

Developing the Co-operative Non-Food Trade

FIVE REPORTS FROM RETAILERS

particularly on
Wholesale-Retail Relationships

1. FRANK E. DOHERTY

(Chief Executive Officer,
Greater Nottinghamshire Society)

The development of wholesale/retail trading relationship demands the urgent attention of all who are involved in profitably improving the Movement's market share within Non-Food, and particularly within the clothing and footwear groups where our national performance highlights our ineffectiveness.

To thrive as retailers we must be able to compete effectively with the national multiples, and to do that we need to utilise to the full all the skills and resources that are available to us in procuring and selling. It is surely simple logic that we shall be unable to compete effectively unless we do the job at least as well as our competitors - their customers or our customers?

National Procurement Policy

No one would question the need for a national procurement policy capable of supplying our basic requirements. No one would question the need for a more positive national marketing policy, and no one would question the need for improvements in our general merchandising approach and store presentation. But because of our inability to find, as yet, the right solution in a practical sense to these issues, no one

would question that we are slowly but surely going out of business in the product areas referred to.

This whole question of collaboration between the wholesale organisation and retail societies concerning buying, marketing, and selling of Non-Food was the subject under discussion at the Inter Co-op Conference in September last year. Perhaps the most significant statement reported from this Conference was "confidence between the collaborative partners is perhaps the most valued thing to achieve".

However much we may admire the progress made by the Swedish Movement, or however much we may gain some crumb of comfort from some of the other European countries who are having the same difficulties as ourselves, we still have to face the hard fact that we in the British Movement, as far as Non-Food is concerned, have reached the stage where the talking must now be replaced by some positive action. The task of halting the downward trend and converting this to an improved market share must be our main objective in 1978.

How do we achieve this most valued thing - confidence between wholesale and retail? And how do we start to achieve it quickly? It is important that this confidence is developed not only at top executive level but also from an acknowledgement of sound trading experience within all levels of wholesale/retail management, built up from a foundation of proved success stories planned and executed by harmonising the skills and resources of both wholesale and retail management. To establish the harmonisation we require, it is perhaps now time for us to re-think our existing 'modus operandi' for it is pretty obvious again in the clothing and footwear groups that the present procedures are not achieving the results we require. If it is necessary we may find some benefit in starting again from scratch.

Joint Planning of Marketing

The Movement's total purchasing power is our strength. Let us use it to full advantage in establishing credibility with suppliers, and obtaining the most advantageous trading terms. There have been examples recently of a number of large societies who are prepared to honour 100% commitment on basic merchandise assortments. This willingness to collaborate could be harnessed to a total procurement plan for the Movement. The confidence we seek will gradually grow from closer working relationships where wholesale/retail jointly define marketing opportunities where wholesale/retail jointly negotiate terms, and where wholesale/retail plan the total marketing operation.

Who in the future plays which role in our marketing programmes should evolve naturally from these joint exercises. Let us walk before we try to run. Let us get our pricing and assortments right today and worry, if indeed there is any need to worry, about job titles and structures tomorrow. We need competitive well styled merchandise now. We have the skills to get it, and we have the shops in which to sell it. Let us get on with it.

2. W. H. FARROW

(Chief Executive Officer, North Midland Society)

The main weight of our non-food trade in Retail Societies can be divided into three main categories:

- a. Textiles (household and wearing apparel) and footwear.
- b. Other Household - Hardware, plastics, D.I.Y., Gardening, Toys etc.
- c. Durables.

It is on the first two groupings that I would wish to principally comment in this contribution. Durables are, by far, the most successful of our non-food operations, particularly in Electrical merchandise where relationships between the Wholesale and Retail Societies are probably closer than in any other commodity range. Although there is still room for improvement in co-ordinating our procurement the main threat in durables arises from our organisation at retail level - both of location and methods. The growth of the Discount operator in less costly off-centre locations (concentrating incidentally on Electrical or Furniture and Floorcoverings but rarely both together) is a very real worry and when growth returns to the market these types of store will make rapid progress. We should beware!

The textiles, footwear and household ranges are the mainstay of the most significant part of Co-operative non-food trade - the Departmental store. In the apparel and footwear trades, 1977 was a year of near disaster. The old adage that a Co-operative Society prospers in adverse circumstances for consumers was laid bare, for our experience was that we attracted an alarmingly smaller share of a declining market.

Adapting the Domus Operation

I do not profess for one moment that I have an answer that will remedy the position in 1978 or 1979. The problem in my view is too deep seated to respond to instant solutions and demands fundamental changes in our organisation. In the sixties many British Co-operators made the pilgrimage to Sweden and returned loud in their praises of the success of the Domus store operations in the non-food sector. Then the re-action set in and the many and various vested interests, determined to retain our present structure and organisation, have advanced every conceivable reason for not proceeding on similar lines while all the time our influence, measured

in terms of market share, has been declining.

The most often re-iterated criticism of the concept is that trading conditions in Scandanavia are different than in Britain. Of course they are. I do not advocate the establishment of stores from a detailed Swedish blueprint. It is rather the adoption of the basic principles on which the Domus operation has prospered that we need to embrace. These can briefly be stated as -

- (i) NATIONAL capital investment programme.
Initially this could be by acquiring existing selected stores in the Movement
GUARANTEEING A MINIMUM BUT NO LESS
FAVOURABLE RETURN THAN THE RETAIL SOCIETY
HAS ACHIEVED IN (say) THE LAST FIVE YEARS.
- (ii) NATIONAL commodity procurement and marketing.
- (iii) NATIONALLY recruited, trained and controlled senior store management.
- (iv) PARTICIPATION by the local Retail Society in the day to day operations, control and administration.

You will notice I avoid the particular Co-operative obsession of trying to set out a constitution and structure but as I look afresh at these four points it strikes me that for a Consumer Co-operative Movement they provide a fair opportunity for actively demonstrating co-operation in the interests of the non-food consumer!

3. G. L. FYFE

(Chief Executive Officer,
Leicestershire Society)

Most Co-operative gatherings associated with Non-Foods, commence with an acknowledgement of our abysmal performance, inevitably supported by a tiresome, though accurate analysis, of how much we have deteriorated in recent years.

The Movement suffers from what could be described as the 'Central Premises Syndrome'. In the past, all Societies, no matter how small, took their role as Universal Provider very seriously. Branch stores developed as miniature central premises, and in the process, became repositories for second rate stock. Specialisation was, and still is, often regarded as contradicting Co-operative philosophy.

This syndrome has created an out-moded structure, which has no place in modern retailing, and has led in turn to management problems. We expect a lot from Non-Food management, much more than our principal Non-Food competitors, where aspirants to retail management are usually trained to follow a predetermined course in a relatively narrow field. Co-operative retailing, because of its structure, breeds generalists, not specialists, which results in the unproductive and frustrating combination of capable people turning in a mediocre performance.

Getting the Structure Right

How can we attempt to solve the structural problem?

- (a) By establishing in detail the characteristics of our 220 odd so called Department Stores, which account for over 60% of our Non-Food trade. Some of these would not be regarded as Departmental Stores by our competitors, because of their size, structure or location; and ought to be examined for potential as specialist durables operations. A marketing strategy for the remainder, the true Department Stores, could then be formulated and implemented on a national basis. So easy to say, so difficult to achieve.
- (b) A fundamental weakness of Co-operative Non-Food retailing, is the number of small general stores which attempt to sell everything, and rarely sell anything properly.

Inaction is often justified, because they maintain a presence, or to use a favourite Co-operative word 'representation'. Better no representation than a dishonourable one. We need to evaluate these general stores on a strictly commercial basis, converting them when suitable and well located, to specialist shops.

- (c) Specialist shops are often regarded as satellites and treated as such by Department Store based buyers. Our sole excursion into the realms of Non-Food specialisation - Shoefayre is a success. Its success could be emulated, and not only in footwear, by adopting a disciplined national approach. Specialist shops should be regarded as the spear-head of a Co-operative Non-Food renaissance.

If our structure is right, we can train and recruit management. If our management is right, we can attract capital for expansion.

The thoughts outlined above, are dependent upon national procedures and national disciplines for their translation into practice. Most of us can wax eloquent upon the need for others to observe disciplines; we are less amenable to discipline being imposed upon us. Vested interests, mistrust, complacency and indifference, are the enemies of progress. Our progress, indeed our very survival, depends upon our determination to defeat them.

And Merchandise is Crucial

A final word on the most crucial ingredient in any retail package: merchandise. Obvious . . . yes, but it needs to be said.

We spend too much time on efficiency substitutes: multiple stamps, consumer competitions, extravagant promotions, to name but a few. We spend too little time on getting down to basics, such as merchandise catalogues. The most successful Non-Food retailer in the land, does not feature ever changing promotional activity. It promotes all of the time, by simply identifying the market it wishes to serve and ensuring that merchandise is always available.

4. K. A. TAILBY

(Chief Executive Officer,
Birmingham Society)

It must be appreciated that as an ultimate objective the C.W.S. should be charged with the responsibility for the procurement of a substantial proportion of the non-food merchandise for the entire Co-operative Movement. Such a task is, however, extremely difficult as the Wholesale Society is required to provide for the differing

needs of the smallest to the largest society, all of whom in the ultimate analysis are entirely autonomous organisations. It is, therefore, not altogether surprising that in their endeavours within the context set, the C.W.S. tend to encounter major problems as the requirements of small and large societies are so very diverse.

Whilst perhaps the needs of the smaller societies can to a large extent be met effectively, the large societies with, for instance, city centre Departmental Store commitments, represent a very different proposition due to the nature of their trading environment and the much wider ranges of merchandise required. In some of the larger cities the centre literally consists of a quite small area which contains the major Department Stores of all the leading groups in this field, the principal multiples, and chain stores/operators, all competing for trade.

With the ever increasing requirement on all retailers to maximise trading volumes and to contain costs with a resultant erosion of margins, competitions is keen indeed and often quite ruthless, so much so that substantial reputable traders and major discounters have been obliged to depart from such a competitive environment.

It is against this current background that the writer views the question of the development of the non-food trades in the Co-operative Movement and the matter of retail/wholesale relationships without attempting to deal with repeatedly discussed changes in structures etc., which in the past have proved to be largely abortive and even if now agreed would take time to create.

A Collective Initiative in Buying

Clearly, some Co-operatives are required to operate in such a trading environment that they need to buy merchandise at the best possible input prices in order to

market at a price consistent with that observed by the competition and in so doing generate an acceptable profit margin. Accordingly, it is more important than ever before to procure quality products in the ranges, styles and prices required to meet the needs of the consumer in the non-food field. This has to a large extent been achieved in the rather easier area of durables but has been an intractable problem insofar as clothing and in particular fashions are concerned.

Quite recently a number of the largest societies in the country decided to pool their collective buying resources in order to procure, in a very limited merchandise area, the best possible range at the best possible supply prices with the objective of enabling them to compete more effectively with the multiples, Departmental Store Groups, chain stores and other competitive elements. This exercise is currently confined to the highly profitable and fast growing area of ladies' separates, embracing skirts, blouses, jeans, slacks, knitwear, etc., where Co-operative market impact is so lacking. If successful, this initiative could well be extended to other merchandise areas whilst at the same time being a model which might be helpful to the Wholesale Society. Although fashions are a difficult area of non-food business, they represent the major trade generator in departmental stores. Fashion merchandise is very different from some other non-food goods in that in the latter instances options are limited and to an extent every retailer can stock the same or broadly comparable items.

The activity previously described amongst some of the largest societies is, of course, being carried out initially in an endeavour to demonstrate how a committed and skilled buying group is able to meet a total need as there is full involvement at the point of selection, total knowledge of acquisition prices and 100% commitment.

Such a statement is not intended to detract in any way from the efforts of the Wholesale Society's present buying teams who have done their utmost to handle an almost impossible demand, supply and stock commitment. They have been bedevilled by such intractable factors as having to trade in an arm's length relationship with retail societies based on the premise of "selling to" rather than "buying for" their shareholding customers.

Largely by reason of the circumstances previously described the "on cost" applied by the C.W.S. in respect of some merchandise procured can be such that in certain instances goods supplied are uncompetitive and is one of the reasons why the take-up of merchandise through the Wholesale Society is so low in the fashion business. This situation could be corrected if the fashion trade through the C.W.S. could expand as "on cost" would be spread over a greater volume of business, with jobs and much valued services being sustained.

Without question there is a need for the Movement's retail wing to recognise that substantial and continuing capital investment in the dry goods trade is vital for having secured the right merchandise it has to be sold in volume in a modern environment. Whether, in the long-term, this can be achieved by a fragmented retail operation, however organised for procurement purposes on a largely voluntary basis, is open to question. Regretfully, however, with perhaps a 1% share of the national fashion market, time is of the essence and I have, therefore, devoted this short paper to aspects which could at least help to hold the line whilst new organisational concepts are researched and discussed and solutions have the chance to reach fruition.

5. ALAN WRIGHT

(Chief Executive Officer,
Portsea Island Society)

Before commenting on the Wholesale/Retail relation in developing our non-food trade there are two aspects of this trade I must comment on. By non-food trade I mean the long established and recognised departments trading under the names of Drapery, Men's Wear, Footwear and Furnishing, including Electrical, Radio and T.V. I see no relative problem with Furnishing, particularly its Electrical, Radio and T.V. sector, and so my concern is with the Drapery, Men's Wear and Footwear departments. Thus, it is the Fashion area which concerns me and the first aspect that I want to draw attention to is that this is an area of retailing in which there is a very imperfect market.

Imperfect Market

In food the market is relatively perfect. Buyers have a complete knowledge of where the market is, what it consists of, and what prices prevail relative to grades and qualities. To a lesser extent this is also true of the Furnishing group; there are sectors of this trade particularly in Electrical, Radio and T.V., where the market is almost as perfect as food, but in other sections, such as Upholstery and some Household Goods, the market is not so perfect.

But as soon as we talk about Fashion goods the scene changes. No buyer has a complete knowledge of even small sectors of this overall market. Dresses are made in literally hundreds of factories throughout the country, reflecting considerable differences in the trade and, more particularly, value for money. In fact, one can say that in the Fashion trade there is no ordinary concept of value for money. A dress which has only cost £2 to produce, if it has

the right style and flair and thus acceptance by the customer, can easily sell at £10; whereas a dress which may cost £6 may not even sell at £8. There is no guarantee of what is a best buy simply because there is no pre-determined market for Fashion which a buyer can cater for with assurance. Even the stocking of what little branded merchandise there is, is not a recipe for success. Inevitably, this leads to a very insecure position. Selling success is only achieved when the limited choices known and open to a buyer, let alone the hundreds that he or she will be unaware of, match up with the unknown wishes of the customer. Compare the buying and selling of, say, an electric iron with a ladies dress.

We have a much greater share of the total market in Food and Electrical, Radio and T.V. than in the Fashion sector of our non-food trade and the Wholesale/Retail relation has been stronger in those sectors where the market is a more perfect one.

Performance

The second aspect of non-food trade that I must draw attention to concerns the current performance of Societies. Co-operative Statistics covering the 1976 year indicate quite clearly in the case of food that the larger the Society the greater its profitability is likely to be and this has been the trend for some years. It is also an understandable trend. Large societies in the Movement can normally buy just that much better and they will tend to have larger food shops, which will further obtain the benefits of size, thus producing greater profitability. Of course, there are exceptions, as always, but this trend is firmly established. On the other hand, this is not the case with non-food performance. The statistics show quite clearly that the non-food division in small societies with a turnover of up to £4m, is the most profitable and profitability declines with size and the largest societies with a turnover of over £5m have the

lowest profitability. These figures indicate that large is not beautiful in non-food. Recent correspondence I have had with Mr. S. Ainsworth confirms that this is a position which could be worthy of further research. It is not a new trend, and there are many factors that could contribute to this position. However, can we ignore this aspect and the earlier one I have mentioned when considering the questions which have been posed in the headings below about the Wholesale/Retail relationship in developing our non-food trade?

(a) Need for more Capital? Certainly, there is a need to inject more capital into new and improved non-food retailing facilities. Studies which have already been undertaken by the C.W.S. show that much of our decline in trade arises through the closing of non-food outlets without compensating increase in sales areas in larger and bigger stores.

(b) Improvement of General Standards of Non-Food Management? It cannot be denied that any improvement in the general standards of non-food management in retail societies is both possible - and highly desirable. There are still too many relatively small private shops which trade satisfactorily as a result of operating better standards than many Societies.

(c) Need for Structural Re-organisation? The success of Shoefayre is to be noted with pleasure, but as yet the Movement does not seem to want to accept a success story. When Shoefayre commenced it was looked upon as an experiment. It has surely proved a successful one, despite it operating in a Fashion environment. Indeed, it has further traded in Fashion footwear which would not normally be sold by most retail Societies and has done it successfully. On this basis, why are we not thinking in terms of a chain of shops to rival, say Van Allan. Of course, capital is bound to be a problem but there is no point in experimenting with structural reorganisation if we subsequently ignore the result.

The comprehensive integration of existing Co-operative Departmental Stores may well bring advantages but we know the discipline required if integration is to be effective and this discipline is usually not compatible with local responsibilities and control. I therefore have reservations as to what can be achieved in this field.

(d) Central Co-ordination of Merchandise Ranges and Procurement There is no doubt that more effective central co-ordination of merchandise, ranges and procurement, based on the kind of retail/wholesale relationships propounded by the Joint Re-organisation Committee in the mid 1960's and pursued by the Wholesale/Retail Liaison Committee and the Non-Food Panels ought to bring improvement. In fact, despite limited success, it has not been a success relative to the size of the problem and therefore we must question whether this arrangement can be as effective as we all hoped it would be. Has it failed because the Fashion market is not a perfect market? Is it that fashion trading cannot be done by a consensus of national opinion and the inevitable compromise between Panel members, which results in mediocrity at the best? Is it not likely that there is one person who could produce a far more exciting fashion selection of merchandise than we are offering at the moment? If so, such a person should be employed by the C.W.S., but retail Societies have never had the confidence or probably the justification to endorse the 100% loyalty such a position deserves and demands. Certainly, a large central organisation ought to be more aware of the very wide imperfect market which does exist and everything else being equal, this should help in the choice of merchandise, styles and price levels - but it is not guaranteed. In any case, still a relatively small proportion of Societies' non-food Fashion trade is channelled through the Panels and unless there is a considerable upsurge in Panel activity which can hardly be justified on its overall results, there will still be a considerable weight of non-food trade procured by local buyers.

The Way Ahead

The way ahead is certainly difficult for a fragmented Co-operative Movement based upon democracy. Presumably, retail Societies, as it has been, and still is, their responsibility, have already been injecting as much capital into new and improved non-food retailing facilities as they have been able to do and there is no likelihood that what has taken place over the last decade can be materially altered over the next. Yet again, existing retail Societies have had the opportunity for many years to improve the general standards of non-food management and I can see nothing which is likely to change this position in the next decade. The only approach which has been successful in improving our non-food Fashion trade over the last decade is the establishment of Shoefayre and I am sure that those connected with that organisation would be the first to appreciate that even such progress as they have been able to show is just scratching at the problem. Therefore, one or two further operations based on a specialist chain, apart from swallowing up considerable capital, are not likely to procure any major increase in the Co-op share of the non-food market.

Thus, it is difficult to place too much optimism on an improving future. Would it be possible to choose the most successful buyer in each of the various sectors of our non-food trade according to the present penetration of trade in relation to size of Society and population, etc? Could it be that societies would give up their independence and some control on the merchandise they were marketing to rely on the choice of that one successful buyer? I can see the difficulties but does it remain about the only thing that we have not yet been prepared to do and which is capable of being tried without considerable expense?