

Consumer and Retail

Cooperatives are big businesses in retail markets, returning value to customers

What is the Issue?

- Before cooperatives became a force in the retail market, the private sector was not trusted to be a reliable provider of quality, affordable food
- Merchants who aimed for maximum profit would often use spirals of debt to trap their customers into continuing to purchase their goods, whilst neglecting product standards
- This behaviour is what drove communities to create the first cooperative shops in the 19th century, to provide an ethical alternative that was accountable to its customers, who were simultaneously stakeholders in the business

Why is this a problem?

- Over 200 years later, cooperatives are still relevant in providing a counter-balance to listed companies, who have been known to pursue profit driven policies that can lead to rising prices, an exploitative relationship with suppliers, and the closing of stores that provide a valuable service to a community if they are deemed to be insufficiently profitable

How can a Cooperative approach help?

- Many of the modern retail cooperatives were founded as small businesses based around local people, and have since grown to become market leaders across the Europe
- Despite this, many still pursue the same people based business approach, through a democratic structure based on the principle of one Member, one Vote
- This cooperative ethos is manifested in several ways, such as through returning their profits to customers through giving them a share in dividends, or lowering prices, or retaining local services where the market would see no value in doing so
- They are also pioneers in fair trade, pursuing policies designed to benefit producers, particularly in the developing world
- In common with the agricultural sector, retail coops empower smaller businesses by allowing them to come together under a joint brand to compete against the larger listed companies through pooling their resources and bargaining power, whilst retaining their independence
- Retail businesses are amongst the best known cooperative brands, playing a major role in markets across Europe
- Notable examples include Finland's S-Group, an association of 20 independent regional coops, boasting a 45% share of the country's food market
- Their achievements in the retail sector have allowed them to expand the services they provide, offering members skills training, and recently establishing a strong presence in Finland's banking sector
- Another success story is that of E. LeClerc, a French business established in 1948 to combat the power of monopolies in the retail sector - it is founded on strong co-operative principles designed to favour ordinary people, and operates hundreds of stores across Europe
- It is required to always sell at the lowest price, distribute 25% of profits to its workforce, who own the stores they operate, without having to pay anything to E. LeClerc

