

Strategy and operating environment

With new ranges, the expansion of modern store concepts and new formats, Coop is making a statement which strengthens its position on the Swiss retail market. Coop is committed in all areas to digitalization, is automating processes and is adapting its supply chain to new demands. In wholesale, Coop is working with Transgourmet to broaden its expertise and is expanding in its existing markets. Coop is committed to sustainability and verticalization in the production of strategically important goods and benefits from an efficient organization.

Profile of the Coop Group

Active in retail as well as wholesale and production

The Coop Group operates in the retail as well as wholesale and production sectors. In the retail sector, Coop operates supermarkets and various specialist formats in Switzerland. The Coop Group is the market leader in many of these formats. In wholesale, the Coop Group operates in Germany, Poland, Romania, Russia, France, Austria and Switzerland through Transgourmet. The Transgourmet Group is Europe's second-largest cash & carry and food service company. In the production sector, the internationally active Bell Food Group is the biggest company in the Coop Group. In addition to the Bell Food Group, the Coop Group also operates other manufacturing companies in Switzerland.

The Coop Group is a cooperative

The Coop Group has a history that goes back over 150 years and it has always been structured along cooperative lines. At the organizational level, it is divided into six regions and has over 2.5 million cooperative members. For the Coop Group, the focus is on the customers – the members of the cooperative. It gears all its efforts to their needs. As a cooperative, the Coop Group does not strive to maximize profits; because of this, it plans sustainably for the long term.

Strategies and objectives

Aligned to the Corporate Profile

A shared vision, a shared corporate profile and company-specific mission statements shape the Coop Group's day-to-day work and corporate culture. Around 90 000 employees share the same Group vision: "Together to the top". The corporate profile is also the same for all sales formats and companies in the Coop Group. It expresses how we perceive our work: close, diverse, distinctive, innovative and partnership-oriented. The mission statements are set out for each company and each format individually and reflect its positioning in the sector and strategic focus. With their respective mission statements, the companies and formats make their contribution to the Group-wide vision and corporate profile.

Growth and internationalization

In terms of growth and internationalization, the Coop Group pursues two strategic thrusts. In retail, efforts are focused on the targeted optimization of the network of sales outlets. This involves making adjustments to the ranges and launching new formats which pick up specific trends. Moreover, the Coop companies engage with digitalization to introduce new online shops and services, further expand the omnichannel offering and make processes more efficient. In this way, the Coop Group is strengthening its position on the domestic market. In wholesale, it is opening up new markets in Europe, thereby expanding the market position of the Transgourmet Group. This can be secured both through organic growth and through acquisitions.

Verticalization

For goods of particular strategic importance, Coop is committed to verticalization, i.e. integrating manufacturing companies into its business activities. Whether meat from the Bell Food Group, water from Pearlwater, cereals from Swissmill or chocolate from Chocolats Halba/Sunray, integrating the manufacturing companies enables Coop to respond swiftly to new trends and exploit the synergies between the Retail and Wholesale/Production business areas. In 2018, for instance, through the Bell Food Group, and in particular thanks to the takeover of Hügli Holding and its organizational division into the business areas Bell, Eisberg, Hilcona and Hügli, Coop was able to further consolidate its leading position in the convenience foods segment and now covers the entire convenience food spectrum. The Retail and the Wholesale and Production business areas generally work closely together and exploit synergies in purchasing and logistics. Furthermore, the manufacturing companies produce products for retail and wholesale. The objective is to exhaust the availability synergy potential and attain even greater efficiency, which will translate into lower consumer prices.

Digitalization

Coop is pursuing two main strategic thrusts where digitalization is concerned. The primary purpose of digitalization must be to even better meet customers' individual needs and simplify the shopping process. At the same time, it should make behind-the-scenes processes even more efficient and economical. Coop has devised a digitalization concept specifically for this purpose, which is systematically geared towards customer service and is broken down into seven pillars. Topics such as "E-Business & CRM", "Category Management & Purchasing", "Communication", "Goods flow management" and "Logistics" as well as "E-back office" and "IT Infrastructure" are the priorities. However, Coop also regards digitalization as an opportunity to adopt new business models. The significance of digitalization is also behind Coop's decision to become a main partner of Digital Switzerland.

Another particularly noteworthy focus is the omnichannel approach, combining online and in-store trading. In 2018, the Coop companies were among the leading Swiss companies in online trading. Almost all specialist formats have an online shop. Goods ordered online can either be delivered to the customer's home or collected in person at the POS of the specialist format in question or at one of more than 1 100 pick-up stations. Drawing on its wide network of POS, the Coop Group is systematically increasing the number of pick-up stations in Switzerland. In total, the Coop Group operates 40 online shops, 24 of those in retail and 16 in the Wholesale/Production business area.

Purchasing strategy

The Coop Group is strengthening its regional and local purchasing, particularly in Switzerland. Sustainability is a key element of purchasing, both at home and abroad. Working with producers in emerging and developing countries in particular, Coop is implementing a multitude of projects which involve high social responsibility and environmental standards. The projects also stabilize income and production in those countries.

The Coop Group handles the purchasing of food and non-food products in Asia via its subsidiary Eurogroup Far East Ltd., which also assists business partners in the Far East in implementing environmental and social responsibility standards. Coop subsidiary Alifresca is responsible for purchasing fruit and vegetables in Spain and Italy. As well as providing customers with quality assurance, Alifresca delivers the goods to all of the Coop Group's distribution points throughout Europe, ensuring the right quantities reach each market. Agecore, the purchasing company formed to promote the development of cross-border activities in the retail sector, is also seeking to create additional synergies in purchasing. Besides the Coop Group, Edeka Germany, Eroski Spain, ITM (Mousquetaires/Intermarché)

France and Conad Italy and Colruyt Belgium are members of the company. Agecore is one of the biggest international purchasing companies in Europe.

Quality strategy

For over 110 years, Coop has been operating laboratories in order to satisfy stringent product quality requirements. Taking a risk-oriented approach, the laboratories test products for compliance with the statutory quality and safety requirements but, more than that, they check fulfilment of Coop's own stringent standards, at every stage of the product chain. In light of the strategic importance of quality for Coop, a new Quality Centre with a cutting-edge, private laboratory was inaugurated in Switzerland in 2017, at the new Coop production centre in Pratteln. Business partners of Coop and Coop's employees also play a crucial role in quality assurance. Coop selects reliable business partners who satisfy the quality requirements and whose manufacturing processes are certified to international standards. There are inspection concepts in place for own-label brands and officially recognized labels which serve to guarantee compliance with the relevant requirements. As well as its own inspection activities carried out by quality assurance experts, Coop also works with independent inspection agencies.

Goal-setting process

To ensure that long-term strategies give rise to effective measures each year, the Coop Group has, since 2001, had a uniform, top-down goal-setting process in place. Every year, it defines key objectives that apply to the Group as a whole. Based on these goals, concrete measures are developed right down to the operational levels. With a view to the continuous further development of its sustainability commitment, the Coop Group has set multi-year targets for all divisions covering the three pillars of its sustainability concept.

Economic and political environment

Declining sales in Swiss retail

After three years of negative sales trends, retail was unable to fully recover in 2018, and sales declined in Switzerland in both nominal and real terms. Growth was achieved in the food sector, thanks in part to rising demand and partly to higher prices. The non-food sector, however, continued to contract. The "Clothing & Shoes" product group in particular experienced falling demand.

Developments in wholesale and industry

In Switzerland, wholesale and industry also benefited from rising consumer demand. While food wholesale was positively impacted by the recovery in the hospitality industry, Swiss food producers felt the squeeze on their margins due to rising raw material prices and very intense competition. The pleasing economic trend continued in countries such as Germany and France and, in particular, Poland and Romania. In these countries, wholesale and industry benefited from the sustained growth in private consumption.

Swiss vote against "Fair Food" and "Food Sovereignty" initiatives

On 23 September 2018, the people of Switzerland voted on the "Fair Food" initiative and the food sovereignty initiative. Both initiatives called for tougher regulations and new customs duties on imported foods and the promotion of Swiss agriculture. As a member of the IG DHS Swiss retailers' association, Coop advocated rejecting the initiatives. The initiatives would have greatly restricted the offering for consumers and inevitably pushed up food prices. The referendum on the food security initiative in 2017 had already enshrined in the federal constitution the promotion of sustainable agriculture in trade relations too. Coop welcomed the outcome of the vote and will remain fully committed to sustainably produced foods and Swiss agriculture.

Coop is committed to sustainable transportation of goods

Whether using electric trucks for local journeys or by rail via Coop subsidiary Railcare: Coop is totally committed to sustainability in the transport chain as well. So that competitiveness is not left by the wayside in its efforts towards environmentally-friendly and CO₂-neutral transport methods, Coop is also exerting political pressure to ensure the appropriate conditions are in place. In rail transport, the availability of routes and the route pricing present particular challenges to Coop. Coop is committed

to easing the regulations applicable to railways and to special pricing arrangements to encourage the use of rail for food transport. Moreover, exemption of electric and hydrogen-fuelled trucks from the heavy traffic levy, which is another focus of Coop's political activism, makes environmentally-friendly means of transport more competitive. To promote hydrogen mobility, Coop formed the H2Energy association together with other companies. The association's goal is to create a nationwide network of hydrogen filling stations in Switzerland. Coop also exerted pressure on politicians to exempt biodiesel from the fuel tax levy. This is the only way for Coop to transport food sustainably in the long term and commercially exploit innovative, environmentally-friendly technologies.

Coop's commitment to sustainability in Swiss agriculture

Coop has been committed for many years to sustainable production in a market-oriented Swiss agricultural sector. Reflecting this aspiration, the retailer is engaged as a strong partner along the entire value chain. The use of pesticides and antibiotics, new technologies and the availability of feeds present particular challenges to the Swiss farming and food industry. Therefore, as part of the upcoming agricultural reform "Agriculture Policy 2022+", Coop is committed to a culture of open dialogue and clear targets. In these efforts, Coop is reliant on producers taking responsibility and is committed to promoting innovative approaches and avoiding unnecessary administrative pressures.