THE SIXTH PRINCIPLE: COOPERATING AMONGST COOPERATIVES

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EXECUTIVE SUMMARY

This paper explores ways for Albertan cooperatives to further work together, and to benefit from each cooperatives position in their respective industries. We are facing a competitive landscape that is continually being disrupted by technological and entrepreneurial advances. As cooperatives we need to continue to use our fundamental principles to differentiate ourselves in our respective marketplaces. We have found that cooperatives are more prominent and well known in rural markets, and would benefit from a targeted approach to increase their awareness in urban centres.

Our paper finds that the use of loyalty programs is on the rise with a growth rate of 35% from 2014 to 2016. Canadian consumers show a desire for their loyalty programs to provide flexibility, personalization, rewards, and technological options. There is a noticeable demand for convenience, and the sentiment of consumers is shifting in this direction.

Our solution is to create a coalition of Albertan cooperatives and establish a group loyalty program that our members can use amongst participating cooperatives. The program would focus on ways to enhance our members' experiences, while providing timely and adequate rewards for patronizing the cooperative participants. The program would offer a single point of contact for an existing member to uncover additional cooperatives that could provide products or services.

We would utilize newly developed and existing channels to deliver our program. We would deliver our solution primarily through mobile technology, online offerings, and a loyalty card service. These three core avenues would ensure we receive a buy-in across all demographics, and we do not alienate any of our membership.

This solution will ensure that Albertan cooperatives continue to compete in both rural and urban markets, and will assist all partners in meeting the increasing technological and disruptive demands of the present business landscape.

INTRODUCTION

Cooperating amongst cooperatives is one of the seven main principles of which we follow and proudly represent in a rapidly changing environment. Albertan credit unions have been working together to streamline processes, improve their communities and bank on each other when competing against the Canadian chartered banks. Guided by the Alberta Community and Cooperative Association, all cooperatives have an opportunity to enhance their current offering by utilizing services within the industry. Founded on a platform of raising awareness, strengthening and diversifying existing cooperatives and educating the next generation will play a large role in increasing the membership base while creating loyalty. Although credit unions have been working together as we share a concern for our community, expanding the network to include all cooperatives will bring insight and increase knowledge to existing and future members. To keep competitive in a rapidly changing environment, a collaborative marketing strategy will help build awareness of the cooperative model to build our membership base across the province. A loyalty program for all onboarding and existing members will drive business results and will allow all cooperatives in Alberta to work together and strive for unity.

ABOUT COOPERATIVES

Cooperatives are based on the ethical values of honesty, openness, caring for others and social responsibility. There are over 750,000 cooperatives around the world and Canada has over 9,000 (including credit unions). Cooperatives exist in every sector of the economy. In Alberta as of 2016, there are approximately 415 cooperatives. Different sectors of cooperatives include seed cleaning, vegetable growers, retail, feeder association, petroleum, and financial services.

There are seven principles that the thousands of cooperatives all over the world still follow today. In 1844 The Rochdale Society of Equitable Pioneers established the Rochdale Principles. These principles are the framework for the values and beliefs that cooperatives aspire to follow to this day.

Cooperative Principles

Adopted in 1996 by the International Cooperative Alliance

Open, Voluntary Membership
Membership in a cooperative is voluntary and nondiscriminatory.

Democratic Control
Each member receives one vote. This is in contrast to other corporations where the number of shares owned determines voting power.

Member Economic Participation
Members contribute to, and democratically control, the financial resources of their cooperative.

Autonomy & Independence
Cooperatives are independent, self-help organizations controlled by their members.

Continuous Education
Cooperatives provide education on the principles and practices of cooperative business so that members will be good decision makers and so the general public will better understand cooperatives.

Cooperation Among Cooperatives
Cooperatives work together at the local, regional, national and international levels to further economic democracy.

Concern for Community
Cooperatives work for the sustainable development of their communities through policies accepted by their members

Cooperation Among Cooperatives is the sixth Cooperative Principle. By working together, increasing the knowledge on what a cooperative is, and informing cooperative members what other sectors of business cooperatives are in will strengthen the cooperative movement. In 2014-2015 a study on cooperatives was completed by the University of Saskatchewan. Over 2000 people were surveyed in rural and Aboriginal communities. This information was compiled by telephone and on-line survey and was completed by people that lived in western Canada and included Manitoba, Saskatchewan, Alberta, and British Columbia. During the survey, it was uncovered that across these four provinces these individuals have some knowledge of what cooperatives are and that the knowledge varied. In some communities people knew about gas stations, grocery stores, and credit unions. Though in other communities the cooperative members work together, and the knowledge increased in these active areas. The survey results differed from province to province. In Saskatchewan and B.C there were 21% of rural participants that had a lack of knowledge of cooperatives. Whereas in Alberta and Manitoba this percentage increased to 25% of participants had a lack of knowledge.

A survey was completed on the attitudes towards and satisfaction with cooperatives in Alberta by the University of Alberta in 2005. Those stats showed that rural communities were more familiar with cooperatives at 94% compared to 76% of those in urban districts. Surveyors that were 45 years or older

were 73% more familiar with cooperatives, and the surveyors that have an educational background were more familiar with cooperatives at 66%. This survey showed that 23% have never been a cooperative member, and 61% are members with a cooperative.

Our loyalty program proposal will not only give the rural members an opportunity to use these services and benefits across the province, it will also help increase knowledge of cooperatives across Alberta and urban areas. The more Albertan cooperatives enroll in this loyalty program the more successful this program will be. Focusing on all generations and the different channels on accessing this loyalty program will be key to the success. Not only will the knowledge increase about what makes cooperatives different than other businesses across Alberta, this will also increase memberships for credit unions and other cooperatives participating in this loyalty program.

LOYALTY PROGRAM OVERVIEW

There is a monumental opportunity for all Albertan cooperatives to gain from each other. We cover a vast array of industries including financial institutions, insurance companies, retail trade, and essential service providers. Each industry provides the cooperative system with access to individuals with unique needs. These contact points can be leveraged by other cooperative to provide their products and services and to create an environment where our members are truly "Cooperative Loyal".

One avenue we would like to explore to achieve this goal is a Provincial Loyalty Program that would have open membership to all cooperatives in Alberta. This program would act as an initial incentive for our members to pursue other cooperatives for their consumer needs and provide all cooperatives participating in the program with the ability to expand their membership base to individuals that already subscribe to a Cooperative mindset. Although we are exploring a "Loyalty Program," the focus will not be on providing the highest discount possible, but instead on ways to further engage each member with their cooperatives. Our objective is to create awareness on the benefits of utilizing each other's services and educate the community on the cooperative difference. The targeted marketing plan will inform Albertans of cooperatives that exist nearby and highlight the potential rewards from using our combined services.

Loyalty Program Landscape

A 2017 census conducted by Colloquy[1] determined that the environment of loyalty programs is presently broken down into four main membership types:
1. Retail – This covers programs offered by grocery, gas, drugstore, convenience, and department stores.

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[1] 2017 Colloquy Loyalty Census.

2. Travel & Hospitality – These programs are centered around airline, vehicle rental services, hotels, cruises, and gambling.
3. Financial – These are the loyalty programs typically offered by banks, credit cards, or insurance companies.
4. Coalition – Coalition-based programs offer their members access to a wide range of product and service providers and are not focused on one particular industry.
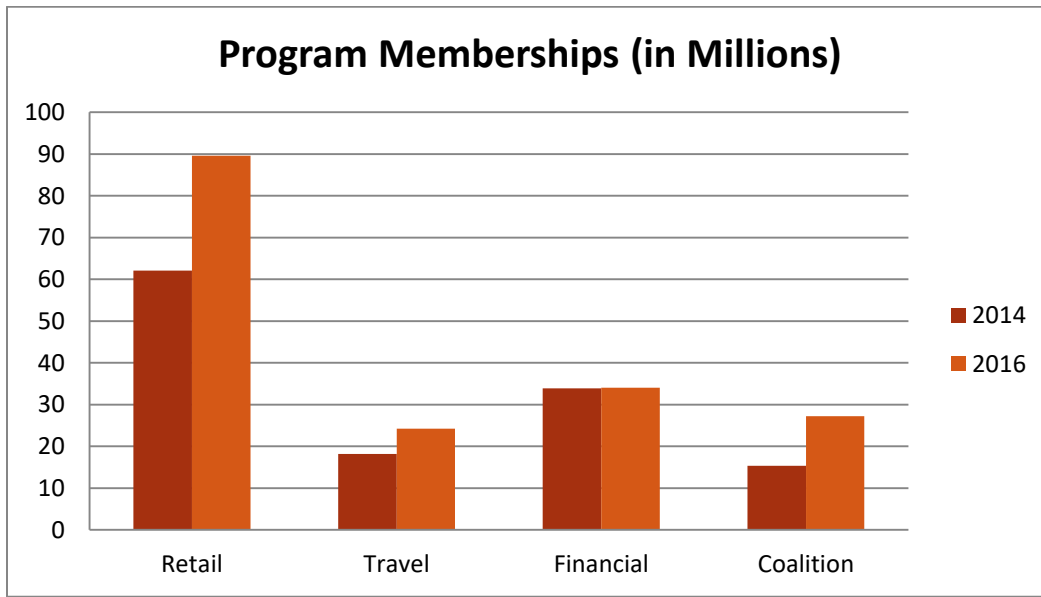

Program Memberships (in Millions)

From the census data we can see that loyalty program memberships are increasing drastically. Totally, membership increased by 35% from 130 million in 2014 to 175 million in 2016. Retail trade memberships represent the largest percentage of overall memberships; however, Coalition-based memberships saw the largest percent growth over the two year period (78.0%).

Our Albertan program would, by nature, fall into the Coalition category. By employing the wide range of industries, products, and services that Albertan cooperatives serve, we have a unique opportunity to firmly establish ourselves in the marketplace.

WHAT WORKS (AND WHAT DOESN'T)?

Traditional loyalty programs are showing a 54% inactivity rate. The main reasons consumers have provided for inactive accounts are:

- 57% said it took too long to earn anything
- 53% said the rewards were irrelevant
- 38% left due to too many communications from the program
- 26% left because the program did not have an app

The main takeaway from these figures is that programs are abandoned because they are not providing a value to the member, and that the use of the programs needs to be improved.

For any loyalty program to thrive, it needs to keep members engaged. The three main reasons members are engaged in any loyalty program are: Easy to use, easy to understand, and great discounts.

We believe it is important to note that the financial benefit falls behind programs that enhance the membership experience. Consumers are showing a shifting trend from financial consideration in their behavior to a preference of "ease of use" and a better experience.

Colloquy's study found that modern day loyalty programs need to create brand loyalty, and not just program loyalty, but also make the redemption an experience itself, minimize any friction that could be caused by the program and the member, and to continually push the program to be better.

LOYALTY PROGRAM MUTUAL DATABASE AND TECHNOLOGICAL MEDIA

The Idea

Technology can be used as a means to market and create awareness. It can be used in many forms of media, such as mobile apps, websites, and even existing technology in our branches. With the idea of the loyalty program established, the creation of a mutual database for both cooperative businesses and credit unions would be a competitive advantage. This database would be used by each participating credit union and cooperative business to provide unique services to individuals with unique needs.

How it Works

To establish the database with records, the member would need to opt into this program. Once they opt in, then the cooperative can enter their members' information into the system (name, sex, age, address, and membership). Once this information is put into the database, two interactions can happen:

1. The member is given a login, and they can pursue other cooperatives for their consumer needs.

2. The cooperatives have the ability to expand their membership base to members that already subscribe to an existing cooperative with targeted marketing.

Technological Media – Statistics and Examples

Mobile apps are the technology medium that most smartphone users utilize. An example of an existing app similar to our proposal is 1st Perks by 1st Choice CU developed by Larky. The app searches your location and tells you about deals and promotions in your area from different businesses and promoters. This app currently works in the Lethbridge area and Cardston.
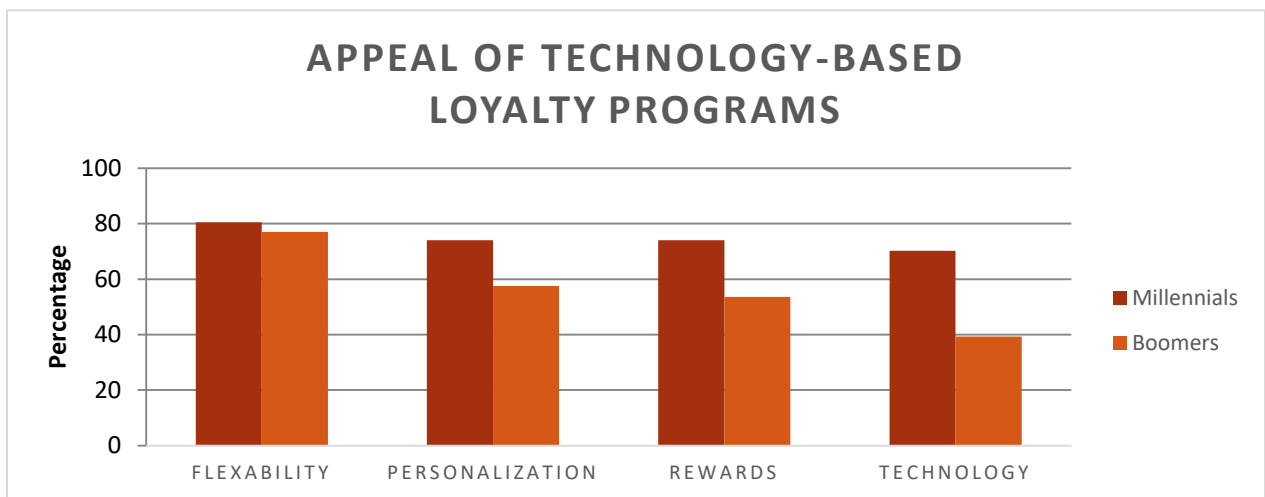

APPEAL OF TECHNOLOGY-BASED LOYALTY PROGRAMS

Figure 2

In a research paper entitled "Get With the program," [2] suggests that there are four factors of appeal: Flexibility, Personalization, Rewards, and Technology. Also researched was how they appeal differently to the two age groups: Millennials and Baby-boomers.

A website is an existing medium that could be used to further promote cooperative businesses and credit unions. www.bcca.coop is an example of this medium being used effectively. It has information about how to start a cooperative business, a list of cooperatives in the province, information on what a cooperative is, the benefits of joining, and events that are happening across the province.

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[2] (*Nielson Holdings plc, 2016*)

INTERNET USERS BY PROVINCE

INTERNET USAGE

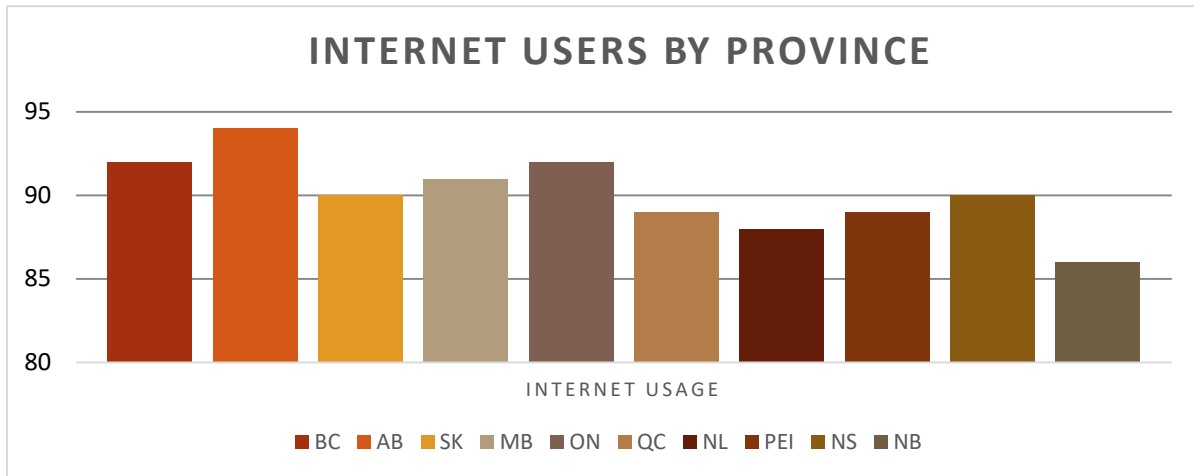BC ▪ AB ▪ SK ▪ MB ▪ ON ▪ QC ▪ NL ▪ PEI ▪ NS ▪ NB

Figure 3

According to a 2016 research poll from Statistics Canada entitled "The Internet and Digital Technology," [3] Albertans have the highest percentage of internet use with 94%. Across Canada, 66% of Canadians perceive technology as a time saver, and 52% of Canadians perceive technology as a means to help make more informed decisions. Of the top 10 devices owned, 76% of Canadians own a smart phone, 71% of Canadians own a laptop, 54% of Canadians own a tablet, and 50% own a desktop computer.

How do Canadians perceive technology?

77% Helps to communicate with other people

66% Saves time

52% Helps to make more informed decisions

36% Helps to be more creative

Figure 4

Top 10 devices owned.

76% Smart phone

71% Laptop or netbook

54% Tablet or e-reader

50% Desktop computer

48% Digital video camera or camera other than smart phone

41% GPS device (standalone/ portable or dash-mounted)

39% Video game console

33% Internet-enabled smart television

25% Set-top or USB device for accessing the Internet from a television
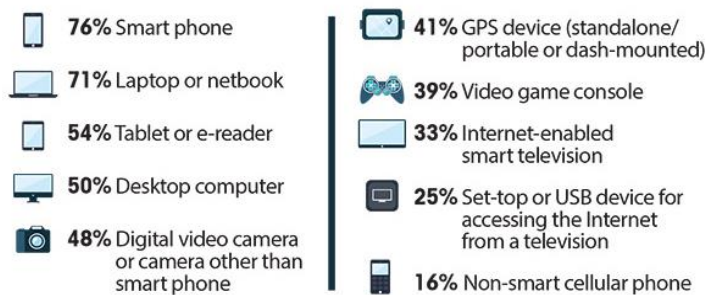
16% Non-smart cellular phone

Figure 5

[3] (Stats Canada, 2016)

Applying the Database to Technological Media

Mobile App

A mobile app would be customized based on the demographics of the user as each member has separate requirements and needs. The app would pull from the collective database the gender, age and location of the member based on their login credentials, and would then apply this information to the current location detected on the phone. From here the unique interface would allow for easy use, accessibility and focused needs targeted for the member in real time of what area they are in. The app could also have the feature to add a membership card on the user's phone.

Websites

A website would use location services to pinpoint where the member is and what cooperatives are in their area based on the member login. They would be able to learn about those businesses, what membership means, and what the benefits are for them. Having a savings calculator feature on the website could also be beneficial. The user would be able to compare prices and see what works best for their interests and budget. The personal page for the user could also have links to print off deals.

Existing Banking Software

Another technological medium that could be used is the credit unions' reporting systems and banking software. For example, have an extra field that staff fills out when the member signs up for the loyalty program, and then file the paperwork into the reporting and records system. From here, at the discretion of the credit union or business, a card could be re-issued with the loyalty logo.

Once such records have been put in the loyalty program database, reporting systems such as DRVA and cView would be able to pick up that information, and it could be presented to staff such as lenders and specialists. They know their members best, and could then promote the mutual partnership opportunities from credit unions and cooperatives. Staff could also utilize the website or the app to show and explain to the members what other benefits exist in their area.

CHALLENGES

Developing and executing a unified loyalty program to all cooperative members is a daunting task, but identifying the possible challenges or risks is essential to a successful rollout. Challenges that we have identified include:

1**) Brand and Awareness** – Creating a new program requires marketing, advertisement, and commitment from all partners to support membership acceptance.

Solution: Establishing a brand that will be identifiable to all cooperative Members is crucial for recognition and development. One unified symbol, similar to the Credit Union symbol, will aid in the development of the loyalty program. Through in-branch or in-store communication and a web presence, the campaign will be showcased to all members while shopping in store or online.

2) **A Complex Reward System** – Having each cooperative develop and exercise their reach reward system may overwhelm Members and result in low buy-in. A lack of personalized and relevant rewards would also prove difficult for employees to market and sell to Members.

Solution: Transparency on how to receive benefits of joining the loyalty program is paramount. Although each cooperative is responsible for developing their own rewards, establishing tiers based on the number of memberships carried will set clear benefits to joining.

3) **Cooperative Acceptance** – Without unity of the cooperative system, the benefits of the loyalty program would be minimal to the user.

Solution: The benefits to each cooperative joining are to increase the membership base independently and as a collective group. Highlighting the benefits of using each other services will educate the member and also build trust within the cooperative system. Each "reward" created and executed by their respective cooperative will allow for their autonomous and independent control while benefiting from a collective system.

4) **Privacy** – Ensuring that our members' personal information is protected within the provisions regarding its collection, use, or disclosure under the Freedom of Information and Protection of Privacy Act (FOIP Act) is imperative.

Solution: To meet these standards, the Privacy Policy will require consent for the gathering of members' personal information. Express approval to release must also be signed if the member approves of limited personal information being shared with partnering cooperatives in this program (The information shared excludes bank account information). The information will not be used for personal benefit or gain, or for the personal benefit or gain of family members, friends, or associates.

Any and all information regarding the credit unions, cooperative businesses, and their members acquired by directors, officers, or employees in their capacity with the credit union and cooperative is private and constitutes confidential data. It must not be used for any reason except for the conduct of credit union and cooperative business. Examples include, but are not limited to, account balances, transaction details, strategies, plans, earnings projections, business volumes, survey results, marketing tactics, and financial results not yet a matter of public record.

CONCLUSION

The objective is to create awareness on the benefits of utilizing each other's services and to educate the community on the cooperative difference. A targeted marketing plan will inform Albertans of cooperatives that exist nearby and highlight the potential rewards from using our combined services. Many cooperatives face an aging membership, and recruiting all generations and different channels to access this loyalty program is the primary focus of our strategy. The implementation of our strategy requires engagement, trust and commitment. No one cooperative should solely take on the task of creating and monitoring the progress of this initiative. Our next steps would be to develop a business case and have conversations with suppliers, cooperatives and the Alberta Community and Cooperative Association. These discussions would focus on the loyalty program and the specifics of each part of the loyalty program, and what next steps are required to make this loyalty program a success in Alberta.

APPENDIX

HISTORY

Cooperatives are businesses or organizations that are owned and run by the members. The owners vote for the board that makes the strategic and directional decisions for the organization, including hiring the CEO.   The members have opportunities to receive a profit from the cooperative as paid out dividends and patronage.

Cooperatives have been around since the 19th century and primarily began in Britain and France. 1769 was the year of the first documented consumer cooperative, and by 1830 there were several hundred cooperatives. The first successful group to develop cooperatives in Canada was farmers in 1860. In 1913 the Alberta Farmers' Co-operative Elevator Co. was organized by the Alberta farmers. Farmers started cooperatives as a solution to sell and purchase products they needed.

Large parts of Alberta's economy are credit unions and cooperatives. In 2015 cooperatives generated annual revenue of $5.5 billion, employed over 13,000 full time employees, and created $440 million in income for their employees. All across Alberta, members benefit from cooperatives, as over 640,000 members do their banking at their local credit union. One of the largest rural natural gas networks is through an Alberta gas cooperative, and over 119,000 people receive natural gas.

More traditional cooperatives include credit unions, gas bars, and grocery stores. To continue tracking, member's cooperatives are looking at new creative ways and being more non-traditional. Opportunity Development Cooperatives (ODC) are helping people in Alberta to redirect millions of dollars into their communities by investing local. To help finance local business development, ODC pool capital through eligible TFSA and RRSPs from investors, which aligns with the seventh principal concern for community.

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