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The topic title assigned to me was "How Do Consumers Finance and Operate Their Own Food Stores?" But I shall give greater stress to the word "why". Without some understanding of why consumers organize and patronize cooperatives, the "how" would be irrelevant. After all, the Co-op financing methods of 1960 are only slightly different than the methods of others. We sell notes, bonds and preferred stock at going interest rates. The only difference is that we sell them to our own area's people, rather than on the national money market. And we are getting away from the ownership of real estate, just as are the chains. We lease our newer store buildings from developers, who construct them to our specifications.

But let's take a quick overall look at the Central Cooperatives, Inc. family of co-ops, whom I represent on this panel.

Our typical local store co-op was organized in the early decades of the current century, by language-locked Finnish immigrant homesteaders or iron miners. The economic need for this typical co-op store was the unconscionable price and quality exploitation of these frontier consumers by private profit storekeepers. The psychological need was born of the feeling of individual insecurity in a big, strange, fast-moving country.

These immigrants set up co-op stores on the Rochdale principles of one-vote for each member, distribution of net savings on the basis of patronage rather than investment, and the other supplementary principles.

When World War One caused merchandise and manpower shortages, these local store co-ops in the northern parts of Minnesota, Michigan and Wisconsin set up their own merchandise supply, services and manpower training center, Central Cooperatives, Inc.. For many years it was a very loose federation, its patronage being optional to the local co-ops. For this reason, it developed slowly, and was at first unable to sufficiently help the local co-ops in turn.

But gradually, social, economic and cultural development of the area commenced to work changes within the CCI cooperatives. Spurred into action by the great depression, and attracted by the economic advantages and the democratic satisfactions afforded by ownership and control of co-ops, American-born consumers of various national origins commenced to join. This opened the door to greater development in the retail end.

But the most vital changes were forced on these CCI co-ops by commercial developments, and particularly by the advent of keener competition by chain stores. To be able to continue showing savings to the consumer, the local co-ops had to tighten their teamwork thru CCI, and to push further and further back into processing and raw materials sources, thru their own oil refineries and thru organizations such as National Cooperatives, Inc.. Purely local business operation, and even local financing became impractical in the advancing age of supermarkets and shopping centers. The Central had to be increasingly relied upon, to take economic and site surveys, to conduct financing drives, to develop standard store fronts and interiors, to train retail personnel, to group-advertise for all the affiliated stores, etc.

In this era of disappearing margins and improving retail services by the chains, CCI-family co-op executives have had to ask themselves some searching questions: "Is there a real need for co-ops in today's economy? Or are the top-down bigs doing such a fine, low-cost job of serving the consumer that we may as well fold up the co-op tent?" We think that we have found the answers to our questions. But on this, I would like to quote by boss, General Manager J. W. Koski of CCI:

"In this age of bigness - of big business, big labor and big government - the individual consumer is rapidly becoming defenseless," Mr. Koski said in a recent speech, "He is the guinea pig for the testing of untried new products. His mind, manners, motivations, morals and hidden cravings are being constantly analyzed by business and industrial psychologists. He is the target of an increasingly confusing barrage of misleading advertising, ceaselessly poured at his conscious and even sub-conscious mind...The reasons for the modern consumer's need of co-ops have been re-focused, but the needs are even more acute now than they were at the turn of the century. They need co-ops as trustworthy sources of truth in a welter of confusing claims. They need them because by their very nature cooperatives are on the consumer's side."

In their soul-searching self-analysis, the CCI family of co-ops has had to spell out its basic objectives and corporate personality, so as to have clearly-defined guideposts for business operations and expansion. And here is the way we in the CCI family of co-ops now see ourselves - here is the image we are trying to project thru deeds as well as words:

1. On the consumer's side. That phrase sums up the real heart of a cooperative. It describes what it is about the relationship of a co-op to its customers that is different from other business.
2. A co-op is made up of vigorous, pioneering and community-spirited people. It is a new type of business ownership suited to the needs of a democracy.
3. It is socially uplifting to belong to the co-ops, because they draw the most intelligent and sincere people in the community, the nation and the world."

We are trying to live up to this personality, to an ever-increasing extent.

We were the first in our area to introduce grade labeling of foods. And we always buy on the top level of government grades, rather than trying to get by with the least.

When it became certain that the Red-32 coal tar dye used by Florida orange growers was toxic to humans, we immediately banned all artificially-colored oranges from CCI and its affiliated stores.

We have organized special Consumer Advisory Councils around each of our newer supermarkets and shopping centers. A cross-section of ladies in the community are encouraged to give unvarnished criticism and suggestions to the manager about the Co-op's goods and services.

And, as a final example, I would like to cite this Co-op toothpaste carton, which proclaims to the consumer that the contents will do nothing for him except to make his tooth brush more pleasant to the taste.

Of this, Mr. Koski said, and I quote: "Contrast this, when you watch the commercials on TV, to the miracle claims made for other brands. Contrast it to the prolific flow of adjectives, ground out in praise of everything on the market."

Do enough of our area's consumers accept the co-ops as their weapon to make these customer-owned businesses economically and socially significant? Not yet, in relation to the total economy. The sales of CCI-affiliated local co-ops are now around \$50 million annually. But wherever these store co-ops have grown big enough, as in the localities of our supermarkets and shopping centers, the unquestionably effect the whole merchandising scene, as yardsticks of price and quality. Taken as an areawide team, they are the calm, clear voice of the consumer - the sieve that sifts the truth out of the welter of advertising claims. And to their active members, they are a lectern of democratic consumer back-talk in a world of swollen and ever-swelling bigness which shrinks the individual to helpless insignificance.

In 1957, the Iowa State College conducted a survey of public opinion toward cooperatives, at Superior, Wisconsin. And despite the fact that the immigrant origins of the local co-op plus a long record of poor community relations, had resulted in many hard-to-erase misconceptions, 91% of the people were convinced that their community needed strong co-op stores, to supply the needed competition, on price as well as quality. In other words, the survey showed that urban people who have been exposed to their merchandising impact consider co-ops to be on the consumer's side.

The Superior survey was later proven in practice. Expansion of the co-op store into a modern supermarket caused an influx of middle class people and an average sales increase of 72%.

That, and similar experiences elsewhere, in our current long-range development program, would tend to prove that co-ops can be as effective a consumer weapon in our rapidly urbanizing economy as they were on the homestead crossroads.