

GUEST EDITORIAL

From licensees to owners

by Bob McDonald

Chairman, Health 2000 Ltd

Health 2000 was formed 18 years ago when a small group of retailers recognised that working together would lead to better buying and marketing power.



A parent company was formed with the retailers signing a license agreement and contributing a small amount of capital to the company as working capital. The company was owned 50% by the retailers and 50%

by investor shareholders.

Two years ago, a share buyback of the investor shareholders took place, allowing Health 2000 to change from an investor-owned company to a cooperative company.

While our structure has changed, the underlying principle that a group of people working collectively together will yield greater benefits than working alone still remains.

Now, with the retailers as shareholders in the cooperative, our licensees have the added benefit of being both licensee and licensor.



This, combined with a member-dominated board, and use of a product advisory group, ensures there is good member representation, providing members with comfort that decisions are made with their interests at heart, rather than those of the investor shareholders found in a typical franchise.

Members of the cooperative receive a patronage rebate that leads to strong margins at a retail level, and also receive dividends for their investment in the co-op.

Further, their investment in their cooperative

grows on a monthly basis through a retained rebates scheme which provides a capital base for growth and debt repayment, as well as offering members an exit strategy.

Our marketing and brand recognition continue to improve, leading to retail sales growth and also improving the likelihood of a sale when members do reach the golden years and look to retire.

CHALLENGES

Retail is a challenging environment, even when operating in a group, but it would be much more difficult operating as an independent.

Members will find it far easier to sell a business with brand recognition, systems and processes, and avoid the lower prices or extensive listings that independents are likely to face.

It is not all roses though; like a number of SMEs, one issue confronting Health 2000 is an ageing baby boomer membership that will be looking to sell in coming years in a market of limited buyers.

The retained rebates scheme in place provides no guarantees of purchase by Health 2000 but it does provide the licensor company with a capital base to be a possible purchaser, which it would otherwise not be able to do.

The growing capital that members contribute through the retained rebates scheme could result in a position where members potentially have an investment in the co-op which is greater than their investment in their retail store, so an attractive dividend scheme is in place to provide a satisfactory return on capital.

ONLINE STORE

The environment that we operate in today is far more competitive than when the group was formed, so the need to work together is much greater.

An online shopping site is being developed, and a profit share scheme will be introduced to share profit with the co-op's members as well as reinvest profits in the co-op for further business growth.

Health 2000 joined the Cooperatives Association earlier this year for education and networking purposes. The Board went through **The LEADing Board** governance training course, which we found to be very worthwhile, and we look forward to networking with other members to share in each other successes as well as mistakes. ●

Bob McDonald,
Chairman of Health
2000

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The Health 2000 store
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Photo: Cooperatives News



Health 2000 can be
found online at
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