

Developing the Co-operative Non-Food Trade

THE EXPERIENCE OF SHOEFAYRE

by

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Shoefayre Limited - the Co-op owned footwear multiple operating through 125 retail outlets at the end of 1977 - is a unique form of Co-operative retail organisation in Britain having come into being as the result of one of the main recommendations of the Independent Commission of Inquiry (1958), under the late Hugh Gaitskell, and by a decision of the Co-operative Congress held at Blackpool in 1960.

The Independent Commission proposed the formation of Co-operative retail chain stores in the specialist non-foods trades, with the suggestion that the first such chain be footwear, bearing in mind that it was in footwear that the Movement's share of the national retail market was declining; it was estimated that between 1950 and 1960, the Movement's share had fallen from 9.5% to around 7%. This trend has since continued.

Thus - with the approval of Congress and the retail society shareholders of the C.W.S. and (at that time) the Scottish C.W.S. - the Wholesale Societies in conjunction with some 70 Retail Societies took steps to form the footwear chain which was registered under the name Society Footwear Limited on 12th June, 1961. In the conferences which preceded the establishment of Society Footwear, much detailed thought and discussion took place between

wholesale and retail societies concerning (1) the financing and control of the new venture, (2) the type of footwear retailing in which it would engage and its development, and (3) the extent of its identity with the Co-operative Movement in its trading methods.

As regards basic finance (the Society's share capital), it was agreed that there should be a degree of parity between wholesale and retail societies and that this principle should also apply as regards the composition of the Board of Directors. The Rules embody this principle by providing:-

"... The Co-operative Wholesale Society Limited and the Scottish Co-operative Wholesale Society Limited shall be entitled to hold between them such number of shares as shall be equivalent to the total number of shares from time to time held by all other members."

"The business of the Society shall be conducted by a Board of Directors which . . . shall consist of eight persons, three of them to be appointed and removable from time to time by the Board of Directors of the Co-operative Wholesale Society Limited, one to be appointed and removable from time to time by the Board of Directors of the Scottish Co-operative Wholesale Society Limited, and the remaining four persons to be elected in accordance with the Rules of the Society."

(Note: separate rules govern the election of "the remaining four persons" who are the representatives of the retail society shareholders who elect them).

As to the type of footwear retailing in which the new organisation would engage, it was agreed that this would

aim to compete directly with the major private multiple footwear organisations -- especially in the popular fashion and keener price fields - and that the Co-op footwear chain would be free to develop, as a national organisation, its own sales promotion, pricing and other competitive policies.

Thirdly, it was agreed that dividend should be paid (through the medium of local Societies) to Co-operative members making purchases from the chain's branches. Dividend was to be at the rate of 6d (2½p) in the £ of the individual members' purchases. In fact, the Wholesale Societies agreed to guarantee to cover the trading results of the new organisation for its first 3 years of operation, including the commitment to Co-operative dividend. Subsequently - following a Special General Meeting of shareholders in January 1964 - the practice of paying dividend on purchases by Co-op members, was discontinued. At the same Special General Meeting, the registered name of the organisation was changed to Shoefayre Limited - SHOEFAYRE being the name under which its branches had traded since the acquisition of the Blindells chain of 100 shops in 1962.

It is felt to have been worthwhile recalling the more important of the many factors which exercised the minds of those in both wholesale and retail societies who nearly twenty years ago were charged with responsibility for launching this new kind of Co-operative retailing business.

Setting up the Co-operative Chain

In 1961/2 the Board of Shoefayre were faced with the problem of how to create a significant chain of shoe shops and it was first of all agreed that the ten specialist footwear shops opened by the C.W.S. in the preceding six years, should be taken over. In addition, enquiries were pursued as regards the possibility of acquiring existing

chains of shops with the result that Blindells Limited (100 branches) was acquired in August, 1962; this Company had a well established warehouse and head office in Wigston (near Leicester) which is now the Registered Office of Shoefayre Limited. The Warehouse - from which all branches throughout the country receive a weekly delivery of goods - has since been substantially extended and now comprises over 50,000 sq. ft., with mechanised handling of all merchandise into and out of the premises. Then in January, 1963, Shoefayre acquired the 44 provincial shops of Dunns Footwear Limited; these were located mainly in the North East, South Wales and Lincolnshire and "fitted in" geographically very well with the Blindells shops which were mostly in the Midlands, London suburbs and Kent.

These acquisitions required finance additional to Shoefayre's resources at the time, and this was provided by the C.W.S. in the form of loan capital which had been largely repaid out of profits by the end of 1977.

In the years 1963 and 1964, the Board and management of Shoefayre were pre-occupied with welding into one organisation the groups of shops which had been taken-over, and at the same time establishing buying and merchandising policies which would enable their outlets to compete with the many high street footwear multiples all of whom had many decades of experience behind them. A programme of rationalisation was embarked upon and many small branches with doubtful prospects were closed. In these two formative years (1963/4) Shoefayre's losses totalled £81,000 but in the following year a profit of £60,000 was recorded and the organisation has since operated each year at a substantial profit.

Changes in top management were made. Stocks were brought under strict control and scrutiny and separate specialist buying appointments were made to deal with

ladies' footwear, children's and girls' shoes, and men's and boys' shoes. Better control over branch stocks was secured by the introduction of computerised recording of sales at every branch by style, colour and size of shoes. (Computer operation has since been extended to deal with warehouse stocks and invoicing to branches). A display department was established to co-ordinate and direct display organisation and specialist window dressers were engaged to cover the needs of all Shoefayre branches.

In 1963, Shoefayre's total sales were £2,010,000 and they have since climbed steadily to a level of £7,890,000 in 1977.

The following table indicates the progress made by Shoefayre as regards both sales and profitability from 1965 to 1976:-

<u>Year</u>	<u>Gross Sales</u>	<u>Pre-tax Profit</u>
	£	£
1965	2,042,329	59,979
1970	3,055,692	281,973
1976	6,115,395	477,257

(note: The Accounts for 1977 are not yet available).

Shoefayre experience of multiple footwear retailing over the past ten years seems to have demonstrated that - given freedom to develop and operate - Co-operatively owned chain store businesses can compete effectively and profitably with the private multiple companies which in so many areas of retail business continue to secure an increasing share of the national market. Footwear is clearly one of the more highly competitive retail trades as witnessed by the proliferation of multiple shoe shops in the high street of almost every town in the country.

Advantages of "Shoefayre" Retailing

The advantages of multiple shop retailing have been used to the fully by Shoefayre, and they are derived almost entirely from the scale of operation, viz:-

1. Shoes can be purchased direct from factories both at home and abroad without recourse to wholesalers, factors or in-stock "houses". This alone allows the multiples to purchase at lower cost prices, secures a much higher "mark-up" and at the same time permits the fixing of more competitive retail selling prices.
2. Specialist buyers are employed whose sole function is the procurement of footwear most suited to the type of business being promoted by the particular multiple. Area Sales Managers and Branch Managers have no say in the styles or types of shoes to be purchased.
3. In the area of fashion shoes, close liaison with manufacturers allows quicker development of new styles for the shops.
4. All shoes purchased are identified with the multiple which sells them e.g. all shoes sold through Shoefayre shops have the name SHOEFAIRE both on the box and in gold embossed printing on the inside (seat-sock) of the shoe. A customer wishing to purchase a second pair of the same style can thus obtain it only at a Shoefayre branch.

5. Because shoes are purchased from manufacturers on a contract basis, the multiple retailer is free to determine his own marketing and pricing policy i.e. he is not tied to the merchandise ranges, marketing, pricing policies and profit margins "allowed" to retailers as applies in the case of most nationally advertised branded footwear.
6. Multiples invariably operate from one central warehouse (e.g. the British Shoe Corporation distributes all its shoes to branches of Dolcis, Saxone, Manfield, Freeman Hardy Willis, Trueform and Curtess from its own warehouse in Leicester).

This allows very close control over the distribution of shoes to all branches on the basis of a selection and volume appropriate to the sales potential of each branch. Distribution is effected by the multiple's own fleet of vans which can also be most effectively used for re-calling styles from those branches which do not sell them well and re-distributing to other branches having a better rate of sale. Thus, stock depreciation is minimised.

7. Every multiple has a highly organised Stock Control Department whose sole function is to decide the distribution of styles purchased so that they are directed in the right volume to the right shops at the right time, and to monitor sales of every style at every branch so as to make the best use of stocks available, effecting re-calls and redistribution when necessary (as outlined above). This is most important since investment in stock represents a very substantial proportion of total investment in the business.

8. Only operation on the substantial scale of most multiples, makes it viable to employ the necessary computerised control of warehouse stock branch invoicing and detailed sales recording which is an essential tool to effective buying and stock control. For example, at 9.00 a.m. every Monday morning Shoefayre Head Office has a computer print-out showing the shoes sold in every style stocked by the branches in the immediately preceding week, together with computer produced invoices for all branches for the shoes which are to be sent to them as replacement stock or new styles.
9. The employment of a specialist Display Manager and Area Window dressers ensures a continuing good standard of window displays to a pattern laid down for all branches of Shoefayre and also permits the purchase on most economical terms of standard window display stands and fittings, cards, price tickets, rack stands, etc. These items are purchased in bulk quantities for all branches.
10. Specialist functional departments are also engaged in Property and Shopfitting and in Personnel Management and Staff Training. Considerable importance is attached to the latter and Shoefayre maintain continuous training programmes for branch staffs and head office departments as well as for branch management trainees.

It will have been noted that the word "specialist" constantly recurs in this paper, and it is undoubtedly this ability for all specialist sections of management in Shoefayre to concentrate on the one objective (the

efficient and competitive retailing of footwear), which is the main basis for success.

Trading Policies

As regards the merchandise which Shoefayre offers for sale, this broadly falls into two categories:-

- a) Basic type footwear, such as plain walking shoes, slippers, work boots, wellingtons, football boots, training shoes, etc.
- b) Fashion footwear for men, women and children, with particular concentration on young women's popular fashion styles.

An important feature of Shoefayre's policy is operating at price levels which are keenly competitive with any other multiple. The need for keenly competitive pricing has always been found to be most important in basic type shoes and children's footwear. It is in these categories that the public are most price conscious.

Over the past five years, eleven Shoefayre branches have been converted to self-selection selling, with all shoes openly displayed in pairs on racks around the perimeter of the shop, or on "island" stands. These are not self-service shops and a special guide to the method of operating them has been prepared stressing that self-selection presents a better opportunity for assistants to exercise their talent for selling as they are better able to maintain a continuity of contact with the customer as compared with a normal service shop where much of each assistant's time is taken up in fetching and carrying shoes to and from boxes in the shop fixtures. Shoefayre's self-selection shops are amongst its most successful branches but experience has shown that it is important to select

branch managers or manageresses who can readily adapt to the different selling method and that assistants in branches need special training as to the manner of dealing with customers.

The Shoefayre image as presented to the public through its shops does not indicate any direct Co-operative connection, but in many branches there is an arrangement with the local Society to accept their mutuality, credit or similar club vouchers. Two Shoefayre branches only are operated as the footwear departments of a Co-operative store (in Sunderland and Kidderminster). These have both proved successful and profitable and it is felt that more such opportunities for development would be worthy of consideration where the local Society is in favour.

To sum up the Shoefayre experience, one may say that it has demonstrated the potential viability of Co-operatively-owned chains of specialist non-food shops, and Shoefayre itself - now firmly established on a substantially profitable basis - is seeking to achieve further successful expansion through the acquisition of additional new outlets.