

Being the Best? Co-operative Retailing and Corporate Competitors

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Between 1958 and 2001 lie forty plus years of decline in co-operative retailing. The 2001 Co-operative Commission takes for granted that there is an advantage to being a co-operative and that consumers (shoppers) can be made to realise benefits of membership. This paper asks what it will take for co-operatives to 'Be the Best' given that in the retail field they compete with some of the leading retailers in the world. It concludes that the co-operative advantage has to be earned not assumed and that much business pain will have to be endured to earn such standing.

The co-operative movement cannot be sustained simply on the basis of its social commitment.¹

It is perhaps emblematic of the issues surrounding the co-operative movement generally and co-operative retailing in particular that the Co-operative Commission report followed hot on the heels of a much more eagerly awaited report, namely the Competition Commission's investigation into the supermarket sector.² The Competition Commission was widely expected to find that corporate retailers had abused their powerful position, acted against the consumer interest and had caused 'rip-off Britain by their high prices and excessive profits. The fact that the report could not find evidence to support this perhaps shows the standing of corporate retailers in consumers' minds and the country. Whilst co-operative retailing does appear in the Competition Commission report, it is hard not to conclude that they are a minor (or even incidental) player in the market, despite their collective scale.

There is no need to repeat the history of the decline of co-operative retailing in the latter half of the twentieth century as the issues are fairly clear and form a benchmark for much of the Co-operative Commission⁴ report. Indeed, the previous Commission into the co-operative movement⁵ foreshadowed the decline to a considerable extent. It is clear that co-operative retailing has been in decline for some time, and that this matches the rise of major corporate retailers, particularly in the grocery sector. These corporate competitors have persuaded consumers that their stores, products, prices, services and approach better suit their needs. We have to wonder therefore whether co-operative retailing is in terminal decline or still has the

opportunity, even in this competitive market, to survive or to, as the Co-operative Commission argues, 'be the best'.

This paper is divided into four main sections. First, we undertake a brief examination of the Co-operative Commission report, focusing on aspects important to retail business. Secondly, we look at the competition and consider some of the reasons why they are so strong and what they are currently attempting to achieve through their strategies. Thirdly, these two approaches are combined in a review of how co-operative retailing matches up to these broader standards, focusing on the strengths of the competing corporate retailers. Finally, some conclusions are drawn.

The Co-operative Commission Report

(The mission is) to challenge conventional UK enterprise by building a commercially successful family of businesses that offers a clear co-operative advantage (defined as excellent products or services with distinct competitive benefits derived from our values and principles, and rewards for members or our commitment to the communities we serve)⁶.

The Co-operative Commission Report contains a large number of recommendations but ends by suggesting a new mission statement. This mission statement is an aggressive one. It sets out to challenge existing businesses in the country and to demonstrate that there is an alternative. This challenge is based fundamentally on commercially successful operations, deriving their success from excellence in execution and commitment to shared values. This is clearly a laudable aim, but one has to question whether it is achievable given where co-operative retailing starts from in relation to operations, consumers and competitors. This comparison will be the subject of a later section in this paper.

If the aim and mission are accepted, then there needs to be a 'road map' to direct this transformation of the business. The Report's recommendations are intended to provide this. There are 60 recommendations in the Report, organised around a number of headings and topics. Table I summarises these areas for recommendations.

Clearly there is no space to consider in detail all of these areas of recommendations. Instead, three of the areas can be selected as being of particular interest for retail co-operatives: re-establishing the co-operative advantage, branding and image, and membership. This is not to diminish the standing or importance of the other recommendations but is rather a reflection of those recommendations that are deemed most critical to retail operations.

**Table I: Co-operative Commission Report
Recommendations by Topic**

Re-establishing the Co-operative Advantage (15
recommendations)

- Commercial performance improvement
- Societies performance
- Financial auditing
- Social performance improvement
- Social auditing
- CRTG
- Financial services

Successful Co-operative Business in the Twenty First Century (6)

- Branding and image
- The co-operative logo
- E-commerce and new technologies
- New sectors

Membership Participation and Securing the Co-operative
Movement Legacy (8)

- Membership
- Securing Co-operative Assets

Effective Management for Change and Development (10)

- Boards, management and staffing

National, Regional and Local Societies (13)

- Lifelong learning
- Co-operative foundation
- Political structures and affiliations
- The Co-operative Press
- Regional issues
- National issues for UK government

The Social Economy and Co-operation (4)

- Social economy and community task force
- Housing
- UKCC and Co-operative Union

Mission Statement and Next Steps (4)

- Mission statement
- Implementation

Source: Co-operative Commission (2001)

The largest number of recommendations comes under the heading of re-establishing the co-operative advantage. This perhaps reflects the commercial decline of the co-operative movement in recent decades and the lack of awareness in the consumer market of any such thing as a 'Co-operative Advantage'. After all, when there has been 40 years of decline at the same time as competitors have expanded enormously, it is perhaps quite hard to believe in such an idea. The emphasis in these recommendations is on improving the commercial performance of the stores, retail operations and of the individual societies. This performance is meant to be guided by targets and key performance indicators to ensure that a focus on commercial performance is maintained. Quite what this might mean for stores if performance does not improve is unclear, although there is a brief comment about rationalisation and closure. This enhanced commercial performance is meant to be reinforced by improvements in social performance and more transparent auditing of the social activities. The final recommendations in this section focus on expanding activities in financial services (an area where competitors have done well) and on enhancements to the Co-operative Retail Trading Group (CRTG) in terms of both discipline and performance. CRTG is one of the successes of the recent co-operative retailing activities but is primarily a copy of corporate buying practices.

Secondly, there are recommendations in the areas of branding, image and logo. The Report is clear that there is currently only limited emphasis on the development of the co-operative brand and that the image and logo are inconsistent and outdated for a modern business. With a multitude of names and foci and limited product and service brand development, the problems are clear. There is a need to identify what exactly the brand stands for and the values that are being delivered through the brand. Without improvements in this area, it is hard to see commercial success following.

Finally (for our purposes), the report focuses on the issue of membership. Membership and involvement are at the heart of the co-operative ideal, but it has long been recognised that membership for many has lost its attraction and that the membership roll is at best a vague guess about past interest. Indeed, the Report hazards a guess that the current claimed membership total overstates reality by 500 per cent. Involvement in the movement is much less than the membership numbers would suggest. The report recommends that a realistic membership process is developed, even if this means a huge reduction in recorded numbers. Underpinning this approach of course is the belief that membership can be made to actually mean something to people and is worth having. Is membership for

example simply another loyalty scheme (indeed a small one by comparison) or does it mean more?

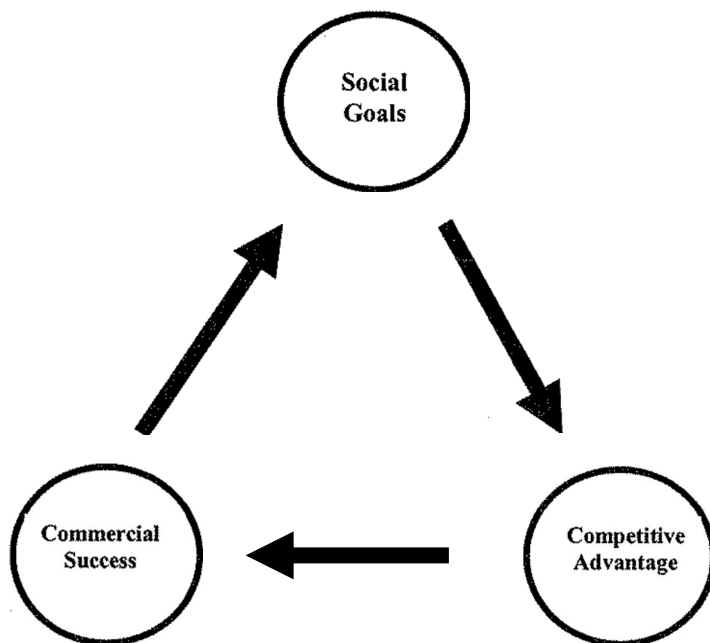


Figure 1: The Co-operative Advantage

The combination of all of the recommendations put forward is meant to produce a 'virtuous circle' of activity for the movement. This virtuous circle (Figure 1) involves essentially a three step process⁷:

- a A reinterpretation of the historically valid principles and social goals of co-operation in modern concepts and language and connecting with modern concerns.
- b Strong marketing of the co-operative advantage at national level in terms of the already suggested formulation of 'Effectiveness, Responsibility and Reward'.
- c A clear and positive distribution of the surplus between redevelopment and expansion and the community and individual member dividends.

Within the Report it is made clear (and the opening quotation to this section reiterates this) that commercial success is needed to pay for the social goals and that co-operatives must achieve much better

commercial success almost immediately. We might summarise this approach as a search for issues amongst consumers that the co-operative can utilise and emphasise, whilst also emphasising the co-operative advantage identified before. When this produces commercial advantage then elements of this profit will be re-cycled into members and the local community, thus reinforcing the benefits of the co-operative approach. This seems sensible perhaps, until we question whether this hasn't been the broad approach for the last few decades? What is different?

According to the Report it would seem as though the difference will therefore be in a much more competitive positioning of the co-operative movement, with a stronger emphasis than before on commercial performance. Whilst some of this performance will be based on social issues and consumer values, much will be achieved by getting better at retailing. This, in a corporate world, would suggest considerable investment in retailing and supply and a centralised ruthlessness on bad performance (including managerial performance). This improvement will also come through a closer relationship with members and/or consumers. It is perhaps instructive that one of the models for such a process and business is the Co-operative Bank, including its Internet operations, smile. This has a particular social and ethical stance, competitive products and performance and has performed well. In the Report, the Bank is seen as a sound example of what might be in retailing. Unfortunately, of course the customers of the Bank are not co-operative members and thus the model has some awkwardness in transferability. Does the Bank do well because of its stance and its competitive position and/or because you do not have to be a member? At the time of the Bank's renaissance, we could also reflect that competitors in the banking sector were not as consumer focused as those likely competitors in the retail world.

Understanding the competition

Lessons to be learned from pies include a genuine performance culture characterised by intolerance of poor performance, proper accountability of senior executives, a more flexible and adaptable approach and more effective staff training.⁸

The competition in the food retailing sector, in which the co-operative retail chains compete, is intense. In the United Kingdom it includes the world's largest retailer in Wal-Mart and the largest retailer in the UK, Tesco. Whilst Sainsbury's and Safeway have not been as strong in the latter part of the 1990s, there have been recent signs of recovery and both remain amongst the largest retailers in the

country. Concerns over the power of these leading retailers were one of the issues that brought about the Competition Commission inquiry of the late 1990s.

		Number of Stores	Average sales area (sa ft)
Extra	very large stores including an extensive range of non-food 'Worlds'	5	80,600
Superstore	Large stores offering a full food range and many non-food products	1269	38,600
Compact Superstore	Our superstore range, but within a more compact environment	67	20,700
Other stores	'High street' stores, mainly selling food ranges and household goods	240	13,800
Metro	City-centre stores serving the needs of a busy working population	41	11,100
Express	Petrol station forecourt shops selling a range of everyday products	17	12,100
		639	125,000

Table II: Tesco Store Formats 1999
Source: Tesco Annual Report (1999)

The sector has undergone a major transformation in the last two decades and the major retailers have developed strongly.⁹ In 1982 for example, the co-operatives combined had almost twice the turnover of Tesco. Currently the situation is reversed. Whilst the co-operatives have doubled in turnover over this period, Tesco has grown eight-fold. Obviously in a restricted space, we can not cover all the aspects of business development in the corporate sectors. Here three particular business components are developed in order to contrast with the co-operative situation. These three areas have been selected as important in explaining the growth patterns

identified. These three areas are the development of new formats, the development of the corporate brand and the importance of logistics.

Format	Sales Area (sqm) and Layout	Product Range	Car Parking	Additional Facilities
Sava-centre	5,500 to 10,000.	Full grocery range plus clothing, electrical goods, household, toys, etc. 40,000 lines	Large car parks. 800+ spaces, generally free	Restaurant, baker, deli, fish counter, meat counter, hot foods, salad bar, optician, travel agent, bank/ building society
Super-market	2,800 to 5,000. Standard supermarket	Full grocery range plus some additional lines. 18,000 to 25,000 lines	Associated parking. 400+ spaces, usually surface and free	Coffee shop, bakery, deli, fish counter. <i>Large stores:</i> Meat counter, hot food, salad bar, pharmacy, dry cleaner
Infill	1,900 to 2,400. Small supermarket for walk-in and local trade	Slightly restricted grocery range concentrating on core range. 15,000 to 18,000 lines	Associated parking. 150+ spaces, usually surface and free	Bakery, deli
Country Crown Store	900 to 1,900. Small supermarket for country areas	Restricted grocery range. 10,000 lines	Associated parking. 200+ Spaces, surface and free	Bakery, deli
Central	700 to 1,100. City centre store	Range concentrated on needs of lunch-time shoppers. 8,000 lines	No car parking or public car park	Salad bar, coffee bar
Local	1300 or below. Convenience store	Range oriented towards fresh foods and meal solutions for top-up shoppers. 2,500 to 3,000 lines	No parking in own centres, but a few spaces for suburban or rural stores	None, other than long trading hours. With all day Sunday opening

Table III: Sainsbury Supermarket Formats

Source: Competition Commission (2000) Volume 2, Table 5.12, p54.

Activity	Example	Tesco Example
Building transaction and information linkages	POS, loyalty cards	Tesco Clubcard, Tesco Personal Finance, Cashback, Location Maps
Extending and deepening infrastructure links	In-store branding, new store formats, new infrastructure	Tesco Extra, Tesco Metro, Express etc formats, Tesco.net, Tesco Direct, Tesco.com
Operational links for customers	Consistency of high service performance	'One in front' campaign, 'Every Little Helps', First Class Service
Personal/face to face links	Staff interaction with customers	Service areas e.g. butchers, Customer service desks, customer panels and question time
Service or expertise links	0800 lines, development of clubs	Baby Club, Wine Club, Pharmacy, Recipe Cards
Cementing financial links	Direct financial services	Tesco Personal Finance, including insurance, Pensions, Credit Cards, Tesco Bankino
Building emotional links	Lifestyle advertising, customer information, trust	Television advertising, Finest products, Healthy Living leaflets, Computers for Schools, Championing 'Grey' market goods and reduced brand prices, Bag or life
Searching for event links	In-store activities, sponsorship of events, local charity activity	Collection schemes, For Sale wall, Local vent details in store, Millennium Dome sponsorship
Have usage links	Convenience products	'Grab and Go' areas, Newspaper and lottery areas, 24 hour opening
Media communications links	Traditional and Internet links	Corporate affairs activities
Distribution and availability links	Format development, home delivery, catalogues	Tesco Direct, Tesco Clothing Catalogue, Tesco specialist magazines e.g. Vegetarian, Internet cafes in store, Tesco ISP

Table IV: Corporate Brand Relationship Extension

Source: Activity and Example columns adapted from Mitchell (1999)

For the duration of the 1980s and the early part of the 1990s, British food retailing was superstore fixated. The food superstore

was the main, if not the only form of new store development and conforming superstores represented a uni-directional approach to store development. It was remarkably successful. This direction of development changed in the mid 1990s due to issues of the increasing unsustainability of the process due to high land prices, changes in the planning regime and the introduction of limited line discount competitors.¹⁰ The consequence of this change in the marketplace was the emergence of a new strategy and approach. Tesco for example began to identify formats of varying size and location types and to concentrate new store developments across this range, rather than solely at the superstore level (Table II). Likewise, but slightly later, Sainsbury's commenced a similar strategy, also focused on six formats (Table III). This multi-format development represents a huge shift away from superstores. Its implication is that the competitive effects of these companies will increasingly be felt in more differentiated situations including small towns and convenience store locations. Whilst large store development will continue (indeed store extensions are a key current feature) increasing attention is being paid to smaller stores and development plans for these are being advanced.

Secondly, these retailers have focused on developing and maintaining a corporate brand.¹¹ The format development identified above has seen the retail name increase its prominence {as opposed to multi-name, multi-format strategies elsewhere in Europe). At all occasions, the retailers have sought to promote their name and their brand. Their brands have gained the trust of the consumer and this has allowed them to extend their activities enormously. Table IV for example indicates some of the many ways in which Tesco have utilised opportunities to enhance and reinforce their brand name. The company and the brand have become synonymous in most minds, allowing the leveraging of the brand in a variety of situations, sectors and relationships. Whilst Tesco may be more advanced than the other food retailers, the approach is being adopted by all. The linkages Tesco have with their customers are highly extensive and they are pursuing a corporate brand approach on a national and international scale.

This corporate branding can be seen in the services offered to consumers and in the range and depth of the internal and external linkages. This brand position has also enabled developments in the product branding strategy. Rather than a simple brand proposition (a retail own-label) there has been an increasing sophistication and segmentation (Table V). As Table V shows, there are sub-divisions of retailer brands in all the main food retailers. across the range can be catered for in one location or sepCustomers arate locations can tailor their offer more precisely to the target market.

	Exclusive	tandard	Value
Tesco	Finest	Tesco	Value line
Safeway	The Best	Safeway	Saver
Sainsbury	Taste the Difference	Sainsbury's	Economy
Asda	Extra Special	Asda	Smart Price

Table V: Grocery Retail Branding Price Segmentation in the late 1990s.

Note: This table is constructed on the basis of product price points. It excludes alternative branding concepts based on other product attributes such as health (eg Sainsbury's Be Good to Yourself, Tesco Healthy Eating and Safeway Healthy Choice), organic origin (eg all company retailer Organic brands) or other segments (eg Sainsbury's Blue Parrot Cafe brand of healthy eating products for children, or their recently announced retail brand extension with Fairtrade).

The third element to be considered is that of logistics. The logistical developments of the leading food retailers have been well documented¹² and the improvement in logistical performance is marked (Figure 2). McKinsey¹³ recognised these logistics systems as

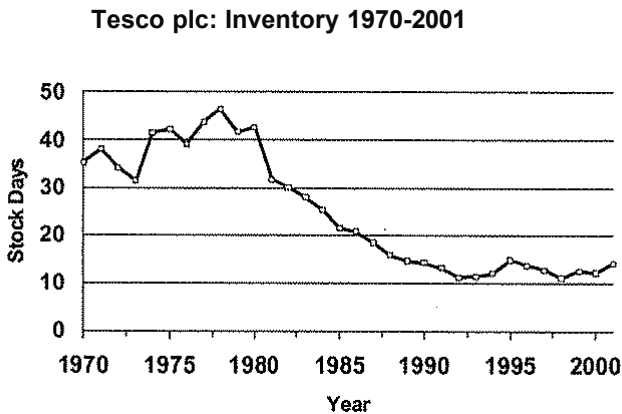


Figure 2: Stock Days in Tesco 1970-2001

world-class. This improvement has produced cost savings, as the figure shows, but it has also allowed an improvement in service and product quality. With an effective logistics system the quality of the product can be enhanced, its shelf-life can be extended and re-supply can avoid stock-outs. This improves the performance of the store and the company and provides the consumer with a better shopping experience.

There are many other aspects of the leading food retailers that could be considered. However the elements identified here provide enough of a flavour of the current situation. These retailers are getting stronger, their corporate brand position is being enhanced and high quality performance is at the heart of all corporate activities. These are efficient and effective businesses that are driven to excellent performance. It would be hard to perceive the co-operative movement (despite recent changes and pockets of excellence) in the same light.

Being the best? Matching co-operative and corporate retailing

(Co-operative) customers should experience service that is better than that provided by peer competitors, whose objectives include a return to investors. Customers should perceive that the co-op is more interested in their issues and concerns than the simple profit oriented pie retailer is prepared to be.¹⁴

The Report is littered with statements such as the quotation above. The aim for co-operative retailing is to be better than the competition. However, the quotation also hints at a belief that corporate retailers have it easier than co-operatives because they have one goal - profit. This misunderstands the corporate situation. Profit is the aim but the objectives to meet that have to include understanding consumers and providing services and products appropriately. Rather than co-operative retailing being more complicated, perhaps co-operative retailers have over-complicated it?

The three-fold explanation used above (formats, branding and logistics) is one way of looking at why British food retailers are so good and allowing us to consider how the co-operatives measure up against them. The Co-operative Group has decided to place its retail focus on local convenience style stores. It has in the main looked to sell off the larger stores to corporate competitors and to expand its smaller store portfolio (eg convenience style stores and small supermarkets - the Welcome and Market Town formats). To this end there has been redevelopment of stores and some societies have been on the acquisition trail, taking over small chains

and individual stores from corporate and independent competitors. As a consequence of improved stores and operations, the performance has increased in a number of instances. But, this increase in performance has been achieved by leaving a big market to other players and focusing essentially on a smaller market segment through a particular format. As the earlier tables show, the leading retailers are now abandoning their uni-directional approach and are involved in developing many different formats. Some of these will confront newer co-operative stores. Whilst the co-operative stores have improved performance, possibly have the better sites, and these advantages should not be underestimated, the multiple retailers will be mounting a challenge to this recent 'free run'. One could argue that recent years have been a golden opportunity for co-operative retailing, being ahead of broader strategy and sectoral change, but that this situation is now changing.

Secondly, corporate retailers have been extending their brand in many directions. By contrast, the co-operative branding is fragmented, inconsistent and is currently best viewed as a label rather than a retail or even corporate brand, despite similar product segmentation in the Co-operative Group to the multiples. The Co-operative Commission have recognised this in their recommendations on branding, but do their recommendations go far enough? It would be nice to believe that we could construct a co-operative version of Table IV that would have the same resonance with consumers, but this I suspect is a long way off. When you consider the possible linkages through the Bank, insurance, travel and pharmacy amongst others, the wasted opportunity compared to competitors is almost criminal. The fragmentation and inconsistency diminishes the overall impact of the organisation and does not allow the business(es) to leverage the brand and build meaningful relationships.

The third dimension of difference considered was the logistics performance of the multiples. Logistics improvements in the co-operatives probably come under the heading of performance improvement. Again, much needs to be done in this area to bring the co-operatives up to the standards of the other players. Whilst obviously not impossible, the form of logistics needed for smaller more closely packed stores is a big challenge and may not be as easy as superstore delivery systems. The change needed from the current expensive, inefficient and inconsistent performance in much co-operative logistics in order to beat the competition, will be vast. In short, being the best would seem to be a long-term objective in a difficult market.

We could also consider this comparison from another direction however. The new mission for the movement is based on

excellence, but this is defined both as excellence in products and services (as discussed above) and as excellence in services to members and deriving from values and principles, rewards and commitment. Given the recommendations of the Commission and the tenor of the Report, it is clear that membership (or involvement) is seen as a desirable thing and an inherent part of the co-operative advantage. Whilst understandable because of history, this is to some extent, a little curious. Membership has been at the heart of co-operatives, but there remains a contradiction at heart in the UK between members and consumers. In the retail context in the UK, there is little real emphasis on membership as opposed to consumers. Indeed a shopper in a co-operative store may be more profitable to the co-operative if they are not a member than if they are. This suggests that the added value of membership to the co-operative comes in the ancillary activities that membership brings eg campaigning, democracy, engagement in decision making, local community involvement etc. This is all very well and we should not denigrate involvement, but all the evidence is that consumers are not as interested in such things as they were in the past. Involvement in such issues of citizenship, democratic rights and responsibility is much less at the present across many age groups. Where there is interest, it appears to be focused on single and/or local issues and may well be short lived. There is a real lack of desire for such involvement in many areas of life, so why should we expect it in grocery retailing? This is not to decry the attempt to build a committed organisation but rather to emphasise the immense problems in building this from a retail context, without excellence in other dimensions and without social goals 'getting in the way' of commercial excellence.

Table VI from the Co-operative Commission Report attempts to illustrate the difficulty. The social goals are clearly valid ones. The Report develops a range of competitive advantages that could be built on the back of these social goals and suggested aspects of operations that fit with the goals. However, there is also the possibility that such an advantage does not exist in the co-operative sector or that consumers do not see it that way. Many of the issues will not find resonance with a sufficiently big consumer base. Whilst small markets can be good, the likelihood is that to reach the overarching objectives, there will need to be mass market, non-member appeal for the co-operative stores. In an enhanced competitive market this will be difficult. With less involvement, the social and local base may become harder to manage, Can a 'Co-operative Advantage' actually be demonstrated and sustained?

Social Goals	Competitive Advantage	Consumer Reality
Customer economic benefit	Increased customer loyalty and better prices	Co-operative is not the cheapest nor does it have the most loyal customers
Member benefit	Increased democratic participation	Democratic participation is becoming less and less important
Employee stakeholders	Align staff goals with organisation goals. Retention and recruitment. Better customer service	No Co-operative benefit seen by customers in relationships with staff. Possibly staff not as good.
Ethical corporate culture	Clarity of purpose for employees/customers	Needs marketing, but is a small market
Campaigning for the consumer	Creates trust in the brand	Brand values far more complex than consumer campaigning eg Body Shop
Community investment	Closeness to and understanding of community, recruitment of customers, members and employees	Everyone else does this, from big to small
Social enterprise initiatives	Influence at the local/regional level	Is this the right scale?
Democratic participation	Sense of enfranchisement for customer shareholders; responsiveness to customer needs	Why is enfranchisement and democratic participation seen as a good thing when both are falling nationally
Civic and community education	Increased understanding of the benefits of the Co-operative approach leading to greater community support and customer loyalty	Being told it is good for you is not the same as proving for oneself that it is good for you.

Table VI: Social Goals, Competitive Advantage and Possible Reactions. Source: Social Goals and Competitive Advantage from Co-operative Commission (2001), p19.

Conclusions

It is imperative that co-operatives, as customer-owned organisations, should provide outstanding customer satisfaction, in terms both of the quality of goods and services and of benefits.

Indeed, the co-operative movement should be **providing the benchmarks** for quality and service.¹⁵

The quotation above provides a useful summary of the worthwhile aims set for the co-operative movement. This improvement will involve massive change if the retail shops are to be the benchmark in British food retailing. The Co-operative Group (formerly CWS) and some of the other more local societies have achieved much in recent years. Performance has been enhanced at the store and organisational level, but this is a long, long way from stating that the co-operative movement is (or can be) the benchmark in retailing.

The Co-operative Commission report is another attempt to put right the ills of the movement. Anyone who believes in the ideals of the movement would applaud this. A strong alternative sector is a valuable addition to the country. However, all the evidence points to the core values of the movement being seen as interesting but not critical to consumers. To get into the food retailing market, excellence in performance is a required set of activities not an optional extra. That the report recognises this is enormously valuable. But the implications of this for the movement are fundamental. Organisational and operational structures have to be radically transformed, the movement has to speak with one voice and the poor performance or over-emphasis on social goals of the past has to be sacrificed. Only once the movement is respected as one of the leading retailers, setting benchmarks for others, can the other facets deriving from values and principles be promoted strongly. This is the message of the Report. The alternative is an ethically, socially responsible and respected retailer that consumers don't use in sufficient numbers, and which is inherently unsustainable. The co-operative advantage has to be earned not assumed, and much business pain will have to be endured to earn such a standing.

At the heart of the Report however is a rather curious contradiction. The Report is very strong on the need for enhanced commercial performance and many fine words are written and sentiments purveyed. The process needed to achieve this transformation is mapped out to some degree, but is not costed, either financially or in social terms.

We can for example take the issue of Return on Capital Employed (ROCE). One of the recommendations identifies a doubling of ROCE as an urgent requirement. Commercially this seems a valid approach given past performance, but even that would leave co-operative retailing some 40 per cent below the competition on this benchmark indicator. However, the Report

identified that massive investment is needed to transform the business. For example, at various places the Report indicates huge investment is needed for store refurbishment, technology introduction, integration of systems, logistics and distribution, re-branding and human resources and management. Given the investment, the returns in volume and profitability increases will have to be spectacular to achieve a doubling of existing ROCE. Is this really achievable? Or more pertinently, is it achievable without considerable reductions in the store base, redundancies or the absolute pursuit of profit regardless of social and other issues which might affect buying, trading etc? Will following the 'road map' ratchet up the internal tensions between 'doing the right thing' and 'doing the thing right'?

The Report also moves quickly over the 'Lanica' affair¹⁶ i.e. the attempted takeover, demutualisation and asset-stripping of the CWS. Whilst we would not expect the Report to go into details of the affair, and there are recommendations in the Report to protect co-operative assets against similar attacks, there is again something of an oddity here. If there is an identifiable 'Co-operative Advantage' as the Report keeps on saying, then why would consumers vote to relinquish this? The Lanica affair tells us that there are assets in the business that outsiders believe could be better used. If these are used properly and produce demonstrable co-operative benefits that consumers can see and gain, then why does the co-operative need protecting? Surely 'being the best' is protection enough? In one sense this is similar to another recommendation which states that employees should be encouraged to become members of a co-operative. The fact that the Report sees the need to have to make such a recommendation speaks volumes for the lack of any identifiable 'Co-operative Advantage' at the moment.

As a final thought, Table VII looks to possible futures for retailing. The two sources for the table were looking at retailing at the end of the century. Dawson¹⁷ emphasises the scale of modern retailers and the way scale can be used to construct markets. This is allied to the power of retail brands and the need to be very sure-footed in a turbulent and over-supplied market. Operationally scale brings benefits but also allows a reconsideration of where functions are undertaken in retailing and by whom. For Dawson retail futures are big retail futures, containing multi-national, multi-channel, multi-sector retailers. The co-operative movement in the UK does not really stack up in this 'game'. Pressure from the leading players such as Wal-Mart and Tesco will ensure it is ever more difficult to be the customer's benchmark.

The Challenges for Retail Management

- The perils and benefits of 'bigness' (scale)
- Brands and brand extension
- Over supply of retail floorspace
- Turbulence in the retail environment
- Externalization or Internalization of functions
- E-retail

Source: adapted from Dawson (2000)

Where do Tomorrow's Ideas Come From?

- Closely examine the competition
- Consumer demographics (age, 'generations', ethnicity)
- Customer behaviour (customers in control, time saving)
- Look inside the business for new opportunities
- Going to where the customers are
- Branching into new channels

Source: adapted from Stern (2000)

Table VII: Retail Futures?

Stern¹⁸ on the other hand is concerned with innovation, suggesting that the best retailers in the future will be those who can innovate in line with customers' changing demands. This suggests a more segmented approach to the market along many dimensions, but with the one retailer meeting many segments or opportunities in a multi-format approach. Again, it would seem that the co-operative movement is not yet ready to meet these challenges.

The benchmark in retailing is not the co-operative movement. As noted earlier, the UK contains two of the world's leading retailers in Wal-Mart and Tesco. Rumours persist of Ahold's desire to enter the UK market. The scale of retailing has become increasingly international. Should the Report have focused only on the UK (there is one mention of Eroski and one of Japan in the Report)? Recent changes in Scandinavia have seen an international merger amongst co-operatives. Perhaps the future for the UK movement is in Europe rather than alone and the Report should have considered retail change more broadly?

It might be possible to think of an alternative approach and one that is mentioned in the Report. There is the potential to build from

the bottom up. Those who want to be really involved in developing social firms and local co-operatives may find opportunities in the future. There are potentially lots of these local embedded developments. At the other end of the scale, the existing co-operative retailing focuses its attention on becoming a better retailer, even at the cost of rationalisation and perhaps many of the social goals. The linkages between the two approaches in financial and perhaps supply terms then become crucial. This perhaps recognises that the meaning of the co-operative is radically different to different groups and ways have to be found to enable both competitive excellence and co-operative advantage to co-exist under the same umbrella, if not in the same shop.

So what of the future? Let us hope the performance can improve, a new brand position can be created quickly, and the organisational and other changes can be forced through. If this finds resonance with enough customers, then maybe the movement has a chance of survival. But the competitors are not standing still, the pressures are going to increase and the consumer market will take some convincing. It does not seem conceivable, despite the fine aims of the Report, that the Commission's hopes for co-operative retailing are achievable in the timescale. But at least by starting the journey there may be progress of a kind and hopefully more rapid progress this time than after 1958.

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Notes

- 1 Co-operative Commission (2001) *The Co-operative Advantage*. Available at <http://www.co-opcommission.org.uk/> Chapter 1, Paragraph 2.4.
- 2 Competition Commission (2000) *Supermarkets: a report on the supply of groceries from multiple stores in the United Kingdom*. Three Volumes, Cm 4842. The Stationery Office, Norwich.
- 3 Sparks L (1994) Consumer Co-operation in the United Kingdom 1945-1993. *Journal of Co-operative Studies*, 79, 1-64.
- 4 Co-operative Commission (2001) *The Co-operative Advantage*.
- 5 Co-operative Independent Commission (1958) *Co-operative Independent Commission Report*. Co-operative Union, Manchester.
- 6 Co-operative Commission (2001) *The Co-operative Advantage*. Chapter 7, Paragraph 4.
- 7 Co-operative Commission (2001) *The Co-operative Advantage*. Chapter 1, Paragraph 7.4.
- 8 A co-operator, quoted in Co-operative Commission (2001) Chapter 1, Paragraph 2.1.
- 9 Seth A and G Randall (1999) *The Grocers*. Kogan Page, London.

- 10 Eg Burt SL and L Sparks (1994) Structural Change in Grocery Retailing in Great Britain: a discount re-orientation? *International Review of Retail, Distribution and Consumer Research*, 4, 195-217 and Wrigley N (1994) After the Store Wars: towards a new era of competition in UK food retailing. *Journal of Retailing and Consumer Services*, 1, 5-20.
- 11 Burt S (2000) The Strategic Role of Retail Brands in British Grocery Retailing. *European Journal of Marketing*, 34, 8, 875-900 and Burt S L and L Sparks (2002) Corporate Branding, Retailing and Retail Internationalisation. *Corporate Reputation Review* (forthcoming).
- 12 Fernie J and L Sparks (eds) (1998) *Logistics and Retail Management*. Kogan Page, London.
- 13 McKinsey Global Institute (1998) *Driving Productivity and Growth in the UK Economy*. London, McKinsey.
- 14 Co-operative Commission (2001) *The Co-operative Advantage*. Chapter 3, Paragraph 10.1, emphasis added.
- 15 Co-operative Commission (2001) *The Co-operative Advantage*. Chapter 1, Paragraph 2.7, emphasis added.
- 16 Birchall J (2001) Consumer Co-operatives in Retrospect and Prospect, Ch4, p72-94 of Birchall J (ed) *The New Mutualism in Public Policy*. Routledge, London.
- 17 Dawson J A (2000) Retailing at century end. *International Review of Retail, Distribution and Consumer Research*, 10, 119-148.
- 18 Stern NZ (2000) Tomorrow's Hot Ideas in Retailing. *International trends in Retailing*, 17, 2, 75-87.