

Iran

Highlights of consumer co-ops

- ✓ Dedicated customer base
- ✓ Positive Government approach and support

Contents

1. Co-operative movement in Iran.....	1
2. Outline of Consumer Co-ops	2
3. Representative Co-operative Societies .	3
4. Problems and future visions.....	7
5. Basic information on Iran.....	7

1. Co-operative movement in Iran

The co-operatives are in existence in Iran since 100 years.

Different forms of co-operatives like credit co-operatives, producers/supply co-operatives, consumer supply co-operatives, transportation co-operatives, industrial co-operatives, development co-operatives, handicrafts/carpet manufacturers co-operatives, agriculture; housing; mining co-operatives, multi-purpose co-operatives and other forms of co-operative societies function in the country.

There are 164,959 all forms of co-operative societies in Iran collectively employing about 2 million persons.

The government recognizes the co-operative sector as a strong infrastructure in the socio-economic development of the country.

The government has provided strong support to the co-operatives and they are effectively involved in the policy

making process of the country.

The representatives of the co-operatives are associated with different committees, councils and forums such as: expertise council and those of commerce and co-operatives; general assembly and exhibition; solving tax disputes, export and supervision of election and co-operative management etc.

The economic structure of Iran comprises of contributions from the Government and Government institutions; co-operative societies and the private trade. The co-operatives contribute about 5% of the GDP. As per the projections fixed for the current 5 year plan-period, the contribution of the co-operatives to the GDP is projected at 25% at the end of the plan-period.

The Iran Central Chamber of Co-operative (ICC) as the apex body, coordinates the activities of co-operative societies in Iran.

Outline of Consumer Co-ops

The ICC provides training, organizes seminars, conferences, and exhibitions, besides coordinating with different sectors of the co-operative societies. They also liaison with the country's law makers and different councils.

ICC has provincial establishments to coordinate with the local co-operative societies.

There is a law enacted by the Parliament (law of co-operatives) to regulate the working of

the co-operative societies. The Government provides 25% exemption in taxes to the co-operatives.

ICC looks after the area of inter co-operative relations in different sectors and assist in publicizing the co-operative culture.

The co-operatives have a strong presence in the Parliament of Iran.



2. Outline of consumer co-ops

Operation of Societies

The co-operatives in Iran were initially organized as peoples movement managed by the trustees appointed by the members. Gradually laws, rules and regulations governing the activities of the societies were evolved.

There are 11,042 consumer supply societies in Iran having 7,890,209 members. They created 1,40,500 jobs in the country.

Local co-operative societies are affiliated to the provincial unions of consumer co-operative societies. The provincial unions are attached with the National Consumers Co-operative of Iran.

The provincial unions coordinate with their counterparts of the provincial ICC and the national co-operative with the ICC central office in Tehran for guidance and policy support.

Management and Working of Consumer Co-operatives

Different segments of consumer co-operatives in Iran like responsible and responsive societies provide defensive mechanism and supply consumer goods during the time of crisis, when

such situation arises. The Government assists them in such activities.

There are positive provisions in the Iranian laws to support the activities of consumer co-operatives and for that matter all forms of co-operatives.

The societies are governed by board of directors elected by the members for 3 year tenure.

The purchases are made by the provincial union for the affiliated societies centrally by working out arrangements with the manufacturers, which provides them bargaining power and price preferences.

The goods are stored at convenient locations to supply to the retail societies as per their requirement.

The consumer co-operative societies add average margin of 7-8% (maximum 10%) while fixing the selling prices. The sale prices are always below the prices printed.

Any local citizen can become a member of co-operative society by paying a minimum membership fees. A member can purchase shares to the maximum of 15% of the subscribed capital.

The funds of the society comprise of amounts

2. Outline of consumer co-ops (contd.)

contributed by members as share money.

Increase in prices/inflations, competition from large retailers in the private trade and difficulties in arranging capital for expansion are the problem areas.

All goods sold by the co-operatives are free market commodities in normal situations. During the period of holy Ramadan, festival seasons like Eid and Nowrouz, the co-operatives make special arrangements for making available consumer goods on a large scale. In some cases special discounted prices are offered.

The co-operatives have made arrangement

for grading and packaging of different varieties of consumer goods like food-grains, pulses etc. The quality control is supervised by Government health officials. Efforts are being made to develop own brands by the individual societies.

The consumer co-operatives make available various types of goods of daily use at reasonable prices. They ensure quality of goods and continuity of supply of goods, thus taking care of supply management, which ensures creation of dedicated customers. In fact, the consumer satisfaction is one of the most significant positive issues for the consumer cooperatives in Iran.



3. Representative Co-operative Societies

The consumer co-operative societies initiated by the local residents are usually named after eminent personalities, local area etc. There are 252 consumer co-operative societies in Tehran.

3.1 Molasadra Consumers Co-op. Society

Molasadra Consumers Co-operative Society in Tehran is one of such retail societies.

This society covers 400,000 families and it attracts 350,000 customers annually. It has a floor area of 40,000 sq. ft.

The operative/working results of this society is a sort of indicator for the present status of the working of the consumer co-operatives in Iran.

Summary of Working Results

Retail area	:	40,000 sq. ft. (including 20,000 sq. ft. for meat)
Average daily sales	:	25 million Tomans
Daily customers	:	1500
Sales (2010-11)	:	6.6 billion Tomans [1 Toman = 10 IRR] [1 US \$ = IRR 12,265 approx.]

Representative Co-operative Societies

3.2 Teachers Consumers Co-operative Society, Tehran

This is a primary teachers consumer co-operative society formed by the teachers having 20 branches. It has 180,000 members.

Its central branch situated at Imam Khomeini Avenue, Tehran achieved a sales turnover of 6.50 billion Tomans during the year 2010-11 and earned a net profit of 200 million Tomans. It serves about 400 cus-

tomers daily and allows its members to pay for their purchases in monthly installments.

They sell all the goods at below the printed prices which in some cases are 10% below such printed prices. This is very attractive to the customers.

All 20 branches of the society are in profit. However, the central branch is the largest among these and is the biggest contributor.



3.3 Sepah Consumers Co-operative Society

This is a parallel chain consumers co-operative society with headquarters in Tehran, but having retail units in other provinces as well.

This society was established with a share capital of 32,500 IRR by 14 members in 1946.

At present it has 61,800 members who contributed share capital of 7.8 billion IRR.

The society is managed by a 5 member Board of Directors who also work full time in the office for which they receive remunerations. The society has 16 branches in Tehran and 3 in other provinces.

It employs 700 persons and serves about 37,000 customers daily in all its branches.

The working results of the society during 2010-11 were as follows :

(in billion IRR)

Sales	600
Gross income	108
Expenses	105
Net profit	3

The society pays @ 18% per year on the amount of share capital contributed by its members, as incentive to them.

The selling prices of different commodities at their retail stores are 15 to 18% less than the printed prices.

Price fluctuation is cited as a major problem in the working of the stores.

They ensure supply of quality goods at reasonable prices. Customer satisfaction is one of their major positive issues.

The society makes centralized purchases directly from the manufacturers for all the retail units/branches and goods are stored at strategic locations for supply to the stores. The sale prices are also fixed by the central office.

The society has a total storage capacity of 140,000 sq/ft. They do not have any borrowings for the working capital requirement. Almost all the branches of the society are in profit.

The society sells Government subsidized goods like food-grains and pulses to the people, based on coupons issued by the Government.

The society has started developing their own brand of products under the name of "SEPAH". Various types of meat and meat products, rice, pulses etc. are presently marketed under this brand.

The society is not a member of the provincial and national union of consumer cooperatives. However, it is affiliated with the ICC.

3.4. Teachers Apex Body of Co-operatives

The Iranian Teachers Consumer Co-operative Union based at Tehran is the national apex body of teachers consumer co-operative societies in Iran.

There are 600 primary teachers' co-operative societies in Iran having a membership of 1,500,000 working and retired teachers. As in consumer co-operative societies, these teachers' societies are also affiliated to the respective provincial unions which in turn are members of the national union.

The main objectives of the union is to work towards welfare of the members. In furtherance of the same, the union provides services in the form of supply of consumer goods of daily use at very reasonable prices, provides loan assistance to its members for various welfare activities and assists in creating housing infrastructure for its members, in association with housing societies.

This is, thus, a multipurpose federal society which functions through its provincial unions and the local societies, which service their members in various fields of welfare activities.

Representative Co-operative Societies

The serving and retired teachers may become members of a teachers co-operative society by contributing a share capital of 5000 Tomans (approx. \$5). The society pays interest on this amount which is added to the share capital contribution of the members.

The source of finance of the teachers' societies is share capital contributions from the members plus interest accrued on the same. The Government provides financial assistance for undertaking welfare activities such as construction of houses for the members, at nominal rate of interest.



The combined turnover of all the 600 teachers consumers co-operative societies is 650 billion Tomans annually.

Like the consumer co-operative societies, the teachers' societies are also managed by the elected Board of Directors.

4. Problems and Future Visions

Positive Issues

- Availability of sound infrastructure
- Dedicated customer base
- Satisfied members
- Positive Government approach and support
- Professional management
- Centralized purchases
- Competitive pricing policy
- Modern outlook

Constraints

- Shortage of working capital for expansion
- Increasing prices and operative expenses
- No major plan of activity for future development and expansion.



5. Basic Information on Iran

Name	: Islamic Republic of Iran
Capital	: Tehran
Largest city	: Tehran
Government	: Unitary state, Islamic Republic
Area	: 1,648,195 km ²
Population	: 78,868,710 [2012 estimate]
GDP (PPP)	: \$990.219 billion [2011 estimate]
Currency	: Rial (IRR)

