

## AN ANALYSIS OF THE TRADE

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Traditionally the Co-operative Movement has thought of its trading operation in terms of food and non-food. The breakdown between the two categories in 1976 was 74.2% for food and 25.8% for non-food, the former representing £1,839.8 millions and the latter some £640 millions of trade\*. The emphasis has been and still is largely upon food. This paper sets out to examine the implications of this situation for the development of the non-food trade, and the theme that Co-op non-food has had to develop in an atmosphere and structure that is not conducive to its growth. Trading strategy, structure and investment have all tended to reflect the major preoccupation with food.

The overall picture of Co-operative non-food shows that in a general period of growth in non-food the Movement's market share has declined from 4.2% in 1966 to 3.0% in 1976.\*\* The Movement has failed to retain its market share in an expanding and profitable area.

This overall picture obscures the complex pattern of non-food trade in the Movement. A number of retail activities of a very diverse character are lumped together under the umbrella of non-food. The pattern of these differing activities and their relationship to the total trade in these sectors is set out in Table 1 on the following page.

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\* Co-operative Statistics 1976. The figures for non-food are deceptive including as they do Pharmacy and Optical, Coal and Fuel and other departments. If these are abstracted the figures for traditional non-food are £443 millions representing 17.9%

\*\* Co-operative Statistics 1976. Figures based on D.I. data

TABLE 1Co-operative Non-Food Retail Trade in 1976

|                                       | Co-op         | Other<br>Retail | Co-op<br>Share | Total *        | Co-op<br>Share |
|---------------------------------------|---------------|-----------------|----------------|----------------|----------------|
|                                       | <u>£m</u>     | <u>£m</u>       | <u>%</u>       | <u>£m</u>      | <u>%</u>       |
| Drapery                               | 50            | 587             | 8.5            | 785            | 6.3            |
| Fashion                               | 50            | 2,943           | 1.7            | 3,335          | 1.5            |
| Men's Wear                            | 34            | 808             | 4.2            | 1,379          | 2.5            |
| Footwear                              | 25            | 660             | 3.8            | 924            | 2.7            |
| E.R.T.                                | 113           | 1,407           | 8.0            | 1,660          | 6.8            |
| Hardware<br>(incl. Toys/<br>Jewellery | 44            | 703             | 6.2            | 830            | 5.2            |
| Furniture/<br>Floorcover              | 100           | 1,239           | 8.0            | 1,462          | 6.8            |
|                                       | <u>£416**</u> | <u>£8,347</u>   | <u>5.0</u>     | <u>£10,375</u> | <u>4.0</u>     |

\* Total trade includes mail order, market stalls, etc.

\*\* This figure differs from the non-food trade figure in the Co-operative Union Statistics being based on the Business Monitor, the Family Expenditure Survey and CWS Market Research. It is in line with the Economic Intelligence Unit's estimates based on Department of Industry's figures which appeared in Retail Business May 1977.

The performance of some of these sectors is further illustrated in Tables 2, 3 and 4.

Table 2

Clothing and Footwear Shop Sales  
(per cent change on previous year)

|      | <u>Co-op</u> | <u>Multiples</u> | <u>Independents</u> | <u>Total</u> |
|------|--------------|------------------|---------------------|--------------|
| 1972 | +6           | +15              | +9                  | +12          |
| 1973 | +9           | +18              | +9                  | +14          |
| 1974 | +16          | +19              | +11                 | +16          |
| 1975 | +11          | +18              | +11                 | +15          |
| 1976 | +3           | +13              | +8                  | +11          |

Table 3

Type of Clothing and Footwear Shop Sales, 1976  
(per cent change on previous year)

|              | <u>Co-op</u> | <u>Multiples</u> | <u>Independents</u> | <u>Total</u> |
|--------------|--------------|------------------|---------------------|--------------|
| Footwear     | +1           | +16              | +11                 | +14          |
| Men's Wear   | +1           | + 6              | + 7                 | + 6          |
| Women's Wear | +4           | +13              | + 8                 | +11          |

Table 4

Durable Goods Shop Sales  
(per cent change on previous year)

|      | <u>Co-op</u> | <u>Multiples</u> | <u>Independents</u> | <u>Total</u> |
|------|--------------|------------------|---------------------|--------------|
| 1972 | +21          | +22              | +15                 | +18          |
| 1973 | +19          | +17              | +12                 | +15          |
| 1974 | +14          | + 3              | + 7                 | + 6          |
| 1975 | +22          | +18              | +14                 | +16          |
| 1976 | +13          | +15              | + 8                 | +12          |

Source: Department of Industry

It is evident from the information contained in these tables that in clothing and footwear the position of the Movement is marginal and has been losing ground, with 1976 a particularly bad year. In contrast, the Movement was improving its market position in durable goods. The differences in performance between these sectors is illuminating and crucial for the future of Co-operative non-food and will be discussed later in this paper.

In terms of non-food trade within the Movement itself there has been a major shift, as we can see from table 5 on the following page.

To understand the movements behind the trends in these tables it is necessary to go back to the basic fact that the Movement is food-orientated and to consider why this has not been helpful to certain sectors of the non-food trade.

Table 5Co-operative Non-Food Trade

|             | <u>1970</u>   |              | <u>1976</u>   |              | <u>Per Cent Change</u> |
|-------------|---------------|--------------|---------------|--------------|------------------------|
|             | £m            | %            | £m            | %            |                        |
| Drapery     | 73.1)         |              | 112.4)        |              | 153.7                  |
|             | )             |              | )             |              |                        |
| Men's wear  | 20.5)         | 53.9         | 31.7)         | 39.7         | 154.6                  |
|             | )             |              | )             |              |                        |
| Footwear    | 17.6)         |              | 31.9)         |              | 181.2                  |
| Furnishing, |               |              |               |              |                        |
| Hardware,   | 95.2          | 46.1         | 267.7         | 60.3         | 281.2                  |
| Electrical  |               |              |               |              |                        |
|             | <u>£206.4</u> | <u>100.0</u> | <u>£443.7</u> | <u>100.0</u> | <u>214.9</u>           |

Reasons for the Trends

First I would suggest that there is the Co-operative attitude to risk. In some sectors of non-food trading there is a high-risk element based on fashion, obsolescence and time scale. The risks in these sectors are of a different order from those involved in food trading and in those areas of non-food where the products are highly standardised such as hardware and electrical. In the past, if not so evidently in the present, there has been a tendency to conservatism and to the avoidance of this type of risk.

Second, there has been the belief that food is essential while many areas of non-food are luxuries. The historical concern of the Movement has been with the essentials of life,

luxuries were thought to be purchased by customers in a market to which the Movement was neither attracted nor orientated. It was held that food would always be in demand and to supply food was to meet the 'real' needs of the people. The situation has changed, the definition of luxuries has altered and with it the market; the traditional customers of societies now purchase the so-called luxuries that were formerly denied to them. In many respects the Movement has not adapted to a number of the implications of this change.

A third attitude which has hindered the development of non-food is grounded in a historical virtue which is at odds with recent developments. The traditional emphasis in non-food has been on quality and long-life and this now comes up against new ideas of quality and obsolescence. Instead of the clothes and shoes that last for years there is a growing desire for them to be more fashionable and to have a short life; similarly, in place of the idea that furniture is bought for a life-time there is developing the idea that people will change their furniture. Built-in obsolescence coupled with advertising directed to rising expectations has brought a new element into the way we think about the goods that are sold in some non-food sectors. The basic virtues underlying traditional Co-operative non-food activities are being challenged.

The Co-operative attitudes outlined above reflect the historical role of the Movement with its fundamental association with the working-class. In the past the working-class wanted security for its Co-operative savings; hence the reluctance of societies to put members' money into risky ventures; it wanted food and having little to spend on non-food it wanted long-lasting non-food products. With the relative increases in affluence, with changing aspirations and attitudes to credit and savings the working class represents a new market for which traditional Co-operative thinking about non-food is no longer relevant. What is

certain is that the traditional thinking produced trading policies and investment which made non-food trading peripheral to food and, while there is some change, the new thinking still comes up against the solid structure of the past.

### The Consequences in Practice

In practical terms the traditional approach to non-food has meant:

(1) The Movement has concentrated on food when it was clear that food was not a growth area. For example, since 1970 consumer expenditure on food expressed in volume terms has only risen from 100 to 102 in 1976.

(2) The Movement has in general been successful only in those areas of non-food which have the qualities of food - the washing machine has many of the characteristics of a tin of beans, i.e. standardisation, low fashion content and so on. Where there is a high element of fashion, of risk and of time problems relating to buying, the Movement has generally not been as successful as its competitors and has been losing its market share. Let it be said that in most sectors the share has never been large because of the unwillingness to invest in the buildings, management and specific skills to give non-food the required status.

An added difficulty is that in the successful sectors of non-food, selling is likely to become more hard as households acquire washing machines, colour television sets, freezers and the like, so that the market will have an important replacement element which could require a different approach from the original one.

(3) Investment in non-food development has been restricted. This has occurred at a time when Co-operative non-food trade is increasingly concentrated in department and general stores and when the rate of concentration is

accelerating. In 1956 the Movement had over 6,000 non-food outlets of which 260 were department stores. By 1966, 1,600 of these outlets had closed and by 1976 the number had been reduced by a further 2,500 outlets. In twenty years the Movement had gone from nearly 6,000 outlets to less than 1,900 and the only category that has not shown any major change has been that of the department stores. The non-food is concentrated in 233 department stores and 460 general stores which together account for some 75% of the Movement's non-food trade. The remaining 1,200 outlets account for the remaining 25%. In the next three or four years it is likely that the decline in number of outlets will continue with the number reduced to some 1,300 outlets. The closures will be mainly in the smaller outlets so the department stores will become even more important.

(4) With the wide range of non-food activities with their different characteristics, the development of a co-ordinated marketing strategy towards a defined non-food market has been very difficult to achieve in Co-operative societies. Indeed the attitudes within societies towards non-food coupled with the development of new markets have generally resulted in a lack of coherence in tackling non-food. This lack of a coherent strategy has been reflected in the way in which non-food has been organised in many societies. The habit of lumping widely disparate non-food activities together has prevented a clear examination of the strengths and weaknesses of the different sectors. This failure to differentiate has led to faulty strategy and structure and also to faulty planning of whatever non-food investment there has been. Clearly some investment in the building and improvement of department and kindred stores has taken place along with some new sector developments, but often the necessary follow-up in terms of the coherent planning of store management and store activities has not taken place. New sector developments have been initiated and only partially followed through. This seems to occur in

part because too few resources are spread over too many non-food activities and partly because of a crisis of nerve. Faced with a tricky decision and the prevailing orientation to food, societies are liable to draw back, after an initial move forward into a given non-food area, and turn towards the supposedly safer haven of food trading.

Arising out of these various strands, non-food and its management often appear to play second fiddle to food, and they are to play the significant role that market factors indicate they should. How rarely does a society appoint a non-food manager as Chief Executive Officer?

Over recent years there has been an increase in "scrambled" trading and the historic Co-operative division between food and non-food has not been helpful in coping with this new development. Given past attitudes, societies have been reluctant to consider possible structural developments aimed at a greater integration of food and those sectors of non-food which have similar characteristics. As societies develop superstores with their scrambled trading it becomes necessary to consider whether a society with a number of such units should not reorganise its structure to provide a special division for the management of this special type of outlet. Not only are there structural questions relating to the relation between food and non-food, but within non-food itself the divisions that have grown up have resulted in the development of interests that have become institutionalised and exert a powerful influence on the shape not only of the non-food trade but on all the trading activities of the Movement.

#### Role of the Universal Provider?

(5) The history of the Movement with its emphasis on the local autonomy of the individual society also affects

the readiness of societies to look at the position of the non-food trade in the Movement as a whole. It is possible, if not certain, that in some non-food sectors the Movement's problems will only be mitigated through a re-examination of the ability of the individual societies to operate in all non-food trade sectors. Consideration needs to be given to the possibility that societies should abandon some non-food sectors and look to national developments such as more specialist co-operative non-food chains. The response to this approach is at best likely to be lukewarm because societies are fearful that their own freedom will be constrained and that the development of such chains would not effectively be under their control and would encroach upon their own activities. It is true that the establishment of such chains would have a constraining influence upon the development of some non-food sectors at society level. However in many instances the constraints are illusory because the societies are only marginally involved in some sectors and would never be in a position to develop them to any significant extent. Indeed in some cases they would be more efficient overall if they withdrew from some sectors and gave Co-operative chains the opportunity to undertake more efficiently the activities they presently perform inadequately. Rather than dabbling ineffectually in all non-food activities and dispersing their scarce resources, societies could then invest in sectors where they are really effective.

This last point raises an issue deeply rooted at the core of much thinking in the Movement and which in consequence influences, consciously or not, the trading strategy of individual societies and of the whole Movement. I refer to the underlying belief that the individual society and/or the Movement should be a universal provider. This does not contradict the view put forward earlier that much co-operative thinking is dominated by an orientating towards food. It means that the two ideas are held simultaneously and, therefore, many societies see themselves predominantly as food

retailers and at the same time as providing 'everything at the Co-op'. What this does show is the lack of clarity of thinking in this area and of the failure to recognise the significance of scarce resources and the consequences of trying to be all things to all men; it is virtually impossible for an individual society to be an effective universal provider. It might be that a very large Regional Society could make a better job of such a role than is possible in the vast majority of societies in the present structure, but there is no certainty that size will produce the desired result for there is every possibility that the attitudes that constrain non-food in most societies will be carried over into the large Regional Society. Furthermore it remains doubtful whether even the large Regional Society can be an effective universal provider because the necessary resources and skills are unlikely to be available to it.

As a further alternative it might be possible to establish a 'new look' Movement which was in total a universal provider. This might be achieved if individual societies became more specialist in non-food and left selected non-food sectors either to adjacent societies who specialised in them, or to national Co-operative chains. Such a development would create a very complex organisation pattern and would require major shifts in thinking. The chances of achieving this unified approach seem to be slim. A more realistic approach based on an evaluation of attitudes, resources, skills and market potential would suggest that a strategy aimed at a limited range of non-food sectors and avoiding the universal provider image might succeed. Only by resisting the pressure to be a universal provider and by reshaping its non-food activities can the Movement and societies become effective in non-food trade. If this rationalisation is rejected then reorganisation on the lines sketched out at the beginning of this paragraph i.e. the Movement as the universal provider, becomes an essential though not necessarily the most effective solution.

Given the built-in resistance to such re-organisation the chances of success are very slender, there is the distinct possibility that societies will continue to struggle with outdated strategies and structures.

The notion of the Co-operative society as a universal provider needs to be constantly challenged. It is true that many managers when confronted will deny that they see their societies as universal providers but in their publicity 'Its all at the Co-op' and in behaviour it is evident that the myth of the universal provider still has a strong influence. As long as this is the case the non-food activity will tend to be ineffective and resources will be spread too thinly with too little backing to enable societies to compete with more specialist competitors who are unencumbered with the traditional Co-operative attitudes and values. When the compulsion to be a universal provider is linked with the attitudes towards food and non-food outlined earlier, it is clear that the scales are weighted against the speedy development of Co-operative non-food trade.

(6) It will be evident from the figures quoted at the commencement of this paper that in some sectors of the non-food trade the scale of Co-operative non-food operation is very small indeed, a point that is further underlined when looking at the concentration of non-food trade by society. In 1975, the ten largest societies, including C.R.S. and C.W.S. Retail Operations each as one society, accounted for 48% of Co-operative non-food trade; the 20 largest were responsible for 62% and the top 50 for some 84%. Even in the largest non-food operations the scale of activity is small compared with the Movement's main competitors and this underlines the problem of the fragmented nature of much Co-operative non-food buying. In some of the non-food sectors where the Movement has been successful, i.e. in durables, there has been evidence of successful

centralised buying. It can be argued that this success was because the products in question were standardised and that in other sectors of non-food centralised buying is impossible. Yet many large-scale competitors in these non-standardised fashion sectors do undertake centralised buying and are successful.

The reasons for the Co-operative reluctance to undertake more centralised buying are numerous and of differing degrees of validity. First societies fear the further loss of autonomy and all that goes with it. Second, there is the argument that in the so-called fashion areas there are substantial regional and local differences which cannot be coped with by a central buying group - an argument of some dubiety as other retailers successfully proceed on a national basis. What happens is that the bulk of customers go to national retailers, totally disregarding regional differences, and the Co-operative society is left with the special cases which they identify as representing local differences. Third, there is the belief, whatever the basis, that the central organisation cannot effectively and efficiently buy in these particular non-food sectors. What is true is that if societies begin to rethink their non-food operations, the central organisation will need to do likewise and ask itself some of the questions that face individual societies. Changes in policies, attitudes and structures in the central organisation will need to follow, possibly lead, changes at local society level. The problem for the central organisation is that it cannot follow the particular needs and changes of all societies otherwise it would lose its value and credibility and the advantages of having a central national body would be lost to the Movement.

(7) The Movement has not always known how to deal with certain types of development in non-food. There is the danger in non-food that as new developments occur, societies feel irresistibly drawn into them, sometimes successfully but all too often with poor results. There are

some areas of non-food, for example, D.I.Y., sports goods and so on where the service provided by the independent is difficult to match; there are other sectors where flair and entrepreneurship, as in the world of teenage boutiques, are almost impossible to achieve in a Co-operative society for reasons implicit in the argument of this paper. Again the lesson is that societies and the Movement needs a clearly defined, positive yet restricted market strategy in non-food.

### Importance of Departmental Store

This paper has hopefully suggested a number of requirements for the developments of a Co-operative non-food strategy. At the centre of that strategy must be the department store. It may be asked why the department store, when the percentage of all retail trade obtained by all department stores has normally been around the 5% mark? The answer to this question is based on two points. First, societies are not in a position individually to establish specialist shops on an extensive scale. Second, societies having department stores are willy nilly in the department store business and have in many cases an asset that can be properly developed.

The need to develop the department store efficiently is crucial. How is this to be achieved? The answer to this question leads to the second important question: what do we mean by a Co-operative department store operation? In a sense there are as many answers as there are stores. The reason for this is the wide differences that exist between Co-operative department stores. They range in sales areas from 5,000 sq. ft. to over 170,000 sq. ft.; some employ about 25 staff while a few have between three and four hundred staff each. In terms of weekly turnover, in 1976, they varied from £5,000 to over £200,000. Only some 40 co-operative department stores have more than 60,000 sq. ft. of selling space, a figure which would be regarded by many as the minimum for genuine comprehensive store operation. From these facts it can

be safely said that some of the Co-operative department stores must be offering very limited ranges of goods or are offering a broad range inadequately covered.

In terms of market position many non-Co-operative department stores aim to occupy the middle to upper end of the retail trade. In contrast Co-operative department stores tend to seek a market position at the middle to lower end of the market, though in many cases societies have apparently no precise notion of the market at which they are aiming. It should be evident that the concept of the Co-operative department store is in practice imprecise, and it can be argued that the Movement should rid itself of the concept of the department store as it is widely understood in retailing.

The imprecision just mentioned should become the starting point for society evaluation of what a Co-operative means by non-food and department store. Every society should determine what it means by department store and concentrate imagination, effort and resources on being a department store as it defines the concept in relation to its market. The common thread will be that of regarding the non-food trading that takes place within the department store in a coherent and uniform manner. What will differ between societies will be the range of products sold and the market into which they are sold. Given the wide range of size of the so-called department store it is evident that some societies will provide a wide range of goods and services while others, due to physical constraints and market conditions, will offer a limited range. The starting point for this approach is that the society must think of the total department store as the unit of operation and then go on to consider the contribution of different combinations of non-food sectors to the store's operation. The essential need is to start with the total operation and examine how to develop a coherent pattern of operations rather than

start with the different non-food departments and try to fit them together as an afterthought. The fundamental need is to discard the inevitably segmented approach that follows from a non-food operation that is based upon departmentalisation. It is this which is at the bottom of so many non-food problems.

To break away from traditional departmentalism in non-food would require a revolution in attitudes, thinking and organisation. It means developing a conception of the non-food activity as an entity presented in a building that for purposes of convention is called a department store. Departmental barriers would have to be abolished, managers and staff would need to see themselves primarily as working in and for the store and loyalty would be to the store as such rather than to individual departments. This would require a greater flexibility of management and staff, allied with greater manoeuvrability of space, but most of all it means a complete revision of what we mean by department and department store.

At the present time there is in the majority of cases a lack of understanding of the role of the department store in a Co-operative society. The result is:

(a) there is a lack of co-ordinated non-food trade strategy at society level.

(b) there is an uncertain presentation of the department store with no unified co-operative image. The Co-operative department store should not be a pale shadow of its competitors. It needs to develop its own distinctive and positive image. It needs to be a leader within its selected field and not a follower.

(c) in the eyes of the public Co-operative department stores while reasonably rated on quality and wide range of

departments, styles and sizes, tends to be poorly rated on display and housekeeping and in fashion and footwear to be poorly rated on price and modernity. In non-food the Co-operative shopper tends to be older and of a lower social class (over 55 age group and the C2DE social class); the very group who tends to spend least on clothing, footwear, furniture and so forth.

### Summary of what is needed

This paper has outlined some of the many problems which face Co-operative non-food and has suggested that in many areas a complete rethink is required both in trading operations and structure. In summary, improvement in the non-food operation requires:

(i) a change in the basic attitudes to non-food. A start can be made by asking fundamental questions about the non-food trading in every society. These questions should include - "Should we be in non-food trading?" If the answer has been carefully considered and is in the affirmative, then, "which sectors of non-food should we be in?" The answer should take into account the differing characteristics of different non-food sectors, the competition and resources available. Then ask the questions: "What is the appropriate structure for this operation?" and "how do we see the department store in this strategy and structure?" and so forth.

(ii) the Chief Executive and Board to give full support to non-food trade and its management.

(iii) societies to decide what non-food trades they should operate individually and to give consideration to the development of appropriate national organisations where individual societies have little chance of success. In addition societies need to examine the advantages and disadvantages of central buying in non-food segments generally.

(iv) societies to rethink the role of their department stores and general stores and to produce a new concept of store trading appropriate to individual societies.

(v) societies to reconsider their management structures particularly in the present departmentalised approach to non-food and to aim for more integrated structures.

(vi) changes in non-food trading strategy and structure to be reflected in the central organisation.

Throughout, the different characteristics of different segments of the non-food trade should receive greater consideration in the development of attitudes, strategy and management.

In conclusion it must be said that it would be a mistake for any society to look at its non-food trade in isolation from its food operations; present trading trends make this crucial. In the last analysis the problems of non-food require societies to look at both non-food and food and to produce new general trading strategies.