

The Co-operative Movement in Trade - Members and Consumers

C. S. NUTTALL

(Mr. Nuttall is Staff Tutor in Economics at the University of Birmingham)

Co-operative societies are faced today with increasingly skilful and well organised competitors. The pressures of competition are such that trading societies are examining very critically their habits and their philosophy, and are looking, in particular, at the consequences that arise from the system of democratic control of policy. There is an extreme view which argues that, to survive against modern competition, societies must have a fully professional management, that democratic control means lay interference, and that this weakens the chances of trading success. On the other hand, there is the concern so widely felt, even among those who argue the case for professionalism, that democracy is itself the very life-blood of the Movement and that nothing of Co-operation can survive unless this first is retained. Perhaps the commonest position today is of those who cherish both objectives, of democracy and of professionalism, the one for philosophical and the other for practical reasons; but who, in cherishing both, yet fear they are incompatible.

At a recent meeting of the Midland Section of the Society for Co-operative Studies, a very different position was discussed on the basis of a paper submitted by one of its members.* We were invited to consider that the two objectives were not only easily reconcilable, but that the practice of democracy could itself become a weapon in competition. What was necessary was to understand the nature both of democracy and of competition. If the ideals of democracy (as I understand the position) pervade the Movement, they will carry their influence far beyond the members' meetings and the periodic votes on major issues, into a continuous involvement with and inspiration to the trading process. When this happens, the counter exchange will be given a character which is distinctive to Co-operatives; and this distinctive character, like anything in retailing which is distinctive and worthwhile, will give Societies a competitive edge on their rivals. So whereas other retail organisations may compete on grounds of price, quality, range, service or proximity, Co-operatives need not struggle, on commercial justification alone, to match them on their chosen ground. For the Movement has its own matchless competitive weapon, if only it will employ it—the built-in magic of democratic control.

This is a very bold position to take—particularly so since, on one side at least, it is exposed quite openly to attack. If what we are concerned with is a marketing process which is underlaid with democratic intent, and if we interpret this as “finding out exactly what members and potential members want”, then is this not the first concern of all trading organisations? Would we expect any

*Democracy and Competition in Consumer Co-operatives—E. P. Pritchard, Senior Lecturer in Political Science, Department of Extramural Studies, University of Birmingham.

of the Movement's competitors—multiples, department stores, chains, supermarkets, private traders—to deny that “the first and essential step towards successful competition is to find out exactly what customers and potential customers want”? And, more than this, are not their policies and methods of operation based on the answers they get to this question, so far as it is possible—so far, that is, as the necessities of economic functioning allow? What is left for Co-operatives to glean in this field of consumer research, unless it is assumed either that so far research has produced the wrong conclusions or else that policy has followed everywhere too timidly on them?

THE STRENGTH OF COMPETITION

This line of attack has a classical ring. It has summoned to the defence of the interests of the consumer, that redoubtable economic champion of the past—the interplay of market impulses. It is tempting to reply that market impulses are no longer as effective as they were once thought to be, that the economist's model of perfect competition is irrelevant to the modern situation and that the interest of individual consumers counts as nothing in today's context of large-scale manufacture and trade. But we cannot, at this stage, deny the strength of competition since we began by admitting our concern with it. Competition may not be what it once was, but it seems at any rate to be serious enough to send us scratching about in the armoury for our own distinctive weapon.

It would be better to begin by recognising that retailing is competitive, that there is a market and that it does take account of consumer interests. It would not then be enough to suggest that Co-operatives should look for gaps in the market provision, even though, under the current trends towards standardisation, limited range and reduced service, the gaps appear to be large. The trouble is that these gaps can be filled, but only at a cost, and to do so is itself a specialist marketing function. It would be incongruous to make this a Co-operative objective, or to ask the Movement to turn itself into a Peoples' Fortnum and Mason. The alternative way of striking for this objective, by absorbing the extra costs, which is to say, by spreading them over the whole of the Society's trade, would be dishonourable. It would be equivalent to telling the majority of customers that the privilege they gain for joining the Society is that they would be compelled to subsidise minorities.

The gaps then seem to be closed. What remains is one of the most competitive areas in the business jungle, where the pressure of necessity makes every animal a predator. In distribution, economies of scale are as evident as they are anywhere and size, in itself, is an obvious advantage. Co-operative Societies which find themselves caught up in this situation, where expansion at the expense of rivals is a principal objective, surely cannot, it would seem, afford to dilute the professionalism with which they engage in the struggle. Competition, by its severity is so demanding that it seems to preclude concession to any other principle, however noble.

But yet this cannot be the whole story, nor can the ideas in the paper on “Democracy and Competition” be dismissed so easily. Co-operative Societies are not ruthlessly competitive organisations, but rather they have ideals which

inform their behaviour. The effect is to compel upon themselves attitudes which are embraced by the word "responsible". The paper on "Democracy and Competition" is about responsible trading, and there can be no dispute that this, among whatever else, is what Co-operatives stand for. It is perhaps misleading, though, to ask whether responsible trading is compatible with competition or whether it can be made a weapon in the competitive struggle. If the answer to these questions were Yes, the market would have found it long ago. What we should ask is whether an organisation which accepts responsibility is in the market at all—whether it need afflict itself with the anxieties which the market would impose upon it. Also, we should, of course, have to look at the consequences which flow from the answer. But since we have dismissed one sort of responsibility from our consideration, which is the responsibility for minority interests, we could begin by examining what we do mean by responsible trading.

CHANGED ROLE OF THE RETAILER

There is, in a general way, a case to be made that production and distribution today offer the consumer less personal satisfaction than formerly, and that this trend is continuing. The change is associated with and is surely partly a consequence of, the changed role of the retailer. Formerly the cobbler made the shoe, the tea merchant blended his tea, the tailor cut the coat. The final processing, selection and packaging was carried out at the retail outlet to meet the studied interest of the local clientele. When the retailer dropped his role as a finisher and became more an agent of a manufacturer, and as he came more and more to sell finished, pre-packaged goods, his relationship and responsibility to the consumer was affected. It was not that he now offered the consumer less range in the minutiae of choice, but rather that his capacity to affect his stock in the interests of a customer was diminished. The ultimate responsibility of satisfying the customer, which was before his chief trading function, was now passed back from him to the manufacturer. Formerly this responsibility had been personal and local. Then it came to be withdrawn, and the loss to the consumer was gradual and imperceptible.

It is impossible for the supermarket, which sells a range of branded goods, to accept more than the most elementary responsibility towards its customers—not to over charge, not to seek to dispose of old or tainted stock and so on. The impersonality of the check counter is an essential feature of this type of trading, to enable it to fulfil its low-cost, low-price role. The traditional rights of consumers simply have no place in this system. This is not to say that the interests of consumers are neglected. Consumers, in their own interests, have surrendered their rights. The market, as an expression of consumers' choice, has remained true to itself. It is consumer choice which has brought about the change—the choice which consumers have made in favour of lower prices through lower retail margins, and against higher margins, higher prices and a different character of trade. So there is a vacuum of responsibility in the trading relationship. The rights of consumers have languished, and it is difficult, in the existing pattern of trade, for their rights to be reasserted.

A null relationship of this sort cannot exist within a Co-operative Movement which was born out of a recognition of responsibility and of rights. If consumers have been seduced to sell their rights for a reduction on the price, they cannot, of course, be reclaimed merely by rejecting their expressed preferences. But it is exactly at this point that Co-operative trading shows its full meaning. For Co-operation is concerned not with the consumer but with the individual. Consumer rights may flourish or decay with the structure of the market, forming indeed part of the trafficking of the market. But membership rights in a democratic organisation are inviolable. And a Co-operative Society is not a trading machine, but a democratic body addressing itself to trade.

Members and consumers are not identical—quite apart from the fact that some Co-operative customers have not enrolled as members. The difference is more general, in that consumer rights are different from membership rights. The one is the subject of marketing, the other of democracy. The Co-operative Movement straddles both, without quite descending into the market-place. Because its trading interest is unique, it is not strictly in competition with other traders. They look for customers; the Co-operative looks for members. Never were the demands of the two groups more distinct than now.

THE MOVEMENT'S OBJECTIVES

Never too, could the Movement pursue its objectives with greater hope of success. It may once have been possible to reduce commodity costs by mixing sand in the sugar. It may be possible to reduce service costs by ruthlessly eliminating the proper functioning of responsibility in retailing. The Co-operative Movement is a protest against all such lowering of standards and it is from this that it gathers its strength and its support. It is through this that it exerts its influence, not only on trading, but on the whole of society. Co-operative trading is always an experiment—a continuing, practical experiment—in education. It presents a criticism by example of the important and imperfect area of society which is trading, refusing to admit its reversion to the attitudes of the jungle, always reclaiming and restoring this area of society to democracy.

When "Democracy and Competition" argues for closer membership involvement it points in a direction very well worth exploring. Co-operative Societies might well study (or "research", if the popular term is preferred), the ways in which voluntary participation of members in trading activities can be encouraged. It may be difficult, but it is a task appropriate to Co-operatives, and to them alone. The customer in a commercial supermarket is as much a participant in the trading venture as is the audience in a cinema. The customer is addressed by slogan, nor is he expected to reply. The slogan-system is presented by placard or through closed-circuit television and is devised and administered by an entirely remote management. It is operated independently of the serving staff, lying quite outside their knowledge or concern, and the style and form preferred is always a stereotype. Devices of this sort may indeed promote a higher turnover and a better space use, proving themselves in reducing costs. This may be true

of other devices now being employed, barely excusable in themselves, which go beyond the exploitation of sources of efficiency, to the exploitation of the individual. It is not at all obvious that Co-operatives need follow competitors in these directions or that members expect Societies to be competitive in this sense. This is not to say that the shopper is asleep inside the member. But what the member looks for is to be described more in terms of comparability than competition, so that while other traders, of all types, remain the pace-setters in consumer satisfaction of one sort or another, Societies remain the pace-setters in human satisfaction. If Co-operatives want to overcome the pressures which would force them to relinquish their true objectives, they must not only exploit the skills and techniques of management, but they must also mobilise the force for voluntary participation that resides in the membership of a democratic organisation.