

Types of Businesses



SPECIFIC EXPECTATIONS

After completing this chapter, you will be able to

- compare forms of business ownership
- identify the different types of businesses
- explain why a person or group of people would choose to establish one type of business rather than another
- identify the different business structures adopted by international business ventures

PROFILE

Mountain Equipment Co-op (MEC)

Around certain campfires, having a low Mountain Equipment Co-op (MEC) number is a defining characteristic of wilderness chic. Sara Golling is Member 21 and one of the founding board members. In 1971, she borrowed \$5 and bought her co-op membership. That \$5 price remains the same today. Golling's \$5 investment has not changed or grown. In a private company, her investment would have been worth millions of dollars, but at MEC, she's just like any of the other 2.3 million owners, making MEC Canada's largest retail co-operative. (A co-operative, sometimes called a co-op, is a business owned by the workers or by members who buy the products or use the services that the business offers.)

The idea of MEC began in a tent. In 1971, a group of students from the University of British Columbia varsity outdoors club decided to start a business. They were fed up with having to travel to the United States to buy decent climbing and outdoor gear, so they decided to do something about it. They opened an outdoor-goods co-op that would stock merchandise that no other retailer in Canada sold. In order to purchase anything at their store, customers would have to pay a one-time membership fee of \$5, which gave them a co-op membership. MEC has grown to be wildly successful without ever advertising.

Today, MEC is Canada's leading supplier of outdoor

clothing and equipment. The company has 11 stores across Canada, and customers can also shop by mail or online. In 2005, MEC's most successful year thus far, sales reached \$194 million and debt was eliminated.

From the start, MEC's major objective has been to have a small environmental footprint. In order to do this, MEC runs some programs that do not make conventional business sense. MEC created OutdoorGearSwap.com, a group where MEC members can trade their MEC equipment as opposed to buying more from MEC. Although this means fewer sales and lower revenue for MEC, it means less waste for the environment, and

it creates goodwill for the company. MEC stores are also environmentally friendly, built with recycled materials, and contain environmentally friendly features, such as composting toilets and roof-top gardens. People don't shop at MEC just because of their products, but also because they are endorsing a respectful corporate citizen.

Co-op members have unique privileges. Most importantly, members elect the nine-member board of directors that oversees all decisions made in the company. Members are encouraged to attend the annual general meetings, held in Vancouver, in order to cast their vote and have their voices heard. The co-op business model also

has business benefits. Co-ops do not pay income taxes on earnings. All profits are fed back into the co-op leading to lower prices for members.

The question remains, how has MEC been able to remain relevant and be so successful across generations of Canadians without advertising? Besides the obvious quality and variety of

products offered, many feel that it is the co-op aspect of MEC. The co-op model both encourages and enables MEC to hear and respond to all co-op members.



Customers looking to purchase outdoor gear, head into Mountain Equipment Co-op's Toronto store.

QUESTIONS

1. Why is the co-op model able to hear and respond to the needs and concerns of all co-op members? What special benefits do co-op members have that customers of a regular store do not have?
2. Why don't other companies take on the co-op business model? Identify a benefit that the co-op model provides when compared to a sole proprietorship, a partnership, and a corporation.