

## French Consumer Co-operatives: Pioneers of French Modern Distribution

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### **Purpose**

This research aims at explaining how consumer co-operatives have been pioneers of modern distribution in France. These companies issued from the 19<sup>th</sup> century socialist utopia provided the basis for both modern marketing and Corporate Social Responsibility (CSR) principles. Using an historical approach, we will introduce the different cooperative innovations that were finally adopted by the main actors of the French distribution sector.

### **The case: French consumer co-operatives**

The choice of this specific type of company has been motivated by different reasons. First, it is a very old form of distribution. Indeed, even if it has been developed on a larger scale and on a sustainable way by the Rochdale Society of Equitable Pioneers in England during the 19<sup>th</sup> century, the very first one was developed in Lyon (France) in 1835 by the “Canuts” [silk industry workers]. This form of co-operative originated in social movements led by unsatisfied customers. Then, its legal status is original for a consumer co-operative belongs to its customers (the so-called members or co-operators) in charge of marketing goods at a fair price and ensuring the sustainability of the co-operative. Lastly, consumer co-operatives have been leaders of the French distribution sector from the 19<sup>th</sup> century to the 1980s.

### **Methodology**

Data collection was based on both primary and secondary sources. Relevant information was taken from literature about the cooperative sector and the French distribution industry. We also had access to the archives of Coop Atlantique (the most important remaining French consumer co-operative) and public archives. This documentary research work was completed by several semi-directive individual interviews and focus groups with different consumer co-operative stakeholders, such as customers, co-operators, employees, and managers (active and retired). We also organized and were part of seminars on co-operatives, which gave us the opportunity to interact with both professional (co-operative managers or members of cooperative federations) and academic (researchers in History, Economy, Marketing and Semiology) stakeholders.

### **Consumer co-operatives as pioneers**

We were able to identify two fields in which French consumer co-operatives could be considered as pioneers in France: marketing practices and societal orientation.

#### *Consumer co-operatives as pioneers in marketing practices*

Consumer co-operatives are behind numerous marketing innovations regarding price, product, distribution or promotion policies. In terms of **price**, a first idea came directly from the roots of consumer co-operatives. Indeed, first members were workers unable to buy food items made too expensive by the industrialization of France and its effect on the reduction of food-crop production. As a result, co-operatives were created to offer products sold at a “fair price”, that is, lower than their competitors (for this purpose, price studies were conducted as soon as 1921). This price strategy can still be found today in the practices of many French distributors, such as Leclerc, and in the development of many price comparison tools. Moreover, after the First World War, co-operatives implemented a system of cooperative rebate: the more a co-operator will purchase, the more he will get rebate (in cash or gifts). This is clearly the ancestor of our fidelity cards and loyalty programs widely used nowadays in the

distribution area. As regards **products**, consumer co-operatives introduced the brand “Coop” in 1922. That was the very first private label used in the French distribution sector; today, all distribution groups have developed their own brands. Moreover, Coop products were developed and produced within the co-operatives: many factories and warehouses were dedicated to a wide range of private label products (chocolate, coffee, wine, etc.) This integration strategy is now spread in the whole French distribution sector, with concepts such as quality lines (Carrefour Group) or the “producer and retailer” slogan (Les Mousquetaires Group). In terms of **distribution**, consumer co-operatives have always sought to address the customers’ needs for convenience. First, they have always valued convenience stores, which was not the case of the rest of the sector some decades ago; this store format is yet developing once more in France due to the increasing consumers’ need for closeness. Besides, a home delivery service using mobile stores has been proposed for many years, long before the e-commerce and the concept of drive-thru supermarket. Finally, regarding **communication** strategy, consumer co-operatives have proposed various actions which can be considered precursors of modern customer relationship management tools. As early as in the 1920s, vouchers were proposed to co-operators so as to increase their loyalty. In 1928, the very first issue of “Le coopérateur de France” [The French co-operator] was published: this periodical provided clients with advertisements, local and regional cooperative information and useful tips on health, cooking, gardening, etc. and it can be seen as a vintage version of our current newsletters or magazines.

#### *Consumer co-operatives as pioneers in CSR practices*

French co-operatives are precursors in Corporate Social Responsibility since they have always applied the cooperative principles developed by the International Co-operative Alliance (ICA) in 1895. These guidelines are used by co-operatives to put their values into practice: democracy, responsibility, solidarity, sustainability, transparency, closeness and service. First, **democracy** is the core and distinctive value of the cooperative model. Thus, co-operators run their company directly or obliquely through the election of representatives. That enables customers to rebalance their bargaining power within their co-operative. **Responsibility** is key element of a co-operative because members are invited to be part of the everyday life of their company. Also, consumer co-operatives have always taken care of developing their communication towards co-operators in order to increase their involvement. **Solidarity** is exercised in favor of different stakeholders: social conditions have often been more favorable to employees compared to what happens in other distribution companies (for example, when mergers occur, or co-operatives have to close, the safeguarding of jobs is a priority). Also, co-operatives have always been community-oriented, providing support for local associations, etc. **Sustainability** can be observed inside the co-operative status (as it is owned by its members and cannot be sold without their agreement) or in their commitment in social or environmental actions (as an example, the increasing offering of local or organic products). **Transparency** towards members and community is achieved through different actions. First, co-operators are consulted in annual general meetings. Then, consumer co-operatives developed the “Laboratoire coopératif” [Cooperative laboratory] in 1955. One of its missions was to conduct independent analyses not only on Coop products but also on competitors’ products in order to give co-operators and consumer associations relevant information. **Closeness** has always been part of consumer co-operatives. The localization of the points of sale provides an extended geographical coverage, even in rural areas. Moreover, this local anchoring is strengthened by a large local food product offering and the use of short food supply chains, making co-operatives real players in regional development. A significant number of innovative **services** has been provided by consumer co-operatives: credit activity, sport and recreational activities and vacation centers (1920s), consumer protection and travel agency (1970s), food and nutrition education programs for youth (from 1977 onwards).

#### **Discussion**

Despite significant contributions in marketing and CSR since the 19<sup>th</sup> century in France, today’s consumer co-operatives represent a very marginal share of the French market when they used to be leaders up to the 1980s. The largest remaining one, Coop Atlantique, has no more than 4,000 employees.

This evolution might be largely due to a communication too much focused on current co-operators and not enough on other stakeholders such as customers (that are potential co-operators), government authorities, etc. Thus, the competitors of co-operatives have taken up these marketing and CSR innovations and have implemented large communication campaigns on these issues. However, co-operatives could be back in emphasizing their core values. In terms of marketing, they have to communicate on their still-living historical and activist dimension. Societally speaking, they need to insist on their distinctive added values of democracy and their involvement towards members and community, which is already at stake in the development of new innovative models of much smaller size like cooperative groceries.

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