



Consumer Federation of America



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**SURVEY REVEALS MORE TRUST FOR COOPERATIVES THAN FOR  
INVESTOR-OWNED CORPORATIONS**  
*CONSUMERS TRUST MORE ACCOUNTABLE BUSINESSES, PREFER COOPERATIVES*

Washington D.C.—As federal regulators scrutinize corporate governance and board election practices, survey results unveiled today found that less than half of Americans think investor-owned corporations are ethically governed. The survey found significantly greater public trust in businesses that provide more consumer control and board accountability.

The survey of 2,031 adults, released today by the National Cooperative Business Association (NCBA) and the Consumer Federation of America (CFA), found that two-thirds of consumers believe businesses that are owned and governed by their customers and have consumers on their boards of directors are more trustworthy than those that do not. A majority also found companies that allow customers to democratically elect the board of directors, and are locally owned and controlled to be more trustworthy.

**Co-ops Rate Higher Than Investor-owned Corporations**

The survey also found that consumers rate businesses that have these governance characteristics—cooperatives—higher than investor-owned companies. Co-ops are owned and governed by their members—the people who use their services or buy their goods—rather than by outside investors. Member-owners directly elect the board of directors from within the membership and the business returns surplus revenues to the members, not to outside investors. More than half of adults in the U.S. say they're members of cooperatives.

NCBA's CEO and President Paul Hazen said that more than 75 percent of those surveyed agreed that co-ops run their businesses in a trustworthy manner compared to just 53 percent for investor-owned companies. More than two-thirds agreed that consumer-owned co-ops are ethically governed, while just 45 percent said the same of investor-owned corporations.

Asked whether consumer co-ops have the best interests of consumers in mind when conducting business, 77 percent of Americans agreed they did. Fewer than half said the same of investor-owned counterparts. Co-ops also rated higher than investor-owned companies by wide margins on questions of value, quality, price, and commitment to their communities.

“Public trust is the first casualty of corporate accountability scandals,” said CFA Executive Director Stephen Brobeck, at a press conference today. “Fortunately, this survey demonstrates that there’s a solution to consumer concern about their lack of control that goes beyond anything the Securities and Exchange Commission, the New York Stock Exchange, or Congress are willing to do. Consumers →

believe the nation's more than 40,000 co-ops offer more democratic, accountable options and trustworthy options. And those are options they clearly prefer.”

### **Consumer Preference for Cooperatives**

Asked whether they would be more or less likely to buy products or services from a business if they knew it to be a cooperative:

- ? 73% were more likely to buy products from a food cooperative
- ? 71% were more likely to use a credit union
- ? 69% were more likely to patronize independent, local businesses that belonged to a buying co-op
- ? 69% were more likely to purchase food produced by a farmer-owned cooperative
- ? 67% were more likely to buy electricity and telecomm services from a local utility co-op
- ? 56% were more likely to use day care services provided by a parent-owned co-op
- ? 55% were more likely to prefer health care services offered by a consumer-owned provider
- ? 51% were more likely to hold policies with a mutual insurance company

Hazen said consumers also demonstrated particularly strong support for farmer-owned cooperatives, with more than 80 percent agreeing these co-ops strengthen rural communities and help farmers succeed. Sixty-four percent agreed that food products produced by farmer-owned cooperatives were of higher quality than those produced by other types of companies.

### **Co-op Members Rate Co-ops Higher, Consumers Need More Information**

Though the survey found a majority surveyed preferred to do business with co-ops and rated them more highly than investor-owned corporations, trust and preference for co-ops was even stronger among those who said they were already members of cooperatives.

“The survey demonstrates that consumers know co-ops by their reputation for quality service and products,” Hazen said. “And those who are already members of co-ops have an even stronger loyalty to, and preference for them. Regardless of how you measure it—in terms of cost savings, value or satisfaction—consumers can get more for their money at cooperatives.”

According to the Credit Union National Association, the average credit union household saves \$149 per year by belonging to a credit union rather than a bank or a thrift. University of Minnesota research found that owners of cooperative housing save \$16 per unit per month in operating costs compared to rental units. And retail co-op members receive savings through member discounts or through end-of-year dividends. Members of other cooperatives also receive end-of-year dividends.

“The challenge is in raising consumer awareness of and access to cooperatives,” said Hazen who, together with Brobeck, urged state and federal consumer bureaus to make more information about cooperatives available to consumers.

### **Methodology**

Opinion Research Corporation surveyed 2,031 adults during July 24-28. At a 95 percent confidence level, the maximum expected error is +/- two percent. The survey was sponsored by NCBA and a coalition including CUNA, the National Assn. of Federal Credit Unions, the National Cooperative Bank, the National Milk Producers Assn., the National Rural Electric Cooperative Assn., the National Rural Telecommunications Cooperative, the National Rural Utilities Cooperative Finance Corporation, and the National Telecommunications Cooperative Assn.

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# Survey Findings

## SURVEY DETAILS

2,031 adult Americans were polled July 24-28 by The Opinion Research Corporation, Princeton, N.J., on their perceptions of corporate governance practices; about cooperatives and investor-owned corporations; and their preferences for co-ops. At the 95 percent confidence level, the survey has a +/- two percent margin of error.

## CORPORATE GOVERNANCE

Respondents were read a list of corporate governance characteristics and asked if they made a business more or less trustworthy.

Roughly **two of three** adult Americans said that a business that is owned and governed by the people who buy its goods or use its services is more trustworthy.

68% said that a business that has **consumers on its board of directors** is more trustworthy.

62% said a locally owned and controlled business is more trustworthy.

55% said a business that allows its **customers to democratically elect its board of directors** is more trustworthy.

## CO-OPS VS. INVESTOR-OWNED CORPORATIONS

Respondents were given ten positive business attributes and asked whether each attribute described co-ops and investor-owned corporations. **Co-ops outscored investor-owned corporations on eight of ten attributes, in some cases by more than 25 points.**

### Customer Needs

81% agreed that co-ops can be counted on to meet their customers needs, compared to 65% for investor-owned corporations.

### Committed to Service

79% agreed that co-ops are committed to providing the highest quality service to their customers, compared to 58% for investor-owned corporations.

### Committed to Community

78% agreed that co-ops are committed to and involved in their communities, compared to 53% for investor-owned corporations.

### Best Interests of Consumers

77% agreed that co-ops have the best interests of consumers in mind, compared to 47% for investor-owned corporations.

### Trustworthy

76% agreed that co-ops run their businesses in a trustworthy manner, compared to 53% for investor-owned corporations.

### High Value Products

74% agreed that co-ops provide products and services that are of high value, compared to 63% for investor-owned corporations.

### Ethically Governed

**68% agreed that co-ops are ethically governed, compared to just 45% for investor-owned corporations.**



**Competitive Prices** 64% agreed that co-ops offered the most competitive prices, compared to 54% for investor-owned companies.

**Charitable Giving** A nearly equal percentage agreed that co-ops (57%) and investor-owned corporations (58%) engage in charitable giving.

**Marketplace Choice** Investor-owned corporations outscored co-ops on marketplace choice. While 53% agreed co-ops offer consumers more choices in the marketplace, 62% agreed that investor-owned corporations did.

## **CONSUMER PREFERENCE FOR COOPERATIVES**

Respondents were asked whether knowing that a business is a co-op affects the likelihood they would buy its goods or use its services.

More than 2/3 of consumers were more likely patronize food co-ops (73%), credit unions (71%), local utility co-ops (67%), and local, independent businesses that belong to a buying co-op (69%).

More than a majority was more likely to use parent-owned day care co-ops (56%), consumer-owned healthcare co-ops (55%) and buy policies from mutual insurance companies (51%).

33% were more likely, and 43% were less likely to buy a unit or home in a local housing cooperative. However, a majority of African Americans were actually more likely to purchase a co-op unit or home.

## **FARMER-OWNED COOPERATIVES**

**Respondents were asked whether they agreed or disagreed with four statements about farmer-owned cooperatives.**

83% agreed that farmer-owned co-ops help farmers succeed.

82% agreed that farmer-owned co-ops strengthen rural communities.

69% said they were more likely to purchase food produced by a farmer-owned cooperative than those produced by other types of companies.

64% agreed that food produced by a farmer-owned cooperative was of better quality than food produced by other types of companies.

## **MEMBERSHIP**

More than **half of American adults** say they are members of cooperatives.

## **FAMILIARITY WITH CO-OPS**

Asked how familiar respondents were with the details of co-op *organization and philosophy*—

47% said they were familiar with co-ops; 30% said they were not very familiar; and 22% are not at all familiar.

Familiarity was higher among men than women, among 45-64 year olds compared to other age groups, and among adults in households earning more than \$35,000 annually compared to lower income groups.

# What are Cooperatives?

## Cooperatives are Businesses

Cooperatives are businesses that—

- ? are owned and democratically controlled by their members—the people who use the co-op's services or buy its goods—not by investors.
- ? return surplus revenues (income over expenses and investment) to members proportionate to their use of the cooperative, not proportionate to their ownership share.
- ? are motivated by service to their members, **not** by profit.

## Types of Co-ops

**Cooperatives fall into four categories: consumer, producer, worker and purchasing/shared services.**

## Facts & Figures

**Cooperatives are bustling hubs of commerce that operate in virtually every industry:**

- ✍ U.S. co-ops serve some **120 million members**, or 4 in 10 Americans.
- ✍ Cooperatives operate in **every industry** including agriculture, childcare, energy, financial services, food retailing and distribution, health care, insurance, housing, purchasing and shared services, telecommunications, and others.
- ? Cooperatives range in size from large enterprises, including U.S. Fortune 500 companies, to single, small local storefronts.
- ? About 30 percent of farmers' products in the U.S. are marketed through **3,400 farmer-owned cooperatives**.
- ? More than 30 cooperatives have **annual revenues in excess of \$1 billion**, including such well-known names as Land O' Lakes, Inc., and ACE Hardware. The top 100 co-ops have a combined \$125 billion in revenues.
- ? **10,000 U.S. credit unions have 83 million members** and assets in excess of \$600 billion.
- ? Nearly **1,000 rural electric cooperatives** own and maintain nearly half of the electric distribution lines in the United States, cover 75 percent of the land mass and provide electricity to 36 million people.
- ? 270 telephone co-ops provide service to 2 million households.
- ? More than **6,400 housing cooperatives** provide homes for more than one million households.
- ? Some **250 purchasing cooperatives** offer group buying and shared services to more than 50,000 independent businesses.
- ? More than **1,000 mutual insurance companies**, with more than \$80 billion in net written premiums, are owned by their policyholders.



## Consumer-owned Cooperatives

Consumer cooperatives are owned by the people who buy the goods or use the services of the cooperative. Examples:

**Amalgamated Houses**, New York, N.Y.—a consumer-owned co-op providing affordable housing for 1,500 families in 11 buildings in Manhattan.

**Sumter Electric Cooperative, Inc.**, Sumter, Fla.—one of the nation's leading distribution electric cooperatives, which serves 125,000 consumer-owners at homes and businesses in central Florida. [www.secoenergy.com](http://www.secoenergy.com)

**Group Health Cooperative of Puget Sound**, Seattle, Wash.— a consumer-owned HMO with more 560,000 members. [www.ghc.com](http://www.ghc.com)

**Hanover Consumers Cooperative**, Hanover, N.H.— a conventional foods, consumer-owned grocery co-op, with two stores in the Hanover area. [www.coopfoodstore.coop](http://www.coopfoodstore.coop).

**Navy Federal Credit Union**, Merrifield, Va. — with more than 2.4 million members, Navy FCU is the nation's largest credit union. [www.navyfcu.org](http://www.navyfcu.org)

**PCC Natural Markets**, Seattle, Wash., — a consumer-owned, natural foods co-op with seven locations in the Seattle area. [www.pccnaturalmarkets.coop](http://www.pccnaturalmarkets.coop)

## Producer-owned Cooperatives

Producer cooperatives are owned by producers of farm commodities or crafts that band together to process and/or market their products. Examples:

**Land O'Lakes, Inc.**, Arden Hills, Minn.— a food and agricultural cooperative owned by 7,000 farmer-members and 1,300 local community cooperatives. [www.landolakesinc.coop](http://www.landolakesinc.coop)

**Florida's Natural Growers**, New Wales, Fla. —a grower owned juice cooperative that has built a nationally recognized, leading juice brand. [www.floridasnatural.com](http://www.floridasnatural.com)

Other well-known farmer-owned cooperatives include **SunKist**, **SunMaid**, **Blue Diamond**, **Ocean Spray**, and **Riceland**.

## Worker-owned Cooperatives

Worker co-ops are owned and governed by their employees. Examples:

**Cooperative Home Care Associates**, Bronx, N.Y.—a worker-owned home health care agency that provides workers with livable wages and benefits.

**Equal Exchange**, Boston, Mass.—a worker-owned fair trade products buying and distribution cooperative that pioneered fair trade in the U.S. [www.equalexchange.coop](http://www.equalexchange.coop)

## Purchasing Cooperatives

Purchasing cooperatives are owned by small, independent businesses that band together to enhance their purchasing power. Examples:

**ACE Hardware and TruServ**, Chicago, Ill.—national buying cooperatives of independent hardware store owners that use a national co-op brand.

**Carpet One**, St. Louis, Mo. —a national cooperative of 1,000 independent floor covering retailers that is the largest floor covering retailer in the world.

# Co-ops and Investor-owned Corporations Compared

The governance structure of cooperatives is significantly more open, democratic, transparent and inclusive than that of investor-owned corporations. A recent, national survey indicates that the public views businesses with the co-op governance characteristics listed below as more trustworthy than businesses that lack these attributes.

<b>CHARACTERISTIC</b>	<b>COOPERATIVES</b>	<b>INVESTOR-OWNED CORPORATIONS</b>
<b>STRUCTURE</b>		
<b>Ownership</b>	Owned by members– the people who buy the goods or use the services of the cooperative.	Owned by outside shareholders who may or may not use the goods and services of the business.
<b>Control</b>	Wholly democratically controlled by the members on a one-member, one-vote basis (i.e., all members have an equal voice in the business regardless of their equity share).	Controlled by shareholders according to their investment share.  Shareholders must meet a threshold of ownership to have any meaningful control over the company.
<b>GOVERNANCE</b>		
<b>Board Membership</b>	Board is made up of the co-op members who are elected by the members.  Most, if not all directors are independent– they are not selected by the CEO and typically do not work for or have any business relationship with the co-op, other than their patronage of it.  Management typically does not hold board seats.	Board is made up of a combination of independent directors, management and other directors with financial or business ties to the organization.  CEOs often serve as board chair.
<b>Board Compensation</b>	Cost reimbursement for board meetings. Board members typically serve on an uncompensated, volunteer basis.	Significant financial compensation provided.
<b>Board Nominations</b>	Candidates are nominated by membership either directly (including self-nomination), or by a nominating committee made up of the members. Nominating committees may be made up of board members or include other co-op members. They typically issue a call for nominations to the membership prior to each election.  Co-ops circulate a single election ballot including all nominated candidates.	Candidates nominated by the board of directors and management, often by a nominating committee. Management maintains careful control over board candidates.  Board proxy materials include only board nominees.



<b>Board Nominations, cont'd</b>	<p>Co-op bylaws generally allow any member to nominate a director-candidate. Where a petition is required to place a candidate's name on the slate, the threshold for signatures is generally low (e.g. 100 signatures or 1% of membership).</p>	<p>Shareholders have only limited ability to nominate their own director candidates and must do so on a separate proxy statement that they circulate and tabulate at their own expense, ranging in cost from \$100,000 to \$1 million. (AFSME, 2003) Shareholders must also execute that separate proxy card to vote for other candidates.</p> <p>Shareholders may recommend nominees to the nominating committee, but companies rarely nominate such candidates.</p> <p>Shareholders may also nominate directors in person at the annual meeting, but few shareholders attend and such nominees rarely receive sufficient support.</p>
<b>Board Elections</b>	<p>Board is elected by the members on a one-member, one vote basis.</p> <p>Contested elections are the norm, not the exception.</p> <p>Members vote in-person at the annual meeting, by mail, or electronically, or by a combination of these methods.</p>	<p>Board elections are better characterized as shareholder "ratification" of the uncontested, management/board-selected slate offered on the proxy statement. Because the board typically nominates only enough candidates, often incumbents, to fill open seats, whether or not a shareholder submits a proxy matters little.</p> <p>Shareholders submit proxy in advance or must attend the annual meeting to vote in person.</p>
<b>Accountability</b>	<p>Board members are directly accountable to members through these nomination and election procedures. Board members can be, and often are, voted out in contested elections.</p>	<p>Election and nomination procedures afford little meaningful oversight to shareholders. It is difficult and costly for shareholders to remove board members.</p>
<b>FINANCIAL</b>		
<b>Dividends</b>	<p>Any surplus revenues (profits) earned by the co-op are reinvested in the business and/or returned to members based on how much business they conducted with the co-op that year— their patronage— or through lower prices or fees.</p> <p>Many co-ops are obligated to return a portion of their "surplus revenues"— if there are any— to members each year.</p>	<p>Profits returned to shareholders based on their ownership share.</p> <p>Corporations are generally not obligated to pay out dividends.</p>
<b>Motivation</b>	<p>Maximize member-service</p>	<p>Maximize shareholder returns.</p>
<b>Structure</b>	<p>Co-ops operate on a not-for-profit basis. Depending on the type, co-ops can organize under a variety of structures— as co-ops, as non-profits, and as regular corporations. All co-ops operate according to co-op principles.</p>	<p>Generally organized as C corporations.</p>



# How to Find Co-ops

- Child Care Co-ops** Visit [www.preschools.coop](http://www.preschools.coop) for a partial listing of parent-owned preschool cooperatives.
- Credit Unions** Visit [www.creditunion.coop](http://www.creditunion.coop), and click on “Locate a credit union.” Consumers can search by zip code, city, or a credit union’s name.
- The site also contains information about credit unions and tips on personal financial management.
- Electric Co-ops** Visit [www.nreca.coop](http://www.nreca.coop) and click on “Select a State.”
- The site also contains facts, information, and statistics on the nation’s consumer-owned electric cooperatives.
- Food Co-ops** Visit [www.cooperativegrocer.coop](http://www.cooperativegrocer.coop) and click on “food co-op directory.” The site includes general information about consumer cooperatives. Food co-ops can also be located by visiting [www.ncga.coop](http://www.ncga.coop) and clicking on “Our Members.”
- Housing Co-ops** Visit [www.coophousing.org](http://www.coophousing.org) for a partial listing or contact the National Association of Housing Cooperatives at (202) 737-0797. The site also contains general information about housing cooperatives
- Producer Co-ops** Visit [www.ncfc.org](http://www.ncfc.org) and click on “Who are NCFC members?”
- For a listing of dairy cooperatives, visit [www.nmpf.org](http://www.nmpf.org) and click on “Cooperative Members” under “About NMPF.”
- Telephone Co-ops** Visit [www.ntca.org](http://www.ntca.org) and click on “Members.” (Note: not all members listed are cooperatives. Co-ops generally have the word “cooperative” in their name.)
- Other Co-ops** Contact the National Cooperative Business Association at (202) 638-6222 or e-mail [nba@nba.coop](mailto:nba@nba.coop).



# Media Contacts

## Consumer Groups

**Consumer Federation of America** ([www.consumerfed.org](http://www.consumerfed.org))  
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## All Co-ops

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## Credit Unions

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**National Association of Federal Credit Unions** ([www.nafcu.org](http://www.nafcu.org))  
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## Electric Co-ops

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## Food Co-ops

**National Cooperative Grocers Association** ([www.ncga.coop](http://www.ncga.coop))  
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## Housing Co-ops

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