

# Membership Strategy for Co-operative Advantage

**Roger Spear**

*Space only allows extracts from Case studies, which were written by Mike Aiken and Roger Spear, CRU, Open University*

This study aims to examine different approaches to member relations in consumer co-operatives from some case studies: Royal Society for Protection of Birds (RSPB), Oxford Swindon and Gloucester, Lincoln, plus others researched in less detail; then draw out several lessons, discuss some issues raised and develop some possible ways forward for consumer societies. The two co-operative case studies were chosen because they were considered exemplars of co-operative success; while RSPB was chosen because it is a very successful professionally run membership based charity with over 1m. members - and although there are many differences, its member relations activities were considered to provide an interesting comparison. It is the intention of this report to be challenging, maybe even a little provocative, to help develop a rethinking of membership strategy for co-operative advantage.

Member relations are important since how membership is managed is at the core of co-operation. Unless co-operative values are replicated through the way in which consumers transact with the co-operative then the essence of co-operation has no future. However, addressing the issue of how membership is managed within a co-operative has become more complex over the years for a number of reasons:

*The Customer/Membership Issue:* most consumer co-ops have long since lost the identity principle where all members are customers and vice versa. In practice now, only a minority of customers are members; thus, there is an issue about the extent to which members who in law ultimately control the co-operative enterprise represent the bulk of consumers. In fact, in most societies, they only represent a very small proportion of customers (and their representativeness is often skewed towards older, more middle class customers). (There is also an issue about the extent to which members on the board represent other members, and ultimately consumers.) This membership/customer issue is important since the co-operative enterprise needs, for business

reasons, to be oriented to consumer demand, and for social reasons if as many customers as possible see social benefits they will be more likely to value this aspect of the co-operative. (To be provocative: it is certainly a missed opportunity and could even be a mistake to assume that generating social benefits for a small minority of consumers (the members) is in the interests of co-operation, and the longer-term interest of the co-operative.)

With increasing size and diversity of markets and customer types, consumer societies have found it more difficult to make membership meaningful.

If one examines approaches to these issues internationally, it is clear that there are quite distinct approaches, with societies adopting a *separatist* or *inclusive* approach. Many co-operative societies have moved to separate membership issues from customer issues; typically membership benefits might be quite separate from customer benefits, or they may be narrowly defined. In some societies the management of member relations is entirely separate from the management of customer relations.

An alternative approach is the inclusive one where the two are considered inextricably linked. Thus, members are a sub-set of customers, member benefits are similar to those for customers, etc.

There are similar issues regarding approaches to economic benefits, and social and community benefits and how these are distributed, for example community relations could be regarded as strongly linked to member relations or entirely separate. Similarly for the issue of governance, i.e. membership could be considered as essentially about channels for governance, while customers are solely about economic benefits; alternatively, an inclusive approach would be to regard all customers as potential board members via membership. And the same applies to community and social relations.

The *separatist* and *inclusive* approaches are starkly presented in order to make distinctions between these two different positions, but in reality, most practice tends to be somewhere between these two different positions. The following sections examine different aspects of member, customer and community relations and strategies for improving them.

## **1. Member relations and benefits**

Conventionally the benefits of membership are narrowly defined as dividend plus influence over business activities (member participation); but in fact, they can be much more - benefits could also be provided to address issues directly linked to business transactions (eg food quality, image, lifestyle), to satisfy associated

"wants" of members that might lead to additional transactions (eg credit, cashback), and to meet linked concerns (eg environment, community). As argued elsewhere there is a trust component in many goods and services usually in relation to some aspect of quality- a co-operative, due to its governance structure and ideology is (together with non-profit organisations) well placed to strengthen its business through ensuring that a consumer's trust is not misplaced, and that member benefits are delivered through quality goods/services eg food safety, food origins, animal welfare, etc.

Linked to this idea of developing a trusting relationship and thereby a good reputation, is the practice of many consumer co-ops to be leading proponents of good nutrition and environmental protection. This is one way in which value-based strategies enhance trust and reputation, and generates a sense of pride in consumers in their co-op. (Though the extent to which all firms are required to do this because of regulatory frameworks undermines this co-operative advantage.)

From the cases studied the approach to member relations can be developed in several respects:

- recognition that active participative members are vital for consumer democracy and the governance of consumer societies, and that high levels of participation have to be sustained - there are good examples of recent success eg Oxford, Swindon & Gloucester Co-operative Society (OSG); but that at best only a small proportion of members will be democratically active.
- recognition that there are several types of members: OSG has 3 categories (plus an emerging category); and there may be other categories that could usefully be developed.
- recognition that there will be transitions between these different categories, but that there may be no single path: CRS (Co-operative Retail Services) has a 5-phase development to full board membership; OSG has several different processes of development with no single path.
- recognition that member benefits need to be delivered to each category of member; though it is not clear that this is well recognised; in some cases the impression is that there is a virtuous development towards active participation; while in fact most members will remain inactive, but involved; and although potential access to influence is a benefit, it makes strategic sense to think through the other benefits for the less active members. It seems particularly important to think through the benefits for major categories like the "economically loyal member". OSG's 3% Dividend Card is part of such an approach.

## **2. Customer relations and benefits**

The co-operative principles (and the values they embody) will remain dry and abstract, only written on official documents, unless they are developed within the membership, either through training or through the everyday transactions and practices of the co-operative. The same applies to being a co-operative customer, it will not be a distinctive experience unless something of the "co-operativeness" is embedded in the everyday transactions of consumers with the co-operative. Traditionally consumer co-operatives have done this by being in advance of other retailers in consumer rights eg through information about products, their content, and origins; more recently the UK Co-op Bank has provided ethical reassurances, and evidence of environmental protection for example through the use of bio-degradable credit cards.

Current management thinking differentiates the market (and customers) according to their different characteristics and attempts to provide them with different benefits. In multi-sector retailing consumer co-ops, there will be different customer types in different sectors (e.g., funerals vs food vs non-food), but possibly some degree of overlap, and some potential for providing similar benefits.

In the cases studied, several interesting points emerged:

- RSPB differentiated its customers substantially and had a strategy for delivering benefits to them; although it would have been more consistent to match the different categories of membership to the customer types. NB since it accords with the identity principle (all its members are all its customers) member relations and customer relations are the same thing.
- RSPB also had an interesting philosophy not only for attracting and retaining member customers (initially on the basis of economic benefits); but also for gradually moving them from economic benefits to value-based benefits - and in this way it aimed to align members to the values of the organisation.
- While RSPB is very well informed on its member/customer base, this is a relative weakness of the co-operatives. Loyalty cards (and dividend cards) are first steps in designing systems to capture that information.

## **3. Strategies for member and customer relations**

As noted above there are inclusive/integrated vs separatist approaches to member and customer relations. Inclusive approaches are more

in line with the perspective of re-asserting the co-operative advantage. There are quite clear differences between strategies that might be adopted for each.

It is important to remember that although participation is an important value, from a business point of view it is merely a means to an end of developing the membership/business dynamic: members provide resources (including finance), members get involved in decisions, business becomes more responsive to consumer/member needs, and member benefits are improved (dividend, quality goods). This dynamic does not need to be ideologically based but can be based purely on the economic self-interest of the members in getting good quality goods at fair prices.

And although co-operative values are important in themselves, they must inform business practice by adding value if they are to develop the customer/business dynamic: building on the co-operative advantage (values, trust, community) to add customer value generates a positive dynamic of member/consumer trust, quality goods plus added value benefits, and good business.

The challenge is to think through how the linkages between member and customer relations can be made relatively coherent and integrated by:

- thinking about categories of members and customers that fit together.
- accepting that in broad terms, only a minority of members will actively *participate*, that a greater number will be *involved*, and a large number of customers will be *loyal* and *committed* to some of the values, while a larger number will be *economically loyal*. (NB it would generally be expected that these broad categories were overlapping sets i.e. most active members are economically loyal).
- thinking about strategies for delivering benefits to each that are consistent with co-operative approaches and build on the co-operative advantage; this thinking should be based largely on finding out what these different types of customers and member actually want, and delivering benefits that meet these wants.
- delivering added value benefits, involvement benefits and participative benefits to each category. Added value benefits build on the co-operative advantages of trust, community, and co-op values, and should be a dimension of most products/services - directed towards the economically loyal and committed eg reassuring people about GMO free products. Involvement benefits are for ordinary members who are not democratically active - current examples include membership

magazines. Participative benefits are traditionally delivered through the democratic process, but OSG has been quite inventive in exploring other ways of extending participative benefits through member groups, and web-based interactions.

#### **4. Customership?**

This term is used to represent the idea of giving special attention to the important category of the customer who is loyal. There are two types (see above): those who are economically loyal, and those loyal and committed to some of the values of the co-operative; such values may be officially espoused (eg in the 7 co-op principles), and/or those which the business has come to stand for which may be seen in its reputation eg the Co-op Bank is seen as ethical and environmentally friendly.

Building on ideas from the cases, it is argued that:

- These categories are particularly important because they are so large (a great proportion of all customers).
- It ought to be possible (cf RSPB) to develop value commitments through specific strategies pursued over time i.e. move some "economically loyal" to the "loyal and committed category".
- These strategies are best developed by building on co-operative advantages (see suggested strategies above).

#### **5. Community and social relations**

Developing community services/activities gives non-economic benefits to members, customers, and potential customers, which in turn can give a return to the business both through new customers and member/customer loyalty. There are often issues of territoriality or community with which the consumer society has been able to develop a close relationship - and this is a traditional co-operative advantage that can be built on. Some co-ops have an explicit philosophy, promoted through their public image of engaging in social and cultural activities to improve the quality of life of members and their communities.

In the majority of cases community/social relations is a minor factor in success, but in some cases it is a major factor in success or behind survival eg in rural areas where there is a degree of protection from intensely competitive markets; or in other (marginal) cases where business is highly competitive, co-operatives have struggled to remain viable in order to provide a valuable service to

communities; in such cases without the co-op, the service would not exist.

Although some might argue that community relations should be decided autonomously by the relevant member committees, it could also be argued that community/social relations are a potential co-operative advantage, so should be made as congruent and integrated with customer/member relations strategies as possible. This may be done most effectively by encouraging the adoption of some strategic criteria for investment in community/social relations. Thus, such investments should deliver benefits to members, customers, or potential customers in strategically important areas (geographical and business).

To a substantial extent this takes place naturally within many societies, but the approach adopted here argues for a stronger and more explicit linkage. In other words, investment in community/social relations is most congruent with member/customer relations when large numbers of the latter benefit, or where it is linked to strategic objectives like market penetration, generating new customers in selected areas, improving loyalty amongst target groups, etc. But not all co-operators would go along with such a close alignment of business and social strategy. This appears to be partly to do with the development of separate sub-cultures within societies (members separate from business), partly to do with the era of the dividend when co-operative difference was reduced to monetary advantage, and partly to do with declining membership increasing the gap between member and customer profiles, so that trading and membership interests became increasingly divorced from each other.

## **6. Rethinking Strategy**

For strategic focus it is important that these three areas of activity are strategically interlinked, in other words community/social relations are linked to customer relations are linked to member relations. Knowledge about customers and members is becoming increasingly important and is a prerequisite for defining types of customers and members, in order to deliver benefits appropriately to each category. While it is important to maximise participation in order to improve governance, etc. from the perspective of most customers and members access to this benefit may be much less important than other value-based benefits that are part of the way most products/services are developed and delivered. Value based benefits build on the co-operative advantage (values, trust, community). This applies particularly to the largest categories of

customers - the economically loyal, and the economically loyal and committed, and it may be possible over time to increase the latter category. Strategies for community/social relations can enhance customer and member relations strategies if they are explicitly linked and integrated.

The need for integration in a different but related respect is revealed in the Lincoln case study, where clear advantages of horizontal linkages across businesses is revealed, and the importance of vertical linkages of short communication lines is emphasised.

## **7. The Case Studies**

### **Oxford, Swindon, and Gloucester Case Study on Member Relations (Extracts)**

*Roger Spear and Mike Aiken, Co-ops Research Unit*

OSG approach to member relations - OSG has become very focused in what it does; it used to do many traditional activities such as fetes, coach outings and so on; this was done instead of focusing on the need to involve members in the governance of their society. As a result, the main activities of member relations are:

- (1). making democratic involvement real on the ground and local to where people are customers and
- (2) providing the training to ensure they can maximise their use of the society.

Compared to many other co-op societies there is a focus that may often be lacking elsewhere.

*Origins of this philosophy towards members.* When OSG was going through big changes, and looking at the committees and how they functioned, they decided the society was not there just to do nice things for members (often for a very small number of members!). At that time members were very tied to coach outings, but when a member database was installed and monitored it was found that they weren't taking 300 people on coach outings - they were taking 50 people 6 times on coach outings! So, what looked very involving and beneficial could actually be very ineffective in developing member involvement. The current approach is more focused on clarifying "what we want to do" then measuring "whether we are doing it or not."

The concept of active membership is the guiding philosophy behind member activities. It is very much about members having a genuine oversight and control of the business and adding to the business. Members should be a source of value in a co-operative structure and if they aren't there's something wrong.

This approach has evolved over time; there have probably been three stages. Like most societies the origins of member relations is in education committees which were very separate from the mainstream of societies; they undertook educational and social events. Then came member relations, which this society did in a fairly traditional way, until about the early 80s, when it began to make some changes. Around 1987 a new, and (again) a very effective member officer, took things forward; Peter Couchman arrived in 1994 and saw his role to help develop the process further by challenging the structures and ask, "what do we want for the future, rather than from the past?" and "Are the committees willing to change?"

The long-term thinking when they started that process was that it would probably take 5 years to create a genuine structure and genuine culture that could deliver something distinctively different for member relations; and the interesting thing would be when it came to the end of those 5 years. They are now in year 4, and they are beginning to see the benefits, but they think the best is yet to come!

It is seen as important to provide a member service that makes connections with business areas and with community/political activities. OSG tries not to compartmentalise, since from the member point of view it's not in little boxes - a member doesn't want to be told - that's a retail matter, not us. They expect to access the whole organisation in one go. They want their problem solved; their needs met. They don't care how; they want it done.

The structures for carrying out member relations. At the top is the Board of directors. Often in the past when people talked of problems in the Society, it was said that a successful Society has strong membership challenging a strong Board which in turn challenges a strong management. Unfortunately, the reverse is often more common i.e. a weak membership challenging a weak board challenging a weak management. So, there can be a vicious as well as a virtuous circle. At the heart of the virtuous circle is the Board that is willing to say membership matters and is part of what they do. OSG has a chief executive who is highly committed to membership and taking it forward. So, although day-to-day operational management goes on, it is clear that membership is central to the culture of the organisation. For instance, OSG just

appointed a new food controller and part of his interview process was being interviewed about membership and being informed about member relations strategies and activities. Other Societies might not do that, rather they might say "that's the food bit, that's the membership bit and we get the best person for each of them and hope they get on". If membership is ingrained in the organisation's culture, then that's a real driver for the Society.

*Member Groups.* One important innovation at OSG is the member groups. Currently twelve member groups meet regularly across the Society's trading area; currently about 140 people take part, and these groups provide a local basis for member activity; they provide members with a regular opportunity (eg via monthly meetings) to discuss local issues and form links with co-operative and community groups. The groups are not formally tied into the structures. They also open up the possibility for local participative links with stores, etc. and there are linkups with store managers every 3 months. There is also an issue of how to make member groups connect directly to each other and facilitating exchanges.

*Members and Customers.* A few years ago, it was recognised that on the one hand "members are the dominant stakeholder group" but quite clearly in terms of survival customers are the most significant group. At that time there was a significant gap between the two, therefore recruiting was undertaken far more vigorously. OSG always wanted members to come from the shop floor, i.e. they are customers who choose to become members; so the knowledge is with the customers, the power is with the members. It is important to make sure they are the same group of people. It is no good consulting a group of members and asking "what do you think we need to do to make this better" if their knowledge doesn't match the customers knowledge. So, recruitment from the shops is vital in that more and more they have a member grouping that is representative, and it's representative of today's customer not yesterday's customer.

In the past, when stores closed people stayed as members. This can be balanced by recruiting through the shop floor, which has been very successful, for example 7,000 joined in June 1999, and they boosted membership numbers enormously - by 21,000 in the year to April 2000. This was because of strong support from the Food Division, plus the trial of a 3% Dividend card, and a recruitment drive including high profile in-store publicity. These are all good customers of the store who have gone on to become members. This has helped increase the status of members, and

more and more people within the organisation are recognising their importance, since after all, they are paying the wages at the end of the day. Increasing member numbers also means they have richer source of marketing information that is more representative of their estimated ¼ million customers, and they can develop better profiles of customer types such as the high spenders who shop with them about twice a week.

OSG talks of building a Successful Co-operative Business and the emphasis is on all three words. All needs to happen, it's a combined picture. It needs to be a successful business and a successful co-op. that's when the values really come through - getting the members the business they want.

*Social and democratic dimensions of member involvement.* It is important to look at this from both sides - members and the Society. It is not just about formal voting, it is vital to draw out ideas, eg at the members meeting out of 200 people only 30 people might comment at the most, but by getting people to sit down at tables cabaret style (with each table having an officer and members on it) lots of comments can be unlocked, reams of them! It may not all be positive, but the key concept is listening - and to realise there is a real value in moans and complaints!

The social side must be enjoyable - the more enjoyable it is the more often members will come back. There is no point in doing the minimum - the rules say there ought to be a members' meeting once a year, but if it is held in an old church hall with hard chairs it won't be surprising if people don't come back!

From the members' side, they want involvement, but not everyone wants power - those that do expect clarity. People are giving up their time, and this must be respected. OSG are clear they are not going to substitute social for democratic involvement. There is an old quote from Reeves at the Old Royal Arsenal between the wars "You can have your fetes, galas and bun fights but don't ever fool yourself that you're carrying out co-operative education."

*Community and political activities.* The society has a policy of donating 1% of its profits to the development, creation and promotion of other co-operative enterprises. This has dramatically developed their relation with local government, with greater involvement at strategic levels of policy, and potential involvement in future changes in local government services. Through coordinated activity with local governments a single co-operative support organisation has been set up to cover a wide area. OSG has also been involved in supporting a wide range of co-operatives

including: The Oxford Company of Musicians (Britain's first co-operative orchestra), the Sustainable Forestry and Timber Co-operative, and Stroud Valley's Credit Union.

They are also involved with their local regional co-operative councils, providing secretarial services for the one in the South East. And it has established good relations with the new regional development bodies. Similarly political activities in relation to local and national politicians have developed further, through the Society Party Council, and increased staffing to support this activity.

OSG's policy of returning at least 1% of profits to the communities can be seen in its new community dividend scheme which makes grants of up to £1,000 to charities and community organisations in the Society's trading area. Grants have been made to: The Gloucester Survivors Forum (a self-help group for those with mental illness), Friends and Buddies Junior PhAB (a youth club for physically disabled children), assistance to Age Concern in refurbishing a day centre, etc. Its other new scheme is the Community Partners Scheme which offers more substantial grants for longer term partnerships over 3 years.

*Types of members.* Part of OSG success is to use direct marketing (in other words most are contacted by mail, to sell the benefits of membership, and the idea of participating, and voting). Everything is open to all members (apart from the Board, restricted to elected members). But invisibly it is highly structured. The full membership numbers are 154,000 total, whilst the number thought to be really still around 35,000 in 1999 and jumped to around 55,000 in 2000 (this is their members mailing list). From the point of view of the Membership and Corporate Marketing Department, they are not going to devote resources to trying to involve people who might be dead or have left the area! The first level of members is those who'll receive mailings, get ballots, hear of meetings, etc. Next are those who have got involved in any group activities (or identified themselves at member groups). It is known that they want to be involved and want more information; therefore they are communicated with in a slightly different way. Then there are members who want to be involved in the democratic process. These are sent documentation prior to the meeting so they have a chance to read reports, motions. Thus, there's some degree of stratification. Thus, there are 3 overlapping groups of members - the ordinary members some of whom might opt into the participating group (who attend meetings and vote), and/or into the members group; for certain purposes (specific mailings) there would be subsets based on geographical location and length of membership. And the

economically loyal is an emerging category, with potential links to democracy. It is vital to identify those groups, so they get what they need. Ordinary customers would die if they got the full works! But OSG also advertises what is available - if you want it, you can have it!

*Members get some benefits that customers don't.* However, OSG wants to shift the basis for the dividend, so it is based more on customer loyalty. But customer comments should carry the same weight as members raising something at members meeting. The members do, of course, have more opportunity to comment. Customers are encouraged to become part of that grouping - there is a difference, but in terms of feedback they give, they should be treated equally. Although if a customer makes a comment a reply maybe comes back once and that's the end. With members they can keep coming back on this issue until it gets sorted. That happened with the refit of a store. A member complained so often on the committee it got done ahead of schedule!

It may be that the difference between customer and member is seen as "our profit goes to someone else". In one month in 1999, performance was very good, and one reason was that dividends were returned in a new way to members in the shop. So, it was almost visible: a member getting something a customer was not getting. This makes customers see benefits of joining. One of the best ways of resolving any tension this might generate is to make everything above board and visible – "ending the secret society" - by finding easy open ways to join without climbing under piles of boxes to find a form!

*Involving customers.* Customers are there because they share a need linked to the store. Thus, the involvement process begins with things close to the store which add to the shopping experience; then there are food events away from the store and gradually more on democratic activities. People's first loyalty is always to their local store. "Red carpet evenings" have been tried, so people saw the store as they'd never seen it before a behind-the-scenery view. This kind of progressive approach helps overcome the older style big leap between "thanks for shopping here and now we'd like you to come to a meeting 30 miles away."

*Key points - Oxford, Swindon, and Gloucester*

1. Three overlapping types of members:
  - those who'll receive mailings, get ballots, hear of meetings, etc.
  - those who have get Involved in any group activities.

- those members who want to be involved in the democratic process.

And an emerging category: the "economically loyal" with potential links to democracy.

2. Interesting thinking about point-of-sale delivery of membership (membership in a tin); not yet practicable. But it tries to find easy open ways for members to join.
3. There are a broad range of entry routes which might lead someone to becoming a Board member.
4. It provides a member service that makes connections with business areas and with community/political activities.
5. Attempts to ensure membership is ingrained in the organisation's culture, for example it is part of recruitment.
6. It is concerned to effectively manage the various channels of information from customers, to the right internal people, with the aim of translating communication into action.
7. It establishes a culture where it is OK to stand against another Board member.
8. Innovative member groups provide a local basis for member activity; with a regular opportunity to discuss local issues and form links with co-operative and community groups.
9. Very successful membership drives through its a 3% Dividend card.
10. They have rethought social activities, attempting to realign them to co-operative objectives.
11. Policy of returning at least 1% of profits to the communities, and 1% to co-operative development.
12. Member relations are now integral with Marketing function.
13. Member relations strategy goes to the Board and influences the overall strategy.
14. Recruit on the shop floor, to reduce member/customer skew.
15. Customers involvement process begins with things close to the store.
16. Exploring ways to give staff routes to closer involvement.
17. Varied approach to member participation and involvement e.g., through member briefing days.
18. Many ways of involving people: via meetings, members groups, members hot line (a freephone number for membership queries), mailings, emails, the web, comments.

### **RSPB Case Study on Member Relations (Extracts)**

The Royal Society for the Protection of Birds (RSPB) were founded around the 1860s, so they are one of the oldest charities; membership levels from 1880 grew gradually until about 1975,

when they increased dramatically, because at this point the concept of marketing was created in the organisation; prior to that they had membership subscriptions of about 30,000 people (1975) and now they have 1 million plus. In the mid-70s a woman managed to persuade the directors of the organisation that spending money to recruit members that didn't pay back in the first year, would be a long-term benefit for all; once the directors were convinced, they wholeheartedly embraced the concept. That woman (Wendy Driver) has just retired, after starting the marketing department 23 years ago (with impressive subsequent performance). One important step she made was recruiting WWAV Ratt Collins as RSPB's advertising agency; they are the biggest and arguably the best DM agency in the country; it paid off, RSPB wins awards every year for the design of their mailing packs and for the implementation of their direct mail campaigns.

Member relations. The RSPB has a system whereby it controls all its communications. They have a team of people who monitor all outbound and inbound communication i.e. all mailings or advertisements, and everything that goes to the press office; all this is completely controlled to maintain the quality of what the organisation looks like in the eyes of the membership. Apart from quality, they're trying not to (a) duplicate messages and material and (b) mix or send contradictory messages. This doesn't always work, every organisation makes mistakes, but they are quite an open organisation and ready to discuss mistakes when they are made.

*Membership groups and member information.* An additional feature of responsiveness is that there are about 400 membership groups so that members can voice their opinion at local level; it is also a forum where people can voice their opinion, and a lot of that can be fed back to HQ. Face-to-face discussion and feedback are regarded as particularly important; so, in order to handle this kind of feedback they have a membership services unit which is managed by between 10 and 20 staff. A team of staff is available for handling such communications from members in the written and telephone forms.

*Recruitment approach.* They recruit by direct mail (which is targeted) and by door drop (i.e., doing a blanket mailing in a particular area); the area is carefully selected to include a large number of the projected profile of potential members. They will do a careful analysis of member penetration by area, and assess which areas

have the potential for membership growth; this involves some assessment of the potential for membership in each area, and the different characteristics of current membership. They can target streets or even households (using quite sophisticated software) in order to maximise the chances of recruiting new members. About 1 in 50 members of the public are members of RSPB; the implication of this is also that RSPB and its activities are widely known.

*Staff training regarding the public.* There has been great effort put into ensuring all staff know something about the organisation and can respond to questions about it - there has been a two-day training programme for all staff whatever category; and this has been oriented towards explaining the organisation, its mission and developing the ability of staff to answer the public's questions about it. They also have people coming to talk to them about how other organisations work and how different aspects of their own organisation might be improved through comparison with other organisations.

*Categories of members.* This is based on a great deal of work by the market research department who do a series of membership surveys. Their general approach to member categories: they tend to recruit people initially on the basis of benefits (i.e. exploiting self interest) but after a couple of years when members have had 8 copies of the Bird magazine which gives a lot of information about the work of the RSPB and about nature and birds, etc., some people gradually come round to the view that they really believe in the organisation and they're not that interested in freebies and they want to give money on a regular basis to the organisation. Over a period of time RSPB like to think they take people through a process of education; so, they bring people in through gifts (bird related, such as a bird feeder or a video) i.e. not things like electronic organisers - which their charter doesn't allow them to do anyway! And lead them onto supporting the organisations values. They have identified five primary groups of people.

*Analysis of member database.* Within the next year or so they will outsource their whole database to a data analysis company, who will do analyses of their membership data, and do cluster analysis in order to identify a lot more groupings of people (and the characteristics of such people). At the moment they really only analyse membership, but in future they will analyse other aspects of data.

*Direct mail and membership.* It is possible to categorise

memberships and potential membership, thus membership might be one category, then categories of potential members would be "cold calls" (which are the wider public who are not members), and "warm names" (those who have responded to some name gathering exercise but have never actually sent any money; the RSPB will put an ad in the paper for a free booklet and will thereby capture the names of people interested in the RSPB); "warm names" will be subsequently mailed in a direct mail campaign with a promotional offer plus a membership drive - they have a first and second shot programme (mail shot) which means that they will be mailed initially and if nothing happens they will be mailed again in six months and the same again in another six months; thus these tactics will warm people up as potential customers - hence the term "warm names".

*Routes to Membership.* The main paths to membership are: face to face, on reserves, via membership offices, RSPB have a lot of people who do temporary six month contracts, they tend to be young people making their way in an environmental career; it can be an interesting break: inside a big organisation, exposed to a wealth of information, and working on a reserve for about 6 months in the summer. These people are in their twenties, and many are recruited as new members that way. Other routes to membership include: through members groups, through media (via campaigns), about 65% of new members come through direct mail; the internet is a new channel, and probably as many as a thousand members were recruited that way in their first year on the web. It means the whole internet initiative has probably paid for itself already.

### *Key points RSPB*

Basis for comparison - RSPB is member based, with its board is democratically elected by its 1m. members. It has a member/customer identity, but its business is about raising income partly via delivering member benefits in order to protect birds and their environments.

- Highly coordinated approach to member communication; with very strict standards of response.
- Leader in direct marketing to its 1m. members.
- 400 membership groups for members to voice their opinion at local level and organise local activities and local visits.
- Very sophisticated approach to recruitment (targetting), and subsequent development of members.
- Training to ensure all staff can respond to member questions about the organisation (2-day training course).

- Complex categorising of members e.g., 10 different types of membership pack; and 5 primary groups of members with different interests; there is a conscious effort to understand and manage this profile of member types and deliver benefits differentially to them.
- Considerable effort put into developing and analysing database of members (their profiles, etc.).
- Systematic procedure of moving from "cold names" to "warm names" to recruitment via different direct mail approaches.
- Member/customer identity applies.
- Classes of membership are quite differentiated; but strategically they should relate more closely to types of members.
- Groups as a source of new members.
- Magazine as vehicle for education towards organisational values; well developed programme for schools.
- Recruitment approaches carefully assessed according to return on investment.
- Developing website capabilities (new services as well as recruitment).

### **Lincoln Co-operative Society Case study (Extracts)**

*Mike Aiken, Co-ops Research Unit*

Lincoln Co-operative Society (LCS) enjoys an excellent reputation within the co-operative movement. Over the last two years the Society has more than doubled its membership and had over 130,000 members by 1999. The percentage of trade done by members, by volume, is between 50-80% (depending on the area of sales) and the majority of the Society's customers are its members. In the same year, its annual turnover had increased by nearly 3% to stand at £206 million. Total fixed assets amounted to £93 million in the same year.

*Why is Lincoln considered successful?* Alan Middleton, a long standing board member of the Lincoln Co-operative Society suggested at least four reasons for this success at a speech to the 1998 Co-operative Congress. He cited firstly, an ability 'to recruit and retrain executive officers of the highest quality', secondly the maintenance of a necessary degree of distance between the roles of professional executive and lay board, thirdly 'keeping your eye on the ball' or what we might call a shrewd business sense, and fourthly, remaining true to the principles of those that established the co-operatives by living within the means of the organisation.

These factors are taken up and developed in this case study but

added to extensively. The features of the Lincoln Co-operative Society described here are grouped under five main headings. Firstly, the Society has a sound financial base and business strategy. Secondly LCS prides itself on good management, which refers both to internal staff management and communication as well as good corporate governance. Thirdly there is an emphasis on quality for customers and staff. Fourthly the development of the membership has been given high priority, especially over the last five years. Fifthly the Society has developed strong links with communities and civic organisations in Lincolnshire. It may be that the Society's success is attributable not to any one of these factors but all of them acting together in a congruent way to enhance the overall performance.

*Management.* Links across the society have been developed, which is important in a trading organisation which ranges from travel to cars, and from a funeral service to food sales. Six years ago, before this structure, there was no formal link between the divisions, but now they are linked together by a Senior Managers Team. Middle managers across the organisation also have opportunities to come together on a regular basis throughout the year in a group dubbed 'Nacos'. The Society takes the internal management of its staff seriously with a range of internal linking groups and forums, an emphasis on training combined with a desire to not lose responsiveness to external opportunities.

There have been other strategies to develop a common culture across the organisation. In 1995/6 there was a series of day training courses called 'Altogether Better Business?' where all staff in each area came together. It was an attempt to develop common views and ethos across the organisation. This series of events, which the Member Services Department contributed to, examined the benefits of working for Lincoln co-op, in terms of training, marketing, and history. It was then cascaded down to all *staff* and, according to Paul Gammon, might be run again in the year 2000.

As well as collective events aimed at strengthening Identity and knowledge about the Society and how it works, there has been a strong emphasis on staff training throughout the organisation. The Society has undertaken the Investors in People (IIP) award. This has been done division by division, so each section felt they owned the policy and applied it in their different respective cultures. 'When they have all got it which will be shortly, we will go for society wide IIP.' says Ursula Lidbetter. This arose from the involvement of a senior manager who is on the Training and Enterprise Council board who run IIP.

There are also awards for staff backed up by annual awards ceremonies which have been annual since the mid 1980s. These aim to 'celebrate individual and Society accomplishments' (Line Nov 1999) by validating training achievements by staff. With over 350 people present, such ceremonies can serve to cement the organisational regard for training. Such training is driven largely by trading divisions which define their needs and is then organised by the training department. However Member Services Department might also contribute to such training, according to Paul Gammon on some occasions (for example, when the Dividend Card was launched).

The Society prides itself on its short lines of communication: there are relatively few people to go through in order to get an action taken. According to Ursula Lidbetter this means, in management terms, there can be a quick response to opportunities so that speedy changes can be enacted. So, for example, '... if a property becomes available which the co-op wants the board can be contacted quickly and a decision might be made within a day.'

In sum, Lincoln has developed a range of internal management mechanisms corporate, divisional, and individual level. Some of these mechanisms are about making decisions while others are aimed at increasing the intelligence of the organisation about what the whole is doing, others are concerned more with surfacing ideas and increasing communication, while others are aimed at developing skills, abilities, or awareness about the co-operative. This is led by a governance structure which specifies the division of responsibilities between lay board and professional staff and has set in place a variety of ways for the board to meet informally and formally with an emphasis on board training and confidence.

The co-operative strategy of focusing on local stores has advantages here as locality plays into a successful business strategy which puts a high emphasis on the customer/staff relation. Christine Warwick again: 'Gainsborough is not a big town, we get to know most of our customers ... there's a restaurant in the store and we see our customers there, they come back time and time again, so we get to know them.'

She then went on to describe how staff come to understand the customer focussed ethos:

New staff see the way we do things. We don't have a big staff turnover anyway. New staff look, learn, and listen. The customer is paramount - I always stress that.

Part of the quality ethos is communicated at recruitment as well

via training, induction and on the job. Ursula Lidbetter described how people are recruited into the organisation not just for their skills. 'At recruitment I think we do look at skills first, but then, I think we probably pick people who fit the culture here ... I have interviewed people who do fit the job but not the ethos.'

The co-operative ethos is furthered by both an induction process for new staff but is seen as an on-going development.

### *Key points - Lincoln Co-operative Society*

1. Membership/Customer congruence. The introduction of a dividend card tied to membership has led to a very high membership level amongst their customer population in the region. This harnesses new technology for customer information and communication. Greater congruence between customer profile and membership profile gives a much greater possibility of gaining useful information about customers both directly and via members' participation.
2. Niche markets. There has been a strong focus on niche markets such as convenience and community stores rather than attempting to compete with the larger stores.
3. Quality. There has been a high emphasis on a quality shopping environment - aiming to provide pleasant stores and helpful staff.
4. Close to the Community. The co-operative has consciously located itself close to the community both in location of stores and support activities.
5. Local networks. A strong integration of staff in local community activities through involvement in voluntary organisations and local associations is actively encouraged.
6. Good management and board. There is an emphasis on good internal management and governance; this includes cross-business linkages and shorter vertical lines of communication. The staff are also encouraged to be members but with checks and balances.
7. Involvement activities across age ranges. There are a range of social activities organised by the co-operative for different ages from 5 upwards.
8. Good at business. Lincoln co-operative is regarded as a highly successful co-op within the movement. It has been prepared to be tough at times in order to be a successful business.
9. Cross-party allegiance. They are not seen as overly identified with one political party and command a measure of cross-party support in local institutions.
10. Long term view taken. Some activities have small immediate

gains but build presence and loyalty long term. Some of these features are not obviously reproducible everywhere at will (geographic isolation for instance) but Lincoln does seem to have played well to local factors and made them count. Other features may be easier to develop (local networking for example). It may be that it is a range of these features in combination which have contributed to Lincoln Co-operative's success.

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