

Consumer Co-operatives 1945-93: Challenge - and Responses

Journal 79 was a special issue in February 1994 to mark the 150th anniversary of the Rochdale foundation. Its general title was Consumer Co-operation in the United Kingdom 1945-1993: Part I is an extended essay by Professor Leigh Sparks of the Institute for Retail Studies, University of Stirling which makes a comprehensive conspectus of the half-century and the options available now; in Part II, contributions from varied interests and experiences examine particular aspects of consumer Co-operation over the period with, in the main, emphasis on the contemporary situation and the choices for the future.

In this issue of the Journal and the next we are publishing some responses to the "challenge of '79".

1. A Phoenix Reborn? by Professor John G. Corina

There is no better way to rediscover the lost but not forgotten world of our Co-operative idealism than to read again, in detail, the practical soul-searchings and economic assessments of Co-operative retailing and wholesaling strategy formulated at moments of crisis, especially the expert Reports of 1919, 1938 and 1958. The latest review, in Journal 79, of consumer Co-operation, covering 1945-93, is a worthy successor in exploring the critical issues of organisational adaptation and survival in a changed economic environment.

The Issue of Centralization

Throughout every postwar decade, one underlying theme (however muffled) has been the economic case for a truly-functional centre; a nationwide articulation in Co-operative retailing policies and operations. After the trade zenith of 1957, the running debate focused upon the economic advantages of increased size and centralization; visualizing a central market power to be accomplished (hopefully) through activity interlocking, crash society amalgamations and democratic bonding between regions and the emergent decision-centre. The issues were never settled. Retail societies, during the 1960s and 1970s, were legitimately afraid that the shining baby of Co-operative principles would be thrown out with the dirty business bathwater. The Co-operative response to revolutionary market changes and new technology, especially affecting the food trades, was neither strong nor swift enough. Strategy became reactive in the 1980's rather than proactive. Co-operative trading structures were hastily regrouped within a scaffolding of shabby internal deals and improvisations; temporarily cohesive in terms of

the politics of vested interests, but thinly masking deep organisational flaws in the newly-emergent dualities of the wholesale and retail configurations.

Up to the recession of 1990-4, that compromise perhaps staved off the worst effects of profitable market captures by the private multiples. But the debate over rationalisation, once peripheral to Co-operative principles, has increasingly reflected profound economic anxieties: over irretrievable deficits in Co-operative management and technological leadership, over rapid shrinkages in market shares, and the increasing marginalisation of Co-operative trade. The argument for centralization has now been monumentally elevated: into an over-riding economic imperative, the *sine qua non* for survival of the Co-operative movement.

A Single Society Concept?

The Single Society concept of centralization has thus gained immeasurable strength as the necessary gateway to the future. The Co-operative movement must take one such giant voluntary step forward. At least, there should be a negotiating plan to pull together the existing entities as a modern Co-operative-knit business system; forging a 'super-scale' enterprise to outmatch the new store strategies and price-brand policies of retail oligopolists during the coming upswing in the economy; and to demonstrate that the twenty-first century consumer ownership of scarce resources can achieve clear social benefits through efficient economic means.

Co-operatives have always exhibited an enviable phoenix-like quality. Ever since the prototype retail models of William King, Co-operative retail enterprise has shown a self-renewing capacity for survival; more enduring after Rochdale than the lifespan of any of the existing top 200 British businesses. But the basic parameters have changed since the heady days of 12 million members in 1960. Spatially, over 17% of British retail sales (1992) is made in out-of-town centres compared with 5% in 1982. The traditional social strata supplying Co-operative purchasing memberships have meanwhile become a fast-crumbling sales foundation for the 60 or so residual societies.

Full employment has vanished for the foreseeable future. The 'average' consumer - a fictional stalwart of retail Co-operation - has fragmented. The UK economy, increasingly dichotomised into a very rich consumer stratum and a very poor consumer group, falls consistently below a rate of growth barely able to sustain the minimum consumption needs of single-head families, pensioners and a semi-permanent unemployment pool of some 3 million. Among the employed, the once-secure male adult employment structure and skill patterns have radically given way to insecure part-time female employment and service jobs. Heavy industries which sustained

whole Co-operative communities (especially coalmining) have vanished, and the very base of British manufacturing industry has melted away. New patterns of expenditure and unexpected savings outlets have also arisen for the above-average income groups.

The immediate objective of a Single Society would be to secure and tap market shares; maximizing hidden Co-operative assets (such as goodwill and supplier relationships) and redeploying tangible financial and human investments, communally accumulated from past market patterns, in the most efficient way. Only a Single Society can set strategic returns-related targets to win back consumer surplus from the changing 'nineties patterns of income and consumption. Economic survival of the movement is essential to teach practical caring-and-sharing as the alternative to uncaring individualism. The Single Society concept is thus far more than attracting the stereotyped Tesco shopper pushing a trolley laden with £80 worth of superstore goods.

A New Social Contract?

A Single Society will, of course, demand heavy institutional investment in leadership and executive development; and commitment to promote open governance at all levels. Central purpose, however, offers a planned escape from the Multiple Society Maze, sprouting obfuscation over the past five years. Marketing expenditures would be shared. Capital programmes, retail outlets and merchandise would become more closely matched with local customer profiles. The unification process will present an unparalleled negotiating opportunity, not just to codify the tangled commercial ground-rules, but also to draft a new social contract for the normative foundations of Co-operative institution-building. Few parties will deny that there are three contractual priorities. First, to redefine the Member-Person and the Shopper-Person, as entities vested with participant rights and duties in their changing Societies; secondly, to establish mutual compatibility between the CWS and CRS, as kindred partners in a fresh endeavour; and thirdly, to regain confidence in our own ability to choose creative chief executives and hold them accountable. A large Single Society will remain capable of large mistakes. Even the mightiest profit-machine, like IBM, can tumble down. The price of economic democracy will remain eternal vigilance over the balance sheet.

Co-operative enterprise, however imperfect, offers an alternative model for sustaining decent human relations. Many privately-owned businesses chasing short-term horizons have abruptly mutilated their human relations during the recession, thoughtlessly perpetuating crude models of management-through-fear. The once-tolerable private corporation, the no-longer-novel privatised industry, and the transitional public agency have increasingly generated

tyrannical management regimes; brutally prepared to tear up organizations and needlessly destroy family lives. The Co-operative enterprise should take great pride in its alternative philosophy for the year 2000: one of individual hope, social responsibility and economic progress. Transforming the Movement's economic power, however, will depend upon the commercial preparedness and positive commitment of the average member, the average manager, and the average employee. The case for a Single Society ultimately involves acknowledging the overwhelming philosophical case for marshalling adequate Co-operative resources into membership education and management development. Those vital resources cannot be conjured out of thin air.

The Author

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2. Unholy Alliance or Sensible Practice? by Professor Leigh Sparks

On page 67 of the special issue of the Journal earlier this year, G L Fyfe included among his priorities for practical action:

"to recognise that the major multiples, now very large and unavoidably bureaucratic and inflexible, are, to some extent, vulnerable. Their current share price reflects this. It is, for example, fascinating to witness the unholy alliance of Sainsbury, Tesco and Argyl attempting to protect their £20m a shed investment by uniting to oppose the initiatives of Costco".

I would like to make three comments about this.

Stopping Costco?

First, the overt attempt to stop Costco has been on the basis that Costco as a company have managed to play off issues about whether they are a retailer or

a wholesaler in their planning applications. By sometimes claiming to be a wholesaler, but actually performing a retail function, they have successfully challenged many existing retailers in the United States, and, more particularly from a British context, Canada. The question about Costco is whether or not they will refrain from acting as a retailer to individuals generally or whether they actually are really a retailer but a company who have permission on a wholesale site for wholesale purposes obtained by operating membership schemes.

To challenge and raise this point strikes me as being sensible business practice rather than an unholy alliance. If, for example, Sainsbury had earlier proposed to do a very similar operation to that of Costco, then I do not for one moment think that the competitors to Sainsbury (including the Co-operatives) would have stood still. They too would have formed some form of alliance to try to question the points about the planning principle involved. At least the action in this case was overt: the retail press is claiming more covert collusion is in place!

The Bureaucracy of Big Retailers?

Secondly, whilst it can be readily agreed there is a current threat to the existing big retailers, I would suggest that they have taken steps in the recent year to reduce much of the bureaucracy that exists in their companies and as a consequence have restructured both their store management and also their head office functions. This will make them much less bureaucratic organisations and should provide an element of flexibility. Their investment in technology also provides computer-aided flexibility in many cases. The question behind this is whether the Co-operative movement and the Co-operative societies within it are in fact any better.

I do not really see flexibility (in the sense I believe it is coming) from many of the Co-operative societies. Are Co-operatives practising localised category management for example? It is also vital to point out that the threat to the big three is coming not just from Costco but also from the limited line discounters and that this threat is possibly even more focused on the market share of the Co-operative movement. If the Co-operative societies believe that they can safely ignore the limited line discounter threat, and claim that it is simply the large multiples that are suffering, then I think that they are missing the very point of the changes in the retail market that are currently on-going.

Costco's Relations to its Members?

Thirdly, the irony of Costco being used as an example to berate the big three about their actions should not be lost on any Co-operator. Costco are running

a membership club. They are developing a list of members and a database of member activity in order to market themselves more closely to these members and to provide a true relationship to the members that are their consumers. If you do not purchase, you may cease to be a member. The whole ethos of a warehouse club is based upon the ideas of membership (and, note, general membership through activity not status).

Surely, somewhere that must ring some bells in the Co-operative movement. It is also important to question what the Co-operative response to Costco or Cargo Club (Nurding and Peacock) is going to be. At the moment it seems to be similar to the police directing armed robbers to a bank. At least by coming together the big three retailers have tried to disarm them first!

The Author

PROFESSOR SPARKS, Director of the Institute for Retail Studies at the University of Stirling, wrote *Part I. Review and Prospects for Consumer Co-operation in the U.K. 1945-93* for Journal 79.

3. The Ultimate Difference by Elizabeth Rogers

One of my colleagues, a Professor of Marketing, frequently gives the Co-op as an example of a negative brand image. The days of clay in flour and sand in sugar have been legislated into history. It is now pointless for the Co-op to claim affordable quality as its differentiating factor, especially when a significant minority of Co-op outlets do lack a quality "look and feel" about them. Yet Co-op organizations seem so shy about proclaiming democracy as a real competitive advantage.

In these days of scandals about financial institutions, their unwise loans and unfair pensions selling, why do we have to rely on other mutual societies (e.g. Equitable and Clerical and Medical) publicly to proclaim the advantages of membership-based ownership? And whilst Sainsbury, Tesco *et al* may promote some kind of purchase-related discount to encourage customer loyalty, they are never likely to introduce voting power to go with it.

Democracy is our ultimate difference, but unless it is seen to be associated with other benefits, it will remain only marginally interesting to prospective members. I can think of three key selling points which are vested in the Co-op's democracy - ethics, community and service.

Ethics, Community and Service

The Co-op Bank did gain market share when it publicly proclaimed its ethical policies, but yet we do not hear much about the excellent labelling policy of CWS or its better-than-Body Shop record on animal rights. The Co-op's policy of supporting community shops is also laudable. Whatever we may think about the cynical 1990s, people, especially young people, do express an interest in commercial ethics to market researchers, so why does the Co-op movement not promote itself to them?

Historically, the Co-op was not just a shop, but a club which provided considerable benefits for members as described in the excellent quote about the Rochdale Pioneers in Professor Briscoe's article. I am a great believer in a purchases-based "divi". However, it was Guilds and bands and the Woodcraft Folk which also made the Co-op great. There is potential for them still, especially in these days of limited public provision of recreational services, but they will not survive with just volunteers; professionals are needed to keep up the momentum.

As for service, it is not just a matter of courteous and knowledgeable staff who can make decisions when customers need them (although that would be a start). Service innovations such as special transport for the housebound and deliveries for ultra-busy working couples are required.

Of course, it would be futile even to try and establish the differential advantage of democratic commerce with consumers whilst in-fighting and lack of unity continue to mar Co-op democracy. If we want customer loyalty, we must be prepared to provide a vision of a thriving Co-op in thirty to fifty years time. People do not waste their time with organizations in decline. I believe that the Co-op could be revived and even become a positive brand once more. However, no matter how many of us at the grassroots of the Co-op are prepared to hold our breath and wish it to happen, we need leadership from those in a position to implement programmes to realise a revival. The evidence to date is that "the Co-op" is content to bury the Co-op brand in unknown sub-brands rather than grasp this challenge.

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