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Main
Features

The Changing Face of Member Participation

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1. Introduction

Co-op is at a crossroad in terms of how to achieve member participation. The old ways of member participation no longer work because the membership base has changed. Japanese lifestyle and family structural changes have led to a diverse membership, while the age of the Internet and information technology has empowered consumers by giving them information and communication tools. While in the past, the discussion revolved around how to increase participation through the conventional forms of education, purchasing and welfare activities, in 2008 the discussion has turned to –

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what does participation look like and how does Co-op create opportunities for participation?

Co-op's continuous growth in Japan can largely be attributed to its long history of grassroots-member participation that grew out of labour and social movements. Through these ties, Co-op played an important role in issues of food safety and welfare services, not to mention consumer livelihood standards and consumer purchasing behavior. Member Han groups were the base unit of merchandising and all activities, and this unique Japanese approach to member participation was respected by co-operatives throughout the world for its effectiveness.

Times have changed. In today's fast paced, information technology driven society, members don't have the time or the inclination for Han group activities. Member's reasons for joining the Co-op are now focused on convenience and shopping and accessing other services offered by the Co-op. They join Co-op for the convenience of home delivery and the assurance of quality, safe products. While many Co-op organizers lament the days when member activities grew out of political consciousness and they long for Co-op having a member base that wants to organize for change, today's members are perhaps more pragmatic and less ideological in their reasons for belonging to Co-op.

Against this new background, Co-op is now focused on how to define and create member participation that reflects and appeals to the diverse membership body. The importance of offering members ways to participate that are in-line with members' busy lifestyles and interests is of primary importance if Co-op is to live up to its principles and distinguish itself within the retail sector. This short article reviews some of the current discussions on member participation and presents the example of Co-op Kobe. Also the importance of the Internet as both a business and communication tool is discussed.

2. Member Participation – The Discussion Points

a) Han Groups

Discussion of participation has traditionally focused on the following four areas: 1) Members' share capital, 2) Patronage or usage, 3) Participation in management/operations, 4) Participation in activities. Today the discussion has moved toward investigating motivation. In other words, what is the motivation behind a consumer choosing to join a Co-op, buy Co-op merchandise or buy Co-op insurance and participate

in other Co-op activities? For the most part, the motivation to engage in these activities is simply through association. But this is not the only reason behind the motivation; there is also the motivation of community. For example, when a person moves into a new neighborhood and they see that joining the Co-op and using the home delivery system connects them to other neighbors that also use this service this allows them to share in a common interest. Furthermore, it gives the member an opportunity to converse with the delivery truck man and it can also provide an opportunity for children to learn and socialize. In this way, young women who are focused on the home and child rearing find in the Co-op a means to connect to the community in which they reside. In these terms, the participation is an instrument and not really the objective of the activity, but the participation fosters belonging to a community of consumers with mutual interest. It is important to remember that a community of interests can go beyond being local and can extend to global interests as well. In any discussion of Co-op member participation this larger picture should be kept in mind as Co-op chooses its activities, whether it be global warming or recycling, and its government and organizational affiliations.

As stated above, Japanese consumer Co-ops are famous among co-operatives worldwide for developing member Han groups as the unit of member participation. Han groups, however, are no longer feasible base units of member participation as the characteristics of the membership have changed. Group Han activities have steadily decreased in relation to the decreasing number of stay-at-home women, and as consumers have moved toward more individualized lifestyles. Co-op fortunately caught this trend early on and transferred their advanced information technology, which they had established through Han group delivery schemes, into individual member household delivery services. This has proved to be very effective and remains the backbone of Co-op retail activities.

Nonetheless, however much individual home delivery service has met retail/business expectations of Co-op; it has left much to be desired in terms of how Co-op can engage members to participate beyond the behavior of buying. While in the past, Han provided for group interaction and was the unit by which Co-op could have an exchange of information with its membership in terms of merchandise and policy; this is no longer the case. Furthermore, as a larger and larger percentage of members shop online or by catalog, Co-op stores, which provided meeting facilities for member activities and were the place of face-to-face exchanges among members and employees, no longer play the prominent role they once did in terms of member participation.

b) Health and Welfare Volunteer Opportunities for Members

Co-op health and welfare activities, that began as a grassroots volunteer mutual help organization for members now has limited member participation. The membership diversity, along with changing demographics and the aging population and changing laws have all impacted Co-op health and welfare activities and member involvement. These activities have evolved into insurance and welfare services that although still playing a crucial role in providing services for Co-op members, now have limited membership involvement due to laws and regulations that connect them to government programs that regulate volunteer helpers and their wages.

So while Co-op initially set up welfare services to respond to the needs of the membership which was based on volunteer members who went into the homes of the elderly and helped them with daily living such as gardening and cooking. And members also exchanged pet sitting services and childcare for a very small pay as compensation. Today, not only has these welfare services lost flexibility in terms of volunteer involvement, but it has also lost one of its most salient characteristics; mutual assistance among its members. The problems stems from the increasing diversification of the needs of members and Co-op's inability to alone meet these diverse needs. In this regard, one of the most important purposes of Co-op has been lost in terms of its welfare services.

c) Co-op Growth and Member Participation

With the amendments to the Consumers' Livelihood Co-operative Society Law in May 2007, Co-op can now extend their business across prefectural lines and business activities are quickly expanding. Co-ops around the nation, in an effort to compete with other retailers, are merging and integrating in order to have economies of scale in terms of buying power, member operations, IT and management. This growth, however, is in contradiction to developing member participation. As the business grows out beyond prefectural lines, member involvement becomes further dispersed the challenge for Co-op is how to create decentralized, smaller, meaningful units for members. In this regard Co-op sees two basic options. Members' organizations, along with the businesses, will merge beyond prefectural lines as a way to simplify the management of the members and decrease costs. Or, Co-ops will devise a system to create smaller units of member participation.

The question then is how does Co-op do this? Where one of the main incentives and

main means of member's participation in the past was Co-op Brand merchandise, whereby members could have input into each phase of the development process through Han groups and committees, today this system has broken down. The problem is now how to retain member input in the development of Co-op Brand merchandise in the future.

Co-op has put forth various schemes, but the best alternative, thus far, that appears to be working, is the soliciting of members' suggestion/opinions through the internet, mail or store opinion boxes. This method allows for members to participate in merchandise assortment and to a lesser degree merchandise development by voicing their opinions/complaints, ideas, desires and concerns about products and services to management.

3. JCCU's Proposal

Co-op's organizational format holds member participation at its core. JCCU has thus put forth a new proposal to increase member participation recognizing that the guidelines they put forth in the 1990s are no longer useful as the demographics of the membership have shifted and the Co-op's business model has changed in relation to the amendment of the Consumer Co-operative Law.

Co-op boasts that 30% of households in Japan hold a membership with a Co-op. The concern today is that this impressive number may render itself meaningless unless Co-op can continue to engage its members in participating in the organization. With this in mind, JCCU has put forth four proposals to promote member participation that address the diversity of the Co-op membership.

First, Co-op must aim to strengthen member participation in the business process and seek to have member's opinions at the core of the business. In order to do this the Internet is now the chosen method of communication. Developing member communication through the Co-op website, PAL System, is seen as the central way to gain feed back from consumers and encourage members to get involved. Co-op recognizes that it is not enough just for primary Co-ops to communicate with their core membership, but that as Co-ops merge and the scope of operations increase, it is very important for Co-ops to create means of communication right from the individual members up through smaller units and all the way through to the top apex organizations. Allowing information to be accessible to all necessary levels and divisions

within the Co-op organization, as it expands, is essential if Co-op is going to be an organization that is receptive to its members.

Second, Co-op must focus on how to create a mechanism to develop activities that are needed and of interest to their members. Because of the diverse nature of the membership, activities can no longer only be scheduled during the day and in the middle of the week in the way they used to be when the membership was mainly composed of stay-at-home women. Recognizing that members are busy and have many other activities competing for their attention, Co-op needs to develop activities that occur in the evening and on weekends in order to attract a broader base of the membership. Also the level of activities must meet the needs of the membership within any one community. For example, while food centered activities such as taste-testing are something that appeals to all levels of the membership, for the most part, activities such as child care, pet sitting and care for the elderly are activities that appeal to select groups within the membership. Co-op must also promote itself as a place where members can come together to develop creative interests and hobbies. In order to do this, Co-op should take advantage of information technology and develop interesting user friendly websites and data bases with chat rooms and blogging capability.

Third, it is essential for Co-op members to participate in the decision making process. Co-op recognizes that it is increasingly difficult to ensure member representation that reflects the diversity of the membership. With the core Han groups no longer a viable unit of member participation, in terms of electing representatives; the Co-op is now facing the task of how to get information out to members and how to entice them to make time in their busy lives to service on committees and boards. In particular, Co-op must come to grips with the question of how does Co-op elect representatives in a way that is representative of the entire membership, when the membership is so large and so diverse. Because of the sheer size of Co-op, it is now impossible to include all members in electing representatives and it is also difficult to elect board members that can respond to members' interests. Co-op is now looking toward the Internet as they work out a new system to elect representatives in order to have meaningful member participation.

Forth, in an effort to enlist member participation, JCCU has created an office devoted to the development of a network to create opportunities for members to participate and interact with members and employees through the co-ordination of area and block associations. They have further mandated the importance of transparency and

accountability of the budget in terms of all such activities. This is very important, as many nonprofit organizations (NPOs) are now springing up and offering many different services within communities and are in fact competing with the services traditionally offered by Co-op in communities.

4. Co-op Kobe Member Participation and Merchandise Development

Co-op Kobe, which dates back to 1962, has a long successful history of member participation and merchandise development. Han groups were the mechanism that served the two fold purpose of reflecting members need and opinions in merchandise development, while promoting loyalty to the Co-op Brand. As was stated earlier, beginning in the 1990s and since then, the Han system began to break down and lose its usefulness as the membership diversified. Furthermore, as Co-op Kobe expanded its operational area, the hold on the members seemed to loosen and member's activities became more formal and less familiar to participants as a result of the expansion. This created an alienation of the members and especially those members who were most committed and served on committees and boards. Furthermore, member participation became harder to incorporate into the decision making process as intense competition within the retail sector required rapid decisions with no time for member representative consultation.

Also, while in the past Co-op member participation was largely focused on food safety, since the passing of the New Food Safety Law in 2003, and subsequent government regulations to back food safety, the role of Co-op, in this capacity, has been diminished. This has left Co-op with the task of redefining Co-op's role and the role of member participation in terms of food safety. In this respect, Co-op Kobe is emphasizing that their role is to provide members with reliable information about food safety and food issues and provide members with forums to learn and exchange ideas thus encouraging their members to become self learners and well educated about food safety.

Co-op Kobe is the leader in terms of developing Co-op Brand merchandise. In fact, Co-op Kobe has developed 2,242 items which accounted for 85% of the total sales of all Co-op Brands sold in Japan in 2006. Co-op Kobe's success with developing Co-op Brand merchandise is due, to a large extent, to membership end-user input in the development process. Various mechanisms have been developed to encourage member input. For example, all 1.3 million members are encouraged to share their opinions with Co-op management through letters, telephone calls and emails and these opinions are all

collected, recorded and analyzed. Members are invited to sit on panels to test and monitor Co-op Brand merchandise. For those members who want to get further involved, there are opportunities to join Co-op Brand Merchandise Committees. Furthermore, leaders emerge from the membership and form community councils that provide feed back from the membership to Co-op.

Co-op Kobe uses a system called the Co-op Bell, to monitor daily member's opinions. Through this system, members are encouraged to share their opinions, concerns and ideas with the Co-op, through the Internet, opinion boxes, telephone and letters, with the assurance that their concerns will be answered and considered by management. For example, in 2006, members sent in 14,160 opinions about Co-op merchandise. In total, 45,741 opinions were collected about various aspects of the Co-op such as store inquiries or home delivery, member's activities and other services offered by Co-op. Co-op collects all the member input. It quantifies, classifies and summarizes the messages from the membership and from this data priorities are set. In fact, the information gathered is disseminated to all levels of the organization and is utilized in setting agendas and platforms from which the Co-op can go forward.

In terms of member participation, Co-op Kobe has also organized a Merchandise Monitor System that is responsible for testing merchandise and giving direct feed back to Co-op. In 2006, for example, Co-op Kobe conducted taste testing of 112 different products with each being evaluated by 90 different member shoppers at Co-op Stores and 220 members through the home delivery system. Seven years ago, they also organized a Co-op Merchandise Council which holds an annual meeting of 12 representatives to discuss the findings of the Merchandise Monitor System. Members are invited to come to the meeting and learn about the findings and express their opinions.

Also, the information is collected and presented to the membership at the Members' Leaders' Conference on Co-op Brand Merchandise Development and also at local Co-op Committee meetings. The results are also published in the Co-op New page and the Co-op Kobe web site home page. The Merchandise Leaders Conference together with local committees is now changing their focus to be one of information dissemination. Their aim is to strengthen the learning process of the membership. In addition to distributing the finds of the panels and other information about Co-op food safety they are now organizing public lectures for the membership.

5. PAL SYSTEM — Member Participation and the Internet

In terms of member participation today, the Internet is leading the way. Co-op developed the PAL system in 2001, and in 2007 more than 2.2 million members have signed on. In general, approximately 35% of all Co-op members have signed on to the PAL system. The number of members placing their order over the internet is now approximately 20% and for some Co-ops, such as Kanagawa Yume Co-op, 47% of the members are using the Internet. Co-op expects that in the near future, more than half of all orders will be placed through the Internet.

The PAL System has become the central mechanism for all member/customer relations management (CRM). It provides a means to reach out to members and communicate effectively with members. This communication mechanism is essential to developing a Co-op business that reflects members' expectations. And it is precisely this capability to communicate with members which is the difference between Co-op and other retailers and supermarkets. Through the PAL system, members can send in opinions and Co-op can ask for members' opinions in questionnaires etc. The PAL system aims to get responses back to members within 24 hours or less. The communication tool of the PAL system supports merchandise development and merchandise assortment while providing members with the opportunity to voice their opinions and have these opinions reflected in Co-op Brand merchandise.

For example, in 2005, JCCU developed a prototype for a new seafood mix. In order to test it before putting it on the market, they sent out 735 samples to select members for taste testing and received 707 responses. Members were asked to compare Sample A and sample B. Co-op then incorporated the results of this taste testing and produced sample C, which was again distributed to 735 members and this time 661 members, or 90% responded. Co-op then incorporate member's suggestions about sample C into a new seafood mix that then went to production. It is this sort of example that shows that members are interested in participating. In fact, the participants in this particular case even requested the results of the survey and as a follow-up these members posted their opinions and recipes on the Web.

The PAL System is very useful as a member participation tool. For example, members use it to send in feed-back about their delivery person, merchandise and the home delivery experiences as a whole. In fact, data shows that members enjoy comparing and

rating their delivery persons. Also Co-op can conduct various surveys such as energy use surveys and recycling surveys through the Internet. Once the surveys are completed, Co-op analyses the data and sends back to each member a personal statement of their own results and how it compares to the overall results. For example, through the Internet the number of members participating in the monitoring surveys at Tokyo My Co-op has doubled in the past few years as compared with traditional methods of surveys by mail. All in all, the Internet is providing new and convenient ways to communicate with the membership, although there is still a need for face-to-face communication.

6. Conclusions

Despite growth, Japanese consumer co-operatives face challenges as they move into the 21st century. Among these challenges, front and foremost, is defining what member participation looks like and how to translate this into activities that encourage member input into merchandise development, member patronage and ultimately members' loyalty. As member's lifestyles become faster paced and technology dependent, Co-op must strive to have member participation beyond shopping if it is going to live up to its ideals and distinguish itself as a co-operative. It is essential for Co-op to make this distinction through member participation as it moves forward.

SOURCE: Trends and Emerging Forms of Member Participation in Co-ops (in Japanese), *Review of Consumer Co-operative Studies*, No. 382, November 2007. Tokyo: Consumer Co-operative Institute of Japan.

News Items

Co-operative Insurance under the Revised Co-operative Law

Both domestic and foreign private sector insurers have increased the pressure on co-operative insurance businesses asking for equal footing in terms of protection of the insured and for financial safety (the solvency margin ratio and so on). Accordingly, other co-operative laws were revised during 2002-2006 and finally the Consumer Co-operative Law was revised last May. One of the major issues has been the changed regulatory framework for insurance businesses. At the CCIJ's Open Forum on Dec. 21 Prof.

Tomonobu Yamashita, University of Tokyo, presented a lecture on “Co-operative Insurance under the Revised Co-operative Law”. He distinguished co-op as a form of enterprise and an association for mutual help and pointed out different legal actions. He also admitted the necessity for a similar regulatory framework for insurance businesses, but raised questions on how co-ops would deal with converging and differentiating vectors.

Co-operative Bank’s Ethical Policy Showcased in Tokyo

Mr. David Dunn of the UK Co-operative Bank was invited to Japan to raise interests about social finance and ethical banking. He gave a knowledgeable presentation and answered questions at several events. On Jan. 19th and 20th, the International Forums on Ecological and Social Finance hosted by two nonprofits: Japan’s Eco Seed Saving Project and the Kanagawa Information Center for Citizen’s Activities. The former one was attended by youngsters and researchers, while the latter was attended by private bank officers. On Jan. 21st, CCIJ and the Association of Co-op Financial Institutions hosted a Symposium with 50 participants, mostly co-operative bank staff. These presentations made a visible impact on the Japanese financial sector and provided a great learning opportunity for co-operative banks.

Toward Energy Self-Sufficiency

In Jan. 29, CCIJ held an Open Forum featuring Mr. Yu Tanaka, the chairperson of the board of the Mirai Bank (mirai means the future), and one of the most prominent anti-military environmentalists in Japan today. Starting with the global-warming debate, he strongly asserted that it is not too early to change our heavily oil-dependent, military-driven destructive society into one that is sustainable and natural energy-based. In pursuit of this, he suggested such strategies as 1) rethinking seriously what businesses we are actually (through our saving and financing) lending money to, and 2) shifting to a more energy-saving life style. He stressed that an energy-saving and carbon-neutral life style is worth considering not only from a moral but also an economic standpoint. “Let us,” Mr. Tanaka concluded, “alter our way of thinking from what percent we are saving to what extent we are reaching the goal.” The goal he envisions is a sustainable society where energy is locally and naturally contained and where there is no need to assault other nations any longer.