



Consumer Federation of America



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SURVEY REVEALS GROWING PUBLIC DISTRUST OF INVESTOR-OWNED CORPORATIONS

CONSUMERS TRUST MORE ACCOUNTABLE BUSINESSES, PREFER COOPERATIVES

Washington D.C.—As federal regulators scrutinize corporate governance and board election practices, survey results unveiled today found that less than half of Americans think investor-owned corporations are ethically governed. The survey found significantly greater public trust in businesses that provide more consumer control and board accountability.

The survey of 2,031 adults, released today by the National Cooperative Business Association (NCBA) and the Consumer Federation of America (CFA), found that two-thirds of consumers believe businesses that are owned and governed by their customers and have consumers on their boards of directors are more trustworthy than those that do not. A majority also found companies that allow customers to democratically elect the board of directors, and are locally owned and controlled to be more trustworthy.

Co-ops Rate Higher Than Investor-owned Corporations

The survey also found that consumers rate businesses that have these governance characteristics—cooperatives—higher than investor-owned companies. Co-ops are owned and governed by their members—the people who use their services or buy their goods—rather than by outside investors. Member-owners directly elect the board of directors from within the membership and the business returns surplus revenues to the members, not to outside investors. More than half of adults in the U.S. say they're members of cooperatives.

NCBA's CEO and President Paul Hazen said that more than 75 percent of those surveyed agreed that co-ops run their businesses in a trustworthy manner compared to just 53 percent for investor-owned companies. More than two-thirds agreed that consumer-owned co-ops are ethically governed, while just 45 percent said the same of investor-owned corporations.

Asked whether consumer co-ops have the best interests of consumers in mind when conducting business, 77 percent of Americans agreed they did. Fewer than half said the same of investor-owned counterparts. Co-ops also rated higher than investor-owned companies by wide margins on questions of value, quality, price, and commitment to their communities.

“Public trust is the first casualty of corporate accountability scandals,” said CFA Executive Director Stephen Brobeck, at a press conference today. “Fortunately, this survey demonstrates that there's a solution to consumer concern about their lack of control that goes beyond anything the Securities and Exchange Commission, the New York Stock Exchange, or Congress are willing to do. Consumers

believe the nation's more than 40,000 co-ops offer more democratic, accountable options and trustworthy options. And those are options they clearly prefer.”

Consumer Preference for Cooperatives

Asked whether they would be more or less likely to buy products or services from a business if they knew it to be a cooperative:

- 73% were more likely to buy products from a food cooperative
- 71% were more likely to use a credit union
- 69% were more likely to patronize independent, local businesses that belonged to a buying co-op
- 69% were more likely to purchase food produced by a farmer-owned cooperative
- 67% were more likely to buy electricity and telecomm services from a local utility co-op
- 56% were more likely to use day care services provided by a parent-owned co-op
- 55% were more likely to prefer health care services offered by a consumer-owned provider
- 51% were more likely to hold policies with a mutual insurance company

Hazen said consumers also demonstrated particularly strong support for farmer-owned cooperatives, with more than 80 percent agreeing these co-ops strengthen rural communities and help farmers succeed. Sixty-four percent agreed that food products produced by farmer-owned cooperatives were of higher quality than those produced by other types of companies.

Co-op Members Rate Co-ops Higher, Consumers Need More Information

Though the survey found a majority surveyed preferred to do business with co-ops and rated them more highly than investor-owned corporations, trust and preference for co-ops was even stronger among those who said they were already members of cooperatives.

“The survey demonstrates that consumers know co-ops by their reputation for quality service and products,” Hazen said. “And those who are already members of co-ops have an even stronger loyalty to, and preference for them. Regardless of how you measure it—in terms of cost savings, value or satisfaction—consumers can get more for their money at cooperatives.”

According to the Credit Union National Association, the average credit union household saves \$149 per year by belonging to a credit union rather than a bank or a thrift. University of Minnesota research found that owners of cooperative housing save \$16 per unit per month in operating costs compared to rental units. And retail co-op members receive savings through member discounts or through end-of-year dividends. Members of other cooperatives also receive end-of-year dividends.

“The challenge is in raising consumer awareness of and access to cooperatives,” said Hazen who, together with Brobeck, urged state and federal consumer bureaus to make more information about cooperatives available to consumers.

Methodology

Opinion Research Corporation surveyed 2,031 adults during July 24-28. At a 95 percent confidence level, the maximum expected error is +/- two percent. The survey was sponsored by NCBA and a coalition including CUNA, the National Assn. of Federal Credit Unions, the National Cooperative Bank, the National Milk Producers Assn., the National Rural Electric Cooperative Assn., the National Rural Telecommunications Cooperative, the National Rural Utilities Cooperative Finance Corporation, and the National Telecommunications Cooperative Assn.