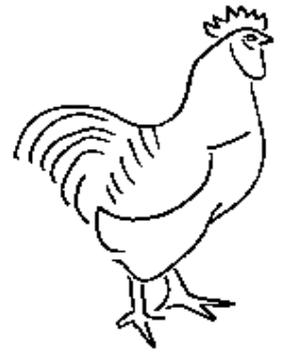


Free Range Practice Guide No. 3:

# Buying Collectively

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## Developing a network of contacts to buy goods collectively to save money and improve choice

Shopping is increasingly political. The new systems of global commerce are beginning to strip away our consumer rights – restricting choice through restrictive intellectual property and trade laws that reinforce branding. It begins with governments deregulating controls over food production, and ends with the World Trade Organisation proposing legal action to stop the 'prejudicial' labelling of produce (for example, that it contains genetically modified ingredients).

As agriculture enters its final stages of industrialisation, with the advent of genetic modification, we also face with stark choices about what we eat. The consolidation within the global retail industry also affects how we buy goods. Supermarkets have moved on from just food to selling all types of consumer goods. The free and open space of the High Street is being replaced by the privatised 'controlled environment' of the shopping mall.

Much of the consumer-lobbying people engage in is negative – food scares and product boycotts. But there is something more positive that we can all do – buy collectively the products that we desire to use direct from the wholesalers or producers.

### Setting up a collective/cooperative

To set up a collective you need a purpose. Collectives work to serve the needs of your home. For example, buying food and regularly purchased household goods. They can also serve individual crafts or trades. Providing common services such as purchasing equipment, or buying professional services. Some trade cooperatives, particularly in continental Europe, also provide a means of marketing produce in bulk to compete with the larger manufacturers.

This guide primarily deals with domestic cooperatives for the purchasing of food and other household goods.

Buying from producers or wholesalers isn't as simple as just putting in an order (well it can be, but not always). To get a good price it's important that you involve a large number of people so that you can place orders in bulk. Therefore you have to sort out a system to handle peoples' orders, and to arrange the collection of money and payments to wholesalers. That usually requires either an unincorporated

### Beware: Legal and Tax Implications

Wholesalers don't always like to trade with the public. It has implications for how they do their business. Many traders insist that you produce some evidence that you are a bona fide trader. For this reason you may have to set up an official organisation to trade. This has legal and tax implications.

On the legal side, if you trade you have certain liabilities – to pay bills, or to sign contracts, etc. You have two options. You can be a formally constituted association or 'unincorporated cooperative'. This means that you set yourself up as an organisation, with a constitution and a bank account. You then effectively trade as if you were a self-employed person. The draw-back with this informal arrangement is that it leaves every member of the association open to legal action if someone trading with the association becomes litigious. The alternative is to set yourself up as a formally incorporated company/co-operative. This limits any legal action to the assets of the company, not of the members. The only problem with this is that you have formal legal responsibilities to fulfil: you must have directors, members and audited accounts.

Any organisation that formally trades has tax liabilities. How the tax rules are applied depends upon whether you are an unincorporated or incorporated as a company. Either way you should produce accounts to send as part of a tax return. For most organisations this is not a great problem because their actual profit, if any, will be small. It's just a chore that you have to complete every year.

There are benefits to setting yourself up formally. For example it gives you legal standing should there be arguments over aspects of your trading. Should you want to engage in more interesting work, it can also improve your ability to receive grants or support as part of projects involving the community, or local authority support for local business.

association, or a formally incorporated company. Those involved must decide how they collectively handle the legal responsibilities involved. But it also depends upon the terms set by the provider(s) of the goods you buy.

### Collective bargain-hunting

Many superstores offer goods at discounted prices provided

### Mail Order and Online Auctions

Most of this guide relates to dealing with wholesalers. Another source of low-price goods are mail order companies. Although many do not advertise bulk prices, if you call and offer a bulk sale many will give a discount. Cooperatives can therefore buy goods by mail order if they can find the necessary demand for a particular item to get a better price.

Some companies specialise in bulk mail ordering. The companies, and the range of goods they offer, differ from month to month. The best way to find companies is to buy a magazine that covers the particular range of goods that you wish to buy.

An increasingly popular source of goods is via online auctions. Sales take place via a web site, and so sellers, and bidders, can be located anywhere in the world.

The organisation of online auctions varies. Mostly they receive bids from individuals to buy goods offered by other individuals. They are therefore limited in terms of the good they offer. They can also be unreliable.

A recent development in the business world are 'business to business' (B2B) web sites. These are essentially online ordering systems. The benefit of online ordering is that it cuts out the wholesaler, and so you can obtain better prices for goods. But most B2B deals require that you order a large quantity of goods.

that you can buy three or five items at a time. In some communities people have developed informal 'bargain clubs'. People club together to go to town and buy all the special offers they can find.

The bargains supermarkets offer assume that you have the money to buy all the goods at once. For most poor families this is not an option. Bargain clubs are a way around this problem. For example, three people can buy a 'three for two' offer and divide the goods between them. This means not only do they have to find the initial money to exploit the offer, they actually save money on the ordinary single unit price.

For those who want to experiment with collective buying, bargain clubs are a good place to start.

### The objective – choice and quality

The main problem that a buying cooperative may have is finding a source of the goods you require. Buying goods for less money may be one motivations of this process. But the real benefit of cooperative buying is buying the goods you want and promoting the ethics or standards that are associated with that commodity.

The problem with corporate-led branding is that it removes the emphasis on the ingredients or performance of the

product, replacing those priorities with the values of 'style' or 'fashionability'. This is deliberate – otherwise you might shop around for the same product. For those who care about the social and environmental conditions under which goods are produced, modern marketing systems are of very little help. Little information on these issues is provided with the product – it is not the message they wish to communicate. Also, attempts to obtain further information on the goods is or may be very difficult – producers often consider releasing such information a threat to the brand.

Collective buying allows those with a common interest in purchasing goods with particular characteristics the means to do so at an affordable price. They can also purchase from wholesalers or producers who specialise in producing the quality of good they require. It therefore bypasses the monopoly of the major superstores in the setting of standards and prices for those products. It can also work positively to support the producers of environmentally sound or ethically produced goods by providing a market for their goods closer to the consumer – so ensuring they get a greater proportion of the price paid for those goods.

### Summary

Much of the lobbying around consumer issues is negative. But setting up a collective buying group or cooperative allows you to do something positive. You can purchase goods that do fulfil your needs. You can also save money on those purchases and guarantee environmental/ethical standards – meaning that being environmentally sound need not be a matter of 'conspicuous consumerism'.

Purchasing durable goods via mail order is easy for most people, but it is limited in application. You can also work as a group locally to exploit the bulk purchases offered by local stores. But to get appreciable control over what you buy setting up a trading collective – as an association or company – gives the best offers. This is because you can buy from commercial wholesalers who source products direct from a wide range of producers. This has legal and tax implications that you'll need to resolve as a group. For those who want to be an official trading cooperative, you'll also have to register with ICOM.

The objective of all this effort is to improve your access to goods. In the process, you can also bypass the market controls imposed by the transnational corporations. You can also support small manufacturers who would otherwise be excluded from the market ensuring that the market retains diversity and consumer choice.

### Contacts

For local wholesalers, try Yellow Pages. For national mail

### **The Banbury Wholefood Co-op: an example of collective buying**

In the late 1980s, around ten households in and around Banbury, Oxfordshire, began to order food in bulk. At that time wholefoods were not well supported by the mainstream supermarkets. Local 'health food' shops also charged high prices for these foods.

Following a reorganisation of the wholesaler – into what is now Essential Trading – a requirement was imposed that the group formally become a trader. Attempts were made to set up an arrangement for bulk-buying with local health food shops, but this failed. Therefore the Banbury Wholefood Co-op was established as an unincorporated cooperative. Part of this process involved registration as a cooperative with ICOM (the Industrial Common Ownership Movement), so making the Banbury Wholefood Co-op an official cooperative trader.

The Banbury Wholefood Co-op is still working today, and has grown to include over 20 households.

Essential Trading produce a catalogue of their products. This details the goods available from each producer, and the quantities that are available. Like other specialist wholesalers, each product line has information on the standards it was produced to. Essential also has general ethical policies that guide its own purchasing. The catalogue includes not just food, but other household items from washing-up liquid, to toilet rolls, to vitamins.

The Co-op holds meetings every six to eight weeks where members of the Co-op 'bid' for goods. The goods come in bulk sacks, or in varying numbers of pre-packed bags/cans in a pack. Each household can buy a single sack/pack of goods outright, or they can subscribe to a proportion of the items in a pack/sack. If enough people subscribe to a pack, it is purchased. This is helped by people specifying 'maximum' and 'minimum' quantities so that the numbers can by

jumbled to even out into whole packs.

The order is delivered by Essential to a single address in Banbury on an appointed day. It is usually a lorry load – around £1,000 in value. Volunteers meet that evening to divide up the order. This involves splitting up the pre-packs into the amounts ordered by each household, or weighing out the bulk sacks into the required amounts.

Everything is managed using a computer spreadsheet. This keeps the details of the products ordered previously to simplify the process of ordering – the codes and pack sizes are provided on a standard sheet for each household prior to the ordering meeting. This means it's not essential to go to the meeting, but if you don't go you lose out on the horse-trading over who has the odd bag of this or that.

The order is then entered onto a computer following the meeting, and an extract is printed out and sent/faxed to Essential in Bristol who put the order together. The same spreadsheet information is used by volunteers to divide up the order. The information produced from each order is then used to do the accounting for the Co-op.

To ensure that there is enough money in the bank to pay the bills the Co-op runs a deposit system. Each household pays a deposit when they join. They can then place an order up to the value of this deposit. This pays for their order in advance. They then have until the following meeting – six to eight weeks – to recharge their deposit for the next order. This is also flexible because people can vary their deposit depending on their means at the time.

To pay the costs of the Co-op a small surcharge is added to the cost of each order. This pays for bags, stationary, and any other costs. Also, for the annual ICOM subscription. The time for ordering and accounting is given freely by members. Other members also audit the accounts at the end of the year.

Most of the products people buy are

obtained at a lower price compared to local shops and supermarkets. This is not always the case, especially when the supermarkets run special offers. But by buying direct, a wider range of products is available than is provided by all the local shops. For example, some of the households have interests in particular types of food, such as Japanese foods. These are not stocked by local shops, but can be purchased in bulk via the Co-op.

One of the main problems with the Co-op is not being able to obtain fresh fruit and vegetables – although you can obtain frozen foods. The Co-op has investigated buying in bulk on a regular basis from local farms. But at the moment there are not enough producers of organic crops locally to make this a realistic proposition.

It is also worth noting that the Co-op has had its own social impacts on those who participate. The 'bidding' process often requires that people buy one or two extra bags or cans to make up a whole pack. This means people can be talked into buying one or two items they'd never tried before. They then get ideas from other Co-op members on ways to prepare the food. So all the members have, over the years, developed a range of new tastes and interests in different types of food.

From an environmental point of view, collective buying is also beneficial. Not only can those involved buy foods that are produced to fair trade and/or organic standards. But dividing-up bulk quantities means that containers can be reused, so minimising waste.

order or wholesale companies, try magazines associated with the products that you wish to buy or trade journals (available through your local library). Another good source is search engines on the Internet.

For web auctions, try Yahoo's auction page –  
[http://uk.dir.yahoo.com/business\\_and\\_economy/shopping\\_and\\_services/auctions/](http://uk.dir.yahoo.com/business_and_economy/shopping_and_services/auctions/)

Wholesale food wholesalers (these are not recommendations, just examples for you to follow up on):

- ◆ Essential Trading Co-operative Ltd, Unit 3, Lodge Causeway Trading Estate, Fishponds, Bristol BS16 3JB. 0117 958 3550. <http://www.essential-trading.co.uk/>
- ◆ Infinity Foods Co-operative Ltd, 67 Norway Street, Portslade, East Sussex. BN41 1AE. 01273 424060. [info@infinityfoods.co.uk](mailto:info@infinityfoods.co.uk) <http://www.infinityfoods.co.uk/>
- ◆ Suma Wholefoods, Lacy Way, Lowfields Industrial Park, Elland, West Yorks HX5 9DB. 0845 458 2290. [info@suma.co.uk](mailto:info@suma.co.uk) <http://www.suma.co.uk/>

For information on setting-up companies ask Companies House – <http://www.companieshouse.co.uk/>

For information on the tax implications of trading cooperatively get in touch with your local tax office (see 'Inland Revenue' in phone book) or see the Inland Revenue's web site –  
<http://www.inlandrevenue.gov.uk/leaflets/index.htm>

Contact details for ICOM –  
ICOM, Holyoake House, Hanover Street, Manchester M60 0AS. 0161 246 2900. [icom@icom.org.uk](mailto:icom@icom.org.uk)

The Free Range Network is a 'disorganisation' of activists and specialists that organises workshops and develops information resources for community and grass roots campaigning organisations. Free Range Practice Guides are produced on an occasional basis, and are intended to develop the level of practical skill within community organisations.

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