A Universal “Co-App” for Cooperative Members

By Matt Cropp, Draft Date: 8/6/2018

Summary

This document outlines the case, and a strategic development path, for a mutually-owned platform for the facilitation of financial and governance relationships between cooperative businesses and their members. Such a platform co-op could be transformative of the types of interactions that are possible between members and the co-ops that serve them, opening new opportunities for both the development of new, and the strengthening of established, cooperatives.

Core Desired Financial Functionalities

<u>Payments System:</u> A key pain-point addressed by the Co-App is the swipe fee paid at point of sale systems

- <u>Patronage Refund:</u> When a consumer co-op pays out a patronage refund, it can consist of mailing out thousands of paper checks for relatively small amounts of money to members. In addition to the logistical challenges and costs of doing this, the balance, which would likely be spent at the co-op anyway, is reduced again by swipe fees when it goes back from the member to the co-op.

  As such, this platform would give members the option to opt to receive their refund + 2% in credit to the co-op that would be drawn first from a member’s account when their membership card is scanned.
- <u>Micro-Payments for surveys and other micro-tasks:</u> With a mechanism for delivering payments to members once per year via the patronage refund in place, that mechanism could also be used to compensate members for simple but useful and valuable activities.

  For instance, imagine a food co-op is stocking a new product and wants honest feedback from members on its quality and desirability. Because the co-op tracks member purchases for purpose of patronage, it could randomly select a sample of 20 members who purchased the product in the last month, and pay them $0.50 in store credit in exchange for taking a quick survey on the product.

  This mechanism could also be used to deliver customized coupons, etc.
- <u>Possible peer to peer payments:</u> Once members are comfortable with the platform, it could allow for them to transfer credits redeemable for a co-op’s products or services to other members of the co-op, or of the co-App network overall.

Credit System: Once the payments system is established, additional potential efficiency on the card-fee front would be to allow members to use their equity in the co-op as collateral for a line of credit. The monthly "credit limit" could be either the paid-up value of their voting share, or their total equity in the co-op including the balance of the retained patronage/capital credits/internal capital account, and payments would be drawn once per month from the member's bank account, thereby bundling external transaction costs.

Investment System: When a co-op has need for members to invest additional capital beyond their voting share, members could opt to direct all or part of the payments they receive from the co-op via this system into investment offerings. At its simplest, it might look like diverting patronage refunds into a member loan campaign.

For co-ops that have the capacity to sell non-voting preferred shares to members on an ongoing basis (rather than as a purpose-specific, time-limited, potentially regulated offering), this presents an interesting opportunity to operate synergistically with the "Round Up" charity campaigns of many food co-ops. In such campaigns currently, members are encouraged to round up to the next whole number on the register, and the proceeds are donated to charity. For a co-op that needs to raise friendly capital, it could direct half of the proceeds to charity, and the other half to preferred shares in the name of the contributing member. By replicating the dynamic of the successful investing start-up Acorns, the Co-App could deepen "member financial participation" in the success of the co-op.

Core Desired Governance Functionalities

Elections System: Secure, trustworthy, and user-friendly online elections infrastructure is a vital need and question for all democratic organizations, so stewarding that process should be a core function of the Co-App. The annual board election is the most high-profile ritual that affirms the co-op's democratic character, so voting could help significantly with platform adoption by users. This was the case for the use of Loomio as the primary governance and communication space for a cooperative of which I am a member. Voting in a competitive election brought folks to the platform, through which they could subsequently be engaged in a variety of ways.

Member Forum with Governance Tools: To deepen member engagement in a variety of ways that build beyond the annual board election, the Co-App could facilitate online spaces that allow members to coordinate, collaborate, and be in community with each other. Loomio, developed by a New Zealand worker co-op, would provide a good baseline framework for this, and is widely used in the Platform Co-op community.

A Potential Development Path

Taken together, the above core desired functionalities are a tall order, but, if taken on in a strategic sequence, there is a viable path to the concept's full realization.

This path would begin with some early prototyping and experimentation at a handful of food co-ops, starting with developing and implementing a system for offering members the opportunity to substitute their patronage refunds for store credit with a small bonus as incentive.

If those experiments are successful in generating measurable savings from those co-ops, they will form a shared-services cooperative, and commit to investing a portion of those savings into that co-op as non-voting preferred shares. Those funds are then used to develop a shared web-portal (and mobile app) that allows members to check their credit balances, as well as vote in co-op elections and receive opportunities to earn micro-payments from their co-ops.

At this point, membership in the Co-App Co-op is opened to a moderately-sized beta test group, such as the Neighboring Food Co-op Association, which is a regional organization of about 40 members in New England. This group would test and provide feedback for implementations of the Credit, Investment, and Forum functionalities of the Co-App, as well as suggesting additional ideas for useful functionalities.

Upon the successful implementation of all the core features, membership will be offered to the wider co-op movement, with the following effects:

- Save co-ops significant sums of money on payments processing while gaining access to increased member loyalty as well as potentially consensual access to valuable data and micro-task labor.
- Creating a plug-and-play governance and payments infrastructure for new co-ops, allowing them to avoid reinventing the wheel.
- Building stronger member engagement for individual co-ops while providing a mechanism for building a generalized “co-op member identity” by clustering interactions with multiple co-ops in a single space.
- Aggregating a mass user-base that could be accessed by platform co-ops seeking the network effect to establish themselves as alternatives to the gig economy.