SERVICE, MARKETING

& SECONDARY CO-OPERATIVES

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INTRODUCTION

Service co-operatives exist to provide a service to their members. This may seem to be a simplistic statement but it is an important part of the definition of a service co-operative and provides clues to its nature and its methods of working. It means for example that it does not provide services to other than its members and therefore that users of its services must become members.

A marketing Co-operative is a special form of service co-operative which specialises in providing its members with marketing services. So important is marketing to all forms of enterprise but especially to small and medium size businesses, and so effective have marketing co-operatives been throughout the world, that this particular form of service co-operative has received special attention.

A Secondary Co-operative is a co-operative which provides services to members who may themselves be co-operatives.

Members of the Co-operative pay for the services that they receive. It is not the function of a service co-operative, however, to make trading profits out of its members but to provide the most valuable possible services at the lowest possible cost.

Some Service Co-operatives are designed to be Mutual Trading Status Companies. This means that such profits as they do make are not subject to corporation tax and it is possible to use them as vehicles for the accumulation of surpluses which can be used to purchase assets of use to members - such as a building. Each individual case needs separate agreement with the local Inland Revenue Office.

EXAMPLES OF SERVICES CO-OPERATIVES PROVIDE.

Examples are wide ranging, reflecting the different needs of the members which they serve. They include:

- Collective purchasing of raw materials to ensure supply and benefit from discounts
- Taking on the lease of premises for joint occupancy (e. g. craft centres)
- Running training schemes
- Management Agencies (e.g. actors)
- Office and Communications Services (e.g. Taxi Drivers)
- Collective Marketing

CO-OPERATIVE PRINCIPLES

The following seven principles are generally regarded as the underlying principles of co-operation:

1. Membership is voluntary and open without artificial restriction to all who qualify.

2. Co-operatives are managed by persons elected by the members, or by all the members. Members have equal voting rights: one member one vote.

3. Capital invested, whether as shares or loans, receives only a limited return.

4. Profits or surpluses belong to the members and should be distributed or otherwise applied in such manner as avoids one member gaining at the expense of another.

5. All co-operatives should pursue social as well as commercial objectives.

6. All co-operative organisations should actively co-operate with one another in every practical way.

7. All co-operatives should consider environmental issues in their day to day running.

HOW THESE PRINCIPLES ARE APPLIED IN SERVICE CO-OPERATIVES.

1 <u>Open and voluntary membership.</u>

Service co-operatives are not cartels. They do not exist to help their members at the expense of others. Any person or organisation may apply to join the co-operative and the existing members should allow them to join if they agree to abide by the rules and pay the necessary fees and charges.

2 <u>One member one vote.</u>

This principle safeguards democracy. All users of the service, big or small, individual or corporate acquire voting rights. Extra votes cannot be acquired through investment or by affiliating organisations to acquire block votes. Simple democracy based on every member's right to vote and a knowledge that no vote will count for more than another is the best guarantee of support and involvement.

3 Limited return on capital.

Service co-operatives have the power to accept loans from members and from other individuals and organisations, including banks and finance companies, and to make reasonable interest payments. It is, however, contrary to true co-operative principles to enter into agreements which give over control of the organisation to those who provide financial support, by allowing them to purchase voting rights or to benefit from trading profits or from growth in the value of assets such as property holdings. The function of service co-operatives is to provide services to their members and, conceivably, to generate jobs and reward for those that carry them out, rather than to make large windfall profits for outside investors.

4 Equitable distribution of surpluses.

Co-operatives usually allocate their surpluses under three headings:

1. the reserves which are needed to carry on and improve the work of the co-operative (building up the assets)
2. charitable donations
3. bonuses or dividends to members

It is important that any distribution of surpluses between members is made on a basis which is fair and equitable. In a Service Co-operative this is usually based on the amount of services purchased by each member. Thus the share of profits distributed relates directly to the members commitment to the co-op and the purchasing power which they provide.

Co-operatives are self-help organisations and are entitled to generate services, jobs, payments and profits for their members.

5 Social objectives.

Co-operatives have a function beyond providing cost effective services to their members. By drawing together people and organisations with a common interest they usually provide a forum through which they can meet and support one another in many other ways. Co-operatives often take on a representational function and social function for their members. It is even a way by which members can express their social responsibility, drawing perhaps upon resources generated through increased income or saved expense generated by their Co-operative.

6 Co-operation between co-operatives

There are co-operatives in business, housing and community action in this country and throughout the world - literally hundreds of thousands of co-operative organisations with hundreds of millions of members, all pursuing their activities guided by the same essential principles. One of those principles is that the more we help and learn from one another the better off we will all be! A variety of linking initiatives and organisations are in place at

a local, national and international level. Some concentrate on trade, others on exchange of information and ideas.

7 Concern for the environment

Co-operatives are actively encouraged to consider environmental issues in the day to day running of their business. Waste paper, tins, bottles etc can be collected for recycling and many co-ops use recycled products themselves.

5 THE PROCESS OF STARTING A SERVICE CO-OPERATIVE

a Define the prospective membership and the potential service.

b Assess the needs

Establish the needs which you seek to address. In a "normal" business context this would be called "market research". Techniques include consultation, public discussion meetings, and surveys. Good advice on how to ask the right questions in the right way can be critical in getting relevant answers in a form easy to analyse. Assemble the evidence, statistical (survey results) and anecdotal (conversations, observations).

c Design the service

Having defined and quantified the needs it is possible to design the service to meet the need. It should now be possible to answer questions such as :

what is needed?
where?
when?
how often?
how many?
how much could users of the service afford to contribute?

d Establish the level of support

Having designed the service(s) to be provided it is important to check that a good number of the target membership will actually use the service now that it has taken shape - and that there are people who are actively prepared to make it happen and keep it running over time. You will need to demonstrate both these things if help or finance is to be attracted from elsewhere.

A group of interested people will almost certainly have grown up around the project. This is probably the point to look at establishing a formal organisation of some kind before taking responsibility for premises, bank accounts and employees.

e Work out the resources that will be needed to provide the service

Will you require premises, storage space, equipment, promotional material, workers? Will there be a requirement for working capital?

f Human resources

The most important resources needed are the people who do the work and manage the project. Try to assess the numbers of people required, the skills they will need and the training that they need to prepare them for their roles.

g Financial requirements

Two kinds of financial requirement need to be assessed - the start-up costs (add up the costs of what you need in part (e)), and the costs of keeping the services going (usually called the revenue requirement). You will need to have a good idea of both before you can approach anyone for support. The first question from most people is "great idea, how much will it cost me?".

LEGAL FORMAT

Most co-operatives are established as companies limited by guarantee. This legal format allows for limited liability for the members; for democratic management structures; and for a mixture of commercial and social objectives. There is a range of model Memoranda and Articles of Association to reflect the precise needs of individual co-operatives. Larger co-operatives can register as Industrial and Provident Societies. This also allows for limited liability.

Further information about how to develop service, marketing or secondary co-operatives can be obtained from:

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