

Strategic Alliances for Consumer Groups:
Avoiding the Pitfalls
and Capitalizing on the Potentials

Draft -- Comments Appreciated

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FOREWORD

This draft paper is based on research conducted by the Office of Consumer Affairs and its predecessor agencies over the past two years. The draft is being distributed at this time through hard copy to selected officials in and outside government and electronically through the Office of Consumer Affairs "Product" on Industry Canada's Web Site: *Strategis*.

The purpose of distributing this draft now is to generate interest, discussion and feedback regarding the advantages and pitfalls of strategic alliances (SA) for consumer groups, in preparation for the Office's Annual Roundtable with consumer groups to take place on October 7-8, 1996. The theme of this year's Roundtable is "Strengthening the Consumer Movement Through Information and Partnerships". Strategic alliances can be an important instrument for promoting this theme and enhancing the consumer movement's visibility and effectiveness, and therefore are expected to receive considerable attention during the two-day Roundtable.

After the Roundtable is over and comments have been received from participants and others, this paper will be revised and finalized, and the final version will be placed on *Strategis* as well as distributed in hard copy to consumer groups and other interested parties. Readers with comments on this draft paper should submit them to:

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EXECUTIVE SUMMARY

Although the powerful, influential, well connected and wealthy can and do take advantage of strategic alliances, such alliances may also be very useful for those individuals and groups which, for financial or other reasons, do not possess the resources, profile, organizational capability, and influence of some of their counterparts. Accordingly, as the second half of the 1990s proceeds, strategic alliances may hold particular interest for Canadian consumer groups, governments and the private sector. Indeed, many consumer group alliances are already in place. The objective of this paper is to explore the subject of strategic alliances in some depth -- with particular emphasis on the experiences and lessons learned from existing SAs involving consumer groups -- with a view to making recommendations concerning their future use by the consumer movement.

While the terminology varies from article to article and between arrangements, the basic idea underlying all strategic alliances is the same: structured relations of some kind among independent entities to be used to promote objectives and interests which are shared by all of them. Business, consumer groups and government are being driven by a common set of forces to consider strategic alliances to achieve their goals:

- diminishing resources as corporate profitability is constrained by heightened competition, governments address expenditure reduction and the public debt, and consumer groups need to reduce their dependence on traditional financing sources (mainly government)
- the imperative to respond quickly, flexibly and effectively to the dangers and opportunities posed by rapidly changing markets
- the growing importance of proprietary information, expertise and other soft assets to the success of all market participants -- businesses large and small, consumer groups and government
- the globalization of markets and the growth in marketplace transactions which transcend provincial and national borders
- the growing convergence in producer, user and government interests as user acceptance and consumer/client confidence become the keystones to corporate profitability and the success of government programs, services and marketplace rules.

In particular, strategic alliances allow consumer groups to:

- respond quickly to emerging market developments;
- capitalize on their consumer information, market expertise, and well developed networks in and outside government; and,
- pursue shared interests and objectives with other consumer groups, government and the business sector.

Such alliances / be particularly beneficial to smaller consumer groups, allowing them to come together with others in and outside the consumer movement so that in combination they can have the impact and resources of the larger marketplace participants. SAs for consumer groups are not without their dangers and pitfalls, but methods exist for minimizing these concerns. For example, SAs may require some organizational framework and may imply some loss of independence, but the organizational arrangements can vary from informal to highly structured, and the loss of independence can be minimized and made commensurate with the benefits to the consumer group and its members.

Our review of the strategic alliances established to date which involve consumer groups indicated these alliances were formed for a variety of reasons: to raise the group's media profile; to demonstrate to government and the general public that a broad-based common response exists to an issue; to gain credibility and acquire, share or exchange information; and to gain or share financial resources, equipment, facilities and services. Our review revealed as well that there are a number of reasons why consumer groups may wish to resist the use of strategic alliances: concerns with losses of independence and credibility; personality differences among the leadership of different groups; competition between consumer groups; structural impediments which e.g. could prevent a consumer group from engaging in commercial alliances; and the time, energy and resource costs of entering and implementing such alliances.

There may be sound reasons why consumer groups may be reluctant to enter into SAs. Nevertheless, the discussion in the text suggests that groups should look carefully and indeed sceptically at any perceived impediments to alliances, in light of the potential advantages which may flow from finding, developing and capitalizing on common ground with other consumer groups, NGOs, government and business groups.

The major lesson from the consumer groups' experience to date with strategic alliances is that alliances between consumer groups and other public interest groups can be particularly effective, and that consumer groups may be currently under-selling their information, expertise and inter-group networks and connections to government, business and the public at large. The review also shows potential for alliances which are formed around a single issue to evolve into an ongoing relationship. Some alliances however require a more formal structure as a safeguard against future problems and misunderstandings; and early and regular consultation with membership is essential particularly when consumer group-private sector alliances are being considered.

In short, all parties should be alert to opportunities to create and develop SAs, sensitive to the needs and concerns of members and others, cognizant of the continually changing nature of policy issues, and open to the opportunities afforded by the flexible and innovative structures and forms which are available to strategic alliances. Government also may have a role to play in identifying opportunities, bringing together different entities which may share common interests,

and facilitating the establishment of various kinds of institutional and electronic networks which could help consumer groups and other NGOs to "find each other" in a rapid and cost-efficient manner. Industry Canada, with its broad range of marketplace interests and client groups, is particularly well placed to play this supporting role. Government as well can be full partners with consumer groups and others in the establishment and implementation of strategic alliances; for example, these tri-partite relationships are found in many voluntary codes.

It is concluded in the text that strategic alliances with other entities can offer important advantages to a consumer group. However, before proceeding, each potential alliance should be subject to a "notional" benefit-cost test to ensure the advantages outweigh the possible costs -- in terms of the costs of developing and implementing the arrangement as well as any perceived losses of membership and visibility/credibility with the general public. As well, consumer groups may wish to consider the following questions before embarking upon a strategic alliance with another consumer group, a representative of the business community, some other NGO, or a government agency.

1. What are the priority issues and interests for the members of your group? Of these, which are best pursued by the group working on its own, and which could be better promoted through an alliance with one or more other entities?
2. Which groups might be possible candidate partners for an alliance(s) involving your consumer group?
3. Can the shared goals, objectives, interests and concerns with these other parties form the basis of a mutually beneficial strategic alliance?
4. Is your consumer group clearly bringing something important and unique (beyond its prestige and credibility) to the alliance?
5. Does your potential partner(s) offer something of value to your consumer group?
6. What proportion of the interests and mandate of the consumer group is expected to be called into play by the alliance, and what weight do members place on these interests and mandate issues?
7. What would be the impact of the alliance on the consumer group's other interests and priorities?
8. Are there alternatives to a strategic alliance that would represent a more cost-effective method for realizing the goals of the consumer group and the interests of the other parties?
9. More specifically, what are the potential advantages of the proposed alliance, the possible costs, dangers and threats, and the anticipated impacts of the alliance relative to the status quo or some other alternative instrument for promoting the consumer group's interests?
10. Can the answers to the above questions be transmitted in a credible and defensible manner to the consumer group's members, other consumer groups and NGOs, the media, the group's government contacts, and the general public?
11. Can the shared interests, concerns, benefits and costs be adequately captured in a written agreement or some other codified manner?

Essentially, the next steps in advancing consumer group participation in strategic alliances are in the hands of the consumer groups in Canada and their members. Each group may want to review the analysis and suggestions contained in this paper -- and the questions provided above -- from the perspective of its interests and experience and the concerns and wishes of its members. Strategic alliances may offer some important advantages to many consumer groups in Canada, both large and small, but may not be for everyone.

The Office of Consumer Affairs stands ready to assist where it can; for example the Office will be happy to participate in any further exploration of SAs led by consumer groups. However, in the final analysis, decisions on whether, when, on what issues, and with which groups, to establish strategic alliances, are best made by the consumer groups themselves in full consultation with their members and other interested parties.

MAIN REPORT

1.0 Introduction

The idea that a position can often be advanced further or a service delivered more efficiently or effectively if it is undertaken by several persons or groups acting in concert rather than by isolated, independent actors, is neither new nor radical. Indeed, many would describe it as common sense -- the power and synergy of cooperation over individual, uncoordinated action. The drawing together of interests, energy, expertise, and/or resources in order to maximize opportunities could be described as the essence of the concept of strategic alliances (SAs).¹

Although the powerful, influential, and wealthy can and do take advantage of SAs,² such alliances may be particularly useful for those individuals and groups which, for financial or other reasons, do not possess the resources, profile, organizational capability, and influence of some of their counterparts. The simple fact is that smaller, less endowed individuals and organizations can, through cooperative inter-linkages, use strategic alliances to gain a more even footing with larger players in terms of the development and communication of ideas and positions, and the delivery of projects and programs.

As we move further into the second half of the 1990s, strategic alliances may hold particular interest for Canadian consumer groups, governments and the private sector. Indeed, many consumer group alliances are already in place; consumer groups have entered SAs with

¹ The phrase "strategic alliances" has been defined differently by different authors. See "**Strategic Alliances: The Concept**" below.

² For example, IBM and Apple computers have entered into SAs, as have major American and Japanese automobile manufacturers. See also discussion of "proxy lobbying" by private sector interests later in the paper.

other consumer groups,³ with government agencies,⁴ other public interest groups,⁵ academics,⁶ and the private sector.⁷ The need for such strategic alliances would appear to be increasing in light of such factors as:

- the significant constraints on government resources devoted to consumer matters,
- the continued globalization of the marketplace,
- the growing technical complexity of consumer issues,⁸ and
- the growing convergence of interests across consumer, small business, and other business groups as technologies, industries and markets come together.

Governments may increasingly wish to turn to consumer group alliances for expert input on policy initiatives, and as front line servicers of consumer needs.

Yet, while SAs hold much promise, they also pose definite risks if not entered into carefully, and structured adequately from the perspective of all participants⁹. Indeed, there have

³ E.g., the Alberta branch of the Consumers' Association of Canada and the Fédération nationale des associations de consommateurs du Québec (FNACQ) are working together on consumer biotechnology issues. See **Appendix B** for more details concerning this and other inter-consumer group alliances.

⁴ E.g., recently, the national office of the Consumers' Association of Canada and Industry Canada's Office of Consumer Affairs together explored the feasibility of alternate dispute resolution services. See **Appendix B** for more detail concerning this type of alliance.

⁵ E.g., "People for Affordable Telephone Service" (PATs) is an alliance of consumers, seniors, students, anti-poverty, labour, and other groups. More details concerning this specific alliance and other examples of this type provided in **Appendix B**.

⁶ E.g., see the participation of academics in work of the Association coopérative d'économie familiale (ACEF) concerning debit card use and complaint handling in financial institutions, described in **Appendix B**.

⁷ E.g., see discussion of an American alliance between consumer groups and insurance groups, discussed in **Appendix B**. As well, PATs (see above) in January 1996 joined forces with the Canadian Federation of Independent Business, the Competitive Telecommunications Association and the Canadian Cable Television Association to petition the Federal Cabinet regarding its rate rebalancing decision.

⁸ See more detailed discussion in Part II below.

⁹ Of course, the extent to which strategic alliances are structured and codified in a formal sense will depend on the circumstances and the needs of the participants. At times, a fairly unstructured, informal/"virtual" alliance will be sufficient. However, as noted below, problems can arise if the rights and obligations of different participants are not sufficiently understood and clarified. If there is any scope for ambiguity or

been examples in the recent past of groups suffering serious upheavals over the very issue of whether a strategic alliance was considered appropriate in the eyes of the members of the groups involved and the general public.¹⁰ Ill-advised alliances may do long term damage to the credibility of an organization, and in turn, the interests of consumers may suffer.

For this reason, the question of when is the best time to enter strategic alliances, with whom, and how, are important and warrant careful exploration. Government, too, needs to analyse its role in this area, since there may be cost-saving and decision-making advantages to departments and agencies acting as strategic alliance partners, and potentially as facilitators of such alliances. Individual consumers might also benefit from a thorough examination of the issue, because they, in the final analysis, represent the potential beneficiaries or unwitting victims of such alliances. Finally, as user acceptance becomes increasingly critical to market share and corporate strategy, some industries have displayed a growing interest in pursuing shared issues and goals with consumers and their representatives. To cite a few examples, consumer and industry groups have worked effectively together in the Electronic Funds Transfer Working Group and in the Information Highway Advisory Council (IHAC), and more recently industries involved in biotechnology have indicated an interest in working more closely with government and consumer groups in exploring public concerns and perceptions which affect market acceptance of new biotechnology products. Other examples of industry-consumer groups alliances are provided in Appendix B.

The objective of this paper is to critically explore the subject of strategic alliances in some depth, with a view to making recommendations concerning their future use of SAs. Section 2.0 of the paper summarizes the definitional, conceptual and economic aspects of SAs (while Appendix A discusses the basic concept in greater detail). It begins with an exploration of the variety of terms used to describe "strategic alliances", and identifies their key constitutive elements. Then, discussion of some of the economic theory and marketplace considerations which underlie the use of strategic alliances by consumer and other groups is undertaken. Analysis suggests that consumer groups can be both victims and beneficiaries of the so-called "free rider" phenomenon,¹¹ and in both respects, groups might tend to respond by entering into

misunderstanding, greater structure and codification may be better than less or none at all. As noted at the end of the text, codification and structure are two of the issues that a consumer group should address before entering into an alliance or partnership.

¹⁰ E.g., see discussion of the troubled linkage between Pollution Probe and Loblaw's concerning the environmental group's endorsement of the grocery chain's "green products" in Appendix B.

¹¹ In economic terms, a "free rider" is an entity which benefits from an activity undertaken by another entity, without fully paying for that benefit. See "Consumer Groups, SAs, Economic Theory and the

strategic alliances.

Section 3.0 draws on research concerning existing strategic alliances in Canada and abroad. First, an examination of why consumer and other groups enter SAs is provided. It will be seen that groups create or join SAs for a wide range of reasons:

- to improve the credibility and/or profile of their position and/or organization in the public eye, government and the media,
- to enhance their access to information, resources/facilities, and expertise, as well as
- to economize on their own resources and capitalize on their own strengths.

The next sub-section of 3.0 explores why groups might resist entering into SAs. Loss of independence, ideological differences, competitive factors, structural impediments and time/energy constraints are all reviewed.

Following this, some of the main lessons learned from the current SA experience, as revealed by the research undertaken, are discussed. Analysis suggests that, in the right set of circumstances, consumer group SAs can be a highly effective way to maximize limited resources and opportunities, and that there is much that consumer groups, government, and the private sector can do to facilitate the forming of SAs, and much to be gained by such alliances. The paper then explores the role of government vis-a-vis consumer group SAs, investigating the question of whether government departments should develop policies and practices which facilitate use of SAs.

One of the most important conclusions emerging from research for this paper is that, largely for financial reasons (which in turn can lead to high staff turnover and limit some groups' ability to build and maintain contacts and networks), consumer groups are often not fully aware of or in a position to take advantage of the enhanced profile, credibility, information, resources, and expertise which can flow from SAs among themselves and with other groups. A key missing component is a network which would allow groups to better communicate among themselves and with government, and would facilitate the forming of alliances in the right set of circumstances. In this regard, for comparative purposes, the experience of the Canadian Environmental Network is reviewed. The CEN provides a neutral, non-governmental forum for environmental groups, bringing environmental groups together, and acting as a liaison between environmental groups and government.

Marketplace" (Section 2.2) for more detailed discussion of how this phenomenon applies to consumer groups.

In the final two sections, a summary, some recommendations and the possible next steps are provided. The basic position taken in the paper is that, in the right set of circumstances, consumer group strategic alliances of all types can be beneficial to consumers, consumer groups, other NGOs, government, and the private sector. They can represent a more cost-effective and efficient way of receiving and responding to issues of importance to consumers. But there are serious impediments to such alliances taking place. Therefore, consumer groups, government, and the private sector need to work together to develop mechanisms which will facilitate the creation of SAs, while safeguarding against some of the problems. In particular, the idea of a Canadian Consumer Network, which would act as a neutral transmitter and receiver of information from and among consumer groups, is deserving of greater exploration.

2.0 Conceptual and Theoretical Underpinnings to SAs

2.1 Strategic Alliances: The Concept and Rationale

While the terminology varies from article to article, a cursory review of recent business- and consumer-oriented publications suggests that the marketplace is awash with strategic alliances. Some commentators speak of "collaborative

External Forces Which Are Increasing the Attractiveness of Strategic Alliances to Business, Consumer Groups and Government

- Government and corporate downsizing, and the need for consumer groups and other NGOs to become more self-sufficient
- The imperative to respond quickly, flexibly and effectively to the opportunities and dangers posed by rapidly changing markets
- Growing importance of proprietary information, specialized expertise and other soft assets to successfully exploiting a market opportunity or an opportunity to influence government policy
- Globalization of markets and the dramatic growth in cross-border transactions of all kinds -- requiring constant adaptation as well as providing new opportunities for cross-border collaboration among different entities
- Growing convergence of producer, user/consumer and government interests in an increasingly dynamic and complex marketplace
- Increasing importance of effective vertical links between producers, distributors, retailers, and groups representing the final user/consumer -- which in today's rapidly changing marketplace are often better realized through SAs than through vertical integration by merger and acquisition

advantage"¹² and "alliance capitalism,"¹³ while others refer to "joint ventures,"¹⁴ coalitions,¹⁵ and "strategic partnerships."¹⁶ The basic idea underlying all of them is the same: some form of structured relations among independent entities can be used to secure an advantage for the entities involved¹⁷.

As noted in the text box on the previous page, the growing interest in strategic alliances among businesses, consumer groups, and government is driven by certain market realities which affect all of us. Appendix A further explores the reasons why SAs are becoming more popular among businesses as well as other market participants. The rest of this document will largely focus on the possible advantages and drawbacks of strategic alliances from the perspective of the Canadian consumer movement.

It should be stressed however that alliances with consumer groups also provide potential benefits to industry. First, collaborating with consumer groups offers improved access to important marketplace information and expertise which can expand and accelerate consumer acceptance of current and new products and technologies. These alliances can be particularly important to the innovation process and adoption of the new technologies:

- biotechnology,
- environmental technologies and environmentally friendly products, and
- the information highway and underlying information technologies and products (such as the growing use of electronic payments in financial services),

¹² See, e.g., R. Kanter, "Collaborative Advantage," (1994) Harvard Business Review 96 - 108.

¹³ E.g., M. Gerlach, Alliance Capitalism (Berkeley: University of California Press, 1992).

¹⁴ See, e.g., G. Idelson, "Doing Business with Consumer Advocacy Groups" Mobius July 1992, pp. 3-5.

¹⁵ E.g., R. Mayer, "When Businesses Oppose Businesses in Support of Consumerist Goals," (1988) Journal of Consumer Policy 375 - 394. See also, G. Idelson, op cit.

¹⁶ A "strategic partnership" has been defined as a working relationship that reflects a long-term commitment, a sense of mutual cooperation, shared risk and benefits, and other qualities consistent with concepts and theories of participatory decision-making: per J. Henderson, "Plugging into Strategic Partnerships: The Critical Connection," (1990) Sloan Management Review 7-18. A definition of strategic alliances as suggested in the business literature is provided in a later footnote.

¹⁷ See, e.g., R. Johnston and P. Laurence, "Beyond Vertical Integration -- the Rise of the Value-Adding Partnership," (1988) Harvard Bus. Rev. 94 - 101.

which are less familiar to the consumer and can often involve hidden characteristics which could be perceived as threats by the less informed purchaser. These perceived concerns can be lessened greatly through receiving consumer feedback very early in the innovation and product development process and through sharing information and insights between industry and consumer groups. The result is better products and services which are more likely to find customer acceptance and a profitable market niche earlier than would otherwise be the case.

Second, strategic alliances with consumer groups would contribute to, support and at times validate the activities of a company or industry in a way which may forestall more direct government intervention which would be more costly for the company, industry and perhaps ultimately consumers and the total economy. This is the reason why some companies and industries have involved their customers and/or consumer groups from the outset in the development and implementation of voluntary codes of practice. Finally, a strategic alliance with a consumer group would provide an industry or business with access to the group's networks and partnerships already in place with other consumer associations in Canada and elsewhere, with other NGOs such as environmental groups, and with government and international organizations. Access to these networks and partnerships would be an additional source of market intelligence and would further contribute to the ability of the company or industry to favourably influence public opinion and government policy formulation.

To summarize, strategic alliances are seen as flexible, highly variable methods for two or more entities to work together. They necessitate some sort of organizational or operational arrangement amongst the parties to the alliance, although the nature of that arrangement can range from extremely informal through to very structured. More structured administrative arrangements may be advantageous in cases where disagreements or disputes could subsequently arise as to the nature of the relationship. Strategic relationships inherently involve some degree of relinquishment of independence, but that relinquishment can be very minor. SAs can be temporary or semi-permanent, designed to link groups at a day-to-day operational level, or only at a public relations level.

2.2 Consumer Groups, Strategic Alliances, Economic Theory and the Marketplace

Public interest organizations¹⁸ such as consumer groups are particularly susceptible to a phenomenon known in the economic literature as the "free rider" effect.¹⁹ The free rider effect can have both positive and negative impacts on consumer groups, and in both respects, can stimulate consumer groups to enter into SAs. Essentially, a free rider is an individual or group who benefits from an activity undertaken by someone else, without fully "paying" for that benefit. The phenomenon exists because an individual or group which creates the benefit produces a positive externality, which it cannot capture through economic rent. Consumer groups are both potential victims and beneficiaries of the free rider effect.

Looking first at the negative aspects for consumer groups, the free rider effect manifests itself when the benefits of a group's advocacy efforts (e.g., to create a new law, overturn a decision, change an existing law, policy or program), can be enjoyed by both members and non-members alike. In effect, a non-member can "free ride" on the work of a group, without bothering to join. The following example will illustrate how the problem manifests itself in practice.

In the 1980s, the Consumers' Association of Canada (CAC) and the Public Interest Advocacy Centre were successful in persuading the Canadian Radio-Television and Telecommunications Commission (CRTC) to require Bell Canada to refund certain monies it had received from its customers. In spite of the fact that this refund was largely the result of work by CAC and PIAC, Bell Canada customers received the refund *regardless of whether they were members of CAC or PIAC*. This is the nature of much public interest work; the benefits of a group's advocacy work are often distributed far beyond the actual membership of the group. As rational economic actors, many individuals conclude "Why should I bother to join a consumer group if I can benefit from the fruits of their labours without joining?". As a result, consumer groups may have particular difficulty attracting members, and thus developing a revenue base

¹⁸ A public interest group has two key distinguishing characteristics:
(1) it has particular difficulty overcoming the "free rider" problem; and
(2) the primary objective of the group is to advance broad societal interests which, if the group is successful, will not materially benefit members any more than non-members.

For further discussion of the distinctions between public, **Charter** (constitutionally-recognized), and special interest groups, see Finkle, Webb, Stanbury and Pross, **Federal Government Relations with Interest Groups: A Reconsideration** (Consumer Policy Branch, Consumer Sector, Industry Canada: Ottawa, 1994), esp. Chapter 2.

¹⁹ See especially M. Olson, **The Logic of Collective Action** (1965).

upon which to support their advocacy work.

Compare this situation with that of a special (commercial) interest group.²⁰ The key distinction between a special and a public interest group is that special interest group members expect to receive *direct, material* benefits from the group's advocacy work, above and beyond what non-members get. For example, a group of domestic automobile manufacturers might form an association with the hopes of persuading the government to put in place laws which would restrict imports of foreign makes of cars. The effect would be to materially benefit the members of the domestic auto manufacturers association far above those of non-members (indeed, consumers would be the losers if such a law were to be put in place). Because of the comparatively small number of domestic car manufacturers, and the fact that these manufacturers would be major financial beneficiaries of such a restrictive import policy, there would be a strong inducement for all such domestic manufacturers to join the group. There are, in fact, other reasons why domestic manufacturers would probably be induced to join the group,²¹ but these are not germane to this discussion. Because commercial special interest groups such as business associations tend to have less difficulty attracting members, they have a financial advantage over public interest organizations such as consumer groups. As a result, consumer groups may have a particularly strong inducement to enter into SAs (with other consumer groups, with government, with business, etc.) in order to maximize the benefits from limited financial resources and memberships.

In certain circumstances, the free rider phenomenon can have a positive impact for public interest organizations such as consumer groups. To illustrate this, we should take another look at the hypothetical situation of the domestic auto manufacturers who lobby for a law restricting foreign auto imports. If such a law were to be proposed, it would not be at all surprising for another special interest group to form -- a group of foreign auto manufacturers. The objective of the foreign auto manufacturers' group would be to ensure that foreign car manufacturers have the same access to the Canadian market as do domestic manufacturers. And because a law which facilitated access to the Canadian market would directly benefit foreign car manufacturers, above and beyond that of other persons or groups in society, there would be a strong inducement for foreign car manufacturers to join that group.

²⁰ Special interest groups can be both commercial/economic/market-oriented and non-commercial in nature. For the purposes of this paper, the focus will be on special interest groups which have more of a commercial and market orientation. These are generally defined as encompassing associations which represent a specific industry or profession, such as the Canadian Bankers Association or the Canadian Medical Association.

²¹ E.g., the fact that costs associated with advocacy work of businesses are considered legitimate business expenses, and as such are tax deductible. For further discussion on this point, see Finkle, Webb, Stanbury, and Pross, *op cit.*, esp. Chap. 6.

Even though a consumer group could not be a full member of an association of foreign car manufacturers -- and presumably would not want to be -- they nevertheless can "free ride" on the lobbying efforts of that group. For example, the foreign car manufacturers association would probably produce a paper showing the benefits of free access to the market, and would hold high profile press conferences, lobby individual Ministers, appear on television debates to advocate their cause, and so on. Domestic consumers would benefit from all of this work, if it were successful, without joining the group. In this way, it can be seen that occasions may arise when individual consumers and consumer groups can free ride on the advocacy work of the private sector.²²

It would also be possible for the foreign car manufacturer's group and a Canadian consumer group to temporarily form an alliance which could conceivably be beneficial to both groups. The consumer group would benefit from the research and exposure provided by the efforts of the foreign car manufacturer's association, while the foreign manufacturer's association would benefit from the consumer information, domestic market expertise and greater credibility they would have by being affiliated with a group of Canadian consumers.²³ While such private sector-consumer group alliances may be problematic in some cases,²⁴ this does not detract from the basic point that, in some situations, the free rider phenomenon can be used to advantage by consumer groups. At a more fundamental level, the example illustrates how competitive interests and consumer interests can coincide in order to allow two very different types of groups to work toward the same goal. The two interests can complement each other and work together in order to achieve a goal of importance to both of them, although their motivations may be different.

In summary, consumer groups are both potential victims and beneficiaries of the free rider effect, and in both cases, the existence of the free rider effect can stimulate the formation of SAs by consumer groups. The free rider phenomenon makes it difficult for consumer groups to attract members, and thus decreases their ability to obtain the resources necessary to effectively advocate

²² It is also possible for one consumer group to free ride on the work of another consumer group, government, or NGO. Consumer group-special (commercial) interest group free riding (and alliances) are merely the most dramatic example of the phenomenon.

²³ Consumers and consumer groups need to be alert to the existence of groups and alliances of groups which appear to be supporting public interests (and use the words "citizens", "consumers", "public" and "councils" in their names) but which are in fact representing essentially private interests. See discussion of "public interest pretenders" and "proxy lobbying" later in the paper.

²⁴ Consumer group members would need to assess whether the benefits of temporarily joining forces with private sector groups exceed the potential harm to the credibility of their group. Private sector groups would engage in a similar cost-benefit analysis.

on their members' behalf. For this reason, consumer groups might wish to engage in strategic alliances with other groups in order to maximize the limited resources they possess. At the same time, consumer groups can benefit from the free rider phenomenon in certain circumstances. They can "free ride" on the work of some private sector groups, who, in the course of advocating new laws or changes in laws which will specifically benefit the members of these private sector groups, may also benefit the greater consumer community in the process. Alternatively (since free riding has its limitations), while private sector and consumer group motivations can be quite different, their goals may be the same in some situations, so that SAs between them may be mutually advantageous in certain circumstances.

3.0 Strategic Alliances In Practice

Using interviews and literature searches, the authors reviewed a number of existing or recent strategic alliances involving consumer groups. A summary of these SAs is set out in the Appendix to the paper. Below, major conclusions emerging from this research are provided. First, the main reasons why consumer groups enter into alliances are discussed. This is followed by examination of why some consumer groups resist entering into SAs. Then, a summary of the main lessons learned from the current SA experience are set out. Finally, a discussion of the Canadian Environmental Network, and its relevance to consumer group alliances is provided.

3.1 Why Consumer Groups Enter Into SAs

Research suggests that there are a wide variety of reasons why consumer groups would consider forming a strategic alliance with other entities: other consumer groups, NGOs, an individual firm, industry associations, government agencies and so on:

- (a) *to increase media profile.* By working with others (consumer groups, environmental groups, health groups, government, the private sector, etc.) there is a greater likelihood that the media will find a group's position on a particular issue to be noteworthy and credible. Indeed, the mere fact that certain diverse groups have agreed to work together can be a story in itself.²⁵ In turn, with a higher media profile, there is a greater likelihood that a target audience -- be it individual consumers, government decision-makers, or private firms -- will hear the group's message.
- (b) *to demonstrate that a broad-based common response exists to an issue.* Decision makers, media and the public have greater difficulty dismissing an issue as being of marginal importance if it is championed by a coalition of interests, representing a broad spectrum of society. For example, the People for Affordable Telephone Service (PATs) coalition protesting proposed telephone rate increases, included consumer groups, anti-poverty organizations, seniors, students, labour, and other groups.²⁶ Thus, coalitions can demonstrate the breadth and depth of concern felt by Canadians regarding a particular

²⁵ See discussion of joint press release issued by the Consumers' Association of Canada, the Canadian Restaurant and Foodservice Association and the Grocery Products Manufacturers of Canada concerning GATT in **Appendix B**.

²⁶ See **Appendix B** for more detailed discussion.

subject.

- (c) *to gain credibility.* The credibility of a small consumer group can be enhanced by working with more established entities -- be they other consumer groups, private firms, or government. By the same token, the private sector can improve its credibility regarding a particular issue or problem by working with respected consumer or environmental groups.

For example, McDonald's Corporation of Illinois has worked with the Environmental Defense Fund (EDF) of New York concerning research on how to reduce solid waste.²⁷ The fact that EDF, a nationally recognized environmental advocacy group, would work with a major corporation which had been the subject of a continuous negative publicity campaign by environmental groups,²⁸ probably assisted McDonald's efforts to be perceived as seriously attempting to address the problem. Some commentators have spoken of "proxy lobbying", which has been described as the mobilization of essentially independent interests by the private sector.²⁹ The important point, for present purposes, is that a major marketing point for many consumer groups is their perceived integrity (i.e., their lack of profit motive) in the eyes of the public and government. As a result, consumer groups must be very careful to ensure that this integrity is not compromised by alliances with parties who perhaps do not possess as high a reputation.

- (d) *to gain share exchange information and capitalize on the group's consumer and market expertise.* Understanding and critical evaluation of:
- the extent and impacts of a problem in society,
 - probable consumer reactions to a particular issue or proposed solution, and
 - experiences with similar consumer and marketplace problems in other jurisdictions.

This type of information and expertise is the stock-in-trade of many consumer groups. On the one hand, consumer groups might wish to carefully protect this information in order to maintain the value of their "currency" in decision-making circles. On the other, an issue

²⁷ See T. Hemphill, "Corporate Bedfellows Cozy Up for a Clean Environment," (1994) 90 Business and Society Review, pp. 38 - 44.

²⁸ Ibid.

²⁹ See, e.g., "Beyond coalitions: Using proxy lobbying," Lobby Digest and Public Affairs Monthly June 1994, Issue 56.

may be left unresolved or poorly handled because no one party was aware of who to turn to or how to access information concerning the issue. As is discussed later in the paper, the existence of a network can facilitate the ability of groups to collect information about a particular issue into a comprehensive and cohesive whole in a short period of time. This would greatly facilitate the mobilization of interest groups in response to a societal problem, thus allowing the groups to be more effective, and to take credit for their contributions.

Consumer group-private sector information alliances also show great promise. In the 1980s, the Automobile Protection Association produced a report concerning the cost of replacement auto parts. This report was subsequently used by American insurance associations for their own advocacy purposes before the U.S. Senate in hearings on patent protection for automobile parts. Although no alliance took place regarding this report, it suggests that such diverse groups could work together since both may have common objectives as well as useful information to share. Indeed, insurance association-consumer group alliances are not uncommon in the United States, as described in Appendix B.

- (e) *to gain/share/exchange personnel/expertise.* Studies suggest that at times consumer groups -- while possessing significant general consumer and market information -- can be at a considerable disadvantage with respect to more specialized knowledge and expertise, when compared with their private sector or governmental counterparts.³⁰ Particularly where technological, "leading edge" issues are concerned, it may be difficult for consumer group representatives to keep abreast of the latest developments. For this reason, pooling of resources by a number of groups to share knowledge and expertise and perhaps the cost of an expert may be an effective strategy.

In some cases, the private sector may "lend" experts to public interest groups. The New York-based World Environment Centre has borrowed technical experts from private businesses and placed them in pollution control projects in the Third World.³¹ Similarly, consumer groups could make use of government or private sector personnel in order to develop a report on a particular subject, and government or private sector organizations could benefit from the perspective of a consumer advocate in developing programs and policies. At the federal level, executive exchange programs are in place which would

³⁰ See, e.g., R. Friedman, "Representation in Regulatory Decision-Making: Scientific, Industrial, and Consumer Inputs to the FDA" (1978) Public Administration Review 205 - 214.

³¹ See J. Mitchell, "No deals," (Oct., 1978) Report on Business Magazine, pp. 72 - 78.

allow this type of personnel sharing.³²

- (f) *to gain/share financial resources.* In Canada, governments are reducing funding to consumer groups. As a result, the ability of consumer groups to find other sources of funding is likely to be crucial. An American commentator writes "The 80s were lean years for consumer groups. For some, working with business meant survival."³³ The U.S. Consumers' Union has provided financial assistance to the CAC.³⁴ In certain circumstances, governments may actually encourage groups to form into alliances, if they wish to receive funding.³⁵ Environmental groups have also received corporate donations.³⁶ However, there may be rules in place which restrict the ability of consumer groups to receive private sector financing.³⁷
- (g) *to gain/share equipment, facilities, and services.* The CAC has "piggybacked" membership and quarterly bulletins in copies of the U.S. Consumers' Union **Consumer Reports** destined for its Canadian subscribers.³⁸ Other possible sharing could involve office space, use of computers, and long-distance telephone lines.³⁹

³² For example, our understanding is that the executive director of the International Chamber of Commerce was borrowed from the Department of Foreign Affairs and Trade Development through such an executive exchange program.

³³ See Idelson, op cit..

³⁴ See Appendix B for greater details.

³⁵ E.g., see Ontario's Intervenor Funding Act requirements.

³⁶ Some Canadian environmental groups are now receiving funding from corporations. For example, in 1988, 7% of Pollution Probe's \$1.4 million budget came from corporate contributions. In the same year, 1% of the Friends of the Earth's budget came from corporate contributions: see: "a divisive alliance: the controversy over product endorsements," Maclean's Magazine, July 17, 1989, p. 40. Of course, donations should not be equated with SAs.

³⁷ See, e.g., the International Organization of Consumers Union rules, as discussed below.

³⁸ See Appendix B for more detailed discussion of this SA.

³⁹ Not-for-profit companies often donate rooms and other resources for meetings of the U.S. Telecommunications Policy Roundtable. See discussion in Appendix B.

3.2 Why Consumer Groups Might Resist Use of SAs

Consumer groups have suggested a number of reasons why they have not entered into strategic alliances:

- (a) *concerns with losses of independence and public credibility.* Many groups are very concerned about any restrictions being placed on their ability to speak or act as they see fit, in the best interests of their members.
- (b) *ideological differences.* For example, some consumer groups might feel alliances with the private sector are an anathema to their existence.
- (c) *personality differences.* Clearly, if key personnel in two entities do not get along, there is little likelihood or point in pursuing SAs between such entities.
- (d) *inter-group competitiveness.* Groups might feel that there is only a limited amount of financing or good ideas around, so that sharing of information and resources is not wise. In addition, there is merit in different groups taking different positions, and taking pride in their independent positions, since it gives consumers, decision-makers and the media an indication of the variety of approaches to problems which may exist.
- (e) *structural impediments.* The bylaws of some groups might prevent the groups from entering into certain SAs. As well, the terms of certain alliances may explicitly forbid member groups from engaging in commercial alliances.⁴⁰
- (f) *time/energy/resource constraints.* SAs can be very time and resource consuming, since they frequently involve discussions pertaining to the terms of jointly issued press releases, and the development of strategies and operating rules. As a result, consumer groups might decide to forego entering into alliances and instead focus on fulfilling their own objectives independently.

In short, there may be sound reasons why consumer groups may be reluctant to enter into SAs. It is important to realize, however, that SAs are flexible instruments, and can in some cases be developed to respond to many of these concerns. For instance, to address potential problems regarding the loss of independence, SAs can be framed to be of limited time duration, with clearly defined shared goals; restrictions on groups receiving cash subsidies (as is the case with Consumers International members) do not prevent alliances regarding information, expertise, and

⁴⁰ See, e.g., discussion of CAC-CU alliance in the **Appendix B**.

equipment; and the appearance of high initial costs to implement an SA needs to be weighed against the potential for longer term financial and other benefits of such arrangements. Thus, groups should look carefully at any perceived impediments to alliances, in light of the potential advantages which may flow from finding, developing and capitalizing on common ground with other consumer groups, NGOs, government and business groups (depending on the circumstances).

3.3 Lessons Learned from SA Experiences

(a) Strategic alliances between consumer groups and other public interest groups can be particularly useful.

Groups representing seniors, students, disadvantaged communities, environmentalists and many others are in many ways diverse, with special needs, interests, and expertise. But in other ways, they have important characteristics in common: underneath their diversity, seniors, students, disadvantaged individuals, and environmentalists are all consumers, they represent the "demand side" of the economy, and they all can be marginalized on a given issue. Consumer groups may be able to call on this "greater community" of interests to respond to a particular issue, and as a result demonstrate to others the broad band of support their position holds in society. The People for Affordable Telephone Service alliance represents a good example of this type of cross-public interest group SA.

(b) Consumer groups may currently be underselling their inter-group connections, in the eyes of the greater community.

It is common practice for consumer groups to informally refer an individual or official with a question or complaint on to another group, when it is known that the other group has particular expertise in a given area. However, if this is the extent of the "sharing" which takes place between groups, it may fail to demonstrate in a visible way to the public, the media, and to decision-makers that groups share a common position on a particular topic. Thus, alliances can be a way of publicly demonstrating inter-group solidarity, whereas referrals only quietly suggest such solidarity.

(c) Providing some kind of structure to an alliance can be a useful safeguard against problems.

In the right set of circumstances, a formal, structured alliance can act as some assurance that things will not go wrong in the future. Clearly, such a structure is not appropriate in many circumstances, but particularly where money is involved, and alliances across different types of groups and different economic sectors are being considered, formal agreements between parties may be particularly appropriate. Terms of SA agreements will vary from one context to another, but can usefully include a statement of objectives, how objectives are to be accomplished, roles, obligations and rights of parties, duration, specific prohibitions, specific authorizations, decision-making process, and dispute

resolution process.⁴¹

(d) Particularly where consumer group-private sector alliances are being considered, early and regular discussion and consultation with membership may be appropriate.

The Pollution Probe-Loblaws experience⁴² provides an example of where membership and executive did not see eye to eye regarding the merits of a particular alliance. As a result, members of the Pollution Probe executive resigned, the rank and file was upset, and the media exposed existence of internal strife in several articles.⁴³ This negative experience does not suggest that such alliances should not be attempted and cannot be successful. Rather, the main lesson is that the shared interests and objectives and the benefits of the arrangement to the consumer group should be identified and articulated very early in the process, and this information should be shared with the membership -- and their views addressed -- before the alliance is formalized.

(e) SAs can be a very flexible instrument to promote shared goals and interests.

Even though groups may agree on the need for new laws, policies, approaches, etc. to a problem, there may still be considerable differences at the level of approach. This need not prevent development of flexible SAs, capable of reflecting or accommodating diversity. For example, with one American alliance pertaining to health and safety issues, the names of the groups on the letterhead changes depending on the issue concerned.⁴⁴

(f) Alliances may start with a single issue, and then evolve into an ongoing relationship.

Alliances, like any type of relationship, are capable of evolving with changed circumstances. In Canada, the Environmentally Sound Packaging Coalition was created originally to respond to a particular policy opportunity, but has since carried on in reflection of ongoing need.⁴⁵

⁴¹ See discussion of McDonald-EDF alliance for example of formal, written SA, in T. Hemphill, *op cit.*.

⁴² See **Appendix B**.

⁴³ See **Appendix B**.

⁴⁴ See discussion of the Coalition for Consumer Health and Safety, in **Appendix B**.

⁴⁵ See **Appendix B** for more discussion of this SA.

In brief, then, discussion here suggests that all parties should be alert to opportunities to create and develop SAs, sensitive to the needs and concerns of members and others, cognizant of the continually changing nature of policy issues, and open to the development of innovative structures and forms of SAs which are available.

3.4 The Role of Government Re: Consumer Group Strategic Alliances

Policy-making in government today relies on input from all affected stakeholders. Many of the issues facing society are particularly complex, driven by technological advances which necessitate knowledge of the latest developments, and their inter-relations to other technologies, standards and regimes. For example, protection of privacy necessitates at least rudimentary understanding of computers and computer encryption, telecommunications technology, international standards such as the OECD privacy guidelines, federal and provincial laws pertaining to privacy, practices of particular business sectors such as direct marketers and banks, as well as quality standard techniques such as ISO-9000.

Governments usually do not have difficulty finding industry spokespersons to represent their views on a particular issue. Indeed, industry is often the proponent of a new regime or policy, and thus takes a proactive role in promoting a program through the public policy-making process. Because industries have strong commercial motivations for forming into associations, are less susceptible to the free rider problem, and receive tax deductions for their advocacy activity,⁴⁶ the input pertaining to the "commercial" perspective of an issue is often comprehensive and state-of-the-art.

In theory, government officials should be able to represent the "demand side" perspective on any particular issue. Thus, for example, environment, health and consumer perspectives should all be reflected within the ranks of government since there are agencies within government which are specifically assigned with this responsibility.⁴⁷ But the reality is that the reactions of citizens concerning environment, health and consumer issues are very diverse, and government would be remiss to assume that a handful of officials located within a bureaucracy can hope to represent that diversity. Moreover, the perceived legitimacy and credibility of government policy decisions is enhanced when prior, meaningful consultations have taken place with affected consumer groups.

For practical reasons, government officials might prefer to deal with national, general issue

⁴⁶ See generally, Finkle, Webb, et al., op cit.

⁴⁷ E.g., the Departments of Environment, Health, and the Consumer Affairs Sector within Industry Canada.

consumer organizations, since there is some assurance that by consulting with such groups they will have solicited the views of Canadians across the country. Moreover, it might appear to be easier to simply consult with national groups rather than attempt to identify and reconcile the views of several groups. However, in light of the technical nature of many modern policy issues, it may be that diverse, informed consumer perspectives cannot be located by simply relying on any one group. Moreover, the representativeness of any one consumer group might be the subject of debate. Accordingly, government consultation processes which rely on only a single consumer group as spokesperson may be susceptible to criticism as not reflecting the diversity of perspectives actually available.

An alternative perspective would be to obtain the views of a broad cross-section of groups with consumer-oriented mandates, since this might lead to a more accurate reading of the diverse perspectives which exist in society. At the same time, however, it is difficult for government to know which groups might have an interest in a particular issue, and how one group's perspective might relate to that of another.

Strategic alliances can be seen as representing a partial answer to this problem. SAs could draw together diverse interests, and provide governments with a manageable method of ensuring high quality, broadly based input into policy decision-making processes. We have seen how an alliance of consumer, poverty, senior and student groups was brought together to protest a proposed hike to long distance telephone rates. But there are impediments to diverse, often poorly financed groups "finding each other" and working out common positions in a timely and effective fashion. There are two main impediments to development of SAs which can be identified.

The first is internal to government, and pertains to existing policies and practices of government toward consultations. Individual departments and units within departments must review their consultation policies and practices to ensure that existing approaches are not structurally biased in favour of using national groups rather than alliances of diverse groups. Moreover, consultation policies should recognize that some type of assistance might be necessary to allow groups and alliances of groups to participate meaningfully in a decision-making process. Where no consultation policy is currently in place, departments might adopt an ad hoc approach. Such approaches might tend to favour established national groups over more disparate (but perhaps more useful, and more likely to be perceived as legitimate) alliances of regional or specialized groups.

The Office of Consumer Affairs is in the process of developing principles pertaining to consultations regarding consumer issues. The objective is to articulate principles which recognize the value of meaningful consumer representation in policy decision making, the need in certain cases to provide assistance, and the need to be sensitive to the value of using spokespersons for diverse groups, and not only national groups, in consultations. It is suggested that other departments and units within departments review their existing consultation policies and practices with the foregoing in mind, with a view to developing consultation processes reflective of the value of SAs.

The second impediment to development of consumer SAs -- the costs, dangers and difficulties in finding the right partner(s) -- is often external to government, and is discussed below in sub-section 3.5.

Finally, under certain circumstances, government can play an important role as a partner to consumer groups in strategic alliances -- for example:

- partners in the development, implementation and monitoring of voluntary codes of practice which involve industry and/or other groups; or
- through research partnerships between consumer groups and government agencies such as the current literacy project between the Consumers' Association of Canada (CAC) and Health Canada; and the partnership

More Generic Consultation Principles Now Under Consideration

1. Consult early to ensure the consumer perspective is introduced at the outset and thus well before policy positions are firmed up
2. Consult in a meaningful way on substantive issues of clear interest to the association and its members
3. Consult to facilitate two-way exchanges of information -- and listen to what the association has to say
4. Tailor consultation initiative to the policy issue and the needs of the group(s) being consulted
5. Use consultations and follow-up to help associations -- with different sizes, mandates, regional scope, etc. -- to network and identify potential partners and alliances in and outside government
6. In short, use to advantage the department's broad mandate and wide range of client groups representing all aspects of the marketplace to assist the consumer movement in networking and building partnerships and alliances

These more generic principles will be further refined and made operational as part of OCA's contributions to the department's overall consultations strategy, and in particular to departmental efforts in promoting mutually beneficial alliances, partnerships and voluntary codes across stakeholder groups, including consumer associations.

now being considered by the CAC, the National Quality Institute (NQI) and the Office Of Consumer Affairs to conduct more detailed analysis of the survey results from the CAC and NQI project on service quality and customer satisfaction in Canada⁴⁸.

In many cases, when industry approaches government to establish a voluntary arrangement or alliance involving government in some way, the role of government will be to bring third-party participation and validation to the industry-government alliance through directly involving consumer groups and/or other NGOs (depending on the subject matter) in the development and implementation of the code or other type of alliance. For example, it is argued that consumer group involvement from the outset and on a continuing basis was a major factor in the successful establishment and continuing success of the Electronic Funds Transfer (EFT) Code of Practice which was developed to protect consumers who use debit cards issued by institutions who are signatories of the Code. The previous federal department of Consumer and Corporate Affairs Canada played a major role in involving consumer groups in the work of the EFT Working Group from the very beginning in 1989. Debit card use in Canada has enjoyed remarkable growth in Canada over the 1990s, based on strong consumer acceptance linked in part to well developed "rules of the game" which included substantive input from consumers and their representatives. This Code of Practice is currently the subject of a major evaluation which is expected to be fully completed in the Fall of 1996.

The EFT Code provides a useful model for third-party participation and validation to government-industry alliances. This model is now being applied by the Office of Consumer Affairs in other areas, such as in the promotion of government/industry/consumer group research partnerships in investigating the industry and consumer advantages as well as the public and marketplace concerns raised by the application of biotechnology, environmental technologies/sustainable development and other enabling technologies⁴⁹. As well, third-party participation and validation are seen as essential conditions for success for many voluntary codes of practice and other voluntary arrangements which are the subject of a joint OCA/Industry Canada and Regulatory Affairs/Treasury Board Secretariat project. This project is to culminate in a Symposium being held in Ottawa in September 1996 and the possible drafting of a federal guide to the development and implementation of voluntary codes in the fall of 1996.

⁴⁸ The current thinking is that this additional analysis will give particular attention to the market, competition, industry and regional implications from the survey, as well as what these mean for any follow-up surveys and other work.

⁴⁹ See for example, the July 1996 issue of the Consumer Quarterly on Biotechnology published by the Office of Consumer Affairs.

3.5 The Canadian Environmental Network Experience⁵⁰

We have seen that it can be difficult for diverse, oft-times poorly financed consumer groups and other NGOs to "find each other" and work out common positions to particular policy problems in a timely and effective fashion. If groups cannot mobilize quickly, they may not be able to take advantage of an opportunity to influence a policy-making process, gain new members, or reach their publics. One approach is to establish an infrastructure within which groups with consumer and related marketplace interests are transmitted requests from government for policy input, can organize themselves in order to respond to these requests, and can provide feedback to government.

To cite one possible example, the Canadian Environmental Network (CEN) is a non-government, non-profit organization, providing a democratic forum for environmental organizations of diverse size, structure, mandate and constituency to have coordinated input into national environmental policy discussions. In addition to bringing environmental groups together, CEN acts as a liaison between environmental and governmental groups. Through CEN, the opinions, priorities and positions of hundreds of environmentally concerned groups are communicated to the government. CEN itself maintains neutrality on environmental issues, but plays a major role in the environmental movement by providing a focal point for information exchange and by helping groups to become better informed before they take positions. There are over 1600 groups participating in CEN.

In effect, CEN creates a "virtual" national environmental group to respond to whatever issue is of immediate concern to government at a particular time. The composition of that group will change from issue to issue, reflecting the priorities and expertise of its members. From the standpoint of government, CEN creates a "one stop" consultation mode, tending to ensure that a considered environmentalist perspective has been canvassed, and that a thorough examination of the issue has taken place. CEN is largely funded by the federal government.

In today's fiscal climate, there is very little likelihood that governments would be able to fund a "Canadian Consumer Network (CCN)". However, the Office of Consumer Affairs, working with Canadian consumer groups, is currently exploring ways to connect consumer groups together electronically through the Consumer Research Information Network (CRIN), which is now the subject of a pilot project on privacy using the Industry Canada Web Site: *Strategis*; and through placing consumer information and a consumer inquiry and referral service, on the Office of Consumer Affairs "Consumer Product" on *Strategis*. On a more long term basis, OCA has prepared and distributed for comment issues papers which explore the feasibility of a

⁵⁰ The following discussion is based on interviews by Kernaghan Webb with members of CEN.

Canadian Consumer Network (CCN),⁵¹ of a Canadian Consumer Foundation (CCF),⁵² and of employing Citizens' Utility Boards (CUBs) in Canada.⁵³ (These papers will soon be available on the OCA product on *Strategis* as companions to this document.)

Of particular interest to funding a CCF and/or CCN and to promoting consumer group participation in multi-stakeholder alliances in Canada could be the American experience with the operation of CUBs⁵⁴. In some American jurisdictions, utilities are required to insert a pamphlet from the CUB with bills sent to their customers. The pamphlet explains that the CUB has been created to monitor the operations on behalf of consumers, and asks for donations from ratepayers. CUBs have been effective at keeping rates low, and have attracted about a 5% donation rate, which has amounted to millions of dollars in the case of certain CUBs. A similar approach could be explored in Canada, whereby inserts were included in bank statements, telephone bills, cable television bills, etc. A portion of the money received could be placed in some kind of consumer foundation, which in turn could distribute it to a network as well as to individual consumer organizations, as need and opportunities arise.

It should be stressed that the Office of Consumer Affairs and the consumer movement are only beginning to explore the feasibility of employing CUBs in Canada to fund a consumer foundation and/or network or for other public policy reasons. Therefore, the value of CUBs in relation to SAs in a Canadian public policy context is currently quite speculative. Moreover, more work is needed by consumer groups regarding the value or feasibility of CUBs and the CCN and CCF concepts in Canada.

While the existence of Canadian CUBs and some type of Canadian consumer foundation, and the possible roles of these entities in relation to SAs is purely speculative at this time, the foregoing discussion is intended to provide the reader with some indication that, even though government funding is difficult in today's fiscal operating climate, innovative solutions may exist which could facilitate the development of a Canadian Consumer Network, and in turn, the use of

⁵¹ K. Webb and L. Cassels, Coordinating and Communicating: A Proposed Canadian Consumer Network (Ottawa: Office of Consumer Affairs, 1996).

⁵² K. Webb and L. Cassels, Developing New Sources of Funding: Time for a Canadian Consumer Foundation? (Ottawa: Office of Consumer Affairs, 1996).

⁵³ K. Webb and L. Cassels, Reaching Consumers: Learning from the U.S. Citizens' Utility Board Experience (Ottawa: Office of Consumer Affairs, 1996).

⁵⁴ See, generally, B. Givens, Citizens' Utility Boards: Because Utilities Bear Watching (San Diego: Center for Public Interest Law, University of San Diego School of Law, 1991).

SAs by consumer groups.

4.0 Summary/Conclusions

The major findings from this analysis can be grouped under the potential benefits and possible pitfalls and dangers to consumer groups from establishing strategic alliances with other consumer groups, industry associations and/or other parties.

Strategic alliances with other entities can offer important advantages to a consumer group.

- Strategic alliances are flexible, highly responsive methods for two or more entities to work together on issues of common interest.
- SAs are a useful way for groups to engage in consensus building, maximize value from their assets and limited financial resources, and facilitate sharing of information and expertise.
- SAs leave the participating groups intact, thus allowing them to maintain their independence, original mandates and membership base.
- Strategic alliances can be structured to last for a relatively brief period, or for a longer time period depending on the issues or the wishes of the participating groups.
- SAs may be particularly beneficial to smaller consumer groups, allowing them to come together with other groups so that in combination they can have the impact and resources of the larger marketplace participants.
- Strategic alliances can have a variety of mandates. They can be designed to work at the operational (program delivery) level, to conduct a major research program which requires the resources, information and expertise of more than one group, and/or to function at the advocacy (public relations) level⁵⁵.
- In light of the difficulties which national and other consumer groups seem to be having attracting members, SAs may represent an alternative method of aggregating a national perspective on the basis of a grouping of more local or single-issue groups. In a sense, SAs can create a "virtual" national consumer group with respect to a particular issue.
- In light of the move toward globalization, SAs between Canadian and non-Canadian consumer groups may be particularly useful in terms of representation in international standard-setting, information sharing, and administrative "long arm" assistance for

⁵⁵ Under the right circumstances and when the synergies are obvious, strategic alliances in the business world and perhaps among consumer groups in the future, could lead to more permanent arrangements such as joint ventures or a full merger. Further analysis of this possibility -- which could be perceived more as a threat by some entities -- is beyond the scope of this paper.

consumers.

- As consumer interests converge with those of business and other public interest groups, strategic alliances can be an effective method for groups with different mandates to come together to pursue joint objectives which are narrowly defined, without placing in question the independence, public credibility and visibility of the individual partners.
- Information exchange and swaps of other intangibles are integral to many strategic alliances involving the business community. The consumer information and marketplace expertise held by the consumer movement can be an important lever in promoting the establishment of mutually beneficial alliances with business and other interests.

However, strategic alliances for consumer groups are not without their dangers and pitfalls.

- Issues and partners must be selected with great care, for alliances with the business community as well as for other alliances.
- Strategic alliances are not a universal panacea. The existence of SAs can raise questions concerning the credibility and independence of consumer groups, while decision-making within alliances can be difficult.
- There can also be institutional constraints. Consumer groups considering use of SAs should review their charters to see whether there are any restrictions on their participating in SAs, and be prepared to make changes to remove any unnecessary impediments.

Methods exist for minimizing the dangers and pitfalls and their negative effects.

- Even if there are no institutional constraints, consumer groups should canvas the views of members before entering into SAs.
- Consumer groups should consider use of a written, fairly formal agreement concerning an SA as a method of ensuring that an alliance works out as intended.
- Consumers should be on the alert for proxy lobbying -- the mobilization of interest groups by the private sector to achieve its own aims -- and should develop the skills to differentiate this potential danger from opportunities for mutually beneficial alliances with the private sector.
- In short, each strategic alliance considered by a consumer group should be subject to a "notional" benefit-cost test to ensure the advantages -- e.g. enhanced visibility/credibility and greater resources for longer term research and policy advocacy -- outweigh the possible costs -- in terms of the costs of developing and implementing the arrangement as well as any perceived losses of membership and visibility/credibility with the general public.

Government could also be an important beneficiary of successful alliances and thus has a facilitative and supportive role to play in the establishment of alliances among its various client groups.

- SAs can assist government in its decision-making processes, facilitating a "one stop" consumer consultation process instead of a more complex multi-stakeholder approach.
- Consumer-private sector SAs can also assist industry in determining the market response to a proposed initiative (e.g. a new technology or product offering), and in demonstrating to government and the general public that the position business has adopted is not merely of interest to the private sector.
- Government could also be of assistance by: reviewing its existing consultation policies and practices; by putting in place approaches which facilitate the encouragement of input from SAs, as an alternative or adjunct to input from national groups; and by ensuring that consumer groups are directly involved from the outset in industry-government alliances and partnerships including voluntary codes of practice.

Development of successful alliances can be supported by other mechanisms.

- Because of the costs and expertise required, consumer groups can be at times at a disadvantage in terms of alliance building.
- For this reason, the Office of Consumer Affairs will work closely with the consumer movement to ensure that the Consumer Research Information Network and the OCA information product line on *Strategis* are utilized fully in identifying and building alliances. Over the longer term, OCA will continue to provide technical support and facilitation services to consumer groups interested in further exploring the feasibility of the Citizens' Utility Board concept in Canada to promote the consumer interest and perhaps to assist in funding a consumer foundation and/or network in this country.

This listing of the major conclusions from the analysis suggests that consumer groups may wish to consider the following questions before embarking upon a strategic alliance with another consumer group, a representative of the business community or some other NGO.

1. *What are the priority issues and interests for the members of your group, which are best pursued by the group working on its own, and which could be better promoted through an alliance with one or more other entities?*

The first step therefore would be to determine -- in full consultation with the consumer group's members and other interested parties -- whether there is a potential need for an alliance, and which issues, interests and assets of the group are best addressed, and capitalized on, in this manner. This analysis could also include a review of the kinds of issues which are best addressed through SAs, based on the experience of past alliances or the fundamental aspects of the issue and of the key conditions for success of alliances involving your type of organization. (a more generic description of these is provided in the text box on this page).

2. *Which groups might be possible candidate partners for an alliance(s) involving your consumer group?*

Possible candidates would be identified based on information regarding their interests, the intangible and other assets which they could bring to an alliance, and perhaps their track record on similar alliances involving consumer groups and other NGOs. The preferred candidates would have similar/shared interests and objectives with your group, important assets (in the form of information, expertise, contacts, etc.) which could not be secured except through an alliance, and a good reputation for working with consumer and other groups to achieve shared goals.

Conditions for Strategic Alliance Success

1. There are shared interests and objectives which are readily identified and translated into action.
2. All parties are bringing something of value to the alliance and the assets of different groups complement each other, that is, there are important synergies among the different partners.
3. More specifically, all parties are strongly committed to the alliance's success (there are no "free riders"), have agreed to the alliance's detailed terms and conditions, and have secured the support of each group's membership, key management personnel, shareholders etc. (depending on the group).
4. The rights, obligations and shared interests of all parties can be placed in some type of written agreement which is seen as adequate by all parties, but at the same time is non-legal and sufficiently flexible to allow the SA to respond quickly to unforeseen problems and opportunities.

3. *Can the shared goals, objectives, interests and concerns with these other parties form the basis of a mutually beneficial strategic alliance?*

Once potential issues and candidates are identified, more specific analysis is needed on the interests and rationale for a strategic alliance involving one or more other entities. (The text box on this page speculates on some of the issues which could bring consumer and industry groups together.)

4. *Is your consumer group clearly bringing something important and unique (beyond its prestige and credibility) to the alliance?*

These assets could take the form of group specific expertise, knowledge, information, contacts, networks or other proprietary assets that would not be readily available to other potential partners from another source. If the answer to this question is negative, the business or other group approaching you to establish an alliance may have an ulterior motive that may not be in your group's best interests.

5. *Does your potential partner(s) offer something of value to your consumer group?*

Obviously, the other entities must

a Menu of Possible Policy Issues which Could Bring Consumer and Industry Groups Together in the Future

- Alliances to promote **consumer acceptance** of biotechnology, the Internet, other information technologies, environmental technologies and other new products and technologies which are perceived to involve risks to consumers and thus financial risks to potential investors -- consumer and industry participation on the Information Highway Advisory Committee provides one example
- **Privacy**/protection of personal information -
- and more general **health and safety** concerns -- in a global economy without borders
- **transborder telemarketing** and Internet scams and investments frauds where honest traders and consumers are equally victimized
- Natural alliances between consumer groups and certain industries as we move towards **greater competition and market solutions** in telecom, financial services, electrical energy and some aspects of health care -- e.g. the potential for international coalitions to address the role of higher intellectual property standards in driving up pharmaceutical prices worldwide
- **Reform of trade remedy laws** (anti-dumping, countervail & subsidy) and on specific cases before trade tribunals
- Growth in **electronic payments** systems in the global marketplace and the resulting new financial services products -- along the lines of the Electronic Funds Transfer Working Group established in 1989.

also have important assets to bring to the alliance. Otherwise, the consumer group would be better off seeking other partners or going alone.

6. *What proportion of the interests and mandate of the consumer group is expected to be addressed by the alliance?*

If the alliance constitutes a major portion of the group's interests, an SA may not be the desired route, because the failure of the alliance would place the future of the consumer group at risk. At the very least, the alliance would place in doubt the independence and credibility of the consumer group. If the alliance would involve the vast majority of the group's interests, a more permanent relationship -- through a merger or acquisition -- may be the preferred course of action. Alternatively, remaining outside the alliance may be preferable.

7. *What would be the impact of the alliance on the group's other interests and priorities?*

The alliance might involve directly only a small part of the group's responsibilities, but could have important spillover effects on its other priorities. If these indirect spillovers are on balance positive, this would enhance the benefits from the alliance. However, if the spillovers are negative in the sense that they impede the group's ability to pursue other interests, these should be considered a cost of the alliance and could warrant a more serious look at alternatives to the proposed alliance.

8. *Are there alternatives to a strategic alliance that would be a more cost-effective method for realizing the goals of the consumer group and the interests of the other parties?*

Alternatives could range from going it alone and a less formal, more transitory relationship at one end of the spectrum, to a full merger if the benefits from joint action are seen as so compelling that a lasting relationship is desirable.

9. *More specifically, what are the potential advantages of the proposed alliance, the possible costs, dangers and threats, and the anticipated impacts of the alliance relative to the status quo or some other alternative instrument for promoting the consumer group's interests?*

Essentially, this step would bring together the results from the previous eight steps to prepare a notional benefit-cost analysis which would array and compare the potential advantages and disadvantages of a proposed alliance in relation to the status quo and alternative instruments available to the consumer group which conceivably could generate similar benefits and achieve similar goals. (See the text box on this page for a summary of the benefits and costs noted in this paper.)

10. *Can the answers to the above questions be transmitted in a credible and defensible manner to the consumer group's members, other consumer groups and NGOs, the media, your government contacts, consumers and the general public?*

It is important that the alliance be perceived as credible and beneficial by the group's members and outside parties, including the general public. If the rationale and anticipated benefits cannot be readily conveyed to others, alternative approaches may need to be

Possible Benefits and Costs

As described earlier in the text, the **benefits for a consumer group** of a strategic alliance with business or others can include:

- Enhanced public visibility, media profile and credibility and the opportunity to develop a distinct identity with government, business and the general public
- New opportunities to promote the consumer interest, domestically and internationally
- Greater resources -- funds, expertise, information, contacts, shared facilities etc. -
- to support the research and policy advocacy of the alliance as well as the group's broader mandate (potential positive externalities)

While the costs can include:

- Costs of developing and maintaining the alliance which could divert scarce resources from higher priorities
- Loss of independence, clear separate identity and public credibility
- Bad publicity, lost membership and credibility from a bad SA which fails to achieve its consumer goals (potential negative externalities)
- Less competition across consumer groups in the market for ideas and public/media attention

considered.

11. *Can the shared interests, concerns, benefits and costs be adequately captured in a written agreement or some other codified manner?*

The agreement would need to be credible, defensible and transparent, sufficiently flexible to respond to unforeseen problems and opportunities, capable of properly setting out the rights, obligations and expectations of the parties involved in and contributing to the success of the alliance. If these elements cannot be set out in a written non-legal form in a manner satisfactory to all parties, the prerequisites for an alliance may not be present.

5.0 Next Steps

Essentially, the next steps in advancing consumer group participation in strategic alliances are in the hands of the consumer groups in Canada and their members. Each group may want to review the analysis and suggestions contained in this paper -- and the questions provided in the previous section -- from the perspective of its interests and experience and the concerns and wishes of its members. Strategic alliances may offer some important advantages to many consumer groups in Canada, both large and small, but may not be for everyone. Regardless, the Office of Consumer Affairs stands ready to assist where required in:

- discussing and responding to questions about this paper
- pointing out opportunities for strategic alliances with other consumer groups, other NGOs and the private sector, in part through making strategic alliances and similar instruments an integral part of the consultation processes of OCA and other parts of Industry Canada with consumer, business/industry and other groups
- facilitating the establishment and use of the Consumer Research Information Network (CRIN), the OCA Consumer Information "Product" on *Strategis*, and other mechanisms in order to allow consumer groups to employ the information highway to network, share information and conduct research and analysis as part of the development and/or implementation of a strategic alliance.
- continuing to provide technical support and facilitation services in further exploring the feasibility of the Citizens Utility Boards (or CUBs), consumer network, and consumer foundation concepts in Canada.
- assisting consumer groups in networking and establishing useful contacts with other government departments, the provinces and other client groups of Industry Canada
- funding where appropriate and consistent with program priorities the research and policy

analysis which could be an important part of a strategic alliance which involves one or more consumer groups

As well, OCA will be happy to participate in any consumer movement led committee or research program established to further explore the potentials and pitfalls of strategic alliances among consumer associations and with other NGOs and industry associations.

However, in the final analysis, decisions on whether, when, on what issues, and with which groups, to establish SAs, are best made by the consumer groups themselves in full consultation with their members and other interested parties.

Appendix A
Strategic Alliances:
The Concept in Greater Detail

From the Perspective of Business

The particular popularity of the concept of strategic alliances in business circles would appear to be based on the fact that it takes advantage of certain characteristics of the marketplace as it exists today:

1. *time is often of the essence*: many strategic alliances are characterized by the continuing independence of the partners, and cover only a portion of the partners' total operations -- such as research and development, promotional activities, or foreign sales; accordingly, compared to a full merger or joint venture, an alliance can be put together in a comparatively short amount of time, and can operate for a short duration, and then be disbanded, allowing the creation of new alliances; at the same time, even the most informal strategic alliances differ from "one-shot" contracts because the partners in an SA make some effort to align their long term interests to achieve some shared objective -- whereas in a "one-shot" contract the relationship and shared interest do not go beyond the scope and duration of the contract⁵⁶;
2. *exploitation of a market opportunity often requires specialized expertise*: it may be less expensive to work with firms which possess that expertise rather than to attempt to replicate that expertise internally; accordingly, many alliances involve transfers of expertise, information and other soft assets which are difficult to value and thus exchange through contract;
3. *exploitation of a market opportunity may encourage links between knowledge- and service-based entities*, so that, e.g., one firm with an expertise advantage delivers its product through a firm with an infrastructure advantage;
4. *increasing globalization of the marketplace* means that previously existing barriers to inter-firm cooperation and to cross-border sharing of experiences, information and other "soft assets" are in some cases being removed or reduced, thus facilitating inter-

⁵⁶ However, some relationships which become a strategic alliance can begin with a "one-shot", arms-length contract which becomes the instrument by which two parties discover shared interests and objectives.

jurisdictional alliances in order to penetrate new markets;

5. *the interests of producers and users/consumers are converging*; in the globalized markets of today, information has become an integral part of a firm's resource requirements, and a firm's competitive advantage derives largely from quality, service, ability to adapt, and its knowledge of markets, technologies and customers; a strategic alliance with a user group can be a cost-effective instrument for a company to acquire the market information needed to consolidate its market position and profitability;
6. *globalization, freer international trade and rapid technological change require constant adaptation by producers and other marketplace participants*; strategic alliances can be an important instrument in achieving the desired adaptability; they often involve something new, innovative and forward-looking: a new research and development program, new products, technologies and processes, or a new marketing strategy to be conducted jointly by the parties; "strategic" has definite meaning here, indicating a concern with the longer-term, with investment rather than day-to-day operations, and with developing new markets rather than servicing existing ones.

In short, the key features of strategic alliances from a business perspective appear to be: the continuing independence of the parties with respect to those matters not covered by the alliance; a pre-determined (albeit generally longer term) time frame; the limited scope of the arrangement and greater flexibility of the parties compared to other business arrangements like mergers; and, reciprocity between the parties as seen in the sharing of objectives, information and key assets.⁵⁷

⁵⁷ A good summary of strategic alliances and their treatment under competition law and policy is provided in: Strategic Alliances Under The Competition Act: Director of Investigation and Research; Competition Act (Ottawa Ont.: Industry Canada, 1995). Other overviews of strategic alliances from a business and competition policy perspective are found in: Donald G. McFetridge, Competition Policy and Cooperative Innovation; (Ottawa Ont.: Carleton U., 1995); and, L. Waverman and S. Khemani, Strategic Alliances: a Threat to Competition? (Paris France: OECD Competition Law and Policy Committee, 1992). The latter paper offers the following definition of strategic alliances on page 4:

"...a form of inter-firm agreements or arrangements between independent firms which involve knowledge production or sharing activities aimed at developing new products or processes and new forms of production. In this regard, the alliance may entail exchange of R&D and/or transfers of various information."

The Competition Act paper stressed the kinds of transactions that can be integral to an alliance, noting on page 2:

"Another distinguishing feature of strategic alliances is that they generally involve swaps, trades or barter of goods or services, rather than the exchange of goods and/or services for money. As is generally the case with barter, there must be a close alignment of interests for this to be beneficial, illustrating the

From the Perspective of Consumer Groups

With slight variations, it can be seen that all of these conditions apply with equal force to consumer groups operating in the 1990s:

1. *a particular consumer issue may arise very rapidly, and necessitate an immediate response*, beyond the capacity of any one consumer group acting alone;⁵⁸
2. *certain consumer groups have known expertise in certain areas*,⁵⁹ so that SAs between groups could allow for more economical "servicing" of consumer interests than internal replication of this expertise by each group; as well, the market expertise and proprietary information held by some consumer groups could form the basis for mutually beneficial alliances with individual companies or industry associations;
3. *some groups are more "grass roots" than others*, with a broader membership base, and significant infrastructure⁶⁰ allowing them to fully service the needs of their members. Others have limited members, but excellent contacts and expertise in the political arena. Alliances between such groups⁶¹ could allow the more expert and politically connected group to receive community responses or test consumer attitudes via the grassroots group in an efficient manner;
4. *increased globalization of the marketplace* has meant more product and service standard-setting in international rather than national or provincial fora, and more "long distance" consumer transactions. Inter-jurisdictional consumer group alliances can act as advance intelligence for new problems, operational "long arm" assistance for Canadian consumers

complementary and reciprocal nature of the alliance partners' goals. Each party has something the other wants, involving either tangible or intangible assets (e.g. skills, knowledge, reputation or contacts). Strategic alliances, particularly those involving international partners, can also be designed to facilitate transfers of technology, surmount non-tariff barriers to trade, and/or reduce the time needed to gain access to new markets where expertise on local market conditions is required.

⁵⁸ The recent experience in Canada with the negative consumer reaction to use of "negative options" by cable televisions could be considered an example of a "flashpoint" issue necessitating an immediate response.

⁵⁹ E.g., concerning automobiles, the financial sector, health, etc.

⁶⁰ E.g., 1-800 numbers, newsletters, local representatives, etc.

⁶¹ Or between such groups and firms or between such groups and government.

in other jurisdictions, and potential allies in the negotiating and setting of standards.⁶²

5. *as producer and user interests converge, consumer groups can leverage their expertise to establish alliances with others*, including with business, leading to arrangements which could enhance the visibility, influence and financial self-sufficiency of the consumer association in a manner which does not place in question its overall independence and credibility;
6. *modern competitive economies require nimble consumers as well as nimble producers*; strategic alliances provide the consumer movement with an important innovative tool to respond effectively on behalf of their members to dramatic changes in the marketplace

Organizational Considerations

Because there appears to be equal need for inter-entity linkages to facilitate achievement of particular objectives in the marketplace regardless of whether firms or consumer groups are being considered, it is worthwhile to review some of the business literature on SAs, to determine its applicability to consumer group settings.

According to business commentators, key elements of private sector SAs include *organizational arrangements and operating policies* through which separate organizations *share administrative authority*.⁶³ This statement of the main operational attributes of business SAs would appear to apply equally to consumer group SAs. Thus, for example, the form of these organizational arrangements and operating policies used by consumer groups in their SAs can be highly variable, from quasi-contracts⁶⁴ through to vague verbal understandings worked out over the telephone.⁶⁵ The degree of formality (or lack thereof) may be a reflection of the stakes involved, the experience and background of the parties to the relation, or the degree of trust or

⁶² Inter-jurisdictional alliances between consumer groups and firms, and consumer groups and governments are also possible.

⁶³ This formulation draws on work by J. Badarocco, The Knowledge Link: How Firms Compete Through Strategic Alliances (Boston, Mass.: Harvard Business School Press, 1991).

⁶⁴ E.g., the terms of the alliance between the Consumers' Association of Canada and the Consumer's Union in the United States, described in Appendix B.

⁶⁵ E.g., the People for Affordable Telephone Service (PATs) alliance was largely accomplished via telephone and fax machine.

naivety of the parties⁶⁶. There is no guarantee that a more formal, structured strategic alliance will be any more likely to be successful than an informal, loosely worked out relationship. But if a working alliance sours, the existence of a written description of responsibilities and rights of the parties can be invaluable.⁶⁷

The amount of shared administrative authority can also vary from one context to another. In some cases, one party to the alliance will have clear leadership in decision-making,⁶⁸ while in others, a consensus model is used. For present purposes, what is important to emphasize is that each party to an alliance -- while remaining separate entities -- must, at least in the short term, relinquish some aspects of their independent decision-making in order to participate. This can be as minimal as agreeing to allow the name of an organization to appear on a press release with a listing of other names of organizations.⁶⁹ In other cases, it can involve sharing of information, provision of finances, and loaning of personnel, office space or equipment.⁷⁰ Thus, in some cases, a real ongoing working relationship is established, whereas in others the alliance may be largely a

⁶⁶ The business literature on strategic alliances makes a distinction between tactical and strategic alliances. Tactical alliances -- such as simple longer-term supply arrangements -- are largely motivated by a desire to reduce information and transactions costs, and are less likely to place at risk the strategic assets of the parties. Tactical alliances therefore tend to involve matters of convenience rather than of survival. Strategic alliances, which involve the strategic assets of at least one of the parties, are based on the sharing (through swaps or barter) of core/strategic intangibles -- information, technologies, trademarks, patents, other intellectual property, and proprietary information -- and are motivated in part by the problems with placing prices on intangibles (hence barter/swaps rather than regular marketplace transactions).

Tactical alliances therefore are more matters of convenience than strategy, involve an arrangement to carry out only a portion of the entity's business plan, create relatively little value added, require little maintenance, and are relatively easy to replace. Strategic alliances, by contrast, have longer-term repercussions, revolve around one or more of the entity's strategic or core objectives, involve a relationship important to the central planning and focus of the entity, create significant value added, require a great deal of maintenance, and are more difficult to replace. It could be argued that most of the consumer group alliances summarized in **Appendix B** are tactical in nature with low cost, low risk and limited benefit, rather than strategic involving high risk and potentially high benefit. The consumer movement will want to consider whether more of their alliances in the future will be more like the strategic alliances as categorized in this dichotomy.

⁶⁷ See below for more discussion concerning specific terms which could be agreed to as part of an alliance.

⁶⁸ E.g., in PATS, four groups play an active role, while others adopt more of a supportive capacity. See **Appendix B** for more details.

⁶⁹ E.g., see discussion of issuing of joint press release by Canadian producer and consumer interests in **Appendix B**.

⁷⁰ See **Appendix** for examples.

matter of public relations, designed to demonstrate a common position regarding a given issue to a decision-maker, a community, the general public, or the media.

Appendix B
Examples of Strategic Alliances and
Possible Lessons From Each

Consumer Group Alliances with other Consumer Groups

CAC-Consumers Union Alliance

In 1993, the Canadian Consumers Association (CAC) joined with the Consumers' Union (CU) of United States Inc. in a strategic alliance. The partnership followed the demise of the CAC's *Canadian Consumer* magazine. The CU agreed to carry the Consumers' Association of Canada newsletter, free of charge, four times each year to its 200,000 Canadian subscribers of *Consumer Reports*. This amounted to a greater distribution to Canadian consumers by CAC than the group had ever had before, and was in addition to CAC's own newsletter to its members. CU also agreed to carry CAC membership inserts in its November and December 1993 issues of *Consumer Reports*. This assisted the CAC in its membership drive. CU's offer was conditional on CAC not accepting corporate money, even if it was channelled through a private corporate foundation. In addition, CU agreed to forgive previous financial and other assistance which CU had provided to CAC on a loan basis, without attaching any conditions. With the exception of the CU-imposed requirement that CAC receive no corporate funding⁷¹, CU has no voice in or influence over Consumers' Association policies.

FNACQ-CAC (Alberta)

In the summer of 1994, the Fédération des associations coopératives d'économie familiale (FNACQ) and the Alberta division of the Consumers' Association of Canada (CAC) recognized the potential benefits of a strategic alliance. One initiative the groups have undertaken is to collaborate on common information interests. The complexity and ever-changing nature of biotechnology information has made it difficult for the groups to study the issues adequately. Consequently, the groups specialize in different topics: FNACQ concentrates on rBST issues while CAC (Alberta) focusses on agrifood matters. As the groups continue to work together,

⁷¹ Which some might view as a very serious impediment indeed given the financial problems of the CAC over the past number of years. A point for clarification in the future is whether this requirement would include fees for services rendered by a consumer group to the private sector under a contract or strategic alliance.

they may find it beneficial to look at other issues such as financing and networks. To date, the collaboration has been successful and has the potential to evolve into a more formal alliance.

SAs with other Public Interest Groups

PIAC and CFBA

In 1990, the CRTC put forth a controversial decision⁷² concerning caller identification services. Consumers would have to pay \$0.75 in order to withhold their number from caller identification display on Bell telephones. The decision caused a public outcry as consumers and consumer associations started to recognize the implications of caller identification. Groups such as the North York Interagency and Community Council Family Violence Committee believed that for women who were forced to live in shelters, caller identification could cause safety problems. PIAC represented the Consumer Fight Back Association (CFBA) in the 1991 CRTC hearings to appeal CRTC Decision 90-10. In addition, PIAC urged the public and other consumer groups to write letters to the CRTC. In 1992, the CRTC withdrew its initial decision authorizing telephone companies to charge \$0.75, and consequently CFBA's appeal was withdrawn as well.

Environmentally Sound Packaging Coalition (ESPC)

In 1987, the B.C. Wildlife Federation, the Consumers' Association of Canada - British Columbia Division, the Federation of B.C. Naturalists, Outdoors Unlimited and the Recycling Council of British Columbia founded the Environmentally Sound Packaging Coalition (ESPC) of Canada. The Coalition formed to oppose the reintroduction of the 4 litre plastic milk jug. The jug had been banned for the previous ten years in British Columbia and was allowed on the market without a system that would enable it to be completely recycled. Since then, the group has endeavoured to advocate the development and use of environmentally-friendly packaging and to promote reducing, reusing and recycling. The Coalition is actively involved in educating industry, government and the public with mailouts and pamphlets explaining the need for less and better packaging. The Coalition has received government aid in the form of grants which have been used to fund various projects like the *Truth in Environmental Labelling and Advertising Project*.⁷³ The Coalition brings together five groups dedicated to the creation of Vater

⁷² CRTC Decision 90-10.

⁷³ The objectives of this project were to change current business practices related to the use of environmental or "green" labelling and advertising which mislead and misinform consumers wishing to purchase products which are better for the environment. See *Truth in Environmental Labelling and Advertising: Report and Workshop Proceedings*, July, 1992.

management systems in the interest of consumers. It was federally incorporated in 1991.

HEAL

Established in 1991, the Health Action Lobby (HEAL), a coalition of seven national health and consumer organizations (founding members) and twenty affiliate organizations (affiliate members), is dedicated to protecting and strengthening Canada's health care system. Heal is committed to working with other organizations, the private sector, and governments to develop practical approaches to the problems confronting health care. The founding members were the Canadian Hospital Association, Canadian Long Term Care Association, Canadian Medical Association, Canadian Nurses Association, Canadian Psychological Association, Canadian Public Health Association, and Consumers' Association of Canada.

SAs with Government

CAC and CCAC

In 1992, a consumer conference⁷⁴ was organized by the federal department Consumer and Corporate Affairs Canada, the Consumers' Association of Canada, and the Society of Consumer Affairs Professionals in Business. The conference stimulated discussion concerning how marketplace changes affect consumers, businesses and government.

A Quebec Consumer Organization and the Quebec Government

The *Protégez-vous* consumer magazine published by the Québec Office de la protection du consommateur makes special arrangements with different consumer groups to focus on prevailing issues in the marketplace. In partnership with la Fédération des Associations coopératives d'économie familiale (FACEF), *Protégez-vous* provides a guide to consumer spending. This extensive pull-out helps the consumer to budget her money month by month. FACEF gains valuable exposure and funding from this publication, while the magazine gains a popular piece that aids in the selling of the magazine. Each year, the April issue is dedicated solely to automobiles and is prepared in cooperation with the Automobile Protection Association. Automobile survey results and new car recommendations are among the features of this issue. A similar arrangement was made with the Association des consommateurs du Québec (ACQ) for the yearly publication of a toy report in the November issue of *Protégez-vous*.

⁷⁴ The Marketplace in Transition: Changing Roles for Consumers, Business and Governments?

Industry Canada-CAC

Industry Canada and CAC Canada are currently working on a pilot project to test the feasibility of consumer group-operated alternative dispute resolution (ADR) services. If successful, the project may lead to permanent ADR services being provided by consumer groups.

This could simultaneously reduce the expense for government providing such services, while assisting consumer groups in finding a way to attract members and revenue (e.g., if consumers were induced to join a consumer group in order to receive the service, and if non-members paid a higher premium for the service).

SAs with Academics

ACEF des Bois-Francs et l'Université Laval

For its *Consumers Perspectives of the Advantages and Inconveniences of the Debit Card System* project in 1988-89, the Association coopérative d'économie familiale (ACEF) des Bois-Francs (Victoriaville) relied on the assistance of survey specialists from Sherbrooke University (Sherbrooke) to collect data in a scientific survey. In 1989-90, for its *Debit Card: a Model Contract Between Consumers and Financial Institutions* project, the ACEF des Bois-Francs had the assistance of professors from the Faculty of Law of Laval University (Québec City) to draft a model debit card contract.

ACEF-Centre and Université de Montréal

In 1994-95, for its *Complaint-Handling Procedures in Financial Institutions* project, the Association coopérative d'économie familiale du centre (ACEF-Centre) de Montréal conducted a telephone survey of two hundred bank branches in three provinces to determine the accessibility and effectiveness of dispute resolution procedures thanks to the voluntary participation of students in the Faculty of Social Service and the Faculty of Law of the Université de Montréal.

York University-CAC

Jim Savary, Associate Professor, Departments of Economics and Computer Science, Glendon College, York University, is also a Board Member of the National Consumers' Association of Canada (CAC). He was previously chair of the CAC's Policy Committee, and

recently was elected vice-chair of the Canadian Standards Association (CSA) Technical Committee on Privacy. He is a member of a group providing the President of the CAC with analysis and policy options support on issues under discussion at the Information Highway Advisory Council (IHAC), and performs a shadow function for the President of the CAC in attending all meeting of IHAC.

SAs with Businesses

CAC, CRFA, GPMC

The Consumers' Association of Canada (CAC), the Canadian Restaurant and Foodservice Association and the Grocery Products Manufacturers of Canada issued a joint press release urging the government to negotiate a GATT agreement that will allow Canada to move as quickly as possible to fair and competitive market prices for dairy and poultry products. This press release attracted attention from a national newspaper, which noted that the statement was "a rare cooperative effort."⁷⁵ Arguably, this type of alliance could be revived and placed on a more permanent basis given the continuing importance of trade policy issues to these groups and the Canadian economy.

BCNL, CCC, CMA, CAC, CMIT

In May 2, 1994, a joint press release was issued by the Business Council on National Issues (BCNI), the Canadian Chamber of Commerce (CCC), the Canadian Manufacturers' Association (CMA), and the Consumers' Association of Canada (CAC), calling upon the federal, provincial and territorial governments (Committee of Ministers on Internal Trade (CMIT)) to adopt free trade within Canada. This is an example of a temporary, public relations-type alliance of diverse groups intended to demonstrate a common position to decision-makers, the media, and the general public. Similar to the previous alliance, this one could also be considered for a more permanent structure as we move into the implementation and further negotiation of the ITA. As well, this alliance points out the potential for consumer and industry groups to come together on narrower trade policy issues and actions, such as an anti-dumping case before the Canadian International Trade Tribunal. In cases where the imposition of anti-dumping duties would help an intermediate producer but hurt its industrial customer, the retail sector, and the final consumer, the consumer movement could find willing partners among the business interests which would be hurt by these duties. The consumer group's information and expertise for example could assist the business interests in making a more compelling case before the Tribunal.

⁷⁵ "Barnyard Politics Threatens Farm Reform," *Globe and Mail*, December 12/93.

Pollution Probe-Loblaw's

In June of 1989, Pollution Probe agreed to endorse several of Loblaw's green products in return for royalties of as much as 1% of every item sold, amounting to about \$75000 per year.⁷⁶ Among the items that were endorsed were: commercial topsoil, organic fertilizer, disposable diapers made without chlorine bleach and a phosphate-free detergent. The alliance came under critical scrutiny by environmentalists both within and outside of Pollution Probe. For critics of the alliance, it was inconceivable for a non-profit environmental group, particularly one of Pollution Probe's repute, to join with a business to endorse disposable diapers for monetary benefits. A claim by Greenpeace's Michael Manolson that one of the endorsed fertilizers contained dangerous substances escalated the tensions.⁷⁷ Two disgruntled Pollution Probe employees resigned, and then the executive director of Pollution Probe, Colin Isaacs tendered his resignation. Pollution Probe cancelled its endorsement of diapers, but still continues to endorse other products.⁷⁸

ACEF-Centre and Quebec Law Firms

In 1990, following an article in its consumer magazine (*Consommation*) regarding health problems and breast implants, ACEF-Centre received over 500 calls from women having such problems. At the same time, Bristol-Myers Squibb (BMS) announced that it was pulling its breast implant products from the market. In light of the number of calls received, ACEF-Centre decided to explore with their legal counsel the possibility of undertaking a class action suit against BMS (the company referred to most often by callers). A second legal firm had also received a mandate from a complainant to initiate a class action suit against BMS. Because this second firm had more experience with class action cases, ACEF-Centre and its legal counsel decided to partner with the second law firm.

Although a \$28 million settlement was reached with BMS in June 1995, there was still a great deal of work to be done to assist women in preparing their claims. Since ACEF-Centre had been the go-between for claimants and the law firms before and during the class action and because neither firm had the ability to do this as effectively, they subcontracted the work of correspondence, telephoning, the preparation of claims, etc. to ACEF-Centre. And because the class action settlement will take place over several years, the subcontract with ACEF-Centre was to be renewed this year.

⁷⁶ "A divisive alliance: the controversy over product endorsements," *MacLean's Magazine*, July 17, 1989, 40

⁷⁷ Ibid.

⁷⁸ "Group withdraws 'green' product backing," *Globe and Mail*, June 26, 1989, A15.

Conglomerate SAs

People for Affordable Telephone Service⁷⁹

On September 16, 1994, the CRTC issued Telecom Decision CRTC 94-19. Essentially, this decision granted telephone companies permission to raise local telephone rates effective January 1, 1995. In order to achieve "rate rebalancing" it was expected that long distance rates would be reduced. *People for Affordable Telephone Service (PATs)* was established immediately following this decision to assess the impact of the CRTC decision on the public. PATs has put forth the position that the rate increase will cause undue and unnecessary hardship to residential consumers of telephone service. Consequently, PATs has pushed for an appeal and a fairer decision.⁸⁰

PATs has a unique membership consisting of consumer associations, anti-poverty groups, students, and other nongovernmental organizations. Members that play an active role in the proceedings are the Public Interest Advocacy Centre (PIAC), the Consumers Association of Canada (CAC), Fédération nationale des consommateurs du Québec, and the Public Advisory Council on the Information Highway. While a consultative process enables members to be heard and an informal consensus to be reached, a Steering Committee actually makes the decisions for the coalition.

PATs biggest challenges were twofold: finding groups who want to be involved in the coalition, keeping the public informed, and limited resources. A very tight budget provided by members' funds makes it difficult to have all the information translated. Given the interest of small business in these same issues, it is possible that an alliance with one or more of the small business associations might have addressed these problems to some degree. Accordingly, as noted in the text, PATs has recently established a coalition with the Canadian Federation of Independent Business, the Competitive Telecommunications Association, and the Canadian Cable Television Association to petition the federal Cabinet with respect to its decision on rate rebalancing of local and long distance telephone charges. There may be potential for this shorter term coalition to spawn a fuller, more long term alliance among some of its members.

The Alliance Against Fraud in Telemarketing⁸¹

⁷⁹ Based on a telephone interview with P. Lawson of PIAC by Mausumi Banerjee on November 17, 1994.

⁸⁰ CRTC Decision 94-19.

⁸¹ This information is based on several AAFT pamphlets

Since 1988 when the Alliance Against Fraud in Telemarketing was founded, the Alliance has endeavoured to alert the public to the high incidence of telemarketing fraud through cooperative educational efforts and specialized services. The AAFT attempts to keep the public abreast of major frauds involving telephone promotion with public announcements on television and the radio, information bulletins, and an annual press conference. Essentially, the Alliance acts as a clearinghouse for information on current and evolving telemarketing frauds, state and federal enforcement actions, new laws and regulations, and other developments in the field.

The 86 member⁸² coalition represents a wide range of industries including public interest groups, trade associations, labor unions, businesses, law enforcement agencies, consumer reporters, and consumer protection agencies. In addition, the Alliance has a smaller Steering Committee consisting of a membership of the American Federation of State, County and Municipal Employees; American Telephone and Telegraph; Call for Action; Direct Marketing Associations; Federal Trade Commission; National Association of Consumer Agency Administrators; National Consumers League; Pacific Telesis; U.S. Postal Inspection Service; and Visa International.

One issue raised by this alliance is whether some Canadian groups would be interested in joining it so that the alliance could become cross-border -- consistent with the problem.

The Coalition For Consumer Health and Safety⁸³

In 1988, a partnership of consumer, health and insurer groups was created under the initiative of the Consumer Federation of America. The founding members of the Coalition for Consumer Health and Safety realized that a joint effort to promote common health and safety goals could prove to be effective. The unlikely coupling of insurer groups with consumer and health groups resulted from the former's frustration with the rising rates of accidents due to carelessness. Another factor in the creation of the coalition was seen to be the director of the Consumer Federation of America, Stephen Brobeck. His integrity and general amiability fostered trust within the alliance.

The Coalition seeks to identify and effect solutions to health and safety threats in seven areas: motor vehicle safety, home and product safety, indoor air quality, food safety and nutrition, tobacco use, alcohol consumption and AIDS. With such publications as the *Consumer*

⁸² As of 1993

⁸³ Based on a telephone interview with Diane Neidle of the Coalition for Consumer Health and Safety by Mausumi Banerjee on November 17, 1994.

Health and Safety Agenda, *The Nation's Health and Safety: A Status Report*, and the pamphlet *Hidden Hazards*, the Coalition has succeeded in educating millions of Americans about health and safety threats and reforms. Other activities include: lobbying the government, and promoting and supporting member agencies. The coalition holds quarterly meetings that are mainly informational in nature, there is no formal voting that takes place. However, before letters are sent, copies are sent out to all of the members. Members have ten days to respond to the content. If they prefer not to support the position, their name is removed from the letterhead. If there is an overwhelmingly negative response, the letter is either not sent at all or the letter is sent with no names on the letterhead.

The budget of the coalition is \$100,000 per year. There is no funding by government or foundations. Rather, Insurance groups pay \$5000 per year. Most of the budget is divided between salaries and the publication of documents. As of January 1994, there were 38 members, but the Coalition is still growing as all consumer, health and insurer groups with a commitment to health and safety are invited to join.

Telecommunications Policy Roundtable⁸⁴

This is a group of more than 60 nonprofit consumer, labour and civil rights groups, and businesses concerned about the accessibility and relevance of the information superhighway. The original members of the Roundtable recognized the potential synergy of a coalition. The Group serves as a forum for discussion of current and important telecommunications issues. *The Roundtable is more informative in nature than adversarial.* Also, not-for-profit companies often donate rooms and other resources for Roundtable meetings. Actions that are undertaken are usually initiated by one group. Other groups are then given the opportunity to support the action. There is no voting because the roundtable lacks a formalized structure. Members of the Roundtable reap the benefits of the large organization by having a medium to foster relationships with other groups.

Public Information Exchange⁸⁵

In the United States, a Public Information Exchange (PIE) is currently being developed for the United States by the Reference Point Foundation. The system will allow the public to

⁸⁴ Based on a conversation with Emily Littleton of the Telecommunications Policy Roundtable with Mausumi Banerjee on November 29, 1994.

⁸⁵ Based on a telephone interview with Keith Tarr-Whelan, Director of Strategic Development & Alliances by Lynda Chau on February 10, 1995.

easily access various types of information by going on-line at convenient locations like the public library. Groups with common information interests are asked to form strategic alliances with a goal to package information in a systematic, easily accessible way. To date, four alliances have been created: the *Health Information Alliance*; *Consumer Information Alliance*; *Environmental Information Alliance*; and the *Public Affairs and Citizen Information Alliance*. Each of these alliances are completely separate from each other as well as from Reference Point. It is under the discretion of the umbrella foundation to define alliance membership requirements. The only condition Reference Point offers is that organizations contributing to the Public Information Exchange System must be non-profit organizations. Reference Point has its own strategic alliance with Sprint Ltd., Online Computer Library Center (OCLC), and Electronic Data Systems (EDS), which has fostered the development of the system.

Health Information Alliance⁸⁶

The National Health Council has been established by PIE to be the umbrella organization of this alliance. The National Health Council will act as a mediator between member organizations and will have the responsibility of organizing the information in a user-friendly manner. Since the Health Information Alliance is currently in the preliminary stages of organization, criteria has not been set for membership. There are 24 voluntary health agencies who wish to be involved with the Alliance. According to Mr. Robert Goldberg of the Council, membership requirements will probably meet the same standards of membership in the National Health Council. Member groups will not be required to change or reorganize structure to be part of the Alliance. Decisions will be made by an executive council which will also have the task of setting policy.

Environmental Information Alliance⁸⁷

The Environmental Information Alliance is led by the Center for International Environmental Law (CIEL) and World Resources Institute (WRI). The objective of this alliance is to coordinate consumer and educational information on the environment to input into the Public Information Exchange (PIE) System. The Alliance will also provide the service of aiding end-users in disseminating the information. Other members of the Alliance are Island Press and the

⁸⁶ Based on a telephone interview with Robert Goldberg of the National Health Council by Lynda Chau on February 14, 1995.

⁸⁷ Based on a conversation with Mr. Derwood Zaelke of the Center for International Environmental Law by Lynda Chau on February 14, 1995.

Institute for Global Communication. Funding for the Alliance has come from the organizations although it accepts charitable donations. The funding goes toward setting up costs as well as the salary of one full-time employee. Decisions in the alliance are made by discussion of the issue, analysis and finally consensus.

Consumer Information Alliance

The Consumer Information Alliance is a recently established alliance lead by the Consumer Information Centre (CIC). The CIC was established in 1970 to help Federal Agencies and departments develop, promote and distribute consumer information to the public. The Alliance has a similar goal, however the information that it coordinates will be distributed electronically.

Possible Implications of This Partial Review

- Alliances established for a specific event could form the basis for more permanent arrangements to the extent that the issues remain a concern to the partners, their membership and the general public.
- When U.S. alliances address cross-border issues, there may be potential for Canadian consumer groups and other Canadian groups to benefit from joining an already well established American or European alliance
- In establishing alliances, consumer groups will want to ensure that the alliance does not impose requirements which can substantially affect its freedom of action in financing and other core activities.
- Alliances can be a very effective means for sharing and building knowledge, expertise and credibility on difficult technical issues like biotechnology, the information highway, sustainable development, health care and product safety.
- They can also be an effective way for consumer groups working together to explore, test and share the costs of new services and methods for raising revenues.
- There may be existing strategic alliances among consumer groups which could benefit significantly from expanding their membership to include business and other groups. Business group alliances could realize similar benefits from expanding their membership to include consumer representatives. The expansion of the PATS alliance to include small business, cable TV and telephone interests provides a recent example of this potential.

Other lessons learned from this review are reflected in the main text.