

# **Cooperation between Consumer Co-ops and Local Communities:**

## **Focusing on the Case of the iCOOP Korea**



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### 1. Characteristics of the Consumer Co-operatives in Korea

In essence, the consumer co-operatives in Korea bear significant differences from those in Western countries (e.g. the United Kingdom or Spain). While most consumer co-operatives in Western countries adopt an open store-based business strategy, consumer co-operatives in Korea take the form of a closed membership business body that only allows investor-members to join and focus on promoting the consumption of eco-friendly organic foods. And while the Korean consumer co-operatives also seek to align their business goals with the members' best interest as their Western counterparts do, they are more likely to organize various community-based activities due to their closely intertwined relations with local communities.

Among the most representative consumer co-operatives in Korea such as *Dure*, *Hansalim*, the *iCOOP*, *Womenlink consumers co-operative*, and the *Korean Consumers' Cooperative Federation (KCCF)*, the present paper is going to focus on the case of the *iCOOP*.

Until the early 1990s, there were approximately 100 active consumer co-operatives in Korea that were formed by themselves. In 1993, the KCCF began to provide comprehensive logistics service for local co-operative societies in order to facilitate their activities with higher circulation efficiency. However, as the said service faced a number of challenges in terms of business sustainability, the idea of establishing a new organization started to surface in around 1995. Soon, there were movements among the local co-operatives that shared similar operational rules and policies to form a consolidated business entity. (Eunmi Cheong, 2006: p. 6) In 1997, the *Urban Co-operatives Federation* and the *Korean Solidarity of Consumer Co-operatives* were beginning to take form as well.

In March 1998, 6 small local co-operatives (Bu-pyeong, Han-bat, Bu-cheon, Byut-nae, Su-won, An-san) joined hands to establish the 21<sup>st</sup> Century Consumer Co-operatives, which later became the Korean Solidarity of Consumer Co-operatives (KSCC), and the organization was developed to become the current iCOOP Solidarity of Consumer Co-operatives with its focus on shipping and logistics activities.

As the year 2002 began, many members of the KSCC recognized the necessity to separate the logistics business from their co-operative activities, which would allow each division to specialize in their respective areas. Fundamentally, their goal was to found a full-fledged organization that would be responsible for the co-operative policy development; the establishment of both domestic and international alliance; and the government lobbying activities. Upon successful foundation, the new organization would then allow the KSCC to maintain its focus on the logistics business. After a series of efforts, the Korean Association of Consumer Co-operatives (KACC) was eventually found on November 16, 2002. Since its birth, the KACC has been continuously developing numerous co-operative policies, while supporting and facilitating the creation of local co-operatives and their activities. In 2008, the organization was renamed as the iCOOP which is in present use.

In 2009, the iCOOP posted total sales volume of 206.2 billion KRW (approx. 184m USD). The speed at which the iCOOP is growing in terms of economic activities is truly staggering given that the organization's first-year revenue was 1.5 billion KRW (approx. 1.34m USD), which is only one-hundredth of the 2009 figure. According to the iCOOP 2009 Annual Report, these records are highest in South Korea's consumer co-op group, almost double times than other consumer co-op groups.

## **2. Activities of the iCOOP: Engaging with Local Communities**

### **1) The Value of Local Communities to the iCOOP**

As many countries the world over, Korea is suffering from recession. Under the circumstance, the nation's local economies are taking the worst damage. In fact, the health of local economies has been steadily deteriorating due to the lack of workforce and investment capital which further widened the gap between Seoul area and other regions. Following the local government election in 1991 and the full execution of the Local Self-governing System in 1995, many of the previously centralized administrative functions were distributed to local

governments. Nevertheless, the local government system failed to gain political independence from the central government—not only was the system itself functionally incomplete, but also the level of awareness among local residents seemed insufficient. Additionally, in the wake of the influx of neo-liberalism into the country since late 1990, it became even more impossible for the local governments to withstand the immense power of capitals. The local governments had no economic independence, but the capitals moved freely from local to local without limits.

In order to create an internal-circulation economy, one of the most common strategies for a local government is to attract capitals from outside. However, with respect to the fair distribution of profits, local business owners and residents are unlikely to be the beneficiaries. Consequences can be far more severe when a large-scale merchandise distributor financed by external capitals would not share its profit with a local economy. As a matter of fact, several of such cases are already being seen not only in municipal and provincial areas, but also in major cities such as Busan, Daegu, and Gwangju.

One of the most noticeable examples is SSM (Super Super-Market). The SSM's, with their headquarters usually based in Seoul, expand by opening local stores in other parts of the country. However, they are often faced with strong criticisms from local communities; and although the SSM's invariably claim that they contribute to local economy by creating new jobs, most of them are actually limited to low-paid temporary positions. In addition, there are long-term concerns that local SSM stores may further weaken the local economy by driving small-sized retailers out of business. Economic deprivation, as it is well proven, results in a sequence of cultural and social isolation as well. Therefore, once local economies begin to suffer, it becomes extremely difficult to reverse the vicious process. Especially, with the number of population continuing to decrease, even well-established mid-sized cities are showing signs of trouble. While demographic statistics may show the increase of local population, it is important to note that the increase is driven by the growing number of foreign nationals seeking employment or international marriage.

Multi-faceted deterioration of local communities, the phenomenon which the Western countries experienced 20 years ago with the permeation of neo-liberalism, also became omnipresent in Korea. To certain extent, on a national level, neo-liberalism was essential to recuperate the ailing economy. Government intervention was minimized, and the idea of globalized free market and free trade was widely pursued on behalf of economic growth. During the course, the nominal role of civil nation was attenuated as well; and trans-national investment capital was injected directly to individual areas and sectors. Local communities

were also affected by such trend substantially, and some communities made voluntary efforts to adapt to the change. With respect to social welfare, the Korean government provided far less national support than its Western counterparts. Consequently, the public welfare business has been funded by private capitals incrementally.

In most cases, the local economies have been exploited by the steady inflow of external capitals. Faced with the challenge, along with the limited governmental support, local residents were forced to seek self-protective measures in order to secure their economic independence and reinvigorate the communities; and soon there was increasing need to establish local co-operative organizations that would allow the residents to develop and execute sustainable alternatives autonomously. The anticipated positive effects of such co-operative organizations were particularly praised by the local political activists, the members of the existing co-operatives, as well as the advocates of grassroots economy. Among various forms of co-operatives, the role of the consumer co-operatives is the central concern of the present paper.

The market dominance by monopolizing companies is a commonly observed feature in the modern capitalism system. The companies are destined to compromise the quality of social welfare because they control output quantity and price to maximize their profitability. On the contrary, with consumer co-operative entities, the members' quality of life takes precedence over profits. Accordingly, the consumer co-operatives have different way of making decisions when adjusting output quantity and price, which allows them to take social welfare into account far more responsibly than the monopolizing companies.

Furthermore, the local communities are the essential backbone of the co-operatives. The reason being, firstly, the co-operatives cannot afford to neglect the communities in struggle when their own members' daily livelihood is at stake. Secondly, in a long term perspective, the local communities may provide alternative strategic ground for the co-operatives against the gigantic order of global capitalism.

Aware of the aforementioned, the iCOOP has been making restless efforts to contribute to the local communities. The iCOOP has been encouraging its members to participate in donations and charities as a means of helping neighbors that are economically vulnerable. To take such efforts further, the iCOOP began to promote the concept of "economic brotherhood,oby diversifying its philanthropic activities since 2009.

Meanwhile, there have been arguments on how to distinguish the community support activities of the iCOOP from corporate social responsibility (CSR). As several large-scale

enterprises in Korea were asked to be responsible for massive layoffs and high unemployment rates after the IMF intervention, the idea of CSR was brought forth. Since then, CSR has been widely incorporated into business strategies as an integral part of sustainable growth. (Office of Administration, World Knowledge Forum, Maeil Business Newspaper: 2007)

However, the community-based sharing efforts of the iCOOP differ significantly from the CSR activities in terms of their orientation of viewpoint. While the CSR initially bears a third-party perspective, the iCOOP has its roots in within the communities, and it pursues the community's development. Additionally, whereas the CSR also acts as an instrument to dilute political responsibilities of corporate (Sehoon Cho, 2010), the iCOOP is free from such arguments because it has no political associations. In short, the key difference between the two activities comes from the orientation of perspectives from which the organizations view the local communities. Companies engage in the CSR activities based on their business strategy, while the iCOOP's community support embodies the spirit of self-help through voluntary collaboration.

"The 2010 will be the year of reinforcing our sustained efforts to build a stronger organization. We need to maintain momentum by pursuing our top three agendas more aggressively: supporting co-operative members; concerning for our communities; and sharing our values with those in need. By so doing, we will be allowed to disseminate the idea of ethical consumerism more broadly."

–2009 Annual Report, KACC General Assembly, 2010

The present paper and the research herein were inspired by the understanding that local communities are the most valuable platform upon which the iCOOP stands. It is the conviction of the iCOOP that local communities can and should be revitalized in all aspects, and the organization must play a pivotal role in the due process.

## **2) Community Contribution Activities of the iCOOP Korea**

### **2-1) Economic and Social Activities**

Two of the most notable and basic community support activities of the iCOOP are: *a)* the promotion of eco-friendly agricultural products for consumer-members and *b)* the iCOOP store

(*Nature Dream*) operations. Accumulated total sale in 74 iCOOP nationwide local co-ops were 206.2 billion KRW (approx. 184m USD) as of December 2009.

Fig.1. Total Sales of the iCOOP		
Source: Sanghoon Lee: p. 167., reorganized from the iCOOP General Assembly Annual Report, 2008-2010.		
Year	Total Sales (in billion KRW)*	Year-on-Year Rate (%)
1998	15	-
1999	30	194.2
2000	53	180.6
2001	80	150.3
2002	160	199.8
2003	287	179.5
2004	494	172.0
2005	602	122.9
2006	734	128.3
2007	943	128.5
2008	1,301	138.0
2009	2,062	158.5

\* Figures rounded off to the nearest billion

Currently, 39 stores are being operated by 33 out of 74 iCOOP local co-ops. Since each store employs six to eight people on average, the iCOOP created at least 234 jobs by opening local co-ops stores nationwide. (Note: the number of permanent employees at the iCOOP office and partner and direct stores were not included in the given statistics.)

**Fig. 2. The Number of the iCOOP local co-ops and Direct Stores by Year**

Source: The iCOOP General Assembly 2009 Annual Report, 2010

Year	Number of Local co-ops	Local co-ops Stores	Direct Stores	Partner Stores	Total Number of Stores
2006	1	1	-	1	2
2007	7	7	-	1	8
2008	10	10	2	2	14
2009	21	21	3	5	29
Total	33	39	5	9	53

The positive results of the successful co-operative store operations in terms of job creation and profitability are best demonstrated with the case of *Blue Ocean Co-operative*, which is one of the local members of the iCOOP, located in Busan. BOC opened its first store in 2008, and the second one in the following year. Both of them are currently in full operation with monthly average revenue of 310 million KRW (approx. 276,786 USD). Estimated total monthly sales stands at 508 million KRW (approx. 453,571 USD) if including the revenue from direct sales to households, which is 207 million KRW per month. In addition, the BOC stores hire more number of people compared to private stores: they employ 11 permanent associates, 5 supply specialists, as well as 6 part-time workers.

According to the iCOOP's 2009 local co-operatives performance report, the most representative social contribution activity has been the "Sharing-and-Giving" movement. The movement, which aims to uphold social responsibilities by providing financial support to struggling neighbors, is considered to have made rich contributions to local communities. For most of the local co-operatives with retail stores, it is a common practice to donate surplus inventory items through the network of food banks. The co-operatives do not run their own stores seek alternative ways to contribute. Some organize sub-committees to be responsible for sharing-and-giving activities, others collaborate with the head office, and still others donate 1% of their operating budget to provide basic supplies to disabled care homes or study aid facilities. In addition, there are a number of co-operative members who supply snacks and side dishes directly to the neighbors in need. There are some local co-operatives that offer free membership or fee discount.

Also noteworthy is that many of the iCOOP fund raiser activities have a high participation rate. It is in part due to a high number of middle-class members, as well as the continued



efforts by the iCOOP in promotion of social responsibility as an important core value. In numbers, the total amount of donation increased significantly in a 6-year window from 2 million KRW in 2003 to near 160 million KRW in 2009—the result which well demonstrates the positive impacts of taking actions.

**Fig. 3. Current Donation Standings**

YEAR	Amount	
	Subtotal (in KRW)	Growth Rate (%)
2003	2,000,000	-
2004	15,103,200	755
2005	12,495,600	83
2006	30,462,400	244
2009	158,904,470	522

As of 2009, the accumulated total donation reached near 160 million KRW. In detail, 31 million KRW were raised for the *Hong-sung Bark-Mark(Bright-and-Clear) Library* construction project; 10 million KRW for the *Museum of Women and Peace* construction project; 26 million KRW for the Support Palestinian Children donation drive; 30 million KRW for the “Kang-hwa Uri Bean”; 30 million KRW for the “WecanCookie”; and 30 million KRW for the Poolmoo High School. The total amount was over 158 million KRW.

Each projects and fundraisers was organized with unique individual goals. For example, the Hong-sung Bark-Mark Library project, initiated by multiple co-operatives, aimed to provide cultural and educational support to rural areas. The Museum of Women and Peace project was designed to help social minorities and troubled neighbors, especially those suffered as comfort women during the Japanese colonization period. The Support Palestinian Children donation drive was planned to expand the horizons of co-operative humanitarian activities beyond borders.

## 2-2) Political Activities

Most of iCOOP local co-operatives are active supporters of school dining. The local co-operatives have been promoting and engaging in various political activities such as co-

coordinating with local related groups to boost the supply of eco-friendly organic foods in schools, and advocating the increase of school-run dining facilities. In addition, the co-operative members frequently monitor the conditions and quality of the dining services, because it is a firm conviction of the members that no adverse additives should be allowed to be distributed.

Furthermore, most of the co-operatives have been campaigning for ethical consumption. Since 2009, the iCOOP decided to incorporate the concept of ethical consumption into its core values; and 70 iCOOP co-operatives nationwide soon put the idea into effect. Such efforts contributed immensely in raising the social awareness of ethical consumption. Indeed, the ethical consumption and fair trade are the most legitimate and effective instruments against the traditional capital-oriented distribution structure that had been dismissive towards the exploitation of first-tier producers. That said, the positive impact of the co-operatives' activities on the local politics has been truly undeniable.

In terms of taking political actions, the iCOOP local co-operatives work both independently and collaboratively. Despite its relatively small size, *Nam-won Co-operative* enthusiastically led public campaigns against the installation of electricity cables across the Chiri Mountain area, thus playing a pivotal role in taking further actions. In another case, *Bu-cheon Citizen Co-operative* and *Cheong-ju Y Co-operative* joined forces to set forth a key momentum in the protest against the construction of SSM stores in their respective regions.

### **2-3) Cultural Activities**

Some of the iCOOP local co-operatives ceaselessly engage in environmental protection activities. Such efforts to raise awareness on the environmental issues, which are critical in building a sustainable eco-friendly local community, should not be regarded as a short-term social phenomenon. Rather, they denote a significant change in public consciousness. By working closely with the members of the local community to promote and strengthen environmental awareness, the co-operatives are making vast cultural contributions to the locals.

Furthermore, the retail stores managed by 33 iCOOP local co-operatives not only sell goods, but also serve as community networking hubs. As the stores are frequented by the members of the co-operatives, they naturally function as a spot where people can relax and casually gather. Therefore, the stores have a great potential in terms of developing unique local cultures and encouraging friendly community spirits. A case in point is the store operated by

*Ku-ro Co-operative*. The store preserved a designated meeting area for nearby residents on its premises, allowing the neighbors to host various social gatherings freely. Moving forward, the store plans to offer more number of cultural lectures in order to serve as both a cultural learning and a social networking hub.

### 3. Co-operatives and Communities: What's in the Future?

To certain extent, the idea that the very existence of consumer co-operative itself can be beneficial to local communities seems indisputable because if consumption grows, combined with ethical consumerism, the local economy will also be facilitated in a healthier manner. On that basis, it is important to note that 74 iCOOP local co-operatives, as of late 2009, achieved total sales of 206.2 billion KRW since the alliance of only six co-operatives was first formed in 1998. As described previously, their constant efforts to disseminate the value of ethical consumption and production already made meaningful contributions to local communities. Looking forward, the activities of the co-operatives will continue to benefit the communities with more variety and resilience.

The iCOOP local co-operative is regarded by the communities as one of the most competitive and well-structured social organizations currently in operation, meaning that it has a huge potential as a political activist group as well. However, the local co-operatives are yet to establish official partnerships with the local governments at the moment. While there is a case where such collaboration is in place such as the “Suncheon Local Wheat Festival” held by the Sun-cheon city government and *Sun-cheon Co-operative*, it is premature to consider their relationship as official partners because the co-operative does not participate fully in the policy making process regarding consumer legislations.

With respect to school dining advocacy and community sharing activities, based on the understanding that the activities are closely linked to education and social employment issues, the local co-operatives will have to find ways to work together with other forms of co-operatives within each local. For that matter, *Hanbat Co-operative* in Dae-jeon can be an exemplary case of creating a network of local co-operatives: the organization developed a strong partnership with the *Mindeullae (dandelion) Medical Co-operative*, *Hansallim Co-operative*, and *Buddhist Co-operative*—all of which share geographical proximity but with different interests.

In terms of store operations, the future looks promising as the members of the iCOOP local co-operatives are now more experienced and business savvy. Their accumulated expertise and

knowledge on store management will also prove useful in delivering the needs of the co-operatives in other business areas in the future. By leveraging their experience, the members will be allowed to have more flexibility and efficiency in creating more diversified form of co-operative organizations, which will give headway to building stronger local communities based on the framework of resilient co-operative activities.