

Korea

Highlights of consumer co-ops

- ✓ Trinity of consumers, producers and co-op staff
- ✓ Core Value: Ethical consumerism

1. Co-operative movement in Korea

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The Co-operative movement in Korea has a long history. The first credit union was established by farmers in Gwangju in 1907.

It aimed to help the farmers financially.

In 1958, a new Agricultural Co-operative was founded with the enactment of the Agricultural law. The co-operatives aimed to support the farmers in supply and marketing field.

Currently, agricultural, credit union, fisheries, forestry and consumer co-operatives are active in Korea.

Among them, agricultural co-operatives are the biggest organizations.

The National Agricultural Co-operative Federation (NACF) has been included in the ICA Global 300 list for many years.

It was ranked as the 9th biggest co-operative in the ICA 2011 Global 300 list.

The legislation for co-operatives was sectorally fragmented before and it was difficult to organize new emerging co-operatives such as worker co-operatives, social co-operatives and other mutual aid organizations.

In order to meet the needs of new wave co-operatives, the co-operative organizations and citizens' associations formed a study committee on Korean co-operative legislation and designed a framework law on co-operatives.

With the support of government and political parties, the framework was carried out as the "Korean Co-operatives Fundamental Law" and was passed in the Korean National Assembly.

Outline of consumer co-ops

2. Outline of consumer co-ops

Consumer co-operative movement in Korea started in 1920s. Consumer co-op movement was strongly connected with “Buy Korean Products Movement” of 1920s. It was estimated that more than 200 co-operative societies existed in 1930s.

Lee Chan-gap, who was the leader of Pyeongyang Co-op and “Buy Korean Products Movement”, contributed to the development of community in Jeongju area of northern Korea. Later, he took a big part in founding co-operatives in southern Korea.

The first consumer co-operative in South Korea was established after the Second World War. In 1959, Poolmoo School Co-operative was founded by Lee Chan-gap, the successor of Cho Man-sik in Hongseong area.

In Wonju region of Gangwon Province, community development through co-operative move-

ment had proceeded since 1973 for restoration from Namhan River flood. Over 30 consumer co-ops and credit unions formed around 1970s-80s. Among them, Jang Il-soon, Park Jae-il, and leaders of co-op movement in that region invented Hansalim movement which is the biggest consumer co-op group in Korea today.

After the presidential election in 1987, South Korean society moved rapidly both politically and economically to join democratic countries in the World.

New wave of consumer co-operative movement emerged with the high economic growth and appearance of middle class. Housewives took part in this movement with a desire to change the consumption habit related to food safety and environmental protection. Producers supported this movement.



Lee Chan-gap(1904-1974) was a leader of Buy Korean Products Campaign, Osan co-op, and community development in Jeongju, North Korea



He established Poolmoo School, Poolmoo consumer co-op and Poolmoo Credit Union in Hongseong, South Korea



Source : KIM Hyung-mi

Outline of consumer co-ops

Outline of consumer co-ops (contd.)

Currently, there are 391 primary consumer co-operatives in South Korea with 630,000 individual members.

The consumer co-operative sector has a three-tier structure. Primary consumer co-operatives are affiliated to associations and associations are affiliated to national unions.

There are 6 national unions, i.e. 4 unions of local retail co-ops, 1 union of health co-ops, and 1 union of university co-ops in Korea.

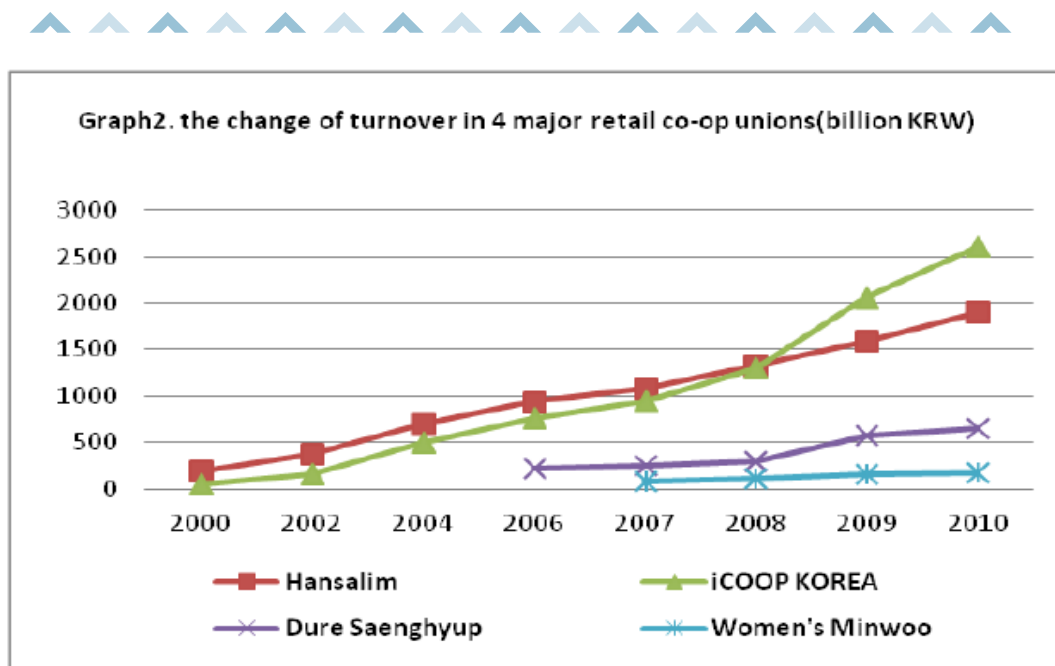
The turnover of all consumer co-operatives is estimated at 620 billion Won.

Hansalim Consumer Co-operative and iCOOP Korea are 2 big consumer co-operatives in Korea.

The number of consumer co-operatives in South Korea

	2009	2010	2011
Local retail co-ops	90	109	138
Health	108	151	225
University	18	18	18
Group (Religious, social groups, etc.)	7	10	10
Total	223	288	391

Source: Fairtrade Commission, Korea



Source: KIM Hyung-mi

Outline of consumer co-ops

Outline of consumer co-ops (contd.)

Consumer co-operatives in Korea are administrated by the Fair Trade Commission (FTC) .

The Ministry of Strategy and Finance is in charge of planning frameworks and policies on co-operatives. At the same time it oversees the performance of co-operatives.

Consumer co-operatives in Korea are governed by the Consumer Livelihood Cooperative Act. The Consumer Livelihood Cooperative Act was first enacted in 1999 and revised in March 2010.

With the revision of the law, consumer co-operatives became able to deal with all categories of products, from only agricultural, marine, livestock and eco-friendly products.



- **4 Consumer Cooperative Unions in retail sector**
- **Other 2 : Health Cooperatives and University Co-operatives**
- The turnover of All Consumer Cooperatives is about **620 Billion Won(USD518 Million)**
- Total membership is about 500,000 (**3%of the total household**)
- **13%** of market share of **eco-friendly products**
- **23%** of market share of **fair trade products**

As of 2010

Characteristics of Korean Consumer Cooperatives

Strongly tied with civil movement for progress of democracy in socio-economic dimension

Pursue the coexistence of rural and urban Communities

Have the strong responsibility to revive the Korean agriculture

Changed to deal from ONLY Agricultural, Marine and Livestock Products and Eco-friendly Products to All Products

Consumer co-op Act enacted in 1998 and amended in 2010:
The Restrictions on the use by non-members despite of the Revision of the Law

3. Representative Co-operative Society

3.1 History and Current Status

iCOOP Korea became ICA member in 2008. It is the sole Korean consumer co-operative that is an ICA member.

It was founded in 1998 by citizens in the community, who were mainly housewives. Since its foundation, it has had a strong relationship with the producers.

In the beginning, its name was “21st Century Consumer Co-operatives”. It has changed its name several times and became iCOOP KOREA in 2008.

Its core value has always been to promote “ethical consumerism”. This value is strongly connected to humanism, environment protection and food safety.

The Meaning of iCOOP

“I” individual, ideal, innocence and innovation

Individuals promoting the ideals(sharing and cooperation) of the group, never losing sight of our original innocence and practicing innovation as a consumer COOPorative.

In 2011, iCOOP Korea group individual membership reached 155,705 (+31%), its turnover 3,002 KRW (+14.02), and the number of stores 115.



iCOOP KOREA's History

- 1998_Establishment of '21st Century Consumer Co-operatives
- Started as an association of consumers and producers
- 2002_Establishment of Korean Association of Consumer Co-operatives
- 2008_Name change to iCOOP Solidarity of Consumer Co-operatives
- 2008_Gaining full membership in the ICA
- 2010.08_Held ICA/iCOOP Workshop on Development of Consumer Co-operatives
- 2011.09_Name change from iCOOP Solidarity of Consumer Co-operatives to iCOOP UNION
- 2011.10_iCOOP Seed Foundation approved as 'designated donation organization' by government
- 2012.02_Name change from iCOOP Association of Consumer Co-operatives to iCOOP Consumer Activities



History and Current Status (contd.)

The structure of iCOOP Korea is based on its policy, “Co-existence of Consumers and Producers”.

According to this policy, it invites consumers, producers and its staff to join the co-op as members. The membership structure is divided in two parts, i.e. consumption part and production part.

The consumption part is invested and operated by 75 nationwide primary coops and its members. The core members of primary co-ops are housewives.

The production part is invested and operated by iCOOP Association of Producer Group,

whose members are producers who are in contract with iCOOP Korea.

Through the co-operation among consumers, producers and coop employees, iCOOP Korea has achieved a synergy effect in its movement.



Structure of iCOOP KOREA



- iCOOP UNION
- iCOOP Consumer Activities
- Mutual Aid Society for Enhancing Korean Agriculture
- iCOOP Cooperative Institute
- COOP Store
- KCOD
- iCOOP Seed Foundation

Total 11

**Invested and operated by
75 nation-wide
member co-ops and
members**

- iCOOP Association of Producer Group
- iCOOP Agricultural Production
- iCOOP Fruits & Vegetable
- iCOOP Organic Food Supply
- iCOOP Ramen
- iCOOP Livestock Products
- COOP Bakery

Total 10

**Led by iCOOP Association
of Producer Group**

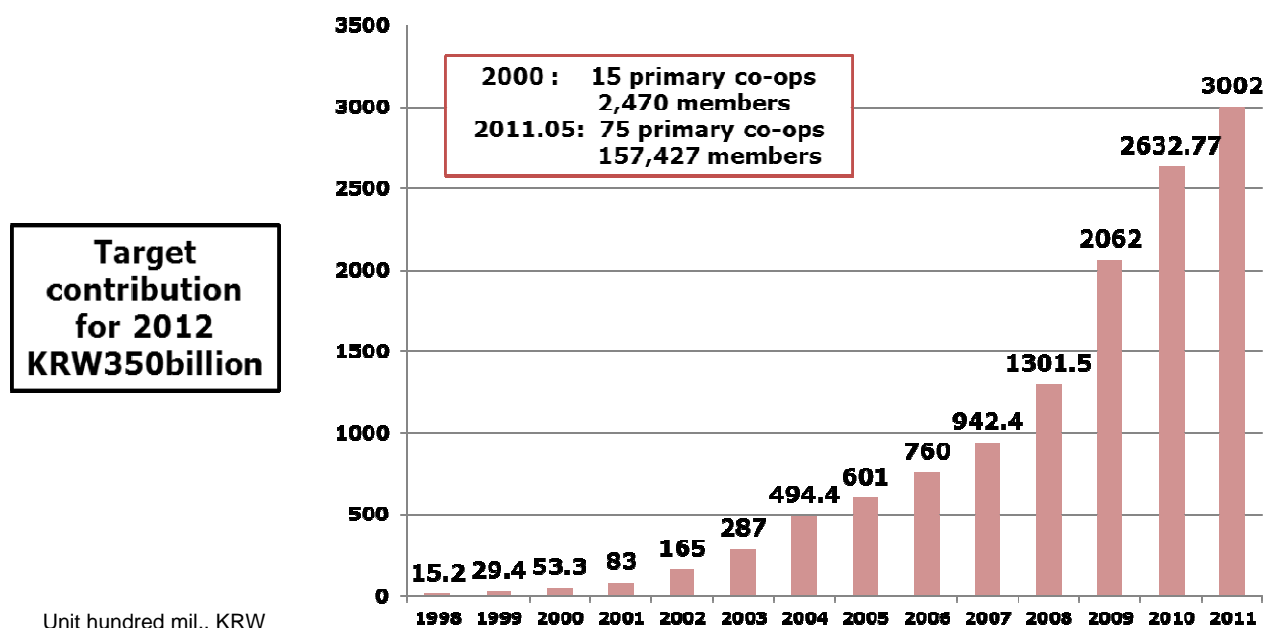
3.2 Business Results

year	turnover (KRW)	Year-on-year	Direct charge membership (Total membership/person)	growth rate	# of member coop	# of Natural Dream stores
1998	15.2	-	633	-	6	-
1999	29.4	93.40%	1,229	94.10%	7	-
2000	53.3	81.20%	2,470	100.90%	15	-
2001	83.0	55.70%	3,330	34.80%	26	-
2002	165.0	98.70%	7,538	26.30%	35	-
2003	287.0	73.90%	11,645	54.40%	46	-
2004	494.4	72.20%	15,368	31.90%	58	-
2005	601.0	21.50%	16,808	9.30%	62	-
2006	760.0	26.40%	20,097	19.50%	62	6
2007	942.4	24.00%	22,350(34,291)	11.20%	65	25
2008	1,301.50	38.10%	35,204(54,660)	57.5%(+59.4%)	70	38
2009	2,062.00	58.40%	56,100(78,593)	59.3%(+43.7%)	73	66
2010	2,632.70	27.60%	85,116(118,824)	51.7%(+51.1%)	75	96
2011	3002	14.02%	109,753(155,705)	28.9%(+31%)	75	115

* as of Dec. 2011

Unit hundred mil., KRW

(1US \$ = 1103 KRW approx.)



3.3 Main Businesses



Home Delivery Service

7 logistic centers and
8 delivery centers



Online Order System



Natural Dream Stores

Total 115 (May.31.2012)



Organic Food Cluster and iCOOP Valley



A Mark

Production to distribution
verification system



Many primary co-ops of iCOOP KOREA have their own co-op centers as a community space for their members

iCOOP Korea's and its primary coops' core business is to provide their members with safe and reliable products.

There are two pillars of business, i.e. Home Delivery Service and Natural Dream Stores.

The operation of two businesses are completely different.

Home Delivery Service is a centralized system and is operated by iCOOP Korea at the expense of its primary coops. In order to centralize the system, iCOOP Korea closed local warehouses and combined delivery systems with its primary coops. Thus, it decreased the total operation cost from 20-25% to 7%.

Natural Dream Stores are operated by iCOOP

Korea's primary co-ops. Every store is independent financially. When a primary co-op opens a store, it invites its members to invest in the new stores.

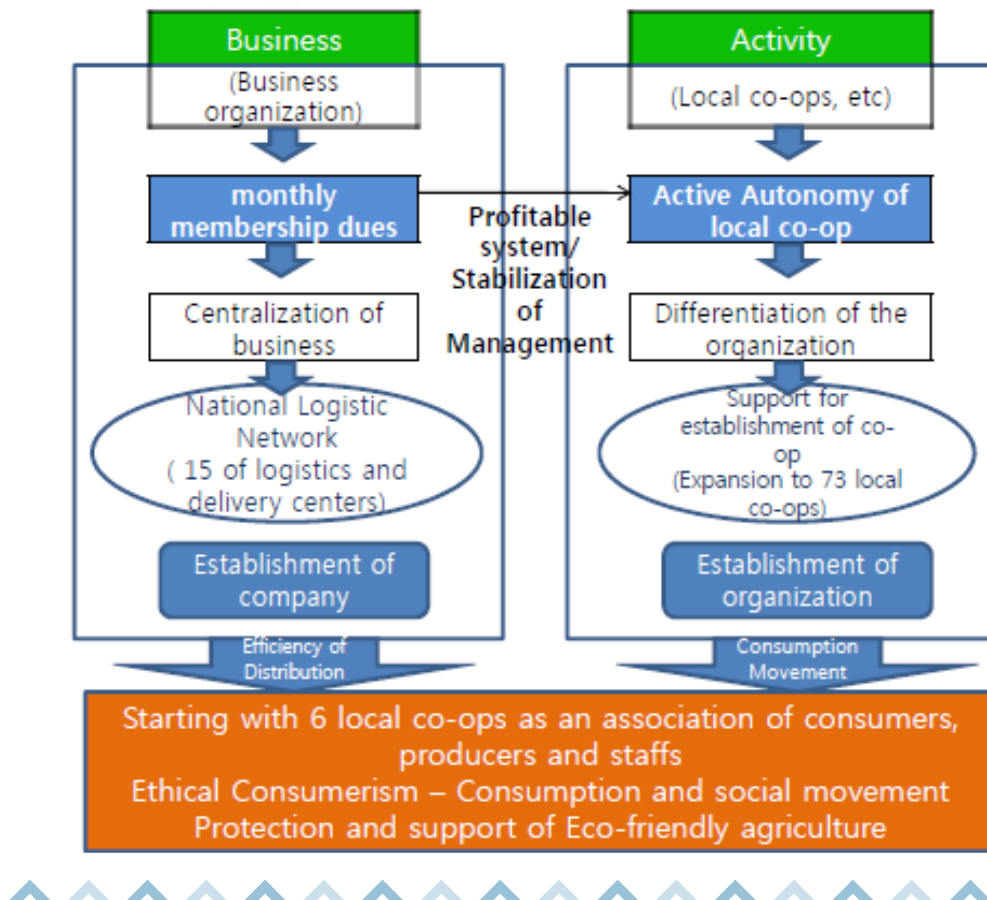
Recently, iCOOP Korea is starting a new challenge called "Organic Food Cluster and iCOOP Valley".

This Project has two phases:

Organic Food Cluster: A complex of iCOOP Korea's producers. Production fields and processing plants will be built together.

iCOOP Valley: Located near the Organic Food Cluster, it will be a space for eco-friendly farming, gardening and residential area.

3.4 Business Strategy



Based on its strong identity “Ethical Consumerism”, iCOOP Korea conducts its business activities involving consumers, producers and even its staff. iCOOP Korea calls its way of business strategy “Co-existence of Consumers and Producers”.

iCOOP Korea has included in its 4th Stage 4-year Goal 2012-2016 to achieve 700 billion KRW turnover with 350,000 membership.

To accomplish this goal, it sets four pillars of business strategies as follows;

1. Strengthen infrastructure,
2. Promote member centered business,
3. Strengthen corporate image through Natural Dream brand,

4. Promote solidarity among consumers, producers and iCOOP Korea staff.

In addition, bond with the Community is also important for iCOOP Korea. Thus, it includes in its activities of 4th Stage Goal how to develop its business in collaboration with the local community;

1. Contribution to the community,
2. Become an innovator in the community,
3. Create business concerning aged society, health consciousness, cultural and housing problems with the members,
4. To establish a Co-operative Community.

3.5 Home Delivery Service

iCOOP Korea runs a unique business called “Home Delivery Service”.

Co-op members place the order of products in the catalog and the products are delivered to their home by CO-OP truck.

Since online shopping is popular in Korea, most of the members order the products through internet.

Members can choose the payment system both from bank transfer system and credit card.

iCOOP Korea focuses the products of Home Delivery Service on eco-friendly products aimed at food safety.

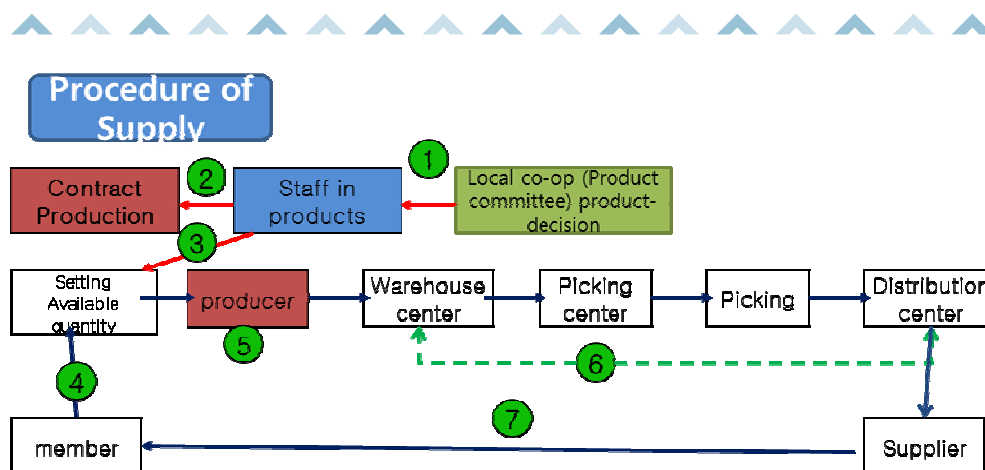
Therefore, it tries to use the space of Catalog to give information on products and producers to its members.



Catalog of Home Delivery products



Article on producer's activities in Catalog



Delivery Center



Ordered products are sorted in delivery boxes

3.6 Natural Dream Stores

Natural Dream Store is the unified store brand name of iCOOP Korea and its primary coops.

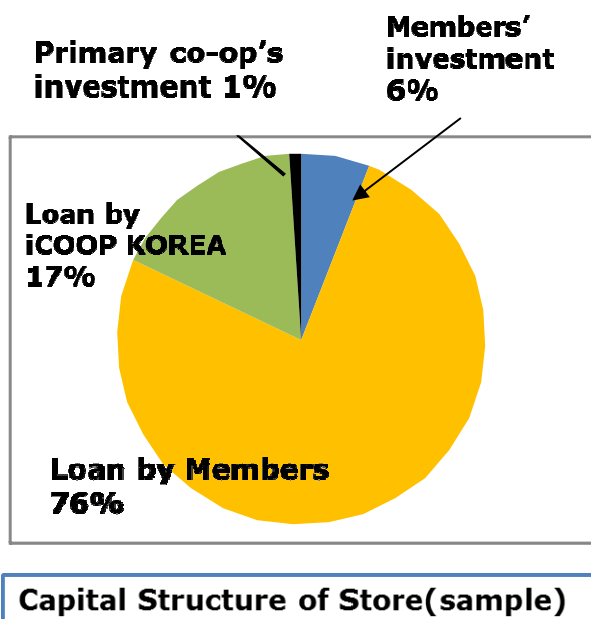
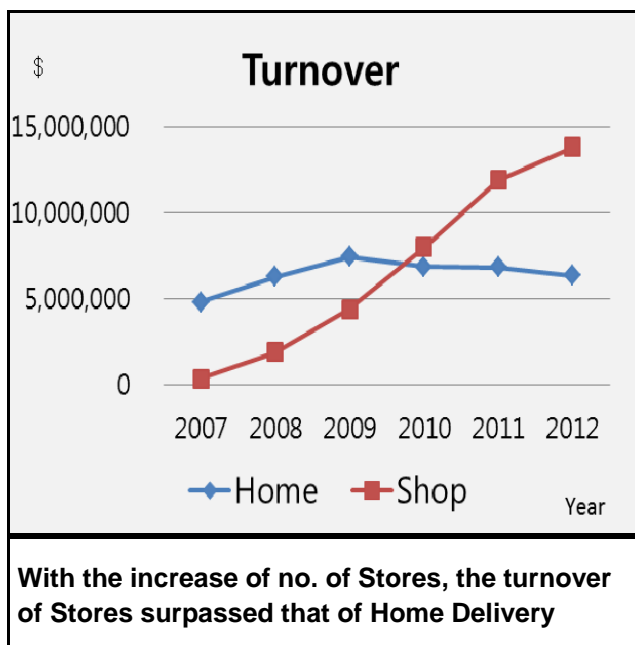
The concept of the stores is;

1. Operated mainly by coop members' investment.
2. Each store is financially independent.
3. Majority of products is iCOOP Korea brand.

In 2012, there were 115 stores with 193m² sales space in average. The average no. of sold items is 2,000 KRW. The average no. of daily customers is 150 to 200, and their average monthly purchase amounts to about US\$ 250.

Categories of products are organic vegetables, meat, marine products, bakery/pizza, fair trade products, etc.

Although the stores are financially independent, iCOOP Korea supports the stores providing managerial consultation and staff training services.



3.7 Merchandise Policy

iCOOP Korea has a strong policy to deal mainly with its brand products.

Currently, there are 3,459 items originally produced for iCOOP Korea.

Fresh food products are mainly produced by its member farmers and producers.

As for the processed food products, iCOOP Korea has two private label brands:

Natural Dream (400 items):

iCOOP Korea's premium brand covers bakery and store business. Selection and development of products are conducted through members' participation.



Saeng-hyup (coop in Korean) :

This is a sub-brand meeting members' needs for more affordable products.



In addition to its private brand products, iCOOP Korea supplies imported products through fair trade. It has a Fair Trade Fund to support the producers.

Transparency is another important value of iCOOP Korea's merchandise policy. "A" mark is a verification system of traceability of products. It has a catchy phrase "from Farm to Table".



Outlook of Korean retail market

Total retail market sales in South Korea was estimated to account 252 trillion KRW in 2009.

The retail market in South Korea has developed dramatically since the first hypermarket was opened in 1993, with the liberalization of large-scale business to foreign retailers in 1989.

Modern formats such as hypermarkets, supermarkets, convenience stores and online retailers have grown rapidly in these two decades.

Conventional Mom-Pop stores and street markets were replaced by modern formats.

Currently, almost half of Korean retail market is composed of the modern format retailers.

Among them, hypermarkets are most successful.

A characteristic feature of Korean retail market is that the composition of online retailers is higher than in other Asian countries.

Online retailers, including internet shopping, and TV home-shopping have attracted the Korean consumers because of their convenience and price. It is estimated that this field will grow further.



4. Problems and Future Visions

4.1 Problem areas/constraints

Currently, iCOOP Korea is facing problems as follows:

1. Strict legal restrictions on non-member purchase.
2. Disadvantages in taxation system compared with other sectors of co-operatives.
3. Inadequate tax support system on As-

sociation or National Association of Co-operatives.

In order to solve these problems, iCOOP Korea consults with the Fair Trade Commission (FTC), the Ministry of Strategy and Finance and the National Assembly members, and proposes to them some reform measures.



4.2 Future Visions

Government policy concerning consumer co-operatives is as follows:

- ✓ Work in progress to establish rules and standards for starting Mutual-aid business in 2012
 - ✓ To establish effective plans for the sound growth of Health Co-operatives based on co-operative identity adopted by ICA in 1995.
 - ✓ Consultation with the relevant Ministries for the support on taxation system of consumer co-operatives.
 - ✓ New support measures to promote the development of consumer co-operatives which are channels for direct transaction between consumers and producers.
 - ✓ To provide consumer co-operatives, which are coping with the competition with large retailers, with management advisory services, for their further development .
- =====

iCOOP Korea

- ✓ As a leading protagonist of ethical consumerism in Korean civil society, iCOOP KOREA will establish continuously its original supply chain, logistics network, retail sale channels with its consumer members.
 - ✓ iCOOP KOREA aims to accomplish 350 thousand members, KRW 700 billion turnover, 300 sales outlets, 2 organic food industry clusters in Goesan and Gurye, and 100 co-op's citizenship schools by 2016.
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5. Relationship with the Government

The relationship between Korean consumer co-operatives and the government is good. However, due to the sectorally fragmented legislation on co-operatives and different background of development, there are still inconveniences and constraints on business activities of consumer co-operatives.

One of the problems is the disadvantages of the tax system. Consumer co-operatives do not have any tax cuts compared with other sectors.

Another problem is strict restrictions on the purchase of non-members.

In consultation with the Fair Trade Commission (FTC) and the Ministry of Strategy and Finance, consumer co-operatives are seeking a solution to improve the situation.

The Ministry of Strategy and Finance is planning to create a new division for co-operative affairs, in connection with the enforcement of the “Framework Act on Co-operatives” which will come into effect in December 2012.

6. Basic Information on Korea

Name	: Republic of Korea
Capital	: Seoul
Largest city	: Seoul
Government	: Unitary Presidential Constitutional Republic
Area	: 100,210 km ²
Population	: 50,004,441 [2012 estimate]
GDP (PPP)	: US\$1.556 trillion [2011 estimate]
Currency	: South Korean Won (KRW)



From: Wikipedia

