



**NORTHCOUNTRY COOPERATIVE FOUNDATION  
& National Cooperative Bank Development Corporation**

# **The Ownership Toolbox**

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**A Tool for Building Strong  
Co-op Membership Programs**

Produced with a grant from National Cooperative Bank Development Fund

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# I. STARTING OUT

## A. Purpose of this Workbook

Any store can provide natural foods—just like any financial institution can provide checking accounts. Therefore, for a co-op, a strong supportive membership is the key to success. Without it, a co-op is just another store that has to compete on price, product, or service alone. Ownership by the consumer-users distinguishes food co-ops from other natural foods or grocery stores.

Given the importance of members, all areas of the co-op are affected by consumer-ownership. For membership to be a key strength, it cannot be just an appendage to “regular” store operations. The purpose of this workbook is to provide practical tools to help co-ops build membership programs that create a sense of ownership, loyalty, and pride among members.

Specific objectives of this workbook are to:

- help co-ops identify the need for strong membership programs
- help co-ops integrate consumer ownership into all activities
- stimulate innovative and creative thinking and discussion about the meaning of membership and ownership in cooperatives
- provide a blueprint for building a supportive membership
- provide co-ops with the tools to assess their own membership programs
- help co-ops develop a plan to make improvements to membership programs
- provide tools and examples of successful membership activities used by co-ops around the United States

This workbook has been developed to fill a void. Despite the vital need to make membership a cornerstone of a co-op’s success, few resources are available to provide inspiration and training. We sincerely hope that this workbook will help co-op leaders strengthen and revitalize their membership efforts to make this area a foundation for long-term viability and distinction.

This book is primarily oriented toward consumer co-ops—cooperatives whose members are individuals or groups using the services of the co-op for their personal consumption needs. In addition, this book is specifically targeted to helping consumer food co-ops, though portions will be applicable to co-ops in other industries.

## B. Follow the Building Process

This workbook describes a building process that allows co-ops to create and improve membership programs. It begins with the **foundation** in Section II. Here we describe the basic ideas behind co-ops and membership. Any successful co-op membership program is built on this foundation.

Chapter III provides the **blueprint** for membership programs. This chapter will show you what a strong membership program looks like and how to go about building one. Chapter IV contains the **tools** you will need to build a strong membership program at your co-op.

Finally, in Chapter V, we provide you with **building blocks**. Here you’ll find case examples of activities and programs from co-ops across the country that you can use or adapt. Additional reference materials are provided in Chapter VI.

Throughout this workbook, we use the words *ownership* and *membership* interchangeably. On its own, each word has its advantages and disadvantages. Some find that *member* doesn’t adequately communicate the ownership aspects of a co-op’s structure. Others have found that the word *owner* can be somewhat intimidating to potential members. The word *co-owner* is not that well understood, though it offers some of its own advantages.

Regardless of which word is used, co-ops must create a sense of ownership among members. Other organizations and businesses have members, but only in co-ops do the members own the business. For co-ops to thrive, consumer ownership must be a cornerstone of their operations.

This workbook is designed to be used as a stand-alone resource or as a part of a specific project or training program undertaken with an outside consultant. Either way, all readers will get maximum benefit by adapting the book to their co-op's situations, needs, and goals.

### **C. Make this Workbook Work for You**

This workbook is designed for use in a variety of ways. Some users may find it more valuable to begin with the foundation and blueprint in Chapters II and III. Others may find it useful to go directly to the tools found in Chapter IV. Consider the following possible ways to use this workbook:

- Start with the membership audit (Worksheet D, pg.23). Use this tool to give yourself an overview of where you stand now and to identify areas for improvement. Then, review specific areas as appropriate to your highest priorities.
- Establish, if you don't already have one, a membership committee (see sample committee charter—Fig. 3, pg. 32). After completing the membership audit (see Worksheet D, pg.23), assign committee members to be “team leaders” in specific areas of priority. Have each team leader review materials in the book appropriate to his or her area and develop proposals to the committee on how to address the co-op's needs or improve performance in that area. Once the committee agrees on a plan for that area, the team leader will be responsible for coordinating all efforts (recruiting members to help, supervising logistics and other procedures, and providing reports to the committee) in that area.
- Form a membership task force of key management staff from various operational areas. Work through this workbook in sections, starting at the beginning. Have all task force members complete the membership audit and compare results before identifying priorities for goals and further follow-up. Use this process to evaluate and strategize about how the co-op does business in ways that make consumer ownership a key strength and how operational practices and policies reinforce the co-op's membership structure.
- For an individual working alone, review the workbook, looking for ideas that may be of value to your co-op. Contact other co-ops that have contributed ideas and materials and interview those with experience in areas of interest. Take your ideas and plans to the appropriate group in your co-op and work together to make improvements.

No matter how you use this book, keep your co-op's needs, current situation, and overall goals in mind as you read through it. Different techniques will be more effective in different situations. Look for the general principles, then consider how they can provide guidance to your own situation.

Finally, as you work through this workbook, send us your feedback. Send comments, ideas, and experiences with these materials or your work in the area of membership to NCDF. Depending on interest, we may prepare a second book in this topic area. Your comments and feedback would be invaluable in making sure that this and future workbooks are useful resources for building strong co-ops.

## II. MEMBERSHIP IS THE FOUNDATION OF A STRONG CO-OP

### A. Co-ops Benefit Members and Communities

A consumer cooperative is a business voluntarily owned and controlled by the people who use its services. Cooperatives are based upon the simple yet powerful idea that people can achieve greater results by working together than they can alone.

The benefits of cooperatives are both economic and social. Members can expect economic benefits from the cooperative through:

- fair prices
- sharing in the profits
- increased availability of goods and services
- improved quality
- discounts at other businesses, member-only specials, savings on co-op services, etc.

In addition, social benefits may accrue for members, including:

- satisfaction from participation
- pride in ownership
- a measure of control over economic destiny
- a sense of belonging

Communities also benefit in both economic and social ways from cooperative business activity:

- Cooperative profits remain in the local community.
- Cooperatives provide jobs.
- The presence of a responsible retailer in a market may force other retailers to improve their prices, products, or services.
- Cooperatives strengthen communities by developing leaders and supporting community development.
- Cooperatives provide resources such as information and other services to their communities.

All cooperatives share seven basic principles that are guidelines for putting these concepts into practice. Co-ops are one of very few types of businesses that adhere to a set of principles. The principles maintain the spirit and structure of cooperation and help distinguish cooperatives from other types of businesses. They describe who owns the co-op, how decisions are made, and special practices that cooperative use to put their beliefs into action. The actual language of the co-op principles and an explanation are provided in Appendix A.

### B. Members Are the Key to a Co-op's Success

Cooperatives bring people together to meet their common needs. Although it is almost a cliché, it is nonetheless true: Members are the lifeblood of any cooperative. A co-op exists to serve the needs of its members. Without members, there is no co-op.

But members provide more than the cooperative's reason for being. They provide the capital, the patronage, the accountability, the control, and the goodwill that allows a cooperative to survive and thrive. Members are owners, customers, and ambassadors. Consumer-ownership is the co-op's mark of distinction and the foundation upon which any successful co-op will be built.

FIGURE 1.

### International Co-operative Alliance Statement on the Cooperative Identity

*In September 1995, the International Co-operative Alliance met in Manchester, England. After almost a decade of discussion and study, the assembled delegates were asked to approve revised cooperative principles. The newly approved “Statement on the Cooperative Identity” now includes a definition of co-ops, a values statement to clarify core values common to all co-ops, and the latest version of the co-op principles.*

**DEFINITION:** A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

**VALUES:** Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

#### PRINCIPLES

1. **Open and voluntary membership.** Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political, or religious discrimination.
2. **Democratic member control.** Cooperatives are democratic organizations controlled by their members who actively participate in setting policy and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.
3. **Member economic participation.** Members contribute equitably to and democratically control the capital of the cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative (possibly by setting up reserves, part of which at least would be indivisible); distributing to members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
4. **Autonomy and independence.** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with or raise capital from other organizations, including governments or external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
5. **Education, training, and information.** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.
6. **Cooperation among cooperatives.** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
7. **Concern for the community.** While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.



While a cooperative has other important stakeholders—staff, vendors, customers, communities, and business partners—the relationship with members is the most important relationship a cooperative must foster. An indifferent membership can lead to:

- undercapitalization
- a weak board of directors
- low sales or sales decline when faced with competition
- failure

A strong, informed, supportive, and attentive membership is vital to the long-term success of a consumer co-op. To achieve success, a co-op needs members who understand and value their co-ownership. It's unrealistic to assume that people will take on the responsibilities that come with ownership without this understanding or that they will appreciate cooperative ownership without a clear explanation. In addition, co-ops need members who support the co-op in all stages of cooperative development. Founding members possess a vision and enthusiasm that is rarely found among members of a co-op that is 20, 30, or more years old. As the co-op matures and develops, it must find new ways to develop a supportive membership. Member involvement and participation will look very different in a mature cooperative with formal systems of management and governance—but it is no less vital.

Finally, it's important that co-op members have realistic expectations about the co-op. Members must clearly understand the co-op's purpose and its unique business approach. Cooperatives that operate in a highly competitive environment, such as food cooperatives, must pay particular attention to membership development, education, and communication. Members who don't feel a sense of ownership in the cooperative are likely to leave the co-op when a competitor offers products at a lower price or when they have a complaint. A supportive member understands the need to communicate his or her needs to the co-op and understands that the co-op is working to meet the common needs of all members.

### **C. The Goal Is to Create a Supportive Membership**

The purpose of a membership program is, most simply, to create a supportive membership. This overriding goal drives all membership programs.

A supportive membership knows what it means to own and control the business—as individuals among many members. Supportive members understand that in return for the benefits of membership, they have a responsibility to support the cooperative with patronage, investment, and participation in the affairs of the cooperative. A supportive membership is one that:

- uses the services of the co-op
- contributes to the capital base of the co-op
- promotes the co-op and the co-op's good name
- understands the needs of businesses and those of the co-op
- understands that as co-owners they are part of the whole
- remains informed about what is going on at the co-op
- participates in the co-op's activities and affairs
- understands cooperative principles and values
- attends co-op meetings and events
- votes and participates in the co-op's decisionmaking processes
- provides leadership through board or committee service

Keep in mind that these are characteristics a co-op wants from its membership as a whole, not necessarily from each individual member. It's unrealistic to expect that most or all members would participate at all of these levels.

## **D. Membership Affects Everything**

An effective membership program is not one that is simply an appendage to regular store operations. For consumer-ownership to be a truly distinctive aspect of your co-op's image and operations, this key area must be integrated into all aspects of the co-op. If consumer-ownership is not a visible and distinct feature, the co-op will be much more vulnerable to privately owned competitors. If your members and customers can't tell that the co-op is a different type of store, why will they shop there?

Membership cannot be a defining characteristic of the co-op if it is an afterthought, a minor function tacked on to the daily routine of running an independent grocery store. In other words, being a consumer owned cooperative will affect all areas. For example:

- finances—capital sources and structure, benefits to members, and distribution of surplus to owners
- marketing—a focus on meeting customers' needs rather than on selling
- personnel—staff training and ultimate accountability to the cooperative owners via the management structure
- merchandising and purchasing—viewing the store as a buying agent for members, rather than as a place that sells food to members
- operations—hours, floor plan (space for education and other member programs), and signs all designed to serve members' needs

How do successful co-ops accomplish this integration? To begin with, they hire enthusiastic and creative individuals to make sure that the concept of consumer-ownership is integrated into all areas of the co-op. In smaller co-ops, the general manager may have the primary responsibility for integrating consumer-ownership into store operations. Larger co-ops typically hire a membership director as part of the co-op's management team. In either case, successful co-ops allocate resources to membership programs and activities. And, perhaps most importantly, they make sure that the concept of being consumer owned is part of every discussion and decision. They never stop reviewing operations to make sure that procedures reflect consumer-ownership.

## **E. Members' Participation Depends on Their Needs**

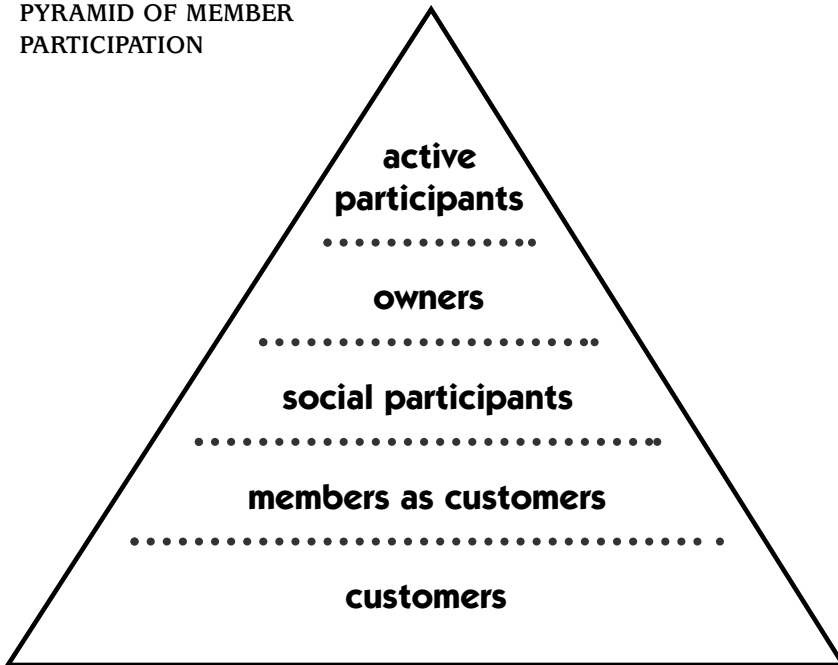
### *Different levels of member participation*

An astute observer once noted, "Co-ops offer member involvement in the same way that they offer brown rice—as much as you want!" When a member buys a pound of rice, you don't say, "The co-op needs you to buy two pounds." Instead you say, "Thank you very much. Please come again." You may change the price or the location or the type of rice to encourage members to purchase more. But you're always appreciative of any purchase and never judge members for the amount they purchase.

Similarly, all types of member participation—from simple patronage to participating in member events and committees—are welcome, valuable to the co-op, and should be appreciated. Each member should be satisfied with his or her type of involvement. Co-ops can encourage members to get more involved by providing meaningful opportunities to participate and incentives for members to increase their participation.

Member participation varies because members have different motives, needs, energy levels, time, and other commitments. Members have a right to determine a level of participation that is correct and satisfactory for them. There are no "bad" members or "wrong" levels of member involvement. Any amount of participation is important and valuable to the co-op and should be appreciated.

FIGURE 2.  
PYRAMID OF MEMBER  
PARTICIPATION



### Levels of Members Involvement

- 1 Goals: Each person has a high degree of satisfaction with his or her level of involvement, strong bridges exist between levels of involvement, and members have a feeling of ownership.
- 2 Use model to set goals, allocate resources, and evaluate performance.
- 3 Decision makers must understand the needs of those at the base. They may have different needs, expectations, and motivations than those at higher levels. Beware of the vocal minority.
- 4 Different information, activities, and decisions are appropriate for people at different levels. The co-op must understand and meet the needs people have at one level before they will be motivated to move up.
- 5 People have a right to select the level of involvement right for them.
- 6 Benefits become more intangible as members move up the pyramid.
- 7 The majority of people are at the base. The co-op must satisfy the needs of those at the base to be successful as a business.

All too often, co-op leaders complain that few people show interest in participation in the co-op. Most members will not become more involved unless their needs are satisfied at the level they're currently at. For example, a person will usually not join a co-op if the store does not meet his or her needs as a customer. It's much more important to meet people's current needs than it is to entice them to change.

Co-op leaders need to be cautious about a vocal minority. For instance, a small number of members may feel strongly that the co-op should not proceed with its announced plans to relocate to a larger facility. These members' intense passion may seem like large-scale opposition. However, co-op leaders must listen to such member sentiment and determine how widely it is held among all of the co-op's membership. Not all of the opinions expressed by co-op members are representative of the majority. All voices are important and must be listened to, but co-op leadership must be careful to not be unduly swayed by a minority, regardless of how vocal they are.

The pyramid model of member participation (shown in Figure 2) shows the different ways people interact with a co-op.

The member pyramid illustrates a simple fact for most consumer co-ops—the majority of the co-op's customers and members are found at the two base levels. "Shopper-members" and customers have primarily an economic relationship with the co-op. They shop at the co-op because the exchange is satisfactory—they receive the products they want at a fair price. In most cases, they don't desire greater involvement. Since the majority of its customers and members are at this level, it's vital that a co-op carefully and astutely address their needs to ensure success and basic business survival.

In the middle of the pyramid are social participants who have a more personal relationship with the co-op. They like the sense of community they get from the co-op and will participate in social activities. The visibility of the cooperative in the greater community is important to them.

The further up the pyramid you go, the more intangible the benefits become. Naturally, fewer members are found at the higher levels. The “active participants” and “member-owners” are those primarily motivated by the philosophy and values of the cooperative. They are leaders and decision makers and are probably quite different in their interests and beliefs than the majority of customers or members at the base of the pyramid. Co-ops need to find ways to provide recognition and tangible benefits for these leaders; they are critical to prudent and responsive decision making. At the same time, these decision makers need to remember that their perspective is not necessarily representative of the majority of members.

These definitions and categories are not meant to be exhaustive or mutually exclusive. None of the categories is a perfect description of any individual co-op member. And a co-op’s member-participation pyramid will definitely change over time. In the co-op’s early years, a far higher percentage of members will be actively involved. But the categories are useful as a general tool—to help you build an understanding of what drives member participation and what to expect from co-op members. Having members at all levels is vital to the ongoing survival of any co-op—both as a co-op and a business.

### *Understanding member needs for participation*

Individuals at all levels of participation have different needs, interests, and motivation. Accordingly, a co-op must provide relevant information, meaningful opportunities for participation, valued activities, and appropriate recognition for each level. For example, some members are more interested in what band plays at a membership dance than in who serves on the board. For these members, it’s unlikely that cajoling will inspire any interest in board elections. However, asking them to participate in selecting the band might help them become more involved in the co-op.

While we may desire more member participation, it would be nearly impossible to make decisions if all members were actively involved. Members elect the board of directors and empower the board to make decisions on their behalf and in their best interest. The board and management of the cooperative must take steps to improve their knowledge of the needs and opinions of members and potential members. In the meantime, leaders must keep in mind that they are quite different from the average member or customer in their needs, motivations, expectations, and knowledge. This difference should not create a problem as long as decision makers recognize it and focus on making decisions for the benefit of the co-op as a whole.

Meeting members where they are means honoring and respecting each person’s choice. One membership program or activity will not meet the needs of all members. The co-op needs creativity in its programs to make membership meaningful to all members.

Use the pyramid (Figure 2) and the accompanying Worksheet (Worksheet A) to increase your understanding of different types of members. Answer the questions on the Worksheet for each level of participation. Add other questions that might be relevant to your co-op. Use different categories of members if they are more useful to your co-op. The model can also be used to help develop programs and activities, set goals, allocate resources, and evaluate performance.

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**WORKSHEET A.      A Worksheet for Understanding Member Owners**

### III. CREATING A BLUEPRINT FOR A STRONG MEMBERSHIP PROGRAM

#### A. Membership Activities Can be Basic, Better, or Best

Building a strong membership program requires careful and deliberate planning. It also requires that the co-op's membership structure is an integral part of the way the co-op operates—that this structure shapes the way co-op management approaches its job and all decisions.

The starting point in building a strong membership program is to assess your current membership program. Typically, membership programs fall into one of four categories:

- **Ignore and Fail**  
Membership activities do not fulfill even the basic responsibilities for co-ops. Co-ops in this category do not have an accurate list of members and equity contributions. They do not hold effective elections and forget to hold annual meetings.
- **Basic but Uninspired**  
Membership programs are generally perfunctory and lifeless. They lack creativity and fail to inspire interest or excitement. While the co-op meets basic responsibilities by holding annual meetings and sending out monthly newsletters, these programs are uninspiring. More than likely, only a few of the most dedicated co-op members will pay attention to these activities. Example: The annual meeting is held in an adequate but uninteresting facility, without refreshments or only a few cookies and coffee.
- **Added Value**  
Added-value activities are a step up from those at the basic level. They reflect an effort to make an event or function distinctive, interesting, and meaningful to members. They go beyond just meeting a basic responsibility. These events and activities will be attended and noticed by more than just the core members. Example: An annual meeting is held in an interesting community space with a potluck or simple meal provided by the co-op.
- **“WOW”**  
These activities are those that change the way people think about the co-op. They reflect tremendous creativity and leave people wanting more or looking toward the co-op for great things. They serve to meet a membership requirement, while at the same time creating a distinctive sense of ownership and community among members. Most importantly, “WOW” programs demonstrate to members that membership functions are truly important to the co-op—not just perfunctory business requirements. Example: An annual meeting is held in a unique community space with a tasty and imaginative meal served by the co-op's management and held in conjunction with a fun or energetic community event (dance, magic show, concert, mime presentation, etc.). Such an annual meeting would also include clear and interesting reports on the status of the co-op and meaningful opportunities for member discussion and input on the co-op's future direction.

To move activities from the “basic” level to the “added-value” or “WOW” level, ask the following questions:

- Is the program attractive or pleasant to look at?
- Is it substantive?
- Is it lively and interesting?
- Is it user-friendly?
- Is it succinct?
- Is it meaningful?
- Does it address the audience where they're at?
- Is it easy to understand?
- Does it help the co-op achieve its goals?

**WORKSHEET B. Levels of Performance**

Using the following list of membership activities, discuss with others or jot down a description of activities that would occur at each of the three levels of performance. What makes these activities better? Be creative and have fun!

	Basic but Uninspired	Added Value	“WOW”
member newsletter			
new-member brochure			
member identification or card			
welcome new member information			
in-store information about the co-op			
member/customer comment box			
election materials			
membership records			
other			

The key to achieving the “WOW” level is to hire staff or involve members who care passionately about the co-op and who bring talent and skill to membership programs. Co-ops with limited financial resources can still achieve the “WOW” level. It’s the enthusiasm and creativity that people bring to planning and carrying out these programs that bring them to the “WOW” level—not just a large budget. Match people with the project about which they have the most skill and enthusiasm. Start with those areas where you can get the most “bang for the buck” or visibility, such as a newsletter or new member-recruitment campaign.

Most co-ops operate at the basic level of membership programs. Some have one or two activities at the “added-value” (better) or even “WOW” (best) level. Consider your co-op’s current membership activity level. Think about which activities you might like to take to the next level and how you might accomplish that. Then, set clear goals for improvement and evaluate results.

## **B. Six Principles Guide Membership Programs**

In general, the following six principles should guide development and implementation of membership programs. Programs should:

1. PROVIDE REAL AND MEANINGFUL BENEFITS
2. COMMUNICATE A CLEAR, UNAMBIGUOUS MESSAGE ABOUT CO-OPS AND MEMBERSHIP
3. EARN MEMBERS’ LOYALTY AND TRUST
4. PROVIDE CONTINUOUS EDUCATION
5. ENSURE EFFECTIVE AND MEANINGFUL CONTROL BY MEMBERS OF THEIR CO-OP
6. KEEP PROGRAMS LIVELY AND INTERESTING

Keep these principles in mind at all times as you assess, plan, and evaluate membership programs and activities.

### **PRINCIPLE #1. PROVIDE REAL AND MEANINGFUL BENEFITS**

The primary benefit to members as a whole is the co-op’s very existence. The co-op business is designed to provide consumers with high-quality products and services at fair prices. Joining the co-op gives each member a chance to help build an ethical and honest business that operates with customer interests at heart and is controlled by member-owners.

Most cooperatives offer additional incentives to members. These benefits should provide a fair return to the member and be economically feasible for the cooperative. The primary economic benefit to individual members is a fair share of the co-op’s surplus. This surplus is typically delivered to members either at the time of purchase in the form of discounts or after the end of the year in the form of patronage refunds. Whenever surplus is shared with members, it is distributed in proportion to their purchases from the cooperative. Rewarding members in proportion to their use, rather than the amount of investment, is a key element of the cooperative philosophy.

Many cooperatives offer additional benefits to members. There is no magic formula—the key is to balance what is meaningful to your members with what is economically feasible for the co-op.

### **PRINCIPLE #2. COMMUNICATE CLEAR MESSAGES**

The co-op’s communications must build an understanding of the cooperative and the members’ role as co-owners. Effective communication helps members, potential members, and the general public understand the power and the promise of cooperatively owned business. The message from the co-op must be crystal



clear—this place really is different. The co-op must clearly define and articulate what it is and why it exists. Further it must clearly define and communicate member benefits, requirements, and expectations. For consumer ownership to be meaningful, this message must be visible throughout the organization.

Effective communication does not come from one event, one brochure, or one meeting. It comes from care and attention to the potential of each of these activities and more. Every activity and decision of the cooperative should communicate that this business is different—that this business is owned and controlled by the people who use it. Co-op stores must not just imitate the practices of other (non-co-op) stores in their industry. Co-ops should be leaders in running customer-driven businesses.

Co-ops can communicate consumer-ownership in almost everything they do. They can:

- Ensure that all co-op employees understand and can articulate the cooperative difference.
- Make all interactions between consumers and the cooperative—joining the co-op, keeping a membership current, voting, resigning membership, giving input, and, of course, shopping—easy and efficient.
- Provide unique product displays that inform consumers instead of just pushing products.
- Encourage and welcome comments and suggestions.
- Make sure that staff members have a “You own it” approach to customer service.

### PRINCIPLE #3. EARN LOYALTY AND TRUST

Any successful business relies on loyal customers. A co-op is no different. Yet, loyalty must not be expected or taken for granted. It must be earned—again and again. It’s not enough to say, “We’re a co-op, owned by you the customers. Therefore, you should be more loyal to us, no matter what we do.”

How can co-ops earn member and customer loyalty?

- Be welcoming to new customers and potential members.
- Make sure that the co-op attitude is “We’re here to meet your needs.”
- Be caring and really listen—truly welcome suggestions, positive or negative. Complaints are probably more important than compliments in helping your co-op do a better job.
- Be honest in all communications—pricing, signage, annual reports, and customer service.
- Create clear and realistic expectations about what the co-op is and what it can do.
- Use fair, responsive practices. Do not use a “That’s the policy” approach in the face of legitimate complaints.
- Provide real and meaningful benefits to members.

### PRINCIPLE #4. PROVIDE CONTINUOUS EDUCATION

Only through continuous education can co-ops maintain the vision and the enthusiasm needed to build and keep a supportive membership. People simply will not support something they do not understand. Since people go through stages of understanding, it is not enough to explain an idea once. Through co-op education, people first become aware of cooperatives, then they may develop an interest in co-ops, and finally some will support their co-op. To achieve the support that comes from understanding, education must be a priority.

Members must be well informed in the following areas:

- what a co-op is and how it's different from other similar businesses
- their own role as members of the co-op
- the needs and realities of the cooperative as a business
- the unique needs and special challenges facing the co-op
- the general role of the board of directors
- their responsibilities to understand, elect, empower, and support the board of directors

Members can't be expected to absorb this information just by walking in the door. Co-ops have a responsibility to develop programs and provide information to members to help get these messages across. To neglect this area is to doom the co-op to mediocrity and to control by an uninformed, naive membership. Co-ops provide information in many ways: newsletter articles about different types of co-ops, advertising devoted to getting new members, in-store displays about membership programs, messages about the co-op on shopping bags, receipts, and other supplies, and more.

While all co-ops must provide education, remember that people learn more from what co-ops do than what they teach. No amount of cooperative education at night can overcome non-cooperative business practices that occur by day. For more details on co-op education, see Chapter V, Part E.

#### PRINCIPLE #5. ENSURE EFFECTIVE, MEANINGFUL CONTROL

Members have the opportunity to control their co-ops in a variety of ways—with their votes, with their voices, and with their dollars. By voting for the board of directors, for bylaw changes, or on any other referenda, members have ultimate control over the direction of the co-op. Voting in co-ops must be conducted in a democratic fashion of one member (or membership), one vote. Elections must be open and fair. All members must have a reasonable and realistic opportunity to vote. Typically, this means that written ballots and voting information are easily available by mail, in the store, or through other means. (Written ballots are not to be confused with proxy voting—whereby a number of individuals can hold and cast votes for others—which is generally prohibited in co-ops.) Formal procedures must be in place to ensure that each ballot cast is valid.

However, effective member control does not mean members make every or even most decisions. Co-op members empower the board of directors to make decisions on their behalf. Boards in turn empower general managers to make further decisions, and so on throughout the co-op. Members should not be asked to make complex business, investment, or real estate decisions that require in-depth analysis and understanding. Through elections, members should be assured the chance to hold the board accountable for making or delegating decisions in the best interest of the co-op as a whole.

Member control involves more than just voting once a year. Good cooperative membership programs communicate a real interest in hearing and meeting members' needs and concerns—in making the communication an active, two-way process. Suggestion or comment boxes are essential. Give members a chance to provide input and comments on issues and topics that they care about—how to improve the co-op's efficiency or customer services, or about landscaping around the store—not just on things like director elections and bylaws. Provide a timely response to suggestions and implement them wherever possible. It is probably worse not to carry out member suggestions than not to ask for them. A variety of methods for obtaining member input are presented in Chapter V.

Finally, members control the co-op with the dollars they spend on purchases or invest in member equity. The critical factor is not the amount of member control but members' satisfaction with their cooperative. To ensure satisfaction, create

meaningful opportunities for member voices to be heard and be responsive to that input.

#### PRINCIPLE #6. KEEP PROGRAMS LIVELY AND INTERESTING

Membership programs and activities must be lively and interesting—not a burden (something we have to do). Guilt is not an appropriate motivator for increasing attendance at membership meetings. However, a good meal, an interesting topic for discussion, or a well-known speaker will attract members. Membership programs provide a perfect chance to be creative and try new ideas.

While membership programs should be fun, take care not to neglect the basics. Creativity in record keeping is rarely a good thing, for instance. However, look for ways to breathe new life into routine areas to keep them from feeling stale. For example:

- Co-op Month might have new themes each year.
- The co-op might offer new classes with new presenters each year.
- A membership drive may be held every spring, with new premiums for joining each year.

### C. Use a Systematic Approach

Membership programs deserve and require the same amount of attention and planning as does running a store. A systematic approach is a circular and ongoing process—starting with analyzing your current situation, planning for improvements, and evaluating the results.

1. Start by assessing your current situation. In membership development, both quality and quantity are important; both aspects will need to be examined. See Chapter IV for tools to help you assess your current performance.
2. Make sure that you are meeting all basic responsibilities. These include:
  - current membership records that identify who is a member, how much equity each member has invested, and what benefits a member is eligible for
  - an annual meeting and report on the status of the co-op to members
  - voting that meets statutory requirements

For co-ops that have not devoted any or sufficient resources toward the membership function, this is the starting point. Don't worry about improving the quality of membership activities if you aren't yet meeting basic requirements.

3. Set an overall goal or some specific objectives in the area of membership. These goals or objectives will provide some benchmarks to measure performance (see Worksheet C). Benchmarks might include:
  - percentage of sales to members
  - member equity as a percent of assets
  - percent of members' purchases from the co-op
  - net new members per year
  - percentage of members voting
  - number of members attending an annual meeting
4. Develop an action plan to achieve the goals. Such a plan will break each goal down into specific objectives or steps and should make it clear who is responsible for tasks, when they will be completed, and what resources are needed.
5. Monitor progress to determine the effectiveness of the plan, make adjustments as needed, and begin the process again with an updated assessment.

Once you've established some benchmarks and made an initial assessment, you can start improving the quality of membership activities. For instance, you can turn a newsletter from a basic one to a better one by hiring good writers to prepare interesting, topical articles and by changing the format, design, or graphic elements. Avoid setting unrealistic goals or expectations. A co-op can probably never, or only rarely, conduct all of its membership activities at the "WOW" level. Instead, make sure all basic functions are being fulfilled and then work to bring one or two activities to the better or "WOW" level.

Be careful of the "back burner syndrome" of membership development. With the reality and complexity of business, it's easy to put membership development aside until things "settle down" or until "the budget isn't so tight." This is a shortsighted approach that often feeds a vicious downward cycle. Inattention to membership leads to lack of member support, which makes things such as budgets even tighter. While it is true that attracting customers and building sales naturally precedes developing a "WOW" owner's manual, membership development should not wait until the co-op has "extra" time or money.

## IV. TOOLS FOR BUILDING A STRONG MEMBERSHIP PROGRAM

### A. Know Your Members

Member needs drive everything a co-op does, so developing an effective membership program requires you to know your members. Who are the members and how are they changing? What do they need, want, and value? To be able to provide a meaningful exchange with its members, the cooperative must know:

- who its members are now
- who they are likely to be in the future
- what is important and meaningful to members, including tangible and intangible benefits, both social and economic

Cooperatives must take responsibility for this relationship. It's not sufficient to say "Our members just don't care." Not knowing what members want is not the members' failing, it's the co-op's failing. The reality is that most members don't want to be very involved in their co-op. At the same time, some amount of participation is required for co-op leaders to understand member needs. Therefore, co-ops must create opportunities for meaningful participation by members. Participation is meaningful when it relates to something the member cares about and when her or her participation makes a difference. Members must feel that their views are desired, heard, and considered.

Co-op leaders must be careful to hear and understand the views of as broad a spectrum of the membership as possible. Listening only to the vocal or active members can provide a distorted picture about the interests of the membership as a whole. It's the job of co-op leaders, board and management, to balance the needs of all the members and to create a responsive co-op that meets most members' needs while attending to the well-being of the cooperative as a whole.

Finally, leaders must look not only at who co-op members are today and what they need now but also at how members will change. As the co-op meets members' current needs, new needs will emerge. As people and communities grow, their needs change. As the market matures, conditions change. Cooperative members and their needs are not the same as they were when the co-op was founded, or even a few years ago. So "knowing your members" is not a job to do once, it is a never-ending, ongoing process.

Specific tools that you can use to better get to know your members are:

- a customer comment or suggestion box
- a formal member/customer survey
- focus groups on particular topics or issues
- a "member comment" journal or log

Getting information from your members is discussed in further detail in Chapter V, Part C.

### B. Measure Key Indicators for Membership

Key indicators are an important tool in all business areas. In operational areas, key indicators include such measures as sales per labor hour, sales per square foot, inventory turnover, and contribution to gross margin. Such ratios provide a way to measure how you are doing in different aspects of operations, to compare performance with other businesses, or to measure change over time.

Key indicators are an equally valuable tool to use in the membership area. Unfortunately, very few co-ops measure membership key indicators on a regular basis. However, monitoring such measurements regularly and watching how they change over time will provide great insight into what your co-op's membership programs are achieving. Key membership indicators are included in Worksheet C.

Using key indicators can also give a co-op's leadership (boards of directors and management) a tool to establish some basic thresholds that define minimally acceptable performance. For instance, one co-op may decide that it would like to achieve an average of 70 to 80 percent of its sales to members. However, after the co-op has relocated to a much larger store, its leadership may decide that a lower percentage of sales to members is acceptable, as long as the percentage of sales to members and numbers of members is increasing each month following the relocation.

As noted, key indicators can also provide a useful benchmark to compare your co-op's performance to that of other co-ops. However, keep in mind that there are no absolute benchmarks that apply to all co-ops in all situations. It is most important to:

- understand what the key indicator is measuring
- discuss and decide what level of performance you find minimally acceptable
- discuss and decide what level of performance is desirable for your co-op
- set goals for improvements

Different circumstances (market position, competitive situation, historical performance, etc.) and different priorities or strategies (expansion plans, etc.) will lead each co-op to its own pattern of key indicators.

**WORKSHEET C. Key Membership Indicators**

*The following key indicators are intended to provide some quantitative measures in the membership area. However, note that the benchmarks are intended to provide general guidelines only. Widely different situations and priorities (for instance, just after a major expansion or just before a relocation) would lead to very different targets in these areas. It is most important that co-ops identify key indicators in the membership area, then measure, monitor, and work to improve performance in these areas.*

	<u>Minimum Benchmark</u>	<u>Last Year</u>	<u>This Year</u>	<u>Goal</u>
• percentage of sales to members <i>total sales/total members</i>	<u>.50% +</u>	_____	_____	_____
• members/retail square feet <i>total members/retail square feet</i>	<u>.75</u>	_____	_____	_____
• equity as a percent of assets <i>total equity/total assets</i>	<u>20-30%</u>	_____	_____	_____
• member share ratio <i>total member shares/total assets</i>	<u>15-25%</u>	_____	_____	_____
• sales/member/week <i>weekly member sales/total members</i>	<u>(\$20) *</u>	_____	_____	_____
• percentage of members' purchases made at co-op <i>(need survey data)</i>	<u>50-60%</u>	_____	_____	_____
• net new members/year <i>total new members less terminated members</i>	_____ *	_____	_____	_____
• net new investment/year <i>total investment less repurchases</i>	_____ *	_____	_____	_____
• percent of members voting <i>total members voting/total members</i>	<u>10-15%</u>	_____	_____	_____
• number of members at annual meeting	<u>1% or 50*</u>	_____	_____	_____
• other	_____	_____	_____	_____

\* Benchmarks are not really important for these items. Here it is most important to watch trends and compare your performance to others (e.g. sales growth).

### C. Assess Your Current Membership Program

Before you can begin planning, you have to first assess where you are right now. Worksheet D provides a co-op membership audit. This audit covers all areas of a membership program, including:

- planning
- administration, reporting, and analysis
- recruitment and outreach
- education and communications
- events and governance
- system and benefits

This audit provides two options. You can simply proceed through each section, marking each item with a “yes” or “no.” At the end of each section, count each “yes” answer and write in the total before proceeding to the next section. At the end, write in your section totals in the spaces provided.

Alternatively, you can rate the level of performance your co-op achieves for each item that you check “yes.” In other words, on the lines next to the “yes/no” boxes, indicate whether your co-op’s performance is at the “basic but uninspired” level, the “added-value” level, or the “WOW” level. Then, in addition to totaling all of the “yes” responses, total items at each level.

Regardless of which option you use, review the results using the following steps:

- Look at all items that are marked with a “no.” Which of these items are your highest priorities?
- In which sections do you have the lowest percentage of “yes” answers? In those areas, what are your highest priorities?
- If you marked your level of performance on the “yes” items, identify “basic” items that you might be able to move to a higher level. Fit these, as appropriate, into your other priorities.
- Review your entire priority list. Mark each item with a 1, 2, or 3, with 1 indicating the highest priority and 3 indicating the lowest priority. If possible, assign no more than five items a priority 1. This list will provide you with the basis for a work plan for the next year in your co-op’s membership programs.

This analysis will provide you with a basic overview of your current membership program and where the largest gaps occur. It can help you identify areas to address and help you prioritize your work as you build a stronger membership program.

It’s also valuable to assess the impact of the overall, cumulative effect of membership activities. The following questions can help in the assessment. None of these benchmarks can be precisely measured, but they nonetheless provide valuable insight into whether your efforts are building a supportive membership.

Consider the following questions:

- To what extent do members use the word *we* when asking questions about the co-op? (Measures members’ sense of ownership.)
- Can members provide a simple, clear, and accurate explanation of the co-op in private conversation? (Measures members’ understanding of co-ops and of your co-op.)
- Do most members request that the co-op repurchase (refund) their investment when they leave the area or no longer are using the co-op? (Measures members’ understanding of their investment in the co-op.)
- To what extent do members communicate requests for new products to the co-op, rather than just shopping for them elsewhere? (Measures members’ understanding of the purpose of the co-op.)
- How likely are members to express their dissatisfaction when they have a complaint? (Measures members’ understanding of themselves as owners of the co-op.)
- Can the staff describe to members what the co-op is and how it operates? (Measures staff members’ understanding of co-ops and their ability to help educate members.)
- Do members have a sense of pride or connection to their co-op? For instance, do they bring guests to shop with them at the co-op or praise the co-op? (Measures members’ sense of ownership.)



**WORKSHEET D. A Co-op Membership Audit**

Answer each item with "yes" or "no." For each item that you answer "yes," indicate the level of performance:  
Tally your answers at the end of the columns

<b>Membership Planning:</b>	No	Yes	Basic	Added "WOW" Value
1. Has the board adopted goals and objectives to guide member relations decisions and programs?	___	___	___	___
2. Has the board established a membership committee?	___	___	___	___
3. Is there a sufficient budget for the member relations function?	___	___	___	___
4. Does the membership committee have a work plan and access to resources?	___	___	___	___
5. Does the committee present regular reports to the board of directors?	___	___	___	___
6. Does the committee involve a cross section of the membership (gender, market area, race, age)?	___	___	___	___
7. Does the committee have a staffperson assigned to work with it?	___	___	___	___
8. Does a board member chair the membership committee?	___	___	___	___
9. Are there directors on the committee?	___	___	___	___
10. Are there members on the committee?	___	___	___	___
11. Does the co-op have a member-relations staff position?	___	___	___	___
12. Is there a job description for the member-relations position?	___	___	___	___
13. Are adequate time and resources allocated to the member-relations position?	___	___	___	___
14. Does the co-op have a yearly member-relations calendar of events?	___	___	___	___
15. Are membership activities based on a regular analysis of member needs and interests?	___	___	___	___
16. Are there written goals for membership activities?	___	___	___	___
17. Is there an action plan for membership activities?	___	___	___	___
18. Are membership activities evaluated after each event or on a regular basis?	___	___	___	___
Totals	___	___	___	___

**PRIORITIES:**

<b>Membership Administration and Analysis:</b>	No	Yes	Basic	Added "WOW" Value
19. Is the co-op's membership list up to date?	___	___	___	___
20. Do the member records include key information: name/address/phone number? equity position? purchase activity?	___	___	___	___
21. Is the membership list computerized?	___	___	___	___
22. Are membership records accurate?	___	___	___	___
23. Are membership records reasonably accessible?	___	___	___	___
24. Are the forms (application, payment, address change, etc.) clear and adequate?	___	___	___	___
25. Does the co-op regularly analyze member purchases?	___	___	___	___

26. Does the co-op measure and set goals for the percentage of sales to members?	___	___	___	___	___
27. Does the co-op monitor member sales statistics: sales per member, inactive members, etc.?	___	___	___	___	___
28. Are members' needs and interests regularly assessed in a systematic way?	___	___	___	___	___
29. Are members' needs and interests assessed by surveys, focus groups, and personal contact?	___	___	___	___	___
30. Is there a way to regularly measure members' opinions and attitudes about the co-op?	___	___	___	___	___
31. Does the co-op monitor member purchases or investment to determine inactive members?	___	___	___	___	___
32. Does the co-op regularly follow up on inactive memberships?	___	___	___	___	___
33. Are inactive memberships closed as required by law?	___	___	___	___	___
34. Are payments to terminated memberships handled properly?	___	___	___	___	___
35. Are the reasons for a member's withdrawal monitored and recorded?	___	___	___	___	___
36. Are statistics about new members and withdrawals reported regularly to the board?	___	___	___	___	___
37. Does the co-op regularly conduct a demographic analysis of its membership?	___	___	___	___	___
38. Does the co-op's membership reflect the demographics of its community?	___	___	___	___	___
39. Does the co-op conduct market penetration analysis?	___	___	___	___	___
40. Has the co-op taken advantage of cross-marketing opportunities with other cooperatives?	___	___	___	___	___
Totals	___	___	___	___	___

PRIORITIES:

**Member Recruitment and Outreach:**

	No	Yes	Basic	Added "WOW"	
				Value	Value
41. Does the co-op have a process for responding to membership inquiries?	___	___	___	___	___
42. Do all employees know how to answer membership inquiries and explain the co-op's system?	___	___	___	___	___
43. Is the procedure for taking a new member application clear, quick, and easy for staff to follow?	___	___	___	___	___
44. Is there a member recruitment plan with established goals?	___	___	___	___	___
45. Are the member recruitment goals met?	___	___	___	___	___
46. Are members recruited by diverse methods: personal contact, incentives, media, referrals, courtesy cards, etc.?	___	___	___	___	___
47. Does the co-op market its membership program as it does its products?	___	___	___	___	___
48. Are the membership materials clear and understandable to potential members?	___	___	___	___	___
49. Do the membership materials emphasize both consumer-ownership as well as tangible benefits?	___	___	___	___	___
50. Are membership benefits enticing to potential members?	___	___	___	___	___
51. Is joining the co-op a simple, enjoyable experience for new members?	___	___	___	___	___
Totals .....	___	___	___	___	___

PRIORITIES:

PRIORITIES: (Member recruitment continued)

**Membership Education and Communications:**

	No	Yes	Basic	Added "WOW"	Value	Value
52. Does the co-op have regular communication vehicles for members?	___	___	___	___	___	___
53. Does the co-op use a variety of communication tools (newsletter, bulletin boards, owners' manual, forms and brochures, education and orientation sessions, suggestion box)?	___	___	___	___	___	___
54. Does the co-op respond directly to members with substantive suggestions?	___	___	___	___	___	___
55. Does the co-op have signage that helps members understand the co-op's purpose and policies?	___	___	___	___	___	___
56. Are materials that explain the co-op's services readily available?	___	___	___	___	___	___
57. Are materials available that help members understand cooperatives?	___	___	___	___	___	___
58. Does the co-op consult members when a major issue must be decided?	___	___	___	___	___	___
59. Does the co-op encourage two-way communications?	___	___	___	___	___	___
60. Does the co-op provide regular information to keep members informed about the co-op's status?	___	___	___	___	___	___
61. Does the co-op publish an annual report describing the co-op's goals and accomplishments?	___	___	___	___	___	___
62. Is the annual report clear and understandable, even for those not used to reading such reports?	___	___	___	___	___	___
63. Do workshops or round table discussions make up part of membership meeting agendas?	___	___	___	___	___	___
64. Does the co-op regularly communicate to members about the status of their membership?	___	___	___	___	___	___
65. Does the co-op thank members for timely payments or address changes?	___	___	___	___	___	___
Totals	___	___	___	___	___	___

PRIORITIES:

**Governance Activities:**

	No	Yes	Basic	Added "WOW"	Value	Value
66. Does the co-op plan the annual meeting at least three months in advance?	___	___	___	___	___	___
67. Does the co-op give advance notice of the annual meeting as required by law or bylaws?	___	___	___	___	___	___
68. Does the co-op use diverse methods to notify members of upcoming meetings: newsletter, media, in-store posters, announcements, telephone calls, etc.?	___	___	___	___	___	___
69. Are meeting attendance goals set?	___	___	___	___	___	___
70. Are all four components of a well-rounded meeting (business, education, entertainment, and social time) present on the agenda?	___	___	___	___	___	___
71. Does the annual meeting provide for members' needs (e.g. food, child care), so they can pay attention to the meeting and enjoy the community gathering?	___	___	___	___	___	___

72. Does the co-op have a nominating committee?	___	___	___	___	___
73. Are all elections for directors contested?	___	___	___	___	___
74. Is a short biographical sketch of each board candidate published or readily available?	___	___	___	___	___
75. Are there opportunities for members to learn about candidates besides written materials?	___	___	___	___	___
76. Are there sufficient voting opportunities for members?	___	___	___	___	___
77. Does the co-op verify member ballots so that replacements can easily be issued if needed?	___	___	___	___	___
Totals .....	___	___	___	___	___

PRIORITIES:

**Membership Events and Community Relations:**

	No	Yes	Basic Value	Added "WOW" Value
78. Are other core events and activities planned for members: Co-op Month or Co-op Week celebrations, anniversaries, kids' programs, member appreciation days, etc.?	___	___	___	___
79. Does the co-op hold or sponsor events that include a diverse cross section of its community?	___	___	___	___
80. Do members have the opportunity to contribute to the co-op in substantive ways?	___	___	___	___
81. Does the co-op work with other community groups to meet community needs?	___	___	___	___
82. Does the co-op contribute to its local community in ways that bring improvements to all residents and not just provide good public relations for the co-op?	___	___	___	___
83. Does community participation contribute to a positive image for the co-op?	___	___	___	___
84. Does the co-op promote itself as a cooperative and part of a larger cooperative community, not just as a store or retail outlet?	___	___	___	___
85. Is member input solicited on membership and community events?	___	___	___	___
Totals	___	___	___	___

PRIORITIES:

**Membership System and Benefits:**

	No	Yes	Basic	Added Value	“WOW” Value
86. Is the co-op adequately capitalized overall?	___	___	___	___	___
87. Is the co-op’s member capital requirement a reasonable and feasible amount for all co-op members?	___	___	___	___	___
88. Does the co-op continually and clearly explain the need for member capital to members?	___	___	___	___	___
89. Does the co-op display or promote the use of member capital prominently to members?	___	___	___	___	___
90. Is there an adequate number of payment options for co-op members?	___	___	___	___	___
91. Are the payment options clear?	___	___	___	___	___
92. Is the membership requirement fair and basically uniform?	___	___	___	___	___
93. Are member shares repurchased per a policy that avoids difficult seasonal cash outflows?	___	___	___	___	___
94. Are changes to the membership system made after thorough consideration and planning?	___	___	___	___	___
95. Are members adequately informed and consulted about potential membership changes?	___	___	___	___	___
96. Do membership materials correctly explain the nature of member investment and shares?	___	___	___	___	___
97. Are member benefits clearly and prominently communicated?	___	___	___	___	___
98. Are member benefits and rewards in line with the investment required (are they a financial benefit to the member and the co-op)?	___	___	___	___	___
99. Are member benefits monitored and analyzed for usage and value to the member and co-op?	___	___	___	___	___
100. Is the member benefits package one that meets the needs of members?	___	___	___	___	___
Totals		___	___	___	___

PRIORITIES:

## MEMBERSHIP AUDIT SCORING AND ASSESSMENT

### A. Scoring

	<u>Total</u>	<u>Section Score</u>	<u>Percent of Total</u>
Membership Planning	18	_____	_____
Membership Administration and Analysis	22	_____	_____
Member Recruitment and Outreach	11	_____	_____
Membership Education and Communications	14	_____	_____
Governance Activities	12	_____	_____
Membership Events and Community Relations	8	_____	_____
Membership System and Benefits	15	_____	_____
TOTAL	100	_____	_____

### B. Priorities

*Based on your scores, your assessment of your current levels of achievement (if completed), and your priorities in each section, list up to five priorities for attention and resources in the next year in the membership area:*

1.

2.

3.

4.

5.

Portions adapted from materials developed by Co-op Atlantic

## D. Develop a Work Plan for Improving Membership Programs

### *Approach it systematically.*

Building a strong membership program requires a systematic and comprehensive approach. As with any other aspect of your co-op, a key to bringing improvements is to set clear goals and then approach them systematically. After conducting a basic assessment (using either the membership audit or key indicators or both), you will know where your co-op stands. This assessment will give your co-op a good starting point to begin planning.

As described in Section III, the following steps will help bring improvements to your co-op's membership programs:

- a. Assess your current situation.
- b. Make sure that you are meeting all basic responsibilities. If not, make those items the highest priority.
- c. Set an overall goal (the board's responsibility) and specific objectives (staff responsibility) for the membership area. Use the key indicators or priorities from the membership audit to guide your goal-setting.
- d. Develop an action plan to achieve the goals. Such a plan should include:
  - identification of resources available and needed
  - the steps to follow to meet specific goals
  - responsibilities for implementation
  - objectives to measure (including the incremental steps that will provide an indicator of progress toward goals)
  - a timeline
- e. Measure and report on progress.
- f. Each year, reassess your situation and begin planning process again.

Worksheet E will help your co-op develop a work plan to improve membership programs.

### ***For the board: set goals and priorities***

The board's role in membership, as in other areas of the co-op, is to define the overall direction and results to be achieved. By defining an overall goal for the membership area and leaving the details of more specific goals or objectives and their implementation to management, the board will avoid micro-management, while still providing leadership.

For example, the board may wish to set overall goals for membership, such as:

- a. In the next three years, the co-op will increase member investment to at least 30 percent of assets.
- b. In the next year, the co-op will increase total membership by 20 percent.
- c. In the next year, the co-op will increase communications to members to emphasize and build more understanding of the concept of member-ownership.
- d. In five years, the co-op will recruit new members to increase the amount of sales to members to 70 percent.

These overall goals will provide a basic framework to guide management's specific efforts in terms of member recruitment, an investment drive, educational programming, and other areas.

The board may also wish to be involved with setting some minimum standards in the area of key indicators. For instance, a board may say, "We do not want more money paid out in repurchases to terminating members than is invested by new members in any one month." This directive provides a benchmark that can guide management in preparing a share repurchase procedure that will maintain an adequate capital base for the co-op.

**WORKSHEET E. Developing a Work Plan for Improving Membership**

*Overall goal for improving membership in the next year:*

<u>ITEM/GOAL/PRIORITY AREA</u>		<u>WHO</u>	<u>RESOURCES</u>	<u>DEADLINE</u>
<b>A.</b>				
S	1.			
T	2.			
E	3.			
P	4.			
S	5.			
<b>B.</b>				
S	1.			
T	2.			
E	3.			
P	4.			
S	5.			
<b>C.</b>				
S	1.			
T	2.			
E	3.			
P	4.			
S	5.			
<b>D.</b>				
S	1.			
T	2.			
E	3.			
P	4.			
S	5.			
<b>E.</b>				
S	1.			
T	2.			
E	3.			
P	4.			
S	5.			



Finally, the board has a unique role in setting the basic criteria and requirements for membership. Except for start-up co-ops, this process usually starts with assessing the ability of the co-op's capital base to meet its immediate and long-range financial needs. But going beyond that assessment is often valuable. A thorough analysis of the key membership indicators will provide the co-op's leadership with a good understanding of any need for membership structure changes.

***For staff: the work plan and implementation details***

With an overall goal set by the co-op's board, co-op management can then develop more specific goals and objectives and a detailed work plan. A comprehensive work plan will cover such things as:

- the specific goal and measurable objectives appropriate to that goal (e.g. Increase the percentage of members' purchases from the co-op to 55 percent.)
- the action steps that will be taken to achieve this goal, such as:
  - Conduct a simple survey of members to determine what they are purchasing elsewhere.
  - Work with purchasers and management to add frequently purchased items not yet available.
  - Feature new products in the newsletter in a section called "You Asked for It."
  - Provide recipes and other information about new products in the newsletter.
- due dates, timeliness, and assignment of responsibilities for the action steps
- details regarding resources needed for each goal (especially special costs and special staff time needed) and action steps

A work plan to bring about improvements in a membership program would be presented to the general manager, unless the general manager is the person developing such a work plan (in cases where there is no membership director). Then the membership staff will report on progress on a regular basis, including updating relevant key indicators in quarterly reports that can be provided to the co-op's board.

If a co-op doesn't have the resources for paid membership staff time (generally, co-ops under \$1.5 million in annual sales), the scope of such a work plan will need to be considerably less ambitious. In those situations, a joint management/membership committee can be involved in developing the work plan and assigning responsibilities for carrying out specific steps. Note, though, that when the membership committee gets involved in this level of operations, it ceases to be a board committee and assumes a different role—as a de facto staff work team. This can be an appropriate role for such a membership committee, as long as everyone involved—the committee members, management, and the board of directors as a whole—keeps in mind these dual roles. Alternatively, co-ops may wish to set up a separate membership task force to provide volunteer assistance to staff for membership project work.

FIGURE 3.

**MEMBERSHIP COMMITTEE**  
SAMPLE COMMITTEE CHARTER

**TYPE:** Standing

**PURPOSE:** To act as the board's oversight body in matters related to the cooperative's membership systems and structure—especially recruitment, investment, communications, administration, and education. To act as a resource for the co-op's membership director and staff.

**SPECIFIC DUTIES:**

1. Review and monitor key indicators in the membership area, especially new members, investments and repurchases, percentage of sales to members, percentage of members voting, etc. Advise membership director in planning to manage trends in these areas.
2. Help design membership recruitment programs and events and assist as needed.
3. Assist in planning educational programming about cooperatives. Help carry out programs, as needed.
4. Assist, as needed, in coordinating the co-op's community outreach and participation in local events such as parades, races, and festivals.
5. Assist the membership director in planning and coordinating membership functions such as the annual meeting, social events, surveys, elections, etc.
6. Hear appeals and grievances made by members related to the handling of their memberships and make recommendations to settle those grievances.
7. Work with the membership director, researching and making presentations to the board on policy matters and other issues related to membership (e.g. changes to required investment, member benefits, repurchases, etc.) as requested by the board.

**CHAIR:** As appointed by the board president.

**COMMITTEE MAKE-UP:**

Size: 3 minimum; 9 maximum

Composition: At minimum, one board member and two members at large. The membership director will serve as staff member to the committee.

**MEETINGS:** The committee will meet as often as deemed necessary for its functions. A yearly committee meeting schedule will be included with the annual board calendar.

**BUDGET:** The committee's budget will be included with the budget of the Membership Department.

## FIGURE 4.

**MEMBERSHIP DIRECTOR**

## SAMPLE JOB DESCRIPTION

**REPORTS TO:** General Manager**OVERALL RESPONSIBILITY:** To promote member-consumer ownership and education to meet the co-op's objectives and to build a supportive membership.**SPECIFIC DUTIES:**

## MEMBERSHIP PROMOTION

1. Coordinate and design all aspects of member recruitment activities and promotions.
2. Provide training for all employees in procedures for member recruitment and joining and in responding to inquiries about membership.
3. Design and oversee production of printed materials about membership and ensure that adequate supplies are on hand at all times.

## MEMBER COMMUNICATIONS AND SERVICES

1. Plan and oversee delivery of member benefits and services.
2. Supervise and serve as editorial director for the co-op's newsletter and all other communications to members (including annual reports and responses to suggestions). This responsibility includes recruiting writers, soliciting advertising, coordinating articles with store promotions, and handling all aspects of production and distribution.
3. Develop and carry out educational programs on cooperatives and campaigns that promote cooperatives in general.
4. Solicit input from members on matters related to membership, governance, and the co-op's future direction. Handle concerns and complaints made by members related to their memberships and investments.

## BOARD RELATIONS AND GOVERNANCE FUNCTIONS

1. Plan and carry out all membership functions, such as the annual meeting, social events, surveys, elections, etc.
2. Serve as the staff member working with the board's membership committee.
3. Work with the membership committee to coordinate the co-op's representation and participation in local events such as parades, food fairs, races, festivals, etc.

## PLANNING AND RECORD KEEPING

1. Strategize, research, and work with the general manager, membership committee, and board of directors on policy matters and other issues related to membership (e.g. changes to required investment, member benefits, repurchases, etc.).
2. Maintain accurate and secure membership records and manage use of the database.
3. Monitor and provide reports on key indicators of membership, including new members, repurchases, percentage of sales to members, level of member investment, etc.
4. All other functions as assigned by the general manager.

## QUALIFICATIONS

1. Writing and editing skills and experience; basic computer literacy.
2. Familiarity with cooperatives and other membership organizations and with the co-op's product line.
3. Ability to work without close supervision.
4. Planning and organizing skills.
5. Ability to handle multiple demands and work with a variety of people.

## V. CORE MEMBERSHIP ACTIVITIES—THE BUILDING BLOCKS

The rest of this workbook is devoted to more detailed descriptions of core membership activities. These “building blocks” are separate but connected activities that make up a membership program. Some of these sections provide more details on areas covered in earlier parts of the workbook. Others are new topics. But they all go together to build a strong membership program for a consumer co-op. Keep in mind that these items are interrelated; none can be completely isolated from others.

In addition, examples from a wide variety of food co-ops accompany and illustrate each topic. These are real-life stories about how different co-ops attempt to carry out different membership activities. Feel free to contact the co-op or the person who wrote these items for further details. Like everything else in this workbook, you’ll need to adapt these ideas to your own needs and situation.

### A. **Members, Members, Members**

#### *Recruiting and joining*

The most effective membership recruitment programs have both a periodic membership drive and an ongoing, sustained effort. The best source of new members is, naturally, current shoppers. Therefore, start by creating a welcoming environment for potential members. Of course, inviting people to join does not mean harassing people who don’t want to join. Membership in the cooperative should be welcoming and easy.

The staff is the first line in membership recruitment. All staff should be able to enthusiastically explain the basic purpose and benefits of joining the cooperative. Beyond basic information, staff should have printed materials available to give to potential members. A simple but welcoming member brochure should contain everything a person needs to know before deciding to join. It should include information on member benefits, requirements, and policies on return of equity.

Joining the co-op should be easy. Minimize paperwork so that people can complete the process quickly and easily. However, a new member should not feel rushed. The co-op should enroll new members in a way that:

- conveys the value the co-op places on each new member
- allows new members to ask questions
- permits staff the time to fully welcome new members
- helps new members learn more about the co-op if they are interested
- gives both the staffperson and the new member time to give the transaction their full attention
- allows more detailed information to be exchanged in writing at a later time, if needed

Some new members appreciate an opportunity to participate in an orientation session. It should be optional, but find ways to make it enticing to increase the likelihood that people will want to attend. Food, gifts, samples, and coupons can all help make the new-member orientation a celebratory event. Design the orientation from the point of view of the new members. What would make them want to attend? What do they need to know to feel more comfortable and welcome at the cooperative? Their first co-op event should be fun and interesting. At first, it’s probably more important that new members understand how to shop and give input than that they understand the cooperative principles. Avoid lectures; use inspirational storytelling where possible. For example, tell stories about:

- the Rochdale Pioneers and how they started their co-op
- other types of co-ops in your area or the United States
- other types of co-ops in other countries

Have appropriate printed material to explain the co-op's practices to people who choose not to attend orientations. New-member packets could include:

- clear explanation of member benefits and responsibilities
- overview of the cooperative's purpose, goals, and history
- organizational bylaws and structure
- methods of giving input
- calendar of events
- store hours, layout, policies, and practices
- information on the board of directors
- coupons, samples, recipes, food guides
- ways to get more involved
- basic information on cooperative economics, history, and principles

### **NEW MEMBER DRIVES AND THE JOINING PROCESS:**

#### **Outpost Natural Foods Milwaukee, Wisconsin**

With the creation of the owner services position at Outpost in August 1997, the search for new owners has been intensified. We mention the option of ownership in all of our newspaper and radio advertising and stress the word cooperative in all of our ads. During Co-op Month, the owner services coordinator staffed a booth called Owner Central, where we distributed many pamphlets and magazines about cooperatives and showed a three-minute video about the history of cooperation. During our Earth Day/Birthday celebration, the owner services coordinator greeted customers as they entered the store and handed out "Owner Benefits" brochures to non-owner shoppers along with a free Outpost pen. There was also a new owner promotion for people who signed up within the birthday month. They received an Outpost mug filled with manufacturer coupons, co-op stickers, and an Outpost pen.

Another way we maintain our membership is by sending out renewal reminder letters every other month to owners whose membership will expire in the next two months. We inform them of their expiration date, how much they've paid toward their full Fair Share, and how much they have yet to pay.

When a person wants to become an owner of Outpost, he or she has three sign-up options. The person can either send in an application, available at each checkout lane and the Customer Service desk, call in with a credit card number, or sign up in person at the Customer Service desk. A full Fair Share membership at Outpost costs \$200, and the owner has the option of paying \$30 in one year, \$50 over two years, \$75 over three years, and so on. The new owner's name, address, phone number, and driver's license number are recorded in



the Daily Log and then in our POS computer, so when the new owner shops, his or her expiration date will show up at the registers. The owner services coordinator enters this same information into our IBM owner database (Foxpro).

After all the owner information is collected and a receipt is given, payment is inserted in a special locked drawer that only the front-end manager can open. These payments are rung through a register three or four times per week.

The new owner receives a temporary owner card with a barcoded number. Within two weeks, the owner services coordinator will make a permanent card and send it to the new owner with a welcome letter and a map of the store.

At the time of sign up, our customer service representative gives the new owner a packet of information. Items included are the co-op's bylaws, an annual financial report (depending on availability), information on the Co-op Green Stamp program (a recycling-for-gift certificates program), information on the Co-op Helping Hands program, a list of participating businesses in our Community Club Card program (for discounts at local businesses), and a monthly Owner Discount Coupon. If the new owner signs up over the phone or through the mail, all of this information, along with a receipt and temporary owner card, is sent through the mail.

A week after permanent owner cards are sent, the owner services coordinator calls new owners to make sure they have received their cards and to ask if they have any questions about ownership or the store. New members seem to really appreciate these followup calls, and they also give us a way to make sure that our information about owners is correct.

*Mari Neiscor-Skeels, Owner Services Coordinator*

## MEMBER RECRUITMENT AND DRIVES:

### Lakewinds Cooperative Minnetonka, Minnesota



Successful membership recruitment depends upon a well-trained staff who consistently and knowledgeably articulate the co-op's values and how to join. At Lakewinds, every employee is required to attend a one-hour membership orientation that discusses consumer cooperative history, Lakewinds' place in the cooperative community, and how to talk to prospective members about joining the co-op. Staff are prepared with exactly what to say, because we believe it's important that everyone gives and gets the same message. The consciousness about cooperative business practices varies greatly among staff members. It's important to bring everyone on board, especially when you're preparing to launch a membership drive.

Another important aspect of member recruitment is ease of joining. We are dealing with timepressed consumers. You'll lose them if it's a hassle. Watch for procedural barriers to becoming a member, such as long lines at the cash register, staff who give long-winded explanations, having only certain people trained to sign up members, too much paperwork, or too many steps.

When people decide to join our co-op, we need to make it easy and to process their applications efficiently. At Lakewinds all we need is the person's address and signature on the stock investment form—prenumbered packets with cards and other materials are ready to go. The process takes about two minutes to complete. Our packets contain the current newsletter, the most recent annual report, articles and bylaws, Lakewinds' membership brochure, a Twin City Coops Credit Union brochure (Lakewinds members can have the joining fee waived), a "Welcome to the Co-op" cover letter, a refrigerator magnet with our phone number, and the prenumbered membership card.

When planning a membership drive, it is important to communicate the motivation for the drive and what goals the co-op wants to reach. The elements of a successful membership drive include its purpose, plans, administration, and support materials. The plan your co-op has for member equity should be enthusiastically communicated

via the co-op's newsletter, handouts in the store, and the staff. Staff involvement is key.

Once your purpose and goals are identified and a person is designated to coordinate the drive, staff

needs to be included. Are the staff members trained to discuss membership? Are they clear about the co-op's goals? People power, not your efforts alone, will make the drive a success. You have to sell your ideas to the staff before they can sell them to prospective members.

You can succeed by training your staff and soliciting their input. If you don't do anything else, training is probably the most important, and do it for all employees—even the "old timers." You might be surprised at what your staff does not know and what misinformation collects over the years.

Getting staff input before the membership drive is also important. Staff may want more training or certain support materials that will help them perform their jobs.

Ask what kind of incentives are appealing to staff who do a good job with membership recruitment. This is how you raise people's comfort level with the membership drive. People like to be asked their opinions, and it helps build excitement and ownership during the drive. The staff may be motivated by a cookie, recognition from you (liberally apply praise no matter what), or cold cash. Whatever you do, make sure staff perks are fair and that the campaign is something the whole staff can participate in.

Your drive should last for a specific, advertised time period. The co-op's goals should also be communicated to staff and customers. The customer needs to notice the difference in look and atmosphere in the store. Make sure you have adequate signage, banners, and brochures for your drive. Sometimes you have to entice prospective members to get them to the commitment stage. Offer them something for joining the co-op: a free shopping bag, a bouquet of flowers, or a coffee mug with your co-op's name on it.

After all is said and done, you still need to gently remind, inspire, and cajole your staff into doing their best. Don't forget to dangle the goodies and publicly thank and praise everyone's efforts.

*Patricia Cumbie, Membership Director*

**MARKETING MEMBERSHIP:****Lakewinds Cooperative  
Minnetonka, Minnesota**

The most important membership marketing tool is a well-trained staff who can quickly and clearly articulate the co-op's ownership values and how a prospective member can join. I use a threepoint "rap" that I ask staff to use. The main points: ownership, great benefits, and a fully refundable investment. (And, no, we don't get droves of people asking for stock repurchases. Most people are delighted once they join.)

Prospective members are very receptive to this approach. The idea that the investment could be refund-

ed if need be is appealing, but we're also able to differentiate ourselves from other businesses by identifying the ownership aspect. The free Lakewinds shopping bag we give for a fully paid stock purchase puts a lot of prospective members over the edge to commitment. People love premiums. We code the bags as a promotional expense.

Techniques we use to market membership are:

- staff training
- newsletter articles
- in-store banners
- membership brochures
- letters to non-member shoppers
- store tours

*Patricia Cumbie, Membership Director*

**MEMBER RECOGNITION:****Community Food Co-op  
Bellingham, Washington**

We strive to make members feel like a recognized and vital part of our co-op community. One way we do this is by featuring a Member of the Month in our newsletter. Our customer satisfaction committee picks members who we see in the store a lot and know a little about, or members we are just happy to see every day. In the *Co-op Connection*, we feature an article about the member along with a photograph.

Most members have been happy to participate and even feel a bit flattered. The program is really great and allows members to get to know each other better. It's especially fun to learn things you didn't know about people you have known for years.

We also have Member Appreciation Days in October for Co-op Month. Once a week during October, members receive a 5 percent discount on all purchases.

Our annual meeting is a celebration for our members. We throw a party to celebrate members and to honor the part they play in the co-op.

*Jamesa Bautista, Membership Director*

### *Leaving the co-op*

As an investment, member equity is refundable upon termination of membership. If members leave the area or no longer use the cooperative's services, their shares should be refunded or repurchased by the cooperative. The co-op should have a simple procedure and form for processing these requests. To understand why people leave the co-op, ask for their reasons for termination on the form.

In addition to the normal share repurchase, the cooperative should have a mechanism to terminate memberships when necessary. Board policy should clarify the qualifications for membership and the situations that would require rescinding of membership privileges. While each case may be individually decided, the board should set criteria for the removal of members, including:

- conflict of interest—people who own or manage businesses that compete directly with the cooperative
- stealing from the cooperative
- causing severe disruption of business operations
- violent or abusive behavior against employees or customers
- intentional destruction of cooperative property

#### **REMOVAL OF MEMBERS:**

##### **Hungry Hollow Co-op Chestnut Ridge, New York**

In our 25-year history we have felt the necessity to remove a member only once. Oh, yes, we've had some members who were quite a bit less than cooperative (excuse the pun) at times, but this one particular member always had expectations way beyond what the co-op could offer. She was constantly requiring us to be flexible in ways that were not in the spirit of the co-op. For example, she would not show up for her monthly work shift to qualify for her working-member discount, but would randomly show up at the store unannounced and demand to be put to work. She would make a very unpleasant scene in the store when we refused to accommodate her. She was also very disruptive at annual meetings, tying up the proceedings with obtuse and inappropriate

questions and remarks. We felt she was unhappy with her membership and somewhat hesitantly (as it was setting a precedent) sent her a letter diplomatically rescinding her membership, along with a refund of her membership fee. This woman, incidentally, still shops at the co-op as a non-member.

Removing members is not to be taken lightly, but if the interest of the cooperative and the member are at odds, or if a member continually violates co-op rules after warnings are given, a refund of the membership dollars, as well as a carefully crafted letter, seems to be the proper way of handling the situation. Even though the co-op may have gotten benefit from those dollars, the better course of action may be to refund them, if possible. It gives the transaction more resolution and finality for both the co-op and the member.

*Kerul Kassel, Board Chairperson*



## B. Ownership Systems and Structures

### *Member investment makes the co-op strong*

All businesses need capital and a co-op is no different. Capital is the money with which any business is built—money to purchase inventory, buy equipment, and finance operations. In any business, the owners provide this money. So in a co-op members must provide that foundation.

In most co-ops, the member-owners provide the capital by investing in shares. The co-op then uses the money from member investments to buy equipment, expand inventory, make improvements and renovations to its facilities, pay off debt, pay deposits with suppliers, and research new services or business opportunities. Member capital (also called equity) provides the co-op a base upon which it can borrow additional money from outside sources, such as banks and other creditors. When a co-op has adequate capital invested by its members, banks are more likely to make loans at reasonable cost, without imposing limits on the co-op's operations or goals. Member equity should be the least expensive and most flexible form of capital for a co-op.

In evaluating or planning changes to a co-op's member-equity program, it's important to start with goals. The goals of any member-equity program should be two-fold. First, the member-equity program should provide the co-op with an adequate capital (financial) base. Additionally, the program should create a sense of ownership among members; by investing money in the co-op, members will come to feel more like they indeed co-own the co-op. An effective equity program accomplishes and stays focused on both goals equally.

The following general guidelines are important for a member-equity plan that will meet these two goals:

- The costs and benefits to the member must be balanced with the costs and benefits to the co-op (they must be financially advantageous for both).
- The administrative requirements of the membership system must be simple and easy to maintain.
- The investment requirement must contribute to a capital base that adequately provides for the co-op's financial viability.
- The membership system cannot be overly complex and sophisticated; it should be understandable to new and prospective members without lengthy or exhaustive explanations.
- Any fees required for special administrative functions (e.g. replacing lost cards, terminating a membership) should be nominal.
- The plan should be set up in such a way as to ensure that the co-op is exempt from securities laws and from taxation (exemption is provided as long as certain features are included in the plan).
- The membership system must be fundamentally equitable for all members.
- The membership system must be designed to accommodate the variety of circumstances presented by the co-op's members.

In addition, it's advisable that the co-op:

- have a system that is equitable and fair and discourages cheating
- require the same investment for each membership, whether it's held by an individual or a household
- present information about the need for a change in the member-equity plan at least six months before proposing an actual change (through the newsletter, at meetings, or in other communications to members)
- have two to four different payment-plan options for members
- offer a very slow payment plan, by special request, to low-income members

How much investment should a co-op require of members? The answer depends entirely on the co-op's financial needs, financial condition, and plans for the future. However, consumer co-ops are almost always under-capitalized, some seriously so. Co-ops are ill-served by being hesitant to ask for what they need. Most successful consumer food co-ops find that an investment in the range of \$100 to \$300 is needed and workable, as long as payment plans are available to members.

Member equity is refundable upon termination of membership. However, to provide the co-op with as stable a financing base as possible, the co-op's bylaws should state that the co-op will repurchase members' shares when it has received replacement capital from new or continuing members. In this way, the co-op can avoid seasonal outflows of cash that could cause financial problems. Additionally, member share repurchase should be subject to offset by any amount the member may owe the co-op. Finally, co-ops with negative-retained-earnings positions should be very cautious about repurchasing members' shares at full value and should seek legal advice about refunding any such amounts.

In addition to basic member shares, co-ops may wish to consider other methods of taking in investment by members. The two most common are:

- preferred shares—shares that do not carry voting rights, have higher repayment priority than basic shares, and usually pay a higher dividend rate than basic shares
- member loans—loans from members to the co-op

Loans are the most common way that co-ops raise additional money from members. Member loans will have a fixed term (avoid member loans for less than two years) and a fixed interest rate and should be documented with a promissory note. Member loans generally are not secured with any of the co-op's assets, and members should be clearly aware of this fact. Most importantly, the co-op should take loans only from co-op members. Most financial analysts will recognize that member loans represent an equity instrument just as much as they do a liability and will keep this in mind when calculating the co-op's balance-sheet ratios.

Note that some co-ops charge members an annual fee instead of requiring an investment in member equity. Fees are not equity and therefore do not provide true ownership by the members. Fees are just like dues—an annual payment required to join or remain a member of a group. Since they are not an investment, they are not refundable to members. While fees do provide the co-op with a source of cash, they are taxable income to the co-op. Member fees, instead of member equity, are not recommended for all of these reasons. For more information about member-equity programs, see *We Own It: Building Financial Security the Co-op Way*, listed in the bibliography.

## **BUILDING A SENSE OF OWNERSHIP:**

### **First Alternative Co-op Corvallis, Oregon**

First Alternative is currently in the process of reorganizing—from a nonprofit corporation to a cooperative. This process has opened up wonderful opportunities for us to talk with members about the nature of cooperative ownership and how a conversion would affect the value of their member shares. Sometimes understanding is slow to come, but we have continued the conversation at our membership meetings, in our newspaper, during our new-member orientations, and with our staff. We are now hearing terms like “patronage dividend,” “Rochdale Pioneers,” and “share



value” spoken with increased frequency and familiarity.

Building a sense of ownership has been a mission of ours in the last few years. We use fairly simple means to accomplish that end. For example, we have a set of four beautifully designed brochures that introduce new members to various aspects of our organization, including our memberworker system and our donations program. These are included in the new-member packet. The membership application itself includes a list of the benefits of membership, a description of our many community outreach programs, and, most importantly, a simplified version of the International Cooperative Principles.

*Laurie Heilman, Personnel Coordinator*

## **BUILDING OWNERSHIP AND COMMUNITY:**

### **Willy Street Co-op Madison, Wisconsin**

Willy Street Co-op’s Community Reinvestment Program distributes unclaimed equity, or co-op membership money, that has accumulated over past years. The co-op’s bylaws specify that “The co-op shall dedicate any funds (equity) remaining unclaimed to educational and charitable purposes.”

Each year, the co-op sends out a mailing to the last-known addresses of former members who still have equity in the co-op. They have the option to renew the membership (by mailing an equity payment toward their full fair share), withdraw the equity (cancel the membership), or donate it to the Community Reinvestment Fund. The co-op’s board of directors then determines how much of the donated or unclaimed money to give back to the community. For the past several years, the amount has been \$7,000.

Since 1992 the Community Reinvestment Program has been making a difference for organizations in the Madison area by providing a source of much-needed funding. Community Reinvestment funds have supported a diverse array of projects and scholarships, including:

- a new playground for the Red Caboose Day Care Center
- a cooking program for youth at neighborhood centers
- Madison Area Community Supported Agriculture Coalition’s Food Book and Partner Shares program

- outreach to area farmers about alternative local currency by the Madison HOURS Cooperative
- a Braille cookbook published by the Wisconsin Council of the Blind
- an exercise program for older adults at Atwood Community Center
- garden projects for several neighborhood centers and a local elementary school

Each year in November, we announce the beginning of the next grant cycle. We advertise in local papers and in our newsletter and send out public-service announcements to local organizations. Applications are due at the end of February. The funds are distributed through Federated Youth Foundation, a Madison-based nonprofit foundation.

Once all the applications are in, the member relations committee makes its decisions—not an easy job given the number of interesting applications received each year. Their focus is on providing grants to local nonprofit groups with limited access to funding. Groups should benefit the community through charity or education and must have 501(c)(3) status. The committee often tries to offer another form of assistance to organizations that don’t qualify for a grant. In 1998 the committee received 29 applications and made 17 awards—four more than in the previous year.

The committee also considers providing assistance to a variety of scholarship funds and ongoing or proposed projects, particularly in the following areas: food and food systems, nutrition, sustainable agriculture, cooperative education, and projects that benefit Madison’s near-eastside. However, applications that do not fall into these categories are not automatically excluded.

*Anya Firszt, General Manager*

### *Benefits and return*

Every co-op offers its members some benefits. After all, most members join the co-op to gain benefits from it. However, those benefits must be both valuable and motivating to members, as well as affordable and manageable to the co-op.

Putting together a member-benefits package typically starts with the financial benefits members gain from joining and using the co-op. Among consumer food co-ops, the most common financial benefits are either a discount on purchases or patronage refunds. These two both provide a financial return proportionate to purchases, yet have very different features.

- **Discount on purchases.** Historically, discounts have been as high as 10 percent. However, most food co-ops have found that as the market becomes more competitive, or the co-op's capital needs become more acute, these high point-of-purchase discounts are not financially sustainable. However, they are popular with members. Today, most co-ops that use this method offer a 2 percent discount. For members, a 2 percent discount equals one week's worth of purchases each year.
- **Patronage refunds.** Patronage refunds are returns paid to members proportionate to members' purchases at the end of the co-op's fiscal year. Patronage refunds are made after the co-op's year is completed and financial results are tallied. However, a complex series of tax laws govern how co-ops make these distributions, including a requirement that the co-op establish the general amount of the patronage refund in advance of the year. Co-ops must be sure to follow tax procedures carefully.

Additional financial benefits offered to members by some co-ops include:

- a discount on special-order case purchases
- eligibility for member-only specials
- member-only coupons providing discounts and special prices
- member prices (non-members pay a surcharge on all purchases)
- discounts on other items and events, such as homeowner's insurance, magazine subscriptions, infant car-seat rentals, cooking classes, special events, etc.
- member-only prices on selected merchandise monthly

Most importantly, co-ops need to make sure that the financial rewards and benefits they offer to members are equitable—that they are distributed equally to members based on use, not on investment or any other arbitrary criteria. For this reason, it's advisable to avoid a discount on purchases made one day a week, as this discount will not provide for equitable distribution among all of the co-op's members (not all members will be able to shop on that day). A discount coupon that can be used on the day of each member's choice is more equitable.

Co-ops also offer a wide range of non-financial benefits to members, including:

- a vote in all co-op elections
- an opportunity to run for the board of directors or serve on any of its advisory committees
- the co-op's newsletter—generally mailed directly to members' homes
- check-cashing privileges—usually the ability to write checks over the amount of purchase
- eligibility for membership in a local credit union
- use of the co-op's community room for an event or meeting free of charge or at a discounted rate
- borrowing privileges at the co-op's lending library of books, videos, cassettes, and cooperative games

- discounts at other area businesses
- free or reduced-cost advertising in the co-op's newsletter
- participation in a group pre-order for organic seeds, bulbs and tubers
- free notary public service
- weekly grocery delivery for house-bound members
- the chance to serve as a working member in the store and earn additional discounts on purchases
- special interest rates on loans to the co-op
- special premiums for new members, such as mugs, shopping bags, T-shirts, etc.

All member benefits carry a cost. From time to time, it is important for co-ops to evaluate the costs and usage of member benefits. Do members use all benefits? Do they value them sufficiently to justify the costs? Are there other benefits that members might value more? What is the cost of providing all of the co-op's member benefits?

Most importantly, do the math on the financial benefits offered by the co-op from time to time. How much of a return is a member getting for his or her investment at the co-op? Members may not understand all of the aspects of the co-op's benefits or how they add up. Show members how a 2 percent discount equals an average of one week's worth of groceries per year. Explain why investment in the co-op is important. Use terminology that reinforces the idea of investment (e.g. "purchase shares," "refundable deposit") rather than terminology that reinforces the idea of dues or fees ("Pay \$X now," "\$X per year"). The more co-ops help their members understand the concept of member investment and the cost of benefits, the more members will understand the concept of consumer-ownership. This type of analysis will also help the co-op clearly identify the costs of its equity capital.

#### MEMBER BENEFITS:

#### Outpost Natural Foods Milwaukee, Wisconsin

In deciding what workshops to offer in the spring and fall of every year, Outpost's education director looks at which classes were popular in previous years and which classes had waiting lists. She also takes suggestions from the evaluation forms handed out at the end of each workshop, from education committee members, and from shoppers who leave suggestions at the Customer Service Desk.

Once workshop topics are identified, members of the education committee identify and contact



potential speakers by phone. We offer \$100 in gift certificates for single presenters and \$50 each for two or more presenters. Speakers are required to send a short description of the workshop to the education director, and that information goes into a brochure. This brochure is stuffed into *Outpost Exchange* magazines and is also placed at the Customer Service Desk and cash registers. We also promote our workshops and courses with signs placed around the store. Owners pay only \$10 to attend workshops; nonowners pay \$15.

*Mari Neiscor-Skeels,  
Owner Services Coordinator*

**MEMBER BENEFITS:****Wedge Community Co-op  
Minneapolis, Minnesota**

The Wedge Co-op provides a wide array of cooking classes as a benefit to its members. What follows is a brief overview of the logistics of planning and holding these classes.

**1. Before you begin: policies and procedures.**

What are the goals of the program? What mix of classes is desired? Will the teacher be paid a percentage of the tuition or a flat rate? Will the co-op provide food for cooking classes or will the teacher provide it? If there are hands-on classes, has the co-op attorney approved a waiver of liability form? Choose a schedule: How many classes per week? What days and times? Determine where registrations will occur, who will assist the teacher with set-up, a refund policy, and price guidelines (tuition breaks for members?). Consult all departments that will be affected and make a trial run of registering, issuing a refund, setting up for a class, purchasing food for a class, and paying a teacher before starting.

**2. Recruiting teachers and selecting classes.** A promotional piece to recruit teachers should describe the program. It should cover details such as class size, teacher pay, and other policies, and equipment and services to be provided. Teachers should submit a class proposal form, including a course description, tuition, minimum and maximum class size, special equipment requirements, references, and a biography. For scheduling flexibility, ask for several alternate class dates.

**3. Teacher orientation.** Any special instructions about the equipment should be given to teachers in writing as well as verbally. Let teachers rummage through the cupboards, so they know if special cookware or equipment will be need-

ed. Give the teachers a list of expectations and procedures, including whom to ask for help, policies regarding damaged or destroyed equipment, and time limits.

- 4. Publicity for classes.** The co-op newsletter is the most direct method of informing the membership about classes. Print additional copies of the schedule, including registration information, for distribution in the store. Put signs in the entryway, at the cash registers, and at service desks. Send class schedules to local newspapers with community calendars and food-event listings.
- 5. Registration.** All publicity should include registration information. Give a duplicate registration form as a receipt. Include the name and phone number of the student; name, time, and date of class; and fee paid. Be clear on all forms about the cancellation policy. The only way to be sure people will show up is to require payment in full at the time of registration.
- 6. At class time.** Provide a list of registered students for the teacher. Give the teacher evaluation forms with clear instructions on how and where to return them.
- 7. Paying the teacher.** Design a statement of account that indicates numbers of students, total tuition paid, and an itemized list of deductions by the co-op. Pay the teacher after class; send the check the next day. Keep a copy of the statement. Save registration forms for six months after classes in case a teacher questions the payment.
- 8. Review class evaluations.** Give helpful feedback to the teacher and decide if the teacher will be rehired. Low-quality classes will reflect poorly on the co-op and could undermine the ability of the program to serve the community.

*Elizabeth Archerd, Membership Director*

**MEMBER APPRECIATION:****Linden Hills Co-op  
Minneapolis, Minnesota**

Linden Hills was looking for new and creative ways to show our members how much we appreciated their business and their support. We split our membership into three categories, depending upon volume. The first group represented our top 10

percent in sales. In spring, we hand-delivered a packet of flower seeds, with a note saying "Thank you for helping us grow," to those in this category—about 200 households. Our plan is to provide some additional appreciation for these households twice a year and to all our members at least once per year. This appreciation is in addition to our regular member benefits, which include a 10 percent-discount coupon in every newsletter (six per year).

*Dave Blackburn, General Manager*

**MEMBER APPRECIATION:****Good Foods Co-op  
Lexington, Kentucky**

Member Appreciation Days (MADs) have been a wonderful tool for building excitement among members about Good Foods Co-op. When we began MAD in 1994, we had a threefold purpose:

1. to show appreciation to our members for their patronage
2. to promote teamwork and excitement among our staff
3. to increase sales and customer count

The MADs have exceeded our expectations. We have gone from trying to encourage members to shop on these days to members asking when the next MAD is.

On our first MAD, we had record sales of \$28,000. In October 1997, we posted a one-day total of \$57,000 in a 3,900-square-foot store. After that, we extended the MAD from one to two days. Our average Saturday customer count is 500, and on MAD it doubles.

We schedule MADs in February, April, June, August, October, and December. We publish the dates in our newsletter so members can mark their calendars. Members receive an extra 5 percent discount for shopping on these days. Customers joining the co-op on MAD receive an additional 5 percent discount. We find that this is a great recruiting tool. We do vendor-sponsored sampling so members can taste products. Our department heads make sure we have lots of specials and promotional sales for MADs. We give out



*The Place To Shop  
Naturally.*

rain checks for all out-of-stock items.

Since October is Co-op Month, we make it extra special with over 70 door prizes donated by the community. We also have special drawings for items such as juicers, donated by our vendors. GTKY Credit Union gives two \$50 gift certificates to the co-op. We donate 1 percent of our sales to God's Pantry, the

Salvation Army, and the Hope Center to help feed Lexington's hungry.

All staff members get involved in preparations for the day. Cashiers pass out flyers to each shopper. Our department heads make deals for product sales and either schedule product reps to answer questions or arrange for demo money for sampling. Receiving and stocking employees go into high gear, knowing that there will be large orders to process. Everyone sees that their hard work does pay off with a successful day. Employees who work any hours from Wednesday through Saturday of MAD week receive a bonus based on hours worked and total sales. There is a special staff drawing for some of the door prizes.

We have learned that if our staff is motivated and our members are excited, increased sales and customer count follow. The MAD concept was a brainchild of former member services coordinator Beverly Adams. Beverly was a true leader and knew that if we focused on service to members we couldn't go wrong. She saw our potential and convinced us we could succeed. Judging by the overwhelming success of our MADs, our members do feel appreciated.

*Ann Marx, Member Service Coordinator*

### C. The Communications Loop

Member communications is a loop—a two-way activity that is essential for building strong membership programs. Leaders must provide effective mechanisms for members to communicate with the cooperative regarding:

- election of directors and votes on member issues
- member input on an ongoing basis
- members' needs and wants
- member opinions and ideas
- member participation

The cooperative must communicate to members to:

- report on what the co-op has done on behalf of members, with member money
- provide members education and information needed to effectively and appropriately control their co-op
- ensure that members understand the cooperative
- build enthusiasm and loyalty for the cooperative
- build pride in the co-op
- develop leadership among membership
- show appreciation for members
- help members gain the maximum benefit from membership

#### *Communication from members*

Communication from members is essential for both knowing your members and member control. Much of your knowledge of members will come from informal data collection—watching, listening, and interacting with members. Pay close attention to the words members use, the questions they ask, and the decisions they make. Information gained informally should be recorded, organized, and analyzed, both to help you remember and to improve the objectivity of your response. You might keep a regular journal of your observations and once a month summarize your observations and what you have learned.

Formal mechanisms should also be used on a regular basis. The most formal method of obtaining member views is through member votes. Typically, members vote to elect the board of directors, to amend the bylaws, or on occasional referenda. Member votes provide a glimpse into what priorities the members have for the co-op.

Formal research techniques can and should also be used to obtain information from members. Surveys, interviews, and focus groups are examples of ways to get data about members and their preferences. An annual member survey will keep you informed about your members and allow you to see trends as they emerge. Care should be taken to ensure you obtain data that is useful and unbiased. Survey research methodology is well beyond the scope of this workbook; don't engage in a survey without professional guidance or significant self-education.

A customer comment box is a must for consumer cooperatives. Be sure to acknowledge and follow-up on all comments. Whenever possible, let people know that a new product, procedure, or idea is a result of a customer or member comment. Communicating results lets people know that you take their comments seriously and encourages them to continue to participate.

Less formal, but still useful, are forums, panels, written comments, telephone calls, and e-mail. Create as many opportunities to obtain knowledge about your members as you can effectively handle. Give the clear message that the cooperative is interest-



ed in hearing from its members. By publishing phone numbers, asking for input, and making it easy for members, the co-op creates open channels for input.

Don't forget to keep it fun and interesting for members by asking their opinions about less weighty matters. Members may be as interested in what kind of music you play in the store as they are in elections. You might take a member poll, accompanying a demo, on the best tofu scrambler or ice cream flavor. Welcoming and encouraging members to communicate on issues *they* care about helps to build the communication process and loop, which makes it easier to obtain their input on weightier issues later.

### ONGOING METHODS OF OBTAINING MEMBER INPUT:

#### Wedge Community Co-op Minneapolis, Minnesota

**1. Comment box.** We keep comment forms at the Customer Service Desk and at the comment box in the front of the store. There are always pencils available. The forms ask for names, phone numbers, addresses, and member numbers. The customer service desk supervisor is responsible for emptying the box biweekly and for distributing comments to the appropriate staff, with routing slips to ensure that she gets the responses back. Staff members have two weeks to get written responses, with the original comments, back to her. Small green response slips are stapled to the original forms and posted on a bulletin board near the comment box.

The customer service desk supervisor selects a representative sample of comments with responses for the bimonthly newsletter. The comments are selected based on the frequency of similar comments and questions, and with an eye toward a balance of departments. We try not



to have an entire page of bean questions, for example.

It's a good idea to have the staff-person who wrote the response review it before publication, to be sure that the answer is still accu-

rate. We've been embarrassed by stating that a popular product was not yet available in our area—when said product was actually showing up in stores all over town, including ours.

**2. Letters to the editor.** Our newsletter masthead invites letters, and we publish them as they arrive. Sometimes the letters are part of an ongoing discussion, in which case a response might be published. We also periodically request letters in the membership column, especially when we're about to look at a change of policy or practice.

**3. Member comments at board meetings.** New members receive a folder full of information upon joining. The policy for member presentations to the board is included in this packet.

*Elizabeth Archerd, Membership Director*

### MEMBER INPUT:

#### Outpost Natural Foods Milwaukee, Wisconsin



Every October Outpost owners have the opportunity to voice their opinions on current issues involving the co-op at the annual meeting. After the general manager's speech, there is usually time for questions and comments. About a month after the annual meeting in 1997, Outpost held a Stakeholder's Conference to get even more feedback from owners, employees, board members, and vendors. The purpose was to find key values that the attendees had

in common. The co-op's mission, vision, and value statements were reviewed and current issues, problems, and concerns were addressed. Trends and forces outside of Outpost were discussed, as well as

key things that Outpost needs to do to be successful. Information received from this conference was reviewed at the January board retreat, where board members and management met to revise the mission, vision, and values statements and worked on strategic planning for Outpost's future.

*Mari NeiscorSkeels, Owner Services Coordinator*

## MEMBER INVOLVEMENT IN KEY ISSUES:

### Puget Consumers Co-op Seattle, Washington

There are times at a co-op when big changes happen—adding a store, moving a store, or changing membership benefits, for example. Having designed member processes for all of the above situations, I've learned a few lessons and tips that help these processes run more smoothly and allow everyone involved to feel the process was rewarding.

First and most importantly, frame your questions and issues for discussion accurately. If you've already decided to open a new store, don't begin your dialogue with "Should we open a store?" Start by explaining to members how your leaders arrived at this decision (include the benefits for members!) and then describe how members will be involved. For instance, perhaps you've already selected the new store site, but parking-lot design, store design, and store departments are all areas members can brainstorm and discuss.

Be clear about who makes the final decisions. Will this issue be voted on by the membership? Decided by the board? Decided by management? It's important to explain how all stakeholders fit in the process and who makes the final decision. This way, there are no false expectations, and each stakeholder knows where he or she can impact the process.

If this is truly a "big issue" for your co-op, you must gather feedback from the widest audience possible.



You will likely have the tried-and-true membership meeting, but don't stop there. Remember that the majority of members do not attend meetings, they shop in your stores. Make sure to have visible information

about the project in your store—an interactive format is best. Have members and employees who are knowledgeable about the project staff tables at published times. Use your newsletter to keep people informed. Surveys and focus groups are other options that will give you a read on what members want.

Communicate, communicate, communicate! Talk about the issue or process ad nauseam and through as many different means as possible. When you start hearing from members, "Enough already!" you'll know you're keeping them informed. Many members won't participate directly in your process, but they will want to know that they could if they wanted to. Communicating assures the members that the co-op is listening and has their best interests at heart.

There may be a time where you've done all of the above, and some members still want things the way they used to be. If you've done a good job with your process, other members who gave input and worked on the project will speak up and silence the "vocal minority."

Finally, make sure to reflect the process in the completed project. For instance, when your new store opens, note that the grocery-loading zone was an idea generated by members. This type of communication will make the process tangible to the membership.

*Bridgette Boudreau,  
Director of Member Services*

## MEMBER PARTICIPATION:

### First Alternative Co-op Corvallis, Oregon

Our member-worker system is without a doubt our best member-participation program. We have a great training program and wonderful support from the regular staff. The folks who become member-workers have a blast while they are working and have traditionally proven to be our



most loyal shoppers and supporters. In one survey we conducted, we found that people who hadn't been member-workers for quite some time, even years, still maintained a special sense of ownership and connection with the co-op that other members did not necessarily have. We

continue to encourage all new members to become member-workers.

*Laurie Heilman, Personnel Coordinator*

**ANNUAL MEETINGS AND ELECTIONS:****Puget Consumers Co-op  
Seattle, Washington**

The most successful annual meetings I've been a part of had one of two elements: an interesting and informative speaker on a topic of interest to many members or a "hot" co-op issue that brought many members out to discuss it. Inviting a speaker is easy and, if the speaker is interesting, will bring lots of bodies to your meeting. One speaker attracted about 300 attendees (usually we have about 100). If you're going to invite a speaker, make sure he or she speaks after the business portion of the meeting. Otherwise, you may find two-thirds of your attendees leaving early. Keep the business portion brief—a meeting over three hours is too long.

I've had mixed success with the issue-oriented annual meeting. If there are real, substantive issues to discuss, members will come. If all is well and stable at the co-op, the issues won't be compelling enough to bring out the masses. Our most successful issue-oriented annual



meetings included a main presentation that gave an overview of the issue. Then, members broke into small groups for more intimate discussion and higher levels of involvement. Members like this approach—

they feel they really can have an impact on the issue. I would recommend against trying both approaches at one meeting. It would take too much time, as it takes about two and a half hours to do each format well.

In my experience, the elements of a successful election are similar to successful annual meetings. Issues bring out members to vote. If there's a compelling issue on the ballot, members will vote in high numbers. This is the upside of having "hot" issues on the ballot. The potential downside is a dramatic change in direction of the co-op and the use of much staff time to educate members about the issue. In the absence of a compelling co-op issue, staff should ask, ask, ask members to vote! Each store should also run incentive contests for staff and provide giveaways for members who vote.

*Bridgette Boudreau  
Director of Member Services*

**ANNUAL MEETINGS AND  
ELECTIONS:****Lakewinds Cooperative  
Minnetonka, Minnesota**

My role in board of directors elections at Lakewinds is to provide support for the board's recruitment efforts. Once the board has identified a list of members it would like to target, I send a letter inviting them to run for the board, along with a nominations packet. After a couple of weeks, nominations committee members make follow-up calls to all targeted members.

Apart from the targeted prospects, we also run announcements in our newsletter, put up in-store posters, and have nominations packets available at our customer service desk. But targeting prospects and following up with them gets much better results in terms of candidate quality.

Completed nominations packets come to me, and I pass them to the board nominations committee, which reviews them. The committee schedules a meeting with potential candidates to inform them of the responsibilities of directorship and to answer any questions they have. Occasionally, I field calls from prospects, as well as encourage people to run.

Members are more likely to vote when there's a good slate of qualified candidates and when the process is convenient. We put out a "Special Election Issue" of our newsletter every year, exclusively devoted to voting and the annual meeting. Included in the election issue is a business-reply envelope for returning ballots. It's certain-



ly more expensive to allow members to vote this way, but we increased voter turnout three-fold by making it easy for our members to participate in the voting process.

We put a lot of resources into our annual meeting, and it's been a wonderful Lakewinds tradition. We view it as a member-appreciation event and do what we can to throw a nice party for members. Later, when we ask for member loans or support for growth, members remember the annual meetings with warm fuzzy feelings.

We charge \$5 for a ticket to the dinner part of the meeting. Members get a sit-down, upscale-restaurant-quality meal catered by our deli, and we get a firm commitment that they'll attend the meeting. (Revenue from ticket sales does not cover all expenses.) We use real table linens, dishes, and silverware (no paper plates), and staff members provide table service. It's great fun. All the tickets are numbered, and at the end of the meeting we raffle off the flowering plants that serve as table decorations.

We have the usual reports from board and management, and we've made these more exciting by using slides or video. We hand out a form on which members can write and submit questions.

We also draw members with an interesting guest speaker who rounds out the end of the meeting with a half-hour talk. Last but not least, we keep the kids entertained in a separate room. Last year we hired a woman who performed a program with live animals. The children loved it.

*Patricia Cumbie, Membership Director*

### *Communication to members*

Communication to members takes a variety of forms, but should always contain the essential message about the cooperative difference. In everything it does, the cooperative must communicate a sense of ownership, responsiveness, and service to members.

The most common tools are the cooperative's newsletter, annual reports, meetings, and printed material. In-store communications such as signs, bulletin boards, displays, and reference materials are also common communication tools. But don't forget that everything the cooperative does communicates its commitment (or lack thereof) to members.

Written annual reports are required by law in many states. While they don't have to be slick and glossy, they should present a professional, accurate image of the co-op. Annual reports should include:

- a summary of business performance (operating statement)
- statement of owners' equity (balance sheet)
- report from the manager summarizing the business activities of the year
- report from the board president summarizing the board's activities
- mechanisms for members to provide input or receive more information

Annual meetings should be both informative and interesting. The recipe for a successful annual meeting is a balance of business, education, and social activity. Be sure that the purpose of each meeting has been identified and communicated and that members know what their role in a decision will be. For example, if members will be asked to vote at the meeting, that should be stated clearly in advance, and members should get materials helping them understand the issues.

Planning a good meeting requires attention to purpose, content, and lots of details. The checklist in Worksheet F can help guide your preparations for a great meeting.

#### **ANNUAL MEETINGS:**

##### **Wild Oats Co-op Williamstown Massachusetts**

Wild Oats Cooperative is located in a small, semi-rural community of 8,000. Our annual meetings used to be pretty quiet affairs. Generally, the board and board candidates, a couple of staff members, and maybe a couple of other members attended. This showing never felt satisfactory, so we brainstormed and came up with what proved to be a very successful solution.

For other reasons, we had created an annual renewal system for all members. Members were required to renew their membership each year in order to remain active. We developed three ways for members to renew:



1. Attend the annual meeting (which was what we really wanted). Members check in at the door and that's it—they're renewed for another year.
  2. Work one two-hour shift in the co-op. We created fall work parties, at which we empty all the shelves and clean in corners that don't usually get much attention. Again, our aim was at least some sort of minimal member participation in the affairs of the cooperative on an annual basis.
  3. Pay \$10 (non-refundable) in dues each year.
- Annual meeting attendance increased from an average of 15 to a current 120 to 140. We are now famous for having about the most fantastic potluck dinner of the year anywhere in the area. With this kind of attendance, the board has an opportunity to check the pulse of the membership in the most interactive way possible.

*David Fowle, General Manager*

**NEWSLETTERS:****Oneota Co-op  
Decorah, Iowa**

The Oneota Co-op newsletter is published bimonthly and mailed to 800 member households. Four hundred additional copies are distributed to non-members at the check-out counters.

Elements included in most issues:

- a feature on a local producer, member, or co-op worker
- education about co-ops
- nutritional information and recipes
- articles about food issues and politics, such as irradiation, genetic engineering, etc.
- reports from the board and the managers
- product news

- classified ads, free to members
- nutritional advice
- a local calendar of community events
- membership information
- photos of people in the store, local producers, gardens, etc.
- a list of new members
- hours of business
- sale items

It appears that people actually read the darn thing. It is usually 16 pages long, tabloid style, and there is proof that some people get toward or even all the way to the end of many issues. The people-related articles elicit the most comments. It is great to have something so organized to hand to people at the registers.

*Liz Rog, Coordinator*

**ANNUAL REPORT:****Hanover Consumer  
Cooperative Society  
Hanover and Lebanon,  
New Hampshire**

Our annual report is a bound, letter-size document, generally 16 to 20 pages long, issued in April. A full-color photograph graced the cover of 1997's report. The inside cover presents the co-op's mission statement and business philosophy, followed by a report from the board of directors. Generally covering two to three pages, this report is liberally illustrated with photographs taken throughout the year. The general manager's report follows, again broken up with photographs.

Depending upon events that have occurred during the year, the next pages may deal with specific issues, such as renovation of the Hanover store, adding a service center, planning for a second

store, or opening the second store. Specific reports may come from board committees if appropriate. Reports on Education Department activities, new services such as the Prepared Foods Department, and the loss of three long-term employees have occupied pages in annual reports. Photographs again helped to humanize each of these stories.

A page enumerating the cooperative principles is also included, followed by a signed statement from the independent firm that conducts our audit. The final eight pages are the financial statement with notes, prepared by our auditors.

The inside back cover lists the names of all staff members by department and store or service center. The end result is an interesting and visually inviting report that we hope members will want to read.

*Rosemary Fifield, Education Director*

**WORKSHEET F.      Membership Meeting Planning Checklist**

- \_\_\_ meeting purpose \_\_\_\_\_
- \_\_\_ target audience \_\_\_\_\_
- \_\_\_ bylaws requirements \_\_\_\_\_
- \_\_\_ meeting announcements and notification \_\_\_\_\_
- \_\_\_ meeting promotion \_\_\_\_\_
- \_\_\_ scheduling \_\_\_\_\_
- \_\_\_ location \_\_\_\_\_
- \_\_\_ agenda \_\_\_\_\_
- \_\_\_ skilled facilitation \_\_\_\_\_
- \_\_\_ parliamentary \_\_\_\_\_
- \_\_\_ educational activity \_\_\_\_\_
- \_\_\_ professional and clear presentation of information through  
handouts, posters, overhead projections, or slides \_\_\_\_\_
- \_\_\_ photographs, visual displays \_\_\_\_\_
- \_\_\_ special events and activities \_\_\_\_\_
- \_\_\_ entertainment, fun, games, icebreakers \_\_\_\_\_
- \_\_\_ child care \_\_\_\_\_
- \_\_\_ registration \_\_\_\_\_
- \_\_\_ name tags \_\_\_\_\_
- \_\_\_ minute taker, recorder \_\_\_\_\_
- \_\_\_ ballots and voting mechanisms \_\_\_\_\_
- \_\_\_ lighting and decorations \_\_\_\_\_
- \_\_\_ door prizes \_\_\_\_\_
- \_\_\_ food, food, food \_\_\_\_\_
- \_\_\_ service or buffet \_\_\_\_\_
- \_\_\_ flip chart, audio-visual equipment \_\_\_\_\_
- \_\_\_ seating arrangements \_\_\_\_\_
- \_\_\_ evaluation process \_\_\_\_\_

## D. Administration and Record Keeping

### *Basic records*

There is an administrative element to the consumer cooperative structure, and it is nowhere as evident as in the record-keeping requirements. Co-ops must devote time and resources to maintaining accurate and up-to-date membership records. They are ethically and legally obligated to do so.

Here's an overview of the member forms and records that co-ops will need to maintain:

- application form: to provide basic information such as name, address, payment option, signature, and verification of identity
- membership card or certificate
- investment form: to track and process payments toward the required investment
- address- and name-change form
- new card request: for lost membership cards
- repurchase or termination of membership form

Additional points to consider about membership record keeping:

- A co-op may wish to collect and compile additional information from members, such as why they joined, when they started shopping at the co-op, how they learned about the co-op, skills they may have to offer the co-op, or demographic information.
- Devote the time needed to maintaining up-to-date membership records. It is very costly to correct thousands of obsolete addresses and to send mail to wrong addresses.
- If more than one person share a membership, the co-op should be able to access records for each member by name.
- The efficiency and accuracy of the co-op's records will contribute to the impression the member has of the co-op.
- Build educational information into required record-keeping communications. For instance, you can include a few succinct phrases about member-ownership in a mailing of cards to new members.
- Make sure all staff fully understand cooperatives and the co-op's membership structure. They are your first line of educators in creating understanding about member-ownership.

When members are leaving the area or wish to terminate their membership for any reason, the co-op will need to document this process. It should start with the request for termination or repurchase of membership. A form should explain the co-op's repurchase policy and provide space for a new address to which payment should be sent. The co-op should tally the amount of repurchases requested against the amount of investment taken in on a monthly basis and pay departing members as funds are available. Most co-ops with good member recruitment programs find that members rarely have to wait more than 30 days to receive their repurchase checks using this system.

Some members may leave the area or the co-op without notifying the co-op. These "inactive" memberships must be handled carefully, as most states have laws governing these circumstances. The investments the co-op takes from members are the property of the member, not the co-op. When members leave behind their investment, most states consider it to be abandoned property. Most states have very detailed procedures and provisions for handling abandoned property. In many

states, if the co-op cannot reach the member by mail or other public media, after a certain number of years the investments will escheat, or become the property of the state. This law is a particular problem for consumer co-ops, as they might have small investments from hundreds or thousands of members. It is vital that co-ops get advice from knowledgeable attorneys and other professionals about how to properly handle inactive memberships.

### *Financial records*

In addition to records about a membership (name, address, etc.), co-ops will also need to keep records of the financial transactions conducted with and by members. These financial records fall into two categories:

- records of investment payments and the member's investment account balance
- records of members' purchases

All co-ops must maintain the first form of financial records—those keeping track of how much members have invested. In addition to legal requirements, co-ops have an ethical obligation, as consumer-owned businesses, to make sure that all share payments made by members are recorded in an accurate and timely fashion. Any member should be able to contact the co-op and find out how much investment he or she has made up to the past week or so.

The extent to which co-ops will need to keep track of members' purchases depends on whether the co-op is paying patronage refunds or not. Any co-op that pays patronage refunds should keep track of members' purchases. Formerly, many consumer co-ops asked members to keep their receipts and turn them in to document their yearly purchases. Currently, most consumer co-ops keep records of purchases on computerized cash register systems or simple membership databases.

Aside from tracking member purchases to pay patronage refunds, some co-ops find it useful to do so for other reasons. With purchase information, co-ops can offer special rewards and benefits to members such as:

- gift certificates or other rewards for reaching certain levels of purchasing (e.g. \$2,000 a year)
- rewards for increasing purchases from the co-op by more than 20 percent from the previous year
- incentives to members whose purchases have dropped from an earlier period

Finally, sending a statement of purchases to members at least yearly can provide an excellent opportunity to communicate with members about the benefits they've received and to make sure records are up to date. The statement can include such information as:

- member name and membership number
- address and phone number on file
- share account balance, including share purchases made during the year
- total purchases from the co-op during the year
- total benefits paid to the member, through a patronage refund, discount, or other means

Such a statement reinforces the concept of ownership and encourages members to keep in touch with the co-op about their membership.



## MEMBERSHIP RECORD KEEPING:

### **Hanover Consumer Cooperative Society Hanover and Lebanon, New Hampshire**

Our Information Desk staff handles membership administration and record keeping. We use a custom database built on Microsoft Access. Information Desk personnel accept membership applications from new members and immediately enter information into the database. They issue a number to the new member and generate two plastic membership cards, which include magnetic strips for swiping through the cash registers. Share documents are also printed at that time.

Information Desk staff constantly update the membership database in response to changes in name, address, and ownership, and cancellation of memberships. Because many members forget to include the co-op when notifying correspondents of address changes, staff members often use address-change information provided by the post office after a membership mailing. O



ur membership application form includes questions that allow us to develop a profile of our members. These questions include zip code, number of people in the household, age, occupation, and town of employment. We also ask how the applicant found out about the co-op and why he or she chose to join. Because we are in the Dartmouth College community, we ask if the applicant is a Dartmouth student. Finally, we ask if the individual is interested in learning more about volunteer opportunities at the co-op.

All new member data is analyzed annually by an outside agency. This analysis is used by the board of directors and the co-op's education department to determine the effectiveness of our advertising, membership campaigns, and so forth. The information helps us in longrange planning and in providing products and services that will meet member needs. It also forms an important benchmark against which future co-op growth can be measured and understood.

*Rosemary Fifield, Education Director*

## E. Other Co-op Mandates

### *Continuous education*

A commitment to education is central to the philosophy and value system of cooperatives. Education is a critical element in building a co-op that is truly and meaningfully owned and controlled by the consumers. With education, a consumer co-op becomes an important empowerment tool by:

- helping consumers realize that they are not at the mercy of retail food outlets
- helping shoppers become better, more discriminating, more astute buyers
- raising members' awareness of how businesses operate and the realities of the business world
- giving consumer-owners control of their food source

Cooperative education is unique from business education or product education. Its focus is not on training people to perform a function or on how to use a product. Most distinctly, co-op education is focused on creating awareness among members that they are co-owners of the co-op and that shopping in the co-op is, therefore, a fundamentally different experience. While a co-op may engage in business or product education, doing so does not fulfill its mandate for education about cooperatives.

Co-op education helps members see the co-op as their business, not the manager's or the board's or the staff's business. Co-op education focuses on these areas:

- the cooperative idea—how people work together through co-ops for their mutual benefit
- why and how members communicate their needs to the co-op
- members' role in the co-op and the limits to the members' role (e.g. a member can't expect the co-op to change its hours for his or her convenience just because he or she is an owner)
- a clear explanation of the co-op's general and specific benefits to members
- each member's ownership status and the member's role as an owner

Everything a co-op does is educational in the sense that people learn more from what co-ops do every day than from what co-ops teach. Accordingly, co-op leaders will want to watch for the “teachable moments” that occur hundreds of times throughout each day.

While members are the target audience for co-op education, it's just as vital to focus some programs toward staff, board, and the general public. Employees will be able to take advantage of “teachable moments” more frequently than the manager or membership director. Understanding that the customers are the owners will also help employees interact more appropriately with customers. Employees who are clear about the roles in the co-op feel more a part of the team and are usually more motivated. The board also needs co-op education to help keep the co-op focused on understanding and meeting member needs. Board members should be advocates for member-owners and the cooperative idea.

It's easy to view co-op education as just a cost. It's not as easy to measure the return gained from an investment in co-op education. But co-op education does have pay-offs. A well-informed and supportive membership, developed through creative and high-quality co-op education efforts, will provide equity, patronage, and goodwill to the co-op. The resources of time and money invested into co-op education will provide a valuable return to the co-op—in the short and long term.

To achieve a supportive membership, co-ops provide education in a wide variety of ways, including:

- welcoming new members with an interesting and informative orientation session, member handbook, and tours
- a promotional brochure for prospective members describing not only the economic benefits of the co-op but also the benefits of consumer ownership and control
- Co-op Month activities and information linking your co-op's members to people in co-ops around the world
- an accessible resource center filled with current videos, magazines, books, newsletters from other co-ops, and more
- informative newsletter articles or in-store fliers about the products the co-op carries, cooking information, sample recipes, and other material that can help members make better purchasing choices
- promotional programs and displays that educate rather than just sell
- cooking classes and workshops about food issues
- shopping-skills training and tours of the co-op
- access to resources and materials to help members learn more about the co-op and its products
- information about cooperatives in general

Consumer co-ops are challenged to constantly find new ways to get out the message about what a co-op is, how it works, what it means to be a member, and how this co-op is similar to other co-ops in the area. This message needs to be communicated continuously and vigorously to be effective.

### **NEW MEMBER EDUCATION AND ORIENTATION:**

#### **First Alternative Co-op Corvallis, Oregon**

New members are invited to attend one of our monthly new-member orientation sessions. Orientations begin with a condensed version of the Rochdale Pioneers' story to provide historical context. We love to point out that the Rochdale co-op was the first natural foods co-op, and that the pioneers institutionalized the concepts of consumer protection and universal education. We then describe the origins of First Alternative and how it has grown from a small buying club into a thriving consumer co-op. People remember these stories



and tell us that the history helped them gain a much deeper appreciation of the organization as a whole.

The orientation includes a store tour. While we walk through the store to show what we offer, we really empha-

size organic agriculture, the importance of reducing packaging and reusing containers, the extent to which we cooperate with other foodrelated cooperatives, and the ways in which we enact the co-op principles. We encourage use of the member feedback board and make it clear that members' opinions matter. At the end, we give new members a coupon for a onetimeonly discount of 15 percent on any purchase. Some folks save those coupons for large purchases.

*Laurie Heilman, Personnel Coordinator*

### *Community connections*

The contributions a co-op makes to its community can be viewed as unique member benefits. Co-ops that contribute to their local communities—both financially as well as culturally and socially—enrich the lives of their members and all others.

The possibilities for co-ops to contribute to their communities are many and varied. Examples include:

- co-op-sponsored floats or participation in a local parade, race, or event
- a presentation about cooperatives at a local community college or high school business class
- sponsorship of a local team, youth program, or youth event
- a community party celebrating an important local event or milestone
- contribution of books or resource materials about cooperatives to local schools or libraries
- food education programs for schoolchildren
- co-op workshops or presentations at senior centers
- a “Cooperative Games” event, open to the entire community
- special exhibits or displays in local museums, libraries, or community centers
- donations of seeds or tools to a community garden program

Each of these activities provides a way for the co-op to give something to its community and to bring people together for fun and learning. In this way, the co-op can thank the community for its support, while also creating awareness of the co-op as a unique community institution.

**COMMUNITY CONNECTIONS:****First Alternative Co-op  
Corvallis, Oregon**

We put a lot of effort into our 1997 Co-op Month celebrations, and we were rewarded with NCBA's Excellence in Cooperative Month Outreach award. According to the National Cooperative Month Planning Committee, we won partly because of the sheer volume of activities we sponsored. These included:

1. **Fundraising raffle.** All proceeds went to a local child-care co-op, and all prizes were donated by cooperative businesses (REI, Burley Design Co-op, Frontier Natural Products Co-op, Organic Valley). Everyone who purchased a ticket received fliers with details about these cooperative businesses. We raised over \$1,800.
2. **Community concert.** We brought in two African HiLife bands. Tickets were \$5 for members, \$10 for nonmembers. Between sets, we held the fundraising raffle and talked about coops and Co-op Month. We did extensive publicity in the local newspapers, on radio, and with posters.
3. **Newspaper insert.** We developed an insert, with a cover that promoted co-ops and the concert and included our monthly specials page, and put it into our store newspaper and the city newspaper.
4. **T-shirts.** We commissioned a new T-shirt design based on the theme "Coops and Communities Go HandinHand." We donated several shirts to the raffle and sold the rest.

First Alternative has also been the driving force behind the creation of a local organization, the Linn-Benton Cooperative Business Association which brings together a dozen co-ops to work on raising awareness about cooperative enterprise. This group also sponsored a number of projects during Co-op Month, with First Alternative staff serving as project leaders for most of them.

They included:

1. **Leadership dinner.** We brought together board and staff from all of our member businesses for a dinner and a brief presentation on what we all have in common as cooperatives. We watched the first 15 minutes of The Spirit of Cooperation video and heard from the chief lobbyist for the Oregon Credit Union League concerning the status of a court case against credit unions.
2. **Stuffers.** We created a generic handout called "The Cooperative Advantage." First Alternative distributed the handouts as bag stuffers during October, and other coops mailed them out with their regular bills and statements.
3. **Newspaper articles.** We solicited three different articles about our member businesses that combined the themes of cooperative enterprise with issues affecting particular industries. One article featured a credit union, one an electric utility, and one First Alternative.
4. **Newspaper ads.** We placed a modified version of the NCBA Co-op Month ad into two local newspapers ten times. Each included the name of all our member businesses.
5. **Display poster.** We commissioned the design of a poster based on the theme "Cooperatives Respond to Their Members!" Several 30-by-40-inch versions were displayed at a local library and in the lobbies of co-op businesses.
6. **Window display.** First Alternative staff designed and installed a window display in a business on a busy downtown intersection. The display was based on the "Coops and Communities Go HandinHand" theme. It had whimsical arms reaching up from the floor, holding signs that paraphrased the co-op principles. The names of all member businesses were displayed in the front window, each one written on the backdrop of a handprint.

*Laurie Heilman, Personnel Manager*

**COMMUNITY CONNECTIONS:****Menomonie Market  
Natural Foods Co-op  
Menomonie, Wisconsin**

The Second Annual Dunn County Cooperatives Pancake Breakfast took place on Saturday, October 3, 1998. Admission was free with a donation to our local food pantry. The breakfast was a wonderful success.

How did this event get started? In late 1996, our local credit union called cooperatives in Dunn County to ask if a representative would be interested in meeting to plan joint activities, particularly to celebrate October, Co-op Month. All cooperatives, regardless of size or number of members, were invited. Participants included Wisconsin Credit Union, Cenex, West Wisconsin Telcom, Dunn County Electric Cooperative, and Menomonie Market Natural Foods Co-op. The idea was to actively work on two of the cooperative principles: cooperation among cooperatives and concern for community.

Due to cutbacks in food-stamp allocations, the food pantry found itself regularly servicing more and more households. To kick off the month, we decided to offer a pancake breakfast, free with a donation of food, money, or household goods to the food pantry.

The Dunn County Electric Cooperative volunteered its space for the event—a large building with plen-

ty of room for parking. Our local newspaper generously provided space to announce the event at a reduced cost. A local radio station broadcast live from the site. The menu included pancakes, sausage, coffee, milk, and juice. We rented a large pancake griddle from a nearby service club, along with a drill attachment to stir the batter. All costs were shared by the participating coops, depending on their ability to pay.

We certainly were nervous the first year. But nearly 1,000 people came, donating over 900 items and nearly \$300 for the food pantry. All volunteers were eager to participate again in 1998. Patrons especially seemed to enjoy the young girls and boys who helped carry plates and cups to the tables.

To promote Co-op Month, each cooperative set up a booth at the event. Volunteers staffed the booths, handing out information and answering questions. Some booths held drawings for prizes or gave away small items. The second year, a childcare co-op provided storytelling and helped children draw pictures of kids helping others—cooperating.

We were by far the smallest co-op participating. We donated all the pancake mix—organic multi-grain healthy stuff that our wholesaler, Blooming Prairie Natural Foods, helped us acquire at a reduced price. We believe the breakfast has introduced us to many people in the community who did not know we existed. We look forward to participating for many years to come!

*Erica Eddy, CoManager*

## VI. REFERENCE MATERIALS

### A. Explanation of the Cooperative Principles

In addition to their common values, all co-ops share seven basic principles. These co-op principles are guidelines for how to put ideals and values into practice. They help co-ops maintain both the spirit and structure of cooperation and distinguish co-ops from other types of organizations and businesses. Co-ops are one of very few types of businesses that adhere to a set of principles.

These principles are significant because they outline a democratic structure that can be adapted to businesses providing many different kinds of services and products. Two of the seven principles describe who owns a co-op, two describe how decisions are made, and three list specific ways that co-ops put their beliefs into action.

#### *Ownership*

1. **Open and voluntary membership:** Co-ops do not limit who may join and become a co-owner of the co-op for any social, political, or religious reasons. They are open to all who can make use of the co-ops' services and are willing to accept the responsibilities involved. In a co-op, members may join or withdraw whenever they wish, and cooperatives do not force people to join or be members against their will. Nonetheless, co-ops can and do have membership *requirements*—such as fees, an investment, or an application process.
2. **Members' economic participation:** This principle has many distinct aspects, all based on the basic idea that co-ops—and their money—are owned and controlled by their members.
  - Members, as the owners, provide the money needed to start and operate the business. But, regardless of the amount invested by a member, decisions are made democratically.
  - To encourage members to invest in the co-op and to compensate them for the use of their money, co-ops can pay dividends (like interest) to their members. However, when co-ops do so, the dividend rate must be limited. This rule prevents people from investing in co-ops just for the speculative purpose of earning a financial return and keeps the co-op in the hands of those who really want to use its services. Most state laws fix the rate of return on members' investments at a relatively low level, such as 6 to 8 percent.
  - Surplus, or profit, resulting from the operations of the co-op belongs to the members (the owners), and they control how it will be distributed. Members may allocate surplus to reserves (to replace equipment or expand product line), may choose to use it to support other activities, or may allocate it to members.
  - Surplus allocated to members is distributed in proportion to the amount of business each member has conducted with the cooperative. In this way, any return of surplus to members is handled equitably—to avoid one member gaining at the expense of others. These distributions are called patronage refunds. REI (Recreational Equipment, Inc.) is an example of a co-op that makes patronage refunds to its members, typically about 9 percent per year. A member of REI who purchases \$1,000 worth of goods in a year will receive a patronage refund of \$90, while a member whose purchases total \$100 will receive a patronage refund of \$9.

Co-ops apply this principle in a wide variety of ways to fit their own circumstances and operations. But, in all cases, the board of directors has the authority to set specific policies (such as to determine the amount of capital required or the amount of patronage refund to distribute) that are in the best interests of both

the co-op and its members. In total, this principle describes unique ways that co-ops handle money and reinforces the idea that it is a co-op's purpose to provide mutual benefit and to distribute the proceeds of the business equitably to its members. After all, the members are the owners!

### *Decision Making*

3. **Democratic member control:** All members of a co-op are equal co-owners in the cooperative business. Each member has equal voting and decision-making power in the governance of the business on the basis of *one vote per member*. In contrast, owners of more traditional corporations have one vote per share (the number of votes stockholders have depends on the amount of money they have invested). Co-ops offer a more democratically based system.

At many co-ops, memberships may consist of individuals or households. However, consistent with the principle of democratic control, each membership gets just one vote in co-op matters, not each individual who may be a part of a household membership. Most importantly, each member (membership) gets one vote, regardless of the level of his or her investment at the co-op.

4. **Autonomy and independence:** Cooperatives are independent, self-help organizations controlled by their members. If they enter into agreements with other organizations (such as government agencies) or raise money from outside sources (such as banks), they do so only on terms that ensure democratic control by their members. This principle protects co-ops from being controlled by government or development agencies—however well intentioned they may be. Members must clearly retain decision-making control of their cooperatives so that co-ops can follow members' wishes.

### *Special Practices*

5. **Education, training, and information:** The role of a co-op member is quite different from the role of a customer at a traditional business. A co-op member is simultaneously the co-op's customer, owner, and decision maker. Educating members and leaders about the principles, practices, and structure of the cooperative business is vital. There can be no cooperation without cooperators, and cooperators need to know how to use and lead cooperatives effectively. Co-op education programs provide members with information about co-ops and co-op ownership (voting, membership rights, governance systems, etc.) as well as about the products and services of the co-op (nutrition, food production, consumer value, etc.). Finally, co-ops must also educate the general public, young people, and leaders, so they too understand the nature and benefits of cooperation.
6. **Concern for community:** Every co-op operates in a community that extends beyond its own sphere of operation. Its actions affect that larger community. While member needs are their primary concern, cooperatives also work for the development of their communities in positive ways. Co-ops have an obligation to contribute to strong and sustainable economic solutions for community needs, not just to provide charitable contributions to local groups.
7. **Cooperation among cooperatives:** To bring the theory of working together full circle, co-ops recognize the vital importance of working with other co-ops—locally, regionally, nationally, and internationally. Through these efforts, co-ops try to help each other—to strengthen their economic positions through these efforts and to contribute to the co-op movement. When co-ops work together, either regionally (such as when all New England co-ops promote Co-op Month) or within an industry (such as when all natural foods co-ops work for labeling standards on products), they can often accomplish more for the benefit of their members.



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## C. Glossary of Terms

**annual meeting**—the meeting required of all corporations at which shareholders or owners can receive a report on the financial and organizational status of their company and at which, usually, directors are elected

**capital**—money used in a business, whether supplied by owners or borrowed

**consumer co-op**—a cooperative whose primary purpose is to provide goods or services to members primarily for their personal consumption

**dividend**—amounts paid to business owners based on their investments. Typically, dividends represent a share of profits paid to shareholders in proportion to the number of shares held. Cooperatives sometimes pay dividends as a means to encourage member investment.

**dues or member fees**—annual payments made to the co-op to maintain or establish membership. Dues or fees are taxable income and do not provide the ownership investment needed to provide a co-op's equity base.

**equity**—the ownership interest in a business. Equity is most simply calculated by subtracting all liabilities (amounts owed) from all assets (amounts and property owned). Equity is made up of investments by owners (members) and the cumulative profit of the business.

**escheatment**—the process through which a state regulates and takes possession of property abandoned (or thought to be abandoned) by individuals. Escheatment laws especially affect co-ops dealing with the “abandoned” equity of inactive member accounts.

**governance**—the decision-making system of the co-op. Governance generally refers to the system by which members make decisions (e.g. elect directors, vote on referenda) and also the area of focus for the board of directors—as distinct from the operational area.

**inactive member**—a co-op member no longer purchasing at a minimum level, no longer making equity investments, or no longer living in the local area.

**member**—a co-owner of a co-op. Co-op members become co-owners by joining the co-op, making or pledging to make the required investment, and agreeing to abide by the co-op's rules. In exchange, co-op member-owners earn the right to vote in co-op elections, to participate in co-op decision making, and to receive member benefits.

**membership shares or shares**—the investment made by co-op members. Shares are like stock in traditional businesses, but because of special rules, membership shares are not subject to the same regulations that govern trading stock. For that reason, most co-ops prefer to use the term *share* in reference to member investments. Member shares are not taxable income to the co-op but are refundable to the member based on the terms and conditions established by the co-op.

**net savings**—total income (sales) less total expenses; net profit

**patronage refund or patronage rebate**—distribution of profits made by co-ops to members, in proportion to members' use or purchases from the co-op; also called patronage dividends

**repurchase**—the repayment to members of their equity investment in the co-op upon termination of membership. The co-op repurchases shares back from former members.

