

# Fiscal Year 2022

## HCCS ORGANIZATIONAL BUSINESS PLAN

*Hanover Consumer Cooperative Society, Inc.*

Submitted to the Co-op Board of Directors  
December, 2021

by Paul Guidone, CFA  
General Manager  
on behalf of the Leadership Team

**Nourish. Cultivate. Cooperate.**



# Contents

## **PART I: 2021 YEAR IN REVIEW**

Executive Summary..... 3

## **PART II: LONG-TERM PLANS & METRICS ..... 11**

Foundational Area – A Refresher..... 11

SWOT Analysis – A Refresher..... 13

Cooperative Engagement..... 14

Business Unit Operations ..... 18

Public and Governmental Affairs..... 19

Finance ..... 19

Administration ..... 20

Confidential—Not for Distribution

## **PART I: 2021 YEAR IN REVIEW**

### *What Has Been Accomplished*

#### **Executive Summary**

*By Paul Guidone, CFA*  
*General Manager*

In many ways, 2021 picked up where 2020 left off. Businesses and society at large worked to get back to some sense of normalcy while contending with the COVID-19 pandemic. The state-of-the-art technology otherwise known as the face mask or shield was supplanted by the latest technology called the vaccine. The emergence of variants to COVID-19 brought about a doubling down on safety by combining wearing masks with receiving the vaccine.

As individuals began to take comfort in the availability and safety provided from a vaccine, business in general began to rebound. Employment began to pick up in many industries, supply chains were on the mend, strong demand for products resulted in a resurgence in consumer prices, with meat and gasoline being notable victims. As the year progressed, bottlenecks developed at key distribution facilities, largely due labor shortages in those key areas. The net result is a shortage in a broader range of consumer goods, certain food products in particular, putting further upward pressure on consumer prices. In conjunction with these developments, the food-service industry faced herculean challenges to attract and retain employees willing to work in a customer-facing retail environment.

Through it all, our Co-op moved constructively forward, albeit with our own challenges.

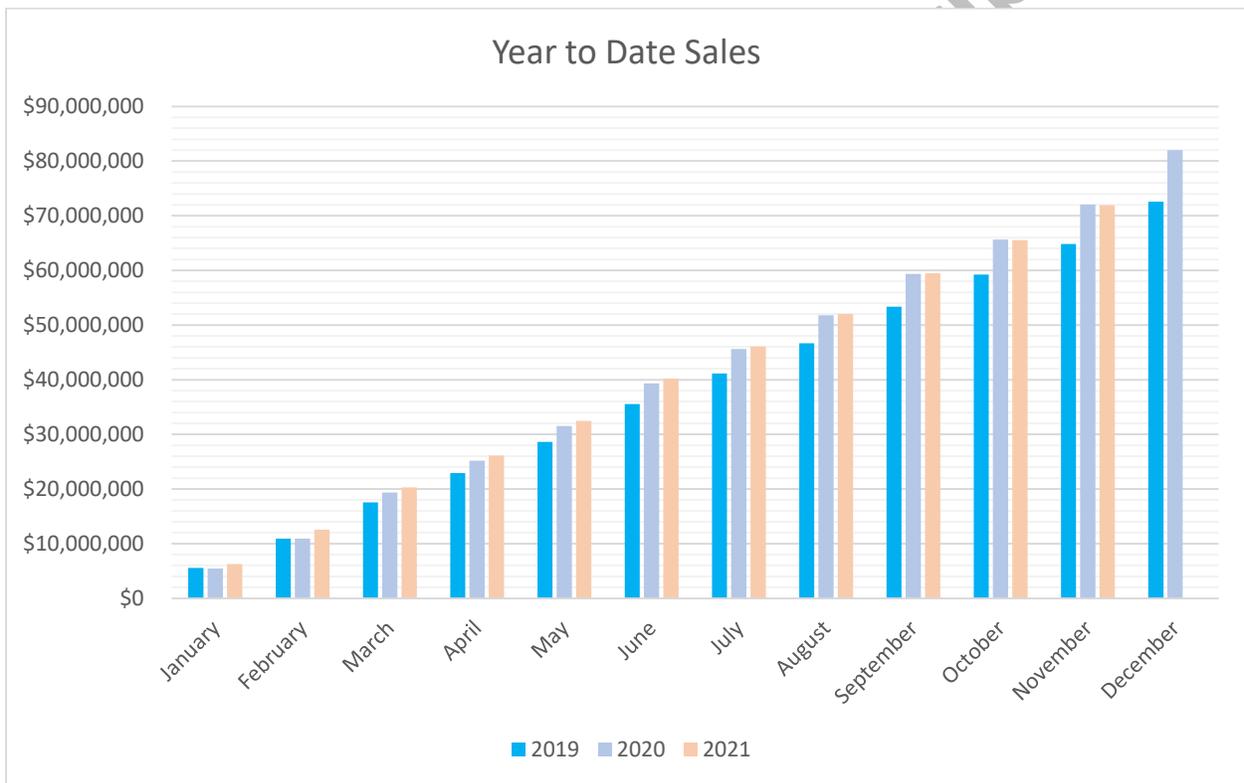
Business strategy and the plans that support them are a journey and not a destination. Accordingly, the year focused on implementing against our SWOT analysis developed two years ago, and continually reviewed and updated as appropriate. Among the many items to be pursued, we focused on the critical updates to our refrigeration and HVAC infrastructure at our Lebanon store. In addition, we focused on:

- Replacing legacy software and Excel spreadsheets with enterprise-level software in our HR, Finance, and Member Services departments.
- Engaged a third-party energy specialist (VEIC) to undertake a comprehensive analysis of our energy usage across all Co-op facilities with the goal of developing a plan to meet the Board's goal of net-zero emissions by 2030.
- Continuing the drive to implement perpetual inventory across our stores, where appropriate.
- Initiating comprehensive reviews of our Service Centers, Community Market, and Co-op Kitchen/Prepared Food Departments.
- Through our Local Initiative, we are recommitting and formalizing our focus on local products and vendors, consistent with End 1.

- Undertaking a complete review of our employee pay structure, resulting in raising our minimum wage to \$15 hour, 2 years ahead of plan. As part of the review, we hired an independent third party to analyze competitive pay levels in the NH and VT employment markets.
- Increasing our advocacy for affordable housing, transportation, and food justice.
- Continuing to use cross-functional teams to aid in strategy development, further breaking down the silo mentality that has existed within our Co-op.

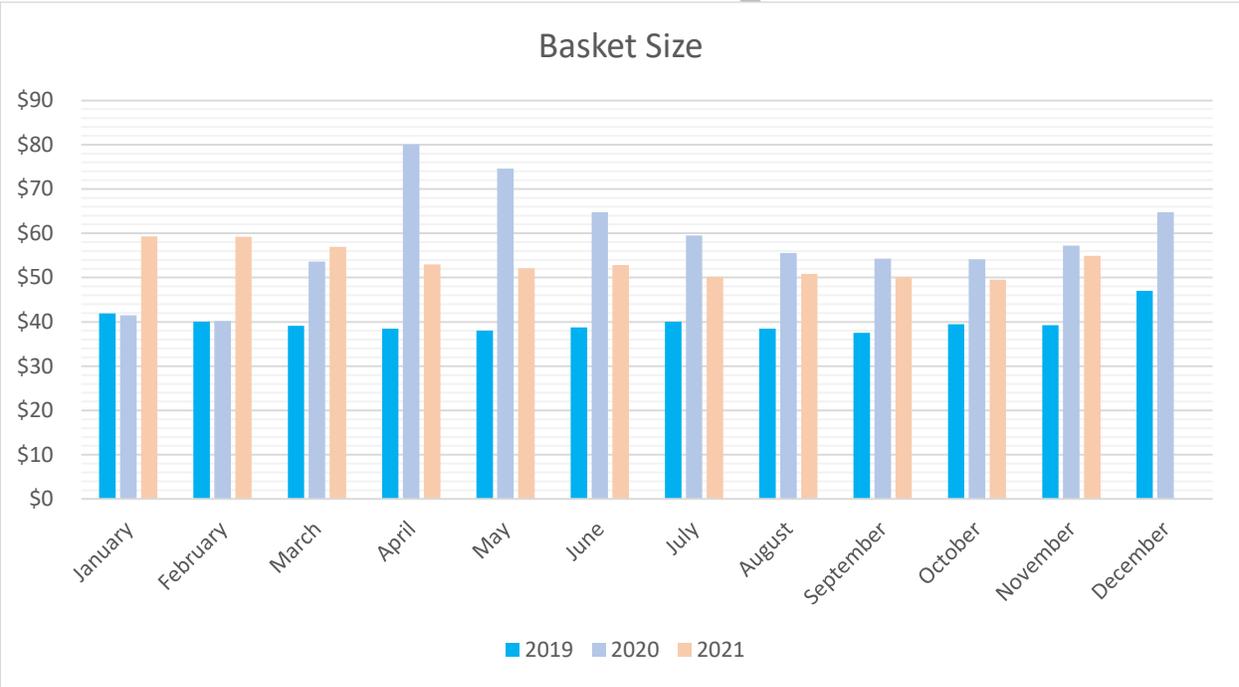
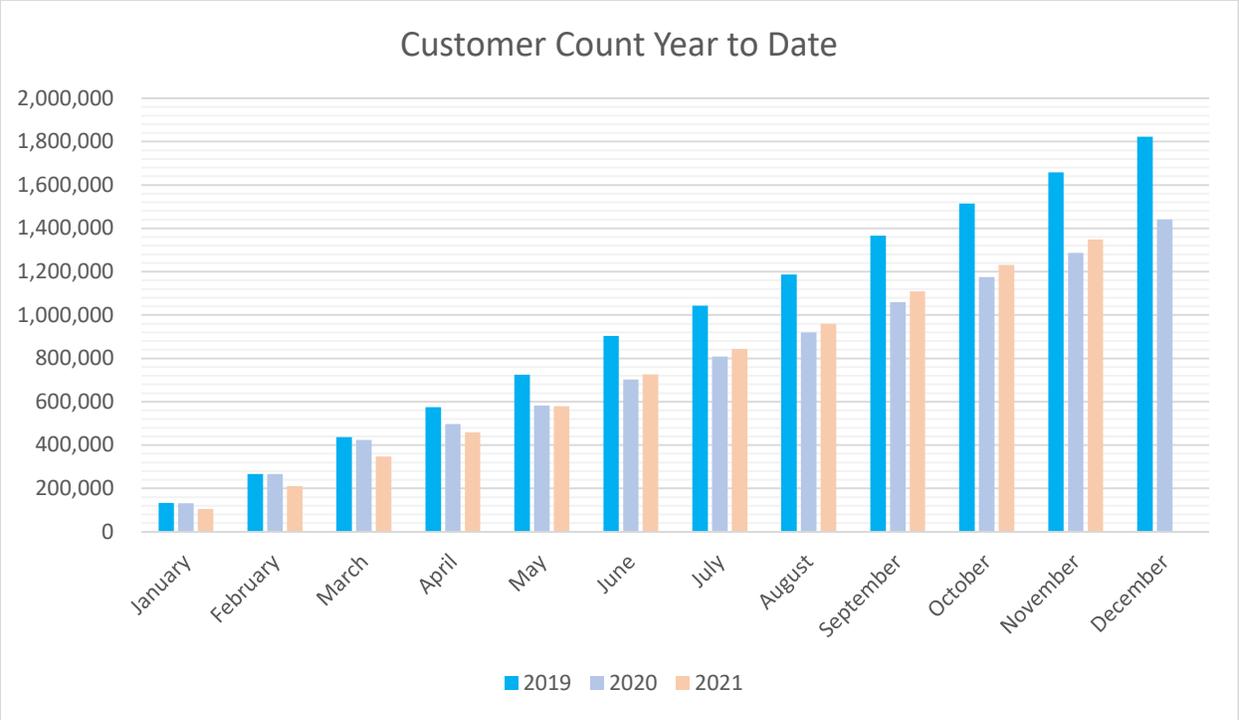
Other specific takeaways of interest for members of the Board include the following:

**Sales.** Consolidated food store sales<sup>1</sup> for the 10 months ending November are approximately in line with the same period last year (\$71.9 million versus \$72.0 million). On a year-to-date basis sales continue to exceed budget.

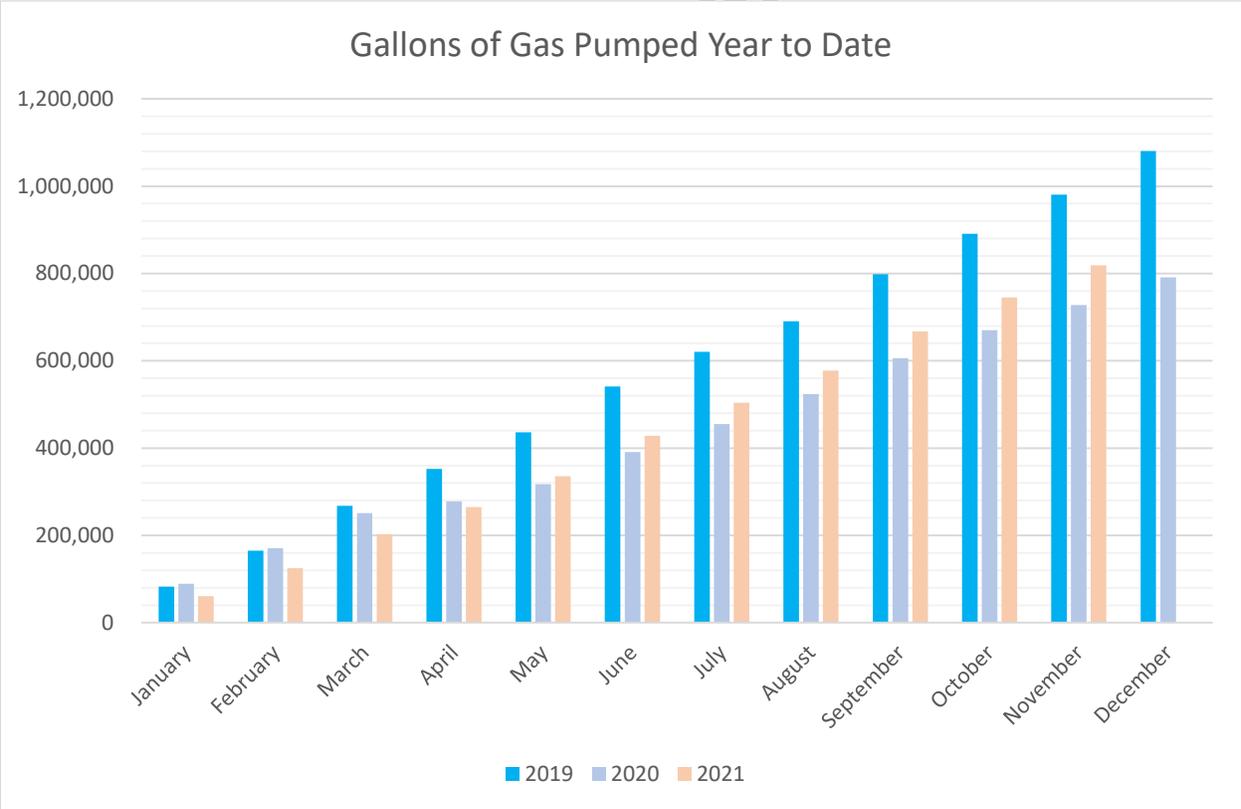
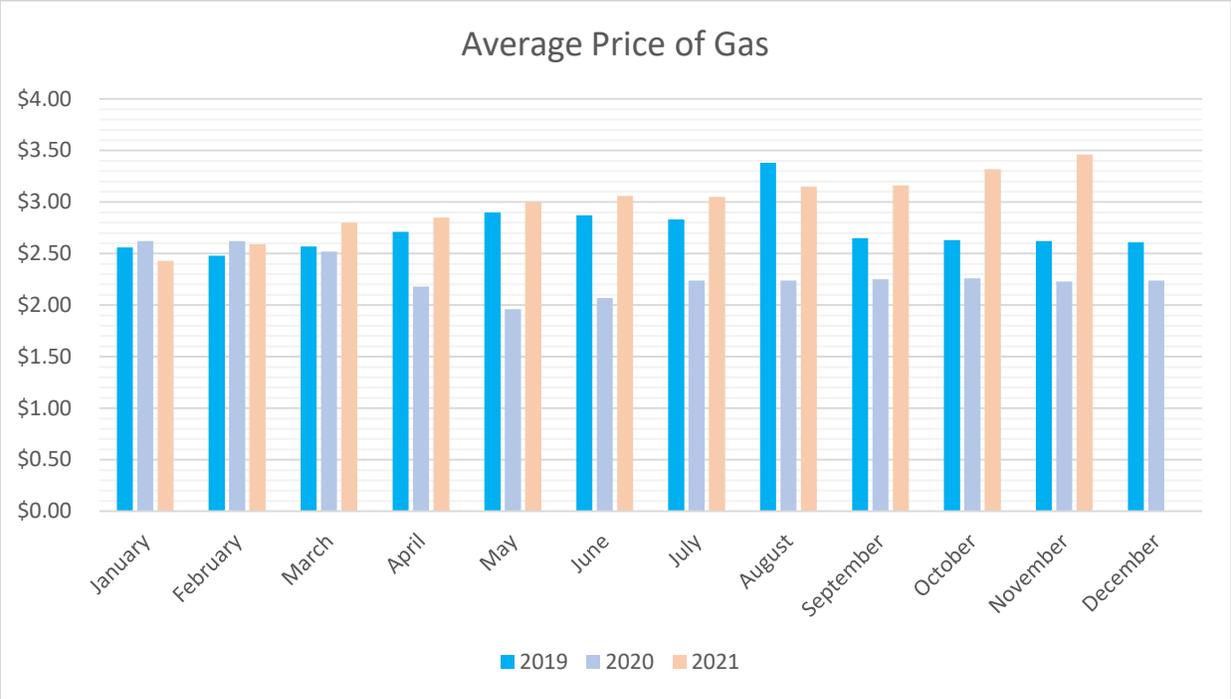


**Financials.** Customer visits for the 10 months ending November 2021 are higher than the same period last year (1.35 million versus 1.29 million, respectively) but remain below 2019’s 1.66 million visits. Average basket size is approximately \$54.91 down from \$57.19 last November.

<sup>1</sup> Growth led by Grocery, Meat, Produce, Dairy, and Frozen Foods. PFD is underperforming, an impact of the outbreak of COVID-19. See Business Unit Operations report.



**Gasoline.** Gas prices began the year at approximately \$2.24 per gallon. At the end of November, the average price is approximately \$3.46 or \$1.22 more per gallon. Our average price is approximately \$1.23 per gallon more than November last year. For the month, we have pumped over 16,000 more gallons than the same period last year. Sales of our non-gas business remains ahead of budget year to date.



**Supplies.** As previously stated, labor shortages are straining supply chains, which had been recovering from the initial impacts of the pandemic. Industry-wide, retailers are experiencing

decreases in the variety of available products, and fewer opportunities for price negotiation and promotions.

**Workforce Planning.** Open positions at the Co-op are influenced by two primary factors – departures for a variety of reasons and positions created due to promotions. The former reason is normal in an industry with 30% plus annual turnover. The latter reason is an ideal one to have. We do not expect the trend of open positions remaining high to abate anytime soon. We continue to look at the way we operate and utilizing new strategies in our stores to better deploy the resources we have. Some examples of this are cross-training employees in multiple departments and designing jobs where one employee works in multiple departments throughout the day, moving to those areas that need extra labor during peak hours. Store managers have begun to share their approach to managing their labor challenges with one another.

**Web Cart.** Several thousand products are now available on Web Cart, a significant increase in a short amount of time, representing all major departments. Selection has been driven by member request, an approach met with positive feedback and loyalty.

**Discounts and Allowances.** In 2020, at the request of members, we changed our member-discount days from the 15<sup>th</sup> and 16<sup>th</sup> to any day of the month. Members met the change with great enthusiasm. In 2021, discounts and allowances are forecasted to be approximately \$2.15 million, up from \$1.84 million in 2020. Discounts are deducted from gross sales, not operating earnings, and therefore reduce the amount of cash flow available to the Co-op for normal operations. Everyone should appreciate this is a big investment back into our membership and dwarfs the amount available to return to members via a patronage refund.

## **A BRIEF LOOK AT 2022**

Although more detailed information about our expectations and goals for fiscal year 2022 follow, these are some of the highlights we are excited about:

### **Member Services**

- The full implementation of Salesforce, a state-of-the-art, feature-rich database that expands our Co-op's ability to enhance our members' in-store and online experiences.
- The redevelopment of our demo program in the food stores accompanied by a return of new promotional marketing strategies.
- Shifting to a more-customer-centric, outward-facing organization through a more robust use of market research.

### **Retail Strategies**

- Ensuring our businesses offer programs that align with the needs of customers.

- Greater use of strategy tools such as Customer Value Maps, SWOT analyses, and Business Canvases to better understand customers, needs, goals, and barriers to meeting their needs.

### **Business Unit Operations**

- In our food stores, we will continue to create operational efficiencies to enhance the customer's experience. We will introduce self-checkouts in our Lebanon and Hanover stores in 2022, and step-up our efforts in the Made-to-Order category for PFD.
- In our Service Centers, increase utilization of our quick lube bays will improve routine maintenance for our customers.

### **Public and Governmental Affairs**

- A commitment to strengthening alliances, supporting housing, transportation, and local food production, and advocating for cooperative businesses at the regional and national level.
- Plans for next year that include a "best of show" of our commitments.
- A working plan that can best be summarized as striving to do the most for the least amount of money.

### **Finance**

- Further implementation of Planning Maestro software (for budgeting & forecasting).
- Enhanced financial reporting with Analytics Maestro.
- Continued work of inventory costing for the Prepared Foods Department and Kitchen.
- Updating of Standard Operating Procedures and policies for the Finance Department.
- Updating cash handling procedures in stores to improve efficiencies.
- Delivery of financial statements no later than 10 business days after monthly closing.
- For 2022, we expect discounts and allowances to approximate \$2.36 million, compared to annualized forecasts for 2021 and 2020 of \$2.15 million and \$2,012,184, respectively.

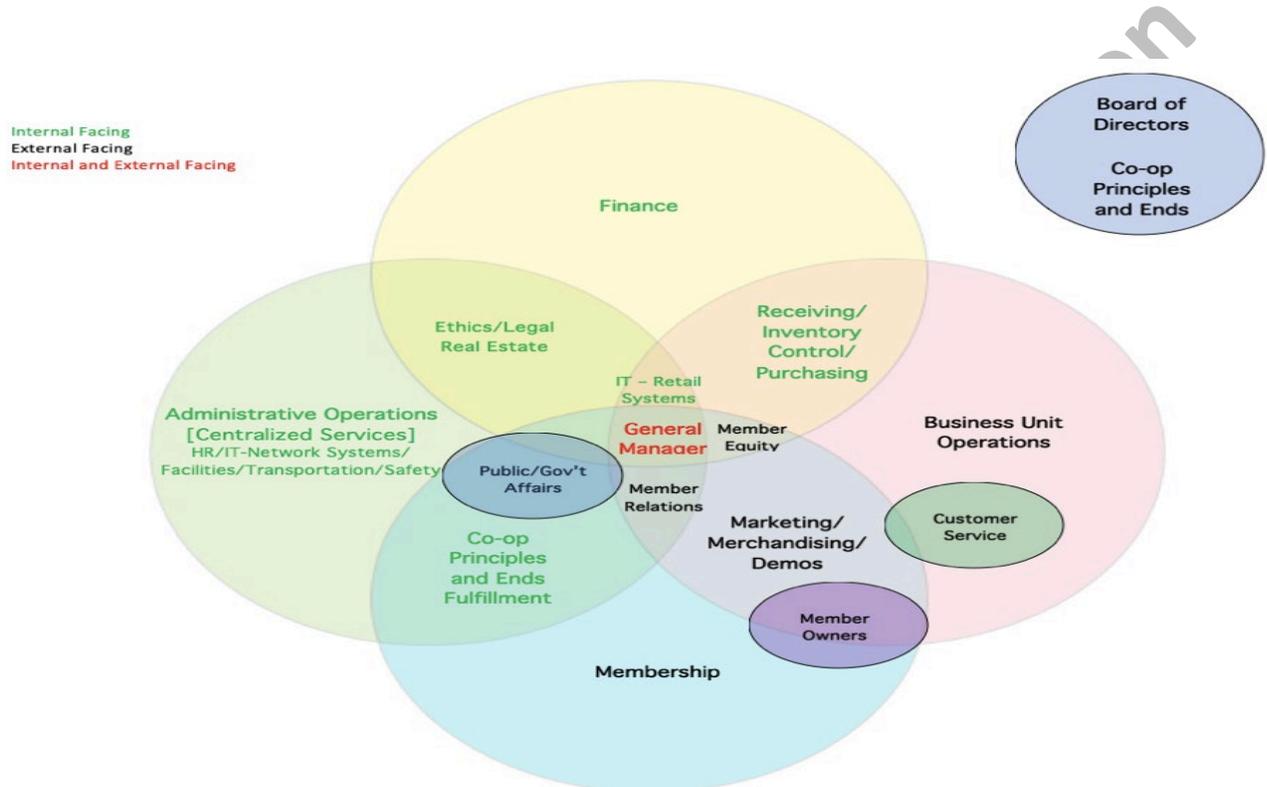
### **Administration**

- We will look at mechanical upgrades in our Hanover store – completing updates to the parking lot and upgrading ventilation system as part of a remodeling of the basement to provide new workspaces and bathroom facilities.
- Continue our commitment to becoming a learning organization. Succession planning is a key initiative for 2022.
- Continued work on IT networks and systems to build a stronger, more reliable platform.
- Our business continuity efforts will continue to build upon our process maps created in 2021. These will be further developed into specific plans for the respective functions.

## PART II: LONG-TERM PLANS & METRICS

*Note: in the plans that follow, matrices are displayed in Gantt Chart format to reflect timetables of significant milestones for each functional responsibility in conjunction with one another.*

### Foundational Areas and Their Relationships – A Refresher



The above Venn diagram illustrates a relationship model that guides the Co-op's project management work, breaking away from the traditional organizational chart and focusing instead on functional links between various aspects of the organization. It's a flexible, dynamic system, future-centric and open to change. This allows the Co-op to adapt to unexpected circumstances and to explore future market opportunities.

Public and Government Affairs			
Benefits/Housing/Pay		Food Security/Local	
Finance <i>Legal</i> <i>Business</i> <i>Funds/Accounts</i>  <i>Receiving (New)</i>  <i>Financial Risk</i> <i>Management</i>	Administrative Operations <i>Human Resources</i>  <i>Business Continuity</i>  <i>Risk Management</i> <i>Safety</i> <i>Facilities/Transportation</i> (New) <i>IT - Network Systems</i> (New)	Business Unit Operations <i>Retail Stores</i>  <i>Service Centers</i>  <i>Kitchen</i> <i>Farmers Market</i>  <i>Merchandising:</i>  <i>Inventory Control</i> <i>Purchasing</i> <i>IT - Retail Systems</i>	Membership <i>Marketing</i>  <i>Education</i> <i>Member</i> <i>Services/Retail</i>    <i>Customer Research</i>

Desired Outcomes

Desired Outcomes			
Accurate and Timely Financials	Structural Support - B/U and Membership	Profitable B/Us	Loyalty
Consistent Processes	Completion of Business Continuity Plan	Strong Buying Programs	More Customers
Improve Ratios on Financial Reports	Improved Safety Reports from Ins Co	Strong Margin Maintenance	Move Customers up Engagement Matrix
Improve Working Capital Ratios	Streamlined Systems - Facilities/Transp.	Sound Business Systems/Structures	
Cash on Hand	Streamlined Systems - IT/Network and Systems	Built in Efficiencies	

figure 2-foundational area realignment and desired outcomes

### SWOT Analysis – A Refresher

	Findings	Action Plan 12 Months	Action Plan 12-36 Months	Action Plan 36 Months or more
<b>Strengths</b>	<p>Co-operative Model - Value Prop, Membership, Principles, Focus on Long Term, Ownership Model</p> <ul style="list-style-type: none"> <li>- Partnerships/ Relationships</li> <li>- Advocacy for Social Change</li> <li>- Employment Practices</li> <li>- Finance - Liquidity</li> <li>- Centralized Services/ Infrastructure</li> </ul>			
<b>Weaknesses</b>	<p>Silo Management Structure which results in inconsistencies in management practices</p> <p>Lack of:</p> <ul style="list-style-type: none"> <li>- Consistently Applied Change Management Approach</li> <li>- Project Management/ Process/Reliability</li> <li>- Accountability</li> <li>- Access to Long Term Capital</li> <li>- Infrastructure Upgrades</li> </ul>	<p>Organizational structure changes – functional to matrix</p> <p>Implement Process Management (see section 5)</p> <p style="text-align: center;">(KPI/KPM) ↓ (review) (T.D. 5/31/2019)</p> <p>Work with financial institutions to free up capital</p> <p>Maximize cash flow from underutilized assets, i.e., sushi</p>	<p>Clearly defined roles, responsibilities, expectations (KPI/KPM)</p> <p>↓</p> <p>Review against KPI/KPM –</p> <p>[Projects require authority and access to planned and approved resources]</p> <p>↓</p> <p>Corrective Action Plan</p> <p>-----</p> <p>Looking to refi existing debt with other lenders</p> <p>Additional member investment</p> <p>Maximize cash flow from underutilized assets, i.e., solar</p>	<p>Review organizational changes to gauge effectiveness</p> <p>Make changes as needed.</p> <p>Maximize cash flow from underutilized assets, i.e., solar</p>
<b>Opportunities</b>	<p>Deepen Member Support</p> <p>Articulate Co-op Identity</p> <p>Leverage Cross Marketing</p> <p>Business Opportunities with Local Partners</p> <p>Enhance Shopper Experience</p> <p>Subcontract specific Services/ location</p>			
<b>Threats</b>	<p>Consolidation of Vendors</p> <p>NCG - Joint Liability Fund; UNFI contract</p> <p>Risk to supply chain</p> <p>GAAP changes or impact on financial position</p> <p>High turnover of employees</p> <p>Changes to regulations that impact operations</p> <p>Regional contraction</p> <p>Co-op's comparative advantage is dissipating/ under attack from competitors</p>			

*figure 3-SWOT analysis*

## COOPERATIVE ENGAGEMENT

*Amanda Charland*

*Director of Cooperative Engagement*

### **Building Loyalty through Customer Engagement**

For several years our Co-op has been working to develop a comprehensive engagement strategy. Our engagement strategy is centered around building deeper relationships with customers through a better understanding of their unique interests. This complex process has included creating more comprehensive ways of learning from customers and translating that information into improving business processes and programs. Up until last year, one significant resource that has been missing for our engagement work is a technology platform that can support the strategy.

Last year marked a major milestone for the Co-op. After nearly two decades using the same member database, our Co-op transitioned to a Customer Relationship Management platform. A cross-functional team of employees worked throughout the year to design the system, clean data, transition business processes, develop SOPs, train employees, and migrate our data into the new system. With our member data fully in our new platform, the Co-op now has opportunities that have never existed to understand our customers more thoroughly and manage our relationship with them more effectively. Transitioning our member database was just the first step in utilizing this powerful new platform. Not only do we expect to continue designing and building upon the capabilities of this platform for several years to set a solid foundation for managing our customer relationships, but we also expect this platform to continue to evolve with the changing needs of our business long into the future.

In 2022, we will focus our engagement efforts on:

- The redevelopment of a demo program in the food stores to provide opportunities for our customers to sample and speak with our employees about products that are local, sustainable, or new to our Co-op.
- Program analysis and review to ensure program goals align with Co-op targets and customer interest.
- Implementation of technology and connecting systems to provide all areas of our business customer insights.

### Key Technology Highlights

- Membership Super User Team identify next phases of business process to improve efficiency and customer/member experience Q1.
- Engagement Programs integration into software Q1-Q2.
- Marketing software exploration Q2.
- Connections between software systems Q2-Q3.

## Enhancing Customer Communications

Marketing efforts over the last few years have required a remarkable shift. Traditionally, the team focused on being proactive and deliberate, but during the pandemic, it has been equally if not more important to be responsive and adaptable. As we slowly move toward a new normal, there are several initiatives the marketing team is looking to get back to. For 2022, the team will largely be working to support the various retail strategies initiatives. However, in addition to those initiatives, the team plans to focus on a few other key opportunities.

One key focus that will complement the retail strategies promotions work well is a renewed effort on building more in-store opportunities. In the last Co-op customer survey, over 70% of customers reported their number one location for receiving information about the Co-op was in our stores while shopping. Establishing strategic and effective systems of in-store communications and promotions is critical to helping customers get the information they need. Therefore, the marketing team will continue looking for opportunities to build strategic in-store connections with customers. In addition to in-store signage policies and digital monitor strategies, one key component of this strategy will be exploring visual merchandising opportunities. In 2022, the marketing team, in collaboration with merchandising and operations, will begin identifying visual merchandising needs in order to develop a more comprehensive plan for in-store visual merchandising.

As the Co-op continues to shift to a more customer-centric, outward-facing organization, marketing will also be working to provide more **market research** to teams within the Co-op. The better we understand the needs of customers as an organization, the better we can help to meet the needs of our community. This will be especially true for the retail strategies and business canvas work. Market research resources in 2022 are expected to include, but are not limited to: a comprehensive customer survey, project testing for various business canvases, consumer trend analyses for promotions planning, and customer interviews for engagement work.

Lastly, the marketing team also plans to focus on improving our ability to connect with customers and members. To accomplish this the team is looking to enhance channels of communication through clarity and increase opportunities for two-way feedback. The key platforms marketing will be evaluating and improving will be the Co-op's website and social media platforms. Marketing plans to assess our website in 2022 and develop a plan for enhancing it. Marketing has also been working closely with the engagement team to develop a more robust process and plan for social media engagement. In 2022, we will launch that plan and work to create growth on the primary social media channels through both increased followers and increased engagement.

## Retail Strategies Initiatives

An important part of building loyalty is ensuring our businesses offer programs that align with the needs of customers. In 2021, we began utilizing a variety of tools to analyze our business units through a customer-centric lens. Using tools such as Customer Value Maps, SWOT analyses, and Business Canvases, teams throughout the Co-op began working to develop a

more robust understanding of customers' goals, the barriers customers encounter in trying to accomplish their goals, and how our cooperative can uniquely meet customer needs.

Throughout this process, cross functional teams from a variety of Co-op departments have been working on gathering data from customers, analyzing business practices, refining thinking, questioning the status quo, evolving concepts for how our businesses operate, and ultimately, transforming into a more customer-centric organization. Below are the various long term strategic initiatives that will be ongoing throughout 2022.

**Local Project:** One of the most important initiatives beginning in 2022 is our commitment to offering even more local products. Over the years, Co-op members and customers have consistently looked to the Co-op for more and more local products. During the pandemic, this trend was greatly magnified. Our business is uniquely suited to working with small, local vendors and in return, local vendors have been an immense source of strength within the Co-op's supply chain. In the coming years, we would like to build upon the strength of our relationship with local vendors, cultivate relationships with new vendors, and ultimately, create better access to local products for our community.

Over the last year our teams have worked to outline the Co-op's definition of local. This definition is founded upon the distinct regulations of both New Hampshire and Vermont. Items have to meet a series of detailed criteria based on where they are grown or produced, where they are transformed through things like baking or brewing, and where the primary headquarters of the company is located. Based on these criteria, items will be provided to marketing and point-of-sale signage to help indicate these standards to customers.

During 2022, we will begin the first stage of a multi-year, organization-wide project designed to motivate our teams through the Co-op to find more local offerings and make those items more accessible to customers. Our collection of goals will result in increased variety of products we carry, a larger number of vendors we work with, and better clarity and product placement, ultimately helping us achieve Ends 1:

*Shoppers have access to a range of goods and services including, but not limited to:  
Locally produced goods*

**Co-op Kitchen:** The Co-op Kitchen has continued to evolve and refine its strategy over the last several years. In 2021, several teams were established to evaluate various aspects of the Kitchen and find ways to better leverage the business unit's strengths.

In 2022, we will develop a clearer understanding of the Kitchen's customer segments, its unique comparative advantages, and more clearly define the business processes.

An analysis has been undertaken by teams across Finance, Operations, and Retail IT to better understand the costs and profitability of the products we offer from the Co-op Kitchen as we move forward with our Food Service initiatives. Key criteria of this analysis include food costs, preparation, production and packaging, overhead, and delivery for each product.

**Groceries-2- Go:** During the pandemic, the Co-op launched our online ordering platform in a matter of months to provide safer ordering for our community, a timeframe that was nearly a year ahead of schedule. As the demand for Groceries-2-Go stabilized and many customers returned to in-store shopping, it was time to evaluate the overall strategy for the program.

In 2022, this program will see a hybrid of both continued development as well as strategic analysis. We will continue to add products (such as alcohol) as policies and system capabilities evolve. We will also have a strategy team working to identify the key customer segments and unique value we provide in the marketplace.

**Service Center:** The Service Center strategy teams have been working to develop business concepts for two distinct customer segments – the working professional and fleet service. Last year focused on understanding our customer segments and enhancing their experience. In 2022 this team will test various business concepts, clearly define the value proposition for our customer segments, establish new business process, and implement effective technology strategies.

**Co-op Market:** The team working on developing and assessing the business model for the Co-op Market has developed a thorough understanding of our provisional customer segments and the type of programming that those customers are interested in. The team is in the early stages of looking at the business model, evaluating the competitive landscape, and developing a more comprehensive understanding of the clientele. This process will continue for 2022 and the team will be using this information to explore a variety of business model changes. For example, preliminary data suggests that finding ways to enhance and leverage the strength of prepared foods in that location could draw additional consumers. This is the type of data that the team will continue to gather, develop hypotheses on, and test our assumptions with customers to better refine the business model.

**Promotions:** During the pandemic, the Co-op team's focus shifted dramatically. Rather than sales and driving traffic to the stores, the focus became about keeping product on the shelf and limiting traffic. Because of this, most of our promotions and sales campaigns were paused or significantly altered. In 2022, we plan to launch promotional programming again. To ensure that teams are working symbiotically, we have established a promotions team comprising representatives from merchandising, engagement, marketing, and operations. This team will meet regularly to develop, review, and debrief food store sales strategies.

**Food Safety:** Maintaining high food safety standards has been a critical foundation of the Co-op throughout our history. Over time, the way that food safety is managed within the organization has evolved. In 2022, we will see another evolution of the food safety programming at the Co-op with a more cross-functional approach to food safety oversight. Leadership of the food safety team will include representatives from the stores, Kitchen, and Cooperative Engagement team. The team will look at enhancing current systems, evaluating and improving SOPs, and second-phase implementation of food safety training.

## **BUSINESS UNIT OPERATIONS**

*Bruce Follett*

*Director of Business Unit Operations*

### **Food Stores**

We will continue to create operational efficiencies and enhance the customer experience by investing in equipment and technology. Specifically, we plan to introduce self-checkouts in our Lebanon and Hanover locations in 2022. We plan to integrate Catapult's Made to Order function for our sandwich program in our Prepared Foods departments. We will focus on building our online ordering capabilities for the Co-op Market. We also plan to implement Auto Order with one of our largest vendors, beginning in our White River Junction location, and then in Hanover and Lebanon. This addition will create efficiencies in departments throughout the stores. Auto Order will be implemented with smaller vendors to the extent possible.

Teams across our food stores will continue to support one another to meet business and customer needs while facing the difficult employment challenges that are upon us.

We expect supply chain issues to impact our business for the foreseeable future. Our merchandising team has done a tremendous job of sourcing products from a variety of distributors during this unprecedented time. Resiliency is key as we build upon these efforts in the coming year.

Our category review schedule for 2022 will align to fit with the Core Set schedule provided by NCG. This category management program administered by NCG encompasses new items, category reviews, long-term promotional support, product trends, and in-store resets.

Price reviews are an important part of our category review strategy. We have identified key categories based on their sales in 2020 and 2021. Using resources from our weekly and monthly price change process, we will continue to review our retail pricing in those key categories throughout the year with seasonality in mind. The price review process allows us to review our gross margin for these categories as well as review pricing at our primary competitors.

### **Service Centers**

Fuel costs are expected to remain high in 2022. Prices will be monitored daily to remain competitive in the market. We will evaluate performing an image upgrade with our dispensers and canopy to give our fuel area a fresh, clean look.

Increased utilization of our dedicated quick lube bay at each location will help more customers with routine maintenance in a timely manner. Services include oil changes, tire rotations and seasonal changeovers, and inspections.

We will look to build upon our team's skill sets and add qualified technicians in order to gain maximum efficiency.

## **PUBLIC AND GOVERNMENT AFFAIRS**

*Allan Reetz*

*Director of Public and Governmental Affairs*

Building upon our cooperative's Public and Government Affairs progress in 2021, the coming year will include:

- Advisory team service to regional and national food and farm organizations,
- Advocacy for transportation initiatives aimed at mobility access, and
- Affordable housing policy at the municipal and state level.

The prior two years – punctuated by the pandemic and supply chain disruptions – demonstrated the importance a robust public and government affairs program. Our cooperative benefited from, and contributed to, regional food shed work and the needs of lower-income residents.

This department's budget for the coming year will again hold the line on sponsorship commitments. We anticipate a return to 2019 expenses, that will take into consideration the possibility of expanded involvement with established partnerships and continuing education.

As in the past, any project, collaboration, or expense will be fully supported by skill and attention to detail. And with each task and outcome, the department will focus on building the department's foundation for the future success.

During the coming year, each planned item or new opportunity will be judged, modified, or shelved to suit the immediate needs of our cooperative.

## **FINANCE**

*Mark Langlois*

*Director of Finance*

During 2022, the Finance team will focus on three main areas:

1. Continued work on financial forecasting and modeling utilizing Planning Maestro software that replaced a series of excel spreadsheet previously utilized.
2. Implementation of enhanced financial reporting capabilities, providing sound and accurate reports with the increased use of graphs and charts to convey relevant financial information.
3. Further work on costing of products produced at the Kitchen and in the Prepared Foods Departments of the stores.

In addition, Finance will continue to focus on:

1. Continued work to reduce cash levels in the two stores that received cash recycling safes in 2021. Additional options will be reviewed for the remaining stores and service centers to improve efficiencies.
2. Update to current Standard Operating Procedures in the Finance Department.
3. Internal processes and procedures to establish the department as an “internal auditor” for the organization.
4. Clear, regular, and documented internal financial controls.
5. Delivery of financial statements no later than 10 business days after the monthly closing.

## **ADMINISTRATION**

*Lori Hildbrand*

*Director of Administrative Operations*

*(Human Resources/Facilities/IT - Network and Systems)*

The Co-op will continue its improvement efforts to its infrastructure, focusing on four major areas:

- Facilities/Safety
- IT-Network and Systems
- Human Resources/Employee Experience
- Business Continuity

### **Facilities/Safety**

In 2021, the upgrades to our physical locations most notably took place in Lebanon, where the building systems and refrigeration took center stage, in addition to the exterior of the Co-op Market building and the Hanover Service Center. The work in Lebanon also included the installation of a new efficient lighting system as well as implementation of control systems to balance the building so our mechanical systems work together for an enhanced environment. We are pleased to confirm that this work is scheduled for completion by the end of 2021.

We continue to look at mechanical upgrades in the Hanover store, specifically completing the parking lot project started in 2020, the HVAC system, and the basement to add new workspaces and bathroom facilities. The work in the parking lot will include the area around the service center as well.

### **IT–Network and Systems**

Our IT Network and Systems Department has continued with its work, building a stronger, more reliable platform. Computers, phones, servers, and communication capabilities have been strengthened by moving to other providers. Redundancy has been built into the system to protect our data and compliance protocols have been enhanced. Upgraded video-recording capabilities have been implemented in the Hanover and White

River Junction stores. Lebanon will have its camera system upgraded after completion of the refrigeration project.

Responding to information gathered from our employees, we have launched an intranet for the purpose of one-stop shopping for employees so they can get the help they need or access the software systems used most frequently. This capability continues to grow and provide improved communication between locations and departments.

### **Human Resources/Employee Experience**

As the workforce contracts and changes, we need to find better ways for our employees to access training relevant to their current jobs and to take advantage of development opportunities in the future. Much of our focus has been on providing more online learning content for our employees.

Succession planning is high on our list of goals to achieve in 2022. We have many employees who will be aging out in the next 5 years and need to have a plan in place for their replacement. As part of this initiative, we rolled out a leadership program aimed at providing our managers with the skills and tools they need to perform their roles properly and we have reevaluated the expectations placed on our store department managers. Department managers will no longer be expected to spend half of their day on the sales floor. This will allow them to focus on managing the department and overseeing the smooth flow of operations. Our workforce plan reflects this change.

We ran an Assistant Store Manager Program from August to November this year. Content and instruction were provided by Co-op senior managers. Four Co-op department managers who attended gave the program rave reviews.

We took a hard look at our compensation practices in 2021, which produced a new pay grade chart and addressed compression when we raised our minimum wage to \$15.00 an hour. We coupled this with a new push for employees to develop their own career pathway to be ready to move into different jobs through training and development programs in Co+op U.

The Employee Experience and the Diversity and Inclusion committees have been hard at work as time allowed while we dealt with the changing demands of navigating the pandemic. Even with the many unforeseen delays, both groups have made significant progress. Information collected last year by the Employee Experience committee was shared with the Leadership Team and was published in the form of a white paper in the Cooperator so all employees could read it. The Lighthouse will be sharing its video presentation on unconscious bias with employees beginning in January 2022.

Much of the information gathered by the Employee Experience team reflected the same sentiments expressed by employees in the employee satisfaction surveys conducted in 2018 and 2019. Changes have been made based on the findings of the committee's work and the survey results, such as a one-page quarterly employee feedback process rather than an annual review and the implementation of a company intranet. This committee

has reissued its demographics survey for all employees in an effort to gather information from which employee personas may be built. We anticipate putting out a survey in the third quarter of 2022.

### **Business Continuity**

Our business continuity efforts revolved around gathering data on processes in each area of the organization. We compiled the information and created process maps from which we created organizational charts by function area. The next step is to flesh out the functions and build plans for emergency operations.

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