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Savings, Insight, Social Change:
A Case Study of the Cooperative Community Purchasing Alliance

The Community Purchasing Alliance (CPA) provides an example for child care leaders who are considering creating a shared-services cooperative. This case study explores CPA's goals, how it has gotten to where it is today, how it operates, the role of the community and members, and the benefits—both financial and nonfinancial.

The Community Purchasing Alliance, or CPA, is a purchasing cooperative based in Washington, DC. It aims to "leverage the buying power of community institutions to accelerate progress towards sustainability, equity, and justice." From its initial focus—bulk electricity purchasing for houses of worship—CPA has expanded to cover more than a dozen services for a wider variety of members in additional locations.

This case study examines CPA's goals, history, and operations and offers some lessons that might be applied to the child care sector, particularly for child care leaders, but also government.

Cooperatives, or co-ops, are businesses that are both owned and governed by members, based on the principle of one member, one vote. They are designed not only to advance members' economic interests, but their cultural and social interests as well. There are many types of co-ops; members can include producers, consumers, or workers. In this case study, we are focusing on co-ops created to meet members' purchasing needs.

BULK PURCHASING CAN HELP SERVICE ORGANIZATIONS SAVE MONEY AND PROMOTE SOCIAL CHANGE

CPA's members include congregations, charter schools, and community groups. Decision makers at these institutions juggle multiple demands. They naturally put facility management (the details of heating, security, landscaping, and similar services) toward the bottom of their to-do lists, even though these expenses can make up a significant portion of their budgets. They often aim to minimize the time they spend on research, evaluating offers, negotiating contracts, or managing relationships with vendors.

As a result, these groups make choices that lead to above-average spending on facility-related expenses. Vendors may take advantage of them through poor service or unfavorable contract terms. CPA has found that some nonprofits pay 50 to 500 percent above market prices for common services such as copy and print management or trash removal.

> MEMBERS OF PURCHASING CO-OPS OFTEN FEEL THEIR BIGGEST BENEFIT IS NOT SAVINGS BUT RELATIONSHIPS
>
> *– Witchger*

CPA helps its members "become savvier by providing market intelligence and insight," according to its founder, Felipe Witchger. It provides technical support in navigating the many details of finding, securing, and managing the services that keep their facilities running. And by combining small organizations into a larger group, CPA gives the groups negotiating power they wouldn't be able to muster individually.

Social goals are part of CPA's reason for being. Participants save precious resources—money and time—that they can devote to their missions. And the money that members do spend supports social change. It goes to high-performing, ethical providers whose missions and practices align with their own values and to local businesses, many owned by women or people of color. As Program Director Juan Francisco Hidalgo says, "Members strengthen their communities through their business."

THE ORIGINS OF CPA

CPA grew out of Witchger's interest in addressing the climate impacts of energy use. Washington, DC, is a deregulated utility market, meaning that customers can choose their providers. He wanted to organize a big group of purchasers to voluntarily shift to renewable power. He also wanted to use the group's collective influence to increase market and political pressure for more environmentally sustainable regulations.

Another impetus was the desire to highlight the cooperative business model. Witchger had been talking with Paul Hazen of the National Cooperative Business Association. Hazen wished he could point to more local examples of successful co-ops when he visited Capitol Hill.

Meanwhile, Martin Trimble of the Washington Interfaith Network (WIN) was concerned about high utility bills for local congregations. He approached Witchger with an idea: a program of bulk purchasing to save congregations money while creating revenue for community organizing.

CPA was woven from these three threads. It formally launched in 2011 with twelve participants, all faith communities. WIN's connections and credibility opened the doors to these congregations; in addition, Hazen was a member of one of the churches. CPA provided technical expertise on electricity services, prices, and regulation, leading to a pilot bulk purchase of electric supply services in February 2011, with about half coming from renewable energy sources. CPA returned half of its revenue from that purchase to WIN.

Over the next year, CPA did two more purchases, each with a bigger group. The third purchase included about 120 participants, mobilizing about $5 million in electricity spending. Over three years, it brought CPA about $250,000 in revenue from its broker fee, which it shared with WIN and other groups that had helped with recruitment.

GROWTH: FORMING THE CO-OP, EXPANDING SERVICES, DIVERSIFYING MEMBERSHIP

The success of these purchases gave CPA the confidence to move forward. It reconstituted itself as a limited liability corporation—not yet a cooperative. Like many co-ops, CPA used this early period to gain experience and think through issues such as how to set up its by-laws. There were also practical reasons for starting as an LLC: CPA's volunteer lawyer was familiar with the LLC process, and it needed to set up a legal entity quickly through which to pay its staff.

During this incubation period, CPA worked with a business consultant to consider the economics of adopting the co-op model. After about a year of feasibility planning, it tested the waters with bulk purchasing in two new areas, natural gas and trash hauling. The ventures succeeded and convinced CPA that a co-op made sense. In February 2014, it incorporated as a co-op. Participants were encouraged but not required to become members. Twelve initially joined.

CO-OPS CAN BRING CHILD CARE LEADERS TOGETHER WITH LEADERS FROM OTHER SECTORS WHO FACE SIMILAR CHALLENGES BUT OFFER DIFFERENT PERSPECTIVES.

During the feasibility study, CPA had gathered data on dozens of spending categories, primarily for churches and synagogues. It had concluded that to be profitable, it would need to help about 250 congregations in five to seven service areas. But by 2015, Witchger realized that CPA was unlikely to attract 250 faith institutions. With limited staff capacity, CPA would find it difficult to manage relationships with that many groups and vendors. Plus, it turned out that some of the congregations' spending levels were lower than CPA had been led to believe.

Fortunately, CPA had reached out to a different type of organization, charter schools, with help from an active co-op member with connections. These schools had much bigger budgets, and CPA realized that including them would help it reach profitability.

To help attract these schools, it added copiers, janitorial services, and security to its service areas. By 2016, with charter schools on board, CPA became profitable. It made about $250,000 while keeping costs to about $200,000. Charter schools have continued to form the bulk of CPA's revenue—60 to 85 percent over the past five years.

Meanwhile, CPA was seeking and receiving grants, but because a co-op is a business entity, it needed a fiscal sponsor. In 2019 it formed a separate 501(c)3 nonprofit arm, the Community Cooperative, to receive grant funding. The two are distinct but work together. The nonprofit makes it easier for CPA to support new programs that might not yet be profitable. It has also supported CPA's expansion efforts in other regions of the country.

CPA TODAY

Today, CPA helps more than 120 community organizations in the DC area; 80 of them are member-owners of the co-op. In addition to charter schools and houses of worship, participants include nonprofit organizations, retirement communities, and affordable housing developments.

CPA now offers help with multiple common facility needs: electricity; natural gas; solar; trash, recycling, and compost hauling; HVAC installation and servicing; janitorial services; security; copiers; and landscaping. Its most recent additions include food service, insurance, and personal protective equipment.

The combined annual purchasing in these categories is more than $20 million. More than half of this spending goes to small local businesses and to businesses owned by people of color. Since 2017, CPA members have shifted $18 million in contracts to minority businesses.

CPA helps participants make purchases in two ways. Sometimes it runs a request for proposals, either to find new vendors or to renegotiate prices with existing ones. Participants are invited to join and offer their volume as leverage to negotiate a better price for everyone. Other times, CPA simply connects the participant with vendors from its preferred vendors list, then shepherds the process: helping to build the relationship, then helping participants make informed decisions on pricing and contract terms.

CPA has expanded to other regions, with about 150 actively participating organizations. It now has a full-fledged program in Boston, in partnership with the Greater Boston Interfaith Organization. CPA also has teams in Cleveland and Chicago, as well as Connecticut.

After leading CPA since its inception, Witchger stepped down as executive director in summer 2021. (He remains an advisor.) Like many founder-led organizations, CPA must now ensure that its board brings new skills to the table, less tied to Witchger's personality. Its new co-executive directors and current board members are in the process of setting a new strategic plan for the growing and diverse organization that now has ten staff members.

HOW CPA WORKS WITH PARTICIPANTS, MEMBERS, AND PROVIDERS

Participants and co-op members: Community institutions do not pay to work with CPA. Instead, CPA charges vendors for connecting them to its participants. Most institutions initially participate in CPA without formally joining the co-op. In any given year, there are typically twice as many participant as co-op members.

After institutions have participated for about a year and accrued savings, CPA makes the case for joining the co-op. Part of that case is financial. When participants become members, they not only receive continued savings, but also a share of the profits the co-op makes, known as a patronage dividend. Much of the case is less tangible: the camaraderie of peer institutions, for instance, or the ability to share insights and experiences. CPA stresses that becoming a co-op member will serve the institution over the long term, which in turn will build the common good.

Most participants are involved in CPA for about a year, see savings, then join the co-op. Some need more time to consider—perhaps their budgets feel too tight—so CPA approaches them again a few months later, when many do decide to join. Each year, only one or two participants leave; they tend to depart soon after joining, before becoming co-op members.

A CORE GROUP OF LEADERS CAN HELP MEET A CHALLENGE THAT DERAILS MANY CO-OPS: FAILING TO ANTICIPATE THEIR NEEDS.

–Witchger

CPA initially put equal effort into convincing all of its participants to join the co-op. But over the years, it began focusing more of its recruiting efforts on participants with the largest budgets because their membership has a bigger financial impact on the co-op. Still, many smaller institutions (about a third of co-op members) don't need to be persuaded. They join right away, drawn by the access they gain to peer groups and the ability to glean practical insight from discussing common experiences–good and bad–they may be encountering.

To join the co-op, institutions pay a membership fee, which varies depending on the size of the organization. To determine the size of this initial investment, CPA looks at the institution's budget and what it has saved through group purchasing. Typically, the membership fee is half of the group's first-year savings. For larger organizations, such as charter schools,their initial savings are so big they can contribute $10,000 to $15,000. Smaller organizations pay much less. After their initial investment, members pay an annual fee of around $500.

Since CPA became profitable in 2016, it has shared 60 percent of its profits with the Washington Interfaith Network. The remainder is paid to co-op members at the end of the year as the patronage dividend, pro rata, based on their purchasing. Of that remainder, 60 percent goes into a member equity account, 40 percent is paid out in cash. This system allows CPA to embody its social vision by supporting both the network and its members.

Apart from board members, who are elected at annual meetings, co-op members do not have formal, prescribed roles. However, CPA encourages them to be involved in peer discussions, vendor-selection meetings, and other decision-making calls. Its charter school peer group is particularly active, helping CPA set priorities and develop new programs.

Vendors: The fee that vendors pay to CPA varies by service; for electricity it averages 5 percent, with a range of 3 to 10 percent; insurance is 15 percent. Most vendors are chosen through a request for proposal (RFP) that asks questions on pricing, contract terms, and similar traditional business issues. RFPs also consider social and sustainability issues, which vary depending on the service being sought, but may include information such as union membership, pay, retention rates, or whether the business is owned by a woman or person of color. RFPs are issued every year or two for most program areas.

The number of preferred vendors varies by category. With electricity and solar, for instance, CPA may use a single vendor in a given year, which provides greater contract security and pricing benefits. In other areas, such as security or janitorial services, CPA can get good pricing with three to five companies in the pool of preferred vendors.

CPA facilitates the selection process, but participants in each purchasing area choose their vendors. Witchger describes the process of reaching that decision as “intense and nerve-racking.” But as he also points out, it’s been successful for more than ten years.

THE IMPACTS OF CPA: SOME EXAMPLES

THE MOST IMMEDIATE BENEFIT THAT CPA DELIVERS—AND THE REASON MEMBERS JOIN—IS COST SAVINGS. For instance, a nonprofit retirement community saved more than $120,000 per year on waste removal. A network of schools and congregations saved more than $200,000 per year with a new energy contract. New contracts with CPA often also allow members to undertake long-deferred maintenance.

THE NONFINANCIAL BENEFITS ARE ALSO MASSIVE. Members are relieved to have CPA's administrative and technical support—it saves them time and reduces the stress of navigating complex technical and contract issues. Many members have been taken advantage of in the past. Thanks to CPA, they now have transparent contracts that clearly spell out all parties' responsibilities and newfound confidence that their purchasing decisions are sound. Members also get better service. CPA's careful vetting, combined with the deep relationships it develops, ensures that vendors are reliable and responsive.

The experience of a historically Black congregation in Northeast Washington, DC, illustrates these varied benefits. It began when Witchger literally knocked on the door. He had noticed the church's flat roof and wanted to pitch solar panels. He learned that the roof had been leaking for years and that the church had a bad history with contractors. Its board and parishioners were understandably skeptical at first, but they agreed to move forward, joining other faith institutions in a solar RFP. The institutions saved 50 to 75 percent on their electricity costs. Several of them, including the church Witcher had approached, received new roofs at no cost—they were paid for upfront by the savings generated by their new solar energy systems.

THE PURCHASING ITSELF ALSO FOSTERS BROAD ENVIRONMENTAL AND SOCIAL BENEFITS. For instance, CPA members are advancing clean energy: forty of them have installed a total of 5 MW of solar; 150 more have switched to wind. Members' bulk purchases have even moved the market—CPA set the price for solar in DC for several years. CPA purchases have also shifted millions of dollars in business to local, Black-, Latino- and women-owned businesses—a boon to the businesses themselves and to their communities.

For instance, when a DC-based Black-owned security business became a CPA preferred vendor in 2015, it had three full-time employees. Soon after, it had more than one hundred full- and part-time employees, thanks to the connections it made through CPA. CPA was also there to help the company manage the inevitable growing pains of such a dramatic increase, ensuring that it continued to provide the high level of service that made it a preferred vendor in the first place, and that the new jobs were stable.

PURCHASING CO-OPS FOR THE CHILD CARE SECTOR: BENEFITS AND CONSIDERATIONS

CPA could deliver technical assistance and organize group purchases without being a co-op. In fact, that's what it did in its early years. Other types of group purchasing exist outside the co-op model. For instance, purchasing alliances bring participants together for bulk purchasing. These groups are often huge, sometimes with thousands of members, often with very low entry fees. As a result, their contracts can be generic and may not be suitable for all organizations' needs, particularly in higher-cost areas like insurance or food service.

CO-OPS TEND TO BE SMALLER AND ARE BETTER ABLE TO TAILOR CONTRACTS TO THE PARTICULAR NEEDS OF THEIR MEMBERS. In addition, co-ops are generally more responsive if there is a problem and better able to resolve it because of the close relationships they nurture with both members and vendors.

Child care providers may be familiar with another approach to group purchasing, shared service alliances (SSAs). SSA's are designed specifically to serve the child care sector; centers pool resources to streamline their operations. Like co-ops, SSAs provide savings and ease the demands of logistics and administration. Both structures can also deliver environmental benefits. Shared savings and expertise can guide directors in finding and using goods and services that keep their facilities–and the planet–healthier and safer.

HOWEVER, PURCHASING CO-OPS HAVE THE POTENTIAL TO DELIVER BIGGER AND MORE VARIED BENEFITS THAN SSAs. SSAs secure across-the-board discounts for participants–for instance, each one might save the same percentage off a purchase. In contrast, co-ops pool their savings and share their profits with members via patronage dividends. Co-ops therefore may be able to offer bigger financial benefits to their members, which in turn may spark bigger social gains.

CO-OPS ALSO OFFER MANY BENEFITS THAT "DO NOT SHOW UP ON BALANCE SHEETS," as Witchger puts it. In fact, members of purchasing co-ops often feel their biggest benefit is not savings but relationships, or what Witchger describes as the "intangible value of coming together and talking about strategic challenges." Members appreciate the ability to share information and advice—and war stories—with their peers. At CPA's co-op meetings, much of the discussion is about the big questions leaders wrestle with, not pricing or contract issues. Co-op members feel they are investing in their own leadership. They become better leaders of their own churches, synagogues, or schools, for instance, and play a stronger role in the larger community of churches, synagogues, or schools.

SHARED OWNERSHIP THROUGH A CO-OP ALSO FOSTERS SOLIDARITY. Some of CPA's members are large enough that they could get low prices without being part of the co-op. They stay with CPA because they know it helps smaller institutions obtain better pricing. In other words, they choose to support their fellow members and work together to advance common goals.

CHILD CARE LEADERS WOULD FIND HUGE VALUE IN SHARING EXPERIENCES, EXCHANGING ADVICE, AND IMPROVING THEIR SKILLS. Witchger believes these benefits are so valuable that many would join purchasing co-ops whether or not they saved money.

SSAS CAN ALSO PROVIDE MANY OF THESE BENEFITS. BUT THEIR MEMBERSHIP IS LIMITED TO CHILD CARE PROVIDERS. CO-OPS, IN CONTRAST, CAN BRING CHILD CARE LEADERS TOGETHER WITH LEADERS FROM OTHER SECTORS WHO FACE SIMILAR CHALLENGES BUT OFFER DIFFERENT PERSPECTIVES. They multiply the benefits of sharing information, ideas, and different approaches to facility management. For this reason, philanthropies or government agencies exploring ways to promote shared services should consider co-ops.

DIVERSIFYING MEMBERSHIP CAN ALSO HELP THE CHILD CARE SECTOR OVERCOME THE CHALLENGE POSED BY THE SMALL SIZE OF MANY OPERATORS. It’s hard for purchasing co-ops made up mostly of small-budget organizations to be successful. Bringing in several additional members with higher budgets and revenues, as CPA did when it brought in charter schools, can help. For CPA, the target budget for these larger organizations is $1-5 million. Although some child care chains or large centers might have budgets this big, in general it will be easier to find organizations of this size by including other sectors.

Could a co-op get too big? Witchger suggests that setting up peer groups, such as CPA’s charter school or church groups, can allow larger co-ops to maintain their cohesion and responsiveness.

GOVERNMENT COULD ALSO ADDRESS THE PROBLEM OF SCALE BY PROVIDING SUBSIDIES FOR THE FIRST FEW YEARS. Subsidies would help compensate for the relatively low purchasing power of small child care centers and help co-ops get off the ground. The public benefit of purchasing co-ops would justify this public investment.

Witchger offers some additional advice to child care leaders considering joining or forming a purchasing co-op. For instance, co-ops should focus on two or three of the largest spending categories in child care—perhaps insurance or food or leasing arrangements-to provide immediate gains. And it is important to identify and cultivate a core group of leaders from the start, perhaps ten to thirty people who are deeply engaged, meet regularly, and help set strategic plans and programming. They can help meet a challenge that derails many co-ops: failing to anticipate their members' needs.

Hidalgo, the CPA program director, offers this message to child care leaders:

> "If ever you've struggled with the large array of goods and services you need to purchase to keep your child care system running, if you've ever felt that you're not able to navigate these spaces effectively, if you've ever struggled with feeling isolated and would appreciate the camaraderie of your fellow child care centers, if you wished you could have done a better job contracting and doing business with your community in ways that help it grow, if you've wished you had a partner that works with all of you to create this value in a concerted way—then a purchasing co-op is what you need."

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