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2020 ENDS REPORT

HANOVER CONSUMER COOPERATIVE SOCIETY, INC.



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EXECUTIVE SUMMARY

by Paul Guidone, General Manager

When history looks back on 2020, one event will define that year—COVID-19.

That is not to say other very significant events did not occur—demonstrations over police tactics, violence wreaking havoc in our cities, and a presidential election to name just a few—COVID-19 changed the way we as a society think, believe, act, breathe, dress, shop, socialize, work, attend school, funerals, and hospitals, and care for ourselves and others.

Businesses were hampered by broken supply chains, rising prices for finished goods, a dramatic decline in foot traffic, a scarcity of employees comfortable to work or remain employed in retail, and a cash crunch of mammoth proportions that laid asunder many an established business.

Through it all, our Co-op persevered, but not without its own challenges.

We began the year focused on implementing against our SWOT analysis. Among the many items to be pursued, we focused on refinancing existing high-cost debt and securing long-term financing needed for critical infrastructure projects. Specifically, we focused on:

- software upgrades in our Member Services department;
- implementing perpetual inventory across our stores;
- increasing mechanic realization rates in our Service Centers;
- ramping up our employee-development programs;

- making improvements in our physical and digital infrastructures;
- developing personas to better understand our shoppers' needs; and
- breaking down the silo mentality that has existed within our Co-op for a very long time.

And then, COVID-19 hit hard in mid-March, and many of the best laid plans were put on hold. While we were able to implement our debt refinancing, many of our other initiatives were put on slow burn so we could address the daily changing requirements and recommendations on how to respond to the pandemic. Teams focused almost exclusively on:

- developing signs and communication pieces;
- installing Plexiglas barriers to protect employees and shoppers;
- developing proper protocols for more intensively cleaning our facilities and sourcing personal protection equipment (PPE);
- implementing our curbside/online program sooner than intended; and
- developing planning scenarios to account for a rising employee unemployment rate or a material decline in sales, just to name a few activities of necessity.

The Small Business Administration (SBA) developed a program called the Payroll Protection Program (PPP). The PPP was designed to enable businesses to receive money to help them to keep their business up and running. Recipients of money under the program were required to spend upwards of 70% on employee- and payroll-related costs, with the remainder available for certain fixed costs like leases, mortgages, and utilities. We applied for and received money under this program. This loan enabled us to weather the increased costs associated with COVID-19 (described above) and to provide discretionary bonuses for our employees. Without this assistance, the Co-op would have endured a significant financial hardship (a loss) well north of one million dollars in fiscal year 2020!

Fortunately, despite the unexpected challenges, our Co-op did not experience the draconian outcome of many a business—closing permanently. Rather, as an essential service we experienced **increases in total sales, items sold, gross margin, and basket size.**

THE CO-OP ENDS

by Paul Guidone, General Manager

*For many years, we have summarized the Co-op Ends as **the end results we aim to achieve in the world**. This year is no different.*

For this report, it is important to note that for full year 2020, the Co-op's Ends changed and are represented by the three below. An interpretation and supporting data follow each End. My thanks to the Co-op Leadership Team for compiling these data.

1) Shoppers have access to a range of goods and services including, but not limited to:

- Fair trade goods
- Locally produced goods
- Organic goods
- Conventional foods
- Affordable goods and services

Interpretation. I interpret this to mean that our Co-op, being in the food-access business, makes available for sale high-quality food, goods and services. To the greatest extent possible these products are reasonably priced and sourced locally (i.e., grown or produced in Vermont and New Hampshire). We are not in the business of telling people what they should eat. We provide access to a wide variety of choices and information, leaving it to consumers to make the decisions that are right for them.

The Data

The data presented below reflect dollar sales, percentage of total sales and total number of Shop Keeping Units (SKUs) commonly referred to as products on offer. The source of these data is ERCS's Catapult system. These data are presented on an annual basis for the three years ending 2019 and include the average for that three-year period. If three years of data are not available, an average is calculated over a two-year period until such time as three years of data are available. An average is used to smooth out volatility in the annual data and aid in discerning trends in shopper behavior. The data for the current reporting period, 2020, is then compared to the three (two) year average.

As this is the first year of interpreting these particular Ends Statements, historical benchmarks indicating compliance do not exist. The data gathered to support this report will provide the baseline for future compliance determinations.

I judge we have successfully attained our specific goal if the current year's actual sales data exceed the three (two) year average data. Reasons for attaining or not attaining our goal are presented in a separate column. In addition, the current three (two) average for a specific item will become the baseline for the next year's sales budgeting for that item.

Ends 1 - Co-op Goods and Services Matrix	2017	2018	2019	3 year average	2020	Increase attained (Y/N)	Reason for Y or N	Criteria
Fair Trade goods	\$ 1,679,909.95	\$ 1,865,560.83	\$ 1,987,584.03	\$ 1,844,351.60	\$ 1,791,231.11	No	In late 2019, the Co-op Coffee line was eliminated by Equal Exchange. La Riojana was out of stock for much of the year due to product changes. The Bulk Foods and Prepared Foods departments experienced a significant drop in sales of fair trade coffee due to the pandemic. Some items were out of stock or not a priority for shoppers during the pandemic.	Products are certified as fair trade by a 3rd party organization and/or vendors are committed to equitable sourcing partnerships with their suppliers
% of Sales	2.5%	2.7%	2.8%	2.7%	2.2%	-		
# of skus	699	665	807	724	752	-		
	2017	2018	2019	2 year average	2020			
Locally Produced goods	no data - HQ/ECRS transition	\$ 13,265,952.78	\$ 12,992,836.84	\$ 13,129,394.81	\$ 13,903,896.13	Yes	Due to rising costs and availability issues with conventional meat products, our sales of local meat increased significantly. The largest increases were seen with Boyden Farm, Misty Knoll, and Robie Farm. Maple Meadow, a new local egg vendor for 2020, also contributed to the increase. Pete & Gerry's eggs, Cabot butter and cheese, Co-op brand milk, and local tomatoes from Long Wind Farm increased significantly in sales.	Products are grown and/or produced in New Hampshire or Vermont.
% of Sales	no data - HQ/ECRS transition	18.9%	17.9%	18.4%	17.2%	-		
# of skus Produce generic skus = approx 250	no data - HQ/ECRS transition	3376	4697	4037	4018	-		
	2017	2018	2019	2 year average	2020			
Organic goods	no data - HQ/ECRS transition	\$ 12,347,473.67	\$ 12,708,626.07	\$ 12,528,049.87	\$ 14,717,958.01	Yes	There were significant increases in sales in the following categories: fresh vegetables (especially carrots and potatoes), salad greens, fresh fruit (especially bananas, berries, apples, and melons), tofu, broth, rice, canned beans, coffee, yogurt, milk, eggs, frozen fruit, fresh chicken, ground beef, and packaged deli meats.	Products are 95 to 100% organic (according to USDA regulations) and retail packaging carries the USDA organic seal
% of Sales	no data - HQ/ECRS transition	17.6%	17.5%	17.6%	18.2%	-		
# of skus	no data - HQ/ECRS transition	4297	4425	4361	4450	-		
	2017	2018	2019	2 year average	2020			
Conventional goods	no data - HQ/ECRS transition	\$ 19,937,158.60	\$ 20,397,296.54	\$ 20,167,227.57	\$ 23,579,376.95	Yes	Due to the pandemic, the resulting supply chain issues, and the change in consumer shopping behavior, customer purchases at the Co-op in 2020 were focused primarily on basic household food needs. There was less purchasing focused on nice-to-have or "luxury" products as well as convenience or grab-and-go products.	Products in the following departments that are not certified organic, are not generally considered to be in the natural and/or specialty products market, and are generally not locally grown or produced: Produce, Meat, Grocery, Health & Beauty Care, Dairy, Frozen Foods, Beverage, Beer, Bakery, and Deli. As exceptions, local items are included for Cabot and domestic beer.
% of Sales	no data - HQ/ECRS transition	28.4%	28.1%	28.3%	29.1%	-		
# of skus	no data - HQ/ECRS transition	8208	8784	8496	8752	-		
	2017	2018	2019	3 year average	2020			
Affordable goods (Co-op Basics)	\$ 1,114,060.61	\$ 1,934,511.81	\$ 1,947,324.34	\$ 1,665,298.92	\$ 2,882,576.92	Yes	The most significant increases were in the following categories: frozen fruit, packaged deli meat, butter, eggs, yogurt, organic milk, ground beef, fresh chicken, onions, vinegar, rice, and paper towels.	Co-op Basics items offer the lowest and most competitive retail price in their respective categories; they are typically generic brands but some name brand products are also designated as such
% of Sales	1.6%	2.8%	2.7%	2.4%	3.6%	-		
# of skus	475	462	450	462	593	-		

2) Shoppers experience a positive, personalized experience.

- Shoppers have access to goods and services at times, places, and modes that meet their needs.

Interpretation. I interpret this to mean that shopping at our stores and service centers are as pleasant and convenient an experience as possible.

The Data

The Co-op aims to ensure we are open and accessible with consistent hours of operation, in known locations, allowing for several modes of shopping: in-store, curbside and food access programs—and communicated through multiple media for consumer awareness. The data presented below demonstrate the variety of ways a shopper is informed about and can access goods and services from the Co-op. Throughout 2020 and in response to COVID-19, special dispensation was made for at-risk populations and those who chose to limit exposure through avenues such as online ordering.

Food Stores	Standard Hours of Operation*		Access			Communication			
	Open	Close	Instore	Online	Access Programs**	Website	In-store	Email	Social Media
Hanover	7am	8pm	All year	April start	SO, DUB, FFA	Covid page, store page, main page, weblider	doors, A-frames	weekly email blast	Facebook, Instagram
Lebanon	7am	9pm	All year	May start	SO, DUB, FFA	Covid page, store page, main page, weblider	doors, A-frames	weekly email blast	Facebook, Instagram
White River Junction	7am	8pm	All year	N/A	DUB, FFA	Covid page, store page, main page, weblider	doors, A-frame, roadside sign	weekly email blast	Facebook, Instagram
Community Market	6am	8pm	All year	May start	DUB, FFA	Covid page, store page, main page, weblider	doors	weekly email blast	Facebook, Instagram

**Changes in Hours of Operation*

3/22/2020

Reserved the first hour in our large stores for “at-risk” populations.

Hours of operations adjusted to 7 a.m. to 6 p.m. at Hanover, White River Junction, and Community Market.

Lebanon remains open from 7-9 p.m., with last hour of operation dedicated to “essential personnel.”

4/9/2020

Hours of operation at all Co-op Food Store locations adjusted to open at 8 a.m., at-risk hours extended 30 minutes 8 a.m.–9:30 a.m.

6/7/2020

Closing hours at Hanover, White River Junction, and Community Market locations move back to 8 p.m.

8/30/2020

Closing hours at Community Market changed to 3 p.m. on weekends.

12/6/2020

Opening hours at Community Market adjusted to 7 a.m. on weekends and 6 a.m. Monday-Friday.

Closing hours at Community Market extended to 6 p.m. on weekends.

****Access Programs**

Key:

Program Abbreviation

SO = Senior Order
DUB= Double Up Food
Bucks
FFA = Food For All

Program Availability

year round (note: Lebanon SO program started in June)
year round
year round

Auto Service Centers	Standard Hours of Operation*		Access			Communication			
	Location	Open	Close	Instore	Fuel	Access Programs	Website	In-store	Email
Hanover	7:30am	4:30pm	All year	All year	Car Connects	Covid page, service center page, main page, weblider	doors	weekly email blast	Facebook, Instagram
Norwich	7:30am	4:30pm	All year	N/A	Car Connects	Covid page, service center page, main page, weblider	doors	weekly email blast	Facebook, Instagram

*Changes in Hours of Operation

3/22/2020

Changed days of operation in both locations to Monday-Friday. Closed Saturday and Sunday.

3) Our community has choices with positive environmental, health, and social impacts.

- Shoppers understand the environmental, health, and social impacts of their choices.

Interpretation. I interpret this to mean that our Co-op communicates in a clear, consistent and concise manner to share information with shoppers and help them make well-informed decisions. We use multiple forms of communication to deliver our information to consumers. We also track consumer communication back to the Co-op to help us understand if the intent of our messages are being understood by consumers.

The Data

The data presented below reflect actions taken by customers in response to changes the Co-op made to its normal business hours due to Covid. The data also demonstrate through written communication from shoppers/members to the Co-op and community at large that they are aware of the environmental, health and social impact of their decisions. These comments are presented here verbatim and represent a sampling of the communication received by the Co-op.

The numbers in the columns labeled Customer Feedback and Public Statements refer to the reference numbers in each document that follows. The source for customer comments is Comment@coopfoodstore.com and the public comments are from the *Valley News*.

Covid Protocol	Purpose	Communication	Customer Feedback	Public Statements	Resulting Actions
What we did	why we did it	how customers were notified	evidence that customers were aware		evidence that customers acted on information
High risk hours	Serve at-risk population	Web, email, in-store, social media	11		sales increase 46% year over year, foot traffic was essential flat and basket size was up 52%
Essential hours	Serve essential employees	Web, email, in-store, social media	3		Were available, sales wer up 11% year over year, foor traffic was down 33% and basket size was up 67%.
Curbside shopping	Low contact shopping	Web, email, in-store, social media	4		Launched in April of 2020, 11,455 transactions for \$1.4 million in sales
Increase senior order program	Serve at-risk population	Web, email, in-store, social media	5		senior order sales increased by 150%, items ordered increased by 135%
Discount day changes	Improve social distancing	Web, email, in-store, social media	7		member discount usage increase - 3 fold increase in usage and a 2 fold increase in Dollar discounts.
Social distancing/PPE efforts	Create a safe shopping environment	Web, email, in-store, social media	1, 2, 5, 10	1, 2, 3	Overall Basket size increase by approximately 45%

Reference Number	Comment
1	Your announcement was timely, intelligent and crisp. We are so fortunate to have the Coop. Keep up the good work! -Doug
2	Thank you for all you are doing for us. With profound gratitude, Mary
3	Bless you. I'm a pregnant nurse and appreciate that I can still get to you after my shift. Thanks for caring for us. R

4	<p>Hello, I am writing to you today to tell you how much I appreciate my Coop. When I moved here ten years ago, the first thing that I did when I got out of my home was to become a member. Our family has been getting the vast majority of our groceries from the Coop ever since. I very rarely go to 'regular' groceries stores but when I do, I notice how little the employees seem to want to be there, which is the total opposite of what I see at the Coop. I appreciate the friendly faces, the eagerness to help and the feeling of community. Now more than ever I appreciate what the employees do and I want to say THANK YOU! The curbside pickup is a godsend. I can't tell you how much weight it takes off my shoulders, knowing that I can place an order and get it delivered to my car, not needing to take the kids with me (and repeat to them to keep their hands to themselves!). Best, Stéphanie</p>
5	<p>Dear Curbside, We are residents of The Woodlands and have been having your assistance for many MONTHS! Thank you. My orders are not always perfect but neither am I. And I believe you have tried to do a really good job under difficult circumstances for all of us...I am sooo looking forward to shopping at the Co-op on my own! But I have only praise for your efforts and patience on our behalf. Thank You.☐☐ Ellen</p>
6	<p>I want to say thank you for reminding shoppers to wear masks. As COVID-19 restrictions lift I'm finding more people forgoing masks when they shop, I even entered a local grocery store where the deli/meat counter workers were not wearing masks. I'm grateful to the coop for keeping safety a priority and because of that, your store is the only one I plan to shop at for the foreseeable future. I'm not in the high-risk category, but I see no need to stop exercising caution. And I'd like to give a shout out to all the staff at WRJ. They have remained friendly and upbeat making my shopping enjoyable. Thanks again Jill</p>
7	<p>Hello We just wanted to Thank You for changing how your coupon days' work. We had brought that very idea up to you a couple of times about 1 yr plus ago. We hope you keep it so we can use our membership once a month , whenever in the month we want too. As it is quite a drive for us and hard to make it on the 15th each month. We would think this would make it much easier for you to sell memberships as well. Anyhow Thanks again for letting us choose a day to get the discount. Please consider making this an ongoing policy. We love your store and the Staff. They do a great job and are always friendly and helpful. We are always glad we shop there.</p>
8	<p>This is a very thorough update. Thank you - and thank you for being available to the membership. It's much appreciated. Cheers - and thanks to all the hardworking employees</p>

	Cordelia Merritt
9	The communications from the Coop have been outstanding. I am really impressed with the ideas, content, timeliness, and care. Thanks to all of you who are providing such an important service! Dominique
10	Hi - this is Stacey Chiocchio from Hypertherm. I just wanted to say how proud i am of how the coop has made decisions during these challenging times. Between all the obvious covid stuff to the Vermont reusable bag issue and masks. It isn't easy as a retailer but somehow you guys always come up with good solutions. Please extend my thanks to the leadership team. Stay safe, Stacey
11	This is so helpful!! Thank you for all you are doing to communicate, to support at-risk shoppers, and in keeping the flow going! I'm concerned about your employees on the front line. As I'm not doing the shopping I'm wondering how they are social distancing from shoppers especially at the check out. May all be well, Linda

The following letters to the editor appeared in the *Valley News*. Each makes reference to our cooperative in this time of Covid-19.

[Presented in reverse chronological order]

September 27, 2020

Thanks to those making a positive difference in these difficult times

Throughout this global pandemic, I have been dismayed at the lack of leadership from the national to the local level. But instead of focusing on those glaring weaknesses, I wanted to highlight and thank three local individuals who have made such a positive difference in this overwhelming, stressful time.

I am ecstatic that the Hanover Co-op board of directors has rightfully appointed Paul Guidone as general manager. As interim manager, Guidone sent weekly emails to members that clearly and concisely communicated what the Co-op was doing during the pandemic to make the store safer for employees and shoppers. He led the effort to quickly implement new policies and procedures (curbside pickup, special hours, store cleaning, mask wearing, etc.). He reminded us to be kind to employees and each other. His messages always managed to reach a balance between reassurance and calm with seriousness and solutions. An essential voice leading an essential service.

Rob Gurwitt has been keeping many of us up to date with his blog “Daybreak,” which manages to inform, calm, inspire and remind us of the special qualities of the Upper Valley. That he has been able to do this on a daily basis is remarkable. His voice has been a steady, reliable source.

And finally, we have a neighbor who has reached out to Etna villagers in weekly emails, creating a virtual community. It has been very comforting to know that we have neighbors in these socially distanced times. Neighbors have shared special skills, Etna history, favorite trails and offers of dump runs. Our “Etna Mayor” has knitted together a community just by reaching out and caring. To all three, thank you for providing leadership in such thoughtful, helpful and selfless ways.

DOMINIQUE LIGHTBODY

Etna

April 27, 2020

Co-op employees are patient, kind

I am not writing to complain about anything. Instead, I am writing to compliment the Co-op Food Stores, especially its employees. We are all under so much stress now, especially those of us in the coronavirus target area: over age 65. However, even though the Co-op employees are amid many stressed and short-tempered people, they remain helpful, respectful, patient and kind. Don't ask me how they do it because I certainly could not.

While there is currently plenty to complain about, there is also much to be grateful for. Thank you, Co-op employees, for making my stressful grocery trips less so. I send all of you my gratitude for the wonderful job you do every single day.

HILARY PLATT

Meriden

April 16, 2020

Give shoppers some room

I'd like to reply to MaryJo Billmann's letter concerning customer behavior at the Hanover Co-op ("Please follow the rules for the checkout line," April 10). None of this is directed specifically at her or the Co-op; I appreciate everything being done by everyone on all the front lines everywhere to try to promote safety during these trying times. We are sincerely grateful for the dedication and sacrifices being made by so many everywhere.

I'd like to suggest that all stores, where applicable, take a hard look at their "front-end" areas. Things are crowded up there. Couldn't some rearranging or removal of some of the displays at the registers result in more people being allowed to spread out? I think minds far smarter and more creative than mine could figure out how to move some things for the duration and get some more space up there for folks to spread out and move around.

ANDY LECKART

Wilder

April 10, 2020

Please follow the rules for the checkout line

Only a handful of people checking out groceries listened to me as I tried to direct them through our new safety protocols at the Hanover Co-op. I politely asked them to step back to the line on the floor until I completed bagging so I could return to my safety shield before they pay. If three people come through, I ask two of them to step away or wait outside. The shopper behind me in the next aisle does not stay back at the line as asked in order to keep from standing too closely behind me. This is impossible. I do not feel safe doing my job! Most people are doing whatever they want, no matter what I ask.

Why do people think a trip to the Co-op means the whole family, bored of being at home, comes along? Grocery shopping is not a reason to “get out of the house.”

Why are couples shopping together? Why do you need to have your friend along when that person is not buying anything? Why does half the frat house have to come along? Why do three or four people congregate in the aisle, staring at an item on the shelf? Make a list, people.

Our management works daily to keep us safe, but when the customers don't listen and do whatever they want, what more can I do? I want to be safe. I want you to be safe. Please, people, stop this behavior! We used to encourage social gatherings at our store, but times have changed. Please keep all of us workers safe by shopping alone during this crisis, and please do as you are directed. The rules are for all of us.

MARYJO BILLMANN
Hartland