



Australian Government

**Army and Air Force
Canteen Service**

STRATEGIC PLAN 2013 - 2017



AAFCANS

Army & Air Force Canteen Service

Foreword by Chairman on behalf of the Board

The Army and Air Force Canteen Service (AAFCANS) continues to be an integral part of the Australian Defence Force providing support to our defence personnel on Army and Air Force bases and on exercises around Australia.

This year marks the end of our previous 5 year Strategic Plan 2008-2012 that implemented initiatives to recover the business and move it towards a sustainable future. This Strategic Plan now looks to our next phase of development from 2013-2017. We continue our strong commitment to provide convenient, inviting and competitive on-base canteen services. We will operate on a commercial, self-supporting basis and generate surplus funds. These funds will be used for business improvements and disbursement to welfare / trust funds for the benefit of ADF members and their families.

We will move to our Centennial year within this plan (1915-2015) and it is more than appropriate we will return to the AAFCANS brand and re-establish our values and link to the Australian Defence Force.

During 2012 we commenced the realignment of our business model starting with resuming direct trading in all of the canteens across the 14 bases in New South Wales and Victoria. Changes to our management structure and business objectives will deliver an improved service offering to all bases across Australia. We have had five consecutive years of ongoing improvement in our underlying trading performance with the aim to implement initiatives over the next five years to ensure our organisation will be sustainable and self-supporting to continue to uphold our mission of supporting 'in need' Defence Communities.

Over the past year we have engaged new customer research to provide a clear understanding of the service and product offering in line with the changing needs of our customers. Our strategic plan identifies opportunities which will improve our product

offering, through improving the selection of healthy food choices, increasing locations on base to access healthy snacks and beverages through mobile vans and coffee pods with standardising product offerings and store formats. This importantly will be supported by providing consistent pricing across all bases. We stand by our brand promise of quality and competitively priced product choices, consistency across all outlets and excellence in service standards.

We will continue to invest in our relationships with our stakeholders with the intention to build stronger, clearer relationships and links with the defence community, customers and employees.

Our staff are critical to our organisation and the achievement of our mission. Our next five year strategic plan will include initiatives to continue to develop our people, develop succession plans, implement training programs and develop a culture of high service standards and high-performing teams.

Our aim to provide greater consistency of our service model requires an improvement in our support and information technology systems to enable greater efficiency in the delivery of our services. This will be a significant investment particularly in upgrading our point of sale technology but will deliver great service outcomes for our customers and future capabilities for the business. We will continue to review our cost structure, eliminate waste and reduce our environmental impact. The quality of our facilities has been a challenge, and we will continue to reinvest surplus profits to upgrade facilities to create environments for customers to relax on base. We will also reinvest profits in retail price reductions, and return 75% of vending machines profits to bases for community support.

This Strategic Plan outlines five key strategic themes to achieve our goals and vision for the future.



2013-2017 Strategic Plan

Where are we now? - Our History and Services

About us

The Army and Air Force Canteen Service (known as AAF CANS) is a self-sustaining 'not-for-profit' statutory organisation. The canteen services were originally established in 1915 with AAF CANS officially established as a Prescribed Commonwealth Statutory Authority in 1981.

AAFCANS is administered under the Army and Air Force Canteen Service Regulations 1959 and the Commonwealth Authorities and Companies Act 1997 and operates within the Defence portfolio. AAF CANS is answerable to the Chiefs of the Army and Air Force, and Minister for Defence Science and Personnel.

AAFCANS purpose is to:

- Provide convenient, inviting and competitive on-base canteen services that contribute to a pleasant, satisfying and safe work environment which supports the retention of ADF personnel; &
- Operate on a commercial and self-supporting basis and generate surplus funds sufficient for business improvements and disbursement to welfare and trust funds for the benefit of ADF members and their families.

Current Services

Services provided by AAF CANS are designed to enhance the living conditions and social environment of Australian Defence Force members, their dependants and other persons employed in, or in connection with, Army and Air Force installations and include the following business lines:

- Canteen services comprising food, beverage and convenience items
- Wholesale supply of alcohol and other requirements to messes and clubs
- Vending
- Dry cleaning services
- Postal services
- Fuel and mechanical workshops
- Military and adventure wear stores

As at June 2012, AAF CANS or its agents operated food services on 33 Army and Air Forces bases and joint ADF facilities throughout Australia. The service was provided from direct operations on 24 bases with the remaining nine locations under subcontract agreements with independent operators.

The AAF CANS network as of 30 June 2012 included:

- 24 main canteens/café's including convenience items and dry cleaning at most locations
- 6 satellite kiosks
- 1 supermarket/grocery store
- 1 post office
- 2 taverns
- 2 petrol outlets
- 19 mobile food vans
- total service vending on 45 Defence establishments

In addition to the nine subcontracted canteens and café's at Victoria Barracks - Sydney, RMC Duntroon, ADFA, LWC Canungra, Puckapunyal, RAAF East Sale, RAAF Pearce, Pool Kiosk Amberley and Woodside Army Barracks, additional services are provided at the major bases through Licenced to Trade agreements or concessions. These are:

- 16 financial services (Defbank and Australian Defence Credit Union branches)
- 27 barber shops or hair and beauty salons
- 6 service stations & mechanical workshops
- 1 dry cleaning agent
- 1 newsagent
- 2 post office
- 1 photographer
- 1 magazine publisher
- 4 military and adventure wear stores

Financial Results 2008-2012

AAFCANS purpose is to be a self-supporting organisation. Our core aim is to serve all our stakeholders as best as we can. As such, all additional funds we generate will be reinvested in facility improvements, invested in ongoing product price reductions combined with disbursements as determined by the Minister & the Defence Chiefs.

Profits from local vending machines are received by each base SADFO or, in the case of RAAF bases, Base Welfare funds, in the form of a cheque (usually on a quarterly basis). These funds are disbursed in a way that best serves their local personnel.

From 2008 to 2011, revenue from the sales of goods and services increased by 28 per cent from \$14million to \$18million. In the 2011/12 financial year, revenue increased by a further \$4million or 22 per cent due to the addition of licences for canteens in southern states. Refer to Graph 1.

For financial years 2008-2010 during the recovery phase, Government contributions were underpinning the income and profitability to offset the impacts of loss of income from troop deployments at Northern bases. Refer to Graph 2.

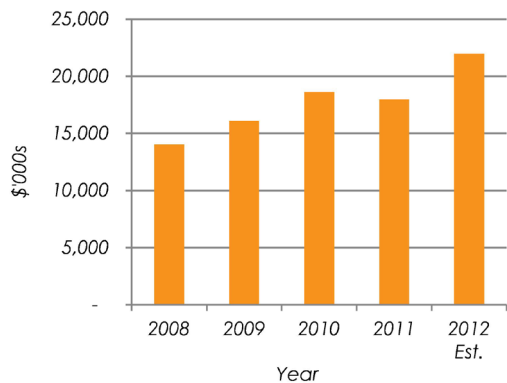
At the request of the Board these payments were discontinued in 2010 and since 2011 the Government contributions were payments to support capital equipment replacements and amenity improvements. This amenities improvement funding is supported only until 2015.

All amenity payments are mostly expended within the same financial year on Defence approved improvements. Not all projects are fully expended by the end of year and there has been a net contribution to profit in the past two financial years. Excluding these net contributions, this is now the third successive year that AAFCANS has made a positive return from its trading operations.

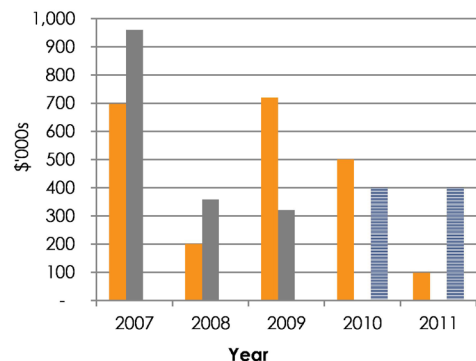
AAFCANS has made a surplus attributable to the Australian Government for the last 5 years. In 2011/12 financial year, the operating result included one off costs of \$454,000 for discontinuing the licence to trade agreement in the Southern bases. Refer to Graph 2.

Excluding this net contribution, AAFCANS operational profit for the financial year 2011/12 was \$38,000 making this the third successive year that AAFCANS has made a positive return from its trading.

Graph 1 Sales of Goods and Services



Graph 2 Net surplus after contribution by Government, Troop deployment income subsidy, and Amenities improvement payment



¹ Source: AAFCANS Annual Reports 2007 – 2011; 2012 Results estimate only, based on unaudited statements for 2012

Our Stakeholders

The Army and Air Force Canteen Service is a Commonwealth statutory authority formed to provide goods, facilities and services to or for the entertainment and recreation of designated members of the 'Defence family'. The Commonwealth Government owns AAFCANS through the responsible Minister.

In the development of this strategic plan, our key stakeholders have been considered and involved either directly or through research and surveys.

Our key stakeholders are:

- Customers (ADF members and their families, reservists, Defence civilians and contractors, former Defence members and their families)
- The responsible Minister
- The Chief of the Defence Force, the Chief of Army and the Chief of Air Force
- The Board of Management
- Employees
- Suppliers
- Amenity and welfare funds

Corporate Social Responsibility

AAFCANS understands that we have an obligation to our community and stakeholders to operate in a socially responsible manner. We are committed to behave ethically in all our business dealings and contribute to the quality of life of our workforce and our local communities and society at large.

Corporate Social Responsibility will be integrated as part of day-to-day business, engaging all stakeholders to ensure we make socially responsible decisions, conform to ethical behaviour and comply with legislative requirements.

AAFCANS will fulfil its corporate social responsibility commitment through the following principles:

- Operate with integrity
- Employ the highest ethical standards
- Ensure transparency in our business dealings
- Provide a safe and secure environment for our customers and staff
- Act responsibly
- Minimise our environmental impact by:
 - selection of environmental friendly products and packaging,
 - invest in energy efficient equipment
- Contribute to the health, wellbeing and welfare of our Army and Air Force personnel, families and public service workers
- Comply with all relevant regulatory

requirements regarding the environment

- Comply with all other legislation and audit requirements
- Will participate in supporting the local communities by contributions and participation in local base programs

Our Strategic Plan objectives and initiatives for 2013-17 will be actioned in conjunction with our corporate social responsibility standards as outlined.

Environment Review and Analysis

Business Model and Brand

In the early 1990's AAF CANS replaced its trading name with Frontline Defence Services to distinguish it from the Defence Force family of businesses. In 2012 we will return to the AAF CANS brand and re-establish our values and link to the Australian Defence Force.

The organisation has either directly managed or contracted other service providers through licenced trade agreements to operate canteen services on Australian bases. This has led to inconsistency of services and quality across the Australian bases. In December 2011 AAF CANS resumed the licences for services in 14 bases across Victoria, New South Wales and South Australia.

This licence to trade or 'franchise' approach of running the business led to considerable local autonomy and inconsistencies in customer products, services, quality, prices and customer confusion and disengagement. It was recognised that we needed to move to a more stable and centralised business model across all parts of our organisation, providing consistent store formats, pricing, service and internal policies and procedures. We need to give customers clarity and build loyalty and repeat custom.

The change in brand and direct management of canteen services in Australia is a commitment by AAF CANS to provide quality on-base canteen services that meet the current needs of our ADF personnel and ensure the organisation is responsive to the changing needs on the bases in Australia. We want to ensure our brand shows we are affiliated and identified as part of the defence family.

AAFCANS has a long established history of proudly serving our ADF personnel and families, and are focussed on ensuring the organisation is in a strong position to meet the future challenges to ensure we continue to be a self-sustaining organisation. We will do this with a strong Board and management team, and clear direction and focus on our mission.

External Environmental Factors

Focus Group Research was conducted in May 2012 on 8 defence bases across Australia. Some of the key findings were:

- Lack of understanding of mandate and transparency of use of profits
- Mistrust of management, leading to loss of patronage
- Price sensitive and inconsistent prices
- Opening hours too short, canteen service not available when needed
- Looking for an alternative place than the mess
- Would like to see it as a family friendly place
- Wider food choice, healthy choices wanted
- Lack of quality and cleanliness a perception, uninviting décor
- Inefficiency of service

The research identified opportunities for our business offer. In particular, the need to refresh the brand and ensure consistency of messages, improve our food and beverage product choices, improve our facilities and décor, expand our services, establish consistent pricing and engage our customers. We also need to provide services in more locations on the base for snacks and coffee.

Our challenges include being able to respond to changes in troop movements on base, competition from external providers as our customers look for options off base and defence outsourcing of services if we are unable to meet the needs of our customers. We need to ensure we have continued engagement with Defence Support Group in supporting our facilities on bases.

Internal Environmental Factors

The research also identified internal weaknesses in our organisation including our efficiency of services, poor communication to customers of our product and service offer, uninviting facilities for customers to enjoy food and services in a relaxed atmosphere.

We also need to improve the communication with defence planning on bases to ensure we can be responsive to the changes in numbers of personnel at site. Our product offer needs to be tailored to our customers and flexible enough for us to change within a period of one week.

Our customers notice our inconsistent pricing across Army and Air Force bases. Factors that have influenced this are joint venture partners acting independently, transportation costs, ineffective purchasing and local supplier factors. We need to provide lower and consistent pricing across all of our stores to ensure our customers receive value to support their needs. We need to ensure that our on base offer of services is comparable to the experience offered through contemporary convenience outlets in the community.

With the transition of Southern outlets back to AAFCANS management control, the integration of information systems is critical to ensure we can monitor and analyse results, manage inventory efficiently, integrate outlets to financial systems for reporting requirements and provide point of sale systems for the outlets that were using stand-alone cash register systems. This identified the current inefficiencies in information management systems and the need for an upgrade and replacement program.

Our People and Culture

AAFCANS have traditionally run the business with a flat organisational structure, with the central role being to provide limited direction allowing canteens to largely operate independently to compete locally. We have a friendly culture and relationship with customers. The changes to a centralised and consistent business model, reverting ACC outlets to AAFCANS has increased the pace of change for our people. We need to now move to a culture of high performing teams consistently delivering our strategy but ensuring we do not lose the caring touch, and are a workplace of choice.

An employee survey was conducted in August 2011 in which 140 participants were engaged across 11 bases and corporate offices in Australia. This survey identified AAFCANS was particularly strong in: achievement – people like their work and want to contribute, contributions are highly regarded, and teamwork.

Opportunities for improvement included:

- Clear direction (particularly in light of recent organisational changes)
- Clear lines of authority and responsibility
- Ability to contribute to business strategy and development of policies and procedures
- Improvement in two-way communication
- Development skills through training programs.

We recognise that we need to change the shape of our organisational structure to support our business, create consistency in our approach to recruitment and selection, provide formal recognised training programs for staff, implement succession planning programs, ensure standardisation of our customer services standards, improve staff engagement and ensure we have a flexible, safe and supportive workplace culture.

Sustainability to support our mission

In recent years there has been a reduction in disbursements while the company was going through a period of stabilisation and recovery. Since 2009 (refer to graph 2) the organisation has returned a modest surplus each year excluding any Government funding. Changes to improve and expand our services and improve our efficiency and cost base are aimed at becoming self-sufficient to enable reinvestment in our facilities, maintaining reduced pricing and be able to contribute to the local base communities.

To ensure financial sustainability of our business it is important to:

- Ensure our business is adaptable to business changes
- Improve our operational efficiency through consistent policies, processes and effective systems
- Minimising waste and maximising buying power with suppliers
- Grow our services
- Conduct regular pricing reviews and value review
- Review investment requirements for our facilities.

³ Source: The Emotive Team, Od21 International PTY Ltd

Where do we want to be?

Our Mission

The Strategic plan for 2013-2017 will continue to support our Mission:

To exemplify "Defence proudly serving Defence", by providing quality, accessible and good value canteen and convenience services which support Defence members job satisfaction, lifestyles, needs and desires.

To invest in improved outcomes both in facilities and product while delivering a contributing self-sustainable business model.

Our Vision

To be the first choice of our customers and Defence as their trusted provider of canteen operations.

PROUDLY FOR AND BY DEFENCE

Values

- Best quality food
- Efficient and effective service
- Innovation and improvement
- Value for money

In 5 years AAFCANS aims to:

- Be a trusted provider of food & beverage services that inspires our customers, by providing a contemporary offer and value proposition
- Increase the provision of services to meet the needs of our customers
- Provide amenities where our customers want to be and be able to contribute to the retention of ADF personnel
- Be an employer of choice
- Continue to be an important part of the defence family by reinvesting in the Army and Air Force community

Strategic Themes 2013 - 2017

The focus of our organisational objectives ensures we consider all perspectives of our business. The analysis of our current internal and external environment, customer and employee surveys and consultation with stakeholders has allowed us to clearly develop the following strategic themes. These themes are in alignment with our corporate objectives, will enable us to address our current challenges and take advantage of opportunities, leading to the achievement of our vision and 5 year aims.

- A. Realign our business model
- B. Improve and extend our products and services
- C. Build enduring stakeholder relationships
- D. Invest in our people
- E. Ensure our organisation is sustainable and self-supporting

Mapping of organisational objectives and strategic themes

Perspective	Organisational Objectives	Our Strategic Themes
Customers	1. Improve our product mix and quality to meet changing customer preferences and requirements with an emphasis on quality, healthy food and convenience	Improve and Extend our Products and Services
	2. Develop and execute a competitive pricing strategy to offer value to our customers	
	3. Provide facilities that create a pleasant, inviting atmosphere that will enhance the lifestyle of customers	Build enduring Stakeholder Relationships
	4. Foster a sense of ownership and support among key stakeholders by improving relationships through customer service delivery, better communications and marketing	
Internal Process	5. Improve service delivery and internal systems and processes to deliver an enhanced retail environment and efficient customer service	Ensure our organisation is sustainable and self-supporting
	6. Re-establish the AAFCANS identity and brand and reconnect with our customers	
	7. Foster Customer focus through ongoing customer analysis	
Financial Sustainability	8. Become self-sufficient and commercially viable	Realign our Business Model
	9. Develop new business opportunities	
	10. Foster Responsible operations and business sustainability	
People Learning and Growth	11. Deliver operational excellence through a competent and fully trained workforce using standard operating policies, procedures and controls	Invest in our People
	12. Build a strong and capable workforce through targeted recruitment, training and development	
	13. Increase our involvement in local base communities	

Summary of strategic themes and objectives

Theme	Strategic Objectives
A. Realign our business model	<ol style="list-style-type: none"> 1. Centralised control, direction and support 2. Standardisation 3. Review of use of licences
B. Improve and extend our products and services	<ol style="list-style-type: none"> 1. Improve food service choices to inspire our customers 2. Standardise store formats and product offer 3. Increase convenience and locations 4. Improve infrastructure and ambiance of canteens 5. Expand business opportunities
C. Build enduring stakeholder relationships	<ol style="list-style-type: none"> 1. Re-Brand to AAFCANS 2. Improve communications with key personnel on bases 3. Market our value proposition 4. Improve and capture customer loyalty 5. Improve Stakeholder Engagement
D. Invest in our people	<ol style="list-style-type: none"> 1. Ensure organisation structure is suited to our needs 2. Improve business competency through driving succession planning 3. Implement training programs to develop high performing teams 4. Drive a customer focused culture
E. Ensure our organisation is sustainable and self-supporting	<ol style="list-style-type: none"> 1. Improve information systems to support customer service at point of sale, inventory management, reporting and analysis 2. Review cost structure to minimise waste and improve efficiency 3. Grow services and revenue 4. Implement a pricing strategy to ensure standardisation and value to customer 5. Review policy for investment in infrastructure and disbursements to funds

A. Realign our business model

Strategic Theme

Achieve consistency in our business and create the ability to be responsive to our customer's needs, realign our business model to create a central point for consistent decisions, standardisation and control of our brand and services on all bases.

Strategic Objective	Initiatives
1. Centralisation	<ul style="list-style-type: none"> a) Realign management structure to allow centralisation of decisions, direction and support b) Centralisation of support functions and services c) Use Gallipoli Barracks, Brisbane to create a central point for best practice, and trial of new products and services
2. Standardisation	<ul style="list-style-type: none"> a) Develop consistent operating policies and procedures for all locations b) Develop consistent branding and promotions c) Move away from our 'franchise' approach and focus on developing a standard branded approach to the management of the business and delivery of the AAFCANS offer
3. Review use of licences	<ul style="list-style-type: none"> a) Reclaim core licences for food and retail b) Define the retail product mix required by each base to suit demographics c) Outsource to licence traders only where AAFCANS cannot provide the service in the short term

B. Improve and extend our products and services

Strategic Theme	
<p>Our product and service offer will be tailored to our customers and will be flexible enough for us to change within a short period. We will create facilities where people want to be and relax on base. We will deliver on our brand promise: quality and consistency of products and services; excellence in service standards.</p>	
Strategic Objective	Initiatives
1. Improve service choice to inspire our customers	<ul style="list-style-type: none"> a) Change product choice, less main meals and more grazing and snacking on the go b) Introduce Street food with more regular and multi-cultural choices c) Improve availability of healthy food choices, reduced fat options and options to suit dietary needs. d) Develop options for hand held foods without need for plates or cutlery e) Improve packaging and presentation f) Offer a contemporary retail product range with value proposition g) Increase our trading hours to suit our customers h) Provide consistency of products and services across all bases
2. Standardisation store formats	<ul style="list-style-type: none"> a) Review the range of services delivered and deliver with two key formats <ul style="list-style-type: none"> i. The retail store for light meals, snack and home meal replacements ii. The food store for a wide range of food and beverages and limited stock of convenience items
3. Increase convenience and locations	<ul style="list-style-type: none"> a) Introduce coffee carts/pods and snacks in more locations on the base where it is financially viable to do so. b) Introduce additional vending solutions c) Review and improve mobile food van services to ensure access and timing in alignment with base timetables and needs d) Introduce online ordering services for added convenience for customers
4. Improve infrastructure and ambience of canteens	<ul style="list-style-type: none"> a) Improve overall ambience of canteens to encourage increase visits and dwell-time for customers b) Introduce options such as Wi-Fi, breakout quiet areas, Foxtel live news and sports, lounge and games areas c) Make the experience of entering AAFCANS comparable to a contemporary store within the wider community
5. Expand Business Opportunities	<ul style="list-style-type: none"> a) Investigate opportunities for mess catering and select smaller barracks or partner for the retail component as new Defence contracts are implemented b) Offer office and meeting catering (functions) to improve sales and reputation of the AAFCANS brand offer and values

C. Build enduring stakeholders relationships

Strategic Theme	
Through rebranding, communication and focus on customer loyalty, re-establish and strengthen our stakeholder relationships and market our value proposition.	
Strategic Objective	Initiatives
1. Re-Brand to AAFCANS	<ul style="list-style-type: none"> a) Return to our heritage with AAFCANS as a brand b) Demonstrate ownership of the services with use of Army and Air Force logos as part of the re-branding on all large signage, stationery, website, publications c) Use trade-marking for product labels, shelf edge labelling, uniforms, name badges using smaller version of AAFCANS logo with only the Federation star d) Develop Brand standards for all areas of our business
2. Improve communications	<ul style="list-style-type: none"> a) Communicate our brand values of Quality, Services and Customer b) Implement public relations activities to complement our marketing and increase awareness of our services and build relationships c) Improve communications through the use of the intranet, website, newsletters d) Define effective communication channels and manage them e) Improve our communications with each base to enable improved response to population changes f) Seek out and establish strong relationships with key personnel on bases (eg. SADFO and BSM)
3. Market our value proposition	<ul style="list-style-type: none"> a) Ensure there is transparency of where profits are spent b) Align our brand and who we are with troop welfare and support
4. Improve and capture customer loyalty	<ul style="list-style-type: none"> a) Introduce a customer loyalty program to encourage and reward our customers, track customer habits to continuously improve our product and service offer b) Survey customers to obtain continuous feedback
5. Stakeholders engagement	<ul style="list-style-type: none"> a) Retain and develop all stakeholder relations b) Broaden our engagement with Army and Air Force c) Increase awareness of the positive journey to today and the next five years d) Develop greater focus on Corporate Social Responsibility (CSR) encouraging a positive impact through activities on the environment, consumers, stakeholders, employees and communities e) Build stronger and clearer relationships with the Defence Community Organisation, Defence Health, Defence Welfare, Defence People Group.

D: Invest in our people

Strategic Theme	
Invest and develop our people to move our culture towards that of high-performing team consistently delivering our strategy and ensure this is an employer of choice.	
Strategic Objective	Initiatives
1. Ensure organisation structure is suited to our needs	<ul style="list-style-type: none"> a) Ensure our organisational structure supports our aims and objectives of a more centralised approach of our business model b) Define and develop core competencies for all roles in the organisation around legislation, company policies and procedures and operational practice c) Operate an effective and open annual performance review process d) Develop a 360 feedback opportunity for all senior staff
2. Develop succession planning	<ul style="list-style-type: none"> a) Use succession planning to drive improved business competency b) Standardise and implement effective recruitment and performance appraisal processes
3. Implement training programs to develop high performing teams	<ul style="list-style-type: none"> a) Identify gaps in skills and capability for all staff in the organisation b) Develop and implement training programs to develop our teams c) Review KPIs for casual labour and align to the needs for a flexible and responsive organisation, providing greater options for staff
4. Drive a customer focused culture	<ul style="list-style-type: none"> a) Implement core service standards which will be our brand promise

E: Ensure our organisation is sustainable and self supporting

Strategic Theme	
<p>Develop an efficient and low cost organisation to ensure we are sustainable and self-supporting and can contribute to reinvestment in our facilities, services and disbursements to support our communities and defence families.</p>	
Strategic Objective	Initiatives
<p>1. Improve information systems to support customer service at point of sale inventory management, reporting and analysis</p>	<ul style="list-style-type: none"> a) Implement new Point of Sales and inventory systems to improve customer service efficiency and information management of stores b) Upgrade IT infrastructure to improve integration, response times, and timeliness of information for management and analysis c) Improve reporting and information for business management and decisions
<p>2. Review cost structure to minimise waste and improve efficiency</p>	<ul style="list-style-type: none"> a) Challenge our service models to ensure processes are efficient, to remove waste and improve service delivery b) Review suppliers and negotiate competitive terms and improved pricing c) Use technology to improve efficiency of services and processes
<p>3. Grow services and revenue</p>	<ul style="list-style-type: none"> a) Continue to increase services and products to achieve revenue growth to ensure organisation is sustainable b) Key Stakeholders to review excess distribution each year
<p>4. Implement a pricing strategy to ensure standardisation and value to customer</p>	<ul style="list-style-type: none"> a) Review all pricing of products and services b) Benchmark and compare to ensure value is competitive and provide retail reductions c) Standardise pricing to ensure consistency for the customer d) Link alcohol and cigarettes pricing to market value and limit discounting
<p>5. Review policy for investment in infrastructure and disbursements to provide value</p>	<ul style="list-style-type: none"> a) Complete a capital infrastructure and equipment assessment to develop a 5 year capital plan b) Net profit of the organisation will be split between improving facilities and retail price reductions to provide value to our customers c) Review possible impacts on investment strategy regarding loss of amenities funding post July 2014 d) Continue to return 75% of Vending machines profit to bases with the SADFO acting as manager of the funds e) Plant and equipment funding – AAFCANS will continue to be responsible through Unit Service Agreements (USA), with Defence Service Group to continue to manage and maintain buildings and environment f) Relocate national support office to Gallipoli Barracks to reduce costs and develop closer links and a higher profile as being owned and being a part of Defence

2012/2013 Financial Year Operational Plan

In July 2012 we have commenced the following key initiatives as part of our Operational Plan.

2012-2013 Aim	
<p>By the end of the 2012/13 financial year we will have consistent product and prices across the country, implemented new retail Epos system, completed our rebranding to AAFCANS and for the sixth successive year deliver a surplus attributable to the Australian Government.</p>	
Theme	Initiatives
Realign our business model	<ul style="list-style-type: none"> In 2011, we commenced the changes to our business structure with the reclaim of licences. We will continue to complete the realignment of management structure to allow support for the centralisation of decisions, support functions and services. In conjunction with the re-branding program and new IT systems, we will commence the development of consistent operating policies and procedures for all locations, and branding and promotions.
Improve and extend our products and services	<ul style="list-style-type: none"> Improve and change product food choices, including the introduction of more healthy food choices Review locations, mobile vans, vending solutions and coffee pod options to increase convenience and locations Implement consistency of products and services across the country Improve ambience of canteens to reflect brand changes and environment for customers Introduce options such as Wi-Fi, breakout areas, Foxtel and lounge and gaming areas where appropriate
Build Stakeholder Relations	<ul style="list-style-type: none"> Invest in the re-brand to AAFCANS and standardise all point of sales and marketing materials Develop brand standards Develop new web-site to improve communications through use of intranet, website and newsletter Introduce customer loyalty program
Invest in our people	<ul style="list-style-type: none"> Implement training programs to develop our teams Develop succession planning so that it is driving improved business competency
Ensure our organisation is sustainable and self-supporting	<ul style="list-style-type: none"> Implement new Point of Sales 'Epos' and inventory systems to improve customer service efficiency and information management of stores Review all pricing of products and services, and introduce standardisation of pricing across the country Complete a capital infrastructure and equipment assessment to develop a 5 year capital plan to inform priorities for investments to upgrade our facilities Review possible impacts on investment and pricing strategy regarding loss of amenities funding post July 2014

2012/2013 Financial Year Operational Plan

Detailed operational plans for marketing, human resources, and IT are being developed to support the initiatives for financial year 2012/13.

The revenue target for the 2012/13 financial year is \$26.84million, an increase of \$4.86million or 22 per cent over 2011/12 financial year. This includes a full year of trading with the new licences from the southern states. Operating profit before contribution from Government of \$400,000 is budgeted to be \$355,000; with a capital expenditure budget of this a higher figure with POS.

Financial Forecast 2013-2017

The strategic initiatives outlined in this plan have formed the basis of the financial forecast for 2013-2017.

Sales Projections

The sales projections reflect the change in business structure from licencing arrangements, increase in products and services available, growth in customers on bases in Australia and growth in sales expected due to the initiatives outlined in the 5 year strategic plan.

It is anticipated that sales in 2012/13 will increase to \$26.84million from the previous year of \$21.98million (2011/12), due to the changes in licence agreements.

The sales forecast for the 5 years from 2013 to 2017 are estimated to increase by \$4.56million or 17 per cent. Refer to Graph 1.

Profit Projections and Reinvestment

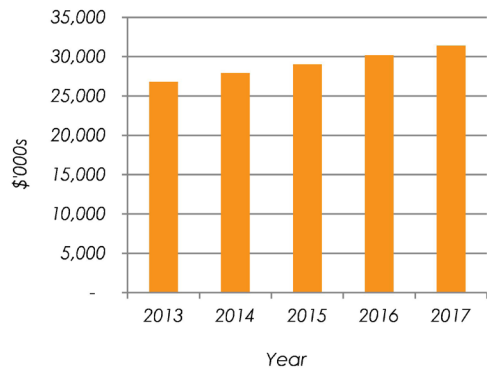
In 2012/13 the forecast net profit is \$355,000 and \$648,000 before depreciation and interest.

This surplus will be reinvested into the business through improvements to infrastructure and improvements to pricing and services.

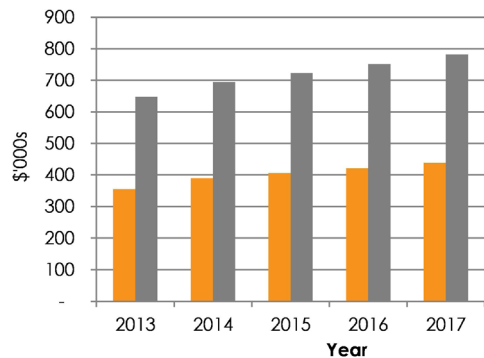
Graph 2 provides a summary of the forecast net profit and the EBITDA result for the five year period 2013 to 2017.

Graph 3 provides a forecast of the expected reinvestment for surplus funds.

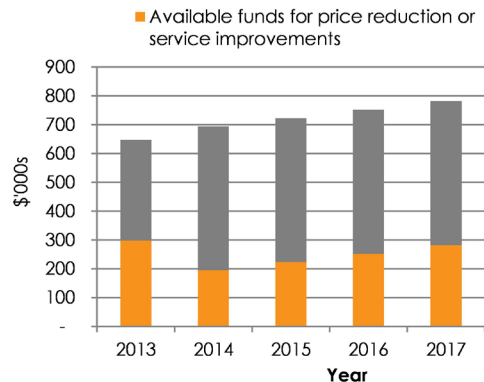
Graph 1 ■ Sales of Goods and Services



Graph 2 ■ Net Profit ■ EBITDA forecast result



Graph 3 ■ Capital Expenditure estimate



Implementation and Monitoring

The AAFCANS Board has the overall responsibility for reviewing and evaluating the implementation of this plan. This is done in July each year where the impact and success of the strategic initiatives is reviewed, and priorities are re-evaluated, to form the development of the next year's operating plan in order to meet the aims and objectives of the organisation. Annual operating plan objectives are discussed at each monthly Board meeting. A meeting is also held annually with the Minister to review strategic developments and priorities for input in to the annual plans for the following year.

As with all Strategic Plans this is a living document. The continued evaluation of our business and the new 2015 Defence Agreement ensures that our strategic purpose may shift over time.

Further Information

For further information on the AAFCANS Strategic Plan 2013-2017, please contact the Managing Director, AAFCANS on (07) 3511 5600 or send an email to enquiries@aafcans.com.au.

Further information can be located on the website www.aafcans.com.au.

Acronyms

AAFCANS	Army and Air Force Canteen Service
ADCU	Australian Defence Credit Union
ADF	Australian Defence Force
DSG	Defence Support Group
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
SADFO	Senior ADF Officer

