In Journal 67 Dr. A. Schöne, Secretary-General of EURO COOP surveyed the implications for consumer Co-operatives in the member states of the EEC of the Single Internal Market to be inaugurated at the beginning of 1993. We plan for this to be followed by reports from consumer Co-operative movements in particular states on the views they take of prospect of the S.I.M. and the preparations they aré making for it.

We begin, gratefully, with these two reports from Italy and Spain.

# A Perspective from Italy

## by Ivano Barberini

*The contribution from Signor Barberini consists first of extracts from his address on the occasion of European Day 17 April 1989, organised by EURO COOP.*

*This began with definitions of the general conditions and opposing pressures which confront consumer Co-operatives in the calculable future: particularly the conflict between economic growth on the one hand and environment requirements on the other: the emergence of consolidated groups of business undertakings, the size of which has never been known before and the rapid modernisation of life styles and habits especially in the field of consumer goods; and the crises within consumer Co-operatives which so often are due not to business strategy only but to weaker relations with members.*

*Signor Barberini then turns to specific developments in consumer Co-operation in Italy and relates them to the prospect of the Single Internal Market.*

### "Reorganization of Enterprises

Reorganization of our enterprises is of the highest importance towards effectively projecting consumer Co-operatives into the nineties. Moreover this is consistent with what we have repeatedly experienced in the past decades.

During the last 30 years the number of Co-operative societies in Italy dropped from 3300 to 450 (20 of which represent 80% of turnover and membership). About 7000 shops closed down or merged into about 1300 supermarkets or superettes and this resulted in a qualitative and quantitative increase of the sales' area which made Co-op into the leading food distributor in Italy.

Similarly, we created very light intra-Co-operative structures thus letting enterprises assume the responsibility for policy making and services.

The decision to reassess the organization of our enterprises was prompted at this stage by the dynamic situation we are immersed in which threatens to overwhelm those moving too slowly or incapable of overcoming obstacles and hesitations.

Specialization of enterprises can, in our view, be realized by splitting large enterprises into smaller ones or setting up Co-operative or intra- Co-operative societies towards realizing and running one specific type of sales' area eg. hypermarkets, supermarkets and superettes.

This has proved to be a practical solution towards setting up a very flexible type of Co-operative society in terms of strategy and management whilst safeguarding at the same time effective relations between members, the Co-operative and the system.

The relationship between management and worker is of paramount importance to us (even in the case of societies which have not been set up as Co-operative societies) according to the principle that the purpose and logistics of the enterprise should be firmly maintained along the lines of Co-operative concepts.

*Dangers of Size – and Safeguards*

Increasing the size of enterprises is often the only solution towards diminishing costs and the safest towards strengthening our presence on the market. But we should proceed with caution. Optimal size is the one which effectively meets the aims of the new enterprise and the network of relations it has the potential to create. Gigantic consolidations for their own sake serve no purpose because they pave the way to bureaucracy, our most dangerous enemy, which should be fought against as soon as it emerges.

Effective reorganization of our enterprises should therefore run parallel to territorial extension, optimal management of the sales network and closer relations with members.

Opting for specialized enterprises could be a strong point for diversified and wide spread societies not only within the sales area but also different areas of commodities.

A flexible attitude is essential to become competitive or increase our competitiveness and likewise attract new members and consumers. We believe this is the safest course towards spreading the Co-operative ideal which the movement has been committed to since the very beginning a long time ago.

The real challenge Co-operatives should be able to meet is therefore that of welding our traditional ideals with the ever changing and varied demands of a society undergoing profound changes.

## Future Commitments

Which other directions should we follow to realize the ambitious objectives Co-op has set for itself?

First of all we should reinforce the Co-operative image at European level by presenting it as an important system of enterprise which resolutely promotes and protects consumer interests whilst also supporting strict environmental protection. Environment protection is a very important contribution to Europe's future if we consider for one moment the huge asset represented by a population being fully aware and attentive to these problems which are decisive for the future.

The Co-operative movement has meanwhile acquired a long tradition of supra-national solidarity which should be maintained and further reinforced by likewise using these long standing international bodies. But we should also move in other directions by inserting our operations into an international and above all European perspective.

Co-operatives' strength is that of being an organization consisting of many vital centres which share common values, ideals and objectives. Any initiative towards improving intra-Co-operation also at international level, will increase our strength. In a world undergoing such profound changes even the concept of "protection" is changing and to achieve it we should be fully prepared to strengthen alliances and forms of collaboration at different levels and with different interlocutors with whom we can share objectives aiming at the well-being of the collectivity. Therefore our fundamental objective for the years to come will consist of actively promoting efforts towards rigorous and continual improvement of our performance not only as a consumer organization but also as a business enterprise. That is why we are also ready to face up to other consumer organizations and co-operate with them.

## EURO COOP and INTERCOOP

It is essential we reinforce these characteristics if we wish to play a more powerful role. The same applies regarding the new Europe which is about to be created. An organization which groups millions of citizens from all countries should also aim at achieving greater political impact by up-dating and exploiting long standing traditional supra-national ties.

Thus is clearly evidence the capital role EURO COOP should be ready to play and for which it should be constantly and better equipped. Not many organizations can boast having created a European body for the purpose of joint action and uniform representation well in advance of our times. This is therefore the advantage we should exploit towards awakening European consumer awareness.

But we are not only equipped for political action in the broadest sense. INTERCOOP has been operating for a long time alongside EURO COOP on a much wider scale but with different and complementary tasks. This organization should likewise be reinforced towards improving consumer Co-operative competitiveness both in terms of quality and prices.

We should organize exchanges of experience, trading agreement and joint purchases and extend these operations within a wider context. This will enable us to maintain a joint line of conduct also in relation to producer organizations and hence increase our strength.

Thus fairly complex tasks lie in store for us and we shall have to mobilize all our resources and capacities to tackle them.

We look towards the future without underrating the difficulties involved or getting paralysed with fear. Great opportunities and important duties lie in wait for consumer Co-operatives if they are prepared to extend and renew relations between Co-operative movements in the various countries. This will inject new life into the movement and enable it to compete at high level in the European market."

*The following extract which up-dates and elaborates Signor Barberini's information and advocacy is from his report on 23 February 1990 to the Management Committee of EURO COOP.*

## Progress in 1989

"The results of 1989 brought the sales close to 7 thousand billion lire including two purchases made in 1988. Calculated in dollars, this amounts to approximately 5.3 billion total sales volume. The purchases were of two small chains in the Veneto and Lazio regions. The total sales volume increased therefore by about 12% compared with the year before.

In 1989, the sixth Co-op shopping centre and hypermarket was opened in Bologna. The other 5 had already been opened in 1988. These are the Co-op's first experiences in Italy but are also often the first experiences at all of this kind in the regions where they are established. In Tuscany and Emilia in particular, the Co-op was the first to set up a hypermarket. There are no others. The situation is the same as it was in France twenty or perhaps even more years ago. The Co-op is in a favourable position.

## Innovation by Co-operatives

It was however important, as we have already said on other occasions, to be the first to arrive because it would have been hard for the Co-operatives that have been in existence for 80 or 100 years, if someone else had set up the first hypermarket. The efforts that have been made over recent years to be the first to have directly established the hypermarkets have proved to be very positive vis-a-vis the consumers and members. The results of these hypermarkets are at present positive and they have the advantage, as well as being the only ones, also of being well situated. The most difficult location is in Tuscany where the hypermarket is far from the town centre but the others are close to the city.

Economic results for 1989 are positive as shown by the estimates made by the different Co-operatives. They repeat in percentage the turnover of 1988. The upwards trends of increasing the Co-operatives' investment capacities therefore continues.

33 thousand square metres of new sales areas were opened up in 1989 following the closing down of small shops but also of supermarkets to form the hypermarket.

## Hypermarkets and Shopping Centres

For the coming years, there are further plans for hypermarkets and shopping centres. Over recent months, work has started on projects for the opening of hypermarkets in southern Italy which is the most difficult part. Italy, as is fairly well known, is divided into two very separate parts. In northern Italy, trade is similar to that of the other European countries. In Lombardy and Piedmont, the level of concentration is not as great as that of France or other countries but it is already quite significant. We have 40%/50% of the market share for modern enterprises. The situation is different in the South where the volume of modern distribution is modest but where private chains are also becoming established. We have set up an inter-Co-operative society for the opening of shopping centres and hypermarkets in the South. It is still a modest response but we think it is an instrument which can be effective.

Our projects therefore are concerned with the extension to other areas of hypermarkets and shopping centres especially in the North but also in the South, about 15 in the next 3/4 years and a further 80 supermarkets spread throughout the whole country. This should enable us to maintain the ratio that exists between ourselves and the large distribution. Today the Co-op represents 15% of the whole modern network. With these projects, we should keep to the same ratio and increase our market share accordingly.

### Competitive Capacity – and Labour Costs.

Initiatives are in hand to strengthen the competitive capacity of the Co-op at a dangerous moment - dangerous because it foresees the intervention of multinational companies that can function at greatly reduced costs. There are two or three examples for the moment. In Turin, AUCHAN in joint venture with an Italian hypermarket company (but with AUCHAN holding the majority of the share capital) has opened up a hypermarket, the personnel of which is employed at about a third of the cost of that of the Co-op or of other Italian large distribution companies.

It can do this because it does not apply the normal integral labour contracts but only the national contract using a particular form of work with facilitations for the engagement of young persons and new employees, - with therefore greatly reduced costs and moreover without the presence of the trade unions. It can act as it chooses with regard to the dismissal of staff or working hours. Such situations are emerging and will certainly cause increasing problems. A solution must therefore be found to avoid such a large difference in the basic conditions and not only in competitive capacity.

### A Distinctive Co-operative Identity

The global solution that we are seeking lies in differentiating the Co-op in order to obtain a distinct variety in the Co-operative supply and demand and a consequent advantage over others. This differentiation and basic strategy which we are studying is largely centred on the specific nature of the Co-op. Our reasoning is not ideological but the intention behind it is to meet the consumers' requirements and improve our operation and activities so as to be superior to others. We base our specificity on the type of service offered and the safety and health viewpoints.

The concrete proposals made in 88 and continued in 89 regard in particular fresh products. The agreement made with the agricultural Co-operatives and also with private agricultural holdings concerned the control of meat and the placing of controlled meat on the market. We used a very strong slogan in television advertising "the Co-op sells meat and not water" to state that the Co-op does not sell "diluted" meat. We had some problems with the code of good advertising conduct but the campaign was effective. We think that this strategy of combining consumer protection with a trade supply based on better service and safety and health considerations must be followed with decision. Added to this is the characteristic of the Co-op as being the property of its members, of the consumers. These are the strong points that we are trying to turn into concrete acts that can constitute a competitive advantage.

## Initiative for the Young

Finally, I should like to mention a rather special initiative that we carried out in 89 with regard to young consumers. We have been following such things for many years having taken the idea - at least as far as concerns the Days of the Young Consumers - from the French Co-operation. We developed the idea in contact with the schools feeling the growing pressure to take on the education of young consumers.

Recently, a draft law was drawn up at public initiative and obtained the support of 85,000 consumer signatures. Its aim was to forbid the introduction of publicity in television programmes intended for children. This is the first initiative. Now we have to raise the question of the re-planning of television programmes for youngsters particularly since although attention may be paid to the education of the young consumer in schools, the fact is overlooked that children pass many hours in front of the television and that finally therefore it is the best means of education.

This initiative is parallel to that of the Co-op but we believe that it is something which tends to put together an image of the Co-op as the consumers' organisation."

## The Author

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