

Commitment of Co-operative Workers on the Movement:

The Case of Japanese Consumers Co-op

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Japanese consumers' co-operative movement is famous for its "Han" system. The essence of that unique business model is the collaboration between co-operative members and workers. Japanese co-op workers are not defined as mere employees but "partners" or "linkers" of the member-oriented movement. Both of members and workers have been co-operatively engaged in the business and social activities.

Whereas previous researches on the consumer co-op movements in Europe are mainly focused on the consumer members, we will stress the active role of the co-operative workers in the movement from Japanese experience.

1 Introduction

International Co-operative Alliance (ICA) was founded in 1895 to promote the benefit and the status of co-operative workers. Its original main aim was not to advance the benefit of co-operative consumer members but to secure the right of labouring people in and out of the co-operative movement. The founding members of ICA sought to spread the profit sharing system among workers in societies and the co-partnership in business management. They tried to create "decent

work” places in the co-operative enterprises.

The character of this international association was dramatically changed in the early 20th Century. After long and heated controversy among famous co-operators, the International Co-operative Alliance became a member-oriented organisation of co-ops from all over the world. Since then, the co-operative workers have been defined and treated as the subordinates of co-op members. In other words, co-operative societies have been described as the organisation of members, by members, and for members. Co-operative Principles, formulated in 1966 and 1995 by ICA, also ignore the co-operative workers. Therefore the status of the workers in the movement is not clear for us.

In this research report we will describe their engagement in Japanese consumer co-operatives and show the potential of the workers to advance the co-operative business and movement. First case is on a Japanese Co-op original brand juice developed by co-operation of the members and workers. Second example is the members’ chatting parties of a Japanese co-op. Both cases will show that the workers should be essential for the member-owned business.

2 Commitment of Co-operative Workers on the merchandise development

Historically, Private brands (PB) have not been gained a foothold in Japanese market. The reason was that Japanese consumers had low trust in retail companies and they strongly preferred National brands (NB). Many large retail companies tried to disseminate PB goods and most in vain. At long last, two Japanese retail giants, Seven & i Holdings (Seven-Eleven Group) and AEON Group have both succeeded in spreading their own private brands in the Japanese market in recent years.

However, as early as in the 1960s, Japanese Consumers Co-operatives Union (JCCU) launched their private brand “CO-OP”. JCCU built up and kept a reputation as a high quality brand in Japanese market since then. “CO-OP” brand products have been received great welcome by the consumer members. Moreover, “CO-OP” hand strong influence on the concept of other private brands by

Japanese companies. For example, “MUJI”, famous Japanese company brand currently expanding overseas, followed “CO-OP” as a model. “CO-OP” is a very exceptional one among Japanese private brands.

Why were Japanese consumer co-operatives able to popularise their own private brands?

One of the reasons is the commitment of co-operative members to their co-ops. Wakabayashi states that “Merchandise not only is central to Japanese Consumers Co-operative operation but is also one of the most important focal points in member activities. Member’s merchandise-related activities begin with the use of a particular product and extend to acquiring product knowledge, popularizing, improving and developing products, and exchanging visits with producers. Japanese Consumer Co-operative are actively engaged in efforts to popularise CO-OP brand products, especially to familiarise members with new products through workshop, and to improve the products by heeding the comments of coop members and merchandise monitors” (NOMURA ed. 1993, p.118).

Such involvement in product development of co-op members has created their high loyalty to “CO-OP” brand and achieved the establishment of a private brand that other retailers couldn't realise.

Furthermore, we point out the involvement of co-op workers in merchandise development. This fact has not attracted much attention so far. Co-op workers, as retail experts, decided product specs based on the needs of co-op members, built relationships of trust with manufacturers, and created high quality products evaluated by members. Without their commitment, “CO-OP” wouldn't have gained great popularity. We will show the role of co-op workers in merchandise development from the case of development process of “CO-OP Mix Carrot”.

What is “CO-OP Mix Carrot”?

At the beginning, we will show the history of Japanese “CO-OP” brand products before CO-OP Mix Carrot.

It was in the late 1950s when JCCU commenced the development of “CO-OP” brand products. Many of Japanese consumer co-operatives founded after World War II aimed initially at “Stable Food Supply” to consumer members. However, as the food situation stabilises, their goal changed into "Safety and Security of Food". The reasons were that pollution and destruction of environment had gotten serious social problems, consumer movement opposing food additives had spread, and price of many foods had remained high due to management by manufacturers. “CO-OP” brand products development aimed at solving these problems. It was a very advanced effort.

The first achievement of this initiative is "CO-OP Butter" released in 1960. CO-OP Butter was a product made without using antioxidant and synthetic pigment. Excessive food additives was a serious problem at the time. In 1961, “CO-OP Tinned Mandarin Orange” appeared as the second “CO-OP” brand product. Subsequently, “CO-OP” brand products proactively expanded to category other than foodstuffs, such as “CO-OP Soft (1961)” which is clothing detergent, and “CO-OP Seftar (1964)” which is alcoholic detergent with high biodegradability. In addition, “CO-OP K Soft” of kitchen detergent was developed in 1967. In the 1970s, “Rainbow Banquet (1970)” of Japanese sake, “CO-OP Colour 20 Sunseven (1971)” of 20 inch colour television, “CO-OP Muenseki Ham and Sausage (1972)” without colouring agent and "CO-OP Unbleached Salted Herring Roe (1973)” were developed. Furthermore, CO-OP Mix Carrot which is the biggest hit product in all “CO-OP” brand products was developed and supplied in 1981 (figure1).

CO-OP Mix Carrot is a pioneer of healthy vegetable drinks in Japanese market. This product is carrot juice mixed with vegetables and fruits juice (for instance apple, orange, grape, banana, and pine). “Safety and Security of Food” which is the philosophy of Japanese “CO-OP” brand products has been reflected in CO-OP Mix Carrot, from the time at launch. It has made from raw materials of reliable origin. For example, carrot, 50% of raw material of this drink, is domestic. Other fruits such as apples and oranges are also domestically produced. The ratio of domestic raw materials reaches 89%. Domestic production ratios in raw materials have been consistently maintained since the

launch of CO-OP Mix Carrot.

In addition, it has carried out a variety of quality inspection to ensure safety. Specifically, concerning domestically produced fruits juice, residual agricultural chemicals inspection by fruits juice makers is conducted, and for imported fruits juice, similar tests by raw material fruits juice supply makers (trading company) are conducted once each year.

The sales of CO-OP Mix Carrot have been reached to cumulative total of 2.7 billion cans to date. Thirty years have passed since its release. Even now, CO-OP Mix Carrot remain hugely popular among the co-op members. They are always displayed in co-operative stores, and sales promotion campaigns are regularly done.



Figure 1 Part of “CO-OP Mix Carrot” line-up

Role of Co-operative workers: find out about members' needs and customise product to members' specific need

The spread of CO-OP Mix Carrot created big opportunities for expansion of "CO-OP" brand products among Japanese consumers. In the development of these products, role of co-operative worker was very important. We will investigate the content of co-op workers in the product development process.

JCCU started the development of CO-OP Mix Carrot in order to correspond to the members' voice. In the 1970s, Japan had shifted to mature market, thus consumers began to interest in more healthy life. For example, mothers want their children to eat healthy vegetables such as carrot. But carrot have strange taste for small children and they generally disliked it.

Though major food industries were providing vegetable drinks for adults around that time, there was no idea of vegetable drink for children. In other words, co-op workers found potential needs even though major manufacturers didn't take notice of that.

Why could co-op workers find such needs? One reason is that co-op members and workers built intimate relationships through joint purchasing "Han" system. It is a characteristic of Japanese Consumer Co-operatives. Another reason is that a co-op worker himself had personal desire as a consumer. "I want my child to eat healthy carrots!"

In addition, co-op workers attempted surveys in order to support such a finding. At the inception of the product development, in order to verify whether the concept is accepted by co-op members, co-op workers issued a questionnaire. They ask their consumer members "Do you want your child to eat carrot?" Of about 1,000 respondents, over 700 people agreed with the concept. Co-op workers deepened self-confidence by this result and began developing products of the new concept that did not exist at the time.

At the same time, co-op workers developed the needs to "eat carrots" into the deeper concept. It is "to help children to favour carrot." He set a defined purpose not only to make children eat carrot,

but also to turn children's taste to loving carrot by the product. Therefore the co-op workers encountered a lot of hardships in order to achieve two contradictory concepts; to remove the negative element of carrot flavour, and to create new favourite taste of carrot for children.

After more than 50 prototypes were tested in just over a year, eventually this problem was solved by the idea of mixing carrot with fruit juice and banana puree as the main ingredient.

CO-OP Mix Carrot is the prominent example of the joint product of co-op members' aspiration and workers' professionalism. In order to realise this collaboration, co-op workers encouraged co-op members to participate in product development process. Thanks to the active request from co-op workers, tasting by target children has been repeated over and over. The last tasting just before release of Mix Carrot was done by 90,000 households. Although it seemed difficult for many families to cooperate with the survey, co-op workers persistently worked on members and realised this large-scale survey.

CO-OP Mix Carrot went on sale in the end of 1981. It was initially planned to achieve 300,000 cases a year in the third year, but in fact it was sold at a more rapid rate than it. In the tenth year, it exceeded 3 million cases a year, ten times the initial target. At that time, there were no other beverages mixed with vegetable and fruit juice. For a long time CO-OP Mix Carrot had achieved a dominant share of the category as a pioneer.

The above fact leads us to the conclusion that the role played by Japanese co-op workers is not to merely reflect needs of co-op members but to correspond and expand to members' needs as a professional expert. Collaborative partnership with consumer members and co-op workers are established within consumer co-operative movement in Japan.

Role of co-op workers: Building trust relationship with manufacturers

It is also an important role for co-op workers to establish strong relationship of trust with the manufacturers developing co-op products. In fact, CO-OP Mix Carrot is the product developed

jointly by JCCU and Gold-pak Company as the manufacturer.

In the latter half of the 1970s when the development of CO-OP Mix Carrot began, due to the progress of economic growth in Japan, co-op members gained a better standard of living. As living standards improved, and consumers' interest in health increased, the importance of properly consuming vegetables for their health became widely known among society. Market of vegetable juice by which consumers can easily take vegetables was gradually expanding. Though JCCU sold 100% tomato juice etc., these products were for adults. The annual sales volume of tomato juice had capped at about 500,000 cases. JCCU felt the necessity of expanding line-up of products as members' awareness of health increased.

At around the same time, Gold-Pak also keenly felt the need to expanding their line-up of vegetable juices. Although Gold-Pak had advanced skills to production of vegetable juice, they had narrow products line-up.

That is, "CO-OP Mix Carrot" was the fruit of latent demand in the vegetable drink market, expansion of the products line-up to meet needs of co-op members, and utilisation of product technology. The reason for the start of development, however, was a simple desire to change children's taste to vegetables such as carrot. It was common to the managers, workers and customer members of JCCU and GOLD-Pak.

JCCU and Gold-Pak faced a lot of hardships during the development process. For example, as stated above, the two concepts of Mix Carrot seemed to incur a contradiction. Gold-Pak had been producing vegetable juice with removing a distinctive flavour of vegetables in order that even those who dislike to eat vegetables can drink it at ease. On the other side, JCCU want to keep the vegetable flavour in Mix Carrot in order that children become accustomed to the taste of healthy vegetables. Although it took a great deal of time to solve the problem, JCCU and Gold-Pak tried to develop new healthy vegetable drink by making many samples and repeatedly tasting a lot of co-op members' children. The development was proceeding with difficulties. Though the opinions of

both companies were sometimes divided, staff of the product development trusted in each other. They made persistent efforts to persuade the opposites. At last JCCU and Gold-Pak succeeded in giving birth of the unique and high-quality product responding to potential needs of co-op members. Since Japanese consumers liked national brand, famous manufacturers didn't try to make private brand. Many retailers were required to ask second-tier companies to produce private brand products. The quality of their own private brand products was therefore not so good.

However, JCCU could ask Gold-Pak with superior technology to produce Mix Carrot. Gold-Pak had their own advanced skills, nevertheless they cooperated with JCCU. It was because that co-op workers and Gold-Pak's staff had achieved a committed relationship. The co-op workers were honest with Gold-Pak's personnel. They created close and meaningful interaction. Co-operative movement succeeded in establishing cooperative relationships with superior producers through the engagement of the co-op workers.

3 How to enhance the co-op workers' motivations?

As looking at the practical example of developing co-op's unique products, co-op members' spontaneous behaviour is important for developing the organisation. However, not all members are active or know how to utilise the organisations' resource. Therefore, in order to activate the members, the support from co-op workers is essential. Generally, workers tend to be motivated by labour conditions such as wage increase or promotion. Though these better conditions are important factor, co-op workers could be motivated in the environment of interaction with co-op members. We will show how to motivate the co-op workers, focusing on "chatting party" held by F co-op in Fukuoka prefecture of Japan.

"Chatting party" and "Han" system

“Chatting party” is a home party which co-op members and their friends have with co-op’s food or snacks distributed from their co-op by free. As Figure.2 shows, a co-op member can plan to hold chatting party and invite his/her friends who are either co-op members or non-co-op members. At the party, participants talk freely about their daily lives, troubles on their kids, or co-op products and services, and so on. The only obligation is that the main co-op member have to write a report on what the participants talk about at the party and to return the report to the co-op workers. The number of co-ops which introduce “chatting party” is increasing though detail system is a little different from co-op to co-op (Kagami 2014).

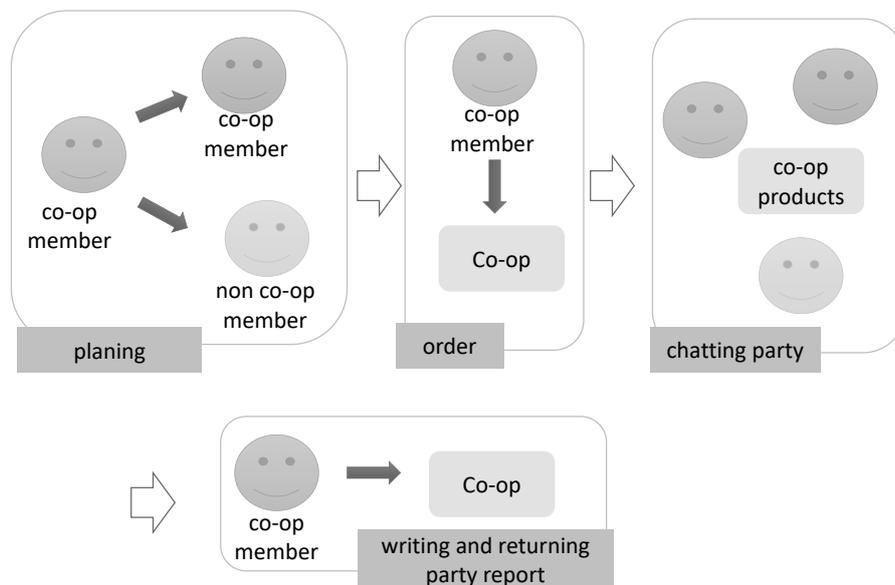


Figure.2 Flow of holding “chatting party”

The reason why this “chatting party” was started is that “Han” system which was co-op’s main and very unique distribution system (Sugimoto 2011) was gradually difficult to be maintained. It is because the number of women working outside increased and it got hard for them to join and take time in ‘Han’. In “Han” system, co-op worker distribute ordered co-op products to each “Han” and co-op members belonging to a “Han” share the products as each member ordered. During distributing and sharing co-op products, co-op worker and members have time to interact each other, with talking about various topics such as family, daily life, co-op’s products or services. In this way, through information exchange under “Han” activity co-op worker is able to get co-op members’ needs and ideas which will be hints for co-op’s future products and services.

However, the number of this “Han” system has been decreasing due to lack of co-op members’ time and to increase of distribution privately in the late 1990s. As a result, co-op workers have less interaction with co-op members, which might make the workers forget their role as “linker” between co-op and the members. “Chatting party” has potential of “Han” system’s function even though it is indirect interaction between co-op workers and members through party report. We will show how the report from “chatting party” influence co-op workers motivations.

“Chatting party” at F-coop

F co-op is one of major consumers’ cooperatives of Japan, placing in Fukuoka prefecture in Kyushu area. F co-op started “chatting party” in 2006, named as “F-friends.” The purpose of introducing the party is to make co-op members take part in co-op’s activity more easily under life style change led by socio-economical change. In 2014, the numbers of parties held by F co-op members was 6,690 and the rate of returning party report was 86%. Even though the high return rate of party report, F co-op workers did not focus on the contents of report submitted by co-op members until 2015.

However, chief director of co-op members’ activities noticed that there are many useful ideas and information on each party report and tried to have training using these party report for co-op workers.

The first training was held in Feb 3rd in 2016 with 50 participants consisting of branch managers, directors and workers in related sections. Table1 shows the programme of this training.

Table.1 Programme of training using party reports

programme of the training	
Lecture on socio-economic change and role of chatting party	1hour
Present situation of chatting party of F co-op	30min
Workshop using party report submitted in 2014 (all submitted report was considered.)	30min
Workshop using party report submitted in 2015 (about 20 original report was considered.)	30min
Presentation from each group	30min

Source: produced by author.

First, lecture on the function of “chatting party” was given by a researcher in order co-op workers to understand what they are conducting is meaningful under socio-economic change in Japan. Then, practically, participants read many report by co-op members in each group which is consists of 6 to7 members. Finally, one of each group members gave a presentation on what they found and discussed based on the reports.

Interaction between co-op workers and members through party report

How the co-op workers participating the training feel by reading party reports?

Table.2 shows their free writings about the reports after the training. The number of respondents was 29 participants out of 45. The feelings participants wrote are categorised into three groups.

Table.2 Co-op workers feelings after reading party reports

category	feelings after reading party report
1 noticing variety of co-op members' lifestyle	<p>There are many opinions not only on co-op's activities but also social issues.</p> <p>I noticed changes of co-op members' lifestyle by reading unexpected opinions.</p>
2 finding useful ideas for product and service development	<p>Usually, co-op workers receive particular members' opinions, but we can get various opinions from many co-op members.</p> <p>The reports include co-op members' honest opinions about our products and services.</p> <p>In the reports, co-op members talk about their lives, co-op products or co-op workers delivery style.</p> <p>All opinions, including both good and bad reputation, are told in these reports.</p> <p>The reports tell us co-op members would like to talk with their friends or co-op members.</p> <p>There are many important and careful opinions in the reports.</p>
3 realizing co-op members' hopes and gratitude to co-op and co-op workers	<p>Usually, co-op workers receive claims from members, but we can feel thanks from members through party report and helpful to the members</p> <p>Usually, co-op workers receive claims from members, but we can get various information about co-op products, services and members' lifestyle.</p> <p>The reports tell us people taking part in parties were really enjoying, so I'm happy to know.</p> <p>Reports written in hand seem to convey the members' hope and feelings to co-op.</p> <p>The words of gratitude to co-op workers in reports cheer us up.</p>

Source: created by the author.

In the first group, there are feelings that the participants noticed variety of co-op members' lifestyle. They answered, "There are many opinions not only on co-op's activities but also social issues," or "I noticed changes of co-op members' lifestyle by reading unexpected opinions." The workers realised that co-op members lead various lives and have many opinions on co-op products, services and social issues. This shows that they had few chances to notice co-op members' lifestyle and opinions until they read the party reports. Nowadays in co-ops in Japan, workers tend to focus only on the business, which gives little time the workers to think about the co-op members' life or needs. Second group includes feelings that co-op workers found useful ideas for product and service development. Some of them pointed out there are various opinions on the reports submitted by the co-op members, such as "usually, co-op workers receive particular members' opinions, but we can get various opinions from many co-op members," "The reports include co-op members' honest opinions about our products and services", "All opinions, including both good and bad reputation, are told in these reports." Another said, "The reports tell us co-op members would like to talk with their friends or co-op members," which means that this co-op worker firstly could imagine that co-op members enjoyed the co-op's services and products the workers engaged in.

In third group, the feelings on realising co-op members' hopes and gratitude to co-op and co-op workers are included. Some workers were very glad to read the reports because thanks and gratitude were shown in the party reports. This was described by the comments such as "Usually, co-op workers receive claims from members, but we can feel thanks from members through party report and helpful to the members," "the words of gratitude to co-op workers in reports cheer us up." In addition, as the comment "Reports written in hand seem to convey the members' hope and feelings to co-op" shows, co-op workers feel co-op members' warm behaviour to co-op.

In this way, reading party reports makes co-op workers notice their members' lifestyle, opinions, claims or ideas for co-op products, services and the society. Further, the co-op workers feel their members' gratitude and warm heart to them. This could encourage co-op workers to support the

members more, which will be able to create virtuous circle between the workers and members.

4 Conclusion

As we showed above, Japanese Co-op workers fill the key role for the business and social activities of consumers' co-operatives. The members enhance the motivation of the workers in co-operative societies. Conversely the workers increase the commitment of members to the co-operative business.

Workers' active contribution to the co-operative movement is another source of vital co-op as well as the members' participatory democracy.

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