

Making Member Relations the Co-op's Organizing Principle

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This article is based on a Brett Fairbairn publication that is available from the Centre for the Study of Co-operatives in Saskatoon both as a free electronic file (pdf) as well as in a bound, durable, and attractive format for Canadian \$5. The Centre can be reached at <http://coop-studies.usask.ca>.

Following are links for two Brett Fairbairn publications:

- Three Strategic Concepts for the Guidance of Co-operatives (38 pp.), 2003. <http://coop-studies.usask.ca/pdf-files/StratConcepts.pdf>
- Cohesion, Consumerism, and Co-operatives: Looking Ahead for the Co-operative (25 pp.), 2004 <http://coop-studies.usask.ca/publications/pdfpubs.html>

Note: Part 1 of this article, "The Real Business of the Co-op," appeared in CG #114, Sept.-Oct. 2004. Additional relevant resources and ideas appear in prior issues of Cooperative Grocer and in "The Ownership Toolbox."

In his booklet *Three Strategic Concepts for the Guidance of Cooperatives*, Brett Fairbairn urges co-ops to place our relationship with co-op members at the center of our thinking and activities. Fairbairn views our relationship with members not as a discrete function to be managed by the member relations department, but rather as the organizing principle for the entire co-op. Every economic, governance, and operation function plays a role in furthering the co-op's relationship with its members and thereby ensuring the mutual success of both parties.

How do co-ops develop the type of member relations program that Fairbairn is advocating? Fortunately, many of the elements are already in place, although they may need to be refocused. Below are some aspects of your co-op business that can be used as building blocks in crafting member relations as the organizing principle for your co-op.

These building blocks can be organized under Fairbairn's three strategic areas of cooperative economic linkage, transparency, and cognition and can be used in the development of your plan. Do they work together to satisfy your purpose? Can you articulate the rationale for their structure?

Economic Linkage—the means to mutual benefit

- Member coupons, discounts, member appreciation or discount days
- Patronage rebate
- Member specials
- Member events
- Donations policy
- Sponsorships
- Other discounts
- Community alliances

Transparency—building trust, self-interest, and interdependence properly understood

- Member meetings, forums, get to know the board events
- Annual reports
- Annual meetings
- Board communications to members
- Member, board, and staff education (about co-op history, principles, and economics, our industry, and trends affecting us)

Cognition—knowing yourself: how do we intentionally evolve?

- Mission/ends
- Surveys—member and potential members (both current shoppers and non-current shoppers)
- Focus groups

- Newsletter content
- Web page content
- Suggestion box/comment board
- Bulletin boards

Cooperative economic linkage

The co-op's activities promote the economic success or well-being of the member's household or income.

Is it a good deal for your member to join, shop, and participate? Have you ever had a truck sale, secured special prices or discounts from other businesses for your members, offered members volume or case discounts, worked with local producers to provide products that are fresher or of a higher quality or are unavailable elsewhere? Do your members know it?

There is a close connection between the success of the co-op and the member: if one does well, the other shares in the success.

How are the lives of individual members and members as a whole better when the co-op is doing well? Will expanded services and co-op improvements provide additional member benefits? How do we engage the owners in creating business success?

Patronage rebate—distributing annual earnings in proportion to members' purchases—is the foundation of the co-op model of shared risk, shared benefit. Are you structured to deliver surplus/profit to your members or to engage them in a conversation about why there is no surplus or how the co-op is investing it to serve their interests? Does the message you deliver along with a patronage rebate strengthen the co-op's connection with its members?

The co-op's products and services are tailored to specific member needs.

When the co-op makes investments in the community or its equipment, do members understand what interests are being served? Every two years Outpost Natural Foods conducts a member and shopper satisfaction survey. The survey results are used to shape store operations and inform new program/service development research.

Survey results are communicated to the members in the newsletter. Research findings on members' collective needs are communicated to the membership as a whole. Measurement tools are developed to determine success, and that information also is given to members. The circle is complete.

The co-op asks members what they want. It then interprets what it heard, develops a plan of action, and communicates that to members. The co-op's plan includes measurements of success. Results are communicated, and another cycle begins.

Member choices and behavior are tailored to what is needed for the co-op to succeed.

Member investment—Are we asking our owners for enough equity to capitalize the business to the extent needed to achieve our mission? The Davis Food Co-op continues to collect equity each year until the member has contributed \$300. Tidal Creek Food Co-op recently began an equity program in which members switched from an annual dues payment of \$25 to an annual equity payment of \$30 without an established cap. This is providing a meaningful addition to cash flow, following a recent relocation.

Assistance when needed—When you are experiencing financial distress, do you go to your members for help? Do you inform your members of changes that affect your success and enlist their support/loyalty? Do you communicate with them regarding a competing store opening in town or when the street in front of your co-op is scheduled to be closed for repaving?

Member loan programs—Often undertaken during an expansion or relocation project, a good member loan program can continuously provide the co-op with the necessary leveraging capacity to finance the co-op as it expands businesses and services to its members as individuals or as a whole community.

How members pay at the register—Here's an everyday owner behavior that can help the co-op succeed, a current consumer issue that affects your co-op's finances: Did you know that if you press "credit" when using your debit card and sign the slip that it is a much more expensive transaction for your co-op than if you press "debit" or "ATM" and enter your PIN number? PIN based debit card use is faster, safer, offers you a cash back option and is cheaper for retailers such as co-ops. The Food Marketing Institute (FMI) is producing consumer information to assist in explaining the connection between this practice and higher consumer prices. How do you assist your members and shoppers in understanding how this affects their co-op

and other retailers in your community?

Transparency

Members are well-informed—frequently and through multiple channels—about business, service, and financial results.

For many of our co-ops, newsletters are a primary vehicle for keeping their members informed. Does your newsletter provide your members with information about the co-op and the world within which it acts as the economic agent for them? What do they learn about the goings on at their co-op when they shop?

Do you produce an annual report summarizing the financial condition and significant activities of the co-op? Do members understand how to read and interpret it? Do they understand the advantages of owning a private business and how the savvy handling of finance and other information can be a co-op advantage in a competitive marketplace?

River Valley Market recently produced a FY2004 annual report to members. It describes its history and efforts to open a co-op, has reports from the board chair, treasurer, and their general manager, and has a complete financial statement with pie charts and bar diagrams of their income and expenditures. There also are board candidate statements and throughout there are boxes with information and quotes from cooperators about their co-op's efforts and national co-op efforts, expressions of appreciation, and information about the upcoming annual meeting. The report was mailed to every member.

Members understand the industry or sector of which their co-op is part; they can see “through” their co-op to markets, forces, social and economic trends beyond.

Rosemary Fifield, education and member services director at the Hanover Consumer Cooperative Society, provided a good example of this understanding in an article for the September 2004 newsletter entitled “Shopping for the Common Wealth” that articulated a values perspective on the ‘high price of cheap food.’ You can find it on their website, www.coopfoodstore.com/index.html (along with a lot of other good information.) Often such articles are available from co-ops for reprint with permission.

Members see the different clusters or “pillars” of activity within their co-op, as well as the incentives or cross

subsidizations that are built in, and they accept the appropriateness of these.

Do you have a delivery program for members who are shut in? Do you give a discount to members who are on food stamps or WIC? What is your donations policy or procedure? Do the members choose which causes or organizations are supported by the co-op? Sacramento Natural Foods discontinued its register discount for members a few years ago and consciously uses its annual report to inform the members of how investment in their community and specific projects is deliberate and successful in making its members' lives better. Several Twin Cities co-ops worked together to form and support the curriculum development and implementation of a successful school education program on food. Community Mercantile has received grants and invested resources in a program called "Local food to local kids."

Members understand the different interests or stakeholders in their co-op.

Most co-op mission statements imply triple bottom line results—economic, social, and environmental outcomes. How do you communicate and engage members as you balance these different outcomes? There are several examples of food co-ops investing in other co-ops. Some of those co-ops had expansion projects that could not have succeeded without the financial support of other co-ops. Do members understand why it is in their best interest to invest in the development of other co-ops?

Cognition

The co-op operates with a clear mental model of itself (sense of identity) and of its role in the wider sector or industry (mission).

What is your co-op's mission or purpose statement? Does it shape your identity and inform decisions within your co-op? How does your mission help to position you in the world and in the industry within which you operate?

These models are widely understood and shared among stakeholder groups (members, elected leaders, managers, employees, others).

Can you create a member relations plan using Fairbairn's model? After reading Part 1 of this article in

Cooperative Grocer, a food co-op board member sent me a draft of a proposal that she is working on for their board. The current draft states: “the purpose of this education program is to demonstrate excellence in member linkage, to inform the membership about the broader cooperative economy, to secure transparency in all cooperative activities, and to set the stage for developing a cooperative cognition component specific to our Co-op.” Further, it is intended “to lay a coherent foundation for more results-oriented member linkage interactions in the future.”

Creating a plan is an important step towards being more deliberate in efforts to build a path between the co-op and its members. A plan that fosters understanding among stakeholder groups about the co-op’s identity and role will strengthen and solidify that connection. Informed boards with well sculpted values shape the policy that generates the plan; staff shapes a plan that aptly translates that policy. Members inform their co-op’s board and staff of their satisfaction, needs, desires, and community interests.

The co-op undertakes research in an organized way to analyze changes in its membership and its environment.

What information does your co-op use to plan for its future? Do you know who your members are? If the co-op is to act effectively as the members’ economic agent, members will need the information that affects and shapes the co-op’s ability to do so. Getting to know one another allows you to refine the ways you work together to establish future priorities.

Organized research activity is connected to the way the co-op regularly revisits, discusses, and revises its identity and its mission and/or Ends.

Does your board have an annual calendar that provides for these revisits and discussions of mission or Ends statements? Does it communicate these to the members and seek input and feedback on how well the co-op is delivering on its mission? A few well-worded questions on a member satisfaction survey can assist the board in assessing its work, members’ needs, and current member perceptions about the co-op. It can inform other avenues for researching the co-op’s changing identity.

The co-op encourages innovation and has mechanisms for innovations to be tested on a small scale.

Surveys often lead to trial programs—home delivery, discussion groups, “green” research and design, community development opportunities. Does your co-op consciously “seed” opportunities to develop itself and

its members and its members' interests? Weaver Street Market invested, along with its city, in sponsoring a charette to discuss the future of their downtown.

Every aspect of your co-op fits together to form an understanding of how the co-op and its members are intertwined and interdependent. Clarifying how member relations forms the basis for your co-op's organizing principle can forge a whole from many important pieces that you already have in place.

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