

Fiscal Year 2019

HCCS ORGANIZATIONAL BUSINESS PLAN

Part I: Metrics
Part II: Blueprint
Part III: Strategic Considerations

Hanover Consumer Cooperative Society, Inc.

Submitted to the Board of Directors
December, 2018
by Edward Fox
General Manager

Nourish. Cultivate. Cooperate.



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FY 2019 Business Plan

INTRODUCTION

by Ed Fox, Co-op General Manager

Recently I listened to an interview with a representative from [Bain Capital](#), one of the nation's leading investment firms. The interview covered a lot of ground, including the unpredictable ebb and flow of the grocery industry.

The overriding point of the interview was this: The retail food game is in turmoil. There are more players than ever, each experimenting with new ideas. And the results are not always as one might expect.

Consider Amazon. Everyone thought the monolithic online retailer would steer our industry toward online ordering, killing brick-and-mortar stores in the process. What's happened? Instead, Amazon is opening brick-and-mortar stores.

For another example, look to Macy's, the legendary retailer. Immortalized in the film *Miracle on 34th Street*, sponsor of the yearly Macy's parade, the company is the epitome of the large department store. And yet, Macy's is now experimenting with small boutiques and a far more extensive online ordering system.

The point? Everything is being turned upside down.

What this means for consumers is that they now have more choices than ever. This overabundance opens up both threats and opportunities. Consumers can get virtually any product from anywhere. But getting an authentic *experience* is a different matter altogether.

With our storied history, cooperative structure, commitment to customer service, and retail locations that serve as community hubs, our organization can provide an authentic experience to our members and shoppers that they can't get anywhere else. This is a real strength for us, and a great strategic opportunity. In a time of turmoil, we have much to offer: a robust, supportive board, great employees, a long history, community-based stores, and a unique, high-quality product mix.

Learn more about our current and future plans in the business plan that follows. This plan is broken into three parts:

Part I: Metrics

Think of this as our measurements for FY2019. These metrics provide quantifiable measurements for evaluation of the year and will be updated and embedded into the monthly General Manger's report to the board of directors.

Part II: Blueprint

Think of this as where we are. This is the guiding framework for our employees/teams of our business plan, exploring the "how" and "why" behind what we do.

Part III: Strategic Considerations

Think of this as where we are going. Here, we need our board to be particularly engaged. This is where we have the opportunity to lay the groundwork for a strong cooperative for many years to come. We need the input of visionaries, like our board members, to help us get there.

Finally, always remember this is a living document, meant to encourage reflection and discussion. Want to talk more about it? My door is always open.

—ed

Ed Fox
General Manager
Hanover Consumer Cooperative Society, Inc.
December, 2018

Part I: Metrics

HUMAN RESOURCES, OPERATIONS, AND FINANCE

See the accompanying Excel file for HR, Operations, and Finance metrics, which will be included with monthly GM reports to the board in 2019 and updated throughout the year.

PUBLIC RELATIONS & AFFAIRS

Whether through collaborations or content creation and distribution, we will proactively build brand awareness, increase constructive engagement with public officials, and demonstrate our Co-op's values, culture, and its commitment to community.

I. Host a series of late winter/early spring workshops for farmers and food vendors. Each session to be held at Co-op Learning Center.

- Series will feature *as many as* **eight topics**, with instruction lasting 45 minutes to an hour.
- Goal is to attract an average of seven participants per session for an eight-session **total enrollment of 56**.
- At least **30 percent of workshops** will feature experts from outside our organization providing instruction or supplemental content.

Sample sessions:

1. Food Safety — (Guest instructor from UNH Grafton County Cooperative Extension field specialist in food safety)
2. Farmers Market Success — Lindsay Smith, Hanover Co-op Food Stores
3. Wholesaling Success — Jacob Vincent, Hanover Co-op Food Stores
4. Human Resources — Lori Hildbrand, Hanover Co-op Food Stores
5. Agriculture and Food Safety Laws — (Guest instructors: Vermont Law School/NOFA-VT)

II. Create and manage a trial of using podcasts to expand messaging options

- Plan for a minimum of **four programs** (at least one quarterly)
- Structured as a synopsis of our community work, along with topics pertaining to food, agriculture, food news, housing, food security
- Attract **50 unique listeners** by completion of fourth quarter, 2019

Structure of podcast:

- Working title: *Cooperative View* or *Principle View*
- Most, if not all topic areas will have a tie-in to cooperative principles (many topics easily sync with principles 5, 6, and 7).
- Community partners might be featured in a portion or all of one edition, but there is no plan to have a standing partner across multiple episodes.
- Likely topics and connection to principles include, but are not limited to:
 - Local labeling laws / 5, 6, 7
 - Vendor spotlights and visits / 4, 5, 7
 - Affordable housing / 5, 6, 7
 - Cooperative solutions to economic issues / 5, 6, 7

III. Expand collaborative relationships between the Hanover Co-op's public relations department and like-minded organizations. Using the model of our current alliances with NHBSR, Vital Communities, and Vermont's Main Street Alliance, the plan is to

- Participate in three additional cooperative and community coalitions in 2019

OUTREACH AND MEMBER SERVICES

We will use our **Superpowers** to build relationships with the **Audiences** we identified through **Programs** that engage them in our **Mission** and move toward making our **Vision** real. We will convey the **Value** we offer our **Personas** *that represent our 7 Audiences* so they choose to engage more deeply in our **Programs** *designed to meet our 7 Ends and grounded by the 7 Principles* and thereby move up the **Engagement Pyramid**" —*Beth Saunders*

Key Terms

Engagement strategy: An organizational framework for increasing the depth of the relationship customers have with a business. It informs organizational decisions and messaging and ensures we are delivering on our goals in a way that meets the needs and expectations of customers.

Goals: The long-term and short-term accomplishments that help the organization achieve the vision real. Goals drive programs, measurements, and engagement opportunities.

Persona: Personas represent specific but imaginary characters within each of your constituent audiences. Personas are dynamic, tangible, precise surrogates or proxies for your customers and members that help you understand their goals, motivations, challenges, expectations and behaviors.

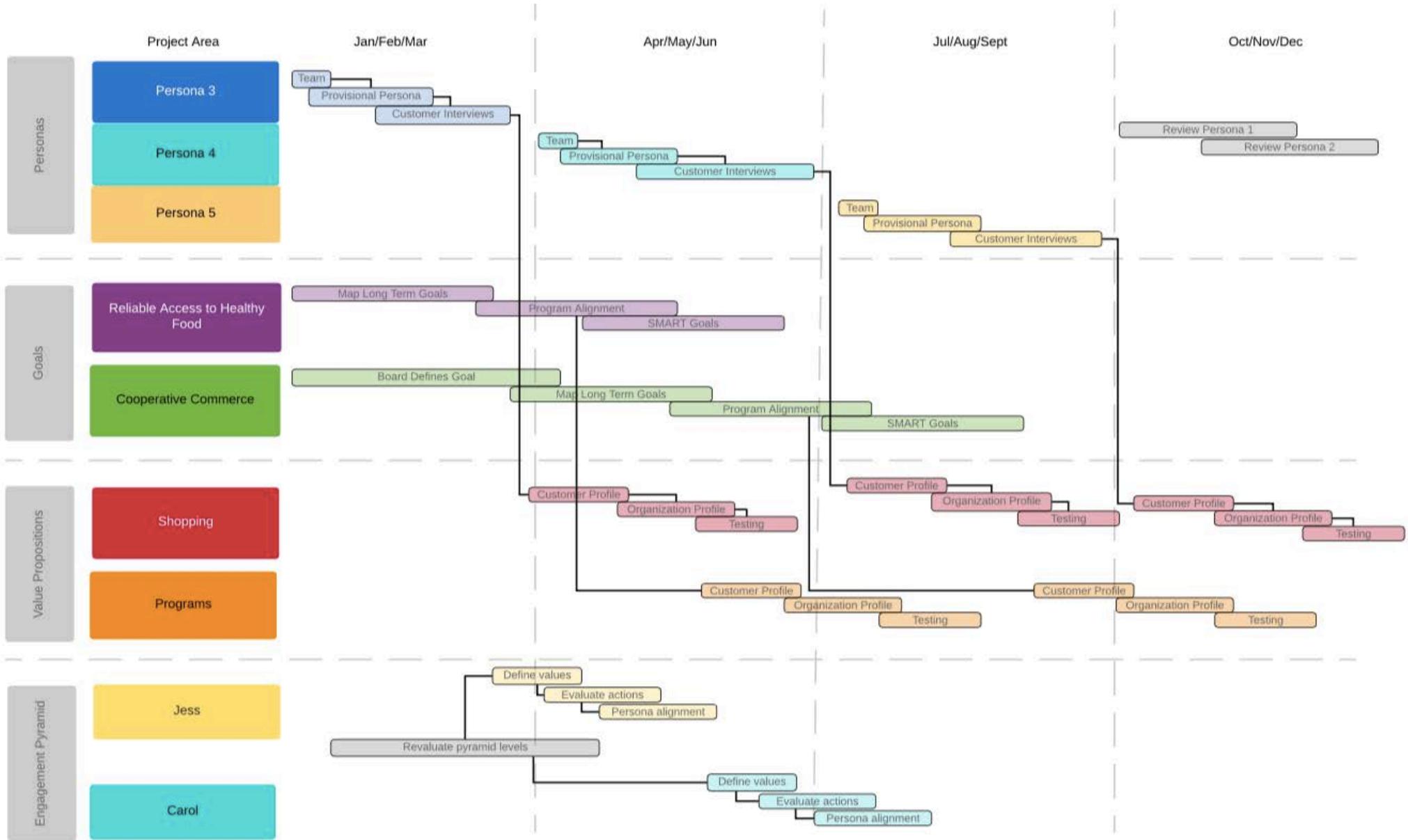
“A persona is a semi-fictional representation of your ideal customer based on market research and real data about your existing customers.” –Hubspot

Value Proposition: The unique value that your business provides to customers. Value propositions help to clearly communicate why a customer should engage with a service or program.

“In its simplest terms, a value proposition is a positioning statement that explains what benefit you provide for who and how you do it uniquely well. It describes your target buyer, the problem you solve, and why you’re distinctly better than the alternatives.” - Michael Skok

Engagement Pyramid: A framework for organizing the roles of various audiences based on their level of engagement with the business.

ENGAGEMENT STRATEGY PROJECT CHARTS



Part II: Blueprint

A vision of success for the coming year—built on five foundations.

EXECUTIVE SUMMARY

Lionel Trilling—intellectual, writer, teacher, literary critic—once said of *The Great Gatsby* that “if the book grows in weight of significance with the years, we can be sure that this could not have happened had its form and style not been as right as they are.” The literary sentiment here speaks to something more broad and universal. That is, when something is right, its significance grows with time.

For co-ops, life mirrors art. The once-radical traditions, principles, values, and goals of the cooperative movement have proven themselves both pervasive and influential over time. To put it another way, what was once an alternative has become the norm. What is right has grown in significance.

Consider major grocery chains. Monolithic grocers now tout the values of sustainability, local foods, fair trade, and small family farms. This was unimaginable just a few years ago. Whether our corporate competitors’ words are true in practice or simply part of a positioning statement is somewhat immaterial. The fact remains that over the decades, cooperatives have had more influence on the competition than the competition has had on cooperatives. Chain stores have adopted our ethics, or at least claimed to; we have not adopted theirs. And yet, this apparent victory of sorts now leaves those of us in the cooperative movement strung tautly on a series of uncomfortable questions. For instance: What do we do now? What is our strategic advantage? When the competition tries to act like a cooperative, how does a real cooperative differentiate itself?

The answer lies in being true to who we are, beginning with our member-owned foundations. By design, co-ops care for the communities they serve—a key difference between a co-op and its corporate competition.

*“A cooperative serves human need.
A corporation serves human greed.” —Tom Webb*

Opportunities

For food co-ops then, the questions posed above open up the door to opportunity. Our strategic advantage will always be a human-focused, member-owned model designed to deliver food from producer to retailer to consumer through a more sustainable and ethical supply chain.

Michael Pollan observed in *The Omnivore's Dilemma* that “the typical item of food on an American’s plate travels some fifteen hundred miles to get there.” This only touches on the dysfunction of industrialized food production. Food co-ops envision a food system that *functions*. It should function for all of those who depend upon it, whether it’s a consumer in New Hampshire enjoying a cup of coffee, or a farmer in Mexico growing the beans.

COMPANY SUMMARY

Overview

With locations in Vermont and New Hampshire, the Hanover Consumer Cooperative Society is one of the oldest and most successful co-ops in the United States. We were founded in the winter of 1936. Anyone can shop, member or not. We have approximately 380 employees and nearly 300 local and regional suppliers.

Company Ownership

Our Co-op is owned by more than 20,000 members from around the globe. Most active members and shoppers are centered in or around the Upper Valley of Vermont and New Hampshire.

Vision Statement

A well-nourished community cultivated through cooperation.

Goals

- Reliable access to healthy food, including conventional, natural, organic, and specialty.
- A resilient food system.
- Constituencies informed and aware of the triple bottom line (meaning we measure our success in financial, social, and environmental terms).
- Cooperative commerce (meaning mutually beneficial partnerships between vendors and consumers).

It's important to note that our goals are intentionally broad and flexible and serve as a jumping-off point. To that end, our teams will be revisiting the goals above throughout 2019 and 2020.

Board Membership

The Co-op Board of Directors plays a critical role in ensuring the continued success and health of this vital organization. It represents all the member-owners in developing and maintaining the vision and long-term viability of the Co-op. The Board does not run the stores, nor do they have direct control over the daily operation of them; that is the role of Management. Instead, the Board monitors the operations of the stores via Policy Governance®, a system of oversight and accountability that emphasizes values, vision, and the empowerment of both Board and staff, while clearly delineating the roles and responsibilities of each.

The Cooperative Principles

- Voluntary and Open Membership
- Democratic Member Control Member
- Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation Among Cooperatives
- Concern for Community

Our Co-op Ends

1. The Upper Valley will have a retail source of food that is affordable, healthy, grown and/or processed locally to the fullest extent possible.
2. There will be economic value returned to the community via charitable contributions, outreach projects, patronage refunds to member and other avenues.
3. Customers and staff will be better educated about food issues and, as a result, make healthier choices.
4. There will be a vibrant cooperative sector in the economy, both nationally and regionally, and a local community educated in the value of cooperative principles and enterprises.
5. The cooperative's bioregion will have a vibrant local agricultural community and that community will, in turn, have a reliable retail market for its products.
6. There will be a major source of employment in the community that provides personal satisfaction to employees, livable wages and financial security for employees and their families.
7. There will be a thriving business organization that protects and restores the environment.
8. Everyone engaging with our business shall be included, welcomed, and appreciated, contributing toward more diversity, inclusivity, and equity in our Upper Valley community.

INDUSTRY ANALYSIS & COMPETITIVE ADVANTAGE

Overview

The grocery industry is highly competitive. To compete with cooperatives and natural food retailers, most national grocery retailers now offer at least a small selection of pseudo-local, natural, and/or organic products. Even Walmart has gotten into the game.

Consider local. Just a few years ago, Walmart, the world's largest retailer, made headlines by embracing the local movement, pledging to more than double local-produce sales from 4 to 9 percent by the end of 2015. The company exceeded its goal in just two years. Today, it touts itself as one of the largest purveyors of local products in America. But walk into a Walmart and you may notice the local produce isn't what you thought. Even in agriculture-rich areas of the country, foods grown right down the road from a Walmart are often absent from the store's produce departments. Why?

The key is the vague, generally unregulated word "local," which gives a company like Walmart broad leeway to define local on its own terms. Any produce sold in the same state in which it is grown is considered local by Walmart standards.

How do other retailers define local?

- California-based giant supermarket Safeway [told the Wall Street Journal](#) it sources local produce "from the closest growing partners first."
- Popular grocer Whole Foods gets most of its local produce from farms less than a few hours away from the store by car or truck.
- Our own cooperative [follows the localvore logic](#) and defines local as products grown or produced within 100 miles from our stores.

In short, Walmart's local produce doesn't have to be grown near a store at all. Walmart's local farms are often located near the company's massive distribution centers. The end result is that many consumers assume local produce comes from a small family farm right down the road from a store. That's how it works at a co-op like ours. But in the case of Walmart, local could mean a huge factory farm near a distribution center far away. It also means there are plenty of opportunities for slip-ups, such as when a Washington state Walmart sold "local" apples from Chile, [as reported by Consumerist](#).

A true vision for local products is one of the many ways that cooperatives have a competitive advantage. Co-ops don't just buy from local growers and producers, but partner with them. Likewise, cooperatives have a true vision for fair trade, natural, organic, and so on. Consumers of these goods want to know more about the grower and supply chain that brings their food from farm to table. Thus, cooperatives maintain their difference and strategic advantage. Transparency in our systems and messaging is how we make this strategic advantage clear to consumers.

THE FIVE FOUNDATIONS OF 2019

Overview

Our Co-op made significant investments in 2017 and 2018. Examples include ECRS, a completely revamped Co-op Kitchen, the Member Engagement project, Pathways, and new support team groups, just to name a few. The Five Foundations for 2019 will see those investments more fully realized and put into practice.

The Five Foundations

- Human Resources and Employee Experience
- Member Engagement
- Financial Health
- Revenue Growth
- Policy and Public Affairs

Why the Five Foundations?

In the past, our yearly business plan was organized by department, a structure that mirrored our company philosophy. We all worked together as a team, but sometimes, each team pursued distinct and separate goals.

For 2019, we have changed our approach. The Five Foundations philosophy brings our departments and teams together, united under a broad, common framework designed to benefit our members, shoppers, employees, and the communities we serve.

When reading through the Five Foundations below, it is important to understand that each foundation is supported and informed by multiple areas of the business. For instance, Human Resources and Employee Experience may be driven primarily by HR teams, but Member Services, Outreach, Marketing, and Policy and Public Affairs—to mention but a few—also contribute in important ways. Revenue Growth may naturally be driven by Merchandising and Operations, but Finance, Marketing, Outreach, and many other departments also play key roles.

In short, each foundation is dependent upon another, and each department and business unit works together and makes contributions to the entire system. With this in mind, what follows is a deep dive into these foundations.

Foundation I: Human Resources and Employee Experience

Overview

Human Resources has transitioned from its traditional transactional role to a strategic role within the organization. We are more involved in all areas of the business, and will lead and manage many aspects of organizational effectiveness.

To this end, we have launched a multi-year, multi-faceted employee experience project as well as the Pathways (training) program as part of our efforts to increase our retention rate by preparing our existing employees for promotion to higher better paying roles within the organization. For 2019, we will continue to utilize targeted social media and other hard copy and online advertising to attract applicants to fill our open positions, we will redefine the workforce plan, redesign the compensation program and begin the process of building a business continuity program that will serve us well should a disaster of natural or man-made origin occur. All of this is to better prepare our organization and our employees for future success.

Employee Experience

The Human Resources team will be looking at every aspect of the journey of an employee from job application through the end of employment. We have formed a task force made up of employees from various Co-op locations, representing varying levels of employment both in longevity and status. This task force will be facilitating focus groups made up of employees from each Co-op location for the purpose of developing personas representative of all employees.

The purpose of this project is to better understand the expectations and communication styles of all our employees so we can provide better support and the best possible employee experience at every stage of their career. To measure if our efforts are having an effect, we plan to run the 2018 Employee Satisfaction Survey again in 2019.

Pathways Program

The first phase of the Pathways Program was launched in August 2018. Its primary focus is on our retail operation. Other areas of the Co-op will follow later this year and into 2019. Employees now have the ability to access online micro learning modules to help them with their current roles and to prepare them for new roles in the future. Each employee will meet with our Learning and Development Manager to create a personal development plan.

Coupled with this is on-the-job training that occurs in every department. We have worked with our department managers to understand the work involved with each level of employee and will be updating our job descriptions to reflect these changes. The job descriptions will then be transformed into the basis for our performance evaluations along with sections on soft skills and other areas of performance, e.g., attendance and reliability.

And, finally, we will be integrating training on diversity and unintentional bias into the Pathways Program in 2019. This will consist of online modules and in-person opportunities to explore our personal biases and how they influence how we view people and the world around us.

Workforce Plan/Budget

For the second year in a row, the Co-op will be using a workforce plan to guide us when making staffing decisions. The workforce plan includes current positions and their assigned hours and wages in all departments, as well as any plans there may be to add or change positions in the coming year. By doing this, we have a solid foundation upon which to budget our labor expenses. This method has proven to be an invaluable resource for Operations, HR, and Finance when looking at staffing requests throughout the current year.

Compensation Plan

With the tight labor market, employers around the country are having to pay higher starting wages to attract new employees. The Co-op is no exception. Paying higher starting wages results in wage compression for existing employees, which needs to be addressed. In addition, the VT minimum wage is going up. We will need to increase our minimum wage as well, staying ahead of the trending up of wages over all.

Every two years, the Co-op takes a hard look at its compensation plan. The last adjustment to our compensation plan took effect at the beginning of 2017. The year 2019 will see changes to our compensation plan, which will in turn have an effect on our overall budget, our recruiting efforts, and our workforce plan.

Recruiting

In the last year, Upper Valley employers have been presented with extreme challenges to attract and hire qualified employees due to the low unemployment rate and high competition among employers to hire qualified individuals as quickly as possible at a reasonable rate of pay.

To be successful in filling our open positions, we have streamlined our hiring process, designed a targeted social media and advertising plan focusing on our excellent benefits package, which has yielded solid results, and raised our starting wages above our minimum. Going forward we will continue these efforts as well as help our existing employees navigate through the Pathways program so they can be ready to move into higher level, better paying positions as they become available. This will result in more 'entry level positions to be filled.

Business Continuity Plan

We will be developing a business continuity plan in partnership with a business continuity professional that will help us react appropriately should there be a natural disaster, a pandemic, or a man-made emergency. As part of this plan, we will acquire software for the purpose of quickly and efficiently contacting our employees should we need to share information in an emergency situation, and we will build out standard operating procedures that we can follow no matter what the situation. We will also assign leadership roles and will perform drills so that, should the need arise, we will be trained on how to react quickly, safely, and efficiently.

Foundation II: Member Engagement

While there has been much attention paid to exciting new developments in the grocery industry over the last few years, the shopper's ability to interact with both food and people in the aisles of the store continues to fuel the growth of brick-and-mortar grocery. In fact, as more choices become available for consumers, trends are indicating that shoppers are looking to grocery stores to provide more than just food on a budget. They are looking for experiences with their food and to build relationships with stores they can trust.

Building strong, intentional customer relationships will be the foundation of the Outreach Department's work in 2019. Cooperatives by design are uniquely equipped as a human-focused, member-owned model to build deeper relationships with customers through ownership and participation. Over the last year, our Co-op has been building a robust engagement strategy, referred to as our 'Engagement Project'.

In 2019 we begin seeing new results from this program. All of the building blocks will be in place to start fully leveraging the system. In 2019, we will use our systems to better connect with members. This should impact every area of the Outreach department. Whether it's Member Services implementing new feedback loops, or Education developing new programs, or Marketing finding unique ways to connect with members, 2019 will show us the culmination of our Engagement work so far.

Innovation in the grocery industry continues to create opportunities for convenience for the consumer. The Outreach department sees this as a unique change in our customers. Co-op shoppers have become more knowledgeable, efficient, and empowered to choose good food. This leaves us with opportunities to build the fantastic experience that members are looking for. Thus, in 2019 we will focus on putting our systems into practice.

Below are the key focus areas for each team within the Co-op Outreach department.

Listening Clearly

Being better listeners for our customers and our community is critical for the Co-op's success. We have put several tools in place to do this and in 2019 will be utilizing them to create deeper understandings of customer expectations and behavior. The objective is to use this understanding to cultivate an inviting and rewarding customer experience. In 2019 we expect improved ways of understanding of members and customers include:

- New ways for customers to connect with the Co-op and give feedback
- Proactive collection of customer feedback
- Connecting current systems and information for more robust reporting
- Establish systems for supporting business units with better customer insight

Speaking Clearly

In 2019 the Marketing department will be reviewing our current systems of communication. The objective is to better connect our community and customers with targeted information they are looking for. This will require that Marketing implement new strategies to speak more clearly to different demographics as well as review current systems for effectiveness. Ideas include:

- Leveraging new systems with better customer data to create strategic messaging opportunities
- Reevaluating primary sources of communication
- Potentially rebranding Co-op departments, such the CLC and Co-op Kitchen

Making Choices Clearer

Education is not only a key differentiator for our Co-op, it is critical to building trust with members. In 2019, our education programs will build on our engagement strategy work. With a new focus, built on the success of the Value Proposition and Member Engagement projects. Areas of interest include:

- Topic education for employees informed by customer interest and need
- New education programs customized for members
- Exploring an education nonprofit

Board Support

As the most highly engaged group of members, the Board of Directors requires strong support from Member Services and Outreach that is uniquely tailored to meet the needs of their role. Last year we began some work to start exploring ways to more deeply connect our Board and our members through our engagement strategy work. During 2019, the

Outreach department will begin more actively exploring ways to support the board, especially using the engagement strategy framework. Strategies include:

- Continuing to integrate Board work into the communications of the organization in targeted ways
- Using information, research, and member feedback to help the Board achieve its goals
- Helping the Board build deeper connections with members based on our growing understanding of the membership

Foundation III: Financial Health

Overview

All departments contribute significantly to the Co-op's financial health. Finance, Facilities, and Information Technology are often the primary drivers, charged with ensuring the protection of assets and laying the groundwork for a financially secure business for generations to come.

Goals for 2019

1. Establish a solid five-year fixed-asset plan for capital replacements.
2. Ensure liquidity of the balance sheet.
3. Provide more cash on hand than we've had in previous years. An optimal goal is two to four weeks of cash on hand.

What affects the goals listed above?

ECRS/Perpetual Inventory

Recently our Co-op launched ECRS, a technology suite we implemented to bring our systems up to date. It's been a major change, and our employees' teamwork and tenacity through the transition has been remarkable. Thanks to these efforts, ECRS is now in place and helping to streamline operations from inventory to checkout. This not only makes our Co-op more efficient and competitive, it also frees up staff to take care of people instead of outworn systems.

Our implementation of ECRS places us way ahead of anyone in our industry, including large national chain stores. It's all part of a broader initiative to fundamentally change the way we do our business. We have set ourselves up to be leaders in our industry, locally, regionally, and nationally.

In short, ECRS and perpetual inventory puts us light years beyond anyone in the cooperative world.

What's next? Our ECRS steering committee will continue to refine the project plan to implement perpetual inventory and auto ordering. This plan also includes enlisting assistance from ECRS in systematically moving us forward. Weekly meetings will continue with ECRS in 2019 until this project has been completed. Various statistics are monitored to gauge our progress toward a complete system implementation of perpetual inventory for Operations.

The final phase of the perpetual inventory project is to convert our Accounting records to perpetual inventory—accounting for and valuing the inventory. This is projected for the second quarter of 2019. We will also discuss converting our Accounting records with our new auditors in anticipation of the 2019 annual audit.

Reducing Timeframe on Receivables

Reduced timeframes on receivables naturally leads to increased efficiency. As our business grows in efficiency we should see more cash on hand.

Preventive Maintenance and Delivery

The Facilities team consists of both building/equipment maintenance and delivery services. The team will adjust the current staffing structure to provide dedicated support at our three large stores. The team will also generate metrics to effectively understand the performance of these two groups.

The entire Facilities team will work to establish a uniform group with customer satisfaction as the primary goal. The team is highly motivated to deliver as/when promised. Achieving this will require the team to seek additional training and enhance soft skills. Communication is a vital key to this success.

Both of the two segments will continue to grow in numbers to meet business goals. Increased senior deliveries, the smoked meat program, and additional Co-op Kitchen output demands that delivery teams increase routes and operating efficiency.

Preventative maintenance for buildings and equipment will be the primary emphasis of the Maintenance team. To that end, Maintenance will also be instrumental in the development of a 2019 (and beyond) Strategic Facilities Capital Improvement plan.

Information Technology

The primary goal of Information Technology in 2019 is to streamline the network systems and spearhead the implementation of ECRS/perpetual inventory. A particular emphasis will be placed on increased system capacity, enhanced software functionality, and greater redundancy for backing up data, which reduces risk.

Budgeting

We will continue to use the budgeting process established by consultant and former Co-op Finance Director Paul Guidone. In this process, we look at projected expenses first, then projected sales, then we compare the two. The process has been highly effective and we plan on using it throughout 2019.

Protection of Assets

All the inputs around risk management affect our financial position. Risk management encompasses all areas of the organization, including shrink, data protection, and increased security.

To mitigate risk, we will protect the security of our data and IT systems, with a special emphasis on the prevention of loss. We have also increased security at the store level and will continue to prioritize that in 2019.

Foundation IV: Revenue Growth

For 2019, Revenue Growth will be impacted by six broad categories:

ECRS

ECRS affects every aspect of the business, including employees, membership, education, and all food store locations. Our priority for 2019 is to complete database integrity and automate our processes, which will take us to perpetual inventory and directly impact revenue growth. Fully implementing ECRS will help us have the right products on our shelves, suggest product ordering based on sales history, eliminate out-of-stocks, and lower physical inventory.

Co-op Kitchen Program Expansion

Forward momentum on the path toward excellence continues at the Co-op Kitchen. In 2018, we experienced a year of expected growth and unexpected challenges. Following the aggressive timeline developed to guide our work, we've accomplished more than expected while experiencing low staffing levels. We will continue to follow this timeline in 2019,

adapting along the way to grow even closer to becoming the efficient production facility the Co-op will depend on in the years to come.

Our reenvisioned Co-op Kitchen features many new product lines, and many old product lines that have been transferred to the Kitchen from the stores. Many services formerly handled in four locations have all been moved to one, leading to much greater efficiency and consistency. For 2019 we expect increased efficiency across the board, with a consistent brand and look. We will continue to tweak current offerings and feature more variety.

Community commitment continues as we develop product lines and programs that meet the needs of our membership. Direct support of LISTEN dinners continues as we look for new ways to reach out to Upper Valley residents. We plan to increase member engagement by presenting well-planned demos in all locations, focusing on trends in the Grab & Go and Convenience areas. We will also build on the demonstrated success of programs moved from the individual locations to the centralized Kitchen. Packaging of Bin Bulk products and warehousing of supplies are identified as crucial to promoting our financial health.

The Kitchen will welcome 2019 with a strong leadership team in place. Using the Compensation Pool to promote and the Pathways program to advance employees will continue to further strengthen and build this group. With both weekly huddles and monthly department meetings in place, we will support each other as we become the strongest team possible.

Mandatory Food Safety Program

Although food-safety programs don't apply directly to increased sales, these programs do impact the protection of assets, including our reputation.

*Our philosophy is that you can't put a price tag
on trust and safe food.*

Expanding food-safety knowledge and training throughout the organization will be a primary focus in 2019. We are now requiring nearly all Co-op employees to attend our four-hour food-safety training. We will work closely with our Human Resources team to see that we accomplish this plan over the next year with new and current employees. The end result will be a clean and safe environment for both employees and shoppers while delivering the best customer experience in the Upper Valley. It is also crucial that we are able to fill the positions identified in our Workforce Plan in order to achieve the goals that have been set for the organization.

Customer Service

Customer service in 2019 will truly be a team effort, greatly impacted not only by the foundations of Revenue Growth, but also by the foundations of Human Resources and Employee Experience, Member Engagement, and Policy and Public Affairs. In addition, the more we implement ECRS and perpetual inventory, the more time our employees will have for direct customer service.

What we hope from these efforts is that our customers will shop us more often and checkout with larger basket sizes. We also look forward to greater relationship-building, anchored in the personas research being conducted by Member Services and Outreach.

There link between customer service and revenue growth is the availability and display of physical product, relationship of employees to customers, and variety. All three will be a priority in 2019.

Merchandising

Merchandising and Operations teams will continue to implement strategies that support our Marketing goals and Member Engagement Project. The work of the Merchandising team is also driven by three core responsibilities:

- product selection,
- retail pricing, and
- promotions.

These three aspects of our business play a critical role in member experience at the Co-op. In 2019, that experience needs to be our primary focus and motivation. We need to consider this in both our long-range planning and the routine decisions we make each day. We will work closely with our Marketing, Outreach, and Education teams to align our goals with the Member Engagement work that is ongoing there. Additionally, we will strive for consistent positive and productive communication between members of our team and Co-op employees in other departments. Sharing mutual communication expectations with our colleagues is very important.

In 2019, we plan to encourage strong and growing sales by offering competitive pricing, attractive promotions, and unique and trending new items. We will maintain relationships with our vendors and other business partners that encourage growth. We will also use the industry tools and resources available to us for effective product selection, promotions, and category management. We will commit to consistent margin analysis procedures, employing the capabilities of Catapult as fully as possible. Our analyses will be followed by action to help achieve our department target margins. This is critical to the financial health of the Co-op. Also, we will support the practice of perpetual inventory by providing accurate data from our vendors and maintaining the integrity of our Catapult database.

Store Growth

Hanover Store

- The big idea for 2019: expansion of the senior order program.
- Target: 1.57% growth over 2018.

Lebanon Store

- The big idea for 2019: renovation project.
- Target: 1.59% growth over 2018.

Co-op Market

- The big idea for 2019: expanded hours and increased offerings in Sandwich Shop and Prepared Foods.
- Target: 3.30% growth over 2018.

White River Junction Store

- The big idea for 2019: grow with the community. White River Junction is the only region in our service area in which the population is growing. The store hopes to explore opportunities with the growing residential and office landscape.
- Target: 2.13% growth over 2018.

Financials: Please see appendix for all store financials.

Foundation V: Policy and Public Affairs

Speaking Cooperatively for People, Food, and Communities

The Upper Valley would be a very different place if the Hanover Co-op—with its four stores, auto service center, and kitchen—were to disappear. Imagine the reverberations that void would have *beyond* the loss of good jobs in the region or food choices in members' pantries. The economic aftershocks would crisscross the local economy for years. Fortunately, with continued wise stewardship of our cooperative, that notion of loss will remain farfetched.

As one of a number of durable business icons in this region, our Co-op also occupies a unique position as the largest grocery retailer/employer in the Upper Valley.

Cash registers ringing at our cooperative send dollars into a myriad of enterprises large and small. Tally only the flow of local and regional products into and out of our stores, and the economic return across the food shed of New England becomes clear. To grasp such impact beyond employment gains or groceries sold would entail considerable economic analysis.

Even though research of that depth is not likely to happen soon, what we already know will continue to provide us with informative statistics and shareable stories. The narrative of the Co-op's impact has dominated our PR efforts since the establishment of a Public Relations department here in August of 2016. That will continue in the coming year.

In 2019, we will also push forward with our established campaigns aimed at growing collaborative relationships on the local, regional, and national level. Relationship partners and categories include:

- Supplier — *Grow relationships in an effort to move **vendors** up to Advocate and Partner positions on Engagement Pyramid (as defined by the Hanover Co-op).*
- Community — *Establishment of relationships and success moving **community leaders** onto ladder at or above Following position on Engagement Pyramid.*
- Associations — *Establishment of relationships and find ways to collaborate with **like-minded groups (such as B-Corps) and cooperatives** to engage at the Supporter up to Partner levels.*
- Reputation & Collaboration — *Continued progress on work from 2016 – 2018.*
- Cooperative business model (triple bottom line) — *telling the story of our business.*

In the coming year, we will initiate and increase attention to matters of:

1. Workforce housing
2. Local food sourcing and authenticity
3. Wage fairness
4. Food security

All work begins with cooperative conversations and advocacy.

OUR LOCATIONS

Overview

If the Co-op is known for anything, it is for the personality and flavor of the retail locations that serve thousands of residents in the Upper Valley. Our stores are not just stores but community hubs. And though they are all part of one organization, each location has its own strength and style, reflecting the natural, organic development that comes with being part of a community. What follows is each location's broad plans for 2019.

Hanover Store

The Hanover Store will link staffing levels to the financial health of the Co-op in 2019. As competition for enthusiastic, current, and future dedicated Co-op employees grows more intense, we must be prepared for the financial impact of higher wages. At the same time, we must encourage and support our current dedicated staff.

We plan on moving wages in 2019 from a potential Compensation Pool, using the same goals we had in 2018. That is, moving lowest wages to the highest percentage and recognizing high performance and contribution of others.

The Hanover store has been asked to increase the amount of senior deliveries from 50 to 100 clients in 2019. To give some history of the program: It originally started to provide help for shut-in members. This could be due to illness, surgery, or inability to come and shop in their favorite Co-op store. Today it remains a service for these original reasons, but it has also grown to become an amenity for some senior housing residences. This service is not available to all members, as it is limited geographically to a finite distance from the Hanover Store and by available labor resources at the store level.

Lebanon Store

Moving forward, 2019 will continue to see progress on the Lebanon Store remodel, an ambitious, forward-thinking project ultimately designed for a much better member, employee, and customer experience. Early in 2019, a proposal will be submitted to the Board detailing a new store layout. The proposal will be based on what we've learned from employees and architects, and will detail equipment upgrades we've made thus far and will continue to make over the course of the year. The proposal will include a plan, budget, and proforma finances. The goal is to submit by the end of the second quarter of 2019.

We will also launch several initiatives in 2019, focusing on employee engagement, interactions, and building on our culture. To do this, we will focus on understanding and building diversity within our Co-op. We will also provide further training for our employees in order to further their careers. Our goal is for employees to be more efficient and understand the broader picture of the work they do.

As a focus on financial health and sales, we will introduce new items per customer demands. The goal is to increase variety and product mix to enhance customer satisfaction and also to increase sales. A key part of the new item implementation will be structured samplings, which will introduce and educate our customers on these new items. Our strategy is to work closely with the Co-op Kitchen and Merchandising to increase margins, offer better sale prices, and focus on seasonal Flash Sales.

Finally, as a leader in the community, we will seek out more local products for our customers. We will also have a detailed cleaning program to provide a safe and welcoming

environment for our employees and customers and to maintain equipment to its utmost capabilities. Integrating Front End employees with Member Services will be key to fulfilling the goal of educating our customers on the products and services we provide.

White River Junction Store

The village of White River Junction continues to grow with the opening of *The Village*, a new 80-unit assisted living and memory care facility.

In addition to that, there is a new affordable housing complex located at the corner of Bridge Street and Main, as well as a new 30-unit mixed-income residential property, due to open in the summer of 2019. The chance to engage with a socially and economically diverse group of people will provide us with a great opportunity to share the Co-op story with many more people!

As new faces appear, we anticipate responding to their needs in a manner that that will provide financial health for our organization, create a great member/shopper experience, and fill our local employment needs.

These various options look to bring a diversity of culture and people to the area, all within a short distance from the White River Junction Co-op.

In 2019, we will continue to move forward on using the new Catapult perpetual inventory system, and maximizing all that it is capable of. Our daily work has evolved to meet the goals and demands of the system, which has provided many learning opportunities. Employees remain committed to the project.

Co-op Market

The Community Market will continue to cultivate a warm and inviting atmosphere through great food, great products, and great customer service. Our plan for 2019 involves:

- increased sales through expansion of product lines and departments,
- better budgeting and purchasing, and
- more exciting displays for sale and seasonal items.

We will work with the Merchandising team to add products our customers are asking for and to take a look at what is not selling well for us.

Prepared Foods and our Sandwich Shop will continue to be the hub of our store. As a result, we plan on expanding our Sandwich Shop hours. We would also like to grow our recipe base for sandwiches and dinners for our hot case. We will use items from local farmers and/or vendors whenever possible to help bring a more “farm-to-table” feel to our store.

Hanover and Norwich Service Centers

In November, 2018, we shared some very exciting news with our members and employees: the expansion of the Co-op Service Center to a new facility in Norwich.

One business unit, two locations. In 2019, the Co-op Service Center will be able to serve more members and customers throughout the Upper Valley.

In the summer of 2018, on Route 5 in Norwich, Vermont, an expansive auto repair facility became vacant with the move of Prime Subaru to its new location in White River Junction. This repair facility had wide, expansive bays for vehicles, plenty of parking for customers, and convenient access to free public transportation by way of the Advance Transit Green Line. It came at a great time for us, as our Service Center on Park Street in Hanover was working at capacity, with customers having to wait weeks for repairs.

On November 6, we finalized the paperwork to lease the Norwich facility. With two facilities in operation in 2019, we will bring much-needed relief to our Service Center employees and more repair services to our communities.

Any new business decision is exciting, but this one is particularly rewarding. Our customers often tell us there's a simple reason they bring their vehicles to the Co-op: trust. They tell us they love the Service Center, but they wish we had more space. Now we will. The spacious, paved parking lot in Norwich has room for 100 vehicles, compared to the 20 vehicles we can hold at our Hanover location.

The Service Center in Norwich will be fully staffed and operational by spring, 2019. To thank our members, we will also plan a celebration at the new facility next year.

The advantages of having two repair centers are numerous. We can offer both New Hampshire and Vermont state inspections, a service many members have requested. We can greatly reduce the wait time for repairs. We can expand services from 5 1/2 days per week to up to 7. And we can make our business more streamlined and efficient, offering more repair work in less time.

The expansion will not only increase sales, it will also enhance the member/customer experience. Working with Member Services and Outreach, we recently performed a Value Proposition on the expansion of the Service Center. This expansion will bring a whole new

level of service to our members and customers, one that can be described as “dealership technology with the Co-op touch.” One of the biggest things that sets us apart from the competition is the fact that all of our work is done with the best interest of the customer in mind. To put it another way, we are simply trustworthy. And we will be working very closely with our vendors to streamline our inventory to better suit the customers’ needs.

The expansion is well-timed, the product of broad and forward thinking. The trend in the automotive industry is growing at a rapid pace. The aftermarket industry is expected to be a \$722.8 billion business by the year 2020. Consumers are keeping their vehicles longer and are more aware of the importance of preventive maintenance and scheduled servicing to maximize the lifetime value of their vehicle. This is a perfect opportunity to make our members “car-care aware” and to help them stay safe on the road.

We are looking forward to 2019 and expect the year ahead to be filled with possibility and potential. We will grow our Service Center team, hiring on new certified technicians. Customers will be able to expect quality work completed by quality professionals. The closeness and culture of the employees here is very strong, and we expect to continue growing this bond through communication, training, and support.

OUR CULTURE

Overview

People are drawn to cooperatives for a reason. Co-ops provide countless opportunities for serving others, for enriching communities, for building a progressive and inclusive society. To that end, moving forward, protecting and preserving co-op culture is vital to furthering our organizational goals.

Open Book Management

Open Book Management is a philosophy of treating employees as active, well-informed partners in a business, rather than “hired hands” who only exist to further a single bottom line. Our Open Book Management huddles are not limited to financial information, but instead, encompass many aspects and topics that are pertinent to the Co-op and its local and global community.

Huddles take place weekly at each retail location and at the Co-op Kitchen. Teams review sales, expenses, and savings before taxes, along with location-specific information on safety. This includes reports on workers’ compensation claims, expenses, accidents, and number of staff who have completed safety training.

Co-op huddles focus on *short-term* plans and goals for teams of departments. They also include coworker engagement statistics regarding community service.

Succession and Restructuring

Our Co-op teams have adjusted to many changes over the past few years. In particular, there have been new faces in senior management roles, including a new General Manager. The past year has been unusual in that regard, in that there have been no major changes in leadership and management. Change is good, but continuity is also welcome. We look forward to building on this spirit of continuity in 2019 as we strive to achieve our goals.

Culture Change

Over the past year, our Co-op has transitioned to a highly effective team approach, spearheading culture change throughout the organization.

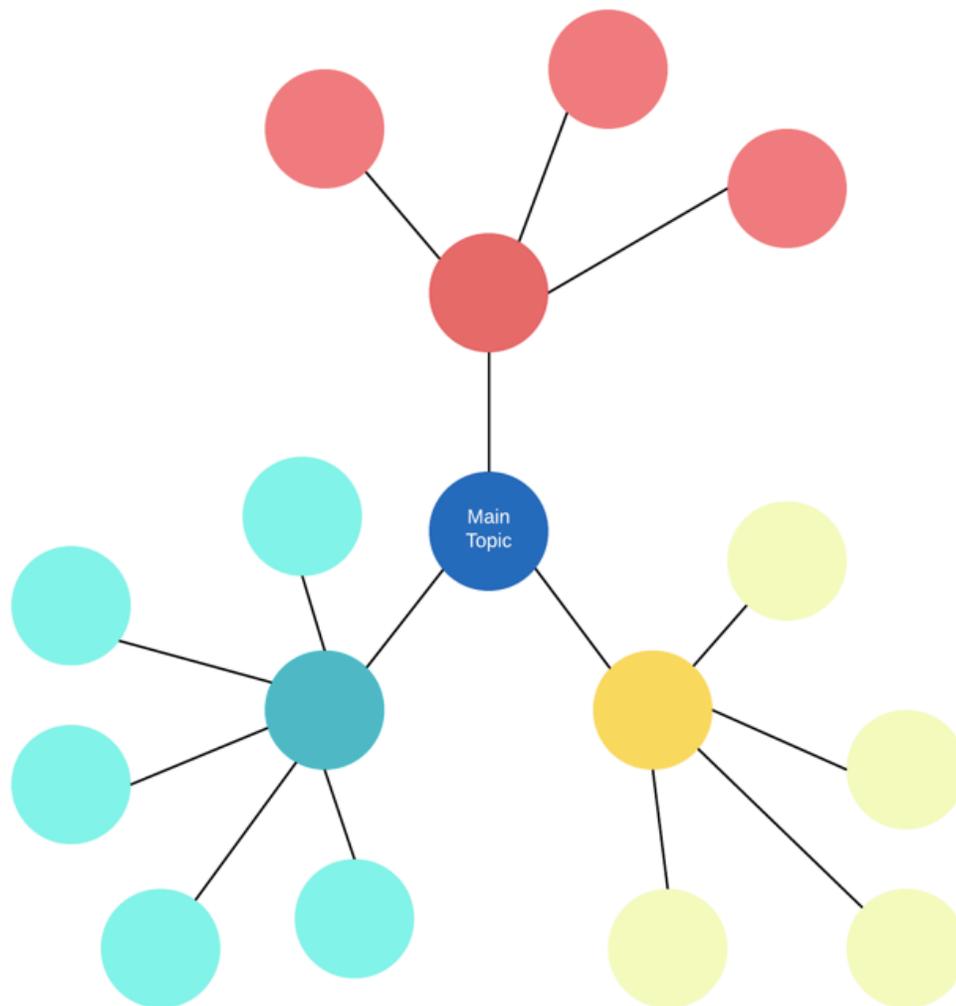
Teams are powerful ways of getting things done. Team members bring diverse skills to the table, and together can accomplish great things beyond the reach of any singular individual.

This is self-evident, of course. Companies regularly create committees and brain trusts for this very reason. The problem is that often, once a project has been completed, the committee disbands. To quote a comprehensive [article](#) in *Harvard Business Review*, “While it’s part of the normal course for organizations, disbanding well-functioning teams is actually a value-destroying activity, eradicating the ‘team capital’ built and stored in the team. Because businesses don’t fundamentally recognize such teams as entities beyond the activity they are performing, this value destruction seems inevitable.”

Leadership vs. Management	
MANAGEMENT Produces Order & Consistency	LEADERSHIP Produces Change & Movement
Planning and Budgeting <ul style="list-style-type: none"> - Establishes agenda - Sets timetable - Allocates Resources 	Establishing Direction <ul style="list-style-type: none"> - Creates a vision - Clarifies the big picture - Sets strategy
Organizing and Staffing <ul style="list-style-type: none"> - Provides structure - Makes job placements - Establishes rules and procedures 	Aligns People <ul style="list-style-type: none"> - Communicates goals - Seeks Commitment - Builds Teams and Coalitions
Controlling and Problem Solving <ul style="list-style-type: none"> - Develop incentives - Generate creative solutions - Take corrective action 	Motivating and Inspiring <ul style="list-style-type: none"> - Inspire and energize - Empower subordinates - Satisfy under needs

Source: Kotter, J. P. (1990b),
A Force for Change: How Leadership Differs from Management
New York, NY: Free Press.

The Functional Team Model



Made in
 Lucidchart

Our team approach is designed to inspire leadership principles, which can be different from the more traditional and less robust management approach. Teams are also more permanent. Rather than a committee, our teams are fixed, ongoing consolidations of people who share symbiotic, functional roles. Our Co-op still has separate departments with separate managers; however, in most cases, these departments have now been consolidated into teams with a single team leader. As a result, 15 direct reports to store managers have been consolidated into 5-8. This approach is developing organically throughout the organization. The ultimate goal is a strategy based around functional teams, which is highly effective in meeting challenges and solving problems.

Part III: Strategic Considerations

Overview

A priority of the Co-op’s Board and Senior Leadership Team is to plan for the future of our cooperative. We have a responsibility to be visionaries, to think about what our Co-op will look like 10, 20, or even 50 years down the line.

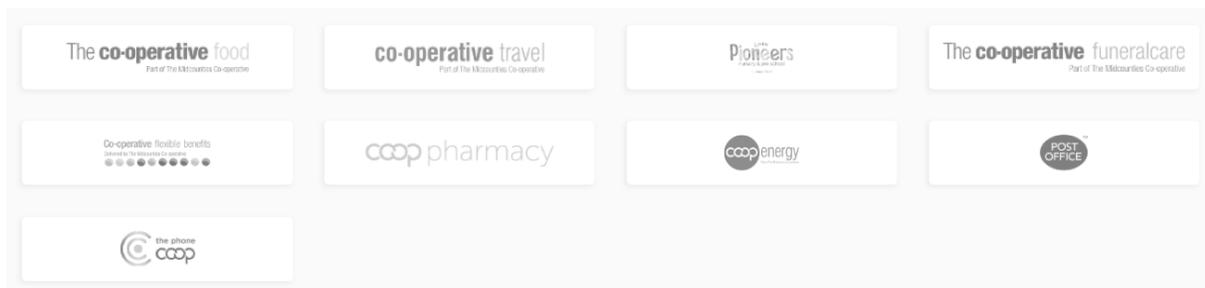
What do we need to think about now to ensure our organization is still around then? What should our Co-op do to keep the organization relevant and growing? These are important questions, one that our Board, members, and employees need to consider sooner rather than later.

Below, our teams have identified several strategic considerations for our cooperative, which we believe will lay the groundwork for a strong future for generations to come.

What do we need now? Input from the Co-op Board. Board feedback and analysis is crucial to this process.

Board members are asked to carefully consider the sections below, and to think about them within the context of planning for our organization’s future.

Diversifying and Growing Our Co-op



Above, the many brands of The Midcounties Co-operative.

By design, a co-op exists to serve the needs of its members. There are food co-ops, utility co-ops, bike co-ops, art co-ops, and more. Some co-ops are composed of more than one business, based on the needs and wishes of the membership.

Consider our friends at [The Midcounties Co-operative](#). With more than 667,000 members, Midcounties is the largest independent consumer co-op in the United Kingdom. Midcounties uses the co-op brand across many different businesses, offering food, travel, funeral services, phone services, and more:

From the [Midcounties website](#):

Midcounties is a consumer co-operative owned and controlled by its members. We are part of the global co-operative movement, and subscribe to co-operative values and principles that govern all co-operatives around the world. We operate a range of businesses in Food, Travel, Healthcare, Funeral, Childcare, Energy, Post Offices, Flexible Benefits and Phone & Broadband. We're now a billion pound business with more than 500 trading sites.

Our own business channels are already diverse, given that we not only offer retail food stores, but also two automotive service centers and a commissary kitchen. Moving forward, diversifying our cooperative could offer our members and communities a wide variety of new businesses and brands, all united by our collective mission and tradition of trust.

Diversifying the business will also grow it. We will continuously plan from a strategic and comprehensive approach for both physical and virtual growth of the business and service area. Our goal is to be prepared for opportunities that arise in order to be in a position to change strategies and react. This planning will include, but not be limited to, physical/geographical, store model, and technological “shopping” expansion.

Alternative Energy Opportunities

A community solar project, also known as a solar garden or shared renewable energy system, is a solar power grid shared by more than one household or business. Community solar projects allow members of a community to share in the benefits of solar power, even if they cannot afford to install solar panels on their own home. We have the land to support this opportunity, serving our communities with sustainable green energy.

Capitalization/Rebuilding the Balance Sheet

To employ an old adage, there is one given about the future: It comes sooner than you think. In thinking about the future, capitalization is vital to ensuring the long-term financial viability of our collectively owned business. Our strategy is multifaceted, composed of the following ideas:

- Make selective investments in technology to increase operational efficiencies and create economies of scale, which we expect to increase free cash flow from operations.
- Explore raising capital from members to fund specific projects.

- Explore the establishment of a “Co-op endowment” for the purposes of raising permanent capital to invest in the Co-op as necessary.
- Look to aggressively pay down loan for Hanover renovation project.
- Continue on the path to positive return on the Community Market.
- Review and renegotiate current “self-insurance” program.
- Move Service Station business unit to a positive return via expansion.
- Retain earnings from past fiscal years.

Multistakeholder Co-op Model

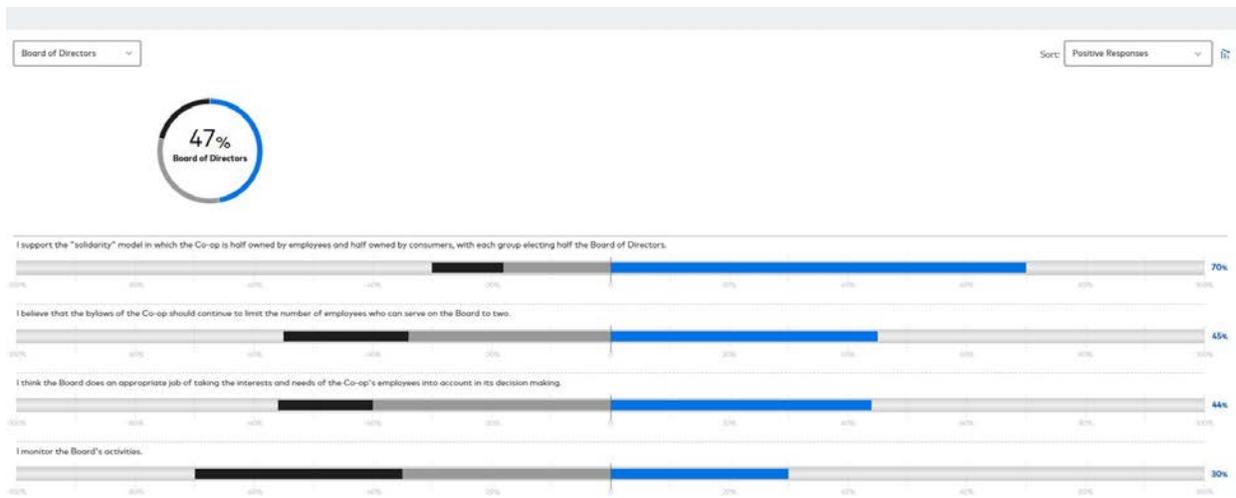
Our cooperative provides the livelihood for approximately 380 individuals as well as goods and services for thousands of members. Within the Co-op there are seven stakeholder groups as identified in our Governance Policies.

The Hanover Consumer Cooperative Society exists to provide cooperative commerce for the greater good of our members and community. We discern seven distinct groups comprising “our members and community,” as follows:

1. *Co-op members*
2. *Non-member customers*
3. *Co-op staff and their families*
4. *Local suppliers*
5. *Local community*
6. *Larger cooperative community*
7. *Past and future generations of Hanover Co-op members*

This is appropriate, in that it is members who have capitalized the Co-op and the vast majority of members are consumer/members. But it is also an unbalanced situation, in that the workers responsible for the operation of the Co-op have such a small piece in the financial outcomes of the organization (relative to their contributions). One model of cooperative organization that divides the power more equitably among groups is the multi-stakeholder model. Examples like the Mondragon Cooperative in Spain and producer cooperatives of Northern Italy show that workers who benefit directly in the success of the cooperative achieve better results, are more satisfied, and have a higher standard of living.

The study of a possible conversion of our organization into a multi-stakeholder model has some appeal for a small number of staff and members, especially those with a strong desire to encourage worker empowerment.



The chart above, from the 2018 Employee Survey, shows the interest in a potential employee-ownership model. Though current New Hampshire statutes do not accommodate for an employee-owned cooperative, we see this as an exciting opportunity for further discussion and inquiry. This type of model would require work over an extended period of time, and there is no guarantee of interest on the part of the broader membership.

Development of an Education Nonprofit

Education has been a primary component of our cooperative since its founding in 1936. In the early days, employees delivered mimeographed sheets by bicycle to the homes of other members, sheets that educated the membership about products, upcoming plans, and the cooperative model itself. Today we have blogs, e-news, websites, and social media channels to share this type of information. However, the commitment to education remains the same.

Currently, the Co-op's Member Services and Outreach department is the hub of our education efforts. Moving forward, our Co-op may wish to consider forming a separate education nonprofit to support to support Principle #5 and End #3.

Cooperative Principle 5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

Co-op End 3

Customers will be better educated about food issues and, as a result, make healthier choices than those who shop elsewhere.

This nonprofit would build on our already-robust education platform and open opportunities to further programs. A separate nonprofit would also allow our Co-op access to specific funding and grants and would expand our ability to educate consumers about food and cooperative issues.

[Food Moxie](#), an education nonprofit established by Weavers Way co-op, represents one potential model for this idea.

E-Document Storage

Moving forward, our Co-op may want to consider investing in an EDMS as our world becomes increasingly digitized. An EDMS, or Electronic Document Management System, is simply software designed to organize and store documents. An EDMS handles digital, rather than paper, documentation, and can provide a way to centrally store a large volume of digital data. There are many advantages to an EDMS, including easy retrieval and the ability to ensure privacy and the long-term backup and storage of documentation.

Honestly, we're nervous about this, and at this point we are exploring the technology but uncommitted to making any decisions. Acknowledging the current electronic security landscape, we will consider an EDMS very carefully and only with extreme due diligence.

Capturing and Understanding Data

The Member Engagement Project has taught us the need for conducting in-depth research on the groups who interact with our business, including employees, members, shoppers, and vendors. That said, we all know the moral pitfalls of capturing personal data. Moving forward, our goal will be the *ethical collection of data*, with an emphasis on privacy, discretion, and full transparency and accountability.

Survey Software

From developing "personas" to creating Value Propositions, our Co-op is increasingly relying on surveys in order to understand what our constituents think and feel. In the future, we foresee more of a need for this sort of information, not less. As a result, investing in survey software is ongoing, particularly in the areas of Human Resources/Employee Experience and Member Services and Outreach.

Online Ordering and Delivery Services

Our industry continues to see explosive growth in the areas of online ordering and delivery services. The single largest impediment to this, in our view, lies in the substantial investment in infrastructure and overhead costs to operate such a business unit in a constantly evolving market of logistics and IT platforms. Individual retailers, both large and

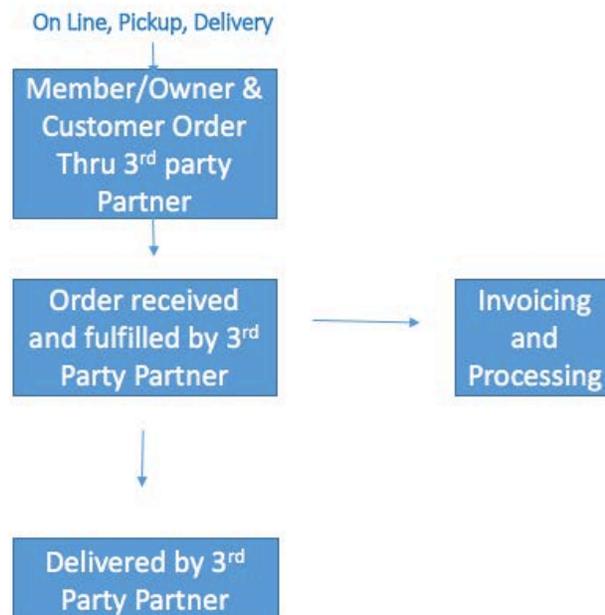
small, face these same challenges and obstacles. Unfortunately, smaller retailers and cooperatives are often overwhelmed by the resources and size of the larger regional and national competition.

That said, we believe there is an opportunity to harness the collective mass, in terms of sales volume and retail members in the NCG network, to overcome these obstacles and have a significant impact in this new retail realm. Our idea is to partner with organizations already doing this sort of work, rather than recreating the wheel, or even creating a new wheel from scratch.

If we approach the challenge developing formal partnerships with existing industries, we are confident there is a success model to be realized. One idea is an aggregated online platform to serve any or all the cooperatives associated with NCG. Another idea is to use existing delivery models—either in the form of dedicated delivery companies or contracted individuals (such as those used by Amazon and Uber, for example).

We believe that there is a major opportunity to leverage our network on a national scale. Through the leadership of NCG and in conjunction with its members, we can make this happen.

Although many details are obviously yet to be examined attached is a very high level flow of the process. We would absolutely be open to further conversations concerning this and hopefully moving forward to be a part in its development.



Delivery Opportunities

We currently have a senior ordering and delivery program that fills the needs of an audience with limited abilities to visit the store. Currently 50 are enrolled, with 25 on a waiting list. We've targeted 100 enrollees for FY 2019. This, in our view is the best test audience for an online ordering platform as we already have a market and growth potential.

In FY2019 we will also look into ordering and delivery from our Prepared Foods departments. This model is showing growth over the years nationally. It also gives us the opportunity to partner with an existing food service aggregator, such as [Grubhub](#).

General Manager Ed Fox has had confidential discussions with local entrepreneurs on partnerships, and all are interested. They remain cautiously skeptical on the financial stability of a venture; however, the door remains open. Also, it should also be noted that locally, we are not the only ones interested. Current trends indicate that our competitors in the Upper Valley also see the potential.

As noted above, our FY 2019 plan calls for a survey platform that will help us gather more specific and usable data. This data will help us to make key business decisions about the feasibility and future of online ordering and pickup and delivery.

Administration: A New Vision

The Co-op's vital support functions are centrally organized under one broad umbrella—Administration. Located at 2 Buck Road, the Co-op's bustling suite of offices in Hanover, the Administration building sits on a rocky slope in a patch of woods not far from neighboring Dartmouth College and the Hanover food store. The building is home to several departments, and its expansive meeting rooms are used for a wide variety of important functions, including food-safety training, orientation, ECRS/Catapult training, employee-recognition events, and regular committee meetings.

Administration is composed of several departments: Finance, Information Technology, Human Resources/Employee Experience, Facilities and Transportation, Merchandising, Operations, Public Relations, Marketing, and Member Services and Outreach. These departments support every aspect of the business. Administration teams have been vital in leading and implementing several major initiatives over the past two years, including ECRS/Catapult, Value Propositioning, the Member Engagement Project, Pathways, and the Workforce Plan, to mention but a few.

Without these services, our Co-op would be unable to function. However, Administration is still widely misunderstood. Moving forward, our Co-op may wish to consider "rebranding" our administrative efforts, and solidify that work with a new vision, perhaps even a new name.

Proposed Administrative offices vision statement: To consistently exemplify the spirit of cooperation to our employees, our members and the community at large.

Organizational Design

A question every organization should ask itself: Why do “silos” exist? And a follow-up question: What can we do about it?

Many large organizations complain about silos but never do anything about it. To address this moving forward, we may want to consider rethinking our business structure based on the theory of organizational design.

Think of a business as a large puzzle, with thousands of pieces, each representing a different task. Traditionally, the pieces are jumbled high into piles, organized by department. This artificially created system often lacks connectivity and alignment. Organizational design rethinks the puzzle. It focuses on the structure of work within an organization and how teams collaborate to complete their collective tasks. Realignment the design, based simply on what makes sense, leads to increased efficiency and greater opportunity for collaboration, communication, and teamwork.

From the [Center for Organizational Design website](#):

Organizational design is a step-by-step methodology which identifies dysfunctional aspects of work flow, procedures, structures and systems, realigns them to fit current business realities/goals, and then develops plans to implement the new changes. The process focuses on improving both the technical and people side of the business.

APPENDIX

2019 Business Unit Budgets

2018 Budget compared to 2019 Budget

Hanover

	2018		2019	
Revenue	\$23,972,920	100.00%	\$24,741,992	100.00%
Gross Profit	\$7,835,048	32.68%	\$7,940,971	32.10%
Net Income	\$1,993,873	8.32%	\$1,966,533	7.95%

Lebanon

	2018		2019	
Revenue	\$31,840,210	100.00%	\$32,336,628	100.00%
Gross Profit	\$10,519,354	33.04%	\$10,488,408	32.44%
Net Income	\$3,489,047	10.96%	\$3,332,636	10.31%

White River

	2018		2019	
Revenue	\$10,856,495	100.00%	\$11,901,024	100.00%
Gross Profit	\$3,371,198	31.05%	\$3,602,640	30.27%
Net Income	\$668,416	6.16%	\$773,596	6.50%

Lyme Road

	2018		2019	
Revenue	\$2,149,743	100.00%	\$2,272,693	100.00%
Gross Profit	\$721,758	33.57%	\$755,830	33.26%
Net Income	(\$63,746)	-2.97%	(\$59,828)	-2.63%

CLC

	2018		2019	
Revenue	\$69,000	100.00%	\$69,000	100.00%
Gross Profit	\$51,750	75.00%	\$51,750	75.00%
Net Income	(\$33,894)	-49.12%	(\$35,788)	-51.87%

	2018		2019	
Member Services	\$739,837	1.02%	\$832,176	1.02%
Administrative Expenses	\$890,368	1.23%	\$999,569	1.23%
Human Resources	\$596,837	0.82%	\$666,618	0.82%
Finance	\$610,695	0.84%	\$559,542	0.84%
Merchandising Expenses	\$826,005	1.14%	\$894,643	1.14%
Communication Expenses	\$138,162	0.19%	\$150,884	0.19%
IT	\$1,228,597	1.69%	\$1,283,903	1.69%
Maintenance	\$646,225	0.89%	\$711,359	0.89%
Public Relations	\$47,345	0.07%	\$51,846	0.07%
Total G&A Expense	\$5,724,071	7.89%	\$6,150,540	7.89%

Consolidated Service Centers

	2018		2019	
Revenue	\$3,686,610	100.00%	\$4,807,536	100.00%
Gross Profit	\$647,893	17.57%	\$1,456,496	30.30%
Net Income	\$46,646	1.27%	\$71,513	1.49%

Co-op Kitchen

	2018		2019	
Revenue	\$2,130,536	100.00%	\$2,179,323	100.00%
Gross Profit	\$1,384,848	65.00%	\$1,395, 273	64.02%
Net Income	\$8,473	0.40%	\$4,281	0.20%

Co-op Principles

1. Voluntary and Open Membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.