

Developing the Co-operative Non-Food Trade

DRY GOODS AND WET BLANKETS, PART II

by

T. R. EDMONDSON

(Chief Executive Officer,
Ipswich Co-operative Society)

Thirty-one years ago, on the 9th November, 1946, the "Co-operative News" published an offering headed, "Dry Goods and Wet Blankets" - by one T. R. Edmondson.

The article was obviously prompted by the publication, earlier in the same year, of the "Report of the Economic Survey". Yet, in anticipating the Independent Commission Report, the Joint Re-organisation Committee Report, the Regional Plans 1 and 2, and countless tracts, articles, speeches and seminars to follow, it is clear that Edmondson drew heavily upon the findings of the General Survey Report of 1918-19, when he wrote:

"Much has been said in the past of the imperative need for a complete overhaul of co-operative trading organisations; of the need to sink parochial differences; of the desirability of amalgamation; of the urgent necessity for creating the optimum society for each trading area; and of the value of inter-trading schemes and district societies."

Equally, it is certain he would not have laid exclusive claim to the mantle of prophet when he stated:

"The capitalist multiples and department stores, using a system relating profit to invested capital,

can, in those spheres enjoying a rapid turnover of capital, i.e. grocery and allied departments, maintain trading margins on sales at a very low figure.

Not only can the movement anticipate a resumption of this uneven struggle as soon as consumer goods are more plentiful, but the extension of the Government's nationalisation schemes will release large amounts of speculative capital seeking new avenues of profit. Attractive scope exists within the distributive trades for such type of investments, which will constitute a new threat to the movement."

Nor could he have been a lonely voice in the wilderness, when he claimed:

"The real danger to the movement's further development rests not in the dismal droolings of its "Jeremiahs". It resides in the fact that the movement generally is unaware of the potentialities latent in a substantial development of its dry goods and allied departments, or, alternatively, that its present trading mechanism is incapable of deriving the maximum benefit from these potentialities".

Of course, 31 years on, one can see that the lad was worrying far too soon. Did not rationing, controls and coupons persist well into the 1950's? And, even if those capitalist ogres were swimming in liquid capital, were not building permits to be withheld for at least another seven years? Besides, was not the movement actually increasing its market share? And this all the way to 1957! Good reasons, all, for his forecast passing unheeded.

Yet even though the statistics challenged the prognostications, enough were stirred to cause the creation of

the Independent Commission in 1955. Or perhaps it was merely a return to the Movement's major pre-occupation with plans, promises, prophecies and projections?

The Recent Record

The "stirrings", of course, came all too late. By 1972, 15 years after its peak market penetration, in 1957, the Movement had lost over 40% of its market share. And even this statistic, as might be expected, distorts the picture. In some of those areas - mainly the older conurbations - where, 15 years before, the Movement had its greatest market penetration, the decline had been horific.

At today's date the greatest proportionate decline in the Movement's market share has been in clothing and footwear; solid fuel; and the baking trade. In overall terms, these losses have to some extent been concealed by the concurrent development of the wines and spirits and garage trades. In non-food terms, the extent of the decline in apparel sales has been masked - particularly in recent years - by the heavy promotion of E.R.T. goods. This latter development is particularly significant in terms of a greatly reduced realised profit in the non-foods division.

It follows, that of all the manifold problems facing the movement, none looms larger nor more pressing of attention than those associated with the dry goods' trades.

Many of the difficulties arise from our historical development: for instance, the major weight of the Movement's dry goods' trade has been concentrated upon department stores. This was inevitable, given the time of its entry into and development of that trade. Indeed, any who care to delve into the history of their own Society will almost certainly be staggered by evidence of the courage, initiative and foresight of their forebears in establishing their local

"Emporium". But consider, few of those palaces are less than 70 or 80 years old. True, much money has been expended (wasted?) on up-dating many of the original buildings, but, in most areas, the centre of trading gravity has moved - the store is off the mainstream of shopper traffic; a too, too solid reminder of an illustrious past.

As goods become more and more standardised and nationally brand labelled; as the pattern of consumer expenditure changes (only 20 years ago, East Anglia had no T.V.; deep freezers were scarcely known; music centres not conceived; women wore hats and men suits; D.I.Y. was for cranks and wall-to-wall carpeting for the upper-crust); as personnel, rating, maintenance and power costs soar; and sales per square foot become a major pressure point; those ancient, ill-sited, multi-storied relics assume the qualities of an increasing nightmare. Such profits as emerge are often the beneficiaries of dubious occupation charges and T.V. rental incomes.

Supplementing the central emporium, scattered around the suburbs and in small towns and villages, but now fast disappearing, one found an odd assortment of "drapery" and "general" stores - mostly tatty and usually dependent upon the vigour of the local mutuality club collector.

It is true that fortune has served some societies better than the generality; the shopping centre has not deserted them, and they sometimes remain the only major department store in the town - but they are a fortunate minority. Yet, due to the changing pattern of trade, even they face increasing problems of profitability.

Impact of the Chain Stores

Most of our department store competitors either find themselves with vastly superior locations within the town centre; or have transferred their operations into the new "shopping centres".

But, the main structural changes diverting customers from the doors of our "emporiums" have been provided by:

(1) the rapid establishment of specialist chain stores; e.g. Mothercare, Dorothy Perkins, Richards Shops, the specialist footwear shops, Stanwoods, Granada T.V., Boots, W. H. Smith, the Gas and Electricity Boards, and so on.

(2) the vastly expanded variety chains; Marks and Spencer, British Home Stores, Littlewoods and Woolworths.

The cachet of exclusiveness has largely disappeared. Even the Royal Family and Mrs. Thatcher are happy to be identified with St. Michael. And the most efficient setting in which to dispose of the standardised merchandise is the standardised chain store.

We encounter here the problems of certainty and convenience. Department stores are places for exploration - not for the (increasing number of) would-be purchasers who determine the broad specification of their intended purchase even before leaving home. Chain store shoppers tend to develop a brand loyalty; a relationship much more difficult to establish in the typical department store - particularly in the area of apparel. Again, chain stores, even chain department stores, - although it is has proved somewhat more difficult in the case of the latter - find little difficulty in centralising all their major procurement, operational, merchandising, stock control, personnel, display, lay-out, and financial decisions, and so make the best possible use of their human and material resources.

The Movement's Response and its Limitations

It is with that knowledge and against that background, that societies, together with the federals, increasingly

over the past twenty years, have been trying to evolve an organisational and operational pattern suited to their own needs. History will show that, without exception, proposals put forward and accepted have been almost carbon copies of the structural changes successfully adopted by the monolithic "chains", and have nowhere taken account of "their own needs". Most important of the defects in the accepted "solutions" has been the rock-like refusal to acknowledge the existence of over 200 autonomous retail societies (of widely disparate size, standards of performance and trading traditions); linked by joint ownership of a federal organisation - again autonomous - created to provide the base units with a wholesaling, manufacturing and financial service: the tenuous nature of that relationship being blurred by repeated references to a "Movement" and cliché claims of a common purpose.

This refusal to acknowledge the problem does not concede a lack of awareness. Anyone caring to re-read the Report of the Joint Re-organisation Committee, 1965, will find the authors haunted by their subconscious reservations. Everywhere the spectre of autonomy creeps through the crevices in their analysis and submissions. And everywhere they exorcise the demon with such observations as, "the Committee is satisfied that a greater degree of integrated action must be secured by collaboration between retail societies and the C.W.S. . . ." Or, if you wish, the word will encompass the dead!

It needs no great effort of reflection and objectivity to reach a recognition that what is appropriate for the internal structural efficiency of a monolithic organisation, is unlikely to meet the needs of a very large and diverse group of autonomous units which, despite its several and substantial differences, has obvious common needs and aspirations; linked to a single unit whose own needs and aspirations - superficially integrated with those of the base units - are, in fact, frequently in conflict therewith.

One has only to dwell but briefly upon the question of the equitable distribution of the added value, to recognise the fundamental nature of the problem. It is certainly not a sufficient solution to elect representatives from the base units to serve as the "controlling body" of the federal organisation; and it is even less likely to give an assurance that "not only is justice done, but is seen to be done", should those representatives deny themselves access to information essential to judgement.

The essence of the seeds of conflict was well identified by the authors of the J.R.C. Report, 1965, when they wrote "A mere blanket assurance that societies would take all, or a specified proportion, of their supplies through the C.W.S. might enable the C.W.S. to spread its costs over a larger volume of trade. But it would also relieve it of competitive pressures without substituting other means of ensuring efficiency . . ."

Laudable as it was in intent, it should now be self-evident that the "solution" advanced by the J.R.C., except insofar as it has strengthened the influence and finances of the federal, has failed, and is increasingly failing in the attainment of its objectives. Those who might object to this claim by drawing attention to market share performance between 1973 and 1976, might well address themselves to two questions:

- (a) to what extent was that improved performance due to the injection of development capital, and the consequent improvement of the quality of the shopping environment presented by retail societies and,
- (b) what is the contemporary picture?

They might also ask themselves why, if the benefits flowing from the existing relationship are so self-evident, have the twelve largest societies, heavily represented on the "Panels", taken steps to set up the "Big Twelve" group,

for the purpose of joint buying? Not, one would have thought, a convincing demonstration of explicit faith?

Time for Re-appraisal?

Is not the time long overdue when retail societies are required to make an objective assessment of the consequences for themselves of the implementation of the J.R.C. Report? After all, if the politicians are to be believed, twelve years is a long time in the life of a retailer.

And since this issue of the Bulletin is especially directed to the non-food trades, why not concentrate attention on that especially vulnerable sector, now visibly in rapid decline? Some harsh decisions may have to be made in the light of the evidence revealed by such an enquiry. For instance:

- (i) given their relatively high cost, low productivity performance, have we to anticipate a terminal life for department stores?
- (ii) alternatively, is there a need to re-merchandise department stores; moving durables into relatively low cost, single storey discount sites - preferably attached to superstores?
- (iii) will the discounting of E.R.T. goods endure, or will the customer prefer to accept a somewhat higher price embodying an element of reliable and speedy service?
- (iv) because of ever increasing site values, are town centres destined to become commercial centres - with shopping, associated with free parking, moving increasingly to peripheral and out-of-town sites?

(v) is "central buying" really advantageous - particularly in the areas of apparel and footwear - bearing in mind the fragmented sources of supply?

(vi) would it not be more advantageous for geographically related societies, bearing in mind the common characteristics of their market and the fragmented sources of supply - to associate in district buying groups for wide ranges of non-food merchandise?

(vii) what benefits accrue to retail societies from massive expenditures on "national promotions", particularly of apparel?

(viii) does the time spent by high level retail officials on committees and panels find a compensating improved performance at retail level?

(ix) what is the real cost of "invoicing through"; and is it really necessary?

(x) what, if any, are the nature and purpose of any payments made to the federal organisation arising from direct accounts between retail societies and suppliers?

(xi) what role does the federal board play, and what information does it have at its disposal, in the discharge of its responsibility to exercise control over the activities of the federal?

There we have eleven questions which seem to the writer urgent of examination and offering genuine prospects for the improvement of performance of societies in their non-foods' trades.

Another Committee of Enquiry, or Commission? Has not the writer, by implication, already heavily criticised past pre-occupation with such disarming activities? True; but it would make a change to be a little more abrasive, forthright and objective. Let the first term of reference contain the clause, consign the cliché to the crematorium!