

# THE ABCs OF CO-OP IMPACT



## CONSUMER COOPERATIVES: A FRAMEWORK FOR MEASURING IMPACT

### ABOUT THE ABCs

This sector report examines how consumer co-op ownership influences economic activity, community vitality and individual well-being based on a seven-factor framework developed by the Urban Institute in partnership with NCBA CLUSA and the Cooperative Development Foundation. These factors are: Access; Business Sustainability; Community Commitment; Democratic Governance and Empowerment; Equity, Diversity and Inclusion; Financial Security and Advancement; and Growth.

### ABOUT CONSUMER CO-OPS

Consumer cooperatives are businesses owned and controlled by the people who purchase from them. People become member-owners for access to quality, affordable goods and services ranging from natural foods to insurance and even recreational equipment—many of them otherwise unavailable at for-profit businesses. America's first successful consumer co-op was formed by Benjamin Franklin to provide property insurance after fires swept through Philadelphia.

Consumer cooperative members can be involved in the running of the business but, more frequently, their primary involvement is the consumption of its goods or services. Consumer food co-ops in the U.S. represent a more than \$2 billion segment of the grocery market, counting over 1.3 million member-owners. Unlike corporate grocery chains, food co-ops are independent and owned by the community members who shop there, allowing them to focus on building strong regional food systems, creating sustainable jobs and investing in their communities.

While food co-ops are the most common example, consumer cooperatives operate across a wide array of industries. REI Co-op, the largest consumer cooperative in the U.S., was founded in 1938 when a group of mountain climbers decided to work together to source quality, affordable gear. Today, REI has 18 million members and invests more than 70 percent of its annual profits back into the community.<sup>1</sup>

<sup>1</sup> REI Co-op, "Who we are," 2020, [rei.com/about-rei](http://rei.com/about-rei)

### THE FIRST CONSUMER CO-OP

All participants in the modern cooperative movement can trace their origins to a small group of textile mill workers in Lancashire, England who formed the first successful consumer cooperative in 1844. Unhappy with steep prices of food and household goods, and set against the backdrop of industrialization and trade policy, these workers decided consumers should have a greater say in their businesses and communities.

This group of cooperators—now known as the Rochdale Pioneers—first articulated and formally incorporated many of the principles that still define cooperative enterprise today:

- voluntary and open membership
- democratic member control
- member economic participation
- autonomy and independence
- education, training and information
- cooperation among cooperatives
- concern for community



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# CONSUMER CO-OP IMPACT BY THE NUMBERS



FOOD CO-OPS REPRESENT OVER  
**\$2 BILLION**  
OF THE GROCERY  
MARKET WITH OVER  
**1.3 MILLION**  
MEMBER-OWNERS<sup>2</sup>



FOR EVERY  
**\$1,000**  
SPENT AT A FOOD CO-OP,  
**\$1,604**  
IS INVESTED BACK INTO  
THE LOCAL ECONOMY<sup>3</sup>



COMPARED TO  
CONVENTIONAL GROCERY  
STORES, FOOD CO-OPS  
**RECYCLE NEARLY  
DOUBLE**  
THE AMOUNT OF PLASTICS  
AND FOOD WASTE<sup>4</sup>



LOCAL PRODUCTS MAKE UP  
**21%**  
OF FOOD CO-OP SALES,  
COMPARED TO THE NATIONAL  
GROCERY AVERAGE OF  
**1.8%**<sup>5</sup>



FOOD CO-OPS CREATE  
**9.3 JOBS**  
PER \$1 MILLION IN SALES,  
COMPARED TO  
**5.8**  
AT TRADITIONAL GROCERY STORES<sup>6</sup>



FOOD COOPERATIVES  
PAY ABOUT  
**7%**  
MORE THAN GROCERY  
STORES FOR THE  
SAME WORK<sup>7</sup>

<sup>2</sup> "You are the Co-op Difference." ICA Group, 2017. Commissioned by National Co+op Grocers.

<sup>3</sup> "You are the Co-op Difference." ICA Group, 2017. Commissioned by National Co+op Grocers.

<sup>4</sup> "You are the Co-op Difference." ICA Group, 2017. Commissioned by National Co+op Grocers.

<sup>5</sup> "You are the Co-op Difference." ICA Group, 2017. Commissioned by National Co+op Grocers.

<sup>6</sup> National Co+op Grocers, "Healthy Foods Healthy Communities: Measuring the Social and Economic Impact of Food Co-ops." *Stronger Together*, 2013

<sup>7</sup> "You are the Co-op Difference." ICA Group, 2017. Commissioned by National Co+op Grocers.

## THE ABCs OF CONSUMER CO-OP IMPACT

### A CCESS

The primary driver of consumer cooperatives has always been access to goods or services beyond what is provided by the conventional, investor-owned model. In the 19th century, it was affordable food. A "new wave" of food co-ops in the late 1960s and 70s focused on natural, organic foods—products that were in demand, but not readily available in supermarkets. These new food co-ops not only wanted better access to products, but also an ethical, transparent food system. Food co-ops were early innovators in their adoption of fair trade goods, and have been at the forefront of meeting the recent demand for locally-sourced foods.

### B USINESS SUSTAINABILITY

The tenacious nature of many local food cooperatives—surviving for 40 or 50 years in the highly competitive and low-margin grocery industry—is a testament to the sustainability of the consumer cooperative model. Of the 100+ new food co-ops that have started in the last decade, about two-thirds are still operating,<sup>8</sup> a high rate of survival for such startup businesses, which do not have access to the same capital sources as some of their investor-owned competitors. Food co-ops also contribute to the sustainability of

<sup>8</sup> Food Co-op Initiative, interview

other businesses by purchasing 21 percent of their products from local suppliers, compared to less than 2 percent at conventional grocery stores.<sup>9</sup>

### **C**OMMUNITY COMMITMENT

Food co-ops give generously to local charities. In 2016, they contributed more than \$2.6 million, a rate of giving that is 44 percent higher as a percentage of revenue than the typical grocery store. The average food co-op also donates more than 24,000 pounds of healthy food to community food banks every year.<sup>10</sup> And food co-ops lead the grocery sector in recycling rates, energy conservation and the effective containment of refrigerants, a major contributor to greenhouse gases.<sup>11</sup>

### **D**EMOCRATIC GOVERNANCE AND EMPOWERMENT

Food co-ops are a testament to how people, working together, can change the behavior of markets to reflect their values. Given the opportunity to influence not just what they consumed, but how their food was produced and sold, food co-op members stepped up. Minimal and recyclable packaging, organic products and nutritional labeling are all ubiquitous elements of the general food market now; each saw their start in the cooperative movement.

### **E**QUITY, DIVERSITY AND INCLUSION

Since 2005, many “third wave” food co-ops have launched specifically to create open, inclusive and diverse stores that represent their communities. Durham Co-op Market’s Food for All program provides a discounted member-ownership fee and 20 percent discount on all products for customers who qualify for federal food-assistance programs.<sup>12</sup> Programs like “Co+op Basics” help food co-ops across the country offer a core array of more than 100 basic grocery and household items at below suggested retail price. This everyday low pricing structure helps members on a budget to quickly identify the lowest priced offering in a category, making co-op shopping more accessible to everyone.

9 “You are the Co-op Difference.” ICA Group, 2017, commissioned by National Co+op Grocers

10 “You are the Co-op Difference.” ICA Group, 2017, commissioned by National Co+op Grocers.

11 National Co+op Grocers, “Healthy Foods Healthy Communities,” accessed at [strongertogether.coop](http://strongertogether.coop).

12 Warren, Debby. “Can Our Nation’s Food Co-ops Meet the Twin Challenges of Market Success and Racial Equity?” *Nonprofit Quarterly*, July 2019.

### **F**INANCIAL SECURITY AND ADVANCEMENT

The average hourly earnings of food co-op workers are about 7 percent higher on average than other grocery stores. In an industry that relies heavily on part-time labor, food co-ops also stand out with over 60 percent of employees working full-time with benefits, compared to 43 percent in conventional stores. Because of this, more than two-thirds of co-op employees qualify for health insurance, compared to just over half of regular grocery store workers.<sup>13</sup>

### **G**ROWTH

Data from National Co+op Grocers show that consumer food cooperatives create more jobs than other kinds of grocery stores—9.3 jobs for every \$1 million in sales, compared to 5.8 jobs at traditional grocery stores that rely more on automation and centralized managerial functions.<sup>14</sup> Combined with their preference to source locally, hiring more local employees means that the economic multiplier effects of a food co-op is far greater than that of a comparable conventionally-owned grocery store.

13 National Co+op Grocers, 2012.

14 National Co+op Grocers, 2012.



Photo: Mississippi Market

Food co-ops like Mississippi Market Natural Foods Co-op in St. Paul, Minnesota are a source of fresh, affordable food.



Photo: Sam Levitan

Recreational Equipment Inc. (REI) is the largest consumer co-op in the U.S.

## CASE STUDY

### ARCTIC CO-OPERATIVES LIMITED: A PATH TO SHARED PROSPERITY FOR REMOTE CANADIAN COMMUNITIES

When the single grocery store in Yukon Territory's most remote northern community closed, residents decided to take ownership of their food supply.

Even before it left town in 2014, their store didn't participate in Canada's Nutrition North program, which makes perishable, nutritious foods more affordable and accessible to remote communities by subsidizing the high cost of shipping and stocking items so far north.

"We had no say in what they would sell. We needed bread, eggs and milk, but a plane-full of pop, candy and chips would be coming in," said Paul Josie, a resident of Old Crow.

Meanwhile, the grocery chain was making its third-largest profits off the community—to the tune of \$1.8 million, said Tracy Rispin, General Manager of Old Crow Co-op. "To see that, and not see it [reflected] in the community, I didn't like it," she said.

In their search for an alternative, community leadership discovered Arctic Co-operatives Limited, a cooperative federation owned and controlled by 32 independent multi-purpose cooperative stores located in Nunavut, Northwest Territories and Yukon, Canada. Collectively, its members represent more than 20,000 households in Arctic Canada.

Arctic Co-operatives traces its roots back to the late 1950s, when changes in government health and education services began arriving in the Arctic, and people who had primarily been living a nomadic lifestyle began to settle in villages where such services were offered.

Its original purpose was to act as a collaborative agent to market authentic Inuit

Gordon Kukkuvak's six-year-old daughter proudly displays her first catch. Gordon is the winner of Arctic Co-operative's 2020 Co-op Calendar photo contest.



Photo: Gordon Kukkuvak

art and artisanal products. Fur harvesting and fisheries were also early cooperative ventures. A network of autonomous and independent grocery and general merchandise stores was launched in 1972 and, in 1981, the networks merged to form Arctic Co-operatives. Other services include grocery, general merchandise, fuel, cable TV and hospitality services.

Access to basic food and supplies is an obvious driver for Arctic Co-operatives, whose members service very remote communities, some with as few as 100 year-around residents, and half of which lie above the Arctic Circle. Business sustainability for each cooperative is greatly enhanced by their federated structure.

After the government, Arctic Co-operatives Limited is the major employer of Inuit people in the North of Canada, making it a primary engine of economic growth for these remote communities.