

The Smart Card and the Concept of Mutuality

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Reading my Co-operative News of April 23rd, I came across two snippets of information that prompted me to pen this article. The first was the news that The Society for Co-operative Studies had the case for mutuality as the topic for its fringe meeting at the 1996 Co-operative Congress. The second was in the review of the annual report of the Chelmsford Star Co-operative Society where a 21% increase in membership was reported, a large proportion of which were holders of the Chelmsford Starcard. This is a plastic card onto which is embedded a computer chip which is capable of holding details about the card holder (name, address etc) as well as a record of their spending at the Society's outlets and of holding a rebate value on the card, which is effectively their dividend, earned in direct proportion to the value of their spending with the Society.

The move towards using plastic cards as both a distribution channel for financial services and/or as a loyalty device to reward ongoing relationships with suppliers of goods and services, is well underway in the United Kingdom. During 1995 there was a 15% increase in the value of spending on credit cards and an even more staggering 25% increase in the value of spending on debit cards. In the year to 31st October 1995, consumers used their plastic cards 1,400 million times in the 20,000+ Automatic Teller Machines (ATM's) in the United Kingdom, to take out £70,000 million pounds. The value of cashback at the Point of Service (POS) is in addition to this, and one in every five supermarket transactions now involves a cashback transaction, facilitated by a plastic payment card.

New technologies such as the computer chip have enabled the development of the so called 'smart-card', which has memory and interactive capabilities, allowing it to exchange data at an electronic POS terminal. The electronic purse and loyalty applications are two examples of the value added services which can be supported by a smart card. 1995 saw the launch of the Mondex electronic purse in a pilot test in the town of Swindon and this is a plastic card designed specifically to replace notes and coins in payment situations. Shell have launched their Shell

Smart Card loyalty system and it reportedly has over 2 million card holders, who accumulate points on their cards in direct proportion to their spending at Shell garages and who then redeem their points against a variety of reward options. The most successful loyalty card in the United Kingdom (by numbers issued) is the Tesco Clubcard which reportedly has 8.2 million card holders. Whilst this was launched as a traditional magnetic stripe card, there is no reason why it cannot or will not be upgraded to a smart card as that technology becomes more widespread. The Tesco Clubcard and the Safeway ABC card have effectively hi-jacked the concept of the dividend and used the plastic card to offer this principle in a contemporary format.

As people become more used to plastic cards either in payment situations or as loyalty tokens, so their familiarity with plastic cards increases and they become more and more card centric. How then can the concept of mutuality be advanced through the plastic card and more particularly through the smart card?

Organisations whose roots are in mutuality and who intend to remain mutuals within the social economy are searching for ways in which they can justify their continued existence in this form. The most obvious points of differentiation for mutuals against other forms of organisations are their value systems of mutual creation and distribution of surplus and of equitable ownership and participation in the affairs of the mutual society. If these values can be operationalised and delivered to members in the contemporary form, then mutual societies can maintain their differential from their competitors and indeed begin to stress the advantages to members of this particular form of organisation.

The smart card offers mutuals the opportunity to achieve these goals and it fits squarely with the increasingly card centric nature of the United Kingdom. A smart card issued by a mutual organisation to its members could hold a record of their relationship with that mutual. The length of that relationship, the breadth of the relationship and the recency and frequency of contact between member and mutual, can all be recorded on the smart card. Retention of customers is increasingly important and relationship building is one way to both receive information from your supporter and to communicate information to them. The smart card offers an opportunity to build and evaluate

relationships between members and their mutual organisations. Once a surplus has been created by the activities of the mutual, part of it can then be distributed to members of that mutual organisation, in direct proportion to the extent of their relationships with their mutual. Here again the smart card can provide both a means of calculating each members 'reward' for their relationship and of distributing it by loading that 'value' onto each Member's smart card. members could at any time during their relationship with their mutual see how much that relationship was worth to them, by using the smart card to call up a current balance of their 'rewards'. Whilst these may or may not be available to them instantaneously at least they would be able to recognise the 'value' held on their smart card and the value to them of their relationships with their mutual(s).

The second potential differential of mutuality lies in the ownership and control of mutual organisations. Here again the smart card has a role to play. Members holding a smart card issued by a mutual organisation can use that card both to authorise their ability to vote and verify that it is their vote that is being cast, in deciding the affairs of the mutual organisation. The smart card can help empower the members to take a more active role in the control of their mutual organisations. Whilst this may not always be good short-term news for the managers of mutual organisations, in the long-term it is only by accentuating and delivering the differentials between mutuals and other organisation types that mutuality and their jobs will survive. The private sector competitors can use plastic cards to try and secure customer loyalty, but they cannot use them to increase ownership and control of their organisations!

Individuals who choose to become members of mutual organisations do so for a wide mixture of reasons. There are economic reasons if that mutual is a cost-effective supplier of goods and services. There are philosophical reasons if the value system embodied by the mutual organisation reflects the value system of the individual. There are political reasons if the individual is interested in playing a full role as a member of a mutual organisation. Whatever the reason(s), the smart card also offers a visible manifestation of that individual's membership of the mutual organisation, one that they can carry with them and use frequently to either identify themselves as members or reap

the rewards of their ongoing relationship with their mutual organisation.

Thus the smart card and the concept of mutuality have a number of connections. Such cards are rapidly entering everyday use and they offer forward thinking mutuals a mechanism whereby they can both deliver and promote the benefits of mutuality. For too long the positive attributes of mutuality have been hidden away as if we were somehow ashamed of how different they made us from other species of organisations! Why not combine the revival of interest in the values of mutuality and the virtues of the social economy, by harnessing modern technology to both deliver the message and the rewards? Let's get smart and play the mutuality card!

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