

Many member-users will be confused by capital investments compared with cash outlays and the impact of each on the bottom line. Employees must be educated about the cooperative's long-run needs so that they can effectively answer questions from member-users.

EFFECTIVE EDUCATIONAL INFORMATION PROGRAMS

Member-users are customers; member-users are owners; customers are owners. Effective educational information (E and I) programs can help keep member-users informed of the needs of the business end of the cooperative and of the trends affecting them. Farmers will have good and not-so-good years, and the cooperative will too. E and I programs should stress a "we and us" attitude between the member-users and the cooperative personnel.

Member-users should feel good about their cooperative, and an E and I program should provide information that will contribute to this feeling. Take care not to produce negative feelings, however. Knocking competitors, for example, is a sensitive area.

Every successful organization has plenty of good news to circulate. In the words of a song from my era, "You've got to accentuate the positive, eliminate the negative." Simply stated, "Spread the good news!"

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USING CONTRACTS OR MEMBER AGREEMENTS

Membership agreements or annual contracts with member-users can help provide stability. It is more difficult for competitors to induce member-users to stop patronizing a cooperative on short notice if the users are under contract. Penalties in the agreement can make it undesirable for a member-user to breach a contract. On the other hand, terms that are too stringent can cause patrons to shy away from becoming member-users.

SUMMARY

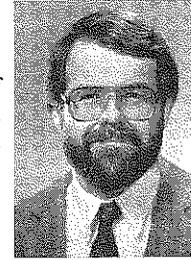
To summarize:

- Be successful/profitable.
- Be competitive.
- Keep current.
- Keep member-users informed.
- Promote human relationships with users and employees.

Satisfied member-users will not look for products, markets, or services from competitors. They will support and defend their cooperative against competitors. Keep member-users HAPPY! Remember rule number one.

HOW TO ATTAIN AND RETAIN MEMBER LOYALTY

Brian M. Henehan
Extension Associate,
Department of
Agricultural
Economics, Cornell
University, Ithaca,
New York



In the very first volume of *American Cooperation*, published in 1925, much discussion focused on membership issues. One article on the subject was written by Thomas Milliman, general manager of the Western New York Fruit Growers' Association, who earlier had been in charge of the membership department of the Dairymen's League Cooperative Association. He said, "The subject of membership morale is one so thoroughly and constantly discussed in American cooperatives as to form, equally with dollars returned, an important basis for measuring Association progress." Membership morale or loyalty remains a pertinent topic today.

How do cooperatives secure member loyalty? How do they keep the loyalty of their members? What are today's members looking for from their cooperatives? These are a few of the questions I will discuss in this article. My presentation will be based on my observations of how successful cooperatives operate along with the results of research

we have conducted at Cornell on member attitudes toward their cooperatives.

KNOWING YOUR MEMBERS

Cooperatives theoretically have a leg up on the competition because their members are the primary users of the business. Cooperatives should know more about their customer/members than their competitors know about their customers. But that is not always the case. Before you can know what your members value in your cooperative, you have to know who they are.

Cooperatives have a wealth of information about their members, but often they are not able to use it effectively. How old are your members? How large are their farms? How diversified are they? Where are they located? What are their purchasing/marketing patterns? How much of their income comes from farming? What share of their total purchasing/marketing is done with the cooperative? How many survived the eighties? How many will be in business 10 years from now?

As you start to answer these questions, a profile of your members becomes clearer. Knowing your members is an ongoing effort as new members enter, others leave, and the wants and needs of current members change.

The first step in securing member loyalty is to know your customer-



Special services provided by Atlantic Breeders Cooperative personnel assist members with record keeping for good dairy herd management decisions and more profitable results.

members better and to know how they evaluate the cooperative.

The most successful marketing firms allocate tremendous resources toward better understanding their customers. Kraft, Procter & Gamble, and General Electric are all expanding their toll-free consumer help lines. These firms have realized the benefits not only of providing information about their products to consumers but also of obtaining valuable marketing data on their customers. Marketing information such as customers' names, addresses, and ages and how they use their products provides an insight into *who* uses their products and how to correct product design flaws. This increased use of consumer phone services by marketing firms was described in an article in the May 14, 1991, *New York Times* titled, "Who's Being Helped by Help Lines?"

Kraft General Foods has expanded the number of products that list 800 numbers on their packages to include everything from Kool Aid to Stove Top Stuffing. Kraft's help line uses 13 different telephone numbers and 30 operators working from 8:30 a.m. to 6:00 p.m., and they're planning to extend evening hours to 8:30. General Mills, which began operating an 800 number in 1981, now receives more than 3 million calls per year.

These firms place a high value on input from their customers. Does your cooperative consider member complaint calls a nuisance or an opportunity to resolve problems and respond to member concerns?

MORE DEMANDING MEMBERS

Farmers who have survived the eighties are a different breed from our members of 10 or 15 years ago. They are more sophisticated managers. They are demanding top performance from their cooperative and are better able to measure it. They appreciate excellence in their own operations and in their cooperative.

What do today's members really want from their cooperatives? This is more difficult to answer than it might seem. The standard response is "price," or "quality," or "service." A trite answer is, "They want it all!" But we know and, indeed, members know they can't have it all.

The first step in securing member loyalty is to know your customer-members better and to know how they evaluate the cooperative.

Answering the question becomes even more challenging when you realize that individual member's wants and needs can change as quickly as a market changes. In tight supply conditions, market security might be most important. In surplus supply markets, price can become uppermost in members' minds. Member objectives and the ability to fulfill them may change as the cooperative moves through its own business life cycle.

So, how do we obtain member loyalty in a rapidly changing market?

ATTAINING LOYALTY

Cooperatives obtain member loyalty the old-fashioned way, by "earning it." The question becomes, "What do members value and how do cooperatives provide value to members?" This question must be answered by each organization individually.

Several dairy cooperatives in the Northeast have recently undertaken efforts to better understand both member and nonmember opinions about their organizations. One cooperative hired an outside firm to help collect data on member attitudes through the use of focus groups. Groups comprised both members and nonmembers. The cooperative obtained much valuable information on members' current opinions as well as how the organization might better present itself to prospective members.

A STUDY OF MEMBER ATTITUDES

Four successful fruit and vegetable marketing cooperatives approached us at Cornell to help them develop a survey of their members.

We were able to design a study to collect data useful to each cooperative individually as well as assemble an aggregate data set to analyze the combined responses.

THE SAMPLE

The cooperatives that participated in the study were Michigan Blueberry Growers Cooperative, National Grape Co-operative, Ocean Spray Cranberries, and Pro-Fac Cooperative. Questionnaires were mailed to the total membership of all four cooperatives, 3,504 members representing 20 states and Canada.

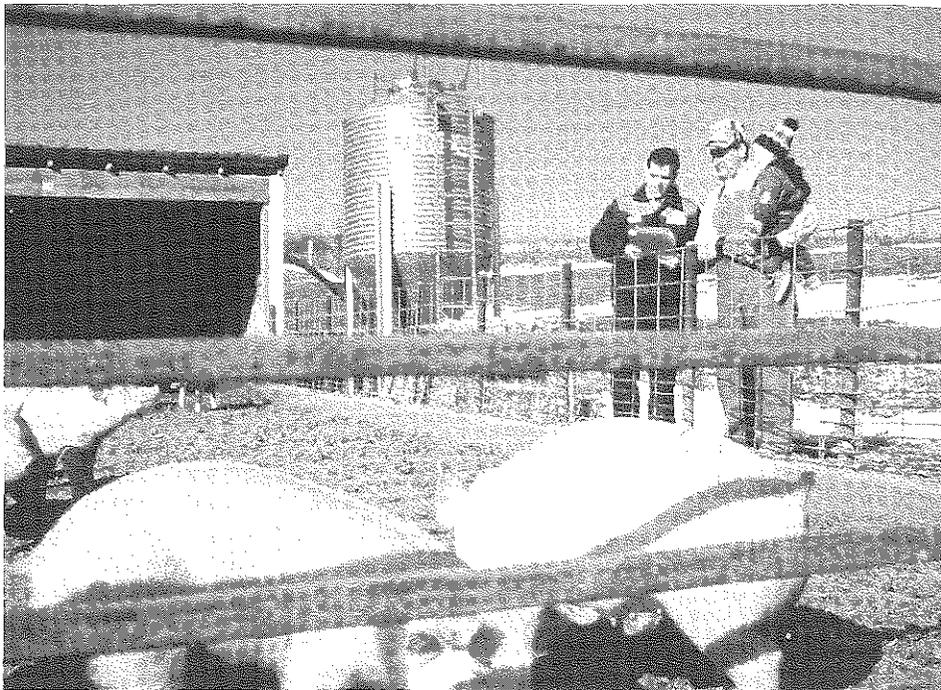
THE RESULTS

We were very pleased with the response rate of 78 percent and can assign a high degree of confidence to the results as being representative of the total membership of these organizations.

We developed a profile of members that was based on age, farm size, amount of business done with the cooperative, volume of farm sales, percentage of off-farm income, percentage of sales of major commodity, and length of membership. These characteristics were used to analyze two groups of members: those who gave their cooperative a high performance rating and those who gave their cooperative a low performance rating.

THE MOST CRITICAL MEMBERS

The members who were most critical of cooperative performance were: younger, larger volume producers, did less business with the cooperative, had a higher level of



Livestock Production Specialist Rick Stevenson of Cascade, Iowa, left, offers his expertise to hog producer Brian Manternach as part of the Land O'Lakes New Era swine management service.

income from off-farm sources, belonged to the cooperative fewer years, and were more diversified. I would propose that this is a group of members we can ill afford to ignore, and they clearly need more attention in our member relations efforts.

KEY PERFORMANCE FACTORS

The measures of cooperative performance that had the strongest association with a high cooperative performance rating were:

- The cooperative has a positive image with both members and nonmembers.

- Directors listen to member concerns and act in the members' best interests.
- The cooperative provides leadership in responding to environmental issues.
- The cooperative tries to earn the highest possible returns for members, and management is responsive to member concerns and suggestions.

Most of these factors are qualitative in nature and may be tough to measure. Our research shows that members are using these performance factors to gauge how well their cooperative is meeting their needs. Therefore, each organiza-

Does your cooperative consider member complaint calls a nuisance or an opportunity to resolve problems and respond to member concerns?

tion should consider developing a way to take the pulse of members in light of these factors.

SOME SURPRISES

A number of member attitudes reported through the study were somewhat unexpected. Members of these marketing cooperatives placed a very high priority on market security. "Having a secure market" received stronger than expected emphasis.

Traditionally, cooperatives are considered to be "service" organizations. However, member services can be costly. This group of members was less interested in obtaining more services from their cooperative than we anticipated.

This group of members disagreed with the statement that they were required to invest *too* much equity. In other words, they were not uncomfortable with the relatively high member investment requirements of these organizations.

These members also disagreed with the statement that their cooperative undertook too many risky investments. We generally assume that farmers avoid risk more than these members seem to.

And the last surprise was that members were willing to adopt higher quality standards even if farm costs were increased as a result. This appreciation of the importance of high quality standards probably should not be too surprising in light of the success

that each of these cooperatives has had with marketing high quality products and passing the benefits back to farmers.

TIPS FOR ENHANCING LOYALTY

To summarize my comments, here are 10 tips for enhancing member loyalty:

1. **Be Open.** I quote again from Mr. Milliman in the first volume of *American Cooperation*: "In the maintenance of a satisfactory condition of morale, no organizing devices or technical methods of field work are equal to the simple practice of telling members the facts in clear terms."

2. **Understand Members' Current Wants and Needs.** As I have already stated, this is much easier said than done. But be creative and innovative in collecting information that will help you better understand what members want.

3. **Effectively Use the Data You Have.** Cooperatives have more information about their member-customers than the competition has about their customers. Integrate member data into your management information system. All departments in your organization can benefit from analyzing it. Use member data in your strategic planning efforts.

4. **Take a Proactive Lead on Hot Issues.** The cooperatives in the study are being asked by their members to play an even stronger role in responding to environmental issues facing members.

5. **Demonstrate Value to Members.** Make sure your members understand how your cooperative provides value to them. This needs to be an ongoing effort

because the value of what you provide changes with economic and market conditions.

6. Provide Valuable Information. We are in the information age. Cooperatives may have more opportunities to provide valuable information to members than they realize. As farming becomes more complex and farmers suffer more from "information overload," cooperatives can help their members sort through and select the information of most value to their farming operations.

7. Management Needs to Be Responsive. The members in our study place a high priority on management responsiveness to their concerns and needs. How easy is it for your members to direct their

comments and opinions to your organization? Do you have an 800 number? Do you periodically survey members?

8. Directors Take Time to Listen. Members in our study also place a high value on the ability of their directors to listen to their concerns and act in the best interest of members.

9. Earn the Highest Returns Possible. Today's members are more demanding of their cooperative, and tomorrow's will be even more demanding. The survivors of the eighties will expect and need strong financial returns from their cooperative.

10. Maintain an Image of Excellence. What makes your members most proud of being associated with your organization? It might be the quality of products, the leadership provided to your industry, consistent strong financial performance, or successes in marketing. Find out and build on that pride.

Make sure your members understand how your cooperative provides value to them.

TURNING UP THE HEAT

Gene A. James
*President and Chief
 Executive Officer,
 Southern States
 Cooperative, Inc.,
 Richmond, Virginia*



- Become more customer and member oriented.
- Encourage decision making at the level closest to the member and attempt to remove unnecessary levels of bureaucracy.

It almost goes without saying, then, that we are taking turning up the heat seriously in our organization, and we know we will be working diligently in the coming years to become even better at what we do.

For several years, back in the seventies and the early eighties, it seemed easier not to rock the boat, not to make too many changes, but to keep in place what we were doing. Obviously, the world started changing rapidly around us, and we have found it necessary to change with the world.

All the books you and I read 15 or 20 years ago that talked about the rapidity of change, in retrospect, really turned out to be understatements. I suspect that those organizations and institutions that are not willing to change in the nineties, and change quickly, will not be around to usher in the twenty-first century.

“Turning up the heat” is a challenge, a responsibility, a direction, and a creed that farmer cooperatives of all types must pay attention to in the decade of the nineties.

Let me quickly issue a caveat that what I say in this article applies specifically to Southern States Cooperative and my job as the chief executive officer and is not intended to be a marching order for anyone else. But I guess I would say, if the boot fits, why not join the march?

The turning up the heat reference means doing more than we have done in the past to better serve our patrons and members. I seriously propose that if we don't turn up the heat, we may get turned out in the cold.

NEW GOALS FOR SOUTHERN STATES

Within the past two years in Southern States, we have reorganized our management structure with the aim of accomplishing some rather simple but important goals. We have put into place a structure to:

“IF IT ISN'T PERFECT, MAKE IT BETTER”

A decade or two ago, part of my lexicon of operating was the old saying, “If it ain't broke, don't fix it.” But I think over the past several years, I have adopted a refinement to that saying that was expressed by the chairman of the Xerox Corporation. At their 1989 Annual