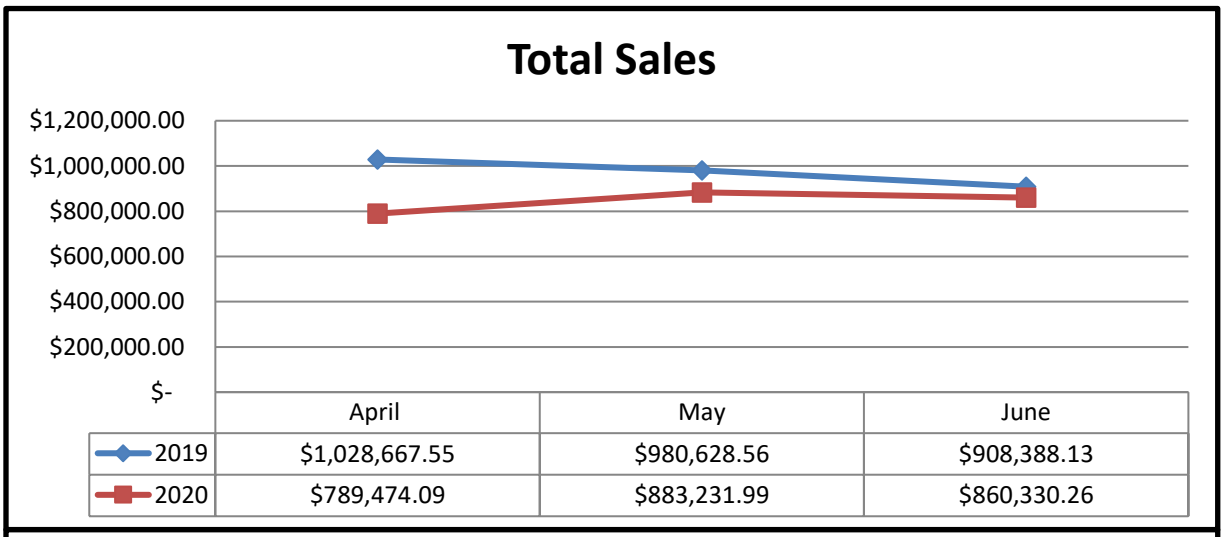
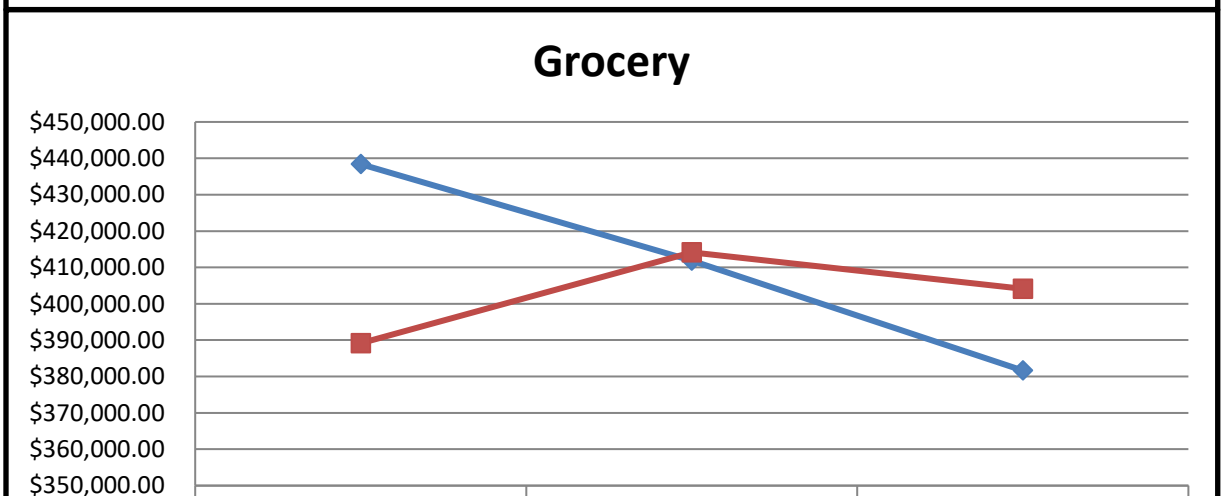
General Manager FYI
July 11, 2020
No action needed

SALES: COVID-19 Department sales recap

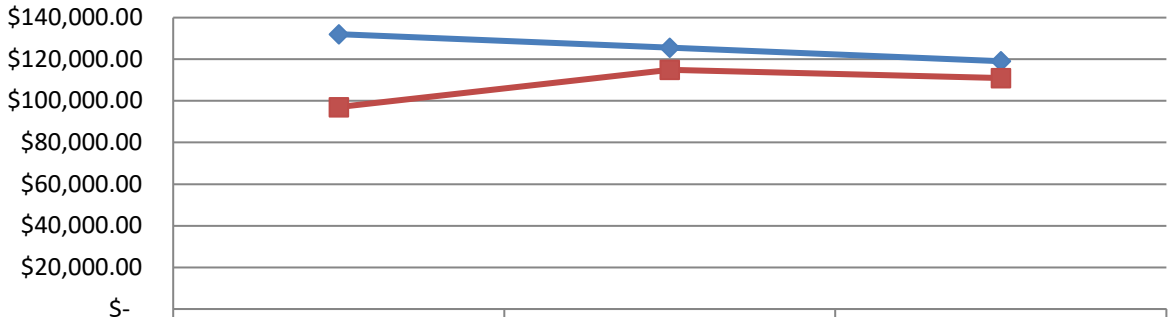


	April	May	June
2019	$1,028,667.55	$980,628.56	$908,388.13
2020	$789,474.09	$883,231.99	$860,330.26



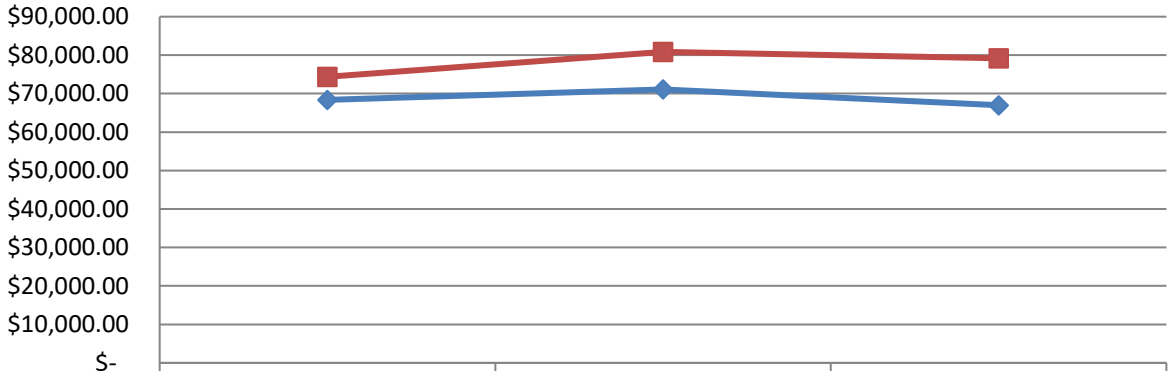
	April	May	June
2019	$438,392.69	$411,834.29	$381,642.32
2020	$389,155.26	$414,127.61	$404,097.31

Wellness



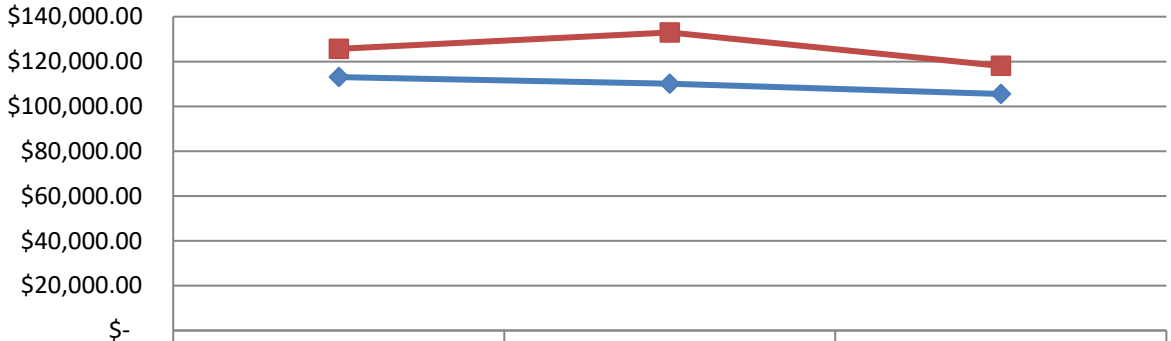
	April	May	June
2019	$132,043.91	$125,633.48	$119,049.69
2020	$97,029.23	$114,913.53	$110,898.63

Meat

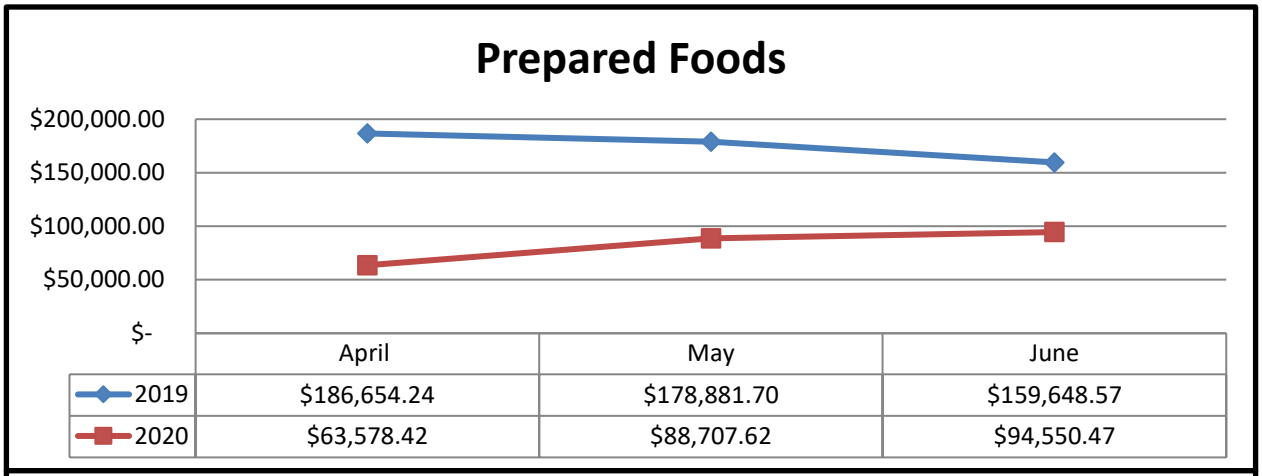


	April	May	June
2019	$68,341.62	$71,079.70	$66,981.08
2020	$74,369.26	$80,848.08	$79,190.81

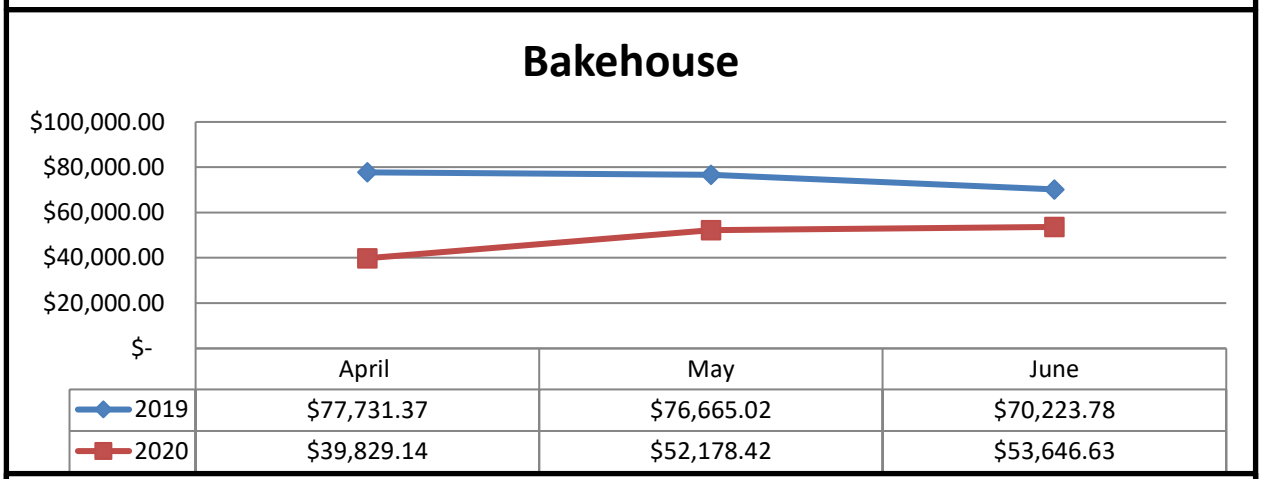
Produce



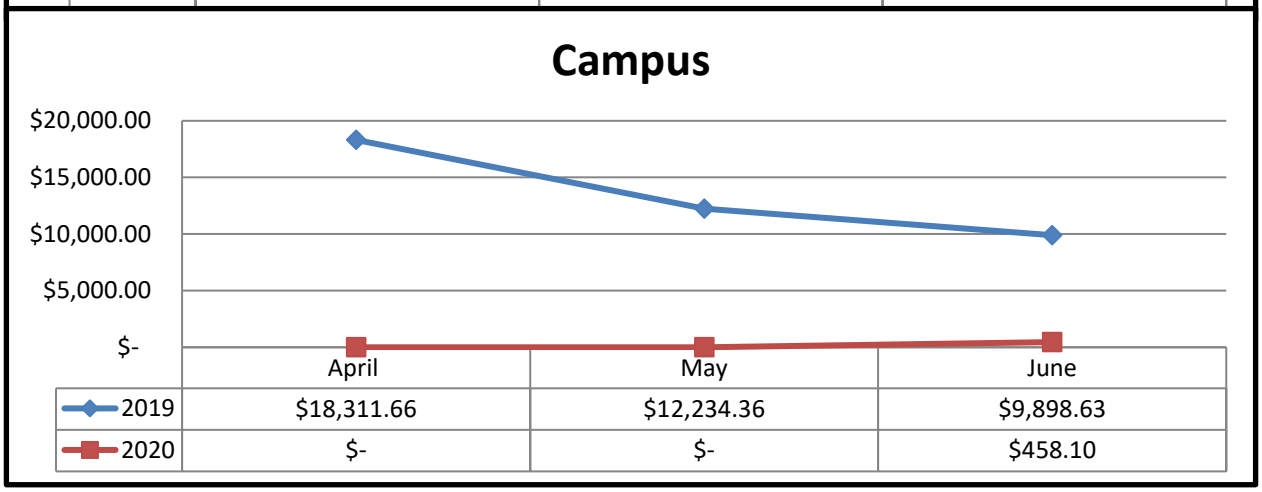
	April	May	June
2019	$113,039.92	$110,160.56	$105,512.86
2020	$125,589.67	$132,951.44	$118,017.97



	April	May	June
2019	$186,654.24	$178,881.70	$159,648.57
2020	$63,578.42	$88,707.62	$94,550.47

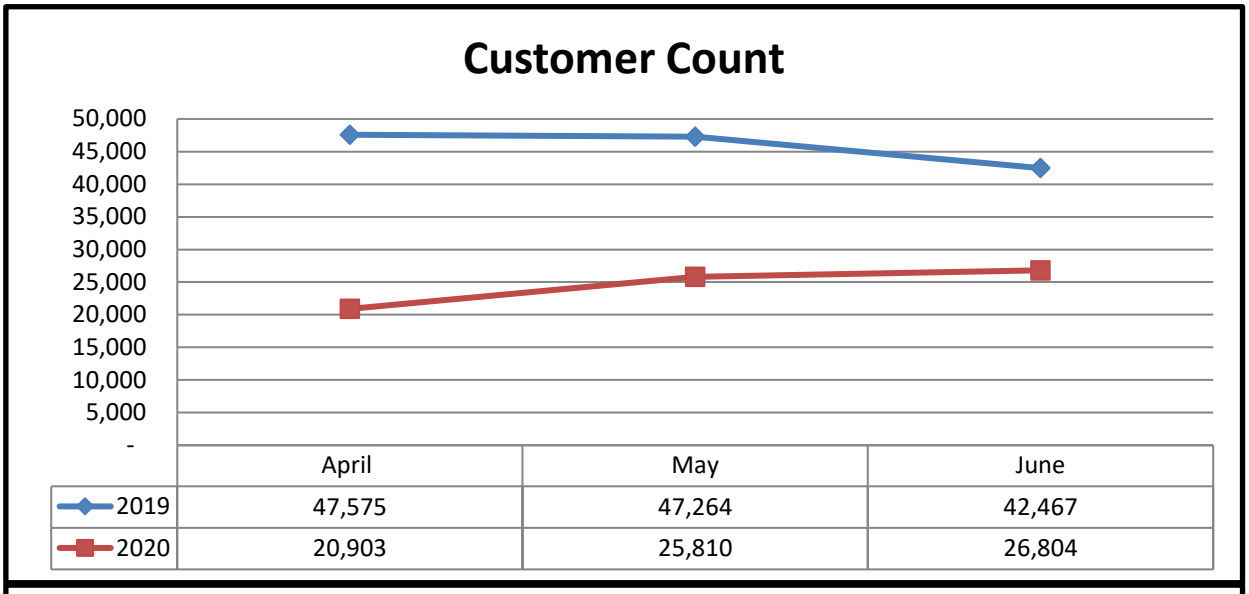


	April	May	June
2019	$77,731.37	$76,665.02	$70,223.78
2020	$39,829.14	$52,178.42	$53,646.63

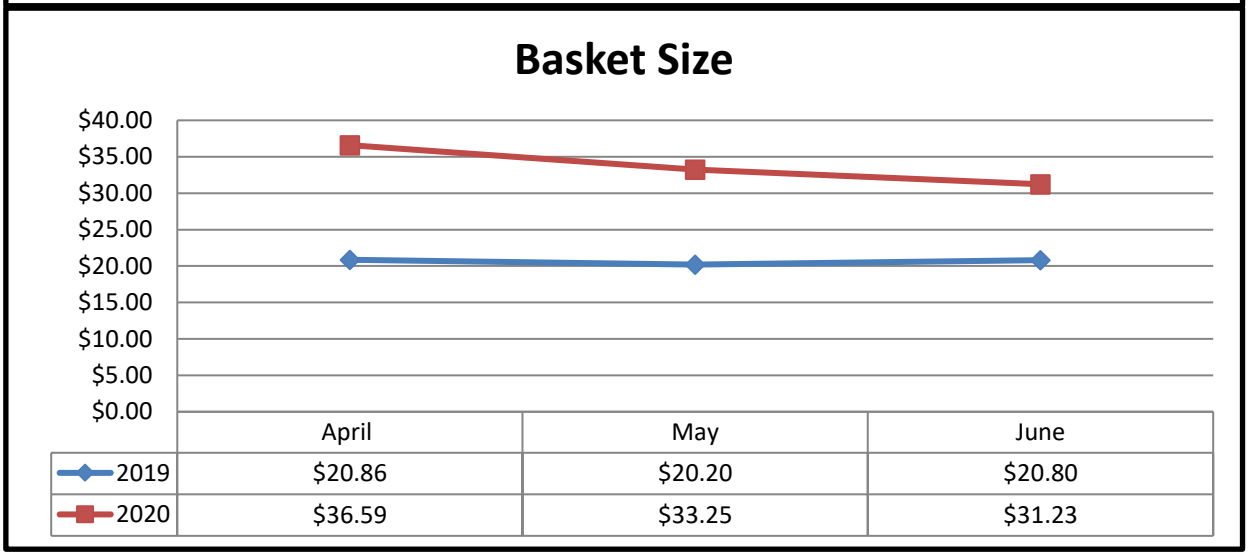


	April	May	June
2019	$18,311.66	$12,234.36	$9,898.63
2020	$-	$-	$458.10

- Customer Counts & Average Basket Sizes:

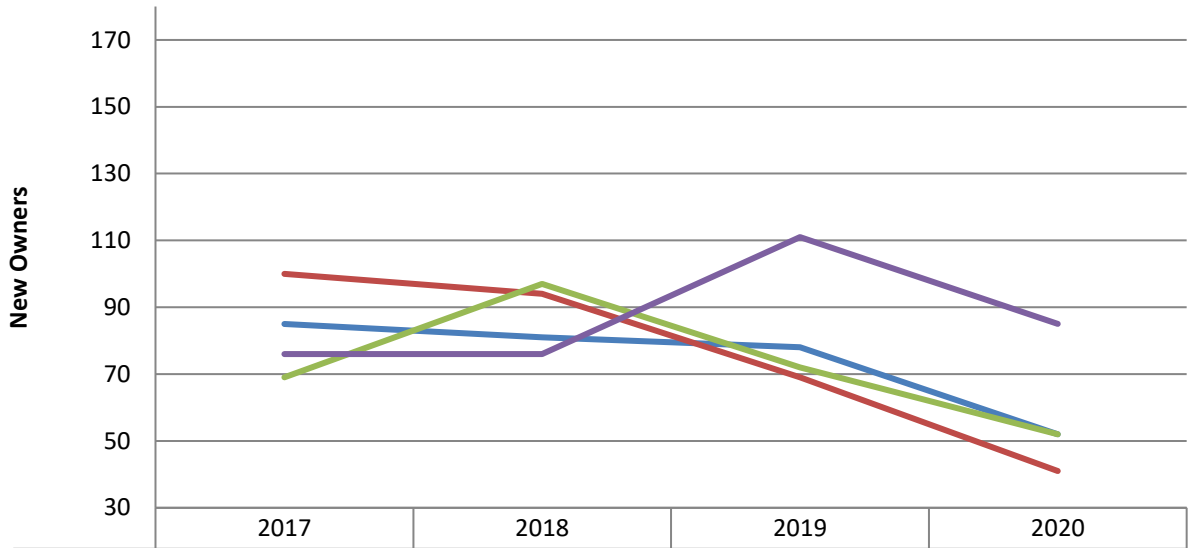


	April	May	June
2019	47,575	47,264	42,467
2020	20,903	25,810	26,804



	April	May	June
2019	$20.86	$20.20	$20.80
2020	$36.59	$33.25	$31.23

- New Ownerships:



	2017	2018	2019	2020
March	85	81	78	52
April	100	94	69	41
May	69	97	72	52
June	76	76	111	85

CUSTOMER SERVICE

- Customer Experience Survey results:

	May-19	May-20	Jun-19	Jun-20
Overall Satisfaction	77%	84%	70%	84%
Availability of Staff	76%	82%	71%	78%
Friendliness of Staff	90%	90%	79%	85%
Helpfulness of Staff	85%	88%	79%	84%
Cleanliness of Store	82%	96%	70%	88%
Availability of Products	53%	34%	50%	43%
Greeted by Someone Other Than Cashier	69%	60%	67%	70%

Pandemic Business Planning

1. What we learned from the 2008 recession
    a. **Shoppers cared about price and value**. Consumers generally became much more aware of and sensitive to price.
    b. **Shoppers remained socially conscious**. There was continued demand for products with perceived health benefits, positive social or environmental impact and other "values" – driven attributes.
    c. **Customers stretched their dollar**. Customers cut back on non-essential grocery items, traded down in search of value and combed retailers' circulars to find the best deals according to their individual needs.
    d. **Customers still splurged.** Consumer spending on non-essential items like GM and body care declined, but there was still demand for "affordable indulgences" like ice cream and chocolate.
    e. **Customers made food at home.** Consumers shifted away from eating out and cooked from home more often. However, some demand for convenience in home meal prep remained.
    f. **Customers exhibited less brand loyalty.** Shoppers gravitated to private label, nutrient-dense and value-based options. They were more willing to try new brands. Value brand sales outpaced premium and mid-tier brands.
    g. **Not all products contribute significantly to price sensitivity.** Purchase frequency and household penetration still determined the extent to which customers were aware of and focused on price. Retailers that cut prices across the board instead of making strategic pricing decisions lost margin dollars and net income.
    h. **Discount days offered diminishing returns.** Many co-ops sought to convey value to customers by offering store-wide discount days. While this was successful for a while, data shows that over time customers simply channeled their purchases to discount days, weakening margins without growing overall sales.
    i. **Trends were long lasting.** While the last recession officially ended in 2010, consumer behaving didn't fully transition from recession buying until as late as 2013.
2. Our approach to the 2008 recession:
    a. We entered the recession in a terrible cash position – we had less than 10 days cash when the bottom fell out. In March 2009, we were down to 3.5 days of cash
    b. We were so worried about making payroll that we eliminated all capital expenditures and other reinvestment activities. This left us behind the curve once the recession was over
    c. We significantly reduced hours for employees
    d. We experienced a 10% drop in sales growth (we went from 11% growth to barely 1% growth)

3. <u>What we can expect to see from this recession:</u>
    a. Much higher unemployment
    b. Greater number and higher frequency of supply chain disruptions
    c. Customer concerns regarding food safety and contamination
    d. Increased demand for e-commerce and curbside options
    e. Customers making fewer trips but with larger basket size
    f. Customers doing less cross-shopping and choosing one primary store for their main stock-up shop
    g. Continued interest in eating food at home. Customers are also more interested in growing and preparing their own food; sales for seeds and gardening supplies have been strong
    h. Rapidly changing shopper expectations for product mix and pricing based on economic conditions
    i. Internal unrest among co-op staff due to concerns about wages and working conditions
4. <u>This time, we're taking a different approach</u>:
    a. We're in a significantly better cash position today than we were in 2009 (when we started to feel the recession)
    b. We're continuing with our planned equipment replacement and repairs. We're going to invest in ways that will help us continue to serve our customers during COVID-19 and that speed up our post-recession recovery. Research done after the 2008 recession indicates that companies that strike the right balance of both defensive and offensive moves have the highest post-recession success rate
    c. We're not slashing hours and labor budgets. Instead, we're focusing on continuously improving operational efficiencies
5. Scenario Planning for July – December 2020 and beyond
    a. The "**Continued Uncertainty**" scenario: we see national progress on fighting the pandemic, but continued hot spots will limit real economic recovery. This scenario assumes a significant recession lasting 12 – 18 months with sales declines of -10%
    b. The "**Deep Recession**" scenario: a resurgence of the pandemic derails any chance of quick economic recovery. Sales decline reaches -18% and takes longer to recover from.
    c. The "**Depression**" scenario: assumes steady progress fighting the pandemic and a measured reopening of the economy in late 2020 and early 2021, supported by additional federal relief funds. The economic activity alone is insufficient and when federal relief support ends, the economy collapses with numerous business failures, no access to credit and unemployment exceeding 25%. Co-op sales declines may reach -25% and not recover for many years.