

The Wine Society

by A.R. Bowden

The International Exhibition Co-operative Wine Society Ltd is a mail order wine merchant - the only major Co-operative mail order wine merchant in the UK, and possibly in the world. Its Co-operative nature is an essential ingredient in the way in which it runs itself and has played a vital role in its survival. It is also known as The IECWS Ltd and increasingly as The Wine Society.

It was established in 1874 and has probably never been more vigorous or financially strong than it is now, 116 years after its origins at a meeting in the Royal Albert Hall.

Sales are currently running at approaching £20m pa and surplus before distributions at about £1m. During the past year a new cellar was completed at a cost of approximately £3.5m, part of a £4m expansion and development project and the year ended with a historic cost balance sheet value of over £9m. The value of wine in stocks is about £6m.

Over the past 20 years turnover has grown from £1.3m to approaching £20m which, after allowing for inflation, is a doubling in real terms; surpluses over the same period have grown from £30,000 (or approximately £190,000 if expressed in 1990 pounds) to about £1m; and assets employed, as shown by the balance sheet, from £0.62m (£3.9m in 1990 pounds) to approaching £10m.

Classic Victorian Origins

The success of the Great Exhibition in 1851 led to a sequence of smaller exhibitions culminating in one concentrating on food held in the Albert Hall in 1873. The exhibition included casks of Portuguese wine which were not consumed and this, it is said, led to something of a political rumpus culminating in the establishment of a "Committee of Gentlemen" (rumoured to be at Disraeli's instigation) to drink them "and carry out the design of the exhibition". On 4 August 1874 this "Committee" met in a room in the Albert Hall and decided to form a Co-operative society rather than a joint stock company. The original reasons for choosing the Co-operative route are not known, but the Rochdale Pioneers' Co-operative principles have been followed throughout the society's existence and the outcome has been fortunate indeed. The full name of The Society graphically reflects its origins.

Three men attended the initial meeting. The moving force was Major General Henry Scott, architect of the Albert Hall and Secretary to the Great Exhibition

Commissioners. During construction of the Albert Hall it was widely predicted that the roof, unsupported by any columns and a novel form of structure, would fall when the building was complete and the scaffolding was being taken down. So, on the day in 1870 designated for the removal of the scaffolding, General Scott ordered everyone out of the building. When he alone remained below the great dome he knocked out the final support. General Scott was the first Treasurer of The Wine Society, which, like the Albert Hall, still stands and thrives to this day!

The objectives set out in its early days still represent a good guide to current practices:-

“To purchase and import Foreign Wines, and to sell them at cheap rates to Members of the Society.

To introduce, in addition to the Wines in general domestic use, other Foreign Wines hitherto unknown or but little known in this country.

To endeavour to obtain Wines direct from the growers, in a pure, unadulterated condition, and, as far as possible, free from added spirit.

The Society is enrolled under the Industrial and Provident Societies' Act, 1876.

The Interest of a Member is limited to One Share.

No Dividend will at any time be payable on the Shares, which will form the Working Capital of the Society.

Wines will be sold at the lowest possible price, and for ready money only.”

Historic Milestones

Following the sale of the original Portuguese wine, other wines soon followed, by purchase from Spain, France and, of course, Portugal. Today over 100 years later, the Society's main wine list of over 100 pages typically contains about 500 items from over a dozen countries and dozens of different wine regions.

In the early days The Society had the character of a luncheon club rather than a serious trading concern. The first minute book shows the names of just 101 original members who banded themselves together to become formally incorporated as an Industrial and Provident Society under the law governing Co-operative trade.

The membership did not reach 1,000 until 1882 and 3,000 until 1916. Between the wars, growth accelerated: the 5,000th share was issued in 1922 and the 10,000th in 1932. Thenceforth, apart from a freeze on membership throughout the second World War, growth has been steady and at the end of January 1990, the 135,454th share was issued. The active ordering membership is currently approximately 53,000, many of those elected over the years having, of course, moved on to a different world. Although on the death of a member, the Rules permit his estate or a person nominated by him to receive a return of the capital value of his share with accrued dividends, experience shows that in many cases the deceased member has bequeathed his share to a member of his family or a close friend.

Throughout the history of The Society, the cellars - the means of keeping and maturing a stock of wine - have been a central preoccupation of the Committee of Management. The first one was nothing grander than the coal cellar of the Medical Society of London in Chandos Street. In 1877 premises were taken in North Audley Street (after the great vaults of the Albert Hall were refused to The Society). In 1902 there was a move to larger premises at Hills Place - over which the London Palladium was subsequently built. Expansion was accommodated in 1944 with cellars in Joiner Street, under London Bridge Station.

Then, finally, in 1965 it was decided to move to purpose-built above-ground temperature controlled cellars in Stevenage, provided on a long lease by the Stevenage Development Authority. This has been the home of The Society ever since; with extensions built in 1970 and 1980, the freehold acquired from the Government's New Towns Commission in 1983, the adjoining land in 1984, and a major new duty-paid cellar completed in 1989.

Serving the Members

The size of the main lists, issued twice a year, has already been referred to. In addition to these, there are mailings throughout the year of shorter lists (for example at Christmas) and specially selected offers of particular types of wines, fortified wines, sparkling wines, spirits, beers etc. - thirty in all during the financial year to January 1990. The Society was a pioneer in the UK of 'en primeur' offers, ie offering wine while still in cask at the proprietors' cellars.

Orders are taken predominantly by mail - with cheque or credit card, for the terms of trade are strictly cash with order - and increasingly by telephone backed by credit card authorisation. Delivery is either by The Society's own vans (predominantly in the South East, but expanding) or by outside carriers, and its cost is included in the price of the wines on the list. With the opening

of a new display area in Stevenage, where members can see an example of every item on the list, a growing number of members living in the South East collect their wines themselves.

Tastings for members are held in London and a wide range of regional locations including Ireland and Scotland. Visits to the premises at Stevenage are welcomed, and several times a year a group of members is chosen at random to meet the Committee of Management and senior staff at meetings in London. In addition to all this there is a monthly newsletter giving information on management and administration matters, advertising tastings, and commenting on wines etc; and in all its dealings with its members The Society is at pains to make clear its club and Co-operative, rather than solely commercial, relationship.

At the society's Annual General Meetings, which are well-attended, a substantial amount of time is allocated for members to express views and to make suggestions. The Committee gives very serious consideration to all suggestions.

Management

The members are represented by an elected Committee of Management of 8 persons, supplemented by up to 5 more co-opted members including the General Manager - who is appointed by the Committee. Apart from him, all members are non-executive; and the professions currently represented on the Committee include design and printing, financial analysis, marketing, building, accounting, art, legal, industrial, medical, and civil service.

The Committee elects The Society's two "officers" - the Chairman and Treasurer - each year following the AGM. The Committee meets formally over 20 times a year, and its various sub-Committees perhaps a further 20 times. The two officers also have day-to-day contact with the General Manager and The Society's Secretary.

Executive management is controlled by the General Manager, who has a team of senior specialised managers and staff, with responsibilities ranging through wine buying, finance, operations, marketing, transport, etc. Overall there is a workforce of over 100 people.

Despite much detailed involvement, the prime function of the elected members of the Committee of Management, is probably the appointment of the General Manager, and the overall monitoring of the progress of the business. The prime function of the General Manager is the appointment of his senior

team of managers, and the implementation of Committee policy; which is, of course, much influenced by input from the management team via the General Manager.

Financial Dynamics -

Each new member buys one share, currently costing £20 (£1 from 1874 to 1952). Each year the financial surplus after tax liabilities is apportioned amongst the members via two types of dividends: first, one relating to the capital each member has in The Society (his share plus accumulated dividends) - and limited to 5% pa; secondly, one which is relative to the value of purchases made by each member each year.

Crucially important, and as ordained by the founders, dividends are retained, and paid out only upon the death of the member. Hence in the Victorian era The Society was known as "the booze and burial" Society.

These retained sums, belonging, and ultimately distributed, to the members, have played a vital role in financing the growth of The Society and buttressing it against the rigours of inflation. For the wine trade does not enjoy high returns on the capital it employs. The founders chose well, or at least fortunately, in establishing The Society as a Co-operative body.

- And Benefits from Co-operative Structure

At times of need the membership has lived up completely to the Co-operative ideal, and twice in the inflation-ravaged seventies members have provided interest-free loans to finance stocks or the expansion of facilities. A tribute perhaps to the scale of communication by the Committee on finance and administrative matters, as well as on vinous matters as already outlined.

It is interesting to note in a recent article in Journal 65 (Collier and Hutton - June 1989) the comment that "it is hard to avoid the conclusion that many Co-operative retail societies' accounts do not provide information in a manner which enables members to assess the success of the society over the past year ... " The IECWS Ltd's report and accounts for 1988-89 ran to 36 pages with detailed reports from the Chairman, Treasurer and Wine Buyer, followed by audited Accounts from which can be ascertained, with ease, the overall surplus, its distribution amongst members, a detailed cash flow statement and a wealth of fine grain detail running even to items such as postage and telephone costs, gas and electricity costs etc.

The Challenges Ahead

Many cannot be foreseen (eg what effect will 1992 have?) but many more can be.

The excellent working relationship between committee and management must be preserved and fostered.

The relationship and communication with members - as Co-operative shareholders as well as purchasers - must be developed with increasing vigour and efficiency.

Commercial pressures from ever more High Street outlets, not all of which have quite the eye to quality that The Society strives for, will have to be met head-on.

Members who die, who cease to drink wine, or whose cellars are full enough to see them out, must be replaced; and this can only be done through introductions by existing members.

In addition some modest growth must take place but in a strictly controlled manner. Just enough growth is needed to meet economies of scale to remain competitive, to generate funds to keep the premises fully up-to-date and to attract the very best - and most suitable - management talent.

Fashions and changes in the industry must be accommodated without at the same time losing the essential Co-operative nature, and the historical repute to which The Society owes so much.

Postscript! On Wine and On Membership

Readers might want to know whether members of the Committee gather to sample its products! The answer is that they do. Normally by blind tastings before committee meetings, after which they are expected to give their laymen's views on what they have tasted. The professionals are full time members of the staff, and carry the responsibility for the wines chosen for the list.

If any reader is not a shareholder and member of this unique Co-operative and wishes to become one, he or she needs to be proposed by an existing member. The author would be pleased to fulfil this function for any diligent reader who has read right to the end of this article!

The Author

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