

Joint Buying Strategies for Consumer Cooperatives

- A Report from the ICA ROAP/JCCU Workshop



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Bangkok, Thailand, August 5–8, 1998

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Joint Buying Strategies for Consumer Cooperatives

– A Report from the ICA ROAP/JCCU Workshop held in Bangkok, Thailand from 05th to 08th August 1998

Report Compiled by :

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Preface

Last October, the third ICA Regional Assembly for Asia and Pacific was held in Seoul, Korea. There we actively discussed how we can strengthen Cooperative Movement in the Asia and the Pacific Region especially under the current-going economic turmoil. What we have reached to the consensus at the Assembly would be, in a few word, 'Crisis is a chance'. The circumstance has not been allowed us to be optimistic, however, lots of successful examples were shared and revealed that if we stick to the Cooperative principles and base on people, not only we can survive but we can contribute more to people.

Similarly, various discussions, which were taken place during the Joint Buying Strategy Workshop in Bangkok, 5-8 August, 1999 showed the importance of cooperative principles. The participants learned the effort of Joint Buying would create not only the effectiveness of cooperative business but stronger bonds among Consumers' Cooperatives. It was stressed because the economic situation around Consumers' Cooperatives would be very tough and severe due to the currency crisis or a price hike, we have to strategically work together to enhance the Cooperative business and movement. In this regard, the Workshop successfully gave the participants rich experience from various countries, like Japan or Malaysia, Thailand on Joint Buying and enlightened their ideas and view to make them more sufficiently and efficiently.

This workshop was held by ICA Regional Office for Asia and the Pacific in collaboration with the Cooperative Movement in Thailand, namely Cooperative League of Thailand (CLT) and Thailand Consumer Cooperative Federation in Educational Institutes (TCFE).

Cooperative Promotion Department of Thailand (CPD) also inaugurated the workshop with expressing great encouragement to cooperative movement. I would like to take this opportunity to convey my sincere thanks to them on behalf of ICA ROAP and its Consumer Committee, especially I should note that we could not have had such a fruitful workshop without the excellent and warm support of the students at the Chulalongkorn University, who are active members of its Consumer Cooperative Society.

I really hope this Workshop Report would give you a great insight to improve the Joint Buying activities in your Cooperatives, and work as a sort of its guideline. Addition to that we, ICA, would be very happy to receive any feedback, response, or further experience on Joint Buying, since such 'Cooperation among Cooperatives' surely could strengthen the Joint Buying activities and Consumers' Cooperative Movement.

March 1999
New Delhi

Ms. Yukiko Yamamoto
Gender & Consumer Advisor

Part I
REPORT OF THE WORKSHOP

**Report Of The
ICAROAP/JCCU Regional Workshop
On
Joint Buying Strategies For
Consumer Cooperatives**

Bangkok, Thailand, 05 to 08 August 1998

**Part I
REPORT OF THE WORKSHOP**

Introduction

The market compulsions created in many transitional economies in the Asia Pacific Region during the Eighties and Nineties led to the opening of their markets internally and externally. Structural adjustments too have been implemented in these countries to facilitate the process. In such a scenario, many consumer cooperatives, which have been utilised by their governments for the distribution of essential commodities, have been negatively affected.

Some of these cooperatives are still trying to reconcile themselves to an open market system on one hand. On the other hand, many domestic and international consumer companies have entered into these developing countries and consolidated into cartels. With the declining government subsidies and incentives, consumer cooperatives face difficulties in sustaining themselves and adjusting to the new market environment.

In order to deal with this dilemma, dismantling or re-aligning traditional vertical structure is ideal, but is difficult due to administrative and political reasons. Even if the strategies of down sizing and cost cutting measures are introduced, some consumer cooperative movements would suffer from deficiencies in realistic business strategies. Although the principle of cooperation among cooperatives has been propagated, the effective operational strategies are still to be introduced and implemented.

However, the good news is that some countries have experimented with new strategic business alliances among cooperatives to respond to the consolidating private sector wholesale companies and supply chains. These strategies although not falling in line with traditional hierarchical consumer cooperative structures have succeeded in managing costs and introducing new techniques for procuring and merchandising. Therefore, the present situation in consumer cooperatives in the Region demands new thinking in gaining market competitiveness.

The ICA Committee on Consumer Cooperation for Asia and the Pacific, at its meeting held in 1997, decided to organize a regional workshop to discuss the experiences of joint buying operations in consumer cooperatives in order to help the consumer cooperative movements to introduce new strategies for their business operations.

Objectives of the Workshop

The Workshop had following objectives:

The Workshop participants would be able to:

- Describe different concepts and practices of joint buying among cooperatives;
- Assess the cost effectiveness and the applicability of such practices;
- Identify suitable strategies of joint buying to be adapted in their consumer cooperatives;
- Discuss and identify problems and constraint of joint buying and find suitable solutions.

Workshop Organization

The Consumer Cooperative Development Project of the ICA Regional Office for Asia and the Pacific organized the Workshop. Japanese Consumers Cooperative Union actively supported the Workshop through technical help. The Federation of Consumer Cooperatives in the Educational Institutions in Thailand and Cooperative League of Thailand with the support of the Students Consumer Cooperative Society at the Chulalankorn University made all practical arrangements.

Mr. T. Fujioka, Executive Director of the JCCU, Ms. Yukiko Yamamoto, Consumer/Gender Advisor of ICAROAP, and Mr. Upali Herath, Consultant, ICA ROAP facilitated the Workshop.

Venue

The Workshop was held at the SASA International guest house at the premises of the Chulalankorn University in Bangkok, Thailand.

Study visits had been arranged to go to Consumer Cooperatives at Chulalankorn University and the Thamasart University.

Workshop Participation

Thirty-three participants from India, Indonesia, Japan, Malaysia, Philippines, Singapore, Thailand, and Vietnam participated at the Workshop.

Ms. Yukiko Yamamoto, Mr. Upali Herath, Mr. Chupon Sophomas assisted by Mr. A.K. Taneja managed the Workshop.

Proceedings of the Workshop

• Inauguration

The Workshop was inaugurated on 05th August 1998 at the SASA International guesthouse Auditorium at the premises of the Chulalankorn University in Bangkok.

The Director of the Cooperative League of Thailand welcomed the delegates from 9 countries and said that the strategy of joint buying is vital for the future of cooperatives. He emphasised the importance of learning about success stories and discusses future prospects of joint buying practices. He wanted the delegates to prepare action plans and implement them when they got back to their countries.

Ms. Vanee Ratnavaraha, Senior Specialist from the Cooperative Promotion Department of Thailand said that the Royal Government has recognised the importance of business alliances among cooperatives. The CPD had been working on two projects relating to this:

1. Management Development
2. Business Development

She said that CPD had extended support to Thai Cooperatives to construct a central warehouse for joint buying project on a 87-acre land. CPD was also planning to organise training for strengthening cooperative management. She expected that the discussions during the Workshop would be fruitful for participants.

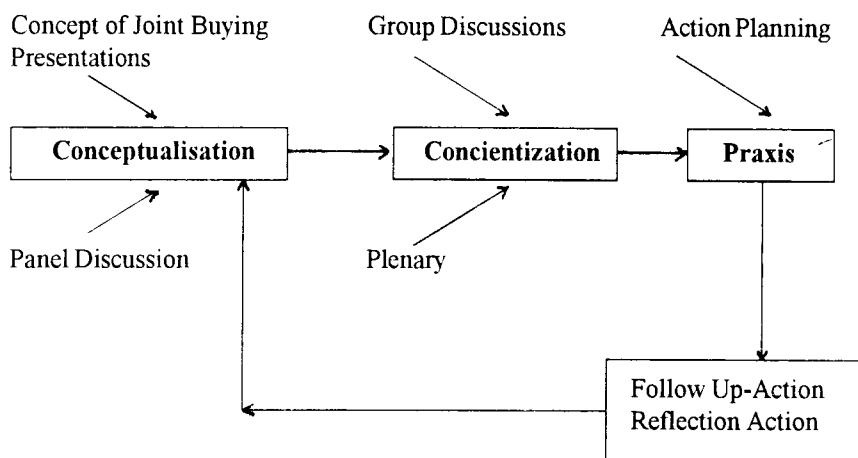
Mr. Takeyoshi Fujioka, while bringing greetings from the JCCU to the Workshop, felt that the concept of joint buying is meaningful for Asian consumer cooperative development. Open market economy had a negative impact on ASEAN countries, especially during the financial crisis. Therefore, the cooperatives needed to win the competition in order to ensure efficient service to consumers. He indicated that the principles of autonomy, independence and cooperation among cooperatives are the most important ones in the context of current situation. He wished that the concept of joint buying could be discussed at length for which he too would make contributions.

Ms. Yukiko Yamamoto welcomed the participants on behalf of the ICAROAP and read a congratulatory message from the Regional Director, Mr. Robby Tulus. In his message, Mr. Tulus felt that the Workshop is a timely exercise in the context of the current turmoil in the South East Asian countries. He blamed the speculators who manipulated economies of those countries negating the traditional fundamentals built over a period of time. He saw the answer in joint buying practices of cooperatives to strengthen their position in the market. Quoting from Mr. Fujioka's paper, he wanted the delegates to put their cooperatives in order as to minimise the risks and enhance their effectiveness. Mr. Tulus congratulated the diligent work of Ms. Yamamoto in close consultation with Mr. Herath, the former Consumer Advisor of the ICAROAP.

After the introduction of participants, Ms. Yamamoto explained the objectives and the work schedule of the Workshop.

Mr. Upali Herath analysed the strategy of the Workshop:

Mr. Herath also emphasised the need to undertake careful planning of joint buying strategies as follow up activities.



- **Presentation on the Concept of Joint Buying**

Mr. T. Fujioka, Executive Director of the JCCU presented a paper on joint buying as a cooperative concept in Japanese Consumers' Cooperatives.

He explained the functions of wholesaling as an effective and efficient way of channeling consumer products to retailers from the manufacturers. He identified three approaches to wholesaling:

- Independent
- Retailer led
- Manufacturer led.

In type (a), wholesaler is totally responsible for the function. In type (b), several retailers manage the function and in (c), manufacturers organize a wholesale system to sell their products. Joint buying system, according to him, belongs to type (b). The difference is that in this process, the gross profit is not shared with the wholesalers.

Mr. Fujioka traced the history of joint buying from the time of the establishment of the JCCU in 1951. All Japan Wholesale cooperative society set up in 1958 has merged with the JCCU. Production

of Coop Brand products is the next development.

In addition, 9 regional consortia of joint buying organizations have been established since late 1980s. The consumer cooperatives used these organizations as well as the JCCU.

The difficulties of these consortia were in the areas of cost management, legal problems for trans prefectural trade and duplication of products with the JCCU.

He emphasised that joint buying has become necessary due to invasion of foreign retailers who use their capital power.

Benefits of joint buying were with reduced prices from manufacturers and transaction costs.

He found that joint buying had 4 processes:

1. Order placement with manufacturers
2. Product delivery from manufacturers to warehouses
3. Product sorting by cooperatives
4. Distribution to cooperatives.

The responsibility of cooperatives participation is high; as they were obliged to take the goods they ordered and accept the risks.

He advised cooperatives that decide to initiate joint buying to discuss strategies in advance and convince themselves about the process. Construction of warehouses and computerised databases would be important. He saw the future of cooperatives as tougher than today.

During the discussion session, there was a question as to whether non-members could join the joint buying group. But, the answer was on the negative due to restrictions in the law. Another issue was the determination of wholesale and retail margins. Mr. Fujioka said that margins had to be negotiated. Even the deliveries rarely went to retailer from the manufacturers directly, without going through the consortia. The joint buying represents 50% of wholesaling in Japan. JCCU had 50000 items and perishables are normally handled by joint buying groups. In regard to the cost of joint buying, functions of the consortium such as deliveries were higher than cost. This could be

considered through negotiations and also there is a possibility of adding new products.

Mr. Fujioka also said that joint buying is difficult to combine with other countries as members.

- **Case Studies on Joint Buying Strategies**

Case studies from three countries – Japan, Malaysia, and Thailand were present at the Workshop.

1. *National Federation of University Cooperatives of Malaysia (GAKUB)*

Professor Mohd. Said Mohd. Kadis (Chairperson) and Prof. Mohd. Ali Hasan (Treasurer) from GAKUB presented the case study.

GAKUB was set up 10 years ago in order to strengthen cooperation among university cooperatives and institutes of higher education as well as to enhance net working in business ventures.

Joint buying activities of GAKUB deal with 2 types of businesses : books and consumer goods.

GAKUB had representatives from other universities at the board level to negotiate with manufacturers, appoint staff, and levy fees on services rendered. The margin was normally kept at 5%.

Their products covered paper, dairy products, and other consumer goods as well as durables and travel.

A recently held seminar by members had decided on the following for the future:

- Increased market share
- Business terms to be advantageous to cooperatives
- Skill development.

In reply to a question on the problem of negotiation with suppliers, Prof. Kadis said that it depended on the product. The books were mainly imported. If India could produce cheaper editions, it would be useful. Mr. Qui wanted to know about the arbitration procedure and was informed that a tribunal has already been established. The negotiations were made through MOU and MOA.

2. *Thailand*

Mr. Chupon Sophomas and a team from Thailand Federation of Cooperatives in Educational Institutions (TCFE) made a presentation on joint buying experiments in Thailand. They identified four types of joint buying:

1. Joint buying by CCFT
2. Joint buying by KFPC
3. Joint buying by TCFE
5. Joint buying by other types of cooperatives.

However, it was understood that some of these experiments were related to conventional wholesaling by federations and other groupings. Identity of participating cooperatives as equal partners in decision making for joint buying was lacking in some cases.

The problems of existing joint buying practices have been identified as following:

- Member participation fees
- Management problems
- Coops unwillingness to come together for broader approach
- Declining business performance of TCFE members
- Declining bargaining power
- Limited area of operation

The team presented a concept of a new project that was in the offing with the assistance of the Cooperative Promotion Department. Its economic appraisal was subject to prolonged discussion. It envisaged going from simple joint buying by the TCFE to instant deliveries with simple items to a more sophisticated data processing and logistic facilities with a central warehouse.

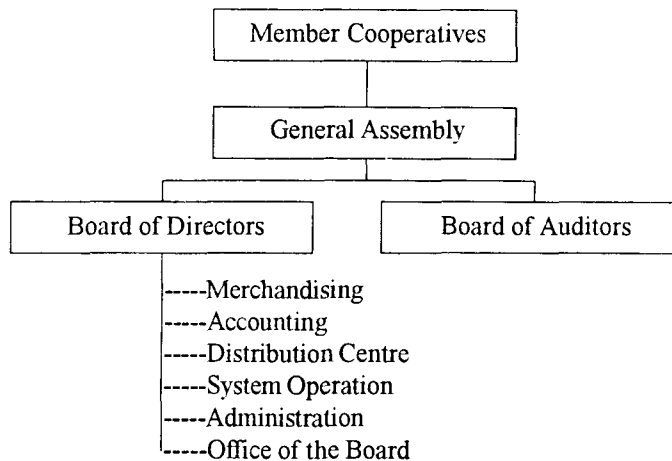
The discussion followed raised issues on the financing of the Project and discussion on alternatives. Indications from the audience were to review the financial viability in terms of financial appraisal methods such as internal rate of return etc.

3. Japan

Mr. Nemoto from the Tokyo Cooperative Business Associations presented a case study of the Tokyo Coop Joint Buying System.

He traced the origins of the university cooperatives, National Federation of University Cooperative Associations (NFUCA) and the Tokyo Business Association of University Cooperatives (TBA). The TBA has been established in 1969 and had 65 university cooperatives as members. These members subscribe to share capital as well as operational costs.

The business structure of the TBA:



TBA supports members through business management planning, buying, delivery, accounting, staff training, labour management and surveys. Mr. Nemoto explained the objectives and process of joint buying at the TBA. He analysed the TBA joint buying as following :

Merchandising = to sell whom, what, what price, how many, which method.

↓
Unified product composition
↓
United supplies
↓
Delivery by supplier
↓
Coop Distribution Centre
↓
Coop Stores

He also identified 10 such business associations functioning in Japan. He gave a short history of the establishment of the TBA:

1. Before starting the TBA, a forum was established to exchange the information where successes and failures were reported.
2. A joint project office was established to solve problems.
3. Joint buying channels consolidated, and vendors selected.
4. Four areas were merged and the TBA established.
5. Different methods of joint buying were adopted:
 - Five Patterns : Consolidation of buying channels
Collective buying
Durable consumer goods
Double branded products
Original specifications
 - Contracts between TBA and their coops:
Determination of suppliers
Settlement of purchase conditions
Product development
All payments to be made through the Business Association

He concluded the presentation saying that 95% of the total turnover of member cooperatives of Tokyo Business Association is realised from joint buying.

Delegates wanted clarifications on special discounts. Another explanation was on work teams, which consist of product development team, board of directors, members and manufacturers. Double branded product means the original brand name and coop brand taken together.

- **Country Reports**

1. **India:** Mr. Murzello, supplemented by Mr. Ajith Singh and Dr. Dongre presented the country report. He stated that India has developed an elaborate 4 tier structure of consumer cooperatives, starting from village level to central, wholesale, district, state and national level.

India has 22000 primary consumer cooperatives, 700 central stores, 29 state federations and 1 national federation i.e. NCCF. Total turnover of urban consumer coops is Rs. 35 billion. There are also 55000 village level cooperatives that are engaged in consumer business.

He interpreted joint buying as a strategy by a group of consumer group of retailers or consumer cooperatives to procure their requirements. Joint buying could also be done with a corporate giant.

The mark up by middlemen is normally from 20% to 200%. A group of consumers could get together and buy goods at a discounted rate.

Mr. Murzello explained the concept of HAN groups in Japan. He quoted the example of Grahak Panchayat Janata Central Consumers Cooperative Society in Bombay having a membership of 80000, which follows HAN group system. Their sales turnover annually is Rs. 180 million. They are also selective about the items that are being bought and the companies, which supply them.

He also explained the joint buying system by retailers. They buy from producers directly, thus lowering the cost.

Mr. Murzello described another strategy by the National Consumer Federation of India (NCCF) which operates through regional distribution centres. This was introduced under the ILO project and the Regional Distribution Centres are channeling merchandise to retailing cooperatives. The system experienced problems due to:

- Producers/suppliers did not give the margins as expected.
- Because of the state octroi tax system, the prices were on the higher side.

He quoted the model of NTUC Fairprice, which had a link up with Davids and Fleming Companies of the USA, which undertook bulk buying and selling.

He also explained the attempts they have made to have a bargaining power over multinationals by coming together. His recommendation was to follow Han group system at the retailing level.

Mr. Ajith Singh supplemented saying that India has a long history of consumer cooperatives, but the system has got into difficulties due to liberalisation policies and competition from the private wholesalers and retailers. Dr. Dongre explained the recent development of cooperatives in the educational institutions, which formed a national forum in India.

2. *Indonesia*

Mr. Mohd. Gin Ginanjar presented the country report for Indonesia. He explained the current political and financial crisis of the country and hardships of the people. He emphasised the need to rehabilitate the economy. Giving the background of the Students Business Association, he explained the relationship with KOPINDO, the national federation of youth cooperatives. Business Association of Students Cooperatives in West Java had been set up in 1996 under KOPINDO. Actual business started only in 1997. It has 24 students as members.

He identified the problems as capital formation, and negotiating with suppliers.

3. *Philippines*

Mrs. Climaco, supplemented by Ms. Lolita Abueg and Mr. Emaliano Baskinas presented the report.

She gave a description of the political and economic problems of the country after the financial crisis and said that the emphasis at present was poverty alleviation. She highlighted the achievements of the cooperative sector to reach the population from 1.8% in 1991 to 9.64% in 1996. The share of cooperatives in the GDP has increased from 2.2% to 12.0%.

Ms. Climaco upheld the contribution of the ICA and NFUCA in supporting the formation of the Metro Manila Federation of Consumer Cooperatives (MMFECO). It was established in 1985. The membership stands at 25 today. She indicated the difficulty of increasing joint buying activities due to natural calamities and soldiers burning down of the strong member shop. The competition has increased during the recent past and manufacturers have organised a

network of their own suppliers. In addition some cooperatives have organized their own marketing systems.

She identified several measures to the present situation such as diversification, improved product mix, efficient cash collection and the shift of the warehouse etc.

Mr. Baskinas said that due to mistrust, joint buying among college cooperatives has been discontinued. He emphasised the need to have quality products and better assortment of goods. The commodities should be purchased according to the needs of members. He found that joint buying is an answer to increase the turnover and sustain competitiveness.

4. *Singapore*

Mr. Victor Chai presented the country report. His assessment of backdrop of financial crisis was 2-3%. The government has set apart S\$ 2 billion for rehabilitating the economy.

He gave description of the history of NTUC Fairprice and said that at present, it has 64 outlets, a food fair, central distribution centre and a coffee shop as well as a restaurant etc. The annual turnover is S\$ 500 million. 5% rebate is paid to members. Fairprice maintains close relations with other cooperatives such as NTUC Media and Dental Care.

He indicated that buying of merchandise is a centralised activity in the Fairprice. Economies of scale are strictly observed. The Fairprice has future plans to expand business and direct sourcing.

During discussions, a question was asked whether Singapore would allow new form of consumer cooperatives to come up. He replied that he may not be able to clarify this, as it has not been discussed before. Instead he preferred to have mergers to achieve competitive strength. He also saw the possibility of supplying to other cooperatives.

Mr. Kuriki gave a description on the campus cooperatives in Singapore which carry out consumer activities for students and staff of those institutions. They were also discussing the possibility of joint buying.

Mr. Chai said that Fairprice had its own quality control unit. Besides, the government too imposes its own quality control standards.

5. *Vietnam*

Mr. Do Minh Quy presented the country report. He said that Vietnam has 40 years of history and was in the peak of development in 1988. It had 9000 cooperatives with a membership of 20 million.

When liberalisation came, many cooperatives have collapsed. However, when new efforts were made to revive cooperatives, the directions taken were following:

1. Diversifying membership participation in cooperative activities.
2. Diversifying the revival method.
3. Reformation of the structure of cooperatives.
4. Reforming the content of business activities.
5. Innovation in the management of consumer cooperatives.

He said that the experience from this workshop would help introducing new techniques for strengthening cooperatives in Vietnam.

During discussion time, Mr. Qui said that the cooperative law has been enacted in 1996 and many cooperatives were emerging. Ho Chi Minh City had cooperatives throughout and Union too was strong. At present, 17000 cooperatives were active.

6. *Thailand*

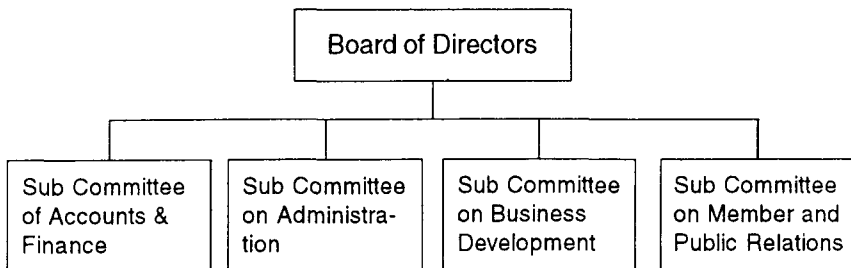
There was a presentation of the Chulalongkorn University Co-operative. Ms. Supanni, the Manager of the Coop, traced the history of the cooperative to 1959 and said that during 37 years, it had gone into a large cooperative organization having 5500 members and having a share capital of Baht 16 million. The board of directors would have two years term and section of the board retire on rotation.

The cooperative manages 3 branch shops and has a department store, supermarket, and special services. The future plan is to open 3 new branches. There is also a plan to reorganize the wholesale system.

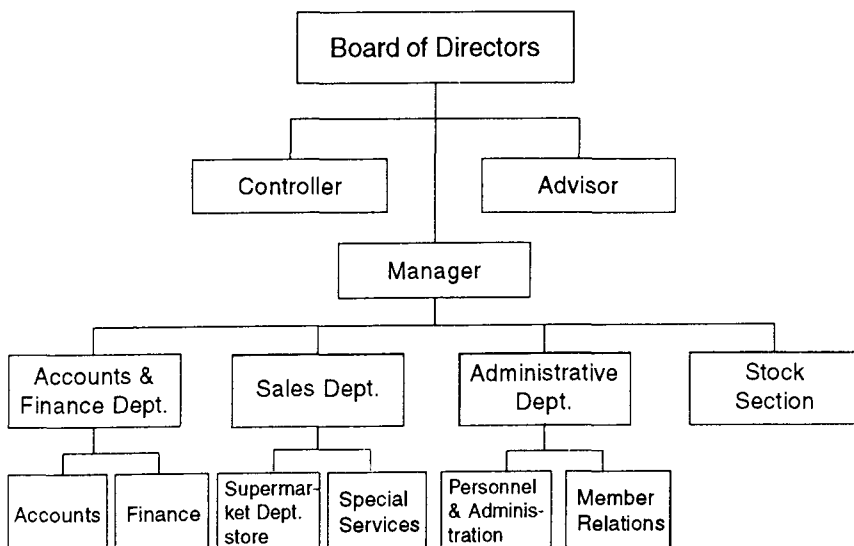
During the discussion, it was revealed that cooperative society pays 13% dividend on share capital and 8% rebate on participation in business.. There is also a welfare fund for students. Only mature students could become board members. Outsiders also could become members, but were not eligible for election as board members. This membership is divided into two categories:

- Affiliates
- Full Membership

Chulalongkorn University Cooperative Society – Organizational Structure



Management Structure



- **Panel Discussion**

The Workshop had an experience of a panel discussion on three issues:

1. Wholesaling, joint buying and their relationships
2. Conditions for introducing joint buying as a strategy in cooperatives
3. Future prospects of joint buying.

Mr. Nemoto, Prof. Mohd. Ali Hasan and Mr. Chupon Sophomas participated as panelists. Mr. Upali Herath functioned as the moderator. Workshop members participated by questions on the presentations. Following ideas emerged during the discussion:

1. *Wholesaling and Joint Buying*

Joint buying is based on solidarity and unit among cooperatives, which joined the process.

Primary cooperatives collaborate with each other to raise the conditions of the lowest by fulfilling the needs of members irrespective of their level.

The merits of joint buying are:

- Improve purchase conditions
- Planning to buy together promotes solidarity
- By gathering and providing information on member's life styles, the cooperatives show better strength than manufacturers.
- Reduces duplicated cost. Common items can be sold.
- Easy on cash flow.
- Avoid risks and risks can be shared.
- Catalogue shopping system can be adopted.

2. *Conditions for joint Buying.*

As joint buying is an integrated process of independent cooperatives, it should take its own evolutionary pace.

Common needs and understanding on specific needs are essential features of joint buying system.

Vertical wholesale structure and horizontal joint buying system could function harmoniously by concentrating on feasible products.

Adherence to a memorandum of understanding (MOU) and memorandum of agreement (MOA) are vital to the continuity of joint buying.

Harmony in the relationships among board of directors, managers, and staff make the decisions on products under joint buying easy and successful.

Limited scale of operations and logistic problems make the joint buying system unlivable to operate. The cost maintaining the system would become higher. Economies of scale to be observed.

Obtaining advise from an experienced joint buying operating system could make things easy.

Introduction of joint buying is a gradual process. Some key steps are:

1. Exchange of information by prospective members on successes, failures, and problems.
 2. Establishment of a forum for further discussion and continuity.
 3. Establishment of a joint buying project office.
 4. Consolidating buying channel.
 5. Collective buying.
3. *Future Prospects for Joint Buying*

Joint buying could become one of the strategies that could help cooperatives to meet the growing competition.

The future of the joint buying could exist with the cooperative spirit and the values maintained by members such as solidarity, co-operation, confidence commitment and teamwork.

The system should also respond to the changing habits and the life style of individual members served by the system.

For future introduction of joint buying system in new countries, a guidebook is essential.

- **Group Reports**

The Workshop had three themes for group discussions:

1. Why joint buying is relevant for consumer cooperatives of today?
2. What are the pre conditions and mechanisms for joint buying?
3. What are the problems and constraints of joint buying? Possible remedies?

The Workshop members worked in three groups to discuss the issues and came out with reports. The reports have been discussed at the plenary. The following reports represent the consensus of the Workshop.

Theme 1: Relevance for Joint Buying for Consumer Cooperatives

- *Members Interest:*

- a) Fulfills members needs efficiently.
- b) Better dividend to members.
- c) Increased capitalisation from among members coops.
- d) Equal sharing of risks.

- *Cost:*

- a) Reduces operational cost of transport at the point of the manufacturers and at the cooperative, resulting in competitive pricing.
- b) Reduce cost and ensures the quality of products and services i.e. economies of scale.
- c) Unifies structures – reduces cost of labour.

- *Market Environment:*

- a) In the free market, joint buying is more effective in competing with the private sector, at a time of economic crisis.
- b) Enhances the bargaining power of cooperatives.
- c) Increases the market share in the national economy.

- d) Provides ready feedback on the information on consumer interest directly to manufacturers.
- e) Expands the purchasing capacity of cooperatives.
- *Merchandising:*
 - a) Merchandise can be adjusted easily to the changing life style and needs of the consumers.
 - b) Joint buying can easily adopt the concept of 'just in time' for ordering, and delivery of goods and services.
 - c) Frequent small list of orders.
- *Social Obligations:*
 - a) Improves the quality of life.
 - b) Strengthen the sense of belongingness among cooperatives.

Theme 2: Pre-conditions and Mechanisms for Joint Buying

a) Pre-conditions:

1. Leader/initiator – should come from a successful coop with joint buying.
2. Location – must be accessible to each coop and transportation etc.
3. Volume of goods – consideration of size, specific products to carry.
4. Price – must be lower for high quality goods.
5. Participating coops – should have common knowledge on business.
6. Availability of logistics – hardware, transport.
7. Advise – from experts and professional managers.
8. Economic situation – competition in the market.
9. Committed working committee – consistently monitors and evaluates the actions.
10. Adherence to coop values – shared obligations and responsibilities among coops participating.

b) *Mechanisms:*

Stage 1: Meeting of minds – representatives from each coop to meet and discuss the joint buying principle in order to identify needs.

Stage 2: Forming a working committee to discuss areas of joint buying, memorandum of understanding, product mix, and details on how to negotiate with the manufacturers.

Stage 3: Memorandum of understanding (MOU) with the participating cooperatives regarding terms, investment, and product mix.

Stage 4: Working committee to identify needs and information.

Stage 5: Memorandum of agreement with manufacturers.

Stage 6: Starting business and review of the system with follow up assessment.

Stage 7: Hand over to a professional manager.

Stage 8: System development – strengthening of the system and upgrading.

Theme 3: Problems & constraints of Joint Buying and possible remedies

| Problem | Remedies |
|--|--|
| 1.1 selection of expert | 1.1 right attitude – trust and confidence |
| 1.2 forming of the Committee | 1.2 allocate the cost proportionately on volume |
| 2.1 vested interest/negative attitude of certain individuals in primary coops. | 2.1 MOU should be concrete and fully acknowledged by primary coops and the federation 2.2 Imposition of penalty 2.3 Clear understanding of mission of joint buying |
| 3.1 tight cash flow | 3.1 contract of payment, clear idea of placing order priority. |
| 3.2 period of payment under competitive market where terms are extended by supplier. | 3.2 Pre- payment of purchasing, better discount to coops participating responsibly. 3.3 Negotiate to extend terms of payment. |
| 4. distribution of discount scheme in case of difference on volume order | 4. proper understanding, favourable attitude taking into account of cooperative spirit. |

The presentation of problems and constraints has been made to adopt remedies suggested on return to respective countries. It is hoped that in order to evaluate the progress of development and validity of joint buying, a follow up seminar could be conducted by the ICAROAP/JCCU after two years.

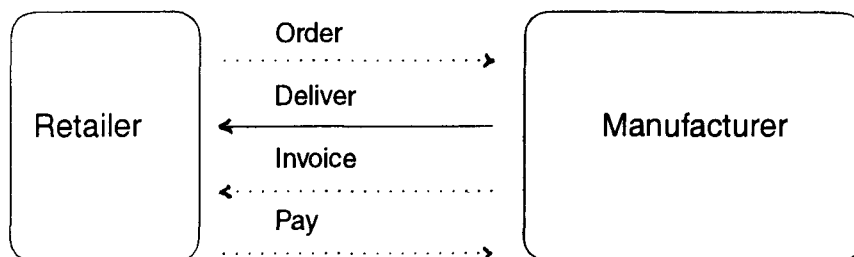
Part II
RESOURCE PAPERS

Concept Paper for the Joint Buying by Coops in the Market Economy

Mr. Takeyoshi Fujioka
Executive Director,
Japanese Consumers' Co-operative Union (JCCU)

Wholesale Functions

What is “Wholesale”? First of all, I would like to explain the functions of wholesale. (Please see chart 1: The Flow from Ordering to Payment)

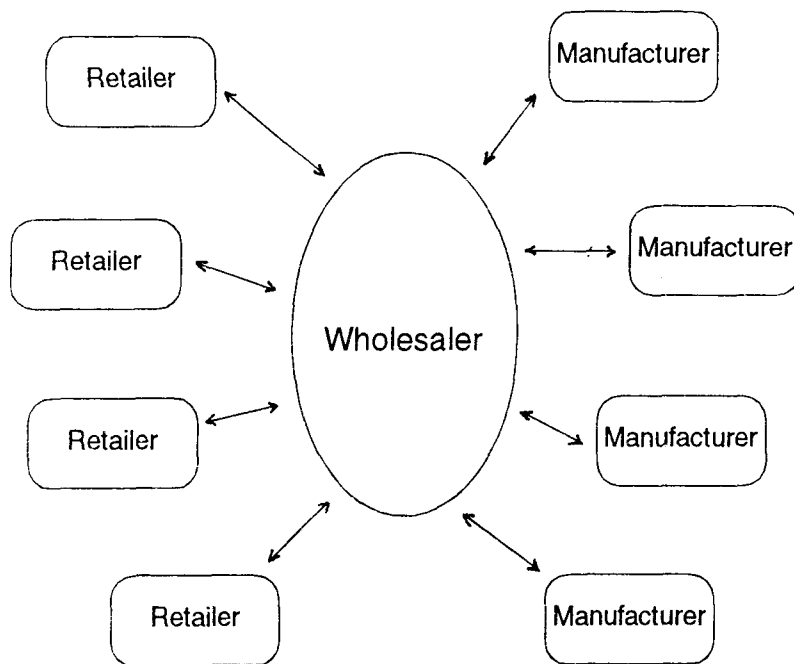


When products are purchased from manufacturers, there are four basic steps in the process: ordering, delivery, invoicing, and payment. Retailers order the products they want from manufacturers. Manufacturers deliver the ordered products in the designated number by the assigned due date. Manufacturers later invoice retailers to pay for the products delivered. Retailers pay the amount specified in the invoice.

Retailers usually deal with a large number of manufacturers, not buying products from only one manufacturer. Meanwhile, manufacturers do not simply trade with one retailer, but deliver products to many retailers.

Retailers must make payments to quite a number of manufacturers, and this causes a lot of costs and troubles. The same situation applies to manufacturers. Considerable effort is needed to invoice many retailers for payment.

By establishing the wholesale function, we can improve the process to make it more efficient. (See chart 2 : Relations among Retailers, Wholesalers and Manufacturers) Wholesalers take collective charge of taking orders and making payments for retailers, as well as making deliveries and preparing invoices to pay manufacturers. There is significant efficiency in putting these mediators called “wholesalers” between manufacturers and retailers. Needless to say, by introducing wholesalers as mediators, the cost may be greater than directly purchasing from manufacturers. Nonetheless, the wholesale system functions have to be carried out by someone.

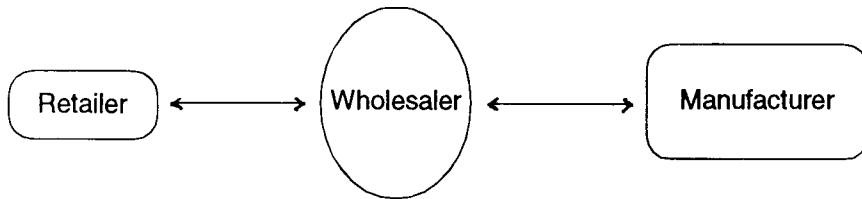


Classification of the Wholesale System

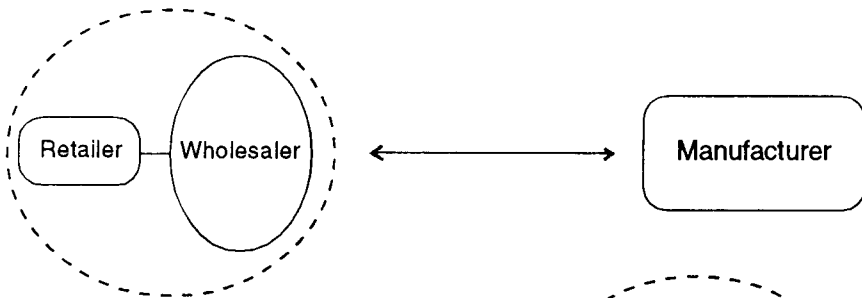
The wholesale system can be roughly classified into three types as follows (See chart 3 : Types of Wholesaling)

- A. Independent
- B. Retailer led
- C. Manufacturer led

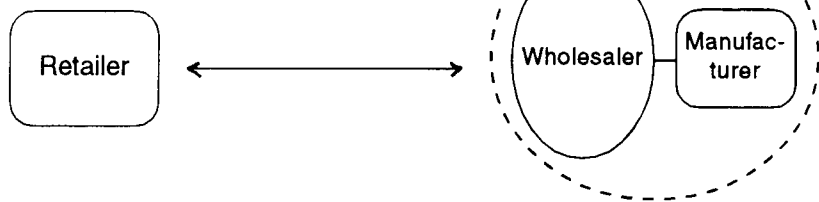
Type A : Independent



Type B : Retailer led



Type C : Manufacturer led



In type 'A,' wholesalers are truly independent from manufacturers and retailers. They are totally responsible for the results.

In type 'B,' several retailers jointly manage a wholesale system to buy needed products collectively. Any profits or losses should be shared among them.

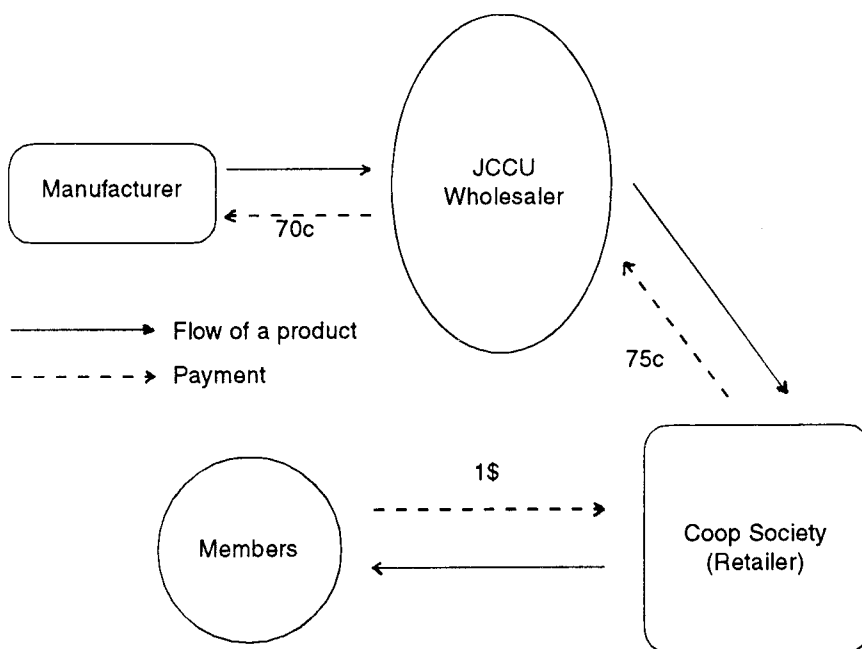
In type 'C,' manufacturers organize a wholesale system to sell their products to the retail outlets. If any profit is gained from the system, such profit goes to the manufacturers.

I guess many of your countries have adopted 'C.' Nevertheless, the "joint buying system" to be discussed here should be classified as type 'B.'

Generally speaking, for co-operatives in Japan, costs have been added to goods produced by manufacturers by the time they reach members.

Let's take an example of a product with a retail price of one dollar. (See chart 4 : When a Coop buys a product from JCCU). The JCCU purchases this product for 70 cents from the manufacturer. We supply this product to member co-ops at a price of 75 cents, to which a gross profit (about 5% of the retail price) has been added. Then, member co-ops supply this product to members for one dollar (with gross profit about 25% of the retail price).

In case of joint buying, it is not necessary to give wholesalers any gross profit, which otherwise would have to be given to them, because the products are purchased directly from manufacturers.



Japanese Experiences

JCCU's Wholesale Function. (See chart 5 : History of Wholesale in Japanese Coops)

The JCCU, comprising primary co-operatives, was established in 1951. In the beginning, it had mainly carried out education/instruction for member co-ops, and not wholesale business like today. Even so, wholesale business has been already active in several dis-

tricts and sectors in Japan at that time. As these activities prospered, ideas about establishing a nationwide wholesale organization grew. Finally, in 1958, the All-Japan Co-operative Wholesale Society (AJCWS) was established. In 1965, the JCCU merged with the AJCWS to become a central co-operative federation with both education and business functions.

Since the birth of the first private brand product, “CO-OP butter,” in 1960, the JCCU has developed a variety of “CO-OP” brands. These are produced under agreements between the JCCU and the manufacturers. That is, it does not own its own factories, but consign a certain manufacturer to produce products under CO-OP brand. CO-OP products are clearly different from national brand products in two aspects. First, there are the clearly defined specifications. The JCCU ensure that consigned manufacturers produce safer and more reliable products through its own specifications. The second aspect is price. Co-op products can be sold at 15 to 20% lower price than national brand products by guaranteeing manufacturers a secured market (volume discount) and reducing transaction costs including TV ads.

Establishment of Regional Consortia

Since the late 1980's, consortia have emerged in various regions throughout Japan as joint buying organizations among co-op societies. There are two simple reasons for this development.

First, co-op societies wanted to lead the initiative in their own regions. Second, such societies wanted an efficient distribution system to procure fresh food and perishable processed food within their regions.

Thus, co-ops participating in consortia purchase products from both the JCCU and consortia.

There are at present nine consortia throughout Japan.

Difficulties in Regional Consortia

Thus, consortia play a role in joint buying activities in Japan. However, there are some difficulties associated with them.

The first problem concerns dual management. It is necessary for

co-ops participating in consortia to have boards of directors both for themselves and the consortia. As a result, the labor and costs required in managing such boards is double.

Pursuant to the Consumer Co-operative Law, Japanese co-ops may not carry out business across prefectural borders. Trans-prefectural business operations are only possible in the form of consortia. If this restriction is abolished, it will be possible for some co-ops to merge into one regional co-operative across prefectural borders to enhance efficiency. We are now working to realize this.

Another problem is that the JCCU has developed products (mainly dry groceries) deserving nationwide development, while consortia develop and distribute similar products. Here waste is involved.

A program is therefore underway to divide roles in development between the JCCU and consortia: the former nationwide and the latter at the regional level.

Concept of Joint Buying

Why is Joint buying Necessary Now?

Let's look at why co-ops need joint buying of type 'B'.

First, it is highly possible that co-ops will not be able to meet further intensified competition in the open market. As markets open, aggressive foreign retailers are penetrating the fragmented retail markets in Asia with sheer size of capital and sophisticated management skills which had proved to be successful in the highly competitive markets in their own countries. If co-ops continue to purchase products individually, efficiency will suffer and severe circumstances may arise. Therefore, joint buying is badly needed to improve efficiency and enhance competitive edge through aggregating co-ops management resources.

Second, better conditions can be obtained by aggregating purchasing power. For instance, if co-ops team up, we can purchase products in larger units. As a result, we will be able to get manufacturers to reduce wholesale prices.

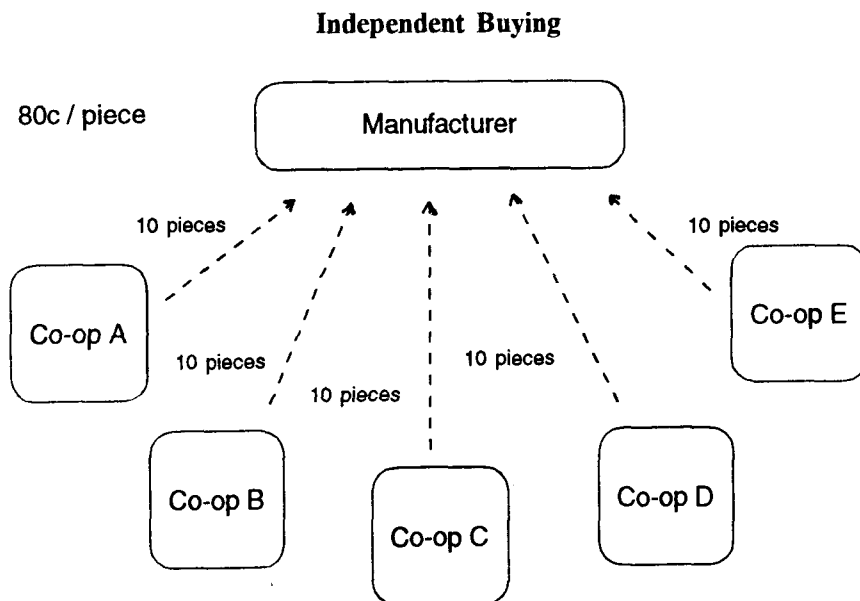
Benefits of Joint Buying

I would now like to briefly explain why we can enjoy “better purchase conditions” with the joint buying system. Please direct your attention to the chart. (See chart 6 : Independent Buying and chart 7 : Collective Buying).

Assume that 5 co-ops, from “A” through “E,” place orders for product “Y” of 10 units each with manufacturer “X.” Placing their orders separately, their cost for product “Y” is 80 cents per unit. However, by creating a joint buying organization, if an order is placed for 50 units collectively for the 5 co-ops, the price is reduced to 75 cents per unit. Manufacturers enjoy more efficiency in production and distribution in case of bulk orders, resulting in reduced cost.

Of course, if a single co-op places an order for 50 units, the unit price is the same – 75 cents. However, overly large orders require added inventory space in a store back yard and products will lose freshness.

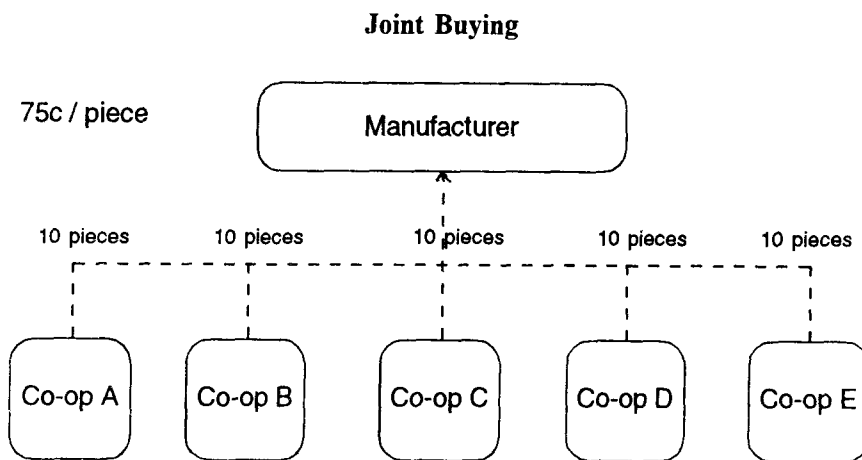
In addition, by adopting collective payment, manufacturers need not issue invoices to co-ops individually. Thus, by saving costs, co-ops can purchase products faster and cheaper.



Functions of Joint Buying

In joint buying, there are five processes involved.

- 1) Order placement with manufacturers
- 2) Manufacturer product delivery to warehouses
- 3) Warehousing/warehousing kept to less than 24 hours
- 4) Product sorting by co-operative
- 5) Distribution to co-operatives

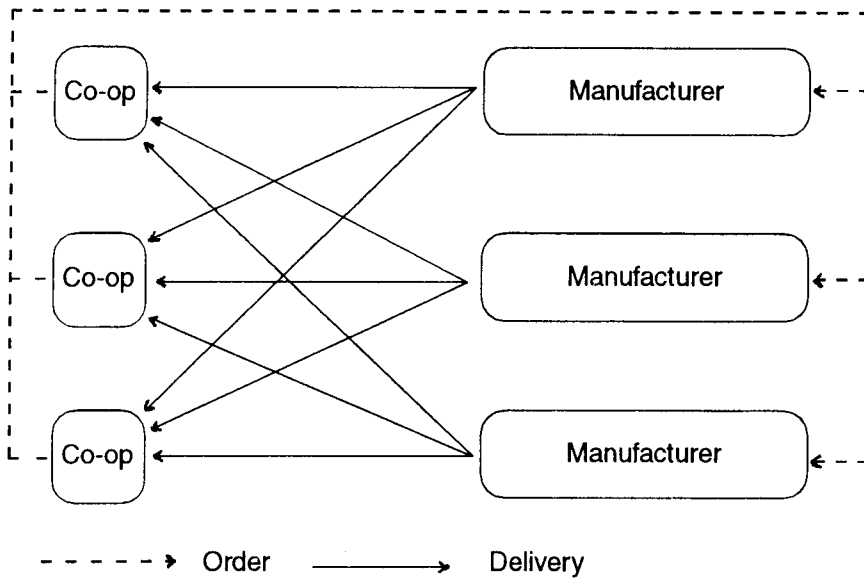


The simplest way of joint buying is to omit warehousing (See chart 8 : Direct Delivery); placing collective orders with manufacturers who directly distribute the ordered products to individual co-ops. Even in this case, it is necessary to place orders and make payment collectively.

Warehousing requires another consideration for efficiency. (See chart 9 : Delivery through Warehousing). Products of quite a few manufacturers are collectively stored in one warehouse. These products are then loaded together in one truck and delivered to more than one co-operative.

As a matter of course, we need spaces called “warehouses” for inventory, and there are product storage costs (rents for a warehouse

Direct Delivery

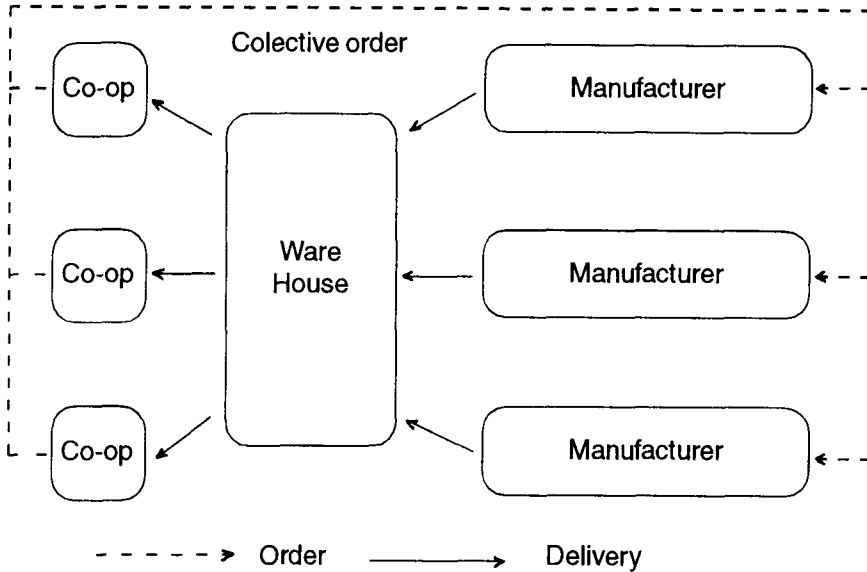


etc). Inventory may also draw interest. Further, freshness can deteriorate while a product is in a warehouse.

The ideal is for products collectively stored in warehouses to be distributed immediately. The “just-in-time physical distribution” system, which is employed by co-operatives in Japan, was devised as the nearest thing to this ideal. With this system, the items and quantities of products ordered by co-operatives are collectively counted, and orders for those products are placed based on these counts. Products delivered at designated times to warehouses are immediately sorted and then distributed to co-operatives within 24 hours of receiving them. The requirements for this system are flexible shipment lot numbers from manufacturers, and on-time delivery at designated times. Another system allowing shipment from a warehouse to co-operatives within 24 hours is also required.

Thus, warehouse distribution is classified into two types: ordinary inventory and just-in-time physical distribution. If you start joint buying, it is recommended to adopt the ordinary inventory system and then move to more sophisticated one.

Direct through Warehousing



Responsibilities in Joint Buying

Needless to say, each participating co-operative should be responsible for joint buying. Therefore, co-operatives are obliged to recognize such responsibilities. In joint buying, co-ops are required to take the products they've ordered, whether annually, monthly, or by spot order. Accordingly, it is important to identify the quantity needed in advance as precisely as possible. A co-operative failing to take its ordered quantity without doubt adversely effects other participating co-operatives.

It is prerequisite that there be no cancellations. It is also, however, important to be prepared for and to be sure of how to deal with the situation in case of a cancelled order.

In joint buying there are also certain risks such as failure to sell the entire purchased products to consumers or shortage of products.

When something happens, co-operatives must deal with the situation and accept the risk to the extent possible. It is therefore necessary to prepare clear cut rules or regulations to provide for risk ac-

ceptance. I would especially like to emphasize this point, for we have had some bad experiences in Japan.

If there is any surplus in joint buying, it can be shared among the participating co-operatives. It is also indispensable to reserve an appropriate amount for future development. The board of directors will discuss how to allocate such surplus, after which a decision is to be made at the general meeting.

Advice on Starting Joint Buying

If you're thinking about starting joint buying, you will need to discuss comprehensive strategies in advance among participating co-operatives until you are convinced. Once you've cleared this point, you can proceed to an experimental approach. That is, for instance, you could launch joint buying with a certain product of a certain manufacturer. Then check the business results, and correct those points that should be improved, if any. If you feel it is working well, you then gradually expand the business by increasing the number of manufacturers or product items. It is recommended that care be taken in this business by constantly checking what you have done and what you are going to do. If business goes well enough, I also suggest improving efficiency by introducing a computer system and constructing your own warehouses.

Conclusion

I would like to conclude my remarks with a request for everyone here in this workshop.

As a result of markets opening up, competition has intensified everywhere in the world. More importance has been laid on competitiveness. It could be said that the world is getting tougher.

We, as co-operative members, have a mission to create consumer cooperation rooted in a society. We are surely facing various kinds of difficulties, but at the same time, that is why we exist, to dare challenge even when faced with such difficulties. Mr. L. Marcus, the former ICA president, once said, "The co-operative system has a future. The problem is to prove it." Let's work together to prove the effectiveness of the co-operative system, and in doing so, bring greater contribution to a better life of our members.

An Analysis of Joint Purchases of Consumer Products under GAKUB

(National Federation of University Cooperatives, Malaysia)

- Mohd. Said Mohd. Kadis

- Mohamad Ali Hassan, GAKUB

1. Introduction

The formation of GAKUB 10 years ago with a mission to strengthen cooperation among University Cooperatives and Institution of Higher Education in cooperative activities and enhance networking in business ventures is considered to be a successful model in cooperative movement in Malaysia.

Through years of experience, GAKUB has now developed its own mechanism of joint buying and distribution of consumer products, stationary items and books for markets in university campus nationwide. Besides promoting cooperative activities, GAKUB provide a forum for exchange of new ideas among cooperative members, provide opportunities for cooperative managers to design new business plan to be implemented among University cooperatives and provide training facilities for members together with the cooperation of Angkasa.

2. Activities of GAKUB

When University Cooperatives becomes members of GAKUB, essentially the objectives of the organization are clearly defined. Among the major activities are:

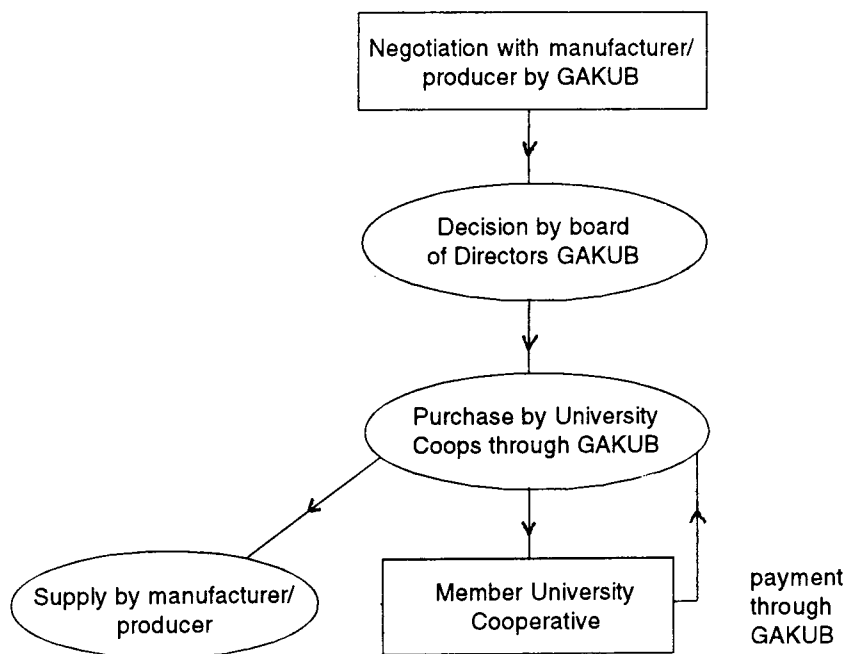
- i) The Board of Directors of GAKUB consisting of member cooperatives (one or two representatives from each University Cooperatives) formulate policy and activities of common interest to be implemented together. The board of Directors meet at regular intervals (on the average once every two months) and are conducted on rotation at various of member University Cooperatives.
- ii) GAKUB negotiate with manufacturers/producers for products to be marketed in University Cooperatives.

- iii) GAKUB appoints a manager to coordinate and implement specific activities.
- iv) GAKUB impose some nominal amount of fee from business transaction as fund for GAKUB.
- v) GAKUB continuously review and evaluate all activities that has been agreed to be implemented on a regular basis.

3. Examples of joint buying and distribution of consumer products

For the last ten years many of the business activities that are planned to be implemented are more focused towards consumer and stationary products and books. The success or failure of a particular project depends in many cases on the initiative of the managers who are assigned proves to be unsatisfactory and in recent months GAKUB decided to appoint a full time manager who will be completely responsible to ensure successful implementation of all our business ventures.

The mechanism of implementing a particular business venture are as follows:



The joint purchasing effort has enabled GAKUB TO:

- i) ensure that member cooperatives enjoy competitive pricing of consumer products to be sold at University Cooperatives.
- ii) member cooperatives enjoy better profit margins and at the same time the products are sold at cheaper prices.
- iii) GAKUB is able to negotiate effectively with manufacturers on behalf of member cooperatives.

Some of the products that are already implemented are as follows :

- i) distribution of paper products, dairy and exercise books. These products are obtained from one of the largest paper manufacturers in Malaysia.
- ii) consumer products including food items such as "Brahim" - one of the largest and most successful Malaysian packed food items. Other products include cordial drinks produced by member cooperative research done by MARDI.
- iii) distribution of selected books among member cooperatives.
- iv) electrical goods - network among member cooperatives.
- v) souvenir items.
- vi) travel package through UC Travel University of Malaya Bookstore Cooperatives
- vii) new project - distribution of Encyclopedia Malaysiana.

In all the business activities that are conducted the major profit with benefit more towards member cooperatives and GAKUB provide the platform for coordination and negotiation. GAKUB takes only very marginal profit as services.

4. Financial record

All business transactions are conducted on a professional basis and managed by our professional accountant. Accounts of the business return are also audited by the Department of Cooperatives. For 1997, business transactions conducted directly through GAKUB amount to more than RM 100,000.00 and this gives GAKUB net

profit of more than RM 8,000.00. Besides these business ventures, GAKUB has reserve fund of more than RM 80,000.00 from contributions of member cooperatives.

5. Future plan

With the appointment of a full time manager, it is hoped that GAKUB would be able to expand its business activities among member cooperatives more effectively as from now. It is envisaged that more member cooperatives will work closely to activate business ventures actively.

6. Cooperation with other cooperatives in the Asia Pacific region

As for now GAKUB have some considerable experience in conducting business transaction in Malaysia. Looking at the future potential for cooperation among member countries it is proposed that:

- i) Cooperatives from member countries expand their business ventures to include international trading.
- ii) develop tourism among members who travel in this region so that members can benefit from the cooperatives among member countries. In Malaysia, GAKUB through UC Travel will be able to provide such support.
- iii) provide training facilities and exposure to member countries on cooperatives management and development in successful cooperatives.

Joint Buying among University Coops in Japan

NFUCA, Japan

1.1) Outline of Univ. coops

Univ. co-ops (Member of NFUCA/April 1998)

Number: 215 (206 univ. coops + 9 business associations)

Percentages:

Univ. co-ops exist at one third of all 4-year universities in Japan

72% of national universities

54% of public universities

18% of private universities

Co-op members (March 1998)

Number: 1.3 million persons

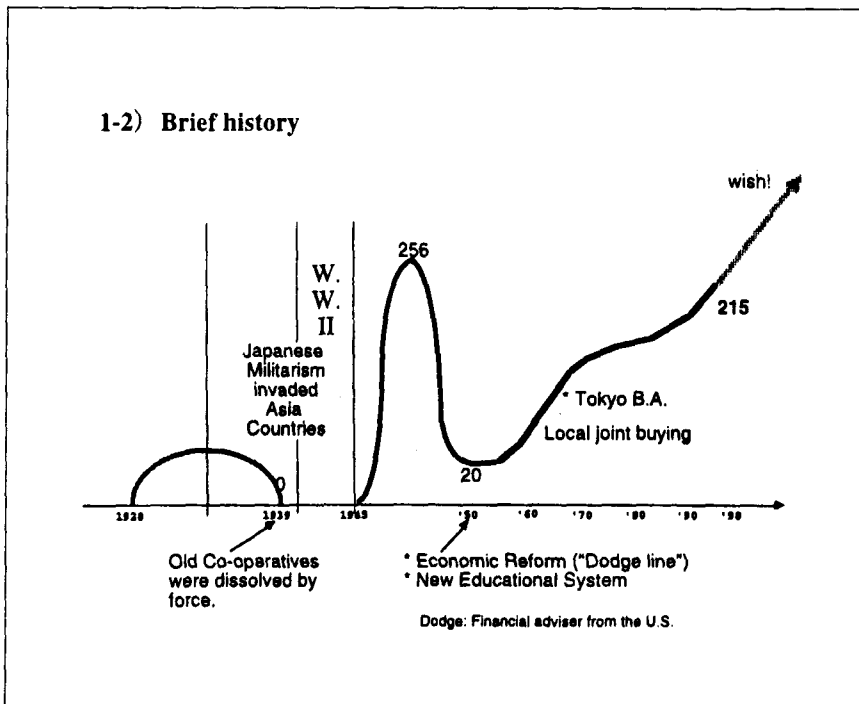
Percentages:

40% of the total constituents of 4-year universities in Japan

Business size (1997/1998)

Total turnover Y 208.2 billion (US\$ 1.48 billion)

Per member purchase Y 163,140 (US\$ 1,165)

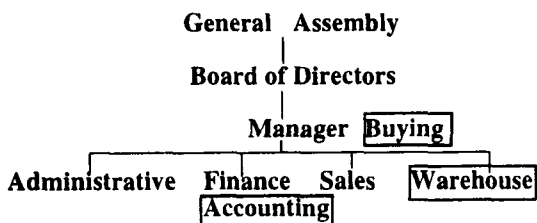


1-3) Co-op business and joint buying activities

● Four member- life areas & co-op businesses

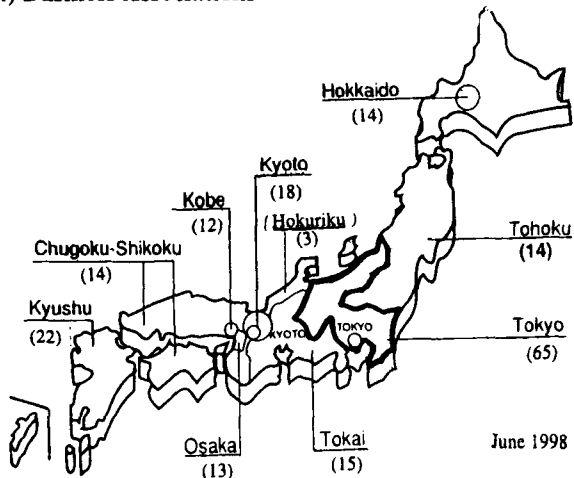
| | | |
|------------------|------------------------------------|----------------|
| Members' livings | Study, education and research life | Co-op Business |
| | Daily and social life | |
| | Personal development life | |
| | Healthy and safety life | |

● Primary co-ops entrust several areas to Business Association.



1-4) Business Associations

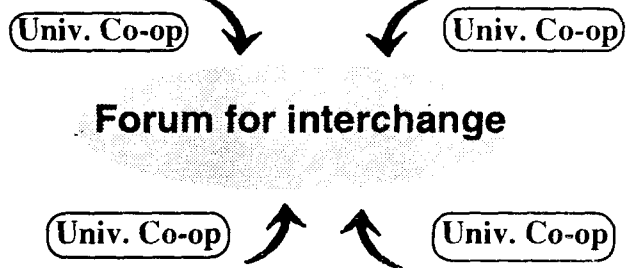
1-4) Business Associations



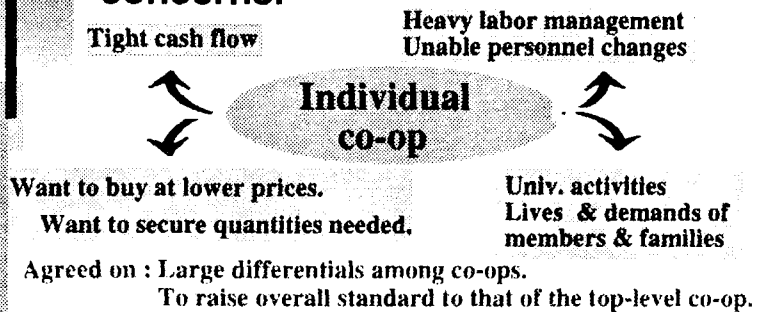
Methods of Joint Buying

Tokyo Business Association of University Co-operatives

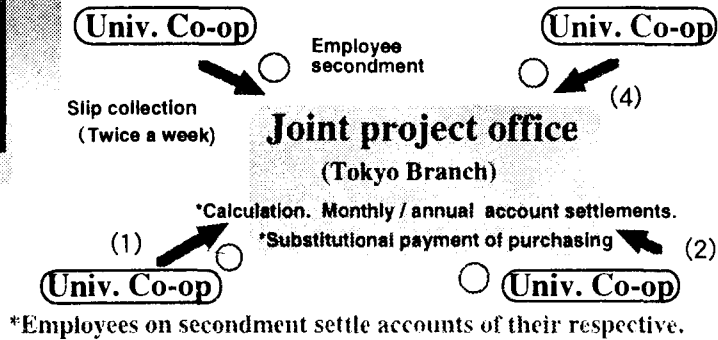
1. Before starting B.A., a forum was established to exchange of information on co-op works.



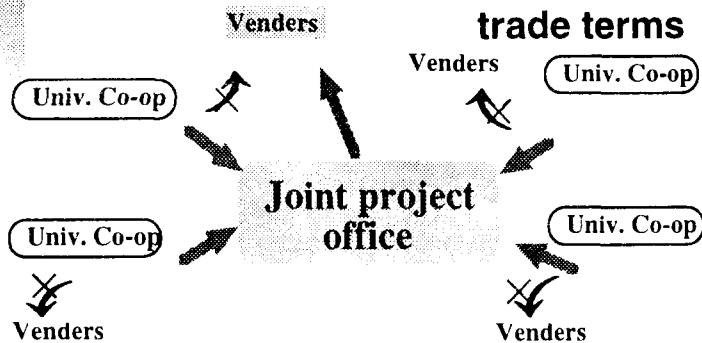
2. Participants reported success, failure, difficulty and various concerns.



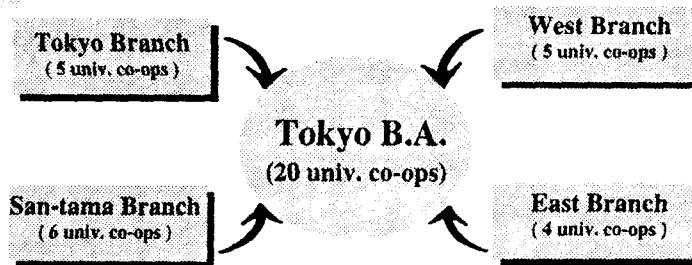
3. A " joint project office " was set up for solving problems with united efforts.



4. Consolidation of buying channel
- Select venders offering the best trade terms



5. Tokyo Business Association was established by merging four area branches.



6. Methods of Joint Buying

i) Five patterns

(1) Consolidation of buying channel

-- Unified product assortment

(2) Collective buying by item

(3) Durable consumer goods

(4) Double-branded product development

(5) Original specifications product development

ii) **Contracts between the B.A. and univ. co-ops**

" Entrustment of purchase transactions "

" Entrustment of accounting "

- (1) **Determination of suppliers/vendors and execution of contracts**
- (2) **Settlement of purchase conditions**
- (3) **Product development**
(Original products of member co-ops are subject to consultation)
- (4) **All payments to the above vendors are made through B.A.**

(Pattern-1) Consolidation of Vender channel - Unified product assortment

(A) **Purpose:** To make purchases from vendors offering the best trade terms

(B) **Categories:** All product categories

(C) **Methods:**

- 1)Negotiation with vendors**
Purchase price. Order unit. Lead time before delivery. ~~Stockbook.~~
- 2)Settlement of purchase conditions**
Six month contract. Full-year contract.
- 3)Issuance of order-books (Mar. Sep.)**
Product description. Cost price. Selling price.
Order date. Order unit. Order Contact.

4)Member co-ops
Order-books

B.A.

Vendors



(Pattern-2) Collective buying by item

(A) Purpose: To reduce purchase costs by taking advantage of scale merits.

(B) Categories: Goods used daily or very frequently

Stationery. Toiletries. Beverages. Computer supplies. Photocopy. . . .

(C) Methods:

- 1) Collection of estimated sales quantity for a year by item
- 2) Negotiation with vendors on purchase condition
Price by lot size. Price by the term of payment. Price by the delivery form.
- 3) Contract
- 4) Confirmation of delivery date with member co-ops

↓
Member co-ops

B.A.

(Pattern-3) Durable consumer goods

(A) Purpose: To purchase high priced items at lower prices

(B) Categories:

Products that people buy only once in several years.

Air conditioners. Electric cooking appliances. Audio equipments. Furniture . .

(C) Methods:

1) Member co-ops → Trade fair (to know new products)
→ Collection of orders

2) Negotiation with vendors on purchase conditions

Possibility of returns.
Compensation at the time of markdown
Payment terms

3) Settlement

4) Confirmation of delivery date with member co-ops

↓
Member co-ops

B.A.

(Pattern-4) Double-branded product development

(Pattern-5) Original specification product development

(A) Purpose: To develop "new" products in any of the following circumstances.

- i) High purchase price → Double -branded product development
- ii) Insufficient quantity → Double -branded product development
- iii) Existing product specifications do not satisfy member needs. → Original specification product development

(B) Categories: All product categories

(C-1) Method: Double-branded product development

1) Product development committee (Member co-ops. + B.A.)

2) Negotiation with vendors

***To prevent confusion in the market**

Change of item number. Use of double brands (Private + CO-OP)

***To reduce production cost or produce sufficient quantity**

Procurement of raw materials. Change the production place.

Production in inactive period of factory operation

3) Deliberation by the Board of Directors (Solution for development)

Production lot. Selling price. GPR. Pooled fund for final pricedown if any.

4) Production by manufacture

* Characteristics :

Risk-hedge. Poor sales --> Suspension of the next production

(C-2) Method: Original specifications product development

1) Product development committee

(Co-op members + member co-ops + Venders + B.A.)

- * To develop new specifications products to be satisfied with members' needs.

2) Collaborative development

- * Collection of opinions on improvement of an existing product
- * Tests of the pilot product by co-op members
Repeated examination of functions and materials.
- * Final decision on new specification product

3) Deliberation by the Board of Directors (Solution for development)

Product specifications. Advertising plan. Pooled fund for final pricedown.

4) Production by manufacture

*** Characteristics:**

Best product. Exclusive sales. Maximum GP. Inventory risk.

7. Type of distribution

(Component)

Joint buying

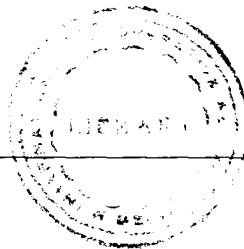
- Vender direct delivery (65%)

- Via Co-op DC delivery (30%)

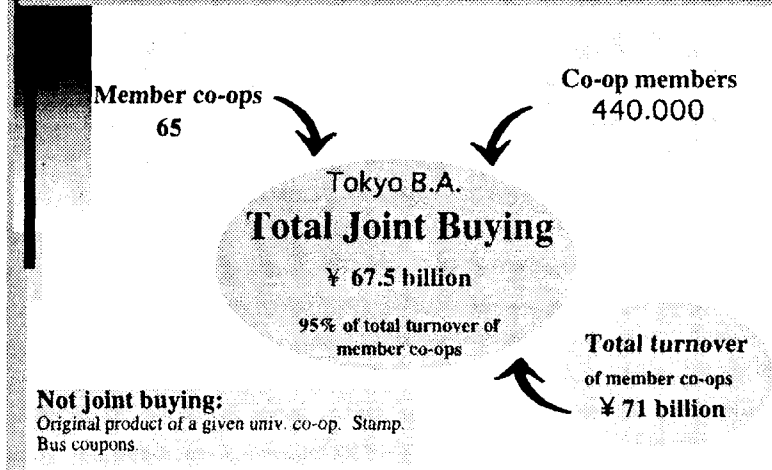
*Price rabel

*Sorting by store

Not joint buying (5%)



8. Today's Joint buying



(3) Conclusion

- Joint buying is based on:**
 - solidarity among primary co-ops and
 - unification of functions of primary co-ops
- To improve purchase conditions.**
- To reduce duplicated costs.**
 - Inventory, cash Flow. Personnel expenses
- More products are available**
- Joint buying works can be improved by adopting the top level management at a "joint project office".**
 - "Sharing works" and "step by step" are vitally important

334.5 RoA/JCC

University Cooperatives and Joint Buying Activities

NFUCA, Japan

Brief History of Solidarity Activities

<1945 ~ 50's> - After the W.W.II.

Univ. co-ops were born in many universities.

- National Federation started. (1948, registered in 1959)
 - * Joint-buying business started. (Notebooks, books, etc.)
 - * Exchange of University Co-op activities
 - * Before the W.W.II.

Some Student Co-operatives existed in Tokyo and Kyoto.

There were no nationwide solidarity activities, and were liquidated by the Japanese Militarism.

<1960's ~ 70's>

- Co-op Brands Goods started.
- Business Association establishment started in some areas.
- Citizen Co-op establishment started by the support of Univ. Co-ops.

<1980's~>

- Business development at national level
Mutual Insurance, travel, hotels, scholarships, etc.
- B/As were established in all areas in Japan.
- International activities started.

<Several Tasks in Our History>

- 1) "To be a student, you first have to get foods" (1946)
- 2) "For peace and better life" (1950)

- 3) “Three basic roles of Univ. Co-ops” (1956)
 - To improve the living conditions in the campus
 - Consumer movements
 - Movements to defend peace and democracy
- 4) “To develop co-op activity wider and deeper in the campus” (1977)
- 5) “Roles of Univ. Co-ops and current task” (1980)
 - The cores of univ. co-ops are “members” “living”, “demands” and “participation”.
- 6) “Toward a new co-operation – The role of Univ. Co-ops in the time of Changing” (1986)
 - To support study, education, and research activities in a university, and to contribute to the improvement of the university community.
 - To nurture the spirit of co-operation, and to improve the quality of life through the cooperated power.
 - To grow social-mind and to expand the network of co-operation.
- 7) “Report by 21st Century Committee” [Advisory Report] (1992)
- 8) “Vision & Mission for the 21st Century (1994)

1. The base is individual members’ trust to each member co-operative.

1. How loyalty to the co-operative has been created?
 - 1) Large numbers of students, faculty and staff members have chosen to become co-operative members on their own volition.
 - * Students, faculty and university staff enjoy equal status within the co-operatives, and participate in activities jointly.
 - * Firmly maintained is the guiding concept that co-operative members are; “customers = investors = administrators”

- 2) The store are the pivotal bases of the university co-operative business and have four vital roles:
 - * Where the members' demands are actualized.
 - * Where the policy is put into practice.
 - * Which must look after operation cost of the co-operative.
 - * In which each employee is assured to grow.
 - 3) The university co-operative business seeks to respond to and fulfill the living needs of the members.
 - * Study, education and research life
 - * Daily and social life
 - * Personal development
 - * Healthy and safe life
 - 4) Members (students and faculty) are committed to the entire sphere of these activities, and to the product lines.
 - 5) The mission of university co-ops is to make positive contributions to the communities (ex.: in the univ./ college, neighbouring local community...)
2. The university co-operatives are truly built on the foundation of this membership "loyalty."
 - 1) Within their comprehensive activities, it gathers students trust of "co-operatives provide profit."
 - 2) The co-operatives exist within this affectionate attitude of the members.
 - 3) Generating this trust are the co-operative staffers, the persons who are in contact with members on a genuine daily basis.
 - 4) The co-operative have also earned the trust of the individual universitates as reliable welfare business body.
 3. The fact that this loyalty thrives at all co-operatives has forged the foundation for the presence of the Business Association, and the National Federation of University Co-operative Associations (NFUCA).

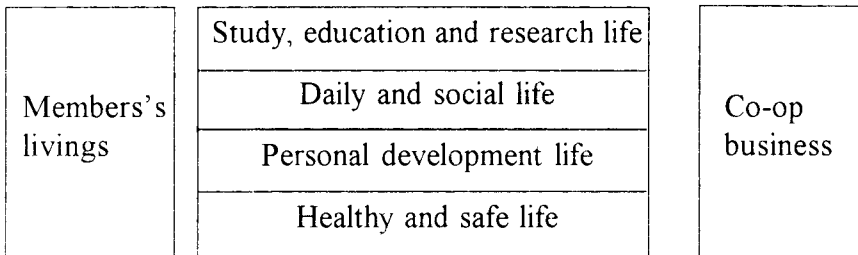
2. The joint buying aims to support the University Co-operative Business

1. Each co-operative proceeds with the goal of enriching the lives of its membership, and works hand in hand with those members.
2. Joint business operations are undertaken to achieve business merits for individual co-operatives (members).
3. The joint business undertakings are strengthened independently, with efforts then implemented as a group to redistribute the profits.
4. Superior business activities are created to furnish a solid contribution for the cause of higher education.

3. Regional Joint Buying

1. Business Associations
 - * Mission : To contribute to the successful business enterprises of all member co-operatives.
 - * Position : Staff of a single co-operative.
2. Business Association operation
 - * Joint retail business institutions, serving as one part of individual co-operatives. (Not mere so called “wholesaler”.)
3. Essential requirements
 - * Membership demands and opinions regarding products must be reflected in joint business.
 - * Representatives of the individual co-operatives must participate in the day-to-day decision-making process.
 - * The Business Associations are possible due to the existence of NFUCA, as well as because the Business Associations are also members.
(If the Business Associations were non-members of NFUCA, difficulties would be encountered due to the inability to achieve a unified and comprehensive policy.)

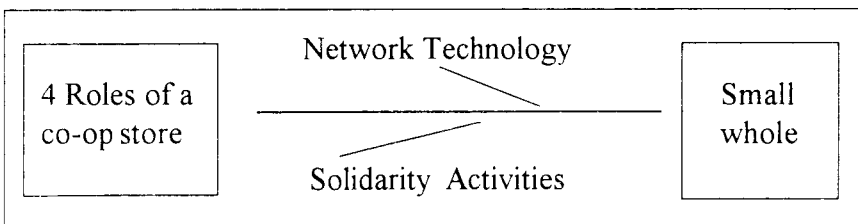
4. Nationwide Joint Buying (NFUCA)
 1. Contributions to the profits of all member co-operatives and memberships nationwide.
 2. Product development and business throughout all member co-operatives and memberships nationwide.
 3. Participation by the representatives of all regional co-operatives in the decision-making process.
5. Four member-life areas & co-op business



6. Four role of a co-op store

- | |
|---|
| <ol style="list-style-type: none"> 1. The “field” where the members’ demands are actualized. 2. The “field” where the policy is put into practice. 3. The “field” which must look after operating cost of the co-operative. 4. The “field” in which each employee is assured to grow. |
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7. “Small whole”



Congratulatory Address by Mr. Robby Tulus

Regional Director, ICA ROAP

First of all, allow me to take this opportunity to congratulate the JCCU and the ICA Committee on Consumer Co-operation for Asia and the Pacific for taking the prompt initiative to conduct this Regional Workshop on “Joint Buying Strategies for Consumer Co-operatives”. CLT, CPD and TCFE also deserve special mention as host organizers since they have undertaken this co-operative effort in making this Regional Workshop a dynamic reality.

I have seen the diligence and hard work of Ms. Yukiko Yamamoto in her quest to make this Workshop a success, in close consultation with Mr. Upali Herath whom most of you know was the Advisor at ICA ROAP with expertise on this subject. Due to their sincere efforts we have the responses of so many participants who are here with us today. I offer my warm welcome to all participants from countries present here today.

The Regional Workshop on Joint Purchasing strategies is well times to seek the right co-operative response to mitigate the effects of the current financial and economic turmoil in Southeast and East-Asia. We all know that the economic turmoil has evolved into social and political crisis in some countries in the region. The central fact is that dependency on external source of capital and investment has stirred the economic fundamentals because of the way speculators think and not because the fundamentals themselves are out of order. Speculators sought to maximize their own profits by manipulating practices inimical to society such as rent seeking, corruption and nepotism, and thereby upset the core fundamentals built over time.

Co-operative fundamentals are clearly enshrined in the Co-operative Identity Statement, and the value of self-help and self-responsibility help co-operatives to steer clear from dependency on outside resources.

Our pursuit is to co-operate among co-operatives in the first

place, whereas the joint purchasing strategy for consumer co-operatives is exactly a perfect demonstration on how co-operatives must go about it. Although it does not rule out efforts to link up with the private sector, the notion of co-operation among co-operatives will ensure competitive advantage over doing business alone all by themselves.

By creating joint purchasing, not only will consumer co-operatives reduce their cost of doing business, but also gain valuable experiences from the “co-operative” efforts.

Mr. Fujioka explained so clearly in his paper that joint efforts also entail joint risks. It basically means that co-operatives must put their respective houses in order first before entering the co-operative/joint buying effort, so that they can minimize the risks rather than transferring such risks to other partners.

It essentially calls for the enhancement of effectiveness and efficiency of each and every co-operative in the first place, so that the whole chain from ordering, delivering, warehousing, sorting and distribution can be done in a concerted manner.

I have every reason to believe that this Joint Buying Strategies Workshop will be an excellent precursor for many other “joint” co-operative efforts in other sectors. I am looking forward to the positive results of this important Workshop. We at ICA ROAP are hopeful that it can be emulated by other sectors just as we are embarking on new strategies on “specialization and integration” as enunciated by the ICA Board in this new policy direction.

Last but not least, we also look forward to meeting all of you in Seoul, Korea, during our Joint Workshop of Agri-Consumer Committees, Regional Assembly, and the Global Forum during the last week of October 1998.

Wishing you every success in your good deliberation.

Part III
ANNEXURES

Programme

05 August

- 0800-0900 Registration
0900-1000 Inauguration
1000-1015 Orientation on Objectives and Programme of the workshop
1015-1030 Introduction of Participants and Guests
1030-1100 Coffee Break
1100-1200 Concept of Joint Buying in the Context of Open Market (presentation and discussion)
1200-1300 Presentation on case study 1 - National Federation of University Co-op, Malaysia
1300-1400 Lunch Break
1400-1500 Presentation on case study 2 - TCFE, Thailand
1500-1530 Coffee break
1530-1630 Presentation on case study 3 - National Federation of University Coop. Associations, Japan
1630-1700 Synthesis
1830-2030 Welcome Dinner

06 August

- 0900-0915 Recapitulation
0915-1030 Country Report - India, Indonesia, Philippines
1030-1100 Coffee Break
1100-1300 Country Report - Singapore, Vietnam, Thailand
1300-1400 Lunch break
1400-1530 Panel Discussion - How to make Effective Joint Buying
1530-1600 Coffee Break
1600-1700 Panel Discussion, Synthesis

07 August

- 0900-0930 Recapitulation and Discussion on group work
0930-1200 Group work and discussion
1200-1300 Lunch Break

1300-1430 Presentation on Group work and Discussion
1430-1500 Coffee Break
1500-1600 Reflections on the Workshop and Closing

08 August

0830-1600 Field Study (Tammasat University Coop) and sightseeing

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