them below and we will get a follow-up post out soon to answer as many as we can.)

FCI: Why we like this: *Clearly Urban Greens put a good deal of thought and research into this process. A DPO may not be right for all co-ops, but in this case, it really increased the range of available investors for the startup. Consult your legal and accounting advisors to ensure compliance with your own state laws. We encourage you to talk with your consulting team as well, and to reach out to other co-ops who have taken this step.*