

www.WHY.COOP

CONCEPT DOCUMENT

filene 
IDEAS • INNOVATION • IMPLEMENTATION

INTRODUCTION

co•op•er•a•tive [koh-*op*-er-*uh*-tiv]

Owned by their members who use their services or purchase their products, co-ops can provide virtually any product or service, and can be either non-profit or for-profit enterprises. Co-ops are formed by their members when the marketplace fails to provide needed goods or services at affordable prices and acceptable quality. The cooperative sector keeps dollars circulating within the local economy, provides secure employment, and is a means to revitalize and sustain healthy communities.

Cooperatives live by the 7 international principles of:

- 1) Voluntary and open membership
- 2) Democratic member control
- 3) Member economic participation
- 4) Autonomy and independence
- 5) Education, training, and information
- 6) Cooperation among cooperatives
- 7) Concern for the community

Cooperatives can generally be divided into four types: (1) consumer; (2) producer; (3) purchasing and shared services; and (4) worker.

Consumer Cooperatives—Consumer cooperatives are owned by the people who buy the goods or use the services of the cooperative. They sell consumer goods such as food and outdoors equipment. They provide housing, electricity, and telecommunications. And they offer financial (credit unions), healthcare, childcare, and funeral services. Almost any consumer needs can be met by a cooperative.

Producer Cooperatives—Producer cooperatives are owned by people who produce similar types of products—by farmers who grow crops, raise cattle, milk cows, or by craftsmen and artisans. By banding together, they leverage greater bargaining power with buyers. They also combine resources to more effectively market and brand their products, thereby improving the incomes of their members.

Purchasing/Shared Services Cooperatives—Purchasing and shared services cooperatives are owned and governed by independent business owners, small municipalities and, in some cases, state governments that band together to enhance their purchasing power, lowering their costs and improving their competitiveness and ability to provide quality services. They operate in all sectors of the economy.

Worker Cooperatives—Worker cooperatives are owned and governed by the employees of the business. They operate in all sectors of the economy and provide workers with both employment and ownership opportunities. Examples include employee-owned food stores, processing companies, restaurants, taxicab companies, sewing companies, timber processors, and light and heavy industry.¹

Cooperatives are organized to meet an unmet need, either due to the good or service not being offered or the price being unaffordable. For example, in the 1930's rural electric cooperatives were formed because investor owned utility companies refused to offer electricity due to the lack of opportunity to make a profit. Credit unions were formed because people of modest means were unable to access financial services at reasonable costs. In the 1960's-70's many food cooperatives started by being the first to offer organic foods. More recently, purchasing cooperatives have allowed small businesses to pool their purchases together to allow them to compete with larger retailers.

¹ <http://www.ncba.coop/abcoop.cfm>

EXECUTIVE SUMMARY

An i³ team, through the Filene Research Institute, is working to reposition the credit union industry as part of the broader cooperative community to the mutual benefit of all cooperatives. This will be accomplished by building a gateway to connect cooperatives of all types. www.why.coop will also be available for browsing by the general public in order to build overall awareness of the cooperative movement and increase business opportunities.

The goal of this website will be to lead, cultivate, and connect the United States cooperative sector as it has never been connected. www.why.coop will create a cooperative connector in order to uncover business opportunities for all cooperatives involved. The importance of the cooperative movement will also be stressed through published success stories from co-ops who have already teamed together to better serve their communities.

The *Why Coop?* team reached out and partnered with the National Cooperative Business Association (NCBA) to develop this gateway. NCBA is the lead national membership association representing cooperatives of all types and in all industries in the United States.

Why Coop? also has reached out to the Credit Union National Association (CUNA) in order to include credit unions in this solution. CUNA recognizes the importance of including credit unions in the broader cooperative movement through its Cooperative Alliance Committee. The committee serves as the credit union system's liaison with the larger cooperative community in order to facilitate the exchange of ideas that foster mutually beneficial partnerships, alliances, and opportunities between credit unions and cooperatives.

OPPORTUNITY

For 100 years most credit unions have lived outside the broader cooperative world. Some may even say that credit unions have not adhered to the sixth principle of cooperatives, cooperation among cooperatives, in its truest form. While credit unions share, collaborate, and cooperate among each other they typically do not feel integrated into the broader cooperative movement. They tend to look at the other cooperative sectors as very different than themselves rather than emphasizing the common traits and heritage.

There are many different types of cooperatives, serving diverse needs across the United States and the world, but rarely do these co-ops cooperate and collaborate with each other. Instead, they often work independently of each other. "If co-ops nationwide recognized the colossal power they already have, they'd dwarf AARP," said Roberta McDonald, Cabot (VT) Creamery Cooperative Senior Vice President of Marketing.²

Mark Wolff, Senior Vice President - Communications, Credit Union National Association and staff liaison to CUNA's Cooperative Alliance Committee, further stated the opportunity when he said "With their shared history, philosophy, and values co-ops are or should be natural partners, and doing business together will make everyone stronger. More co-ops are likely to come to that realization if we can bridge the gaps that now exist in awareness and understanding."³

² "Cooperative Venture," Darla Denovsek, Credit Union Magazine, March 2008, p. 54

³ Discussions with mark Wolf, Senior Vice President – Communications, Credit Union National Association

As the US economy has faltered many suggest that the time for a new business model, one based on cooperation, where the consumer is ultimately the owner, is the new solution. “Cooperatives provide a “common way” for individuals to achieve both personal benefit and common good. More than ever, the cooperative approach will be a foundation for meeting the 21st century’s challenges, seen and unforeseen.”⁴

ENVIRONMENTAL SCAN

Many people in the credit union industry know and understand that our organizations are financial cooperatives. We pool the financial resources of our members and use those for the benefit of all members through financial products that promote thrift and responsible lending.

But credit unions are only a part of a much larger cooperative community.

As we celebrate our 100th anniversary in the United States, it needs to become apparent to the credit union industry that we are just a part of a larger cooperative context in our country. It’s also ironic that as we celebrate this centennial that our country is gripped in the deepest economic crisis since the Great Depression.

“What caused our current economic crisis? It was greed, deregulation, predatory lending, so the popular thought goes,” says Paul Hazen, President/CEO, National Cooperative Business Association. “People want to know where we go from here, what sort of business model could have averted the crisis....We need to invest in business cooperatives.”⁵

The American cooperative movement is alive and well, and in many cases thriving, but it thrives far too often disconnected from its peers. This creates opportunity costs and inhibits cooperatives from having an even greater impact for both economic and social progress in their communities. The time is now to bring these sectors together and credit unions, as the largest sector, have an obligation to lead the charge.

The United States Department of Agriculture (USDA) has been working with the University of Wisconsin over the past year to produce the largest study of American cooperatives. While the results are not fully released, they show the impressive nature of just a portion of US cooperatives.

“The four largest cooperative sectors in the United States hold more than \$1 trillion in assets, generate \$220 billion in revenue, and serve 107 million members,” according to a recent study by the University of Wisconsin. These four sectors include agricultural cooperatives, credit unions, farm credit cooperatives, and electric cooperatives, and employ over 435,000 Americans with annual wages in excess of \$19 billion.⁶

There are over 26,000 cooperatives in the United States, including more than 18,000 non-credit union cooperatives.⁷ When looking beyond the United States, the impact of cooperatives approaches staggering numbers. One billion people in over 100 countries worldwide are members of cooperatives.⁸

The sheer size of the United States cooperative movement should be an appealing market for credit unions to seek entry into.

⁴ “The Next 100 Years: A Blueprint for the Cooperative Century,” Chip Filson, 2009 Credit Union Directory

⁵ “Refuge in a Time of Crisis,” Paul Hazen, Cooperative Business Journal, November/December 2008, p. 2

⁶ University of Wisconsin study

⁷ Discussions with Adam Schwartz, Vice President of Member Services, National Cooperative Business Association, February 12, 2009

⁸ <http://www.ncba.coop>

SOLUTION

Why Coop has partnered with the National Cooperative Business Association to conceptually develop a gateway for cooperatives to find one another. *Why Coop* is proposing the development of a collaborative web site to connect cooperatives of all sectors together for the benefit of the cooperative movement.

The online gateway would be composed of three main sections:

LEARN: Section one would provide information about cooperatives. It would be static detail that would be a single data gathering point for those interested in cooperatives. Information would include how to start a cooperative and the benefits of cooperatives.

FIND: Section two would be a co-op connector tool. It would allow a user to find cooperatives in certain areas of the country for the purpose of collaboration. The tool, pictured in demo version below, would ask a user for geographic information (i.e. city, state, or zip code), and then query a database of cooperatives to return results that meet the user's requests such as all co-ops within 20 miles, or by a specific service or good that they would be searching.

Several individual databases exist to begin the population of the single database. These would come from credit unions, farm credit cooperatives, agricultural cooperatives, and electric cooperatives. It is hoped that the USDA will publicly release the information from the University of Wisconsin's cooperative study. The National Cooperative Business Association is working with the USDA for this release. Users will be able to update their cooperative profile.

SUCCEED: Section three would share cooperative collaboration success stories. Users will be able to learn about cross-sector collaboration efforts among cooperatives that have yielded growth and further success for all parties. Users will be able to share these stories with others or contribute their own stories of cooperation.

Future enhancements might include cooperative news feed and advertising opportunities.

An example of the www.why.coop home page is listed below.



Welcome to www.why.COOP

Your online resource for information about cooperatives in the United States.

Learn About Cooperatives

What's a COOP?
Principles of Collaboration
How To Start A COOP

Find A Cooperative

Select State:

Cooperatives Collaboration

Cooperative Success Stories

News:

M&M Co-op shares high distribution

Co-op seeks rewards of new economic vision

Plans continue for grocery co-op in Scranton

We say ... Find freezer room for the B-Town co-op



MEMBER BENEFITS

Members can benefit when their credit union partners with other cooperative businesses to provide opportunities for all to save money or have peace of mind.

CREDIT UNION BENEFITS

Paul Hazen, President/CEO of NCBA, identified the most important benefit to credit unions when he said, "We know from our experience that once individuals get involved with one type of co-op, they're much more likely to do business with another."⁹

"By promoting synergies among co-ops, credit unions seize growth opportunities and differentiate themselves to consumers and legislators."¹⁰

Non-credit union members would be able to learn about the benefits of credit unions and, therefore, provide new member opportunities for credit unions. One such example of this collaboration is between Spire Federal Credit Union and the Wedge Natural Foods Co-op.¹¹ The Wedge is offering its members an affinity credit card that is free from the fine-print, bait and switch of most bank cards. The credit union benefits by gaining access to new members. The Wedge benefits by providing additional value to its members and

⁹ "Cooperative Venture," Darla Denovsek, Credit Union Magazine, March 2008, p. 56

¹⁰ "Cooperative Venture," Darla Denovsek, Credit Union Magazine, March 2008, p. 52

¹¹ <http://www.wedge.coop/newsletter/article/930.html>

earning a revenue stream from the use of the credit card. And both co-ops hopefully benefit through the keener understanding of cooperatives.

TARGET MARKET

The target market for www.why.coop is made up of two primary groups. The first group is defined as the “true believers.” These are people who are passionate about cooperatives and see the distinct advantages that the cooperative business model brings to the American economy.

The second target market is comprised of the “what’s in it for me” group. These cooperative supporters are looking for ways to grow their cooperative and will see the gateway as a source for potential collaborations with other cooperatives. One segment of this group will be credit union CEOs and Vice Presidents of Marketing.

OPERATIONAL AND OTHER CONSIDERATIONS

To develop www.why.coop and its related database will require approximately \$25,000 to \$30,000 in initial capital. This is based on the development quote of a web site designer who developed a similar web site for Canadian cooperatives. The project would include requirement analysis, planning & design, development & implementation, testing & modification, and launch, as well as hosting for one year. Potential exists to offshore the development and reduce the cost further.

Success stories will be gathered through credit unions, CUNA’s Cooperative Alliance Committee, and the National Cooperative Business Association.

The database will be populated by the results from the University of Wisconsin’s recent cooperative study. In the unlikely event this data is not made publicly available, the i³ team will gather data from sector wide sources and populate the database as ninety percent of this information is already readily in the public domain but not easily accessed.

Second phase targets of the gateway include incorporating daily news feed about cooperatives. A source for these news feed exists through the University of Wisconsin. Initial research shows it could be reactivated for less than \$10,000 per year. Also being considered is the idea to allow cooperatives to sell banner ads on the website.

There are two significant operational considerations that need to be resolved. The first is who owns the project. Once developed, www.why.coop will need to be maintained and updated. One option is to create a cooperative to own and run the gateway that would be managed through NCBA and governed via cooperative leaders from the various sectors. Other options include working with CUNA’s Cooperative Alliance Committee.

The second consideration would be funding the development and maintenance. The NCBA will aid us in this endeavor through solicitation and potential grant requests and believes that there is broad level support for our gateway through various cooperative sectors.

PROOF OF CONCEPT

While the www.why.coop gateway has not been developed or tested, similar cooperative tools exist in Canada and Great Britain.

A Canadian version of our gateway is a project of the Ontario Co-operative Association, Inc. to maintain a searchable database of all active co-operatives, credit unions and caisses populaires based in, or operating in, Ontario, including contact information and a general description of the organization. The directory is designed as a co-op resource and a source of information on the breadth, scope, diversity, and location of Ontario co-operatives.¹²

In Great Britain, the Co-Operative Group¹³ is a unique family of businesses run by over two-and-a-half million members, each of whom has a say in how they are run. They provide cooperative services across a variety of sectors, including finance, food, travel, pharmacy, funeral service, and legal care; they have over 2.5 million members and serve around 10 million customers a week. The cooperative is values driven, and the products and services of each of their businesses show that good quality products and value don't have to come at the expense of honesty and social responsibility.

GETTING STARTED

1. Present *Why Coop?* idea to CUNA's Cooperative Alliance Committee in early May.
2. Make decision regarding who owns, runs, and maintains the gateway.
3. Begin fund-raising efforts.
4. Finalize scope of project for IT development.
5. Begin marketing tactics.

MARKETING TACTICS

NCBA has offered assistance in developing a full marketing plan to involve outreach to all the sectors. In addition, they have offered to meet with their contacts at Google's non-profit division to maximize search engine optimization.

Obtain support and commitment from CUNA's Cooperative Alliance Committee to promote *Why Co-op?* through CUNA's web sites and publications.

Additional promotion will include the use of press releases to the credit union industry.

¹² <http://www.coopsontario.com/edirectory>

¹³ <http://www.co-operative.coop>

PROJECT TEAM

Filene i³ is a creative group of insightful and energetic credit unions professional who develop new ideas, innovate, and implement for the benefit of the credit union system. Please visit filene.org/home/innovation or email innovation@filene.org to learn more. The team members who developed this idea are:

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