**MANAGER’S REPORT**

**Annual General Meeting 2018-2019**

**Alexandra Cooke, Manager**

Without doubt the key challenges of the 2019 financial year facing the co-op were declining sales and high operational costs.

The co-op responded by creating the Grow Alfalfa House Campaign in March 2019 to raise money to continue operating. It was assumed that declining sales were due to a number of organic and bulk food competitors opening in the area including Taste Organic and Naked Foods.

New management commenced in April 2019 and three main strategies were implemented to address declining sales and high operational costs. This involved reducing staffing costs and improving accounting and purchasing procedures.

1. Stabilising operational costs involved reducing the number of hours on the paid roster. Substituting office staff into the shop on most weekdays was how this was achieved. This was applicable to the Manager role, the Volunteer Coordinator role and the newly appointed Assistant Manager role. Additionally the Produce and Groceries Coordinator roles were amalgamated into one full time Stock Manager role. During weekdays office staff primarily runs the shop in order to maximise opportunities to complete administrative tasks when the shop is quiet and vice versa. Casual shop assistants are now primarily operating at weekends and on store closing shifts.
2. Improvements were made to the accounting systems by reducing accounting fees and gaining control over the accounting system. Subsequent to the end of the 2018-2019 financial year, in September 2019, Alfalfa’s accounting contract was concluded and a local bookkeeper was hired at an hourly rate. Additionally a volunteer bookkeeper has been appointed to assist with invoice data entry, while management has taken control of the new invoice software and accounting systems. This has produced savings in bookkeeping fees and gained us greater oversight of our bookkeeping processes.
3. Product diversification, as well internal and external merchandising has improved the look and feel of the store. Some unpopular products/ranges have been replaced and other ranges have been increased based on popularity. Buying budgets have been implemented based on sales analysis. Buying based on POS sales and topping up through the week only as needed has reduced produce shrinkage.

Other changes that have assisted in improving margins and sales included:

* Reducing and monitoring store discounting: volunteer discounts changed to 20%.
* Opening the shop earlier: 9am Saturdays, and 10am all other days
* Significantly increasing stock purchasing prior to the Christmas and New Year periods.
* Reducing opening hours on public holidays.
* Volunteers assisting at the registers during specific times.

**Areas for development**

1. Alfalfa could benefit from increased exposure within the community by expanding our marketing resources. We currently have a very small volunteer marketing team who put in many hours. We require additional experienced marketing personnel to help this small team. We still continue to have new customers that have been living in the area for a number of years and who were unaware of our presence. To help bridge the gap in this area we recently hired a casual Workshop and Tastings Co-ordinator to help expand our exposure in the community and promote our products at the store.
2. The current register operating system (POS) has been in operation for approximately 19 months. We face challenges with this new operating system, which is limited in its capacity to give thorough insight into our purchasing, sales, and membership data. Development of these systems requires a large financial input – the alternative is another change in operating systems, which would require costs in terms of set up and staff retraining. The benefit would be that this decreases time spent on administrative tasks and therefore decreased operational costs.
3. Product holding capacity and shopper experience could be improved by changing the store layout. Alfalfa House’s premises are small and therefore sales can only increase by a higher turnover of inventory, or by altering shelving space to increase the product holding capacity on the shop floor. Again, this would require significant financial input and potential lost revenue while the store is closed for renovation.

In recent months, Alfalfa has experienced growth in sales and encouraging levels of member payment of the Annual Subscription Fee. Coupled with a reduction in operational costs, this has seen the store begin to stabilise financially. If we continue to improve our processes and promote our uniqueness as a community-owned co-operative enterprise, we can grow our business and see Alfalfa House thrive for many years to come.