

Success in Retail Co-ops

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This paper is based on work carried out as part of a Society for Co-operative Studies research project on the co-operative advantage in the British consumer co-operative movement. This collaborative project was carried out by researchers from 3 academic institutions: CRU at Open University (leading the project), Leicester University Management School, and the UK's Co-operative College (see the four papers in Journal of Co-operative Studies Vol 33 No 2, 2000). LUMC in a team led by Dr Peter Davis carried out the first major survey of consumer co-operatives for many years; it achieved responses from 16 co-operative societies contributing 80 per cent of co-operative sector turnover. CRU carried out case studies on good practice examining member/community relations (reported in Spear 2000), as well as success in different segments of the retail co-operative sector. These latter cases were based on findings from the LUMC survey, where co-operative societies were asked to identify parts of their co-operative business with exceptional results. There are about 46 consumer retail societies in the UK, but the sector is dominated by about a dozen large regional societies and one national society. Most of the cases are drawn from large regional societies, with one example from the national society (but further research is due to be done on other co-operative retail sectors, and these include more examples from the national society). This paper reports on a comparative analysis of case studies in the following sectors:

*Dairy produce
Non-food produce
Travel
Funeral Services
Pharmacies.*

The research is based on interviews with managers of these business areas within the different co-operative societies. This paper examines the nature of 'success', and the basis for success in these co-operative sectors. Through comparative analysis, it attempts to identify common features in the patterns of factors leading to 'success', as well as significant differences.

1. Introduction

The UK retail co-operative sector has been marked by some interesting developments in the last 20 years. Firstly the Co-operative Bank rethought and modernised its co-operative image, branding itself as an ethical bank (see Wilkinson, A and Balmer, J M T 1996). Secondly, after decades of decline, the largest retail society Co-operative Group (formerly CWS) has stabilised its market share, invested in value based co-operative training of management, seen off a hostile bid to privatise it, and amalgamated with the other very large society to form the largest society in Europe. Thirdly, led by Oxford, Swindon and Gloucester (a strong regional society) there has been a highly innovative orientation to membership and democracy (see Spear 2000). Fourthly the government commissioned a high level report on the co-operative sector, which has resulted in a substantial number of measures to strengthen the sector, including its leadership at national level. Thus the retail sector is currently in a better position, economically, democratically, ethically, and politically than it has been for many years. These significant features have not been universally adopted across the retail sector, and there is still considerable debate on ethical marketing, member benefits and democracy, as well as on economic/business strategies; but at least these debates are being held within strengthened and strengthening structures.

Measuring success is problematic (see for example Spear and Voets, 1995), and in all cases the researchers have taken self reported success as sufficient criteria for inclusion in the study.

Brazda and Schediwy, 1989, document common trends across European consumer co-operative movements. Referring to their chapter on the UK, it is interesting to note there has been continual decline in market share, which has been arrested recently to a certain extent; there is still no national society, but the business of Co-operative Retail Services (CRS) declined so drastically that it has merged with Co-operative Wholesale Society (CWS), that change and the report of the Co-operative Commission, particularly on the role of the Co-operative Retail Trading Group (CRTG), together with strengthening of regional societies offers interesting prospects for consumer co-operation in the UK.

Research approach – the survey identified areas of co-operative business which were reported by the

co-operative societies surveyed (Davis and Donaldson, 2000) as having exceptional performance. The surveyed societies were asked to give reasons for their choices, and the suggested criteria were:

- a) financial evidence of growth in revenue,
- b) strong organisational values and management skills, and
- c) co-operative values and evidence of co-operative difference.

Thus the reasons cover business and co-operative values; and preliminary evidence suggested that there was considerable diversity in these case studies, across the full spectrum of business to co-operative values.

Two cases were identified in each co-operative retail sector, and both were researched to provide good comparative information (except for the pharmacy sector, where only one case was studied). These 9 case studies in 5 retail sectors are reported on in the next section.

In theoretical terms there are certain characteristics of co-operatives that give an inherent advantage (see Spear, 2000). Thus one of the interesting dimensions of this study is the extent to which such co-operative advantages underlies success. Closely related to this is the idea that co-operative principles and values could, if properly operationalised within a business be a major source of success.

However reviews of the literature indicate that there are several different sets of co-operative values that might inform success. For example two sets that are typical are: strongly espoused modern/ethical values (eg the Co-operative Bank) vs traditional implicit member benefit values. (Up front co-op values vs In your boots co-op values.) It may be that certain sectors would be more predisposed to one rather than the other as a basis for success.

Similarly taking this line of argument further, from a marketing perspective (drawing on courses developed by Blomqvist and Spear) it has been possible to develop several distinct co-operative images.

Co-operative Images

- Value for Money
- Valued Customer
- Profit Overt (ours = yours)
- Altruism with Attitude (we care)
- Anchor in a Chaotic World (Good Value, Good Products, Good Advice)

Where possible the study explores the extent to which these different images informed successful practices.

2 Findings from the Case Studies

Initially the findings are reported by sector examining similarities and differences.

2.1 Dairy produce

Dairy 1 and Dairy 2 were based in regional co-operative societies. The dairies were involved in doorstep deliveries, shop deliveries, and in the case of Dairy 2 with a production facility. The reasons for both these cases being selected were exceptional business results. The factors sustaining the success of these co-ops are as follows:

1. Both dairies were **strong players in local market** (well-known name for many years, strong co-operative area). This position gave both **economies of scale**, and a **protected market** since **dominant supplier** position leads to high market entry costs; [home delivery sector in decline, but shop delivery on increase.]
2. Both dairies had developed **well-managed businesses**.
 - a) This included **good quality service** (right throughout various customer contact points, from call centre to delivery); based on training and quality approaches; **good staff** and high degree of staff stability. For Dairy 2 “a lot of staff have been here a long time, some have been here 30 years.” And in addition they enjoyed the “informal nature of contact with seniors. There is a team spirit.”
 - b) **Investment and cost control**: to improve profitability

(closing production capability, expanding wholesaling, and geographic base; and investment in new technology). For Dairy 2: continual investment, including in new dairy in 1982 (only new dairy co-operative building in the country). Note: there are only 5 co-operative societies with dairies (out of 46 societies). "It was a cash cow, but they (co-operative societies) didn't invest in it ... Dairy 2 has invested ..."

c) **Business performance:** "In percentage terms our bottom line is as good or better than the major companies like Express."

3. These factors helped develop **strong customer loyalty**, but in the case of Dairy 2, this was also due to a strong regional identity, and a high membership base (members were more loyal). Business and customer loyalty together helped create a loyalty/success dynamic:

it is a co-operative and it is a business so the benefit comes to the members because it is a successful business.

4. The business performance was further enhanced through economic **co-operation between co-operatives** to get economies of scale. This helped with national contracts for shops through CMTA (co-operative milk trade association); and group purchasing of packaging.

5. Regarding **co-operative ethos** – this appeared unimportant for Dairy 1. While for Dairy 2 - business is a little removed from the co-operative, running more as a dairy business. Co-operative branding is only on some packaging. The co-op brand is slightly downplayed due to dominant market position - this is for two reasons: maintaining the previous brand where the co-operative has taken over a business; and supplying non-co-operative stores which are competing with co-operative stores.

Summary

The key factors in the success of both these co-operative divisions are: a strong local player, and well-managed

business together generating customer loyalty. The business performance is further enhanced by economic co-operation between co-operatives.

Thus rather than overt co-operative values being evident, the success of the co-operative seemed to be based on traditional member based business values: delivering good quality product/service.

In terms of co-operative image (see above) this combines: valued customer, with value for money.

2.2 Non-food produce

Non-food produce (NFP) includes furniture, carpets, clothing, toys and electrical goods – but not all stores take the full range. These cases are from two regional societies (NFP1 and NFP2 – a key feature of NFP2's performance is their major programme of store refurbishment, which has led to increased sales).

1. Both co-operative societies were **effective players in the local market** – this being characterised by good use of **local knowledge in marketing**, and store location, etc.

This has involved moving away from national co-operative society promotional strategies to select schemes that match the local competition better; and varying the marketing channels to match local conditions (from press advertising to leaflets).

Similarly they used local knowledge of suppliers to keep development and refurbishment costs down. In NFP1:

It frightens me when I see how much developments cost the XX (large co-op society). We're getting the same size stores for much less ... It's about being small and local. We get local quotes on a new building ... Take refrigeration, we don't have a standard format, we see who's got the best deal, we do it to keep the costs low. We do all that on all our buildings.

2. Both stores had developed **well-managed businesses**.

In NFP1 this included being **very responsive to changing markets** – such as the shifting importance of shopping centres in the town with other retail outlets opening, or

changing retail patterns.

This involves continually getting the balance of space and turnover correct; changing store locations; as one manager said:

One thing is **we don't let problems lie** ... Take YQ (small town), where we had a large store. It was doing all right until a Safeway opened next door. We had the full food and non-food range in there. We managed to ... rent out half the building ... in the balance of the store we've maintained the food, electrical, coffee shop, so we managed to get a complete offer in.

For NFP2, **good marketing** means:

... regular meetings with the management executive as well as meetings of all senior managers - non-food ... This is where we discuss promotional activities – [based flexibly on the CWS¹ promotional calendar for the year] - and we can react quickly, because we are local, make decisions ... we are testing our market, monitoring the market through feedback from customers, and staff, all of which is used.

Local intelligence is regarded as particularly important: “we also give store managers a big say and input into promotions, advertising, they know their market. An ‘advertising response sheet’ for advertising and leaflet distribution is filled in by store managers giving us feedback”.

In NFP2 the chief executive is particularly **close to the market**: visits to competitor's stores, by staff (including the chief executive), are undertaken to check the range offered on certain product lines compared to the co-operative's. And:

We have a customer feedback form ... - we are constantly asking customers what's good and what's wrong. We listen to the responses to these forms very closely - the CEO gets these forms first, even before the general managers, of course they go on to the managers, but he gets them first.

Both societies promote the **co-op brand**, NFP2 particularly

strongly: maintaining the brand and their distinctive logo on all stores and promotions: “We think the co-op brand is an asset. It is a strong brand. We should take advantage of that.” But they recognise it is important to “walk the talk”:

Where stores are old and dowdy this is not so, but where the stores are good - you can see where the co-op is strong. We’ve got the logo right, the branding correct. You don’t mind the co-op name, it’s got the quality ‘class’ ‘standard’ you’re looking for. People trust the name co-op. But many societies haven’t invested in their stores and so the perception has become ‘old’ and ‘dated’ and ‘not cheap’.

Similarly for NFP1, when considering **investment** in store locations and good quality refurbishments, attention to different customer profiles requires a **differentiated marketing approach** – for example locating small local shops near the traditional customer (council housing, old people’s homes), drawing in “the upwardly mobile young people who care about what we are, our ethical stance, the Co-op Bank ...” by focusing on the bigger stores to which they drive; and for a different market segment in the larger stores ... “doing offers on quality products ... at cracking prices. That’s bringing new customers in, Mr and Mrs Sainsbury’s, the ASDA customers” (customers from the largest retail competitors).

NFP2 has had a **major programme of investment in stores**:

In the last four years we have started to invest in stores. We have had a management business plan. The Management Executive have changed the business round. The business plan recognised the need for investment in staff, stores, and training and the result is we are now doing well.

This investment encompassed new stores, enhancing facilities in existing stores: “ATM machine, high standard of shop, fresh baked Cuisine de France products, delicatessen, more unusual for a convenience store;” As well as “fixtures and fittings of high quality to provide the right atmosphere,

wide range of goods, good image, all the brand names you want ..." and: "we've got away from a dowdy image ... there are membership leaflets, promoting the membership ... signage which is easy to understand ... notice board to give that sense of community."

The results: in non-food, to a 25-100% sales growth, over a period of time. This investment has been combined with **cost control** as a vital way to accrue money in order to invest in new stores.

NFP1 have a **clear business strategy**: "Our approach is to run a low cost margin, keep cost base down, maintain volume. We want to be competitive and keep the cost base lower ... it's worked for the last years for us ..."

Similarly for NFP2:

I think there are 3 strands to what we are doing. I've been here just over 5 years ... first is getting the right type of business, to get the retail side right, that has to be a priority. If we don't do that it doesn't matter what type of ethos we have got - we haven't got a business! We still have work to do here, but we are one of the top performing retail societies. We have a sound financial footing and we have that now and we want to build on that. Second is creating a distinctive difference. Third is the membership - there must be a genuine reason for being a member and we're working on that.

The NFP1 approach to **staffing** is: "growing our own". "... It's also crucial to have the right people in the right positions ...". This is not always easy where staff mobility and turnover are significant:

When I started I got a list of key people, from many sources. There were the 'stars'. Then there were the people I thought I'd have to lose - they are still here while the 'stars' have all left. You need to read people and not be afraid to move people. Take some risks.

NFP2 invest in **training** at all levels, and **induction**, with a staff induction roadshow whereby new staff are made aware of the wider business. They have a high degree of **staff**

loyalty. This also indicates **commitment**:

The staff come in the evenings to learn about the products - in their own time - the staff are wined and dined, staff will come from all our stores within our trading area, they are keen to attend. They get a buffet meal, manufacturers come and explain about their product. There's a free prize from the manufacturers. It's a social event too. Staff are keen to attend, to extend their product knowledge.

And there are **staff benefits** to reward some of the loyalty demonstrated by staff. A staff bonus is one of these. A week's salary in vouchers is given to staff if the Society hits its profits providing the staff member's attendance and performance record is satisfactory. The bonus is linked to the Society's earnings.

NFP2 have a very clear idea of delivering a quality customer service: customer comments indicate that the **product knowledge of staff** plays an important role in what is liked and appreciated. Their 'quality' approach for both customers and staff is to free time for front line customer service, the aim being to **minimise paperwork for frontline staff**. This applies to business and co-operative dimensions of enterprise:

It's these people in the front line who are **the ambassadors for the Society**. If we don't tell them what we are all about then customers/members won't know what we're about.

4. The business performance was improved through economic **co-operation between co-operatives** to get economies of scale.

In NFP1:

On electrical goods we've held our own but the margins are very low. The prices are ridiculous, the competition is intense. The issue was: should we pool buying power, trying to get together with other societies? People pay lip service to co-operation but

then won't alter their product range. We agreed to change our product range with XXZ (larger co-op society) ... we don't have enough critical mass alone. On furniture it worked. We have had a strong performance on furniture.

For NFP2 co-operation also applies to marketing: it ties in with CWS national promotional campaigns by promoting local Society offers at the same time.

CRTG has helped because we can now compete in food on price. Our food division is showing healthy sales increases.

But they use that facility flexibly:

we have the option of taking up those deals, but we also do deals with certain suppliers ourselves. We can sometimes get a better deal on a specific product. CRTG can't always give us that ...

But they are not part of CRTG for non-food at present, which is still in its early stages of development. "There are various things we think they haven't got right yet. We've got a good non-food business and we don't want to damage that."

5. As for **co-operative ethos**, in NFP1 this involved pushing a number of co-operative features: member benefits through the dividend, the dividend card (for cross-selling), as well as the democratic side:

We're obviously there to give benefits to our members, give value to members, to keep the democratic side of the Society alive, we've worked hard at the democratic side of the Society ...

The **dividend bonus** is distinctive but really probably for most people coming to buy it is just a matter of price. People see it as a bonus. Some do come for the dividend but for others it is just pure price ...

However the use of a dividend card gives information for the

marketing database, useful for marketing special offers and cross-selling:

We're marketing that that you can get the dividend on your holiday, on your electrical goods, on your petrol. We're trying to get the message across: it'll pay to do all your shopping (your travel, your electrical goods) with us.

However the **co-op brand** is seen as attractive, and promoted consistently by both societies (see above). Promoting the co-op brand is seamlessly linked with co-operative education in NFP2:

As a Society we need to educate the public about what the Society is and the different other co-op societies: we've been giving these away [pocket leaflets produced explaining about the co-op, as well as ribbons and aluminium milk tokens originally used by the co-op] to the suppliers, the manufacturers. They aim to help people to get to know about the co-op. These mementos are one way of doing that ... They're about the Society and how we have come about. We're proud of our heritage and we are not afraid to shout about it.

In NFP2 **member benefits** are emphasised (rather than democracy). They target members first for promotions and cross-selling. They also want to draw in new members through promotions and a system of discounts only available to members.

But there are, in addition **social benefits**: outings and trips organised for members via the Member Relations Department and some people have joined especially to take advantage of the discounts available on these trips.

An **ethical stance** has been developed by NFP2 to provide **community benefits**. They have a unique scheme whereby the Society pledges all of its profits from tobacco sales will be donated to charity.

We are promoting good ethics ... This year we launched our ... scheme. All our profits from the tobacco sales are donated to worthy causes, we donate it to local charities.

This is a scheme which is unique in the UK and possibly the world. NFP2 has pledged its entire tobacco profits to community charities. This promises over £50,000 in the first year of its operation.

Another ethical dimension is in their sales approach, which could be termed '**ethical selling**':

say in holidays - we are closely linked to the CWS Travelcare Theme, we're not hooked to a particular holiday company - the same with funerals, aim to not oversell a coffin arrangement they don't need. The aim is not to con them and sell them something they don't want. In electrical and furniture we get exceptional comments on the cards saying how staff have helped them. It is more like helping the people to chose. That makes a noticeable difference to what customers receive elsewhere. I see it as an ethos that runs through the business, food is slightly different because it's mainly a self service product, but the same principle applies.

Although NFP2 recognise the effectiveness of Oxford, Swindon, and Gloucester in developing **member democracy**, the balance between democratic involvement and professional management was a delicate one. It could

... inhibit management, say quarterly member's meetings, may be going further than we need to go. You could get a groundswell of members who want a particular facility that it might not be practical to do, you need a balance between professional management having that remit so it doesn't reach a stage where the democratic element becomes an overwhelming one so you get an unmanageable business. Oxford Swindon and Gloucester seem to manage it very well, very impressive, but you have to be careful the balance doesn't tip in the wrong direction on that.

The important thing stressed earlier was to get the retail side of the business right.

... to get the retail side right, that has to be a priority. If we don't do that it doesn't matter what type of ethos we have got - we haven't got a business!

Clearly this view is inextricably linked with **board performance**:

Our board today is more on the ball than they have ever been, because of the Corporate Code of Governance, today you can't hope to steamroller things past a board ... the directors know now how to read an annual report.

and "Director training is on a regular basis."

Summary

The key, according to the chief executive of NFP2 is

... to show you are a **local organisation** - and for members show they cannot get these benefits anywhere else. I don't think you can get this by a national co-op. You need niche retailing on a regional basis - but with nationally managed buying power.

This approach also typifies that of NFP2.

Both societies have a place for co-operative values, and to a certain extent the co-operative difference is integrated into business strategy, but in other ways, it seems to be something which is an added extra rather than deeply embedded within strategy.

2.3 Travel

There are two cases examined here: one part of a strong regional society (T1), the other part of a national society (T2).

T1, the regional society measure themselves, especially in terms of growth, against the travel industry rather than other parts of the co-operative society.

When we look in terms of growth - the national market share that we command - when you consider there

are seven-and-half thousand travel agents, we've got thirty five of them yet we've got over two per cent of Thompsons national business. We are certainly more productive per outlet than any other travel outlet.

Additionally they consider themselves successful on factors such as continuing profitability, staff retention, customer care (for which they receive awards), marketing and staff training.

T2, the national society measures success on the usual 'key measures': growth of sales volume, growth in profitability and return on capital employed. It has for instance 300 outlets nationwide and this represents a growth from 230 in early 1998 (including managed partnerships).

1. The regional society was a **strong player in local market.**

Perhaps the most significant management decision, by T1, was one to expand. A little over ten years ago the travel section was confined to the Society's department store. It was clear that the travel industry was consolidating around a small number of increasingly large travel agents. A decision was taken to expand geographically to achieve a dominant position with respect to travel from their regional airport. The business now has 35 branches in the catchment area and is negotiating three further leases.

This has allowed the co-operative to take a 24 per cent share of this market and be the largest agent in the region. Because of this position they have been able to compete effectively on price and added benefits. The manager considered that there has been a cycle where price and benefits alternatively have been uppermost among the customers' concerns. Currently he thought price to be most important.

One of their newest outlets illustrates how the benefits of geographical dominance has allowed the co-operative to add value to the travel product. The new site is in a business park. The travel centre is located in shop units around a large central area. The central area has a bandstand and is designed to suggest a holiday atmosphere. The travel business puts on all sorts of events including music and tea dances to make booking a holiday a wider and more pleasurable experience.

2. Both had developed **well-managed businesses**.

For the regional T1 this means:

doing the simple things extremely well - we are perfectionists - if you look at this year alone we've virtually taken twenty years of trading apart, looked at everything we do and put it back together again and if we thought it needed fixing we changed it.

Being critical of their own performance and responding to it was reported as an important factor in business success.

A deliberately **interactive management structure** has resulted in a number of **innovations**. For instance:

- they had been the first among travel agents to offer discounting;
- in the last three years a 'familiarisation programme' has been instituted by which all sales staff have been regularly sent to experience a resort to which customers go;
- there are now facilities for customers (and/or their children) to view videos that include entertainment ones and others of their prospective destination;
- they have set up 'Paddington', a travel management Intranet;
- 'floor walkers' whose job it is to engage potential customers browsing brochures will bring free coffee and tea to the tables in the centre of the shop.

The member of staff said she thought they do feel that the management values their opinions.

A recent innovation is an internet site and a small but expanding call centre based at the headquarters. However growth in this business would inevitably bring them into competition with the national and global operators. Their policy of constantly reviewing and seeking improvement to their product, therefore, will become more important than the geographical dominance that has sustained them in the past decade.

T2 has good management information arising from **good**

management systems.

In addition to the feedback from customers, noted above, T2 have management systems that enable them to spot and quickly respond to difficulties and opportunities. For instance 'Lets do it better' meetings between staff are aimed at highlighting poor practices. Recently, for example, staff used this opportunity to complain about aspects of the 'mystery shopper' system. On investigation a consultant's methods and practices were found to be poor and changes were instituted.

Because of the feedback from customers the newly launched flagship stores include crèches with bouncy castles and videos. They had also found for instance that different tiers of insurance policy upset customers. An offer of better insurance indicated the previous standard to be inadequate and they now have only one policy.

T2 has also been **innovative** - they operate telephone holiday clubs for organisations including the Co-operative Bank. Call centres, 'T2 online' and digital TV capabilities have grown considerably. For instance they have a 23,000 sq ft call centre. However, "It's small compared to where it's going." All these new services will be differentiated on the basis of open and honest delivery.

a) This included **good quality service**:

T1 have won awards for their service, and have been very innovative (see above); also: the manager interviewed added that their all round approach is characterised by:

Honesty (and bluntness) - in the way we approach discussions with suppliers, the way we approach our staff and the way we approach problems with customers.

For T2, customer-focused **open and honest offer** has been crucial to their success:

Really since we've determined our strategy and gone with it, as in marketed the co-operative values and built our business position on it, we've grown market share. For example we launched our 'Travellers Right

to Know' in February '98 and the business has grown significantly since '98, through '99 and through this year.

As part of this initiative staff and customers may refer to 'tell it like it is' gazetteers that contain selected reports about resorts and holidays on offer. The reports are said to be selected on their informative quality rather than whether they are complementary to the resort.

The co-operative monitors the success of this openness policy through a number of independently administered measures:

- Customer service questionnaires.
- 'Mystery shopping' where independent investigators book holidays with T2.
- Complaint ratios.
- Customer holiday reports.
- Customer (potential customer and competitor's customer) focus groups.

These research measures show eight out of ten clients are satisfied with the service, and the co-operative scores highly on 'knowledge' of the holidays offered. The manager took this to relate strongly to the 'right to know' approach.

Much store was placed on the independence of the national society from the major holiday providers. Most travel shops are linked to a travel provider and these holidays are sold in preference to competitors. T2 additionally aims to answer customer's ethical concerns about holidays through the use of an environmental consultant.

On the basis of this success the national society is engaged in a £20m rebranding the T2 outlets around the differentiating notion of 'open honest impartial advice to customers' including an ethical dimension. The rebranding deliberately retains the co-operative dimension in both the logo, which is similar to the Co-operative Bank's, and with 'Co-operative' as a secondary heading.

T2 also compete on price by offering a discount of £10 against a competitor's holiday offer.

A **strong customer focus culture** was cited by the T2

manager - 'a customer focus culture', focused business goals and getting staff on board with the strong business proposition. She cautioned "don't claim more than you can deliver". With regard to customer orientation she said:

Profit is of course important but there is a real understanding in the business that you don't get profit unless the customer is happy.

If you try and do one and don't bother with all the rest it's doomed to failure but if I had to pick one it would be customer focus as being the all-important. Because I think if you've got customer focus a lot of what you do will be right.

b) Good management included **good staff relations**

T1: Good staff relations were cited as important. "I'd hate to think we had a 'them and us' and I'm almost certain we don't." Considerable care is taken with new staff and, for instance, their line manager will take them for a drink and give particular care to settling them in. A significant number of the mostly young female staff leave to have children and return to work at the Travel Centre. Some respect for management seemed to be generated by noting that when the sales space was very busy the managers could sometimes be seen working with the customers.

The travel department has, the manager thought, led the way in the co-operative in culture of constant review and positive staff relations. Although all staff are required to be members of the co-operative neither the manager nor the staff member thought that this was instrumental in good staff relations.

All staff are required to train to NVQ level 2 'Customer Care' and have the option to take level 3 and introduction to management skills courses. The business has 'Investors in People'.

Similarly for T2: The manager:

Lots of opportunities for **people to contribute** to the

business. Lots of opportunities for people to feed back to us if they don't like something or they think that something is not good and I very much value those mechanisms in our business because that's the route to making sure you have staff who want to work with you and want to work along with you to achieve the business objectives.

To this end she said: "We try not to be hierarchical". For instance the head of operations holds 'lets-do-it-better circles' once every eight weeks. Anybody can, and I was assured a range of people do, apply to join one.

Motivation of staff is mostly through the **honesty policy**.

Staff are quite proud of selling what the customer needs and wants rather than what the parent tour operator is telling them they ought to sell.

The manager knows this from her visits to branches. Staff are proud she said "because this is morally and ethically right".

Staff do visit and report back on resorts but on average only once every two years. However, staff turnover level is just over 20 per cent whereas the industry norm is 40 per cent.

There is a high demand for able sales staff as the travel industry grows. T2 has mostly in-house training, increasingly for new entrants, but they encourage staff to take NVQs.

3. These factors helped develop **strong customer loyalty**.

4. The business performance was enhanced to a limited extent through economic **co-operation between co-operatives**.

T2 has a managed service partnership (like a franchise including training and branding) with other smaller co-operatives in ten regions. This improves the national society buying power and national coverage.

5. **Co-operative ethos**.

For T1, this doesn't seem at all important. The co-operative has traded in the area for 120 years and has a membership of some 30,000. It takes an active part in the local community rather than the wider regional area in which the travel business trades. This is very much at a co-operative rather than departmental level. The manager saw the membership and its committees as mostly separate from the general business management of the Society. "The Society takes care of all of that" he said.

In terms of the travel centre business the manager thought that membership was becoming less important. He pointed out that nearly ten times as many holidays were booked in the previous year as the co-operative has members. Members get no special treatment.

For T2, there is a more positive approach: management encourages branches to be involved in local community and financial support is available for this. Staff are, however, not generally members of the national Society. Members can have a special holiday package (for instance discounts or special rates on car hire) and receive a dividend if they book directly.

However it appears that a theme of "ethical selling" has emerged in both cases, implicitly in T1 but overtly in T2, with their emphasis on open honest impartial advice to customers.

Summary

Geographical dominance has served the T1 co-operative well in the recent past. If the manager's assessment of a market that alternates between price consciousness and customer benefits is correct then their customer care innovations are not consistently of prime importance. In a clearly changing market the constant review and willingness to adapt must be their most valuable asset.

T2 seem clear that their open and honest approach has underpinned their success. It has done so both by motivating staff and managers and by giving a clear business offer to the customer. However, there are also many feedback mechanisms that have influenced the co-operative's business practices and clearly informed the changes they have made. As the manager argued these seem inseparable.

2.4 Funeral Services

The two cases researched are based in strong regional societies.

F1 Funeral Service sees itself as successful and innovative. Market share based on death rates has been increasing. The co-operative has expanded by acquisition. Some of the reasons for their general success are discussed below but the establishment of a web site and the success in generating immediate media coverage are key examples of innovation.

For F2, the primary reason for success had been the bereavement care services. "We've raised our standard considerably but the unique aspect for us is our bereavement support services."

1. The **local market** is clearly important since: for F1, 90 per cent of trade is generated by word-of-mouth. Placing advertisements in the media is costly and largely ineffective. The establishment of a web site was seen as a low cost way of delivering added customer benefits with considerable public relations spin-offs.

2. Both F1 and F2 had developed **well-managed businesses**.

The F1 **management team** go (irregularly) to visit all trade areas and discuss matters with staff however trivial. In this case:

Perception is reality that's the ethos so that even if everything they are saying is rubbish there's obviously a problem somewhere in communication so it gives us a chance to address it.

F1 Managers are encouraged to be **innovative**, as for example in the case of the web site trial, and there is a good staff suggestions scheme. Staff are recompensed for good ideas that may relate to any area of the business. A panel of judges including members from all levels in the business reviews staff suggestions.

F2 had introduced improved **management practices** and a refurbishment of outlets was almost complete. The manager gave two examples of raising standards. Before her arrival

there had been no means of identifying a body through the funeral process. This poor management system could lead to mistakes. Processes for recording had been instituted. The monument production division had been poorly organised and had produced poor quality work and made mistakes. Since this was reorganised, sales of monuments have risen. Other new management systems are discussed below.

For F1 a major **innovation** has been the launch of the internet site in January 2000 with relatively low start-up costs. It is not primarily intended that people should buy online. Some customers have gone 60 per cent towards a purchase and then “feel the need to see a funeral director”. It is primarily used as an ‘after service’ where customers can review products in their own home subsequent to arranging the service. In this way “the internet is there to complement our existing funeral directors”. Arranging a funeral is “the worst time of your life” and customers end up saying “Just give me the basics”. However, the internet gives a chance to reflect on your decisions and this offers better customer care. “You can sit there and browse coffins without feeling guilty.”

In terms of column inches in newspapers the “PR has been phenomenal” and far more cost effective than a conventional advertisement. There has also been radio and TV coverage. The reason for the attractiveness of the web site for the media - the manager said “It gave them somewhere to hang their hats.”

Additionally the web site gives feedback on customer browsing “it’s an interesting way of doing cheap market research”. The amount of interest in, say, new products can be measured.

F2 also has a developing internet site and the funeral service has a presence.

But for F2 the **major innovation** is their Bereavement Aftercare Services. The manager has established that only 4.6 per cent of their commissions resulted from direct advertising in the local media. Four years ago part of this budget was diverted to establish a bereavement service. A qualified staff member was employed to offer free counselling to the bereaved regardless of which funeral director they engaged. The service has grown to include:

- 24 hour bereavement support telephone line staffed

- by volunteers;
- One-to-one counselling for the bereaved (currently with 48 people);
- Bereavement support groups (eight, the first of which is now developing into a self-supporting social contact group);
- Group counselling to the support groups;
- Bereavement awareness training to staff in nursing homes studying NVQ 2/3 for care assistants;
- Funeral in bereavement support training out of the regional area, and;
- Community care programme in nursing homes.

The majority of funeral directors, once the funeral has taken place, apart from chasing the bill, that's it. We don't, we support before, during and after.

Clients of competitors use this free service and the co-operative gets referrals to the service from ministers, doctors and other practitioners, health centres and hospitals. One health care centre now has accommodation for the co-operative's counselling support team. "All this is getting the name of the caring co-op out to the community".

Some have been sceptical of the co-operative's motives, the bereavement counsellor estimated between 5 and 10 per cent, but the majority of people appreciated and approved of the services.

The approach was piloted four years ago and has now grown to employ three qualified counsellors and six others with various qualifications. Most are part-time staff. Counselling services are now also delivered within other departments of the co-operative. Because of demand they are beginning to charge for training services.

These services brought many more contacts than the co-operative would otherwise have and referrals and prepayments for funerals have risen. The manager said that the exact effect of this redirection of resources cannot be quantified but she felt the increase in market share was primarily a result of the additional free services.

a) A well managed business included **good quality service**.

Good staff development – F1 co-operative has a dedicated training manager and most staff are qualified.

I think without fear of contradiction [training] definitely does [make a difference]. That is our defining difference that the majority, if not all, have a professional qualification.

The F2 funeral service has, and has recently retained, 'Investors in People'.

Training is a very important aspect because if staff aren't comfortable with the role they have to play and they don't have the **product knowledge** then it's not going to help them; it's not going to help us.

Management staff hold the Funeral Diploma, the embalmers hold BIE diploma and about a third have NVQ 2/3 in Care.

A client questionnaire provides **feedback on their performance**.

Service at F2 branches had been poorly decorated with a small reception and dark corridors to small dark consultation rooms. The receptions were now larger, more open and well decorated. "We've changed it so that it's warm and comforting and relaxing."

3. The business performance was further enhanced through economic **co-operation between co-operatives**.

The F1 web site includes 36 Co-operative funeral service outlets and 104 independent funeral directors. However, most of the apparently independent businesses are acquisitions. The Funeral Shop wanted to co-operate with all other funeral services whether co-operative or independent. However, the response to an invitation to join the site was poor. The manager is presenting his ideas at the UKCC funeral directors association. About the co-operatives he said "This [the web] is a good place where we could join together and do some things together" rather than what he considered as the confusion of co-operatives and their funeral services.

In spite of the advantages of clarity for consumers and ease of location through established search engines, the

marketing manager now considers it is unlikely that there will now be such a national web site.

The F2 funeral service has assisted another co-operative society to set up a similar bereavement support service. This service was free because they are a co-operative. Other co-operatives have exchanged ideas about management systems.

5. As for **co-operative ethos**:

All funeral suppliers for F1 are local but there is no other direct relation to the community. The business is management led but members are kept apprised of developments.

We've had the odd bit of feedback that says this is good, this is bad, there's a hole here, could you do this, which has been taken on board from members meetings. It's not specifically invited but you don't need to with a co-op because the members drive the feedback up anyway.

In F2 there are clear benefits to the community in the bereavement services. There are also spin-offs for membership - in one case members of a bereavement group took out membership of the co-operative. Members are given discount on masonry purchases.

Summary

In the F1 case the nature and degree of success was not made clear. It seems the case that the regional society is trying to be an innovative co-operative and has some mechanisms in place to promote this. There was some reluctance to be specific about the success of the funeral service (reasons given but not recorded). The success of the web site was clearly set out and explained. In order for this to prove a longer-term asset it seems that innovation to attract further media attention will be necessary. The benefit to customers has yet to prove itself.

Clearly in F2, better management services have been introduced to improve the service at a basic level and this has

been an essential to the revival of the business. However, the extended bereavement services have combined a co-operative principle with an appropriate marketing initiative. Whilst the manager admitted that they could not compete on price with the very small funeral directors operating with exceptionally low overheads, they were able to offer an exemplary service. They had for instance gained all major hospital contracts in the area. In the last of these they had been told that the bereavement services had been a significant factor in gaining the contract. The range of the funeral service now successfully offered establishes the co-operative in the minds of the public and other professionals as the leader in the field. "People are realising that we are professionals".

2.5 Pharmacies

A possible threat to all UK community pharmacies is the current discussion about abolishing the Retail Price Maintenance. This would enable supermarkets to undercut the price of medicines. This section is based on data from one group of pharmacies that are part of a strong regional society.

1. The pharmacy is a **strong player in the local market**. They own 25 per cent of the pharmacies in the area and several of them are in unopposed situations in villages.

This position is strengthened through the small scale and geographical compactness of their operation. They can already get discounts on supplies, but compactness gives them managerial, trading, and financial advantages (low distribution costs).

And the position is further enhanced through the pharmacy being very well networked with other pharmacists in the region, giving advantages of local knowledge and information. They operate an unofficial locum agency for independent pharmacies.

We have enough pharmacists to cover all our own locum requirements. If I hear they have a problem I will try to find them a locum; it's on a commercial basis.

This builds on one of the strength of the regional society, which over many years has reinvested in the community, including some small communities which other people

thought weren't worth bothering with.

2. The pharmacy has developed a **well-managed business**.

a) This included **good quality service**

Professional values of pharmacists place a high value on ethics and confidentiality, and a high level of education and training to sustain it. This is effectively combined with a closely integrated and hands on management approach. The most senior person in the Pharmacy Department can be found working, at least some days in the week alongside the most junior of pharmacy assistants facing the same situations.

This all helps us keep very close to branches, branch managers and staff. We can appreciate the problems our branch managers and staff face.

b) **Investment and cost control.**

Strong prudent financial performance over the years has borne fruit:

we own the shops - we own 90 per cent of the shops we work in. We pay 90 per cent of a commercial rent (as an internal rent to the regional co-op society). That's an advantage for us. We also have the finance to buy new businesses so we can act quickly. So we could, say, agree a deal in a week.

This has also allowed them to invest to develop a highly integrated business, a pharmacy warehouse and distribution service, and that has cost and efficiency advantages.

our very own wholesaler ... this means we can buy some items on good terms and distribute from here - to our own branches. We are probably the only co-op pharmacy which owns our own warehouse.

We also have a distribution service - we can deliver to nursing homes, doctors and some housebound

people. We have our own vans running around doing those services.

There has always been a great deal of support at board level for pharmacy. This and the investment performance has led to an increased number of pharmacies from 4 to 23 during the last 20 years. This is part of a general approach by the regional society, since it: "has got resources and uses those to invest in its infrastructure, upgrades its stores, invests in IT."

3. It is considered that these factors have **not developed customer loyalty**, rather the pharmacies have a captive market in many areas; the pharmacies recognise it is important not to abuse this position, and provide the kind of service which will reflect well on the whole regional society.

4. The business performance is enhanced through economic **co-operation between co-ops** - low cost supplies come through XXX, an association of independent pharmacies.

5. Regarding the **co-operative ethos**

The co-operative ethos derives substantially from pharmacy values which are embedded strongly in the operation of the business. Professional values play an important part in a responsible business attitude in what is a rather special business operating on the boundary of the person being served being a 'customer or patient.'

This professional ethos may be as important for the rest of the operations in the regional society as it is for the pharmacies.

They have found ways of delivering a co-operative advantage despite government restrictions: prescription items cannot be included in the usual Society dividend, however

we have a Health Care Fund. This was a fund set up seven years ago - it was means of returning to the community profit we aren't allowed to give back on dividend. We can't offer a dividend on prescription items, instead it gives out £1,000 per branch per annum into community projects involved in health care. This year we gave £23,000 back. We support

Multiple Sclerosis Groups, Alzheimer Society, a Deaf Network, equipment to Doctor's surgeries, health promotion work in schools, special schools for equipment. On these things we can demonstrate the co-operative advantage.

The philosophy of a strong regional society brings together business, community and member interests:

to provide benefits for the Society's customers, members and communities it serves across the widest possible range of services.

For some rural communities in particular the regional co-operative can offer a very wide range of services.

Summary

The co-operative enjoys a dominant market position in the region. It plays to this well by playing a role in local pharmacy networks, which adds to its knowledge and understanding of pharmacy in the region. An integrated management structure and training mean a quality responsive service. A warehouse and distribution network ensures the co-operative can deliver medicines extremely efficiently and cheaply locally. The community approach is reinforced by the Health Care Fund.

Conclusions

There are a wide range of reasons identified as important for success in the different co-operative sectors studied. Many of these are associated with good business practices in any sector, and good management, no matter what type of business structure is used. However there are some interesting themes which seem to derive from inherent co-operative advantage. These include: dominant player in a region or community, good customer/member relations, good staff relations (together with investment in both these areas); co-operation between co-operatives has played an important role in several cases; there also seems to be an emerging advantage associated with "ethical selling"; several cases have invested in community relations with economic

advantage. Nonetheless there are also cases where co-operative ethos does not play an important role, though it is encouraging that these are a minority of cases studied.

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Notes

- 1 CWS is the Co-operative Wholesale Society which took over the CRS (Co-operative Retail Society) in 2001, to become the largest co-op retail society in Western Europe. It owns the Co-operative Bank, and the Co-operative Insurance Society. It is also the major player behind the CRTG, the Co-operative Retail Trading Group, which provides a joint buying service to co-operative societies in food, and more recently in other sectors, too.

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