WORK PLAN - FY 2021

MOSCOW FOOD CO+OP

The Moscow Food Co-op was established in 1973 by friends Rod Davis, Jim Eagan, and Dave and Katie Mosel. For nearly 50 years we have promoted our cooperative identity by being good stewards of the earth and each other. Through providing healthy food, we have created a healthier planet and a stronger, healthier community. We have built our cooperative community based on the recognition that we are stronger together.

Our Mission Statement

Working together to nourish and nurture our community.

Our Ends

The Moscow Food Co-op is at the heart of a thriving, healthy, and inclusive community where:

We embody and embrace cooperative principles and values.

All community members have local access to environmentally friendly, socially responsible, and healthful choices.

Priority Work aligned with the Global Ends

WHY: Care for Community

HOW: Cooperatively

WHAT: Natural Foods Retailing

Our identity as a cooperative, natural foods retailer grew from a desire to provide healthy, unadulterated food to our community. In the past 47 years, the Co-op has worked to achieve this goal.

Going forward, our work is informed by our recently updated Global Ends policy (see page 2)

Initial Interpretations

1. At the heart

a. *At the heart* means central to, a key component of
   i. The Co-op maintains good relationships with the broader community
   ii. The Co-op has a reputation as a community resource

b. The Co-op cannot be at the heart of a thriving, healthy and inclusive community unless the Co-op itself is thriving, healthy and inclusive.
   i. *Thriving* means that business is good
      1. 2021: Complete overhaul and relaunch of OMB
      2. 2021: Review all discount programs and make changes as needed
      3. 2021 & 2022: Recover lost sales due to COVID pandemic and economic downturn.

4. 2021 & 2022: Improve performance so as to generate a positive net income for the future
5. 2022: Develop and launch general business operations education for employees

ii. *Healthy* means that we're resilient and can weather the storm. *Healthy* also means that our business is kind to mother earth.
1. 2021: Slow cash burn through improvements in efficiency
2. 2022 & beyond: Continue improving cash position (for resiliency and future projects)
3. 2021 & beyond: Continue cross-training improvements to create staffing resiliency

iii. 2021: 2021 & beyond: Continue sustainable practices currently in place look for improvements and

iv. 2022: Publish an annual sustainability report

v. *Inclusive* means that we prioritize diversity among our staff, that we engage with all staff on decisions that impact them

c. *Thriving, healthy*, and *inclusive* community

i. 2021: Continue to grow our local sourcing and develop relationships with additional vendors across departments, year-over-year.

ii. 2021: Continue active involvement with the Moscow Chamber of Commerce, the Palouse Clearwater Food Coalition, and Buy Local Moscow

iii. 2021: Survey Co-op owners about what they think thriving, healthy, and inclusive community means for our Co-op

iv. 2022: Use survey data to fully interpret this portion of the Ends.

v. 2022: Create and implement an action plan based on informed interpretation

vi. 2022: Business Partner Program overhaul

2. *Embody and embrace cooperative principles and values*

a. This means living our principles and values

i. In the workplace
1. 2021: Orientation revamped to include more specific background and education about cooperative principles and values
2. 2022: Development of training materials on how we bring the principles and values to life in the workplace – focused on specific behaviors (how these values and principles are modeled)
3. 2022 & beyond: Regular, ongoing education for all employees about how to bring the values and principles to life in the workplace

ii. In the world
1. 2021: Marketing regularly provides education about cooperative principles and values on social media channels and in Co-op publications
2. 2021: We seek out relationships & partnerships with other cooperative businesses

3. *All community members have local access*

a. This means that Co-op products and services are available any community members who wish to use them.
b. 2021: Investigate ways to reduce overall costs of FLOWER while continuing to grow the program
c. 2021: Continue making e-commerce improvements to improve access
d. 2021: Continue working with local food banks to make Co-op products available to the food insecure population
e. 2021: Survey owners to ask about access issues
f. 2022: Use survey responses to identify other access issues and draft plans to overcome these issues

4. *Environmentally friendly, socially responsible, and healthful choices*
   a. This means that we provide environmentally friendly, socially responsible, and healthy choices for our community
      i. 2021: Audit our current product mix
      ii. 2021: Research attributes (non-GMO, FairTrade, no-spray, etc.) to determine what is available that we need to pay attention to
      iii. 2022: Make necessary changes to product mix to ensure options in each category
      iv. 2022: Provide transparent communication, information, and education about what we offer and why

COOPERATIVE VALUES

1. **Solidarity**
2. **Equity**
3. **Equality**
4. **Democracy**
5. **Social Responsibility**
5. **Social Responsibility**
6. **Caring for Others**
7. **Honesty**
8. **Openness**
9. **Self-Help**
10. **Self-Responsibility**

COOPERATIVE PRINCIPLES

1. **Voluntary and Open Membership**
2. **Democratic Member Control**
3. **Member Economic Participation**
4. **Autonomy and Independence**
5. **Education, Training and Information**
6. **Co-operation Among Co-operatives**
7. **Concern for Community**

PREPARED FOODS

The Co-op is well known for our fantastic prepared foods options. We aim to serve a wide variety of dietary requirements and attempt to offer something for everyone. The pandemic experience hit our Prepared Foods departments hardest.

In 2021 we're focusing on recovering lost sales due to venue closures, the seating area closure, gathering restrictions, and supply issues. We're implementing several new programs with the intention of inviting folks to come back to the Co-op for hot food.

Deli, Coffee Bar, Cheese, and Campus Priorities

1. Achievement of key financial indicators, especially meeting a labor budget
2. Ensure that the Co-op is maintaining high standards for food safety
3. Develop and launch grab-and-go wraps
4. Develop and launch a basic, cooked protein option
5. Develop and launch pizza by-the-slice program
6. Develop and launch hot sandwich program
7. Develop and launch roasted chicken program
8. Revamp sandwich offerings
9. Develop and launch additional value sized/family sized grab-and-go items and take-and-bake items
10. Develop and launch gourmet/affordable luxury foods program
11. Launch returnable container program (see attachment on Hunger Mountain program)
12. Eliminate plastic straws
13. Formalize cross-training on campus program for staff
14. Investigate a $5 dinner program
15. Revamp coffee bar menu and recipes to reduce waste and ensure margin achievement

2021 Prepared Foods Financial Goals				
Sales Growth	Q1	Q2-Q4	Margin	Labor
Deli	-38%	0%	64%	34.30%
Coffee Bar			60%	
Cheese			39%	
Campus	22% overall		58%	

BAKEHOUSE

In January 2020, the co-op bakery was relocated across town to its own space. This move allowed us to triple production space, making the bakery a considerably more pleasant place to work. Shortly after that move, the COVID-19 pandemic reached Moscow and effectively killed the Co-op's food service.

In 2021, The Bakehouse team is focusing on refining the processes and systems they have in place in their new location. Under normal circumstances, this work would have been completed upon moving into the new location. Instead, the Bakehouse staff was focused on surviving the effects of the pandemic.

Bakehouse Priorities

1. Achievement of key financial indicators – the biggest challenges will be sales recovery and labor efficiency.
2. Development of artisan bread and artisan pastry programs.
3. Development of a wholesale bread program.
4. Online special order menu support (in conjunction with Marketing)
5. Launching rotating, seasonal flavors/products in conjunction with the Coffee Bar.
6. Further coordinating merchandising and packaging solutions that reduce plastic reliance and appeal to customers (post COVID)

2021 Bakehouse Financial Goals				
Sales Growth	Q1	Q2-Q4	Margin	Labor
Total	-30%	-15%	70%	35.20%

CENTER STORE

Our Center Store (Grocery and Wellness) departments strive to meet the needs of a diverse customer base ranging from 100% organic eaters to customers who are venturing into the natural foods landscape for the very first time. Similarly in Wellness, our customers range from experts in natural medicine to very beginners. Our product mix attempts to represent that diversity of customer needs. Grocery and Wellness employees pride themselves on their product knowledge and their ability to help meet everyone's needs.

<u>Center Store Priorities</u>

1. Achievement of key financial indicators
2. Revamp and implement training for new buyers and stockers
3. Work in partnership with NCG on "core sets" for each category.
4. Expand the Co-op Basics program offerings (# of skus)
5. Utilize the landing pad for Co-op Basics displays to help combat negative price perception (aim for 75% of the time or more)
6. Improve endcap merchandising and rotation to drive sales
7. Build systems for training, development, and accountability to ensure that operations are stable with regards to customer service excellence, cleanliness, set maintenance, and stocking
8. Seek out local, sustainable, and organic food and goods to enhance our product mix. Partner with Marketing to emphasize telling the stories of our unique items.
9. Implement the WIC program
10. Develop and implement a fixed location for merchandising logo items (a Merch Wall)

2021 Center Store Financial Goals				
Sales Growth	Q1	Q2-Q4	Margin	Labor
Packaged	1%	2%	37%	4.60%
Bulk	-20%	-20%	38%	
Refrigerated	-10%	-5%	32%	
Frozen	2%	3%	36%	
Vendor Bread	3%	2%	32%	
Bulk Tea	-15%	-10%	46%	
Beer & Wine	15%	10%	29%	
Non-Foods	-10%	-5%	35%	
Body Care	-15%	-10%	42%	7.30%
Mercantile	-10%	-10%	45%	
Supplements	-15%	-10%	48%	
Publications	5%	5%	30%	
Logo	-60%	0%	20%	

MEAT DEPARTMENT

The Co-op's Meat department offers delicious, humanely raised meat that is organic, natural and local. All products are free from antibiotics, hormones, and preservatives. Additionally, we make many products in-house, included our famous sausages.

Meat Priorities

1. Achievement of key financial indicators
2. Reduce shrink (specifically chicken)
3. Investigate opportunities to increase the number of local meat producers we work with
4. Develop and launch additional value-added products
5. Investigate the feasibility of a secondary/alternate supplier
6. Promotions (ask Kerry)

2021 Meat Financial Goals				
Sales Growth	Q1	Q2-Q4	Margin	Labor
Total	10%	10%	29%	12%

PRODUCE

The Co-op's Produce department is home to a beautiful selection of locally-grown and certified organic produce. Our team prioritizes working with local farmers and offering an incredible selection of fruits and vegetables.

Produce Priorities

1. Achievement of key financial indicators
2. Reduce shrink by 10%
3. Investigate the feasibility of developing a floral/garden center program
4. Develop and launch a value-added program (cut fruits & vegetables)
5. Implement improvements in local purchasing processes
6. Implement improvements in merchandising local produce

2021 Produce Financial Goals				
Sales Growth	Q1	Q2-Q4	Margin	Labor
Total	3%	5%	34%	9.2%

FRONT END

The Front End is really the public face of the Co-op, as far as shoppers are concerned. They are both the first and last employees a customer usually engages with. We depend on Front End employees to model excellent customer service and to ensure that the customer's experience is enjoyable. Front End employees must be knowledgeable about all departments in the store and they must know a little bit about each of the products we carry

Front End Priorities

1. Achievement of labor budget goals
2. Work with Marketing to achieve 3% increase in ownership in 2021
3. Develop a cross-training program with other departments to create a ready pool of back-up cashiers for busy hours
4. Customer Experience improvements: using the Front End's department specific customer service training to help other departments develop/improve their own training materials
5. Make improvements to the curbside program – cost controls, improved efficiencies, customer experience

2021 Front End Financial Goals	
Labor	2.92%

Other Business Priorities

1. Marketing Department
    a. Investigate creative ways to reduce costs of FLOWER while growing the overall program.
        i. FLOWER as a dime-in-time option
        ii. Pay-it-Forward equity payments for FLOWER participants
        iii. Other
    b. Create and launch an updated staff picks program
    c. Create and launch a First Thursdays program (virtual during COVID) and work with the Moscow Chamber to create a downtown-wide First Thursdays event
    d. E-commerce improvements
        i. Completely update the photo library to ensure that all items on the platform have photos
        ii. Work with Cordelia on e-commerce site promotions
    e. Increasing Ownership Numbers & equity investment dollars by:
        i. Converting owners to lifetime owners
        ii. Recruiting new owners
        iii. **Metric: 3% ownership growth year-over-year**
    f. Increasing Customer Count by:
        i. Driving extra weekly visits to the Co-op
        ii. Renewing relationships with former customers/inactive owners
        iii. Attracting new shoppers to the Co-op
        iv. Encouraging more staff to shop at the Co-op
        v. **Metric: Customer Count recovery towards pre-pandemic levels or better**
        vi. **Metric: Improving Average Daily Sales to pre-pandemic levels**
    g. Controlling expenses
        i. Review programs for efficiency gains, effectiveness, alignment with Ends
        ii. Investigate creative ways to generate financial support for programs
            1. Sponsorships
            2. Partnerships
2. Customer Satisfaction
        i. Use Customer Experience Survey program data to improve the quality of customer service at the Co-op.
        ii. **Metric: better than an 85% on metrics for *Overall Satisfaction, Availability of Staff, Friendliness of Staff, Helpfulness of Staff, Cleanliness of Store, Availability of Products,* and *Greeted by Someone Other Than Cashier.***
3. Administrative Priorities
    a. HR
        i. Utilize LEAN tools and applications to assist Department Managers in improving department efficiencies.
        ii. Continue to refine Beekeeper platform to improve internal communication.
        iii. Relaunch new hire orientation when pandemic restrictions lift.
        iv. Utilize the LMS portion of the Paycom HRIS to standardize training for departments. Focus specifically on training for onboarding, 7-days, 30-days,

60-days, and 90-days to ensure employees have a solid base of knowledge about the Co-op, department operations, and customer service within 3 months.

v. Work with department managers to formalize training for buyers and leads.
vi. Work with Store Manager and GM to formalize training for new department managers.
vii. Utilize free trainings in Co-op U platform.
viii. Recommend other cost-effective outside trainings to the GM for use.

a. Finance
    i. Work with the GM to overhaul and relaunch OBM
    ii. Work with the GM on business operations training materials for future training
    iii. Work with Department Managers to help track expenses to budget (to improve cash flow)
    iv. Work with the Management Team on sales recovery
b. Facilities
    i. Work with department managers to develop and implement equipment-specific training for department employees
    ii. Work with the Store Manager and department managers to develop and implement regular safety trainings
    iii. Update the Emergency Action Plan
    iv. Arrange for parking lot maintenance and restriping
    v. Work with the GM and Store Manager on refreshing our outdoor seating

Moscow Food Co-op

Summary Income Statement

2020-2022

Future Scenarios	2020 Actual	2021	2022	2023
Total Income	$10,652,957	$10,754,846	$11,077,491	$11,409,852
Cost of Goods	$6,420,180	$6,269,491	$6,424,945	$6,503,631
Gross Profit	$4,225,892	$4,485,356	$4,652,546	$4,906,221
Expenses				
Personnel	$3,017,003	$2,736,982	$2,769,373	$2,852,463
Occupancy	$456,247	$456,703	$461,270	$465,883
Operation	$1,247,631	$1,268,908	$1,307,194	$1,346,363
Governance	$14,462	$19,194	$23,000	$23,000
Total Expenses	$4,735,967	$4,481,677	$4,560,837	$4,687,709
Net Ordinary Income	-$510,075	$3,678	$91,709	$215,512
Other Income	$160,405	$0	$0	$0
Net Income	-$349,669	$3,678	$91,709	$215,512
Key Ratios				
Gross Margin	39.70%	41.7%	42.00%	43.00%
Labor	28.30%	25.44%	25.00%	25.00%
Net Income before Taxes	-3.3%	0.03%	0.83%	1.89%

Department SWOT Analysis Results

Operating Department	Strengths	Weaknesses
Meat	High-quality products Locally sourcing Unique and specialty items	Time management Labor inefficiencies
Produce	Customer Service Promotions Relationships Variety	Insufficient systems Lack of training Attendance issues
Kitchen	High-quality food Product mix Service Flexibility/adaptability Relationships	Labor inefficiency High cost of goods Limited oven space
Deli	Product mix Variety Employees Customer service Relationships	Insufficient systems Labor inefficiency Overly complex processes
Bakehouse	High-quality products Adaptability/flexibility Creative problem solving	Lack of training Labor inefficiency Communication
Center Store	Product mix Service Knowledge Relationships	Labor inefficiency Inadequate training Insufficient systems
Front End	Relationships Staff Product mix Unique and specialty items	Communication Lack of tools Insufficient training Labor inefficiency

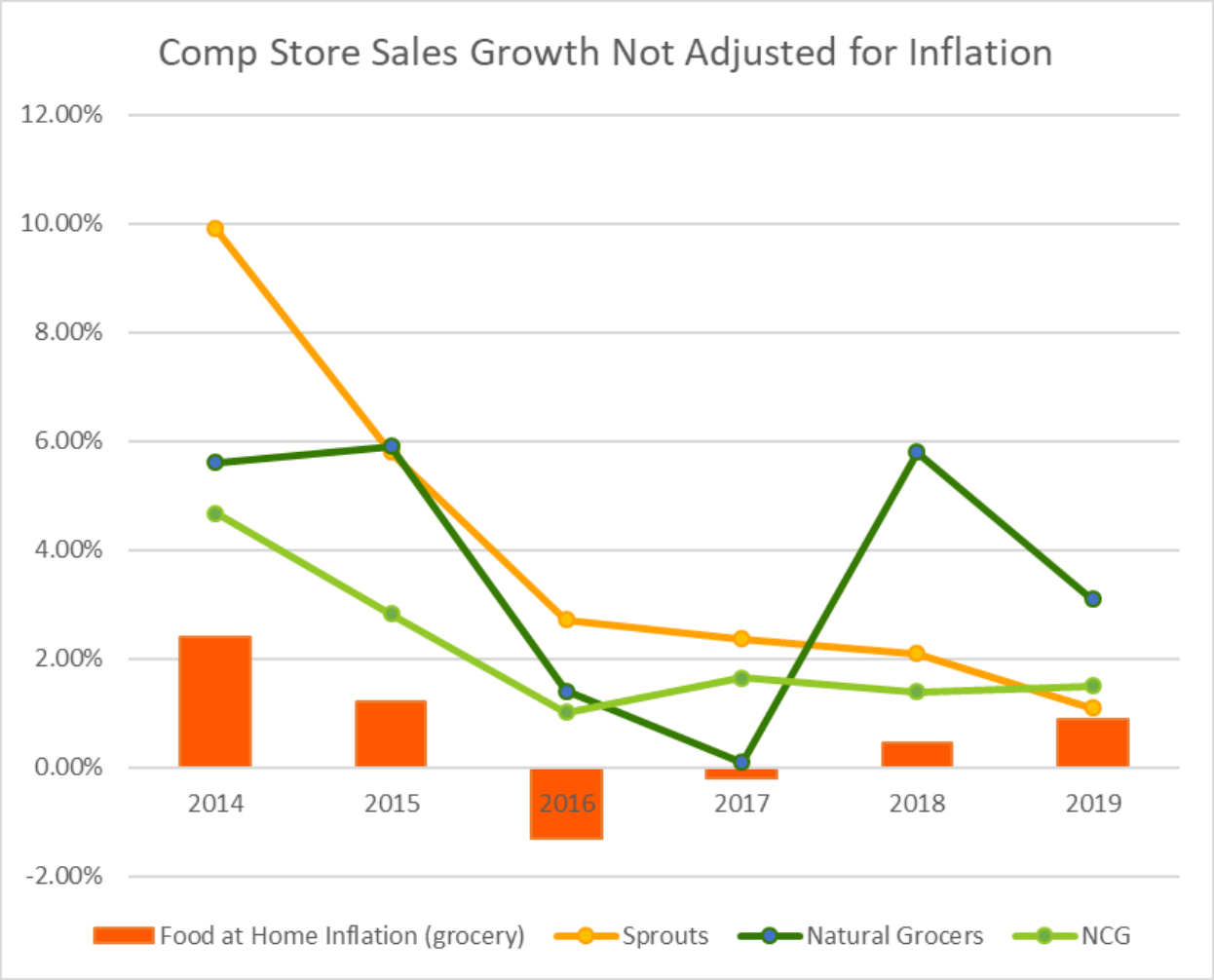
NCG September 2020 Trends Report
A Summary

Introduction

- Natural products sales continue to grow
  - Sales in 2019 reached $166 billion, up almost 5%
  - Consumers remain committed to purchasing quality foods, while looking for ways to save (largely because of the tandem COVID pandemic and economic crisis)
  - Total organic sales at natural products retailers grew 2.8% in 2019.

NCG Co-op Performance

- NCG co-op same store sales continued to grow in 2019, but the rate of growth slowed significantly. Natural Grocers growth outperformed NCG and Sprouts in 2019.



- Earning continued to decline for NCG co-ops, Sprouts, and Natural Grocers.

2019 Sales Data

- 17% of stores saw a decline in average customers per day, while 46% reported an increase (37% were flat)
- Nearly half of natural product food retailers reported a net profit of less than 5%
- According to SPINS, the categories with the strongest and weekest growth for the first half of 2020 are as follows:

SPINS Natural Channel Growth – 1st Half of 2020[4]	
Strongest Categories	**Weakest Categories**
Refrigerated plant-based meat alternatives Hard cider, mead and other malt beverages Shelf-stable beans, grains and rice (over 160% growth) Shelf-stable pasta Shelf-stable baking mixes, ingredients and flours First aid and therapeutic topicals Shelf-stable fruits and vegetables Shelf-stable pasta and pizza sauces Shelf-stable meat, poultry and seafood Frozen fruits and vegetables Shelf-stable seasonings Refrigerated tofu	Cosmetics and beauty products Weight management formulas Water bottles and filtration Body care kits Deodorants and antiperspirants Pet care and wellness Shelf-stable baby food Flower essences Wellness bars and gels Food supplements Skin care Shelf-stable jerky and meat snacks

Competition

- Conventional grocers now represent 44.5% of the natural foods industry.
- Supermarkets have been losing share to supercenters like Walmart and member clubs like Costco.
- Dollar stores are picking up share as they add produce and additional groceries.
- Online sales of food and consumables jumped almost 22% in 2019.

Kroger

- Kroger is the No. 2 brick-and-mortar grocery seller, behind only Walmart. In an effort to stay relevant, Kroger has opened Kroger Express and Kroger Pickup test stores. It purchased Home Chef, a meal-kit company, and expanded grocery pickup to 1,780 locations and delivery to 2,225

Walmart

- Walmart is focusing on efficiency and worker benefits. They are adding self-driving robots to clean floors, scan inventory, and scan boxes as they come off delivery trucks.
- They're increasing benefits to include expanded medical care, college tuition, and innovative management training programs. They've also pledged to pay more of their hourly works closer to $15 an hour.

Shopping Habits

- Overall, co-op shoppers are happy with their shopping experience. They report that their co-op meets their needs well, and they're likely to recommend their co-op to others. On the other hand, grocery budgets are smaller, less of that budget is spent at the co-op, and

fewer shoppers identify their co-op as their primary grocery store. In other words, shoppers are more pleased with their co-op but shopping there less.
- What would entice more co-op purchasing? 38% of shoppers cite lower prices as the change that would increase their co-op patronage, and about three-quarters of respondents chose this as one of the three most important changes that would increase their purchases.
- 90% of shoppers said they feel welcome at their co-op.

Food Budgets

- As of March 31, 2020, more than one in three Americans had experienced a downturn in personal finances. Consumers report feeling pessimistic about their future financial healthy and few think they'll return to pre-pandemic spending patterns, pointing to an economic fallout that experts predict will outlast the health crisis.
- 30% of consumers reported feeling worried about having enough food for their household.
- In April 2020 grocery prices saw their largest monthly increases in almost 50 years. Meat and eggs had the largest increases (4.3%).
- 44% of consumers report spending more per grocery shopping trip than they did pre-pandemic.
- Experts predict that consumers will be making budget-driven choices by seeking sale items, larger sizes, private label products and different product attributes.
- 75% of consumers say that the pandemic has made them reevaluate their priorities.
- Consumers have increased their cooking skills because of the pandemic, learning to cook and meal plan, and learning ways to reduce food waste. 88% of adults expect some lasting change to their food habits because of COVID.

Shopping

- Shoppers continue to be concerned with out-of-stocks and the state of the supply chain.
- 70% of shoppers attempt to minimize their time in the store by bringing a shopping list and sticking to it.
- Shoppers prefer shopping in-person versus online.
- Online shopping has more than tripled during the pandemic.
- 61% of Americans are concerned about the products they put in, on and around their bodies.
- Shoppers are also interested in nutrition facts and recipes. They'd like more locally grown, U.S. grown and seasonal items. They'd like info on how to select and store produce. And they prefer in-store signage and on-package labels for delivery of that information.
- Food service will need to consider all kinds of alternatives in remaking itself, such as increased delivery, take-out drive through and outdoor seating.

Food Trends

- In 2019, organic food sales were up 4.6% and organic non-food sales were up 9.2%.
- Produce Trends
    - Fresh fruit sales have declined 1% and vegetable sales have increased 3.5%

    - Value-added produce sales saw growth of 3.5%, three times that of overall produce. Shoppers say they'll be purchasing more value-added produce in the future.
    - 80% of produce shoppers create shopping lists, but merchandised sales account for 42.8% of sales (impulse buys driven by fantastic merchandising).
    - More shoppers use in-store promotional signage rather than the paper circular before shopping. The digital circular is growing in popularity.
- Meat Trends
    - Sales are up 1% - beef and chicken are up. Pork, turkey, and veal are down.
    - Value-added meat and poultry sales grew 3.9%
    - Half of shoppers would greatly welcome suggestions for economical, nutritious meat/poultry choices.
    - Merchandised sales account for 33% of sales in the meat department
- Beverage Trends
    - As a result of the closure of restaurants and bars during the pandemic, beer, wine, and spirit sales are up double digits. 45% of adults said they were drinking more at home than usual.
    - Immunity-boosting juice and functional beverages experienced an increase of 105%.
    - Rest and de-stress juice and functional beverages saw and increase of 462%. Key ingredients include melatonin, CBD, theanine, and valerian.
- Supplement Trends
    - As a result of COVID-19, 31% of consumers say they're taking more supplements and 29% are consuming more functional foods and beverages.
    - The supplement category saw a spike in sales driven by concerns about wellness, immunity and COVID-19.
    - Multivitamins (as a category) are seeing double-digit growth.
    - Probiotics and Immunity (categories) are experiencing resurgence.
    - High-growth wellness products:
        - Sleep aids
        - Chinese herbs, zinc, mushrooms for immunity
        - Vitamin D
        - Phosphatidyl serine
        - Adaptogens (herbs and plants that help the body resist stressors and reportedly improve immunity, mood, energy and cognitive health
        - Collagen
        - Ginger
        - Turmeric
    - Gummy supplements increased as a % of all supplement sales, from 6% to 12%.
- Body Care Trends
    - Experts predict that over the next 10 years, the clean beauty industry will just be the beauty industry, with a focus on transparency and eco-ethical mission. Some insights:
        - Waste-free claims will be of increased importance to consumers.
        - Shift from aging to longevity.

        - Simplified skincare, with slow beauty, thoughtfully crafted products that encourage consumers to pare back routines.
        - Increased attention to inclusive beauty in an effort to include underserved demographic categories.
        - Sustainable packaging.
        - Ingredient transparency.
- Pet Food Trends
    - Functional nutrition is a growing theme for pet diets.
    - Pet foods made in the U.S. are an important claim for shoppers, as are ethical claims, sustainability claims, and cause marketing.
    - Private label sales increased 19% - the focus for customers is affordability.