

Current Retail Developments

I. REPORT FROM BIRKENHEAD SOCIETY

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This paper was prepared by Mr. Medlock for the Annual Conference of the Society in association with Mr. Hopwood's paper "Current Retail Developments: and the Co-operative Counter Attack", and sets out to deal particularly with the management structure at Birkenhead.

This is my first contact with the Society for Co-operative Studies and I am glad to have the opportunity of making some contribution to the Paper that Mr. Desmond Hopwood is presenting to this Conference on the vital problem of Current Retail Developments and the Co-operative Counter-Attack.

Birkenhead Society can truly be described as a Regional Society having taken over fourteen separate societies, the principal ones being: Garston (on the Liverpool side of the Mersey), Chester & Wrexham, Northwich, Winsford and Flint and I believe a more detailed examination of the composition of the Society's sales will indicate some of the problems involved in considering Co-operative Retail Development.

Tables I, II, III and IV, attached hereto, indicate the Society's sales in geographical sub-regions together with our percentage share of the market in Grocery and other non-food trading sections. I am sure these statistics speak for themselves and clearly demonstrate that, even though a Society can in total be showing growth, when broken down into regions the strengths, weaknesses and opportunities can be demonstrated. The main points I want to emphasise are:

- (1) The Grocery trade figures for the Wirral area do not include our new Superstore and, when this is taken into account, the Co-operative share of grocery sales in the region will be well in excess of 25 per cent. It would, therefore, be unreasonable to plan a further volume increase in sales.
- (2) The decision to develop the Co-operative Hypermarket in the Wirral had to be considered against our very strong penetration in the grocery business and an evaluation of the likely affect of this development being undertaken by our major competitors, e.g. Kwik-Save or Asda, clearly demonstrated our vulnerability and influenced the decision to invest further capital in food retailing in this area.
- (3) Our poor grocery performance at Chester and Garston and, to a lesser extent Flint, reflects the inability of the Society to obtain new sites for supermarkets of 5/10,000 sq. ft. sales bracket. This is in spite of continued pressure at Planning Authorities and consultation with development companies in Garston and Chester with the result that our grocery retailing differs little from that existing at the time the Societies were merged with Birkenhead.

- (4) Merseyside which, of course, includes the Wirral, is one retailing trading conurbation and the people, whilst purchasing their food in the Wirral, travel to Liverpool when they want to undertake comparison non-food shopping. This, at least in part, accounts for the Society's "below National Co-operative sales averages" in the non-food areas and further regionalisation will be necessary if Co-operative non-food trade is to substantially increase in the Merseyside area. Even then, this will only be possible by large scale capital investment as existing shopping facilities for non-foods are totally inadequate.
- (5) The new Departmental Store in Wrexham, opened in October, will help to remedy the deficiency in so far as non-food is concerned in this area.
- (6) To summarise, much more information is required on the build-up of Societies trade before critical comments can be made on Co-operative Societies' opportunity to expand.

I have tried to highlight a few of the problems, constraints and opportunities for Co-operative development in Birkenhead and I am sure that we are not unique; there are many other societies in a similar situation.

Share of National Trade

On the more general issue of the share of Co-operative National trade I can argue that the Movement is certain to lose share unless much more planned, integrated and concentrated action is taken very quickly for the following reasons:

- (a) We are still too much dependent on food business and, as spending in this section will certainly not increase as a share of total consumer spending but will begin to decline as in the U.S.A. where it is now reaching an all time low of only 17 per cent.
- (b) In the non-food areas we are still losing volume sales and, unfortunately, as a Movement we are weakest in the most rapidly developing segments of retail trade. The increase in personalised spending will result in further expansion of such sections as the Motor Car, Camping and Sports, Travel, Outside Eating, Home Improvement, Do-it-Yourself and Garden Supplies. In fact, the Movement is hardly represented in supplying for the leisure activities.
- (c) Because of the lack of fully integrated marketing of the Central Organisation I submit we are also very vulnerable to the new forms of discounting which may well develop in this Country as they have done in the U.S.A. in such areas as Furniture, Carpets, Catalogue Showrooms, etc.

I hope my few comments contribute to the main aim of Mr. Hopwood's paper to provoke Conference discussion.

TABLE I

Grocery Retailing Statistics

B.D.C.S. Sales in Geographic Sub-Regions and Estimates of Market Share—1972

<i>Sub-Region</i>	<i>Estimated Grocery Spending Power 1972</i>	<i>1972 B.D.C.S. Grocery Sales</i> £	<i>Estimated B.D.C.S. Share</i>
Wirral Area	29,980,000	6,884,700	23%
Chester Area	7,840,000	909,700	11.6%
Wrexham Area	8,228,000	1,612,000	19.6%
S.E. Cheshire Area	7,547,000	1,661,000	22%
Flint Area	7,900,000	1,233,000	15.6%
Garston Area	7,250,000	979,800	13.5%
	68,745,000	13,280,200	19.32%

Note:

- (a) Nielsen estimate on grocery spending in 1972 £4,350m.
 (b) The Wirral Area Statistics do not include the Birkenhead Superstore Sales, opened October, 1972.

TABLE II

Non-Food Retailing Statistics

U.K. Market Size, National Co-op Share, and B.D.C.S. Segment Share—1971

<i>Col 1</i>	<i>Col 2</i>	<i>Col 3</i>	<i>Col 4</i>	<i>Col 5</i>
<i>Market Group</i>	<i>Est. U.K. Market Size</i> £ Millions	<i>Est. National Co-op share</i>	<i>B.D.C.S. Sales</i>	<i>Est. B.D.C.S. share of Trading Area</i>
Women's and Girl's Wear	1,533	2.2%	334,500	1.4%
Drapery	466	4.8%	272,120	3.7%
Men's and Boy's Wear	1,175	2.2%	235,039	1.3%
Footwear	492	3.8%	162,040	2.1%
Furniture	409	7.2%	400,292	6.2%
"White Goods"	452	5.7%	212,200	3%
Radio/T.V.	491	3.8%	182,701	2.4%
Domestic Hardware	283-557	4.3%	142,755	2.2%
Do-It-Yourself	157	4.3%	24,300	1%
Gardening	53-63	4.3%	20,600	2.4%
Jewellery	178-218	2.4%	62,451	2%
Books/Stationery	574	0.5%	31,135	.35%
Fancy Goods	46-61	2.0%	7,483	.9%
Toys/Sports Goods	234	2.0%	34,500	.95%
Leather and Travel Goods	77-104	2.0%	22,500	1.6%
Photographic	117	2.6%	12,500	.7%
Floor Coverings	314	5.6%	220,075	4.5%

TABLE III

Non-Food Retailing Statistics**Birkenhead & District Co-operative Society Sales of Non-Food and Population in Geographic Sub-Regions**

<i>Geographic Sub-Region</i>	<i>Population (1971 Census of Pop.)</i>	<i>Population Adjusted to 100%</i>	<i>1972 Sales of Non-Food</i>	<i>1972 Sales Adjusted to 100%</i>
Wirral	372,165	43.6%	1,681,500	59.15%
Chester	97,322	11.4%	301,300	10.6%
S.E. Cheshire	93,688	11.0%	329,600	11.6%
Garston	90,000	10.5%	66,700	2.35%
Flints	98,064	11.5%	375,000	13.2%
Wrexham & District	102,140	12.0%	88,400	3.1%
Total	853,379	100.0%	2,842,500	100.0%

Note:

Non-Food Sales include Footwear, Drapery, Jewellery, Tailoring, Furniture, Dry Goods and Electrical only.

TABLE IV

Population Distribution of B.D.C.S. Trading Area 1971 Census of Population

		<i>Pop. Adjusted to 100%</i>
Wirral Area	372,165	43.6
Birkenhead C.B.	137,738	
Wallasey C.B.	97,061	
Bebington M.B.	61,488	
Hoylake U.D.	32,196	
Neston U.D.	16,848	
Wirral U.D.	26,834	
Chester Area	97,322	11.4
S.E. Cheshire Area	93,688	11
Northwich U.D.	18,109	
Northwich R.D.	43,005	
Winsford U.D.	24,791	
Middlewich U.D.	7,783	
Garston (estimated)	90,000	10.5
Flintshire Area	98,064	11.5
Wrexham and District Area	102,140	12.0
Total Trading Area	853,379	100.0

2. REPORT FROM LANCASTRIA SOCIETY

DUNCAN MCKELVIE

(Chief Executive Officer, Lancastria Co-operative Society)

This paper was prepared by Mr. McKelvie for the Annual Conference of the Society in association with Mr. Hopwood's paper 'Current Retail Developments: and the Co-operative Counter Attack', and sets out to deal particularly with the management structure at Lancastria.

To determine the Management Structure of a Society, one has to consider a number of factors—the amount of Trade which is being done, the geographical aspects of the Society, the make-up of departments, and so on.

This Society is an amalgamation of eight different Societies stretching over the period from 1967 to 1970. The N.A.C.O. Personnel numbered 75 persons. The total Trade in 1970 was £11m. per annum, working out at £146,666 per Manager.

In the year 1972/3 with one Society—Lancastria—the N.A.C.O. Personnel has been reduced to 50 persons, with the Society doing an Annual Trade of £22m. This works out at £440,000 per Manager per annum.

During the present year, the number of Managers will remain constant at 50, and the Trade will be at least £25m.: this works out at £500,000 per Manager per annum.

I am aware that increased prices have had something to do with the above figures, but after making every allowance, it can be claimed that real progress has been made.

This improvement is shown in respect of Sales Figures per employee, and perhaps, in a greater sense, it is relevant to quote the profit per employee per week figures. In 1971, this amounted to 0·78p: in 1972, to £2·03p: 1973, £4·43p.

Good Management is bound to reveal itself in Statistics such as the above.

It is easy in an "amalgamation" state of affairs, to collect all N.A.C.O. Officials and Managers, and find work for them irrespective of whether that work is productive and consistent with good management. In Lancastria we tried this for a period of six months for the purpose of finding out the capability and suitability of all persons concerned. It was obvious that if the new Society was to get "off the ground" then a completely new Management Structure had to be formulated.

I take the view that no one person can be a Butcher, a Baker, a Candlestick Maker, and everything else all at one and the same time. I don't think that it is physically—or mentally—possible for one person to manage every Department of a Co-operative Society, and do it well.

I am not impressed by individuals who say that nothing happens in their Society without their knowing about it: I am amazed at the arrogance of in-

dividuals who claim that they are able to know—and to manage—every Department and every Section of a sizeable Society. I do not think this is humanly possible—nor is it advisable.

I am not keen to use the word “expert”, but I am of the opinion that all major departments of a Society like Lancastria should be run by men of experience, of knowledge, and who are aggressively capable.

Management Structure

In many respects, each Department should be run as a separate business, with, for example, the Food Trades Officer being told “you are in charge—you MUST produce increased Sales, and you MUST produce adequate profits”. This Officer—as with others—should be allowed to manage his Department with the least possible interference from above. This is the pattern we have sought to achieve in Lancastria, and you will observe from Table No. 1 that under the Chief Executive Officer we have an “executive”, consisting of the Secretary, the Chief Accountant, the Food Trades Officer, the Dry Goods Trades Officer, the Superintendent Pharmacist, and the Building and Property Manager.

The three Trading Officers—for Food, Dry Goods and Pharmacy—are responsible for nearly the whole of the retail trade of the Society, and whilst each runs his Department as a separate entity, and almost as his own business, he is very much aware that he is part of an organisation. The “executive” meets regularly, and in addition to examining the Statistical Returns, Management Accounting Reports, we discuss new ventures, inter-Departmental problems, and so on.

The other main Managers—Regional Transport Manager, Funeral Manager, Fuel Department Manager, Dairy Department Manager, Catering Department Manager, and Personnel and Staff Training Officer—plan their own Departments, and come into managerial discussions at longer intervals than do the members of the “executive”.

In Table No. 2. I detail the specific duties of the Secretary of the Society. The Chief Accountant’s duties are similar to those in other Societies, but we have the added responsibility for organising and running District Offices. There are also Information Offices in other smaller areas. (*Table No. 3.*)

Table No. 4. The Food Department Managerial Structure is shown on Table No. 4, and it will be observed that under the Food Trades Officer and the Deputy Food Trades Officer there are two main Sections—the first dealing with Groceries, and Wines and Spirits, and the second dealing with Fresh Foods, Butchery Meat, Produce, Provisions, Bread and Confectionery, etc.

The Supervisors and Merchandising people in both these Sections are extremely important, and Supervisors have about 12 Shops each for which they are individually responsible. The supervising and merchandising of Shops and Supermarkets is regarded as a most important part of the duties of the Management Structure.

Table No. 5. The Dry Goods Trades Officer has under him, a Merchandise Controller: then the Management is divided into three Sections—the first is the

Buying Section where we have eight Specialist Buyers. The other main Section consists of Store Managers who are responsible for every aspect of Store Management from "housekeeping" to Sales. Buyers visit Stores on two days each week when they are not engaged on other business, to see how the goods which they buy are being merchandised, and to report back to the Dry Goods Trades Officer as to their reactions in respect of Sales, Merchandising, etc.

We have a small—but important—Section under the direct control of the Merchandise Controller, covering Advertising, Publicity and Display. Display covers not only windows, but also Interior Displays, Exhibitions, Posters, and so on.

Table No. 6. The Superintendent Chemist has 16 Branches and a Wholesale Warehouse: his Deputy is also the Manager of the Optical Department, and there is a Sales Promotion Manager who deals with Promotion, Displays, etc.

Table No. 7. An important Department of the Society is the Building Department, under the control of a Building and Property Manager, who is responsible for maintenance, for building new Stores, for Interior Decor, Lighting, and every other aspect of Interior Design.

Again, he has two main Sections—the first is the Technical Section, where there are Estimators and Planners, Draughtsmen, etc. etc. The other Section is composed of practical men, responsible for the whole of our building activities in all areas of the Society.

The output of this Department is valued at over £1m. per annum.

Table No. 8 gives brief details of the other Departments and how their activities extend throughout the Districts covered by the Society.

The present Managerial set-up has produced very good results—results which are progressively better each year. The same Managerial Structure will take the Society up to Sales of £30m. per annum, when changes would be necessary in order to lighten the burden of those at the top, and to provide the Managerial ability and Supervisory capability necessary.

We believe that Managers should be allowed to manage, but that there should be sufficient checks at all important points which would obviate untoward happenings. We believe, that in the event of all Officials not being able to come to work one morning—then the Society would continue to progress, and to produce profitable results.

Table 1

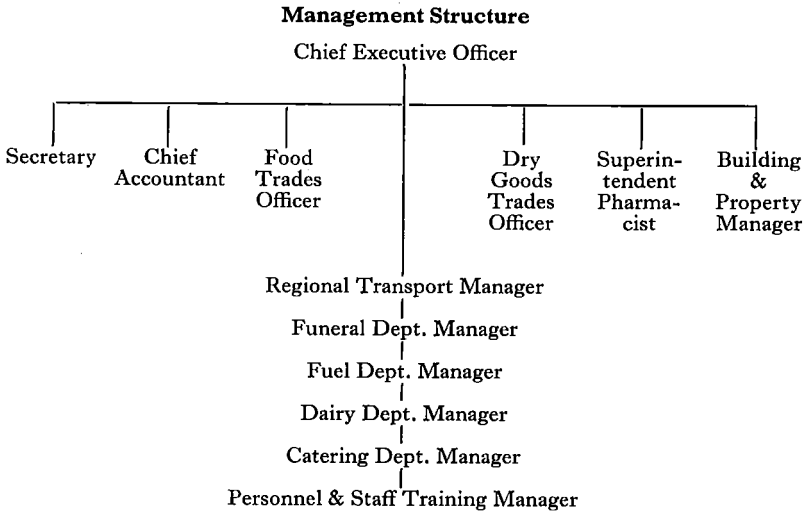


Table 2

Management Structure

SECRETARY

Responsible for all—

BOARD AND COMMITTEE MATTERS—
Calling Meetings; Minutes; etc. etc.

RULES—Registration; Amendments; Interpretation, etc.

MEMBERS' MEETINGS—Notices; Arrangements; Minutes, etc.

SUPERANNUATION—Trust Deed and Rules; Amendments; Claims; Valuations, etc.

LEGAL MATTERS—Conveyances; Leases; Agreements; Contracts; Interpretations, etc.

INSURANCE—Cover; Claims; etc.

LICENCES—Applications, Appearing at Court.

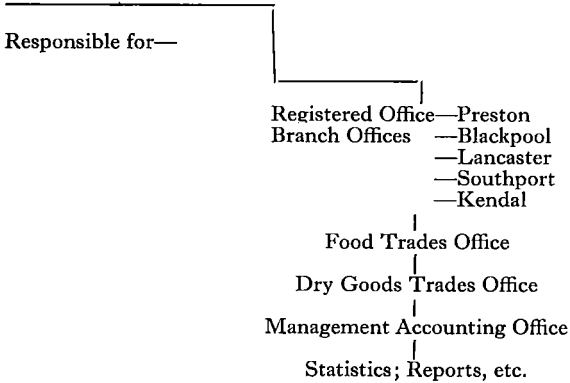
TELEPHONES—Contracts; Arrangements, etc.

MEMBER RELATIONS—Complaints, etc.

Table 3

Management Structure

CHIEF ACCOUNTANT



Office Managers at Preston, Blackpool, Lancaster, Southport, and the Management Accountant are N.A.C.O. Status.

There are Section Heads in charge of Invoices, etc.: Credit: Wages and Stamps.

Table 4

Management Structure

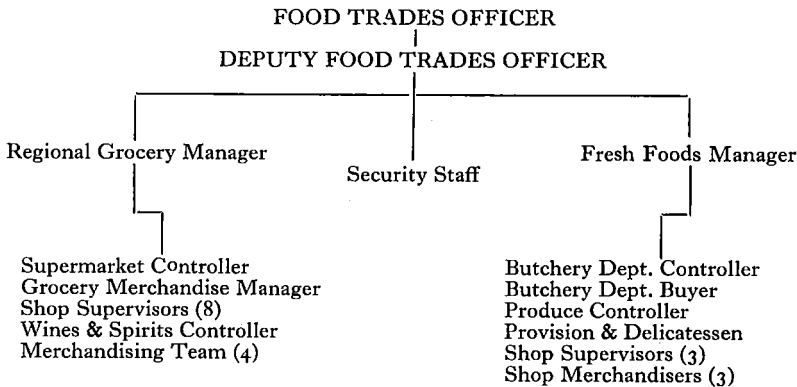


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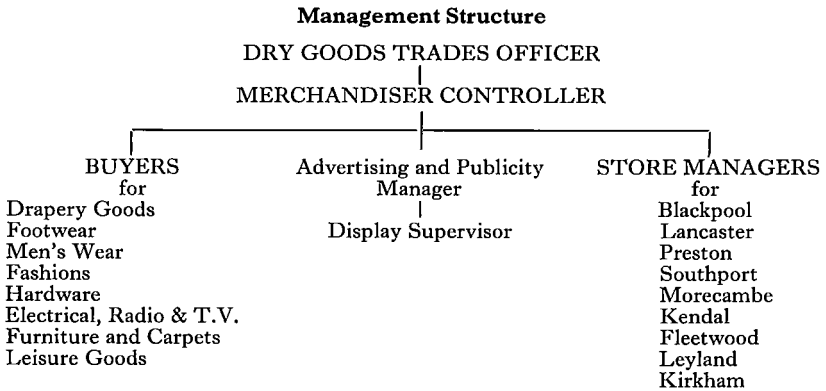


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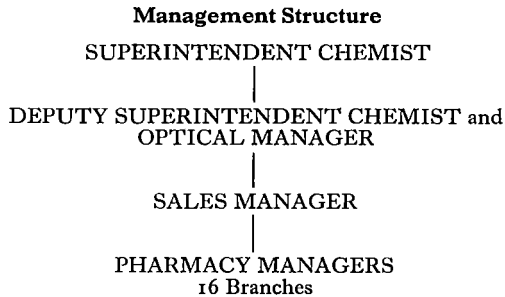


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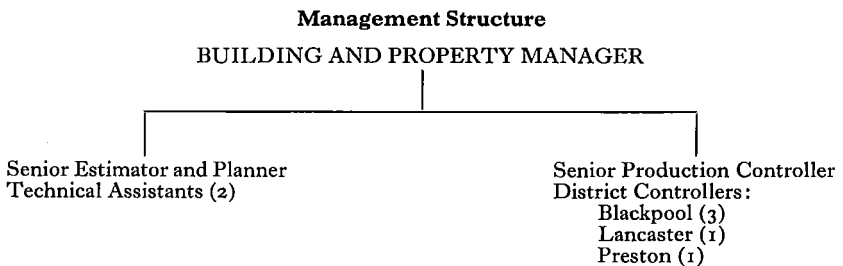


Table 8
Management Structure

Department	Manager
Transport	Regional Transport Manager—District Transport Supervisors at Blackpool, Lancaster and Preston.
Funeral	Funeral Dept. Manager —Deputy Funeral Manager—District Branch Managers at Preston and Southport.
Fuel	Fuel Dept. Manager —Yard Foreman at Blackpool; Carnforth; Preston and Southport.
Dairy	Dairy Manager —Blackpool and Southport Districts only. (Foreman at Southport)
Catering	Restaurant Manager —Blackpool only.
Personnel	Personnel & Staff Training Officer —Staff Welfare; Personnel Records; Industrial Relations; Staff Training, etc., etc.

Closures—1968 to 1973

	No. of Closures	Food Closures	Dry Goods Closures	Other Closures	Sales per week £	Area sq. ft.
Blackpool	69	62	—	7	24,770	46,650
Lancaster	36	27	7	2	12,845	16,210
Preston	42	33	6	3	22,637	67,600
Southport	12	10	2	—	8,975	9,050
	159	132	15	12	69,227	139,510

New Ventures Opened—1968/73

	No. Opened	Food Units Opened	Dry Goods Units Opened	Other Units Opened	SALES per Week £	Area sq. ft.
Blackpool	13	9	2	2	62,733	45,500
Lancaster	6	4	1	1	43,350	42,300
Preston	11	7	3	1	40,703	92,200
Southport	3	2	1	—	22,000	38,500
	33	22	7	4	168,786	218,500