Price savings at Califo

Robert Sommer □ William E. Hohn

In California, as in other states, consumers are forming buying clubs and food cooperatives to reduce food costs. They are following a tradition that began in 1829 when the first American cooperative store was started in Philadelphia by a group of workers who sold at cost and charged one another 20 cents a month for the privilege of trading in the store. The 28 British flannel workers who organized the Rochdale Society of Equitable Pioneers in 1844 also set a pattern for future consumer cooperatives when they established these principles: (1) open membership, (2) one person, one vote, or democratic control, (3) limited interest on capital, (4) sales for cash at prevailing market price, and (5) dividends paid on the basis of patronage.

A California store patterned on the Rochdale model was started in 1899 at Dos Palos in the San Joaquin Valley and in the early years of the 20th century, when capital was plentiful, nearly 100 such stores opened. Numerous store failures followed, often because of poor business management, so that the number of cooperative stores in the state declined from 47 in 1921 to 5 in 1929. The Depression revived interest in saving money and one of the notable developments was that of Consumers Cooperative of Berkeley, begun in 1937, which followed most of the Rochdale principles.

In the 1960s a new type of consumers cooperative emerged that departed from the traditional Rochdale principle of setting prices at market value with members receiving an annual patronage refund. Instead, members opted for either a *direct savings* plan (lower shelf prices and no patronage refund) or a *direct charge* plan (selling at cost with a weekly membership assessment). Another significant difference: alternative co-ops resisted expansion, believing that large size would require formal structure and reliance on paid staff rather than on volunteers.

Six co-ops studied

The Center for Consumer Research at University of California, Davis, decided to examine the price savings incurred by members of this type of cooperative. Six in northern California were chosen; they are in Auburn, Chico, Davis, Grass Valley, Sacramento, and Menlo Park. All are under 10 years old and are relatively small; the largest consists of 1,500 household-members, the smallest of 100 households. All are membership organizations operating storefronts to sell, principally, food. Four stores follow the direct savings plan; two use the direct charge plan.

We questioned co-op members: Are customers who have created food cooperatives receiving tangible return from their investment? We found a great deal of uncertainty and hesitation in their answers. Most were unable to make a percentage comparison between specific co-op prices and supermarket prices. It was our hope that a systematic price comparison would provide useful information to co-op members as well as to other consumers interested in forming food cooperatives.

Initially, the researcher visited a cooperative store to record shelf prices in four categories: produce, dairy products, bulk goods, and name-brand cereals. (Only a few carried meat, fish, and poultry, and they stocked a minimum of processed foods, so there seemed little point in comparing these categories.) Next, the researcher visited up to three national chain supermarkets in the same city and recorded the lowest prices of the same items. There was no problem comparing selling units of produce, dairy products, or name-brand cereals—they tended to be similar—but to compare items sold in bulk at the co-op, we used the lowest price at which the item was available at the supermarket.

There were 182 items available for sale at both co-ops and supermarkets in the six cities. On 84 percent of the items, the co-op price was lower than the supermarket price; on 13 percent, the supermarket price was lower than the co-op price; and on 3 percent, prices were the same.

The average unit price for all 182 identifiable items sold at the co-op was $1.05, while the average unit price for the same items at the supermarket was $1.35. (All savings figures have been rounded to two decimal places to express dollar values.) The difference between these two figures amounts to a 21.7 percent price saving for the co-op customer. Price savings were not evenly distributed over all the items.

Price savings

Produce. The average unit price for the 51 different fresh produce items sold in the cooperative stores was 43 cents compared with an average unit price for these same items of 55 cents at the supermarket. This represents a 21.4 percent average unit price saving on co-op produce.

Dairy products. Of the dairy items carried, almost two-thirds were cheeses. We were impressed by the wide selection of cheeses available at even the smaller co-ops. Clearly, this was a specialty. Average unit price for the 51 dairy items at the co-op was $1.51, compared with an average unit price for the same items of $2.04 at the super-

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market. This represents a 25.8 percent average unit price saving on co-op dairy products.

Bulk goods. Co-op stores carried a wide variety of bulk goods displayed in bins, barrels, boxes, and other large containers. We excluded from comparison almost a dozen instances where an item was carried in bulk form in the co-op and in very small packages (under 8 ounces) in supermarkets. Savings to co-op customers in such instances greatly inflated the average figures in these categories. It seemed preferable to err on the side of conservatism and omit anything sold in bulk in one outlet and in smaller than 9-ounce packages in the other outlet. Average unit price for these 52 items at the co-op was $1.19 compared with $1.57 at the supermarket, which represents a 24.2 percent average unit price saving on co-op bulk goods.

Name-brand cereals. Of the 28 different name-brand cereals sold at the two outlets, the average unit price at the co-op was $1.11 compared with $1.14 at the supermarket. This yields a 1.9 percent average unit price saving for the co-op customer.

Price savings were not confined to bulk goods, which customers must package themselves. There were savings on produce (21 percent) and dairy products (25 percent). On bulk goods savings were 24 percent.

A 3 percent correction factor can be used to take into account the $0.75 and $1.50 weekly membership charges at two stores. This is based on the charge as a percentage of household food expenditures and prorated over all the co-ops. This brings the adjusted overall average price savings for co-op customers to 18.7 percent.

The conclusion that storefront cooperatives offer tangible price savings to their members must be qualified by the fact that meat, fish, and poultry, a significant part of many household expenditures, are rarely stocked at alternative cooperative stores. Also, processed foods are carried in limited supply in most co-ops. Name-brand cereals are about the same price at the co-op as in the chain stores. The household whose primary consumption consists of these foods would benefit little from shopping at a co-op, unless nutritional preference underwent alteration. That's where nutrition education comes in. It is considered important to the cooperative movement. There were frequent educational displays in stores.

Price savings must also be evaluated in the context of the various obligations of co-op members, including an initial fee and sharehold (refundable) and, in most cases, work obligations of approximately one hour per adult per month. We excluded these from our analysis to stay with the issue of shelf-price savings. Final results of all facets of co-op membership will necessarily include intangible, as well as tangible, benefits and obligations.

Co-op stores are moving counter to the trend toward greater convenience by asking customers to do more work rather than less. Typically customers package their own bulk items, record prices, and then bag food at checkout counters—all this besides a monthly work requirement to maintain active membership. The customers are trading off a considerable amount of convenience in the hope of obtaining benefits of price, quality, product information, and social experience. The conclusion from our study is that the savings are real and significant to those consumers interested in the range of products available at the cooperative stores.

The cooperative movement in California has done best in times of financial hardship, when concern about food prices is high, and tends to atrophy as times improve. Continuing inflation has made this an up period for cooperatives. However, other trends make alternative cooperatives more than another option for dealing with inflation. The changes reflect increased interest in nutrition and food policy that is likely to contribute either to the new cooperatives' survival, or to the incorporation of their salient features in the major food distribution system.

There are indications that the dominant food distribution system is heeding these concerns. The most visible sign is the inclusion of bulk goods and natural food sections in major chain stores. Consumer surveys reveal that many customers of all age groups are interested in unprocessed and additive-free foods. Thus, we see the major food distribution system responding to conflicting pressures for convenience foods, naturalness, and low prices. Our crystal ball does not indicate how this will be resolved. To the extent that major supermarkets cannot combine all of these functions within a single physical plant, there appears to be room for such alternatives as food co-ops.

Robert Sommer is Director, and William E. Hohn is Research Assistant with the Center for Consumer Research, University of California, Davis. *This study was supported in part by the Kellogg Public Service Research Program and carried out in conjunction with the California State Department of Consumer Affairs, Cooperative Development Program.*